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

Form 10-Q

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

For the quarterly period ended September 30, 2019

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

For the transition period from _____ to _____

Commission File Number 000-30833

BRUKER CORPORATION

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	04-3110160 (I.R.S. Employer Identification No.)
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40 Manning Road, Billerica, MA 01821
(Address of principal executive offices) (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	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	BRKR	Nasdaq Global Select Market

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☐
	Emerging growth company ☐

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

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

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

Class	Outstanding at October 30, 2019
Common Stock, \$0.01 par value per share	153,991,644 shares

BRUKER CORPORATION
Quarterly Report on Form 10-Q
For the Quarter Ended September 30, 2019

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PART I FINANCIAL INFORMATION
ITEM 1. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

BRUKER CORPORATION
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions, except share and per share data)

	September 30, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 296.3	\$ 322.4
Short-term investments	6.1	—
Accounts receivable, net	358.8	357.2
Inventories	586.7	509.6
Other current assets	186.1	115.1
Total current assets	1,434.0	1,304.3
Property, plant and equipment, net	278.1	270.6
Goodwill	282.3	275.7
Operating lease assets	68.9	—
Intangibles, net and other long-term assets	288.8	278.0
Total assets	\$ 2,352.1	\$ 2,128.6
LIABILITIES, REDEEMABLE NONCONTROLLING INTEREST AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 0.3	\$ 18.5
Accounts payable	116.6	104.5
Customer advances	126.1	124.4
Other current liabilities	400.0	351.9
Total current liabilities	643.0	599.3
Long-term debt	518.5	322.6
Operating lease liabilities	50.7	—
Other long-term liabilities	264.3	279.0
Commitments and contingencies (Note 13)		
Redeemable noncontrolling interest	20.9	22.6
Shareholders' equity:		
Preferred stock, \$0.01 par value 5,000,000 shares authorized, none issued or outstanding	—	—
Common stock, \$0.01 par value 260,000,000 shares authorized, 173,292,361 and 172,634,220 shares issued and 153,945,784 and 156,609,340 shares outstanding at September 30, 2019 and December 31, 2018, respectively	1.7	1.7
Treasury stock, at cost, 19,346,577 and 16,024,880 shares at September 30, 2019 and December 31, 2018, respectively	(543.8)	(401.5)
Accumulated other comprehensive income	(18.8)	17.0
Other shareholders' equity	1,406.1	1,279.4
Total shareholders' equity attributable to Bruker Corporation	845.2	896.6
Noncontrolling interest in consolidated subsidiaries	9.5	8.5
Total shareholders' equity	854.7	905.1
Total liabilities and shareholders' equity	\$ 2,352.1	\$ 2,128.6

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

BRUKER CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (LOSS)
(in millions, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Product revenue	\$ 440.6	\$ 385.5	\$ 1,235.3	\$ 1,105.8
Service revenue	78.8	79.6	234.8	230.8
Other revenue	1.7	1.5	2.6	5.4
Total revenue	521.1	466.6	1,472.7	1,342.0
Cost of product revenue	220.4	197.3	627.9	571.6
Cost of service revenue	46.5	46.6	145.3	142.2
Cost of other revenue	0.3	0.1	0.5	1.0
Total cost of revenue	267.2	244.0	773.7	714.8
Gross profit	253.9	222.6	699.0	627.2
Operating expenses:				
Selling, general and administrative	125.3	106.5	369.9	327.4
Research and development	46.1	41.8	141.0	128.6
Other charges (gain), net	(5.3)	5.2	4.9	15.2
Total operating expenses	166.1	153.5	515.8	471.2
Operating income	87.8	69.1	183.2	156.0
Interest and other income (expense), net	(4.6)	(3.7)	(14.0)	(11.5)
Income before income taxes and noncontrolling interest in consolidated subsidiaries	83.2	65.4	169.2	144.5
Income tax provision	21.7	21.2	40.0	41.4
Consolidated net income	61.5	44.2	129.2	103.1
Net income attributable to noncontrolling interests in consolidated subsidiaries	0.2	0.8	0.6	1.5
Net income attributable to Bruker Corporation	\$ 61.3	\$ 43.4	\$ 128.6	\$ 101.6
Net income per common share attributable to Bruker Corporation shareholders:				
Basic	\$ 0.40	\$ 0.28	\$ 0.83	\$ 0.65
Diluted	\$ 0.39	\$ 0.28	\$ 0.82	\$ 0.65
Weighted average common shares outstanding:				
Basic	154.2	156.4	155.7	156.1
Diluted	155.6	157.4	157.0	157.2
Comprehensive income (loss)	\$ 26.1	\$ 41.9	\$ 92.0	\$ 88.3
Less: Comprehensive income (loss) attributable to noncontrolling interests	0.2	0.5	1.0	0.9
Less: Comprehensive income (loss) attributable to redeemable noncontrolling interest	(1.2)	—	(1.8)	—
Comprehensive income (loss) attributable to Bruker Corporation	\$ 27.1	\$ 41.4	\$ 92.8	\$ 87.4
Dividend declared per common share	\$ 0.04	\$ 0.04	\$ 0.12	\$ 0.12

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

BRUKER CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF REDEEMABLE NONCONTROLLING INTEREST AND
SHAREHOLDERS' EQUITY
(in millions, except per share data)

	Redeemable Noncontrolling Interest	Common Shares	Common Stock Amount	Treasury Shares	Treasury Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity Attributable to Bruker Corporation	Noncontrolling Interests in Consolidated Subsidiaries	Total Shareholders' Equity
Balance at December 31, 2018	\$ 22.6	156,609,340	\$ 1.7	16,024,880	\$ (401.5)	\$ 176.9	\$ 1,102.5	\$ 17.0	\$ 896.6	\$ 8.5	\$ 905.1
Stock options exercised	—	167,177	—	—	—	3.1	—	—	3.1	—	3.1
Restricted stock units vested	—	35,072	—	—	—	—	—	—	—	—	—
Stock based compensation	—	—	—	—	—	2.7	—	—	2.7	—	2.7
Shares issued for acquisition	—	3,087	—	(3,087)	—	—	—	—	—	—	—
Cash dividends paid to common stockholders	—	—	—	—	—	—	(6.3)	—	(6.3)	—	(6.3)
Consolidated net income (loss)	(0.2)	—	—	—	—	—	30.8	—	30.8	0.1	30.9
Other comprehensive income (loss)	(0.4)	—	—	—	—	—	—	(13.7)	(13.7)	(0.2)	(13.9)
Balance at March 31, 2019	\$ 22.0	156,814,676	\$ 1.7	16,021,793	\$ (401.5)	\$ 182.7	\$ 1,127.0	\$ 3.3	\$ 913.2	\$ 8.4	\$ 921.6
Stock options exercised	—	145,606	—	—	—	2.7	—	—	2.7	—	2.7
Restricted stock units vested	—	2,344	—	—	—	—	—	—	—	—	—
Stock based compensation	—	—	—	—	—	2.6	—	—	2.6	—	2.6
Shares repurchased	—	(2,300,635)	—	2,300,635	(100.0)	—	—	—	(100.0)	—	(100.0)
Cash dividends paid to common stockholders	—	—	—	—	—	—	(6.3)	—	(6.3)	—	(6.3)
Consolidated net income (loss)	(0.3)	—	—	—	—	—	36.5	—	36.5	0.8	37.3
Other comprehensive income (loss)	0.3	—	—	—	—	—	—	12.1	12.1	0.1	12.2
Balance at June 30, 2019	\$ 22.0	154,661,991	\$ 1.7	18,322,428	\$ (501.5)	\$ 188.0	\$ 1,157.2	\$ 15.4	\$ 860.8	\$ 9.3	\$ 870.1
Stock options exercised	—	152,918	—	—	—	3.1	—	—	3.1	—	3.1
Restricted stock units vested	—	155,024	—	—	—	(0.8)	—	—	(0.8)	—	(0.8)
Stock based compensation	—	—	—	—	—	3.5	—	—	3.5	—	3.5
Shares repurchased	—	(1,022,469)	—	1,022,469	(42.3)	—	—	—	(42.3)	—	(42.3)
Treasury stock acquired	—	(1,680)	—	1,680	—	—	—	—	—	—	—
Cash dividends paid to common stockholders	—	—	—	—	—	—	(6.2)	—	(6.2)	—	(6.2)
Consolidated net income (loss)	(0.2)	—	—	—	—	—	61.3	—	61.3	0.4	61.7
Other comprehensive income (loss)	(0.9)	—	—	—	—	—	—	(34.2)	(34.2)	(0.2)	(34.4)
Balance at September 30, 2019	\$ 20.9	153,945,784	\$ 1.7	19,346,577	\$ (543.8)	\$ 193.8	\$ 1,212.3	\$ (18.8)	\$ 845.2	\$ 9.5	\$ 854.7

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

BRUKER CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF REDEEMABLE NONCONTROLLING INTEREST AND
SHAREHOLDERS' EQUITY
(in millions, except per share data)

	Redeemable Noncontrolling Interest	Common Shares	Common Stock Amount	Treasury Shares	Treasury Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity Attributable to Bruker Corporation	Noncontrolling Interests in Consolidated Subsidiaries	Total Shareholders' Equity
Balance at December 31, 2017	\$ —	155,865,977	\$ 1.7	16,009,099	\$ (401.2)	\$ 155.9	\$ 942.0	\$ 27.0	\$ 725.4	\$ 8.1	\$ 733.5
Restricted shares terminated	—	(6,553)	—	6,553	—	—	—	—	—	—	—
Stock options exercised	—	180,890	—	—	—	2.9	—	—	2.9	—	2.9
Restricted stock units vested	—	42,762	—	—	—	—	—	—	—	—	—
Stock based compensation	—	—	—	—	—	2.5	—	—	2.5	—	2.5
Shares issued for acquisition	—	(2,123)	—	2,123	(0.1)	—	—	—	(0.1)	—	(0.1)
Treasury stock acquired	—	(1,055)	—	1,055	—	—	—	—	—	—	—
Adoption impact from new revenue standard ASC 606	—	—	—	—	—	—	5.9	—	5.9	0.2	6.1
Cash dividends paid to common stockholders	—	—	—	—	—	—	(6.3)	—	(6.3)	—	(6.3)
Consolidated net income (loss)	—	—	—	—	—	—	27.0	—	27.0	0.4	27.4
Other comprehensive income (loss)	—	—	—	—	—	—	—	24.2	24.2	0.1	24.3
Balance at March 31, 2018	\$ —	156,079,898	\$ 1.7	16,018,830	\$ (401.3)	\$ 161.3	\$ 968.6	\$ 51.2	\$ 781.5	\$ 8.8	\$ 790.3
Stock options exercised	—	221,464	—	—	—	4.2	—	—	4.2	—	4.2
Restricted stock units vested	—	5,964	—	—	—	—	—	—	—	—	—
Stock based compensation	—	—	—	—	—	2.4	—	—	2.4	—	2.4
Treasury stock acquired	—	(1,384)	—	1,384	(0.1)	—	—	—	(0.1)	—	(0.1)
Cash dividends paid to common stockholders	—	—	—	—	—	—	(6.2)	—	(6.2)	—	(6.2)
Consolidated net income (loss)	—	—	—	—	—	—	31.2	—	31.2	0.3	31.5
Other comprehensive income (loss)	—	—	—	—	—	—	—	(36.4)	(36.4)	(0.4)	(36.8)
Balance at June 30, 2018	\$ —	156,305,942	\$ 1.7	16,020,214	\$ (401.4)	\$ 167.9	\$ 993.6	\$ 14.8	\$ 776.6	\$ 8.7	\$ 785.3
Stock options exercised	—	127,003	—	—	—	2.5	—	—	2.5	—	2.5
Restricted stock units vested	—	83,923	—	—	—	(0.4)	—	—	(0.4)	—	(0.4)
Stock based compensation	—	—	—	—	—	3.3	—	—	3.3	—	3.3
Treasury stock acquired	—	(4,666)	—	4,666	(0.1)	—	—	—	(0.1)	—	(0.1)
Cash dividends paid to common stockholders	—	—	—	—	—	—	(6.3)	—	(6.3)	—	(6.3)
Distribution to noncontrolling interests	—	—	—	—	—	—	—	—	—	(0.9)	(0.9)
Consolidated net income (loss)	—	—	—	—	—	—	43.4	—	43.4	0.7	44.1
Other comprehensive income (loss)	—	—	—	—	—	—	—	(2.1)	(2.1)	(0.2)	(2.3)
Balance at September 30, 2018	\$ —	156,512,202	\$ 1.7	16,024,880	\$ (401.5)	\$ 173.3	\$ 1,030.7	\$ 12.7	\$ 816.9	\$ 8.3	\$ 825.2

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

BRUKER CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Nine Months Ended September 30,	
	2019	2018
Cash flows from operating activities:		
Consolidated net income	\$ 129.2	\$ 103.1
Adjustments to reconcile consolidated net income to cash flows from operating activities:		
Depreciation and amortization	57.3	48.3
Stock-based compensation expense	10.1	8.2
Deferred income taxes	(0.5)	(8.6)
Other non-cash expenses, net	1.7	28.7
Changes in operating assets and liabilities, net of acquisitions and divestitures:		
Accounts receivable	(8.0)	(6.9)
Inventories	(80.9)	(55.3)
Accounts payable and accrued expenses	10.3	(1.2)
Income taxes payable, net	(6.4)	(8.5)
Deferred revenue	9.7	4.8
Customer advances	(9.1)	2.1
Other changes in operating assets and liabilities, net	(36.2)	(7.3)
Net cash provided by operating activities	77.2	107.4
Cash flows from investing activities:		
Purchases of short-term investments	(6.4)	—
Maturities of short-term investments	—	117.0
Cash paid for acquisitions, net of cash acquired	(79.0)	(55.3)
Purchases of property, plant and equipment	(44.8)	(28.9)
Proceeds from sales of property, plant and equipment	11.0	0.1
Net cash (used in) provided by investing activities	(119.2)	32.9
Cash flows from financing activities:		
Repayments of Note Purchase Agreement	(15.0)	—
Repayments of revolving lines of credit	(50.5)	(202.5)
Proceeds from revolving lines of credit	250.6	27.5
Repayment of other debt	(4.8)	(0.9)
Proceeds of other debt	0.4	—
Proceeds from issuance of common stock, net	8.1	8.9
Payment of contingent consideration	(5.6)	(2.3)
Repurchase of common stock	(142.3)	—
Payment of dividends	(18.8)	(18.8)
Cash payments to noncontrolling interest	—	(0.9)
Net cash provided by (used in) financing activities	22.1	(189.0)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(6.4)	(5.4)
Net change in cash, cash equivalents and restricted cash	(26.3)	(54.1)
Cash, cash equivalents and restricted cash at beginning of period	326.3	328.9
Cash, cash equivalents and restricted cash at end of period	\$ 300.0	\$ 274.8

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

BRUKER CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business

Bruker Corporation, together with its consolidated subsidiaries (Bruker or the Company), develops, manufactures and distributes high-performance scientific instruments and analytical and diagnostic solutions that enable its customers to explore life and materials at microscopic, molecular and cellular levels. Many of the Company's products are used to detect, measure and visualize structural characteristics of chemical, biological and industrial material samples. The Company's 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 represented approximately 90.5% and 90.4% of the Company's revenues during the three and nine months ended September 30, 2019, respectively, and 89.4% and 89.9% of the Company's revenues during the three and nine months ended September 30, 2018, respectively; and *Bruker Energy & Supercon Technologies (BEST)*, which represented the remainder of the Company's revenues. 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 Group, Bruker CALID Group and Bruker Nano Group 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 — The Bruker BioSpin Group designs, manufactures and distributes enabling life science tools based on magnetic resonance technology. The majority of the Bruker BioSpin Group's revenues are generated by academic and government research customers. Other customers include pharmaceutical and biotechnology companies and nonprofit laboratories, as well as chemical, food and beverage, clinical and other industrial companies.

Bruker CALID (Chemicals, Applied Markets, Life Science, In-Vitro Diagnostics, Detection)— The Bruker CALID Group designs, manufactures and distributes life science mass spectrometry and ion mobility spectrometry solutions, analytical and process analysis instruments and solutions based on infrared and Raman molecular spectroscopy technologies and radiological/nuclear detectors for Chemical, Biological, Radiological, Nuclear and Explosive (CBRNE) detection. Customers of the Bruker CALID Group include: academic institutions and medical schools; pharmaceutical, biotechnology and diagnostics companies; contract research organizations; nonprofit and for-profit forensics laboratories; agriculture, food and beverage safety laboratories; environmental and clinical microbiology laboratories; hospitals and government departments and agencies.

Bruker Nano — The Bruker Nano Group designs, manufactures and distributes advanced X-ray instruments; atomic force microscopy instrumentation; advanced fluorescence optical microscopy instruments; analytical tools for electron microscopes and X-ray metrology; defect-detection equipment for semiconductor process control; handheld, portable and mobile X-ray fluorescence spectrometry instruments; and spark optical emission spectroscopy systems. Customers of the Bruker Nano Group include academic institutions, governmental customers, nanotechnology companies, semiconductor companies, raw material manufacturers, industrial companies, biotechnology and pharmaceutical companies and other businesses involved in materials analysis.

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 research and other applications.

The unaudited condensed consolidated financial statements represent the consolidated accounts of the Company. All intercompany accounts and transactions have been eliminated in consolidation. The unaudited condensed consolidated financial statements as of September 30, 2019 and December 31, 2018, and for the three and nine months ended September 30, 2019 and 2018, have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) for Quarterly Reports on Form 10-Q and Article 10 of Regulation S-X. Accordingly, the financial information presented herein does not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management,

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all adjustments, consisting only of normal recurring adjustments, considered necessary for a fair statement have been included. The results for interim periods are not necessarily indicative of the results expected for any other interim period or the full year.

At September 30, 2019, the Company's significant accounting policies and estimates, which are detailed in the Company's Annual Report on Form 10-K for the year ended December 31, 2018, have not changed other than for lease accounting as detailed in Footnote 14.

2. Revenue

The following table presents the Company's revenues by Group and End Customer Geography (dollars in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenue by Group:				
Bruker BioSpin	\$ 143.7	\$ 139.5	\$ 422.4	\$ 411.2
Bruker CALID	158.2	134.6	446.9	393.9
Bruker Nano	169.9	143.0	461.7	401.4
BEST	52.5	50.9	152.2	139.2
Eliminations	(3.2)	(1.4)	(10.5)	(3.7)
Total revenue	<u>\$ 521.1</u>	<u>\$ 466.6</u>	<u>\$ 1,472.7</u>	<u>\$ 1,342.0</u>
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenue by End Customer Geography:				
United States	\$ 135.5	\$ 134.1	\$ 379.3	\$ 347.3
Germany	57.7	44.9	150.1	135.3
Rest of Europe	121.0	114.6	350.0	346.4
Asia Pacific	158.5	134.4	464.5	396.8
Other	48.4	38.6	128.8	116.2
Total revenue	<u>\$ 521.1</u>	<u>\$ 466.6</u>	<u>\$ 1,472.7</u>	<u>\$ 1,342.0</u>

Revenue for the Company recognized at a point in time versus over time is as follows (dollars in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenue recognized at a point in time	\$ 463.8	\$ 427.1	\$ 1,310.2	\$ 1,227.6
Revenue recognized over time	57.3	39.5	162.5	114.4
Total revenue	<u>\$ 521.1</u>	<u>\$ 466.6</u>	<u>\$ 1,472.7</u>	<u>\$ 1,342.0</u>

Remaining Performance Obligations

Remaining performance obligations represent the aggregate transaction price allocated to a promise to transfer a good or service that is fully or partially unsatisfied at the end of the period. As of September 30, 2019, remaining performance obligations were approximately \$1,520.5 million. The Company expects to recognize revenue on approximately 63.6% of the remaining performance obligations over the next twelve months and the remaining performance obligations primarily within one to five years.

Contract Balances

The timing of revenue recognition, billings and cash collections results in billed accounts receivable, unbilled receivables (contract assets) and deferred revenue, customer deposits and billings in excess of revenue recognized (contract liabilities) on the Company's unaudited condensed consolidated balance sheets.

Contract assets—Most of the Company’s long-term contracts are billed as work progresses in accordance with the contract terms and conditions, either at periodic intervals or upon achievement of certain milestones. Billing often occurs subsequent to revenue recognition, resulting in contract assets. Contract assets are generally classified as other current assets in the unaudited condensed consolidated balance sheets. The balance of contract assets as of September 30, 2019 and December 31, 2018 was \$38.1 million and \$25.9 million, respectively. The increase in the contract asset balance during the nine month period ended September 30, 2019 is primarily a result of foreign currency translation and contracts that have been recognized as revenue during the nine month period ending September 30, 2019 for which billing cannot contractually occur as of September 30, 2019.

Contract liabilities—The Company often receives cash payments from customers in advance of the Company’s performance, resulting in contract liabilities. These contract liabilities are classified as either current or long-term in the unaudited condensed consolidated balance sheet based on the timing of when revenue recognition is expected. As of September 30, 2019 and December 31, 2018, the contract liabilities were \$295.1 million and \$288.5 million, respectively. The increase in the contract liability balance during the nine month period ended September 30, 2019 is primarily a result of new performance obligations entered into during the nine month period. Approximately \$165.0 million of the contract liability balance on December 31, 2018 was recognized as revenue during the nine month period ended September 30, 2019.

3. Acquisitions

The impact of all acquisitions, individually and collectively, on revenues, net income and total assets was not material. Pro forma financial information reflecting all acquisitions has not been presented because the impact, individually and collectively, on revenues, net income and total assets is not material. Amounts allocated to goodwill that are attributable to expected synergies are not expected to be deductible for tax purposes.

2019

On April 2, 2019, the Company acquired Rave LLC (“Rave”), a privately held company, for a purchase price of \$52.2 million with the potential for additional consideration of up to \$5.0 million based on revenue and gross margin achievements in 2019 and 2020. Rave develops and manufactures nanomachining and laser photomask repair equipment. Rave was integrated into the Bruker Nano Group within the BSI reportable segment. The acquisition of Rave was accounted for under the acquisition method. The components and fair value allocation of the consideration transferred in connection with the acquisition were as follows (dollars in millions):

Consideration Transferred:	
Cash paid	\$ 55.8
Contingent consideration	4.4
Working capital adjustment	(3.6)
Total consideration transferred	<u>\$ 56.6</u>
Allocation of Consideration Transferred:	
Inventories	\$ 23.1
Accounts receivable	2.2
Other current and non-current assets	0.8
Property, plant and equipment	2.1
Operating lease assets	1.0
Intangible assets:	
Technology	17.9
Customer relationships	15.5
Trade name	1.5
Goodwill	6.4
Liabilities assumed	(13.9)
Total consideration allocated	<u>\$ 56.6</u>

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The preliminary fair value allocation included contingent consideration in the amount of \$4.4 million, which represented the estimated fair value of future payments to the former shareholders of Rave based on achieving revenue and gross margin percentage targets for the period ended April 30, 2020. The Company expects to complete the fair value allocation during the measurement period. The amortization period for all intangible assets acquired in connection with Rave is ten years.

In the nine months ended September 30, 2019, the Company completed various other acquisitions that collectively complemented the Company's existing product offerings or added aftermarket and software capabilities to the Company's existing businesses.

