FISCAL 2001 IN FIGURES. Consolidated financial statements with notes.

Dear shareholders,

Fiscal 2001 was characterized by severe fluctuations in the economy. As it began, turbulent growth from the previous year continued in the market for electronic components. Later, demand fell and even collapsed in some sectors, and there were no signs of a positive turn of events until the last quarter of the year. The Supervisory Board has been following these developments – and the countermeasures taken by the Management Board – with utmost attention. We are convinced that EPCOS has responded promptly and consistently to emerging business challenges. Once again, management and employees have shown their mettle. Their focus on innovation and rigorous cost management is keeping your Company on track.

Klaus Ziegler,
Chairman of the Supervisory Board

Supervisory Board meetings and committees

The Supervisory Board met five times during fiscal 2001. It monitored the conduct of business by the Management Board and consulted with the latter. Throughout the year and at these five meetings in particular, the Management Board informed the Supervisory Board about the Company's general situation, all material business events and projects, and stock market developments in comprehensive written and oral reports. The Management Board also discussed these matters in depth with the Supervisory Board. These joint discussions focused on key aspects of operating activities, such as changes in capital expenditure and personnel policy necessitated by the turbulent course of the fiscal year. But our agenda also addressed administrative issues, such as changes in the membership of the Management Board. The Chairman of the Supervisory Board, to whom monthly reports were submitted, remained in close contact with the Management Board throughout the year. The Supervisory Board set up two committees, the Presidency Committee and the Mediation Committee. The Presidency Committee met twice in fiscal 2001; the Mediation Committee did not have to be convened.

Membership of the Supervisory Board and Management Board

Changes in the membership of the Supervisory Board took place in the middle and at the end of fiscal 2001. As announced in December 2000, Dr. Albrecht Schäfer gave up his seat with effect from March 31, 2001, and at the Annual General Meeting on March 6, 2001, Mr. Klaus Ziegler was elected to the Supervisory Board with effect from April 1, 2001. On September 30, 2001, Mr. Seinosuke Kuraku, whom Matsushita had appointed to the Supervisory Board in accordance with the Company's bylaws, relinquished his post and was succeeded by Mr. Kunihisa Tachiiri on October 1, 2001. Further changes followed in the new fiscal year. Dr. Volker Jung relinquished his seat on, and thus chairmanship of, the Supervisory Board with effect from November 20, 2001. Under the bylaws, Mr. Burkhard Ischler was then appointed to the Supervisory Board by Siemens. At the meeting on November 19, 2001, the Supervisory Board elected Mr. Klaus Ziegler as its new Chairman.
We thank those members of the Supervisory Board who stood down for their valuable service. We are particularly indebted to Dr. Volker Jung, who conducted the business

of the Supervisory Board with great prudence during his chairmanship and handed it over in excellent shape. There were also changes in the Management Board during the period under review. Mr. Klaus Ziegler's term as President and Chief Executive Officer came to an end on March 31, 2001. The Supervisory Board unanimously appointed Mr. Gerhard Pegam President and CEO as well as Director of Industrial Relations with effect from April 1, 2001. Mr. Josef Unterlass was also appointed to the Management Board with effect from the same date. At the end of the fiscal year, Mr. Kunihisa Tachiiri left the Management Board at his own request.

Financial statements

The financial statements of EPCOS AG and the consolidated financial statements for the year ended September 30, 2001, together with the management's discussion and analysis of EPCOS AG and the EPCOS Group have been audited and certified without reservation by KPMG Deutsche Treuhand-Gesellschaft AG Wirtschaftsprüfungsgesellschaft, Berlin and Frankfurt/Main. The Supervisory Board also examined the Company's financial records itself. The independent auditors' reports were presented to all members of the Supervisory Board and thoroughly discussed in the presence of the auditors at the balance sheet meeting on December 19, 2001. The Supervisory Board raised no objections and concurred in the findings of the final audit. In view of this approval, the financial statements prepared by the Management Board are accepted as submitted. The Supervisory Board endorses the Management Board's proposal to carry forward net income from the fiscal year just ended.

We thank the Management Board, the Works Council and all employees of EPCOS AG for their commitment and hard work during the past fiscal year.

Munich, December 2001
On behalf of the Supervisory Board

Klaus Ziegler
Chairman

Members of the Supervisory Board

Volker Jung, Dr.
Chairman until November 19, 2001; Member of the Managing Board, Siemens AG; Chairman of the Supervisory Board, Infineon Technologies AG; Member of the Supervisory Boards of MAN AG, Direkt Anlage Bank AG and Messe München GmbH.

Jürgen Heraeus, Dr.
Chairman of the Supervisory Boards of Heraeus Holding GmbH, Heraeus Tenevo AG and Messer Griesheim GmbH; Member of the Supervisory Boards of Buderus AG, Heidelberger Druckmaschinen AG and IKB Deutsche Industriebank AG; Chairman of the Board of Directors of Argor-Heraeus S.A., Mendrisio, Switzerland.

Burkhard Ischler
Member since November 20, 2001; Director, Corporate Mergers & Acquisitions, Siemens AG.

Anton Kathrein, Prof. Dr.
Second Deputy Chairman; Managing Director and General Partner, KATHREIN-Werke KG; Chairman of the Supervisory Boards of Erste Rosenheimer Privatbank AG and Grundig AG; Member of the Supervisory Board, Isar-Amperwerke AG.

Seinosuke Kuraku
Member until September 30, 2001; Advisor to Matsushita Electric Industrial Co., Ltd., Osaka, Japan.

Albrecht Schäfer, Dr.
Member until March 31, 2001; General Counsel, Siemens AG; Chairman of the Supervisory Board, RISICOM Rückversicherung Aktiengesellschaft; Deputy Chairman of the Supervisory Board, Siemens Nixdorf Informationssysteme AG; Member of the Supervisory Board, Atecs Mannesmann AG; Member of the Board of Directors, Gerling-Konzern.

Werner Strohmayr
Member of the Board of Management, Bayerische Landesbank Girozentrale; Chairman of the Supervisory Boards of Bürgerliches Brauhaus Ingolstadt AG, HUK-COBURG Leben AG and HUK-COBURG Krankenversicherung AG; Deputy Chairman of the Supervisory Board, HUK-COBURG Allgemeine Versicherung AG; Member of the Supervisory Boards of Deutsche Kreditbank AG and Software Design & Management AG.

Kunihisa Tachiiri
Member since October 1, 2001; Associate Director of Matsushita Electric Industrial Co., Ltd., Osaka, Japan.

Klaus Ziegler
Member since April 1, 2001, and Chairman since November 20, 2001; Chairman of the Advisory Council, Siemens und Shell Solar GmbH; Chairman of the Board of Directors, EPCOS, Inc., Iselin, New Jersey, USA; Member of the Advisory Council, ICOTRON Ltda., Gravataí, Brazil.

Peter Hoffmann
First Deputy Chairman; Member of the Works Council of the Heidenheim plant of EPCOS AG.

Konrad Hollerieth
Corporate Director, Sales Europe 2, EPCOS AG.

Hans Lux
Chairman of the Works Council of the Munich plants of EPCOS AG.

Francis Oppenauer
General Counsel, IG Metall Verwaltungsstelle, Munich; Member of the Representatives' Assembly, BG Feinmechanik und Elektrotechnik; Member of the Management Committee, Labor Office, Munich.

Werner Pietsch
Corporate Director, Overseas Sales, EPCOS AG.

Andreas Strobel
Assistant Authorized Representative, IG Metall, Heidenheim; Member of the Supervisory Board of Voith Paper Verwaltungs-GmbH.

Members of the Management Board

Klaus Ziegler

President and Chief Executive Officer until March 31, 2001; Chairman of the Advisory Council, Siemens und Shell Solar GmbH; Chairman of the Board of Directors, EPCOS, Inc., Iselin, New Jersey, USA; Member of the Advisory Council, ICOTRON Ltda., Gravataí, Brazil.

Gerhard Pegam

President and Chief Executive Officer since April 1, 2001; previously Chief Operating Officer; Chairman of the Board of Directors of EPCOS Nordic OY, Helsinki, Finland, and EPCOS KK, Tokyo, Japan; Vice Chairman of the Board of Directors of EPCOS, Inc., Iselin, New Jersey, USA, and EPCOS Nordic AB, Kista, Sweden.

Bodo Lüttge, Dr.

Chief Financial Officer; Chairman of the Board of Directors, EPCOS (China) Investment Ltd., Shanghai, China; Vice Chairman of the Board of Directors, EPCOS India Private Limited, Nashik, India; Member of the Shareholders' Committee of EPCOS OHG, Deutschlandsberg, Austria.

Kunihisa Tachiiri

Operating Officer responsible for Asian markets and business with Japanese customers and suppliers until September 30, 2001.

Josef Unterlass

Chief Operating Officer since April 1, 2001; Chairman of the Board of Directors, EPCOS (Zhuhai FZT) Co. Ltd., Zhuhai, China; Chairman of the Shareholders' Delegation, Ernst Herrmann Ingenieur GmbH & Co. KG; Chairman of the Board of Directors, EPCOS PTE LTD, Singapore; Member of the Board of Directors, EPCOS Electronic Components S.A., Málaga, Spain.

In fiscal 2001, Supervisory Board expenses totaled Euro 330 000 (2000: Euro 315 000).

Total compensation paid to the Management Board (including members who left during the fiscal year) amounted to Euro 2.723 million in fiscal 2001 (previous year Euro 3.648 million. This was composed of fixed components totaling Euro 816 000 (previous year Euro 1.013 million) and variable components totaling Euro 1.907 million (previous year Euro 2.635 million).

Additionally, under the EPCOS stock option plan, members of the Management Board were granted nontransferable options for shares of EPCOS AG as follows:

– 150 000 shares at an exercise price of Euro 105.04
– 60 000 shares at an exercise price of Euro 90.90

The fair value at grant date was Euro 40.41 and Euro 31.26 per option respectively.

Management's discussion and analysis of the financial statements of EPCOS AG, Munich, for the year ended September 30, 2001

(ALL FIGURES IN EURO THOUSAND UNLESS OTHERWISE STATED)

General

EPCOS AG, Munich, ("EPCOS") has been a publicly traded company since October 15, 1999. Its shares, of which the former joint venture partners Siemens AG and Matsushita Electronic Components (Europe) GmbH each held 12.5% plus one share at September 30, 2001, are listed on all German stock exchanges and on the New York Stock Exchange.

EPCOS' business is to develop, manufacture and market passive electronic components. These are integral and indispensable parts of most electrical and electronic products. EPCOS focuses on the fastest-growing and technologically most sophisticated markets.

Business development

Fiscal 2001 was a year of extremes. At the beginning of the year, the mood of euphoria, which had made fiscal 2000 a record year for EPCOS, continued unabated. Aggressive production and marketing plans by our customers, especially in the mobile phone industry, aggravated the worldwide shortage of components. Production capacity was significantly expanded to keep up with customers' growing demand. In spring 2001, the economic slowdown in the United States began to spread to Europe. Our customers' equipment sales fell behind their production figures and orders for materials. This led to high surplus inventories all along the supply chain. As a result of this trend and our enormous order backlog, new orders fell to a trickle in the second and third quarters. This resulted in a marked decline in sales of our products and rapid price erosion in the second half of the fiscal year. Adapting to the changing market situation, EPCOS stepped up relocation of manufacturing operations to countries with low labor costs, reduced personnel, and introduced short-time working. Also, a special write-off was made for production machinery no longer used. Whereas consolidated net sales to the telecommunications and consumer electronics industries fell behind the previous year's figures, sales to the industrial and automotive electronics segments, to electronic manufacturing service providers (EMS) and to distributors rose. Total consolidated net sales were up 3% year on year.

In the Capacitors segment, sales and earnings increased significantly, primarily as a result of heavy demand for tantalum electrolytic capacitors in the first half of the fiscal year.

In the Surface Acoustic Wave Components segment, the soft mobile phone market forced net sales for the entire year well below the previous year's figure despite record first-quarter sales. Underutilization of production capacity and nonrecurring restructuring charges reduced earnings significantly.

In the Ceramic Components segment, sales of microwave ceramic products were hit hardest by the slump in mobile phones. But rising sales in all other product groups more than compensated for this decline. The previous year's EBIT margin could not be sustained, mainly because of higher raw material prices and increased research and development expenses. As most of these products are manufactured by EPCOS OHG, a wholly owned subsidiary in Deutschlandsberg, Austria, the contribution of this business segment is primarily reflected in the investment earnings reported in the stand-alone financial statements of EPCOS AG.

In the Ferrites segment, last year's positive business trend continued until the summer of 2001. Dwindling demand in fixed-line telecommunications including high-speed Internet access equipment caused sales to slump in the fourth quarter. In fiscal 2001, a balanced result was obtained from operating activities, but burdened by restructuring charges caused by relocation of manufacturing operations.

Capital expenditure

In the first half of fiscal 2001 – as in the previous year – capital expenditure focused on expansion of production capacity and the manufacture of new products. As the year proceeded, expenditure for capacity expansion was scaled back in response to changing market conditions. Besides the capital expenditure for production of new components, funds were channeled into rationalization projects. These expenditures primarily concerned the Surface Acoustic Wave Components segment and, to a lesser extent, the Capacitors and Ceramic Components segments.

