

BRUKER CORP  
Form 10-K/A  
November 15, 2016

Use these links to rapidly review the document

[TABLE OF CONTENTS](#)

[ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA](#)

[Table of Contents](#)

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 10-K/A  
(Amendment No. 1)**

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

For the fiscal year ended December 31, 2015

**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**

(Address of principal executive offices)

**01821**

(Zip Code)

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

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, \$0.01 par value per share	The Nasdaq Global Select Market

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

**None**

Indicate by check mark if the registrant is a well known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

## Edgar Filing: BRUKER CORP - Form 10-K/A

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

Indicate by check mark whether the registrant has submitted electronically 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  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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:

Large accelerated filer       Accelerated filer       Non-accelerated filer       Smaller reporting company   
(do not check if 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

The aggregate market value of the voting and non-voting stock held by non-affiliates of the registrant as of June 30, 2015 (the last business day of the registrant's most recently completed second fiscal quarter) was \$2,244,357,403, based on the reported last sale price on the Nasdaq Global Select Market. This amount excludes an aggregate of 58,170,354 shares of common stock held by officers and directors and each person known by the registrant to own 10% or more of the outstanding common stock of the registrant as of June 30, 2015. Exclusion of shares held by any person should not be construed to indicate that such person possesses the power, direct or indirect, to direct or cause the direction of management or policies of the registrant, or that such person is controlled by or under common control with the registrant. The number of shares of the registrant's common stock outstanding as of February 22, 2016 was 163,424,532.

### DOCUMENTS INCORPORATED BY REFERENCE

Portions of the information required by Part III of this report (Items 10, 11, 12, 13 and 14) are incorporated by reference from the registrant's definitive Proxy Statement for its 2016 Annual Meeting of Stockholders to be filed within 120 days of the close of the registrant's fiscal year.

---

Table of Contents**BRUKER CORPORATION****ANNUAL REPORT ON FORM 10-K/A (Amendment No. 1)****TABLE OF CONTENTS**

	<b>Page</b>
<b><u>Explanatory Note</u></b>	<b><u>1</u></b>
<b>Part II</b>	
<b><u>Item 8</u></b> <b><u>Financial Statements and Supplementary Data</u></b>	<b><u>2</u></b>
<b><u>Item 9A</u></b> <b><u>Controls and Procedures</u></b>	<b><u>48</u></b>
<b>Part IV</b>	
<b><u>Item 15</u></b> <b><u>Exhibits, Financial Statements and Schedules</u></b>	<b><u>52</u></b>
	<b><u>Signatures</u></b>
	<b><u>56</u></b>

**EXPLANATORY NOTE**

This Amendment No. 1 on Form 10-K/A (this "Amendment No. 1") amends Bruker Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2015 (the "Original Filing"). The purpose of this Amendment No.1 is to (i) revise the Report of Independent Registered Public Accounting Firm of Ernst & Young LLP (the "Auditor's Report") contained in Part II, Item 9A of the Original Filing regarding the effectiveness of our internal control over financial reporting and amend the Report of Independent Registered Public Accounting Firm of Ernst & Young LLP contained in Part 1, Item 8 of the Original Filing to reflect such revision of the Auditor's Report and (ii) revise the disclosure on the effectiveness of our disclosure controls and procedures and the disclosure on our internal control over financial reporting in Part II, Item 9A of the Original Filing to reflect management's conclusion that our internal control over financial reporting and disclosure controls and procedures were not effective at December 31, 2015 due to a material weakness in our internal control over financial reporting identified subsequent to the issuance of the Original Filing.

Pursuant to Rule 12b-15 promulgated under the Securities Exchange Act of 1934, as amended, we have included the entire text of Part I, Item 8 of the Original Filing in this Amendment No. 1. However, there have been no changes to the text of such item other than the change stated in the immediately preceding paragraph. Furthermore, there have been no changes to the XBRL data filed in Exhibit 101 of the Original Filing. Other than as described above and the inclusion with this Amendment No. 1 of new certifications by management, a new consent of Ernst & Young LLP, our former independent registered public accounting firm, and related amendments to the List of Exhibits contained in Part IV, Item 15 of the Original Filing, this Amendment No. 1 speaks only as of the date of the Original Filing and does not amend, supplement or update any information contained in the Original Filing to give effect to any subsequent events. Accordingly, this Amendment No. 1 should be read in conjunction with the Original Filing and our reports filed with the U.S. Securities and Exchange Commission ("SEC") subsequent to the Original Filing.

Table of Contents

**Part II**

**ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

	<b>Page</b>
<u>Report of Ernst &amp; Young LLP, Independent Registered Public Accounting Firm</u>	<u>3</u>
<u>Consolidated Balance Sheets as of December 31, 2015 and 2014</u>	<u>4</u>
<u>Consolidated Statements of Income and Comprehensive Income (Loss) for the years ended December 31, 2015, 2014 and 2013</u>	<u>5</u>
<u>Consolidated Statements of Shareholders' Equity for the years ended December 31, 2015, 2014 and 2013</u>	<u>6</u>
<u>Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2014 and 2013</u>	<u>7</u>
<u>Notes to Consolidated Financial Statements</u>	<u>8</u>

Table of Contents

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Shareholders of  
Bruker Corporation

We have audited the accompanying consolidated balance sheets of Bruker Corporation as of December 31, 2015 and 2014, and the related consolidated statements of income and comprehensive income (loss), statements of shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2015. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Bruker Corporation at December 31, 2015 and 2014, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Bruker Corporation's internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 26, 2016, except for the effect of the material weakness described in the sixth paragraph of that report, as to which the date is November 15, 2016, expressed an adverse opinion thereon.

/s/ Ernst & Young LLP

Boston, Massachusetts  
February 26, 2016

Table of Contents

**BRUKER CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**  
(In millions, except share and per share data)

	December 31,	
	2015	2014
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 267.1	\$ 319.5
Short-term investments	201.2	178.0
Accounts receivable, net	234.7	293.2
Inventories	422.0	477.4
Deferred tax assets		9.3
Other current assets	106.6	88.9
<b>Total current assets</b>	<b>1,231.6</b>	<b>1,366.3</b>
Property, plant and equipment, net	231.1	249.9
Goodwill	130.6	127.8
Intangible assets, net	74.7	83.8
Deferred tax assets	53.0	29.7
Other long-term assets	9.9	7.3
<b>Total assets</b>	<b>\$ 1,730.9</b>	<b>\$ 1,864.8</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Current portion of long-term debt	\$ 0.7	\$ 0.8
Accounts payable	72.1	76.0
Customer advances	178.3	189.5
Deferred tax liabilities		15.0
Other current liabilities	303.5	301.4
<b>Total current liabilities</b>	<b>554.6</b>	<b>582.7</b>
Long-term debt	266.0	354.2
Long-term deferred revenue	44.4	37.1
Deferred tax liabilities	9.5	17.8
Accrued pension	91.6	66.2
Other long-term liabilities	31.9	35.1
Commitments and contingencies (Note 14)		
Shareholders' equity:		
Preferred stock, \$0.01 par value 5,000,000 shares authorized, none issued or outstanding at December 31, 2015 and 2014		
Common stock, \$0.01 par value 260,000,000 shares authorized, 169,644,644 and 168,582,988 shares issued and 165,354,180 and 168,527,584 outstanding at December 31, 2015 and 2014, respectively	1.7	1.7
Treasury stock at cost, 4,290,527 and 55,404 shares at December 31, 2015 and 2014, respectively	(90.9)	(0.9)
Additional paid-in capital	102.1	81.1
Retained earnings	757.4	655.8

Edgar Filing: BRUKER CORP - Form 10-K/A

Accumulated other comprehensive income (loss)	(44.2)	28.2
Total shareholders' equity attributable to Bruker Corporation	726.1	765.9
Noncontrolling interest in consolidated subsidiaries	6.8	5.8
Total shareholders' equity	732.9	771.7
Total liabilities and shareholders' equity	\$ 1,730.9	\$ 1,864.8

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

Table of Contents**BRUKER CORPORATION****CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (LOSS)****(In millions, except per share data)**

	Year Ended December 31,		
	2015	2014	2013
Product revenue	\$ 1,381.1	\$ 1,571.9	\$ 1,611.4
Service revenue	235.5	231.8	219.3
Other revenue	7.2	5.2	8.7
<b>Total revenue</b>	<b>1,623.8</b>	<b>1,808.9</b>	<b>1,839.4</b>
Cost of product revenue	774.2	896.0	891.7
Cost of service revenue	139.7	149.6	142.5
Cost of other revenue	1.3		
<b>Total cost of revenue</b>	<b>915.2</b>	<b>1,045.6</b>	<b>1,034.2</b>
<b>Gross profit</b>	<b>708.6</b>	<b>763.3</b>	<b>805.2</b>
Operating expenses:			
Selling, general and administrative	392.2	451.0	437.9
Research and development	145.7	174.2	190.5
Impairment of assets	4.6	11.5	
Other charges, net	20.4	21.2	28.6
<b>Total operating expenses</b>	<b>562.9</b>	<b>657.9</b>	<b>657.0</b>
<b>Operating income</b>	<b>145.7</b>	<b>105.4</b>	<b>148.2</b>
Interest and other income (expense), net	(17.7)	(4.1)	(23.6)
<b>Income before income taxes and noncontrolling interest in consolidated subsidiaries</b>	<b>128.0</b>	<b>101.3</b>	<b>124.6</b>
Income tax provision	23.1	41.7	42.8
<b>Consolidated net income</b>	<b>104.9</b>	<b>59.6</b>	<b>81.8</b>
Net income attributable to noncontrolling interest in consolidated subsidiaries	3.3	2.9	1.7
<b>Net income attributable to Bruker Corporation</b>	<b>\$ 101.6</b>	<b>\$ 56.7</b>	<b>\$ 80.1</b>
<b>Net income per common share attributable to Bruker Corporation shareholders:</b>			
Basic	\$ 0.60	\$ 0.34	\$ 0.48
Diluted	\$ 0.60	\$ 0.33	\$ 0.48
<b>Weighted average common shares outstanding:</b>			
Basic	168.2	167.8	166.5
Diluted	169.1	169.5	168.5
<b>Consolidated net income</b>	<b>\$ 104.9</b>	<b>\$ 59.6</b>	<b>\$ 81.8</b>
Foreign currency translation adjustments	(63.8)	(131.7)	27.3



Edgar Filing: BRUKER CORP - Form 10-K/A

Pension liability adjustments (net of tax of \$2.1 million, \$6.5 million and \$4.6 million, respectively)	(9.6)	(22.6)	17.3
Net comprehensive income (loss)	31.5	(94.7)	126.4
Less: Comprehensive income attributable to noncontrolling interests	2.3	2.8	1.6
Comprehensive income (loss) attributable to Bruker Corporation	\$ 29.2	\$ (97.5)	\$ 124.8

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

Table of Contents

**BRUKER CORPORATION**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
(In millions, except share data)

	Common		Treasury		Additional		Accumulated		Total Shareholders' Equity Noncontrolling		Total
	Common	Stock	Treasury	Stock	Paid-In	Retained	Other	Comprehensive	to	in	Shareholders'
	Shares	Amount	Shares	Amount	Capital	Earnings	Income	Income	Attributable	Subsidiaries	Equity
									Interests		
Balance at December 31, 2012	166,604,427	\$ 1.7	21,549	\$ (0.2)	\$ 48.3	\$ 519.0	\$ 137.8	\$ 706.6	\$ 3.1	\$	709.7
Restricted shares issued	121,072										
Stock options exercised	871,991				8.4				8.4		8.4
Stock based compensation					6.6				6.6		6.6
Treasury stock acquired	(18,286)		18,286	(0.4)	0.2				(0.2)		(0.2)
Distributions to noncontrolling interests										(0.6)	(0.6)
Consolidated net income						80.1			80.1	1.7	81.8
Other comprehensive income (loss)								44.6	44.6	(0.1)	44.5
Balance at December 31, 2013	167,579,204	\$ 1.7	39,835	\$ (0.6)	\$ 63.5	\$ 599.1	\$ 182.4	\$ 846.1	\$ 4.1	\$	850.2
Restricted shares issued	112,129										
Stock options exercised	851,820				8.2				8.2		8.2
Stock based compensation					9.4				9.4		9.4
Treasury stock acquired	(15,569)		15,569	(0.3)					(0.3)		(0.3)
Distributions to noncontrolling interests										(1.1)	(1.1)
Consolidated net income						56.7			56.7	2.9	59.6
Other comprehensive income (loss)								(154.2)	(154.2)	(0.1)	(154.3)
Balance at December 31, 2014	168,527,584	\$ 1.7	55,404	\$ (0.9)	\$ 81.1	\$ 655.8	\$ 28.2	\$ 765.9	\$ 5.8	\$	771.7
Restricted shares issued	135,677										
Restricted shares terminated	(145,857)		145,857								
Stock options exercised	926,042				10.8				10.8		10.8
Stock based compensation					8.0				8.0		8.0
Excess tax benefit related to exercise of stock awards					2.2				2.2		2.2
Share repurchase	(4,082,042)		4,082,042	(89.9)					(89.9)		(89.9)
Treasury stock acquired	(7,224)		7,224	(0.1)					(0.1)		(0.1)
Distributions to noncontrolling interests										(1.3)	(1.3)
Consolidated net income						101.6			101.6	3.3	104.9
Other comprehensive income (loss)								(72.4)	(72.4)	(1.0)	(73.4)
Balance at December 31, 2015	165,354,180	\$ 1.7	4,290,527	\$ (90.9)	\$ 102.1	\$ 757.4	\$ (44.2)	\$ 726.1	\$ 6.8	\$	732.9

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

Table of Contents**BRUKER CORPORATION****CONSOLIDATED STATEMENTS OF CASH FLOWS****(In millions)**

