BIO RAD LABORATORIES INC
Form 10-Q/A
August 26, 2004

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q/A

AMENDMENT NO. 1

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

For the quarterly period ended June 30, 2004.

OR

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

For the transition period from ___________to ______________.

Commission file number 1-7928

BIO-RAD LABORATORIES, INC.
(Exact name of registrant as specified in its charter)

Delaware	94-1381833
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1000 Alfred Nobel Drive, Hercules, California	94547
(Address of principal executive offices)	(Zip Code)

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

No Change
Former name, former address and former fiscal year, if changed since last report.

Indicate by check whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No _____

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule12b-2 of the Exchange Act). Yes X No_____

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

Title of each Class	Shares Outstanding at July 30, 2004
Class A Common Stock, Par Value $0.0001 per share	20,904,467
Class B Common Stock, Par Value $0.0001 per share	4,844,440

EXPLANATORY NOTE ON AMENDMENT

This Amendment No. 1 on Form 10-Q/A (this "Amendment") to the Quarterly Report on Form 10-Q of Bio-Rad Laboratories, Inc. (the "Company") for the six months ended June 30, 2004 (the "Form 10-Q") is being filed to amend Item 1 (Financial Statements) of the Form 10-Q solely to correct one typographical error in the consolidated statements of cash flows. The revised financial statements replace the figure "--" with the figure "(5,957)" in the line item "Payments for acquisitions and investments" for the six months ended June 30, 2003. No other changes to the original Form 10-Q filed on August 8, 2004 have been made. This Amendment also does not reflect any events that have occurred after the original filing date of the Form 10-Q. For ease of reference, this Amendment restates the Form 10-Q in its entirety.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

BIO-RAD LABORATORIES, INC.

Condensed Consolidated Statements of Income
(In thousands, except per share data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
NET SALES	$260,546	$239,325	$523,295	$479,723
Cost of goods sold	110,885	104,265	224,370	203,985
GROSS PROFIT	149,661	135,060	298,925	275,738
Selling, general and administrative expense	90,199	76,947	177,256	152,269
Product research and development expense	25,545	21,990	49,878	42,601
Purchased in-process research and development expense	--	--	900	--
Interest expense	4,919	3,696	9,969	8,347
Foreign exchange losses	545	554	747	1,323
Other (income) and expense, net	(866)	(880)	(650)	(1,484)
INCOME FROM CONTINUING OPERATIONS BEFORE TAXES	29,319	32,753	60,825	72,682
Provision for income taxes	9,048	10,834	17,934	24,050

INCOME FROM CONTINUING OPERATIONS	20,271	21,919	42,891	48,632
DISCONTINUED OPERATIONS				
Loss from discontinued operations (net of tax)	(845)	(963)	(1,487)	(1,312)
Gain on divestiture (net of tax)	3,437	--	3,437	--
TOTAL INCOME (LOSS) FROM DISCONTINUED OPERATIONS	2,592	(963)	1,950	(1,312)
NET INCOME	$ 22,863	$ 20,956	$ 44,841	$ 47,320
Basic earnings per share:				
Continuing operations	$ 0.79	$ 0.86	$ 1.67	$ 1.92
Discontinued operations	0.10	(0.03)	0.08	(0.05)
Net income	$ 0.89	$ 0.83	$ 1.75	$ 1.87
Weighted average common shares	25,699	25,386	25,662	25,336
Diluted earnings per share:				
Continuing operations	$ 0.76	$ 0.83	$ 1.62	$ 1.86
Discontinued operations	0.10	(0.03)	0.07	(0.05)
Net income	$ 0.86	$ 0.80	$ 1.69	$ 1.81
Weighted average common shares	26,504	26,341	26,474	26,214

The accompanying notes are an integral part of these statements.

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

	June 30, 2004	December 31, 2003
ASSETS:		
Cash and cash equivalents	$ 155,329	$ 148,642
Accounts receivable, net	234,003	234,085
Inventories, net	188,564	190,258
Prepaid expenses, taxes and other current assets	82,491	97,893
Total current assets	660,387	670,878
Net property, plant and equipment	186,233	179,123
Goodwill, net	72,741	69,503
Purchased intangibles	33,149	12,251
Other assets	70,250	55,103
Total assets	$1,022,760	$ 986,858
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	$ 67,340	$ 53,995
Accrued payroll and employee benefits	59,464	71,650
Notes payable and current maturities of long-term debt	9,987	10,423
Sales, income and other taxes payable	12,634	20,833

