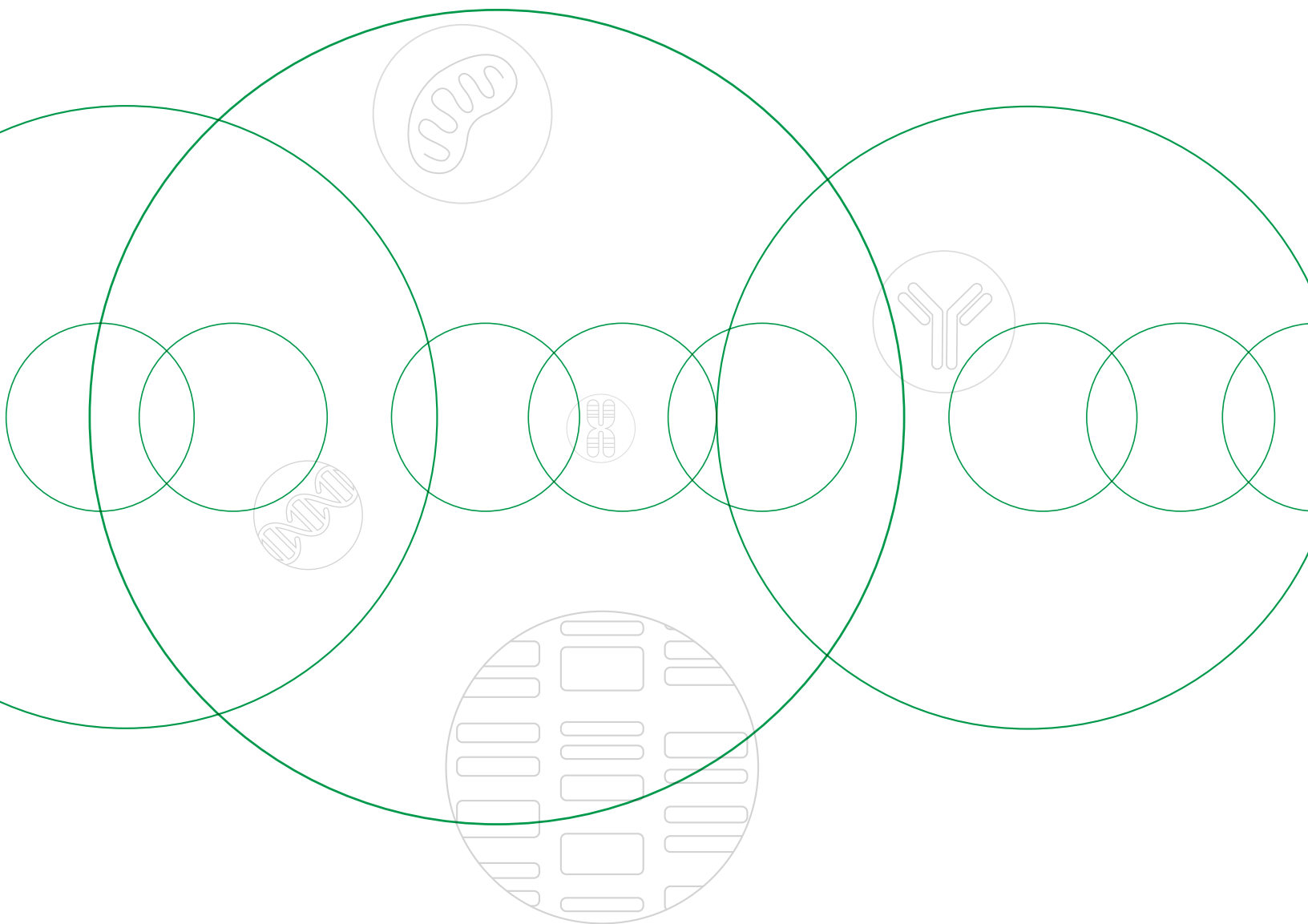




Bio-Rad Laboratories  
2019 Form 10-K





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

FORM 10-K

(Mark One)

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

For the year ended **December 31, 2019**

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number **1-7928**

**BIO-RAD LABORATORIES, INC.**

(Exact name of registrant as specified in its charter)

Delaware

94-1381833

(State or other jurisdiction of incorporation or organization)

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

1000 Alfred Nobel Drive, Hercules, California

94547

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code (510) 724-7000

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

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

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

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

Yes  No

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

Yes  No

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

Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes  No

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

Yes  No

As of June 30, 2019, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the Registrant's Class A Common Stock held by non-affiliates was approximately \$6,613,310,960 and the aggregate market value of the registrant's Class B Common Stock held by non-affiliates was approximately \$67,954,565.

As of February 24, 2020, there were 24,839,715 shares of Class A Common Stock and 5,085,621 shares of Class B Common Stock outstanding.

Documents Incorporated by Reference  
Document

Form 10-K Parts

(1) Definitive Proxy Statement to be mailed to stockholders in connection with the registrant's 2020 Annual Meeting of Stockholders (specified portions)

III

BIO-RAD LABORATORIES, INC.

FORM 10-K DECEMBER 31, 2019

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

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

### **PART I.**

#### **ITEM 1. BUSINESS**

##### **General**

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

As we broadened our product lines, we also expanded our geographical market. We have direct distribution channels in over 35 countries outside the United States through subsidiaries whose focus is sales, customer service and product distribution. In some locations outside and inside these 35 countries, sales efforts are supplemented by distributors and agents.

##### **Description of Business**

##### **Business Segments**

Today, Bio-Rad operates in two industry segments designated as Life Science and Clinical Diagnostics. Both segments operate worldwide. Our Life Science segment and our Clinical Diagnostics segment generated 38% and 61%, respectively, of our net sales for the year ended December 31, 2019. We generated approximately 39% of our consolidated net sales for the year ended December 31, 2019 from U.S. sales and approximately 61% from sales in our remaining worldwide markets.

For a description of business and financial information on industry and geographic segments, see Note 14 of Item 8 of Part II of this report.

## Life Science Segment

Our Life Science segment is at the forefront of discovery, creating advanced tools to answer complex biological questions. We are a leader in the life sciences market and develop, manufacture and market approximately 6,000 reagents, apparatus and laboratory instruments that serve a global customer base. Many of our products are used in established research techniques, biopharmaceutical production processes and food testing regimes. These techniques are typically used to separate, purify and identify biological materials such as proteins, nucleic acids and bacteria within a laboratory or production setting. We focus on selected segments of the life sciences market in proteomics (the study of proteins), genomics (the study of genes), biopharmaceutical production, cellular biology and food safety. We estimate that the worldwide market that our portfolios can address for products in these selected segments of our addressable markets is approximately \$9 billion. Our principal life science customers include universities and medical schools, industrial research organizations, government agencies, pharmaceutical manufacturers, biotechnology researchers, food producers and food testing laboratories.

## Clinical Diagnostics Segment

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

We supply more than 3,000 different products that cover more than 300 clinical diagnostic tests to the IVD test market. We estimate that the worldwide sales for products in the markets we serve were approximately \$12 billion. IVD tests are conducted outside the human body and are used to identify and measure substances in a patient's tissue, blood or urine. Our products consist of reagents, instruments and software, typically provided to our customers as an integrated package to allow them to generate reproducible test results. Revenue in this business is highly recurring, as laboratories typically standardize test methodologies, which are dependent on a particular supplier's equipment, reagents and consumable products. An installed base of diagnostic test systems therefore typically creates an ongoing source of revenue through the sale of test kits for each sample analyzed on an installed system. Our principal clinical diagnostic customers include hospital laboratories, reference laboratories, transfusion laboratories and physician office laboratories.

## **Raw Materials and Components**

We utilize a wide variety of chemicals, biological materials, electronic components, machined metal parts, optical parts, computing and peripheral devices. Most of these materials and components are available from numerous sources, and generally we have not experienced difficulty in securing adequate supplies. However, in certain instances we acquire components and materials from a sole supplier. Due to the regulatory environment in which we operate, we may be unable to quickly establish additional or replacement sources for some components or materials.

## **Patents, Trademarks and Licenses**

We own over 2,000 U.S. and international patents and numerous trademarks. We also hold licenses under U.S. and foreign patents owned by third parties and pay royalties on the sales of certain products under the licenses. We view these patents, trademarks and license agreements as valuable assets; however, we believe that our ability to develop and manufacture our products depends primarily on our knowledge, technology and special skills rather than our patent, trademark and licensing positions.

## **Seasonal Operations and Backlog**

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

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

## **Sales and Marketing**

We conduct our worldwide operations through an extensive direct sales force, employing approximately 920 direct sales and sales management personnel around the world. Our sales force typically consists of experienced industry professionals with scientific training, and we maintain a separate specialist sales force for each of our segments. We believe that this direct sales approach allows us to sell a broader range of our products that creates more brand awareness and long-term relationships with our customers.

We also use a range of sales and marketing intermediaries (SMIs) in our international markets. The types of SMIs we utilize are distributors, agents, brokers and resellers. We have programs and policies in place with our SMIs that require compliance with all applicable laws, including adhering to our anti-corruption standards to ensure a transparent sale to our customers.

Our customer base is broad and diversified. Our worldwide customer base includes (1) prominent university and research institutions; (2) hospital, public health and commercial laboratories; (3) other leading diagnostic manufacturers; and (4) leading companies in the biotechnology, pharmaceutical, chemical and food industries. There has been no single customer that accounted for more than three percent of our total net sales. Our sales are affected by a number of external factors. For example, a number of our customers, particularly in the Life Science segment, are substantially dependent on government grants and research contracts for their funding.

Most of our international sales are generated by our wholly-owned international subsidiaries and their branch offices. Certain of these subsidiaries also have manufacturing facilities. Bio-Rad's international operations are subject to certain risks common to foreign operations in general, such as changes in governmental regulations, import restrictions and foreign exchange fluctuations.

## **Competition**

The markets served by our product groups are highly competitive. Our competitors range in size from start-ups to large multinational corporations with significant resources and reach. We seek to compete primarily in market segments where our products and technology offer customers specific advantages over the competition.

Because of the breadth of its product lines, our Life Science segment does not face the same competitors for all of its products. Major competitors in this market include Becton Dickinson, GE Biosciences, Merck Millipore and Thermo Fisher Scientific. We compete primarily based on meeting performance specifications and offering complete solutions.

Major competitors of our Clinical Diagnostics segment include Roche, Abbott Laboratories, Siemens, Danaher, Thermo Fisher, Becton Dickinson, bioMérieux, Ortho Clinical Diagnostics, Tosoh, Immucor and DiaSorin. We compete in our customer segments by providing high quality products, broad product portfolios and outstanding customer support.

## **Research and Development**

We conduct extensive research and development activities in all areas of our business, employing approximately 780 employees worldwide in these activities, including degreed scientists and technical support staff. Research and development has played a major role in Bio-Rad's growth and is expected to continue to do so in the future. Our research teams are continuously developing new products and new applications for existing products. In our development of new products and applications, we interact with scientific and medical professionals at universities, hospitals and medical schools, and within our industry.

## **Regulatory Matters**

The development, testing, manufacturing, marketing, post-market surveillance, distribution, advertising and labeling of certain of our products (primarily diagnostic products) are subject to regulation in the United States by the Center for Devices and Radiological Health of the U.S. Food and Drug Administration (FDA) and in other jurisdictions by state and foreign government authorities. FDA regulations require that some new products have pre-marketing clearance or approval by the FDA and require certain products to be manufactured in accordance with FDA's "good manufacturing practice" regulations, to be extensively tested and to be properly labeled to disclose test results and performance claims and limitations. After a product that is subject to FDA regulation is placed on the market, numerous regulatory requirements apply, including, for example, the requirement that we comply with recordkeeping and reporting requirements, such as the FDA's medical device reporting regulations and reporting of corrections and removals. The FDA enforces these requirements by inspection and market surveillance. The FDA has authority to take various administrative and legal actions against us for our, or our products', failure to comply with relevant legal or regulatory requirements, including issuing warning letters, initiating product seizures, requesting or requiring product recalls or withdrawals, and other civil or criminal sanctions, among other things.

We are also subject to additional healthcare regulation and enforcement by the federal government and by authorities in the states and foreign jurisdictions in which we conduct our business. Such laws include, without limitation, state and federal anti-kickback, fraud and abuse, false claims, privacy and security and physician sunshine laws and regulations. If our operations are found to be in violation of any of such laws or any other governmental regulations that apply to us, we may be subject to penalties, including, without limitation, civil and criminal penalties, damages, fines, the curtailment or restructuring of our operations, exclusion from participation in federal and state healthcare programs and imprisonment.

Sales of our products will depend, in part, on the extent to which our products or diagnostic tests using our products will be covered by third-party payors, such as government health care programs, commercial insurance and managed healthcare organizations. These third-party payors are increasingly reducing reimbursements for certain medical products and services. In addition, the U.S. government, state legislatures and foreign governments have continued implementing cost containment programs, including price controls and restrictions on reimbursement. Adoption of price controls and cost-containment measures, and adoption of more restrictive policies in jurisdictions with existing controls and measures, could further limit our net revenue and results. Decreases in third-party reimbursement for our products or diagnostic tests using our products, or a decision by a third-party payor to not cover our products could reduce or eliminate utilization of our products and have a material adverse effect on our sales, results of operations and financial condition. In addition, healthcare reform measures have been and will be adopted in the future, any of which could limit the amounts that governments will pay for healthcare products and services, which could result in reduced demand for our products or additional pricing pressures.

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



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

These regulatory requirements vary widely among countries.

## **Employees**

At December 31, 2019, Bio-Rad had approximately 8,120 employees. Approximately seven percent of our approximately 3,180 U.S. employees are covered by a collective bargaining agreement, which will expire on November 14, 2023. Many of our non-U.S. full-time employees, especially in France, are covered by collective bargaining agreements. We consider our employee relations to be generally good.

## **Available Information**

Bio-Rad files annual, quarterly, and current reports, proxy statements, and other documents with the Securities and Exchange Commission (SEC) under the Securities Exchange Act of 1934, as amended. The SEC maintains an Internet website that contains reports, proxy and information statements, and other information regarding issuers, including Bio-Rad, that file electronically with the SEC. The public can obtain any documents that we file with the SEC at <http://www.sec.gov>.

Bio-Rad's website address is [www.bio-rad.com](http://www.bio-rad.com). We make available, free of charge through our website, our Form 10-Ks, 10-Qs and 8-Ks, and any amendments to these forms, as soon as reasonably practicable after filing with the SEC. The information on our website is not part of this Annual Report on Form 10-K.

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

In evaluating our business and whether to invest in any of our securities, you should carefully read the following risk factors in addition to the other information contained in this Annual Report. We believe that any of the following risks could have a material effect on our business, results of operations or financial condition, our industry or the trading price of our common stock. We operate in a continually changing business environment, and new risks and uncertainties emerge from time to time. We cannot predict these new risks and uncertainties, nor can we assess the extent to which any such new risks and uncertainties or the extent to which the risks and uncertainties set forth below may adversely affect our business, results of operations, financial condition, our industry or the trading price of our common stock.

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

We have significant international operations. We have direct distribution channels in over 35 countries outside the United States, and in 2019 our foreign entities generated 61% of our net sales. Compliance with complex foreign and U.S. laws and regulations that apply to our international operations increases our cost of doing business. These numerous and sometimes conflicting laws and regulations include, among others, data privacy requirements (including the requirements for compliance with the EU General Data Protection Regulation, which went into effect May 25, 2018), labor relations laws, tax laws, anti-competition regulations, import and trade restrictions, tariffs, duties, quotas and other trade barriers, export requirements, U.S. laws such as the Foreign Corrupt Practices Act and other U.S. federal laws and regulations established by the office of Foreign Asset Control, foreign laws such as the UK Bribery Act 2010 or other foreign laws which prohibit corrupt payments to governmental officials or certain payments or remunerations to customers. In addition, changes in laws or regulations potentially could be disruptive to our operations and business relationships in the affected regions. For example, the United Kingdom's withdrawal from the European Union (commonly referred to as "Brexit") could disrupt the free movement of goods, services and people between the United Kingdom and the European Union and result in increased regulatory, legal, labor and tax complexities.

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

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

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

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

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

Our future growth depends in part on our ability to continue to improve our product offerings and develop and introduce new product lines and extensions that integrate technological advances. In particular, we may not be able to keep up with changes in the clinical diagnostics industry, such as the trend toward molecular diagnostics or point-of-care tests. If we are unable to integrate technological advances into our product offerings or to design, develop, manufacture and market new product lines and extensions successfully and in a timely manner, our business, results of operations and financial condition will be adversely affected. We have experienced product launch delays in the past, and may do so in the future. We cannot assure you that our product and process development efforts will be successful or that new products we introduce will achieve market acceptance. Failure to launch successful new products or improvements to existing products may cause our products to become obsolete, which could harm our business, results of operations and financial condition.

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

We have experienced and expect to continue to experience attempts by computer programmers and hackers to attack and penetrate our layered security controls, like the December 2019 Cyberattack that is further discussed in Item 7 of this Annual Report. Through our sales and eCommerce channels, we collect and store confidential information that customers provide to, among other things, purchase products or services, enroll in promotional programs and register on our web site. We also acquire and retain information about suppliers and employees in the normal course of business. Such information on our systems includes personally identifiable information and, in limited instances, protected health information. We also create and maintain proprietary information that is critical to our business, such as our product designs and manufacturing processes. Despite recent initiatives to improve our technology systems, such as our enterprise resource planning implementation and the centralization of our global information technology organization, we could experience a significant data security breach. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and often are not recognized until launched against a target, we may not be able to anticipate all of these techniques or to implement adequate preventive measures. Computer hackers have attempted to penetrate and will likely continue to attempt to penetrate our and our vendors' information systems and, if successful, could misappropriate confidential customer, supplier, employee or other business information, such as our intellectual property. Third parties could also gain control of our systems and use them for criminal purposes while appearing to be us. As a result, we could lose existing customers, have difficulty attracting new customers, be exposed to claims from customers, financial institutions, payment card associations, employees and other persons, have regulatory sanctions or penalties imposed, incur additional expenses or lose revenues as a result of a data privacy breach, or suffer other adverse consequences. Our operations and ability to process sales orders, particularly through our eCommerce channels, could also be disrupted, as they were in the December 2019 Cyberattack. Any significant breakdown, intrusion, interruption, corruption, or destruction of our systems, as well as any data breaches, could have a material adverse effect on our business and results of operations. See also our risk factors regarding our information technology systems and our enterprise resource planning system (ERP) implementation below.

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

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

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

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

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

***Our reported financial results may be materially affected by changes in the market value of our investment in Sartorius AG.***

Changes in the market value of our investment in Sartorius AG may continue to materially impact our Consolidated Statements of Income and other financial statements. A decline in the market value of our investment in Sartorius AG could result in significant losses due to write-downs in the value of the equity securities. An increase in the market value of our investment in Sartorius AG could result in a significant and favorable impact to net income independent of the actual operating performance of our business. For example, our net income for 2019 was significantly and favorably impacted by recognition, on the income statement, of an increase in the fair market value of equity securities of \$2,031.0 million, primarily related to the holdings of our investment in Sartorius AG. Net income for 2018 was also significantly and favorably impacted by recognition, on the income statement, of an increase in the fair market value of equity securities of \$606.2 million, primarily related to the holdings of our investment in Sartorius AG.

Our share price may change significantly based upon changes in the market valuation of Sartorius AG, and such change may be unrelated to the actual performance of our business. Non-operating income for a period may be significantly impacted by the timing of dividends paid by Sartorius AG, particularly in comparison to prior year periods.

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

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

We also have positions in equity securities, including our investment in Sartorius AG. Financial markets are volatile and the markets for these equity securities can be illiquid as well. A decline in the market value of our investments in equity securities that we own could result in significant losses due to write-downs in the value of the equity securities. In addition, if we need to convert these positions to cash, we may not be able to sell these equity securities without significant losses.

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

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

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

We made significant changes to our organizational structure over the past few years. In 2016, we began implementing the reorganization of the structure of our European organization, and we have continued implementing this reorganization in 2017, 2018 and 2019. The Board of Directors appointed a new Chief Financial Officer effective April 6, 2019 and a new Chief Operating Officer effective April 22, 2019. At the beginning of 2020, we appointed a new executive to head our Clinical Diagnostics segment, and we restructured this segment based on functional groups rather than product line divisions. These changes may have unintended consequences, such as distraction of our management and employees, business disruption, attrition of our workforce, inability to attract or retain key employees, and reduced employee morale or productivity.

***Violations of the U.S. Foreign Corrupt Practices Act or similar anti-corruption laws could have a material adverse effect on our business, results of operations and financial condition.***

As further discussed above in our risk factor concerning our international operations, we have significant international operations which expose us to additional costs and legal and regulatory risks, including the risk of violating anti-corruption laws such as the U.S. Foreign Corrupt Practices Act (FCPA) or similar anti-corruption laws. As previously disclosed, we entered into a non-prosecution agreement (NPA) with the U.S. Department of Justice (DOJ) and the Securities and Exchange Commission (SEC) and consented to the entry of an Order by the SEC (SEC Order), effective November 3, 2014, which actions resolved both the DOJ and the SEC investigations into our violations of the FCPA. Any future violations of the FCPA could result in more punitive actions by the SEC and DOJ and/or could harm our reputation with customers, either of which could materially adversely affect our business, results of operations and financial condition.

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

Maintaining effective disclosure controls and procedures and internal controls over financial reporting are necessary for us to produce reliable financial statements.

As previously discussed in Item 9A "Controls and Procedures" of our Annual Report for the period ended December 31, 2017, and Item 4 "Controls and Procedures" of our 2018 Form 10-Qs, management identified a material weakness in our internal control over financial reporting. During the fourth quarter of 2017 and throughout 2018, management conducted an extensive remediation plan to address its material weakness, and management concluded that the material weakness had been remediated as of December 31, 2018. However, we cannot assure you that additional deficiencies or material weaknesses in our internal control over financial reporting will not be identified in the future.

Material weaknesses have adversely affected us in the past and could affect us in the future, and the results of our periodic management evaluations and annual auditor attestation reports regarding the effectiveness of our internal control over financial reporting required by Section 404 of the Sarbanes-Oxley Act of 2002. Any failure to maintain or implement new or improved internal controls, or any difficulties that we may encounter in their maintenance or implementation, could result in additional significant deficiencies or material weaknesses, result in material misstatements in our consolidated financial statements and cause us to fail to meet our reporting obligations. This could cause us to lose public confidence, and could cause the trading price of our common stock to decline. For further information regarding our controls and procedures, see Part II, Item 9A of this Annual Report on Form 10-K.

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

We rely on a combination of copyright, trade secret, patent and trademark laws and third-party nondisclosure agreements to protect our intellectual property rights and products. However, we cannot assure you that our intellectual property rights will not be challenged, invalidated, circumvented or rendered unenforceable, or that meaningful protection or adequate remedies will be available to us. For instance, unauthorized third parties have attempted to copy our intellectual property, reverse engineer or obtain and use information that we regard as proprietary, or have developed equivalent technologies independently, and may do so in the future. Additionally, third parties have asserted patent, copyright and other intellectual property rights to technologies that are important to us, and may do so in the future. If we are unable to license or otherwise access protected technology used in our products, or if we lose our rights under any existing licenses, we could be prohibited from manufacturing and marketing such products. From time to time, we also must enforce our patents or other intellectual property rights or defend ourselves against claimed infringement of the rights of others through litigation. As a result, we could incur substantial costs, be forced to redesign our products, or be required to pay damages or royalties to an infringed party. Any of the foregoing matters could adversely impact our business, results of operations and financial condition.

***Global economic and geopolitical conditions could adversely affect our operations.***

In recent years, we have been faced with very challenging global economic conditions. A deterioration in the global economic environment may result in decreased demand for our products, increased competition, downward pressure on the prices for our products and longer sales cycles. A weakening of macroeconomic conditions may also adversely affect our suppliers, which could result in interruptions in supply in the future. We have also experienced delays in collecting receivables in certain countries in Western Europe, and we may experience similar delays in these and other countries or regions experiencing liquidity problems. In addition, a slowing of growth in the Chinese economy and in emerging markets, especially those oil-producing countries that would be affected by a decline in oil prices, could adversely affect our business, results of operations or financial condition. There is also uncertainty surrounding the impact that Brexit will have on European and worldwide economic conditions and the stability of global financial markets, and a negative effect from any of these things could adversely affect our business, results of operations or financial condition. Additionally, the United States and other countries, such as China and India, recently have imposed tariffs on certain goods. While tariffs imposed by other countries on U.S. goods have not yet had a significant impact on our business, further escalation of tariffs or other trade barriers could adversely impact our profitability and/or our competitiveness. In addition, the geopolitical situation in locations such as the Middle East could adversely affect our business in such locations. See also our risk factors regarding our international operations above and regarding government regulations below.