	<b>Year Ended December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Cash flows from operating activities:</b>			
Consolidated net income	\$ 104.9	\$ 59.6	\$ 81.8
Adjustments to reconcile consolidated net income to cash flows from operating activities:			
Depreciation and amortization	53.3	59.7	61.3
Write-down of demonstration inventories to net realizable value	19.4	28.2	32.7
Stock-based compensation expense	8.0	9.4	6.6
Deferred income taxes	(29.4)	(9.2)	7.4
Gain (loss) on disposal of product lines	0.2	(8.3)	(0.9)
Impairment and other non-cash expenses, net	26.5	14.2	2.1
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable	45.0	(14.5)	(19.3)
Inventories	(5.4)	4.6	5.7
Accounts payable and accrued expenses	12.6	9.0	7.0
Income taxes payable, net	22.7	5.6	(28.7)
Deferred revenue	3.8	12.9	4.6
Customer advances	1.4	(48.2)	(12.1)
Other changes in operating assets and liabilities, net	(33.8)	(8.7)	(3.2)
<b>Net cash provided by operating activities</b>	<b>229.2</b>	<b>114.3</b>	<b>145.0</b>
<b>Cash flows from investing activities:</b>			
Purchase of short-term investments	(159.4)	(211.6)	
Maturity of short-term investments	118.7	19.0	
Cash paid for acquisitions, net of cash acquired	(28.6)	(3.9)	(11.6)
Proceeds from disposal of product lines	0.2	25.3	0.5
Purchases of property, plant and equipment	(34.2)	(33.8)	(50.3)
Proceeds from sales of property, plant and equipment	0.9	3.1	1.4
<b>Net cash used in investing activities</b>	<b>(102.4)</b>	<b>(201.9)</b>	<b>(60.0)</b>
<b>Cash flows from financing activities:</b>			
Repayments of revolving lines of credit	(129.5)		
Proceeds from revolving lines of credit	42.0		19.5
Repayment of other debt, net	(0.6)	(0.8)	(1.6)
Proceeds from issuance of common stock, net	10.8	7.9	8.2
Payment of contingent consideration	(3.0)		
Repurchase of common stock	(90.0)		
Changes in restricted cash	1.4	0.7	1.0
Cash payments to noncontrolling interests	(1.3)	(1.1)	(0.6)
Excess tax benefits related to stock option awards	2.2		
<b>Net cash (used in) provided by financing activities</b>	<b>(168.0)</b>	<b>6.7</b>	<b>26.5</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(11.2)</b>	<b>(38.3)</b>	<b>16.6</b>
<b>Net change in cash and cash equivalents</b>	<b>(52.4)</b>	<b>(119.2)</b>	<b>128.1</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>319.5</b>	<b>438.7</b>	<b>310.6</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 267.1</b>	<b>\$ 319.5</b>	<b>\$ 438.7</b>

Supplemental disclosure of cash flow information:

Cash paid for interest	\$	12.2	\$	12.7	\$	12.7
------------------------	----	------	----	------	----	------

Cash paid for taxes	\$	56.6	\$	55.9	\$	84.3
---------------------	----	------	----	------	----	------

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

Table of Contents

**BRUKER CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1 Description of Business**

Bruker Corporation, together with its consolidated subsidiaries ("Bruker" or the "Company"), is a designer and manufacturer of high-performance scientific instruments and analytical and diagnostic solutions that enable our customers to explore life and materials at microscopic, molecular and cellular levels. Many of our products are used to detect, measure and visualize structural characteristics of chemical, biological and industrial material samples. Our products address the rapidly evolving needs of a diverse array of customers in life science research, pharmaceuticals, biotechnology, applied markets, cell biology, clinical research, microbiology, in-vitro diagnostics, nanotechnology and materials science research.

The Company has two reportable segments, *Bruker Scientific Instruments (BSI)*, which represents approximately 92% of the Company's revenues during the year ended December 31, 2015, and *Bruker Energy & Supercon Technologies (BEST)*, which represents the remainder of the business. Within BSI, the Company is organized into three operating segments: the Bruker BioSpin Group, the Bruker CALID Group and the Bruker Nano Group. For financial reporting purposes, the Bruker BioSpin, Bruker CALID and Bruker Nano operating segments are aggregated into the BSI reportable segment because each has similar economic characteristics, production processes, service offerings, types and classes of customers, methods of distribution and regulatory environments.

*Bruker BioSpin* Bruker BioSpin designs, manufactures and distributes enabling life science tools based on magnetic resonance and preclinical imaging technologies. Bruker BioSpin sells various systems utilizing magnetic resonance technology, including magnetic resonance imaging (MRI) systems, nuclear magnetic resonance systems (NMR) and electron paramagnetic resonance systems (EPR), as well as OEM MRI magnets sold to medical device manufacturers. Bruker BioSpin also sells single and multiple modality systems using MRI, position emission tomography (PET), single photon emission tomography (SPECT), computed tomography (CT), magnetic particle imaging (MPI) and optical imaging (fluorescence and bioluminescence) technologies to preclinical markets.

*Bruker CALID (Chemicals, Applied Markets, Life Science, In-Vitro Diagnostics, Detection)* Bruker CALID designs, manufactures and distributes life science mass spectrometry instruments that can be integrated and used along with other sample preparation or chromatography instruments, as well as Chemical, Biological, Radiological, Nuclear and Explosive (CBRNE) detection products. Bruker CALID also designs, manufactures and distributes instruments based on Raman molecular spectroscopy technologies. Bruker CALID's mass spectrometry units are typically used in applications of expression proteomics, clinical proteomics, metabolic and peptide biomarker profiling, drug discovery and development, molecular diagnostics research, molecular and systems biology, basic molecular medicine research and clinical microbiology.

*Bruker Nano* Bruker Nano designs, manufactures and distributes spectroscopy and microscopy instruments for the understanding of composition and structure in material science and life science samples. The instruments are based on advanced technologies in X-ray fluorescence spectroscopy (XRF), X-ray diffraction (XRD), X-ray micro computed tomography ( $\mu$ CT), atomic force microscopy (AFM), stylus and optical metrology (SOM) and fluorescence microscopy (FM), and also include analytical tools for electron microscopes, handheld, portable and mobile X-ray fluorescence and spark optical emission spectroscopy systems.

The Company's BEST reportable segment develops and manufactures superconducting and non-superconducting materials and devices for use in renewable energy, energy infrastructure, healthcare and "big science" research. The segment focuses on metallic low temperature superconductors for use in magnetic resonance imaging, nuclear magnetic resonance, fusion energy

Table of Contents

research and other applications, as well as ceramic high temperature superconductors primarily for energy grid and magnet applications.

**Note 2 Summary of Significant Accounting Policies**

The accompanying consolidated financial statements reflect the application of certain significant accounting policies as described below and elsewhere in the notes to the consolidated financial statements.

**Principles of Consolidation**

The accompanying consolidated financial statements include the accounts of the Company and all majority and wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated.

**Noncontrolling Interests**

Noncontrolling interests represents the minority shareholders' proportionate share of the Company's majority-owned subsidiaries. The portion of net income or net loss attributable to non-controlling interests is presented as net income attributable to noncontrolling interests in consolidated subsidiaries in the consolidated statements of income and comprehensive income (loss), and the portion of other comprehensive income (loss) of these subsidiaries is presented in the consolidated statements of shareholders' equity.

**Subsequent Events**

The Company has evaluated all subsequent events and determined that there are no material recognized or unrecognized subsequent events, or any subsequent events required to be mentioned in the footnotes to the consolidated financial statements, other than the item disclosed in Note 23 Subsequent Event.

**Cash and Cash Equivalents**

Cash and cash equivalents primarily include cash on hand, money market funds and time deposits with original maturities of three months or less at the date of acquisition. Time deposits represent amounts on deposit in banks and temporarily invested in instruments with maturities of three months or less at the time of purchase. Certain of these investments represent deposits which are not insured by the FDIC or any other government agency. Cash equivalents are carried at cost, which approximates fair value.

**Short-term Investments**

Short-term investments represent time and call deposits with original maturities of greater than three months at the date of acquisition. Short-term investments are classified as available-for-sale and are reported at fair value, with unrealized gains (losses) excluded from earnings and reported, net of tax, in accumulated other comprehensive income (loss) within the accompanying consolidated balance sheets. There were no unrealized gains (losses) recorded as of December 31, 2015 and 2014, as cost approximates fair value.

**Restricted Cash**

The Company has certain subsidiaries which are required by local governance to maintain restricted cash balances to cover future employee benefit payments. Restricted cash balances are classified as non-current unless, under the terms of the applicable agreements, the funds will be released from restrictions within one year from the balance sheet date. The current and non-current portion of restricted cash is recorded within other current assets and other long-term assets, respectively, in the accompanying consolidated balance sheets.

Table of Contents

**Derivative Financial Instruments and Hedging Activities**

All derivatives, whether designated in a hedging relationship or not, are recorded on the consolidated balance sheets at fair value. The accounting for changes in fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, the Company must designate the hedging instrument, based on the exposure being hedged, as a fair value hedge, cash flow hedge or a hedge of a net investment in a foreign operation.

A fair value hedge is a derivative instrument designated for the purpose of hedging the exposure of changes in fair value of an asset or a liability resulting from a particular risk. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and of the hedged item attributable to the hedged risk are both recognized in the same caption in the consolidated statements of income and comprehensive income (loss).

**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.

*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 Company's financial instruments consist primarily of cash equivalents, short-term investments, restricted cash, derivative instruments consisting of forward foreign exchange contracts, commodity contracts, derivatives embedded in certain purchase and sale contracts, accounts receivable, short-term borrowings, accounts payable, contingent consideration and long-term debt. The carrying amounts of the Company's cash equivalents, short-term investments and restricted cash, accounts receivable, short-term borrowings and accounts payable approximate fair value caused by 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 entered into in 2012 with various fixed interest rates based on the maturity date.

The Company has evaluated the estimated fair value of financial instruments using available market information and management's estimates. The use of different market assumptions and/or estimation methodologies could have a significant effect on the estimated fair value amounts.

Table of Contents**Concentration of Credit Risk**

Financial instruments which subject the Company to credit risk consist of cash, cash equivalents, short-term investments, derivative instruments, accounts receivables and restricted cash. The risk with respect to cash, cash equivalents and short-term investments is minimized by the Company's policy of investing in short-term financial instruments issued by highly-rated financial institutions. The risk with respect to derivative instruments is minimized by the Company's policy of entering into arrangements with highly-rated financial institutions. The risk with respect to accounts receivables is minimized by the creditworthiness and diversity of the Company's customers. The Company performs periodic credit evaluations of its customers' financial condition and generally requires an advanced deposit for a portion of the purchase price. Credit losses have been within management's expectations and the allowance for doubtful accounts totaled \$9.1 million and \$10.1 million as of December 31, 2015 and 2014, respectively. As of December 31, 2015 and 2014, no single customer represented 10% or more of the Company's accounts receivable. For the years ended December 31, 2015, 2014 and 2013, no single customer represented 10% or more of the Company's total revenue.

**Inventories**

Components of inventory include raw materials, work-in-process, demonstration units and finished goods. Demonstration units include systems which are located in the Company's demonstration laboratories or installed at the sites of potential customers and are considered available for sale. Finished goods include in-transit systems that have been shipped to the Company's customers, but not yet installed and accepted by the customer. All inventories are stated at the lower of cost or market. Cost is determined principally by the first-in, first-out method for a majority of subsidiaries and by average-cost for certain other subsidiaries. The Company reduces the carrying value of its inventories for differences between cost and estimated net realizable value, taking into consideration usage in the preceding twelve months, expected demand, technological obsolescence and other information including the physical condition of demonstration inventories. The Company records a charge to cost of revenue for the amount required to reduce the carrying value of inventory to net realizable value. Costs associated with the procurement of inventories, such as inbound freight charges and purchasing and receiving costs, are capitalized as part of inventory and are also included in the cost of revenue line item within the consolidated statements of income and comprehensive income (loss).

**Property, Plant and Equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and amortization. Major improvements are capitalized while expenditures for maintenance, repairs and minor improvements are charged to expense as incurred. When assets are retired or otherwise disposed of, the assets and related accumulated depreciation and amortization are eliminated from the accounts and any resulting gain or loss is reflected in the consolidated statements of income and comprehensive income (loss). Depreciation and amortization are calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	25-40 years
Machinery and equipment	3-10 years
Computer equipment and software	3-5 years
Furniture and fixtures	3-10 years
Leasehold improvements	Lesser of 15 years or the remaining lease term

**Goodwill and Intangible Assets**

Goodwill and indefinite-lived intangible assets are not amortized, but are evaluated for impairment on an annual basis, or on an interim basis when events or changes in circumstances indicate that the



Table of Contents

carrying value may not be recoverable. In assessing the recoverability of goodwill and indefinite-lived intangible assets, the Company must make assumptions regarding the estimated future cash flows, and other factors, to determine the fair value of these assets. If these estimates or their related assumptions change in the future, the Company may be required to record impairment charges against these assets in the reporting period in which the impairment is determined.

The Company tests goodwill for impairment at the reporting unit level, which is the operating segment or one level below an operating segment. The Company has the option of performing a qualitative assessment to determine whether further impairment testing is necessary before performing the two-step quantitative assessment. If as a result of the qualitative assessment, it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, a quantitative impairment test will be required. Otherwise, no further testing will be required. If a quantitative impairment test is performed, the first step involves comparing the fair values of the applicable reporting units with their aggregate carrying values, including goodwill. The Company generally determines fair value of reporting units using a weighting of both the market and the income methodologies. Estimating the fair value of the reporting units requires significant judgment by management. If the carrying amount of a reporting unit exceeds the fair value of the reporting unit, the Company performs the second step of the goodwill impairment test to measure the amount of the impairment. In the second step of the goodwill impairment test the Company compares the implied fair value of the reporting unit's goodwill with the carrying value of that goodwill.

In process research and development, or IPR&D, acquired as part of business combinations under the acquisition method represents ongoing development work associated with enhancements to existing products, as well as the development of next generation products. IPR&D is initially capitalized at fair value as an intangible asset with an indefinite life and assessed for impairment on an annual basis, or when indicators of impairment are identified. When the IPR&D project is complete, it is reclassified as a finite-lived intangible asset and is amortized over its estimated useful life, typically seven to ten years. If an IPR&D project is abandoned before completion or is otherwise determined to be impaired, the value of the asset or the amount of the impairment is charged to the consolidated statements of income and comprehensive income (loss) in the period the project is abandoned or impaired.

Intangible assets with a finite useful life are amortized on a straight-line basis over their estimated useful lives as follows:

Existing technology and related patents	3-10 years
Customer and distributor relationships	5-12 years
Trade names	5-10 years

**Impairment of Long-Lived Assets**

Impairment losses are recorded on long-lived assets used in operations when indicators of impairment are present and the quoted market price, if available, or the estimated fair value of those assets are less than the assets' carrying value. Impairment losses are charged to the consolidated statements of income and comprehensive income (loss) for the difference between the fair value and carrying value of the asset.

**Warranty Costs and Deferred Revenue**

The Company typically provides a one 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 accompanying consolidated balance sheets. The Company's warranty reserve reflects estimated material and labor costs for potential product issues for which the Company expects to incur an obligation. The Company's estimates of anticipated rates of warranty

Table of Contents

claims and costs are primarily based on historical information. The Company assesses the adequacy of the warranty reserve on a quarterly basis and adjusts the amount as necessary. If the historical data used to calculate the adequacy of the warranty reserve is not indicative of future requirements, additional or reduced warranty reserves may be required.

The Company also offers to its customers extended warranty and service agreements extending beyond the initial warranty for a fee. These fees are recorded as deferred revenue and recognized ratably into income over the life of the extended warranty contract or service agreement.

**Income Taxes**

Deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial statement carrying amounts and the income tax basis of assets and liabilities. A valuation allowance is applied against any net deferred tax asset if, based on the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

The Company records liabilities related to uncertain tax positions in accordance with the guidance that clarifies the accounting for uncertainty in income taxes recognized in a Company's financial statements. This guidance prescribes a minimum recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

**Customer Advances**

The Company typically requires an advance deposit under the terms and conditions of contracts with customers. These deposits are recorded as a liability until revenue is recognized on the specific contract in accordance with the Company's revenue recognition policy.

