BRUKER DALTONICS INC
Form 10-Q
August 09, 2001

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

/x/ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Quarterly Period Ended June 30, 2001

or

/ / **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____

Commission file number 000-30833

Bruker Daltonics Inc.

(Exact name of registrant as specified in its charter)

DELAWARE	**04-3110160**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

15 Fortune Drive
Billerica, MA 01821
(Address of principal executive offices)

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

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

As of August 1, 2001 there were 54,842,433 shares of the Registrant's common stock outstanding.

		PAGE NUMBER
PART I	FINANCIAL INFORMATION	
ITEM 1:	Financial Statements (Unaudited)	

	Consolidated Condensed Balance Sheets as of June 30, 2001 and December 31, 2000	3
	Consolidated Condensed Statements of Operations for the three months and six months ended June 30, 2001 and June 30, 2000	4
	Consolidated Condensed Statements of Cash Flows for the six months ended June 30, 2001 and June 30, 2000	5
	Notes to Consolidated Condensed Financial Statements	6
ITEM 2:	Management's Discussion and Analysis of Financial Condition and Results of Operations	9
ITEM 3:	Quantitative and Qualitative Disclosures of Market Risk	11
PART II	OTHER INFORMATION	
ITEM 1:	Legal Proceedings	12
ITEM 2:	Changes in Securities and Use of Proceeds	15
ITEM 3:	Defaults Upon Senior Securities	15
ITEM 4:	Submission of Matters to a Vote of Security Shareholders	15
ITEM 5:	Other Information	15
ITEM 6:	Exhibits and Reports on Form 8-K	15
	SIGNATURES	16

PART I FINANCIAL INFORMATION

ITEM 1: Financial Statements (Unaudited)

Bruker Daltonics Inc.

Consolidated Condensed Balance Sheets

(dollar amounts in thousands)

	June 30, 2001	December 31, 2000
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 12,841	$ 21,735
Short-term investments	70,223	72,894
Accounts receivable, net	13,500	12,332
Inventories	44,044	36,780
Other assets	4,574	3,680
Total current assets	145,182	147,421
Property, plant and equipment, net	27,454	25,528
Intangible and other assets	12,290	11,605
Total assets	$ 184,926	$ 184,554

Liabilities and stockholders' equity		
Current liabilities:		
Short-term bank borrowings	$ 5,040	$
Accounts payable and accrued expenses	13,005	13,138
Other liabilities	20,899	23,229
Total current liabilities	38,944	36,367
Long-term debt	10,853	12,037
Other long term liabilities	11,397	11,978
Common stock, $0.01 par value, authorized 100,000,000 shares, issued and outstanding 54,842,233 in 2001 and 54,779,218 in 2000	548	548
Other stockholders' equity	123,184	123,624
Total stockholders' equity	123,732	124,172
Total liabilities and stockholders' equity	$ 184,926	$ 184,554

See accompanying notes.

Bruker Daltonics Inc.

Consolidated Condensed Statements of Operations

(dollar amounts in thousands, except per share data)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	**2000**	**2001**	**2000**
Product revenues	$ 22,307	$ 17,069	$ 44,049	$ 31,104
Other revenues	3	454	169	1,018
Net revenues	22,310	17,523	44,218	32,122
Costs and operating expenses:				
Cost of product revenue	10,450	7,756	20,883	14,330
Sales and marketing	5,264	3,175	10,145	5,739
General and administrative	1,374	1,128	2,662	2,236
Research and development	4,647	5,016	9,286	8,616
Patent litigation costs				303
Total costs and operating expenses	21,735	17,075	42,976	31,224
Operating income from continuing operations	575	448	1,242	898
Interest and other income (expenses), net	798	(196)	1,743	(324)
Income from continuing operations before provision for income taxes	1,373	252	2,985	574
Provision for income taxes	540	134	1,207	319
Income from continuing operations	833	118	1,778	255

Income from discontinued operations, net of income taxes		95		132
Net income	$ 833	$ 213	$ 1,778	$ 387
Net income per share basic and diluted				
Income from continuing operations	$ 0.02	$ 0.01	$ 0.03	$ 0.01
Income from discontinued operations, net of income taxes	0.00	0.00	0.00	0.00
Net income	$ 0.02	$ 0.01	$ 0.03	$ 0.01

See accompanying notes.