The following table reflects the consideration transferred and the respective reporting segment for each of these acquisitions:

Name of Acquisition	Date Acquired	Segment	Consideration	Cash Consideration
Arxspan, LLC	March 4, 2019	BSI	\$ 16.6	\$ 14.4
Ampegon PPT GmbH	March 7, 2019	BEST	2.0	2.0
PMOD Technologies GmbH	July 1, 2019	BSI	8.9	7.9
			<u>\$ 27.5</u>	<u>\$ 24.3</u>

2018

The following acquisitions occurred in the nine months ended September 30, 2018 (dollars in millions):

Company Acquired	Anasys	JPK
Reportable segment assigned	BSI	BSI
Consideration Transferred:		
Cash paid	\$ 27.0	\$ 16.6
Cash acquired	—	(0.2)
Contingent consideration	5.3	4.3
Total consideration transferred	<u>\$ 32.3</u>	<u>\$ 20.7</u>
Allocation of Consideration Transferred:		
Inventories	\$ 2.8	\$ 3.0
Accounts receivable	0.8	1.8
Other current and non-current assets	1.1	0.7
Intangible assets:		
Technology	7.3	7.0
Customer relationships	8.0	7.5
Backlog	1.8	1.1
Trade name	0.6	0.6
Goodwill	16.6	8.0
Deferred taxes, net	(3.2)	(4.9)
Liabilities assumed	(3.5)	(4.1)
Total consideration allocated	<u>\$ 32.3</u>	<u>\$ 20.7</u>

Anasys

On April 8, 2018, the Company acquired a 100% interest in Anasys Instruments Corp. ("Anasys"), a privately held company, for a purchase price of \$27.0 million with the potential for additional consideration of up to \$9.6 million based on revenue achievements in 2019 and 2020. Anasys develops and manufactures nanoscale infrared spectroscopy and thermal measurement instruments. Anasys is located in Santa Barbara, California and was integrated into the Bruker Nano Group within the BSI reportable segment.

The preliminary fair value allocation included contingent consideration in the amount of \$5.3 million, which represented the estimated fair value of future payments to the former shareholders of Anasys based on Anasys achieving annual revenue targets for the years 2019 and 2020. The Company completed the fair value allocation in the fourth quarter of 2018. The amortization period for all intangible assets acquired in connection with Anasys is eight years, except for backlog which will be amortized over one year.

JPK

On July 11, 2018, the Company acquired a 100% interest in JPK Instruments AG (“JPK”), a privately held company, for a purchase price of Euro 14.2 million (approximately \$16.6 million), with the potential for additional consideration of up to Euro 4.3 million (approximately \$5.0 million) based on various operational achievements throughout 2019 and 2020. JPK adds in-depth expertise in live-cell imaging, cellular mechanics, adhesion, and molecular force measurements, optical trapping, and biological stimulus-response characterization to Bruker’s capabilities. JPK is located in Berlin, Germany and was integrated into the Bruker Nano Group within the BSI reportable segment.

The preliminary fair value allocation included contingent consideration in the amount of \$4.3 million, which represented the estimated fair value of future payments to the former shareholders of JPK based on JPK achieving various operational achievements for the years 2019 and 2020. The Company completed the fair value allocation in the second quarter of 2019. The amortization period for all intangible assets acquired in connection with JPK is eight years, except for backlog which will be amortized over one year.

4. Stock-Based Compensation

On May 14, 2010, the Bruker Corporation 2010 Incentive Compensation Plan (2010 Plan) was approved by the Company's stockholders. The 2010 Plan provided for the issuance of up to 8,000,000 shares of the Company's common stock. The 2010 Plan allowed a committee of the Board of Directors (Compensation Committee) to grant incentive stock options, non-qualified stock options and restricted stock awards. The Compensation Committee had the authority to determine which employees would receive the awards, the amount of the awards and other terms and conditions of any awards. Awards granted under the 2010 Plan typically were made subject to a vesting period of three to five years.

On May 20, 2016, the Bruker Corporation 2016 Incentive Compensation Plan (2016 Plan) was approved by the Company's stockholders. With the approval of the 2016 Plan, no further grants have been made under the 2010 Plan. The 2016 Plan provides for the issuance of up to 9,500,000 shares of the Company's common stock and permits the grant of awards of non-qualified stock options, incentive stock options, stock appreciation rights, restricted stock, unrestricted stock, restricted stock units, performance shares and performance units, as well as cash-based awards. The 2016 Plan is administered by the Compensation Committee. The Compensation Committee has the authority to determine which employees will receive awards, the amount of any awards, and other terms and conditions of such awards. Awards granted under the 2016 Plan typically vest over a period of one to four years.

The Company recorded stock-based compensation expense as follows in the unaudited condensed consolidated statements of income and comprehensive income (dollars in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Stock options	\$ 0.7	\$ 1.2	\$ 2.1	\$ 3.2
Restricted stock awards	0.1	0.3	0.3	0.7
Restricted stock units	2.7	1.8	6.3	4.3
Total stock-based compensation	<u>\$ 3.5</u>	<u>\$ 3.3</u>	<u>\$ 8.7</u>	<u>\$ 8.2</u>

In addition to the awards above, the Company recorded stock-based compensation expense of \$0.6 million and \$1.4 million in the three and nine months ended September 30, 2019, respectively, related to the 2018 acquisition of Mestrelab Research, S.L. (Mestrelab).

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Costs of product revenue	\$ 0.5	\$ 0.5	\$ 1.3	\$ 1.2
Selling, general and administrative	2.5	2.3	6.1	5.8
Research and development	0.5	0.5	1.3	1.2
Total stock-based compensation	<u>\$ 3.5</u>	<u>\$ 3.3</u>	<u>\$ 8.7</u>	<u>\$ 8.2</u>

Stock-based compensation expense is recognized on a straight-line basis over the underlying requisite service period of the stock-based award.

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Stock options to purchase the Company's common stock are periodically awarded to executive officers and other employees of the Company subject to a vesting period of three to four years. The fair value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model. Assumptions for the nine months ended September 30, 2019 and 2018 regarding volatility, expected life, dividend yield and risk-free interest rates are required for the Black-Scholes model and are presented in the table below:

	2019	2018
Risk-free interest rates	1.55 %	2.80 %
Expected life	5.33 years	5.38 years
Volatility	29.57 %	28.46 %
Expected dividend yield	0.38 %	0.47 %

Stock option activity for the nine months ended September 30, 2019 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, 2018	2,593,310	\$ 21.41		
Granted	112,232	44.17		
Exercised	(465,701)	19.27		
Forfeited/Expired	(85,340)	22.35		
Outstanding at September 30, 2019	2,154,501	\$ 23.03	5.1	\$ 45.2
Exercisable at September 30, 2019	1,544,782	\$ 20.49	4.8	\$ 36.2
Exercisable and expected to vest at September 30, 2019 (a)	2,103,772	\$ 22.87	5.1	\$ 44.4

- (a) In addition to the options that are vested at September 30, 2019, the Company expects a portion of the unvested options to vest in the future. Options expected to vest in the future are determined by applying an estimated forfeiture rate to the options that are unvested as of September 30, 2019.
- (b) The aggregate intrinsic value is based on the positive difference between the fair value of the Company's common stock price of \$43.93 on September 30, 2019 and the exercise price of the underlying stock options.

The weighted average fair value of options granted was \$11.16 and \$9.50 per share during the nine months ended September 30, 2019 and 2018, respectively.

The total intrinsic value of options exercised was \$10.3 million and \$7.2 million for the nine months ended September 30, 2019 and 2018, respectively.

Restricted stock award activity for the nine months ended September 30, 2019 was as follows:

	Shares Subject to Restriction	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2018	24,633	\$ 19.82
Vested	(24,633)	19.82
Outstanding at September 30, 2019	—	\$ —

The total fair value of restricted stock awards vested was \$1.0 million and \$1.1 million in the nine months ended September 30, 2019 and 2018, respectively.

Restricted stock unit activity for the nine months ended September 30, 2019 was as follows:

	Shares Subject to Restriction	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2018	806,249	\$ 29.88
Granted	346,462	40.66
Vested	(213,286)	31.14
Forfeited	(32,482)	29.20
Outstanding at September 30, 2019	906,943	\$ 33.73

The total fair value of restricted stock units vested was \$6.6 million and \$3.7 million for the nine months ended September 30, 2019 and 2018, respectively.

At September 30, 2019, the Company expects to recognize pre-tax stock-based compensation expense of \$3.3 million associated with outstanding stock option awards granted under the Company's stock plans over the weighted average remaining service period of 2.5 years. The Company does not expect to recognize any additional pre-tax stock-based compensation expense for restricted stock awards granted under the Company's stock plans. The Company also expects to recognize additional pre-tax stock-based compensation expense of \$24.9 million associated with outstanding restricted stock units granted under the 2016 Plan over the weighted average remaining service period of 3.0 years.

5. Earnings Per Share

Net income per common share attributable to Bruker Corporation shareholders is calculated by dividing net income attributable to Bruker Corporation, adjusted to reflect changes in the redemption value of the redeemable noncontrolling interest, by the weighted-average number of 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. There was no redemption value adjustment of the redeemable noncontrolling interest for the three and nine months ended September 30, 2019 or 2018.

The following table sets forth the computation of basic and diluted weighted average shares outstanding and net income per common share attributable to Bruker shareholders (dollars in millions, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net income attributable to Bruker Corporation, as reported	\$ 61.3	\$ 43.4	\$ 128.6	\$ 101.6
Weighted average shares outstanding:				
Weighted average shares outstanding-basic	154.2	156.4	155.7	156.1
Effect of dilutive securities:				
Stock options and restricted stock awards and units	1.4	1.0	1.3	1.1
	<u>155.6</u>	<u>157.4</u>	<u>157.0</u>	<u>157.2</u>
Net income per common share attributable to Bruker Corporation shareholders:				
Basic	\$ 0.40	\$ 0.28	\$ 0.83	\$ 0.65
Diluted	<u>\$ 0.39</u>	<u>\$ 0.28</u>	<u>\$ 0.82</u>	<u>\$ 0.65</u>

Stock options to purchase approximately 0.1 million shares and 0.6 million shares were excluded from the computation of diluted earnings per share in the three months ended September 30, 2019 and 2018, respectively, as their effect would have been anti-dilutive. Stock options to purchase approximately 0.5 million shares and 0.6 million shares were excluded from the computation of diluted earnings per share in the nine months ended September 30, 2019 and 2018, respectively, as their effect would have been anti-dilutive.

6. 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 following tables set forth the Company's financial instruments that are measured at fair value on a recurring basis and presents them within the fair value hierarchy using the lowest level of input that is significant to the fair value measurement at September 30, 2019 and December 31, 2018 (dollars in millions):

September 30, 2019	Total	Quoted Prices in Active Markets Available (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Embedded derivatives in purchase and delivery contracts	\$ 0.3	\$ —	\$ 0.3	\$ —
Foreign exchange contracts	0.3	—	0.3	—
Total assets recorded at fair value	<u>\$ 0.6</u>	<u>\$ —</u>	<u>\$ 0.6</u>	<u>\$ —</u>
Liabilities:				
Contingent consideration	\$ 15.5	\$ —	\$ —	\$ 15.5
Hybrid instrument liability	14.3	—	—	14.3
Foreign exchange contracts	1.5	—	1.5	—
Embedded derivatives in purchase and delivery contracts	0.8	—	0.8	—
Fixed price commodity contracts	0.2	—	0.2	—
Total liabilities recorded at fair value	<u>\$ 32.3</u>	<u>\$ —</u>	<u>\$ 2.5</u>	<u>\$ 29.8</u>

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December 31, 2018	Total	Quoted Prices in Active Markets Available (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Foreign exchange contracts	\$ 0.2	\$ —	\$ 0.2	\$ —
Embedded derivatives in purchase and delivery contracts	0.4	—	0.4	—
Total assets recorded at fair value	<u>\$ 0.6</u>	<u>\$ —</u>	<u>\$ 0.6</u>	<u>\$ —</u>
Liabilities:				
Contingent consideration	\$ 15.1	\$ —	\$ —	\$ 15.1
Hybrid instrument liability	12.9	—	—	12.9
Foreign exchange contracts	2.8	—	2.8	—
Embedded derivatives in purchase and delivery contracts	0.9	—	0.9	—
Fixed price commodity contracts	0.5	—	0.5	—
Total liabilities recorded at fair value	<u>\$ 32.2</u>	<u>\$ —</u>	<u>\$ 4.2</u>	<u>\$ 28.0</u>

The Company's financial instruments consist primarily of restricted cash, derivative instruments consisting of foreign exchange contracts, commodity contracts, derivatives embedded in certain purchase and sale contracts, accounts receivable, borrowings under a revolving credit agreement, accounts payable, contingent consideration, a hybrid instrument liability and long-term debt. The carrying amounts of the Company's cash equivalents, short-term investments and restricted cash, accounts receivable, borrowings under a revolving credit agreement and accounts payable approximate fair value because of 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 fair value of the long-term fixed interest rate debt, which has been classified as Level 2, was \$216.1 million and \$228.8 million at September 30, 2019 and December 31, 2018, respectively, based on the outstanding amount at September 30, 2019 and December 31, 2018, market prices 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 and did not elect the fair value option for any financial assets or liabilities which originated during the three or nine months ended September 30, 2019 or 2018.

As part of certain acquisitions, 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 certain acquired companies based on the applicable acquired company achieving annual revenue and gross margin targets in certain years as specified in the relevant purchase and sale agreement. The Company initially values the contingent considerations by using a Monte Carlo simulation or an income approach method. The Monte Carlo method models future revenue and costs of goods sold projections and discounts the average results to present value. The income approach method involves calculating the earnout payment based on the forecasted cash flows, adjusting the future earnout payment for the risk of reaching the projected financials, and then discounting the future payments to present value by the counterparty risk. The counterparty risk considers the risk of the buyer having the cash to make the earnout payments and is commensurate with a cost of debt over an appropriate term.

The following table sets forth the changes in contingent consideration liabilities for the nine months ended September 30, 2019 (dollars in millions):

Balance at December 31, 2018	\$ 15.1
Current period additions	5.4
Current period adjustments	1.4
Current period settlements	(6.1)
Foreign currency effect	(0.3)
Balance at September 30, 2019	<u>\$ 15.5</u>

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As part of the Mestrelab acquisition, the Company entered into an agreement with the noncontrolling interest holders that provides the Company with the right to purchase, and the noncontrolling interest holders with the right to sell, the remaining 49% of Mestrelab for cash at a contractually defined redemption value. These rights (an embedded derivative) are exercisable beginning in 2022 and can be accelerated, at a discounted redemption value, upon certain events related to post combination services. As the option is tied to continued employment, the Company classified the hybrid instrument (noncontrolling interest with an embedded derivative) as a long-term liability on the consolidated balance sheet. Subsequent to the acquisition, the carrying value of the hybrid instrument is remeasured to fair value with changes recorded to stock-based compensation expense in proportion to the requisite service period vested. The hybrid instrument is classified as Level 3 in the fair value hierarchy.

The following table sets forth the changes in hybrid instrument liability for the nine months ended September 30, 2019 (dollars in millions):

Balance at December 31, 2018	\$	12.9
Current period adjustments		1.4
Balance at September 30, 2019	\$	14.3

7. Restricted Cash

Restricted cash is included as a component of cash, cash equivalents, and restricted cash on the Company's unaudited condensed consolidated statement of cash flows.

The inclusion of restricted cash increased the balances of the unaudited condensed consolidated statement of cash flows as follows (dollars in millions):

	Nine Months Ended September 30,	
	2019	2018
Beginning Balance	\$ 3.9	\$ 3.9
Ending Balance	3.7	4.7

8. Inventories

Inventories consisted of the following (dollars in millions):

	September 30, 2019	December 31, 2018
Raw materials	\$ 194.6	\$ 164.5
Work-in-process	216.3	182.4
Finished goods	101.8	94.8
Demonstration units	74.0	67.9
Inventories	\$ 586.7	\$ 509.6

Finished goods include in-transit systems that have been shipped to the Company's customers, but not yet installed and accepted by the customer. As of September 30, 2019 and December 31, 2018, the value of inventory-in-transit was \$27.8 million and \$38.3 million, respectively.

9. Goodwill and Intangible Assets

The following table sets forth the changes in the carrying amount of goodwill for the three months ended September 30, 2019 (dollars in millions):

Balance at December 31, 2018	\$ 275.7
Current period additions	13.9
Current period adjustments	(0.6)
Foreign currency effect	(6.7)
Balance at September 30, 2019	<u>\$ 282.3</u>

The following is a summary of intangible assets, excluding goodwill (dollars in millions):

	September 30, 2019			December 31, 2018		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Existing technology and related patents	\$ 294.4	\$ (175.0)	\$ 119.4	\$ 272.6	\$ (160.5)	\$ 112.1
Customer relationships	131.1	(27.1)	104.0	112.0	(18.1)	93.9
Non compete contracts	1.8	(1.8)	—	1.8	(1.8)	—
Trade names	13.2	(2.5)	10.7	11.6	(1.6)	10.0
Other	5.4	(5.2)	0.2	5.1	(2.4)	2.7
Intangible assets	<u>\$ 445.9</u>	<u>\$ (211.6)</u>	<u>\$ 234.3</u>	<u>\$ 403.1</u>	<u>\$ (184.4)</u>	<u>\$ 218.7</u>

For the three months ended September 30, 2019 and 2018, the Company recorded amortization expense of \$9.2 million and \$6.9 million, respectively, related to intangible assets subject to amortization. For the nine months ended September 30, 2019 and 2018, the Company recorded amortization expense of \$29.2 million and \$21.5 million, respectively, related to intangible assets subject to amortization.

10. Debt

The Company's debt obligations as of September 30, 2019 and December 31, 2018 consisted of the following (dollars in millions):

	September 30, 2019	December 31, 2018
US Dollar revolving loan under the 2015 Credit Agreement	\$ 310.4	\$ 111.6
US Dollar notes under the Note Purchase Agreement	205.0	220.0
Unamortized debt issuance costs under the Note Purchase Agreement	(0.4)	(0.5)
Other revolving loans	—	2.9
Capital lease obligations and other loans	3.8	7.1
Total debt	518.8	341.1
Current portion of long-term debt	(0.3)	(18.5)
Total long-term debt, less current portion	<u>\$ 518.5</u>	<u>\$ 322.6</u>

On October 27, 2015, the Company entered into a new revolving credit agreement, referred to as the 2015 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 greatest 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

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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.

The following is a summary of the maximum commitments and the net amounts available to the Company under the 2015 Credit Agreement and other lines of credit with various financial institutions located primarily in Germany and Switzerland that are unsecured and typically due upon demand with interest payable monthly, at September 30, 2019 (dollars in millions):

	Weighted Average Interest Rate	Total Amount Committed by Lenders	Outstanding Borrowings	Outstanding Letters of Credit	Total Amount Available
2015 Credit Agreement	2.5 %	\$ 500.0	\$ 310.4	\$ 1.1	\$ 188.5
Alicona revolving line of credit	—	5.3	—	—	5.3
Other lines of credit	—	231.4	—	126.4	105.0
Total revolving lines of credit		<u>\$ 736.7</u>	<u>\$ 310.4</u>	<u>\$ 127.5</u>	<u>\$ 298.8</u>

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 consisted of the following:

- \$20.0 million 3.16% Series 2012A Senior Notes, Tranche A, due January 18, 2017;
- \$15.0 million 3.74% Series 2012A Senior Notes, Tranche B, due January 18, 2019;
- \$105.0 million 4.31% Series 2012A Senior Notes, Tranche C, due January 18, 2022; and
- \$100.0 million 4.46% Series 2012A Senior Notes, Tranche D, due January 18, 2024.

On January 18, 2017, the outstanding \$20.0 million principal amount of Tranche A of the Senior Notes was repaid in accordance with the terms of the Note Purchase Agreement. On January 18, 2019, the outstanding \$15.0 million principal amount of Tranche B of the Senior Notes was repaid in accordance with the terms of the Note Purchase Agreement.

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 a payment event of default, any holder of Senior Notes affected thereby may declare all Senior Notes held by it due and payable immediately. In the case of any other event of default, a majority of the holders of the Senior Notes may declare all the Senior Notes to be due and payable immediately. Pursuant to the Note Purchase Agreement, so long as any Senior Notes are outstanding the Company will not permit (i) its leverage ratio, as determined pursuant to the Note Purchase Agreement, to exceed 3.50 to 1.00 as of the end of any fiscal quarter, (ii) its interest coverage ratio, as determined pursuant to the Note Purchase Agreement, to be less than 2.50 to 1 as of the end of any fiscal quarter for any period of four consecutive fiscal quarters or (iii) priority debt at any time to exceed 25% of consolidated net worth, as determined pursuant to the Note Purchase Agreement.

As of September 30, 2019, the Company was in compliance with the covenants of the Note Purchase Agreement and the 2015 Credit Agreement.

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. Typically, the most significant component of the Company's interest rate risk relates to amounts outstanding under the 2015 Credit Agreement.

Foreign Exchange Rate Risk Management

The Company generates a substantial portion of its revenues and expenses in international markets 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

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less than twelve months, with some agreements extending to longer periods. The Company had the following notional amounts outstanding under foreign exchange contracts at September 30, 2019 and December 31, 2018 (in millions):

Buy	Notional Amount in Buy Currency	Sell	Maturity	Notional Amount in U.S. Dollars	Fair Value of Assets	Fair Value of Liabilities
September 30, 2019:						
Euro	17.9	U.S. Dollars	October 2019	\$ 20.1	\$ —	\$ 0.6
Great Britain Pound	8.1	Euro	October 2019	9.7	0.3	—
Swiss Francs	9.4	Japanese Yen	October 2019	9.6	—	0.1
Swiss Francs	7.7	U.S. Dollars	October 2019	7.9	—	0.2
Euro	6.5	Great Britain Pound	October 2019 to October 2020	7.2	—	0.1
Taiwan Dollar	204.0	U.S. Dollars	October 2019	6.6	—	0.1
Chinese Renminbi	72.3	U.S. Dollars	October 2019	10.5	—	0.4
Euro	2.9	Chinese Renminbo	October 2019	3.1	—	—
Singapore Dollar	4.2	U.S. Dollars	October 2019	3.1	—	—
Singapore Dollar	2.8	Euro	October 2019	2.0	—	—
Swedish Krona	26.7	Euro	October 2019	2.7	—	—
				<u>\$ 82.5</u>	<u>\$ 0.3</u>	<u>\$ 1.5</u>
December 31, 2018:						
Euro	25.4	U.S. Dollars	January 2019	\$ 31.1	\$ —	\$ 2.1
U.S. Dollars	8.5	Euro	January 2019	8.6	—	0.1
Swiss Francs	11.1	U.S. Dollars	January 2019	11.3	—	—
U.S. Dollars	2.1	Swiss Francs	January 2019	2.1	—	—
Swiss Francs	10.4	Japanese Yen	April 2019	10.8	—	0.2
U.S. Dollars	1.5	Canadian Dollars	January 2019	1.5	—	—
Singapore Dollar	4.3	U.S. Dollars	January 2019	3.1	—	—
Chinese Renminbi	41.1	U.S. Dollars	January 2019	5.9	0.1	—
Great Britain Pound	15.4	Euro	January 2019	20.0	—	0.4
Euro	6.9	Great Britian Pound	May 2019 to October 2020	8.0	0.1	—
				<u>\$ 102.4</u>	<u>\$ 0.2</u>	<u>\$ 2.8</u>

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 \$81.3 million for the delivery of products and \$7.6 million for the purchase of products at September 30, 2019 and \$113.5 million for the delivery of products and \$6.0 million for the purchase of products at December 31, 2018. 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 arrangements with certain customers under which it has a firm commitment to deliver copper based superconductor wire 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 September 30, 2019 and December 31, 2018, the Company had fixed price commodity contracts with notional amounts aggregating \$5.1 million and \$6.8 million, respectively. The changes in the fair value of these commodity contracts are recorded within interest and other income (expense), net in the unaudited condensed consolidated statements of income and comprehensive income (loss).