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

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

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

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

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

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

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

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

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

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



Many foreign governments have similar rules and regulations regarding the importation, registration, labeling, sale and use of our products. Such agencies may also impose new requirements that may require us to modify or re-register products already on the market or otherwise impact our ability to market our products in those countries. For example, in April 2017 the European Parliament voted to enact final regulations that include broad changes regarding in vitro diagnostic devices and medical devices, which will require us to modify or re-register some products and will result in additional costs. In addition, Russia has enacted more stringent medical product registration and labeling regulations, China has enacted stricter labeling requirements, and we expect other countries, such as Brazil and India, to impose more regulations that impact our product registrations. Brexit also will likely result in additional regulatory requirements associated with goods sold in the United Kingdom and will likely result in additional complexities and possible delays with respect to goods, raw materials and personnel moving between the United Kingdom and the European Union. In addition, new government administrations may interpret existing regulations or practices differently. For example, the Mexican health regulatory agency COFEPRIS in 2019 cited Bio-Rad's Mexican subsidiary for operating practices that had been endorsed by a prior administration, which has impacted our ability to conduct our Clinical Diagnostics business in Mexico. Due to these evolving and diverse requirements, we face uncertain product approval timelines, additional time and effort to comply, as well as the potential for reduced sales and/or fines for noncompliance. Increasing protectionism in such countries also impedes our ability to compete with local companies. For example, we may not be able to participate in certain public tenders in Russia because of increasing measures to restrict access to such tenders for companies without local manufacturing capabilities. Such regulations could adversely affect our business, results of operations and financial condition. See also our risk factors regarding our international operations and regarding global economic and geopolitical conditions above.

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

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

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

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

The benefits of any acquisition may prove to be less than anticipated and may not outweigh the costs reported in our financial statements. Completing any potential future acquisitions could cause significant diversion of our management's time and resources. If we acquire new companies, products or technologies, we may be required to assume contingent liabilities or record impairment charges for goodwill and other intangible assets over time. Goodwill and non-amortizable intangible assets are subject to impairment testing, and potential periodic goodwill impairment charges, amortization expenses related to certain intangible assets, and other write-offs could harm our

operating results. Impairment tests are highly sensitive to changes in assumptions and minor changes to assumptions could result in impairment losses. If the results forecast in our impairment tests are not achieved, or business trends vary from the assumptions used in forecasts, or external factors change detrimentally, future impairment losses may occur. For example, as we previously discussed in Item 7 of our Annual Report for the period ended December 31, 2017, one reporting unit, whose goodwill was primarily from the acquisitions of Biotest AG and DiaMed Holding AG, had excess fair value over book value of only 8% at December 31, 2017. The goodwill allocated to this reporting unit as of December 31, 2017 was \$263.6 million. We impaired all the goodwill related to this reporting unit for the year ended December 31, 2018 because assumptions utilized in our 2017 forecast did not materialize.

We cannot assure you that we will successfully overcome these risks or any other problems we encounter in connection with any acquisitions, and any such acquisitions could adversely affect our business, results of operations and financial condition.

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

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

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

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

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

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

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

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

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

Acts of terrorism, bioterrorism, violence or war, or public health issues such as the outbreak of a contagious disease like the 2019-Novel Coronavirus (COVID-19) could also affect the markets in which we operate, our business operations and strategic plans. Political unrest may affect our sales in certain regions, such as in Southeast Asia, the Middle East and Eastern Europe. Any of these events could adversely affect our business, results of operations and financial condition.

***We may have higher than anticipated tax liabilities.***

We are subject to income taxes in the United States and many foreign jurisdictions. We report our results of operations based on our determination of the amount of taxes owed in various tax jurisdictions in which we operate. The determination of our worldwide provision for income taxes and other tax liabilities requires estimation, judgment and calculations where the ultimate tax determination may not be certain. Our determination of our tax liabilities is subject to review or examination by tax authorities in various tax jurisdictions. Tax authorities have disagreed with our judgment in the past and may disagree with positions we take in the future resulting in assessments of additional taxes. Any adverse outcome of such review or examination could have a negative impact on our operating results and financial condition.

Economic and political pressures to increase tax revenues in various jurisdictions may make resolving tax disputes more difficult. For example, in recent years, the tax authorities in Europe have disagreed with our tax positions related to hybrid debt, research and development credits, transfer pricing and indirect taxes, among others. We regularly assess the likelihood of the outcome resulting from these examinations to determine the adequacy of our provision for income taxes. Although we believe our tax estimates are reasonable, the final determination of tax audits and any related litigation could be materially different from our historical income tax provisions and accruals.

The results from various tax examinations, audits and litigation may differ from the liabilities recorded in our financial statements and could materially and adversely affect our financial results and cash flows in the periods in which those determinations are made.

***Changes in tax laws or rates, changes in the interpretation of tax laws or changes in the jurisdictional mix of our earnings could adversely affect our financial position and results of operations.***

On December 22, 2017, the U.S. enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act") which made a number of substantial changes to how the United States imposes income tax on multinational corporations. The U.S Treasury, Internal Revenue Service and other standard setting bodies continue to issue guidance and interpretation relating to the Tax Act. As future guidance is issued, we may make adjustments to amounts previously reported that could materially impact our financial statements.

Our global operations subject us to income and other taxes in the U.S. and in numerous foreign jurisdictions, each with different tax schemes and tax rates. In addition to the changes in tax laws and the interpretation of tax laws and tax rates in these jurisdictions, the jurisdictional mix of our earnings in countries with differing statutory tax rates can have a significant impact on our effective tax rate from period to period.

The tax effect of our investment in Sartorius AG and the jurisdictional mix of our earnings could continue to materially affect our financial results and cash flow.

In addition, the adoption of some or all of the recommendations set forth in the Organization for Economic Cooperation and Development's project on "Base Erosion and Profit Shifting" (BEPS) by tax authorities in the countries in which we operate, could negatively impact our effective tax rate. These recommendations focus on payments from affiliates in high tax jurisdictions to affiliates in lower tax jurisdictions and the activities that give rise to a taxable presence in a particular country.

***Our reported financial results may be materially affected by changes in accounting principles generally accepted in the United States.***

Generally accepted accounting principles in the United States, or U.S. GAAP, are subject to interpretation by the Financial Accounting Standards Board, or FASB, the U.S. Securities and Exchange Commission, or SEC, and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported financial results, and could affect the reporting of transactions completed before the announcement of a change.

For example, in January 2016, the FASB issued Accounting Standards Update No. (ASU) 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities." Amendments under ASU 2016-01, among other items, require that all equity investments in unconsolidated entities (other than those accounted for using the equity method of accounting), such as our investment in Sartorius AG, will be measured at fair value through earnings. The impact of adoption of ASU 2016-01 in the first quarter of 2018 materially impacted our Condensed Consolidated Statements of Income due to our investment in Sartorius AG, and this impact may continue in future periods.

Also for example, in February 2016, the FASB issued ASU 2016-02, "Leases," which requires, among other items, lease accounting to recognize most leases as assets and liabilities on the balance sheet. We adopted ASU 2016-02 on a modified retrospective basis effective January 1, 2019 with practical expedients. Where we act as a lessee, the adoption of the standard resulted in material additions to the balance sheet for right-of-use assets and the associated liabilities. Where we act as a lessor in reagent rental arrangements, there was an insignificant impact to our consolidated financial statements.

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

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

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

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

We have substantial debt and have the ability to incur additional debt. As of December 31, 2019, we had approximately \$439.8 million of outstanding indebtedness, primarily consisting of the 4.875% Notes due in December 2020 as further discussed in Note 5 of the Consolidated Financial Statements. In addition, we have a revolving credit facility that provides for up to \$200.0 million, \$0.2 million of which has been utilized for domestic standby letters of credit. Our incurrence of substantial amounts of debt may have important consequences. For instance, it could:

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

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

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

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

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

- the U.S. federal Anti-Kickback Statute, which prohibits, among other things, persons or entities from soliciting, receiving, offering or providing remuneration, directly or indirectly, in return for or to induce either the referral of an individual for, or the purchase order or recommendation of, any item or services for which payment may be made under a federal healthcare program such as the Medicare and Medicaid programs;
- U.S. federal false claims laws, which prohibit, among other things, individuals or entities from knowingly presenting, or causing to be presented, claims for payment from Medicare, Medicaid, or other third-party payors that are false or fraudulent. In addition, the U.S. federal government may assert that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the false claims statutes;
- the U.S. Physician Payment Sunshine Act, which requires certain manufacturers of drugs, biologics, devices and medical supplies to record any transfers of value to U.S. physicians and U.S. teaching hospitals;
- the Health Insurance Portability and Accountability Act ("HIPAA"), as amended by the Health Information Technology for Economic and Clinical Health Act, which governs the conduct of certain electronic healthcare transactions and protects the security and privacy of protected health information; and
- state or foreign law equivalents of each of the U.S. federal laws above, such as anti-kickback and false claims laws, which may apply to items or services reimbursed by any third-party payor, including commercial insurers.

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

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

As part of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the SEC adopted disclosure requirements regarding the use of certain minerals, known as conflict minerals, which are mined from the Democratic Republic of Congo (DRC) and adjoining countries, as well as procedures regarding a manufacturer's efforts to identify the sourcing of such minerals and metals produced from those minerals. In March and April 2017, the European Parliament and the European Council formally approved a conflict minerals regulation, and the requirements will become effective starting in January 2021. We have incurred, and will continue to incur, additional costs in order to comply with the SEC's disclosure requirements. In addition, we might incur further costs due to possible changes to our products, processes, or sources of supply as a consequence of our due diligence activities. As our supply chain is complex, we may not be able to sufficiently verify the origins of the specified minerals used in our products through our due diligence procedures, which may harm our reputation. In addition, we may encounter challenges to satisfy those customers who require that all of the components of our products be certified as “DRC conflict free”, which could place us at a competitive disadvantage if we do not do so. We filed our report for the calendar year 2018 with the SEC on May 3, 2019.

**Risks related to our common stock**

***A significant majority of our voting stock is held by the Schwartz family, which could lead to conflicts of interest.***

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

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

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

## ITEM 2. PROPERTIES

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

Segment	Location	Owned/Leased
Life Science	Greater San Francisco Bay Area, California	Owned/Leased
	Singapore, Singapore	Leased
	Oxford, England	Leased
Clinical Diagnostics	Greater San Francisco Bay Area, California	Owned/Leased
	Irvine, California	Leased
	Greater Seattle Area, Washington	Leased
	Lille, France	Owned
	Greater Paris Area, France	Leased
	Nazareth-Eke, Belgium	Leased
	Cressier, Switzerland	Owned/Leased
Dreieich, Germany	Owned/Leased	

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

## ITEM 3. LEGAL PROCEEDINGS

On May 27, 2015, our former general counsel, Sanford S. Wadler, filed a lawsuit in the U.S. District Court, Northern District of California, against us and four of our then current directors and one former director. The plaintiff's suit alleged whistleblower retaliation in violation of the Sarbanes-Oxley Act and the Dodd-Frank Act for raising FCPA-related concerns. Mr. Wadler also alleged wrongful termination in violation of public policy, non-payment of wages and waiting time penalties in violation of the California Labor Code. The plaintiff sought back pay, compensatory damages for lost wages, earnings, retirement benefits and other employee benefits, compensation for mental pain and anguish and emotional distress, waiting time penalties, punitive damages, litigation costs (including attorneys' fees) and reinstatement of employment. On July 28, 2015, we filed a motion to dismiss the plaintiff's complaint and specifically requested dismissal of the claims alleged against us under the Dodd-Frank Act and California Labor Code 1102.5 and the claims against the directors under the Sarbanes-Oxley Act and the Dodd-Frank Act. On October 23, 2015, the District Court granted our motion with respect to the alleged violations of the Sarbanes-Oxley Act against all the director defendants except Norman Schwartz with prejudice. The Court denied our motion to dismiss the claims under the Dodd-Frank Act as against both us and the director defendants. The trial commenced on January 17, 2017 and concluded on February 6, 2017. Mr. Wadler was awarded \$10.92 million, plus prejudgment interest of \$141,608, post-judgment interest, and Mr. Wadler's litigation costs, expert witness fees, and reasonable attorneys' fees as approved by the Court. We previously accrued for the judgment, interest and Mr. Wadler's litigation costs. On June 6, 2017, we filed a notice of appeal with the United States Court of Appeals for the Ninth Circuit. Oral arguments occurred on November 14, 2018. On



February 26, 2019, the United States Court of Appeals for the Ninth Circuit issued its decision, reversing in part, vacating in part, and affirming in part. Specifically, the court: (1) reversed the Dodd-Frank claim, which amounts to about \$2.96 million plus interest, and directed the district court to enter judgment in Bio-Rad's favor on that claim; (2) vacated the SOX claim due to instructional error and remanded for further proceedings, including whether a new trial is needed; and (3) affirmed the California public policy claim and the \$7.96 million in damages attributable to it. On March 12, 2019 we filed a petition for panel rehearing or rehearing *en banc* with the United States Court of Appeals for the Ninth Circuit, and this petition was denied on April 8, 2019. On September 24, 2019, Mr. Wadler filed a dismissal with prejudice of all remaining claims under the lawsuit with the U.S. District Court, Northern District of California as a result of a Confidential Settlement Agreement and Satisfaction of Judgment that the parties entered into that was last executed on September 6, 2019. This matter did not have a material impact on our 2019 results of operations and is now closed.

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

#### **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

## PART II.

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

#### Information Concerning Common Stock

Bio-Rad's Class A and Class B Common Stock are listed on the New York Stock Exchange with the ticker symbols BIO and BIOB, respectively.

On February 24, 2020, we had 209 holders of record of Class A Common Stock and 103 holders of record of Class B Common Stock. Bio-Rad has never paid a cash dividend and has no present plans to pay cash dividends.

In November, 2017, the Board of Directors authorized a new share repurchase program, granting Bio-Rad authority to repurchase, on a discretionary basis, up to \$250.0 million of outstanding shares of our common stock. Repurchases may be made at management's discretion from time to time on the open market or through privately negotiated transactions. This new authorization superseded the prior authorization of up to \$18.0 million of Bio-Rad's common stock and has no expiration.

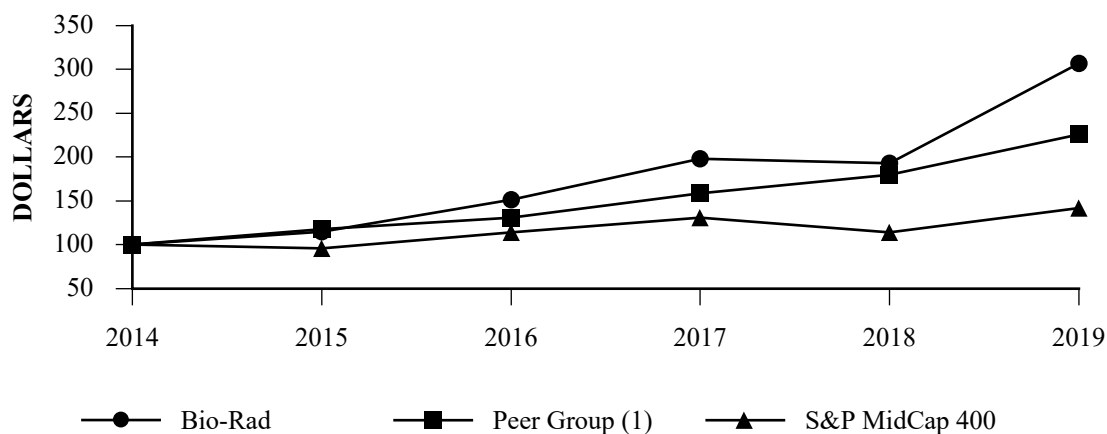
The following table contains information on the shares of our common stock that we purchased or otherwise acquired during the three months ended December 31, 2019, as required by the Securities and Exchange Commission rules.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May yet be Purchased Under the Plans or Programs (in millions)
October 1 to October 31, 2019	—	\$ —	—	\$ 181.1
November 1 to November 30, 2019	22,343 Class A	\$ 358.04	22,343 Class A	\$ 173.1
December 1 to December 31, 2019	—	\$ —	—	\$ 173.1

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

## Stock Performance Graph

The following graph compares the cumulative stockholder returns over the past five years for our Class A Common Stock, the S&P 400 MidCap Index and a selected peer group, assuming \$100 invested on December 31, 2014, and reinvestment of dividends if paid:



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

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

## ITEM 6. SELECTED FINANCIAL DATA

BIO-RAD LABORATORIES, INC.  
Selected Financial Data  
(In thousands, except per share data)

	Year Ended December 31,				
	2019	2018	2017	2016	2015
Net sales	\$ 2,311,659	\$ 2,289,415	\$ 2,160,153	\$ 2,068,172	\$ 2,019,441
Cost of goods sold	1,054,663	1,066,264	972,450	929,744	897,771
Gross profit	1,256,996	1,223,151	1,187,703	1,138,428	1,121,670
Selling, general and administrative expense	824,625	834,783	806,790	814,697	761,990
Research and development expense	202,710	199,196	250,157	205,708	192,972
Impairment losses on goodwill and long-lived assets	—	292,513	11,506	62,305	—
Interest expense	23,416	23,962	23,014	23,380	21,692
Foreign currency exchange losses, net	2,245	2,861	9,128	4,542	10,249
Change in fair market value of equity securities	(2,030,987)	(606,230)	—	—	—
Other (income) expense, net	(26,094)	(36,593)	(10,697)	(13,764)	(11,080)
Income before income taxes	2,261,081	512,659	97,805	41,560	145,847
(Provision for) benefit from income taxes	(502,406)	(147,045)	24,444	(15,560)	(36,608)
Net income	\$ 1,758,675	\$ 365,614	\$ 122,249	\$ 26,000	\$ 109,239
Basic earnings per share	\$ 58.93	\$ 12.25	\$ 4.12	\$ 0.88	\$ 3.74
Diluted earnings per share	\$ 58.27	\$ 12.10	\$ 4.07	\$ 0.88	\$ 3.71
Cash dividends paid per common share	\$ —	\$ —	\$ —	\$ —	\$ —
Total assets	\$ 8,008,859	\$ 5,611,068	\$ 4,273,012	\$ 3,850,504	\$ 3,709,718
Long-term debt, net of current maturities	\$ 13,579	\$ 438,937	\$ 434,581	\$ 434,186	\$ 433,883

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

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

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

We sell more than 9,000 products and services to a diverse client base comprised of scientific research, healthcare, education and government customers worldwide. We do not disclose quantitative information about our different products and services as it is impractical to do so based primarily on the numerous products and services that we sell and the global markets that we serve.

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

We are impacted by the support of many governments for both research and healthcare. The current global economic outlook is still uncertain as the need to control government social spending by many governments limits opportunities for growth. Adding to this uncertainty was the referendum in the United Kingdom to withdraw from the European Union. Approximately 39% of our 2019 consolidated net sales are derived from the United States and approximately 61% are derived from international locations, with Europe being our largest international region. The international sales are largely denominated in local currencies such as the Euro, Swiss Franc, Japanese Yen, Chinese Yuan and British Sterling. As a result, our consolidated net sales expressed in dollars benefit when the U.S. dollar weakens and suffer when the dollar strengthens. When the U.S. dollar strengthens, we benefit from lower cost of sales from our own international manufacturing sites as well as non-U.S. suppliers, and from lower international operating expenses. We regularly discuss our changes in revenue and expense categories in terms of both changing foreign exchange rates and in terms of a currency neutral basis, if notable, to explain the impact currency has on our results.

### ***Cyberattack***

As we previously disclosed on December 9, 2019 on a Form 8-K filed with the Securities and Exchange Commission (SEC), we detected a cyberattack on our network on the evening of December 5, 2019 PST and immediately took affected systems offline as part of our comprehensive response to contain the activity (“December 2019 Cyberattack”). The virus was targeted at Windows-based systems and did not attack our global ERP system (SAP) and other non-Windows-based systems. Critical systems were back online within a few days of the incident. As part of our in-depth investigation into this incident, we engaged outside cyber security experts to assist us with investigation and remediation efforts. To date, we have found no evidence of unauthorized transfer or misuse of personal data, and there is no indication at this point that customer systems were affected. We anticipate some ongoing expenses relating to this incident will continue into the first half of 2020.

We have insurance coverage for costs resulting from cyberattacks. At this time, we expect that our losses from this incident will exceed our insurance coverage. We have not recorded any estimated proceeds resulting from an insurance claim regarding this incident since covered expenses as a result of this incident are still not yet quantified and, in any case, disputes over the extent of insurance coverage for claims are not uncommon. We did not pay a ransom in connection with this incident.

### ***Acquisitions***

In October 2019, we acquired all the issued and outstanding shares of a foreign distributor for approximately \$4.2 million, which included cash payments at closing, net of closing cash, of \$3.6 million, and \$0.6 million in contingent consideration potentially payable to the sellers. In addition, we recorded a net gain of \$0.4 million for the settlement of preexisting conditions concurrent with the acquisition that was recorded in Selling, general and administrative expense. The acquisition was included in our Clinical Diagnostics segment's results of operations from the acquisition date and was accounted for as a business combination. As of December 31, 2019, the preliminary allocation of the payments was \$3.4 million to customer relationships, a definite-lived intangible, \$0.2 million to deferred tax asset, \$0.8 million to deferred tax liability related to the purchased intangible and \$1.4 million to acquired net assets.

In August 2019, we acquired all the issued and outstanding membership interests of Exact Diagnostics, LLC for approximately \$60.0 million. Cash payments at closing, net of closing cash, were \$59.7 million. The acquisition was included in our Clinical Diagnostics segment's results of operations from the acquisition date and was accounted for as a business combination. The final allocation of the payments was \$26.8 million to purchased intangibles consisting primarily of customer relationships, developed product technology and tradenames, \$4.2 million to acquired net assets, and \$28.7 million to goodwill. We believe that the acquisition will accelerate market penetration in the areas of quality controls and assay verification panels in our Clinical Diagnostics operations.

In March 2019, we completed the acquisition of all the issued and outstanding stock of a small U.S. private company for approximately \$20.0 million. Cash payments, net of closing cash, consisted of \$4.0 million paid in November 2018 and the remaining \$16.0 million paid in March 2019. The acquisition was included in our Life Science segment's results of operations from the acquisition date and was accounted for as a business combination. The final allocation of the payments was \$15.6 million to goodwill that included workforce and time-to-market advantage, \$5.5 million to definite-lived intangibles, \$0.2 million to in-process research and development, an indefinite-lived intangible asset, and a deferred tax liability of \$1.3 million related to the purchased intangibles. We believe that the acquisition will expand our reagents suite of offerings in our Life Science operations.

The above acquisitions are immaterial to Bio-Rad taken as a whole for the periods presented.

### ***Restructuring Costs for European and North American Reorganization***

In November 2019, we announced our strategy-driven restructuring plan. We expect that a significant portion of the net savings resulting from this restructuring plan will be repurposed in alignment with our portfolio strategy. The restructuring plan includes a workforce reduction in Europe, United States and Canada, and is expected to be incurred through 2020. We recorded \$25.3 million of expense in restructuring charges related to severance and employee benefits for the year ended December 31, 2019. The liability of \$25.3 million as of December 31, 2019 was recorded in Accrued payroll and employee benefits in the Consolidated Balance Sheets. The amounts recorded were reflected in Cost of goods sold of \$4.8 million, in Selling, general and administrative expense of \$14.4 million and in Research and development expense of \$6.1 million in the Consolidated Statements of Income for the year ended December 31, 2019.

### ***Restructuring Costs for Termination of a Diagnostics Research and Development Project and Facility Closures***

In December 2018, we announced the closure of a small manufacturing facility outside Paris, France. We recorded restructuring charges and adjustments related to severance and employee benefits of \$(0.1) million and \$3.9 million and exit costs of zero and \$0.2 million for the years ended December 31, 2019 and 2018, respectively. From December 2018 to December 31, 2019, total expenses were \$4.0 million.

