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 September 30, 2012

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

For the transition period from to

Commission File Number 000-30833

BRUKER CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**04-3110160**

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

40 Manning Road, Billerica, MA 01821

(Address of principal executive offices) (Zip Code)

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 x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

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

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

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

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

Class	**Outstanding at November 1, 2012**
Common Stock, $0.01 par value per share	166,293,899 shares

Table of Contents

BRUKER CORPORATION

Quarterly Report on Form 10-Q

For the Quarter Ended September 30, 2012

Index

Table of Contents

PART I FINANCIAL INFORMATION

ITEM 1. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

BRUKER CORPORATION

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(in millions, except share and per share data)

		September 30, 2012		December 31, 2011
ASSETS				
Current assets:				
Cash and cash equivalents	$	242.1	$	246.0
Accounts receivable, net		264.8		282.8
Inventories		632.8		576.2
Other current assets		105.2		89.1
Total current assets		1,244.9		1,194.1
Property, plant and equipment, net		272.5		249.0
Intangibles, net and other long-term assets		282.6		267.4
Total assets	$	1,800.0	$	1,710.5
LIABILITIES AND SHAREHOLDERS EQUITY				
Current liabilities:				
Current portion of long-term debt	$	38.9	$	83.7
Accounts payable		78.0		72.3
Customer advances		265.3		268.6
Other current liabilities		304.3		331.2
Total current liabilities		686.5		755.8
Long-term debt		298.0		219.4
Other long-term liabilities		119.8		110.4
Commitments and contingencies (Note 11)				
Shareholders equity:				
Preferred stock, $0.01 par value 5,000,000 shares authorized, none issued or outstanding				
Common stock, $0.01 par value 260,000,000 shares authorized, 166,314,728 and 165,892,170 shares issued and 166,293,899 and 165,871,905 shares outstanding at September 30, 2012 and December 31, 2011, respectively		1.7		1.7
Treasury stock, at cost, 20,829 and 20,265 shares at September 30, 2012 and December 31, 2011, respectively		(0.2)		(0.2)
Retained earnings		506.2		441.5
Other shareholders equity		185.0		178.5
Total shareholders equity attributable to Bruker Corporation		692.7		621.5
Noncontrolling interest in consolidated subsidiaries		3.0		3.4
Total shareholders equity		695.7		624.9

Total liabilities and shareholders equity	$	1,800.0	$	1,710.5

The accompanying notes are an integral part of these statements.

Table of Contents

BRUKER CORPORATION

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(in millions, except per share data)

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Product revenue	$ 378.6	$ 366.5	$ 1,101.0	$ 1,030.7
Service revenue	50.9	49.8	150.2	140.2
Other revenue	18.3	2.1	22.9	5.7
Total revenue	447.8	418.4	1,274.1	1,176.6
Cost of product revenue	205.6	202.6	601.5	565.0
Cost of service revenue	31.6	26.4	83.4	76.8
Total cost of revenue	237.2	229.0	684.9	641.8
Gross profit	210.6	189.4	589.2	534.8
Operating expenses:				
Selling, general and administrative	102.9	102.1	317.9	289.6
Research and development	44.9	43.5	145.0	132.5
Write-off of deferred offering costs		3.4		3.4
Other charges	2.5	2.9	9.5	7.4
Total operating expenses	150.3	151.9	472.4	432.9
Operating income	60.3	37.5	116.8	101.9
Interest and other income (expense), net	(2.7)	1.9	(13.0)	(8.8)
Income before income taxes and noncontrolling interest in consolidated subsidiaries	57.6	39.4	103.8	93.1
Income tax provision	17.7	19.3	38.9	38.7
Consolidated net income	39.9	20.1	64.9	54.4
Net income attributable to noncontrolling interest in consolidated subsidiaries	0.2	0.3	0.2	1.2
Net income attributable to Bruker Corporation	$ 39.7	$ 19.8	$ 64.7	$ 53.2
Net income per common share attributable to Bruker Corporation shareholders:				
Basic and diluted	$ 0.24	$ 0.12	$ 0.39	$ 0.32
Weighted average common shares outstanding:				
Basic	166.0	165.6	165.9	165.4
Diluted	167.3	166.9	167.3	167.0
Comprehensive income (loss) (Note 12)	$ 51.8	$ (29.7)	$ 61.9	$ 64.3
Less: Comprehensive income (loss) attributable to noncontrolling interests	0.1		0.2	0.1
Comprehensive income (loss) attributable to Bruker Corporation	$ 51.7	$ (29.7)	$ 61.7	$ 64.2

The accompanying notes are an integral part of these statements.

