

BROOKS AUTOMATION INC

Form 10-Q

February 11, 2008

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
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: December 31, 2007**

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 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
(Address of principal executive offices)

01824
(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 by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

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Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practical date, January 31, 2008:

| | |
|--------------------------------|-------------------|
| Common stock, \$0.01 par value | 65,562,621 shares |
|--------------------------------|-------------------|

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BROOKS AUTOMATION, INC.
CONSOLIDATED BALANCE SHEETS
(unaudited)

(In thousands, except share and per share data)

| | December 31, 2007 | September 30, 2007 |
|--|-------------------------|--------------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 144,559 | \$ 168,232 |
| Marketable securities | 55,087 | 80,102 |
| Accounts receivable, net | 91,635 | 105,904 |
| Inventories, net | 107,154 | 104,794 |
| Prepaid expenses and other current assets | 20,331 | 20,489 |
| Total current assets | 418,766 | 479,521 |
| Property, plant and equipment, net | 80,782 | 80,747 |
| Long-term marketable securities | 34,997 | 26,283 |
| Goodwill | 319,127 | 319,302 |
| Intangible assets, net | 73,024 | 76,964 |
| Equity investment in joint ventures | 24,773 | 24,007 |
| Other assets | 7,316 | 8,014 |
| Total assets | \$ 958,785 | \$ 1,014,838 |
| Liabilities, minority interests and stockholders' equity | | |
| Current liabilities | | |
| Accounts payable | \$ 43,409 | \$ 57,758 |
| Deferred revenue | 6,295 | 5,424 |
| Accrued warranty and retrofit costs | 9,569 | 10,986 |
| Accrued compensation and benefits | 17,563 | 23,850 |
| Accrued restructuring costs | 5,963 | 6,778 |
| Accrued income taxes payable | 4,433 | 5,934 |
| Accrued expenses and other current liabilities | 17,663 | 21,908 |
| Total current liabilities | 104,895 | 132,638 |
| Accrued long-term restructuring | 8,079 | 8,933 |
| Income taxes payable | 10,649 | 10,159 |
| Other long-term liabilities | 2,405 | 2,866 |
| Total liabilities | 126,028 | 154,596 |
| Contingencies (Note 13) | | |
| Minority interests | 435 | 463 |
| Stockholders' equity | | |

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| | | |
|--|------------|--------------|
| Preferred stock, \$0.01 par value, 1,000,000 shares authorized, no shares issued and outstanding | | |
| Common stock, \$0.01 par value, 125,000,000 shares authorized, 76,788,507 shares issued and 68,470,321 shares outstanding at December 31, 2007, 76,483,603 shares issued and 70,423,603 shares outstanding at September 30, 2007 | 768 | 765 |
| Additional paid-in capital | 1,781,986 | 1,780,401 |
| Accumulated other comprehensive income | 19,784 | 18,202 |
| Treasury stock at cost, 8,318,186 shares and 6,060,000 shares at December 31, 2007 and September 30, 2007, respectively | (139,970) | (110,762) |
| Accumulated deficit | (830,246) | (828,827) |
| Total stockholders' equity | 832,322 | 859,779 |
| Total liabilities, minority interests and stockholders' equity | \$ 958,785 | \$ 1,014,838 |

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

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BROOKS AUTOMATION, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)
(In thousands, except per share data)

| | Three months ended December 31, | |
|---|------------------------------------|------------|
| | 2007 | 2006 |
| Revenues | | |
| Product | \$ 118,371 | \$ 161,115 |
| Services | 29,462 | 30,253 |
| Total revenues | 147,833 | 191,368 |
| Cost of revenues | | |
| Product | 85,616 | 107,826 |
| Services | 23,768 | 23,860 |
| Total cost of revenues | 109,384 | 131,686 |
| Gross profit | 38,449 | 59,682 |
| Operating expenses | | |
| Research and development | 12,432 | 13,090 |
| Selling, general and administrative | 29,103 | 30,996 |
| Restructuring and acquisition-related charges | 600 | |
| Total operating expenses | 42,135 | 44,086 |
| Operating income (loss) from continuing operations | (3,686) | 15,596 |
| Interest income | 3,209 | 2,175 |
| Interest expense | 133 | 141 |
| Other (income) expense, net | 343 | 542 |
| Income (loss) from continuing operations before income taxes and minority interests | (953) | 17,088 |
| Income tax provision | 670 | 644 |
| Income (loss) from continuing operations before minority interests | (1,623) | 16,444 |
| Minority interests in (income) loss of consolidated subsidiaries | 27 | 164 |
| Equity in earnings of joint ventures | 177 | 371 |
| Income (loss) from continuing operations | (1,419) | 16,979 |
| Income from discontinued operations, net of income taxes | | 5,160 |
| Net income (loss) | \$ (1,419) | \$ 22,139 |
| Basic income (loss) per share from continuing operations | \$ (0.02) | \$ 0.23 |
| Basic income per share from discontinued operations | | 0.07 |

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| | | |
|--|-----------|---------|
| Basic net income (loss) per share | \$ (0.02) | \$ 0.30 |
| Diluted income (loss) per share from continuing operations | \$ (0.02) | \$ 0.23 |
| Diluted income per share from discontinued operations | | 0.07 |
| Diluted net income (loss) per share | \$ (0.02) | \$ 0.30 |
| Shares used in computing income (loss) per share | | |
| Basic | 69,110 | 74,595 |
| Diluted | 69,110 | 74,999 |

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

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BROOKS AUTOMATION, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(In thousands)

| | Three months ended December 31, | |
|--|------------------------------------|-----------|
| | 2007 | 2006 |
| Cash flows from operating activities | | |
| Net income (loss) | \$ (1,419) | \$ 22,139 |
| Adjustments to reconcile net income (loss) to net cash used in operating activities: | | |
| Depreciation and amortization | 8,507 | 8,313 |
| Stock-based compensation | 2,009 | 2,143 |
| Discount on marketable securities | (418) | (229) |
| Undistributed earnings of joint ventures | (177) | (371) |
| Minority interests | (27) | (164) |
| Loss on disposal of long-lived assets | 105 | 313 |
| Changes in operating assets and liabilities, net of acquisitions and disposals: | | |
| Accounts receivable | 14,379 | (13,699) |
| Inventories | (2,248) | (5,256) |
| Prepaid expenses and other assets | 1,977 | 1,271 |
| Accounts payable | (14,396) | (4,237) |
| Deferred revenue | 865 | 694 |
| Accrued warranty and retrofit costs | (1,413) | 274 |
| Accrued compensation and benefits | (6,362) | (8,005) |
| Accrued restructuring costs | (1,691) | (2,201) |
| Accrued expenses and other current liabilities | (5,822) | (4,457) |
| Net cash used in operating activities | (6,131) | (3,472) |
| Cash flows from investing activities | | |
| Purchases of property, plant and equipment | (4,521) | (3,984) |
| Acquisition of Synetics Solutions, net of cash acquired | | (38) |
| Purchases of marketable securities | (98,115) | (75,580) |
| Sale/maturity of marketable securities | 114,154 | 100,550 |
| Purchases of intangible assets | (75) | |
| Net cash provided by investing activities | 11,443 | 20,948 |
| Cash flows from financing activities | | |
| Treasury stock purchases | (29,208) | |
| Proceeds from issuance of common stock, net of issuance costs | | 367 |
| Net cash provided by (used in) financing activities | (29,208) | 367 |
| Effects of exchange rate changes on cash and cash equivalents | 223 | 502 |
| Net increase (decrease) in cash and cash equivalents | (23,673) | 18,345 |
| Cash and cash equivalents, beginning of period | 168,232 | 115,773 |