In June 2018, we announced the closure of a small manufacturing operation in Munich, Germany. We recorded restructuring charges and adjustments related to severance and employee benefits of \$(0.3) million and \$1.7 million for the years ended December 31, 2019 and 2018, respectively. From June 2018 to December 31, 2019, total expenses were \$1.4 million. This restructuring plan was completed in November 2019.

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

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

**Accounting for Income Taxes.** Management is required to make estimates related to our income tax provision in each of the jurisdictions in which we operate. This process involves estimating our current tax exposures, as well as making judgments regarding the recoverability of deferred tax assets in each jurisdiction. Deferred tax assets and liabilities reflect the tax effects of net operating losses, tax credits, and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Management assesses the likelihood that the deferred tax assets will be recovered from future taxable income and to the extent management believes that recovery is not likely, a valuation allowance must be established. To the extent management establishes a valuation allowance or increases this allowance in a period, an increase to expense within the Provision for income taxes in the Consolidated Statements of Income may result.

As of December 31, 2019 and 2018, we recorded a valuation allowance of \$67.2 million and \$70.8 million, respectively, due to uncertainties related to our ability to utilize deferred tax assets in some jurisdictions. The valuation allowance is based on management's current estimates of taxable income for the jurisdictions in which we operate and the period over which the deferred tax assets will be recoverable. In the event that actual results differ from these estimates, or these estimates are adjusted in future periods, an additional valuation allowance may need to be established, which would increase the tax provision, lowering income and impacting our financial position. Should realization of these deferred tax assets for which a valuation allowance has been provided occur, the provision for income taxes may decrease, raising income and positively impacting Bio-Rad's financial position.

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

On December 22, 2017, the U.S. enacted comprehensive tax legislation (the "Tax Act"). The Tax Act made broad and complex changes to the U.S. tax code, including the imposition of a one-time mandatory deemed repatriation tax ("Transition Tax") on certain earnings accumulated offshore since 1986 and the reduction of the corporate tax rate from 35% to 21% for U.S. taxable income, resulting in a one-time remeasurement of U.S. federal deferred tax assets and liabilities. In 2017, we recorded an income tax benefit of \$70 million related to the Transition Tax and remeasurement of our U.S. federal deferred tax assets and liabilities. We completed our accounting for the Tax Act under Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act ("SAB 118") in 2018, which resulted in an additional income tax benefit of \$49 million.

**Valuation of Business Acquisitions, Goodwill and Long-lived Assets.** Upon the consummation of a business combination, we use multiple analyses to determine the fair market value of the consideration of assets acquired and liabilities assumed. Once the fair market value of the acquired business is determined, any residual value between fair market value and the consideration is defined as goodwill.

Goodwill represents the excess of the cost over the fair value of net tangible and identifiable intangible assets of acquired businesses, which could include contingent consideration. Contingent consideration is an obligation of the acquirer to transfer additional assets or equity interest to the former owners of an acquiree as part of the exchange for control of the acquiree if specified future events occur or conditions are met. Contingent consideration is reported at fair value each reporting period until the contingency is resolved. Any changes in fair value are recognized in earnings, which could become volatile over time depending on the facts and circumstances.

Goodwill amounts are assigned to reporting units at the time of acquisition and are adjusted for any subsequent significant transfers of business between reporting units. We assess the impairment of goodwill annually in the fourth quarter or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. We perform the impairment tests of goodwill at our reporting unit level, which is one level below our operating segments. A goodwill impairment will be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill.

We use a projected discounted cash flow model to determine the fair value of a reporting unit. This discounted cash flow method for determining goodwill may be different from the fair value that would result from an actual transaction between a willing buyer and a willing seller. Projections such as discounted cash flow models are inherently uncertain and accordingly, actual future cash flows may differ materially from projected cash flows. Management judgment is required in developing the assumptions for the discounted cash flow model. These assumptions include revenue growth rates, profit margins and discount rates. In addition, for some diagnostic units where they supply reagent rental equipment, capital expenditures can have a significant impact. We estimate future cash flows using current and longer-term financial forecasts. These forecasts take into account the current economic environment. The discount rates used are compiled using independent sources, current trends in similar businesses and other observable market data. Changes to these rates might result in material changes in the valuation and determination of the recoverability of goodwill. For example, an increase in the discount rate used to discount cash flows will decrease the computed fair value.

Impairment tests are highly sensitive to changes in assumptions and minor changes to assumptions could result in impairment losses. Our forecasts utilized in our 2019 impairment test assumed, among other things, sales growth from executing our sales and marketing programs, new product introductions, successful product development and timely registration of our products when required, while controlling costs to manufacture and service our equipment at the customer site. In addition, external factors, such as competitive pricing in the market, currency, inflation rates, cost of capital, and forecasted tax rates could affect the determination of fair value of our reporting units. Our impairment tests resulted in excessive fair value over book value ranging from 75% to more than 400% for our various reporting units. If the initiatives mentioned above do not achieve the desired results, or external factors change detrimentally, future impairment losses may occur.

To validate the reasonableness of the reporting unit fair values, we reconcile the aggregate fair values of the reporting units to the enterprise market capitalization. In performing the reconciliation we may, depending on the volatility of the market value of our stock price, use either the stock price on the valuation date or the average stock price over a range of dates around the valuation date.

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

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



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

In conjunction with our annual valuation of goodwill, there were no impairment losses in 2019. In 2018, we impaired goodwill associated with our 1999 acquisition of Pasteur Sanofi Diagnostics S.A., 2007 through 2012 acquisitions of DiaMed Holding AG, DiaMed Fennica Oy, DiaMed (G.B.) Limited, and DiaMed Benelux (collectively DiaMed), 2010 acquisition of Biotest AG, and 2013 acquisition of AbD Serotec in the amounts of \$18.1 million, \$247.2 million, \$10.8 million and \$5.9 million, respectively. Goodwill for DiaMed, Biotest AG and AbD Serotec was fully impaired at December 31, 2018. In 2018, we impaired developed product technology and fully impaired covenants not to compete in the amounts of \$8.8 million and \$1.7 million, respectively, associated with our 2012 acquisition of a cell sorting system from Propel Labs, Inc.

In 2017, we impaired goodwill associated with our 1999 acquisition of Pasteur Sanofi Diagnostics S.A. and with our 2013 acquisition of AbD Serotec in the amounts of \$2.8 million and \$8.7 million, respectively.

All the impairments above were based upon a revision of our Level 3 valuation inputs, i.e., expected future cash flows.

**Revenue Recognition.** We recognize revenue from operations through the sale of products, services, and rental of instruments. Revenue from contracts with customers is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration we expect to receive in exchange for those products or services. We enter into contracts that can include various combinations of products and services, which are generally accounted for as distinct performance obligations. Revenue is recognized net of any taxes collected from customers (sales tax, value added tax, etc.), which are subsequently remitted to government authorities.

Our contracts from customers often include promises to transfer multiple products and services to a customer. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment, and may or may not impact the timing of revenue recognition. Revenue associated with equipment that requires factory installation is not recorded until installation is complete and customer acceptance, if required, has occurred. Certain equipment requires installation due to the fact that the instruments are being operated in a clinical/laboratory environment, and the installation services could result in modification of the equipment in order to ensure that the instruments are working according to specifications of the customer which are subject to validation tests upon completion of the installation. In these arrangements, which require factory installation, the delivery of the equipment and the installation are separate performance obligations. We will recognize the transaction price allocated to the equipment only upon customer acceptance, as the transfer of control has occurred in relation to the equipment at that point in time as the customer has the ability to direct the use of and obtain substantially all of the remaining benefits from the asset. The transaction price allocated to the installation services is also recognized upon completion of the services because without the completion of the installation services and related customer acceptance the customer cannot receive any of the benefits of the service.

At the time revenue is recognized, a provision is recognized for estimated product returns as this right is considered variable consideration. Accordingly, when product revenues are recognized, the transaction price is reduced by the estimated amount of product returns.

Service revenues on extended warranty contracts are recognized ratably over the life of the service agreement as a stand-ready performance obligation. For arrangements that include a combination of products and services, transaction prices are allocated to performance obligations based on stand-alone selling prices. The method used to determine the stand-alone selling prices for service revenues is based on the observable prices when the services have been sold separately.

Reagent rental agreements are a diagnostic industry sales method that provides use of an instrument and consumables (reagents) to a customer on a per test basis. These agreements may also include maintenance of the underlying instruments retained at customer locations as well as initial training. We initially determine if a reagent rental arrangement contains a lease at lease commencement. Where we have determined that such an arrangement contains a lease, we next must ascertain its lease classification for purposes of applying appropriate accounting treatment as an operating, sales-type or direct financing lease. In addition, for purposes of determining the lease term used in performing the lease classification test, we include the noncancellable period of the lease together with those periods covered by the option to extend the lease if the customer is reasonably certain to exercise that option, the periods covered by an option to terminate the lease if the customer is reasonably certain not to exercise that option, and the periods covered by the option to extend (or not to terminate) the lease in which exercise of the option is controlled by the company. While most of our reagent rental arrangements contain either the option for a lessee to extend and/or cancel, the period in which the contract is enforceable is a very short period and therefore the lease term has been limited to the noncancellable period. Furthermore, it has historically been very rare for these arrangements to contain an option for the lessee to purchase the underlying asset.

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

**Results of Operations - Sales, Gross Margins and Expenses - Incorporating by Reference the Results of Operations - Sales, Gross Margins and Expenses from our Annual Report on Form 10-K for the fiscal year ended December 31, 2018**

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

	2019	2018
Net sales	100.0%	100.0%
Cost of goods sold	45.6	46.6
Gross profit	54.4	53.4
Selling, general and administrative expense	35.7	36.5
Research and development expense	8.8	8.7
Impairment losses on goodwill and long-lived assets	—	12.8
Net income	76.1	16.0

**Net sales**

Net sales (sales) in 2019 were \$2.31 billion, an increase of 1.0% compared to \$2.29 billion in 2018. Excluding the impact of foreign currency exchange rate fluctuations, 2019 sales increased by approximately 3.3% compared to 2018. Currency neutral sales increased in all regions.

The Life Science segment sales in 2019 were \$885.9 million, an increase of 2.8% compared to 2018. On a currency neutral basis, sales increased 4.6% compared to 2018. The currency neutral sales increase was primarily driven by growth in our Droplet Digital™ PCR, Food Safety and Process Media product lines. Currency neutral sales increases occurred mostly in the Americas and Europe. Sales in Asia were most impacted by the December 2019 Cyberattack .

The Clinical Diagnostics segment sales in 2019 were \$1.41 billion, relatively flat compared to 2018. On a currency neutral basis, sales increased 2.8% compared to 2018. The currency neutral sales in 2018 benefited from a one-time \$6.0 million receipt for the resolution of a dispute involving a licensed patent. Excluding the one-time receipt last year, we saw currency neutral sales growth across all three regions, primarily in the Americas and Asia. Product lines that contributed to the growth included Quality Controls, Blood Typing, Immunology and Diabetes. Management expects sales growth in Europe to continue to be challenging due to government initiatives to contain healthcare spending, along with increased competition.

**Gross margin**

Consolidated gross margins were 54.4% in 2019 compared to 53.4% in 2018. Life Science segment gross margins in 2019 increased when compared to 2018 by approximately 2.7 percentage points primarily due to \$7.4 million and \$1.5 million of cost of sales benefits in 2019 from escrow releases related to 2011 and 2017 acquisitions within the Life Science group, respectively, and product mix, as well as a decrease in service costs. Clinical Diagnostics segment gross margins in 2019 were flat compared to 2018. Unfavorable manufacturing costs included restructuring costs, lower absorption, and higher service costs primarily associated with a larger installed base. These costs were primarily offset by lower excess and obsolete inventory related costs, logistics costs, and royalty expenses. The gross margin in 2018 benefited from a one-time receipt of \$6.0 million for the resolution of a dispute involving a licensed patent, partially offset by a restructuring charge related to a manufacturing facility closure.

### **Selling, general and administrative expense**

Consolidated selling, general and administrative expenses (SG&A) decreased to \$824.6 million or 35.7% of sales in 2019 compared to \$834.8 million or 36.5% of sales in 2018, an overall decrease of \$10.2 million. Decreases to SG&A primarily were related to lower professional fees of \$27.7 million, lower bad debt of \$14.6 million and lower travel of \$8.6 million. Decreases in SG&A were partially offset primarily by increases in employee related expenses of \$40.8 million, which included higher expenses associated with the restructuring plans in 2019 compared to those in 2018.

### **Research and development expense**

Research and development expense increased to \$202.7 million or 8.8% of sales in 2019 compared to \$199.2 million or 8.7% of sales in 2018. Life Science segment research and development expense increased in 2019 from 2018, primarily driven by additional spending for personnel, outside consultants and supplies that were related to new product innovation within the Droplet Digital PCR product line. Clinical Diagnostics segment research and development expense decreased in 2019 from 2018 primarily from lower spending due to the timing of projects that led to lower outside professional services expense and lower supplies expense, partially offset by the restructuring plan in the fourth quarter of 2019.

### **Impairment losses on goodwill and long-lived assets**

In conjunction with our annual valuation of goodwill, there were no impairment losses in 2019. In 2018, we impaired goodwill associated with our 1999 acquisition of Pasteur Sanofi Diagnostics S.A., 2007 through 2012 acquisitions of DiaMed Holding AG, DiaMed Fennica Oy, DiaMed (G.B.) Limited, and DiaMed Benelux (collectively DiaMed), 2010 acquisition of Biotest AG, and 2013 acquisition of AbD Serotec in the amounts of \$18.1 million, \$247.2 million, \$10.8 million and \$5.9 million, respectively. Goodwill for DiaMed, Biotest AG and AbD Serotec was fully impaired at December 31, 2018. Impairments for the Pasteur Sanofi Diagnostics S.A., DiaMed and Biotest AG were included in our Clinical Diagnostics segment's results of operations, and the impairment for AbD Serotec was included in our Life Science segment's results of operations.

In 2018, we impaired developed product technology and fully impaired covenants not to compete in the amounts of \$8.8 million and \$1.7 million, respectively, associated with our 2012 acquisition of a cell sorting system from Propel Labs, Inc. These impairments were included in our Life Science segment's results of operations.

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

#### **Interest expense**

Interest expense in 2019 was \$23.4 million, a slight decrease compared to 2018 of \$24.0 million.

#### **Foreign currency exchange gains and losses**

Foreign currency exchange gains and losses consist primarily of foreign currency transaction gains and losses on intercompany net receivables and payables and the change in fair value of our forward foreign exchange contracts used to manage our foreign currency exchange risk. Net foreign currency exchange losses for 2019 and 2018 were \$2.2 million and \$2.9 million, respectively. The 2019 and 2018 net foreign currency exchange losses were attributable to market volatility, the result of the estimating process inherent in the timing of shipments and payments of intercompany debt, and the cost of hedging. All years are affected by the economic hedging program we employ to hedge our intercompany receivables and payables denominated in foreign currencies.

### **Change in fair market value of equity securities**

Change in fair market value of equity securities were gains of \$2,031.0 million for 2019 compared to \$606.2 million for 2018, primarily resulting from the recognition of holding gains on our investment in Sartorius AG.

### **Other (income) expense, net**

Other (income) expense, net includes investment and dividend income, interest income on our cash and cash equivalents, short-term investments and long term marketable securities. Other (income) expense, net in 2019 decreased to \$26.1 million of income compared to \$36.6 million of income in 2018. Other income, net decreased primarily due to a land sale of \$4.1 million and a divestiture of a product line of \$5.1 million that both occurred in 2018, and higher other-than-temporary impairment losses on equity method investments that were recorded in light of the investees' financial condition in 2019.

### **Effective tax rate**

Our effective tax rate was 22.2% and 28.7% in 2019 and 2018, respectively. The effective tax rate for 2018 was driven by detriments due to non-deductible impairment charges and the taxation of our foreign operations, partially offset by a \$49 million benefit recorded as a result of the completion of our accounting for the Tax Act under SAB 118. Our effective tax rate may be impacted in the future, either favorably or unfavorably, by many factors including, but not limited to, changes in the geographic mix of earnings, changes to statutory tax rates, changes in tax laws or regulations, tax audits and settlements, and generation of tax credits.

Our income tax returns are routinely audited by U.S. federal, state and foreign tax authorities. We are currently under examination by many of these tax authorities. There are differing interpretations of tax laws and regulations, and as a result, significant disputes may arise with these tax authorities involving issues of the timing and amount of deductions and allocations of income among various tax jurisdictions. We do not believe any currently pending uncertain tax positions will have a material adverse effect on our consolidated financial statements, although an adverse resolution of one or more of these uncertain tax positions in any period may have a material impact on the results of operations for that period.

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

As of December 31, 2019, based on the expected outcome of certain examinations or as a result of the expiration of statutes of limitation for certain jurisdictions, we believe that within the next twelve months it is reasonably possible that our previously unrecognized tax benefits could decrease by approximately \$2.8 million. Substantially all such amounts will impact our effective income tax rate.

### **Comparison of the Year Ended December 31, 2018 to the Year Ended December 31, 2017**

Refer to Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations located in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018, filed on April 16, 2019, for the discussion of the comparison of the fiscal year ended December 31, 2018 to the fiscal year ended December 31, 2017, the earliest of the three fiscal years presented in the Consolidated Statements of Operations.

## ***Liquidity and Capital Resources***

Bio-Rad operates and conducts business globally, primarily through subsidiary companies established in the markets in which we trade. Goods are manufactured in a small number of locations, and are then shipped to local distribution facilities around the world. Our product mix is diversified, and certain products compete largely on product efficacy, while others compete on price. Gross margins are generally sufficient to exceed normal operating costs, and funding for research and development of new products, as well as routine outflows of capital expenditures, interest and taxes. In addition to the annual positive cash flow from operating activities, additional liquidity is readily available via the sale of short-term investments and access to our domestic \$200.0 million unsecured Credit Agreement that we entered into in April 2019, and to a lesser extent international lines of credit. Borrowings under the 2019 Credit Agreement are available on a revolving basis and can be used to make permitted acquisitions, for working capital and for other general corporate purposes. We had no outstanding borrowings under the 2019 Credit Agreement as of December 31, 2019; however, \$0.2 million was utilized for domestic standby letters of credit that reduced our borrowing availability. The 2019 Credit Agreement matures in April 2024. In total under domestic and international lines of credit, standby letters of credit and guarantee arrangements, we had approximately \$207.5 million available for borrowing and usage as of December 31, 2019, which was reduced by approximately \$4.2 million that was utilized for standby letters of credit and guarantee arrangements issued by our banks to support our obligations. Management believes that this availability, together with cash flow from operations, will be adequate to meet our current objectives for operations, research and development, capital additions for manufacturing and distribution, plant and equipment, information technology systems and an acquisition of reasonable proportion to our existing total available capital. However, we have outstanding \$425.0 million principal amount of Senior Notes that are due in December 2020 (4.875% Notes). We are currently assessing the repayment of the 4.875% Notes and believe we have adequate resources to repay or finance this obligation.

At December 31, 2019, we had available \$1,114.6 million in cash, cash equivalents and short-term investments, of which approximately 21% was held in our foreign subsidiaries. We believe that our holdings of cash, cash equivalents and short-term investments in the U.S. and in our foreign subsidiaries are sufficient to meet both the current and long-term needs of our global operations. The amount of funds held in the United States can fluctuate due to the timing of receipts and payments in the ordinary course of business and due to other reasons, such as business-development activities. As part of our ongoing liquidity assessments, we regularly monitor the mix of domestic and foreign cash flows (both inflows and outflows).

It is generally our intention to repatriate certain foreign earnings to the extent that such repatriations are not restricted by local laws or accounting rules, and there are no substantial incremental costs.

Demand for our products and services could change more dramatically than in previous years based on activity, funding, reimbursement constraints and support levels from government, universities, hospitals and private industry, including diagnostic laboratories. The need for certain sovereign nations with large annual deficits to curtail spending, and international trade disputes and increased regulation, could lead to slower growth of, or even a decline in, our business. Sovereign nations either delaying payment for goods and services or renegotiating their debts could impact our liquidity.

### ***Cash Flows from Operations***

Net cash provided by operations was \$457.9 million and \$285.5 million in 2019 and 2018, respectively. The net increase between 2019 and 2018 of \$172.4 million primarily resulted from:

- lower cash paid to suppliers that included value added tax refunds of approximately \$53 million in 2019,
- lower income tax payments in 2019 compared to 2018, and
- higher investment income received, partially offset by
- lower comparative cash received from customers in 2019 was primarily due to higher collections in 2018 subsequent to the ERP implementation in 2017, and
- forward foreign exchange contracts had lower net proceeds in 2019 compared to 2018.

Cash flows from operations during the first quarter have historically had larger payments for royalties, fourth quarter sales commissions to third parties and annual employee bonuses, and we expect this pattern to recur in the first quarter of 2020.

### ***Cash Flows from Investing Activities***

Net cash used in investing activities was \$208.9 million and \$187.0 million for 2019 and 2018, respectively. The net increase between 2019 and 2018 of \$21.9 million was primarily due to payments for acquisitions in 2019, and to a lesser extent proceeds for a divestiture of a product line in 2018 as discussed below. These were partially offset primarily by lower capital expenditures in 2019 than in 2018 as discussed below, and for sales of marketable securities and investments that increased by \$27.6 million in 2019 compared to 2018. Other items that affected cash flows from investing activities are further discussed below.

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

During the first quarter of 2019, we received \$7.4 million from an escrow release related to an acquisition from 2011 within the Life Science Group. During the first quarter of 2018, we received \$7.0 million for a divestiture of a product line and \$4.1 million for a land sale.

In October 2019, we acquired all the issued and outstanding shares of a foreign distributor for approximately \$4.2 million, which included cash payments at closing, net of closing cash, of \$3.6 million, and \$0.6 million in contingent consideration potentially payable to the sellers. The acquisition does not meet the significant or material subsidiary test. The purchase price allocation is preliminary as additional time is required to complete the valuation of assets acquired and liabilities assumed.

In August 2019, we acquired all the issued and outstanding membership interests of Exact Diagnostics, LLC for approximately \$60.0 million. Cash payments at closing, net of closing cash, were \$59.7 million. The acquisition does not meet the significant or material subsidiary test.

In March 2019, we completed the acquisition of all the issued and outstanding stock of a small U.S. private company for approximately \$20.0 million. Cash payments, net of closing cash, consisted of \$4.0 million paid in November 2018 and the remaining \$16.0 million paid in March 2019. The acquisition does not meet the significant or material subsidiary test.

The above acquisitions are immaterial to Bio-Rad taken as a whole for the periods presented.

We continue to review possible acquisitions, including early stage businesses, to expand both our Life Science and Clinical Diagnostics segments. We routinely meet with the principals or brokers of the subject companies. However, it is not certain at this time that any of these discussions will advance to completion.

Capital expenditures in 2019 totaled \$98.5 million, compared to \$129.8 million in 2018. Capital expenditures represent the addition and replacement of production machinery and research equipment, ongoing manufacturing and facility additions for expansion, regulatory, environmental and compliance. Also included in capital expenditures are investments in business systems and data communication upgrades and enhancements, including the remaining phases of the global enterprise resource planning (ERP) platform. All periods include equipment placed with Clinical Diagnostics segment customers who then contract to purchase our reagents for use. Capital expenditures were lower in 2019 than in 2018 primarily due to implementing smaller phases of the ERP platform. In addition in 2018, we made an investment in two office buildings and adjacent land in the greater San Francisco Bay Area, California.

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

Net cash used in financing activities was \$22.8 million compared to \$48.7 million in 2019 and 2018, respectively. Net cash used in financing activities was lower in 2019 than 2018 primarily due to lower repurchases of our common stock in 2019 than in 2018 of \$20.9 million.

We have outstanding 4.875% Notes of \$425.0 million, which are due in December 2020. We are currently assessing the repayment of the 4.875% Notes and believe we have adequate resources to repay or finance this obligation. We believe the current cash is sufficient to meet normal operating costs, and funding for research and development of new products, as well as routine outflows of capital expenditures, interest and taxes.

### ***Treasury Shares***

During 2019, 137,748 shares of our Class A treasury stock and 917 shares of our Class B treasury stock, with an aggregate total cost of \$38.7 million, were reissued to fulfill annual grants to employees under our restricted stock program, and to fulfill our Employee Stock Purchase Plan purchases. Upon reissuing the Class A and B treasury stock under our restricted stock program, a loss of \$8.4 million was incurred as they were reissued at a lower price than their average cost, which reduced Retained earnings while \$24.9 million reduced Additional paid-in-capital. These reissuances for the restricted stock program did not require cash payments or receipts and therefore did not affect liquidity. Upon fulfilling our Employee Stock Purchase Plan purchases, a loss of \$1.6 million was incurred as they were issued at a lower price than the average cost, which reduced Retained earnings and resulted in net proceeds of \$3.8 million.

