

ENTEGRIS INC  
Form 10-Q  
July 26, 2018  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2018

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: 001-32598

Entegris, Inc.

(Exact name of registrant as specified in its charter)

Delaware 41-1941551  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

129 Concord Road, Billerica, Massachusetts 01821  
(Address of principal executive offices) (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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer

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

Emerging growth company

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If an emerging growth company, indicate by check mark if registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. "

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

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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 July 23, 2018
Common Stock, \$0.01 par value per share	141,631,382 shares

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## Cautionary Statements

This Quarterly Report on Form 10-Q contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. The words “believe,” “expect,” “anticipate,” “intends,” “estimate,” “forecast,” “project,” “show,” “will,” “would” or the negative thereof and similar expressions are intended to identify such forward-looking statements.

These forward-looking statements may include statements about future period guidance or projections; our performance relative to our markets; market and technology trends, including the duration and drivers of any growth trends; the development of new products and the success of their introductions; the focus of our engineering, research and development projects; our ability to execute on our business strategies; our capital allocation strategy, which may be modified at any time for any reason, including share repurchases, dividends, debt repayments and potential acquisitions; the effect of the Tax Cuts and Jobs Act; future capital and other expenditures; the Company’s expected tax rate; the impact of accounting pronouncements; and other matters. These forward-looking statements are based on current management expectations and assumptions only as of the date of this Quarterly Report, are not guarantees of future performance and involve substantial risks and uncertainties that are difficult to predict and that could cause actual results to differ materially from the results expressed in, or implied by, these forward-looking statements. These risks and uncertainties include, but are not limited to, weakening of global and/or regional economic conditions, generally or specifically in the semiconductor industry, which could decrease the demand for our products and solutions; our ability to meet rapid demand shifts; our ability to continue technological innovation and introduce new products to meet our customers' rapidly changing requirements; our concentrated customer base; our dependence on sole source and limited source suppliers; raw material shortages and price increases; our ability to identify, effect and integrate acquisitions, joint ventures or other transactions; our ability to protect and enforce intellectual property rights; operational, political and legal risks of our international operations; the level of, and obligations associated with, our indebtedness; and other risk factors and additional information described in our filings with the Securities

and Exchange Commission, including under the heading "Risks Factors" in Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, filed on February 15, 2018, and in our other periodic filings. Except as required under the federal securities laws and the rules and regulations of the Securities and Exchange Commission, we undertake no obligation to update publicly any forward-looking statements contained herein.

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## PART 1. FINANCIAL INFORMATION

## Item 1. Financial Statements

## ENTEGRIS, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except share and per share data)	June 30, 2018	December 31, 2017
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$257,106	\$ 625,408
Trade accounts and notes receivable, net of allowance for doubtful accounts of \$803 and \$860	200,395	183,434
Inventories	265,358	198,089
Deferred tax charges and refundable income taxes	21,647	18,012
Other current assets	29,720	32,665
Total current assets	774,226	1,057,608
Property, plant and equipment, net of accumulated depreciation of \$456,669 and \$427,766	380,259	359,523
Other assets:		
Goodwill	529,933	359,688
Intangible assets, net of accumulated amortization of \$304,416 and \$281,439	361,429	182,430
Deferred tax assets and other noncurrent tax assets	10,980	9,103
Other	9,281	7,820
Total assets	\$2,066,108	\$ 1,976,172
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Long-term debt, current maturities	\$—	\$ 100,000
Accounts payable	71,895	68,762
Accrued payroll and related benefits	56,831	64,860
Other accrued liabilities	56,828	34,514
Income taxes payable	18,708	22,835
Total current liabilities	204,262	290,971
Long-term debt, excluding current maturities, net of unamortized discount and debt issuance costs of \$8,627 and \$9,470	650,223	574,380
Pension benefit obligations and other liabilities	30,977	32,130
Deferred tax liabilities and other noncurrent tax liabilities	127,741	85,673
Commitments and contingent liabilities	—	—
Equity:		
Preferred stock, par value \$.01; 5,000,000 shares authorized; none issued and outstanding as of June 30, 2018 and December 31, 2017	—	—
Common stock, par value \$.01; 400,000,000 shares authorized; issued and outstanding shares as of June 30, 2018 and December 31, 2017: 141,691,182 and 141,282,539	1,417	1,413
Additional paid-in capital	861,357	867,699
Retained earnings	222,381	147,418
Accumulated other comprehensive loss	(32,250 )	(23,512 )
Total equity	1,052,905	993,018
Total liabilities and equity	\$2,066,108	\$ 1,976,172

See the accompanying notes to condensed consolidated financial statements.