**Revenue Recognition**

The Company recognizes 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 collectability of the resulting receivable is reasonably assured. Title and risk of loss transfers based upon customer acceptance for a system that has been delivered and installed at a customer facility or, for certain systems, upon shipping terms. For systems that include customer-specific acceptance criteria, the Company is required to assess when it can demonstrate the acceptance criteria has been met, which generally is upon customer acceptance and evidence of installation.

When products are sold through an independent distributor or a strategic distribution partner who assumes responsibility for installation, the Company recognizes the system sale when the product has been shipped and title and risk of loss have been transferred to the distributor. The Company's distributors do not have price protection rights or rights of return; however, the Company's products are typically warranted to be free from defect for a period of one year. Revenue is deferred until cash is received when collectability is not reasonably assured or when the price is not fixed or determinable.

For transactions that include multiple elements, arrangement consideration is allocated to each element using the fair value hierarchy as required by ASU No. 2009-13. The Company limits the amount of revenue recognized for delivered elements to the amount that is not contingent on the future delivery of products or services, future performance obligations, or subject to customer-specific return or refund privileges.

Table of Contents

The Company determines the fair value of its products and services based upon vendor specific objective evidence ("VSOE"). The Company determines VSOE based on its normal selling pricing and discounting practices for the specific product or service when sold on a stand-alone basis. In determining VSOE, the Company's policy requires a substantial majority of selling prices for a product or service to be within a reasonably narrow range. The Company also considers the class of customer, method of distribution and the geographies into which products and services are being sold when determining VSOE.

If VSOE cannot be established, the Company attempts to establish the selling price based on third-party evidence ("TPE"). VSOE cannot be established in instances where a product or service has not been sold separately, stand-alone sales are too infrequent or product pricing is not within a sufficiently narrow range. TPE is determined based on competitor prices for similar deliverables when sold separately.

When the Company cannot determine VSOE or TPE, it uses estimated selling price ("ESP") in its allocation of arrangement consideration. The objective of ESP is to determine the price at which the Company would typically transact a stand-alone sale of the product or service. ESP is determined by considering a number of factors including the Company's pricing policies, internal costs and gross profit objectives, method of distribution, market research and information, recent technological trends, competitive landscape and geographies. The Company analyzes the selling prices used in its allocation of arrangement consideration, at a minimum, on an annual basis. Selling prices will be analyzed more frequently if a significant change in the Company's business or other factors necessitate more frequent analysis or if the Company experiences significant variances in its selling prices.

Revenue from accessories and parts is recognized upon shipment. Service revenue is recognized as the services are performed or ratably over the contractual obligation and includes maintenance contracts, extended warranty, training, application support and on-demand services.

The Company also has contracts for which it applies the percentage-of-completion model and completed contract model of revenue recognition. Application of the percentage-of-completion method requires the Company to make reasonable estimates of the extent of progress toward completion of the contract and the total costs the Company will incur under the contract and losses are recorded immediately when we estimate that contracts will ultimately result in a loss. Changes in the estimates could affect the timing of revenue recognition.

Other revenues are primarily comprised of licensing arrangements, which is recognized ratably over the term of the related contracts.

**Shipping and Handling Costs**

The Company includes costs incurred in connection with shipping and handling of products within selling, general and administrative expenses in the accompanying consolidated statements of income and comprehensive income (loss). Shipping and handling costs were \$20.6 million, \$26.2 million and \$26.7 million in the years ended December 31, 2015, 2014 and 2013, respectively. Amounts billed to customers in connection with these costs are included in total revenues.

**Research and Development**

Research and development costs are expensed as incurred and include salaries, wages and other personnel related costs, material costs and depreciation, consulting costs and facility costs.

**Software Costs**

Purchased software is capitalized at cost and is amortized over the estimated useful life, generally three years. Software developed for use in the Company's products is expensed as incurred until

Table of Contents

technological feasibility is reasonably assured and is classified as research and development expense. Subsequent to the achievement of technological feasibility, amounts are capitalizable, however, to date such amounts have not been material.

**Advertising**

The Company expenses advertising costs as incurred. Advertising expenses were \$12.9 million, \$10.7 million and \$9.6 million during the years ended December 31, 2015, 2014 and 2013, respectively.

**Stock-Based Compensation**

The Company recognizes stock-based compensation expense in the consolidated statements of income and comprehensive income (loss) based on the fair value of the share-based award at the grant date. The Company's primary types of share-based compensation are stock options and restricted stock units. The Company recorded stock-based compensation expense for the years ended December 31, 2015, 2014 and 2013, as follows (in millions):

	2015	2014	2013
Stock options	\$ 7.1	\$ 6.7	\$ 5.3
Restricted stock	0.9	2.7	1.3
<b>Total stock-based compensation</b>	<b>\$ 8.0</b>	<b>\$ 9.4</b>	<b>\$ 6.6</b>

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, and members of the Company's Board of Directors, 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 term, dividend yield and risk-free interest rates are required for the Black-Scholes model and are presented in the table below:

	2015	2014	2013
Risk-free interest rates	1.58%-1.91%	1.78%-2.10%	1.07%-2.45%
Expected life	6.0-6.25 years	6.0-6.25 years	6.5 years
Volatility	35.10%-52.23%	53.07%-56.24%	54.9%
Expected dividend yield			

The risk-free interest rate is based on the yield on zero-coupon U.S. Treasury securities for a period that is commensurate with the expected life assumption. Expected life is determined through the simplified method as defined in the Securities and Exchange Commission Staff Accounting Bulletin No. 110. The Company believes that this is the best estimate of the expected term of a new option. Expected volatility is based on a number of factors, but the Company currently believes that the exclusive use of its historical volatility results in the best estimate of the grant-date fair value of employee stock options because it reflects the market's current expectations of future volatility. The expected dividend yield was not considered in the option pricing formula since the Company had not historically paid dividends and had no plan to do so as of December 31, 2015. In addition, the Company utilizes an estimated forfeiture rate when calculating the stock-based compensation expense for the period. The Company has applied estimated forfeiture rates derived from an analysis of historical data of 5.8%, 5.1% and 7.0% for the years ended December 31, 2015, 2014 and 2013, respectively, in determining the expense recorded in the accompanying consolidated statements of income and comprehensive income (loss).

Table of Contents**Earnings Per Share**

Net income per common share attributable to Bruker Corporation shareholders 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, reduced by the number of shares which are assumed to be purchased by the Company under the treasury stock method.

The following table sets forth the computation of basic and diluted weighted average shares outstanding for the years ended December 31, (in millions, except per share data):

	2015	2014	2013
Net income attributable to Bruker Corporation, as reported	\$ 101.6	\$ 56.7	\$ 80.1
Weighted average shares outstanding:			
Weighted average shares outstanding-basic	168.2	167.8	166.5
Effect of dilutive securities:			
Stock options and restricted stock units	0.9	1.7	2.0
	169.1	169.5	168.5
Net income per common share attributable to Bruker Corporation shareholders:			
Basic	\$ 0.60	\$ 0.34	\$ 0.48
Diluted	\$ 0.60	\$ 0.33	\$ 0.48

Stock options to purchase approximately 1.3 million shares, 0.1 million shares and 0.4 million shares were excluded from the computation of diluted earnings per share for the years ended December 31, 2015, 2014 and 2013, respectively, because their effect would have been anti-dilutive.

In May 2015, the Company's Board of Directors approved a share repurchase program (the "Anti-Dilutive Repurchase Program") under which the Company may repurchase the Company's common stock in amounts intended to approximately offset, on an annual basis, the dilutive effect of shares that have been, or may be, issued pursuant to option or restricted stock awards under the Company's 2010 Incentive Compensation Plan. A total of 1,245,000 shares were repurchased at an aggregate cost of \$24.9 million under the Anti-Dilutive Repurchase Program.

In November 2015, the Company's Board of Directors suspended the Anti-Dilutive Repurchase Program until January 1, 2017 and approved an additional share repurchase program (the "Repurchase Program") under which repurchases of common stock up to \$225 million may occur from time to time, in amounts, at prices, and at such times as the Company deems appropriate, subject to market conditions, legal requirements and other considerations. A total of 2,837,042 shares were repurchased at an aggregate cost of \$65.0 million as of December 31, 2015 under the Repurchase Program. The Repurchase Program will continue in 2016 and the Company intends to fund any additional repurchases from cash on hand, future cash flows from operations and available borrowings under the revolving credit facility.

The repurchased shares are reflected within Treasury stock in the accompanying consolidated balance sheet at December 31, 2015.

**Employee Benefit Plans**

Edgar Filing: BRUKER CORP - Form 10-K/A

The Company recognizes the over-funded or under-funded status of defined benefit pension and other postretirement defined benefit plans as an asset or liability, respectively, in its consolidated

Table of Contents

balance sheets and recognizes changes in the funded status in the year in which the changes occur through other comprehensive income (loss).

**Other Comprehensive Income (Loss)**

Other comprehensive income (loss) refers to revenues, expenses, gains and losses that are excluded from net income as these amounts are recorded directly as an adjustment to shareholders' equity, net of tax. The Company's other comprehensive income (loss) was composed of foreign currency translation adjustments and pension liability adjustments.

**Foreign Currency Translation**

Assets and liabilities of the Company's foreign subsidiaries, where the functional currency is the local currency, are translated into U.S. dollars using year-end exchange rates, or historical rates, as appropriate. Revenues and expenses of foreign subsidiaries are translated at the average exchange rates in effect during the year. Adjustments resulting from financial statement translations are included as a separate component of shareholders' equity. Gains and losses resulting from translation of foreign currency monetary transactions are reported in interest and other income (expense), net in the consolidated statements of income and comprehensive income (loss) for all periods presented. The Company has certain intercompany foreign currency transactions that are deemed to be of a long-term investment nature. Exchange adjustments related to those transactions are made directly to a separate component of shareholders' equity.

**Risk and Uncertainties**

The Company is subject to risks common to its industry including, but not limited to, global economic conditions, rapid technological change, government and academic funding levels, changes in commodity prices, spending patterns from its customers, protection of its intellectual property, availability of key raw materials and components, compliance with existing and future regulation by government agencies and fluctuations in foreign currency exchange rates.

**Contingencies**

The Company is subject to proceedings, lawsuits and other claims related to patents, product and other matters. The Company assesses the likelihood of any adverse judgments or outcomes to these matters as well as potential ranges of probable losses. A determination of the amount of reserves required, if any, for these contingencies is made after analysis of each individual issue. The required reserves may change in the future because of new developments in each situation or changes in settlement strategy in assessing these matters.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period.

Significant estimates and judgments made by management in preparing these financial statements include revenue recognition, allowances for doubtful accounts, write-downs for excess and obsolete inventory, estimated fair values used to record impairment charges related to intangible assets, goodwill, and other long-lived assets, amortization periods, expected future cash flows used to evaluate the recoverability of long-lived assets, stock-based compensation expense, warranty allowances,

Table of Contents

restructuring and other related charges, contingent liabilities and the recoverability of the Company's net deferred tax assets.

Although the Company regularly reassesses the assumptions underlying these estimates, actual results could differ materially from these estimates. Changes in estimates are recorded in the period in which they become known. The Company bases its estimates on historical experience and various other assumptions that it believes to be reasonable under the circumstances. Actual results may differ from management's estimates if these results differ from historical experience or other assumptions prove not to be substantially accurate, even if such assumptions are reasonable when made.

**Note 3 Acquisitions**

In October 2015, the Company completed the acquisition of Jordan Valley Semiconductors, Ltd. ("Jordan Valley"), a company headquartered in Israel that provides X-ray metrology and defect-detection equipment for semiconductor process control. The acquisition of Jordan Valley was accounted for under the acquisition method. The components and fair value allocation of the consideration transferred in connection with the acquisition of Jordan Valley were as follows (in millions):

Consideration Transferred:	
Cash paid	\$ 35.4
Cash acquired	(6.8)
Contingent consideration	4.1
<b>Total consideration transferred</b>	<b>\$ 32.7</b>

Allocation of Consideration Transferred:	
Accounts receivable	\$ 3.8
Inventories	10.5
Other current assets	2.2
Property, plant and equipment	1.6
Intangible assets:	
Customer relationships	6.8
Existing technology	6.0
Trade name	1.5
Goodwill	6.3
Liabilities assumed	(6.0)
<b>Total consideration transferred</b>	<b>\$ 32.7</b>

The fair value allocation included contingent consideration in the amount of \$4.1 million, which represented the estimated fair value of future payments to the former shareholders of Jordan Valley based on achieving annual revenue and gross margin targets for the years 2016-2017. The maximum potential future payments related to the contingent consideration is \$15 million. The Company completed the fair value allocation in the fourth quarter of 2015. The amortization period for intangible assets acquired in connection with Jordan Valley is 7 years for customer relationships, existing technology and trade name.

The results of Jordan Valley, including the amount allocated to goodwill which is attributable to expected synergies and not expected to be deductible for tax purposes, have been included in the BSI Segment from the date of acquisition. Pro forma financial information reflecting the acquisition of Jordan Valley has not been presented because the impact on revenues, net income and total assets is not material.



Edgar Filing: BRUKER CORP - Form 10-K/A

Table of Contents

**Note 4 Fair Value of Financial Instruments**

The Company measures the following financial assets and liabilities at fair value on a recurring basis. The following tables set forth the Company's financial instruments and presents them within the fair value hierarchy using the lowest level of input that is significant to the fair value measurement at December 31, 2015 and 2014 (in millions):

<b>December 31, 2015</b>	<b>Total</b>	<b>Quoted Prices in Active Markets Available (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>Assets:</b>				
Short-term investments	\$ 201.2	\$ 201.2	\$	\$
Restricted cash	1.5	1.5		
Embedded derivatives in purchase and delivery contracts	0.5		0.5	
Long-term restricted cash	2.6	2.6		
<b>Total assets recorded at fair value</b>	<b>\$ 205.8</b>	<b>\$ 205.3</b>	<b>\$ 0.5</b>	<b>\$</b>

<b>Liabilities:</b>				
Contingent consideration	\$ 4.6	\$	\$	\$ 4.6
Foreign exchange contracts	1.3		1.3	
Embedded derivatives in purchase and delivery contracts	0.5		0.5	
Fixed price commodity contracts	0.4		0.4	
<b>Total liabilities recorded at fair value</b>	<b>\$ 6.8</b>	<b>\$</b>	<b>\$ 2.2</b>	<b>\$ 4.6</b>

<b>December 31, 2014</b>	<b>Total</b>	<b>Quoted Prices in Active Markets Available (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>Assets:</b>				
Cash equivalents	\$ 67.9	\$ 67.9	\$	\$
Short-term investments	178.0	178.0		
Restricted cash	1.8	1.8		
Embedded derivatives in purchase and delivery contracts	0.6		0.6	
Long-term restricted cash	3.4	3.4		
<b>Total assets recorded at fair value</b>	<b>\$ 251.7</b>	<b>\$ 251.1</b>	<b>\$ 0.6</b>	<b>\$</b>

<b>Liabilities:</b>				
Contingent consideration	\$ 11.9	\$	\$	\$ 11.9
Foreign exchange contracts	5.1		5.1	
Embedded derivatives in purchase and delivery contracts	0.4		0.4	
Fixed price commodity contracts	0.2		0.2	
<b>Total liabilities recorded at fair value</b>	<b>\$ 17.6</b>	<b>\$</b>	<b>\$ 5.7</b>	<b>\$ 11.9</b>

Derivative financial instruments are classified within level 2 because there is not an active market for each derivative contract. However, the inputs used to calculate the value of the instruments are obtained from active markets.

