YEAR 2000: ACQUISITIONS & ALLIANCES

Noah Precision, Inc. Acquired in April as a wholly-owned subsidiary in an exchange of stock and accounted for as a pooling of interests. Noah designs, manufactures, and markets compact, highly reliable, solid state temperature control systems that provide dynamic temperature control in plasma etch, wet etch, and photoresist processes during semiconductor manufacture. These systems provide precise temperature control and fast temperature response especially critical in plasma etch applications of sub 0.25 micron processes. Their thermoelectric cooling product is a differentiating technology, replacing the traditional electromechanical refrigeration methods with a smaller, more efficient and effective unit. Noah also represents an internal-sales/cost-saving opportunity: one of the components of its product is a power source that AE will now supply. Formerly a privately-held company, it is located in San Jose, California.

Sekidenko, Inc. Acquired in August as a wholly-owned subsidiary in an exchange of stock and accounted for as a pooling of interests. Sekidenko supplies temperature metrology solutions that we believe are the best available. It is the dominant supplier of optical fiber thermometers (OFTs) that measure the temperature of semiconductor wafers during the manufacturing process. OFTs are the preferred method for non-contact temperature measurement and offer superior accuracy, repeatability, and ease of use in RTP, CVD, Epitaxy, PVD, and crystal growth semiconductor manufacturing applications. Formerly a privately-held company, it is located in Vancouver, Washington.

EMCO (Engineering Measurements Company) Acquired in January 2001 as a wholly-owned subsidiary for approximately $30 million cash. EMCO manufactures electronic and electro-mechanical precision instruments for measuring and controlling the flow of liquids, steam, and gases. Their Mach One product represents a disruptive technology—a uniquely elegant and powerful solution to flow measurement and control, which impacts wafer quality, yield, and system reliability. EMCO also offers contract electronic printed circuit board assembly. Formerly publicly-held on the Nasdaq exchange, it is located in Longmont, Colorado.

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SYMPHONY SYSTEMS Business alliance completed in March when AE provided a major portion of Symphony's convertible promissory note bridge financing. Symphony supplies network-based tool connectivity infrastructure and a suite of open-architecture software solutions for semiconductor applications. Symphony software solutions create a web-based supply chain of equipment, equipment users, equipment suppliers, parts and consumable suppliers, and application software providers, in real time. The result is a dynamic, highly secure resource management environment that optimizes productivity of mission-critical capital equipment. These software solutions give users unprecedented remote access to critical predictive maintenance and tool health information through a web-based platform, which helps improve productivity and accelerate process innovation. Symphony's software extends the application of our Fourth State Technology (acquired in 1998) monitoring system used in process monitoring instrumentation and advanced process control. Symphony is privately held and is located in Campbell, California.

BERKELEY PROCESS CONTROL Exclusive distribution agreement completed in June. Berkeley supplies a powerful real time control system that can control virtually all servo motor-driven subsystems using a low-cost, high-speed Ethernet or similar network. The system coordinates data flow and automatically analyzes data. Its robust architecture is efficient, reliable and scalable—able to expand beyond motion control to bring the same benefits to the entire machine layer of a process tool. By leveraging our relationship with software provider Symphony Systems, we can maximize the potential of Berkeley's hardware and network platform. Our customers benefit through significant productivity improvements. Berkeley is privately held and is located in Richmond, California.

DRESSLER HF TECHNIK GmbH Completed partnership agreement in November with an initial investment and an option for AE to make further investments. Dressler is a supplier of RF power solutions for plasma-based applications and has held a proprietary niche in some low-power, higher-frequency applications within the semiconductor capital equipment, laser, and medical technology markets. Dressler adds another dimension to AE's global infrastructure, increasing our ability to respond to European customers with customized solutions and local manufacturing. Dressler, known for its strong engineering group and recognized for its work in RF technology, will contribute to AE's own R&D program, creating an ideal environment for highly efficient development programs and production projects. As related companies, we are more competitive and at an advantage in gaining access to new markets and applications. Dressler is located in Stolberg-Vicht, Germany.

CONVERGENCE. Bringing it all together...

For our customers and stockholders It's an ongoing process to understand the value we can bring to the people who buy our products and those who purchase our stock. Fundamentally, we believe they both want the same thing: a satisfactory return on investment—whether that means higher revenues or higher stock prices.

That's why we pursue a single strategy in creating value for both of our constituents. It involves change. And that always involves some risk. But we have long believed that doing things right and doing the right things are not opposing choices. We must do both.

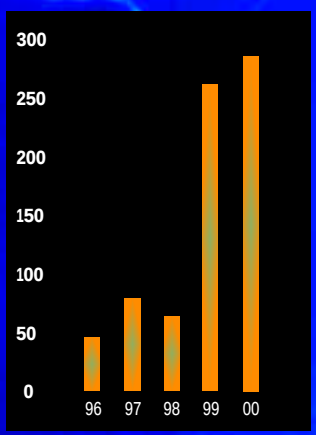
So we'll continue our growth by pursuing technological innovation and identifying emerging opportunities. We'll continue developing and maintaining candid, cooperative relationships that keep information flowing and results improving. We'll continue dedicating ourselves to excellence, quality, and reliability. And we'll continue managing to our principles and values.

P o s t s c r i p t

For our employees What some companies refer to as human capital is to us the AE community—a diverse and uniquely talented group of hard working people. Each year it's important to me and to all of AE's management that we call special attention to their unfailing contributions. They make our continuing success possible. Every day we see the care and commitment they bring to their work and to their relationships with our customers, our stockholders, our suppliers, and fellow employees.

A few years ago when a sudden rainstorm flooded our facilities, I thought I had seen our employees at their very best—literally digging in and responding to crisis. But this year, I am even more proud to recognize them for their spontaneous outpouring of kindness and generosity in helping a colleague struck by tragedy. It's another measure of their character and quality. And a perfect example of how the people of AE come together to make all the difference.

Working Capital
$ millions



Stock Price 2000