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

# Form 10-Q/A
**Amendment No. 1 to Form 10-Q**

(Mark One)

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

**For the quarterly period ended: March 31, 2002**

**or**

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

**For the transition period from to**

Commission File Number 0-25434

# Brooks-PRI Automation, Inc.
*(Exact name of registrant as specified in its charter)*

| | |
|---|---|
| **Delaware**<br>*(State or other jurisdiction of incorporation or organization)* | **04-3040660**<br>*(I.R.S. Employer Identification No.)* |
| **15 Elizabeth Drive**<br>**Chelmsford, Massachusetts**<br>*(Address of principal executive offices)* | **01824**<br>*(Zip Code)* |

**Registrant's telephone number, including area code:**
**(978) 262-2400**

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

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practical date (March 31, 2002):

| | |
|---|---|
| Common stock, $0.01 par value | 20,269,920 shares |

## EXPLANATORY NOTE

This Form 10-Q/A amends the Registrant's quarterly report on Form 10-Q for the quarter ended March 31, 2002 as filed on May 15, 2002 and is being filed to reflect the restatement of the Registrant's consolidated financial statements for that period. The reasons for and effects of this restatement are presented in Note 1 to the consolidated financial statements. Except for Items 1 and 2 of Part I, no other information included in the original report on Form 10-Q is amended by this Form 10-Q/A. This report speaks as of the original filing date and, except as indicated, has not been updated to reflect events occurring subsequent to the original filing date.

**BROOKS-PRI AUTOMATION, INC.**

**INDEX**

## PART I. Financial Information
## Item 1. Consolidated Financial Statements

# BROOKS-PRI AUTOMATION, INC.
# CONSOLIDATED BALANCE SHEETS

| | March 31, 2002 | September 30, 2001 |
|---|---|---|
| | (Restated) (unaudited) | |
| | (In thousands, except share data) | |
| **ASSETS** | | |
| Current assets | | |
| Cash and cash equivalents | $103,710 | $160,239 |
| Marketable securities | 62,345 | 43,593 |
| Accounts receivable, net, including related party receivables of $558 and $32, respectively | 76,140 | 93,565 |
| Inventories | 51,705 | 49,295 |
| Prepaid expenses and other current assets | 12,192 | 9,836 |
| Deferred income taxes | 27,316 | 26,608 |
| Total current assets | 333,408 | 383,136 |
| Property, plant and equipment | | |
| Buildings and land | 31,921 | 31,910 |
| Computer equipment and software | 38,908 | 38,497 |
| Machinery and equipment | 18,319 | 17,349 |
| Furniture and fixtures | 11,417 | 11,240 |
| Leasehold improvements | 11,061 | 10,069 |
| Construction in progress | 19,449 | 11,026 |
| | 131,075 | 120,091 |
| Less: Accumulated depreciation and amortization | (58,277) | (53,632) |
| | 72,798 | 66,459 |
| Long-term marketable securities | 117,412 | 125,887 |
| Goodwill | 96,115 | 60,128 |
| Intangible assets, net | 57,953 | 40,788 |
| Deferred income taxes | 21,934 | 19,280 |
| Other assets | 16,194 | 14,026 |
| Total assets | $715,814 | $709,704 |
| **LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS' EQUITY** | | |
| Current liabilities | | |
| Notes payable | $ 17,541 | $ 17,122 |
| Current portion of long-term debt | 27 | 392 |
| Accounts payable | 17,344 | 18,595 |
| Deferred revenue | 21,119 | 15,507 |
| Accrued compensation and benefits | 13,747 | 12,835 |
| Accrued acquisition-related and restructuring costs | 2,287 | 3,702 |
| Accrued income taxes payable | — | 7,691 |
| Deferred income taxes | 509 | 423 |
| Accrued expenses and other current liabilities | 23,355 | 24,706 |
| Total current liabilities | 95,929 | 100,973 |
| Long-term debt | 175,187 | 175,031 |
| Deferred income taxes | 6,357 | 6,546 |
| Accrued long-term restructuring | 1,184 | 1,559 |
| Other long-term liabilities | 958 | 664 |
| Total liabilities | 279,615 | 284,773 |
| Commitments and contingencies (Note 10) | | |
| Minority interests | 642 | 762 |
| 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, 20,269,920 and 18,903,165 shares issued and outstanding, respectively | 203 | 189 |
| Additional paid-in capital | 512,320 | 471,991 |
| Deferred compensation | (1,855) | (5) |
| Accumulated other comprehensive loss | (7,230) | (2,586) |
| Accumulated deficit | (67,881) | (45,420) |
| Total stockholders' equity | 435,557 | 424,169 |
| Total liabilities, minority interests and stockholders' equity | $715,814 | $709,704 |

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

## BROOKS-PRI AUTOMATION, INC.

## CONSOLIDATED STATEMENTS OF OPERATIONS
**(unaudited)**

| | Three Months Ended March 31, | | Six Months Ended March 31, | |
|---|---|---|---|---|
| | 2002 (Restated) | 2001(1) | 2002 (Restated) | 2001(1) |
| | (In thousands, except per share data) | | | |
| Revenues | | | | |
| Product, including related party revenues of $469 and $517 for the three and six month periods ended March 31, 2002, respectively, and $3,075 and $13,934 for the periods from January 1, 2001 and October 1, 2000, through January 23, 2001, respectively (see Note 7) | $ 39,252 | $ 86,667 | $ 78,285 | $178,506 |
| Services | 17,872 | 25,320 | 37,021 | 44,872 |
| Total revenues | 57,124 | 111,987 | 115,306 | 223,378 |
| Cost of revenues | | | | |
| Product | 25,098 | 43,501 | 49,505 | 90,629 |
| Services | 13,175 | 19,620 | 26,109 | 33,264 |
| Total cost of revenues | 38,273 | 63,121 | 75,614 | 123,893 |
| Gross profit | 18,851 | 48,866 | 39,692 | 99,485 |
| Operating expenses | | | | |
| Research and development | 15,441 | 15,431 | 29,575 | 29,010 |
| Selling, general and administrative | 19,079 | 23,999 | 37,984 | 47,769 |
| Amortization of acquired intangible assets | 2,556 | 6,942 | 6,189 | 12,635 |
| Acquisition-related and restructuring charges | 9 | 1,018 | 109 | 1,018 |
| Total operating expenses | 37,085 | 47,390 | 73,857 | 90,432 |
| Income (loss) from operations | (18,234) | 1,476 | (34,165) | 9,053 |
| Interest income | 2,610 | 2,193 | 5,454 | 6,149 |
| Interest expense | 2,674 | 94 | 5,272 | 300 |
| Other income (expense), net | 92 | 227 | 645 | (614) |
| Income (loss) before income taxes and minority interests | (18,206) | 3,802 | (33,338) | 14,288 |
| Income tax provision (benefit) | (5,567) | 6,489 | (10,757) | 11,517 |
| Income (loss) before minority interests | (12,639) | (2,687) | (22,581) | 2,771 |
| Minority interests in income (loss) of consolidated subsidiaries | (63) | (95) | (120) | (152) |
| Net income (loss) | (12,576) | (2,592) | (22,461) | 2,923 |
| Accretion and dividends on preferred stock | — | (30) | — | (60) |
| Net income (loss) attributable to common stockholders | $(12,576) | $ (2,622) | $(22,461) | $ 2,863 |
| Earnings (loss) per share | | | | |
| Basic | $ (0.63) | $ (0.15) | $ (1.12) | $ 0.16 |
| Diluted | $ (0.63) | $ (0.15) | $ (1.12) | $ 0.15 |
| Shares used in computing earnings (loss) per share | | | | |
| Basic | 20,116 | 17,705 | 20,001 | 17,649 |
| Diluted | 20,116 | 17,705 | 20,001 | 18,635 |

(1) Restated to reflect the acquisition of Progressive Technologies, Inc., in a pooling of interests transaction effective July 12, 2001.

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

**BROOKS-PRI AUTOMATION, INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(unaudited)**

| | Six Months Ended March 31, | |
|---|---|---|
| | 2002 (Restated) | 2001(1) |
| | (In thousands) | |
| **Cash Flows From Operating Activities** | | |
| Net income (loss) | $(22,461) | $ 2,923 |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 13,111 | 18,932 |
| Compensation expense related to common stock | 664 | 15 |
| Provision for losses on accounts receivable | 439 | 409 |
| Provision for excess and obsolete inventories | 1,095 | 1,258 |
| Deferred income taxes | (2,822) | (7,247) |
| Acquisition-related and restructuring charges | 109 | 1,018 |
| Amortization of debt discount | 394 | — |
| Minority interests | (120) | (152) |
| Loss on disposal of long-lived assets | 103 | 118 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 28,409 | (19,399) |
| Inventories | 6,905 | (14,569) |
| Prepaid expenses and other current assets | 2,556 | (3,426) |
| Accounts payable | (4,040) | (2,420) |
| Deferred revenue | 606 | 2,249 |
| Accrued compensation and benefits | 708 | (2,635) |
| Accrued acquisition-related and restructuring costs | (1,899) | (1,161) |
| Accrued expenses and other current liabilities | (15,666) | 20,438 |
| Net cash provided by (used in) operating activities | 8,091 | (3,649) |
| **Cash Flows From Investing Activities** | | |
| Purchases of fixed assets | (11,101) | (37,232) |
| Acquisition of businesses, net of cash acquired | (34,439) | (29,980) |
| Purchases of marketable securities | (30,213) | (36,546) |
| Sale/maturity of marketable securities | 19,936 | 63,542 |
| Proceeds from sale of long-lived assets | — | 2 |
| Increase in other assets | (11,128) | (2,518) |
| Net cash used in investing activities | (66,945) | (42,732) |
| **Cash Flows From Financing Activities** | | |
| Payments of short-term borrowings | — | (16,000) |
| Payments of long-term debt and capital lease obligations | (897) | (272) |
| Proceeds from issuance of common stock, net of issuance costs | 3,983 | 2,722 |
| Net cash provided by (used in) financing activities | 3,086 | (13,550) |
| Elimination of net cash activities on pooling of interest transaction | — | (1,119) |
| Effects of exchange rate changes on cash and cash equivalents | (761) | (207) |
| Net decrease in cash and cash equivalents | (56,529) | (61,257) |
| Cash and cash equivalents, beginning of period | 160,239 | 133,636 |
| Cash and cash equivalents, end of period | $103,710 | $ 72,379 |

(1) Restated to reflect the acquisition of Progressive Technologies, Inc., in a pooling of interests transaction effective July 12, 2001.

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

## BROOKS-PRI AUTOMATION, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

### 1. Basis of Presentation

The unaudited consolidated financial statements of Brooks-PRI Automation, Inc. and its subsidiaries ("Brooks" or the "Company") included herein have been prepared in accordance with generally accepted accounting principles. In the opinion of management, all material adjustments which are of a normal and recurring nature necessary for a fair presentation of the results for the periods presented have been reflected.

The accompanying financial information should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K/A, filed with the United States Securities and Exchange Commission for the year ended September 30, 2001.

On February 15, 2002, the Company acquired substantially all of the assets of Intelligent Automation Systems, Inc. and IAS Products, Inc. (collectively, "IAS"), privately held affiliated companies located in Cambridge, Massachusetts. IAS provides custom automation technology and products for the semiconductor, photonics and life sciences industries. The transaction was recorded using the purchase method of accounting in accordance with Financial Accounting Standards Board Statement No. 141, "Business Combinations" ("FAS 141"). Accordingly, the Company's Consolidated Statements of Operations for the three and six months ended March 31, 2002 and the Consolidated Statement of Cash Flows for the six months ended March 31, 2002, include the results of IAS for the period subsequent to its acquisition.

On December 15, 2001, the Company acquired Fab Air Control ("Fab Air"), a Massachusetts company that develops exhaust control and airflow management systems for the semiconductor industry. On December 13, 2001, the Company acquired the Automation Systems Group of Zygo Corporation ("Zygo Group"). The Zygo Group, located in Florida, is a manufacturer of reticle automation systems, including reticle sorters, reticle macro inspection systems and reticle handling solutions for the semiconductor industry. On October 9, 2001, the Company acquired 90% of the capital stock of Tec-Sem A.G., a Swiss company ("Tec-Sem"). TecSem is a leading manufacturer of bare reticle stockers, tool buffers and batch transfer systems for the semiconductor industry. On October 5, 2001, the Company acquired substantially all of the assets of General Precision, Inc. ("GPI"). GPI, formerly located in Valencia, California, is a leading supplier of high-end environmental solutions for the semiconductor industry. These transactions were recorded using the purchase method of accounting in accordance with FAS 141. Accordingly, the Company's Consolidated Statements of Operations and of Cash Flows for the six months then ended include the results of these acquired entities for the periods subsequent to their respective acquisitions.

On July 12, 2001, the Company acquired Progressive Technologies, Inc. ("PTI") in a transaction accounted for as a pooling of interests initiated prior to June 30, 2001. Accordingly, the Company's consolidated financial statements and notes thereto have been restated to include the financial position and results of operations of PTI for all periods prior to the acquisition. Prior to its acquisition by the Company, PTI's fiscal year-end was December 31.

The Company made several acquisitions during fiscal year 2001 which were accounted for using the purchase method of accounting in accordance with Accounting Principles Board Opinion No. 16, "Business Combinations" ("APB 16"): KLA-Tencor, Inc.'s e-Diagnostics product line infrastructure ("e-Diagnostics") on June 26, 2001; CCS Technology, Inc. ("CCST") on June 25, 2001, SimCon N.V. ("SimCon") on May 15, 2001; SEMY Engineering, Inc. ("SEMY") on February 16, 2001 and substantially all of the assets of a software and service distributor in Japan ("ASI-Japan"). The Company's Consolidated Statements of Operations and of Cash Flows include the results of these entities for the periods subsequent to their respective acquisitions.

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

On October 23, 2001, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") to acquire PRI Automation, Inc. ("PRI"). Pursuant to the Merger Agreement and subject to the terms and conditions contained therein, holders of each share of PRI common stock will receive 0.52 shares of the Company's common stock.

The merger, which is expected to close in May 2002, is contingent upon the fulfillment of certain conditions as provided in the Merger Agreement including, but not limited to, the approval of the merger by the stockholders of PRI and the approval of the issuance of the Company's common stock in the merger by the stockholders of the Company.