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

(In thousands, except per share data)	Three months ended		Six months ended	
	June 30, 2018	July 1, 2017	June 30, 2018	July 1, 2017
Net sales	\$383,059	\$329,002	\$750,258	\$ 646,379
Cost of sales	200,681	178,699	391,883	356,480
Gross profit	182,378	150,303	358,375	289,899
Selling, general and administrative expenses	65,200	52,985	123,469	103,477
Engineering, research and development expenses	30,231	27,221	57,817	54,460
Amortization of intangible assets	12,014	11,007	23,683	21,952
Operating income	74,933	59,090	153,406	110,010
Interest expense	8,296	8,196	16,455	16,669
Interest income	(1,371)	(93)	(2,304)	(173)
Other expense (income), net	3,877	(46)	4,016	856
Income before income tax expense	64,131	51,033	135,239	

**INVESTING IN THE SECURITIES IS NOT THE SAME AS INVESTING IN THE UNDERLYING** — The return on the securities may not reflect the return you would have realized if you had directly invested in the Underlying. For instance, you will not participate in any potential increase in the price of the Underlying, which could be significant.

**IF THE PRICE OF THE UNDERLYING CHANGES, THE VALUE OF YOUR SECURITIES MAY NOT CHANGE IN THE SAME MANNER** — Your securities may trade quite differently from the price of the Underlying. Changes in



the price of the Underlying may not result in comparable changes in the value of your securities.

**NO DIVIDEND PAYMENTS OR VOTING RIGHTS** — As

a holder of the securities, you will not have any voting rights or rights to receive cash dividends or other distributions or other rights that holders of the Underlying would have.

**SINGLE STOCK RISK** — The price of the

Underlying can rise or fall sharply due to factors specific to the Underlying and its issuer, such as stock price volatility, earnings, financial conditions, corporate, industry and regulatory developments, management changes and decisions and other events, as well as general market factors, such as general stock market volatility and levels, interest rates and economic and political conditions. For additional information about the Underlying and its issuer, please see “The Underlying” in this pricing supplement and such issuer’s SEC filings referred to in that section.

**ANTI-DILUTION  
PROTECTION IS  
LIMITED AND THE  
CALCULATION  
AGENT MAY MAKE  
ADJUSTMENTS IN  
ADDITION TO, OR  
THAT DIFFER  
FROM, THOSE SET  
FORTH IN THE  
ACCOMPANYING  
PRODUCT**

**SUPPLEMENT** — The calculation agent will make adjustments to the Stock Adjustment Factor, which will initially be set at 1.0, for certain events affecting the Underlying. The calculation agent is not required, however, to make adjustments in response to all corporate actions, including if the issuer of the Underlying or another party makes a partial tender or partial exchange offer for the Underlying. If such an event occurs that does not require the

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calculation agent to make an adjustment, the value of the securities may be materially and adversely affected. In addition, you should be aware that the calculation agent may, at its sole discretion, make adjustments to the Stock Adjustment Factor or any other terms of the securities that are in addition to, or that differ from, those described in the accompanying product supplement to reflect changes occurring in relation to the Underlying or any other security received in a reorganization event in circumstances where the calculation agent determines that it is appropriate to reflect those changes to ensure an equitable result. Any alterations to the specified anti-dilution adjustments for the Underlying or any other security received in a reorganization event described in the accompanying product supplement may be materially adverse to investors in the securities. You should read “Description of Securities — Anti-Dilution Adjustments for Reference Stock” in the accompanying product supplement in order to understand the adjustments that may be made to the securities.

