CALGON CARBON CORPORATION
Form DEF 14A
March 16, 2012
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No. __)

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

Calgon Carbon Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 240.0-11 and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

CALGON CARBON CORPORATION 400 CALGON CARBON DRIVE PITTSBURGH, PA 15205

Dear Fellow Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of Calgon Carbon Corporation (the Company) at 1:00 p.m., Eastern Time, on Friday, April 27, 2012 at the principal executive office of the Company, located at 400 Calgon Carbon Drive, Pittsburgh, Pennsylvania 15205.

Information about the business to be considered and voted upon at the meeting and the nominees for election as Directors is set forth in the notice of the meeting and the Proxy Statement, which are attached. This year you are asked to: (i) elect three Directors for the Class of 2015, (ii) ratify the appointment of the independent registered public accounting firm for 2012, and (iii) vote on an advisory basis on executive compensation (which vote shall be non-binding).

It is important that your shares be represented at the meeting. Even if you plan to attend the meeting in person, we hope that you will send a proxy voting on the matters to be considered, as instructed in the Notice of Internet Availability of Proxy Materials, as promptly as possible. You may also request a paper proxy card to submit your vote by mail, if you prefer.

Very truly yours,

John S. Stanik

President and

Chief Executive Officer

March 16, 2012

Table of Contents

CALGON CARBON CORPORATION

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

The Annual Meeting of Stockholders of Calgon Carbon Corporation (the Company) will be held at the principal executive office of the Company, located at 400 Calgon Carbon Drive, Pittsburgh, Pennsylvania 15205, on Friday, April 27, 2012 at 1:00 p.m., Eastern Time, for the following purposes:

(1) To elect three Directors for the Class of 2015 (Proposal 1);

(2) To ratify the appointment of the independent registered public accounting firm of the Company for 2012 (Proposal 2);

(3) To vote on an advisory basis on executive compensation (which vote shall be non-binding) (Proposal 3); and

(4) To transact such other business as may properly come before the meeting.

Please refer to the accompanying Proxy Statement for a description of the matters to be considered and voted upon at the meeting.

Holders of record of the Company s common stock, par value $0.01 per share, as of the close of business on March 6, 2012 are entitled to notice of and to vote at the meeting and/or postponements or adjournments thereof.

Important Notice Regarding the Availability of Proxy Materials for the 2012 Annual Stockholders Meeting. The Company is mailing to many of its stockholders a Notice of Internet Availability of Proxy Materials, rather than mailing a full paper set of the materials. The Notice of Internet Availability of Proxy Materials contains instructions on how to access the Company s proxy materials on the Internet, as well as instructions on obtaining a paper copy. All stockholders who do not receive such a Notice of Internet Availability of Proxy Materials, including stockholders who have previously requested to receive a paper copy of the materials, will receive a full set of paper proxy materials by U.S. mail. This process will reduce the Company s costs to print and distribute its proxy materials.

Voting by the Internet or telephone is fast and convenient, and each vote is immediately confirmed and tabulated. If a stockholder receives a paper copy of the proxy materials, the stockholder may also vote by completing, signing, dating and returning the accompanying proxy card in the enclosed return envelope furnished for that purpose. By using the Internet or telephone the stockholders can help the Company reduce postage and proxy tabulation costs.

Richard D. Rose

Senior Vice President, General Counsel and Secretary

March 16, 2012

Table of Contents

CALGON CARBON CORPORATION

PROXY STATEMENT

Table of Contents

Table of Contents

CALGON CARBON CORPORATION

PROXY STATEMENT

Annual Meeting of Stockholders

April 27, 2012

Important Notice Regarding the Availability of Proxy Materials for the Stockholders Meeting

to be held on April 27, 2012

The 2012 Proxy Statement and the Annual Report to Stockholders for the year ended

December 31, 2011 are available for viewing at https://materials.proxyvote.com/129603.

To vote by Internet, go to www.proxyvote.com, enter the information that is printed in

the box marked by the arrow on the proxy card and follow the instructions.

The accompanying proxy is solicited on behalf of the Board of Directors (the Board) of Calgon Carbon Corporation (the Company) for use at the Annual Meeting of Stockholders to be held at 1:00 p.m., Eastern Time, on Friday, April 27, 2012 at the principal executive office of the Company, located at 400 Calgon Carbon Drive, Pittsburgh, Pennsylvania 15205 and any postponements or adjournments thereof. The accompanying Notice of Annual Meeting of Stockholders sets forth the purposes of the meeting.

The accompanying proxy may be revoked at any time before its exercise by giving written notice of revocation to the Secretary of the Company. The shares represented by proxies in the form solicited by the Board will be voted at the meeting. If a choice is specified on the proxy with respect to a matter to be voted upon, the shares represented by the proxy will be voted in accordance with that specification. If no choice is specified, the shares will be voted as stated below in this Proxy Statement. If, however, you hold shares beneficially in street name and do not provide your broker with voting instructions, your shares may be treated as broker non-votes. Generally, broker non-votes occur when a broker is not permitted to vote on a particular matter without instructions from the beneficial owner and instructions have not been given. Brokers that have not received voting instructions from their clients cannot vote on their clients behalf on non-routine proposals, such as the election of Directors and executive compensation matters, although they may vote their clients shares on routine proposals, such as the ratification of the independent registered public accounting firm. In tabulating the voting result for any particular proposal, shares that constitute broker non-votes are not considered entitled to vote on that proposal.

It is expected that the Notice of Internet Availability of Proxy Materials will first be mailed to stockholders, and that this Proxy Statement and the accompanying form of proxy will first be available to stockholders, on or about March 16, 2012. The Company s Annual Report to Stockholders for 2011 will also be available on or about March 16, 2012, but does not form a part of the proxy soliciting material. The cost of soliciting proxies will be borne by the Company. Following the original mailing of the proxy soliciting material, regular employees of the Company may solicit proxies in person or by mail, telephone, and/or electronic means. The Company may also hire a proxy solicitation firm or may request brokerage houses and other nominees or fiduciaries to forward copies of the proxy soliciting material and the 2011 Annual Report to Stockholders to beneficial owners of the stock held in their names, and the Company will reimburse them for reasonable out-of-pocket expenses incurred in doing so.

VOTING SECURITIES AND RECORD DATE

Holders of the Company s common stock, par value $0.01 per share (the Common Stock) of record as of the close of business on March 6, 2012 are entitled to receive notice of and to vote at the meeting and any postponements or adjournments thereof. At the record date, the Company had outstanding 56,842,756 shares of Common Stock, the holders of which are entitled to one vote per share. The Company does not have cumulative voting.

SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN BENEFICIAL OWNERS

Management

The following table shows the number of shares of Common Stock beneficially owned as of March 1, 2012 by (i) each Director of the Company, (ii) the named executive officers of the Company in the Summary Compensation Table (John S. Stanik, Stevan R. Schott, Robert P. O Brien, C.H.S. (Kees) Majoor and Richard D. Rose), and (iii) by all current Directors and executive officers of the Company as a group. The Company has stock ownership guidelines for its executive officers which are described under Stock Ownership Policy on page 23 of this Proxy Statement. Unless otherwise indicated in the footnotes to the table, each person named and all Directors and executive officers as a group have sole voting power and sole investment power with respect to the shares. As used herein, beneficial ownership means the sole or shared power to vote, or to direct the voting of, a security, and/or the sole or shared investment power with respect to a security (i.e., the power to dispose of, or to direct the disposition of, the security). A person is deemed to have beneficial ownership of any security that the person has the right to acquire within 60 days of March 1, 2012.

Name of Beneficial Owner	Number of Shares(1)	Percent of Class
J. Rich Alexander	9,241	*
Robert W. Cruickshank	30,081	*
Randall S. Dearth	15,885	*
William J. Lyons(2)	26,128	*
William R. Newlin(2)(3)	211,286	*
Julie S. Roberts(2)	72,969	*
Timothy G. Rupert	43,192	*
Seth E. Schofield	26,349	*
John S. Stanik(2)	570,185	1.00%
Stevan R. Schott	13,841	*
Robert P. O Brien(4)	206,097	*
C.H.S. (Kees) Majoor(2)(5)	261,573	*
Richard D. Rose(2)	20,785	*
All current Directors and executive officers as a group (16 persons)(2)(3)(4)(5)	1,471,783	2.56%

* Less than 1%.

(1) Includes (i) options for 2,000 shares in the case of Mr. Dearth, 48,920 shares in the case of Ms. Roberts, and 16,051 shares in the case of each of Messrs. Newlin and Rupert, granted under the Company s 1993 Non-Employee Directors Stock Option Plan; (ii) 6,374 shares of restricted stock in the case of Mr. Alexander and 6,388 shares of restricted stock in the case of each of Messrs. Cruickshank, Dearth, Lyons, Newlin, Rupert, and Schofield and Ms. Roberts; (iii) 328,476 shares underlying unexercised options and 19,264 time-vesting restricted shares in the case of Mr. Stanik; 3,090 shares underlying unexercised options and 4,365 time-vesting restricted shares in the case of Mr. Schott; 75,370 shares underlying unexercised options and 6,022 time-vesting restricted shares in the case of Mr. O Brien; and 8,975 shares underlying unexercised options and 5,556 time-vesting restricted shares in the case of Mr. Rose, granted under the Company s stock plans; and (iv) 653,803 shares underlying unexercised options and 91,966 time-vesting restricted shares in the case of all current Directors and executive officers as a group, in each case granted under the aforementioned plans. The percent of class set forth above for any individual and the group (but not for the other individuals listed above) is computed as though such shares optioned to such individual or the group, as the case may be, were outstanding.

Table of Contents

(2) Includes 19,740 shares as to which Mr. Lyons shares voting and investment power with his wife; 83,133 shares as to which Mr. Newlin shares voting and investment power with his wife; 17,661 shares as to which Ms. Roberts shares voting and investment power with her husband; 5,000 shares as to which Mr. Stanik shares voting and investment power with his wife; 261,573 shares as to which Mr. Majoor shares voting power with his wife; and 1,000 shares as to which Mr. Rose shares voting and investment power with his wife.

(3) Includes 43,708 shares held indirectly by Mr. Newlin through a retirement plan, 3,500 shares held indirectly by Mr. Newlin through a grantor trust, and 83,133 shares pledged by Mr. Newlin as collateral for a business loan.

(4) Includes 6,930 shares held by Mr. O Brien under the Company s defined contribution plan.

(5) Mr. Majoor is no longer employed by the Company.

Table of Contents

Other Beneficial Owners

The following table sets forth each person or entity that may be deemed to have beneficial ownership of more than 5% of our outstanding Common Stock based on information that was available to the Company as of March 1, 2012.

	Beneficial Ownership of Common Stock	
Name and Address	**Number of Shares**	**Percent of Class**
Shapiro Capital Management LLC (Shapiro)	6,223,902	10.98%
3060 Peachtree Road N.W., Suite 1555		
Atlanta, Georgia 30305		

The foregoing information is taken from a Schedule 13G filed with the Securities and Exchange Commission (the SEC) on January 9, 2012 by Shapiro and Samuel R. Shapiro, the chairman, a director and majority shareholder of Shapiro, reflecting ownership as of December 31, 2011. The filing states that Shapiro has sole voting power with respect to 5,128,990 shares, shared voting power with respect to 1,094,912 shares and sole dispositive power with respect to all 6,223,902 shares. According to the Schedule 13G, Mr. Shapiro, by virtue of his position with Shapiro, exercises dispositive power over all of the shares and therefore may be deemed to be the beneficial owner of such shares.

	Beneficial Ownership of Common Stock	
Name and Address	**Number of Shares**	**Percent of Class**
The Vanguard Group, Inc. (Vanguard)	3,084,923	5.44%
100 Vanguard Blvd.		
Malvern, PA 19355		

Vanguard Fiduciary Trust Company
The foregoing information is taken from a Schedule 13G filed with the SEC on February 9, 2012 by Vanguard and its subsidiary, reflecting ownership as of December 31, 2011. The filing states that Vanguard has sole voting power with respect to 74,938 shares, sole dispositive power with respect to 3,009,985 shares and shared dispositive power with respect to 74,938 shares. According to the Schedule 13G, Vanguard Fiduciary Trust Company, a subsidiary of Vanguard, directs the voting of 74,938 shares, of which it is the beneficial owner, as a result of its serving as investment manager of collective trust accounts.

	Beneficial Ownership of Common Stock	
Name and Address	**Number of Shares**	**Percent of Class**
BlackRock, Inc. (BlackRock)	4,311,432	7.61%
40 East 52nd Street		
New York, NY 10022		

The foregoing information is taken from a Schedule 13G/A filed with the SEC on February 13, 2012 by BlackRock and its subsidiaries, reflecting ownership as of December 30, 2011. The filing states that BlackRock has sole voting and sole dispositive power with respect to all 4,311,432 shares.

BOARD OF DIRECTORS AND COMMITTEES OF THE BOARD

As provided by the laws of the State of Delaware, the Company s state of incorporation, the business and affairs of the Company are overseen by the Company s Board of Directors (the Board). In accordance with Delaware law, the Board has established four standing committees to which it has delegated certain of its responsibilities: (i) the Executive Committee, (ii) the Compensation Committee, (iii) the Audit Committee and (iv) the Governance Committee. A current copy of each committee s charter is available to stockholders at the Company s website at www.calgoncarbon.com.

Executive Committee. The Executive Committee currently consists of four directors: Messrs. Schofield (Chairman), Cruickshank and Rupert and Ms. Roberts. The Executive Committee meets during the intervals between meetings of the Board, when prompt action is needed and it is impossible or inconvenient to convene a full meeting of the Board, and may exercise limited powers granted by the Board in the management of the business and affairs of the Company.

Compensation Committee. The Compensation Committee currently consists of four directors: Messrs. Rupert (Chairman), Cruickshank, Dearth and Schofield. Our Board has affirmatively determined that each member of the Compensation Committee is independent under the listing standards of the New York Stock Exchange (NYSE) regarding independence and qualifies as an outside director under Section 162(m) of the Internal Revenue Code, as amended. The duties and responsibilities of the Compensation Committee are set forth in its written charter. The Compensation Committee is responsible for determining and implementing the Company s general policies with respect to the compensation of its executive officers. The Compensation Committee determines the base salary payable to each executive officer, as well as the short-term cash incentive, if any, payable to each executive officer, and to certain key employees, pursuant to the Company s short-term cash incentive plan or otherwise. The Compensation Committee s other duties include evaluating the post-service arrangements with the executive officers; approving the report on executive compensation to be included in the Company s annual proxy statement; reviewing and discussing with management the Compensation Discussion and Analysis to be included in the Company s annual proxy statement; and the creation, amendment and termination of certain employee benefit plans. The Compensation Committee also administers the Company s 2008 Equity Incentive Plan, has the authority to make long-term incentive awards thereunder and is responsible for evaluating whether the executives have met their applicable performance levels thereunder, to the extent applicable. Other matters related to the compensation of executive officers and key employees, such as the terms of employment contracts and certain employee benefits, are also reviewed by the Compensation Committee.

Subject to the restrictions set forth in its charter and applicable law, the Compensation Committee may delegate any of its responsibilities to a subcommittee comprised of one or more members of the Compensation Committee. In addition, the Compensation Committee may delegate to Company officers or a committee of employees any of its responsibilities with respect to non-equity based plans including, but not limited to, plans created pursuant to the Employee Retirement Income Security Act of 1974 and employment practices created consistent with the various state laws.

The Compensation Committee directly engages an outside compensation consultant, Pay Governance LLC (Pay Governance), to provide advice and recommendations on the amount and form of executive and director compensation. The compensation consultants from Pay Governance report directly to the Compensation Committee. The Compensation Committee has determined that Pay Governance is independent from the Company and its management. The aggregate fees paid to Pay Governance for determining and recommending the amount and form of executive and director compensation during the last fiscal year was $100,094. The Compensation Committee s decision to hire Pay Governance was not made or recommended by Company management.

In addition to the services provided to the Compensation Committee by Pay Governance, during the Company s last fiscal year, the Company engaged Towers Watson & Co. (Towers Watson) to provide additional services, including, but not limited to, actuarial services, pension plan consulting services, union negotiation assistance and participation in meetings. The aggregate fees paid to Towers Watson for such additional services in the last fiscal year was $239,051.

Audit Committee. The Audit Committee currently consists of four directors: Ms. Roberts (Chairperson) and Messrs. Alexander, Dearth and Lyons. Our Board has affirmatively determined that each member of the Audit Committee is independent under the listing standards of the NYSE regarding independence and the heightened independence standards adopted by the Securities and Exchange Commission (the SEC) for audit committees. The Board has also determined that each member of the Audit Committee is financially literate. Additionally, Ms. Roberts and Mr. Lyons have been designated by the Board as the Audit Committee s financial experts, as required by the Sarbanes-Oxley Act of 2002 and the SEC regulations promulgated thereunder.