| | | |
|--|------------|------------|
| Cash and cash equivalents, end of period | \$ 144,559 | \$ 134,118 |
|--|------------|------------|

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

Table of Contents**BROOKS AUTOMATION, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)****1. Basis of Presentation**

The unaudited condensed 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.

Certain information and footnote disclosures normally included in the Company s annual consolidated financial statements have been condensed or omitted and, accordingly, 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, 2007. Certain reclassifications have been made in the prior period consolidated financial statements to conform to the current presentation.

Recently Enacted Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board (FASB) issued FIN No. 48. FIN No. 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise s financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes . FIN No. 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN No. 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Company adopted FIN No. 48 on October 1, 2007. The effect of the adoption did not materially affect the Company s financial position or results of operations.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS 157 applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, SFAS 157 does not require any new fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years, with earlier adoption permitted. The provisions of SFAS 157 will be applied prospectively as of the beginning of the fiscal year in which it is initially applied. The Company is currently evaluating the potential impact of SFAS 157 on its financial position and results of operations.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115 (SFAS 159). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value and is effective as of the beginning of the Company s fiscal year beginning after November 15, 2007. The Company is currently evaluating the potential impact of SFAS 159 on its financial position and results of operations.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), Business Combinations (SFAS 141R). SFAS 141R significantly changes the accounting for business combinations in a number of areas including the treatment of contingent consideration, pre-acquisition contingencies, transaction costs, restructuring costs and income taxes. Statement 141 applies prospectively to business combinations for which the acquisition date is on or after the beginning of the fiscal year beginning after December 15, 2008. The Company is currently evaluating the potential impact of SFAS 141R on its financial position and results of operations.

In December 2007, the FASB issued SFAS 160, Noncontrolling Interests in Consolidated Financial Statements An amendment of ARB No. 51 (SFAS 160). SFAS 160 amends ARB 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. The amount of net income attributable to the noncontrolling interest

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will be included in consolidated net income on the face of the income statement. Statement 160 clarifies that changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation are equity transactions if the parent retains its controlling financial interest. In addition, this Statement requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated. SFAS 160 is effective for fiscal years beginning after December 15, 2008. The Company is currently evaluating the potential impact of SFAS 160 on its financial position and results of operations.

2. Stock Based Compensation

The following table reflects compensation expense recorded during the three months ended December 31, 2007 and 2006 in accordance with SFAS 123R (in thousands):

| | Three months ended December 31, | |
|------------------------------|------------------------------------|----------|
| | 2007 | 2006 |
| Stock options | \$ 189 | \$ 801 |
| Restricted stock | 1,659 | 1,118 |
| Employee stock purchase plan | 161 | 224 |
| | \$ 2,009 | \$ 2,143 |

Equity Incentive Plans

The Company's equity incentive plans are intended to attract and retain employees and to provide an incentive for them to assist the Company to achieve long-range performance goals and to enable them to participate in the long-term growth of the Company. The equity incentive plans consist of plans under which employees may be granted options to purchase shares of the Company's stock, restricted stock and other equity incentives. Under the equity incentive plans, stock options generally have a vesting period of four years and are exercisable for a period not to exceed seven years from the date of issuance. Restricted stock awards generally vest over one to four years. At December 31, 2007, a total of 6,459,914 shares were reserved and available for the issuance of awards under the plans.

Stock Option Activity

The following table summarizes stock option activity for the three months ended December 31, 2007:

| | Number of Options | Weighted Average Exercise Price |
|--|----------------------|--|
| Outstanding at September 30, 2007 | 2,512,059 | \$ 20.11 |
| Forfeited/expired | (273,335) | 22.16 |
| Outstanding at December 31, 2007 | 2,238,724 | \$ 19.86 |
| Options exercisable at December 31, 2007 | 2,017,545 | \$ 20.47 |

The options outstanding and exercisable at December 31, 2007 were in the following exercise price ranges:

| Range of Exercise Prices | Shares | Options Outstanding | | | Options Exercisable | | |
|-----------------------------|--------|---|----------------------|---|---------------------|----------------------|---|
| | | Remaining Contractual Life (Years) | Weighted- Average | Aggregate Intrinsic Value (in Thousands) | Shares | Weighted- Average | Aggregate Intrinsic Value (in Thousands) |

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| | | | | Exercise | | | Exercise | |
|---------|---------|-----------|------|----------|---------|-----------|----------|---------|
| | | | | Price | | | Price | |
| \$3.62 | \$13.21 | 651,969 | 3.16 | \$ 11.32 | \$1,229 | 525,493 | \$ 10.94 | \$1,191 |
| \$13.22 | \$23.75 | 552,104 | 3.58 | \$ 18.34 | \$ | 457,401 | \$ 18.76 | \$ |
| \$24.02 | \$24.30 | 674,378 | 2.10 | \$ 24.30 | \$ | 674,378 | \$ 24.30 | \$ |
| \$24.31 | \$54.00 | 360,273 | 1.26 | \$ 29.35 | \$ | 360,273 | \$ 29.35 | \$ |
| \$3.62 | \$54.00 | 2,238,724 | 2.64 | \$ 19.86 | \$1,229 | 2,017,545 | \$ 20.47 | \$1,191 |

The weighted average remaining contractual life of options exercisable at December 31, 2007 was 2.5 years.

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The aggregate intrinsic value in the table above represents the total intrinsic value, based on the Company's closing stock price of \$13.21 as of December 31, 2007, which would have been received by the option holders had all option holders exercised their options as of that date.

No stock options were granted during the three months ended December 31, 2007 and 2006. The total intrinsic value of options exercised during the three month period ended December 31, 2007 and 2006 was \$0 and \$53,000, respectively. The total cash received from employees as a result of employee stock option exercises during the three months ended December 31, 2007 and 2006 was \$0 and \$367,000, respectively.

As of December 31, 2007 future compensation cost related to nonvested stock options is approximately \$2.0 million and will be recognized over an estimated weighted average period of 1.8 years.

