

SECURITIES AND EXCHANGE COMMISSION

FORM 10-K/A

Annual report pursuant to section 13 and 15(d) [amend]

Filing Date: **2002-04-04** | Period of Report: **2001-09-30**
SEC Accession No. **0000912057-02-013564**

([HTML Version](#) on [secdatabase.com](#))

FILER

PRI AUTOMATION INC

CIK: **927362** | IRS No.: **042495703** | State of Incorpor.: **MA** | Fiscal Year End: **0930**
Type: **10-K/A** | Act: **34** | File No.: **000-24934** | Film No.: **02601533**
SIC: **3559** Special industry machinery, nec

Mailing Address
805 MIDDLESEX TURNPIKE
BILLERICA MA 01821

Business Address
805 MIDDLESEX TURNPIKE
BILLERICA MA 01821
9786704270

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A No. 1

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

For the Fiscal Year Ended September 30, 2001

Commission file number 0-24934

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

PRI AUTOMATION, INC.

(Exact name of registrant as specified in its charter)

Massachusetts

04-2495703

(State of other jurisdiction of incorporation)

(I.R.S. Employer Identification No.)

805 Middlesex Turnpike

Billerica, MA

(Address of principal executive offices)

01821-3986

(Zip Code)

Registrant's telephone number, including area code: (978) 670-4270

Securities registered pursuant to Section 12(b) of the Act:

NONE

Securities registered pursuant to Section 12(g) of the Act:

(1) COMMON STOCK, PAR VALUE \$.01 PER SHARE

(2) RIGHTS TO PURCHASE CLASS ONE PARTICIPATING CUMULATIVE PREFERRED STOCK

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

The aggregate market value of the Registrant's common stock, \$0.01 par value per share ("Common Stock") held by non-affiliates of the Registrant, based on the closing price of the Common Stock on November 26, 2001 as reported on the Nasdaq National Market, was approximately \$391,611,582. Shares of Common Stock held by officers and directors and by persons who own of record 5% or more of the

outstanding Common Stock have been excluded from this computation in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of November 26, 2001, the Registrant had outstanding 25,633,328 shares of Common Stock.

PART I

Item 1. *Business*

The Company

PRI Automation, Inc. ("PRI" or the "Company"), founded in 1982, is a leading global supplier of advanced automation systems, software and services to the semiconductor industry. The Company offers complete and flexible solutions that address a wide range of automation requirements for semiconductor manufacturers and for OEM manufacturers of semiconductor process tools. PRI's factory automation systems, software and services help semiconductor manufacturers optimize the flow of material and data throughout the semiconductor fabrication facility ("fab" or "fabs"). They enable customers to respond quickly to changing industry demands and to effectively plan, schedule and optimize their production activity. As a result, PRI believes its semiconductor manufacturer customers are able to improve productivity and increase their return on investment. The Company's tool automation systems and software offer process tool manufacturers reliable, high performance wafer-handling capabilities and ease of integration with its other factory automation systems, enabling its OEM customers to focus on their core business of developing advanced process technology. PRI also provides automation services, including equipment layout and design, fab simulation, project management, installation and on-site support. The Company sells and supports its products through its global direct sales and support organizations, operating out of offices in North America, Europe, and Asia. PRI's customers include many of the world's leading semiconductor manufacturers and semiconductor capital equipment suppliers.

The PRI Automation Solution

PRI offers complete factory automation solutions designed to enhance productivity throughout the fab and overall factory effectiveness, increasing semiconductor manufacturers' return on investment. PRI combines its advanced automation systems and factory management software with a broad range of implementation services that draw on its extensive domain expertise in the semiconductor fabrication process to provide integrated automation solutions. By optimizing data management throughout the fab, the Company's products enable customers to more effectively plan, schedule and carry out their production activity. PRI's products support industry standards, providing customers with the option of purchasing the Company's integrated factory automation solutions or incorporating elements of the system into their existing fab automation infrastructure.

PRI's comprehensive product line, sophisticated software offerings and broad range of implementation services enable customers to address the challenges of an increasingly complex semiconductor manufacturing process and enhance the return on their fab investments by:

providing the manufacturing flexibility to respond to customers' shorter product cycles and changing requirements;

enabling fabs to achieve productivity gains through more efficient materials planning and work-in-process (WIP) scheduling, as well as through more efficient materials handling and storage;

enabling manufacturers to increase utilization of costly facilities and process tools;

providing an integrated factory automation solution that eliminates the inefficiency and risk involved in coordinating the efforts of multiple suppliers and systems; and

supplying a range of automation systems designed to meet the requirements of 200mm and 300mm production.

Products and Services

PRI provides its customers with a fully integrated line of factory automation systems, software and services designed to automate the semiconductor fabrication process and optimize the flow of products, data, materials and resources throughout the fab. The Company has organized its product development, marketing and sales functions to address a wide range of automation requirements to improve manufacturing efficiency and increase productivity. The Company's key product areas are:

Factory Automation Systems. The Company's factory automation systems consist of automated storage and retrieval systems and wafer/reticle transport systems based on its proprietary AeroTrak overhead monorail systems and AeroLoader overhead hoist vehicle. They store, transport and manage the movement of work-in-process wafers and lithography reticles throughout the fab. The customers for these solutions are semiconductor manufacturers.

Tool Automation Systems. These systems automate the movement of wafers into and out of semiconductor manufacturing process chambers and provide an integration point between factory automation systems and process tools. The primary customers for these solutions are manufacturers of process tool equipment.

Software Products. The Company's software products enable semiconductor manufacturers to increase their return on investment by maximizing production efficiency, and may be sold as part of an integrated solution or on a stand-alone basis. Software products include:

Factory management software including manufacturing execution systems that manage and direct manufacturing operations and enable customers to optimize material flow, process equipment and other production resources.

Advanced planning and scheduling software that enables customers to develop capacity plans and workflow schedules to optimize fab-wide operations and quickly react to changing business requirements.

Tool connectivity software that allows customers to connect production data from the process tools with data from their manufacturing execution systems software and fab-wide scheduling software, in order to more effectively manage their manufacturing processes.

Automation Services and Support. The Company offers a broad range of implementation services that draw on its extensive expertise in the semiconductor fabrication process to provide its customers with integrated automation solutions. These services include equipment layout and design, fab simulation and project management, which help customers throughout the total automation project lifecycle, from initial concept and design to installing and servicing the equipment in the customer's fab.

Factory Automation Systems

Factory automation systems products and service offerings include the following:

1. *Interbay Automation:* Interbay automation systems transport wafers throughout the fab and store them in the bay where the next process step will occur. The Company's interbay automation products consist of automated storage and retrieval systems linked by an

overhead monorail transport system, together with associated controllers, software and communications capabilities to provide a tightly integrated wafer flow solution. PRI's interbay automation systems include:

AeroTrak Overhead Monorail Systems—PRI's proprietary AeroTrak overhead monorail transport systems provide fast delivery of material from process bay to process bay.

Automated Storage and Retrieval Systems—PRI's automated storage and retrieval systems, or stockers, are enclosed, environmentally controlled structures that store work-in-process wafers in various locations throughout the fab.

Interfloor and Interbuilding Transport Systems—Interfloor and interbuilding transport systems move wafers between different floors or buildings of a fab.

TransNet Material Control Software—PRI's TransNet material control software directs the movement of wafers throughout the fab and is integrated with the Company's interbay and intrabay automation systems.

2. *Intrabay Automation:* Intrabay automation systems move wafers from storage systems to individual process tools. PRI's intrabay automation systems include:

AeroLoader Overhead Hoist Transport Systems—PRI's AeroLoader overhead hoist transport systems use a monorail to retrieve wafer pods or reticles from a stocker and deliver them directly to the loadport at the process tool.

3. *Lithography Automation Systems:* Lithography automation systems automate the storage, retrieval, tracking and delivery of reticles and wafers within the lithography bay. Reticles are glass plates containing the integrated circuit images that are projected onto wafers during the lithography process. As semiconductor manufacturing technology advances, the cost of lithography tools, or steppers, is increasing. Also, as integrated circuit design complexity increases, the number of reticles used in the manufacturing process rises, increasing the need for automation to track the location of reticles and improve tool utilization and productivity. Since the lithography bay typically paces overall fab output, productivity improvements in the lithography bay directly improve overall fab throughput and productivity. PRI's lithography automation systems include:

Bare Reticle Stockers—Bare reticle stockers provide a high-density storage and retrieval solution for reticles that are stored without being placed in a pod or box container. This gives customers the ability to store large numbers of reticles in a very small footprint within the lithography bay. PRI's second-generation bare reticle stocker is called the Guardian BRS.

Reticle Pod or Box Stockers—Reticle pod or box stockers provide clean and safe storage for reticles that are stored in industry-standard pods or boxes. The reticle pod and box stockers interface with PRI's interbay transport system, allowing the pod or box stocker to be placed anywhere in the fab.

Combination Reticle Stockers—Combination reticle stockers combine the speed and convenience of a pod stocker with the high-density storage of a bare reticle stocker for greater levels of reticle inventory management and productivity in the lithography bay.

Reticle Management Software—Reticle management software manages the use, kitting and unkitting, delivery and maintenance of reticles for improved reticle inventory management.

4. *Integrated Automation Solutions for 300mm Fabs:* Integrated automation systems combine interbay and intrabay transport in one seamless, highly efficient solution. The system maximizes direct tool-to-tool wafer and reticle transport for greater speed and efficiency with less risk than conventional systems allow.

Unified Automated Material Handling Systems—PRI's Unified system combines Interbay, Intrabay, Lithography automation and software in one integrated system. This system was designed specifically for 300mm wafer fabs. PRI's Unified system can reduce costs and speed wafer delivery times by reducing the number of moves required to transport work-in-process within the fab.

4

Automated Reticle Delivery Systems (ARDS)—PRI's ARDS combine reticle stockers, overhead transport, and software control systems into one integrated solution that enables complete hands-off storage, retrieval and delivery of reticles to steppers.

Tool Automation Systems

PRI provides robotic systems that automate the transfer of wafers into and out of process tools. The primary customers for these solutions are manufacturers of process tool equipment. These manufacturers typically integrate PRI's tool automation systems into their product before shipment to the end user (fab customer). PRI's tool automation systems include:

Atmospheric Wafer-Handling Systems—PRI is a leading supplier of atmospheric wafer-handling systems. These systems remove wafers from pods or cassettes and align them prior to placing them into the process tool chamber or metrology station.

Vacuum Wafer-Handling Systems—Vacuum wafer-handling systems automate wafer-handling within a vacuum chamber. PRI's vacuum products range from individual vacuum robotic components to fully integrated vacuum cluster platforms.

Integrated Front End Systems—PRI's integrated front end systems store work-in-process wafer cassettes, standard mechanical interface (SMIF) pods, or 300mm front opening unified pods (FOUPs) directly at the process tool front end. These systems also unload wafers from the FOUP, align them and place them in the process tool. PRI's integrated front end systems include all SEMI-compliant interfaces to factory automation systems.

300mm Loadports—PRI's 300mm loadports provide a simple and economical method for opening and removing wafers from FOUPs.

Specialty Wafer-Handling Systems—PRI provides specially designed robots used in a variety of wafer-handling applications, including chemical mechanical planarization and copper interconnect processing.

Software Products

1. *Factory Management Software*

As more of the semiconductor manufacturing process becomes automated, PRI believes that software will play an increasingly important role in the manufacturer's ability to improve the productivity of its overall fab operations. PRI's software products address the most important aspects of wafer flow logistics to deliver a complete software management solution that addresses fab-wide operations. PRI's factory management software offerings include:

Manufacturing Execution System (MES) Software—PRI's MES software manages and directs complex manufacturing operations by automating process specifications and control. PRI's PROMIS software is designed to integrate business production planning systems and material processing in the fab to optimize the flow of material and improve process equipment utilization.

2. *Advanced Planning and Scheduling Software*

PRI's planning and scheduling software offerings enable semiconductor manufacturers to increase their return on investment by maximizing production efficiency, prioritizing the production of high-margin or high-demand customer orders and minimizing the disruption caused by limited process tool availability. The Company's advanced planning and scheduling software offerings include:

Leverage for Planning Software—PRI's Leverage for Planning software enables customers to develop capacity plans to optimize wafer starts and quickly react to changing business requirements.

Leverage for Scheduling Software—PRI's Leverage for Scheduling software enables customers to develop and modify workflow schedules that optimize fab-wide operations based on many factors, including process tool availability, demand for specific semiconductor batches or types and changing business and technical requirements.

3. *Tool Connectivity Software*

PRI's tool connectivity software solutions allow semiconductor manufacturers to connect valuable production data generated by the process tool with the manufacturing execution system software and the fab-wide scheduling software. By connecting this production data with other fab-wide software systems, manufacturers can more readily access their key production data and make more informed decisions that impact the throughput and productivity of valuable production resources. Key products include:

EquipeSoft System Control Software—PRI's EquipeSoft software integrates, tracks and controls the wafer-handling robots within the manufacturer's process tool.

FBuilder Manufacturing Integration Software—FBuilder reduces the time required to deploy process tool automation and provides a flexible solution for distributing and maintaining equipment automation throughout the fab.

eConnector Process Tool and Equipment Connectivity Software—PRI's eConnector software allows equipment and process engineers to easily connect any process tool or other critical manufacturing equipment to the fab's host MES system.

WaferState Advanced Process Control (APC) Software—PRI's WaferState APC software, obtained via its acquisition of WaferState Controls, helps semiconductor manufacturers optimize process yield, fab throughput and device performance through the use of real time data that ensures process tools are running to specification.

Automation Services and Support

PRI provides a variety of automation services and support that are essential to the success of large-scale factory automation projects. These include:

Automation planning and design services—PRI works with customers in assessing their automation needs during the design phase of a project to build or upgrade a fab. The Company develops a complete automation plan identifying the type and configuration of the automation systems and simulates a design, using computer-modeling techniques to verify that the design layout meets customer requirements.

Project management services—PRI provides customers with project management support during the building and manufacturing of the automation systems.

Installation services—PRI develops an installation plan and timetable coordinated with the customer's manufacturing schedule and installs the equipment in the customer's fab.

6

Post-installation service and support—PRI provides a variety of post-installation services to assist customers in operating and maintaining their factory automation systems.

Marketing, Sales and Customer Support

PRI markets its products worldwide to semiconductor manufacturers and OEM semiconductor equipment suppliers. In North America, the Company sells and supports its products through a direct sales and support organization operating out of its headquarters in Billerica, Massachusetts and regional offices located in California and Texas. Offshore, PRI products are sold and supported by a direct sales and support organization with offices in France, Germany, Ireland, Israel, the United Kingdom, Japan, Singapore, South Korea and Taiwan.

PRI offers a variety of service programs to meet a broad range of customer requirements. These services can range from telephone hot-line support to full-time, on-site customer service provided by its personnel based at the customer's facility. The Company maintains a fully staffed and equipped training center at its Billerica, Massachusetts, headquarters to support the training requirements of PRI customers.

Competition

Rapid technological change and intense competition characterize the semiconductor capital equipment market. PRI's Factory Systems division competes with Daifuku, Murata Machinery, Shinko Electric and a number of other smaller foreign and domestic manufacturers of automated machinery used in semiconductor fabrication facilities. The Company's OEM Systems division competes with Genmark Automation, Asyst Technologies, Brooks Automation and a number of other foreign and domestic wafer-handling robotics companies, including in-house organizations of process tool manufacturers that develop their own automation technology, as well as other smaller robotics companies. PRI's software products compete with products provided by Applied Materials, IBM, Brooks Automation and other vendors. PRI believes that competition in its industry is likely to remain intense.

PRI believes that semiconductor manufacturers are striving to increase productivity and reduce costs. The Company competes on the basis of product performance, quality, reliability, customer service and support, delivery capability and price. The Company believes that it has the following competitive advantages in the factory automation market:

a broad range of integrated and flexible factory automation systems and factory management software products;

technological leadership;

experience in managing large factory automation projects;

domain expertise in automation applications;

specialized manufacturing skills; and

a worldwide sales and customer support infrastructure.

However, existing or future competitors, particularly those with greater resources than PRI's, or who are able to bring technologically superior products to market, could overcome these competitive advantages.

PRI believes that once a semiconductor manufacturer selects a vendor's equipment for a particular fab, the manufacturer may continue to rely upon that equipment for a specific application in other fabs. Accordingly, the Company may have difficulty selling to potential customers that have selected a competitor's equipment, and the Company expects that difficulty to last for a significant period of time.

Also, at least one of PRI's significant customers, a large semiconductor equipment manufacturer, several years ago adopted a policy of maintaining multiple vendors for the products it purchases. More widespread adoption by other customers of this kind of policy could limit additional sales to our existing customers and create opportunities for our competitors. In addition, the opportunities presented by the transition to 300mm technology may cause new competitors to enter PRI's markets and may diminish the competitive advantage with customers for whom PRI is the incumbent supplier of automation equipment. In the face of increased competition, PRI may need to lower its prices, which could seriously harm PRI's business.

Research and Development

PRI continuously invests in the development of new products to improve performance and reliability and to introduce new functionality in order to maintain its leading position in providing factory automation systems, tool automation systems, and software. The ongoing development of technologies and products, particularly relating to 300mm technology, is vital to PRI's success. The Company's research and development expenses were \$62.2 million, \$54.6 million and \$45.5 million in fiscal years 2001, 2000 and 1999, representing 23%, 18% and 33% of its total net revenue for such periods, respectively.

Customers

PRI's customers include many of the leading global manufacturers of semiconductors, as well as OEM semiconductor equipment suppliers in the United States, Europe and the Asia-Pacific region. Historically, a significant portion of the Company's total net revenue for any particular period has been attributable to sales to a limited number of customers. Sales to PRI's top ten customers accounted for 61% of total net revenue in fiscal year 2001 and 54% of total net revenue in both fiscal years 2000 and 1999.

PRI's largest customers change from year to year, as large projects are completed and new projects are initiated. Sales to Intel accounted for 21%, 14% and 21% of total net revenue for fiscal years 2001, 2000, and 1999, respectively; and sales to KLA-Tencor accounted for 11% and 12% of total net revenue for fiscal years 2001 and 2000, respectively.

Backlog

PRI's backlog at September 30, 2001 was \$141.2 million, which includes \$70.2 million of factory automation products shipped to customers for systems awaiting acceptance. Revenue on these products will be taken upon system acceptance in accordance with Securities and Exchange Commission Staff Accounting Bulletin No. 101 ("SAB 101"). This compares to backlog of \$207.4 million at September 30, 2000 (not adjusted for SAB 101). The Company includes in backlog only those customer orders for products and services for which it has

accepted signed purchase orders with assigned delivery dates within twelve months. Tool automation products and software products typically have shorter lead times than do factory automation products. Therefore, backlog is not a relevant indicator of business levels for these products.

Manufacturing

PRI's manufacturing operations take place in Billerica, Massachusetts and in Mountain View, California. Manufactured products consist of standard components that can be customized to meet unique customer requirements. The manufacturing operations consist primarily of assembly and test functions, with fabrication of most components and subassemblies outsourced to key suppliers. Completed subassemblies are tested for functionality prior to their assembly into completed systems. Completed systems are subjected to functional testing prior to shipment. PRI has expanded outsource

manufacturing operations with the objective of reducing costs and increasing its flexibility to respond to changes in semiconductor demand. The Company has a strategic alliance with Shinsung Engineering Co., Ltd. ("Shinsung"), a Korean-based electronics and semiconductor equipment components manufacturer, to perform PRI's final assembly and test operations specifically for Asian customer orders. As part of the strategic alliance, the Company invested \$11,467,000 to acquire Shinsung common shares and warrants.

PRI has quality control and quality assurance processes. Quality control is maintained through inspections of components and in-process inspection and testing of subassemblies.

Intellectual Property Rights

While the Company believes that its success will depend more upon its technological expertise and the capabilities of its employees than upon legal protection of the Company's intellectual property rights, the Company's success also depends to a significant degree upon its patent for certain key elements of its monorail system, its other patents, its software and its other proprietary technology. At September 30, 2001, the Company held 16 issued U.S. patents relating to certain key elements of its wafer-handling systems. The Company continues to aggressively pursue patent protection for its proprietary technology. The Company's patents expire at various times from 2007 to 2019. The Company cannot predict whether any patents will issue from its patent applications, or whether any of its issued patents or subsequently issued patents will provide any meaningful protection. The Company also seeks to protect its trade secrets and other proprietary technology through confidentiality agreements with employees, consultants and other parties. The steps the Company has taken to protect its technology may be inadequate. If so, the Company might not be able to prevent others from using what it regards as its technology to compete with it. For example, the Company's patents could be challenged, invalidated or circumvented, and the rights the Company has under its patents could provide no competitive advantages. Existing trade secrets, copyright, and trademark laws offer only limited protection. In addition, the laws of some foreign countries do not protect the Company's proprietary technology to the same extent as the laws of the United States. Other companies could independently develop similar or superior technology without violating the Company's proprietary rights. Any misappropriation of the Company's technology or the development of competitive technology could seriously harm its business.

Employees

At September 30, 2001, the Company had approximately 1,390 full-time employees. In addition, PRI utilizes the services of temporary or contract personnel within some functional areas to assist on project-related activities. The number of temporary or contract personnel varies depending on specific project activity. At September 30, 2001, the Company employed approximately 14 temporary or contract personnel. PRI believes that its future success will depend in large part on its ability to attract and retain highly skilled employees. None of its employees is covered by a collective bargaining agreement. PRI considers its relationship with its employees to be good.

Item 2. *Properties*

Facilities

PRI's corporate headquarters are located in a 122,000 square foot leased building in Billerica, Massachusetts. The lease on this facility expires in 2011. PRI also leases two additional facilities, with lease expiration dates ranging from January 2003 to October 2011, in Billerica, Massachusetts, with a total of 138,838 square feet. These facilities are primarily used by PRI's Factory Systems division for engineering and manufacturing. PRI also leases facilities in Texas, California, and Toronto, Ontario, as well as France, Germany, Japan, Singapore, South Korea, Taiwan and the United Kingdom, under

leases with expiration dates ranging from March 2002 to November 2006. The Company also has three additional facilities with lease expiration dates ranging from December 2001 to November 2003 in Billerica, Massachusetts, with a total of 109,900 square feet that have been or are scheduled to be vacated; estimated costs to close these facilities have been included in special charges for fiscal year 2001. The Company believes that its existing facilities will be adequate to meet its currently anticipated requirements and that suitable additional or substitute facilities will be available as required.

Item 3. *Legal Proceedings*

From November 2000 through January 2001, the Company and three of its directors (one an officer) were named as defendants in five virtually identical lawsuits filed in the United States District Court for the District of Massachusetts claiming, among other things, that the defendants violated certain securities laws and regulations. Each complaint sought certification as a class action on behalf of virtually all purchasers of the Company's stock from January 27, 2000 through September 11, 2000. The five cases have been consolidated, and the case is now entitled *In re PRI Automation, Inc. Securities Litigation*, Civil Action No. 00-123958-REK. A group of five persons has been appointed as lead plaintiff, and the court has approved the group's selection of lead counsel. A consolidated amended complaint was filed on October 16, 2001. The amended complaint claims that the defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and SEC Rule 10b-5, and also Sections 11 and 15 of the Securities Act of 1933, by virtue of statements and omissions that the plaintiffs claim were materially false or misleading. In substance, the amended complaint alleges that, throughout the class period, senior management of the Company knew that the Company's Factory Automation Systems division was encountering manufacturing problems in preparing its new TurboStocker product for higher-volume production, that those manufacturing problems were financially material to the Company, and that the Company did not adequately disclose those problems until the end of the class period. The amended complaint also alleges that the registration statement for a securities offering by the Company in May 2000 failed adequately to disclose these manufacturing problems. The amended complaint seeks damages, pre-judgment and post-judgment interest, costs and attorneys' fees. The Company (together with the defendant directors) filed a motion to dismiss and supporting papers on December 4, 2001. Argument on the motion has been rescheduled, and a new date has not yet been set. The Company strongly believes that the lawsuit lacks merit, and the Company intends to defend against the claims vigorously. However, the Company could incur substantial costs defending the lawsuit, has no insurance coverage relating to these claims, and has undertaken to indemnify the individual defendants for any losses they may suffer. Moreover, although the Company has established a reserve of \$3.0 million for legal costs, the amount of that reserve may be inadequate. The lawsuits could also divert the time and attention of the Company's management. The Company cannot predict the outcome of the lawsuits at this time, and there can be no assurance that the litigation will not have a material adverse impact on its financial condition or results of operations.

From time to time the Company has been, and expects to continue to be, subject to legal proceedings and claims in the ordinary course of its business. Such claims, even if not meritorious, could result in the expenditure of significant financial and managerial resources.

Item 4. *Submission of Matters to a Vote of Security Holders*

No matters were submitted to a vote of the Company's security holders during the fourth quarter of fiscal year 2001.

PART II

Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters

The Company's common stock is traded on the National Market System of the Nasdaq Stock Market under the trading symbol PRIA. There were 407 holders of record of the Company's common stock as of November 26, 2001. The Company believes that there are a substantial number of additional beneficial owners that hold stock in nominee or "street name" through brokerage firms. The following table sets forth the high and low sales prices for the Company's common stock as reported on the Nasdaq Stock Market for each quarter during the two-year period ended September 30, 2001:

	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter
Fiscal Year 2001	\$ 14.63-25.94	\$ 16.50-32.50	\$ 13.75-21.20	\$ 10.02-18.42
Fiscal Year 2000	\$ 34.00-67.13	\$ 59.06-87.63	\$ 45.06-79.88	\$ 18.25-71.44

The Company has never paid cash dividends on its common stock. The current policy of the Board of Directors is to retain all earnings to finance the Company's future growth.

Recent Sales of Unregistered Securities

As consideration for the acquisition by the Company of Commotion Technology, Inc. in October 2000, the Company issued 103,852 shares of its common stock to the sole stockholder of Commotion, in a transaction exempt from registration under the Securities Act of 1933, as amended, by reason of Section 4(2) of the Act.

Between October 1, 1998 and January 1, 2002 the Company issued an aggregate of 896,521 shares of its common stock to employees who exercised options granted under its 1997 Non-Incentive Stock Option Plan and an aggregate of 129,547 shares of its common stock to employees who participated in its 2000 Employee Stock Purchase Plan. The Company received aggregate cash proceeds of approximately \$17.4 million, which it used for working capital and general corporate purposes. Of these shares, an aggregate of 187,137, resulting in cash proceeds to the Company of approximately \$2.0 million, were issued during fiscal year 2001.

These issuances were not registered under the Act, due to the Company's inadvertent failure to timely file Registration Statements on Form S-8 covering these transactions. The Company could be exposed to claims by some of its employees for rescission of these purchases. Based on its investigation of these transactions, including subsequent dispositions by employees of the shares in question, the Company does not believe that the amount of any such rescission liability would be material to its financial condition or results of operations.

Item 6. Selected Financial Data

The following table summarizes certain selected consolidated financial data, which should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's consolidated financial statements and related notes included elsewhere herein.

	Year ended September 30,				
	2001	2000	1999	1998	1997
	(In thousands, except per share data)				
Operating Results:					
Net revenue	\$ 268,558	\$ 299,772	\$ 136,296	\$ 203,545	\$ 236,100
Gross profit	35,330	95,173	52,542	78,790	115,128

Operating income (loss)(1)	(94,558)	(9,280)	(37,955)	(31,014)	35,316
Income (loss) before cumulative effect of change in accounting principle	(93,296)	(7,953)	(36,085)	(22,623)	27,497
Cumulative effect of change in accounting principle, net of tax(2)	(5,748)	-	-	-	-
Net income (loss)(1)(2)(3)	\$ (99,044)	\$ (7,953)	\$ (36,085)	\$ (22,623)	\$ 27,497
Net income (loss) per common share: (1)(2)(3)					
Basic	\$ (3.92)	\$ (0.34)	\$ (1.67)	\$ (1.08)	\$ 1.35
Diluted	\$ (3.92)	\$ (0.34)	\$ (1.67)	\$ (1.08)	\$ 1.27

Balance Sheet Data:

Total assets	\$ 218,955	\$ 276,924	\$ 146,552	\$ 167,478	\$ 195,315
--------------	------------	------------	------------	------------	------------

- (1) Includes special charges of \$41,417,000, \$25,337,000, \$6,375,000, and \$32,495,000 for fiscal years 2001, 2000, 1999 and 1998, respectively. See Note N of Notes to Consolidated Financial Statements. For the year ended September 30, 1998, special charges consisted of \$13,987,000 charged to cost of revenue for inventory and warranty provisions, and \$18,508,000 charged to operating expenses for acquisition related expenses and other charges incurred in consolidating the Company's business unit structure.
- (2) For the year ended September 30, 2001, reflects a non-cash charge of \$5,748,000, net of tax, or \$0.23 per diluted share, to reflect the cumulative effect of an accounting change as of October 1, 2000, related to the adoption of Securities and Exchange Commission Staff Accounting Bulletin No. 101 ("SAB 101"), "Revenue Recognition in Financial Statements." See Note A of Notes to Consolidated Financial Statements.
- (3) For the year ended September 30, 1999, the Company established a full valuation allowance against its net deferred tax assets. See Note J of Notes to Consolidated Financial Statements.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion provides an analysis of the Company's financial condition and results of operations. This data should be read in conjunction with "Selected Consolidated Financial Data" and the Company's consolidated financial statements and related notes included elsewhere in this Form 10-K.

Results of Operations

The following table sets forth, for the fiscal years indicated, certain income and expense items as a percentage of net revenue:

	2001	2000	1999
Net revenue:			
Factory Systems	50.7%	48.1%	51.4%
OEM Systems	39.1	39.4	30.4
Software Systems	10.2	12.5	18.2
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Total cost of revenue	86.8	68.3	61.5
	<u>13.2</u>	<u>31.7</u>	<u>38.5</u>
Gross profit			
Operating expenses:			

Research and development	23.1	18.2	33.3
Selling, general and administrative	18.8	16.6	28.3
Restructuring and other costs	6.5	–	4.7
	<u>48.4</u>	<u>34.8</u>	<u>66.3</u>
Total operating expenses			
Operating income (loss)	(35.2)	(3.1)	(27.8)
Other income, net	1.2	0.8	2.1
	<u>(34.0)</u>	<u>(2.3)</u>	<u>(25.7)</u>
Income (loss) before income taxes and cumulative effect of change in accounting principle			
Provision for income taxes	0.8	0.4	0.8
	<u>(34.8)</u>	<u>(2.7)</u>	<u>(26.5)</u>
Income (loss) before cumulative effect of change in accounting principle			
Cumulative effect of change in accounting principle	(2.1)	–	–
	<u>(36.9)%</u>	<u>(2.7)%</u>	<u>(26.5)%</u>
Net income (loss)			

Fiscal Year 2001 compared to Fiscal Year 2000

The Company experienced a deterioration in market conditions during fiscal year 2001 as a result of the semiconductor capital equipment industry downturn ("the industry downturn"). As a result of the long sales cycle for some of its products and the downturn, the Company does not expect to be able to quickly replace orders that its customers have or may in the future cancel, reduce or postpone. Total backlog declined by 32% to \$141.2 million at September 30, 2001, compared with \$207.4 million at September 30, 2000. Backlog at September 30, 2001 includes \$70.2 million of factory automation products shipped to customers for systems awaiting customer acceptance in accordance with SAB 101. Orders canceled during fiscal year 2001 from the prior year's backlog exceeded \$50.0 million. The Company expects to continue to be adversely affected during the industry downturn and report an operating loss for the first fiscal quarter ending December 30, 2001. The Company's ongoing cost reduction programs may be insufficient to offset fixed costs associated with excess manufacturing capacity, unfavorable changes in product mix, lower turns business and other fixed operating expenses.

Total net revenue: Net revenue for fiscal year 2001 decreased by 10.4% to \$268.6 million, compared to \$299.8 million for fiscal year 2000. Revenue for fiscal year 2000 included special charges of \$4.1 million primarily for customer penalties. Revenue for fiscal year 2001 decreased at all three operating segments compared to the prior year.

Net revenue for Factory Systems decreased by 5.6% to \$136.2 million, compared to \$144.2 million in fiscal year 2000, primarily due to the effect of SAB 101 partially offset by increased product shipments in the first half of fiscal year 2001 as the Company continued to fulfill its backlog requirements booked prior to the industry downturn. Net revenue for OEM Systems decreased by 11.1% to \$105.1 million, compared to \$118.2 million in fiscal year 2000 principally due to lower turns business resulting from the industry downturn. Turns business is comprised of orders that are received and shipped in the same quarter and have historically accounted for a major portion of OEM Systems revenue. Net revenue for Software Systems decreased by 26.9% to \$27.3 million, compared to \$37.3 million in fiscal year 2000 due to the industry downturn. International revenues were \$101.5 million or 37.8% of revenue for fiscal year 2001, compared to \$108.2 million or 36.1% of revenue for fiscal year 2000.