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

	Balance Sheet Location	September 30, 2019	December 31, 2018
Derivative assets:			
Foreign exchange contracts	Other current assets	\$ 0.3	\$ 0.2
Embedded derivatives in purchase and delivery contracts	Other current assets	0.2	0.2
Embedded derivatives in purchase and delivery contracts	Other long-term assets	0.1	0.2
Derivative liabilities:			
Foreign exchange contracts	Other current liabilities	\$ 1.5	\$ 2.8
Embedded derivatives in purchase and delivery contracts	Other current liabilities	0.8	0.9
Fixed price commodity contracts	Other current liabilities	0.2	0.5

The impact on net income of unrealized gains and losses resulting from changes in the fair value of derivative instruments not designated as hedging instruments are as follows (dollars in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Foreign exchange contracts	\$ (1.0)	\$ 1.4	\$ 1.3	\$ (6.7)
Embedded derivatives in purchase and delivery contracts	(0.1)	—	—	1.3
Fixed price commodity contracts	—	(0.3)	0.3	(1.2)
Net impact to interest and other income (expense)	\$ (1.1)	\$ 1.1	\$ 1.6	\$ (6.6)

The amounts related to derivative instruments not designated as hedging instruments are recorded within interest and other income (expense), net in the unaudited condensed consolidated statements of income and comprehensive income (loss).

12. Provision for Income Taxes

The Company accounts for income taxes using the asset and liability approach by recognizing deferred tax assets and liabilities for the expected future tax consequences of differences between the financial statement basis and the tax basis of assets and liabilities, calculated using enacted tax rates in effect for the year in which the differences are expected to be reflected in the tax return. The Company records a valuation allowance to reduce deferred tax assets to the amount that is more likely than not to be realized. In addition, the Company accounts for uncertain tax positions that have reached a minimum recognition threshold.

The income tax provision for the three months ended September 30, 2019 and 2018 was \$21.7 million and \$21.2 million, respectively, representing effective tax rates of 26.1% and 32.4%, respectively. The income tax provision for the nine months ended September 30, 2019 and 2018 was \$40.0 million and \$41.4 million, respectively, representing effective tax rates of 23.6% and 28.7%, respectively. The Company's effective tax rate may change over time as the amount or mix of income and taxes changes among the jurisdictions in which the Company is subject to tax.

As of September 30, 2019 and December 31, 2018, the Company had unrecognized tax benefits, excluding penalties and interest, of approximately \$6.5 million which, if recognized, would result in a reduction of the Company's effective tax rate. The Company recognizes penalties and interest related to unrecognized tax benefits in the provision for income taxes. As of September 30, 2019 and December 31, 2018, approximately \$0.3 million and \$0.2 million, respectively, of accrued interest and penalties related to uncertain tax positions was included in other long-term liabilities on the Company's unaudited condensed consolidated balance sheets. Penalties and interest of \$0.1 million were recorded in the provision for income taxes for unrecognized tax benefits during the three and nine months ended September 30, 2019. There were no penalties or interest recorded in the three and nine months ended September 30, 2018.

The Company files tax returns in the United States, which includes federal, state and local jurisdictions, and many foreign jurisdictions with varying statutes of limitations. The Company considers Germany, the United States and Switzerland to be its significant tax jurisdictions. The majority of the Company's earnings are derived in Germany and Switzerland. Accounting for the various federal and local taxing authorities, the statutory rates for 2019 are approximately 30.0% and 20.0% for Germany and Switzerland, respectively. The mix of earnings in those two jurisdictions resulted in an increase of 5.3% from the U.S. statutory rate of

21.0% in the nine months ended September 30, 2019. The Company has not been a party to any material tax holiday agreements. The tax years 2013 to 2018 are open to examination in Germany and Switzerland. Tax years 2011 to 2018 remain open for examination in the United States.

13. Commitments and Contingencies

In accordance with ASC Topic 450, Contingencies, the Company accrues anticipated costs of settlement, damages or other costs to the extent specific losses are probable and estimable.

Letters of Credit and Guarantees

At September 30, 2019 and December 31, 2018, the Company had bank guarantees of \$127.5 million and \$138.3 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.

Litigation and Related Contingencies

Lawsuits, claims and proceedings of a nature considered normal to its businesses may be pending from time to time against the Company. Third parties might allege that the Company or its collaborators are infringing their patent rights or that the Company is otherwise violating their intellectual property rights. Loss contingency provisions are recorded if the potential loss from any claim, asserted or unasserted, or legal proceeding is considered probable and the amount can be reasonably estimated or a range of loss can be determined. These accruals represent management's best estimate of probable loss. Disclosure is also provided when it is reasonably possible that a loss will be incurred or when it is reasonably possible that the amount of a loss will exceed the recorded provision. The Company believes the outcome of pending proceedings, individually and in the aggregate, will not have a material impact on the Company's financial statements.

On September 25, 2019, in a complaint filed in the Düsseldorf, Germany, District Court, Carl Zeiss Microscopy GmbH, a subsidiary of Carl Zeiss AG (Zeiss), sued Luxendo GmbH (Luxendo), a subsidiary of Bruker Corporation, for infringement of a recently registered German utility model Gebrauchsmuster licensed to Zeiss pertaining to one specific Luxendo product category. The Company intends to vigorously defend against this claim.

On September 23, 2019, in a complaint filed in the Düsseldorf, Germany, District Court, Micromass UK Limited, a subsidiary of Waters Corporation, sued Bruker Corporation, as well as its affiliate, Bruker Daltonik GmbH, for infringement of a European patent pertaining to our timsTOF product line. The Company intends to vigorously defend against this claim.

As of September 30, 2019 and December 31, 2018, no material accruals have been recorded for potential contingencies.

Governmental Investigations

The Company is subject to regulation by national, state and local government agencies in the United States and other countries in which it operates. From time to time, the Company is the subject of governmental investigations often involving regulatory, marketing and other business practices. These governmental investigations may result in the commencement of civil and criminal proceedings, fines, penalties and administrative remedies which could have a material adverse effect on the Company's financial position, results of operations and/or liquidity.

In August 2018, the Korea Fair Trade Commission (KFTC) informed the Company that it was conducting an investigation into the public tender bidding activities of a number of life science instrument companies operating in Korea, including Bruker Korea Co., Ltd (Bruker Korea). The Company cooperated fully with the KFTC and on June 16, 2019, the KFTC announced its decision to impose a fine of approximately \$20,000 on Bruker Korea and declined to impose any criminal liability against Bruker Korea in connection with this matter.

On October 19, 2017, the Company received a notice of investigation and subpoena to produce documents from the Division of Enforcement of the SEC. The subpoena sought information related to an employee terminated as part of a restructuring and certain matters involving the Company's policies and accounting practices related to revenue recognition and restructuring activities, as well

as related financial reporting, disclosure and compliance matters, since January 1, 2013. The subpoena also sought information concerning, among other things, the Company's previously identified material weakness in internal controls over the accounting for income taxes, related financial reporting matters and certain payments for non-employee travel expenses. On April 25, 2019, the Staff notified the Company that it had concluded its investigation and, based on the information received to date, does not intend to recommend an enforcement action by the SEC against the Company.

Additionally, the Audit Committee of the Company's Board of Directors, with the assistance of outside counsel, conducted an internal investigation into practices of certain business partners in China and into the conduct of former employees of the Bruker Optics division in China which raised questions of compliance with laws, including the U.S. Foreign Corrupt Practices Act, and/or compliance with the Company's business policies and code of conduct. The Audit Committee has concluded its internal investigation.

As of September 30, 2019 and December 31, 2018, no material accruals have been recorded for potential contingencies related to these matters.

14. Leases

In February 2016, the FASB issued ASU No. 2016-02, Leases, which provides guidance on the recognition, measurement, presentation and disclosure of leases. The new standard, effective as of January 1, 2019, supersedes present U.S. GAAP guidance on leases and requires all leases with terms longer than 12 months to be reported on the balance sheet as right-of-use (ROU) assets and lease liabilities, as well as provide additional disclosures. The lease liability represents the lessee's obligation to make lease payments arising from a lease and will be measured as the present value of the lease payments. The right-of-use asset represents the lessee's right to use a specified asset for the lease term, and will be measured at the lease liability amount, adjusted for lease prepayment, lease incentives received and the lessee's initial direct costs.

Under ASU No. 2016-02, companies are required to transition to the new standard in the period of adoption at the beginning of the earliest period presented in the financial statements (January 1, 2017 for the Company). In July 2018, the FASB issued ASU No. 2018-11 as an update to ASU No. 2016-02, which in part provided companies the option of transitioning to the new standard as of the adoption date and recognizing a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The Company adopted the new standard as of January 1, 2019 using the alternative transition method under ASU No. 2018-11 and recognized a cumulative-effect adjustment to the opening balance sheet. The Company's prior period financial statements were not adjusted due to adopting the new standard based on the alternative transition method. The Company elected the available package of practical expedients for leases that commenced prior to the effective date that allows it to not reassess: 1) whether any expired or existing contracts are or contain leases; 2) the lease classification for any expired or existing leases; and 3) the accounting treatment of initial direct costs for any expired or existing leases. The Company also elected the practical expedient that allows lessees to treat lease and non-lease components of leases as a single lease component for all asset classes. The adoption of the new standard resulted in recording \$75.5 million and \$77.9 million of ROU assets and lease liabilities, respectively, as of January 1, 2019 on the Company's unaudited condensed consolidated balance sheet. The adoption of the new standard did not significantly affect the Company's results of operations.

Starting in the first quarter of 2019, the Company accounts for leases in accordance with ASC 842, Leases. At the inception of an arrangement, the Company determines whether the arrangement is or contains a lease based on the unique facts and circumstances present. Leases with a term greater than 12 months are recognized on the balance sheet as ROU assets, lease liabilities and, if applicable, long-term lease liabilities. The Company has elected not to recognize on the balance sheet leases with an initial term of 12 months or less. Leases with an initial term of 12 months or less are directly expensed as incurred. Leases are classified as either operating or finance depending on the specific terms of the arrangement.

The Company's leases mainly consist of facilities, office equipment, and vehicles. The majority of leases are classified as operating, with certain leases classified as finance leases based on the specific terms of the arrangement. The remaining lease term ranges from 2019 to 2029, with some leases including an option to extend the lease for varying periods of time or to terminate prior to the end of the lease term. Certain lease agreements contain provisions for future rent increases. Lease payments included in the measurement of the lease liability comprise fixed payments, and the exercise price of a Company option to purchase the underlying asset if the Company is reasonably certain to exercise the option. The Company's leases typically do not contain residual value guarantees.

At the commencement date, operating and finance lease liabilities, and their corresponding ROU assets, are recorded based on the present value of lease payments over the expected lease term. The lease term includes the noncancellable period of the lease, plus any additional periods covered by either a Company option to extend (or not to terminate) the lease that the Company is reasonably certain to exercise, or an option to extend (or not to terminate) the lease controlled by the lessor. The interest rate implicit in lease contracts is typically not readily determinable, therefore an incremental borrowing rate is used to calculate the lease liability. The incremental borrowing rate is the rate incurred to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment. Certain adjustments to the ROU asset may be required for items such as prepayments, lease incentives received or initial direct costs paid.

Operating lease cost is recognized over the lease term on a straight-line basis, while finance lease cost is amortized over the expected term on a straight-line basis. Variable lease cost not dependent on an index or rate is recognized when incurred.

The components of lease cost for the three and nine months ended September 30, 2019 are as follows (dollars in millions):

	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
Amortization of right-of-use assets	\$ 0.1	\$ 0.2
Interest on lease liabilities	—	—
Total finance lease cost	\$ 0.1	\$ 0.2
Operating lease cost	\$ 6.1	\$ 18.8
Short term lease cost	0.5	1.6
Variable lease cost	1.0	2.7
Sublease income	(0.3)	(0.9)
Total lease cost	\$ 7.4	\$ 22.4

Supplemental balance sheet information as of September 30, 2019 related to leases was as follows (dollars in millions):

	September 30, 2019
Operating leases	
Operating lease assets, net	\$ 68.9
Other current liabilities	20.4
Operating lease liability - long term	50.7
Finance leases	
Property, plant and equipment, net	\$ 1.5
Current portion of long-term debt	0.4
Long-term debt	1.0
Weighted average remaining lease term	
Operating leases	5.2 years
Finance leases	3.5 years
Weighted average discount rate	
Operating leases	2.5 %
Finance leases	2.8 %

Supplemental cash flow information related to leases for the nine months ended September 30, 2019 was as follows (dollars in millions):

	Nine Months Ended September 30, 2019
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from finance leases	\$ —
Operating cash flows from operating leases	17.7
Financing cash flows from finance leases	0.2
Right-of-use assets obtained in exchange for lease liabilities	
Operating leases	\$ 16.4
Finance leases	0.8

Future minimum lease payments under non-cancellable leases as of September 30, 2019 are as follows (dollars in millions):

	Operating Leases	Finance Leases
2019 (excluding the nine months ended September 30, 2019)	\$ 5.9	\$ 0.1
2020	20.6	0.5
2021	15.2	0.4
2022	9.7	0.3
2023	7.6	0.2
Thereafter	16.7	—
Total undiscounted lease payments	75.7	1.5
Less: Imputed interest	(4.6)	(0.1)
Total lease liabilities	<u>\$ 71.1</u>	<u>\$ 1.4</u>

As of December 31, 2018, minimum commitments for the Company's leases as required under prior lease guidance in ASC 840 were as follows (dollars in millions):

	Operating Leases	Finance Leases
2019	\$ 25.3	\$ —
2020	19.1	0.1
2021	13.7	0.1
2022	9.3	—
2023	7.3	—
Thereafter	18.4	—
Total	<u>\$ 93.1</u>	<u>\$ 0.2</u>

15. Shareholders' Equity

Share Repurchase Program

In May 2019, the Company's Board of Directors approved a stock repurchase plan (the Repurchase Program) authorizing repurchases of common stock in the amount of up to \$300.0 million from time to time, in amounts, at prices, and at such times as management deems appropriate, subject to market conditions, legal requirements and other considerations. The Company repurchased a total of 1,022,469 shares at an aggregate cost of \$42.3 million in the three months ended September 30, 2019 and a total of 3,323,104 shares at an aggregate cost of \$142.3 million in the nine months ended September 30, 2019. No repurchases occurred in the three and nine months ended September 30, 2018. Any future repurchases will be funded from cash on hand, future cash flows from operations and available borrowings under the revolving credit facility. The remaining authorization as of October 30, 2019 is \$157.7 million and this Repurchase Program expires on May 13, 2021.

Cash Dividends on Shares of Common Stock

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. Under the dividend policy, the Company will target a cash dividend to the Company's shareholders 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 shareholders. The dividend policy may be suspended or cancelled at the discretion of the Board of Directors at any time.

Accumulated Other Comprehensive Income (Loss)

Comprehensive income refers to revenues, expenses, gains and losses that under U.S. GAAP are included in other comprehensive income (loss), but 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) is composed primarily of foreign currency translation adjustments and changes in the funded status of defined benefit pension plans. The following is a summary of comprehensive income (dollars in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Consolidated net income	\$ 61.5	\$ 44.2	\$ 129.2	\$ 103.1
Foreign currency translation adjustments	(36.5)	(2.5)	(38.9)	(17.1)
Pension liability adjustments, net of tax	1.1	0.2	1.7	2.3
Net comprehensive income (loss)	26.1	41.9	92.0	88.3
Less: Comprehensive income (loss) attributable to noncontrolling interests	0.2	0.5	1.0	0.9
Less: Comprehensive income (loss) attributable to redeemable noncontrolling interest	(1.2)	—	(1.8)	—
Comprehensive income (loss) attributable to Bruker Corporation	<u>\$ 27.1</u>	<u>\$ 41.4</u>	<u>\$ 92.8</u>	<u>\$ 87.4</u>

The following is a summary of the components of accumulated other comprehensive income, net of tax, at September 30, 2019 (dollars in millions):

	Foreign Currency Translation	Pension Liability Adjustment	Accumulated Other Comprehensive Income
Balance at December 31, 2018	\$ 46.9	\$ (29.9)	\$ 17.0
Other comprehensive income (loss) before reclassifications	(37.6)	0.6	(37.0)
Amounts reclassified from other comprehensive income (loss), net of tax of \$0.2 million	—	1.2	1.2
Net current period other comprehensive income (loss)	(37.6)	1.8	(35.8)
Balance at September 30, 2019	<u>\$ 9.3</u>	<u>\$ (28.1)</u>	<u>\$ (18.8)</u>

16. Other Charges (Gain), Net

The components of other charges (gain), net were as follows (dollars in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Information technology transformation costs	\$ 0.8	\$ 1.1	\$ 2.8	\$ 3.5
Restructuring charges	(7.4)	2.0	(5.5)	5.9
Acquisition-related charges	0.9	1.2	5.9	2.3
Other	0.4	0.9	1.7	3.5
Other charges (gain), net	<u>\$ (5.3)</u>	<u>\$ 5.2</u>	<u>\$ 4.9</u>	<u>\$ 15.2</u>

Restructuring Initiatives

Restructuring charges for the three and nine month periods ended September 30, 2019 and 2018 include charges for various programs that were recorded in the accompanying unaudited condensed consolidated statements of income and comprehensive income. The following table sets forth the restructuring charges for the three and nine months ended September 30, 2019 and 2018 (dollars in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Cost of revenues	\$ 0.6	\$ 0.5	\$ 4.1	\$ 0.8
Other charges, net	(7.4)	2.0	(5.5)	5.9
	<u>\$ (6.8)</u>	<u>\$ 2.5</u>	<u>\$ (1.4)</u>	<u>\$ 6.7</u>

In the three and nine months ended September 30, 2019, the restructuring charges included a gain of 7.8 million related to the sale of a building in Leipzig, Germany.

The following table sets forth the changes in restructuring reserves for the nine months ended September 30, 2019 (dollars in millions):

	Total	Severance	Exit Costs	Provisions for Excess Inventory
Balance at December 31, 2018	\$ 7.3	\$ 2.0	\$ 1.4	\$ 3.9
Restructuring charges	(1.4)	4.1	(5.9)	0.4
Cash payments	(5.3)	(4.1)	(1.2)	—
Other, non-cash adjustments and foreign currency effect	4.1	(0.5)	5.9	(1.3)
Balance at September 30, 2019	<u>\$ 4.7</u>	<u>\$ 1.5</u>	<u>\$ 0.2</u>	<u>\$ 3.0</u>

17. Interest and Other Income (Expense), Net

The components of interest and other income (expense), net, were as follows (dollars in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Interest expense, net	\$ (4.7)	\$ (2.3)	\$ (11.5)	\$ (8.3)
Exchange (losses) gains on foreign currency transactions	0.7	(0.6)	(0.7)	(1.6)
Pension components	(0.6)	(0.9)	(1.8)	(2.2)
Other	—	0.1	—	0.6
Interest and other income (expense), net	<u>\$ (4.6)</u>	<u>\$ (3.7)</u>	<u>\$ (14.0)</u>	<u>\$ (11.5)</u>

18. Business Segment Information

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

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Revenue and operating income by reportable segment for the three and nine months ended September 30, 2019 and 2018 are presented below (dollars in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenue:				
BSI	\$ 471.8	\$ 417.1	\$ 1,331.0	\$ 1,206.5
BEST	52.5	50.9	152.2	139.2
Eliminations (a)	(3.2)	(1.4)	(10.5)	(3.7)
Total revenue	<u>\$ 521.1</u>	<u>\$ 466.6</u>	<u>\$ 1,472.7</u>	<u>\$ 1,342.0</u>
Operating Income (loss)				
BSI	\$ 84.0	\$ 63.6	\$ 173.3	\$ 146.5
BEST	3.7	5.4	9.9	9.3
Corporate, eliminations and other (b)	0.1	0.1	—	0.2
Total operating income	<u>\$ 87.8</u>	<u>\$ 69.1</u>	<u>\$ 183.2</u>	<u>\$ 156.0</u>

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

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

Total assets by reportable segment as of September 30, 2019 and December 31, 2018 are as follows (dollars in millions):

	September 30, 2019	December 31, 2018
Assets:		
BSI	\$ 2,296.5	\$ 2,100.6
BEST	59.2	33.2
Eliminations and other (a)	(3.6)	(5.2)
Total assets	<u>\$ 2,352.1</u>	<u>\$ 2,128.6</u>

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

19. Recent Accounting Pronouncements

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820), Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements of fair value measurements, including the consideration of costs and benefits. This ASU is effective for the Company in fiscal years beginning after December 15, 2019. The adoption of this ASU is not expected to have a material impact on the Company's consolidated financial statements.

In August 2017, the FASB issued ASU No. 2017-12, *Derivatives and Hedging (Topic 815)*, which provides new guidance intended to improve the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements. This ASU is effective for the Company in fiscal years beginning after December 15, 2018. The adoption of this ASU did not have a material impact on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. The new standard simplifies the subsequent measurement of goodwill by eliminating the second step of the goodwill impairment test. This ASU will be applied prospectively and is effective for annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2019. The adoption of this standard is not expected to have a material impact on the Company's financial position, results of operations or statements of cash flows upon adoption.

20. Subsequent Events

On October 1, 2019, the Company acquired the electron paramagnetic resonance (“EPR”) business of Magnettech GmbH (“Magnettech”), a privately held Company, for a purchase price of Euro 8.5 million (approximately \$9.3 million). Magnettech is a leading provider of benchtop electron paramagnetic resonance systems and EPR accessories. Magnettech is located in Freiberg, Germany and will be integrated into the Bruker BioSpin Group within the BSI Segment. The purchase accounting for this acquisition will be finalized within the measurement period.

On October 31, 2019, Bruker Corporation signed a purchase and sale agreement to acquire the land and buildings at 15 Fortune Drive and 44 Manning Road, both in Billerica, MA, for a total purchase price of \$12.3 million, from a trust controlled equally by Bruker’s President and CEO, Frank Laukien, and his half-brother, Dirk D. Laukien. The price for the properties is based on an independent third-party appraisal and arms-length negotiations with the sellers. The properties are located adjacent to the Company’s corporate headquarters at 40 Manning Road, Billerica, MA which is already a corporate asset. One of the properties, 15 Fortune Drive, is currently leased by the Company and the other property, 40 Manning Road, is leased to third parties.

These purchase are part of the Company’s plan to expand its corporate campus in Billerica for future business growth. Subject to satisfactory due diligence and customary closing conditions, the transaction is expected to close in the first quarter of 2020.

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

The following discussion of our financial condition and results of operations should be read in conjunction with our interim unaudited condensed consolidated financial statements and the notes to those statements included in Part 1, Item 1 of this Quarterly Report on Form 10-Q, and in conjunction with the consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2018.

Statements contained in Management's Discussion and Analysis of Financial Condition and Results of Operations, which express that we "believe," "anticipate," "plan," "expect," "seek," "estimate," or "should," as well as other statements which are not historical fact, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Any forward-looking statements contained herein are based on current expectations, but are subject to risks and uncertainties that could cause actual results to differ materially from those indicated, including, but not limited to, risks and uncertainties relating to adverse changes in conditions in the global economy and volatility in the capital markets, the integration and assumption of liabilities of businesses we have acquired or may acquire in the future, fluctuations in foreign currency exchange rates, payment of future dividends, future share repurchases, future acquisition activity, our ability to successfully implement our restructuring initiatives, our future cash flow, changing technologies, product development and market acceptance of our products, the cost and pricing of our products, manufacturing, competition, loss of key personnel, dependence on collaborative partners, key suppliers and contract manufacturers, capital spending and government funding policies, changes in governmental regulations, the use and protection of intellectual property rights, litigation, and other risk factors discussed from time to time in our filings with the Securities and Exchange Commission, or SEC. These and other factors are identified and described in more detail in our filings with the SEC, including, without limitation, our annual report on Form 10-K for the year ended December 31, 2018 and subsequent filings. We expressly disclaim any intent or obligation to update these forward-looking statements other than as required by law.