Other current liabilities	61,712	77,425
Total current liabilities	211,137	234,326
Long-term debt, net of current maturities	226,098	225,835
Deferred tax liabilities	15,962	13,991
Other long-term liabilities	25,043	16,899
Total liabilities	478,240	491,051
STOCKHOLDERS' EQUITY:		
Preferred stock, $0.0001 par value, 7,500,000 shares authorized; none outstanding	--	--
lass A common stock, $0.0001 par value, 80,000,000 shares authorized; outstanding - 20,876,552 at June 30, 2004 and 50,000,000 shares authorized; outstanding- 20,709,127 at December 31, 2003	2	2
Class B common stock, $0.0001 par value, 20,000,000 shares authorized; outstanding- 4,844,740 at June 30, 2004 and 4,834,290 at December 31, 2003	1	1
Additional paid-in capital	45,677	42,164
Retained earnings	465,853	421,012
Accumulated other comprehensive income:		
Currency translation and other	32,987	32,628
Total stockholders' equity	544,520	495,807
Total liabilities and stockholders' equity	$1,022,760	$ 986,858

The accompanying notes are an integral part of these statements.

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

	Six Months Ended June 30, 2004	2003
Cash flows from operating activities:		
Cash received from customers	$ 517,385	$ 499,425
Cash paid to suppliers and employees	(440,664)	(409,833)
Interest paid	(9,866)	(9,164)
Income tax payments	(20,860)	(31,632)
Miscellaneous receipts	3,568	(149)
Discontinued operations	(2,019)	(2,055)
Net cash provided by operating activities	47,544	46,592
Cash flows from investing activities:		
Capital expenditures, net	(29,057)	(25,368)
Payments for acquisitions and investments	(27,540)	(5,957)
Proceeds from divestitures	19,775	--
Payments on the purchase of intangible assets	(6,000)	--
Net purchases of marketable securities	(1,811)	(2,168)
Foreign currency economic hedges, net	(802)	(6,783)
Net cash used in investing activities	(45,435)	(40,276)

Cash flows from financing activities:		
Net borrowings (repayments) under line-of-credit arrangements	(48)	2,924
Long-term borrowings	--	10,835
Payments on long-term debt	(212)	(18,109)
Proceeds from issuance of common stock	3,513	3,078
Net cash provided by (used in) financing activities	3,253	(1,272)
Effect of exchange rate changes on cash	1,325	(3,949)
Net increase in cash and cash equivalents	6,687	1,095
Cash and cash equivalents at beginning of period	148,642	27,733
Cash and cash equivalents at end of period	$ 155,329	$ 28,828

Reconciliation of net income to net cash provided by operating activities:		
Income from continuing operations	$ 42,891	$ 48,632
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	22,881	20,495
Decrease in accounts receivable	(5,008)	15,123
Increase in inventories	(4,603)	(11,065)
(Increase) decrease in other current assets	14,334	(6,743)
Decrease in accounts payable and other current liabilities	(24,499)	(20,571)
Increase (decrease) in income taxes payable	236	(13,875)
Other	2,799	15,908
Net cash provided by continuing operations	49,031	47,904
Discontinued operations	(1,487)	(1,312)
Net cash provided by operating activities	$ 47,544	$ 46,592

The accompanying notes are an integral part of these statements.

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BIO-RAD LABORATORIES, INC.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of Bio-Rad Laboratories, Inc. ("Bio-Rad" or the "Company"), have been prepared in accordance with accounting principles generally accepted in the United States of America and reflect all adjustments which are, in the opinion of management, necessary to fairly state the results of the interim periods presented. All such adjustments are of a normal recurring nature. Results for the interim period are not necessarily indicative of the results for the entire year. The condensed consolidated financial statements should be read in conjunction with the notes to the consolidated financial statements contained in the Company's Annual Report for the year ended December 31, 2003. Certain prior year items have been reclassified to conform to the current year's presentation.

2. INVENTORIES

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

	June 30, 2004	December 31, 2003
Raw materials	$ 45.8	$ 38.8
Work in process	36.1	38.8
Finished goods	106.7	112.7
	$ 188.6	$ 190.3

3. PROPERTY, PLANT AND EQUIPMENT

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

	June 30, 2004	December 31, 2003
Land and improvements	$ 9.9	$ 9.9
Buildings and leasehold improvements	108.0	106.0
Equipment	287.7	273.1
	405.6	389.0
Accumulated depreciation	(219.4)	(209.9)
Net property, plant and equipment	$ 186.2	$ 179.1

4. GOODWILL AND INTANGIBLES

The Company adopted Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets" as of January 1, 2002, which provides that goodwill is no longer subject to amortization over its useful life. Goodwill is subject to an annual assessment for impairment applying a fair-value based test.