Restricted Stock Activity

A summary of the status of the Company's restricted stock as of December 31, 2007 and changes during the three months ended December 31, 2007 is as follows:

| | Three months ended December 31, 2007 | |
|----------------------------------|---|---|
| | Shares | Weighted Average Grant-Date Fair Value |
| Outstanding at beginning of year | 961,875 | \$ 14.42 |
| Awards granted | 470,000 | 12.42 |
| Awards vested | (125,106) | 14.51 |
| Awards canceled | (127,644) | 13.60 |
| Outstanding at end of period | 1,179,125 | \$ 13.70 |

The fair value of restricted stock awards vested during the three months ended December 31, 2007 and 2006 was \$1.8 million and \$1.2 million, respectively.

As of December 31, 2007, the unrecognized compensation cost related to nonvested restricted stock is \$12.9 million and will be recognized over an estimated weighted average amortization period of 2.3 years.

Employee Stock Purchase Plan

The Company's employee stock purchase plan enables eligible employees to purchase shares of the Company's common stock. Under this plan, eligible employees may purchase shares during six-month offering periods commencing on February 1 and August 1 of each year at a price per share of 85% of the lower of the fair market value price per share on the first or last day of each six-month offering period. Participating employees may elect to have up to 10% of their base pay withheld and applied toward the purchase of such shares. The rights of participating employees under this plan terminate upon voluntary withdrawal from the plan at any time or upon termination of employment. There were no shares purchased under the employee stock purchase plan during the three months ended December 31, 2007. At December 31, 2007, a total of 1,253,422 shares were reserved and available for issuance under this plan.

3. Goodwill and Intangible Assets

The changes in the carrying amount of goodwill by reportable segment for the three months ended December 31, 2007 is as follows (in thousands):

| | Automation Systems | Critical Components | Global Customer Support | Total |
|--------------------------------------|-------------------------------|--------------------------------|--|--------------|
| Balance at September 30, 2007 | \$ 43,544 | \$ 124,091 | \$ 151,667 | \$ 319,302 |
| Adjustments to goodwill: | | | | |
| Acquisition of Helix Technology | | (42) | (52) | (94) |

| | | | | |
|-------------------------------------|-----------|------------|------------|------------|
| Other acquisitions | (81) | | | (81) |
| Balance at December 31, 2007 | \$ 43,463 | \$ 124,049 | \$ 151,615 | \$ 319,127 |

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Components of the Company's identifiable intangible assets are as follows (in thousands):

| | December 31, 2007 | | | September 30, 2007 | | |
|----------------------------|-------------------|--------------------------|----------------|--------------------|--------------------------|----------------|
| | Cost | Accumulated Amortization | Net book value | Cost | Accumulated Amortization | Net book Value |
| Patents | \$ 9,877 | \$ 7,203 | \$ 2,674 | \$ 9,802 | \$ 7,093 | \$ 2,709 |
| Completed technology | 64,761 | 24,363 | 40,398 | 64,761 | 22,033 | 42,728 |
| Trademark and trade names | 4,925 | 1,922 | 3,003 | 4,925 | 1,726 | 3,199 |
| Non-competition agreements | 50 | 50 | | 50 | 50 | |
| Customer relationships | 36,500 | 9,551 | 26,949 | 36,500 | 8,172 | 28,328 |
| | \$ 116,113 | \$ 43,089 | \$ 73,024 | \$ 116,038 | \$ 39,074 | \$ 76,964 |

Amortization expense for intangible assets was \$4.0 million and \$3.8 million for the three months ended December 31, 2007 and 2006, respectively.

4. Property, Plant and Equipment

Property, plant and equipment as of December 31, 2007 and September 30, 2007 were as follows (in thousands):

| | December 31, 2007 | September 30, 2007 |
|--|-------------------|--------------------|
| Buildings and land | \$ 44,678 | \$ 44,678 |
| Computer equipment and software | 37,189 | 37,680 |
| Machinery and equipment | 46,024 | 45,082 |
| Furniture and fixtures | 11,766 | 11,986 |
| Leasehold improvements | 28,753 | 28,951 |
| Construction in progress | 13,310 | 10,295 |
| | 181,720 | 178,672 |
| Less accumulated depreciation and amortization | (100,938) | (97,925) |
| Property, plant and equipment, net | \$ 80,782 | \$ 80,747 |

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Depreciation expense was \$4.5 million and \$4.3 million for the three months ended December 31, 2007 and 2006, respectively.

5. Income Taxes

In July 2006, the FASB issued FIN No. 48. FIN No. 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes. FIN No. 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN No. 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

The Company adopted the provisions of FIN No. 48 on October 1, 2007. The implementation of FIN No. 48 did not materially affect the Company's financial position or results of operations. As of the adoption date, October 1, 2007, the Company had \$14.5 million of unrecognized tax benefits, of which \$12.3 million, if recognized, would affect the effective tax rate and the remaining \$2.2 million, if recognized, would decrease goodwill. As of the adoption date the Company had accrued interest expense related to the unrecognized tax benefits of \$1.4 million, which is included in the \$14.5 million of unrecognized tax benefits. The Company recognizes interest related to unrecognized benefits as a component of tax expense.

Prior to the adoption of FIN No. 48, the Company's policy was to classify accruals for uncertain positions as a current liability unless it was highly probable that there would not be a payment or settlement for such identified risks for a period of at least a year. On October 1, 2007, the Company reclassified \$10.2 million of income tax liabilities from current to long-term liabilities because a cash settlement of these liabilities is not anticipated within one year of the balance sheet date.

The Company is subject to U.S. federal income tax and various state, local and international income taxes in various jurisdictions. The amount of income taxes paid is subject to the Company's interpretation of applicable tax laws in the jurisdictions in which it files. In the normal course of business, the Company is subject to examination by taxing authorities throughout the world. The Company has income tax audits in progress in various state and international jurisdictions in which it operates. In the Company's U.S. and international jurisdictions, the years that may be examined vary, with the earliest tax year being 2001. Based on the outcome of these examinations, or the result of the expiration of statutes of limitations for specific jurisdictions, it is reasonably possible that the related unrecognized tax benefits could change from those recorded in the Company's statement of financial position. The Company anticipates that several of these audits may be finalized within the next 12 months. However, based on the status of these examinations, and the protocol of finalizing such audits, it is not possible to estimate the impact of any amount of such changes, if any, to the Company's previously recorded uncertain tax positions.

