

BRUKER CORP
Form 10-Q
August 11, 2008
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

- x** **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT of 1934**

For the quarterly period ended June 30, 2008

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

Commission File Number 000-30833

BRUKER CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

04-3110160
(I.R.S. Employer
Identification No.)

40 Manning Road, Billerica, MA 01821
(Address of principal executive offices) (Zip Code)

Edgar Filing: BRUKER CORP - Form 10-Q

Registrant's telephone number, including area code: **(978) 663-3660**

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 is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "accelerated filer," "large accelerated filer," "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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 August 5, 2008, there were 163,626,252 shares of the Registrant's common stock outstanding.

Table of Contents

BRUKER CORPORATION

Quarterly Report on Form 10-Q

For the Quarter Ended June 30, 2008

Index

	Page
Part I	
FINANCIAL INFORMATION	
<u>Item 1:</u>	1
<u>Unaudited Condensed Consolidated Financial Statements</u>	1
<u>Unaudited Condensed Consolidated Balance Sheets as of June 30, 2008 and December 31, 2007</u>	1
<u>Unaudited Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2008 and 2007</u>	2
<u>Unaudited Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2008 and 2007</u>	3
<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	4
<u>Item 2:</u>	16
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	16
<u>Item 3:</u>	32
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	32
<u>Item 4:</u>	33
<u>Controls and Procedures</u>	33
Part II	35
OTHER INFORMATION	35
<u>Item 1:</u>	35
<u>Legal Proceedings</u>	35
<u>Item 1A:</u>	35
<u>Risk Factors</u>	35
<u>Item 2:</u>	36
<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	36
<u>Item 3:</u>	36
<u>Defaults Upon Senior Securities</u>	36
<u>Item 4:</u>	36
<u>Submission of Matters to a Vote of Security Holders</u>	36
<u>Item 5:</u>	36
<u>Other Information</u>	36
<u>Item 6:</u>	37
<u>Exhibits</u>	37
<u>Signatures</u>	38

Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****BRUKER CORPORATION****UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**

(in thousands, except share and per share data)

	June 30, 2008	December 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 125,399	\$ 332,368
Short term investments and restricted cash	6,391	12,186
Accounts receivable, net	164,236	185,217
Inventories	487,503	447,688
Other current assets	75,697	57,238
Total current assets	859,226	1,034,697
Property, plant and equipment, net	236,321	207,588
Intangibles and other assets	75,895	69,346
Total assets	\$ 1,171,442	\$ 1,311,631
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Short-term borrowings	\$ 66,431	\$ 35,591
Accounts payable	54,288	52,293
Customer advances	220,254	233,466
Other current liabilities	235,455	239,841
Total current liabilities	576,428	561,191
Long-term debt	175,719	8,605
Other long-term liabilities	109,713	105,445
Minority interest in consolidated subsidiaries	753	538
Commitments and contingencies (Note 16)		
Shareholders' Equity:		
Preferred stock, \$0.01 par value, 5,000,000 shares authorized, none issued or outstanding at June 30, 2008 or December 31, 2007		
Common stock, \$0.01 par value, 260,000,000 and 200,000,000 shares authorized, 163,636,184 and 163,251,890 shares issued and outstanding at June 30, 2008 and December 31, 2007, respectively	1,628	1,624
Treasury stock, at cost, 9,359 shares and 0 shares at June 30, 2008 and December 31, 2007, respectively	(109)	
Other shareholders' equity	307,310	634,228
Total shareholders' equity	308,829	635,852
Total liabilities and shareholders' equity	\$ 1,171,442	\$ 1,311,631

The accompanying notes are an integral part of these statements.

Table of Contents**BRUKER CORPORATION****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Product revenue	\$ 278,849	\$ 210,177	\$ 485,884	\$ 391,786
Service revenue	31,733	27,570	61,690	52,757
Other revenue	883	595	2,327	1,335
Total revenue	311,465	238,342	549,901	445,878
Cost of product revenue	161,931	120,810	266,832	217,459
Cost of service revenue	20,896	17,617	41,302	33,956
Total cost of revenue	182,827	138,427	308,134	251,415
Gross profit	128,638	99,915	241,767	194,463
Operating expenses:				
Sales and marketing	46,151	37,029	89,544	72,491
General and administrative	17,178	13,442	33,982	26,855
Research and development	36,514	27,657	67,719	53,621
Acquisition related charges	360		6,153	
Total operating expenses	100,203	78,128	197,398	152,967
Operating income	28,435	21,787	44,369	41,496
Interest and other income (expense), net	3,527	2,214	(8,662)	2,964
Income before income tax provision and minority interest in consolidated subsidiaries	31,962	24,001	35,707	44,460
Income tax provision	10,196	6,284	14,466	12,307
Income before minority interest in consolidated subsidiaries	21,766	17,717	21,241	32,153
Minority interest in consolidated subsidiaries	80	60	240	146
Net income	\$ 21,686	\$ 17,657	\$ 21,001	\$ 32,007
Net income per common share - basic and diluted	\$ 0.13	\$ 0.11	\$ 0.13	\$ 0.20
Weighted average common shares outstanding:				
Basic	162,440	161,728	162,371	161,050
Diluted	165,438	164,343	165,308	163,731

The accompanying notes are an integral part of these statements.

Table of Contents**BRUKER CORPORATION****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in thousands)

	Six Months Ended June 30,	
	2008	2007
Operating activities:		
Net cash provided by operating activities	\$ 18,103	\$ 16,633
Investing activities:		
Purchases of property and equipment	(27,066)	(13,023)
Acquisitions, net of cash acquired	(2,056)	(2,468)
Payments in connection with the acquisition of Bruker BioSpin	(5,247)	
Purchase of short-term investments		(273)
Proceeds from sale of short-term investments	9,798	
Changes in restricted cash	(3,390)	144
Net cash used in investing activities	(27,961)	(15,620)
Financing activities:		
Proceeds from (repayments of) short-term borrowings, net	15,096	(9,321)
Proceeds from (repayments of) long-term debt, net	178,289	(5,856)
Payments of deferred financing costs	(2,916)	
Proceeds from issuance of common stock	1,534	18,417
Repurchase of common stock	(109)	(92)
Deemed dividend in connection with the acquisition of Bruker BioSpin	(385,963)	
Cash payments to shareholders	(23,416)	(37,641)
Net cash used in financing activities	(217,485)	(34,493)
Effect of exchange rate changes on cash and cash equivalents	20,374	3,828
Net change in cash and cash equivalents	(206,969)	(29,652)
Cash and cash equivalents at beginning of period	332,368	311,240
Cash and cash equivalents at end of period	\$ 125,399	\$ 281,588

The accompanying notes are an integral part of these statements.

Table of Contents

BRUKER CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business

Bruker Corporation and its wholly-owned subsidiaries (the "Company") design, manufacture, service and market proprietary life science and materials research systems based on its core technology platforms, including X-ray technologies, magnetic resonance technologies, mass spectrometry technologies, and optical emission spectroscopy and infrared and Raman molecular spectroscopy technology. The Company also sells a broad range of field analytical systems for chemical, biological, radiological and nuclear (CBRN) detection. The Company maintains major technical and manufacturing centers in Europe, North America and Japan and sales offices throughout the world. The Company's diverse customer base includes pharmaceutical, biotechnology and proteomics companies, academic institutions, advanced materials and semiconductor industries and government agencies.

The financial statements represent the consolidated accounts of the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. The condensed consolidated financial statements as of and for the three and six months ended June 30, 2008 and 2007 have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission for Quarterly Reports on Form 10-Q and Article 10 of Regulation S-X. Accordingly, the financial information presented herein does not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, considered necessary for a fair presentation have been included. The results for interim periods are not necessarily indicative of the results expected for the full year.

On February 26, 2008, the Company completed the acquisition of all of the Bruker BioSpin Group ("Bruker BioSpin"). Both the Company and Bruker BioSpin were majority owned by six affiliated stockholders prior to the acquisition. As a result, the acquisition of Bruker BioSpin was considered a combination of companies under common control and has been accounted for at historical carrying values at the date of the acquisition. The consolidated balance sheets, statements of operations, statements of cash flows and notes to the consolidated financial statements for all periods presented herein have been restated by combining the historical consolidated financial statements of the Company and Bruker BioSpin.

Following the acquisition of Bruker BioSpin, management reevaluated the way the Company is managed and the internal reporting structure and, as a result of that evaluation, reports its financial results on the basis of the following two reportable segments:

- *BioScience*. The operations of this segment include the design, manufacture and distribution of advanced instrumentation and automated solutions based on X-ray technology and optical emission spectroscopy, mass spectrometry technology and infrared and Raman molecular spectroscopy technology. Typical customers of the BioScience segment include pharmaceutical, biotechnology, proteomics and molecular diagnostic companies, academic institutions, government agencies, semiconductor companies, chemical, cement, metals and petroleum companies, raw material manufacturers and food, beverage and agricultural companies.

- *BioSpin*. The operations of this segment include the design, manufacture and distribution of enabling life science tools based on its core technology, magnetic resonance, as well as the manufacturing and development of low temperature superconductor (LTS) and high temperature superconductor (HTS) wires for use in advanced magnet technology and energy applications. Typical customers of the BioSpin segment include pharmaceutical and biotechnology companies, academic institutions and government agencies.

2. Acquisition of Bruker BioSpin

On February 26, 2008, the Company completed the acquisition of all of Bruker BioSpin in accordance with the terms of various agreements dated as of December 2, 2007. Both the Company and Bruker BioSpin were majority owned by six affiliated stockholders prior to the acquisition. As a result, the acquisition of Bruker BioSpin by the Company was considered a combination of companies under common control and has been accounted for at historical

Table of Contents

carrying values at the date of the acquisition. Historical consolidated balance sheets, statements of operations, statements of cash flows and notes to the consolidated financial statements have been restated by combining the historical consolidated financial statements of Bruker Corporation with those of Bruker BioSpin. In addition, because the transaction is accounted for a combination of companies under common control, all one-time transaction costs have been expensed as incurred. With the addition of Bruker BioSpin, the Company enhanced its position as a leading supplier for life science and materials research, its distribution in the Americas, Europe and Asia, and its sales and service infrastructure.

Upon the completion of this acquisition, the Company paid an aggregate of \$914.0 million of consideration to the shareholders of Bruker BioSpin, which was financed with 57,544,872 shares of unregistered common stock valued at \$526.0 million, \$351.0 million of cash obtained under a new credit facility, and the balance with cash on hand. The value of the shares of common stock in connection with the merger was determined using a trailing average of the closing market prices of the Company's stock for a period of ten consecutive trading days ending two days prior to the signing of the various stock purchase agreements.

Under the stock purchase agreements, \$98.8 million of the purchase price was paid into escrow accounts pending the resolution of indemnification obligations and working capital obligations of the sellers. The unused portion of the \$92.0 million indemnity escrow will be released to the sellers at the later of (1) the 30th day following the receipt by the Company of combined audited financial statements of Bruker BioSpin for the fiscal year ended December 31, 2008 or (2) the resolution of any claim for indemnification of which the sellers have received notice prior to the conclusion of the 30 day period described in (1) above. The \$6.8 million working capital escrow was released to the sellers in May 2008 following the receipt by the Company of combined audited financial statements of Bruker BioSpin for the fiscal year ended December 31, 2007.

3. Other Acquisitions

On January 31, 2008, the Company acquired JUWE Laborgeraete GmbH, a privately-held company located in Viersen, Germany. JUWE develops, manufactures and distributes advanced combustion analysis systems for various carbon, hydrogen, nitrogen, oxygen and sulfur elemental applications. JUWE's products are complementary to the Company's optical emission spectroscopy products. The results of JUWE have been included in the BioScience segment from the date of acquisition. The aggregate purchase price of JUWE was \$2.7 million, of which \$1.2 million was paid in cash, \$1.1 million was funded by the issuance of an aggregate of 111,000 restricted unregistered shares of the Company's common stock, par value \$0.01 per share, to JUWE's shareholders and \$0.4 million of net liabilities assumed by the Company. The Company recorded \$2.2 million of goodwill in connection with the acquisition of JUWE and assigned the goodwill to the BioScience segment. Proforma financial information reflecting the acquisition of JUWE has not been presented because the impact on revenues, net income and net income per common share would not have been material.

