2001
Annual Report

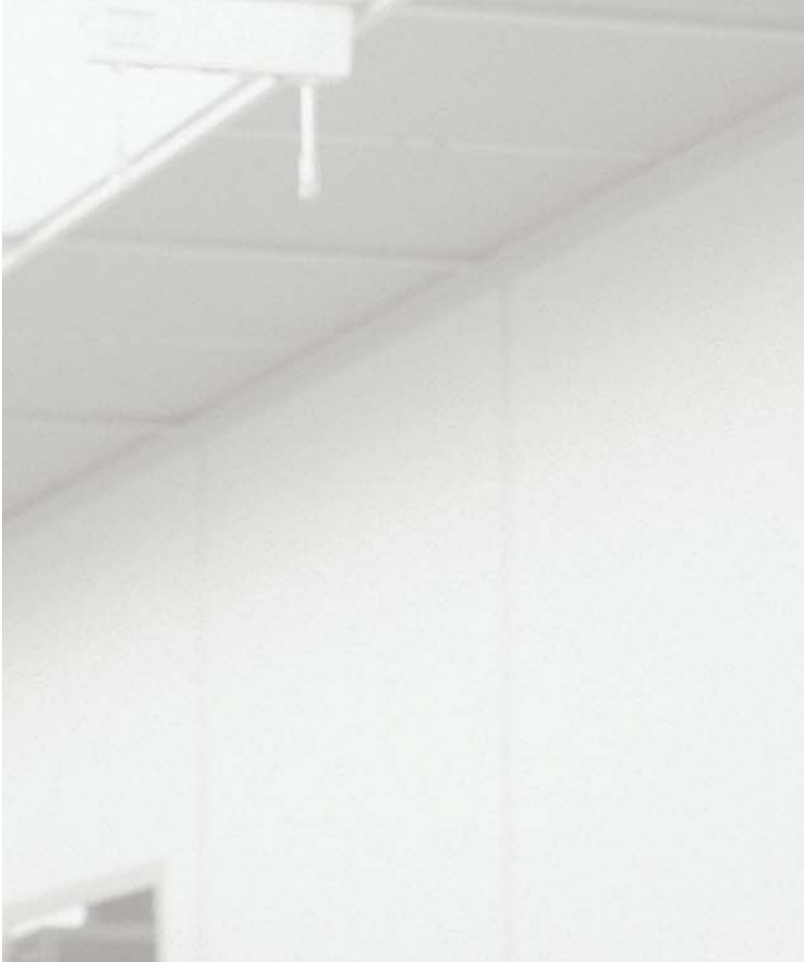
Entegris

vision

Entegris is a global leader positively affecting people's lives by enhancing technologies that are changing the world.

mission

We provide quality manufactured products, services and systems to protect and transport critical materials required by the world's leading technologies.



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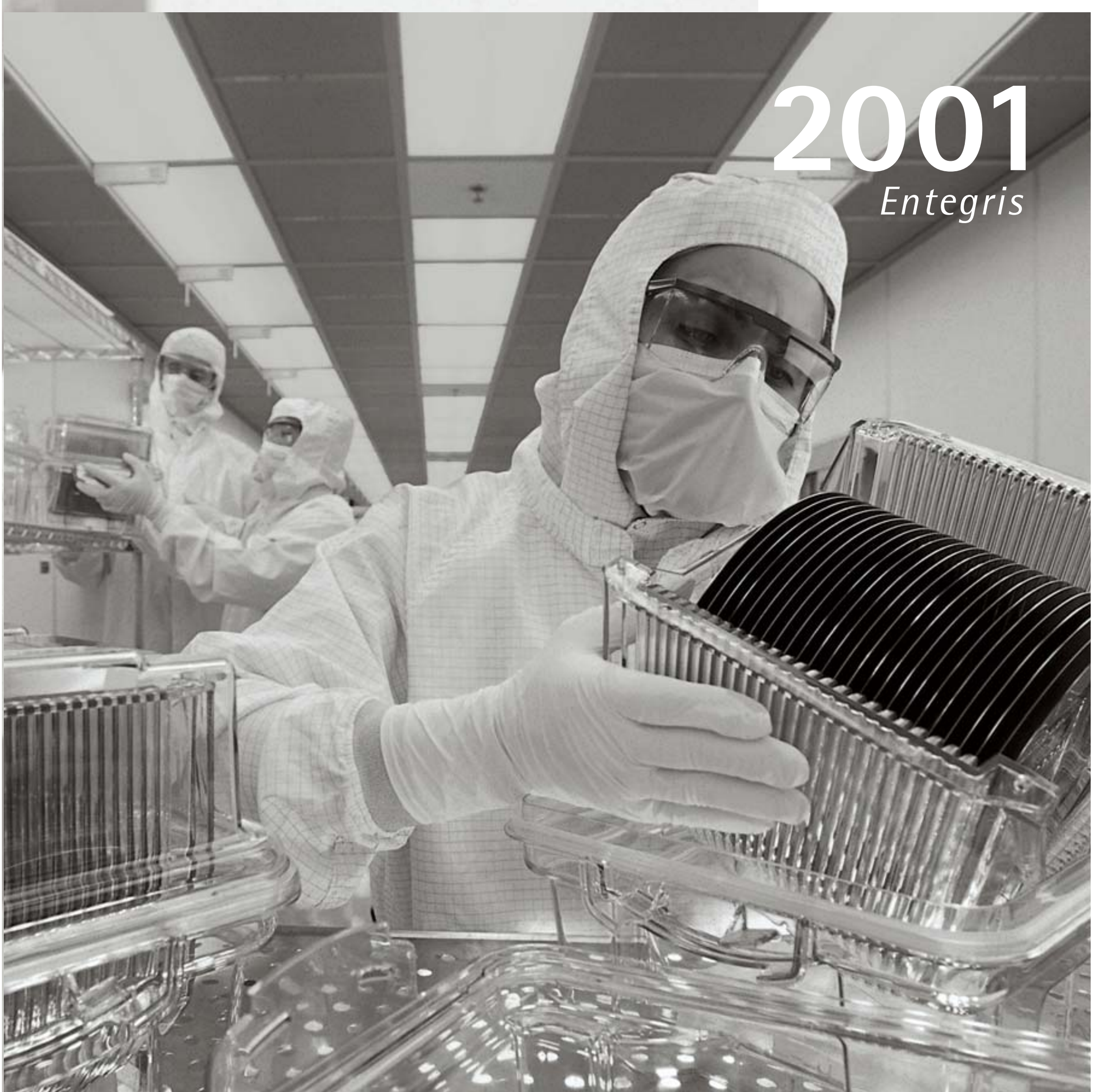
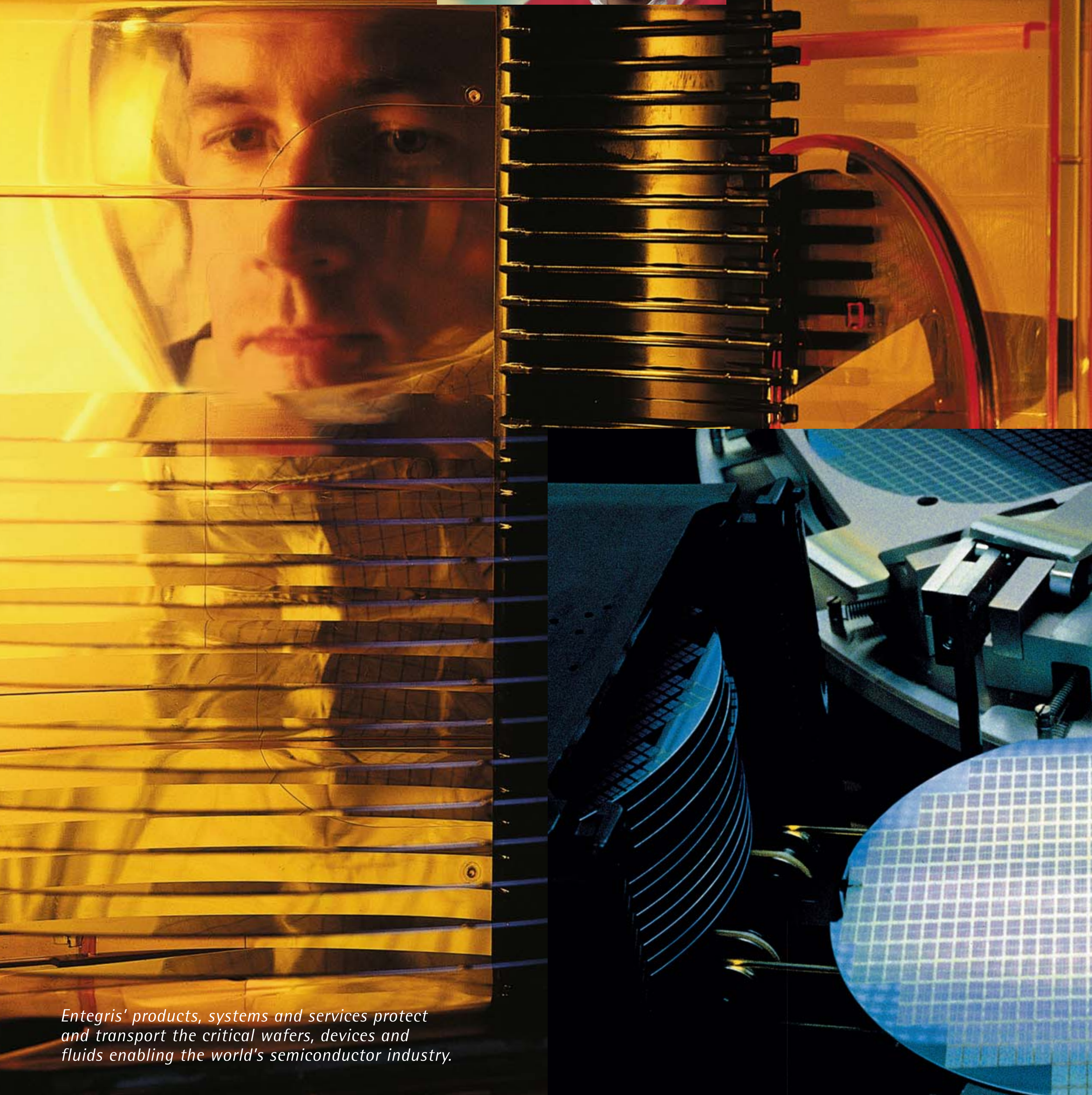


Entegris

Stan Geyer
Chairman of the Board of Directors

Jim Dauwalter
President and Chief Executive Officer



Entegris' products, systems and services protect and transport the critical wafers, devices and fluids enabling the world's semiconductor industry.

to our shareholders

"Entegris' lead in materials integrity management for the microelectronics industry comes from being prepared for future technology shifts, a strong financial position, an experienced management team, and its ability to improve market position during industry cycles. Our goal for 2002 is to extend this leadership." *–Jim Dauwalter, President and CEO*

our first public year

The past year has been one of stark contrast. Considering the cyclical nature of the microelectronics industry, that should not come as a big surprise. But the heights and depths of this particular industry cycle stunned even the most experienced observers.

The microelectronics industry experienced unprecedented periods of both growth and contraction during our first full year as a public company. We began the year by setting company revenue records in both the first and second quarters. Then, Entegris' sales deteriorated faster in one quarter than in the five quarters of the previous downturn. For the first time in the industry's history, both capital spending and unit production of chips declined at the same time.

The people of Entegris responded.

We ramped up production to meet record expectations of our customers in the first half of the year, and we resized and reevaluated our operations in the second half. We improved our global market position by completing four acquisitions as we eliminated costs and improved our efficiencies. Our flexibility and commitment to success was rewarded. We posted our 35th consecutive year of profitability.

In this year's annual report, you will find the financial facts and figures that alone cannot tell the whole story. Our report to you this year must also contain the contrast of managing with humility during six soaring and sizzling months of record revenue, and managing for change when the market headed for a very steep and frigid downturn. Our company values – integrity, excellence, respectful relationships and financial success – served us well and provided a foundation for our global management team.