2

Table of Contents

BRUKER CORPORATION

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)

	Nine Months Ended September 30, 2012	2011
Cash flows from operating activities:		
Consolidated net income	$ 64.9	$ 54.4
Adjustments to reconcile consolidated net income to cash flows from operating activities:		
Depreciation and amortization	42.5	39.3
Amortization of deferred financing costs	0.5	0.4
Write-down of demonstration inventories to net realizable value	22.6	22.0
Stock-based compensation	5.9	5.8
Deferred income taxes	(0.3)	(1.6)
Gain on disposal of business	(2.2)	
Other non-cash expense	1.6	1.1
Changes in operating assets and liabilities:		
Accounts receivable	25.2	(38.5)
Inventories	(72.9)	(106.2)
Accounts payable and accrued expenses	(11.0)	18.3
Income taxes payable	(10.6)	(6.1)
Deferred revenue	(7.6)	5.0
Customer advances	(2.8)	7.5
Other changes in operating assets and liabilities, net	(13.6)	(5.8)
Net cash provided by (used in) operating activities	42.2	(4.4)
Cash flows from investing activities:		
Acquisitions, net of cash acquired	(21.7)	(1.3)
Disposal of business	3.3	
Purchases of property, plant and equipment	(49.8)	(43.1)
Sales of property, plant and equipment	2.5	4.7
Net cash used in investing activities	(65.7)	(39.7)
Cash flows from financing activities:		
(Repayments) proceeds of revolving lines of credit	(161.5)	31.0
Proceeds from Note Purchase Agreement	240.0	
Repayment of other debt, net	(45.4)	(21.5)
Payment of deferred financing costs	(1.4)	(1.3)
Proceeds from issuance of common stock, net	3.6	3.1
Changes in restricted cash	(1.5)	(0.4)
Cash payments to noncontrolling interest	(0.6)	(0.4)
Net cash provided by financing activities	33.2	10.5
Effect of exchange rate changes on cash and cash equivalents	(13.6)	(1.0)
Net change in cash and cash equivalents	(3.9)	(34.6)
Cash and cash equivalents at beginning of period	246.0	230.4
Cash and cash equivalents at end of period	$ 242.1	$ 195.8
Non-cash financing activities:		
Issuance of common stock in connection with acquisition of Michrom Bioresources Inc.	$	$ 2.9

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, together with its consolidated subsidiaries (Bruker or the Company), is a designer and manufacturer of proprietary life science and materials research systems and associated products that address the rapidly evolving needs of a diverse array of customers in life science, pharmaceutical, biotechnology, clinical and molecular diagnostics research, as well as in materials and chemical analysis in various industries and government applications. The Company s core technology platforms include magnetic resonance technologies, mass spectrometry technologies, gas chromatography technologies, X-ray technologies, spark-optical emission spectroscopy, atomic force microscopy, stylus and optical metrology technology and infrared and Raman molecular spectroscopy technologies. The Company also manufactures and distributes a broad range of field analytical systems for chemical, biological, radiological, nuclear and explosives (CBRNE) detection. Additionally, the Company develops and manufactures superconducting and non-superconducting materials and devices for use in renewable energy, energy infrastructure, healthcare and big science research. The Company maintains major technical and manufacturing centers in Europe, North America and Japan and has sales offices located throughout the world. The Company s diverse customer base includes life science, pharmaceutical, biotechnology and molecular diagnostic research companies, academic institutions, advanced materials and semiconductor manufacturers and government agencies.

Management reports results on the basis of the following two segments:

- *Scientific Instruments.* The operations of this segment include the design, manufacture and distribution of advanced instrumentation and automated solutions based on magnetic resonance technology, mass spectrometry technology, gas chromatography technology, X-ray technology, spark-optical emission spectroscopy technology, atomic force microscopy technology, stylus and optical metrology technology, and infrared and Raman molecular spectroscopy technology. Typical customers of the Scientific Instruments segment include: pharmaceutical, biotechnology and molecular diagnostic companies; academic institutions, medical schools and other non-profit organizations; clinical microbiology laboratories; government departments and agencies; nanotechnology, semiconductor, chemical, cement, metals and petroleum companies; and food, beverage and agricultural analysis companies and laboratories.