6. Earnings (Loss) per Share

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

| | Three months ended December 31, | |
|--|------------------------------------|--------|
| | 2007 | 2006 |
| Weighted average common shares outstanding used in computing basic earnings (loss) per share | 69,110 | 74,595 |
| Dilutive common stock options and restricted stock awards | | 404 |
| Weighted average common shares outstanding for purposes of computing diluted earnings (loss) per share | 69,110 | 74,999 |

Approximately 2,367,000 and 3,847,000 options to purchase common stock and 555,000 and 0 shares of restricted stock were excluded from the computation of diluted earnings per share attributable to common stockholders for the three months ended December 31, 2007 and 2006, respectively, as their effect would be anti-dilutive. The 3,847,000

options for the three months ended December 31, 2006 had an exercise price greater than the

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average market price of the common stock. These options and restricted stock could, however, become dilutive in future periods.

7. Discontinued Operations

On March 30, 2007, the Company completed the sale of its software division, Brooks Software, to Applied Materials, Inc., a Delaware corporation (Applied) for cash consideration and the assumption of certain liabilities related to Brooks Software. Brooks Software provided real-time applications for greater efficiency and productivity in collaborative, complex manufacturing environments. The Company transferred to Applied substantially all of its assets primarily related to Brooks Software, including the stock of several subsidiaries engaged only in the business of Brooks Software, and Applied assumed certain liabilities related to Brooks Software.

The Company recorded a gain of \$83.9 million in the second quarter of fiscal year 2007 on the sale of its discontinued software business, which is unchanged at December 31, 2007. This gain reflects the proceeds of \$132.5 million of cash consideration, offset by expenses of \$7.7 million, a tax provision of \$1.9 million, and the write-off of net assets totaling \$39.0 million.

Effective October 1, 2006, the Company's consolidated financial statements and notes have been reclassified to reflect this business as a discontinued operation in accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets.

There were no operating results from discontinued operations of the software division for the three months ended December 31, 2007. The summary of operating results from discontinued operations of the software division for the three months ended December 31, 2006 is as follows (in thousands):

| | Three months ended December 31, 2006 |
|---|---|
| Revenues | \$ 21,534 |
| Gross profit | 14,622 |
| Income from discontinued operations before income taxes | 3,741 |
| Income from discontinued operations, net of tax | 5,160 |

The income of \$5,160,000 for the three months ended December 31, 2006 includes the recognition of a tax benefit resulting from the reversal of tax reserves due to an audit settlement of \$2,100,000.

There were no assets and liabilities from discontinued operations of the software division as of December 31, 2007 or September 30, 2007.

8. Comprehensive Income

Comprehensive income is computed as the sum of the Company's net income (loss), the change in the cumulative translation adjustment and the total unrealized gain (loss) on the Company's marketable securities. The calculation of the Company's comprehensive income for the three months ended December 31, 2007 and 2006 is as follows (in thousands):

| | Three months ended December 31, | |
|---|------------------------------------|-----------|
| | 2007 | 2006 |
| Net income (loss) | \$(1,419) | \$ 22,139 |
| Change in cumulative translation adjustment | 2,413 | 1,345 |
| Unrealized gain (loss) on marketable securities | (832) | 135 |
| | \$ 162 | \$ 23,619 |

Principally all of the \$832,000 unrealized loss on marketable securities for the three months ended December 31, 2007 relates to the Company's investment in a closely-held Swiss public company.

9. Segment Information

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In the fourth quarter of fiscal 2007 the Company made changes to its internal reporting structure and began reporting results in three segments: Automation Systems Group; Critical Components Group; and Global Customer Support Group.

The Automation Systems Group segment provides a range of wafer handling products and systems that support both atmospheric and vacuum process technology used by the Company's customers.

The Critical Components Group segment includes cryogenic vacuum pumping, thermal management and vacuum measurement solutions used to create, measure and control critical process vacuum applications. The pump, gauge and chiller products serve various markets that use vacuum as a critical enabler to overall system performance.

The Global Customer Support Group segment consists of the Company's service organization, which provides an extensive range of support to its customers to address their on-site needs, consultation, or spare parts logistics, all of which enable the customer to maximize wafer fab utilization, process tool uptime and productivity.

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 (excluding completed technology) and restructuring 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 tax assets, acquired intangible assets, goodwill, investments in joint ventures, marketable securities and cash equivalents.

The Company has reclassified prior year data due to the changes made in its reportable segments.

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

| | Automation Systems | Critical Components | Global Customer Support | Total |
|--------------------------------------|-----------------------|------------------------|-------------------------------|------------|
| Three months ended December 31, 2007 | | | | |
| Revenues | | | | |
| Product | \$ 83,070 | \$ 32,997 | \$ 2,304 | \$ 118,371 |
| Services | 4,601 | | 24,861 | 29,462 |
| | \$ 87,671 | \$ 32,997 | \$ 27,165 | \$ 147,833 |
| Gross profit | \$ 22,080 | \$ 11,788 | \$ 4,581 | \$ 38,449 |
| Segment operating income (loss) | \$ (2,563) | \$ 3,092 | \$ (1,930) | \$ (1,401) |
| Three months ended December 31, 2006 | | | | |
| Revenues | | | | |
| Product | \$ 116,508 | \$ 37,053 | \$ 7,554 | \$ 161,115 |
| Services | 5,289 | | 24,964 | 30,253 |
| | \$ 121,797 | \$ 37,053 | \$ 32,518 | \$ 191,368 |
| Gross profit | \$ 38,423 | \$ 13,314 | \$ 7,945 | \$ 59,682 |
| Segment operating income | \$ 11,387 | \$ 4,575 | \$ 1,128 | \$ 17,090 |
| Assets | | | | |
| December 31, 2007 | \$ 234,338 | \$ 65,997 | \$ 77,974 | \$ 378,309 |
| September 30, 2007 | \$ 270,401 | \$ 72,771 | \$ 82,020 | \$ 425,192 |

A reconciliation of the Company's reportable segment operating income (loss) and segment assets to the corresponding consolidated amounts for the three month periods ended December 31, 2007 and 2006 is as follows (in thousands):

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| | Three months ended December 31, | |
|--|------------------------------------|-----------|
| | 2007 | 2006 |
| Segment operating income (loss) from continuing operations | \$ (1,401) | \$ 17,090 |
| Amortization of acquired intangible assets | 1,685 | 1,494 |
| Restructuring charges | 600 | |
| Total operating income (loss) from continuing operations | \$ (3,686) | \$ 15,596 |

| | December | September |
|---|-------------|--------------|
| | 31, 2007 | 30, 2007 |
| Segment assets | \$ 378,309 | \$ 425,192 |
| Goodwill | 319,127 | 319,302 |
| Intangible assets | 73,024 | 76,964 |
| Investments in cash equivalents, marketable securities and joint ventures | 188,325 | 193,380 |
| Total assets | \$ 958,785 | \$ 1,014,838 |

10. Restructuring-Related Charges and Accruals

The Company recorded a charge to continuing operations of \$600,000 in the three months ended December 31, 2007 which primarily relates to costs for workforce reductions of administrative personnel in Chelmsford and in the United Kingdom. There were no restructuring charges incurred to continuing operations in the three months ended December 31, 2006.