Bruker Daltonics Inc.

Consolidated Condensed Statements of Cash Flows

(dollar amounts in thousands)

(Unaudited)

	Six Months Ended June 30,	
	2001	**2000**
Net cash (used in) provided by continuing operations	$ (11,322)	$ 877
Net cash provided by discontinued operations		17
Net cash (used in) provided by operating activities	(11,322)	894
Investing activities		
Purchases of property and equipment	(6,458)	(1,093)
Purchase of other long-term assets	(314)	
Purchase of short-term investments	(2,054)	
Redemption of short-term investments	4,725	
Investment in other companies	(500)	
Acquisition of business, net of cash acquired		3
Net cash used in investing activities	(4,601)	(1,090)
Financing activities		
Proceeds from issuance of common stock	182	
Proceeds from short-term borrowings	5,362	3,464
Payments on short-term borrowings		(1,000)
Advances from (payments to) affiliated companies, net	2,621	(2,360)
Net cash provided by financing activities	8,165	104
Effect of exchange rate changes	(1,136)	(79)
Net change in cash and cash equivalents	(8,894)	(171)
Cash and cash equivalents at beginning of period	21,735	2,443
Cash and cash equivalents at end of period	$ 12,841	$ 2,272

Non-Cash Financing Activities

Issuance of common stock for investment in other company	$	428

See accompanying notes.

Bruker Daltonics Inc.

Notes to Consolidated Condensed Financial Statements

1. Description of Business

Bruker Daltonics Inc. and its wholly-owned subsidiaries (the "Company") design, manufacture and market proprietary life science systems based on its mass spectrometry core technology platforms. The Company also sells a broad range of field analytical systems for substance detection and pathogen identification. The Company maintains major technical centers in Europe, North America and Japan. Bruker Daltonics allocates substantial capital and resources to research and development and is party to various collaborations and strategic alliances. The Company's diverse customer base includes pharmaceutical companies, biotechnology companies, proteomics companies, academic institutions and government agencies. The financial statements represent the consolidated accounts of Bruker Daltonics Inc. and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. The consolidated condensed financial statements as of June 30, 2001 and for the three months and six months ended June 30, 2001 and 2000 have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months and six months ended June 30, 2001 are not necessarily indicative of the results that may be expected for the year ending December 31, 2001. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The balance sheet at December 31, 2000 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report for the year ended December 31, 2000.

2. Inventories

The components of inventories were as follows (in thousands):

	June 30, 2001	December 31, 2000
	(Unaudited)	
Raw materials	$ 12,947	$ 14,391
Work-in-process	17,456	13,690
Finished goods	13,641	8,699
	$ 44,044	$ 36,780

3. Earnings Per Share

Basic earnings per share is calculated by dividing net earnings by the weighted-average number of common shares outstanding during the period. The diluted earnings per share computation includes the effect of shares which would be issuable upon the exercise of outstanding stock options, reduced by the

number of shares which are assumed to be purchased by the Company from the resulting proceeds at the average market price during the period.

The following table sets forth the computation of basic and diluted average shares outstanding for the periods indicated (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
Average shares outstanding basic	54,800	45,500	54,792	45,500
Net effect of dilutive stock options based on treasury stock method	519	235	548	235
Average shares outstanding diluted	55,319	45,735	55,340	45,735

4. Comprehensive Loss

Total comprehensive loss consisting of net income and loss on foreign currency translations was $126,000 and $1.2 million for the three months and six months ended June 30, 2001, respectively and $121,000 and $602,000 for the three months and six months ended June 30, 2000, respectively.

5. Contingencies

The Company's wholly-owned subsidiary, Bruker Daltonik GmbH, has a $3.0 million and $4.1 million accrued liability at June 30, 2001 and December 31, 2000, respectively, related to certain patent infringement litigation filed against the Company and its subsidiaries by a competitor in the United States and Germany.