PRI supplies advanced factory automation systems, software, and services that optimize the productivity of semiconductor and precision electronics manufacturers, as well as OEM process tool manufacturers.

In July 2001, the Financial Accounting Standards Board ("FASB") issued Statements of Financial Accounting Standards No. 141, "Business Combinations" ("FAS 141") and No. 142, "Goodwill and Other Intangible Assets" ("FAS 142"). FAS 141 requires that all business combinations be accounted for under the purchase method only and that certain acquired intangible assets in a business combination be recognized as assets apart from goodwill. FAS 142 requires that ratable amortization of goodwill be replaced with periodic tests of the goodwill's impairment and that intangible assets other than goodwill be amortized over their useful lives. FAS 141 is effective for all business combinations initiated after June 30, 2001 and for all business combinations accounted for by the purchase method for which the date of acquisition is before June 30, 2001. The provisions of FAS 142 are effective for fiscal years beginning after December 15, 2001; however, the Company elected to early adopt the provisions effective October 1, 2001. Accordingly, the Company has completed the transitional impairment test as of the date of adoption (See Note 3). The Company will perform an annual impairment test of goodwill, required under FAS 142, at the end of each fiscal year.

In October 2001, the FASB issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("FAS 144"). The objectives of FAS 144 are to address significant issues relating to the implementation of FASB Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" ("FAS 121") and to develop a single accounting model, based on the framework established in FAS 121, for long-lived assets to be disposed of by sale, whether previously held and used or newly acquired. FAS 144 is effective for financial statements issued for fiscal years beginning after December 15, 2001, and generally, its provisions are to be applied prospectively. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

**Restatement**

Contemporaneous with the cancellation of a customer fab and the renegotiation of a related long-term contract during the quarter ended June 30, 2002, the Company has determined that revenue should not have been recorded for this contract in the Company's financial statements for the quarters ended December 31, 2001 and March 31, 2002. As a result of that inclusion, the financial statements for those periods overstated its revenues and understated its income tax benefit. Accordingly, the Company has restated its fiscal first and second quarters' revenues, results of operations and accounts receivable due to this uncertainty.

A summary of the adjustments for the three months ended March 31, 2002 is as follows:

| | |
|---|---|
| Decrease in revenue | $1,192,000 |
| Increase in income tax benefit | $ 318,000 |

A summary of the adjustments for the six months ended March 31, 2002 is as follows:

| | |
|---|---|
| Decrease in revenue | $4,465,000 |
| Increase in income tax benefit | $1,440,000 |

The effect of this change on the reported results for the three and six months ended March 31, 2002 is as follows:

**Consolidated Statement of Operations Data:**

| | For the Three Months Ended March 31, 2002 | | For the Six Months Ended March 31, 2002 | |
|---|---|---|---|---|
| | As Restated | As Reported | As Restated | As Reported |
| Revenues | | | | |
| Product | $ 39,252 | $ 39,767 | $ 78,285 | $ 82,485 |
| Services | 17,872 | 18,549 | 37,021 | 37,286 |
| Total revenues | 57,124 | 58,316 | 115,306 | 119,771 |
| Cost of revenues | | | | |
| Product | 25,098 | 25,098 | 49,505 | 49,505 |
| Services | 13,175 | 13,175 | 26,109 | 26,109 |
| Total cost of revenues | 38,273 | 38,273 | 75,614 | 75,614 |
| Gross profit | 18,851 | 20,043 | 39,692 | 44,157 |
| Operating expenses | | | | |
| Research and development | 15,441 | 15,441 | 29,575 | 29,575 |
| Selling, general and administrative | 19,079 | 19,079 | 37,984 | 37,984 |
| Amortization of acquired intangible assets | 2,556 | 2,556 | 6,189 | 6,189 |
| Acquisition-related and restructuring charges | 9 | 9 | 109 | 109 |
| Total operating expenses | 37,085 | 37,085 | 73,857 | 73,857 |
| Income (loss) from operations | (18,234) | (17,042) | (34,165) | (29,700) |
| Interest income | 2,610 | 2,610 | 5,454 | 5,454 |
| Interest expense | 2,674 | 2,674 | 5,272 | 5,272 |
| Other income (expense), net | 92 | 92 | 645 | 645 |
| Loss before income taxes and minority interests | (18,206) | (17,014) | (33,338) | (28,873) |
| Income tax benefit | (5,567) | (5,249) | (10,757) | (9,317) |
| Loss before minority interests | (12,639) | (11,765) | (22,581) | (19,556) |
| Minority interests in loss of consolidated subsidiary | (63) | (63) | (120) | (120) |
| Net loss | (12,576) | (11,702) | (22,461) | (19,436) |
| Loss per share | | | | |
| Basic | $ (0.63) | $ (0.58) | $ (1.12) | $ (0.97) |
| Diluted | $ (0.63) | $ (0.58) | $ (1.12) | $ (0.97) |
| Shares used in computing loss per share | | | | |
| Basic | 20,116 | 20,116 | 20,001 | 20,001 |
| Diluted | 20,116 | 20,116 | 20,001 | 20,001 |

**Consolidated Balance Sheet Data:**

| | March 31, 2002 | |
|---|---|---|
| | As Restated | As Reported |
| Accounts receivable, net | $ 76,140 | $ 80,605 |
| Prepaid expenses and other current assets | $ 12,192 | $ 11,782 |
| Total current assets | $333,408 | $337,463 |
| Total assets | $715,814 | $719,869 |
| Accrued income taxes payable | $ — | $ 1,030 |
| Total current liabilities | $ 95,929 | $ 96,959 |
| Total liabilities | $279,615 | $280,645 |
| Accumulated deficit | $(67,881) | $(64,856) |
| Total stockholders' equity | $435,557 | $438,582 |
| Total liabilities, minority interests and stockholders' equity | $715,814 | $719,869 |

## 2. Business Acquisitions

### *Pooling of Interests Transaction*

On July 12, 2001, the Company acquired PTI in exchange for 715,004 shares of the Company's common stock. The acquisition has been accounted for as a pooling of interests. PTI is engaged in the development, production and distribution of airflow regulation systems for clean room and process equipment in the semiconductor industry.

The accompanying consolidated financial statements and notes thereto for the three and six months ended March 31, 2001 have been restated to include the financial position and results of operations for PTI.

The results of operations previously reported by the separate companies prior to the acquisition of PTI and the combined amounts presented in the accompanying Consolidated Statements of Operations are as follows (in thousands):

| | Three Months Ended March 31, 2001 | Six Months Ended March 31, 2001 |
|---|---|---|
| Revenues | | |
| Brooks Automation, Inc. | $108,740 | $216,318 |
| Progressive Technologies, Inc. | 3,247 | 7,060 |
| | $111,987 | $223,378 |
| Net income (loss) | | |
| Brooks Automation, Inc. | $ (2,703) | $ 2,276 |
| Progressive Technologies, Inc. | 81 | 647 |
| | $ (2,622) | $ 2,923 |

### *Purchase Transactions*

*IAS*

On February 15, 2002, the Company acquired IAS, two privately held affiliated companies located in Cambridge, Massachusetts. IAS provides custom automation technology and products for the semiconductor, photonics and life sciences industries. The transaction was accounted for as a purchase in accordance with

FAS 141. In consideration, the Company paid IAS and its stockholders (the "Sellers") $5.4 million of cash and issued or reserved for issuance 209,573 shares of Brooks common stock with a value of $9.9 million at the time of closing. Of these shares, 140,600 have been reserved for issuance to the sellers over a period of three years in accordance with the terms of the acquisition agreement, subject to adjustment for any indemnification claims that may arise within two years of the acquisition date. Additionally, 103,299 of the 140,600 shares are issuable contingent upon employment obligations to be fulfilled by certain key IAS employees ratably over the three year period subsequent to the acquisition. These shares will be recorded as compensation expense at the time of issuance.

A portion of the excess of purchase price over fair value of net liabilities assumed was allocated on a preliminary basis to identifiable intangible assets, each of which the Company estimates to have a useful life of three years. Accordingly, the Company is amortizing these intangible assets over three years, using the straight-line method. The balance of the excess purchase price was recorded as goodwill. In accordance with FAS 142, the Company will not amortize the goodwill, but will instead test for impairment at least annually. Finalization of the allocation of excess of purchase price over the fair value of net liabilities assumed to identifiable intangible assets and goodwill will be made after completion of the analysis of their fair values, which the Company expects to occur in the third quarter of fiscal 2002. A change in the allocation between the acquired identifiable intangible assets and goodwill of $1,000,000 would result in a change in annual amortization expense of approximately $333,000. An increase in the weighted average useful life of the acquired identifiable intangible assets from three years to four years would result in a decrease in annual amortization expense of approximately $540,000. A decrease in the weighted average useful life of the acquired identifiable intangible assets from three years to two years would result in an increase in annual amortization expense of approximately $1,080,000. Pro forma results of operations are not presented as the amounts are not material compared to the Company's historical results. A summary of the transaction is as follows (in thousands):

| | |
|---|---|
| Consideration: | |
| Cash | $ 5,430 |
| Common stock issued | 4,339 |
| Transaction costs | 943 |
| Total consideration | 10,712 |
| Fair value of net liabilities assumed | 2,109 |
| Deferred compensation | 532 |
| Fair value of net liabilities assumed | 1,577 |
| Preliminary excess of consideration over fair value of net liabilities assumed | 12,289 |
| Preliminary allocation of excess consideration to identifiable intangible assets: | |
| Completed technology | 5,706 |
| Trademarks and trade names | 385 |
| Non-competition agreements | 320 |
| | 6,411 |
| Preliminary allocation of excess consideration to goodwill | $ 5,878 |

***Fab Air***

On December 15, 2001, the Company acquired Fab Air, a Massachusetts company that develops exhaust control and airflow management systems for the semiconductor industry. In consideration, the Company paid

$1.2 million of cash and incurred $0.3 million of transaction costs. The transaction was accounted for as a purchase in accordance with FAS 141. The excess of purchase price over fair value of net tangible assets acquired of $1.5 million has been recorded as completed technology, with an estimated useful life of three years, and will be amortized using the straight-line method. Pro forma results of operations are not presented as the amounts are not material compared to the Company's historical results.

***Zygo Group***

On December 13, 2001, the Company acquired the Zygo Group, located in Florida. The Zygo Group is a manufacturer of reticle automation systems, including reticle sorters, reticle macro inspection systems, and reticle handling solutions for the semiconductor industry. In consideration, the Company paid $11.4 million of cash. The transaction was accounted for as a purchase of assets in accordance with FAS 141.

A portion of the excess of purchase price over fair value of net assets acquired was allocated on a preliminary basis to identifiable intangible assets, each of which the Company estimates to have a useful life of three years. Accordingly, the Company is amortizing these intangible assets over three years, using the straight-line method. The balance of the excess purchase price was recorded as goodwill. In accordance with FAS 142, the Company will not amortize the goodwill, but will instead test for impairment at least annually. Finalization of the allocation of excess of purchase price over the fair value of net assets acquired to identifiable intangible assets and goodwill will be made after completion of the analysis of their fair values, which the Company expects to occur in the third quarter of fiscal 2002. The Company believes it has sufficient information to finalize the purchase price allocation but requires additional time to complete the analysis. A change in the allocation between the acquired identifiable intangible assets and goodwill of $1,000,000 would result in a change in annual amortization expense of approximately $333,000. An increase in the weighted average useful life of the acquired identifiable intangible assets from three years to four years would result in a decrease in annual amortization expense of approximately $335,000. A decrease in the weighted average useful life of the acquired identifiable intangible assets from three years to two years would result in an increase in annual amortization expense of approximately $669,000. Pro forma results of operations are not presented as the amounts are not material compared to the Company's historical results. A summary of the transaction is as follows (in thousands):

| | |
|---|---|
| Consideration: | |
| Cash | $11,413 |
| Transaction costs | 160 |
| Total consideration | 11,573 |
| Fair value of net tangible assets acquired | 3,541 |
| Preliminary excess of consideration over fair value of net tangible assets acquired | 8,032 |
| Preliminary allocation of excess consideration to identifiable intangible assets: | |
| Completed technology | 3,574 |
| Trademarks and trade names | 241 |
| Non-competition agreements | 201 |
| | 4,016 |
| Preliminary allocation of excess consideration to goodwill | $ 4,016 |

***Tec-Sem***

On October 9, 2001, the Company acquired Tec-Sem, a leading manufacturer of bare reticle stockers, tool buffers and batch transfer systems for the semiconductor industry. In consideration, the Company paid $13.7 million of cash and issued 155,000 shares of Brooks common stock with a market value of $5.1 million at the time of issuance. The Company also granted 25,000 shares of fully issued common stock with a market value of $0.8 million at the time of issuance, to certain key non-owner employees of Tec-Sem, which were accounted for as additional purchase price, since the issuance of the shares is not related to any continuing employee obligations to the Company. The fair value of the shares issued was determined utilizing the average closing price of the Company's common stock over a period of two days before and the day of the acquisition.

A portion of the excess of purchase price over fair value of net tangible assets acquired was allocated on to identifiable intangible assets, each of which the Company estimates will have a useful life of three years. Accordingly, the Company is amortizing these intangible assets over three years, using the straight-line method. The balance of the excess was recorded as goodwill. In accordance with FAS 142, the Company will not amortize the goodwill, but will instead test for impairment at lease annually. The allocation of excess of purchase price over the fair value of net liabilities assumed to identifiable intangible assets and goodwill has been finalized. Pro forma results of operations are not presented as the amounts are not material compared to the Company's historical results. A summary of the transaction is as follows (in thousands):

| | |
|---|---|
| Consideration: | |
| Cash, net of cash acquired of $223 | $13,742 |
| Common stock | 5,872 |
| Transaction costs | 292 |
| Total consideration | 19,906 |
| Fair value of net tangible assets acquired | 1,981 |
| Excess of consideration over fair value of net liabilities assumed | 17,925 |
| Allocation of excess consideration to identifiable intangible assets: | |
| Completed technology | 7,023 |
| Allocation of excess consideration to goodwill | $10,902 |

***GPI***

On October 5, 2001, the Company acquired substantially all of the assets of GPI in exchange for 850,000 shares of Brooks common stock, with a market value of $26.2 million at the time of issuance, subject to post-closing adjustments, and $0.2 million of cash. The Company expects to complete any post-closing adjustments in accordance with the procedures defined in the terms of the acquisition agreement. The acquisition agreement establishes a procedure for post-closing adjustments in which the net assets of GPI are determined at a point in time prior to the closing and compared with the net assets at closing. To the extent that there is a decrease in the net value of the assets, the purchase price will be reduced on a dollar for dollar basis. The parties are in the process of finalizing this analysis. GPI, formerly located in Valencia, California, is a leading supplier of high-end environmental solutions for the semiconductor industry. The fair value of the shares issued was determined utilizing the average closing price of the Company's common stock over a period of two days before and the day of the acquisition.

