BROOKS AUTOMATION INC
Form 8-K
August 21, 2001

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

Current Report Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934

Date of Report (Date of earliest event
reported):

August 20, 2001

Brooks Automation, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of Incorporation)

| | |
|---|---|
| 000-25434 | 04-3040660 |
| (Commission File Number) | (I.R.S. Employer Identification No.) |

15 Elizabeth Drive, Chelmsford, MA 01824

(978) 262-2400

(Registrant's Telephone Number, Including Area Code)

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ITEM 5. OTHER EVENTS

This Current Report on Form 8-K gives information relating to the Company's acquisition of Progressive Technologies, Inc. ("PTI") and the Company's acquisition of Auto-Soft Corporation ("ASC") and AutoSimulations, Inc. ("ASI"). On July 12, 2001, the Company acquired PTI in a transaction to be accounted for as a pooling of interests. This Current Report on Form 8-K provides audited supplementary consolidated financial information of the Registrant, giving effect to this transaction on the Registrant's financial position and results of operations.

The supplementary consolidated financial statements of the Company and its subsidiaries have been prepared to give retroactive effect to the merger with PTI, which occurred on July 12, 2001. Generally accepted accounting principles proscribe giving effect to a consummated business combination accounted for by the pooling of interests method in financial statements that do not include the date of consummation. These financial statements do not extend through the date of consummation; however, they will become the historical consolidated financial statements of the Company and subsidiaries after financial statements covering the date of consummation of the business combination are issued.

Prior to its acquisition by the Company, PTI's fiscal year-end was December 31. Accordingly, the Company's supplementary consolidated balance sheets as of September 30, 2000 and 1999 include PTI's balance sheets as of December 31, 2000 and 1999, respectively. The Company's Supplementary Consolidated Statements of Operations, Supplementary Consolidated Statements of Changes in Stockholders' Equity and Supplementary Consolidated Statements of Cash Flows for the years ended September 30, 2000, 1999 and 1998, include PTI's results of operations for the years ended December 31, 2000, 1999 and 1998, respectively. The Company's Supplementary Consolidated Statement of Operations for the nine months ended June 30, 2000, includes the results of PTI for the nine months ended September 30, 2000. As a result of conforming dissimilar year-ends, PTI's results of operations for the three months ended December 31, 2000, are included in the Company's fiscal year 2000 and will be included in the Company's fiscal year 2001. An amount equal to PTI's net income attributable to common stockholders for the three months ended December 31, 2000, was eliminated from consolidated retained earnings for the nine months ended June 30, 2001. PTI's net income and accretion on preferred stock for that quarter were $536,000 and $30,000, respectively.

(a) The supplementary financial information included herein is as follows:

- Management's Discussion and Analysis of Financial Condition and Results of Operations for the three years ended September 30, 2000, 1999 and 1998
- Report of Independent Accountants - PricewaterhouseCoopers LLP
- Report of Independent Auditors - Ernst & Young LLP
- Report of Independent Public Accountants - Arthur Andersen LLP
- Supplementary Consolidated Balance Sheets as of September 30, 2000 and 1999
- Supplementary Consolidated Statements of Operations for the years ended September 30, 2000, 1999 and 1998
- Supplementary Consolidated Statements of Changes in Stockholders' Equity for the years ended September 30, 2000, 1999 and 1998
- Supplementary Consolidated Statements of Cash Flows for the years ended September 30, 2000, 1999 and 1998
- Notes to Supplementary Consolidated Financial Statements for the three years ended September 30, 2000, 1999 and 1998



(b) The supplementary financial information included herein is as follows:

- Supplementary Consolidated Balance Sheets as of June 30, 2001 (unaudited) and September 30, 2000
- Supplementary Consolidated Statements of Operations for the nine months ended June 30, 2001 and 2000 (unaudited)
- Supplementary Consolidated Statements of Cash Flows for the nine months ended June 30, 2001 and 2000 (unaudited)
- Notes to Supplementary Consolidated Financial Statements for the nine months ended June 30, 2001 and 2000 (unaudited)
- Management's Discussion and Analysis of Financial Condition and Results of Operations for the nine months ended June 30, 2001 and 2000

(c) The Company acquired ASC and ASI on January 6, 2000. The following unaudited pro forma financial information gives effect to the acquisition of ASC and ASI as if the transaction had occurred on October 1, 1999

Unaudited Pro Forma Combined Condensed Statement of Operations for the year ended September 30, 2000

Notes to Unaudited Pro Forma Combined Condensed Financial Statements

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Item 5(a).

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Certain statements in this report on Form 8-K constitute "forward-looking statements" which involve know risks, uncertainties, and other factors which may cause the actual results, performance, or achievements of Brooks to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. Such factors include the factors that may affect future results set forth in Management's Discussion and Analysis of Financial Condition and Results of Operations, which is included in this report. Precautionary statements made herein should be read as being applicable to all related forward-looking statements whenever they appear in this report.

OVERVIEW

The predecessor Brooks was organized in February 1989 and acquired the semiconductor wafer handling business of the Brooks Automation Division of Aeronca Electronics, Inc., a subsidiary of Fleet Aerospace Corporation, in March 1989.

Brooks is a leading supplier of tool and factory hardware and software automation solutions for the global semiconductor, data storage, and flat panel display manufacturing industries. Brooks has distinguished itself as a technology and market leader, particularly in the demanding cluster-tool vacuum-processing environment and in integrated factory automation software applications. The Company's offerings have evolved from individual robots used to optimize fab performance. In 1998 and 1999 the Company diversified and entered the factory automation market, beginning with the acquisition of FASTech Integration, Inc. Through a recent series of acquisitions Brooks has emerged as one of the leading suppliers of factory automation software and hardware solutions to end users in these markets.

In 1992, the Company introduced the family of vacuum central wafer handling systems and modules that forms the foundation of the Company's current business. In 1994, the Company introduced a similar family of systems and modules for flat panel display substrates, including a next-generation magnetically driven vacuum transfer robot. In 1996, the Company acquire Techware Systems Corporation ("Techware"), a designer and supplier of integrated equipment control software for the semiconductor and related industries, expanding its software and control capability. In 1997, the Company introduced a line of products for the atmospheric handling market, including in-line and controlled environment systems, robots, aligners and traversers. In 1998, the Company acquired FASTech Integration, Inc. ("FASTech"), a designer and supplier of top-to-bottom integrated Manufacturing Execution Systems ("MES") software solutions. Both of these acquisitions were accounted for under the pooling of interests methods.

The Company made several acquisitions during fiscal year 1999. On April 21, 1999, the Company completed the acquisition of Hanyon Technology, Inc. ("Hanyon"). Hanyon, based in Korea, provides MES systems integration services and cell control automation solutions to the semiconductor and liquid crystal display industries in Korea and Taiwan. On June 30, 1999, the Company completed the acquisition of substantially all the assets and certain liabilities of

Domain Manufacturing Corporation ("Domain"). Domain is a leading developer of process development, data analysis and advanced process control software. These acquisitions were accounted for using the purchase method of accounting. Accordingly, the Company's consolidated Statements of Operations and of Cash Flows include the results of Hanyon and Domain for the periods subsequent to their respective dates of acquisition.

On August 31, 1999, the Company completed the acquisition of Smart Machines Inc. ("Smart Machines"). Smart Machines produces process tool automation components for semiconductor manufacturers. This acquisition was accounted for as a pooling of interests.

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On September 30, 1999, the Company completed the acquisition of certain assets of the Infab Division ("Infab") of Jenoptik AG, a leading supplier of advanced factory interface systems. This acquisition was accounted for using the purchase method of accounting. Accordingly, the Company's Consolidated Statements of Operations and Cash Flows contain the results of Infab for the periods subsequent to the date of its acquisition.

On January 6, 2000, the Company completed the acquisition of the businesses of Auto-Soft Corporation ("ASC") and AutoSimulations, Inc. ("ASI") from Daifuku America Corporation ("Daifuku America"), a U.S. subsidiary of Daifuku Co., Ltd. of Japan. ASC is a material handling software and systems integration company. ASC is a robotic and material handling simulation, schedule and real time dispatching software company. The acquisition was accounted for using the purchase method of accounting. Accordingly, the Company's Consolidated Statements of Operations and of Cash Flows for the year ended September 30, 2000 include the results of ASC and ASI for the period subsequent to their acquisition.

On May 5, 2000, the Company acquired Irvine Optical Company LLC ("Irvine Optical"). Irvine Optical is a manufacturer of micro/macro inspection, wafer handling, and sorting and control equipment, primarily for the semiconductor industry. The transaction was accounted for as a pooling of interests. Accordingly, the Company's consolidated financial statements and notes thereto have been restated to include the financial position and results of operations of Irvine Optical for all periods prior to the acquisition.

On June 23, 2000, the Company acquired the assets of MiTeX Solutions ("MiTeX"), a provider of run-to-run control technology. The acquisition was accounted for using the purchase method of accounting. The Company's Consolidated Statements of Operations and of Cash Flows for the year ended September 30, 2000 include the results of MiTeX for the period from July 1, 2000 to September 30, 2000. The results of operations of MiTeX for the period from acquisition to June 30, 2000, are not material to the consolidated results of the Company.

On July 12, 2001 the Company acquired Progressive Technologies, Inc. ("PTI"). PTI is engaged in the development, production and distribution of air-flow regulation systems for clean room and process equipment in the semiconductor industry. The transaction was accounted for as a pooling of interests. Accordingly, the Company's consolidated financial statements and notes thereto have been restated on a supplementary basis to include the financial position and results of operations of PTI for all periods prior to their acquisition.

In June 1999, the Company formed a joint venture in Korea with Samsung Electronics. This joint venture is 70% owned by the Company and 30% owned by Samsung, and has been organized to design, develop, and manufacture atmospheric flat panel display loaders along with other products. The Company consolidated fully the financial position and results of operations of the joint venture and accounts for the minority interest in the financial statements.

The Company's product revenues include sales of hardware and software products. The Company's service revenues are primarily comprised of tool control application consulting services, consulting, software customization and spare parts sales.