In 1997, the competitor initiated an action in the United States District Court of Massachusetts alleging patent infringement against the Company and Hewlett-Packard. The Company has responded by filing summary judgment motions for non-infringement and non-validity in relation to these patent claims. In April 2001, the United States District Court of Massachusetts allowed one of our two summary judgement motions. The competitor also filed a request for an investigation of its patent infringement claims with the United States International Trade Commission (ITC). In 1998, the ITC found in favor of the Company, and in 1999, the Court of Appeals for the Federal Circuit confirmed, in part, the ITC decision in favor of the Company. In 1999, the Company filed an antitrust suit against the competitor in the United States District Court of Massachusetts.

The competitor has also filed suits against the Company in various courts in Germany. In March 2000, a District Court in Dusseldorf ruled that distribution of our esquire series of products and of the related Agilent products for use in Germany infringe two of the competitor's patents and enjoined us from offering or delivering our ion trap devices to customers domiciled in Germany. This court also ordered us to pay damages to the competitor in an amount that has not yet been determined. The Company has appealed this decision and also has challenged the validity of the patents involved in the German patent court in Munich and filed an infringement case against the competitor in the District Court in Dusseldorf. In 2001, the District Court in Dusseldorf ruled that the competitor's ion trap mass spectrometers infringe one of our patents in Germany and found the competitor liable for damages and the costs of the proceeding in an amount to be determined by the Court.

The Company believes that it has meritorious defenses to the competitor's claims and intends to vigorously defend itself. Based on a review of the current facts and circumstances, management of the Company and its subsidiary believe that the amount of the accrued liability is a reasonable estimate of the exposure to loss associated with these matters, representing, principally, anticipated legal fees and

assessments. While acknowledging the uncertainties of litigation, the Company believes that these matters will be resolved without a material effect on the Company's financial position or results of operations. However, an unfavorable outcome of these matters could result in a material adverse impact on the Company's financial statements, although an estimate of such impact cannot be made.

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

6. Accounting Developments

In July 2001, the Financial Accounting Standards Board issued SFAS No. 141, "Business Combinations" ("SFAS 141"), and SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). SFAS 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001 and prohibits the use of the pooling-of-interests method. SFAS 142 changes the accounting for goodwill from an amortization method to an impairment-only approach. Thus, amortization of goodwill, including goodwill recorded in past business combinations, will cease upon adoption of SFAS 142, which for companies with calendar year ends, will be January 1, 2002. In addition, companies will be required to evaluate all existing goodwill for impairment within six months of adoption by comparing the fair value of each reporting unit to its carrying value at the date of adoption. Any transitional impairment losses will be recognized in the first interim period in the year of adoption and will be recognized as the effect of a change in accounting principle. Management believes the adoption of SFAS 141 and SFAS 142 will not have a material effect on the financial position or results of operations of the Company.

ITEM 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Quarter Ended June 30, 2001 Compared to Quarter Ended June 30, 2000

Product Revenue. Total product revenue for the three months ended June 30, 2001 increased $5.2 million, or 30.7%, to $22.3 million compared to $17.1 million in 2000. Life science systems revenue and substance detection systems revenue as a percentage of product revenue was 81% and 6%, respectively, in 2001 as compared to 70% and 30%, respectively, in 2000. The increase in product revenue in 2001 was due to a continuing demand for all our life science products, with particularly strong demand for our MALDI-TOF and Ion Trap Mass Spectrometer product lines.

Other Revenue. Other revenue for the three months ended June 30, 2001 decreased $451,000, or 99.3%, to $3,000 compared to $454,000 in 2000. This decrease was due to the completion of certain projects for early-stage research and development which were funded by grants from the German and United States governments.

Cost of Product Revenue. Cost of product revenue for the three months ended June 30, 2001 increased $2.7 million, or 34.7%, to $10.4 million compared to $7.8 million in 2000. The cost of product revenue as a percentage of product revenue was 46.8% in 2001 as compared to 45.4% in 2000. The increase relates to the product mix of sales directly to customers and through strategic alliances.