The Audit Committee assists the Board in overseeing the Company s financial reporting processes. The duties and responsibilities of the Audit Committee are set forth in its written charter. The Audit Committee s duties and responsibilities include making annual recommendations to the Board regarding the selection (subject to stockholder ratification) of our independent registered public accounting firm; approving the audit and non-audit fees and services of our independent registered public accounting firm; determining the independence of the independent registered public accounting firm; reviewing annually the report of the independent registered public accounting firm; reviewing annually the scope of the independent registered public accounting firm s audit; meeting periodically with the independent registered public accounting firm and management; reviewing the Company s systems of internal accounting and financial controls and disclosure controls and procedures, and determining whether they are functioning adequately and reliably; assessing the performance and scope of internal audit services; reviewing and discussing with management the audited annual and quarterly financial statements of the Company and the Company s SEC filings; reviewing and discussing with management the form and content of the notes to the financial statements and Management s Discussion and Analysis of Financial Condition and Results of Operations included in the Company s Annual Report on Form 10-K; receiving and reviewing reports from management regarding compliance with corporate policies dealing with business conduct; reviewing business expense reporting; reviewing the Company s contingency plans in the event of a failure of its information technology systems; investigating and reporting to the Board as to any alleged breach of law or of the Company s internal policies which is brought to its attention; reviewing the audit reports of the Company s benefit plans; preparing the Audit Committee s report for inclusion in the Company s annual proxy statement; establishing procedures for the receipt, retention and treatment of complaints regarding accounting, internal controls and auditing and the confidentiality thereof; and overseeing the Risk Management Committee, which is more fully described below under *Board s Leadership Structure and Role in Risk Management*. Each year, the Audit Committee evaluates the performance of the independent registered public accounting firm and recommends to the Board the retention or, if appropriate, replacement of the independent registered public accounting firm. The Audit Committee also carries out other assignments given to it from time to time by the Board.

Governance Committee. The Governance Committee currently consists of four directors: Messrs. Cruickshank (Chairman), Alexander, Lyons and Newlin. Our Board has affirmatively determined that each member of the Governance Committee is independent under the listing standards of the NYSE regarding independence. The duties and responsibilities of the Governance Committee are set forth in its written charter. The Governance Committee is responsible for the functioning of the Board and its committees, with the goal of causing the Board and its committees to satisfactorily address the major issues related to the performance and well-being of the Company. Among the duties of the Governance Committee is to review the size and composition of the Board and to make recommendations with respect to nominations for election or appointment of Directors and the fees, including cash and equity, to be paid to Directors. The Governance Committee has responsibility for reviewing, with the Board if appropriate, the Company s executive management succession plans. The Governance Committee also periodically reviews legislative and regulatory issues affecting the Company as well as public interest issues identified by management as likely to affect the Company.

In making its recommendations with respect to potential director nominees, the Governance Committee considers, among other things, the following qualifications which are set forth in our Corporate Governance Guidelines the nominee s business or professional experience, their integrity and judgment, their records of public service, their ability to devote sufficient time to the affairs of the Company, the diversity of backgrounds and experience they will bring to the Board, and the needs of the Company. The Governance Committee also believes that all nominees should be individuals of substantial accomplishment with demonstrated leadership capabilities. The Governance Committee does not have a formal policy with regard to the consideration of diversity in identifying nominees for Director.

The Governance Committee will principally solicit suggestions from current Directors to identify potential candidates for Director, using the criteria described above. The Governance Committee may also employ the assistance of a search firm. The Governance Committee will consider nominees recommended by stockholders

Table of Contents

and it will evaluate stockholder nominees on the same basis as all other nominees. Section 1.08 of our by-laws

describes the process by which stockholders may submit director nominations. The Governance Committee will consider stockholder-recommended nominees with the same weight as others.

Procedures for Submitting Stockholder Nominees for the Board of Directors

The procedures for a stockholder to nominate a director include the following:

- The stockholder must have given timely written notice, in proper form, to the Secretary of the Company including, without limitation, the stockholder s name and address. To be timely, the notice must have been received no earlier than 120 days prior to and no later than 60 days prior to the anniversary of the preceding year s proxy statement for the annual meeting held in the previous year.

- The notice must set forth the name and address of the stockholder making the nomination (or of the beneficial owner on whose behalf the nomination is being made) and the class and number of shares of the Company beneficially owned by such person.

- The notice must set forth in reasonable detail information concerning the nominee and must include all information relating to a nominee that would be required to be disclosed in a proxy statement or other filings.

- The notice must include a representation that the stockholder making the nomination intends to appear in person or by proxy at the meeting to present the nomination.

- The notice must include the consent of the nominee to serve as a director of the Company if elected.

Director Resignation Policy

Our Corporate Governance Guidelines include a requirement that in an uncontested election of Directors, any director who receives a greater number of votes withheld from his or her election than votes for his or her election will, within five days following the certification of the stockholder vote, tender his or her written resignation to the Chairman of the Board for consideration by the Governance Committee. The Governance Committee is then required to make a recommendation to the Board as to whether it should accept such resignation. Thereafter, the Board is required to decide whether to accept such resignation and disclose its decision-making process in a Form 8-K filed with the SEC. In contested elections, the required vote for director elections would be a plurality of votes cast.

Board and Committee Meetings

During 2011, the Compensation Committee held five meetings, the Governance Committee held three meetings and executed one written consent in lieu of a meeting, the Audit Committee held six meetings and the Executive Committee did not meet. The Board held six meetings and executed one written consent in lieu of a meeting during 2011. All of the Company s directors attended at least 75% of the aggregate of (1) the total number of meetings of the Board held during the period for which he or she has been a Director and (2) the total number of meetings held by all committees of the Board on which he or she served during the periods that he or she served as a Director.

The Corporate Governance Guidelines of the Company state that all Directors are expected to attend each Annual Meeting of Stockholders, as well as Board and applicable committee meetings, except in unavoidable circumstances. All Directors attended the 2011 Annual Meeting of Stockholders.

Board s Leadership Structure and Role in Risk Management

The Company s principal executive officer also serves as the Chairman of the Board. The Company believes that this leadership structure is appropriate due to the complexity and technical nature of the Company s business. Mr. Stanik s experience in leadership positions throughout the

Company during his tenure, as well as his role in developing and executing the strategic plan, is critical to the Company s future results. The Company also has a lead independent director, Mr. Schofield (the Lead Director), who, among other things, serves as the liaison between the independent directors and the Chairman of the Board. Mr. Schofield s varied career experience and his history on the Board gives him important insight into the complexity of the Company s operations. The Lead

Table of Contents

Director aids in creating the agendas for Board meetings and presides over the executive sessions of the independent directors. The Lead Director periodically reviews and proposes revisions to the Board s procedures and advises committee chairs in fulfilling their designated roles including avoiding conflict between committees concerning their roles. The Lead Director communicates with the Chief Executive Officer on a regular basis. The Lead Director is also responsible for communicating the Board s annual evaluation of the Chief Executive Officer. The Lead Director will be the spokesperson for the Board when responding to crises.

The Company has established a Risk Management Committee, which consists of members of middle and upper management and is responsible for identifying risks to the Company, developing a plan to address those risks and overseeing the implementation of such plan and the mediation of additional risks as they arise. The Audit Committee has oversight responsibility for the Risk Management Committee, which includes an annual assurance that there is an Enterprise Risk Management Plan and risk assessment, periodic review of the progress against the Enterprise Risk Management Plan and assurance that the Board is aware of the risk assessment results and conclusions about risk tolerance and mitigation. Each year, the full Board receives a report on the progress of the Enterprise Risk Management Plan.

Table of Contents

ELECTION OF DIRECTORS (Proposal 1)

The Board, acting pursuant to the by-laws of the Company, has determined that the number of Directors constituting the full Board shall be nine immediately following the Annual Meeting. The Board is to be divided into three classes of nearly equal size. One such class is elected every year at the Annual Meeting for a term of three years.

The Board has, upon recommendation of the Governance Committee, nominated William J. Lyons, William R. Newlin and John S. Stanik for re-election as Directors for terms to expire in 2015 (the Class of 2015), and each of them has agreed to serve if elected. Messrs. Lyons, Newlin and Stanik will hold office until the 2015 Annual Meeting of Stockholders, or until the Director s prior death, disability, resignation or removal. Proxies are solicited in favor of these nominees and will be voted for them unless otherwise specified.

If any nominee becomes unable or unwilling to serve as a Director, it is intended that the proxies will be voted for the election of such other person, if any, as shall be designated by the Board.

Information concerning the nominees for Director and the other Directors who will continue in office after the meeting (the Class of 2014 Directors and Class of 2013 Directors) is set forth below. The Board has affirmatively determined that each of the Directors included below, other than Mr. Stanik, are independent under the listing standards of the NYSE regarding independence and our Company s Corporate Governance Guidelines.

Class of 2015 Director Nominees

William J. Lyons, age 63, has been a Director of the Company since 2008. He has served as Chief Financial Officer of CONSOL Energy Inc. (provider of coal and natural gas) since February 2001 and Chief Financial Officer of CNX Gas Corporation (provider of natural gas) since April 28, 2008. He added the title of Executive Vice President of CONSOL Energy Inc. on May 2, 2005 and of CNX Gas Corporation on January 16, 2009. He was also a director of CNX Gas Corporation from October 17, 2005 to January 16, 2009. The Company believes that Mr. Lyons experience in the coal industry and his knowledge of natural gas resources and other commodities qualifies him to sit on the Board, given the importance of such primary raw materials to the Company s production. Mr. Lyons financial acumen is also valuable to the Board.

William R. Newlin, age 71, has been a Director of the Company since 2005. Mr. Newlin has served as the Chairman of Plextronics, Inc., a technology company, since 2009 and has been the Chairman of Newlin Investment Company LLC, an investment company, since April 2007. Prior thereto, he was the Executive Vice President and Chief Administrative Officer of Dick s Sporting Goods, Inc., a retailer. Prior to joining Dick s Sporting Goods, Inc., Mr. Newlin was Chairman and Chief Executive Officer of Buchanan Ingersoll & Rooney PC, a firm which does some legal work for the Company, for more than five years. Mr. Newlin is a director of Kennametal Inc., a tooling, engineered components and advanced materials supplier, and Meritor, Inc., an automotive industry supplier. The Company believes Mr. Newlin s qualifications to sit on the Board include his extensive experiences in major corporate transactions, his deep executive leadership and management experience with public and private companies, his years of experience providing strategic advice to complex organizations as a counselor and member of numerous board of directors and his business and corporate legal acumen.

John S. Stanik, age 58, has been President and Chief Executive Officer of the Company since February 2003. He was appointed Chairman of the Board in May 2007. Mr. Stanik has been a Director of the Company since October 2003. The Company believes that Mr. Stanik is qualified to serve on the Board as a result of his engineering background and his over twenty year tenure with the Company. During such tenure, Mr. Stanik has served as plant manager of the Big Sandy plant and held a leadership role in each of the following: the equipment business, all manufacturing plants, research and development, global operations and the global carbon and service business.

Class of 2014 Directors

Randall S. Dearth, age 48, has been a Director of the Company since November 2007. Mr. Dearth has been President and Chief Executive Officer of LANXESS Corporation, a chemicals manufacturer, since 2004. Prior thereto he was President and Chief Executive Officer of Bayer Chemicals Corp., a chemicals manufacturer. The

Table of Contents

Company believes that Mr. Dearth s qualifications to sit on the Board include his twenty-plus years of experience in the chemical industry, which the Company believes is representative of the challenges and desires of its customer base. The Company believes that Mr. Dearth s position at LANXESS Corporation, an affiliate of a European company, makes him a valuable link to European leadership, strategy and business conditions.

Timothy G. Rupert, age 65, has been a Director of the Company since 2005. Mr. Rupert retired in July 2007 from his position as President and Chief Executive Officer and a director of RTI International Metals, Inc., a titanium manufacturer, which he had held since 1999. The Company believes that Mr. Rupert is qualified to serve on the Board due to his experience as the Chief Executive Officer of a company of similar size in the region. The Company believes that Mr. Rupert s familiarity with the challenges and realities of running a public company are extremely valuable to the Board.

Seth E. Schofield, age 72, has been a Director of the Company since December 1995. From February 1996 to July 2000, Mr. Schofield was the Managing Partner of Base International, a provider of corporate protection and security. Prior thereto, Mr. Schofield was Chairman and Chief Executive Officer of USAir Group, a major air carrier. Mr. Schofield is also a director of Marathon Petroleum Corporation, an oil refining company and United States Steel Corporation, a steel manufacturer (where he serves as the Presiding Director). Mr. Schofield was a director of Marathon Oil Corporation, an integrated oil and gas company, from 2001 to June 2011. The Company believes that Mr. Schofield is qualified to serve on the Board due to his experience on the board of directors of other large companies in the region (including service on numerous committees), as well as his role as Chairman and Chief Executive Officer of USAir Group. The Company values Mr. Schofield s leading edge expertise, his familiarity with the complex nature of the Company s business, his long history with the Board and his experience with mergers and acquisitions.

Class of 2013 Directors

J. Rich Alexander, age 56, has been a Director of the Company since August 2009. Mr. Alexander has served as Executive Vice President for PPG Industries, Inc., a global diversified manufacturer, since September 2011. In his role as Executive Vice President, Mr. Alexander oversees PPG Industries, Inc. s architectural coatings, fiber glass and flat glass businesses, the Asia/Pacific region and the corporate functions for marketing, purchasing and distribution. Mr. Alexander was Executive Vice President Performance Coatings and Glass for PPG Industries, Inc. from August 2010 to September 2011. Mr. Alexander served as Senior Vice President, Performance Coatings for PPG Industries, Inc. from April 2005 to August 2010. Prior thereto, he served as Vice President, Industrial Coatings for PPG Industries, Inc. The Company believes that Mr. Alexander s qualifications to sit on the Board include his extensive global experience in the Asia Pacific region with a focus in China and his experience in global mergers and acquisitions. In addition, the Company values Mr. Alexander s role as an executive officer and member of the Executive Committee of a manufacturing company in the chemical industry, which the Company believes is representative of the challenges and desires of its customer base.

Robert W. Cruickshank, age 66, has been a Director of the Company since November 1985. Mr. Cruickshank is a financial consultant and investor, providing clients with financial advice since 1981. He is also a director of Hurco Companies, Inc., an industrial technology company. The Company believes that Mr. Cruickshank s qualifications to sit on the Board include his financial expertise and experience as a director of several public companies. Mr. Cruickshank is an original member of the public company Board and, as such, is intimately familiar with the Company s history as a public entity.

Julie S. Roberts, age 57, has been a Director of the Company since July 2000. Ms. Roberts is currently the President of JSRoberts Consulting, LLC, which provides CFO services and financial consulting to public and private organizations on a project, part-time or temporary basis. She retired in February of 2010 from Marriott International, Inc., a hospitality company, where she served as Vice President Finance, Global Finance Transformation since March 2005. Prior thereto, she was Chief Financial Officer of Marriott ExecuStay, a division of Marriott. The Company believes that Ms. Roberts is qualified to sit on the Board in light of her many years of experience as a financial executive of two major publically traded corporations, including several years as a CFO of a subsidiary of one of the companies, and her many years of experience as an Audit Committee Member of two publically traded companies and experience as Audit Committee Chair.

EXECUTIVE OFFICERS

Information concerning our executive officers, who are not also Directors, is set forth below.

Stevan R. Schott, age 49, has been Senior Vice President and Chief Financial Officer of the Company since April 2011. Mr. Schott was Vice President and Chief Financial Officer of the Company from July 2010 to April 2011 and Vice President, Finance, Americas and Asia of the Company from February 2008 until July 2010. From July 2007 until February 2008, Mr. Schott was Executive Director of Finance of the Company. Prior thereto, Mr. Schott was Vice President of Finance of DQE, Inc., an energy services holding company.

Robert P. O Brien, age 61, has been Executive Vice President and Chief Operating Officer of the Company since January 2012. Mr. O Brien was the Executive Vice President Americas of the Company from March 2010 to January 2012 and the Senior Vice President Americas of the Company from December 1999 to March 2010.

Richard D. Rose, age 50, has been Senior Vice President, General Counsel and Secretary of the Company since March 2011. Mr. Rose was Vice President, General Counsel and Secretary for the Company from September 2009 to March 2011. Prior thereto, Mr. Rose was a corporate and securities lawyer and shareholder with the law firm of Buchanan Ingersoll & Rooney PC, a firm which does some legal work for the Company.

James A. Sullivan, age 48, has been the Senior Vice President, Americas of the Company since March 1, 2012. During January and February 2012 he was Vice President, Americas. From March 2010 to January 2012, he was the Vice President of Operations of the Company. Mr. Sullivan was Vice President, UV and Corporate Business Development of the Company from July 2008 to March 2010. He was the General Manager of the UV Technologies division of the Company from January 2004 to July 2008.

Gail A. Gerono, age 60, has been the Vice President, Investor Relations and Communications of the Company since March 2012. Ms. Gerono was the Vice President, Investor Relations, Communications and Human Resources of the Company from March 2004 to March 2012. Prior thereto, Ms. Gerono was Vice President of Invest in the People and Investor Relations/Communications since November 2002.

Reinier P. Keijzer, age 44, has been the Vice President, Europe of the Company since October 2011. Mr. Keijzer was Vice President, Finance, Europe of the Company from June 2010 to October 2011 and Executive Finance Director of Chemviron Carbon, a Belgian registered branch of the Company, from October 2007 to June 2010. In August 2007, Mr. Keijzer served as Manager for PAS Deutschland GmbH, a producer and supplier of operational control systems and cable harnesses. From February 2007 to August 2007, Mr. Keijzer served as Finance Director EMEA for Minerals Technologies Europe, a developer, producer and marketer of specialty mineral, mineral-based and synthetic mineral products and related systems and services. Prior thereto, Mr. Keijzer was Finance Director of Chemviron Carbon.