As part of the acquisition of the controls business of Hematronix in March 2004, (see Note 5) the Company added $3.2 million of Goodwill and $9.3 million of intangible assets including in-process research and development. Other than in-process research and development, these intangible assets will be amortized over 5-7.5 years at an estimated annual amount of $1.3 million.

In June 2004, the Company purchased $14.0 million of intangible assets related to licensing agreements. The Company paid $6.0 million upon acquisition and will pay the remaining $8.0 million over the next two years. These intangible assets will be amortized over 15.5 years at an estimated annual amount of $0.9 million.

5. ACQUISITIONS AND INVESTMENTS

In March 2004, the Company purchased for cash the controls business of Hematronix, Inc. of Plano, Texas. Bio-Rad acquired tangible and intangible assets and assumed certain liabilities for approximately $17 million. Acquired in-process research and development of $0.9 million was charged to expense in the first quarter.

During the first six months of 2004, the Company invested an additional $10.9 million in Sartorius AG ("Sartorius"), of Goettingen, Germany, a process technology supplier to the biotechnology, pharmaceutical, chemical and food and beverage industries. At June 30, 2004, the Company owned approximately 21% of the outstanding voting shares of Sartorius. The Sartorius family trust and Sartorius family members hold approximately 60% of the outstanding voting shares. Bio-Rad does not have any representative or designee on Sartorius' board of directors, nor does it have any other influence over the operating and financial policies of Sartorius. Therefore, the Company accounts for this investment using the cost method.

In June 2004, the Company signed a letter of intent to acquire MJ GeneWorks, Inc. and its subsidiaries. MJ GeneWorks is the parent company of MJ Research, Inc. of Waltham, Massachusetts, a biotechnology company specializing in thermal cycling instrumentation and reagents used to amplify DNA. Under the proposed agreement, Bio-Rad will acquire tangible and intangible assets for approximately $47 million in cash and assume certain liabilities. The acquisition is subject to completion of a definitive purchase agreement which has not been completed as of the date of this filing.

6. DISCONTINUED OPERATIONS

On May 31, 2004, the Company sold a group of assets and transferred certain liabilities that comprise a substantial portion of the Company's confocal microscopy product line to Carl Zeiss Jena GMBH. Proceeds received were $19.8 million and costs included net assets of $5.7 million, lease settlements of $6.7 million and severance, legal and other costs of $1.7 million resulting in a pre-tax gain of $5.7 million. Payments on the lease liability will continue until 2008. All other costs should be settled by December 31, 2004.

As required by SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," with the disposition of this asset group, the sales and expenses related to this product line for current and prior periods results have been reclassified as a separate line on the income statement titled "Discontinued Operations."

The discontinued operations generated net sales of $2.4 million and $4.2 million for the three months ended June 30, 2004, and 2003. Net sales for the six months ended June 30, 2004 and 2003 were $6.3 million and $9.8 million, respectively. The pre-tax operating losses attributable to the discontinued operations for the three months ended for June 30, 2004 and 2003 were $1.2 million and $1.5 million, respectively. The pre-tax operating losses attributable to the discontinued operations for the six months ended June 30, 2004 and 2003 were $2.0 million and $2.1 million, respectively.

7. PRODUCT WARRANTY LIABILITY

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

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

	2004	2003
January 1,	$ 9.1	$ 7.1
Provision for warranty	5.5	5.8
Actual warranty costs	(6.4)	(4.6)
June 30,	$ 8.2	$ 8.3

8. LONG-TERM DEBT

In August 2003, the Company sold $225.0 million principal amount of Senior Subordinated Notes due 2013. The notes pay a fixed rate of interest of 7.5% per year. During 2003, the Company also negotiated a new five-year $150 million revolving credit facility. Interest on the facility varies based upon a number of factors including the duration of the specific borrowing and is based upon

either the Eurodollar, the Federal Funds effective or the Company corporate-based rate.

9. EARNINGS PER SHARE

The Company calculates basic earnings per share (EPS) and diluted EPS in accordance with SFAS No. 128, "Earnings per Share." Basic EPS is computed by dividing net income (loss) by the weighted average number of common shares outstanding for that period. Diluted EPS takes into account the effect of dilutive instruments, such as stock options, and uses the average share price for the period in determining the number of common stock equivalents that are to be added to the weighted average number of shares outstanding. Common stock equivalents are excluded from the diluted earnings per share calculation if the effect would be anti-dilutive.