Table of Contents

The fair value of the long-term fixed interest rate debt, which has been classified as Level 2, was \$252.1 million and \$257.2 million at December 31, 2015 and 2014, respectively, based on market and observable sources with similar maturity dates.

The Company measures certain assets and liabilities at fair value with changes in fair value recognized in earnings. 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 during the year ended December 31, 2015.

As part of certain acquisitions in 2015, 2014 and 2013, the Company recorded contingent consideration liabilities that have been classified as Level 3 in the fair value hierarchy. The contingent consideration represents the estimated fair value of future payments to the former shareholders of applicable acquired companies based on achieving annual revenue and gross margin targets in certain years as specified in the purchase and sale agreements. The Company initially valued the contingent consideration by using a Monte Carlo simulation which models future revenue and costs of goods sold projections and discounts the average results to present value. Changes to the fair value of the contingent consideration recognized in earnings for the years ended December 31, 2015 and December 31, 2014 were (\$7.7) million and \$0.8 million, respectively, and were recorded to other charges, net in the consolidated statements of income and comprehensive income (loss). The adjustment for the year ended December 31, 2015 included a reversal of certain contingent consideration, as it was determined that certain financial targets related to the applicable products would not meet the required thresholds for payment. The following table sets forth the changes in contingent consideration liabilities for the years ended December 31, 2015 and 2014 (in millions):

Balance at December 31, 2013	\$ 7.0
Current period additions	4.7
Current period adjustments	0.8
Current period settlements	(0.5)
Foreign currency effect	(0.1)
Balance at December 31, 2014	11.9
Current period additions	4.1
Current period adjustments	(7.7)
Current period settlements	(3.6)
Foreign currency effect	(0.1)
Balance at December 31, 2015	\$ 4.6

During the second quarter of 2014, the Company commenced a program to enter into time deposits with varying maturity dates ranging from one to twelve months, as well as call deposits for which the Company has the ability to redeem the invested amounts over a period of 31 to 95 days. The Company has classified these investments within cash and cash equivalents or short-term investments within the consolidated balance sheets based on the call and maturity dates. There are no cash equivalents and \$201.2 million of short-term investments outstanding as of December 31, 2015.

Short-term investments are classified as available-for-sale and are reported at fair value, with unrealized gains (losses) excluded from earnings and reported, net of tax, in accumulated other comprehensive income (loss) within the accompanying consolidated balance sheets. There were no unrealized gains (losses) recorded as of December 31, 2015 and 2014. On a quarterly basis, the Company reviews its short-term investments to determine if there have been any events that could create an impairment. None were noted for the years ended December 31, 2015 and 2014.

Table of Contents**Note 5 Accounts Receivable**

The following is a summary of trade accounts receivable at December 31, (in millions):

	2015	2014
Gross accounts receivable	\$ 243.8	\$ 303.3
Allowance for doubtful accounts	(9.1)	(10.1)
Accounts receivable, net	\$ 234.7	\$ 293.2

The allowance for doubtful accounts is management's estimate of credit losses in the accounts receivable. The allowance for doubtful accounts is based on a number of factors, including an evaluation of customer credit worthiness, the age of the outstanding receivable, economic trends and historical experience. The allowance for doubtful accounts is reviewed on a quarterly basis and changes in estimates are reflected in the period in which they become known. The Company records account balances against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Provisions for doubtful accounts are recorded in selling, general and administrative expenses in the accompanying consolidated statements of income and comprehensive income (loss).

The following is a summary of the activity in the Company's allowance for doubtful accounts at December 31, (in millions):

	Balance at Beginning of Period	Additions Charged to Expense	Deductions Amounts Written Off	Foreign Currency Impact	Balance at End of Period
2015	\$ 10.1	\$ 2.1	\$ (2.5)	\$ (0.6)	\$ 9.1
2014	7.9	5.5	(2.5)	(0.8)	10.1
2013	7.9	1.3	(1.3)		7.9

**Note 6 Inventories**

Inventories consisted of the following at December 31, (in millions):

	2015	2014
Raw materials	\$ 158.8	\$ 159.5
Work-in-process	131.1	169.5
Finished goods	93.3	109.9
Demonstration units	38.8	38.5
Inventories	\$ 422.0	\$ 477.4

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 December 31, 2015 and 2014, inventory-in-transit was \$44.7 million and \$58.6 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 revenue related to the write-down of demonstration units to net realizable value were \$19.4 million, \$28.2 million and \$32.7 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Table of Contents**Note 7 Property, Plant and Equipment, Net**

The following is a summary of property, plant and equipment, net by major asset class at December 31, (in millions):

	2015	2014
Land	\$ 27.6	\$ 29.7
Building and leasehold improvements	261.9	272.1
Machinery, equipment, software and furniture and fixtures	314.0	320.9
	603.5	622.7
Less accumulated depreciation and amortization	(372.4)	(372.8)
Property, plant and equipment, net	\$ 231.1	\$ 249.9

Depreciation expense, which includes the amortization of leasehold improvements, for the years ended December 31, 2015, 2014 and 2013 was \$32.6 million, \$39.5 million and \$40.5 million, respectively.

During the year ended December 31, 2015, the Company recorded an impairment charge of \$2.1 million representing the write down to fair value of certain property, plant and equipment, net in the Bruker BioSpin Group related to restructuring and outsourcing activities during the year. These impairment charges are recorded within "Impairment of assets" in the accompanying consolidated statements of income and comprehensive income (loss). Please see Note 17 Other Charges, net, for additional details on the Bruker BioSpin Group restructuring activities.

In July 2014, the Company's Board of Directors approved a plan (the "Plan") to divest certain assets and implement a restructuring program in the former Chemical and Applied Markets (CAM) Division within the Bruker CALID Group. The Plan was developed as a result of management's conclusion that the former CAM business would be unable to achieve acceptable financial performance in the next two years. Please see Note 17 Other Charges, net, for additional details on the Plan. The Company determined the Plan was an indicator requiring the evaluation of property, plant and equipment within that reporting unit for recoverability. The Company performed a valuation during 2014 and determined that the property, plant and equipment within the former CAM Division were impaired. The Company recorded an impairment charge of \$5.5 million in the year ended December 31, 2014 to reduce the remaining value of those assets to fair value. In addition, the Company determined, based upon projected cash flows generated by certain assets in the BEST Segment, that an impairment charge of \$5.1 million was necessary during the year ended December 31, 2014 to reduce the carrying value of those assets to their estimated fair values. These impairment charges are recorded within "Impairment of assets" in the accompanying consolidated statements of income and comprehensive income (loss).

Table of Contents**Note 8 Goodwill and Intangible Assets**

The following table sets forth the changes in the carrying amount of goodwill for the years ended December 31, 2015 and 2014 (in millions):

Balance at December 31, 2013	\$ 127.4
Current period additions	5.1
Current period adjustments	(0.1)
Foreign currency impact	(4.6)
<b>Balance at December 31, 2014</b>	<b>127.8</b>
Current period additions	6.3
Current period adjustments	0.5
Impairment	(0.7)
Foreign currency impact	(3.3)
<b>Balance at December 31, 2015</b>	<b>\$ 130.6</b>

At December 31, 2015 and 2014, all goodwill was allocated within the BSI Segment. The goodwill acquired in 2015 relates to the acquisition of Jordan Valley. The goodwill acquired in 2014 relates to the acquisition of Vutara, Inc., a provider of high-speed, three-dimensional (3D), super-resolution fluorescence microscopy for life science applications.

During the year ended December 31, 2015, the Company recorded an impairment charge of \$0.7 million representing the impairment of goodwill in the Bruker BioSpin Group related to certain restructuring and outsourcing activities during the year. The Company performed its annual impairment evaluation using a quantitative and qualitative approach at December 31, 2015 and 2014, respectively, and concluded the fair values of each of our reporting units was significantly greater than their carrying amounts, and therefore, no additional impairment was required.

The following is a summary of intangible assets at December 31, (in millions):

	2015			2014		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Existing technology and related patents	\$ 154.5	\$ (95.5)	\$ 59.0	\$ 149.8	\$ (81.7)	\$ 68.1
Customer relationships	18.4	(5.9)	12.5	13.4	(5.6)	7.8
Non compete contracts	1.8	(0.6)	1.2	1.8	(0.2)	1.6
Trade names	1.6	(0.2)	1.4	0.2	(0.2)	
<b>Intangible assets subject to amortization</b>	<b>176.3</b>	<b>(102.2)</b>	<b>74.1</b>	<b>165.2</b>	<b>(87.7)</b>	<b>77.5</b>
In-process research and development	0.6		0.6	6.3		6.3
<b>Intangible assets</b>	<b>\$ 176.9</b>	<b>\$ (102.2)</b>	<b>\$ 74.7</b>	<b>\$ 171.5</b>	<b>\$ (87.7)</b>	<b>\$ 83.8</b>

For the years ended December 31, 2015, 2014 and 2013, the Company recorded amortization expense of approximately \$20.7 million, \$20.2 million and \$20.8 million, respectively, in the consolidated statements of income and comprehensive income (loss). During the year ended December 31, 2015, the Company recorded an impairment charge of \$1.8 million representing the impairment of intangible assets in the Bruker BioSpin Group related to certain restructuring and outsourcing activities during the year. During the year ended December 31, 2014, the Company recorded an impairment charge of \$0.9 million representing the impairment of intangible assets in the former CAM Division related to the Plan described above.



Table of Contents

The estimated future amortization expense related to amortizable intangible assets at December 31, 2015 is as follows (in millions):

2016	\$	21.3
2017		21.1
2018		16.8
2019		4.9
2020		4.0
Thereafter		6.0
Total	\$	74.1

**Note 9 Other Current Liabilities**

The following is a summary of other current liabilities at December 31, (in millions):

	2015	2014
Deferred revenue	\$ 77.0	\$ 89.0
Accrued compensation	88.5	87.7
Accrued warranty	19.6	21.6
Income taxes payable	25.1	19.2
Other taxes payable	25.4	17.6
Derivative liabilities	2.2	5.7
Other accrued expenses	65.7	60.6
Other current liabilities	\$ 303.5	\$ 301.4

The following table sets forth the changes in accrued warranty for the years ended December 31, 2015 and 2014 (in millions):

Balance at December 31, 2013	\$ 26.7
Accruals for warranties issued during the year	19.5
Settlements of warranty claims	(22.5)
Foreign currency impact	(2.1)
Balance at December 31, 2014	21.6
Accruals for warranties issued during the year	21.1
Settlements of warranty claims	(21.7)
Foreign currency impact	(1.4)
Balance at December 31, 2015	\$ 19.6



Table of Contents**Note 10 Debt**

The Company's debt obligations consist of the following as of December 31, (in millions):

	2015	2014
US Dollar revolving loan under the 2015 Agreement	\$ 25.0	\$
US Dollar revolving loan under the Amended Credit Agreement		112.5
US Dollar notes under the Note Purchase Agreement	240.0	240.0
Capital lease obligations and other loans	1.7	2.5
<b>Total debt</b>	<b>266.7</b>	<b>355.0</b>
Current portion of long-term debt	(0.7)	(0.8)
<b>Total long-term debt, less current portion</b>	<b>\$ 266.0</b>	<b>\$ 354.2</b>

In May 2011, the Company entered into an amendment to, and restatement of, its credit agreement, referred to as the Amended Credit Agreement. The Amended Credit Agreement provided a maximum commitment on the Company's revolving credit line of \$250.0 million and a maturity date of May 2016. Borrowings under the revolving credit line of the Amended Credit Agreement accrued interest, at the Company's option, at either (a) the greater 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 was also a facility fee ranging from 0.20% to 0.35%. The Amended Credit Agreement was repaid in full in October 2015.

On October 27, 2015, the Company entered into a new revolving credit agreement, referred to as the 2015 Credit Agreement, and terminated the Amended Credit Agreement. The 2015 Credit Agreement provides a maximum commitment on the Company's revolving credit line of \$500 million and a maturity date of October 2020. Borrowings under the revolving credit line of the 2015 Credit Agreement accrue interest, at the Company's option, at either (a) the greater of (i) the prime rate, (ii) the federal funds rate plus 0.50% and (iii) adjusted LIBOR plus 1.00%, plus margins ranging from 0.00% to 0.30% or (b) LIBOR, plus margins ranging from 0.90% to 1.30%. There is also a facility fee ranging from 0.10% to 0.20%.

Borrowings under the 2015 Credit Agreement are secured by guarantees from certain material subsidiaries, as defined in the 2015 Credit Agreement. The 2015 Credit Agreement also requires the Company to maintain certain financial ratios related to maximum leverage and minimum interest coverage (as defined in the 2015 Credit Agreement). Specifically, the Company's leverage ratio cannot exceed 3.5 and the Company's interest coverage ratio cannot be less than 2.5. In addition to the financial ratios, the 2015 Credit Agreement contains negative covenants, including among others, restrictions on liens, indebtedness of the Company and its subsidiaries, asset sales, dividends and transactions with affiliates. Failure to comply with any of these restrictions or covenants may result in an event of default on the 2015 Credit Agreement, which could permit acceleration of the debt and require the Company to prepay the debt before its scheduled due date.

As of December 31, 2015, the Company was in compliance with the covenants of the 2015 Credit Agreement. The Company's leverage ratio (as defined in the 2015 Credit Agreement) was 1.0 and interest coverage ratio (as defined in the 2015 Credit Agreement) was 14.9.

Table of Contents

The following is a summary of the maximum commitments and the net amounts available to the Company at December 31, 2015 (in millions):

	Weighted Average Interest Rate	Total Amount Committed by Lenders	Outstanding Borrowings	Outstanding Letters of Credit	Total Amount Available
2015 Credit Agreement	1.5%	\$ 500.0	\$ 25.0	\$ 1.0	\$ 474.0
Other lines of credit		234.4		136.7	97.7
<b>Total revolving loans</b>		<b>\$ 734.4</b>	<b>\$ 25.0</b>	<b>\$ 137.7</b>	<b>\$ 571.7</b>

Other lines of credit are with various financial institutions located primarily in Germany and Switzerland. The Company's other revolving lines of credit are unsecured and typically due upon demand with interest payable monthly.

In January 2012, the Company entered into a note purchase agreement, referred to as the Note Purchase Agreement, with a group of accredited institutional investors. Pursuant to the Note Purchase Agreement, the Company issued and sold \$240.0 million of senior notes, referred to as the Senior Notes, which 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. 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, as defined in the Note Purchase Agreement, the Company may be required to prepay the 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 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

Table of Contents

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 December 31, 2015, the Company was in compliance with the covenants of the Note Purchase Agreement. The Company's leverage ratio (as defined in the Note Purchase Agreement) was 1.0 and interest coverage ratio (as defined in the Note Purchase Agreement) was 14.9.