Although our unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP), we believe describing revenue and expenses, excluding the effects of foreign currency, acquisitions and divestitures, as well as certain other charges, net, provides meaningful supplemental information regarding our performance. Specifically, management believes that organic and constant currency revenue growth and free cash flow, which are non-GAAP financial measures, as well as non-GAAP gross profit margin and non-GAAP operating margin, provide relevant and useful information that is widely used by equity analysts, investors and competitors in our industry, as well as by our management, in assessing both consolidated and business unit performance. We define the term organic revenue as GAAP revenue excluding the effect of foreign currency translation changes and the effect of acquisitions and divestitures. Related to organic growth, we also present constant currency information because we believe this information provides a useful framework for assessing how our underlying businesses performed excluding the effect of only foreign currency rate fluctuations. We define the term non-GAAP gross profit margin as GAAP gross profit margin with certain non-GAAP measures excluded and non-GAAP operating margin as GAAP operating margin with certain non-GAAP measures excluded. These non-GAAP measures exclude costs related to restructuring actions, acquisition and related integration expenses, amortization of acquired intangible assets, costs associated with our global information technology transition initiative, and other non-operational costs that are infrequent or non-recurring in nature and we believe these are useful measures to evaluate our continuing business. We define free cash flow as net cash provided by operating activities less additions to property, plant, and equipment. We believe free cash flow is a useful measure to evaluate our business as it indicates the amount of cash generated after additions to property, plant, and equipment which is available for, among other things, investments in our business, acquisitions, share repurchases, dividends and repayment of debt. We use these non-GAAP financial measures to evaluate our period-over-period operating performance because our management believes they provide more comparable measures of our continuing business because they adjust for certain items that are not reflective of the underlying performance of our business. These measures may also be useful to investors in evaluating the underlying operating performance of our business. We regularly use these non-GAAP financial measures internally to understand, manage, and evaluate our business results and make operating decisions. We also measure our employees and compensate them, in part, based on such non-GAAP measures and use this information for our planning and forecasting activities. The presentation of these non-GAAP financial measures is not intended to be a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP and may be different from non-GAAP financial measures used by other companies, and therefore, may not be comparable among companies.

OVERVIEW

We are a developer, manufacturer and distributor 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. Our corporate headquarters are located in Billerica, Massachusetts. We maintain major technical and manufacturing centers in Europe and North America, and we have sales offices located throughout the world. Bruker is organized into two reportable segments, Bruker Scientific Instruments (BSI) and Bruker Energy & Supercon Technologies (BEST). Within the BSI Segment, we are organized into three operating segments: the Bruker BioSpin Group, the Bruker CALID Group, and the Bruker Nano Group.

Revenue for the three month period ended September 30, 2019 was \$521.1 million, an increase of \$54.5 million, or 11.7%, from the three month period ended September 30, 2018. Revenue from companies acquired within the past twelve months represented \$29.9 million, or 6.4%, of the increase, and the unfavorable foreign currency translation effect of a stronger U.S. dollar relative to the Euro and other currencies represented a \$10.7 million, or 2.3%, decline. Excluding these effects, organic revenue, a non-GAAP measure, increased by \$35.3 million, or 7.6%. Revenues increased on an organic basis within the Bruker CALID, Bruker Nano and Bruker BioSpin Groups. From a geographic perspective, revenues increased in Europe and the Asia Pacific region.

Revenue for the nine month period ended September 30, 2019 was \$1,472.7 million, an increase of \$130.7 million, or 9.7%, from the nine month period ended September 30, 2018. Revenue from companies acquired within the past twelve months represented \$94.4 million, or 7.0%, of the increase, and the unfavorable foreign currency translation effect of a stronger U.S. dollar relative to the Euro and other currencies represented a \$43.8 million, or 3.3%, decline. Excluding these effects, organic revenue, a non-GAAP measure, increased by \$80.1 million, or 6.0%. Revenues increased on an organic basis within the Bruker CALID, Bruker Nano and Bruker BioSpin Groups, and at the BEST Segment. Revenues also increased across the major geographic regions.

Our gross profit margin increased to 48.7% during the three months ended September 30, 2019 compared to 47.7% for the three months ended September 30, 2018. Our gross profit margin increased to 47.5% during the nine months ended September 30, 2019 compared to 46.7% for the nine months ended September 30, 2018. The increase in gross profit margin resulted primarily from operational improvements, accretive acquisitions and the positive impact of foreign currency translation.

Our operating margin increased to 16.8% for the three months ended September 30, 2019 compared to 14.8% during the three months ended September 30, 2018. The increase in operating margin was due to operational improvements and favorable foreign currency translation. Our operating margin increased to 12.4% for the nine months ended September 30, 2019 compared to 11.6% during the nine months ended September 30, 2018. The operating margin expansion was primarily due to operational improvements, accretive acquisitions and the positive impact of foreign currency translation.

Our income tax provision in the three month periods ended September 30, 2019 and 2018 was \$21.7 million and \$21.2 million, respectively, representing effective tax rates of 26.1% and 32.4%, respectively. The decrease in our effective tax rate was primarily due to the impact of a favorable discrete item in the period. Our income tax provision in the nine month periods ended September 30, 2019 and 2018 was \$40.0 million and \$41.4 million, respectively, representing effective tax rates of 23.6% and 28.7%, respectively. The decrease in our effective tax rate was primarily due to the recording of items related to the update of a one-time tax on the mandatory deemed repatriation of post-1986 untaxed foreign earnings and profits (toll charge) assessed under the Tax Cuts and Jobs Act (2017 Tax Act) in the nine months ended September 30, 2019, and other favorable discrete items.

Diluted earnings per share for the three month period ended September 30, 2019 were \$0.39, an increase of \$0.11 compared to \$0.28 per share in the three month period ended September 30, 2018. Diluted earnings per share for the nine month period ended September 30, 2019 were \$0.82, an increase of \$0.17 compared to \$0.65 per share in the nine month period ended September 30, 2018. The increase in both periods was primarily due to revenue growth and higher gross and operating profit.

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Operating cash flow for the nine month period ended September 30, 2019 was a source of cash of \$77.2 million. For the nine month period ended September 30, 2019, our free cash flow, a non-GAAP measure, was \$32.4 million, calculated as follows (dollars in millions):

	Nine Months Ended September 30,	
	2019	2018
Net cash provided by operating activities	\$ 77.2	\$ 107.4
Less: Purchases of property, plant and equipment	44.8	28.9
Free Cash Flow	<u>\$ 32.4</u>	<u>\$ 78.5</u>

We can experience quarter-to-quarter fluctuations in our operating results as a result of various factors, some of which are outside our control, such as:

- the timing of governmental stimulus programs and academic research budgets;
- the time it takes between the date customer orders and deposits are received, systems are shipped and accepted by our customers and full payment is received;
- the time it takes to satisfy local customs requirements and other export/import requirements;
- the time it takes for customers to construct or prepare their facilities for our products; and
- the time required to obtain governmental licenses.

These factors have in the past affected the amount and timing of revenue recognized on sales of our products and receipt of related payments and will continue to do so in the future. Accordingly, our operating results in any particular quarter may not necessarily be an indication of any future quarter's operating performance.

In May 2019, our Board of Directors approved a stock repurchase plan (the Repurchase Program) authorizing repurchases of common stock in the amount of up to \$300.0 million from time to time, in amounts, at prices, and at such times as management deems appropriate, subject to market conditions, legal requirements and other considerations. We repurchased a total of 1,022,469 shares at an aggregate cost of \$42.3 million in the three months ended September 30, 2019 and a total of 3,323,104 shares at an aggregate cost of \$142.3 million in the nine months ended September 30, 2019. No repurchases occurred in the three and nine months ended September 30, 2018. Any future repurchases will be funded from cash on hand, future cash flows from operations and available borrowings under the revolving credit facility. The remaining authorization as of October 30, 2019 is \$157.7 million and this Repurchase Program expires on May 13, 2021.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

This discussion and analysis of our financial condition and results of operations is based upon our unaudited condensed consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires that we make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. We base our estimates and judgments on our historical experience, current market and economic conditions, industry trends, and other assumptions that we believe are reasonable and form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates.

We believe the following critical accounting policies and estimates to be both those most important to the portrayal of our financial position and results of operations and those that require the most estimation and subjective judgment:

- Revenue recognition;
- Income taxes;
- Inventories; and
- Goodwill, other intangible assets and other long-lived assets.

For a further discussion of our critical accounting policies, please refer to our Annual Report on Form 10-K for the year ended December 31, 2018.

RESULTS OF OPERATIONS

Three Months Ended September 30, 2019 compared to the Three Months Ended September 30, 2018

Consolidated Results

The following table presents our results for the three months ended September 30, 2019 and 2018 (dollars in millions, except per share data):

	Three Months Ended September 30,	
	2019	2018
Product revenue	\$ 440.6	\$ 385.5
Service revenue	78.8	79.6
Other revenue	1.7	1.5
Total revenue	521.1	466.6
Cost of product revenue	220.4	197.3
Cost of service revenue	46.5	46.6
Cost of other revenue	0.3	0.1
Total cost of revenue	267.2	244.0
Gross profit	253.9	222.6
Operating expenses:		
Selling, general and administrative	125.3	106.5
Research and development	46.1	41.8
Other charges (gain), net	(5.3)	5.2
Total operating expenses	166.1	153.5
Operating income	87.8	69.1
Interest and other income (expense), net	(4.6)	(3.7)
Income before income taxes and noncontrolling interest in consolidated subsidiaries	83.2	65.4
Income tax provision	21.7	21.2
Consolidated net income	61.5	44.2
Net income attributable to noncontrolling interests in consolidated subsidiaries	0.2	0.8
Net income attributable to Bruker Corporation	\$ 61.3	\$ 43.4
Net income per common share attributable to Bruker Corporation shareholders:		
Basic	\$ 0.40	\$ 0.28
Diluted	\$ 0.39	\$ 0.28
Weighted average common shares outstanding:		
Basic	154.2	156.4
Diluted	155.6	157.4

Revenue

For the three months ended September 30, 2019, our revenue increased by \$54.5 million, or 11.7%, to \$521.1 million, compared to \$466.6 million for the comparable period in 2018. Included in revenue was an increase of approximately \$29.9 million from acquisitions and a decrease of \$10.7 million from foreign currency translation. Excluding the effects of foreign currency translation and our recent acquisitions, our organic revenue, a non-GAAP measure, increased by \$35.3 million, or 7.6%. The constant currency revenue growth, a non-GAAP measure, for the period ended September 30, 2019 was \$65.2 million, or 14.0%.

BSI Segment revenue increased by \$54.7 million, or 13.1%, to \$471.8 million for the three months ended September 30, 2019, compared to \$417.1 million for the three months ended September 30, 2018. BEST Segment revenue increased by \$1.6 million, or

3.1%, to \$52.5 million for the three months ended September 30, 2019, compared to \$50.9 million for the three months ended September 30, 2018.

Please see the Segment Results section later in this section for additional discussion of our financial results by segment.

Gross Profit

Gross profit for the three months ended September 30, 2019 was \$253.9 million, or 48.7% of revenue, compared to \$222.6 million, or 47.7% of revenue, for the three months ended September 30, 2018. Included in gross profit were various charges for amortization of acquisition-related intangible assets and other acquisition-related costs and restructuring costs totaling \$9.3 million and \$7.2 million for the three months ended September 30, 2019 and 2018, respectively. Excluding these charges, our non-GAAP gross profit margins for the three months ended September 30, 2019 and 2018 were 50.5% and 49.2%, respectively. The increase in gross profit margin resulted from operational improvements, accretive acquisitions and the positive impact of foreign currency translation.

Selling, General and Administrative

Our selling, general and administrative expenses for the three months ended September 30, 2019 increased to \$125.3 million, or 24.0% of total revenue, from \$106.5 million, or 22.8% of total revenue, for the comparable period in 2018. The increase was a result of selected investments in the businesses and the assumption of expenses associated with acquisitions.

Research and Development

Our research and development expenses for the three months ended September 30, 2019 increased to \$46.1 million, or 8.8% of total revenue, from \$41.8 million, or 9.0% of total revenue, for the comparable period in 2018. The decrease as a percentage of revenue is a result of increased revenue in the three months ended September 30, 2019.

Other Charges (Gain), Net

Other charges (gain), net of (\$5.3) million recorded for the three months ended September 30, 2019 were primarily related to the BSI Segment and consisted of (\$7.4) million of restructuring costs related to closing facilities and implementing outsourcing and other restructuring initiatives, \$0.4 million related to professional fees, \$0.8 million of costs associated with our global information technology (IT) transformation initiative and \$0.9 million of acquisition-related charges related to acquisitions completed in 2019 and 2018. The restructuring charges in the three months ended September 30, 2019 included a gain of \$7.8 million related to the sale of a building in Leipzig, Germany. The IT transformation initiative is a multi-year project aimed at updating and integrating our global enterprise resource planning and human resource information systems.

Other charges (gain), net of \$5.2 million recorded for the three months ended September 30, 2018 were primarily related to the BSI Segment and consisted of \$2.0 million of restructuring costs related to closing facilities and implementing outsourcing and other restructuring initiatives, \$0.9 million related to professional fees, \$1.1 million of costs associated with our global IT transformation initiative and \$1.2 million of acquisition-related charges related to acquisitions completed in 2018 and 2017.

Operating Income

Operating income for the three months ended September 30, 2019 was \$87.8 million, resulting in an operating margin of 16.8%, compared to operating income of \$69.1 million, and an operating margin of 14.8%, for the three months ended September 30, 2018. Included in operating income were various charges for amortization of acquisition-related intangible assets and other acquisition-related costs and restructuring costs totaling \$7.7 million and \$14.2 million for the three months ended September 30, 2019 and 2018, respectively. Excluding these charges, our non-GAAP operating margins for the three months ended September 30, 2019 and 2018 were 18.3% and 17.9%, respectively. The increase in GAAP and non-GAAP operating margin was due to operational improvements and favorable foreign currency translation.

Interest and Other Income (Expense), Net

Interest and other income (expense), net during the three months ended September 30, 2019 was an expense of \$4.6 million compared to an expense of \$3.7 million for the comparable period of 2018.

During the three months ended September 30, 2019, the primary components within interest and other income (expense), net were net interest expense of \$4.7 million, realized and unrealized gains on foreign currency denominated transactions of \$0.7 million and \$0.6 million related to pension plan expenses. During the three months ended September 30, 2018, the primary components within interest and other income (expense), net were net interest expense of \$2.3 million, realized and unrealized losses on foreign currency denominated transactions of \$0.6 million and \$0.9 million related to pension plan expenses.

Income Tax Provision

The 2019 and 2018 effective tax rates were estimated using projected annual pre-tax income on a jurisdictional basis. Expected tax benefits, including tax credits and incentives, the impact of changes to valuation allowances and the effect of jurisdictional differences in statutory tax rates were also considered in the calculation.

The income tax provision for the three months ended September 30, 2019 and 2018 was \$21.7 million and \$21.2 million, respectively, representing effective tax rates of 26.1% and 32.4%, respectively. The decrease in our effective tax rate was primarily due to the impact of favorable discrete items in the period.

Net Income Attributable to Noncontrolling Interests

Net income attributable to noncontrolling interests for the three months ended September 30, 2019 and 2018 was \$0.2 million and \$0.8 million, respectively. The net income attributable to noncontrolling interests represented the minority shareholders' proportionate share of the net income recorded by our majority-owned subsidiaries.

Net Income Attributable to Bruker Corporation

Our net income attributable to Bruker for the three months ended September 30, 2019 was \$61.3 million, or \$0.39 per diluted share, compared to \$43.4 million, or \$0.28 per diluted share, for the comparable period in 2018. The increase in net income and earnings per diluted share was primarily driven by the increase in revenue and significant gross and operating profit improvements.

Reportable Segment Revenue

The following table presents revenue, change in revenue and revenue growth by reportable segment (dollars in millions):

	Three Months Ended September 30,		Dollar Change	Percentage Change
	2019	2018		
BSI	\$ 471.8	\$ 417.1	\$ 54.7	13.1 %
BEST	52.5	50.9	1.6	3.1 %
Eliminations (a)	(3.2)	(1.4)	(1.8)	—
	<u>\$ 521.1</u>	<u>\$ 466.6</u>	<u>\$ 54.5</u>	<u>11.7 %</u>

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

BSI Segment Revenue

BSI Segment revenue increased by \$54.7 million, or 13.1%, to \$471.8 million for the three months ended September 30, 2019, compared to \$417.1 million for the three months ended September 30, 2018. Revenue includes approximately \$27.9 million attributable to recent acquisitions and approximately \$8.9 million from the unfavorable impact of foreign currency translation. Excluding the effects of foreign currency translation and our recent acquisitions, organic revenue, a non-GAAP measure, increased by \$35.7 million, or 8.6%. The constant currency revenue growth, a non-GAAP measure, for the period ended September 30, 2019 was \$63.6 million, or 15.3%.

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The Bruker BioSpin Group revenue increased during the three months ended September 30, 2019 compared to the three months ended September 30, 2018 primarily due to growth in the system revenue, which included the revenue recognition of a 1.0 GHz system, as well as aftermarket revenue and a small contribution from recent software acquisitions.

The Bruker CALID Group revenue increased during the three months ended September 30, 2019 compared to the three months ended September 30, 2018, as a result of continued strong demand for life science mass spectrometry and microbiology products and contributions from an acquisition.

The Bruker Nano Group revenue increased during the three months ended September 30, 2019 compared to the three months ended September 30, 2018 as a result of demand for advanced X-ray, surface analysis and nano analysis products and contributions from our recent acquisitions.

System revenue and aftermarket revenue as a percentage of total BSI Segment revenue were as follows (dollars in millions):

	Three Months Ended September 30,			
	2019		2018	
	Revenue	Percentage of Segment Revenue	Revenue	Percentage of Segment Revenue
System revenue	\$ 345.6	73.3 %	\$ 296.3	71.0 %
Aftermarket revenue	126.2	26.7 %	120.8	29.0 %
Total revenue	<u>\$ 471.8</u>	<u>100.0 %</u>	<u>\$ 417.1</u>	<u>100.0 %</u>

BEST Segment Revenue

BEST Segment revenue increased \$1.6 million, or 3.1%, to \$52.5 million for the three months ended September 30, 2019, compared to \$50.9 million for the comparable period in 2018. The increase in revenue resulted primarily from shipments of superconductors for healthcare applications.

System and wire revenue and aftermarket revenue as a percentage of total BEST Segment revenue were as follows (dollars in millions):

	Three Months Ended September 30,			
	2019		2018	
	Revenue	Percentage of Segment Revenue	Revenue	Percentage of Segment Revenue
System and wire revenue	\$ 51.6	98.3 %	\$ 50.2	98.6 %
Aftermarket revenue	0.9	1.7 %	0.7	1.4 %
Total revenue	<u>\$ 52.5</u>	<u>100.0 %</u>	<u>\$ 50.9</u>	<u>100.0 %</u>

Gross Profit and Operating Expenses

For the three months ended September 30, 2019, gross profit margin in the BSI Segment increased to 51.8% from 51.0% compared to the three months ended September 30, 2018. BEST Segment gross margin decreased to 17.7% from 19.4% for the three months ended September 30, 2019 and 2018, respectively.

In the three months ended September 30, 2019, selling, general and administrative expenses and research and development expenses in the BSI Segment increased to \$165.8 million, or 35.1% of segment revenue, from \$143.8 million, or 34.5% of segment revenue in the comparable period in 2018. The increase was a result of selected investments in the businesses and the assumption of expenses associated with acquisitions.

Selling, general and administrative expenses and research and development expenses in the BEST Segment were \$5.6 million, or 10.7% of segment revenue, compared to \$4.5 million, or 8.8% of segment revenue, for the comparable period in 2018. The increase as a percentage of revenue was a result of the timing of expenses in the three months ended September 30, 2019.

Operating Income

The following table presents operating income and operating margins on revenue by reportable segment (dollars in millions):

	Three Months Ended September 30,			
	2019		2018	
	Operating Income	Percentage of Segment Revenue	Operating Income	Percentage of Segment Revenue
BSI	\$ 84.0	17.8 %	\$ 63.6	15.2 %
BEST	3.7	7.0 %	5.4	10.6 %
Corporate, eliminations and other (a)	0.1		0.1	
Total operating income	<u>\$ 87.8</u>	16.8 %	<u>\$ 69.1</u>	14.8 %

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

BSI Segment operating income for the three months ended September 30, 2019 was \$84.0 million, resulting in an operating margin of 17.8%, compared to operating income of \$63.6 million, resulting in an operating margin of 15.2%, for the comparable period in 2018. Operating income included \$7.3 million and \$14.1 million in the three months ended September 30, 2019 and 2018, respectively, of various charges for amortization of acquisition-related intangible assets and other acquisition-related costs, restructuring costs and costs associated with our global IT transformation initiative. Excluding these charges, non-GAAP operating margins were 19.4% and 18.6% for the three months ended September 30, 2019 and 2018, respectively. The increase in GAAP and non-GAAP operating margin was due to operational improvements and favorable foreign currency translation.

BEST Segment operating income decreased for the three months ended September 30, 2019 to \$3.7 million, resulting in an operating margin of 7.0%, compared to operating income of \$5.4 million, resulting in an operating margin of 10.6%, for the comparable period in 2018. Operating income included \$0.4 million and \$0.1 million in the three months ended September 30, 2019 and 2018, respectively, of various charges for amortization of acquisition-related intangible assets and other acquisition-related costs and restructuring costs. Excluding these charges, non-GAAP operating margins were 7.8% and 10.8% for the three months ended September 30, 2019 and 2018, respectively. GAAP and non-GAAP operating margins decreased primarily due to product mix.

Nine Months Ended September 30, 2019 compared to the nine Months Ended September 30, 2018

Consolidated Results

The following table presents our results for the nine months ended September 30, 2019 and 2018 (dollars in millions, except per share data):

	Nine Months Ended September 30,	
	2019	2018
Product revenue	\$ 1,235.3	\$ 1,105.8
Service revenue	234.8	230.8
Other revenue	2.6	5.4
Total revenue	1,472.7	1,342.0
Cost of product revenue	627.9	571.6
Cost of service revenue	145.3	142.2
Cost of other revenue	0.5	1.0
Total cost of revenue	773.7	714.8
Gross profit	699.0	627.2
Operating expenses:		
Selling, general and administrative	369.9	327.4
Research and development	141.0	128.6
Other charges (gain), net	4.9	15.2
Total operating expenses	515.8	471.2
Operating income	183.2	156.0
Interest and other income (expense), net	(14.0)	(11.5)
Income before income taxes and noncontrolling interest in consolidated subsidiaries	169.2	144.5
Income tax provision	40.0	41.4
Consolidated net income	129.2	103.1
Net income attributable to noncontrolling interests in consolidated subsidiaries	0.6	1.5
Net income attributable to Bruker Corporation	\$ 128.6	\$ 101.6
Net income per common share attributable to Bruker Corporation shareholders:		
Basic	\$ 0.83	\$ 0.65
Diluted	\$ 0.82	\$ 0.65
Weighted average common shares outstanding:		
Basic	155.7	156.1
Diluted	157.0	157.2

Revenue

For the nine months ended September 30, 2019, our revenue increased by \$130.7 million, or 9.7%, to \$1,472.7 million, compared to \$1,342.0 million for the comparable period in 2018. Included in revenue was an increase of approximately \$94.4 million from acquisitions and a decrease of \$43.8 million from foreign currency translation. Excluding the effects of foreign currency translation and our recent acquisitions, our organic revenue, a non-GAAP measure, increased by \$80.1 million, or 6.0%. The constant currency revenue growth, a non-GAAP measure, for the period ended September 30, 2019 was \$174.5 million, or 13.0%.