- *Energy & Supercon Technologies.* The operations of this segment include the design, manufacture and marketing of superconducting materials, primarily metallic low temperature superconductors, for use in magnetic resonance imaging, nuclear magnetic resonance, fusion energy research and other applications, and ceramic high temperature superconductors primarily for energy grid and magnet applications. Typical customers of the Energy & Supercon Technologies segment include companies in the medical industry, private and public research and development laboratories in the fields of fundamental and applied sciences and energy research, academic institutions and government agencies. The Energy & Supercon Technologies segment is also developing superconductors and superconducting-enabled devices for applications in power and energy grid, as well as industrial processing industries.

The unaudited condensed consolidated financial statements represent the consolidated accounts of the Company. All significant intercompany accounts and transactions have been eliminated in consolidation. The unaudited condensed consolidated financial statements as of September 30, 2012 and December 31, 2011 and for the three and nine months ended September 30, 2012 and 2011, 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 (SEC) 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 or any other interim period.

Amortization of certain technology-related intangible assets totaling $0.8 million and $2.1 million for the three and nine months ended September 30, 2011, respectively, were reclassified to selling, general and administrative expenses from amortization of acquisition-related intangible assets to conform to current year presentation. This reclassification had no effect on previously reported net income or cash flows.

The Company has evaluated all subsequent events and determined that there are no material recognized or unrecognized subsequent events requiring disclosure.

Table of Contents

At September 30, 2012, the Company s significant accounting policies and estimates, which are detailed in the Company s Annual Report on Form 10-K for the year ended December 31, 2011, have not changed.

2. Acquisitions

On March 8, 2012, the Company completed the acquisition of SkyScan N.V. (the SkyScan business), a privately owned company based in Belgium that provides advanced, high-resolution micro computed tomography systems for three-dimensional X-ray imaging in preclinical imaging applications and materials research markets. The acquisition of the SkyScan business is being accounted for under the acquisition method. The components and allocation of the consideration transferred in connection with the SkyScan business are as follows (in millions):

Consideration Transferred:		
Cash paid	$	24.6
Cash acquired		(2.9)
Total consideration transferred	$	21.7
Allocation of Consideration Transferred:		
Accounts receivable	$	3.1
Inventories		6.6
Other current assets		0.3
Property, plant and equipment		2.3
Intangible assets:		
Existing technology		7.2
Customer relationships		6.4
Goodwill		10.5
Liabilities assumed		(14.7)
Total consideration transferred	$	21.7

The Company s allocation of the consideration transferred in connection with the acquisition of the SkyScan business is preliminary and will be finalized within the measurement period. The final allocation of the purchase price may differ from the information presented in these unaudited condensed consolidated financial statements.

The results of the SkyScan business have been included in the Scientific Instruments segment from the date of acquisition. Pro forma financial information reflecting the acquisition of the SkyScan business has not been presented because the impact on revenues, net income and net income per common share attributable to Bruker Corporation shareholders is not material.

3. Stock-Based Compensation

The Company s primary types of share-based compensation are in the form of stock options and restricted stock. The Company recorded stock-based compensation expense as follows (in millions):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2012		2011		2012		2011	
Stock options	$	1.7	$	1.7	$	5.0	$	4.9
Restricted stock		0.4		0.3		0.9		0.9
Total stock-based compensation	$	2.1	$	2.0	$	5.9	$	5.8

Compensation expense is amortized on a straight-line basis over the underlying vesting terms of the share-based award. Stock options to purchase the Company s common stock are periodically awarded to executive officers and other employees of the Company subject to a vesting period of three to five years. The fair value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model. Assumptions regarding volatility, expected life, dividend yield and risk-free interest rates are required for the Black-Scholes model and are presented in the table below:

Table of Contents

	2012	2011
Risk-free interest rates	0.91%-1.78%	1.24% -3.12%
Expected life	6.5 years	6.5 years
Volatility	55.9%	57.2%
Expected dividend yield	0.0%	0.0%

Bruker Corporation Stock Plan

In May 2010, the Bruker Corporation 2010 Incentive Compensation Plan (the 2010 Plan) was approved by the Company s stockholders. The 2010 Plan provides for the issuance of up to 8,000,000 shares of the Company s common stock. The Plan allows a committee of the Board of Directors (the Committee) to grant incentive stock options, non-qualified stock options and restricted stock awards. The Committee has the authority to determine which employees will receive the awards, the amount of the awards and other terms and conditions of any awards. Awards granted by the Committee typically vest over a period of three to five years.