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

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

### ***Contractual Obligations***

The following summarizes certain of our contractual obligations as of December 31, 2019 and the effect such obligations are expected to have on our cash flows in future periods (in millions):



Payments Due by Period

Contractual Obligations	Total	Less Than One Year	1-3 Years	3-5 Years	More than 5 Years
Long-term debt, including current portion (1)	\$ 440.4	\$ 426.8	\$ 3.1	\$ 0.8	\$ 9.7
Interest payments (1)	28.8	20.1	1.7	1.4	5.6
Operating lease obligations (2)	255.4	41.0	64.4	46.3	103.7
Purchase obligations (3)	35.8	34.0	1.3	0.3	0.2
Long-term liabilities (4)	118.4	5.2	17.3	7.6	88.3

(1) These amounts represent expected cash payments, including finance lease obligations, which are included in our December 31, 2019 Consolidated Balance Sheet. Our debt is fixed and primarily consists of the 4.875% Notes. See Note 5 of the Consolidated Financial Statements for additional information about our debt.

(2) Operating lease obligations are described in Note 16 of the Consolidated Financial Statements.

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

(4) These amounts primarily represent recognized long-term obligations for other post-employment benefits mostly due in more than 5 years, and long-term deferred revenue. Excluded from this table are tax liabilities for uncertain tax positions and contingencies in the amount of \$47.6 million. We are not able to reasonably estimate the timing of future cash flows of these tax liabilities, therefore, our income tax obligations are excluded from the table above. See Note 6 of the Consolidated Financial Statements for additional information about our income taxes.

## Recent Accounting Pronouncements Adopted and to be Adopted

See Note 1 to the consolidated financial statements for recent accounting pronouncements adopted and to be adopted.

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

### Financial Risk Management

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

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

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

Our forward contract holdings at year-end were analyzed to determine their sensitivity to fluctuations in foreign currency exchange rates. All other variables were held constant. Market risk associated with derivative holdings is the potential change in fair value of derivative positions arising from an adverse movement in foreign exchange rates. A decline of 10% on quoted foreign exchange rates would result in an approximate net-present-value loss of \$25 million on our derivative position as of December 31, 2019. This impact of a change in exchange rates excludes the offset derived from the change in value of the underlying assets and liabilities, which could reduce the adverse effect significantly.

**Interest Rate Risk of Debt Instruments.** Bio-Rad centrally manages the short-term cash surpluses and shortfalls of its subsidiaries. Our holdings of variable rate debt instruments at year-end were analyzed to determine their sensitivity to movements in interest rates. Due to the relatively small amount of short-term variable rate debt we have outstanding, there would not be a material impact to earnings or cash flows if interest rates moved adversely by 10%. Our long-term debt consists primarily of fixed-rate instruments, and is thus insulated from interest rate changes. As of December 31, 2019, the overall interest rate risk associated with our debt was not significant.

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

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## Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors  
Bio-Rad Laboratories, Inc.:

### *Opinion on the Consolidated Financial Statements*

We have audited the accompanying consolidated balance sheets of Bio-Rad Laboratories, Inc. and subsidiaries (the Company) as of December 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes and financial statement schedule (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 28, 2020 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

### *Changes in Accounting Principle*

As discussed in Note 1 to the consolidated financial statements, the Company has changed its method of accounting for leases effective January 1, 2019 due to the adoption of Accounting Standard Update (ASU) 2016-02, *Leases*, and related accounting standard updates.

Also as discussed in Note 1 to the consolidated financial statements, the Company has changed its method of accounting for revenue recognition effective January 1, 2018, due to the adoption of Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*.

Also as discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for equity instruments effective January 1, 2018 due to the adoption of ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities* and ASU 2018-03, *Technical Corrections and Improvements to Financial Instruments - Recognition and Measurement of Financial Assets and Financial Liabilities*.

### *Basis for Opinion*

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

### *Critical Audit Matter*

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which they relate.

#### *Assessment of Lease Term for Reagent Rental Arrangements*

As discussed in Note 1 to the consolidated financial statements, the Company earns revenue from reagent rental agreements with its customers. Each agreement generally includes lease elements subject to the lease accounting standards and non-lease elements subject to the revenue accounting standards. The classification of the lease component as an operating or sales-type lease can impact the timing of revenue recognition and cost attributable to the underlying lease elements. While most reagent rental arrangements contain an option for a lessee to extend and the option for the lessee to cancel or both, the period in which the contract is enforceable is generally short, and the lease term has been limited to the noncancellable period. The revenue allocated to the reagent rental lease elements is approximately 3% of total revenue and it is included as part of Net Sales in the Consolidated Statement of Income.

We identified the assessment of the lease term for the reagent rental agreements, including the impact from any associated contractual termination penalties, as a critical audit matter. The Company's determination of lease classification as operating or sales-type lease is primarily dependent on the initial determination of the lease term. The Company's process is based on the manual examination of a high volume of agreements that are negotiated individually across the world with diverse terms. Testing the determination of the lease term, including consideration of contractual termination penalties, required a high degree of auditor judgment to design and execute the audit procedures.

The primary procedures we performed to address the critical audit matter included the following. We tested certain internal controls over the Company's process for determining the lease term, including consideration of contractual termination penalties. We assessed the Company's policies for determining that the lease term of its reagent rental arrangements were in accordance with U.S generally accepted accounting principles. Additionally, for a selection of reagent rental agreements, we read the underlying contract, and compared relevant terms within the contract to the Company's determination of lease term analysis.

/s/ KPMG LLP

We have served as the Company's auditor since 2013.

Santa Clara, California  
February 28, 2020

## Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors  
Bio-Rad Laboratories, Inc.:

### *Opinion on Internal Control Over Financial Reporting*

We have audited Bio-Rad Laboratories, Inc. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes and financial statement schedule (collectively, the consolidated financial statements), and our report dated February 28, 2020 expressed an unqualified opinion on those consolidated financial statements.

### *Basis for Opinion*

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### *Definition and Limitations of Internal Control Over Financial Reporting*

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

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

/s/ KPMG LLP

Santa Clara, California  
February 28, 2020

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

	December 31,	
	2019	2018
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 660,672	\$ 431,526
Short-term investments	453,973	413,270
Restricted investments	5,560	5,560
Accounts receivable, less allowance for doubtful accounts of \$20,205 at 2019 and \$26,713 at 2018	392,672	392,443
Inventories:		
Raw materials	109,570	108,008
Work in process	146,131	145,051
Finished goods	298,306	330,756
Total inventories	554,007	583,815
Prepaid expenses	102,331	187,249
Other current assets	10,940	9,615
Total current assets	2,180,155	2,023,478
Property, plant and equipment:		
Land and improvements	25,215	25,185
Buildings and leasehold improvements	341,598	331,563
Equipment	1,015,359	970,081
Total property, plant and equipment	1,382,172	1,326,829
Less: accumulated depreciation and amortization	(882,833)	(818,139)
Property, plant and equipment, net	499,339	508,690
Operating lease right-of-use assets	201,868	—
Goodwill, net	264,131	219,770
Purchased intangibles, net	145,525	133,123
Other investments	4,638,205	2,655,709
Other assets	79,636	70,298
Total assets	\$ 8,008,859	\$ 5,611,068

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

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

	December 31,	
	2019	2018
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 107,014	\$ 122,450
Accrued payroll and employee benefits	180,084	143,510
Current maturities of long-term debt	426,172	493
Income taxes payable	8,763	27,513
Other taxes payable	27,522	28,675
Current operating lease liabilities	35,365	—
Deferred revenue	33,735	26,936
Other current liabilities	86,840	101,218
Total current liabilities	905,495	450,795
<b>Long-term debt, net of current maturities</b>		
	13,579	438,937
Deferred income taxes	997,787	553,239
Operating lease liabilities	176,018	—
Other long-term liabilities	160,923	147,766
Total liabilities	2,253,802	1,590,737
<b>Commitments and contingent liabilities</b>		
<b>Stockholders' equity:</b>		
Preferred stock, \$0.0001 par value, 7,500,000 shares authorized; issued and outstanding - none	—	—
Class A common stock, \$0.0001 par value; 80,000,000 shares authorized; shares issued - 24,966,035 and 24,884,265 at 2019 and 2018, respectively; shares outstanding - 24,835,804 and 24,704,772 at 2019 and 2018, respectively	2	2
Class B common stock, \$0.0001 par value; 20,000,000 shares authorized; shares issued - 5,089,532 and 5,096,421 at 2019 and 2018, respectively; shares outstanding - 5,089,532 and 5,095,504 at 2019 and 2018, respectively	1	1
Additional paid-in capital	410,020	394,342
Class A treasury stock at cost, 130,231 shares at 2019 and 179,493 shares at 2018	(38,397)	(49,040)
Class B treasury stock at cost, 0 shares at 2019 and 917 shares at 2018	—	(89)
Retained earnings	5,470,779	3,722,073
Accumulated other comprehensive loss	(87,348)	(46,958)
Total stockholders' equity	5,755,057	4,020,331
Total liabilities and stockholders' equity	\$ 8,008,859	\$ 5,611,068

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

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

	Year Ended December 31,		
	2019	2018	2017
Net sales	\$ 2,311,659	\$ 2,289,415	\$ 2,160,153
Cost of goods sold	1,054,663	1,066,264	972,450
Gross profit	1,256,996	1,223,151	1,187,703
Selling, general and administrative expense	824,625	834,783	806,790
Research and development expense	202,710	199,196	250,157
Impairment losses on goodwill and long-lived assets	—	292,513	11,506
Income (loss) from operations	229,661	(103,341)	119,250
Interest expense	23,416	23,962	23,014
Foreign currency exchange losses, net	2,245	2,861	9,128
Change in fair market value of equity securities	(2,030,987)	(606,230)	—
Other (income) expense, net	(26,094)	(36,593)	(10,697)
Income before income taxes	2,261,081	512,659	97,805
(Provision for) benefit from income taxes	(502,406)	(147,045)	24,444
Net income	<u>\$ 1,758,675</u>	<u>\$ 365,614</u>	<u>\$ 122,249</u>
Basic earnings per share:			
Net income per basic share	<u>\$ 58.93</u>	<u>\$ 12.25</u>	<u>\$ 4.12</u>
Weighted average common shares - basic	<u>29,843</u>	<u>29,836</u>	<u>29,655</u>
Diluted earnings per share:			
Net income per diluted share	<u>\$ 58.27</u>	<u>\$ 12.10</u>	<u>\$ 4.07</u>
Weighted average common shares - diluted	<u>30,184</u>	<u>30,228</u>	<u>30,034</u>

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



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

	Year Ended December 31,		
	2019	2018	2017
Net income	\$ 1,758,675	\$ 365,614	\$ 122,249
Other comprehensive (loss) income:			
Foreign currency translation adjustments	(36,953)	(112,857)	76,050
Foreign other post-employment benefits adjustments, net of income taxes	(7,363)	7,549	(3,767)
Net unrealized holding gains (losses) on available-for-sale (AFS) investments, net of income taxes and effect of adoption of ASU 2018-02*	3,926	(1,187)	248,745
Other comprehensive (loss) income, net of income taxes	(40,390)	(106,495)	321,028
Comprehensive income	<u>\$ 1,718,285</u>	<u>\$ 259,119</u>	<u>\$ 443,277</u>

\*ASU 2018-02, "Reclassification of Certain Tax effects from Accumulated Other Comprehensive Income," as disclosed in our December 31, 2017 Form 10-K

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

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

	Year Ended December 31,		
	2019	2018	2017
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 2,311,925	\$ 2,326,310	\$ 2,093,948
Cash paid to suppliers and employees	(1,818,575)	(1,989,685)	(1,916,119)
Interest paid, net	(22,330)	(22,703)	(22,224)
Income tax payments, net	(45,081)	(62,414)	(52,136)
Investment proceeds and miscellaneous receipts, net	31,673	26,383	18,392
Proceeds from (payments for) forward foreign exchange contracts, net	285	7,603	(17,724)
Net cash provided by operating activities	<u>457,897</u>	<u>285,494</u>	<u>104,137</u>
<b>Cash flows from investing activities:</b>			
Capital expenditures	(98,532)	(129,825)	(111,332)
Proceeds from dispositions of property, plant and equipment	129	4,315	86
Proceeds from divestiture of a product line	—	6,964	—
(Payments for) proceeds from acquisitions and long-term investment	(79,386)	266	(76,645)
Recovery of (payments for) purchases of intangible assets	8,818	(3)	(3,795)
Payments for purchases of restricted investment	—	—	(1,000)
Payments for purchases of marketable securities and investments	(371,450)	(371,019)	(282,656)
Proceeds from sales of marketable securities and investments	104,632	77,029	97,523
Proceeds from maturities of marketable securities and investments	226,900	225,295	202,247
Net cash used in investing activities	<u>(208,889)</u>	<u>(186,978)</u>	<u>(175,572)</u>
<b>Cash flows from financing activities:</b>			
Net payments on line-of-credit arrangements and notes payable	—	—	(36)
Payments on long-term borrowings	(643)	(2,961)	(316)
Payments for credit agreement renewal fees	(486)	—	—
Proceeds from issuances of common stock for share-based compensation	13,113	14,133	14,604
Tax payments from net share settlement	(8,096)	(8,862)	(7,310)
Proceeds from reissuances of treasury stock for shared-based compensation, net	3,831	—	—
Payments for purchases of treasury stock	(28,000)	(48,912)	(2,920)
Payments of contingent consideration	(2,477)	(2,078)	(3,681)
Net cash (used in) provided by financing activities	<u>(22,758)</u>	<u>(48,680)</u>	<u>341</u>
Effect of foreign exchange rate changes on cash	2,237	(655)	(1,094)
Net increase (decrease) in cash, cash equivalents and restricted cash	228,487	49,181	(72,188)
Cash, cash equivalents and restricted cash at beginning of year	434,164	384,983	457,171
Cash, cash equivalents and restricted cash at end of year	<u>\$ 662,651</u>	<u>\$ 434,164</u>	<u>\$ 384,983</u>

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the Consolidated Balance Sheets that agrees to the same amounts shown in the Consolidated Statements of Cash Flows (in thousands):

	Year Ended December 31,		
	2019	2018	2017
Cash and cash equivalents	\$660,672	\$431,526	\$383,824
Restricted cash included in Other current assets	93	111	882
Restricted cash included in Other assets	1,886	2,527	277
Total cash, cash equivalents, and restricted cash shown in the Consolidated Statements of Cash Flows	<u>\$662,651</u>	<u>\$434,164</u>	<u>\$384,983</u>

These restricted cash items are primarily related to performance guarantees.  
The accompanying notes are an integral part of these consolidated financial statements.

BIO-RAD LABORATORIES, INC.  
Consolidated Statements of Changes in Stockholders' Equity  
(In thousands)

	Common Stock	Additional Paid- in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
<b>Balance at December 31, 2016</b>	\$ 3	\$ 332,911	\$ (101)	\$ 1,828,581	\$ 417,766	\$ 2,579,160
Net income	—	—	—	122,249	—	122,249
Effect of adoption of ASU 2016-09*	—	391	—	(256)	—	135
Other comprehensive income, net of tax	—	—	—	—	200,893	200,893
Effect of adoption of ASU 2018-02**	—	—	—	(120,135)	120,135	—
Issuance of common stock	—	4,490	—	—	—	4,490
Stock compensation expense	—	23,439	—	—	—	23,439
Purchase of treasury stock	—	—	(2,920)	—	—	(2,920)
Reissuance of treasury stock	—	—	2,804	—	—	2,804
<b>Balance at December 31, 2017</b>	<b>3</b>	<b>361,231</b>	<b>(217)</b>	<b>1,830,439</b>	<b>738,794</b>	<b>2,930,250</b>
Effect of adoption of ASU 2016-01 and ASU 2018-03***	—	—	—	1,543,747	(679,257)	864,490
Effect of adoption of ASU 2016-16****	—	—	—	(17,591)	—	(17,591)
Effect of adoption of ASC 606*****	—	—	—	(136)	—	(136)
Net income	—	—	—	365,614	—	365,614
Other comprehensive loss, net of tax	—	—	—	—	(106,495)	(106,495)
Issuance of common stock	—	5,271	—	—	—	5,271
Stock compensation expense	—	27,840	—	—	—	27,840
Purchase of treasury stock	—	—	(48,912)	—	—	(48,912)
<b>Balance at December 31, 2018</b>	<b>3</b>	<b>394,342</b>	<b>(49,129)</b>	<b>3,722,073</b>	<b>(46,958)</b>	<b>4,020,331</b>
Net income	—	—	—	1,758,675	—	1,758,675
Other comprehensive loss, net of tax	—	—	—	—	(40,390)	(40,390)
Issuance of common stock	—	5,017	—	—	—	5,017
Stock compensation expense	—	35,593	—	—	—	35,593
Purchase of treasury stock	—	—	(28,000)	—	—	(28,000)
Reissuance of treasury stock	—	(24,932)	38,732	(9,969)	—	3,831
<b>Balance at December 31, 2019</b>	<b>\$ 3</b>	<b>\$ 410,020</b>	<b>\$ (38,397)</b>	<b>\$ 5,470,779</b>	<b>\$ (87,348)</b>	<b>\$ 5,755,057</b>

\* ASU 2016-09, "Improvements to Employee Shared-Based Payment Accounting," as disclosed in our December 31, 2017 Form 10-K

\*\* ASU 2018-02, "Reclassification of Certain Tax effects from Accumulated Other Comprehensive Income," as disclosed in our December 31, 2017 Form 10-K

\*\*\* ASU 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities, and ASU 2018-03, "Technical Corrections and Improvements to Financial Instruments - Recognition and Measurement of Financial Assets and Financial Liabilities," as disclosed in our December 31, 2018 Form 10-K

\*\*\*\* ASU 2016-16, "Intra-Entity Transfers of Assets Other Than Inventory," as disclosed in our December 31, 2018 Form 10-K

\*\*\*\*\* See Note 1, "Significant Accounting Policies" under "Revenue Recognition"

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

BIO-RAD LABORATORIES, INC.  
Notes to Consolidated Financial Statements

**1. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

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

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

**Cash and Cash Equivalents**

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

**Short-term Restricted Investments**

Short-term restricted investments of \$5.6 million at both December 31, 2019 and 2018 represent a money market fund that is renewed annually for collateral that secures worker's compensation and general liability insurance. Investment income accrues to Bio-Rad and is recorded in Cash and cash equivalents in the Consolidated Balance Sheets.

**Available-for-Sale Investments**

Available-for-sale investments consist of corporate obligations, municipal securities, asset backed securities, U.S. government sponsored agencies and marketable equity securities. Management classifies investments at the time of purchase and reevaluates such classification at each balance sheet date. Investments with maturities beyond one year may be classified as short-term based on their liquid nature and because such marketable securities represent the investment of cash that is available for current operations. Available-for-sale investments are reported at fair value based on quoted market prices and other observable market data. Unrealized gains and losses are reported as a component of other comprehensive income, net of any related tax effect. Effective January 1, 2018, changes in fair value for equity securities are reported in Change in fair market value of equity securities in the Consolidated Statements of Income due to the adoption of ASU 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities." Unrealized losses are charged against income when a decline in the fair value of an individual security is determined to be other-than-temporary. We review our available-for-sale debt securities for other-than-temporary losses on a quarterly basis. Realized gains and losses and other-than-temporary impairments on investments are included in Other (income) expense, net (see Note 10).

## **Concentration of Credit Risk**

Financial instruments that potentially subject us to concentration of credit risk consist primarily of cash and cash equivalents, investments, foreign exchange contracts and trade accounts receivable. Cash and cash equivalents and investments are placed with various highly rated major financial institutions located in different geographic regions.

The forward contracts used in managing our foreign currency exposures have an element of risk in that the counterparties may be unable to meet the terms of the agreements. We attempt to minimize this risk by limiting the counterparties to a diverse group of highly-rated domestic and international financial institutions. In the event of non-performance by these counterparties, the carrying values of our financial instruments represent the maximum amount of loss we would have incurred as of our fiscal year-end.

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

## **Accounts Receivable**

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

## **Inventory**

Inventories are valued at the lower of cost and net realizable value and include material, labor and overhead costs. The first-in, first-out method is used to relieve inventory for products sold.

## **Property, Plant and Equipment**

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

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives of property, plant and equipment are generally as follows: buildings and leasehold improvements, 10-39 years or the term of the leases or life of the improvements, whichever is shorter; reagent rental equipment, 1-5 years; and equipment, 3-12 years.

## **Leases**

We determine if an arrangement is a lease at inception. Operating leases are included in Operating lease right-of-use ("ROU") assets, Current operating lease liabilities, and Operating lease liabilities in our Consolidated Balance Sheet as of December 31, 2019. Finance leases are included in Property, plant and equipment, Current maturities of long-term debt, and Long-term debt, net of current maturities in our Consolidated Balance Sheet as of December 31, 2019.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Our lease terms may include options to extend or terminate the lease. For purposes of determining the lease term used in the measurement of operating lease ROU assets and operating lease liabilities, we include the noncancellable period of the lease together with those periods covered by the option to extend the lease if we are reasonably certain to exercise that option, the periods covered by an option to terminate the lease if we are reasonably certain not to exercise that option, and the periods covered by the option to extend (or to not terminate) the lease in which exercise of the option is controlled by the lessor. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Where we act as lessee, we elected not to separate lease and non-lease components.

Where we act as lessor in our reagent rental arrangements, we allocate the consideration in the contract to the separate lease components and non-lease components. After allocation, the amount of variable payments allocated to lease components will be recognized as income under the lease accounting standard ASC 842, while the amount of variable payments allocated to non-lease components will be recognized as income in accordance with ASC 606. Such reagent rental arrangements are more fully described below under the caption "Reagent Rental Agreements."

### **Goodwill**

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

The goodwill impairment amount will be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. We use a projected discounted cash flow model to determine the fair value of a reporting unit.

### **Long-Lived Assets**

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

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

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

## **Income Taxes**

We account for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities reflect the tax effects of net operating losses, tax credits, and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. They are determined using enacted tax rates in effect for the year in which such temporary differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

We record deferred tax assets to the extent we believe these assets will more likely than not be realized. In making such determination, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. When we establish, or reduce the valuation allowance against our deferred tax assets, our provision for income taxes will increase or decrease, respectively, in the period that determination to change the valuation allowance is made.

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

On December 22, 2017, the U.S. enacted comprehensive tax legislation (the "Tax Act"). The Tax Act made broad and complex changes to the U.S. tax code, including the imposition of a one-time mandatory deemed repatriation tax ("Transition Tax") on certain earnings accumulated offshore since 1986 and the reduction of the corporate tax rate from 35% to 21% for U.S. taxable income, resulting in a one-time remeasurement of U.S. federal deferred tax assets and liabilities. In 2017, we recorded an income tax benefit of \$70 million related to the Transition Tax and remeasurement of our U.S. federal deferred tax assets and liabilities. We completed our accounting for the Tax Act under Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act ("SAB 118") in 2018, which resulted in an additional income tax benefit of \$49 million.

## **Revenue Recognition**

On January 1, 2018, we adopted Accounting Standards Codification ("ASC") 606, "Revenue from Contracts with Customers," using the modified retrospective method applied to those contracts that were not completed as of January 1, 2018. We recorded a net reduction to opening retained earnings of \$0.1 million as of January 1, 2018 due to the cumulative impact of adopting ASC 606 with the impact primarily related to a customer loyalty program in the United States for which the resulting non-cash consideration is treated as variable consideration under the new revenue recognition accounting standard.

We recognize revenue from operations through the sale of products, services, and rental of instruments. Revenue from contracts with customers is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration we expect to receive in exchange for those products or services. We enter into contracts that can include various combinations of products and services, which are generally accounted for as distinct performance obligations. Revenue is recognized net of any taxes collected from customers (sales tax, value added tax, etc.), which are subsequently remitted to government authorities.

