

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 December 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 February 6, 2004 was 38,826,418.

ITEM 1. FINANCIAL STATEMENTS

EMCORE CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2003 AND 2002
[IN THOUSANDS, EXCEPT INCOME (LOSS) PER SHARE]
(UNAUDITED)

	THREE MONTHS ENDED DECEMBER 31,	
	2003	2002
Revenue.....	\$23,125	\$9,382
Cost of revenue.....	19,945	12,007
Gross profit (loss).....	3,180	(2,625)
Operating expenses:		
Selling, general and administrative.....	5,307	3,974
Research and development.....	6,046	2,449
Gain from debt extinguishment.....	-	(6,614)
Total operating expenses (income).....	11,353	(191)
Operating loss.....	(8,173)	(2,434)
Other expenses:		
Interest income.....	(158)	(405)
Interest expense.....	2,025	2,191
Equity in net (income) loss of unconsolidated affiliate..	(267)	571
Total other expenses.....	1,600	2,357
Loss from continuing operations.....	(9,773)	(4,791)
Discontinued operations:		
(Loss) income from discontinued operations.....	(1,697)	1,894
Gain on disposal of discontinued operations.....	19,584	-
Income from discontinued operations.....	17,887	1,894
Net income (loss).....	\$8,114	\$(2,897)
=====		
PER SHARE DATA:		
Basic per share data:		
Loss from continuing operations.....	\$(0.26)	\$(0.13)
Income from discontinued operations.....	0.47	0.05
Net income (loss).....	\$0.21	\$(0.08)
=====		
Diluted per share data:		
Loss from continuing operations.....	\$(0.25)	\$(0.13)
Income from discontinued operations.....	0.45	0.05
Net income (loss).....	\$0.20	\$(0.08)
=====		
Weighted average basic shares outstanding used in per share calculations.....	37,862	36,781
=====		
Weighted average diluted shares outstanding used in per diluted share calculation.....	39,670	36,781
=====		

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE
CONSOLIDATED FINANCIAL STATEMENTS.

EMCORE CORPORATION
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2003 AND SEPTEMBER 30, 2003
(IN THOUSANDS)

ASSETS	AS OF DECEMBER 31, 2003 (unaudited)	AS OF SEPTEMBER 30, 2003
Current assets:		
Cash and cash equivalents.....	\$54,37	\$28,439
Marketable securities.....	24,052	-
Accounts receivable, net.....	19,614	14,221
Accounts receivable - related party.....	313	325
Inventories, net.....	14,116	13,963
Prepaid expenses and other current assets.....	1,574	1,936
Assets of discontinued operations.....	-	44,456
Total current assets.....	114,047	103,340
Property, plant and equipment, net.....	72,515	74,722
Goodwill.....	31,884	30,366
Intangible assets, net.....	4,886	4,568
Investments in unconsolidated affiliate.....	9,481	9,214
Other assets, net.....	9,817	10,229
Total assets.....	\$242,630	\$232,439
=====		
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable.....	\$11,004	\$8,155
Accrued expenses.....	13,963	13,204
Customer deposits.....	518	295
Capitalized lease obligation - current portion.....	47	52
Liabilities of discontinued operations.....	-	4,170
Total current liabilities.....	25,532	25,876
Convertible subordinated notes.....	161,750	161,750
Capitalized lease obligation, net of current portion.....	24	41
Total liabilities.....	187,306	187,667
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, 38,564 shares issued and 38,544 outstanding at December 31, 2003; 37,327 shares issued and 37,307 outstanding at September 30, 2003.....	337,729	335,266
Accumulated deficit.....	(281,324)	(289,438)
Accumulated other comprehensive loss.....	(115)	(90)
Shareholders' notes receivable.....	(34)	(34)
Treasury stock, at cost; 20 shares.....	(932)	(932)
Total shareholders' equity.....	55,324	44,772
Total liabilities and shareholders' equity.....	\$242,630	\$232,439
=====		

