



Enter the world of Entegris.

Materials Integrity Management for Semiconductor, Data Storage, Life Sciences and Fuel Cell Markets.

  
Entegris

2002 ANNUAL REPORT

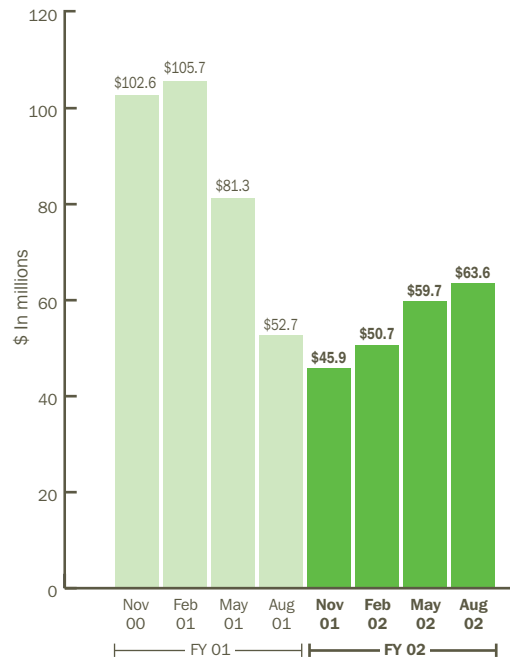
# 2002 Financial Highlights



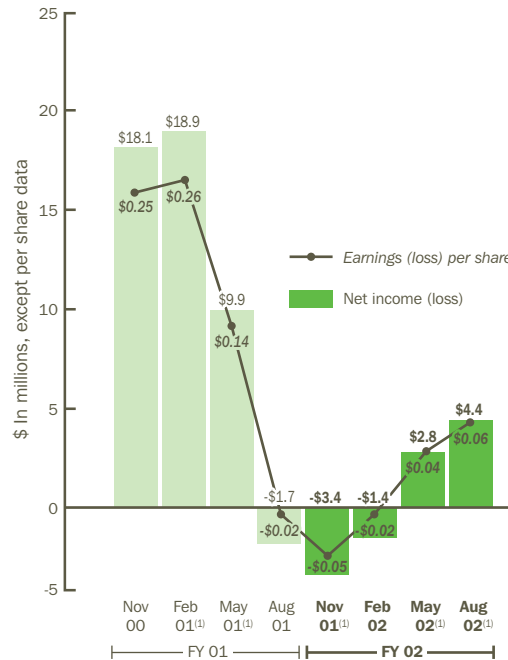
Entegris has a history of delivering results, and has been very successful in maintaining and growing our market leadership in materials integrity management. We delivered a profitable fiscal year 2002 in an incredibly difficult market environment. We also generated cash from operations during each one of our fiscal quarters. I firmly believe that our microelectronics industry success will translate into successes in our newest markets, life sciences and fuel cell.

*James E. Dauwalter*  
President and Chief Executive Officer

### Quarterly Revenue

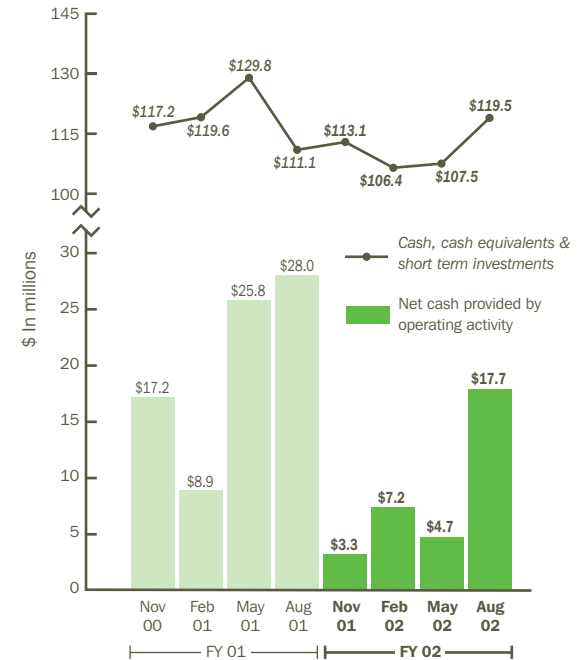


### Quarterly Net Income (Loss)



<sup>(1)</sup>Excludes one-time charges and benefits.

### Strong Cash Position



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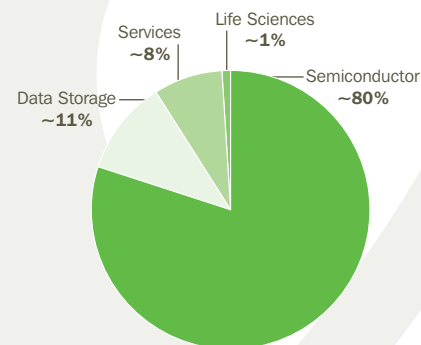
### Financial Summary

(\$ In thousands, except per share data)

	Year ended August 31, 2002	Year ended August 25, 2001	Percent (%) Change
<b>Operating results</b>			
Net sales	\$ 219,831	\$ 342,444	-36%
Gross profit	88,706	162,670	-45%
Operating profit (loss) <sup>(1)</sup>	(2,271)	67,643	NM
Net income <sup>(1)</sup>	2,373	45,165	-95%
Pro forma earnings per share – diluted <sup>(1)</sup>	0.03	0.62	-95%
Weighted shares outstanding – diluted	74,170	72,995	2%
<b>Balance sheet data</b>			
Cash, cash equivalents and short-term investments	\$ 119,454	\$ 111,079	8%
Total assets	390,260	405,815	-4%
Long-term debt	12,691	13,101	-3%
Shareholders' equity	322,114	312,307	3%
<b>Financial ratios</b>			
Gross margin	40.4%	47.5%	
Operating margin <sup>(1)</sup>	-1.0%	19.8%	
Return on average shareholders' equity <sup>(1)</sup>	0.7%	15.6%	

<sup>(1)</sup>Excludes nonrecurring charges for fiscal 2001 and nonrecurring charges and benefits for fiscal 2002.

### Sales by Market FY 2002



*"Entegris achieved its 36th consecutive year of annual profitability. This was not an easy feat in light of current industry conditions. We focused on what we could control, including operational efficiencies, cost reductions, managing our assets wisely and investing in the future of Entegris. This will remain our focus for fiscal year 2003."*

*John D. Villas  
Chief Financial Officer*

*On the Cover:  
300 mm single wafer shippers, produced in Entegris' manufacturing Center of Excellence, safely transport valuable materials.*



# Enter the world of materials integrity management.

The world is benefiting from amazing leaps in technology. As processes become more sophisticated, and products are developed from advances in applied physics, chemistry and biology, the need for materials integrity management grows. And that's the world of Entegris. It's a world where special care and purity are essential. It's a world where integrity is required in order to manufacture, protect and transport the materials used to make the objects of dreams. It's our world, the world of materials integrity management. Enter the world of Entegris.

# The global market for materials integrity management is very broad. Entegris protects and transports critical materials for key technologies.



Semiconductor



Entegris provides materials integrity management products for:

- Semiconductor Materials
- Semiconductor Equipment
- Semiconductor Devices
- Semiconductor Test, Assembly and Packaging



Data Storage



Entegris provides materials integrity management products for:

- Disk Substrates
- Wafers/Sliders/HGAs
- Disk Media
- Disk Drives



Fuel Cell



Entegris provides materials integrity management products for:

- Fuel Cells  
Portable  
Stationary  
Transportation
- Reformers

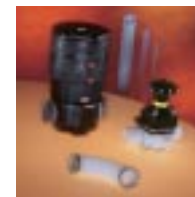


Life Sciences



Entegris provides materials integrity management products for:

- Pharmaceuticals
- Biopharmaceuticals
- Biotechnology Products
- Medical Devices



Services



Entegris provides materials integrity management services for these markets:

- Semiconductor
- Data Storage
- Life Sciences





## To our shareholders:

### Staying focused in challenging times

This year's annual report is designed to give you a glimpse into our fiscal year 2002 financials, our markets, our products, our values, and, most importantly, the people of Team Entegris.

Our fiscal year 2002, which ended August 31, 2002, was one of the most challenging in the company's 36-year history. Our major market – the global semiconductor industry – experienced its most historic down cycle. Yet, Team Entegris recorded another profitable year. In addition, we generated over \$30 million in

cash from operations, entered the year with \$111 million in cash and short-term investments, and closed the year with \$119 million. Our balance sheet also remained strong. We were able to do so by focusing on the elements of our business environment that we can control: costs and efficiencies.

During the last 12 months we continued our plant consolidations and brought our costs in line with the realities of today's global economy. Our effort resulted in about \$10 million in reduction of our quarterly fixed costs. Over the last year, we had to make some tough decisions, but we did so with the conviction that we were strengthening our core business and building the foundation for taking our leading technologies into new markets.

### Consolidations and cost-cutting

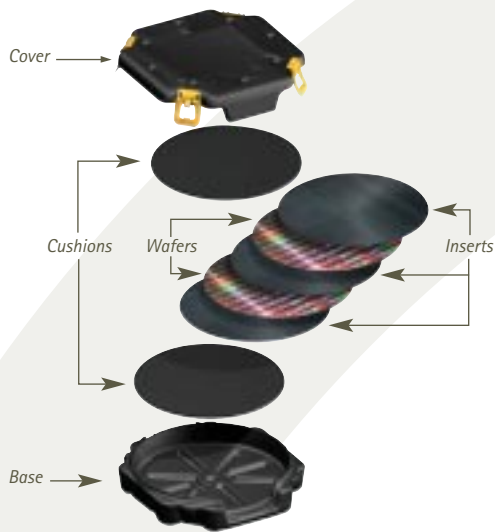
When Fluoroware and Empak merged in 1999 to form Entegris, we had 18 worldwide manufacturing facilities. In 2001, we

acquired four companies with manufacturing facilities. Today, we have a total of 16 manufacturing plants, all part of manufacturing Centers of Excellence focused on providing world-class products and services in geographies close to our customers.

We did what we had to do to reduce costs and increase our overall efficiencies. We also tackled the painful process of reducing our cost structure. In addition to closing facilities, we initiated salary freezes, reduced workweeks, shut down facilities during holidays, and relied upon temporary employees to adjust labor to workflow.

During such times, the morale of a company can suffer. Yet, Team Entegris responded magnificently. By focusing on what we can control, our people were able to not only participate in our progress, but to drive that progress with a spirit of innovation and purpose. The can-do attitude of Team Entegris is as strong and focused as ever.

*The Entegris executive leadership team shown left to right: Gregory B. Graves, Chief Business Development Officer; Stan Geyer, Chairman; James E. Dauwalter, President and Chief Executive Officer; John D. Villas, Chief Financial Officer; Michael W. Wright, Chief Operating Officer.*



Addressing a critical need of customers, Entegris introduced the horizontal wafer shipper to provide the utmost protection for fragile thin wafers during transport.

## Innovation

While we had many examples last year of successful innovation, we want to highlight two: a new horizontal wafer shipper and a proprietary valve diaphragm manufacturing process.

### *New horizontal wafer shipper*

One of the problems we solved for our customers last year was the protection of thin wafers. A thin wafer is about twice the thickness of a human hair. On such wafers, semiconductor manufacturers build chips for use in products ranging from computers

*"The Entegris brand has become synonymous with providing customers leading innovations that allow them to be successful."*

*James E. Dauwalter, President and Chief Executive Officer*

to cell phones to automobiles. When a thin wafer is filled with such expensive chips, the wafer can be worth up to 50 times its weight in gold. As a result of implementing the Entegris new horizontal wafer shipper solution, our customers were able to realize a ten times reduction in breakage during transport, which translates into potential savings in the millions of dollars. As a result, Entegris saw sales of our horizontal wafer shipper increase, even during the semiconductor industry down cycle.

### *Proprietary valve diaphragm*

Our new valve diaphragm manufacturing process is a classic example of Team Entegris focusing on internal efficiencies.

Valves with diaphragms made out of flexible TEFLON® polymers are one of the cornerstones of our fluid handling line. Because the diaphragm is so critical, production requires very tight tolerances and process controls. We reduced the number of steps involved and automated the manufacturing process. This technique is so novel we didn't want to reveal it in a patent application, so we are treating it as a trade secret. We were able to accomplish this thanks to an outstanding project team applying our core competencies in polymer science and manufacturing product design.

### **New material development**

At the core of many new product developments is our ability to develop new polymer-based materials. In the last year, we expanded our technology leadership by introducing over 20 new materials to address the specific needs of our high-tech customers. In addition, we developed new polymer manufacturing capabilities that, to our knowledge, no other materials integrity management company in this industry has been able to accomplish.

New polymer developments, new product introductions and cost-effective manufacturing techniques are at the core of Entegris' success.



## Delivering on our goals

Entegris became a publicly traded company in July 2000. At that time, we set five major goals: expand our technology leadership; broaden our product offerings; build on our presence in Japan; take our technology into new markets; and pursue selective acquisitions.

Throughout this annual report, you will see evidence of those goals being met. You will also see a new Entegris emerging. In the past, we had organized around two product sets: microelectronics and fluid handling. Today, we are organized around five markets: semiconductor, life sciences, services, data storage, and fuel cell. This new organizational structure allows us to maintain our focus on customer service while taking our technology into new and expanding markets.

Each of those new market segments will focus on our core customers, our core values and our core competencies. We know that keeping a satisfied customer is just as important as finding a new one. Our new organization is designed to allow us to do just that while searching for new customers that need Entegris technology.

Team Entegris has shown it knows how to handle the vagaries of a world economy. We have managed to profitability in good times and bad. Now, we need to challenge ourselves to move forward and retain our materials integrity management leadership in the microelectronics market and expand it into new markets.

## The new challenge

We have established five new strategic five-year goals.

First, we want to be one of the top three companies in every market we serve including the new market we entered just this year.

Second, we want to generate an even greater percentage of revenue from new products and services in all existing markets.

Third, we want to increase annual revenues to \$700 million.

Fourth, we want our new markets to contribute at least \$150 million to our revenue stream.

Fifth, we want to make our operations a competitive weapon by being the most efficient producer of goods and services in every market we serve.

Team Entegris will strive to achieve these new challenges. Our company is blessed to have an active and dedicated board of directors, a motivated and experienced senior management team, and some of the most talented and dedicated employees in the business today.

Welcome to the world of Entegris.