4. Provision for Income Taxes

The income tax provision for the three months ended June 30, 2008 was \$10.2 million compared to an income tax provision of \$6.3 million for the three months ended June 30, 2007, representing effective tax rates of 31.9% and 26.2%, respectively. The income tax provision for the six months ended June 30, 2008 was \$14.5 million compared to an income tax provision of \$12.3 million for the six months ended June 30, 2007, representing effective tax rates of 40.5% and 27.7%, respectively.

Edgar Filing: BRUKER CORP - Form 10-Q

The Company's effective tax rate reflects the tax provision for non-U.S. entities only, since no benefit was recognized for cumulative losses incurred in the U.S. A full valuation allowance will be maintained for U.S. net operating losses until evidence exists that it is more likely than not that the loss carryforward amounts will be utilized to offset U.S. taxable income. The Company's tax rate may change over time as the amount or mix of income and taxes outside the U.S. changes. The effective tax rate is calculated using projected annual pre-tax income or loss and is affected by research and development tax credits, the expected level of other tax benefits, the impact of changes to the valuation allowance, and changes in the mix of the Company's pre-tax income and losses among jurisdictions with varying statutory tax rates and credits.

In July 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48,

Table of Contents

Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement 109 (FIN No. 48). Among other things, FIN No. 48 provides guidance to address uncertainty in tax positions and clarifies the accounting for income taxes by prescribing a minimum recognition threshold which income tax positions must achieve before being recognized in the financial statements. In connection with the adoption of FIN No. 48, the Company recorded a net reduction to retained earnings of \$2.0 million as of January 1, 2007. The Company has unrecognized tax benefits of approximately \$19.4 million as of June 30, 2008, of which \$8.8 million, if recognized, would result in a reduction of the Company's effective tax rate. One of the Company's Swiss entities is currently being audited and the audit is expected to be completed during the second half of 2008. The audit covers tax years 2003-2006 and the Company cannot reasonably estimate the outcome of this audit. As of June 30, 2008, the Company does not expect any material changes, except for the Swiss tax audit mentioned previously, to unrecognized tax positions within the next twelve months.

The Company recognizes penalties and interest related to unrecognized tax benefits in the provision for income taxes. As of June 30, 2008, approximately \$2.4 million of accrued interest and penalties related to uncertain tax positions was included in other current liabilities on the consolidated balance sheet, of which \$0.2 million and \$0.6 million was recorded during the three and six months ended June 30, 2008.

The tax years 2003 to 2007 are open tax years in the Company's major taxing jurisdictions. The Company files returns in many foreign and state jurisdictions with varying statutes of limitations.

5. Stock-Based Compensation

In 2000, the Board of Directors adopted and the shareholders approved the 2000 Stock Option Plan. The 2000 Stock Option Plan allows a committee of the Board of Directors to grant incentive stock options, non-qualified stock options, stock appreciation rights and stock awards (including restricted stock and phantom shares). The committee has the authority to determine which employees will receive the awards, the amount of the awards and other terms and conditions of the awards. Awards granted by the committee typically vest over a period of three to five years.

In 2003, the Company's shareholders approved an amendment and restatement of the 2000 Stock Option Plan to change the plan name and increase the number of shares available for issuance by 4,132,000 shares, from 2,188,000 shares to 6,320,000 shares. The name of the amended plan is the Bruker BioSciences Corporation Amended and Restated 2000 Stock Option Plan. In 2006, the Company's shareholders approved an amendment and restatement of the Bruker BioSciences Corporation Amended and Restated 2000 Stock Option Plan to increase the number of shares available for issuance by 1,680,000 shares, from 6,320,000 shares to 8,000,000 shares. In January 2008, the Company's shareholders approved another amendment and restatement of the Bruker BioSciences Corporation Amended and Restated 2000 Stock Option Plan to increase the number of shares available for issuance by 2,000,000 shares, from 8,000,000 shares to 10,000,000 shares.

As of June 30, 2008, the Company's primary types of share-based compensation were in the form of issuances of stock options and restricted stock. The Company recorded stock-based compensation expense for the three and six months ended June 30, 2008 and 2007, as follows (in thousands):

Edgar Filing: BRUKER CORP - Form 10-Q

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Stock options	\$ 973	\$ 241	\$ 1,501	\$ 474
Restricted stock	142	162	285	323
Total stock-based compensation, pre-tax	1,115	403	1,786	797
Tax benefit	(167)	(113)	(355)	(223)
Total stock-based compensation, net of tax	\$ 948	\$ 290	\$ 1,431	\$ 574

Restricted shares of the Company's common stock are periodically awarded to executive officers and certain key employees of the Company subject to a service restriction which expires ratably over a period of three to five years. The restricted shares of common stock may not be sold or transferred during the restriction period. Stock

Edgar Filing: BRUKER CORP - Form 10-Q

Table of Contents

compensation for restricted stock is recorded based on the stock price on the grant date and charged to expense ratably through the restriction period. The following table summarizes information about restricted stock activity during the six months ended June 30, 2008:

	Shares Subject to Restriction	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2007	569,402	\$ 5.74
Granted		
Vested	(31,370)	5.70
Forfeited	(5,670)	6.56
Outstanding at June 30, 2008	532,362	\$ 5.68

Unrecognized pretax expense of \$1.9 million related to restricted stock awards is expected to be recognized over the weighted average remaining service period of 2.9 years for awards outstanding at June 30, 2008.

Stock options of the Company's common stock are periodically awarded to executive officers and other employees of the Company subject to a vesting period which expires ratably over a period of three to five years. The fair value of each stock option award is estimated on the date of grant using the Black-Scholes option-pricing model. Assumptions regarding volatility, expected term, dividend yield and risk-free interest rate are required for the Black-Scholes model. Volatility and expected term assumptions are based on the Company's historical experience. The risk-free interest rate is based on a U.S. treasury note with a maturity similar to the stock option award's expected life. The assumptions for volatility, expected life, dividend yield and risk-free interest rate are presented in the table below:

	2008	2007
Risk-free interest rate	2.71% - 3.95%	3.48% - 5.21%
Expected life	6.5 years	6.5 years
Volatility	72.0%	82.0%
Expected dividend yield	0%	0%

All stock options granted had an exercise price equal to the market value of the underlying common stock on the date of grant. Stock option activity for the six months ended June 30, 2008 was as follows:

	Shares Subject to Options	Weighted Average Option Price Per Share	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (\$ s in 000 s)
Outstanding at December 31, 2007	4,423,712	\$ 6.87		
Granted	1,621,500	12.09		
Exercised	(272,096)	5.22		
Forfeited	(106,298)	9.18		
Outstanding at June 30, 2008	5,666,818	\$ 8.39	4.7	\$ 26,107
Exercisable at June 30, 2008	2,341,186	\$ 6.75	3.8	\$ 15,081

Edgar Filing: BRUKER CORP - Form 10-Q

The following table summarizes information about stock options outstanding and exercisable at June 30, 2008:

Table of Contents

Range of Exercise Prices	Number Outstanding	Options Outstanding			Options Exercisable			
		Weighted Average Remaining Contractual Term (in years)	Weighted Average Option Price Per Share	Aggregate Intrinsic Value (\$ s in 000 s)	Number Exercisable	Weighted Average Remaining Contractual Term (in years)	Weighted Average Option Price Per Share	Aggregate Intrinsic Value (\$ s in 000 s)
\$ 2.12 to \$4.00	619,340	3.3	\$ 3.18	\$ 5,988	561,140	3.2	\$ 3.05	\$ 5,428
\$ 4.01 to \$6.00	1,355,804	4.0	5.14	10,452	887,139	4.0	5.07	6,904
\$ 6.01 to \$10.00	1,532,280	6.6	7.68	7,918	396,471	5.6	6.89	2,363
\$ 10.01 to \$13.00	1,759,894	7.6	11.86	1,749	204,436	3.9	10.96	386
\$ 13.01 and above	399,500	2.9	14.98		292,000	2.8	15.62	
	5,666,818	4.7	\$ 8.39	\$ 26,107	2,341,186		\$ 6.75	\$ 15,081

The intrinsic values above are based on the Company's closing stock price of \$12.85 on June 30, 2008. The weighted-average grant-date fair value of options granted during the six months ended June 30, 2008 was \$12.09. Unrecognized pretax expense of \$20.4 million related to stock options is expected to be recognized over the weighted average remaining service period of 3.8 years for awards outstanding at June 30, 2008.

6. Fair Value of Financial Instruments

In September 2006, the FASB issued Statement of Financial Accounting Standard (SFAS) No. 157, *Fair Value Measurements* (SFAS No. 157), which is effective for fiscal years beginning after November 15, 2007. The Company adopted SFAS No. 157 as of January 1, 2008. As permitted by FASB Staff Position (FSP) No. SFAS 157-2, *Effective Date of FASB Statement No. 157* (FSP No. SFAS 157-2), the Company elected to defer the adoption of SFAS No. 157 for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis until January 1, 2009. There was no cumulative effect of adoption related to SFAS No. 157 and the adoption did not have an impact on the Company's financial position, results of operations, or cash flows. The Company is studying SFAS No. 157 with respect to non-financial assets and non-financial liabilities falling under the scope of FSP No. SFAS 157-2 and has not yet determined the expected impact on the Company's financial position, results of operations, or cash flows.

SFAS No. 157 establishes a three-level valuation hierarchy for measuring fair value and expands financial statement disclosures about fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1: Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Edgar Filing: BRUKER CORP - Form 10-Q

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The Company measures the following financial assets at fair value on a recurring basis. The fair value of these financial assets was determined using the following inputs at June 30, 2008 (in thousands):

Table of Contents

	Quoted Prices in			
		Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Total			
Assets:				
Cash and cash equivalents	\$ 125,399	\$ 125,399	\$	\$
Short term investments and restricted cash	6,391	6,391		
Interest rate swaps	875		875	
Total assets recorded at fair value	\$ 132,665	\$ 131,790	\$ 875	\$
Liabilities:				
Interest rate swaps	\$ 77	\$	\$ 77	\$
Total liabilities recorded at fair value	\$ 77	\$	\$ 77	\$

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115* (SFAS No. 159). SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value and is effective for fiscal years beginning after November 15, 2007. The Company has elected not to apply the fair value option to any of its assets and liabilities.

7. Inventories

Inventories consisted of the following as of June 30, 2008 and December 31, 2007 (in thousands):

	June 30, 2008	December 31, 2007
Raw materials	\$ 132,222	\$ 116,883
Work-in process	170,707	137,959
Demonstration units	40,552	37,195
Finished goods	144,022	155,651
Total inventories	\$ 487,503	\$ 447,688

8. Goodwill and Other Intangible Assets

The following is a summary of other intangible assets subject to amortization as of June 30, 2008 and December 31, 2007 (in thousands):

Edgar Filing: BRUKER CORP - Form 10-Q

	Useful Lives in Years	Gross Carrying Amount	June 30, 2008		December 31, 2007		Net Carrying Amount
			Accumulated Amortization	Net Carrying Amount	Accumulated Amortization	Net Carrying Amount	
Existing technology and related patents	3 to 10	\$ 14,582	\$ (9,153)	\$ 5,429	\$ 13,292	\$ (7,937)	\$ 5,355
Customer relationships	5	1,115	(573)	542	1,115	(477)	638
Trade names	5 to 10	439	(206)	233	439	(176)	263
Total amortizable intangible assets		\$ 16,136	\$ (9,932)	\$ 6,204	\$ 14,846	\$ (8,590)	\$ 6,256

For the three months ended June 30, 2008 and 2007, the Company recorded amortization expense of \$0.3 million and \$0.7 million, respectively, related to other amortizable intangible assets. For the six months ended June 30, 2008 and 2007, the Company recorded amortization expense of \$1.3 million and \$1.4 million, respectively, related to other amortizable intangible assets.