Many of the Company's customers purchase the Company's vacuum transfer robots and other modules before purchasing the Company's vacuum central wafer handling systems. The Company believes that once a customer has selected the Company's products for a process tool, the customer is likely to rely on those products for the life of that process tool model, which can be in excess of five years. Conversely, losing a bid for a manufacturing execution system ("MES") does not preclude the Company from securing optimization products to fit with a competitor's MES.

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A significant portion of the Company's revenues have been generated by sales to customers in the United States, although the Company believes that a significant portion of these customers incorporate the Company's products into equipment sold to their foreign customers. The Company's foreign sales have occurred principally in Asia and Europe. Sales in Asia have occurred primarily in Japan and South Korea, and, to a lesser extent, in Taiwan and Singapore.

The Company's foreign revenues are generally denominated in United States dollars. Accordingly, foreign currency fluctuations have not had a significant impact on the comparison of the results of operations for the periods presented. The costs and expenses of the Company's international subsidiaries are generally denominated in currencies other than the United States dollar. However, since the functional currency of the Company's international subsidiaries are the local currency, foreign currency translation adjustments are reflected as a component of stockholders' equity under the caption "Accumulated other comprehensive income (loss)". To the extent that the Company expands its international operations or changes its pricing practices to denominate prices in foreign currencies, the Company will be exposed to increased risk of currency fluctuation.

The Company's business is highly dependent upon the capital expenditures of semiconductor and flat panel display manufacturers which historically have been cyclical, and the Company's ability to develop, manufacture and sell new products and product enhancements. The Company's revenues grew substantially in fiscal 2000 compared to fiscal 1999 due in large part to high levels of capital expenditures of semiconductor manufacturers. The Company cannot guarantee that these levels of expenditure will be sustained in fiscal 2001. The Company's results will also be affected, especially when measured on a quarterly basis, by the volume, composition and timing of orders, conditions in industries served by the Company, competition and general economic conditions.

RESULTS OF OPERATIONS

YEAR ENDED SEPTEMBER 30, 2000, COMPARED TO YEAR ENDED SEPTEMBER 30, 1999

The Company reported net income of $15.1 million for the year ended September 30, 2000, compared to a net loss of $9.5 million in the previous year. The Company's net income attributable to common stockholders for the year ended September 30, 2000 include $18.5 million of amortization of acquired intangible assets, $0.6 million of acquisition-related charges and $0.1 million of accretion and dividends on preferred stock. The Company's net loss attributable to common stockholders in the previous year includes $0.6 million of amortization of acquired intangible assets, $5.3 million of acquisition-related and restructuring charges and other costs and $0.8 million of accretion and dividends on preferred stock.

REVENUES

The Company reported revenues of $337.2 million in the year ended September 30, 2000, compared to $123.0 million in the previous year, a 174.2% increase. The overall increase is principally attributable to the strength in both the original equipment manufacturer ("OEM") and end user markets and incremental revenue from acquisitions. This Company experienced growth in all of the geographic regions in which it operates. Both the automation systems segment and the factory automation solutions segment increased from the prior year, by 155.0% and 252.6%, respectively.

Product revenues increased $182.9 million, or 180.2%, to $284.4 million in the year ended September 30, 2000, from $101.5 million in the previous fiscal year. This growth is primarily attributable to the overall strength in the OEM and End User markets and acquisitions.

Service revenues increased $31.3 million, or 146.0%, to $52.8 million. This increase is primarily attributable to internal growth and the Company's acquisitions.

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Revenues outside the United States were $161.5 million, or 47.9% of revenues, and $53.1 million, or 43.2% of revenues, in the years ended September 30, 2000 and 1999, respectively. The increase is primarily the result of the Company's expanded global presence from its recent acquisitions. The Company expects that foreign revenues will continue to account for a significant portion of total revenues. However, the Company cannot guarantee that foreign revenues, particularly from Asia, will remain a strong component of the Company's total revenues.

GROSS MARGIN

Gross margin increased to 47.7% for the year ended September 30, 2000, compared to 44.9% for the previous year. The Company's automation systems segment gross margin increased to 40.8% in the year ended September 30, 2000, from 36.9% in the prior year, and is primarily the result of operational efficiencies and change in product mix. This increase was partially offset by a decrease in gross margin of the Company's factory automation solutions segment, to 68.0% in the year ended September 30, 2000, from 77.4% in the prior year. This segment's gross margin decline is primarily attributable to the acquired service business of ASC, which has a historically lower margin structure than that of the segment. In future years, gross margin may be adversely affected by changes in product mix and/or price competition.

Gross margin on product revenues was 50.4% for the year ended September 30, 2000. Gross margin on product revenues for the year ended September 30, 1999, which included charges aggregating $1.6 million, comprised of $1.0 million to provide additional reserves for slow-moving and obsolete inventories and $0.6 million of additional depreciation expense, was 46.6%. Excluding these charges, gross margin for the year ended September 30, 1999, was 48.2%. The increase is primarily attributable to improvements in manufacturing capacity utilization and the acquisition of higher margin software product businesses, partially offset by the Infab operations' historically lower margin structure.

Gross margin on service revenues decreased to 33.0% for the year ended September 30, 2000, from 36.8% in the previous year. The decrease is primarily a result of business mix, combined with ASC's historically lower margin structure. Included in the cost of service revenues are global customer support costs, consisting primarily of personnel costs and travel expenses.

RESEARCH AND DEVELOPMENT

Research and development expenses for the year ended September 30, 2000, were $44.1 million, an increase of $19.6 million, compared to $24.5 million in the previous year. However, research and development expenses decreased as a percentage of revenues, to 13.1%, from 19.9% in fiscal 1999. The increase in absolute spending is the result of the research and development efforts related to the Company's recent acquisitions as well as incremental spending associated with the launch of new atmospheric products and the transition to the next generation vacuum wafer handling products, partially offset by the elimination of redundant research and development programs. The Company plans to invest in research and development to enhance existing and develop new tool and factory hardware and software automation solutions for the semiconductor, data storage and flat panel display manufacturing industries.



SELLING, GENERAL AND ADMINISTRATIVE

Selling, general and administrative expenses were $77.4 million for the year ended September 30, 2000, an increase of $38.6 million, compared to $38.8 million in the previous year. However, selling, general and administrative expenses decreased as a percentage of revenues, to 23.0% in the year ended September 30, 2000, from 31.5% in the previous year. The increase in absolute spending is the result of expanded sales and marketing activities as well as general and administration support costs associated with the Company's recently completed acquisitions and infrastructure improvements, while the improvement of these costs as a percentage of revenues reflects the Company's efforts at expanding its product offerings and customer base. The Company expects that future expenditure levels will continue at or above current levels to support its worldwide sales and administrative organizations.

AMORTIZATION OF ACQUIRED INTANGIBLE ASSETS

Amortization expense for acquired intangible assets totaled $18.5 million for the year ended September 30, 2000, and relates to acquired intangible assets from the June 23, 2000 Mitex acquisition, the January 6, 2000 ASC and ASI acquisition, the Infab, Domain and Hanyon acquisitions, all of which occurred during the second half of fiscal 1999 and Irvine Optical's acquisition of a corporation in March 1997. Amortization expense for acquired intangible assets was $0.6 million in the year ended September 30, 1999, and relates to the Domain and Hanyon acquisitions and Irvine Optical.

ACQUISITION-RELATED AND RESTRUCTURING COSTS

Acquisition-related charges of $0.6 million in the year ended September 30, 2000, relate primarily to transaction costs in connection with the acquisition of Irvine Optical. In fiscal 1999, the Company incurred acquisition-related and restructuring costs of $3.1 million, comprised of $1.2 million for transaction costs related to the Smart Machines acquisition, $0.3 million for severance costs and $1.6 million for the write-off of certain fixed assets.

INTEREST INCOME AND EXPENSE

Interest income increased by $6.6 million, to $9.7 million, in the year ended September 30, 2000, compared to the previous year. This increase is due primarily to higher cash and investment asset balances which resulted from the Company's public offering of shares of common stock in March 2000. Interest expense of $1.3 million and $1.6 million for the years ended September 30, 2000 and 1999, respectively, relates primarily to Irvine Optical's debt, which was discharged on May 6, 2000. Fiscal 2000 interest expense also includes interest on the Company's note payable to Daifuku America issued as part of the consideration for ASC and ASI.

INCOME TAX PROVISION (BENEFIT)

The Company recorded net income tax expense of $13.6 million for the year ended September 30, 2000, and net income tax benefits of $0.9 million for the year ended September 30, 1999. The fiscal 2000 tax provision is attributable to federal, state, foreign and withholding taxes. Federal and state taxes have been reduced for net operating losses, research and development tax credits and a foreign sales corporation benefit. The tax benefit recorded in fiscal 1999 is primarily due to anticipated future tax benefit of domestic net operating losses and research and development credits, partially offset by a $1.6 million increase in the deferred tax asset valuation allowance.

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YEAR ENDED SEPTEMBER 30, 1999, COMPARED TO YEAR ENDED SEPTEMBER 30, 1998

The Company reported a net loss of $9.5 million for the year ended September 30, 1999 (including $0.6 million of amortization of acquired intangible assets and $5.3 million of acquisition-related and restructuring charges and other costs), compared to a net loss of $23.3 million in the previous year (including $0.2 million of amortization of acquired intangible assets and $11.8 million of acquisition-related and restructuring charges and other costs). The Company reported net losses attributable to common stockholders (after dividends and accretion on preferred stock) of $10.3 million and $24.8 million for the years ended September 30, 1999 and 1998, respectively.

REVENUES

The Company reported revenues of $123.0 million in the year ended September 30, 1999, compared to $123.5 million in the previous year. However, excluding the results of Irvine Optical, revenues increased 5.2%, to $111.9 million in the year ended September 30, 1999, from $106.4 million in the previous year. The decrease in total revenue is attributable to the automation systems segment, which includes Irvine Optical, partially offset by an increase in the factory automation solutions segment's revenue.

Product revenues decreased $2.6 million, or 2.5%, to $101.5 million in the year ended September 30, 1999, from $104.1 million in the previous fiscal year. The decline is the net result of Irvine Optical's lower revenues, partially offset by improving 200mm revenues.

