EPCOS Finance B.V.

Annual Report
for the financial year
ended 30 September 2007

1018645

Vastgesteld door de Algemene
Vergadering van Aandeelhouders
op 6 mei 2008.

EPCOS Finance B.V.

Annual Report 2007

Contents

EPCOS Finance B.V.

Statement of the Board of Directors

Herewith we present the financial statements of EPCOS Finance B.V. as of September 30, 2007. These financial statements were prepared in accordance with the provisions of Part 9, Book 2, of the Netherlands Civil Code.

General
EPCOS Finance B.V. ("Company") is registered in Amsterdam, a public company, founded on 28 November 2002, under the laws of the Netherlands and acts under its legal and commercial name EPCOS Finance B.V. The Company acts as a finance company for the benefit of EPCOS AG Group companies. The Company is a 100% subsidiary of EPCOS AG, Munich, Germany.

Objectives
The objects of the Company, in accordance with article 2 of the Articles of Association, are participating in, financing and managing companies, enterprises and other business undertakings, withdrawing and lending money and, in general conducting financial transactions, providing securities and doing all such further acts and things as are incidental or may be condicive thereto in the broadest sense.

Strategy
The Company is a funding party of EPCOS AG and offers finance solutions mainly for general purposes of the borrower.
Interest risks and foreign exchange risks have to be covered by back to back funding, or effective hedging instruments have to be in place.
The needed funding is managed by borrowing from the money and capital markets by issuing loans, bonds, notes and commercial paper.
The Company will continue its activities as financing company within EPCOS AG and EPCOS AG Group companies. Given its interrelatedness with the EPCOS Group, management refrains from commenting on the activity level and expected results for the near future.

Risk management
The Board of Directors is responsible for the internal control and the management of risks within the Company and for the assessment of the effectiveness of these control systems. Such control systems were set up in cooperation with EPCOS AG to identify and subsequently manage the credit, interest and foreign exchange rate risks which could endanger the realization of the objectives of the Company.

Interest rate risks and exchange rate risks related to loans and receivables are covered by back to back agreements with EPCOS AG.

Business review
During the year the Company agreed to enter into several employment agreements with personnel that represent EPCOS Group companies and enters into sales agreements for the risk and on behalf of these EPCOS Group companies.
EPCOS Finance B.V. receives a remuneration from EPCOS AG for this service to the group.

Amsterdam, 6 May 2008

The Managing Directors:

Maarten R.H.B. Hoogeweegen

Alfons M. Hätscher

Ronald Ton

Peter Knoll

Balance sheet

(before appropriation of profit)

Assets	Notes	September 30, 2007	2006
(in Euro)			
Non-current assets			
Loan to group company due 2010	4	126,425,000	126,425,000
		126,425,000	126,425,000
Current assets			
Receivables	5	694,032	704,113
Deposit with parent company	6	2,456,363	2,240,219
Other assets		8,820	-
Cash and cash equivalents	7	45,581	6,249
		3,204,796	**2,950,581**
Total assets		**129,629,796**	**129,375,581**

Liabilities and Equity		September 30, 2007	2006
Shareholder's equity	8		
Issued and paid up share capital		2,000,000	2,000,000
Retained earnings		270,771	144,754
Result for the period		152,184	126,017
		2,422,955	2,270,771
Non-current liabilities			
2.5% Convertible Bond due 2010	9	126,425,000	126,425,000
Current liabilities	10	781,841	673,737
Total liabilities and equity		**129,629,796**	**129,369,508**

Profit and loss account

	Notes	Year ended September 30, 2007		2006	
(in Euro)					
Commission income	11		**256,000**		**-**
Wages and salaries	12		**(160,085)**		**-**
Other expenses	13		**(119,245)**		**(34,668)**
Total operational income			**(23,330)**		**(34,668)**
Financial income and expenses					
Interest income	14	3,397,661		3,375,350	
Interest expenses	14	(3,160,625)		(3,161,797)	
Total financial income and expenses			**237,036**		**213,553**
Profit before taxation			**213,706**		**144,217**
Income tax expense	15		61,522		52,868
Profit for the period attributable to equity holders of the parent			152,184		91,349

Notes to the Financial Statements

1. Basis of presentation

Reporting entity
EPCOS Finance B.V. ("Company") is a company domiciled in the Netherlands. The address of the Company's registered office is Herengracht 450, 1017 CA Amsterdam, Netherlands. The Company is registered in the Commercial Register at December 3, 2002, number 27254885. The Company acts as a finance company for the benefit of EPCOS AG and EPCOS Group companies ("Associates").
The Company is a 100% subsidiary of EPCOS AG.

