

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 10-Q

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

or

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

For Quarter Ended May 26, 2001 Commission File Number 000-30789

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ENTEGRIS, INC.  
-----

(Exact name of registrant as specified in charter)

Minnesota  
-----

41-1941551  
-----

(State or other jurisdiction of incorporation) (IRS Employer ID No.)

3500 Lyman Boulevard, Chaska, Minnesota 55318  
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(Address of Principal Executive Offices)

Registrant's Telephone Number (952) 556-3131  
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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

Class	Outstanding at June 30, 2001
----- Common Stock, \$0.01 Par Value	----- 68,209,832

ENTEGRIS, INC. AND SUBSIDIARIES  
FORM 10-Q  
TABLE OF CONTENTS  
FOR THE QUARTER ENDED MAY 26, 2001

Description  
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Page  
-----

PART I  
-----

Item 1.	Unaudited Consolidated Financial Statements	
	Consolidated Balance Sheets as of May 26, 2001 and August 26, 2000	3
	Consolidated Statements of Operations for the Three Months and Nine Months Ended May 26, 2001 and May 27, 2000	4
	Consolidated Statements of Cash Flows for the Nine Months Ended May 26, 2001 and May 27, 2000	5
	Notes to Consolidated Financial Statements	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	8
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	12

PART II      Other Information  
-----

Item 6.	Exhibits and Reports on Form 8-K	13
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Item 1. Financial Statements  
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ENTEGRIS, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(Dollars in thousands)  
(Unaudited)

	May 26, 2001	August 26, 2000 - As adjusted - See Note 5
	-----	-----
ASSETS		
Current assets		
Cash and cash equivalents	\$ 129,837	\$ 102,973
Trade accounts receivable, net of allowance for doubtful accounts	42,201	41,325
Trade accounts receivable due from affiliates	19,567	22,803
Inventories	48,715	41,976
Deferred tax assets and refundable income taxes	11,629	7,996
Other current assets	6,567	4,341
	-----	-----
Total current assets	258,516	221,414
	-----	-----
Property, plant and equipment, net	104,046	107,733
Other assets		
Investments in affiliates	12,980	14,452
Intangible assets	16,302	7,162
Investment in marketable securities	795	1,288
Other	2,035	1,319
	-----	-----
Total assets	\$ 394,674	\$ 353,368
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Current maturities of long-term debt	\$ 1,415	\$ 1,828
Short-term borrowings	7,361	8,311

Accounts payable	19,224	21,849
Accrued liabilities	33,600	30,556
	-----	-----
Total current liabilities	61,600	62,544
	-----	-----
Long-term debt, less current maturities	9,983	10,822
Deferred tax liabilities	8,183	9,146
Minority interest in subsidiaries	5,393	4,012
Commitments and contingencies	--	--
Shareholders' equity		
Common stock, \$0.01 par value; 200,000,000 authorized; issued		
and outstanding shares: 69,081,280 and 68,317,183, respectively	691	683
Additional paid-in capital	115,914	114,003
Retained earnings	189,863	152,091
Accumulated other comprehensive income	3,047	67
	-----	-----
Total shareholders' equity	309,515	266,844
	-----	-----
Total liabilities and shareholders' equity	\$ 394,674	\$ 353,368
	=====	=====

See accompanying notes to consolidated financial statements.

3

ENTEGRIS, INC. AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF OPERATIONS  
 (Dollars in thousands, except per share data)  
 (Unaudited)