Service revenues increased $2.1 million, or 10.7%, to $21.5 million. This increase is primarily attributable to the Company's acquisitions and the impact of those acquisitions on consulting services associated with factory automation.

Revenues outside the United States were $53.1 million, or 43.2% of revenues, and $55.0 million, or 44.5% of revenues, in the years ended September 30, 1999 and 1998, respectively.

GROSS MARGIN

Gross margin increased to 44.9% for the year ended September 30, 1999, compared to 30.2% for the previous year. Both of the Company's segments showed improved gross margin performance. The Company's automation systems segment gross margin increased to 36.9% in the year ended September 30, 1999, from 24.5% in the prior year. This increase is primarily the result of improved manufacturing capacity utilization. The Company's factory automation solutions segment gross margin was 77.4% in the year ended September 30, 1999, an increase from 66.8% in the previous year. This increase is primarily due to the acquisition of higher margin software product businesses.

Gross margin on product revenues increased to 46.6% for the year ended September 30, 1999, from 28.3% in the previous year. Included in the cost of product revenues for the years ended September 30, 1999 and 1998 are charges of $1.6 million and $6.6 million, respectively, for acquisition-related, restructuring and other costs. The fiscal 1999 charges are comprised of a $1.0 million charge to provide additional reserves for slow-moving and obsolete inventories and $0.6 million of additional depreciation expense, while the fiscal 1998 charge was comprised of $6.2 million to provide additional reserves for slow-moving and obsolete inventories, $0.3 million for additional depreciation costs and $0.1 million for severance costs. Excluding these costs, gross margin on product revenues was 48.2% and 34.6% for the years ended September 30, 1999 and 1998, respectively.

Gross margin on service revenues decreased to 36.8% for the year ended September 30, 1999, from 40.5% in the previous year. Included in the cost of service revenues are global customer support costs, consisting primarily of personnel costs and travel expenses.

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RESEARCH AND DEVELOPMENT

Research and development expenses for the year ended September 30, 1999 were $24.5 million, a decrease of $3.1 million, from $27.6 million in the previous year. Research and development expenses also decreased as a percentage of revenues, to 19.9% in the year ended September 30, 1999, compared to 22.3% in the previous year. The spending decrease was the effect of reduced personnel costs and other related spending associated with the changing mix of supported technologies.

SELLING, GENERAL AND ADMINISTRATIVE

Selling, general and administrative expenses increased by 10.8%, to $38.8 million for the year ended September 30, 1999, compared to $35.0 million in the previous year. Selling, general and administrative expenses also increased as a percentage of revenues, to 31.5% in the year ended September 30, 1999, from 28.3% in the previous year. Fiscal 1999 expenses included $0.2 million for additional depreciation expense and fiscal 1998 expenses included $1.0 million for additional accounts receivable reserves and additional depreciation expense. The spending increase is due to expanded sales and marketing activities as well as increased general and administration support costs associated with the Company's acquisitions and infrastructure improvements completed in 1999.

AMORTIZATION OF ACQUIRED INTANGIBLE ASSETS

Amortization expense for acquired intangible assets totaled $0.6 million for the year ended September 30, 1999, and relates to the Infab, Domain and Hanyon acquisitions, all of which occurred during the second half of fiscal 1999 and Irvine Optical's acquisition of a corporation in March 1997. Amortization expense for acquired intangible assets was $0.2 million for the year ended September 30, 1998, and is attributable to Irvine Optical.

ACQUISITION-RELATED AND RESTRUCTURING COSTS

In fiscal 1999, the Company incurred acquisition-related and restructuring costs of $3.1 million, comprised of $1.2 million for transaction costs related to the Smart Machines acquisition, $0.3 million for severance costs and $1.6 million for the write-off of certain fixed assets. The fiscal 1998 acquisition-related and restructuring costs of $3.7 million were comprised of $1.4 million to exit duplicate facilities, $1.0 million for legal, accounting and other transaction costs related to the FASTech acquisition and $1.3 million for severance costs.

INTEREST INCOME AND EXPENSE

Interest income decreased by 13.2%, to $3.2 million, in the year ended September 30, 1999, compared to $3.6 million in the previous year, due primarily to lower cash and investment asset balances. Interest expense decreased by 34.1%, to $1.6 million in the year ended September 30, 1999, from $2.3 million in the previous year. Fiscal 1998 interest expense includes $0.3 million to retire debt in conjunction with the acquisition of FASTech. The decrease is primarily attributable to reduced borrowings and the aforementioned fiscal 1998 debt retirement charge.

INCOME TAX BENEFIT

The Company recorded net tax benefits of $0.9 million and $4.6 million in the years ended September 30, 1999 and 1998, respectively. These tax benefits are primarily due to anticipated future tax benefit of domestic net operating losses and research and development credits, which were partially offset by $1.6 million and $3.8 million increases in the deferred tax asset valuation allowance in fiscal 1999 and fiscal 1998, respectively.

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LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents were $133.6 million at September 30, 2000, an increase of $66.6 million from September 30, 1999. The Company realized proceeds, net of issuance costs, of $220.5 million from a public offering of shares of its common stock in March 2000. In connection with its acquisition of ASC and ASI on January 6, 2000, the Company paid Daifuku America $27.0 million in cash and issued Daifuku America a note in the amount of $16.0 million, which is due on January 6, 2001. The Company has invested net $103.0 million of excess cash in short- and long-term marketable securities. At September 30, 2000, $88.0 million was invested in marketable securities with maturities of one year or less and $15.0 million in marketable securities which will mature October 1, 2001 or later.

Cash used in operations was $11.2 million, and is primarily attributable to increases in accounts receivable, inventories and prepaid expenses and other current assets of $50.7 million, $28.0 million and $7.7 million, respectively, partially offset by depreciation and amortization of $30.4 million, and increases of $12.8 million in accounts payable, $8.4 million in deferred revenue, $9.7 million in accrued compensation and benefits and $8.6 million in accrued expenses and other current liabilities. The increase in accounts receivable and inventories is primarily attributable to the Company's recent rapid growth. The Company's increased sales, particularly in Asia, combined with a greater number of long-term contracts, have also contributed to the increase in accounts receivable.

Cash used in investing activities was $142.1 million, and was principally comprised of $118.0 million for the purchase of marketable securities, partially offset by $15.0 million of marketable securities sold/matured, $24.4 million used for the purchase of businesses, net of cash acquired (primarily the acquisition of ASC and ASI) and $13.9 million used for capital additions, primarily in its telecommunications systems infrastructure and for computer requirements, including expenditures needed to accommodate the Company's expanding capacity needs, such as the completion this year of its additional facility in Chelmsford, Massachusetts.

Cash provided by financing activities was $220.1 million, comprised of $220.5 million of proceeds from the public offering of common stock, net of $12.9 million of issuance costs, and $5.4 million of proceeds from the exercise of common stock options and the employee stock purchase plan. The total proceeds of $225.9 million from the issuance of common stock were partially offset by $5.3 million for net repayments on the revolving credit facility of an acquired entity and $0.6 million for the payment of long-term debt of the Company.

While the Company has no significant capital commitments, as it expands its product offerings and prepares for expected growth, the Company anticipates that it will continue to make capital expenditures to support its business. The Company may also use its resources to acquire companies, technologies or products that complement the business of the Company.

The Company terminated its $30.0 million unsecured revolving credit facility and entered into a $10.0 million uncommitted demand promissory note facility with ABN AMRO Bank N.V. ("ABN AMRO") on May 2, 2000. The Company transferred all of its outstanding letters of credit, totaling approximately $1.1 million, to the new facility. ABN AMRO is not obligated to extend loans or issue letters of credit under this new facility. At September 30, 2000, $1.3 million of the facility was in use, all of it for letters of credit.

The Company believes that its existing resources will be adequate to fund the Company's currently planned working capital and capital expenditure requirements for at least the next twelve months. The sufficiency of the Company's resources to fund its needs for capital is subject to known and unknown risks, uncertainties and other factors which may have a material adverse effect on the Company's business, including without limitation, the factors discussed under "Factors That May Affect Future Results."

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RECENT ACCOUNTING PRONOUNCEMENTS

In March 2000, the Financial Accounting Standards Board issued FASB Interpretation No. 44 ("FIN 44"), "Accounting for Certain Transactions Involving Stock Compensation - an interpretation of APB Opinion No. 25". FIN 44 clarifies the application of APB Opinion No. 25 ("APB 25"), including the following: the definition of an employee for purposes of applying APB 25; the criteria for determining whether a plan qualifies as a non-compensatory plan; the accounting consequences of various modifications to the terms of previously fixed stock options or awards; and the accounting for an exchange of stock compensation awards in a business combination. FIN 44 is effective July 1, 2000, but certain conclusions in FIN 44 cover specific events that occurred after either December 15, 1998 or January 12, 2000. Application of this pronouncement has not had a material impact on the Company's financial position or results of operations.

In December 1999, the U.S. Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 101 ("SAB 101"), "Revenue Recognition in Financial Statements". SAB 101 summarizes the SEC's views in applying generally accepted accounting principles to selected revenue recognition issues in financial statements. In June 2000, the SEC issued Staff Accounting Bulletin No. 101B, an amendment to SAB 101, which delays the implementation of SAB 101. The application of the guidance in SAB 101 will now be required in the Company's fourth quarter of fiscal 2001. The Company does not anticipate the adoption of SAB 101 to have a significant impact on financial results in fiscal 2001.

In June 1998, the Financial Accounting Standards Board issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("FAS 133"). This statement was amended by the issuance of Statement No. 137, "Deferral of the Effective Date of FASB Statement No. 133", which changed the effective date of FAS 133 to all fiscal years beginning after June 15, 2000 (fiscal 2001 for the Company) and requires that all derivative instruments be recorded on the balance sheet at their fair value. This statement was further amended by Statement No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities - an Amendment of FASB Statement No. 133". Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. The Company's management anticipates that the adoption of FAS 133 will not have a significant effect on the Company's results or operations or financial position, as the Company currently does not utilize derivative instruments.

FACTORS THAT MAY AFFECT FUTURE RESULTS

From time to time, information provided by Brooks or statements made by its employees may contain forward-looking information that involves substantial known and unknown risks and uncertainties such as those described below that could cause actual results to differ materially from targets or projected results.