Stan Geyer  
Chairman of the Board



James E. Dauwalter  
President and Chief Executive Officer

## The Values of Entegris

*By demonstrating*  
**INTEGRITY**

*we will be a trustworthy  
and reputable company.*

*By demonstrating*  
**EXCELLENCE**

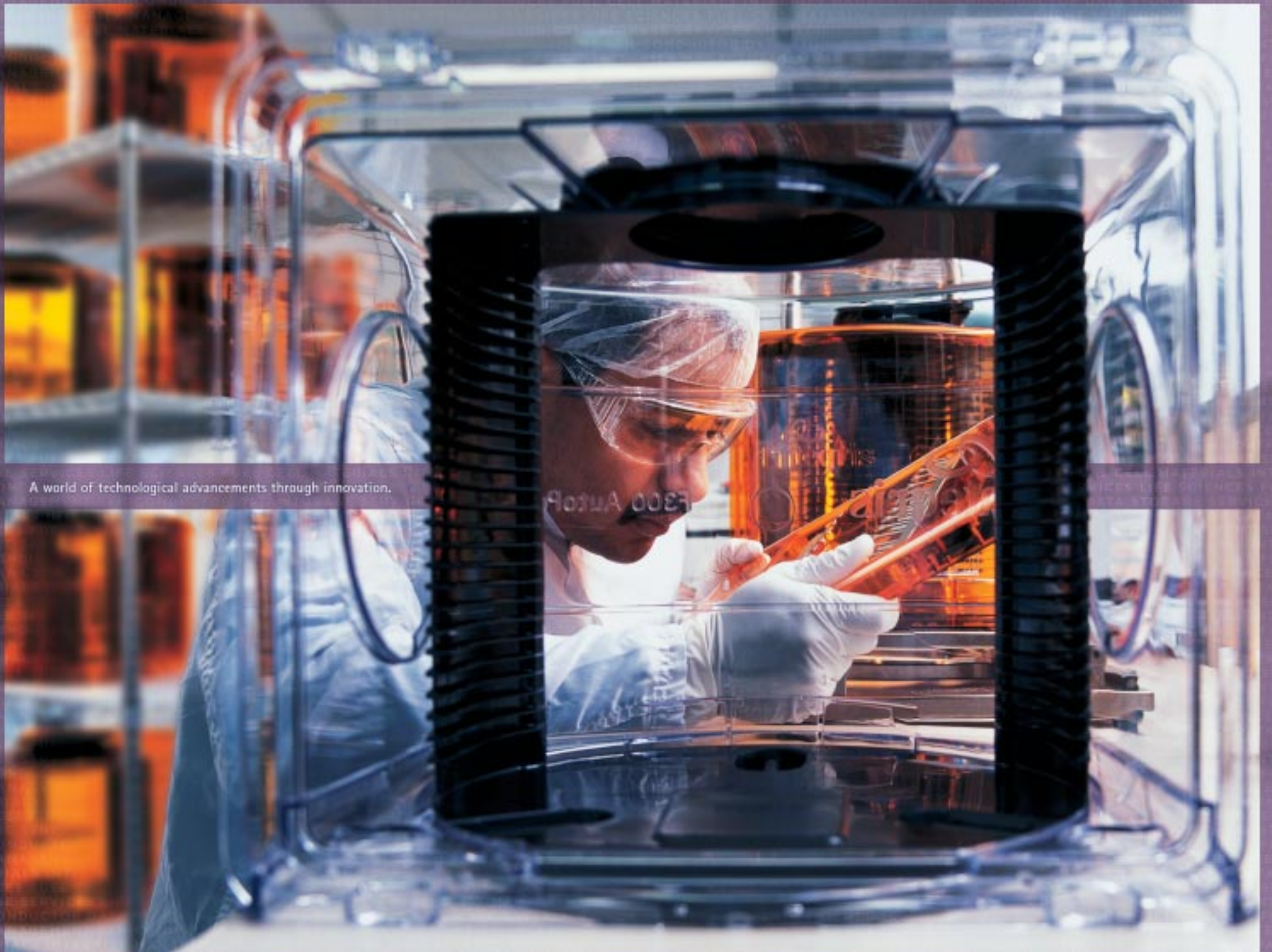
*we will achieve consistently  
high performance.*

*By demonstrating*  
**RESPECTFUL RELATIONSHIPS**

*we will ensure satisfaction and  
retention among all our  
key stakeholders.*

*By achieving*  
**FINANCIAL SUCCESS**

*we will ensure corporate financial  
strength that benefits all  
our stakeholders.*



A world of technological advancements through innovation.

ESBO AUTOPI

# Enter the world of a profitable organization.

Entegris has enabled microelectronics industry customers to grow exponentially.  
Just one reason why we've shown annual profits for 36 consecutive years.

## Determined to succeed

From our headquarters in Chaska, Minnesota, to our manufacturing facilities in the United States, Germany, Japan and Malaysia, the men and women of Entegris are enabling the world's leading technologies. We are determined to succeed in our mission: to provide quality manufactured products, services and systems to protect and transport critical materials.

## Solving critical problems every day

Entegris provides a peerless level of technical expertise. Our core competencies of polymer material science, comprehensive polymer product manufacturing and microelectronics industry processing knowledge reflect this expertise.

*Assembly of 300 mm FOUPs in controlled environments using defined processes is only one way we ensure reliable product performance to protect critical 300 mm wafers.*

In solving critical problems for our customers, we sell more than 10,000 different products to over 1,000 customers, including virtually every company in the semiconductor industry. In addition, we have advanced research facilities and a large intellectual property portfolio that includes more than 125 patents in the United States and over 140 patents worldwide.

## A reputation built on empowerment

Our ongoing success is also due to our advances in implementing LeanSigma Manufacturing. Under this philosophy, Entegris employees are empowered to continuously look for ways to improve business processes, to eliminate all non-value added activities or waste from manufacturing and support areas, and to compress the amount of time needed to produce a product or service. The results are greater productivity, shorter delivery times, lower costs, improved quality and increased customer satisfaction.

With a well-earned reputation of expertise in managing the integrity of our customers' critical materials throughout the microelectronics industry, 2002 saw Entegris not only strengthening its position in the semiconductor and data storage markets, but also advancing into life sciences and fuel cell technologies.



*In Japan, workers assemble valves destined to protect the ultrapure and corrosive chemicals used to manufacture ICs.*



*Entegris' fluid handling products protect the integrity of ultrapure and corrosive chemicals in our customers' wafer surface conditioning equipment.*

### Enabling the world's technologies

Entegris is the world's leading materials integrity management company. We care for the materials that go into the manufacture of today's technological products, as they are transported to or within a manufacturing facility – all the way from their beginnings as silicon or substrates, until they become chips or disks. The silicon wafer serves as the base material for integrated circuits (ICs) or computer chips, which are the foundation of the modern technological miracles we often take for granted. In fact, the average person encounters hundreds of semiconductors every day in computers, cell phones, ABS brakes, video game consoles, digital cameras or televisions, and any other item with a chip or a disk.

We have consistently demonstrated innovation over the years and 2002 was no exception. Accordingly, this past year saw the introduction of numerous products that further enabled the industry to become more efficient in both protecting and transporting its critical materials. Our latest products include:

- Reticle SMIF pod
- 300 mm horizontal wafer shipper
- 300 mm film frame cassette
- FIMS compatible FOSB door
- FOUP enhancements
- Flaretek® 90° sweep elbows
- Integra® distribution valves
- Accutek® flowmeters
- Integrated flow controllers
- Stream™ tape and reel

### Ensuring integrity at every step

During the semiconductor manufacturing process, the value of a silicon wafer increases at each successive step in a fabrication facility, or fab. A wafer must be protected from contamination and breakage throughout the entire process, as it is transported from the wafer manufacturer to the chip manufacturer and within each of the approximately 900 wafer processing fabs worldwide. This is no small task, as the wafers go through as many as 500 process steps within a fab.

In addition, ultrapure and corrosive chemicals used to manufacture semiconductors must also be protected from contamination during transport from the chemical manufacturer to the fab – as well as inside the fab. With purity levels measured in parts per trillion and the highly corrosive nature of many of the materials, this is a large undertaking.

To ensure the safety and integrity of silicon wafers and ultrapure and corrosive chemicals, the world's leading semiconductor materials manufacturers rely on Entegris, because we provide the most advanced wafer handling systems, fluid handling components, containers and services in the business. Entegris also protects, transports, cleans, reuses and recycles materials for semiconductor equipment manufacturers and semiconductor device manufacturers.

### Managing silicon from production to consumption

No other company has as much wafer handling experience as Entegris in fabs. Our Silicon Delivery™ Systems and Services cost-effectively manage silicon from production to consumption for any wafer size. Our innovative wafer handling systems are engineered to provide secure wafer protection and precise automation interface, as well as increase yields and minimize unscheduled downtime.

One of the key drivers in the semiconductor industry is the production, distribution and processing of 300 mm wafers, and

As tiny ICs are assembled, tested and then transported to the manufacturers of the devices consumers purchase, our protective device handling systems, including matrix trays, chip trays and bare die trays ensure the integrity of these valuable devices.

### The broadest range of fluid handling solutions offered

As previously mentioned, Entegris' fluid handling products and services are designed and produced to safely, and with purity, deliver ultrapure, corrosive chemicals throughout the semiconductor manufacturing process. We offer the broadest range of

*"Entegris has the broadest product offering, the broadest customer base and in-depth knowledge of the microelectronics industry. Time and time again, Entegris' innovations have helped solve our customers' problems. That's why we are the leader in materials integrity management for the microelectronics industry."*

*Michael W. Wright, Chief Operating Officer*

we are playing an integral role. Entegris already has the broadest 300 mm wafer handling product offering in the industry. Our 300 mm Front Opening Unified Pods (FOUPs) are the finest products designed for handling these latest-generation silicon wafers during critical process steps. Positioning in the 300 mm market is important, but 200 mm fabs and below will be a major source of Entegris' revenue for many years to come (see chart at right).

We also serve the Test, Assembly and Packaging market by ensuring the integrity of ICs once they are cut from the wafers.

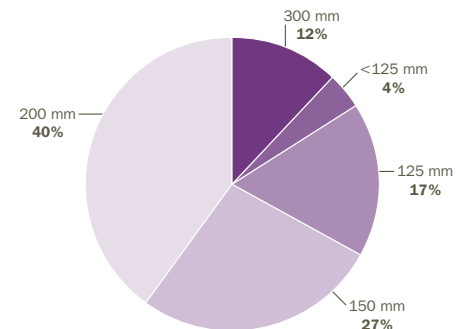
fluid handling solutions for chemical applications. Our products include leading-brand valves, fittings, pipe, tubing, containers, tanks, sensors and custom manufactured products for chemical manufacturing, chemical delivery and distribution, and chemical point-of-use.

When you enter the world of semiconductor manufacturing, you'll find Entegris supporting our customers with the most comprehensive product line in the industry and unparalleled dedication to their success.



After final manufacturing, packaged ICs are transported to makers of electronic goods in Entegris' JEDEC trays to ensure the best protection.

2005 Projected Industry Demand for Wafers



Source: VLSI Research, Inc. (06/02)



A world of experienced, trusted leadership in materials integrity management.

SEMICONDUCTOR  
MANUFACTURING  
EQUIPMENT  
CORPORATION

# Enter the world of unmatched capabilities.

Entegris offers the largest suite of materials integrity management products and services to the data storage and semiconductor industries. That's why our customers trust us to handle their valuable critical materials.

## Industry-standard data storage systems

Entegris is the leading supplier of Disk Delivery™ Systems and Services. In the data storage market, we cost-effectively manage disk drive components from production to consumption. Our industry-standard disk shippers, disk process carriers, storage boxes and disk packages control the risk of loss during the transport of disk products. And in 2002, we expanded our product line with the F10 EVO, a next generation disk shipper.

With global regional service centers, we can provide protection, transportation, cleaning, reuse and recycling services anywhere for manufacturing disk substrate, wafers/sliders and HGAs, disk media and disk drives.

## Industry-leading intellectual property

Like the semiconductor sector, the data storage industry has gone through a significant and prolonged downturn. Still,

*Entegris' off-site services clean, inspect and certify customers' products.*

Entegris forged ahead during this time to proactively meet the needs of customers. In 2002, we moved most of our disk shipper manufacturing to our Center of Excellence in Kulim, Malaysia. This added presence in the Far East is more efficient and closer to our largest concentration of data storage customers. As we look beyond 2002, we will continue to be a leading force in the data storage industry due to our excellence in material science and processes, as well as in industry-leading intellectual property.

## Controlling the full life cycle of products

Entegris offers its data storage and semiconductor customers the ability to efficiently outsource the management of their entire wafer, device and disk programs. We acquired two companies last year with precision cleaning systems and service offerings. With these acquisitions, we strengthened our ability to serve our customers, and rounded out our product and industry expertise.

With our Disk Delivery™ and Silicon Delivery™ Systems and Services, Entegris now can control the full life cycle of our

products, including cleaning, reuse or replacement and recycling. The services we offer cover five areas: cleaning equipment, on-site services, off-site services, environmental services, and recycling of materials. Despite difficult industry conditions, our service offerings continue to prove their value as customers seek to outsource non-core tasks. When it comes to services, Entegris is committed to offer the broadest product line, a global infrastructure, and the best industry know-how.



*Disk shippers receive thorough inspection prior to cleaning under the Disk Delivery™ Systems and Services programs.*



**CAUTION**  
High Pressure Steam  
Do Not Open

A world of exciting opportunities.

WATER SYSTEM CONTROL

WATER SYSTEM CONTROL



# Enter the world of expanding markets.

The need for materials integrity management grows with each new frontier of science. Another reason we are excited about our future in the fuel cell and life sciences markets.

## Expanding our vision

Materials integrity management ensures that products, systems and services that transport critical materials, in any industry, will provide the utmost protection to that material. This is why materials integrity management is very important to the life sciences and fuel cell industries.

In 2002, our continuing expansion into life sciences grew out of our fluid handling expertise. Life sciences growth areas include pharmaceutical manufacturing, biotechnology, medical devices and food and beverage processing. Many companies in these industries presently rely on stainless steel for fluid transfer. While stainless steel can be cleaned, it is costly, time-consuming, and not always entirely effective. The fact that many new drugs are sensitive to metals also negatively impacts their manufacturing.

*Thorough testing of steam-in-place and clean-in-place capabilities of Cynergy® fluid handling components ensure the requirements of the pharmaceutical industry are met with Entegris' first-to-market polymer-based product line.*

Entegris solutions for life sciences include our non-reactive and easy to clean FDA-approved TEFLON® fluoropolymer products and our steam-in-place (SIP) compatible products, including our recently released FluoroPure® fluoropolymer sheetlining. By replacing stainless steel with nonmetallic components, market leaders in life sciences can experience increased yields by enhancing cleanability and eliminating problems such as corrosion and metallic contamination.

## A key player in tomorrow's world

The past year also saw us enter into another exciting new market: fuel cell. For this emerging market, Entegris is producing advanced components including bipolar plates, end plates, and balance-of-plant components and subsystems to fuel cell manufacturers. Fuel cells represent a major new materials integrity management market. A fuel cell converts hydrogen fuel and oxygen from the air into electrical power via a chemical reaction. Water and heat are the only by-products of this reaction,

that's why some futurists predict we will eventually move to a global hydrogen economy with fuel cells powering almost everything. Since fuel cells have numerous gas and liquid handling issues, our fluid handling products and expertise provide ideal solutions. Fuel cells are a natural extension for Entegris: they use numerous bipolar plates that can be made from conductive polymers; the fuel cell stacks require complex assembly and expertise in handling a number of polymeric materials; and fuel cells require contamination control and must be leak-free to be reliable.

Our mission in this emerging market is to be the leading provider of advanced materials, components, sub-assemblies and value-added services to fuel cell developers.



*Conductivity testing ensures the bipolar plate will perform properly.*

# Glossary

**Balance-of-plant.** Those components additional to and integrated with a fuel cell's primary power module to make up the entire operational system, such as a reformer, valves and piping, and the fuel storage medium.

**Cell assemblies.** The process of placing individual fuel cells adjacent to one another to form a fuel cell stack. Normally, the stack is connected in a series.

**Centers of Excellence.** Manufacturing centers focused on excelling in the production of products with similar requirements to maximize the utilization of facilities while ensuring products get to market quickly and efficiently.

**Chemical point of use.** The location within a fab where the chemical is introduced to the process.

**Chips.** One unit on a silicon wafer that contains the complete circuit. Typically there are hundreds of chips per wafer. Also known as die, device or integrated circuit (IC).

**Cleanroom manufacturing.** Manufacturing of any product that occurs within a cleanroom: one that is a confined area in which humidity, temperature and particle matter are precisely controlled.

**Core competency.** Entegris' core competencies are polymer material science, plastics product manufacturing and microelectronics industry processing knowledge.

**Critical material.** Any essential material that through advanced manufacturing processes becomes part of a technical product. These critical materials require special care and protection during transportation and storage.

**Disk Delivery™ Systems and Services.** Entegris' unique materials integrity management solution that cost-effectively manages hard disks and related materials from production to consumption utilizing its systems and services capabilities. Entegris works with customers to develop custom packages to address individual needs.

**entegris.com.** Entegris' Web site containing information on materials integrity management, the company and its products and services.

**Fab.** Short for wafer fabrication facility: The factory or plant where semiconductors (chips, die, ICs) are made. Refers to only the front end process.

**Front end.** Separating the complex semiconductor manufacturing process into the major groupings of front end and back end. Front end is the series of processes used to create the semiconductor devices in and on the wafer surface. A blank, polished starting wafer comes into fabrication and when it exits, the surface is covered with completed chips.

**FOUP.** Front opening unified pod: an environment used to protect and transport 300 mm wafers within a fab during wafer processing.

**FOSB.** Front opening shipping box: a transport container for 300 mm bare wafers.

**Fuel cell.** An electrochemical device that continuously converts the chemical energy of a fuel and an oxidant to electrical energy. The fuel and oxidant are typically stored outside of the cell and transferred into the cell as the reactants are consumed.

**Horizontal wafer shippers.** The Entegris horizontal wafer shipper provides secure protection for processing, storage and shipping of full thickness or thinned wafers.

**Integra® valve.** Entegris' valve with all-molded PFA wetted surfaces offering unmatched purity, chemical inertness and high temperature capabilities.

**Integrated Circuits (ICs).** See Chips.

**Integrity.** The state of being unimpaired. Also one of Entegris' values demonstrated by being honest with all, consistently fair with all, acting legally, responsibly and ethically, and making decisions that will be respected by people globally.