Allan Singleton, age 57, has been the Vice President, Asia of the Company since January 2012. Mr. Singleton was Director Sourcing & Supply Chain Asia for the Company from October 2011 to January 2012. Prior thereto, he was the Director Sourcing & Supply Chain Asia for Calgon Carbon Asia Pte. Ltd., a Singapore subsidiary of the Company in October 2011 and served as the Business Development Director Europe for Chemviron Carbon Limited, a UK subsidiary of the Company from 2004 to October 2011. He added Business Development Director Asia for Chemviron Carbon Limited in 2008.

Table of Contents

EXECUTIVE AND DIRECTOR COMPENSATION

Compensation Discussion and Analysis

Summary

We offer a comprehensive executive compensation program that has been designed and is managed by the Compensation Committee of our Board of Directors which is comprised of independent directors.

We aim to hold our named executive officers accountable for the financial and operational performance of the Company as well as the value of the Company s common stock and thus a significant portion of our named executive officers total compensation (55% for example in the case of our CEO, Mr. Stanik, for 2011) is at risk and tied to short- and long-term performance of the Company.

Our compensation program includes the use of Company common stock, with related holding requirements, that serves to align the interests of our executives with the interests of our stockholders.

We benchmark our executives total compensation against market peers to ensure fairness and to enable the Company to successfully attract and retain executives. The peer companies are similar to the Company in terms of business characteristics and complexity and are appropriate in terms of revenue, asset, and market capitalization and employee size.

Our incentive programs are designed to reward executives with compensation above market when Company performance exceeds our expectations and to pay our executives below market when Company performance is below our expectations.

When determining the CEO s long-term incentive grant value each year, our Compensation Committee not only considers our philosophy of targeting pay at the market median, but also the Company s recent stockholder performance, to appropriately provide a grant that is valued either above or below the market median.

We monitor best practices and attempt to build them into our compensation program when appropriate. For example:

The Committee has examined our compensation program for our executives and has determined that our practices and policies do not promote excessive risk taking and that various elements and policies are in place such as, capped incentive opportunities, use of capital return metrics, stock ownership guidelines, recoupment policy and administrative and governance processes, that serve to mitigate excess risk.

Our policies prohibit executives and others from hedging their interest in our stock.

We provide no tax gross-up of any nature on any of our compensation or benefit programs, including our change in control severance policy, for executives.

No perquisites are provided to U.S. based executives.

Our change in control severance policy for executives requires both a qualified change in control and termination of the executive to receive any benefits under the policy.

Approximately 91% of our stockholders who voted approved the compensation paid to our named executive officers at the 2011 Annual Meeting. As a result, the Compensation Committee interpreted this level of favorable vote to mean that by and large the Company s stockholders are satisfied with our executive compensation arrangements and, therefore, we have made no significant changes to our compensation system this year.

Table of Contents

Objectives of the Executive Compensation Program

The executive compensation program is designed to motivate executives and support the success of the Company which ultimately occurs through the actions of talented employees. The specific objectives of our compensation program are to:

Attract and Retain Executive Talent. Through a competitive total compensation program, the Company seeks to attract qualified and talented executives to serve in existing or newly created positions. The Company also seeks to retain our executives and promote positive engagement in the business and culture of the Company.

Align Compensation with Company and Individual Performance. Certain elements of our compensation program are designed to hold executives accountable for the financial and operational performance of the Company, as well as influencing the value of the Company s common stock. To facilitate these objectives, a significant portion of an executive s compensation is at risk because it is directly tied to the short- and long-term performance of the Company.

Foster an Ownership Mentality and Create Alignment with Stockholders. Our compensation program provides shares of the Company s common stock and common stock-based awards as significant elements of compensation with the expectation that the executives will maintain a certain level of ownership to align their interests with those of our stockholders.

The Company has designed the compensation program based on a set of core principles which we believe support our overall objectives:

The compensation program will be fair and competitive, from an internal and external perspective, taking into account the role and distinct responsibilities of each executive.

A substantial portion of an executive s compensation will be at risk and linked to the achievement of both corporate and individual goals and changes in stockholder value.

Retirement benefits will provide financial stability following employment but will not be the focal point of why executives choose to work for the Company.

The use of perquisites and other executive benefits will be negligible and of minimal cost to the Company.

All compensation program elements taken as a whole will help focus executives to achieve the Company s financial and operational goals.

Within the context of these objectives and principles, the Company has developed its compensation program for the Chief Executive Officer and other executive officers.

Overview of the Compensation Program and Decision-Making Process

Our Board has assigned the oversight of our executive compensation program to our Compensation Committee composed of four independent directors (as determined in accordance with the NYSE Rules). The Compensation Committee reviews and makes decisions regarding the compensation program for the Chief Executive Officer and makes decisions for the other executive officers after considering recommendations made by the Chief Executive Officer. The Compensation Committee also considers the impact of corporate tax and accounting treatment for the different types of compensation it approves. The decisions made by the Compensation Committee with respect to the named executive officers for 2011 are reflected in the tables and related footnotes and narratives that begin on page 28.

In order to support the objectives outlined above, the Company has developed a compensation program that supports our pay for performance philosophy and that provides executives with a mixture of cash payments (base salary and short-term incentives) and stock-based awards (long-term incentives). Our stock-based compensation program consists of three different types of awards, each selected to address different objectives. We also provide executives with a qualified defined contribution retirement plan similar to that provided to all other employees and severance benefits for certain types of termination (including change in control situations) from the

Table of Contents

Company. The Company currently does not provide any perquisites (e.g., automobile, financial counseling, etc.) to executives, except for our executives in Europe where providing an executive with an automobile is a customary practice. The Company believes that the compensation elements taken as a whole are necessary to attract and retain the best executive talent in its industry.

The Compensation Committee believes that in order to successfully compete for talent, a fixed-cash salary is necessary to provide a base level of income that is not tied to Company performance. When developing the executive compensation program, the Compensation Committee considers both short- and long-term strategic goals of the Company, which it believes fall within the control of executive management and leads to stockholder value creation. In order to align the interests of executives to the achievement of these goals, the Compensation Committee has developed performance-based incentive plans with payments contingent upon the achievement of these goals. Certain of the payments (short-term cash incentives) are designed to reward the achievement of annual goals, while equity grants (except for time-vesting restricted stock) are designed to reward the accomplishment of long-term goals directly associated with increasing stockholder value. The Committee reviews the short-term and long-term stockholder return of the Company when determining the grant value of the CEO s long-term incentive award each year. The following table illustrates the allocation between actual fixed and variable compensation components in 2011:

	Fixed	**Variable**	
Executive	**Cash Base Salary**	**Short-Term Cash Incentive**	**Long-Term Stock-Based Incentive**
Stanik	45%	20%	35%
Schott	56%	19%	25%
O Brien	54%	21%	25%
Majoor(1)	89%	0%	11%
Rose	58%	20%	22%

(1) Mr. Majoor s employment with the Company terminated on January 6, 2012.

Our performance-based incentives are designed to reward executives with compensation above the middle (or 50th percentile) of the market when Company performance exceeds our expectations and the performance of our peer group. When performance falls below our expectations, the incentive plans are designed to pay below the middle (or 50th percentile) of the market and could result in no payment to the executive if performance falls below a certain level. To illustrate, in 2011, the Company s financial performance was below our business plan and stockholder return was below our peer group. As a result, actual compensation to our executives was below the market 50th percentile.

The Compensation Committee reviews the compensation practices among peer companies and broader general industry companies in order to ensure the appropriateness of the Company s compensation program design and compensation levels. To assist in this process, the Compensation Committee employs a compensation consultant. In mid-2010, the Committee retained Pay Governance LLC as its independent consultant. Pay Governance was formed in 2010 with former employees of Towers Watson & Co., which had advised the Compensation Committee since September 2004. Pay Governance is an independent executive compensation consulting firm which has been retained directly by the Compensation Committee and reports directly to the Compensation Committee and advises the Compensation Committee on compensation matters. The consultant participates in Compensation Committee meetings and is engaged to advise the Compensation Committee with respect to compensation trends and best practices, plan design and the reasonableness of individual compensation awards. Towers Watson provides advice on retirement and compensation matters to the Company s senior management. The Compensation Committee s decision to hire Pay Governance was not made or recommended by Company management.

Additionally, with regard to compensation for the executive officers other than the Chief Executive Officer, the Compensation Committee receives input from the Chief Executive Officer.

Table of Contents

In providing information to the Compensation Committee regarding market compensation practices, the consultant employs a benchmarking process, an assessment tool that compares elements of the Company s compensation programs with those of other companies that are believed to have similar characteristics. In general, the purpose of the benchmarking process is to:

- Understand the competitiveness of current pay levels relative to other companies with similar revenues and business characteristics.
- Understand the alignment between executive compensation levels and Company performance.
- Serve as a basis for developing salary and short- and long-term incentive information for the Compensation Committee s review.

The consultant also uses market compensation data from compensation surveys from Towers Watson representing hundreds of general industry companies. The consultant also performs a more specific analysis of proxy disclosures from peer companies in the filtration industry and other companies that the Company competes with for executive talent. The peer group has been developed based on a set of characteristics that include:

- Annual revenues, assets, market capitalization and employee size that range from approximately half to two times those of the Company;
- Global manufacturing operations (in Standard & Poor s Materials classification); and
- Competitor companies within the filtration/separation industry.

For 2011, the peer group consisted of the following 21 companies:

AMCOL International Corp	II-VI Incorporated	Robbins & Myers, Inc.,
Ampco-Pittsburgh Corporation	Innophos Holdings, Inc.	RTI International Metals, Inc.
Badger Meter, Inc.	Kaydon Corporation	Standex International Corporation
Chart Industries, Inc.	Lindsay Corporation	
Eagle Materials Inc.	Lydall, Inc.	
ESCO Technologies Inc.	Matthews International Corporation	
Graco Inc.	Northwest Pipe Company	
Hawkins, Inc.	Polypore International, Inc.	
Haynes International, Inc.	Quaker Chemical Corporation	

In addition to the market data, the Compensation Committee considers other factors when making its decisions, such as an executive s individual performance, experience in the position and the size of prior-year adjustments. The Compensation Committee does not consider amounts from prior performance-based compensation, such as prior bonus awards or realized or unrealized stock option gains, in its decisions to increase or decrease compensation in the current year. The Compensation Committee believes that this would not be in the best interest of retaining and motivating the executive.

The Compensation Committee also reviews a summary report or tally sheet which sets forth the current and two-year historical compensation provided to each executive. The tally sheet includes the total dollar value of annual compensation, including salary, short- and long-term incentive awards, annual increase in retirement accruals and other compensation and benefit amounts. The tally sheet also includes equity ownership levels (number of shares and value) and amounts payable upon various termination scenarios. The review of tally sheets is an important aspect of the Compensation Committee s decision-making process. The tally sheets allow the Compensation Committee to review each element of compensation for each executive and review how decisions as to each element may affect decisions regarding other elements and the total compensation for each executive.

Individual Performance Goals. In connection with the determination of fixed-cash base salary increases and compensation under the performance-based short-term incentive plan, the Company sets individual performance goals and then measures a named executive officer s performance against such goals. Goals are specific to the executive s area of responsibility. As more fully described below, the level of achievement against such goals may have an impact on the Compensation Committee s decisions regarding base salary and the individual

Table of Contents

performance objectives as it relates to bonus awards earned under our short-term incentive program. The performance goals for each named executive officer other than Mr. Majoor are as follows:

Mr. Stanik

Chairman, President and Chief Executive Officer

Performance Category	*Individual Performance Measures*
Strategic Initiative	Manufacturing planning; IT strategy; and Integration of newly expanded facilities.
Cost Reduction/Profit Enhancement	Operating results vs. business plan; Expense management; and Pricing.
Business Process Improvement	Succession planning; Diversity; Organizational structure; and Safety and environmental.

Mr. Schott

Senior Vice President and Chief Financial Officer

Performance Category	*Individual Performance Measures*
Strategic Initiative	Financing.
Cost Reduction/Profit Enhancement	Operating results vs. business plan; Expense management; Pricing; and Tax planning.
Business Process Improvement	Improve accounting systems; and Improve internal audit systems.

Mr. O Brien

Executive Vice President and Chief Operating Officer
(E.V.P Americas for 2011)

Performance Category	*Individual Performance Measures*
Strategic Initiative	Manufacturing planning;
	Geographic strategy; and
	Product development.
Cost Reduction/Profit Enhancement	Operating results vs. business plan;
	Manufacturing cost reductions; and
	Raw material supply.
Business Process Improvement	Safety and environmental.

Table of Contents

Mr. Rose

Senior Vice President, General Counsel & Secretary

Performance Category	*Individual Performance Measures*
Cost Reduction/Profit Enhancement	Legal expense management; Insurance expense management; Legal personnel; and Environmental enforcement management.
Business Process Improvement	Safety and environmental; Corporate structure; Contract management; Intellectual Property management; and Training programs.

The individual goals are created by the appropriate executive in late December or early January of each year. Each of the executives other than the Chief Executive Officer discusses and refines the goals through meetings with the Chief Executive Officer. The Chief Executive Officer s goals are set after consultation with the Compensation Committee. The goals are designed to help achieve the Company s short-term performance objectives and longer-term strategic objectives and Company profit planning goals.

Each individual s actual performance relative to each of the individual goals is reviewed and discussed with the executive periodically during the year and evaluated on a subjective basis by the Chief Executive Officer (except that the Chief Executive Officer s actual performance relative to each of his individual performance goals is evaluated by the Compensation Committee) at the end of the year using the following:

Did Not Meet	Threshold Performance	Partially Meets	Meets	Partially Exceeds	Maximum Performance
0%	50%	75%	100%	137.5%	175%

After a determination of whether goals are met, a weighted average of the percentages applicable to each goal is determined for each executive. For 2011, the applicable aggregate weighted average percentages for the named executive officers were as follows: Mr. Stanik, 65%; Mr. Schott, 77%; Mr. O Brien, 100%; and Mr. Rose, 124%. This information is then used as appropriate to develop salary recommendations for 2012 and to determine awards for 2011 under the individual performance portion of our performance-based, short-term cash incentive plan (weighted to factor for 25% of the consideration for short-term incentives.) The development of salary recommendations using this information is completely subjective, and considers other factors, such as alignment with market pay level, experience, internal equity, contribution, etc.

As more specifically described below under the heading *Separation of Employment of Mr. Majoor*, Mr. Majoor s employment with the Company was terminated on January 6, 2012. His individual goals were not analyzed at the end of the year in the same manner as described above. He was paid a bonus and vacation advance in December 2011 pursuant to the terms of his Termination Agreement which is included on the Summary Compensation Table on page 28 under the heading *All Other Compensation*. This payment was negotiated as part of his termination and was in relation to Mr. Majoor s role in M&A transactions in 2011. Mr. Majoor will be paid no salary in 2012.

Elements of Executive Compensation

Fixed-Cash Base Salary. Through the base salary element of its compensation program, the Company seeks to attract and retain executive talent by providing a salary level for each executive that approximates the midpoint (50th percentile) of salaries of executives in comparable positions at other similarly sized companies. The consultant uses annual compensation surveys and peer group proxy disclosures to determine the competitive

17

zone for the base salary for each position. The Company defines the competitive zone as plus or minus 10% of the midpoint (or 50th percentile) of the market for each position. The Company also establishes a budget for salary increases, subject to approval by the Compensation Committee. The budget is based on current business conditions as well as survey data of comparable companies provided by the consultant.

The Chief Executive Officer conducts an annual review of each executive officer. The review consists of a comparison of the executive s performance versus the pre-determined goals as described above and an assessment of the executive s adherence to the Company s core values. The Chief Executive Officer rates the performance of each executive. The Chief Executive Officer makes recommendations to the Compensation Committee regarding each executive s salary by considering the rating, the budget for salary increases and an understanding of the market-based competitive zone. The Compensation Committee uses the same methodology for the Chief Executive Officer.

At its February 2011 meeting, the Compensation Committee also approved salary increases, effective April 1, 2011, for our named executive officers. These salary increases were as follows: Mr. Stanik, 3.7%; Mr. Schott, 13.6%; Mr. O Brien, 17.4%; Mr. Majoor, 1.7% and Mr. Rose, 7.3%. These increases reflected a subjective determination of individual performance relative to the pre-determined goals for 2010 and adherence to core values, as well as an evaluation of each named executive s experience and salary relative to the market median- based competitive zone and to reflect changes in responsibility. The notable increase for Mr. O Brien was in recognition of the contribution of the Americas business unit to the Company s profitability in 2010 and to better align his salary with benchmarking data. The increases for Messrs. Schott and Rose were both to recognize their performance in 2010 and to bring their salaries more in line with the market median.

At its December 2011 meeting, the Compensation Committee reviewed an assessment of our executives 2011 compensation as compared to benchmarks that were prepared by Pay Governance. The analysis showed that all of our named executive officers base salaries for 2011, except for Mr. O Brien, fell below the market median, with the salaries of Mr. Stanik and Mr. Schott falling more than 10% below the median thus putting them outside of what the Compensation Committee believes is market competitive zone of +/- 10% of the market median. The Compensation Committee and the CEO will use this benchmark information for context in formulating its 2012 base salary decisions.