You should carefully consider the risks described below and the other information in this report before deciding to invest in shares of our common stock. While these are the risks and uncertainties we believe are most important for you to consider, you should know that they are not the only risks or uncertainties facing us or which may adversely affect our business. If any of the following risks or uncertainties actually occur, our business, financial condition and operating results would likely suffer. In that event, the market price of our common stock could decline and you could you lose all or part of the money you paid to buy our common stock.

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RISKS RELATING TO OUR OPERATIONS

THE CYCLICAL DEMAND OF SEMICONDUCTOR MANUFACTURERS AFFECTS OUR OPERATING RESULTS. Our business is significantly dependent on capital expenditures by semiconductor manufacturers. The level of semiconductor manufacturers' capital expenditures is dependent on the current and anticipated market demand for semiconductors. Demand for semiconductors is cyclical and has historically experienced periodic downturns. During these downturns, our revenues have dropped, and we have incurred losses. We believe that downturns in the semiconductor manufacturing industry will occur in the future and will result in decreased demand for our products. Despite the addition of our factory automation business in fiscal 1999, our financial results will continue to be dependent on capital expenditures by semiconductor manufacturers. Downturns in the semiconductor business, when fewer new facilities are being built, could harm our financial results as have downturns in the past.

OUR SALES VOLUME DEPENDS ON THE SALES VOLUME OF OUR ORIGINAL EQUIPMENT MANUFACTURER CUSTOMERS. We sell a majority of our tool automation products to original equipment manufacturers who incorporate our products into their equipment. Therefore, our revenues are directly dependent on the ability of these customers to develop and market their equipment in a timely, cost-effective manner.

WE RELY ON A SMALL NUMBER OF CUSTOMERS FOR A LARGE PORTION OF OUR REVENUES. We receive a significant portion of our revenues in each fiscal period from a limited number of customers. The loss of one or more of these major customers, or a decrease in orders by one or more customers, would adversely affect our business. Sales to our ten largest customers accounted for approximately 41% and 49% of total revenues in the years ended September 30, 2000 and 1999, respectively. Sales to Lam Research Corporation, our largest customer, accounted for approximately 11% and 12% of total revenues in the years ended September 30, 2000 and 1999, respectively.

DELAYS IN SHIPMENT OF A FEW OF OUR LARGE ORDERS COULD SUBSTANTIALLY DECREASE OUR REVENUES. Historically, a substantial portion of our quarterly and annual revenues came from sales of a small number of large orders. These orders consist of products with high selling prices compared to our other products. As a result, the timing of the recognition of revenue from one of these large orders can have a significant impact on our total revenues and operating results for a particular period. Our operating results could be harmed if orders for even a small number of large orders are canceled or rescheduled by customers or cannot be filled due to delays in manufacturing, testing, shipping or product acceptance.

WE HAVE SIGNIFICANT FIXED COSTS WHICH ARE NOT EASILY REDUCED IF REVENUES FALL BELOW EXPECTATIONS. Our expense levels are based in part on our future revenue expectations. Many of our expenses, particularly those relating to capital equipment and manufacturing overhead, are relatively fixed. If we do not meet our sales goals we may be unable to rapidly reduce these fixed costs. Our ability to reduce expenses is further constrained because we must continue to invest in research and development to maintain our competitive position to maintain service and support for our existing global customer base. Accordingly, if we suffer an unexpected downturn in revenue, our inability to reduce fixed costs rapidly could increase the adverse impact on our results of operations.

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OUR LENGTHY SALES CYCLE REQUIRES US TO INCUR SIGNIFICANT EXPENSES WITH NO ASSURANCE THAT WE WILL GENERATE REVENUE. Our tool automation products are generally incorporated into original equipment manufacturer equipment at the design stage. To obtain new business from our original equipment manufacturer customers, we must develop products for selection by a potential customer at the design stage. This often requires us to make significant expenditures, without any assurance of success. The original equipment manufacturer's design decisions often precede the generation of volume sales, if any, by a year or more. We also must complete successfully a lengthy evaluation period before we can achieve volume sales of our manufacturing execution system software and process optimization software to our factory automation customers. We cannot guarantee that we will continue to achieve design wins or satisfy evaluations by our factory automation customers of our software. We cannot guarantee that the equipment manufactured by our original equipment manufacturing customers will be commercially successful. If we or our original equipment manufacturing customers fail to develop and introduce new products successfully and in a timely manner, our business and financial results will suffer.

OUR INTERNATIONAL BUSINESS OPERATIONS EXPOSE US TO A NUMBER OF DIFFICULTIES IN COORDINATING OUR ACTIVITIES ABROAD AND IN DEALING WITH MULTIPLE REGULATORY ENVIRONMENTS. Approximately 48% and 43% of our total revenues were derived from customers located outside North America in the years ended September 30, 2000 and 1999, respectively. We anticipate that international sales will continue to account for a significant portion of our revenues. Our vendors are located in several different foreign countries. As a result of our international business operations, we are subject to various risks, including:

- difficulties in staffing and managing operations in multiple locations in many countries;

- challenges presented by collecting trade accounts receivable in foreign jurisdictions;

- possible adverse tax consequences;

- governmental currency controls;

- changes in various regulatory requirements;

- political and economic changes and disruptions; and

- export/import controls and tariff regulations.

To support our international customers, we maintain locations in several countries, including Canada, Germany, Japan, Malaysia, Singapore, South Korea, Taiwan, France and the United Kingdom. We cannot guarantee that we will be able to manage these operations effectively. We cannot assure you that our investment in these international operations will enable us to compete successfully in international markets or to meet the service and support needs of our customers, some of whom are located in countries where we have no infrastructure.

Although our international sales are primarily denominated in U.S. dollars, changes in currency exchange rates can make it more difficult for us to compete with foreign manufacturers on price. If our international sales increase relative to our total revenues, these factors could have a more pronounced effect on our operating results.

WE MUST CONTINUALLY IMPROVE OUR TECHNOLOGY TO REMAIN COMPETITIVE. Technology changes rapidly in the semiconductor, data storage and flat panel display manufacturing industries. We believe our success will depend upon our ability to enhance our existing products and to develop and market new products to meet customer needs. We cannot guarantee that we will identify and adjust to changing market conditions or succeed in introducing commercially rewarding products or product enhancements. The success of our product development and introduction depends on a number of factors, including:

- accurately identifying and defining new products;

- completing and introducing new product designs in a timely manner;

- market acceptance of our products and our customers' products; and

- determining a comprehensive, integrated product strategy.

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WE FACE SIGNIFICANT COMPETITION WHICH COULD RESULT IN DECREASED DEMAND FOR OUR PRODUCTS OR SERVICES. The markets for our products are intensely competitive and we may not be able to compete successfully. We believe that our primary competition in the tool automation market is from integrated original equipment manufacturers that satisfy their semiconductor and flat panel display handling needs themselves rather than by purchasing systems or modules from an independent supplier like us. Many of these original equipment manufacturers have substantially greater resources than we do. Applied Materials, Inc., the leading process equipment original equipment manufacturer, develops and manufactures its own central wafer handling systems and modules. We may not be successful in selling our products to original equipment manufacturers that currently satisfy their wafer or substrate handling needs themselves, regardless of the performance or the price of our products. Moreover, integrated original equipment manufacturers may begin to commercialize their handling capabilities and become our competitors.

We believe that the primary competitive factors in the end-user semiconductor manufacturer market for factory automation software and process control software are product functionality, price/performance, ease of use, hardware and software platform compatibility, vendor reputation and financial stability. The relative importance of these competitive factors may change over time. We directly compete in this market with various competitors, including Applied Materials-Consilium, PRI-Promis, IBM-Poseidon and numerous small, independent software companies. We also compete with the in-house software staffs of semiconductor manufacturers like NEC. Most of those manufacturers have substantially greater resources than us.

We believe that the primary competitive factors in the factory interface market are technical and technological capabilities, reliability, price/performance, ease of integration and global sales and support capability. In this market, we compete directly with Asyst, Fortrend, Kensington and Rorze. Some of these competitors have substantial financial resources and extensive engineering, manufacturing and marketing capabilities.

MUCH OF OUR SUCCESS AND VALUE LIES IN OUR OWNERSHIP AND USE OF INTELLECTUAL PROPERTY AND OUR FAILURE TO PROTECT THAT PROPERTY COULD ADVERSELY AFFECT OUR FUTURE GROWTH. Our ability to compete is heavily affected by our ability to protect our intellectual property. We rely primarily on trade secret laws, confidentiality procedures, patents, copyrights, trademarks and licensing arrangements to protect our intellectual property. The steps we have taken to protect our technology may be inadequate. Existing trade secret, trademark and copyright laws offer only limited protection. Our patents could be invalidated or circumvented. The laws of certain foreign countries in which our products are or may be developed, manufactured or sold may not fully protect our products or intellectual property rights. This may make the possibility of piracy of our technology and products more likely. We cannot guarantee that the steps we have taken to protect our intellectual property will be adequate to prevent misappropriation of our technology. There has been substantial litigation regarding patent and other intellectual property rights in semiconductor-related industries. We may engage in litigation to:

- enforce our patents;

- protect our trade secrets or know-how;

- defend ourselves against claims we infringe on the rights of others; or

- determine the scope and validity of the patents or intellectual property rights of others.

Any litigation could result in substantial cost to us and divert the attention of our management, which could harm our operating results.



OUR OPERATIONS COULD INFRINGE ON THE INTELLECTUAL PROPERTY RIGHTS OF OTHERS. Particular aspects of our technology could be found to infringe on the intellectual property rights or patents of others. Other companies may hold or obtain patents on inventions or may otherwise claim proprietary rights to technology necessary to our business. We cannot predict the extent to which we may be required to seek licenses or alter our products so that they no longer infringe on the rights of others. We cannot guarantee that the terms of any licenses we may be required to seek will be reasonable. Similarly, changing our products or processes to avoid infringing on the rights of others may be costly or impractical or could detract from the value of our products.