**LeanSigma manufacturing.** Using six sigma tools and lean manufacturing tools to change the way of

thinking and the processes within an organization. The goal is to nurture a culture where all of the employees feel empowered and continuously look for ways to improve their processes and systematize the best methods. LeanSigma is a philosophy of eliminating all non-value added activities or waste from manufacturing and support areas and to drive to a single standard of operations where possible.

**Life Sciences.** A target market comprising biopharmaceutical, bulk and finishing pharmaceutical, biotechnology, medical and food and beverage industries. These industries traditionally rely on stainless steel for fluid transfer. Our FDA-approved TEFLON® PFA based products are revolutionary for these industries.

**Materials Integrity Management.** Most materials that go into the manufacturing of today's technology items need special care when being transported to or within a manufacturing facility. Materials integrity management is protecting and transporting these critical materials.

**Microcontamination.** Very small levels of unwanted material that adversely affect the physical or electrical characteristics of an IC.

**Microelectronics industry.** The microelectronics industry provides the world with electronic products that make people's lives more enjoyable and productive. The semiconductor and hard disk drive/data storage industries are segments within the microelectronics industry.

**Polymer material science.** The developmental research providing the basis for the design, synthesis, engineering, testing and application of polymers used to meet and anticipate our customer's materials requirements.

**Production to Consumption.** Describing the entire manufacturing process of the finished chip from growing the wafer, to building the integrated circuit (IC) to testing, assembling and packaging the finished IC before it is integrated into the end-user product.

**Reformer.** A fuel cell term referring to a vessel within which fuel and other gaseous recycle stream(s) (if present) are reacted with water vapor and heat, usually in the presence of a catalyst, to produce hydrogen rich gas for use within the fuel cell power plant.

**Semiconductor.** Generic name for transistors and integrated circuits that can control the flow of electric signals. A semiconductor is an element such as silicon or germanium that acts as an intermediate in electrical conductivity.

**Silicon.** The material used for fabricating diodes, transistors and integrated circuits.

**Silicon Delivery™ Systems and Services.** A unique materials integrity management solution that cost-effectively manages silicon from production to consumption utilizing Entegris' systems and services capabilities. Entegris works with customers to develop custom coordinated packages to address individual needs.

**Test, Assembly and Packaging (TAP).** Includes the testing of ICs, assembly and putting the IC into a protective package. This often occurs at a remote location from the front end process and is commonly referred to as the back end process.

**Thin wafer.** To thin a wafer, it undergoes a step such as backgrinding to reduce the wafer from its original thickness during chip fabrication to a diminished thickness suitable for final packaging of die after dicing.

**Values based.** Entegris culture and the way we do business and conduct ourselves is based on our four values of integrity, excellence, respectful relationships and financial success.

**Valve diaphragm.** The closing device that performs the function of opening and closing the valve orifice. It is controlled by the valve operator.

**Wafer.** A thin slice of a semiconductor material that serves as the base for chips.

# Enter the world of financial integrity.

Entegris' experienced team achieved 36 years of annual profitability and generated cash in every quarter in fiscal 2002. That's a solid foundation to fund future growth.

## OVERVIEW

Entegris, Inc. is a leading provider of materials integrity management products and services that protect and transport the critical materials used in key technology-driven industries. Entegris was incorporated in June 1999 to effect the business combination of Fluoroware, Inc., which began operating in 1966, and EMPAK, Inc., which began operating in 1980. The business combination was accounted for as a pooling of interests. Accordingly, the historical financial statements of Entegris include the historical accounts and results of operations of Fluoroware and EMPAK and their respective subsidiaries, as if the business combination had existed for all periods presented.

Entegris primarily derives its revenue from the sale of products to the semiconductor and data storage industries and generally recognizes sales upon the shipment of such goods to customers. Cost of sales includes polymers and purchased components, manufacturing personnel, supplies and fixed costs related to depreciation and operation of facilities and equipment. The Company's customers consist primarily of semiconductor manufacturers, semiconductor equipment and materials suppliers, and hard disk manufacturers, and are served through various subsidiaries and sales and distribution relationships in the United States, Asia and Europe.

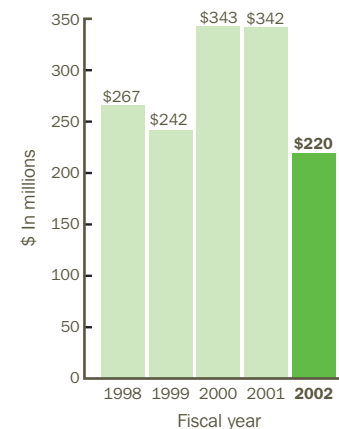
The Company's fiscal year is a 52- or 53-week period ending on the last Saturday of August. The last three fiscal years ended

on the following dates: August 31, 2002, August 25, 2001 and August 26, 2000. Fiscal 2002 comprises 53 weeks, while fiscal years 2001 and 2000 included 52 weeks. Fiscal years are identified in this report according to the calendar year in which they end. For example, the fiscal year ended August 31, 2002 is alternatively referred to as "fiscal 2002" or "2002".

## CRITICAL ACCOUNTING POLICIES

Management's discussion and analysis of financial condition and results of operations are based upon the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the Company to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. At each balance sheet date, management evaluates its estimates, including, but not limited to, those related to accounts receivable, inventories, long-lived assets, warranty and sales return obligations, and income taxes. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. The critical accounting policies affected significantly by estimates, assumptions and judgments used in the preparation of the Company's financial statements are discussed below.

Net Sales



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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

**ALLOWANCE FOR DOUBTFUL ACCOUNTS AND OTHER ACCOUNTS RECEIVABLE-RELATED VALUATION ACCOUNTS.** The Company maintains an allowance for doubtful accounts as well as reserves for sales returns and allowances, and warranty claims. Significant management judgments and estimates must be made and used in connection with establishing these valuation accounts. Material differences could result in the amount and timing of the Company's results of operations for any period if we made different judgments or utilized different estimates. In addition, actual results could be different from the Company's current estimates, possibly resulting in increased future charges to earnings.

The Company provides an allowance for doubtful accounts for all individual receivables judged to be unlikely for collection. For all other accounts receivable, the Company records an allowance for doubtful accounts based on a combination of factors. Specifically, management analyzes the age of receivable balances, historical bad debts write-off experience, customer concentrations, general customer creditworthiness and current economic trends when determining its allowance for doubtful accounts. At August 31, 2002 and August 25, 2001, the Company's allowance for doubtful accounts was \$1.8 million and \$1.6 million, respectively.

A reserve for sales returns and allowances is established based on historical trends and current trends in product returns. At August 31, 2002 and August 25, 2001, the Company's reserve for sales returns and allowances was \$1.2 million and \$1.9 million, respectively.

The Company records a liability for estimated warranty claims. The amount of the accrual is based on historical claims data by product group and other factors. Claims could be materially different from actual results for a variety of reasons, including a change in the Company's warranty policy in response to industry trends, competition or other external forces, manufacturing changes that could impact product quality, or as yet unrecognized defects in products sold. At August 31, 2002 and August 25, 2001, the Company's accrual for estimated future warranty costs was \$0.7 million and \$1.0 million, respectively.

**INVENTORY VALUATION.** The Company uses certain estimates and judgments to properly value inventory. In general, the Company's inventories are recorded at the lower of standard manufacturing cost or market value. Each quarter, the Company evaluates its ending inventories for obsolescence and excess quantities. This evaluation includes analyses of inventory levels, historical loss trends, expected product lives, sales levels by product and projections of future sales demand. Inventories that are considered obsolete are written off. In addition, reserves are established for inventory quantities in excess of forecasted demand. At August 31, 2002 and August 25, 2001, inventory reserves were \$5.8 million and \$5.8 million, respectively.

The Company's inventories comprise materials and products subject to technological obsolescence and which are sold in a highly competitive industry. If future demand or market conditions are less favorable than current analyses, additional inventory write-downs or reserves may be required and would be reflected in cost of sales in the period the revision is made.

**IMPAIRMENT OF LONG-LIVED ASSETS.** The Company routinely considers whether indicators of impairment of its property and equipment assets, particularly its molding equipment, are present. If such indicators are present, it is determined whether the sum of the estimated undiscounted cash flows attributable to the assets in question is less than their carrying value. If less, an impairment loss is recognized based on the excess of the carrying amount of the assets over their respective fair values. Fair value is determined by discounted estimated future cash flows, appraisals or other methods deemed appropriate. If the assets determined to be impaired are to be held and used, the Company recognizes an impairment charge to the extent the present value of anticipated net cash flows attributable to the asset are less than the asset's carrying value. The fair value of the asset then becomes the asset's new carrying value, which we depreciate over the remaining estimated useful life of the asset.

The Company assesses the impairment of intangible assets and related goodwill at least annually, or whenever events or changes in circumstances indicate that the carrying value may

not be recoverable. Factors considered important which could trigger an impairment review, and potentially an impairment charge, include the following:

- significant underperformance relative to historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the Company's overall business strategy;
- significant negative industry or economic trends; and
- significant decline in the Company's stock price for a sustained period changing the Company's market capitalization relative to its net book value.

The Company's marketable equity securities are periodically reviewed to determine if declines in fair value below cost basis are other-than-temporary. At August 31, 2002, the Company's investment in Metron Technology N.V. had a carrying value of \$7.6 million with a fair value of \$4.2 million. If the decline in fair value is determined to be other-than-temporary, an impairment loss will be recorded and the investment written down to a new cost basis.

**INCOME TAXES.** In the preparation of the Company's consolidated financial statements, management is required to estimate income taxes in each of the jurisdictions in which the Company operates. This process involves estimating actual current tax exposures together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included in the Company's consolidated balance sheet.

The Company has significant amounts of deferred tax assets that are reviewed for recoverability and valued accordingly. Management evaluates the realizability of the deferred tax assets on a quarterly basis and assesses the need for valuation allowances. These deferred tax assets are evaluated by considering historical levels of income, estimates of future taxable income streams and the impact of tax planning strategies.

A valuation allowance is recorded to reduce deferred tax assets when it is determined that the Company would not be able to realize all or part of its deferred tax assets. At August 31, 2002, the Company carried a valuation allowance of \$1.4 million against its net deferred tax assets with respect to certain foreign net operating loss carryforwards.

## RESULTS OF OPERATIONS

The following table sets forth the relationship between various components of operations, stated as a percent of net sales, for fiscal years 2002, 2001 and 2000. The Company's historical financial data were derived from its audited consolidated financial statements and related notes included elsewhere in this annual report.

	Percent of Net Sales		
	2002	2001	2000
<b>Net Sales</b>	100.0%	100.0%	100.0%
Cost of sales	59.6	52.5	53.3
<b>Gross profit</b>	40.4	47.5	46.7
Selling, general and administrative expenses	33.5	22.9	21.3
Engineering, research and development expenses	7.9	4.8	4.4
Nonrecurring charges	0.7	3.8	—
<b>Operating (loss) profit</b>	(1.7)	15.9	21.0
Interest (income) expense, net	(0.7)	(1.3)	0.7
Other income, net	(0.4)	(0.3)	(1.4)
<b>(Loss) income before income taxes and other items below</b>	(0.6)	17.6	21.7
Income tax expense (benefit)	(1.5)	6.2	7.8
Equity in net income of affiliates	—	(0.4)	(0.5)
Minority interest	(0.4)	0.5	0.1
<b>Income before extraordinary item</b>	1.3	11.3	14.3
Extraordinary loss on extinguishment of debt, net of taxes	—	—	(0.3)
<b>Net income</b>	1.3	11.3	14.0

## FISCAL 2002 COMPARED TO FISCAL 2001

**NET SALES.** Net sales were \$219.8 million in fiscal 2002, down 36% from \$342.4 million in fiscal 2001. The decline reflected the continuation of weakened business conditions in the semiconductor industry that began in the second half of fiscal 2001, as the semiconductor industry experienced unprecedented deterioration in market conditions, with rapidly falling rates of factory utilization and reduced capital spending. The sales decrease was attributable to softer demand for both fluid handling products, which generally depend on capital spending levels, and microelectronics products, which also depend on the manufacturing utilization of the semiconductor industry. Although the Company reported sequentially higher quarterly sales as fiscal 2002 progressed, fourth quarter revenues were still significantly below the record levels experienced in the first half of 2001.

Fiscal 2002 sales for the Microelectronics Group were down 28% from fiscal 2001 and accounted for about 76% of Entegris sales. Fluid Handling sales in 2002 were down 52% from a year ago, making up 24% of total sales.

Revenue declines were recorded in all geographic regions, with approximately 40% year-to-year declines experienced for North America, Europe and Japan, while sales to the Asia Pacific region fell just 13%, which reflects a nominal decrease of Microelectronics Group product sales to that region. Overall, international sales accounted for approximately 53% of net sales in fiscal 2002, up from 50% in fiscal 2001. Fiscal 2002 sales were 47% to North America, 21% to Asia Pacific, 16% to Europe and 16% to Japan.

Based on current order rates, industry analyst expectations and other information, the Company expects that sales for the first quarter of fiscal 2003 will be approximately 20% lower than sales levels experienced in the fourth quarter of fiscal 2002. However, industry volatility and uncertain global market conditions make it difficult to forecast for future quarters.

**GROSS PROFIT.** Gross profit in fiscal 2002 decreased 45% to \$88.7 million, compared to \$162.7 million in fiscal 2001. The Company's gross margin for fiscal 2002 was 40.4% compared to

47.5% for fiscal 2001. Gross margin and gross profit declines were reported by both domestic and international operations. The drop in fiscal 2002 figures was primarily caused by the lower sales levels noted above, which resulted in lower factory utilization. Gross profit levels generally improved throughout the year as sales increased sequentially by quarter.

Partly offsetting the declines was the benefit of the Company's actions in reducing costs and increasing manufacturing efficiencies associated with the closure of manufacturing plants, investing in automation, changing process flows and instituting manufacturing Centers of Excellence. The Company also recorded lower asset impairment charges in 2002, incurring charges of \$1.1 million and \$3.5 million in 2002 and 2001, respectively, mainly for asset write-offs of molds.

As discussed above, the Company cannot provide guidance about fiscal 2003 sales levels. However, in general, gross profit and gross margin variances mainly track the utilization of the Company's production capacity associated with varying sales levels.

## SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (SG&A).

SG&A expenses decreased \$4.9 million, or 6%, to \$73.6 million in fiscal 2002 from \$78.5 million in fiscal 2001. The decline is primarily due to significantly lower incentive compensation and charitable contribution accruals, which are based on the Company's results of operations, offset partly by increased expenditures for information systems and a continuation of building the Company's global infrastructure which began in fiscal 2001. SG&A costs, as a percent of net sales, increased to 33.5% from 22.9% with the impact of lower SG&A expenses more than offset by the effect of lower net sales.

**NONRECURRING CHARGES (REVERSALS).** In the first quarter of 2002, the Company's results included a nonrecurring charge of \$4.0 million in connection with the closure of the Company's Chanhassen, Minnesota plant. The charge included \$1.5 million in termination costs related to a workforce reduction of 230 employees and \$2.3 million for estimated losses for asset impairment.

The Company recorded pre-tax benefits of \$1.6 million and \$0.8 million in the third quarter and fourth quarters of 2002,

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

respectively, associated with the reversal of previous accruals related to plant closures in 2002 and 2001. Approximately \$1.0 million of the reversals was associated with the favorable settlement of future lease commitments on the Castle Rock facility, for which the Company had recorded accruals in 2001. Lower than expected impairment costs accounted for approximately \$1.2 million of the reversals.

Operating results in fiscal 2001 included two nonrecurring charges. In fiscal 2001, the Company recorded a charge of \$8.2 million related to the early termination of a distribution agreement and a \$4.9 million charge in connection with the closing of its Castle Rock, Colorado and Munmak, Korea facilities. Both charges are described in greater detail below.

As of August 31, 2002, \$0.2 million remained outstanding in connection with the aforementioned nonrecurring charges.

**ENGINEERING, RESEARCH AND DEVELOPMENT EXPENSES (ER&D).** ER&D expenses increased 5% to \$17.4 million, or 7.9% of net sales, in fiscal 2002 as compared to \$16.5 million, or 4.8% of net sales, in fiscal 2001. In fiscal 2002, the Company's expenditures were focused on supporting current product lines, developing new manufacturing technologies and developing next generation products for new and existing markets.

**INTEREST (INCOME) EXPENSE, NET.** The Company reported net interest income of \$1.5 million in fiscal 2002 compared to \$4.5 million in fiscal 2001. The change reflects the significantly lower rates of interest earned on cash equivalents and short-term investments and a shift in the mix of such investments towards tax-exempt debt securities.