Research and development

In fiscal 2001, R&D expenses for the EPCOS Group totaled Euro 94 million, equivalent to 5% of consolidated net sales. Spending again focused on development of new products, ongoing development of existing products, and improvements to production processes.

Earnings, assets and financial position

Lower capacity utilization in the second half of fiscal 2001 and nonrecurring restructuring charges led to a deterioration of earnings from operating activities.

The key balance sheet figures at September 30 are listed below:

Whereas the balance of cash flows from operating activities, capital expenditure for fixed assets and investments in fiscal 2000 was still distinctly positive at Euro 137 million, the EPCOS Group used Euro 52 million in fiscal 2001. This resulted from a decrease in net cash provided by operating activities coupled with an increase in net cash used in investing activities. After payment of a dividend of Euro 1 per share and an increase in short-term debt, liquidity fell from Euro 92 million to Euro 38 million.

Human resources

At September 30, 2001, the EPCOS Group employed 12 993 people worldwide, 2% fewer than in the previous year. EPCOS AG had a payroll of 3 554 compared with 3 662 in the previous year.

Risks

EPCOS is exposed to cyclic variations in the industries in which its customers operate. The resulting risks to sales and earnings became evident in fiscal 2001 and must also be expected in the future. Current excess capacity on the market may step up price pressure, and activities to set up or expand production capacity in Asia could lead to additional exchange rate risks. As EPCOS primarily operates in markets subject to rapid technological change, there is also the danger that the Company might not react quickly enough to new market trends, thus losing market share.

KEY BALANCE SHEET FIGURES

Euro million

	EPCOS Group			EPCOS AG		
	2001	**Change (%)**	**2000**	**2001**	**Change (%)**	**2000**
Total assets	**1 418**	8	1 316	**832**	2	815
Shareholders' equity	**695**	11	625	**373**	(13)	427
Equity ratio	**49%**		47%	**45%**		52%
Fixed assets	**851**	21	703	**406**	9	373
Ratio of fixed to total assets	**60%**		53%	**49%**		46%

Using a comprehensive risk management system, EPCOS constantly monitors these risks and takes any corrective action required.

Outlook

Since the terrorist attacks on the United States, the global economic outlook has become even more uncertain. Excess capacity in the components market is leading to severe price erosion. Whereas demand is reviving in the mobile phone business, there are signs of a sustained downturn in automotive and industrial electronics. Business in the consumer electronics market remains weak.

EPCOS therefore expects this difficult situation to continue into the first two quarters of fiscal 2002. EPCOS then anticipates a recovery as the economy improves again, inventory adjustments in all industries are completed and innovations start to generate sizable revenues.

Supplementary Information on pursuant to § 292a HGB

As permitted under § 292a of the German Commercial Code (*Handelsgesetzbuch*, HGB), EPCOS AG prepares its consolidated financial statements in accordance with United States Generally Accepted Accounting Principles (US GAAP). The company is thus released from the obligation to prepare consolidated financial statements in accordance with § 290 et seq. HGB. The release under § 292a HGB may be applied if accounting, valuation and consolidation methods varying from those applicable under German law are disclosed.

Information required under § 292a (2) No. 4b HGB
Whereas German law emphasizes the principles of prudence and protection of creditors, US GAAP attaches greater importance to the provision of information to present and prospective investors. This divergent viewpoint results in a series of presentation and valuation differences between the regulations applied under German commercial law to the financial statements of EPCOS AG and the US GAAP regulations applying to the consolidated financial statements. These will now be explained in greater detail as prescribed by § 292a (2) No. 4b HGB.

Classification regulations
Classification of the balance sheet under US GAAP is based on the liquidity of the items concerned, the most liquid items being presented first. Assets and liabilities are generally broken down into current and long-term items. The classification matrix prescribed by § 266 HGB, on the other hand, requires limited companies to disclose their assets separately as fixed and current assets. The liabilities side of the balance sheet is primarily broken down into shareholders' equity and non-equity funds.

Internally generated intangible assets
US GAAP offers the option to capitalize certain internally generated intangible assets, such as computer software under defined conditions. German commercial law prohibits the capitalization of internally generated intangible assets under § 248 (2) HGB.

Capitalization of interest on borrowings for assets under construction
Interest incurred during the construction of property, plant and equipment must be capitalized for the purposes of

the Notes to the Consolidated Financial Statements

US GAAP. Its recognition is generally prohibited by German commercial law. However, exceptions exist where credits are used to finance new assets with a longer construction period.

Composition of cost of production
Cost of production is defined by US GAAP as the full costs relating to production. In addition to direct material and labor costs and special direct production costs, indirect material and production costs must also be included in the cost of production. Administrative expenses are also to be included if they are directly related to the creation of the products to be valued. Inclusion of indirect material and production costs and administrative expenses is optional under German commercial law. This generally results in differing overhead mark-up rates for HGB and US GAAP.

Financing leasing agreements
Leasing objects are capitalized in certain circumstances under US GAAP. The capitalized leasing objects are depreciated over the normal useful life of the leasing object for the business or the leasing period, whichever is shorter. Payment obligations relating to future leasing payments are recorded as liabilities at their present value. In accordance with HGB principles, leasing objects may also be capitalized under certain circumstances. However, the criteria applying here are different to those under US GAAP.

Deferred taxes
In accordance with German accounting principles, deferred tax claims resulting from loss carry-forwards may not be reported in the balance sheet, because expected tax savings may not be capitalized before they have been realized. Under US GAAP, such deferred tax repayment claims are generally reported and have to be evaluated with regard to the probability or improbability of the respective tax losses being used. The result of this analysis can result in an allowance against the carrying value of the deferred tax asset. Capitalization of deferred tax assets in financial statements is optional under German commercial law, but mandatory under US GAAP.

Allowance for doubtful accounts
Allowance for doubtful accounts in accordance with US GAAP and HGB varies primarily in that US GAAP only permits general allowances to be made on the basis of past experience.

Purchase of treasury shares for transfer to employees
In accordance with US GAAP, treasury shares must be openly deducted from shareholders' equity. Under German commercial law, such shares must be capitalized and reported separately under current assets. A reserve for such shares has to be set up in the same amount in shareholders' equity. Under a share purchase plan, EPCOS employees can purchase a certain number of shares at a preferential price. The difference between the preferential price and the purchase price incurred by the company leads to personnel expenses under German commercial law. Under US GAAP, the amount recorded as personnel expenses is based on the benefit granted to employees.

Special reserve with an equity portion
US GAAP does not provide for a special reserve with an equity portion, because such a reserve results from measures adopted purely for tax purposes. A special reserve has to be set up under German commercial law in accordance with the principle that such a reserve must be reported in the statutory balance sheet in order to be recognized for tax purposes.

Pension accruals and accruals for service anniversary awards
These accruals are calculated for US GAAP purposes on the basis of the Projected Unit Credit Method. The yardstick for measuring the defined benefit pension obligations is the Projected Benefit Obligation. The PBO is the present value of the pension rights earned as of the valuation date. The method takes into account current interest rates derived from the long-term capital market, future probable rates of salary increases and probable pension increases.

In contrast, the calculation in accordance with German commercial law is carried out on the basis of the present value method, whereby among other things, probable future salary and pension increases are not taken into account. For tax purposes, pension accruals are reported at their so-called partial value. The rules under German commercial law and US GAAP for pension accruals similarly apply to accruals for service anniversary awards.

Other accrued liabilities
US GAAP only requires the creation of accrued liabilities in the event of an obligation to third parties. In contrast to German commercial law, so-called accruals for future expenses are prohibited.

According to US GAAP, provisions for contingent liabilities may only be made if it seems probable that the liability will materialize and the amount of liability can reasonably be estimated. According to German accounting standards, accruals may also be made when utilization thereof is merely possible, i.e. sufficiently probable.

Accounting for derivatives
Under German commercial law, derivative financial instruments, as uncompleted transactions, are only recognized in the balance sheet if their valuation as of the balance sheet date indicates the threat of a loss. Under US GAAP, these derivatives are generally recorded as of the balance sheet date at their fair value.

Conversion of foreign currencies
According to US GAAP, accounts receivable and liabilities in foreign currencies are converted at the rate prevailing at the balance sheet date. Unrealized profits and losses are anticipated. According to German standards, foreign currency accounts receivable are accounted for according to the lowest value principle and foreign currency liabilities according to the “highest value principle”. This means that only unrealized losses are anticipated, whereas unrealized profits from currency rate developments remain unaccounted for at the balance sheet date.

According to US GAAP, when subsidiaries’ annual financial statements in foreign currencies are converted for inclusion in the Consolidated Financial Statements, the concept of functional currency is applied. According to this concept, the spot rate method is applied to convert financial statements of autonomous subsidiaries. For subsidiaries, which are not autonomous, the temporal method is applied using transaction date rates. If the functional currency of the subsidiary is its local currency, foreign currency differences are shown as separate components of equity. In the preparation of the Consolidated Financial Statements according to the German accounting principles, subsidiaries’ annual financial statements in foreign currencies are converted using rates prevailing at the balance sheet date.

Capital consolidation
Under US GAAP, capital consolidation is carried out in practice by means of a revaluation in proportion to the participating interest held under the *purchase* method. Assets and liabilities have to be shown at their current market value as of the acquisition date in the amount attributable to the participating interest held by the purchaser. After offsetting the investment book value against the proportionate equity that results after revaluation, the remaining difference is capitalized as *goodwill*.

German commercial law provides the option to apply either the book value method or the revaluation method. Under the book value method, capital is consolidated by offsetting the book value of the investments against the proportionate equity interest in these investments at acquisition date, that results from comparing book values of assets and liabilities. Unrealized gains and losses may only be taken into account in the amount of the difference between the book value of the participating interest and the group share of equity of the investment that has been offset. Under the revaluation method, unrealized gains and losses are taken into account from the outset, as is the case in US GAAP. Contrary to US GAAP, however, unrealized gains and losses may only be taken into account, regardless of the proportionate holding, up to and not exceeding the cost of the shares acquired relating to that proportionate holding. Any remaining difference is to be capitalized as goodwill under intangible assets and amortized over the useful economic life.

Under US GAAP, capital owned by minority shareholders is reported under non-equity funds, under HGB it is disclosed as part of equity with an appropriate description.

Consolidated statements of income
For US GAAP, the consolidated statements of income are prepared in accordance with the cost of sales format. Under HGB the type of expenditure format is also permitted.

Independent Auditors' Report

To the Supervisory Board and Shareholders of EPCOS AG

We have audited the accompanying consolidated balance sheets of EPCOS AG and subsidiaries as of September 30, 2001 and 2000, and the related consolidated statements of income, shareholders' equity and comprehensive income (loss), and cash flows for each of the years ended September 30, 2001, 2000 and 1999. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of EPCOS AG and subsidiaries as of September 30, 2001 and 2000, and the results of their operations and their cash flows for each of the years ended September 30, 2001, 2000 and 1999 in conformity with generally accepted accounting principles in the United States of America.

Munich, Germany, November 16, 2001

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Berger Höfer
Independent auditors

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED SEPTEMBER 30, 2001, 2000 AND 1999

(Euro thousand, except per share data)

	Note	2001	2000	1999
Net sales				
Third parties		1 459 262	880 124	385 237
Related parties	8	446 068	975 271	755 519
Total net sales		1 905 330	1 855 395	1 140 756
Cost of goods sold	8	1 440 325	1 320 712	883 337
Gross profit		465 005	534 683	257 419
Research and development expenses	8	93 686	81 765	56 334
Marketing and selling expenses	8	141 540	102 330	73 025
General and administrative expenses	8	15 733	20 650	12 609
		250 959	204 745	141 968
Operating income		214 046	329 938	115 451
Interest income	8	4 642	3 075	7 308
Interest expense	8	(6 846)	(9 163)	(19 418)
Foreign exchange gains (losses), net		(7 553)	4 951	(5 831)
Other income, net		1 566	808	6 134
Share of net gains (losses) of unconsolidated affiliates		(122)	598	(229)
Income before income taxes and minority interest		205 733	330 207	103 415
Provision for income taxes	12	(55 942)	(90 095)	(27 795)
Minority interest		(1 154)	(148)	186
Net income		**148 637**	**239 964**	**75 806**
Basic and diluted earnings per share	13	2.28	3.68	

See Notes to Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS

AS OF SEPTEMBER 30, 2001 AND 2000

(Euro thousand, except share data)