**· IN SOME  
CIRCUMSTANCES,  
YOU MAY RECEIVE  
THE EQUITY  
SECURITIES OF  
ANOTHER  
COMPANY AND  
NOT THE  
UNDERLYING AT  
MATURITY —**

Following certain corporate events relating to the issuer of the Underlying (which are defined as the Reorganization Events in the accompanying product supplement) where the issuer of the Underlying is not the surviving entity, you may receive the equity securities of a successor to the issuer of the Underlying or any cash or any other assets distributed to holders of the Underlying in such corporate event. The occurrence of these corporate events may materially and adversely affect the value of the securities. For more information about these corporate events, please see “Description of Securities — Anti-Dilution Adjustments” in the accompanying product supplement. Regardless of the occurrence of one or more dilution or Reorganization Events, you should note that at maturity, excluding any Coupon payments, for each \$1,000 Face Amount of securities, you will receive an amount in cash from

Deutsche Bank equal to the Face Amount unless the Final Price of the Underlying is less than the Buffer Price.

**·THERE IS NO AFFILIATION BETWEEN THE ISSUER OF THE UNDERLYING AND US AND WE HAVE NOT PARTICIPATED IN THE PREPARATION OF, OR VERIFIED, ANY INFORMATION ABOUT THE UNDERLYING OR THE ISSUER OF THE UNDERLYING —**

We are not affiliated with the issuer of the Underlying. However, we or our affiliates may currently, or from time to time in the future, engage in business with the issuer of the Underlying, including extending loans to, making equity investments in, acting as underwriter in connection with future offerings of the Underlying by, or providing advisory services (including merger and acquisition advisory services) to, such issuer. In the course of this business, we or our affiliates may acquire non-public information about the issuer of the Underlying and we will not disclose any such information to you. Nevertheless,

neither we nor any of our affiliates have participated in the preparation of, or verified, any information about the Underlying or the issuer of the Underlying. You, as an investor in the securities, should make your own investigation into the Underlying and the issuer of the Underlying. The issuer of the Underlying is not involved in the securities offered hereby in any way and has no obligation of any sort with respect to your securities. The issuer of the Underlying has no obligation to take your interests into consideration for any reason, including when taking any corporate actions that would require the calculation agent to adjust the Stock Adjustment Factor, which may adversely affect the value of your securities.

**PAST PERFORMANCE OF THE UNDERLYING IS NO GUIDE TO FUTURE PERFORMANCE** — The actual performance of the Underlying over the term of the securities may bear little relation to the historical closing prices of the Underlying and/or the hypothetical return examples set forth elsewhere in this

pricing supplement. We cannot predict the future performance of the Underlying or whether the performance of the Underlying will result in the return of any of your investment.

**· ASSUMING NO CHANGES IN MARKET CONDITIONS AND OTHER RELEVANT FACTORS, THE PRICE YOU MAY RECEIVE FOR YOUR SECURITIES IN SECONDARY MARKET TRANSACTIONS WOULD GENERALLY BE LOWER THAN BOTH THE ISSUE PRICE AND THE ISSUER'S ESTIMATED VALUE OF THE SECURITIES ON THE TRADE DATE —**

While the payment(s) on the securities described in this pricing supplement is based on the full Face Amount of securities, the Issuer's estimated value of the securities on the Trade Date (as disclosed on the cover of this pricing supplement) is less than the Issue Price of the securities. The Issuer's estimated value of the securities on the Trade Date does not represent the price at which we or any of our affiliates would be willing to

purchase your securities in the secondary market at any time. Assuming no changes in market conditions or our creditworthiness and other relevant factors, the price, if any, at which we or our affiliates would be willing to purchase the securities from you in secondary market transactions, if at all, would generally be lower than both the Issue Price and the Issuer's estimated value of the securities on the Trade Date. Our purchase price, if any, in secondary market transactions would be based on the estimated value of the securities determined by reference to (i) the then-prevailing internal funding rate (adjusted by a spread) or another appropriate measure of our cost of funds and (ii) our pricing models at that time, less a bid spread determined after taking into account the size of the repurchase, the nature of the assets underlying the securities and then-prevailing market conditions. The price we report to financial reporting services and to distributors of our securities for use on customer account statements would generally be determined on the same basis. However, during the



period of approximately three months beginning from the Trade Date, we or our affiliates may, in our sole discretion, increase the purchase price determined as described above by an amount equal to the declining

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differential between the Issue Price and the Issuer's estimated value of the securities on the Trade Date, prorated over such period on a straight-line basis, for transactions that are individually and in the aggregate of the expected size for ordinary secondary market repurchases.