The activity for the three months ended December 31, 2007 and 2006 related to the Company's restructuring-related accruals is summarized below (in thousands):

| | Activity | Three Months Ended December 31, 2007 | | Balance |
|-------------------|-------------------------------------|--------------------------------------|-------------|-------------------------|
| | Balance September 30, 2007 | Expense | Utilization | December 31, 2007 |
| Facilities | \$ 12,804 | \$ 8 | \$ (905) | \$ 11,907 |
| Workforce-related | 2,907 | 592 | (1,364) | 2,135 |
| | \$ 15,711 | \$ 600 | \$ (2,269) | \$ 14,042 |

| | Activity | Three Months Ended December 31, 2006 | | Balance |
|-------------------|-------------------------------------|--------------------------------------|-------------|-------------------------|
| | Balance September 30, 2006 | Expense | Utilization | December 31, 2006 |
| Facilities | \$ 13,697 | \$ | \$ (1,211) | \$ 12,486 |
| Workforce-related | 2,846 | 20 | (1,001) | 1,865 |

\$ 16,543 \$ 20 \$ (2,212) \$ 14,351

Workforce related charges include \$0 and \$20,000 for the three months ended December 31, 2007 and 2006, respectively, related to discontinued operations.

The Company expects the majority of the remaining severance costs totaling \$2,135,000 will be paid over the next twelve months. The expected facilities costs, totaling \$11,907,000, net of estimated sub-rental income, will be paid on leases that expire through September 2011.

11. Employee Benefit Plans

The components of the Company's net pension cost relating to a noncontributory defined benefit pension plan acquired with the Helix acquisition for the three months ended December 31, 2007 and 2006 is as follows (in thousands):

| | Three months ended December 31, | |
|---------------------------|------------------------------------|---------|
| | 2007 | 2006 |
| Service cost | \$ 37 | \$ 63 |
| Interest cost | 183 | 174 |
| Expected return on assets | (227) | (250) |
| Net periodic pension cost | \$ (7) | \$ (13) |

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In conjunction with the acquisition of Helix, the Company closed the defined benefit pension plan to new hires and approved the decision to freeze the plan such that no further benefits would accrue after October 31, 2006.

The Company does not expect to make contributions to the pension plan in fiscal 2008 given that the plan has been frozen.

12. Other Balance Sheet Information

Components of other selected captions in the Consolidated Balance Sheets are as follows (in thousands):

| | December 31, 2007 | September 30, 2007 |
|-----------------------------------|-------------------------|--------------------------|
| Accounts receivable | \$ 93,060 | \$ 107,373 |
| Less allowances | 1,425 | 1,469 |
| | \$ 91,635 | \$ 105,904 |
| Inventories | | |
| Raw materials and purchased parts | \$ 44,267 | \$ 50,304 |
| Work-in-process | 37,941 | 31,555 |
| Finished goods | 24,946 | 22,935 |
| | \$ 107,154 | \$ 104,794 |

The Company provides for the estimated cost of product warranties, primarily from historical information, at the time product revenue is recognized and retrofit accruals at the time retrofit programs are established. 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, utilization levels, material usage, service delivery costs incurred in correcting a product failure, and supplier warranties on parts delivered to the Company. Product warranty and retrofit activity on a gross basis for three months ended December 31, 2007 and 2006 is as follows (in thousands):

| | Activity Three Months Ended December 31, 2007 | | |
|---|---|-------------|--|
| Balance September 30, 2007 \$10,986 | Accruals | Settlements | Balance December 31, 2007 \$ 9,569 |
| | \$1,298 | \$(2,715) | |
| | Activity Three Months Ended December 31, 2006 | | |
| Balance September 30, 2006 \$11,608 | Accruals | Settlements | Balance December 31, 2006 \$11,895 |
| | \$3,280 | \$(2,993) | |

13. Contingencies

The Company has been involved in various regulatory proceedings and private litigation matters involving equity incentive practices. A description of this litigation is included in the Company's annual report on Form 10-K for the fiscal year ended September 30, 2007. In furtherance of the Company's cooperation with the Securities and Exchange Commission (SEC), on December 20, 2007 the Company entered into an agreement with the SEC tolling any statute of limitations applicable to any action or proceeding brought by the SEC against Brooks from December 12, 2007 to

February 29, 2008. With respect to the putative class action captioned as *James R. Shaw v. Brooks Automation, Inc. et al* pending in the United States District Court for the District of Massachusetts, the court granted in part and denied in part defendants' motions to dismiss, and allowed the lead plaintiff's motion to add a named plaintiff. The Section 10(b) and Rule 10b-5 claims against Joseph Martin and Ellen Richstone were dismissed, and the Section 11 claims against Mr. Martin, Robert Woodbury and Edward Grady were dismissed. Also, the Section 11 claims against PricewaterhouseCoopers LLP were dismissed, and therefore it was dismissed entirely. The motions were denied as to the remaining claims in the consolidated amended complaint. On January 22, 2008, the plaintiffs in the action filed a motion for class certification.

Table of Contents**14. Subsequent Event**

On November 9, 2007 the Company announced that its Board of Directors authorized a stock repurchase plan to buy up to \$200 million of the Company's outstanding common stock. During the period from January 1, 2008 through February 11, 2008, the Company purchased 4,237,138 shares of its common stock for a total of \$51.2 million, in addition to the 2,258,186 shares for a total of \$29.2 million purchased in the three months ended December 31, 2007, in connection with the stock repurchase plan.

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

Certain statements in this Quarterly Report on Form 10-Q constitute forward-looking statements which involve known risks, uncertainties and other factors which may cause the actual results, our performance or our achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include the Risk Factors which are set forth in our Annual Report on Form 10-K and which are incorporated herein by reference and summarized in Part II, Item 1A of this report. Precautionary statements made in our Annual Report on Form 10-K or in Part II, Item 1A of this report should be read as being applicable to all related forward-looking statements whenever they appear in this report.

Overview

We are a leading supplier of technology products and solutions primarily serving the worldwide semiconductor market. We principally supply hardware and services to both original equipment manufacturers, or OEMs, who make semiconductor device manufacturing equipment, and chip manufacturers. We are a technology and market leader with offerings ranging from individual hardware modules to fully integrated systems as well as services to install and support our products worldwide.

We report results in three segments: Automation Systems Group, Critical Components Group and Global Customer Support Group. Our Automation Systems Group segment provides a range of wafer handling products and systems that support both atmospheric and vacuum process technology used by our customers. Our Critical Components Group segment includes cryogenic vacuum pumping, thermal management and vacuum measurement products used to create, measure and control critical process vacuum applications. Our Global Customer Support Group segment provides an extensive range of support to our customers to address their on-site needs, consultation, or spare parts logistics, all of which enable the customer to maximize wafer fab utilization, process tool uptime and productivity.