2. Summary of significant accounting policies

The financial statements have been prepared on the historical cost basis unless indicated otherwise below.

Associates—EPCOS Group companies that are consolidated in the EPCOS AG consolidated financial statements.

Functional and presentation currency—These Financial Statements are presented in euro, which is the Company's functional currency.

In reporting year 2006 – 2007 and in reporting year 2005 – 2006, the Company solely had transactions and valuations in euro.

Impairment—The carrying amount of the Company's assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. The Company's assets mainly consist of receivables from EPCOS Group companies. If any indication to impairment exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement.
Since the company's (current and non-current) receivables mainly consist of balances due from companies of the EPCOS Group, valuation / collectibility of these receivables depends upon the financial position and credit worthiness of the involved companies and of the EPCOS Group as a whole.

Related party transactions—The transactions of the Company comprise mainly transactions with related parties (Associates) and are priced at an "arms length" basis, unless indicated otherwise.

Cash and cash equivalents—The Company considers all highly liquid investments with less than three months maturity from the date of acquisition to be cash equivalents. Cash and cash equivalents are measured at cost.

Loans and receivables—Financial assets classified as loans and receivables are measured at amortized cost using the effective interest method.
As EPCOS AG has undertaken to grant directly and irrevocably to each noteholder the right to convert the convertible notes, the Company had no obligation to convert the notes in accordance with the terms and conditions of the notes, only an obligation to pay interest and redeem the notes. Therefore the Company accounted for the convertible notes as a straight bond.

Financial liabilities—The Company measures financial liabilities at nominal value.

Cost recognition—Interest expenses and miscellaneous income and expenses, are accounted for in the period to which they relate.

Solvency – Given the objectives of the Company, the Company is economically interrelated with the ultimate holding company, EPCOS AG. In assessing the solvency of the Company also the solvency of EPCOS AG as a whole needs to be considered.

Dividends—Dividends proposed by the Board of Directors are not recorded in the financial statements until the Annual General meeting of the shareholders has approved the proposal.

The accounting policies set out above have been applied consistently to all periods presented in these financial statements.

3. Management estimates and judgments

Certain accounting policies require critical accounting estimates that involve complex and subjective judgments and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Such critical accounting estimates could change from period to period and have a material impact on financial condition or results of operations. Critical accounting estimates could also involve estimates where management reasonably could have used a different estimate in the current accounting period. Although the number and complexity of management estimates and judgments are limited in these accounts, management cautions that future events often vary from forecasts and that estimates routinely require adjustment.

4. Loan to group company due 2010

On 16 July 2003 the Company issued EUR 126,425,000 2.50% Guaranteed Convertible Bonds due 2010.
The proceeds of the issue have been lend out to EPCOS AG at a consideration of 2.63%.
There were no (partly) redemptions during the year.
In conjunction with the fact that the EUR 126,425,000 external loan was lend onwards to EPCOS AG on a back to back basis and hence any fair value chances of the external loan have an opposite effect in the fair value of the loan to EPCOS AG, no fair value calculation has been made.

5. Receivables

This item relates to the accrued interest on the loan under item 7.

6. Deposit with parent company

This item respresents a deposit with EPCOS AG. The deposit expires as per 24 October 2007 and bears interest at 4.172%.

7. Cash and cash equivalents

This represents:

	September 30, 2007	September 30, 2006
(in Euro)		
C/A with Deutsche Bank AG, Amsterdam branch	45,581	6,249
	45,581	6,249

All cash and cash equivalents are available on demand.

8. Shareholder's Equity

Issued and paid-up capital

The authorised share capital amounts to EURO 2,000,000 divided into 200,000 shares of EURO 10 each.

Movements in shareholder's equity are as follows:

	30 Sep. 2006	Movements	Result for the year	30 Sep. 2007
(in Euro)				
Issued capital	2,000,000		-	2,000,000
Retained earnings	144,754	126,017	-	270,771
Result for the period	126,017	(126,017)	152,184	152,184
	2,270,771	-	152,184	2,422,955

9. Non-current liabilities

On 16 July 2003 the Company issued EUR 126,425,000 2.50% Guaranteed Convertible Bonds due 2010.
The issue is unconditionally and irrevocably guaranteed by EPCOS AG.