In addition to the factors discussed above, the value of the securities and our purchase price in secondary market transactions after the Trade Date, if any, will vary based on many economic and market factors, including our creditworthiness, and cannot be predicted with accuracy. These changes may adversely affect the value of your securities, including the price you may receive in any secondary market transactions. Any sale prior to the Maturity Date could result in a substantial loss to you. The securities are not designed to be short-term trading instruments. Accordingly, you should be able and willing to hold your securities to maturity.

**· THE SECURITIES  
WILL NOT BE**

**LISTED AND THERE  
WILL LIKELY BE  
LIMITED**

**LIQUIDITY** — The securities will not be listed on any securities exchange. There may be little or no secondary market for the securities. We or our affiliates intend to act as market makers for the securities but are not required to do so and may cease such market making activities at any time. Even if there is a secondary market, it may not provide enough liquidity to allow you to sell the securities when you wish to do so or at a price advantageous to you. Because we do not expect other dealers to make a secondary market for the securities, the price at which you may be able to sell your securities is likely to depend on the price, if any, at which we or our affiliates are willing to buy the securities. If, at any time, we or our affiliates do not act as market makers, it is likely that there would be little or no secondary market in the securities. If you have to sell your securities prior to maturity, you may not be able to do so or you may have to sell them at a substantial loss, even in cases where the price of the Underlying has increased since the Trade Date.

**MANY ECONOMIC  
AND MARKET  
FACTORS WILL  
AFFECT THE  
VALUE OF THE  
SECURITIES** — While

we expect that, generally, the price of the Underlying will affect the value of the securities more than any other single factor, the value of the securities prior to maturity will also be affected by a number of other factors that may either offset or magnify each other, including:

whether the Closing Price of the Underlying on any Observation Date is less than the Initial Price;

the expected volatility of the Underlying;

the time remaining to the maturity of the securities;

the dividend rate, if any, of the Underlying;

the real and anticipated results of operations of the issuer of the Underlying;

actual or anticipated corporate reorganization events, such as mergers or takeovers, which may

affect the Underlying;

interest rates and yields  
in the markets generally;

geopolitical conditions  
and economic, financial,  
political, regulatory or  
judicial events that  
affect the Underlying or  
the markets generally;

supply and demand for  
the securities; and

our creditworthiness,  
including actual or  
anticipated downgrades  
in our credit ratings.

During the term of the securities, it is possible that their value may decline significantly due to the factors described above even if the price of the Underlying remains unchanged from the Initial Price, and any sale prior to the Maturity Date could result in a substantial loss to you. You must hold the securities to maturity to receive the stated payout from the Issuer.

**TRADING AND  
OTHER  
TRANSACTIONS BY  
US OR OUR  
AFFILIATES IN THE  
EQUITY AND  
EQUITY**

**DERIVATIVE  
MARKETS MAY  
IMPAIR THE VALUE  
OF THE**

**SECURITIES** — We or our affiliates expect to hedge our exposure from the securities by entering into equity and equity derivative transactions, such as over-the-counter options, futures or exchange-traded instruments. We or our affiliates may also engage in trading in instruments linked or related to the Underlying on a regular basis as part of our or their general broker-dealer and other businesses, for proprietary accounts, for other accounts under management or to facilitate transactions for customers, including block transactions. Such trading and hedging activities may adversely affect the price of the Underlying and, therefore, make it less likely that you will receive a positive return on your investment in the securities. It is possible that we or our affiliates could receive substantial returns from these hedging and trading activities while the value of the securities declines. We or our affiliates may also issue or underwrite other securities or financial or derivative instruments with returns

linked or related to the Underlying. To the extent that we or our affiliates serve as issuer, agent or underwriter for such securities or financial or derivative instruments, our or our affiliates' interests with respect to such products may be adverse to those of the holders of the securities. Introducing competing products into the marketplace in this manner could adversely affect the price of the Underlying and the value of the securities. Any of the foregoing activities described in this paragraph may reflect trading strategies that differ from, or are in direct opposition to, investors' trading and investment strategies