Stock option activity for the nine months ended September 30, 2012 was as follows:

	Shares Subject to Options	Weighted Average Option Price	Weighted Average Remaining Contractual Term (Yrs)	Aggregate Intrinsic Value (in millions) (b)
Outstanding at December 31, 2011	5,096,253	$ 10.64		
Granted	469,250	12.82		
Exercised	(422,558)	8.54		$ 2.9
Forfeited	(183,983)	11.62		
Outstanding at September 30, 2012	4,958,962	$ 10.99	6.1	$ 12.3
Vested at September 30, 2012	3,051,193	$ 9.51	5.0	$ 11.3
Vested and expected to vest at September 30, 2012 (a)	4,804,021	$ 10.93	6.1	$ 12.2

(a) In addition to the options that are vested at September 30, 2012, the Company expects a portion of the unvested options to vest in the future. Options expected to vest in the future are determined by applying an estimated forfeiture rate to the options that are unvested as of September 30, 2012.

(b) The aggregate intrinsic value is based on the positive difference between the fair value of the Company s common stock price of $13.09 on September 30, 2012, or the date of exercises, as appropriate, and the exercise price of the underlying stock options.

Restricted stock activity for the nine months ended September 30, 2012 was as follows:

	Shares Subject to Restriction	Average Grant Date Fair Value
Outstanding at December 31, 2011	236,232	$ 17.76

Granted	188,028		11.73
Vested	(73,446)		15.50
Outstanding at September 30, 2012	350,814	$	15.00

At September 30, 2012, the Company expects to recognize pre-tax stock-based compensation expense of $11.6 million associated with outstanding stock option awards granted under the Company s stock plans over the weighted average remaining service period of 2.2 years. In addition, the Company expects to recognize pre-tax stock-based compensation expense of $4.5 million associated with outstanding restricted stock awards granted under the Company s stock plans over the weighted average remaining service period of 3.6 years.

Table of Contents

Bruker Energy & Supercon Technologies Stock Plan

In October 2009, the Board of Directors of Bruker Energy & Supercon Technologies, Inc. (BEST) adopted the Bruker Energy & Supercon Technologies, Inc. 2009 Stock Option Plan (the BEST Plan). The BEST Plan provides for the issuance of up to 1,600,000 shares of BEST common stock in connection with awards under the BEST Plan. The BEST Plan allows a committee of the BEST Board of Directors to grant incentive stock options, non-qualified stock options and restricted stock awards. The Compensation Committee of the BEST Board of Directors has the authority to determine which employees will receive the awards, the amount of the awards and other terms and conditions of any awards. Awards granted pursuant to the BEST Plan typically vest over a period of three to five years.

There has been no activity in the BEST Plan during the three and nine months ended September 30, 2012. At September 30, 2012, there were 800,000 options outstanding under the BEST Plan. The Company expects to recognize pre-tax stock-based compensation expense of $0.8 million associated with outstanding stock option awards granted under the BEST Plan over the weighted average remaining service period of 1.9 years.

4. Earnings Per Share

Net income per common share attributable to Bruker Corporation is calculated by dividing net income attributable to Bruker Corporation by the weighted average shares outstanding during the period. The diluted net income per share computation includes the effect of shares which would be issuable upon the exercise of outstanding stock options and the vesting of restricted stock based on the treasury stock method.

The following table sets forth the computation of basic and diluted average shares outstanding (in millions, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	**2011**	**2012**	**2011**
Net income attributable to Bruker Corporation, as reported	$ 39.7	$ 19.8	$ 64.7	$ 53.2
Weighted average shares outstanding:				
Weighted average shares outstanding-basic	166.0	165.6	165.9	165.4
Effect of dilutive securities:				
Stock options and restricted stock	1.3	1.3	1.4	1.6
	167.3	166.9	167.3	167.0
Net income per common share attributable to Bruker Corporation shareholders:				
Basic and diluted	$ 0.24	$ 0.12	$ 0.39	$ 0.32

Stock options to purchase approximately 1.7 million shares and 0.2 million shares were excluded from the computation of diluted earnings per share in the three months ended September 30, 2012 and 2011, respectively, and approximately 0.7 million shares and 0.2 million shares were excluded from the computation of diluted earnings per share in the nine months ended September 30, 2012 and 2011, respectively, as their effect would have been anti-dilutive.