OUR BUSINESS MAY BE HARMED BY INFRINGEMENT CLAIMS OF GENERAL SIGNAL OR APPLIED MATERIALS. We received notice from General Signal Corporation alleging infringements of its patent rights by certain of our products. The notification advised us that General Signal was attempting to enforce its rights to those patents in litigation against Applied Materials, and that, at the conclusion of that litigation, General Signal intended to enforce its rights against us and others. According to a press release issued by Applied Materials in November 1997, Applied Materials settled its litigation with General Signal by acquiring ownership of five General Signal patents. Although not verified by us, these five patents would appear to be the patents referred to by General Signal in its prior notice to us. Applied Materials has not contacted us regarding these patents.

WE DO NOT HAVE LONG-TERM CONTRACTS WITH OUR CUSTOMERS AND OUR CUSTOMERS MAY CEASE PURCHASING OUR PRODUCTS AT ANY TIME. We generally do not have long-term contracts with our customers. As a result, our agreements with our customers do not provide any assurance of future sales. Accordingly:

- our customers can cease purchasing our products at any time without penalty;

- our customers are free to purchase products from our competitors;

- we are exposed to competitive price pressure on each order; and

- our customers are not required to make minimum purchases.

OUR FUTURE GROWTH RELIES IN PART ON THE COMMERCIAL ADOPTION OF 300MM WAFER TECHNOLOGY, WHICH IS PROGRESSING MORE SLOWLY THAN EXPECTED, AND COMPETITION FOR 300MM ORDERS MAY BE INTENSE. Our future growth relies in part on the adoption of new systems and technologies to automate the processing of 300mm wafers. However, the industry transition from the current, widely used 200mm manufacturing technology to 300mm manufacturing technology is occurring more slowly than expected. Any significant delay in the adoption of 300mm manufacturing technology, or the failure of the industry to adopt 300mm manufacturing technology, could significantly reduce our opportunities for future growth. Moreover, continued delay in transition to 300mm technology could permit our competitors to introduce competing or superior 300mm products. Competition, including price competition, for such 300mm orders could be vigorous and could harm our results of operations.

RISKS RELATING TO OUR GROWTH

RAPID GROWTH IS STRAINING OUR OPERATIONS AND REQUIRING US TO INCUR COSTS TO UPGRADE OUR INFRASTRUCTURE. During the last year, we have experienced extremely rapid growth in our operations, the number of our employees, our product offerings and the geographic area of our operations. Our growth places a significant strain on our management, operations and financial systems. Our future operating results will be dependent in part on our ability to continue to implement and improve our operating and financial controls and management information systems. If we fail to manage our growth effectively, our financial condition, results of operations and business could be materially adversely affected.

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OUR OPERATING RESULTS WOULD BE HARMED IF ONE OF OUR KEY SUPPLIERS FAILS TO DELIVER COMPONENTS FOR OUR PRODUCTS. We currently procure many of our components on an as needed, purchase order basis. We do not carry significant inventories or have any long-term supply contracts with our vendors. With the recent increased demand for semiconductor manufacturing equipment, our suppliers are facing significant challenges in providing components on a timely basis. Our inability to obtain components in required quantities or of acceptable quality could result in significant delays or reductions in product shipments. This would materially and adversely affect our operating results.

OUR BUSINESS COULD BE HARMED IF WE FAIL TO ADEQUATELY INTEGRATE THE OPERATIONS OF OUR ACQUISITIONS. Our management must devote substantial time and resources to the integration of the operations of our acquired businesses with our business and with each other. If we fail to accomplish this integration efficiently, we may not realize the anticipated benefits of our acquisitions. The process of integrating supply and distribution channels, research and development initiatives, computer and accounting systems and other aspects of the operation of our acquired businesses, presents a significant challenge to our management. This is compounded by the challenge of simultaneously managing a larger entity. We have completed a number of acquisitions in a short period of time. These businesses have operations and personnel located in Asia, Europe and the United States and present a number of additional difficulties of integration, including:

- difficulties in the assimilation of products and designs into integrated solutions;
- difficulties in informing customers, suppliers and distributors of the effects of the acquisitions and integrating them into our overall operations;
- difficulties integrating personnel with disparate business backgrounds and cultures;
- difficulties in defining and executing a comprehensive product strategy;
- difficulties in managing geographically remote units;
- difficulties associated with managing the risks of entering markets or types of businesses in which we have limited or no direct experience;

and

- difficulties in minimizing the loss of key employees of the acquired businesses.

If we delay integrating or fail to integrate an acquired business or experience other unforeseen difficulties, the integration process may require a disproportionate amount of our management's attention and financial and other resources. Our failure to adequately address these difficulties could harm our business and financial results.

OUR BUSINESS MAY BE HARMED BY ACQUISITIONS WE COMPLETE IN THE FUTURE. We plan to continue to pursue additional acquisitions of related businesses. Our identification of suitable acquisition candidates involves risks inherent in assessing the values, strengths, weaknesses, risks and profitability of acquisition candidates, including the effects of the possible acquisition on our business, diversion of our management's attention and risks associated with unanticipated problems or latent liabilities. If we are successful in pursuing future acquisitions, we will be required to expend significant funds, incur additional debt or issue additional securities, which may negatively affect our results of operations and be dilutive to our stockholders. If we spend significant funds or incur additional debt, our ability to obtain financing for working capital or other purposes could decline and we may be more vulnerable to economic downturns and competitive pressures. We cannot guarantee that we will be able to finance additional acquisitions or that we will realize any anticipated benefits from acquisitions that we complete. Should we successfully acquire another business, the process of integrating acquired operations into our existing operations may result in unforeseen operating difficulties and may require significant financial resources that would otherwise be available for the ongoing development or expansion of our existing business.

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WE MAY NOT BE ABLE TO RECRUIT AND RETAIN NECESSARY PERSONNEL BECAUSE OF INTENSE COMPETITION FOR HIGHLY SKILLED PERSONNEL. We need to hire and retain substantial numbers of employees with technical backgrounds for both our hardware and software engineering and support staffs. The market for these employees is intensely competitive, and we have occasionally experienced delays in hiring these personnel. Due to the cyclical nature of the demand for our products, we have had to reduce our workforce and then rebuild our workforce as our business has gone through downturns followed by upturns. We currently need to hire a number of highly skilled employees, especially in manufacturing, to meet customer demand. Due to the competitive nature of the labor markets in which we operate, this type of employment cycle increases our risk of not being able to retain and recruit key personnel. Our inability to recruit, retain and train adequate numbers of qualified personnel on a timely basis could adversely affect our ability to develop, manufacture, install and support our products.

RISKS RELATING TO OUR COMMON STOCK

OUR OPERATING RESULTS FLUCTUATE SIGNIFICANTLY, WHICH COULD NEGATIVELY IMPACT OUR BUSINESS AND OUR STOCK Price. Our margins, revenues and other operating results can fluctuate significantly from quarter to quarter depending upon a variety of factors, including:

- the level of demand for semiconductors in general;

- cycles in the market for semiconductor manufacturing equipment and automation software;

- the timing and size of orders from our customer base;
- our ability to manufacture, test and deliver products in a timely and cost-effective manner;
- our success in winning competitions for orders;
- the timing of our new product announcements and releases and those of our competitors;
- the mix of products sold by us;
- competitive pricing pressures; and
- the level of automation required in fab extensions, upgrades and new facilities.

We entered into the factory automation software business in fiscal 1999. We believe a portion of our revenues from this business is dependent on achieving project milestones. As a result, our revenue from this business will be subject to fluctuations depending upon a number of factors, including whether we can achieve project milestones on a timely basis, if at all, as well as the timing and size of projects.

THE VOLATILITY OF OUR STOCK PRICE COULD ADVERSELY AFFECT AN INVESTMENT IN OUR STOCK. The market price of our common stock has fluctuated widely. For example, between April 14, 2000 and April 28, 2000, the closing price of our common stock rose from approximately $62.38 to $89.69 per share. Between April 28, 2000 and May 31, 2000, the price of our common stock dropped from approximately $89.69 to $39.75 per share. Consequently, the current market price of our common stock may not be indicative of future market prices, and we may not be able to sustain or increase the value of an investment in our common stock. Factors affecting our stock price may include:

- variations in operating results from quarter to quarter;
- changes in earnings estimates by analysts or our failure to meet analysts' expectations;
- changes in the market price per share of our public company customers;
- market conditions in the industry;
- general economic conditions;
- low trading volume of our common stock; and
- the number of firms making a market in our common stock.

In addition, the stock market has recently experienced extreme price and volume fluctuations. These fluctuations have particularly affected the market prices of the securities of high technology companies like us. These market fluctuations could adversely affect the market price of our common stock.

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PROVISIONS OF OUR CERTIFICATE OF INCORPORATION, BYLAWS AND CONTRACTS MAY DISCOURAGE TAKEOVER OFFERS AND MAY LIMIT THE PRICE INVESTORS WOULD BE WILLING TO PAY FOR OUR COMMON STOCK. Our certificate of incorporation and bylaws contain provisions that may make an acquisition of us more difficult and discourage changes in our management. These provisions could limit the price that certain investors might be willing to pay in the future for shares of our common stock. In addition, we have adopted a rights plan. In many potential takeover situations, rights issued under the plan become exercisable to purchase our common stock at a price substantially discounted from the then applicable market price of our common stock. Because of its possible dilutive effect to a potential acquirer, the rights plan would generally discourage third parties from proposing a merger with or initiating a tender offer for us that is not approved by our board of directors. Accordingly, the rights plan could have an adverse impact on our stockholders who might want to vote in favor of the merger or participate in the tender offer. In addition, shares of our preferred stock may be issued upon terms the board of directors deems appropriate without stockholder approval. Our ability to issue preferred stock in such a manner could enable our board of directors to prevent changes in our management or control.

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## REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders
of Brooks Automation, Inc.

