METRON TECHNOLOGY N V
Form 10-Q
January 16, 2001

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended November 30, 2000

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from_______to________.

Commission File Number: 000-27863

METRON TECHNOLOGY N.V.

(Exact name of registrant as specified in its charter)

The Netherlands	98-0180010
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

1350 Old Bayshore Highway
Suite 360
Burlingame, California 94010

(Address of principal executive offices)

Registrant's telephone number, including area code: (650) 373-1133

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 X No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Title of Each Class	Outstanding at December 31, 2000
Common shares, par value NLG 0.96 per share	13,870,678

METRON TECHNOLOGY N.V.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

METRON TECHNOLOGY N.V.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)
(Dollars in thousands except per share)

	THREE MONTHS ENDED NOVEMBER 30,		ENDE
	1999	2000	199
Net revenue	$74,163	$139,773	$
Cost of revenue	61,013	115,050	
Gross profit	13,150	24,723	
Selling, general, administrative, and other expenses	11,069	17,567	
Operating income	2,081	7,156	
Equity in net loss of joint ventures	(44)	(95)	
Other income (expense), net	302	(138)	
Income before income taxes	2,339	6,923	
Provision for income taxes	853	3,075	
Net income	$1,486	$3,848	
Earnings per common share			
Basic	$0.14	$0.29	
Diluted	$0.13	$0.28	

See accompanying Notes to Condensed Consolidated Financial Statements

METRON TECHNOLOGY N.V.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)
(Dollars in thousands)

	THREE MONTHS ENDED NOVEMBER 30,		ENDE
	1999	2000	199
Net income	$1,486	$3,848	$
Other comprehensive loss	(196)	(1,558)	
Comprehensive income	$1,290	$2,290	$

See accompanying Notes to Condensed Consolidated Financial Statements

METRON TECHNOLOGY N.V.
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)
(Dollars in thousands)

	MAY 31 2000
ASSETS	
Cash and cash equivalents	$22,
Short-term investments	3,
Accounts receivable, net	82,
Inventories, net	40,
Prepaid expenses and other current assets	10,
Total current assets	159,
Property, plant, and equipment, net	10,
Intangible assets, net	9,
Long-term investments	
Other assets	
Total Assets	$181,
LIABILITIES AND SHAREHOLDERS' EQUITY	
Accounts payable	$30,
Amounts due affiliates	38,
Accrued wages and employee-related expenses	7,
Deferred revenue for installation and warranty	5,
Short term borrowings and current portion of long-term debt	13,
Amounts payable to shareholders	
Other current liabilities	10,
Total current liabilities	105,
Long-term debt, excluding current portion	1,
Deferred credits and other long-term liabilities	2,
Total liabilities	108,
Commitments	
Shareholders' Equity:	
Preferred shares, par value NLG 0.96	
Common shares and additional paid-in capital, par value NLG 0.96	39,
Retained earnings	37,
Cumulative other comprehensive loss	(4,
Treasury shares	(
Total shareholders' equity	72,
Total Liabilities and Shareholders' Equity	$181,

See accompanying Notes to Condensed Consolidated Financial Statements

METRON TECHNOLOGY N.V.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(Dollars in thousands)

	SIX M ENDED NO
	1999
Cash flows from (used for) operating activities:	
Net income	$ 2,389
Adjustments to reconcile net income for items currently not affecting operating cash flows:	
Depreciation and amortization	1,073
Provision for inventory valuation and bad debts	206
Deferred income taxes	157
Equity in net loss of joint venture	129
Gain on sale of stock warrant	(184)
Gain on disposition of assets	(29)
Changes in assets and liabilities:	
Accounts receivable	(16,669)
Inventories	(5,035)
Prepaid expenses and other current assets	988
Accounts payable	7,995
Amounts due affiliates	5,675
Accrued wages and employee-related expenses	254
Deferred revenue for installation and warranty	699
Other current liabilities	(472)
Net cash flows from (used for) operating activities	(2,824)
Cash flows used for investing activities:	
Additions to property, plant, and equipment	(860)
Proceeds from sale of property, plant, and equipment	595
Proceeds from sale of stock warrant	184
Equity investment in joint venture	(161)
Other assets	72
Other long-term liabilities	(158)
Net cash flows used for investing activities	(328)
Cash flows from financing activities:	
Purchases of short-term investments	(21,833)
Proceeds from sales of short-term investments	--
Net proceeds (repayment) of short-term borrowings	2,509
Proceeds from issuance of long-term debt	62
Principal payments on long-term debt	(163)
Amounts payable to shareholders	(862)
Net proceeds from issuance of common shares	27,043
Net cash flows from financing activities	6,756
Effect of exchange rate changes on cash and cash equivalents	(112)

Net change in cash and cash equivalents	3,492
Beginning cash and cash equivalents	10,601
Ending cash and cash equivalents	$ 14,093

See accompanying Notes to Condensed Consolidated Financial Statements

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

UNAUDITED INTERIM INFORMATION

The condensed consolidated financial statements (including notes to condensed consolidated financial statements) of Metron Technology N.V. ("Metron" or the "Company") included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). In the opinion of management, the accompanying condensed consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary for their fair presentation. Historical results are not necessarily indicative of the results the Company expects in the future. This report should be read in conjunction with the consolidated financial statements and notes thereto for the fiscal year ended May 31, 2000 included in the Company's Report on Form 10-K/A as filed with the SEC.

EARNINGS PER SHARE

Basic earnings per common share are based on the weighted-average number of common shares outstanding in each period. Diluted earnings per common share reflect the potential dilution that could occur if dilutive securities were converted into common shares. For all periods presented the reported net income was used in the computation of basic and diluted earnings per common share.

A reconciliation of the shares used in the computation follows:

	THREE MONTHS ENDED NOVEMBER 30,	
	1999	2000
	(SHARES IN TH	
Shares used for basic earnings per common share	10,430	13,334
Potential common shares having a dilutive effect	1,017	646
Shares used for diluted earnings per common share	11,447	13,980

Options to purchase 489,772 and 368,804 common shares of the Company were excluded from the calculation of diluted earnings per share for the three and six-month periods ended November 30, 2000, respectively, because their effect was anti-dilutive. For both periods, these anti-dilutive securities have a weighted-average exercise price of $14.85. Excluded potential common shares could dilute earnings per share in the future. There were no options excluded from the calculation of diluted earnings per share for the three and six-month periods ended November 30, 1999.

2. ACQUISITION OF INTEC

Effective November 17, 2000, the Company acquired all the common shares of Intec Technology (S) Pte. Ltd., a privately held company incorporated in Singapore. Intec is a supplier of cleanroom products and manufactures cleanroom garments in Singapore and Malaysia. Metron intends to use the assets acquired in the transaction to continue the operations of Intec. The transaction will be accounted for as a purchase, and will be reflected in the Company's consolidated financial statements as of December 1, 2000. The results of Intec's operations from November 17, 2000 through November 30, 2000 were insignificant to the consolidated financial statements of the Company. In addition, the purchase price of Intec was insignificant to Metron's consolidated balance sheet as of November 30, 2000. Accordingly, the Company excluded its investment in Intec and Intec's results from its consolidated financial statements.

As consideration for the acquisition, Metron issued 475,000 of the Company's common shares at an average share price of $8.29 for a total consideration of approximately $3,937,000. The excess of the purchase price over the fair value of the net identifiable assets acquired of approximately $3,166,000 will be recorded as goodwill and amortized on a straight-line basis over 10 years.

3. SEGMENT AND GEOGRAPHIC DATA

Metron operates predominantly in the semiconductor industry. Metron provides marketing, sales, service and support solutions to semiconductor materials and equipment suppliers and semiconductor manufacturers. Reportable segments are based on the way the Company is organized, reporting responsibilities to the chief executive officer, and on the nature of the products offered to customers. Reportable segments are the equipment division, which includes certain specialized process chemicals, spare part sales, and equipment service; the materials division, which includes components used in construction and maintenance; and other, which includes finance, administration and corporate functions.

Segment operating results are measured based on net income (loss) before tax, adjusted if necessary, for certain segment specific items. There are no inter-segment sales. Identifiable assets are the Company's assets that are identified with classes of similar products or operations in each geographic region. Corporate assets include primarily cash, short and long-term investments and assets related to the administrative headquarters of the Company.

