

ENTEGRIS INC
Form 10-Q
April 22, 2011
Table of Contents

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

FORM 10-Q

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

For the quarterly period ended April 2, 2011

OR

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

For the transition period from _____ to _____

Commission file number: 000-30789

Entegris, Inc.

(Exact name of registrant as specified in its charter)

Edgar Filing: ENTEGRIS INC - Form 10-Q

Delaware
(State or other jurisdiction of
incorporation or organization)

41-1941551
(I.R.S. Employer
Identification No.)

129 Concord Road, Billerica, Massachusetts
(Address of principal executive offices)

01821
(Zip Code)

(978) 436-6500

(Registrant's telephone number, including area code)

[None]

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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

Class	Outstanding at April 19, 2011
Common Stock, \$0.01 par value per share	134,347,103_shares

Table of Contents

ENTEGRIS, INC. AND SUBSIDIARIES

FORM 10-Q

TABLE OF CONTENTS

FOR THE QUARTER ENDED APRIL 2, 2011

	Description	Page
<u>PART I</u>		
Item 1.	<u>Unaudited Condensed Consolidated Financial Statements</u>	
	<u>Condensed Consolidated Balance Sheets as of April 2, 2011 and December 31, 2010</u>	3
	<u>Condensed Consolidated Statements of Operations for the Three Months Ended April 2, 2011 and April 3, 2010</u>	4
	<u>Condensed Consolidated Statements of Equity and Comprehensive Income for the Three Months Ended April 2, 2011 and April 3, 2010</u>	5
	<u>Condensed Consolidated Statements of Cash Flows for the Three Months Ended April 2, 2011 and April 3, 2010</u>	6
	<u>Notes to Condensed Consolidated Financial Statements</u>	7
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	11
Item 3.	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	20
Item 4.	<u>Controls and Procedures</u>	20
<u>PART II</u>		
	<u>Other Information</u>	
Item 1.	<u>Legal Proceedings</u>	21
Item 1A.	<u>Risk Factors</u>	21
Item 6.	<u>Exhibits</u>	22

Table of Contents

Item 1. Financial Statements

ENTEGRIS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

<i>(In thousands, except share data)</i>	April 2, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 142,578	\$ 133,954
Trade accounts and notes receivable, net of allowance for doubtful accounts of \$994 and \$1,121	135,843	124,732
Inventories	100,447	101,043
Deferred tax assets, deferred tax charges and refundable income taxes	11,640	11,484
Assets held for sale	8,265	8,182
Other current assets	7,598	7,696
Total current assets	406,371	387,091
Property, plant and equipment, net of accumulated depreciation of \$224,553 and \$219,721	126,231	126,725
Other assets:		
Investments	7,453	7,017
Intangible assets, net	62,540	65,087
Deferred tax assets and other noncurrent tax assets	10,569	10,855
Other	4,346	4,610
Total assets	\$ 617,510	\$ 601,385
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	39,969	34,631
Accrued payroll and related benefits	18,787	41,392
Other accrued liabilities	19,424	18,111
Deferred tax liabilities and income taxes payable	10,130	13,500
Total current liabilities	88,310	107,634
Pension benefit obligations and other liabilities	24,276	24,761
Deferred tax liabilities and other noncurrent tax liabilities	5,219	4,977
Commitments and contingent liabilities		
Equity:		
Preferred stock, par value \$.01; 5,000,000 shares authorized; none issued and outstanding as of April 2, 2011 and December 31, 2010		
Common stock, par value \$.01; 400,000,000 shares authorized; issued and outstanding shares: 134,327,603 and 132,900,904	1,343	1,329
Additional paid-in capital	770,816	765,867
Retained deficit	(320,437)	(349,612)
Accumulated other comprehensive income	42,969	42,035

Edgar Filing: ENTEGRIS INC - Form 10-Q

Total Entegris, Inc. shareholders equity	494,691	459,619
Noncontrolling interest	5,014	4,394
Total equity	499,705	464,013
Total liabilities and equity	\$ 617,510	\$ 601,385

See the accompanying notes to condensed consolidated financial statements.

Table of Contents**ENTEGRIS, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(Unaudited)

<i>(In thousands, except per share data)</i>	Three months ended	
	April 2, 2011	April 3, 2010
Net sales	\$ 203,125	\$ 160,511
Cost of sales	114,780	87,360
Gross profit	88,345	73,151
Selling, general and administrative expenses	35,790	35,782
Engineering, research and development expenses	12,532	10,820
Amortization of intangible assets	2,689	4,272
Operating income	37,334	22,277
Interest expense, net	153	1,206
Other income, net	(428)	(293)
Income before income taxes and equity in affiliates	37,609	21,364
Income tax expense	8,273	4,809
Equity in net earnings of affiliates	(239)	(191)
Net income	29,575	16,746
Less net income attributable to noncontrolling interest	400	196
Net income attributable to Entegris, Inc.	\$ 29,175	\$ 16,550
Amounts attributable to Entegris, Inc.:		
Basic net income per common share:	\$ 0.22	\$ 0.13
Diluted net income per common share:	\$ 0.22	\$ 0.12
Weighted shares outstanding:		
Basic	133,699	130,954
Diluted	135,444	132,783

See the accompanying notes to condensed consolidated financial statements.

Table of Contents**ENTEGRIS, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF EQUITY AND COMPREHENSIVE INCOME****(Unaudited)**

<i>(In thousands)</i>	Common shares outstanding	Common stock	Additional paid-in capital	Retained deficit	Accumulated other comprehensive income	Noncontrolling interest	Total	Entegris, Inc. comprehensive income	Noncontrolling interest s comprehensive income
Balance at December 31, 2009	130,043	\$ 1,300	\$ 751,360	\$ (433,968)	\$ 27,500	\$ 3,465	\$ 349,657		
Shares issued under stock plans	1,259	13	769				782		
Share-based compensation expense			1,794				1,794		
Other, net of tax					94		94	\$ 94	\$
Foreign currency translation					549	(68)	481	549	(68)
Net income				16,550		196	16,746	16,550	196
Total comprehensive income								\$ 17,193	\$ 128
Balance at April 3, 2010	131,302	\$ 1,313	\$ 753,923	\$ (417,418)	\$ 28,143	\$ 3,593	\$ 369,554		

<i>(In thousands)</i>	Common shares outstanding	Common stock	Additional paid-in capital	Retained deficit	Accumulated other comprehensive income	Noncontrolling interest	Total	Entegris, Inc. comprehensive income	Noncontrolling interest s comprehensive income
Balance at December 31, 2010	132,901	\$ 1,329	\$ 765,867	\$ (349,612)	\$ 42,035	\$ 4,394	\$ 464,013		
Shares issued under stock plans	1,427	14	2,913				2,927		
Share-based compensation expense			1,922				1,922		
Tax benefit associated with stock plans			114				114		
Other, net of tax					78		78	\$ 78	\$
Foreign currency translation					856	220	1,076	856	220
Net income				29,175		400	29,575	29,175	400
Total comprehensive income								\$ 30,109	\$ 620
Balance at April 2, 2011	134,328	\$ 1,343	\$ 770,816	\$ (320,437)	\$ 42,969	\$ 5,014	\$ 499,705		

See the accompanying notes to condensed consolidated financial statements.