**OTHER INCOME, NET.** Other income was \$1.0 million in fiscal 2002 compared to \$1.1 million in fiscal 2001. Other income in fiscal 2002 consisted primarily of the foreign currency gains, with about \$0.7 million associated with the realization of translation gains from the liquidation of the Company's Korean entity, while other income in fiscal 2001 included foreign currency translation gains offset by losses on sales of property and equipment.

**INCOME TAX EXPENSE (BENEFIT).** The Company recorded an income tax benefit of \$3.4 million for fiscal 2002 compared to income tax expense of \$21.3 million in fiscal 2001. The effective tax rate for fiscal 2002 was 241.8% compared to 35.5% in fiscal 2001. The variance primarily reflects the significant difference in the Company's pre-tax operating results. The income tax benefit in fiscal 2002 includes a one-time benefit of \$1.4 million related to the repatriation of earnings from certain non-U.S. subsidiaries, while income tax expense in fiscal 2001 includes a \$1.6 million tax benefit associated with the closure of the Company's Korean manufacturing operations, losses of which were previously non-deductible. The Company expects an effective tax rate of about 38% in fiscal 2003.

**EQUITY IN NET INCOME OF AFFILIATES.** The Company recorded no equity in the net income of affiliates in fiscal 2002 compared to \$1.5 million in fiscal 2001, all of which was recorded in the first half of that fiscal year. This reflects the change in accounting for the Company's investment in Metron Technology N.V. (Metron), which was recorded under the equity method of accounting through the second quarter of fiscal 2001 at which time the Company began accounting for its remaining investment as an available-for-sale equity security, as our percentage ownership in Metron was reduced from 20% to 12%.

**MINORITY INTEREST.** For fiscal 2002, the minority interest in subsidiaries' net loss was \$0.8 million, reflecting the operating losses of the Company's formerly 51%-owned Japanese subsidiaries in the first half of the year. The Company purchased the 49% minority interests in these entities in February 2002. This compares to minority interest in subsidiaries' net income of \$1.6 million for fiscal 2001.

**NET INCOME.** Net income decreased to \$2.8 million, or \$0.04 per share diluted, in fiscal 2002, compared to net income of \$38.6 million, or \$0.53 per share diluted, in fiscal 2001. Excluding the effects of nonrecurring charges and reversals in fiscal 2002 and 2001, pro forma diluted earnings per share declined to \$0.03 from \$0.62 per share in 2001.

### FISCAL 2001 COMPARED TO FISCAL 2000

**NET SALES.** Net sales were \$342.4 million in fiscal 2001, flat when compared to \$343.5 million in fiscal 2000. The Company reported record sales in the first half of 2001, reflecting a continuation of strong business conditions in the semiconductor industry that began in the second half of 1999. However, incoming order rates began to decline rapidly late in the second quarter of 2001 for both fluid handling products, which are dependent on capital spending levels in the semiconductor industry, and microelectronics products, reflecting declining manufacturing utilization of wafer manufacturers and semiconductor manufacturers. Consequently, the Company experienced significantly lower sales over the last half of the year, resulting in level sales with 2000. Falling order rates began to stabilize during the fourth quarter of fiscal 2001.

Increased sales in Japan offset revenue declines in the North America and Asia Pacific regions, with European sales unchanged from one year ago. Overall, international sales accounted for approximately 50% of net sales in fiscal 2001, up from 48% in fiscal 2000. Sales of fluid handling products, which made up 33% of total sales, grew by 5%, while microelectronics product sales, 67% of total sales, fell slightly.

**GROSS PROFIT.** Gross profit in fiscal 2001 increased to \$162.7 million, a small increase over the \$160.4 million reported in fiscal 2000. The minor improvement in fiscal 2001 partly reflects the benefit of integrating various elements of the Company's manufacturing operations. Asset impairment charges of \$3.5 million and \$5.9 million were recorded in 2001 and 2000, respectively, mainly for asset write-offs of molds.

Gross margin for fiscal 2001 improved to 47.5% compared to 46.7% for fiscal 2000. Gross profit and gross margin variances mainly track the utilization of the Company's production capacity associated with varying sales levels. Consequently, the Company reported improved gross profits and gross margins in excess of 50% during the first half of 2001, but experienced declining gross profits and lower gross margins over the latter half of the year.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

**SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.** Selling, general and administrative (SG&A) expenses increased \$5.2 million, or 7%, to \$78.5 million in fiscal 2001 from \$73.3 million in fiscal 2000. SG&A costs, as a percent of net sales, increased to 22.9% from 21.3%. The year-to-year increase is due to the cost of building the Company's global infrastructure including the addition of direct sales forces in Europe and Asia, as well as the SG&A expenses from acquired businesses. Fiscal 2001 also includes higher expenditures for information systems.

**NONRECURRING CHARGES.** Operating results in fiscal 2001 include two nonrecurring charges. During the second quarter, the Company recorded a 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 assumed direct sales responsibility for the Microelectronics Group product sales in Europe and Asia, and transferred to Metron 1.125 million shares of Metron stock and agreed to make future cash payments totaling \$1.75 million. Entegris also agreed to buy

back certain microelectronics product inventory 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, the Company recorded a \$4.9 million charge in connection with the closing of its Castle Rock, Colorado and Munmak, Korea facilities. The charge includes \$1.7 million in termination costs related to a workforce reduction of 170 employees and \$1.4 million for estimated losses for asset disposals. In addition, the charge includes \$1.8 million for future lease commitments on the Castle Rock facility, the lessor of which is a major shareholder of the Company.

**ENGINEERING, RESEARCH AND DEVELOPMENT EXPENSES (ER&D).** ER&D expenses increased to \$16.5 million in fiscal 2001, up 10% from \$15.0 million in 2000. ER&D expenses, as a percent of net sales, rose to 4.8% in 2001 from 4.4% in fiscal 2000. A major element of fiscal 2001 ER&D costs relates to the continued development of next generation 300 mm products.

**INTEREST (INCOME) EXPENSE, NET.** The Company reported net interest income of \$4.5 million in fiscal 2001 compared to net interest expense of \$2.4 million in fiscal 2000. The variance relates to interest earnings on invested cash generated from operations and the receipt of net proceeds of \$99.0 million from the Company's initial public offering in the fourth quarter of fiscal 2000, \$42 million of which was used to retire long-term debt and capital lease obligations.

**OTHER INCOME, NET.** Other income was \$1.1 million in fiscal 2001 compared to \$4.9 million in fiscal 2000. The decrease was primarily due to the absence of the \$5.5 million gain recognized in fiscal 2000 on the sale of approximately 612,000 shares of the Company's investment in Metron. Other income in fiscal 2001 included foreign currency translation gains offset by losses on sales of property and equipment.

**INCOME TAX EXPENSE.** Income tax expense was \$21.3 million in fiscal 2001 compared to \$26.8 million in fiscal 2000, primarily reflecting lower pre-tax income. The effective tax rate for 2001 was

### STATEMENTS OF OPERATIONS DATA

	Fiscal 2001				Fiscal 2002			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<i>(In thousands)</i>								
Net sales	\$ 102,639	\$ 105,712	\$ 81,346	\$ 52,747	\$ 45,852	\$ 50,702	\$ 59,709	\$ 63,568
Gross profit	52,552	53,601	37,890	18,627	15,195	16,938	28,127	28,446
Selling, general and administrative expenses	21,235	19,727	18,761	18,787	17,630	17,566	19,299	19,074
Engineering, research and development expenses	3,533	4,035	4,697	4,252	4,041	4,475	4,228	4,664
Operating profit (loss)	27,784	21,629	9,498	(4,412)	(10,477)	(5,103)	6,240	5,506
Net income (loss) before extraordinary item	\$ 18,112	\$ 13,784	\$ 8,428	\$ (1,708)	\$ (5,916)	\$ (1,386)	\$ 5,226	\$ 4,852
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<i>(Percent of net sales)</i>								
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Gross profit	51.2	50.7	46.6	35.3	33.1	33.4	47.1	44.7
Selling, general and administrative expenses	20.7	18.7	23.1	35.6	38.4	34.6	32.3	30.0
Engineering, research and development expenses	3.4	3.8	5.8	8.1	8.8	8.8	7.1	7.3
Operating profit (loss)	27.1	20.5	11.7	(8.4)	(22.8)	(10.1)	10.5	8.7
Net income (loss)	17.6	13.0	10.4	(3.2)	(12.9)	(2.7)	8.8	7.6

*Our quarterly results of operations have been, and will likely continue to be, subject to significant fluctuations due to a variety of factors, a number of which are beyond the Company's control.*

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

35.5% compared to 35.8% in 2000. The effective rate in 2001 included a \$1.6 million tax benefit associated with the closure of the Korea operation, losses of which were previously non-deductible.

**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 "Nonrecurring charges". As a result, the Company's percentage ownership in Metron decreased to approximately 12%. The Company discontinued application of the equity method to account for its investment in Metron and accounts for its remaining investment 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*. Therefore, the Company recorded no equity in the net income of affiliates in the third or fourth quarters of fiscal 2001. For the first six months of 2001, the Company recorded equity in the net income of affiliates of \$1.5 million in 2001 compared to \$1.7 million for all of 2000.

**MINORITY INTEREST.** For fiscal 2001, minority interest in subsidiaries' net income more than tripled to \$1.6 million compared to fiscal 2000. This figure reflects the improved financial performance at Entegris' 51%-owned Japanese subsidiaries (wholly-owned as of February 2002).

**NET INCOME.** Net income decreased to \$38.6 million in fiscal 2001, compared to net income of \$47.9 million in fiscal 2000. After the market value adjustment related to redeemable common stock, net income applicable to nonredeemable common shareholders was \$38.6 million, or \$0.53 per share diluted, in fiscal 2001, compared to a net loss of \$0.7 million, or a loss of \$0.02 per share diluted, in fiscal 2000. Excluding the effects of the market value adjustment related to redeemable common stock, nonrecurring charges in fiscal 2001 and the fiscal 2000 gain on the sale of an affiliate's common stock, pro forma earnings per share declined to \$0.62 per share in 2001 from \$0.68 in 2000.

### QUARTERLY RESULTS OF OPERATIONS

The table on page 21 presents selected data from the Company's consolidated statements of operations for the eight quarters ended August 31, 2002. This unaudited information has been prepared on the same basis as the audited consolidated financial statements appearing elsewhere in this annual report. All adjustments which management considers necessary for the fair presentation of the unaudited information have been included in the quarters presented.

From mid-1999 through the second quarter of fiscal 2001, the Company reported steadily improving net sales, primarily resulting from improved market conditions in the semiconductor industry. As sales grew, gross profits and margins improved principally due to improved utilization of production capacity, and often a more favorable product sales mix. During the last two quarters of fiscal 2001 and through fiscal 2002, the Company's sales levels fell to well below those reported in the first half of 2001, reflecting the downturn in the global semiconductor industry, including significant cutbacks in industry capital spending. Quarterly sales levels improved sequentially through fiscal 2002, but were still nearly 40% lower than sales experienced in the first half of 2001. Consequently, the Company experienced lower utilization in its manufacturing operations, leading to generally lower gross profits and earnings in 2002.

Net income in the second quarter of fiscal 2001 includes a pretax charge of \$8.2 million related to the termination of a distribution agreement. Net income in the third quarter of 2001 includes a \$4.9 million pretax charge in connection with the closure of two facilities.

In the first quarter of fiscal 2002, the Company's results include a pretax charge of \$4.0 million in connection with the closure of an additional plant. In the third and fourth quarters of 2002, the Company recorded pre-tax benefits of \$1.6 million and \$0.8 million, respectively, associated with the reversal of aforementioned pretax charges related to plant closures. Also in the third quarter of 2002, the Company recognized a one-time tax benefit of \$1.4 million.

### LIQUIDITY AND CAPITAL RESOURCES

The Company has historically financed its operations and capital requirements through cash flow from operating activities, long-term loans, lease financing and borrowings under domestic and international short-term lines of credit. In fiscal 2000, Entegris raised capital via an initial public offering.

**OPERATING ACTIVITIES.** Cash flow provided by operating activities totaled \$32.9 million, \$80.0 million and \$64.1 million in fiscal 2002, 2001 and 2000, respectively. The decline in fiscal 2002 compared to the two previous years mainly reflects net earnings in 2002. In 2002, noncash charges, such as depreciation and amortization of \$28.2 million, as well as decreases in inventory of \$8.4 million, accounts receivable of \$3.8 million and refundable income taxes of \$7.2 million, partly offset by a \$21.7 million reduction in accounts payable and accruals, accounted for the cash flow provided by operations. Working capital stood at \$177.1 million at August 31, 2002, including \$74.8 million in cash and cash equivalents, and short-term investments of \$44.6 million.

**INVESTING ACTIVITIES.** Cash flow used in investing activities totaled \$38.3 million, \$110.1 million and \$15.8 million in 2002, 2001 and 2000, respectively. Acquisition of property and equipment totaled \$19.6 million, \$24.2 million and \$21.4 million in 2002, 2001 and 2000, respectively. Significant capital expenditures in 2002 included the expansion of the Company's Gilroy, California facility, site of its cleaning service business and expenditures for manufacturing equipment and information systems.

The Company expects capital expenditures of approximately \$25 million during fiscal 2003, consisting mainly of spending on manufacturing equipment, tooling and information systems.

Acquisition of businesses totaled \$8.9 million and \$43.0 million in 2002 and 2001, respectively. The Company completed two transactions in 2002. In August 2002, the Company acquired assets related to products serving the semiconductor tape and reel market for \$2.0 million. Identifiable intangible assets, consisting principally of proprietary knowledge, of approximately \$1.8 million were recorded in connection with the transaction.



In February 2002, the Company purchased the 49% minority interests held in its Fluoroware Valqua Japan K.K. and Nippon Fluoroware K.K subsidiaries for total consideration of \$5.2 million. Identifiable intangible assets of approximately \$1.3 million were recorded in connection with the transaction.

The Company made purchases, net of maturities, of \$8.0 million and \$36.6 million of debt securities classified as short-term investments in 2002 and 2001, respectively. Short-term investments stood at \$44.6 million at August 31, 2002.

**FINANCING ACTIVITIES.** Cash provided by financing activities totaled \$6.1 million, \$2.0 million and \$38.3 million in fiscal 2002, 2001 and 2000, respectively. The Company recorded proceeds of \$5.5 million and \$4.7 million in 2002 and 2001, respectively, in connection with common shares issued under the Company's stock option and stock purchase plans. The Company made payments on short-term borrowings and long-term debt totaling \$13.7 million in fiscal 2002, while proceeds from borrowings were \$13.8 million.

On July 11, 2000, Entegris completed a registered underwritten initial public offering (IPO), receiving net proceeds of \$99.0 million after underwriting and issuance costs. A portion of the IPO proceeds was used to eliminate domestic short-term borrowings and retire \$42 million in long-term debt and capital lease obligations.

The Company repurchased common shares for \$0.7 million and \$10.4 million in 2001 and 2000, respectively. These shares were acquired in connection with the redemption of common stock from the Company's Employee Stock Ownership Plan and, in 2001, the repurchase of 55,000 common shares as part of a 500,000 share repurchase authorization made by the Company's board of directors in the first quarter of fiscal 2001.

As of August 31, 2002, the Company's sources of available funds comprised \$74.8 million in cash and cash equivalents, \$44.6 million in short-term investments and various credit facilities. Entegris has unsecured revolving credit commitments with two commercial banks with aggregate borrowing capacity of \$20 million, with no borrowings outstanding at August 31, 2002 and lines of credit with seven international banks that provide for

borrowings of currencies for our overseas subsidiaries, equivalent to an aggregate \$13.4 million. Borrowings outstanding on these lines of credit were \$8.9 million at August 31, 2002. The company also owed \$0.5 million in other short-term bank borrowings not subject to formal credit agreements at August 31, 2002.

At August 31, 2002, the Company's shareholders' equity stood at \$322.1 million. Book value per share was \$4.53, up from \$4.48 per share at the end of fiscal 2001. The impact of net earnings and proceeds from the issuance of shares issued under the Company's stock option and stock purchase plans was partly offset by a \$4.2 million change in accumulated comprehensive income (loss) and the effect of additional common shares outstanding.

The Company believes that its cash and cash equivalents, short-term investments, cash flow from operations and available credit facilities will be sufficient to meet its working capital and capital expenditure requirements for the next 12 months. However, future growth, including potential acquisitions, may require the Company to raise capital through additional equity or debt financing. There can be no assurance that any such financing would be available on commercially acceptable terms.

### RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In October 2001, the FASB issued SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. While SFAS No. 144 supersedes SFAS No. 121, it retains many of the fundamental provisions of that Statement. SFAS No. 144 becomes effective for the Company at the beginning of its fiscal year ending August 30, 2003. Adoption is not expected to have an impact on the Company's results of operations or financial position.

In June 2002, the FASB issued SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*, which addresses accounting for restructuring and similar costs. SFAS No. 146 supercedes previous accounting guidance and is required for restructuring activities initiated after December 31, 2002. SFAS No. 146 requires the recognition of the liability for costs associated with exit or disposal activities as incurred, whereas

previous accounting guidance required that a liability be recorded when the Company committed to an exit plan.

### QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISKS

Entegris' principal market risks are sensitivities to interest rates and foreign currency exchange rates. The Company's current exposure to interest rate fluctuations is not significant. Most of its outstanding debt at August 31, 2002 carried fixed rates of interest. The Company's cash equivalents and short-term investments are debt instruments with maturities of 12 months or less. A 10% change in interest rates would potentially increase or decrease net income by approximately \$0.8 million.

The Company uses derivative financial instruments to manage foreign currency exchange rate risk associated with the sale of products in currencies other than the U.S. dollar and was party to forward contracts with notional value of \$1.7 million at August 31, 2002. The cash flows and earnings of foreign-based operations are also subject to fluctuations in foreign exchange rates. A hypothetical 10% change in the foreign currency exchange rates would potentially increase or decrease net income by approximately \$1 million.

The Company's investment in Metron common stock is accounted for as an available-for-sale security. The Company is exposed to fluctuations in the price of Metron stock. A 25% adverse change in Metron's per share price would result in an approximate \$1.1 million decrease in the fair value of the Company's investment in Metron as of August 31, 2002.

### IMPACT OF INFLATION

The Company's financial statements are prepared on a historical cost basis, which does not completely account for the effects of inflation. Material and labor expenses are the Company's primary costs. The cost of polymers, its primary raw material, was essentially unchanged from one year ago. Entegris expects the cost of resins to remain stable in the foreseeable future. Labor costs, including taxes and fringe benefits, rose modestly in fiscal 2002. Moderate increases also can be reasonably anticipated for fiscal 2003.

## CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

	August 31, 2002	August 25, 2001
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 74,830	\$ 74,451
Short-term investments	44,624	36,628
Trade accounts receivable, net of allowance for doubtful accounts of \$1,798 and \$1,608, respectively	35,371	36,303
Trade accounts receivable due from affiliates	4,219	7,171
Inventories	38,859	47,202
Deferred tax assets and refundable income taxes	16,039	10,424
Other current assets	2,793	7,858
<b>Total current assets</b>	<b>216,735</b>	<b>220,037</b>
Property, plant and equipment, net	102,104	109,131
<b>Other assets:</b>		
Investments	7,883	12,295
Intangible assets, less accumulated amortization of \$9,423 and \$5,968, respectively	61,604	61,903
Other	1,934	2,449
<b>Total assets</b>	<b>\$ 390,260</b>	<b>\$ 405,815</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Current maturities of long-term debt	\$ 2,144	\$ 2,238
Short-term borrowings	9,421	8,813
Accounts payable	7,977	16,572
Accrued liabilities	20,079	33,630
<b>Total current liabilities</b>	<b>39,621</b>	<b>61,253</b>
Long-term debt, less current maturities	12,691	13,101
Deferred tax liabilities	15,802	14,087
Minority interest in subsidiaries	32	5,067
Commitments and contingent liabilities	—	—
<b>Total liabilities</b>	<b>68,146</b>	<b>93,508</b>
<b>Shareholders' equity:</b>		
Common stock, par value \$.01; 200,000,000 shares authorized; issued and outstanding shares; 71,160,539 and 69,729,821, respectively	712	697
Additional paid-in capital	132,676	121,449
Retained earnings	190,932	188,156
Accumulated other comprehensive (loss) income	(2,206)	2,005
<b>Total shareholders' equity</b>	<b>322,114</b>	<b>312,307</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 390,260</b>	<b>\$ 405,815</b>

See the accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF OPERATIONS

<i>(In thousands, except per share data)</i>	Years ended		
	August 31, 2002	August 25, 2001	August 26, 2000
Sales to non-affiliates	\$ 190,954	\$ 239,771	\$ 245,286
Sales to affiliates	28,877	102,673	98,179
<b>Net sales</b>	<b>219,831</b>	<b>342,444</b>	<b>343,465</b>
Cost of sales	131,125	179,774	183,023
<b>Gross profit</b>	<b>88,706</b>	<b>162,670</b>	<b>160,442</b>
Selling, general and administrative expenses	73,569	78,510	73,293
Engineering, research and development expenses	17,408	16,517	15,041
Nonrecurring charges	1,563	13,144	—
<b>Operating (loss) profit</b>	<b>(3,834)</b>	<b>54,499</b>	<b>72,108</b>
Interest (income) expense, net	(1,466)	(4,477)	2,422
Other income, net	(973)	(1,134)	(4,945)
<b>(Loss) income before income taxes and other items below</b>	<b>(1,395)</b>	<b>60,110</b>	<b>74,631</b>
Income tax (benefit) expense	(3,373)	21,339	26,754
Equity in net income of affiliates	—	(1,488)	(1,694)
Minority interest in subsidiaries' net (loss) income	(798)	1,643	489
<b>Income before extraordinary item</b>	<b>2,776</b>	<b>38,616</b>	<b>49,082</b>
Extraordinary loss on extinguishment of debt, net of taxes	—	—	(1,149)
<b>Net income</b>	<b>2,776</b>	<b>38,616</b>	<b>47,933</b>
Market value adjustment to redeemable common stock	—	—	(48,602)
<b>Net income (loss) applicable to nonredeemable common shareholders</b>	<b>\$ 2,776</b>	<b>\$ 38,616</b>	<b>\$ (669)</b>
<b>Earnings (loss) per nonredeemable common share:</b>			
Basic			
Income before extraordinary item	\$ 0.04	\$ 0.56	\$ 0.01
Extraordinary loss on extinguishment of debt, net of taxes	—	—	(0.03)
<b>Net income (loss)</b>	<b>\$ 0.04</b>	<b>\$ 0.56</b>	<b>\$ (0.02)</b>
Diluted			
Income before extraordinary item	\$ 0.04	\$ 0.53	\$ 0.01
Extraordinary loss on extinguishment of debt, net of taxes	—	—	(0.03)
<b>Net income (loss)</b>	<b>\$ 0.04</b>	<b>\$ 0.53</b>	<b>\$ (0.02)</b>

See the accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

<i>(In thousands)</i>	Common shares outstanding	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Total	Comprehensive income (loss)
<b>Balance at August 28, 1999</b>	18,354	\$ 184	\$ 15,066	\$ (33,022)	\$ (68)	\$ (17,840)	
Repurchase and retirement of shares	(13)	—	—	(89)	—	(89)	
Shares issued pursuant to stock option plans	76	—	362	—	—	362	
Dilution of ownership on investments	—	—	—	2,163	—	2,163	
Market value adjustment to redeemable ESOT common stock	—	—	—	(48,602)	—	(48,602)	
Reclassification of ESOT shares upon consummation of initial public offering	21,621	216	(108)	183,708	—	183,816	
Shares issued pursuant to public offering, net of issuance costs	9,890	99	98,867	—	—	98,966	
Stock split adjustment	18,389	184	(184)	—	—	—	
Foreign currency translation adjustment	—	—	—	—	(63)	(63)	\$ (63)
Net unrealized gain on marketable securities	—	—	—	—	198	198	198
Net income	—	—	—	47,933	—	47,933	47,933
<b>Total comprehensive income</b>							\$ 48,068
<b>Balance at August 26, 2000</b>	68,317	683	114,003	152,091	67	266,844	
Repurchase and retirement of shares	(77)	(1)	(476)	(246)	—	(723)	
Shares issued pursuant to stock option plans	1,235	12	2,889	—	—	2,901	
Dilution of ownership on investments	—	—	—	(244)	—	(244)	
Reclassification associated with change in percentage ownership in Metron Technologies N.V. stock	—	—	—	(2,061)	2,698	637	
Shares issued pursuant to employee stock purchase plan	255	3	1,620	—	—	1,623	
Tax benefit associated with employee stock plans	—	—	3,413	—	—	3,413	
Foreign currency translation adjustment	—	—	—	—	(985)	(985)	\$ (985)
Net unrealized gain on marketable securities	—	—	—	—	225	225	225
Net income	—	—	—	38,616	—	38,616	38,616
<b>Total comprehensive income</b>							\$ 37,856
<b>Balance at August 25, 2001</b>	69,730	697	121,449	188,156	2,005	312,307	
Shares issued pursuant to stock option plans	1,222	12	3,959	—	—	3,971	
Shares issued in connection with acquisition	41	1	437	—	—	438	
Shares issued pursuant to employee stock purchase plan	168	2	1,540	—	—	1,542	
Tax benefit associated with employee stock plans	—	—	5,291	—	—	5,291	
Foreign currency translation adjustment	—	—	—	—	(71)	(71)	\$ (71)
Net unrealized loss on marketable securities	—	—	—	—	(4,140)	(4,140)	(4,140)
Net income	—	—	—	2,776	—	2,776	2,776
<b>Total comprehensive income (loss)</b>							\$ (1,435)
<b>Balance at August 31, 2002</b>	71,161	\$ 712	\$ 132,676	\$ 190,932	\$ (2,206)	\$ 322,114	

See the accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Years ended		
	August 31, 2002	August 25, 2001	August 26, 2000
<b>Operating activities:</b>			
Net income	\$ 2,776	\$ 38,616	\$ 47,933
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	28,164	24,260	27,246
Asset impairment	1,136	3,526	5,937
Provision for doubtful accounts	133	(482)	1,493
Provision for deferred income taxes	(791)	(1,894)	382
Tax benefit from employee stock plans	5,291	3,413	—
Equity in net income of affiliates	—	(1,488)	(1,694)
Loss on sale of property and equipment	185	956	811
Gain on sale of investment in affiliate	—	—	(5,468)
Minority interest in subsidiaries' net (loss) income	(798)	1,459	489
Changes in operating assets and liabilities:			
Trade accounts receivable	859	10,666	(9,620)
Trade accounts receivable due from affiliates	2,952	15,632	(12,841)
Inventories	8,373	(3,561)	(2,015)
Accounts payable and accrued liabilities	(21,710)	(369)	15,251
Other current assets	5,065	(2,748)	396
Income taxes payable and refundable income taxes	1,872	(6,546)	(4,075)
Other	(646)	(1,482)	(96)
<b>Net cash provided by operating activities</b>	<b>32,861</b>	<b>79,958</b>	<b>64,129</b>
<b>Investing activities:</b>			
Acquisition of property and equipment	(19,568)	(24,231)	(21,376)
Acquisition of businesses, net of cash acquired	(8,943)	(42,954)	—
Purchase of intangible assets	(824)	(10,701)	(2,448)
Proceeds from sales of property and equipment	1,300	3,464	713
Proceeds from sale of investment in affiliate	—	—	7,398
Purchases of short-term investments	(90,200)	(36,628)	—
Maturities of short-term investments	82,204	—	—
Other	(2,302)	916	(76)
<b>Net cash used in investing activities</b>	<b>(38,333)</b>	<b>(110,134)</b>	<b>(15,789)</b>
<b>Financing activities:</b>			
Principal payments on short-term borrowings and long-term debt	(13,704)	(2,679)	(52,466)
Proceeds from short-term borrowings and long-term debt	13,809	747	2,028
Issuance of common stock	5,514	4,674	99,179
Repurchase of redeemable and nonredeemable common stock	—	(723)	(10,446)
<b>Net cash provided by financing activities</b>	<b>6,054</b>	<b>2,019</b>	<b>38,295</b>
Effect of exchange rate changes on cash and cash equivalents	232	(365)	(73)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>379</b>	<b>(28,522)</b>	<b>86,562</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>74,451</b>	<b>102,973</b>	<b>16,411</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 74,830</b>	<b>\$ 74,451</b>	<b>\$ 102,973</b>
<b>Non-cash operating and investing activities:</b>			
Transfer of common shares owned in affiliate in connection with termination of distribution agreement	—	\$ 6,410	—

See accompanying notes to consolidated financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### PRINCIPLES OF CONSOLIDATION AND BASIS OF PRESENTATION.

Entegris, Inc. (the Company) is a leading provider of materials integrity management solutions that protect and transport the critical materials used in the semiconductor and other high technology industries. The accompanying consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. Intercompany profits, transactions and balances have been eliminated in consolidation. Certain amounts reported in previous years have been reclassified to conform to the current year's presentation.

The Company's fiscal year is a 52-week or 53-week period ending on the last Saturday in August. Fiscal years 2002, 2001 and 2000 ended on August 31, 2002, August 25, 2001 and August 26, 2000, respectively, and are identified herein as 2002, 2001 and 2000.

#### CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS.

Cash and cash equivalents include cash on hand and highly liquid debt securities with original maturities of three months or less, which are valued at cost.

Debt securities with original maturities greater than three months and remaining maturities of less than one year are classified and accounted for as held-to-maturity and recorded at amortized cost, and are included in short-term investments. The fair market value of short-term investments is essentially the same as amortized cost.

**INVENTORIES.** Inventories are stated at the lower of cost or market. Cost is determined by the first-in, first-out (FIFO) method.

**PROPERTY, PLANT, AND EQUIPMENT.** Property, plant and equipment are carried at cost and are depreciated principally on the straight-line method over the estimated useful lives of the assets. When assets are retired or disposed of, the cost and related accumulated depreciation are removed from the accounts, and gains or losses are recognized in the same period. Maintenance and repairs are expensed as incurred; significant additions and improvements are capitalized. Property, plant and equipment are reviewed for impairment whenever events or changes in

circumstances indicate that the carrying amount of an asset may not be recoverable based on estimated future undiscounted cash flows. The Company recorded asset write-offs on molds and equipment of approximately \$1.1 million, \$3.5 million and \$5.9 million for 2002, 2001 and 2000, respectively. All impairment losses are included in the Company's cost of sales.

**INVESTMENTS.** Substantially all of the Company's equity investments are marketable and are classified as available-for-sale. Accordingly, such securities are recorded at fair value, with any unrealized holding gains and losses, net of taxes, excluded from income, and recognized as a separate component of shareholders' equity. All equity investments are periodically reviewed to determine if declines in fair value below cost basis are other-than-temporary. Significant and sustained decreases in quoted market prices and a series of historical and projected operating losses by investees are considered in the review. If the decline in fair value is determined to be other-than-temporary, an impairment loss is recorded and the investment written down to a new cost basis. The Company's nonmarketable investments are recorded at cost.

**GOODWILL AND OTHER INTANGIBLE ASSETS.** Goodwill is the excess of the purchase price over the fair value of net assets of acquired businesses. Upon the adoption of Statement of Financial Accounting Standards (SFAS) No. 142, *Goodwill and Other Intangible Assets* in the first quarter of 2002, the Company no longer amortizes goodwill, but instead is required to test for impairment at least annually. See Note 6 for the pro forma effects of adopting this standard.

Other intangible assets include, among other items, patents and unpatented technology and are amortized using the straight-line method over their respective estimated useful lives of 5 to 17 years. SFAS No. 142 requires that intangible assets with definite useful lives be reviewed for impairment in accordance with SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of*.

**DERIVATIVE FINANCIAL INSTRUMENTS.** Effective August 27, 2000, the Company adopted SFAS No. 133, *Accounting for*

*Derivative Instruments and Hedging Activities*, which requires companies to record derivatives on the balance sheet as assets or liabilities, measured at fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether the derivative is designated as part of a hedge transaction and, if it is, depending on the type of hedge transaction. Gains and losses on derivative instruments that are reported in other comprehensive income will be recognized in the periods in which earnings are impacted by the variability of the cash flows of the hedged item.

The Company periodically enters into forward foreign currency contracts to reduce exposures relating to rate changes in certain foreign currencies. Certain exposures to credit losses related to counterparty nonperformance exist, however, the Company does not anticipate nonperformance by the counterparties as they are large, well-established financial institutions. None of these derivatives is accounted for as a hedge transaction under the provisions of SFAS No. 133. Accordingly, changes in the fair value of forward foreign currency contracts are recorded in current earnings. The fair values of the Company's derivative financial instruments are based on prices quoted by financial institutions for these instruments. The Company was a party to forward foreign currency contracts with notional amounts of \$1.7 million and \$10.7 million at August 31, 2002 and August 25, 2001, respectively.