10. Current liabilities

This represents:

	September 30, 2007	September 30, 2006
(In Euro)		
Accounts payable	83,147	6,073
Accrued Interest payable on Bond	666,762	666,762
Taxes payable	31,932	6,975
	781,841	673,737

11. Commission income

The commissions relate to the wages and salaries and are received from EPCOS AG.

12. Wages and salaries

This represents:

	September 30, 2007	2006
(in Euro)		
Wages and salaries	(151,924)	-
Social security	(6,472)	-
Other personnel expenses	(1,689)	-
	(160,085)	-

13. Other expenses

This comprises:

	Year ended September 30, 2007	2006
(in Euro)		
Management and administration fees	(22,880)	(10,052)
Advisory fees	(37,451)	(17,075)
Travel expenses	(26,072)	-
Company Cars	(16,474)	-
Audit fee	(12,500)	-
Other expenses	(3,868)	(7,541)
	(119,245)	(34,668)

14. Financial income and expenses

Interest income can be specified as follows:

	Year ended September 30, 2007	2006
(in Euro)		
on loan to EPCOS AG (see also item 7)	3,315,868	3,324,977
on deposit with EPCOS AG (see also item 6)	81,094	46,194
on C/A with Deutsche Bank AG, Amsterdam	699	4,179
	3,397,661	3,375,350

Interest expenses represents the interest paid on the Bond reported under note 7 during the year under review. Last year there was also a minor interest charge on a Corporation tax payment.

15. Income tax expense

Taxes are based on the applicable tax laws and rates, taking into account any fiscal facilities.

Income tax expense consists of the following:

	Year ended September 30, 2007	2006
Current tax expense	61,522	52,868
Income tax expense	61,522	52,868

For reporting years ended September 30, 2007 and 2006, the Company was subject to Dutch corporate income tax. Tax rates have been reduced over the past years. The tax rates were computed as an average rate from the statutory tax rate in 2005, 2006 and 2007, at an average rate of 26.07% for 2007 and 29.55% for 2006.

16. Number of employees

The company has four employees (2005/2006 = 0).

17. Remuneration of the managing directors

The managing directors R. Ton and M.R.H.B. Hoogeweegen receive an annual remuneration of EUR 2,325 each.
Mr. Hätscher and Mr. Knoll receive no remuneration.

18. Interest rate risk

As the Company lends the proceeds of the notes on to EPCOS AG with a small spread, the interest rate risk is limited to this small spread.

19. Liquidity risk

Liquidity risk results from the Company's potential inability to meet its financial liabilities when they come due, at reasonable costs and in a timely manner.

20. Credit risk

The Company is exposed to credit risk in connection with on lending of funds to EPCOS AG. Credit risk is defined as an unexpected loss in cash and earnings if the ultimate borrower is unable to pay its obligations in due time. Valuation / collectibility of these receivables depend upon the financial position and credit worthiness of EPCOS AG.

21. Subsequent events

Effective March 1, 2008, EPCOS Finance BV acquired tangible assets from the semiconductor company NXP Semiconductors Netherlands B.V.

22. Claims and litigations

As per and since reporting date, the Company is not involved in any litigation matters.

Amsterdam, 6 May 2008

The Managing Directors:

Maarten R.H.B. Hoogeweegen

Alfons M. Hatscher

Ronald Ton

Peter Knoll

Other information

Provisions in the articles of association regarding profit appropriation

The appropriation of profit is governed by article 25 of the articles of association. The profit is at free disposal of the general meeting. The general meeting may decide to pay one or more interim dividends if profit so permits. The general meeting can at all times decide to distribute to shareholders to the debit of the reserves.

Profit appropriation

In accordance with article 25 of the Articles of Association of EPCOS Finance B.V., Amsterdam, the result for the year is at free disposal of the general meeting of shareholders. The management board proposes to add the profit to Retained Earnings.

To: the Shareholders of EPCOS Finance B.V.

Auditor's report

Report on the annual report

We have audited the accompanying annual report for the year ended 30 September 2007 of EPCOS Finance B.V. ('the Company'), Amsterdam, which comprise the balance sheet as at 30 September 2007, the profit and loss account for the year then ended and the notes.

Management's responsibility

Management of the Company is responsible for the preparation and fair presentation of the annual report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the annual report that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the annual report based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual report are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual report give a true and fair view of the financial position of EPCOS Finance B.V. as at 30 September 2007, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the statement of the Board of Directors is consistent with the annual report as required by 2:391 sub 4 of the Netherlands Civil Code.

Rotterdam, 6 May 2008

KPMG ACCOUNTANTS N.V.

T.A. Kalmár RA