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

EMCORE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2003 AND 2002
(IN THOUSANDS)
(UNAUDITED)

	THREE MONTHS ENDED DECEMBER 31,	
	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income(loss)	\$8,114	(\$2,897)
Adjustments to reconcile net income (loss) to net cash used for operating activities		
Income (loss) from discontinued operations.....	1,697	(1,894)
Gain on disposal of discontinued operations.....	(19,584)	-
Gain from debt extinguishment.....	-	(6,614)
Depreciation and amortization.....	4,056	4,771
Provision for doubtful accounts.....	167	150
Equity in net (income) loss of unconsolidated affiliate.....	(267)	571
Compensatory stock issuances.....	198	178
Reduction of note receivable due for services received.....	130	100
Decrease (increase) in assets:		
Accounts receivable.....	(5,560)	789
Accounts receivable - related party	12	12
Inventories.....	(129)	1,472
Prepaid and other current assets.....	362	125
Other assets	(378)	(44)
Increase (decrease) in liabilities:		
Accounts payable	2,849	(999)
Accrued expenses	(838)	(1,681)
Customer deposits	223	180
Other	-	26
Net cash (used by) provided by operating activities of discontinued operations..	(3,870)	4,617
Total adjustments	(20,932)	1,759
Net cash used for operating activities.....	(12,818)	(1,138)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash proceeds from disposition of discontinued operations.....	62,043	-
Purchase of plant, and equipment	(349)	(408)
Investments in unconsolidated affiliate	-	(1,960)
Cash purchase of business, net of cash acquired.....	(1,103)	(250)
Net proceeds from sales of marketable securities.....	(24,077)	(5,365)
Net cash used for investing activities by discontinued operations.....	-	(6)
Net cash provided by (used for) investing activities	36,514	(7,989)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repurchase of convertible subordinated notes.....	-	(6,636)
Payments on capital lease obligations.....	(22)	(21)
Proceeds from exercise of stock options.....	1,808	-
Proceeds from employee stock purchase plan.....	457	171
Net cash provided by (used for) financing activities	2,243	(6,486)
Net increase (decrease) in cash and cash equivalents.....	25,939	(15,613)
Cash and cash equivalents, beginning of period.....	28,439	42,716
Cash and cash equivalents, end of period	\$54,378	\$27,103
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for interest	\$4,047	\$4,447

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE
CONSOLIDATED FINANCIAL STATEMENTS.

EMCORE CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED DECEMBER 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, 2003	37,307	\$335,266	\$(289,438)	\$(90)	\$(34)	\$(932)	\$44,772
Net income.....			8,114				8,114
Unrealized loss on marketable securities .				(25)			(25)
Translation adjustment.....							-
Comprehensive income.....							8,089
Stock option exercise.....	952	1,808					1,808
Compensatory stock issuances	41	198					198
Issuance of common stock - Employee Stock Purchase Plan	244	457					457
BALANCE AT DECEMBER 31, 2003	38,544	\$337,729	\$(281,324)	\$(115)	\$(34)	\$(932)	\$55,324
	=====	=====	=====	=====	=====	=====	=====

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE
CONSOLIDATED FINANCIAL STATEMENTS.

EMCORE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2003 AND 2002 AND
FOR THE THREE MONTHS ENDED OF DECEMBER 31, 2003 AND 2002
(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, 2003.

NOTE 2. DISCONTINUED OPERATIONS

On November 3, 2003, pursuant to approval received by the Board of Directors on October 31, 2003, EMCORE sold its TurboDisc systems business to a subsidiary of Veeco Instruments Inc. (Veeco) in a transaction that could be valued at up to \$80.0 million. The purchase price was \$60.0 million in cash at closing with an additional aggregate maximum payout of \$20.0 million over the next two years. EMCORE will receive in cash 50% of all revenues from this business that exceeds \$40.0 million in each of the next two years, beginning January 1, 2004. In accordance with the terms of the agreement, EMCORE also received an additional \$2.0 million in cash for working capital adjustments and expense reimbursements. This transaction included the assets, products, product warranty liabilities, hardware-related technology and intellectual property used primarily in the operation of this business, including its manufacturing facility located in Somerset, New Jersey. Approximately 150 employees of EMCORE were involved in the TurboDisc business of which approximately 120 became employees of Veeco.