	Note	2001	2000
ASSETS			
Current assets			
Cash and cash equivalents		37 734	92 076
Accounts receivable, net	3, 8	233 807	235 421
Inventories, net	4	237 843	219 291
Prepaid expenses and other current assets		43 335	57 746
Deferred income taxes	12	13 682	9 033
Total current assets		566 401	613 567
Property, plant and equipment, net	5	802 803	657 409
Intangible assets, net	5, 19	24 879	19 623
Deferred income taxes	12	7 113	5 969
Other assets	5	16 540	19 843
Total assets		**1 417 736**	**1 316 411**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable	8	145 892	205 041
Accrued expenses and other current liabilities	6, 8	228 745	232 594
Short-term borrowings	7	109 785	43 529
Current portion of long-term debt	7	17 103	11 790
Deferred income taxes	12	5 520	4 971
Total current liabilities		507 045	497 925
Long-term debt, excluding current installments	7	49 659	58 279
Pension liabilities	14	100 923	93 691
Deferred income taxes	12	12 380	3 545
Other liabilities		49 308	37 809
Minority interest		3 164	305
Total liabilities		722 479	691 554
Commitments and contingencies	17		
Shareholders' equity	9		
Share capital – 78 320 000 shares authorized, 65 300 000 shares issued and outstanding for 2001; 65 300 000 shares issued and 65 285 000 shares outstanding for 2000		65 300	65 300
Additional paid-in capital		255 356	255 666
Retained earnings		389 038	305 674
Accumulated other comprehensive loss		(14 437)	(403)
Treasury shares at cost (nil shares for 2001, 15 000 shares for 2000)	10	-	(1 380)
Total shareholders' equity		695 257	624 857
Total liabilities and shareholders' equity		**1 417 736**	**1 316 411**

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME (LOSS)

FOR THE YEARS ENDED SEPTEMBER 30, 2001, 2000 AND 1999

(Euro thousand)

	Share capital	Additional paid-in capital	Retained earnings	Equity	Accumulated other comprehensive income (loss)	Treasury shares	Total shareholders' equity
Balances as of October 1, 1998	**-**	**-**	**-**	**294 910**	**(7 678)**	**-**	**287 232**
Comprehensive Income:							
Net income	-	-	29 169	46 637	-	-	75 806
Currency translation adjustment	-	-	-	-	(5 265)	-	(5 265)
Total comprehensive income							70 541
Deemed capital contributions from shareholders	-	-	-	14 728	-	-	14 728
Capital contributions from shareholders	-	4 866	-	10 157	-	-	15 023
Capital distributions to shareholders	-	(1 770)	-	(6 290)	-	-	(8 060)
Cash dividends	-	-	-	(102 869)	-	-	(102 869)
Reorganization on July 1, 1999	62 000	158 732	36 541	(257 273)	-	-	-
Balances as of September 30, 1999	**62 000**	**161 828**	**65 710**	**-**	**(12 943)**	**-**	**276 595**
Comprehensive Income:							
Net income	-	-	239 964	-	-	-	239 964
Currency translation adjustment	-	-	-	-	12 540	-	12 540
Total comprehensive income							252 504
Issue of share capital	3 300	94 523	-	-	-	-	97 823
Capital contributions from minority shareholders	-	284	-	-	-	-	284
Purchase of treasury stock	-	-	-	-	-	(4 136)	(4 136)
Sale of treasury stock	-	(969)	-	-	-	2 756	1 787
Balances as of September 30, 2000	**65 300**	**255 666**	**305 674**	**-**	**(403)**	**(1 380)**	**624 857**
Comprehensive Income:							
Net income	**-**	**-**	**148 637**	**-**	**-**	**-**	**148 637**
Currency translation adjustment	**-**	**-**	**-**	**-**	**(14 034)**	**-**	**(14 034)**
Total comprehensive income							**134 603**
Cash dividends	**-**	**-**	**(65 273)**	**-**	**-**	**-**	**(65 273)**
Purchase of treasury stock	**-**	**-**	**-**	**-**	**-**	**(1 093)**	**(1 093)**
Sale of treasury stock	**-**	**(310)**	**-**	**-**	**-**	**2 473**	**2 163**
Balances as of September 30, 2001	**65 300**	**255 356**	**389 038**	**-**	**(14 437)**	**-**	**695 257**

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2001, 2000 AND 1999

(Euro thousand)

	2001	2000	1999
Cash flows from operating activities			
Net income	148 637	239 964	75 806
Adjustment to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	193 900	139 589	102 522
Provision for doubtful accounts	2 842	4 392	1 899
Loss (gain) on sale of property, plant and equipment	1 139	222	(420)
Share of net losses (gains) of unconsolidated affiliates	122	(598)	229
Minority interest	1 154	148	(186)
Deferred income tax	3 123	6 716	746
Stock-based compensation	691	504	-
Changes in assets and liabilities, excluding effects of acquisitions			
Decrease/(Increase) in accounts receivable	37 813	(66 973)	(52 559)
Increase in inventories	(10 886)	(48 725)	(27 859)
Decrease/(Increase) in prepaid expenses and other current assets	11 589	(17 491)	(4 644)
(Decrease)/Increase in accounts payable	(76 511)	100 063	6 929
(Decrease)/Increase in accrued expenses and other current liabilities	(5 251)	113 448	4 731
Increase in other assets	(1 815)	(703)	(7 074)
(Decrease)/Increase in pension liabilities	6 942	6 350	(5 743)
Increase in other liabilities	13 560	13 596	7 711
Net cash provided by operating activities	**327 049**	**490 501**	**102 088**
Cash flows from investing activities			
Proceeds from sale of equipment	2 802	2 723	2 718
Net decrease in financial receivables from Siemens	-	55 462	14 104
Net decrease/(increase) in financial receivables from third parties	50	(50)	-
Acquisitions of businesses, net of cash acquired	(30 085)	(2 700)	(3 699)
Capital expenditures	(348 913)	(351 007)	(180 457)
Dividends from (investments in and advances to) unconsolidated affiliates	248	(518)	(312)
Net cash used in investing activities	**(375 898)**	**(296 090)**	**(167 646)**
Cash flows from financing activities			
Net increase/(decrease) in financial liabilities to Siemens	(30)	(162 385)	93 414
Net increase/(decrease) in short-term borrowings	63 715	(24 894)	43 464
Extinguishment of long-term debt	-	(34 771)	-
Proceeds from issuance of long-term debt	8 867	15 661	37 285
Principal payments on long-term debt	(11 639)	(14 307)	(8 131)
Principal payments under capital leasing obligations	(435)	(109)	-
Capital contributions and deemed capital contributions from shareholders	-	-	29 751
Cash dividends	(65 273)	-	(102 869)
Capital decrease and capital distributions to shareholders	-	-	(8 060)
Capital distribution from minority shareholders	-	284	-
Issue of share capital	-	97 823	-
Purchase of treasury stock	(1 093)	(4 136)	-
Sale of treasury stock	1 472	1 283	-
Net cash provided by (used in) financing activities	**(4 416)**	**(125 550)**	**84 854**
Effect of exchange rate changes on cash	(1 077)	755	61
Net increase (decrease) in cash and cash equivalents	(54 342)	69 616	19 357
Cash and cash equivalents at beginning of year	92 076	22 460	3 103
Cash and cash equivalents at end of year	**37 734**	**92 076**	**22 460**

See Notes to Consolidated Financial Statements

EPCOS AG – Notes to Consolidated Financial Statements for the Years Ended September 30, 2001, 2000 and 1999

(EURO IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA OR AS OTHERWISE STATED)

1. Description of the Company and Basis of Presentation

(a) Description of the Company

EPCOS AG (the "Company") is a leading producer and supplier of passive electronic components with headquarters in Munich, Germany. The Company has research and design centers and manufacturing facilities in Europe, Asia and the Americas, and a worldwide sales network. Passive electronic components are used in all types of electronic circuitry. The Company designs its product offerings to meet the needs of its principal customer groups, such as the automotive, consumer and industrial electronics industries and the telecommunications industry. Customers consist of equipment manufacturers and other companies that make modules or subsystems for equipment manufacturers.

The core of the Company was Siemens Matsushita Components, a former fifty-fifty joint venture (the "Joint Venture") formed in 1989 by Siemens AG ("Siemens") on the one part, and Matsushita Electric Industrial Co., Ltd. and Matsushita Electronic Components Co., Ltd. ("Matsushita") on the other. Siemens Matsushita Components consisted of a limited partnership named Siemens Matsushita Components GmbH & Co. KG (the "Limited Partnership") and Siemens Matsushita Components Verwaltungsgesellschaft mbH ("S+M GmbH"), the general partner of this limited partnership, as well as all of their subsidiaries. In reorganizing the Company on July 1, 1999, in preparation for an initial public offering, Siemens and Matsushita both contributed their interests in the Limited Partnership to S+M GmbH, and Siemens contributed several Siemens-owned subsidiaries and certain assets for an additional 4.5% interest in S+M GmbH and Euro 1 770 in cash. In addition, Siemens contributed certain assets in exchange for Euro 6 290 in cash as part of the reorganization on June 30, 1999. S+M GmbH converted to a German stock corporation (*Aktiengesellschaft*, AG) and changed its company name to EPCOS AG on September 2, 1999. Following the contributions of the additional Siemens-owned subsidiaries and certain assets, Siemens and Matsushita held approximately 54.5% and 45.5% respectively of the Company's 62 million common shares.

After the IPO in October 1999, and after the public sale of shares of EPCOS AG, Siemens and Matsushita each hold 12.5% plus one share of the Company's outstanding share capital.

(b) Basis of Presentation

The aforementioned contribution of the Limited Partnership and the transfer by Siemens of certain subsidiaries and assets to S+M GmbH were made under the terms and conditions of a contribution agreement between Siemens and Matsushita effective July 1, 1999. The contribution of the Limited Partnership represented a transfer between entities under common control and did not result in any change in ownership as all shares were exchanged between shareholders in direct proportion to their existing ownership. The transfer of certain subsidiaries and assets by Siemens represented the transfer of assets to a joint venture by a joint venture partner. Accordingly, all such transactions have been accounted for at historical book value.

The consolidated financial statements for the fiscal year 1999 combine the historical financial statements of S+M GmbH, together with the historical financial statements of the Limited Partnership, and the Siemens-owned subsidiaries and assets contributed by Siemens, because all these operations were under the "common management" of Siemens from 1989.

In fiscal 1999 and earlier, Siemens and its affiliates provided certain services and functions to the consolidated entities, and the Company's operations were financed primarily through its operating cash flows and loans from Siemens and third parties. Although the Company believes that the charges for such services were reasonable, the costs charged to the Company for these services were not necessarily indicative of the costs that would have been incurred if it had been a stand-alone entity. In preparation for the initial public offering, the Company entered into a series of new service agreements with Siemens to replace previous agreements.

On October 1, 1999, the Company replaced its loans from Siemens with financing from financial institutions. See Note 8 for further details on transactions with related parties and Note 7 for additional information on refinancing.

For the Limited Partnership in fiscal 1999, income tax was calculated as if the Company had filed separate income tax returns. Income taxes incurred by the limited partners on behalf of the Limited Partnership have been included as deemed capital contributions in the period in which the cost was incurred. Following restructuring of the Company on July 1, 1999, the entire Company is a separate taxable entity and files tax returns on a stand-alone basis. The figures concerning the consolidated financial statements for fiscal year 1999 may not necessarily reflect what the consolidated results of operations, financial position and cash flows of EPCOS would have been, had EPCOS at that time already been a separate, stand-alone entity.

(c) The Euro as Reporting Currency

Effective January 1, 1999, the Euro was introduced as the common legal currency of eleven member states of the European Economic and Monetary Union, including Germany. The Company has adopted the Euro as its reporting currency for fiscal periods beginning after January 1, 1999, and has restated the consolidated financial statements for fiscal 1999, which were still in German marks, into Euros at the official exchange rate of 1.95583 German marks to the Euro, which is the official fixed rate as determined on January 1, 1999.

Prior to the introduction of the Euro, the currencies of other countries fluctuated against the German mark, but because the Euro did not exist prior to January 1, 1999, historical exchange rates for the Euro are not available. Accordingly, while the consolidated financial statements restated in Euros depict the same trends as would have been shown had they been presented in German marks, they will not, however, be comparable with the Euro financial statements of other companies that had historically used a reporting currency other than the German mark.

2. Summary of Significant Accounting Policies

(a) Principles of Consolidation

All companies over which the Company had legal and effective control after the reorganization of July 1, 1999, are consolidated in accordance with US GAAP. Acquisition price is offset against group share of equity as at the acquisition date.

All significant intercompany balances and transactions as well as all significant intra group profits or losses arising on such transactions have been eliminated in the consolidated financial statements.

(b) Investments in Unconsolidated Affiliates

Businesses over which the Company does not have control, but has the ability to exercise significant influence over operating and financial policies, are recorded in the consolidated financial statements using the equity method of accounting.

(c) Consolidated Group

The consolidated financial statements include all domestic and foreign subsidiaries which EPCOS AG directly or indirectly controls. As of September 30, 2001, 2000 and 1999, the following number of companies were consolidated alongside EPCOS AG:

	2001	2000	1999
Consolidated			
Domestic	2	2	2
Foreign	25	20	17
	27	22	19
At equity	1	2	2
	28	**24**	**21**

The consolidated financial data for these companies is derived from their individual financial statements as of September 30 of each respective year.

Refer to Note 19 for changes in the companies included in the consolidated financial statements. Comparability of the consolidated financial statements with the prior year has not been impacted by these changes.

(d) Cash Equivalents

For the purpose of the consolidated statement of cash flows, the Company considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents. These include both bank balances as well as short-term deposits with a maturity of three months or less as at the date of deposit.