BSI Segment revenue increased by \$124.5 million, or 10.3%, to \$1,331.0 million for the nine months ended September 30, 2019, compared to \$1,206.5 million for the nine months ended September 30, 2018. BEST Segment revenue increased by \$13.0 million, or 9.3%, to \$152.2 million for the nine months ended September 30, 2019, compared to \$139.2 million for the nine months ended September 30, 2018.

Please see the Segment Results section later in this section for additional discussion of our financial results by segment.

Gross Profit

Gross profit for the nine months ended September 30, 2019 was \$699.0 million, or 47.5% of revenue, compared to \$627.2 million, or 46.7% of revenue, for the nine months ended September 30, 2018. Included in gross profit were various charges for amortization of acquisition-related intangible assets and other acquisition-related costs and restructuring costs totaling \$32.5 million and \$19.0 million for the nine months ended September 30, 2019 and 2018, respectively. Excluding these charges, our non-GAAP gross profit margins for the nine months ended September 30, 2019 and 2018 were 49.7% and 48.2%, respectively. The increase in gross profit margin resulted primarily from operational improvements, accretive acquisitions and the positive impact of foreign currency translation.

Selling, General and Administrative

Our selling, general and administrative expenses for the nine months ended September 30, 2019 increased to \$369.9 million, or 25.1% of total revenue, from \$327.4 million, or 24.4% of total revenue, for the comparable period in 2018. The increase was a result of selected investments and the assumption of expenses associated with acquisitions, partially offset by favorable foreign currency translation.

Research and Development

Our research and development expenses for the nine months ended September 30, 2019 increased to \$141.0 million, or 9.6% of total revenue, from \$128.6 million, or 9.6% of total revenue, for the comparable period in 2018. The increase was primarily a result of the assumption of expenses associated with acquisitions, partially offset by favorable foreign currency translation.

Other Charges (Gain), Net

Other charges (gain), net of \$4.9 million recorded for the nine months ended September 30, 2019 were primarily related to the BSI Segment and consisted of (\$5.5) million of restructuring costs related to closing facilities and implementing outsourcing and other restructuring initiatives, \$1.7 million related to professional fees, \$2.8 million of costs associated with our global IT transformation initiative and \$5.9 million of acquisition-related charges related to acquisitions completed in 2019 and 2018. The restructuring charges in the nine months ended September 30, 2019 included a gain of \$7.8 million related to the sale of a building in Leipzig, Germany.

Other charges (gain), net of \$15.2 million recorded for the nine months ended September 30, 2018 were primarily related to the BSI Segment and consisted of \$5.9 million of restructuring costs related to closing facilities and implementing outsourcing and other restructuring initiatives, \$3.5 million related to professional fees, \$3.5 million of costs associated with our global IT transformation initiative and \$2.3 million of acquisition-related charges related to acquisitions completed in 2018 and 2017.

Operating Income

Operating income for the nine months ended September 30, 2019 was \$183.2 million, resulting in an operating margin of 12.4%, compared to operating income of \$156.0 million, and an operating margin of 11.6%, for the nine months ended September 30, 2018. Included in operating income were various charges for amortization of acquisition-related intangible assets and other acquisition-related costs and restructuring costs totaling \$48.3 million and \$39.1 million for the nine months ended September 30, 2019 and 2018, respectively. Excluding these charges, our non-GAAP operating margins for the nine months ended September 30, 2019 and 2018 were 15.7% and 14.5%, respectively. The GAAP and non-GAAP operating margin expansion was primarily due to operational improvements, accretive acquisitions and the positive impact of foreign currency translation.

Interest and Other Income (Expense), Net

Interest and other income (expense), net during the nine months ended September 30, 2019 was an expense of \$14.0 million compared to an expense of \$11.5 million for the comparable period of 2018.

During the nine months ended September 30, 2019, the primary components within interest and other income (expense), net were net interest expense of \$11.5 million, realized and unrealized losses on foreign currency denominated transactions of \$0.7 million and

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\$1.8 million related to pension plan expenses. During the nine months ended September 30, 2018, the primary components within interest and other income (expense), net were net interest expense of \$8.3 million, realized and unrealized losses on foreign currency denominated transactions of \$1.6 million and \$2.2 million related to pension plan expenses.

Income Tax Provision

The 2019 and 2018 effective tax rates were estimated using projected annual pre-tax income on a jurisdictional basis. Expected tax benefits, including tax credits and incentives, the impact of changes to valuation allowances and the effect of jurisdictional differences in statutory tax rates were also considered in the calculation.

The income tax provision for the nine months ended September 30, 2019 and 2018 was \$40.0 million and \$41.4 million, respectively, representing effective tax rates of 23.6% and 28.7%, respectively. The decrease in our effective tax rate for the nine months ended September 30, 2019, compared to the same period in 2018, was primarily due to the recording of items related to the update of a one-time tax on the mandatory deemed repatriation of post-1986 untaxed foreign earnings and profits (toll charge) assessed under the Tax Cuts and Jobs Act (2017 Tax Act) due to the release of final regulations issued during the period ended March 31, 2019, as well as, due to the impact of favorable discrete items in the period.

Net Income Attributable to Noncontrolling Interests

Net income attributable to noncontrolling interests for the nine months ended September 30, 2019 and 2018 was \$0.6 million and \$1.5 million, respectively. The net income attributable to noncontrolling interests represented the minority shareholders' proportionate share of the net income recorded by our majority-owned subsidiaries.

Net Income Attributable to Bruker Corporation

Our net income attributable to Bruker for the nine months ended September 30, 2019 was \$128.6 million, or \$0.82 per diluted share, compared to \$101.6 million, or \$0.65 per diluted share, for the comparable period in 2018. The increase in net income and earnings per diluted share was primarily driven by the increase in revenue and improvements in gross and operating profit.

Reportable Segment Revenue

The following table presents revenue, change in revenue and revenue growth by reportable segment (dollars in millions):

	Nine Months Ended September 30,		Dollar Change	Percentage Change
	2019	2018		
BSI	\$ 1,331.0	\$ 1,206.5	\$ 124.5	10.3 %
BEST	152.2	139.2	13.0	9.3 %
Eliminations (a)	(10.5)	(3.7)	(6.8)	
	<u>\$ 1,472.7</u>	<u>\$ 1,342.0</u>	<u>\$ 130.7</u>	9.7 %

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

BSI Segment Revenue

BSI Segment revenue increased by \$124.5 million, or 10.3%, to \$1,331.0 million for the nine months ended September 30, 2019, compared to \$1,206.5 million for the nine months ended September 30, 2018. Revenue includes approximately \$91.4 million attributable to recent acquisitions and approximately \$37.4 million from the unfavorable impact of foreign currency translation. Excluding the effects of foreign currency translation and our recent acquisitions, organic revenue, a non-GAAP measure, increased by \$70.5 million, or 5.8%. The constant currency revenue growth for the period ended September 30, 2019 was \$161.9 million or 13.4%.

The Bruker BioSpin Group revenue increased during the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018 due to growth in the system revenue, which included the revenue recognition of two 1.0 GHz systems, as well as aftermarket revenue and a small contribution from recent software acquisitions.

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The Bruker CALID Group revenue increased during the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018, as a result of continued strong demand for life science mass spectrometry and microbiology products and contributions from acquisitions.

The Bruker Nano Group revenue increased during the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018 primarily as a result of higher revenues from our recent acquisitions and growth in advanced X-ray and nano analysis products.

System revenue and aftermarket revenue as a percentage of total BSI Segment revenue were as follows (dollars in millions):

	Nine Months Ended September 30,			
	2019		2018	
	Revenue	Percentage of Segment Revenue	Revenue	Percentage of Segment Revenue
System revenue	\$ 951.8	71.5 %	\$ 858.1	71.1 %
Aftermarket revenue	379.2	28.5 %	348.4	28.9 %
Total revenue	<u>\$ 1,331.0</u>	<u>100.0 %</u>	<u>\$ 1,206.5</u>	<u>100.0 %</u>

BEST Segment Revenue

BEST Segment revenue increased by \$13.0 million, or 9.3%, to \$152.2 million for the nine months ended September 30, 2019, compared to \$139.2 million for the comparable period in 2018. The increase in revenue resulted primarily from shipments of superconductors for healthcare applications.

System and wire revenue and aftermarket revenue as a percentage of total BEST Segment revenue were as follows (dollars in millions):

	Nine Months Ended September 30,			
	2019		2018	
	Revenue	Percentage of Segment Revenue	Revenue	Percentage of Segment Revenue
System and wire revenue	\$ 149.5	98.2 %	\$ 136.4	98.0 %
Aftermarket revenue	2.7	1.8 %	2.8	2.0 %
Total revenue	<u>\$ 152.2</u>	<u>100.0 %</u>	<u>\$ 139.2</u>	<u>100.0 %</u>

Gross Profit and Operating Expenses

For the nine months ended September 30, 2019, gross profit margin in the BSI Segment increased to 50.5% from 50.0% compared to the nine months ended September 30, 2018. BEST Segment gross margin increased to 17.5% from 17.4% for the nine months ended September 30, 2019 and 2018, respectively.

In the nine months ended September 30, 2019, selling, general and administrative expenses and research and development expenses in the BSI Segment increased to \$494.3 million, or 37.1% of segment revenue, from \$441.2 million, or 36.6% of segment revenue in the comparable period in 2018. The increase was a result of selected investments in the business and the assumption of expenses associated with acquisitions.

Selling, general and administrative expenses and research and development expenses in the BEST Segment were \$16.6 million, or 10.9% of segment revenue, compared to \$14.8 million, or 10.6% of segment revenue, for the comparable period in 2018. The increase as a percentage of revenue was a result of the timing of expenses in the nine months ended September 30, 2019.

Operating Income

The following table presents operating income and operating margins on revenue by reportable segment (dollars in millions):

	Nine Months Ended September 30,			
	2019		2018	
	Operating Income	Percentage of Segment Revenue	Operating Income	Percentage of Segment Revenue
BSI	\$ 173.3	13.0 %	\$ 146.5	12.1 %
BEST	9.9	6.5 %	9.3	6.7 %
Corporate, eliminations and other (a)	—		0.2	
Total operating income	<u>\$ 183.2</u>	12.4 %	<u>\$ 156.0</u>	11.6 %

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

BSI Segment operating income for the nine months ended September 30, 2019 was \$173.3 million, resulting in an operating margin of 13.0%, compared to operating income of \$146.5 million, resulting in an operating margin of 12.1%, for the comparable period in 2018. Operating income included \$47.4 million and \$38.7 million in the nine months ended September 30, 2019 and 2018, respectively, of various charges for amortization of acquisition-related intangible assets and other acquisition-related costs, restructuring costs and costs associated with our global IT transformation initiative. Excluding these charges, non-GAAP operating margins were 16.6% and 15.4% for the nine months ended September 30, 2019 and 2018, respectively. The GAAP and non-GAAP operating margin expansion was primarily due to operational improvements, accretive acquisitions and the positive impact of foreign currency translation.

BEST Segment operating income increased for the nine months ended September 30, 2019 to \$9.9 million, resulting in an operating margin of 6.5%, compared to operating income of \$9.3 million, resulting in an operating margin of 6.7%, for the comparable period in 2018. Operating income included \$0.9 million and \$0.4 million in the nine months ended September 30, 2019 and 2018, respectively, of various charges for amortization of acquisition-related intangible assets and other acquisition-related costs and restructuring costs. Excluding these charges, non-GAAP operating margins were 7.1% and 7.0% for the nine months ended September 30, 2019 and 2018, respectively. GAAP and non-GAAP operating margins remained reasonably consistent in the nine months ended September 30, 2019 and 2018.

LIQUIDITY AND CAPITAL RESOURCES

We anticipate that our existing cash and credit facilities will be sufficient to support our operating and investing needs for at least the next twelve months. Our future cash requirements could be affected by acquisitions that we may complete, repurchases of our common stock, or the payment of dividends in the future. Historically, we have financed our growth and liquidity needs through cash flow generation and a combination of debt financings and issuances of common stock. In the future, there are no assurances that we will continue to generate cash flow from operations or that additional financing alternatives will be available to us, if required, or if available, will be obtained on terms favorable to us.

During the nine months ended September 30, 2019, net cash provided by operating activities was \$77.2 million, resulting from consolidated net income adjusted for non-cash items of \$197.8 million, partially offset by an increase in operating assets and liabilities, net of acquisitions and divestitures of \$120.6 million. The increase in operating assets and liabilities, net of acquisitions and divestitures for the nine months ended September 30, 2019 was primarily caused by an increase in inventory for orders in 2019.

During the nine months ended September 30, 2018, net cash provided by operating activities was \$107.4 million, resulting from consolidated net income adjusted for non-cash items of \$179.7 million, partially offset by an increase in operating assets and liabilities, net of acquisitions and divestitures of \$72.3 million. The increase in operating assets and liabilities, net of acquisitions and divestitures for the nine months ended September 30, 2018 was primarily caused by cash received for accounts receivable.

During the nine months ended September 30, 2019, net cash used in investing activities was \$119.2 million, compared to net cash provided by investing activities of \$32.9 million during the nine months ended September 30, 2018. Cash used in investing activities during the nine months ended September 30, 2019 was caused by cash paid for acquisitions of \$79.0 million, net purchases of property, plant and equipment of \$33.8 million and purchases of short-term investments of \$6.4 million. Cash provided by investing

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activities during the nine months ended September 30, 2018 was primarily caused by the maturities of short-term investments of \$117.0 million, offset by the cash paid for acquisitions of \$55.3 million and net purchases of property, plant and equipment of \$28.8 million.

During the nine months ended September 30, 2019, net cash provided by financing activities was \$22.1 million, compared to net cash used in financing activities of \$189.0 million during the nine months ended September 30, 2018. Net cash provided by financing activities during the nine months ended September 30, 2019 was primarily attributable to \$250.6 million in proceeds from borrowings under the 2015 Credit Agreement and \$8.1 million of proceeds from the issuance of common stock, net. This was offset by \$142.3 million of repurchases of common stock under our repurchase program, \$50.5 million of repayment under the 2015 Credit Agreement, \$15.0 million repayment under the Note Purchase Agreement, \$18.8 million used for the payment of dividends, \$5.6 million payment of contingent considerations related to recent acquisitions and \$4.8 million repayment of other debt. Net cash used in financing activities during the nine months ended September 30, 2018 was primarily attributable to repayment of \$202.5 million of borrowings under the 2015 Credit Agreement, described below; and \$18.8 million used for the payment of dividends. This was offset by \$27.5 million in proceeds from borrowings under the 2015 Credit Agreement, described below; and \$8.9 million of proceeds from the issuance of common stock, net.

In May 2019, our Board of Directors approved the Repurchase Program which authorizes the repurchase of our common stock in the amount of up to \$300.0 million from time to time, in amounts, at prices, and at such times as management deems appropriate, subject to market conditions, legal requirements and other considerations. We repurchased a total of 1,022,469 shares at an aggregate cost of \$42.3 million in the three months ended September 30, 2019 and a total of 3,323,104 shares at an aggregate cost of \$142.3 million in the nine months ended September 30, 2019. No repurchases occurred in the three and nine months ended September 30, 2018. The remaining authorization as of October 30, 2019 is \$157.7 million and this Repurchase Program expires on May 13, 2021. We intend to fund any additional repurchases from cash on hand, future cash flows from operations and available borrowings under our revolving credit facility.

The repurchased shares are reflected within Treasury stock in the accompanying consolidated balance sheet at September 30, 2019.

Cash at September 30, 2019 and December 31, 2018 totaled \$296.3 million and \$322.4 million, respectively, of which \$268.9 million and \$280.9 million, respectively, related to foreign cash and short-term investments, most significantly in the Netherlands and Switzerland.

At December 31, 2018, we recorded state income and foreign withholding taxes on the cash and liquid assets portion of the unremitted earnings and profits (E&P) of foreign subsidiaries expected to be repatriated from our foreign subsidiaries to the United States, except for amounts from certain subsidiaries, which we have asserted to be indefinitely reinvested. Specifically, we assert that a total of \$1,328 million of unremitted foreign earnings is indefinitely reinvested. This figure is comprised of \$875.0 million in unremitted earnings, as well as \$453.4 million of non-cash E&P in all other jurisdictions. If this E&P is ultimately distributed to the United States in the form of dividends or otherwise, we would likely be subject to additional withholding tax. We estimate the amount of unrecognized deferred withholding taxes on the undistributed E&P to be approximately \$48.5 million at December 31, 2018.

We recorded tax expense associated with the Global Intangible Low-Taxed Income (GILTI) provisions of the 2017 Tax Act as of September 30, 2019 and December 31, 2018. Companies are allowed to adopt an accounting policy to either recognize deferred taxes for GILTI or treat such as a tax cost in the year incurred. We have determined to treat such as a tax cost in the year incurred. As such, we did not record a deferred income tax expense or benefit related to the GILTI provisions of the 2017 Tax Act in the consolidated statement of income for the three and nine months ended September 30, 2019 or the year ended December 31, 2018.

As of September 30, 2019, we had approximately \$43.2 million of net operating loss carryforwards available to reduce state taxable income; approximately \$92.5 million of net operating losses available to reduce German federal income and trade taxes that are carried forward indefinitely; \$5.8 million of other foreign net operating losses available that are carried forward indefinitely and \$5.6 million of other foreign net operating losses that are expected to expire at various times in 2019. We also had U.S. state research and development tax credits of \$8.6 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.

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At September 30, 2019, we had outstanding debt totaling \$ 518.8 million, consisting of \$ 205.0 million outstanding under the Note Purchase Agreement described below; \$ 310.4 million outstanding under the 2015 Credit Agreement described below and \$3.8 million under capital lease obligations and other loans. These amounts were offset by unamortized debt issuance costs under the Note Purchase Agreement of \$0.4 million. At December 31, 2018, we had outstanding debt totaling \$341.1 million, consisting of \$220.0 million outstanding under the Note Purchase Agreement described below, \$111.6 million outstanding under the revolving loan component of the 2015 Credit Agreement described below, \$7.1 million under capital lease obligations and other loans and \$2.9 million under other revolving loans. These amounts were offset by unamortized debt issuance costs under the Note Purchase Agreement of \$0.5 million.

The following is a summary of the maximum commitments and the net amounts available to us under the 2015 Credit Agreement and other lines of credit with various financial institutions located primarily in Germany and Switzerland that are unsecured and typically due upon demand with interest payable monthly, at September 30, 2019 (dollars in millions):

	Weighted Average Interest Rate	Total Amount Committed by Lenders	Outstanding Borrowings	Outstanding Letters of Credit	Total Amount Available
2015 Credit Agreement	2.5 %	\$ 500.0	\$ 310.4	\$ 1.1	\$ 188.5
Alicona revolving line of credit	—	5.3	—	—	5.3
Other lines of credit	—	231.4	—	126.4	105.0
Total revolving lines of credit		<u>\$ 736.7</u>	<u>\$ 310.4</u>	<u>\$ 127.5</u>	<u>\$ 298.8</u>

On October 27, 2015, we entered into the 2015 Credit Agreement. The 2015 Credit Agreement provides a maximum commitment on the revolving credit line of \$500.0 million and a maturity date of October 2020. Borrowings under the revolving credit line accrue interest, at our option, at either (a) the greatest of (i) the prime rate, (ii) the federal funds rate plus 0.50%, and (iii) adjusted LIBOR plus 1.00%, 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 us to maintain certain financial ratios related to maximum leverage and minimum interest coverage. Specifically, our leverage ratio cannot exceed 3.5 and our 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 us to prepay the debt before its scheduled due date.

As of September 30, 2019, we were in compliance with the covenants, as defined by both the 2015 Credit Agreement and the Note Purchase Agreement.

In January 2012, we entered into the Note Purchase Agreement, with a group of accredited institutional investors. Pursuant to the Note Purchase Agreement, we issued and sold \$240.0 million of Senior Notes, which consist of the following:

- \$20.0 million 3.16% Series 2012A Senior Notes, Tranche A, due January 18, 2017;
- \$15.0 million 3.74% Series 2012A Senior Notes, Tranche B, due January 18, 2019;
- \$105.0 million 4.31% Series 2012A Senior Notes, Tranche C, due January 18, 2022; and
- \$100.0 million 4.46% Series 2012A Senior Notes, Tranche D, due January 18, 2024.

On January 18, 2017, the outstanding \$20.0 million principal amount of Tranche A of the Senior Notes was repaid in accordance with the terms of the Note Purchase Agreement. On January 18, 2019, the outstanding \$15.0 million principal amount of Tranche B of the Senior Notes was repaid in accordance with the terms of the Note Purchase Agreement.

RECENT ACCOUNTING PRONOUNCEMENTS

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820), Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements of fair value measurements, including the consideration of costs and benefits. This ASU is effective for us in fiscal years beginning after December 15, 2019. The adoption of this ASU is not expected to have a material impact on our consolidated financial statements.

In August 2017, the FASB issued ASU No. 2017-12, *Derivatives and Hedging (Topic 815)*, which provides new guidance intended to improve the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements. This ASU is effective for us in fiscal years beginning after December 15, 2018. The adoption of this ASU did not have a material impact on our consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. The new standard simplifies the subsequent measurement of goodwill by eliminating the second step of the goodwill impairment test. This ASU will be applied prospectively and is effective for annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2019. The adoption of this standard is not expected to have a material impact on our financial position, results of operations or statements of cash flows upon adoption.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are potentially exposed to market risks associated with changes in foreign currency, interest rates and commodity prices. We selectively use financial instruments to reduce these risks. All transactions related to risk management techniques are authorized and executed pursuant to our policies and procedures. Analytical techniques used to manage and monitor foreign currency and interest rate risk include market valuations and sensitivity analysis.

Impact of Foreign Currencies

We generate a substantial portion of our revenues in international markets, principally Germany and other countries in the European Union, Switzerland and Japan, which exposes our operations to the risk of exchange rate fluctuations. The impact of currency exchange rate movement can be positive or negative in any period. Our costs related to sales in foreign currencies are largely denominated in the same respective currencies, reducing our transaction risk exposure. However, for foreign currency denominated sales in certain regions, such as Japan, where we do not incur significant costs denominated in that foreign currency, we are more exposed to the impact of foreign currency fluctuations.

For sales not denominated in U.S. Dollars, if there is an increase in the rate at which a foreign currency is exchanged for U.S. Dollars, it will require more of the foreign currency to equal a specified amount of U.S. Dollars than before the rate increase. In such cases, if we price our products in the foreign currency, we will receive less in U.S. Dollars than we would have received before the rate increase went into effect. If we price our products in U.S. Dollars and competitors price their products in local currency, an increase in the relative strength of the U.S. Dollar could result in our prices not being competitive in a market where business is transacted in the local currency. For example, if the U.S. Dollar strengthened against the Japanese Yen, our Japanese-based competitors would have a greater pricing advantage over us.

Changes in foreign currency translation rates decreased our revenue by 3.3 % for the nine months ended September 30, 2019 and increased our revenue by approximately 3.0% for the nine months ended September 30, 2018.