A portion of the excess of purchase price over fair value of net assets acquired was allocated on a preliminary basis to identifiable intangible assets, each of which the Company estimates will have a useful life of three years. Accordingly, the Company is amortizing these intangible assets over three years, using the straight-line method. The balance of the excess was recorded as goodwill. In accordance with FAS 142, the Company will not amortize the goodwill, but will instead test for impairment at least annually. Finalization of the allocation of the excess of purchase price over fair value of net assets acquired to identifiable intangible assets and goodwill will be made upon completion of the analysis of their fair values. A summary of the transaction is as follows (in thousands):

| | |
|---|---|
| Consideration: | |
| Common stock | $26,222 |
| Cash | 177 |
| Transaction costs | 777 |
| Total consideration | 27,176 |
| Fair value of net tangible assets acquired | 5,844 |
| Preliminary excess of consideration over fair value of net tangible assets acquired | 21,332 |
| Preliminary allocation of excess consideration to identifiable intangible assets: | |
| Completed technology | 9,300 |
| Trademarks and trade names | 600 |
| Non-competition agreements | 200 |
| | 10,100 |
| Preliminary allocation of excess consideration to goodwill | $11,232 |

***Pro Forma Results of Operations***

On February 16, 2001, the Company acquired SEMY, a wholly owned subsidiary of Semitool, Inc. The following pro forma results of operations for the three and six months ended March 31, 2001 have been prepared as though the acquisitions of GPI and SEMY had occurred as of October 1, 2000. In fiscal 2001, the Company made several individually insignificant acquisitions which are not included in the pro forma results of operations below, as their results are not material to the Company's consolidated results of operations. No pro forma adjustments were required to the results of operations for the six months ended March 31, 2002, as the results of operations for GPI for the five days from October 1, 2001 through October 5, 2001 are not material to the Company's results of operations; they are provided below for comparative purposes only. This pro forma financial information does not purport to be indicative of the results of operations that would have been attained had the acquisitions been made as of that date or of results of operations that may occur in the future (in thousands except per share data):

| | Three Months Ended March 31, | | Six Months Ended March 31, | |
|---|---|---|---|---|
| | 2002 (Restated) | 2001 | 2002 (Restated) | 2001 |
| Revenues | $ 57,124 | $116,386 | $115,306 | $239,012 |
| Net income (loss) | $(12,576) | $ (4,452) | $(22,461) | $ 390 |
| Earnings (loss) per share (diluted) | $ (0.63) | $ (0.24) | $ (1.12) | $ 0.02 |

## 3. Goodwill and Intangible Assets

The Company has elected to early adopt the provisions of FAS 142 effective October 1, 2001. Accordingly, the Company ceased the ratable amortization of goodwill on that date. The Company recorded amortization expense of $2.6 million and $6.5 million for its amortizable intangible assets for the three and six months ended March 31, 2002, respectively. Estimated future amortization expense on the intangible assets recorded by the Company as of March 31, 2002 is as follows (in thousands):

| Year Ended September 30, | |
|---|---|
| 2002 | $14,700 |
| 2003 | $14,500 |
| 2004 | $13,200 |
| 2005 | $ 8,000 |
| 2006 | $ 4,300 |

The amortization of goodwill excluded from the Company's results of operations for the three and six months ended March 31, 2002 as a result of the adoption of FAS 142 totaled $8.3 million and $16.0 million, respectively.

The changes in the carrying amount of goodwill by segment for the three months ended December 31, 2001 and March 31, 2002 are as follows (in thousands):

| | Tool Automation Systems | Factory Interface Solutions | Factory Automation Solutions | Other | Total |
|---|---|---|---|---|---|
| Balance at September 30, 2001 | $4,751 | $24,138 | $31,239 | $ — | $60,128 |
| Adjustments to goodwill: | | | | | |
| Reclassify assembled workforces to goodwill in accordance with FAS 141 | 450 | 1,059 | 5,066 | — | 6,575 |
| Acquisitions | — | 23,223 | — | — | 23,223 |
| Purchase accounting adjustments on prior period acquisitions | (24) | (3,136) | 21 | — | (3,139) |
| Foreign currency translation | (67) | (5) | (50) | — | (122) |
| Balance at December 31, 2001 | 5,110 | 45,279 | 36,276 | — | 86,665 |
| Adjustments to goodwill: | | | | | |
| Reclassify assembled workforces to goodwill in accordance with FAS 141 | — | — | — | — | — |
| Acquisitions | — | 3,408 | — | 5,878 | 9,286 |
| Purchase accounting adjustments on prior period acquisitions | 6 | 1,305 | (948) | — | 363 |
| Foreign currency translation | (3) | (146) | (50) | — | (199) |
| Balance at March 31, 2002 | $5,113 | $49,846 | $35,278 | $5,878 | $96,115 |

Purchase accounting adjustments are comprised of $2.0 million reclassified to deferred compensation with respect to stock awards granted to e-Diagnostics employees at the time of acquisition and other individually insignificant purchase accounting adjustments aggregating $0.8 million.

The information below gives effect to the adoption of FAS 142 as if the provisions had been adopted as of October 1, 2000. The results for the three and six months ended March 31, 2002 are presented for comparative purposes only, as the effect of the adoption of FAS 142 is reflected in the Company's actual results of operations for that period (in thousands, except per share data):

| | Three Months Ended March 31, | | Six Months Ended March 31, | |
|---|---|---|---|---|
| | 2002 (Restated) | 2001 | 2002 (Restated) | 2001 |
| Net income (loss) attributable to common Stockholders | $(12,576) | $(2,592) | $(22,461) | $ 2,923 |
| Add back goodwill and assembled workforces Amortization | — | 5,409 | — | 10,280 |
| Adjusted net income (loss) | $(12,576) | $ 2,817 | $(22,461) | $13,203 |
| Basic earnings (loss) per share | | | | |
| Reported earnings (loss) per share | $ (0.63) | $ (0.15) | $ (1.12) | $ 0.16 |
| Goodwill and assembled workforces amortization | — | 0.30 | — | 0.58 |
| Adjusted basic earnings (loss) per share | $ (0.63) | $ 0.15 | $ (1.12) | $ 0.74 |
| Diluted earnings (loss) per share | | | | |
| Reported earnings (loss) per share | $ (0.63) | $ (0.15) | $ (1.12) | $ 0.15 |
| Goodwill and assembled workforces amortization | — | 0.29 | — | 0.55 |
| Adjusted diluted earnings (loss) per share | $ (0.63) | $ 0.14 | $ (1.12) | $ 0.70 |

Components of the Company's identifiable intangible assets, including preliminary allocation of the identifiable intangible assets recorded in connection with the acquisitions of IAS and GPI are as follows (in thousands):

| | March 31, 2002 | | September 30, 2001 | |
|---|---|---|---|---|
| | Cost | Accumulated Amortization | Cost | Accumulated Amortization |
| Patents | $ 9,276 | $ 6,210 | $ 4,579 | $ 2,422 |
| Completed technology | 58,598 | 9,314 | 31,575 | 4,081 |
| License agreements | 678 | 237 | 678 | 170 |
| Trademarks and trade names | 3,678 | 1,020 | 2,426 | 648 |
| Non-competition agreements | 2,854 | 921 | 2,133 | 591 |
| Customer relationships | 1,305 | 734 | 1,305 | 571 |
| Assembled workforces | — | — | 10,590 | 4,015 |
| | $76,389 | $18,436 | $53,286 | $12,498 |

The Company was required to complete the first step of the transitional impairment testing of goodwill required under the provisions of FAS 142 by the filing of the Form 10-Q for the quarter ended March 31, 2002. The Company has completed its testing and has determined that there is no impairment as of October 1, 2001.

### 4. Earnings (Loss) Per Share

Below is a reconciliation of earnings (loss) per share and weighted average common shares outstanding for purposes of calculating basic and diluted earnings (loss) per share (in thousands, except per share data):

| | Three Months Ended March 31, | | Six Months Ended March 31, | |
|---|---|---|---|---|
| | 2002 (Restated) | 2001 | 2002 (Restated) | 2001 |
| Basic earnings (loss) per share: | | | | |
| Net income (loss) | $(12,576) | $(2,592) | $(22,461) | $2,923 |
| Accretion and dividends on preferred stock | — | (30) | — | (60) |
| Net income (loss) attributable to common stockholders | $(12,576) | $(2,622) | $(22,461) | $2,863 |
| Weighted average common shares outstanding | 20,116 | 17,705 | 20,001 | 17,649 |
| Basic earnings (loss) per share | $ (0.63) | $ (0.15) | $ (1.12) | $ 0.16 |
| Diluted earnings (loss) per share: | | | | |
| Net income (loss) attributable to common stockholders | $(12,576) | $(2,622) | $(22,461) | $2,863 |
| Weighted average common shares outstanding | 20,116 | 17,705 | 20,001 | 17,649 |
| Dilutive stock options and warrants | — | — | — | 986 |
| Weighted average common shares outstanding for purposes of computing diluted earnings (loss) per share | 20,116 | 17,705 | 20,001 | 18,635 |
| Diluted earnings (loss) per share | $ (0.63) | $ (0.15) | $ (1.12) | $ 0.16 |

Options to purchase and assumed conversions totaling approximately 4,350,000 and 6,100,000 shares of common stock were excluded from the computation of diluted loss per share for the three and six months ended March 31, 2002, respectively, as their effect would be anti-dilutive. Options to purchase approximately 2,950,000 and 2,450,000 shares of common stock were excluded from the computation of diluted earnings per share for the three and six months ended March 31, 2001, respectively, as their effect would be anti-dilutive. However, these options and conversions could become dilutive in future periods.

### 5. Comprehensive Income (Loss)

Comprehensive income (loss) for the Company is computed as the sum of net income (loss) and the change in the cumulative translation adjustment, which is the only component of the Company's accumulated other comprehensive loss. The Company's comprehensive loss for the three months and six months ended March 31, 2002 was $13,539,000 and $27,105,000, respectively. The Company's comprehensive loss was $5,131,000 for the three months ended March 31, 2001; comprehensive income was $71,000 for the six months then ended.

### 6. Segment and Geographic Information

The Company has three reportable segments: tool automation systems, factory interface solutions and factory automation solutions. The tool automation systems segment provides a full complement of semiconductor wafer and flat panel display substrate handling systems, products and components and products for data storage. The factory interface solutions segment provides hardware and software solutions, including minienvironments and automated transfer mechanisms, to isolate the semiconductor wafer from the production environment. The factory automation segment provides software products for the semiconductor manufacturing execution system ("MES") market, including consulting and software customization. IAS, acquired on February 15, 2002, is the only component of "Other", as the Company has not fully integrated this acquired entity into one of its segments as of March 31, 2002.

The Company evaluates performance and allocates resources based on revenues and operating income (loss). Operating income (loss) for each segment includes selling, general and administrative expenses directly attributable to the segment. Amortization of acquired intangible assets and acquisition-related charges are excluded from the segments' operating income (loss). The Company's non-allocable overhead costs, which include corporate general and administrative expenses, are allocated between the segments based upon segment revenues. Segment assets exclude deferred taxes, acquired intangible assets, goodwill, all assets of the Company's Securities Corporation and investments in subsidiaries. The Company's Securities Corporation holds the Company's investments in marketable securities and is consolidated fully.