(e) Inventories

Inventories are stated at the cost of acquisition or production or at the market price, in accordance with the "lower-of-cost-or-market principle". The cost of production is principally determined by the weighted average method and comprises direct material and labor costs plus applicable manufacturing overheads, including depreciation charges.

(f) Property, Plant and Equipment

Property, plant and equipment are stated at cost, less accumulated depreciation. Cost includes major expenditures for improvements and replacements that extend useful lives or increase capacity and also includes interest costs associated with construction in progress. Maintenance and repairs are charged directly to expense as incurred. Renewal or improvement costs are capitalized, insofar as they enhance the value of the related asset. On disposal, historical acquisition or production costs and accumulated depreciation are written off, and the difference between this net book value and the disposal proceeds is recorded in the income statement as a gain or loss.

Depreciation for all foreign subsidiaries is computed on the straight-line method. For the German group companies, depreciation for assets acquired in fiscal 2000 or earlier is computed on either the straight-line method or the declining balance method if the declining balance method resulted in higher depreciation, over the estimated useful lives of the assets. Additions after October 1, 2000, are depreciated using the straight-line method only consistent with the foreign subsidiaries. Differences arising from this change are not significant.

In general, the estimated useful lives of depreciable assets are assigned as follows:

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

(g) Equipment under Capital Leasing

The Company leases some of its office equipment under capital leasing agreements. The assets and liabilities under capital leasing are recorded at the present value of aggregate future minimum leasing payments or at the fair value of the assets leased, whichever is lower. Assets under capital leasing are amortized over the leasing term or useful life of the asset, whichever is shorter.

(h) Intangible Assets

Intangible assets are carried at acquisition cost net of accumulated amortization, calculated under the straight-line method over the respective useful life of the asset.

Intangible assets primarily represent goodwill, which is the excess of purchase price over fair value of net assets of companies acquired, customer lists, patents and licenses. Goodwill is amortized on a straight-line basis over the expected periods to be benefited, generally 15 years. Patents are amortized over the term of the patent, or as for the customer list, over 10 years. Licenses are amortized over the term of the licensing agreement.

As from October 1, 2001, the Company will adopt Statement of Financial Accounting Standard ("SFAS") No. 142, *Goodwill and Intangible Assets*, whereby goodwill will no longer be subject to regular amortization. The goodwill allocated to business units, in accordance with this standard, will be periodically reviewed for impairment and, if necessary, be written down to fair value.

(i) Impairment of Long-lived Assets

The Company reviews long-lived assets, including intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset, or group of assets, with future net cash flows expected to be generated by the asset, or group of assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Estimated fair value is generally either based on appraised value or measured by discounted estimated future net cash flows. Considerable management judgment is necessary to estimate discounted future net cash flows. Accordingly, actual results could vary significantly from such estimates.

(j) Revenue Recognition

Revenue from sales is recognized when products are shipped and title passes, net of discounts, customer bonuses and rebates granted.

The SEC has issued Staff Accounting Bulletin ("SAB") No. 101 *Revenue Recognition in Financial Statements*. SAB No. 101 deals with the treatment of revenue recognition, presentation and disclosure in financial statements which are to be submitted to the SEC. The initial application of SAB No. 101 beginning on October 1, 2000, had no effect on the Company's financial position, results of operations or cash flow.

(k) Other Product-related Costs

Research and development costs and marketing and selling expenses are expensed as incurred. Provisions for estimated warranty costs are recorded at the time the related sales are recognized and periodically adjusted to reflect actual experience.

(l) Income Taxes

Income taxes are calculated using the *asset and liability method* in accordance with the provisions of SFAS No. 109 *Accounting for Income Taxes*. All liabilities or claims relating to taxes on earnings, capital and property arising during the fiscal year are reflected in the consolidated financial statements pursuant to the relevant tax laws applicable to the individual companies. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are computed using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(m) Financial Instruments and Risk Management

Derivative financial instruments are utilized by the Company to reduce foreign exchange and interest rate risks. The Company does not hold or issue derivative financial instruments for trading or speculative purposes. The Company enters into forward foreign exchange contracts to reduce its exposure to certain risks inherent within its business, based on forecast foreign currency transaction exposures. The notional amounts of these forward contracts are not recorded in the consolidated financial statements. The Company purchases foreign exchange option contracts to limit potential losses from adverse exchange rate movements on foreign currency transactions and utilizes cross-currency swap agreements in order to reduce risks on financing in foreign currencies.

The Company adopted SFAS No. 133, *Accounting for Derivative Financial instruments and Hedging Transactions*, as amended by SFAS No. 137 and No. 138 on October 1, 2000. The initial application of SFAS No. 133 had no material impact on the balance sheet, income statement or cash flows of the Company. SFAS No. 133 requires that all derivative financial instruments, including those which are embedded in other contracts, be recorded in the balance sheet at fair value. The market value of the derivative financial instruments is recorded as other current assets or other current liabilities. The Company has not designated any of its derivative financial instruments as "hedges" within the meaning of SFAS No. 133. Accordingly, all changes in market value of the derivative financial instruments are taken through the consolidated income statement. The market value of the financial instruments including derivatives are disclosed in Note 16.

Prior to adoption of SFAS No. 133, gains or losses on forward contracts were also booked to currency gains and losses and included in determining net income. The discount or premium on a forward contract was included in determining net income over the life of the forward contract. Premiums to purchase foreign exchange option contracts were included in determining net income over the life of the contract.

(n) Foreign Currencies

Transactions in foreign currencies
Purchases and sales in foreign currencies are converted using the daily rate of exchange at the time of the transaction. Monetary assets and liabilities denominated in currencies other than the functional currency are converted into the functional currency at the rate applying at the balance sheet date. The resulting foreign currency gains and losses are included in the income statement.

Translation of Financial Statements into Euros
The Group's reporting currency is the EURO (Euro). The balance sheet items of subsidiary companies whose functional currency is not the Euro are translated at the rate applying on the balance sheet date. Income statement items are converted at the weighted average rate of the respective year. The resulting translation differences are reported as separate components of equity under other comprehensive income or loss.

(o) Use of Estimates

The Company's management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with US GAAP. Actual results could differ from those estimates.

(p) Earnings per Share

Due to the restructuring of the group companies in connection with the IPO in fiscal 1999, the disclosure of historical earnings per share data for periods before the restructuring would be misleading and therefore is not reported. For fiscal 2001 and 2000, basic earnings per share are computed by dividing net income by the weighted average number of common shares outstanding for the year. Diluted earnings per share reflect the potential dilution that would occur if the potentially dilutive common shares, such as on the exercise of options, had been issued. The treasury stock method is used to calculate dilutive shares. This method reduces the gross number of dilutive shares by the number of shares purchasable from the proceeds of the option assumed to be exercised. For computations of basic and diluted earnings per share, see Note 13.

(q) Stock-based Compensation

Stock-based compensation is accounted for in accordance with Accounting Principles Board Opinion No. 25 *Accounting for Stock Issued to Employees* ("APB 25"), and its related interpretations. Accordingly, compensation expense for stock option and share purchase plans for employees is measured as the excess of the quoted market price of the Company's common stock at the grant date over the amount the employee must pay. For further details of stock-based compensation, see Note 10.

3. Accounts Receivable, Net

Accounts receivable are presented net of an allowance for doubtful accounts. The following table presents changes to the allowance for doubtful accounts for the years ended September 30, 2001, 2000 and 1999:

ALLOWANCE FOR DOUBTFUL ACCOUNTS

	2001	2000	1999
Allowance for doubtful accounts, beginning of year	7 795	4 384	4 031
Additions charged to bad debt expense	2 842	4 392	1 899
Write-offs charged against the allowance	(1 755)	(1 458)	(1 377)
Recoveries of amounts previously written-off	27	8	3
Foreign exchange translation adjustment	(460)	469	(172)
Allowance for doubtful accounts, end of year	8 449	7 795	4 384

4. Inventories, Net

NET INVENTORIES

As of September 30

	2001	2000
Raw materials and supplies	59 135	44 039
Work in process	72 327	92 140
Finished products	106 381	83 112
Total inventories, net	237 843	219 291

Amounts appearing in the preceding table are presented net of valuation allowances of Euro 37 623 and Euro 17 812 as of September 30, 2001 and 2000 respectively. The development in the inventory valuation allowance for the years ended September 30, 2001, 2000 and 1999 is as follows:

VALUATION ALLOWANCE FOR INVENTORIES

	2001	2000	1999
Valuation allowance, beginning of year	17 812	14 562	11 990
Additions charged to cost of goods sold	27 892	8 289	6 756
Write-downs charged against the allowance	(7 532)	(5 505)	(4 054)
Foreign exchange translation adjustment	(549)	466	(130)
Valuation allowance, end of year	37 623	17 812	14 562

The increase in the valuation allowance in 2001 among other results from excess inventories of raw materials for Tantalum of Euro 7 676, a reduction in the price of Tantalum raw material of Euro 2 624, and slow-moving or obsolete finished products in the amount of Euro 3 652.

5. Fixed Assets, Net

Information with respect to changes to the Company's intangible assets, property, plant and equipment and long-term financial assets is presented in the following fixed asset schedule:

ACQUISITION AND MANUFACTURING COSTS

As of September 30

	2000	Additions	Reclassification	Disposals	Translation adjustment	2001
Goodwill	14 392	-	-	-	(33)	14 359
Other intangible assets	14 171	9 424	-	(69)	(72)	23 454
Intangible assets	**28 563**	**9 424**	**-**	**(69)**	**(105)**	**37 813**
Land	17 854	945	-	-	(129)	18 670
Buildings	124 505	5 023	20 811	(155)	(3 332)	146 852
Technical equipment, machinery and other equipment	1 072 045	235 727	63 503	(66 037)	(28 798)	1 276 440
Construction in progress	134 754	109 011	(84 314)	(440)	(942)	158 069
Property, plant and equipment	**1 349 158**	**350 706**	**-**	**(66 632)**	**(33 201)**	**1 600 031**
Investments	4 136	-	-	(2 696)	(78)	1 362
Investment securities	9 476	10 173	-	(9 476)	-	10 173
Other financial assets	138	142	-	(74)	(1)	205
Long-term financial assets	**13 750**	**10 315**	**-**	**(12 246)**	**(79)**	**11 740**

ACCUMULATED DEPRECIATION AND AMORTIZATION

As of September 30

	2000	Additions	Reclassification	Disposals	Translation adjustment	2001
Goodwill	2 163	965	-	-	(1)	3 127
Other intangible assets	6 777	3 158	-	(69)	(59)	9 807
Intangible assets	**8 940**	**4 123**	**-**	**(69)**	**(60)**	**12 934**
Land	32	72	-	-	(4)	100
Buildings	60 715	7 170	-	(52)	(1 664)	66 169
Technical equipment, machinery and other equipment	631 002	182 535	-	(62 639)	(19 939)	730 959
Construction in progress	-	-	-	-	-	-
Property, plant and equipment	**691 749**	**189 777**	**-**	**(62 691)**	**(21 607)**	**797 228**
Investments	-	-	-	-	-	-
Investment securities	-	-	-	-	-	-
Other financial assets	-	-	-	-	-	-
Long-term financial assets	**-**	**-**	**-**	**-**	**-**	**-**

NET BOOK VALUE

As of September 30

	2001	2000
Goodwill	11 232	12 229
Other intangible assets	13 647	7 394
Intangible assets	**24 879**	**19 623**
Land	18 570	17 822
Buildings	80 683	63 790
Technical equipment, machinery and other equipment	545 481	441 043
Construction in progress	158 069	134 754
Property, plant and equipment	**802 803**	**657 409**
Investments	1 362	4 136
Investment securities	10 173	9 476
Other financial assets	205	138
Long-term financial assets	**11 740**	**13 750**

Long-term financial assets shown above are included in the consolidated balance sheets under other long term assets.

Depreciation expense on property plant and equipment was Euro 189 777, Euro 133 359 and Euro 100 857 for the years ended September 30, 2001, 2000 and 1999. For the year ended September 30, 2001, depreciation includes an impairment charge for the Surface Acoustic Wave (SAW) segment in the amount of Euro 28 477 (see Note 11).

Interest expense capitalized on construction projects amounted to Euro 5 417, Euro 4 212 and Euro 2 390 respectively.

6. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities as of September 30, 2001 and 2000 are as follows:

ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

As of September 30

	2001	2000
Accrued employee-related costs	79 394	61 396
Taxes payable	75 479	70 644
Salaries and payroll taxes payable	19 107	41 187
Other	54 765	59 367
Total accrued expenses and other current liabilities	228 745	232 594

7. Short-term Borrowings and Long-term Debt

Financing

The Company can call on an Euro 250 000 credit facility granted until October 2002, by a bank syndicate under the leadership of Commerzbank. This credit facility was unused as of September 30, 2001. In addition, the Company has entered into a number of bilateral borrowing arrangements with DG Bank, HypoVereinsbank, Deutsche Bank, Commerzbank, Bayerische Landesbank, Bank of America, Dresdner Bank and ABN Amro totaling Euro 155 000. These loans carry an interest rate ranging from LIBOR plus 0.25% to 0.5%. Euro 14 051 was outstanding under these arrangements as of September 30, 2001. Furthermore, there are borrowing arrangements in various countries and currencies totaling Euro 153 000. These borrowing arrangements were used in the amount of Euro 37 596 as of September 30, 2001. In addition the Company has loans from state aid to exports and investing activities that are not included in the already mentioned borrowing arrangements.