	Three Months Ended		Nine Months Ended	
	May 26, 2001	May 27, 2000-As adjusted -See Note 5	May 26, 2001	May 27, 2000-As adjusted -See Note 5
Sales to non-affiliates	\$55,920	\$ 66,688	\$195,037	\$176,801
Sales to affiliates	25,426	24,303	94,660	70,852
Net sales	81,346	90,991	289,697	247,653
Cost of sales	43,456	47,310	145,654	134,133
Gross profit	37,890	43,681	144,043	113,520
Selling, general and administrative expenses	18,761	19,913	59,723	53,578
Non-recurring charges	4,934	-	13,144	-
Engineering, research and development expenses	4,697	3,468	12,265	10,613
Operating profit	9,498	20,300	58,911	49,329
Interest (income) expense, net	(1,038)	758	(3,905)	2,778
Other expense (income), net	(971)	(249)	43	(6,531)
Income before income taxes and other items				
below	11,507	19,791	62,773	53,082
Income tax expense	2,801	7,924	22,284	19,065
Equity in net income of affiliates	-	(532)	(1,488)	(1,114)
Minority interest in subsidiaries' net income	278	385	1,653	733
Net income	8,428	12,014	40,324	34,398
Market value adjustment to redeemable common stock	-	16,987	-	(48,602)
Net income (loss) applicable to nonredeemable common shareholders	\$ 8,428	\$ 29,001	\$ 40,324	\$ (14,204)
Earnings (loss) per nonredeemable common share:				
Basic	\$ 0.12	\$ 0.79	\$ 0.59	\$ (0.38)
Diluted	\$ 0.12	\$ 0.19	\$ 0.55	\$ (0.38)
Weighted shares outstanding:				
Basic	68,735	36,739	68,541	37,037
Diluted	72,788	64,134	72,726	37,037

4

ENTEGRIS, INC. AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (Dollars in thousands)  
 (Unaudited)

	Nine months ended	
	May 26, 2001	May 27, 2000-As adjusted -See Note 5
OPERATING ACTIVITIES		
Net income	\$ 40,324	\$ 34,398
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	17,925	20,211
Asset impairment	3,526	4,890
Provision for doubtful accounts	600	725
Provision for deferred income taxes	(2,369)	2,445
Stock option compensation expense	(150)	150
Equity in net income of affiliates	(1,488)	(1,114)
Loss on sale of property and equipment	1,202	612
Gain on sale of investment in affiliate	-	(5,468)
Minority interest in subsidiaries' net income	1,653	733
Changes in operating assets and liabilities:		
Trade accounts receivable	(1,131)	(5,752)
Trade accounts receivable due from affiliates	3,236	(11,093)
Inventories	(6,552)	2,262
Accounts payable and accrued liabilities	70	8,909
Other current assets	(2,225)	(2,050)
Accrued income taxes	(2,227)	(3,771)
Other	(468)	(289)
Net cash provided by operating activities	51,926	45,798
INVESTING ACTIVITIES		
Acquisition of property and equipment	(19,607)	(16,384)
Purchases of intangible assets	(10,494)	(2,212)
Proceeds from sales of property and equipment	583	350
Proceeds from sale of investment in affiliate	3,941	7,399
Decrease in investment in affiliate	1,437	(1,036)
Net cash used in investing activities	(24,140)	(11,882)
FINANCING ACTIVITIES		
Principal payments on short-term borrowings and long-term debt	(2,545)	(9,852)
Proceeds from issuance of debt	-	3,157
Issuance of common stock	2,545	157
Repurchase of common stock	(722)	(10,446)
Net cash used in financing activities	(722)	(16,984)
Effect of exchange rate changes on cash and cash equivalents	(200)	(96)
Increase in cash and cash equivalents	26,864	16,836
Cash and cash equivalents at beginning of period	102,973	16,411
Cash and cash equivalents at end of period	\$129,837	\$ 33,247

See accompanying notes to consolidated financial statements.

ENTEGRIS, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Dollars in thousands)

1. Summary of Significant Accounting Policies

In the opinion of the Company, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of May 26, 2001 and August 26, 2000, the results of operations for the three months and nine months ended May 26, 2001 and May 27, 2000 and cash flows for the nine months ended May 26, 2001 and May 27, 2000. Certain prior year amounts have been reclassified to conform to the current period presentation.

The financial statements and notes are presented as permitted by Form 10-Q and do not contain certain information included in the Company's annual consolidated financial statements and notes. The information included in this Form 10-Q should be read in conjunction with Management's Discussion and Analysis and financial statements and notes thereto included in the Company's Form 10-K for the year ended August 26, 2000. The results of operations for the three months and nine months ended May 26, 2001 and May

27, 2000 are not necessarily indicative of the results to be expected for the full year.

The Company's fiscal year ends on the last Saturday of August. Each interim quarter ends on the last Saturday of the months of November, February and May.

## 2. Earnings per share

The following table presents a reconciliation of the denominators used in the computation of basic and diluted earnings per share.

