

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark one):

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2003

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 0-22175

EMCORE Corporation  
(Exact name of Registrant as specified in its charter)

NEW JERSEY  
(State or other jurisdiction of incorporation or organization)

22-2746503  
(IRS Employer Identification No.)

145 Belmont Drive  
Somerset, NJ 08873  
(Address of principal executive offices) (zip code)

(732) 271-9090  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The number of shares of the registrant's common stock, no par value, outstanding as of May 1, 2003 was 37,029,695.

ITEM 1. Financial Statements

EMCORE CORPORATION  
CONSOLIDATED STATEMENTS OF OPERATIONS  
For the three and six months ended March 31, 2003 and 2002  
(in thousands, except loss per share)  
(unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2003	2002	2003	2002
Revenues:				
Systems-related.....	\$10,777	\$4,341	\$24,619	\$14,636
Materials-related.....	16,897	18,737	26,301	27,579
Total revenues.....	27,674	23,078	50,920	42,215
Cost of revenues:				
Systems-related.....	7,186	6,853	16,172	12,264
Materials-related.....	17,737	25,355	29,771	36,536
Total cost of revenues.....	24,923	32,208	45,943	48,800
Gross profit (loss).....	2,751	(9,130)	4,977	(6,585)
Operating expenses:				
Selling, general and administrative .....	7,392	9,483	13,171	16,481
Research and development.....	5,428	11,625	9,034	23,572
Gain from debt extinguishment.....	-	-	(6,614)	-
Impairment and restructuring.....	-	35,939	-	35,939
Total operating expenses .....	12,820	57,047	15,591	75,992

Operating loss.....	(10,069)	(66,177)	(10,614)	(82,577)
Other expenses:				
Interest expense, net.....	1,741	1,682	3,522	2,610
Other expense, net.....	-	-	-	13,262
Equity in net loss of unconsolidated affiliate.....	731	851	1,302	1,228
	-----			
Total other expenses.....	2,472	2,533	4,824	17,100
	-----			
Net loss.....	(\$12,541)	(\$68,710)	(\$15,438)	(\$99,677)
	=====			
Per Share Data:				
Weighted average basic and diluted shares outstanding used in per share calculations.....	36,936	36,597	36,857	36,399
Net loss per basic and diluted share.....	(\$0.34)	(\$1.88)	(\$0.42)	(\$2.74)
	=====			

The accompanying notes are an integral part of these consolidated  
financial statements.

EMCORE CORPORATION  
CONSOLIDATED BALANCE SHEETS  
As of March 31, 2003 and September 30, 2002  
(in thousands)

ASSETS	As of March 31, 2003  (unaudited)	As of September 30, 2002
Current assets:		
Cash and cash equivalents.....	\$37,845	\$42,716
Marketable securities.....	5,876	41,465
Accounts receivable, net .....	20,831	23,817
Accounts receivable - related party.....	481	518
Inventories.....	29,907	31,027
Other current assets.....	2,237	1,188
Total current assets.....	97,177	140,731
Property, plant and equipment, net.....	102,185	101,302
Goodwill.....	30,366	20,384
Intangible assets, net.....	5,997	3,042
Investments in unconsolidated affiliate.....	9,140	8,482
Other assets, net.....	11,114	12,002
Total assets.....	\$255,979	\$285,943
LIABILITIES and SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable.....	\$10,191	\$10,346
Accrued expenses.....	13,809	12,875
Advanced billings.....	3,081	5,604
Capitalized lease obligation - current.....	79	81
Total current liabilities.....	27,160	28,906
Convertible subordinated notes.....	161,750	175,000
Capitalized lease obligation, net of current portion.....	59	87
Total liabilities.....	188,969	203,993
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, \$0.0001 par, 5,882 shares authorized, no shares outstanding.....	-	-
Common stock, no par value, 100,000 shares authorized, 37,017 shares issued and 36,997 outstanding at March 31, 2003; 36,772 shares issued and 36,752 outstanding at September 30, 2002.....	334,567	334,051
Accumulated deficit.....	(266,351)	(250,913)
Accumulated other comprehensive loss.....	(240)	(222)
Shareholders' notes receivable.....	(34)	(34)
Treasury stock, at cost; 20 shares.....	(932)	(932)
Total shareholders' equity.....	67,010	81,950
Total liabilities and shareholders' equity.....	\$255,979	\$285,943

The accompanying notes are an integral part of these condensed consolidated financial statements.

EMCORE CORPORATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the six months ended March 31, 2003 and 2002  
(in thousands)  
(unaudited)

	Six Months Ended March 31,	
	2003	2002
Cash flows from operating activities:		
Net loss.....	\$(15,438)	\$(99,677)
Adjustments to reconcile net loss to net cash used for operating activities:		
Gain from debt extinguishment.....	(6,614)	-
Depreciation and amortization.....	9,863	9,915
Provision for doubtful accounts.....	350	1,469
Equity in net loss of unconsolidated affiliate.....	1,302	1,228
Compensatory stock issuances.....	345	379
Impairment of equity investment.....	-	13,262
Loss from impairment, restructuring charges and other charges.....	-	50,443
Reduction of note receivable.....	101	-
Decrease (increase) in assets:		
Accounts receivable.....	2,636	2,522
Accounts receivable - related party.....	37	1,676
Inventories.....	7,649	2,114
Other current assets.....	(970)	1,453
Other assets.....	(79)	(565)
Increase (decrease) in liabilities:		
Accounts payable.....	(155)	(6,044)
Accrued expenses.....	(1,167)	(2,823)
Advanced billings.....	(2,523)	635
Other.....	20	(41)
Total adjustments.....	10,795	75,623
Net cash used for operating activities.....	(4,643)	(24,054)
Cash flows from investing activities:		
Purchase of property, plant, and equipment.....	(859)	(5,681)
Investments in unconsolidated affiliate.....	(1,960)	(1,960)
Proceeds from collection of related party notes receivable.....	-	5,000
Cash paid for acquisition, net of cash acquired.....	(26,450)	(25,084)
Proceeds from sales of marketable securities, net.....	35,551	28,230
Net cash provided by investing activities.....	6,282	505
Cash flows from financing activities:		
Repurchase of convertible subordinated notes.....	(6,636)	-
Payments on capital lease obligations.....	(45)	(40)
Proceeds from exercise of stock options and employee stock purchase plan.....	171	1,194
Proceeds from exercise of stock purchase warrants.....	-	4,194
Net cash provided by (used for) financing activities.....	(6,510)	5,348
Net decrease in cash and cash equivalents.....	(4,871)	(18,201)
Cash and cash equivalents, beginning of period.....	42,716	71,239
Cash and cash equivalents, end of period.....	\$37,845	\$53,038
	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for interest.....	\$4,450	\$4,576
	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

EMCORE CORPORATION  
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY  
For the years ended September 30, 2001 and 2002 and the six months  
ended March 31, 2003 (unaudited)  
(in thousands)

	Common Stock Shares	Common Stock Amount	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Shareholders' Notes Receivable	Treasury Stock	Total Shareholders' Equity
Balance at September 30, 2000.....	33,972	\$314,780	(\$108,864)	\$5	(\$6,360)	(\$239)	\$199,322
Net loss.....			(12,288)				(12,288)
Unrealized loss on marketable securities.....				(8,085)			(8,085)
Translation adjustment.....				(234)			(234)
Comprehensive loss.....							(20,607)
Issuance of common stock in connection with acquisitions.....	41	1,840					1,840
Stock option exercise.....	438	3,248					3,248
Stock purchase warrant exercise.....	1,111	5,509					5,509
Compensatory stock issuances.....	34	1,505					1,505
Issuance of common stock - Employee Stock Purchase Plan.....	17	677					677
Treasury stock.....	(16)					(693)	(693)
Redemptions of shareholders' notes receivable.....					6,326		6,326
Balance at September 30, 2001.....	35,597	327,559	(121,152)	(8,314)	(34)	(932)	197,127
Net loss.....			(129,761)				(129,761)
Impairment of equity investment.....				8,421			8,421
Unrealized loss on marketable securities.....				(308)			(308)
Translation adjustment.....				(21)			(21)
Comprehensive loss.....							(121,669)
Stock option exercise.....	159	1,023					1,023
Stock purchase warrant exercise.....	823	4,194					4,194
Compensatory stock issuances.....	125	714					714
Issuance of common stock - Employee Stock Purchase Plan.....	48	561					561
Balance at September 30, 2002.....	36,752	334,051	(250,913)	(222)	(34)	(932)	81,950
Net loss.....			(15,438)				(15,438)
Unrealized loss on marketable securities.....				(38)			(38)
Translation adjustment.....				20			20
Comprehensive loss.....							(15,456)
Compensatory stock issuances.....	156	345					345
Issuance of common stock - Employee Stock Purchase Plan.....	89	171					171
Balance at March 31, 2003.....	36,997	\$334,567	(\$266,351)	(\$240)	(\$34)	(\$932)	\$67,010

The accompanying notes are an integral part of these consolidated financial statements.

EMCORE CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(unaudited)

NOTE 1. Basis of Presentation

The accompanying unaudited consolidated financial statements include the accounts of EMCORE Corporation and its subsidiaries (EMCORE). These statements have been prepared in accordance with accounting principles generally accepted in the United States for interim information, and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for interim periods are not necessarily indicative of results that may be expected for the full year.

Preparation of EMCORE's financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates. For further information, refer to the consolidated financial statements and footnotes included in EMCORE's Annual Report on Form 10-K for the fiscal year ended September 30, 2002.

Certain prior period information has been reclassified to conform with current year presentation.

NOTE 2. Segment Data and Related Information

EMCORE has two reportable operating segments: the systems-related business and the materials-related business.

The systems-related business is our TurboDisc(R) product line, which designs, develops and manufactures metal organic chemical vapor deposition (MOCVD) systems and manufacturing processes. Revenues for the systems-related business are derived primarily from sales of TurboDisc MOCVD systems, as well as spare parts, services, and other related products.