Global economic uncertainties have created a reduction in current demands for semiconductor capital equipment. We are focusing on future actions to improve our margin and change our cost structures to respond to the recent industry downturn in an effort to improve our future profitability.

Recent Developments

On November 9, 2007 we announced that our Board of Directors authorized a stock repurchase plan to buy up to \$200 million of our outstanding common stock. Stock repurchase transactions authorized under the plan will occur from time to time in the open market, through block trades or otherwise. Management and the Board of Directors will exercise discretion with respect to the timing and amount of any shares repurchased, based on their evaluation of a variety of factors, including current market conditions. Repurchases may be commenced or suspended at any time without prior notice. Additionally, Brooks has and may in the future initiate repurchases under a Rule 10b5-1 plan, which would permit shares to be repurchased when Brooks would otherwise be precluded from doing so under insider-trading laws. Any repurchased shares will be available for use in connection with its stock plans and for other corporate purposes. The repurchase program will be funded using the Company's available cash resources.

Three Months Ended December 31, 2007, Compared to Three Months Ended December 31, 2006**Revenues**

We reported revenues of \$147.8 million for the three months ended December 31, 2007, compared to \$191.4 million in the three months ended December 31, 2006, a 22.8% decrease. This decrease reflects lower revenues related to our automation systems group segment of \$34.1 million, lower revenues associated with our

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critical components group segment of \$4.1 million, and lower revenues associated with our global customer support group segment of \$5.4 million due primarily to lower demand for semiconductor capital equipment primarily from large OEM equipment suppliers.

Our automation systems group segment reported revenues of \$87.7 million in the three months ended December 31, 2007, a decrease of 28.0% from \$121.8 million reported in the three months ended December 31, 2006. This decrease reflects the lower revenues of \$29.7 million related to our legacy tool automation products, along with lower revenues related to our custom design automation systems business of \$4.4 million, which are both due to lower demand for semiconductor capital equipment.

Our critical components group segment reported revenues of \$33.0 million in the three months ended December 31, 2007, a 11.1% decrease from \$37.1 million in the three months ended December 31, 2006. This decrease reflects lower revenues of \$3.2 million for pressure management and control products and \$0.9 million less for thermal management products.

Our global customer support group segment reported revenues of \$27.2 million in the three months ended December 31, 2007, a 16.3% decrease from \$32.5 million in the three months ended December 31, 2006. This decrease is primarily attributed to lower revenues of \$4.4 million related to end user hardware, upgrades and spares, along with lower revenues of \$0.9 million for hardware repair and field services.

Product revenues decreased \$42.7 million, or 26.5%, to \$118.4 million, in the three months ended December 31, 2007, from \$161.1 million in the three months ended December 31, 2006. This decrease is attributable to lower revenues of \$33.4 million associated with our automation systems group segment, lower revenues associated with our critical components group segment of \$4.1 million, and lower revenues associated with our global customer support group segment of \$5.3 million, all primarily due to lower demand for semiconductor capital equipment.

Service revenues decreased \$0.8 million, or 2.6%, to \$29.5 million, in the three months ended December 31, 2007, from \$30.3 million in the three months ended December 31, 2006. This decrease is primarily attributable to lower spares revenues to OEM customers within our automation system group.

Backlog for our products and services as of December 31, 2007, totaled approximately \$106 million as compared to approximately \$125 million at December 31, 2006.

Gross Margin

Gross margin dollars decreased to \$38.4 million for the three months ended December 31, 2007 compared to \$59.7 million for the three months ended December 31, 2006. The decrease in gross margin dollars reflects the lower margin associated with our automation systems group segment of \$16.4 million, lower margin associated with our critical components group segment of \$1.5 million, and lower margin associated with our global customer support segment of \$3.4 million, due primarily to the lower revenues experienced in the three months ended December 31, 2007 compared to the three months ended December 31, 2006. Gross margin as a percent of revenue decreased to 26.0% in the three months ended December 31, 2007 compared to 31.2% for the three months ended December 31, 2006, due primarily to unfavorable product mix and the lower absorption of factory overhead on lower revenues.

Gross margin of our automation systems group segment decreased to \$22.1 million in the three months ended December 31, 2007 compared to \$38.4 million in the three months ended December 31, 2006. This decrease reflects lower margin of approximately \$11.5 million on lower legacy tool automation revenues, lower margin of approximately \$2.2 million of custom automation systems, along with unfavorable factory overhead absorption and other variances of approximately \$2.6 million. Gross margin as a percent of revenue decreased to 25.2% in the three months ended December 31, 2007 compared to 31.5% for the three months ended December 31, 2006 primarily due to the higher contribution of the lower margin custom automation systems business.

Gross margin of our critical components group segment decreased to \$11.8 million in the three months ended December 31, 2007 compared to \$13.3 million in the three months ended December 31, 2006. This decrease is

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consistent with the decrease in revenues described above. Gross margin as a percent of revenue remained flat at 35.8% in the three months ended December 31, 2007 and 2006.

Gross margin of our global customer support group segment decreased to \$4.6 million in the three months ended December 31, 2007 compared to \$7.9 million in the three months ended December 31, 2006. This decrease is primarily due to lower margin of \$2.5 million on the lower revenues associated with end user hardware, along with lower margin of \$0.8 million related to repairs and field services. Gross margin as a percent of revenue decreased to 16.9% in the three months ended December 31, 2007 compared to 24.3% for the three months ended December 31, 2006 primarily due to the higher service delivery-related costs.

Gross margin on product revenues decreased to \$32.7 million for the three months ended December 31, 2007 compared to \$53.3 million in the three months ended December 31, 2006. The decrease in product margins is primarily attributable to lower margin of \$16.5 million related to our automation systems group products, lower margin of \$1.5 million associated with our critical components group products, and lower margin of \$2.6 million related to end-user factory hardware products. Gross margin percentage on product revenues decreased to 27.7% for the three months ended December 31, 2007 compared to 33.1% for the three months ended December 31, 2006, primarily due to unfavorable product mix and the lower absorption of factory overhead on lower revenues.

Gross margin on service revenues was \$5.7 million or 19.3% for the three months ended December 31, 2007, compared to \$6.4 million or 21.1% in the three months ended December 31, 2006. The decrease in service margins is primarily attributable to higher service delivery-related costs.

Research and Development

Research and development expenses for the three months ended December 31, 2007, were \$12.4 million, compared to \$13.1 million in the three months ended December 31, 2006. Research and development expenses increased as a percentage of revenues, to 8.4%, from 6.8 % in the three months ended December 31, 2006. The decrease in absolute spending primarily reflects lower spending of \$0.4 million associated with the automation systems group, along with lower spending associated with our critical components and global customer support segments of \$0.2 million and \$0.1 million, respectively. The overall increase in R&D spending as a percentage of revenue is primarily due to the lower revenues in the three months ended December 31, 2007 compared to the three months ended December 31, 2006.

