

Annual report 2008

**Epcos Netherlands B.V. (formerly Epcos
Finance B.V.)**

Amsterdam

0906782



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Annual report of the directors

Annual report of the directors

Pursuant to article 396, sub 6 of book 2 of the Netherlands Civil Code the company is exempted from preparing a director's report.

Financial statements

Balance sheet as at 30 September 2008

(before proposed profit appropriation)

Assets	Note	30 September 2008		30 September 2007	
		EUR	EUR	EUR	EUR
Fixed assets					
Intangible fixed assets	4	70,979		0	
Tangible fixed assets	5	535,844		0	
Financial fixed assets	6	<u>0</u>		<u>126,425,000</u>	
			606,823		126,425,000
Current assets					
Debtors	7	130,250,617		3,159,215	
Cash at bank and in hand		<u>311</u>		<u>45,581</u>	
			130,250,928		3,204,796
			<u>130,857,751</u>		<u>129,629,796</u>

Shareholder's equity and liabilities		30 September 2008		30 September 2007	
	Note	EUR	EUR	EUR	EUR
Shareholder's equity	8				
Share capital	9	2,000,000		2,000,000	
Other reserves		422,955		270,772	
Unappropriated result		<u>227,270</u>		<u>152,183</u>	
			2,650,225		2,422,955
Long-term liabilities	10		0		126,425,000
Current liabilities					
Trade creditors		149,448		0	
Taxes and social security contributions	11	91,045		31,932	
Other liabilities, accruals and deferred income	12	<u>127,967,033</u>		<u>749,909</u>	
			128,207,526		781,841
			<u>130,857,751</u>		<u>129,629,796</u>

Profit and loss account for the year ended 30 September 2008

		2008		2007
	Note	EUR	EUR	EUR
Net turnover			3,068,839	256,000
Salaries and wages		1,453,412		151,924
Social security contributions		85,794		6,472
Pension contributions		99,211		0
Amortisation and depreciation		47,531		0
Other operating expenses		<u>1,322,867</u>		<u>120,935</u>
Total operating expenses			<u>3,008,815</u>	<u>279,331</u>
Operating profit/(loss)			60,024	(23,331)
Financial income and expense	14		<u>259,899</u>	<u>237,036</u>
Result from ordinary activities before taxation			319,923	213,705
Tax on profit/(loss) on ordinary activities			<u>(92,653)</u>	<u>(61,522)</u>
Profit/(loss) after taxation			<u><u>227,270</u></u>	<u><u>152,183</u></u>

Notes to the company accounts

1 Notes to the accounts

1.1 Activities

The company was incorporated on 28 November 2002. On 22 August 2008 the company changed its name from Epcos Finance B.V. to Epcos Netherlands B.V.

Epcos Netherlands B.V.'s main activities are:

- Research, development, manufacturing, exploitation and sales of semi-conductors focusing on the information technology and telecommunication as well as focusing on electronics, one and other in the broadest sense of the word;
- Either alone or jointly with others to acquire and dispose of participations or other interests in bodies corporate, companies and enterprises;
- To acquire, manage, turn to account, encumber and dispose of any property and to invest capital;
- To finance companies and other enterprises, to borrow, to lend and to raise funds, to participate in all types of financial transactions;
- To enter into agreements whereby the Company commits itself as guarantor or severally liable co-debtor, or grants security or declares itself jointly or severally liable with or for others to the benefit of companies and other entities as referred to the above.

1.2 Related parties

As single shareholder Epcos AG has decisive control of Epcos Netherlands B.V. and can exercise significant influence on the business and financial policies of Epcos Netherlands B.V.

2 Accounting policies for the balance sheet

2.1 General

The financial statements were prepared in accordance with the statutory provisions of Part 9, Book 2, of the Netherlands Civil Code and the Guidelines for Annual Reporting in the Netherlands for small legal entities as issued by the Dutch Accounting Standards Board. The financial statements are denominated in euro.

In general, assets and liabilities are stated at the amounts at which they were acquired or incurred, or fair value. If not specifically stated otherwise, they are recognised at the amounts at which they were acquired or incurred. The balance sheet and profit and loss account include references to the notes.

2.2 Comparative figures

The accounting policies are consistent with those used in the previous year.

2.3 *Intangible fixed assets*

Computer software

Software licenses acquired are capitalised at acquisition cost and amortised over their estimated useful lives. Expenditures incurred for the production of identifiable software products that are tailor-made for the Company are capitalised. When internally produced, such assets are capitalised if future economic benefits are expected and the cost can be measured reliably. Expenditure in connection with maintenance of computer software and research expenditure is recognised in the income statement.