5. Fair Value of Financial Instruments

The Company applies the following hierarchy to determine the fair value of financial instruments, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement. The levels in the hierarchy 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.

Table of Contents

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

The valuation techniques that may be used by the Company to determine the fair value of Level 2 and Level 3 financial instruments are the market approach, the income approach and the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value based on current market expectations about those future amounts, including present value techniques, option-pricing models and the excess earnings method. The cost approach is based on the amount that would be required to replace the service capacity of an asset (replacement cost).

The following table sets forth the Company s financial instruments that are measured at fair value on a recurring basis and presents them within the fair value hierarchy using the lowest level of input that is significant to the fair value measurement at September 30, 2012 (in millions):

	Total	Quoted Prices in Active Markets Available (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents	$ 10.5	$ 10.5	$	$
Restricted cash	3.8	3.8		
Foreign exchange contracts	2.2		2.2	
Embedded derivatives in purchase and delivery contracts	0.8		0.8	
Long-term restricted cash	3.9	3.9		
Total assets recorded at fair value	$ 21.2	$ 18.2	$ 3.0	$
Liabilities:				
Interest rate swap contract	$ 0.2	$	$ 0.2	$
Foreign exchange contracts	0.1		0.1	
Embedded derivatives in purchase and delivery contracts	0.3		0.3	
Fixed price commodity contracts	0.1		0.1	
Total liabilities recorded at fair value	$ 0.7	$	$ 0.7	$

The Company s financial instruments consist primarily of cash equivalents, restricted cash, derivative instruments consisting of forward foreign exchange contracts, commodity contracts, derivatives embedded in certain purchase and delivery contracts, an interest rate swap, accounts receivable, short-term borrowings, accounts payable and long-term debt. The carrying amounts of the Company s cash equivalents, restricted cash, accounts receivable, short-term borrowings and accounts payable approximate their fair value due to their short-term nature. Derivative assets and liabilities are measured at fair value on a recurring basis. The Company s long-term debt consists principally of a private placement arrangement with various fixed interest rates based on the maturity date. The fair value of the long-term fixed interest rate debt, which has been classified as Level 2, was $254 million at September 30, 2012 based on market and observable sources with similar maturity dates.

Fair value treatment may be elected either upon initial recognition of an eligible asset or liability or, for an existing asset or liability, if an event triggers a new basis of accounting. The Company did not elect to remeasure any of its existing financial assets or liabilities, and did not elect the fair value option for any financial assets or liabilities which originated during the three or nine months ended September 30, 2012.

6. Inventories

Inventories consisted of the following (in millions):

Table of Contents

	September 30, 2012	December 31, 2011
Raw materials	$ 195.9	$ 175.5
Work-in-process	205.1	169.4
Finished goods	175.8	175.3
Demonstration units	56.0	56.0
Inventories	$ 632.8	$ 576.2

Finished goods include in-transit systems that have been shipped to the Company s customers, but not yet installed and accepted by the customer. As of September 30, 2012 and December 31, 2011, inventory-in-transit was $100.9 million and $116.8 million, respectively.

The Company reduces the carrying value of its demonstration inventories for differences between its cost and estimated net realizable value through a charge to cost of product revenue that is based on a number of factors, including the age of the unit, the physical condition of the unit and an assessment of technological obsolescence. Amounts recorded in cost of product revenue related to the write-down of demonstration units to net realizable value were $8.5 million and $8.4 million for the three months ended September 30, 2012 and 2011, respectively, and $22.6 million and $22.0 million for the nine months ended September 30, 2012 and 2011, respectively.

7. Goodwill and Other Intangible Assets

The following table sets forth the changes in the carrying amount of goodwill for the nine months ended September 30, 2012 (in millions):

Balance at December 31, 2011	$ 100.2
Goodwill acquired during the period	10.5
Current period adjustments	6.1
Foreign currency impact	(0.4)
Balance at September 30, 2012	$ 116.4

Goodwill is not amortized; instead, goodwill is tested for impairment on a reporting unit basis annually, or on an interim basis when events or changes in circumstances warrant. The Company performed its annual test for impairment as of December 31, 2011 and determined that goodwill and other intangible assets were not impaired at that time. The Company did not identify any indicators of impairment during the nine month period ended September 30, 2012 that would warrant an interim test.