Selling, General and Administrative. Selling, general and administrative expenses for the three months ended June 30, 2001 increased $2.3 million, or 54.3%, to $6.6 million compared to $4.3 million in 2000. Selling, general and administrative expenses as a percentage of product revenues were 29.8% in 2001 and 25.2% in 2000. The increase relates to significant new product introductions during the second quarter and the cost related to the rollout of these products. These increases were also due to a combination of higher sales commissions earned by our direct sales force and the addition of four distribution subsidiaries not in operation during the three months ended June 30, 2000. We also incurred various other costs related to being a public company.

Research and Development. Research and development expenses for the three months ended June 30, 2001 decreased $369,000, or 7.4%, to $4.6 million in 2001 compared to $5.0 million in 2000. As a percentage of product revenues, research and development expenses were 20.8% in 2001 compared to 29.4% in 2000. The decrease relates to the completion of certain new developments that have now become new product introductions.

Interest and Other Income (Expenses), Net. Interest and other income, net for the three months ended June 30, 2001 was $798,000, compared to an interest and other expense, net of $196,000 in 2000. The difference relates to the interest earned on the additional funding raised in our equity offering during the third quarter of 2000.

Six Months Ended June 30, 2001 Compared to Six Months Ended June 30, 2000

Product Revenue. Total product revenue for the six months ended June 30, 2001 increased $12.9 million, or 41.6%, to $44.0 million compared to $31.1 million in 2000. Life science systems revenue and substance detection systems revenue as a percentage of product revenue was 75% and 7%, respectively, in 2001 as compared to 69% and 31%, respectively, in 2000. The increase in product revenue in 2001 was due to a continuing demand for all our life science products, with particularly strong demand for our MALDI-TOF and Ion Trap Mass Spectrometer product lines.

Other Revenue. Other revenue for the six months ended June 30, 2001 decreased $849,000, or 83.4%, to $169,000 compared to $1.0 million in 2000. This decrease was due to the completion of

certain projects for early-stage research and development which were funded by grants from the German and United States governments.

Cost of Product Revenue. Cost of product revenue for the six months ended June 30, 2001 increased $6.6 million, or 45.7%, to $20.9 million compared to $14.3 million in 2000. The cost of product revenue as a percentage of product revenue was 47.4% in 2001 as compared to 46.1% in 2000. The increase relates to the product mix of sales directly to customers and through strategic alliances.

Selling, General and Administrative. Selling, general and administrative expenses for the six months ended June 30, 2001 increased $4.8 million, or 60.6%, to $12.8 million compared to $8.0 million in 2000. Selling, general and administrative expenses as a percentage of product revenues were 29.1% in 2001 and 25.6% in 2000. The increase relates to significant new product introduction during the period and the cost related to the roll-out of these products. These increases were also due to a combination of higher sales commissions earned by our direct sales force and the addition of a few distribution subsidiaries not in operation during the three months ended June 30, 2000. We also incurred various other costs related to being a public company.

Research and Development. Research and development expenses for the six months ended June 30, 2001 increased $670,000, or 7.8%, to $9.3 million in 2001 compared to $8.6 million in 2000. As a percentage of product revenues, research and development expenses were 21.1% in 2001 compared to 27.7% in 2000. The decrease relates to the completion of certain new developments that have now become new product introduction.

Interest and Other Income (Expenses), Net. Interest and other income, net for the six months ended June 30, 2001 was $1.7 million, compared to an interest and other expense, net of $324,000 in 2000. The difference relates to the interest earned on the additional funding raised in our equity offering during the third quarter of 2000.

Liquidity and Capital Resources

Presently, we anticipate that our existing capital resources will meet our operating and investing needs through the end of 2001. Historically, we have financed our growth through a combination of cash provided from operations, debt financing and issuance of common stock. During 2001, net cash used in operating activities was $11.3 million. This is an increase in net cash used in operating activities as compared to 2000 and is primarily a result of increased inventory, accounts receivables and other assets.