During the year, the succession plan tapped into the bench strength of the company. Stan Geyer moved from chief executive officer to chairman. Jim Dauwalter moved from president and chief operating officer to president and chief executive officer. We also promoted Michael Wright to president of the Microelectronics Group joining Frank Sidell who serves as president of the Fluid Handling Group. This team has been in the industry on average for more than 20 years and has a track record of successfully managing through these cycles.

Highlights – 2001

first quarter

record gross profit margin of 51.2%; first $1M order for 300 mm FOUPs

second quarter

record-breaking quarterly sales of $105.7M; over $7M in 300 mm FOUP sales; Geyer named Chairman of the Board and Dauwalter named President and CEO

third quarter

expanded geographically: acquired Nisso's fluid handling products, Japan and NT International, USA; created manufacturing Centers of Excellence

fourth quarter

led the first Materials Integrity Management Symposium; introduced Silicon Delivery™ Systems and Services and Disk Delivery™ Systems and Services; acquired Atcor and Critical Clean Solutions, USA

Key acquisitions enable us to serve our customers' needs into the future. NT International's expertise in liquid measurement and control allows us to develop "smart" fluid handling products furthering the industry's ability to manage materials integrity.

Centers of Excellence allow us to increase operational efficiencies and broaden global scale.

strategies and results

Despite a year of such vivid contrast, the people of Entegris executed to plan on all five of our long-term objectives.

EXPAND OUR TECHNOLOGY LEADERSHIP.
Entegris leads the industry with unmatched technical expertise in materials integrity management. We have met customer needs with innovative solutions for more than 35 years, consistently developing better ways to safeguard the integrity of materials every day. More than ever, customer productivity depends on predictability. Entegris offers transport and protection systems that are predictable, reliable and thorough. In fiscal year 2001, we continued to see a return on our research and development investment with the granting of 22 new patents and the filing for 43 others.

BROADEN OUR PRODUCT LINE.
We developed and introduced more than 200 new, derivative and custom products last year through both internal efforts and through acquisitions.

IDENTIFY NEW BUSINESS OPPORTUNITIES AND MARKETS.
We have been applying our core competencies in protecting and transporting critical materials in fluid streams to other industries, such as pharmaceutical and biotechnology. Customers from these industries are very interested as they see the potential of significantly improving the productivity of their manufacturing facilities.

EXPAND GEOGRAPHICALLY AND STAY CLOSE TO THE CUSTOMER.
We are the only materials integrity management company that can support our global customers with the required depth and breadth of products and services. We strengthened our manufacturing presence in Japan and Malaysia. In addition, we shifted sales responsibility for our Microelectronics Group from Metron Technology to a direct sales and distribution system in Europe and Asia as an important step in staying as close as possible to our customers.

CREATE CENTERS OF EXCELLENCE.
We closed our manufacturing facilities in Castle Rock, Colorado, and in Munmak, Korea, and shifted worldwide production of our products in an effort to create manufacturing Centers of Excellence. In the process, we not only eliminated excess capacity and reduced costs, we also improved our ability to react globally to changing industry conditions. In fact, we are investing in initiatives that we believe will increase operational efficiencies and broaden our global scale. These include investments in our state-of-the-art facilities in Malaysia, the United States, Japan and Germany.

our outlook

This past year we were part of one of the most dramatic cycles that has ever occurred in our industry. We know that by the very nature of the microelectronics business, these cycles will continue to occur. We intend to come out of this cycle just as we have managed to do in the past, as a stronger company, gaining both competitive advantage and market share.

As we go forward, we intend to:

PURSUE STRATEGIC GROWTH AND FOCUS ON PROFITABILITY IN ALL OF OUR BUSINESSES. We will do this through both internal growth and additional acquisitions.

FOCUS OUR MANUFACTURING GROUPS TOWARD OPERATIONAL EXCELLENCE. There are synergies between our businesses, plants and facilities, all of which are aimed toward the efficient use of our resources without sacrificing customer service and satisfaction.

BELIEVE IN OUR BUSINESS AND THE CUSTOMERS WE SERVE. We expect this to be a demanding year in terms of industry and world economic conditions, but we are poised to meet the needs of our customers. We will continue to be the company to count on for the products and services that protect and transport materials safely and reliably throughout the entire manufacturing process.

We would be remiss if we did not comment on the terrorist attacks. We were shocked and anxious like many other companies around the world. We offer our sincere condolences to the families and friends of the victims and thank the people of Entegris for their generosity and prayers.

It is a privilege to serve in our new roles as chairman and chief executive officer of Entegris and to work with a resourceful, creative management team of industry leaders, experienced board members and dedicated employees around the world. We thank these people, along with our customers, shareholders and suppliers for the support we have received over the past year.

We know we have the people who can chart new successes in the coming year.

Sincerely,

Stan Geyer
Chairman of the Board of Directors

Jim Dauwalter
President and Chief Executive Officer

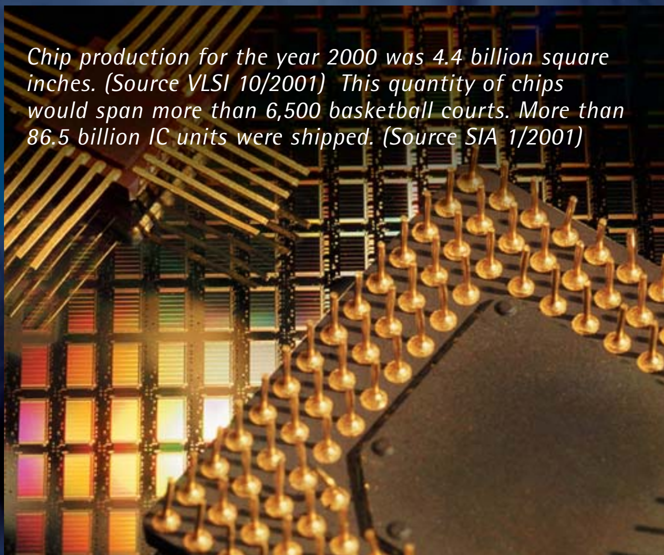
Four key acquisitions

Nisso Engineering
fluid handling product line, specifically for Japanese companies

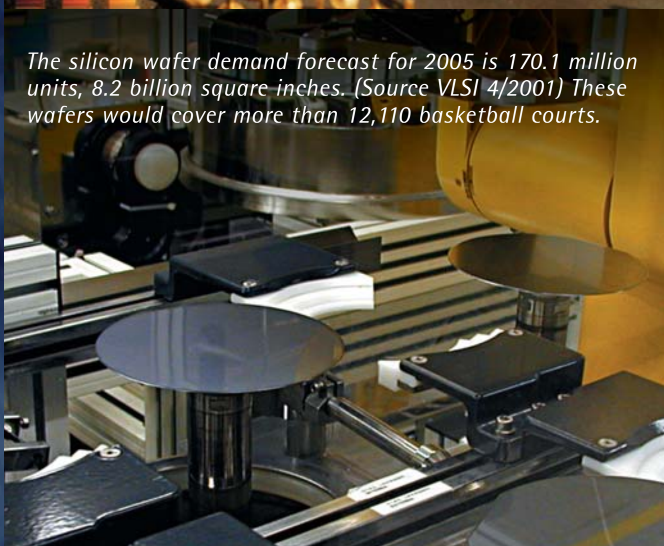
NT International
ultrahigh purity flow and pressure measurement sensors and controllers

Atcor Corporation
precision cleaning systems and services

Critical Clean Solutions
submicron cleaning services and reuse products



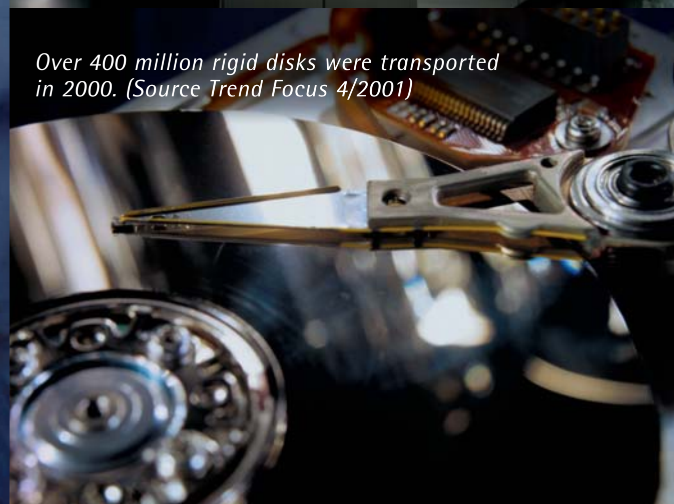
Chip production for the year 2000 was 4.4 billion square inches. (Source VLSI 10/2001) This quantity of chips would span more than 6,500 basketball courts. More than 86.5 billion IC units were shipped. (Source SIA 1/2001)



The silicon wafer demand forecast for 2005 is 170.1 million units, 8.2 billion square inches. (Source VLSI 4/2001) These wafers would cover more than 12,110 basketball courts.

Telecommunications

In 2000, worldwide semiconductor equipment sales totaled $58.5 billion. (Source VLSI 4/2001)



Over 400 million rigid disks were transported in 2000. (Source Trend Focus 4/2001)

Pharmaceutical

Medical device

materials integrity management

what exactly is materials integrity management?

Most materials that go into the manufacture of today's technology items need special care when being transported to or within a manufacturing facility. Entegris enables the world's technology – from automobiles and appliances to computers and cell phones – by providing the products, systems and services that protect and transport critical materials. That's materials integrity management.

...that's Entegris.

materials integrity management and semiconductors

SILICON WAFERS

In the semiconductor industry, silicon wafers serve as the base material for integrated circuits or computer chips. These wafers are thin and fragile and made from the same material as glass. The wafers' integrity must be protected from breakage during transport from the manufacturer to the approximately 900 wafer processing/fabrication facilities, or fabs, worldwide.

Within these fabs, wafers go through as many as 500 process steps over a six-week period as they become integrated circuits (ICs). The value of the wafer increases with each process step, so again the wafers' integrity must be protected from contamination and breakage throughout the entire process.

The integrity of ultrapure and corrosive chemicals used to manufacture ICs must also be protected from contamination and spills during transport from the chemical manufacturer to the fab, as well as inside the fab.

INTEGRATED CIRCUITS

When wafers are cut into individual ICs, packaged, or connected to a computer or other technology device, the integrity of the IC must be protected.

IN EVERY ENVIRONMENT

As costs for fabs increase and existing technologies are pushed to new levels, high technology companies need each step of their processes to be highly predictable.

In every environment where a critical material is moved – no matter what the industry – materials integrity management ensures that transportation and protection systems are reliable, thorough and predictable.

Materials integrity management is as important to the computer chip industry today as it will be to the medical, pharmaceutical and other demanding environments tomorrow.

"As we continually develop our core competencies, the challenge is to create and maintain the infrastructure, personnel and technology that allows us to help our customers better address their critical needs."
–John B. Goodman, Executive Vice President and Chief Technology Officer

Entegris equips its laboratories with the best diagnostic equipment operated by experienced scientists and chemists to give our customers the precise information they require.

Entegris developed FluoroPure® containers to protect and transport ultrapure and corrosive chemicals necessary for the manufacturing of ICs. Now we make the drums cleaner using automation to install the drum inserts.

technology leadership

To remain an innovative leader, Entegris supports technology development through industry and academic partnerships. As part of this effort, we led the first Materials Integrity Management Symposium to better define materials integrity management as a discipline. The feedback to this symposium was impressive.

LEADING EDGE RESEARCH CAPABILITIES

This year, we joined the Center for Microcontamination Control at the University of Arizona. This membership extends our leading-edge research capabilities through academic research and development and expands our collaboration with other industrial companies in the microelectronics industry. Microcontamination is of great importance in protecting the integrity of critical materials during handling, transportation and storage.

RESEARCH AND DEVELOPMENT

As a technology leader, we will maintain our emphasis on research and development in the coming year. For example, we have formed a specialized research and development company called OregonLabs to develop breakthrough product concepts for Entegris and to create new technology for license or sale to the open market.

EXTENDING CORE COMPETENCIES

In addition, we have added emerging core competencies in high purity fluid measurement and control and global materials integrity management services including reuse/recycle/cleaning as part of our technology roadmap. We have invented, designed and are manufacturing 300 mm wafer management solutions. And, we are identifying new business opportunities and markets for Entegris to participate in, like pharmaceuticals where we have already developed a product line for this industry. Overall, we continue to research entire new technology areas looking for any critical raw materials that need to be handled, transported or processed.