Table of Contents

The estimated future amortization expense related to other amortizable intangible assets is as follows (in thousands):

For the year ending December 31,		
2008 (a)	\$	828
2009		1,734
2010		1,470
2011		920
2012		386
Thereafter		866
Total	\$	6,204

(a) Amount represents estimated amortization expense for the remaining six months ended December 31, 2008.

The carrying amount of goodwill was \$43.0 million and \$40.8 million as of June 30, 2008 and December 31, 2007, respectively, and is included in the BioScience segment. The Company performs its annual test for indications of impairment as of December 31st each year. The Company completed its annual test for impairment as of December 31, 2007 and determined that goodwill was not impaired at that time. The Company has not identified any indicators of impairment as of June 30, 2008.

9. Warranty Costs

The Company typically provides a one to two year parts and labor warranty with the purchase of equipment. The anticipated cost for this warranty is accrued upon recognition of the sale and is included as a current liability on the balance sheet. The Company also offers to its customers warranty and service agreements extending beyond the initial year of warranty for a fee. These fees are recorded as deferred revenue and amortized into income over the life of the extended warranty contract.

Changes in the Company's accrued warranty liability during the six months ended June 30, 2008 were as follows (in thousands):

Warranty accrual at December 31, 2007	\$	27,181
Accruals for warranties issued during the period		15,392
Settlements of warranty claims		(16,035)
Foreign currency impact		2,520
Warranty accrual at June 30, 2008	\$	29,058

10. Debt

Edgar Filing: BRUKER CORP - Form 10-Q

In connection with the acquisition of Bruker BioSpin, the Company entered into a credit agreement with a syndication of lenders, which is referred to as the Credit Agreement, and provides for a revolving credit line with a maximum commitment of \$230.0 million and a term facility of \$150.0 million. The outstanding principal under the term loan is payable in quarterly installments through December 2012. Borrowings under the Credit Agreement bear interest, at the Company's option, at either (i) the higher of the prime rate or the federal funds rate plus 0.50%, or (ii) adjusted LIBOR, plus margins ranging from 0.40% to 1.25% and a facility fee ranging from 0.10% to 0.20%. As of June 30, 2008, the weighted average interest rate of borrowings under the Credit Agreement was approximately 4.0%.

Borrowings under the Credit Agreement are secured by the pledge to the banks of 100% of the capital stock of each of the Company's wholly-owned domestic subsidiaries and 65% of the capital stock of certain of the Company's direct or indirect wholly-owned foreign subsidiaries. The Credit Agreement also requires the Company to maintain certain financial ratios related to leverage and interest coverage as defined in the Credit Agreement. In addition to the

Table of Contents

financial ratios, the Credit Agreement restricts, among other things, the Company's ability to do the following: make certain payments; incur additional debt; incur certain liens; make certain investments, including derivative agreements; merge, consolidate, sell or transfer all or substantially all of the Company's assets; and enter into certain transactions with affiliates.

At June 30, 2008, the Company had outstanding debt totaling \$242.2 million consisting of \$194.3 million outstanding under the Credit Agreement, \$33.6 million outstanding under other long-term debt arrangements, \$11.2 million outstanding under revolving lines of credit and \$3.1 million under capital lease obligations. At December 31, 2007, the Company had outstanding debt totaling \$44.2 million consisting of \$28.0 million outstanding under other long-term debt arrangements, \$13.2 million outstanding under other revolving lines of credit and \$3.0 million under capital lease obligations.

Amounts outstanding under other long-term debt arrangements include both collateralized and uncollateralized arrangements with various financial institutions in France, Germany, Japan and a government agency in the United States. The Company's long-term debt arrangements also consist of fixed and variable interest rates ranging from 1.8% to 8.0% at June 30, 2008 and December 31, 2007. In connection with certain of these agreements the Company is required to maintain certain financial ratios as defined in the agreements. At June 30, 2008, the Company was not in compliance with one of the covenants required by its arrangement with a government agency in the United States. The failure to meet this covenant did not trigger any cross-default provisions in other borrowing arrangements, including the Credit Agreement. On July 28, 2008, the Company received a limited waiver from the holder of this debt for the quarterly period ended June 30, 2008 and agreement from the holder of the debt to modify the covenant for the remainder of 2008.

The Company's revolving lines of credit are with various financial institutions in Germany, Switzerland, Japan and France and have aggregate maximum borrowing amounts of approximately \$90.0 million and \$145.5 million at June 30, 2008 and December 31, 2007, respectively. Effective February 26, 2008, the Company terminated a \$75.0 million line of credit in the United States and replaced it with the revolving credit available under the Credit Agreement. With consideration to outstanding letters of credit, the Company had availability of approximately \$65.5 million and \$119.0 million under other revolving lines of credit at June 30, 2008 and December 31, 2007, respectively. The Company's revolving lines of credit are generally uncollateralized and bear interest at variable rates ranging from 1.5% to 9.8% at June 30, 2008 and December 31, 2007.

11. Derivative Instruments and Hedging Activities

The Company accounts for derivative financial instruments in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, (SFAS No. 133), as amended. In April 2008, the Company entered into an interest rate swap arrangement to manage its exposure to interest rate movements and the related effect on its variable rate debt. Under this interest rate swap arrangement, the Company will pay a fixed rate of 3.8% and receive a variable rate based on three month LIBOR. The initial notional amount of this interest rate swap is \$90.0 million and will amortize in proportion to the term debt component of the Credit Agreement through December 2012. At June 30, 2008, the notional amount of this interest rate swap was \$88.9 million. The Company has concluded that this swap has met the criteria to qualify as an effective hedge of the variability of cash flows of the interest payments and will account for the hedge as a cash flow hedge under SFAS No. 133. Accordingly, the Company has reflected all changes in the fair value of this interest rate swap in accumulated other comprehensive income, a component of shareholders' equity. As of June 30, 2008, the Company has recorded a gain of \$0.2 million, net of tax, related to the fair value of the interest rate swap.

12. Employee Benefit Plans

Edgar Filing: BRUKER CORP - Form 10-Q

The Company has defined benefit retirement plans that cover substantially all employees of a BioScience subsidiary in Germany who were employed as of September 30, 1997, as well as all employees of the BioSpin subsidiaries located in Switzerland, France, and Japan and certain employees of a BioSpin subsidiary in Germany. The plans provide pension benefits based upon final average salary and years of service.

The net periodic pension benefit cost includes the following components during the three and six months ended June 30, 2008 and 2007 (in thousands):

Table of Contents

Components of net periodic benefit cost	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Service cost	\$ 1,159	\$ 932	\$ 2,095	\$ 1,761
Interest cost	1,168	749	2,121	1,497
Expected return on plan assets	(1,034)	(705)	(2,034)	(1,417)
Amortization and actuarial gains and losses	(6)		(8)	
Net periodic benefit cost	\$ 1,287	\$ 976	\$ 2,174	\$ 1,841

The Company made contributions of \$1.3 million to its defined benefit plans during the six months ended June 30, 2008 and estimates contributions of \$1.1 million during the remainder of 2008.

13. Earnings Per Share

Basic earnings per share is calculated by dividing net earnings by the weighted-average number of common shares outstanding during the period. Restricted stock is not included in the calculation of basic EPS until the time-based restriction has lapsed. Except where the result would be anti-dilutive, the diluted earnings per share computation includes the effect of potential shares, shares which would be issuable upon the exercise of outstanding stock options or outstanding restricted stock issuable when the restrictions lapse, reduced by the number of shares which are assumed to be purchased by the Company from the resulting proceeds at the average market price during the period.

The following table sets forth the computation of basic and diluted average shares outstanding for the three and six months ended June 30, 2008 and 2007 (in thousands, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Net income, as reported	\$ 21,686	\$ 17,657	\$ 21,001	\$ 32,007
Weighted average shares outstanding:				
Weighted average shares outstanding - basic	162,440	161,728	162,371	161,050
Effect of dilutive securities:				
Stock options and restricted stock	2,998	2,615	2,937	2,681
Weighted average shares outstanding - diluted	165,438	164,343	165,308	163,731
Net income per share - basic and diluted	\$ 0.13	\$ 0.11	\$ 0.13	\$ 0.20

Stock options to purchase approximately 360,000 shares and 530,000 shares were excluded from the computation of diluted earnings per share in the three months ended June 30, 2008 and 2007 respectively, and approximately 330,000 shares and 530,000 shares were excluded from the computation of diluted earnings per share in the six months ended June 30, 2008 and 2007, respectively, because the exercise price of the stock options exceeded the average market price of the Company's common stock and, as a result, would have had an anti-dilutive effect.

14. Interest and Other Income (Expense), Net

Edgar Filing: BRUKER CORP - Form 10-Q

The components of interest and other income (expense), net, were as follows for the three and six months ended June 30, 2008 and 2007 (in thousands):

12

Table of Contents

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Interest income	\$ 1,930	\$ 2,620	\$ 3,617	\$ 4,488
Interest expense	(3,817)	(830)	(5,676)	(1,450)
Exchange gains (losses) on foreign currency transactions	3,263	1,164	(8,956)	453
Other	2,151	(740)	2,353	(527)
Interest and other income (expense), net	\$ 3,527	\$ 2,214	\$ (8,662)	\$ 2,964

15. Comprehensive Income

Comprehensive income refers to revenues, expenses, gains and losses that under GAAP are included in other comprehensive income, but excluded from net income as these amounts are recorded directly as an adjustment to shareholders' equity, net of tax. The following is a summary of comprehensive income for the three and six months ended June 30, 2008 and 2007 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Net income	\$ 21,686	\$ 17,657	\$ 21,001	\$ 32,007
Foreign currency translation adjustments	(3,841)	2,360	35,182	7,426
Unrealized gains on interest rate swap	222		222	
Unrealized gains (losses) on available for sales securities:				
Unrealized holding gains (losses) arising during the period	(234)	53	(71)	698
Less reclassification adjustments for gains included in the determination of net income	(1,335)		(1,335)	
Pension liability adjustments	115	69	(393)	21
Total comprehensive income	\$ 16,613	\$ 20,139	\$ 54,606	\$ 40,152

16. Commitments and Contingencies

Lawsuits, claims and proceedings of a nature considered normal to its businesses may be pending from time to time against the Company. The Company believes the outcome of these proceedings, if any, will not have a material impact on the Company's financial position or results of operations.

17. Letters of Credit and Guarantees

As of June 30, 2008 and December 31, 2007, the Company had letters of credit and bank guarantees of \$55.8 million and \$67.7 million, respectively, for its customer advances. Certain of these letters of credit and bank guarantees affect the availability of the Company's lines of credit.

18. Business Segment Information

SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information*, establishes standards for reporting information about operating segments in annual financial statements of public business enterprises. It also establishes standards for related disclosures about products and service, geographic areas and major customers. Operating segments are identified as components of an enterprise for which separate discrete financial information is available for evaluation by the chief operating decision maker for the purpose of allocating resources and assessing performance.

In February 2008, the Company completed its acquisition of Bruker BioSpin and, as a result, management reevaluated the way the Company is managed and its internal reporting structure. The Company determined that it had four operating segments, representing each of its four divisions; Bruker AXS, Bruker Daltonics, Bruker Optics and

Edgar Filing: BRUKER CORP - Form 10-Q

Table of Contents

Bruker BioSpin. Bruker AXS is in the business of manufacturing and distributing advanced X-ray and OES-spark instrumentation used in non-destructive molecular and elemental analysis. Bruker Daltonics is in the business of manufacturing and distributing mass spectrometry instruments that can be integrated and used along with other analytical instruments. Bruker Optics is in the business of manufacturing and distributing research, analytical and process analysis instruments and solutions based on infrared and Raman molecular spectroscopy technologies. Bruker BioSpin is in the business of manufacturing and distributing enabling life science tools based on magnetic resonance technology, as well as the development and manufacturing of low temperature superconductor and high temperature superconductor wires for use in advanced magnet technology and energy applications.