Table of Contents

ENTEGRIS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

<i>(In thousands)</i>	Three months ended	
	April 2, 2011	April 3, 2010
Operating activities:		
Net income	\$ 29,575	\$ 16,746
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	6,819	6,724
Amortization	2,689	4,272
Share-based compensation expense	1,922	1,794
Other	303	(2,336)
Changes in operating assets and liabilities:		
Trade accounts receivable and notes receivable	(10,130)	(12,612)
Inventories	724	(5,035)
Accounts payable and accrued liabilities	(15,585)	13,076
Other current assets	132	(773)
Income taxes payable and refundable income taxes	(3,559)	5,358
Other	(1,763)	809
Net cash provided by operating activities	11,127	28,023
Investing activities:		
Acquisition of property and equipment	(6,744)	(3,603)
Other	(510)	26
Net cash used in investing activities	(7,254)	(3,577)
Financing activities:		
Principal payments on short-term borrowings and long-term debt		(133,715)
Proceeds from short-term borrowings and long-term debt		113,288
Issuance of common stock	2,927	782
Other	114	
Net cash provided by (used in) financing activities	3,041	(19,645)
Effect of exchange rate changes on cash and cash equivalents	1,710	(248)
Increase in cash and cash equivalents	8,624	4,553
Cash and cash equivalents at beginning of period	133,954	68,700
Cash and cash equivalents at end of period	\$ 142,578	\$ 73,253

See the accompanying notes to condensed consolidated financial statements.

Table of Contents

ENTEGRIS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Entegris is a leading provider of a wide range of products for purifying, protecting and transporting critical materials used in processing and manufacturing in the semiconductor and other high-technology industries. The condensed consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. Intercompany profits, transactions and balances have been eliminated in consolidation.

The preparation of condensed consolidated 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, particularly receivables, inventories, property, plant and equipment, and intangibles, accrued expenses and income taxes and related accounts, and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

In the opinion of the Company, the accompanying unaudited condensed consolidated financial statements contain all adjustments necessary to present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position as of April 2, 2011 and December 31, 2010, the results of operations for the three months ended April 2, 2011 and April 3, 2010, and equity and comprehensive income, and cash flows for the three months ended April 2, 2011 and April 3, 2010.

The condensed consolidated financial statements and notes are presented as permitted by Form 10-Q and do not contain certain information included in the Company's annual consolidated financial statements and notes. The information included in this Form 10-Q should be read in conjunction with Management's Discussion and Analysis and consolidated financial statements and notes thereto included in the Company's Form 10-K for the year ended December 31, 2010. The results of operations for the three months ended April 2, 2011 are not necessarily indicative of the results to be expected for the full year.

Fair Value of Financial Instruments The carrying value of cash equivalents, accounts receivable and accounts payable approximates fair value due to the short maturity of those instruments.

Recent Accounting Pronouncements

In October 2009, the FASB issued Accounting Standards Update (ASU) No. 2009-13, *Revenue Recognition* (Accounting Standards Codification (ASC) Topic 605) - *Multiple-Deliverable Revenue Arrangements, a consensus of the FASB Emerging Issues Task Force*. This guidance modifies the fair value requirements of ASC subtopic 605-25 *Revenue Recognition-Multiple Element Arrangements* by allowing the use of the best estimate of selling price for determining the selling price of a deliverable. A vendor is now required to use its best estimate of the selling price when vendor specific objective evidence or third-party evidence of the selling price cannot be determined. In addition, the residual method of allocating arrangement consideration is no longer permitted. This guidance was effective for the Company in 2011 and did not have a material effect on the Company's condensed consolidated financial statements.

Other Accounting Standards Updates issued not effective for the Company until after April 2, 2011 are not expected to have a material effect on the Company's condensed consolidated financial statements.

Table of Contents**2. INVENTORIES**

Inventories consist of the following:

<i>(In thousands)</i>	April 2, 2011	December 31, 2010
Raw materials	\$ 27,888	\$ 26,576
Work-in process	15,311	13,352
Finished goods ^(a)	56,489	60,453
Supplies	759	662
Total inventories	\$ 100,447	\$ 101,043

(a) Includes consignment inventories held by customers for \$5,590 and \$5,057 at April 2, 2011 and December 31, 2010, respectively.

3. INTANGIBLE ASSETS

Identifiable intangible assets, net of amortization, of \$62.5 million as of April 2, 2011 are being amortized over useful lives ranging from 3 to 15 years and are as follows:

<i>(In thousands)</i>	As of April 2, 2011		
	Gross carrying amount	Accumulated amortization	Net carrying value
Patents	\$ 19,089	\$ 17,730	\$ 1,359
Developed technology	74,988	54,232	20,756
Trademarks and trade names	17,345	9,404	7,941
Customer relationships	56,687	24,462	32,225
Other	3,211	2,952	259
	\$ 171,320	\$ 108,780	\$ 62,540

<i>(In thousands)</i>	As of December 31, 2010		
	Gross carrying amount	Accumulated amortization	Net carrying value
Patents	\$ 19,050	\$ 17,588	\$ 1,462
Developed technology	74,988	53,348	21,640
Trademarks and trade names	17,287	9,112	8,175
Customer relationships	56,647	23,135	33,512
Other	5,977	5,679	298
	\$ 173,949	\$ 108,862	\$ 65,087

Aggregate amortization expense for the three months ended April 2, 2011 amounted to \$2.7 million. Estimated amortization expense for calendar years 2011 to 2015 and thereafter is approximately \$10.0 million, \$9.4 million, \$8.8 million, \$7.7 million, \$5.6 million, and \$23.7 million, respectively.