Gross profit: The Company's gross profit before special charges was \$59.4 million, or 22.1%, for fiscal year 2001, compared to \$119.9 million, or 39.5%, for fiscal year 2000. Gross profit before special charges by operating segment for fiscal year 2001 was \$2.3 million, \$38.9 million, and \$18.2 million for Factory Systems, OEM Systems, and Software Systems, respectively. In fiscal year 2000, gross profit

before special charges was \$33.9 million, \$55.2 million, and \$30.8 million for Factory Systems, OEM Systems and Software Systems, respectively. The \$60.5 million decline in gross profit from the prior year included \$31.6 million at Factory Systems, consisting of \$13.0 million for manufacturing inefficiencies attributable to excess manufacturing capacity, \$8.5 million for an unfavorable change in product mix, and \$10.1 million for additional warranty costs. In addition, gross profit declined from the prior year at the Company's OEM Systems and Software Systems operating segments by \$16.3 million and \$12.6 million, respectively, as a result of lower revenues due to the industry downturn.

The Company's gross profit after special charges was \$35.3 million, or 13.2%, compared to \$95.2 million, or 31.7% for fiscal year 2000. Special charges of \$24.1 million in fiscal year 2001 included contract losses of \$8.1 million, \$6.3 million for additional warranty provisions, and \$9.7 million for inventory write-downs and costs associated with order cancellations. The \$8.1 million charge for contract losses was recorded in the fourth quarter of fiscal year 2001, when the Company determined that an additional reserve was required in connection with the Company's first full factory automation system in a 300mm production fab. The increased reserve was required due to higher estimates of the costs to complete the project, including the impact of various engineering design modifications and the completion of certain project scope changes in the fourth quarter. The total contract losses incurred on

this 300 mm factory automation system approximate \$17.0 million including amounts recorded in fiscal year 2000. This contract is expected to be completed during fiscal year 2002. The warranty provision of \$6.3 million related primarily to increased material and service costs for a program initiated in the fourth quarter of fiscal year 2001 to repair and retrofit TurboStocker product already installed in the field. The retrofit program resulted from certain operational problems at selected customers. The \$9.7 million charge for inventory write-downs and costs associated with order cancellations consisted of \$6.6 million for a general increase in excess and obsolete inventory due to a significant decline in new business orders as well as order cancellations resulting from the industry downturn during fiscal year 2001, combined with \$3.1 million of obsolete inventory for a discontinued product line in the fourth quarter at Factory Systems.

Special charges recorded in fiscal year 2000, which were all recorded in the fourth quarter, were \$24.8 million, and included \$14.7 million related to inventory provisions and write-downs, \$4.8 million for contract losses, \$1.2 million for provisions for warranty expense and other items, and \$4.1 million charged to revenue primarily for customer late delivery penalties. The \$14.7 million of inventory reserves and write-downs related to an additional excess and obsolete inventory provision of \$6.7 million and an inventory cost valuation adjustment of \$8.0 million. The inventory provision of \$6.7 million primarily resulted from design changes related to the Company's TurboStocker product following certain manufacturing and supply chain problems. The inventory cost valuation adjustment of \$8.0 million primarily resulted from significant fourth quarter manufacturing inefficiencies due to increased manufacturing, assembly and test time for the TurboStocker product to meet specifications. The contract loss reserve of \$4.8 million consisted of \$3.8 million related to a new order in the fourth quarter of fiscal year 2000 for the Company's first full factory automation system in a 300mm production fab, where total cost estimates exceeded the contract value, and \$1.0 million for one additional loss-making contract. The additional warranty accrual of \$1.2 million was primarily due to an increase in warranty costs for TurboStocker product installed in the field.

As cost-cutting measures implemented by the Company at Factory Systems during fiscal year 2001 take effect, and assuming that current business conditions do not deteriorate further as a result of the industry downturn, the Company expects that gross profit margins at Factory Systems will improve modestly in the near term.

Research and development: Research and development expenses increased to \$62.2 million or 23.1% of net revenue for fiscal year 2001, compared to \$54.6 million or 18.2% of net revenue for fiscal year 2000. The increase in fiscal year 2001 spending is principally due to the Company's investments in next-generation automation systems products, including inter-floor transport systems, automated storage and retrieval systems, bare reticle stockers, and robotic wafer handling systems, as well as in its new software products, including manufacturing execution systems.

Selling, general and administrative: Selling, general and administrative expenses increased to \$50.4 million or 18.8% of net revenues for fiscal year 2001, compared to \$49.9 million or 16.6% of net revenues for fiscal year 2000. The increase in spending as a percent of total net revenue in fiscal year 2001 is due primarily to the decrease in total net revenue during the fiscal year.

Restructuring and other costs: Restructuring and other costs of \$17.3 million in fiscal year 2001 consisted of \$7.5 million for employee severance costs, \$3.0 million for a reserve for legal costs to defend against a pending shareholder class action lawsuit (see Note I of Notes to Consolidated Financial Statements), \$2.9 million for the write-off of specialized demonstration equipment taken out of service in the second quarter, \$2.5 million for costs associated with exiting leased facilities, \$0.9 million for acquisition-related fees, and \$0.5 million for costs related to a software development project that was terminated in the second quarter. The Company initiated during the second and fourth quarters of fiscal year 2001 a series of cost-cutting programs in response to the industry downturn that included workforce reductions and a reduction in a number of leased facilities. The reduction in the

Company's worldwide workforce in fiscal year 2001 was approximately 620 people, or 35%, consisting of both temporary and full-time employees. Annualized savings associated with the workforce reductions are anticipated to be approximately \$36.0 million. The Company expects the majority of the remaining accrued restructuring and other costs to be paid by the end of 2002.

Operating loss: Operating loss in fiscal year 2001 was \$94.6 million compared with \$9.3 million in fiscal year 2000. All three business segments reported lower operating results for the current fiscal year. Factory Systems incurred an operating loss of \$77.0 million for the year ended September 30, 2001 principally due to manufacturing inefficiencies attributable to excess manufacturing capacity, unfavorable changes in product mix, and special charges of \$30.9 million related to cost reduction programs, additional warranty costs associated with the TurboStocker product, inventory write-downs and contract losses. The operating profit of \$9.9 million in fiscal year 2001 at OEM Systems declined by \$23.2 million compared with \$33.1 million in the prior year primarily due to lower turns business and special charges of \$3.7 million. An operating loss at Software Systems of \$5.8 million for fiscal year 2001 was unfavorable by \$16.2 million compared with last year's operating income of \$10.4 million principally due to lower revenues and special charges of \$2.9 million.

Other income, net: Other income, net, in fiscal year 2001 was \$3.4 million, compared to \$2.6 million in the prior fiscal year. Interest income was unchanged from the prior year at approximately \$3.3 million. Other income in fiscal year 2001 included a gain of \$0.9 million in the Company's investment in Shinsung warrants due to a change in their fair value.

Provision for income taxes: The income tax provision for fiscal year 2001 was \$2.1 million, compared to \$1.2 million in fiscal year 2000. In both fiscal years, the Company's tax provision was principally for foreign and local taxes.

Cumulative effect of change in accounting principle: In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101 ("SAB 101"), "Revenue Recognition in Financial Statements," which provides guidance in applying generally accepted accounting principles to selected revenue recognition issues. This guidance delayed the recognition of revenue at the Company's Factory Systems operating segment, which generally had recognized revenue upon product shipment. As a result of SAB 101, the Company changed its method of accounting for revenue recognition and now recognizes revenue on the date of customer acceptance. The Company reported this accounting change in accordance with APB Opinion No. 20, "Accounting Changes," by a cumulative effect adjustment. The Company adopted SAB 101 in the fourth quarter of fiscal year 2001, retroactive to the beginning of the fiscal year (October 1, 2000). Therefore, the cumulative effect was reported in the first quarter of fiscal year 2001, and no cumulative effect of the change was included in net income in the fourth quarter of fiscal year 2001. Financial information for the first three quarters of fiscal year 2001 has been restated to reflect the new policy. Pro forma amounts for prior years have not been presented as the effect of the change in accounting principle could not be reasonably determined.

The Company recorded a non-cash charge of \$5.7 million (net of income taxes), or a charge of \$0.23 per diluted share, to reflect the cumulative effect of a change in accounting principle due to the adoption of SAB 101. The charge represents the net profit on products that shipped during fiscal year 2000 but did not receive final customer acceptance during fiscal year 2000.

Net loss: Net loss for fiscal year 2001, excluding the cumulative effect of SAB 101, was \$93.3 million or \$3.69 per diluted share, compared with a net loss of \$8.0 million or \$0.34 per diluted share for the prior year. Including the cumulative effect of SAB 101, net loss for fiscal year 2001 was \$99.0 million or \$3.92 per diluted share.

Fiscal Year 2000 compared to Fiscal Year 1999

Total net revenue: Total net revenue for fiscal year 2000 increased by 119.9% to \$299.8 million, compared to \$136.3 million for fiscal year 1999. This overall increase in the Company's net revenue is attributable to an increase in the Company's market share and an upturn in the worldwide semiconductor industry, which resulted in an increase in the construction and expansion of semiconductor fabs. Net revenue increased in the Company's three operating segments, Factory Systems, OEM Systems, and Software Systems, by 105.9%, 184.9% and 50.9%, respectively, in fiscal year 2000. International revenues were \$108.2 million or 36.1% of revenue for fiscal year 2000, compared to \$44.7 million or 32.8% of total net revenue for the prior fiscal year. During the fourth quarter of fiscal year 2000, the Company established a special charge reserve that reduced revenues by \$4.1 million primarily for late delivery penalties. On September 11, 2000, the Company announced that its Factory Systems segment had encountered manufacturing and supply chain problems relating to its new TurboStocker product, which had been scheduled to transition into high volume production during the fourth quarter of fiscal year 2000. As a result of these problems, the Company announced that its revenue for the fourth quarter of fiscal year 2000 would be lower than expected, including the special charges.

Gross profit: The Company's gross profit margin was 31.7% for fiscal year 2000, compared to 38.5% for the prior fiscal year. The decrease in gross profit margin occurred principally in the Factory Systems segment, as a result of lower than expected revenues and increased costs related to the Company's TurboStocker manufacturing problems. These problems and the corresponding corrective actions resulted in special charges to cost of sales being incurred in the fourth quarter relating mainly to inventory provisions and write-downs of \$14.7 million, provisions for contract losses of \$4.8 million, and provisions for warranty expense and other items of \$1.2 million. The decrease was offset partially by gross profit margin improvements in the Company's OEM Systems segment due to greater manufacturing efficiencies associated with increased production volumes and by a favorable change in product mix toward the Company's higher-margin OEM Systems products.

Research and development: Research and development expenses increased to \$54.6 million or approximately 18.2% of net revenue for fiscal year 2000, compared to \$45.5 million or 33.3% of net revenue for the prior fiscal year. The increase in fiscal year 2000 spending is the result of the Company's continued investments in next-generation automation system products, including interfloor transport systems, automated storage and retrieval systems, bare reticle stockers, robotic wafer handling systems, MES systems, and advanced planning and scheduling systems. The decrease in spending as a percent of total net revenue, in fiscal year 2000, is due to the increase in total net revenue during the fiscal year.

Selling, general and administrative: Selling, general and administrative expenses increased to \$49.9 million or 16.6% of net revenue for fiscal year 2000, compared to \$38.6 million or 28.3% of net revenue for the prior fiscal year. In fiscal year 2000, the Company increased marketing efforts, sales activities and other administrative expenses incurred in support of the growth in customer orders and revenues. The decrease in spending as a percent of net revenue is due to the increase in total net revenue in fiscal year 2000, as well as to the consolidation of duplicate functions and activities of acquired companies.

Restructuring and other costs: The Company did not recognize any merger costs or special charges during fiscal year 2000. During fiscal year 1999, the Company recorded special charges of \$6.4 million representing acquisition-related expenses and other charges incurred in consolidating the Company's business unit structure.

Operating loss: Operating loss in fiscal year 2000 was \$9.3 million compared with an operating loss of \$38.0 million in fiscal year 1999.

Other income, net: Other income, net, in fiscal year 2000 was \$2.6 million, compared to \$2.9 million in the prior fiscal year. Interest income increased by \$1.2 million to \$3.3 million for fiscal year 2000. The increase in interest income was due to the higher average cash balance on hand during fiscal year 2000. Net translation and foreign exchange losses of \$0.7 million was recorded in fiscal year 2000 compared to net translation and foreign exchange gains of \$0.8 million in fiscal year 1999.

Provision for income taxes: The income tax provision for fiscal year 2000 was \$1.2 million, compared to \$1.1 million for the previous fiscal year. The effective tax rate in fiscal year 2000 was 18.2% as compared to 3.0% for the previous fiscal year. In fiscal year 2000, the effective tax rate was unfavorably affected by the provision for foreign and local taxes.

Net loss: Net loss for fiscal year 2000 was \$8.0 million or \$0.34 per diluted share, compared with a net loss of \$36.1 million or \$1.67 per diluted share for the prior year.

Financial Condition

Liquidity and Capital Resources

Net cash used in operating activities during fiscal year 2001 was \$15.6 million, compared to \$55.5 million of net cash used in operating activities in fiscal year 2000. The net cash used by operating activities in fiscal year 2001 was primarily attributable to the net loss of \$99.0 million, an increase in inventories of \$42.1 million, and a decrease in accounts payable of \$12.8 million. These cash outflows were partially offset by non-cash expenses of \$27.2 million, consisting primarily of \$13.4 million for depreciation and amortization and \$14.1 million for write-downs of assets, as well as a decrease in accounts receivable and contracts in progress of \$62.8 million and an increase in customer advances of \$40.6 million. The net cash used by operating activities in fiscal year 2000 was primarily attributable to the net loss of \$8.0 million, increases in accounts receivable and contracts in progress in the aggregate of \$60.0 million and increases in inventories of \$38.5 million. These cash outflows were partially offset by the non-cash expenses of \$19.2 million, consisting primarily of depreciation and amortization and provisions for write-downs of inventories, as well as increases in accounts payable and accrued expenses of \$27.9 million.

Net cash used in investing activities during fiscal year 2001 was \$22.8 million, compared to \$13.8 million in fiscal year 2000. The increase is principally attributable to the Company's \$11.5 million minority investment in Shinsung.

Net cash provided by financing activities during fiscal year 2001 was \$5.6 million principally from proceeds on the exercise of stock options, compared to \$110.7 million for fiscal year 2000. Last year's activity included \$89.9 million in proceeds from the Company's common stock offering completed in the third quarter and \$21.3 million in proceeds from the exercise of stock options.

On December 14, 2000, the Company entered into an amended revolving credit facility agreement with Chase Manhattan Bank, which allowed the Company to borrow up to \$20.0 million on an unsecured basis. This agreement expired on March 31, 2001 and was not renewed. The Company believes its existing cash balance will be sufficient to meet its cash requirements to fund operations for at least the next twelve months and expected fiscal year 2002 capital expenditures of approximately \$9.0 million. If the industry downturn is more severe or prolonged than the Company currently expects, the Company may need to raise additional funds. However, there can be no assurance that additional financing, if and when needed, will be available at all, or at terms acceptable to the Company.

Changes in Financial Condition

At September 30, 2001, the Company had working capital of \$76.7 million, including cash and cash equivalents of \$59.0 million, compared to working capital of \$177.6 million, including cash and cash equivalents of \$92.5 million at September 30, 2000. The ratio of current assets to current liabilities was 1.67:1 at September 30, 2001 compared with 3.42:1 at September 30, 2000.

Accounts receivable and contracts in progress at September 30, 2001 of \$33.8 million decreased by \$62.9 million from the beginning of the fiscal year primarily due to the lower sales volume during fiscal year 2001. Receivable days sales outstanding were 58 days for fiscal year 2001 compared with 87 days for fiscal year 2000. Inventories increased by \$30.9 million in fiscal year 2001 to \$90.0 million at September 30, 2001, primarily due to products at customer sites awaiting completion of installation and customer acceptance. Accrued legal and restructuring costs of \$8.7 million at September 30, 2001 represents the unpaid portion of the special charges the Company incurred during the second and fourth quarters of fiscal year 2001. Billings in excess of revenues and customer advances increased by \$40.6 million during fiscal year 2001 primarily due to advances on products held at the customer's site awaiting acceptance.

Subsequent Event

On October 23, 2001, the Company entered into an Agreement and Plan of Merger with Brooks Automation, Inc. ("Brooks") and its wholly owned subsidiary, Pontiac Acquisition Corp. Under the merger agreement, holders of the Company's common stock will receive 0.52 shares of Brooks' common stock for each share of the Company's common stock outstanding at the time of the merger. The merger, expected to close in the first calendar quarter of 2002, is subject to certain conditions including regulatory approvals, the approval of the merger by the Company's stockholders, and the approval by Brooks' stockholders of the issuance of the common stock of Brooks in the merger. The merger is intended to qualify as a tax-free reorganization within the meaning of Section 368 of the Internal Revenue Code of 1986, as amended, and will be accounted for as a purchase transaction.

New Accounting Pronouncements

In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 141 ("SFAS No. 141"), "Business Combinations" and Statement of Financial Accounting Standards No. 142 ("SFAS No. 142"), "Goodwill and Other Intangible Assets." SFAS No. 141 requires that all business combinations be accounted for under the purchase method only, eliminating the pooling-of-interests method and that certain acquired intangible assets in a business combination be recognized as assets apart from goodwill. SFAS No. 142 requires, among other things, the discontinuance of goodwill amortization, which is replaced with periodic tests of impairment of goodwill and that intangible assets other than goodwill be amortized over their useful lives. In addition, the standard includes provisions for the reclassification of certain existing recognized intangibles as goodwill, reassessment of the useful lives of existing recognized intangibles, reclassification of certain intangibles out of previously reported goodwill and the identification of reporting units for purposes of assessing potential future impairments of goodwill. SFAS No. 142 also requires the Company to complete a transitional goodwill impairment test six months from the date of adoption. SFAS No. 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 after June 30, 2001. The provisions of SFAS No. 142 will be effective for fiscal years beginning after December 15, 2001, however early adoption is permitted for companies with a fiscal year beginning after March 15, 2001 and was adopted by the Company on October 1, 2001. The impact of SFAS No. 142 will not have a material effect on the Company's financial position and results of operations.

In October 2001, the FASB issued Statement of Financial Accounting Standards No. 144 ("SFAS No. 144"), "Accounting for the Impairment or Disposal of Long-Lived Assets." The objectives of SFAS

No. 144 are to address significant issues relating to the implementation of FASB Statement No. 121 ("SFAS No. 121"), "Accounting for the Impairment of Long-Lived Assets and for the Long-Lived Assets to Be Disposed Of," and to develop a single accounting model, based on the framework established in SFAS No. 121, for long-lived assets to be disposed of by sale, whether previously held and used or newly acquired. SFAS No. 144 is effective for financial statements issued for fiscal years beginning after December 15, 2001 and generally, its provisions are to be applied prospectively.

Certain Factors That May Affect Future Results

From time to time, information provided by the Company, statements made by its employees or information included in its filings with the Securities and Exchange Commission may contain statements which are not historical facts but which are "forward-looking statements" involving risks and uncertainties. In particular, statements in "Management's Discussion and Analysis of Financial Condition and Results of

Operations" relating to the Company's expectations concerning its future results of operations and the sufficiency of capital to meet working capital and capital expenditure requirements may be forward-looking statements. The words "expect," "anticipate," "internal," "plan," "believe," "seek," "estimate" and similar expressions are intended to identify such forward-looking statements. Such statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that could cause the Company's future results to differ materially from those expressed in any forward-looking statements made by or on behalf of the Company. Many of these factors are beyond the Company's ability to control or predict. Readers are accordingly cautioned not to place undue reliance on forward-looking statements. The Company disclaims any intent or obligation to update publicly any forward-looking statements, whether in response to new information or future events or otherwise. Important factors that may cause the Company's actual results to differ from such forward-looking statements include, but are not limited to the factors discussed below.

The following factors could cause material fluctuations in the Company's future operating results on a quarterly or annual basis, which could materially adversely affect its business, financial condition, operating results and stock price:

Oversupply in the semiconductor market has caused an ongoing downturn in the semiconductor capital equipment industry, which is seriously harming the Company's operating results and could jeopardize its plans.

The Company's business depends heavily upon capital expenditures by semiconductor manufacturers, which frequently delay or cancel capital expenditures when demand for their products and products containing semiconductors is low. The semiconductor industry continues to be highly cyclical. During periods of oversupply in the semiconductor market, such as the Company is now experiencing, there is significantly reduced demand for capital equipment, including the Company's products. As a result, a number of the Company's customers have delayed, rescheduled or canceled orders for its products, and its backlog of orders has been declining. The Company anticipates that the downturn in the semiconductor industry may continue during the next few quarters. A lengthy period of reduced demand for semiconductor automation equipment would seriously harm the Company's business. Although the Company undertakes cost-cutting measures during a downturn, these measures may not succeed in avoiding ongoing losses. If the downturn continues, the Company intends to take additional cost-cutting measures; and as a result the Company may be unable to continue to invest appropriately in marketing, research, development and engineering. The Company's failure to make these investments could seriously curtail its long-term business prospects. In addition, the recent high rate of technical innovation and resulting improvements in the performance and price of semiconductor devices, which have driven much of the demand for the Company's products, has been slowing and could encounter limits in the future. This or any other factor adversely affecting the semiconductor industry or particular segments within the semiconductor industry could harm the Company's business.

Demand for the Company's products fluctuates rapidly and unpredictably, which makes it difficult to manage its business efficiently and can reduce its gross margins, profitability and market share.

In order for the Company to be profitable, it must adjust its manufacturing capacity and business operations to match demand. The rapid and unpredictable shifts in demand for the Company's products make it very difficult to plan its manufacturing capacity and business operations efficiently. The Company's failure to respond effectively to fluctuating demand for its products and to manage its manufacturing and other operations could seriously harm its business. In sudden downturns, the Company is often unable to reduce its many fixed costs quickly. Accordingly, if demand is significantly below the Company's expectations, it may have excess capacity, which reduces its gross margins and can cause it to incur losses. A sudden downturn may also leave the Company with excess inventory, which may be rendered obsolete as products evolve during the downturn and demand shifts to those newer products. For example, as a result of the current industry downturn, the Company recorded special charges in the second and fourth quarters of fiscal year 2001 in the aggregate amount of \$9.7 million relating to inventory write-downs and costs associated with order cancellations. Since March 2001, as demand for semiconductor automation equipment has rapidly diminished, the Company has undertaken a series of cost-cutting programs to better align its expenses with currently anticipated business levels. These programs include reductions in its workforce. Conversely, in sudden upturns, the Company sometimes incurs significant expenses to rapidly expand its manufacturing capacity, expedite delivery of components, procure scarce components and outsource additional manufacturing processes. These expenses reduce the Company's gross margins and overall profitability. Any of these results could seriously harm the Company's business.

The Company has announced a merger with Brooks, and uncertainty regarding the merger may disrupt the Company's operations and adversely affect its business.

On October 24, 2001, the Company announced its proposed merger with Brooks Automation. The merger will happen only if stated conditions are met, including approval of the merger by the Company's stockholders, approval of the issuance of shares in the merger by Brooks' stockholders, clearance of the merger under United States and foreign antitrust laws, and the absence of any material adverse change in the business of the Company or Brooks. Many of the conditions are outside the control of the Company and Brooks, and both parties also have stated rights to terminate the merger agreement. Accordingly, there may be uncertainty regarding the completion of the merger. This uncertainty may cause customers, suppliers and channel partners to delay or defer decisions concerning the Company, which could negatively affect its business. Customers, suppliers and channel partners may also seek to change existing agreements with the Company as a result of the merger. Any delay or deferral of those decisions or changes in existing agreements could have a material adverse effect on the Company's business, regardless of whether the merger is ultimately completed. In addition, employees who are uncertain about their future with the combined company or who do not wish to work for the combined company may seek employment elsewhere, which could impair the Company's ability to operate its business.

Failure to complete the merger could cause the Company's stock price to decline and could harm the Company's business and operating results.

The failure to complete the merger for any reason may adversely affect the price of the Company's common stock and could otherwise harm the Company's business, reputation and operating results. The market price of the common stock may decline to the extent that the current market price reflects a market assumption that the merger will be completed. Many costs related to the merger, such as legal, accounting, financial advisor and financial printing fees, have to be paid regardless of whether the merger is completed. The failure to complete the merger may also distract the attention of the Company's workforce and management team.

The termination fee and restrictions on solicitation contained in the merger agreement may discourage other parties from trying to acquire the Company.

Until the merger is completed, with limited exceptions, the merger agreement prohibits the Company from soliciting or entering into any acquisition proposal or offer for a merger or other business combination with a party other than Brooks. The Company has agreed to pay Brooks a termination fee of \$14 million, plus reimbursement of expenses, in specified circumstances, including where the Company's board of directors withdraws its support for the merger with Brooks in order to support a business combination with a third party. These provisions could discourage other parties from trying to acquire the Company, even though those other parties might be willing to offer greater value to the Company's stockholders than Brooks has offered in the merger.

The Company's diminished workforce may be inadequate to respond to any sudden increase in demand for its products.

If the industry downturn ends suddenly, the Company may not have enough qualified personnel to promptly increase its production capacity, which could limit its ability to pursue business opportunities and could reduce or limit its market share. If the Company is unable to expand its manufacturing capacity to meet demand, receipt of a large order for factory automation systems might deter other customers from placing similar orders at the same time. It could be difficult for the Company to rapidly recruit and train the substantial number of qualified engineering and technical personnel necessary to fulfill one or more large, unanticipated orders or otherwise develop, manufacture, install and support its products. The market for these employees is intensely competitive, and the Company has experienced delays in hiring these personnel. Moreover, the cyclical nature of the Company's business has caused it to repeatedly build up and then reduce its workforce, which may make employment with the Company unattractive. The Company's failure to maintain good relations with its employees could also have a negative impact on its operations.

The Company may continue to experience delays and technical difficulties in new product introductions and manufacturing, which can adversely affect its revenues, gross margins and net income.

Because the Company's systems are complex, there can be a significant lag between the time it introduces a system and the time it begins to produce that system in volume. As technology in the semiconductor industry becomes more sophisticated, the Company is finding it increasingly difficult to design and integrate complex technologies into its systems, procure adequate supplies of specialized components, train its technical and manufacturing personnel and make timely transitions to high-volume manufacturing. Many of the Company's customers also require customized systems, which compound these difficulties. The Company sometimes incurs substantial unanticipated costs to ensure that its new products function properly and reliably early in their life cycle. These costs could include greater than expected installation and support costs or increased materials costs as a result of expedited changes. The Company is often unable to pass these costs on to its customers. In addition, the Company has experienced, and may continue to experience, difficulties in both low- and high-volume manufacturing. On occasion the Company has failed to meet its customers' delivery or performance criteria and thereby incurred late delivery penalties and higher warranty and service costs. These failures could continue and could cause the Company to lose business from those customers and suffer long-term damage to its reputation. Any of these results could seriously harm the Company's business.

For example, beginning late in the third quarter of fiscal year 2000, the Company encountered manufacturing and supply chain problems relating to its TurboStocker product, which the Company had planned to begin manufacturing in high volume in the fourth quarter of fiscal year 2000 in response to increased customer demand at that time. These problems have delayed shipments and customer acceptance, which caused the Company's revenues for fiscal year 2000 and 2001 to be lower than

expected and also contributed to its net losses for these periods. Since the Company discovered these problems, it has incurred expenditures of \$15.4 million to address them, consisting of approximately \$3.4 million for associated engineering costs, \$5.7 million of additional warranty costs, and \$6.3 million to repair or retrofit TurboStocker already installed in the field where necessary. These costs also contributed to the Company's losses for these periods. Of these costs, the \$6.3 million reserve for repairs and retrofits was recorded as a special charge in the fourth quarter of PRI's fiscal year 2001. The balance of the costs were recorded in PRI's results of operations during the period beginning with the fourth quarter of its fiscal year 2000 and ending with the last quarter of its fiscal year 2001. The Company has also consolidated its TurboStocker manufacturing operations into a single location, upgraded its enterprise resource planning system and outsourced additional manufacturing of components and subassemblies. The Company's efforts to date may be insufficient to resolve its manufacturing problems with its TurboStocker.

The Company has invested heavily in 300mm wafer technology, which is being adopted more slowly than expected.

For some time, the Company has been investing substantial resources to develop new systems and technologies to automate the processing of 300mm wafers. However, the industry transition from the current, widely used 200mm manufacturing technology to 300mm technology is occurring more slowly than expected, partly as a result of the current industry downturn. No 300mm semiconductor fabrication facility is producing wafers in commercial quantities. Ongoing delay in the adoption of 300mm technology, or the failure of the industry to adopt 300mm technology, could significantly reduce the Company's opportunities for future growth. Moreover, continued delay in the transition to 300mm technology could permit competitors to introduce competing or superior 300mm products, and the Company's competitive position in the market for 300mm products could be adversely affected by its manufacturing problems with TurboStocker.

The Company expects the intense competition for early 300mm orders to continue.

To date, nearly all manufacturers with 300mm pilot projects have selected competitors' systems for these projects. The Company expects to continue to face vigorous competition, including price competition, for these early 300mm orders. To date, the Company has incurred contract losses of approximately \$17.0 million on orders for its 300mm technology, and the intense price competition that the Company believes is necessary to win these early orders could lead to disadvantageous pricing for future orders. A vendor whose system is selected for an early 300mm pilot project may have a real or perceived advantage in competing for future orders. Manufacturers' awards to competitors of early 300mm orders could make it more difficult for the Company to win orders from those manufacturers for their full-scale 300mm production facilities. To the extent that the Company's manufacturing problems relating to its TurboStocker product have undermined, or may undermine, the confidence of potential 300mm customers in the Company's ability to manufacture and deliver complex factory automation

systems in a timely manner and at acceptable quality levels, the Company's reputation and competitive position in the market for 300mm products has been, and may continue to be, adversely affected.

The Company's lengthy sales cycle makes it difficult to anticipate sales, particularly for its factory automation systems.

The Company has a lengthy sales cycle, particularly for its factory automation systems. As a result, the Company has difficulty anticipating the timing and amount of specific sales. The Company may spend significant amounts of money and effort with no assurance that it will make a sale. Before buying one of the Company's factory automation systems, a prospective customer must generally decide to upgrade or expand existing facilities or to construct new facilities. These undertakings are major

decisions for most prospective customers and typically involve significant capital commitments and lengthy evaluation and approval processes.

The Company's operating results fluctuate significantly, and the value of its common stock could fall if the Company's operating results are below the expectations of analysts or investors.

Many of the factors discussed in this section could cause the Company's operating results to fluctuate significantly. Fluctuations are also caused by variations in the Company's gross margins, which are affected by the mix of its products; the average selling prices of its products; the costs to manufacture, market, service and support new products and enhancements; the costs to customize its systems; and its efforts to enter new markets. If the Company's operating results fall below the expectations of financial analysts or investors, the value of the Company's common stock would likely fall. The Company also believes that these factors make period-to-period comparisons of its revenue and operating results difficult to interpret. These comparisons should not be relied upon to predict the Company's future performance.

Delay in the shipment or customer acceptance of a single system could substantially decrease the Company's revenues for a period.

The Company derives a substantial portion of its revenue from the sale of a relatively small number of its systems. The purchase price of its systems generally ranges from \$3.0 million to \$20.0 million; and it usually takes more than one or two fiscal quarters to deliver and install these systems to a customer's satisfaction. As a result, any delay in the shipment or customer acceptance of a single system could delay the recognition of revenue and harm the Company's results for a given accounting period. If the Company fails to obtain customer acceptance of a system near the end of a fiscal period because, for example, the customer reschedules or cancels its order or the Company encounters unexpected manufacturing or installation difficulties, its revenues in that fiscal period could fall significantly below the expectations of financial analysts and investors. This could cause the value of the Company's common stock to fall.

New accounting guidance under SAB 101 will result in delayed recognition of the Company's revenues.

The Company implemented SAB 101 in fiscal year 2001, retroactive to the first quarter. In some situations, application of this accounting guidance delays the recognition of revenue that would otherwise have been recognized in earlier periods. As a result, the Company's reported revenue could fluctuate more widely in future fiscal periods, and reported revenue for a particular fiscal period might not meet the expectations of financial analysts or investors. A delay in recognition of revenue resulting from application of this guidance, while not affecting the Company's cash flow, could adversely affect its results of operations in one or more future periods, which could cause the value of its common stock to fall.

The Company typically charges a fixed price for a system, which leaves it vulnerable to cost overruns.

The Company typically charges a fixed price for its systems. As a result, if the costs it incurs in performing a contract exceed its expectations, it generally cannot pass those costs on to its customer. For example, the Company's manufacturing problems with TurboStocker and price competition and higher than expected costs associated with the introduction of some of its new 300mm systems have in some cases caused the Company's costs to exceed its revenues from associated contracts, which adversely affects its gross margins and net income.