The Company has combined the Bruker AXS, Bruker Daltonics and Bruker Optics operating segments into the BioScience reporting segment because each has similar economic characteristics, product processes and services, types and classes of customers, methods of distribution and regulatory environments. All historical segment numbers have been restated to conform to this change in reportable segments.

Selected business segment information for the three and six months ended June 30, 2008 and 2007 is presented below (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Revenue:				
BioScience	\$ 160,593	\$ 124,203	\$ 303,222	\$ 236,956
BioSpin	163,770	125,764	275,888	233,411
Corporate, eliminations and other (a)	(12,898)	(11,625)	(29,209)	(24,489)
Total	\$ 311,465	\$ 238,342	\$ 549,901	\$ 445,878
Operating income:				
BioScience	\$ 6,727	\$ 8,124	\$ 18,476	\$ 17,067
BioSpin	26,471	15,965	36,532	31,196
Corporate, eliminations and other (a)	(4,763)	(2,302)	(10,639)	(6,767)
Total	\$ 28,435	\$ 21,787	\$ 44,369	\$ 41,496

(a) Represents revenue transactions between segments which are eliminated in consolidation and corporate costs not allocated to the reportable segments.

Total assets by segment as of June 30, 2008 and December 31, 2007 are as follows (in thousands):

	June 30,	December 31,
	2008	2007
BioScience	\$ 650,009	\$ 584,902
BioSpin	912,389	782,627
Corporate	383,733	314,988
Eliminations	(774,689)	(370,886)
Total	\$ 1,171,442	\$ 1,311,631

19. Recent Accounting Pronouncements

Edgar Filing: BRUKER CORP - Form 10-Q

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations* (SFAS No. 141(R)). This statement will significantly change the accounting for business combinations. Under SFAS No. 141(R), an acquiring entity will be required to recognize all of the assets acquired and liabilities assumed in a transaction at the acquisition date fair value with certain limited exceptions. In addition, SFAS No. 141(R) will change the accounting treatment for acquisition costs, in-process research and development, restructuring costs associated with business combinations and

Table of Contents

changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date. SFAS No. 141(R) also includes a significant number of new disclosure requirements. Early adoption of SFAS No. 141(R) is prohibited and the Company will be required to apply SFAS No. 141(R) to acquisitions that occur on or after January 1, 2009.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements – An Amendment of ARB No. 51* (SFAS No. 160). This statement establishes new accounting and reporting standards for the minority interest in a subsidiary and the deconsolidation of a subsidiary. SFAS No. 160 is effective as of the beginning of fiscal 2009 and early adoption is prohibited. The Company has not yet assessed the effect, if any, that adoption of SFAS No. 160 will have on its results of operations and financial position.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133* (SFAS No. 161). SFAS No. 161 requires enhanced disclosures about an entity's derivative and hedging activities and, thereby, improves the transparency of financial reporting. SFAS No. 161 is effective for fiscal years beginning on or after November 15, 2008. The Company is currently evaluating the impact that the adoption of SFAS No. 161 will have on its financial position, results of operations and cash flows.

Table of Contents

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with our interim condensed consolidated financial statements and the notes to those statements included in Part 1, Item 1 of this Quarterly Report on Form 10-Q, and in conjunction with the consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2007.

Statements contained in Management's Discussion and Analysis of Financial Condition and Results of Operations which express that we believe, anticipate, plan, expect, seek, estimate, or should, as well as other statements which are not historical fact, are forward-looking statements within the meaning of the Private Securities Litigation Act of 1995. Actual events or results may differ materially from those set forth in forward-looking statements. Certain factors that might cause such a difference are discussed in Factors Affecting Our Business, Operating Results and Financial Condition set forth in our Annual Report on Form 10-K for the year ended December 31, 2007.

OVERVIEW

The following Management's Discussion and Analysis of Financial Condition and Results of Operations, or MD&A, describes the principal factors affecting the results of our operations, financial condition and changes in financial condition, as well as our critical accounting policies and estimates. Our MD&A is organized as follows:

- *Executive overview.* This section provides a general description and history of our business, a brief discussion of our reportable segments, significant recent developments in our business and other opportunities, challenges and risks that may impact our business in the future.
- *Critical accounting policies.* This section discusses the accounting estimates that are considered important to our financial condition and results of operations and require us to exercise subjective or complex judgments in their application.
- *Results of operations.* This section provides our analysis of the significant line items on our consolidated statement of operations for the three and six months ended June 30, 2008 compared to the three and six months ended June 30, 2007.
- *Liquidity and capital resources.* This section provides an analysis of our liquidity and cash flow and a discussion of our outstanding debt and commitments.
- *Recent accounting pronouncements.* This section provides information about new accounting standards that have been issued but for which adoption is not yet required.

EXECUTIVE OVERVIEW

Business

Bruker Corporation and its wholly-owned subsidiaries design, manufacture, market and service proprietary life science and materials research systems based on our core technology platforms, including X-ray technologies, magnetic resonance technologies, mass spectrometry technologies, optical emission spectroscopy and infrared and Raman molecular spectroscopy technologies. We also manufacture and distribute a broad range of field analytical systems for chemical, biological, radiological and nuclear, or CBRN, detection. We maintain major technical and manufacturing centers in Europe, North America and Japan and we have sales offices located throughout the world. Our corporate headquarters are located in Billerica, Massachusetts.

Our business strategy is to capitalize on our ability to innovate and generate rapid revenue growth, both organically and through acquisitions. Our revenue growth strategy, combined with anticipated improvements to our

Table of Contents

gross profit margins and increased leverage on our research and development, sales and marketing and distribution investments and general and administrative expenses, are expected to enhance our operating margins and improve our earnings in the future.

On February 26, 2008, the Company completed its acquisition of Bruker BioSpin. Both the Company and Bruker BioSpin were majority owned by six affiliated stockholders prior to the acquisition. As a result, the acquisition of Bruker BioSpin by the Company is considered a combination of companies under common control, and has been accounted for at historical carrying values. Historical consolidated balance sheets, statements of operations, statements of cash flows and notes to the consolidated financial statements have been restated by combining the historical consolidated financial statements of Bruker Corporation with those of Bruker BioSpin. In addition, because the transaction is accounted for as an acquisition of businesses under common control, all one-time transaction costs have been expensed as incurred.

With the addition of Bruker BioSpin, we enhanced our position as a leading supplier of life science and materials research systems. The technologies of Bruker BioSpin are particularly complementary to our accurate-mass electrospray time-of-flight mass spectrometers and our single-crystal diffraction X-ray spectrometers and are expected to create revenue synergies and provide opportunities to supply customers with equipment packages that have a broader range of applications and value. We believe the addition of Bruker BioSpin will also enhance our distribution in the Americas, Europe and Asia and our sales and service infrastructure, all of which should provide us with revenue growth opportunities and accelerate our drive to improve our margins, net income and operating cash flows.

Following the acquisition of Bruker BioSpin, management reevaluated the way the Company is managed and the internal reporting structure and, as a result of that evaluation, determined that it has four operating segments, representing each of its four divisions; Bruker AXS, Bruker Daltonics, Bruker Optics and Bruker BioSpin. Bruker AXS is in the business of manufacturing and distributing advanced X-ray and OES-spark instrumentation used in non-destructive molecular and elemental analysis. Bruker Daltonics is in the business of manufacturing and distributing mass spectrometry instruments that can be integrated and used along with other analytical instruments. Bruker Optics is in the business of manufacturing and distributing research, analytical and process analysis instruments and solutions based on infrared and Raman molecular spectroscopy technologies. Bruker BioSpin is in the business of manufacturing and distributing enabling life science tools based on magnetic resonance technology, as well as the development and manufacturing of low temperature superconductor and high temperature superconductor wires for use in advanced magnet technology and energy applications.

We have combined the Bruker AXS, Bruker Daltonics and Bruker Optics operating segments into the BioScience reporting segment because each has similar economic characteristics, product processes and services, types and classes of customers, methods of distribution and regulatory environments. Management reports its results based on the following reportable segments:

- *BioScience.* The operations of this segment include the design, manufacture and distribution of advanced instrumentation and automated solutions based on X-ray technology, OES-spark technology, mass spectrometry technology and infrared and Raman molecular spectroscopy technology. Typical customers of the BioScience segment include pharmaceutical, biotechnology, proteomics and molecular diagnostic companies, academic institutions, government agencies, semiconductor companies, chemical, cement, metals and petroleum companies, raw material manufacturers and food, beverage and agricultural companies.
- *BioSpin.* The operations of this segment include the design, manufacture and distribution of enabling life science tools based on its core technology, magnetic resonance, as well as the manufacturing and development of low temperature superconductor (LTS) and high temperature superconductor (HTS) wires for use in advanced magnet technology and in energy applications. Typical customers of the BioSpin segment include pharmaceutical and biotechnology companies, academic institutions and government agencies.

Financial Overview

For the three months ended June 30, 2008, our revenue increased by \$73.1 million, or 30.7%, to \$311.5 million, compared to \$238.3 million for the comparable period in 2007. Included in this change in revenue is approximately

Table of Contents

\$26.9 million from the impact of foreign exchange. Excluding the effect of foreign exchange, revenue increased by \$46.2 million, or 19.4%. The increase in revenue, excluding the effect of foreign exchange, is attributable to increases in system and aftermarket revenues in the BioScience segment and system and wire revenues in the BioSpin segment.

For the six months ended June 30, 2008, our revenue increased by \$104.0 million, or 23.3%, to \$549.9 million, compared to \$445.9 million for the comparable period in 2007. Included in this change in revenue is approximately \$47.5 million from the impact of foreign exchange. Excluding the effect of foreign exchange, revenue increased by \$56.5 million, or 12.7%. The increase in revenue, excluding the effect of foreign exchange, is attributable to increases in system and aftermarket revenues in the BioScience segment and system and wire revenues in the BioSpin segment.

Income from operations for the three months ended June 30, 2008 was \$28.4 million, resulting in an operating margin of 9.1%, compared to income from operations of \$21.8 million, resulting in an operating margin of 9.1%, for the comparable period of 2007. The increase in income from operations was driven by the increase in revenue described above offset, in part, by lower gross profit margins and increases in operating expenses. The decrease in gross profit margins and increase in costs is, in part, attributable to changes in foreign currency exchange rates, primarily the Euro, as a majority of our production and research and development is performed in Europe. However, increases in headcount, material costs and other operating expenses also contributed to the increase in expenses for the three months ended June 30, 2008.

Income from operations for the six months ended June 30, 2008 was \$44.4 million, resulting in an operating margin of 8.1%, compared to income from operations of \$41.5 million, resulting in an operating margin of 9.3%, for the comparable period of 2007. Income from operations for the six months ended June 30, 2008 includes \$6.2 million of charges related to the acquisition of Bruker BioSpin. The increase in income from operations was driven by the increase in revenue described above offset, in part, by increases in operating expenses. The increase in costs is, in part, attributable to changes in foreign currency exchange rates, primarily the Euro, as a majority of our production and research and development is performed in Europe. However, increases in headcount, material costs and other operating expenses also contributed to the increase in expenses for the six months ended June 30, 2008. In the second half of 2008 we intend to refocus efforts on gross margin improvement programs and implement various cost saving programs, including a partial hiring freeze, with the goal of improving operating margins.

During the six months ended June 30, 2008, we recorded net losses on foreign currency transactions of \$(9.0) million compared to net gains of \$0.5 million for the comparable period of 2007. Foreign exchange losses of \$12.2 million were incurred in the first three months of 2008 and were driven by the re-measurement of certain foreign currency denominated assets, principally cash, inter-company receivables and a short-term inter-company loan into the functional currency of the affected entities. The losses in the first quarter of 2008 resulted from the continued weakening of the U.S. Dollar and the Euro by approximately 11% and 3%, respectively, during the five weeks between the closing of the Bruker BioSpin acquisition and the end of the first quarter of 2008. In the second quarter of 2008 we recorded gains on foreign currency transactions of \$3.2 million that were the result of more timely settlement of inter-company balances and a reduction of certain foreign currency denominated assets, principally cash. We believe that the actions we took in the second quarter of 2008 will reduce the impact that foreign currency gains and losses will have on our results in the second half of 2008.