We used $6.8 million of cash during the first six months of 2001 for capital expenditures. Such capital expenditures were made to improve productivity and expand manufacturing capacity. We expect to continue to make capital investments focused on enhancing the efficiency of our operations and supporting our growth.

In August 2000, we entered into a revolving line of credit with Citizens Bank in the United States in the amount of $2.5 million. As of June 30, 2001 there were no amounts outstanding. This line, which is secured by portions of our inventory, receivables and equipment in the United States, was used to support working capital and expires July 31, 2001. We also maintained revolving lines of credit of approximately $6.2 million with German banks. As of June 30, 2001, there was approximately $3.8 million outstanding on these lines. Our German lines of credit are unsecured. During the first half of 2001, we entered into a revolving line of credit of approximately $1.2 million with a Japanese bank. As of June 30, 2001, there was approximately $1.2 million outstanding on this line. This line of credit is unsecured.

Our future capital uses and requirements depend on numerous factors, including our success in selling our existing products, our progress in research and development, our ability to introduce and

sell new products, our sales and marketing expenses, our need to expand production capacity, costs associated with possible acquisitions, expenses associated with unforeseen litigation, regulatory changes, and competition and technological developments in the market.

Forward Looking Information

The matters discussed in this report contain forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially from those discussed herein. Such statements are made pursuant to the safe harbor provisions of the "Private Securities Litigation Reform Act of 1995." The preceding discussion of the financial condition and results of operations of the Company should be read in conjunction with the interim condensed consolidated financial statements and the notes thereto included in Part I, Item 1 of this Quarterly Report on Form 10-Q and the consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2000.

Inflation

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

Impact of Foreign Currencies

We sell our products in many countries, and a substantial portion of our sales and a portion of our costs and expenses are denominated in foreign currencies, especially in Euro. Historically, our realized foreign exchange gains and losses have not been material. Accordingly, we have not hedged our foreign currency position in the past. However, as we expand our sales internationally, we plan to evaluate our currency risks, and we may enter into foreign exchange contracts from time to time to mitigate foreign currency exposure.

ITEM 3: Quantitative and Qualitative Disclosures of Market Risk

Part of the information called for by this item is provided under the caption "Liquidity and Capital Resources" and "Impact of Foreign Currencies" under Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations.

The Company does not use derivative financial instruments for trading or speculative purposes. However, the Company regularly invests excess cash in overnight repurchase agreements and interest-bearing investment-grade securities that we hold for the duration of the term of the respective instrument and are subject to changes in short-term interest rates. The Company believes that the market risk arising from holding these financial instruments is minimal.

The Company's exposure to market risks associated with changes in interest rates relates primarily to the increase or decrease in the amount of interest income earned on its investment portfolio since the Company's long-term debt has a fixed rate. The Company ensures the safety and preservation of invested funds by limiting default risks, market risk and reinvestment risk. The Company mitigates default risk by investing in investment grade securities. A hypothetical 100 basis point adverse move in interest rates along the entire interest rate yield curve would not materially affect the fair value of the Company's interest sensitive financial instruments at June 30, 2001. Declines in interest rates over time will, however, reduce the Company's interest income.

PART II OTHER INFORMATION

ITEM 1: Legal Proceedings

Finnigan Litigation

Since December 31, 1996, the Company has been involved in patent litigation with a competitor, Finnigan, a subsidiary of Thermo Electron Corporation.

International Trade Commission Investigation and Appeal. In January 1997, Finnigan filed a complaint with the United States International Trade Commission alleging that our esquire mass spectrometer products which are based on our ion trap technology and a related product sold by our strategic partner, Agilent (formerly a division of Hewlett Packard), infringe Finnigan's U.S. Patent No. 4,540,884, or the '884 patent, and U.S. Patent Reissue No. 34,000, or the '000 patent. In February 1998, an administrative law judge initially found that some claims of the '884 patent were not infringed, some claims of the '884 patent were invalid, and the '000 patent was invalid. In April 1998, the Commission issued a final determination confirming, in most respects, the initial determination. Finnigan appealed the determination for the '884 patent only to the Court of Appeals for the Federal Circuit. In June 1999, this appeals court reversed the finding of invalidity of some claims of the '884 patent, but affirmed that our products did not infringe the '884 patent. The impact of this decision was to leave in effect the order of the Commission denying Finnigan the relief it sought.