The materials-related business is comprised of our Photovoltaics, Fiber Optics, and Electronic Materials and Devices product lines. Photovoltaics revenues are derived primarily from the sales of satellite communications products including solar cells, covered interconnect solar cells (CICs) and solar panels. EMCORE's Fiber Optics product line designs, develops, and manufactures high speed optical transmitter modules, receiver modules and transponders utilizing EMCORE's leading-edge vertical cavity surface emitting lasers (VCSELs) and PIN (the "P", "I", "N" represent P-type, intrinsic and N-type semiconductor materials, respectively) photodiode array components for the data communications and telecommunications markets. EMCORE's recently purchased Agere System Inc.'s cable television transmission systems, telecom access and satellite communications components business (Ortel) for \$26.2 million in cash. Ortel, which is a part of EMCORE's fiber optic group, designs and manufactures high quality optoelectronic solutions that enable voice, video and data networks. Ortel's product offerings include 1310 nm and 1550 nm analog lasers, dense wavelength division multiplexing (DWDM) lasers, transmitter engines, photodiodes, fiber-to-the-home/curb/business components, wideband lasers and receivers, and optical links for long-haul antenna remoting. Revenues from the Electronic Materials and Devices product line include wireless products, such as RF materials including heterojunction bipolar transistors (HBTs) and enhancement-mode pseudomorphic high electron mobility transistors (PHEMTs), and also MR sensors and process development technology.

EMCORE CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(unaudited)

The segments reported are the segments of EMCORE for which separate financial information is available and are evaluated regularly by executive management in deciding how to allocate resources and in assessing performance. Unaudited information about reported segments is as follows:

(in thousands)	Systems- -related	Materials -related	TOTAL	Systems -related	Materials -related	TOTAL
STATEMENT OF OPERATIONS	Quarter 2 FY 2003	Quarter 2 FY 2003	Quarter 2 FY 2003	Quarter 2 FY 2002	Quarter 2 FY 2002	Quarter 2 FY 2002
Three months ended March 31, 2003 & 2002						
Revenues.....	\$10,777	\$16,897	\$27,674	\$4,341	\$18,737	\$23,078
Cost of revenues.....	7,186	17,737	24,923	6,853	25,355	32,208
Gross profit (loss).....	3,591	(840)	2,751	(2,512)	(6,618)	(9,130)
Gross margin.....	33.3%	(5.0%)	9.9%	(57.9%)	(35.3%)	(39.6%)
Operating expenses:						
Selling, general and administrative...	2,519	4,873	7,392	6,102	3,381	9,483
Research and development.....	1,359	4,069	5,428	3,950	7,675	11,625
Impairment and restructuring.....	-	-	-	4,672	31,267	35,939
Total operating expenses.....	3,878	8,942	12,820	14,724	42,323	57,047
Operating loss.....	(\$287)	(\$9,782)	(\$10,069)	(\$17,236)	(\$48,941)	(\$66,177)
Other expenses:						
Interest expense, net.....	-	-	1,741	-	-	1,682
Equity in net loss of unconsolidated affiliate.....	-	-	731	-	-	851
Total other expenses.....	-	-	2,472	-	-	2,533
Net loss.....	(\$287)	(\$9,782)	(\$12,541)	(\$17,236)	(\$48,941)	(\$68,710)
(in thousands)	Systems -related	Materials -related	TOTAL	Systems -related	Materials -related	TOTAL
STATEMENT OF OPERATIONS	FY 2003	FY 2003	FY 2003	FY 2002	FY 2002	FY 2002
Six months ended March 31, 2003 & 2002						
Revenues.....	\$24,619	\$26,301	\$50,920	\$14,636	\$27,579	\$42,215
Cost of revenues.....	16,172	29,771	45,943	12,264	36,536	48,800
Gross profit (loss).....	8,447	(3,470)	4,977	2,372	(8,957)	(6,585)
Gross margin.....	34.3%	(13.2%)	9.8%	16.2%	(32.5%)	(15.6%)
Operating expenses:						
Selling, general and administrative...	4,878	8,293	13,171	10,852	5,629	16,481
Research and development.....	2,691	6,343	9,034	7,830	15,742	23,572
Gain from debt extinguishment.....	(6,614)	-	(6,614)	-	-	-
Impairment and restructuring.....	-	-	-	4,672	31,267	35,939
Total operating expenses.....	955	14,636	15,591	23,354	52,638	75,992
Operating income (loss).....	\$7,492	(\$18,106)	(\$10,614)	(\$20,982)	(\$61,595)	(\$82,577)
Other expenses:						
Interest expense, net.....	-	-	3,522	-	-	2,610
Other expense, net.....	-	-	-	-	-	13,262
Equity in net loss of unconsolidated affiliate.....	-	-	1,302	-	-	1,228
Total other expenses.....	-	-	4,824	-	-	17,100
Net income (loss)	\$7,492	(\$18,106)	(\$15,438)	(\$20,982)	(\$61,595)	(\$99,677)

During the second quarter of fiscal 2002, EMCORE recorded pre-tax charges to income totaling \$50.4 million, which included fixed asset impairment charges of \$34.8 million, excess inventory reserve of \$11.9 million, loss provision for accounts receivable of \$2.6 million and severance charges of \$1.1 million.

EMCORE CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(unaudited)

The reportable operating segments are each managed separately because they manufacture and distribute distinct products and services. The table below outlines EMCORE's four different product lines:

	For the three months ended March 31, 2003		2002		For the six months ended March 31, 2003		2002	
Product Lines	Revenue	%	Revenue	%	Revenue	%	Revenue	%
Systems-related:								
TurboDisc.....	\$10,777	39%	\$4,341	19%	\$24,619	48%	\$14,636	35%
Material-related:								
Photovoltaics.....	5,211	19%	10,958	47%	10,286	20%	12,787	30%
Fiber Optics.....	9,685	35%	2,427	11%	11,971	24%	3,754	9%
Electronic Materials & Devices.	2,001	7%	5,352	23%	4,044	8%	11,038	26%
TOTAL	\$27,674	100%	\$23,078	100%	\$50,920	100%	\$42,215	100%

In January 2003, EMCORE acquired Ortel, which contributed approximately \$7.1 million of fiber optic revenues to the second quarter of fiscal 2003.

EMCORE has generated a significant portion of its sales to customers outside the United States. EMCORE anticipates that international sales will continue to account for a significant portion of revenues. Historically, EMCORE has received substantially all payments for products and services in U.S. dollars, and therefore, EMCORE does not anticipate that fluctuations in any currency will have a material effect on its financial condition or results of operations.

The following chart contains a breakdown of EMCORE's consolidated revenues by geographic region:

	For the three months ended March 31, 2003		2002		For the six months ended March 31, 2003		2002	
Region:	Revenue	%	Revenue	%	Revenue	%	Revenue	%
North America.....	\$15,911	58%	\$18,889	82%	\$26,505	52%	\$31,877	76%
Asia.....	8,653	31%	2,063	9%	15,832	31%	4,794	11%
Europe.....	3,110	11%	2,126	9%	8,583	17%	5,544	13%
TOTAL	\$27,674	100%	\$23,078	100%	\$50,920	100%	\$42,215	100%

### NOTE 3. Acquisitions

In December 2002, EMCORE acquired certain assets of privately-held Alvesta Corporation of Sunnyvale, California. Alvesta Corporation is an industry leader in the research and development of parallel optic transceivers for fiber optic communication networks. Alvesta pioneered four channel parallel optic transceivers for the Optical Internetworking Forum, 10G Fibre Channel, 10 Gigabit Ethernet and Infiniband applications. Alvesta's product revenues from sales of its four-channel products were approximately \$5 million in 2001. The total cash purchase price, including acquisition costs, was approximately \$250,000. The transaction included the acquisition of intellectual property and inventory. In addition, EMCORE hired six employees of Alvesta's key design team.



EMCORE CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(unaudited)

On January 21, 2003, EMCORE acquired Ortel for \$26.2 million in cash. Ortel contributed approximately \$7.1 million of fiber optic revenues to the second quarter of fiscal 2003. The following unaudited condensed consolidated pro forma financial statement has been prepared to give effect to EMCORE's acquisition of certain assets and liabilities of Ortel.

EMCORE retained an independent consultant to perform a valuation of the acquired assets. The pro forma adjustments are based upon available information and assumptions that EMCORE believes are reasonable. A preliminary allocation of the purchase price for the above transactions has been made to major categories of assets and liabilities in the accompanying pro forma statements based on currently available information. The actual allocation of purchase price and the resulting effect on income from operations are not expected to differ materially from the pro forma amounts included herein. The unaudited condensed consolidated pro forma financial statement do not purport to represent what the consolidated results of operations or financial position of EMCORE would actually have been if the acquisition had occurred on the dates referred to below, nor do they purport to project the results of operations or financial position of EMCORE for any future period.

The unaudited condensed consolidated pro forma statement of operations data was prepared by combining EMCORE's statement of operations for the year ended September 30, 2002 with Ortel's statement of Net Sales, Cost of Sales and Direct Operating Expenses for the year ended September 30, 2002, giving effect to the acquisition as though it occurred on October 1, 2001.

The unaudited condensed consolidated pro forma statement of operations does not give effect to any restructuring costs or any potential cost savings or other operating efficiencies that could result from the acquisition, or any non-recurring charges or credits resulting from the transaction such as in-process research and development charges.

The unaudited condensed consolidated pro forma financial statement should be read in conjunction with the historical financial statements of (i) EMCORE included in its Annual Report on Form 10-K for the year ended September 30, 2002 (filed December 30, 2002), and (ii) Ortel included in EMCORE's Form 8-K/A (filed April 7, 2003).

