



# Half-year Financial Report 2009

## Interim Group Report

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# 1. Interim group management report 1st half fiscal 2009

## 1.1 General

EPCOS AG is a leading manufacturer of electronic components, modules and systems and is headquartered in Munich, Germany. Based on a broad portfolio EPCOS offers one-stop shopping for a comprehensive range of products and services. EPCOS focuses on fast-growing, leading-edge technology markets in automotive electronics, information and communication technology, industrial electronics and consumer electronics. The EPCOS Group has design and manufacturing locations and sales offices in Europe, Asia, and in North and South America.

EPCOS was floated simultaneously on the Frankfurt and New York Stock Exchanges on October 15, 1999. The listed company emerged from Siemens Matsushita Components, a joint venture founded in 1989 by Siemens and Matsushita. Its shares are traded on all German stock exchanges as well as in over the counter in the USA.

## 1.2 EPCOS Group

### Weak demand burdens sales and earnings

- **Sales: EUR 263 million; down 27 percent year on year; down 7 percent sequentially**
- **EBIT: minus EUR 42 million (Q2 2008: plus EUR 26 million; Q1 2009: minus EUR 19 million)**
- **Inventories reduced sharply**

Due to the sustained global economic crisis, EPCOS' business development weakened further both year on year and sequentially in the second quarter of fiscal 2009 (January 1 through March 31, 2009). Sales declined to EUR 263 million. All industries served and all regions were affected. Primarily because of the reduction in inventories and lower sales, earnings before interest and tax (EBIT) dropped to minus EUR 42 million.

### 1.2.1 Sales – comparison with Q1 2009

EUR million	Q1 2009	±	Q2 2009
<b>Sales</b>	282	<b>-7%</b>	<b>263</b>

The industrial electronics sector is now feeling the full impact of the worldwide recession. In the period under review, demand for electronic components thus declined among manufacturers of industrial machinery and systems, as well as manufacturers of energy technology. This development weighed heaviest on EPCOS' business in Q2 2009.

Sequentially, sales of products for industrial electronics applications fell by 17 percent – the sharpest decline in any of the industries served. Sales to manufacturers of information and communication technology were down by more than 10 percent. Sales of products for use in automotive electronics systems were slightly below the low level of the previous quarter, as were sales to distributors of electronic components.

By contrast, sales of components for consumer electronics applications rose by more than 10 percent. The reason for this increase is that the Chinese joint venture EPCOS Feida went into operation in the quarter under review. EPCOS Feida develops and manufactures power capacitors primarily for use in home appliances.

In all regions, the decline in sales at EPCOS was in the mid-single-digit percentage range.

### 1.2.2 Sales – comparison with Q2 2008

EUR million	Q2 2008	±	Q2 2009
<b>Sales</b>	362	-27%	<b>263</b>

Year on year, EPCOS' sales to all industries served posted a double-digit percentage decline.

Business with automotive electronics manufacturers was hardest hit. In this industry, sales were more than 50 percent lower than in Q2 2008. Sales to industrial electronics customers and sales to distributors were down by more than 20 percent. Sales to customers in the information and communication technology and consumer electronics industries were down by more than 10 percent.

The regional breakdown of sales primarily reflects the weak business with the automotive and industrial electronics industries. For this reason, sales declined by about 45 percent in Germany and by about 30 percent in the rest of Europe. A single-digit decline in sales was posted in the NAFTA region. By contrast, sales in Asia maintained the level reported in the same quarter a year ago. In this region EPCOS benefited somewhat from the weakening of the euro against the US dollar.

### 1.2.3 Earnings

EUR million	Q2 2008	Q1 2009	Q2 2009
<b>EBIT</b>	+25.7	-19.2	<b>-41.5</b>
<b>Net income (loss)</b>	+17.1	-29.8	<b>-51.5</b>
<b>Earnings per share</b> (EUR, undiluted)	+0.26	-0.44	<b>-0.76</b>

Group EBIT was minus EUR 41.5 million in Q2 2009. Net income was minus EUR 51.5 million. Earnings per share were minus EUR 0.76.

### 1.2.4 Headcount adjustments unavoidable

As the already very weak demand deteriorated further in Q2 2009, EPCOS also (like other companies) had to adjust its production capacity. To this end, short-time work in particular was initiated at the company's locations in Germany. Headcount reductions too became unavoidable, and were effected almost exclusively at locations outside Germany.

In the quarter under review, the number of people who work for EPCOS worldwide was reduced by about 2,050 to 22,220. Temporary staff and the employees of subcontractors accounted for about three quarters of the staff reductions, while EPCOS' own employees made up about one quarter. The number of own employees declined by 560 to 18,610.

### 1.3 Business segments

#### 1.3.1 Sales – comparison with Q1 2009

EUR million	Q1 2009	±	Q2 2009
<b>Capacitors and Inductors</b>	132	-12%	<b>116</b>
<b>Ceramic Components</b>	69	+3%	<b>71</b>
<b>SAW Components</b>	81	-6%	<b>76</b>

Sales for the Capacitors and Inductors segment decreased by 12 percent to EUR 116 million. This drop essentially reflected the decline in sales to industrial electronics customers, which make up the largest share of this segment's sales.

While the Ceramic Components segment increased its sales by 3 percent to EUR 71 million, business remained on a very low level. This was due primarily to the persistently weak sales to the automotive electronics industry.

Sales for the Surface Acoustic Wave (SAW) Components segment declined by 6 percent to EUR 76 million, mainly because of weak sales of products for mobile communication applications.

#### 1.3.2 Sales – comparison with Q2 2008

EUR million	Q2 2008	±	Q2 2009
<b>Capacitors and Inductors</b>	143	-18%	<b>116</b>
<b>Ceramic Components</b>	128	-45%	<b>71</b>
<b>SAW Components</b>	91	-17%	<b>76</b>

Year on year, all business segments experienced a double-digit percentage drop in sales in Q2 2009.

Against 2008 sales for the Capacitors and Inductors segment was also influenced by weak business with the industrial electronics sector. At the same time, demand for electronic components for use in automotive and consumer electronics applications was also significantly down year on year. As a result, sales for Capacitors and Inductors were down 18 percent.

The decline in sales was sharpest – a drop of 45 percent – for the Ceramic Components segment. As in Q1 2009, the main reason was very weak demand from the automotive electronics industry.

In the SAW Components segment, year-on-year sales were down 17 percent. While sales of filter products for mobile communication applications rose, this was not enough to compensate for weak sales of modules and multimedia filters.

### 1.3.3 Earnings

EUR million	Q2 2008	Q1 2009	Q2 2009
<b>Capacitors and Inductors</b>	+10.0	+1.6	<b>-9.9</b>
<b>Ceramic Components</b>	+10.1	-11.4	<b>-15.3</b>
<b>SAW Components</b>	+5.6	-9.4	<b>-16.3</b>

Because of the drop in sales for Capacitors and Inductors EBIT declined to minus EUR 9.9 million in Q2 2009.

EBIT declined to minus EUR 15.3 million for Ceramic Components and to minus EUR 16.3 million at SAW Components. Essentially, this was due to the reduction of inventories and the associated significant decline in production volumes in both segments.

### 1.4 First half of fiscal 2009

EUR million	First half of 2008	±	First half of 2009
<b>Sales</b>	729	<b>-25%</b>	<b>546</b>
<b>EBIT</b>	+54.1	---	<b>-60.7</b>
<b>Net income (loss)</b>	+36.2	---	<b>-81.4</b>
<b>Earnings per share (EUR, undiluted)</b>	+0.55	---	<b>-1.20</b>

Year on year, EPCOS' sales declined 25 percent to EUR 546 million in the first half of fiscal 2009 (October 1, 2008, through March 31, 2009). Largely due to the lower business volume, EBIT was minus EUR 60.7 million.