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related to the securities. Furthermore, because DBSI or one of its affiliates is expected to conduct trading and hedging activities for us in connection with the securities, DBSI or such affiliate may profit in connection with such trading and hedging activities and such profit, if any, will be in addition to any compensation that DBSI receives for the sale of the securities to you. You should be aware that the potential to earn a profit in connection with hedging activities may create a further incentive for DBSI to sell the securities to you in addition to any compensation they would receive for the sale of the securities.

**· WE OR OUR AFFILIATES MAY PUBLISH RESEARCH, EXPRESS OPINIONS OR PROVIDE RECOMMENDATIONS THAT ARE INCONSISTENT WITH INVESTING IN OR HOLDING THE SECURITIES. ANY SUCH RESEARCH, OPINIONS OR RECOMMENDATIONS COULD ADVERSELY AFFECT THE PRICE OF THE UNDERLYING AND THE VALUE OF THE SECURITIES — We**



or our affiliates may publish research from time to time on financial markets and other matters that could adversely affect the price of the Underlying and the value of the securities, or express opinions or provide recommendations that are inconsistent with purchasing or holding the securities. Any research, opinions or recommendations expressed by us or our affiliates may not be consistent with each other and may be modified from time to time without notice. You should make your own independent investigation of the merits of investing in the securities and the Underlying.

**POTENTIAL CONFLICTS OF INTEREST** — We and our affiliates play a variety of roles in connection with the issuance of the securities, including acting as calculation agent, hedging our obligations under the securities and determining the Issuer's estimated value of the securities on the Trade Date and the price, if any, at which we or our affiliates would be willing to purchase the securities from you in secondary market transactions. In performing these roles,

our economic interests and those of our affiliates are potentially adverse to your interests as an investor in the securities. The calculation agent will determine, among other things, all values, prices and levels required to be determined for the purposes of the securities on any relevant date or time. The calculation agent also has some discretion about certain adjustments to the Stock Adjustment Factor and will be responsible for determining the Share Delivery Amount, whether a market disruption event has occurred and, in some circumstances, the prices or levels related to the Underlying that affect whether the securities are automatically called. Any determination by the calculation agent could adversely affect the return on the securities.

**·THERE IS  
SUBSTANTIAL  
UNCERTAINTY  
REGARDING THE  
U.S. FEDERAL  
INCOME TAX  
CONSEQUENCES OF  
AN INVESTMENT IN  
THE SECURITIES —**  
There is no direct legal authority regarding the proper U.S. federal income tax treatment of

the securities, and we do not plan to request a ruling from the IRS. Consequently, significant aspects of the tax treatment of the securities are uncertain, and the IRS or a court might not agree with the treatment of the securities as Put Options secured by Deposits. If the IRS were successful in asserting an alternative treatment for the securities, the tax consequences of ownership and disposition of the securities could be materially and adversely affected. In addition, as described above under “Tax Consequences,” in 2007 the U.S. Treasury Department and the IRS released a notice requesting comments on various issues regarding the U.S. federal income tax treatment of “prepaid forward contracts” and similar instruments. While it is not clear whether the securities would be viewed as similar to the typical prepaid forward contract described in the notice, any Treasury regulations or other guidance promulgated after consideration of these issues could materially and adversely affect the tax consequences of an investment in the securities, possibly with retroactive effect. You should review carefully the section of the

accompanying product supplement entitled “U.S. Federal Income Tax Consequences” and consult your tax adviser regarding the U.S. federal tax consequences of an investment in the securities (including possible alternative treatments and the issues presented by the 2007 notice), as well as tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

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## The Underlying

All disclosures contained in this pricing supplement regarding the Underlying are derived from publicly available information. Neither Deutsche Bank AG nor any of its affiliates have participated in the preparation of, or verified, such information about the Underlying contained in this pricing supplement. You should make your own investigation into the Underlying.