Condensed Consolidated Pro Forma Statement of Operations Data

For the year ended September 30, 2002

	EMCORE -----	Ortel -----	Adjustments -----	Footnotes -----	Pro Forma -----
Sales.....	\$ 87,772	\$ 55,800			\$ 143,572
Net loss.....	\$(129,761)	\$(223,906)	\$ 191,471	1	\$(162,196)
	=====	=====	=====		=====
Net loss per basic and diluted share.....	\$ (3.55)				\$ (4.44)
	=====				=====

For the three months ended March 31, 2003

	EMCORE -----	Ortel -----	Adjustments -----		Pro Forma -----
Sales.....	\$ 27,674	\$ 8,598	\$ 7,117	2	\$ 43,389
Net loss.....	\$ (12,541)	\$ (3,581)	\$ 1,568	2	\$ (14,554)
	=====	=====	=====		=====
Net loss per basic and diluted share.....	\$ (0.34)				\$ (0.39)
	=====				=====

For the three months ended March 31, 2002

	EMCORE -----	Ortel -----	Adjustments -----		Pro Forma -----
Sales.....	\$ 23,078	\$ 13,288	\$ -		\$ 36,366
Net loss.....	\$ (68,710)	\$ (8,006)	\$ -		\$ (76,716)
	=====	=====	=====		=====
Net loss per basic and diluted share.....	\$ (1.88)				\$ (2.10)
	=====				=====

For the six months ended March 31, 2003

	EMCORE -----	Ortel -----	Adjustments -----		Pro Forma -----
Sales.....	\$ 50,920	\$ 17,188	\$ (7,117)	2	\$ 60,991
Net loss.....	\$ (15,438)	\$ (6,040)	\$ 1,568	2	\$ (19,910)
	=====	=====	=====		=====
Net loss per basic and diluted share.....	\$ (0.42)				\$ (0.54)
	=====				=====

For the six months ended March 31, 2002

EMCORE	Ortel	Adjustments	Pro Forma
--------	-------	-------------	-----------

Sales.....	\$ 42,215	\$ 31,046	\$ -	\$ 73,261
Net loss.....	\$ (99,677)	\$ (16,892)	\$ -	\$(116,569)
	=====	=====	=====	=====
Net loss per basic and diluted share.....	\$ (2.74)			\$ (3.20)
	=====			=====

(1) An adjustment was made to eliminate the various impairment and restructuring charges recorded by Ortel during the periods related to the acquired assets. The acquired assets are valued at fair market value. Therefore, there would be no impairment and restructuring charges in the condensed consolidated pro forma financial statements, as the acquired assets would be recorded in purchase accounting at their fair market value upon acquisition.

(2) An adjustment was made to eliminate the sales and net losses recorded twice in the table above during the period from January 21, 2002, the date EMCORE purchased Ortel, through March 31, 2003 ("Consolidation Period"). During that period, Ortel's financial information was consolidated into EMCORE; however, to accurately depict the financial position of both entities for the three and six months ended March 31, 2003, both sales and net loss were shown on a 'stand alone' basis, and properly adjusted for by backing out the amounts during the Consolidation Period to determine the pro forma information.

The effects of the acquisition have been presented using the purchase method of accounting. The total estimated purchase price of the transaction has been allocated to assets and liabilities based on management's preliminary estimate of their fair values. The preliminary allocation of the purchase price will be subject to further adjustments, which are not anticipated to be material, as EMCORE finalizes its allocation of purchase price in accordance with accounting principles generally accepted in the United States.

EMCORE CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(unaudited)

The following represents the preliminary allocation of the purchase price over the estimated fair values of the acquired assets and assumed liabilities of Ortel at January 21, 2003.

Cash.....	\$25,000
Acquisition costs.....	1,200
	-----
Total purchase price.....	\$26,200
	=====
Allocation of purchase price based on fair values:	
Assets acquired:	
Inventories.....	6,473
Property, plant and equipment.....	8,570
Identifiable intangible assets.....	3,274
Goodwill.....	9,983
Less: warranty reserve.....	(2,100)
	-----
Net assets acquired.....	\$26,200
	=====

NOTE 4. Joint Venture

In January 1999, General Electric Lighting and EMCORE formed GELcore, a joint venture to develop and market HB LED lighting products. General Electric Lighting and EMCORE have agreed that this joint venture will be the exclusive vehicle for each party's participation in solid state lighting. Under the terms of the joint venture agreement, EMCORE has a 49% non-controlling interest in the GELcore venture. EMCORE accounts for this related party investment of an unconsolidated affiliate using the equity method of accounting.

NOTE 5. Balance Sheet Data

o Accounts receivable, net

The components of accounts receivable consisted of the following:

(in thousands)	At March 31, 2003	At September 30, 2002
	-----	-----
Accounts receivable.....	\$20,465	\$24,029
Accounts receivable - unbilled.....	1,982	3,135
	-----	-----
	22,447	27,164
Allowance for doubtful accounts.....	(1,616)	(3,347)
	-----	-----
Total.....	\$20,831	\$23,817
	=====	=====

EMCORE CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(unaudited)

o Inventories

The components of inventories consisted of the following:

(in thousands)

	At March 31, 2003	At September 30, 2002
	-----	-----
Raw materials.....	\$16,611	\$19,926
Work-in-process.....	10,019	8,706
Finished goods.....	3,277	2,395
	-----	-----
Total	\$29,907	\$31,027
	=====	=====

o Property, Plant and Equipment

The components of property, plant and equipment consisted of the following:

(in thousands)

	At March 31, 2003	At September 30, 2002
	-----	-----
Land.....	\$2,502	\$2,502
Building and improvements	61,085	60,777
Equipment.....	77,315	69,223
Furniture and fixtures...	5,835	4,843
Leasehold improvements...	1,737	1,729
Construction in progress.	1,068	1,094
Property and equipment under capital lease...	429	429
	-----	-----
	149,971	140,597
Less: accumulated depreciation and amortization...	(47,786)	(39,295)
	-----	-----
Total.....	\$102,185	\$101,302
	=====	=====

o Goodwill

All goodwill relates to EMCORE's materials-related business. In March 2002, EMCORE acquired certain assets, including equipment and intellectual property, of the Applied Solar Division of Tecstar, Inc. and its subsidiary, Tecstar Power Systems, Inc. (this acquired business is referred to herein as "Tecstar") and allocated approximately \$20.4 million to goodwill. In January 2003, EMCOR purchased Ortel for \$26.2 million in cash, and allocated approximately \$10.0 million to goodwill.

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o Intangible Assets, net

The components of intangible assets consisted of the following:

(in thousands)	At March 31, 2003			At September 30, 2002		
	Gross Assets	Accumulated Amortization	Net Assets	Gross Assets	Accumulated Amortization	Net Assets
Patents.....	\$2,441	(\$1,240)	\$1,201	\$2,674	(\$1,326)	\$1,348
Acquired intellectual property:						
Ortel.....	3,274	(162)	3,112	-	-	-
Tecstar.....	1,900	(396)	1,504	1,900	(206)	1,694
Alvesta.....	195	(15)	180	-	-	-
Total...	\$7,810	(\$1,813)	\$5,997	\$4,574	\$(1,532)	\$3,042

Future amortization expense as of March 31, 2003 is as follows:

(in thousands)

Period ending:	Amortization
March 31, 2004	\$ 1,524
March 31, 2005	1,452
March 31, 2006	1,330
March 31, 2007	1,097
March 31, 2008	437
Total amortization	\$ 5,840

o Accrued Expenses

The components of accrued expenses consisted of the following:

(in thousands)	At March 31, 2003	At September 30, 2002
Compensation.....	\$3,913	\$4,392
Interest.....	3,055	3,281
Warranty.....	3,423	2,134
Other.....	3,418	3,068
Total.....	\$13,809	\$12,875

NOTE 6. Commitments and Contingencies

EMCORE leases certain facilities and equipment under non-cancelable operating leases. Facility and equipment rent expense under such leases amounted to approximately \$0.5 million and \$0.3 million for the three months ended March 31, 2003 and 2002, respectively. Future minimum rental payments under EMCORE's non-cancelable operating leases with an initial or remaining term of one year or more as of March 31, 2003 are as follows:

(in thousands)

Period ending:	Operating
March 31, 2004	\$2,104
March 31, 2005	1,708
March 31, 2006	1,476
March 31, 2007	1,167
March 31, 2008	1,008
Total minimum lease payments	\$7,463

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In fiscal 2000, GELcore entered into a Revolving Loan Agreement (the "GELcore Credit Facility") with General Electric Canada, Inc., an affiliate of GE, which is the owner of a 51% controlling share of GELcore. The GELcore Credit Facility provides for borrowings of up to Canadian \$7.5 million (US \$5.1 million at March 31, 2003) at a rate of interest based on prevailing Canadian interest rates. Amounts outstanding under the GELcore Credit Facility are payable on demand, and the GELcore Credit Facility expires in August 2003. EMCORE has guaranteed 49% (i.e. its proportionate share) of GELcore's obligations under the GELcore Credit Facility. As of March 31, 2003, US \$2.7 million was outstanding under the GELcore Credit Facility.

NOTE 7. Stock Options

In December 2002, the FASB issued SFAS No. 148 Accounting for Stock-Based Compensation -- Transition and Disclosure, an amendment of FASB Statement No. 123. SFAS 148 amends SFAS No. 123, Accounting for Stock-Based Compensation, to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS 148 amends the disclosure requirements of SFAS 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. EMCORE implemented SFAS 148 in the quarter ended March 31, 2003.

The following table illustrates the effect on net loss and net loss per share if EMCORE had applied the fair value recognition provisions of SFAS No. 123 to stock based compensation:

	For the three months ended March 31,		For the six months ended March 31,	
	2003	2002	2003	2002
Net loss.....	(\$12,541)	(\$68,710)	(\$15,438)	(\$99,677)
Deduct: Total stock based employee compensation expense determined under fair value based methods for all awards, net of related tax effects.....	(706)	(1,744)	(1,389)	(3,487)
Pro forma net loss.....	(\$13,247)	(\$70,454)	(\$16,827)	(\$103,164)

The pro forma disclosures shown above were calculated for all options using Black-Scholes option pricing model with the following assumptions:

	For the three months ended March 31,		For the six months ended March 31,	
	2003	2002	2003	2002
Expected dividend yield	0%	0%	0%	0%
Expected stock price volatility	112.96%	112.62%	112.96%	112.62%
Risk-free interest rate	2.78%	4.93%	2.78%	4.93%
Weighted average expected life (in years)	5	5	5	5

NOTE 8. Recent Financial Accounting Pronouncements

FIN 45

In November 2002, the Financial Accounting Standards Board ("FASB") issued Financial Interpretation No. 45 ("FIN 45"), Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others. FIN 45 clarifies that a guarantor is required to recognize, at the inception of the guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and initial measurement provisions of FIN 45 are applicable on a prospective basis to guarantees issued or modified after December 15, 2002. In the normal course of business, EMCORE does not issue guarantees; accordingly, FIN 45 has no effect on the financial statements.

In April 2003, FASB issued SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities. SFAS No. 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. The changes in SFAS No. 149 improve financial reporting by requiring that contracts with comparable characteristics be accounted for similarly. In particular, SFAS No. 149 (1) clarifies under what circumstances a contract with an initial net investment meets the characteristic of a derivative discussed in paragraph 6(b) of SFAS No. 133, (2) clarifies when a derivative contains a financing component, (3) amends the definition of an underlying to conform it to language used in FIN 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, and (4) amends certain other existing pronouncements. Those changes will result in more consistent reporting of contracts as either derivatives or hybrid instruments. SFAS No. 149 is to be applied prospectively to contracts entered into or modified after June 30, 2003, with certain exceptions, and for hedging relationships designated after June 30, 2003. Management believes that adopting this statement will not have a material impact on the financial position, results of operations, or cash flows of EMCORE.

## ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. These forward-looking statements are based largely on our current expectations and projections about future events and financial trends affecting the financial condition of our business. Words such as "expects", "anticipates", "intends", "plans", "believes" and "estimates" and variations of these words and similar expressions, identify these forward-looking statements. These forward-looking statements include, without limitation:

- o any statements or implications regarding EMCORE's ability to remain competitive and a leader in its industry and the future growth of EMCORE, the industry and the economy in general;
- o statements regarding anticipated results from EMCORE's acquisition of Ortel, and difficulties in integrating past or future acquisitions into EMCORE's operations;
- o statements regarding the expected level and timing of benefits to EMCORE from its restructuring and realignment efforts, including:
  - o expected cost reductions and their impact on EMCORE's financial performance, and
  - o expected improvement to EMCORE's product and technology development programs,
- o statements regarding EMCORE's ability to obtain or maintain ISO qualifications;
- o any and all guidance provided by EMCORE regarding its expected financial performance in current or future periods, including, without limitation, with respect to anticipated revenues for any period in fiscal 2003 and subsequent periods.

These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those projected, including without limitation, the following:

- o difficulties in integrating Ortel's operations into EMCORE's operations and the uncertainty as to the results to be achieved by EMCORE in connection with this acquisition;
- o EMCORE's restructuring and realignment efforts may not be successful in achieving their expected benefits, may be insufficient to align EMCORE's operations with customer demand and the changes affecting our industry, or may be more costly than currently anticipated;
- o due to the current economic slowdown, in general, and setbacks in our customers' businesses, in particular, our ability to predict EMCORE's financial performance for future periods is far more difficult than in the past; and
- o other risks and uncertainties described in EMCORE's filings with the Securities and Exchange Commission (including under the heading "Risk Factors" in our most recent Annual Report on Form 10-K), such as:
  - o cancellations, rescheduling or delays in product shipments;
  - o manufacturing capacity constraints;
  - o lengthy sales and qualification cycles; difficulties in the production process;
  - o changes in semiconductor industry growth; and
  - o increased competition; delays in developing and commercializing new products.

We assume no obligation to update the matters discussed in this Quarterly Report.



EMCORE Corporation designs, develops and manufactures compound semiconductor wafers and devices and is a leading developer and manufacturer of the MOCVD systems and manufacturing processes used to fabricate compound semiconductor wafers, devices and modules. Compound semiconductors are composed of two or more elements and usually consist of a metal, such as gallium, aluminum or indium, and another element such as arsenic, phosphorus or nitrogen. Many compound semiconductors have unique physical properties that enable electrons to move through them at least four times faster than through silicon-based devices and are therefore well suited to serve the growing need for efficient, high performance electronic systems.

EMCORE is the only fully integrated commercial supplier of compound semiconductor equipment and products. We offer a comprehensive portfolio of products and systems for the broadband, wireless communications, photovoltaic and solid state lighting markets. We have developed extensive fiber optic module design, solar panel design, materials science expertise, process technology and MOCVD production system manufacturing expertise to address our customers' needs. Customers can take advantage of our vertically integrated solutions approach by purchasing custom-designed wafers and devices from us, or by manufacturing their own devices in-house using one of our MOCVD production systems configured to their specific needs. Our products and systems enable our customers to cost effectively introduce new and improved high performance products to the market faster in high volumes.

Growth in our industry had been driven by the widespread deployment of fiber optic networks, introduction of new wireless networks and services, build-out of satellite communication systems, increasing use of more power efficient lighting sources, increasing use of electronics in automobiles and emergence of advanced consumer electronic applications. We believe our expertise in materials science and process technology provides us with a competitive advantage to manufacture compound semiconductor wafers, devices and modules in high volumes.

#### Systems-Related

EMCORE is a leading provider of compound semiconductor technology processes and MOCVD production systems. We believe that our proprietary TurboDisc(R) deposition technology makes possible one of the most cost-effective production processes for the commercial volume manufacture of high-performance compound semiconductor wafers and devices, which are integral to solid state lighting and global communications applications. Although overall demand for MOCVD systems has declined since fiscal 2001, we believe our overall market share has recently been increasing as a result of aggressive market penetration of new and higher-end products. Continuing EMCORE's standing as the world leader in GaN production platforms, EMCORE introduced the E300 GaNzilla(TM), the most powerful tool available for the production of high brightness blue and green LEDs. It offers the highest throughput in the industry for the growth of GaN materials. This product release has been highly successful with 14 systems shipped through March 31, 2003 and with installations in 3 continents. In addition, EMCORE recently introduced its Enterprise(R) 300LDM MOCVD production tool designed to achieve high quality materials and high yields for consumer electronic applications. This new tool produces devices for several applications including DVD and CD-ROMs. Engineered specifically for the high volume production of long wavelength infrared and visible lasers, VCSELs and InP-based electronic materials, EMCORE's 300LDM provides customers with run-to-run process control and is designed to accomplish excellent uniformity of thickness, doping and composition of epitaxial layers. In addition, EMCORE's New Jersey facility successfully completed a QS 9000 surveillance audit in the second quarter of Fiscal 2003.

#### Materials-Related

EMCORE offers a broad array of compound semiconductor wafers and devices, including photovoltaic products, fiber optic devices and components and electronic materials and devices.

Photovoltaics. EMCORE's compound semiconductor solar cells are used primarily in satellite applications and have achieved industry-leading efficiencies. Solar cells provide the electrical power for a satellite and their efficiency dictates the amount of power and bears upon the weight, launch costs and

potential revenues of the satellite. In March 2002, EMCORE acquired certain assets, including equipment and intellectual property, of the Applied Solar Division of Tecstar, Inc. and its subsidiary, Tecstar Power Systems, Inc. (this acquired business is referred to herein as "Tecstar"). With the Tecstar acquisition, EMCORE has fully integrated the production of solar panels using EMCORE's solar cells. The Tecstar acquisition has augmented EMCORE's capability to penetrate the satellite communications sector and enables EMCORE to provide satellite manufacturers with proven integrated satellite power solutions that considerably improve satellite economics. Satellite manufacturers and solar array integrators can now rely on EMCORE as a single supply source that meets all of their satellite power needs. EMCORE is currently completing the process of qualifying its advanced solar cells with Tecstar's proven solar panel processes for LEO and GEO orbits. The combination of Tecstar's demonstrated success with well-known space programs and EMCORE's industry-leading solar cell technology should enable EMCORE to dramatically improve satellite economics. With well-established partnerships with major satellite manufacturers and a proven qualification process, EMCORE believes it will play an important role in the evolution of telecommunications and data communications around the world.

Fiber Optic Devices and Components. The proliferation of the Internet and the growth in volume of data being sent over local and wide area networks has placed a strain on the networking infrastructure. The demand for increased bandwidth has resulted in a need for both faster and more expansive networks. EMCORE's family of VCSELs and VCSEL array transceiver and transponder products, as well as our photodiode array components, serve the high-speed data communications network and telecommunications markets, including the Gigabit Ethernet, Fibre Channel, VSR OC-192, the emerging VSR OC-768 and related markets. EMCORE's strategy is to manufacture the otherwise high cost optical components and subassemblies in-house, using our proprietary technologies, to reduce the overall cost of our transceiver and transponder modules. EMCORE plans to capitalize on its oxide VCSEL manufacturing platform and expertise, by providing the industry with 1 Gbps, 2.5 Gbps, 10 Gbps (OC-192), and 40 Gbps (OC-768) solutions through single-channel serial, multi-channel parallel or wavelength-divisional multiplexing approaches. Leading electronic systems manufacturers are integrating VCSELs into a broad array of end-market applications including Internet access, digital cross-connect telecommunications switches, Infiniband optical bus, and fiber optic switching and routing, such as Gigabit Ethernet and SAN. EMCORE's fiber optic devices and components are designed to help solve the data bottle necking problems for distances under 300 meters in central office and point-of-presence environments and provide a cost effective alternative to more costly comparable serial interconnects.

In January 2003, EMCORE acquired the West Coast optoelectronics division of Agere Systems, Inc. (Ortel) for \$26.2 million in cash. The transaction included assets, products, technology and intellectual property related to Agere's cable TV optical components, telecom access and satellite communications operations, which had revenues of approximately \$56 million in fiscal 2002. Ortel designs and manufactures high quality optoelectronic solutions that enable voice, video and data networks. Ortel's product offering includes 1310 nm and 1550 nm analog lasers, dense wavelength division multiplexing (DWDM) lasers, transmitter engines, photodiodes, fiber-to-the-home/curb/business components, wideband lasers and receivers, and optical links for long-haul antenna remoting.

Electronic Materials and Devices. RF materials, including heterojunction bipolar transistors (HBTs) and enhancement-mode pseudomorphic high electron mobility transistors (pHEMTs), are compound semiconductor materials used in wireless communications. Compound semiconductor RF materials have a broader bandwidth and superior performance at higher frequencies than silicon-based materials. EMCORE currently produces 4-inch and 6-inch InGaP HBT materials including E-mode devices that are used for power amplifiers for next generation wireless infrastructure such as GSM, TDMA and CDMA multiband wireless handsets. InGaP HBT materials provide higher linearity, higher power added efficiency as well as greater reliability than first generation AlGaAs HBT technologies. EMCORE also manufactures MR sensors that are compound semiconductor devices that possess sensing capabilities. MR sensors improve vehicle performance through more accurate control of engine and crank shaft timing, which allows for improved spark plug efficiency and reduced emissions. In January 1997, EMCORE initiated shipments of compound semiconductor MR sensors using technology licensed to EMCORE from General Motors. This license allows EMCORE to manufacture and sell products using this technology.

## HB-LED Joint Venture

In January 1999, General Electric Lighting and EMCORE formed GELcore (GELcore), a joint venture to develop and market HB-LED lighting products. HB-LEDs are solid state compound semiconductor devices that emit light and are used in miniature packages for everyday applications such as indicator lights on automobiles, traffic lights, computers and other electronic equipment. General Electric Lighting and EMCORE have agreed that this joint venture will be the exclusive vehicle for each party's participation in solid state lighting. Under the terms of the joint venture agreement, EMCORE has a 49% non-controlling interest in the GELcore venture and accounts for its investment under the equity method of accounting.