SEGMENT INFORMATION

	EQUIPMENT	MATERIALS

	DIVISION	DIVISION
		(DOLLARS IN T
Three months ended November 30, 1999		
Net revenue...	$36,835	$37,328
Income (loss) before income taxes.....................	$2,644	$3,045
Three months ended November 30, 2000		
Net revenue...	$72,741	$67,032
Income (loss) before income taxes.....................	$5,208	$6,580
Six months ended November 30, 1999		
Net revenue...	$73,642	$69,994
Income (loss) before income taxes.....................	$4,531	$6,241
Assets..	$47,252	$31,173
Six months ended November 30, 2000		
Net revenue...	$131,389	$129,388
Income (loss) before income taxes.....................	$10,614	$13,135
Assets..	$82,865	$86,870

GEOGRAPHIC INFORMATION

	THREE MONTHS ENDED NOVEMBER 30,	
	1999	2000
		(DOLLARS IN THO
Net revenue:		
United States...	$17,953	$31,570
Germany...	9,978	21,196
Singapore...	11,586	16,423
Hong Kong...	2,638	13,942
United Kingdom..	7,988	11,528
France..	6,946	13,112
The Netherlands...	6,024	9,125
Other nations...	11,050	22,877
Geographic totals.......................................	$74,163	$139,773

MAY 31,	NOVEMBER
2000	2000

	(DOLLARS IN THOUSANDS	
Assets:		
United States	$38,672	$55,555
United Kingdom	35,460	30,520
Germany	13,043	22,995
Singapore	26,344	22,690
Hong Kong	19,574	19,109
France	18,569	17,931
The Netherlands	11,153	13,973
Other nations	18,554	33,506
Geographic totals	$181,369	$216,279

4. SUBSEQUENT EVENT

On January 8, 2001 the Company and Entegris, Inc. entered into an agreement to modify their existing distribution relationship. Pursuant to the agreement, beginning March 1, 2001, Entegris would assume direct sales responsibility for products from its Microelectronics Group in Europe and Asia. In addition, the companies expect to enter into a new distribution agreement for Entegris' Fluid Handling Products Group products under which Metron would continue to distribute the Fluid Handling Products Group product line in all regions currently covered, including select territories of the United States, Europe and Asia. The new distribution agreement is anticipated to run until at least August 31, 2005.

In consideration for termination of the existing distribution agreement, Entegris is expected to transfer to Metron 1,125,000 shares of the Metron common shares it currently owns, and to make cash payments totaling $1,750,000 over a 15-month period. In addition, Entegris is expected to repurchase the Company's inventory of Microelectronics Group products at cost. At November 30, 2000, the cost of the Company's inventory of these products totaled approximately $3 million. The early termination of the Microelectronics Group product distribution agreement is anticipated to be effective as of March 1, 2001, subject to completion of the new distribution agreement for Entegris' Fluid Handling Products Group products and finalization of transition matters.

5. RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998 the Financial Accounting Standards Board ("FASB") issued SFAS 133, "Accounting for Derivative Instruments and Hedging Activities". The new standard establishes accounting and reporting standards for

derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires companies to record derivatives on the balance sheet as assets or liabilities, measured at fair value. Accounting for changes in the values of those derivatives depends on the intended use of the derivatives and whether they qualify for hedge accounting. SFAS 133, as amended by SFAS 137 and SFAS 138, is effective for fiscal years beginning after June 15, 2000. Historically, the Company has engaged in limited hedging activities to reduce the exposure to foreign currency risks, but has not entered into derivatives contracts for speculative purposes. Accordingly, the Company does not expect adoption of the new standard to materially affect its consolidated financial statements.

In March 2000, the FASB issued FASB Interpretation No. 44, Accounting for Certain Transactions involving Stock Compensation, an interpretation of APB Opinion No. 25. This Interpretation clarifies the application of APB Opinion 25 for certain issues including: (a) the definition of employee for purposes of applying Opinion 25, (b) the criteria for determining whether a plan qualifies as a non-compensatory plan, (c) the accounting consequence of various modifications to the terms of a previously fixed stock option or award, and (d) the accounting for an exchange of stock options in a business combination. The Company adopted Interpretation No. 44 in the first quarter of fiscal 2001. The adoption of this Interpretation did not have a material impact on its consolidated financial statements.

In December 1999 the SEC issued Staff Accounting Bulletin No. 101 ("SAB 101") REVENUE RECOGNITION IN FINANCIAL STATEMENTS, which as amended, will be implemented by the Company in the fourth fiscal quarter of fiscal 2001. In October 2000 the SEC issued a Frequently Asked Questions and Answers document (SAB 101 FAQ) which provides further guidance on questions raised by SAB 101. SAB 101 summarizes certain of the SEC staff's views in applying generally accepted accounting principles to revenue recognition in financial statements. In addition, SAB 101 requires companies that have not applied this method of accounting previously to report a change in accounting principle in accordance with Accounting Principles Bulletin No. 20, ACCOUNTING CHANGES. The Company believes that its revenue recognition policies are consistent with the provisions of SAB 101 and SAB 101 FAQ. The implementation of SAB 101 is therefore not expected to have a material impact on the Company's consolidated financial statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information in this Management's Discussion and Analysis of Financial Condition and Results of Operations, except for the historical information, contains forward-looking statements. These statements are subject to risks and uncertainties. You should not place undue reliance on these forward-looking statements as actual results could differ materially. We do not assume any obligation to publicly release the results of any revision or updates to these forward-looking statements to reflect future events or unanticipated occurrences. You should read this discussion and analysis in conjunction with our Consolidated Financial Statements and the related Notes, included in Metron's Annual Report on Form 10-K/A for the fiscal year ended May 31, 2000, filed with the SEC on September 15, 2000.

OVERVIEW

Metron Technology N.V. is a holding company organized under the laws of The Netherlands. Through our various operating subsidiaries, we are a leading global provider of marketing, sales, service and support solutions to semiconductor materials and equipment suppliers and semiconductor manufacturers. We operate in Europe, Asia and the United States. We were founded in Europe in 1975 by our two corporate shareholders, who each own about 19.5% of our shares, and certain of our current and former management. In 1995, we reorganized Metron to combine three Asian companies as a reorganization of entities under common control, and purchased Transpacific Technology Corporation ("TTC") and its subsidiaries. TTC was founded in California in 1982 as a semiconductor equipment manufacturers' representative company and expanded into the distribution business in 1990. In July 1998, we acquired T.A. Kyser Co., which we refer to as Kyser, in a transaction accounted for as a pooling of interests. Founded in 1977, Kyser markets and sells materials in nine states within the United States, principally to the semiconductor industry. In March 2000 we

acquired Shieldcare Ltd., a company incorporated in Scotland, in a transaction accounted for as a purchase. Shieldcare is an authorized supplier of critical parts cleaning services to major OEM and device manufacturing companies worldwide. Shieldcare also operates as an authorized re-manufacturer of physical vapor deposition ("PVD") equipment for a well-known supplier of automated systems for chemical vapor deposition ("CVD"). As of November 17, 2000 we completed our acquisition of all shares of Intec Technology (S) Pte. Ltd., a privately held company incorporated in Singapore. The transaction will be accounted for as a purchase, and the results of operations of Intec will be included in the Company's consolidated financial statements from December 1, 2000. Intec is a distributor of cleanroom products and a manufacturer of cleanroom garments, and sells these products in Singapore and Malaysia.

We derive our revenue from sales of materials, equipment, service and spare parts to the semiconductor industry, as well as from commissions on sales of equipment and materials. We recognize revenue for most of an equipment sale and all other product sales upon the shipment of goods to customers. We defer the portion of equipment revenue associated with estimated installation and warranty obligations. We recognize deferred revenue for installation upon completion of the installation process, and amortize the deferred revenue for warranty over the applicable warranty periods. We recognize service revenue in the periods the services are rendered to customers.

In each of our three and six-month periods ended November 30, 1999 and 2000, a majority of our revenue came from the sale of products from five or fewer of the semiconductor materials and equipment companies we represent, who we refer to as our principals. Revenue from the sale of products manufactured by FSI was 21.7% and 27.9% of total revenue for the three months ended November 30, 1999 and 2000, respectively, and 23.6% and 25.4% of total revenues for the six months ended November 30, 1999 and 2000, respectively. Revenue from the sale of products manufactured by Entegris was 24.3% and 25.6% of total revenue for the three months ended November 30, 1999 and 2000, and 23.6% and 26.7% of total revenues for the six months ended November 30, 1999 and 2000, respectively. In addition to representing our two largest sources of revenue, FSI and Entegris are also our two largest shareholders. At November 30, 2000, after including the 475,000 shares we issued for the acquisition of Intec, each company held 19.5% of our outstanding shares. Although the principals that comprise our largest sources of revenue may change from period to period, we expect that revenue from the sale of products of a relatively small number of principals will continue to account for a substantial portion of our revenue for at least the next five years.