Net income was down to minus EUR 81.4 million. Earnings per share dropped to minus EUR 1.20.

### 1.5 Assets and financial position

Weak business in the period under review had a negative impact on EPCOS' balance sheet too.

Shareholders' equity declined by EUR 67 million to EUR 615 million (previous year: EUR 682 million), mainly because net loss deteriorated to EUR 81 million. By contrast, minority interests increased by EUR 14 million, essentially due to first-time consolidation of the Chinese joint venture EPCOS Feida. The issue of new shares as a result of the exercise of stock options and the exercise of some of the conversion privileges attached to the convertible bond had a positive impact and added EUR 4 million to shareholders' equity. Since total assets also declined by EUR 65 million to EUR 1,330 million, the equity ratio fell to 46 percent (previous year: 49 percent).

Current assets (including cash and cash equivalents) were down EUR 111 million to EUR 627 million in the first half of fiscal 2009. In the same period, liquidity and marketable securities decreased by EUR 74 million to EUR 124 million, primarily because net cash flow was negative. The decline in sales drove trade receivables sharply down. In the first quarter of fiscal 2009, the postponement and cancellation of orders and, to some extent, first-time consolidation of Becromal S.p.A. were the key factors that pushed up inventories. Then, in the second quarter, inventories were reduced to the previous year's levels. Due to the first-time consolidation of Becromal S.p.A. and the launch of EPCOS Feida, property, plant and equipment and other non-current assets increased by EUR 46 million to EUR 703 million.

On the liabilities side, trade liabilities were reduced by EUR 53 million to EUR 99 million as the volume of business declined. Financial debt increased by EUR 66 million to EUR 278 million. Here, the main reason was first-time consolidation of Becromal S.p.A.

Net financial debt rose to EUR 325 million as of March 31, 2009, an increase of EUR 150 million since September 30, 2008. Net financial debt is calculated by adding financial debt (EUR 278 million) to pension liabilities (EUR 171 million) and deducting cash and cash equivalents (EUR 124 million). EPCOS' gearing ratio rose to 53 percent (previous year: 26 percent). Gearing is defined as the ratio of net financial debt to shareholders' equity (EUR 615 million).

In addition to the liquid funds at its disposal, EPCOS also has a syndicated credit facility of EUR 250 million, of which EUR 160 million was drawn in the period under review – essentially to service premature settlement of the convertible bond in January 2009. As of March 31, 2009, EPCOS also had bilateral borrowing arrangements totaling EUR 113 million, of which EUR 27 million had been drawn at the closing date.

Net cash flow was minus EUR 104 million in the first half of fiscal 2009. A net loss of EUR 81 million and the decrease in trade liabilities due to the lower business volume were the main factors influencing cash used in operating activities of EUR 53 million. The decrease in trade receivables and depreciation/amortization of EUR 64 million was only able to compensate for part of this cash outflow. EUR 51 million was used in investing activities. This figure essentially comprised EUR 31 million for net additions to non-current assets and EUR 19 million for the acquisition of equity interests.

## **1.6 Related party and related persons transactions**

Relationships with related companies and individuals are discussed in detail in section 3.6 of the notes to the financial statements.

## **1.7 Opportunity and risk report**

EPCOS uses a series of defined tools and procedures to record and monitor the risks it faces. Together, these procedures constitute the company's Group-wide monitoring and risk management system, of which regular enterprise-wide planning and reporting is only one aspect. Most of the opportunities and risks described in the consolidated management report in the 2008 Annual Report remained unchanged in the period under review.

Macroeconomic risks nevertheless increased substantially in the second quarter of fiscal 2009 as the economy weakened further and the tense situation on the financial markets worsened noticeably. As a result of the severe global economic crisis, consumers are cutting their spending and companies their investments. Both prefer to wait and see what happens next. Respected market research organizations predict that the global economy will not grow at all or might even shrink slightly in 2009.

Considerable uncertainty around the world about how the economy will develop makes it virtually impossible to give any kind of reliable forecast about the future trend in demand. This makes it extremely difficult – if at all possible – to adjust input factors accordingly.

EPCOS' business, earnings and financial resources could be significantly impaired by the increased risks.

The risks described above are not the only ones to which EPCOS is exposed. Additional risks – and opportunities – of which we are currently unaware or which we currently regard as immaterial could also have a significant impact on our business.

## 1.8 Outlook

In all the industries we serve there is still no sign of an end to the recession, which is affecting EPCOS primarily in Germany – and here especially in the automotive and industrial electronics industries. At the present time, it is therefore not possible to forecast when demand will return to normal levels. It is assumed that, by now, many customers have reduced their inventories of electronic components to a minimum. This, at least, could lead to a moderate improvement in EPCOS' sales in the second half of fiscal 2009.

Sequentially, EPCOS therefore expects slightly increasing sales of EUR 270 to 280 million and improved EBIT in Q3 2009.

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This document may contain forward-looking statements with respect to EPCOS' financial condition, results of operations, business, strategy and plans. In particular, statements using the words "expects", "anticipates" and similar expressions, and statements with regard to management goals and objectives, expected or targeted revenue and expense data, or trends in results of operations or margins are forward looking in nature. Such statements are based on a number of assumptions that could ultimately prove inaccurate, and are subject to a number of risk factors, including changes in our customers' industries, slower growth in significant markets, changes in our relationships with our principal shareholders, the ability to realize cost reductions and operating efficiencies without unduly disrupting business operations, currency fluctuations, unforeseen environmental obligations, and general economic and business conditions. EPCOS does not assume any obligation to update publicly any forward-looking statement, whether as a result of new information, future events or otherwise.

## 2. Condensed Interim Consolidated Financial Statements

### 2.1 CONSOLIDATED INCOME STATEMENTS

for the three and the six months ended March 31, 2009 and March 31, 2008

(EUR thousand, except share data)

	Note	3 months ended March 31, 2009		6 months ended March 31, 2008	
Net sales from continuing operations					
Third parties		259,002	361,207	541,078	728,132
Related parties		4,134	515	4,472	1,061
<b>Total net sales</b>	3.3.4	<b>263,136</b>	<b>361,722</b>	<b>545,550</b>	<b>729,193</b>
Cost of sales		(258,879)	(288,119)	(514,082)	(582,256)
<b>Gross profit on sales</b>		<b>4,257</b>	<b>73,603</b>	<b>31,486</b>	<b>146,937</b>
Marketing and selling expense		(24,715)	(25,261)	(51,673)	(51,421)
Research and development expense	3.3.5	(22,124)	(20,404)	(42,021)	(39,415)
General and administrative expense		(3,307)	(4,104)	(6,165)	(7,424)
Other income/ expenses incl. foreign exchange gains/losses		4,156	1,694	7,484	5,088
Interest income		714	1,976	3,312	4,250
Interest expenses		(5,920)	(6,631)	(14,071)	(13,594)
Income from investments accounted for using the equity method		225	118	225	316
Other financial income/ other financial expenses, net	3.12	1,786	148	(1,752)	(84)
<b>Income before income taxes</b>		<b>(44,928)</b>	<b>21,139</b>	<b>(73,193)</b>	<b>44,653</b>
Current and deferred income taxes	3.3.6	(6,586)	(4,002)	(8,169)	(8,486)
<b>Net income</b>		<b>(51,514)</b>	<b>17,137</b>	<b>(81,362)</b>	<b>36,167</b>
Attributable to					
Shareholders of EPCOS AG		(50,752)	17,225	(80,166)	36,234
Minority interest		(762)	(88)	(1,196)	(67)
Earnings per share (undiluted)	3.3.14/3.13	(0.76)	0.26	(1.20)	0.55
Earnings per share (diluted)		(0.76)	0.26	(1.20)	0.54

