



# iRobot



2008 Annual Report







April 13, 2009

Dear Stockholder:

You are cordially invited to attend the annual meeting of stockholders of iRobot Corporation to be held at 2:00 p.m., local time, on Thursday, May 28, 2009 at iRobot Corporation headquarters located at 8 Crosby Drive, Bedford, Massachusetts 01730.

At this annual meeting, you will be asked to elect three class I directors for three-year terms, to ratify the appointment of our independent registered public accountants, and to approve an amendment to the 2005 Stock Option and Incentive Plan and a stock option exchange program for eligible iRobot Corporation employees, excluding, among others, our executive officers. The board of directors unanimously recommends that you vote FOR election of the director nominees, FOR ratification of appointment of our independent registered public accountants, and FOR the amendment to the 2005 Stock Option and Incentive Plan and a stock option exchange program for eligible employees, excluding, among others, our executive officers.

Details regarding the matters to be acted upon at this annual meeting appear in the accompanying proxy statement. Please give this material your careful attention.

Whether or not you plan to attend the annual meeting, we urge you to sign and return the enclosed proxy so that your shares will be represented at the annual meeting. If you attend the annual meeting, you may vote in person even if you have previously returned your proxy card. Your prompt cooperation will be greatly appreciated.

Very truly yours,

A handwritten signature in black ink, appearing to read "C. Angle", written over a horizontal line.

COLIN M. ANGLE  
Chief Executive Officer & Chairman of the Board



# **iROBOT CORPORATION**

**8 Crosby Drive  
Bedford, Massachusetts 01730  
(781) 430-3000**

## **NOTICE OF ANNUAL MEETING OF STOCKHOLDERS To Be Held on May 28, 2009**

To the Stockholders of iRobot Corporation:

The annual meeting of stockholders of iRobot Corporation, a Delaware corporation (the "Company"), will be held on Thursday, May 28, 2009, at 2:00 p.m., local time, at iRobot Corporation headquarters located at 8 Crosby Drive, Bedford, Massachusetts 01730, for the following purposes:

1. To elect three (3) class I directors, nominated by the Board of Directors, each to serve for a three-year term and until his successor has been duly elected and qualified or until his earlier resignation or removal;
2. To ratify the appointment of the accounting firm of PricewaterhouseCoopers LLP as the Company's independent registered public accountants for the current fiscal year;
3. To approve an amendment to the 2005 Stock Option and Incentive Plan and a stock option exchange program for eligible iRobot Corporation employees, excluding, among others, our executive officers, which would enable them to exchange certain out-of-the-money stock options issued under the Company's equity plans, for new stock options exercisable for fewer shares of common stock with lower exercise prices and extended vesting terms, and:
4. To transact such other business as may properly come before the annual meeting and any adjournments or postponements thereof.

Proposal 1 relates solely to the election of three (3) class I directors nominated by the board of directors and does not include any other matters relating to the election of directors, including without limitation, the election of directors nominated by any stockholder of the Company.

Only stockholders of record at the close of business on April 9, 2009, are entitled to notice of and to vote at the annual meeting and at any adjournment or postponement thereof.

All stockholders are cordially invited to attend the annual meeting in person. However, to assure your representation at the annual meeting, we urge you, whether or not you plan to attend the annual meeting, to sign and return the enclosed proxy so that your shares will be represented at the annual meeting. If you attend the annual meeting, you may vote in person even if you have previously returned your proxy card. Directions to iRobot Corporation headquarters can be found at the Company's website, <http://www.irobot.com>.