Assets and liabilities of our foreign subsidiaries, where the functional currency is the local currency, are translated into U.S. dollars using period-end exchange rates. 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. For the nine months ended September 30, 2019 and 2018, we recorded net (losses) gains from currency translation adjustments of (\$38.9) million and (\$17.1) million, respectively. Gains and losses resulting from foreign currency transactions are reported in interest and other income (expense), net in the unaudited condensed consolidated statements of income and comprehensive income. Our foreign exchange (losses) gains, net were (\$0.7) million and (\$1.6) million, for the nine month periods ended September 30, 2019 and 2018, respectively.

From time to time, we have entered into foreign exchange contracts designed to minimize the volatility that fluctuations in foreign currency have on our cash flows related to purchases and sales denominated in foreign currencies. Under these arrangements, we agree 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 typically with maturities of less than twelve months with some agreements extending to longer periods. These transactions are recorded at fair value with the corresponding gains and losses recorded in interest and other income (expense), net in the unaudited condensed consolidated statements of income and comprehensive income. At September 30, 2019 and December 31, 2018, we had foreign exchange contracts with notional amounts aggregating \$82.5 million and \$102.4 million, respectively. We will continue to evaluate our currency risks and in the future may utilize foreign currency contracts more frequently.

Impact of Interest Rates

We regularly invest excess cash in short-term investments that are subject to changes in interest rates. We believe that the market risk arising from holding these financial instruments is minimal because of our policy of investing in short-term financial instruments issued by highly rated financial institutions.

Our exposure related to adverse movements in interest rates is derived primarily from outstanding floating rate debt instruments that are indexed to short-term market rates. We currently have a higher level of fixed rate debt, which limits our exposure to adverse movements in interest rates.

Impact of Commodity Prices

We are exposed to certain commodity risks associated with prices for various raw materials. The prices of copper and certain other raw materials, particularly niobium tin, used to manufacture superconductors have increased significantly over the last decade. Copper and niobium tin are the main components of low temperature superconductors and continued commodity price increases for copper and niobium as well as other raw materials may negatively affect our profitability. Periodically, we enter into commodity forward purchase contracts to minimize the volatility that fluctuations in the price of copper have on our sales of these products. At September 30, 2019 and December 31, 2018, we had fixed price commodity contracts with notional amounts aggregating \$5.1 million and \$6.8 million, respectively. We will continue to evaluate our commodity risks and may utilize commodity forward purchase contracts more frequently in the future.

Inflation

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

ITEM 4. CONTROLS AND PROCEDURES

We have established disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (Exchange Act) that are designed to ensure that 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 and principal accounting 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 September 30, 2019. Based on this evaluation our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2019 to ensure that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

There were no changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2019 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are involved in lawsuits, claims, and proceedings, including, but not limited to, patent and commercial matters, which arise in the ordinary course of business. There are no such matters pending that we currently believe are reasonably likely to have a material impact on our business or to our consolidated financial statements.

On September 25, 2019, in a complaint filed in the Düsseldorf, Germany, District Court, Carl Zeiss Microscopy GmbH, a subsidiary of Carl Zeiss AG (Zeiss), sued Luxendo GmbH (Luxendo), a subsidiary of Bruker Corporation, for infringement of a recently registered German utility model Gebrauchsmuster licensed to Zeiss pertaining to one specific Luxendo product category. We intend to vigorously defend against this claim.

On September 23, 2019, in a complaint filed in the Düsseldorf, Germany, District Court, Micromass UK Limited, a subsidiary of Waters Corporation, sued Bruker Corporation, as well as its affiliate, Bruker Daltonik GmbH, for infringement of a European patent pertaining to our timsTOF product line. We intend to vigorously defend against this claim.

In addition, we are subject to regulation by national, state and local government agencies in the United States and other countries in which we operate. From time to time, we are the subject of governmental investigations often involving regulatory, marketing and other business practices. These governmental investigations may result in the commencement of civil and criminal proceedings, fines, penalties and administrative remedies which could have a material adverse effect on our financial position, results of operations and/or liquidity.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2018, which could materially affect our business, financial condition or future results. The risks described in this report and in our Annual Report on Form 10-K are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

There have been no material changes to the risk factors previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

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

The following table sets forth all purchases made by or on behalf of the Company or any “affiliated purchaser,” as defined in Rule 10b-18(a)(3) under the Exchange Act, of shares of our common stock during each month in the third quarter of 2019.

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares (or approximate dollar value) that May Yet Be Purchased Under the Plans or Programs (2)
July 1 - July 31, 2019	—	\$ —	—	\$ 199,999,741
August 1 - August 31, 2019	1,024,149	41.38	1,022,469	157,695,500
September 1 - September 30, 2019	—	—	—	157,695,500
	<u>1,024,149</u>	<u>\$ 41.38</u>	<u>1,022,469</u>	

- (1) Represents (i) shares repurchased under a \$300.0 million share repurchase program approved by the Board of Directors and announced on May 10, 2019, under which repurchases of common stock may occur from time to time, in amounts, at prices, and at such times as management deems appropriate, subject to market conditions, legal requirements and other considerations and (ii) 1,680 shares surrendered by participants under our long-term incentive plans to pay taxes upon vesting of restricted stock awards.

- (2) The Repurchase Program authorizes purchases of up to \$300.0 million of our common stock over a two-year period commencing May 14, 2019. As of September 30, 2019, we have repurchased shares of common stock with an aggregate purchase price of approximately \$142.3 million. The remaining authorization under the Repurchase Program is \$157.7 million as of October 30, 2019. The Repurchase Program expires May 13, 2021 and can be suspended, modified or terminated at any time without prior notice.

ITEM 6. EXHIBITS

Exhibit No.	Description
10.1	Purchase and Sale Agreement between Bruker Corporation and Frank Laukien and Dirk D. Laukien as Trustees of 44 Manning Road Realty Trust and Umbrina Associates, dated October 31, 2019⁽¹⁾
31.1	Certification by Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002⁽¹⁾
31.2	Certification by Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002⁽¹⁾
32.1	Certification by Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002⁽²⁾
101	The following materials from the Bruker Corporation Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2019 formatted in Inline Extensible Business Reporting Language (iXBRL): (i) the Unaudited Condensed Consolidated Statements of Income and Comprehensive Income, (ii) the Unaudited Condensed Consolidated Balance Sheets, (iii) the Unaudited Condensed Consolidated Statements of Shareholders' Equity, (iv) the Unaudited Condensed Consolidated Statements of Cash Flows and (v) Notes to the Unaudited Condensed Consolidated Financial Statements ⁽¹⁾
104	Cover page Interactive Data File (formatted as iXBRL with applicable taxonomy information contained in Exhibits 101)

(1) Filed herewith.

(2) Furnished herewith.

SIGNATURES

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

BRUKER CORPORATION

Date: November 4, 2019

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

Frank H. Laukien, Ph.D.

President, Chief Executive Officer and Chairman

(Principal Executive Officer)

Date: November 4, 2019

By: /s/ GERALD N. HERMAN

Gerald N. Herman

Chief Financial Officer and Vice President

(Principal Financial Officer and Principal Accounting Officer)

PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT (this “Agreement”) is made and entered into as of this 31st day of October, 2019 (the “Effective Date”) by and between, Dirk D. Laukien and Frank Laukien, Trustees of 44 Manning Road Realty Trust, u/d/t dated October 4, 1994 and recorded with the Middlesex North District Registry of Deeds in Book 7291, Page 333 (hereinafter “44 Manning Trust”), and Dirk D. Laukien and Frank Laukien, Trustees of Umbrina Associates, u/d/t dated December 17, 1987 and recorded with the Middlesex North District Registry of Deeds in Book 4354, Page 104 (hereinafter “Umbrina” and collectively with 44 Manning Trust, the “Sellers”), each having a mailing address of C/O Black Forest Ventures LLC, 24 Waterway Avenue, Suite 225, The Woodlands TX 77380 and **Bruker Corporation**, a Delaware corporation having a mailing address of 40 Manning Road, Billerica, MA 01821 (hereinafter “Buyer”).

WITNESSETH THAT:

WHEREAS, 44 Manning Trust is the owner of the land with the building thereon commonly known and numbered as 44 Manning Road, Billerica, Massachusetts, as more particularly described as Parcel A on Exhibit A attached hereto and made a part hereof (the “Manning Road Property”);

WHEREAS, Umbrina is the owner of the land with the building thereon commonly known and numbered as 15 Fortune Drive, Billerica, Massachusetts, as more particularly described as Parcel B on Exhibit A attached hereto and made a part hereof (the “Fortune Drive Property” and collectively with the Manning Road Property, the “Properties”, and each individually a “Property”); and

WHEREAS, the sale of the Properties includes (a) all improvements and fixtures located thereon (“Improvements”), (b) all right, title and interest of the Sellers, if any, in and to all and singular the rights, benefits, privileges, easements, tenements, hereditaments, and appurtenances thereon or appertaining thereto, (c) all right, title and interest of the Sellers, if any, in and to all strips and gores and any land lying in the bed of any street, road or alley, open or proposed, adjoining the Properties, but excluding the equipment, trade fixtures, racking, furnishings, furniture and other personal property, if any (the “Personal Property”) owned by Seller or any tenant at the Properties used in connection with Sellers’ or such tenant’s permitted operations thereon;

WHEREAS, Buyer desires to purchase and the Sellers desire to sell the Properties in accordance with the terms and conditions hereinafter set forth;

NOW, THEREFORE, based upon the foregoing and in consideration of the covenants, agreements, warranties and representations hereinafter set forth, and intending to be legally bound hereby, the parties each hereto agree as follows:

1. PURCHASE PRICE. The agreed purchase price for the Properties is Twelve Million Three Hundred Thousand and 00/100 (\$12,300,000.00) Dollars (the "Purchase Price"), of which Six Million Seven Hundred Thousand and 00/100 (\$6,700,000.00) Dollars shall be allocated to the purchase of the Manning Road Property and Five Million Six Hundred Thousand and 00/100 (\$5,600,000.00) shall be allocated to the purchase of the Fortune Drive Property. Buyer shall pay the Purchase Price, based upon the foregoing allocation, less the Deposit allocated to each Property (as hereinafter defined) to each Seller on the Date of Closing (as hereinafter defined) by bank cashier's check payable directly to Sellers without intervening endorsement, drawn on a Greater Boston Clearing House Bank, or by wiring immediately available Federal funds to such bank account as may be designated by each Seller.

2. ESCROW.

2.1 DEPOSIT; ESCROW AGENT. Contemporaneously with the execution of this Agreement Buyer has delivered or caused to be delivered an earnest Money deposit in the sum of Three Hundred Seven Thousand Five Hundred and 00/100 (\$307,500.00) Dollars (the "Deposit") to McLane Middleton Professional Association, (the "Escrow Agent"), of which One Hundred Sixty Seven Thousand Five Hundred Eighty Seven and 50/100 (\$167,587.50) Dollars of the Deposit shall be allocated to the purchase of the Manning Road Property and One Hundred Thirty Nine Thousand Nine Hundred Twelve and 50/100 (\$139,912.50) Dollars shall be allocated to the purchase of the Fortune Drive Property. Buyer hereby acknowledges that Escrow Agent also serves as legal counsel to Buyer, that such representation could create a conflict of interest, and that nonetheless such arrangement is satisfactory to Sellers as a means of facilitating this transaction. The Deposit shall be deposited into a Money Market interest-bearing escrow account at a Massachusetts bank insured by the FDIC and the DIF fund. Interest earned on the Deposit shall be credited against the Purchase Price at Closing except in the event of a default, in which event interest shall follow the Deposit. At the time of delivery of the deed, Escrow Agent shall release the allocated portion of the Deposit to each Seller, which shall be credited against the balance of the allocated Purchase Price owed by Buyer to each Seller.

2.2 ESCROW PROVISIONS. Escrow Agent agrees to hold, keep and deliver the Deposit in accordance with the terms and provisions of this Agreement. Escrow Agent shall be liable only to hold said sums and deliver the same to the parties named herein in accordance with the provisions of this Agreement, it being expressly understood that by acceptance of this Agreement Escrow Agent is acting in the capacity of a depository only and shall not be liable or responsible to anyone for any damages, losses or expenses or for any action or nonaction taken in good faith in connection with the performance of its duties hereunder unless the same shall have been caused by the gross negligence or willful malfeasance of Escrow Agent. In the event of any disagreement between Buyer and Sellers resulting in any adverse claims and demands being made in connection with or for the monies involved herein or affected hereby, Escrow Agent shall refuse to comply with any such claims or demands so long as such disagreement may continue; and in so refusing Escrow Agent shall make no delivery or other disposition of any of the monies then held by it under the terms of this Agreement to Buyer or Sellers, and in so doing

Escrow Agent shall not become liable to anyone for such refusal; and Escrow Agent shall be entitled to continue to refrain from acting until (a) the rights of the adverse claimants shall have been finally adjudicated in a court of competent jurisdiction of the monies involved herein or affected hereby, or (b) all differences shall have been adjusted by agreement between Sellers and Buyer, and Escrow Agent shall have been notified in writing of such agreement signed by the parties hereto. Further, Escrow Agent shall have the right at all times to pay all sums held by it into any court of competent jurisdiction in the county where the Properties lie, after a dispute between or among the parties hereto has arisen, whereupon Escrow Agent's obligations hereunder shall terminate. In no event shall the Escrow Agent be under any duty whatsoever to institute or defend any such proceeding.

All expenses reasonably incurred by Escrow Agent as a result of a dispute or controversy under this Agreement between Buyer and Sellers shall be paid by the losing party to such dispute. Otherwise, any fee due Escrow Agent shall be shared equally by the parties.

Escrow Agent shall not be obligated to take any action hereunder which might in its reasonable judgment subject it to any expense or liability unless it shall have been furnished with reasonable indemnity by Buyer and/or Sellers.

Escrow Agent shall incur no liability for acting in accordance with the terms of this Agreement. Escrow Agent may rely and shall be protected in acting upon any resolution, certificate, opinion, notice, request, consent, or other paper or document believed by it to be genuine and to have been signed by the proper person or persons.

3. CLOSING DELIVERIES.

3.1 On the Date of Closing, conditioned upon performance by Buyer hereunder (including authorization pursuant to Section 35.2(a) herein), Sellers shall each execute and deliver to Buyer, or to a nominee designated by Buyer by written notice to Sellers at least seven (7) days before the Date of Closing (so long as such nominee is an entity owned and controlled by Buyer):

(a) Good and sufficient quitclaim deeds, conveying good and clear record title to the Properties, free from encumbrances and Sellers' Liens, as hereinafter defined, excepting, however: (i) provisions of existing building and zoning laws, ordinances, and Local, State and Federal laws, ordinances, rules and regulations; (ii) real estate taxes not yet due and payable on the Date of Closing; (iii) such matters of record, as of the date of the expiration of the Due Diligence Period; and (iv) such matters of record first arising after the expiration of the Due Diligence period, including without limitation, easements, restrictions and reservations, if any, so long as the same do not prohibit or materially interfere with the current use or diminish the value of the Properties, provided Sellers shall not voluntarily grant, convey or acquiesce to any such matters of record without the written consent of the Buyer. Notwithstanding the foregoing, and without limiting any other provisions of this Agreement, said Properties shall not be considered to be in compliance with the provisions of this Agreement with respect to title unless: (i) the Properties are not located within a HUD Flood Hazard Zone requiring the Buyer's purchase of Flood Insurance, or within any locally designated wetlands area; (ii) the Properties are equipped with all necessary utilities, including without implied limitation, electricity, gas, telephone, cable

television, municipal water and public sewer; (iii) all existing utilities servicing the Properties are provided directly from a public street or private way, or via validly recorded easement with perpetual right of use; (iv) no building, structure, improvement, including, but not limited to, any driveway(s), garage(s), fence(s), shed(s), way(s) or property of any kind encroaches upon, over or under the Properties from other properties; (v) all Properties buildings, structures and improvements, including, but not limited to, any driveway(s), garage(s), shed(s) and all other improvements intended to be included in the sale and all means of access to and egress from the Properties shall be wholly within the lot lines of the Properties and shall not encroach upon, over or under any property not within such lot lines or property of any other person or entity; (vi) Certificates of Compliance for any outstanding Orders of Conditions (excluding any "perpetual conditions") have been recorded or delivered for recording prior to the Closing. It is agreed that in the event of a title matter for which a title insurance company is willing to issue a so-called "clean" policy or provide "affirmative coverage" over a known defect or problem, Buyer may elect to accept same but shall not be required to do so, and shall have the right, at the option of their counsel, to deem title to the Properties unacceptable or unmarketable and to terminate this Agreement. Notwithstanding the foregoing, Sellers shall be responsible for satisfying any betterments assessed against the Properties and/or mortgages or other voluntary monetary liens encumbering the Properties;

(b) An affidavit from each Seller stating that it is not a Foreign Persons under the Foreign Investment in Real Property Tax Act of 1980, in form and substance reasonably satisfactory to Buyer's and Sellers' counsel and otherwise in compliance with the Internal Revenue Code of 1986, as amended from time to time;

(c) Form 1099 to be filed with the Internal Revenue Service;

(d) A duly executed counterpart of a Closing Statement in form and content reasonably satisfactory to Buyer and Sellers;

(e) Sellers' Certificates. A certificate from each Seller certifying to Buyer that all representations and warranties in Section 35.1 remain true and accurate on the date of the Closing;

(f) Authority. Evidence of the existence, organization and authority of the Sellers and of the authority of the persons executing documents on behalf of each Seller reasonably satisfactory to the underwriter of Buyer's title policy pursuant to Section 35.1(a);

(g) Approved New Leases and Notice to Tenants. If applicable, pursuant to Section 33.4, the original Approved New Leases in Seller's possession and an Assignment and Assumption of Leases executed, witnessed and acknowledged by Seller, together with a notice to tenant(s) executed by Seller that advises tenants of the sale of the Property;

(h) Tenant Estoppels. Estoppel certificates from all tenants at the Properties excluding Buyer pursuant to Section 33.5;

(i) Title Affidavit. A title affidavit for the benefit of Buyer's title company substantially in a form customarily signed by Sellers; and

(j) Such other documents contemplated by or provided for in this Agreement and customarily and reasonably required from sellers of property in the Commonwealth of Massachusetts and appropriate to this transaction, provided that such documents shall neither expand any obligation, covenant, representation or warranty of Sellers or result in any new or additional obligation, covenant, representation or warranty of Sellers under this Agreement beyond those expressly set forth in this Agreement, nor result in any cost or expense to Sellers.

3.2 On the Date of Closing, conditioned upon performance by Sellers hereunder, Buyer shall execute and deliver to Sellers:

(a) A duly executed counterpart of a Closing Statement in form and content reasonably satisfactory to Buyer and Sellers; and

(b) Such other documents contemplated by or provided for in this Agreement and customarily and reasonably required from buyers of property in the Commonwealth of Massachusetts and appropriate to this transaction.

4. BUYER'S EXAMINATION OF THE PROPERTIES.

4.1 Buyer shall have until 5:00 P.M., Boston time, on the forty-fifth (45th) day following the Effective Date (the "Due Diligence Period"), to complete, at Buyer's sole cost and expense, such inspections, investigations, analysis, tests and review of the Properties desired by Buyer in its sole judgment and discretion, including, without limitation, relating to (i) the electrical, mechanical, plumbing, heating, cooling, ventilation, sewage, roof or other systems, utilities or structural components or integrity of the Properties; (ii) the presence or absence of pests and/or termites or damage resulting therefrom; (iii) the presence or absence of asbestos and/or any hazardous chemicals, materials, or substances in and about the Properties or any other environmental matter; (iv) compliance with any and all applicable federal, state, county, municipal and local, laws, codes, ordinances or regulations, including, without limitation, the Americans with Disabilities Act, building codes, zoning ordinances or by-laws; (v) the state of the title to the Properties; (vi) matters which would be disclosed by a survey of the Properties; (vii) the compliance with the provisions of any instrument referred to in 3.1 (a) hereto; and (viii) any other circumstance that may constitute a failure of the Properties to conform with the provisions of this Agreement (each, an "Inspection" and collectively the "Inspections"). Notwithstanding any provision of this Section or any other provisions of this Agreement which may be to the contrary, Buyer shall not conduct any environmental or hazardous waste inspections beyond a "Phase I" audit unless and until (a) Buyer gives prior written notice to Sellers of the Property to be inspected of its desire to do so (which notice shall identify the nature and scope of the work to be performed), (b) Buyer provides liability insurance (and other insurance reasonably requested by each Seller of each Property to be inspected) relating to such work which is reasonably satisfactory to such Seller of the Property to be inspected and names the Seller of the Property to be inspected as additional insured, and (c) Seller of the Property to be inspected approves in writing the nature and scope of the work to be performed, such approval not to be unreasonably withheld, conditioned, or delayed, but to be conditioned on the execution of a commercially reasonable site access and indemnification agreement acceptable to Seller of the Property to be inspected and Buyer.

4.2 Buyer is hereby given a limited license to enter the Properties for the purpose of conducting the Inspections. All Inspections requiring access to the Properties shall be in the presence of the Seller of the Property to be inspected or its designee. Buyer shall give Seller of the Property to be inspected reasonable prior notice of all Inspections requiring access to the Property and use reasonable care in the course of the Inspections, and if the Property is disturbed, shall restore the Property to the condition preceding the Inspections. Each entity conducting the Inspections requiring access to the Properties, shall maintain insurance which shall include commercial general liability on an occurrence basis with a combined single limit of \$2,000,000 for property damage, bodily injury and personal injury. Prior to accessing the Properties, each such entity shall provide Seller of the Property to be inspected with a certificate of insurance conforming to the foregoing. The Inspections shall be performed in compliance with and subject to all laws and regulations. In no event shall the Buyer or any person or entity conducting an Inspection (a) perform any intrusive physical testing, digging or penetration at the Properties (such as roof penetration or borings of the land), unless Buyer has obtained the prior written consent, as set forth above, of the Seller of the Property to be inspected, or (b) request any inspection of the Properties by any governmental authority, unless required by law and then only after providing Seller of the Property to be inspected with notice of, and opportunity to object to, same. In the event this transaction does not close due to Buyer's termination pursuant to Section 4.3 hereof, Buyer, at Sellers' request, shall deliver to Sellers all third-party written inspections, examinations, evaluations, studies, tests, reports, surveys, reports, or other written matters obtained by Buyer and generated as a result of or in the course of the Inspections of the Properties, the delivery of which, however, is subject to any restrictions set forth in such studies, tests or reports regarding assignment, confidentiality and reliance.

4.3 After Buyer's Inspections as to the items set forth in the Section 4.1 of this Agreement, Buyer may, in its sole discretion, elect to terminate this Agreement for a material reason pertaining to the economic viability of completing this transaction (which is understood not to include any condition which has been affirmatively disclosed by Sellers and accepted by Buyer; and not to include latent defects that do not reasonably require repair within Buyer's first year of operation and, if so, which, in the aggregate, do not require more than \$100,000 to repair), by giving written notice of termination to Sellers by the end of the Due Diligence Period. In such event, Sellers shall have the option to adjust the purchase price in the amount that the cost of said repairs exceeds the \$100,000 in aggregate, and the transaction shall continue as if the Notice of Termination had not been served. If Sellers decline to do so, then the Notice of Termination shall be served upon the Sellers, in which event, the Deposit shall be returned to Buyer; and the parties shall have no further obligations under this Agreement, except for those obligations that survive this Agreement as expressly provided herein unless Buyer elects to waive the Notice of Termination in which event the parties shall mutually agree on a Closing Date.

4.4 If Buyer terminates this Agreement, as provided herein, Buyer shall promptly restore any portion of the Properties disturbed as a result of or in the course of the inspections, substantially to its condition immediately prior to the Inspections. In no event shall any unsafe condition at the Properties be created by Buyer.