The Company has a limited number of customers, and the loss, cancellation or delay of any order from these customers could harm its business.

For the foreseeable future, the Company expects to continue to derive a significant portion of its revenue from a limited number of customers. The loss, cancellation or delay of any order from these customers could significantly reduce the Company's revenue and harm its reputation in the industry. The Company experienced order cancellations from a small number of customers of over \$50.0 million during fiscal year 2001. Sales to the Company's top ten customers accounted for 61% of total net revenue in fiscal year 2001 and 54% in fiscal years 2000 and 1999. In fiscal year 2001, sales to Intel accounted for 21% and sales to KLA-Tencor accounted for 11% of total net revenue. In fiscal year 2000, sales to Intel accounted for 14% and sales to KLA-Tencor accounted for 12% of total net revenue. In fiscal year 1999, sales to Intel accounted for 21% of total net revenue. The Company's largest customers can change from year to year, as some customers complete large semiconductor fabrication facilities and others initiate new projects. Moreover, at least one of the Company's significant customers, a semiconductor manufacturer that accounted for 21% of the Company's total net revenue in fiscal 1999, 14% of its total net revenue in fiscal 2000 and 21% of its total net revenue in fiscal 2001, several years ago adopted a policy of maintaining multiple vendors for the products it purchases. This kind of policy, if more widely adopted by the Company's customers, could limit the Company's ability to sell products to its customers and create opportunities for its competitors.

The Company does not have long-term purchase agreements with its customers, and as a result its customers could stop purchasing its products and services at any time.

None of the Company's customers has any long-term obligation to continue to purchase its products or services, which exposes the Company to competitive price pressure on each order. The Company's failure to obtain large orders from new or existing customers could seriously harm its business. The Company believes that sales to some of its customers will decrease in the near future as they complete their current purchases for new or expanded semiconductor fabrication facilities. In the past, the Company's customers have sometimes failed to place orders it expected or have delayed or canceled delivery schedules as a result of changes in their requirements. Because of the long sales cycle for its products, the Company may have difficulty in quickly replacing orders that its customers cancel or reduce. When a customer cancels an order, the Company generally does not recover more than its costs. Any order deferrals or cancellations could seriously harm its business.

To remain competitive, the Company must continually improve its technology and develop new products, even in industry downturns.

Technology changes rapidly in the semiconductor manufacturing industry, and to remain competitive the Company must continually invest in research and development to improve its technology and develop new products, even during industry downturns. The Company's business will suffer if it fails to develop and introduce more advanced systems at competitive prices and on a cost-effective basis so as to enable its customers to integrate them into their operations either before or as they begin volume product manufacturing. For example, as the semiconductor industry transitions from 200mm manufacturing technology to 300mm technology, the Company believes it is important to its future success to develop and sell new products that are compatible with 300mm technology. If the Company's competitors introduce new technologies or new products, the Company's sales could decline and its existing products could lose market acceptance. The Company's success in developing, introducing, selling and supporting more advanced products depends upon many factors, including: anticipating customer needs; developing a comprehensive, integrated product strategy; component selection; timely and efficient completion of product design and development; timely and efficient implementation of manufacturing and assembly processes, software development; product performance in the field; market acceptance; and effective sales, marketing, service and project management.

Because the Company must commit resources to product development well in advance of sales, its product development decisions must anticipate technological advances by leading semiconductor manufacturers. The Company may not succeed in that effort. The Company's

inability to select, develop, manufacture and market new products or enhance its existing products could cause it to lose its competitive position and could seriously harm its business.

Demand for less expensive semiconductors is increasing pressure to reduce prices in the Company's industry.

Semiconductors are increasingly being incorporated into less expensive products, which limits the price that semiconductor manufacturers can charge for semiconductors. As a result, semiconductor manufacturers face increasing pressure to reduce their costs, which in turn creates pressure on semiconductor equipment manufacturers, such as the Company, to reduce the prices of their products. The Company believes that over time this trend may lead to lower prices, which could reduce its revenue and adversely affect its operating results.

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

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

The Company's international operations create special risks.

The Company's international revenues were 37.8%, 36.1% and 32.8% of its total revenues for fiscal years 2001, 2000 and 1999, respectively. The Company anticipates that international revenues will continue to account for a significant portion of total revenue for the foreseeable future. The Company's international operations carry additional risks, including: unexpected changes in trading policies, regulatory requirements, exchange rates, tariffs and other barriers, particularly in countries such as China; unstable political and economic environments; greater difficulties in collecting accounts receivable; difficulties in managing distributors or representatives; restrictions on exporting and importing technology; fewer protections for intellectual property; longer sales cycles; difficulties in staffing and managing foreign operations; restrictions on the repatriation of earnings; and potentially adverse tax consequences.

Although the Company's international revenues are primarily denominated in U.S. dollars, changes in currency exchange rates could make it more difficult for the Company to compete on price. If the Company's international revenues increase relative to its total revenue, these factors could have a more pronounced effect on its operating results. In any event, any of these factors could seriously harm its business.

The Company faces significant competition from other automation companies, especially in the Asia-Pacific market, which may limit the prices it can charge for its products and may cause it to lose revenues.

The markets for the Company's products and services are intensely competitive, and the Company may be unable to compete successfully. The Company's automation systems division competes with Daifuku, Murata Machinery, Shinko Electric and other manufacturers of automated machinery used in semiconductor fabrication facilities. The Company's tool automation systems division competes with Genmark Automation, Asyst Technologies, Brooks Automation and other wafer-handling robotics companies, including in-house organizations of process tool manufacturers that develop their own automation technology, as well as other robotics companies. The Company's software products compete with products provided by Consilium, a subsidiary of Applied Materials, Brooks Automation and other vendors.

The Company believes that, once a semiconductor manufacturer selects a vendor's equipment for a particular fab, the manufacturer may purchase that equipment for other fabs. Accordingly, the Company may have difficulty selling to potential customers that have selected a competitor's equipment, and the Company expects that difficulty to last for a significant period of time. In addition, the expected transition to

300mm technology may cause new competitors to enter the Company's markets and may diminish its competitive advantage with customers for whom the Company is the incumbent supplier of automation equipment. In the face of increased competition, the Company may need to lower its prices, which could seriously harm its business.

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

For some products, or components or specialized processes that the Company uses in its products, it depends on subcontractors or has available only one or a few suppliers. For example, PRI's TurboStocker, AeroLoader, AeroTrak and Guardian products each include components and assemblies for which PRI has qualified, or for which there exists, only one supplier or a small number of suppliers. In general, PRI does not have long-term agreements with these suppliers, or agreements that obligate them to supply all of PRI's requirements for such components or assemblies. Also, PRI relies on Shinsung Engineering Co. Ltd. to manufacture its TurboStocker product for delivery in the Asian market and to provide related customer support. PRI has a Master Engineering Services Agreement with Shinsung, which provides the general terms and conditions under which PRI may from time to time request that Shinsung perform engineering projects for PRI. The scope of each project and the related price and other terms are defined in separate statements of work to be agreed upon by PRI and Shinsung. The agreement provides that all intellectual property created by Shinsung in the course of any such project will belong to PRI. PRI also has a Master Manufacturing Services Agreement with Shinsung, which provides the general terms and conditions under which PRI may from time to time request that Shinsung manufacture products for PRI. The specifications for any products to be manufactured, and related price and other terms, are to be defined in one or more separate purchase orders to be issued by PRI to Shinsung. These agreements with Shinsung are non-exclusive, contain customary provisions entitling either party to terminate the agreement in the event of a material breach of the agreement by, or the insolvency of, the other party, and also may be terminated by PRI at any time for its convenience. The agreements both expire in October 2004. The Company's reliance on subcontractors gives it less control over the manufacturing process and exposes it to significant risks, especially inadequate capacity, late delivery, substandard quality and high costs. The Company intends to outsource additional aspects of its manufacturing operations to subcontractors and suppliers. The Company could experience disruption in obtaining products or needed components and may be unable to develop alternatives in a timely manner. If the Company is unable to obtain adequate deliveries of products or components for an extended period of time, it may have to pay more for inventory parts

and other supplies, seek alternative sources of supply or delay shipping products to its customers. These outcomes could damage the Company's relationships with its customers. Any such increased costs, delays in shipping or damage to customer relationships could seriously harm the Company's business.

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

The failure of any of the Company's key suppliers to deliver components in a timely manner could seriously harm its business, reputation and results of operations.

The Company currently obtains many of its components on an as-needed, purchase-order basis. The Company does not have any long-term supply contracts with its vendors, and it believes many of them have been curtailing their operations in response to the industry downturn. When demand for semiconductor manufacturing equipment increases, the Company's suppliers face significant challenges in delivering components to it on a timely basis. If the Company is unable to obtain enough components of acceptable quality on a timely basis, it may be forced to delay or reduce shipments of its products, which could create customer dissatisfaction, cause lost sales and otherwise have a material adverse effect on its revenues and results of operations. Delays on the Company's part could also cause it to incur contractual penalties for late delivery.

The Company depends on its executive officers and other key personnel.

The Company's future success depends significantly on the skills, experience and efforts of its executive officers and other key employees. Many of these individuals would be difficult to replace. The loss of any key person could seriously harm its business. The Company does not have employment agreements with most of its key employees, and it maintains no key-man life insurance.

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

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

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

The Company may be unable to protect its proprietary technology.

The Company's ability to compete depends significantly upon its patent for certain key elements of its AeroTrak monorail system, its other patents, its source code and its other proprietary technology. The steps the Company has taken to protect its technology may be inadequate. If so, the Company may

be unable to prevent others from using what the Company regards as its technology to compete with it. For example, the Company's patents could be challenged, invalidated or circumvented, and the rights it has under its patents could provide no competitive advantages. Existing trade secrets, copyright and trademark laws offer only limited protection. In addition, the laws of some foreign countries do not protect the Company's proprietary technology to the same extent as the laws of the United States, which could increase the likelihood of piracy. Other companies could independently develop similar or superior technology without violating the Company's proprietary rights. Any misappropriation of its technology or the development of competing technology could seriously harm the Company's business.

If the Company has to resort to legal proceedings to enforce its intellectual property rights, the proceedings could be burdensome and expensive, could distract the attention of management and could involve a high degree of risk.

Claims by others that the Company infringes their proprietary technology could harm its business.

Third parties could claim that the Company's products or technology infringe their patents or other proprietary rights. Although the Company conducts patent searches to determine whether the technology used in its products infringes patents held by third parties, these searches are not comprehensive and may not reveal potential third-party claimants. Any claim of infringement by a third party could cause the Company to incur substantial costs defending against the claim, even if the claim is invalid, and could distract the attention of the Company's management. Furthermore, a party making such a claim could secure a judgment against the Company that requires it to pay substantial damages. A judgment could also include an injunction or other court order that could prevent the Company from selling its products. Any of these events could seriously harm the Company's business.

If anyone asserts a claim against the Company relating to proprietary technology or information, the Company might seek to license their intellectual property or develop non-infringing technology. The Company might not be able to obtain a license on commercially reasonable

terms or on any terms. Alternatively, the Company's efforts to develop non-infringing technology could be unsuccessful. The Company's failure to obtain the necessary licenses or other rights or to develop non-infringing technology could prevent it from selling its products and could therefore seriously harm its business.

The market price of the Company's common stock is highly volatile.

The market price of the Company's common stock has fluctuated widely and may continue to do so. For example, during fiscal years 2000 and 2001, the sales price of the common stock has ranged from a high of \$87.63 per share to a low of \$10.02 per share. Many factors could cause the market price of the common stock to rise and fall. These factors include:

- variations in the Company's quarterly operating results;
- announcements of technological innovations;
- introduction of new products or new pricing policies by the Company or its competitors;
- announcements by the Company or its competitors of significant customer orders;
- acquisitions or strategic alliances by the Company or others in its industry;
- the hiring or departure of key personnel;
- changes in the semiconductor industry cycle;
- changes in market valuations of companies within the semiconductor industry; and
- changes in estimates of the Company's performance or recommendations by financial analysts.

When the market price of a stock has been volatile, holders of that stock have often instituted securities class action litigation against the company that issued the stock.

Pending securities class action lawsuits could have a material adverse effect on the Company's financial condition and results of operations.

The Company and three of its directors are defendants in a pending securities class action lawsuit claiming, among other things, that the defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and SEC Rule 10b-5, and also Sections 11 and 15 of the Securities Act of 1933, by virtue of statements and omissions that the plaintiffs claim were materially false or misleading. The complaint seeks certification as a class action on behalf of virtually all purchasers of the Company's stock from January 27, 2000 through September 11, 2000, and also seeks damages, pre-judgment and post-judgment interest, costs, and attorneys' fees. A group of five persons has been appointed as lead plaintiff, and the court has approved the group's selection of lead counsel. An argument on the defendants' motion to dismiss is scheduled

for February 26, 2002. The Company strongly believes that the lawsuits lack merit and intends to defend against the claims vigorously. However, the Company could incur substantial costs defending the lawsuit, has no insurance coverage relating to these claims, and has undertaken to indemnify the individual defendants for any losses they may suffer. Moreover, although the Company has established a reserve for legal costs of \$3.0 million, the reserve may be inadequate. The lawsuits could also divert the time and attention of the Company's management. The Company cannot predict the outcome of the lawsuits at this time, and there can be no assurance that the Company will not have to pay significant damages or amounts in settlement. An unfavorable outcome or prolonged litigation in this lawsuit could materially harm the Company's business.

The Company may need additional financing, which could be difficult to obtain.

The Company expects that its existing cash and investment balances and cash generated from operations will be sufficient to meet its cash requirements to fund operations and expected capital expenditures for at least the next twelve months. If the industry downturn is more severe than the Company currently expects, the Company may need to raise additional funds. If the Company cannot raise funds on acceptable terms, if and when needed, it may not be able to develop or enhance its products and services, take advantage of future opportunities, grow its business or respond to competitive pressures or unanticipated requirements, which could seriously harm its business. Factors such as market conditions or the Company's operating performance could impair its ability to obtain financing. If the Company raises funds by selling equity or convertible debt securities, the sale may dilute existing ownership interests in the Company. Moreover, the Company may issue securities that have rights, preferences and privileges senior to the common stock. Future financings may also place restrictions on how the Company operates its business.

PRI has anti-takeover defenses that could delay or prevent its acquisition and could adversely affect the price of the PRI common stock.

Provisions of Massachusetts law and of PRI's articles of organization, bylaws and stockholder rights plan could have the effect of delaying or preventing an acquisition of PRI. These provisions may hinder or discourage a proxy contest or a substantial stockholder's assumption of control. These provisions could also discourage a third party from making a tender offer or otherwise attempting to obtain control over PRI, even though such an attempt might benefit PRI or its stockholders.

Massachusetts law. PRI is subject to Chapter 110F of the Massachusetts General Laws, an anti-takeover law. In general, Chapter 110F prohibits PRI from engaging in a business combination with an interested stockholder for a period of three years after the date on which the person became an interested stockholder, unless: (a) before the person became an interested stockholder, PRI's board approved either the business combination or the transaction that resulted in the person becoming an

interested stockholder; (b) upon consummation of the transaction that resulted in the person becoming an interested stockholder, the interested stockholder owned at least 90% of PRI's voting stock that was outstanding when the transaction commenced, excluding shares held at that time by PRI's directors, officers and certain other affiliates; or (c) after the person becomes an interested stockholder, PRI's board approved the business combination and two-thirds of the outstanding voting stock that is not owned by the interested stockholder affirmatively voted to authorize the business combination in a stockholder meeting.

PRI's articles of organization and bylaws. PRI's bylaws require that a stockholder who wants to make a proposal at a meeting of stockholders must comply with certain notice provisions and, generally, give PRI a written notice at least 60 days before the meeting. PRI's articles of organization requires the affirmative vote of holders of at least 80% of its shares entitled to vote in the election of directors in order to amend certain provisions of the articles of organization or bylaws relating generally to (a) meetings of stockholders, (b) meetings and elections of directors, (c) resignations, (d) removal and vacancies of directors and officers, and (e) amendments to the bylaws. These provisions have certain anti-takeover effects. They are designed to discourage accumulations of large blocks of PRI stock by purchasers whose objective is to have PRI repurchase this stock at a premium. These provisions could reduce the temporary fluctuations in the market

price of PRI stock that such accumulations might otherwise cause. Accordingly, this could deprive the PRI stockholders of opportunities to sell their stock at temporarily higher market prices.

PRI's stockholder rights plan. PRI's board of directors has adopted a stockholder rights plan, which provides for the issuance of rights to the holders of PRI's common stock. The rights have certain anti-takeover effects. The rights will cause substantial dilution to a person or group that attempts to acquire PRI without conditioning the offer on substantially all the rights being acquired. However, the rights will not interfere with any merger or other business combination with a third party for which PRI's board of directors grants its approval. This is so because PRI's board may amend the rights plan or redeem the then-outstanding rights before that third party has become an acquiring person.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Foreign Currency and Exchange Rate Risk

Market Rate Risk

Market risks relating to the Company's operations result primarily from changes in interest rates, foreign currency exchange rates and equity security price risk. The Company currently does not use derivative financial instruments for trading or hedging purposes, and does not consider its exposure in these areas to be material.

Interest Rate Risk

The Company's exposure to market rate risk for changes in interest rates relates to its cash equivalents investment portfolio. Cash equivalents consist of money market mutual funds, and other high-credit quality short-term investments with an original maturity of three months or less. A hypothetical 10 percent increase in interest rates would not have a material impact on the fair market value of these instruments due to their short maturity.

Foreign Currency Exchange Rate Risk

The Company conducts a portion of its business outside the United States through its foreign subsidiaries. The Company has foreign currency exposure related to its operations in international markets, where it transacts some business in foreign currencies, and accordingly the Company is exposed to adverse movements in foreign currency exchange rates. The Company's foreign subsidiaries maintain their accounting records in local currencies. Consequently, changes in currency exchange rates may affect the translation of foreign statements of operations into U.S. dollars, which may in turn affect the Company's consolidated statement of operations. The functional currency is the U.S. dollar for all of the Company's subsidiaries, and therefore translation gains and losses are included as a component of net income or loss. Substantially all of the Company's revenue is invoiced and collected in U. S. dollars. The Company had no outstanding forward currency contracts at September 30, 2001 and 2000. A hypothetical 10 percent change in foreign currency exchange rates would not have a material impact on the Company's results of operations.

Equity Security Price Risk

The Company's investment in affiliate subjects the Company to equity security price risk. In December 2000, the Company made a minority investment of \$11.5 million in Shinsung Engineering Co. Ltd., a South Korean manufacturer of semiconductor clean room equipment and other industrial systems. The investment consisted of the purchase of 3,109,091 common shares and warrants to purchase an additional 3,866,900 common shares. The fair market value of the common shares and warrants was \$2.4 million and \$2.5 million, respectively, at September 30, 2001. A hypothetical 10 percent change in the share price of Shinsung would not have a material impact on the Company's results of operations.

Item 8. Financial Statements and Supplementary Data

Consolidated Financial Statements and Financial Statement Schedule as of September 30, 2001 and 2000 and for each of the three years in the period ended September 30, 2001 are included in Items 14(a)(1) and (2).

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

Directors and Executive Officers

The following table provides information concerning each director and executive officer of PRI as of September 30, 2001:

Name	Age	Position
Mordechai Wiesler	71	Chairman of the Board of Directors
Mitchell G. Tyson	47	President, Chief Executive Officer and Director
Cosmo S. Trapani	63	Vice President and Chief Financial Officer
Robert de Neve	41	Vice President and General Manager, OEM Systems Division
R. Brad Lawrence	54	Vice President and General Manager, Automation Systems Division
Amram Rasiel(1)	71	Director
Boruch B. Frusztajer(1)(2)	71	Director
Alexander V. d'Arbeloff(1)(2)	74	Director
Kenneth M. Thompson	63	Director

(1) Member of the Audit Committee.

(2) Member of the Compensation Committee.

Mordechai Wiesler, a founder of PRI, has been a director of PRI since the Company's inception in 1982. Mr. Wiesler served as PRI's President from its inception until February 1995, as Chief Executive Officer from its inception until August 1998 and as Treasurer from its inception until September 1999. Mr. Wiesler was also founder, president and chairman of Transistor Automation Corporation until its sale to Teledyne, Inc. in 1966. Mr. Wiesler received a B.S. in mechanical engineering from the Technion in Israel.

Mitchell G. Tyson was named Chief Executive Officer of PRI in August 1998. He was elected to the office of President and named a director of PRI in 1995. Mr. Tyson served as the Company's Chief Operating Officer from 1990 to 1998. From 1987 to 1990, he served as its Vice President, Operations. From 1984 to 1987, Mr. Tyson was the director of product management of GCA Corporation, a manufacturer of semiconductor capital equipment. From 1979 to 1984, he was a senior legislative assistant and science advisor to U.S. Senator Paul Tsongas in Washington, D.C. Mr. Tyson holds a B.S. in physics, an M.S. in political science and an M.S. in nuclear engineering, all from the Massachusetts Institute of Technology. Mr. Tyson is a member of the board of directors of the Semiconductor Industry Suppliers Association of North America (formerly SEMI-SEMATECH, Inc.). In addition, Mr. Tyson is a member of the North American Advisory Board of SEMI, a trade association that represents the worldwide semiconductor equipment industry and a member of the board of directors of the Massachusetts High Technology Council.

Cosmo S. Trapani was named Vice President and Chief Financial Officer of PRI in March 2000. From October 1999 to February 2000, Mr. Trapani was Senior Vice President and Chief Financial Officer at Circor International, Inc., a manufacturer of fluid control systems. From 1990 to 1998, he served as Executive Vice President and Chief Financial Officer of Unitrode Corporation, a manufacturer of analog and mixed signal integrated circuits. Mr. Trapani holds a B.S. in accounting from Boston College and is a certified public accountant. Mr. Trapani is a member of the board of directors of a privately held company.

Robert de Neve has been Vice President and General Manager of the OEM Systems Division of PRI since June 2000. Mr. de Neve served as Vice President and Co-General Manager of that division

from June 1999 to June 2000. From December 1995 until the acquisition of Equipe Technologies by PRI in January 1998, Mr. de Neve served as Vice President of Operations of Equipe, where he performed the duties of Vice President of Manufacturing and acting Chief Operating Officer. Mr. de Neve continued in that position with PRI until June 1999. Before joining Equipe, Mr. de Neve served as Senior New Products Introduction Program (NPI) Manager at Tencor/Prometrix from September 1992 to December 1995. Mr. de Neve held various engineering, NPI and manufacturing positions at KLA Instruments from June 1980 to September 1992. Mr. de Neve is a former instructor and graduate of the Project and Program Management Program at the School of Business Management of the University of California -Santa Cruz, and also a graduate from the Contemporary Optics and Lens Design Program at the Institute of Optics at the University of Rochester. Mr. de Neve also studied electronic engineering technology at Cogswell Polytechnical College.

R. Brad Lawrence became the General Manager and Vice President of the Factory Systems Division of PRI in April 2001. From August 1996 to August 2000, Mr. Lawrence served as Executive Vice President and Chief Operating Officer of Flow International Corporation, a leader in ultra-high pressure technology. From April 1992 to August 1996, Mr. Lawrence served as President and Chief Executive Officer of Conductive Rubber Technology, a manufacturer and distributor of keypads to the electronics industry in North America. From 1989 to 1992, Mr. Lawrence served as Assistant General Manager of Operations at Kenworth Truck Company, a division of Paccar Incorporated. From 1969 to 1989, Mr. Lawrence held a variety of management positions at Rockwell International Corporation, including Vice President and General Manager, Gas Products Division. Mr. Lawrence holds a B.S. in business administration from Pennsylvania State University and an M.B.A. from the University of Pittsburgh.

Amram Rasiel became a director of PRI in 1982. Dr. Rasiel is a private investor. He is a director of Progress Software Corporation, a provider of application development software, and of a number of privately held companies.

Boruch Frusztajer became a director of PRI in 1982. Mr. Frusztajer has been the President of BBF Corporation, an industrial management company, since 1984.

Alexander V. d'Arbeloff became a director of PRI in 1982. Mr. d'Arbeloff, a member of the MIT Corporation since 1989, was named Chairman of the MIT Corporation in July 1997. In 1960, Mr. d'Arbeloff founded Teradyne and served as its president and chief executive officer until May 1997, and as its chairman of the board from June 1997 until June 2000. He is also chairman of the board of Empirix, which offers testing solutions for communications equipment manufacturers, e-business and enterprise call centers, and a director of Pegasystems, Inc. He also serves on the boards of several privately held and non-profit institutions.

Kenneth M. Thompson became a director of PRI in July 1998. Mr. Thompson was employed by Intel Corporation for twenty-five years, most recently as Vice President, Technology Manufacturing Engineering. He retired from Intel in 1998. From August 2000 to August 2001 Mr. Thompson was President, Chief Executive Officer and a director of AvantCom Network, Inc. Mr. Thompson is a director of LAM Research Corp. and a private company.

Each director holds office until the next annual election of directors and until his successor is chosen and qualified or until he sooner dies, resigns, is removed, or becomes disqualified. Each officer generally holds office until the first meeting of the directors after the next annual election of directors and until his successor is chosen and qualified or until he sooner dies, resigns, is removed, or becomes disqualified.

Compliance With Section 16(a) of the Securities Exchange Act of 1934

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's officers and directors, and persons who own more than 10% of its common stock, to file reports of ownership and

changes in ownership with the Securities and Exchange Commission. Officers, directors and greater-than-10% stockholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file. Based solely upon a review of Forms 3, 4, and 5, and amendments thereto furnished to the Company with respect to fiscal year 2001, or written representations that no Form 5 was required to be filed with respect to fiscal year 2001, PRI believes that all of its officers, directors and greater-than-10% stockholders fulfilled their Section 16(a) filing requirements in a timely manner, with the exception of Mr. Wiesler, who inadvertently failed to file on a timely basis a report on Form 4 with respect to one transaction.

Item 11. Executive Compensation

The following table provides summary information concerning the compensation earned by the Company's Chief Executive Officer and each of the five other most highly compensated executive officers (collectively, the "Named Executive Officers"), for services rendered in all capacities to the Company during fiscal year 2001, fiscal year 2000, and fiscal year 1999.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Fiscal Year	Annual Compensation(1)		Long-term Compensation	All Other Compensation (2)
		Salary	Bonus	Awards Securities Underlying Options	
Mordechai Wiesler Chairman of the Board	2001	\$ 159,369	–	25,500	\$ 4,332
	2000	\$ 188,100	–	40,000	\$ 12,734
	1999	\$ 201,539	–	40,000	\$ 12,360
Mitchell G. Tyson President and Chief Executive Officer	2001	\$ 364,000	–	30,000	\$ 5,543
	2000	\$ 358,624	–	78,000	\$ 8,401
	1999	\$ 266,010	–	55,000	\$ 5,412
Cosmo S. Trapani(3) Vice President and Chief Financial Officer	2001	\$ 268,673	\$ 112,800 ⁽⁴⁾	50,000	\$ 6,461
	2000	\$ 145,750	\$ 56,400 ⁽⁴⁾	57,000	\$ 5,894
	1999	–	–	–	–
Robert de Neve Vice President, General Manager, OEM Systems Division	2001	\$ 260,637	\$ 90,000	46,000	\$ 6,455
	2000	\$ 202,624	\$ 7,008	35,000	\$ 4,673
	1999	\$ 160,769	\$ 20,000	13,000	\$ 2,386
R. Brad Lawrence(5) Vice President, General Manager, Automation Systems Division	2001	\$ 126,058	–	65,000	\$ 38,013
	2000	–	–	–	–
	1999	–	–	–	–
Edward A. Wagner(6) Former Vice President, General Manager, Factory Systems Division	2001	\$ 232,056	\$ 411,580	15,000	\$ 90,870
	2000	\$ 268,917	\$ 139,100	80,000	\$ 136,856
	1999	\$ 204,346	–	39,000	\$ 6,528

(1) In accordance with the rules of the Securities and Exchange Commission, other annual compensation in the form of perquisites and other personal benefits has been omitted because such perquisites and other personal benefits constituted less than \$50,000 and less than ten

percent of the total annual salary and bonus for each executive officer.

- (2) The amounts reported include the Company's contributions to the PRI Savings and Retirement Plan during fiscal year 2001, fiscal year 2000, and fiscal year 1999, respectively, for the benefit of Mr. Wiesler (\$3,857, \$4,670, and \$4,800), Mr. Tyson (\$4,800, \$7,200, and \$4,800), Mr. de Neve

(\$5,960, \$4,673 and \$2,386), and Mr. Wagner (\$2,245, \$7,110, and \$4,800); during fiscal year 2001 and fiscal year 2000, respectively, for Mr. Trapani (\$5,899 and \$3,975); and during fiscal year 2001 for Mr. Lawrence (\$3,946); and premiums paid by the Company on excess life insurance policies during fiscal year 2001, fiscal year 2000 and fiscal year 1999, respectively, for Mr. Wiesler (\$475, \$8,064 and \$7,560), Mr. Tyson (\$743, \$1,201 and \$612), Mr. de Neve (\$495, \$486 and \$347), and Mr. Wagner (\$167, \$1,406, and \$1,728); during fiscal year 2001 and fiscal year 2000, respectively, for Mr. Trapani (\$562 and \$1,919); during fiscal year 2001, for Mr. Lawrence (\$274); and for temporary living expenses and relocation during fiscal year 2001 and fiscal year 2000 for Mr. Wagner (\$88,458 and \$128,340); and for relocation during fiscal year 2001 for Mr. Lawrence (\$33,793).

- (3) Mr. Trapani joined the Company during fiscal year 2000 and therefore received compensation for only a portion of that fiscal year.
- (4) Under Mr. Trapani's at-will employment arrangement with the Company, in addition to being eligible for target bonuses, a portion of his annual compensation is payable in the form of a fixed payment of \$28,200 per quarter for up to the first five years of his employment with the Company.
- (5) Mr. Lawrence joined the Company during fiscal year 2001 and therefore received compensation for only a portion of that fiscal year.
- (6) Mr. Wagner ceased to be an executive officer of the Company in March 2001.

Directors' Compensation

Each non-employee director of PRI has served without cash compensation but has been reimbursed, upon request, for expenses incurred in attending meetings of the Board of Directors. Directors who are PRI employees are not paid any separate fees for serving as directors.

Before fiscal year 2001, the Board of Directors voted to automatically grant annually on November 30 to each non-employee director then in office a nonqualified option under the 1997 Stock Option Plan to purchase 5,000 shares of common stock at an exercise price equal to its fair market value on that date. Pursuant to this vote, on November 30, 2000, each of Messrs. Rasiel, Frusztajer, d'Arbeloff and Thompson was automatically granted a nonqualified option to purchase 5,000 shares of common stock at an exercise price of \$17.81 per share. On June 19, 2001, the Board of Directors voted to increase the number of nonqualified options automatically granted each year from 5,000 to 10,000 shares. On that date, the Board of Directors also voted to grant each of Messrs. Rasiel, Frusztajer, d'Arbeloff and Thompson a nonqualified option to purchase 5,000 share of common stock at an exercise price of \$14.90 per share and, thereafter, to grant Mr. Wiesler nonqualified options to the same extent as non-employee directors. Pursuant to the foregoing votes, on November 30, 2001, each of Messrs. Wiesler, Rasiel, Frusztajer, d'Arbeloff, and Thompson was automatically granted a nonqualified option to purchase 10,000 shares of common stock at an exercise price of \$18.71 per share.