In our opinion, based upon our audits and the reports of other auditors, the accompanying supplementary consolidated balance sheets and the related supplementary consolidated statements of operations, of changes in stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Brooks Automation, Inc. and its subsidiaries at September 30, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2000, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Progressive Technologies, Inc., which statements reflect total assets of $6,658,000 and $3,501,000 at December 31, 2000 and 1999, respectively, and total revenues of $16,085,000, $8,002,000 and $6,169,000 for the years ended December 31, 2000, 1999 and 1998, respectively. We also did not audit the financial statements as of December 31, 1999 and for each of the two years in the period ended December 31, 1999, of Irvine Optical Company, LLC, a wholly owned subsidiary of the Company acquired through a pooling of interests during the year ended September 30, 2000, which statements reflect total assets of $16,492,000 at December 31, 1999, and total revenues of $11,049,000 and $17,038,000 for the years ended December 31, 1999 and 1998, respectively. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for Progressive Technologies, Inc., and for Irvine Optical Company, LLC as of December 31, 1999 and for each of the two years in the period ended December 31, 1999, is based solely on the reports of the other auditors. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

As described in Note 2, on July 12, 2001 Brooks Automation, Inc. merged with Progressive Technologies, Inc. in a transaction accounted for as a pooling of interests. The accompanying supplementary consolidated financial statements give retroactive effect to the merger of Brooks Automation, Inc. with Progressive Technologies, Inc. Accounting principles generally accepted in the United States of America proscribe giving effect to a consummated business combination accounted for by the pooling of interests method in financial statements that do not include the date of consummation. These financial statements do not extend through the date of consummation; however, they will become the historical consolidated financial statements of

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Brooks Automation, Inc. and subsidiaries after financial statements covering the date of consummation of the business combination are issued.

/s/ PricewaterhouseCoopers LLP

Boston, Massachusetts
November 15, 2000,
except as to the pooling of interests with
Progressive Technologies, Inc. which is as of July 12, 2001

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REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

To the Members
Irvine Optical Company, LLC

We have audited the balance sheets of Irvine Optical Company, LLC (the Company) as of December 31, 1999 and 1998, and the related statements of operations, members' deficit, and cash flows for the years then ended (not presented separately herein). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 1999 and 1998, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

The financial statements have been prepared assuming that the Company will continue as a going concern. As more fully described in Note 1 to the financial statements, the Company's ability to generate sufficient revenue and ultimately achieve profitable operations is uncertain. The Company's future prospects depend upon its ability to demonstrate sustained product sales and to generate sufficient working capital through new financing and/or operating cash flows, all of which raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or amounts and classification of liabilities that may result from the outcome of this uncertainty.

/s/ Ernst & Young LLP

March 3, 2000, except for Note 4
as to which the date is March 31, 2000

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and Board of Directors of
Progressive Technologies, Inc.

We have audited the consolidated balance sheets of Progressive Technologies, Inc. (a Massachusetts corporation) and subsidiary as of December 31, 2000 and 1999 and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2000 (not presented herein). These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Progressive Technologies, Inc. and subsidiary as of December 31, 2000 and 1999 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States.

/s/ Arthur Andersen LLP

Boston, Massachusetts
February 19, 2001

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BROOKS AUTOMATION, INC.
SUPPLEMENTARY CONSOLIDATED BALANCE SHEETS

(IN T

| | |
|---|---|
| ASSETS | |
| Current assets | |
| Cash and cash equivalents | $ |

| | |
|---|---|
| Marketable securities | |
| Accounts receivable, net, including related party receivables of $6,820 and $3,384, respectively | |
| Inventories | |
| Prepaid expenses and other current assets | |
| Deferred income taxes | |
| Total current assets | |
| Fixed assets, net | |
| Intangible assets, net | |
| Long-term marketable securities | |
| Deferred income taxes | |
| Other assets | |
| Total assets | $ |
| LIABILITIES , MINORITY INTERESTS, CONVERTIBLE REDEEMABLE PREFERRED STOCK, MEMBERS' CAPITAL AND STOCKHOLDERS' EQUITY | |
| Current liabilities | |
| Notes payable | $ |
| Revolving line of credit | |
| Current portion of long-term debt and capital lease obligations | |
| Accounts payable | |
| Deferred revenue | |
| Accrued compensation and benefits | |
| Accrued acquisition-related and restructuring costs | |
| Accrued income taxes payable | |
| Accrued expenses and other current liabilities | |
| Total current liabilities | |
| Long-term debt and capital lease obligations | |
| Senior subordinated note payable | |
| Deferred income taxes | |
| Other long-term liabilities | |
| Total liabilities | |
| Commitments and contingencies (see Note 14) | |
| Minority interests | |
| Series A convertible redeemable preferred stock, $0.01 par value, 90,000 shares authorized, issued and outstanding | |
| Members' capital - 10,000 units issued and 1,000 units outstanding at September 30, 1999 | |
| Stockholders' equity | |
| Preferred stock, $0.01 par value, 1,000,000 shares authorized, none issued and outstanding | |
| Common stock, $0.01 par value, 43,000,000 shares authorized, 17,588,911 and 13,110,313 shares issued and outstanding, respectively | |
| Additional paid-in capital | |
| Deferred compensation | |
| Accumulated other comprehensive loss | |
| Accumulated deficit | |
| Total stockholders' equity | |

| | |
|---|---|
| Total liabilities, minority interests, convertible redeemable preferred stock, members' capital and stockholders' equity | $ |

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

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BROOKS AUTOMATION, INC.
SUPPLEMENTARY CONSOLIDATED STATEMENTS OF OPERATIONS

| | YEAR ENDED SEPTEMBER 30, | | |
|---|---|---|---|
| | 2000 | 1999 | 1 |
| | (IN THOUSANDS, EXCEPT PER SHARE D | | |
| Revenues | | | |
| Product, including related party revenues of $36,934, $15,255 and $15,913, respectively | $ 284,366 | $ 101,488 | $ 1 |
| Services | 52,818 | 21,469 | |
| Total revenues | 337,184 | 122,957 | 1 |
| Cost of revenues | | | |
| Product | 141,088 | 54,239 | |
| Services | 35,371 | 13,566 | |
| Total cost of revenues | 176,459 | 67,805 | |
| Gross profit | 160,725 | 55,152 | |
| Operating expenses | | | |
| Research and development | 44,147 | 24,526 | |
| Selling, general and administrative | 77,410 | 38,763 | |
| Amortization of acquired intangible assets | 18,506 | 565 | |
| Acquisition-related and restructuring charges | 578 | 3,120 | |
| Total operating expenses | 140,641 | 66,974 | |
| Income (loss) from operations | 20,084 | (11,822) | ( |
| Interest income | 9,707 | 3,150 | |
| Interest expense | 1,345 | 1,553 | |
| Other income (expense) | (2) | (223) | |
| Income (loss) before income taxes and minority interests | 28,444 | (10,448) | ( |
| Income tax provision (benefit) | 13,609 | (874) | |
| Income (loss) before minority interests | 14,835 | (9,574) | ( |
| Minority interests in loss of consolidated subsidiaries | (274) | (40) | |

| | | | |
|---|---|---|---|
| Net income (loss) | 15,109 | (9,534) | ( |
| Accretion and dividends on preferred stock | (120) | (774) | |
| Net income (loss) attributable to common stockholders | $ 14,989 | $ (10,308) | $ ( |
| Earnings (loss) per share | | | |
| Basic | $ 0.96 | $ (0.89) | $ |
| Diluted | $ 0.88 | $ (0.89) | $ |
| Shares used in computing earnings (loss) per share | | | |
| Basic | 15,661 | 11,542 | |
| Diluted | 17,192 | 11,542 | |

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

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BROOKS AUTOMATION, INC.
SUPPLEMENTARY CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(IN THOUSANDS, EXCEPT SHARE DATA)

| | Nonredeemable convertible preferred stock | Common stock at par value | Additional paid-in capital |
|---|---|---|---|
| BALANCE SEPTEMBER 30, 1997 | $ 6,619 | $105 | $120,354 |
| Shares issued under stock option and purchase plans (112,694 shares) | | 1 | 806 |
| Common stock issued in acquisitions (697,695 shares) | (152) | 7 | 10,900 |
| Deferred compensation | | | (208 |
| Amortization of deferred compensation | | | |
| Accretion and dividends on preferred stock | | | |
| Revaluation of members' capital | | | |
| Income tax adjustment from stock options | | | (301 |
| Comprehensive loss: | | | |
| Net loss | | | |
| Currency translation adjustments | | | |
| Comprehensive loss | | | |
| Elimination of FASTech net loss for the three months ended December 31, 1997 | | | |
| BALANCE SEPTEMBER 30, 1998 | 6,467 | 113 | 131,551 |
| Shares issued under stock option and purchase plans (341,877 shares) | | 4 | 1,679 |
| Common stock issued in acquisitions (1,410,926 shares) | (6,467) | 14 | 35,594 |
| Amortization of deferred compensation | | | |

| | | | |
|---|---|---|---|
| Accretion and dividends on preferred stock | | | |
| Revaluation of members' capital | | | |
| Income tax benefit from stock options | | | 130 |
| Comprehensive loss: | | | |
| Net loss | | | |
| Currency translation adjustments | | | |
| Comprehensive loss | | | |
| Elimination of Smart Machines net loss for the three months ended December 31, 1998 | | | |
| BALANCE SEPTEMBER 30, 1999 | -- | 131 | 168,954 |
| Shares issued under stock option and purchase plans and warrants (558,195 shares) | | 6 | 5,418 |
| Common stock offering (3,070,500 shares) | | 31 | 220,445 |
| Common stock issued in acquisitions (849,903 shares) | | 8 | 21,829 |
| Amortization of deferred compensation | | | |
| Accretion and dividends on preferred stock | | | |
| Income tax benefit from stock options | | | 6,738 |
| Income tax benefit from acquisition | | | 9,865 |
| Comprehensive income: | | | |
| Net income | | | |
| Currency translation adjustments | | | |
| Comprehensive income | | | |
| Elimination of Irvine Optical net income for the three months ended December 31, 1999 | | | |
| BALANCE SEPTEMBER 30, 2000 | $ -- | $176 | $433,249 |