2001 Patents

Awarded
7 U.S.
15 foreign

New applications
17 U.S.
26 foreign

Total year end
110 U.S.
over 120 foreign

"Our newest offerings, Silicon Delivery™ Systems and Services and Disk Delivery™ Systems and Services, enable us to control the full life cycle of our products, including cleaning, reuse and recycle. Our customers can depend on us to supply them with ready-for-use product at any of their worldwide locations in the most cost-efficient way possible."
–Michael Wright, President, Microelectronics Group

The high value of 300 mm wafers requires the environment around the wafer to be impeccably maintained. Appropriate cleaning of the wafer handling product maintains the integrity of the expensive wafer.

a new model of outsourcing

ACQUISITIONS COMPLEMENT NEW PROGRAMS

We are continually developing and providing solutions for protecting and transporting critical materials. With the addition of Atcor Corporation and Critical Clean Solutions, Inc. (CCS) during the year, Entegris created its Silicon Delivery™ Systems and Services (SDS²) and Disk Delivery™ Systems and Services (DDS²) programs, offering a totally new approach for silicon, device and disk handling.

Atcor, based in San Jose, California, is the world's leading supplier of precision cleaning systems and cleaning services, providing a variety of cleaning and drying technologies to the world's largest semiconductor and hard disk drive manufacturers. CCS, headquartered in Gilroy, California, is a leading provider of submicron cleaning services and reuse products to the semiconductor, disk drive and other high technology industries.

These acquisitions enabled Entegris to round out its ability to give customers a program for outsourcing wafer, device and disk transportation and protection.

Handling delicate thinned wafers is an issue of increasing importance to the industry. Entegris provides the Horizontal Wafer Shipper to protect thin wafers. This shipper is one component of SDS².

NEW MARKET APPROACH

This is a new customer-driven market approach. It's an approach that includes such items as:

- handling for raw wafer manufacturing and shipping
- wafer processing
- finished wafer shipping and handling
- product cleaning systems and/or services
- logistics management
- recycling
- certification of reusable products

Entegris offers both on-site and off-site programs.

OUTSOURCING AS AN ECONOMICAL CHOICE

We believe that outsourcing gives customers the most economical use of their resources. Our SDS² and DDS² programs also enhance the economic structure of the industry for materials integrity management.

With SDS² and DDS², we can be totally responsive to the customer, developing the precise package of systems and services they require. Overall, it allows the wafer manufacturer, IC manufacturer, disk manufacturer and test, assembly and packaging providers to focus on their core competencies by outsourcing their entire wafer, device and disk handling programs to Entegris.

"By using Entegris' well-known brands of fully-characterized fluid handling components, we offer our customers a large number of advantages to better predict and improve semiconductor yields. And by incorporating our NT International line of highly accurate measurement and control devices, we enable semiconductor manufacturing process control."

–Frank Sidell II, President, Fluid Handling Group

To meet customers' need for characterization, our products undergo testing unprecedented in the industries we serve. This increases their ability to manage materials integrity.

measurement and control

Reducing the use of valuable cleanroom space drove Entegris to develop the leading technology in manifold valves for ultrapure and corrosive applications.

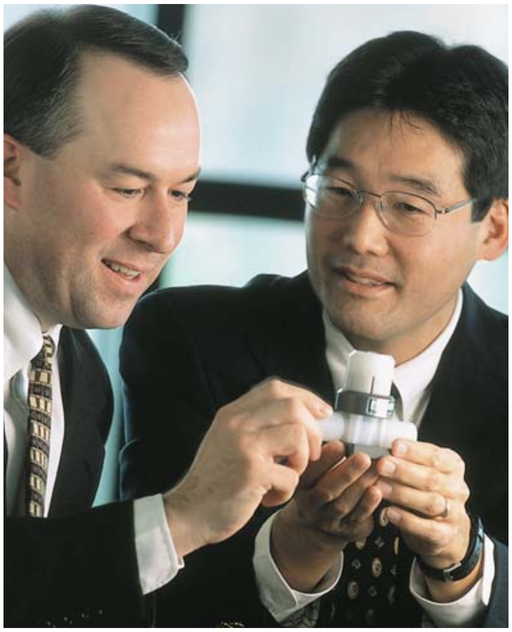
Process control is becoming increasingly important in the microelectronics industry as line widths shrink and chemical flow becomes more exacting. To further the ability of the semiconductor and semiconductor equipment manufacturers to manage materials integrity, we have focused on "smart" fluid handling products. In fact, we think the market opportunities in measurement and control for polymer-based instrumentation are substantial.

TECHNOLOGY LEADERSHIP

To expand our materials integrity management solutions for fluid handling customers in the semiconductor industry, we acquired NT International, which designs and manufactures patented ultrahigh purity flow and pressure measurement sensors and controllers. These products, coupled with Entegris' broad fluid handling product line, enable us to provide customers a complete system solution to protect and transport valuable inventories of critical fluids. It also gives us the ability to offer reliable and highly accurate measurement and control solutions for ultrapure and corrosive fluids used in semiconductor manufacturing.

EXPANDING GLOBAL PORTFOLIO

We acquired Tokyo-based Nisso Engineering's fluid handling product line, which expands our portfolio of high quality materials integrity management solutions and supports our commitment to deliver innovative fluid handling solutions to a growing list of original equipment manufacturers (OEMs) in Japan and other locations.



Working with customers around the world, Entegris expands its product line to the exact customer needs.

INNOVATIONS IN FLUID HANDLING

Entegris has developed a number of innovative fluid handling products including valves, fittings, tubing, containers and other high-purity, corrosion resistant products. These include new Galtek® SG valves, Integra® distribution valves, Flaretek® "SpaceSaver" fittings and the Deteq™ vortex flowmeter. These products help to decrease costly system downtime while ensuring the integrity of critical fluids.

Cynergy® sanitary products are Entegris' revolutionary line of high-performance, nonmetallic fluid handling components made of TEFLON® PFA that are designed to meet the materials integrity management needs of the biopharmaceutical, biotechnology and food and beverage industries. Cynergy® Weld-in-Place equipment is also available in the European marketplace with the CE mark.

We have also found that replacing stainless steel with nonmetallic Cynergy® components increases yields by eliminating problems such as corrosion, metallic poisoning and cross contamination.

"The microelectronics industry is truly a global industry spanning time zones, cultures and continents. We have created an extensive infrastructure with strategically located regional customer service centers and Web-based product selection tools. We believe this helps us better anticipate customer needs and react quickly in support of rapidly changing market conditions."

–Guy L. Milliren, Executive Vice President and Chief Information Officer

globalization

worldwide marketplace

Throughout the world, the Entegris name and brand is becoming a positive force in the markets we serve. To that end, we have been aligning our strategies and have been developing regional Centers of Excellence. We have also been developing an agile organization, one that can successfully use the ups and respond to the downs of industry cycles to optimize our facilities and capabilities.

WORLDWIDE LOCATIONS

To serve our customers, we have 17 plants worldwide, located in Germany, Malaysia, Japan and the United States. In addition, we opened a Microelectronics Group regional service center in Portland, Oregon, and in other locations around the world to offer customers an off-site solution for device and substrate handling.

As part of positioning Entegris to provide its customers with lower cost, turnkey approaches to their transport and protection issues, we implemented new trademarked approaches: WaferCare™, DeviceCare™ and DiskCare™.

E-BUSINESS ON THE WEB

We also developed e-Business capabilities for product selection, order management and product design. Our product selection Web sites include *devicecare.com, diskcare.com, wafercare.com, entegrisfluidhandling.com* and *cynergyonline.com.* These sites can be accessed directly or through *www.entegris.com.*

WORLDWIDE SUPPORT AND SERVICE

Finally, during the year, we decided to go direct with our Microelectronics Group sales force throughout the world. This was a major customer support move for Entegris. It was a decision that shifted our microelectronics sales and distribution from Metron Technology to a direct sales and distribution system, although Metron will still distribute our Fluid Handling Group's product line. Overall, our ongoing goal is to provide the most efficient and effective means of providing global customers with product, support and service.

Our customers have processes that span multiple countries and cultures. So, we provide worldwide access to Entegris systems along with providing localized staff and inventory support to our large customer base. We believe this helps us better anticipate customer needs and react quickly in support of rapidly changing market conditions.

glossary

Back end. Separating the complex semiconductor manufacturing process into the major groupings of front end and back end. Back end is the segment of the industry that 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. Also known as test, assembly and packaging (TAP).

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 goes into the making of a product.

Cynergy®. Entegris' registered trademark for PFA molded fluid handling components used in pharmaceutical processing. The Web-based product selection tool for Cynergy® products, *cynergyonline.com,* can be accessed through *www.entegris.com.*

Deteq® vortex flowmeter. Entegris' all-PFA flow path flowmeter cleanly measures volumetric flow of deionized water or chemicals.

DeviceCare.™ Entegris' program offering management of the protection and transportation of devices that addresses each customer's individual requirements for certified reuse and recycling, logistics management, product cleaning and other related issues. *www.devicecare.com* is the Web-based product section tool for device handling products. The site can be accessed through *www.entegris.com.*

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

DiskCare.™ Entegris' program offering management of the protection and transportation of disks that addresses each customer's individual requirements for certified reuse and recycling, logistics management, product cleaning and other related issues. *www.diskcare.com* is the Web-based product section tool for disk and related handling products. The site can be accessed through *www.entegris.com.*

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 coordinated packages to address individual needs.

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

entegrisfluidhandling.com. Web-based product selection tool for Entegris' fluid handling products. The site can be accessed through *www.entegris.com.*

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

Flaretek® "SpaceSaver" fittings. Entegris' Flaretek® flared design fitting, made of PFA, has no dead volume reducing particle generation potential. "SpaceSaver" fitting connections reduce the amount of valuable space the fitting takes within equipment.

Fluid Handling Group. Entegris' business group serving the world's high technology industries with products to protect and transport high purity and corrosive critical materials.

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: A container 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.

Galtek® SG valve. Entegris' trademark for a small footprint, all-PFA wetted surface valve for high purity fluid handling.

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

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.

Line width shrinks. Line width is the measurement of the narrow space comprising the patterns formed when manufacturing ICs on a wafer. Technology shifts in the industry continue to decrease the size of the line width allowing more ICs to be produced on a wafer, thus increasing productivity. Current state-of-the-art line width is 0.13 microns.

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 Group. Entegris' business group serving the world's microelectronics industry with products to protect and transport disks, wafers, devices and related critical materials.

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.

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.

PFA. Acronym for perfluoroalkoxy. A copolymer material used within the semiconductor industry for its purity and corrosion resistance.

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.

"Smart" fluid handling products. Fluid handling components that overcome process challenges through electronic measurement and control of chemicals.

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

financial and corporate review

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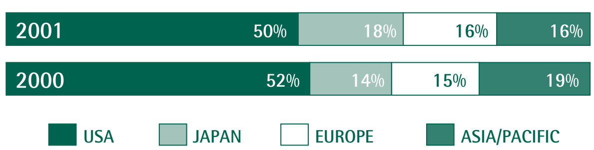
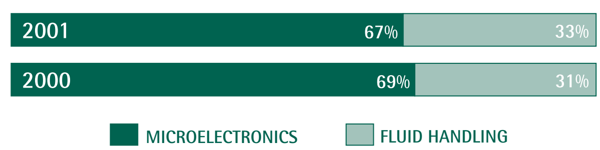
SALES COMPOSITION BY REGION



SALES COMPOSITION BY PRODUCT GROUP



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. and EMPAK, Inc., which was accounted for as a pooling of interests. Accordingly, common stock was issued in exchange for 100% of the outstanding shares of both Fluoroware, Inc., which began operating in 1966, and EMPAK, Inc., which began business in 1980. The historical financial statements of Entegris are shown to 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 microelectronics industry and 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. Our last three fiscal years ended on the following dates: August 25, 2001, August 26, 2000, and August 28, 1999. Fiscal years are identified in this report according to the calendar year in which they end. For example, the fiscal year ended August 25, 2001 is referred to as "fiscal 2001" or "2001."