Option Grants in Last Fiscal Year

The following table provides information concerning stock option grants made by the Company during fiscal year 2001 under the 1997 Non-Incentive Stock Option Plan and the 2000 Stock Option Plan to the Chief Executive Officer and each of the other Named Executive Officers:

OPTION GRANTS IN LAST FISCAL YEAR

Name	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term(2)	
	Options Granted	% of Total Options Granted to Employees in Fiscal Year	Exercise Price (1)	Expiration Date	5%	10%
Mordechai Wiesler	10,500(5)	0.42%	\$ 14.90	06/19/07	\$ 53,208	\$ 120,711
	15,000(3)	0.60%	\$ 17.75	10/23/06	\$ 90,550	\$ 205,428
Mitchell G. Tyson	30,000(3)	1.21%	\$ 17.75	10/23/06	\$ 181,101	\$ 410,856
Cosmo S. Trapani	10,000(5)	0.40%	\$ 14.90	06/19/07	\$ 50,674	\$ 114,963
	40,000(3)	1.61%	\$ 17.75	10/23/06	\$ 241,468	\$ 547,808
R. Brad Lawrence	60,000(4)	2.42%	\$ 14.32	04/09/07	\$ 292,210	\$ 662,925
	5,000(5)	0.20%	\$ 14.90	06/19/07	\$ 25,337	\$ 57,481
Robert de Neve	10,000(5)	0.40%	\$ 14.90	06/19/07	\$ 50,674	\$ 114,963
	36,000(3)	1.45%	\$ 17.75	10/23/06	\$ 217,321	\$ 493,027
Edward A. Wagner	15,000(3)	0.60%	\$ 17.75	10/23/06	\$ 90,550	\$ 205,428

- (1) All options were granted at exercise prices not less than fair market value, which was determined by the Board of Directors to be the last sale price of the common stock on the date of grant as reported by the Nasdaq Stock Market.
- (2) Amounts reported in this column represent hypothetical values that may be realized upon exercise of the options immediately prior to the expiration of their term, assuming the specified compounded rates of appreciation of the common stock over the term of the options. These numbers are calculated based on rules promulgated by the Securities and Exchange Commission and do not represent the Company's estimate of future stock price growth. Actual gains, if any, on stock option exercises and common stock holdings are dependent on the timing of such exercises and the future performance of the common stock. There can be no assurance that the rates of appreciation assumed in this table can be achieved or that the amounts reflected will be received by the Named Executive Officers. This table does not take into account any appreciation in price of the common stock from the date of grant to the current date. The values shown are net of the option price, but do not include deductions for taxes or other expenses associated with the exercise.
- (3) Options vest in 20 equal quarterly installments beginning 01/23/01 and ending 10/23/05.
- (4) Options vest in 20 equal quarterly installments beginning 07/09/01 and ending 04/09/06.
- (5) Options vest in 20 equal quarterly installments beginning 09/19/01 and ending 06/19/06.

Option Exercises and Fiscal Year-end Option Values

and 2000 Stock Option Plan as of September 30, 2001 with respect to the Chief Executive Officer and the other Named Executive Officers:

OPTION EXERCISES AND FISCAL YEAR-END OPTION VALUES

Name	Shares Acquired On Exercise	Value Realized (1)	Common Stock Underlying Unexercised Options at Fiscal Year-end		Value of Unexercised In-the-Money Options at Fiscal Year-end (2)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Mordechai Wiesler	-	-	117,675	81,225	-	-
Mitchell G. Tyson	-	-	169,220	156,500	-	-
Cosmo S. Trapani	-	-	21,500	85,500	-	-
R. Brad Lawrence	-	-	3,250	61,750	-	-
Robert de Neve	-	-	55,011	85,600	-	-
Edward A. Wagner	5,625	\$ 77,906	29,250	101,998	-	-

- (1) Amounts disclosed in this column do not necessarily reflect amounts received by the Named Executive Officers but are calculated based on the difference between the fair market value of the common stock on the date of exercise and the exercise price of the options. Named Executive Officers will receive cash only if and when they sell the common stock issued upon exercise of the options, and the amount of cash received by such individuals is dependent on the price of the common stock at the time of such sale.
- (2) Calculated on the basis of the last sale price of the common stock on September 28, 2001 as reported by the Nasdaq Stock Market (\$10.02 per share), less the applicable option exercise price. No options were in the money as of September 30, 2001.

Employment and Retention Agreements

Mordechai Wiesler, PRI's Chairman of the Board, entered into an employment agreement with PRI in July 2001. Mitchell G. Tyson, PRI's President and Chief Executive Officer, entered into an employment agreement with PRI and Brooks in October 2001 in connection with the execution of the merger agreement between the two companies. Mr. Tyson's agreement will become effective only upon the closing of the merger of PRI and Brooks. Several of PRI's officers and directors, including Mr. Wiesler, have retention agreements with PRI. The following is a summary of these agreements:

Mordechai Wiesler. On July 5, 2001, Mordechai Wiesler, PRI's Chairman of the Board, entered into an employment agreement with PRI. Under the agreement, Mr. Wiesler is employed on an at-will basis as the Chairman of the Board and is required to perform duties and functions related to his position as Chairman of the Board.

Under the agreement, PRI agreed to pay Mr. Wiesler a base salary of \$100,000 per year. Mr. Wiesler is also entitled to participate in PRI's stock option plans to the same extent as non-employee directors and participate in or receive benefits under PRI's employee benefit plans and policies in effect from time to time for comparable employees, subject to the applicable terms and conditions of the particular benefit plan.

The agreement provides that Mr. Wiesler's employment will terminate or may be terminated as follows:

upon Mr. Wiesler's death;

by PRI if Mr. Wiesler suffers a disability, which is defined as physical or mental incapacity that results in his inability to perform his duties for a period of six consecutive months;

38

voluntarily by Mr. Wiesler;

by Mr. Wiesler for good reason;

by PRI for cause; and

by PRI without cause.

If Mr. Wiesler's employment is terminated by PRI for cause, he will be entitled to receive his base salary only through the date of termination. All other benefits owed to Mr. Wiesler following the termination of his employment for cause will be determined in accordance with the plans, policies and practices of PRI at the time of his termination. For purposes of the employment agreement, cause means any of the following: Mr. Wiesler's willful and continued failure substantially to perform his duties (other than as a result of total or partial incapacity due to physical or mental illness), the willful commission by Mr. Wiesler of acts that are dishonest and demonstrably injurious to PRI, or an act or acts on Mr. Wiesler's part constituting a felony under the laws of the United States or any state. To terminate Mr. Wiesler's employment for cause, PRI must first provide Mr. Wiesler reasonable notice of and a reasonable opportunity to be heard by the board of directors, a majority of the board must find in good faith that an event constituting cause for termination has occurred, and PRI must give Mr. Wiesler written notice of termination of his employment.

If PRI terminates Mr. Wiesler's employment without cause (other than by reason of disability or death), he will receive a lump sum payment of his base salary through the date of termination at the rate in effect on the date of termination, a severance payment of \$100,000, and, in the case of compensation previously deferred by Mr. Wiesler, if any, all amounts of such compensation previously deferred and not yet paid by PRI. In addition, all options or other awards issued under any of PRI's option plans will become fully vested and exercisable as of the date of termination. Mr. Wiesler's benefits will continue for twelve months after termination of his employment.

If Mr. Wiesler terminates his employment with PRI for good reason, he will be entitled to receive the same payments he would have received had his employment been terminated by PRI without cause. For this purpose, good reason means the assignment to Mr. Wiesler of duties and responsibilities inappropriate for his position, any failure by PRI to reappoint him as Chairman of the Board, a reduction in his compensation or benefits, the relocation of PRI's principal offices to a location outside the metropolitan Boston, Massachusetts area, PRI's requiring Mr. Wiesler to be based anywhere other than its current location in Billerica, Massachusetts, PRI's failure to obtain the specific assumption of Mr. Wiesler's employment agreement by any person or company acquiring PRI, or the occurrence of an event after such an assignment of his agreement that he reasonably believes will impair his rights under the agreement.

Upon the closing of the merger of PRI and Brooks, Mr. Wiesler will cease to be Chairman of the Board of PRI. Brooks, PRI and Mr. Wiesler have agreed that this event will constitute termination of his employment without cause and for good reason. Accordingly, Mr. Wiesler will be entitled to receive the severance payments and benefits described above for either such termination.

Mr. Wiesler is also a party to a retention agreement with PRI, the terms of which are discussed in detail below. Upon the closing of the merger of PRI and Brooks, under the terms of the retention agreement, Mr. Wiesler will receive additional severance payments and benefits and his options to purchase common stock will vest in full.

Mitchell G. Tyson. Simultaneously with the execution of the merger agreement between PRI and Brooks, Mitchell G. Tyson, PRI's President and Chief Executive Officer, signed an employment agreement with Brooks and PRI. The agreement will become effective upon the closing of the merger and will replace his existing retention agreement with PRI. Following the merger, Brooks will employ Mr. Tyson as Special Assistant to the Chief Executive Officer. The employment agreement has a term of six months commencing on the closing of the merger.

Under the employment agreement, Brooks will pay Mr. Tyson a base salary of \$182,000 for the six-month term. In addition, Brooks will pay Mr. Tyson a retention bonus of \$364,000 if he remains employed by Brooks through the full term of the employment agreement or if the employment agreement is terminated due to Mr. Tyson's death or disability. The agreement also provides that Mr. Tyson is entitled to receive the benefits that Brooks generally provides to other employees of similar status and compensation.

The agreement provides that, for a period of two years after the date on which his employment is terminated for any reason, Mr. Tyson will not compete with Brooks, directly or indirectly, whether as an employee, owner, partner, shareholder, investor, or otherwise. During this same period, Mr. Tyson agreed that he will not knowingly interfere with any of Brooks' business relationships and will assist Brooks in enforcing its rights to certain intellectual property. In consideration for Mr. Tyson's agreement to these provisions, during the two years after the date on which his employment is terminated, Brooks will pay Mr. Tyson \$546,000 each year, and he will be eligible to participate in all insurance and other benefit programs for employees of Brooks on the same basis as other employees of similar status and compensation.

The agreement also provides that, upon the closing of the merger, the vesting of all options previously granted by PRI to Mr. Tyson will accelerate so that they will be exercisable in full, and all such options will be exercisable until the earlier of the original expiration date of the option or three years after the closing.

If any payment or benefit received by Mr. Tyson becomes subject to any excise tax imposed by Section 4999 of the Internal Revenue Code, Brooks will pay Mr. Tyson an amount equal to that excise tax.

The agreement provides that Mr. Tyson's employment will terminate or may be terminated as follows:

upon Mr. Tyson's death;

by Brooks if the board of directors of Brooks determines in good faith that Mr. Tyson suffers a disability, which is physical or mental illness that prevents him from performing his duties as a full-time employee of Brooks and, at least 26 weeks after its commencement, such inability is determined to be total and permanent by a physician selected by Brooks and acceptable to Mr. Tyson;

by Brooks for cause; and

voluntarily by Mr. Tyson, at any time upon 30 days' written notice to Brooks.

For purposes of the employment agreement, cause means any of the following: Mr. Tyson's conviction of a felony involving moral turpitude, conduct by him that involves any immoral acts that would impair his or Brooks' reputation, fraud or embezzlement committed by him against Brooks, or habitual neglect of the duties assigned to him which has not been remedied within 30 days following his receiving a written demand from Brooks that describes the basis for Brooks' belief that he has not performed his duties.

The employment agreement includes provisions regarding the payment of severance and benefits by Brooks upon the termination of Mr. Tyson's employment for any reason. In the event of the termination of Mr. Tyson's employment for any reason, he will be entitled to receive any and all salary, bonus, expenses, perquisites or fringe benefits earned but not yet paid to him. With respect to any amount payable periodically, he will be deemed to have earned a portion of that amount equal to the portion of the period that will have elapsed at the date of termination, and that amount will be paid at the time it would be normally paid. Brooks and Mr. Tyson agreed that, after any termination of his employment, neither Brooks nor Mr. Tyson will make any public statement pertaining to the

termination other than a single statement agreed upon by Brooks and Mr. Tyson, except that Brooks may make public statements as necessary to comply with applicable laws.

Under the agreement, Brooks will indemnify Mr. Tyson to the fullest extent permitted by law and Brooks' charter and bylaws against all liabilities and costs resulting from any claim that relates to Mr. Tyson's performance of his duties under the agreement.

Mr. Tyson's employment agreement supersedes his retention agreement with PRI, and he is not entitled to any of the severance payments or benefits set forth in his retention agreement.

Retention agreements. PRI has entered into retention agreements with approximately forty of its executives, including Mr. Wiesler, Mr. Tyson, Mr. Trapani, Mr. de Neve and Mr. Lawrence. Mr. Tyson's retention agreement will be superseded by the employment agreement described above. Under these agreements, PRI will provide severance payments and other benefits to the executives if, within 12 months after a change of control of PRI, any of the following events occurs:

the executive's employment is terminated other than for cause, as defined in the agreement; or

the executive resigns after a material reduction in his or her salary or benefits, after his relocation to a facility in a different location without his or her consent, or after one of several other specified events.

The proposed merger with Brooks will constitute a change in control of PRI under the retention agreements. Accordingly, if any of the foregoing events happens after the merger, PRI will pay the affected executive a lump sum equal to the executive's then-current annual base compensation, plus the bonus that PRI paid the executive for the most recently completed fiscal year, plus a pro-rated fraction of the executive's target bonus for the then-current fiscal year. Each agreement also provides that, upon such termination or resignation, or upon the first anniversary of a change of control if there has been no such termination or resignation, all of the stock options held by the executive will vest in full and become fully exercisable, and any rights PRI may have had to repurchase any PRI stock owned by the executive will terminate.

Severance agreement. On March 30, 2001, Edward A. Wagner entered into an agreement with PRI under which he ceased to serve as PRI's Vice President and General Manager, Factory Systems Division, and became a special assistant to the chief executive officer for a term ending May 9, 2002 at a bi-weekly salary of \$1,536. If Mr. Wagner's employment is involuntarily terminated, PRI will continue to pay his compensation until May 9, 2002. While employed, Mr. Wagner's stock options will generally continue to vest and he is entitled to participate in any employee medical and dental insurance programs. The agreement also provides that, in recognition of his past contributions, Mr. Wagner will receive four equal quarterly payments of \$59,500. The agreement also extended the term of Mr. Wagner's non-competition obligations to PRI to March 30, 2004.

Compensation Committee Interlocks and Insider Participation

No member of the Compensation Committee is a former or current employee of the Company or a party to any other relationship of a character required to be disclosed pursuant to Item 402(j) of Regulation S-K.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The following table provides information with respect to the beneficial ownership of PRI's common stock as of November 26, 2001 (except as otherwise noted below) by (i) each person or entity known to the Company to own beneficially five percent or more of PRI's common stock, (ii) each of its directors, (iii) the Chief Executive Officer and the other Named Executive Officers and (iv) PRI's

current executive officers and directors as a group. Unless otherwise indicated, the persons named below have sole voting and investment power over the shares listed below:

Name and Address	Shares Beneficially Owned (1)	
	Number	Percent
Mellon Financial Corporation(2)	2,609,523	10.2%
Mordechai Wiesler(3)	623,077	2.4%
Dr. Amram Rasiel	508,210	2.0%
Mitchell G. Tyson(4)	364,232	1.4%
Alexander V. d'Arbeloff	96,767	*
Robert de Neve	66,861	*
Boruch B. Frusztajer	62,000	*
Edward A. Wagner	40,750	*
Cosmo S. Trapani	32,310	*
Kenneth M. Thompson	15,000	*
R. Brad Lawrence	10,750	*
All current executive officers and directors as a group (9 persons)	1,779,207	6.8%

* Less than one percent.

- (1) Includes shares subject to options exercisable within 60 days from November 26, 2001 for the purchase of the following numbers of shares: Mr. Wiesler, 104,300 shares; Mr. Rasiel, 32,000 shares; Mr. Tyson, 188,190 shares; Mr. d'Arbeloff, 32,000 shares; Mr. Frusztajer, 32,000 shares; Mr. Thompson, 15,000 shares; Mr. Wagner, 40,750 shares; Mr. Trapani, 30,500 shares; Mr. de Neve, 66,861 shares; and Mr. Lawrence, 10,750 shares.
- (2) Based on information contained in a Schedule 13G filed jointly with the SEC on July 10, 2001 by Mellon Financial Corporation and two of its subsidiaries, The Boston Company, Inc. and The Boston Company Asset Management, LLC. Mellon Financial Corporation, a parent holding company, reported sole voting power over 2,286,663 shares, shared voting power over 232,260 shares, sole dispositive power over 2,602,363 shares and shared dispositive power over 7,160 shares. The address of Mellon Financial Corporation is One Mellon Center, Pittsburgh, PA 15258.
- (3) Includes 125,000 shares held by a limited partnership controlled by Mr. Wiesler.
- (4) Includes 23,400 shares held by members of Mr. Tyson's family.

Item 13. Certain Relationships and Related Transactions

PART IV
Item 14. Exhibits, Financial Statement Schedule and Reports on Form 8-K

(a) The following documents are filed as part of this Report:

(1) Financial Statements

Report of Independent Accountants

Consolidated Balance Sheets as of September 30, 2001 and 2000

Consolidated Statements of Operations for the years ended September 30, 2001, 2000 and 1999

Consolidated Statements of Stockholders' Equity for the years ended September 30, 2001, 2000 and 1999

Consolidated Statements of Cash Flows for the years ended September 30, 2001, 2000 and 1999

Notes to Consolidated Financial Statements

(2) Financial Statement Schedule

Schedule II-Valuation and Qualifying Accounts

Schedules not included herein are omitted because they are not applicable or the required information appears in the consolidated financial statements or notes thereto.

(3) Exhibits

**PRI AUTOMATION, INC.
EXHIBIT INDEX**

Exhibit Number	Description
2.1	Combination Agreement dated as of November 24, 1998 among the Company, 1325949 Ontario Inc. and Promis Systems Corporation Ltd. (filed as Exhibit 2.1 to the Company's Registration Statement on Form S-3, File No. 333-69721, and incorporated herein by reference).
2.2	Agreement and Plan of Merger dated as of October 23, 2001 among Brooks Automation, Inc., the

Company and Pontiac Acquisition Corp. (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed October 26, 2001 and incorporated herein by reference).

3.1 Restated Articles of Organization and amendments thereto (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed November 1, 2001 and incorporated herein by reference).

3.2 Amended and Restated By-Laws of the Company (filed as Exhibit 3.4 to the Company's Registration Statement on Form S-1, File No. 33-81836, and incorporated herein by reference).

4.1 Specimen certificate for the Common Stock of the Company (filed as Exhibit 4.1 to the Company's Registration Statement on Form S-1, File No. 33-81836, and incorporated herein by reference).

4.2 Rights Agreement dated as of December 9, 1998 between the Company and State Street Bank and Trust Company, as Rights Agent (filed as Exhibit 4.1 to the Company's Form 8-K filed on December 10, 1998 and incorporated herein by reference).

4.3 Amendment No. 1 to Rights Agreement dated as of October 22, 2001 between the Company and State Street Bank and Trust Company, as Rights Agent (filed as Exhibit 4.3 to the Company's Current Report on Form 8-K filed November 1, 2001 and incorporated herein by reference).

4.4 Amendment No. 2 to Rights Agreement dated as of October 23, 2001 between the Company and State Street Bank and Trust Company, as Rights Agent (filed as Exhibit 4.4 to the Company's Current Report on Form 8-K filed November 1, 2001 and incorporated herein by reference).

4.5 Form of Rights Certificate (filed as Exhibit 4.5 to the Company's Current Report on Form 8-K filed November 1, 2001 and incorporated herein by reference).

4.6 Plan of Arrangement under Section 192 of the Canada Business Corporations Act dated March 2, 1999 of PRI Automation (Canada), Inc. (formerly known as Promis Systems Corporation Ltd.) (filed as Exhibit 99.1 to the Company's Registration Statement on Form S-3, File No. 333-69721, and incorporated herein by reference).

4.7 Voting and Exchange Trust Agreement dated March 2, 1999 among the Company, 1325949 Ontario Inc., Promis Systems Corporation Ltd. and Montreal Trust Company of Canada, as trustee (filed as Exhibit 99.2 to the Company's Registration Statement on Form S-3, File No. 333-69721, and incorporated herein by reference).

4.8 Support Agreement dated March 2, 1999 among the Company, 1325949 Ontario Inc. and Promis Systems Corporation Ltd. (filed as Exhibit 99.3 to the Company's Registration Statement on Form S-3, File No. 333-69721, and incorporated herein by reference).

10.1* 1994 Incentive and Non-Qualified Stock Option Plan of the Company (filed as Exhibit 10.5 to the Company's Registration Statement on Form S-1, File No. 33-81836, and incorporated herein by reference).

- 10.2* 1997 Non-Incentive Stock Option Plan of the Company, as amended (filed as Exhibit 10.2 to the Company's Annual Report on Form 10-K for the year ended September 30, 2000 and incorporated herein by reference).
- 10.3* Amended and Restated Stock Option Plan dated September 30, 1998 of PRI Automation (Canada), Inc. (formerly known as Promis Systems Corporation Ltd.) (filed as Exhibit 4.4 to the Company's Form S-8, File No. 333-74141, and incorporated herein by reference).
- 10.4* 2000 Employee Stock Purchase Plan of the Company (filed as Exhibit 10.2 to the Company's Registration Statement on Form S-8, File No. 333-33894, and incorporated herein by reference).
- 10.5* 2000 Stock Option Plan of the Company, as amended (filed as Exhibit 10.8 to the Company's Annual Report on Form 10-K for the year ended September 30, 2000 and incorporated herein by reference).
- 10.6* Form of Retention Agreement dated as of October 23, 2000 between the Company and each of its executive officers and certain other officers (filed as Exhibit 10.9 to the Company's Annual Report on Form 10-K for the year ended September 30, 2000 and incorporated herein by reference).
- 10.7* Employment Agreement dated as of July 5, 2001 between the Company and Mordechai Wiesler.***
- 10.8* Employment Agreement dated as of October 23, 2001 among the Company, Mitchell G. Tyson and Brooks Automation, Inc.***
- 10.9* Severance Agreement dated as of March 30, 2001 between the Company and Edward A. Wagner ***
- 10.10 Management Agreement dated as of November 30, 2000 between the Company and Wan Keun Lee, as the majority shareholder of Shinsung Eng. Co. Ltd. (filed as Exhibit 10.4 to the Company's Annual Report on Form 10-K for the year ended September 30, 2000 and incorporated herein by reference).
- 10.11 Bond Subscription Agreement dated as of November 30, 2000 between the Company and Shinsung Eng. Co. Ltd. (filed as Exhibit 10.5 to the Company's Annual Report on Form 10-K for the year ended September 30, 2000 and incorporated herein by reference).
- 10.12 First Amendment to the Bond Subscription Agreement dated as of February 23, 2001 between the Company and Shinsung Eng. Co. Ltd. (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended April 1, 2001 and incorporated herein by reference).
- 10.13 Share Subscription Agreement dated as of November 30, 2000 between the Company and Shinsung Eng. Co. Ltd. (filed as Exhibit 10.6 to the Company's Annual Report on Form 10-K for the year ended September 30, 2000 and incorporated herein by reference).
- 10.14 Lease Agreement dated as of May 5, 1994 between the Company and The Prudential Insurance Company of America (filed as Exhibit 10.14 to the Company's Registration Statement on Form S-1, File No. 33-81836, and incorporated herein by reference).

-
- 10.15 Amendment to Lease dated as of July 24, 2000 between the Company and BCIA New England Holdings LLC (successor in interest to The Prudential Insurance Company of America).***
- 10.16 Lease Agreement dated as of May 28, 1996 between 170 University (Toronto) Partnership and PRI Automation (Canada), Inc. (formerly known as Promis Systems Corporation Ltd.) (filed as Exhibit 10.24 to the Company's Annual Report on Form 10-K for the year ended September 30, 1999 and incorporated herein by reference).
- 10.17 Lease Agreement dated as of March 9, 1998 between the Company and Lincoln-Whitehall Realty, L.L.C. (filed as Exhibit 10.24 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 29, 1998 and incorporated herein by reference).
- 10.18 Sublease Agreement dated as of March 18, 1998 between the Company and BAAN USA (filed as Exhibit 10.25 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 28, 1998 and incorporated herein by reference).
- 10.19 Lease Agreement dated as of October 22, 1999 between the Company and Spieker Properties, L.P. (filed as Exhibit 10.25 to the Company's Quarterly Report on Form 10-Q for the quarter ended January 2, 2000 and incorporated herein by reference).
- 10.20 Lease Agreement dated as of October 12, 2000 between the Company and Progress Road LLC.***
- 10.21 First Amendment to Lease dated as of March 21, 2000 between the Company and Progress Road LLC.***
- 10.22 Revolving Credit Agreement dated as of June 16, 1998 between the Company and The Chase Manhattan Bank (filed as Exhibit 10.28 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 28, 1998 and incorporated herein by reference).
- 10.23 First Amendment to Credit Agreement dated as of March 31, 2000 between the Company and Chase Manhattan Bank (filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended April 2, 2000 and incorporated herein by reference).
- 10.24 Second Amendment to Credit Agreement dated as of December 31, 2000 between the Company and Chase Manhattan Bank (filed as Exhibit 10.17 to the Company's Annual Report on Form 10-K for the year ended September 30, 2000 and incorporated herein by reference).
- 10.25 Joint Venture Agreement among the Company, Chung Song Systems Co., Ltd. and Shinsung Eng. Co. Ltd. (filed as Exhibit 10.26 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 28, 1998 and incorporated herein by reference).
- 21.1 List of Subsidiaries of the Company***

- 10.26 Master Engineering Services Agreement dated as of October 26, 1999 by and between the Company and Shinsung Eng. Co. Ltd.**
- 10.27 Master Manufacturing Services Agreement dated as of October 26, 1999 by and between the Company and Shinsung Eng. Co. Ltd.**
- 23.1 Consent of PricewaterhouseCoopers LLP**

* Management contracts and compensatory arrangements.

** Filed herewith.

*** Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended September 30, 2001, as filed with the Securities Exchange Commission on December 7, 2001.

46

(b) Reports on Form 8-K

The Company did not file a current report on Form 8-K during the fourth fiscal quarter ended September 30, 2001.

On October 26, 2001, the Company filed a current report on Form 8-K disclosing that the Company had entered into an Agreement and Plan of Merger with Brooks Automation, Inc. The merger is expected to close in the first calendar quarter of 2002 and is subject to certain conditions, including regulatory approvals, the approval of the merger by the Company's stockholders, and the approval by the Brooks' stockholders of the issuance of Brooks common stock in the merger.

On November 1, 2001, the Company filed a current report on Form 8-K to update the description of its capital stock.

47

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of
PRI Automation, Inc.:

In our opinion, the consolidated financial statements listed in the index appearing under Item 14(a)(1) present fairly, in all material respects, the financial position of PRI Automation, Inc. and its subsidiaries at September 30, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2001 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 14(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note A to the consolidated financial statements, during the year ended September 30, 2001 the Company changed its method of recognizing revenue.

PricewaterhouseCoopers LLP

Boston, Massachusetts
November 19, 2001

48

PRI AUTOMATION, INC.
CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

	September 30	
	2001	2000
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 58,968	\$ 92,484
Trade accounts receivable, less allowance for doubtful accounts of \$1,777 at 2001 and \$2,881 at 2000	31,561	73,019
Contracts in progress	2,270	23,668
Inventories	90,038	59,104
Other current assets	8,310	2,686
	<u>191,147</u>	<u>250,961</u>
Total current assets	191,147	250,961
Property and equipment, net	18,489	24,065
Investment in affiliate	4,890	-
Other assets, net	4,429	1,898
	<u>218,955</u>	<u>276,924</u>
Total assets	\$ 218,955	\$ 276,924
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 15,662	\$ 28,536
Accrued expenses and other liabilities	37,487	32,809
Accrued legal and restructuring costs	8,707	-
Billings in excess of revenues and customer advances	52,589	11,986
	<u>114,445</u>	<u>73,331</u>
Total current liabilities	114,445	73,331
Other long-term liabilities	753	946
Commitments and contingencies (Notes F and I)		
Stockholders' equity:		
Preferred stock \$.01 per value, 400,000 shares authorized; none outstanding	-	-
Common stock, \$.01 par value; 75,000,000 shares authorized; 25,593,329 and 25,011,938 issued and outstanding at 2001 and 2000, respectively	256	250
Additional paid-in capital	260,135	252,542
Accumulated other comprehensive loss	(7,445)	-

Accumulated deficit	(149,189)	(50,145)
Total stockholders' equity	103,757	202,647
Total liabilities and stockholders' equity	\$ 218,955	\$ 276,924

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

PRI AUTOMATION, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

	Year ended September 30		
	2001	2000	1999
Net revenue:			
Product and equipment	\$ 218,247	\$ 258,755	\$ 100,074
Services and maintenance	50,311	41,017	36,222
Total net revenue	268,558	299,772	136,296
Cost of revenue:			
Product and equipment	195,744	175,645	63,850
Services and maintenance	37,484	28,954	19,904
Total cost of revenue	233,228	204,599	83,754
Gross profit	35,330	95,173	52,542
Operating expenses:			
Research and development	62,175	54,568	45,480
Selling, general and administrative	50,373	49,885	38,642
Restructuring and other costs	17,340	-	6,375
Total operating expenses	129,888	104,453	90,497
Operating loss	(94,558)	(9,280)	(37,955)
Other income, net	3,353	2,554	2,935
Loss before income taxes and cumulative effect of change in accounting principle	(91,205)	(6,726)	(35,020)
Provision for income taxes	2,091	1,227	1,065
Loss before cumulative effect of change in accounting principle	(93,296)	(7,953)	(36,085)
Cumulative effect of change in accounting principle, net of tax	(5,748)	-	-

Net loss	\$ (99,044)	\$ (7,953)	\$ (36,085)
Net loss per common share, basic and diluted:			
Loss before cumulative effect of change in accounting principle	\$ (3.69)	\$ (0.34)	\$ (1.67)
Cumulative effect of change in accounting principle, net of tax	(0.23)	-	-
Net loss	\$ (3.92)	\$ (0.34)	\$ (1.67)
Weighted average number of shares outstanding, basic and diluted	25,265	23,645	21,628

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

PRI AUTOMATION, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount				
Balance, September 30, 1998	21,236	\$ 212	\$ 129,035	\$ (6,107)	\$ -	\$ 123,140
Exercise of stock options	859	9	10,091			10,100
Issuance of common stock in connection with the Employee Stock Purchase Plan	171	2	2,385			2,387
Stock-based compensation			236			236
Reduction in paid-in capital for contingent consideration			(278)			(278)
Comprehensive loss:						
Net loss				(36,085)		(36,085)
Balance, September 30, 1999	22,266	223	141,469	(42,192)	-	99,500
Exercise of stock options	1,091	11	18,030			18,041
Issuance of common stock in connection with the Employee Stock Purchase Plan	164	1	3,261			3,262
Issuance of common stock in connection with offering (net of expenses of \$5.5 million)	1,491	15	89,890			89,905
Reduction in paid-in capital for contingent consideration			(108)			(108)
Comprehensive loss:						
Net loss				(7,953)		(7,953)

Balance, September 30, 2000	25,012	250	252,542	(50,145)	–	202,647
Exercise of stock options	142	1	1,949			1,950
Issuance of common stock in connection with the Employee Stock Purchase Plan	369	4	4,048			4,052
Reduction in paid-in capital for contingent consideration			(328)			(328)
Acquisitions and other	70	1	1,924			1,925
Comprehensive loss:						
Net loss				(99,044)		(99,044)
Other comprehensive loss:						
Unrealized loss on investment in affiliate					(7,445)	(7,445)
Total comprehensive loss						(106,489)
Balance, September 30, 2001	25,593	\$ 256	\$ 260,135	\$ (149,189)	\$ (7,445)	\$ 103,757

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

PRI AUTOMATION, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Year ended September 30,		
	2001	2000	1999
Cash flows used in operating activities:			
Net loss	\$ (99,044)	\$ (7,953)	\$ (36,085)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:			
Depreciation and amortization expense	13,410	9,870	8,679
Provision for write-down of inventories	11,154	7,759	785
Provision for bad debts	(983)	683	(523)
Deferred income taxes	–	–	8,391
Write-downs of assets	2,944	–	–
Gain on investment in affiliate	(868)	–	–
Translation (gains) losses, net	1,419	721	(854)
Other, net	87	128	147
Changes in operating assets and liabilities:			
Trade accounts receivable	41,396	(42,353)	3,726
Contracts in progress	21,398	(17,650)	2,999
Inventories	(42,088)	(38,512)	(1,642)
Other assets	(5,664)	3,874	34

Accounts payable	(12,798)	12,042	4,760
Accrued expenses and other liabilities	4,669	15,822	1,916
Accrued legal and restructuring costs	8,707	–	–
Billings in excess of revenues and customer advances	40,621	59	(2,795)
	<u> </u>	<u> </u>	<u> </u>
Net cash used in operating activities	(15,640)	(55,510)	(10,462)
	<u> </u>	<u> </u>	<u> </u>
Cash flows used in investing activities:			
Investment in affiliate	(11,467)	–	–
Acquisitions	(750)	–	–
Purchases of property and equipment	(10,235)	(13,736)	(6,249)
Other, net	(329)	(108)	(574)
	<u> </u>	<u> </u>	<u> </u>
Net cash used in investing activities	(22,781)	(13,844)	(6,823)
	<u> </u>	<u> </u>	<u> </u>
Cash flows (used in) provided by financing activities:			
Proceeds from common stock offering, net	–	89,905	–
Repayment of capital lease obligations	(339)	(526)	(551)
Proceeds from exercise of stock options and Employee Stock Purchase Plan	6,002	21,303	12,487
Other, net	(27)	–	188
	<u> </u>	<u> </u>	<u> </u>
Net cash (used in) provided by financing activities	5,636	110,682	12,124
	<u> </u>	<u> </u>	<u> </u>
Effect of changes in exchange rates on cash	(731)	(709)	(21)
	<u> </u>	<u> </u>	<u> </u>
Net (decrease) increase in cash and cash equivalents	(33,516)	40,619	(5,182)
Cash and cash equivalents at beginning of year	92,484	51,865	57,047
	<u> </u>	<u> </u>	<u> </u>
Cash and cash equivalents at end of year	\$ 58,968	\$ 92,484	\$ 51,865
	<u> </u>	<u> </u>	<u> </u>
Supplemental disclosures of cash flow information:			
Cash paid (received) during the year for:			
Interest expense	\$ 42	\$ 92	\$ 125
Income taxes, net	\$ 946	\$ (4,846)	\$ 908
Non-cash transactions:			
Acquisition of Commotion Technology, Inc.	\$ 1,925	–	–

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

PRI AUTOMATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. Summary of Significant Accounting Policies:

Principles of Consolidation

The consolidated financial statements include the accounts of PRI Automation, Inc., its wholly owned domestic subsidiaries and its wholly owned and majority-owned foreign subsidiaries (collectively, the "Company"). All significant intercompany transactions and balances have been eliminated. Certain reclassifications have been made to prior years' financial statements to conform to the current presentation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and would impact future results of operations and cash flows. Significant estimates are inherent in determining revenue recognition and associated profits under the percentage-of-completion method.