4. INCOME TAXES

Edgar Filing: ENTEGRIS INC - Form 10-Q

The Company recorded income tax expense of \$8.3 million in the three months ended April 2, 2011 compared to income tax expense of \$4.8 million in the three months ended April 3, 2010. The effective tax rate was 22.0% in the 2011 period, compared to 22.5% in the 2010 period.

In 2011, the Company's effective tax rate was lower than U.S. statutory rates mainly due to the \$3.6 million decrease in the Company's U.S. deferred tax asset valuation allowance. Management concluded the Company will realize certain deferred tax assets related to current taxes payable and has thus released the allowance for a portion of U.S. deferred tax assets. The effective tax rate also benefitted from the Company's tax holiday in

Table of Contents

Malaysia whereby, as a result of employment commitments, research and development expenditures and capital investments made by the Company, income from certain manufacturing activities in Malaysia is exempt from income taxes. The effective tax rate is also affected by lower tax rates in certain of the Company's taxable jurisdictions.

In 2010, the Company's effective tax rate was also lower than U.S. statutory rates mainly due to the \$2.8 million decrease in the Company's U.S. deferred tax asset valuation allowance. Management concluded the Company will realize certain deferred tax assets related to current taxes payable and has thus released the allowance for a portion of U.S. deferred tax assets. The effective tax rate also benefitted from the Company's tax holiday in Malaysia. The effective tax rate is also affected by lower tax rates in certain of the Company's taxable jurisdictions.

5. EARNINGS PER COMMON SHARE

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

<i>(In thousands)</i>	Three months ended	
	April 2, 2011	April 3, 2010
Basic - weighted common shares outstanding	133,699	130,954
Weighted common shares assumed upon exercise of stock options and vesting of restricted common stock	1,745	1,829
Diluted - weighted common shares and common shares equivalent outstanding	135,444	132,783

Approximately 2.2 million and 5.7 million of the Company's stock options were excluded from the calculation of diluted earnings per share in the three months ended April 2, 2011 and April 3, 2010, respectively, because the exercise prices of the stock options were greater than the average price of the Company's common stock, and therefore their inclusion would have been antidilutive.

6. SEGMENT REPORTING

The Company has three reportable operating segments that provide unique products and services, are separately managed and have separate financial information evaluated regularly by the Company's chief operating decision maker in determining resource allocation and assessing performance.

The Company's financial reporting segments are Contamination Control Solutions (CCS), Microenvironments (ME), and Specialty Materials (SMD).

CCS: provides a wide range of products and subsystems that purify, monitor and deliver critical liquids and gases used in the semiconductor manufacturing process.

ME: provides products that protect wafers, reticles and electronic components at various stages of transport, processing and storage related to semiconductor manufacturing.

SMD: provides specialized graphite components used in semiconductor equipment and offers low-temperature, plasma-enhanced chemical vapor deposition coatings of critical components of semiconductor manufacturing equipment used in various stages of the manufacturing process as well as graphite and silicon graphite for certain critical industrial markets.

Inter-segment sales are not significant. Segment profit is defined as net sales less direct segment operating expenses, excluding certain unallocated expenses, consisting mainly of general and administrative costs for the Company's human resources, finance and information technology functions as well as interest expense, and amortization of intangible assets.

Edgar Filing: ENTEGRIS INC - Form 10-Q

Beginning in 2011, the Company changed its management structure for a particular department. The expenses of this department, consisting mainly of engineering, research and development expenses, are now included in the determination of ME s segment profit. These expenses had previously been included in the determination of SMD s segment profit. Accordingly, the Company has adjusted the corresponding items of segment information for earlier periods.

Table of Contents

Summarized financial information for the Company's reportable segments is shown in the following table:

<i>(In thousands)</i>	Three months ended	
	April 2, 2011	April 3, 2010
Net sales		
CCS	\$ 132,244	\$ 100,742
ME	48,182	41,927
SMD	22,699	17,842
Total net sales	\$ 203,125	\$ 160,511

<i>(In thousands)</i>	Three months ended	
	April 2, 2011	April 3, 2010
Segment profit		
CCS	\$ 39,760	\$ 28,234
ME	8,379	8,521
SMD	4,976	2,801
Total segment profit	\$ 53,115	\$ 39,556

The following table reconciles total segment profit to operating income:

<i>(In thousands)</i>	Three months ended	
	April 2, 2011	April 3, 2010
Total segment profit	\$ 53,115	\$ 39,556
Amortization of intangibles	(2,689)	(4,272)
Unallocated general and administrative expenses	(13,092)	(13,007)
Operating income	\$ 37,334	\$ 22,277

The following table presents amortization of intangibles for the Company's reportable segments:

<i>(In thousands)</i>	Three months ended	
	April 2, 2011	April 3, 2010
Amortization of intangibles		
CCS	\$ 1,236	\$ 2,815
ME	145	137
SMD	1,308	1,320
	\$ 2,689	\$ 4,272

Table of Contents

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

This overview is not a complete discussion of the Company's financial condition, changes in financial condition and results of operations; it is intended merely to facilitate an understanding of the most salient aspects of its financial condition and operating performance and to provide a context for the detailed discussion and analysis that follows and must be read in its entirety in order to fully understand the Company's financial condition and results of operations.

Entegris, Inc. is a leading provider of products and services that purify, protect and transport the critical materials used in key technology-driven industries. Entegris derives most of its revenue from the sale of products and services to the semiconductor and related industries. The Company's customers consist primarily of semiconductor manufacturers, semiconductor equipment and materials suppliers as well as thin film transistor-liquid crystal display (TFT-LCD) and hard disk manufacturers, which are served through direct sales efforts, as well as sales and distribution relationships, in the United States, Asia, Europe and the Middle East.

The Company offers a diverse product portfolio which includes more than 17,000 standard and customized products that it believes provide the most comprehensive offering of contamination control solutions and microenvironment products and services to the microelectronics industry. Certain of these products are unit-driven and consumable products that rely on the level of semiconductor manufacturing activity to drive growth, while others rely on expansion of manufacturing capacity to drive growth. The Company's unit-driven and consumable products includes membrane-based liquid filters and housings, metal-based gas filters, resin-based gas purifiers, wafer shippers, disk-shipping containers and test assembly and packaging products and consumable graphite and silicon carbide components used in plasma etch, ion implant and chemical vapor deposition processes in semiconductor manufacturing. The Company's capital expense-driven products include components, systems and subsystems that use electro-mechanical, pressure differential and related technologies to permit semiconductor and other electronics manufacturers to monitor and control the flow and condition of process liquids used in these manufacturing processes, and process carriers that protect the integrity of in-process wafers.