Included in the following section is a brief description of the issuer of the Underlying. We obtained the closing price information set forth below from Bloomberg L.P. and we have not participated in the preparation of, or verified, such information. You should not take the historical closing prices of the Underlying as an indication of future performance. The Underlying is registered under the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”). Companies with securities registered under the Exchange Act are required to file

financial and other information specified by the SEC periodically. Information filed by the issuer of the Underlying with the SEC can be reviewed electronically through a web site maintained by the SEC. The address of the SEC's web site is <http://www.sec.gov>. Information filed with the SEC by the issuer of the Underlying under the Exchange Act can be located by reference to its SEC file number provided below.

In addition, information filed with the SEC can be inspected and copied at the Public Reference Section of the SEC, 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Copies of this material can also be obtained from the Public Reference Section, at prescribed rates.

**Amgen Inc.**

According to publicly available information, Amgen Inc. discovers, develops, manufactures and delivers human therapeutics. Information filed by Amgen Inc. with the SEC under the Exchange Act can be located by reference to

its SEC file number: 000-12477, or its CIK Code: 0000318154. The common stock of Amgen Inc. is traded on the NASDAQ Stock Market under the symbol "AMGN."

## Historical Information

The following graph sets forth the historical performance of the common stock of Amgen Inc. based on its daily closing prices from July 1, 2011 through July 1, 2016. The Initial Price is \$154.28, equal to the Closing Price of the common stock of Amgen Inc. on July 1, 2016. The graph also indicates by a broken line the Buffer Price of \$138.85, equal to 90.00% of \$154.28, which is the Initial Price. We obtained the historical closing prices of the Underlying below from Bloomberg L.P. and we have not participated in the preparation of, or verified, such information. **The historical closing prices of the Underlying should not be taken as an indication of future performance and no assurance can be given as to the Closing Price of the Underlying on any of the Observation Dates, including the**

**Final Valuation Date.  
We cannot give you  
assurance that the  
performance of the  
Underlying will result  
in the return of any of  
your initial investment.**

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**Supplemental Plan of  
Distribution (Conflicts  
of Interest)**

DBSI, acting as agent for Deutsche Bank AG, will not receive a selling concession in connection with the sale of the securities. DBSI will pay custodial fees to other broker-dealers of up to 0.25% or \$2.50 per \$1,000 Face Amount of securities. Deutsche Bank AG will reimburse DBSI for such custodial fees. DBSI may pay a fee equal to a significant portion of the commissions to CAIS Capital LLC with respect to the securities for which CAIS Capital LLC acts as introducing broker. Any fee paid to CAIS Capital LLC together with the custodial fees will not exceed 1.10% or \$11.00 per \$1,000 Face Amount of securities.

DBSI, the agent for this offering, is our affiliate. Because DBSI is both our affiliate and a member of the Financial Industry Regulatory Authority, Inc. (“**FINRA**”), the underwriting arrangement for this offering must comply with the requirements of FINRA Rule 5121 regarding a FINRA

member firm's distribution of the securities of an affiliate and related conflicts of interest. In accordance with FINRA Rule 5121, DBSI may not make sales in offerings of the securities to any of its discretionary accounts without the prior written approval of the customer. See "Plan of Distribution (Conflicts of Interest)" in the accompanying product supplement.

### **Settlement**

We expect to deliver the securities against payment for the securities on the Settlement Date indicated above, which may be a date that is greater than three business days following the Trade Date. Under Rule 15c6-1 of the Securities Exchange Act of 1934, as amended, trades in the secondary market generally are required to settle in three business days, unless the parties to a trade expressly agree otherwise. Accordingly, if the Settlement Date is more than three business days after the Trade Date, purchasers who wish to transact in the securities more than three business days prior to the Settlement Date

will be required to specify alternative settlement arrangements to prevent a failed settlement.

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