Performance-Based Short-Term Cash Incentive Compensation. Through the short-term incentive program, the Company seeks to align the interests of the executives with the annual financial and non-financial goals of the Company. In 2011, short-term incentive opportunities for each executive as a percent of their base salary were as follows:

Executive	Target Award	Threshold Award	Maximum Award
Mr. Stanik	70%	35%	122.5%
Mr. Schott	45%	22.5%	78.75%
Mr. O Brien	45%	22.5%	78.75%
Mr. Rose	40%	20%	70%
Mr. Majoor	30%	15%	52.5%

The Committee compares the target short-term cash incentive opportunities to the market for each executive each year as part of its annual executive compensation assessment.

Actual awards paid for 2011 performance are included in the Summary Compensation Table on page 28 under the column *Non-Equity Incentive Plan Compensation*, while the possible opportunities under this plan that could have been made for 2011 at threshold, target and maximum are included in the Grants of Plan-Based Awards Table on page 29 under the columns *Estimated Future Payouts Under Non-Equity Incentive Plan Awards*.

Table of Contents

Short-term incentive awards for 2011 were approved by the Compensation Committee at its February 22, 2012 meeting for 2011 performance after reviewing pre-determined goals and metrics. The performance goals and weights for 2011, including actual performance against each goal for the staff executives Messrs. Stanik, Schott and Rose were as follows:

		2011	Pre-Established 2011 Short-Term Incentive Goals		
Performance Measure	**Weight**	**Actual Performance**	**Threshold**	**Target**	**Maximum**
Corporate Operating Income	45%	$ 57.23mm	$ 55.97mm	$ 74.62mm	$ 93.28mm
Corporate ROIC**	30%	10.81%	8.99%	11.99%	14.99%
Individual Performance Objectives	25%		Varies by Executive as set forth above		

** Corporate Return on Invested Capital (ROIC) = Operating Profit after Tax / Average Debt + Average Equity Average Free Cash

The performance goals and weights for 2011, including actual performance against each goal for Mr. O Brien, the only continuing business unit named executive, were as follows:

		2011	Pre-Established 2011 Short-Term Incentive Goals		
Performance Measure	**Weight**	**Actual Performance**	**Threshold**	**Target**	**Maximum**
Corporate Operating Income	25%	$ 57.23mm	$ 55.97mm	$ 74.62mm	$ 93.28mm
Corporate ROIC	20%	10.81%	8.99%	11.99%	14.99%
Business Unit Regional Operating Income	15%	$ 47.05mm	$ 40.01mm	$ 53.35mm	$ 66.69mm
Business Unit Regional ROIC	15%	12.66%	9.17%	12.23%	15.29%
Individual and Regional Performance Objectives	25%			As set forth above	

Corporate operating income was chosen as an indicator of profit produced directly as a result of our executives performance and as an indication of cash flow produced as a result of the operations of our business. We have chosen corporate return on invested capital to stress the importance of the efficient management of capital in our business especially as we undertake significant capital expansion. Operating income was given more weight than return on invested capital since the Committee believes that operating income most directly relates to the executives performance. An executive may earn a short-term incentive award due to success in achieving individual goals, even if the Company s performance falls below threshold on the corporate operating income and return on invested capital measures.

A discussion of the named executive officers individual performance objectives or individual regional performance objectives for 2011 is set forth above under *Individual Performance Goals*. The Compensation Committee may use its discretion to determine the amount of any short-term incentive award and has done so in recent years. Specifically, the Compensation Committee may award short-term incentive compensation in amounts that deviate from the amounts determined after application of the weighted averaged formula. The plan is not administered to comply with Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code) at the current time, although the Compensation Committee is aware of this rule and its potential benefits.

Actual bonus awards paid for 2011 performance are included in the Summary Compensation Table on page 28 under the column *Non-Equity Incentive Plan Compensation*. In making the awards for 2011, the Compensation Committee generally applied the weighted average formula except that for all of our named executives other than Mr. Stanik, the Committee adjusted the Company s financial performance to exclude the effect of the termination of Mr. Majoor s employment. The Committee did so because it recognized that Mr. Stanik was solely responsible for the decision to undertake the management restructuring which lead to Mr. Majoor s termination.

Long-Term Incentive Compensation. The Company s long-term incentive compensation program seeks to align the executives interests with those of the Company s stockholders by rewarding successes in stockholder returns in absolute terms and relative to peers. Additionally, the Compensation Committee desires to foster an ownership

Table of Contents

mentality among executives by providing stock-based incentives as a significant portion of compensation. In determining which type of stock vehicles to include in the program, the Compensation Committee chose to focus on the following:

- Total stockholder return (stock price appreciation plus dividends) relative to peers;
- Return on capital;
- Stock price appreciation; and
- Continued loyalty to and employment with the Company.

In 2011, the Company s long-term incentive program consisted of the following three equity components: restricted performance stock units, stock options and time-vesting restricted stock. The Compensation Committee believes that these components align with the goals of the long-term compensation program identified above.

Under the terms of the Company s 2008 Equity Incentive Plan, the Compensation Committee determines which employees are eligible to receive equity awards, the value and number of shares granted, the rate and period of vesting, performance goals and other relevant terms.

The Compensation Committee considers market trends when making long-term incentive grant recommendations for each executive. In order to understand the full impact of making grant decisions, the Compensation Committee also considers a number of other factors prior to making its decisions related to equity awards for the upcoming year. These factors include:

- the number of outstanding options or other equity awards;
- the number of shares available for future grant in the Company s stock option plan;
- the size of the annual grant in aggregate expressed as a percent of total shares outstanding;
- the market price of the Company s common stock and the performance of the Company and its prospects;
- the market 50^{th} percentile long-term incentive value for each executive position;
- potential dilution which could result from the exercise of options; and
- the benefits of linking the employees incentive to the market price of the stock.

When determining the grant of options, restricted stock or other equity awards to a particular individual (executive or non-executive), the Compensation Committee considers the individual s level of responsibility, the relationship between successful individual effort and Company results, incentive compensation plans of other companies and other relevant factors.

Based on a review of the above information, the Compensation Committee may use its discretion to modify the long-term incentive grant opportunity for each executive. In February 2011, the Compensation Committee approved long-term incentive award values that consider the factors stated above for each executive, which is then allocated to the three long-term incentive vehicles as follows:

- Stock options 25%
- Time-vesting restricted stock 25%
- Restricted performance stock units 50%

To determine the number of restricted performance stock units, stock options and/or time-vesting restricted stock to be issued, the dollar amount allocated to each long-term incentive vehicle is divided by the vehicle s current Financial Accounting Standards Board, Accounting Standards Codification (ASC) Topic 718, Compensation Stock Compensation (ASC Topic 718) per share fair value.

The Compensation Committee believes that the use of all three equity vehicles allows it to successfully meet its long-term objectives. In February 2011, the Compensation Committee changed its prior method of granting equity awards to our named executive officers that reflected the market median data available at the time of grant and instead determined to grant equity awards as a percentage of the prior year s salary. The Committee believed that this change will result in less volatility from year to year and allow the Committee to look at total compensation when comparing market comparisons rather than at just a single component of compensation. The

Table of Contents

Committee set the following award values as a percentage of salary for our named executive officers: Mr. Stanik 110%; Mr. Schott 70%; Mr. O Brien 75%; Mr. Majoor 18%; and Mr. Rose 55%. The awards were then divided into stock options, time-vesting restricted stock and restricted performance stock units in the percentages described above.

The information under the headings *Stock Awards* and *Option Awards* in the Summary Compensation Table on page 28 is with respect to those awards granted at the February 2011 meeting.

Stock Options. The Compensation Committee selected stock options as a means of aligning executives compensation with the creation of value to stockholders. Stock options provide realizable value to executives only if the Company s stock price increases after the options are granted. Each option has vesting provisions that require continued employment of the executive thereby promoting the retention of executives. Stock options vest in equal one-half increments over the two-year period following grant. In 2011, the Compensation Committee reduced the term of its stock option awards from ten years to seven years to add incentive to create stockholder value in a short period of time. The options are exercisable after they have vested until they expire, which is on the seventh anniversary following the grant date. The combination of the seven-year term and the two-year vesting provision supports the long-term intentions of the Compensation Committee.

The fair value of each option is calculated by the Company as of the grant date and expensed over the vesting period in accordance with generally accepted accounting principles (ASC Topic 718). When the executive exercises the non-qualified stock options, the Company receives a tax deduction that corresponds to the amount of taxable income recognized by the executive.

The Compensation Committee made no change to the form of stock option awards for 2012.

Time-Vesting Restricted Stock. The Compensation Committee has selected restricted stock that vests based on the passage of time and continued employment as an element of the long-term incentive program. While this long-term incentive vehicle is not considered performance based, the Compensation Committee has selected restricted stock to build share ownership and promote retention of the executives by rewarding loyalty to and continued employment with the Company. Grants of restricted shares vest in equal increments over three years. The fair value of restricted shares is calculated on the date of grant and expensed over the vesting period of three years. When shares vest, the Company receives a tax deduction that corresponds to the amount of taxable income recognized by the executive. Beginning with the grants made 2011, the Compensation Committee added the additional requirement that the grantee must agree to hold and not sell net shares of restricted stock received (net of shares sold to pay taxes upon vesting) for three additional years after vesting in most cases. The Committee believes that this change further aligns the long term interests of our stockholders and our employees. This change was made to align with emerging market practices, enhance the share ownership of each executive and to better align the compensation and stock holdings of each executive with the Company s shareholders.

The Compensation Committee made no change to the form of time-vesting restricted stock awards for 2012.

Restricted Performance Stock Units. The Compensation Committee has selected performance stock units as a means of encouraging and rewarding executives for delivering solid returns to our stockholders, above and beyond the return delivered by most of our peers. A target number of shares is identified at the beginning of a three-year performance period but not actually delivered to the executive until the shares are earned at the end of the performance period. The number of shares earned may vary from zero to 200% of target. The payout for 50% of the units will be determined based upon the Company s three-year average return on capital (net income ÷ average debt + average equity) as compared to a target. The Compensation Committee picked a target of 12.5% for the units granted in February 2011, which is a benchmark the Compensation Committee believes is attainable over the next three years. The payout with respect to the remaining 50% of the units will be determined based upon the ranking of the Company s three-year total stockholder return relative to a peer group (listed on page 15).

Table of Contents

The payout schedules used in the 2011 grants, with interpolation used between levels, were as follows:

50% of units for which payout will be based upon average three-year total return on capital:

Total Return on Capital	Award to Executive as a Percent of Target Opportunity
Below 11.5%	No award
11.5%	50% (minimum award)
12.5%	100% (target award)
14.5%	200% (maximum award)

50% of units for which payout will be based upon three-year total stockholder return:

Total Stockholder Return Performance Relative to Peer Group	Award to Executive as a Percent of Target Opportunity
Below 30th %ile	No award
30th %ile	50% (minimum award)
55th %ile	100% (target award)
90th %ile or greater	200% (maximum award)

The Compensation Committee reserves the right to make adjustments for unusual items in its discretion.

Prior to 2011, restricted performance stock units were based solely on total stockholder return. The Compensation Committee decided to divide the payout between stockholder return and return on invested capital beginning with the 2011 grants. While stockholder return is the most direct measure of the Company s performance relative to its stockholders, share price can experience volatility due to events outside of management s control. In changing the metrics for performance shares, the Compensation Committee sought to include a measure of executive performance more directly linked with the Company s business strategy over a three-year period, namely average three-year return on capital. Also in 2011, the performance standards for the relative total stockholder return portion of the award were increased to align with emerging practices. The threshold performance standard was increased from the 25th percentile to the 30th percentile, the target performance standard was increased from the 50th percentile to the 55th percentile and the maximum performance standard was increased from the 75th percentile to the 90th percentile. Additionally, the Compensation Committee approved a cap on the relative total stockholder return portion of the award at threshold level in the event that the Company s total stockholder return over the three-year period is negative and relative performance exceeds the threshold performance standard. The Compensation Committee believed it was appropriate to make the increases so to further incentivize our executives to bring a stockholder return greater than the average of the peer group.

The Compensation Committee made no change to the restricted performance stock units for 2012, except that it increased the payout thresholds for the 50% of the units for which the payout will be based upon return on capital as follows, with interpolation used between levels:

Total Return on Capital	Award to Executive as a Percent of Target Opportunity
Below 12.3%	No award

12.3%	50% (minimum award)
13.3%	100% (target award)
14.3%	200% (maximum award)

The Compensation Committee increased the thresholds to further incentivize the Company s management to increase the Company s return on capital.

Stock Option and Other Equity Granting Procedures

The procedure for making equity grants to executive officers is as follows:

The Compensation Committee meets to discuss compensation, including approving equity awards, at its meeting that coincides with the Board of Directors meeting to review year-end financial results. Grants of equity awards are made based upon a value and not based upon a number of shares with the grant date to be the fourth business day after the Company releases its earnings for the previous year. With respect to 2012 equity awards, the Compensation Committee met on February 22, 2012 and determined the value of long-term incentive awards for the named executive officers. The grant date for those awards was deemed to be March 2, 2012, the fourth business day after the Company announced 2011 financial results.

Grants to executive officers, as approved by the Compensation Committee, are communicated to the grantees by the Chief Executive Officer. The Chairman of the Compensation Committee informs the Chief Executive Officer of his annual award. The strike price for stock options is an average of the high and low of the Company s common stock price on the day of the grants, as permitted by ASC Topic 718.

Stock Ownership Policy

In order to foster an equity ownership culture and further align the interests of management with the Company s stockholders, the Compensation Committee has adopted stock ownership guidelines for executives. From the time they are appointed an executive of the Company or promoted to an executive position or, if the Compensation Committee changes the guidelines at any time to increase stock ownership requirements, from the time of such change, executives have a five-year period during which he or she is expected to accumulate the specified shares. For 2011, the guidelines were as follows:

Chairman and Chief Executive Officer stock valued at five times annual base salary

Executive and Senior Vice Presidents stock valued at three times annual base salary

Vice Presidents stock valued at two times annual base salary

The following forms of ownership apply toward the stock ownership level: shares purchased, vested and unvested restricted stock, shares retained following the exercise of stock options, shares earned following the achievement of performance goals, and shares accumulated through retirement plans. Unexercised stock options and unearned restricted performance stock units do not apply toward executive ownership levels. While no formal penalty exists for failure to achieve the ownership level within the five-year period, the Compensation Committee may use its discretion to reduce or eliminate an executive s annual long-term incentive award in future periods or impose any other remedy it believes is appropriate. Additionally, in 2011 the Compensation Committee approved an additional holding period equal to three years for all time-vesting restricted stock awards. This means that when an executive s restricted stock award vests and the appropriate number of shares is sold to meet federal income tax withholding requirements, the executive must retain the shares for an additional three-year period.

The Company has also adopted a director stock ownership policy. Pursuant to the policy all outside directors have a guideline to acquire and hold Company stock valued at $150,000 or more. Directors have a five-year period to acquire the stock. No formal penalty for failure to achieve the ownership level within the five-year period was adopted; however, the Governance Committee may consider compliance with the policy when making recommendation with respect to nomination for reelection to the Board.

Under the terms of our insider trading policy, no officer or director may purchase or sell any put or call or engage in any other hedging transaction with respect to our common stock.

Retirement Plan Summary

The Company maintains a defined benefit retirement plan for its U.S. salaried employees, which is otherwise known as the pension plan, and a defined contribution thrift/savings plan, which is otherwise known as the 401(k) plan. The purpose of both these plans is to provide post-retirement income and stability to executives and employees. It is the goal of the Compensation Committee and the Board that these plans be competitive with plans which would be available to executives of similar-sized companies. The Company does not provide a plan for highly compensated employees to restore benefits lost due to Internal Revenue Service (IRS) limits. A more complete description of these plans can be found under the pension plan disclosure which begins on page 32.

At the end of 2005, the Company offered its U.S. salaried employees the option to discontinue receiving new benefits under the pension plan and instead participate in an enhanced 401(k) plan which would provide for better matching contributions by the Company.

In 2006, the Company eliminated all accruals of future benefits under its defined benefit plan, effective January 1, 2007, and instead provides all U.S. salaried employees with enhanced matching contributions under the 401(k) plan.

Perquisites

The Company does not believe that perquisites are essential to attract and retain executives and, therefore, does not provide perquisites to executives who reside in the United States. The Company did, however, provide a company car to the former Executive Vice President Europe and Asia, which is a standard practice for executives in Western Europe. No Company named executive officer, other than the former Executive Vice President Europe and Asia, received perquisites in reportable amounts.