Short-term Borrowings

Short-term borrowings as of September 30, 2001 and 2000, were Euro 109 785 and Euro 43 529 respectively. These short-term borrowings as of September 30, 2001 consist of unsecured bank loans by borrowing arrangements as described above and export financing in the amount of Euro 58 138. The export financing bears an interest rate ranging between 4.10% and 4.25%. Other short-term borrowings consist of various working capital bank loans with a weighted average interest rate of 4.92% in fiscal 2001 and 8.58% in fiscal 2000.

Long-term Debt

Long-term debt consists of the following:

LONG-TERM DEBT
As of September 30

	2001	2000
Debentures	6 951	6 614
Long-term debt with third parties	59 811	63 455
Total long-term debt	66 762	70 069
Less current installments	(17 103)	(11 790)
Long-term debt excluding current installments	49 659	58 279

Details of currencies, interest rates, maturities and lenders of the long-term debt are given in the following table:

Long-term debt with third parties at September 30, 2001, includes Euro 44 853 held by the Company's Austrian subsidiary. An amount of Euro 4 916 of this debt is secured by investment securities and Euro 33 767 by liens on land, without these having been entered in the land registry. The weighted average interest rate of all the Austrian long-term third-party debt as of September 30, 2001 and 2000, was 2.73% and 2.96% respectively, and is due in installments over three to ten years.

The Indian subsidiary International Ferrites Ltd. (IFL) has two unsecured loans in the amount of Indian rupees (INR) 100 million (Euro 2 279) and INR 90 million (Euro 2 051), bearing interest at 12.85% and 14% respectively. The remaining long-term loans in India in the amount of INR 102.7 million (Euro 2 341) were granted by various regional and international banks and are secured by the property, plant and equipment of the subsidiary. IFL also issued a debenture for INR 80 million (Euro 1 823).

A debenture issued by the Indian subsidiary EPCOS India Private Ltd. in the original amount of INR 250 million (Euro 5 698), which was reduced by repayments to the amount of INR 187.5 million (Euro 4 274) at September 30, 2000, was reduced by a further scheduled repayment of INR 62.5 million (Euro 1 425) to INR 125 million (Euro 2 849) in fiscal 2001. This amount has a short-term portion of INR 62.5 million (Euro 1 425) at September 30, 2001. Together with a second debenture in the amount of INR 100 million (Euro 2 279) which was issued by EPCOS India Private Ltd. in the period under review, the total amount of debentures granted by EPCOS India Private Ltd. at September 30, 2001 amount to INR 225 million (Euro 5 128).

The total amount of debentures issued by group companies therefore amounts to INR 305 million (Euro 6 951) at September 30, 2001.

LONG-TERM DEBT (LOANS AND DEBENTURES)
As of September 30, 2001. Currencies in millions

Principal	Euro equivalent	Interest rate	Maturity	Lender
Euro 44.9	44.9	1.4%-5.625%	2001-2007	Austrian banking syndicate and government institutions
INR 292.7 INR 80	8.5	12.5%-14%	2001-2004	Citibank, Exim Bank, ABN Amro Bank
INR 225	5.1	12.5%-12.59%	2003	Standard Chartered Grindleys Bank
Euro 7.3	7.3	Interest-free	2001-2005	Banco Portugal do Atlantico

As of September 30, 2001, long-term debt with third parties also includes Euro 7 332 in non-interest-bearing loans guaranteed by the government of Portugal. In the reporting period, Euro 1 396 was repaid on schedule, and a new loan of Euro 1 746 was taken out.

The credit lines of group subsidiaries are secured by letters of support or guarantee provided by EPCOS AG.

The aggregate amounts of long-term debt maturities as of September 30, 2001, are, in repayment date order, as follows:

LONG-TERM DEBT MATURITIES

As of September 30, 2001

Fiscal year due	
2002	17 103
2003	18 393
2004	12 975
2005	7 780
2006	7 259
Thereafter	3 252

8. Related Party Transactions

Total sales to Siemens for both internal usage and resale were 22.7%, 51.7% and 64.7% of total consolidated net sales for the years ended September 30, 2001, 2000 and 1999 respectively. Resales by Siemens to third parties accounted for 8.0%, 38.0% and 49.9% of total consolidated net sales for the years ended September 30, 2001, 2000 and 1999 respectively, whereas sales directly to Siemens for internal usage accounted for 14.7%, 13.7% and 14.8% of total consolidated net sales respectively.

For resale purposes, the Company has entered into numerous agency and distributorship agreements with Siemens in those countries where the Company has no sales force of its own. As part of the process of establishing its own subsidiaries, which will serve as sales operations, the Company has terminated the agency and distributorship agreements with some of these Siemens companies. With some of the Siemens companies with which agreements were terminated, the Company entered into agreements concerning the acquisition of assets and the takeover of employees from each selling operation involved (see Note 19).

The Company has an agreement with Matsushita regarding the distribution of certain Matsushita products.

The Siemens' agency and distribution companies receive a monthly sales-based commission. Promotional activities undertaken by these companies have to be agreed with the Company in advance.

Until September 30, 1999, the Company utilized a cash and debt management agreement and various other agreements with Siemens for the purpose of providing short-term financing or investing excess funds. Advances from or to Siemens under these agreements were reflected as financial liabilities to Siemens or financial receivables from Siemens respectively. At the beginning of fiscal 2000, these agreements were terminated and the balance of financial liabilities and receivables was repaid to Siemens.

The Company and its subsidiaries make use of various services provided by Siemens. These agreements are either for fixed terms or can be terminated within one to three years. Under these agreements, Siemens provides the Company with a range of personnel and administrative services. Siemens thus administers the Company's pension plans, part of the payroll accounting and data processing systems. Siemens also provided the Company with library and information services, personnel training and educational programs, as well as specific purchasing, procurement, sourcing, transportation, logistics and travel management services.

The Company also purchases IT services from Siemens. In fiscal 2001 Siemens performed mainly the following IT services for the Company: operating, servicing and development of IT systems and programs, network and telecommunications services. The business relationship between Siemens and EPCOS is based on general and specific agreements.

Effective April 1, 1999, the Company entered into a lease with Siemens for the Company's headquarters in Munich. The lease expires on September 30, 2009, and can be terminated with 12 months' prior notice from September 30, 2004, at the earliest. The annual rent is fixed at Euro 1 398 until September 30, 2002, after which the rent will be indexed. During the entire term of the lease, the Company may increase or decrease the amount of office space rented, the rent being adjusted accordingly. The Surge Arresters business unit, Berlin, holds a lease from Siemens for production facilities and office buildings. The contract expires in 2002, and the annual rent is Euro 337. The Ceramic Components segment entered into an agreement with Siemens to lease a production unit in

Austria effective October 1, 1999. For further details, see Note 17.

Effective July 1, 1999, the Company entered into an agreement with Siemens which allows the Company to commission Siemens with research and development projects on project-by-project basis. The agreement grants the Company all patents and rights issuing from such research and development projects. Siemens has the nonexclusive, worldwide and royalty-free right to use these patents and rights for its own business purposes.

Effective January 1, 2001, the Company acquired from Siemens the operating activity for the development of specialized applications of high frequency surface acoustic wave technology. The acquisition price was Euro 5 000 and is mainly recorded as intangible assets.

Effective June 15, 1999, the Company entered into a know-how license agreement with Matsushita-Kotobuki Electronics Industries, Ltd. (“Matsushita-Kotobuki”). This agreement grants the Company a nonexclusive, nontransferable and worldwide license to use Matsushita-Kotobuki’s know-how and information relating to low-temperature co-fired multilayer ceramic substrates. Matsushita-Kotobuki has agreed to provide the Company with technical advice and guidance relating to the manufacture of products that use this technology. In consideration of the rights and licenses granted to the Company, the Company made an initial payment. The Company also pays ongoing royalties fixed at a percentage of the net sales price of products manufactured using this technology and sold or otherwise disposed of by the Company or its subsidiaries.

Effective June 30, 1999 the Company entered into an agreement on technical cooperation with Matsushita Electronic Components Co., Ltd. (“MACO“). This agreement is the basis for a project-by-project exchange of technical know-how, advice and shared development work. All costs are to be borne by the party which incurs them, unless a contrary written agreement has been made. To cover MACO’s costs, the Company pays an annual fee. Insofar as MACO and the Company enter into specific technical cooperation and technical projects on the basis of this agreement, the Company has to pay a one-off license fee or an annual fee based on sales of the related product. It is possible to combine these alternatives.

On the basis of the aforementioned agreement, the Company and MACO have entered into a license agreement effective April 5, 2000, for the use of know-how pertaining to Tantalum capacitors, and a license agreement effective September 1, 2001 for the use of know-how pertaining to Ultracapacitors. These agreements both grant the Company certain nonexclusive and nontransferable licenses for the use of the respective know-how. Additionally, MACO advises the Company in each case on technical matters concerning the use of this know-how. In consideration of the rights and licenses granted to the Company, the Company agreed to initial payments. The Company also pays ongoing royalties fixed at a percentage of the net sales price of products manufactured using this technology and sold or otherwise disposed of by the Company or its subsidiaries.

Effective June 30, 1999, the Company entered into a patent cross-license agreement with Matsushita Electric Industrial Co., Ltd. (“MEI”). Under this agreement, both parties grant each other nonexclusive, nontransferable, worldwide licenses to their respective patents relating to both parties' major product families. The Company has agreed to pay MEI a fixed annual fee until the year 2004. At that time, the Company and MEI will mutually agree to a revised royalty fee amount.

Effective July 25, 2001, the Company entered into a know-how license agreement with MACO, granting the Company a nonexclusive, nontransferable license to use know-how relating to the production of multilayer ceramic capacitors.

EPCOS (Xiaogan) Co. Ltd. in China, which is included in the consolidated financial statements from October 1, 2000, has rented office and production space from the minority shareholder Hanguang Electrical Factory for an annual rental of Euro 185. It also purchased materials and services from this company for Euro 3 500 in fiscal 2001.

Transactions with related parties were as follows for the years ended September 30:

TRANSACTIONS WITH RELATED PARTIES

Year ended September 30

	2001	2000	1999
Net sales to			
Siemens (including resales to third parties)	433 144	959 246	738 187
Matsushita and others	12 924	16 025	17 332
	446 068	975 271	755 519
Purchases of inventories and services charged to cost of goods sold			
Siemens	(89 889)	(107 595)	(78 596)
Matsushita and others	(22 365)	(26 634)	(14 323)
	(112 254)	(134 229)	(92 919)
Research and development expenses			
Siemens	(6 042)	(6 492)	(3 069)
Matsushita and others	(6 088)	(4 618)	(1 813)
	(12 130)	(11 110)	(4 882)
Selling, general and administrative expenses			
Siemens	(8 893)	(3 294)	(4 719)
Matsushita and others	(709)	(554)	(511)
	(9 602)	(3 848)	(5 230)
Interest income and expense			
Interest income (Siemens)	-	-	2 476
Interest expense (Siemens)	(97)	(2 177)	(9 282)

Amounts due from and to related parties included in the consolidated balance sheets at September 30 were as follows:

AMOUNTS DUE FROM AND TO RELATED PARTIES

As of September 30

	2001	2000
Siemens:		
Trade accounts receivable	33 897	88 490
Trade accounts payable	(23 228)	(12 439)
Financial liabilities	-	(36)
Long-term capital leasing obligations	(363)	-
Matsushita and others:		
Accounts receivable	1 822	2 468
Accounts payable	(1 504)	(5 597)

9. Shareholders' Equity

The Company was formed as a limited liability company ("GmbH") on October 17, 1989. Before reorganization and transformation of the Company into a stock corporation, the share capital of the Company was Euro 31. Until reorganization, the partnership capital of the Limited Partnership was combined with the shareholders' equity of the Company. Income taxes and other items incurred by the limited partners on behalf of the Limited Partnership were included as deemed capital contributions in the historical financial statements of the Limited Partnership, which were combined with those of the Company. Until reorganization, the net investment of Siemens in the subsidiaries and operations transferred to the Company were also combined with the shareholders' equity of the Company.