	Three Months Ended		Nine Months Ended	
	May 26, 2001	May 27, 2000	May 26, 2001	May 27, 2000
Basic earnings per share-weighted common shares outstanding	68,735,000	36,739,000	68,541,000	37,037,000
Weighted common shares assumed upon exercise of stock options	4,053,000	27,395,000	4,185,000	-
Diluted earnings per share-weighted common shares and common shares equivalent outstanding	72,788,000	64,134,000	72,726,000	37,037,000

## 3. Inventories

Inventories consist of the following:

	May 26, 2001	August 26, 2000
Raw materials	\$14,885	\$12,677
Work-in process	1,466	3,280
Finished goods	31,766	25,794
Supplies	598	225
Total inventories	\$48,715	\$41,976

## 4. Comprehensive Income

For the three months and nine months ended May 26, 2001 and May 27, 2000 net income, items of other comprehensive income and comprehensive income are as follows:

	Three months ended		Nine months ended	
	May 26, 2001	May 27, 2000-As adjusted- See Note 5	May 26, 2001	May 27, 2000-As adjusted- See Note 5
Net income	\$ 8,428	\$12,014	\$40,324	\$34,398
Items of other comprehensive income (loss)				
Foreign currency translation	1,408	62	516	(76)
Unrealized gain in marketable securities	1,554	81	1,125	57
Comprehensive income	\$11,390	\$12,157	\$41,965	\$34,379

## 5. Change in Method of Accounting for Inventories

Effective August 27, 2000, the Company changed its method of accounting for its domestic inventories from the last-in, first-out (LIFO) method to the first-in, first-out (FIFO) method. Management believes that the accounting change is preferable in the circumstances because the accounting change provides a better matching of costs and revenues in periods when the cost of goods and services are declining. In accordance with accounting principles generally accepted in the United States of America, the financial statements of prior periods have been restated to apply the new method retroactively. Accordingly, retained earnings at August 26, 2000 on the accompanying balance sheet has been adjusted for the effect (net of income taxes) of applying retroactively the new method of accounting.

The effect of the accounting change on income for the three months and nine months ended May 26, 2001 and May 27, 2000 is shown below:

Increase (decrease)	Three months ended		Nine months ended	
	May 26, 2001	May 27, 2000	May 26, 2001	May 27, 2000
Effect on:				
Net income	-	\$ 305	\$ (404)	\$1,034
Basic earnings per common share	-	\$0.01	\$ (0.01)	\$ 0.03
Diluted earnings per common share	-	\$0.01	\$ (0.01)	\$ 0.03

## 6. Non-recurring Charges

During the second quarter of fiscal 2001, the Company recorded a one-time charge of \$8.2 million related to the early termination of a distribution agreement for the Microelectronics Group with its affiliate, Metron Technology N.V. (Metron). Pursuant to the termination agreement, the Company will assume direct sales responsibility for Microelectronics Group product sales in Europe and Asia, and transferred to Metron 1.125 million shares of Metron stock and will make cash payments totaling \$1.75 million. Entegris will also buy back certain microelectronics product inventory, to be determined at a later date, from Metron, which will be accounted for if and when such inventory is transferred from Metron. The Company and Metron also executed a new distribution agreement for Entegris' Fluid Handling Group products, which now runs through August 31, 2005.

During the third quarter of fiscal 2001, the company recorded a \$4.9 million charge in connection with its decision to close its Castle Rock, Colorado and Munmak, Korea facilities. The charge included \$1.7 million in termination costs related to a workforce reduction of 170 employees and \$1.4 million for estimated losses for asset disposals after accounting for assets transfers and estimated proceeds for items expected to be sold. In addition, the charge included \$1.8 million for future lease commitments on the

7

Castle Rock facility, the lessor of which is a major shareholder of the Company. The tax benefit associated with the non-recurring charge totaled \$3.5 million, which included \$1.6 million in tax benefits associated with the closure of the Korea operation, losses of which were previously non-deductible.

A summary of the third quarter charge is as follows:

	Amount Charged	Amount Utilized or Paid	Accrual at May 26, 2001
Severance costs	\$1,697,000	690,000	1,007,000
Asset disposals	1,427,000	1,427,000	--
Lease commitments	1,810,000	--	1,810,000
	\$4,934,000	2,117,000	\$2,817,000

7. Subsequent Event  
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On May 31, 2001, the Company announced the completion of its acquisition of NT International for a cash payment of \$27.5 million. NT International, located in Fridley, Minnesota, designs and manufactures patented ultra-high purity flow and pressure measurement sensors and controllers.