Severance Policy

The Company has employment agreements with executive officers that provide for, among other provisions, cash payments and benefits in the event of termination by the Company other than for cause by the executive. The Compensation Committee believes that these agreements are necessary to attract and retain executives. Employment agreements (the Agreements) for our U.S.-based named executive officers other than Mr. Schott were put in place effective February 5, 2010. Mr. Schott entered into an agreement of the same form as the other named executive officers on February 14, 2011. These Agreements provide for severance as follows:

If an executive s employment is terminated without Cause (as defined in the Agreements) or if an executive resigns with Good Reason (as defined in the Agreements), the Company is required to provide the executive any amounts of compensation earned through the termination date and eighteen (18) months of severance (twenty-four (24) months in the case of Mr. Stanik) of the executive s then base salary and a lump sum payment (paid six months after termination) of one and a half (1.5) times (two (2) times in the case of Mr. Stanik) the current target amount of any cash bonus or short-term cash incentive plan in effect for the executive for the calendar year in which the termination of employment occurs (the current target amount of any cash bonus or short-term cash incentive plan in effect for the executive for the calendar year in which the termination of employment occurs being the Bonus Amount). Any of the executive s applicable health and welfare benefits, including health, dental and life insurance benefits (but not including additional stock or option grants) that the executive was receiving prior to termination would continue and be maintained by the Company at the Company s expense on a monthly basis for a period equal to the Severance Period (as defined in the Agreements) or until such time as the executive is employed by another employer and is provided health and welfare benefits at least equal in the aggregate to the health and welfare benefits provided at the time of termination by the Company.

In the event of a Covered Change of Control Termination (as defined in the Agreements), then instead of any other severance benefits payable to the executive, the executive would receive: (i) a lump sum equal to the sum of: (A) two (2) years (three (3) years in the case of Mr. Stanik) of the executive s then current base salary, (B) two (2) times (three (3) times in the case of Mr. Stanik) the Bonus Amount, and (C) the aggregate amount of contributions that would be credited to the executive under the Company s 401(k) plan for the two (2) years (three (3) years in the case of Mr. Stanik) following the effective date of termination in connection with (a) the Company s fixed contribution to the plan (currently 3%), (b) the Company s performance-based contribution to the plan (currently between 0% and 4%), assuming that the applicable rate of performance-based contributions during such period were to equal the average rate of performance-based contributions under the plan for the three (3) years immediately prior to the effective date of termination, and (c) the Company s matching contributions of employee contributions to the plan at the then-current rate of matching contributions, assuming that the executive were to continue to participate in the plan and to make the maximum permissible contribution thereunder for the two (2) year (three (3) years in the case of Mr. Stanik) period; (ii) his or her normal health and welfare benefits (but not including additional stock or option grants) on a monthly basis during the two (2) year (three (3) years in the case of Mr. Stanik) period following the occurrence of a Change of Control (as defined in the Agreements), including health, dental and life insurance benefits the executive was receiving prior to the Change of Control (subject to any limits imposed under Section 409A of the Code); and (iii) all stock options and stock appreciation rights previously granted to the executive by the Company, and shall be fully vested in all restricted stock, stock units and similar stock-based or incentive awards (assuming maximum satisfaction of any applicable performance conditions) previously granted to the executive by the Company, regardless of any deferred vesting or deferred exercise provisions of such arrangements; provided, however, that the payment of restricted units shall not be accelerated except as provided in the award agreement under which they were granted. The Change of Control severance payments are payable on the first day following the six (6) month anniversary of the date of the Covered Change of Control Termination (as defined in the Agreements).

Severance Payments (as defined in the Agreements) under the Agreements will not be grossed up for the effect of any excise taxes that might be due under Section 280G, 4999 or 409A of the Code.

Each of the Agreements requires the executives to comply with confidentiality, non-compete and non-solicitation covenants.

Mr. Majoor s employment agreement was originally executed in December 2000 and was amended in 2004 and 2008. His agreement, as amended, provided Change of Control Severance equivalent to that described above for the other named executive officers except that the trigger for Change of Control was a change in 20% of the Company s common stock instead of 30%; he could have walked away after a Change of Control and receive severance benefits; his Bonus Amount was the greater of the average of the last three (3) cash bonuses paid to him and the current target amount of any cash bonus or short-term cash incentive plan in effect for him for the calendar year in which the termination of employment occurs; and he would have received a gross-up on any United States or Belgian excise tax. His agreement also called for notice prior to any termination of his employment without serious reason to be determined pursuant to a Claeys formula which is used by Belgian labor courts to determine severance compensation, provided the notice period may in no event be less than 18 months. In addition, Mr. Majoor s employment agreement provided that, unless the Company waives the application of Mr. Majoor s non-competition clause within fifteen days of termination of the agreement, he shall be paid an indemnity equivalent to one-half of his gross remuneration for the last month of employment with the Company, multiplied by the number of months for which the clause is applicable. As more specifically described below under the heading *Separation of Employment of Mr. Majoor*, Mr. Majoor s employment agreement was terminated in January 2012. The amounts paid to Mr. Majoor as a result were based upon the terms of his employment agreement.

Details of the agreements and a quantification of severance amounts payable under certain termination scenarios are included in the narrative which begins on page 34.

Table of Contents

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

	2013	2012
Risk-free interest rates	1.22%-1.43%	1.24% -1.78%
Expected life	6.5 years	6.5 years
Volatility	54.9%	55.9%
Expected dividend yield	0.0%	0.0%

Bruker Corporation Stock Plan

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

Stock option activity for the three months ended March 31, 2013 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, 2012	4,888,137	$ 11.11		
Granted	225,000	16.68		
Exercised	(436,136)	9.39		$ 3.9
Forfeited	(45,345)	11.96		
Outstanding at March 31, 2013	4,631,656	$ 11.54	6.3	$ 35.1
Exercisable at March 31, 2013	2,689,625	$ 9.99	4.9	$ 24.5
Exercisable and expected to vest at March 31, 2013 (a)	4,495,714	$ 11.47	6.2	$ 34.4

(a) In addition to the options that are exercisable at March 31, 2013, the Company expects a portion of the unvested options to become exercisable 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 March 31, 2013.

(b) The aggregate intrinsic value is based on the positive difference between the fair value of the Company s common stock price of $19.10 on March 31, 2013, or the date of exercises, as appropriate, and the exercise price of the underlying stock options.

Restricted stock activity for the three months ended March 31, 2013 was as follows:

	Shares Subject to Restriction	**Average Grant Date Fair Value**
Outstanding at December 31, 2012	341,622	$ 15.16
Granted	5,500	16.57
Vested	(11,100)	10.25
Forfeited	(11,100)	10.25
Outstanding at March 31, 2013	324,922	$ 15.52

Table of Contents

At March 31, 2013, the Company expects to recognize pre-tax stock-based compensation expense of $11.7 million associated with outstanding stock option awards granted under the Company s stock plans over the weighted average remaining service period of 2.0 years. In addition, the Company expects to recognize additional pre-tax stock-based compensation expense of $3.8 million associated with outstanding restricted stock awards granted under the Company s stock plans over the weighted average remaining service period of 3.5 years.

Bruker Energy & Supercon Technologies Stock Plan

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

There has been no activity in the BEST Plan during the three months ended March 31, 2013. At March 31, 2013, there were 800,000 options outstanding under the BEST Plan. The Company expects to recognize pre-tax stock-based compensation expense of $0.6 million associated with outstanding stock option awards granted under the BEST Plan over the weighted average remaining service period of 1.4 years.

4. Earnings Per Share

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

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

	Three Months Ended March 31,	
	2013	**2012**
Net income attributable to Bruker Corporation, as reported	$ 5.4	$ 15.1
Weighted average shares outstanding:		
Weighted average shares outstanding-basic	166.4	165.7
Effect of dilutive securities:		
Stock options and restricted stock	1.7	1.2
	168.1	166.9
Net income per common share attributable to Bruker Corporation shareholders:		

Basic and diluted	$	0.03	$	0.09

Stock options to purchase approximately 0.1 million shares and 0.2 million shares were excluded from the computation of diluted earnings per share in the three months ended March 31, 2013 and 2012, respectively, as their effect would have been anti-dilutive.

5. Fair Value of Financial Instruments

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

Table of Contents

- *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 table sets forth the Company s financial instruments that are measured at fair value on a recurring basis and presents them within the fair value hierarchy using the lowest level of input that is significant to the fair value measurement at March 31, 2013 and December 31, 2012 (in millions):

March 31, 2013	**Total**	**Quoted Prices in Active Markets Available (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets:				
Cash equivalents	$ 7.0	$ 7.0	$	$
Restricted cash	6.5	6.5		
Embedded derivatives in purchase and delivery contracts	0.8		0.8	
Long-term restricted cash	3.8	3.8		
Total assets recorded at fair value	$ 18.1	$ 17.3	$ 0.8	$
Liabilities:				
Contingent consideration	$ 4.0	$	$	$ 4.0
Foreign exchange contracts	3.5		3.5	
Embedded derivatives in purchase and delivery contracts	0.1		0.1	
Fixed price commodity contracts	0.2		0.2	
Total liabilities recorded at fair value	$ 7.8	$	$ 3.8	$ 4.0

Table of Contents

December 31, 2012	Total	Quoted Prices in Active Markets Available (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents	$ 8.2	$ 8.2	$	$
Restricted cash	3.7	3.7		
Foreign exchange contracts	1.8		1.8	
Embedded derivatives in purchase and delivery contracts	0.3		0.3	
Long-term restricted cash	3.9	3.9		
Total assets recorded at fair value	$ 17.9	$ 15.8	$ 2.1	$
Liabilities:				
Contingent consideration	$ 3.7	$	$	$ 3.7
Embedded derivatives in purchase and delivery contracts	0.3		0.3	
Fixed price commodity contracts	0.2		0.2	
Total liabilities recorded at fair value	$ 4.2	$	$ 0.5	$ 3.7

The Company s financial instruments consist primarily of cash equivalents, restricted cash, derivative instruments consisting of forward foreign exchange contracts, commodity contracts, derivatives embedded in certain purchase and delivery contracts, accounts receivable, short-term borrowings, accounts payable, contingent consideration and long-term debt. The carrying amounts of the Company s cash equivalents, restricted cash, accounts receivable, short-term borrowings and accounts payable approximate their fair value due to their short-term nature. Derivative assets and liabilities are measured at fair value on a recurring basis. The Company s long-term debt consists principally of a private placement arrangement 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 $251.3 and $255.6 million at March 31, 2013 and December 31, 2012, respectively, based on market and observable sources with similar maturity dates.

Fair value treatment may be elected either upon initial recognition of an eligible asset or liability or, for an existing asset or liability, if an event triggers a new basis of accounting. The Company did not elect to remeasure any of its existing financial assets or liabilities, and did not elect the fair value option for any financial assets or liabilities which originated during the three ended March 31, 2013. During 2012, as part of the Company s acquisition of the SkyScan business, the Company recorded a contingent consideration liability that has 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 the SkyScan business based on achieving annual revenue targets for the years 2012-2014. The Company initially valued the contingent consideration by using the discounted cash flow method. Changes to the fair value of the contingent consideration as of March 31, 2013 have not been material.

6. Inventories

Inventories consisted of the following (in millions):

	March 31, 2013	December 31, 2012
Raw materials	$ 203.6	$ 199.0

Work-in-process		197.8		197.0
Finished goods		166.6		160.5
Demonstration units		53.7		55.0
Inventories	$	621.7	$	611.5

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 March 31, 2013 and December 31, 2012, inventory-in-transit was $82.8 million and $93.9

million, respectively.

The Company reduces the carrying value of its demonstration inventories for differences between its cost and estimated net realizable value through a charge to cost of product revenue that is based on a number of factors, including the age of the unit, the physical condition of the unit and an assessment of technological obsolescence. Amounts recorded in cost of revenue related to the write-down of demonstration units to net realizable value were $7.8 million and $6.8 million for the three months ended March 31, 2013 and 2012, respectively.

7. Goodwill and Other Intangible Assets

The following table sets forth the changes in the carrying amount of goodwill for the three months ended March 31, 2013 (in millions):

Balance at December 31, 2012	$	115.9
Current period adjustments		0.3
Foreign currency impact		(1.0)
Balance at March 31, 2013	$	115.2

Goodwill is not amortized, instead, goodwill is tested for impairment on a reporting unit basis annually, or on an interim basis when events or changes in circumstances warrant. As of December 31, 2012, the Company performed its annual impairment evaluation and recorded an impairment charge of $1.4 million in the fourth quarter of 2012 related to the Bruker Chemical and Applied Markets (CAM) division, which is part of the Scientific Instruments segment, as a result of experiencing increased deterioration in its financial performance. This amount represented all the goodwill allocated to the CAM division. The Company did not identify any indicators of impairment during the three month period ended March 31, 2013 that would warrant an interim test.

The following is a summary of intangible assets (in millions):

	March 31, 2013			December 31, 2012		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Existing technology and related patents	$ 151.3	$ (53.6)	$ 97.7	$ 151.5	$ (47.6)	$ 103.9
Customer relationships	16.0	(8.3)	7.7	15.3	(7.9)	7.4
Trade names	0.2	(0.2)		0.2	(0.2)	
Intangible assets subject to amortization	167.5	(62.1)	105.4	167.0	(55.7)	111.3
In-process research and development	5.7		5.7	5.7		5.7
Intangible assets	$ 173.2	$ (62.1)	$ 111.1	$ 172.7	$ (55.7)	$ 117.0

As of December 31, 2012, the Company determined the increased deterioration in financial performance of the CAM division was an indicator requiring the evaluation of the definite-lived intangible assets within that reporting unit for recoverability. The Company performed a valuation and determined that the definite-lived intangible assets within the CAM division were impaired. The Company recorded an impairment charge in the amount of $16.4 million in the fourth quarter of 2012 to reduce the carrying value of those assets to their estimated fair values. The Company did not identify any indicators of impairment during the three month period ended March 31, 2013 that would warrant an impairment test.

For each of the three months ended March 31, 2013 and 2012, the Company recorded amortization expense of $5.1 million related to intangible assets subject to amortization.

Table of Contents

8. Debt

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

		March 31, 2013		December 31, 2012
US Dollar revolving loan under the Amended Credit Agreement	$	93.0	$	93.0
US Dollar notes under the Note Purchase Agreement		240.0		240.0
Capital lease obligations and other loans		3.6		4.2
Total debt		336.6		337.2
Current portion of long-term debt		(1.1)		(1.3)
Total long-term debt, less current portion	$	335.5	$	335.9

In May 2011, the Company entered into an amendment to and restatement of a credit agreement originally entered into in 2008, referred to as the Amended Credit Agreement. The Amended Credit Agreement provides for a revolving credit line with a maximum commitment of $250.0 million with a maturity date of May 2016. Borrowings under the revolving credit line of the Amended Credit Agreement accrue interest, at the Company s option at either (a) the greatest of (i) the prime rate, (ii) the federal funds rate plus 0.50%, (iii) adjusted LIBOR plus 1.00% or (iv) LIBOR, plus margins ranging from 0.80% to 1.65%. There is also a facility fee ranging from 0.20% to 0.35%.

Borrowings under the Amended Credit Agreement are secured by guarantees from certain material subsidiaries and Bruker Energy & Supercon Technologies, Inc. The Amended Credit Agreement also requires the Company to maintain certain financial ratios related to maximum leverage and minimum interest coverage. Specifically, the Company s leverage ratio cannot exceed 3.0 and the Company s interest coverage ratio cannot be less than 3.0. In addition to the financial ratios, the Amended Credit Agreement restricts, among other things, the Company s ability to do the following: make certain payments; incur additional debt; incur certain liens; make certain investments, including derivative agreements; merge, consolidate, sell or transfer all or substantially all of its assets; and enter into certain transactions with affiliates. Failure to comply with any of these restrictions or covenants may result in an event of default under the applicable debt instrument, which could permit acceleration of the debt under that instrument and require the Company to prepay that debt before its scheduled due date.

The following is a summary of the maximum commitments and net amounts available to the Company under revolving loans as of March 31, 2013 (in millions):

	Weighted Average Interest Rate		Total Amount Committed by Lenders		Outstanding Borrowings		Outstanding Letters of Credit		Total Amount Available
Amended Credit Agreement	1.3%	$	250.0	$	93.0	$	1.8	$	155.2
Other revolving loans			182.8				142.3		40.5
Total revolving loans		$	432.8	$	93.0	$	144.1	$	195.7

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

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

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

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

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

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

Table of Contents

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, as defined in the Note Purchase Agreement, of the Company, the Company may be required to prepay the Senior Notes at a price equal to 100% of the principal amount thereof, plus accrued and unpaid interest.

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

As of March 31, 2013, the Company was in compliance with the covenants of the Amended Credit Agreement and the Note Purchase Agreement.

9. Derivative Instruments and Hedging Activities

Interest Rate Risks

The Company s exposure to interest rate risk relates primarily to outstanding variable rate debt and adverse movements in the related short-term market rates. The most significant component of the Company s interest rate risk relates to amounts outstanding under the Amended Credit Agreement. The Company currently has a higher level of fixed rate debt, which limits the exposure to adverse movements in interest rates.