Financial information for the Company's business segments is as follows (in thousands):

| | Tool Automation Systems | Factory Interface Solutions | Factory Automation Solutions (Restated) | Other | Total (Restated) |
|---|---|---|---|---|---|
| Three months ended March 31, 2002 | | | | | |
| Revenues | | | | | |
| Product | $ 18,890 | $15,692 | $ 3,798 | $ 872 | $ 39,252 |
| Services | 3,661 | 474 | 13,737 | — | 17,872 |
| | $ 22,551 | $16,166 | $ 17,535 | $ 872 | $ 57,124 |
| Gross margin | $ 6,454 | $ 4,351 | $ 8,049 | $ (3) | $ 18,851 |
| Operating income (loss) | $ (3,250) | $(4,472) | $ (7,611) | $ (336) | $(15,669) |
| Three months ended March 31, 2001 | | | | | |
| Revenues | | | | | |
| Product | $ 49,192 | $24,871 | $ 12,604 | $ — | $ 86,667 |
| Services | 5,472 | 1,359 | 18,489 | — | 25,320 |
| | $ 54,664 | $26,230 | $ 31,093 | $ — | $111,987 |
| Gross margin | $ 18,877 | $11,233 | $ 18,756 | $ — | $ 48,866 |
| Operating income (loss) | $ 7,815 | $ 2,044 | $ (423) | $ — | $ 9,436 |
| Six months ended March 31, 2002 | | | | | |
| Revenues | | | | | |
| Product | $ 35,171 | $31,430 | $ 10,812 | $ 872 | $ 78,285 |
| Services | 7,767 | 2,566 | 26,688 | — | 37,021 |
| | $ 42,938 | $33,996 | $ 37,500 | $ 872 | $115,306 |
| Gross margin | $ 12,940 | $ 9,048 | $ 17,707 | $ (3) | $ 39,692 |
| Operating income (loss) | $ (5,781) | $(7,722) | $(14,028) | $ (336) | $(27,867) |

| | Tool Automation Systems | Factory Interface Solutions | Factory Automation Solutions (Restated) | Other | Total (Restated) |
|---|---|---|---|---|---|
| Six months ended March 31, 2001 | | | | | |
| Revenues | | | | | |
| Product | $102,071 | $52,611 | $ 23,824 | $ — | $178,506 |
| Services | 10,430 | 1,976 | 32,466 | $ — | 44,872 |
| | $112,501 | $54,587 | $ 56,290 | $ — | $223,378 |
| Gross margin | $ 40,954 | $23,007 | $ 35,524 | $ — | $ 99,485 |
| Operating income | $ 19,126 | $ 3,819 | $ (239) | $ — | $ 22,706 |
| **Assets** | | | | | |
| March 31, 2002 | $159,113 | $84,020 | $ 33,368 | $1,325 | $277,826 |
| September 30, 2001 | $200,172 | $41,608 | $ 44,832 | $ — | $286,612 |

A reconciliation of the Company's reportable segment operating income (loss) to the corresponding consolidated amounts for the three and six month periods ended March 31, 2002 and 2001 is as follows (in thousands):

| | Three Months Ended March 31, | | Six Months Ended March 31, | |
|---|---|---|---|---|
| | 2002 (Restated) | 2001 | 2002 (Restated) | 2001 |
| Segment operating income (loss) | $(15,669) | $ 9,436 | $(27,867) | $ 22,706 |
| Amortization of acquired intangible assets | (2,556) | (6,942) | (6,189) | (12,635) |
| Acquisition-related charges | (9) | (1,018) | (109) | (1,018) |
| Total operating income (loss) | $(18,234) | $ 1,476 | $(34,165) | $ 9,053 |

A reconciliation of the Company's reportable segment assets to the corresponding consolidated amounts as of March 31, 2002 and September 30, 2001 is as follows (in thousands):

| | March 31, 2002 (Restated) | September 30, 2001 |
|---|---|---|
| Segment assets | $277,826 | $286,612 |
| Deferred tax asset | 49,250 | 45,888 |
| Acquired intangible assets | 54,712 | 32,353 |
| Goodwill | 96,115 | 66,703 |
| Securities Corporation assets | 237,911 | 278,148 |
| | $715,814 | $709,704 |

Net revenues by geographic area are as follows (in thousands):

| | Three Months Ended March 31, | | Six Months Ended March 31, | |
|---|---|---|---|---|
| | 2002 (Restated) | 2001 | 2002 (Restated) | 2001 |
| North America | $32,138 | $ 61,568 | $ 56,343 | $122,950 |
| Asia/Pacific | 13,627 | 31,676 | 31,251 | 60,779 |
| Europe | 11,359 | 18,743 | 27,712 | 39,649 |
| | $57,124 | $111,987 | $115,306 | $223,378 |

It is impractical to disclose a breakdown of revenues between products and services on a geographic basis due to the fact that the Company does not maintain customer-level information at that level of detail in its financial systems.

### 7. Significant Customers and Related Party Information

On June 11, 2001, the Company appointed a new member to its Board of Directors. This individual is also a director of one of the Company's customers. Accordingly, this customer is considered a related party for the period subsequent to June 11, 2001. Revenues from this customer for the three and six months ended March 31, 2002, were $469,000 and $517,000, respectively. The amounts due from this customer included in accounts receivable at March 31, 2002 and September 30, 2001 were $558,000 and $32,000, respectively.

One of the Company's directors had previously also been a director of one of the Company's customers. On January 23, 2001, this individual resigned his position with the Company's customer. Accordingly, this customer is not considered a related party in subsequent reporting periods. Revenues recognized from this customer in the prior fiscal year through January 23, 2001 were $3.0 million for the period from January 1, 2001 and $13.9 million for the period from October 1, 2000. Revenues from this customer comprised 12.0% and 10.9% of revenues in the three and six month periods ended March 31, 2002, respectively.

The Company had no customer that accounted for more than 10% of revenues in either the three or six months ended March 31, 2002. The Company had no customers that accounted for more than 10% of revenues in either the three or six months ended March 31, 2001 excluding the previously related party described above.

Related party transactions and amounts included in accounts receivable are on standard pricing and contractual terms and manner of settlement for products and services of similar types and at comparable volumes.

### 8. Acquisition-Related and Restructuring Liabilities

The Company reported $9,000 and $0.1 million of acquisition-related charges in the three and six months ended March 31, 2002, respectively. These charges are primarily legal and accounting fees incurred for the acquisition of PTI. The Company reported $1.0 million of acquisition-related in both the three and six month periods ended March 31, 2001, which principally relates to legal fees and costs to perform due diligence incurred for the initial merger attempt with PRI.

The activity related to the Company's acquisition-related and restructuring liabilities during the six months ended March 31, 2002, is below (in thousands):

| | Balance September 30, 2001 | Charged to Expense | Utilization | Balance December 31, 2001 |
|---|---|---|---|---|
| Facilities | $3,309 | $ — | $ (25) | $3,284 |
| Workforce-related | 1,952 | — | (1,280) | 672 |
| Other | — | 100 | (109) | — |
| | $5,261 | $100 | $(1,405) | $3,956 |

| | Balance December 31, 2001 | Charged to Expense | Utilization | Balance March 31, 2002 |
|---|---|---|---|---|
| Facilities | $3,284 | $— | $(491) | $2,793 |
| Workforce-related | 672 | — | 6 | 678 |
| Other | — | 9 | (9) | — |
| | $3,956 | $ 9 | $(494) | $3,471 |

The Company anticipates cash outlays of $1.0 million and $2.5 million through the remainder of fiscal 2002 and in subsequent years, respectively, to complete its acquisition-related and restructuring initiatives.

## 9. Other Balance Sheet Information

Components of other selected captions in the Consolidated Balance Sheets follow (in thousands):

| | March 31, 2002 (Restated) | September 30, 2001 |
|---|---|---|
| Accounts receivable | $81,963 | $99,679 |
| Less allowances | 5,823 | 6,114 |
| | $76,140 | $93,565 |
| Inventories | | |
| Raw materials and purchased parts | $35,837 | $35,021 |
| Work-in-process | 12,100 | 12,099 |
| Finished goods | 3,768 | 2,175 |
| | $51,705 | $49,295 |

## 10. Contingency

There has been substantial litigation regarding patent and other intellectual property rights in the semiconductor and related industries. In 1992, the Company received notice from a third party alleging infringements of such party's patent rights by certain of the Company's products. The Company believes the patents claimed may be invalid. In the event of litigation with respect to this claim, the Company is prepared to vigorously defend its position. However, because patent litigation can be extremely expensive and time consuming, the Company may seek to obtain a license to one or more of the disputed patents. Based upon currently available information, the Company would only do so if such license fees would not be material to the Company's consolidated financial statements. Currently, the Company does not believe it is probable that the future events related to this threatened matter would have an adverse effect on the Company's business.

### 11. Subsequent Event

On May 14, 2002, Brooks completed the previously announced acquisition of PRI Automation, Inc. ("PRI"). PRI supplies advanced factory automation systems, software and services that optimize the productivity of semiconductor and precision electronics manufacturers, as well as OEM process tool manufacturers. Pursuant to the Amended and Restated Agreement and Plan of Merger between the parties, PRI was merged with and into Brooks. Stockholders of PRI received 0.52 shares of Brooks common stock for each share of PRI common stock held. Approximately 13.5 million shares of Brooks common stock were issued to PRI stockholders in the merger. Brooks has reserved an additional 3.3 million shares for issuance upon the exercise of options, warrants or other rights to purchase PRI common stock, which were assumed by Brooks and converted into options, warrants or other rights to purchase Brooks common stock.

In connection with the merger, Brooks changed its name to Brooks-PRI Automation, Inc., and increased the size of its board of directors from five to seven members. Mitchell Tyson, the former president and chief executive officer of PRI, and Kenneth Thompson, a former director of PRI, were appointed to fill the new positions on the Brooks board.

## Item 2. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

### *Forward-Looking Statements*

Certain statements in this quarterly report constitute "forward-looking statements" which involve known 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*

Brooks-PRI 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. 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 grown from individual robots used to transfer semiconductor wafers in advanced production equipment to fully integrated automation solutions that control the flow of resources in the factory from process tools to factory scheduling and dispatching. In 1998, the Company began an aggressive program of investment and acquisition. By the close of fiscal year 2000, Brooks had emerged as one of the leading suppliers of factory and tool automation solutions for semiconductor and original equipment manufacturers.

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.

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 is 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.

Contemporaneous with the cancellation of a customer fab and the renegotiation of a related long-term contract during the quarter ended June 30, 2002, the Company has determined that revenue should not have been recorded for this contract in the Company's financial statements for the quarters ended December 31, 2001 and March 31, 2002. As a result of that inclusion, the financial statements for those periods overstated its revenues and understated its income tax benefit. Accordingly, the Company has restated its fiscal first and second quarters' revenues, results of operations and accounts receivable due to this uncertainty.

### *Basis of Presentation*

On February 15, 2002, the Company acquired substantially all of the assets of Intelligent Automation Systems, Inc. and IAS Products, Inc. (collectively, "IAS"), privately held affiliated companies located in Cambridge, Massachusetts. IAS provides custom automation technology and products for the semiconductor, photonics and life sciences industries. The transaction was recorded using the purchase method of accounting in accordance with Financial Accounting Standards Board Statement No. 141, "Business Combinations" ("FAS 141"). Accordingly, the Company's Consolidated Statements of Operations for the three and six months ended March 31, 2002 and the Consolidated Statement of Cash Flows for the six months ended March 31, 2002, include the results of IAS for the period subsequent to its acquisition.

On December 15, 2001, the Company acquired Fab Air Control ("Fab Air"), a Massachusetts company that develops exhaust control and airflow management systems for the semiconductor industry. On December 13, 2001, the Company acquired the Automation Systems Group of Zygo Corporation ("Zygo Group"). The Zygo Group, located in Florida, is a manufacturer of reticle automation systems, including reticle sorters, reticle macro inspection systems and reticle handling solutions for the semiconductor industry. On October 9, 2001, the Company acquired 90% of the capital stock of Tec-Sem A.G., a Swiss company ("Tec-Sem"). Tec-Sem is a leading manufacturer of bare reticle stockers, tool buffers and batch transfer systems for the semiconductor industry. On October 5, 2001, the Company acquired substantially all of the assets of General Precision, Inc. ("GPI"). GPI, located in Valencia, California, is a leading supplier of high-end environmental solutions for the semiconductor industry. These transactions were recorded using the purchase method of accounting in accordance with FAS 141. Accordingly, the Company's Consolidated Statements of Operations and of Cash Flows for the three months ended December 31, 2001, include the results of these acquired entities for the periods subsequent to their respective acquisitions.

On July 12, 2001, the Company acquired Progressive Technologies, Inc. ("PTI") in a transaction accounted for as a pooling of interests initiated prior to June 30, 2001. Accordingly, the Company's consolidated financial statements and notes thereto have been restated to include the financial position and results of operations of PTI for all periods prior to the acquisition. Prior to its acquisition by the Company, PTI's fiscal year-end was December 31.

The Company made several acquisitions during fiscal year 2001 which were accounted for using the purchase method of accounting in accordance with Accounting Principles Board Opinion No. 16, "Business Combinations" ("APB 16"): KLA-Tencor, Inc.'s e-Diagnostics product line infrastructure ("e-Diagnostics") on June 26, 2001; CCS Technology, Inc. ("CCST") on June 25, 2001, SimCon N.V. ("SimCon") on May 15, 2001; SEMY Engineering, Inc. ("SEMY") on February 16, 2001 and substantially all of the assets of a software and service distributor in Japan ("ASI-Japan"). The Company's Consolidated Statements of Operations and of Cash Flows include the results of these entities for the periods subsequent to their respective acquisitions.

***Critical Accounting Policies and Estimates***

The preparation of consolidated financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, the Company evaluates its estimates, including those related to product returns, bad debts, inventories, intangible assets, income taxes, warranty obligations, excess component order cancellation costs, restructuring and contingencies and litigation. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The Company believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of its consolidated financial statements.

The Company has made a number of acquisitions and identified significant intangible assets and goodwill. Intangible assets are amortized over their estimated useful life and goodwill is subject to annual impairment testing. The carrying value and realization of these assets is dependent upon estimates of future earnings and benefits that the Company expects to generate. If the Company's expectations of future results are significantly diminished, intangible assets and goodwill may be impaired and the resulting charge to operations may be material.

The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

The Company provides for the estimated cost of product warranties at the time revenue is recognized. While the Company engages in extensive product quality programs and processes, including actively monitoring and evaluating the quality of its component suppliers, the Company's warranty obligation is affected by product failure rates and material usage and service delivery costs incurred in correcting a product failure. Should actual product failure rates, material usage or service delivery costs differ from the Company's estimates, revisions to the estimated warranty liability would be required.

The Company provides reserves for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventory and the estimated market value based upon assumptions about future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory write-downs may be required.

The Company records a valuation allowance to reduce its deferred tax assets to the amount that is more likely than not to be realized. While the Company has considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance, in the event the Company were to determine that it would be able to realize its deferred tax assets in the future in excess of its net recorded amount, an adjustment to the deferred tax asset would increase income in the period such determination was made. Likewise, should the Company determine that it would not be able to realize all or part of its net deferred tax asset in the future, an adjustment to the deferred tax asset would be charged to income in the period such determination was made.

***Recent Developments***

On May 14, 2002, Brooks completed the previously announced acquisition of PRI Automation, Inc. ("PRI"). PRI supplies advanced factory automation systems, software and services that optimize the productivity of semiconductor and precision electronics manufacturers, as well as OEM process tool manufacturers. Pursuant to the Amended and Restated Agreement and Plan of Merger between the parties, PRI was merged with and into Brooks. Stockholders of PRI received 0.52 shares of Brooks common stock for each share of PRI common stock held. Approximately 13.5 million shares of Brooks common stock were issued to PRI stockholders in the merger. Brooks has reserved an additional 3.3 million shares for issuance upon the exercise of options, warrants or other rights to purchase PRI common stock, which were assumed by Brooks and converted into options, warrants or other rights to purchase Brooks common stock.

In connection with the merger, Brooks changed its name to Brooks-PRI Automation, Inc., and increased the size of its board of directors from five to seven members. Mitchell Tyson, the former president and chief executive officer of PRI, and Kenneth Thompson, a former director of PRI, were appointed to fill the new positions on the Brooks board.