At October 1, 1999, the historical equity of the GmbH, the Limited Partnership and the subsidiaries and operations of Siemens transferred to the Company was as follows:

HISTORICAL EQUITY

As of October 1, 1999

S+M GmbH shareholders' equity	35 433
Limited Partnership capital	208 940
Net investment of Siemens in subsidiaries and operations transferred to the Company	50 537
Equity	294 910
Accumulated other comprehensive loss	(7 678)
Total shareholders' equity	287 232

Effective July 1, 1999, Siemens and Matsushita transferred their interests in Siemens Matsushita Components GmbH & Co. KG ("Limited Partnership") to the Company for issuance of additional shares to each of them in the nominal amount of Euro 28 024. Also effective July 1, 1999, Siemens transferred its interest in Icotron-Indústria de Componentes Eletrônicos Ltda., Gravataí, Brazil ("Icotron"), in Siemens Passive Electronic Devices, Inc., Iselin, New Jersey, USA ("SPD"), and all assets and liabilities of the Surge Voltage Arresters Division, Berlin, Germany, to the Company in return for additional shares issued in the nominal amount of Euro 5 920. As a result of these transfers, the Company's share capital was increased to Euro 62 000 as of July 1, 1999. On May 20, 1999, Siemens agreed to transfer to the Company its 51% share in Siemens Vacuum Electronic Components Co., Ltd., Xiaogan, China ("SVEC"), for a cash payment of Euro 1 770.

On June 30, 1999, Siemens transferred certain assets and liabilities of Siemens Microelectronics (Asia Pacific) Pte. Ltd., Singapore ("SMAP") to the Company for a cash payment of Euro 6 290. The cash paid to Siemens of Euro 8 060 for the transferred business described in Note 1b is shown as a capital distribution.

In preparation for the initial public offering on October 15, 1999, the Company was converted into a stock corporation (*Aktiengesellschaft*, AG) on September 2, 1999, with an unchanged share capital of Euro 62 000 divided into 62 million ordinary shares of no par value. The resulting notional value is Euro 1 per share. By resolution of the extraordinary shareholders' meeting on October 12, 1999, the share capital of the Company was increased by Euro 3 300 through issuance of new capital stock. As a result of this capital increase in connection with the IPO, EPCOS realized net proceeds – after deduction of IPO costs of Euro 3 429 – of Euro 97 823. The proceeds exceeded the capital increase by Euro 94 523, which was recorded as an increase in additional paid-in capital. At September 30, 2001, the Company had share capital amounting to Euro 65 300 divided into 65.3 million registered shares of no par value with a notional value of Euro 1 per share.

Until July 31, 2004, the Management Board is authorized, with the approval of the Supervisory Board, to increase share capital by a total of up to Euro 13 020 (authorized capital). This authorized capital can be utilized to issue ordinary shares of up to Euro 12 400 for contributions in cash (authorized capital I), to issue ordinary shares of up to Euro 3 100 to employees (authorized capital II) and to issue ordinary shares of up to Euro 12 400 for contributions in kind (authorized capital III).

The Company declared and paid cash dividends to its shareholders of Euro 65 273, nil and Euro 102 869 in the years ended September 30, 2001, 2000 and 1999 respectively.

Under the German Stock Corporation Act, the amount of dividends available for distribution to shareholders is based upon the equity of the Company as reported in its financial statements drawn up on a stand-alone basis in accordance with the German Commercial Code (*Handelsgesetzbuch*). Accordingly, the Annual General Meeting decides only on the dividends payable from the retained earnings (after deduction of certain reserves) as shown in the Company's annual German statutory accounts. This amount differs from the total retained earnings as shown in the accompanying financial statements prepared in accordance with US GAAP. As of September 30, 2001, the distributable amount was Euro 6 756, as of September 30, 2000 it was Euro 66 082.

The German Stock Corporation Act also defines the rules for acquisition of treasury shares. The Company does not require authorization or shareholder approval to acquire treasury shares for the purpose of transferring them to employees as part of an employee share purchase plan. In addition to the 15 000 shares acquired in fiscal 2000 for the employee share purchase plan 2001, the Company also acquired 12 049 treasury shares in the fiscal year just ended and transferred all shares to employees during fiscal 2001. As of September 30, 2001, the Company does not own treasury shares. See Note 10 for a description of the Company's share purchase plan.

10. Stock-based Compensation

Stock Option Plan

Effective October 13, 1999, an extraordinary shareholders' meeting adopted a stock option plan. Under this plan, members of the Management Board, directors of subsidiaries and other eligible key employees can be granted nontransferable options to purchase up to 2 480 000 shares at 115% of the average closing market price of the Company's shares during the five-day period immediately before the date of grant. For options granted immediately before the Company's initial public offering, the exercise price is 115% of the subscription price of Euro 31 per share. The Supervisory Board of the Company decides annually on the number of options to be granted to the Management Board. In turn, the Management Board decides annually on the number of shares to be granted to the other eligible employees. Up to a maximum of 30% of the plan options may be granted each year. The plan will expire after five years. Options granted under the plan may be exercised during the five-year period starting two years after the options are granted, provided that the share price has reached or exceeded the exercise price on at least one day since the grant date. In connection with the stock option plan, conditional capital of the Company in the amount of up to Euro 2 480 was created for the issuance of up to 2 480 000 additional shares with no par value and a notional value of Euro 1 each. The conditional capital became effective on October 13, 1999, when it was recorded in the German Commercial Register.

The following table summarizes stock option activity:

STOCK OPTION ACTIVITY

	Number of options	Weighted average exercise price per share (in Euro)
Balance as of September 30, 1999	**-**	**-**
Granted	158 000	35.65
Exercised	-	-
Forfeited	-	-
Balance as of September 30, 2000	**158 000**	**35.65**
Granted	454 500	103.17
Exercised	-	-
Forfeited	-	-
Balance as of September 30, 2001	**612 500**	**85.75**

The following table summarizes all stock options issued by the Company and which can be exercised as of September 30, 2001:

The Company has adopted the disclosure provisions of SFAS No. 123 *Accounting for Stock-Based Compensation*, but continues to measure stock-based compensation cost and shows personnel costs from the granting of options in accordance with APB No. 25 and its related interpretations.

After granting 158 000 options were granted in fiscal 2000 at a weighted average fair value of Euro 21.25 per option, a further 454 000 options were granted in two tranches in fiscal 2001. The weighted average fair value for the first tranche was Euro 40.41 and for the second tranche Euro 31.26 per option, measured at the respective grant date. For the entire options granted in fiscal 2001, the weighted average fair value amounts to Euro 39.20 per option.

For pro forma purposes, the estimated fair value of the Company's stock-based awards to employees is amortized over the options' vesting period of two years. Had the Company measured compensation cost for the stock options granted under the fair value based method prescribed by SFAS No. 123, net income and earnings per share would have been changed to the pro forma amounts set forth below:

NET INCOME AND EARNINGS PER SHARE

Year ended September 30

	2001	2000
Net income		
As reported	148 637	239 964
Pro forma	139 769	238 285
Basic and diluted earnings per share		
As reported	2.28	3.68
Pro forma	2.14	3.66

OPTIONS OUTSTANDING AND EXERCISABLE

As of September 30, 2001

Range of Exercise Prices (in Euro)	Shares	Options Outstanding Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price (in Euro)	Options Exercisable: Shares	Options Exercisable: Weighted Average Exercise Price
35.65	158 000	5 Years	35.65	-	-
90.90-105.04	454 500	6 Years	103.17	-	-
35.65-105.04	**612 500**	**6 Years**	**85.75**	**-**	**-**

The fair value of the Company's stock options of fiscal 2001 and 2000 used to compute pro forma net income disclosures was estimated on the date of grant using the Black-Scholes option pricing model based on the following weighted-average assumptions in each of the respective fiscal years 2001 and 2000:

AVERAGE VALUES OF STOCK OPTIONS

Year ended September 30

	2001	2000
Risk-free interest rate	5.34%	5.35%
Expected life of options (in years)	5	7
Expected volatility	50%	70%
Average expected dividend per share	0.50	-

Employee Share Purchase Plan

In fiscal 2000, EPCOS AG adopted an employee share purchase plan, under which employees depending on their function can purchase a number of shares determined annually at a certain discount. During fiscal 2001, the Company purchased 12 049 of its common shares for transfer to employees. Compensation expense recorded under the plan in fiscal 2001 and 2000 amounted to Euro 691 and Euro 504, respectively. Together with the 15 000 shares acquired in fiscal 2000 for the 2001 employee share purchase plan, a total of 27 049 shares were issued to employees in fiscal 2001.

11. Restructuring

Due to the considerable changes in market conditions for passive electronic components in fiscal 2001, it was necessary for the Company to undertake restructuring measures to reduce staff levels, dispose of certain equipment and speed up the shift of certain production to countries with lower labor costs. On the basis of various restructuring plans, corresponding worldwide measures were taken, the costs of which can be analyzed between staff costs and impairment of property, plant and equipment:

RESTRUCTURING COSTS

Year ended September 30, 2001

Staff costs	34 417
Impairment of property, plant and equipment (see Note 5)	28 477
Total restructuring	**62 894**

The split of restructuring costs by business segment was as follows:

SEGMENTAL ANALYSIS OF RESTRUCTURING COSTS

Year ended September 30, 2001

Capacitors	17 665
Ceramic Components	2 133
SAW Components	32 761
Ferrites	10 335
Total	**62 894**

These restructuring costs mainly impact cost of sales. Staff restructuring costs primarily relate to reduction of production staff.

The development of accruals and liabilities for staff restructuring costs during fiscal 2001 is as follows:

DEVELOPMENT OF ACCRUALS AND LIABILITIES

	Number of staff	Accruals and liabilities
As of September 30, 2000	140	8 110
Increase in accruals/liabilities	1 967	34 417
Usage of accruals/reduction in liabilities	(947)	(7 443)
As of September 30, 2001	1 160	35 084

The majority of the restructuring accruals and liabilities are expected to be utilized in fiscal 2002.

As a result of the downturn and delay in the recovery in the mobile telecommunications sector and the expected shift in demand to new technologies such as CSSP (chip-size SAW package) offered by the Company, certain SMD-ceramic equipment no longer has an economic use, which resulted in an impairment write-down of Euro 28 477 in cost of sales in the SAW segment during fiscal 2001.

12. Income Taxes

Income before income taxes and minority interests was attributable to domestic and foreign sources as follows:

INCOME BEFORE INCOME TAXES

Year ended September 30

	2001	2000	1999
Germany	(3 316)	68 282	10 837
Foreign	209 049	261 925	92 578
	205 733	330 207	103 415

The provision (benefit) for income taxes consisted of the following:

PROVISION (BENEFIT) FOR INCOME TAXES

Year ended September 30

	2001	2000	1999
Current taxes			
Germany	258	23 811	5 693
Foreign	52 561	59 568	21 356
Deferred taxes			
Germany	3 728	9 388	(1 533)
Foreign	(605)	(2 672)	2 279
	55 942	90 095	27 795

Income taxes include Euro 14 728 for the year ended September 30, 1999, resulting from taxes related to the Limited Partnership and to the subsidiaries and assets contributed by Siemens which were included for purposes of presentation in the consolidated financial statements. Such amounts are shown as deemed capital contributions from shareholders in the consolidated statement of shareholders' equity. Since restructuring of the Company on July 1, 1999, the Company has been responsible for filing tax returns and payment of all income taxes on a stand-alone basis.

The Company was granted a tax holiday by the government of Singapore relating to production of SAW components in Singapore until 2008. Based on the pre-tax income relating to this production facility of Euro 27 803, Euro 68 914, and Euro 25 594 for the years ended September 30, 2001, 2000 and 1999 respectively, and the statutory tax rate of 24.5% for 2001 and 25.5% for 2000 and 1999 in Singapore, the effect of the tax holiday for the years ended September 30, 2001, 2000 and 1999 on net income amounts to Euro 6 812, Euro 17 573 and Euro 6 654, respectively, and the effect on basic net income per share is Euro 0.10, Euro 0.27 and Euro 0.11, respectively.

Reconciliation of income taxes for the years ended September 30, 2001, 2000 and 1999, based on the German corporate tax rate plus the after federal tax benefit rate for trade taxes for a consolidated statutory rate of 52% for fiscal 2001, 2000 and 1999 respectively results in the following figures:

RECONCILIATION OF INCOME TAXES

Year ended September 30

	2001	2000	1999
Expected provision for Income taxes	106 981	171 709	53 776
Dividend tax credit	-	(3 531)	(1 181)
Foreign tax rate differential	(55 999)	(69 005)	(31 356)
Change in valuation allowance	(636)	(10 429)	6 569
Change in deferred taxes resulting from reduction in German tax rate	(551)	-	690
Other	6 147	1 351	(703)
Actual provision for income taxes	55 942	90 095	27 795

With regard to the taxation of the income of companies with noncalendar fiscal years – such as EPCOS AG – and their shareholders the German corporate tax law applies a split-rate imputation system in fiscal 2001. In accordance with the tax law in effect for fiscal 2001, 2000 and 1999, retained corporate income is subject to a federal corporate tax rate of 40% for 2001, 2000 and 1999 plus a solidarity surcharge of 5.5% on federal corporate taxes payable in all three years. Including the impact of the surcharge, the federal corporate tax rate amounts to 42.2% for the years ended September 30, 2001, 2000 and 1999. The effective rate for trade tax is 10.26% for 2001, 2000 and 1999.

On distribution of retained earnings to shareholders, the corporate income tax rate on such distributed earnings is reduced to 30% plus a solidarity surcharge of 5.5%, resulting in a total tax rate of 31.65% in 2001, 2000 and 1999.