Patent Infringement Action by Finnigan in United States District Court. In December 1996, Finnigan brought suit in the United States District Court for the District of Massachusetts alleging that our esquire series of mass spectrometer products and a related product marketed by Agilent infringe the '000 and the '884 patents. At present, Finnigan is only asserting two claims of the '000 patent and one claim of the '884 patent. The '000 patent expires in April 2005, and the '884 patent expires in September 2002. The Company has filed two motions for summary judgment. One motion seeks a ruling that the claim of the '884 patent is not infringed. The other seeks a ruling that the '000 patent is invalid. Finnigan has opposed these motions for summary judgment and cross-moved for summary judgment that the claim of the '884 patent covers the method of operation of our esquire mass spectrometers and the related Agilent product. A hearing on our summary judgment motion concerning the '884 patent was held on November 9, 2000, and on April 17, 2001, the Court granted our summary judgment motion concerning the '884 patent. A hearing on the motion concerning the '000 patent has been scheduled for September 20, 2001.

Our Antitrust Action Against Finnigan and Others in United States District Court. In May 1997, the Company filed a complaint in the United States District Court for the District of Massachusetts alleging antitrust violations against Finnigan, ThermoQuest and Thermo Instruments, two other subsidiaries of ThermoElectron, based on Finnigan's actions in connection with several of its patents. In January 2000, Finnigan filed a motion to dismiss. In November 2000, the District Court denied Finnigan's motion to dismiss with

respect to all counts of our complaint except one which the District Court dismissed. Finnigan subsequently filed a motion for reconsideration which was denied by the court in December 2000. In January 2001, Finnigan filed a motion to stay all discovery in this matter pending the outcome of their infringement suit against us in the United States District Court for the District of Massachusetts. In February 2001, the motion was denied, and the District Court allowed written discovery to commence immediately. Depositions may be scheduled after the rulings on the summary judgement motions pending in the patent infringement action.

Patent Infringement Action by Finnigan in The District Court in Dusseldorf, Germany. In March 1999, Finnigan brought suit in a District Court in Dusseldorf, Germany alleging that our esquire series of mass spectrometer products and the related Agilent product infringe three Finnigan European patents. The District Court retained the claims alleging infringement in Germany but, on jurisdictional grounds, transferred the claims alleging infringement in the United Kingdom, France, Sweden and Switzerland to

the District Court in Hamburg. In March 2000, the District Court issued rulings that distribution and delivery of our esquire series of products and of the related Agilent product for use in Germany infringe two Finnigan patents, and the Company was enjoined from offering or delivering our ion trap devices to customers domiciled in Germany. The District Court ordered us and Agilent to pay damages in an amount to be determined and stayed its consideration of the third patent pending the District Court's opportunity to hear witness testimony with respect to our claim regarding this patent. The hearing on this third patent and witness testimony is scheduled for November 2001 in Dusseldorf. On December 22, 2000, Finnigan filed a request for damages from lost sales in the amount of DM 6,374,366 with the District Court; however, the Company estimates that the damages for its past sales of ion trap products in Germany to be determined by the District Court will be approximately $240,000, and that the attorneys' fees and costs that the Company may be required to pay will be approximately $105,000. The damages and costs that the District Court actually assesses may be more or less than the amounts estimated here. The Company has filed an appeal of the decision of the District Court at the Higher District Court in Dusseldorf (Oberlandesgericht) for which a hearing is scheduled preliminarily for August 2001. In late October 2000, the District Court found that our subsidiary had delivered three instruments in summer 2000 in violation of its order and imposed a fine of DM 130,000 on us. The Company has appealed this decision as the Company believes that no instruments were delivered in violation of the order. In connection with our nullity action in the German Patent Court in Munich which is described below, the German Patent Court in Munich limited the scope of one of Finnigan's patents which the District Court found the Company had infringed; and, therefore, the Company believes that this patent is no longer the subject of this action.