We incurred approximately \$4.5 million of interest expense on acquisition-related debt during the six months ended June 30, 2008, of which approximately \$3.1 million was incurred in the second quarter of 2008. There was no acquisition-related debt outstanding during three and six months ended June 30, 2007. In an effort to reduce interest expense in future periods, we repaid approximately \$158.4 million of acquisition-related debt in April and May 2008. Additionally, in April 2008, we entered into an interest rate swap with an initial notional amount of \$90.0 million that will hedge a portion of our \$150.0 million variable-rate term loan and fix the interest rate on the hedged portion of the debt at a rate of 3.8%.

Edgar Filing: BRUKER CORP - Form 10-Q

Our net income for the three months ended June 30, 2008, was \$21.7 million, or \$0.13 per diluted share, compared to net income of \$17.7 million, or \$0.11 per diluted share, for the comparable period of 2007.

Our net income for the six months ended June 30, 2008, was \$21.0 million, or \$0.13 per diluted share, compared to net income of \$32.0 million, or \$0.20 per diluted share, for the comparable period of 2007.

Table of Contents

CRITICAL ACCOUNTING POLICIES

The discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires that we make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its estimates and judgments, including those related to revenue recognition, allowance for doubtful accounts, inventories, goodwill, long-lived assets, warranty costs and income taxes. We base our estimates and judgments on historical experience, current market and economic conditions, industry trends and other assumptions that we believe are reasonable and form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates.

We believe the following critical accounting policies to be both those most important to the portrayal of our financial condition and those that require the most subjective judgment.

Revenue recognition. We recognize revenue from system sales when persuasive evidence of an arrangement exists, the price is fixed or determinable, title and risk of loss has been transferred to the customer and collectibility of the resulting receivable is reasonably assured. Title and risk of loss is generally transferred to the customer upon receipt of a signed customer acceptance form for a system that has been shipped, installed, and for which the customer has been trained. As a result, the timing of customer acceptance or readiness could cause our reported revenues to differ materially from expectations. When products are sold through an independent distributor or a strategic distribution partner, which assumes responsibility for installation, we recognize the system sale when the product has been shipped and title and risk of loss have been transferred. Our distributors do not have price protection rights or rights of return; however, our products are typically warranted to be free from defect for a period of one to two-years. Revenue is deferred until cash is received when a significant portion of the fee is due over one year after delivery, installation and acceptance of a system. For arrangements with multiple elements, we recognize revenue for each element based on the fair value of the element, provided all other criteria for revenue recognition have been met. The fair value for each element provided in multiple element arrangements is typically determined by referencing historical pricing policies when the element is sold separately. Changes in our ability to establish the fair value for each element in multiple element arrangements could affect the timing of revenue recognition. Revenue from accessories and parts is recognized upon shipment and service revenue is recognized as the services are performed. Grant revenue is recognized when we complete the services required under the grant.

Warranty costs. We normally provide a one to two-year parts and labor warranty with the purchase of equipment. The anticipated cost for this warranty is accrued upon recognition of the sale and is included as a current liability on the balance sheet. Although our facilities undergo quality assurance and testing procedures throughout the production process, our warranty obligation is affected by product failure rates, material usage and service delivery costs incurred in correcting a product failure. Although our actual warranty costs have historically been consistent with expectations, to the extent warranty claim activity or costs associated with servicing those claims differ from our estimates, revisions to the warranty accrual may be required.

Inventories. Inventories are stated at the lower of cost or market, with costs determined by the first-in, first-out method for a majority of subsidiaries and by average cost for one international location. We maintain an allowance for excess and obsolete inventory to reflect the expected non-saleable or non-refundable inventory based on an evaluation of slow moving products. If ultimate usage or demand varies significantly from expected usage or demand, additional write-downs may be required, resulting in a charge to operations.

Goodwill, other intangible assets and other long-lived assets. We evaluate whether goodwill is impaired annually and when events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Fair value is determined using market comparables for similar businesses or forecasts of discounted future cash flows. We also review other intangible assets and other long-lived assets when indication of potential impairment exists, such as a significant reduction in cash flows associated with the assets. Should the fair value of our long-lived assets decline because of reduced operating performance, market declines, or other indicators of impairment, a charge to operations for impairment may be necessary.

Table of Contents

Allowance for doubtful accounts. We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to pay amounts due. If the financial condition of our customers were to deteriorate, reducing their ability to make payments, additional allowances would be required, resulting in a charge to operations.

Income taxes. We estimate the degree to which tax assets and loss carryforwards will result in a benefit based on expected profitability by tax jurisdiction, and provide a valuation allowance for tax assets and loss carryforwards that we believe will more likely than not go unused. If it becomes more likely than not that a tax asset or loss carryforward will be used for which a reserve has been provided, we reverse the related valuation allowance. If our actual future taxable income by tax jurisdiction differs from estimates, additional allowances or reversals of reserves may be necessary.

RESULTS OF OPERATIONS

Three Months Ended June 30, 2008 Compared to the Three Months Ended June 30, 2007

Consolidated Results

The following table presents our results for the three months ended June 30, 2008 and 2007 (dollars in thousands):

Table of Contents

	Three Months Ended June 30,	
	2008	2007
(In thousands, except per share data)		
Product revenue	\$ 278,849	\$ 210,177
Service revenue	31,733	27,570
Other revenue	883	595
Total revenue	311,465	238,342
Cost of product revenue	161,931	120,810
Cost of service revenue	20,896	17,617
Total cost of revenue	182,827	138,427
Gross profit	128,638	99,915
Operating expenses:		
Sales and marketing	46,151	37,029
General and administrative	17,178	13,442
Research and development	36,514	27,657
Acquisition related charges	360	
Total operating expenses	100,203	78,128
Operating income	28,435	21,787
Interest and other income (expense), net	3,527	2,214
Income before income tax provision and minority interest in consolidated subsidiaries	31,962	24,001
Income tax provision	10,196	6,284
Income before minority interest in consolidated subsidiaries	21,766	17,717
Minority interest in consolidated subsidiaries	80	60
Net income	\$ 21,686	\$ 17,657
Net income per common share - basic and diluted	\$ 0.13	\$ 0.11
Weighted average common shares outstanding:		
Basic	162,440	161,728
Diluted	165,438	164,343

Revenue

Our revenue increased by \$73.1 million, or 30.7%, to \$311.5 million for the three months ended June 30, 2008, compared to \$238.3 million for the comparable period in 2007. Included in this change in revenue is approximately \$26.9 million from the impact of foreign exchange. Excluding the effect of foreign exchange, revenue increased by 19.4%. The increase in revenue, excluding the effect of foreign exchange, is attributable to increases in system and aftermarket revenues in the BioScience segment and system and wire revenues in the BioSpin segment.

Cost of Revenue

Our cost of product and service revenue for the three months ended June 30, 2008, was \$182.8 million, resulting in a gross profit margin of 41.3%, compared to cost of product and service revenue of \$138.4 million, resulting in a gross profit margin of 41.9% for the comparable period of 2007. Cost of revenue for the three months ended June 30, 2008 and 2007 includes charges of approximately \$2.1 million and \$1.5 million, respectively, to write down certain inventories to the lower of cost or market. The decrease in gross profit margins is

Table of Contents

attributable primarily to changes in foreign currency exchange rates, primarily the Euro, as a majority of our production is performed in Europe. Additionally, the mix of products sold and pricing pressure in certain markets and certain product lines contributed to the decrease in gross profit margins.

Sales and Marketing

Our sales and marketing expense for the three months ended June 30, 2008 increased to \$46.2 million, or 14.9% of product and service revenue, from \$37.0 million, or 15.6% of product and service revenue, for the comparable period of 2007. The increase in sales and marketing expense is attributable to higher commissions and other selling expenses associated with the increase in revenue. Additionally, increases in headcount resulting from our continued investment in direct sales, inside sales, product specialists and application resources have contributed to an increase in sales and marketing expense.

General and Administrative

Our general and administrative expense for the three months ended June 30, 2008 increased to \$17.2 million, or 5.5% of product and service revenue, from \$13.4 million, or 5.7% of product and service revenue, for the comparable period of 2007. The increase is attributable to additional headcount, primarily in the BioSpin segment, and was related to Bruker BioSpin becoming part of a publicly-traded company.

Research and Development

Our research and development expense for the three months ended June 30, 2008 increased to \$36.5 million, or 11.8% of product and service revenue, from \$27.7 million, or 11.6% of product and service revenue, for the comparable period of 2007. The increase in research and development expenses is attributable primarily to changes in foreign currency exchange rates, primarily the Euro, as a majority of our research and development is performed in Europe. We also incurred higher material costs associated with new product development.

Acquisition-Related Charges

On December 3, 2007, we announced that we had entered into a definitive agreement to acquire all of the stock of Bruker BioSpin. The acquisition of Bruker BioSpin was approved by our shareholders on February 25, 2008 and was completed on February 26, 2008. The acquisition represented a combination of companies under common control due to a majority of ownership of both Bruker Corporation and Bruker BioSpin by the same individuals and, as a result, transaction costs are expensed as incurred. During the three months ended June 30, 2008, the Company incurred and expensed acquisition-related charges totaling \$0.4 million, which consisted primarily of legal fees.

Interest and Other Income (Expense), Net

Edgar Filing: BRUKER CORP - Form 10-Q

Interest and other income (expense), net during the three months ended June 30, 2008, was \$3.5 million, compared to \$2.2 million during the three months ended June 30, 2007.

During the three months ended June 30, 2008, the major component within interest and other income (expense), net, was gains on foreign currency transactions of \$3.3 million. These gains offset some of the foreign exchange losses recorded in the first quarter of 2007 and were partially the result of more timely settlement of inter-company balances and a reduction of foreign currency denominated assets, principally cash.

During the three months ended June 30, 2007, the major components within interest and other income (expense), net, were net interest income of \$1.8 million and gains on foreign currency transactions of \$1.2 million.

Provision for Income Taxes

Our effective tax rate reflects our tax provision for non-U.S. entities only, since no benefit was recognized for losses incurred in the U.S. We will maintain a full valuation allowance for our U.S. net operating losses until evidence exists that it is more likely than not that the loss carryforward amounts will be utilized to offset U.S. taxable income.

Table of Contents

Our tax rate may change over time as the amount and mix of income and taxes outside the U.S. changes. The effective tax rate is calculated using our projected annual pre-tax income or loss and is affected by research and development tax credits, the expected level of other tax benefits, and the impact of changes to the valuation allowance, as well as changes in the mix of our pre-tax income and losses among jurisdictions with varying statutory tax rates and credits.

The income tax provision for the three months ended June 30, 2008, was \$10.2 million compared to an income tax provision of \$6.3 million for the three months ended June 30, 2007, representing effective tax rates of 31.9% and 26.2%, respectively.

Minority Interest in Consolidated Subsidiaries

Minority interest in consolidated subsidiaries for the three months ended June 30, 2008 and 2007 was \$0.1 million. The minority interest in subsidiaries represents the minority shareholders' proportionate share of net income of those subsidiaries for the three months ended June 30, 2008 and 2007. The minority interest relates to our two majority-owned indirect subsidiaries, InCoaTec GmbH and Bruker Baltic Ltd.

Net Income

Our net income for the three months ended June 30, 2008, was \$21.7 million, or \$0.13 per diluted share, compared to net income of \$17.7 million, or \$0.11 per diluted share, for the comparable period of 2007.