2.4 *Tangible fixed assets*

Other tangible fixed assets are stated at the lower of acquisition or manufacturing price inclusive of directly attributable costs, net of straight-line depreciation based on estimated useful life, and value in use. Manufacturing price consists of the cost of raw materials and consumables, and costs directly attributable to the manufacturing process, inclusive of installation costs.

2.5 *Financial fixed assets*

Receivables on group companies

Debtors disclosed under financial fixed assets are stated at the fair value of the amount owed, which normally consists of its face value, net of any provisions considered necessary.

2.6 *Impairment of fixed assets*

On each balance sheet date, the company tests whether there are any indications of assets being subject to impairment. If any such indications are present, the recoverable amount of the asset is determined. If this proves to be impossible, the recoverable amount of the cash-generating unit to which the asset belongs is identified. An asset is subject to impairment if its carrying amount is higher than its recoverable amount; the recoverable amount is the higher of net realisable value and value in use.

Net realisable value is determined based on the active market. For the determination of the value in use, cash flows are discounted. An impairment is directly recognised as an expense in the profit and loss account, unless the asset is carried at fair value, in which case the impairment loss qualifies as a revaluation decrease.

If it is established that a previously recognised impairment no longer applies or has declined, then the increased carrying amount of the assets in question is not set higher than the carrying amount that would have been determined had no asset impairment been recognised.

2.7 *Cash at bank and in hand*

Cash represents cash in hand, bank balances and deposits with terms of fewer than twelve months. Current account overdrafts at banks are included under debts to credit institutions under the heading current liabilities.

2.8 Long-term liabilities

Long-term liabilities are carried at amortised cost, being the amount received taking account of any premium or discount, less transaction costs.

The difference between the book value determined and the ultimate repayment value, together with the interest due, is determined in such a manner that the effective interest is taken to the profit and loss account during the term of the liabilities.

3 Accounting policies for the profit and loss account

3.1 Net turnover

Net turnover represents recharges of services to group companies.

3.2 Personnel benefits

Benefits periodically payable

Salaries, wages and social charges are taken to the profit and loss account by virtue of the conditions of employment, insofar as these are payable to personnel.

Pensions

The pension schemes of Epcos Netherlands B.V. are defined contribution schemes.

For its defined contribution schemes, Epcos Netherlands B.V. pays contributions to pension funds and insurance companies on a compulsory, contractual or voluntary basis. Except for the payment of contributions, Epcos Netherlands B.V. has no other obligation in connection with these pension schemes. Contributions are recognised as staff costs when incurred. Prepaid contributions are accounted for under prepayments and accrued income if this leads to a repayment or a reduction in future payments.

3.3 Amortisation and depreciation

Intangible fixed assets are amortised and tangible fixed assets are depreciated over their expected useful life as from the inception of their use. Future depreciation is adjusted if there is a change in estimated useful life.

Gains and losses upon the sale of tangible fixed assets are included in depreciation. Gains and losses upon realisation of non-operating assets are included in extraordinary income and charges.

3.4 Costs

Costs are recognised based on the historical cost convention and are allocated to the reporting year to which they relate.

3.5 Financial income and expense

Interest income and expense

Interest income and expense is processed on a pro-rata basis, taking account of the effective interest rate of the assets and liabilities concerned. When processing the interest charges, the recognised transaction cost on the loans received is taken into account.

3.6 *Tax on profit/(loss) on ordinary activities*

Profits tax is calculated on the profit/loss before taxation in the profit and loss account, taking into account any losses carried forward from previous financial years (insofar as these are not included in deferred tax assets), tax-exempt items and non-deductible expenses. Account is also taken of changes in deferred tax assets and deferred tax liabilities owing to changes in the applicable tax rates.

Notes to the balance sheet

4 Intangible fixed assets

	<u>30-09-2008</u>	<u>30-09-2007</u>
	EUR	EUR
Software	<u>70,979</u>	<u>0</u>

Movements in intangible fixed assets can be broken down as follows:

	<u>Software</u>
	EUR
Balance as at 1 October 2007	
Cost	0
Accumulated amortisation	<u>0</u>
Book value	<u>0</u>
Movements in book value	
Additions	72,167
Amortisation of intangible fixed assets	<u>(1,188)</u>
Balance	<u>70,979</u>
Balance as at 30 September 2008	
Cost	72,167
Accumulated amortisation	<u>(1,188)</u>
Book value	<u>70,979</u>
Amortisation rate	<u>20%</u>

5 Tangible fixed assets

	<u>30-09-2008</u>	<u>30-09-2007</u>
	EUR	EUR
Plant and equipment	481,594	0
Other fixed assets	<u>54,250</u>	<u>0</u>
	<u>535,844</u>	<u>0</u>

Movements in tangible fixed assets are broken down as follows:

	Plant and equipment	Other fixed assets	Total
	EUR	EUR	EUR
Balance as at 1 October 2007			
Cost	0	0	0
Accumulated depreciation	0	0	0
Book value	0	0	0
Movements in book value			
Additions	525,607	56,580	582,187
Depreciation of tangible fixed assets	(44,013)	(2,330)	(46,343)
Balance	481,594	54,250	535,844
Balance as at 30 September 2008			
Cost	525,607	56,580	582,187
Accumulated depreciation	(44,013)	(2,330)	(46,343)
Book value	481,594	54,250	535,844
Depreciation rates	20%	20%	

6 *Financial fixed assets*

	30-09-2008	30-09-2007
	EUR	EUR
Loan to Epcos AG	0	126,425,000

Reference is made to note 7 and note 12

7 Debtors

	<u>30-09-2008</u>	<u>30-09-2007</u>
	EUR	EUR
Receivables from group companies	129,229,521	2,456,363
Taxes and social security contributions	139,761	6,820
Other debtors, prepayments and accrued income	<u>881,335</u>	<u>696,032</u>
	<u>130,250,617</u>	<u>3,159,215</u>

Receivables from group companies

	<u>30-09-2008</u>	<u>30-09-2007</u>
	EUR	EUR
Epcos AG- I/C trading	1,519,782	0
Epcos AG- Cashpool balance	1,284,739	0
Loan to Epcos AG	126,425,000	0
Epcos AG- Deposit	<u>0</u>	<u>2,456,363</u>
	<u>129,229,521</u>	<u>2,456,363</u>

The interest rate for September calculated on the cashpool balance is 3,54%. No interest is calculated on the other receivable trading intercompany from Epcos AG.

In respect of repayment and securities provided, no agreements have been made.

The loan to Epcos AG bears an interest of 2.63% and has to be repaid in full on 16 July 2010. No securities have been provided.

In conjunction with the fact that the EUR 126.425.000 external loan was lend onward to Epcos AG on a back to back basis and hence any fair value changes 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.

In October 2008 Epcos AG announced the intended take over by TDK. As a consequence the possible effective date of the Loan to Epcos AG has been advanced to January 2, 2009.

At the end of January 2009 the Epcos AG fully repaid the loan. Therefore the loan to Epcos AG has been reclassified to a short term receivable (reference is made to the disclosure under note 12).

Taxes and social security contributions

	<u>30-09-2008</u>	<u>30-09-2007</u>
	EUR	EUR
Value added tax	94,259	6,820
Pension contributions	<u>45,502</u>	<u>0</u>
	<u>139,761</u>	<u>6,820</u>

Other debtors, prepayments and accrued income

	<u>30-09-2008</u>	<u>30-09-2007</u>
	EUR	EUR
Accrued interest loan Epcos AG	697,265	694,032
Prepaid expenses	167,655	2,000
Receivables from employees	16,415	0
	<u>881,335</u>	<u>696,032</u>

8 Shareholder's equity

	<u>Issued share capital</u>	<u>Other Unappropriat reserves</u>	<u>ed result</u>	<u>Total</u>
	EUR	EUR	EUR	EUR
Balance as at 1 October 2007	2,000,000	270,772	152,183	2,422,955
Movements				
Undistributed profit 2007/2008	0	0	227,270	227,270
Result financial year 2006/2007	0	152,183	(152,183)	0
Balance as at 30 September 2008	<u>2,000,000</u>	<u>422,955</u>	<u>227,270</u>	<u>2,650,225</u>

9 Share capital

The authorised and issued share capital of EPCOS Netherlands B.V. amounts to EUR 2,000,000, divided into 200,000 ordinary shares of EUR 10.

10 Long-term liabilities

	<u>30-09-2008</u>	<u>30-09-2007</u>
	EUR	EUR
Guaranteed Convertible Bond	<u>0</u>	<u>126,425,000</u>

Reference is made to the disclosure under note 12.

Current liabilities

11 Taxes and social security contributions

	<u>30-09-2008</u>	<u>30-09-2007</u>
	EUR	EUR
Wage tax	53,313	8,605
Corporate income tax	<u>37,732</u>	<u>23,327</u>
	<u>91,045</u>	<u>31,932</u>

12 Other liabilities, accruals and deferred income

	<u>30-09-2008</u>	<u>30-09-2007</u>
	EUR	EUR
Guaranteed 2,5% Convertible Bond	126,425,000	0
Accrued interest on Bond	658,103	666,762
Accrued research and development costs	622,500	0
Accrued personnel expenses	123,996	57,627
Accrued bonuses	56,818	0
Holiday allowance	37,942	0
Accrued accounting fees	17,600	11,750
Accrued audit fees	14,000	4,220
Accrued tax fees	6,230	3,000
Other payables	<u>4,844</u>	<u>6,550</u>
	<u>127,967,033</u>	<u>749,909</u>

On 16 July 2003 the company issued EUR 126.425.000 2,50% Guaranteed Convertible Bonds due 16 July 2010. The issue is unconditionally and irrevocably guaranteed by Epcos AG.