Item 2. Management's Discussion and Analysis of Financial Condition and Results  
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of Operations  
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Three Months and Nine Months Ended May 26, 2001 Compared to Three Months and Nine Months Ended May 27, 2000

The following table compares quarterly results with year-ago results, as a percentage of sales, for each caption.

	Three Months Ended		Nine Months Ended	
	May 26, 2001	May 27, 2000-As adjusted- See Note 5	May 26, 2001	May 27, 2000-As adjusted- See Note 5
Net sales	100.0	100.0	100.0	100.0
Cost of sales	53.4	52.0	50.3	54.2
Gross profit	46.6	48.0	49.7	45.8
Selling, general and administrative expenses	23.1	21.9	20.6	21.6
Non-recurring charges	6.1	-	4.5	-
Engineering, research and development expenses	5.8	3.8	4.2	4.3
Operating profit	11.7	22.3	20.3	19.9
Interest (income) expense, net	(1.3)	0.8	(1.3)	1.1
Other expense (income), net	(1.2)	(0.3)	-	(2.6)
Income before income taxes and other items below	14.1	21.8	21.7	21.4
Income taxes	3.4	8.7	7.7	7.7
Equity in net earnings of affiliated companies	-	(0.6)	(0.5)	(0.4)
Minority interest in subsidiaries' net income	0.3	0.4	0.6	0.3
Net income	10.4	13.2	13.9	13.9
Effective tax rate	24.3%	40.0%	35.5%	35.9%

Net sales Net sales decreased 11% to \$81.3 million in the third quarter of fiscal 2001, compared to \$91.0 million in the third quarter of fiscal 2000. The decline reflects the downturn in the semiconductor industry that began this year. Revenue increases were recorded in Japan and Europe, while revenues in North America and the Asia Pacific region declined. International sales accounted for approximately one half of net sales, essentially unchanged from fiscal 2000 and six-month fiscal 2001 levels. Sales of fluid handling products, which made up 33 percent of total sales for the quarter, were flat when compared to the year-ago period, while microelectronics product sales, 67% of total sales, fell 16%.

Net sales for the first nine months of fiscal 2001 were \$289.7 million, up 17% from \$247.7 million in the comparable year-ago period. Revenue gains were recorded in North America, Europe and Japan, while sales fell slightly in the Asia Pacific region. Fluid handling product and microelectronics sales increased 45% and 10%, respectively, compared to first nine months of fiscal 2000.

Incoming order rates began to decline late in the second quarter of fiscal 2001,

for both fluid handling products, which are dependent on capital spending levels in the semiconductor industry, and microelectronics products, reflecting decreased manufacturing utilization of wafer manufacturers and semiconductor manufacturers. The decline in order rates continued throughout the third quarter. As a result, management expects that sales for the fourth quarter of fiscal 2001 will decline further from the sales levels experienced in the third quarter of fiscal 2001.

**Gross profit** Gross profit in the third quarter of fiscal 2001 decreased 13% to \$37.9 million, compared to \$43.7 million reported in the third quarter of fiscal 2000. For the first nine months of fiscal 2001, gross profit was \$144.0 million, up 27% from \$113.5 million recorded in the first nine months of fiscal 2000. As a percentage of net sales, gross margins for the third quarter and first nine months of the fiscal year were 46.6% and 49.7%, respectively, compared to 48.0% and 45.8%, respectively, in the comparable periods a year ago.

The gross profit and gross margin variances mainly track the utilization of our production capacity associated with varying sales levels. Approximately one half of our cost of goods sold is variable. Asset impairment charges of \$0.1 million and \$3.5 million were recorded in the third quarter and first nine months of fiscal 2001, respectively, mainly for asset write-offs of molds that were determined to have no future use. As noted in Note 5 to the accompanying consolidated financial statements, the Company changed its method of accounting for inventories from LIFO to FIFO in the first quarter of fiscal 2001.

As discussed above, management expects sales levels to decline in the fourth quarter. The corresponding reduction in our factory utilization would result in decreased gross profits with a lower gross margin.