The Company's fiscal year is the calendar period ending each December 31. The Company's fiscal quarters consist of 13-week or 14-week periods that end on Saturday. The Company's fiscal quarters in 2011 end April 2, 2011, July 2, 2011, October 1, 2011 and December 31, 2011. Unaudited information for the three months ended April 2, 2011 and April 3, 2010 and the financial position as of April 2, 2011 and December 31, 2010 are included in this Quarterly Report on Form 10-Q.

Forward-Looking Statements

The information in this Management's Discussion and Analysis of Financial Condition and Results of Operations, except for the historical information, contains forward-looking statements. These statements are subject to risks and uncertainties and to the cautionary statement set forth below. These forward-looking statements could differ materially from actual results. The Company assumes no obligation to publicly release the results of any revision or updates to these forward-looking statements to reflect future events or unanticipated occurrences. This discussion and analysis should be read in conjunction with the condensed consolidated financial statements and the related notes thereto, which are included elsewhere in this report.

Key operating factors Key factors, which management believes have the largest impact on the overall results of operations of Entegris, Inc., include:

Level of sales Since a significant portion of the Company's product costs (except for raw materials, purchased components and direct labor) are largely fixed in the short to medium term, an increase or decrease in sales affects gross profits and overall profitability significantly. Also, increases or decreases in sales and operating profitability affect certain costs such as incentive compensation and commissions, which are highly variable in nature. The Company's sales are subject to the effects of industry cyclicality, technological change, substantial competition, pricing pressures and foreign currency fluctuation.

Table of Contents

Variable margin on sales The Company's variable margin on sales is determined by selling prices and the costs of manufacturing and raw materials. This is also affected by a number of factors, which include the Company's sales mix, purchase prices of raw material (especially resin and purchased components), competition, both domestic and international, direct labor costs, and the efficiency of the Company's production operations, among others.

Fixed cost structure Increases or decreases in sales have a large impact on profitability. There are a number of large fixed or semi-fixed cost components, which include salaries, indirect labor and benefits, facility costs, lease expense, and depreciation and amortization. It is not possible to vary these costs easily in the short term as volumes fluctuate. Thus changes in sales volumes can affect the usage and productivity of these cost components and can have a large effect on the Company's results of operations.

Overall Summary of Financial Results for the Three Months Ended April 2, 2011

For the three months ended April 2, 2011, net sales increased by \$42.6 million, or 27%, to \$203.1 million compared to \$160.5 million for the three months ended April 3, 2010. Net sales for the period represented the highest quarterly sales level ever achieved by the Company and reflected the eighth consecutive quarter of increased sales. The year-over-year sales increase included a favorable foreign currency translation effect of \$8.1 million related to the strengthening of most international currencies versus the U.S. dollar, most notably the Japanese yen, and Taiwanese dollar. Excluding this factor, net sales rose 21% in the first quarter of 2011 when compared to last year's first quarter.

Reflecting the year-over-year sales increase, the Company reported a higher gross profit, despite a lower gross margin rate. The Company's gross margin in the first quarter of 2011 was 43.5% versus 45.6% in the year-ago period. Operating costs, consisting of selling, general and administrative (SG&A) and engineering, research and development (ER&D) costs, rose 4% for first quarter 2011 when compared to first quarter 2010, slightly offsetting the increase in gross profit.

As a result of the aforementioned factors, the Company reported net earnings of \$29.2 million, or \$0.22 per diluted share, for the quarter ended April 2, 2011 compared to net earnings of \$16.6 million, or \$0.12 per diluted share, in the quarter ended April 3, 2010.

During the first quarter of 2011, the Company's operating activities provided cash flow of \$11.1 million. Cash and cash equivalents were \$142.6 million at April 2, 2011 compared with \$134.0 million at December 31, 2010. The Company had no outstanding short-term bank borrowings or long-term debt at April 2, 2011 or December 31, 2010.

Critical Accounting Policies

Management's discussion and analysis of financial condition and results of operations are based upon the Company's condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these condensed consolidated financial statements requires the Company to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions.

The critical accounting policies affected most significantly by estimates, assumptions and judgments used in the preparation of the Company's condensed consolidated financial statements are described in Item 7 of its Annual Report on Form 10-K for the year ended December 31, 2010 filed with the Securities and Exchange Commission. On an ongoing basis, the Company evaluates the critical accounting policies used to prepare its consolidated financial statements, including, but not limited to, those related to accounts receivable-related valuation allowances, inventory valuation, impairment of long-lived assets, income taxes and share-based compensation. There have been no material changes in these aforementioned critical accounting policies.

Table of Contents**Three Months Ended April 2, 2011 Compared to Three Months Ended April 3, 2010**

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

	Three Months Ended	
	April 2, 2011	April 3, 2010
Net sales	100.0%	100.0%
Cost of sales	56.5	54.4
Gross profit	43.5	45.6
Selling, general and administrative expenses	17.6	22.3
Engineering, research and development expenses	6.2	6.7
Amortization of intangible assets	1.3	2.7
Operating income	18.4	13.9
Interest expense, net	(0.1)	(0.8)
Other income, net	0.2	0.2
Income before income taxes and other items below	18.5	13.3
Income tax expense	4.1	3.0
Equity in net earnings of affiliates	(0.1)	(0.1)
Net income	14.6	10.4

Net sales For the three months ended April 2, 2011, net sales increased by \$42.6 million, or 27%, to \$203.1 million compared to \$160.5 million for the three months ended April 3, 2010. First-quarter sales growth reflected continued positive trends in both the Company's core semiconductor market and other markets served. Utilization rates and production levels at semiconductor fab customers remained at high levels, and capital spending in the semiconductor industry demonstrated solid improvement. Each of the Company's operating segments experienced a net sales increase.

The sales increase included a favorable foreign currency translation effect of \$8.1 million related to the year-over-year strengthening of most international currencies versus the U.S. dollar, most notably the Japanese yen and Taiwanese dollar. Excluding this factor, net sales rose approximately 21% in 2011 when compared to 2010.

Sales of unit-driven products increased 21%, while sales of capital-driven products rose 35%. Sales of unit-driven products represented 61% of total sales and capital-driven products represented 39% of total sales in the quarter ended April 2, 2011. For the first quarter of 2010 and fourth quarter of 2010 this split was 63%/37% and 62%/38%, respectively. This shift in relative demand for capital-driven products reflects increased capital spending by semiconductor customers for capacity-related products.