Weighted average shares used for diluted earnings per share include the dilutive effect of outstanding stock options to purchase 805,000 and 955,000 shares for the three months ended June 30, 2004 and 2003, respectively. Options to purchase 5,000 shares of common stock were outstanding during the three month period ended June 30, 2004, but were excluded from the computation of diluted earnings per share because the exercise price of the options was greater than the average market price of the common shares. There were no anti-dilutive options for the three months ended June 30, 2003.

Weighted average shares used for diluted earnings per share include the dilutive effect of outstanding stock options to purchase 812,000 and 878,000 shares for the six months ended June 30, 2004 and 2003, respectively. There were 4,000 anti-dilutive options for the six months ended June 30, 2004. There were no anti-dilutive options for the six months ended June 30, 2003.

10. STOCK OPTIONS AND PURCHASE PLANS

Stock Option Plans

The Company maintains incentive and non-qualified stock option plans for officers and certain other key employees. Under the 2003 Stock Option Plan, options to purchase 306,990 shares were granted during the six months ended June 30, 2004. Under the 1994 Stock Option Plan, options to purchase 302,993 shares were granted during the six months ended June 30, 2003. No options have been issued to non-employees.

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Net income, as reported	$ 22.9	$ 21.0	$ 44.8	$ 47.3
Deduct: Total stock based employee compensation expense determined under fair value methods for all awards, net of related tax effects	0.6	0.7	1.2	1.2
Pro forma net income	22.3	20.3	43.6	46.1
Earnings per share:				
Basic - as reported	$ 0.89	$ 0.83	$ 1.75	$ 1.87
Basic - pro forma	$ 0.87	$ 0.80	$ 1.70	$ 1.82

Diluted - as reported	$ 0.86	$ 0.80	$ 1.69	$ 1.81
Diluted - pro forma	$ 0.84	$ 0.77	$ 1.65	$ 1.76

For purposes of the pro forma disclosures, the estimated fair value of the options granted is amortized to expense over the options' vesting period. There were no options granted during the three month periods ended June 30, 2004 and 2003. The fair value of options granted was estimated using the Black-Scholes model with the following weighted average assumptions:

	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003
Expected volatility	39%	37%
Risk-free interest rate	2.73%	2.65%
Expected life (in years)	4.3	4.2
Expected dividend	--	--

The weighted average fair value of employee stock options granted during the six months ended June 30, 2004 and 2003 was $18.74 and $11.85, respectively.

Employee Stock Purchase Plan

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

compensation expense is recorded in connection with the plan. The Company has authorized the sale of 1,890,000 shares of common stock under the plan.

The Company sold 14,729 shares for $0.7 million and 17,257 shares for $0.5 million under the plan to employees for the three months ended June 30, 2004 and 2003, respectively. The Company sold 32,002 shares for $1.5 million and 35,898 shares for $1.1 million under the plan to employees for the six months ended June 30, 2004 and 2003, respectively. At June 30, 2004, 237,237 shares remain authorized under the plan.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Expected volatility	19.55%	51.91%	20.02%	45.22%
Risk free interest rate	0.93%	1.03%	0.90%	1.02%
Expected life (in years)	0.25	0.25	0.25	0.25
Expected dividend	--	--	--	--

The weighted average fair value of those purchase rights granted during the three months ended June 30, 2004 and 2003 was $10.69 and $8.73, respectively. The weighted average fair value of those purchase rights granted during the six months ended June 30, 2004 and 2003 was $10.89 and $8.39, respectively.

11. FOREIGN EXCHANGE LOSSES

Foreign exchange losses include premiums and discounts on forward foreign exchange contracts and mark-to-market adjustments on foreign exchange contracts.

12. OTHER INCOME AND EXPENSE

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

	Three Months Ended June 30, 2004	Three Months Ended June 30, 2003	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003
Write-down of investment	$ --	$ --	$ 2.4	$ --
Interest income	(0.4)	(0.5)	(1.0)	(1.1)
Other	(0.5)	(0.4)	(2.1)	(0.4)
Total other (income) and expense, net	$ (0.9)	$ (0.9)	$ (0.7)	$ (1.5)

The six months ended June 30, 2004 includes $2.4 million of expense for an other-than-temporary impairment of equity interest in Instrumentation Laboratory, S.p.A., which is accounted for using the cost method.

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13. COMPREHENSIVE INCOME

SFAS No. 130, "Reporting Comprehensive Income" requires disclosure of total non-stockholder changes in equity, which include unrealized gains and losses on securities classified as available-for-sale under SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities", foreign currency translation adjustments accounted for under SFAS No. 52, "Foreign Currency Translation" and minimum pension liability adjustments made pursuant to SFAS No. 87, "Employers' Accounting for Pensions."