**Selling, general and administrative expenses** Selling, general and administrative (SG&A) expenses decreased 6% to \$18.8 million in the third quarter of fiscal 2001 from \$19.9 million in the third quarter of fiscal 2000. SG&A expenses grew 11% to \$59.7 million in the first nine months of fiscal 2001 compared to \$53.6 million in the first nine months a year earlier. The year-to-date increases reflect higher commissions, and personnel and information systems costs. On a year-to-date basis, SG&A costs, as a percent of net sales, decreased slightly to 20.6% from 21.6% a year ago.

**Non-recurring charges** During the third quarter, the company recorded a \$4.9 million charge in connection with its decision to close its Castle Rock, Colorado and Munmak, Korea facilities. The charge included \$1.7 million in termination costs related to a workforce reduction of 170 employees and \$1.4 million for estimated losses for asset disposals after accounting for assets transfers and estimated proceeds for items expected to be sold. In addition, the charge included \$1.8 million for future lease commitments on the Castle Rock facility, the lessor of which is a major shareholder of the Company.

During the second quarter of fiscal 2001, the Company recorded a one-time charge of \$8.2 million related to the early termination of a distribution agreement for the Microelectronics Group with its affiliate Metron Technology N.V. (Metron). Pursuant to the termination agreement, the Company will assume direct sales responsibility for Microelectronics Group product sales in Europe and Asia, and transferred to Metron 1.125 million shares of Metron stock and will make cash payments totaling \$1.75 million over a 15-month period. Entegris will also buy back certain microelectronics product inventory, to be determined at a later date, from Metron, which will be accounted for if and when such inventory is transferred from Metron. The Company and Metron also executed a new distribution agreement for Entegris' Fluid Handling Group products, which now runs through August 31, 2005.

**Engineering, research and development expenses** Engineering, research and development (ER&D) expenses increased 35% to \$4.7 million, or 5.8% of net sales, in the third quarter of fiscal 2001 as compared to \$3.5 million, or 3.8% of net sales, for the same period in fiscal 2000. ER&D expenses increased 16% to \$12.3 million, or 4.2% of net sales, in the first nine months of fiscal 2001 as compared to \$10.6 million, or 4.3% of net sales, a year-ago period. A major element of current ER&D expenditures relates to the continued development of next generation 300mm products.

**Interest (income) expense** Net interest income was \$1.0 million in the third quarter of fiscal 2001 compared to net interest expense of \$0.8 million in the year-ago period. Net interest income was \$3.9 million in the first nine months



of fiscal 2001 compared to net interest expense of \$2.8 million for the same period in fiscal 2000. The quarterly and year-to-date variances reflect the elimination of domestic bank borrowings and capital lease obligations, as well as the short-term investment of sizable available cash balances. These actions were due to strong operating earnings and the receipt of net proceeds of \$99.0 million from the Company's initial public offering in July 2000, \$42 million of which was used to retire long-term debt and capital lease obligations.

**Other expense (income)** Other income was \$1.0 million in the third quarter of fiscal 2001 as compared to other income of \$0.2 million a year ago. Other expense was \$43 thousand in the first nine months of fiscal 2001 compared to other income of \$6.5 million in the first nine months of fiscal 2000. The main factor underlying the year-to-year variance is the \$5.5 million pre-tax gain recognized on the sale of approximately 612,000 common shares of the Company's investment in Metron as part of Metron's initial public offering in November 1999. The recording of translation losses in the fiscal 2001 periods compared to translation gains in fiscal 2000 also contributed to the change.

**Income tax expense** Income tax expense of \$22.3 million was slightly higher in the first nine months of fiscal 2001 compared to \$19.1 million in income tax expense reported a year earlier, primarily reflecting higher pre-tax income. The effective tax rate thus far in fiscal 2001 is 35.5% compared to 35.9% in fiscal 2000. The tax benefit associated with the closure of the Castle Rock, Colorado and Munmak, Korea facilities described above totaled \$3.5 million. \$1.6 million of the tax benefit was associated with the closure of the Korea operation, losses of which were previously non-deductible, and was the primary factor explaining the relatively low 24.3% effective tax rate in the third quarter of fiscal 2001.