By Order of the Board of Directors,



**GLEN D. WEINSTEIN**  
Senior Vice President,  
General Counsel and Secretary

Bedford, Massachusetts  
April 13, 2009

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDER MEETING TO BE HELD ON MAY 28, 2009. THE PROXY STATEMENT AND ANNUAL REPORT TO SHAREHOLDERS ARE AVAILABLE AT <http://materials.proxyvote.com/462726> WHETHER OR NOT YOU EXPECT TO ATTEND THE ANNUAL MEETING, PLEASE COMPLETE, DATE AND SIGN THE ENCLOSED PROXY CARD AND MAIL IT PROMPTLY IN THE ENCLOSED ENVELOPE IN ORDER TO ASSURE REPRESENTATION OF YOUR SHARES. NO POSTAGE NEED BE AFFIXED IF THE PROXY CARD IS MAILED IN THE UNITED STATES.  
IN ACCORDANCE WITH OUR SECURITY PROCEDURES, ALL PERSONS ATTENDING THE ANNUAL MEETING WILL BE REQUIRED TO PRESENT PICTURE IDENTIFICATION.**





# Technologies

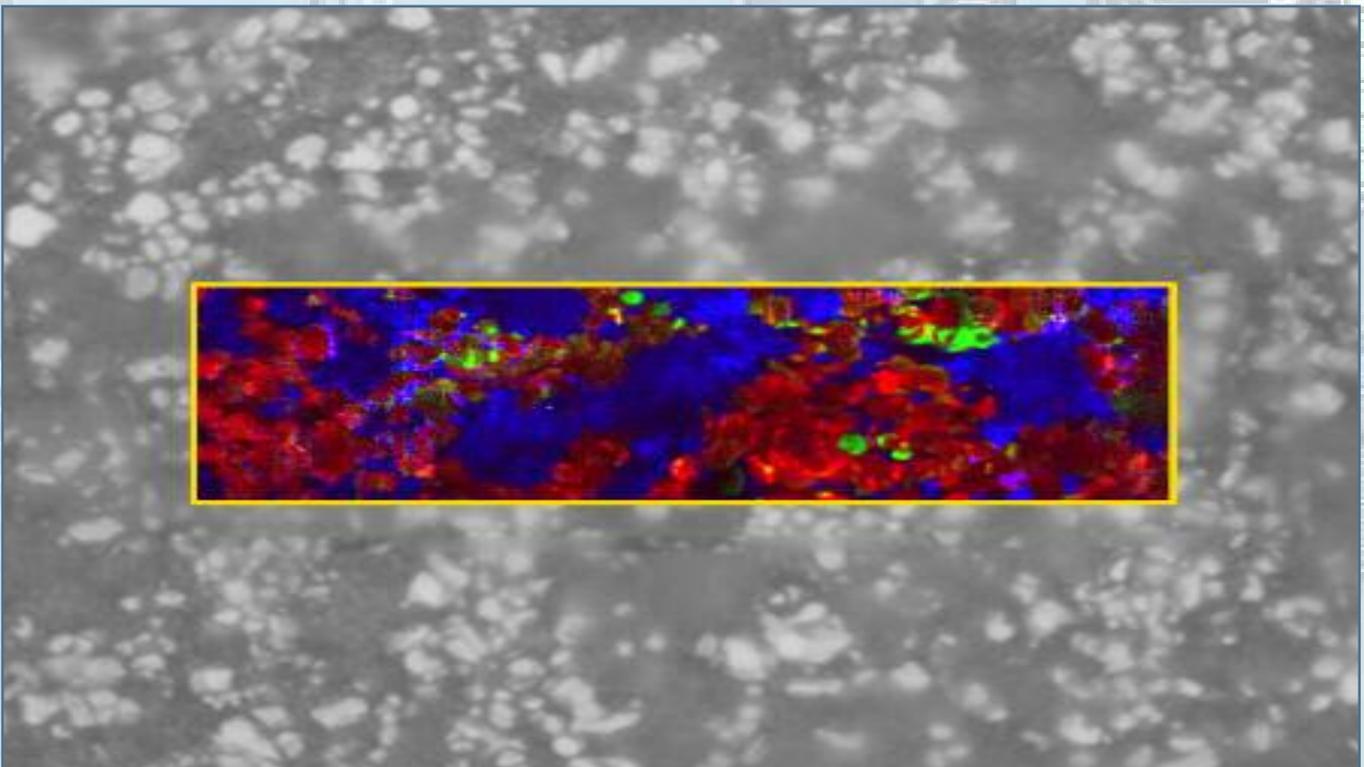
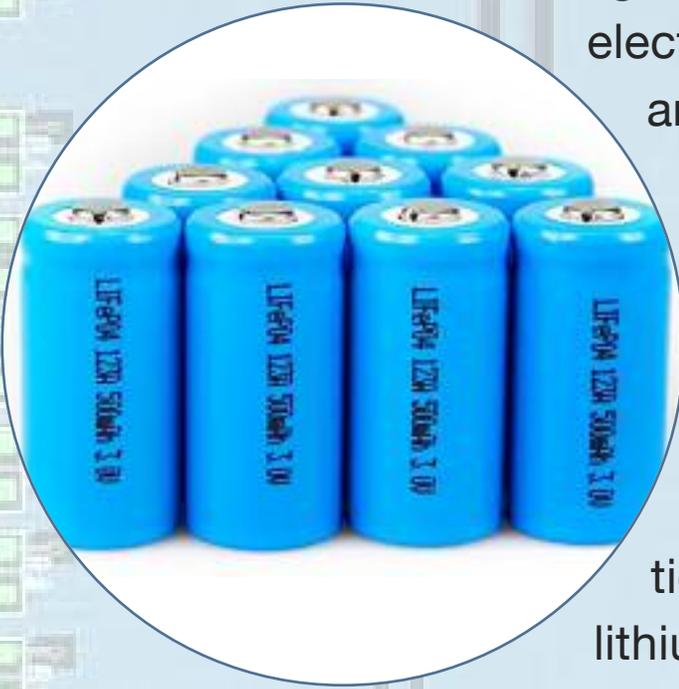
that make