Annual maturities of debt outstanding at December 31, 2015 are as follows (in millions):

2016	\$	0.7
2017		20.1
2018		0.2
2019		15.2
2020		25.1
Thereafter		205.4
<b>Total</b>	<b>\$</b>	<b>266.7</b>

Interest expense for the years ended December 31, 2015, 2014 and 2013, was \$13.0 million, \$13.3 million and \$13.4 million, respectively.

**Note 11 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 2015 Credit Agreement, which totaled \$25.0 million at December 31, 2015. The Company currently has a higher level of fixed rate debt than variable rate debt, which limits the exposure to adverse movements in interest rates.

**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 the exposure of exchange rate fluctuations. The impact of currency exchange rate movement 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 currency translation have on its monetary transactions. 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 instrument is recorded at fair value with the corresponding gains and losses recorded in the consolidated statements of income and comprehensive

## Edgar Filing: BRUKER CORP - Form 10-K/A

### Table of Contents

income (loss). The Company had the following notional amounts outstanding under foreign currency contracts at December 31, (in millions):

Buy	Notional Amount in Buy Currency	Sell	Maturity	Notional Amount in U.S. Dollars	Fair Value of Assets	Fair Value of Liabilities
December 31, 2015:						
Euro	21.1	U.S. Dollars	January 2016	\$ 24.2	\$	1.2
Swiss Francs	5.9	U.S. Dollars	April 2016	6.0		0.1
U.S. Dollars	6.0	Israel Shekel	April 2016	6.0		
				\$ 36.2	\$	1.3
December 31, 2014:						
Euro	43.3	U.S. Dollars	January 2015 to September 2015	\$ 55.4	\$	2.9
U.S. Dollars	0.3	Euro	February 2015 to December 2015	0.3		
Euro	0.1	British Pounds	January 2015 to June 2015	0.1		
Yen	5.7	Euro	March 2015	0.1		
Swiss Francs	41.4	U.S. Dollars	January 2015	43.9		2.2
				\$ 99.8	\$	5.1

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. The contracts, denominated in currencies other than the functional currency of the transacting parties, amounted to \$59.0 million for the delivery of products and \$4.1 million for the purchase of products at December 31, 2015 and \$41.1 million for the delivery of products and \$8.7 million for the purchase of products at December 31, 2014. The changes in the fair value of these embedded derivatives are recorded in interest and other income (expense), net in the consolidated statements of income and comprehensive income (loss).

### **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 commodities, the Company enters into commodity hedge contracts. At December 31, 2015 and 2014, the Company has fixed price commodity contracts with notional amounts aggregating \$2.0 million and \$2.7 million, respectively. The changes in the fair value of these commodity contracts are recorded in interest and other income (expense), net in the consolidated statements of income and comprehensive income (loss).

The fair value of the derivative instruments described above are recorded in the consolidated balance sheets for the years ended December 31, 2015 and 2014 as follows (in millions):

	Balance Sheet Location	2015	2014
<b>Derivative assets:</b>			
Embedded derivatives in purchase and delivery contracts	Other current assets	\$ 0.5	\$ 0.6
<b>Derivative liabilities:</b>			
Foreign exchange contracts	Other current liabilities	\$ 1.3	\$ 5.1
Embedded derivatives in purchase and delivery contracts	Other current liabilities	0.5	0.4
Fixed price commodity contracts	Other current liabilities	0.4	0.2

The impact on net income of unrealized gains and losses resulting from changes in the fair value of derivative instruments for the years ending December 31 are as follows (in millions) and are



Table of Contents

recorded within interest and other income (expense), net in the consolidated statements of income and comprehensive income (loss):

	2015	2014	2013
Foreign exchange contracts	\$ 3.8	\$ (7.4)	\$ 0.5
Embedded derivatives in purchase and delivery contracts	(0.2)	0.4	(0.2)
Fixed price commodity contracts	(0.2)	(0.3)	0.3
Income (expense), net	\$ 3.4	\$ (7.3)	\$ 0.6

**Note 12 Income Taxes**

The domestic and foreign components of income before taxes are as follows for the years ended December 31, (in millions):

	2015	2014	2013
Domestic	\$ 31.6	\$ (83.2)	\$ (42.4)
Foreign	96.4	184.5	167.0
	\$ 128.0	\$ 101.3	\$ 124.6

The components of the income tax provision are as follows for the years ended December 31, (in millions):

	2015	2014	2013
Current income tax (benefit) expense:			
Federal	\$ 5.7	\$ (1.1)	\$ 0.2
State	1.3	0.4	0.2
Foreign	50.0	50.8	35.0
Total current income tax expense	57.0	50.1	35.4
Deferred income tax (benefit) expense:			
Federal	(31.1)	0.7	(1.8)
State	(2.4)	(0.1)	(0.6)
Foreign	(0.4)	(9.0)	9.8
Total deferred income tax (benefit) expense	(33.9)	(8.4)	7.4
Income tax provision	\$ 23.1	\$ 41.7	\$ 42.8

Edgar Filing: BRUKER CORP - Form 10-K/A

Table of Contents

The income tax provision differs from the tax provision computed at the U.S federal statutory rate due to the following significant components for the years ended December 31,:

	2015	2014	2013
Statutory tax rate	35.0%	35.0%	35.0%
Foreign tax rate differential	(3.6)	(12.1)	(10.2)
Permanent differences	(2.0)	9.6	12.0
Tax contingencies	2.3	(0.9)	(1.1)
Change in tax rates	1.3	(1.6)	0.1
Withholding taxes	8.1	0.6	0.1
State income taxes, net of federal benefits	(0.9)	0.2	0.1
Purchase accounting	0.8	0.7	0.8
Tax credits	(1.1)	(4.3)	(8.6)
Other	(2.7)	(1.2)	0.6
Change in valuation allowance for unbenefited losses	(19.2)	15.2	5.5
Effective tax rate	18.0%	41.2%	34.3%

The tax effect of temporary items that give rise to significant portions of the deferred tax assets and liabilities are as follows as of December 31, (in millions):

	2015	2014
<b>Deferred tax assets:</b>		
Accounts receivable	\$ 2.0	\$ 1.0
Accrued expenses	4.7	0.8
Compensation	30.1	21.0
Investments	1.4	0.6
Deferred revenue	0.2	3.9
Net operating loss carryforwards	16.0	30.3
Fixed assets	0.8	
Inventory	2.9	
Foreign tax and other tax credit carryforwards	32.3	21.8
Unrealized currency gain/loss	6.1	0.2
Warranty reserve		1.1
Other	7.5	5.7
Gross deferred tax assets	104.0	86.4
Less valuation allowance	(37.2)	(57.4)
Total deferred tax assets	66.8	29.0
<b>Deferred tax liabilities:</b>		
Accounts receivable	0.6	2.9
Fixed assets		1.9
Foreign statutory reserves	5.3	4.5
Investments		0.1
Inventory		0.3
Intangibles	9.4	13.1
Accrued expenses	8.0	
Total deferred tax liabilities	23.3	22.8
Net deferred tax assets	\$ 43.5	\$ 6.2





Table of Contents

The Company uses the liability method to account for income taxes. Under this method, deferred income taxes are recognized for the future tax consequences of differences between the tax and financial accounting bases of assets and liabilities at each reporting period. Deferred income taxes are based on enacted tax laws and statutory tax rates applicable to the period in which these differences are expected to affect taxable income. A valuation allowance is established when necessary to reduce deferred tax assets to the expected realized amounts.

The Company can only recognize a deferred tax asset to the extent this it is "more likely than not" that these assets will be realized. Judgments around realizability depend on the availability and weight of both positive and negative evidence. After considering all available evidence at December 31, 2015 the Company established valuation allowances against a portion of its deferred tax assets in the U.S. and certain other jurisdictions as it is more likely than not that these assets will not be realized. In particular, the Company recorded a partial valuation allowance against its U.S. net deferred tax assets, which was comprised of deductible temporary differences and tax credit carryforwards. In determining the realizability of these assets, the Company considered numerous factors including historical profitability, the character and amount of estimated future taxable income and prudent and feasible tax planning strategies.

The Company's valuation allowance at December 31, 2015 decreased \$20.1 million as compared to December 31, 2014, including a reduction to the beginning of the year valuation allowance of \$20.8 million, to account for a change in judgment with respect to the realizability of the Company's U.S. deferred tax assets. This decrease was primarily attributable to U.S. net operating loss and foreign tax credit usage as a result of the repatriation of \$235.3 million of foreign earnings to the United States during 2015 prompted by adverse interest rate conditions in Europe that were unfavorably impacting cash balances. Among the evidence supporting the Company's conclusion around realizability of these deferred tax assets was the elimination of recent cumulative U.S. losses as well as expected future near term U.S. taxable income.

As of December 31, 2015, the Company had approximately \$3.0 million of net operating loss carryforwards available to reduce state taxable income; approximately \$42.4 million of German Trade Tax net operating losses that are carried forward indefinitely; and \$42.9 million of other foreign net operating losses that are expected to expire at various times beginning in 2018. The Company also had U.S. federal tax credits of approximately \$27.8 million available to offset future tax liabilities that expire at various dates, which include research and development tax credits of \$14.0 million expiring at various times through 2034, foreign tax credits of \$13.8 million expiring at various times through 2024, and state research and development tax credits of \$7.1 million. Utilization of these credits and state net operating losses may be subject to annual limitations due to the ownership percentage change limitations provided by the Internal Revenue Code Section 382 and similar state provisions. In the event of a deemed change in control under Internal Revenue Code Section 382, an annual limitation on the utilization of net operating losses and credits may result in the expiration of all or a portion of the net operating loss and credit carryforwards.

The Company reflects certain foreign statutory reserves in its tabular reconciliation of unrecognized tax benefits. These unrecognized tax benefits are presented as a reduction of the associated net deferred tax assets.

The Company has indefinitely reinvested the earnings of its subsidiaries in the cumulative amount of approximately \$1,456.1 million as of December 31, 2015, and therefore, has not provided for U.S. income taxes that could result from the distribution of such earnings to the U.S. parent. If these earnings were ultimately distributed to the U.S. in the form of dividends or otherwise, or if the shares of the subsidiaries were sold or transferred, the Company would likely be subject to additional U.S. income taxes, net of the impact of any available foreign tax credits. The Company estimates the amount of unrecognized deferred U.S. income taxes on these undistributed earnings to be approximately \$120 million.

Table of Contents

The Company has gross unrecognized tax benefits, excluding interest, of approximately \$26.9 million as of December 31, 2015, of which \$13 million, if recognized, would reduce the Company's effective tax rate. In the next twelve months it is reasonably possible that the Company will reduce its unrecognized tax benefits by \$5.2 million due to statutes of limitations expiring and favorably settling with taxing authorities which would reduce the Company's effective tax rate. A tabular reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in millions):

Gross unrecognized tax benefits at December 31, 2012	\$ 61.1
Gross decreases tax positions in prior periods	(0.5)
Gross increases current period tax positions	0.7
Settlements	(7.1)
Lapse of statutes	(2.5)
Gross unrecognized tax benefits at December 31, 2013	51.7
Gross decreases tax positions in prior periods	(6.4)
Gross decreases current period tax positions	(0.3)
Settlements	(0.6)
Lapse of statutes	(4.4)
Gross unrecognized tax benefits at December 31, 2014	40.0
Gross decreases tax positions in prior periods	(1.5)
Gross increases current period tax positions	0.4
Settlements	(2.7)
Lapse of statutes	(3.0)
Gross unrecognized tax benefits at December 31, 2015	\$ 33.2

The Company's policy is to include accrued interest and penalties related to unrecognized tax benefits and income tax liabilities, when applicable, in income tax expense. As of December 31, 2015 and 2014, the Company had approximately \$4.7 million and \$3.6 million, respectively, of accrued interest and penalties related to uncertain tax positions included in other long-term liabilities in the consolidated balance sheets. Penalties and interest related to unrecognized tax benefits of \$1.4 million and \$0.1 million were recorded in the provision for income taxes during the year ended December 31, 2015 and 2014, respectively.

The Company files tax returns in the U.S., which include federal, state and local jurisdictions and many foreign jurisdictions with varying statutes of limitations. The Company considers Germany, the U.S. and Switzerland to be its significant tax jurisdictions. The tax years 2009 to 2014 are open tax years in these significant foreign jurisdictions. In the first quarter of 2014, the Company settled a tax audit in the U.S. for the tax year 2010. In the third quarter of 2015, the Company settled tax audits in Germany and Italy. The settlement was immaterial to the consolidated financial statements. Tax years 2011 to 2014 remain open for examination in the U.S.

**Note 13 Employee Benefit Plans****Defined Benefit Plans**

Substantially all of the Company's employees in Switzerland, France and Japan, as well as certain employees in Germany, are covered by Company-sponsored defined benefit pension plans. Retirement benefits are generally earned based on years of service and compensation during active employment. Eligibility is generally determined in accordance with local statutory requirements, however, the level of benefits and terms of vesting varies among plans.

Table of Contents**Net Periodic Pension Cost**

The components of net periodic benefit costs for the years ended December 31, 2015, 2014 and 2013 were as follows:

	2015	2014	2013
Components of net periodic benefit costs:			
Service cost	\$ 7.2	\$ 4.8	\$ 5.5
Interest cost	2.5	4.6	4.1
Expected return on plan assets	(2.3)	(4.1)	(3.8)
Settlement loss recognized	10.2		
Amortization of net loss	4.1	0.1	2.2
Net periodic benefit costs	\$ 21.7	\$ 5.4	\$ 8.0

The net periodic benefit costs for the year ended December 31, 2015 includes a one-time, non-cash settlement loss of \$10.2 million as the Company outsourced its pension plan in Switzerland to an outside insurance provider, transferred certain plan assets and pension obligations for retirees and other certain members of the population, made certain plan design changes and re-measured the liability.

The Company measures its benefit obligation and the fair value of plan assets as of December 31st each year. The changes in benefit obligations and plan assets under the defined benefit pension plans, projected benefit obligation and funded status of the plans were as follows at December 31, (in millions):

	2015	2014
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 207.2	\$ 183.1
Service cost	7.2	4.8
Interest cost	2.5	4.6
Plan participant contributions	3.9	3.8
Plan curtailments	(0.3)	(0.6)
Benefits paid	1.3	(7.1)
Actuarial loss (gain)	7.5	42.1
Plan amendments	14.7	
Plan settlements	(39.7)	
Premiums paid	(1.4)	
Plan combinations	0.9	
Impact of foreign currency exchange rates	(4.6)	(23.5)
Benefit obligation at end of year	199.2	207.2
Change in plan assets:		
Fair value of plan assets at beginning of year	139.6	141.0
Return on plan assets	(3.7)	12.0
Plan participant and employer contributions	9.5	9.5
Benefits paid	1.3	(7.1)
Plan settlements	(39.7)	
Premiums paid	(1.4)	
Plan combinations	0.1	
Impact of foreign currency exchange rates	0.4	(15.8)
Fair value of plan assets at end of year	106.1	139.6
Net funded status	\$ (93.1)	\$ (67.6)



Table of Contents

The accumulated benefit obligation for the defined benefit pension plans is \$189.7 million and \$198.4 million at December 31, 2015 and 2014, respectively. All defined benefit pension plans have an accumulated benefit obligation and projected benefit obligation in excess of plan assets at December 31, 2015 and 2014.