The following is a summary of other intangible assets subject to amortization (in millions):

	September 30, 2012			December 31, 2011		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Existing technology and related patents	$ 150.8	$ (43.6)	$ 107.2	$ 141.4	$ (29.9)	$ 111.5

Customer relationships	28.2	(7.3)	20.9	22.0	(5.1)	16.9
Trade names	0.2	(0.2)		0.2	(0.2)	
Intangible assets subject to amortization	179.2	(51.1)	128.1	163.6	(35.2)	128.4
In-process research and development	5.7		5.7	8.0		8.0
Intangible assets	$ 184.9	$ (51.1)	$ 133.8	$ 171.6	$ (35.2)	$ 136.4

For the three months ended September 30, 2012 and 2011, the Company recorded amortization expense of $5.5 million and $5.0 million, respectively, related to intangible assets subject to amortization. For the nine months ended September 30, 2012 and 2011, the Company recorded amortization expense of $16.2 million and $13.1 million, respectively, related to intangible assets subject to amortization.

Table of Contents

8. Debt

The Company s debt obligations consisted of the following (in millions):

	September 30, 2012	December 31, 2011
US Dollar term loan under the Amended Credit Agreement	$ 37.5	$ 82.5
US Dollar revolving loan under the Amended Credit Agreement	55.0	216.5
US Dollar notes under the Note Purchase Agreement	240.0	
Capital lease obligations and other loans	4.4	4.1
Total debt	336.9	303.1
Current portion of long-term debt	(38.9)	(83.7)
Total long-term debt, less current portion	$ 298.0	$ 219.4

In February 2008, the Company entered into a credit agreement (the Credit Agreement), with a syndicate of lenders that provided for a revolving credit line with a maximum commitment of $230 million and a term loan facility of $150 million. The outstanding principal under the term loan is payable in quarterly installments through December 2012. As of September 30, 2012, amounts outstanding under the term loan were $37.5 million. Borrowings under the Credit Agreement accrue 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%.

In May 2011, the Company entered into an amendment to and restatement of the Credit Agreement, referred to as the Amended Credit Agreement. The Company accounted for the amendment as a modification under ASC No. 470, *Debt* (ASC No. 470). The Amended Credit Agreement increases the maximum commitment on the Company s revolving credit line to $250 million and extends the maturity date to May 2016. Borrowings under the revolving credit line of the Amended Credit Agreement accrue interest, at the Company s option, at either (a) the greatest of (i) the prime rate, (ii) the federal funds rate plus 0.50% and (iii) adjusted LIBOR plus 1.00% or (b) LIBOR, plus margins ranging from 0.80% to 1.65%. There is also a facility fee ranging from 0.20% to 0.35%. The Amended Credit Agreement had no impact on the maturity or pricing of the Company s existing term loan. As of September 30, 2012, the weighted average interest rate of borrowings under the term loan of the Amended Credit Agreement was approximately 2.7%.

Borrowings under the Amended Credit Agreement are secured by guarantees from certain material subsidiaries and Bruker Energy & Supercon Technologies, Inc. The Amended Credit Agreement also requires the Company to maintain certain financial ratios related to maximum leverage and minimum interest coverage. Specifically, the Company s leverage ratio cannot exceed 3.0 and the Company s interest coverage ratio cannot be less than 3.0. In addition to the financial ratios, the Amended 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 its assets; and enter into certain transactions with affiliates. Failure to comply with any of these restrictions or covenants may result in an event of default under the applicable debt instrument, which could permit acceleration of the debt under that instrument and require the Company to prepay that debt before its scheduled due date.

The following is a summary of the maximum commitments and net amounts available to the Company under revolving loans as of September 30, 2012 (in millions):

	Weighted Average Interest Rate	Total Amount Committed by Lenders	Outstanding Borrowings	Outstanding Letters of Credit	Total Amount Available
Amended Credit Agreement	1.4%	$ 250.0	$ 55.0	$ 1.2	$ 193.8
Other revolving loans		177.2		118.0	59.2
Total revolving loans		$ 427.2	$ 55.0	$ 119.2	$ 253.0

Other revolving loans are with various financial institutions located primarily in Germany, Switzerland and France. The Company s other revolving lines of credit are typically due upon demand with interest payable monthly. Certain of these lines of credit are unsecured, while others are secured by the accounts receivable and inventory of the related subsidiary.