Cash Equivalents

Cash equivalents consist of money market mutual funds, commercial paper, and other short-term investments with an original maturity of three months or less. Cash equivalents are classified as held to maturity and valued at amortized cost, which approximates fair market value.

Contracts in Progress

Contracts in progress include costs and estimated profits under incomplete contracts accounted for using the percentage-of-completion method, net of amounts billed. These amounts are expected to be collected within the next twelve months as units are delivered.

Fair Value of Financial Instruments, Concentration of Credit Risk and Significant Customers

Financial instruments that potentially subject the Company to significant credit risk consist principally of cash, cash equivalents, investment in affiliate, and trade accounts receivable. The Company generally invests its cash equivalents in investment-grade securities. The carrying value of financial instruments approximates their related fair values. The Company's customers are primarily concentrated in one industry, the semiconductor manufacturing and related capital goods industry. The Company's ten largest customers accounted for approximately 61%, 54% and 54% of revenue in fiscal years 2001, 2000 and 1999, respectively. During fiscal year 2001, two customers accounted for 21% and 11% of total revenue. In fiscal year 2000, two customers accounted for 14% and 12% of total revenue. In fiscal year 1999, revenue from one customer accounted for 21% of total revenue. Three customers accounted for 22%, 21% and 10% of gross accounts receivable at September 30, 2001. Two customers accounted for 18% and 12% of gross accounts receivable at September 30, 2000. The Company has not historically experienced significant credit losses related to its receivables.

Income Taxes

The Company recognizes deferred tax assets and liabilities based on temporary differences between the financial statement and tax bases of assets and liabilities using the expected tax rates in the year in

which the differences are expected to reverse. The Company provides a valuation allowance against net deferred tax assets if, based on the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

Inventories

Inventories, consisting of raw materials, work-in-process and finished goods, are stated at the lower of cost (determined principally on a first-in, first-out basis) or market.

Property and Equipment

Property and equipment are stated at cost. Betterments and major renewals are capitalized and included in property and equipment, while repairs and maintenance are charged to expense as incurred. Depreciation and amortization of property and equipment is provided using the straight-line method over the estimated useful lives of the assets. Upon retirement or sale, the cost of the assets disposed and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is credited or charged to operations.

Intangible Assets

Other assets includes the carrying value of goodwill and other intangible assets. Goodwill represents the excess of the purchase price over the fair value of net assets acquired. Other intangible assets are amortized on a straight-line basis over the estimated useful lives of the assets, ranging from two to five years.

Impairment of Long-Lived Assets

The Company reviews long-lived assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable or that the useful lives of these assets are no longer appropriate. Each impairment test is based on a comparison of the undiscounted cash flows to the recorded value of the asset. If an impairment is indicated, the asset is written down to its estimated fair value on a discounted cash flow basis. The cash flow estimates used to determine the impairment, if any, reflect management's best estimates using appropriate assumptions and projections at that time. Management believes that no significant impairment of its long-lived assets has occurred at September 30, 2001.

Billings in Excess of Revenues and Customer Advances

Billings in excess of revenues and customer advances include amounts billed on incomplete contracts, contracts accounted for using the percentage-of-completion method net of costs and estimated profits recognized, and customer service contracts paid in advance.

Revenue Recognition

Beginning October 1, 2000, revenue from certain systems at the Company's Factory Systems segment is recognized upon customer acceptance in accordance with the Securities and Exchange Commission ("SEC") Staff Accounting Bulletin No.101 ("SAB 101"). Prior to fiscal year 2001, revenue from such product sales was generally recorded upon shipment to the customer. The Company reported this accounting change in accordance with APB Opinion No. 20, "Accounting Changes," as a cumulative effect adjustment and recorded a non-cash charge of \$5,748,000 (net of income taxes), or a charge of \$0.23 per diluted share, to reflect the cumulative effect of a change in accounting principle.

The charge represents the net profit on \$18,386,000 of products that shipped during fiscal year 2000 but did not receive final customer acceptance during fiscal year 2000. The Company's reported revenue for fiscal year 2001 included \$15,058,000 of revenue that was part of the cumulative effect adjustment for products that shipped during fiscal year 2000 but did not receive final customer acceptance until 2001. The Company adopted SAB 101 in the fourth quarter of fiscal year 2001, retroactive to the beginning of the fiscal year (October 1, 2000) and therefore, the cumulative effect adjustment was reported in the first quarter of fiscal year 2001. Financial information for the first three quarters of fiscal year 2001 has been restated to reflect this change. Pro forma amounts for prior years have not been presented to reflect the change in accounting principle under SAB 101, primarily as a result of certain inherent limitations in the Company's information systems. The Company's information systems were not designed to track and accumulate the type of information required to fully evaluate and apply the impact of SAB 101, and as such, the process for fiscal year 2001 was largely a manual exercise. As a result, the Company did not believe it could determine the amounts for periods prior to fiscal 2001.

For certain contracts eligible under Statement of Position No. 81-1, "Accounting for Performance of Construction-Type and Certain Production-Type Contracts" ("SOP 81-1"), revenue on product sales is recognized using the percentage-of-completion accounting method based upon an efforts-expended method. In all cases, changes to total estimated costs and anticipated losses, if any, are recognized in the

period in which determined. Revenue recognized under the percentage-of-completion accounting method was approximately \$58,193,000, \$72,927,000 and \$23,383,000 during fiscal years 2001, 2000, and 1999, respectively. Product and installation revenue for systems in the Company's Factory Systems segment that do not qualify for the percentage-of-completion accounting method is recognized upon customer acceptance in accordance with SAB 101. The fair value of all other elements, including service and support revenue, is based upon the price charged when these elements are sold separately and unaccompanied by other elements and is generally recognized ratably over the applicable contract periods or as the services are performed. Estimated warranty costs are accrued within cost of revenue when revenue is recognized. The Company's arrangements do not typically contain any right of return privileges other than warranties after shipment or acceptance.

Revenue from product sales in the Company's OEM segment is generally recognized upon shipment to the customer. Generally, product sales in the OEM segment do not require installation or contain customer acceptance provisions, however, the Company's policy is that where installation is required or customer acceptance provisions are present, recognition of such revenue is deferred until installation is complete and acceptance has occurred.

Software license revenue is recognized upon delivery of the software and completion of a written agreement with the customer, provided fees are fixed or determinable, and collectibility of the related receivable is deemed probable by management. In the Company's software arrangements, service revenue and post-contract customer support revenue are unbundled from software license sales based upon the fair value of those services where such services are sold separately. The Company recognizes such revenue as the services are provided or ratably over the period of the related contract, as applicable. Where an arrangement requires significant production, customization or modification of software, and the service element does not meet the criteria for separate accounting set forth in Statement of Position 97-2, "Software Revenue Recognition" ("SOP 97-2"), the Company's accounting policy is to account for the entire arrangement in conformity with SOP 81-1 pursuant to SOP 97-2 using the percentage of completion method based on cost inputs. Revenues from training and consulting are recognized as services are performed.

Product and equipment net revenue includes revenue from all equipment sales, installation, project management and software licenses. Service and maintenance net revenue consists of service contracts,

spare part sales, repairs and upgrades, software maintenance contracts and consulting and training services.

Research and Development Costs

The Company expenses all engineering, research and development costs as incurred. Expenses subject to capitalization in accordance with Statement of Financial Accounting Standards ("SFAS") No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed," were insignificant for all periods presented.

Foreign Currency Translation

The Company's functional currency is the U.S. dollar. Assets and liabilities of foreign subsidiaries that are denominated in foreign currencies are remeasured into U.S. dollars at rates of exchange in effect at the end of the fiscal year, except for nonmonetary assets and liabilities, which are remeasured using historical exchange rates. Revenue and expense amounts are remeasured using an average of exchange rates in effect during the period, except those amounts related to nonmonetary assets and liabilities, which are remeasured at historical exchange rates. Net realized and unrealized gains and losses resulting from foreign currency remeasurement are included in the consolidated statements of operations as other income or expense.

Legal Expenses

The Company accrues estimated amounts for legal fees expected to be incurred in connection with loss contingencies when the fees to be incurred are both probable and estimable.

The Company continues to apply the accounting provisions of Accounting Principles Board ("APB") Opinion No. 25 and has elected the disclosure-only alternative permitted under SFAS No. 123, "Accounting for Stock-Based Compensation." The Company has disclosed pro forma net loss and pro forma net loss per share in Note H using the fair value based method.

Net Loss Per Common Share

Basic and diluted net loss per common share is computed using the weighted average number of common shares outstanding. Stock options to purchase 5,392,725, 3,886,926 and 3,759,387 shares were outstanding as of September 30, 2001, 2000, and 1999 respectively, but were not included in the computation of diluted loss per share because the Company was in a loss position and the inclusion of such shares would have had an anti-dilutive effect.

Comprehensive Loss

The Company presents comprehensive loss in its Consolidated Statement of Stockholders' Equity. Accumulated other comprehensive loss as of September 30, 2001 consists of the unrealized loss of \$7,445,000 on the Shinsung investment.

New Accounting Pronouncements

In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 141 ("SFAS No. 141"), "Business Combinations" and Statement of Financial

Accounting Standards No. 142 ("SFAS No. 142"), "Goodwill and Other Intangible Assets." SFAS No. 141 requires that all business combinations be accounted for under the purchase method only, eliminating the pooling-of-interests method and that certain acquired intangible assets in a business combination be recognized as assets apart from goodwill. SFAS No. 142 requires, among other things, the discontinuance of goodwill amortization, which is replaced with periodic tests of impairment of goodwill and that intangible assets other than goodwill be amortized over their useful lives. In addition, the standard includes provisions for the reclassification of certain existing recognized intangibles as goodwill, reassessment of the useful lives of existing recognized intangibles, reclassification of certain intangibles out of previously reported goodwill and the identification of reporting units for purposes of assessing potential future impairments of goodwill. SFAS No. 142 also requires the Company to complete a transitional goodwill impairment test six months from the date of adoption. SFAS No. 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 after June 30, 2001. The provisions of SFAS No. 142 will be effective for fiscal years beginning after December 15, 2001, however early adoption is permitted for companies with a fiscal year beginning after March 15, 2001 and was adopted by the Company on October 1, 2001. The impact of SFAS No. 142 will not have a material effect on the Company's financial position and results of operations.

In October 2001, the FASB issued Statement of Financial Accounting Standards No. 144 ("SFAS No. 144"), "Accounting for the Impairment or Disposal of Long-Lived Assets." The objectives of SFAS No. 144 are to address significant issues relating to the implementation of FASB Statement No. 121 ("SFAS No. 121"), "Accounting for the Impairment of Long-Lived Assets and for the Long-Lived Assets to Be Disposed Of," and to develop a single accounting model, based on the framework established in SFAS No. 121, for long-lived assets to be disposed of by sale, whether previously held and used or newly acquired. SFAS No. 144 is effective for financial statements issued for fiscal years beginning after December 15, 2001 and generally, its provisions are to be applied prospectively.

B. Cash and Cash Equivalents:

Cash and cash equivalents consisted of the following at September 30:

	<u>2001</u>	<u>2000</u>
	(in thousands)	
Cash on hand and deposited with banks	\$ 4,772	\$ 7,450
Money market funds	44,133	38,431
Short-term investments	10,063	46,603
	<u>\$ 58,968</u>	<u>\$ 92,484</u>

C. Inventories:

Inventories consisted of the following at September 30:

	<u>2001</u>	<u>2000</u>
	(in thousands)	
Raw materials	\$ 29,823	\$ 43,981
Work-in-process	9,898	6,248
Finished goods	50,317	8,875
	<u>\$ 90,038</u>	<u>\$ 59,104</u>

57

D. Property and Equipment:

Property and equipment consisted of the following at September 30:

	<u>Depreciable life</u>	<u>2001</u>	<u>2000</u>
		(in thousands)	
Machinery and equipment	2-7 years	\$ 38,626	\$ 41,232
Furniture and fixtures	5-7 years	7,931	7,415
Leasehold improvements	Shorter of life of lease or useful life	13,112	8,583
		<u>59,669</u>	<u>57,230</u>
Accumulated depreciation and amortization		(41,180)	(33,165)
		<u>\$ 18,489</u>	<u>\$ 24,065</u>

Depreciation expense was \$12,858,000, \$8,245,000, and \$7,364,000 for the fiscal year 2001, 2000 and 1999, respectively.

E. Other Income, Net:

Other income, net, consisted of the following for the three years ended September 30:

<u>2001</u>	<u>2000</u>	<u>1999</u>
-------------	-------------	-------------

(in thousands)

Interest income, net	\$ 3,349	\$ 3,283	\$ 2,110
Net translation and foreign exchange gains (losses)	(624)	(721)	854
Gain on investment in affiliate	868	–	–
Other, net	(240)	(8)	(29)
	<u>\$ 3,353</u>	<u>\$ 2,554</u>	<u>\$ 2,935</u>

F. Lease Commitments:

The Company leases manufacturing and office facilities and equipment under noncancelable operating leases expiring through the year 2011. Rent expense under operating leases was \$6,317,000, \$5,651,000, and \$4,418,000, for fiscal years 2001, 2000, and 1999, respectively. Obligations under capital leases were insignificant at September 30, 2001.

58

At September 30, 2001, future minimum payments required under all noncancelable operating leases were as follows:

Fiscal Year	Operating Leases (in thousands)
2002	\$ 6,235
2003	7,295
2004	6,471
2005	4,875
2006	3,983
2007 and thereafter	13,359
	<u> </u>
Total minimum lease payments	<u>\$ 42,218</u>

G. Accrued Expenses and Other Liabilities:

The significant components of accrued expenses and other liabilities consisted of the following at September 30:

	2001	2000
	(in thousands)	
Accrued expenses	\$ 4,500	\$ 8,764
Income taxes payable	3,313	1,199
Accrued compensation and benefits	7,903	9,910
Contract loss reserves	5,830	3,765
Warranty accrual	15,941	9,171
	<u> </u>	<u> </u>
	<u>\$ 37,487</u>	<u>\$ 32,809</u>

H. Stockholders' Equity:*Stock Options*

The Company's stock option plans provide for the granting of options to qualified employees and non-employee directors to purchase the Company's common stock at a price equal to the fair market value on the date of grant. Incentive stock options generally vest over five years and expire six years after issuance. Non-qualified stock options generally vest between zero and five years and expire between five and ten years after issuance. There were 642,131 shares available at September 30, 2001 for future grants of options. The Company increased the number of shares available for grant under its plans by 2,800,000, and 1,050,150 shares in fiscal years 2000 and 1999, respectively. Information with respect to option activity for the three years ended September 30 is as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding at September 30, 1998	3,545,670	\$ 13.78
Granted	1,532,805	32.37
Canceled	(460,354)	17.24
Exercised	(858,734)	11.76
Outstanding at September 30, 1999	3,759,387	19.17
Granted	1,949,850	49.95
Canceled	(730,919)	28.39
Exercised	(1,091,392)	16.53
Outstanding at September 30, 2000	3,886,926	33.53
Granted	2,482,348	17.10
Canceled	(834,282)	31.39
Exercised	(142,267)	13.71
Outstanding at September 30, 2001	5,392,725	\$ 26.80

	September 30,		
	2001	2000	1999
Options exercisable	1,630,087	999,217	1,025,154
Weighted average exercise price	\$ 25.61	\$ 23.74	\$ 14.40

60

Summarized information about stock options outstanding at September 30, 2001 is as follows:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding At 9/30/01	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable At 9/30/01	Weighted Average Exercise Price
\$ 2.03 – \$14.75	983,798	3.21	\$ 13.96	476,620	\$ 13.73
14.90 – 17.69	903,310	4.95	15.79	203,610	16.99

17.75 – 17.75	1,120,385	5.06	17.75	149,378	17.75
17.81 – 29.75	923,386	4.06	25.45	465,484	25.37
30.00 – 47.38	1,145,096	4.47	45.32	247,386	45.89
48.06 – 85.68	316,750	4.52	67.12	87,609	67.58
\$ 2.03 – \$85.68	5,392,725	4.38	\$ 26.80	1,630,087	\$ 25.61

On October 29, 1997, the Company granted Interval Logic Corporation ("ILC"), a subsidiary of the Company, common stock options in accordance with the Board of Directors' adoption of the 1997 Interval Logic Corporation Incentive and Non-Qualified Stock Option Plan, and reserved 5,000,000 shares of ILC authorized common stock. These options give ILC employees the option to purchase shares of ILC common stock at exercise prices ranging from \$0.10 to \$1.00 per share. The options vest over four years and expire after ten years. There were 3,693,610 shares available at September 30, 2001 for future grants of options. Information with respect to ILC option activity for the three years ended September 30 is as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding at September 30, 1998	2,015,250	\$ 0.10
Granted	391,750	0.19
Canceled	(154,765)	0.11
Exercised	(24,018)	0.10
Outstanding at September 30, 1999	2,228,217	0.11
Granted	434,000	1.00
Canceled	(244,741)	0.48
Exercised	(52,159)	0.10
Outstanding at September 30, 2000	2,365,317	0.24
Granted	101,500	1.00
Canceled	(1,236,604)	0.16
Exercised	(13,262)	0.33
Outstanding at September 30, 2001	1,216,951	\$ 0.39
	September 30,	
	2001	2000
Options exercisable	825,723	1,442,035
Weighted average exercise price	\$ 0.21	\$ 0.10
		\$ 0.10

Summarized information about ILC stock options outstanding at September 30, 2001 is as follows:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding At 9/30/01	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable At 9/30/01	Weighted Average Exercise Price
\$ 0.10	830,501	6.31	\$ 0.10	724,062	\$ 0.10

	1.00	386,450	8.61	1.00	101,661	1.00		
\$	0.10 – \$1.00	1,216,951	7.04	\$	0.39	825,723	\$	0.21

Employee Stock Purchase Plan

The Company offers an Employee Stock Purchase Plan ("ESPP") under which rights are granted to purchase shares of common stock at a price of 85% of the lesser of the market value of such shares at either the beginning or the end of each six-month offering period. The plan permits employees to purchase common stock through payroll deductions, which may not exceed 10% of an employee's compensation as defined in the plan. The Company reserved 70,000 shares of common stock for issuance under its plan during fiscal year 2000, and also adopted a new plan under which it reserved 350,000 shares. During fiscal year 2001, the Company authorized an additional 500,000 shares under the new plan. Shares purchased during fiscal years 2001, 2000 and 1999 were 368,949, 164,120, and 171,436, respectively, at average prices ranging from \$8.51 to \$28.90 per share. Shares available for future purchase under the ESPP totaled 370,453 at September 30, 2001.

Pro Forma Information

For purposes of determining pro forma compensation cost under SFAS No. 123, the fair value of both the Company and ILC options granted are estimated on the date of grant using the Black-Scholes valuation model with the following assumptions:

	September 30,		
	2001	2000	1999
Weighted average fair value of Company options	\$12.25	\$35.42	\$16.86
Weighted average fair value of ILC options	\$0.66	\$0.54	\$0.13
Options granted—Company	2,482,348	1,949,850	1,532,805
Options granted—ILC	101,500	434,000	391,750
Assumptions:			
Expected life of grants (years)	5	5	5
Risk-free interest rate	4%	6%	5%
Expected volatility	90%	85%	71%
Dividend yield	None	None	None

62

For purposes of determining pro forma compensation cost under SFAS No. 123, the fair value of each ESPP purchase right was estimated using the Black-Scholes valuation model with the following assumptions:

	September 30,		
	2001	2000	1999
Weighted average fair value of purchase rights	\$8.08	\$18.98	\$6.60
ESPP purchase rights granted	368,949	164,120	171,436
Assumptions:			
Expected life of purchase rights (years)	0.5	0.5	0.5
Risk-free interest rate	2.71% and 4.44%	6.11% and 6.25%	4.59% and 5.86%
Expected volatility	90% and 128%	72% and 120%	83% and 99%
Dividend yield	None	None	None

Had compensation costs for the Company's stock plans been determined on the fair market value at the grant dates for such awards, the Company's net loss and loss per share would approximate the pro forma amounts below:

	Years ended September 30,		
	2001	2000	1999
	(In thousands)		
Loss before cumulative effect of change in accounting principle:			
As reported	\$ (93,296)	\$ (7,953)	\$ (36,085)
Pro forma	\$ (117,832)	\$ (29,160)	\$ (50,304)
Loss per share before cumulative effect of change in accounting principle:			
Basic and diluted:			
As reported	\$ (3.69)	\$ (0.34)	\$ (1.67)
Pro forma	\$ (4.66)	\$ (1.23)	\$ (2.33)

The effects of applying SFAS No. 123 in this pro forma disclosure are not likely to be representative of the effects on reported net income (loss) for future years.

Rights Agreement

The Board of Directors of the Company adopted a Rights Agreement, dated as of December 9, 1998, between the Company and State Street Bank and Trust Company, as Rights Agent. In connection with this agreement, the Board distributed one purchase right for each share of common stock then or thereafter outstanding. The rights will become exercisable only under certain circumstances, such as if a person or group acquires beneficial ownership of 20% or more of the outstanding common shares of the Company or attempts to acquire such ownership through an unsolicited tender offer. Each right, when it becomes exercisable, will entitle the holder to purchase from the Company one one-hundredth of a share of Series A Participating Cumulative Preferred Stock, par value \$0.01 per share, of the Company, at a price of \$140. If a person or group acquires beneficial ownership of 20% or more of the outstanding common shares of the Company, each right will entitle its holder to purchase shares of the Company's Series A Participating Cumulative Preferred Stock with a value of twice the purchase price. Prior to any party acquiring 20% or more of the outstanding common shares of the Company or prior to the expiration date, the Board of Directors of the Company may redeem the rights in whole, but not

in part, at a price, in cash or common shares or other securities of the Company deemed by the Board of Directors to be at least equivalent in value, of \$.001 per right. The rights expire on December 9, 2008 unless otherwise redeemed by the Company prior to that date.

I. Contingent Liabilities:

Between October 1, 1998 and January 1, 2002 the Company issued an aggregate of 896,521 shares of common stock to employees who exercised options granted under the 1997 Non-Incentive Stock Option Plan and an aggregate of 129,547 shares of common stock to employees who participated in the 2000 Employee Stock Purchase Plan. These issuances were not registered under the Securities Act of 1933, as amended, due to an inadvertent failure to timely file Registration Statements on Form S-8 covering these transactions. The Company could be exposed to claims by some of its employees for rescission of these purchases. A rescission right involves the right of the employee to require the Company to repurchase the shares at the original exercise price plus interest. However, based on an investigation by the Company of these transactions, including subsequent dispositions by employees of the shares at prices higher than they paid, such that they have no rescission damages, the Company does not believe that the amount of any such potential rescission liability would be material to its financial condition or results of operations.

From November 2000 through January 2001, the Company and three of its directors (one an officer) were named as defendants in five virtually identical lawsuits filed in the United States District Court for the District of Massachusetts claiming, among other things, that the defendants violated certain securities laws and regulations. Each complaint sought certification as a class action on behalf of virtually all purchasers of the Company's stock from January 27, 2000 through September 11, 2000. The five cases have been consolidated, and the case is now entitled *In re PRI Automation, Inc. Securities Litigation*, Civil Action No. 00-123958-REK. A group of five persons has been appointed as lead plaintiff, and the court has approved the group's selection of lead counsel. A consolidated amended complaint was filed on October 16, 2001. The amended complaint claims that the defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and SEC Rule 10b-5, and also Sections 11 and 15 of the Securities Act of 1933, by virtue of statements and omissions that the plaintiffs claim were materially false or misleading. In substance, the amended complaint alleges that, throughout the class period, senior management of the Company knew that the Company's Factory Automation Systems division was encountering manufacturing problems in preparing its new TurboStocker product for higher-volume production, that those manufacturing problems were financially material to the Company, and that the Company did not adequately disclose those problems until the end of the class period. The amended complaint also alleges that the registration statement for a securities offering by the Company in May 2000 failed adequately to disclose these manufacturing problems. The amended complaint seeks damages, pre-judgment and post-judgment interest, costs and attorneys' fees. The Company (together with the defendant directors) filed a motion to dismiss and supporting papers on December 4, 2001. Argument on the motion has been rescheduled, and a new date has not yet been set. The Company strongly believes that the lawsuit lacks merit, and the Company intends to defend against the claims vigorously. However, the Company could incur substantial costs defending the lawsuit, has no insurance coverage relating to these claims, and has undertaken to indemnify the individual defendants for any losses they may suffer. Moreover, although the Company has established a reserve of \$2,980,000 for legal costs, the amount of that reserve may be inadequate. The lawsuits could also divert the time and attention of the Company's management. The Company cannot predict the outcome of the lawsuits at this time, and there can be no assurance that the litigation will not have a material adverse impact on its financial condition or results of operations.

J. Income Taxes:

Income (loss) before income taxes for domestic and foreign operations for the years ended September 30 was as follows:

	<u>2001</u>	<u>2000</u>	<u>1999</u>
	(in thousands)		
Domestic	\$ (95,058)	\$ (12,012)	\$ (36,637)
Foreign	3,853	5,286	1,617
Total	\$ (91,205)	\$ (6,726)	\$ (35,020)

The following summarizes the Company's provision for (benefit from) income taxes for the years ended September 30:

	<u>2001</u>	<u>2000</u>	<u>1999</u>
	(in thousands)		
Current tax (benefit) provision:			
Federal	\$ -	\$ 78	\$ (7,667)
State	100	221	21
Foreign	1,991	928	320
Total current (benefit) provision	2,091	1,227	(7,326)

Deferred provision (benefit):			
Federal	–	–	4,570
State	–	–	2,643
Foreign	–	–	1,178
	<u>–</u>	<u>–</u>	<u>8,391</u>
Total deferred provision			
	<u>–</u>	<u>–</u>	<u>8,391</u>
Total provision for income taxes	\$ 2,091	\$ 1,227	\$ 1,065
	<u>\$ 2,091</u>	<u>\$ 1,227</u>	<u>\$ 1,065</u>

The differences between the effective tax rates and the U.S. federal statutory tax rates were as follows:

	<u>2001</u>	<u>2000</u>	<u>1999</u>
U.S. federal income tax statutory rate	(34.0)%	(34.0)%	(34.0)%
Change in valuation allowance	34.1	60.5	43.4
State income taxes, net of federal benefit	–	2.8	(0.4)
Foreign rate differential	1.4	(8.5)	(0.1)
U.S. and foreign tax credits	–	(5.9)	(9.6)
Acquisition costs not deductible for tax purposes	–	–	3.9
Other	0.8	3.3	(0.2)
	<u>–</u>	<u>–</u>	<u>–</u>
Effective tax rate	2.3%	18.2%	3.0%
	<u>2.3%</u>	<u>18.2%</u>	<u>3.0%</u>

At September 30, the components of net deferred tax assets (liabilities) were as follows:

	<u>2001</u>	<u>2000</u>
	(in thousands)	
Gross deferred tax assets:		
Accruals and reserves	\$ 33,777	\$ 10,819
Intangible assets	1,893	2,135
Tax credits	6,593	8,376
Canadian R&D and capital cost allowances	8,209	8,709
Net operating losses	31,946	22,777
Depreciation	2,014	–
Other	515	6,474
	<u>84,947</u>	<u>59,290</u>
Total gross deferred tax assets		
	<u>84,947</u>	<u>59,290</u>
Gross deferred tax liabilities:		
Long-term contracts	(18)	(4,040)
Accounts receivable	–	(349)
Depreciation	–	(2,147)
	<u>(18)</u>	<u>(6,536)</u>
Total gross deferred tax liabilities		
	<u>(18)</u>	<u>(6,536)</u>

Valuation allowance	(84,929)	(52,754)
Net deferred tax assets	\$ -	\$ -

The Company experienced net operating losses during fiscal years 1998 and 1999 and, as a result, it believed that sufficient uncertainty existed regarding the realizability of the net deferred tax assets and accordingly it established a full valuation allowance in fiscal 1999. Due to the net operating losses in fiscal years 2000 and 2001, the Company has continued to maintain a full valuation allowance against its net deferred tax assets as of the end of fiscal 2001. The net increase in the valuation allowance during fiscal years 2001 and 2000 was \$32,175,000 and \$19,406,000, respectively.

At September 30, 2001, the Company had an aggregate U.S. federal net operating loss (NOL) of \$84,183,000 that is available to offset future taxable income. Approximately \$46,300,000 of the NOL is attributable to the exercise of stock options for which the tax benefit, when realized, will be recorded directly to stockholders' equity. The U.S. federal net operating loss available for carryforward begins to expire in fiscal year 2020. The Company also has U.S. federal credit carryforwards of \$2,582,000 that begin to expire in fiscal year 2005. The Company has available state net operating losses of \$64,000,000 that expire in fiscal year 2004 to fiscal year 2022 and state credit carryforwards of \$4,448,000 that expire beginning in fiscal year 2013. The Company also has non-U.S. credits of \$1,075,000 that begin to expire in fiscal year 2005. Ownership changes, as defined in the Internal Revenue Code, may have limited the amount of net operating loss carryforwards and research and development credit carryforwards that can be utilized annually to offset future taxable income and taxes payable. Subsequent ownership changes could further affect the limitation in future years.

K. Defined Contribution Plans:

Eligible employees can participate in the Company's 401(k) Savings and Retirement Plan by making voluntary contributions to the plan in amounts up to the statutory limit or 15% of their annual compensation. Currently, the Company has elected to match a portion of the employee deferral up to certain prescribed limits, and these matching contributions vest at a rate of 20% per year. The Company's contribution expense under these plans amounted to \$1,779,000, \$1,321,000, and \$1,118,000 for fiscal years 2001, 2000, and 1999, respectively.

Canadian employees are eligible to participate in the Registered Retirement Savings Plan ("RRSP") that allows voluntary contributions up to the statutory limit. The Company has elected to match a portion of the employee contributions, up to a maximum of \$5,000 per employee per year. These contributions are fully vested when made. The Company's contribution expenses under the RRSP were approximately \$363,000, \$332,000, and \$255,000 in fiscal years 2001, 2000, and 1999, respectively.

L. Segment Reporting and Geographic Information:

The Company operates in three primary segments, all within the semiconductor manufacturing and OEM equipment supply industry, which serve both domestic and international markets. These reportable operating segments consist of Factory Systems, OEM Systems, and Software Systems. These businesses are segregated into their respective reportable segments based on the Company's management reporting structure and its method of internal resource allocations. Additionally, the Company's product development processes and customers were evaluated in determination of the segments.

The Factory Systems segment provides automation products for interbay, intrabay and lithography automation as well as integration and support services to semiconductor manufacturers. The OEM Systems segment provides wafer-handling systems, software and services for semiconductor equipment suppliers. The Software Systems segment primarily provides manufacturing execution system ("MES") software and advanced planning and scheduling software to semiconductor manufacturers. This segment, however, does not include all of the Company's software products, as material control software ("MCS") and tool connectivity software are components of the other segments.

The Company's operating segments have no significant intersegment revenues and expenses, as revenues from all segments are generated from sales to unaffiliated customers. External revenues and expenses are allocated between the applicable segments. The Company's segments

are evaluated on an operating profit basis, and other income and expenses and income tax provisions or benefits are not calculated for the specific segments. Any results of operations or assets not specifically allocated to these segments are included in the Corporate and Other category. The Corporate and Other category assets include all non-identifiable assets, primarily cash and investments, deferred income taxes, and other current and non-current assets. Activity related to strategic technology development, corporate marketing, general corporate administrative expenses, merger costs and certain special charges, are included in the Corporate and Other segment. Depreciation expense and expenditures for long-lived assets by segment are not presented below as amounts are not used in measuring segment operating performance by the Company's chief operating decision maker. The accounting policies of the reportable segments are the same as those described in Note A, "Summary of Significant Accounting Policies."