The German tax reform which was enacted in October 2000 will, in addition to other changes, reduce the corporation tax rate of 40% for retained earnings and 30% for distributed earnings to a uniform 25%. This reduction in corporation tax rates will first take effect for the German group companies in the year ended September 30, 2002. Deferred tax items in the balance sheet of the company at September 30, 2001 have been calculated using the lower rate which will apply from the next fiscal year.

Deferred income tax assets and liabilities as of September 30, 2001 and 2000, are summarized as follows:

DEFERRED INCOME TAX ASSETS AND LIABILITIES

As of September 30

	2001	2000
Inventories	8 907	5 478
Property, plant and equipment	8 194	7 199
Net operating loss and tax credit carryforwards	16 134	3 367
Accrued expenses	7 964	7 252
Pension liabilities	7 118	9 270
Other liabilities	941	1 612
Other	2 001	1 842
Gross deferred tax assets	51 259	36 020
Deferred tax asset valuation allowance	(81)	(718)
Net deferred tax assets	51 178	35 302
Receivable provisions	(3 079)	(3 741)
Inventories	(1 839)	(2 190)
Property, plant and equipment	(30 381)	(20 306)
Accrued expenses	(4 104)	(786)
Other	(8 880)	(1 793)
Gross deferred tax liabilities	(48 283)	(28 816)
Deferred tax assets, net	2 895	6 486

Deferred income taxes with respect to inventories relate to differences between US costing methods and valuation allowances used for book and tax purposes, and intercompany profits in inventories, which were eliminated in the consolidated financial statements. The increase in net operating losses and tax credit carryforwards relates mainly to the German operations as well as to subsidiaries in China and the Czech Republic.

Net deferred tax assets and liabilities are recorded in the consolidated balance sheets as of September 30, 2001 and 2000, as follows:

DEFERRED INCOME TAX ASSETS AND LIABILITIES IN CONSOLIDATED BALANCE SHEETS

As of September 30

	2001	2000
Deferred tax assets		
Current	13 682	9 033
Non-current	7 113	5 969
Deferred tax liabilities		
Current	(5 520)	(4 971)
Non-current	(12 380)	(3 545)
	2 895	6 486

As of September 30, 2001, the Company had corporate tax net operating loss (“NOL”) carryforwards and tax credits amounting to Euro 49 934 of which Euro 5 459 expire by 2006 and Euro 44 475 expire later than 2006 or have no expiry date. These figures show the gross amount of the available NOLs. The Company's valuation allowances decreased from 2000 to 2001 by Euro 636, from 1999 to 2000 by Euro 10 429 and increased from 1998 to 1999 by Euro 6 569. The remaining valuation allowance reduced the deferred tax asset to a net amount that will more likely than not be realized, based on the Company's estimate of future earnings and the expected timing of temporary difference reversals.

The Company did not make provision for income taxes or foreign withholding taxes on cumulative earnings of foreign subsidiaries for the years ended September 30, 2001, 2000 and 1999, because these earnings are intended to be indefinitely reinvested in those operations. It is not economically practicable to estimate the amount of unrecognized deferred tax liabilities for these undistributed foreign earnings.

13. Earnings per Share

The following table sets forth the computation of basic and diluted earnings per share for the years ended September 30, 2001 and 2000:

EARNINGS PER SHARE

Year ended September 30

	2001	2000
Net income	148 637	239 964
Denominator for basic earnings per share – weighted average shares	65 289 526	65 155 315
Effect of dilutive shares – stock	80 007	105 421
Denominator for diluted earnings per share – weighted average shares adjusted for dilutive shares	65 369 533	65 260 736
Basic and diluted earnings per common share	2.28	3.68

14. Pensions

The Company provides pension benefits principally under four defined-benefit pension plans. Virtually all of the Company's salaried employees in Germany are covered by two defined-benefit pension plans. The Company's employees in Brazil are covered by a funded defined-benefit pension plan. Both US subsidiaries, EPCOS, Inc., Iselin, New Jersey, and Crystal Technology, Inc., Palo Alto, California, are part of a multiemployer plan with Siemens Corporation, New York. In June 1999, the Company transferred its accumulated benefit obligation relating to the vested and non-vested portions of its defined-benefit pension plan for its employees and pensioners in Austria. The Company took out life assurance policies for Euro 9 732. The premiums were paid at the due date in November 1999 by the Company's Austrian subsidiary. The transaction was accounted for as a settlement and curtailment since the defined-benefit plan was settled and replaced by a defined-contribution plan. The corresponding gain of Euro 4 767 is included under other income (net) in the consolidated statement of income for the year ended September 30, 1999. The contribution to the defined-contribution pension fund amounted to Euro 963 in fiscal 2001, Euro 1 248 in fiscal 2000 and Euro 9 867 in fiscal 1999.

Consolidated information regarding all of the Company's pension plans at the dates indicated is presented in the following tables.

The following table presents the changes in projected benefit obligations ("PBO") during the years indicated:

CHANGES IN PROJECTED BENEFIT OBLIGATIONS

Year ended September 30

	2001	2000	1999
Projected benefit obligations ("PBO") at beginning of year	100 499	94 675	103 932
Service cost	3 349	2 789	2 840
Interest cost	6 431	5 815	4 965
Actuarial losses (profits)	9 322	(1 537)	(830)
Foreign exchange rate changes	(1 386)	1 454	(769)
Benefits paid	(4 177)	(2 747)	(2 680)
Prior service cost	371	50	-
Business combinations	2 011	-	-
Settlements	-	-	(12 783)
Projected benefit obligations ("PBO") at end of year	116 420	100 499	94 675

The following table presents the changes in plan assets during the years indicated:

CHANGES IN PLAN ASSETS

Year ended September 30

	2001	2000	1999
Fair value of plan assets at beginning of year	3 471	2 176	2 522
Actual return on plan assets	26	684	522
Foreign exchange rate changes	(1 134)	600	(878)
Employer contributions	118	208	160
Benefits paid	(206)	(197)	(150)
Business Combinations	(72)	-	-
Fair value of plan assets at end of year	2 203	3 471	2 176

A reconciliation of the funded status with the amounts recognized in the consolidated balance sheets is as follows:

RECONCILIATION OF FUNDED STATUS WITH CONSOLIDATED BALANCE SHEETS

As of September 30

	2001	2000
Funded status of plans *)	(114 217)	(97 028)
Unrecognized prior service cost	378	43
Unrecognized actuarial net losses (gains)	6 750	(2 919)
Unrecognized net obligation on transition to SFAS 87	1 776	2 672
Net amount accrued in the consolidated balance sheets	(105 313)	(97 232)
Less current portion	4 390	3 541
Long-term portion of pension liability	(100 923)	(93 691)

*) Difference between projected benefit obligations and fair value of plan assets

The following table presents the components of net pension cost for the years ended September 2001, 2000 and 1999:

NET PENSION COST
Year ended September 30

	2001	2000	1999
Service cost	3 349	2 789	2 840
Interest cost	6 431	5 815	4 965
Expected return on plan assets	(359)	(335)	(115)
Amortization of unrecognized obligation	896	828	1 175
Amortization of unrecognized actuarial gains or losses	(13)	(24)	-
Unrecognized prior service cost	36	7	-
Net periodic pension cost	10 340	9 080	8 865

Assumed discount rates and rates of increase in compensation used in calculating the projected benefit obligations ("PBO") together with long-term rates of return on plan assets vary with the economic conditions of the country in which the retirement plans apply, which is principally Germany after settlement and curtailment of the Austrian plan. The weighted average assumptions used in calculating the actuarial values for the principal pension plans were 6.0% for the discount fiscal rate in fiscal 2001, 6.25% in fiscal 2000 and 6.0% in fiscal 1999. The compensation increases were assumed to be 3.0% in fiscal 2001, 3.5% in 2000 and 1.5% to 2.5% in 1999.

15. Supplemental Cash Flow Information

Cash payments for income taxes interest and dividends for the years ended September 30, 2001, 2000 and 1999, were as follows:

PAYMENTS FOR INCOME TAXES, DIVIDENDS AND INTEREST, AND NON-CASH TRANSACTIONS
Year ended September 30

	2001	2000	1999
Payments for			
Income taxes	31 232	38 395	27 690
Interest net of amounts capitalized	11 193	6 048	7 851
Dividends	65 273	-	102 869
Non-cash transactions			
Acquisition of equipment under capital leasing	956	506	-

16. Financial Instruments and Risk Management

Foreign Currency Forward Contracts and Options

To reduce its exposure to certain risks inherent in its business, the Company enters into forward foreign exchange and options contracts based on forecast foreign currency transaction exposures. Contracts generally extend for a period of less than one year. These contracts are marked-to-market and included in accrued expenses and other current assets. The change in market value is included in currency gains or losses within the consolidated statements of income. The Management Board believes that the credit risk is minimal on these transactions and is involved on a daily basis in the risk management decisions, operating under rules adopted by the Supervisory Board. The inherent risks are monitored using a value at risk model.

Interest rate and Cross-currency Swaps

During 2001, the Company entered into nine cross-currency interest rate swaps with a notional amount of Brazilian Real ("BRL") 10 125 (Euro 5 448) in order to reduce their exposure to interest rate risk and foreign currency risk on certain BRL variable interest rate loans which finance the import of goods into Brazil. The notional amount of such swaps at September 30, 2001 was BRL 6 750 (Euro 2 753) and they gradually mature until March 28, 2002. These swaps are marked-to-market and included in accrued expenses.

Fair Value of Financial Instruments

The carrying amounts of the Company's significant financial instruments as of September 30, 2001 and 2000, are summarized here. The carrying values of the Company's cash and cash equivalents, trade accounts receivable and payable, short-term borrowings and accrued expenses, and other current liabilities approximate their fair market values as of September 30, 2001 and 2000, due to their short-term maturity. The carrying amounts of the Company's variable rate debt likewise approximate fair value because the interest rates are based on floating rates that reflect market rates. The fair value of the Company's long-term fixed rate debt is estimated using discounted cash flow analysis based on the Company's current borrowing rates for debt with similar maturities.

Because considerable judgment is required in interpreting market data to develop estimates of fair value, the estimates do not necessarily indicate the amounts that could be realized or would be paid in a current market transaction. The effect of using different market assumptions or estimate methodologies may be material to the estimated fair value amounts.

The following table summarizes the carrying amount and fair value of the Company's fixed rate long-term debt and derivative financial instruments:

CARRYING AMOUNT AND FAIR VALUE

As of September 30

	2001			2000		
	Notional amount	Carrying amount	Fair value	Notional amount	Carrying amount	Fair value
Fixed-rate long-term debt	-	58 613	56 962	-	59 418	55 365
Forward exchange contracts	143 296	(74)	(74)	153 040	(787)	(787)
Cross-currency swaps	2 753	(630)	(630)	-	-	-

Concentrations of Risk

The Company has business relationships with numerous customers and affiliates around the world. Apart from Siemens (see Note 8), the Company has another major customer, representing 13.2% (Euro 251 956) of total net sales in fiscal 2001 and 19.2% (Euro 357 000) in 2000. Although the Company has a large volume of its receivables from a limited number of customers, such receivables are managed under standard commercial terms. Consequently, in management's opinion, any concentration of credit risk relating to these customers is appropriately monitored. The Company believes it has adequate sources for the supply of raw materials and components for its manufacturing requirements. The Company purchases a significant amount of its raw materials and supplies from single sources on grounds of technology, availability, price, quality, and other criteria. Should a major delivery from such a single-source supplier be delayed or curtailed, the Company's ability to ship the related product in the desired quantity on time may be impaired. The Company attempts to mitigate these risks by working closely with key suppliers on product plans, strategic inventory levels and coordinated product launches.

17. Commitments and Contingencies

(a) Leases

The Company currently leases manufacturing, executive and administrative facilities, and various types of equipment under operating leasing agreements. In addition, the Company has entered into capital leasing agreements for certain office equipment that expire during the next three years. Many leasing agreements include renewal or purchase options. In most cases, management expects that in the normal course of business, leasing agreements will be renewed or replaced by other agreements. Rental expense for all operating leasing agreements charged against earnings amounted to Euro 17 755, Euro 22 539 and Euro 11 348 for the years ended September 30, 2001, 2000 and 1999, respectively. These amounts include leasing payments to Siemens of Euro 3 515, Euro 2 806 and Euro 3 328 for the three years respectively. No contingent leasing agreements exist.

Assets under capital leasing agreements are included in the consolidated balance sheets as follows:

CAPITAL LEASING ASSETS

As of September 30

	2001	2000
Technical equipment, machinery and other equipment	1 462	506
Less accumulated depreciation	(470)	(71)
Net assets under capital leasing	992	435

Depreciation of assets held under capital leasing agreements is included within depreciation and amortization expense.

The following is a summary of future minimum leasing payments under capital and operating leasing agreements that had initial or remaining periods of notice of more than one year:

FUTURE MINIMUM LEASING PAYMENTS

As of September 30, 2001

	Capital leasing	Operating leasing
2002	590	12 251
2003	523	9 220
2004	125	8 540
2005	-	6 503
2006	-	6 069
Thereafter	-	29 499
Total minimum leasing payments	1 238	72 082
Less amount representing interest	(106)	
Present value of net minimum capital leasing payments	1 132	
Less current portion of obligations under capital leasing	(557)	
Obligations under capital leasing, excluding current portion	575	

Effective October 1, 1999, the Ceramics Components business unit entered into a lease with Siemens for a facility in Austria. Annual leasing payments for the ten-year term of the contract amount to Euro 1 131. The Company's Austrian subsidiary also has an operating leasing agreement for a factory building with annual leasing payments of Euro 2 178. The contract cannot be terminated during its 15-year term. The resulting commitments are included in the above table.