***Results of Operations***

The Company's business is significantly dependent on capital expenditures by semiconductor manufacturers and OEM's, which are, in turn, dependent on the current and anticipated market demand for semiconductors. The Company's revenues grew substantially in fiscal 2000 and the first half of fiscal 2001, due in large part to high levels of capital expenditures of semiconductor manufacturers. Demand for semiconductors is cyclical and has historically experienced periodic downturns. The semiconductor industry is currently experiencing such a downturn, which began to impact the Company in the third quarter of fiscal 2001, affecting both revenues and gross margins. As a result of this downturn, the Company anticipates continued lower shipments of its products in fiscal 2002, compared to fiscal 2001. During fiscal 2001, the Company had taken selective cost reduction actions in many areas of its business in response to this ongoing downturn. These cost management initiatives included reductions to headcount, salary and wage reductions and reduced spending. Although the Company continues to take a proactive approach to cost management in response to this downturn, it will continue to invest in those areas which it believes are important to the long-term growth of the Company, such as its infrastructure, customer support and new products.

***Three and Six Months Ended March 31, 2002, Compared to Three and Six Months Ended March 31, 2001***

The Company reported net losses of $12.6 million and $22.5 million for the three and six months ended March 31, 2002, respectively. The Company had reported a net loss of $2.6 million for the three months ended March 31, 2001, and net income of $2.9 million for the six months then ended. The results for the three and six months ended March 31, 2002 include $2.6 million and $6.2 million, respectively, of amortization of acquired identifiable intangible assets. The Company's results for the six months ended March 31, 2002 include $0.1 million of acquisition-related and restructuring costs; the Company recorded only $9,000 of acquisition-related and restructuring costs in the three months then ended. The results for the three and six months ended March 31, 2001 include $6.9 million and $12.6 million, respectively, of amortization of acquired identifiable intangible assets and goodwill. The Company's results for both the three and six months ended March 31, 2001 include $1.0 million of acquisition-related and restructuring costs.

***Revenues***

The Company reported revenues of $57.1 million in the three months ended March 31, 2002, compared to $112.0 million in the same prior year period. The Company revenues for the six months ended March 31, 2002 were $115.3 million, compared to $223.4 million in the six months ended March 31, 2001. The overall decrease in revenues in the three and six months ended March 31, 2002, compared to the same prior year periods, is principally attributable to the current downturn in the semiconductor industry, partially offset by approximately $7 million and $13 million, respectively, in incremental revenues from acquisitions.

The Company's tool automation systems segment reported revenues of $22.6 million and $42.9 million in the three and six months ended March 31, 2002, decreases of 58.7% and 61.8%, respectively, from the same prior year periods. The decrease is attributable to the current downturn in the semiconductor industry, partially offset by $0.5 million and $1.1 million of incremental revenues from acquisitions in the three and six month periods ended March 31, 2002, respectively. The Company's factory interface solutions segment reported decreases in revenues of 38.4%, to $16.2 million in the three months ended March 31, 2002, and 37.7%, to $34.0 million, in the six months then ended, compared to the same prior year periods. The decrease is attributable to the current downturn in the semiconductor industry, partially offset by approximately $6.0 million and $9.5 million of incremental revenues from acquisitions in the three and six months ended March 31, 2002, respectively. The Company's factory automation solutions segment reported revenues of $17.5 million and $37.5 million in the three and six months ended March 31, 2002, respectively. This segment's revenues declined from the comparable prior year periods by 43.6% in the three months ended March 31, 2002 and by 33.4% in the six months then ended. The decrease resulting from the downturn in the semiconductor industry was partially offset by approximately $1.9 million of incremental revenues from acquisitions in the six months ended March 31, 2002.

Product revenues decreased $47.4 million, or 54.7%, and $100.2 million, or 56.1%, to $39.3 million and $78.3 million, in the three and six months ended March 31, 2002, respectively, compared to the same prior year periods. These decreases are attributable to the downturn currently affecting the semiconductor industry, partially offset by incremental revenues from acquisitions of approximately $6 million and $11 million in the three and six months ended March 31, 2002, respectively.

Service revenues for the three and six months ended March 31, 2002 were $17.9 million and $37.0 million in the three and six months ended March 31, 2002, respectively, decreases of $7.4 million, or 29.4%, and $7.9 million, or 17.5%, from the comparable prior year periods. These decreases are attributable to the current industry downturn, partially offset by incremental revenues from acquisitions of approximately $1 million and $2 million in the three and six months ended March 31, 2002, respectively.

Foreign revenues were $25.2 million, or 44.1% of revenues, and $49.0 million, or 43.7% of revenues, in the three month periods ended March 31, 2002 and 2001, respectively. Foreign revenues comprised $59.2 million, or 51.3% of revenues, and $97.7 million, or 43.7% of revenues, in the six month periods ended March 31, 2002 and 2001, respectively. The Company's expanded global presence through its recent international acquisitions and expanded sales and marketing activities has contributed to the increase in international revenues as a percentage of total revenues. 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 will remain a major component of the Company's total revenues.

***Gross Margin***

Gross margin decreased to 33.0% for the three months ended March 31, 2002, compared to 43.6% for the same prior year period. Gross margin was 34.4% for the six months ended March 31, 2002, a decrease from 44.5% in the comparable prior year period. The overall decrease in gross margin is primarily attributable to lower revenue levels which are a result of the current downturn affecting the semiconductor industry. These lower revenue levels impact cost absorption, exerting downward pressure on gross margins. In the three and six months ended March 31, 2002, the Company provided $0.6 million and $1.1 million for excess and obsolete inventories. The charge is an estimate of reserve requirements based on an analysis the Company performs on a periodic basis. As a result of the continuing downturn in the semiconductor industry, on-hand inventory levels continue to exceed expected demand.

The Company's tool automation systems segment gross margin decreased to 28.6% and 30.1% for the three and six months ended March 31, 2002, respectively, from 34.5% and 36.4% in the comparable prior year periods. The changes are the net result of the impact of the industry downturn, partially offset by changes in product mix. Gross margins for the Company's factory interface solutions segment were 26.9% and 26.6% for the three and six months ended March 31, 2002, compared to 42.8% and 42.1% in the same prior year periods. The decreases are primarily the result of changes in product and services mix, combined with the current downturn in the semiconductor industry. The Company's factory automation solutions segment gross margins decreased to 45.9% and 47.2% in the three and six months ended March 31, 2002, respectively, from 60.3% in the three months ended March 31, 2001 and 63.1% in the six months then ended. The decreases are primarily attributable to changes in product and services mix; specifically, a decrease in higher margin license revenues partially offset by an increase in lower margin service revenues.

Gross margins on product revenues were 36.1% and 36.8% for the three and six months ended March 31, 2002, respectively, down from 49.8% and 49.2% in the comparable prior year periods. The decreases are primarily attributable to the current semiconductor industry downturn and the resulting downward pressure on sales volume, pricing and margins. Gross margins on service revenues were 26.3% and 29.5% for the three and six months ended March 31, 2002, respectively. This compares to 22.5% and 25.9% in the three and six months ended March 31, 2001. The improvement in both the three and six month periods is principally attributable to higher software service revenues as a percentage of total revenues.

In future periods, gross margin may be adversely affected by changes in product mix and/or price competition.

***Research and Development***

Research and development expenses remained stable for the three and six months ended March 31, 2002, at $15.4 million and $29.6 million, respectively, compared to $15.4 million and $29.0 million in the same prior year periods. This is primarily attributable to lower personnel costs resulting from the consolidation of research and development efforts, offset by incremental research and development expenses related to acquisitions of approximately $3 million and $5 million in the three and six months ended March 31, 2002. Excluding these incremental expenses, research and development expenses would have decreased 18.1% and 13.7% in the three and six month periods ended March 31, 2002, compared to the same prior year periods. Research and development expenses increased as a percentage of revenues in the three and six month periods ended March 31, 2002, to 27.0% and 25.6%, respectively, compared to 13.8% and 13.0% in the three and six months ended March 31, 2001, respectively. The increase in these expenditures as a percentage of revenues in the current year from the prior year periods is primarily attributable to the lower sales volumes resulting from the downturn currently affecting the semiconductor industry. The Company plans to continue 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 decreased in both the three and six month periods ended March 31, 2002, compared to the same prior year periods. Selling, general and administrative expenses were $19.1 million in the three months ended March 31, 2002, a decrease of 20.5% from $24.0 million in the same prior year quarter. Selling, general and administrative expenses for the six months ended March 31, 2002 were $38.0 million, also 20.5% lower compared to the same prior year period. However, selling, general and administrative expenses increased as a percentage of revenues, to 33.4% and 32.9% in the three and six months ended March 31, 2002, from 21.4% in both the three and six months ended March 31, 2001. The increase in these expenditures as a percentage of revenues for the three and six months ended March 31, 2002, is primarily attributable to the lower sales volumes resulting from the downturn currently affecting the semiconductor industry. The decrease in absolute spending reflects the impact of the Company's ongoing cost reduction activities and synergies from recent acquisitions. These acquisitions accounted for approximately $3 million and $5 million of expenses in the three and six months ended March 31, 2002.

### *Amortization of Acquired Intangible Assets*

Amortization expense for acquired intangible assets totaled $2.6 million and $6.2 million in the three and six months ended March 31, 2002, respectively, and relates to the identifiable intangible assets recorded by the Company for the acquisitions of IAS, Fab Air, GPI, Tec-Sem and the Zygo Group in the current fiscal year, the e-Diagnostics product line, CCST, SimCon, SEMY and ASI-Japan in the prior fiscal year, ASC, ASI and MiTeX in fiscal 2000, Infab, Domain and Hanyon in fiscal 1999 and Irvine Optical's acquisition of a corporation in March 1997. Amortization expense for acquired intangible assets, including goodwill, was $6.9 million and $12.6 million in the three and six months ended March 31, 2001, respectively. The Company has elected to early adopt the provisions of FAS 142. Accordingly, effective October 1, 2001, the Company ceased the amortization of goodwill. The reduction in amortization of acquired intangible assets for the three and six months ended March 31, 2002, compared to the same prior year periods, reflects this change.

### *Acquisition-related Charges*

The Company reported $9,000 and $0.1 million of acquisition-related charges in the three and six month periods ended March 31, 2002, respectively, primarily legal and accounting fees incurred for the acquisition of PTI. The Company recorded $1.0 million in both the three and six month periods ended March 31, 2001, which principally relate to legal fees and costs to perform due diligence incurred for the initial merger attempt with PRI. The activity related to the Company's acquisition-related and restructuring liabilities during the six months ended March 31, 2002, is below (in thousands):

| | Balance September 30, 2001 | Charged to Expense | Utilization | Balance December 31, 2001 |
|---|---|---|---|---|
| Facilities | $3,309 | $ — | $ (25) | $3,284 |
| Workforce-related | 1,952 | — | (1,280) | 672 |
| Other | — | 100 | (109) | — |
| | $5,261 | $100 | $(1,405) | $3,956 |

| | Balance December 31, 2001 | Charged to Expense | Utilization | Balance March 31, 2002 |
|---|---|---|---|---|
| Facilities | $3,284 | $— | $(491) | $2,793 |
| Workforce-related | 672 | — | 6 | 678 |
| Other | — | 9 | (9) | — |
| | $3,956 | $ 9 | $(494) | $3,471 |

### *Interest Income and Expense*

Interest income decreased by $0.4 million, to $2.6 million, in the three months ended March 31, 2002 and by $0.7 million, to $5.5 million, in the six months then ended, compared to the same prior year periods, primarily as a result of lower interest rates coupled with lower balances available for investment. Interest expense in the three and six month periods ended March 31, 2002, is principally comprised of $2.3 million and $4.6 million, respectively, related to the Company's Convertible Subordinated Notes and imputed interest expense on the notes payable related to the Company's recent acquisitions of the e-Diagnostics product line and SimCon, aggregating $0.2 million and $0.4 million, respectively. Interest expense of $0.1 million and $0.3 million in the three and six months ended March 31, 2001, respectively, is primarily related to the Company's note payable to Daifuku America in connection with the acquisition of ASC and ASI. This note was paid in full on January 5, 2001.

### *Income Tax Provision (Benefit)*

The Company recorded a net income tax benefit of $10.8 million for the six months ended March 31, 2002 and income tax expense of $11.5 million in the comparable prior year period. The tax benefit is attributable to the loss in the current quarter. The prior year period tax provision is attributable to federal, state and foreign income taxes. Federal and state taxes have been reduced for net operating losses, research and development and foreign tax credits and an extraterritorial income benefit which replaced the foreign sales corporation benefit.

The Company has recorded a deferred tax asset of $42.4 million. Realization is dependent on generating sufficient taxable income prior to expiration of loss carryforwards, which will expire at various dates through 2022. Although realization is not assured, the Company believes that it is more likely than not that all of the deferred tax assets will be realized. The Company has considered both positive and negative available evidence in its determination that the deferred tax asset will be realized. While current economic conditions, including a current quarter book loss, provide some evidence that the deferred tax assets may not be fully realized, the cyclical nature of the industry sector and recent historical experience of income provide objective positive evidence that the deferred tax assets are recoverable. The Company believes that its efforts to right-size the business in the fourth quarter of fiscal 2001 and the recent acquisitions in the first quarter of the current fiscal year will be important factors in achieving future profitability. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of the future taxable income during the carryforward period are reduced. The Company estimates that the significant net reversing temporary difference will be available for use through 2022. Additionally, other significant reversing temporary differences will be available for use through 2036. Therefore, the Company estimates that its annual future taxable income must average $2.3 million per year during the carryforward period to fully realize the benefit of the net deferred tax asset.

## Liquidity and Capital Resources

At March 31, 2002, the Company had cash, cash equivalents and marketable securities aggregating $283.5 million. This amount was comprised of $103.7 million of cash and cash equivalents, $62.3 million of investments in short-term marketable securities and $117.4 million of investments in long-term marketable securities.

Cash and cash equivalents were $103.7 million at March 31, 2002, a decrease of $56.5 million from September 30, 2001. This decrease in cash and cash equivalents is primarily due to capital expenditures of $11.1 million and $34.4 million of payments for the Company's recent acquisitions, including $6.4 million relating to IAS, $14.0 million relating to Tec-Sem and $11.6 million relating to the Zygo Group.