On a geographic basis, total sales to North America were 27%, Asia (excluding Japan) 40%, Europe 16% and Japan 17% compared to North America 31%, Asia (excluding Japan) 38%, Europe 14% and Japan 17% in the first quarter a year ago. All regions experienced significant year-over-year sales increases. Sales in North America, Asia (excluding Japan), Europe and Japan rose 13%, 32%, 46% and 23% respectively, in the first quarter compared to a year ago, with a portion of the increase for sales outside North America related to favorable foreign currency translation effects.

On a sequential basis, revenues rose 12% from \$182.1 million in the fourth quarter of 2010. Sales of unit-driven products increased 8%, while sales of capital-driven products rose 17%, reflecting the increase in capital spending noted above. On a geographic basis, total sales to North America, Asia, Europe, and Japan increased 13%, 12%, 20% and 2%, respectively. The sequential sales increase included a favorable foreign currency translation effect of \$2.2 million related to the quarter-over-quarter strengthening of most international currencies versus the U.S. dollar, most notably the Taiwanese dollar. Excluding this factor, net sales rose 10% on a sequential quarter basis.

Gross profit The Company reported considerably higher gross profits, despite a decreased gross margin rate. Gross profit in the three months ended April 2, 2011 increased to \$88.3 million, up from \$73.2 million for the three months ended April 3, 2010. The gross margin rate for the first quarter of 2011 was 43.5% versus 45.6% for the first quarter of 2010.

Table of Contents

The year-over-year sales increase accounted for the gross profit increase for 2011. The gross profit improvement associated with sales gains was offset partly by the lower gross margin percentage. The decrease in gross margin rate mainly reflected slightly lower factory utilization compared to a year earlier, as well as sales mix.

Selling, general and administrative expenses. Selling, general and administrative (SG&A) expenses were \$35.8 million in the three months ended April 2, 2011, essentially unchanged when compared to the comparable three-month period a year earlier. Reflecting the increase in net sales, SG&A expenses as a percent of net sales declined to 17.6% from 22.3% a year earlier. Employee costs, which make up about two-thirds of overall SG&A expenses, decreased slightly, mainly reflecting lower incentive compensation in 2011, in turn offsetting mostly nominal expense increases in other SG&A expense categories. The year-over-year increase in SG&A costs includes a foreign currency translation effect of \$1.3 million.

Engineering, research and development expenses Engineering, research and development (ER&D) expenses related to the support of current product lines and the development of new products and manufacturing technologies were \$12.5 million in the three months ended April 2, 2011 compared to the \$10.8 million reported in the year-ago period. ER&D expenses as a percent of net sales decreased to 6.2% from 6.7%, indicative of the increase in net sales. The increase in ER&D expense was due to higher employee and ER&D project costs.

Amortization of intangible assets Amortization of intangible assets was \$2.7 million in the three months ended April 2, 2011 compared to \$4.3 million in the year-ago period. The decline mainly reflected the absence of amortization expense for certain acquired developed technology and trade name assets which became fully amortized in 2010.

Interest expense, net Interest expense was \$0.2 million in the three months ended April 2, 2011 compared to interest expense of \$1.2 million in the year-ago period. The variance was mainly due to absence of outstanding debt in 2011. Interest expense in the first quarter of 2011 consisted mainly of the amortization of debt issuance costs associated with the Company's revolving credit facility.

Other income Other income was \$0.4 million in the three months ended April 2, 2011, mainly reflecting foreign currency transaction gains. Other income was \$0.3 million in the year-ago period, also mainly reflecting foreign currency transaction gains.

Income tax expense The Company recorded income tax expense of \$8.3 million in the three months ended April 2, 2011 compared to income tax expense of \$4.8 million in the three months ended April 3, 2010. The effective tax rate was 22.0% in the 2011 period, compared to 22.5% in the 2010 period.

In 2011, the Company's effective tax rate was lower than U.S. statutory rates mainly due to the \$3.6 million decrease in the Company's U.S. deferred tax asset valuation allowance. Management concluded the Company will realize certain deferred tax assets related to current taxes payable and has thus released the allowance for a portion of U.S. deferred tax assets. The effective tax rate also benefitted from the Company's tax holiday in Malaysia whereby, as a result of employment commitments, research and development expenditures and capital investments made by the Company, income from certain manufacturing activities in Malaysia is exempt from income taxes. The effective tax rate is also affected by lower tax rates in certain of the Company's taxable jurisdictions.

In 2010, the Company's effective tax rate was also lower than U.S. statutory rates mainly due to the \$2.8 million decrease in the Company's U.S. deferred tax asset valuation allowance. Management concluded the Company will realize certain deferred tax assets related to current taxes payable and has thus released the allowance for a portion of U.S. deferred tax assets. The effective tax rate also benefitted from the Company's tax holiday in Malaysia. The effective tax rate is also affected by lower tax rates in certain of the Company's taxable jurisdictions.

Net income attributable to Entegris, Inc. The Company recorded net income of \$29.2 million, or \$0.22 per diluted share, in the three-month period ended April 2, 2011 compared to net income of \$16.6 million, or \$0.12 per diluted share, in the three-month period ended April 3, 2010. The improvement mainly reflects the Company's higher net sales and corresponding increase in gross profit.

Table of Contents**Segment Analysis**

The Company reports its financial performance based on three reporting segments. The following is a discussion on the results of operations of these three business segments. See Note 6 Segment Reporting to the condensed consolidated financial statements for additional information on the Company's three segments.

The following table presents selected net sales and segment profit data for the Company's three segments for the five quarters ended April 2, 2011:

<i>(In thousands)</i>	Three months ended				
	April 2, 2011	December 31, 2010	October 2, 2010	July 3, 2010	April 3, 2010
Contamination Control Solutions					
Net sales	\$ 132,244	\$ 118,106	\$ 113,350	\$ 103,660	\$ 100,742
Segment profit	39,760	34,609	31,434	28,614	28,234
Microenvironments					
Net sales	\$ 48,182	\$ 45,772	\$ 47,383	\$ 47,403	\$ 41,927
Segment profit	8,379	7,602	11,110	11,697	8,521
Specialty Materials					
Net sales	\$ 22,699	\$ 18,222	\$ 17,497	\$ 16,512	\$ 17,842
Segment profit	4,976	2,847	2,903	2,529	2,801

Contamination Control Solutions (CCS)

For the first quarter of 2011, CCS net sales increased 31%, to \$132.2 million from \$100.7 million in the comparable period last year. The sales increase was led by improved sales of fluid components and systems and liquid filtration products. CCS reported a segment profit of \$39.8 million in the first quarter of 2011, up 41% from the \$28.2 million segment profit in the year-ago period. The increase in sales volume and the resulting improvement in gross profit primarily account for the year-to-year change in the segment's operating results. Slightly offsetting the increase in gross profit, CCS operating expenses increased 6%, mainly due to higher selling and engineering, research and development costs.