Our contracts from customers often include promises to transfer multiple products and services to a customer. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment, and may or may not impact the timing of revenue recognition. Revenue associated with equipment that requires factory installation is not recorded until installation is complete and customer acceptance, if required, has occurred. Certain equipment requires installation due to the fact that the instruments are being operated in a clinical/laboratory environment, and the installation services could result in modification of the equipment in order to ensure that the instruments are working according to specifications of the customer which are subject to validation tests upon completion of the installation. In these arrangements, which require factory installation, the delivery of the equipment and the installation are separate performance obligations. We will recognize the transaction price allocated to the equipment only upon customer acceptance, as the transfer of control has occurred in relation to the equipment at that point in time as the customer has the ability to direct the use of and obtain substantially all of the remaining benefits from the asset. The transaction price allocated to the installation services is also recognized upon completion of the services because without the completion of the installation services and related customer acceptance the customer cannot receive any of the benefits of the service.

At the time revenue is recognized, a provision is recognized for estimated product returns as this right is considered variable consideration. Accordingly, when product revenues are recognized, the transaction price is reduced by the estimated amount of product returns.

Service revenues on extended warranty contracts are recognized ratably over the life of the service agreement as a stand-ready performance obligation. For arrangements that include a combination of products and services, transaction prices are allocated to performance obligations based on stand-alone selling prices. The method used to determine the stand-alone selling prices for service revenues is based on the observable prices when the services have been sold separately.

In those instances where the timing of revenue recognition differs from the timing of invoicing, we have determined that our contracts generally do not include a significant financing component. The primary purpose of our invoicing terms is to provide customers with simple and predictable methods of purchasing our products and services, not to either provide or receive financing to or from our customers. We record contract liabilities when cash payments are received or due in advance of our performance.

We do not disclose the value of unsatisfied performance obligations for contracts with an original expected length of one year or less. Our payment terms vary by the type and location of our customer, and the products and services offered. The term between invoicing and when payment is due is not significant.



## *Reagent Rental Agreements*

Reagent rental agreements are a diagnostic industry sales method that provides use of an instrument and consumables (reagents) to a customer on a per test basis. These agreements may also include maintenance of the underlying instruments retained at customer locations as well as initial training. We initially determine if a reagent rental arrangement contains a lease at lease commencement. Where we have determined that such an arrangement contains a lease, we next must ascertain its lease classification for purposes of applying appropriate accounting treatment as an operating, sales-type or direct financing lease. In addition, for purposes of determining the lease term used in performing the lease classification test, we include the noncancellable period of the lease together with those periods covered by the option to extend the lease if the customer is reasonably certain to exercise that option, the periods covered by an option to terminate the lease if the customer is reasonably certain not to exercise that option, and the periods covered by the option to extend (or not to terminate) the lease in which exercise of the option is controlled by the company. While most of our reagent rental arrangements contain either the option for a lessee to extend and/or cancel, the period in which the contract is enforceable is a very short period and therefore the lease term has been limited to the noncancellable period. Furthermore, it has historically been very rare for these arrangements to contain an option for the lessee to purchase the underlying asset.

As discussed further above under the caption “Leases” and below under the caption “Recent Accounting Pronouncements Adopted,” as well as in Note 16, Leases, we adopted ASC 842, “Leases,” on a modified retrospective basis effective January 1, 2019 with practical expedients, and did not restate comparative prior periods. We concluded that the use of the instrument (referred to as “lease elements”) is not within the guidance of ASC 606 but rather ASC 842. Accordingly, we first allocate the transaction price between the lease elements and the non-lease elements based on relative standalone selling prices. The determination of the transaction price requires judgment and consideration of any fixed/minimum payments as well as estimates of variable consideration. After allocation, the amount of variable payments allocated to lease components will be recognized as income under ASC 842, while the amount of variable payments allocated to non-lease components will be recognized as income in accordance with ASC 606.

Upon our adoption of ASC 842 in 2019, the maintenance services, along with the reagents, are now allocated to the non-lease elements and will be recognized as income in accordance with ASC 606. This change is in alignment with the requirements of ASC 842, and has resulted in a decrease in the amount of rental income and a corresponding increase in the amount of maintenance service revenue that is included in total reported Net sales in our consolidated income statements. Generally, the terms of the arrangements result in the transfer of control on reagents upon either (i) when the consumables are delivered or (ii) when the consumables are consumed by the customer.

Historically, our reagent rental arrangements have been predominantly comprised of variable lease payments that fluctuate depending on the volume of reagents purchased, as very few of such arrangements contain any fixed/minimum lease payments. As a result, our lease income is heavily variable in nature. Further, our reagent rental arrangements are predominantly classified as operating leases, and any sales-type leases represent in aggregate a very insignificant amount of lease income. Hence, our reported lease income is primarily variable in nature and is recognized as the reagents are consumed by the customer or delivered.

Revenue allocated to the lease elements of these reagent rental arrangements represents approximately 3% and 5% of total revenue for 2019 and 2018, respectively, and is included as part of the Net sales in our Consolidated Statements of Income.

### Contract costs:

As a practical expedient, we expense as incurred costs to obtain contracts as the amortization period would have been one year or less. These costs, recorded within Selling, general and administrative expense, include our internal sales force compensation programs and certain partner sales incentive programs, as we have determined that annual compensation is commensurate with annual selling activities.

## Disaggregation of Revenue:

The disaggregation of our revenue by geographic region based primarily on the location of the use of the product service, and by industry segment sources, and the disaggregation of our revenues by industry segment sources are presented in our Segment Information footnote (see Note 14).

Deferred revenues represent mostly unrecognized fees billed or collected for extended service arrangements. Deferred revenues are generally recognized ratably over the term of the service contract as our performance extends over the life of the arrangement. A majority of our deferred revenue balance is classified as current with an expected length of one year or less. The increase in our total deferred revenue balance from \$37.3 million at December 31, 2018 to \$45.8 million at December 31, 2019 was primarily driven by \$33.1 million, net, of cash payments received or due in advance of satisfying our performance obligations, partially offset by \$24.6 million of revenue recognized that were included in our deferred revenue balance as of December 31, 2018.

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

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

	2019	2018
January 1	\$ 10.1	\$ 18.7
Provision for warranty	9.9	25.5
Actual warranty costs	(11.0)	(34.1)
December 31	<u>\$ 9.0</u>	<u>\$ 10.1</u>

## Shipping and Handling

We classify all freight costs billed to customers as Net sales. Related freight costs are recognized upon transfer of control of the promised products to customers as a fulfillment cost and included in Cost of goods sold.

## 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.

We conduct extensive research and development activities in all areas of our business, employing approximately 780 employees worldwide in these activities, including degreed scientists and technical support staff. Research and development has played a major role in Bio-Rad's growth and is expected to continue to do so in the future. Our research teams are continuously developing new products and new applications for existing products. In our development of new products and applications, we interact with scientific and medical professionals at universities, hospitals and medical schools, and within our industry.

## Foreign Currency

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

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

### Forward Foreign Exchange Contracts

As part of distributing our products, we regularly enter into intercompany transactions. We enter into forward foreign exchange contracts to manage foreign exchange risk of future movements in exchange rates that affect foreign currency denominated intercompany receivables and payables. We do not use derivative financial instruments for speculative or trading purposes, nor do we seek hedge accounting treatment for any of our contracts. As a result, these contracts, generally with maturity dates of 90 days or less and denominated primarily in currencies of industrial countries, are recorded as an asset or liability measured at their fair value at each balance sheet date. The resulting gains or losses offset exchange gains or losses, on the related receivables and payables, all of which are recorded in Foreign exchange losses, net in the Consolidated Statements of Income.

### Share-Based Compensation Plans

Share-based compensation expense for all share-based payment awards granted is determined based on the grant-date fair value. We recognize these compensation costs over the requisite service period of the award, which is generally the vesting term of the share-based payment awards. Forfeitures are recognized as they occur. These plans are described more fully in Note 9.

### Earnings Per Share

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

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

	Year Ended December 31,		
	2019	2018	2017
Basic weighted average shares outstanding	29,843	29,836	29,655
Effect of potentially dilutive stock options and restricted stock awards	341	392	379
Diluted weighted average common shares	30,184	30,228	30,034
Anti-dilutive stock options and restricted stock awards excluded from the computation of diluted EPS	98	84	13

### Fair Value of Financial Instruments

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

The estimated fair value of financial instruments is based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) using available market information or other appropriate valuation methodologies in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. Estimates are not necessarily indicative of the amounts that could be realized in a current market exchange as considerable judgment is required in interpreting market data used to develop estimates of fair value. The use of different market assumptions or estimation techniques could have a material effect on the estimated fair value (see Note 3).

### **Recent Accounting Pronouncements Adopted**

In August 2018, the FASB issued ASU 2018-15, "Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract." ASU 2018-15 amends the definition of a hosting arrangement and requires a customer in a hosting arrangement that is a service contract to capitalize certain implementation costs as if the arrangement was an internal-use software project. The internal-use software guidance states that only qualifying costs incurred during the application development stage can be capitalized. We prospectively adopted ASU 2018-15 effective January 1, 2019. As of December 31, 2019, we capitalized \$3.1 million of implementation costs for cloud computing arrangements, net of accumulated amortization, primarily for business analytics software. These costs were recorded in Other current assets and Other assets in the Consolidated Balance Sheet.

In August 2018, the SEC issued Final Rule Release No. 33-10532, "Disclosure Update and Simplification" that extends to interim periods the annual disclosure requirement of presenting the changes in stockholders' equity, which was effective in the first quarter of 2019.

In February 2016, the FASB issued ASU 2016-02, "Leases," and related accounting standard updates, which requires, among other items, lease accounting to recognize most leases as assets and liabilities on the balance sheet. Qualitative and quantitative disclosures are enhanced to better understand the amount, timing and uncertainty of cash flows arising from leases. We adopted ASU 2016-02 on a modified retrospective basis effective January 1, 2019 with practical expedients, and did not restate comparative prior periods. The practical expedients elected in transition included, among other items, for leases that existed prior to January 1, 2019, not reassessing whether any contracts are or contain embedded leases, not reassessing the classification of existing leases, and not reassessing whether previously capitalized initial direct costs qualify for capitalization. Where we act as a lessee, the adoption of the standard resulted in material additions to the balance sheet for right-of-use assets and the associated liabilities. See Note 16, Leases. Where we act as a lessee, we also elected not to separate lease and non-lease components. Where we act as a lessor in reagent rental arrangements, there was an insignificant impact to our Consolidated Financial Statements, which is more fully described above under the caption "Reagent Rental Agreements."

### **Recent Accounting Pronouncements to be Adopted**

In January 2020, the FASB issued ASU 2020-01, Clarifying the Interactions between Topic 321 Investments—Equity Securities, Topic 323 Investments—Equity Method and Joint Ventures, and Topic 815 Derivatives and Hedging. ASU 2020-01 clarifies that a company should consider observable transactions that require a company to either apply or discontinue the equity method of accounting under Topic 323 for the purposes of applying the measurement alternative in accordance with Topic 321 immediately before applying or upon discontinuing the equity method. ASU 2020-01 also clarifies that, when determining the accounting for certain forward contracts and purchased options a company should not consider, whether upon settlement or exercise, if the underlying securities would be accounted for under the equity method or fair value option. ASU 2020-01 is effective January 1, 2021 and early adoption is permitted at the beginning of any interim period on a prospective basis. We are currently evaluating the effect of ASU 2020-01 and the consideration of early adoption.

In December 2019, the FASB issued ASU 2019-12, "Simplifying the Accounting for Income Taxes," which eliminates certain exceptions within ASC 740, Income Taxes, and clarifies other aspects of the current guidance to promote consistency among reporting entities. ASU 2019-12 is effective for fiscal years beginning after December 15, 2020 and early adoption is permitted in any interim or annual period, with any adjustments reflected as of the beginning of the fiscal year of adoption. We are currently evaluating the effect of adopting this pronouncement on our financial statements and disclosures.

In November 2018, the FASB issued ASU 2018-18, "Clarifying the Interaction between Topic 808 and Topic 606." Topic 808 is Collaborative Arrangements, and Topic 606 is Revenue from Contracts with Customers. ASU 2018-18 clarifies that certain transactions between collaborative partners should be accounted for as revenue under ASC 606 when the collaborative partner is a customer. We currently do not have any customers that are collaborative partners or anticipate any in the near future. ASU 2018-18 will be effective January 1, 2020.

In August 2018, the FASB issued ASU 2018-14, "Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans." ASU 2018-14 eliminates and adds certain disclosures for defined benefit plans. ASU 2018-14 is effective for fiscal years ending after December 15, 2020 using a retrospective approach. We are currently evaluating the disclosures but do not expect ASU 2018-14 to have a material impact to our disclosures for defined benefit plans.

In August 2018, the FASB issued ASU 2018-13, "Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement." ASU 2018-13 eliminates, adds and modifies certain disclosures for fair value measurements. ASU 2018-13 is effective for fiscal years beginning after December 15, 2019 and for interim periods within those fiscal years. We do not expect ASU 2018-13 to have a material impact to our fair value disclosures.

In June 2016, the FASB issued ASU 2016-13, "Measurement of Credit Losses on Financial Instruments." ASU 2016-13 will replace the current incurred loss approach with an expected loss model for instruments measured at amortized cost and require entities to record allowances for available-for-sale debt securities rather than reduce the carrying amount under the current other-than-temporary impairment model. ASU 2016-13 is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. We are currently evaluating the effect ASU 2016-13 will have on our consolidated financial statements, however due to the generally short duration of our customers' trade receivables, we do not expect ASU 2016-13 to have a material impact.

## **2. ACQUISITIONS**

In October 2019, we acquired all the issued and outstanding shares of a foreign distributor for approximately \$4.2 million, which included cash payments at closing, net of closing cash, of \$3.6 million, and \$0.6 million in contingent consideration potentially payable to the sellers. In addition, we recorded a net gain of \$0.4 million for the settlement of preexisting conditions concurrent with the acquisition that was recorded in Selling, general and administrative expense. The acquisition was included in our Clinical Diagnostics segment's results of operations from the acquisition date and was accounted for as a business combination. The amount of acquisition-related costs was minimal as Bio-Rad primarily represented itself during the acquisition process. Proforma financial statements are not provided as the acquisition is immaterial to Bio-Rad taken as a whole for the periods presented.

As of December 31, 2019, the preliminary allocation of the payments was \$3.4 million to customer relationships; a definite-lived intangible, \$0.2 million to deferred tax asset, \$0.8 million to deferred tax liability related to the purchased intangible and \$1.4 million to acquired net assets.

In August 2019, we acquired all the issued and outstanding membership interests of Exact Diagnostics, LLC for approximately \$60.0 million. Cash payments at closing, net of closing cash, were \$59.7 million. The acquisition was included in our Clinical Diagnostics segment's results of operations from the acquisition date and was accounted for as a business combination. The amount of acquisition-related costs was minimal as Bio-Rad primarily represented itself during the acquisition process. The goodwill related to this acquisition is deductible for income tax purposes. Proforma financial statements are not provided as the acquisition is immaterial to Bio-Rad taken as a whole for the periods presented.

The final allocation of the payments was \$26.8 million to purchased intangibles consisting primarily of customer relationships, developed product technology and tradenames, \$4.2 million to acquired net assets, and \$28.7 million to goodwill.

We believe that the acquisition will accelerate market penetration in the areas of quality controls and assay verification panels in our Clinical Diagnostics operations.

In March 2019, we completed the acquisition of all the issued and outstanding stock of a small U.S. private company for approximately \$20.0 million. Cash payments, net of closing cash, consisted of \$4.0 million paid in November 2018 and the remaining \$16.0 million paid in March 2019. The acquisition was included in our Life Science segment's results of operations from the acquisition date and was accounted for as a business combination. The amount of acquisition-related costs was minimal as Bio-Rad primarily represented itself during the acquisition process. The goodwill related to this acquisition is not deductible for income tax purposes. Pro forma financial statements are not provided as the acquisition is immaterial to Bio-Rad taken as a whole for the periods presented.

The final allocation of the payments was \$15.6 million to goodwill that included workforce and time-to-market advantage, \$5.5 million to definite-lived intangibles, \$0.2 million to in-process research and development, an indefinite-lived intangible asset, and a deferred tax liability of \$1.3 million related to the purchased intangibles.

We believe that the acquisition will expand our reagents suite of offerings in our Life Science operations.

### **3. FAIR VALUE MEASUREMENTS**

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

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

Financial assets and liabilities carried at fair value and measured on a recurring basis as of December 31, 2019 are classified in the hierarchy as follows (in millions):

	Level 1	Level 2	Level 3	Total
Financial assets carried at fair value:				
Cash equivalents:				
Commercial paper	\$ —	\$ 42.9	\$ —	\$ 42.9
Time deposits	31.2	10.0	—	41.2
Asset-backed securities	—	0.1	—	0.1
Money market funds	69.9	—	—	69.9
Total cash equivalents (a)	<u>101.1</u>	<u>53.0</u>	<u>—</u>	<u>154.1</u>
Restricted investment	5.6	—	—	5.6
Equity Securities (b)	4,664.4	—	—	4,664.4
Available-for-sale investments:				
Corporate debt securities	—	204.5	—	204.5
U.S. government sponsored agencies	—	106.1	—	106.1
Foreign government obligations	—	4.7	—	4.7
Other foreign obligations	—	3.1	—	3.1
Municipal obligations	—	11.6	—	11.6
Asset-backed securities	—	72.9	—	72.9
Total available-for-sale investments (c)	<u>—</u>	<u>402.9</u>	<u>—</u>	<u>402.9</u>
Forward foreign exchange contracts (d)	—	0.9	—	0.9
Total financial assets carried at fair value	<u>\$ 4,771.1</u>	<u>\$ 456.8</u>	<u>\$ —</u>	<u>\$ 5,227.9</u>
Financial liabilities carried at fair value:				
Forward foreign exchange contracts (e)	\$ —	\$ 1.0	\$ —	\$ 1.0
Contingent consideration (f)	—	—	4.9	4.9
Total financial liabilities carried at fair value	<u>\$ —</u>	<u>\$ 1.0</u>	<u>\$ 4.9</u>	<u>\$ 5.9</u>

Financial assets and liabilities carried at fair value and measured on a recurring basis as of December 31, 2018 are classified in the hierarchy as follows (in millions):

	Level 1	Level 2	Level 3	Total
Financial assets carried at fair value:				
Cash equivalents:				
Commercial paper	\$ —	\$ 77.8	\$ —	\$ 77.8
Time deposits	22.7	10.0	—	32.7
Asset-backed securities	—	0.3	—	0.3
Money market funds	36.9	—	—	36.9
Total cash equivalents (a)	59.6	88.1	—	147.7
Restricted investment:				
Equity securities (b)	2,672.9	—	—	2,672.9
Available-for-sale investments:				
Corporate debt securities	—	215.0	—	215.0
U.S. government sponsored agencies	—	80.3	—	80.3
Foreign government obligations	—	3.6	—	3.6
Municipal obligations	—	11.0	—	11.0
Asset-backed securities	—	63.3	—	63.3
Total available-for-sale investments (c)	—	373.2	—	373.2
Forward foreign exchange contracts (d)	—	0.6	—	0.6
Total financial assets carried at fair value	\$ 2,738.1	\$ 461.9	\$ —	\$ 3,200.0

Financial liabilities carried at fair value:				
Forward foreign exchange contracts (e)	\$ —	\$ 0.7	\$ —	\$ 0.7
Contingent consideration (f)	—	—	8.4	8.4
Total financial liabilities carried at fair value	\$ —	\$ 0.7	\$ 8.4	\$ 9.1

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

(b) Equity securities are included in the following accounts in the Consolidated Balance Sheets (in millions):

	December 31, 2019	December 31, 2018
Short-term investments	\$ 51.0	\$ 40.2
Other investments	4,613.4	2,632.7
Total	\$ 4,664.4	\$ 2,672.9

The year-to-date unrealized gains on our equity securities still held as of December 31, 2019 were \$2,031.1 million and were primarily due to our investment in Sartorius AG and are recorded in our Consolidated Statements of Income.

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

	December 31, 2019	December 31, 2018
Short-term investments	\$ 402.8	\$ 373.0
Other investments	0.1	0.2
Total	\$ 402.9	\$ 373.2



- (d) Forward foreign exchange contracts in an asset position are included in Other current assets in the Consolidated Balance Sheets.
- (e) Forward foreign exchange contracts in a liability position are included in Other current liabilities in the Consolidated Balance Sheets.
- (f) Contingent consideration liabilities are included in the following accounts in the Consolidated Balance Sheets (in millions):

	December 31, 2019	December 31, 2018
Other current liabilities	\$ 3.3	\$ 3.2
Other long-term liabilities	1.6	5.2
Total	<u>\$ 4.9</u>	<u>\$ 8.4</u>

During the first quarter of 2016, we recognized a contingent consideration liability upon our acquisition of a high performance analytical flow cytometer platform from Propel Labs. At the acquisition date, the amount of contingent consideration was determined based on a probability-weighted income approach related to the achievement of sales milestones, ranging from 39% to 20% for the calendar years 2017 through 2020. The sales milestones could potentially range from \$0 to an unlimited amount. In the first and third quarters of 2019, we paid \$1.4 million and \$1.1 million, respectively, per the purchase agreement. Since 2016 we have had a net decrease in the cumulative valuation of the sales milestones of \$13.9 million. The contingent consideration was accrued at its estimated fair value of \$4.3 million as of December 31, 2019.

During the fourth quarter of 2019, we recognized a contingent consideration liability for earn-out targets related to our acquisition of a foreign distributor. The first earn-out payment of \$0.7 million was paid by the acquisition date and the remaining payment is due in the second quarter of 2020. The maximum earn-out payment due is \$1.4 million. The contingent consideration was accrued at its estimated fair value of \$0.6 million as of December 31, 2019.

The following table provides a reconciliation of the Level 3 contingent consideration liabilities measured at estimated fair value (in millions):

December 31, 2018	\$ 8.4
<u>Analytical flow cytometer platform:</u>	
Payment of sales milestone	(2.5)
Net decrease in estimated fair value of contingent consideration included in Selling, general and administrative expense	(1.6)
<u>Foreign distributor earn-outs:</u>	
Acquisition of foreign distributor	\$ 0.6
December 31, 2019	<u>\$ 4.9</u>

The following table provides quantitative information about Level 3 inputs for fair value measurement of our analytical flow cytometer platform contingent consideration liability as of December 31, 2019. Significant increases or decreases in these inputs in isolation could result in a significantly lower or higher fair value measurement.

	Valuation Technique	Unobservable Input	Percentage
Analytical flow cytometer platform	Probability-weighted income approach	Sales milestones:	
		Discount rate	11.1%
		Cost of debt	3.9%

To estimate the fair value of Level 2 debt securities, our primary pricing provider used Reuters as of December 31, 2019 and Securities Evaluations as of December 31, 2018 as the primary pricing sources. Our pricing process allowed us to select a hierarchy of pricing sources for securities held. If Reuters or Securities Evaluations did not price a Level 2 security that we held, then the pricing provider utilized our custodian supplied pricing as the secondary pricing source.

For all commercial paper as of December 31, 2019, our primary pricing provider used its leading pricing source in the hierarchy to determine pricing.

Our primary pricing provider performed daily reasonableness testing of the Reuters and Securities Evaluations prices. Price changes of 5% or greater were investigated and resolved. In addition, we performed a quarterly testing of the Reuters and Securities Evaluations prices to custodian reported prices. Price differences outside a tolerable variance of approximately 1% were investigated and resolved.