Selling, General and Administrative

Selling, general and administrative expenses were \$29.1 million for the three months ended December 31, 2007 compared to \$31.0 million in the three months ended December 31, 2006. Selling, general and administrative expenses increased as a percentage of revenues, to 19.7% in the three months ended December 31, 2007, from 16.2% in the three months ended December 31, 2006. The decrease in absolute spending is primarily attributable to the lower management incentive costs of \$1.3 million along with lower sales and marketing expenses of \$0.8 million. The overall increase in SG&A spending as a percentage of revenue is primarily due to lower revenues in the three months ended December 31, 2007 compared to the three months ended December 31, 2006.

Restructuring and Acquisition-related Charges

We recorded a charge to continuing operations of \$0.6 million in the three months ended December 31, 2007 which primarily relates to costs for workforce reductions of administrative personnel in Chelmsford and in the United Kingdom. There were no restructuring charges incurred in the three months ended December 31, 2006. The impact of these cost reductions on our liquidity is not significant, as these cost savings are expected to yield actual cash savings within twelve months.

Interest Income and Expense

Interest income increased by \$1.0 million, to \$3.2 million, in the three months ended December 31, 2007, from \$2.2 million in the three months ended December 31, 2006. This increase is due primarily to higher average

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investment balances and higher average interest rates. Interest expense remained flat at \$0.1 million in the three months ended December 31, 2007 and 2006.

Other (Income) Expense

We recorded other expense, net of \$0.3 million for the three months ended December 31, 2007 compared to other expense, net of \$0.5 million for the three months ended December 31, 2006. This decrease is primarily due to higher foreign exchange losses of \$0.7 million offset by lower repayments on notes that had previously been written off of \$0.4 million.

Income Tax Provision

We recorded an income tax provision of \$0.7 million in the three months ended December 31, 2007 and an income tax provision of \$0.6 million in the three months ended December 31, 2006. The tax provision recorded for both periods is attributable to alternative minimum taxes along with foreign income and interest related to unrecognized tax benefits. We continued to provide a full valuation allowance for our net deferred tax assets at December 31, 2007 and 2006, as we believe it is more likely than not that the future tax benefits from accumulated net operating losses and deferred taxes will not be realized. However, it is possible that the more likely than not criterion could be met in fiscal 2008 or a future period, which could result in the reversal of a significant portion or all of the valuation allowance, which, at that time, would be recorded as a tax benefit in the consolidated statements of operations.

Discontinued Operations

We completed the sale of our software division to Applied Materials on March 30, 2007. We recorded income from the operation of our discontinued software business of \$5.2 million for the three months ended December 31, 2006. There was no activity associated with this discontinued business in the three months ended December 31, 2007.

Liquidity and Capital Resources

Our business is significantly dependent on capital expenditures by semiconductor manufacturers and OEMs that are, in turn, dependent on the current and anticipated market demand for semiconductors. Demand for semiconductors is cyclical and has historically experienced periodic downturns. In response to these downturns, we have implemented cost reduction programs aimed at aligning our ongoing operating costs with our currently expected revenues over the near term. These cost management initiatives have included consolidating facilities, reductions to headcount, salary and wage reductions and reduced spending. The cyclical nature of the industry make estimates of future revenues, results of operations and net cash flows inherently uncertain.

At December 31, 2007, we had cash, cash equivalents and marketable securities aggregating \$234.6 million. This amount was comprised of \$144.5 million of cash and cash equivalents, \$55.1 million of investments in short-term marketable securities and \$35.0 million of investments in long-term marketable securities. At September 30, 2007, we had cash, cash equivalents and marketable securities aggregating \$274.6 million. This amount was comprised of \$168.2 million of cash and cash equivalents, \$80.1 million of investments in short-term marketable securities and \$26.3 million of investments in long-term marketable securities.

Cash used in operations was \$6.1 million for the three months ended December 31, 2007, and was primarily attributable to our net loss of \$1.4 million and a reduction of \$14.7 million in our net working capital, partially offset by non-cash depreciation and amortization of \$8.5 million and compensation expense related to common stock and options of \$2.0 million. The \$14.7 million change in working capital was primarily the result of decreased accrued expenses of \$15.3 million.

Cash provided by investing activities was \$11.4 million for the three months ended December 31, 2007, and is principally comprised of net sales of marketable securities of \$16.0 million, partially offset by \$4.5 million used for capital additions.

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Cash used in financing activities was \$29.2 million for the three months ended December 31, 2007, and is due to the treasury share repurchase.

While we have no significant firm capital commitments, we are in the process of implementing an Oracle ERP system that is expected to cost approximately \$22.0 million when fully implemented, of which \$10.1 million has been incurred at December 31, 2007 and is included in construction in progress within property, plant and equipment. We will continue to make capital expenditures to support our business, and may also use our resources to acquire companies, technologies or products that complement our business.

At December 31, 2007, we had approximately \$0.7 million of an uncommitted demand promissory note facility still in use, all of it for letters of credit.

We believe that we have adequate resources to fund our currently planned working capital and capital expenditure requirements for both the short and long-term as well as our stock repurchase plan announced on November 9, 2007. However, the cyclical nature of the semiconductor industry makes it difficult for us to predict future liquidity requirements with certainty. We may be unable to obtain any required additional financing on terms favorable to us, if at all. If adequate funds are not available on acceptable terms, we may be unable to fund our expansion, successfully develop or enhance products, respond to competitive pressure or take advantage of acquisition opportunities, any of which could have a material adverse effect on our business. In addition, we are subject to litigation related to our stock-based compensation restatement which could have an adverse affect on our existing resources.

Recently Enacted Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109 (FIN No. 48). FIN No. 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise s financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes . FIN No. 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN No. 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. We adopted FIN No. 48 on October 1, 2007. The effect of the adoption did not materially affect our financial position or results of operations.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS 157 applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, SFAS 157 does not require any new fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years, with earlier adoption permitted. The provisions of SFAS 157 will be applied prospectively as of the beginning of the fiscal year in which it is initially applied. We are currently evaluating the potential impact of SFAS 157 on our financial position and results of operations.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115 (SFAS 159). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value and is effective as of the beginning of the Company s fiscal year beginning after November 15, 2007. We are currently evaluating the potential impact of SFAS 159 on our financial position and results of operations.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), Business Combinations (SFAS 141R). SFAS 141R significantly changes the accounting for business combinations in a number of areas including the treatment of contingent consideration, pre-acquisition contingencies, transaction costs, restructuring costs and income taxes. Statement 141 applies prospectively to business combinations for which the acquisition date is on or after the beginning of the fiscal year beginning after December 15, 2008. We are currently evaluating the potential impact of SFAS 141R on our financial position and results of operations.