Foreign Exchange Rate Risk Management

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

Table of Contents

Buy	Notional Amount in Buy Currency	Sell	Maturity		Notional Amount in U.S. Dollars		Fair Value of Assets		Fair Value of Liabilities
March 31, 2013:									
Euro	0.8	Australian Dollars	May 2013 to October 2013	$	1.0	$		$	0.1
Euro	54.3	U.S. Dollars	April 2013 to January 2014		72.4				2.8
Swiss Francs	24.0	U.S. Dollars	April 2013		25.9				0.6
U.S. Dollars	0.5	Euro	April 2013		0.5				
U.S. Dollars	0.8	Mexican Pesos	May 2013		0.8				
				$	100.6	$		$	3.5
December 31, 2012:									
Euro	1.2	Australian Dollars	January 2013 to April 2013	$	1.6	$		$	
Euro	49.3	U.S. Dollars	January 2013 to October 2013		64.0		1.2		
Swiss Francs	26.1	U.S. Dollars	January 2013		27.9		0.6		
U.S. Dollars	0.8	Mexican Pesos	January 2013		0.8				
				$	94.3	$	1.8	$	

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 $37.3 million for the delivery of products and $7.9 million for the purchase of products at March 31, 2013 and $40.2 million for the delivery of products and $10.3 million for the purchase of products at December 31, 2012. The changes in the fair value of these embedded derivatives are recorded as foreign currency exchange gains/losses in interest and other income (expense), net in the condensed consolidated statements of income and comprehensive income.

Commodity Price Risk Management

The Company has an arrangement with a customer under which it has a firm commitment to deliver copper based superconductors at a fixed price. In order to minimize the volatility that fluctuations in the price of copper have on the Company s sales of these superconductors, the Company enters into commodity hedge contracts. At March 31, 2013 and December 31, 2012, the Company had fixed price commodity contracts with notional amounts aggregating $2.4 million and $3.4 million, respectively. The changes in the fair value of these commodity contracts are recorded in interest and other income (expense), net in the condensed consolidated statements of income and comprehensive income.

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

	Balance Sheet Location		March 31, 2013		December 31, 2012
Derivative assets:					
Foreign exchange contracts	Other current assets	$		$	1.8

Embedded derivatives in purchase and delivery contracts	Other current assets		0.8		0.3
Derivative liabilities:					
Foreign exchange contracts	Other current liabilities	$	3.5	$	
Embedded derivatives in purchase and delivery contracts	Other current liabilities		0.1		0.3
Fixed price commodity contracts	Other current liabilities		0.2		0.2

During the three months ended March 31, 2012, the Company recognized $0.2 million of losses in other comprehensive income and reclassified $0.4 million of losses from other comprehensive income and recognized into net income related to the

Table of Contents

effective portion of an interest rate swap designated as a hedging instrument that matured as of December 31, 2012. The Company did not recognize any amounts related to ineffectiveness on an interest rate swap in the results of operations for the three months ended March 31, 2012.

The impact on net income of changes in the fair value of derivative instruments not designated as hedging instruments are as follows (in millions):

	Three Months Ended March 31, 2013	2012
Foreign exchange contracts	$ (5.3)	$ 7.2
Embedded derivatives	0.7	(0.5)
Income (expense), net	$ (4.6)	$ 6.7

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

10. 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 March 31, 2013 and 2012 was $2.6 million and $11.8 million, respectively, representing effective tax rates of 31.3% and 43.9%, respectively. The Company s effective tax rate may change over time as the amount or mix of income and taxes changes amongst the jurisdictions in which the Company is subject to tax.

As of March 31, 2013 and December 31, 2012, the Company has unrecognized tax benefits of approximately $35.8 million and $42.1 million, respectively, of which $17.3 million and $23.6 million, 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 March 31, 2013 and December 31, 2012, approximately $3.3 million and $3.7 million, respectively, of accrued interest and penalties related to uncertain tax positions was included in other current liabilities on the unaudited condensed consolidated balance sheets. Penalties and interest related to unrecognized tax benefits in the provision for income taxes of $0.3 million and $0.1 million were recorded during the three months ended March 31, 2013 and 2012, respectively.

The Company files tax returns in the United States, which include 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 tax years 2009 to 2012 are open tax years in these significant jurisdictions. The Company has been contacted by the United States Internal

Revenue Service and a tax audit commenced in 2012 for the tax year 2010. It is expected that this audit will be completed in the first quarter of 2014.

11. Commitments and Contingencies

Legal

Lawsuits, claims and proceedings of a nature considered normal to its businesses may be pending from time to time against the Company. The Company believes the outcome of these proceedings, individually and in the aggregate, will not have a material impact on the Company s financial position or results of operations. As of March 31, 2013 and December 31,

14

2012, no accruals have been recorded for such potential contingencies.

On September 21, 2012, Vertical Analytics LLC filed an action in the U.S. District Court for the District of Delaware against Bruker AXS Inc. (Bruker AXS). The complaint, which claims unspecified damages and injunctive relief, alleges that Bruker AXS infringes, induces infringement, or contributes to the infringement of certain U.S. patents related to X-ray diffraction analysis held by Vertical Analytics LLC. Bruker AXS filed its response to the complaint in November 2012 and has asserted various defenses. Discovery commenced in January 2013. Bruker AXS believes the claims to be without merit and intends to vigorously defend this action. At this time, the Company cannot reasonably assess the timing or outcome, or reasonably estimate the possible loss or range of possible loss, that may result from this matter. Accordingly, no provision with respect to this matter has been recorded in the accompanying consolidated financial statements.

On November 4, 2011, Hyphenated Systems, LLC filed an action in California Superior Court, Santa Clara County, against the Company and Veeco Metrology, Inc. in connection with certain agreements entered into prior and subsequent to the Company s acquisition of all of the shares of Veeco Metrology, Inc. in October 2010. Upon the closing of the acquisition, Veeco Metrology, Inc. was renamed Bruker Nano, Inc. (Bruker Nano). The suit, which also names one current and one former employee of Bruker Nano, claims unspecified damages for breach of contract, fraud and unfair competition in connection with the performance of the agreements. The Company believes the claims to be without merit and intends to vigorously defend this action. At this time, the Company cannot reasonably assess the timing or outcome, or reasonably estimate the possible loss or range of possible loss, that may result from this matter. Accordingly, no provision with respect to this matter has been recorded in the accompanying consolidated financial statements.

Internal Investigation and Compliance Matters

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

The investigation found evidence indicating that payments were made that improperly benefited employees or agents of government-owned enterprises in China and Hong Kong. The investigation also found evidence that certain employees of Bruker Optics in China and Hong Kong failed to comply with the Company s policies and standards of conduct. As a result, the Company took personnel actions, including the termination of certain individuals. The Company also terminated its business relationships with certain third party agents, implemented an enhanced FCPA compliance program, and strengthened the financial controls and oversight at its subsidiaries operating in China and Hong Kong. During 2011, the Company also initiated a review of the China operations of its other subsidiaries, with the assistance of an independent audit firm. On the basis of the review conducted to date, the Company has identified additional employees in Bruker subsidiaries operating in China who failed to comply with the Company s policies and standards of conduct, and has taken additional personnel actions at certain of its subsidiaries as a result. The review is ongoing and no conclusions can be drawn at this time as to its final outcome.

The Company voluntarily contacted the United States Securities and Exchange Commission and the United States Department of Justice in August 2011 to advise both agencies of the internal investigation by the Audit Committee regarding the China operations of the Company s Bruker Optics subsidiary. In October 2011, the Company also reported that existence of the internal investigation to the Hong Kong Joint Financial Intelligence Unit and Independent Commission Against Corruption (ICAC). The Company has cooperated with the United States federal agencies and Hong Kong government authorities with respect to their inquiries and has provided documents and/or made witnesses available in response to requests from the governmental authorities reviewing this matter. The Company intends to continue to cooperate with these agencies in connection with their inquiries. At this time the Company cannot reasonably assess the timing or outcome of these matters or their effect, if any, on the Company s business.

The FCPA and related statutes and regulations provide for potential monetary penalties as well as criminal and civil sanctions in connection with FCPA violations. It is possible that monetary penalties and other sanctions could be assessed by the U.S. Federal government in connection with these matters. Additionally, to the extent any payments are determined to be illegal by local government authorities, civil or criminal penalties may be assessed by such authorities and the Company s ability to conduct business in that jurisdiction may be negatively impacted. At this time, the Company cannot predict the extent to which the Securities and Exchange Commission (SEC), the Department of Justice (DOJ), the ICAC or any other

Table of Contents

governmental authorities will pursue administrative, civil injunctive or criminal proceedings, the imposition of fines or penalties or other remedies or sanctions. Given the current status of the inquiries from these agencies, the Company cannot reasonably estimate the possible loss or range of possible loss that may result from any proceedings that may be commenced by the SEC, the DOJ, the ICAC or any other governmental authorities. Accordingly, no provision with respect to such matters has been recorded in the accompanying consolidated financial statements. Any adverse findings or other negative outcomes from any such proceedings could have a material impact on the Company s consolidated financial statements in future periods.

Letters of Credit and Guarantees

At March 31, 2013 and December 31, 2012, the Company had bank guarantees of $144.1 million and $143.2 million, respectively, for its customer advances. These arrangements guarantee the refund of advance payments received from customers in the event that the merchandise is not delivered in compliance with the terms of the contract. Certain of these guarantees affect the availability of the Company s lines of credit.

12. Accumulated Other Comprehensive Income

Comprehensive income (loss) refers to revenues, expenses, gains and losses that under U.S. GAAP are included in other comprehensive income, but excluded from net income as these amounts are recorded directly as an adjustment to shareholders equity, net of tax. The Company s other comprehensive income is composed primarily of foreign currency translation adjustments, changes in the funded status of defined benefit pension plans and changes in the fair value of derivatives that have been designated as cash flow hedges. The following is a summary of comprehensive income (in millions):

	Three Months Ended March 31,			
	2013		2012	
Consolidated net income	$	5.7	$	15.1
Foreign currency translation adjustments		(29.6)		18.8
Unrealized losses on interest rate swap:				
Unrealized holding losses arising during the period				(0.2)
Less reclassification adjustments for settlements included in the determination of net income				0.5
Pension liability adjustments		1.0		(0.6)
Net Comprehensive income (loss)		(22.9)		33.6
Less: Comprehensive income attributable to noncontrolling interests		0.3		0.1
Comprehensive income (loss) attributable to Bruker Corporation	$	(23.2)	$	33.5

The following is a summary of the components of accumulated other comprehensive income, net of tax, at March 31, 2013 (in millions):

	Foreign Currency Translation	Pension Liability Adjustment	Accumulated Other Comprehensive

						Income
Balance at December 31, 2012	$	170.3	$	(32.5)	$	137.8
Other comprehensive income (loss) before reclassifications		(29.6)		0.6		(29.0)
Realized loss on reclassification, net of tax of $0.1 million				0.4		0.4
Net current period other comprehensive income (loss)		(29.6)		1.0		(28.6)
Balance at March 31, 2013	$	140.7	$	(31.5)	$	109.2

Table of Contents

13. Noncontrolling Interests

Noncontrolling interests represent the minority shareholders proportionate share of the Company s majority owned subsidiaries. The following table sets forth the changes in noncontrolling interests (in millions):

	Three Months Ended March 31			
	2013		2012	
Balance at beginning of period	$	3.1	$	3.4
Net income		0.3		
Foreign currency translation adjustments				0.1
Balance at end of period	$	3.4	$	3.5

14. Other Charges

The components of other charges were as follows (in millions):

	Three Months Ended March 31,			
	2013		2012	
Professional fees incurred in connection with internal investigation	$	2.2	$	2.5
Factory relocation costs		0.3		0.5
Acquisition-related charges		0.4		0.4
Restructuring charges		3.2		
Other charges	$	6.1	$	3.4

15. Interest and Other Income (Expense), Net

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

	Three Months Ended March 31,			
	2013		2012	
Interest expense, net	$	(3.1)	$	(3.3)
Exchange losses on foreign currency transactions		(0.4)		(3.0)
Gain on disposal of product line		0.9		
Other		(1.3)		(1.2)
Interest and other income (expense), net	$	(3.9)	$	(7.5)

16. Business Segment Information

The Company has determined that it has four operating segments based on the information reviewed by the Chief Operating Decision Maker, representing each of its four groups or divisions: the Bruker BioSpin group, the Bruker CALID group, the Bruker MAT group, and the Bruker Energy & Supercon Technologies division. The Bruker BioSpin group is in the business of designing, manufacturing and distributing enabling life science tools based on magnetic resonance technology. The Bruker CALID group combines the Bruker Daltonics, Bruker Chemical and Applied Markets, Bruker Detection and Bruker Optics divisions and is in the business of designing, manufacturing, and distributing mass spectrometry and chromatography instruments and solutions for life sciences, including proteomics, metabolomics, and clinical research applications. The Company s mass spectrometry and chromatography instruments also provide solutions for applied markets that include food safety, environmental analysis and petrochemical analysis. Bruker CALID also designs, manufactures, and distributes various analytical instruments for CBRNE detection and research, as well as analytical, research and process analysis instruments and solutions based on infrared and Raman molecular spectroscopy technologies. The Bruker MAT group comprises the Bruker AXS, Bruker Nano Surfaces, Bruker Nano Analytics and Bruker Elemental divisions and is in the business of manufacturing

17

Table of Contents

and distributing advanced X-ray, spark-optical emission spectroscopy, atomic force microscopy and stylus and optical metrology instrumentation used in non-destructive molecular, materials and elemental analysis. The Bruker Energy & Supercon Technologies division is in the business of developing and producing low temperature superconductor and high temperature superconductor materials for use in advanced magnet technology and energy applications as well as linear accelerators, accelerator cavities, insertion devices, other accelerator components and specialty superconducting magnets for physics and energy research and a variety of other scientific applications.

The Company s reportable segments are organized by the types of products and services provided. The Company has combined the Bruker BioSpin, Bruker CALID and Bruker MAT operating segments into the Scientific Instruments reporting segment because each has similar economic characteristics, product processes and services, types and classes of customers, methods of distribution and regulatory environments.

Selected business segment information is presented below (in millions):

	Three Months Ended March 31, 2013		2012	
Revenue:				
Scientific Instruments	$	366.3	$	378.1
Energy & Supercon Technologies		31.2		30.0
Eliminations (a)		(4.1)		(2.5)
Total revenue	$	393.4	$	405.6
Operating Income (Loss):				
Scientific Instruments	$	10.6	$	35.1
Energy & Supercon Technologies		0.9		(0.3)
Corporate, eliminations and other (b)		0.7		(0.4)
Total operating income	$	12.2	$	34.4

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

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

Total assets by segment are as follows (in millions):

	March 31, 2013		December 31, 2012	
Assets:				
Scientific Instruments	$	1,749.3	$	1,786.2
Energy & Supercon Technologies		132.5		134.4
Eliminations and other (a)		(69.9)		(64.2)
Total assets	$	1,811.9	$	1,856.4

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

17. Recent Accounting Pronouncements

In February 2013, the FASB issued ASU No. 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*. Under this standard, entities are required to disclose additional information with respect to changes in accumulated other comprehensive income (AOCI) balances by component and significant items reclassified out of AOCI. Expanded disclosures for presentation of changes in AOCI involve disaggregating the total change of each component of other comprehensive income as well as presenting separately for each such component the portion of the change in AOCI related to (1) amounts reclassified into income and (2) current-period other comprehensive income. Additionally, for amounts reclassified into income, disclosure in one location is required, based upon each specific AOCI component, of the amounts impacting individual income statement line items. Disclosure of the income statement line item impacts is required only for

Table of Contents

components of AOCI reclassified into income in their entirety. ASU No. 2013-02 is effective for fiscal years beginning after December 15, 2012. The Company adopted this amendment in the first quarter of 2013. The adoption did not have a material impact on the condensed consolidated financial statements for the three months ended March 31, 2013.

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, 2012.

Statements contained in Management s Discussion and Analysis of Financial Condition and Results of Operations, which express that we believe, anticipate, plan, expect, seek, estimate, or should, as well as other statements which are not historical fact, are forward-looking statements within the meaning of the Private Securities Litigation Act of 1995. Actual events or results may differ materially from those set forth in forward-looking statements. Certain factors that might cause such a difference are discussed in Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2012.

Although our condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP), we believe describing income and expenses, excluding the effect of foreign exchange and our recent acquisitions, as well as certain other charges, provides meaningful supplemental information regarding our performance. We believe that this supplemental information is useful in assessing our operating performance and trends as the excluded items are not indicative of our core business operating results. These non-GAAP financial measures are not in accordance with, nor are they a substitute for, the comparable GAAP financial measures and are intended to supplement our financial results that are prepared in accordance with GAAP. We also use these non-GAAP financial measures for financial and operational decision making and as a means to help evaluate period-to-period comparisons.

OVERVIEW

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

- *Executive Overview*. This section provides a general description and history of our business, a brief discussion of our reportable segments, significant recent developments in our business and other opportunities, and challenges and risks that may impact our business in the future.

- *Critical Accounting Policies*. This section discusses the accounting estimates that are considered important to our financial condition and results of operations and require us to exercise subjective or complex judgments in their application.

- *Results of operations*. This section provides our analysis of the significant line items on our unaudited condensed consolidated statement of operations for the three months ended March 31, 2013 compared to the three months ended March 31, 2012.

- *Liquidity and capital resources*. This section provides an analysis of our liquidity and cash flow and discussions of our outstanding debt and commitments.

- *Recent accounting pronouncements*. This section provides information about new accounting standards that have been issued but for which adoption is not yet required.