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

	December 31, 2019			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Short-term investments:				
Corporate debt securities	\$ 203.2	\$ 1.4	\$ (0.1)	\$ 204.5
Municipal obligations	11.5	0.1	—	11.6
Asset-backed securities	72.7	0.2	(0.1)	72.8
U.S. government sponsored agencies	105.6	0.7	(0.2)	106.1
Foreign government obligations	4.7	—	—	4.7
Other foreign obligations	3.1	—	—	3.1
	<u>400.8</u>	<u>2.4</u>	<u>(0.4)</u>	<u>402.8</u>
Long-term investments:				
Asset-backed securities	0.1	—	—	0.1
	<u>0.1</u>	<u>—</u>	<u>—</u>	<u>0.1</u>
Total	<u>\$ 400.9</u>	<u>\$ 2.4</u>	<u>\$ (0.4)</u>	<u>\$ 402.9</u>

The following is a summary of the amortized cost and estimated fair value of our debt securities at December 31, 2019 by contractual maturity date (in millions):

	Amortized Cost	Estimated Fair Value
Mature in less than one year	\$ 174.5	\$ 174.6
Mature in one to five years	164.2	165.2
Mature in more than five years	62.2	63.1
Total	<u>\$ 400.9</u>	<u>\$ 402.9</u>

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

	December 31, 2018			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Short-term investments:				
Corporate debt securities	\$ 216.2	\$ 0.1	\$ (1.3)	\$ 215.0
Municipal obligations	11.1	—	(0.1)	11.0
Asset-backed securities	63.5	—	(0.4)	63.1
U.S. government sponsored agencies	80.9	0.2	(0.8)	80.3
Foreign government obligations	3.6	—	—	3.6
	<u>375.3</u>	<u>0.3</u>	<u>(2.6)</u>	<u>373.0</u>
Long-term investments:				
Asset-backed securities	0.2	—	—	0.2
	<u>0.2</u>	<u>—</u>	<u>—</u>	<u>0.2</u>
Total	<u>\$ 375.5</u>	<u>\$ 0.3</u>	<u>\$ (2.6)</u>	<u>\$ 373.2</u>

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

	December 31, 2019	December 31, 2018
Fair value of investments in a loss position 12 months or more	\$ 19.9	\$ 117.9
Fair value of investments in a loss position less than 12 months	\$ 97.8	\$ 193.0
Gross unrealized losses for investments in a loss position 12 months or more	\$ 0.1	\$ 1.8
Gross unrealized losses for investments in a loss position less than 12 months	\$ 0.3	\$ 0.8

The unrealized losses on these securities are due to a number of factors, including changes in interest rates, changes in economic conditions and changes in market outlook for various industries, among others. Because Bio-Rad has the ability and intent to hold these investments with unrealized losses until a recovery of fair value, or for a reasonable period of time sufficient for a forecasted recovery of fair value, which may be maturity, we do not consider these investments to be other-than-temporarily impaired at December 31, 2019 or at December 31, 2018.

As part of distributing our products, we regularly enter into intercompany transactions. We enter into forward foreign exchange contracts to manage foreign exchange risk of future movements in foreign exchange rates that affect foreign currency denominated intercompany receivables and payables. We do not use derivative financial instruments for speculative or trading purposes. We do not seek hedge accounting treatment for these contracts. As a result, these contracts, generally with maturity dates of 90 days or less and denominated primarily in currencies of industrial countries, are recorded at their fair value at each balance sheet date. The notional principal amounts provide one measure of the transaction volume outstanding as of December 31, 2019 and do not represent the amount of Bio-Rad's exposure to loss. The estimated fair value of these contracts was derived using the spot rates from Reuters on the last business day of the quarter and the points provided by counterparties. The resulting gains or losses offset exchange gains or losses on the related receivables and payables, both of which are included in Foreign exchange losses, net in the Consolidated Statements of Income.

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

	December 31, 2019
Contracts maturing in January through March 2020 to sell foreign currency:	
Notional value	\$ 52.0
Unrealized gain	\$ 0.3
Contracts maturing in January through March 2020 to purchase foreign currency:	
Notional value	\$ 269.1
Unrealized loss	\$ (0.3)

The estimated fair value of our current maturities of long-term debt, excluding leases, as of December 31, 2019 and long-term-debt, excluding all lease and current maturities, as of December 31, 2018 that is not recognized at fair value in the Consolidated Balance Sheets has an estimated fair value based on quoted market prices for the same or similar issues.

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

	December 31, 2019			December 31, 2018		
	Carrying Amount	Estimated Fair Value	Fair Value Hierarchy Level	Carrying Amount	Estimated Fair Value	Fair Value Hierarchy Level
Total current maturities long-term debt, excluding leases	\$ 424.4	\$ 435.5	2	\$ —	\$ —	2
Total long-term debt, excluding leases and current maturities	\$ —	\$ —	2	\$ 423.7	\$ 435.8	2

Included in Other Investments in the Consolidated Balance Sheet are investments without readily determinable fair value measured at cost with adjustments for observable price changes in price or impairments. The carrying value of these investments was \$0.3 million and \$0.6 million as of December 31, 2019 and December 31, 2018, respectively.

We own shares of ordinary voting stock of Sartorius AG (Sartorius), of Goettingen, Germany, a process technology supplier to the biotechnology, pharmaceutical, chemical and food and beverage industries. We own over 37% of the outstanding voting shares (excluding treasury shares) of Sartorius as of December 31, 2019. The Sartorius family trust and Sartorius family members hold a controlling interest of the outstanding voting shares. We do not have any representative or designee on Sartorius' board of directors, nor do we have the ability to exercise significant influence over the operating and financial policies of Sartorius. As of December 31, 2019, due to the adoption of ASU 2016-01 and ASU 2018-03 as of January 1, 2018, we account for this investment at fair market value as determined at period end by a quoted price on an organized exchange.

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

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

	2019			2018		
	Life Science	Clinical Diagnostics	Total	Life Science	Clinical Diagnostics	Total
Balances as of January 1:						
Goodwill	\$ 234.5	\$ 320.5	\$ 555.0	\$ 234.7	\$ 324.6	\$ 559.3
Accumulated impairment losses and write-offs	(41.8)	(293.4)	(335.2)	(35.9)	(17.3)	(53.2)
Goodwill, net	192.7	27.1	219.8	198.8	307.3	506.1
Acquisitions	15.6	28.7	44.3	—	—	—
Divestiture	—	—	—	—	(1.4)	(1.4)
Impairment	—	—	—	(5.9)	(276.1)	(282.0)
Currency fluctuations	—	—	—	(0.2)	(2.7)	(2.9)
Balances as of December 31:						
Goodwill	250.1	349.2	599.3	234.5	320.5	555.0
Accumulated impairment losses and write-offs	(41.8)	(293.4)	(335.2)	(41.8)	(293.4)	(335.2)
Goodwill, net	<u>\$ 208.3</u>	<u>\$ 55.8</u>	<u>\$ 264.1</u>	<u>\$ 192.7</u>	<u>\$ 27.1</u>	<u>\$ 219.8</u>

In conjunction with the purchase of all the issued and outstanding shares of a foreign distributor in October 2019 (see Note 2, "Acquisitions"), we recorded \$3.4 million of Customer relationships, a definite-lived intangible assets.

In conjunction with the purchase of all the issued and outstanding membership interests of Exact Diagnostics, LLC in August 2019 (see Note 2, "Acquisitions"), we recorded \$28.7 million of goodwill and \$26.8 million of definite-lived intangible assets: \$16.1 million of Customer relationships, \$8.1 million of Developed product technology, \$2.5 million of Tradenames and \$0.1 million of Backlog.

In conjunction with the purchase of all the issued and outstanding stock of a small U.S. private company in March 2019 (see Note 2, "Acquisitions"), we recorded \$15.6 million of goodwill that included workforce and time-to-market advantage, \$5.5 million of Developed product technology, a definite-lived intangible asset, and \$0.2 million of In-process research and development, an indefinite-lived intangible asset.

In March 2018, we wrote off \$1.4 million of goodwill from our Clinical Diagnostics segment as a result of a divestiture of a product line.

In 2018, we impaired goodwill associated with our 1999 acquisition of Pasteur Sanofi Diagnostics S.A., 2007 through 2012 acquisitions of DiaMed Holding AG, DiaMed Fennica Oy, DiaMed (G.B.) Limited, and DiaMed Benelux (collectively DiaMed), 2010 acquisition of Biotest AG, and 2013 acquisition of AbD Serotec in the amounts of \$18.1 million, \$247.2 million, \$10.8 million and \$5.9 million, respectively. Goodwill for DiaMed, Biotest AG and AbD Serotec was fully impaired at December 31, 2018. Impairments for the Pasteur Sanofi Diagnostics S.A., DiaMed and Biotest AG were included in our Clinical Diagnostics segment's results of operations, and the impairment for AbD Serotec was included in our Life Science segment's results of operations.

The impairments were based upon a revision of our Level 3 valuation inputs, i.e., expected future cash flows.

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

December 31, 2019				
	Weighted-Average Amortization Period (years)	Purchase Price	Accumulated Amortization	Net Carrying Amount
Customer relationships/lists	6.36	\$ 107.2	\$ (74.3)	\$ 32.9
Know how	5.71	188.5	(162.6)	25.9
Developed product technology	8.31	144.2	(93.9)	50.3
Licenses	8.74	76.0	(44.4)	31.6
Tradenames	8.50	6.4	(3.6)	2.8
Covenants not to compete	6.01	3.2	(1.4)	1.8
Other	—	0.1	(0.1)	—
Total definite-lived intangible assets		525.6	(380.3)	145.3
In-process research and development		0.2	—	0.2
Total purchased intangible assets		<u>\$ 525.8</u>	<u>\$ (380.3)</u>	<u>\$ 145.5</u>

December 31, 2018				
	Weighted-Average Amortization Period (years)	Purchase Price	Accumulated Amortization	Net Carrying Amount
Customer relationships/lists	3.98	\$ 88.7	\$ (68.3)	\$ 20.4
Know how	6.64	190.6	(159.8)	30.8
Developed product technology	8.34	130.4	(86.6)	43.8
Licenses	9.72	76.3	(40.9)	35.4
Tradenames	3.42	3.9	(3.3)	0.6
Covenants not to compete	7.01	3.2	(1.1)	2.1
Total definite-lived intangible assets		<u>\$ 493.1</u>	<u>\$ (360.0)</u>	<u>\$ 133.1</u>

In 2018, we impaired developed product technology and fully impaired covenants not to compete in the amounts of \$8.8 million and \$1.7 million, respectively, associated with our 2012 acquisition of a cell sorting system from Propel Labs, Inc. These impairments were included in our Life Science segment's results of operations. The impairments were based upon a revision of our Level 3 valuation inputs, i.e., expected future cash flows.

Amortization expense related to purchased intangible assets for the years ended December 31, 2019, 2018 and 2017 was \$23.5 million, \$28.3 million and \$30.8 million, respectively. Estimated future amortization expense (based on existing purchased intangible assets) for the years ending December 31, 2020, 2021, 2022, 2023, 2024 and thereafter is \$23.5 million, \$22.8 million, \$19.6 million, \$18.7 million, \$16.6 million, and \$44.1 million, respectively.

## 5. **NOTES PAYABLE AND LONG-TERM DEBT**

Under domestic and international lines of credit, standby letters of credit and guarantee arrangements, we had \$207.5 million available for borrowing and usage as of December 31, 2019, which was reduced by \$4.2 million that was utilized for standby letters of credit and guarantee arrangements issued by our banks to support our obligations.

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

	December 31, 2019	December 31, 2018
4.875% Senior Notes due 2020, net of discount	\$ 425.0	\$ 425.0
Less unamortized discount and debt issuance costs	(0.6)	(1.3)
Long-term debt less unamortized discount and debt issuance costs	424.4	423.7
Finance leases and other debt	15.4	—
Capital leases and other debt	—	15.7
	439.8	439.4
Less current maturities	(426.2)	(0.5)
Long-term debt	<u>\$ 13.6</u>	<u>\$ 438.9</u>

### *Senior Notes due 2020*

In December 2010, Bio-Rad sold \$425.0 million principal amount of Senior Notes due December 2020 (4.875% Notes). The sale yielded net cash proceeds of \$422.6 million at an effective rate of 4.946%. The 4.875% Notes pay a fixed rate of interest of 4.875% per year. We have the option to redeem any or all of the 4.875% Notes at any time at a redemption price of 100% of the principal amount (plus a specified make-whole premium as defined in the indenture governing the 4.875% Notes) and accrued and unpaid interest thereon to the redemption date. Our obligations under the 4.875% Notes are not secured and rank equal in right of payment with all of our existing and future unsubordinated indebtedness. Certain covenants apply at each year end to the 4.875% Notes including limitations on the following: liens, sale and leaseback transactions, mergers, consolidations or sales of assets and other covenants. We were in compliance with these covenants as of December 31, 2019. There are no restrictive covenants relating to total indebtedness, interest coverage, stock repurchases, recapitalizations, dividends and distributions to shareholders or current ratios.

### *Credit Agreement*

In April 2019, Bio-Rad entered into a \$200.0 million unsecured Credit Agreement. Borrowings under the Credit Agreement are on a revolving basis and can be used to make permitted acquisitions, for working capital and for other general corporate purposes. We had no outstanding borrowings under the Credit Agreement as of December 31, 2019; however, \$0.2 million was utilized for domestic standby letters of credit that reduced our borrowing availability as of December 31, 2019. The Credit Agreement matures in April 2024. If we had borrowed against our Credit Agreement, the borrowing rate would have been 3.035% at December 31, 2019.

The Credit Agreement requires Bio-Rad to comply with certain financial ratios and covenants, among other things. These ratios and covenants include a leverage ratio test and an interest coverage test, as well as restrictions on our ability to declare or pay dividends, incur debt, guarantee debt, enter into transactions with affiliates, merge or consolidate, sell assets, make investments and create liens. We were in compliance with all of these ratios and covenants as of December 31, 2019.

Maturities of long-term debt at December 31, 2019 were as follows: 2020 - \$426.8 million; 2021 - \$1.6 million; 2022 - \$1.5 million; 2023 - \$0.4 million; 2024 - \$0.4 million; and thereafter - \$9.7 million.

## 6. INCOME TAXES

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

	Year Ended December 31,		
	2019	2018	2017
U.S.	\$ 1,034.0	\$ 363.4	\$ 72.8
International	1,227.1	149.3	25.0
Income before taxes	<u>\$ 2,261.1</u>	<u>\$ 512.7</u>	<u>\$ 97.8</u>

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

	Year Ended December 31,		
	2019	2018	2017
Current tax expense:			
U.S. Federal	\$ 13.0	\$ 8.8	\$ 6.7
State	4.4	2.2	3.4
International	23.5	30.5	32.0
Current tax expense	<u>40.9</u>	<u>41.5</u>	<u>42.1</u>
Deferred tax expense (benefit):			
U.S. Federal	409.7	114.0	(69.8)
State	24.4	6.6	4.3
International	16.1	0.3	(19.3)
Deferred tax expense (benefit)	<u>450.2</u>	<u>120.9</u>	<u>(84.8)</u>
Non-current tax expense (benefit)	<u>11.3</u>	<u>(15.4)</u>	<u>18.3</u>
Provision for (benefit from) income taxes	<u>\$ 502.4</u>	<u>\$ 147.0</u>	<u>\$ (24.4)</u>

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



	Year Ended December 31,		
	2019	2018	2017
U. S. statutory tax rate	21.0%	21.0%	35.0 %
Impact of foreign operations	(9.7)	(4.1)	6.0
Research tax credits	(0.2)	(0.7)	(3.8)
Nontaxable subsidies	(0.1)	(0.2)	(2.2)
Goodwill impairment	—	5.6	1.2
Share-based compensation	(0.1)	(1.0)	(5.3)
Nondeductible executive compensation	0.1	0.2	2.0
U.S. taxation of foreign income	10.3	15.5	2.7
Acquisition-related	—	(0.2)	10.1
U.S. tax reform	—	(9.6)	(71.0)
State taxes	1.0	1.7	2.9
Other	(0.1)	0.5	(2.6)
Provision for (benefit from) income taxes	22.2%	28.7%	(25.0)%

On December 22, 2017, the U.S. enacted comprehensive tax legislation (the “Tax Act”). The Tax Act made broad and complex changes to the U.S. tax code, including the imposition of a one-time mandatory deemed repatriation tax (“Transition Tax”) on certain earnings accumulated offshore since 1986 and the reduction of the corporate tax rate from 35% to 21% for U.S. taxable income, resulting in a one-time remeasurement of U.S. federal deferred tax assets and liabilities. In 2017, we recorded an income tax benefit of \$70 million related to the Transition Tax and remeasurement of our U.S. federal deferred tax assets and liabilities. We completed our accounting for the Tax Act under Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act (“SAB 118”) in 2018, which resulted in an additional income tax benefit of \$49 million.

Our effective income tax rate was 22.2%, 28.7% and (25.0)% in 2019, 2018 and 2017, respectively. The effective tax rate for 2018 was driven by detriments due to non-deductible impairment charges and the taxation of our foreign operations, partially offset by a \$49 million benefit recorded as a result of the completion of our accounting for the Tax Act under SAB 118. The effective tax rate for 2017 was driven by a \$70 million benefit recorded as a provisional estimate of the accounting for the Tax Act.

Many jurisdictions in which we operate have statutory tax rates that differ from the U.S. statutory tax rate of 21%. Our effective tax rate is impacted, either favorably or unfavorably, by many factors including, but not limited to the jurisdictional mix of income before tax, changes to statutory tax rates, changes in tax laws or regulations, tax audits and settlements, and generation of tax credits.

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

	December 31,	
	2019	2018
Deferred tax assets:		
Bad debt, inventory and warranty accruals	\$ 23.9	\$ 21.7
Other post-employment benefits, vacation and other reserves	23.0	23.0
Tax credit and net operating loss carryforwards	83.7	75.3
Lease obligations	48.6	—
Other	26.0	27.1
Total gross deferred tax assets	205.2	147.1
Valuation allowance	(67.2)	(70.8)
Total deferred tax assets	138.0	76.3
Deferred tax liabilities:		
Property and equipment	38.4	40.1
Lease assets	46.4	—
Investments and intangible assets	1,001.4	540.6
Total deferred tax liabilities	1,086.2	580.7
Net deferred tax liabilities	\$ (948.2)	\$ (504.4)

The realization of deferred tax assets is dependent upon the generation of sufficient taxable income of the appropriate character in future periods. We regularly assess our ability to realize our deferred tax assets and establish a valuation allowance if it is more likely than not that some portion, or all, of our deferred tax assets will not be realized. In assessing the realizability of our deferred tax assets, we weigh all available positive and negative evidence. Due to the weight of objectively verifiable negative evidence, we believe that it is more likely than not that our California and certain foreign deferred tax assets will not be realized as of December 31, 2019, and have maintained a valuation allowance on such deferred tax assets. The valuation allowance against our deferred tax assets in California and certain foreign jurisdictions decreased by \$3.6 million in 2019.

As of December 31, 2019, our foreign and California net operating loss carryforwards were approximately \$239.0 million and \$52.7 million, respectively. Of our foreign net operating losses, \$124.7 million may be carried forward indefinitely. The majority of the remaining foreign net operating losses, if not utilized, will begin to expire in 2025. Our California net operating loss carryforwards, if not utilized, will begin to expire in 2028. As of December 31, 2019, our California research tax credit carryforwards were approximately \$35.7 million and may be carried forward indefinitely.

Our income tax returns are audited by U.S. federal, state and foreign tax authorities. We are currently under examination by many of these tax authorities. The tax years open to examination include the years 2012 and forward for the U.S. and certain foreign jurisdictions including France, Germany, India and Switzerland. There are differing interpretations of tax laws and regulations, and as a result, significant disputes may arise with these tax authorities involving issues of the timing and amount of deductions and allocations of income among various tax jurisdictions. We evaluate our exposures associated with our tax filing positions on a quarterly basis.

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

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

	2019	2018	2017
Unrecognized tax benefits – January 1	\$ 29.8	\$ 54.9	\$ 21.1
Additions to tax positions related to prior years	7.6	0.6	1.3
Reductions to tax positions related to prior years	(0.7)	(20.2)	(1.0)
Additions to tax positions related to the current year	3.0	4.6	34.8
Settlements	—	(6.8)	(0.2)
Lapse of statute of limitations	(0.4)	(1.1)	(3.4)
Currency translation	(0.1)	(2.2)	2.3
Unrecognized tax benefits – December 31	<u>\$ 39.2</u>	<u>\$ 29.8</u>	<u>\$ 54.9</u>

Bio-Rad recognizes accrued interest and penalties related to unrecognized tax benefits as income tax expense. Related to the unrecognized tax benefits noted above, the cumulative amount of accrued interest and penalties as of December 31, 2019, 2018 and 2017, respectively was \$11.2 million, \$9.5 million and \$10.9 million. Bio-Rad accrued interest and penalties of \$1.7 million, \$(1.4) million, and \$(0.9) million in 2019, 2018, and 2017, respectively. The total unrecognized tax benefits and interest and penalties of \$50.4 million in 2019 was partially offset by deferred tax assets of \$1.4 million and prepaid taxes of \$5.4 million, for a net amount of \$43.6 million.

As of December 31, 2019, based on the expected outcome of certain examinations or as a result of the expiration of statutes of limitation for certain jurisdictions, we believe that within the next twelve months it is reasonably possible that our previously unrecognized tax benefits could decrease by approximately \$2.8 million. Substantially all such amounts will impact our effective income tax rate if recognized.

It is generally our intention to repatriate certain foreign earnings to the extent that such repatriations are not restricted by local laws or accounting rules, and there are no substantial incremental costs. The determination of the amount of the unrecognized deferred tax liability for foreign earnings that are indefinitely reinvested is not practicable to estimate.

## 7. **STOCKHOLDERS' EQUITY**

Bio-Rad's issued and outstanding stock consists of Class A Common Stock (Class A) and Class B Common Stock (Class B). Each share of Class A and Class B participates equally in the earnings of Bio-Rad, and is identical in all respects except as follows. 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 75% of the directors. Cash dividends may be paid on Class A shares without paying a cash dividend on Class B shares but no cash dividend may be paid on Class B shares unless at least an equal cash dividend is paid on Class A shares. Class B shares are convertible at any time into Class A shares on a one-for-one basis at the option of the stockholder. The founders of Bio-Rad, the Schwartz family, collectively hold a majority of Bio-Rad's voting stock. As a result, the Schwartz family is able to exercise significant influence over Bio-Rad.

Changes to Bio-Rad's issued common stock shares are as follows (in thousands):

	Class A Shares	Class B Shares
<b>Balance at January 1, 2017</b>	24,454	5,124
B to A conversions	34	(34)
Issuance of common stock	191	18
<b>Balance at December 31, 2017</b>	24,679	5,108
B to A conversions	30	(30)
Issuance of common stock	175	18
<b>Balance at December 31, 2018</b>	24,884	5,096
B to A conversions	24	(24)
Issuance of common stock	58	18
<b>Balance at December 31, 2019</b>	24,966	5,090

### *Treasury Shares*

In November, 2017, the Board of Directors authorized a new share repurchase program, granting Bio-Rad authority to repurchase, on a discretionary basis, up to \$250.0 million of outstanding shares of our common stock.

Repurchases may be made at management's discretion from time to time on the open market or through privately negotiated transactions. The share repurchase activity under the share repurchase program through open market transactions in 2018 and 2019 is summarized as follows:

	Number of Shares Purchased	Weighted- Average Price per Share	Total Shares Repurchased To Date	Remaining Authorized Value (in millions)
November 1, 2018 - November 30, 2018	178,911	\$ 273.39	193,150	\$ 201.1
May 1, 2019 - May 31, 2019	25,421	\$ 291.70	218,571	\$ 193.7
June 1, 2019 - June 30, 2019	25,977	\$ 292.01	244,548	\$ 186.1
August 1, 2019 - August 31, 2019	14,745	\$ 339.05	259,293	\$ 181.1
November 1, 2019 - November 30, 2019	22,343	\$ 358.04	281,636	\$ 173.1

In 2019, we used 118,910 of the repurchased shares in connection with the vesting of restricted stock units and 19,755 shares in connection with ESPP stock purchases. The Credit Agreement may limit our ability to repurchase our stock.

## 8. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Accumulated other comprehensive income (loss) included in our Consolidated Balance Sheets and Consolidated Statements of Changes in Stockholders' Equity consists of the following components (in millions):

	Foreign currency translation adjustments	Foreign other post-employment benefits adjustments	Net unrealized holding gains (losses) on available-for-sale investments	Total Accumulated other comprehensive income (loss)
Balances as of January 1, 2018	\$ 77.4	\$ (22.3)	\$ 4.4	\$ 59.5
Other comprehensive (loss) income, before reclassifications	(112.9)	6.9	(1.4)	(107.4)
Amounts reclassified from Accumulated other comprehensive income	—	2.4	0.3	2.7
Income tax effects	—	(1.8)	—	(1.8)
Other comprehensive income (loss), net of income taxes	(112.9)	7.5	(1.1)	(106.5)
Balances as of December 31, 2018	\$ (35.5)	\$ (14.8)	\$ 3.3	\$ (47.0)
Other comprehensive (loss) income, before reclassifications	(36.5)	(10.0)	4.8	(41.7)
Amounts reclassified from Accumulated other comprehensive income	—	1.5	(0.4)	1.1
Income tax effects	(0.4)	1.1	(0.5)	0.2
Other comprehensive (loss) income, net of income taxes	(36.9)	(7.4)	3.9	(40.4)
Balances as of December 31, 2019	\$ (72.4)	\$ (22.2)	\$ 7.2	\$ (87.4)

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

Components of Comprehensive income	December 31,		Location
	2019	2018	
Amortization of foreign other post-employment benefit items	\$ (1.5)	\$ (2.4)	Selling, general and administrative expense
Net holding gains (losses) on equity securities and available for sale investments	\$ 0.4	\$ (0.3)	Other (income) expense, net

Reclassification adjustments are calculated using the specific identification method.