The capital equipment business enabled EMCORE to develop the critical materials science expertise that has become the cornerstone of its compound semiconductor based communications products and its sole business focus. EMCORE retained a license to all systems-related intellectual property and ownership of all its process and device technology. Moreover, the sale of the TurboDisc business strengthened EMCORE's balance sheet and helped provide the resources necessary to implement its communications strategy.

EMCORE's financial statements have been reclassified to reflect the TurboDisc systems business as a discontinued operation for all periods presented.

Operating results of the discontinued operations are as follows:

MOCVD SYSTEMS BUSINESS		THREE MONTHS ENDED DECEMBER 31,	
(in thousands)			
STATEMENT OF OPERATIONS (unaudited)		2003	2002
Revenue.....		\$1,001	\$13,864
Cost of revenue.....		1,704	9,013
Gross (loss) profit.....		(703)	4,851
Operating expenses:			
Selling, general and administrative.....		483	1,805
Research and development.....		512	1,157
Total operating expenses.....		995	2,962
Interest income.....		(1)	(5)
(Loss) income from operations.....		\$(1,697)	\$1,894

The components of the gain on disposal of discontinued operations are as follows, in thousands:

(unaudited)		
Cash received.....		\$62,043
Assets sold:		
Accounts receivable.....		(10,418)
Inventories.....		(11,887)
Prepaid and other current assets.....		(14)
Property, plant and equipment.....		(20,673)
Identifiable intangible assets.....		(833)
Total assets sold.....		(43,825)
Liabilities sold:		
Accounts payable.....		2,161
Accrued expenses.....		2,410
Customer deposits.....		794
Total liabilities sold.....		5,365
Less: disposal costs.....		(3,999)
Gain on disposal of discontinued operations.		\$19,584
		=====

The carrying value of the assets and liabilities of the discontinued operation included in the September 30, 2003 consolidated balance sheet are as follows:

(in thousands) (unaudited)	As of September 30, 2003

Assets:	
Accounts receivable.....	\$11,375
Inventories.....	11,143
Other current assets.....	18
Property, plant and equipment.....	21,087
Identifiable intangible assets.....	833

Total assets to be disposed.....	\$44,456
=====	
Liabilities:	
Accounts payable.....	\$3,372
Accrued expenses.....	506
Customer deposits.....	292

Total liabilities to be disposed....	\$4,170
=====	

NOTE 3. ACQUISITIONS

ORTEL - In January 2003, EMCORE purchased Agere Systems, Inc.'s cable television (CATV) transmission systems, telecom access and satellite communication (Satcom) components business, formerly Ortel Corporation (Ortel), for \$26.2 million in cash. This business designs and manufactures high performance optoelectronic solutions that enable voice, video and data networks. Ortel's product offerings include 1310 nm and 1550 nm analog and digital lasers, dense wavelength division multiplexing (DWDM) lasers, transmitter engines, photodiodes, fiber-to-the-premise, business, curb or home (in general, FTTx) components, wideband lasers and receivers, and optical links for long-haul antenna remoting. These products enable EMCORE to have a broad presence in the CATV and Radio Frequency (RF) transport markets as well as the telecom access and emerging FTTx market.

The following unaudited condensed consolidated pro forma financial data has been prepared to give effect to EMCORE's acquisition of certain assets and liabilities of Ortel. It does 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 does it 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 the operations of EMCORE with the operations of Ortel, giving effect to the acquisition as though it occurred on October 1, 2002.