The components of the Company's total comprehensive income were (in millions):

	Three Months Ended June 30, 2004	Three Months Ended June 30, 2003	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003
Net income, as reported	$ 22.9	$ 21.0	$ 44.8	$ 47.3
Currency translation adjustments	0.3	11.1	(3.3)	14.5
Net unrealized holding gains	2.3	0.7	4.4	0.6
Total comprehensive income	$ 25.5	$ 32.8	$ 45.9	$ 62.4

14. SEGMENT INFORMATION

Information regarding industry segments for the three months ended June 30, 2004 and 2003 is as follows (in millions):

		Life Science	Clinical Diagnostics	Other Operations
Segment net sales	2004	$ 113.9	$ 144.4	$ 2.3
	2003	$ 110.1	$ 127.3	$ 1.9
Segment profit(loss)	2004	$ 11.9	$ 18.0	$ --
	2003	$ 17.4	$ 15.7	$ (0.1)

Information regarding industry segments for the six months ended June 30, 2004 and 2003 is as follows (in millions):

		Life Science	Clinical Diagnostics	Other Operations
Segment net sales	2004	$ 235.5	$ 283.3	$ 4.5
	2003	$ 222.0	$ 253.4	$ 4.3
Segment profit	2004	$ 27.7	$ 34.4	$ --
	2003	$ 39.6	$ 34.5	$ 0.1

Segment results are presented in the same manner as the Company presents its operations internally to make operating decisions and assess performance. Net corporate operating income (expense) consists of receipts and expenditures that are not the primary responsibility of segment operating management.

Interest expense is charged to segments based on the carrying amount of inventory and receivables employed by that segment. The following reconciles total segment profit to consolidated income from continuing operations before taxes (in millions):

	Three Months Ended June 30, 2004	Three Months Ended June 30, 2003	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003
Total segment profit	$29.9	$33.0	$62.1	$74.2
Foreign exchange losses	(0.5)	(0.6)	(0.7)	(1.3)
Net corporate operating, interest and other income and expense not allocated to segments	(1.0)	(0.5)	(1.3)	(1.7)
Other income and (expense),net	0.9	0.9	0.7	1.5
Consolidated income before taxes from continuing operations	$29.3	$32.8	$60.8	$72.7

15. LEGAL PROCEEDINGS

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

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

This discussion should be read in conjunction with the information contained in both the Company's Consolidated Financial Statements for the year ended December 31, 2003 and this report for the quarter ended June 30, 2004.

Other than statements of historical fact, statements made in this report include forward looking statements, such as statements with respect to the Company's future financial performance, operating results, plans and objectives that involve risk and uncertainties. We have based these forward looking statements on our current expectations and projections about future events. However, actual results may differ materially from those currently anticipated depending on a variety of risk factors including among other things: our ability to successfully develop and market new products; our reliance on and access to necessary intellectual property; our ability to service our debt; competition in and government

regulation of the industries in which we operate; and the monetary policies of various countries. We undertake no obligation to publicly update or revise any forward looking statements, whether as a result of new information, future events, or otherwise.

Overview. We are a multinational manufacturer and worldwide distributor of Life Science research and Clinical Diagnostics products. Our business is organized into two primary segments, Life Science and Clinical Diagnostics, with the mission to provide scientists with specialized tools needed for biological research and clinical diagnostics. We sell more than 8,000 products and services to a diverse client base comprised of scientific research, healthcare, industry, education and government customers worldwide. We manufacture and supply our customers with a range of reagents, apparatus and equipment to separate complex chemical and biological materials and to identify, analyze and purify components. Because our customers require replication of results from experiments and tests, we estimate that approximately 70% of our revenues are recurring. Approximately 36% of our second quarter 2004 consolidated net sales are from the United States and approximately 64% are international sales largely denominated in local currency with the majority of these sales in Euros, Yen and British Sterling. As a result, our consolidated sales expressed in dollars benefit when the US dollar weakens and suffers when the dollar strengthens in relation to other currencies. Currency fluctuations benefited our consolidated sales expressed in US dollars in the current quarter ended June 30, 2004 as well as the prior period.

On a currency neutral basis, the diagnostic market is growing around 3% comprised of specialty areas experiencing significant growth offset by flat to declining growth in the routine testing market.

Pricing for routine diagnostic tests is impacted by declining reimbursement schedules particularly in the US, Japan and Germany.