In the second half of fiscal 1999, the semiconductor industry began to recover from an industry downturn. This recovery, which continued through the second quarter of fiscal 2001, led to greatly improved net sales and profitability. During the third and fourth quarters of fiscal 2001, the semiconductor industry experienced unprecedented deterioration in market conditions, with rapidly falling rates of factory utilization and reduced capital spending. As a consequence, the Company reported falling sales and earnings in the latter half of fiscal 2001.

Effective August 27, 2000, the Company changed its method of accounting for its domestic inventories from the last-in, first-out (LIFO) method to the first-in, first-out (FIFO) method. In accordance with accounting principles generally accepted in the United States of America, the financial statements of prior periods have been restated to apply the new method retroactively.

RESULTS OF OPERATIONS

The following table sets forth the relationship between various components of operations, stated as a percent of net sales, for fiscal 2001, 2000 and 1999. The Company's historical financial data are derived from audited consolidated financial statements and related notes included elsewhere in this annual report.

	Percent of Net Sales		
	2001	2000	1999
Net sales	100.0%	100.0%	100.0%
Cost of sales	52.5	53.3	61.9
Gross profit	47.5	46.7	38.1
Selling, general and administrative expenses	22.9	21.3	25.8
Engineering, research and development expenses	4.8	4.4	6.0
Nonrecurring charges	3.8	–	–
Operating profit	15.9	21.0	6.3
Interest (income) expense, net	(1.3)	0.7	2.3
Other income, net	(0.3)	(1.4)	(0.8)
Income before income taxes and other items below	17.6	21.7	4.8
Income tax expense	6.2	7.8	1.9
Equity in net (income) loss of affiliates	(0.4)	(0.5)	0.7
Minority interest	0.5	0.1	(0.2)
Income before extraordinary item	11.3	14.3	2.5
Extraordinary loss on extinguishment of debt, net of taxes	–	(0.3)	–
Net income	11.3	14.0	2.5

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.

Based on current order rates, industry analyst expectations and other information, the Company currently expects to report lower full-year sales in fiscal 2002, particularly in the first half of the year.

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 reflected 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.

As discussed above, management expects sales levels to decline in fiscal 2002, particularly in the first half of the year. The correspondingly low rates of factory utilization would result in decreased gross profits with a lower gross margin.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative (SG&A) expenses 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 was 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 included higher expenditures for information systems.

NONRECURRING CHARGES. 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 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 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.

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 expense, as a percent of net sales, rose to 4.8% in 2001 from 4.4% in 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 through strong operating earnings 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 fiscal 2000 $5.5 million gain recognized on the sale of approximately 612,000 shares of its investment in Metron. Other income in fiscal 2001 also 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 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. The Company expects an effective tax rate of about 38% in fiscal 2002.

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 of the Company's 51%-owned Japanese subsidiaries.

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.

FISCAL 2000 COMPARED TO FISCAL 1999

NET SALES. Net sales increased $101.5 million, or 42%, to $343.5 million in fiscal 2000, compared to $242.0 million in fiscal 1999. The improvement reflected the increase in product sales associated with the recovery in the semiconductor industry that began in the second half of 1999. Revenue gains were recorded in all geographic regions and across all product lines. Sales of fluid handling products grew by 77% and microelectronics product sales increased by 31%. International sales accounted for approximately 48% of net sales in 2000 and 1999.

GROSS PROFIT. Gross profit in fiscal 2000 increased by $68.2 million to $160.4 million, an increase of 78% over the $92.2 million reported in fiscal 1999. The gross margin for 2000 improved to 46.7% compared to 38.1% for 1999. Gross margin and gross profit improvements were reported by both domestic and international operations. The improvements in 2000 reflected the improved utilization of our production capacity associated with higher sales, a more favorable product mix and the benefits of integrating various elements of our manufacturing operations. Partly offsetting some of the improvement in gross profit was $5.9 million in asset impairment charges, compared to $2.0 million in 1999, mainly for asset write-offs of molds.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative (SG&A) expenses increased $11.0 million, or 18%, to $73.3 million in fiscal 2000 from $62.3 million in fiscal 1999. The increase was due to higher commissions, incentive compensation, personnel costs and information systems. SG&A costs also increased due to the accrual of $2.5 million in 2000 for charitable contributions, reflecting the Company's commitment to contribute 5% of net income to charitable organizations. These increases were partly offset by the absence of $3.6 million in merger-related costs incurred in 1999. SG&A costs, as a percent of net sales, decreased to 21.3% from 25.8%.

ENGINEERING, RESEARCH AND DEVELOPMENT EXPENSES. Engineering, research and development (ER&D) expenses increased 3% to $15.0 million in fiscal 2000 from $14.6 million in fiscal 1999. ER&D costs, as a percent of net sales, decreased to 4.4% from 6.0%.

INTEREST EXPENSE, NET. Net interest expense decreased 56% to $2.4 million in fiscal 2000 compared to $5.5 million in fiscal 2000. The decrease reflected the reduction of domestic borrowings and the short-term investment of available cash balances. These actions occurred most notably in the fourth quarter when the Company received proceeds of $99.0 million from its initial public offering, $42 million of which was used to retire long-term debt and capital lease obligations.

OTHER INCOME, NET. Other income was $4.9 million in fiscal 2000 compared to other income of $1.9 million in fiscal 1999. The increase was primarily due to the $5.5 million gain recognized on the sale of approximately 612,000 shares of the Company's investment in Metron as part of Metron's initial public offering in November 1999. Other income in fiscal 2000 also included losses on sales of property and equipment offset by gains from foreign currency translation.

INCOME TAX EXPENSE. Income tax expense of $26.8 million was significantly higher in fiscal 2000 compared to $4.5 million in income tax expense reported for fiscal 1999, primarily reflecting significantly higher income. The effective tax rate in fiscal 2000 was 35.8% compared to 38.7% in fiscal 1999. The lower rate reflected the Company's ability to utilize foreign tax credit carryforwards.

EQUITY IN NET (INCOME) LOSS OF AFFILIATES. The Company's equity in the net income of affiliates was $1.7 million in fiscal 2000 compared to equity in the net loss of affiliates of $1.6 million in fiscal 1999. This improvement primarily reflects the operating results of Metron, which also benefited from the improved industry conditions affecting the Company's results.

EXTRAORDINARY LOSS ON EXTINGUISHMENT OF DEBT. During the fourth quarter, the Company incurred prepayment costs of $1.8 million ($1.1 million after taxes, or $0.02 per share) in connection with repayment of $42 million of long-term debt and capital lease obligations.

NET INCOME. Net income increased to $47.9 million in fiscal 2000, compared to net income of $6.0 million in fiscal 1999. After the market value adjustment related to redeemable common stock, the net loss applicable to nonredeemable common shareholders was $0.7 million, or $0.02 per share diluted, in 2000, compared to a net loss of $92.8 million, or $2.53 per share, in 1999. Excluding the effect of the market value adjustment related to redeemable common stock, pro forma earnings per share improved from $0.10 per share in fiscal 1999 to $0.73 in fiscal 2000.

QUARTERLY RESULTS OF OPERATIONS

The tables below present selected data from the Company's consolidated statements of operations for the eight quarters ended August 25, 2001.

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 due to improved utilization of production capacity, and often, a more favorable product sales mix. During the last two quarters of 2001, the Company's sales fell dramatically as the global semiconductor industry experienced historic lows in factory utilization, which led to industry capital spending cutbacks. The Company experienced lower gross profits and margins as sales dropped by 23% and 35% sequentially in the third and fourth quarters of fiscal 2001.

Net income in the first quarter of fiscal 2000 included a $5.5 million pretax gain recognized on the sale of a portion of the Company's investment in Metron stock. In the second quarter of fiscal 2001, the Company recorded a pretax charge of $8.2 million related to the termination of a distribution agreement. Net income in the third quarter of 2001 included a $4.9 million pretax charge in connection with its decision to close two facilities.

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.

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 $80.0 million, $64.1 million and $43.4 million in fiscal 2001, 2000 and 1999, respectively. Income from operations was the primary

Statements of Operations Data	Fiscal 2000				Fiscal 2001			
(In thousands)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	$ 71,816	$ 84,846	$ 90,991	$ 95,812	$ 102,639	$ 105,712	$ 81,346	$ 52,747
Gross profit	31,681	38,158	43,681	46,922	52,552	53,601	37,890	18,627
Selling, general and administrative expenses	15,034	18,631	19,913	19,715	21,235	19,727	18,761	18,787
Engineering, research and development expenses	3,503	3,642	3,468	4,428	3,533	4,035	4,697	4,252
Operating profit (loss)	13,144	15,885	20,300	22,779	27,784	21,629	9,498	(4,412)
Net income (loss) before extraordinary item	$ 12,054	$ 10,330	$ 12,014	$ 14,684	$ 18,112	$ 13,784	$ 8,428	$ (1,708)
(Percent of net sales)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Gross profit	44.1	45.0	48.0	49.0	51.2	50.7	46.6	35.3
Selling, general and administrative expenses	20.9	22.0	21.9	20.6	20.7	18.7	23.1	35.6
Engineering, research and development expenses	4.9	4.3	3.8	4.6	3.4	3.8	5.8	8.1
Operating profit (loss)	18.3	18.7	22.3	23.8	27.1	20.5	11.7	(8.4)
Net income (loss) before extraordinary item	16.8	12.2	13.2	15.3	17.6	13.0	10.4	(3.2)

component of cash flow generated by operations in all years. In fiscal 2001, the Company also benefited from the lower working capital requirements associated with falling second half sales, principally due to an accounts receivable decline of $26.7 million. Inventories rose $3.6 million as the Company increased its safety stock of certain critical resins and built its inventories of fluid handling components used in the production of fluid handling products. Working capital stood at $158.8 million on August 25, 2001.

INVESTING ACTIVITIES. Cash flow used in investing activities totaled $110.1 million, $15.8 million and $9.3 million in 2001, 2000 and 1999, respectively. Acquisition of property and equipment totaled $24.2 million, $21.4 million and $10.1 million in 2001, 2000 and 1999, respectively. Significant capital expenditures in 2001 related principally to building our manufacturing capabilities for 300 mm products, tooling for new products, investments in the Company's e-business initiatives, and the continued upgrading and integration of information systems. The Company expects capital expenditures of approximately $25 to $30 million during fiscal 2002, consisting mainly of spending on manufacturing equipment, tooling and information systems.

The Company completed four acquisitions in fiscal 2001. In March 2001, the Company acquired the fluid handling component product line of a Japanese company for $10.4 million. Patents and goodwill of approximately $2.3 million and $8.0 million, respectively, were recorded in connection with the transaction. In May 2001, the Company completed its acquisition of NT International, Inc., which designs and manufactures patented ultrahigh 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 $20.1 million and $6.0 million, respectively, were recorded in connection with the transaction. In the fourth quarter, the Company completed the acquisition of Atcor Corporation and the operating assets of Critical Clean Solutions, Inc., which provide precision cleaning systems, products and services to the semiconductor industry for cash payments totaling $16.0 million. Identifiable intangible assets and goodwill of approximately $7.6 million and $2.5 million, respectively, were recorded in connection with the transactions.

The Company made net purchases of $36.6 million of available-for-sale securities classified as short-term investments in 2001.

FINANCING ACTIVITIES. Cash provided by financing activities totaled $2.0 million and $38.3 million in fiscal 2001 and 2000, respectively, while cash used in financing activities was $27.1 million in fiscal 1999.

In 2001, the Company recorded $4.7 million in connection with common shares issued under the Company's stock option and stock purchase plans. Payments on long-term borrowings totaled $2.7 million.

During the fourth quarter of fiscal 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, $10.4 million and $1.1 million in 2001, 2000 and 1999, 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 25, 2001, the Company's sources of available funds comprised $74.5 million in cash and cash equivalents, $36.6 million

in short-term investments and various credit facilities. Entegris has unsecured revolving credit commitments with two commercial banks with aggregate borrowing capacity of $30 million, with no borrowings outstanding at August 25, 2001 and lines of credit with six international banks, which provide for borrowings of currencies for our overseas subsidiaries, equivalent to an aggregate $9.5 million. Borrowings outstanding on these lines of credit were $3.8 million as of August 25, 2001.