Condensed Consolidated Pro Forma Statement of Operations Data For the three months ended December 31, 2002

	EMCORE -----	Pro Forma -----
Revenues.....	\$9,382	\$17,972
Net loss.....	(2,897)	(5,356)
	=====	=====
Net loss per basic and diluted share..	\$(0.08)	\$(0.15)
	=====	=====

MOLEX - On October 9, 2003, EMCORE acquired Molex Inc.'s 10G Ethernet transceiver business (Molex) for an initial \$1.0 million in cash. In accordance with the agreement, EMCORE will pay an additional \$1.5 million in progress payments, of which \$0.1 million was paid in the first quarter of fiscal 2004. The remaining progress payments are expected to be paid during the balance of Fiscal 2004. This transaction included assets, products and intellectual property including several Molex product designers. Molex specializes in coarse-wavelength-division-multiplexing (CWDM) products. The newly formed design center in Downers Grove, IL designs and manufactures serial 10 Gb/s and CWDM optical transceivers for the growing 10G Ethernet market. This acquisition is not significant on a pro forma basis and therefore, pro forma financial statements are not provided.

The following represents the allocation of the purchase price over the estimated fair values of the acquired assets of Molex.

(in thousands)

Cash.....	\$1,000
Future progress payments.....	1,500
Acquisition costs.....	200

Total purchase price.....	\$2,700
	=====

Allocation of purchase price based on fair values:

Assets acquired:	
Inventories.....	\$24
Plant and equipment.....	600
Identifiable intangible assets, net.....	558
Goodwill.....	1,518

Net assets acquired.....	\$2,700
	=====

NOTE 4. SEGMENT DATA AND RELATED INFORMATION

Prior to the systems business divestiture, EMCORE had two reportable operating segments: the systems segment and the components and subsystems segment. As a result of this divestiture, EMCORE now has only one reportable operating segment. This segment is comprised of our Fiber Optics, Photovoltaics and Electronic Materials and Devices product lines. EMCORE's Fiber Optics product line supports our CATV, telecommunications, data and storage and Satcom target markets. Specific products for this communications-related product line include optical components and subsystems for CATV and FTTX, VCSEL and PIN photodiodes components, 10G LX4, CX4, TOSA, ROSA packaged parts and modules, and Satcom transmitter and receiver components. EMCORE's Photovoltaic revenues are derived primarily from the sales of solar power conversion products including solar cells, covered interconnect solar cells (CICs) and solar panels. Revenues from the Electronic Materials and Devices product line include wireless products, such as RF materials including HBTs and enhancement-mode PHEMTs, and also MR sensors and process development technology.

The table below sets forth the revenues and percentage of total revenues attributable to each of EMCORE's product lines for the three months ended December 31, 2003 and 2002.

(in thousands)	3 months ended December 31, 2003	% of revenue	3 months ended December 31, 2002	% of revenue
PRODUCT LINE REVENUE THREE MONTHS ENDED DECEMBER 31, 2003 & 2002				
Fiber Optics.....	\$15,493	67.0%	\$2,286	24.4%
Photovoltaics.....	4,526	19.6%	5,075	54.1%
Electronic Materials and Devices.....	3,106	13.4%	2,021	21.5%
	-----		-----	
Total revenues.....	\$23,125	100.0%	\$9,382	100.0%
	-----		-----	

CUSTOMERS AND GEOGRAPHIC REGION

EMCORE works 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. For the three months ended December 31, 2003, revenues from Motorola, Inc. and the Indian Space Research Organization (ISRO) represented 23% and 10% of our consolidated quarterly revenue, respectively. For the three months ended December 31, 2002, revenues from ISRO and the U.S. Department of Defense represented 31% and 11% of our consolidated quarterly revenue, respectively.