Table of Contents

EXECUTIVE OVERVIEW

Business Overview

Bruker Corporation and its wholly-owned subsidiaries design, manufacture, service and market proprietary life science and materials research systems based on our technology platforms, including magnetic resonance technologies, mass spectrometry technologies, gas chromatography technologies, infrared and Raman molecular spectroscopy technologies, X-ray technologies, spark-optical emission spectroscopy, atomic force microscopy, and stylus and optical metrology technology. We sell a broad range of field analytical systems for chemical, biological, radiological, nuclear and explosive, or CBRNE, detection. We also develop and manufacture low temperature and high temperature superconducting wire products and superconducting wire and superconducting devices for use in advanced magnet technology, physics research and energy applications. Our diverse customer base includes life science, pharmaceutical, biotechnology and molecular diagnostic research companies, academic institutions, advanced materials and semiconductor industries and government agencies. Our corporate headquarters are located in Billerica, Massachusetts. We maintain major technical and manufacturing centers in Europe, North America and Japan and we have sales offices located throughout the world.

Our business strategy is to capitalize on our ability to innovate and generate rapid revenue growth, both organically and through acquisitions. Our revenue growth strategy combined with anticipated improvements to our gross profit margins and increased leverage on our research and development, sales and marketing and distribution investments and general and administrative expenses is expected to enhance our operating margins and improve our profitability in the future.

We are organized into four operating segments: the Bruker BioSpin group, the Bruker CALID group, the Bruker MAT group, and the Bruker Energy & Supercon Technologies division. The Bruker BioSpin group is in the business of designing, manufacturing and distributing enabling life science tools based on magnetic resonance technology. The Bruker CALID group combines the Bruker Daltonics, Bruker Chemical and Applied Markets (CAM), Bruker Detection and Bruker Optics divisions and is in the business of designing, manufacturing, and distributing mass spectrometry and chromatography instruments and solutions for life sciences, including proteomics, metabolomics, and clinical research applications. Our mass spectrometry and chromatography instruments also provide solutions for applied markets that include food safety, environmental analysis and petrochemical analysis. Bruker CALID also designs, manufactures, and distributes various analytical instruments for CBRNE detection and research, as well as analytical, research and process analysis instruments and solutions based on infrared and Raman molecular spectroscopy technologies. The Bruker MAT group combines the Bruker AXS, Bruker Nano Surfaces, Bruker Nano Analytics and Bruker Elemental divisions and is in the business of manufacturing and distributing advanced X-ray, spark-optical emission spectroscopy, atomic force microscopy and stylus and optical metrology instrumentation used in non-destructive molecular, materials and elemental analysis. The Bruker Energy & Supercon Technologies division is in the business of developing and producing low temperature superconductor and high temperature superconductor materials for use in advanced magnet technology and energy applications as well as linear accelerators, accelerator cavities, insertion devices, other accelerator components and specialty superconducting magnets for physics and energy research and a variety of other scientific applications.

For financial reporting purposes, we combine the Bruker BioSpin, Bruker CALID and Bruker MAT operating segments into the Scientific Instruments reporting segment because each has similar economic characteristics, product processes and services, types and classes of customers, methods of distribution and regulatory environments. As such, management reports its financial results based on the following segments:

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

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

Financial Overview

For the three months ended March 31, 2013, our revenue decreased by $12.2 million, or 3.0%, to $393.4 million, compared to $405.6 million for the comparable period in 2012. Included in this change in revenue is a decrease of approximately $6.0 million from the impact of foreign exchange, primarily due to the strengthening of the U.S. Dollar versus the Japanese Yen and a decrease of approximately $1.7 million attributable to our recent acquisitions and divestitures. Excluding the effect of foreign exchange and our recent acquisitions and divestitures, revenue decreased by $4.5 million, or 1.1%. The decrease in revenue on an adjusted basis is mainly attributable to the Scientific Instruments segment, which decreased by $3.9 million, or 1.0%. Revenue in the Scientific Instruments segment on an adjusted basis is driven by decreases in mass spectrometry and atomic force microscopy products, offset, in part, by higher sales of nuclear magnetic resonance products. The mix of products sold in the Scientific Instruments segment during the first quarter of 2013 reflects decreased demand from customers in the semiconductor and data storage industries.

Gross profit for the quarter ended March 31, 2013 was $174.5 million compared to $190.4 million for the quarter ended March 31, 2012. Our gross profit margin for the three months ended March 31, 2013 was 44.4%, compared to 46.9% for the three months ended March 31, 2012. Excluding the effects of recently completed acquisitions, including amortization expense and restructuring charges totaling, in the aggregate, $5.0 million for each of the first quarters of 2013 and 2012, gross profit margins decreased to 45.6% in 2013 compared to 48.2% in 2012. The reduction in gross profit margins in the three months ended March 31, 2013 was primarily due to product mix and temporary additional costs incurred in the Bruker BioSpin group for magnet rework on certain customer installations. Also impacting gross profit margins for the three months ended March 31, 2013 was the strengthening of the U.S. Dollar versus the Japanese Yen, as we received a higher percentage of Japanese Yen revenue compared to Japanese Yen expenses incurred.

Selling, general and administrative expenses and research and development expenses increased to $156.2 million, or 39.7% of revenue, in the three months ended March 31, 2013 from $152.6 million, or 37.6% of revenue, for the three months ended March 31, 2012. The increase in selling, general and administrative expenses and research and development expenses in 2013 is attributable to increases in headcount from our recent acquisitions and increases in headcount to support planned revenue growth in our existing businesses.

Income from operations for the three months ended March 31, 2013 was $12.2 million, resulting in an operating margin of 3.1%, compared to income from operations of $34.4 million, resulting in an operating margin of 8.5% for the comparable period in 2012. Included in income from operations are various charges for amortization of acquisition-related intangible assets and other acquisition-related costs, legal and other professional service fees related to our internal FCPA investigation, and restructuring and relocation costs totaling, in the aggregate, $11.4 million and $9.2 million for the three months ended March 31, 2013 and 2012, respectively. Excluding these charges, operating margins were 6.0% in the first quarter of 2013 compared to 10.7% in the first quarter of 2012. Operating margins decreased as a result of the lower revenue and gross margins, along with higher operating expenses for the reasons noted above.

Our effective tax rate for the three months ended March 31, 2013 was 31.3% compared to 43.9% for the comparable period in 2012. The decrease in the effective tax rate is primarily due to changes in the mix of earnings among tax jurisdictions and beginning in the three months ended March 31, 2013 we determined our tax expense based on our annual effective tax rate.

Our net income attributable to the shareholders of Bruker Corporation for the three months ended March 31, 2013 was $5.4 million, or $0.03 per diluted share, compared to $15.1 million, or $0.09 per diluted share, for the comparable period in 2012.

CRITICAL ACCOUNTING POLICIES

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

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

Revenue recognition. We recognize revenue from system sales when persuasive evidence of an arrangement exists, the price is fixed or determinable, title and risk of loss has been transferred to the customer and collectability of the resulting receivable is reasonably assured. Title and risk of loss is generally transferred upon customer acceptance for a system that has been delivered to the customer. When products are sold through an independent distributor or a strategic distribution partner who assumes responsibility for installation, we recognize the system sale when the product has been shipped and title and risk of loss have been transferred to the distributor. Our distributors do not have price protection rights or rights of return; however, our products are typically warranted to be free from defect for a period of one year. Revenue is deferred until cash is received when collectability is not reasonably assured or when the price is not fixed or determinable. For arrangements with multiple elements, we allocate revenue to each element based on their relative selling prices. The relative selling price of each element is based on our vendor specific objective evidence, if available. If vendor specific objective evidence is not available, we use evidence from third-parties or, when third-party evidence is not available, we use management s best estimate of the selling price. Typically, we cannot ascertain third-party evidence of selling price. When products and services offered do not qualify as separate units of accounting, we recognize revenue upon customer acceptance for a system that has been shipped, installed, and for which the customer has been trained. As a result, the timing of customer acceptance or readiness could cause reported revenues to differ materially from expectations. Revenue from accessories and parts is recognized upon shipment and service revenue is recognized as the services are performed. We also have contracts for which we apply the percentage-of-completion model and completed contract model of revenue recognition. Application of these methods requires us to make reasonable estimates of the extent of progress toward completion of the contract and the total costs we will incur under the contract. Changes in our estimates could affect the timing of revenue recognition.

Income taxes. The determination of income tax expense requires us to make certain estimates and judgments concerning the annual effective tax rate, the calculation of deferred tax assets and liabilities, as well as the deductions, carryforwards and credits that are available to reduce taxable income. Deferred tax assets and liabilities arise from differences in the timing of the recognition of revenue and expenses for financial statement and tax purposes. Deferred tax assets and liabilities are measured using the tax rates in effect for the year in which these temporary differences are expected to be settled. We estimate the degree to which tax assets and loss carryforwards will result in a benefit based on expected profitability by tax jurisdiction, and we provide a valuation allowance for tax assets and loss carryforwards that we believe will more likely than not go unused. If it becomes more likely than not that a tax asset or loss carryforward will be used for which a reserve has been provided, we reverse the related valuation allowance. If our actual future taxable income by tax jurisdiction differs from estimates, additional allowances or reversals of reserves may be necessary. In addition, we only recognize benefits for tax positions that we believe are more likely than not of being sustained upon review by a taxing authority with knowledge of all relevant information. We reevaluate our uncertain tax positions on a quarterly basis and any changes to these positions as a result of tax audits, tax laws or other facts and circumstances could result in additional charges to operations.

Inventories. Inventories are stated at the lower of cost or market, with costs determined by the first-in, first-out method for a majority of subsidiaries and by average cost for certain other subsidiaries. We record provisions to account for excess and obsolete inventory to reflect the expected non-saleable or non-refundable inventory based on an evaluation of slow moving products. Inventories also include demonstration units located in our demonstration laboratories or installed at the sites of potential customers. We consider our demonstration units to be available for sale. We reduce the carrying value of demonstration inventories for differences between cost and estimated net realizable value, taking into consideration usage in the preceding twelve months, expected demand, technological obsolescence and other information including the physical condition of the unit. If ultimate usage or demand varies significantly from expected usage or demand, additional write-downs may be required, resulting in additional charges to operations.

Table of Contents

Goodwill, other intangible assets and other long-lived assets. We evaluate whether goodwill is impaired annually and when events occur or circumstances change. We test goodwill for impairment at the reporting unit level, which is the operating segment or one level below an operating segment. The first step of the goodwill impairment test involves comparing the fair values of the applicable reporting units with their aggregate carrying values, including goodwill. We generally determine the fair value of our reporting units using a weighting of both the market approach and the income approach methodologies. The income approach valuation methodology includes discounted cash flow estimates. Estimating the fair value of the reporting units requires significant judgment by management about the future cash flows. If the carrying amount of a reporting unit exceeds the fair value of the reporting unit, we perform the second step of the goodwill impairment test to measure the amount of the impairment. In the second step of the goodwill impairment test, we compare the implied fair value of the reporting unit s goodwill with the carrying value of that goodwill.

We also review definite-lived intangible assets and other long-lived assets when indications of potential impairment exist. Should the fair value of our long-lived assets decline because of reduced operating performance, market declines, or other indicators of an impairment, a charge to operations for impairment may be necessary.

RESULTS OF OPERATIONS

Three Months Ended March 31, 2013 compared to the Three Months Ended March 31, 2012

Consolidated Results

The following table presents our results for the three months ended March 31, 2013 and 2012 (dollars in millions, except per share data):

Table of Contents

	Three Months Ended March 31, 2013		2012
Product revenue	$ 339.3		$ 351.8
Service revenue	53.5		52.1
Other revenue	0.6		1.7
Total revenue	393.4		405.6
Cost of product revenue	185.3		186.3
Cost of service revenue	33.6		28.9
Total cost of revenue	218.9		215.2
Gross profit	174.5		190.4
Operating expenses:			
Selling, general and administrative	106.8		104.4
Research and development	49.4		48.2
Other charges	6.1		3.4
Total operating expenses	162.3		156.0
Operating income	12.2		34.4
Interest and other income (expense), net	(3.9)		(7.5)
Income before income taxes and noncontrolling interest in consolidated subsidiaries	8.3		26.9
Income tax provision	2.6		11.8
Consolidated net income	5.7		15.1
Net income attributable to noncontrolling interest in consolidated subsidiaries	0.3		
Net income attributable to Bruker Corporation	$ 5.4		$ 15.1
Net income per common share attributable to Bruker Corporation shareholders:			
Basic and diluted	$ 0.03		$ 0.09
Weighted average common shares outstanding:			
Basic	166.4		165.7
Diluted	168.1		166.9

Revenue

For the three months ended March 31, 2013, our revenue decreased by $12.2 million, or 3.0%, to $393.4 million, compared to $405.6 million for the comparable period in 2012. Included in this change in revenue is a decrease of approximately $6.0 million from the impact of foreign exchange, primarily due to the strengthening of the U.S. Dollar versus the Japanese Yen, and a decrease of approximately $1.7 million attributable to our recent acquisitions and divestitures. Excluding the effect of foreign exchange and our recent acquisitions and divestitures, revenue decreased by $4.5 million, or 1.1%. The decrease in revenue on an adjusted basis is mainly attributable to the Scientific Instruments segment, which decreased by $3.9 million, or 1.0%. Revenue in the Scientific Instruments segment on an adjusted basis is driven by decreases in mass spectrometry and atomic force microscopy, offset, in part, by higher sales of nuclear magnetic resonance products. The mix of products sold in the Scientific Instruments segment during the first quarter of 2013 reflects decreased demand in the semiconductor and data storage industries.

Cost of Revenue

Our cost of product and service revenue for the three months ended March 31, 2013 was $218.9 million, resulting in a gross profit margin of 44.4%, compared to cost of product and service revenue of $215.2 million, resulting in a gross profit margin of 46.9%, for the comparable period in 2012. Our cost of revenue for each of the three months ended March 31, 2013 and 2012 includes charges of $5.0 million, representing the difference between the fair value and the cost of inventories acquired in business combinations and sold during the period, amortization of acquisition-related intangible assets, acquisition-related fixed asset charges and restructuring charges. Excluding these charges, our gross profit margin for the three months ended March 31, 2013 and 2012 was 45.6% and 48.2%, respectively. Lower gross profit margins, on an adjusted basis, were primarily due to product mix, temporary additional operational costs incurred in the Bruker BioSpin group for magnet rework on certain customer installations and the impact of the strengthening of the U.S. Dollar versus the Japanese Yen, as we received a higher percentage of Japanese Yen revenue compared to Japanese Yen expenses incurred.

Selling, General and Administrative

Our selling, general and administrative expense for the three months ended March 31, 2013 increased to $106.8 million, or 27.1% of total revenue, from $104.4 million, or 25.7% of total revenue, for the comparable period in 2012. The increase in selling, general and administrative expenses is attributable to increases in headcount from our recent acquisitions and increases in headcount to support planned revenue growth in our existing businesses.

Research and Development

Our research and development expense for the three months ended March 31, 2013 increased to $49.4 million, or 12.6% of total revenue, compared with research and development expense of $48.2 million, or 11.9% of total revenue, for the comparable period in 2012. The increase in research and development expenses is attributable to increases in headcount from our recent acquisitions as well as increases in headcount and material costs to support future product introductions in our existing businesses.

Other Charges

Other charges were $6.1 million and $3.4 million in the first quarter of 2013 and 2012, respectively.

The charges recorded in the first quarter of 2013 relate mainly to the Scientific Instruments segment. The charges consist of $3.2 million of restructuring costs related to closing facilities and implementing outsourcing initiatives over various divisions, $0.4 million of acquisition-related costs, $2.2 million of legal and other professional service fees associated with our FCPA internal investigation and $0.3 million of costs related to factory relocations that are occurring within the Energy & Supercon Technologies segment.

The charges recorded in the first quarter of 2012 relate mainly to the Scientific Instruments segment. The charges consist of $0.4 million of acquisition-related costs, mainly legal, accounting and other fees in connection with our acquisition of SkyScan NV. Other charges also included $2.5 million of legal and other professional service fees associated with our FCPA internal investigation and $0.5 million of costs related to two factory relocations within the Energy & Supercon Technologies segment.

Interest and Other Income (Expense), Net

Interest and other income (expense), net during the three months ended March 31, 2013 was $(3.9) million, compared to $(7.5) million for the comparable period of 2012.

During the three months ended March 31, 2013, the major components within interest and other income (expense), net were net interest expense of $3.1 million, realized and unrealized losses on foreign currency transactions of $0.4 million and other expenses of $1.3 million, offset by a $0.9 million gain on the sale of a product line. During the three months ended March 31, 2012, the major components within interest and other income (expense), net were realized and unrealized losses on foreign currency transactions of $3.0 million and net interest expense of $3.3 million.

Income Tax Provision

The 2013 effective tax rate was calculated using our projected annual pre-tax income or loss and is affected by tax credits, the expected level of other tax benefits and the impact of changes to the valuation allowance, as well as changes in the mix of our pre-tax income and losses among jurisdictions with varying statutory tax rates and credits. The 2012 effective tax rate was calculated using actual quarterly pre-tax income or loss. Our tax rate may change over time as the amount and mix of income and taxes outside the U.S. changes.

The income tax provision for the three months ended March 31, 2013 was $2.6 million compared to $11.8 million for the three months ended March 31, 2012, representing effective tax rates of 31.3% and 43.9%, respectively. The decrease in the effective tax rate is primarily due to changes in the mix of earnings among tax jurisdictions and beginning in the three months ended March 31, 2013 we determined our tax expense based on our annual effective tax rate.