## Segment Data and Related Information

EMCORE has two reportable operating segments: the systems-related business and the materials-related business.

The systems-related business is our TurboDisc(R) product line, which designs, develops and manufactures metal organic chemical vapor deposition (MOCVD) systems and manufacturing processes. Revenues for the systems-related business are derived primarily from sales of TurboDisc MOCVD systems, as well as spare parts, services, and other related products.

The materials-related business is comprised of our Photovoltaics, Fiber Optics, and Electronic Materials and Devices product lines. Photovoltaics revenues are derived primarily from the sales of satellite communications products including solar cells, covered interconnect solar cells (CICs) and solar panels. EMCORE's Fiber Optics designs, develops, and manufactures high speed optical transmitter modules, receiver modules and transponders utilizing EMCORE's leading-edge vertical cavity surface emitting lasers (VCSELs) and PIN (the "P", "I", "N" represent P-type, intrinsic and N-type semiconductor materials, respectively) photodiode array components for the data communications and telecommunications markets. EMCORE's recently acquired Ortel division, which is a part of the fiber optic group, designs and manufactures high quality optoelectronic solutions that enable voice, video and data networks. Ortel's product offerings include 1310 nm and 1550 nm analog lasers, dense wavelength division multiplexing (DWDM) lasers, transmitter engines, photodiodes, fiber-to-the-home/curb/business components, wideband lasers and receivers, and optical links for long-haul antenna remoting. Revenues from the Electronic Materials and Devices product line include wireless products, such as RF materials including HBTs and pHEMTs, and also MR sensors and process development technology.

The segments reported are the segments of EMCORE for which separate financial information is available and are evaluated regularly by executive management in deciding how to allocate resources and in assessing performance. Unaudited information about reported segments is as follows:

(in thousands)	Systems -related	Materials -related	TOTAL	Systems -related	Materials -related	TOTAL
STATEMENT OF OPERATIONS	Quarter 2 FY 2003	Quarter 2 FY 2003	Quarter 2 FY 2003	Quarter 2 FY 2002	Quarter 2 FY 2002	Quarter 2 FY 2002
Three months ended March 31, 2003 & 2002						
Revenues.....	\$10,777	\$16,897	\$27,674	\$4,341	\$18,737	\$23,078
Cost of revenues.....	7,186	17,737	24,923	6,853	25,355	32,208
Gross profit (loss).....	3,591	(840)	2,751	(2,512)	(6,618)	(9,130)
Gross margin.....	33.3%	(5.0%)	9.9%	(57.9%)	(35.3%)	(39.6%)
Operating expenses:						
Selling, general and administrative...	2,519	4,873	7,392	6,102	3,381	9,483
Research and development.....	1,359	4,069	5,428	3,950	7,675	11,625
Impairment and restructuring.....	-	-	-	4,672	31,267	35,939
Total operating expenses.....	3,878	8,942	12,820	14,724	42,323	57,047
Operating loss.....	(\$287)	(\$9,782)	(\$10,069)	(\$17,236)	(\$48,941)	(\$66,177)
Other expenses:						
Interest expense, net.....	-	-	1,741	-	-	1,682
Equity in net loss of unconsolidated affiliate.....	-	-	731	-	-	851
Total other expenses.....	-	-	2,472	-	-	2,533
Net loss.....	(\$287)	(\$9,782)	(\$12,541)	(\$17,236)	(\$48,941)	(\$68,710)

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(in thousands)	Systems -related	Materials -related	TOTAL	Systems -related	Materials -related	TOTAL
STATEMENT OF OPERATIONS	FY 2003	FY 2003	FY 2003	FY 2002	FY 2002	FY 2002
Six months ended March 31, 2003 & 2002						
Revenues.....	\$24,619	\$26,301	\$50,920	\$14,636	\$27,579	\$42,215
Cost of revenues.....	16,172	29,771	45,943	12,264	36,536	48,800
Gross profit (loss).....	8,447	(3,470)	4,977	2,372	(8,957)	(6,585)
Gross margin.....	34.3%	(13.2%)	9.8%	16.2%	(32.5%)	(15.6%)
Operating expenses:						
Selling, general and administrative...	4,878	8,293	13,171	10,852	5,629	16,481
Research and development.....	2,691	6,343	9,034	7,830	15,742	23,572
Gain from debt extinguishment.....	(6,614)	-	(6,614)	-	-	-
Impairment and restructuring.....	-	-	-	4,672	31,267	35,939
Total operating expenses.....	955	14,636	15,591	23,354	52,638	75,992
Operating income (loss).....	\$7,492	(\$18,106)	(\$10,614)	(\$20,982)	(\$61,595)	(\$82,577)
Other expenses:						
Interest expense, net.....	-	-	3,522	-	-	2,610
Other expense, net.....	-	-	-	-	-	13,262
Equity in net loss of unconsolidated affiliate.....	-	-	1,302	-	-	1,228
Total other expenses.....	-	-	4,824	-	-	17,100
Net income (loss)	\$7,492	(\$18,106)	(\$15,438)	(\$20,982)	(\$61,595)	(\$99,677)

During the second quarter of fiscal 2002, EMCORE recorded pre-tax charges to income totaling \$50.4 million, which included fixed asset impairment charges of \$34.8 million, excess inventory reserve of \$11.9 million, loss provision for accounts receivable of \$2.6 million and severance charges of \$1.1 million.

The reportable operating segments are each managed separately because they manufacture and distribute distinct products and services. The table below outlines EMCORE's four different product lines:

Product Lines	For the six months ended March 31,				For the six months ended March 31,			
	2003		2002		2003		2002	
	Revenue	%	Revenue	%	Revenue	%	Revenue	%
Systems-related:								
TurboDisc.....	\$10,777	39%	\$4,341	19%	\$24,619	48%	\$14,636	35%
Material-related:								
Photovoltaics.....	5,211	19%	10,958	47%	10,286	20%	12,787	30%
Fiber Optics.....	9,685	35%	2,427	11%	11,971	24%	3,754	9%
Electronic Materials & Devices.....	2,001	7%	5,352	23%	4,044	8%	11,038	26%
TOTAL	\$27,674	100%	\$23,078	100%	\$50,920	100%	\$42,215	100%

#### Customers

Since its inception, EMCORE has worked closely with its customers to design and develop process technology and material science expertise for use in production systems for its customers' end-use applications. EMCORE has leveraged its process and materials science knowledge base to manufacture a broad range of compound semiconductor wafers and devices such as VCSELs, photodetectors, RF and electronic materials, solar cells, HB-LEDs and MR sensors. EMCORE's customer base includes many of the largest semiconductor, telecommunications, consumer goods and computer manufacturing companies in the world. Some of our customers include Agere Systems, Inc., Agilent Technologies Ltd., Anadigics Inc., Boeing-Spectrolab, Corning, Inc., General Motors Corp., Hewlett Packard Co., Honeywell International, Inc., Infineon Technologies AG, Loral Space & Communications Ltd., LumiLeds Lighting (a joint venture between Philips Lighting and Agilent Technologies), Motorola, Inc., Nortel Networks Corp., Siemens AG's Osram GmbH subsidiary, TriQuint Semiconductor, Inc., Tyco, Inc., many of the largest electronics manufacturers in Japan and a number of Taiwanese, Chinese and Korean companies. EMCORE also sells to a number of other customers whose names cannot be identified because of confidentiality obligations.

EMCORE has generated a significant portion of its sales to customers outside the United States. EMCORE anticipates that international sales will continue to account for a significant portion of revenues. Historically, EMCORE has received substantially all payments for products and services in U.S. dollars, and therefore, EMCORE does not anticipate that fluctuations in any currency will have a material effect on its financial condition or results of operations.

The following chart contains a breakdown of EMCORE's consolidated revenues by geographic region:

Region:	For the three months ended March 31,				For the six months ended March 31,			
	2003		2002		2003		2002	
	Revenue	%	Revenue	%	Revenue	%	Revenue	%
North America.	\$15,911	58%	\$18,889	82%	\$26,505	52%	\$31,877	76%
Asia.....	8,653	31%	2,063	9%	15,832	31%	4,794	11%
Europe.....	3,110	11%	2,126	9%	8,583	17%	5,544	13%
TOTAL	\$27,674	100%	\$23,078	100%	\$50,920	100%	\$42,215	100%

#### Backlog

As of March 31, 2003, EMCORE had a backlog believed to be firm of approximately \$52.1 million, consisting of approximately \$29.3 million of system-related orders and \$22.8 million of materials-related orders. This compares to a backlog of \$45.5 million as reported at September 30, 2002. The book-to-bill ratio for MOCVD systems was 1.46 for the three months ended March 31, 2003. The increase in backlog was attributable to increased demand for MOCVD systems and the \$4.4 million of backlog acquired from Ortel. Historically, significant portions of our materials-related revenues are not reported in backlog since our customers have reduced lead times. Many of our materials-related sales usually occur within the same month when the purchase order is received. The backlog does not include orders for product that have not met qualification specifications, nor does it include anticipated service or component orders, estimated at \$8 million annually, since these orders have very short lead times. We believe the entire backlog could be filled during the following twelve months. However, especially given the current market environment, customers may delay shipment of certain orders. Backlog also could be adversely affected if customers unexpectedly cancel purchase orders accepted by us.

#### Application of Critical Accounting Policies

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates. The significant accounting policies, which we believe are the most critical to the understanding of reported financial results, include the following:

- o Accounts Receivable - EMCORE maintains allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. If the financial condition of our customers were to deteriorate, additional allowances may be required.
- o Inventories - Inventories are stated at the lower of cost or market with cost being determined using the first-in, first-out (FIFO) method. EMCORE provides estimated inventory allowances for obsolete and excess inventory based on assumptions about future demand and market conditions. If future demand or market conditions are different than those projected by management, adjustments to inventory allowances may be required.
- o Impairment of Long-lived Assets - EMCORE reviews long-lived 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 to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell.