On January 8, 2001 the Company and Entegris, Inc. entered into an agreement to modify their existing distribution relationship. Pursuant to the agreement, beginning March 1, 2001, Entegris would assume direct sales responsibility for products from its Microelectronics Group in Europe and Asia. In addition, the companies expect to enter into a new distribution agreement for Entegris' Fluid Handling Products Group products under which Metron would continue to distribute the Fluid Handling Products Group product line in all regions currently covered, including select territories of the United States, Europe and Asia. The new distribution agreement is anticipated to run until at least August 31, 2005. In the event the Company and Entegris successfully complete the new agreement for Entegris' Fluid Handling Products Group products and finalize transition matters, the existing distribution agreement will be terminated and the new agreement will be effective March 1, 2001. If the existing agreement is terminated, effective March 1, the Company

would no longer market or sell products from Entegris' Microelectronics Group. Revenues for these products were as follows:

	THREE MONTHS ENDED NOVEMBER 30,		SIX MONTHS ENDED NOVEMBER 30,	
	1999	2000	1999	2000
	(DOLLARS IN THOUSANDS)			
Revenue	$9,110	$22,039	$17,343	$44,074

In consideration for the termination of the existing distribution agreement, Entegris is expected to transfer to the Company 1,125,000 of the common shares it currently owns, and to make cash payments totaling $1.75 million, over a 15-month period. Entegris is also expected to repurchase the Company's inventory of Microelectronics Group products at cost. At November 30, 2000, the cost of the Company's inventory of these products totaled approximately $3 million.

If the changes to our relationship with Entegris go into effect, the Company will record a gain on the termination of the existing distribution agreement equal to the fair market value of the 1,125,000 shares on the day on which major terms of the agreements are reached plus the $1.75 million cash payments. If the Company reacquires these shares, Entegris' ownership interest in the Company will be reduced to approximately 11.3% of our outstanding shares. The Company would also record a provision for restructuring costs associated with the reduction in head-count that it expects to make as a result of the loss of the Microelectronics Group product line. The Company does not presently expect that the provision will exceed $500,000.

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We operate in all areas of the world in which there is a significant semiconductor industry, except Japan. The following tables show our sales in Europe, Asia and the United States in dollars and as a percentage of net revenue for each of the three and six-month periods ended November 30, 1999 and November 30, 2000:

	THREE MONTHS ENDED NOVEMBER 30,	
	1999	2000
		(DOLLARS IN
Net revenue		
Europe	$39,776	$74,766
Asia	16,434	33,437
United States	17,953	31,570
Total net revenue	$74,163	$139,773

	THREE MONTHS ENDED NOVEMBER 30,	
	1999	2000
	(PERCENTAGE OF	
Net revenue		
Europe	53.6%	53.5%
Asia	22.2	23.9
United States	24.2	22.6
Total net revenue	100.0%	100.0%

We are organized into two worldwide operating divisions, equipment and materials. Our equipment division derives the majority of its revenue from the sale of capital equipment. The remainder of the division's revenue comes from service, which includes the installation, maintenance and repair of semiconductor equipment, spare part sales and commissions. Our equipment sales represent products that support various production activities for the manufacture of semiconductors. The sales of the equipment division principally represent a small number of high-dollar value transactions for which the products are generally shipped directly to the customer by the manufacturer. As a result, our equipment sales are significantly affected by the pattern of capital spending by customers, the timing of customer orders and the timing of product shipments by the equipment manufacturer.

Our materials division derives the majority of its revenue from sales of materials and components. The remainder of the division's revenue comes from commissions. The materials and components we sell are used both in the production of semiconductors and in the building and maintenance of semiconductor equipment and manufacturing facilities. Materials include products such as wafer handling cassettes and accessories, wafer surface preparation materials, fluid-handling components such as fittings, valves and tubing, and disposable cleanroom clothing. Sales of these products tend to be less cyclical than sales of semiconductor equipment and generally offer higher gross margins.

RESULTS OF OPERATIONS

Beginning in the second half of 1996, as the result of excess capacity and significant price erosion, especially for memory chips, semiconductor industry growth slowed significantly. This slowdown caused semiconductor manufacturers to exercise caution in making capital equipment purchasing decisions. Some semiconductor

manufacturers reduced or delayed the expansion or construction of facilities. This directly affected the sales of semiconductor capital equipment and, to a lesser extent, the sales of materials. As a result of the slowdown, we experienced order cancellations, delays in booking new orders and delays in shipping orders to customers, all of which contributed to the reductions in our

revenue in fiscal 1998 and 1999. We believe that, despite short term slowdowns, the semiconductor industry has long term growth opportunities. As a result, we believe we must maintain our infrastructure, even during periodic slowdowns, in order to continue to serve our customers and to be in a position to take advantage of long term growth opportunities. Accordingly, we did not reduce our operating expenses sufficiently to prevent us from recording an operating loss in fiscal 1999. During the fourth quarter of our fiscal 1999 the semiconductor industry began to recover from the slowdown and, as a result, the Company returned to profitable operations. The recovery has continued through the second quarter of fiscal 2001.

Our quarterly operating results have fluctuated significantly and are likely to continue to fluctuate significantly due to a number of factors including:

- the timing of significant customer orders and customer spending patterns;
- the timing of product shipments by our principals;
- the loss of any significant customer or principal;
- the timing of new product and service announcements by our principals and their competitors;
- the mix of products sold and the market acceptance of our new product lines;
- the efficiencies we are able to achieve in managing inventories of materials and spare parts;
- the timing of expenditures intended to increase future sales of materials and equipment;
- general global economic conditions or economic conditions in a particular region;
- changes in pricing by us, our principals or our competitors;
- changes in currency valuations relative to the U.S. dollar;
- costs we may incur if we become involved in future litigation; and
- other factors, many of which are beyond our control.

The following tables present certain consolidated statements of operations data as a percentage of net revenue for the three and six-month periods ended November 30, 1999 and November 30, 2000.

	THREE MONTHS ENDED NOVEMBER 30,	
	1999	2000
Net revenue	100.0%	100.0%
Cost of revenue	82.3	82.3
Gross margin	17.7	17.7
Selling, general, administrative, and other expenses	14.9	12.6

Operating margin	2.8%	5.1%

The following table shows our materials division and equipment division revenue as an amount and as a percent of net revenue, together with the related gross margins:

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	THREE MONTHS ENDED NOVEMBER 30,		EN
	1999	2000	1
			(DOLLARS IN MILLI
Net revenue			
Equipment division	$36.8	$72.8	$
Materials division	37.3	67.0	
Net revenue			
Equipment division	49.7%	52.0%	
Materials division	50.3	48.0	
Gross margins			
Equipment division	15.2%	15.5%	
Materials division	20.2	20.1	

THREE MONTHS ENDED NOVEMBER 30, 2000 COMPARED TO THREE MONTHS ENDED NOVEMBER 30, 1999

NET REVENUE

EQUIPMENT DIVISION. The equipment division's net revenue for the three months ended November 30, 2000 was $72.8 million, an increase of $36.0 million or 97.8% from the three months ended November 30, 1999. Revenues were higher in all geographic regions due to the continued growth of the semiconductor equipment industry. The division's revenue increased as a percentage of total revenue for Metron to 52.0% as a result of the higher revenue growth.

MATERIALS DIVISION. The materials division's net revenue for the three months ended November 30, 2000 was $67.0 million, an increase of $29.7 million or 79.6% from the three months ended November 30, 1999. The division recorded higher revenue in all regions, with continuing strong growth coming from Asia.

GROSS MARGINS

EQUIPMENT DIVISION. The equipment division's gross margin of 15.5% increased 30 basis points (a basis point is 1/100 of 1%) for the three months ended November 30, 2000 compared to the three months ended November 30, 1999. The increase in gross margin for the three months ended November 30, 2000

compared to the three months ended November 30, 1999 was due to improved margins on the sales of equipment partially offset by reductions in margins on spare parts and service.

MATERIALS DIVISION. The gross margin of the materials division decreased 10 basis points to 20.1% for the three months ended November 30, 2000 compared to the three months ended November 30, 1999. The slight decline was due to the higher proportion of sales coming from fab construction activity where order sizes are typically larger and gross margins typically tighter.

EXPENSES

SELLING, GENERAL, ADMINISTRATIVE AND OTHER (SG&A) EXPENSES. SG&A expenses for the three months ended November 30, 2000 were $17.6 million, up $6.5 million or 58.7% from the $11.1 million incurred in the three months ended November 30, 1999. The increase is due principally to the increase in the number of employees and to higher travel expenses. In addition, Shieldcare, acquired during the fourth quarter of fiscal 2000, accounted for $0.8 million of the increase in our second quarter of fiscal 2001. SG&A expenses consist principally of salaries and other employment-related costs, travel and entertainment, occupancy, communications and computer-related expense, trade show and professional services,

depreciation and amortization of acquisition goodwill. Our SG&A expenses are a function principally of our total headcount. Over 65% of SG&A expenses consist of salaries and other employment-related costs for the three months ended November 30, 1999 and 2000.

SIX MONTHS ENDED NOVEMBER 30, 2000 COMPARED TO SIX MONTHS ENDED NOVEMBER 30, 1999

NET REVENUE

EQUIPMENT DIVISION. The equipment division's net revenue in the six months ended November 30, 2000 was $131.4 million, up $57.8 million or 78.5% from the six months ended November 30, 1999. The net revenue increased in all geographic regions with strong growth in both the United States and Europe. Revenues more than doubled in the United States for the comparable six month periods.