# *iRobot*

*Possible*



Lithium-ion batteries (sometimes abbreviated Li-ion batteries) are a type of rechargeable battery in which lithium ions move from the negative electrode (anode) to the positive electrode (cathode) during discharge, and from the cathode to the anode during charge. Lithium-ion batteries are common in portable consumer electronics because of their high energy-to-weight ratios, lack of memory effect, and slow self-discharge when not in use. In addition to consumer electronics, lithium-ion batteries are increasingly used in defense, automotive, and aerospace applications due to their high energy density.



Magnified image of Lithium Cobalt Oxide, a component of Lithium Ion Polymer batteries.

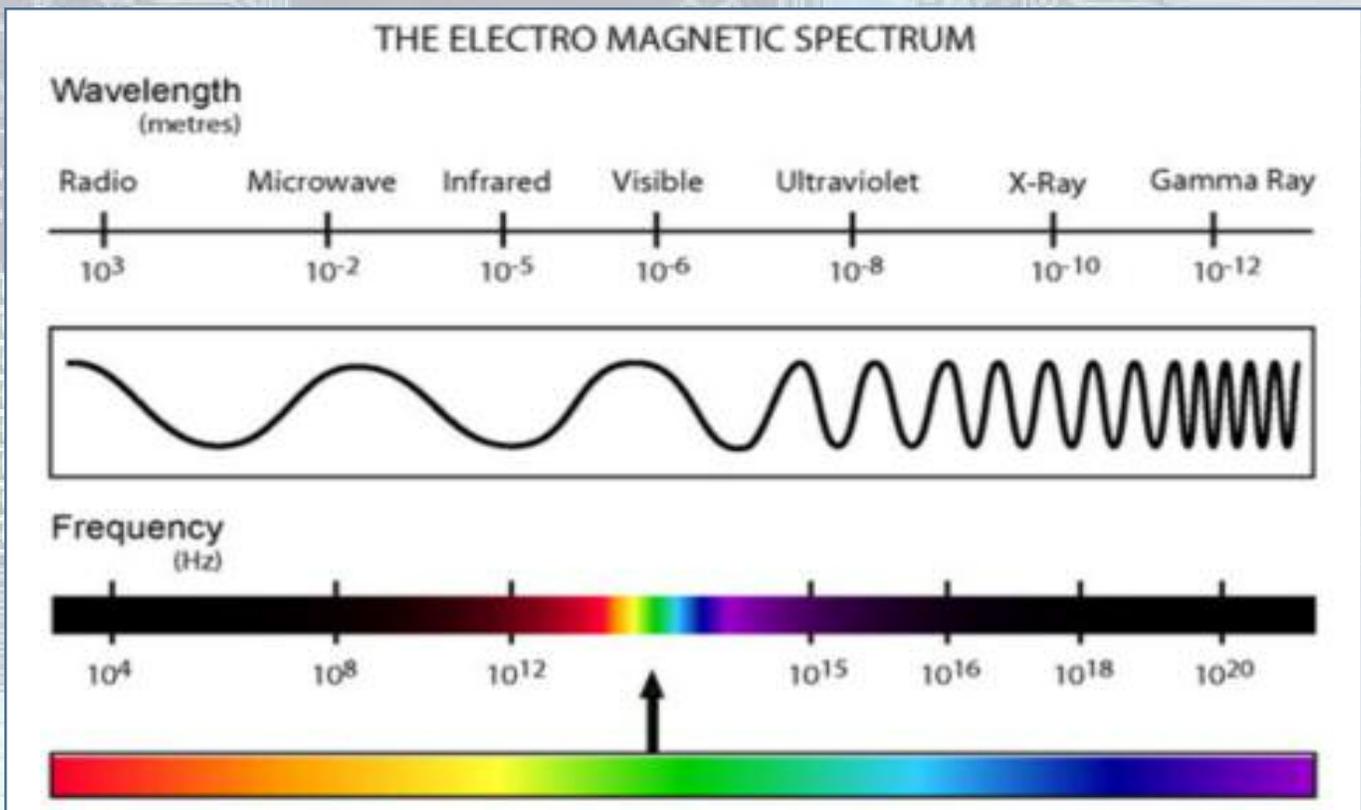
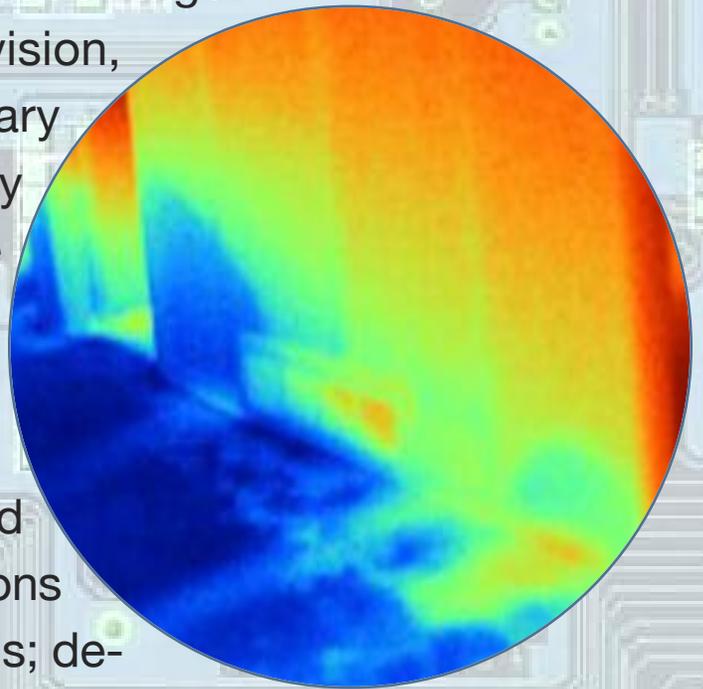


Diagram of the spectrum of energy.