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In December 2007, the FASB issued SFAS 160, Noncontrolling Interests in Consolidated Financial Statements. An amendment of ARB No. 51 (SFAS 160). SFAS 160 amends ARB 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. The amount of net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement. Statement 160 clarifies that changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation are equity transactions if the parent retains its controlling financial interest. In addition, this Statement requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated. SFAS 160 is effective for fiscal years beginning after December 15, 2008. We are currently evaluating the potential impact of SFAS 160 on our financial position and results of operations.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

We are exposed to a variety of market risks, including changes in interest rates affecting the return on our cash and cash equivalents, short-term and long-term investments and fluctuations in foreign currency exchange rates.

Interest Rate Exposure

As our cash and cash equivalents consist principally of money market securities, which are short-term in nature, our exposure to market risk related to interest rate fluctuations for these investments is not significant. Our short-term and long-term investments consist mainly of highly rated corporate debt securities, and as such, market risk to these investments is not significant. At December 31, 2007, the unrealized gain on marketable securities, excluding our investment in a closely-held Swiss public company, was \$0 and the change in this amount for the quarter ended December 31, 2007 was a loss of approximately \$40,000. A hypothetical 100 basis point change in interest rates would result in an annual change of approximately \$3.0 million in interest income earned.

Currency Rate Exposure

Approximately 97% of our business conducted in the United States is transacted in the U.S. dollar. Of the remaining 3%, most of these transactions are denominated in Euros or Japanese yen. In addition, a portion of our business is conducted outside of the United States through foreign subsidiaries in Europe and Asia in their respective local currency. We also purchase materials from some suppliers outside of the United States that is transacted in currencies other than the U.S. Dollar. In the three months ended December 31, 2007, we recorded foreign exchange gains related to receivables of \$0.1 million, and foreign exchange losses of \$0.7 million related to payables due to the general weakening of the U.S. dollar in this period. The changes in currency exchange rates relative to the U.S. dollar during the three months ended December 31, 2007 compared to the currency exchange rates at September 30, 2007 resulted in an increase in net assets of \$2.4 million that we reported as a separate component of comprehensive income. Due to the limited exposure to foreign currency risk, the impact of a hypothetical 10% change in foreign exchange rates at December 31, 2007 is not considered material.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. As of the end of the period covered by this report, and pursuant to Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, our chief executive officer, chief financial officer and principal accounting officer have concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported in accordance with the time specified by the SEC's rules and forms.

Change in Internal Controls. There were no changes in our internal control over financial reporting that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents**PART II. OTHER INFORMATION****Item 1. Legal Proceedings**

Brooks has been involved in various regulatory proceedings and private litigation matters involving equity incentive practices. A description of this litigation is included in our annual report on Form 10-K for the fiscal year ended September 30, 2007. In furtherance of our cooperation with the Securities and Exchange Commission (SEC), on December 20, 2007 we entered into an agreement with the SEC tolling any statute of limitations applicable to any action or proceeding brought by the SEC against Brooks from December 12, 2007 to February 29, 2008. With respect to the putative class action captioned as *James R. Shaw v. Brooks Automation, Inc. et al* pending in the United States District Court for the District of Massachusetts, the court granted in part and denied in part defendants' motions to dismiss, and allowed the lead plaintiff's motion to add a named plaintiff. The Section 10(b) and Rule 10b-5 claims against Joseph Martin and Ellen Richstone were dismissed, and the Section 11 claims against Mr. Martin, Robert Woodbury and Edward Grady were dismissed. Also, the Section 11 claims against PricewaterhouseCoopers LLP were dismissed, and therefore it was dismissed entirely. The motions were denied as to the remaining claims in the consolidated amended complaint. On January 22, 2008, the plaintiffs in the action filed a motion for class certification.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On November 9, 2007, we announced that our Board of Directors authorized a stock repurchase plan to buy up to \$200,000,000 of our outstanding common stock. The following table provides information concerning shares of the Company's Common Stock \$0.01 par value purchased in connection with the stock repurchase plan during the three months ended December 31, 2007.

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number (or Approximate Dollar Value) of Shares that May Yet be Purchased Under the Plans or Programs |
|-----------------------|---|------------------------------------|---|---|
| | | | | |
| October 1 - 31, 2007 | | \$ | | \$ |
| November 1 - 30, 2007 | 145,000 | 12.67 | 145,000 | 198,163,387 |
| December 1 - 31, 2007 | 2,113,186 | 12.95 | 2,113,186 | 170,791,945 |
| Total | 2,258,186 | \$ 12.93 | 2,258,186 | \$ 170,791,945 |

The following table provides information concerning shares of the Company's Common Stock \$0.01 par value purchased in connection with the forfeiture of shares to satisfy the employees' obligations with respect to withholding taxes in connection with the vesting of shares of restricted stock during the three months ended December 31, 2007.

| Total Number of | Maximum Number (or Approximate Dollar Value) of |
|--------------------|---|
|--------------------|---|

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Shares Purchased as Part of Publicly Announced Plans or Programs | Shares that May Yet be Purchased Under the Plans or Programs |
|---------------------|---|---|---|---|
| October 1 31, 2007 | 9,825 | \$ 13.46 | 9,825 | \$ |
| November 1 30, 2007 | 6,703 | 13.43 | 6,703 | |
| December 1 31, 2007 | 16,174 | 12.46 | 16,174 | |
| Total | 32,702 | \$ 12.96 | 32,702 | \$ |

Item 6. Exhibits

The following exhibits are included herein:

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| Exhibit No. | Description |
|--------------------|---|
| 31.01 | Rule 13a-14(a), 15d-14(a) Certification |
| 31.02 | Rule 13a-14(a), 15d-14(a) Certification |
| 31.03 | Rule 13a-14(a), 15d-14(a) Certification |
| 32 | Section 1350 Certifications |

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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 AUTOMATION, INC.

DATE: February 11, 2008

/s/ Robert J. Lepofsky
Robert J. Lepofsky
Director, President and Chief Executive
Officer (Principal Executive Officer)

DATE: February 11, 2008

/s/ Martin S. Headley
Martin S. Headley
Executive Vice President and Chief
Financial Officer

DATE: February 11, 2008

/s/ Richard C. Small
Richard C. Small
Senior Vice President and Corporate
Controller (Principal Accounting Officer)
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EXHIBIT INDEX

| Exhibit No. | Description |
|--------------------|---|
| 31.01 | Rule 13a-14(a), 15d-14(a) Certification |
| 31.02 | Rule 13a-14(a), 15d-14(a) Certification |
| 31.03 | Rule 13a-14(a), 15d-14(a) Certification |
| 32 | Section 1350 Certifications |

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