Cash provided by operations was $8.1 million for the six months ended March 31, 2002, and is primarily attributable to the Company's net loss $22.5 million, adjusted for depreciation and amortization of $13.1 million and a decrease in accounts receivable of $28.4 million, partially offset by decreases in accounts payable and accrued expenses and other current liabilities of $4.0 million and $15.7 million, respectively.

The Company's days sales outstanding ("DSO") was 120 for the three months ended March 31, 2002 compared to 97 for the same prior year period. The decrease in revenues for the current year period was disproportionate to the decrease in accounts receivable, thereby adversely impacting DSO.

Cash used in investing activities was $66.9 million for the six months ended March 31, 2002, and is principally comprised of $6.4 million for the acquisition of IAS, $11.6 million for the acquisition of the Zygo Group, $14.0 million for the acquisition of Tec-Sem, net of cash acquired, $2.4 million for other acquisitions, net of cash acquired, $11.1 million used for capital additions, $11.1 million in increases to other assets and $30.2 million invested in marketable securities. These expenditures were partially offset by the sale of $19.9 million of the Company's investments in marketable securities.

Cash provided by financing activities was $3.1 million, and is comprised of $4.0 million of cash from the exercise of options to purchase the Company's common stock and sales through the Company's employee stock purchase program, partially offset by $0.9 million for the payment of long-term debt.

In connection with the acquisition of the e-Diagnostics product business, the Company issued a $17.0 million one-year note payable to the selling stockholders. The note is payable in cash or common stock, or any combination thereof, at the Company's discretion. The Company currently intends to settle this note in common stock; however, if the Company elects to settle all or a portion of the note in cash, up to $17.0 million would be required for payment in June of 2002. Additional cash payments aggregating a maximum of $8.0 million over the next three years could be required for payment of consideration contingent upon meeting certain performance objectives, if the Company elected to settle any or all potential contingent payments in cash.

In connection with its acquisition of SimCon, the Company issued a note payable to the selling stockholders for $750,000, payable in one year. This note will be settled with shares of the Company's common stock. No cash payment will be required.

On May 23, 2001, the Company completed the private placement of $175.0 million aggregate principal amount of 4.75% Convertible Subordinated Notes due in 2008. The amount sold includes $25.0 million principal amount of notes purchased by the initial purchaser upon exercise in full of its 30-day option to purchase additional notes. The Company received net proceeds of $169.5 million from the sale.

Interest on the notes will be paid on June 1 and December 1 of each year. The first interest payment was due on and paid on December 1, 2001. The notes will mature on June 1, 2008. The Company may redeem the notes at stated premiums on or after June 6, 2004, or earlier if the price of the Company's common stock reaches certain prices. Holders may require the Company to repurchase the notes upon a change in control of the Company in certain circumstances. The notes are convertible at any time prior to maturity, at the option of the holders, into shares of the Company's common stock, at a conversion price of $70.23 per share, subject to certain adjustments. The notes are subordinated to the Company's senior indebtedness and structurally subordinated to all indebtedness and other liabilities of the Company's subsidiaries.

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

The Company maintains a $10.0 million uncommitted demand promissory note facility with ABN AMRO Bank N.V. ("ABN AMRO"). ABN AMRO is not obligated to extend loans or issue letters of credit under this facility. At March 31, 2002, $1.1 million of the facility was in use, all of it for letters of credit. The Company's contractual obligations and severance-related restructuring commitments consist of the following (in thousands):

| | Total | Less than One Year | One to Three Years | Four to Five Years | Thereafter |
|---|---|---|---|---|---|
| Contractual obligations | | | | | |
| Operating leases | $ 25,059 | $ 6,765 | $ 7,524 | $ 4,771 | $ 5,999 |
| Debt | 192,756 | 17,568 | 187 | — | 175,000 |
| Interest on convertible subordinated notes | 54,031 | 8,312 | 16,625 | 16,625 | 12,469 |
| Total contractual obligations | $271,846 | $32,465 | $24,336 | $21,396 | $193,468 |
| Severance-related restructuring | $ 678 | $ 678 | $ — | $ — | $ — |

For purposes of the table above, the Company has included its facilities restructure obligations with its operating lease obligations, since the restructure payments for facilities are comprised principally of operating lease payments on abandoned facilities.

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 cyclical nature of the semiconductor industry makes it very difficult for the Company to predict future liquidity requirements with certainty. In addition, the Company may experience unforeseen capital needs in connection with its recently completed acquisitions, including the acquisition of PRI. 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."

**Recently Enacted Accounting Pronouncements**

In July 2001, the Financial Accounting Standards Board ("FASB") issued Statements of Financial Accounting Standards No. 141, "Business Combinations" ("FAS 141") and No. 142, "Goodwill and Other Intangible Assets" ("FAS 142"). FAS 141 requires that all business combinations be accounted for under the purchase method only and that certain acquired intangible assets in a business combination be recognized as assets apart from goodwill. FAS 142 requires that ratable amortization of goodwill be replaced with periodic tests of the goodwill's impairment and that intangible assets other than goodwill be amortized over their useful lives. FAS 141 is effective for all business combinations initiated after June 30, 2001 and for all business combinations accounted for by the purchase method for which the date of acquisition is before June 30, 2001. The provisions of FAS 142 are effective for fiscal years beginning after December 15, 2001; however, the Company elected to early adopt the provisions effective October 1, 2001. Accordingly, the Company has completed the transitional impairment testing as of the date of adoption. The Company will perform an annual impairment test of goodwill, required under FAS 142, as at the end of each fiscal year.

In October 2001, the FASB issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("FAS 144"). The objectives of FAS 144 are to address significant issues relating to the implementation of FASB Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" ("FAS 121") and to develop a single accounting model, based on the framework established in FAS 121, for long-lived assets to be disposed of by sale, whether previously held and used or newly acquired. FAS 144 is effective for financial statements issued for fiscal years beginning after December 15, 2001, and generally, its provisions are to be applied prospectively. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

## 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. These are the risks and uncertainties we believe are most important for you to consider. Additional risks and uncertainties not presently known to us, which we currently deem immaterial or which are similar to those faced by other companies in our industry or business in general, may also impair our business operations. 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 lose all or part of the money you paid to buy our common stock.

## Risk Factors Relating to Brooks' Industry

***The cyclical demand of semiconductor manufacturers affects Brooks' operating results and the ongoing downturn in the industry could seriously harm Brooks' operating results.***

Brooks' 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. The semiconductor industry is highly cyclical and is currently experiencing a downturn. Brooks anticipates the downturn will continue during the next few quarters. Despite these industry conditions, Brooks plans to continue to invest in those areas which Brooks believes are important to its long-term growth, such as its infrastructure and information technology system, customer support, supply chain management and new products. As a result, consistent with its experience in downturns in the past, Brooks believes the current industry downturn will lead to reduced revenues for it and may cause it to incur losses.

***Industry consolidation and outsourcing of the manufacture of semiconductors to foundries could reduce the number of available customers.***

The substantial expense of building or expanding a semiconductor fabrication facility is leading increasing numbers of semiconductor companies to contract with foundries, which manufacture semiconductors designed by others. As manufacturing is shifted to foundries, the number of Brooks' potential customers could decrease, which would increase its dependence on its remaining customers. Recently, consolidation within the semiconductor manufacturing industry has increased. If semiconductor manufacturing is consolidated into a small number of foundries and other large companies, Brooks' failure to win any significant bid to supply equipment to those customers could seriously harm its reputation and materially and adversely affect its revenue and operating results.

***Brooks' future operations could be harmed if the commercial adoption of 300mm Wafer Technology continues to progress slowly or is halted.***

Brooks' future operations depend 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. A significant delay in the adoption of 300mm manufacturing technology, or the failure of the industry to adopt 300mm manufacturing technology, could significantly impair Brooks' operations. Moreover, continued delay in transition to 300mm technology could permit Brooks' competitors to introduce competing or superior 300mm products at more competitive prices. As a result of these factors, competition for 300mm orders could become vigorous and could harm Brooks' results of operations. Brooks' merger with PRI does not mitigate this risk. Manufacturers implementing factory automation in 300mm pilot projects typically seek to purchase systems from multiple vendors. To date, nearly all manufacturers with pilot projects have selected PRI's competitors' systems for these projects. Manufacturers' awards to PRI's competitors of early 300mm orders could make it more difficult for Brooks to win orders from those manufacturers for their full-scale 300mm production facilities.

***PRI's difficulties with production of its TurboStocker product could adversely affect Brooks' ability to compete in the 300mm wafer technology marketplace.***

In late fiscal 2000 and early fiscal 2001, PRI encountered manufacturing and supply chain problems related to its recently introduced TurboStocker product, which PRI had planned to begin manufacturing in high volume in the fourth quarter of fiscal 2000 in response to increased customer demand at the time. These problems caused delays in shipments and in customer acceptance of these systems, and in some cases required repair or retrofit of TurboStockers already installed in the field. PRI's TurboStocker manufacturing problems, to the extent they have undermined or may undermine potential 300mm customers' confidence in PRI's ability to manufacture and deliver complex factory automation systems in a timely manner and at acceptable quality levels, have adversely affected, and may continue to adversely affect, PRI's reputation and, as a result, the competitive position of Brooks in the market for 300mm products.

**Risk Factors Relating to Brooks' Acquisitions**

***Failure of the merger of PRI into Brooks to achieve potential benefits could harm the business and operating results of the combined company.***

Brooks acquired PRI on May 14, 2002. Brooks expects that the combination of Brooks and PRI will result in potential benefits for the combined company. The merger will not achieve its anticipated benefits unless Brooks successfully combines its operations with those of PRI and integrates the two companies' products in a timely manner. Integrating Brooks and PRI will be a complex, time consuming and expensive process and may result in revenue disruption if not completed in a timely and efficient manner. The companies must operate as a combined organization using common:

- sales, marketing, service and support organizations;
- information communication systems;
- operating procedures;
- financial controls; and
- human resource practices, including benefit, training and professional development programs.

There may be substantial difficulties, costs and delays involved in integrating Brooks and PRI. These could include:

- distracting management from the business of the combined company;
- supply chain coordination;
- problems with compatibility of business cultures;
- customer perception of an adverse change in service standards, business focus, billing practices or product and service offerings;
- costs and inefficiencies in delivering products and services to the customers of the combined company;
- problems in successfully coordinating the research and development efforts of the combined company;
- integrated sales, support and product marketing;
- costs and delays in implementing common systems and procedures, including financial accounting and enterprise resource planning systems; and
- the inability to retain and integrate key management, research and development, technical sales and customer support personnel.

Further, we cannot assure you that the combined company will realize any of the anticipated benefits and synergies of the merger. Any one or all of the factors identified above could cause increased operating costs, lower than anticipated financial performance, or the loss of customers, employees or business partners. The failure to integrate Brooks and PRI successfully will have a material adverse effect on the business, financial condition and results of operations of the combined company.

***Brooks' business could be harmed if Brooks fails to adequately integrate the operations of the businesses it has acquired.***

Brooks recently merged with PRI, and has completed a number of other acquisitions in a short period of time. Brooks' management must devote substantial time and resources to the integration of the operations of its acquired businesses with its core business and its other acquired businesses. If Brooks fails to accomplish this integration efficiently, Brooks may not realize the anticipated benefits of its acquisitions. The process of integrating supply and distribution channels, research and development initiatives, computer and accounting systems and other aspects of the operation of its acquired businesses, presents a significant challenge to Brooks' management. This is compounded by the challenge of simultaneously managing a larger entity. These businesses have operations and personnel located in Asia, Europe and the United States and present a number of additional difficulties of integration, including:

- assimilating products and designs into integrated solutions;
- informing customers, suppliers and distributors of the effects of the acquisitions and integrating them into Brooks' overall operations;
- integrating personnel with disparate business backgrounds and cultures;
- defining and executing a comprehensive product strategy;
- managing geographically remote units;
- managing the risks of entering markets or types of businesses in which Brooks has limited or no direct experience; and
- minimizing the loss of key employees of the acquired businesses.

If Brooks delays the integration or fails to integrate an acquired business or experiences other unforeseen difficulties, the integration process may require a disproportionate amount of Brooks management's attention and financial and other resources. Brooks' failure to adequately address these difficulties could harm its business and financial results.

***Brooks' business may be harmed by acquisitions Brooks completes in the future.***

Brooks plans to continue to pursue additional acquisitions of related businesses. Brooks' 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 Brooks' business, diversion of Brooks management's attention and risks associated with unanticipated problems or latent liabilities. If Brooks is successful in pursuing future acquisitions, Brooks may be required to expend significant funds, incur additional debt or issue additional securities, which may negatively affect Brooks' results of operations and be dilutive to its stockholders. If Brooks spends significant funds or incurs additional debt, Brooks' ability to obtain financing for working capital or other purposes could decline, and Brooks may be more vulnerable to economic downturns and competitive pressures. Brooks cannot guarantee that it will be able to finance additional acquisitions or that it will realize any anticipated benefits from acquisitions that Brooks completes. Should Brooks successfully acquire another business, the process of integrating acquired operations into Brooks' 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 Brooks' existing business.

## Risk Factors Relating to Brooks' Operations

***Brooks' sales volume substantially depends on the sales volume of Brooks' original equipment manufacturer customers and on investment in major capital expansion programs, retrofits and upgrades by end user semiconductor manufacturing companies.***

Brooks sells a majority of its tool automation products to original equipment manufacturers that incorporate Brooks' products into their equipment. Therefore, Brooks' revenues depend on the ability of these customers to develop, market and sell their equipment in a timely, cost-effective manner. Approximately 45% of Brooks' total revenue for the six months ended March 31, 2002 and approximately 56% of Brooks' total revenue in fiscal 2001 comes from sales to original equipment manufacturers. Almost all of PRI's revenue from its OEM Systems division, which accounted for approximately 17% of PRI's total net revenue for the three months ended December 31, 2001 and approximately 39% of PRI's total net revenue in fiscal 2001, comes from sales to original equipment manufacturers. Approximately 30% and 51% of the combined revenue of Brooks and PRI came from sales to these customers in the three months ended December 31, 2001 and fiscal 2001, respectively.

