BROOKS-PRI AUTOMATION INC
Form 10-Q/A
August 15, 2002

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q/ A

Amendment No. 2 to Form 10-Q

(Mark One)

þ	**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
	For the quarterly period ended: December 31, 2001
	or
o	**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 Automation, Inc.

(Exact name of registrant as specified in its charter)

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

Indicate the number of shares outstanding of each of the registrant s classes of common stock, as of the latest practical date (December 31, 2001):

Common stock, $0.01 par value	19,952,621 shares

Table of Contents

EXPLANATORY NOTE

This Amendment No. 2 to Form 10-Q amends the Registrant s quarterly report on Form 10-Q/A for the quarter ended December 31, 2001 as filed on February 14, 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 February 14, 2002 filing on Form 10-Q/A is amended by this Amendment No. 2 to Form 10-Q. 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.

TABLE OF CONTENTS

Table of Contents

BROOKS AUTOMATION, INC.

INDEX

Table of Contents

PART I. Financial Information

Item 1. Consolidated Financial Statements

BROOKS AUTOMATION, INC.

CONSOLIDATED BALANCE SHEETS

	December 31, 2001	September 30, 2001
	(Restated) (Unaudited)	
	(In thousands, except share data)	
ASSETS		
Current assets		
Cash and cash equivalents	$130,151	$160,239
Marketable securities	40,013	43,593
Accounts receivable, net, including related party receivables of $54 and $32, respectively	82,664	93,565
Inventories	54,450	49,295
Prepaid expenses and other current assets	12,460	9,836
Deferred income taxes	25,679	26,608
Total current assets	345,417	383,136
Property, plant and equipment		
Buildings and land	31,910	31,910
Computer equipment and software	38,593	38,497
Machinery and equipment	17,552	17,349
Furniture and fixtures	11,391	11,240
Leasehold improvements	11,062	10,069
Construction in progress	14,508	11,026
	125,016	120,091
Less: Accumulated depreciation and amortization	(55,528)	(53,632)
	69,488	66,459
Long-term marketable securities	132,474	125,887
Goodwill	86,665	60,128
Intangible assets, net	55,760	40,788
Deferred income taxes	21,167	19,280
Other assets	16,156	14,026
Total assets	$727,127	$709,704
LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS EQUITY		
Current liabilities		
Notes payable	$ 19,249	$ 17,122
Current portion of long-term debt	79	392
Accounts payable	15,018	18,595
Deferred revenue	13,411	15,507
Accrued compensation and benefits	16,036	12,835
Accrued acquisition-related and restructuring costs	2,530	3,702
Accrued income taxes payable	6,884	7,691
Deferred income taxes	514	423
Accrued expenses and other current liabilities	28,540	24,706

Total current liabilities	102,261	100,973
Long-term debt	175,564	175,031
Deferred income taxes	5,536	6,546
Accrued long-term restructuring	1,426	1,559
Other long-term liabilities	772	664
Total liabilities	285,559	284,773
Commitments and contingencies (Note 10)		
Minority interests	705	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, 19,952,621 and 18,903,165 shares issued and outstanding, respectively	200	189
Additional paid-in capital	503,853	471,991
Deferred compensation	(1,618)	(5)
Accumulated other comprehensive loss	(6,267)	(2,586)
Accumulated deficit	(55,305)	(45,420)
Total stockholders equity	440,863	424,169
Total liabilities, minority interests and stockholders equity	$727,127	$709,704

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

2

Table of Contents

BROOKS AUTOMATION, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended December 31, 2001	Three Months Ended December 31, 2000(1)
	(Restated)	
	(Unaudited) (In thousands, except per share data)	
REVENUES		
Product, including related party revenues of $48 and $10,859, respectively	$ 39,033	$ 91,839
Services	19,149	19,552
Total revenues	58,182	111,391
Cost of revenues		
Product	24,407	47,128
Services	12,934	13,644
Total cost of revenues	37,341	60,772
Gross profit	20,841	50,619
Operating expenses		
Research and development	14,134	13,579
Selling, general and administrative	18,905	23,770
Amortization of acquired intangible assets	3,633	5,693
Acquisition-related and restructuring charges	100	
Total operating expenses	36,772	43,042
Income (loss) from operations	(15,931)	7,577
Interest income	2,844	3,956
Interest expense	2,598	206
Other income (expense), net	553	(841)
Income (loss) before income taxes and minority interests	(15,132)	10,486
Income tax provision (benefit)	(5,190)	5,028
Income (loss) before minority interests	(9,942)	5,458
Minority interests in income (loss) of consolidated subsidiaries	(57)	(57)
Net income (loss)	(9,885)	5,515
Accretion and dividends on preferred stock		(30)
Net income (loss) attributable to common stockholders	$ (9,885)	$ 5,485
Earnings (loss) per share		
Basic	$ (0.50)	$ 0.31
Diluted	$ (0.50)	$ 0.30
Shares used in computing earnings (loss) per share		

Basic	19,886	17,592
Diluted	19,886	18,391

(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.