In October 2008 Epcos AG announced the intended take over by TDK. As a consequence of this take over, a Change of Control as defined in paragraph 17(5) of the Terms and Conditions of the Bonds occurred in relation to the Guarantor Epcos AG. As a result of this Change of Control, January 8, 2009 has been determined as Effective Date according to paragraph 17(1)(b) of the Terms and Conditions of the Bonds.

At the end of January 2009 the company fully repaid the Convertible Bond. Therefore the Bond has been reclassified as a short term liability.

13 Commitments

Multi-year financial obligations

The annual commitment in respect of the lease cars contracts entered into is EUR 26.369. The duration of these lease contracts is one month to four years.

The annual property lease commitment amounts to EUR 129.784. The term of the property lease commitment is ten years and will expire on 1 June 2018. The company has a once-only right to terminate the rental agreement without judicial intervention as per 31 May 2013. However should the company invoke this right it will have to pay an amount of EUR 110.000.

The Company also entered into a property lease commitment regarding the Belgian employee. The annual property lease commitment amounts to EUR 12.120. The term of this commitment is two years and will expire on 30 November 2009.

Notes to the profit and loss account

14 Financial income and expense

	<u>2008</u>	<u>2007</u>
	EUR	EUR
Interest and similar income	3,412,237	3,397,661
Interest and similar expenses	<u>(3,152,338)</u>	<u>(3,160,625)</u>
	<u>259,899</u>	<u>237,036</u>

Interest and similar income

	<u>2008</u>	<u>2007</u>
	EUR	EUR
Interest income loan to Epcos AG	3,324,978	3,315,868
Other interest income Epcos AG	87,174	81,094
Interest on bank balances	<u>85</u>	<u>699</u>
	<u>3,412,237</u>	<u>3,397,661</u>

Interest and similar expenses

	<u>2008</u>	<u>2007</u>
	EUR	EUR
Interest on the Guaranteed Convertible Bonds	3,151,966	3,160,625
Exchange differences on cash items	340	0
Fiscal penalties	<u>32</u>	<u>0</u>
	<u>3,152,338</u>	<u>3,160,625</u>

15 *Related party transactions*

Related party transactions between Epcos Netherlands B.V. and related party Epcos AG:

Sales

	<u>2008</u>	<u>2007</u>
	EUR	EUR
Epcos AG	<u>3,068,839</u>	<u>256,000</u>

Interest

	<u>2008</u>	<u>2007</u>
	EUR	EUR
Interest loan Epcos AG	3,324,978	3,315,868
Interest deposit Epcos AG	<u>87,174</u>	<u>81,094</u>
	<u>3,412,152</u>	<u>3,396,962</u>

Other information

16 Average number of employees

During the year 2007/2008, the average number of employees calculated on a full-time-equivalent basis was 20 (2006/2007: 4). Of these employees 1 employee is employed abroad (2006/2007: 1).

Nijmegen, 26 May 2009

Epcos Netherlands B.V. (formerly Epcos Finance B.V.)

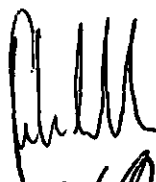
Board of Directors,

Dr. A. v. Geelen (Appointed at 1 June 2008)

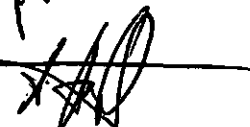


Mr. R. Ton (Resigned at 1 June 2008)

Mr. Stefan Eichhorn (Appointed at 1 June 2008)



Dr. Alfons Hätscher (Appointed at 3 July 2003)



Other information

Provision in the articles of association governing the appropriation of profits

Pursuant to article 25 of the Articles of Association, the result is at the disposal of the Annual General Meeting of Shareholders.

Appropriation of result

The Annual General Meeting of Shareholders will be invited to allocate the result for the year to the other reserves.

Addition to the other reserves	<u>227,270</u>
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Events occurring after the balance sheet date

In October 2008 Epcos AG announced the intended take over by TDK. The consequences for Epcos Netherlands B.V. are set out in the disclosure under note 12.



To: Board of Directors of Epcos Netherlands B.V.

Auditor's report

We have audited the accompanying financial statements for the year ended 30 September 2008 of Epcos Netherlands B.V., Amsterdam, which comprise the balance sheet as at 30 September 2008, 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 financial statements and for the preparation of the management board report, both 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 financial statements 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 financial statements 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, 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 financial statements 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 financial statements.

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 financial statements give a true and fair view of the financial position of Epcos Netherlands B.V. as at 30 September 2008, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Rotterdam, 26 May 2009

KPMG ACCOUNTANTS N.V.

T.A. Kalmár RA