



Electronic Parts and Components

Press Release for the Business Press

September 26, 2006

EPCOS strengthens profitability

- ▶ **Double-layer capacitor (UltraCap®) activities to be terminated**
- ▶ **Positive effect on earnings of EUR 4 million per annum**

EPCOS, one of the world's largest manufacturers of passive electronic components, has taken another step to improve its earnings. The decision has now been taken to discontinue the company's business activities in the field of double-layer capacitors (UltraCap®) by March 31, 2007, at the latest. EPCOS is thus taking a step that has been publicly discussed as an option on several occasions in the past few months.

"Terminating our UltraCap® activities will improve earnings in our *Capacitors and Inductors* business segment by about EUR 4 million per year," says EPCOS President and CEO Gerhard Pegam. "For us, this is the logical next step along the road to securing sustainable profitability."

The sale of EPCOS' loss-making tantalum capacitors business to KEMET was already successfully closed when operations were transferred in April of this year. The streamlining of the ceramic capacitors portfolio is already positively impacting the earnings situation. In addition, a cooperation agreement signed with TAIYO YUDEN in August will make EPCOS more competitive and broaden its spectrum of ceramic capacitors for the fast-growing automotive electronics market.

Reasons for the termination of UltraCap® activities

The outlook for successful high-volume marketing of double-layer capacitors has deteriorated increasingly, especially very recently. Improvements in rival low-cost battery technologies, for example, have hindered the deployment of UltraCaps® in a number of large-volume applications. In this context EPCOS' up-front investment in this product area is no longer seen as economically justifiable.

Termination of UltraCap® activities will result in the loss of around 35 jobs at EPCOS' Heidenheim, Germany plant. This headcount reduction will be effected in a way that



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minimizes social hardship, in accordance with the reconciliation of interests and social plan drawn up in May 2006.

Withdrawal from the UltraCap[®] business will likely incur one-time costs in the single-digit million euro range, which will impact fourth-quarter earnings in fiscal 2006. Despite this one-time charge, EPCOS expects EBIT for its continuing operations to remain at the previous quarter's level.

About EPCOS

EPCOS AG, a manufacturer of passive electronic components headquartered in Munich, is market leader in Europe and number two worldwide. With its very broad portfolio EPCOS offers a comprehensive range of products from a single source. The EPCOS Group has design, manufacturing and marketing facilities in Europe, the Americas and Asia.

Passive electronic components are found in every electrical and electronic product – from automotive and industrial electronics through information and communications to consumer electronics. Components from EPCOS store electrical energy, select frequencies, and protect against overvoltage and overcurrent.

In fiscal 2005 (October 1, 2004, to September 30, 2005), EPCOS posted sales of EUR 1.24 billion. At September 30, 2005, the company employed about 16,100 people worldwide.

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