**2.2 CONSOLIDATED BALANCE SHEETS**

at March 31, 2009 and September 30, 2008  
(EUR thousand, except share data)

	Note	March 31, 2009	September 30, 2008
<b>ASSETS</b>			
Property, plant and equipment	3.3.7/3.7	558,093	531,024
Intangible assets	3.3.8/3.8	51,706	31,438
Investments accounted for using the equity method *	3.6	2,723	5,007
Other non-current financial assets		14,549	15,061
Deferred tax assets	3.3.6	67,144	66,289
Other non-current assets		8,697	6,598
<b>Total non-current assets</b>		<b>702,912</b>	<b>655,417</b>
Inventories	3.3.12/3.9	258,452	255,046
Trade receivables	3.5.1	190,616	232,627
Cash and cash equivalents	3.3.13	123,473	198,408
Other current financial assets		24,620	22,883
Income tax receivables	3.3.6	5,043	5,432
Other current assets		24,704	24,108
<b>Total current assets</b>		<b>626,908</b>	<b>738,504</b>
<b>Total assets</b>		<b>1,329,820</b>	<b>1,393,921</b>
<b>LIABILITIES AND EQUITY</b>			
Share capital - 96,280,000 shares authorized and 66,682,270 (66,431,000) shares issued and outstanding in March 31, 2009 (September 30, 2008)			
		66,682	66,431
Additional paid-in capital		289,746	285,332
Retained earnings *	3.6	222,091	302,257
Other components of equity		15,861	19,524
<b>Total equity without minority interest</b>		<b>594,380</b>	<b>673,544</b>
Minority interest		21,117	7,032
<b>Total equity</b>		<b>615,497</b>	<b>680,576</b>
Pensions and similar obligations	3.5.4	162,017	151,774
Other non-current provisions		30,531	31,675
Non-current debt		52,304	44,034
Other non-current financial liabilities		2,907	1,723
Other non-current non-financial liabilities		8,181	7,697
Deferred tax liabilities		7,002	4,036
<b>Non-current liabilities and provisions</b>		<b>262,942</b>	<b>240,939</b>
Pensions and similar obligations	3.5.4	9,305	9,528
Other current provisions		34,465	38,275
Trade liabilities		99,229	151,563
Current debt		225,182	168,336
Other current financial liabilities		29,628	35,825
Other current non-financial liabilities		49,070	64,039
Income tax liabilities	3.3.6	4,502	4,840
<b>Current liabilities and provisions</b>		<b>451,381</b>	<b>472,406</b>
<b>Total liabilities and equity</b>		<b>1,329,820</b>	<b>1,393,921</b>

\* After adjusting investments accounted for using the equity method as of September 30, 2008. See 3.6

**2.3 CONSOLIDATED CHANGES IN EQUITY<sup>1</sup>**

for the six months ended March 31, 2009 and March 31, 2008  
(EUR thousand)

	Share capital	Additional paid-in capital	Retained earnings *	Other components of equity				Treasury shares	Total equity attributable to shareholders of EPCOS AG	Minority interest	Total
				Currency translation adjustment	Derivative financial instruments	Available-for-sale financial assets	Pension adjustments				
<b>Balances at October 1, 2008 *</b>	<b>66,431</b>	<b>285,332</b>	<b>302,257</b>	<b>4,537</b>	<b>(8,859)</b>	<b>698</b>	<b>23,148</b>	-	<b>673,544</b>	<b>7,032</b>	<b>680,576</b>
Dividends	-	-	-	-	-	-	-	-	-	(226)	(226)
Income and expense recognized in equity	-	-	(80,166)	(2,345)	4,524	(904)	(4,938)	-	(83,829)	(43)	(83,872)
Share-based payment	-	172	-	-	-	-	-	-	172	-	172
Issue of share capital	251	4,242	-	-	-	-	-	-	4,493	-	4,493
Minority effects from the first time consolidation and other items	-	-	-	-	-	-	-	-	-	14,354	14,354
<b>Balances at March 31, 2009</b>	<b>66,682</b>	<b>289,746</b>	<b>222,091</b>	<b>2,192</b>	<b>(4,335)</b>	<b>(206)</b>	<b>18,210</b>	-	<b>594,380</b>	<b>21,117</b>	<b>615,497</b>
<b>Balances at October 1, 2007</b>	<b>65,317</b>	<b>269,532</b>	<b>258,713</b>	<b>(1,885)</b>	<b>(260)</b>	<b>3,075</b>	<b>7,216</b>	-	<b>601,708</b>	<b>1,972</b>	<b>603,680</b>
Dividends	-	-	(19,595)	-	-	-	-	-	(19,595)	(346)	(19,941)
Income and expense recognized in equity	-	-	36,234	(9,921)	1,301	(1,434)	-	-	26,180	(346)	25,834
Share-based payment	-	575	-	-	-	-	-	-	575	-	575
Minority effects from the first time consolidation	-	-	-	-	-	-	-	-	-	5,406	5,406
<b>Balances at March 31, 2008</b>	<b>65,317</b>	<b>270,107</b>	<b>275,352</b>	<b>(11,806)</b>	<b>1,041</b>	<b>1,641</b>	<b>7,216</b>	-	<b>608,868</b>	<b>6,686</b>	<b>615,554</b>

\* After adjusting investments accounted for using the equity method as of September 30, 2008. See 3.6

<sup>1</sup> The consolidated changes in equity are a component part of the selected notes.

## 2.4 CONSOLIDATED STATEMENTS OF INCOME AND EXPENSE RECOGNIZED IN EQUITY

for the six months ended March 31, 2009 and March 31, 2008  
(EUR thousand)

	Note	6 months ended	
		2009	March 31, 2008
Net (loss) / income including minority interest		(81,362)	36,167
Currency translation adjustment	3.3.3.2	(1,192)	(10,200)
Available-for-sale financial assets	3.3.11	(904)	(1,434)
Derivative financial instruments	3.3.10	4,524	1,301
Actuarial gains/ losses arising from pensions and similar obligations		(4,938)	-
Total income and expense recognized directly in equity, after tax <sup>2</sup>		(2,510)	(10,333)
Total income and expense recognized in equity		(83,872)	25,834
Attributable to:			
Minority interest		(43)	(346)
Shareholders of EPCOS AG		(83,829)	26,180

<sup>2</sup> Includes a minority interest of plus EUR 1,153 thousand (previous period: minus EUR 279 thousand) due to currency translation adjustments.