The ambient growth of the life science market is currently about 5% on a currency neutral basis. Some spending on government sponsored research has slowed or is being deferred especially in the US and Japan. Large capital instrumentation systems continue to lag the ambient growth rate while reagents are rising faster than that average. The market for BSE tests continues to be very dynamic as established countries consolidate testing resulting in competitive pricing pressures and lower selling prices. We anticipate that growth in BSE testing will come from the opening of new testing markets.

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

	Three Months Ended June 30, 2004	Three Months Ended June 30, 2003	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003	Year Ended December 31, 2003
Net sales	100.0	100.0	100.0	100.0	100.0
Cost of goods sold	42.6	43.6	42.9	42.5	43.2
Gross profit	57.4	56.4	57.1	57.5	56.8
Selling, general and administrative expense	34.6	32.2	33.9	31.7	32.4
Product research and development expense	9.8	9.2	9.5	8.9	9.3
Income from continuing operations	7.8	9.2	8.2	10.1	7.9
Discontinued operations	1.0	(0.4)	0.4	(0.2)	(0.1)
Net income	8.8	8.8	8.6	9.9	7.8

Critical Accounting Policies

As previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2003, the Company has identified accounting for income taxes, valuation of long-lived and intangible assets and goodwill, and valuation of inventories as the accounting policies critical to the operations of the Company. For a full discussion of these policies, please refer to the Form 10-K.

Three Months Ended June 30, 2004 Compared to
Three Months Ended June 30, 2003

Corporate Results -- Sales, Margins and Expenses

Net sales (sales) in the second quarter of 2004 rose 8.9% to $260.5 million from $239.3 million in the second quarter of 2003. The positive impact to sales from a weakening US dollar represented $11.2 million. For the Company in total, on a currency neutral basis, sales grew 4.2% compared to the prior year's quarter. The Clinical Diagnostics segment sales grew by 13.4% to $144.4 million, before adjustment to a currency neutral basis, while the Life Science segment sales grew 3.4%. On a currency neutral basis, Clinical Diagnostics sales growth was 8.8%, while Life Science sales declined 1.3%. Clinical Diagnostics sales were driven by its quality control product line and to a lesser extent its diabetes and blood virus products. While quality control products did benefit from the recent Hematronix acquisition, greater than half of its growth came from existing products. Life Science sales experienced growth in its multiplex protein array technology, amplification reagents, and electrophoresis product lines. Sales declined for the food science products as average selling prices declined in the very

competitive BSE market, but at a slower rate. The Company was recently awarded contracts to provide tests to the US market for enhanced surveillance testing.

Consolidated gross margins were 57.4% for the second quarter of 2004 compared to 56.4% for the second quarter of 2003 and 56.8% for all of 2003. Both Life Science and Clinical Diagnostics gross margins increased when compared to the second quarter of 2003. Life Science margin improvements are attributable to product sales mix and lower customer support costs on the segment's BSE product line. Clinical Diagnostics margins improvements are attributable to product sales mix and, to a lesser extent, lower compliance costs and the selective termination of some older products.

Selling, general and administrative expenses (SG&A) represented 34.6% of sales for the second quarter of 2004 compared to 32.2% of sales for the second quarter of 2003. The Company experienced significant growth in the rate of spending for advertising, facilities and professional services for information technology, legal and financial services associated with intellectual property rights and government compliance.

Product research and development expense increased 16.1% to $25.5 million in the second quarter of 2004 compared to the prior quarter. Both Life Science and Clinical Diagnostics increased their research and development expenditures in absolute dollars. Areas of development for the Life Science segment are proteomics, process chromatography, and food safety. Diagnostic development efforts are focused on expanded tests for its recently announced Bioplex 2200 testing platform, molecular diagnostic tests and expanded software data management product offerings for its quality control product line.

Corporate Results - Other Items

Interest expense increased from the prior year by 33%. The increase is the net effect of the Company increasing its average indebtedness from $112.1 million at June 30, 2003 to $236.0 million at June 30, 2004. The Company refinanced all of its debt in the second half of 2003, increasing the amount borrowed with more favorable terms, which included a longer term to maturity and a lower interest rate.

Exchange gains and losses consist of foreign currency transaction gains and losses and the premiums and discounts on forward foreign exchange contracts used to manage our foreign exchange risk where the cost of economic hedging is prohibitive or a cost effective market does not exist.

Other income and expense for the second quarter of 2004 and 2003 consists of investment and interest income. Also included in other income and expense are gains or losses associated with the sale of any surplus manufacturing equipment or other productive assets.

The Company's effective tax rate was 31% and 33% for the second quarter of 2004 and 2003 respectively. The current period benefits from a rate decline from tax planning opportunities resulting from increased foreign profitability.