Brooks also generates significant revenues from large orders from semiconductor manufacturing companies that build new plants or invest in major automation retrofits and upgrades. Brooks' revenues depend, in part, on continued capital investment by semiconductor manufacturing companies. Approximately 55% of Brooks' total revenue for the six months ended March 31, 2002 and approximately 44% of Brooks' total revenue in fiscal 2001 comes from sales to semiconductor manufacturing companies. Almost all of PRI's revenue from its Factory Systems and Software Systems divisions, which accounted for approximately 83% of PRI's total net revenue for the three months ended December 31, 2001 and approximately 61% of PRI's total net revenue in fiscal 2001, comes from sales to semiconductor manufacturing companies. Approximately 70% and 49% of the combined revenue of Brooks and PRI came from sales to these customers in the three months ended December 31, 2001 and fiscal 2001, respectively.

***Brooks relies on a relatively limited number of customers for a large portion of its revenues and business.***

Brooks receives a significant portion of its revenues in each fiscal period from a relatively limited number of customers. The loss of one or more of these major customers, or a decrease in orders by one or more customers, could adversely affect Brooks' revenue, business and reputation. Sales to Brooks' ten largest customers accounted for approximately 31% of total revenues in the six months ended March 31, 2002, 37% of total revenues in fiscal 2001 and 40% of total revenues in fiscal 2000. Sales to PRI's top ten customers accounted for 61% of PRI's total net revenue in fiscal 2001 and 54% in fiscal 2000. In fiscal 2001, sales to Intel accounted for 21% and sales to KLA-Tencor accounted for 11% of PRI's total net revenue.

***Delays in or cancellation of shipments of a few of Brooks' large orders could substantially decrease its revenues or reduce its stock price.***

Historically, a substantial portion of Brooks' quarterly and annual revenues has come from sales of a small number of large orders. Some of Brooks' products have high selling prices compared to Brooks' other products. As a result, the timing of when Brooks recognizes revenue from one of these large orders can have a significant impact on its total revenues and operating results for a particular period and reduce its stock price because its sales in that fiscal period could fall significantly below the expectations of financial analysts and investors. This could cause the value of its common stock to fall. Brooks' operating results could be harmed if 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.

***Demand for Brooks' products fluctuates rapidly and unpredictably, which makes it difficult to manage its business efficiently and can reduce its gross margins and profitability.***

Brooks' expense levels are based in part on its expectations for future demand. Many expenses, particularly those relating to capital equipment and manufacturing overhead, are relatively fixed. The rapid and unpredictable shifts in demand for Brooks' products make it difficult to plan manufacturing capacity and business operations efficiently. If demand is significantly below expectations, Brooks may be unable to rapidly reduce these fixed costs, which can diminish gross margins and cause losses. A sudden downturn may also leave Brooks with excess inventory, which may be rendered obsolete as products evolve during the downturn and demand shifts to newer products. For example, as a result of the current industry downturn, PRI recorded special charges in the second and fourth quarters of fiscal 2001 in the aggregate amount of $9.7 million relating to inventory write-downs and costs associated with order cancellations. Brooks' ability to reduce expenses is further constrained because it must continue to invest in research and development to maintain its competitive position and to maintain service and support for its existing global customer base. Conversely, in sudden upturns, Brooks sometimes incurs significant expenses to rapidly expedite delivery of components, procure scarce components and outsource additional manufacturing processes. These expenses could reduce its gross margins and overall profitability. Any of these results could seriously harm Brooks' business.

***Brooks' lengthy sales cycle requires it to incur significant expenses with no assurance that Brooks will generate revenue.***

Brooks' tool automation products are generally incorporated into original equipment manufacturer equipment at the design stage. To obtain new business from its original equipment manufacturer customers, Brooks must develop products for selection by a potential customer at the design stage. This often requires Brooks 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. Brooks cannot guarantee that the equipment manufactured by its original equipment manufacturing customers will be commercially successful. If Brooks or its original equipment manufacturing customers fails to develop and introduce new products successfully and in a timely manner, Brooks' business and financial results will suffer.

Brooks also must complete successfully a costly evaluation and proposal process before Brooks can achieve volume sales of Brooks factory automation software to customers. These undertakings are major decisions for most prospective customers and typically involve significant capital commitments and lengthy evaluation and approval processes. Brooks cannot guarantee that it will continue to satisfy evaluations by its end-user customers.

***Brooks' operating results would be harmed if one of its key suppliers fails to deliver components for Brooks' products.***

Brooks currently obtains many of its components on an as needed, purchase order basis. Generally, Brooks does not have any long-term supply contracts with its vendors and believes many of its vendors have been taking cost containment measures in response to the industry downturn. When demand for semiconductor manufacturing equipment increases, Brooks' suppliers face significant challenges in delivering components on a timely basis. Brooks' inability to obtain components in required quantities or of acceptable quality could result in significant delays or reductions in product shipments. This could create customer dissatisfaction, cause lost revenue and otherwise materially and adversely affect Brooks' operating results. Delays on Brooks' part could also cause it to incur contractual penalties for late delivery.

***PRI is becoming increasingly dependent on subcontractors and one or a few suppliers for some components and manufacturing processes.***

For some products, or components or specialized processes that PRI uses in its products, PRI depends on subcontractors or has available only one or a few suppliers. For example, PRI's TurboStocker, AeroLoader, AeroTrak and Guardian products each include components and assemblies for which PRI has qualified, or for which there exists, only one supplier or a small number of suppliers. In general, PRI does not have long-term agreements with these suppliers, or agreements that obligate them to supply all of PRI's requirements for such components or assemblies. Also, PRI relies on Shinsung Engineering Co. Ltd. to manufacture its TurboStocker product for delivery in the Asian market and to provide related customer support. PRI has a Master Engineering Services Agreement with Shinsung, which provides the general terms and conditions under which PRI may from time to time request that Shinsung perform engineering projects to PRI. The scope of each project and the related price and other terms are defined in separate statements of work to be agreed upon by PRI and Shinsung. The agreement provides that all intellectual property created by Shinsung in the course of any such project will belong to PRI. PRI also has a Master Manufacturing Services Agreement with Shinsung, which provides the general terms and conditions under which PRI may from time to time request that Shinsung manufacture products for PRI. The specifications for any products to be manufactured, and related price and other terms, are to be defined in one or more separate purchase orders to be issued by PRI to Shinsung. These agreements with Shinsung are non-exclusive, contain customary provisions entitling either party to terminate the agreement in the event of a material breach of the agreement by, or the insolvency of, the other party, and also may be terminated by PRI at any time for its convenience.

The agreements both expire in October 2004. PRI's reliance on subcontractors gives PRI less control over the manufacturing process and exposes PRI to significant risks, especially inadequate capacity, late delivery, substandard quality and high costs. PRI intends to outsource additional aspects of its manufacturing operations to subcontractors and suppliers. PRI could experience disruption in obtaining products or needed components and may be unable to develop alternatives in a timely manner. If PRI is unable to obtain adequate deliveries of products or components for an extended period of time, PRI may have to pay more for inventory, parts and other supplies, seek alternative sources of supply or delay shipping products to its customers. These outcomes could damage PRI's relationships with customers. Any such increased costs, delays in shipping or damage to customer relationships could seriously harm Brooks' business.

PRI's dependence on third-party suppliers could harm its ability to negotiate the terms of its future business relationships with these parties, and PRI may be unable to replace any of them on terms favorable to it. In addition, outsourcing PRI's manufacturing to third parties may require PRI to share its proprietary information with these suppliers. Although PRI enters into confidentiality agreements with these third parties, these agreements may not adequately protect PRI's proprietary information.

***Brooks may experience delays and technical difficulties in new product introductions and manufacturing, which can adversely affect its revenues, gross margins and net income.***

Because Brooks' systems are complex, there can be a significant lag between the time Brooks introduces a system and the time it begins to produce that system in volume. As technology in the semiconductor industry becomes more sophisticated, Brooks is finding it increasingly difficult to design and integrate complex technologies into its systems, to procure adequate supplies of specialized components, to train its technical and manufacturing personnel and to make timely transitions to high-volume manufacturing. Many customers also require customized systems, which compound these difficulties. Brooks sometimes incurs substantial unanticipated costs to ensure that its new products function properly and reliably early in their life cycle. These costs could include greater than expected installation and support costs or increased materials costs as a result of expedited changes. Brooks may not be able to pass these costs on to its customers. In addition, Brooks has experienced, and may continue to experience, difficulties in both low and high volume manufacturing. Any of these results could seriously harm Brooks' business.

For example, beginning late in the third quarter of fiscal 2000, PRI encountered manufacturing and supply chain problems relating to its TurboStocker product, which PRI had planned to begin manufacturing in high volume in the fourth quarter of fiscal 2000 in response to increased customer demand at that time. These problems have delayed shipments and customer acceptance, which caused PRI's revenues for fiscal 2000 and 2001 to be lower than expected and also contributed to its net losses for these periods. Since PRI discovered these problems, it has incurred expenditures of $15.4 million to address them, consisting of approximately $3.4 million for associated engineering costs, $5.7 million of additional warranty costs, and $6.3 million to repair or retrofit TurboStockers already installed in the field where necessary. These costs also contributed to PRI's losses for these periods. Of these costs, the $6.3 million reserve for repairs and retrofits was recorded as a special charge in the fourth quarter of PRI's fiscal year 2001. The balance of the costs were recorded in PRI's results of operations during the period beginning with the fourth quarter of its fiscal year 2000 and ending with the last quarter of its fiscal year 2001. PRI has also consolidated its TurboStocker manufacturing operations into a single location, upgraded its enterprise resource planning system and outsourced additional manufacturing of components and subassemblies. PRI's efforts to date may be insufficient to resolve its manufacturing problems with its TurboStocker, and PRI may encounter similar difficulties and delays in the future.

Moreover, on occasion Brooks has failed to meet its customers' delivery or performance criteria, and as a result Brooks incurred late delivery penalties and had higher warranty and service costs. These failures could continue and could also cause Brooks to lose business from those customers and suffer long-term damage to its reputation.

***Brooks may be unable to recruit and retain necessary personnel because of intense competition for highly skilled personnel.***

Brooks needs to retain a substantial number of employees with technical backgrounds for both its hardware and software engineering, manufacturing, sales and support staffs. The market for these employees is intensively competitive, and Brooks has occasionally experienced delays in hiring qualified personnel. Due to the cyclical nature of the demand for its products and the current downturn in the semiconductor market, Brooks recently reduced its workforce as a cost reduction measure. If the semiconductor market experiences an upturn, Brooks may need to rebuild its workforce. Due to the competitive nature of the labor markets in which Brooks operates, this type of employment cycle increases Brooks' risk of being unable to retain and recruit key personnel. Brooks' inability to recruit, retain and train adequate numbers of qualified personnel on a timely basis could adversely affect its ability to develop, manufacture, install and support its products and may result in lost revenue and market share if customers seek alternative solutions.

***Brooks' international business operations expose it to a number of difficulties in coordinating its activities abroad and in dealing with multiple regulatory environments.***

Sales to customers outside North America accounted for approximately 51% of Brooks' total revenues in the six months ended March 31, 2002, 50% in fiscal 2001, 48% in fiscal 2000 and 43% in fiscal 1999. Sales to customers outside the United States accounted for approximately 32% of PRI's total revenues in the three months ended December 31, 2001, 38% in fiscal 2001, 36% in fiscal 2000 and 33% in fiscal 1999. Brooks anticipates that international sales will continue to account for a significant portion of its revenues. Many of Brooks' vendors are located in foreign countries. As a result of its international business operations, Brooks is subject to various risks, including:

- difficulties in staffing and managing operations in multiple locations in many countries;
- difficulties in managing distributors, representatives and third party systems integrators;
- challenges presented by collecting trade accounts receivable in foreign jurisdictions;
- longer sales-cycles;
- possible adverse tax consequences;
- fewer legal protections for intellectual property;
- governmental currency controls and restrictions on repatriation of earnings;
- changes in various regulatory requirements;
- political and economic changes and disruptions; and
- export/import controls and tariff regulations.

To support its international customers, Brooks maintains locations in several countries, including Belgium, Canada, China, Germany, Japan, Malaysia, Singapore, South Korea, Switzerland, Taiwan and the United Kingdom. Brooks cannot guarantee that it will be able to manage these operations effectively. Brooks cannot assure you that its investment in these international operations will enable it to compete successfully in international markets or to meet the service and support needs of its customers, some of whom are located in countries where Brooks has no infrastructure.

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

***Brooks must continually improve its technology to remain competitive.***

Technology changes rapidly in the semiconductor, data storage and flat panel display manufacturing industries. Brooks believes its success depends in part upon its ability to enhance its existing products and to develop and market new products to meet customer needs, even in industry downturns. For example, as the semiconductor industry transitions from 200mm manufacturing technology to 300mm technology, Brooks believes it is important to its future success to develop and sell new products that are compatible with 300mm technology. If competitors introduce new technologies or new products, Brooks' sales could decline and its existing products could lose market acceptance. Brooks cannot guarantee that it will identify and adjust to changing market conditions or succeed in introducing commercially rewarding products or product enhancements. The success of Brooks' product development and introduction depends on a number of factors, including:

- accurately identifying and defining new market opportunities and products;
- completing and introducing new product designs in a timely manner;
- market acceptance of Brooks' products and its customers' products;
- timely and efficient software development, testing and process;
- timely and efficient implementation of manufacturing and assembly processes;
- product performance in the field;
- development of a comprehensive, integrated product strategy; and
- efficient implementation and installation and technical support services.

Because Brooks must commit resources to product development well in advance of sales, its product development decisions must anticipate technological advances by leading semiconductor manufacturers. Brooks may not succeed in that effort. Its inability to select, develop, manufacture and market new products or enhance its existing products could cause it to lose its competitive position and could seriously harm its business.