## 2.5 CONSOLIDATED CASH FLOW STATEMENTS

for the six months ended March 31, 2009 and March 31, 2008 (EUR thousand)

	Note	6 months ended March 31,	
		2009	2008
<b>Cash flows from operating activities</b>			
Net (loss) / income		(81,362)	36,167
Depreciation of property, plant and equipment	3.3.7	62,065	57,077
Amortization of intangible assets	3.3.8	2,135	1,674
(Profit) / Loss on sale of property, plant and equipment		(423)	177
Deferred tax		3,613	3,598
Share of net loss of non-consolidated affiliates and at equity companies		(225)	(316)
Other non-cash items		11,611	6,120
Decrease / (Increase) in inventories	3.3.12/3.9	3,233	(38,909)
Decrease in trade receivables and other assets	3.5.1	63,398	3,065
(Decrease) / Increase in trade liabilities and other liabilities		(105,819)	15,289
Decrease in current and non-current accrued expenses	3.5.5	(12,344)	(8,775)
Increase in pension liabilities	3.5.4	1,133	4,777
<b>Net cash (used in) provided by operating activities</b>		<b>(52,985)</b>	<b>79,944</b>
<b>Cash flows from investing activities</b>			
Capital expenditures in fixed and intangible assets, net	3.8/3.7	(33,250)	(60,402)
Increase in financial assets		(786)	(568)
Proceeds from sale of equipment		1,808	17,998
Payment for acquisition of businesses and business units, net		(17,994)	(10,350)
Investments in associates and unconsolidated companies	3.3.2	(1,257)	(7,500)
<b>Net cash used in investing activities</b>		<b>(51,479)</b>	<b>(60,822)</b>
<b>Cash flows from financing activities</b>			
Net increase / (decrease) in current borrowings	3.4	156,960	(14,175)
Proceeds from issuance of non-current debt		375	9,920
Principal payments on non-current debt		(8,904)	(20,763)
Principal payments under finance lease obligations		(396)	(509)
Repayment of convertible bond	3.4	(123,686)	-
Issue of share capital		503	-
Cash dividends		-	(19,595)
Dividends paid to minority shareholders		(226)	(346)
Stock options cash settlement	3.3.15	(2,137)	-
Payment received from the Contractual Trust Arrangement		1,948	-
<b>Net cash provided by (used in) financing activities</b>		<b>24,437</b>	<b>(45,468)</b>
Effect of exchange rate changes on cash and cash equivalents		5,092	(2,239)
Decrease in cash and cash equivalents		(74,935)	(28,585)
Cash and cash equivalents at beginning of fiscal year	3.3.13	198,408	234,622
<b>Cash and cash equivalents at end of period</b>	3.3.13	<b>123,473</b>	<b>206,037</b>
<b>Additional information on payments received and made</b>			
Interest received		1,764	2,898
Interest paid		(6,113)	(3,856)
Dividends received		-	316
Cash flows from income taxes, net		(5,385)	(5,472)

### **3. Selective Notes to the Condensed Interim Consolidated Financial Statements**

#### **3.1 Accounting principles**

EPCOS AG has prepared consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and their interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the European Union. The accompanying consolidated interim financial statements have been prepared in compliance with International Accounting Standard (IAS) 34.

This interim report was compiled in accordance with German Accounting Standard 16 (GAS 16).

The selective notes to the condensed interim consolidated financial statements do not include a complete set of financial statements and should be read in conjunction with the audited consolidated financial statements for the year ended September 30, 2008.

EBIT is the ratio EPCOS uses to evaluate the operating performance of the three segments for which we are required by law to submit reports, and for the EPCOS Group as a whole. We believe that EBIT is a better measure of operating performance than operating income, since the latter excludes the impact of foreign exchange gains and losses and other income and expenses. These line items can have a significant impact on the performance of our segments. We calculate EBIT as net loss/income plus (minus) income tax, financial income/ expense, net and interest income/ expense, net.

#### **3.2. Basis for presentation**

The unaudited interim consolidated financial statements cover the six-month periods that end on March 31, 2009 and March 31, 2008, respectively. They reflect all recurring adjustments that, in the opinion of management, are necessary for a fair presentation of earnings in the interim periods presented. All significant intercompany balances and transactions and all significant intra group profits or losses arising from such transactions were eliminated in the consolidated financial statements.

The earnings reported for any interim period are not necessarily indicative for the results of the full year. EPCOS' fiscal year ends on September 30.

Except where explicitly stated otherwise, the presentation currency used in the notes to the consolidated financial statements is the euro (EUR). Where necessary, figures have been rounded on the basis of standard commercial principles.

### 3.3 Summary of significant accounting and measurement policies

EPCOS has prepared the condensed interim consolidated financial statements in accordance with the accounting principles applied in the annual report as of September 30, 2008.

#### 3.3.1 Consolidation

All companies over which EPCOS AG exercises effective control in accordance with law are consolidated in line with the regulations of IFRS. Control is deemed to exist if EPCOS can govern the financial and operating policies of a company in order to obtain benefits from its activities.

Where necessary, the financial statements of subsidiaries are adjusted to adhere to the accounting and valuation principles used in the EPCOS Group.

All significant balances and transactions within the Group and all significant intercompany profits arising from such transactions are eliminated from the consolidated financial statements.

As of March 31, 2009 and September 30, 2008, the following number of companies was consolidated alongside EPCOS AG:

	March 31, 2009	September 30, 2008
<b>Consolidated</b>		
Germany	3	3
Foreign	36	31
	<b>39</b>	<b>34</b>
<b>At Equity</b>	1	1
	<b>40</b>	<b>35</b>

#### 3.3.2 Investments in unconsolidated companies/associates

Companies that EPCOS does not control but over whose operating and financial policies EPCOS can exercise a significant influence (associates) are stated at equity in the consolidated financial statements.

Significant influence is generally assumed if EPCOS directly or indirectly controls 20% to 50% of the voting rights in a company.

Indications of impairment lead to an examination of the recognized value followed, if necessary, by impairment. Where the reasons for an earlier impairment no longer exist, the impairment is reversed and the write-up is recognized in profit and loss.

The appropriate share of equity of companies accounted for under the equity method is reported in the consolidated financial statements. Intercompany profits arising from transactions with these companies were not eliminated in the consolidated financial statements. Transactions with these companies were conducted at arm's-length at prevailing market rates. These inventories were insignificant at the balance sheet date for March 31, 2009 and September 30, 2008.

Where fair value cannot be determined reliably or where no market price is available, investments and shares in unconsolidated companies of minor significance are recognized at cost in the consolidated financial statements. Where impairment is necessary, impairment tests are performed. Any necessary corrections are recognized in profit and loss.

### **3.3.3 Foreign currencies**

#### **3.3.3.1 Transactions in foreign currencies**

Purchases and sales effected in foreign currencies are translated at the exchange rate valid at the time of the transaction. Assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate valid on the balance sheet date. The resulting foreign currency gains and losses are recognized in consolidated profit and loss.

#### **3.3.3.2 Translation of financial statements into euros**

EPCOS presents its financial statements in euros. Balance sheet items reported by subsidiaries for which the euro is not the presentation currency are translated at the spot-rate on the balance sheet date. Items in the income statement are translated at the weighted average rate for the respective fiscal period. The resulting translation adjustments are recognized in equity.

### **3.3.4 Revenue recognition**

Sales are recorded when they are realized or become realizable. They are recognized independent of the date of payment. Sales are defined net of discounts, customer incentives, rebates and returns.

### **3.3.5 Research and development costs**

Research costs are distinguished from development costs. Both items are recognized in the period in which they are incurred.

Where the criteria for recognition specified by IAS 38 are met, development costs are capitalized. These capitalized costs are then included in other internally generated intangible assets, a subset of intangible assets. In subsequent periods, amortization of capitalized development costs is recognized in profit and loss as cost of sales. Where capitalized development costs can be assigned to a specific production operation, amortization is spread across the costs of the products concerned.

Where the criteria for capitalization of development costs are not met, development costs are recorded under "Research and development costs" as an expense in the appropriate period.

### **3.3.6 Income taxes**

The Company applies IAS 12 („income taxes“) accounting for income taxes. According to IAS 12 deferred taxes have to be recognized for temporary differences between the values of the tax balance sheet and the IFRS balance sheet (liability method).