4.5 Title Review. Sellers shall not be obligated to clear any encumbrances to or defects in title except for voluntary liens or mortgages of an ascertainable amount ("Sellers'

Liens”), which Sellers’ Liens each Seller shall cause to be satisfied at or prior to Closing (with each Seller having the right to apply the Purchase Price or a portion thereof for such purpose). Notwithstanding the foregoing, prior to the expiration of the Due Diligence Period, Buyer may give notice (“Buyer’s Title Notice”) to Sellers of the existence of any encumbrances and defects in title to which Buyer objects and that are not Permitted Encumbrances (“Title Objections”). Sellers shall, within five (5) business days from receipt of Buyer’s Title Notice, notify Buyer of those Title Objections that Sellers elect to attempt to remove or correct, provided that failure of Sellers to give said notice shall be deemed to mean that Sellers have elected not to remove or correct any Title Objections. In the event Sellers elect to attempt to remove or correct Title Objections and by the later of the expiration of the Due Diligence Date or the date which is twenty (20) business days following Sellers’ receipt of Buyer’s Title Notice, Sellers have not arranged for removal or correction of said Title Objections, then Buyer shall either (i) terminate this Agreement by notice given within five (5) business days from the end of the foregoing period in which event the Deposit shall be promptly returned to Buyer, and the parties hereto shall have no further rights or obligations hereunder, except for rights and obligations which, by their terms, survive the termination hereof, or (ii) accept the condition of the title to the Properties as they then are, without diminution of the Purchase Price. If Buyer fails to timely elect (i) above, then Buyer shall be deemed to have elected (ii) above. Encumbrances and defects to title that are not included in Buyer’s Title Notice and those Title Objections that are accepted pursuant to this subsection shall be deemed to be Permitted Encumbrances. Notwithstanding anything herein to the contrary, Sellers’ Liens shall not be deemed Permitted Encumbrances. Recording fees for recording documents to discharge Title Objections and Sellers’ Liens shall be borne by Seller. Any dispute as to any title issue or conveyancing practice remaining unresolved at the scheduled time for performance under this Agreement shall be resolved in accordance with applicable Standards or Practices of the Real Estate Bar Association of Massachusetts, to the extent applicable.

4.6 Subsequent Title Encumbrances. Notwithstanding the provisions of Section 4.5 above, encumbrances or defects that first arise after the date and time of Buyer’s title commitment (“Subsequent Title Encumbrances”) shall not be deemed Permitted Encumbrances, provided Buyer notifies Sellers (“Buyer’s Subsequent Title Notice”) by the earlier to occur of (i) five (5) business days after it has notice of such encumbrance(s) or defect(s), and (ii) the Closing. Failure to so notify Sellers shall cause Subsequent Title Encumbrances or defects to be deemed Permitted Encumbrances. Sellers shall have five (5) business days from the date of Buyer’s Subsequent Title Notice to arrange for removal or correction of the Subsequent Title Encumbrances. In the event Sellers have not arranged for removal or correction of the Subsequent Title Encumbrances within said five (5) business day period, then Buyer shall either (i) terminate this Agreement by notice given within five (5) business days from the end of the foregoing period in which event the Deposit shall be promptly returned to Buyer, and the parties hereto shall have no further rights or obligations hereunder, except for rights and obligations which, by their terms, survive the termination hereof, or (ii) accept the condition of the title to the Property as it then is, without diminution of the Purchase Price, whereupon the Subsequent Title Encumbrances shall be deemed to be Permitted Exceptions and the parties shall proceed to closing. If Buyer fails to timely elect (i) above, then Buyer shall be deemed to have elected (ii) above.

4.7 Automatic Extension. If necessary, the Closing Date shall be automatically extended to allow for the full time periods set forth in Subsections 4.5 and 4.6 above.

4.8 Buyer hereby acknowledges and agrees that if Buyer fails, or otherwise waives its right, to terminate this Agreement, as provided herein, then it shall be conclusively deemed that Buyer has accepted in all respects (i) the results of the Inspections; (ii) any defect, violation or matter existing as of the later of (1) the date of this Agreement, or (2) the date of the applicable Inspection; (iii) the condition of the Properties and their systems as of the date of each Inspection; (iv) the state of the title to the Properties as determined under Sections 4.5 and 4.6 above; (v) the compliance with the provisions of any instrument referred to in Section 3.1(a) hereto; and (vi) the conformity of the Properties with the provisions of this Agreement. Buyer's failure to terminate this Agreement as provided in Section 4.3, 4.5 and 4.6 above, shall be deemed a waiver of Buyer's right to object to any title defects, violation, nonconformity or other matters contained herein other than matters arising after the later of (1) the date of this Agreement, or (2) the date of the applicable Inspection. If Buyer has not timely terminated this Agreement as provided herein, then the Deposit shall become non-refundable except for Sellers' failure or inability to perform its obligations hereunder.

4.9 Buyer shall not, without the written consent of Sellers, copy or deliver any document or test report made or received in connection with the Inspections or the purchase of the Properties to anyone other than, on a need to know basis, Buyer's employees, agents, attorneys, consultants, advisors, accountants and lender, and except for delivery to such persons, Buyer shall maintain the confidentiality and not disclose, prior to the acceptance of Sellers' deeds and payment of the full Purchase Price, such documents, data and other information obtained in the course of this transaction, to any other person unless required by applicable law or court order. As a prerequisite to the delivery of any such document or test report to a permitted third party, such party shall agree to the confidentiality and non-disclosure provision hereof. In the event this transaction does not close due to Buyer's termination of the Agreement pursuant to Section 4.3 hereof, Buyer promptly shall, upon Sellers' request deliver to Sellers (subject to confidentiality and assignment restrictions contained therein) copies of all plans, studies, analyses, inspection reports, traffic studies, permit reviews, and other due diligence materials prepared for Buyer in connection with its contemplated purchase and sale of the Properties, all without representation as to accuracy or completeness. Buyer shall not engage in any activity that could result in a lien being filed against the Properties.

4.10 Buyer (as used in this Section 4.10, Buyer shall include its agents, servants, employees, attorneys, lenders and contractors and such other individuals who come on or about the Properties at the request of Buyer) agrees to protect, defend, indemnify, exonerate and hold the each Seller harmless and indemnified against and from any all claims, costs, damages, liabilities, judgments, causes of action, expenses, fees, charges and related to the acts or omissions of Buyer which are in any manner connected with the Inspections or Buyer's activities on or about the Properties including, without limitation, claims for personal injury and/or property damage, and including all costs attorneys' fees. Nothing herein shall relieve Sellers from responsibility for its own negligence or willful misconduct or the negligence or willful misconduct of its agents, servants, employees, attorneys, lenders or contractors.

4.11 The agreements in this Section 4 shall survive the termination of this Agreement, irrespective of the cause of termination, or the delivery of the deeds to the Properties.

5. CLOSING.

5.1 Subject to the provisions of this Agreement, such deeds shall be delivered at ten o'clock A.M., Boston time, on February 26, 2020 (the "Date of Closing") at the offices of Seller's counsel, Nicholson, Sreter & Gilgun, P.C., 33 Bedford Street, Suite 4, Lexington, MA 02420, or at such other place as is otherwise agreed upon in writing by the parties hereto. On the Date of Closing possession of the Properties is to be delivered and the Properties in the same condition (with the exception of such change in condition resulting from such action or inaction attributable to Buyer) as they are at end of the Due Diligence Period, reasonable use and wear thereof excepted. Buyer shall be given the opportunity to inspect the Properties within 72 hours of the closing to confirm the Properties compliance with terms set forth in this Section 5.1.

6. CONDITION OF THE PROPERTIES.

6.1 Except to the extent of any express term or provision to the contrary herein, the Properties being sold hereunder are sold "AS IS", "AS SEEN" and "AS SHOWN". Buyer acknowledges, confirms and agrees that except as specifically set forth in this Agreement, neither Sellers nor any broker, agent, attorney or representative of Sellers, nor any other person purporting to act on behalf of Sellers (collectively "Seller Parties") have made any statement, warranty or representation of any nature whatsoever, express or implied, regarding the character, quality, use, title, value, quantity or conditions of the Properties on which Buyer has relied in connection with Buyer's decision to purchase the Properties. By entering into this Agreement and by accepting the deeds and paying the Purchase Price, Buyer acknowledges that (a) it is familiar with, and has had free, full and complete access to the Properties and has had full opportunity to the extent it has desired to do so and as it has found necessary and prudent to fully inspect and review the Properties, including all buildings, systems, fixtures, equipment and other property located thereon; (b) it is fully satisfied with the physical condition thereof; (c) it has had free, full and complete access to and the opportunity to the extent it has desired to do so and as it has found necessary and prudent to fully inspect and review (i) the environmental condition of the Properties; (ii) the compliance of the Properties with applicable laws and (iii) such other engineering, legal, financial, accounting and other matters relating to or affecting the Properties as Buyer has found appropriate and Buyer hereby acknowledges it is fully satisfied with each of the foregoing matters; and (d) all representations understandings and agreements heretofore made by Seller Parties are merged in this Agreement, which alone fully and completely expresses the Agreement of the Parties.

6.2 Except with respect to a material breach by Sellers of any representation or warranty expressly contained herein, Buyer hereby waives, releases and forever discharges Seller Parties of and from any and all claims, actions, causes of action, demands, rights, damages, liabilities and costs whatsoever, direct or indirect, known or unknown, which Buyer now has or which may arise in the future, against Seller Parties. Except with respect to a material breach by Sellers of any representation or warranty expressly contained herein, Buyer hereby agrees not to assert any claim for contribution, cost recovery or otherwise against Seller Parties relating directly or indirectly to the physical condition of the Properties including, without limitation, the

existence of oil, lead paint, or hazardous materials (as defined below), or substances on or under, or the environmental condition of, the Properties, whether known or unknown. Buyer hereby releases Sellers, their Trustee, beneficiaries, agents, brokers, representatives, employees, successors and assigns, from any and all claims, demands and causes of action, past, present and future that Buyer may have relating to the condition of the Properties existing as of the date of this Agreement and by accepting and recording the deed and paying the Purchase Price as of the Date of Closing. This release shall survive the Closing or the termination of this Agreement for any reason.

6.3 For the purposes of this Section 6, hazardous materials shall mean any substance which is or contains: (i) any "hazardous substance" as now or hereafter defined in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (42 U.S.C. Section 9601 "et seq.") or any regulations promulgated thereunder ("CERCLA"); (ii) any "hazardous waste" as now or hereafter defined in the Resource Conservation and Recovery Act (42 U.S.C. Section 6901 et seq.) or regulations promulgated thereunder; (iii) any substance regulated by the Toxic Substances Control Act (15 U.S.C. Section 2601 et seq.); (iv) gasoline, diesel fuel or other petroleum hydrocarbons; (v) asbestos and asbestos-containing materials, in any form, whether friable or non-friable; (vi) polychlorinated biphenyls; (vii) radon gas; (viii) mold, mildew, fungus or other potentially dangerous organisms; (ix) any putrescible or non-putrescible solid, semisolid, liquid or gaseous waste of any type; and (x) any additional substances or materials which are now or hereafter classified or considered to be hazardous or toxic under any laws, ordinances, statutes; codes, rules, regulations, agreements, judgments, orders and decrees now or hereafter enacted, promulgated, or amended, of the United States, the states, the counties, the cities or any other political subdivisions in which the Properties are located and any other political subdivision, agency or instrumentality exercising jurisdiction over the owner of the Properties, the Properties or the use of the Properties relating to pollution, the protection or regulation of human health, natural resources or the environment, or the emission, discharge, release or threatened release of pollutants, contaminants, chemicals or industrial, toxic, hazardous substances or waste into the environment (including ambient air, surface water, ground water, land or soil).

6.4 Buyer's agreements in this Section shall survive the termination of this Agreement and the delivery of the deeds to the Properties, irrespective of the cause of termination.

7. TITLE, EXTENSION TO PERFECT TITLE OR MAKE PROPERTIES CONFORM. If either Seller shall be unable to give title or to make conveyance or to otherwise close the transaction contemplated hereby, or to deliver possession of the one or both of the Properties, all as herein stipulated, or if at the time of Closing, one or both of the Properties does not conform with the provisions hereof, Sellers shall use reasonable efforts to remove any defects in title or to make the Properties conform with the provisions hereof, as the case may be, in which event the Date of Closing shall be extended to enable Sellers so to perform by one or more extensions, designated by Sellers, not to exceed a total of sixty (60) days or such shorter period as may be designated by Sellers in such notice; and if a shorter period than (60) days is so designated, Sellers may further extend the time for performance one or more times, by written notice, but in no event beyond such (60) day period. Reasonable efforts as used herein shall not require Sellers to expend more than Fifty Thousand Dollars (\$50,000) in the aggregate including legal fees and expenses to

satisfy Sellers' obligations under this Section; except that there shall be no dollar limit for monetary encumbrances voluntarily created by Sellers.

If at the expiration of the extended time the Sellers shall have failed so to remove any defects in title, deliver possession, or make the Properties conform, as the case may be, all as herein agreed, then the Buyer shall have the option to either (a) terminate this Agreement in which case the Deposit shall be refunded and all other obligations of the parties hereto shall cease and this Agreement shall be void and without recourse to the parties hereto, except for those provisions surviving termination hereof, or (b) accept the Properties and the title in their then condition and to pay therefore the Purchase Price without deduction.

8. USE OF PURCHASE MONEY TO CLEAR TITLE. To enable Sellers to make conveyance as herein provided, Sellers may, at the time of delivery of the deed, use any portion of the Purchase Price to clear title of any or all encumbrances or interests, provided that all instruments so procured are recorded and filed simultaneously with the delivery of the deed or, in the case of institutional mortgages or municipal liens, provided that arrangements in accordance with customary conveyancing practices are made for a discharge to be promptly procured, recorded and filed after the delivery of the deed.

9. ADJUSTMENTS AND PRORATIONS. All real estate taxes for the then current fiscal period, monthly rent, security deposits, utilities (if not terminated as of the Closing) and water and sewer use charges shall be prorated and fuel value shall be adjusted as of the Date of Closing and the net amount thereof shall be added to or deducted from, as the case may be, the Purchase Price payable by the Buyer at the time of delivery of the deed. Notwithstanding anything herein to the contrary, no proration shall be made for rents delinquent as of the Closing Date (the "Delinquent Rents"). Buyer shall make a good faith attempt (but Buyer shall not be required to institute suit or collection procedures) to collect the Delinquent Rents. Sellers hereby waive their rights to bring suit against tenants to collect Delinquent Rents. Amounts collected by Buyer from any tenant showing Delinquent Rents shall be applied first to current rents owed by such tenant and then to Delinquent Rents. Any such amounts applicable to Delinquent Rents received by Buyer shall be forwarded to the applicable Seller within five (5) business days. If the amount of said taxes is not known on the Date of Closing, they shall be apportioned on the basis of the amounts for the preceding year, with a reapportionment as soon as the new amounts can be ascertained. If such taxes and assessments shall thereafter be reduced by abatement, the amount of such abatement, less the reasonable cost of obtaining the same, shall be apportioned between the parties, provided that neither party shall be obligated to institute or prosecute proceedings for an abatement. All portions of any special taxes or assessments assessed prior to the Date of Closing which are due and payable prior to the Date of Closing shall be paid by Sellers and those portions of any such special taxes and assessments due and payable after the Date of Closing shall be paid by Buyer.

10. COSTS. Sellers and Buyer shall each pay all such expenses, charge or costs for which Sellers and Buyers, respectively, are customarily responsible in real estate transactions in Massachusetts. Each party shall be responsible for the fees of its respective counsel. Buyer shall be responsible for (a) the cost any title insurance premium and any special endorsements, and (b) the costs of any survey required to delete the pre-printed survey exception from the title insurance policy.

11. INSURANCE. Until the delivery of the deed the Sellers shall maintain Fire and Extended coverage insurance equal to the full replacement cost of the structures on the Properties. Sellers shall not be obligated to assign to Buyer any fire, hazard, or liability insurance policies which it holds respecting the Properties and Sellers shall have the right to any and all refunds or rebates resulting from the termination of such policies.

12. BROKER REPRESENTATION. Sellers and Buyer hereby warrant and represent to each other that neither has dealt with any real estate agent, broker or finder, and neither party was called to the attention of the other as a result of any services or facilities of any such other real estate agent, broker or finder for which the other is responsible. Each of the Sellers and Buyer agrees to indemnify, exonerate and hold the other harmless from all cost, damage or expense arising out of the breach of this representation. The provisions of this Section shall survive the delivery of the deed hereunder.

13. SELLERS' PERFORMANCE. The acceptance and recording of the deeds by Buyer shall be deemed to be a full performance and discharge of every agreement and obligation of Sellers herein contained and expressed, and Buyer agrees that there are no obligations of Sellers which survive this Agreement or are to be performed after the delivery of said deed other than the covenants contained in said deeds or in other documents delivered by Sellers to Buyer upon Closing.

14. RECORDING PROHIBITED. This Agreement shall not be recorded with the Registry or in any other office or place of public record. If Buyer shall record this Agreement or notice thereof or cause the same to be recorded, Sellers may, at their option, elect to treat such as a default by Buyer under this Agreement.

15. NO ASSIGNMENT. Buyer shall not assign this Agreement or any rights hereunder without the prior written consent of the Sellers, it being understood that Sellers shall have the right to withhold such consent arbitrarily, or condition such consent upon the payment of additional monies. If Buyer assigns or transfers this Agreement or any rights hereunder to any party, whether orally or in writing, or prior to the actual closing enters into any arrangement or agreement with one or more persons or entities not named herein, whether orally or in writing, for the transfer or resale of the Properties or any interest therein (other than a written commitment to obtain a bona fide purchase money mortgage) without Sellers' prior written consent, this Agreement shall, at the sole option of the Sellers, become null and void, and all Deposits made hereunder shall be retained by the Sellers as liquidated damages. Notwithstanding the above provisions of this Section 15 to the contrary, as the sole exception, Buyer may upon written notice to, but without the requirement of consent by Sellers assign this Agreement to an entity owned and controlled by Buyer.

16. REMEDIES.

16.1 No representative of Sellers or Buyer shall have any personal liability in connection with this Agreement or the transaction contemplated hereby.

16.2 Sellers' Remedies. In the event that the Buyer defaults under this Agreement through no fault of the Sellers, then the Sellers shall be entitled to retain the entire Deposit. The

parties acknowledge that Sellers have no adequate remedy in the event of Buyer's default hereunder because it is impossible to compute exactly the damages which would accrue to the Sellers in such event. The parties have therefore taken these facts into account in setting the amount of the Deposit hereunder and hereby agree that: (i) the Deposit is the best pre-estimate of such damages which would accrue to Sellers in the event of Buyer's default thereunder; (ii) said Deposit represents damages and not any penalty against Buyer; and (iii) if Buyer shall fail to fulfill Buyer's obligations hereunder, said Deposit shall be due the Sellers from the Buyer as its full damages in lieu of any and all other rights and remedies which Sellers may have against Buyer at law or in equity. Nothing in this Section shall limit the express provisions of this Agreement obligating Buyer to indemnify Sellers or with respect to the restoration of the Properties pursuant to any provision of this Agreement requiring Buyer to do so.

16.3 Buyer's Remedies. If Sellers fail to perform their obligations pursuant to this Agreement for any reason except failure by Buyer to perform hereunder, or if prior to Closing any one or more of Sellers' representations or warranties are breached in any material respect, Buyer shall provide Sellers with written notice, within fourteen (14) days of it first becoming aware of Sellers' inability to perform or any material breach of Sellers' representations or warranties, of its election, as its sole remedy, either to (i) terminate this Agreement (ii) enforce specific performance, or (iii) waive said failure or breach and proceed to Closing. Notwithstanding anything herein to the contrary, in the event that the Buyer provides Sellers with timely notice of its election to enforce specific performance but fails to file a lawsuit asserting such claim or cause of action in the county in which the Properties are located within two (2) months following the scheduled Closing Date, Buyer shall be deemed to have elected to terminate this Agreement.

16.4 Other Expenses. If this Agreement is terminated due to the default of a party, then the defaulting party shall pay any fees or charges due to Escrow Agent for holding the Deposit as well as any escrow cancellation fees or charges and any fees or charges due to the title company for preparation and/or cancellation of any title commitment.

17. TITLE AND PRACTICE STANDARDS. Any matter or practice arising under or relating to this Agreement which is the subject of a Title Standard or a Practice Standard of the Massachusetts Real Estate Bar Association shall be governed by said Standard or Practice to the extent applicable and not inconsistent with the terms hereof.

18. WAIVER. No waiver of any breach of any agreement or provision contained herein shall be deemed waiver of any preceding or succeeding breach of any other agreement or provision herein contained. No extension of time for the performance of any obligation or act shall be deemed an extension of time for the performance of any other obligation or act.

19. TIME. It is agreed that time is of the essence of this Agreement.

20. GOVERNING LAW. This Agreement shall be governed by, construed and enforced in accordance with the laws of the Commonwealth of Massachusetts without regard to its choice of law provisions.

21. NOTICES All notices, requests, consents and other communications required or permitted hereunder, if any, shall be in writing and hand delivered, mailed by first class mail, certified, return receipt requested, or sent via facsimile or electronic mail (EMAIL), and each such notice, request, consent or other communication shall be effective: (i) if hand delivered, when so delivered; (ii) if faxed or emailed, upon transmission with confirmed electronic receipt; or (iii) if mailed, three (3) days after the date of mailing. Each such notice, request, consent and other communication shall be addressed as follows:

If to Seller:

C/O Black Forest Ventures, LLC
24 Waterway Avenue, Suite 225
The Woodlands, TX 77380
Email: jhitchcock@blackforestventures.com

with a copy (which shall not constitute notice) to:

Nicholson, Sreter & Gilgun, P.C.
33 Bedford Street
Lexington, MA 02420
Attn.: Frederick V. Gilgun, Jr., Esquire
Fax: (781) 861-7875
Email: fgilgun@nsglawyers.com

If to Buyer:

Matthew C. Hoyer, Senior Corporate & Compliance Counsel
Bruker Corporation
40 Manning Road
Billerica, MA 01821
Phone: +1 978-663-3660 x1430
Mobile: +1 978-495-1113

with a copy (which shall not constitute notice) to:

David K. Moynihan, Esquire
Mclane Middleton Professional Association
300 TradeCenter, Suite 7000
Woburn, MA 01801
Direct: (781) 904-2722
Fax: (781) 904-2701
Email: david.moynihan@mclane.com

Any party hereto may change their address or fax number for purposes of notice hereunder by providing appropriate notice in accordance with this Section 21.