Table of Contents

BROOKS AUTOMATION, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended December 31,	
	2001	2000(1)
	(Restated)	
	(Unaudited) (In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ (9,885)	$ 5,515
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	7,486	8,823
Compensation expense related to common stock options	368	8
Provision for losses on accounts receivable	145	362
Provision for excess and obsolete inventories	482	628
Deferred income taxes	(1,581)	(697)
Amortization of debt discount	211	
Minority interests	(57)	(57)
Loss on disposal of long-lived assets	40	
Changes in operating assets and liabilities:		
Accounts receivable	18,682	(12,236)
Inventories	3,411	(8,115)
Prepaid expenses and other current assets	1,190	397
Accounts payable	(6,914)	2,780
Deferred revenue	(2,062)	(1,025)
Accrued compensation and benefits	3,031	(1,970)
Accrued acquisition-related and restructuring costs	(1,305)	(28)
Accrued expenses and other current liabilities	(11,626)	4,046
Net cash provided by (used in) operating activities	1,616	(1,569)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(4,485)	(5,120)
Acquisition of businesses, net of cash acquired	(26,836)	(1,244)
Purchases of marketable securities	(13,189)	(37,295)
Sale/maturity of marketable securities	10,182	
(Increase) decrease in other assets	3,004	(2,630)
Net cash used in investing activities	(31,324)	(46,289)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of long-term debt and capital lease obligations	(443)	(148)
Proceeds from issuance of common stock, net of issuance costs	572	1,070
Net cash provided by financing activities	129	922
Elimination of net cash activities on pooling of interest transaction		(1,119)
Effects of exchange rate changes on cash and cash equivalents	(509)	(176)
Net decrease in cash and cash equivalents	(30,088)	(48,231)
Cash and cash equivalents, beginning of period	160,239	133,636

Cash and cash equivalents, end of period	$130,151	$ 85,405

(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.

4

Table of Contents

BROOKS AUTOMATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

1. Basis of Presentation

The unaudited consolidated financial statements of Brooks 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, filed with the United States Securities and Exchange Commission for the year ended September 30, 2001.

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 Financial Accounting Standards Board Statement No. 141, Business Combinations (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.

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 late March or April of 2002, is contingent upon the fulfillment of certain conditions as provided in the Merger Agreement including, but not limited to, all required regulatory approvals, 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.

Table of Contents

BROOKS AUTOMATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (Continued)

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 will be effective for fiscal years beginning after December 15, 2001; however, the Company elected to early adopt the provisions effective October 1, 2001. 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.

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.

Table of Contents

BROOKS AUTOMATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (Continued)

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 writes down its inventory 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.

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 quarter ended December 31, 2001 is as follows:

Decrease in revenue	$3,273,000
Increase in income tax benefit	$1,122,000

Table of Contents

BROOKS AUTOMATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (Continued)

The effect of this change on the reported results for the quarter ended December 31, 2001 is as follows:

Consolidated Statement of Operations Data:

	Quarter Ended December 31, 2001	
	As Restated	As Reported
Revenues		
Product	$ 39,033	$ 42,718
Services	19,149	18,737
Total revenues	58,182	61,455
Cost of revenues		
Product	24,407	24,407
Services	12,934	12,934
Total cost of revenues	37,341	37,341
Gross profit	20,841	24,114
Operating expenses		
Research and development	14,134	14,134
Selling, general and administrative	18,905	18,905
Amortization of acquired intangible assets	3,633	3,633
Acquisition-related and restructuring charges	100	100
Total operating expenses	36,772	36,772
Income (loss) from operations	(15,931)	(12,658)
Interest income	2,844	2,844
Interest expense	2,598	2,598
Other income (expense), net	553	553
Loss before income taxes and minority interests	(15,132)	(11,859)
Income tax benefit	(5,190)	(4,068)
Loss before minority interests	(9,942)	(7,791)
Minority interests in loss of consolidated subsidiary	(57)	(57)
Net loss	(9,885)	(7,734)
Loss per share		
Basic	$ (0.50)	$ (0.39)
Diluted	$ (0.50)	$ (0.39)
Shares used in computing loss per share		
Basic	19,886	19,886
Diluted	19,886	19,886

Table of Contents

BROOKS AUTOMATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)   (Continued)

Consolidated Balance Sheet Data:

	December 31, 2001	
	As Restated	As Reported
Accounts receivable, net	$ 82,664	$ 85,937
Total current assets	$345,417	$348,690
Total assets	$727,127	$730,400
Accrued income taxes payable	$ 6,884	$ 8,006
Total current liabilities	$102,261	$103,383
Total liabilities	$285,559	$286,681
Accumulated deficit	$ (55,305)	$ (53,154)
Total stockholders equity	$440,863	$443,014
Total liabilities, minority interests and stockholders equity	$727,127	$730,400

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 months ended December 31, 2000 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 December 31, 2000
Revenues	
Brooks Automation, Inc.	$107,578
Progressive Technologies, Inc.	3,813
	$111,391
Net income	
Brooks Automation, Inc.	$ 4,979
Progressive Technologies, Inc.	536
	$ 5,515