The impact on deferred taxes of changes in tax rates affects income in the period in which the legislative process underpinning the change in the tax rate is largely completed, except in cases where the impact relates to items that are recognized in equity. Deferred tax assets are recognized to the extent to which it is probable that future taxable profits will be earned against which deductible temporary differences, loss carryforwards and unused tax credits can be offset.

For the fiscal year 2008 a total income tax rate of 31.5% has been used for EPCOS AG for the calculation of deferred taxes. This is comprised of the corporate income tax rate of 15.8% (including solidarity surcharge) and the trade tax rate of 15.7%. In the first quarter of fiscal year 2009 the trade tax rate increased to 15.9% so the total income tax rate amounts to 31.7% for fiscal year 2009.

### 3.3.7 Property, plant and equipment

Property, plant and equipment are recognized at historical cost less accumulated depreciation and impairment. Cost includes closure and restoration costs that must be capitalized. It also includes the significant cost of improvements that extend the useful life or increase the capacity of the assets concerned. Maintenance and repair costs are recognized as an expense when they are incurred. Capital expenditure for expansion is capitalized insofar as it increases the value of an asset. Interest on borrowings that is incurred during construction of an asset is not capitalized.

When property, plant and equipment are disposed of, the associated historical cost and accumulated depreciation and impairment are derecognized. The difference between these amounts and the proceeds from the sale is recognized as income or expense in the consolidated statements of income.

As a general rule, the following useful lives are estimated for depreciable items of property, plant and equipment:

Buildings, exterior fixtures and leasehold improvements	5 to 50 years
Machinery and other equipment	5 to 10 years
Other assets, office fixtures and fittings	3 to 5 years

### 3.3.8 Intangible assets

With the exception of goodwill, intangible assets are recognized at cost less accumulated amortization and impairment. Scheduled amortization is recorded straight line over the useful life of an asset.

Goodwill is defined as the difference between the purchase price and the fair value of the net assets of an "acquired" separate entity or a business. Beyond that, intangible assets consist primarily of the acquired customer base, patents and licenses as well as internally generated intangible assets. Patents are amortized in accordance with the patent certificate. The same method applies to amortization of the customer base over a maximum of ten years. Licenses are amortized in accordance with the terms of the relevant agreements.

Pursuant to IAS 36, goodwill is not subject to scheduled amortization. The goodwill assigned to business units is tested for impairment at least once a year, or where events indicate an impairment may exist, and written down accordingly as and when necessary. Goodwill impairments cannot be reversed in subsequent periods.

### 3.3.9 Impairment of long-lived assets

The Company tests long-lived assets (including intangible assets) for impairment whenever certain events or changes in circumstances indicate that an asset's carrying amount may no longer be recoverable.

In accordance with IAS 36, "Impairment of Assets", the carrying amount of such assets is compared with their recoverable amount, which is defined as the higher of their value in use and their fair value less cost to sell.

Normally, expert reports are prepared or discounted future net cash flows are estimated to determine the recoverable amount of an asset. Estimates of future net cash flows require management to make assumptions. Actual values may, however, deviate from the estimated values.

If an asset's carrying amount is higher than its recoverable amount, the asset is written down by the difference between the carrying amount and the recoverable amount. If the reasons for an earlier impairment no longer apply, assets impairments (with the exception of goodwill) are reversed again. However, any such reversal must not exceed the carrying amount of the asset that would have applied if impairment had not been effected in previous periods.

### **3.3.10 Financial instruments and hedges**

IAS 39, "Financial Instruments: Recognition and Measurement", contains regulations governing the accounting and reporting treatment of derivative financial instruments, including certain derivative financial instruments that are embedded in other contracts and hedge accounting.

EPCOS uses derivative financial instruments to contain the exchange rate risks, interest rate risks and risks associated with fluctuations in the market price of precious metals. The Company neither uses nor issues derivative financial instruments for trading or speculative purposes. However, to minimize certain risks that are inherent to the nature of its business activities, EPCOS does engage in forward exchange contracts, forward rate agreements and commodity futures transactions.

Derivative financial instruments are recognized at fair value both when they are reported for the first time and in subsequent periods. Gains and losses arising from fluctuations in fair value are recognized immediately in profit and loss.

If a derivative financial instrument is used as a cash flow hedge in accordance with IAS 39, the effective portion of the change in the fair value of the hedge is recognized in equity. The ineffective portion of the change in the fair value of a cash flow hedge is recognized immediately in profit and loss.

Reclassification to profit and loss takes place in the period in which the hedged item is recognized in profit and loss. Where a hedged item ceases to exist, the hedging result is immediately reclassified to profit and loss.

For hedging of an underlying operational transaction the results of both the operational activity and the hedging activity are posted in the operational result, within EBIT. For hedging of an underlying financial transaction the results from the underlying and the hedging activities are posted in the financial result, outside EBIT.

### **3.3.11 Securities**

EPCOS classifies its securities as *available-for-sale securities*. These securities are recognized at their market value on the balance sheet date. Cumulative unrealized gains and losses are recognized in equity. Realized gains or losses and impairments that are probably of a permanent nature are recognized in consolidated profit and loss.

### **3.3.12 Inventories**

Inventories are measured at the lower of cost or net realizable value. Cost is determined primarily using the average method. Cost includes directly attributable material and labor cost and a share of material and production overheads, plus depreciation based on the assumption of normal capacity utilization.

### 3.3.13 Cash and cash equivalents

For the purposes of the consolidated statements of cash flows, EPCOS recognizes all highly liquid financial instruments with original maturities of up to three months as cash and cash equivalents. These items include balances in bank accounts and current investments for periods of less than three months at the time of initial investment.

### 3.3.14 Earnings per share

Basic (i.e. undiluted) earnings per share are calculated by dividing net income for the period by the weighted average number of shares outstanding in a given period. To calculate diluted earnings per share, the weighted average number of shares outstanding is increased by the number of additional ordinary shares that would have been added if the issue of additional shares had diluted the original number in a given period.

### 3.3.15 Share-based payment

In the past the top management of the EPCOS Group was paid the following share-based compensation: in fiscal 2008 Stock Appreciation Rights from the Stock Appreciation Rights Plan 2007 (SARP 2007); in fiscal years 2005 to 2007 stock options from the Stock Option Plan 2004; and in fiscal years 2000 to 2004 stock options from the Stock Option Plan 1999. The basic elements of all three plans are described in the Consolidated Financial Statements (Section 6.30 "Share-based compensation") of the Annual Report 2008.

621,000 SARs were already issued in the initial tranche on December 17, 2007. Due to the Change of Control the remaining 606,000 SARs were paid out ahead of schedule in the three months ended in December 31, 2008.

During the six months ended March 31, 2009, the Group recognized expense of EUR 0.07 million.

The following table summarizes the regular stock-option plans for the first six-month period ending March 31, 2009:

<b>REGULAR STOCK-OPTION PLANS</b>		
	<b>Number of options</b>	<b>Weighted average exercise price per share (in EUR)</b>
<b>Balance at September 30, 2008</b>	<b>1,462,000</b>	<b>30.85</b>
Granted	-	-
Exercised	653,500	16.15
Forfeited	3,000	21.76
Expired	401,000	64.11
<b>Balance at March 31, 2009</b>	<b>404,500</b>	<b>21.69</b>

620,500 options reported in the six months were exercised, whereby the settlement by EPCOS was done by cash payment to the owners of the options. The settlement amount was calculated from the difference between the closing price in Xetra trading at the exercise day (reduced by EUR 0.30 because of the proposed dividend payment) and the issue price. TDK Corporation agreed to compensate the costs from the above mentioned cash settlement for existent and future expenses. The compensation will include both direct and indirect (opportunity) cost. The opportunity cost is to be calculated by an economical comparison of the effects from the cash settlement and the effects from issuing new shares (from Conditional Capital) on the financial statements.