22. CONFIDENTIALITY. Buyer and its, employees, agents and affiliates shall not make any announcements or disclosures of any information related to this Agreement (including, but not limited to, the Purchase Price) to outside brokers or third parties, before the Closing, without the prior written specific consent of the Sellers. Notwithstanding the foregoing, Buyer may disclose this Agreement to its lenders, partners, investors, officers, employees and agents as necessary to perform their respective obligations hereunder or as required by law or in connection with any legal proceeding.
23. FAX TRANSMISSIONS. This Agreement may be transmitted between the parties by facsimile machine or by electronic transmission. The parties intend that faxed signatures constitute original signatures and that a faxed Agreement or a signed portable document format (.pdf) copy of this Agreement containing the signatures (original, faxed or .pdf) of all parties is binding on the parties.
24. COMPUTATION OF TIME. Any reference in this Agreement to time periods of less than six days shall, in the computation thereof, exclude Saturdays, Sundays, and legal holidays. Unless otherwise specified, in computing any period of time described in this Agreement, the day of the act or event after which the designated period of time begins to run is not to be included and the last day of the period so computed is to be included, unless such last day is not a business day, in which event the period shall run to and include the next day which is a business day.
25. SURVIVAL. Except as otherwise specifically provided in this Agreement, all warranties and representations made by any party to this Agreement shall terminate and be of no further force or effect upon the Closing.
26. NO PARTNERSHIP. This Agreement does not constitute an agreement of partnership or joint venture and does not authorize Sellers to act as agent for Buyer for any purpose, nor authorize Buyer to act as agent for Sellers for any purpose.
27. THIRD PARTIES. This Agreement is not intended for the benefit of any third party, and no such other party may enforce any rights or obligations arising under this Agreement against any of the parties to this Agreement as a third-party beneficiary.
28. ENFORCEMENT COSTS. In any suit, action, or other proceeding, including arbitration or bankruptcy, arising out of or in any manner relating to this Agreement, including, without limitation, (a) the enforcement or interpretation of any party's rights or obligations under this Agreement (whether in contract or tort, or both), or (b) the declaration of any rights or obligations under this Agreement, the prevailing party, as determined by the court or arbitrator, shall be entitled to recover from the losing party reasonable attorneys' fees and costs. All references in this Agreement to attorneys' fees shall be deemed to include all fees incurred through all post-judgment and appellate levels and in connection with collection proceedings. However, the term attorneys' fees shall exclude fees for lawyers who are employees of a party.
29. INTEGRATION. This Agreement together with the exhibits of this Agreement, constitutes the entire agreement of the parties concerning the transactions contemplated by his Agreement. All prior understandings and agreements between the parties concerning these matters are merged into this Agreement, which alone fully and completely expresses their understanding.

30. AMENDMENTS. This Agreement may not be amended except by a further agreement in writing duly executed by each of the parties to this Agreement.

31. COUNTERPARTS. This Agreement may be executed by the parties signing different counterparts of this Agreement, which counterparts together shall constitute the agreement of the parties.

32. GENERAL PROVISIONS. This Agreement shall be binding upon and inure to the benefit of and be enforceable by and against the parties hereto and their respective permitted successors and assigns. The captions in this Agreement are inserted only for the purpose of convenient reference and in no way define, limit or prescribe the scope of this Agreement or any part hereof. The submission of this document for examination and negotiation does not constitute an offer to sell, or a reservation of, or option for, the Properties, and this document shall become effective and binding only upon the execution and delivery hereof by both the Sellers and Buyer.

33. TENANTS

33.1 Sellers warrant and represent that attached hereto as Exhibit B is a complete list of all tenants, the Property and unit they occupy, the rent they pay, and the amount of any prepaid rent, the security deposit paid by each tenant, and whether the tenant is in default of the lease (the "Tenants"). Sellers agree to notify Buyer of any change in the status of any tenant up to the date of the Closing. Sellers further warrant and represent that they have provided Buyer with a copy of the all active written leases pertaining to the Properties.

33.2 Buyer agrees to take subject to the rights of the Tenants and assume all obligations under any Tenant leases. The parties agree to prorate the rent paid for the month in which the Closing occurs and the net amount thereof shall be added to or deducted from, as the case may be, the Purchase Price payable by the Buyer at the time of the Closing.

33.3 Pursuant to the terms of its leases with Orbotech, Inc. and Omni Design Technologies, Inc., 44 Manning Trust is entitled to monthly payments as reimbursement of costs incurred by 44 Manning Trust in improving the leased premises for these tenants (the "Tenant Improvement Costs"). At the time of the Closing, the Buyer shall pay to 44 Manning Trust the amount of Fifty-Five Thousand dollars (\$55,000) as full satisfaction of any amounts owed by Buyer to 44 Manning Trust for reimbursement of Tenant Improvement Costs..

33.4 During the pendency of this Agreement, Sellers shall not enter into any leases or occupancy agreements, amendments or modification to any existing leases that would be binding on Buyer after the Closing without Buyer's prior written consent, which consent shall be approved or rejected in Buyer's sole and absolute discretion (to the extent such leases are executed and approved by Buyer, they are sometimes referred to as "Approved New Leases" and included in the defined term "Leases"). If approved by the Buyer, Buyer hereby agrees to assume the obligation to pay any and all brokerage commissions that may become due and payable from and after the Effective Date in connection with the execution of any Approved New Leases pursuant to commission agreements approved by Buyer, which approval shall not be unreasonably withheld and Buyer agrees to indemnify and hold harmless Sellers against payment of the same.

33.5 Estoppel Certificates: Sellers shall use their best efforts to obtain by the Closing Date estoppel certificates signed by all tenants and parties in possession of the Properties, such certificates to certify that each lease or occupancy agreement is unmodified and in full force and effect, that the landlord or tenant under each lease or occupancy agreement has no knowledge of any defense, offsets or counterclaims against the other, that all rent and any other charges and other covenants under each lease or occupancy agreement (or if there have been any modifications that the same is in full force and effect as modified and stating the modifications and, if there are any defenses, offsets or counterclaims, setting them forth in reasonable detail), the dates to which rent and other charges have been paid and a statement that the landlord or tenant is not in default thereunder (or if in default the nature of such default in reasonable detail). Any such statement delivered pursuant to this Section may be relied upon by Buyer or any mortgagee of the Properties.

33.6 In addition, Sellers shall assign to Buyer all leases, all security deposits and prepaid rents being held by the Sellers to the Buyer at the Closing.

34. OPERATIONS AND RISK OF LOSS.

34.1 Ongoing Operations. From the Effective Date through Closing:

(a) Operation of the Properties. Sellers will operate the Properties in the ordinary course of business consistent with their prior practice.

(b) Service Contracts. Sellers will perform their material obligations under the Service Contracts.

(c) New Contracts. Sellers will not enter into any contracts that will be an obligation affecting the Properties subsequent to the Closing, except contracts entered into in the ordinary course of Sellers' businesses, and approved by the Buyer in its reasonable discretion.

(d) Maintenance of Improvements. Subject to Sections 34.2 and 34.3, Sellers shall maintain all Improvements substantially in their present condition (ordinary wear and tear, casualty and condemnation excepted) and in a manner consistent with Sellers' maintenance of the Improvements during Sellers' period of ownership.

34.2 Risk of Loss. Until the Closing, the risk of loss by fire or other casualty to the Properties, and liability for personal injury or damage to property of others at the Properties, shall be borne by Sellers, except as expressly provided for herein. If prior to Closing the Properties are damaged by fire or other casualty, Sellers shall estimate the cost to repair and the time required to complete repairs and will provide Buyer written notice of Seller's estimation (the "Casualty Notice") as soon as reasonably possible after the occurrence of the casualty.

(a) Material Damage. In the event of any Material Damage, as hereinafter defined, to or destruction of the Properties or any portion thereof prior to Closing, Buyer may, at its sole option, terminate this Agreement by giving written notice to the Sellers on or before the expiration of thirty (30) days after the date Seller delivers the Casualty Notice to Buyer (and, if necessary, the Closing Date shall be extended to give the parties the full thirty-day period to give such notice and to obtain insurance settlement agreements with Sellers' insurers). Upon any

such termination, the Deposit shall be promptly returned to Buyer and the parties hereto shall have no further rights or obligations hereunder, other than those that by their terms survive the termination of this Agreement. If Buyer elects not to terminate this Agreement, as evidenced by its failure to deliver timely written notice of termination to the Sellers within said thirty (30) day period, then the parties shall proceed under this Agreement and close on schedule (subject to extension of Closing as provided above), and as of Closing Sellers (or Seller if the Casualty is to one Property) shall credit Buyer with the applicable deductible or retention and assign to Buyer, without representation or warranty by or recourse against Sellers, all of Sellers' rights in and to any resulting insurance proceeds (including any rent loss insurance applicable to any period on and after the Closing Date) due Sellers as a result of such damage or destruction, and Buyer shall assume full responsibility for payment of any deductible or retention as well as for all needed repairs. For the purposes of this Agreement, "Material Damage" or "Materially Damaged" means damage which, in Sellers' reasonable estimation, exceeds \$150,000.00 to repair or which, in Sellers' reasonable estimation, will take longer than ninety (90) days to repair.

(b) No Material Damage. If the Properties are not Materially Damaged, then Buyer shall not have the right to terminate this Agreement, and Sellers shall, at its option, either (i) repair the damage before the Closing in a manner reasonably satisfactory to Buyer, or (ii) credit Buyer at Closing for the reasonable cost to complete the repair (in which case Sellers shall retain all insurance proceeds and Buyer shall assume full responsibility for all needed repairs).

34.3 Condemnation. If proceedings in eminent domain are threatened or instituted with respect to the Properties or any portion thereof, Sellers shall notify Buyer in writing of such fact promptly after obtaining knowledge thereof. If the Properties (or a Property) are subject to a Major Condemnation, as hereinafter defined, Buyer may, at its option, by notice to Sellers given within ten (10) days after Sellers notifies Buyer of such proceedings (and if necessary the Closing Date shall be automatically extended to give Buyer the full ten-day period to make such election), either: (i) terminate this Agreement, in which case the Deposit shall be promptly returned to Buyer upon return and/or delivery of the Property Documents from Buyer to Sellers, and the parties hereto shall have no further rights or obligations, other than those that by their terms survive the termination of this Agreement, or (ii) proceed under this Agreement, in which event Sellers shall, at the Closing, assign to Buyer their entire right, title and interest in and to any condemnation award, and Buyer shall have the sole right after the Closing to negotiate and otherwise deal with the condemning authority in respect of such matter. If Buyer does not give Sellers written notice of its election within the time required above, or if the condemnation is not a Major Condemnation, then Buyer shall be deemed to have elected option (ii) above. For purposes of this Agreement, "Major Condemnation" means any condemnation or eminent domain proceedings that occurs after the Effective Date, if and only if the portion of the Properties that is the subject of such proceedings has a value in excess of \$150,000.00, as determined by the demand or pleading of the condemning authority.

35. REPRESENTATION AND WARRANTIES.

35.1 Sellers' Representations and Warranties. Sellers represent and warrant to Buyer the following:

(a) Organization and Authority. Sellers are duly organized, validly existing, and in good standing in the state in which each was formed, with the authority to do business in the Commonwealth of Massachusetts. Sellers have the full right and authority and have obtained any and all consents required to enter into this Agreement and to consummate or cause to be consummated the transactions contemplated hereby. This Agreement has been, and all of the documents to be delivered by Sellers at the Closing will be, authorized and executed and constitute, or will constitute, as appropriate, the valid and binding obligation of each Seller.

(b) Conflicts and Pending Actions. There is no agreement to which a Seller is a party or, to each Seller's knowledge, that is binding on a Seller that is in conflict with this Agreement. To each Seller's knowledge, there is no action or proceeding pending or threatened against a Seller or relating to the Property that challenges or impairs the Seller's ability to execute or perform its obligations under this Agreement. Each Seller warrants and covenants that it has not entered into any other contract to sell its Property or any part thereof which is currently in effect.

(c) Service Contracts. To Sellers' knowledge, the list of Service Contracts on Schedule 4(e) is correct and complete as of the date of its delivery.

(d) Notices from Governmental Authorities. To Sellers' knowledge, Sellers have not received from any governmental authority written notice of any material violation of any laws applicable (or alleged to be applicable) to the Properties, or any part thereof, that has not been corrected, except as may be reflected by the Property Documents.

(e) Patriot Act Representation. Sellers are not, and will not be, a Person with whom Buyer is restricted from doing business with under the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, H.R. 3162, Public Law 107-56 (commonly known as the "USA Patriot Act") and Executive Order Number 13224 on Terrorism Financing, effective September 24, 2001 and regulations promulgated pursuant thereto (collectively, the "Anti-Terrorism Laws"), including persons and entities named on the Office of Foreign Asset Control Specially Designated Nationals and Blocked Persons List.

(f) No Violation of Agreements, Orders, Etc. The execution and delivery of this Agreement by Sellers and the consummation by Sellers of the transactions contemplated hereby will not violate any judgment, order, injunction, or decree to which each Seller or each Seller's Property is subject.

(g) Employees. If applicable, each Seller shall comply with any and all requirements relating to that Seller's employees as required pursuant to the Worker Adjustment and Retraining Notification Act (WARN Act).

(h) Violations of Law. Sellers have not received written notice from any governmental authority of any material violation of any federal, state, county or municipal laws, ordinances, orders, regulations and requirements affecting the Properties or any portion thereof (including the conduct of business operations thereon) which are unresolved. In addition, except as may be included in the Property Documents or otherwise disclosed in writing to Buyer, Sellers have not received any written notice from any governmental authorities with respect to (i) any special assessments or proposed increases in the assessed value of the Properties; (ii) any condemnation or eminent domain proceedings affecting the Properties; or (iii) any violation of any zoning, health, fire safety or other law, regulation or code applicable to the Properties which remains outstanding.

(i) Leases. Except for the Approved Leases, there are no other leases, rental agreements, licenses, license agreements or other occupancy agreements or amendments or modifications thereto or any guaranties with tenants or occupants in effect for the Properties. The terms of all Approved Leases expire on the dates set forth for such expiration in the rent roll hereto. To each Seller's knowledge, each Lease is in full force and effect, and no rent has been paid more than one month in advance. To each Seller's knowledge, except as may be described in attached hereto, there exists no material default by each Seller or any tenant under any of the Leases and each Seller has not sent to, or received from, any tenant any written notice under any of the Leases claiming that any tenant or such Seller is in default of its obligations under any of the Leases other than defaults that have been cured. Each Seller has provided Buyer with full and complete copies thereof, including any amendments or modifications. All work required to be performed by landlord for tenants pursuant to the Leases have been fully completed in a lien-free manner and in accordance with the requirements set forth in the Leases, if any, and any construction allowance or similar payment required from landlord to tenants pursuant to the Leases, if any, has been paid in full to tenants.

(j) Bankruptcy. No bankruptcy, insolvency, reorganization or similar action or proceeding, whether voluntary or involuntary, is pending, or, to Sellers' knowledge, threatened, against Seller.

(k) Options or Rights of First Refusal. Sellers have not granted any option, right of first refusal or first opportunity to any party to purchase any interest in the Properties or any portion thereof.

(l) Tax Returns. Sellers have filed all federal and state tax returns required by any applicable state and federal taxing authority.

35.2 Buyer's Representations and Warranties. Buyer represents and warrants to Sellers the following:

(a) Organization and Authority. Buyer has been duly organized, is validly existing, and is in good standing in the state in which it was formed. Buyer has the full right and authority and has obtained any and all consents required to enter into this Agreement and, subject to a final vote by the Buyer's Audit Committee, the right and authority to consummate or cause to be consummated the transactions contemplated hereby. This Agreement has been, and all of the documents to be delivered by Buyer at the Closing will be, authorized and properly executed

and constitute, or will constitute, as appropriate, the valid and binding obligation of Buyer. Notwithstanding the foregoing, in the event Buyer does not obtain a final vote of the Buyer's Audit Committee prior to expiration of the Due Diligence Period, authorizing the purchase of the Properties, then, upon written notice by Buyer to Seller delivered no later than the day following the expiration of the Due Diligence Period of Buyer's election to terminate this Agreement, this Agreement shall be deemed terminated and of no further force or effect and Buyer shall be entitled to return of the Deposit and neither party shall thereafter have recourse against the other.

(b) Conflicts and Pending Action. There is no agreement to which Buyer is a party or to Buyer's knowledge binding on Buyer which is in conflict with this Agreement. To Buyer's knowledge, there is no action or proceeding pending or threatened against Buyer that challenges or impairs Buyer's ability to execute or perform its obligations under this Agreement.

(c) Patriot Act Representation. Buyer is not, and will not be, a Person with whom Sellers are restricted from doing business with under the Anti-Terrorism Laws, including persons and entities named on the Office of Foreign Asset Control Specially Designated Nationals and Blocked Persons List.

(d) Post-Closing Liability. Sellers agree to indemnify Buyer against and hold Buyer harmless from any loss, damage, cost (including, without limitation, reasonable attorneys' fees) or liability which Buyer may incur as a consequence of Sellers' breach of any of representations and warranties contained in Section 35.1 contained herein in any material respect. Buyer shall be deemed to have waived any claim of breach of representations and warranties contained in Section 35.1 which Sellers identify in the Sellers' Certificate if Buyer elects to close. This indemnification obligation shall survive the Closing for a period of six (6) months (the "Survival Period"). Notwithstanding anything contained in this Agreement, Buyer shall not assert, and Sellers shall have no liability for, any claim against Sellers for breach(es) of said representations and warranties in this Agreement (except in the event of fraud or intentional acts by Seller), unless and until such claims shall exceed Ten Thousand Dollars (\$10,000.00) in aggregate, and thereafter, Buyer may assert against Sellers any of such claims so aggregated to exceed such \$10,000 threshold in their full amount, beginning with the "first dollar" of any such claims.

36. AUTHORIZATION TO SIGN MODIFICATIONS AND NOTICES. In order to facilitate the execution and delivery of certain documents contemplated hereby, the parties grant to their respective attorneys the actual authority to execute and deliver on each party's behalf any (a) agreement modifying the time for the performance of any event hereunder, or (b) any notice that may be given under this agreement, and the parties may rely upon the signature of such attorneys (including faxed and/or scanned signatures) unless they have actual knowledge that a party has disclaimed the authority granted herein.

[Signatures on following page]

IN WITNESS WHEREOF, the parties hereto have caused these presents to be executed, as a sealed instrument, the day and year first above written.

SELLER:

44 Manning Road Realty Trust

/s/ DIRK D. LAUKIEN

By: Dirk D. Laukien, Trustee

/s/ FRANK H. LAUKIEN

By: Frank H. Laukien, Trustee

BUYER:

Bruker Corporation

/s/ GERALD N. HERMAN

By: Gerald N. Herman

Its: Chief Financial Officer

SELLER:

Umbrina Associates

/s/ DIRK D. LAUKIEN

By: Dirk D. Laukien, Trustee

/s/ FRANK H. LAUKIEN

By: Frank H. Laukien, Trustee

EXHIBIT "A"

Parcel A – 44 Manning Road, Billerica, MA

The land situated in Billerica, Middlesex County, Massachusetts known and numbered as 44 Manning Road, bounded and described as follows:

The premises known as Lot 10 on a plan entitled, "Plan of Land in Billerica, Mass. Prepared for 128 Associates" dated April 2, 1981, by Fleming, Bienvenu & Associates, Inc., Engineers & Surveyors, recorded with Middlesex North Deeds in Plan Book 134, Plan 3.

The Premises have the benefit of the following:

1. All rights and licenses appurtenant thereto, including without limitation that Grant of Easement from the Town of Billerica concerning property adjoining Columbia Road contained in the instrument dated May 28, 1981, recorded with said Deeds in book 2481, Page 488, together with all rights and easements appurtenant to said premises to maintain and use a portion of the instrument recorded with said Deeds in book 2338, Page 307, pursuant to the terms and conditions of that Grant of Easement from the Trustees of The 128 Trust dated June 4, 1981, recorded with said Deeds in Book 2481, Page 514.

2. The right to use Manning Road in common with others entitled thereto for all purposes for which ways are commonly used in the Town of Billerica.

3. The benefit of that Grant and Declaration of Common Easements and Restrictions dated June 4, 1981, among Spaulding and Slye Corporation, James A. Progin and Peter M. Small as Trustees of Manning Park Realty Trust and Arthur L. Glynn recorded with said Deeds in Book 2481, Page 532, as amended by Instrument dated November 2, 1983 recorded with said Deeds in book 2682, Page 266 and as affected by Certificate Regarding Designation of Enforcement Entity Under Grant and Declaration of Common Easements and Restrictions dated November 13, 1984, recorded with said deeds on November 13, 1984 in Book 2890, Page 209.

4. The benefit of that Grant of Easement between Spaulding and Slye Corporation, James A. Progin and Peter M. Small as Trustees of Manning Park Realty Trust, dated November 6, 1981, recorded with said Deeds in Book 2508, Page 741, as amended by Amendment to Grant of Easement dated November 13, 1984, recorded with said Deeds on November 13, 1984, in Book 2890, Page 205.

Parcel B – 15 Fortune Drive, Billerica, MA

The land in Billerica, Middlesex County, Massachusetts, situated on the Southwesterly side of Fortune Drive, shown as lot 4A on a plan entitled "Plan of Land in Billerica, Mass. Prepared for 128 Trust Scale" 1 in. = 100 ft. Jan. 17, 1974, Emmons, Fleming & Bienvenu, Inc.

Engineers and Surveyors, Billerica, Mass.” recorded with Middlesex North District Registry of Deeds in Book as Plan 77 in Book of Plans 118, bounded according to said plan as follows:

WESTERLY	by said Fortune Drive, 200.00 feet;
SOUTHEASTERLY	by Lot 5 on said plan, 304.40 feet;
SOUTHERLY	by land n/f O’Connor in six courses measuring 137.87 fee, 115.25 feet, 59.53 fee, 24.54 fee, 81.71 feet, and 113.22 feet, respectively;
WESTERLY	by land of n/f Donati & Ravasini in three courses measuring 24.65 feet, 131.89 feet, and 76.28 feet, respectively;
NORTHERLY	by Lot C on said plan, 273.29 feet; and
NORTHWESTERLY	by Lot B shown on said plan, 336.35 feet.

Said Lot 2 contains 61,483 square feet and said Lot 3 contains 77,279 square feet, according to said plan.

For title see deed of Robert P. Nordblom and George Macomber, Trustees of Normac-Billerica Associates II, dated December 17, 1987 recorded with Middlesex North District Registry of Deeds, Book 4354, Page 101.

EXHIBIT B
matt
44 Manning Road, Billerica, MA
TENANT LIST

Suite#	Tenant Name	Monthly Rent as of October 2019	Prepaid Rent	Security Deposit	Default Status
100	Liquid Pixels	\$ 6,161.54	\$ -	\$ 11,041.42	None
101	PureHoney	\$ 6,443.38	\$ -	\$ 12,500.00	None
102	OmniDesign	\$ 2,244.67	\$ -	\$ -	None
104	Bioview	\$ 3,236.33	\$ -	\$ -	None
105	iambiotech	\$ 5,180.83	\$ -	\$ 9,843.58	None
106	Arntec	\$ 1,372.75	\$ -	\$ 4,118.25	None
200	Orbotech	\$ 7,939.33	\$ -	\$ -	None
201	Edge Embossing	\$ 13,404.00	\$ -	\$ 62,432.84	None
			\$ -	\$ 99,936.09	

It appears we potentially never received the \$9,843 which appears in lease, Transwestern is confirming and reaching out to Tenant.

CERTIFICATION

I, Frank H. Laukien, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bruker Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2019

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

Frank H. Laukien, Ph.D.

*President, Chief Executive Officer and Chairman
(Principal Executive Officer)*

CERTIFICATION

I, Gerald N. Herman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bruker Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2019

By: /s/ GERALD N. HERMAN

Gerald N. Herman

Chief Financial Officer and Vice President

(Principal Financial Officer and Principal Accounting Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT
TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Bruker Corporation (Company) on Form 10-Q for the three and nine months ended September 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (Report), each of the undersigned, Frank H. Laukien, President, Chief Executive Officer and Chairman of the Board of Directors of the Company, and Gerald N. Herman, Chief Financial Officer and Vice President of the Company, certifies, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

- (1) The Report fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 4, 2019

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

Frank H. Laukien, Ph.D.

President, Chief Executive Officer and Chairman

(Principal Executive Officer)

Date: November 4, 2019

By: /s/ GERALD N. HERMAN

Gerald N. Herman

Chief Financial Officer and Vice President

(Principal Financial Officer and Principal Accounting Officer)