***Brooks faces significant competition which could result in decreased demand for Brooks' products or services.***

The markets for Brooks' products are intensely competitive. Brooks may be unable to compete successfully. Brooks believes the primary competitive factors in the tool automation systems segment are throughput, reliability, contamination control, accuracy and price/performance. Brooks believes that its primary competition in the tool automation market is from integrated original equipment manufacturers that satisfy their semiconductor and flat panel display handling needs internally rather than by purchasing systems or modules from an independent supplier like Brooks. Many of these original equipment manufacturers have substantially greater resources than Brooks does. Applied Materials, Inc., the leading process equipment original equipment manufacturer, develops and manufactures its own central wafer handling systems and modules. Brooks may not be successful in selling its products to original equipment manufacturers that internally satisfy their wafer or substrate handling needs, regardless of the performance or the price of Brooks products. Moreover, integrated original equipment manufacturers may begin to commercialize their handling capabilities and become Brooks competitors.

Brooks believes that the primary competitive factors in the end user semiconductor manufacturer market for factory automation and process control solutions are product functionality, price/performance, ease of use, ease of integration and installation, hardware and software platform compatibility, costs to support and maintain, vendor reputation and financial stability. The relative importance of these competitive factors may change over time. Brooks directly competes in this market with various competitors, including Applied Materials-Consilium, IBM, Si-view, Compaq, TRW, Camstar and numerous small, independent software companies. Brooks also competes with the in-house software staffs of semiconductor manufacturers like NEC, Texas Instruments and Intel. Most of those manufacturers have substantially greater resources than Brooks does.

Brooks believes 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, Brooks competes directly with Asyst, Rorze, Fortrend, Newport, TOK, Yasakawa and Hirata. Some of these competitors have substantial financial resources and extensive engineering, manufacturing and marketing capabilities.

***Much of Brooks' success and value lies in its ownership and use of intellectual property, and Brooks' failure to protect that property could adversely affect its future operations.***

Brooks' ability to compete is heavily affected by its ability to protect its intellectual property. Brooks relies primarily on trade secret laws, confidentiality procedures, patents, copyrights, trademarks and licensing arrangements to protect its intellectual property. The steps Brooks has taken to protect its technology may be inadequate. Existing trade secret, trademark and copyright laws offer only limited protection. Brooks' patents could be invalidated or circumvented. The laws of certain foreign countries in which Brooks products are or may be developed, manufactured or sold may not fully protect Brooks' products. This may make the possibility of piracy of Brooks' technology and products more likely. Brooks cannot guarantee that the steps Brooks has taken to protect its intellectual property will be adequate to prevent misappropriation of its technology. Other companies could independently develop similar or superior technology without violating Brooks' proprietary rights. There has been substantial litigation regarding patent and other intellectual property rights in semiconductor-related industries. Brooks may engage in litigation to:

- enforce its patents;
- protect its trade secrets or know-how;
- defend itself against claims alleging it infringes 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 Brooks and divert the attention of Brooks' management, which could harm its operating results and its future operations. A party making such a claim could secure a judgment against Brooks that requires it to pay substantial damages. A judgment could also include an injunction or other court order that could prevent Brooks from selling its products. Any of these events could seriously harm Brooks' business.

***Brooks' operations could infringe on the intellectual property rights of others.***

Particular aspects of Brooks' 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 Brooks' business. Brooks cannot predict the extent to which it may be required to seek licenses or alter its products so that they no longer infringe the rights of others. Brooks cannot guarantee that the terms of any licenses it may be required to seek will be reasonable. Similarly, changing Brooks' products or processes to avoid infringing the rights of others may be costly or impractical or could detract from the value of its products.

***Brooks' business may be harmed by infringement claims of general signal or applied materials.***

Brooks received notice from General Signal Corporation twice in 1992 and once in 1994, alleging certain of Brooks' tool automation systems products that Brooks sells to semiconductor process tool manufacturers infringed General Signal's patent rights. The notification advised Brooks 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 Brooks, these five patents would appear to be the patents referred to by General Signal in its prior notice to Brooks. Applied Materials has not contacted Brooks regarding these patents. Brooks cannot guarantee that it would prevail in any litigation by Applied Materials seeking damages or expenses from Brooks or to enjoin Brooks from selling its products on the basis of the alleged patent infringement, or that a license for any of the alleged infringed patents will be available to Brooks on reasonable terms, if at all. A material portion of Brooks' revenues for the six months ended March 31, 2002 and fiscal 2001 derive from the products that General Signal originally alleged infringed its patent rights.

***Brooks does not have long-term contracts with its customers and Brooks' customers may cease purchasing Brooks' products at any time.***

Brooks generally does not have long-term contracts with its customers. As a result, Brooks' agreements with its customers do not provide any assurance of future sales. Accordingly:

- Brooks' customers can cease purchasing its products at any time without penalty;
- Brooks' customers are free to purchase products from Brooks' competitors;
- Brooks is exposed to competitive price pressure on each order; and
- Brooks' customers are not required to make minimum purchases.

***Brooks' software products may contain errors or defects that could result in lost revenue, delayed or limited market acceptance or product liability claims with substantial litigation costs.***

Complex software products like Brooks' can contain errors or defects, particularly when Brooks first introduces new products or when it releases new versions or enhancements. Any defects or errors could result in lost revenue or a delay in market acceptance, which would seriously harm Brooks' business and operating results. Brooks has occasionally discovered software errors in its new software products and new releases after their introduction, and Brooks expects that this will continue. Despite internal testing and testing by current and potential customers, Brooks' current and future products may contain serious defects.

Because many of Brooks' customers use their products for business-critical applications, any errors, defects or other performance problems could result in financial or other damage to Brooks' customers and could significantly impair their operations. Brooks' customers could seek to recover damages from Brooks for losses related to any these issues. A product liability claim brought against Brooks, even if not successful, would likely be time-consuming and costly to defend and could adversely affect Brooks' marketing efforts.

***Brooks' recent rapid growth is straining its operations and requiring it to incur costs to upgrade its infrastructure.***

During fiscal 2000 and 2001, Brooks experienced extremely rapid growth in its operations, its product offerings and the geographic area of its operations. The merger with PRI will continue this trend. Brooks' growth has placed a significant strain on its management, operations and financial systems. Brooks' future operating results will depend in part on its ability to continue to implement and improve its operating and financial controls and management information systems. If Brooks fails to manage its growth effectively, its financial condition, results of operations and business could be harmed.

***Brooks' systems integration services business has grown significantly recently and poor execution of those services could adversely impact Brooks' operating results.***

The number of projects Brooks is pursuing for its systems integration services business has grown significantly recently. This business consists of integrating combinations of Brooks software and hardware products to provide more comprehensive solutions for Brooks' end-user customers. The delivery of these services typically is complex, requiring that Brooks coordinate personnel with varying technical backgrounds in performing substantial amounts of services in accordance with timetables. Brooks is in the early stages of developing this business and it is subject to the risks attendant to entering a business in which it has limited direct experience. In addition, Brooks' ability to supply these services and increase its revenues is limited by its ability to retain, hire and train systems integration personnel. Brooks believes that there is significant competition for personnel with the advanced skills and technical knowledge that it needs. Some of Brooks' competitors may have greater resources to hire personnel with those skills and knowledge. Brooks' operating margins could be adversely impacted if it does not effectively hire and train additional personnel or deliver systems integration services to its customers on a satisfactory and timely basis consistent with its budgets.

***Brooks' business may be harmed by infringement claims of Asyst Technologies, Inc.***

Brooks acquired certain assets, including a transport system known as IridNet, from the Infab division of Jenoptik AG on September 30, 1999. Asyst Technologies, Inc. had previously filed suit against Jenoptik AG and other parties (collectively, the "defendants"), claiming that products of the defendants, including IridNet, infringe Asyst's patents. This ongoing litigation may ultimately affect certain products sold by Brooks. Brooks has received notice that Asyst may amend its complaint to name Brooks as an additional defendant. Based on Brooks' investigation of Asyst's allegations, Brooks does not believe it is infringing any claims of Asyst's patents. Brooks intends to continue to support Jenoptik to argue vigorously, among other things, the position that the IridNet system does not infringe the Asyst patents. If Asyst prevails in prosecuting its case, Asyst may seek to prohibit Brooks from developing, marketing and using the Iridnet product without a license. Because patent litigation can be extremely expensive, time-consuming, and its outcome uncertain, Brooks may seek to obtain licenses to the disputed patents. Brooks cannot guarantee that licenses will be available to it on reasonable terms, if at all. If a license from Asyst is not available, Brooks could be forced to incur substantial costs to reengineer the IridNet product, which could diminish its value. In any case, Brooks may face litigation with Asyst. Such litigation could be costly and would divert Brooks management's attention and resources. In addition, even though sales of IridNet comprised less than 1% of total revenues for fiscal 2001, if Brooks does not prevail in such litigation, Brooks could be forced to pay damages or amounts in settlement. Jenoptik has indemnified Brooks for losses Brooks may incur in this action.

## Risk Factors Relating to Brooks' Common Stock

***Brooks' operating results fluctuate significantly, which could negatively impact its business and its stock price.***

Brooks' revenues, margins 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, rescheduling, cancellation and size of orders from Brooks' customer base;
- Brooks' ability to manufacture, test and deliver products in a timely and cost-effective manner;
- Brooks' success in winning competitions for orders;
- the timing of Brooks' new product announcements and releases and those of its competitors;
- the mix of products it sells;
- the timing of any acquisitions and related costs;
- competitive pricing pressures; and
- the level of automation required in fab extensions, upgrades and new facilities.

Brooks entered the factory automation software business in fiscal 1999. Brooks believes a substantial portion of its revenues from this business will depend on achieving project milestones. As a result, Brooks' revenue from this business will be subject to fluctuations depending upon a number of factors, including whether Brooks can achieve project milestones on a timely basis, if at all, as well as the timing and size of projects.

***Brooks' stock price is volatile.***

The market price of Brooks' common stock has fluctuated widely. For example, between April 4, 2001 and April 30, 2001, the closing price of Brooks' common stock rose from approximately $35.45 to $62.61 per share and between August 28, 2001 and September 28, 2001, the price of Brooks' common stock dropped from approximately $48.15 to $26.59 per share. Consequently, the current market price of Brooks' common stock may not be indicative of future market prices, and Brooks may be unable to sustain or increase the value of an investment in its common stock. Factors affecting Brooks' stock price may include:

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

***Because a limited number of stockholders, including a member of Brooks' management team, owns a substantial number of shares of Brooks common stock and are parties to voting agreements, their decisions may be detrimental to your interests.***

By virtue of their stock ownership and voting agreements, Robert J. Therrien, Brooks' president and chief executive officer, and Jenoptik AG have the power to significantly influence Brooks' affairs and are able to influence the outcome of matters required to be submitted to stockholders for approval, including the election of Brooks' directors, amendments to Brooks' certificate of incorporation, mergers, sales of assets and other acquisitions or sales. These stockholders may exercise their influence over Brooks in a manner detrimental to your interests. As of December 7, 2001, Mr. Therrien and M+W Zander Holding GmbH, a subsidiary of Jenoptik AG, beneficially owned approximately 9.7% of Brooks' common stock.

Brooks has a stockholders agreement with Mr. Therrien, M+W Zander Holding GmbH and Jenoptik AG under which M+W Zander Holding GmbH agreed to vote all of its shares on all matters in accordance with the recommendation of a majority of Brooks' board of directors.

***Provisions of Brooks' certificate of incorporation, bylaws, contracts and 4.75% convertible subordinated notes due 2008 may discourage takeover offers and may limit the price investors would be willing to pay for Brooks' common stock.***

Brooks' certificate of incorporation and bylaws contain provisions that may make an acquisition of Brooks more difficult and discourage changes in Brooks' management. These provisions could limit the price that investors might be willing to pay for shares of Brooks' common stock. In addition, Brooks has adopted a shareholder rights plan. In many potential takeover situations, rights issued under the plan become exercisable to purchase Brooks common stock at a price substantially discounted from the then applicable market price of Brooks 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 Brooks' board of directors. Accordingly, the rights plan could have an adverse impact on Brooks' stockholders who might want to vote in favor of a merger or participate in a tender offer. In addition, Brooks may issue shares of preferred stock upon terms the board of directors deems appropriate without stockholder approval. Brooks' ability to issue preferred stock in such a manner could enable its board of directors to prevent changes in its management or control. Finally, upon a change of control of Brooks, Brooks may be required to repurchase convertible subordinated notes at a price equal to 100% of the principal outstanding amount thereof, plus accrued and unpaid interest, if any, to the date of the repurchase. Such a repurchase of the notes would represent a substantial expense; accordingly, the repayment of the notes upon a change of control of Brooks could discourage third parties from proposing a merger with, initiating a tender offer for or otherwise attempting to gain control of Brooks.

## Item 3. *Quantitative and Qualitative Disclosure about Market Risk*

### *Interest Rate Exposure*

Based on Brooks' overall interest exposure at March 31, 2002, including all interest rate-sensitive instruments, a near-term change in interest rates within a 95% confidence level based on historical interest rate movements would not materially affect Brooks' consolidated results of operations or financial position.

### *Currency Rate Exposure*

Brooks' 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 Brooks' international subsidiaries are generally denominated in currencies other than the United States dollar. However, since the functional currency of Brooks' international subsidiaries is the local currency, foreign currency translation adjustments do not impact operating results, but instead are reflected as a component of stockholders' equity under the caption "Accumulated other comprehensive income (loss)". To the extent Brooks expands its international operations or changes its pricing practices to denominate prices in foreign currencies, Brooks will be exposed to increased risk of currency fluctuation.

# PART II.

# OTHER INFORMATION

**Item 6.** ***Exhibits and Reports on Form 8-K***

(a) The following exhibits are included herein:

| Exhibit No. | Description |
|---|---|
| None | |

(b) The following reports on Form 8-K were filed during the quarterly period ended March 31, 2002:

(1) Current Report on Form 8-K filed on March 1, 2002, relating to the Company's acquisition of the assets of Intelligent Automation Systems, Inc. and IAS Products, Inc.

## SIGNATURES

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

BROOKS-PRI AUTOMATION, INC.

By: /s/ ELLEN B. RICHSTONE

Ellen B. Richstone
*Senior Vice President of Finance and Administration and Chief Financial Officer (Principal Financial Officer)*

Date: August 15, 2002

## EXHIBIT INDEX

| Exhibit No. | Description |
|---|---|
| None | |