| | Comprehensive income (loss) | Accumulated other comprehensive income (loss) | Ret ear (acc de |
|---|---|---|---|
| BALANCE SEPTEMBER 30, 1997 | | $(106) | $ |
| Shares issued under stock option and purchase plans (112,694 shares) | | | |
| Common stock issued in acquisitions (697,695 shares) | | | |
| Deferred compensation | | | |
| Amortization of deferred compensation | | | |
| Accretion and dividends on preferred stock | | | ( |
| Revaluation of members' capital | | | |
| Income tax adjustment from stock options | | | |
| Comprehensive loss: | | | |
| Net loss | $(23,268) | | (2 |
| Currency translation adjustments | (430) | (430) | |
| Comprehensive loss | $(23,698) | | |
| Elimination of FASTech net loss for the | | | |

| | | | |
|---|---|---|---|
| three months ended December 31, 1997 | | | |
| BALANCE SEPTEMBER 30, 1998 | | (536) | (2 |
| Shares issued under stock option and purchase plans (341,877 shares) | | | |
| Common stock issued in acquisitions (1,410,926 shares) | | | |
| Amortization of deferred compensation | | | |
| Accretion and dividends on preferred stock | | | |
| Revaluation of members' capital | | | |
| Income tax benefit from stock options | | | |
| Comprehensive loss: | | | |
| Net loss | $(9,534) | | ( |
| Currency translation adjustments | (557) | (557) | |
| Comprehensive loss | $(10,091) | | |
| Elimination of Smart Machines net loss for the three months ended December 31, 1998 | | | |
| BALANCE SEPTEMBER 30, 1999 | | (1,093) | (3 |
| Shares issued under stock option and purchase plans and warrants (537,997 shares) | | | |
| Common stock offering (3,070,500 shares) | | | |
| Common stock issued in acquisitions (849,903 shares) | | | |
| Amortization of deferred compensation | | | |
| Accretion and dividends on preferred stock | | | |
| Income tax benefit from stock options | | | |
| Income tax benefit from acquisition | | | |
| Comprehensive income: | | | |
| Net income | $15,109 | | 1 |
| Currency translation adjustments | (1,849) | (1,849) | |
| Comprehensive income | $13,260 | | |
| Elimination of Irvine Optical net income for the three months ended December 31, 1999 | | | |
| BALANCE SEPTEMBER 30, 2000 | | $(2,942) | $(1 |

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

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BROOKS AUTOMATION, INC.
SUPPLEMENTARY CONSOLIDATED STATEMENTS OF CASH FLOWS

| | |
|---|---|
| | YEAR |
| | 2000 |

| | |
|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Net income (loss) | $ 15,109 |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | |
| Depreciation and amortization | 30,400 |
| Compensation expense related to common stock options | 30 |
| Deferred income taxes | (8,801) |
| Minority interests | (274) |
| (Gain) loss on disposal of long-lived assets | (142) |
| Changes in operating assets and liabilities: | |
| Accounts receivable | (50,655) |
| Inventories | (27,981) |
| Prepaid expenses and other current assets | (7,702) |
| Accounts payable | 12,779 |
| Deferred revenue | 8,385 |
| Accrued compensation and benefits | 9,684 |
| Accrued acquisition-related and restructuring costs | (680) |
| Accrued expenses and other current liabilities | 8,641 |
| Net cash provided by (used in) operating activities | (11,207) |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Purchases of fixed assets | (13,879) |
| Acquisition of businesses, net of cash acquired | (24,399) |
| Purchases of marketable securities | (118,034) |
| Sale/maturity of marketable securities | 15,000 |
| Proceeds from sale of long-lived assets | 735 |
| Increase in other assets | (1,550) |
| Net cash used in investing activities | (142,127) |
| CASH FLOWS FROM FINANCING ACTIVITIES | |
| Net (repayments of) borrowings under lines of credit | (1) |
| Net increase (decrease) in short-term borrowings | (5,263) |
| Proceeds from issuance of convertible notes | -- |
| Proceeds from issuance of senior subordinated debt | -- |
| Payments of long-term debt and capital lease obligations | (562) |
| Issuance of long-term debt | -- |
| Proceeds from issuance of common stock, net of issuance costs | 225,900 |
| Net cash provided by financing activities | 220,074 |
| Elimination of net cash activities of Irvine Optical for the three months ended December 31, 1999 | 14 |
| Elimination of net cash activities of Smart Machines for the three months ended December 31, 1998 | -- |
| Elimination of net cash activities of FASTech for the three months ended December 31, 1997 | -- |
| Effects of exchange rate changes on cash and cash equivalents | (149) |
| Net increase (decrease) in cash and cash equivalents | 66,605 |

| | |
|---|---|
| Cash and cash equivalents, beginning of period | 67,031 |
| Cash and cash equivalents, end of period | $ 133,636 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | |
| Cash paid during the year for interest | $ 1,432 |
| Cash paid during the year for income taxes, net of refunds | $ 10,450 |
| SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING AND INVESTING ACTIVITIES | |
| Deferred compensation related to stock options | $ -- |
| Accretion and dividends on preferred stock | $ 120 |

The Company utilized available funds, issued common stock and issued a note in connection with certain business combinations during the years ended September 30, 2000 and 1999. The fair values of the assets and liabilities of the acquired companies are presented as follows:

| | |
|---|---|
| Assets acquired | $ 14,166 |
| Liabilities assumed | (17,364) |
| Net assets acquired (liabilities assumed) | $ (3,198) |

The acquisitions were funded as follows:

| | |
|---|---|
| Cash consideration | $ 27,300 |
| Common stock | 15,027 |
| Note issued to seller | 16,000 |
| Transaction costs | 2,874 |
| Cash received | (5,775) |
| | $ 55,426 |

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



BROOKS AUTOMATION, INC.

NOTES TO SUPPLEMENTARY CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF THE BUSINESS

Brooks Automation, Inc. ("Brooks" or the "Company") is a leading supplier of integrated tool and factory automation solutions for the global semiconductor and related industries such as the data storage and flat panel display manufacturing industries. The Company's product revenues include sales of hardware and software products. The Company's service revenues are primarily comprised of tool control application consulting services, software customization and spare parts sales.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Basis of Presentation

The supplementary consolidated financial statements include the accounts of the Company and all majority-owned subsidiaries. All significant intercompany accounts and transactions are eliminated.

The supplementary consolidated financial statements of the Company and its subsidiaries have been prepared to give retroactive effect to the merger with Progressive Technologies, Inc. ("PTI"), which occurred on July 12, 2001. Generally accepted accounting principles proscribe giving effect to a consummated business combination accounted for by the pooling of interests method in financial statements that do not include the date of consummation. These financial statements do not extend through the date of consummation; however, they will become the historical consolidated financial statements of the Company and subsidiaries after financial statements covering the date of consummation of the business combination are issued.

During 2001, the Company entered into a definitive agreement to merge with PTI. On July 12, 2001, PTI and its operating subsidiary were merged with and into the Company. Under terms of the merger agreement, each share of PTI common stock and preferred stock was exchanged for 3.106 and 3.484 shares, respectively, of the Company's common stock. A total of 715,004 shares of the Company's common stock were exchanged for all of the outstanding stock of PTI. Prior to its acquisition by the Company, PTI's fiscal year-end was December 31. The Company's Supplementary Consolidated Balance Sheets as of September 30, 2000 and 1999 include PTI's balance sheets as of December 31, 2000 and 1999, respectively, and the Company's Supplementary Consolidated Statements of Operations, Cash Flows and Changes in Stockholders' Equity for the years ended September 30, 2000, 1999 and 1998 include PTI's results of operations for the years ended December 31, 2000, 1999, and 1998, respectively.

On June 23, 2000, the Company acquired the assets of MiTeX Solutions ("MiTeX"). The acquisition was accounted for using the purchase method of accounting. The Company's Supplementary Consolidated Statements of Operations and of Cash Flows for the year ended September 30, 2000 include the results of MiTeX for the period from July 1, 2000 to September 30, 2000. The results of operations for MiTeX for the period from acquisition to June 30, 2000, are not material to the consolidated results of the Company.

On May 5, 2000, the Company acquired Irvine Optical Company LLC ("Irvine Optical") in a transaction accounted for as a pooling of interests. Accordingly, the Company's supplementary consolidated financial statements and notes thereto have been restated to include the financial position and results of operations of Irvine Optical for all periods prior to the acquisition. Prior to its acquisition by the Company, Irvine Optical's fiscal year-end was December 31. Accordingly, the Company's Supplementary Consolidated Balance Sheet as of September 30, 1999, includes Irvine Optical's balance sheet as of December 31, 1999, and the Company's Supplementary Consolidated Statements of Operations for the years ended September 30, 1999 and 1998, include Irvine Optical's results of operations for the years ended December 31, 1999 and 1998, respectively. As a result of conforming dissimilar year-ends, Irvine Optical's results of operations for the three months ended December 31, 1999, are included in both of the Company's fiscal years 2000 and 1999. An amount equal to Irvine Optical's net income for the three months ended December 31, 1999, was eliminated from consolidated retained earnings for the year ended September 30, 2000. Irvine Optical's revenues and net income for that quarter were $4.1 million and $0.1 million, respectively.

On January 6, 2000, the Company completed the acquisition of the businesses of Auto-Soft Corporation ("ASC") and AutoSimulations, Inc. ("ASI") from

Daifuku America Corporation ("Daifuku America"), a U.S. subsidiary of Daifuku Co., Ltd. of Japan. The acquisition was accounted for using the purchase method of accounting. Accordingly, the Company's Supplementary Consolidated Statements of Operations and of Cash Flows for the year ended September 30, 2000 include the results of ASC and ASI for the period subsequent to their acquisition.

On August 31, 1999 the Company completed the acquisition of Smart Machines Inc. ("Smart Machines"). The acquisition was accounted for as a pooling of interests. Accordingly, the results of operations and



financial position of Smart Machines are included in the Company's supplementary consolidated results for all periods presented.

The Company made several acquisitions during the year ended September 30, 1999, which were accounted for using the purchase method of accounting: the Infab Division ("Infab") of Jenoptik AG on September 30, 1999; Domain Manufacturing Corporation ("Domain") on June 30, 1999 and Hanyon Technology, Inc. ("Hanyon") on April 21, 1999. Accordingly, the Company's Supplementary Consolidated Statements of Operations and of Cash Flows include the results of these acquired entities for all periods subsequent to their acquisition.