In May, the Company sold its U.K. based confocal microscopy product line to Carl Zeiss Jena GMBH. As required by SFAS 144, the sales and expenses related to this product line for current and prior periods have been reclassified to a separate line on the income statement titled "Discontinued Operations." The gain on divestiture was $3.4 million, net of tax. Proceeds received were $19.8 million and costs included assets transferred less related liabilities, legal costs, a provision for leased facilities through August 2008 and minor severance and other costs. See Note 6.

Six Months Ended June 30, 2004 Compared to
Six Months Ended June 30, 2003

Corporate Results -- Sales, Margins and Expenses

Net sales (sales) in the first half of 2004 rose 9.1% to $523.3 million from $479.7 million in the first half of 2003. The positive impact to sales from a weakening US dollar represented $33.3 million. For the Company in total, on a currency neutral basis, sales grew 2.1% compared to the prior year period. Before adjustment to a currency neutral basis, the Clinical Diagnostics segment sales grew by 11.8% to $283.3 million and the Life Science segment sales grew 6.1% to $235.5 million. On a currency neutral basis, the Clinical Diagnostics segment's sales increased 4.9% and the Life Science segment's sales declined 1.0%. The Clinical Diagnostic sales increase is principally due to its quality control, autoimmune testing and diabetes monitoring products. Life Science sales growth is attributable to multiplex protein array technology, amplification reagents, and electrophoresis product lines. Life Science sales declined for food science products as the Company's BSE test faces competitive pricing pressure. Each segment benefited by approximately 6.9% as a result of a weakening US dollar improving their international sales.

Consolidated gross margins were 57.1% for the first half of 2004 compared to 57.5% for the first half of 2003 and 56.8% for all of 2003. Life Science gross margins excluding the BSE product line remained unchanged from the prior year. The gross margin for the BSE product line has declined, affecting the Life Science segment due to lower overall average prices in a consolidating and competitive market. Diagnostic margins improved on sales mix as higher margin product lines represented a large percentage of the total sales mix.

Selling, general and administrative expenses (SG&A) represented 33.9% of sales for the first half of 2004 compared to 31.7% of sales in the prior year period. The Company had planned growth in the rate of spending for advertising, personnel, facilities and professional services for information technology improvements, legal and financial services in connection with intellectual property rights and compliance.

Product research and development expense increased 17.1% to $49.9 million in the first half of 2004 compared to the same period in 2003 excluding $0.9 million of expense for acquired in-process research and development in the first quarter of 2004 associated with the Company's acquisition of Hematronix. Both Life Science and Clinical Diagnostics increased their research and development expenditures in absolute dollars. Areas of development for Life Science are proteomics, process chromatography and food safety. Clinical Diagnostics development efforts were focused on completion and regulatory approval of the recently announced BioplexTM 2200 platform and diagnostic test panels for it and expanded data management software products for the quality control product line.

Corporate Results - Other Items

Interest expense for the first half of 2004 increased from the same period in the prior year by 19.4%. This increase is the net effect of the Company increasing its average indebtedness from $112.1 million in the first half of 2003 to $236.0 million for the first half of 2004. During the second half of 2003, the Company refinanced all of its debt and increased the amount borrowed, represented largely by its 11-5/8% bonds, and replaced it with new 7.5% bonds.

Exchange gains and losses consist of foreign currency transaction gains and losses and the premiums and discounts on forward foreign exchange contracts used to manage our foreign exchange risk where the cost of economic hedging is prohibitive or a cost effective market does not exist.

Other income and expense for the first half of 2004 includes investment and interest income on its cash balances, marketable securities and notes receivable. The Company also includes in this category any gains or losses associated with the sale of any surplus manufacturing equipment or other productive assets. During the first half of 2004, the Company recorded a $2.4 million write-down in an investee in which has no influence.

The Company's effective tax rate on continuing operations was 30% and 33% for the first half of 2004 and 2003, respectively. The rate decline is principally the result of tax planning opportunities resulting from increased foreign profitability. Should legislation which the Company relied on to effect the lower rate remain unchanged, this benefit is expected to last approximately 5 years.

Financial Condition

As of June 30, 2004, the Company had available $155.3 million in cash and cash equivalents, $26.0 million under international lines

of credit and $145.5 million under the restated and amended Revolving Credit Facility. Management believes that this availability, together with cash flow from operations, will be adequate to meet the Company's current objectives for operations, research and development, capital additions for plant, equipment and systems and potential acquisitions.