**Equity in net income of affiliates** During March 2001, the Company surrendered ownership of 1.125 million shares of its investment in Metron in connection with the charge described above under the caption "Non-recurring Charges". As a result, the Company's percentage ownership in Metron decreased to approximately 12%. Accordingly, the Company discontinued application of the equity method to account for its investment in Metron. The Company's remaining investment is accounted for as an "available-for-sale security" under the provisions of Statement of Financial Accounting Standards (SFAS) No. 115 - Accounting for Certain Investments in Debt and Equity Securities.

As a result, the Company recorded no equity in the net income of affiliates in the third quarter of fiscal 2001 compared to \$0.5 million in the third quarter a year earlier. Equity in the net income of affiliates was \$1.5 million in the first nine months of fiscal 2001 compared to \$1.1 million for the same period a year ago.

**Minority interest** For the three months ended May 26, 2001, minority interest in subsidiaries' net income declined 28% compared to the year-ago period. For the nine months ended May 26, 2001, minority interest in subsidiaries' net income was more than double a year ago. These figures reflect the financial performance at our 51% owned Japanese subsidiaries.

**Net income** Net income decreased 30% to \$8.4 million in the third quarter of fiscal 2001, compared to net income of \$12.0 million in the year-ago period. Net income applicable to nonredeemable common shareholders was \$8.4 million, or \$0.12 per diluted share, for the quarter, compared to a net income applicable to nonredeemable common shareholders of \$29.0 million, or \$0.19 per share diluted, in the third quarter of fiscal 2000.

Net income increased to \$40.3 million in the first nine months of fiscal 2001, compared to net income of \$34.4 million in the comparable year-ago period. Net income applicable to nonredeemable common shareholders was \$40.3 million, or \$0.55 per diluted share, in the first nine months of fiscal 2001. After the market value adjustment related to redeemable common stock, the net loss applicable to nonredeemable common shareholders was \$14.2 million, or \$0.38 per share diluted, in the first nine months of fiscal 2000. Excluding the effect of the market value adjustment related to redeemable common stock, pro forma earnings per diluted share were \$0.53 per share in the first half of fiscal 2000.

#### Liquidity and Capital Resources

**Operating activities** Cash flow provided by operating activities totaled \$52.0

million in the first nine months of fiscal 2001. Net income and noncash charges, such as depreciation and amortization, accounted for the strong cash flow generated by operations, which was partly offset by working capital requirements, principally higher inventories (\$6.6 million). Working capital at May 26, 2001 stood at \$196.9 million, including \$129.8 million in cash and cash equivalents.

Inventories rose as the Company increased its safety stock of certain critical resins where the supplier had indicated possible delivery issues and built up the supply of fluid handling components used in the production of fluid handling products because of strong customer demand. The company began to decrease its safety stock inventories and adjusted its raw material requirements based on projected business levels during the third quarter. Accordingly, inventory balances were \$3.0 million more than at the beginning of the quarter.

Investing activities Cash flow used in investing activities totaled \$24.1 million in the first nine months of fiscal 2001. Acquisition of property and equipment totaled \$19.6 million, primarily related to increasing our manufacturing capabilities for 300mm products, tooling for new products, and investments in our e-business initiatives. The Company expects capital expenditures of approximately \$25-30 million during fiscal 2001, consisting mainly of spending on manufacturing equipment and information systems.

In March 2001, the Company acquired the fluid handling component product line of a Japanese company for \$10.4 million. Patents and goodwill of approximately \$2.3 million and \$8.0 million, respectively, were recorded in connection with the transaction. The purchase was accounted for by the purchase method. Accordingly, the Company's consolidated financial statements include the net assets and results of operations from the date of acquisition.

In the first quarter of fiscal 2000, we received \$7.4 million from the sale of 612,000 shares of our investment in Metron Technology N.V. (Metron).

Financing activities Cash provided used in by financing activities totaled \$0.7 million during the first nine months of fiscal 2001. Payments on long-term and short-term borrowings totaled \$2.5 million. The Company recorded proceeds of \$2.5 million in connection with common shares issued under the Company's stock option and stock purchase plans. We repurchased common shares for \$0.7 million in the first nine months of fiscal 2001. These shares were acquired in connection with the redemption of common stock from the Company's Employee Stock Ownership Plan and the repurchase of 55,000 common shares as part of the 500,000 shares authorized for repurchase by the Company's Board of Directors in the first quarter of fiscal 2001.

At May 26, 2001, the Company's shareholders' equity stood at \$309.5 million. Book value per share was \$4.48, up from \$3.91 per share at the end of fiscal 2000. Net earnings accounted for the increase.