Summary of Business Segments

	Year ended September 30,		
	2001	2000	1999
	(in thousands)		
Total net revenue to unaffiliated customers:			
Factory Systems	\$ 136,201	\$ 144,219	\$ 70,046
OEM Systems	105,071	118,210	41,496
Software Systems	27,286	37,343	24,754
Total net revenue	\$ 268,558	\$ 299,772	\$ 136,296
Segment operating (loss) profit*:			
Factory Systems	\$ (76,970)	\$ (35,710)	\$ (21,454)
OEM Systems	9,873	33,063	1,426
Software Systems	(5,782)	10,401	(3,062)
Other reconciling items:			
Corporate and other expenses	(21,679)	(17,034)	(14,865)
Consolidated operating loss	\$ (94,558)	\$ (9,280)	\$ (37,955)
Identifiable segment assets:			
Factory Systems	\$ 117,520	\$ 121,664	
OEM Systems	25,911	37,703	
Software Systems	12,774	15,413	
Identifiable segment assets	156,205	174,780	
Corporate and other	62,750	102,144	
Consolidated total assets	\$ 218,955	\$ 276,924	

* Special charges by segment for fiscal year 2001 were \$41,417,000 and consisted of \$30,949,000 for Factory Systems, \$3,735,000 for OEM Systems, \$2,878,000 for Software Systems and \$3,855,000 for Corporate. Significant special charges recorded within the Factory Systems segment included \$8,153,000 for contract losses, \$2,944,000 for a write-off of specialized demonstration equipment and a significant portion of the \$6,263,000 for warranty provisions primarily associated with the TurboStocker product. Special charges recorded within the Software Systems segment included \$545,000 for costs related to a terminated software development project. Special charges included within

Corporate and other expenses were \$2,980,000 for a reserve for legal costs to defend against a pending shareholder class action lawsuit and \$875,000 for acquisition-related fees. Special charges of \$9,661,000 related to inventory write-downs and costs associated with order cancellations consisted of \$7,561,000 at Factory Systems and \$2,100,000 at OEM Systems. Employee severance costs of \$7,460,000 consisted of \$4,319,000, \$935,000, and \$2,206,000 for Factory Systems, OEM Systems, and Software Systems, respectively. Costs for exiting leased facilities of \$2,536,000 consisted of \$2,409,000 for Factory Systems and \$127,000 for Software Systems. Segment operating loss in fiscal year 2000 includes special charges of \$25,337,000 for Factory Systems consisting of \$14,657,000 related to inventory provisions and write-downs, \$4,765,000 for contract losses, \$4,113,000 charged to revenue primarily for provisions for late delivery penalties \$1,233,000 for warranty expense and other items, and \$569,000 for employee severance costs. Segment operating loss in fiscal year 1999 includes special charges of \$6,375,000 for Software Systems consisting of legal, accounting and investment banking fees and other costs incurred in consolidating the Company's business unit structure. See Note N for further information.

Summary of Geographic Information

Information as to the Company's revenues in different geographical areas for the years ended September 30 were as follows. Sales are attributable to geographic areas based on location of customers.

	2001		2000		1999	
	Revenues	%	Revenues	%	Revenues	%
	(\$ in thousands)					
United States	\$ 167,059	62.2%	\$ 191,570	63.9%	\$ 91,632	67.2%
Korea	18,331	6.8%	19,604	6.5%	1,010	0.7%
Germany	13,531	5.0%	15,024	5.0%	15,990	11.7%
China	13,073	4.9%	302	0.1%	–	0.0%
Taiwan	11,559	4.3%	24,477	8.2%	6,012	4.4%
Rest of world	45,005	16.8%	48,795	16.3%	21,652	16.0%
Total net revenue	\$ 268,558	100.0%	\$ 299,772	100.0%	\$ 136,296	100.0%

Long-lived assets, including property and equipment, goodwill, intellectual property and other intangible assets by geographical areas as of September 30 were as follows:

	2001	2000
	(in thousands)	
United States	\$ 25,038	\$ 21,575
Canada	1,308	2,991
Rest of world	465	453
Total long-lived assets	\$ 26,811	\$ 25,019

M. Investments:

During fiscal year 2001 the Company acquired two companies, Commotion Technology, Inc. in exchange for 103,852 shares of the Company's common stock and WaferState Controls, Inc. for \$1,500,000 in cash of which \$750,000 was paid in the year. Both of these acquisitions were accounted for as purchases, and the results of operations of these acquired companies are reflected in the Company's statements of operations from the dates of the acquisitions. The Company recorded intangible assets of \$2,027,000 and goodwill of \$1,393,000 related to these acquisitions. These acquisitions did not materially impact consolidated results; and therefore, no pro forma information is provided.

On December 1, 2000, the Company signed a strategic alliance agreement with Shinsung Engineering Co. Ltd. ("Shinsung"), a South Korean manufacturer of semiconductor clean room equipment and other industrial systems, to assemble the Company's automated storage and retrieval systems. As part of the strategic alliance, the Company made a minority investment of \$11,467,000 in Shinsung in exchange for 3,109,091 common shares and warrants to purchase an additional 3,866,900 common shares. The 3,109,091 common shares represented approximately 11% of the outstanding common shares of Shinsung at the time of the investment. The cost of the investment was allocated to the common shares and warrants based on their respective fair values at the time of the investment. The common shares and warrants are included in investment in affiliate on the Consolidated Balance Sheet at their fair market values of \$2,399,000 and \$2,491,000, respectively, at September 30, 2001. The change in the fair market value of the common shares resulted in an unrealized loss of \$3,015,000 for

the year ended September 30, 2001, and is reported as a separate component of other comprehensive loss. The fair value of the common stock of Shinsung was determined using the closing price per share on the Korean stock exchange at the end of each reporting period. The fair value of the Shinsung warrants was determined using the Black-Scholes valuation model assuming an exercise price of 3200 Korean Won, contractual term of 10 years, dividend rate of zero, volatility of 100% and risk free interest rate of 6.92%.

Prior to February 23, 2001 the warrants were being accounted for as a derivative instrument under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" since the warrants met the criteria for treatment as a derivative as defined by paragraphs 6-9 of SFAS No. 133 and in particular, the warrants were readily convertible into cash. The increase in the fair value of the warrants of \$868,000 between the beginning of fiscal year 2001 and the amendment of the warrant agreement on February 23, 2001 is therefore included in other income in the consolidated statement of operations for the year ended September 30, 2001.

On February 23, 2001, the Company and Shinsung amended the warrant agreement to provide that upon exercise of the warrants into common stock, the Company is restricted from selling or transferring the stock for a period of 33 days after the date of exercise and the warrants may not be transferred or sold to any third party. Following the amendments, the warrants are no longer readily convertible into cash and therefore no longer fall within the scope of SFAS No. 133. Since February 23, 2001 the warrants are being accounted for in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities", pursuant to EITF 96-11, "Accounting for Forward Contracts and Purchased Options to Acquire Securities Covered by FASB Statement 115." Accordingly, the decline in the fair value of the warrants after February 23, 2001 through September 30, 2001 of \$4,430,000 is reported as a separate component of other comprehensive loss.

The warrants and common stock were not deemed to be other than temporarily impaired at September 30, 2001, as defined by SAB 59, "Accounting for Noncurrent Marketable Equity Securities," primarily due to the fact that the fair value of the warrants and common stock at September 30, 2001 had been less than the initial investment for a period of less than three months, combined with the recovery in the quoted share price of Shinsung subsequent to September 30, 2001.

N. Special Charges:

For the year ended September 30, 2001, the Company recorded special charges of \$41,417,000 in its second and fourth fiscal quarters. These charges consisted of \$24,077,000 charged to cost of sales and \$17,340,000 charged to restructuring and other costs.

Special charges to cost of sales of \$24,077,000 in fiscal year 2001 included contract losses of \$8,153,000, \$6,263,000 for additional warranty provisions, and \$9,661,000 for inventory write-downs and costs associated with order cancellations. The \$8,153,000 charge for contract losses was recorded in the fourth quarter of fiscal year 2001, when the Company determined that an additional reserve was required in

connection with the Company's first full factory automation system in a 300 mm production fab. The increased reserve was required due to higher estimates of the costs to complete the project, including the impact of various engineering design modifications and the completion of certain project scope changes in the fourth quarter. This contract is expected to be completed during fiscal year 2002. The warranty provision of \$6,263,000 related primarily to increased material and service costs for a program initiated in the fourth quarter of fiscal year 2001 to repair and retrofit TurboStocker product already installed in the field. The retrofit program resulted from certain operational problems at selected customers. The \$9,661,000 charge for inventory write-downs and costs associated with order

cancellations consisted of \$6,596,000 for a general increase in excess and obsolete inventory due to a significant decline in new business orders as well as order cancellations resulting from the semiconductor capital equipment industry downturn during fiscal year 2001, combined with \$3,065,000 of obsolete inventory for a discontinued product line in the fourth quarter at Factory Systems.

Restructuring and other costs of \$17,340,000 in fiscal year 2001 consisted of \$7,460,000 for employee severance costs, \$2,980,000 for a reserve for legal costs to defend against a pending shareholder class action lawsuit (see Note I for further information), \$2,944,000 for the write-off of specialized demonstration equipment taken out of service in the second quarter, \$2,536,000 for costs associated with exiting leased facilities, \$875,000 for acquisition-related fees, and \$545,000 for costs related to a software development project that was terminated in the second quarter. The Company initiated during the second and fourth quarters of fiscal year 2001 a series of cost-cutting programs in response to the industry downturn that included workforce reductions and a reduction in a number of leased facilities. The reduction in the Company's worldwide workforce in fiscal year 2001 was approximately 620 people or 35%, consisting of both temporary and full-time employees. Annualized savings associated with the workforce reductions are anticipated to be approximately \$36,000,000. The Company expects the majority of the remaining accrued restructuring and other costs to be paid by the end of 2002.

For the year ended September 30, 2000, the Company recorded special charges of \$25,337,000 in its fourth fiscal quarter. These costs consisted of \$4,113,000 charged to revenue, \$20,655,000 charged to cost of sales, and \$569,000 charged to operating expenses for employee severance.

The \$4,113,000 charge to revenue represented primarily a provision for customer late delivery penalties at the Company's Factory System segment. Special charges to cost of sales recorded in the fourth quarter of fiscal year 2000 were \$20,655,000, and included \$14,657,000 related to inventory provisions and write-downs, \$4,765,000 for contract losses, and \$1,233,000 for provisions for warranty expense and other items. The \$14,657,000 of inventory reserves and write-downs related to an additional excess and obsolete inventory provision of \$6,659,000 and an inventory cost valuation adjustment of \$7,998,000. The inventory provision of \$6,659,000 primarily resulted from design changes related to the Company's TurboStocker product following certain manufacturing and supply chain problems. The inventory cost valuation adjustment of \$7,998,000 primarily resulted from significant fourth quarter manufacturing inefficiencies due to increased manufacturing, assembly, and test time for the TurboStocker product to meet specifications. The contract loss reserve of \$4,765,000 consisted of \$3,765,000 related to a new order in the fourth quarter of fiscal year 2000 for the Company's first full factory automation system in a 300 mm production fab, where total cost estimates exceeded the contract value, and \$1,000,000 for one additional loss making contract. The additional warranty accrual of \$1,233,000 was primarily due to an increase in warranty costs for TurboStocker product installed in the field.

For the year ended September 30, 1999, the Company recorded restructuring and other costs of \$6,375,000. The Company recorded special charges of \$650,000 in the first quarter, as a provision for severance relating to the termination of 62 employees. This workforce reduction occurred in response to a downturn in the semiconductor equipment industry. In the second quarter, the Company recorded costs of \$3,950,000 related to the acquisition of Promis, primarily consisting of legal, accounting and investment banking fees. Additionally, in the second quarter, the Company recorded special charges of \$1,850,000 consisting of \$1,406,000 for compensation-related costs for five management personnel in the selling, general, and administrative functions to satisfy existing contractual obligations related to the acquired companies; \$196,000 of costs associated with exiting leased facilities; and \$248,000 for other

After the impact of SAB 101	84,704	72,942	61,826	49,086	\$ 268,558
Gross profit:					
As reported	31,273	15,000	12,801	(11,111)	47,963
Effect of change in accounting principle	(5,222)	(3,752)	(3,659)	–	(12,633)
After the impact of SAB 101	26,051	11,248	9,142	(11,111)	35,330
Net income (loss):					
As reported	1,214	(26,006)	(14,177)	(41,694)	(80,663)
Effect of change in accounting principle	(5,222)	(3,752)	(3,659)	–	(12,633)
Cumulative effect of change in accounting principle	(5,748)	–	–	–	(5,748)
After the impact of SAB 101	\$ (9,756)	\$ (29,758)	\$ (17,836)	\$ (41,694)	\$ (99,044)
Basic and diluted net income (loss) per share:					
As reported	\$ 0.05	\$ (1.03)	\$ (0.56)	\$ (1.64)	\$ (3.19)
Effect of change in accounting principle	(0.21)	(0.15)	(0.14)	–	(0.50)
After the impact of SAB 101	(0.16)	(1.18)	(0.70)	(1.64)	(3.69)
Cumulative effect of change in accounting principle	(0.23)	–	–	–	(0.23)
Net income (loss) per share	\$ (0.39)	\$ (1.18)	\$ (0.70)	\$ (1.64)	\$ (3.92)

Year ended September 30, 2000

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter(c)	Total Year
Net revenue	\$ 58,693	\$ 76,669	\$ 88,873	\$ 75,537	\$ 299,772
Gross profit	21,378	30,050	36,444	7,301	95,173
Net income (loss)	\$ 294	\$ 5,806	\$ 9,831	\$ (23,884)	\$ (7,953)
Net income (loss) per share:					
Basic	\$ 0.01	\$ 0.25	\$ 0.41	\$ (0.96)	\$ (0.34)
Diluted	\$ 0.01	\$ 0.23	\$ 0.38	\$ (0.96)	\$ (0.34)

- (a) The results of the second quarter of fiscal year 2001 were affected by special charges related to inventory write-downs of \$4,496,000, employee severance costs of \$4,093,000, a reserve for legal costs to defend against a pending shareholder class action lawsuit of \$2,980,000, a write-down of impaired assets of \$2,944,000 and facilities exit costs and other costs including product discontinuance of \$1,871,000.
- (b) The results of the fourth quarter of fiscal year 2001 were affected by special charges related to contract losses of \$8,153,000, warranty provisions of \$6,263,000, inventory provisions and write-downs of \$5,165,000, employee severance costs of \$3,367,000, and facilities exit costs of \$2,085,000.
- (c) The results of the fourth quarter of fiscal year 2000 were affected by special charges related to inventory provisions and write-downs of \$14,657,000, provisions for contract losses and customer penalties of \$8,878,000 and provisions for warranty and other items of

QuickLinks

[PART I](#)

[PART II](#)

[PART III](#)

[SUMMARY COMPENSATION TABLE](#)

[OPTION GRANTS IN LAST FISCAL YEAR](#)

[OPTION EXERCISES AND FISCAL YEAR-END OPTION VALUES](#)

[PART IV](#)

[PRI AUTOMATION, INC. EXHIBIT INDEX](#)

[PRI AUTOMATION, INC. CONSOLIDATED BALANCE SHEETS \(In thousands, except share data\)](#)

[PRI AUTOMATION, INC. CONSOLIDATED STATEMENTS OF OPERATIONS \(In thousands, except per share data\)](#)

[PRI AUTOMATION, INC. CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY \(In thousands\)](#)

[PRI AUTOMATION, INC. CONSOLIDATED STATEMENTS OF CASH FLOWS \(In thousands\)](#)

[PRI AUTOMATION, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS](#)

[Summary of Business Segments](#)

[Summary of Geographic Information](#)

[SCHEDULE II: Valuation and Qualifying Accounts PRI AUTOMATION, INC. For Years Ended September 30, 2001, 2000 and 1999 \(In thousands\)](#)

[SIGNATURES](#)

PRIVATE AND CONFIDENTIAL

MASTER ENGINEERING SERVICES AGREEMENT

This MASTER ENGINEERING SERVICES AGREEMENT (the "Agreement") is entered into as of October 26, 1999 (the "Effective Date") by and between PRI Automation, Inc., a Massachusetts corporation with its principal offices located at 805 Middlesex Turnpike, Billerica, Massachusetts 01821, USA. ("PRI"), and Shinsung Eng. Co., Ltd., a South Korean corporation with its principal place of business located at 327 Dagson-Dong, 6Ka, Yeongdeungpo-Ku, Seoul, 150046, Korea ("Shinsung").

Background.

1. PRI designs and manufactures factory automation systems primarily used to automate the fabrication of integrated circuits.
2. PRI wishes to engage Shinsung from time to time to provide certain engineering services for Projects (as defined below) in connection with the development of certain technology which will be owned by PRI.
3. Shinsung wishes to and represents that it has the capability and expertise to complete the Projects in a timely manner and on-budget and on the terms and conditions set forth below.
4. The parties intend that the terms of this Agreement shall govern all individual Projects which Shinsung is engaged by PRI to perform from time to time.

Now, therefore, in consideration of the mutual obligations and covenants contained in this Agreement, the parties agree as follows:

1. DEFINITIONS.

In addition to the capitalized terms defined on first use in this Agreement, the following terms shall be defined as follows:

1.1 "Deliverables" shall mean, in connection with a particular Project, the items which are to be delivered by Shinsung to PRI in connection with such Project, including the items set forth on the Statement of Work for such Project.

1.2 "Intellectual Property" shall mean any and all patents, copyrights, trademarks, trade secrets, confidential information, know-how, and proprietary rights and information of any kind or nature whatsoever and all rights and privileges relating to any effort to establish, perfect, and defend such rights including, without limitation, the right to prepare and prosecute applications and registrations, all rights of licensing, transfer, and assignment, and the right to prosecute infringement claims.

1.3 "Project" shall mean a project identified on a Statement of Work. "Project" shall include, without limitation, provision of the Services and delivery of the Deliverables.

1.4 "Project Creations" shall mean all ideas, creations, inventions, discoveries, improvements, designs, methods, algorithms, computer programs, written works, research, data and information of any kind, whether or not patentable or copyrightable, that are made, conceived, reduced to practice or authored by Shinsung, alone or jointly with others, and that arise from or relate to any aspect or aim of a Project or make use of any Proprietary Information. The Project Creations shall include, without limitation, all tangible representations and embodiments of the foregoing,

including all prototypes, disks, diskettes, tapes, computer printouts, listings, flow charts, manuals, diagrams, letters, notes, notebooks, lab books, documents, reports, and models, as well as the Deliverables.

1.5 "Proprietary Information" shall mean all ideas, creations, inventions, discoveries, improvements, designs, methods, algorithms, computer programs, written works, research, data and information of any kind, whether oral, written, or in machine-readable or any other form, which is confidential or proprietary to PRI or to any third party that has furnished it to PRI. Without limiting the foregoing, "Proprietary Information" shall include: all Project Creations; any information arising from or relating to a Project furnished to Shinsung by PRI; any information identified as "Proprietary Information" in a Statement of Work; and any information relating to the substance of this Agreement and any Project under this Agreement, including all information contained in this Agreement.

1.6 "Services" shall mean the services which are to be performed for PRI by Shinsung in connection with this Agreement and any and all Projects arising under this Agreement, including, without limitation, those services set forth on the Statement of Work for such Project.

1.7 "Specifications" shall mean, in connection with a particular Project, the requirements and specifications for any Deliverable or Services as set forth on the Statement of Work for such Project or otherwise provided by PRI to Shinsung or developed by Shinsung in connection with such Project. "Specifications" shall include, without limitation, PRI's requirements for form, fit, function, performance, and reliability.

1.8 "Statement of Work" shall mean, in connection with a particular Project, the statement of work for such Project attached hereto setting out, among other things, the Services, Deliverables, Milestones and Completion Date for such Project. The standard form of Statement of Work for use by the parties is attached as EXHIBIT A hereto.

2. PROJECTS.

2.1 MASTER AGREEMENT. In accordance with the terms of this Agreement, PRI may from time to time, in its sole discretion, submit to Shinsung a proposed Statement of Work signed by an authorized representative of PRI. Shinsung may, in its sole discretion, provide an estimate of its fees and expenses for completion of the Project described in the proposed Statement of Work and notify PRI of any changes it considers necessary to the proposed Statement of Work. In the event that PRI and Shinsung agree on the terms of a Statement of Work, the agreed Statement of Work shall be signed by an authorized representative of each party. Upon signature by an authorized representative of each party, such Statement of Work shall be deemed to be a Statement of Work under this Agreement. The Statement of Work shall be governed by the terms of this Agreement except to the extent otherwise expressly stated, or supplemented, in such Statement of Work. This Agreement is non-exclusive. PRI retains the right to submit a proposed Statement of Work to a third party for quotation and completion of the Project described in such proposed Statement of Work.

2.2 PERFORMANCE BY SHINSUNG. Shinsung shall perform all work required by a Project, including providing the Services and delivering the Deliverables, in accordance with the Statement of Work for such Project. Shinsung shall complete the Project by the date identified on the Statement of Work for such Project (the "Completion Date"). Shinsung shall immediately notify PRI of any cause which may delay its performance. Each party shall designate a manager for a Project, identified on the Statement of Work for such Project (the "Project Manager"), and at PRI's request, the Project Managers shall meet and confer to discuss any and all aspects of such Project.

2.3 BIDS, QUOTATIONS OR PURCHASE ORDERS. Except for a Statement of Work, no bid, quotation, purchase order or other similar form may vary the terms and conditions hereunder, and any term or condition thereof that is inconsistent with or additional to the terms and conditions hereunder shall not be binding.

2.4 ADDITIONAL GOODS AND SERVICES. In the event that, during the course of a Project, PRI desires goods or services related to the Project in addition to Deliverables and Services, PRI shall issue, and Shinsung shall use its best

efforts to accept, a purchase order setting forth such additional goods and services, and provided that a price for them

-2-

<Page>

PRIVATE AND CONFIDENTIAL

shall have been agreed to by the parties. Any such additional goods or services provided by Shinsung to PRI shall be deemed Deliverables and Services for such Project, respectively, for purposes of this Agreement.

2.5 INSPECTION; RECORDS. PRI shall have access at all reasonable times in the course of a Project to inspect any facility at which Shinsung is performing hereunder, and Shinsung shall assist PRI in any such inspection. Shinsung shall maintain detailed and accurate written records of work performed under this Agreement; such records shall be available for review by PRI, and Shinsung shall provide copies of such records to PRI at PRI's request.

2.6 CHANGE ORDERS. Subject to the terms of this Agreement, PRI may make changes in any aspect of a Project, including, without limitation, changes in Services, Deliverables, Specifications, quantities of Services and Deliverables, Milestones, and Completion Date for a Project. Shinsung shall advise PRI in writing within seventy two (72) hours after PRI informs Shinsung of a change in any aspect of a Project if Shinsung believes such change would require an increase or decrease in the cost of, or the time required for, performance; Shinsung's failure to so advise PRI shall constitute Shinsung's acceptance of such change and a waiver of any and all rights of Shinsung to object to such change, including receiving additional payment or an increase in the time required to perform. If Shinsung does so advise PRI, then PRI shall either rescind such change, with neither party having any further obligation regarding such change, or confirm such change, with the parties agreeing on an equitable adjustment to the Project Price, Milestones or Completion Date for the particular Project. Any change made to a Project pursuant to this Section 2.6 shall be memorialized in writing by the PRI Project Manager for the particular Project.

3. PAYMENTS; PROJECT PRICE.

3.1 PAYMENTS. As full consideration for completion of a Project, PRI shall make payments to Shinsung in the amounts and upon completion of the events (the "Milestones") specified in the Statement of Work for such Project. Payment for any Milestone is due [FORTY-FIVE (45)] days after receipt of an invoice from Shinsung for payment bearing the applicable Project reference number and indicating the successful completion of such Milestone.

3.2 PROJECT PRICE. Subject to the terms and conditions of this Agreement, PRI shall pay the price for completion of a Project listed on the Statement of Work for such Project (the "Project Price"). Shinsung shall bear all other costs and expenses incurred in Korea by Shinsung in completing the Project, and shall bear all foreign, federal, state, municipal and other governmental excise, value added, sales, use and other taxes, fees, levies, duties and charges of any nature now in force or enacted in the future, including, without limitation, export or import duties, assessed upon or in connection with the Project or otherwise arising in connection with this Agreement.

4. DELIVERY; INSPECTION.

4.1 DELIVERY. TIME IS OF THE ESSENCE, and delivery of any Deliverable or provision of any Services according to a Statement of Work is an essential term of this Agreement. Shinsung assumes all risks of loss or damage for any and all Deliverables until delivery is completed at PRI's designated discharging airport or port, and for any and all Deliverables returned to Shinsung pursuant to Section 4.2. Unless otherwise expressly provided for in a Statement of Work, Shinsung shall deliver the Deliverables in accordance with standard commercial practices, and shall pay all shipping charges and be responsible for dealing with all carriers.

4.2 INSPECTION. Notwithstanding any prior inspection or payment, Deliverables shall be subject to final inspection by PRI. PRI shall have at least thirty (30) days from the date of receipt to inspect and approve any

Deliverables, and for any Deliverables that are defective or do not conform with the Shinsung Warranty (as defined in Section 7.1), PRI shall have the right: to reject such Deliverables and return them to Shinsung for refund or credit; to return such Deliverables for correction by Shinsung; and/or to accept such Deliverables with an equitable adjustment in the applicable Project Price; provided that such defect or failure to conform to the Shinsung warranty is acknowledged by the project manager of Shinsung. All costs and expenses incurred to complete any of the foregoing with respect to defective or nonconforming Deliverables shall be borne exclusively by Shinsung, and Shinsung shall promptly reimburse PRI for any damages sustained as a result of defective or nonconforming Deliverables which are rejected by PRI. If a

-3-

<Page>

PRIVATE AND CONFIDENTIAL

defect or nonconformity in any Deliverable is not apparent on final inspection, PRI may elect any or all of the foregoing remedies upon discovery of such defect or nonconformity. Any such non-conformity shall be detailed to Shinsung within six (6) months after Final Inspection.

5. RIGHTS IN PROJECT CREATIONS, LICENSES.

5.1 OWNERSHIP. The parties stipulate and agree that all Project Creations and all rights of any kind therein shall be the exclusive property of PRI. Shinsung shall keep and maintain adequate and current written records of all Project Creations (in a reasonable form for the particular Project Creation, and for any Intellectual Property that may be sought for such Project Creation, or as may be reasonably specified by PRI), which records shall be Proprietary Information. Shinsung shall promptly inform PRI of all Project Creations and shall, upon PRI's request, furnish to PRI a copy of all such records and other tangible materials describing, comprising or containing Project Creations. Shinsung hereby assigns and conveys, and agrees to assign and convey, to PRI all rights, title and interests, including all Intellectual Property throughout the world, in and to the Project Creations as they come into existence. Shinsung shall execute, and shall cause its employees, subcontractors and agents to execute, such documents, including assignments and any applications for Intellectual Property (including patent, copyright and trademark applications), and to take such other actions as may be requested by PRI to perfect, confirm or protect Intellectual Property in the Project Creations. If Shinsung shall fail to execute or procure any such document, PRI is hereby irrevocably granted the power coupled with an interest to execute such document in the name of Shinsung as Shinsung's attorney-in-fact.

5.2 EMPLOYEES, CONTRACTORS AND AGENTS. Shinsung shall require any of its employees, subcontractors and agents who have participated or may participate in the Project, including in any development of Project Creations, to comply with the terms and conditions hereunder, and shall obtain from such employees, subcontractors and agents all agreements, waivers, consents, releases, assignments or other documents necessary and desirable to enable Shinsung to carry out this Section 5.1 and any other obligation of Shinsung hereunder.

5.3 SHINSUNG LICENSE. Subject to the terms and conditions of this Agreement, Shinsung hereby grants PRI a perpetual, worldwide, transferable, irrevocable, worldwide, fully paid-up, royalty-free license, including the right to grant sublicenses, under any Shinsung Intellectual Property to make, have made, use, sell, offer for sale, reproduce, distribute, display, transmit, broadcast, prepare derivative works based upon and otherwise exploit in any manner Deliverables.

5.4 PRI LICENSE. Subject to the terms and conditions of this Agreement, PRI hereby grants to Shinsung a nonexclusive, nontransferable license, under PRI Intellectual Property, solely for the purpose of, and solely to the extent necessary for, performing Project(s) pursuant to this Agreement; PROVIDED, however, that: (i) Shinsung shall not have the right to sublicense such license; (ii) notwithstanding anything herein to the contrary, such license shall terminate upon the termination or expiration of this Agreement; (iii) in no event shall Shinsung have any license under PRI Intellectual Property to sell or otherwise provide to any third party Deliverables or Services, any similar good or service, or any improvement thereof (or any component of the foregoing), or

to use or otherwise exploit any process to support or otherwise achieve the same. (iv) in no event shall PRI have any obligations to disclose any PRI Intellectual Property to Shinsung except as may be required by the Scope of Work.

5.5 RESERVATION. All rights not expressly granted to Shinsung herein are reserved to PRI. Without limiting the generality of the foregoing, except as expressly provided for in Section 5.4, nothing herein shall be construed as granting Shinsung a license, either express or implied, to use or otherwise exploit any PRI Intellectual Property, Project Creations or Proprietary Information, and Shinsung stipulates and agrees that PRI owns any and all right, title and interest in or to, and Shinsung shall acquire no right, title, or interest in or to, any of the foregoing.

6. CONFIDENTIALITY, ADVERTISING, BUSINESS PROTECTION.

6.1 CONFIDENTIALITY. Shinsung stipulates and agrees that Shinsung shall have possession of and/or access to Proprietary Information, and that the Proprietary Information is a valuable asset of PRI. Shinsung shall hold

<Page>

PRIVATE AND CONFIDENTIAL

Proprietary Information in strictest confidence and not disclose any Proprietary Information to any third party, and shall use the Proprietary Information only for PRI's benefit as required or expressly contemplated for performance of Projects. Shinsung shall limit use of, and access to, the Proprietary Information to its employees and agents who have a need to use the Proprietary Information on behalf of PRI to perform a Project and who have executed confidentiality agreements with Shinsung that are at least as protective of the Proprietary Information as the provisions of this Section 6.1. Shinsung shall take all steps reasonably necessary to protect the confidentiality of the Proprietary Information, including taking such precautions as Shinsung takes to protect Shinsung's own confidential and proprietary information. Upon the completion of a Project or earlier termination of this Agreement, Shinsung shall return to PRI, or destroy, at PRI's request, all embodiments and copies of Proprietary Information in Shinsung's possession or under Shinsung's control.

6.2 BUSINESS PROTECTION. During the term of this Agreement and for five (5) years thereafter, Shinsung shall not, directly or indirectly, (i) participate in the development, manufacture, sale or provision of any goods or services in connection with factory automation systems for the manufacture of integrated circuit devices; or (ii) employ, attempt to employ or solicit the employment of, any employee of or consultant to PRI or otherwise induce or attempt to induce any employee of or consultant to PRI to leave the employ of PRI.

7. WARRANTIES; DISCLAIMERS; LIMITATIONS ON LIABILITY; INDEMNIFICATION.

7.1 SHINSUNG WARRANTY. Shinsung hereby represents and warrants that (the "Shinsung Warranty"): (i) all Services shall be performed diligently and in a good and workmanlike manner, in accordance with the standard of skill and care normally provided by a professional person in the applicable field of endeavor; (ii) all Deliverables shall conform to the Specifications, shall be free of defects in materials and workmanship, shall be suitable for the purposes for which each Deliverable of that kind is normally used, and shall be suitable for PRI's particular purpose; (iii) upon delivery of any Deliverable, PRI shall have marketable title to the Deliverable, free and clear of all liens and encumbrances; (iv) all Deliverables shall accept as input, use and provide as output data data without error or interruption and that each Deliverable shall operate in accordance with Specifications on all dates before, on and after January 1, 2000 without impairment arising out of date data representing such dates; (v) neither Shinsung's Services nor any of Shinsung's obligations herein do or shall conflict with or constitute a breach of any agreement to which Shinsung is a party or any obligation by which Shinsung is bound (including any agreement or obligation restricting the use or disclosure of any information proprietary to a third party); and (vi) neither the Deliverables, the Services, the Project Creations nor any of the rights granted by Shinsung hereunder do or shall infringe any Intellectual Property of any third party anywhere in the world, and Shinsung shall promptly disclose to PRI any such infringement,

whether actual or alleged; provided, however, that clause (vi) shall not apply to any infringement resulting entirely from compliance with the Specifications. The Shinsung Warranty shall survive delivery, inspection, acceptance, payment and termination of this Agreement, and shall run to PRI, its customers, and successors and assigns.