**FOREIGN CURRENCY TRANSLATION.** Except for certain foreign subsidiaries whose functional currency is the United States (U.S.) dollar, assets and liabilities of foreign subsidiaries are translated from foreign currencies into U.S. dollars at current exchange rates. Income statement amounts are translated at the weighted average exchange rates for the year. Gains and losses resulting from foreign currency transactions are included in net income. For certain foreign subsidiaries whose functional currency is the U.S. dollar, currency gains and losses resulting from translation are determined using a combination of current and historical rates and are reported as a component of net income.

**REVENUE RECOGNITION/CONCENTRATION OF RISK.** Revenue and the related cost of sales are generally recognized upon shipment of the products. The Company provides for estimated returns and warranty obligations when the revenue is recorded. The Company sells its products throughout the world primarily to companies in the microelectronics industry. The Company performs continuing credit evaluations of its customers and generally does not require collateral. Letters of credit may be required from its customers in certain circumstances. The Company maintains an allowance for doubtful accounts which management believes is adequate to cover any losses on trade receivables.

Certain materials included in the Company's products are obtained from a single source or a limited group of suppliers. Although the Company seeks to reduce dependence on those sole and limited source suppliers, the partial or complete loss of these sources could have at least a temporary adverse effect on the Company's results of operations. Furthermore, a significant increase in the price of one or more of these components could adversely affect the Company's results of operations.

**INCOME TAXES.** Deferred income taxes are provided in amounts sufficient to give effect to temporary differences between financial and tax reporting. The Company accounts for tax credits as reductions of income tax expense in the year in which such credits are allowable for tax purposes. The Company utilizes the asset and liability method for computing its deferred income taxes. Under the asset and liability method, deferred tax assets and liabilities are based on the temporary difference between the financial statement and tax basis of assets and liabilities and the enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date.

**ACCOUNTING ESTIMATES.** The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make

estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**STOCK-BASED COMPENSATION.** The Company accounts for stock-based compensation under Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*. APB No. 25 requires compensation cost to be recorded on the date of the grant only if the current market price of the underlying stock exceeds the exercise price. The Company has adopted the disclosure-only provisions of SFAS No. 123, *Accounting for Stock-based Compensation*.

**COMPREHENSIVE INCOME (LOSS).** Comprehensive income (loss) represents the change in shareholders' equity resulting from other than shareholder investments and distributions. The Company's foreign currency translation adjustments and unrealized gains and losses on marketable securities are included in accumulated comprehensive income.

**RECENT ACCOUNTING PRONOUNCEMENTS.** In October 2001, the FASB issued SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. While SFAS No. 144 supersedes SFAS No. 121, it retains many of the fundamental provisions of that Statement. SFAS No. 144 becomes effective for the Company at the beginning of its fiscal year ending August 30, 2003. Adoption is not expected to have an impact on the Company's results of operations or financial position.

In June 2002, the FASB issued SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*, which addresses accounting for restructuring and similar costs. SFAS No. 146 supercedes previous accounting guidance and is required for restructuring activities initiated after December 31, 2002. SFAS No. 146 requires the recognition of the liability for costs associated with exit or disposal activities as incurred, whereas

previous accounting guidance required that a liability be recorded when the Company committed to an exit plan.

## (2) ACQUISITIONS

The Company completed two transactions in 2002. In August 2002, the Company acquired assets related to products serving the semiconductor tape and reel market for \$2.0 million. Identifiable intangible assets, consisting principally of proprietary knowledge, of approximately \$1.8 million was recorded in connection with the transaction. In February 2002, the Company purchased the 49% minority interests held in its Fluoroware Valqua Japan K.K. and Nippon Fluoroware K.K subsidiaries for total consideration of \$5.1 million. Identifiable intangible assets of approximately \$1.3 million were recorded in connection with the transaction.

The Company completed four acquisitions in fiscal 2001. In March 2001, the Company acquired the fluid handling component product line of Nisso Engineering Co., Ltd. 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. In May 2001, the Company completed its acquisition of 100% of the common stock of NT International, which designs and manufactures patented ultra-high purity flow and pressure measurement sensors and controllers, for a cash payment of \$27.5 million. Identifiable intangible assets, including patents, and goodwill of approximately \$18.5 million and \$12.1 million, respectively, were recorded in connection with the transaction. In the fourth quarter of fiscal 2001, the Company completed the acquisition of 100% of the common stock of Atcor Corporation and the operating assets and liabilities of Critical Clean Solutions, Inc., which provide precision cleaning systems, products and services to the semiconductor industry, for consideration totaling \$17.8 million, including cash payments of \$16.0 million and \$1.8 million, payable in common stock, in contingent consideration recorded in 2002. Identifiable intangible assets and goodwill of approximately \$7.6 million and \$7.5 million, respectively, were recorded in connection with the transactions.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

<i>(In thousands)</i>	Nisso Engineering	NT International	Atcor Corporation	Critical Clean Solutions
Current assets	\$ 678	\$ 1,292	\$ 6,338	\$ 373
Property and equipment	50	661	2,086	5,862
Intangible assets	2,250	18,490	7,578	—
Goodwill	8,051	12,062	7,544	—
Deferred tax assets	—	2,433	—	—
Other assets	38	—	507	—
<b>Total assets acquired</b>	<b>11,067</b>	<b>34,938</b>	<b>24,053</b>	<b>6,235</b>
Current liabilities	573	590	4,103	1,464
Long-term debt	119	—	184	3,481
Deferred tax liabilities	—	6,848	3,300	—
<b>Total liabilities</b>	<b>692</b>	<b>7,438</b>	<b>7,587</b>	<b>4,945</b>
<b>Net assets acquired</b>	<b>\$ 10,375</b>	<b>\$ 27,500</b>	<b>\$ 16,466</b>	<b>\$ 1,290</b>

The above table summarizes the estimated fair value of the assets acquired and liabilities assumed at the dates of acquisition, as determined by third-party valuations of certain tangible and intangible assets.

Each of the above transactions was accounted for by the purchase method. Accordingly, the Company's consolidated financial statements include the net assets and results of operations from the dates of acquisition. The following table provides Company results as if the acquisitions occurred at the beginning of each period presented.

<i>(In thousands, except per share data)</i>	2001		2000	
	As Reported	Pro Forma	As Reported	Pro Forma
Net sales	\$ 342,444	\$ 366,827	\$ 343,465	\$ 368,041
Net income	38,616	36,278	47,933	44,396
Basic earnings (loss) per share	0.56	0.53	(0.02)	(0.10)
Diluted earnings (loss) per share	0.53	0.50	(0.02)	(0.10)

In October 1999, the Company acquired the assets of a polymer machining business located in Upland, California for \$2.7 million. The acquisition was accounted for under the purchase method of accounting. The excess of the purchase price over net assets acquired was \$1.1 million and was allocated to goodwill.

### (3) INVENTORIES

Inventories consist of the following:

<i>(In thousands)</i>	2002	2001
Raw materials	\$ 13,015	\$ 15,167
Work-in-process	2,163	1,451
Finished goods	23,216	29,971
Supplies	465	613
	<b>\$ 38,859</b>	<b>\$ 47,202</b>

### (4) PROPERTY, PLANT AND EQUIPMENT

Property, plant, and equipment consists of the following:

<i>(In thousands)</i>	2002	2001	Estimated Useful Lives
Land	\$ 10,811	\$ 10,112	
Buildings and improvements	60,928	59,502	5-35
Manufacturing equipment	78,647	79,731	5-10
Molds	65,556	61,683	3-5
Office furniture and equipment	47,411	42,037	3-8
	<b>263,353</b>	<b>253,065</b>	
Less accumulated depreciation	161,249	143,934	
	<b>\$ 102,104</b>	<b>\$ 109,131</b>	

Depreciation expense was \$24.4 million, \$22.0 million and \$25.3 million in 2002, 2001 and 2000, respectively.

### (5) INVESTMENTS

The Company's investments consist primarily of its equity ownership in its affiliate, Metron Technology N.V. (Metron), a worldwide provider of semiconductor equipment and materials support. Through February 2001, the Company accounted for its investment in Metron using the equity method. In March 2001, the Company surrendered ownership of 1.125 million shares of its investment in Metron Technology N.V. (Metron) in connection with the transaction described in Note 11 under the caption "Nonrecurring 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 in Metron is accounted for as an available-for-sale security. At August 31, 2002, the Company owned approximately 1.6 million shares of Metron with a market value of \$4.4 million. At August 31, 2002, the unrealized loss on marketable securities was \$1.9 million, net of tax benefits of \$1.2 million. At August 25, 2001, the unrealized gain on marketable securities was \$2.3 million, net of taxes of \$1.3 million.

### (6) INTANGIBLE ASSETS

In July 2001, the Financial Accounting Standards Board issued SFAS No. 142, *Goodwill and Other Intangible Assets*. Under the provisions of SFAS No.142, goodwill and intangible assets with indefinite lives are not amortized, but tested for impairment annually, or whenever there is an impairment indicator. Intangible assets with definite useful lives must be amortized over their respective estimated useful lives and reviewed for impairment in accordance with SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of*.

The Company adopted SFAS No. 142 as of August 26, 2001. As required by SFAS 142, the Company performed an assessment of whether there was an indication that goodwill was impaired at the date of adoption. In connection therewith, the Company determined that it consisted of a single reporting unit and determined the Company's fair value and compared it to the Company's carrying amount. As of August 26, 2001, the



Company's fair value exceeded its carrying amount. Therefore, there was no indication that goodwill was impaired and the Company did not record any transitional impairment loss. Accordingly, the Company was not required to perform the second step of the transitional impairment test. In the second step, the Company would be required to compare the implied fair value of goodwill, determined by allocating the Company's fair value to all of its assets and liabilities to its carrying amount, both of which would be measured as of the date of adoption.

The following table presents a reconciliation of net income and earnings (loss) per share adjusted for the exclusion of goodwill, net of income taxes:

<i>(In thousands)</i>	2002	2001	2000
Net income:			
Reported net income	\$ 2,776	\$ 38,616	\$ 47,933
Add goodwill amortization, net of tax	—	1,230	669
<b>Adjusted net income</b>	<b>\$ 2,776</b>	<b>\$ 39,846</b>	<b>\$ 48,602</b>
	2002	2001	2000
Basic earnings (loss) per share:			
Reported basic earnings (loss) per share	\$ 0.04	\$ 0.56	\$ (0.02)
Add goodwill amortization, net of tax	—	0.02	0.02
<b>Adjusted basic earnings per share</b>	<b>\$ 0.04</b>	<b>\$ 0.58</b>	<b>\$ —</b>
	2002	2001	2000
Diluted earnings (loss) per share:			
Reported diluted earnings (loss) per share	\$ 0.04	\$ 0.53	\$ (0.02)
Add goodwill amortization, net of tax	—	0.02	0.02
<b>Adjusted diluted earnings per share</b>	<b>\$ 0.04</b>	<b>\$ 0.55</b>	<b>\$ —</b>

The changes in carrying amount of goodwill for the years ended August 31, 2002 and August 25, 2001 are as follows:

<i>(In thousands)</i>	2002	2001
Beginning of year	\$ 30,266	\$ 4,767
Additions to goodwill as a result of acquisitions	1,044	26,729
Amortization expense	—	(1,230)
<b>End of year</b>	<b>\$ 31,310</b>	<b>\$ 30,266</b>

Additions to goodwill in 2002 included a \$1.8 million addition in connection with contingent consideration related to fiscal 2001 acquisitions, partly offset by a \$0.8 million reduction associated with purchase price allocation adjustments.

Other intangible assets, excluding goodwill, at August 31, 2002 and August 25, 2001 were as follows:

	Gross carrying amount	Accumulated amortization	Net carrying value
<i>2002 (In thousands)</i>			
Patents	\$ 16,978	\$ 3,404	\$ 13,574
Unpatented technology	9,844	1,203	8,641
Employment and noncompete agreements	4,611	759	3,852
Other	5,040	813	4,227
	\$ 36,473	\$ 6,179	\$ 30,294
	Gross carrying amount	Accumulated amortization	Net carrying value
<i>2001 (In thousands)</i>			
Patents	\$ 14,337	\$ 1,811	\$ 12,526
Unpatented technology	9,844	200	9,644
Employment and noncompete agreements	6,211	85	6,126
Other	3,969	628	3,341
	\$ 34,361	\$ 2,724	\$ 31,637

Amortization expense was \$3.7 million, \$2.3 million and \$1.9 million in 2002, 2001 and 2000, respectively.

Estimated amortization expense for the fiscal years 2003 to 2007 and thereafter is \$3.7 million, \$3.7 million, \$3.7 million, \$3.5 million, \$3.1 million and \$12.6 million, respectively.

### (7) ACCRUED LIABILITIES

Accrued liabilities consist of the following:

<i>(In thousands)</i>	2002	2001
Payroll and related benefits	\$ 8,446	\$ 12,515
Employee benefit plans	2,843	4,634
Taxes, other than income taxes	1,036	1,215
Interest	53	44
Donations	65	1,711
Accruals related to nonrecurring charges	160	3,559
Warranty and related	2,198	3,350
Other	5,278	6,602
	\$ 20,079	\$ 33,630

### (8) LONG-TERM DEBT

Long-term debt consists of the following:

<i>(In thousands)</i>	2002	2001
Stock redemption notes payable in various installments along with interest of 8% and 9% through December 2010	\$ 3,308	\$ 4,427
Commercial loans payable on a monthly basis in principal installments of \$49, with interest ranging from 1.68% to 3.15% and various maturities through September 2015	2,651	3,250
Commercial loan payable on a semiannual basis in principal installments of \$39 and interest ranging from 4.5% to 6% and various maturities through December 2007	1,747	2,122
Small Business Administration loans payable on a monthly basis in principal installments of \$9 and interest ranging from 4.2% to 7.3% and various maturities through October 2020	2,898	2,963
Commercial loan secured by equipment payable on a monthly basis in principal installments of \$40 and interest ranging from 5.0% to 21.0% and various maturities through December 2005	1,109	970
Industrial Revenue Bonds payable on a semiannual basis with principal installments of \$50 through October 2012, and variable interest ranging from 1.45% to 2.60%	1,150	1,250
Private bond with interest of 1.7% and interest payable on a semiannual basis and full principal due in 2008	1,859	—
Other	113	357
<b>Total</b>	<b>14,835</b>	<b>15,339</b>
<b>Less current maturities</b>	<b>2,144</b>	<b>2,238</b>
	\$ 12,691	\$ 13,101

Annual maturities of long-term debt as of August 31, 2002, are as follows:

<i>Fiscal year ending</i>	<i>(In thousands)</i>
2003	\$ 2,144
2004	2,058
2005	1,376
2006	1,095
2007	812
Thereafter	7,350
	\$ 14,835

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company's debt agreements require the Company to maintain certain quarterly financial covenants beginning with the quarter ended February 28, 2000.

During the fourth quarter fiscal 2000, the Company retired \$42 million of long-term and capital lease obligations, utilizing a portion of the proceeds raised in the Company's initial public offering. In connection therewith, prepayment costs of \$1.8 million, or \$1.1 million after taxes, were incurred by the Company. This amount is reported in the Consolidated Statements of Operations as "Extraordinary loss on extinguishment of debt, net of taxes".

### (9) SHORT-TERM BANK BORROWINGS

The Company has a revolving commitment with two commercial banks for aggregate borrowings of \$20 million with interest at the LIBOR rate (1.8% at August 31, 2002), plus 1.4%. There was no balance outstanding under this commitment at either August 31, 2002 or August 25, 2001.

The Company has entered into line of credit agreements with seven international commercial banks, which provide for aggregate borrowings of 301 thousand euros, 2.5 million Malaysia ringgits and 1.2 billion Japanese yen for its foreign subsidiaries, which is equivalent to \$11.4 million as of August 31, 2002.

Interest rates for these facilities are based on a factor of the banks' reference rates and ranged from 1.375% to 9.5% during 2002. Borrowings outstanding under these line of credit agreements at August 31, 2002 and August 25, 2001, were \$8.9 million and \$3.8 million, respectively.

The company also owed \$0.5 million in other short-term bank borrowings not subject to formal credit agreements at August 31, 2002.