Infrared imaging is used extensively for military and civilian purposes. Military applications include target acquisition, surveillance, night vision, homing and tracking. Non-military uses include thermal efficiency analysis, remote temperature sensing, short-ranged wireless communication, spectroscopy, and weather forecasting. Infrared astronomy uses sensor-equipped telescopes to penetrate dusty regions of space, such as molecular clouds; detect cool objects such as planets, and to view highly red-shifted objects from the early days of the universe.





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2008

Financial Statement



**MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS  
AND ISSUER PURCHASES OF EQUITY SECURITIES**

Our common stock is listed on the NASDAQ Global Market under the symbol "IRBT". The following table sets forth, for the periods indicated, the high and low sales prices per share for our common stock as reported on the NASDAQ Global Market.

|                     | High    | Low     |
|---------------------|---------|---------|
| <b>Fiscal 2007:</b> |         |         |
| First quarter       | \$19.48 | \$12.76 |
| Second quarter      | \$20.74 | \$13.12 |
| Third quarter       | \$24.30 | \$16.20 |
| Fourth quarter      | \$20.70 | \$14.51 |
| <b>Fiscal 2008:</b> |         |         |
| First quarter       | \$22.42 | \$16.76 |
| Second quarter      | \$18.63 | \$12.48 |
| Third quarter       | \$17.62 | \$11.29 |
| Fourth quarter      | \$15.82 | \$7.17  |

As of February 5, 2009, there were approximately 24,916,561 shares of our common stock outstanding held by approximately 145 stockholders of record and the last reported sale price of our common stock on the NASDAQ Global Market on February 5, 2009 was \$7.95 per share.

**Dividend Policy**

We have never declared or paid any cash dividends on our capital stock. We currently expect to retain future earnings, if any, to finance the growth and development of our business and we do not anticipate paying any cash dividends in the foreseeable future.

**Equity Compensation Plan Information**

We maintain the following four equity compensation plans under which our equity securities are authorized for issuance to our employees and/or directors: Amended and Restated 1994 Stock Plan; Amended and Restated 2001 Special Stock Option Plan; Amended and Restated 2004 Stock Option and Incentive Plan; and 2005 Stock Option and Incentive Plan. Each of the foregoing compensation plans was approved by our stockholders. The following table represents information about these plans as of December 27, 2008:

| Plan Category   | (A)<br>Number of Securities<br>to be Issued Upon<br>Exercise of<br>Outstanding Options,<br>Warrants and Rights | (B)<br>Weighted-Average<br>Exercise Price of<br>Outstanding Options,<br>Warrants and Rights | (C)<br>Number of Securities<br>Remaining Available for<br>Future Issuance Under<br>Equity Compensation<br>Plans (Excluding<br>Securities Reflected in<br>Column (A)) |
|---|--|---|--|
| Equity compensation plans approved by security holders.....     | \$3,523,931.00   | \$13.24   | \$1,537,701.00   |
| Equity compensation plans not approved by security holders..... | \$0.00   | \$0.00  | \$0.00   |
| <b>Total</b>  | \$3,523,931.00   | \$13.24   | \$1,537,701.00   |

No further grants are being made under the Amended and Restated 1994 Stock Plan, the Amended and Restated 2001 Special Stock Option Plan and the Amended and Restated 2004 Stock Option and Incentive Plan.

**Issuer Purchases of Equity Securities**

During the fiscal quarter ended December 27, 2008, there were no repurchases made by us or on our behalf, or by any "affiliated purchasers," of shares of our common stock.