MATERIALS DIVISION. The materials division's net revenue in the six months ended November 30, 2000 was $129.4 million, up $59.4 million or 84.9% from the six months ended November 30, 1999. Materials revenue was higher in all geographic areas. Materials' revenue growth was particularly strong in Asia and was more than one and one half times the revenues recorded in the prior six-month period.

GROSS MARGINS

EQUIPMENT DIVISION. The equipment division's gross margin increased 80 basis points to 15.4% for the six months ended November 30, 2000 when compared to the six months ended November 30, 1999. The increase in gross margin in fiscal 2000 was due principally to improving equipment margins and a higher proportion of equipment commissions. The improvements were offset by declines in spare parts and service margins.

MATERIALS DIVISION. The gross margin of the materials division decreased 20 basis points to 20.5% for the six months ended November 30, 2000 when

compared to the six months ended November 30, 1999. While margins improved in both Europe and Asia, the decrease in the United States was principally due to a higher percentage of sales for fab construction activity, where order sizes are typically larger and gross margins typically tighter.

SELLING, GENERAL, ADMINISTRATIVE AND OTHER (SG&A) EXPENSES. SG&A expenses for the six months ended November 30, 2000 were $33.5 million, up $11.9 million or 55.1% from the $21.6 million incurred for the six months ended November 30, 1999. The increase is due principally to the increase in the number of employees and to higher travel expenses. In addition, Shieldcare, acquired during our fourth quarter of fiscal 2000, accounted for $1.4 million of the increase in six-month period of fiscal 2001. Over 65% of SG&A expenses consist of salaries and other employment-related costs for the six months ended November 30, 1999 and 2000.

OTHER INCOME (EXPENSE). The following table summarizes the components of other income (expense) for the periods indicated.

	THREE MONTHS ENDED NOVEMBER 30,	
	1999	2000
	(DOLLARS IN	
Foreign exchange gain (loss)	$260	$(41)
Interest income	226	208
Interest expense	(465)	(327)
Miscellaneous income	281	22
Other income (expense)	$302	$(138)

We engage in limited hedging activities to reduce our exposure to exchange risks arising from fluctuations in foreign currency, but because hedging activities can be costly, we do not attempt to cover all potential foreign currency exposures. During the three and six-month periods ended November 30, 1999 and November 30, 2000, we entered into contracts to hedge firm purchase commitments, to hedge the maturities of foreign currency denominated liabilities with foreign currency denominated assets and to hedge differences existing between foreign currency assets and liabilities. The currencies in which we purchase forward exchange contracts have numerous market makers to provide ample depth and liquidity for our hedging activities.

Interest income represents primarily earnings on our available cash balances and amounts invested in short-term investments, which primarily resulted from the proceeds of our initial public offering. Our interest expense for the same periods increased primarily as the result of increased borrowings to support the increased working capital requirements associated with higher revenues.

Other income for the three and six-month periods ended November 30, 2000 decreased when compared to the three and six months ending November 30,

1999 primarily as a result of a gain of $184,000 from the exercise of stock warrants from a non-related principal during fiscal 2000.

PROVISION FOR INCOME TAXES. In July 2000, the German parliament approved legislation, which decreased the income tax rate for corporations from 51.9% to 38.2%. The rate reduction was enacted during our second fiscal quarter of 2001. The rate reduction required the Company to reduce its deferred tax asset associated with temporary differences and the carryforward of net operating losses for our German subsidiary. We incurred an additional deferred income tax expense of approximately $252,000 during our second quarter for the reduction of the deferred tax asset.

LIQUIDITY AND CAPITAL RESOURCES

We define liquidity as our ability to generate resources to pay our current obligations and to finance our growth during periods of business expansion. Our principal requirement for capital is for working capital to finance receivables and inventories. Until we completed our initial public offering in late November 1999, our principal sources of liquidity were cash flow from operations and bank borrowings. Our working capital, current assets less current liabilities, at November 30, 2000 was $55.8 million slightly higher than our working capital at May 31, 2000 of $54.4 million. Our current ratio, current assets divided by current liabilities, was 1.5 at May 31, 2000 and 1.4 at November 30, 2000.

OPERATING ACTIVITIES. In the six months ended November 30, 1999, the net total of net income plus items which did not affect operating cash flows was $3.7 million. The net negative effect of increases in accounts receivables and inventories offset by increases in accounts payable including payables to affiliates and changes in other assets and liabilities for the first six months in fiscal 2000 was $(6.6) million. In combination operating activities used $2.8 million of cash in the period.

In the six months ended November 30, 2000, the net total of net income plus items, which did not affect operating cash flows was $12.3 million. The net negative effect of increases in accounts receivables and inventories offset by increases in accounts payable including payables to affiliates and changes in other assets and liabilities for the first six months in fiscal 2000 was $(4.6) million. In combination operating activities generated $7.8 million of cash in the period. The net total of income statement items which did not affect operating cash flows in the six months ended November 30, 2000, increased by $3.5 million when compared to the same period in fiscal 2000. This increase is primarily the result of increases in the amounts we provide for reserves for inventory valuation and bad debts and the increase in amortization and depreciation expense. The significant increase in our revenues this year also required significant increases in accounts receivable, inventories and prepaid expenses, which were only partially offset by increases in accounts payable and in other liabilities.

INVESTING ACTIVITIES. Our capital expenditures for property, plant and equipment totaled $0.9 million for the fiscal six months of fiscal 2000, and $6.2 million for the same period in fiscal 2001. Approximately $3.6 million of our capital expenditures in fiscal 2001 was for our new parts cleaning facility in Singapore, and we invested $0.6 million in our new operations management information system. We estimate that our total capital expenditures in fiscal 2001 will be approximately $8.9 million, of which $1.9 million pertains to the initial phase of our new operations management information system.

We estimate that the total costs of the new management information system will be $4.0 to $5.0 million over a 24 to 36 month period.

In November 1999, we contributed $161,000 to increase our investment in Metron Atkins Partnership Limited, a joint venture with WS Atkins Plc. In August 2000, we invested $1,000,000 for a 20% equity share of Advanced Stainless Technologies, Inc., a company in Austin, Texas that electro-polishes stainless steel tubing used principally in semiconductor fabrication facilities.

FINANCING ACTIVITIES. During November 1999 we completed our initial public offering and received net proceeds of $27.0 million and invested $21.8 million in short-term securities. In December 1999, the Company sold an additional 562,500 common shares to cover the exercise of the underwriters' over-allotment option. During the six-month period ending November 30, 2000, we satisfied our funding requirements from the sale of our short-term investments and from internally generated funds and our various borrowing facilities. In addition, we received $0.8 million from stock purchases through our employee stock purchase plan and from the exercise of stock options by our employees.

We do not anticipate that we will need to raise additional capital to permit us to conduct our operations in the ordinary course of business. However, we may need to raise additional capital for significant acquisitions or other extraordinary transactions. We do not currently have any specific plans, agreements or commitments related to any such significant transaction and are not currently engaged in any negotiations related to any such transaction. We have no plans to pay any dividends on our common shares and intend to retain all of our future profits to fund future growth. However, our future growth, including potential acquisitions, may require additional external financing, and from time to time we may need to raise additional funds through public or private sales of equity and/or additional borrowings. If we are unable to obtain this additional funding, we might have to curtail our expansion plans. The issuance of additional equity or debt securities convertible into equity could result in dilution to our existing shareholders.

The following table summarizes our material borrowing facilities as of November 30, 2000:

	U.S. $ EQUIVALENT FACILITY AMOUNT	AMOUNT CURRENTLY OUTSTANDING
		(DOLLARS IN
Compass Bank	$11,000	$10,947
Deutsche Bank	3,505	657
Royal Bank of Scotland	2,813	1,983
All Others	4,305	476
Total	$21,623	$14,063

EFFECT OF CURRENCY EXCHANGE RATE AND EXCHANGE RATE RISK MANAGEMENT

A significant portion of our business is conducted outside of the United

States through our foreign subsidiaries. While many of our international sales are denominated in dollars, some are denominated in various foreign currencies. To the extent that our sales and operating expenses are denominated in foreign currencies, our operating results may be adversely affected by changes in exchange rates. Owing to the number of currencies involved, the substantial volatility of currency exchange rates, and our constantly changing currency exposures, we cannot predict the effect of exchange rate fluctuations on our future operating results. Although we engage in foreign currency hedging transactions from time to time, these hedging transactions can be costly, and therefore, we do not attempt to cover all potential foreign currency exposures. These hedging techniques do not eliminate all of the effects of foreign currency fluctuations on anticipated revenue.