- o Goodwill - In accordance with SFAS No. 142, Goodwill and Other Intangible Assets, EMCORE reviews goodwill for impairment at the reporting unit level on an annual basis, or whenever an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. If the carrying amount of goodwill for a particular reporting unit exceeds the implied fair value of that goodwill, an impairment loss not to exceed the carrying amount of goodwill is recognized in an amount equal to that excess. After the goodwill impairment loss is recognized, the adjusted carrying amount of goodwill is its new accounting basis.
- o Revenue Recognition - Revenues from systems-related sales are recognized upon shipment where product has met customer's specifications and when the title, ownership and risk of loss have passed to the customer. EMCORE's billing terms on system sales generally include a holdback of 10-20 percent on the total purchase price subject to completion of the installation and final acceptance process at the customer site. EMCORE defers this portion of revenue related to installation and final acceptance until such installation and final acceptance has been completed.

Revenues from materials-related sales are recognized when the product meets the customer's specifications and when title, ownership and risk of loss have passed to the customer. For new applications of EMCORE's products where performance cannot be assessed prior to meeting specifications at the customer's site, no revenue is recognized until such specifications are met.

EMCORE records revenues from solar panel contracts using the percentage-of-completion method where the elapsed time from award of a contract to completion of performance exceeds 6 months. Revenue is recognized in proportion to actual costs incurred compared to total anticipated costs expected to be incurred for each contract. If estimates of costs to complete long-term contracts indicate a loss, a provision is made for the total loss anticipated. EMCORE has numerous contracts that are in various stages of completion. Such contracts require estimates to determine the appropriate cost and revenue recognition. EMCORE uses all available information in determining dependable estimates of the extent of progress towards completion, contract revenues and contract costs. Estimates are revised as additional information becomes available.

EMCORE's research contracts require the development or evaluation of new materials applications and generally have a duration of 6 to 48 months. Contracts with a duration of six months or less are accounted for on the completed contract method. Contracts of greater than 6 months contain interim milestones, reporting and invoicing requirements and are billed according to the contract. For "Cost-Plus-Fixed-Fee" research contracts with the Government, EMCORE recognizes revenue to the extent of costs incurred plus the estimated gross profit as stipulated in such contracts, based upon contract performance. For other long-term contracts, EMCORE recognizes the revenues and associated costs on these contracts as each major milestone in the contract is met. A contract is considered complete when all significant costs have been incurred, and the research reporting requirements to the customer have been met. Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs and depreciation costs, as well as coverage of certain general and administrative costs. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined.

EMCORE also provides service for its products. Revenue from time and materials based service arrangements is recognized as the service is performed. Revenue from service contracts is recognized ratably over the term of such service contracts. Service revenue is insignificant for all periods presented.

In rare occurrences, at the customer's written request, EMCORE enters into bill and hold transactions whereby title transfers to the customer, but the product does not ship until a specified later date. EMCORE recognizes revenues associated with the sale of product from bill and hold arrangements when the product is complete, ready to ship, and all bill and hold criteria have been met.

The impact of and any associated risks relating to these policies on our business operations is discussed above and throughout Management's Discussion and Analysis of Financial Condition and Results of Operations where such policies affect our reported and expected financial results.

#### Recent Accounting Pronouncement

##### FIN 45

In November 2002, the Financial Accounting Standards Board ("FASB") issued Financial Interpretation No. 45 ("FIN 45"), Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others. FIN 45 clarifies that a guarantor is required to recognize, at the inception of the guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and initial measurement provisions of FIN 45 are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. FIN 45 also requires enhanced and additional disclosures of guarantees in financial statements ending after December 15, 2002. In the normal course of business, EMCORE does not issue guarantees; accordingly, FIN 45 has no effect on the financial statements.

In April 2003, the FASB issued SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities. SFAS No. 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. The changes in SFAS No. 149 improve financial reporting by requiring that contracts with comparable characteristics be accounted for similarly. In particular, SFAS No. 149 (1) clarifies under what circumstances a contract with an initial net investment meets the characteristic of a derivative discussed in paragraph 6(b) of SFAS No. 133, (2) clarifies when a derivative contains a financing component, (3) amends the definition of an underlying to conform it to language used in FIN 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, and (4) amends certain other existing pronouncements. Those changes will result in more consistent reporting of contracts as either derivatives or hybrid instruments. SFAS No. 149 is to be applied prospectively to contracts entered into or modified after June 30, 2003, with certain exceptions, and for hedging relationships designated after June 30, 2003. Management believes that adopting this statement will not have a material impact on the financial position, results of operations, or cash flows of EMCORE.

#### Results of Operations

The following table sets forth the condensed consolidated Statement of Operations data of EMCORE expressed as a percentage of total revenues for the three and six months ended March 31, 2003 and 2002:

#### Statements of Operations Data:

	For the three months ended March 31,		For the six months ended March 31,	
	2003	2002	2003	2002
	----	----	----	----
Revenues.....	100.0%	100.0%	100.0%	100.0%
Cost of revenues.....	90.1%	139.6%	90.2%	115.6%
	-----	-----	-----	-----
Gross profit (loss).....	9.9%	(39.6)%	9.8%	(15.6)%
Operating expenses:				
Selling, general and administrative....	26.7%	41.1%	25.9%	39.0%
Research and development.....	19.6%	50.3%	17.7%	55.8%
Gain on debt extinguishment.....	-	-	(13.0)%	-
Impairment and restructuring.....	-	155.7%	-	85.2%
	-----	-----	-----	-----
Total operating expenses.....	46.3%	247.1%	30.6%	180.0%
	-----	-----	-----	-----
Operating loss.....	(36.4)%	(286.7)%	(20.8)%	(195.6)%
Other expenses:				
Interest expense, net.....	6.3%	7.3%	6.9%	6.2%
Other expense, net.....	-	-	-	31.4%
Equity in net loss of unconsolidated affiliate	2.6%	3.7%	2.6%	2.9%
	-----	-----	-----	-----
Total other expenses.....	8.9%	11.0%	9.5%	40.5%
	-----	-----	-----	-----
Net loss.....	(45.3)%	(297.7)%	(30.3)%	(236.1)%
	=====	=====	=====	=====

#### Comparison of the three and six-month periods ended March 31, 2003 and 2002

Revenues. EMCORE's revenues increased 20% or \$4.6 million from \$23.1 million for the three months ended March 31, 2002 to \$27.7 million for the three months ended March 31, 2003. In January 2003, EMCORE acquired Ortel, which contributed approximately \$7.1 million of materials-related revenues to the second quarter of fiscal 2003. This represents the highest revenue quarter that EMCORE has experienced since the quarter ended September 30, 2001. International sales accounted for 42% and 18% of revenues for the three months ended March 31, 2003 and 2002, respectively. For the six months ended March 31, 2003 and 2002, revenues increased 21% or \$8.7 million from \$42.2 to \$50.9 million. Excluding the results of Ortel, revenues would have increased approximately \$1.6 million from the prior period. International sales accounted for 48% and 24% of revenues for the six months ended March 31, 2003 and 2002, respectively. Due to the significant increase in quarter-over-quarter backlog and the Ortel acquisition, fiscal 2003 third quarter revenue is expected to increase approximately 20% over second quarter results to \$32-\$34 million.

For the three-month periods ended March 31, 2003 and 2002, systems-related revenues increased 151% or \$6.5 million from \$4.3 million reported in the prior period to \$10.8 million. Systems-related sales represented 39% and 19% of EMCORE's total consolidated revenues, respectively, for the quarters ended March 31, 2003 and 2002. The capital equipment market continues to be dominated by demand for gallium nitride LEDs. System shipments during the quarter were 80% LED related and 20% consumer electronics related. The number of MOCVD production systems shipped during the quarter increased 150% from 2 systems in fiscal 2002 to 5 systems in fiscal 2003. For the six months ended March 31, 2003 and 2002, systems-related revenues increased 68% or \$10.0 million from \$14.6 million reported in the prior period to \$24.6 million. Systems-related sales represented 48% and 35% of EMCORE's total consolidated revenues, respectively, for the six-month periods ended March 31, 2003 and 2002. The number of MOCVD production systems shipped during the six-month periods increased 140% from 5 systems in 2002 to 12 systems in 2003. Second quarter component and service revenue in fiscal 2003 of \$2.1 million increased as expected when compared to \$1.4 million earned in the prior period. Based on EMCORE's backlog of system orders, management expects annual systems-related revenues to increase approximately 50% in fiscal 2003 when compared to fiscal 2002.

For the three-month periods ended March 31, 2003 and 2002, materials-related revenues decreased 10% or \$1.8 million from \$18.7 million reported in the prior period to \$16.9 million. On a product line basis, sales of photovoltaic products decreased \$5.7 million or 52%, fiber optic devices and components increased \$7.2 million or 299% and electronic materials and devices decreased \$3.3 million or 63% from the prior period. Excluding the results of Ortel, materials-related revenues decreased 48% or \$8.9 million from the prior period. Materials-related sales represented 61% and 81% of EMCORE's total consolidated revenues, respectively, for the quarters ended March 31, 2003 and 2002. For the six months ended March 31, 2003 and 2002, materials-related revenues decreased 5% or \$1.3 million from \$27.6 million reported in the prior period to \$26.3 million. On a product line basis, sales of photovoltaic products decreased \$2.5 million or 20%, fiber optic devices and components increased \$8.2 million or 219% and electronic materials and devices decreased \$7.0 million or 63% from the prior period. Excluding the results of Ortel, materials-related revenues decreased 30% or \$8.4 million from the prior period. Materials-related sales represented 52% and 65% of EMCORE's total consolidated revenues, respectively, for the six-month periods ended March 31, 2003 and 2002.

Sales of photovoltaic products, which include solar cells, CICs and solar panels, represented 19% and 47% of EMCORE's total consolidated revenues for the three months ended March 31, 2003 and 2002, respectively. For the six months ended March 31, 2003 and 2002, sales of photovoltaic products represented 20% and 30%, respectively, of EMCORE's total consolidated revenue. The decrease in revenue is attributable to the continued weakness in satellite infrastructure spending, which has created delays in program deployment. Accordingly, we expect annual photovoltaic revenues will remain flat, or at best, modestly increase in fiscal 2003 compared to fiscal 2002.

Sales of fiber optic products, which include VCSELs, VCSEL-based array transceivers and transponders, photodetectors, and Ortel's product lines represented 35% and 11% of EMCORE's total consolidated revenues for the three months ended March 31, 2003 and 2002, respectively. For the six-month periods ended March 31, 2003 and 2002, sales of fiber optic products represented 24% and 9%, respectively, of EMCORE's total consolidated revenue. EMCORE continues to work with customers to optimize our designs in packaged solutions. We expect these products to generate more revenue in fiscal 2003 than in fiscal 2002, due to the Ortel acquisition and as EMCORE finalizes the development and commercialization of new fiber optic products.