Patent Infringement Action by Finnigan in The District Court in Hamburg, Germany. As noted above, the Dusseldorf Court transferred to the District Court in Hamburg the claims alleging infringement in the United Kingdom, France, Sweden and Switzerland. In these proceedings the substantive patent law of each country will apply to the determination of the claims and defenses relating to infringement in each country, respectively. A hearing was held on September 13, 2000 regarding the identity of the plaintiff and its basis for claims. The decision from this hearing, issued in December 2000, confirmed a Finnigan affiliate as the plaintiff. The Company does not expect a ruling on the infringement case in 2001.

Patent Infringement Action by ThermoFinnigan in The District Court in Paris, France. On December 22, 2000, Finnigan sued Bruker Daltonique, Bruker SA, France and Bruker Daltonics, as well as Agilent Technologies Holding SA and Agilent Technologies SA, France, alleging that our esquire mass spectrometers and the corresponding Agilent products infringe the French portions of ThermoFinnigan's European Patents 0 113 207 and 0 202 943. As of June 30, 2001, ThermoFinnigan had not yet filed the necessary documents to support their law suit. If they make these filings, then the Company will be required to file a response which will primarily address formal questions. A first instance decision on this matter is not expected during 2001.

Our Nullity Actions Against The Finnigan Patents In Germany. In July 1999, the Company filed nullity actions in the German Patent Court in Munich regarding the same three Finnigan patents involved in the Dusseldorf actions. In these nullity actions the Munich Court is being asked to determine the validity of the three Finnigan patents as they apply in Germany. The Munich Court will not determine the validity of the patents as the patents apply in France, the United Kingdom, Switzerland or Sweden. Hearings in the Munich nullity actions occurred in July 2000. The court limited the scope of one of the patents and deferred a ruling on the other two patents pending a further hearing. If the Company prevails in the nullity actions finally and absolutely, the rulings of the Dusseldorf Court will be withdrawn. A hearing on another patent with witness testimony took place in May 2001, but no decision has been issued so far. It is expected that the Court will hear additional witnesses this fall, and issue a ruling subsequently.

In May 2001, the European Patent Office (EPO) in Munich revoked Finnigan's European Patent (EP) 0 202 943 in its entirety. The EPO found that the '943 patent was invalid because it lacked novelty over both the written prior art and two separate prior public uses. The '943 patent relates to ion trap mass spectrometry. ThermoFinnigan had sued Bruker Daltonics under this patent in three separate actions in Europe: in Duesseldorf for Germany, in Hamburg for certain other European countries, and in Paris for France.

Our Patent Infringement Action Against Finnigan (Thermoquest) in the District Court in Dusseldorf, Germany. In late 1999, the Company filed a complaint in the District Court in Dusseldorf alleging that Finnigan's ion trap products infringe two of its European

patents, EP 0 321 819 and EP 0 236 990. In a final hearing on May 9, 2000, the EPO limited the scope of our European Patent EP 0 321 819. Therefore, the Company has withdrawn our complaint with respect to this patent. The District Court rendered a decision in our favor on March 22, 2001. In its written decision issued on April 12, 2001, the District Court ruled that Finnigan's GCQ and LCQ series of ion trap mass spectrometers infringe our EP 0236 990 patent in Germany. Accordingly, once we post a bond, Finnigan must stop offering, distributing, using or importing these products in Germany. The District Court also found Finnigan liable for damages and the costs of the proceedings in an amount yet to be determined. Finnigan may appeal this ruling. Since the ruling, Finnigan has reintroduced similar ion trap products for Germany, which Finnigan claims have been modified to avoid infringement. The Company is presently investigating these claims.