Sales were up 12% on a sequential basis from the fourth quarter of 2010, accompanied by a 15% increase in segment profit. The sales increase was led by improved sales of fluid components and systems. Demand for liquid and gas filtration products was strong throughout the quarter as well.

Microenvironments (ME)

For the first quarter of 2011, ME net sales increased 15%, to \$48.2 million from \$41.9 million in the comparable period last year. The revenue increase was led by improved sales of 200mm and 300mm wafer process products. ME reported a segment profit of \$8.4 million in the first quarter of 2011 compared to a \$8.5 million segment profit in the year-ago period. Lower gross margins, resulting from less favorable sales mix, contributed to the flat segment profit. In addition, ME operating expenses increased 7%, mainly due to higher selling and engineering, research and development costs associated with development of new 300mm wafer process products.

Sales were up 5% on a sequential basis from the fourth quarter of 2010, with nearly all the increase due to improved sales of 300mm wafer process products. Segment profit for ME improved by 10% sequentially.

Specialty Materials (SMD)

For the first quarter of 2011, SMD net sales increased 27%, to \$22.7 million, from \$17.8 million in the comparable period last year. Sales were up 25% on a sequential basis from the fourth quarter of 2010. The increases were due to the continued rebound in sales of specialty coated products and graphite-based components. SMD reported a segment profit of \$5.0 million in the first quarter of 2011, compared to a segment profit of \$2.8 million in both the first and fourth quarters of 2010.

Unallocated general and administrative expenses

Edgar Filing: ENTEGRIS INC - Form 10-Q

Unallocated general and administrative expenses totaled \$13.1 million in the first quarter of 2011 compared to \$13.0 million in the first quarter of 2010.

Table of Contents

Liquidity and Capital Resources

Operating activities Cash flow provided by operating activities totaled \$11.1 million in the three months ended April 2, 2011. Cash generated by operating activities in the first quarter of 2011 was primarily the result of net income adjusted for non-cash expenses (such as depreciation, amortization and share-based compensation). The net impact of changes in operating assets and liabilities, mainly reflecting an increase in accounts receivable and a decrease in accrued liabilities, absorbed \$30.2 million in operating cash flow.

Accounts receivable, net of foreign currency translation adjustments, increased by \$10.1 million in the first three months of 2011. This increase reflects the continued upturn in sales of the Company's products. The Company's days sales outstanding was 61 days compared to 63 days at the beginning of the year. Inventories at the end of the quarter decreased by \$0.7 million from December 31, 2010, after taking into account the impact of foreign currency translation adjustments and the provision for excess and obsolete inventory.

Accrued liabilities were \$21.3 million lower than reported at December 31, 2010, mainly due to the payment of fiscal year 2010 incentive compensation during the first quarter of 2011, while accounts payable rose by \$5.3 million.

Working capital at April 2, 2011 stood at \$318.1 million, up from \$279.5 million as of December 31, 2010, and included \$142.6 million in cash and cash equivalents, compared to cash and cash equivalents of \$134.0 million as of December 31, 2010.

Investing activities Cash flow used in investing activities totaled \$7.3 million in the three-month period ended April 2, 2011. Acquisition of property and equipment totaled \$6.7 million, primarily for additions related to manufacturing equipment, tooling and information systems. Under the terms of its revolving credit facility, the Company is restricted from making capital expenditures in excess of \$30.0 million in the first ten months of 2011. The Company does not anticipate that this limit on capital expenditures will have an adverse effect on the Company's operations.

Financing activities Cash provided by financing activities totaled \$3.0 million during the three-month period ended April 2, 2011, reflecting proceeds received in connection with common shares issued under the Company's employee stock purchase and stock option plans.

The Company has a revolving credit facility maturing November 1, 2011, with a revolving credit commitment of \$60.0 million, all of which is available to the Company dependent upon the Company's borrowing base, which is determined based on the Company's levels of qualifying domestic accounts receivable, inventories and value of its property, plant and equipment. As of April 2, 2011, the Company's borrowing base supported the entirety of its available revolving commitment amount of \$60.0 million. As of that date, the Company had no outstanding borrowings and \$0.5 million undrawn on outstanding letters of credit under the revolving credit facility. Through April 2, 2011, the Company was in compliance with all applicable debt covenants included in the terms of the revolving credit facility.

The Company also has a line of credit with two banks that provide for borrowings of Japanese yen for the Company's Japanese subsidiary, equivalent to an aggregate of approximately \$14.3 million. There were no outstanding borrowings under these lines of credit at April 2, 2011.

At April 2, 2011, the Company's shareholders' equity stood at \$494.7 million, up 8% from \$459.6 million at the beginning of the year. The increase reflected net earnings attributable to the Company of \$29.2 million, additional paid-in capital of \$1.9 million associated with the Company's share-based compensation expense, \$2.9 million received in connection with common shares issued under the Company's stock option and employee stock purchase plans, and cumulative translation adjustments of \$0.9 million.

As of April 2, 2011, the Company's sources of available funds were its cash and cash equivalents of \$142.6 million, funds available under its revolving credit facility and international credit facilities and cash flow generated from operations. The Company must maintain a minimum of \$10.0 million in cash and cash equivalents in the United States under the terms of its revolving credit facility agreement.

Table of Contents

The Company believes that its cash and cash equivalents, funds available under its revolving credit facility and international credit facilities and cash flow generated from operations will be sufficient to meet its working capital and investment requirements for the next twelve months. If available liquidity is not sufficient to meet the Company's operating and debt service obligations as they come due, management will need to pursue alternative arrangements through additional equity or debt financing in order to meet the Company's cash requirements. However, there can be no assurance that any such financing would be available on commercially acceptable terms.

New Accounting Pronouncements

Recently adopted accounting pronouncements Refer to note 1 to the Company's condensed consolidated financial statements for a discussion of recently adopted accounting pronouncements.

Recently issued accounting pronouncements At this time, the Company does not anticipate that recently issued accounting guidance that has not yet been adopted will have a material impact on its condensed consolidated financial statements. Refer to note 1 to the Company's condensed consolidated financial statements for a discussion of recently issued accounting pronouncements.

Other Accounting Standards Updates issued not effective for the Company until after April 2, 2011 are not expected to have a material effect on the Company's condensed consolidated financial statements.