Sales of electronic materials and device products, which include RF materials and MR sensors, represented 7% and 23% of EMCORE's total consolidated revenues for the three months ended March 31, 2003 and 2002, respectively. For the six-month periods ended March 31, 2003 and 2002, sales of electronic materials and device products represented 8% and 26%, respectively, of EMCORE's total consolidated revenue. RF materials are compound semiconductor materials that enable circuits and devices to operate at radio frequencies and are primarily used in cellular phones and base stations. In fiscal 2002, Motorola was the largest customer for the materials-related segment and revenues from Motorola represented approximately 13% of EMCORE's total fiscal 2002 revenues. EMCORE broadened its relationship with Motorola by selling them two EMCORE MOCVD systems, which may be used for both research and development and as an internal source of production for electronic materials. In light of the fact that Motorola has developed the capacity to supply a portion of their needs internally and due to the delayed introduction of InGaP HBTs into GSM handsets, RF materials related revenues have decreased significantly since fiscal 2002. This market is highly competitive, raw materials are extremely expensive and average selling prices have been declining over the past two years. As a result of continued weakness in market conditions for wireless infrastructure spending, we expect RF materials related revenue to decline in fiscal 2003 from fiscal 2002 and become less significant or strategic to overall EMCORE revenues. Quarterly revenues from our mature MR sensors product line decreased \$0.3 million from the prior year as a result of the phase out of certain automotive models at General Motors. Our contract with General Motors expires in fiscal 2004.

Gross Profit. EMCORE's gross profit was \$2.8 million for the three months ended March 31, 2003 compared to a gross loss of \$9.1 million for the three months ended March 31, 2002, representing a 130% increase totaling \$11.9 million. For the three-month periods ended March 31, 2003 and 2002, gross margins increased from -40% to 10%. For the six-month periods ended March 31, 2003 and 2002, gross profit increased 176% or \$11.6 million from -\$6.6 million to \$5.0 million. For the six-month periods ended March 31, 2003 and 2002, gross margins increased from -16% to 10%. The increase in gross profit occurred in both the systems-related and materials-related segments. An \$11.9 million charge was recorded in the second quarter of fiscal 2002 to reserve for excess inventory that EMCORE believed it was carrying as a result of the market conditions. EMCORE continues to monitor its reserves and to the extent that inventories that have been reserved as excess are ultimately sold, such amounts will be disclosed in the future. Since EMCORE is operating at approximately 20% capacity, we anticipate that gross profits and margins will continue to be affected in the near term by any unabsorbed fixed costs.

For the three months ended March 31, 2003 and 2002, EMCORE's gross profit on systems-related revenues increased 243% or \$6.1 million from -\$2.5 million to \$3.6 million. Gross margins for systems-related revenues increased to 33% from -58%, for the three-month periods ended March 31, 2003 and 2002, respectively. For the six-month periods ended March 31, 2003 and 2002, gross profit on systems-related revenues increased 250% or \$6.0 million from \$2.4 million to \$8.4 million. Gross margins for systems-related revenues increased to 34% from 16%, for the six-month periods ended March 31, 2003 and 2002, respectively. This gross margin increase was a result of a \$4.2 million inventory charge in fiscal 2002 and differences in pricing and product mix of MOCVD systems sales. The average selling price for MOCVD systems sold during the second quarter of fiscal 2003 was approximately \$1.6 million as compared to \$1.1 million in the second quarter of fiscal 2002.

For the three months ended March 31, 2003 and 2002, EMCORE's gross profit on materials-related revenues increased 87% or \$5.8 million from -\$6.6 million to -\$0.8 million. Gross margins for materials-related revenues increased to -5.0% from -35%, for the three-month periods ended March 31, 2003 and 2002, respectively. For the six months ended March 31, 2003 and 2002, gross profit on materials-related revenues increased 61% or \$5.5 million from -\$9.0 million to -\$3.5 million. Gross margins for materials-related revenues increased to -13% from -33%, for the six-month periods ended March 31, 2003 and 2002, respectively. The most significant factor contributing to these negative gross margins is unabsorbed overhead costs associated with lower revenues. The significant increase in gross margins is a direct result of a one-time \$7.8 million inventory charge in fiscal 2002. Regarding unabsorbed expenses, EMCORE has a significant amount of fixed expenses relating to capital equipment and manufacturing overhead in its new facilities where materials-related products are manufactured. By December 2001, EMCORE's manufacturing facilities for its materials-related businesses were all completed and placed into service with the anticipation of expanding market prospects. Lower than forecasted materials-related revenues caused these fixed expenses to be allocated across reduced production volumes, adversely affecting gross profit and margins.

Selling, General and Administrative. EMCORE's selling, general and administrative (SG&A) expenses decreased 22%, or \$2.1 million, from \$9.5 million for the three months ended March 31, 2002 to \$7.4 million for the three months ended March 31, 2003. The Ortel acquisition added approximately \$1.6 million to SG&A expenses in the second quarter of fiscal 2003. For the six-month periods ended March 31, 2003 and 2002, SG&A expenses decreased 20% or \$3.3 million from \$16.5 million to \$13.2 million. The decrease was primarily related to fiscal 2002 restructuring programs, which involved headcount reduction and a cutback on marketing expenditures. As a percentage of revenue, SG&A expenses decreased from 39% for the six months ended March 31, 2002 to 27% in fiscal 2003. Assuming no further non-recurring charges and acquisitions, management expects annual SG&A expenses in fiscal year 2003 to continue to decrease in absolute dollars from fiscal 2002 as a result of implemented cost control and restructuring programs.

Research and Development. EMCORE's research and development (R&D) expenses decreased 53%, or \$6.2 million, from \$11.6 million for the three months ended March 31, 2002 to \$5.4 million for the three months ended March 31, 2003. The Ortel acquisition added approximately \$1.1 million to R&D expenses in the second quarter of fiscal 2003. For the six-month periods ended March 31, 2003 and 2002, R&D expenses decreased 62% or \$14.6 million from \$23.6 million to \$9.0 million. This decrease was due primarily to the deferral or elimination of certain non-critical research and development projects as well as less R&D costs being incurred on our fiber-optic product line as new components have been released for commercial use. As a percentage of revenue, R&D expenses decreased from 56% for the six months ended March 31, 2002 to 20% in 2003. Assuming no non-recurring charges and acquisitions, management expects annual R&D expenses in fiscal year 2003 to continue to decrease in absolute dollars from fiscal 2002 as a result of implemented cost control and restructuring programs.

Gain From Debt Extinguishment. In December 2002, EMCORE purchased, in multiple transactions, \$13.3 million principal amount of the notes at prevailing market prices, for an aggregate of approximately \$6.3 million. As a result of the transaction, EMCORE recorded a gain from operations of approximately \$6.6 million after netting unamortized debt issuance costs of approximately \$0.3 million.

Impairment and Restructuring Charges. During the second quarter of fiscal 2002, EMCORE recorded pre-tax charges to income totaling \$50.4 million, which included impairment charges of \$34.8 million and restructuring charges of \$1.1 million, an \$11.9 million inventory writedown and a \$2.6 million writedown of accounts receivable. All monetary obligations relating to these charges have been paid as of March 31, 2003.

Impairment charges: EMCORE recorded \$34.8 million of non-cash impairment charges related to its fixed assets. Of this charge, \$11.3 million related to certain manufacturing assets that were disposed of. The remainder of the impairment charge related principally to EMCORE's Electronic Materials and Devices and Fiber Optics groups. During fiscal 2000 and 2001, EMCORE completed new facilities for these businesses in anticipation of expanding market prospects. Fiscal 2002 business forecasts indicated significantly diminished prospects for these units, primarily based on the downturn in the telecommunications industry. As a result of these circumstances, management determined that the long-lived assets of these groups should be assessed for impairment. Based on the outcome of this assessment, pursuant to SFAS 121, "Accounting for the Impairment of Long-lived Assets and for Long-lived Assets to be Disposed Of", EMCORE recorded a \$23.5 million non-cash asset impairment charge to fixed assets in the second quarter of 2002. Of the impairment charges recorded in the second quarter of fiscal 2002, \$4.0 million related to EMCORE's systems-related business segment and \$30.8 million related to the materials-related business segment.

Restructuring charges: EMCORE's fiscal 2002 restructuring program consisted of the realignment of all engineering, manufacturing and sales/marketing operations, as well as workforce reductions. Included in the provision for impairment and restructuring charges were severance and fringe benefit charges of \$1.1 million related to employee termination costs for 120 employees. Of the severance charges recorded in the second quarter of fiscal 2002, \$0.6 million related to EMCORE's systems-related business segment and \$0.5 million related to the materials-related business segment.

Interest Expense, net. For the three-month periods ended March 31, 2003 and 2002, net interest expense remained constant at \$1.7 million. For the six-month periods ended March 31, 2003 and 2002, net interest expense increased \$0.9 million from \$2.6 million reported in the prior period, to \$3.5 million due to less investments in marketable securities.

Other Expense. In August 2001, EMCORE received common stock in Uniroyal Technology Corporation (UTCI). During the quarter ended December 31, 2001, management evaluated the relevant facts and circumstances, including the current fair market value of UTCI common stock, and determined that an other-than-temporary impairment of the investment existed. Accordingly, EMCORE took a charge of \$13.3 million to establish a new cost basis for the UTCI common stock, which was recorded as other expense.

Equity in Unconsolidated Affiliate. Because EMCORE does not have a controlling economic and voting interest in its joint venture with General Electric Lighting, EMCORE accounts for it under the equity method of accounting. For the three and six months ended March 31, 2003, EMCORE incurred a net loss of \$0.7 million and \$1.3 million, respectively, related to the GELcore joint venture. For the three and six months ended March 31, 2002, EMCORE incurred a net loss of \$0.9 million and \$1.2 million, respectively, related to the GELcore joint venture.

Income Taxes. As a result of its losses, EMCORE did not incur any income tax expense in both the three and six-month periods ended March 31, 2003 and 2002.

## Liquidity and Capital Resources

### Working Capital

EMCORE has funded operations to date through product sales, sales of equity, subordinated debt and borrowings under revolving credit facilities. Significant financial transactions include the following:

- o In May 2001, EMCORE issued \$175.0 million of 5% convertible subordinated notes;
- o In March 2000, EMCORE raised approximately \$127.5 million from an additional equity offering;
- o In June 1999, EMCORE raised approximately \$52.0 million from a secondary public offering.