Table of Contents

In January 2012, the Company entered into a note purchase agreement (the Note Purchase Agreement) with a group of accredited institutional investors. Pursuant to the Note Purchase Agreement, the Company issued and sold $240 million of senior notes, referred to as the Senior Notes. The Senior Notes issued by the Company in the private placement consist of the following:

• $20 million 3.16% Series 2012A Senior Notes, Tranche A, due January 18, 2017;

• $15 million 3.74% Series 2012A Senior Notes, Tranche B, due January 18, 2019;

• $105 million 4.31% Series 2012A Senior Notes, Tranche C, due January 18, 2022; and

• $100 million 4.46% Series 2012A Senior Notes, Tranche D, due January 18, 2024.

Under the terms of the Note Purchase Agreement, the Company may issue and sell additional senior notes up to an aggregate principal amount of $600 million, subject to certain conditions. Interest on the Senior Notes is payable semi-annually on January 18 and July 18 of each year, commencing July 18, 2012. The Senior Notes are unsecured obligations of the Company and are fully and unconditionally guaranteed by certain of the Company s direct and indirect subsidiaries. The Senior Notes rank pari passu in right of repayment with the Company s other senior unsecured indebtedness. The Company may prepay some or all of the Senior Notes at any time in an amount not less than 10% of the original aggregate principal amount of the Senior Notes to be prepaid, at a price equal to the sum of (a) 100% of the principal amount thereof, plus accrued and unpaid interest, and (b) the applicable make-whole amount, upon not less than 30 and no more than 60 days written notice to the holders of the Senior Notes. In the event of a change in control of the Company, the Company may be required to prepay the Senior Notes at a price equal to 100% of the principal amount thereof, plus accrued and unpaid interest.

The Note Purchase Agreement contains affirmative covenants, including, without limitation, maintenance of corporate existence, compliance with laws, maintenance of insurance and properties, payment of taxes, addition of subsidiary guarantors and furnishing notices and other information. The Note Purchase Agreement also contains certain restrictive covenants that restrict the Company s ability to, among other things, incur liens, transfer or sell certain assets, engage in certain mergers and consolidations and enter into transactions with affiliates. The Note Purchase Agreement also includes customary representations and warranties and events of default. In the case of an event of default arising from specified events of bankruptcy or insolvency, all outstanding Senior Notes will become due and payable immediately without further action or notice. In the case of payment events of defaults, any holder of Senior Notes affected thereby may declare all Senior Notes held by it due and payable immediately. In the case of any other event of default, a majority of the holders of the Senior Notes may declare all the Senior Notes to be due and payable immediately. Pursuant to the Note Purchase Agreement, so long as any Senior Notes are outstanding the Company will not permit (i) its leverage ratio, as determined pursuant to the Note Purchase Agreement, as of the end of any fiscal quarter to exceed 3.50 to 1.00, (ii) its interest coverage ratio as determined pursuant to the Note Purchase Agreement as of the end of any fiscal quarter for any period of four consecutive fiscal quarters to be less than 2.50 to 1 or (iii) priority debt at any time to exceed 25% of consolidated net worth, as determined pursuant to the Note Purchase Agreement.

As of September 30, 2012, the Company was in compliance with the covenants of the Amended Credit Agreement and the Note Purchase Agreement.

9. Derivative Instruments and Hedging Activities

Interest Rate Risks

The Company s exposure to interest rate risk relates primarily to outstanding variable rate debt and adverse movements in the related short-term market rates. The most significant component of the Company s interest rate risk relates to amounts outstanding under the Amended Credit Agreement. 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 approximately 3.8% and receive a variable rate based on three month LIBOR. The initial notional amount of this interest rate swap was $90.0 million and it amortizes in proportion to the term debt component of the Amended Credit Agreement through December 2012. At September 30, 2012 and December 31, 2011, the notional amount of this interest rate swap was $22.5 million and $49.5 million, respectively. The Company concluded that this swap met the criteria to qualify as an effective hedge of the variability of cash flows of the interest payments, and accounts for the interest rate swap as a cash flow hedge. Accordingly, the Company reflects changes in the fair value of the effective portion of this interest rate swap in accumulated other comprehensive income, a separate component of shareholders equity. Amounts

Table of Contents

recorded in accumulated other comprehensive income are reclassified to interest and other income (expense), net in the condensed consolidated statement of income and comprehensive income when either the forecasted transaction occurs or it becomes probable that the forecasted transaction will not occur.