7.2 AUTHORITY. Each party represents to the other that it has full corporate power and authority to enter into this Agreement and to carry out the provisions thereof.

7.3 WARRANTY DISCLAIMERS. EXCEPT AS OTHERWISE EXPRESSLY SPECIFIED HEREIN, NEITHER PARTY MAKES ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND, WHETHER EXPRESS, IMPLIED, OR ARISING BY CUSTOM OR TRADE USAGE, WITH RESPECT TO SERVICES, DELIVERABLES, INTELLECTUAL PROPERTY, PROJECT CREATIONS, PROPRIETARY INFORMATION OR ANY OTHER SERVICES, MATERIALS OR RIGHTS PROVIDED HEREUNDER OR OTHERWISE IN CONNECTION WITH THIS AGREEMENT, INCLUDING ANY WARRANTIES OF MERCHANTABILITY, FITNESS FOR ANY PARTICULAR PURPOSE, INFRINGEMENT OF ANY THIRD PARTY'S INTELLECTUAL PROPERTY, PERFORMANCE, AND/OR RELIABILITY OR QUALITY.

7.4 LIMITATION ON LIABILITY. NEITHER PARTY SHALL BE ENTITLED TO RECOVER FROM THE OTHER PARTY ANY INCIDENTAL, CONSEQUENTIAL, INDIRECT, SPECIAL OR PUNITIVE DAMAGES (INCLUDING DAMAGES FOR LOSS OF BUSINESS, LOSS OF PROFITS OR LOSS OF USE), WHETHER BASED ON CONTRACT, TORT (INCLUDING NEGLIGENCE AND STRICT LIABILITY), OR ANY OTHER CAUSE OF

-5-

<Page>

PRIVATE AND CONFIDENTIAL

ACTION RELATING TO SERVICES, DELIVERABLES, INTELLECTUAL PROPERTY, PROJECT CREATIONS, PROPRIETARY INFORMATION OR ANY OTHER SERVICES, MATERIALS OR RIGHTS PROVIDED HEREUNDER OR OTHERWISE IN CONNECTION WITH THIS AGREEMENT, EVEN IF THE PARTY AGAINST WHICH A CLAIM IS MADE HAS BEEN INFORMED OR SHOULD HAVE KNOWN OF THE POSSIBILITY OF SUCH DAMAGES. THE AGGREGATE LIABILITY OF EITHER PARTY (WHETHER BASED ON CONTRACT, TORT, OR ANY OTHER CAUSE OF ACTION) SHALL NOT EXCEED THE PURCHASE PRICE. THE LIMITATIONS ON LIABILITY CONTAINED IN THIS SECTION 7.4 SHALL NOT APPLY TO THE PARTIES' INDEMNIFICATION OBLIGATIONS CONTAINED IN SECTION 7.5.

7.5 INDEMNIFICATION. Each party ("the Indemnitor") shall indemnify, hold harmless and, at the other party's request, defend the other party (the "Indemnitee") and its agents and customers against all claims, liabilities, damages and expenses of any kind (including attorney's and professional's fees for defending Indemnitee, its agents and customers) arising out of, or resulting in any way from any breach, whether actual or alleged, by Indemnitor of any of its representations or warranties set forth herein; provided, however, that Indemnitor is promptly notified of all indemnified matters, is given all cooperation from Indemnitee (at Indemnitor's expense) deemed necessary or helpful by Indemnitor to the resolution of such matter, and is allowed to control the prosecution, settlement or other resolution of such indemnified matter as long as such resolution or settlement does not materially impair the rights of Indemnitee. The Indemnitor's indemnification obligations shall be in addition to its obligations under any of its representations or warranties set forth herein.

8. TERM, TERMINATION, SURVIVAL.

8.1 TERM. This Agreement is effective as of the Effective Date and shall continue in full force and effect for a period of [five (5)] years until it expires on [_____] or until it is earlier terminated pursuant to its terms.

8.2 TERMINATION FOR CONVENIENCE. PRI may terminate this Agreement or any Project initiated pursuant to this Agreement for business and/or financial considerations and upon written notice to Shinsung. In such event, Shinsung shall immediately stop work hereunder as specified in the notice. Shinsung shall be paid reasonable termination charges consisting of a percentage of any payment for any Milestone provided for in a Statement of Work corresponding to the percentage of work performed for such Milestone prior to the notice of termination, plus reasonable costs resulting directly from termination, minus resale or salvage value of any work so terminated. Shinsung shall complete

performance of any portion of a Project not so terminated.

8.3 TERMINATION FOR CAUSE BY PRI. PRI may terminate this Agreement, or any part hereof, for cause in the event of any default by Shinsung, or if Shinsung fails to comply with any of the terms and conditions of this Agreement, and such default or failure has not been cured within [twenty (20)] days of written notice from PRI. The causes permitting PRI to terminate this Agreement include, without limitation, late deliveries, failure to complete a Milestone in accordance with a Statement of Work, failure to complete a Project by the Completion Date for such Project, breach of any warranty and failure, upon request, to provide PRI reasonable assurances of future performance and any change of control of Shinsung as provided in Section 9.12.

8.4 TERMINATION FOR CAUSE BY SHINSUNG. Shinsung may terminate this Agreement for cause if PRI fails to make any payment owing to Shinsung hereunder, and such failure has not been cured by PRI within [twenty(20)] days of written notice from Shinsung.

8.5 TERMINATION FOR INSOLVENCY. This Agreement will immediately terminate upon written notice to such effect by either party hereto to the other party, , (i) in the event of such other party's voluntary or involuntary bankruptcy or insolvency, (ii) in the event that such other party will make an assignment for the benefit of creditors, (iii) in the event that petition will have been filed against such other party under applicable bankruptcy law, or any other applicable law for the relief of debtors, or other applicable laws similar in purpose or effect, the effect of which is to cause such other party to have its business effectively discontinued.

-6-

<Page>

PRIVATE AND CONFIDENTIAL

8.6 NO PAYMENTS FOR CERTAIN LOSSES. No indemnity or other payment shall be payable to Shinsung by PRI on account of goodwill, lost profits or any other factor in the event that this Agreement or any Project hereunder is terminated for any cause provided in Section 8.3 or expires. Should the law to be applied to the construction and enforcement of this Agreement be altered by any legislation to the contrary, PRI and Shinsung shall negotiate in good faith to amend this Agreement or Statement of Work hereunder to preserve PRI's right to terminate or cause expiration of this Agreement or such Project, in accordance with the terms hereof.

8.7 SURVIVAL. The following sections shall survive any termination or expiration of this Agreement: 1, 2.1, 2.4, 3.2, 4.2, 5.1, 5.3, 5.5, 6, 7, 8 and 9.

9. GENERAL.

9.1 ARBITRATION. Any and all disputes arising in connection with this Agreement shall be finally settled by one or more arbitrators designated in conformity and in accordance with the Rules of Conciliation and Arbitration of the International Chamber of Commerce by one or more arbitrators appointed in accordance with said rule, by which each party is finally bound. Arbitration shall take place in the International Court of Justice World Court, Hague, Netherlands or such other location that both parties may agree.

9.2 AMENDMENT. Except as otherwise expressly provided hereunder, this Agreement, including all Statements of Work and attachments hereto, may not be amended or modified except by a written agreement signed by the parties hereto.

9.3 WAIVER. No failure on the part of either party hereto to exercise, and no delay in exercising, any right, privilege or power hereunder shall operate as a waiver or relinquishment thereof, nor shall any single or partial exercise by any party hereto of any right, privilege or power hereunder preclude any other or further exercise thereof, or the exercise of any other right, privilege or power.

9.4 COMPLIANCE. (a) If any filing with or notice to any governmental authority, or any government approval of this Agreement, is required to make this Agreement effective or to make PRI's rights hereunder enforceable or otherwise to protect PRI's proprietary rights hereunder, or to permit Shinsung

and shall not be considered in interpreting this Agreement.

9.8 INDEPENDENT PARTIES. PRI and Shinsung are independent contractors, and are not partners, co-venturers, agents or representatives of the other party. Neither party shall attempt to act on behalf of the other or hold itself out to others as having the authority or ability to act on behalf of or bind the other party. Each party shall assume complete responsibility for obligations under applicable employers' liability, worker's compensation, social security, unemployment insurance, tax withholding, occupational safety and health administration laws and other applicable laws with respect to itself.

9.9 GOVERNING LAW, VENUE. This Agreement shall be governed by the law of The Commonwealth of Massachusetts as such law is applied to contracts entered into and entirely performed therein.

9.10 SEVERABILITY. If any provision of this Agreement is found to be invalid or unenforceable, then this Agreement shall remain in full force and effect and shall be reformed to be valid and enforceable while reflecting the intent of the parties to the greatest extent permitted by law.

9.11 COMPLETE AGREEMENT. This Agreement, including all Statements of Work and other attachments hereto, sets forth the entire agreement of the parties regarding the subject matter hereof, and supersedes all prior promises, agreements or representations, whether written or oral, regarding such subject matter.

9.12 ASSIGNMENT, CHANGE OF CONTROL, SUBCONTRACTING. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors, assigns and legal representatives; provided, however, that this Agreement is personal to Shinsung, and Shinsung may not assign or Shinsung's rights or delegate any of Shinsung's duties hereunder without PRI's prior written consent. Any assignment or delegation by Shinsung without such consent

-8-

<Page>

PRIVATE AND CONFIDENTIAL

shall be void. PRI may terminate this Agreement, or any part hereof, for cause in accordance with Section 8.3 upon any Change of Control of Shinsung. For the purposes of this Section 9.12, a "Change of Control" shall mean a merger, acquisition, winding-up, dissolution, or liquidation of Shinsung, a sale of all or substantially all of the assets of Shinsung, or any other transaction which results in a change in the ownership or control of more than twenty percent (20%) of the voting interests of Shinsung. Without limiting the foregoing, Shinsung shall not use any subcontractors or agents to perform its obligations hereunder without PRI's prior written consent.

9.13 COUNTERPARTS. This Agreement may be executed in counterparts with the same force and effect as if each of the signatories had executed the same instrument.

9.14 REMEDIES. Except as otherwise expressly provided herein, no remedy granted to either party herein shall be exclusive of any other remedy, and each remedy shall be cumulative with every other remedy herein or now or hereafter existing at law, in equity, by statute or otherwise. Shinsung stipulates and agrees that Shinsung's services are special, unique and unusual, and that money damages would not adequately compensate PRI for its loss were Shinsung to breach this Agreement. Accordingly, Shinsung consents to PRI's right to seek injunctive relief to force Shinsung to abide by the terms and conditions of this Agreement, in addition to any other remedies available to PRI. In the event of any legal action to enforce the terms and conditions of this Agreement, the prevailing party in any such action shall be entitled to its costs and expenses, including reasonable attorneys' fees, expended in enforcing its rights hereunder.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives:

SHINSUNG ENG. CO., LTD.

PRI AUTOMATION, INC.

By /s/ W K Lee

By /s/ Robert G. Postle

Wan Keun, Lee
President

Robert G. Postle
Vice President & General Mgr.
Factory Systems

Date 10/26/99

Date 10/26/99

<Page>

PRIVATE AND CONFIDENTIAL

EXHIBIT A

[Form of Statement of Work]

This Statement of Work is subject to the terms of the Master Engineering Services Agreement dated as of September, 1999 between PRI Automation, Inc. and Shinsung Eng Co., Ltd., which terms are incorporated in, and made part of, this Statement of Work as though each provision were separately set forth herein, except to the extent otherwise stated or supplemented herein.

PROJECT REFERENCE NO:

I. PROJECT. The Project is as follows:

II. SERVICES. The Services are as follows (set forth or attach the Specifications, if any, for each Service):

III. DELIVERABLES. The Deliverables are as follows (set forth or attach the Specifications, if any, for each Deliverable):

<Page>

PRIVATE AND CONFIDENTIAL

IV. PROPRIETARY INFORMATION. The following shall be "Proprietary Information" in accordance with Section 1.5 of the Master Engineering Services Agreement dated _____, 1999 ("Agreement"):

V. PROJECT MANAGER.

The Project Manager for PRI shall be _____. The Project Manager for Shinsung shall be _____.

VI. PROJECT PRICE.

The Project Price shall be _____ dollars (\$US _____).

The Milestones shall be as follows:

<Table>

<Caption>

Milestone	Milestone Due Date	Milestone Payment Amount (US\$)
<S>	<C>	<C>

Completion Date

</Table>

VII. DELIVERY. Any delivery instructions to modify Section 4.1 of the Agreement are as follows:

-11-

<Page>

PRIVATE AND CONFIDENTIAL

VIII. PRI TRADEMARKS. The PRI Trademarks shall be:

IX. NOTICE. The addresses for the parties hereto for notices are as follows:

For PRI:

PRI Automation, Inc.
805 Middlesex Turnpike
Billerica, Massachusetts 01821
USA

For Shinsung:

Shinsung Eng. Co., Ltd.
327 Dagson-Dong
6Ka, Yeongdeungpo-Ku,
Seoul, 150-046
Korea

SHINSUNG ENG. CO., LTD.

PRI AUTOMATION, INC.

By /s/ W K Lee

Wan Keun, Lee
President

By /s/ Robert G. Postle

Robert G. Postle
Vice President & General Mgr.
Factory Systems

Date 10/26/99

Date 10/26/99

-12-

PRIVATE AND CONFIDENTIAL

PRI Automation, Inc.

and

Shinsung Eng. Co., Ltd.

MASTER MANUFACTURING SERVICES AGREEMENT

<Page>

PRIVATE AND CONFIDENTIAL

MASTER MANUFACTURING SERVICES AGREEMENT

This MASTER MANUFACTURING SERVICES AGREEMENT (the "Agreement") is made and entered into as of the 26th day of October, 1999 (the "Effective Date") by and between PRI Automation, Inc., a Massachusetts corporation having offices at 805 Middlesex Turnpike, Billerica, Massachusetts 01821, USA ("PRI") and Shinsung Eng. Co., Ltd., a South Korean corporation with its principal place of business located at 327 Dagson-Dong, 6Ka, Yeongdeungpo-Ku, Seoul, 150-046, Korea ("Shinsung") with references to the following premises.

RECITALS

- A. PRI designs and manufactures factory automation systems primarily used by fabricators of integrated circuit devices to automate the fabrication of such devices.
- B. PRI wishes to engage Shinsung from time to time to manufacture certain Products (as defined below) and Shinsung wishes to, and represents that it has the capability and expertise to, manufacture the Products in a timely manner and on the terms and conditions set forth below.
- C. The parties intend that the terms of this Agreement will govern the manufacture by Shinsung and purchase by PRI of all Products which Shinsung is engaged by PRI to manufacture and sell to PRI from time to time.

NOW, THEREFORE, the parties hereto agree as follows:

1. DEFINITIONS. In addition to terms defined in context (indicated by the use of initial capitalization), the terms set forth in the Schedule of Definitions attached as EXHIBIT A will have the meanings set forth therein.

2. MANUFACTURE OF PRODUCTS.

2.1. MANUFACTURE OF PRODUCTS. Shinsung will manufacture for PRI and sell to PRI such quantities and types of Products as PRI may from time to time order pursuant to this Agreement. Shinsung will not, unless otherwise specified in a written agreement entered into by PRI, manufacture or sell any Product except as directed by PRI hereunder. Except as expressly provided hereunder, in no event will PRI (i) be obligated either to purchase any goods or services, from Shinsung, or (ii) be responsible for any work undertaken by Shinsung.

2.2. ASSIGNMENT AND SUBCONTRACTING.

2.2.1. Shinsung will not assign or otherwise transfer, sublicense, or subcontract this Agreement, any Purchase Order, or any rights or obligations hereunder or under any

<Page>

PRIVATE AND CONFIDENTIAL

Purchase Order, including in connection with a sale or transfer of all or part of Shinsung's business, in whole or in part, except with the written consent of PRI, which consent will be at PRI's sole discretion. Any purported assignment, sublicense, or subcontract made without PRI's consent will be void, and (i) will not relieve Shinsung of any obligations hereunder or under any Purchase Order; (ii) will relieve PRI of any liability hereunder or under any Purchase Order; and (iii) will constitute cause sufficient for termination under Section 9.1. In addition to an assignment of this Agreement, any Purchase Order, or any rights or obligations hereunder or under any Purchase Order, an assignment by Shinsung will be deemed to include (x) the acquisition by any third party, for cash or other consideration, of shares of the voting stock of Shinsung with aggregate voting power of more than twenty percent (20%) of the total outstanding voting power of Shinsung; (y) a merger of Shinsung with a third party, whether or not Shinsung is the surviving entity, where the holders of all of the outstanding voting stock of Shinsung immediately prior to the merger hold less than a majority of the voting stock of the surviving entity immediately following the merger; (z) the sale of all or substantially all of either Shinsung's assets or those assets of Shinsung to which this Agreement relates.

2.2.2. PRI may assign or otherwise transfer, sublicense, or subcontract this Agreement, any Purchase Order, and any rights acquired by PRI hereunder or under any Purchase Order in whole or in part.

2.3. LOCATION OF MANUFACTURING OPERATIONS. Shinsung will manufacture all Products in its plant in Chungbuk Province, Eumsung-kun, Samsung-myun, Sunjung-ri 409-1, Korea, unless PRI authorizes Shinsung in writing signed by an Authorized Representative of PRI to manufacture any Products in another plant location.

2.4. MANUFACTURE BY PRI. This Agreement is non-exclusive. PRI retains the right to manufacture any Product itself. PRI may evaluate and qualify other sources to have such Product manufactured however PRI will only purchase from another source if the agreement could be terminated for cause as defined in section 9.1. PRI has no minimum purchase obligations under this Agreement.

2.5. PURCHASE PERIOD. The initial term of this Agreement during which Shinsung will manufacture and PRI may purchase or otherwise obtain Products pursuant to this Agreement will last five (5) years from the Effective Date (the "Purchase Period"). The terms and conditions of this Agreement will apply to, at a minimum, any Purchase Order issued by PRI during the Purchase Period until delivery and acceptance of Products thereunder is made, even if the Purchase Period expires before such delivery and acceptance.

2.6. ACCESS TO FACILITIES. PRI will have the right to review and inspect Shinsung's facilities (including any Test Facility), operations, and procedures at any reasonable time for purposes of determining compliance with the requirements of this Agreement and any Purchase Order issued by PRI hereunder. From time to time PRI's customers may request the right to review Shinsung's facilities and operations for the purpose of qualification. Shinsung agrees to

<Page>

PRIVATE AND CONFIDENTIAL

permit such customer surveys upon at least five (5) Business Days prior notice from PRI.

3. PURCHASE ORDERS. From time to time during the Purchase Period, PRI shall provide Shinsung with a purchase order for the manufacture and purchase of

Products ("Purchase Order") in a commercially reasonable format determined by PRI and signed by an Authorized Representative of PRI. The Purchase Order will state, among other things: (1) the identity of any Product that Shinsung shall manufacture and PRI may purchase from Shinsung; (ii) the Purchase Price; (iii) the terms of payment of the Purchase Price by PRI; (iv) the quantity of such Product that PRI will purchase; and (v) the delivery dates, times and terms for such Product. PRI's current form of Purchase Order is attached hereto as Exhibit C. PRI's obligation to purchase Product specified in any Purchase Order will be limited to, and governed by, the terms and conditions of this Agreement and the Purchase Order Terms and Conditions except to the extent otherwise stated, or supplemented by PRI, in such Purchase Order. For the purposes of this Agreement, a valid Purchase Order may be delivered to Shinsung in the form of a physical copy or by electronic transmission.

4. PROJECT MANAGERS. PRI and Shinsung will appoint a project manager to coordinate and manage each parties' performance hereunder (the "Project Managers"). The Project Managers as of the Effective Date are identified on EXHIBIT B attached hereto.

5. CONFIDENTIALITY.

5.1. GENERAL OBLIGATIONS. Shinsung agrees that the existence and terms of this Agreement and all information disclosed by PRI to Shinsung in connection with the manufacture and purchase of Products by PRI, including all information concerning any Specifications, Change Orders, Change Proposals, Purchase Orders, Special Tooling, PRI's Independently Developed Technology, Developments, the manufacture of any Product (including any manufacturing line on which Product, or any component thereof, is manufactured), and any documents that contain or report on such information (collectively, the "Confidential Information") are confidential, and agrees to take all steps reasonably necessary to protect the secrecy and confidentiality of such information and PRI's proprietary interest thereof, including the following:

5.1.1. Shinsung will use Confidential Information only for purposes contemplated by this Agreement and in the manner specified by this Agreement, and, except as permitted by this Agreement, will not make any copies of, reproduce, attempt to copy, disclose, sell, assign, sublicense, or transfer, in whole or in part, any Confidential Information.

5.1.2. Except as permitted by this Agreement or otherwise permitted by PRI in writing, Shinsung may disclose Confidential Information only to those of its employees and agents required to have knowledge of the same to perform duties authorized by this Agreement; provided, however, that Shinsung may disclose to any Approved Vendor, subject to confidentiality obligations in the Purchase Order in connection with any Approved Vendors,

-4-

<Page>

PRIVATE AND CONFIDENTIAL

Confidential Information necessary for any Approved Vendor to provide any component and/or material for use in, or for the manufacture of, any Products. Shinsung will, upon PRI's request, identify any Approved Vendor to which Shinsung has disclosed such information and any disclosed information.

5.1.3. Shinsung will promptly report to PRI any conduct relating to Confidential Information inconsistent with the provisions of this Section 5, and take such action as may be reasonably necessary and legally permissible to terminate such conduct.

5.1.4. Immediately upon termination of this Agreement for any reason, Shinsung will return to PRI, or if so requested by PRI, destroy, all Confidential Information in Shinsung's possession or control.

5.1.5. PRI will be free to disclose Confidential Information at its sole discretion.

5.2. EXCEPTIONS. Except as permitted hereof, Shinsung's foregoing obligations of confidentiality will not apply to Confidential Information to the

extent that such information (i) is rightfully possessed by Shinsung prior to its receipt hereunder; (ii) is or later becomes publicly available through no fault of Shinsung; (iii) is or becomes available to Shinsung from third parties who in making such disclosure breach no confidentiality relationship; (iv) is disclosed by PRI on an unrestricted basis to other persons not privy to this Agreement; (v) is independently developed by Shinsung without reference to such information; or (vi) is required by governmental or court order, or by law or regulation, to be disclosed, provided Shinsung provides advance notice to PRI prior to such disclosure. Shinsung will have the burden of proof with respect to any claimed exception set forth in this Section 5.2.

5.3. NOTICES. Shinsung agrees to reproduce and include PRI's proprietary rights notices or reasonable equivalents on any item that contains Confidential Information. In addition, Shinsung agrees to comply with PRI's marking requirements regarding any patented item.

5.4. PUBLICITY. Shinsung will not disclose the existence, terms, or conditions of this Agreement or any Purchase Order issued hereunder to any person or make any public statement respecting this Agreement or any Purchase Order issued hereunder without the prior written consent of PRI, except that Shinsung may make such disclosures as are required by applicable law. Shinsung will make any such required disclosures available to PRI in advance of release.

5.5. ENFORCEMENT. Shinsung acknowledges that use of Confidential Information in a manner contrary to the provisions of this Agreement would cause PRI irreparable harm for which money damages alone could not make PRI whole and, without limiting any other remedies to PRI, hereby consents to the full extent that it is able to do so to any injunctive relief entered by any court of competent jurisdiction prohibiting it from such violation of this Agreement. Shinsung will allow PRI reasonable access to documentation to demonstrate compliance with this Agreement.

-5-

<Page>

PRIVATE AND CONFIDENTIAL

5.6. DURATION. Subject to extension by written agreement of the parties, the obligations for Shinsung set forth in this Section 5 will remain in force during the term and will survive any termination or expiration of this Agreement and any Purchase Order issued hereunder.

6. BUSINESS PROTECTION. PRI and Shinsung mutually acknowledge (i) the importance to PRI's business of the manufacture and supply of Products to PRI, and (ii) the need to protect Technology related to the Products and the manufacture thereof. Accordingly, the parties agree that during the term of this Agreement and for five (5) years thereafter, Shinsung will not, directly or indirectly, (i) participate in the development, manufacture, sale or provision of any goods or services in connection with factory automation systems for the manufacture of integrated circuit devices; or (ii) employ, attempt to employ or solicit the employment of, any employee of or consultant to PRI or otherwise induce or attempt to induce any employee of or consultant to PRI to leave the employ of PRI.

7. GENERAL WARRANTY.

7.1. SHINSUNG. Shinsung expressly represents and warrants that Shinsung is a duly organized corporation, in good standing and with full power to enter into and complete the transactions required hereunder. This Agreement, and any Purchase Order issued hereunder, are enforceable against Shinsung in accordance with their respective terms and neither the execution nor performance of this Agreement or any Purchase Order issued hereunder by Shinsung does or will conflict with or constitute a breach of or default under Shinsung's organizing documents, any contracts or commitments to which Shinsung is a party, or any applicable law or regulation in the jurisdiction in which Shinsung is incorporated or otherwise organized.

7.2. PRI. PRI expressly represents and warrants that PRI is a duly organized corporation, in good standing and with full power to enter into and complete the transactions required hereunder. This Agreement is enforceable

against PRI in accordance with its terms and neither the execution nor performance of this Agreement by PRI does or will conflict with or constitute a breach of or default under PRI's certificate of incorporation or by-laws, any contracts or commitments to which PRI is a party, or any applicable U.S. law or regulation.

8. INDEMNIFICATION. Shinsung agrees to defend, indemnify and hold PRI and its customers harmless from and against all allegations, claims, or demands (whether threatened or pending), costs, fees and charges (including reasonable attorneys fees and the fees of other consulting professionals) and losses, damages, judgements and liabilities of any kind whatsoever, arising from or relating to any representation, action or omission by Shinsung, including, without limitation, Shinsung's performance or failure to perform under this Agreement and any Purchase Order hereunder.

9. TERMINATION.

-6-

<Page>

PRIVATE AND CONFIDENTIAL

9.1. TERMINATION FOR CAUSE. Upon written notice to the other party either party may terminate this Agreement, and/or (at PRI's election) any obligations under any Purchase Order, for cause in the event the other breaches or fails to perform or comply with any of the terms and conditions of this Agreement or any Purchase Order. The causes permitting PRI to terminate this Agreement, and/or (at PRI's election) any obligations under any Purchase Order, include, without limitation: late delivery of Products; delivery of Products that are defective or that do not conform to warranty; and failure, upon request of PRI, to provide reasonable assurances of future performance. In the event of any termination pursuant to this Section 9.1, PRI will not be liable to Shinsung for any amount, except for any unpaid balance due Shinsung for nondefective Product conforming to warranty received by PRI before notice of such termination for which Shinsung has provided PRI an Invoice (less any permitted set-off), PRI will be entitled to exercise the PRI License, and Shinsung will be liable to PRI for any and all damages sustained by reason of Shinsung's default. Shinsung may terminate this agreement for cause if PRI fails to perform any obligation under this agreement.

9.2. TERMINATION FOR CONVENIENCE. PRI may terminate this Agreement or any Project initiated pursuant to this Agreement for business and/or financial considerations and upon written notice to Shinsung. In such event, Shinsung shall immediately stop work hereunder as specified in the notice. Shinsung shall be paid reasonable termination charges consisting of a percentage of any payment for any Milestone provided for in a Statement of Work corresponding to the percentage of work performed for such Milestone prior to the notice of termination, plus reasonable costs resulting directly from termination, minus resale or salvage value of any work so terminated. Shinsung shall complete performance of any portion of a Project not so terminated.

9.3. TERMINATION FOR INSOLVENCY. This Agreement, and any Purchase Order issued hereunder, will immediately terminate upon written notice to such effect by PRI Shinsung, without the necessity of prior notice, and PRI will be entitled to exercise the PRI License, (i) in the event of Shinsung's voluntary or involuntary bankruptcy or insolvency, (ii) in the event Shinsung will make an assignment for the benefit of creditors, (iii) in the event that petition will have been filed against Shinsung under applicable bankruptcy law, or any other applicable law for the relief of debtors, or other applicable laws similar in purpose or effect, the effect of which is to cause Shinsung to have its business effectively discontinued. Shinsung may terminate this agreement or any accepted purchase order (i) in the event of PRI's voluntary or involuntary bankruptcy or insolvency, (ii) in the event PRI will make an assignment for the benefit of creditors, (iii) in the event that petition will have been filed against PRI under applicable bankruptcy law, or any other applicable law for the relief of debtors, or other applicable laws similar in purpose or effect, the effect of which is to cause PRI to have its business effectively discontinued.

9.4. OTHER TERMINATION RIGHTS. The rights of termination set forth in

Korea
Attention:

All notices sent in conformity with this Section 10.4 will be deemed to be received by the party to be notified on the later of two (2) Business Days after such notice is delivered to the appropriate courier for delivery or, at such later date as the courier's tracking records demonstrate actual delivery occurred.

10.5. MODIFICATION AND WAIVER. No modification, amendment, supplement to, or waiver of this Agreement or any document referred to hereunder, including any Exhibit, Specifications, or Purchase Order, will be binding upon PRI unless expressly authorized hereunder, made in writing, and duly signed by an Authorized Representatives of PRI. A failure or delay of either party to this Agreement to enforce at any time any of the provisions hereof, or to exercise any option which is hereof provided, or to require at any time performance of any of the provisions hereto will in no way be construed to be a waiver of such provisions of the Agreement.

10.6. REMEDIES. Except as expressly provided otherwise hereunder, no remedy referred to in this Agreement or in any Purchase Order issued hereunder is intended to be exclusive, but each will be cumulative and in addition to any other remedy referred to hereof or otherwise available at law or equity.

10.7. SEVERABILITY. The provisions of this Agreement, any Purchase Order issued hereunder, any Specifications, or any other document referred to hereunder are severable, and in the event that any provisions of any such agreement or other document are determined to be invalid or unenforceable under any controlling law, such invalidity or unenforceability will not in any way affect the validity or enforceability of the remaining provisions of such agreement or other document.

10.8 ENTIRE AGREEMENT; CONFLICT. This Agreement consists of terms herein and the Exhibits attached hereto. In the event of any conflict or inconsistency between the terms and conditions of this Agreement and any provisions stated in any Specifications, Purchase Order, Change Order, the Purchase Order Terms and Conditions or other documents provided by PRI to Shinsung and signed by an Authorized Representative of PRI, the following order of precedence shall govern: (i) this Agreement; (ii) any Change Order; (iii) any Purchase Order; (iv) the Purchase Order Terms and Conditions; and (v) the Specifications. Notwithstanding the foregoing order of precedence, the Purchase Price for any Products from any Purchase Order shall take precedence over any other price for such Products listed in any of the above identified documents.

10.9. CAPTIONS; SECTION HEADINGS; COUNTERPARTS. As used in this Agreement, "including" means "including but not limited to", and "herein"; "hereof", and "hereunder" refer to this

-9-

<Page>

PRIVATE AND CONFIDENTIAL

Agreement as a whole. Except as otherwise stated, all section references in this Agreement refer to sections of this Agreement. The section headings used hereof are for reference and convenience only, and will not enter into the interpretation of this Agreement. This Agreement may be executed in multiple counterparts.

10.10. GOVERNING LAW; CHOICE OF FORUM. The validity of this Agreement and any Purchase Order issued hereunder, the construction and enforcement of their respective terms, and the interpretation of the rights and duties of the parties thereunder, will be governed by the laws of The Commonwealth of Massachusetts as such law is applied to contracts entered into and entirely performed therein.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized officers as of the Effective Date.

SHINSUNG ENG. CO., LTD.

PRI AUTOMATION, INC.

By:/s/ W K Lee

By:/s/ Robert G. Postle

Wan Keun, Lee
President

Robert G. Postle
Vice President & General Manager
Factory Systems

Date: 10/26/99

Date: 10/26/99

-10-

<Page>

PRIVATE AND CONFIDENTIAL

EXHIBIT A

SCHEDULE OF DEFINITIONS

1.1. "Agreement" will have the meaning set forth in the first sentence of this Agreement.

1.2. "Approved Vendor" will have the meaning set forth in the Purchase Order Terms and Conditions.

1.3. "Authorized Representative" will mean: (i) Project Managers; (ii) the person(s) set forth on EXHIBIT B; (iii) any person(s) occupying the position(s) set forth on EXHIBIT B; and (iv) any persons designated by the aforesaid in writing as their successors or delegates for one or more particular purpose.

1.4. "Business Day" will mean business days, Monday through Friday, excluding national holidays, in the country in which performance of an obligation is due.

1.5. "Change Order" will have the meaning set forth in the Purchase Order Terms and Conditions.

1.6. "Change Proposal" will have the meaning set forth in the Purchase Order Terms and Conditions

1.7. "Confidential Information" will have the meaning set forth in Section 5.1.