## 4-YEAR CONSOLIDATED STATEMENT OF OPERATIONS

|   | <b>Year Ended</b>                                 |                      |                      |                      |                      |
|---|---|----------------------|----------------------|----------------------|----------------------|
|   | December 27,<br>2008                              | December 29,<br>2007 | December 30,<br>2006 | December 31,<br>2005 | December 31,<br>2004 |
|   | (In thousands, except earnings per share amounts) |                      |                      |                      |                      |
| <b>Revenue</b>  |   |                      |                      |                      |                      |
| Product revenue(1)                                    | \$281,187.00                                      | \$227,457.00         | \$167,687.00         | \$124,616.00         | \$82,678.00          |
| Contract revenue                                      | \$26,434.00                                       | \$21,624.00          | \$21,268.00          | \$17,352.00          | \$12,365.00          |
| <b>Total revenue</b>                                  | <b>\$307,621.00</b>                               | <b>\$249,081.00</b>  | <b>\$188,955.00</b>  | <b>\$141,968.00</b>  | <b>\$95,043.00</b>   |
| <b>Cost of Revenue</b>                                |   |                      |                      |                      |                      |
| Cost of product revenue                               | \$190,250.00                                      | \$147,689.00         | \$103,651.00         | \$81,855.00          | \$59,321.00          |
| Cost of contract revenue                              | \$23,900.00                                       | \$18,805.00          | \$15,569.00          | \$12,534.00          | \$8,371.00           |
| <b>Total cost of revenue</b>                          | <b>\$214,150.00</b>                               | <b>\$166,494.00</b>  | <b>\$119,220.00</b>  | <b>\$94,389.00</b>   | <b>\$67,692.00</b>   |
| <b>Gross Margin(1)</b>                                | <b>\$93,471.00</b>                                | <b>\$82,587.00</b>   | <b>\$69,735.00</b>   | <b>\$47,579.00</b>   | <b>\$27,351.00</b>   |
| <b>Operating Expenses</b>                             |   |                      |                      |                      |                      |
| Research and development                              | \$17,566.00                                       | \$17,082.00          | \$17,025.00          | \$11,601.00          | \$5,504.00           |
| Selling and marketing                                 | \$46,866.00                                       | \$44,894.00          | \$33,969.00          | \$21,796.00          | \$14,106.00          |
| General and administrative                            | \$28,840.00                                       | \$20,919.00          | \$18,703.00          | \$12,072.00          | \$7,298.00           |
| Litigation and related expenses(2)                    | \$0.00  | \$2,341.00           | \$0.00               | \$0.00               | \$0.00               |
| <b>Total operating expenses</b>                       | <b>\$93,272.00</b>                                | <b>\$85,236.00</b>   | <b>\$69,697.00</b>   | <b>\$45,469.00</b>   | <b>\$26,908.00</b>   |
| <b>Operating (Loss) Income</b>                        | <b>\$199.00</b>                                   | <b>-\$2,649.00</b>   | <b>\$38.00</b>       | <b>\$2,110.00</b>    | <b>\$443.00</b>      |
| <b>Net Income</b>                                     | <b>\$756.00</b>                                   | <b>\$9,060.00</b>    | <b>\$3,565.00</b>    | <b>\$2,610.00</b>    | <b>\$219.00</b>      |
| <b>Net Income Attributable to Common Stockholders</b> |   |                      |                      |                      |                      |
|   | \$756.00  | \$9,060.00           | \$3,565.00           | \$1,553.00           | \$118.00             |
| <b>Net Income Per Common Share</b>                    |   |                      |                      |                      |                      |
| Basic   | \$0.03  | \$0.37               | \$0.15               | \$0.13               | \$0.01               |
| Diluted   | \$0.03  | \$0.36               | \$0.14               | \$0.11               | \$0.01               |
| <b>Shares Used in Per Common Share Calculations</b>   |   |                      |                      |                      |                      |
| Basic   | \$24,654.00                                       | \$24,229.00          | \$23,516.00          | \$12,007.00          | \$9,660.00           |
| Diluted   | \$25,533.00                                       | \$25,501.00          | \$25,601.00          | \$14,331.00          | \$19,183.00          |