## **9. SHARE-BASED COMPENSATION/EQUITY AWARD AND PURCHASE PLANS**

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

We believe our share-based compensation plans align the interests of our employees with those of our shareholders.

#### ***Equity Award Plans***

We have two equity award plans for officers and certain other employees: the 2007 Incentive Award Plan (2007 Plan) and the 2017 Incentive Award Plan (2017 Plan). The 2007 Plan authorized the grant of stock options, restricted stock, restricted stock units, stock appreciation rights and other types of equity awards to employees. We no longer grant equity under the 2007 Plan.

The 2017 Plan authorizes the grant to employees of stock options, stock appreciation rights, restricted stock, restricted stock units, and other types of equity awards. A total of 2,095,049 shares have been reserved for issuance of equity awards under the 2017 Plan and may be of either Class A or Class B common stock. At December 31, 2019, there were 1,507,489 shares available to be granted.

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

#### ***Employee Stock Purchase Plans***

Our 2011 Employee Stock Purchase Plan (2011 ESPP) provides that eligible employees may contribute up to 10% of their compensation up to \$25,000 annually toward the quarterly purchase of our Class A common stock. The employees' purchase price is 85% of the lesser of the fair market value of the stock on the first business day or the last business day of each calendar quarter.

The 2011 ESPP includes two components: a Code Section 423 Component that we intend to qualify as an "employee stock purchase plan" under Section 423 of the U.S. Internal Revenue Code of 1986, as amended (the "Code") and a Non-423 Component, which authorizes the grant of purchase rights that does not qualify as an "employee stock purchase plan" under Section 423 of the Code. We have authorized the sale of 1,300,000 shares of Class A common stock under the 2011 ESPP.

### **Share-Based Compensation**

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

For 2019, 2018 and 2017, we recognized share-based compensation expense of \$35.6 million, \$27.8 million and \$23.4 million, respectively. The income tax benefit related to share-based compensation expense was \$5.6 million, \$4.4 million and \$5.8 million for 2019, 2018 and 2017, respectively. We did not capitalize any share-based compensation expense in inventory.

The tax benefit from share-based compensation vested or exercised during 2019, 2018 and 2017 was \$5.4 million, \$5.4 million, and \$6.3 million, respectively.

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

## Stock Options

The following table summarizes stock option activity:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in millions)
Outstanding, December 31, 2018	373,640	\$ 138.81		
Granted	34,672	\$ 328.48		
Exercised	(55,490)	\$ 98.00		
Forfeited/expired	(8,300)	\$ 231.71		
Outstanding, December 31, 2019	<u>344,522</u>	\$ 162.23	4.76	\$ 71.6
Unvested, December 31, 2019	94,172	\$ 273.93	8.45	\$ 9.1
Exercisable, December 31, 2019	250,350	\$ 120.22	3.46	\$ 62.5

Intrinsic value for stock options is defined as the difference between the current market value and the exercise price. The total intrinsic value on the date of exercise of stock options exercised during 2019, 2018 and 2017 was approximately \$12 million, \$8 million and \$10 million, respectively.

Cash received from stock options exercised during 2019, 2018 and 2017 was \$2.6 million, \$0.5 million and \$1.6 million, respectively.

As of December 31, 2019, there was \$7.0 million of total unrecognized compensation cost from stock options. This amount is expected to be recognized in the future over a weighted-average period of approximately 3 years.

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

	Year Ended December 31,		
	2019	2018	2017
Expected volatility	22%	22%	20%
Risk-free interest rate	1.69%	2.85%	1.87%
Expected life (in years)	7.5	7.6	7.2
Expected dividend	—	—	—
Weighted-average fair value of options granted	\$ 93.96	\$ 105.94	\$ 58.65

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

## Restricted Stock Units

Restricted stock units, which are rights to receive shares of company stock, were granted from 2009 through 2016 under the 2007 Plan and since 2017 under the 2017 Plan. The fair value of a restricted stock unit is the market value as determined by the closing price of the stock on the day of grant.

The following table summarizes restricted stock unit activity:

	Restricted Stock Units	Weighted- Average Grant-Date Fair Value	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in millions)
Outstanding, December 31, 2018	474,400	\$ 235.58		
Granted	174,782	\$ 332.38		
Vested	(134,525)	\$ 206.44		
Forfeited	(44,715)	\$ 243.76		
Outstanding, December 31, 2019	<u>469,942</u>	\$ 279.14	2.08	\$ 173.9

The total fair value of restricted stock units vested in 2019, 2018 and 2017 was \$44.8 million, \$40.0 million and \$27.7 million, respectively. As of December 31, 2019, there was approximately \$119.5 million of total unrecognized compensation cost related to restricted stock units. This amount is expected to be recognized over a remaining weighted-average period of approximately 3 years.

### **Employee Stock Purchase Plans**

The fair value of the employees' purchase rights under the 2011 ESPP was estimated using a Black-Scholes model with the following weighted-average assumptions:

	Year Ended December 31,		
	2019	2018	2017
Expected volatility	31%	27%	19%
Risk-free interest rate	2.25%	1.82%	0.83%
Expected life (in years)	0.24	0.24	0.24
Expected dividend	—	—	—
Weighted-average fair value of purchase rights	\$60.39	\$55.04	\$38.86

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

We sold 58,717 shares for \$14.3 million, 63,464 shares for \$13.6 million and 74,409 shares for \$13.0 million under the 2011 ESPP to employees in 2019, 2018 and 2017, respectively. At December 31, 2019, 599,531 shares remain authorized and available for issuance under the 2011 ESPP.

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



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

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

	Year Ended December 31,		
	2019	2018	2017
Interest and investment income	\$ (30.5)	\$ (26.6)	\$ (19.1)
Net realized gains on investments	(1.5)	(1.6)	(0.1)
Other-than-temporary impairment losses on investments	5.8	0.8	7.0
Gain on sale of land	—	(4.1)	—
Gain on divestiture of a product line	—	(5.1)	—
Other expense	0.1	—	1.5
Other (income) expense, net	<u>\$ (26.1)</u>	<u>\$ (36.6)</u>	<u>\$ (10.7)</u>

Other-than-temporary impairment losses on equity method investments were recorded in light of the investees' financial condition in the first and fourth quarters of 2019.

## 11. 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,		
	2019	2018	2017
Net income	\$ 1,758.7	\$ 365.6	\$ 122.2
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	134.2	138.1	148.7
Reduction in the carrying amount of right-of- use assets	40.3	—	—
Share-based compensation	35.6	27.8	23.4
Gains on dispositions of securities	(1.5)	(1.6)	(0.1)
Other-than-temporary impairment losses on investments	5.8	0.8	7.0
Changes in fair market value of equity securities	(2,031.0)	(606.2)	—
Losses on dispositions of fixed assets	1.2	2.0	8.1
Gain on sale of land	—	(4.1)	—
Gain on divestiture of a product line	—	(5.1)	—
Payments for operating lease liabilities	(38.6)	—	—
Changes in fair value of contingent consideration	(1.6)	(6.2)	(18.1)
Decrease (increase) in accounts receivable, net	1.6	59.7	(64.1)
Decrease (increase) in inventories, net	24.2	(12.9)	(47.7)
Decrease (increase) in other current assets	61.8	(15.3)	(35.7)
Increase (decrease) in accounts payable and other current liabilities	10.6	(45.6)	7.8
Decrease in income taxes payable	(4.2)	(20.9)	(22.4)
Increase (decrease) in deferred income taxes	450.2	120.9	(82.0)
(Increase) decrease in other long term assets	(1.7)	1.1	2.3
Increase (decrease) in other long term liabilities	13.4	(10.0)	38.1
Impairment losses on goodwill and long-lived assets	—	292.5	11.5
Other	(1.1)	4.9	5.1
Net cash provided by operating activities	\$ 457.9	\$ 285.5	\$ 104.1
Non-cash investing activities:			
Purchased property, plant and equipment	\$ 8.1	\$ 5.7	\$ —
Purchased marketable securities and investments	\$ 1.4	\$ 0.8	\$ 2.8
Sold marketable securities and investments	\$ 1.3	\$ —	\$ 0.3

## **12. COMMITMENTS AND CONTINGENT LIABILITIES**

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

We have a profit sharing plan covering substantially all U.S. employees. Contributions are made at the discretion of the Board of Directors. Bio-Rad has no liability other than for the current year's contribution. Contribution expense was \$16.1 million, \$15.9 million and \$16.0 million in 2019, 2018 and 2017, respectively.

### **Purchase Obligations**

As of December 31, 2019, we had purchase obligations that have not been recognized on our balance sheet of \$35.8 million, which include agreements to purchase goods or services that are enforceable and legally binding to Bio-Rad and that specify all significant terms and exclude agreements that are cancelable without penalty. Recognition of purchase obligations occurs when products or services are delivered to Bio-Rad.

The annual future fixed and determinable portion of our purchase obligations that have not been recognized on our balance sheet as of December 31, 2019 are as follows: 2020 - \$34.0 million, 2021 - \$1.0 million, 2022 - \$0.2 million, 2023 - \$0.2 million, 2024 - \$0.2 million and after 2024 - \$0.2 million.

### **Long-Term Liabilities**

As of December 31, 2019, we had obligations that have been recognized on our balance sheet of \$118.4 million, which primarily represent recognized long-term obligations for other post-employment benefits as indicated below that are mostly due in more than 5 years, and long-term deferred revenue. Excluded are tax liabilities for uncertain tax positions and contingencies. We are not able to reasonably estimate the timing of future cash flows of these tax liabilities, therefore, our income tax obligations are excluded.

The annual future fixed and determinable portion of our obligations that have been recognized on our balance sheet as of December 31, 2019 were as follows: 2020 - \$5.2 million, 2021 - \$12.8 million, 2022 - \$4.5 million, 2023 - \$4.3 million, 2024 - \$3.3 million and after 2024 - \$88.3 million.

### **Letters of Credit/Guarantees**

In the ordinary course of business, we are at times required to post letters of credit/guarantees. The letters of credit/guarantees are issued by financial institutions to guarantee our obligations to various parties. We were contingently liable for \$4.2 million of standby letters of credit/guarantees with financial institutions as of December 31, 2019.

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

In several foreign locations we are statutorily required to provide retirement benefits or a lump sum termination indemnity to our employees upon termination for virtually any reason. These plans are accounted for as defined benefit plans and the associated net benefit obligation at December 31, 2019 and 2018 of \$81.5 million and \$70.4 million, respectively, has been included in Accrued payroll and employee benefits and Other long-term liabilities in the Consolidated Balance Sheets. Most plans are not required to be funded, and as such, there is no trust or other device used to accumulate assets or settle these obligations. However, some of these plans require funding based on local laws in which there is a trust or other device administered by an external plan manager that is used to accumulate assets to assist in settling these obligations. The following disclosures include such plans, which are located in France, Switzerland, Germany, Korea, India, Thailand, Italy, Dubai and Japan.

### **Obligations and Funded Status**

The following table sets forth the change in benefit obligations, fair value of plan assets and amounts recognized in the Consolidated Balance Sheets for the plans (in millions):

<b>Change in benefit obligation:</b>	<b>2019</b>	<b>2018</b>
Benefit obligation at beginning of year	\$137.3	\$136.6
Service cost	6.9	7.5
Interest cost	1.5	1.1
Plan participants' contributions	3.5	3.1
Actuarial (gain) loss	11.9	(5.4)
Gross benefits paid	(2.1)	(3.1)
Plan amendments	0.2	(0.5)
Settlements	(3.8)	—
Change attributable to foreign exchange	(1.6)	(2.0)
Benefit obligation at end of year	153.8	137.3

<b>Change in plan assets:</b>		
Fair value of plan assets at beginning year	66.9	61.7
Actual return on plan assets	0.9	0.3
Employer contributions	4.7	4.0
Plan participants' contributions	3.8	3.1
Gross benefits paid	(0.8)	(1.5)
Settlements	(3.8)	—
Change attributable to foreign exchange	0.6	(0.7)
Fair value of plan assets at end of year	72.3	66.9
Under funded status of plans	\$(81.5)	\$(70.4)

<b>Amounts recognized in the consolidated balance sheets:</b>		
Current liabilities (Accrued payroll and employee benefits)	\$(1.1)	\$(1.1)
Noncurrent liabilities (Other long-term liabilities)	(80.4)	(69.3)
Net liability, end of fiscal year	\$(81.5)	\$(70.4)

### **Components of Net Periodic Benefit Cost**

The following sets forth the net periodic benefit cost (income) for the periods indicated (in millions):

	<b>2019</b>	<b>2018</b>	<b>2017</b>
Service costs	\$6.9	\$7.5	\$6.5
Interest costs	1.5	1.1	1.1
Expected returns on plan assets	(1.2)	(1.1)	(1.1)
Amortization of actuarial losses	1.0	1.3	1.4
Amortization of prior service costs	—	0.1	—
Settlements	0.9	—	1.2
Net periodic benefit costs	\$9.1	\$8.9	\$9.1

### **Assumptions**

The weighted-average assumptions used in computing the benefit obligations are as follows:

	2019	2018
Discount rate	0.5%	1.1%
Compensation rate increase	1.7%	1.8%

The weighted-average assumptions used in computing the net periodic benefit costs are as follows:

	2019	2018	2017
Discount rate	1.1%	0.8%	0.9%
Expected long-term rate of return on plan assets	1.8%	1.8%	1.9%

In some foreign locations we have service award plans that are paid based upon the number of years of employment. Under these plans, the liability at December 31, 2019 and 2018 was \$3.5 million and \$3.1 million, respectively, and has been included in Accrued payroll and employee benefits and Other long-term liabilities in the Consolidated Balance Sheets.

### **Concentrations of Labor Subject to Collective Bargaining Agreements**

At December 31, 2019, approximately seven percent of Bio-Rad's approximately 3,180 U.S. employees were covered by a collective bargaining agreement, which will expire on November 14, 2023. Many of Bio-Rad's non-U.S. full-time employees, especially in France, are covered by collective bargaining agreements.

### **13. LEGAL PROCEEDINGS**

On May 27, 2015, our former general counsel, Sanford S. Wadler, filed a lawsuit in the U.S. District Court, Northern District of California, against us and four of our then current directors and one former director. The plaintiff's suit alleged whistleblower retaliation in violation of the Sarbanes-Oxley Act and the Dodd-Frank Act for raising FCPA-related concerns. Mr. Wadler also alleged wrongful termination in violation of public policy, non-payment of wages and waiting time penalties in violation of the California Labor Code. The plaintiff sought back pay, compensatory damages for lost wages, earnings, retirement benefits and other employee benefits, compensation for mental pain and anguish and emotional distress, waiting time penalties, punitive damages, litigation costs (including attorneys' fees) and reinstatement of employment. On July 28, 2015, we filed a motion to dismiss the plaintiff's complaint and specifically requested dismissal of the claims alleged against us under the Dodd-Frank Act and California Labor Code 1102.5 and the claims against the directors under the Sarbanes-Oxley Act and the Dodd-Frank Act. On October 23, 2015, the District Court granted our motion with respect to the alleged violations of the Sarbanes-Oxley Act against all the director defendants except Norman Schwartz with prejudice. The Court denied our motion to dismiss the claims under the Dodd-Frank Act as against both us and the director defendants. The trial commenced on January 17, 2017 and concluded on February 6, 2017. Mr. Wadler was awarded \$10.92 million, plus prejudgment interest of \$141,608, post-judgment interest, and Mr. Wadler's litigation costs, expert witness fees, and reasonable attorneys' fees as approved by the Court. We previously accrued for the judgment, interest and Mr. Wadler's litigation costs. On June 6, 2017, we filed a notice of appeal with the United States Court of Appeals for the Ninth Circuit. Oral arguments occurred on November 14, 2018. On February 26, 2019, the United States Court of Appeals for the Ninth Circuit issued its decision, reversing in part, vacating in part, and affirming in part. Specifically, the court: (1) reversed the Dodd-Frank claim, which amounts to about \$2.96 million plus interest, and directed the district court to enter judgment in Bio-Rad's favor on that claim; (2) vacated the SOX claim due to instructional error and remanded for further proceedings, including whether a new trial is needed; and (3) affirmed the California public policy claim and the \$7.96 million in damages attributable to it. On March 12, 2019 we filed a petition for panel rehearing or rehearing *en banc* with the United States Court of Appeals for the Ninth Circuit, and this petition was denied on April 8, 2019. On September 24,

2019, Mr. Wadler filed a dismissal with prejudice of all remaining claims under the lawsuit with the U.S. District Court, Northern District of California as a result of a Confidential Settlement Agreement and Satisfaction of Judgment that the parties entered into that was last executed on September 6, 2019. This matter did not have a material impact on our 2019 results of operations and is now closed.

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

#### **14. SEGMENT INFORMATION**

Bio-Rad is a multinational manufacturer and worldwide distributor of its own life science research products and clinical diagnostics products. We have two reportable segments: Life Science and Clinical Diagnostics. These reportable segments are strategic business lines that offer more than 9,000 different products and services and require different marketing strategies. We do not disclose quantitative information about our different products and services as it is impractical to do so based primarily on the numerous products and services that we sell and the global markets that we serve.

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

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

Other Operations include the remainder of our Analytical Instruments segment.

Segment results are presented in the same manner as we present our operations internally to make operating decisions and assess performance. The accounting policies of the segments are the same as those described in Significant Accounting Policies (see Note 1). Segment profit or loss includes an allocation of corporate expense based upon sales and an allocation of interest expense based upon accounts receivable and inventories. The difference between total segment allocated interest expense, depreciation and amortization, and capital expenditures and the corresponding consolidated amounts is attributable to our corporate headquarters. Segments are expected to manage only assets completely under their control. Accordingly, segment assets include primarily accounts receivable, inventories and gross machinery and equipment. Goodwill balances have been included in corporate for segment reporting purposes.

Information regarding industry segments at December 31, 2019, 2018, and 2017 and for the years then ended is as follows (in millions):

		Life Science	Clinical Diagnostics	Other Operations
Segment net sales	2019	\$ 885.9	\$ 1,412.0	\$ 13.8
	2018	861.7	1,411.8	15.9
	2017	785.2	1,360.8	14.2
Allocated interest expense	2019	\$ 7.4	\$ 15.9	\$ 0.1
	2018	7.2	16.7	0.1
	2017	7.0	14.9	—
Depreciation and amortization	2019	\$ 29.4	\$ 71.7	\$ 0.9
	2018	34.1	72.0	0.5
	2017	36.2	80.2	—
Segment profit (loss)	2019	\$ 72.1	\$ 148.5	\$ (1.5)
	2018	28.7	(145.7)	0.2
	2017	(9.9)	114.8	1.4
Segment assets	2019	\$ 496.1	\$ 1,075.8	\$ 9.2
	2018	450.2	949.0	5.9
Capital expenditures	2019	\$ 16.6	\$ 58.9	\$ 0.6
	2018	36.7	60.5	0.5

Clinical Diagnostics segment loss for 2018 was due to impairment losses taken on goodwill of \$276.1 million (see Note 4 to the consolidated financial statements).

Segment assets at December 31, 2019 increased from December 31, 2018 balances due to inclusion of operating lease right-of-use assets in segment assets (see Note 16 to the consolidated financial statements).

Net corporate operating expense consists of receipts and expenditures that are not the primary responsibility of segment operating management and therefore are not allocated to the segments for performance assessment by our chief operating decision maker. The following reconciles total segment profit to consolidated income before taxes (in millions):

	Year Ended December 31,		
	2019	2018	2017
Total segment profit (loss)	\$ 219.1	\$ (116.8)	\$ 106.3
Foreign currency exchange losses, net	(2.2)	(2.9)	(9.1)
Net corporate operating, interest and other expense not allocated to segments	(12.9)	(10.4)	(10.1)
Change in fair market value of equity securities	2,031.0	606.2	—
Other income (expense), net	26.1	36.6	10.7
Consolidated income before income taxes	<u>\$ 2,261.1</u>	<u>\$ 512.7</u>	<u>\$ 97.8</u>

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

	December 31,	
	2019	2018
Total segment assets	\$ 1,581.1	\$ 1,405.1
Cash and other current assets	1,233.5	1,047.2
Property, plant and equipment, net, and operating lease right-of-use assets, excluding segment specific balances	66.8	79.9
Goodwill, net	264.1	219.8
Other long-term assets	4,863.4	2,859.1
Total assets	<u>\$ 8,008.9</u>	<u>\$ 5,611.1</u>

Other long-term assets at December 31, 2019 increased from December 31, 2018 balance due to increase in fair market value of equity securities (see Note 3 to the consolidated financial statements).

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

	Year Ended December 31,		
	2019	2018	2017
Europe	\$ 770.3	\$ 792.0	\$ 758.5
Asia	505.0	495.5	461.3
United States	899.1	863.6	800.2
Other (primarily Canada and Latin America)	137.3	138.3	140.0
Total net sales	<u>\$ 2,311.7</u>	<u>\$ 2,289.4</u>	<u>\$ 2,160.2</u>

The following presents Property, plant and equipment, net, Operating lease right-of-use assets and Other assets, excluding deferred income taxes, by geographic region based upon the location of the asset (in millions):

	December 31,	
	2019	2018
Europe	\$ 198.3	\$ 129.1
Asia	51.5	20.7
United States	468.7	369.2
Other (primarily Canada and Latin America)	12.7	11.1
Total Property, plant and equipment, net, Operating lease right-of-use assets and Other assets, excluding deferred income taxes	<u>\$ 731.2</u>	<u>\$ 530.1</u>

Prior year amounts have been adjusted to exclude Other investments.



## 15. RESTRUCTURING COSTS

### *Restructuring Costs for European Reorganization*

In May 2016, we announced that we would take certain actions in our Europe geographic region designed to better align expenses to our revenue and gross margin profile and position us for improved operating performance. These actions, aligned with creation and evolution of our organization structure and coordinated with the implementation of our global single instance enterprise resource planning ("ERP") platform, were incurred through and completed in December 2019. We recorded approximately \$(0.1) million, \$(0.2) million and \$0.5 million in restructuring charges and adjustments related to severance and other employee benefits for the years ended December 31, 2019, 2018 and 2017, respectively. From May 2016 to December 31, 2019, total expenses were \$12.7 million. The amounts recorded were reflected in Cost of goods sold of \$(0.1) million, \$(0.1) million and \$(0.2) million, and in Selling, general and administrative expense of zero, \$(0.1) million and \$0.7 million in the Consolidated Statements of Income for the years ended December 31, 2019, 2018 and 2017, respectively. The amounts adjusted were primarily for additional positions identified for elimination, partially offset by employees finding other positions within Bio-Rad or leaving prematurely.

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

	2019			2018		
	Life Science	Clinical Diagnostics	Total	Life Science	Clinical Diagnostics	Total
Balance as of January 1	\$ 0.6	\$ 1.0	\$ 1.6	\$ 2.2	\$ 4.1	\$ 6.3
Adjustment to expense	—	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)
Cash payments	(0.3)	(0.5)	(0.8)	(1.5)	(2.9)	(4.4)
Reserve transferred to European and North American Reorganization restructuring costs reserve (see below)	(0.3)	(0.4)	(0.7)	—	—	—
Foreign currency translation gains	—	—	—	—	(0.1)	(0.1)
Balance as of December 31	\$ —	\$ —	\$ —	\$ 0.6	\$ 1.0	\$ 1.6

### *Restructuring Costs for Termination of a Diagnostics Research and Development Project and Facility Closures*

In December 2017, we announced the termination of a diagnostics research and development project in Europe. We recorded restructuring charges and adjustments related to severance and employee benefits of less than \$(0.1) million, \$0.4 million and \$11.0 million and asset write-offs and exit costs of zero, \$(0.1) million and \$10.1 million for the years ended December 31, 2019, 2018 and 2017, respectively. From December 2017 to December 31, 2019, total expenses were \$21.4 million. This restructuring plan was completed in December 2019.