Net cash provided by operations was $47.5 million and $46.6 million for the six month period ending June 30, 2004 and 2003, respectively. The Company's continued profitability, an increase in operating asset requirements in line with sales growth, and lower tax rates have all contributed to the improvement in cash flow from operating activities on a comparative basis.

At June 30, 2004, consolidated accounts receivable were $234.0 million, a decrease of $0.1 million from December 31, 2003. The decline represents both an impact from foreign currency, as the June 30, 2004 rate of the Euro and several other currencies declined when compared to year-end. Excluding foreign currency effects, receivables increased approximately $5.0 million. This is attributable to local payment patterns and sales mix by country with no discernable change to practices, market, or customer risk profiles.

At June 30, 2004, consolidated net inventories decreased $1.7 million from December 31, 2003. Included in the reported amount is approximately $2.6 million attributable to the acquisition of the controls business of Hematronix. Inventories, net of divestitures, acquisitions and currency, increased by $4.6 million. This increase represents builds for cyclical process chromatography orders and the launch of new products including instrumentation.

Net capital expenditures totaled $29.1 million for the first six months of 2004 compared to $25.4 million for the same period of 2003. Capital expenditures represent the Company's investment in business systems, data communication, the addition and replacement of production machinery equipment and facility additions and leasehold improvements. All periods include reagent rental equipment placed with Clinical Diagnostics customers who then commit to purchase reagents for use.

The Company continues to review possible acquisitions to expand both its Life Science and Clinical Diagnostics segments. The Company routinely meets with the principals or brokers of the subject companies. We are evaluating a number of acquisitions on a preliminary basis, but it is not certain that any of these transactions will advance beyond the preliminary stages or be completed. Should the Company make a material acquisition, it would most likely require an increase in borrowed funds. In June 2004, the Company signed a letter of intent to acquire MJ GeneWorks, Inc. and its subsidiaries. The acquisition has not been completed as of the date of this filing. See Note 5.

The Board of Directors has authorized the Company to repurchase up to $18.0 million of the Company's common stock over an indefinite period of time. Through June 30, 2004, the Company has cumulatively repurchased 1,179,272 shares of Class A Common Stock and 60,000 shares of Class B Common Stock for a total of $14.7 million. The Company's credit agreements restrict the Company's ability to repurchase its own stock. There were no share repurchases made during 2003 or 2004. The repurchase is designed to both satisfy the Company's obligations under the employee stock purchase and stock option plans and to improve shareholder value.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

During the six months ended June 30, 2004, there have been no material changes from the disclosures about market risk provided in the Company's Annual Report on Form 10-K for the year ended December 31, 2003.

Item 4. Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by SEC Rule 13a-15(b), the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and the Company's Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the quarter covered by this report. Based on the foregoing, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level.

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

PART II. OTHER INFORMATION

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

At the Company's annual meeting of stockholders on April 27, 2004, the following individuals were reelected to the Board of Directors:

	Class of Common Stock Elected From	Votes For	Votes Withheld
James J. Bennett	Class B	4,728,670	2,042
Albert J. Hillman	Class A	11,739,259	5,151,547
Ruediger Naumann-Etienne	Class B	4,728,710	2,002
Philip L. Padou	Class A	15,441,433	1,449,373
Alice N. Schwartz	Class B	4,729,726	986

David Schwartz	Class B	4,729,726	986
Norman Schwartz	Class B	4,729,766	946

The following proposals were approved at the Company's annual meeting:

	Votes For	Votes Against	Abstentions
Ratification of Deloitte & Touche LLP as the Company's independent auditors	6,380,376	39,040	376

Amendment of the Company's Certificate of Incorporation to increase the authorized number of shares of the Company's capital stock from 77,500,000 to 107,500,000 shares by increasing the authorized number of shares of the Company's Class A Common Stock from 50,000,000 to 80,000,000 shares

A Shares	15,780,321	1,080,823	29,662
Total Shares	6,305,968	110,808	3,016

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits

The following documents are filed as part of this report:

Exhibit No.	
31.1	Chief Executive Officer Section 302 Certification
31.2	Chief Financial Officer Section 302 Certification
32.1	Chief Executive Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Chief Financial Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K

Bio-Rad furnished a current report on Form 8-K with the SEC on May 6, 2004, announcing its results of operations and financial condition as of and for the first quarter ended March 31, 2004.

SIGNATURES

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

BIO-RAD LABORATORIES, INC.

(Registrant)

Date: 08/26/04___ /s/ Norman Schwartz

Norman Schwartz, President,
Chief Executive Officer

Date: _08/26/04__ /s/ Christine A. Tsingos

Christine A. Tsingos, Vice President,
Chief Financial Officer