In addition, the transition period from legacy currencies to the Euro currently is set to expire January 1, 2002. One of the goals of our project to install a new management information system is to accommodate the eventual elimination of the legacy currencies.

MARKET RISK

At November 30, 2000 we had aggregate forward exchange contracts in various currencies as follows:

CONTRACT AMOUNT			WEIGHTED AVERAGE	FAI
US DOLLARS	BUY	SELL	CONTRACT RATE	VAL
		(DOLLARS IN THOUSANDS)		
$2,342	Japanese Yen	-	104.12	$
$2,000	-	Israeli Shekel	4.18	(
$3,000	Singapore Dollar	-	1.74	
$3,000	Italian Lira	-	2,246.00	
$2,300	Deutschmark	-	2.24	
$2,400	French Franc	-	7.52	
				$1

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See "Effect of Currency Exchange Rate and Exchange Rate Risk Management" and "Market Risk" under Part I, Item 2 of this report.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Not applicable.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

(a) Not applicable.

(b) Not applicable.

(c) On November 17, 2000, the Company issued 475,000 of its common shares to Cher Lew Hiong James, Chia Chiap Heng Basil, Cher Lew Kwang Francis and Elite Star Enterprises Pte. Ltd., a private company incorporated under the laws of Singapore, in exchange for all of the common shares of Intec Technology (S) Pte. Ltd., a private company incorporated under the laws of Singapore, representing a purchase price of approximately $3,937,000. This transaction was exempt from registration under the Securities Act of 1933, as amended, by virtue of Section 4(2) and Regulation S thereunder, in reliance in part on purchaser representations that, among other things, each individual purchaser was a resident of Singapore and the office or offices of the corporate purchaser in which it made its investment decision was or were located in Singapore.

(d) Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company held its annual general meeting of shareholders on November 21, 2000. The following actions were voted upon at such meeting:

	Affirmative Votes	Negative Votes	Withheld Votes
1. Election of five supervisory directors to hold office until 2001:			
Robert R. Anderson	12,811,959	-	10,240
James E. Dauwalter	12,811,959	-	10,240
Joel A. Elftmann	12,811,959	-	10,240
Bruce M. Jaffe	12,811,959	-	10,240
Sho Nakanuma	12,811,959	-	10,240
2. Election of Gregory M. Claeys as a managing director B	12,809,391	11,425	-
3. Approval of an increase in the number of shares authorized for issuance under the Company's Amended and Restated Employee Stock Option Plan, as amended, by 1,000,000	8,791,195	1,774,835	-
4. Adoption of the Company's Annual Accounts for the fiscal year ended May 31, 2000	12,600,669	220,475	-
5. Ratification of the selection of KPMG LLP as the Company's independent auditors for the fiscal year ending May 31, 2001	12,602,959	217,775	-
6. Authorization of the preparation of the Company's Annual Reports for the fiscal year ended May 31, 2000 and thereafter in the English language	12,607,069	214,975	-

Item 5. OTHER INFORMATION

RISK FACTORS

OUR BUSINESS FACES SIGNIFICANT RISKS. THESE RISKS INCLUDE THOSE DESCRIBED BELOW AND MAY INCLUDE ADDITIONAL RISKS AND UNCERTAINTIES NOT PRESENTLY KNOWN TO US OR THAT WE CURRENTLY BELIEVE ARE IMMATERIAL. IF ANY OF THE EVENTS OR CIRCUMSTANCES DESCRIBED IN THE FOLLOWING RISKS OCCURS, OUR BUSINESS, OPERATING RESULTS OR FINANCIAL CONDITION COULD BE MATERIALLY ADVERSELY AFFECTED. THESE RISKS SHOULD BE READ IN CONJUNCTION WITH THE OTHER INFORMATION SET FORTH IN THIS REPORT.

RISKS RELATED TO METRON.

WE ARE DEPENDENT ON A FEW KEY PRINCIPALS FOR A MAJORITY OF OUR REVENUE; THEREFORE, THE LOSS OF ONE OR MORE OF OUR KEY PRINCIPALS COULD SERIOUSLY HARM OUR BUSINESS.

If, for any reason, any of our key principals were to materially reduce its business or terminate its relationship with us, the loss of the key principal would have a material adverse effect on our business. In particular, if our commercial relationship with FSI or Entegris were to materially change or were terminated, (for example, as described in the following paragraphs) our business would be significantly adversely affected due to the large percentage of our revenue generated by sales of these companies' products. For the three month period ended November 30, 2000, 28% of our total revenue was generated from the sale of products manufactured by FSI and 26% from the sale of products manufactured by Entegris. For more information about our relationships with FSI and Entegris, see also the risk titled "We are significantly controlled by FSI and Entegris, which may limit your ability to influence the outcome of director elections and other shareholder matters" and "Certain Transactions." In each of our last three fiscal years, a majority of our revenue came from the sale of products from five or fewer of the semiconductor materials and equipment companies we represent, who we refer to as our principals. Although the principals that comprise our largest sources of

revenue may change from period to period, we expect that revenue from the sale of products of a relatively small number of principals will continue to account for a substantial portion of our revenue for at least the next five years.

On January 8, 2001 the Company and Entegris, Inc. entered into an agreement to modify their existing distribution relationship. Pursuant to the agreement, beginning March 1, 2001, Entegris would assume direct sales responsibility for products from its Microelectronics Group in Europe and Asia. In addition, the companies expect to enter into a new distribution agreement for Entegris' Fluid Handling Products Group products under which Metron would continue to distribute the Fluid Handling Products Group product line in all regions currently covered, including select territories of the United States, Europe and Asia. The new distribution agreement is anticipated to run until at least August 31, 2005. In the event the Company and Entegris successfully complete the new agreement for Entegris' Fluid Handling Products Group products and finalize transition matters, the existing distribution agreement will be terminated and the new agreement will be effective March 1, 2001. If the existing agreement is terminated, effective March 1, the Company would no longer market or sell products from Entegris' Microelectronics Group. Revenues for these products were as follows:

	THREE MONTHS ENDED NOVEMBER 30,		SIX MONTHS ENDED NOVEMBER 30,	
	1999	2000	1999	2000
	(DOLLARS IN THOUSANDS)			
Revenue....................	$9,110	$22,039	$17,343	$44,074

It is possible that the revised arrangement with Entegris will not become effective on March 1, 2001 as anticipated, or at all. In such event, while we would expect to continue to operate under our existing distribution agreements with Entegris, the uncertainty about our relationship and other factors may cause our sales of Entegris' microelectronics and other products to decline. If the revised arrangement becomes effective, we expect that we will incur restructuring costs not in excess of $500,000, although it is possible that our costs in connection with our revised arrangement with Entegris may exceed this amount.

All of the semiconductor materials, equipment and products we market, sell, service and support are sold pursuant to agreements with our principals. These agreements are generally cancelable at will, subject to notification periods which range from 30 days to two years. We generally do not sell competing products in the same market, and therefore the number of principals we can represent at any one time is limited. It is likely that in the future some of our principals will terminate their relationships with us upon relatively short notice. If we lose a key principal, we may not be able to find a replacement quickly, or at all. The loss of a key principal may cause us to lose customers and incur expenses associated with ending our agreement with that principal. We may lose principals for various reasons, including:

- mergers and acquisitions involving our principals and other semiconductor materials and equipment manufacturers that we do not represent;

- a principal's decision to attempt to build a direct sales organization;

- the expansion of a principal's product offerings to compete with the products of another principal, because we generally do not offer competing product lines;

- a principal's dissatisfaction with our level or quality of service; and

- the failure of a principal's business.

We have lost principals in the past. For example, after Ontrak was acquired by Lam Research in August 1997, we ceased marketing and selling Ontrak products in Europe in September 1998 and in South Korea in June 1998. In

March 1999, A.G. Associates was acquired by Steag. As a result of this acquisition, we ceased marketing and selling A.G. Associates' products in September 1999. In July 1999, FSI sold its chemical management division to BOC Edwards. As a result of this divestiture, we are phasing out our marketing and sale of products of this division. In October 1999, Applied Materials acquired Obsidian. As a result of the acquisition, Obsidian terminated its agreement with

us.

THE SEMICONDUCTOR INDUSTRY IS HIGHLY CYCLICAL, AND THEREFORE, A DOWNTURN MAY RESULT IN POOR OPERATING RESULTS.

The downturn in the semiconductor industry from mid-1996 until the end of 1998 had a material adverse effect on our operating results. Our business depends in large part on the procurement expenditures of semiconductor manufacturers, which, in turn, depend on the current and anticipated demand for semiconductors and products utilizing semiconductors. The semiconductor industry is highly cyclical and historically has experienced periodic downturns, which often have resulted in decreased expenditures by semiconductor manufacturers. These downturns generally have adversely affected the sales, gross profits and operating results of semiconductor materials and equipment suppliers. From 1996 through 1998, the semiconductor industry experienced a downturn, which led semiconductor manufacturers to delay or cancel capital expenditures. During this downturn, some of our customers delayed or canceled purchases of semiconductor materials and equipment, which had a negative impact on our sales, gross profits and operating results. We cannot predict when future downturns will occur or how they will affect us.