EPCOS made cash settlement in amount of EUR 2.1 million in the six months reported. For March 31, 2009 EPCOS reports a receivable to TDK in the same amount.

In fiscal year 2009 however no share-based compensation was granted because – as a result of the takeover by TDK and the associated speculation on a squeeze-out – the share price does not adequately reflect the operative economic business development of the company and is thus no longer a suitable reference for a long-term incentive.

### **3.3.16 Operating Segments**

According to IFRS 8 the segment reporting is done under the management approach. The Company has three reportable operating segments that are regularly evaluated by the Management Board in order to decide how to allocate resources. The segments are managed separately because of differences in the nature of their respective products. The three reportable operating segments are Capacitors and Inductors, Ceramic Components and Surface Acoustic Wave (SAW) Components.

### **3.4 Significant changes to individual balance sheet positions**

#### Convertible bond

Bondholders decided to exercise their conversion right of EUR 4.0 million and to use their early redemption option in amount of EUR 121.0 million since the public announcement concerning the change of control occurred. The corresponding payment for the early redemption was done on January 8, 2009. The issuer used its early redemption option for minimal outstanding principal amount of EUR 1.4 million on January 28, 2009 as defined in section 3, article 4 of the terms and condition of the convertible bonds. The financing of the payment for the early redemption is carried out by the so far not yet used syndicated credit facility.

#### Minority interest

The significant increase of minority interest in equity results from the extension of the basis of consolidation and a capital contribution at a subsidiary who is not owned by 100% of the EPCOS group.

### **3.5 Accounting principles that require significant estimates and assumptions**

Some accounting principles require the use of significant estimates and assumptions. These principles include complex and subjective evaluations and assessments on the basis of issues that expose them to uncertainty and change. Accounting principles that require significant estimates and assumptions can change over time and significantly influence the presentation of EPCOS' assets, financial situation and earnings. These principles can also include the use of management assumptions that, for equally persuasive reasons, could have been different in the same period. The Management Board expressly points out that future events often differ from forecasts, and that estimates routinely have to be adapted in light of the actual developments.

### **3.5.1 Accounts receivable and other receivables**

Allowances for doubtful receivables include estimates and assessments of individual receivables. These estimates and assessments are based on the creditworthiness of the individual customer, current economic developments and an analysis of historic default records within the portfolio. Country-specific ratings are also taken into account.

### **3.5.2 Deferred Tax Assets**

The Company's management has made a number of estimates and assumptions relating to the reporting of deferred tax assets to assess an appropriate intrinsic value of the deferred tax assets. Actual results may differ from those estimates and assumptions.

### **3.5.3 Goodwill**

In accordance with IAS 36, "Impairment of Assets" goodwill is not amortized on a straight-line basis but instead tested at least annually for impairment or whenever an impairment indication occurs.

EPCOS tests goodwill for impairment at least once a year. The Company uses measurement methods that are based on discounted cash flows. Cash flow forecasts are taking in account past experience and are based on management's best estimates of future developments. These assumptions can have a significant influence. The impairment test is based on cash generating units which correspond to EPCOS' divisions. Basis for the impairment test of the second quarter of fiscal year 2009 is the forecast of each segment which is also the base of the appraisal report for the squeeze out. The discounting of the cash flows is calculated with the weighted average capital cost before taxes (WACC) of 10.1% under consideration of an economic growth rate of 1.75%. An impairment would be necessary when the recoverable amount is lower than the carrying amount of the corresponding division.

The Company came to the conclusion by testing the goodwill for impairment in the second quarter of fiscal 2009 that there is no need to record an impairment for the actual reporting period. The recoverable amounts of all cash generating units are higher compared to their carrying amounts. Also after a sensitivity analysis by using an economic growth rate and a WACC with an adjusted percentage of 25 basis points there would be no need for an impairment.

### **3.5.4 Pensions and similar obligations**

Expenses and income arising from pension commitments are calculated using actuarial methods that are based on a number of key assumptions, including discount factors and the projected return on plan assets. The plan assets for all pension plans are recognized at their market value at the balance sheet date. This value serves as the basis on which the return on plan assets is calculated. Expenses and income arising from similar obligations are likewise calculated using actuarial methods that are based on a number of key assumptions, including discount factors. The discount factors assumed reflect the rates of interest that could be realized on high-grade fixed-income bonds with appropriate maturities at the balance sheet date. The projected return on plan assets is calculated on a uniform basis, taking into account historic long-term returns, the structure of the portfolio and estimates of long-term returns in the future. Some of the other key assumptions to calculate projected expenses and income arising from pension and similar obligations are based on current market conditions. Expenses and income arising from pension and similar obligations can vary if these underlying assumptions change.

### 3.5.5 Provisions

The Company's management has made a number of estimates and assumptions relating to the reporting of provisions like possible warranty claims and the cost of legal disputes to prepare these consolidated financial interim statements in conformity with IFRS. Actual results may differ from those estimates and assumptions.

### 3.6 Transactions with related parties and related persons

TDK Corporation, Japan (hereinafter "TDK") and the Company announced the signing of a business combination agreement (BCA) on July 31, 2008. By August 5, 2008, TDK had already acquired more than 20% of the voting rights in EPCOS. Effective this date, the Company reports on its relationship with the TDK Group under the heading of related party transactions. The direct and indirect interests held by TDK Corporation in EPCOS AG exceed 95% as of March 31, 2009.

For details to the signed domination agreement and the squeeze out deal please see note 3.18 "Subsequent events".

There are no further material transactions with TDK companies to be reported as already mentioned in note 3.3.15 and note 3.18. In the six month period ended March 31, 2009 there have been no material transactions with other related parties and persons.

In October 2008, EPCOS signed a purchase agreement with Becrolux S.A., Luxembourg, for 51% of the shares in Becromal S.p.A. (Becromal). As a result, EPCOS now owns 100% of the shares in Becromal. Since then, all transactions with Becromal group companies are eliminated within the consolidated financial statements of EPCOS. EPCOS received further/additional information in the course of gaining control. Therefore the reporting of goodwill accounting (concerning 49% interest in fiscal 2008) had to be corrected. In this interim group management report both the total equity and the investments accounted for using the equity method are shown reduced by EUR 1.5 million for September 30, 2008.

### 3.7 Property, plant and equipment

#### Additions and disposals

In the three month period ending March 31, 2009 (2008) and in the six month period ending March 31, 2009 (2008) EPCOS purchased assets in amount of EUR 26.6 million and EUR 100.4 million (EUR 24.3 million and EUR 66.1 million).

In the three month period ending March 31, 2009 (2008) and in the six month period ending March 31, 2009 (2008) EPCOS sold assets with a net book value of EUR 0.1 million (EUR 0.3 million and EUR 1.1 million).

#### Depreciation

Depreciation expense for property, plant and equipment was EUR 30.8 million (EUR 28.7 million) for the three month period ending March 31, 2009 (2008) and EUR 62.1 million (EUR 57.1 million) for the six month period ending March 31, 2009 (2008).