The following amounts were recognized in the accompanying consolidated balance sheets for the Company's defined benefit plans at December 31, (in millions):

	2015		2014
Current liabilities	\$ (1.5)	\$	(1.4)
Non-current liabilities	(91.6)		(66.2)
<b>Net benefit obligation</b>	<b>\$ (93.1)</b>	<b>\$</b>	<b>(67.6)</b>

The following pre-tax amounts were recognized in accumulated other comprehensive income (loss) for the Company's defined benefit plans at December 31, (in millions):

	2015		2014
<b>Reconciliation of amounts recognized in the consolidated balance sheets:</b>			
Prior service cost	\$ (12.2)	\$	
Net actuarial loss	(48.5)		(48.8)
Accumulated other comprehensive loss	(60.7)		(48.8)
Accumulated contributions in excess of net periodic benefit cost	(32.4)		(18.8)
<b>Net amount recognized</b>	<b>\$ (93.1)</b>	<b>\$</b>	<b>(67.6)</b>

The amount in accumulated other comprehensive income (loss) at December 31, 2015 expected to be recognized as amortization of net loss within net periodic benefit cost in 2016 is \$4.1 million.

For the defined benefit pension plans, the Company uses a corridor approach to amortize actuarial gains and losses. Under this approach, net actuarial gains or losses in excess of ten percent of the larger of the projected benefit obligation or the fair value of plan assets are amortized over the average remaining service of active participants who are expected to receive benefits under the plans.

The range of assumptions used for defined benefit pension plans reflects the different economic environments within the various countries. The range of assumptions used to determine the projected benefit obligations for the years ended December 31, are as follows:

	2015	2014	2013
Discount rates	0.3%-2.5%	0.7%-2.4%	0.7%-3.8%
Expected return on plan assets	0.0%-3.0%	2.9%	3.0%
Expected rate of compensation increase	1.0%-3.0%	1.0%-3.0%	1.0%-3.0%

To determine the expected long-term rate of return on pension plan assets, the Company considers current asset allocations, as well as historical and expected returns on various asset categories of plan assets. For the defined benefit pension plans, the Company applies the expected rate of return to a market-related value of assets, which stabilizes variability in assets to which the expected return is applied.

Edgar Filing: BRUKER CORP - Form 10-K/A

Table of Contents

*Asset Allocations by Asset Category*

The fair value of the Company's pension plan assets at December 31, 2015 and 2014, by asset category and by level in the fair value hierarchy, is as follows (in millions):

December 31, 2015	Total	Quoted Prices in Active Markets Available (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Plan Assets:</b>				
Debt securities:				
Foreign corporations (b)	\$ 0.7	\$ 0.7	\$	\$
Foreign governments (b)	0.5	0.5		
	1.2	1.2		
Equity Securities:				
Foreign corporations (c)	0.1	0.1		
	0.1	0.1		
Real estate (d)	0.1	0.1		
Swiss Life Collective BVG Foundation (f)	104.7		104.7	
<b>Total plan assets</b>	<b>\$ 106.1</b>	<b>\$ 1.4</b>	<b>\$ 104.7</b>	<b>\$</b>

December 31, 2014	Total	Quoted Prices in Active Markets Available (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Plan Assets:</b>				
Cash and cash equivalents (a)	\$ 138.2	\$ 138.2	\$	\$
Debt securities:				
Foreign corporations (b)	0.4	0.4		
Foreign governments (b)	0.7	0.7		
	1.1	1.1		
Equity Securities:				
Foreign corporations (c)	0.1	0.1		
	0.1	0.1		
Real estate (d)	0.1	0.1		
Other (e)	0.1	0.1		
<b>Total plan assets</b>	<b>\$ 139.6</b>	<b>\$ 139.6</b>	<b>\$</b>	<b>\$</b>

- (a) Cash and cash equivalents consist primarily of highly liquid investments, including cash on hand.
- (b) Foreign Corporate and Government bond investments had an average rating of AA.
- (c) International equities primarily include investments in large market capitalization stocks.
- (d) Real estate includes Swiss public real estate funds which generate returns in line with the Swiss property market by investing in residential and commercial properties throughout Switzerland.
- (e) Includes private equity, raw materials and alternative investment funds.
- (f) The Company's pension plan in Switzerland is outsourced to Swiss Life AG, an outside insurance provider. Under the insurance contract, the plan assets are invested in Swiss Life Collective BVG

Table of Contents

Foundation (the Foundation), which is an umbrella fund for which the retirement savings and interest rates are guaranteed a minimum of 1.75% on the mandatory withdrawal portion, as defined by Swiss law, and 1.25% on the non-mandatory portion. The Foundation utilizes plan administrators and investment managers to oversee the investment allocation process, set long-term strategic targets and monitor asset allocations. The target allocations are 75% bonds, including cash, 5% equity investments and 20% real estate and mortgages. Should the Foundation yield a return greater than the guaranteed amounts, the Company, according to Swiss law, shall receive 90% of the additional return with Swiss Life AG retaining 10%. The withdrawal benefits and interest allocations are secured at all times by Swiss Life AG.

**Contributions and Estimated Future Benefit Payments**

During 2016, the Company expects contributions to be consistent with 2015. The estimated future benefit payments are based on the same assumptions used to measure the Company's benefit obligation at December 31, 2015. The following benefit payments reflect future employee service as appropriate (in millions):

2016	\$	2.3
2017		2.4
2018		2.7
2019		3.5
2020		3.8
2021-2025		24.4

**Other Benefit Plans**

The Company sponsors various defined contribution plans that cover certain domestic and international employees. The Company may make contributions to these plans at its discretion. The Company contributed \$6.5 million, \$7.1 million and \$5.3 million to such plans in the years ended December 31, 2015, 2014 and 2013, respectively.

**Note 14 Commitments and Contingencies****Operating Leases**

Certain buildings, office equipment and vehicles are leased under agreements that are accounted for as operating leases. Total rental expense under operating leases was \$23.0 million, \$22.8 million and \$24.6 million during the years ended December 31, 2015, 2014 and 2013, respectively. Future minimum lease payments under non-cancelable operating leases at December 31, 2015, for each of the next five years and thereafter are as follows (in millions):

2016	\$	17.0
2017		12.0
2018		8.4
2019		6.0
2020		5.0
Thereafter		13.1
Total	\$	61.5

**Capital Leases**

The Company leases certain buildings under agreements that are classified as capital leases. The cost of the buildings under the capital leases is included in the consolidated balance sheets as property.



Table of Contents

plant and equipment and was \$2.7 million and \$7.5 million at December 31, 2015 and 2014. Accumulated amortization of the leased buildings at December 31, 2015 and 2014 was \$0.7 million and \$2.9 million, respectively. Amortization expense related to assets under capital leases is included in depreciation expense. The obligations related to capital leases are recorded as a component of long-term debt or the current portion of long-term debt in the consolidated balance sheets, depending on when the lease payments are due.

**Unconditional Purchase Commitments**

The Company has entered into unconditional purchase commitments, in the ordinary course of business, that include agreements to purchase goods, services or fixed assets and to pay royalties that are enforceable and legally binding and that specify all significant terms including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Purchase commitments exclude agreements that are cancelable at any time without penalty. The aggregate amount of the Company's unconditional purchase commitments totaled \$109.5 million at December 31, 2015 and the majority of these commitments are expected to be settled during 2016.

**License Agreements**

The Company has entered into cross-licensing agreements for various technologies that allow other companies to utilize certain of its patents and related technologies over various periods or into perpetuity. Income from these agreements for the years ended December 31, 2015, 2014 and 2013 was \$2.5 million, \$2.6 million and \$9.5 million, respectively, and is classified in other revenue in the consolidated statements of income and comprehensive income (loss). The unearned portions of proceeds from the cross-licensing agreements are classified as short-term or long-term deferred revenue depending on when the revenue will be earned.

The Company has also entered into license agreements allowing it to utilize certain patents. If these patents are used in connection with a commercial product sale, the Company pays royalties on the related product revenues. Licensing fees for the years ended December 31, 2015, 2014 and 2013, were \$3.2 million, \$3.3 million and \$4.0 million, respectively, and are recorded in cost of product revenue in the consolidated statements of income and comprehensive income (loss).

**Legal**

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 pending proceedings, individually and in the aggregate, will not have a material impact on the Company's financial position or results of operations. As of December 31, 2015 and 2014, no accruals have been recorded for potential contingencies.

**Internal Investigation and Compliance Matters**

As previously reported, the Audit Committee of the Company's Board of Directors, assisted by independent outside counsel and an independent forensic consulting firm, conducted an internal investigation in response to anonymous communications received by the Company alleging improper conduct in connection with the China operations of the Company's Bruker Optics subsidiary. The Audit Committee's investigation, which began in 2011 and was completed in the first quarter of 2012, included a review of compliance by Bruker Optics and its employees in China and Hong Kong with the requirements of the Foreign Corrupt Practices Act ("FCPA") and other applicable laws and regulations.

Table of Contents

The investigation found evidence indicating that payments were made that improperly benefited employees or agents of government-owned enterprises in China and Hong Kong. The investigation also found evidence that certain employees of Bruker Optics in China and Hong Kong failed to comply with the Company's policies and standards of conduct. As a result, the Company took personnel actions, including the termination of certain individuals. The Company also terminated its business relationships with certain third party agents, implemented an enhanced FCPA compliance program, and strengthened the financial controls and oversight at its subsidiaries operating in China and Hong Kong. During 2011, the Company also initiated a review of the China operations of its other subsidiaries, with the assistance of an independent audit firm. On the basis of that review, the Company identified additional employees in Bruker subsidiaries operating in China who failed to comply with the Company's policies and standards of conduct, and took additional personnel actions at certain of its subsidiaries as a result.

The Company voluntarily contacted the United States Securities and Exchange Commission and the United States Department of Justice in August 2011 to advise both agencies of the internal investigation by the Audit Committee regarding the China operations of the Company's Bruker Optics subsidiary. In October 2011, the Company also reported that existence of the internal investigation to the Hong Kong Joint Financial Intelligence Unit and Independent Commission Against Corruption.

Effective December 15, 2014, the Company consented to the entry of an administrative cease-and-desist order (Order) by the SEC concerning violations of the books and records and internal controls provisions of the FCPA. Pursuant to the Order, the Company paid an aggregate amount of \$2.4 million, consisting of \$1.7 million in disgorgement, \$0.3 million in prejudgment interest, and a \$0.4 million penalty. This was recorded within interest and other income (expense), net in the accompanying consolidated statements of income and comprehensive income (loss). The Company has been advised that all investigative matters have been completed as of December 31, 2014.

**Letters of Credit and Guarantees**

At December 31, 2015 and 2014, the Company had bank guarantees of \$137.7 million and \$150.3 million, respectively, related primarily to customer advances. These arrangements guarantee the refund of advance payments received from customers in the event that the merchandise is not delivered or warranty obligations are not fulfilled in compliance with the terms of the contract. These guarantees affect the availability of the Company's lines of credit.

**Indemnifications**

The Company enters into standard indemnification arrangements in the Company's ordinary course of business. Pursuant to these arrangements, the Company indemnifies, holds harmless, and agrees to reimburse the indemnified parties for losses suffered or incurred by the indemnified party, generally the Company's business partners or customers, in connection with any patent, or any copyright or other intellectual property infringement claim by any third party with respect to its products. The term of these indemnification agreements is generally perpetual anytime after the execution of the agreement. The maximum potential amount of future payments the Company could be required to make under these agreements is unlimited. The Company believes the estimated fair value of these agreements is minimal based on historical experiences.

The Company has entered into indemnification agreements with its directors and officers that may require the Company to: indemnify its directors and officers against liabilities that may arise by reason of their status or service as directors or officers, other than liabilities arising from willful misconduct of a culpable nature; advance their expenses incurred as a result of any proceeding against them as to which they could be indemnified; and obtain directors' and officers' insurance if available on reasonable terms, which the Company currently has in place.

Table of Contents**Note 15 Shareholders' Equity*****Bruker Corporation Stock Plan***

In February 2010, the Bruker BioSciences Corporation Amended and Restated 2000 Stock Option Plan, or the 2000 Plan, expired at the end of its scheduled ten-year term. On March 9, 2010, the Company's Board of Directors unanimously approved and adopted the Bruker Corporation 2010 Incentive Compensation Plan, or the 2010 Plan, and on May 14, 2010, 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 the award. Awards granted by the Committee typically vest over a period of three to five years.

Stock option activity for the year ended December 31, 2015 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, 2014	4,810,588	\$ 15.24		
Granted	1,107,477	19.81		
Exercised	(926,042)	11.81		
Forfeited	(354,744)	19.17		
Outstanding at December 31, 2015	4,637,279	\$ 16.72	6.5	\$ 35.0
Exercisable at December 31, 2015	2,355,197	\$ 14.08	4.7	\$ 24.0
Exercisable and expected to vest at December 31, 2015 (a)	4,504,918	\$ 16.64	6.5	\$ 34.4

(a) In addition to the options that are vested at December 31, 2015, 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 December 31, 2015.

(b) The aggregate intrinsic value is based on the positive difference between the fair value of the Company's common stock price of \$24.27 on December 31, 2015, or the date of exercises, as appropriate, and the exercise price of the underlying stock options.

The weighted average fair values of options granted was \$7.82, \$10.81 and \$10.37 per share for the years ended December 31, 2015, 2014 and 2013, respectively.

The total intrinsic value of options exercised was \$8.2 million, \$10.0 million and \$8.1 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Unrecognized pre-tax stock-based compensation expense of \$16.7 million related to stock options awarded under the 2010 Plan is expected to be recognized over the weighted average remaining service period of 2.2 years for stock options outstanding at December 31, 2015.

## Edgar Filing: BRUKER CORP - Form 10-K/A

Restricted shares of the Company's common stock are periodically awarded to executive officers, directors and certain key employees of the Company, subject to service restrictions, which vest ratably over periods of four to five years. The restricted shares of common stock may not be sold or transferred during the restriction period. Stock-based compensation for restricted stock is recorded based on the stock price on the grant date and charged to expense ratably throughout the restriction

Table of Contents

period. The following table summarizes information about restricted stock activity during the year ended December 31, 2015:

	Shares Subject to Restriction	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2014	309,725	\$ 17.20
Granted	135,677	19.83
Vested	(56,395)	17.02
Forfeited	(145,857)	17.42
Outstanding at December 31, 2015	243,150	\$ 18.58

The total fair value of restricted stock vested was \$1.0 million, \$3.0 million and \$1.4 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Unrecognized pre-tax stock-based compensation expense of \$3.9 million related to restricted stock awarded under the 2010 Plan is expected to be recognized over the weighted average remaining service period of 2.8 years for awards outstanding at December 31, 2015.