Purchase Transactions

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 $1.1 million of cash and incurred $0.3 million of transaction costs. The transaction was accounted for as a purchase of assets in accordance with FAS 141. The excess of purchase price over fair value of net tangible

BROOKS AUTOMATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (Continued)

assets acquired of $1.4 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 second 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 fair value over net tangible assets acquired	8,032
Preliminary allocation of excess purchase price to identifiable intangible assets:	
Completed technology	3,574
Trademarks and trade names	241
Non-competition agreements	201
	4,016
Preliminary allocation of excess purchase price 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 $12.9 million of cash and issued 131,750 shares of Brooks common stock with a market value of $4.3 million at the time of issuance, subject to post-closing adjustments, which the Company expects to complete in

Table of Contents

BROOKS AUTOMATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (Continued)

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 Tec-Sem 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 completing this analysis, which is scheduled for completion under the acquisition agreement within 60 days of the closing of the transaction. 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 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 lease 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. 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	$ 12,677
Common stock	5,077
Transaction costs	257
Total consideration	18,011
Fair value of net tangible assets acquired	257
Preliminary excess of fair value over net liabilities assumed	17,754
Preliminary allocation of excess purchase price to identifiable intangible assets:	
Completed technology	7,901
Trademarks and trade names	533
Non-competition agreements	443
	8,877
Preliminary allocation of excess purchase price to goodwill	$ 8,877

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 completing this analysis, which is scheduled for completion under the acquisition agreement within 134 days of the closing of the transaction. GPI, located in Valencia, California, is

Table of Contents

BROOKS AUTOMATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (Continued)

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	674
Total consideration	27,073
Fair value of net tangible assets acquired	5,887
Preliminary excess of fair value over net tangible assets acquired	21,186
Preliminary allocation of excess purchase price to identifiable intangible assets:	
Completed technology	9,662
Trademarks and trade names	651
Non-competition agreements	543
	10,856
Preliminary allocation of excess purchase price to goodwill	$10,330

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 months ended December 31, 2000 have been prepared as though the acquisitions of GPI and SEMY had occurred as of October 1, 2000. No pro forma adjustments were required to the results of operations for the three months ended December 31, 2001, 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 December 31,	
	2001	2000
	(Restated)	
Revenues	$58,182	$122,626
Net income (loss)	$ (9,885)	$ 4,842
Earnings (loss) per share (diluted)	$ (0.50)	$ 0.25

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

Table of Contents

BROOKS AUTOMATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (Continued)

amortization expense of $3.7 million and $6.0 million for its amortizable intangible assets for the three months ended December 31, 2001 and 2000, respectively. Estimated future amortization expense on the intangible assets recorded by the Company as of December 31, 2001 is as follows (in thousands):

Year Ended September 30,	
2002	$16,200
2003	$16,100
2004	$15,000
2005	$ 6,100
2006	$ 2,360

The amortization of goodwill excluded from the Company s results of operations for the three months ended December 31, 2001 as a result of the adoption of FAS 142 totaled $7.7 million.

The changes in the carrying amount of goodwill for the quarter ended December 31, 2001 are as follows (in thousands):

	Tool Automation Systems	Factory Interface Solutions	Factory Automation Solutions	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 in the three months ended December 31, 2001		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

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 $1.1 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 months ended December 31, 2001 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 December 31,	
	2001	2000
	(Restated)	
Net income (loss) attributable to common stockholders	$(9,885)	$ 5,485
Add back goodwill and assembled workforces amortization		4,871

Adjusted net income (loss)	$(9,885)	$10,356

Table of Contents

BROOKS AUTOMATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (Continued)

	Three Months Ended December 31,	
	2001	2000
	(Restated)	
Basic earnings (loss) per share		
Reported earnings (loss) per share	$(0.50)	$0.31
Goodwill and assembled workforces amortization		0.28
Adjusted basic earnings (loss) per share	$(0.50)	$0.59
Diluted earnings (loss) per share		
Reported earnings (loss) per share	$(0.50)	$0.30
Goodwill and assembled workforces amortization		0.26
Adjusted diluted earnings (loss) per share	$(0.50)	$0.56

Components of the Company s identifiable intangible assets, including preliminary allocation of the identifiable intangible assets recorded in connection with the acquisitions of the Zygo Group, Tec-Sem and GPI are as follows (in thousands):

	December 31, 2001		September 30, 2001	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Patents	$ 4,747	$ 2,569	$ 4,579	$ 2,422
Completed technology	54,217	7,234	31,575	4,081
License agreements	678	203	678	170
Trademarks and trade names	3,898	877	2,426	648
Non-competition agreements	3,264	815	2,133	591
Customer relationships	1,305	653	1,305	571
Assembled workforces			10,590	4,015
	$68,109	$12,351	$53,286	$12,498

The Company is 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 is currently evaluating this impairment test and until completed it is possible that there may be an impairment of goodwill. Any impairment of goodwill arising under this transition testing will be recorded as a cumulative change in accounting principle within the statement of operations.

Table of Contents

BROOKS AUTOMATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (Continued)

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 December 31,	
	2001	2000
	(Restated)	
Basic earnings (loss) per share:		
Net income (loss)	$(9,885)	$5,515