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 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 July 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 141, *Business Combinations*, and SFAS No. 142, *Goodwill and Other Intangible Assets*. SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. SFAS No. 141 also specifies criteria for intangible assets acquired in a purchase method business combination must meet to be recognized and reported apart from goodwill. SFAS No. 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually. Intangible assets with definite useful lives must be amortized over their respective estimated useful lives and reviewed for impairment.

The Company is required to adopt the provisions of SFAS No. 141 immediately. The Company expects to adopt SFAS No. 142 in the first quarter of fiscal 2002. As of the date of adoption, the Company expects to have unamortized goodwill in the amount of $20.3 million and unamortized identifiable intangible assets in the amount of $31.5 million. Amortization expense related to goodwill was $1.2 million, $0.7 million and none for 2001, 2000 and 1999, respectively. Because of the extensive effort needed to comply with adopting Statement No. 142, it is not practicable to reasonably estimate the impact of adopting this Statement on the Company's financial statements at the date of this report.

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, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of*, it retains many of the fundamental provisions of that Statement. SFAS No. 144 becomes effective for fiscal years beginning after December 15, 2001. The Company is evaluating SFAS No. 144 to determine the impact on its financial condition and results of operations.

EURO CONVERSION

On January 1, 1999, the European Union established fixed conversion rates and adopted the "Euro" as its new common legal currency. At that date, the Euro began trading on currency exchanges simultaneously with the legacy currencies of the participating countries for a transition period between January 1, 1999 and January 1, 2002. During this transition period, parties can elect to pay for goods and services and transact business using either the Euro or a legacy currency. The Company is modifying its information technology systems to permit transactions to take place in both the legacy currencies and the Euro and provide for the eventual elimination of the legacy currencies. In addition, the Company is evaluating issues involving introduction of the Euro and whether certain existing contracts will need to be modified. Currency risks and risk management for operations in participating countries may be reduced as the legacy currencies are converted to the Euro. Based on current information and assessments, the Company does not expect that the Euro conversion will have a material adverse effect on its business, results of operations or financial condition.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISKS

Entegris' principal market risks are sensitivities to interest rates and foreign currency exchange rates. Its current exposure to interest rate fluctuations is not significant. Most of its outstanding debt at August 25, 2001 carried fixed rates of interest. All of the Company's cash equivalents and short-term investments are debt instruments with remaining maturities of 12 months or less.

The Company uses derivative financial instruments to manage foreign currency exchange rate risk associated with the sale of products from the United States when such sales are denominated in currencies other than the U.S. dollar. The cash flows and earnings of 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.

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 2001. Moderate increases also can be reasonably anticipated for fiscal 2002.

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," "except" and similar expressions as they relate to us or our 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. We do not assume any obligation to publicly release the results of any revision or updates to these forward-looking statements to reflect future events or unanticipated occurrences. 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.

(In thousands, except share data)	August 25, 2001	*(As Adjusted– See Note 1)* August 26, 2000
ASSETS		
Current assets		
Cash and cash equivalents	$ 74,451	$ 102,973
Short-term investments	36,628	–
Trade accounts receivable, net of allowance for doubtful accounts of $1,608 and $2,524, respectively	36,303	41,325
Trade accounts receivable due from affiliates	7,171	22,803
Inventories	47,202	41,976
Deferred tax assets and refundable income taxes	10,424	7,996
Other current assets	7,858	4,341
Total current assets	220,037	221,414
Property, plant and equipment, net	109,131	107,733
Other assets		
Investments	12,295	15,740
Intangible assets, less accumulated amortization of $5,968 and $3,569, respectively	51,766	7,162
Other	2,449	1,319
Total assets	$ 395,678	$ 353,368
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Current maturities of long-term debt	$ 2,238	$ 1,828
Short-term borrowings	8,813	8,311
Accounts payable	16,572	21,849
Accrued liabilities	33,630	30,556
Total current liabilities	61,253	62,544
Long-term debt, less current maturities	13,101	10,822
Deferred tax liabilities	3,950	9,146
Minority interest in subsidiaries	5,067	4,012
Commitments and contingent liabilities	–	–
Shareholders' equity		
Common stock, par value $.01; 200,000,000 shares authorized; issued and outstanding shares 69,729,821 and 68,317,183, respectively	697	683
Additional paid-in capital	121,449	114,003
Retained earnings	188,156	152,091
Accumulated other comprehensive income	2,005	67
Total shareholders' equity	312,307	266,844
Total liabilities and shareholders' equity	$ 395,678	$ 353,368

See the accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)	August 25, 2001	(As Adjusted– See Note 1) August 26, 2000	(As Adjusted– See Note 1) August 28, 1999
	Years ended		
Sales to nonaffiliates	$ 239,771	$ 245,286	$ 195,421
Sales to affiliates	102,673	98,179	46,531
Net sales	342,444	343,465	241,952
Cost of sales	179,774	183,023	149,722
Gross profit	162,670	160,442	92,230
Selling, general and administrative expenses	78,510	73,293	62,340
Engineering, research and development expenses	16,517	15,041	14,565
Nonrecurring charges	13,144	–	–
Operating profit	54,499	72,108	15,325
Interest (income) expense, net	(4,477)	2,422	5,498
Other income, net	(1,134)	(4,945)	(1,850)
Income before income taxes and other items below	60,110	74,631	11,677
Income tax expense	21,339	26,754	4,524
Equity in net (income) loss of affiliates	(1,488)	(1,694)	1,587
Minority interest in subsidiaries' net income (loss)	1,643	489	(399)
Income before extraordinary item	38,616	49,082	5,965
Extraordinary loss on extinguishment of debt, net of taxes	–	(1,149)	–
Net income	38,616	47,933	5,965
Market value adjustment to redeemable common stock	–	(48,602)	(98,754)
Net income (loss) applicable to nonredeemable common shareholders	$ 38,616	$ (669)	$ (92,789)
Earnings (loss) per nonredeemable common share			
Basic			
Income (loss) before extraordinary item	$ 0.56	$ 0.01	$ (2.53)
Extraordinary loss on extinguishment of debt, net of taxes	–	(0.03)	–
Net income (loss)	$ 0.56	$ (0.02)	$ (2.53)
Diluted			
Income (loss) before extraordinary item	$ 0.53	$ 0.01	$ (2.53)
Extraordinary loss on extinguishment of debt, net of taxes	–	(0.03)	–
Net income (loss)	$ 0.53	$ (0.02)	$ (2.53)

See the accompanying notes to consolidated financial statements.

(In thousands)	Common Shares Outstanding	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total	Comprehensive Income
Balance at August 29, 1998, as previously reported	18,360	$ 184	$ 15,066	$ 57,564	$ (2,321)	$ 70,493	
Adjustment for change in accounting for inventories from LIFO to FIFO	–	–	–	2,811	–	2,811	
Balance at August 29, 1998, as restated	18,360	184	15,066	60,375	(2,321)	73,304	
Repurchase and retirement of shares	(6)	–	–	(20)	–	(20)	
Dilution of ownership on equity investment	–	–	–	(588)	–	(588)	
Market value adjustment to redeemable ESOT common stock	–	–	–	(98,754)	–	(98,754)	
Foreign currency translation adjustment	–	–	–	–	1,792	1,792	$ 1,792
Increase in unrealized holding gain on marketable securities	–	–	–	–	461	461	461
Net income	–	–	–	5,965	–	5,965	5,965
Total comprehensive income							$ 8,218
Balance at August 28, 1999	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)
Increase in unrealized holding gain on marketable securities	–	–	–	–	198	198	198
Net income	–	–	–	47,933	–	47,933	47,933
Total comprehensive income							$ 48,068
Balance at August 26, 2000	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)
Increase in unrealized holding gain on marketable securities	–	–	–	–	225	225	225
Net income	–	–	–	38,616	–	38,616	38,616
Total comprehensive income							$ 37,856
Balance at August 25, 2001	69,730	$ 697	$ 121,449	$ 188,156	$ 2,005	$ 312,307	

See the accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended		
		(As Adjusted– See Note 1)	*(As Adjusted– See Note 1)*
(In thousands)	**August 25, 2001**	**August 26, 2000**	**August 28, 1999**
Operating Activities			
Net income	$ 38,616	$ 47,933	$ 5,965
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	24,260	27,246	28,810
Asset impairment	3,526	5,937	1,996
Provision for doubtful accounts	(482)	1,493	213
Provision for deferred income taxes	(1,894)	382	1,296
Tax benefit from employee stock plans	3,413	–	–
Equity in net (income) loss of affiliates	(1,488)	(1,694)	1,587
Loss on sale of property and equipment	956	811	543
Gain on sale of investment in affiliate	–	(5,468)	–
Minority interest in subsidiaries' net income (loss)	1,459	489	(399)
Changes in operating assets and liabilities:			
Trade accounts receivable	10,666	(9,620)	(3,069)
Trade accounts receivable due from affiliates	15,632	(12,841)	(2,560)
Inventories	(3,561)	(2,015)	1,508
Accounts payable and accrued liabilities	(369)	15,251	3,520
Other current assets	(2,748)	396	152
Accrued income taxes and refundable income taxes	(6,546)	(4,075)	4,069
Other	(1,482)	(96)	(222)
Net cash provided by operating activities	79,958	64,129	43,409
Investing Activities			
Acquisition of property and equipment	(24,231)	(21,376)	(10,079)
Acquisition of businesses, net of cash acquired	(42,954)	–	–
Purchase of intangible assets	(10,701)	(2,448)	(621)
Proceeds from sales of property and equipment	3,464	713	1,285
Proceeds from sale of investment in affiliate	–	7,398	–
Other	916	(76)	159
Purchases and maturities of short-term investments, net	(36,628)	–	–
Net cash used in investing activities	(110,134)	(15,789)	(9,256)
Financing Activities			
Principal payments on short-term borrowings and long-term debt	(2,679)	(52,466)	(32,339)
Proceeds from short-term borrowings and long-term debt	747	2,028	6,382
Issuance of common stock	4,674	99,179	–
Repurchase of redeemable and nonredeemable common stock	(723)	(10,446)	(1,110)
Net cash provided by (used in) financing activities	2,019	38,295	(27,067)
Effect of exchange rate changes on cash and cash equivalents	(365)	(73)	1,090
(Decrease) increase in cash and cash equivalents	(28,522)	86,562	8,176
Cash and cash equivalents at beginning of period	102,973	16,411	8,235
Cash and cash equivalents at end of period	$ 74,451	$ 102,973	$ 16,411
Noncash operating and investing activity			
Transfer of common shares of affiliate in connection with termination of distribution agreement	$ 6,410	–	–

See the accompanying 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- or 53-week period ending on the last Saturday in August. Fiscal years 2001, 2000 and 1999 ended on August 25, 2001, August 26, 2000 and August 28, 1999, respectively.

BUSINESS COMBINATION. On June 7, 1999, Fluoroware, Inc. (Fluoroware) and EMPAK, Inc. (EMPAK) completed a business combination which resulted in the formation of Entegris, Inc., a corporation formed for the purpose of effecting the business combination. The Company issued 36 million shares and 24 million shares of its common stock in exchange for 100% of the outstanding shares of Fluoroware and EMPAK respectively.

For financial reporting purposes, the business combination was recorded using the pooling-of-interests method of accounting. Accordingly, the historical financial statements of Entegris, Inc. include the historical accounts and results of operations of Fluoroware and EMPAK as if the business combination had been in effect for all periods presented.

The results of operations for 1999 for Fluoroware, EMPAK and combined, respectively, included in the consolidated financial statements are as follows:

Net sales of $141.8 million, $100.2 million and $242.0 million, net income before merger-related expenses, impairment of asset charges and adjustments recorded to conform accounting methods of $0.1 million, $9.8 million and $10.0 million and net income (loss) of ($3.6 million), $9.4 million and $5.7 million.

Adjustments to conform the companies' methods of depreciation reduced combined net income for 1999 by approximately $1.9 million. Expenses related to the business combination were approximately $3.6 million for 1999. In addition, the Company recorded asset impairment charges related to the business combination of approximately $1.3 million during 1999.

CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS. Cash and cash equivalents include cash on hand, demand deposits, and highly liquid debt securities with original maturities of three months or less. Debt securities with original maturities greater than three months and remaining maturities less than one year are classified as short-term investments.

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. 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 renewals and betterments are capitalized.

CAPITALIZED SOFTWARE. The Company capitalizes certain costs associated with significant software obtained and developed for internal use. Certain costs are capitalized when both the preliminary project stage is completed and management deems the project will be completed and used to perform the intended function. Capitalization of such costs ceases no later than the point at which the project is substantially complete and ready for its intended purpose.

Capitalized software costs are amortized over the estimated useful life of the project which is generally four to five years. Capitalized software of approximately $5.5 million is included in office furniture and equipment as of both August 25, 2001 and August 26, 2000.

INTANGIBLE ASSETS. Patents, trademarks and goodwill are carried at cost, less accumulated amortization, and are being amortized over 5 to 17 year periods, using the straight-line method. Costs associated with bond and debt issuance are carried at cost, less accumulated amortization, and are being amortized on a straight-line basis over the life of the applicable bond or debt instrument, which is 10 to 15 years.

The carrying value of intangible assets is reviewed when circumstances suggest that there has been possible impairment. If this review indicates that intangible assets will not be recoverable based on the projected/estimated undiscounted net cash flows over the remaining amortization period, the carrying value of intangible assets is reduced to estimated fair value.

INVESTMENTS. Substantially all of the Company's equity investments are marketable and are classified as available-for-sale as of August 25, 2001. Accordingly, under the provisions of Statement of Financial Accounting Standards (SFAS) No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, any unrealized holding gains and losses, net of taxes, are excluded from income, and recognized as a separate component of shareholders' equity until realized. The fair market value of the securities is determined based on published market prices. At August 25, 2001 and August 26, 2000, the unrealized gains on marketable securities were $2.3 million and $0.7 million, respectively. Through February 2001, the Company's ownership in its affiliate, Metron Technology N.V. (Metron), was accounted for using the equity method. The Company's nonmarketable investments are recorded at cost.

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 earnings in the periods in which earnings are impacted by the variability of the cash flows of the hedged item. The effect of adopting SFAS No. 133 was not material to the Company's financial position or results of operations.

The Company periodically enters into forward foreign currency contracts to reduce certain exposures relating to rate changes in foreign currency. 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 discussed below are estimated based on prices quoted by financial institutions for these instruments. The Company was a party to forward foreign currency contracts with notional amounts of $10.7 million and $2.0 million for August 25, 2001 and August 26, 2000, respectively.

FOREIGN CURRENCY TRANSLATION. Except for certain foreign subsidiaries whose functional currency is the United States 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 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 to semiconductor manufacturing companies throughout the world. 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 of the 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 certain 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 income in the period that includes the enactment date.

LONG-LIVED ASSETS. Long-lived assets and certain identifiable intangibles 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 which were determined to have no future use, of approximately $3.5 million, $5.9 million, and $2.0 million for 2001, 2000 and 1999, respectively. All impairment losses are included in the Company's cost of sales.

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. Comprehensive income 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 (loss). The effect of deferred taxes on other comprehensive income is not material.

RECENT ACCOUNTING PRONOUNCEMENTS. In July 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 141, *Business Combinations*, and SFAS No. 142, *Goodwill and Other Intangible Assets*. SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. SFAS No. 141 also specifies criteria intangible assets acquired in a purchase method business combination must meet to be recognized and reported apart from goodwill. SFAS No. 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually. 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 is required to adopt the provisions of SFAS No. 141 immediately and SFAS No. 142 becomes effective for fiscal years beginning after December 15, 2001. Goodwill and intangible assets acquired in business combinations completed before July 1, 2001 will continue to be amortized prior to the adoption of SFAS No. 142.

SFAS No. 141 will require upon adoption of SFAS No. 142, that the Company evaluate its existing intangible assets and goodwill that were acquired in prior purchase business combinations, and to make any necessary reclassifications in order to conform with the new criteria in SFAS No. 141 for recognition apart from goodwill. Upon adoption of SFAS No. 142, the Company will also be required to reassess the useful lives of all intangible assets acquired in purchase business combinations, and make any necessary amortization period adjustments. In addition, to the extent an intangible asset is identified as having an indefinite useful life, the Company will be required to test the intangible asset for impairment. Any impairment loss will be measured as of the date of adoption and recognized as the cumulative effect of a change in accounting principle.

In connection with the transitional goodwill impairment evaluation, SFAS No. 142 will require the Company to perform an assessment of whether there is an indication that goodwill is impaired as of the date of adoption. To accomplish this the Company must identify its reporting units and determine the fair value of each reporting unit and compare it to the reporting unit's carrying amount. If a reporting unit's carrying amount exceeds its fair value, an indication exists that the reporting unit's goodwill may be impaired and the Company must compare the implied fair value of the reporting unit's goodwill, determined by allocating the reporting unit's fair value to all of it assets and liabilities in a manner similar to a purchase price allocation in accordance with SFAS No. 141, to its carrying amount, both of which would be measured as of the date of adoption. Any transitional impairment loss will be recognized as the cumulative effect of a change in accounting principle in the Company's statement of operations.

As of the date of adoption, the Company expects to have unamortized goodwill in the amount of $20.3 million and unamortized identifiable intangible assets in the amount of $31.5 million. Amortization expense related to goodwill was $1.2 million, $0.7 million and none for 2001, 2000 and 1999, respectively. Because of the extensive effort needed to comply with adopting Statement No. 142, it is not practicable to reasonably estimate the impact of adopting this Statement on the Company's financial statements at the date of this report, including whether any transitional impairment losses will be required to be recognized as the cumulative effect of a change in accounting principle.

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, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of*, it retains many of the fundamental provisions of that Statement. SFAS No. 144 becomes effective for fiscal years beginning after December 15, 2001. The Company is evaluating SFAS No. 144 to determine the impact on its financial condition and results of operations.

CHANGE IN METHOD OF ACCOUNTING FOR INVENTORIES. Effective August 27, 2000, the Company changed its method of accounting for its domestic inventories from the last-in, first-out (LIFO) method to the first-in, first-out (FIFO) method. Management believes that the accounting change is preferable in the circumstances because the accounting change provides a better matching of costs and revenues in periods when the cost of goods and services are declining. In accordance with accounting principles generally accepted in the United States of America, the financial statements of prior periods have been restated to apply the new method retroactively. Accordingly, retained earnings at August 29, 1998 on the accompanying statement of shareholders' equity has been adjusted for the effect (net of income taxes) of applying retroactively the new method of accounting.

The effect of the accounting change on income and earnings per share are as follows:

Increase (Decrease)

Effect on	2001	2000	1999
Net income (loss)	$ (404)	$ 2,642	$ (236)
Basic earnings (loss) per common share	(0.01)	0.06	(0.01)
Diluted earnings (loss) per common share	(0.01)	0.06	(0.01)

2. ACQUISITIONS

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, Inc., which designs and manufactures patented ultrahigh 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 $20.1 million and $6.0 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 cash payments totaling $16.0 million. Identifiable intangible assets and goodwill of approximately $7.6 million and $2.5 million, respectively, were recorded in connection with the transactions.

The table at the top of the next page summarizes the estimated fair value of the assets acquired and liabilities assumed at the dates of acquisition. The Company is in the process of reviewing and finalizing third-party valuations of certain tangible and intangible assets.

(In thousands)	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	20,090	7,578	–
Goodwill	8,051	6,047	2,494	–
Other assets	38	–	507	–
Total assets acquired	11,067	28,090	19,003	6,235
Current liabilities	573	590	4,103	1,464
Long-term debt	119	–	184	3,481
Total liabilities	692	590	4,287	4,945
Net assets acquired	$ 10,375	$ 27,500	$ 14,716	$ 1,290

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.

	2001		2000	
(In thousands)	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 per share	0.56	0.53	(0.02)	(0.10)
Diluted earnings 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 the net assets acquired was $1.1 million and was allocated to goodwill. Results of operations are included in the consolidated financial statements subsequent to October 1999.

3. INVENTORIES

Inventories consist of the following:

(In thousands)	2001	2000
Raw materials	$ 15,167	$ 12,677
Work-in-process	1,451	3,280
Finished goods	29,971	25,794
Supplies	613	225
	$ 47,202	$ 41,976

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following:

(In thousands)	2001	2000	Estimated Useful Lives
Land	$ 10,112	$ 10,481	
Buildings and improvements	59,502	55,080	5 – 35
Manufacturing equipment	79,731	79,413	5 – 10
Molds	61,683	64,951	3 – 5
Office furniture and equipment	42,037	38,399	3 – 8
	253,065	248,324	
Less accumulated depreciation	143,934	140,591	
	$ 109,131	$ 107,733	

Depreciation expense was $22.0 million, $25.3 million and $27.8 million in 2001, 2000 and 1999, 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 in connection with the transaction described in Note 10 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. On August 25, 2001, the Company owned approximately 1.6 million shares of Metron with a market value of $11.0 million.

While under the equity method, the Company's investment in Metron was accounted for using a three-month lag due to Metron's May year end. Sales to Metron were $85.3 million, $81.9 million and $31.8 million in 2001, 2000 and 1999, respectively. Trade accounts receivable relating to these sales as of August 25, 2001 and August 26, 2000 were $6.1 million and $20.3 million, respectively.

A summary of assets and liabilities for Metron as of May 31, 2000 included current assets of $159.8 million, noncurrent assets of $21.6 million, current liabilities of $105.4 million, noncurrent liabilities of $3.5 million and shareholders' equity of $72.5 million. Metron's results of operations for the year ended May 31, 2000 included net sales of $337.6 million and net income of $7.8 million.

In November 1999, the Company sold 612,000 shares of its investment in Metron as part of an initial public offering, receiving proceeds of $7.4 million, while recognizing a gain of $5.5 million. The Company's ownership percentage decreased to 20.3% as a result of the public offering and subsequent share issuances for exercised stock options by Metron. The value of the Company's investment increased as a result of the initial public offering and was reflected as an increase to retained earnings of $5.0 million.

In 1999, Entegris' ownership percentage in Metron was reduced from 37.5% to 32.8% due to the dilution of ownership resulting from an acquisition by Metron. The Company recorded this $0.6 million reduction in its investment through retained earnings.

6. ACCRUED LIABILITIES

Accrued liabilities consist of the following:

(In thousands)	2001	2000
Payroll and related benefits	$ 12,515	$ 15,678
Insurance	2,475	1,850
Taxes, other than income taxes	1,215	1,647
Pension	2,159	2,532
Interest	44	42
Donations	1,711	2,244
Accruals related to nonrecurring charges	3,559	–
Warranty and related	3,350	3,624
Other	6,602	2,939
	$ 33,630	$ 30,556

7. LONG-TERM DEBT

Long-term debt consists of the following:

(In thousands)	2001	2000
Stock redemption notes payable in various installments along with monthly interest of 6%, 8% and 9% through December 2010	$ 4,427	$ 4,802
Commercial loans payable on a monthly basis in principal installments of $56, with interest ranging from 1.68% to 3.15% and various maturities through September 2015	3,250	3,722
Commercial loan payable on a semiannual basis in principal installments of $215 and interest ranging from 4.5% to 6.0% and various maturities through December 2007	2,122	2,522
Small Business Administration loans payable on a monthly basis in principal installments of $15 and interest ranging from 5.7% to 7.3% and various maturities through October 2020	2,963	–
Commercial loan secured by equipment payable on a monthly basis in principal installments of $21 and interest ranging from 8.0% to 22.7% and various maturities through December 2005	970	–
Industrial Revenue Bonds payable semiannually with principal installments of $50 through October 2012, and variable interest ranging from 2.35% to 5.90%	1,250	1,350
Other	357	254
Total	15,339	12,650
Less current maturities	2,238	1,828
	$ 13,101	$ 10,822

Annual maturities of long-term debt as of August 25, 2001, are as follows:

Fiscal Years Ending	
2002	$ 2,238
2003	2,108
2004	1,888
2005	1,671
2006	1,333
Thereafter	6,101
	$ 15,339

During fiscal 2000, the Company signed new debt agreements which replaced the unsecured senior notes payable and the unsecured reducing revolving commitments. These new agreements contain substantially identical terms as the former agreements. The new 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 ($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."