**Note 16 Accumulated Other Comprehensive Income (Loss)**

The following is a summary of the components of accumulated other comprehensive income (loss), net of tax, at December 31, (in millions):

	Foreign Currency Translation	Pension Liability Adjustment	Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2012	\$ 170.3	\$ (32.5)	\$ 137.8
Other comprehensive income	27.3	15.0	42.3
Realized loss on reclassification		2.3	2.3
Balance at December 31, 2013	197.6	(15.2)	182.4
Other comprehensive income (loss)	(131.6)	(22.7)	(154.3)
Realized loss on reclassification		0.1	0.1
Balance at December 31, 2014	66.0	(37.8)	28.2
Other comprehensive income (loss)	(62.8)	(23.6)	(86.4)
Realized loss on reclassification		14.0	14.0
Balance at December 31, 2015	\$ 3.2	\$ (47.4)	\$ (44.2)

Table of Contents**Note 17 Other Charges, Net**

The components of other charges, net for the years ended December 31, 2015, 2014 and 2013, were as follows (in millions):

	2015	2014	2013
Acquisition-related expenses (income), net	\$ (7.2)	\$ 2.9	\$ 3.6
Professional fees incurred in connection with internal investigation	0.4	3.2	6.1
Pension settlement charge	10.2		
Information technology transformation costs	8.9	4.0	
Restructuring charges	8.1	11.1	18.2
Factory relocation charges			0.7
<b>Other charges, net</b>	<b>\$ 20.4</b>	<b>\$ 21.2</b>	<b>\$ 28.6</b>

In 2013, 2014 and 2015, the Company commenced and executed productivity improvement initiatives at both BSI and BEST in an effort to better optimize its operations. These restructuring initiatives include the divestiture of certain non-core businesses, outsourcing of various manufacturing activities, transferring or ceasing operations at certain facilities and an overall right-sizing within the Company based on the then current business environments.

The Company recorded total restructuring charges during the year ended December 31, 2015, 2014 and 2013 of \$29.3 million, \$36.1 million and \$25.3 million, respectively, related to these initiatives. For the year ended December 31, 2015, restructuring charges of \$28.4 million related to the BSI Segment and of \$0.9 million related to the BEST Segment. These charges consisted of \$7.0 million of inventory provisions for excess inventory, \$15.9 million of severance costs and \$6.4 million of exit related costs, such as professional service and facility exit charges. For the year ended December 31, 2014, the charges were all within the BSI Segment and consisted of \$11.8 million of inventory provisions for excess inventory, \$15.5 million of severance costs and \$8.8 million of exit related costs. For the year ended December 31, 2013, \$23.0 million related to the BSI Segment and \$2.3 million related to the BEST Segment, and consisted of \$2.1 million of inventory provisions for excess inventory, \$17.9 million of severance costs and \$5.3 million of exit related costs. During the year ended December 31, 2015, 2014 and 2013, the Company recorded restructuring charges of \$21.2 million, \$25.0 million and \$7.1 million, respectively, as a component of Cost of Revenue, and \$8.1 million, \$11.1 million and \$18.2 million, respectively, as a component of Other Charges, net in the accompanying consolidated statements of income and comprehensive income (loss).

The Company commenced a restructuring initiative in 2015 within the Bruker BioSpin Group, which was developed as a result of a revenue decline that occurred during the second half of 2014 and continued during the first half of 2015. This initiative is intended to improve Bruker BioSpin Group's operating results. Restructuring actions are expected to result in a reduction of employee headcount within the Bruker BioSpin Group of approximately 9%. Included in the total restructuring charges discussed above are restructuring expenses related to this initiative recorded during the year ended December 31, 2015 in the amount of \$14.1 million, consisting of \$2.1 million for inventory write-downs and \$12.0 million of severance and exit costs, of which \$12.3 was recorded as a component of Cost of Revenue and \$1.8 million as a component of Other Charges, net in the accompanying consolidated statement of income and comprehensive income (loss). The restructuring also includes the closure and consolidation of certain Bruker BioSpin manufacturing facilities. The Company determined the restructuring was an indicator requiring the evaluation of property, plant and equipment for recoverability. The Company performed an evaluation during the year ended December 31, 2015 and determined that certain property, plant and equipment were impaired and recorded an impairment charge of \$2.1 million to reduce those assets to fair value. This impairment charge is recorded within

Table of Contents

"Impairment of assets" in the accompanying consolidated statement of income and comprehensive income (loss) for the year ended December 31, 2015. Total restructuring and other one-time charges related to this initiative continuing into 2016 are expected to be between \$3 and \$5 million, which all relate to employee separation and facility exit costs.

Included in the total restructuring charges are expenses specifically related to the Plan in the former CAM Division. From inception of the Plan in the third quarter of 2014, cumulative restructuring expenses recorded have been \$18.8 million, consisting of \$10.3 million of inventory write-downs and \$8.5 million of severance and exit costs. Expenses expected to be incurred under the 2014 Plan have been substantially completed during the year ended December 31, 2015.

In addition, in September and October 2014 the Company divested the assets of the former CAM Division's Inductively Coupled Plasma-Mass Spectrometry (ICP-MS) product line and the Gas Chromatography (GC) and GC single-quadrupole (GC-SQ) GC-MS mass spectrometry products, respectively. The gain on sale of the product lines of \$8.0 million was recorded as part of Interest and Other Income (Expense), net within the accompanying consolidated statement of income and comprehensive income (loss) for the year ended December 31, 2014.

The following table sets forth the changes in the restructuring reserves for the years ended December 31, 2015 and 2014 (in millions):

	Total	Severance	Exit Costs	Provisions for Excess Inventory
Balance at December 31, 2013	\$ 11.5	\$ 8.4	\$ 1.1	\$ 2.0
Restructuring charges	36.1	15.5	8.8	11.8
Cash payments	(22.9)	(14.6)	(8.2)	(0.1)
Non-cash adjustments	(7.5)	(1.4)	(0.3)	(5.8)
Foreign currency impact	(1.1)	(0.8)	(0.1)	(0.2)
Balance at December 31, 2014	16.1	7.1	1.3	7.7
Restructuring charges	29.3	15.9	6.4	7.0
Cash payments	(18.0)	(11.9)	(5.1)	(1.0)
Non-cash adjustments	(2.9)	(0.2)	(0.2)	(2.5)
Foreign currency impact	(1.4)	(0.6)		(0.8)
Balance at December 31, 2015	\$ 23.1	\$ 10.3	\$ 2.4	\$ 10.4

**Note 18 Interest and Other Income (Expense), Net**

The components of interest and other income (expense), net for the years ended December 31, 2015, 2014 and 2013, were as follows (in millions):

	2015	2014	2013
Interest income	\$ 1.2	\$ 0.8	\$ 1.0
Interest expense	(13.0)	(13.3)	(13.4)
Exchange losses on foreign currency transactions	(5.5)	(2.0)	(10.4)
(Loss) gain on disposal of product line	(0.2)	8.3	0.9
Other	(0.2)	2.1	(1.7)
Interest and other income (expense), net	\$ (17.7)	\$ (4.1)	\$ (23.6)

Table of Contents**Note 19 Business Segment Information**

The Company has two reportable segments, BSI and BEST, as discussed in Note 1 to the consolidated financial statements.

Selected business segment information is presented below for the years ended December 31, (in millions):

	2015	2014	2013
<b>Revenue:</b>			
BSI	\$ 1,499.2	\$ 1,674.6	\$ 1,709.5
BEST	133.7	152.9	147.4
Eliminations (a)	(9.1)	(18.6)	(17.5)
<b>Total revenue</b>	<b>\$ 1,623.8</b>	<b>\$ 1,808.9</b>	<b>\$ 1,839.4</b>
<b>Operating Income (Loss):</b>			
BSI	\$ 133.2	\$ 99.8	\$ 138.9
BEST	11.5	3.4	9.5
Corporate, eliminations and other (b)	1.0	2.2	(0.2)
<b>Total operating income</b>	<b>\$ 145.7</b>	<b>\$ 105.4</b>	<b>\$ 148.2</b>

---

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

(b) Represents corporate costs and eliminations not allocated to the reportable segments.

The Company recorded an impairment charge of \$4.6 million for the year ended December 31, 2015 within the BSI Segment. The Company recorded an impairment charge of \$11.5 million for the year ended December 31, 2014, of which \$6.4 million was within the BSI Segment and \$5.1 million within the BEST Segment. Please see Note 7 Property, Plant and Equipment, net and Note 8 Goodwill and Other Intangible Assets, for description of impairment charges recorded in 2015 and 2014. These impairment charges are included within "Impairment of assets" in the accompanying consolidated statements of income and comprehensive income (loss).

Total assets by segment as of and for the years ended December 31, are as follows (in millions):

	2015	2014
<b>Assets:</b>		
BSI	\$ 1,715.3	\$ 1,827.7
BEST	79.1	101.2
Eliminations and other (a)	(63.5)	(64.1)
<b>Total assets</b>	<b>\$ 1,730.9</b>	<b>\$ 1,864.8</b>

---

(a)



Assets not allocated to the reportable segments and eliminations of intercompany transactions.

## Edgar Filing: BRUKER CORP - Form 10-K/A

### Table of Contents

Total capital expenditures and depreciation and amortization by segment are presented below for the years ended December 31, (in millions):

	2015	2014	2013
<b>Capital Expenditures:</b>			
BSI	\$ 30.1	\$ 31.5	\$ 44.9
BEST	4.1	2.3	5.4
<b>Total capital expenditures</b>	<b>\$ 34.2</b>	<b>\$ 33.8</b>	<b>\$ 50.3</b>

	2015	2014	2013
<b>Depreciation and Amortization:</b>			
BSI	\$ 50.5	\$ 55.1	\$ 56.4
BEST	2.8	4.6	4.9
<b>Total depreciation and amortization</b>	<b>\$ 53.3</b>	<b>\$ 59.7</b>	<b>\$ 61.3</b>

Revenue and property, plant and equipment, net by geographical area as of and for the year ended December 31, are as follows (in millions):

	2015	2014	2013
<b>Revenue:</b>			
United States	\$ 380.4	\$ 387.6	\$ 359.7
Germany	198.9	215.1	188.9
Rest of Europe	479.6	522.9	583.7
Asia Pacific	414.9	495.5	529.1
Other	150.0	187.8	178.0
<b>Total revenue</b>	<b>\$ 1,623.8</b>	<b>\$ 1,808.9</b>	<b>\$ 1,839.4</b>

	2015	2014
<b>Property, plant and equipment, net:</b>		
United States	\$ 43.2	\$ 45.9
Germany	125.9	143.8
Rest of Europe	54.7	53.6
Asia Pacific	4.2	4.7
Other	3.1	1.9
<b>Total property, plant and equipment, net</b>	<b>\$ 231.1</b>	<b>\$ 249.9</b>

### **Note 20 Related Parties**

The Company leases certain office space from certain of its principal shareholders, including a director and executive officer and another member of the Company's Board of Directors, and members of their immediate families, which have expiration dates ranging from 2016 to 2020. Total rent expense under these leases was \$1.8 million, \$2.0 million and \$2.6 million for each of the years ended December 31, 2015, 2014 and 2013, respectively.

## Edgar Filing: BRUKER CORP - Form 10-K/A

During the years ended December 31, 2014 and 2013, the Company incurred expenses of \$2.4 million and \$5.3 million, respectively, to a law firm in which one of the former members of its Board of Directors is a partner.

During the years ended December 31, 2014 and 2013, the Company incurred expenses of \$0.1 million and \$0.2 million, respectively, to a financial services firm in which one of the former members of its Board of Directors is a partner.

Table of Contents

During the years ended December 31, 2014 and 2013, the Company recorded revenue of \$0.9 million and \$0.1 million, respectively, from commercial transactions with a life science supply company in which a member of the Company's Board of Directors is Chairman, President and Chief Executive Officer and another member of the Company's Board of Directors was formerly a director.

During the years ended December 31, 2015 and 2014, the Company recorded revenue of \$0.7 million and \$1.9 million, respectively, and incurred expenses of \$0.1 million for the year ended December 31, 2014, arising from commercial transactions with a life sciences company in which a member of the Company's Board of Directors, who joined the Board of Directors in 2014, is Chairman and Chief Executive Officer.

During the year ended December 31, 2015, the Company recorded revenue of \$0.5 million from commercial transactions with a thermal analysis company in which a member of our Board of Directors serves as a consultant.

**Note 21 Recent Accounting Pronouncements**

In November 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-17, *Balance Sheet Classification of Deferred Taxes*, which eliminates the current requirement to present deferred tax assets and liabilities as current and noncurrent in a classified balance sheet. Instead, entities will be required to classify all deferred tax assets and liabilities as noncurrent. The guidance is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2016, with early adoption permitted. The Company elected to early adopt this standard prospectively and all deferred taxes are shown as noncurrent in the consolidated balance sheet as of December 31, 2015.

In September 2015, the FASB issued ASU No. 2015-16, *Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments*. ASU 2015-16 eliminates the requirement that an acquirer in a business combination account for measurement-period adjustments retrospectively. Instead, an acquirer will recognize a measurement-period adjustment during the period in which it determines the amount of the adjustment, including the effect on earnings of any amounts it would have recorded in previous periods if the accounting had been completed at the acquisition date. The guidance is effective for public business entities for fiscal years, including interim periods within those fiscal years, beginning after December 15, 2015, with early adoption permitted. The Company does not expect the adoption of ASU No. 2015-16 to have a material impact on our consolidated financial statements.

In July 2015, the FASB issued ASU No. 2015-11, *Simplifying the Measurement of Inventory*. The new guidance eliminates the measurement of inventory at market value, and inventory will now be measured at the lower of cost and net realizable value. The ASU defines net realizable value as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. No other changes were made to the current guidance on inventory measurement. ASU No. 2015-11 is effective for interim and annual periods beginning after December 15, 2016. Early application is permitted and should be applied prospectively. The Company is evaluating the provisions of this statement and has not determined what impact the adoption of ASU No. 2015-11 will have on the Company's consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. The new guidance changes the presentation of debt issuance costs in the balance sheet to a reduction of the related debt liability instead of classifying as an asset. The income statement presentation of debt issuance costs is unchanged. ASU No. 2015-03 is effective for annual periods beginning after December 15, 2015, and interim periods within those years. Early application is permitted and the guidance is to be applied retrospectively to all prior periods presented. In August 2015, the FASB issued ASU No. 2015-15, *Presentation and Subsequent Measurement of Debt Issuance*

Table of Contents

*Costs Associated with Line-of-Credit Arrangements*, excluding debt issuance costs related to line-of-credit arrangements from the scope of ASU No. 2015-03. The Company does not expect the adoption of ASU No. 2015-03 to have a material impact on its consolidated balance sheet.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which supersedes the revenue recognition requirements under Accounting Standards Codification (ASC) Topic 605. The new guidance was the result of a joint project between the FASB and the International Accounting Standards Board to clarify the principles for recognizing revenue and to develop common revenue standards for U.S. GAAP and International Financial Reporting Standards. The core principle of the new guidance is that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU No. 2014-09 was originally effective prospectively for annual periods beginning after December 15, 2016, and interim periods within those years. Early application was not permitted. In August 2015, the FASB elected to defer the effective date of ASU No. 2014-09 by one year to annual periods beginning after December 15, 2017, with early application permitted as of the original effective date. The Company is currently assessing the impact the adoption of this standard may have on its consolidated financial statements upon adoption.