Net Income (Loss) Attributable to Noncontrolling Interests

Net income (loss) attributable to noncontrolling interests for the three months ended March 31, 2013 was $0.3 million compared to $0.0 million for the comparable period of 2012. The net income (loss) attributable to noncontrolling interests represents the minority shareholders proportionate share of the net income (loss) recorded by our majority-owned indirect subsidiaries.

Net Income Attributable to Bruker Corporation

Our net income for the three months ended March 31, 2013 was $5.4 million, or $0.03 per diluted share, compared to $15.1 million, or $0.09 per diluted share for the comparable period in 2012. The decrease was due to a combination of lower revenue and gross margin along with an increase in operating expenses, partially offset by lower income tax expense. Also negatively impacting net income was the strengthening of the U.S. Dollar versus the Japanese Yen, as we received a higher percentage of Japanese Yen revenue compared to Japanese Yen expenses incurred.

Segment Results

Revenue

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

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012	Dollar Change	Percentage Change
Scientific Instruments	$ 366.3	$ 378.1	$ (11.8)	(3.1)%
Energy & Supercon Technologies	31.2	30.0	1.2	4.0%
Eliminations (a)	(4.1)	(2.5)	(1.6)	
	$ 393.4	$ 405.6	$ (12.2)	(3.0)%

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

Scientific Instruments Segment Revenues

For the three months ended March 31, 2013, Scientific Instruments segment revenue decreased by $11.8 million, or 3.1%, to $366.3 million, compared to $378.1 million for the comparable period in 2012. Included in this change in revenue is a decrease of approximately $6.2 million from the impact of foreign exchange, primarily due to the strengthening of the U.S. Dollar versus the Japanese Yen, and a decrease of approximately $1.7 million attributable to our recent acquisitions and divestitures. Excluding the effect of foreign exchange and our recent acquisitions and divestitures, revenue decreased by $3.9 million, or 1.0%. The decrease in revenue, excluding the effect of foreign exchange and acquisitions and divestitures, reflects a decrease in mass spectrometry and atomic force microscopy products, offset, in part, by higher sales of nuclear magnetic resonance products.

System revenue and aftermarket revenue as a percentage of total Scientific Instruments segment revenue were as follows (dollars in millions):

Table of Contents

	Three Months Ended March 31,					
	2013			2012		
		Revenue	Percentage of Segment Revenue		Revenue	Percentage of Segment Revenue
System revenue	$	311.8	85.1%	$	301.1	79.6%
Aftermarket revenue		54.5	14.9%		77.0	20.4%
Total revenue	$	366.3	100.0%	$	378.1	100.0%

System revenue in the Scientific Instruments segment includes nuclear magnetic resonance systems, magnetic resonance imaging systems, electron paramagnetic imaging systems, mass spectrometry systems, gas chromatography systems, CBRNE detection systems, X-ray systems, spark-optical emission spectroscopy systems, atomic force microscopy systems, stylus and optical metrology systems and molecular spectroscopy systems. Aftermarket revenues in the Scientific Instruments segment include accessory sales, consumables, training and services.

Energy & Supercon Technologies Segment Revenues

Energy & Supercon Technologies segment revenue increased by $1.2 million, or 4.0%, to $31.2 million for the three months ended March 31, 2013, compared to $30.0 million for the comparable period in 2012. Included in this change in revenue is an increase of approximately $0.2 million from the impact of foreign exchange due to the weakening of the U.S. Dollar versus the Euro and other foreign currencies. Excluding the effect of foreign exchange, revenue increased by $1.0 million, or 3.3%. The increase in revenue, on an adjusted basis, is attributable to higher beamline and cavity device sales.

System and wire revenue and aftermarket revenue as a percentage of total Energy & Supercon Technologies segment revenue were as follows (dollars in millions):

	Three Months Ended March 31,					
	2013			2012		
		Revenue	Percentage of Segment Revenue		Revenue	Percentage of Segment Revenue
System and wire revenue	$	30.1	96.5%	$	27.9	93.0%
Aftermarket revenue		1.1	3.5%		2.1	7.0%
Total revenue	$	31.2	100.0%	$	30.0	100.0%

System and wire revenue in the Energy & Supercon Technologies segment includes low and high temperature superconducting wire and superconducting devices, including magnets, linear accelerators and radio frequency cavities. Aftermarket revenues in the Energy & Supercon Technologies segment consist primarily of sales of Cuponal , a bimetallic, non-superconducting material we sell to the power and transport industries.

Income (Loss) from Operations

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

Table of Contents

	Three Months Ended March 31,			
	2013		2012	
	Operating Income (Loss)	Percentage of Segment Revenue	Operating Income (Loss)	Percentage of Segment Revenue
Scientific Instruments	$ 10.6	2.9%	$ 35.1	9.3%
Energy & Supercon Technologies	0.9	2.9%	(0.3)	(1.0)%
Corporate, eliminations and other (a)	0.7		(0.4)	
Total operating income	$ 12.2	3.1%	$ 34.4	8.5%

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

Scientific Instruments segment income from operations for the three months ended March 31, 2013 was $10.6 million, resulting in an operating margin of 2.9%, compared to income from operations of $35.1 million, resulting in an operating margin of 9.3%, for the comparable period in 2012. Income from operations includes $11.0 million and $8.6 million for the three months ended 2013 and 2012, respectively, of various charges to inventory, amortization of acquisition-related intangible assets and other charges. Excluding these costs, income from operations in the Scientific Instruments segment would have been $21.6 million and $43.7 million, or an operating margin of 5.9% and 11.6%, for the three months ended March 31, 2013 and 2012, respectively. Income from operations, on an adjusted basis, declined as a result of the lower revenues described above, a decline in gross profit margins and higher operating expenses. Also impacting income from operations for the three months ended March 31, 2013 was the strengthening of the U.S. Dollar versus the Japanese Yen, as we received a higher percentage of Japanese Yen revenue compared to Japanese Yen expenses incurred.

In the first quarter of 2013, gross profit margin in the Scientific Instruments segment decreased to 45.6% from 48.8% for the comparable period in 2012. Lower gross profit margins resulted primarily from changes in product mix, temporary additional operational costs incurred in the Bruker BioSpin group for magnet rework on certain customer installations and the impact of the strengthening of the U.S. Dollar versus the Japanese Yen. In the first quarter of 2013, selling, general and administrative expenses and research and development expenses in the Scientific Instruments segment increased to $150.6 million, or 41.1% of segment revenue, from $146.6 million, or 38.8% of segment revenue for the comparable period in 2012. This increase is a function of incremental investments in sales and marketing activities and research and development activities, as well as increases in operating expenses related to acquisitions completed in 2012. Specifically, these cost increases related to additional headcount and higher material costs.

Energy & Supercon Technologies segment s income from operations for the three months ended March 31, 2013 was $0.9 million, resulting in an operating margin of 2.9%, compared to a loss from operations of $(0.3) million, resulting in an operating margin of (1.0)%, for the comparable period in 2012. The improvement in operating margin is primarily the result of the higher revenues, as noted above, and lower operating expenses.

LIQUIDITY AND CAPITAL RESOURCES

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

During the three months ended March 31, 2013, net cash used in operating activities was $18.2 million, resulting primarily from an increase in working capital of $44.9 million, offset, in part, by consolidated net income adjusted for non-cash items of $26.7 million. During the three months ended March 31, 2012, net cash provided by operating activities was $4.8 million, resulting primarily from $38.1 million of consolidated net income adjusted for non-cash items, offset, in part, by a $33.3 million increase in working capital.

During the three months ended March 31, 2013, net cash used in investing activities was $14.3 million, compared to net cash used in investing activities of $32.5 million during the three months ended March 31, 2012. Cash used in investing activities during the three months ended March 31, 2013 was primarily attributable to $14.0 million of capital expenditures, net. Cash used in investing activities during the three months ended March 31, 2012 was attributable to $21.7 million used for acquisitions and $10.8 million of capital expenditures, net.

During the three months ended March 31, 2013, net cash provided by financing activities was $0.3 million, compared to net cash provided by financing activities of $14.8 million during the three months ended March 31, 2012. Cash provided by financing activities during the three months ended March 31, 2013 was primarily attributable to $4.1 million of proceeds from the issuance of common stock in connection with stock option exercises. Cash provided by financing activities during the three months ended March 31, 2012 was primarily attributable to $240.0 of borrowings under the Note Purchase Agreement, offset, in part, by net repayments under revolving lines of credit of $216.5 million and net debt repayments under various long-term and short-term arrangements of $7.8 million.

At March 31, 2013 and December 31, 2012, we had $256.8 million and $288.2 million, respectively, of foreign cash and cash equivalents, most significantly in Germany and Switzerland, compared to a total amount of cash and cash equivalents at March 31, 2013 and December 31, 2012 of $269.4 million and $310.6 million, respectively. If the cash and cash equivalents held by our foreign subsidiaries are needed to fund operations in the U.S., or we otherwise elect to repatriate the unremitted earnings of our foreign subsidiaries in the form of dividends or otherwise, or if the shares of the subsidiaries were sold or transferred, we would likely be subject to additional U.S. income taxes, net of the impact of any available tax credits, which could result in a higher effective tax rate in the future. However, since we have significant current investment plans outside the U.S., it is our current intent to indefinitely reinvest unremitted earnings in our foreign subsidiaries. Further, based on our current plans and anticipated cash needs to fund our U.S. operations, we do not foresee a need to repatriate earnings of our foreign subsidiaries.

At March 31, 2013, we had outstanding debt totaling $336.6 million, consisting of $240.0 million outstanding under the Note Purchase Agreement, $93.0 million outstanding under the revolving loan component of the Amended Credit Agreement and $3.6 million under capital lease obligations. At December 31, 2012, we had outstanding debt totaling $337.2 million, consisting of $240.0 million outstanding under the Note Purchase Agreement, $93.0 million outstanding under the revolving loan component of the Amended Credit Agreement and $4.2 million under capital lease obligations.

In May 2011, we entered into an amendment to and restatement of a credit agreement originally entered into in 2008, referred to as the Amended Credit Agreement. The Amended Credit Agreement provides for a revolving credit line with a maximum commitment of $250.0 million with a maturity date of May 2016. Borrowings under the revolving credit line of the Amended Credit Agreement accrue interest, at our option at either (a) the greatest of (i) the prime rate, (ii) the federal funds rate plus 0.50%, (iii) adjusted LIBOR plus 1.00% or (iv) LIBOR, plus margins ranging from 0.80% to 1.65%. There is also a facility fee ranging from 0.20% to 0.35%.

Borrowings under the Amended Credit Agreement are secured by guarantees from certain material subsidiaries, as defined in the Amended Credit Agreement, and Bruker Energy & Supercon Technologies, Inc. The Amended Credit Agreement also requires that we maintain certain financial ratios related to maximum leverage and minimum interest coverage, as defined in the Amended Credit Agreement. Specifically, our leverage ratio cannot exceed 3.0 and our interest coverage ratio cannot be less than 3.0. In addition to the financial ratios, the Amended Credit Agreement restricts, among other things, our ability to do the following: make certain payments; incur additional debt; incur certain liens; make certain investments, including derivative agreements; merge, consolidate, sell or transfer all or substantially all of our assets; and enter into certain transactions with affiliates. Our failure to comply with any of these restrictions or covenants may result in an event of default under the applicable debt instrument, which could permit acceleration of the debt under that instrument and require us to prepay that debt before its scheduled due date.

The following is a summary of the maximum commitments and net amounts available to the Company under revolving loans as of March 31, 2013 (dollars in millions):

	Weighted Average Interest Rate	Total Amount Committed by Lenders	Outstanding Borrowings	Outstanding Letters of Credit	Total Amount Available
Amended Credit Agreement	1.3%	$ 250.0	$ 93.0	$ 1.8	$ 155.2
Other revolving loans		182.8		142.3	40.5
Total revolving loans		$ 432.8	$ 93.0	$ 144.1	$ 195.7

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

Table of Contents

of credit are unsecured while other are secured by the accounts receivable and inventory of the related subsidiary.

In January 2012, we entered into a note purchase agreement (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, referred to as the 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.

As of March 31, 2013, we were in compliance with the covenants of the Amended Credit Agreement and the Note Purchase Agreement as our leverage ratio was 1.3 and our interest coverage ratio was 11.9.

As of March 31, 2013, we have approximately $50.4 million of German Trade Tax net operating losses that are carried forward indefinitely and U.S. research and development tax credits of approximately $10.8 million available to offset future tax liabilities that expire through 2021. These U.S. tax credit carryforwards are subject to limitations under provisions of the Internal Revenue Code.

RECENT ACCOUNTING PRONOUNCEMENTS

In February 2013, the FASB issued ASU No. 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*. Under this standard, entities are required to disclose additional information with respect to changes in accumulated other comprehensive income (AOCI) balances by component and significant items reclassified out of AOCI. Expanded disclosures for presentation of changes in AOCI involve disaggregating the total change of each component of other comprehensive income as well as presenting separately for each such component the portion of the change in AOCI related to (1) amounts reclassified into income and (2) current-period other comprehensive income. Additionally, for amounts reclassified into income, disclosure in one location would be required, based upon each specific AOCI component, of the amounts impacting individual income statement line items. Disclosure of the income statement line item impacts will be required only for components of AOCI reclassified into income in their entirety. ASU No. 2013-02 is effective for fiscal years beginning after December 15, 2012. We adopted this amendment in the first quarter of 2013. The adoption did not have a material impact on our condensed consolidated financial statements for the three months ended March 31, 2013.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are potentially exposed to market risks associated with changes in foreign exchange rates, 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 exchange and interest rate risk include market valuations and sensitivity analysis.

Impact of Foreign Currencies

We generate a substantial portion of our revenues in international markets, principally 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, limiting 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 did before the rate increase went into effect. If we price our products in U.S. Dollars and competitors price their products in local currency, an increase in the relative strength of the U.S. Dollar could result in our prices not being competitive in a market where business is transacted in the local currency. Changes in foreign currency exchange rates decreased our revenue for the three months ended March 31, 2013 and 2012 by approximately 1.5% and 1.4%, respectively.

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 three months ended March 31, 2013 and 2012, we recorded net gains (losses) from currency translation adjustments of $(30.8) million and $18.8 million, respectively. Gains and losses resulting from foreign currency transactions are reported in interest and other income (expense), net in the consolidated statements of income and comprehensive income. Our foreign exchange losses, net were $0.4 million and $3.0 million for three months ended March 31, 2013 and 2012, respectively.

From time to time, we have entered into foreign currency contracts in order to minimize the volatility that fluctuations in exchange rates 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. These transactions do not qualify for hedge accounting and, accordingly, the instrument is recorded at fair value with the corresponding gains and losses recorded in interest and other income (expense), net in the consolidated statements of income and comprehensive income. At March 31, 2013 and December 31, 2012, we had foreign currency contracts with notional amounts aggregating $100.6 million and $94.3 million, respectively. We will continue to evaluate our currency risks and in the future may utilize foreign currency contracts more frequently as part of a transactional hedging program.

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, 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 March 31, 2013 and December 31, 2012, we had fixed price commodity contracts with notional amounts aggregating $2.4 million and $3.4 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 that are designed to ensure that material information relating to us, including our consolidated subsidiaries, is made known to our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer) by others within our organization. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures as of March 31, 2013. Based on this evaluation our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2013 to ensure that the information required to be disclosed by us in the reports that we file or submit under the Securities and Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms.

Table of Contents

There were no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2013 that materially affected, or are reasonably likely to affect, our internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Please see Part 1, Item 1. Financial Information Note 11. Commitments and Contingencies Internal Investigation and Compliance Matters which is incorporated by reference into this item. Additional information about our legal proceedings can be found in Part 1, Item 3, Legal Proceedings in our Annual Report on Form 10-K for the year ended December 31, 2012.

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, 2012, 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 facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

There have been no material changes to the risk factors previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. **MINE SAFETY DISCLOSURE**

Not applicable.

ITEM 5. **OTHER INFORMATION**

None.

ITEM 6. **EXHIBITS**

Exhibit No.	Description
10.1	Employment Offer Letter dated as of June 25, 2012 between Bruker Corporation and Juergen Srega(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)

Table of Contents

101	The following materials from the Bruker Corporation Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2013 formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Statements of Income and Comprehensive Income, (ii) the Condensed Consolidated Balance Sheets, (iii) the Condensed Consolidated Statements of Cash Flows and (iv) Notes to the Condensed Consolidated Financial Statements(2)(3)

(1) Filed herewith.

(2) Furnished herewith.

(3) In accordance with Rule 406T of Regulation S-T, the XBRL-related information in Exhibit 101 to the Quarterly Report on Form 10-Q is deemed not part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act, is deemed not filed for purposes of Section 18 of the Exchange Act, and otherwise is not subject to liability under these sections.

Table of Contents

SIGNATURES

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

	BRUKER CORPORATION	
Date: May 9, 2013	By:	/s/ FRANK H. LAUKIEN, PH.D. Frank H. Laukien, Ph.D. *President, Chief Executive Officer and Chairman* *(Principal Executive Officer)*
Date: May 9, 2013	By:	/s/ CHARLES F. WAGNER, JR. Charles F. Wagner, Jr. *Executive Vice President and Chief Financial Officer* *(Principal Financial Officer)*

34