Segment Results***Revenue***

The following table presents revenue, change in revenue and revenue growth by reportable segment for the three months ended June 30, 2008 and 2007 (dollars in thousands):

	2008	2007	\$ Change	Percentage Change
BioScience	\$ 160,593	\$ 124,203	36,390	29.3%
BioSpin	163,770	125,764	38,006	30.2%
Eliminations (a)	(12,898)	(11,625)	(1,273)	
Total Revenue	\$ 311,465	\$ 238,342	73,123	30.7%

(a) Represents product and service revenue between reportable segments.

BioScience Segment Revenues

BioScience segment revenue increased by \$36.4 million, or 29.3%, to \$160.6 million for the three months ended June 30, 2008, compared to \$124.2 million for the comparable period in 2007. Included in this change in revenue is approximately \$11.5 million from the impact of foreign exchange. Excluding the effect of foreign exchange, revenue increased by 20.0%. The increase in revenue, excluding the effect of foreign exchange, is attributable to increases in system revenues across several of the product lines, in particular X-ray systems, molecular spectroscopy systems and chemical detections systems, as well as higher aftermarket revenue. Revenue in the three months ended June 30, 2007 includes \$2.6 million of molecular spectroscopy revenue that was recognized from our order with the Chinese State Food and Drug Administration. The order from the Chinese State Food and Drug Administration was completed during 2007 and we did not recognize any system revenue from this order during the three months ended June 30, 2008.

System revenue, other system revenue and aftermarket revenue as a percentage of total BioScience segment revenue were as follows during the three months ended June 30, 2008 and 2007 (dollars in thousands):

Table of Contents

	2008		2007	
	Revenue	Percentage of Segment Revenue	Revenue	Percentage of Segment Revenue
System Revenue	\$ 117,720	73.3%	\$ 93,564	75.3%
Other System Revenue	12,487	7.8%	9,223	7.4%
Aftermarket Revenue	30,386	18.9%	21,416	17.3%
Total Revenue	\$ 160,593	100.0%	\$ 124,203	100.0%

System revenues in the BioScience segment include X-ray systems, mass spectrometry systems, CBRN detection systems and molecular spectroscopy systems. Other system revenues in the BioScience segment relate primarily to the distribution of products not manufactured by the BioScience segment. Aftermarket revenues in the BioScience segment include accessory sales, consumables, training and services.

BioSpin Segment Revenues

BioSpin segment revenue increased by \$38.0 million, or 30.2%, to \$163.8 million for the three months ended June 30, 2008, compared to \$125.8 million for the comparable period in 2007. Included in this change in revenue is approximately \$15.4 million from the impact of foreign exchange. Excluding the effect of foreign exchange, revenue increased by 18.0%. The increase in revenue, excluding the effect of foreign exchange, is attributable to increases in magnetic resonance system revenues, offset partially by lower aftermarket revenue.

System and wire revenue, other system revenue and aftermarket revenue as a percentage of total BioSpin segment revenue were as follows during the three months ended June 30, 2008 and 2007 (dollars in thousands):

	2008		2007	
	Revenue	Percentage of Segment Revenue	Revenue	Percentage of Segment Revenue
System and Wire Revenue	\$ 134,227	82.0%	\$ 94,653	75.3%
Other System Revenue	7,135	4.3%	2,534	2.0%
Aftermarket Revenue	22,408	13.7%	28,577	22.7%
Total Revenue	\$ 163,770	100.0%	\$ 125,764	100.0%

System and wire revenues in the BioSpin segment include nuclear magnetic resonance systems, magnetic resonance imaging systems, electron paramagnetic resonance systems, Minispec systems, power supplies and our LTS and HTS wire business. Other system revenues in the BioSpin segment relate primarily to the distribution of products not manufactured by the BioSpin segment. Aftermarket revenues in the BioSpin segment include accessory sales, consumables, training and services.

Income from Operations

Edgar Filing: BRUKER CORP - Form 10-Q

The following table presents income from operations and operating margins on revenue by reportable segment for the three months ended June 30, 2008 and 2007 (dollars in thousands):

	2008		2007	
	Operating Income	Operating Margin	Operating Income	Operating Margin
BioScience	\$ 6,727	4.2%	\$ 8,124	6.5%
BioSpin	26,471	16.2%	15,965	12.7%
Corporate, Eliminations and Other (a)	(4,763)		(2,302)	
Total Operating Income	\$ 28,435	9.1%	\$ 21,787	9.1%

(a) Represents corporate costs not allocated to the reportable segments.

BioScience segment income from operations for the three months ended June 30, 2008, was \$6.7 million,

Table of Contents

resulting in an operating margin of 4.2%, compared to income from operations of \$8.1 million, resulting in an operating margin of 6.5%, for the comparable period of 2007. The decrease in income from operations was driven by lower gross profit margins and increases in operating expenses offset partially by an increase in revenue. The increase in costs is, in part, attributable to changes in foreign currency exchange rates, primarily the Euro, as a majority of our production and research and development is performed in Europe. However, increases in headcount, primarily in sales and marketing, and research and development material costs also contributed to the increase in expenses for the three months ended June 30, 2008.

BioSpin segment income from operations for the three months ended June 30, 2008, was \$26.5 million, resulting in an operating margin of 16.2%, compared to income from operations of \$16.0 million, resulting in an operating margin of 12.7%, for the comparable period of 2007. The increase in income from operations was attributable primarily to an increase in revenue and higher gross profit margins offset partially by higher operating expenses. The increase in gross profit margins is the result of improved utilization driven by higher revenues. The increase in costs relates primarily to research and development expenses and is associated with changes in foreign currency exchange rates and higher material costs and salaries associated with new product development.

Six Months Ended June 30, 2008 Compared to the Six Months Ended June 30, 2007

Consolidated Results

The following table presents our results for the six months ended June 30, 2008 and 2007 (dollars in thousands):

Table of Contents

	Six Months Ended June 30,	
	2008	2007
	(In thousands, except per share data)	
Product revenue	\$ 485,884	\$ 391,786
Service revenue	61,690	52,757
Other revenue	2,327	1,335
Total revenue	549,901	445,878
Cost of product revenue	266,832	217,459
Cost of service revenue	41,302	33,956
Total cost of revenue	308,134	251,415
Gross profit	241,767	194,463
Operating expenses:		
Sales and marketing	89,544	72,491
General and administrative	33,982	26,855
Research and development	67,719	53,621
Acquisition related charges	6,153	
Total operating expenses	197,398	152,967
Operating income	44,369	41,496
Interest and other income (expense), net	(8,662)	2,964
Income before income tax provision and minority interest in consolidated subsidiaries	35,707	44,460
Income tax provision	14,466	12,307
Income before minority interest in consolidated subsidiaries	21,241	32,153
Minority interest in consolidated subsidiaries	240	146
Net income	\$ 21,001	\$ 32,007
Net income per common share - basic and diluted	\$ 0.13	\$ 0.20
Weighted average common shares outstanding:		
Basic	162,371	161,050
Diluted	165,308	163,731

Revenue

Our revenue increased by \$104.0 million, or 23.3%, to \$549.9 million for the six months ended June 30, 2008, compared to \$445.9 million for the comparable period in 2007. Included in this change in revenue is approximately \$47.5 million from the impact of foreign exchange. Excluding the effect of foreign exchange, revenue increased by 12.7%. The increase in revenue, excluding the effect of foreign exchange, is attributable to increases in system and aftermarket revenues in the BioScience segment and system and wire revenues in the BioSpin segment.

Cost of Revenue

Our cost of product and service revenue for the six months ended June 30, 2008, was \$308.1 million, resulting in a gross profit margin of 44.0%, compared to cost of product and service revenue of \$251.4 million, resulting in a gross profit margin of 43.6% for the comparable period of 2007. The increase in gross profit margins as a percentage of revenue is attributable primarily to product mix and improved utilization resulting from higher revenues. The increase in gross profit margins was partially offset by the continued weakening of the U.S. Dollar coupled with the

fact that most of our manufacturing is done in Europe.

Sales and Marketing

Our sales and marketing expense for the six months ended June 30, 2008 increased to \$89.5 million, or 16.4% of

Table of Contents

product and service revenue, from \$72.5 million, or 16.3% of product and service revenue, for the comparable period of 2007. The increase in sales and marketing expense is attributable to higher commission expenses associated with the increase in revenue. Additionally, increases in headcount resulting from our continued investment in direct sales, inside sales, product specialists and application resources have contributed to an increase in sales and marketing expense.

General and Administrative

Our general and administrative expense for the six months ended June 30, 2008 increased to \$34.0 million, or 6.2% of product and service revenue, from \$26.9 million, or 6.0% of product and service revenue, for the comparable period of 2007. The increase is attributable to additional headcount, primarily in the BioSpin segment, and was related to Bruker BioSpin becoming part of a publicly-traded company.

Research and Development

Our research and development expense for the six months ended June 30, 2008 increased to \$67.7 million, or 12.4% of product and service revenue, from \$53.6 million, or 12.1% of product and service revenue, for the comparable period of 2007. The increase in research and development expenses is attributable primarily to changes in foreign currency exchange rates, primarily the Euro, as a majority of our research and development is performed in Europe. We also incurred higher material costs associated with new product development.

Acquisition Related Charges

On December 3, 2007, we announced that we had entered into a definitive agreement to acquire all of the stock of Bruker BioSpin. The acquisition of Bruker BioSpin was approved by our shareholders on February 25, 2008 and was completed on February 26, 2008. The acquisition represented a business combination of companies under common control due to a majority of ownership of both Bruker Corporation and Bruker BioSpin by the same individuals and, as a result, transaction costs are expensed as incurred. During the six months ended June 30, 2008, the Company incurred and expensed acquisition-related charges totaling \$6.2 million, which consisted of investment banking fees, legal fees and accounting fees.

Interest and Other Income (Expense), Net

Interest and other income (expense), net during the six months ended June 30, 2008, was \$(8.7) million, compared to \$3.0 million during the six months ended June 30, 2007.

During the six months ended June 30, 2008, the major component within interest and other income (expense), net, was losses on foreign currency transactions of \$9.0 million. Foreign exchange losses of \$12.2 million were incurred in the first three months of 2008 and were driven

Edgar Filing: BRUKER CORP - Form 10-Q

primarily by the re-measurement of certain foreign currency denominated assets, principally cash, inter-company receivables and a short-term inter-company loan, into the functional currency of the affected entities. The losses resulted from the continued weakening of the U.S. Dollar and the Euro by approximately 11% and 3%, respectively, during the five weeks between the closing of the Bruker BioSpin acquisition and the end of the first quarter of 2008.

During the six months ended June 30, 2007, the major components within interest and other income (expense), net, were net interest income of \$3.0 million and gains on foreign currency transactions of \$0.5 million.

Provision for Income Taxes

Our effective tax rate reflects our tax provision for non-U.S. entities only, since no benefit was recognized for losses incurred in the U.S. We will maintain a full valuation allowance for our U.S. net operating losses until evidence exists that it is more likely than not that the loss carryforward amounts will be utilized to offset U.S. taxable income. Our tax rate may change over time as the amount and mix of income and taxes outside the U.S. changes. The effective tax rate is calculated using our projected annual pre-tax income or loss and is affected by research and development tax credits, the expected level of other tax benefits, and the impact of changes to the valuation allowance, as well as changes in the mix of our pre-tax income and losses among jurisdictions with varying statutory tax rates and credits.

Table of Contents

The income tax provision for the six months ended June 30, 2008, was \$14.5 million compared to an income tax provision of \$12.3 million for the six months ended June 30, 2007, representing effective tax rates of 40.5% and 27.7%, respectively. The effective tax rate for the six months ended June 30, 2008 is a result of the acquisition-related charges and the foreign exchange losses that resulted in only modest tax benefits. The acquisition-related costs did not generate tax significant benefits for us because they were incurred primarily in the U.S. and the foreign exchange losses did not generate tax significant benefits for us because they occurred in foreign locations with relatively low tax rates.