1.8. "Deposited Material" will have the meaning set forth in the Purchase Order Terms and Conditions.

1.9. "Developments" will have the meaning set forth in the Purchase Order Terms and Conditions.

1.10. "Effective Date" will have the meaning set forth in the first sentence of this Agreement.

1.11. "Escrow Agent" will have the meaning set forth in the Purchase Order Terms and Conditions.

1.12. "Independently Developed Technology" will mean Technology that is in existence and owned by a party prior to the Effective Date or created or obtained by a party after the Effective Date entirely independently of any work or services performed, or information exchanged, in connection with this Agreement or any Purchase Order.

1.13. "Intellectual Property" will mean any and all patents and rights to patent, copyrights,

-11-

<Page>

trademarks, trade secrets, Confidential Information, know-how and proprietary information of any kind or nature whatsoever.

1.14. "Invoice" will have the meaning set forth in the Purchase Order Terms and Conditions.

1.15. "PRI" will have the meaning set forth in the first sentence of this Agreement.

1.16. "PRI License" will have the meaning set forth in the Purchase Order Terms and Conditions.

1.17. "Products" will mean the goods and/or services set forth in a Purchase Order issued by PRI in accordance with this Agreement.

1.18. "Project Managers" will have the meaning set forth in Section 4.

1.19. "Purchase Order" will have the meaning set forth in Section 3.

1.20. "Purchase Order Terms and Conditions" will mean the terms and conditions set forth in EXHIBIT D attached hereto.

1.21. "Purchase Period" will have the meaning set forth in Section 2.5.

1.22. "Purchase Price" will have the meaning set forth in the Purchase Order Terms and Conditions.

1.23. "Shinsung" will have the meaning set forth in the first sentence of this Agreement.

1.24. "Special Tooling" will have the meaning set forth in the Purchase Order Terms and Conditions.

1.25. "Specifications" will mean the requirements and specifications for any Product as attached to the Purchase Order for such Product and signed by an Authorized Representative of both parties. "Specifications" will include for any Product: (i) general specifications; (ii) technical specifications; (iii) PRI's testing requirements; (iv) PRI's requirements for form, fit, function, performance and reliability; and (v) PRI's instructions relating to finish, packaging, packing and labeling.

1.26. "Technology" will mean all scientific, technical and manufacturing information and techniques that are used in connection with or that describe physical materials, processes and procedures. "Technology" includes, without limitation, know-how, inventions (whether or not patented or patentable), copyright-protected works, mask-work protected devices, designs, schematics, technical information, data and manufacturing processes.

-12-

<Page>

1.27. "Test Facility" will have the meaning set forth in the Purchase Order Terms and Conditions.

-13-

<Page>

EXHIBIT B

FOR SHINSUNG:

The Project Manager will be:

The Authorized Representatives will include:

FOR PRI:

The Project Manager will be:

The Authorized Representatives will include:

-14-

<Page>

PRIVATE AND CONFIDENTIAL

EXHIBIT C

FORM OF PURCHASE ORDER

PRI AUTOMATION, INC.
805 Middlesex Turnpike
Billerica, Massachusetts 01821

PURCHASE ORDER

Purchase Order No: _____

Manufacturer's Name: Shinsung Eng. Co. Ltd.

Shipping Address: _____

Quotation No: _____

Shipping Date: _____

<Table>
<Caption>

Item No.	Quantity	Description of Product	Unit Price	Total Price	Shipment Days
<S>	<C>	<C>	<C>	<C>	<C>

</Table>

Payment Terms:

Warranty Period:

Parts Requirements:

-15-

Other Matters:

THIS PURCHASE ORDER IS EXPRESSLY SUBJECT TO THE PURCHASE ORDER TERMS AND CONDITIONS (THE "TERMS AND CONDITIONS") SET FORTH IN EXHIBIT D TO THE MASTER MANUFACTURING SERVICES AGREEMENT DATED AS OF _____, 1999 BETWEEN PRI AUTOMATION, INC. AND SHINSUNG ENG. CO., LTD., WHICH TERMS AND CONDITIONS ARE HEREBY INCORPORATED IN, AND MADE PART OF, THIS PURCHASE ORDER AS THOUGH EACH PROVISION WERE SEPARATELY SET FORTH HEREIN, EXCEPT TO THE EXTENT OTHERWISE STATED OR SUPPLEMENTED BY PRI HEREIN.

EXHIBIT D

PURCHASE ORDER TERMS AND CONDITIONS

EXCEPT TO THE EXTENT OTHERWISE STATED OR SUPPLEMENTED BY PRI ON THE FACE OF THIS PURCHASE ORDER ("ORDER"), THE FOLLOWING TERMS AND CONDITIONS WILL APPLY TO THE MANUFACTURE AND PURCHASE OF THE PRODUCTS ("PRODUCTS") SET FORTH ON THE FACE OF THIS ORDER.

1. MANUFACTURE IN ACCORDANCE WITH SPECIFICATIONS. Shinsung will manufacture the Products in strict conformity with all applicable Specifications and all applicable laws and regulations. Shinsung will not make any change in or deviate in any way from such Specifications except pursuant to a Change Order approved as provided in this Order.

2. APPROVED VENDORS.

2.1. Shinsung will provide to PRI a list of vendors and the components that Shinsung proposes to purchase from such vendors for use in the manufacture of the Products for approval by PRI. Shinsung will not purchase any component for use in the manufacture of the Products from any vendor other than those approved in writing by PRI (each an "Approved Vendor"). PRI reserves the right to qualify any proposed vendor. The process for such qualification will be determined by PRI at its sole discretion and may include, without limitation, inspection of the proposed vendor's facilities. Shinsung may from time to time request that an Approved Vendor be substituted by another vendor. PRI reserves the right to accept or reject any such request in its sole discretion.

2.2. Before Shinsung may disclose any Confidential Information of PRI to any Approved Vendor, Shinsung will first seek consent of PRI, and in no event will Shinsung disclose any Confidential Information to any Approved Vendor until

such Approved Vendor has agreed to confidentiality obligations to protect Confidential Information at least equivalent to those set forth in Section 5 of the Master Manufacturing Services Agreement dated as of _____, 1999 between PRI Automation, Inc. and Shinsung Eng. Co., Ltd. (the "Master Agreement").

3. CHANGE ORDERS. PRI may from time to time request Shinsung to incorporate a change to the Products or the Specifications for the Products by delivering a "Change Order" to Shinsung. Each Change Order will be in writing signed by an Authorized Representative of PRI and will include a description of the proposed change sufficient to permit Shinsung to evaluate the feasibility of such change.

Within seven (7) Business Days of receipt of a Change Order, Shinsung will inform PRI in writing of the earliest possible implementation date for the proposed change, of any increase or decrease in the price of the Product as a result of such change, and of any effect on production scheduling or quality assurance testing. Shinsung will use its best efforts to accept and implement all reasonable changes to the Products or the Specifications for the Products.

4. CHANGE PROPOSALS. Shinsung may from time to time suggest that a change be made to the Products or to the Specifications for the Products by delivering a "Change Proposal" to PRI. Each Change Proposal will be in writing signed by an Authorized Representative of Shinsung and will include a description of the proposed change, a description of any improvements in the Products or cost reductions which will result from the change, and the effect of the change, if any, on production scheduling or quality assurance testing. Each Change Proposal will provide detail sufficient to permit PRI to evaluate the desirability of such change. PRI agrees to consider each Change Proposal it receives from Shinsung, but reserves the right to accept or reject each such Change Proposal in its sole discretion.

5. AMENDMENTS TO SPECIFICATIONS. The Specifications will be amended to reflect any Change Order. All such amendments to Specifications will be in writing and signed by an Authorized Representative of both parties. Minor changes in Specifications not constituting a Change Order may be effected by delivery by PRI to Shinsung of a written notice of such changes executed by an Authorized Representative of PRI. Shinsung will have accepted any minor amendments to Specifications not constituting a Change Order either by (i) acknowledging such amendment, or (ii) by not properly rejecting such amendment within three (5) Business Days after receipt by Shinsung; which ever occurs first. If Shinsung rejects any such amendment, then Shinsung will (i) set forth the reason(s) for Shinsung's rejection in writing, and (ii) indicate which portion, if any, of such amendment Shinsung is able to accept, and such amendment will be deemed to be a Change Order for the purposes of Section 3. In no event will Shinsung reject any such amendment that is generally consistent with the scope and purpose of this Order and/or the course of conduct of the parties hereunder.
<Page>

PRIVATE AND CONFIDENTIAL

6. PRICING.

6.1. The price of the Products, and any spare parts for the Products, purchased hereunder will be the price set forth on the face of this Order (the "Purchase Price"). Shinsung expressly warrants to PRI that the Purchase Price, and any discounts granted herein, are lawful. The Purchase Price will be denominated and paid in U.S. dollars.

6.2. The Purchase Price will include all costs of commercially reasonable packaging and packing. PRI may provide Shinsung with special packing instructions for any shipment of the Products, and if Shinsung agrees to such special packing instructions, then PRI will be responsible for the cost of such special packing unless the parties otherwise agree.

6.3. All taxes, fees, duties and charges of any kind now in force or enacted in the future (whether federal, state, local, foreign or otherwise) incurred in connection with the manufacture, sale or delivery of the Products, or with Shinsung's performance under this Order, will be borne by Shinsung.

7. PAYMENT.

7.1. Upon shipment of the Products, Shinsung will submit to PRI a written invoice (the "Invoice") indicating at a minimum (i) Shinsung's name and address; (ii) the number of this Order; (iii) description and quantity of the Products shipped; (iv) Purchase Price of the Products and aggregate price; and (v) any special packing costs. All information on the Invoice must be consistent with this Order.

7.2. The Purchase Price will be due and payable by PRI will be specified on the purchase order. For sub systems the payment will be 100% 45 days shipment and for full systems the payment will be 85% 45 days after shipment and 15% 100 days after shipment. All payments assume that a Shinsung invoice for the amount due will be sent and received by PRI within 48 hours of shipment. PRI will have the right to apply credits due to rejection of the Products or discrepancies on Invoices already paid against any outstanding Invoice, provided that PRI sends written notice and explanation of the application of such credits to Shinsung. Notwithstanding anything herein to the contrary, PRI may offset from any and all amounts owing to Shinsung by PRI hereunder any amounts or claims owed or owing by Shinsung to PRI hereunder. Payment of any Invoice by PRI will not constitute acceptance of the Products and will be subject to adjustment for errors, shortages, defects in the Products or any other failure of Shinsung to meet the terms and conditions of this Order.

8. NON-RECURRING EXPENSES. PRI and Shinsung may from time to time meet to discuss and agree upon the terms of the acquisition or provision of specialized equipment or tooling, single occurrence training (in addition to any training to be provided by Shinsung hereunder), or the incurring of other non-recurring expenses (collectively, "Non-Recurring Expenses") in connection with the manufacture, sale or maintenance of the Products. The terms upon which such Non-Recurring Expenses will be acquired, provided or incurred will be set forth in a separate purchase order issued by PRI. Any items comprising Non-Recurring Expenses will be the sole property of PRI and, to the extent practical, will be clearly marked as such. Shinsung will not move any items comprising Non-Recurring Expenses from its premises without PRI's consent. All Non-Recurring Expenses will be considered Confidential Information of PRI. PRI may obtain possession of any items comprising Non-Recurring Expenses at any time upon the termination or expiration of this Order.

9. TESTING FACILITY.

9.1 Shinsung will provide a test facility (the "Test Facility") at Shinsung's manufacturing facility to enable Shinsung to perform quality assurance testing, verification of configuration and other required testing of the Products in accordance with the Specifications. The Testing Facility will be constructed and configured in accordance with PRI's requirements. Shinsung will at all times, at its expense, maintain the Testing Facility in good condition, repair and cleanliness consistent with PRI requirements and practices for similar PRI facilities.

9.2 Shinsung will not permit any third party including, without limitation, any existing customer or potential customer of PRI, to have access to, inspect, or view the testing procedures at, the Testing Facility without the prior written consent of PRI.

10. ACCEPTANCE. Shinsung will have accepted this Order by (i) acknowledging this Order; (ii) commencing performance of this Order, or (iii) not properly rejecting this Order within [five (5)] Business Days after receipt by Shinsung; which ever occurs first. If Shinsung rejects this Order, then Shinsung will (i) set forth the reason(s) for Shinsung's rejection in writing, and (ii) indicate which portion, if any, of such order Shinsung is able to accept. In no event will Shinsung reject any such order that is generally consistent with the scope and purpose of the Master Agreement. Acceptance of this Order is limited to the express terms contained herein. Any additional or different terms and any attempt by Shinsung to vary in any respect any of the terms of this offer in Shinsung's acceptance are hereby objected to and rejected. However, such variances will not operate as a rejection of this offer unless they are variances in the terms of the description,

quantity, price or delivery schedule of the goods or services, but rather will be deemed a material alteration thereof, and this offer will be deemed accepted by Shinsung without such additional or different terms. If this offer will be deemed an acceptance of a prior offer by Shinsung, such acceptance is similarly limited to the express terms contained herein. Additional or different terms in Shinsung's offer will be deemed material and are objected to and rejected, but this Order will not operate as a rejection of the Shinsung's offer unless it contains variances in the terms of the description, quantity, price or delivery schedule of the goods or services.

11. SHIPPING. Shinsung will follow all instructions on the face of this Order regarding the shipment of the Products. If shipping instructions are not specified by PRI, Shinsung will deliver the Products in accordance with standard commercial practices. Shinsung will pay all shipping charges and be responsible for dealing with all carriers unless otherwise specified on the face of this Order or in an addendum hereto.

12. DELIVERY AND RISK OF LOSS. The delivery date and time (the "Delivery Date and Time") and the location of the facility of PRI's customer to whom the Products are to be delivered (the "Customer's Facility") for the shipment of the Products will be as set forth on the face of this Order. TIME IS OF THE ESSENCE for this Order, and delivery of any shipment by the Delivery Date and Time is an essential term of this Order. A shipment will be deemed on time if it arrives at designated discharging airport on the Delivery Date and Time. Shinsung will promptly notify PRI of any delay or likely delay in any shipment. In the event that a shipment either will not be or is unlikely to be delivered by the Delivery Date and Time, PRI reserves the right either: (i) to require a routing change to ship by premium transportation, with the entire cost of such premium transportation to be borne by Shinsung, or (ii) to cancel all or part of this Order without liability. Shinsung assumes all risks of loss or damage of the goods or services until delivery is completed at PRI's designated discharging airport. Shinsung assumes all risks of loss or damage of goods rejected by PRI and returned to Shinsung.

13. UNDERSHIPMENTS AND OVERSHIPMENTS. Any undershipment will be completed by subsequent shipment referencing the number of this Order. An undershipment will not constitute complete performance of this Order, and Shinsung will remain obligated to perform in accordance with this Order, unless Shinsung obtains written consent of PRI. PRI may retain or return to Shinsung any overshipment of Product. Overshipments to be returned to Shinsung will be held by PRI at Shinsung's risk and expense for a reasonable time awaiting shipping instructions from Shinsung, and return shipping charges will be at Shinsung's expense.

14. PACKING. Unless otherwise specified by PRI, Shinsung will package and pack the Products in conformity with the Specifications. However, in all events Shinsung will package and pack the Products in a manner which is (i) in accordance with good commercial practice; (ii) acceptable to common carriers for shipment at the lowest rate for the Products; (iii) in accordance with I.C.C. regulations; and (iv) adequate to ensure safe arrival of the Products at the named destination. Shinsung will mark all containers with necessary lifting, handling and shipping information and with the number of this Order. An itemized packing list must accompany each shipment indicating: (i) the number of this Order; and (ii) the description and quantity of the Products shipped.

15. QUALITY ASSURANCE PROCEDURES

15.1. Shinsung will adopt the quality assurance procedures and perform the quality control tests described in the Specifications.

15.2. PRI will have the right, but not the obligation, to inspect any of the Products before packing. No inspection or other action by PRI will in any way obligate it to purchase any defective or nonconforming Products or to retain any Products which, upon subsequent inspection or use, prove to be defective or nonconforming Products.

15.3. Before packing and shipment of any of the Products, Shinsung will certify that it has taken all commercially reasonable steps to ensure that each Product has been tested according to the Specifications.

16. PRODUCT WARRANTY.

16.1. Shinsung expressly warrants to PRI for the warranty period set forth on the face of this Order (the "Warranty Period") that (i) all Products furnished under this Order will conform strictly with the requirements of this Order, including the Specifications, drawings, samples, and/or descriptions provided or incorporated herein; (ii) all such Products will be free from any defects in design, materials, workmanship and title, and will be adequately contained, packaged, marked and labeled; (iii) all such Products will be fit and safe for the purpose for which Products of that kind are normally used; (iv) all such Products will accept as input, use and provide as output data without error or interruption and that the Products will operate in accordance with the Specifications and any other requirements of this Section 16 on all dates before, on and after January 1, 2000 without impairment arising out of date data representing such dates; and (v) all such Products will function in accordance with the design and system requirements of the assembly in which the Products are put to use and/or integrated by PRI or PRI's licensee, sublicensee, or subcontractor, notwithstanding whether the Products satisfy any or all other requirements provided for

-19-

<Page>

PRIVATE AND CONFIDENTIAL

hereunder (including the Specifications), and will be fit and safe for any other particular purpose of PRI of which Shinsung knows-or has reason to know (collectively, the "Warranty"). The Warranty will survive delivery, inspection, acceptance, payment and termination of the Master Agreement and/or this Order and will run to PRI, its customers, and successors and assigns.

16.2. In the event that any of the Products is determined to be defective or in nonconformance with the Warranty during the Warranty Period, PRI will have the right, at PRI's option: (i) to require Shinsung to, if possible, correct any defect or nonconformity at any location, including the Customer's Facility, as PRI may request; (ii) to reject such Product and return it to Shinsung for refund or credit; (iii) to return such Product to Shinsung for correction by Shinsung; and (iv) to accept such Product with an equitable adjustment in Purchase Price. PRI will be under no obligation to pay Shinsung for defective or nonconforming Products, and Shinsung will promptly reimburse PRI for any and all damages sustained by PRI as a result of such Products. If PRI elects to reject or return any defective or nonconforming Product, or if Shinsung has failed to correct such Product at such location as PRI may have requested within [(24)] Business Days of such request, then Shinsung will, at PRI's request, immediately replace such Product by delivery of nondefective and conforming Product.

16.3. If any of the Products released to PRI is determined to be defective or in nonconformance with the Warranty, PRI may request that Shinsung, within [five (5)] Business Days of receiving such a request, provide PRI a written report (i) analyzing such Product; (ii) explaining the nature of any defect and/or nonconformity in such Product; (iii) indicating how Shinsung intends to correct such defect and/or nonconformity. Upon PRI's request, Shinsung will promptly meet with PRI to discuss Shinsung's proposed corrective action.

16.4. Any cost or expense resulting from correction, rejection, return or replacement of any Product or any part thereof under this Section 16, including cost for labor, material, inspection, customs duties, shipping to and from Shinsung's facilities and other costs associated with removing, replacing or correcting any Product or any part thereof, will be borne exclusively by Shinsung, and Shinsung will assume all risk of loss or damage for such Product or any part thereof.

16.5. For repair or replacement of any Product or any part thereof pursuant to this Section 16, Shinsung will maintain, at Shinsung's expense, a quantity of Products, or parts thereof, at one or more locations that PRI may designate from time to time (the "Warranty Inventory"). Shinsung will hold title to, and will assume all risk of loss or damage for the Warranty Inventory. The quantity of any Product, or components thereof, required for the Warranty

Inventory will be determined by PRI. In determining the appropriate level of Warranty Inventory, PRI will take into account, among other things, the volume

of previous orders for such Product, maintenance experience in relation to such Product or part, potential orders for such Product from PRI's customers, and the manufacturing lead times for such Product or part. In the event of an emergency down at a Customer's Facility, at PRI's request, Shinsung will provide and deliver the necessary replacement parts for the Product to such Customer's Facility within twenty-four(24) hours of receipt of such request. Shinsung will use any Product or part in Warranty Inventory on a first-in/first-out basis for any such repair or replacement.

17. INTELLECTUAL PROPERTY.

17.1. In the course of Shinsung's manufacture and sale of the Products to PRI pursuant to this Order, Shinsung, or Shinsung and any other party or parties, including PRI or any Approved Vendor, may conceive, develop or make inventions, improvements, computer programs, works of authorship, data, know-how or other developments relating to the Products that are designed for or by PRI, including any component thereof or any process for their manufacture, (collectively, the "Developments"). PRI will own all right, title, and interest throughout the world, including all Intellectual Property rights, in any and all Developments. Shinsung hereby assigns and, to the extent any such assignment cannot be made at the present time, agrees to assign, to PRI all right, title, and interest, including all Intellectual Property rights, which it or any of its employees, subcontractors, or any Approved Vendor may have, including the right to file and to own wholly and without restriction any applications anywhere in the world for patents and any patents issuing therefrom, in any Developments. Shinsung agrees to execute, and to cause its employees, subcontractors, and Approved Vendor to execute, such documents, including patent applications, and to take such other actions as PRI may request to secure, confirm, or protect the rights in Developments. Shinsung will enter into appropriate agreements with its employees, consultants, and other persons furnishing materials or services in connection with this Order to effectuate the purposes of this Section 17. Shinsung will maintain full and accurate records relating to Developments for the purpose of documenting them, and such records will be made available to PRI upon request. Shinsung will deposit copies of such records with the Escrow Agent in accordance with Section 17.5. Shinsung will cooperate with PRI, at PRI's request, in maintaining and enforcing any intellectual Property rights relating to Developments.

17.2. Shinsung stipulates and agrees that PRI owns any and all right, title and interest throughout the world in Developments and PRI's Independently Developed Technology, and that under this Order Shinsung will acquire no right, title or interest in or to any of the

-20-

<Page>

PRIVATE AND CONFIDENTIAL

foregoing, except for the license expressly granted in Section 17.4.

17.3. Shinsung hereby grants to PRI a non-exclusive, worldwide, fully paid-up, royalty-free license, with right to sublicense, to use Shinsung's Independently Developed Technology, including any Intellectual Property rights therein, solely for the purpose of, and solely to the extent necessary for, carrying out this Order, including, without limitation the manufacture, sale, re-sale and utilization of the Products by PRI and PRI's customers. Nothing herein will be construed as granting PRI, by implication, estoppel or otherwise, any license or other right in Shinsung's Independently Developed Technology, except for the licenses and rights expressly granted under this Order. In the event of termination of the Master Agreement and/or this Order pursuant to Sections 9.1 and 9.3 of the Master Agreement and pursuant to Section 22 herein, Shinsung will, and does hereby, grant to PRI an irrevocable, non-exclusive, transferable, worldwide, perpetual, fully paid-up license, with right to sublicense, to make, have made, use, have used, sell, have sold, offer for sale, have offered for sale, and otherwise exploit in any fashion any Product, any derivative or improvement relating to any Product, or any component thereof or any process for its manufacture, incorporating or made using Technology owned or licensed by Shinsung or any Approved Vendor, including Shinsung's Independently Developed Technology (the "PRI License"). In the event PRI becomes entitled to exercise such license in accordance with any of the aforementioned Sections,

Shinsung will promptly deliver to PRI copies of all documents describing any of the Technology covered by such license.

17.4. PRI hereby grants to Shinsung a nonexclusive, non-transferable worldwide, fully paid-up license to use PRI's Independently Developed Technology and Developments, including any Intellectual Property Rights therein, solely for the purpose of, and solely to the extent necessary for, carrying out this Order. Shinsung will have no right under any license granted Shinsung hereunder: (i) to assign, sublicense or transfer any such license; or (ii) to sell or otherwise provide the Products, any derivative or improvement relating to the Products or any component thereof or any process for their manufacture, to any third party without PRI's consent, which will be at PRI's sole discretion. Notwithstanding anything herein to the contrary, PRI reserves the right, in its sole discretion, to terminate upon notice any license granted to Shinsung hereunder; provided, however, that Shinsung will be excused from any obligation hereunder that Shinsung may not lawfully perform without such license. Nothing herein will be construed as granting Shinsung, by implication, estoppel or otherwise, any license or other right in PRI's Independently Developed Technology or Developments, except for the license expressly granted in this Section 17.4.

17.5. At the request of PRI. Shinsung will promptly deposit, at its sole cost and expense, copies in electronic or tangible form (at the option of PRI) of all available engineering drawings, software, firmware, manuals, technical bulletins, notes, schematics, designs, test results and other information relating to or in connection with the Products, any derivative or improvement relating to the Products, or any component thereof or any process for their manufacture (the "Deposited Material") with [_____], as escrow agent (the "Escrow Agent"). The Escrow Agent will release the Deposited Material to PRI upon termination of this Order in accordance with Section 9.1 or Section 9.3 of the Master Agreement and upon release of the Deposited Material to PRI, Shinsung grants to PRI an irrevocable, non-exclusive, transferable, worldwide, perpetual, fully paid-up license, with right to sublicense, to make, have made, use, have used, sell, have sold, offer for sale, have offered for sale, and otherwise exploit in any fashion the Products, any derivative or improvement relating to the Products, or any component thereof or any process for their manufacture, incorporating or made using the Deposited Material and the Intellectual Property rights embodied therein. The parties will enter into an escrow agreement with the Escrow Agent to provide for the deposit and release of the Deposited Material in accordance with the foregoing.

18. INFRINGEMENT WARRANTY. Shinsung expressly represents and warrants that (i) the Products, the manufacture of the Products, and the purchase and use thereof does not and will not infringe any Intellectual Property right of any third party anywhere in the world; (ii) there are no claims, suits or other proceedings which Shinsung knows of in which a third party claims infringement of any Intellectual Property right by the Products, the production of the Products or the use thereof anywhere in the world; (iii) Shinsung will disclose to PRI any of such claims, suits or other proceedings of which Shinsung becomes aware. The representations and warranties of this Section 18 will not apply to any claim of infringement of any third party Intellectual Property right based upon infringement resulting from Shinsung's compliance with the Specifications, provided that the Product conforms in every material respect with such Specifications and such infringement would not have occurred but for such Specifications.

19. INTELLECTUAL PROPERTY INDEMNIFICATION.

19.1. Except as provided in Section 19.2., Shinsung will defend, at its expense, any claim against PRI alleging that the Products, any part or any item furnished under this Order, or any component or process used in the production of the foregoing by Shinsung, infringes any third party Intellectual Property right, and will pay all costs and damages awarded, if Shinsung is notified promptly in

<Page>

PRIVATE AND CONFIDENTIAL

writing of such a claim. If an injunction against PRI's or any of its customer's

use of the Products results from such a claim (or, if such claim is actually threatened and PRI reasonably believes such a claim is likely to result in the commencement of legal proceedings or action against PRI and/or Shinsung) Shinsung will, at its expense, and as PRI may request: (i) obtain for PRI and its customers the right to continue making, selling, offering for sale and using the Products; or (ii) replace or modify the Specifications for such Products to become non-infringing but functionally equivalent.

19.2. The obligations of Shinsung set forth in Section 19.1 will not apply to any claim that the Products infringe any third party Intellectual Property right based upon infringement resulting from Shinsung's compliance with Specifications, provided that the Products conform in every material respect with such Specifications and such infringement by the Products would not have occurred but for such Specifications. In such an event, PRI will defend, at its expense, any such claim against Shinsung alleging that the Products infringe any third party Intellectual Property right based upon infringement resulting from Shinsung's compliance with Specifications, and will pay all costs and damages awarded, if PRI is notified promptly in writing of such a claim and has sole control over the conduct of all legal proceedings in connection with such a claim. If an injunction against Shinsung's production of the Products results from such a claim (or if such claim is actually threatened and PRI reasonably believes such a claim is likely to result in the commencement of legal proceedings or action against PRI and/or Shinsung), PRI will be entitled to cancel this Order, or at its expense and option: (i) obtain for Shinsung the right to continue producing the Products, or (ii) replace or modify Specifications for the Products to become non-infringing but functionally equivalent.

20. INSURANCE

20.1. Shinsung will maintain insurance policies, including public liability insurance and product liability insurance, with companies authorized to do business in the United States and having agents upon whom service of process may be made in the United States, and will contain as a minimum the following provisions, coverage and policy limits of liability:

20.1.1. Insurance coverage will protect PRI, its subcontractors, agents and employees from claims for damages for personal injury, including accidental or wrongful death, as well as property damage which may arise from Shinsung's negligence or misconduct. The limits of liability provided by such policy or policies will be no less than [TWO (2) MILLION DOLLARS] per occurrence combined single limit and [TWO (2) MILLION DOLLARS] aggregate; and

20.1.2. Product liability or completed operations insurance with bodily injury limits of liability of not less than [FIVE (5) MILLION DOLLARS] per person and [FIVE (5) MILLION DOLLARS] per occurrence.

20.2. Shinsung will furnish to PRI within ten (10) days of the date of this Order a certificate of insurance, or duplicate policies of insurance described above, that specifically protects PRI by naming PRI as an additional insured under the policy and provide an endorsement under terms which the insurer specifically agrees to pay not only any claims incurred by or resulting to PRI, but also to any and all suits or actions in which the liability of PRI is vicarious and is predicated upon allegations of acts or omissions by Shinsung, its subcontractors or agents. Such certificate must contain a provision for notification to PRI thirty (30) days in advance of any material change in coverage or cancellation.

21. TRAINING. Upon request by PRI, Shinsung will provide, at its cost, the training to PRI service and other personnel in connection with the Products as set forth on the face of this Order.

22. FORCE MAJEURE. Neither Shinsung nor PRI will be liable for its failure to perform any of its obligations hereunder during any period in which such performance is delayed by reason of fire, flood, war, earthquake, other comparable natural disaster, embargo, strike, riot, intervention of any government authority, or other act outside the reasonable control of the party, provided that the party suffering such delay immediately notifies the other party. If, however, Shinsung's performance hereunder is delayed for any such reason, for a cumulative period of more than [(THIRTY (30)/ SIXTY (60)/ NINETY (90)] Business Days from the date of Shinsung's notification to PRI, then PRI, notwithstanding anything herein to the contrary, may terminate without penalty this Order, without further notice, and PRI will be entitled to exercise the PRI

License. In the event of such termination, PRI's sole liability hereunder will be for the payment to Shinsung of any unpaid balance due Shinsung for nondefective Products conforming to the Warranty received by PRI before notice of such termination for which Shinsung has provided PRI an Invoice, less any set-off as permitted herein.

23. COMPLIANCE. Shinsung expressly warrants that in performance of work under this Order it has complied with and will comply with all applicable international, Federal, state, local laws, rules, regulations, statutes, ordinances and orders now or hereafter enacted or made including, laws restraining the use of convict labor. Without limiting the foregoing, Shinsung warrants that in performance of work under this Order it has complied with and will comply with all laws, rules, regulations, statutes, ordinances and orders of all governmental entities including local, state, federal or international, now or hereafter enacted, which regulate any material because it is radioactive, toxic, hazardous or

-22-

<Page>

PRIVATE AND CONFIDENTIAL

otherwise a danger to health, reproduction or the environment. In addition, Shinsung will secure and maintain adequate workmen's compensation insurance in accordance with the laws of the state or states from which Shinsung will furnish the Products and/or services for PRI. In addition to the foregoing, Shinsung will not directly or indirectly export or re-export the Products, any Confidential Information, or any goods or services of any of the foregoing, outside the United States, without complying with all applicable U.S. and foreign export control and other laws and regulations (including providing PRI any required assurance regarding export and re-export). In addition, Shinsung agrees to comply with all foreign and international laws, rules, statutes, treaties, orders and understandings similar to any of the aforesaid. Upon request, Shinsung agrees to issue certificates certifying compliance with any of the aforementioned laws or regulations as may be applicable to the Products and/or services being furnished hereunder. Shinsung's failure to comply in any material respect with this Section 23 will constitute cause sufficient for termination of the Master Agreement and/or this Order pursuant to Section 9.1 of the Master Agreement.

24. SURVIVAL. The following Sections of this Order will survive termination or cancellation of this Order for any reason, notwithstanding delivery of, acceptance of, and/or payment for the Products ordered hereunder: 2, 6, 7, 8, 10, 11, 12, 16, 17, 18, 19, 20, 22, 23, 24 and 25.

25. DEFINITIONS OF TERMS. Except as expressly defined herein, all capitalized terms will have the meaning given to those terms in the Master Agreement.

-23-

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-69721, 333-64519 and 333-60180) and Form S-8 (Nos. 33-90702, 33-90726, 33-90732, 333-3408, 333-25217, 333-41067, 333-45063, 333-74141, 333-49822, 333-33894, 333-76192 and 333-84718) of PRI Automation, Inc. of our report dated November 19, 2001 relating to the financial statements and financial statement schedule, which appears in this Form 10-K/A.

PricewaterhouseCoopers LLP
Boston, Massachusetts
April 3, 2002