Foreign Exchange Rate Risk Management

The Company generates a substantial portion of its revenues and expenses in international markets, principally Germany and other countries in the European Union, Switzerland and Japan, which subjects its operations to risks arising from exchange rate fluctuations. The impact of currency exchange rate movements can be positive or negative in any period. The Company periodically enters into foreign currency contracts in order to minimize the volatility that fluctuations in exchange rates have on its cash flows. Under these arrangements, the Company typically agrees to purchase a fixed amount of a foreign currency in exchange for a fixed amount of U.S. Dollars or other currencies on specified dates with maturities of less than twelve months. These transactions do not qualify for hedge accounting and, accordingly, the contracts are recorded at fair value with the corresponding gains and losses recorded to interest and other income (expense), net in the condensed consolidated statements of income and comprehensive income. The Company had the following notional amounts outstanding under foreign currency contracts (in millions):

Buy	Notional Amount in Buy Currency	Sell	Maturity	Notional Amount in U.S. Dollars	Fair Value of Assets	Fair Value of Liabilities
September 30, 2012:						
Euro	1.2	Australian Dollars	November 2012 to April 2013	$ 1.6	$	$
Euro	20.4	U.S. Dollars	October 2012 to July 2013	25.3	1.0	0.1
USD	0.4	Euro	October to December 2012	0.4		
Swiss Francs	33.2	U.S. Dollars	October 2012	34.1	1.2	
U.S. Dollars	0.8	Mexican Pesos	November 2012	0.8		
				$ 62.2	$ 2.2	$ 0.1
December 31, 2011:						
Euro	1.5	Australian Dollars	January 2012	$ 2.1	$	$ 0.1
Euro	35.0	U.S. Dollars	January 2012 to October 2012	48.2		2.9
Swiss Francs	24.5	U.S. Dollars	January 2012	27.4		1.2
U.S. Dollars	2.5	Mexican Pesos	January 2012 to November 2012	2.5		
				$ 80.2	$	$ 4.2

In addition, the Company periodically enters into purchase and sales contracts denominated in currencies other than the functional currency of the parties to the transaction. The Company accounts for these transactions separately valuing the embedded derivative component of these contracts. Contracts denominated in currencies other than the functional currency of the transacting parties amounted to $39.7 million for the delivery of products and $8.2 million for the purchase of products at September 30, 2012 and $34.8 million for the delivery of products and $4.9 million for the purchase of products at December 31, 2011. The changes in the fair value of these embedded derivatives are recorded as foreign currency exchange gains/losses in interest and other income (expense), net in the condensed consolidated statements of income and comprehensive income.

Commodity Price Risk Management

The Company has an arrangement with a customer under which it has a firm commitment to deliver copper based superconductors at a fixed price. In order to minimize the volatility that fluctuations in the price of copper have on the Company s sales of these superconductors, the Company enters into commodity hedge contracts. At September 30, 2012 and December 31, 2011, the Company had fixed price commodity contracts with notional amounts aggregating $4.7 million and $3.9 million, respectively. These transactions do not qualify for hedge accounting and, accordingly, the contracts are recorded at fair value with the corresponding gains and losses recorded to interest and other income (expense), net in the condensed consolidated statements of income and comprehensive income.

Table of Contents

The fair value of the derivative instruments described above is recorded in the consolidated balance sheets for the periods as follows (in millions):

	Balance Sheet Location	September 30, 2012	December 31, 2011
Derivative assets:			
Foreign exchange contracts	Other current assets	$ 2.2	$
Embedded derivatives in purchase and delivery contracts	Other current assets	$ 0.8	$ 0.6
Fixed price commodity contracts	Other current assets		0.5
Derivative liabilities:			
Interest rate swap contract	Other current liabilities	$ 0.2	$ 1.1
Foreign exchange contracts	Other current liabilities	0.1	4.2
Embedded derivatives in purchase and delivery contracts	Other current liabilities	0.3	0.4
Fixed price commodity contracts	Other current liabilities	0.1	0.5

The losses recognized in other comprehensive income related to the effective portion of the interest rate swap designated as a hedging instrument are as follows (in millions):

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Interest rate swap contract	$	$		