Minority Interest in Consolidated Subsidiaries

Minority interest in consolidated subsidiaries for the six months ended June 30, 2008, was \$0.2 million compared to \$0.1 million for the comparable period of 2007. The minority interest in subsidiaries represents the minority shareholders' proportionate share of net income of those subsidiaries for the six months ended June 30, 2008 and 2007. The minority interest relates to our two majority-owned indirect subsidiaries, InCoaTec GmbH and Bruker Baltic Ltd.

Net Income

Our net income for the six months ended June 30, 2008, was \$21.0 million, or \$0.13 per diluted share, compared to \$32.0 million, or \$0.20 per diluted share, for the comparable period of 2007.

Segment Results**Revenue**

The following table presents revenue, change in revenue and revenue growth by reportable segment for the six months ended June 30, 2008 and 2007 (dollars in thousands):

	2008	2007	\$ Change	Percentage Change
BioScience	\$ 303,222	\$ 236,956	\$ 66,266	28.0%
BioSpin	275,888	233,411	42,477	18.2%
Eliminations (a)	(29,209)	(24,489)	(4,720)	
Total Revenue	\$ 549,901	\$ 445,878	\$ 104,023	23.3%

(a) Represents product and service revenue between reportable segments.

BioScience Segment Revenues

BioScience segment revenue increased by \$66.3 million, or 28.0%, to \$303.2 million for the six months ended June 30, 2008, compared to \$237.0 million for the comparable period in 2007. Included in this change in revenue is approximately \$21.0 million from the impact of foreign exchange. Excluding the effect of foreign exchange, revenue increased by 19.1%. The increase in revenue, excluding the effect of foreign exchange, is attributable to increases in system revenues across several of the product lines, in particular X-ray systems, molecular spectroscopy systems and chemical detections systems, as well as higher aftermarket revenue. Revenues in the six months ended June 30, 2007 include \$4.1 million of molecular spectroscopy revenue that was recognized from our order with the Chinese State Food and Drug Administration. The order from the Chinese State Food and Drug Administration was completed during 2007 and we did not recognize any system revenue from this order during the six months ended June 30, 2008.

System revenue, other system revenue and aftermarket revenue as a percentage of total BioScience segment revenue were as follows during the six months ended June 30, 2008 and 2007 (dollars in thousands):

Edgar Filing: BRUKER CORP - Form 10-Q

Table of Contents

	2008		2007	
	Revenue	Percentage of Segment Revenue	Revenue	Percentage of Segment Revenue
System Revenue	\$ 221,794	73.1%	\$ 174,382	73.6%
Other System Revenue	21,979	7.3%	15,449	6.5%
Aftermarket Revenue	59,449	19.6%	47,125	19.9%
Total Revenue	\$ 303,222	100.0%	\$ 236,956	100.0%

System revenues in the BioScience segment include X-ray systems, mass spectrometry systems, CBRN detection systems and molecular spectroscopy systems. Other system revenues in the BioScience segment relate primarily to the distribution of products not manufactured by the BioScience segment. Aftermarket revenues in the BioScience segment include accessory sales, consumables, training and services.

BioSpin Segment Revenues

BioSpin segment revenue increased by \$42.5 million, or 18.2%, to \$275.9 million for the six months ended June 30, 2008, compared to \$233.4 million for the comparable period in 2007. Included in this change in revenue is approximately \$26.5 million from the impact of foreign exchange. Excluding the effect of foreign exchange, revenue increased by 6.8%. The increase in revenue, excluding the effect of foreign exchange, is attributable to increases in magnetic resonance system revenues.

System and wire revenue, other system revenue and aftermarket revenue as a percentage of total BioSpin segment revenue were as follows during the six months ended June 30, 2008 and 2007 (dollars in thousands):

	2008		2007	
	Revenue	Percentage of Segment Revenue	Revenue	Percentage of Segment Revenue
System and Wire Revenue	\$ 213,045	77.2%	\$ 176,600	75.7%
Other System Revenue	12,135	4.4%	4,434	1.9%
Aftermarket Revenue	50,708	18.4%	52,377	22.4%
Total Revenue	\$ 275,888	100.0%	\$ 233,411	100.0%

System and wire revenues in the BioSpin segment include nuclear magnetic resonance systems, magnetic resonance imaging systems, electron paramagnetic resonance systems, Minispec systems, power supplies and our LTS and HTS wire business. Other system revenues in the BioSpin segment relate primarily to the distribution of products not manufactured by the BioSpin segment. Aftermarket revenues in the BioSpin segment include accessory sales, consumables, training and services.

Income from Operations

Edgar Filing: BRUKER CORP - Form 10-Q

The following table presents income from operations and operating margins on revenue by reportable segment for the six months ended June 30, 2008 and 2007 (dollars in thousands):

	2008		2007	
	Operating Income	Operating Margin	Operating Income	Operating Margin
BioScience	\$ 18,476	6.1%	\$ 17,067	7.2%
BioSpin	36,532	13.2%	31,196	13.4%
Corporate, Eliminations and Other (a)	(10,639)		(6,767)	
Total Operating Income	\$ 44,369	8.1%	\$ 41,496	9.3%

(a) Represents corporate costs not allocated to the reportable segments.

BioScience segment income from operations for the six months ended June 30, 2008, was \$18.5 million, resulting

Table of Contents

in an operating margin of 6.1%, compared to income from operations of \$17.1 million, resulting in an operating margin of 7.2%, for the comparable period of 2007. The increase in income from operations was driven by an increase in revenues offset partially by lower gross profit margins and increases in operating expenses. The increase in costs is, in part, attributable to changes in foreign currency exchange rates, primarily the Euro, as a majority of our production and research and development is performed in Europe. However, increases in headcount, primarily in sales and marketing, and research and development material costs also contributed to the increase in expenses for the six months ended June 30, 2008.

BioSpin segment income from operations for the six months ended June 30, 2008, was \$36.5 million, resulting in an operating margin of 13.2%, compared to income from operations of \$31.2 million, resulting in an operating margin of 13.4%, for the comparable period of 2007. The increase in income from operations was attributable primarily to an increase in revenue and higher gross profit margins offset partially by higher operating expenses. The increase in gross profit margins is the result of improved utilization driven by higher revenues. The increase in costs relates primarily to research and development expenses and is associated with changes in foreign currency exchange rates and higher material costs associated with new product development.

LIQUIDITY AND CAPITAL RESOURCES

We currently anticipate that our existing cash and credit facilities will be sufficient to support our operating and investing needs for at least the next twelve months, but this depends on our profitability and our ability to manage working capital requirements. Our future cash requirements will also be affected by acquisitions that we may consider. Historically, we have financed our growth through a combination of debt financings and issuances of common stock. In the future, there can be no assurances that additional financing alternatives will be available to us if required, or if available, will be obtained on terms favorable to us.

During the six months ended June 30, 2008, net cash provided by operating activities was \$18.1 million compared to net cash provided by operating activities of \$16.6 million during the six months ended June 30, 2007. Cash provided by operating activities in the six months ended June 30, 2008 was attributable to the results of operations offset partially by changes in the components of working capital. Cash provided by operating activities in the six months ended June 30, 2007 was also attributable to the results of operations offset partially by changes in the components of working capital.

During the six months ended June 30, 2008, net cash used by investing activities was \$(28.0) million, compared to net cash used by investing activities of \$(15.6) million during the six months ended June 30, 2007. Cash used by investing activities during the six months ended June 30, 2008 was attributable to \$27.1 million of capital expenditures and \$7.3 million used for acquisition related costs and acquisitions. These uses were offset partially by \$9.8 million of proceeds from the sale of short-term investments. Cash used by investing activities during the six months ended June 30, 2007 was attributable to \$13.0 million of capital expenditures and \$2.5 million for acquisitions.

During the six months ended June 30, 2008, net cash used by financing activities was \$(217.5) million, compared to net cash used by financing activities of \$(34.5) million during the six months ended June 30, 2007. Cash used by financing activities during the six months ended June 30, 2008 was attributable to \$386.0 million paid to certain shareholders in connection with the acquisition of Bruker BioSpin and \$23.4 million of withholding taxes paid by the Company in connection with a dividend declared by Bruker BioSpin prior to the acquisition. These uses were offset, in part, by \$193.4 million of net borrowings under long-term and short-term investments. Cash used by financing activities during the six months ended June 30, 2007 was attributable to a \$37.6 million dividend payment to the shareholders of Bruker BioSpin and \$15.2 million in net repayments of short-term and long-term debt offset partially by \$18.4 million in net proceeds from the offering of common stock.

On February 26, 2008, the Company completed its acquisition of Bruker BioSpin for \$914.0 million. The acquisition of Bruker BioSpin was financed with 57,544,872 shares of unregistered common stock valued at \$526.0 million based on the trailing 10 day trading average closing price of \$9.14 per share as of two days prior to the signing of the transaction agreements, \$351.0 million of cash obtained under new credit facilities and the balance with cash on hand. The Credit Agreement with a syndication of lenders provides for a revolving credit line with a maximum commitment of \$230.0 million and a term loan facility of \$150.0 million. The outstanding principal under the term loan is payable in quarterly installments through December 2012. Borrowings under the Credit Agreement bear interest, at the Company's option, at either (i) the higher of the prime rate or the federal funds rate plus 0.50%, or (ii) adjusted LIBOR, plus margins ranging from 0.40% to 1.25% and a facility fee ranging from 0.10% to 0.20%. As

Table of Contents

of June 30, 2008, the weighted-average interest rate of borrowings under the Credit Agreement was approximately 4.0%.

Borrowings under the Credit Agreement are secured by the pledge to the banks of 100% of the capital stock of each of the Company's wholly-owned domestic subsidiaries and 65% of the capital stock of certain of the Company's wholly-owned direct or indirect foreign subsidiaries. The Credit Agreement also requires the Company to maintain certain financial ratios related to maximum leverage and minimum interest coverage, as defined in the Credit Agreement. In addition to the financial ratios, the Credit Agreement restricts, among other things, the Company's ability to do the following: make certain payments; incur additional debt; incur certain liens; make certain investments, including derivative agreements; merge, consolidate, sell or transfer all or substantially all of the Company's assets; and enter into certain transactions with affiliates.

At June 30, 2008, we had outstanding debt totaling \$242.2 million consisting of \$194.3 million outstanding under the Credit Agreement, including \$148.1 million drawn on a term loan and \$46.2 million under revolving loans, \$33.6 million outstanding under other long-term debt arrangements, \$11.2 million outstanding under other revolving lines of credit and \$3.1 million under capital lease obligations. At December 31, 2007, we had outstanding debt totaling \$44.2 million consisting of \$28.0 million outstanding under other long-term debt arrangements, \$13.2 million outstanding under other revolving lines of credit and \$3.0 million under capital lease obligations.

Amounts outstanding under other long-term debt arrangements include both collateralized and uncollateralized arrangements with various financial institutions in Germany, Japan and a government agency in the United States. These debt arrangements consist of fixed and variable interest rates ranging from 1.8% to 8.0% at June 30, 2008. In connection with certain of these agreements, we are required to maintain certain financial ratios as defined in the agreements. At June 30, 2008, we were not in compliance with one of the covenants required by our arrangement with the government agency in the United States. The failure to meet this covenant did not trigger any cross-default provisions in other borrowing arrangements, including the Credit Agreement. On July 28, 2008, we received a limited waiver from the holder of the debt for the quarterly period ended June 30, 2008 and agreement from the holder of the debt to modify the covenant for the remainder of 2008.

Amounts outstanding under other revolving lines of credit are with various financial institutions in Germany, Switzerland, Japan and France and have aggregate maximum borrowing amounts of approximately \$90.0 million at June 30, 2008. With consideration to outstanding letters of credit, we had availability of approximately \$65.5 million under other revolving lines of credit at June 30, 2008. Our revolving lines of credit are generally uncollateralized and bear interest at variable rates ranging from 1.5% to 9.8% at June 30, 2008. Effective February 26, 2008, we terminated a \$75.0 million line of credit in the United States and replaced it with the revolving credit available under the Credit Agreement.