Nullity Actions Against Our Patents in Munich, Germany. Finnigan has filed a nullity action in the German Patent Court in Munich against one of our patents. In a ruling issued in January 2001, the German Patent Court in Munich upheld the validity of our patent but slightly narrowed its scope. This decision has been appealed by Finnigan and by us at the German Federal Court (Bundesgerichtshof) in Karlsruhe, Germany. The Company maintains its Dusseldorf complaint against Finnigan with respect to this patent.

Our Declaratory Judgement Suit Against the Finnigan Patents in Italy. In August 2000, Bruker Daltonik GmbH filed a declaratory judgement suit in Milan Italy requesting that the Italian Court declare that Finnigan's European Patent 0113207 is invalid throughout Europe and is not infringed by our products.

While the Company believes that its ion trap mass spectrometry products, including its Esquire series and the product sold by Agilent, should ultimately be held not to infringe any claim of any valid Finnigan patent, the Company cannot predict the outcome of the Finnigan litigation. The Company's wholly-owned subsidiary, Bruker Daltonik GmbH, has a $3.0 million and $4.1 million accrued liability at June 30, 2001 and December 31, 2000, respectively, related to this litigation. In 1998, 1999 and 2000, our sales of ion trap mass spectrometry products in Germany totaled $810,767, $2.0 million and $2.4 million, respectively. In 1998, 1999 and 2000, our sales of these products in other European countries totaled $1.8 million, $2.6 million and $6.3 million, respectively. In 1998, 1999 and 2000, our sales of ion trap mass spectrometry products in the U.S. totaled $2.1 million, $3.6 million and $3.9 million, respectively. In 1998, 1999 and 2000, total worldwide sales of our ion trap mass spectrometry products totaled $5.0 million, $8.2 million and $12.6 million, respectively. Also, under our agreement with Agilent, the Company may be required to indemnify Agilent from any damages and expenses resulting from the Finnigan litigation.

General

The Company may, from time to time, be involved in other legal proceedings in the ordinary course of business. The Company is not currently involved in any other pending legal proceedings that, either individually or taken as a whole, could materially harm our business, prospects, results of operations or financial condition. With the exception of the litigation described above, in the last two

fiscal years, neither we nor our subsidiaries have been involved in any lawsuits or arbitrations that could have or have had a material adverse effect on our financial position, operating results and cash flows. No such arbitrations or lawsuits have been threatened.

ITEM 2: Changes in Securities and Use of Proceeds

On August 3, 2000, the Securities and Exchange Commission declared effective our registration statement on Form S-1 (No. 333-34820) pursuant to which we offered and sold 9,200,000 shares of our common stock. We have used a portion of the net proceeds of the offering to fund our continuing research and development activities and for working capital and other general corporate purposes. Additionally, we have used approximately $7.0 million of the net proceeds to pay off a portion of our outstanding bank debt.

ITEM 3: Defaults Upon Senior Securities

None.

ITEM 4: Submission of Matters to a Vote of Security Shareholders

None.

ITEM 5: Other Information

None

ITEM 6: Exhibits and Reports on Form 8-K

(a) Exhibits.

None.

(b) Current Reports on Form 8-K.

We did not file any reports on Form 8-K during the three months and six months ended June 30, 2001.

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 DALTONICS INC.

Date: August 9, 2001

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

Frank H. Laukien, Ph.D.
President, Chairman, Chief Executive Officer, and Director (Principal Executive Officer)

Date: August 9, 2001

By: /s/ JOHN J. HULBURT, CPA

John J. Hulburt, CPA
Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)

QuickLinks

Bruker Daltonics Inc. Consolidated Condensed Balance Sheets (dollar amounts in thousands)
Bruker Daltonics Inc. Consolidated Condensed Statements of Operations (dollar amounts in thousands, except per share data) (Unaudited)
Bruker Daltonics Inc. Consolidated Condensed Statements of Cash Flows (dollar amounts in thousands) (Unaudited)
Bruker Daltonics Inc. Notes to Consolidated Condensed Financial Statements
SIGNATURES