### (10) LEASE COMMITMENTS

As of August 31, 2002, the Company was obligated under non-cancelable operating lease agreements for certain equipment and buildings. Future minimum lease payments for noncancelable operating leases with initial or remaining terms in excess of one year are as follows:

Fiscal year ending	(In thousands)
2003	\$ 2,766
2004	1,792
2005	1,177
2006	787
2007	734
Thereafter	2,193
<b>Total minimum lease payments</b>	<b>\$ 9,449</b>

Total rental expense for all equipment and building operating leases was \$4.8 million, \$4.0 million and \$4.9 million in 2002, 2001 and 2000, respectively. See Note 21 for related party leases included above.

### (11) NONRECURRING CHARGES (REVERSALS)

In the first quarter of 2002, the Company's results included a nonrecurring charge of \$4.0 million in connection with the closure of its Chanhassen, MN plant. The charge included \$1.5 million in termination costs related to a workforce reduction of 230 employees and \$2.3 million for estimated losses for asset impairment.

Operating results in fiscal 2001 included two nonrecurring charges. During the second quarter, the Company recorded a 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 assumed direct sales responsibility for Microelectronics Group product sales in Europe and Asia, and transferred to Metron 1.125 million shares of Metron stock and agreed to make cash payments totaling \$1.75 million over a 15-month period. Entegris also agreed to buy back certain microelectronics product inventory 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 the closing of 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. 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.

The Company recorded pre-tax benefits of \$1.6 million and \$0.8 million in the third quarter and fourth quarters of 2002, respectively, associated with the reversal of previous accruals made in 2002 and 2001 related to the plant closures described herein. Approximately \$1.0 million of the reversal was associated with the favorable settlement of future lease commitments on the Castle Rock facility, for which the Company had recorded accruals in 2001. Lower than expected impairment costs accounted for approximately \$1.2 million of the reversals.

As of August 31, 2002, \$0.2 million remained outstanding in connection with the aforementioned nonrecurring charges.

### (12) INTEREST (INCOME) EXPENSE, NET

Interest (income) expense, net consists of the following:

(In thousands)	2002	2001	2000
Interest expense	\$ 1,218	\$ 1,505	\$ 4,614
Interest income	2,684	5,982	2,192
<b>Interest (income) expense, net</b>	<b>\$ (1,466)</b>	<b>\$ (4,477)</b>	<b>\$ 2,422</b>

### (13) OTHER INCOME, NET

Other income, net consists of the following:

(In thousands)	2002	2001	2000
(Loss) gain on sale of property and equipment	\$ (185)	\$ 146	\$ (803)
Gain on sale of investment in affiliate	—	—	5,468
Gain (loss) on foreign currency translation	808	(40)	438
Gain on liquidation of foreign subsidiary	733	—	—
Other, net	(383)	1,027	(158)
	<b>\$ 973</b>	<b>\$ 1,133</b>	<b>\$ 4,945</b>

In November 1999, the Company sold 612,000 shares of its investment in Metron as part of Metron's initial public offering, receiving proceeds of \$7.4 million, while recognizing a gain of \$5.5 million.

#### (14) INCOME TAXES

Income (loss) before income taxes was derived from the following sources:

<i>(In thousands)</i>	2002	2001	2000
Domestic	\$ (8,192)	\$ 45,719	\$ 61,439
Foreign	6,797	14,391	13,192
	\$ (1,395)	\$ 60,110	\$ 74,631

Income tax expense (benefit) is summarized as follows:

<i>(In thousands)</i>	2002	2001	2000
Current:			
Federal	\$ (3,797)	\$ 16,395	\$ 20,462
State	—	2,309	3,487
Foreign	562	4,247	2,275
	\$ (3,235)	\$ 22,951	\$ 26,224
Deferred:			
Federal	220	(1,500)	414
State	(358)	(112)	116
	(138)	(1,612)	530
	\$ (3,373)	\$ 21,339	\$ 26,754

Income tax expense (benefit) differs from the expected amounts based upon the statutory federal tax rates as follows:

<i>(In thousands)</i>	2002	2001	2000
Expected federal income tax at statutory rate	\$ (489)	\$ 21,039	\$ 26,121
State income taxes, net of federal tax effect	(113)	1,503	2,314
Effect of foreign source income	(2,267)	60	(522)
Foreign sales corporation income not subject to tax	—	(1,142)	(1,040)
Research tax credit	(400)	(361)	(298)
Tax-exempt interest	(296)	(360)	—
Other items, net	192	600	179
	\$ (3,373)	\$ 21,339	\$ 26,754

At August 31, 2002, there were approximately \$13.2 million of accumulated undistributed earnings of subsidiaries outside the United States that are considered to be reinvested indefinitely. No deferred tax liability has been provided on such earnings. If they were remitted to the Company, applicable U.S. federal and foreign withholding taxes would be substantially offset by available foreign tax credits.

During the years ended August 31, 2002 and August 25, 2001, respectively, \$5.3 million and \$3.4 million was added to additional paid-in capital in accordance with APB No. 25 reflecting the tax difference relating to employee stock option transactions.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at August 31, 2002 and August 25, 2001 are as follows:

<i>(In thousands)</i>	2002	2001
<b>Deferred tax assets:</b>		
Accounts receivable	\$ 981	\$ 1,171
Inventory items	2,780	3,519
Accruals not currently deductible for tax purposes	2,772	4,958
Net operating loss carryforwards	3,661	—
Foreign tax credit carryforwards	1,506	—
Research tax credit carryforwards	340	—
Other, net	814	1,287
Valuation allowance	(1,369)	—
<b>Total deferred tax assets</b>	<b>11,485</b>	<b>10,935</b>
<b>Deferred tax liabilities:</b>		
Accelerated depreciation	4,121	5,376
Purchased intangible assets	8,625	10,137
Other, net	3,056	5,510
<b>Total deferred tax liabilities</b>	<b>15,802</b>	<b>21,023</b>
<b>Net deferred tax assets (liabilities)</b>	<b>\$ (4,317)</b>	<b>\$(10,088)</b>

At August 31, 2002, the Company had federal net operating loss carryforwards of approximately \$3.5 million which begin to expire in 2011, state operating loss carryforwards of approximately \$24.1 million, which begin to expire in 2010, foreign net operating loss carryforwards of approximately \$3.3 million, which expire in 2007, foreign tax credit carryforwards of approximately \$1.5 million which expire in 2007, and research tax

credit carryforwards of approximately \$0.3 million which begin to expire in 2009. The Company established a valuation allowance of \$1.4 million during 2002 with respect to the foreign net operating loss carryforwards. Realization of the remaining deferred tax assets is dependent on generating sufficient future taxable income and on the future reversal of taxable temporary differences. Although realization is not assured, the Company believes it is more likely than not that the benefit of these deferred assets will be realized.

#### (15) SHAREHOLDERS' EQUITY

**INITIAL PUBLIC OFFERING.** In July 2000, the Company completed an initial public offering of 9,890,000 shares of common stock at an offering price of \$11.00 per share. The Company received proceeds of \$99.0 million after deducting \$7.3 million and \$2.5 million for underwriting and issuance costs, respectively. Net proceeds were to be used for the retirement of debt, working capital and other general corporate purposes.

**STOCK SPLIT.** In March 2000 the Company effected a two-for-one stock split of the Company's common stock. In connection with the stock split, the Company's board of directors also approved an increase in the Company's number of authorized common shares from 100,000,000 shares to 200,000,000 shares.

**EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST.** Entegris maintains an Employee Stock Ownership Plan and Trust (ESOT). Employer contributions to the ESOT are determined by the board of directors at its discretion. No contributions have been made to the ESOT since 1995.

ESOT shares totaled 11,585,038 and 14,422,366 as of August 31, 2002 and August 25, 2001, respectively. Prior to the company's initial public offering completed in July 2000, the ESOT plan contained a put option, whereby the Company agreed to purchase the vested shares distributed to terminated participants or their estates, at the appraised value of the shares as of the second August 31 following termination, or after the first August 31 upon death, disability, or attainment of age 65. Subsequent to the Company's initial public offering, all distributions will be in the form of Company stock.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**STOCK OPTION PLANS.** In August 1999, Entegris, Inc. established the Entegris, Inc. 1999 Long-Term Incentive and Stock Option Plan (the 1999 Plan) and the Entegris, Inc. Outside Directors' Stock Option Plan (the Directors' Plan). The maximum aggregate number of shares that may be granted under the Plans is 14,522,211 and 1,000,000, respectively. The Plans state that the exercise price for these shares shall not be less than 100% of the fair market value of the common stock on the date of grant of such option.

Under the Directors' Plan, each outside director shall automatically be granted an option to purchase 15,000 shares upon the date the individual becomes a director. Annually, each outside director is automatically granted an option to purchase 9,000

shares. Options will be exercisable six months subsequent to the date of grant. The term of the option shall be ten years. The Plan states that the exercise price for these shares shall not be less than 100% of the fair market value of the common stock on the date of grant of such option.

The Company determined pro forma compensation expense under the provisions of SFAS No. 123 using the Black-Scholes pricing model and the following assumptions:

	2002	2001	2000
Expected dividend yield	0%	0%	0%
Expected stock price volatility	77%	72%	90%
Risk-free interest rate	4.50%	5.25%	5.50%
Expected life	10 years	10 years	10 years

Option activity for the 1999 Plan and the Directors' Plan is summarized as follows:

	2002		2001		2000	
	Number of shares	Option price	Number of shares	Option price	Number of shares	Option price
<i>(Shares in thousands)</i>						
<b>Options outstanding, beginning of year</b>	7,071	\$ 4.94	7,307	\$ 3.78	5,899	\$ 2.72
Granted	1,747	8.39	1,457	9.17	1,772	7.27
Exercised	(1,222)	3.25	(1,228)	2.46	(106)	2.51
Canceled	(127)	10.05	(465)	6.58	(258)	4.21
<b>Options outstanding, end of year</b>	7,469	\$ 5.94	7,071	\$ 4.94	7,307	\$ 3.78
<b>Options exercisable, end of year</b>	4,636	\$ 4.37	4,683	\$ 3.57	4,618	\$ 2.70
<b>Options available for grant, end of year</b>	5,498		4,332		2,587	

Options outstanding for the 1999 Plan and the Directors' Plan at August 31, 2002 are summarized as follows:

<i>(Shares in thousands)</i>	Options outstanding			Options exercisable	
	Number outstanding	Remaining contractual life	Weighted-average exercise price	Number exercisable	Weighted-average exercise price
Range of exercise prices					
\$0.96 to \$1.50	478	3.6 years	\$ 1.24	478	\$ 1.24
\$3.15	2,909	5.3 years	3.15	2,909	3.15
\$4.22 to \$7.50	727	7.5 years	5.29	407	4.65
\$7.53 to \$8.25	1,517	9.1 years	8.02	7	7.53
\$8.38 to \$10.00	1,036	8.4 years	9.15	417	9.34
\$10.19 to \$15.38	802	8.1 years	11.33	418	11.11

Had compensation cost for option grants been determined consistent with SFAS No. 123, the Company's net income, on a pro forma basis, would have been as follows:

<i>(In thousands, except per share data)</i>	2002	2001	2000
Net income, as reported	\$ 2,776	\$ 38,616	\$ 47,933
Pro forma net income	(572)	33,788	45,705
Basic net earnings (loss) per share, as reported	0.04	0.56	(0.02)
Pro forma basic net earnings (loss) per share	(0.01)	0.49	(0.07)
Diluted net earnings (loss) per share, as reported	0.04	0.53	(0.02)
Pro forma diluted net earnings (loss) per share	(0.01)	0.46	(0.07)

The weighted average fair value of options granted during 2002, 2001 and 2000 with exercise prices equal to the market price at the date of grant was \$6.88, \$7.40 and \$6.95 per share, respectively.

**EMPLOYEE STOCK PURCHASE PLAN.** In March 2000, the Company's board of directors adopted, and our shareholders approved in May 2000, the Entegris, Inc. Employee Stock Purchase Plan (ESPP Plan). A total of 4,000,000 common shares were reserved for issuance under the ESPP Plan. The ESPP Plan allows employees to elect, at six-month intervals, to contribute up to 10% of their compensation, subject to certain limitations, to purchase shares of common stock at the lower of 85% of the fair market value on the first day or last day of each six-month period. As of August 31, 2002, 423,097 shares had been issued under the ESPP Plan at a weighted-average price of \$7.48.

### (16) PENSION AND 401(K) SAVINGS PLAN

Entegris, Inc. has a defined contribution pension plan covering eligible employees. Contributions under this plan are determined by a formula set forth in the plan agreement. Contributions to this plan were suspended for calendar year 2002. Total pension expense for 2002, 2001 and 2000 related to this plan were \$0.3 million, \$1.6 million and \$1.6 million, respectively. The Company maintains a 401(k) employee savings and profit sharing plan (the Plan) that qualifies as a deferred salary arrangement under Section 401(k) of the Internal Revenue Code. Under the

Plans, eligible employees may defer a portion of their pretax wages, up to the Internal Revenue Service annual contribution limit. The Company matches 100% of employees' contributions on the first 3% of eligible wages and 50% of employees' contributions on the next 2% of eligible wages, or a maximum match of 4% of the employee's eligible wages. The board of directors may, at its discretion, declare a profit sharing contribution in addition to the matching contribution, but all contributions are limited to the maximum amount deductible for federal income tax purposes. The employer profit sharing and matching contribution expense under the Plans was \$0.9 million, \$3.3 million and \$2.4 million in 2002, 2001 and 2000, respectively.

**(17) EARNINGS (LOSS) PER SHARE (EPS)**

Basic EPS is computed by dividing net income (loss) applicable to nonredeemable common stock by the weighted average number of shares of nonredeemable common stock outstanding during each period. Since basic EPS for 2000 represents a loss per share of common stock, the effect of including the incremental shares of common stock from assumed exercise of options and from assumed reclassification of redeemable common stock in EPS computation is anti-dilutive, and, accordingly, basic and diluted EPS are the same. The following table presents a reconciliation of the share amounts used in the computation of basic and diluted earnings (loss) per share:

<i>(In thousands)</i>	2002	2001	2000
Basic earnings (loss) per share —			
Weighted common shares outstanding	70,358	68,747	43,609
Weighted common shares assumed upon exercise of options	3,812	4,248	—
Diluted earnings (loss) per share	74,170	72,995	43,609

**(18) SEGMENT INFORMATION**

The Company operates in one segment as it designs, develops, manufactures, markets and sells material management and handling products and services predominantly within the microelectronics industry. All products are sold on a worldwide basis. The following table summarizes total net sales, based upon the country from which sales were made, and property, plant and equipment

assets attributed to significant countries for 2002, 2001 and 2000, respectively:

<i>(In thousands)</i>	2002	2001	2000
<b>Net sales:</b>			
United States	\$ 160,568	\$ 249,455	\$ 252,172
Japan	26,407	45,749	32,659
Germany	9,350	27,735	32,325
Malaysia	22,186	15,057	19,094
Korea	41	3,853	3,862
Singapore	1,279	595	3,353
	\$ 219,831	\$ 342,444	\$ 343,465
<b>Property, plant and equipment:</b>			
United States	\$ 74,085	\$ 78,339	\$ 71,626
Japan	8,424	9,767	10,297
Germany	5,362	5,517	5,625
Malaysia	13,757	14,562	15,466
Taiwan	108	82	—
Korea	38	575	4,719
Singapore	330	289	—
	\$ 102,104	\$ 109,131	\$ 107,733

Net sales to external customers attributable to the United States amounted to \$103.1 million, \$170.9 million and \$179.8 million in 2002, 2001 and 2000, respectively. Net sales to external customers attributable to countries other than the United States amounted to \$116.7 million, \$171.5 million and \$163.7 million in 2002, 2001 and 2000, respectively. In 2002, 2001 and 2000, no single nonaffiliated customer accounted for 10% or more of net sales.

**(19) SUPPLEMENTARY CASH FLOW INFORMATION**

Schedule of interest and income taxes paid:

<i>(In thousands)</i>	2002	2001	2000
Interest	\$ 1,209	\$ 1,503	\$ 5,142
Income taxes, net of refunds received	(13,201)	28,460	30,884

**(20) FAIR VALUE OF FINANCIAL INSTRUMENTS**

The carrying amount of cash equivalents, short-term investments and short-term debt approximates fair value due to the short maturity of those instruments. The fair value of long-term debt was estimated using discounted cash flows based on

market interest rates for similar instruments approximated its carrying value of \$12.7 million at August 31, 2002.