In June 1999 the Company formed a joint venture in Korea with Samsung Electronics ("Samsung"). This joint venture is 70% owned by the Company and 30% owned by Samsung. The Company consolidates fully the financial position and results of operations of the joint venture and accounts for the minority interest in the supplementary consolidated financial statements.

Certain amounts in previously issued financial statements have been reclassified to conform to current presentation.





Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 the reported amounts of revenues and expenses during the reporting period. Significant estimates include revenues and costs under long-term contracts, collectibility of accounts receivable, recoverability of depreciable assets, intangibles and deferred tax assets and the adequacy of acquisition-related and restructuring reserves. Although the Company regularly assesses these estimates, actual results could differ from those estimates. Changes in estimates are recorded in the period in which they become known.

Foreign Currency Translation

For non-U.S. subsidiaries, which operate in a local currency environment, assets and liabilities are translated at period-end exchange rates, and income statement items are translated at the average exchange rates for the period. The local currency for all foreign subsidiaries is considered to be the functional currency and accordingly, translation adjustments are reported in Accumulated other comprehensive income (loss). To date, foreign currency translation adjustments are the only component added to the

Company's net income (loss) in the calculation of comprehensive net income (loss).

Cash and Cash Equivalents

Cash and cash equivalents include cash and highly liquid investments with original maturities of three months or less. At both September 30, 2000 and 1999, all cash equivalents were classified as available-for-sale and are held at amortized cost, which approximates fair value.

Marketable Securities

The Company invests its excess cash in marketable debt and equity securities. The Company records these securities in accordance with Financial Accounting Standards Board Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("FAS 115"). Under FAS 115, investments in debt and equity securities classified as available for sale are reported at fair value, while investments in debt securities classified as held to maturity are reported at unamortized cost. Marketable securities reported as current assets represent investments that mature within one year. Long-term marketable securities represent investments with maturity dates greater than one year from the balance sheet date. At the time that the maturity dates of these investments become one year or less, the values will be reclassified to current assets. At September 30, 2000, the Company's marketable securities include U.S. Government and corporate debt securities with maturities not exceeding 14 months.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of trade receivables and temporary and long-term cash investments in repurchase agreements, treasury bills, certificates of deposit and commercial paper. The Company restricts its investments to repurchase agreements with major banks, U.S. government and corporate securities, and mutual funds that invest in U.S. government securities, which are subject to minimal credit and market risk. The Company's customers are concentrated in the semiconductor industry, and relatively few customers account for a significant portion of the Company's revenues. The Company regularly monitors the creditworthiness of its customers and believes that it has adequately provided for exposure to potential credit losses.

Inventories

Inventories are stated at the lower of cost or market, cost being determined using the first-in, first-out method. The Company provides inventory reserves for excess, obsolete or damaged inventory based on changes in customer demand, technology and other economic factors.





While the Company often uses sole source suppliers for certain key components and common assemblies to achieve quality control and the benefits of economies of scale, the Company believes that these parts and materials are readily available from several supply sources.

Fixed Assets

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is computed principally by use of the straight-line method. Depreciable lives are summarized below:

| | |
|---|---|
| Buildings | 20 years |
| Computer equipment and software | 2 - 6 years |
| Machinery and equipment | 2 - 7 years |
| Furniture and fixtures | 3 - 10 years |

Equipment held under capital leases is recorded at the lower of the fair market value of the equipment or the present value of the minimum lease payments at the inception of the leases. Leasehold improvements and equipment held under capital leases are amortized over the shorter of their estimated useful lives or the term of the respective leases. Equipment used for demonstrations to customers is included in machinery and equipment and is depreciated over its estimated useful life. Repair and maintenance costs are expensed as incurred.

Intangible Assets

Patents include capitalized direct costs associated with obtaining patents as well as assets that were acquired as a part of purchase business combinations. Capitalized patent costs are amortized using the straight-line method over the shorter of seven years or the estimated economic life of the patents. The fair value of acquired patents are amortized over three years using the straight-line method. As of September 30, 2000 and 1999, the net book value of the Company's patents was $4.2 million and $6.2 million, respectively.

Costs incurred in the research and development of the Company's products are expensed as incurred, expect for certain software development costs. Software development costs are expensed prior to establishing technological feasibility and capitalized thereafter until the product is available for general release to customers. Capitalized software development costs are amortized to cost of sales on a product-by-product basis over the estimated lives of the related products. As of both September 30, 2000 and 1999, the net book value of the Company's capitalized software was $0.6 million.

Goodwill represents the excess of purchase price over the fair value of net tangible and identifiable intangible assets of businesses the Company has acquired. As of September 30, 2000 and 1999, the net book value of goodwill was $43.4 million and $10.1 million, respectively.

Amortization expense for all intangible assets was $19.6 million and $1.4 million for the years ended September 30, 2000 and 1999, respectively.

Whenever events or changes in circumstances indicate that the carrying amount of an intangible asset may not be recoverable, the Company evaluates the carrying value of intangible assets to determine if impairment exists. This evaluation is based upon estimated undiscounted future cash flows, net of taxes, over the remaining useful life of the assets. The impairment, if any, will be measured by the difference between carrying value and estimated discounted future cash flows, net of taxes, and will be charged to expense in the period identified.

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BROOKS AUTOMATION, INC.

NOTES TO SUPPLEMENTARY CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The amortizable lives of intangible assets, including those identified as a result of purchase accounting, are summarized as follows:

| | |
|---|---|
| Patents | 3 - 7 years |
| Completed technology | 5 years |
| License agreements | 5 years |
| Trademarks and trade names | 5 years |
| Non-competition agreements | 5 years |
| Assembled workforces | 3 years |
| Customer relationships | 4 years |
| Goodwill | 3 - 15 years |

Revenue Recognition

Revenue from product sales and software license sales is recorded upon transfer of title and risk of loss to the customer provided that no significant obligations remain and collection of the related receivable is probable. A provision for product warranty costs is recorded to estimate costs associated with such warranty liabilities. In the event significant post-shipment obligations or uncertainties remain, revenue is deferred and recognized when such obligations are fulfilled by the Company or the uncertainties are resolved.

Revenue from services is recognized as the services are rendered. Revenue from fixed fee application consulting contracts is recognized using the percentage-of-completion method of contract accounting based on the ratio that costs incurred to date bear to estimated total costs at completion. Revisions in revenue and cost estimates are recorded in the periods in which the facts that require such revisions become known. Losses, if any, are provided for in the period in which such losses are first identified by management. For maintenance contracts, service revenue is recognized ratably over the term of the maintenance contract.

Stock-Based Compensation

The Company's employee stock compensation plans are accounted for in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," ("APB 25") and related interpretations. Under this method, no compensation expense is recognized as long as the exercise price equals the market price of the underlying stock on the date of the grant. The Company elected the disclosure-only alternative permitted under statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," ("FAS 123") for fixed stock-based awards to employees. All non-employee stock-based awards are accounted for in accordance with FAS 123.

Income Taxes

Deferred income tax assets and liabilities are recognized for the expected future tax consequences, utilizing current tax rates, of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred tax assets are recognized, net of any valuation allowance, for the estimated future tax effects of deductible temporary differences and tax operating loss and credit carryforwards. Deferred income tax expense or benefit represents the change in the net deferred tax asset and liability balances.

Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated based on the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated based on the weighted average number of common shares and dilutive common equivalent shares assumed outstanding during the period. Shares used to compute diluted earnings per share in loss years exclude common share equivalents, as their inclusion would have an anti-dilutive effect. The Company's net income (loss), for purposes of calculating

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BROOKS AUTOMATION, INC.

NOTES TO SUPPLEMENTARY CONSOLIDATED FINANCIAL STATEMENTS (Continued)

basic and diluted earnings per share, has been adjusted by dividends and accretion related to the Company's preferred stock.

Fair Value of Financial Instruments
The Company's financial instruments consist of cash and cash equivalents, investments in long- and short-term debt securities and long- and short-term debt. The carrying amounts reported in the balance sheets for cash and cash equivalents, investments debt securities classified as available for sale and the Company's long- and short-term debt approximate their fair value at both September 30, 2000 and 1999. The carrying amounts reported for investments in debt securities classified as held-to-maturity are reported at unamortized cost, which equals fair value, as the debt securities are not discounted upon purchase.

Recent Accounting Pronouncements

In March 2000, the Financial Accounting Standards Board issued FASB Interpretation No. 44 ("FIN 44"), "Accounting for Certain Transactions Involving Stock Compensation - an interpretation of APB Opinion No. 25". FIN 44 clarifies the application of APB Opinion No. 25 ("APB 25"), including the following: the definition of an employee for purposes of applying APB 25; the criteria for determining whether a plan qualifies as a non-compensatory plan; the accounting consequences of various modifications to the terms of previously fixed stock options or awards; and the accounting for an exchange of stock compensation awards in a business combination. FIN 44 is effective July 1, 2000, but certain conclusions in FIN 44 cover specific events that occurred after either December 15, 1998 or January 12, 2000. Application of this pronouncement has not had a material impact on the Company's financial position or results of operations.

In December 1999, the U.S. Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 101 ("SAB 101"), "Revenue Recognition in Financial Statements". SAB 101 summarizes the SEC's views in applying generally accepted accounting principles to selected revenue recognition issues in financial statements. In June 2000, the SEC issued Staff Accounting Bulletin No. 101B, an amendment to SAB 101, which delays the implementation of SAB 101. The application of the guidance in SAB 101 will now be required in the Company's fourth quarter of fiscal 2001. The Company does not anticipate the adoption of SAB 101 to have a significant impact on financial results in fiscal 2001.

In June 1998, the Financial Accounting Standards Board issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("FAS 133"). This statement was amended by the issuance of Statement No. 137, "Deferral of the Effective Date of FASB Statement No. 133", which changed the effective date of FAS 133 to all fiscal years beginning after June 15, 2000 (fiscal 2001 for the Company) and requires that all derivative instruments be recorded on the balance sheet at their fair value. This statement was further amended by Statement No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities - an Amendment of FASB Statement No. 133". Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivatives is designated as part of a hedge transaction and, if it is, the type of hedge transaction. The Company's management anticipates that the adoption of FAS 133 will not have a significant effect on the Company's results or operations or financial position, as the Company currently does not