### 3.8 Goodwill and other intangible assets

The following categories of intangible assets are included in the consolidated financial statements at March 31, 2009, and September 30, 2008:

<b>INTANGIBLE ASSETS</b>				
(EUR thousand)				
	<b>March 31, 2009</b>		<b>September 30, 2008</b>	
	<b>Gross</b>	<b>Net</b>	<b>Gross</b>	<b>Net</b>
Goodwill	33,292	18,393	30,515	15,618
Patents, licenses and similar rights	56,218	23,021	42,561	11,137
Customer lists	4,789	1,893	3,890	1,239
Internally generated intangible assets	5,633	4,105	4,100	2,700
Other	5,577	4,294	2,040	744
<b>Total intangible assets</b>	<b>105,509</b>	<b>51,706</b>	<b>83,106</b>	<b>31,438</b>

Amortization related to intangible assets (finite lives) amounted to EUR 1.1 million (EUR 1.0 million) for the three month period ending March 31, 2009 (2008) and EUR 2.1 million (EUR 1.7 million) for the six month period ending March 31, 2009 (2008). There were no changes to the useful lives and there are no expected residual values associated with these intangible assets. Patents are amortized over the term of the patents or, as in the case of customer lists, over a maximum of ten years. Licenses are amortized over the term of the licensing agreement.

A development of goodwill is enclosed in note 3.13 "Business Combinations".

### 3.9 Inventories, net

<b>INVENTORIES, NET</b>		
(EUR thousand)		
	<b>March 31, 2009</b>	<b>September 30, 2008</b>
Raw materials and supplies	66,639	63,987
Work in process	50,646	61,073
Finished products	141,167	129,986
<b>Total inventories, net</b>	<b>258,452</b>	<b>255,046</b>

Total inventories as of March 31, 2009 and September 30, 2008, are net of valuation allowances of EUR 25.5 million and EUR 21.2 million, respectively.

### 3.10 Paid and proposed dividends

In accordance with the General Meeting's resolution on February 13, 2008, a dividend payment of EUR 0.30 per entitled share for the fiscal year ended September 30, 2007 was distributed in the amount of EUR 19.6 million (before withholding tax and solidarity surcharge) on February 14, 2008.

The Supervisory Board and Management Board have decided to propose that the General Meeting for the fiscal year ended September 30, 2008, resolve to pay a dividend of EUR 0.30 per eligible share. This corresponds to a total amount of EUR 19.9 million. Dividends cannot be paid out until they have been approved by the General Meeting which is usually held in the second quarter of the fiscal year. The general Meeting for the fiscal year ending September 30, 2008 will be held on May 20, 2009. Insofar no cash dividends were paid in the six-months period ending March 31, 2009.

### 3.11 Pension plan

The table below lists the components of net pension costs for the three and six months ending March 31, 2009 and 2008:

<b>PENSION COSTS, NET</b>				
for the three and the six months ended March 31, 2009 and March 31, 2008 (EUR thousand)				
	<b>3 months ended</b>		<b>6 months ended</b>	
	<b>2009</b>	<b>March 31, 2008</b>	<b>2009</b>	<b>March 31, 2008</b>
Current service costs	1,623	1,857	2,853	3,246
Interest costs	3,159	2,847	6,133	5,567
Expected return on plan assets	(630)	(449)	(1,213)	(919)
<b>Pension cost for the period, net</b>	<b>4,152</b>	<b>4,255</b>	<b>7,773</b>	<b>7,894</b>

### 3.12 Other financial income and expenses

Mainly results from hedging activities that do not concern the operational activity are posted in this line.

### 3.13 Business combinations

<b>ACQUISITION OF BUSINESSES – Becromal S.p.A. (Becromal)</b>		
(EUR thousand)		
<b>at date of purchase</b>	<b>Carrying amount</b>	<b>Fair value</b>
<b>Assets</b>		
Intangible assets	2,700	3,918
Property, plant and equipment	56,340	59,406
Other non-current assets	6,068	2,909
Current assets	36,370	37,370
<b>Liabilities</b>		
Non-current liabilities and provisions	38,040	38,040
Current liabilities and provisions	52,741	53,036
Minority interest	2,263	2,263
<b>Net assets incl. Minority interest</b>	<b>10,697</b>	<b>12,527</b>
<b>Net assets excl. Minority interest</b>	<b>8,434</b>	<b>10,264</b>
Thereof 51%	-	5,235
Purchase price	-	5,480
Goodwill	-	245

In October 2008, EPCOS signed a purchase agreement with Becrolux S.A., Luxembourg, for 51% of the shares in Becromal S.p.A. (Becromal). The purchase price (including acquisition cost in an amount of EUR 0.5 million) was EUR 5.5 million, in which no equity instruments of EPCOS shares were issued. The price was paid in total in fiscal year 2009. The purchase price allocation was prepared according to IFRS 3 under consideration of the net fair values of the assets and liabilities acquired.

The excess of acquirer's purchase price over the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities is booked as goodwill (EUR 0.2 million). This goodwill represents future synergy and economic benefits from the combination of assets and activi-

ties from Becromal with EPCOS Group. For the six month period ended March 31, 2009 Becromal Group shows a net loss of EUR 11.0 million.

### ACQUISITION OF BUSINESSES – EPCOS (Anhui) Feida

(EUR thousand)

at date of purchase	Carrying amount / Fair value*
Intangible assets (including goodwill in amount of EUR 2.4 million)	10,220
Property, plant and equipment	12,537
Current assets	3,636
<b>Net assets</b>	<b>26,393</b>
Thereof 60%	15,836
Purchase price	15,836

\* preliminary

At the first quarter of fiscal year 2009 EPCOS signed a contract with the Chinese company Anhui Feida Industry Stock Co., Ltd (Anhui Feida) regarding the foundation of EPCOS (Anhui) Feida Electronics Co., Ltd. (EPCOS Feida). The subsidiary develops and manufactures power capacitors for AC. EPCOS` s interest is 60%. EPCOS Feida started its business as of January 2009 and is included in the group financial statements since January 1, 2009.

EPCOS owns 60 percent share of the company through a cash contribution in the amount of EUR 15.8 million. The cash contribution was paid in full amount in the second quarter of fiscal year 2009. The minority shareholder Anhui Feida put up intangible assets and fixed assets in amount of EUR 10.6 million. Additionally Anhui Feida assigned further business operations to EPCOS Feida with a payment of EUR 15.8 million. The goodwill resulting from these transactions amounting to EUR 2.4 million is included in the financial statements of the subsidiary.

For the six month period ended March 31, 2009 EPCOS Feida shows a net gain of EUR 0.6 million.

### 3.14 Earnings per share

Basic earnings (loss) per share are computed by dividing net income/loss by the weighted average number of shares outstanding during the period. Diluted earnings (loss) per share reflect the potential dilution that would occur if the potentially dilutive shares, such as on the exercise of options, had been issued.

The following table sets forth the computation of basic and diluted earnings (loss) per share for the three and six month periods ended March 31, 2009 and 2008:

<b>EARNINGS PER SHARE</b>				
for the three months and six months ended March 31, 2009 and March 31, 2008 (EUR thousand, except share data)				
	<b>3 months ended March 31,</b>		<b>6 months ended March 31,</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Net income from continuing operations (basic)	(50,752)	17,225	(80,166)	36,234
Interest expense on convertible bond (net of tax)	47	1,285	1,319	2,570
Net income (diluted)	(50,705)	18,510	(78,847)	38,804
Weighted average number of shares outstanding (basic)	66,682,270	65,317,000	66,630,545	65,317,000
Effect of dilutive shares – stock options	-	-	-	-
Effect of dilutive shares – convertible bond	-	6,500,000	-	6,500,000
Weighted average number of shares outstanding (diluted)	66,682,270	71,817,000	66,630,545	71,817,000
Basic (undiluted) earnings per share, in EUR	(0.76)	0.26	(1.20)	0.55
Diluted earnings per share, in EUR	(0.76)	0.26	(1.20)	0.54

In determining the dilutive effect for the three and six months period ended March 31, 2009, neither options to purchase shares of common stock nor potential dilutive shares resulting from the convertible bond were considered as the inclusion would have had an anti-dilutive effect in this period.