IF WE ARE UNABLE TO SUCCESSFULLY IDENTIFY NEW PRODUCTS AND ENTER INTO AND IMPLEMENT ARRANGEMENTS WITH THE SUPPLIERS OF THESE PRODUCTS, OUR BUSINESS WILL BE SERIOUSLY HARMED.

Any failure by us to enter into relationships with principals that anticipate or respond adequately to technological developments or customer requirements, or any significant delays in product development or introductions by these principals, could result in a loss of competitiveness and could materially adversely effect our business. The semiconductor materials and equipment market is subject to rapid technological change, changing customer requirements and frequent new product introductions. Because of this, the life cycle of products that we market and sell is difficult to determine. Our future success will depend to a significant extent on our principals' ability to keep pace with changes in the market and on our ability to identify and carry successful new product lines, particularly because we generally do not carry competing product lines.

WE FACE INTENSE COMPETITION FROM COMPANIES WITH SIGNIFICANTLY GREATER FINANCIAL, TECHNICAL AND MARKETING RESOURCES, WHICH COULD ADVERSELY AFFECT OUR ABILITY TO MAINTAIN OR INCREASE SALES.

We face intense competition on two distinct fronts: competition for product lines and competition for customers.

IF WE ARE UNABLE TO COMPETE SUCCESSFULLY FOR PRODUCT LINES AGAINST INDEPENDENT SALES AND DISTRIBUTION COMPANIES THAT HAVE GREATER FINANCIAL RESOURCES, ARE MORE ESTABLISHED OR HAVE LONG-STANDING RELATIONSHIPS WITH SEMICONDUCTOR MATERIALS AND EQUIPMENT MANUFACTURERS, WE WILL BE UNABLE TO OFFER COMPETITIVE PRODUCTS, WHICH WILL NEGATIVELY IMPACT OUR SALES.

We compete with independent sales and distribution companies for the right to sell specific product lines in specific territories. We believe that our most formidable competition comes from regionally established semiconductor materials and equipment distribution companies. Some of these independent sales and distribution companies have substantially greater financial resources to devote to a particular region than we do, are better established in particular regions than we are, have greater name recognition in their chosen markets than we have and have long-standing collaborative business relationships with semiconductor materials and equipment manufacturers which are difficult to overcome. If we are unable to effectively compete with sales and distribution companies to attract and retain principals, our business will be adversely effected.

IF WE ARE UNABLE TO COMPETE FOR CUSTOMERS DUE TO OUR INABILITY TO PROVIDE SALES, MARKETING AND SUPPORT SERVICES OR PARTICULAR PRODUCT OFFERINGS, IT WILL ADVERSELY AFFECT OUR ABILITY TO MAINTAIN OR INCREASE SALES.

We compete for orders from semiconductor manufacturers with established semiconductor materials and equipment manufacturers who sell directly to customers and with independent sales and distribution companies and sales representatives. We believe that to compete effectively for customers we must maintain a high level of investment in marketing, customer service and support in all of the markets in which we operate, and we may not have sufficient financial resources, technical expertise or marketing, services and support capabilities to continue to compete successfully in the future. Some of our competitors have greater name recognition in the territories they serve and have long-standing relationships with semiconductor manufacturers that may give them an advantage in attracting and retaining customers. Furthermore, we believe that once a semiconductor manufacturer has selected a particular product for a specific use from a vendor that is not one of our principals, it may be difficult to achieve significant sales of a competing product to that customer unless there are compelling reasons for the customer to switch products, such as significant performance or cost advantages.

We anticipate that as we continue to diversify our product portfolio and expand into new markets for our principals' products, we will encounter additional competition for customers. If we cannot continue to compete successfully for customers in the future, it will have a significant negative impact on our business.

THE MANAGEMENT INFORMATION SYSTEMS THAT WE CURRENTLY USE IN OUR DAY-TO-DAY OPERATIONS ARE NOT INTEGRATED ACROSS COUNTRY BORDERS AND NEED TO BE UPGRADED. UPGRADING THEM WILL BE COSTLY, AND IF THE NEW SYSTEM IS NOT SUCCESSFULLY IMPLEMENTED, OUR BUSINESS MAY SUFFER MATERIAL ADVERSE CONSEQUENCES.

While our financial reporting management information system is integrated and operational, our current management information systems that we use to control our day-to-day operations are not integrated across country borders. To accommodate growth in the past, we have had to hire additional people to compensate for the lack of a fully-functional, integrated operations management information system. We are currently investing in a new operations management information system in order to maintain our current level of business and accommodate any future growth. We anticipate that the total costs associated with the implementation of the new system will be approximately $4.0 to $5.0 million and that the system will be implemented over the next 24 to 36 months. Any failure to successfully implement our new operations management information system may result in delayed growth, increased inefficiency due to a lack of centralized data, higher inventories, increased expenses associated with employing additional employees, a loss of our investment in the new operations management information system and may have additional material adverse effects on our business.

WE NEED TO SUCCESSFULLY MANAGE THE ANTICIPATED EXPANSION IN OUR OPERATIONS OR OUR BUSINESS MAY SUFFER MATERIAL ADVERSE CONSEQUENCES.

Any failure by us to effectively manage future expansion and the system and procedural transitions required by expansion could seriously harm our business and our operating results. We have expanded our operations in the past and anticipate future expansion of our operations through acquisitions and otherwise. Our growth has placed and will continue to place significant demands

on our management, operational, financial and technical resources, as well as our accounting and control systems, as we work to integrate geographically dispersed offices and administrative personnel, diverse service and maintenance operations and different accounting and financial systems. Our future operating results will depend on the ability of our management and other employees to:

- continue to implement and improve our operational, customer support and financial control systems;
- recruit, train, manage and motivate our employees;
- identify companies that are strategic acquisition candidates and successfully acquire and integrate them with our existing business;
- communicate information efficiently throughout our organization; and
- work effectively with principals and customers.

We cannot predict whether these efforts will be successful or will occur in a timely or efficient manner. We may not be able to install adequate control systems in an efficient and timely manner, and our current or planned operational systems, procedures and controls may not be adequate to support our future operations. The difficulties associated with installing and implementing new systems, procedures and controls may place a significant burden on

our management and our internal resources. Delays in the implementation of new systems or operational disruptions when we transition to new systems would impair our ability to accurately forecast sales demand, manage our product inventory and record and report financial and management information on a timely and accurate basis.

WE MAY NOT BE SUCCESSFUL IN ANY EFFORT TO PENETRATE JAPAN, WHICH COULD LIMIT OUR FUTURE GROWTH.

We do not market and sell products to semiconductor manufacturers in Japan. However, approximately 22% of the world's production of semiconductors takes place in Japan. Accordingly, to reach all of the world's major semiconductor markets, we will need to establish or acquire sales and marketing capabilities in Japan. Historically, it has been difficult for non-Japanese companies to succeed in establishing themselves in Japan, and we believe that expanding our operations to Japan would be both expensive and time-consuming and would place additional demands on our management. In addition, FSI and Entegris have existing arrangements for the sale, service and support of their products in Japan and have not indicated that they would modify such arrangements in the event that Metron establishes or acquires sales and marketing capabilities in Japan. We cannot predict whether any of our efforts to penetrate the Japanese market will be successful. If we are not successful in our efforts to penetrate the Japanese market, our future growth may be limited.

WE EXPECT CONTINUED DOWNWARD PRESSURE ON THE GROSS MARGINS OF THE PRODUCTS WE SELL, AND AS A RESULT, IF WE ARE UNABLE TO CONTINUE TO DECREASE OUR OPERATING EXPENSES AS A PERCENTAGE OF SALES, WE WILL BE UNABLE TO INCREASE OR MAINTAIN OUR OPERATING MARGINS.

Particularly during industry down cycles, pressure on the gross margins of the products we sell is intense and can adversely impact our financial performance. We have experienced significant downward pressure on our gross margins mainly as a result of sales discounts offered by our competitors and

pressure from our customers to reduce prices and from our principals to reduce the discounts they provide to us. This, in turn, has put significant downward pressure on our operating margins. To maintain or increase our gross margins, we must develop and maintain relationships with principals who introduce new products and product enhancements on a timely basis. As a result of continued pressure on gross margins, we must find ways to decrease our selling, general, administrative and other expenses as a percentage of sales to increase or maintain our operating margins. If our principals cannot continue to innovate, if we cannot maintain our relationships with innovating principals, or if we cannot successfully manage our selling, general, administrative and other expenses, our operating margins may decrease. If our operating margins decline as a result of these factors, our business would be harmed.