**Note 22 Quarterly Financial Data (Unaudited)**

A summary of operating results for the quarterly periods in the years ended December 31, 2015 and 2014, is set forth below (in millions, except per share data):

	Quarter Ended			
	March 31	June 30	September 30 (1)	December 31 (1)
<b>Year ended December 31, 2015</b>				
Net revenue	\$ 353.5	\$ 396.0	\$ 396.1	\$ 478.2
Gross profit	160.2	169.4	167.5	211.5
Operating income	15.2	31.6	28.2	70.7
Net income attributable to Bruker Corporation	6.5	21.9	11.8	61.4
Net income per common share attributable to Bruker Corporation shareholders:				
Basic	\$ 0.04	\$ 0.13	\$ 0.07	\$ 0.37
Diluted	\$ 0.04	\$ 0.13	\$ 0.07	\$ 0.36
<b>Year ended December 31, 2014</b>				
Net revenue	\$ 423.7	\$ 457.4	\$ 419.8	\$ 508.0
Gross profit	179.7	200.5	167.3	215.8
Operating income	20.6	35.4	4.9	44.5
Net income attributable to Bruker Corporation	8.7	16.4	5.5	26.1
Net income per common share attributable to Bruker Corporation shareholders:				
Basic	\$ 0.05	\$ 0.10	\$ 0.03	\$ 0.16
Diluted	\$ 0.05	\$ 0.10	\$ 0.03	\$ 0.15

(1)

The second, third and fourth quarter of 2015 includes impairment of assets of \$1.8 million, \$2.5 million and \$0.3 million, respectively, comprised of goodwill, definite-lived intangible assets and other long-lived assets.

The third and fourth quarter of 2014 includes impairment of assets of \$6.9 million and \$4.6 million, respectively, comprised of definite-lived intangible assets and other long-lived assets.

Table of Contents

**Note 23 Subsequent Event**

On February 22, 2016, the Company announced the establishment of a dividend policy and the declaration by its Board of Directors of an initial quarterly cash dividend in the amount of \$0.04 per share of the Company's issued and outstanding common stock. The dividend will be paid on March 24, 2016 to stockholders of record as of March 4, 2016. Under the dividend policy, the Company will target a cash dividend to the Company's stockholders in the amount of \$0.16 per share per annum, payable in equal quarterly installments. Subsequent dividend declarations and the establishment of record and payment dates for such future dividend payments, if any, are subject to the Board of Directors' continuing determination that the dividend policy is in the best interests of the Company's stockholders. The dividend policy may be suspended or cancelled at the discretion of the Board of Directors at any time.

Table of Contents

**ITEM 9A CONTROLS AND PROCEDURES**

**Disclosure 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 December 31, 2015. Based on this evaluation, at the time our Annual Report on Form 10-K for the year ended December 31, 2015 was filed on February 29, 2016, our Chief Executive Officer and Chief Financial Officer had concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of December 31, 2015 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. Subsequent to that evaluation, as a result of the material weakness in our internal control over financial reporting described below, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of December 31, 2015. The Company is amending this Item 9A, as well as Part I, Item 4 of its Quarterly Reports on Form 10-Q for the periods ended March 31, 2016 and June 30, 2016, to reflect the conclusion by management that there was a material weakness in internal control over financial reporting as of the end of the periods covered by these reports.

**Management's Report on Internal Control over Financial Reporting (restated)**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. 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 internal control over financial reporting as of December 31, 2015, based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control Integrated Framework (2013)*. Based on this evaluation, management identified a material weakness in internal control over financial reporting as of December 31, 2015, as described below.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

We did not design and maintain effective internal control over the accounting for income taxes, including the income tax provision and related tax assets and liabilities. Specifically, management did not design and maintain controls with a level of precision that would identify a material misstatement. This control deficiency resulted in immaterial errors to deferred tax assets and liabilities, income taxes payable and income tax expense accounts in the Company's consolidated financial statements for the year ended December 31, 2015. These errors did not, individually or in the aggregate, result in a material misstatement of the Company's consolidated financial statements and disclosures for any periods through and including the fiscal year ended December 31, 2015. However, this control deficiency could have resulted in a material misstatement to our annual or interim consolidated financial statements that would not be prevented or detected. Accordingly, our management has determined that this control deficiency constitutes a material weakness.

In Management's Report on Internal Control over Financial Reporting included in our original Annual Report on Form 10-K for the year-ended December 31, 2015, our management, under the supervision of our Chief Executive Officer and Chief Financial Officer, concluded that we maintained effective internal control over financial reporting as of December 31, 2015. We have subsequently

Table of Contents

concluded that the material weakness described above existed as of December 31, 2015. As a result, management has concluded that we did not maintain effective internal control over financial reporting as of December 31, 2015, based on the COSO criteria described above. Management therefore has restated its report on internal control over financial reporting.

Ernst & Young LLP, our independent registered public accounting firm for the fiscal year ended December 31, 2015, has issued an attestation report expressing an adverse opinion on the effectiveness of our internal control over financial reporting which is included herein.

**Remediation Plans**

During the nine months ended September 30, 2016 and through the date of this filing, as part of our routine efforts to maintain adequate and effective internal control over financial reporting, we initiated and are implementing measures designed to improve our financial statement closing process and enhance certain internal controls processes and procedures. As indicated below, a number of these initiatives relate directly to strengthening our control over accounting for income taxes and address specific control deficiencies which contributed to the material weakness. As a result of these efforts, as of the date of this filing the Company believes it has made progress toward remediating the underlying causes of the material weakness. Specifically, the Company has undertaken the following steps in 2016 to remediate the deficiencies underlying this material weakness:

We augmented our tax accounting resources by adding personnel with specific international tax expertise to strengthen tax accounting review procedures in significant jurisdictions;

We implemented procedures designed to improve the process and timeliness of tax return preparation in significant jurisdictions;

We developed and implemented enhanced policies and procedures relating to account reconciliations and analysis, including enhancing our documentation to reflect the control attributes that are performed;

We are implementing close procedures at an interim period to allow for more timely and increased oversight by our management of the calculation and reporting of certain tax balances;

We identified and implemented technology improvements designed to enhance the functionality of our tax provision software to automate tasks and control workflow; and

We are reassessing the design of our tax review controls to identify areas where enhanced precision will help detect and prevent material misstatements.

We are committed to maintaining a strong internal control environment, and believe that these remediation efforts represent significant improvements in our control environment. The identified material weakness in internal control will not be considered fully remediated until the internal controls over these areas have been in operation for a sufficient period of time for our management to conclude that the material weakness has been fully remediated. The Company will continue its efforts to implement and test the new controls in order to make this final determination.

**Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2015 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

As discussed above, subsequent to the issuance of our consolidated financial statements as of and for the fiscal year ended December 31, 2015, our management determined that certain deficiencies in the Company's internal controls over financial reporting constitute a material weakness in our internal control over financial reporting. This material weakness existed as of December 31, 2015 and continues to exist as of the date of this filing.





Table of Contents

**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Shareholders of  
Bruker Corporation

We have audited Bruker Corporation's internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Bruker Corporation's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

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

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

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

In our report dated February 26, 2016, we expressed an unqualified opinion that Bruker Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the COSO criteria. Management has subsequently identified a deficiency in controls related to the accounting for income taxes, including the income tax provision and related tax assets and liabilities, and has further concluded that such deficiency represented a material weakness as of December 31, 2015. As a result, management has restated its assessment, as presented in the accompanying Management's Report on Internal Control over Financial Reporting; to conclude that Bruker Corporation's internal control over financial reporting was not effective as of December 31, 2015. Accordingly, our present opinion on the effectiveness of Bruker Corporation's internal control over financial reporting as of December 31, 2015, as expressed herein, is different from that expressed in our previous report.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the

Table of Contents

company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management's assessment. Management identified a material weakness in internal control over financial reporting relating to the accounting for income taxes, including the income tax provision and related tax assets and liabilities. Specifically, management did not design and maintain controls with a level of precision that would identify a material misstatement. We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Bruker Corporation as of December 31, 2015 and 2014, and the related consolidated statements of income and comprehensive income (loss), shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2015. This material weakness was considered in determining the nature, timing and extent of audit tests applied in our audit of the 2015 financial statements, and this report does not affect our report dated February 26, 2016 which expressed an unqualified opinion on those financial statements.

In our opinion, because of the effect of the material weakness described above on the achievement of the objectives of the control criteria, Bruker Corporation has not maintained effective internal control over financial reporting as of December 31, 2015, based on the COSO criteria.

/s/ Ernst & Young LLP

Boston, Massachusetts  
February 26, 2016, except for the effect of the material weakness  
described in the sixth paragraph above, as to which the date  
is November 15, 2016

Table of Contents**PART IV****ITEM 15 EXHIBITS, FINANCIAL STATEMENTS AND SCHEDULES***(a)****Financial Statements and Schedules*****(1)****Financial Statements**

The following consolidated financial statements of Bruker Corporation are filed as part of this report under Item 8 Financial Statements and Supplementary Data:

Report of Ernst & Young LLP, Independent Registered Public Accounting Firm  
 Consolidated Balance Sheets as of December 31, 2015 and 2014  
 Consolidated Statements of Income and Comprehensive Income (Loss) for the years ended December 31, 2015, 2014 and 2013  
 Consolidated Statements of Shareholders' Equity for the years ended December 31, 2015, 2014 and 2013  
 Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2014 and 2013  
 Notes to Consolidated Financial Statements

**(2)****Financial Statement Schedules**

All schedules have been omitted because they are not required or because the required information is provided in the Consolidated Financial Statements or Notes thereto set forth under Item 8 above.

**(3)****Exhibits***(b)****List of Exhibits***

Exhibit No.	Description	Filed Herewith	Incorporated by Reference (1)	
			Form	Date
3.1	Amended Certificate of Incorporation of the Registrant		10-K	December 31, 2007
3.2	Bylaws of the Registrant		S-1	August 3, 2000
4.1	Specimen stock certificate representing shares of common stock of the Registrant		S-3	April 22, 2004
10.1	Bruker Corporation 2010 Incentive Compensation Plan		S-8	June 4, 2010
10.2	Bruker Corporation 2010 Incentive Compensation Plan Form of Incentive Stock Option Agreement		10-Q	June 30, 2010
10.3	Bruker Corporation 2010 Incentive Compensation Plan Form of Non-Qualified Stock Option Agreement		10-Q	June 30, 2010
10.4	Bruker Corporation 2010 Incentive Compensation Plan Form of Restricted Stock Agreement		10-Q	June 30, 2010



Edgar Filing: BRUKER CORP - Form 10-K/A

Table of Contents

<b>Exhibit No.</b>	<b>Description</b>	<b>Filed Herewith</b>	<b>Incorporated by Reference (1) Form Date</b>
10.30	Amended and Restated Credit Agreement dated as of May 24, 2011 among the Company, Bruker AXS GmbH, Bruker Daltonik GmbH, Bruker Optik GmbH, Bruker Physik GmbH, Bruker BioSpin Invest AG, Bruker BioSpin AG and Bruker BioSpin International AG, the other foreign subsidiary borrowers from time to time party thereto, the lenders from time to time party thereto, Deutsche Bank Securities Inc., Commerzbank Ag, New York, Grand Cayman And Stuttgart Branches and RBS Citizens, National Association, as Co-Documentation Agents, Bank of America, N.A. as Syndication Agent and JPMorgan Chase Bank, N.A., as Administrative Agent		8-K May 25, 2011
10.31*	Note Purchase Agreement dated as of January 18, 2012.		8-K January 18, 2012
10.34	Bruker Energy & Supercon Technologies, Inc. 2009 Stock Option Plan		10-K December 31, 2009
10.35	Form of Bruker Energy & Supercon Technologies, Inc. Incentive Stock Option Agreement		10-K December 31, 2009
10.36	Form of Bruker Energy & Supercon Technologies, Inc. Non-Qualified Stock Option Agreement		10-K December 31, 2009
10.40	Letter agreement dated June 5, 2012 between Bruker Corporation and Charles F. Wagner, Jr		10-Q June 30, 2012
10.41	Employment offer letter agreement dated June 25, 2012 between Bruker Corporation and Juergen Srega		10-Q March 31, 2013
10.42	Amended employment agreement dated December 3, 2013 between Bruker Corporation and Thomas Bachmann		10-K December 31, 2013

Edgar Filing: BRUKER CORP - Form 10-K/A

Table of Contents

<b>Exhibit No.</b>	<b>Description</b>	<b>Filed Herewith</b>	<b>Incorporated by Reference (1) Form Date</b>
10.43*	Credit Agreement, dated October 27, 2015, by and among the Company and certain of its foreign subsidiaries as borrowers, Citizens Bank, N.A., Deutsche Bank Securities Inc. and TD Bank, N.A., as Co-Documentation Agents, Bank of America, N.A. and Wells Fargo Bank, National Association, as Co-Syndication Agents, JPMorgan Chase Bank, N.A., as Administrative Agent for itself and the other lenders party thereto, and the several banks or other financial institutions or entities from time to time party thereto as lenders (incorporated by reference to Exhibit 10.1 to the Company's Current Report on the Form 8-K filed on October 27, 2015, File No. 000-30833)		8-K October 27, 2015
10.44	Employment agreement with an effective date of November 1, 2015 between Bruker Corporation and Dr. René Lenggenhager		10-Q November 6, 2015
21.1**	Subsidiaries of the Registrant		
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm	X	
24.1**	Power of attorney		
31.1	Certification by Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X	
31.2	Certification by Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X	
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	X	

## Edgar Filing: BRUKER CORP - Form 10-K/A

### Table of Contents

<b>Exhibit No.</b>	<b>Description</b>	<b>Filed Herewith</b>	<b>Incorporated by Reference (1) Form Date</b>
101**	The following materials from the Bruker Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 2015 formatted in Extensible Business Reporting Language (XBRL): (i) the Consolidated Balance Sheets, (ii) Consolidated Statements of Income and Comprehensive Income (Loss), (iii) Consolidated Statements of Shareholders' Equity and Comprehensive Income (Loss), (iv) Consolidated Statements of Cash Flows and (iv) Notes to the Condensed Consolidated Financial Statements		

---

\*

Certain portions have been omitted pursuant to an order granting confidential treatment and have been filed separately with the Securities and Exchange Commission.

\*\*

Previously filed with the Annual Report on Form 10-K originally filed on February 29, 2016.

Designates management contract or compensatory plan or arrangement.

(1)

In accordance with Rule 12b-32 under the Exchange Act reference is made to the documents previously filed with the Securities and Exchange Commission, which documents are hereby incorporated by reference. The dates listed for Forms 8-K are dates the respective forms were filed on, the dates listed for Forms 10-Q, Forms 10-K and Forms 10-K/A are for the quarterly or annual period ended dates and the dates listed for Forms S-1, Forms S-3 and Forms S-4 are dates on which the Securities and Exchange Commission declared them effective.



Table of Contents

**SIGNATURES**

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

BRUKER CORPORATION

Date: November 15, 2016

By: /s/ FRANK H. LAUKIEN, PH.D.

---

Name: Frank H. Laukien, Ph.D.

Title: *President, Chief Executive Officer and Chairman*

56

---