In determining the dilutive effect for the three and six months ended March 31, 2008, 6,500,000 shares related to the convertible bond issuance were included. A dilutive effect from stock options was not considered since no options were in the money.

## 3.15 Segment reporting

## FINANCIAL INFORMATION ON BUSINESS SEGMENTS

(EUR million)

	Capacitors and Inductors	Ceramic Compo- nents	SAW Compo- nents	Elimi- nations/ unallo- cated costs	Consoli- dated total
<b>3 months ended March 31, 2009</b>					
Net sales to third parties and related parties	116.3	70.8	76.0	-	263.1
EBIT	(9.9)	(15.3)	(16.3)	-	(41.5)
therein net income (loss) from investments accounted for using the equity method	0.2	-	-	-	0.2
Interest result (net)	-	-	-	-	(5.2)
Net loss from other financial income and financial expenses	-	-	-	-	1.8
Income before income taxes and minority interest	-	-	-	-	(44.9)
Current and deferred taxes	-	-	-	-	(6.6)
Net loss	-	-	-	-	(51.5)
Attributable to					
Shareholders of EPCOS AG	-	-	-	-	(50.7)
Minority interest	-	-	-	-	(0.8)
Depreciation and amortization	9.6	8.9	13.4	-	31.9
Additions to non-current assets	5.9	1.9	2.7	0.7	11.2
Total assets	583.1	386.0	360.7	-	1,329.8
<b>3 months ended March 31, 2008</b>					
Net sales to third parties and related parties	142.7	127.7	91.3	-	361.7
EBIT	10.0	10.1	5.6	-	25.7
therein net income from investments accounted for using the equity method	-	-	0.1	-	0.1
Interest result (net)	-	-	-	-	(4.7)
Net loss from other financial income and financial expenses	-	-	-	-	0.1
Income before income taxes and minority interest	-	-	-	-	21.1
Current and deferred taxes	-	-	-	-	(4.0)
Net income	-	-	-	-	17.1
Attributable to					
Shareholders of EPCOS AG	-	-	-	-	17.2
Minority interest	-	-	-	-	(0.1)
Depreciation and amortization	7.4	9.2	13.0	-	29.6
Additions to non-current assets	9.3	6.4	22.0	1.0	38.7

**FINANCIAL INFORMATION ON BUSINESS SEGMENTS**

(EUR million)

	Capacitors and Inductors	Ceramic Compo- nents	SAW Compo- nents	Elimi- nations/ unallo- cated costs	Con- solidate d total
<b>6 months ended March 31, 2009</b>					
Net sales to third parties and related parties	248.7	139.8	157.0	-	545.5
EBIT	(8.3)	(26.7)	(25.7)	-	(60.7)
therein net income (loss) from investments accounted for using the equity method	0.2	-	-	-	0.2
Interest result (net)	-	-	-	-	(10.8)
Net loss from other financial income and financial expenses	-	-	-	-	(1.7)
Income before income taxes and minority interest	-	-	-	-	(73.2)
Current and deferred taxes	-	-	-	-	(8.2)
Net loss	-	-	-	-	(81.4)
Attributable to					
Shareholders of EPCOS AG	-	-	-	-	(80.2)
Minority interest	-	-	-	-	(1.2)
Depreciation and amortization	19.2	13.7	31.3	-	64.2
Additions to non-current assets	11.1	7.9	13.0	1.3	33.3
	583.1	386.0	360.7	-	1,329.8
<b>6 months ended March 31, 2008</b>					
Net sales to third parties and related parties	277.0	257.8	194.4	-	729.2
EBIT	19.9	17.3	16.9	-	54.1
therein net income from investments accounted for using the equity method	-	-	0.3	-	0.3
Interest result (net)	-	-	-	-	(9.3)
Net loss from other financial income and financial expenses	-	-	-	-	(0.1)
Income before income taxes and minority interest	-	-	-	-	44.7
Current and deferred taxes	-	-	-	-	(8.5)
Net income	-	-	-	-	36.2
Attributable to					
Shareholders of EPCOS AG	-	-	-	-	36.2
Minority interest	-	-	-	-	0.0
Depreciation and amortization	15.4	18.3	25.0	-	58.7
Additions to non-current assets	26.5	13.4	37.9	0.5	78.3

Becromal and EPCOS Feida that were acquired in the six months ended March 31, 2009 have been assigned to the business segment Capacitors and Inductors.

### **3.16 Non cash transactions**

New issued shares resulting from the convertible bond were removed from liabilities and converted into equity.

In the second quarter of fiscal 2009 licences amounting to EUR 4.5 million were sold to third parties within a sale-leaseback transaction. Accordingly the financial statements include intangible assets and debt, both in amount of EUR 4.5 million (finance leaseback).

### **3.17 Contingent liabilities and contingent assets**

Compared with the notes for contingent liabilities as of September 30, 2008, there has been a change in the letter of comfort with regard to an associate are no longer to be reported because this company is enclosed within the statements as consolidated company for March 31, 2009.

### **3.18 Subsequent events**

A domination agreement was signed between TDK Germany GmbH (controlling company) and EPCOS AG (controlled company) as of March 24, 2009. This agreement has to be approved by the shareholder's meeting of EPCOS AG as of May 20, 2009 and by the shareholder's meeting of TDK Germany GmbH. The agreement will become effective when the approval of the EPCOS shareholder's meeting is entered into the Commercial Register at the corporate seat of EPCOS. TDK Germany GmbH will be obliged to compensate potential losses of EPCOS AG from the fiscal year in which the domination agreement becomes effective.

In addition, the shareholder's meeting of EPCOS AG as of May 20, 2009 will decide according to section 327a et seq. German Stock Companies Act (AktG) about the resolution to transfer the shares of the minority shareholders to the majority shareholder, TDK Corporation, in exchange for an appropriate cash compensation (so called "squeeze out").

## 4. RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the fiscal year.

Munich, April 27, 2009

The Management Board

Pegam

Dr. Faber

Zichlarz

## 5. REVIEW REPORT

To EPCOS AG, Munich

We have reviewed the condensed interim consolidated financial statements - comprising the balance sheet, the income statement, the cash flow statement, the statements of income and expense recognized in equity and selected explanatory notes - and the interim group management report of EPCOS AG, Munich, for the period from October 1, 2008 to March 31, 2009, which are part of the six-monthly financial report pursuant to Sec. 37w WpHG [“Wertpapierhandelsgesetz”: German Securities Trading Act]. The preparation of the condensed interim consolidated financial statements in accordance with IFRSs on interim financial reporting as adopted by the EU and of the group management report in accordance with the requirements of the WpHG [“Wertpapierhandelsgesetz”: German Securities Trading Act] applicable to interim group management reports is the responsibility of the Company’s management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and the interim group management report based on our review.

We conducted our review of the condensed interim consolidated financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the review to obtain a certain level of assurance in our critical appraisal to preclude that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the applicable provisions of the WpHG. A review is limited primarily to making inquiries of company personnel and applying analytical procedures and thus does not provide the assurance that we would obtain from an audit of financial statements. In accordance with our engagement, we have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports.

Munich, April 28, 2009

Ernst & Young AG  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft

Broschulat  
Wirtschaftsprüfer

Müller  
Wirtschaftsprüfer

(Independent Auditors)