OUR EMPLOYMENT COSTS IN THE SHORT-TERM ARE TO A LARGE EXTENT FIXED, AND THEREFORE ANY UNEXPECTED REVENUE SHORTFALL COULD ADVERSELY AFFECT OUR OPERATING RESULTS.

Our operating expense levels are based in significant part on our head count, which is generally driven by longer-term revenue goals. For a variety of reasons, particularly the high cost and disruption of lay-offs and the costs of recruiting and training, our head count in the short-term is, to a large extent, fixed. In particular, approximately half of our employees are in Europe, and the costs associated with any reductions of our labor force in Europe are high. Accordingly, we may be unable to reduce employment costs in a timely manner to compensate for any unexpected revenue or gross margin shortfall, which could have a material adverse effect on our operating results.

WE MAY BEAR INVENTORY RISK DUE TO AN INABILITY TO RETURN PRODUCTS, AND IF WE ARE UNABLE TO MANAGE OUR INVENTORY EFFECTIVELY, OUR OPERATING RESULTS COULD BE ADVERSELY AFFECTED.

We bear inventory risk because we generally take title to the products we sell when we receive them from our principals, and we cannot always return products to the principal in the event the products are not sold. Our customers do not always purchase at the time or in the quantities we originally anticipated. For example, as a result of the industry downturn in 1997 and 1998, we had excess inventory for which we booked reserves in both the United States and Asia. Typically, products cannot be returned to principals after they have been in our inventory for a certain period of time; this time period varies depending on the product and the principal. In addition, although it is typical when a relationship with a principal terminates for that principal to repurchase most of the inventory we have of that principal's products, it is possible under certain circumstances that a principal may be unable or unwilling to repurchase our inventory. If we fail to manage our inventory and accumulate substantial product that cannot be returned, our operating results could be adversely affected. Furthermore, if a principal cannot provide refunds in cash for the inventory we desire to return, we

may be forced to dispose of inventory below cost, and this may have a material adverse effect on our financial condition.

OUR REVENUE AND OPERATING RESULTS MAY FLUCTUATE IN FUTURE PERIODS, WHICH COULD ADVERSELY AFFECT OUR SHARE PRICE.

In the past, we have experienced fluctuations in our quarterly and annual operating results and anticipate that these fluctuations will continue in the future due to a variety of factors, many of which are out of our control. Fluctuations in our results could cause our share price to decline

substantially. We believe that period-to-period comparisons of our results of operations may not be meaningful, and you should not rely upon them as indicators of our future performance. Our sales in, and the operating results for, a particular quarter can vary significantly due to a variety of factors, including those described elsewhere in this report and the following:

- The Timing Of Significant Customer Orders And Customer Spending Patterns. During industry downturns, our customers may ask us to delay or even cancel the shipment of previously firm orders. Delays and cancellations may adversely affect our operating results in any particular quarter if we are unable to recognize revenue for particular sales in the quarter in which those sales were expected.

- The Timing Of Product Shipments By Our Principals. For the most part, we recognize sales upon the shipment of goods to our customers. Most of the equipment and some of the materials we sell is shipped by the principal directly to our customers, and we do not necessarily have any control over the timing of a particular shipment. If we are unable to recognize revenue for a particular sale in the quarter in which that sale was expected, our operating results in that particular quarter will be negatively affected.

- The Timing Of New Product And Service Announcements By Our Principals And Their Competitors. New product announcements by our principals and their competitors could cause our customers to delay a purchase or to decide to purchase products of one of our principal's competitors which would adversely affect our revenue and, therefore, our results of operations. New product announcements by others may make it necessary for us to reduce prices on our products or offer more service options, which could adversely impact operating margins and net income.

- The Mix Of Products Sold And The Market Acceptance Of Our New Product Lines. The mix of products we sell varies from period to period, and because margins vary amongst or within different product lines, this can adversely affect our results of operations. If we fail to sell our products which generate higher margins, our average gross margins may be lower than expected. If we fail to sell our new product lines, our revenue may be lower than expected.

- General Global Economic Conditions Or Economic Conditions In A Particular Region. When economic conditions in a region or worldwide worsen, customers may delay or cancel their orders. There may also be an increase in the time it takes to collect from our customers or even outright defaults in payments. This can negatively affect our cash flow and our results.

- Costs We May Incur If We Become Involved In Future Litigation. Litigation is often costly, and even if we are successful in defending or making any claim, the expenses incurred may significantly impact our results.

As a result of the factors listed above, our future operating results are difficult to predict. Further, we base our current and future expense plans in significant part on our expectations of our longer-term future revenue. As a result, we expect our expense levels to be relatively fixed in the short-run. An unanticipated decline in revenue for a particular quarter may disproportionately affect our net income in that quarter. If our revenue is below our projections, then our operating results will also be below expectations and, as we have in the past, we may even have losses in the short-run. Any one of the factors listed above, or a combination thereof, could adversely affect our quarterly results of operations, and consequently may cause a decline in our share price.

WE DEPEND ON SALES TO A RELATIVELY SMALL NUMBER OF CUSTOMERS FOR A SIGNIFICANT PORTION OF OUR REVENUE, AND IF ANY OF OUR LARGE CUSTOMERS WERE TO STOP OR REDUCE THEIR PURCHASING FROM US, IT WOULD MATERIALLY AND ADVERSELY AFFECT OUR REVENUE.

A loss or a significant reduction or delay in sales to any of our major customers could materially and adversely affect our revenue. We depend on a small number of customers for a substantial portion of our revenue. During fiscal 2000, our top ten customers accounted for an aggregate of 40% of our sales. Although a ranking by revenue of our largest customers will vary from period to period, we expect that revenue from a relatively small number of customers

will account for a substantial portion of our revenue in any accounting period for the foreseeable future. Consolidation in the semiconductor industry may result in increased customer concentration and the potential loss of customers as a result of acquisitions. Unless we diversify and expand our customer base, our future success will significantly depend upon certain factors which are not within our control, including:

- the timing and size of future purchase orders, if any, from our larger customers;

- the product requirements of our customers; and

- the financial and operational success of our customers.

If any of our largest customers were to stop or reduce their purchasing from us, our financial results could be adversely affected. A significant decrease in sales to a major customer or the deferral or cancellation of any significant order would have a material adverse effect on our operating results.

OUR SALES CYCLE, PARTICULARLY FOR EQUIPMENT, IS LONG AND UNPREDICTABLE, WHICH COULD REQUIRE US TO INCUR HIGH SALES AND MARKETING EXPENSES WITH NO ASSURANCE THAT A SALE WILL RESULT.

Sales cycles for some of our products, particularly equipment, can run as long as 12 to 18 months. As a result, we may not recognize revenue from efforts to sell particular products for extended periods of time. We believe that the length of the sales cycle may increase as some current and potential customers of our key principals centralize purchasing decisions into one decision-making entity. We expect this may intensify the evaluation process and require us to make additional sales and marketing expenditures with no assurance that a sale will result.

WE HAVE NOT YET DEVELOPED A STRATEGY TO SELL TO OUR CUSTOMERS OVER THE INTERNET, AND IF A COMPETITOR DEVELOPS AND IMPLEMENTS AN EFFECTIVE E-COMMERCE STRATEGY, WE MAY LOSE SOME OF OUR CUSTOMERS, WHICH WOULD HAVE A NEGATIVE IMPACT ON OUR RESULTS OF OPERATIONS.

Although we have begun efforts to develop an e-commerce strategy, we have not implemented a process to sell to our customers over the Internet. Because our principals grant us the right to sell their products only for specific territories and sales conducted over the Internet may occur anywhere around the globe, it is difficult to adopt e-commerce practices in this industry. If our principals decide to directly distribute their products over the Internet, if our competitors develop a successful strategy for engaging in e-commerce or if our customers require e-commerce capabilities which we are unable to provide, we may lose customers, which would have a negative impact on our revenue and on our

operating results.

RISKS RELATED TO OUR INTERNATIONAL OPERATIONS.

ECONOMIC DIFFICULTIES IN COUNTRIES IN WHICH WE SELL OUR PRODUCTS CAN LEAD TO A DECREASE IN DEMAND FOR OUR PRODUCTS AND IMPAIR OUR FINANCIAL RESULTS.

The volatility of general economic conditions and fluctuations in currency exchange and interest rates can lead to decreased demand in countries in which we sell product. For example, in 1997 and 1998 many Asian countries experienced economic and financial difficulties. During this period, we experienced cancellation or delay of orders for our products from customers in Asia, thus adversely affecting our results of operations. Moreover, any economic, banking or currency difficulties experienced by countries in which we have sales may lead to economic recession in those countries. This in turn may result in the cancellation or delay of orders for our products from customers in these countries, thus adversely affecting our results of operations.

MOST OF OUR PRODUCT SALES ARE OUTSIDE THE UNITED STATES, AND CURRENCY FLUCTUATIONS MAY IMPAIR OUR FINANCIAL RESULTS.