In June 2018, we announced the closure of a small manufacturing operation in Munich, Germany. We recorded restructuring charges and adjustments related to severance and employee benefits of \$(0.3) million and \$1.7 million for the years ended December 31, 2019 and 2018, respectively. From June 2018 to December 31, 2019, total expenses were \$1.4 million. This restructuring plan was completed in November 2019.

In December 2018, we announced the closure of a small manufacturing facility outside Paris, France. We recorded restructuring charges and adjustments related to severance and employee benefits of \$(0.1) million and \$3.9 million and exit costs of zero and \$0.2 million for the years ended December 31, 2019 and 2018, respectively. From December 2018 to December 31, 2019, total expenses were \$4.0 million.

Restructuring charges for the termination of a diagnostics research and development project and the facility closures are all included in our Clinical Diagnostics segment's results of operations. The amounts recorded were reflected in Cost of goods sold of \$(0.3) million, \$5.4 million and \$2.3 million, in Selling, general and administrative expense of zero, \$0.4 million and \$3.3 million, and in Research and development expense of \$(0.1) million, \$0.3 million and \$15.5 million in the Consolidated Statements of Income for the years ended December 31, 2019, 2018 and 2017, respectively. The liability of \$3.2 million as of December 31, 2019 consisted of \$1.8 million recorded in Accrued payroll and employee benefits, \$0.2 million recorded in Other current liabilities, and \$1.2 million recorded in Other long-term liabilities in the Consolidated Balance Sheets.

The following table summarizes the activity for the termination of the diagnostics research and development project and the facility closures restructuring reserves for severance and exit costs (in millions):

	2019	2018
Balance as of January 1	\$ 11.5	\$ 14.1
Charged to expense	—	5.8
Adjustment to expense	(0.4)	0.3
Cash payments	(7.7)	(8.4)
Foreign currency translation gains	(0.2)	(0.3)
Balance as of December 31	<u>\$ 3.2</u>	<u>\$ 11.5</u>

#### ***Restructuring Costs for European and North American Reorganization***

In November 2019, we announced our strategy-driven restructuring plan. We expect that a significant portion of the net savings resulting from this restructuring plan will be repurposed in alignment with our portfolio strategy. The restructuring plan includes a workforce reduction in Europe, the United States and Canada, and is expected to be incurred through 2020. We recorded \$25.3 million of expense in restructuring charges related to severance and employee benefits for the year ended December 31, 2019. The liability of \$25.3 million as of December 31, 2019 was recorded in Accrued payroll and employee benefits in the Consolidated Balance Sheets. The amounts recorded were reflected in Cost of goods sold of \$4.8 million, in Selling, general and administrative expense of \$14.4 million and in Research and development expense of \$6.1 million in the Consolidated Statements of Income for the year ended December 31, 2019.

The following table summarizes the activity of our European and North American reorganization restructuring reserves for severance (in millions):

	2019		
	Life Science	Clinical Diagnostics	Total
Balance as of January 1	\$ —	\$ —	\$ —
Charged to expense	6.2	19.1	25.3
Cash payments	(0.4)	(0.7)	(1.1)
Reserve transferred from European Reorganization restructuring costs reserve (see above)	0.3	0.4	0.7
Foreign currency translation losses	0.1	0.3	0.4
Balance as of December 31	<u>\$ 6.2</u>	<u>\$ 19.1</u>	<u>\$ 25.3</u>

## 16. LEASES

We have operating leases and to a lesser extent finance leases, for buildings, vehicles and equipment. Our leases have remaining lease terms of 1 year to 19 years, which includes our determination to exercise renewal options.

The components of lease expense were as follows (in millions):

Twelve Months Ended December 31,	2019
Operating lease cost	<u>\$ 51.4</u>
Finance lease cost:	
Amortization of right-to-use assets	\$ 0.6
Interest on lease liabilities	0.9
Total finance lease cost	<u>\$ 1.5</u>
Sublease income	<u>\$ 3.0</u>

The sublease is for a building with a term that ends in 2025, with no options to extend or renew.

Operating lease cost includes original reduction in the carrying amount of right-of-use assets, the impact of remeasurements, modifications, impairments and abandonments.

Historically, our short-term leases, reflecting leases with a lease term of one year or less, are predominantly comprised of leases with a lease term of one month or less, which are not significant. Operating lease variable cost is primarily comprised of reimbursed actual common area maintenance, property taxes and insurance, which are immaterial.

Supplemental cash flow information related to leases was as follows (in millions):

Twelve Months Ended December 31,	2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 47.2
Operating cash flows from finance leases	\$ 0.9
Financing cash flows from finance leases	\$ 0.6
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	\$ 28.7
Finance leases	\$ 0.2

Supplemental balance sheet information related to leases was as follows (in millions):

	<b>December 31, 2019</b>	
<b>Operating Leases</b>		
Operating lease right-of-use assets	\$	201.9
Current operating lease liabilities	\$	35.4
Operating lease liabilities		176.0
Total operating lease liabilities	\$	211.4

	<b>December 31, 2019</b>	
<b>Finance Leases</b>		
Property, plant and equipment, gross	\$	11.4
Less: accumulated depreciation and amortization		(4.2)
Property, plant and equipment, net	\$	7.2
Current maturities of long-term debt and notes payable	\$	0.5
Long-term debt, net of current maturities		11.2
Total finance lease liabilities	\$	11.7

	<b>December 31, 2019</b>	
<b>Weighted Average Remaining Lease Term</b>		
Operating leases - in years		9
Finance leases - in years		18
<b>Weighted Average Discount Rate</b>		
Operating leases		4.2%
Finance leases		6.5%

Maturities of lease liabilities were as follows (in millions):

<b>Year Ending December 31,</b>	<b>Operating Leases</b>	<b>Finance Leases</b>
2020	\$ 41.0	\$ 1.1
2021	35.8	1.3
2022	28.6	1.2
2023	24.5	1.1
2024	21.8	1.1
Thereafter	103.7	15.2
Total lease payments	255.4	21.0
Less imputed interest	(44.0)	(9.3)
Total	\$ 211.4	\$ 11.7

The value of our operating lease portfolio is principally for facilities with longer durations than the lesser value vehicles and other equipment with shorter terms and higher-turn over.

As of December 31, 2019, we have an additional lease for a facility in Texas that has not commenced of \$1.6 million. The operating lease will commence in either the second or third quarter of 2020 with a lease term of four years.

#### Operating and Capital Lease Commitments Under ASC 840, Leases

##### Rents and Leases

Rental expense under operating leases was \$47.4 million and \$43.6 million in 2018 and 2017, respectively. Leases were principally for facilities and automobiles.

Annual future minimum lease payments at December 31, 2018 under operating leases were as follows: 2019 - \$44.4 million; 2020 - \$37.8 million; 2021 - \$27.4 million; 2022 - \$19.7 million; 2023 - \$13.9 million; and 2024 and beyond - \$25.6 million.

The total minimum rentals to be received in the future for the sublease as of December 31, 2018 were \$17.8 million and ends in 2025.

Maturities of our capital lease obligations at December 31, 2018 were as follows: 2019 - \$0.5 million; 2020 - \$0.2 million; 2021 - \$0.5 million; 2022 - \$0.4 million; 2023 - \$0.4 million; and thereafter - \$9.9 million.

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

Summarized quarterly financial data for 2019 and 2018 are as follows (in millions, except per share data):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<u>2019</u>				
Net sales	\$ 554.0	\$ 572.6	\$ 560.6	\$ 624.5
Gross profit	311.8	307.8	307.0	330.4
Net income (loss)	865.2	598.8	(258.8)	553.5
Basic earnings (loss) per share	\$ 29.03	\$ 20.08	\$ (8.68)	\$ 18.50
Diluted earnings (loss) per share	\$ 28.74	\$ 19.86	\$ (8.68)	\$ 18.31
<u>2018</u>				
Net sales	\$ 551.5	\$ 575.9	\$ 545.1	\$ 616.9
Gross profit	302.2	301.7	286.7	332.6
Net income (loss)	656.8	268.0	269.3	(828.5)
Basic earnings (loss) per share	\$ 22.05	\$ 8.99	\$ 9.02	\$ (27.73)
Diluted earnings (loss) per share	\$ 21.77	\$ 8.87	\$ 8.89	\$ (27.73)

As a result of the net losses for the three months ended September 30, 2019 and December 31, 2018, all potentially issuable common shares have been excluded from the diluted shares used in the computation of earnings per share as their effects were anti-dilutive. Financial data for the fourth quarter of 2019 were negatively affected by the December 2019 Cyberattack, and restructuring costs for the European and North American reorganization, and are described in Item 7 and Note 15 to the consolidated financial statements, respectively. These negative effects were offset by a \$646.0 million increase in fair market value of equity securities. The net losses for the three months ended September 30, 2019 and December 31, 2018 were primarily due to a \$390.6 million and \$814.1 million decrease in fair market value of equity securities, respectively. These changes in fair market value of equity securities mostly consisted of holding gains or losses on our investment in Sartorius AG. The net loss for the three months ended December 31, 2018 also included impairment losses on goodwill and long-lived assets in the amount of \$292.5 million (see Note 4 to the consolidated financial statements).

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

Not applicable.

## **ITEM 9A. CONTROLS AND PROCEDURES**

### ***(a) Evaluation of Disclosure Controls and Procedures***

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

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

### ***(b) Management’s Report on Internal Control Over Financial Reporting***

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company as defined in Rule 13a-15(f) or 15(d)-15(f) of the Exchange Act. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with U.S. generally accepted accounting principles, and includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company’s assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with U.S. generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our consolidated financial statements.

Our management assessed the effectiveness of the Company’s internal control over financial reporting as of December 31, 2019 using the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). Based on this assessment and those criteria, management concluded that our internal control over financial reporting was effective as of December 31, 2019. Our internal control over financial reporting has been audited by KPMG, LLP, an independent registered public accounting firm, as stated in their report, which appears in Part II, Item 8 of this Form 10-K.

***(c) Changes in Internal Control over Financial Reporting***

Management continuously reviews disclosure controls and procedures, and internal control over financial reporting, and accordingly may, from time to time, make changes aimed at enhancing their effectiveness to ensure that its systems evolve with its business. There were no changes in our internal controls over financial reporting (as defined in Rules 13a-15(f) and 15(d)-15(f) under the Exchange Act) during the year ended December 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

***(d) Inherent Limitations on Effectiveness of Internal Controls***

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

**ITEM 9B. OTHER INFORMATION**

None.

**PART III.**

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

Part of the information required to be furnished pursuant to this item is incorporated by reference from portions of Bio-Rad's definitive proxy statement to be mailed to stockholders in connection with our 2020 annual meeting of stockholders (the "2020 Proxy Statement") under "Election of Directors," "Committees of the Board of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance."

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

We have adopted a code of business ethics and conduct that applies to our principal executive officer, principal financial officer, controller and all other employees and is available through the Corporate Governance section of our website ([www.bio-rad.com](http://www.bio-rad.com)). We will also provide a copy of the code of ethics to any person, without charge, upon request, by writing to us at "Bio-Rad Laboratories, Inc., Investor Relations, 1000 Alfred Nobel Drive, Hercules, CA 94547." We intend to satisfy any disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, a provision of the code of ethics by posting such information on the Corporate Governance section of our website ([www.bio-rad.com](http://www.bio-rad.com)).



## ITEM 11. EXECUTIVE COMPENSATION

The information required to be furnished pursuant to this item is incorporated by reference from portions of the 2020 Proxy Statement under “Compensation Discussion and Analysis,” “Summary Compensation Table,” “Grants of Plan-Based Awards,” “Outstanding Equity Awards at Fiscal Year-End,” “Option Exercises and Stock Vested Table,” “Pension Benefits,” “Nonqualified Deferred Compensation Plans,” “Potential Payments on Termination or Change in Control,” “Director Compensation,” “Compensation Committee Interlocks and Insider Participation” and “Pay Ratio Disclosure.” In addition, the information from a portion of the 2020 Proxy Statement under “Compensation Committee Report” is incorporated herein by reference and furnished on this Form 10-K and shall not be deemed “filed” for purposes of Section 18 of the Securities and Exchange Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933.

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

Part of the information required to be furnished pursuant to this item is incorporated by reference from a portion of the 2020 Proxy Statement under “Principal and Management Stockholders.”

### Equity Compensation Plan Information as of December 31, 2019

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b) <sub>(3)</sub>	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders (1)	814,464	\$ 162.23	2,107,020 (2)
Equity compensation plans not approved by security holders	—	—	—
<b>Total</b>	<b>814,464</b>	<b>\$ 162.23</b>	<b>2,107,020</b>

(1) Consists of the Bio-Rad Laboratories, Inc. 2007 Incentive Award Plan, the Bio-Rad Laboratories, Inc. 2017 Incentive Award Plan, and the Bio-Rad Laboratories, Inc. 2011 Employee Stock Purchase Plan.

(2) Consists of 1,507,489 shares available under the Bio-Rad Laboratories, Inc. 2017 Incentive Award Plan and 599,531 shares available under the Bio-Rad Laboratories, Inc. 2011 Employee Stock Purchase Plan.

(3) Excludes Restricted Stock Units.

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

The information required to be furnished pursuant to this item is incorporated by reference from portions of the 2020 Proxy Statement under “Transactions with Related Persons” and “Committees of the Board of Directors.”

## ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required to be furnished by this item is incorporated by reference from a portion of the 2020 Proxy Statement under “Report of the Audit Committee of the Board of Directors.”

**PART IV.**

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

(a)1 Index to Financial Statements – See Item 8 of Part II of this report “Financial Statements and Supplementary Data” on page 40 for a list of financial statements.

2 Schedule II Valuation and Qualifying Accounts

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

BIO-RAD LABORATORIES, INC.  
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS  
Years Ended December 31, 2019, 2018, and 2017  
(in thousands)

Allowance for doubtful accounts receivable

	Balance at Beginning of Year	(Credited) Charged to Costs and Expenses	Deductions	Balance at End of Year
2019	\$ 26,713	\$ (1,240)	\$ (5,268)	\$ 20,205
2018	\$ 25,549	\$ 11,527	\$ (10,363)	\$ 26,713
2017	\$ 23,367	\$ 11,174	\$ (8,992)	\$ 25,549

Valuation allowance for long-term deferred tax assets

	Balance at Beginning of Year	Charged (Credited) to Income Tax Expense	Deductions	Balance at End of Year
2019	\$ 70,769	\$ —	\$ (3,579)	\$ 67,190
2018	\$ 66,356	\$ 4,413	\$ —	\$ 70,769
2017	\$ 66,403	\$ (47)	\$ —	\$ 66,356

3. Index to Exhibits

The exhibits listed below in the accompanying Index to Exhibits are filed or incorporated by reference as part of this report.

BIO-RAD LABORATORIES, INC.  
**INDEX TO EXHIBITS ITEM 15(a)3 - NOT UPDATED**

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

Exhibit No.

- 3.1 Restated Certificate of Incorporation of Bio-Rad Laboratories, Inc. (1)
- 3.1.1 Certificate of Amendment to Restated Certificate of Incorporation of Bio-Rad Laboratories, Inc. (1)
- 3.2 Amended and Restated Bylaws of Bio-Rad Laboratories, Inc. (2)
- 4.1 Description of Bio-Rad Laboratories, Inc. Class A and Class B Common Stock
- 4.2 Indenture dated as of December 9, 2010 for 4.875% Senior Notes due 2020 among Bio-Rad Laboratories, Inc., as Issuer, and Wilmington Trust FSB, as Trustee. (3)
- 10.1 Credit Agreement, dated as of April 15, 2019, by and among Bio-Rad Laboratories, Inc., the lenders referred to therein, JPMorgan Chase Bank, N.A., as administrative agent, Bank of America, N.A., HSBC Bank USA National Association, and MUFG Bank, Ltd., as co-syndication agents, and Citibank, N.A., and Wells Fargo Bank, N.A., National Association as co-documentation agents. (4)
- 10.2 Bio-Rad Laboratories, Inc. 2011 Employee Stock Purchase Plan. (5)
- 10.2.1 First Amendment to the Bio-Rad Laboratories, Inc. 2011 Employee Stock Purchase Plan (6)
- 10.3 Employees’ Deferred Profit Sharing Retirement Plan (Amended and Restated effective January 1, 1997). (7)
- 10.4 2007 Incentive Award Plan. (8)
- 10.4.1 Restricted Stock Unit Award Grant Notice and Restricted Stock Unit Award Agreement under the 2007 Incentive Award Plan. (9)
- 10.4.2 Amendment to the Bio-Rad Laboratories, Inc. 2007 Incentive Award Plan. (10)
- 10.5 Bio-Rad Laboratories, Inc. 2017 Incentive Award Plan (11)
- 10.5.1 Global Restricted Stock Unit Award Grant Notice and Global Restricted Stock Unit Award Agreement under 2017 Incentive Award Plan (12)
- 10.5.2 Stock Option Grant Notice and Non-Qualified Stock Option Agreement under 2017 Incentive Award Plan (13)
- 10.6 Employment Offer Letter between the Company and Ilan Daskal dated March 15, 2019 (14)

- 10.7 Employment Offer Letter between the Company and Andrew J. Last dated March 15, 2019 (15)
- 10.8 Retirement Agreement between the Company and John Hertia made as of August 21, 2019 (16)
- 10.9 Form of Indemnification Agreement. (17)
- 10.10 Settlement Agreement and General Release. (18)
- 10.11 Non-Prosecution Agreement effective November 3, 2014 between the U.S. Department of Justice and Bio-Rad Laboratories, Inc. (19)
- 10.12 Securities and Exchange Commission Order effective November 3, 2014. (19)

Exhibit No.

- 21.1 Listing of Subsidiaries.
  - 23.1 Consent of Independent Registered Public Accounting Firm.
  - 31.1 Certification of Chief Executive Officer Required by Rule 13a-14(a) (17CFR 240.13a-14(a)).
  - 31.2 Certification of Chief Financial Officer Required by Rule 13a-14(a) (17CFR 240.13a-14(a)).
  - 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
  - 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
  - 101.INS The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
  - 101.SCH XBRL Taxonomy Extension Schema Document
  - 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
  - 101.DEF XBRL Taxonomy Extension Definition Linkbase Document
  - 101.LAB XBRL Taxonomy Extension Labels Linkbase Document
  - 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document
  - 104 Cover Page Interactive Data File - the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
- 

- (1) Incorporated by reference to the Exhibits to Bio-Rad's Form 10-K filing for the fiscal year ended December 31, 2010.
- (2) Incorporated by reference to Exhibit 3.1 to Bio-Rad's Form 8-K filing, dated October 27, 2017.
- (3) Incorporated by reference to Exhibit 4.1 to Bio-Rad's Form 8-K filing, dated December 9, 2010.

- (4) Incorporated by reference to the Exhibit 10.1 to Bio-Rad's 8-K filing, dated April 16, 2019.
- (5) Incorporated by reference to Exhibit 10.9 to Bio-Rad's June 30, 2011 Form 10-Q filing, dated August 4, 2011.
- (6) Incorporated by reference to Exhibit 10.2 to Bio-Rad's Form 10-Q filing, dated May 9, 2017
- (7) Incorporated by reference to Exhibit 10.6 to Bio-Rad's September 30, 1997 Form 10-Q filing, dated November 13, 1997.
- (8) Incorporated by reference to Exhibit 4.1 to Bio-Rad's Form S-8 filing, dated July 30, 2007.
- (9) Incorporated by reference to Exhibit 10.8.1 to Bio-Rad's September 30, 2009 Form 10-Q filing, dated November 4, 2009.
- (10) Incorporated by reference to Exhibit 10.1 to Bio-Rad's March 31, 2014 Form 10-Q filing, dated May 8, 2014.
- (11) Incorporated by reference to Exhibit 10.1 to Bio-Rad's Form 10-Q filing, dated May 9, 2017
- (12) Incorporated by reference to Exhibit 10.1 to Bio-Rad's Form 10-Q filing, dated November 9, 2017
- (13) Incorporated by reference to Exhibit 10.2 to Bio-Rad's Form 10-Q filing, dated November 9, 2017
- (14) Incorporated by reference to the Exhibit 10.1 to Bio-Rad's 8-K filing, dated April 2, 2019
- (15) Incorporated by reference to the Exhibit 10.1 to Bio-Rad's 8-K filing, dated April 22, 2019
- (16) Incorporated by reference to the Exhibit 10.1 to Bio-Rad's 8-K filing, dated August 23, 2019
- (17) Incorporated by reference to Exhibit 10.1 to Bio-Rad's Form 10-Q filing, dated August 7, 2017.
- (18) Incorporated by reference to Exhibit 10.1 to Bio-Rad's Form 10-Q filing, dated November 7, 2014.
- (19) Incorporated by reference to the Exhibits to Bio-Rad's Form 10-K filing for the fiscal year ended December 31, 2014.

## **Item 16. FORM 10-K SUMMARY**

Not applicable.

## SIGNATURES

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

BIO-RAD LABORATORIES, INC.

By: /s/ Ilan Daskal  
Ilan Daskal  
Executive Vice President, Chief Financial Officer

Date: February 28, 2020

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

Principal Executive Officer: Chairman of the Board, President  
/s/ Norman Schwartz and Chief Executive Officer February 28, 2020  
(Norman Schwartz)

Principal Financial Officer: Executive Vice President,  
/s/ Ilan Daskal Chief Financial Officer February 28, 2020  
(Ilan Daskal)

Principal Accounting Officer: Vice President, Corporate Controller February 28, 2020  
/s/ James R. Stark  
(James R. Stark)

Other Directors: Director February 28, 2020  
/s/ Jeffrey L. Edwards  
(Jeffrey L. Edwards)

/s/ Gregory K. Hinckley Director February 28, 2020  
(Gregory K. Hinckley)

/s/ Melinda Litherland Director February 28, 2020  
(Melinda Litherland)

/s/ Arnold A. Pinkston Director February 28, 2020  
(Arnold A. Pinkston)

/s/ Alice N. Schwartz Director February 28, 2020  
(Alice N. Schwartz)

**DIRECTORS**

**Norman Schwartz**  
Chairman of the Board

**Jeffrey L. Edwards**  
Director

**Gregory K. Hinckley**  
Director

**Melinda Litherland**  
Director

**Arnold A. Pinkston**  
Director

**Alice N. Schwartz**  
Director

**OFFICERS**

**Norman Schwartz**  
President and  
Chief Executive Officer

**Andrew Last**  
Executive Vice President,  
Chief Operating Officer

**Giovanni Magni**  
Executive Vice President,  
Chief Strategy Officer

**Ilan Daskal**  
Executive Vice President,  
Chief Financial Officer

**Michael Crowley**  
Executive Vice President,  
Global Commercial Operations

**Timothy S. Ernst**  
Executive Vice President,  
General Counsel & Secretary

**Annette Tumolo**  
Executive Vice President,  
President, Life Science Group

**Dara Wright**  
Executive Vice President,  
President,  
Clinical Diagnostics Group

**Ronald Hutton**  
Vice President, Treasurer

**James Stark**  
Vice President,  
Corporate Controller

**OTHER SENIOR EXECUTIVES**

**Lee Boyd**  
Senior Vice President,  
Global Commercial Operations,  
Asia Pacific

**John Bussell**  
Senior Vice President,  
Global Operations,  
Clinical Diagnostics Group

**Colleen Corey**  
Executive Vice President,  
Global Human Resources

**Diane Dahowski**  
Executive Vice President,  
Global Supply Chain

**Leo Kaabi**  
Senior Vice President,  
Global Commercial Operations,  
Europe, Middle East,  
Africa

**Simon May**  
Senior Vice President,  
Digital Biology Group

**ANNUAL MEETING**

The Annual Meeting of Stockholders will be virtual-only and held on Tuesday, April 28, 2020 at 4 PM, Pacific Time. Please refer to our proxy statement for details on how to connect to the meeting.

Bio-Rad will provide without charge to each stockholder, upon written request to the Secretary, a copy of its 2019 Annual Report filed with the Securities and Exchange Commission on Form 10-K.

**TRANSFER AGENT**

**Computershare**  
c/o Shareholder Services  
462 South 4th Street, Suite 1600  
Louisville, KY 40202  
www.computershare.com

**AUDITORS**

**KPMG LLP**

**COMMON STOCK**

Traded on the  
New York Stock Exchange

Class A Common Stock  
Symbol **BIO**

Class B Common Stock  
Symbol **BIOb**





**CORPORATE OFFICES**

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