At March 31, 2003, EMCORE had working capital of approximately \$70.0 million. Working capital at September 30, 2002 was \$111.8 million. Cash, cash equivalents and marketable securities at March 31, 2003 totaled \$43.7 million, which reflects net cash usage of \$40.5 million for fiscal 2003. The following four items accounted for virtually all of the cash usage:

- o \$26.5 million Acquisitions: ORTEL Corporation and Alvesta Corporation
- o \$ 6.3 million Repurchase of convertible subordinated notes
- o \$ 4.5 million Semi-annual interest payment on convertible subordinated notes
- o \$ 2.0 million Investment into GELcore joint venture

### Net Cash Used For Operations

For the six-month period ended March 31, 2003, net cash used for operations totaled \$4.6 million, an improvement of \$19.5 million from the six-month period ended March 31, 2002, when net cash used for operating activities totaled \$24.1 million. Included in EMCORE's fiscal 2003 net loss of \$15.4 million were non-cash items of \$6.6 million related to the gain from partial debt extinguishment and \$9.9 million in depreciation and amortization expenses. Changes in balance sheet accounts for the six months ended March 31, 2003 and 2002 totaled \$5.4 million and -\$1.1 million, respectively. Improvements in receivable collections and inventory turnover more than offset payments made on liabilities during fiscal 2003. During fiscal 2002, EMCORE proceeded with a restructuring program, consisting of the realignment of all engineering, manufacturing and sales/marketing operations, as well as workforce reductions. This restructuring should enable us to achieve our goal of having positive cash flow from operations by the end of fiscal 2003, assuming revenues in fiscal 2003 are consistent with revenues in fiscal 2002.

#### Net Cash Provided by Investment Activities

For the six months ended March 31, 2003, net cash provided by investment activities totaled \$6.3 million. For the six months ended March 31, 2002, net cash provided by investment activities totaled \$0.5 million.

- o Capital expenditures - Fiscal 2003 capital expenditures were \$0.9 million compared with \$5.7 million in fiscal 2002. As part of our ongoing effort to conserve cash, EMCORE's capital expenditures in fiscal 2003 consisted almost solely of sustaining capital purchases. EMCORE estimates total capital expenditures in fiscal 2003 to be approximately \$2.5 million.
- o Acquisitions - In December 2002, EMCORE acquired certain assets of privately held Alvesta Corporation of Sunnyvale, California. The total cash purchase price, including acquisition costs, was approximately \$250,000. In January 2003, EMCORE purchased Ortel for \$26.2 million in cash.
- o Investments - For both the six-month periods ending March 31, 2003 and 2002, investments in EMCORE's GELcore joint venture totaled approximately \$2.0 million each. EMCORE expects to invest an additional \$1.5 million into the GELcore joint venture by September 30, 2003.
- o Repayment of loan - In November 2001, EMCORE received payment from UTCI of \$5.0 million for a related party loan made in August 2001.
- o Marketable securities - For the six-month period ending March 31, 2003, EMCORE's net investment in marketable securities decreased by \$35.6 million in order to fund acquisitions and operations.

#### Net Cash Provided By (Used For) Financing Activities

Net cash used for financing activities in the six-month period ended March 31, 2003 amounted to approximately \$6.5 million of which \$6.6 million related to the partial repurchase of our convertible subordinated notes. Net cash provided by financing activities in the six-month period ended March 31, 2002 amounted to approximately \$5.3 million of which \$4.2 million related to proceeds received from the exercise of common stock warrants which were due.

#### Financing Transactions

In May 2001, EMCORE issued \$175.0 million aggregate principal amount of its 5% convertible subordinated notes due in May 2006. Net proceeds received by EMCORE, after costs of issuance, were approximately \$168.8 million. Interest is payable in arrears semiannually on May 15 and November 15 of each year, which began on November 15, 2001. The notes are convertible into EMCORE common stock at a conversion price of \$48.76 per share, subject to certain adjustments, at the option of the holder. The notes may be redeemed at EMCORE's option, on or after May 20, 2004 at specific redemption prices. There are no financial covenants related to these notes. For the three-month periods ended December 31, 2002 and 2001, interest expense relating to the notes approximated \$4.4 million and \$4.6 million, respectively.

In May 2002, the Board of Directors authorized EMCORE from time to time to repurchase a portion of the notes in one or more open market transactions, in accordance with certain guidelines. In December 2002, EMCORE purchased, in multiple transactions, \$13.3 million principal amount of the notes at prevailing market prices, for an aggregate purchase price of approximately \$6.3 million. As a result of the transaction, EMCORE recorded a gain from operations of approximately \$6.6 million after netting unamortized debt issuance costs of approximately \$0.3 million. Annual interest expense in future periods also has been decreased by approximately \$650,000. EMCORE may continue to repurchase notes through various means, including but not limited to one or more open market or privately negotiated transactions in future periods. The timing and amount of repurchase, if any, whether de minimis or material, will depend on many factors, including but not limited to, the availability of capital, the prevailing market price of the convertible notes and overall market conditions.

In fiscal 2000, GELcore entered into a Revolving Loan Agreement (the "GELcore Credit Facility") with General Electric Canada, Inc., an affiliate of GE, which is the owner of a 51% controlling share of GELcore. The GELcore Credit Facility provides for borrowings of up to Canadian \$7.5 million (US \$5.1 million at March 31, 2003) at a rate of interest based on prevailing Canadian interest rates. Amounts outstanding under the GELcore Credit Facility are payable on demand, and the GELcore Credit Facility expires in August 2003. EMCORE has guaranteed 49% (i.e. its proportionate share) of GELcore's obligations under the GELcore Credit Facility. As of March 31, 2003, US \$2.7 million was outstanding under the GELcore Credit Facility.

As of March 31, 2003, EMCORE had a remaining 2.0 million shares of common stock available on a filed shelf registration statement previously declared effective by the SEC.

#### Conclusion

EMCORE believes that its current liquidity should be sufficient to meet its cash needs for working capital through the next twelve months. However, if cash generated from operations and cash on hand are not sufficient to satisfy EMCORE's liquidity requirements, EMCORE will seek to obtain additional equity or debt financing. Additional funding may not be available when needed or on terms acceptable to EMCORE. If EMCORE is required to raise additional financing and if adequate funds are not available or not available on acceptable terms, the ability to continue to fund expansion, develop and enhance products and services, or otherwise respond to competitive pressures may be severely limited. Such a limitation could have a material adverse effect on EMCORE's business, financial condition, results of operations and cash flow.

#### ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

Although EMCORE occasionally enters into transactions denominated in foreign currencies, the total amount of such transactions is not material. Accordingly, fluctuations in foreign currency value should not have a material adverse effect on our future financial condition or results of operations.

#### ITEM 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures - The term "disclosure controls and procedures" is defined in Rules 13a-14(c) and 15d-14(c) of the Exchange Act. These rules refer to the controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files under the Exchange Act is recorded, processed, summarized and reported within required time periods. Our Chief Executive Officer and our Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures as of a date within 90 days before the filing of this quarterly report (the "Evaluation Date"), and they have concluded that, as of the Evaluation Date, such controls and procedures were effective at ensuring that required information will be disclosed on a timely basis in our reports filed under the Exchange Act.

(b) Changes in internal controls - We maintain a system of internal accounting controls that are designed to provide reasonable assurance that our books and records accurately reflect our transactions and that our established policies and procedures are followed. Subsequent to the Evaluation Date, there were no significant changes to our internal controls or in other factors that could significantly affect our internal controls.

#### PART II. OTHER INFORMATION

##### ITEM 1. LEGAL PROCEEDINGS

We are involved in lawsuits, claims, investigations and proceedings which arise in the ordinary course of business. There are no matters pending that we expect to be material in relation to our business, consolidated financial condition, results of operations or cash flows.

##### ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

Not applicable.

##### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

##### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The following matters were submitted to a vote of shareholders at EMCORE's 2003 Annual Meeting of Shareholders held February 27, 2003:

a) Election of Director.

	Number of Shares:	
	For	Withheld
Thomas G. Werthan	32,911,274	1,053,209

b) Ratify selection of Deloitte & Touche LLP as independent auditors of the Company for fiscal year ended September 30, 2003.

For  
26,645,357

Number of Shares:  
Against  
7,315,075

Abstain  
4,051

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) List of Exhibits

99.1 Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.\*

99.2 Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.\*

\* These documents are being furnished in accordance with SEC Release Nos. 33-8212 and 34-47551.

(b) Reports on Form 8-K

- o Form 8-K dated February 4, 2003; announcing the Ortel acquisition.
- o Form 8-K dated March 11, 2003; announcing that the Board of Directors of EMCORE appointed John M. Gillen as a Director.

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EMCORE CORPORATION

Date: May 15, 2003 By: /s/ Reuben F. Richards, Jr.  
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Reuben F. Richards, Jr.  
President and Chief Executive Officer

Date: May 15, 2003 By: /s/ Thomas G. Werthan  
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Thomas G. Werthan  
Vice President and Chief Financial Officer

I, Reuben F. Richards, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of EMCORE Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 15, 2003

/s/ Reuben F. Richards, Jr.  
Reuben F. Richards, Jr.  
President and CEO



I, Thomas G. Werthan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of EMCORE Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 15, 2003

/s/ Thomas G. Werthan  
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Thomas G. Werthan  
Chief Financial Officer

EXHIBIT INDEX

Exhibit Number	Description
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99.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
99.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*

\* These documents are being furnished in accordance with SEC Release Nos. 33-8212 and 34-47551.

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STATEMENT REQUIRED BY 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of EMCORE Corporation (the "Company") for the quarter ended March 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Reuben F. Richards, Jr., President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that: 1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and 2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Reuben F. Richards, Jr.

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Reuben F. Richards, Jr.

May 15, 2003

A signed original of this written statement required by Section 906 has been provided to EMCORE Corporation and will be retained by EMCORE Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

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STATEMENT REQUIRED BY 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of EMCORE Corporation (the "Company") for the quarter ended March 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas G. Werthan, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that: 1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and 2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Thomas G. Werthan

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Thomas G. Werthan  
May 15, 2003

A signed original of this written statement required by Section 906 has been provided to EMCORE Corporation and will be retained by EMCORE Corporation and furnished to the Securities and Exchange Commission or its staff upon request.