While most of our international sales are denominated in dollars, some are denominated in various foreign currencies. To the extent that our sales and operating expenses are denominated in foreign currencies, our operating results may be adversely affected by changes in exchange rates. For example, in fiscal 1997, we recorded exchange losses of approximately $600,000. Given the number of currencies involved, the substantial volatility of currency exchange rates, and our constantly changing currency exposures, we cannot predict the effect of exchange rate

fluctuations on our future operating results. Although we engage in foreign currency hedging transactions from time to time, these hedging transactions can be costly, and therefore, we do not attempt to cover all potential foreign currency exposures. These hedging techniques do not eliminate all of the effects of foreign currency fluctuations on anticipated revenue.

In addition, the transition period from legacy currencies to the euro currently is set to expire January 1, 2002. Our new operations management information system is designed to accommodate the eventual elimination of the legacy currencies. If our new system is not successfully installed on a timely basis, this could have a material adverse effect on our business.

IF WE OR OUR NON-UNITED STATES SUBSIDIARIES ARE DEEMED SUBJECT TO UNITED STATES TAXES, OUR BUSINESS, FINANCIAL CONDITION AND RESULTS MAY SUFFER.

Metron and its non-United States subsidiaries conduct most of their activities in a manner which we believe does not constitute the conduct of a trade or business in the United States. Accordingly, although we report taxable income and pay taxes in the countries where we operate, including the United States, we believe that income earned by Metron and its non-United States subsidiaries from operations outside the United States is not reportable in the United States for tax purposes and is not subject to United States income tax. If income earned by us or our non-United States subsidiaries from operations outside the United States is determined to be income effectively connected to an United States trade or business and as a result becomes taxable in the United States, we could be subject to United States taxes on this income. If we were to be deemed to be subject to these taxes, our business, financial condition and results of operations might be materially and adversely affected.

RISKS RELATED TO INVESTING IN OUR COMMON SHARES.

WE ARE SIGNIFICANTLY CONTROLLED BY FSI AND ENTEGRIS, WHICH MAY LIMIT YOUR ABILITY TO INFLUENCE THE OUTCOME OF DIRECTOR ELECTIONS AND OTHER SHAREHOLDER MATTERS.

As of November 30, 2000, after including the 475,000 shares we issued for the acquisition of Intec, FSI and Entegris each owned 19.5% of our outstanding shares. If the modified relationship with Entegris described elsewhere in this Quarterly Report becomes effective, we will reacquire 1,125,000 of our shares currently held by Entegris, and Entegris' ownership interest in the Company would be reduced to approximately 11.3% of our outstanding shares. By virtue of their share ownership and the fact that each holds one of the five seats on our supervisory board, FSI and Entegris can exercise significant voting and management control over Metron. As a result, each of these shareholders has significant influence over all matters requiring shareholder or supervisory board approval, including the election of directors and approval of significant corporate transactions, which may have the effect of delaying or preventing a third party from acquiring control over us.

WE MAY NEED TO RAISE ADDITIONAL CAPITAL, AND ANY INABILITY TO RAISE REQUIRED FUNDS COULD HARM OUR BUSINESS.

We expect the net proceeds from our initial public offering, cash from operations and borrowings under our credit facilities will be sufficient to meet our working capital and capital expenditure needs for the foreseeable future. However, we may need to raise additional capital to acquire or invest in complementary businesses. Further, if we issue additional equity securities, the ownership stakes of our existing shareholders would be reduced, and the new equity securities may have rights, preferences or privileges senior to those of our existing common shares. If we cannot raise funds, if needed, on acceptable terms, we may not be able to develop our business, take advantage of future opportunities or respond to competitive pressures or unanticipated requirements, all of which could seriously harm our business and results of operations.

OUR SHARE PRICE IS VOLATILE.

The trading price of our common shares is subject to wide fluctuations in response to various factors, some of which are beyond our control, including factors discussed elsewhere in this report and the following:

- failure to meet the published expectations of securities analysts for a given quarterly period;

- changes in financial estimates by securities analysts;
- changes in market values of comparable companies;
- stock market price and volume fluctuations, which are particularly common among securities of high technology companies;
- stock market price and volume fluctuations attributable to inconsistent trading volume levels;
- additions or departures of key personnel; and
- commencement of our involvement in litigation.

In the past, securities class action litigation has often been brought against a company following periods of volatility in the market price of its securities. We may in the future be the target of similar litigation. Securities litigation may result in substantial costs and divert management's attention and resources, which may seriously harm our business.

WE DO NOT INTEND TO PAY DIVIDENDS.

We have never declared or paid any cash dividends on our capital shares. We currently intend to retain any future earnings for funding growth and, therefore, do not expect to pay any dividends in the foreseeable future.

RISKS RELATED TO BEING A DUTCH COMPANY.

OUR SUPERVISORY BOARD HAS THE AUTHORITY TO ISSUE SHARES WITHOUT SHAREHOLDER APPROVAL, WHICH MAY MAKE IT MORE DIFFICULT FOR A THIRD PARTY TO ACQUIRE US.

As a Netherlands "NAAMLOZE VENNOOTSCHAP," or N.V., we are subject to requirements not generally applicable to corporations organized in United States jurisdictions. Among other things, under Netherlands law the issuance of shares of a N.V. company must be approved by the shareholders unless the shareholders have delegated the authority to issue shares to another corporate body. Our articles of association provide that the shareholders have the authority to resolve to issue shares, common or preferred, and may designate the Metron board of supervisory directors as the corporate body with the authority to adopt any resolution to issue shares, but this designation may not exceed a period of five years. Our articles also provide that as long as the supervisory board has the authority to adopt a resolution to issue shares, the shareholders will not have this authority. Pursuant to the Metron articles, the supervisory board has the authority to adopt resolutions to issue shares until five years from the November 19, 1999, deed of conversion from a B.V. to an N.V. and the related amendment of the articles. This authorization of the supervisory board may be renewed by the shareholders from time to time. As a result, our supervisory board currently has the authority to issue common and preferred shares without shareholder approval.

The issuance of preferred shares could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from acquiring, a majority of the outstanding shares of our share capital.

IT MAY NOT BE POSSIBLE TO ENFORCE UNITED STATES JUDGMENTS AGAINST NETHERLANDS CORPORATIONS, DIRECTORS AND OTHERS.

Our articles provide that Metron has two separate boards of directors, a managing board and a supervisory board. One of our managing directors resides outside of the United States. A significant percentage of our assets are located outside the United States. As a result, it may not be possible to effect service of process within the United States upon the managing director who lives outside the United States. Furthermore, judgments of United States courts, including judgments against us, our directors or our officers predicated on the civil liability provisions of the federal securities laws of the United States, are not directly enforceable in The Netherlands.

PROVISIONS OF OUR CHARTER DOCUMENTS AND DUTCH LAW COULD DISCOURAGE POTENTIAL ACQUISITION PROPOSALS AND COULD DELAY, DETER OR PREVENT A CHANGE IN CONTROL.

Our articles of association and the applicable law of The Netherlands

contain provisions that may be deemed to have anti-takeover effects. These provisions may delay, defer or prevent a takeover attempt that a shareholder might consider in the best interest of our shareholders. For example, our articles may be amended only pursuant to a proposal of the supervisory board followed by a resolution of the general meeting of shareholders. To amend our articles requires that at a general meeting of shareholders, (1) more than half of the issued share capital is represented and (2) the resolution to amend the articles is supported by a two-thirds majority of the valid votes cast. This supermajority voting requirement may have the effect of discouraging a third party from acquiring a majority of the outstanding Metron shares. In addition, these provisions could have a negative impact on our stock price. Furthermore, some United States tax laws may discourage third parties from accumulating significant blocks of our common shares.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this report are "forward-looking statements." These statements involve known and unknown risks, uncertainties, and other factors that may cause our, or our industry's, actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by the forward-looking statements. These factors are listed under "Risk Factors" and elsewhere in this report.

In some cases, you can identify forward-looking statements by terminology such as "expects," "anticipates," "intends," "may," "should," "plans," "believes," "seeks," "estimates," "could," "would" or the negative of such terms or other comparable terminology.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of these statements. We are under no duty to update any of the forward-looking statements after the date of this report to conform these statements to actual results.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

ITEM	DESCRIPTION
10.1	Stock Purchase Agreement, dated as of November 17, 2000, among Metron Technology N.V. an Cher Lew Hiong James, Chia Chiap Heng Basil, Cher Lew Kwang Francis and Elite Star Enter Pte. Ltd.

(b) Reports on Form 8-K

The Company did not file any reports on Form 8-K during the quarter ended November 30, 2000.

SIGNATURE

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

METRON TECHNOLOGY N.V.

Date: January 16, 2001

/s/ PETER V. LEIGH

Peter V. Leigh
Vice President, Finance
Signing on behalf of the registrant
and as principal accounting officer