Non-GAAP Information The Company's consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States (GAAP).

The Company also provides certain non-GAAP financial measures as a complement to financial measures provided in accordance with GAAP in order to better assess and reflect trends affecting the Company's business and results of operations. Regulation G, *Conditions for Use of Non-GAAP Financial Measures*, and other regulations under the Securities Exchange Act of 1934, as amended, define and prescribe the conditions for use of certain non-GAAP financial information. The Company provides non-GAAP financial measures of Adjusted EBITDA and Adjusted Operating Income together with related measures thereof, and non-GAAP Earnings Per Share (EPS).

Adjusted EBITDA, a non-GAAP term, is defined by the Company as net income attributable to Entegris, Inc. before (1) net income attributable to noncontrolling interest, (2) equity in net earnings of affiliates, (3) income tax expense (4) other income, net, (5) interest expense, net, (6) amortization of intangible assets and (7) depreciation. Adjusted Operating Income, another non-GAAP term, is defined by the Company as its Adjusted EBITDA plus depreciation. The Company also utilizes non-GAAP measures whereby Adjusted EBITDA and Adjusted Operating Income are each divided by the Company's net sales to derive Adjusted EBITDA Margin and Adjusted Operating Margin, respectively.

Non-GAAP EPS, a non-GAAP term, is defined by the Company as net income attributable to Entegris, Inc. before (1) amortization of intangible assets, (2) impairment of equity investments and (3) the tax effect of the other adjustments to net income attributable to Entegris, Inc.

The Company provides supplemental non-GAAP financial measures to better understand and manage its business and believes these measures provide investors and analysts additional and meaningful information for the assessment of the Company's ongoing results. Management also uses these non-GAAP measures to assist in the evaluation of the performance of its business segments and to make operating decisions.

Management believes the Company's non-GAAP measures help indicate the Company's baseline performance before certain gains, losses or other charges that may not be indicative of the Company's business or future outlook and offer a useful view of business performance in that the measures provide a more consistent means of comparing performance. The Company believes the non-GAAP measures aid investors' overall understanding of the Company's results by providing a higher degree of transparency for such items and providing a level of disclosure that will help investors understand how management plans, measures and evaluates the Company's business performance. Management believes that the inclusion of non-GAAP measures provides consistency in its financial reporting and facilitates investors' understanding of the Company's historic operating trends by providing an additional basis for comparisons to prior periods.

Table of Contents

Management uses Adjusted EBITDA and Adjusted Operating Income to assist it in evaluations of the Company's operating performance by excluding items that management does not consider as relevant in the results of its ongoing operations. Internally, these non-GAAP measures are used by management for planning and forecasting purposes, including the preparation of internal budgets; for allocating resources to enhance financial performance; for evaluating the effectiveness of operational strategies; and for evaluating the Company's capacity to fund capital expenditures, secure financing and expand its business.

In addition, and as a consequence of the importance of these non-GAAP financial measures in managing its business, the Company's Board of Directors uses non-GAAP financial measures in the evaluation process to determine management compensation.

The Company believes that certain analysts and investors use Adjusted EBITDA, Adjusted Operating Income and non-GAAP EPS as supplemental measures to evaluate the overall operating performance of firms in the Company's industry. Additionally, lenders or potential lenders use Adjusted EBITDA measures to evaluate the Company's creditworthiness.

The presentation of non-GAAP financial measures is not meant to be considered in isolation, as a substitute for, or superior to, financial measures or information provided in accordance with GAAP. Management strongly encourages investors to review the Company's consolidated financial statements in their entirety and to not rely on any single financial measure.

Management notes that the use of non-GAAP measures has limitations:

First, non-GAAP financial measures are not standardized. Accordingly, the methodology used to produce the Company's non-GAAP financial measures is not computed under GAAP and may differ notably from the methodology used by other companies. For example, the Company's non-GAAP measure of Adjusted EBITDA may not be directly comparable to EBITDA or an adjusted EBITDA measure reported by other companies.

Second, the Company's non-GAAP financial measures exclude items such as amortization of intangibles and depreciation that are recurring. Amortization of intangibles and depreciation have been, and will continue to be for the foreseeable future, a significant recurring expense with an impact upon the Company's results of operations, notwithstanding the lack of immediate impact upon cash flows.

Third, there is no assurance the Company will not have future restructuring activities, gains or losses on sale of equity investments, charges for fair value mark-up of acquired inventory sold, accelerated write-offs of debt-issuance costs or similar items and, therefore, may need to record additional charges (or credits) associated with such items, including the tax effects thereon. The exclusion of these items from the Company's non-GAAP measures should not be construed as an implication that these costs are unusual, infrequent or non-recurring.

Table of Contents

Management considers these limitations by providing specific information regarding the GAAP amounts excluded from these non-GAAP financial measures and evaluating these non-GAAP financial measures together with their most directly comparable financial measures calculated in accordance with GAAP. The calculations of Adjusted EBITDA, Adjusted Operating Income, and non-GAAP EPS, and reconciliations between these financial measures and their most directly comparable GAAP equivalents are presented below in the accompanying tables.

Reconciliation of GAAP Net income attributable to Entegris, Inc. to Adjusted operating income and Adjusted EBITDA

<i>(In thousands)</i>	April 2, 2011	April 3, 2010
Net sales	\$ 203,125	\$ 160,511
Net income attributable to Entegris, Inc.	\$ 29,175	\$ 16,550
Adjustments to net income attributable to Entegris, Inc.		
Net income attributable to noncontrolling interest	400	196
Equity in net earnings of affiliates	(239)	(191)
Income tax expense	8,273	4,809
Other income, net	(428)	(293)
Interest expense, net	153	1,206
GAAP Operating income	37,334	22,277
Amortization of intangible assets	2,689	4,272
Adjusted operating income	40,023	26,549
Depreciation	6,819	6,724
Adjusted EBITDA	\$ 46,842	\$ 33,273
Adjusted operating margin	19.7%	16.5%
Adjusted EBITDA as a % of net sales	23.1%	20.7%

Reconciliation of GAAP Earnings per Share to Non-GAAP Earnings per Share

<i>(In thousands)</i>	April 2, 2011	April 3, 2010
Net income attributable to the Company	\$ 29,175	\$ 16,550
Adjustments to net income attributable to the Company:		
Amortization of intangible assets	2,689	4,272
Tax effect of adjustments to net income attributable to the Company	(990)	(1,567)
Non-GAAP net income attributable to the Company	\$ 30,874	\$ 19,255
Diluted earnings per common share:	\$ 0.22	\$ 0.12
Effect of adjustments to net income attributable to the Company	0.01	0.02
Diluted non-GAAP earnings per common share:	\$ 0.23	\$ 0.15