8. SHORT-TERM BANK BORROWINGS

The Company has a revolving commitment with two commercial banks for aggregate borrowings of $30 million with interest at the LIBOR rate (3.6% at August 25, 2001), plus 1.4%. There was no balance outstanding under this commitment at either August 25, 2001 or August 26, 2000.

The Company has entered into line of credit agreements with six international commercial banks, which provide for aggregate borrowings of 1 million Deutsche marks, 2.5 million Malaysia ringgits and 1,008 million Japanese yen for its foreign subsidiaries, which is equivalent to $9.5 million as of August 25, 2001. Interest rates for these facilities are based on a factor of the banks' reference rates and ranged from 1.375% to 8.0% during 2001. Borrowings outstanding under these line of credit agreements at August 25, 2001 and August 26, 2000, were $3.8 million and $8.3 million, respectively.

The Company also owed $5.0 million in other short-term bank borrowings not subject to formal credit agreements.

9. LEASE COMMITMENTS

As of August 25, 2001, the Company was obligated under noncancellable operating lease agreements for certain equipment and buildings. Future minimum lease payments for noncancellable operating leases with initial or remaining terms in excess of one year are as follows:

Fiscal Years Ending	*(In thousands)*
2002	$ 2,753
2003	1,990
2004	1,589
2005	1,148
2006	662
Thereafter	2,809
Total minimum lease payments	10,951
Less minimum sublease rentals	210
	$ 10,741

Total rental expense for all equipment and building operating leases was $4.0 million, $4.9 million and $6.1 million in 2001, 2000 and 1999, respectively. See Note 20 for related party leases.

10. NONRECURRING CHARGES

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, 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. As of August 25, 2001, future cash outflows of $2.2 million remained outstanding, mainly related to the lease commitments.

11. INTEREST (INCOME) EXPENSE, NET

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

(In thousands)	2001	2000	1999
Interest expense	$ 1,505	$ 4,614	$ 6,441
Interest income	5,982	2,192	943
Interest (income) expense, net	$ (4,477)	$ 2,422	$ 5,498

12. OTHER INCOME, NET

Other income, net consists the following:

(In thousands)	2001	2000	1999
Gain (loss) on sale of property and equipment	$ 146	$ (803)	$ (543)
Gain on sale of investment in affiliate	–	5,468	–
Gain (loss) on foreign currency translation	(40)	438	1,121
Other, net	1,027	(158)	1,272
	$ 1,133	$ 4,945	$ 1,850

13. INCOME TAXES

Income before income taxes was derived from the following sources:

(In thousands)	2001	2000	1999
Domestic	$ 45,719	$ 61,439	$ 7,972
Foreign	14,391	13,192	3,705
	$ 60,110	$ 74,631	$ 11,677

Income tax expense (benefit) is summarized as follows:

(In thousands)	2001	2000	1999
Current			
Federal	$ 16,395	$ 20,462	$ 2,917
State	2,309	3,487	512
Foreign	4,247	2,275	1,343
	22,951	26,224	4,772
Deferred			
Federal	(1,500)	414	(264)
State	(112)	116	16
	(1,612)	530	(248)
	$ 21,339	$ 26,754	$ 4,524

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

	2001	2000	1999
Expected federal income tax at statutory rate	35.0%	35.0%	35.0%
State income taxes, net of federal tax effect	2.5	3.1	2.8
Effect of foreign source income	0.1	(0.7)	6.3
Foreign sales corporation income not subject to tax	(1.9)	(1.4)	(6.2)
Research tax credit	(0.6)	(0.4)	(3.1)
Other items, net	0.4	0.2	3.9
	35.5%	35.8%	38.7%

On August 25, 2001, there were approximately $3.2 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 year ended August 25, 2001, $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 25, 2001 and August 26, 2000 are as follows:

(In thousands)	2001	2000
Deferred tax assets		
Allowance for doubtful accounts	$ 1,171	$ 1,155
Inventory items	3,519	2,698
Accruals not currently deductible for tax purposes	4,958	3,786
Other, net	1,287	1,117
Total deferred tax assets	10,935	8,756
Deferred tax liabilities		
Accelerated depreciation	5,376	6,882
Other, net	5,510	2,119
Total deferred tax liabilities	10,886	9(001
Net deferred tax assets (liabilities)	$ 49	$ 245)

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. Based upon the level of historical taxable income and projections for future taxable income over the periods during which deferred tax assets are deductible, the Company believes it is more likely than not that the benefit of these deductible differences will be realized.

14. 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 to be effective prior to the Company's initial public offering. 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). In August 1985 and August 1989, the ESOT purchased 27,790,156 shares of common stock of the Company from a shareholder. The ESOT borrowed funds, guaranteed by the Company, for $4.8 million and obtained additional contributions to fund these purchases.

Employer contributions to the ESOT are determined from time to time by the board of directors at its discretion, and are made without regard to the profits of the Company. Contributions shall not exceed the amount allowable by the Internal Revenue Code. No contributions were made to the ESOT for 2001, 2000 or 1999. Employer contributions are allocated to separate accounts maintained for each participant in the proportion that the total qualified compensation of each participant bears to the total qualified compensation for all participants. Each participant's account is adjusted, at least annually, to reflect investment gains or losses.

ESOT shares totaled 14,422,366 and 17,910,514 as of August 25, 2001 and August 26, 2000, 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. The fair value of shares was estimated by an independent appraiser to be $6.25 as of August 28, 1999.

On August 20, 1998, the board of directors approved a change to the distribution procedures, whereby a corporate bylaw restriction was eliminated. The impact of this restriction elimination allowed participants (beneficiaries and alternate payees) to receive their distribution in Company stock. This change was effective for distributions based on the August 29, 1998 valuation. Subsequent to the Company's initial public offering, all distributions will be in the form of Company stock.

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 1999 Plan and the Directors' Plan (the Plans) replaced similar plans in effect prior to the business combination described in Note 1. The maximum aggregate number of shares that may be granted under the plans is 11,732,982 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.

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

	2001		2000		1999	
(Shares in thousands)	Number of Shares	Option Price	Number of Shares	Option Price	Number of Shares	Option Price
Options outstanding, beginning of year	7,307	$ 3.78	5,899	$ 2.72	6,010	$ 2.72
Granted	1,454	9.17	1,772	7.27	–	–
Exercised	(1,228)	2.46	(106)	2.51	–	–
Canceled	(465)	6.58	(258)	4.21	(111)	2.57
Options outstanding, end of year	7,068	$ 4.94	7,307	$ 3.78	5,899	$ 2.72
Options exercisable, end of year	4,683	$ 3.57	4,618	$ 2.70	3,855	$ 2.54
Options available for grant, end of year	4,332		2,587		4,101	

Options outstanding for the 1999 Plan and the Directors' Plan at August 25, 2001 are summarized as follows:

	Options Outstanding			Options Exercisable	
(Shares in thousands)	Number Outstanding	Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
$ 0.96 to $ 1.50	761	4.5 years	$ 1.31	761	$ 1.31
$ 3.15	3,654	6.4 years	3.15	3,163	3.15
$ 4.22 to $ 8.38	1,323	8.7 years	6.19	340	4.22
$ 9.13 to $ 13.01	1,329	8.8 years	10.68	419	10.39

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

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

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

(In thousands, except per share data)	2001	2000	1999
Net income, as reported	$ 38,616	$ 47,933	$ 5,965
Pro forma net income	33,788	45,705	4,839
Basic net earnings (loss) per share, as reported	0.56	(0.02)	(2.53)
Pro forma basic net earnings (loss) per share	0.49	(0.07)	(2.56)
Diluted net earnings (loss) per share, as reported	0.53	(0.02)	(2.53)
Pro forma diluted net earnings (loss) per share	0.46	(0.07)	(2.56)

The weighted average fair value of options granted during 2001 and 2000 with exercise prices equal to the market price at the date of grant was $7.40 and $6.95 per share, respectively. No options were granted in 1999.

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 25, 2001, 255,107 shares had been issued under the ESPP Plan at a weighted-average price of $6.36.

15. 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. Total pension costs for 2001, 2000 and 1999 related to this plan were $1.6 million, $1.6 million and $2.0 million, respectively.

The Company maintains 401(k) employee savings plans (the Plans) that qualify as deferred salary arrangements 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. Effective January 1, 2000, 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 employees' 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 $3.3 million, $2.4 million and $1.8 million in 2001, 2000 and 1999, respectively.

16. 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 and 1999 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:

(In thousands)	2001	2000	1999
Denominator			
Basic earnings (loss) per share – Weighted common shares outstanding	68,747	43,609	36,708
Weighted common shares assumed upon exercise of options	4,248	–	–
Denominator for diluted earnings (loss) per share	72,995	43,609	36,708

17. SEGMENT INFORMATION

The Company operates in one segment as it designs, develops, manufactures, markets and sells material management and handling products predominantly within the semiconductor 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 long-lived assets attributed to significant countries for 2001, 2000 and 1999, respectively:

(In thousands)	2001	2000	1999
Net sales			
United States	$ 249,455	$ 252,172	$ 176,345
Japan	45,749	32,659	20,337
Germany	27,735	32,325	26,278
Malaysia	15,057	19,094	12,100
Korea	3,853	3,862	2,443
Singapore	595	3,353	4,449
	$ 342,444	$ 343,465	$ 241,952
Long-lived assets			
United States	$ 78,339	$ 71,626	$ 84,271
Japan	9,767	10,297	7,100
Germany	5,517	5,625	6,484
Malaysia	14,562	15,466	12,955
Taiwan	82	—	—
Korea	575	4,719	5,131
Singapore	289	—	1,683
	$ 109,131	$ 107,733	$ 117,624

Net sales from external customers attributable to the United States amounted to $170.9 million, $179.8 million and $126.0 million in 2001, 2000 and 1999, respectively. Net sales from external customers attributable to countries other than the United States amounted to $171.5 million, $163.7 million and $116.0 million in 2001, 2000 and 1999, respectively. In 2001, 2000 and 1999, no single nonaffiliated customer accounted for 10% or more of net sales.

18. SUPPLEMENTARY CASH FLOW INFORMATION

Schedule of interest and income taxes paid:

(In thousands)	2001	2000	1999
Interest	$ 1,503	$ 5,142	$ 6,633
Income taxes, net of funds received	28,460	30,884	(3,052)

19. 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 $15.8 million at August 25, 2001.

20. RELATED-PARTY TRANSACTIONS

LEASES. The Company leases office space and production facilities under operating leases from a major shareholder's trust or from entities related to this shareholder. These leases, which expire through the year 2004, may be adjusted periodically based on a percentage of the increase in the consumer price index. The Company is required to pay for all real estate taxes, utilities and other operating expenses. Rent paid relating to these agreements totaled $0.6 million, $0.8 million and $1.2 million for 2001, 2000 and 1999, respectively. 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, $0.6 million and $0.3 million in 2001, 2000 and 1999, respectively. In connection with Emplast's purchase of the facility in 2001, the Company paid Emplast $0.3 million to terminate the lease. As of August 25, 2001 and August 26, 2000, Emplast owed the Company $40 thousand and $0.8 million, respectively, which are included in other current assets in the accompanying consolidated balance sheets.

NOTES RECEIVABLE. As of August 25, 2001, the Company has a $0.8 million note receivable from a major stockholder trust which bears interest at 8.0% per year.

DEBT GUARANTEES. The Company guarantees a loan of a former officer and a major shareholder related to the Company's leased facility in Castle Rock, Colorado. This guarantee totaled $1.4 million and $1.5 million on August 25, 2001 and August 26, 2000, respectively.

SALES TO MINORITY SHAREHOLDER. The Company sells products to Marubeni under normal business terms. Sales to Marubeni were $17.4 million, $16.2 million and $12.0 million in 2001, 2000 and 1999, respectively. On August 25, 2001 and August 26, 2000, the Company had a receivable from Marubeni totaling $1.0 million and $2.5 million, respectively, due under normal trade terms. In addition, 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.