As of June 30, 2008, we have approximately \$26.0 million of net operating loss carryforwards available to reduce future U.S. taxable income. These losses have various expiration dates through 2027. The Company also has U.S. tax credits of approximately \$11.1 million available to offset future tax liabilities that expire at various dates. These credits include foreign tax credits of \$8.0 million expiring in various years through 2017 and research and development tax credits of \$3.1 million expiring through 2025. These operating losses and tax credit carryforwards may be subject to limitations under provisions of the Internal Revenue Code.

The following table summarizes maturities for our significant financial obligations as of June 30, 2008 (in thousands):

Table of Contents

Contractual Obligations	Total	Less than 1 year	1-3 Years	4-5 Years	More than 5 years
Short-term borrowings	\$ 11,153	\$ 11,153	\$	\$	\$
Long-term debt, including current portion	227,845	54,467	68,537	104,561	280
Capital lease obligations	3,152	811	1,188	595	558
Uncertain tax contingencies	19,418		19,418		
Total contractual obligations	\$ 261,568	\$ 66,431	\$ 89,143	\$ 105,156	\$ 838

Uncertain tax contingencies are positions taken or expected to be taken on an income tax return that may result in additional payments to tax authorities. The amount in the preceding table includes interest and penalties accrued related to these positions as of June 30, 2008. The total amount of uncertain tax contingencies is included in the 1-3 Years column as we are not able to reasonably estimate the timing of potential future payments. If a tax authority agrees with the tax position taken or expected to be taken or the applicable statute of limitations expires, then additional payments will not be necessary.

NEW ACCOUNTING PRONOUNCEMENTS

In December 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 141(R), *Business Combinations* (SFAS No. 141(R)). This statement will significantly change the accounting for business combinations. Under SFAS No. 141(R), an acquiring entity will be required to recognize all of the assets acquired and liabilities assumed in a transaction at the acquisition date fair value with certain limited exceptions. In addition, SFAS No. 141(R) will change the accounting treatment for acquisition costs, in-process research and development, restructuring costs associated with business combinations and changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date. SFAS No. 141(R) also includes a significant number of new disclosure requirements. Early adoption of SFAS No. 141(R) is prohibited and we will be required to apply SFAS No. 141(R) to acquisitions that occur on or after January 1, 2009.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements - An Amendment of ARB No. 51* (SFAS No. 160). This statement establishes new accounting and reporting standards for the minority interest in a subsidiary and the deconsolidation of a subsidiary. SFAS No. 160 is effective as of the beginning of fiscal 2009 and early adoption is prohibited. We have not yet assessed the effect, if any, that adoption of SFAS No. 160 will have on our results of operations and financial position.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities - an amendment of FASB Statement No. 133* (SFAS No. 161). SFAS No. 161 requires enhanced disclosures about an entity's derivative and hedging activities and, thereby, improves the transparency of financial reporting. SFAS No. 161 is effective for fiscal years beginning on or after November 15, 2008. We are currently evaluating the impact that the adoption of SFAS No. 161 will have on our financial position, results of operations and cash flows.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are potentially exposed to market risks associated with changes in foreign exchange rates and interest rates. We selectively use financial instruments to reduce these risks. All transactions related to risk management techniques are authorized and executed pursuant to our policies

and procedures. Analytical techniques used to manage and monitor foreign exchange and interest rate risk include market valuations and sensitivity analysis.

Impact of Foreign Currencies

We generate a substantial portion of our revenues in international markets, principally Europe and Japan, which subjects our operations to the exposure of exchange rate fluctuations. The impact of currency exchange rate movement can be positive or negative in any period. Our costs related to sales in foreign currencies are largely denominated in the same respective currencies, limiting our transaction risk exposure. However, for sales not

Table of Contents

denominated in U.S. Dollars, if there is an increase in the rate at which a foreign currency is exchanged for U.S. Dollars, it will require more of the foreign currency to equal a specified amount of U.S. Dollars than before the rate increase. In such cases, if we price our products in the foreign currency, we will receive less in U.S. Dollars than we did before the rate increase went into effect. If we price our products in U.S. Dollars and competitors price their products in local currency, an increase in the relative strength of the U.S. Dollar could result in our prices not being competitive in a market where business is transacted in the local currency.

Our foreign exchange gains (losses), net, were \$(9.0) million and \$0.5 million for the six months ended June 30, 2008 and 2007, respectively. As we continue to expand internationally, we will continue to evaluate our currency risks and may utilize foreign exchange contracts more frequently in order to mitigate our foreign currency exposures. From time to time, we have entered into foreign currency contracts in order to minimize the volatility that fluctuations in exchange rates will have on the Company's cash flows related to purchases and sales denominated in foreign currencies. There were no outstanding forward currency contracts at June 30, 2008.

Impact of Interest Rates

We regularly invest excess cash in short-term investments that are subject to changes in short-term interest rates. We believe that the market risk arising from holding these financial instruments is minimal.

Our exposure related to adverse movements in interest rates is derived primarily from outstanding floating rate debt instruments that are indexed to short-term market rates. Our objective in managing our exposure to interest rates is to decrease the volatility that changes in interest rates might have on our earnings and cash flows. To achieve this objective we entered into interest rate swaps and cross currency rate swaps in order to minimize the volatility that changes in interest rates might have on earnings and cash flows.

In April 2008, we entered into an interest rate swap arrangement to pay a fixed rate of approximately 3.8% and receive a variable rate based on three month LIBOR through December 31, 2012. The initial notional amount of this interest rate swap is \$90.0 million and will amortize in proportion to the term debt component of the Credit Agreement. We have determined that this swap is an effective hedge of the variability of cash flows of the interest payments under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS No. 133).

In addition, in 2002 we entered into a cross currency interest rate swap arrangement under which the Company receives semiannual interest payments in Euros based on a variable interest rate equal to the six-month EURIBOR rate in exchange for semiannual payments in Swiss francs at a fixed rate of 4.97% through December 2011. The notional amount of this interest rate swap arrangement was 5.0 million at June 30, 2008. In 1999, the Company entered into an interest rate swap arrangement to pay a 4.60% fixed rate of interest and receive a variable rate of interest based on the Securities Industry and Financial Markets Municipal Swap Index through December 2013. The notional amount of this interest rate swap arrangement was \$1.5 million at June 30, 2008. We have determined that these swaps are not effective in offsetting the change in interest rates on the cash flows being hedged as defined by SFAS No. 133.

A 10% increase or decrease in the average cost of our variable rate debt would not result in a material change in pre-tax interest expense.

Inflation

We do not believe inflation had a material impact on our business or operating results during any of the periods presented.

ITEM 4. CONTROLS AND PROCEDURES

We have established disclosure controls and procedures that are designed to ensure that material information relating to us, including our consolidated subsidiaries, is made known to our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer) by others within our organization. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures as of

Table of Contents

June 30, 2008. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective, as of June 30, 2008, to ensure that the information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

There were no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2008 that materially affected, or are reasonably likely to affect, our internal control over financial reporting.

Table of Contents

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Except as set forth below, there have been no material changes to the legal proceedings disclosed in Part I, Item 3. Legal Proceedings in our Annual Report on Form 10-K for the year ended December 31, 2007 and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2008.

Our subsidiary Bruker Daltonics is party to an Agreement with Isis Pharmaceuticals, Inc. regarding the manufacture and sale of certain systems sold by Isis which incorporate mass spectrometers from Bruker Daltonics. A dispute previously arose regarding the performance of each party under the Agreement. Pursuant to the Agreement's dispute resolution mechanism, the parties had a series of executive level meetings and engaged in mediation with a third party mediator. These efforts did not resolve the dispute, and in May 2008 Bruker Daltonics filed suit against Isis and its wholly owned subsidiary Ibis Biosciences, Inc. Isis and Ibis have answered this complaint and asserted counterclaims that Bruker Daltonics breached the Agreement. Bruker Daltonics believes that the counterclaims of Ibis and Isis are without merit and intends to pursue this litigation vigorously.

As previously disclosed in Part I, Item 3. Legal Proceedings in our Annual Report on Form 10-K for the year ended December 31, 2007, on October 10, 2007, Brian Lamy, a former employee of Bruker BioSpin Corporation, filed a complaint with the United States Department of Labor's Occupational Health and Safety Administration (OSHA) alleging discriminatory employment practices in violation of Section 806 of the Sarbanes-Oxley Act arising from Bruker BioSpin Corporation's termination of his employment in July 2007. At the time of the complaint, Bruker BioSpin Corporation was an affiliate of the Company under common control of the Company. As a result of the Company's acquisition of the Bruker BioSpin group of companies, Bruker BioSpin Corporation is now a wholly-owned subsidiary of the Company.

Mr. Lamy also contacted the Securities and Exchange Commission regarding his complaint. The SEC contacted counsel for the Company in February 2008 regarding this matter. Counsel for the Company at that time provided the SEC various materials relating to the matter, and the Company intends to cooperate fully with any additional requests that may be made by the SEC for information or documents.

On July 17, 2008, Mr. Lamy withdrew his action from OSHA and filed in federal court in the District of Massachusetts a substantially similar complaint against Bruker BioSpin Corporation, Bruker Corporation and Dirk Laukien, entitled *Brian Lamy v. Bruker BioSpin Corporation, Bruker Corporation f/k/a Bruker BioSciences Corporation and Dirk Laukien*, alleging termination in violation of the Sarbanes-Oxley Act.

The Audit Committee of the Company has conducted an internal review with regard to Mr. Lamy's claims and has found no evidence of any improper activity. The Company believes the allegations of Mr. Lamy's complaint to be without merit and intends to defend this matter vigorously.

ITEM 1A. RISK FACTORS

Edgar Filing: BRUKER CORP - Form 10-Q

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2007 and in Part II, Item 1A. Risk Factors in our Quarterly Report on Form 10-Q for the three months ended March 31, 2008, which could materially affect our business, financial condition or future results. The risks described in this report and in our Annual Report on Form 10-K and Quarterly Reports on Form 10-Q are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

There have been no material changes to the risk factors previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2007 and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2008.

Table of Contents

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

- (a) The Annual Meeting of Stockholders of the Company was held on May 8, 2008.
- (c) Proxies representing 160,382,927 shares were received. Total shares outstanding as of the record date were 163,368,791. The matters voted upon and the results of the voting at the Annual Meeting are set forth below:

- (i) To elect Collin J. D. Silva, Stephen W. Fesik Ph.D., Dirk D. Laukien, Ph.D., Richard M. Stein and Bernhard Wangler as a Class II director to hold office until the 2011 Annual Meeting:

(i)	Collin J. D. Silva as Class II director	
	Votes for	159,762,613
	Votes withheld	620,314
(ii)	Stephen W. Fesik Ph.D. as Class II director	
	Votes for	159,566,905
	Votes withheld	816,022
(iii)	Dirk D. Laukien, Ph.D. as Class II director	
	Votes for	145,521,436
	Votes withheld	14,861,491
(iv)	Richard M. Stein as Class II director	
	Votes for	144,374,888
	Votes withheld	16,008,039
(v)	Bernhard Wangler as Class II director	
	Votes for	144,303,358
	Votes withheld	16,079,569

- (ii) To ratify the selection of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal year 2008:

Votes for	160,136,736
Votes against	222,858
Votes abstaining	23,333

Except as set forth above, there were no shares abstaining and no broker non-voting shares cast.

ITEM 5. OTHER INFORMATION

None.

Table of Contents

ITEM 6. EXHIBITS

Exhibit No.	Description
31.1	Certification by Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (1)
31.2	Certification by Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (1)
32.1	Certification by Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (2)

(1) Filed herewith.

(2) Furnished herewith.

Table of Contents

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, thereunto duly authorized.

BRUKER CORPORATION

Date: August 11, 2008

By:

/s/ FRANK H. LAUKIEN, PH.D.
Frank H. Laukien, Ph.D.

President, Chief Executive Officer and Chairman

(Principal Executive Officer)

Date: August 11, 2008

By: /s/ WILLIAM J. KNIGHT
William J. Knight

Chief Financial Officer

(Principal Financial and Accounting Officer)