(b) Other Commitments and Contingencies

The Company and its subsidiaries are defendants in litigation and proceedings involving various matters. In the opinion of the Management Board, based on the advice of counsel handling such litigation and proceedings, adverse outcomes, if any, will not result in a material effect on the Company's consolidated financial condition or results of operations.

The Company is subject to extensive environmental regulation in the jurisdictions in which it operates, including requirements governing emissions into the air, effluents, and storage of hazardous materials and waste. These requirements will continue to be significant to its future operations. In the past, the Company has been exposed to liability for the remediation of soil or groundwater contamination at its facilities. The Company also may face liability for remediation of its sites located in the United States, where it could be designated a potentially responsible party under the Comprehensive Environmental Response, Compensation and Liability Act or other federal, state or local environmental remediation laws for its US locations.

The Company has not incurred any significant penalties for environmental violations and liability for damage to natural resources, property damage and environmental exposure claims to date, but the Company could incur some or all of these types of liabilities in the future. Because some facilities are closely located to or shared with those of other companies, including those of Siemens affiliates, the Company may have to answer claims relating to environmental contamination not originating from the operations of the Company.

Significant financial reserves or additional compliance expenditures could be required in the future due to changes in law, new information on environmental conditions or other events, and those expenditures could adversely affect the Company's financial condition or results of operations.

18. Segment Reporting

The Company has four reportable operating segments, which are regularly evaluated by the Management Board in deciding how to allocate resources. The segments are managed separately because of differences in the nature of their respective products. The four reportable operating segments are Capacitors, Ceramic Components, Surface Acoustic Wave (SAW) Components, and Ferrites.

The Company manufactures capacitors with diverse technologies using a range of insulating materials as dielectrics. The various capacitor technologies make use of the different properties of these materials and offer unique physical and electrical performance characteristics that make them suitable for particular applications. The Capacitors segment also includes business in components for electromagnetic compatibility (EMC). The Ceramic Components segment, using advanced ceramic technologies, produces thermistors, varistors, microwave ceramic filters and multilayer ceramic capacitors. This segment also includes gas-filled surge voltage arresters, which share many of the same protective applications and are usually used together with varistors. The SAW Components segment focuses on surface acoustic wave technology, which has diverse signal filtering and frequency control applications in the radio-frequency spectrum.

The technology used by the Company to manufacture SAW components has much in common with advanced semiconductor fabrication. The Ferrites segment produces cores for inductors made of soft magnetic ferrite, an iron-oxide-based synthetic material. This segment also includes transformers and other inductive ferrite components made by winding ferrite cores with wire, plus matching accessories.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies, except that the disaggregated financial results for the reportable segments have been prepared using a management approach which is consistent with how management internally analyzes financial information for the purposes of making operating decisions. Generally, the Company evaluates performance based on net income before interest income and expense, taxes and minority interest (EBIT), and accounts for inter-segment sales and transfers as if the sales and transfers were to third parties, that is, at current market prices. Net sales are attributed to geographical areas based on the location of the customer.

Information on the business segments is presented in the following table:

FINANCIAL INFORMATION ON BUSINESS SEGMENTS

Euro million

	Capacitors	Ceramic Components	SAW Components	Ferrites	Eliminations	Consolidated total
1999						
Net sales to Third and Related Parties	369.2	312.9	351.9	106.8	-	1 140.8
Inter-segment net sales	-	-	-	1.6	(1.6)	-
Total sales	369.2	312.9	351.9	108.4	(1.6)	1 140.8
EBIT	9.9	53.2	58.2	(5.8)	-	115.5
Interest result, net						(12.1)
Income before income taxes and minority interest						103.4
Depreciation and amortization	26.9	19.8	47.2	8.2	0.4	102.5
Capital expenditures	43.7	31.7	91.2	11.3	2.6	180.5
Total assets	305.0	225.2	310.3	91.2	-	931.7
2000						
Net sales to Third and Related Parties	566.0	519.4	625.1	144.9	-	1 855.4
Inter-segment net sales	-	-	-	2.7	(2.7)	-
Total sales	566.0	519.4	625.1	147.6	(2.7)	1 855.4
EBIT	83.2	102.5	145.7	4.9	-	336.3
Interest result, net						(6.1)
Income before income taxes and minority interest						330.2
Depreciation and amortization	35.8	25.9	67.2	9.8	0.9	139.6
Capital expenditures	78.9	77.8	165.1	26.6	2.6	351.0
Total assets	410.7	359.2	422.2	124.3	-	1 316.4
2001						
Net sales to Third and Related Parties	641.5	556.5	552.5	154.8	-	1 905.3
Inter-segment net sales	-	-	-	2.3	(2.3)	-
Total sales	641.5	556.5	552.5	157.1	(2.3)	1 905.3
EBIT	101.7	83.5	22.5	0.2	-	207.9
Interest result, net						(2.2)
Income before income taxes and minority interest						205.7
Depreciation and amortization	36.0	35.0	110.9	9.6	2.4	193.9
Capital expenditures	91.0	69.7	161.1	21.7	5.4	348.9
Total assets	476.3	383.0	422.1	136.3	-	1 417.7

Information on the principal geographical areas, net sales for the years ended September 30, 2001, 2000 and 1999, and identifiable assets as of September 30 in those years are presented in the following table:

FINANCIAL INFORMATION ON GEOGRAPHICAL AREAS

As of September 30, Euro million

	2001		2000		1999	
	Net sales	Identifiable assets	Net sales	Identifiable assets	Net sales	Identifiable asset
Europe						
Germany	486.6	261.4	412.5	236.5	307.4	186.1
Austria	44.0	123.1	41.4	102.0	31.8	60.8
Other	689.0	153.4	757.6	122.4	405.4	87.1
Asia Pacific	369.6	215.7	352.3	153.7	216.9	72.5
United States	182.0	30.7	200.5	22.2	122.0	16.3
Other	134.1	18.5	91.1	20.6	57.3	15.6
Total	1 905.3	802.8	1 855.4	657.4	1 140.8	438.4

19. Acquisitions

During the years ended September 30, 2001, 2000 and 1999, the Company made a number of relatively small acquisitions, all of which were accounted for under the purchase accounting method, included in the consolidated financial statements, and none of which were significant to the Company's results of operations for the respective periods. Effective September 30, 2000, the Company acquired the remaining 26% of the share capital of EHC, India (as of January 15, 2001, trading under the name EPCOS India Ltd.). EPCOS now holds all outstanding shares.

In fiscal 2001, the Company increased its investment in EPCOS (Xiaogan) Co., Ltd. by 9% from 51% to 60%, on payment of Euro 420, so that this subsidiary was fully included in the fiscal 2001 consolidated financial statements.

The subsidiary EPCOS SAS, Bordeaux, acquired marketing activities for EPCOS products in France from Siemens. The acquisition price included a customer list valued at Euro 3 200. The subsidiary EPCOS India Ltd. (which changed its name to EPCOS India Private Ltd. on April 26, 2001) took over Siemens' selling and distribution activities for EPCOS products in India in fiscal 2001.

In total the Company paid Euro 30 085 net of cash acquired for acquisitions in fiscal 2001. No goodwill arose on these transactions.

Munich, November 15, 2001

Pegam Dr. Lüttge Unterlass

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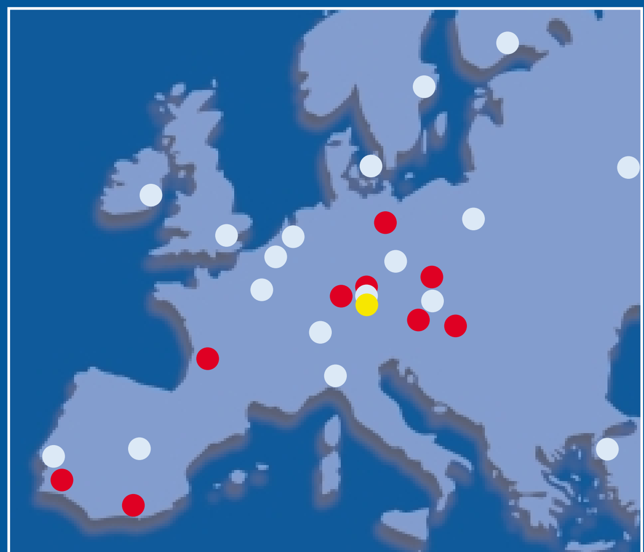
OVERVIEW OF FACILITIES

AT DECEMBER 2001

Plants   Marketing and sales centers   Design centers



ORGANIZATION

AT DECEMBER 2001

Management Board

Gerhard Pegam (President and CEO), Dr. Bodo Lüttge, Josef Unterlass

Business Segments

Capacitors

Capacitors
Dr. Josef Gerblinger
Johann Mardo

Aluminum Electrolytic Capacitors
Tantalum Capacitors
Ultracapacitors

Film Capacitors
Antonio Marsiglia
Joachim Zichlarz

Film Capacitors
Power Capacitors

Inductors
Franz Traub
Falko Steffen

RF Chokes
Chokes
Filters

Ceramic Components

Ceramic Components
Dr. Michael Hirschler
Hardy Klink

Microwave Ceramics and Modules
Ceramic Semiconductors
Ceramic Sensors and Systems
Multilayer Technology

Arresters
Dr. Norbert Hess
Siegfried Laurent

Surge Arresters
Switching Spark Gaps

SAW Components

SAW Components
Dr. Werner Faber
Hans Forster

Multimedia
Automotive Electronics
Wireless Terminals
Infrastructure Systems

Crystal Technology, Inc.
Georg Eberharter
Mark Batzdorf

Crystals for Acoustic and Optical Components

Ferrites

Ferrites
Dr. Erwin Herren
Siegfried Zellmeier

Ferrites and Accessories
Inductive Ferrite Components

Corporate Departments

Sales Rudolf Schwenger Werner Rogall	**Technology and Quality** Dr. Reiner Simson Dr. Richard Veith	**Accounting, Controlling, Taxes** Gernot Sanders	**Finance, Subsidiaries, M&A, Insurance** Dr. Alfons Hätscher
Human Resources Peter Ruf	**Internal Audit** Hans-Eckart Maurer	**Organization, Information, Logistics** Fred Schmidt	
Corporate Planning Johann Miehling	**Corporate Communications** Klaus Kaesen	**Investor Relations** Peter Müller	**Legal Department** Peter Knoll

Worldwide Sales Network

Branch offices, regional sales offices, distributors

PRINCIPAL SUBSIDIARIES AND ASSOCIATED COMPANIES

AT SEPTEMBER 30, 2000

	Equity capital € 000	Earnings € 000	Equity interest in %
Deutschland			
Ernst Herrmann Ingenieur GmbH & Co. KG, Berlin	2 452	1 455	100
Europe without Germany			
EPCOS OHG, Deutschlandsberg, Austria	131 669	58 504	100
EPCOS - Peças e Componentes Electrónicos S.A., Évora, Portugal	91 935	43 214	100
EPCOS Electronic Components, S.A. Málaga, Spain	17 660	4 758	100
EPCOS s.r.o., Šumperk, Czech Republic	9 522	(885)	100
EPCOS SAS, Bordeaux, France	8 889	1 873	100
EPCOS Elektronikai Alkatrész Kft., Szombathely, Hungary	4 726	988	100
EPCOS UK Ltd., Bracknell, United Kingdom	3 042	1 456	100
EPCOS Nordic AB, Kista, Sweden	547	576	100
EPCOS Nordic OY, Helsinki, Finland	419	411	100
Asia			
EPCOS PTE LTD., Singapore	170 214	58 185	100
EPCOS (China) Investment Ltd., Shanghai, China	20 261	22	100
EPCOS India Private Ltd., Nashik, India	7 958	664	100
EPCOS (Zhuhai FTZ) Co. Ltd., Zhuhai, China	6 981	(2 606)	100
EPCOS (Wuxi) Co., Ltd., Wuxi, China	5 966	(1 951)	100
EPCOS (Xiaogan) Co., Ltd., Xiaogan, China	5 164	737	60
International Ferrites Ltd., Calcutta, India	2 720	2 130	59.67
EPCOS KK, Tokyo, Japan	1 835	(3)	100
EPCOS (Zhuhai) Co., Ltd., Zhuhai, China	1 691	133	100
EPCOS SDN. BHD., Johor Bahru, Malaysia	1 567	137	100
EPCOS Ltd., Hong Kong, China	329	312	100
Americas			
ICOTRON - Indústria de Componentes Eletrônicos Ltda., Gravataí, Brazil	26 493	9 769	100
EPCOS, Inc., Iselin, New Jersey, USA	19 649	757	100
Crystal Technology, Inc., Palo Alto, California, USA	13 657	3 723	100

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