Table of Contents

Cautionary Statements This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements reflect the Company's current views with respect to future events and financial performance. The words believe, expect, anticipate, intends, estimate, forecast, project, should and similar expressions are intended to identify these forward-looking statements. All forecasts and projections in this report are forward-looking statements, and are based on management's current expectations of the Company's near-term results, based on current information available pertaining to the Company. The risks which could cause actual results to differ from those contained in such forward looking statements include, without limit, the risks described in the Company's Annual Report on Form 10-K for the year ended December 31, 2010 under the headings Risks Relating to our Business and Industry, Risks Related to Our Borrowings, Manufacturing Risks, International Risks, and Risks Related to Owning Our Securities as well as in the Company's quarterly reports on Form 10-Q and current reports on Form 8-K as filed with the Securities and Exchange Commission.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Entegris' principal financial market risks are sensitivities to interest rates and foreign currency exchange rates. The Company's interest-bearing cash equivalents are subject to interest rate fluctuations. The Company's cash equivalents are instruments with maturities of three months or less. A 100 basis point change in interest rates would potentially increase or decrease annual net income by approximately \$0.9 million annually.

The cash flows and results of operations of the Company's foreign-based operations are subject to fluctuations in foreign exchange rates. The Company occasionally uses derivative financial instruments to manage the foreign currency exchange rate risks associated with its foreign-based operations. At April 2, 2011, the Company was party to forward contracts to deliver Malaysian Ringgits and Japanese Yen with notional values of \$20.0 million and \$34.4 million, respectively. At April 2, 2011, the Company was party to forward contracts to deliver U.S. dollars in exchange for Korean Won and Taiwanese Dollars with notional values of \$4.2 million and \$11.2 million, respectively.

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

The Company's management, including the Chief Executive Officer and Chief Financial Officer, has conducted an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined under Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934 (the 1934 Act)) as of April 2, 2011. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of that evaluation date, the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in the reports that it files or submits under the 1934 Act is (i) recorded, processed, summarized and reported within the time periods specified in applicable rules and forms of the Securities and Exchange Commission, and (ii) accumulated and communicated to its management, including its Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

(b) Changes in internal control over financial reporting.

There has been no change in the Company's internal control over financial reporting during the most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Table of Contents

PART II

OTHER INFORMATION

Item 1. Legal Proceedings

The Company is subject to various claims, legal actions, and complaints arising in the ordinary course of business. The Company believes the final outcome of these matters will not have a material adverse effect on its consolidated financial position or results of operations. The Company expenses legal costs as incurred. The following discussion provides information regarding certain litigation to which the Company was a party that were pending as of April 2, 2011.

As previously disclosed: (i) on March 3, 2003 the Company's predecessor, Mykrolis Corporation, filed a lawsuit against Pall Corporation in the United States District Court for the District of Massachusetts alleging infringement of two of the Company's U.S. patents by certain fluid separation systems and related assemblies used in photolithography applications manufactured and sold by Pall Corporation; (ii) on December 16, 2005 Pall Corporation filed a lawsuit against the Company in U.S. District Court for the Eastern District of New York alleging infringement of two of plaintiff's patents by one of the Company's gas filtration products and by the packaging for certain of the Company's liquid filtration products; (iii) on April 6, 2006 the Company filed a second lawsuit against Pall Corporation in the United States District Court for the District of Massachusetts alleging infringement of the Company's newly issued U.S. patent No.7,021,667 by certain filter assembly products used in photolithography applications that are manufactured and sold by Pall; (iv) on August 23, 2006 the Company filed a third lawsuit against Pall Corporation in the United States District Court for the District of Massachusetts alleging infringement of the Company's newly issued U.S. patent No. 7,037,424 by certain fluid separation modules and related separation apparatus, including the product known as the EZD-3 Filter Assembly, used in photolithography applications that are manufactured and sold by Pall; and (v) on May, 4, 2007 Pall Corporation filed a second lawsuit against the Company in the U.S. District Court for the Eastern District of New York alleging that certain of the Company's point-of-use filtration products infringe a newly issued Pall patent, as well as three older Pall patents. In each of the above lawsuits the plaintiff sought damages and/or injunctive relief against the alleged infringement.

On January 13, 2011 the Company and Pall Corporation entered into a Release, Settlement and License Agreement that effected a comprehensive settlement of all of the above patent infringement litigation pending between the companies. Among other things, the terms of this settlement permit both companies to continue to manufacture their existing product lines. In accordance with the terms of this settlement, a stipulation and proposed order of dismissal was filed with the appropriate court for each of the above lawsuits within 5 days following the above settlement date and the court in each case has entered a final order of dismissal.

Item 1A. Risk Factors

Other than the risk factors enumerated below, as of the date of this filing, there have been no material changes to the Risk Factors included in our Annual Report on Form 10-K for the year ended December 31, 2010, filed with the Securities and Exchange Commission on February 23, 2011.

While we have not, to date, encountered any material adverse consequences from the occurrence of the recent earthquake, tsunami and subsequent problems affecting nuclear power plants in Japan, these events could, in the future, have a negative impact on our supply chain, our ability to deliver products, the cost of our products, and the demand for our products. Approximately 20% of the Company's revenues have historically resulted from sales to Japanese customers. As a result of these events, we may, in the future, encounter reduced demand from our Japanese customers. In addition, even if supply is not interrupted or delayed, or demand from Japanese customers is not reduced, shortages of key items may result in price increases, which our suppliers may seek to pass on to us. In addition, our customers outside of Japan may be unable to produce finished products as a result of Japanese related supply chain disruptions. These customers might then cancel orders for our products. Any such occurrences could have a material adverse effect on our business, our results of operations and our financial condition.

Table of Contents

Item 6. Exhibits

- 10.1 Fourth Amended and Restated Membrane Manufacturing and Supply Agreement, dated as of January 10, 2011, by and between Entegris, Inc. and Millipore Corporation.
- 10.2 Fluoropolymer Purchase and Supply Agreement, as amended as of January 1, 2011, by and between Entegris, Inc. and E.I. du Pont De Nemours and Company.
- 31.1 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Table of Contents

CONFORMED COPY

SIGNATURES

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

ENTEGRIS, INC.

Date: April 21, 2011

/s/ Gregory B. Graves
Gregory B. Graves
Executive Vice President and Chief Financial Officer (on behalf of
the registrant and as principal financial officer)