**(21) RELATED-PARTY TRANSACTIONS**

**LEASES.** Through 2002, the Company leased office space and production facilities under various operating leases from a major shareholder's trust or from entities related to this shareholder. The Company was required to pay for all real estate taxes, utilities and other operating expenses. Rent paid relating to these agreements totaled \$0.3 million, \$0.6 million and \$0.8 million for 2002, 2001 and 2000, respectively. As of August 31, 2002, the Company had no future obligations under any lease agreements with the major shareholder's trust or entities related to the shareholder.

In May 2002, the Company paid \$500,000 as consideration for the early termination and buyout of future lease commitments on the Castle Rock facility, which was leased from the related party, as described in Note 11 under the caption "Nonrecurring charges". In March 2000, the Company entered into an agreement to purchase certain real estate and personal property, which the Company previously leased from the related party. The purchase price of the property, which was purchased on May 1, 2000, was \$2.5 million.

Through December 2000, the Company allocated rental payments to Emplast, a previously owned company, totaling \$0.2 million and \$0.6 million in 2001 and 2000, respectively. In connection with Emplast's purchase of the facility in 2001, the company paid Emplast \$0.3 million to terminate the lease.

**NOTES RECEIVABLE.** At August 25, 2001, the Company had a \$0.8 million note receivable from a major stockholder's trust, which bore interest at 8.0% per year. The balance due was paid in full in fiscal 2002.

**SALES TO MINORITY SHAREHOLDER.** The Company sells products to Marubeni Corporation (Marubeni), a minority shareholder, under a distribution agreement scheduled to expire February 28, 2003. Sales to Marubeni were \$12.5 million, \$17.4 million and \$16.2 million in 2002, 2001 and 2000, respectively. Trade

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

accounts receivable relating to these sales as of August 31, 2002 and August 25, 2001 were \$0.9 million and \$1.0 million, respectively. Also, in February 1997, Marubeni was granted an option to buy 214,942 shares of the Company's common stock with an exercise price of \$5.19 per share. The grant was immediately vested and is exercisable for 10 years.

**METRON TECHNOLOGY N.V.** As described in Note 5 under the caption "Investments", the Company owned approximately 1.6 million shares of Metron at August 31, 2002. In addition, the Company recorded a charge of \$8.2 million in 2001 related to the early termination of a distribution agreement as described in Note 11 under the caption "Nonrecurring charges". Sales to Metron under current and previous distribution agreements were \$16.3 million, \$85.3 million and \$81.9 million in 2002, 2001 and 2000, respectively. Trade accounts receivable relating to these sales as of August 31, 2002 and August 25, 2001 were \$3.3 million and \$6.1 million, respectively.

### (22) COMMITMENTS AND CONTINGENT LIABILITIES

In September 2002, the Company was named as a defendant along with other companies in an action filed for damages arising from a chemical spill at a customer's facility in January 2000. While the outcome of this matter cannot be predicted with any certainty, based on the information to date, the Company believes that it has adequate insurance to cover any damages assessed against the Company and as such, does not believe that the matter will have a material adverse effect on its financial position, operating results or cash flows.

In addition, from time to time, the Company is a party to various legal proceedings incidental to its normal operating activities. Although it is impossible to predict the outcome of such proceedings, facts currently available indicate that no such claims will result in losses that would have a material adverse effect on the financial condition, results of operations or cash flows of the Company.

### (23) QUARTERLY INFORMATION-UNAUDITED

<i>(In thousands, except per share data)</i>	Quarter				
	First	Second	Third	Fourth	Year
<b>Fiscal 2001</b>					
Net sales	\$ 102,639	\$ 105,712	\$ 81,346	\$ 52,747	\$ 342,444
Gross profit	52,552	53,601	37,890	18,627	162,670
Net income (loss)	18,112	13,784	8,428	(1,708)	38,616
Basic earnings (loss) per share	0.26	0.20	0.12	(0.02)	0.56
Diluted earnings (loss) per share	0.25	0.20	0.12	(0.02)	0.53
<b>Fiscal 2002</b>					
Net sales	\$ 45,852	\$ 50,702	\$ 59,709	\$ 63,568	\$ 219,831
Gross profit	15,195	16,938	28,127	28,446	28,446
Net (loss) income	(5,916)	(1,386)	5,226	4,852	2,776
Basic (loss) earnings per share	(0.08)	(0.02)	0.07	0.07	0.04
Diluted (loss) earnings per share	(0.08)	(0.02)	0.07	0.06	0.04

## INDEPENDENT AUDITORS' REPORT

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The Board of Directors and Shareholders

Entegris, Inc.:

We have audited the accompanying consolidated balance sheets of Entegris, Inc. and subsidiaries as of August 31, 2002 and August 25, 2001, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the years in the three-year period ended August 31, 2002. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Entegris, Inc. and subsidiaries as of August 31, 2002 and August 25, 2001, and the results of their operations and their cash flows for each of the years in the three-year period ended August 31, 2002 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 6 to the consolidated financial statements, the Company adopted the provisions of Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, on August 26, 2001.

**KPMG LLP**

KPMG LLP

Minneapolis, Minnesota

October 4, 2002

## SELECTED HISTORICAL FINANCIAL DATA\*

(In thousands, except per share data)	Fiscal year ended						
	2002	2001	2000	1999	1998	1997	1996
<b>Operating results</b>							
Net sales	\$ 219,831	\$ 342,444	\$ 343,465	\$ 241,952	\$ 266,591	\$ 277,290	\$ 271,037
Gross profit	88,706	162,670	160,442	94,230	109,734	119,238	122,304
Selling, general and administrative expenses	73,569	78,510	73,293	59,440	65,111	62,384	62,390
Engineering, research and development expenses	17,408	16,517	15,041	14,565	19,912	17,986	12,447
Operating profit	(2,271)	67,643	72,108	20,225	24,711	38,868	47,467
Income before income taxes and other items	168	73,254	69,163	16,577	17,989	30,015	44,281
Income tax expense (benefit)	(1,407)	27,934	24,754	6,337	4,565	11,976	16,226
Equity in net (income) loss of affiliates	—	(1,488)	(1,694)	1,587	118	(1,750)	(3,252)
Minority interest in subsidiaries net income (loss)	(798)	1,643	489	(399)	176	573	2,898
Net income before extraordinary item	2,373	45,165	45,614	9,052	13,130	19,216	28,409
Extraordinary loss on extinguishment of debt	—	—	(1,149)	—	—	—	—
<b>Net income — excluding one-time items</b>	<b>\$ 2,373</b>	<b>\$ 45,165</b>	<b>\$ 44,465</b>	<b>\$ 9,052</b>	<b>\$ 13,130</b>	<b>\$ 19,216</b>	<b>\$ 28,409</b>
<b>Earnings per share data</b>							
Pro forma earnings (loss) per share — diluted	\$ 0.03	\$ 0.62	\$ 0.68	\$ 0.15	\$ 0.21	\$ 0.31	\$ 0.45
Weighted shares outstanding — diluted	74,170	72,995	65,403	62,220	61,492	61,786	63,500
<b>Operating ratios — % of net sales</b>							
Gross profit	40.4%	47.5%	46.7%	38.9%	41.2%	43.0%	45.1%
Selling, general and administrative expenses	33.5	22.9	21.3	24.6	24.4	22.5	23.0
Engineering, research and development expenses	7.9	4.8	4.4	6.0	7.5	6.5	4.6
Operating profit	(1.0)	19.8	21.0	8.4	9.3	14.0	17.5
Income before income taxes and other items	0.1	21.4	20.1	6.9	6.7	10.8	16.3
Effective tax rate	NA	35.5	35.8	38.7	25.4	39.9	36.6
Net income before extraordinary item	1.1	13.2	13.3	3.7	4.9	6.9	10.5
Net income — excluding one-time items	1.1	13.2	12.9	3.7	4.9	6.9	10.5
<b>Cash flow statement data</b>							
Depreciation and amortization	\$ 28,164	\$ 24,260	\$ 27,246	\$ 28,810	\$ 26,591	\$ 23,395	\$ 18,122
Capital expenditures	19,568	24,231	21,376	10,079	33,512	44,928	52,531
Net cash provided by operating activity	32,861	79,958	64,129	43,409	45,909	28,491	27,590
<b>Balance sheet data</b>							
Current assets	\$ 216,735	\$ 220,037	\$ 221,414	\$ 110,279	\$ 101,155	\$ 122,761	\$ 101,271
Current liabilities	39,621	61,253	62,544	58,372	56,567	69,006	56,352
Working capital	177,114	158,784	158,870	51,907	44,588	53,755	44,919
Current ratio	5.47	3.59	3.54	1.89	1.79	1.78	1.80
Long-term debt	12,691	13,101	10,822	53,830	73,242	75,971	61,916
Shareholders' equity	322,114	312,307	266,844	127,730	121,210	112,146	83,185
Total assets	390,260	405,815	353,368	246,978	257,475	213,643	265,343
Debt to equity ratio — %	3.9%	4.2%	4.1%	42.1%	60.4%	67.7%	74.4%
Return on shareholders' equity — %	0.7%	15.6%	22.5%	7.3%	11.3%	19.7%	38.0%
Book value per share	\$ 4.53	\$ 4.48	\$ 3.91	\$ 2.13	\$ 2.00	\$ 1.85	\$ 1.42
Shares outstanding at year-end	71,161	69,730	68,317	60,000	60,553	60,774	58,539

\* The above table excludes certain nonrecurring items as described below. In addition, per share and shareholders' equity figures have been adjusted to reflect the reclassification of redeemable common stock no longer redeemable upon completion of the Company's initial public offering in July 2000. Operating results exclude the following charges or gains: **fiscal 2002** a charge of \$4.0 million (\$2.5 million after taxes) related to the closure of a facility, the reversal of previous nonrecurring charges of \$2.4 million (\$1.5 million after taxes) and a one-time tax benefit of \$1.4 million; **fiscal 2001** charges of \$8.2 million (\$5.1 million after taxes) related to the early termination of a distribution agreement and \$4.9 million (\$1.5 million after taxes) in connection with the closure of two facilities; **fiscal 2000** a gain of \$5.5 million (\$3.5 million after taxes) associated with the sale of an investment in an affiliate's common stock; **fiscal 1999** a charge of \$4.9 million (\$3.1 million after taxes) associated with merger-related expenses.



**SHAREHOLDERS' INFORMATION**

**STOCK LISTING**

The Company's common stock trades on the NASDAQ Stock Market® under the symbol ENTG.

**NUMBER OF REGISTERED SHAREHOLDERS**

On October 31, 2002, there were 71,162,539 shares outstanding and 238 registered shareholders.

**STOCK PRICE HISTORY**

Since the Company's initial public offering on July 11, 2000, the range of the Company's common stock price through fiscal year end on August 31, 2002 included a high of \$19.05 and low of \$6.38.

The chart on the right shows the intra-day high and low prices per share of common stock on the NASDAQ Stock Market throughout the quarters indicated and the closing price at the end of the fiscal quarter.

**ANNUAL MEETING**

The Annual Meeting of Shareholders will be held:  
 Tuesday, January 21, 2003 – 3:30 p.m. (Central Standard Time)  
 Thrivent Financial  
 (formerly Lutheran Brotherhood)  
 625 Fourth Avenue South  
 Minneapolis, MN 55415  
 Tel. 612-340-7000

**INQUIRIES REGARDING YOUR STOCK HOLDINGS**

Registered shareholders (shares held by you in your name) should direct questions regarding stock certificates, name or address changes, notification of lost certificates or stock transfers to:

Wells Fargo Bank Minnesota, N.A.  
 Shareowner Services  
 Post Office Box 64854  
 161 North Concord Exchange Street  
 South St. Paul, MN 55075-1139 USA  
 Tel. 800-468-9716  
 Fax 651-450-4033

Beneficial shareholders (shares held in the name of your bank or broker) should direct questions regarding all administrative matters to your stockbroker.

**INVESTOR RELATIONS CONTACT**

Heide K. Erickson, Director, Investor Relations  
 Tel. 952-556-8051

**INVESTOR INFORMATION**

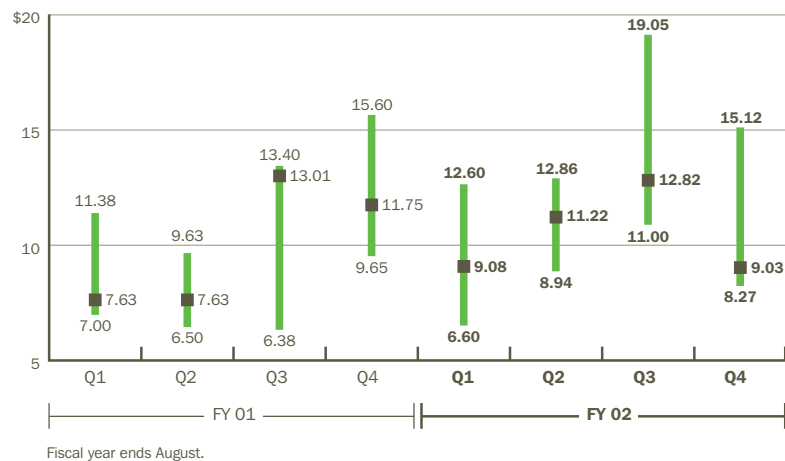
Request additional investor information, such as copies of the Company's Annual Report, Proxy Statement, Form 10-K and Form 10-Q reports filed with the Securities and Exchange Commission free of charge through one of the following:

Mail: Entegris, Inc.  
 Investor Relations  
 3500 Lyman Boulevard  
 Chaska, MN 55318 USA  
 Internet: [www.entegris.com](http://www.entegris.com)  
 E-mail: [irelations@entegris.com](mailto:irelations@entegris.com)  
 Tel.: 952-556-8080  
 Fax: 952-556-8644

**FORWARD-LOOKING STATEMENTS**

The information in this Annual Report, except for the historical information, contains forward-looking statements. In addition, the words "anticipate," "plan," "believe," "estimate," "expect" and similar expressions as they relate to the Company or management are intended to identify forward-looking statements. All forward-looking statements involve risks and uncertainties. You should not place undue reliance on these forward-looking statements, as actual results could differ materially from expected or historical results. The Company does 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. Additional information about these risks and uncertainties has been identified by the Company in Exhibit 99 to the Company's Annual Report on Form 10-K.

**STOCK PRICE HISTORY BY FISCAL QUARTER**



## CORPORATE INFORMATION

### CORPORATE HEADQUARTERS

Entegris, Inc.  
3500 Lyman Boulevard  
Chaska, Minnesota 55318 USA  
Tel. 952-556-3131  
Fax 952-556-1880

### CORPORATE WEB SITE

www.entegris.com

### GENERAL COUNSEL

Dunkley, Bennett, Christensen & Madigan, P.A.  
Minneapolis, Minnesota

### INDEPENDENT AUDITORS

KPMG LLP  
Minneapolis, Minnesota

### EXECUTIVE OFFICERS

#### James E. Dauwalter

President and Chief Executive Officer

#### Gregory B. Graves

Chief Business Development Officer

#### Robert A. Nelson

Vice President of Human Resources

#### John D. Villas

Chief Financial Officer

#### Michael W. Wright

Chief Operating Officer

### BOARD OF DIRECTORS

#### James A. Bernards

President, Facilitation, Inc.

*Chairman:*

*Audit Committee*

#### Robert J. Boehlke

Executive Vice President and Chief Financial Officer,  
KLA-Tencor Corporation (Retired)

*Audit Committee*

*Compensation and Stock Option Committee*

*Nominating and Governance Committee*

#### James E. Dauwalter

President and Chief Executive Officer, Entegris, Inc.

#### Stan Geyer

Chairman of the Board, Entegris, Inc.

*Nominating and Governance Committee*

#### Delmer M. Jensen

Executive Vice President of Operations, Entegris, Inc. (Retired)

#### Gary F. Klingl

President, Green Giant Worldwide,  
A Division of The Pillsbury Company (Retired)

*Chairman:*

*Compensation and Stock Option Committee*

*Audit Committee*

*Nominating and Governance Committee*

#### Roger D. McDaniel

Chief Executive Officer, MEMC (Retired)

*Chairman:*

*Nominating and Governance Committee*

*Compensation and Stock Option Committee*

*Audit Committee*

#### Daniel R. Quernemoen

Chairman Emeritus

Chairman of the Board, Entegris, Inc. (Retired)

### TRADEMARKS

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ZETA<sup>®</sup> 200 Surface Conditioning System photo used with permission of FSI International.

Annual Report Design: Schermer Kuehl

MAJOR MANUFACTURING AND OFF-SITE SERVICE LOCATIONS



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Fax 81-29-265-5054



*The materials integrity management company*

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