As of May 26, 2001, our sources of available funds comprised \$129.8 million in cash and cash equivalents, and various credit facilities. We have unsecured revolving commitments with two commercial banks with aggregate borrowing capacity of \$30.0 million, with no borrowings outstanding at May 26, 2001. We also have lines of credit, equivalent to an aggregate of approximately \$12 million with six international banks, which provide for borrowings of German deutsche marks, Malaysian ringgits and Japanese yen for our overseas subsidiaries. Borrowings outstanding on these lines of credit were \$7.4 million at May 26, 2001.

The Company believes that its cash and cash equivalents, cash flow from operations and available credit facilities will be sufficient to meet our working capital and investment requirements for the next twelve months. However, future growth, including potential acquisitions, may require additional funding, and from time to time we may need to raise capital through additional equity or debt financing.

Subsequent Event On May 31, 2001, the Company announced the completion of its acquisition of NT International for a cash payment of \$27.5 million. NT International, located in Fridley, Minnesota, designs and manufactures patented ultra-high purity flow and pressure measurement sensors and controllers.

New Accounting Pronouncements In July 2001, the Financial Accounting Standards Board issued SFAS No. 141, "Business Combinations", and SFAS No. 142, "Goodwill

and Other Tangible Assets". SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. Use of the pooling-of-interests method will be prohibited. SFAS No. 142 changes the accounting for goodwill from an amortization method to an impairment-only approach. Thus, amortization of goodwill, including goodwill recorded in past business combinations, will cease upon adoption of that Statement, which the Company expects to adopt in the first quarter of fiscal 2002.

Cautionary Statements Certain information in this report does not relate to historical financial information and may be deemed to constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements may include forward-looking statements which reflect the Company's current views with respect to future events and financial performance. The words "believe," "expect," "anticipate," "intends," "estimate," "forecast," "project," "should" and similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to certain risks and uncertainties that could cause the company's actual results in the future to differ materially from its historical results and those presently anticipated or projected.

Among these risks and uncertainties are general economic conditions, cyclical nature of the semiconductor industry, risks associated with the acceptance of new products and the successful transition to a direct sales model for Microelectronic Group products. Other factors that could cause the company's results to differ materially from those contained in its forward looking statements are included in the Form 10K filed in November 2000 and other documents filed by the company with the Securities and Exchange Commission.

#### Item 3: Quantitative and Qualitative Disclosures About Market Risk

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The Company's principal market risks are sensitivities to interest rates and foreign currency exchange rates. The exposure to interest rate fluctuations is not significant as most outstanding debt carries fixed rates of interest. The Company's short-term investments are debt instruments that mainly mature in three months or less.

The Company uses derivative financial instruments to manage foreign currency exchange rate risk associated with the sale of products from the United States when such sales are denominated in currencies other than the U.S. dollar. The cash flows and earnings of its foreign-based operations are also subject to fluctuations in foreign exchange rates. A hypothetical 10% change in certain foreign currency exchange rates would increase or decrease net income by approximately \$2 million.

As described above under the caption "Non-recurring Charges", the Company surrendered ownership of 1.125 million shares of Metron in March 2001 in connection with the charge described above. As a result, its percentage ownership in Metron decreased to approximately 12%. Accordingly, the Company discontinued application of the equity method to account for its investment in Metron, with the Company's remaining investment to be accounted for as an "available-for-sale security" under the provisions of Statement of Financial Accounting Standards (SFAS) No. 115. Based on the closing stock price of Metron at May 26, 2001, the fair value of our investment in Metron was approximately \$12.5 million.

## PART II

### OTHER INFORMATION

#### ITEM 6. Exhibits and Reports on Form 8-K

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(a) Exhibits:

None

(b) Reports on Form 8-K

The Company filed a Current Report on Form 8-K, dated January 8, 2001 and filed March 2, 2001, in connection with changes to distribution agreements between the Company and Metron Technology N.V.

13

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SIGNATURES

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

ENTEGRIS, INC.

Date: July 10, 2001

/s/ James E. Dauwalter

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James E. Dauwalter

President and Chief Executive Officer

Date: July 10, 2001

/s/ John D. Villas

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John D. Villas

Executive Vice President and  
Chief Financial Officer

14