21. QUARTERLY INFORMATION–UNAUDITED

(In thousands, except per share data)	Quarter First	Quarter Second	Quarter Third	Quarter Fourth	Year
Fiscal 2000					
Net sales	$ 71,816	$ 84,846	$ 90,991	$ 95,812	$ 343,465
Gross profit	31,681	38,158	43,681	46,922	160,442
Income before extraordinary loss	12,054	10,330	12,014	14,684	49,082
Extraordinary loss	–	–	–	(1,149)	(1,149)
Net income	12,054	10,330	12,014	13,535	47,933
Basic earnings (loss) per nonredeemable common share					
Income before extraordinary loss	(0.56)	(0.60)	0.79	0.23	0.01
Extraordinary loss	—	—	—	(0.02)	(0.03)
Net income	(0.56)	(0.60)	0.79	0.21	(0.02)
Diluted earnings (loss) per nonredeemable common share					
Income before extraordinary loss	(0.56)	(0.60)	0.19	0.22	0.01
Extraordinary loss	—	—	—	(0.02)	(0.03)
Net income	(0.56)	(0.60)	0.19	0.20	(0.02)

(In thousands, except per share data)	Quarter First	Quarter Second	Quarter Third	Quarter Fourth	Year
Fiscal 2001					
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	0.19	0.12	(0.02)	0.53

REPORT OF INDEPENDENT AUDITORS

The Board of Directors

Entegris, Inc.

We have audited the accompanying consolidated balance sheets of Entegris, Inc. and subsidiaries as of August 25, 2001, and August 26, 2000 and the related consolidated statements of operations, shareholders' equity and cash flows for each of the years in the three-year period ended August 25, 2001. 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 25, 2001, and August 26, 2000, and the results of their operations and their cash flows for each of the years in the three-year period ended August 25, 2001 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the Company changed its method of accounting for domestic inventories in 2001.

KPMG LLP

KPMG LLP

Minneapolis, Minnesota
October 5, 2001

SELECTED HISTORICAL FINANCIAL DATA *(Fiscal year ended*)*

(In thousands, except per share amounts)	1996	1997	1998	1999	2000	2001
Operating Results**						
Net sales	$271,037	$277,290	$266,591	$241,952	$343,465	$342,444
Gross profit	122,304	119,238	109,734	94,230	160,442	162,670
Selling, general and administrative expenses	62,390	62,384	65,111	59,440	73,293	78,510
Engineering, research and development expenses	12,447	17,986	19,912	14,565	15,041	16,517
Operating profit	47,467	38,868	24,711	20,225	72,108	67,643
Income before income taxes and other items below	44,281	30,015	17,989	16,577	69,163	73,254
Income tax expense	16,226	11,976	4,565	6,337	24,754	27,934
Equity in net (income) loss of affiliates	(3,252)	(1,750)	118	1,587	(1,694)	(1,488)
Minority interest in subsidiaries' net income (loss)	2,898	573	176	(399)	489	1,643
Net income before extraordinary item	28,409	19,216	13,130	9,052	45,614	45,165
Extraordinary loss on extinguishment of debt, net of taxes	–	–	–	–	(1,149)	–
Net income excluding one-time items	$ 28,409	$ 19,216	$ 13,130	$ 9,052	$ 44,465	$ 45,165
Earnings per share data						
Pro forma earnings (loss) per share outstanding – diluted	$ 0.45	$ 0.31	$ 0.21	$ 0.15	$ 0.68	$ 0.62
Weighted shares outstanding – diluted	63,500	61,786	61,492	62,220	65,403	72,995
Operating Ratios**						
Gross profit	45.1%	43.0%	41.2%	38.9%	46.7%	47.5%
Selling, general and administrative expenses	23.0	22.5	24.4	24.6	21.3	22.9
Engineering, research and development expenses	4.6	6.5	7.5	6.0	4.4	4.8
Operating profit	17.5	14.0	9.3	8.4	21.0	19.8
Income before income taxes and other items below	16.3	10.8	6.7	6.9	20.1	21.4
Effective tax rate	36.6	39.9	25.4	38.7	35.8	35.5
Net income before extraordinary item	10.5	6.9	4.9	3.7	13.3	13.2
Net income	10.5	6.9	4.9	3.7	12.9	13.2
Cash Flow Statement Data						
Depreciation and amortization	$ 18,122	$ 23,395	$ 26,591	$ 28,810	$ 27,246	$ 24,260
Capital expenditure	52,531	44,928	33,512	10,079	21,376	24,331
Net cash provided by operating activity	27,590	28,491	45,909	43,409	64,129	79,958
Balance Sheet Data						
Current assets	$101,271	$122,761	$ 101,155	$ 110,279	$ 221,414	$ 220,037
Current liabilities	56,352	69,006	56,567	58,372	62,544	61,253
Working capital	44,919	53,755	44,588	51,907	158,870	158,784
Current ratio	1.80	1.78	1.79	1.89	3.54	3.59
Long-term debt	61,916	75,971	73,242	53,830	10,822	13,101
Shareholders' equity	83,185	112,146	121,210	127,730	266,844	312,307
Debt to equity ratio	74.4%	67.7%	60.4%	42.1%	4.1%	4.2%
Return on shareholder equity	38.0%	19.7%	11.3%	7.3%	22.5%	15.6%
Book value per share	1.42	1.85	2.0	2.13	3.91	4.48
Shares outstanding at year-end	58,539	60,774	60,553	60,000	68,317	69,730

**Each fiscal year ended on the last Saturday in August.*

***Operating results in fiscal 2001 exclude two nonrecurring charges: a one-time charge of $8.2 million related to the early termination of a distribution agreement for the Microelectronics Group and $4.9 million charge in connection with its decision to close its Castle Rock, Colorado and Munmak, Korea facilities.*

Fiscal year 2000 results include a extraordinary loss of $1.8 million pretax ($1.1 million after taxes) in connection with repayment of $42 million of long-term debt and capital lease obligations.

Fiscal year 2000 results exclude 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 year 1999 results exclude a charge of $4.9 million ($3.1 million after taxes) associated with merger-related expenses.

STOCKHOLDERS' 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, 2001, there were 69,741,714 million 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 25, 2001 included a high of $15.60 and low of $6.38.

The chart on the right shows the intra-day high and low sales 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 22, 2002 – 3:30 p.m. (Central Standard Time)
Lutheran Brotherhood
625 Fourth Avenue South
Minneapolis, Minnesota 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

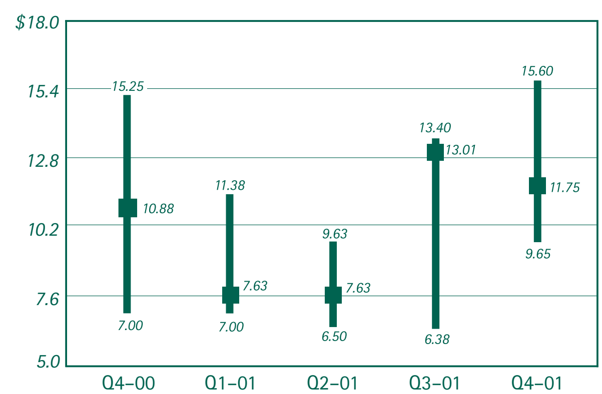
Heide K. Erickson, Director, Investor Relations
Tel. 952-556-8051

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, Minnesota 55318 USA
Internet	*www.entegris.com*
E-mail	irelations@entegris.com
Tel.	952-556-8080
Fax	952-556-8644

STOCK PRICE HISTORY BY FISCAL QUARTER



CORPORATE INFORMATION

CORPORATE HEADQUARTERS

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KPMG LLP
Minneapolis, Minnesota

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President and Chief Executive Officer

John B. Goodman
Executive Vice President and Chief Technology Officer

Guy L. Milliren
Executive Vice President and Chief Information Officer

Robert A. Nelson
Vice President of Human Resources

Frank D. Sidell II
President, Fluid Handling Group

John D. Villas
Executive Vice President and Chief Financial Officer

Michael W. Wright
President, Microelectronics Group

BOARD OF DIRECTORS

Stan Geyer
Chairman of the Board, Entegris, Inc.

Daniel R. Quernemoen
Chairman Emeritus
Chairman of the Board, Entegris, Inc. (Retired)

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 Compensation Committee

Mark A. Bongard
Chief Executive Officer, Emplast, Inc.

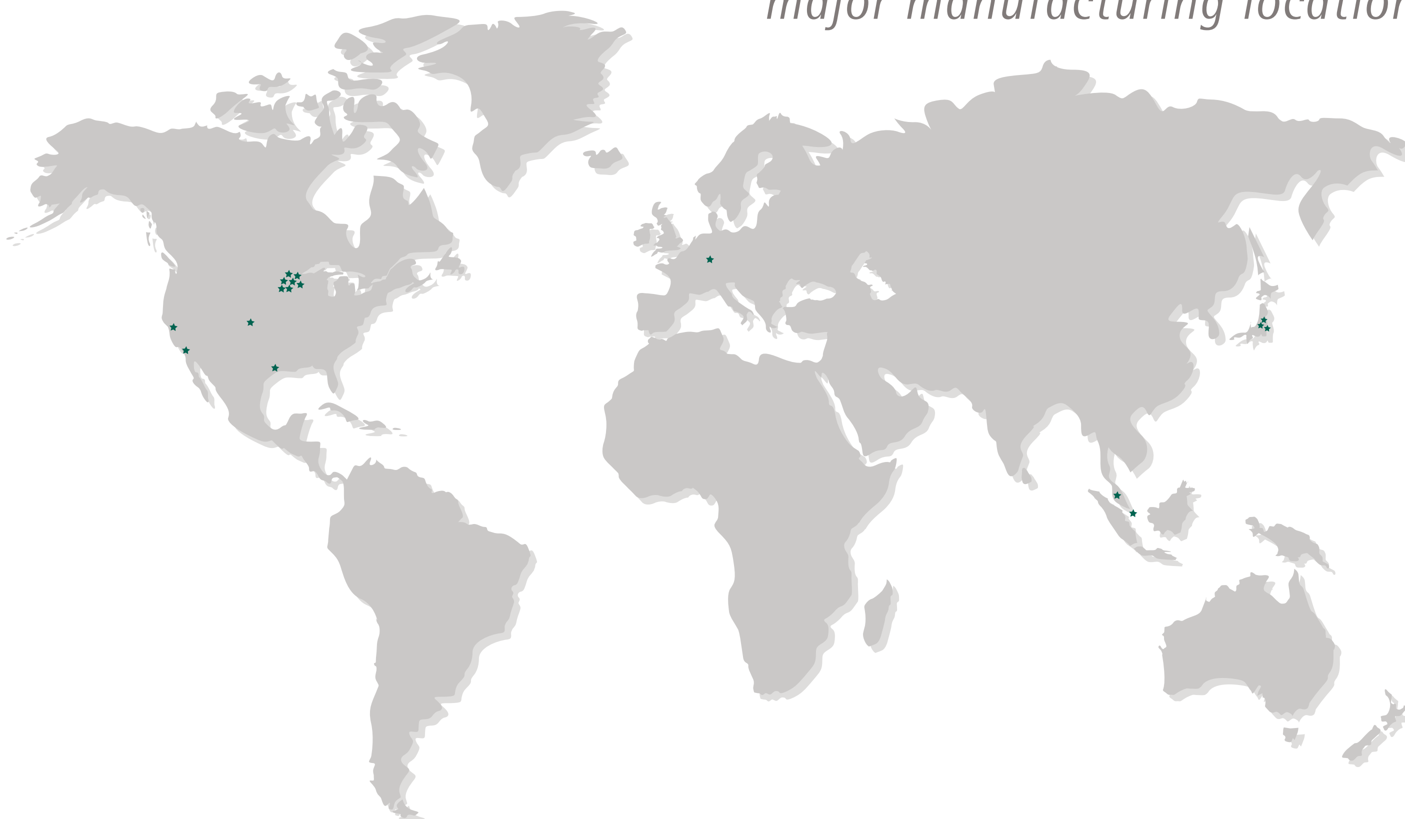
James E. Dauwalter
President and Chief Executive Officer, Entegris, Inc.

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)
Audit Committee
Compensation and Stock Compensation Committee

Roger D. McDaniel
Chief Executive Officer, MEMC (Retired)
Chairman, Compensation and
Stock Compensation Committee

major manufacturing locations



united states

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