EMCORE has generated a significant portion of its sales to customers outside the United States. Historically, EMCORE has received most 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:

(in thousands)	3 months ended December 31, 2003	% of revenue	3 months ended December 31, 2002	% of revenue
REVENUE BY GEOGRAPHIC REGION THREE MONTHS ENDED DECEMBER 31, 2003 & 2002				
United States.....	\$16,251	70.3%	\$5,750	61.3%
Asia.....	5,176	22.4%	3,368	35.9%
Europe.....	1,698	7.3%	264	2.8%
Total revenues.....	\$23,125	100.0%	\$9,382	100.0%

Sales to the United States include sales to Canada and South America, which have not, historically, been material.

NOTE 5. 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 and accounts for this investment using the equity method of accounting. For the three-months ended December 31, 2003, and 2002, EMCORE recognized income of \$0.3 million, and a loss of \$(0.6) million, respectively, related to the joint venture, which was recorded as a component of other income and expense. As of December 31, 2003 EMCORE's net investment in this joint venture amounted to approximately \$9.5 million.

NOTE 6. BALANCE SHEET DATA

o ACCOUNTS RECEIVABLE, NET

The components of accounts receivable consisted of the following:

(in thousands)	At December 31, 2003	At September 30, 2003
Accounts receivable.....	\$19,866	\$13,128
Accounts receivable - unbilled.....	1,034	2,134
	20,900	15,262
Allowance for doubtful accounts.....	(1,286)	(1,041)
Total.....	\$19,614	\$14,221

o INVENTORIES, NET

The components of inventories consisted of the following:

(in thousands)	At December 31, 2003	At September 30, 2003
Raw materials.....	\$4,772	\$3,520
Work-in-process.....	4,474	4,273
Finished goods.....	4,870	6,170
Total	\$14,116	\$13,963

o PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are summarized below:

(in thousands)	At December 31, 2003	At September 30, 2003
Land.....	\$1,502	\$1,502
Building and improvements.....	38,987	38,980
Equipment.....	68,903	68,064
Furniture and fixtures.....	4,992	5,036
Leasehold improvements.....	1,822	1,802
Construction in progress.....	2,075	1,928
Property and equipment under capital lease.....	429	429
	118,710	117,741
Less: accumulated depreciation and amortization.....	(46,195)	(43,019)
Total.....	\$72,515	\$74,722

o GOODWILL

The changes in the carrying value of goodwill for the three months ended December 31, 2003 are as follows:

(in thousands)	Goodwill
Balance as of September 30, 2003.....	\$30,366
Goodwill acquired.....	1,518
Balance as of December 31, 2003.....	\$31,884

On October 9, 2003, EMCORE acquired Molex and allocated approximately \$1.5 million to goodwill.

o INTANGIBLE ASSETS, NET

The components of intangible assets consisted of the following:

	At December 31, 2003			At September 30, 2003		
(in thousands)	GROSS ASSETS	ACCUMULATED AMORTIZATION	NET ASSETS	GROSS ASSETS	ACCUMULATED AMORTIZATION	NET ASSETS
Patents.....	\$469	\$(185)	\$284	\$469	\$(164)	\$305
Acquired intellectual property:						
Ortel.....	3,274	(576)	2,698	3,274	(486)	2,788
Tecstar.....	1,900	(681)	1,219	1,900	(586)	1,314
Alvesta.....	193	(42)	151	193	(32)	161
Molex.....	558	(24)	534	-	-	-
	=====	=====	=====	=====	=====	=====
Total.....	\$6,394	\$(1,508)	\$4,886	\$5,836	\$(1,268)	\$4,568

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

(in thousands)

Period ending:	Amortization

Nine months ending September 30, 2004.....	\$1,026
September 30, 2005.....	1,255
September 30, 2006.....	1,242
September 30, 2007.....	863
September 30, 2008.....	270
Thereafter.....	230

Future amortization expense.....	\$4,886
	=====

o ACCRUED EXPENSES

The components of accrued expenses consisted of the following:

(in thousands)

	At December 31, 2003	At September 30, 2003
	-----	-----
Compensation.....	\$4,837	\$4,447
Interest.....	1,033	3,055
Warranty.....	2,563	2,440
Professional fees.....	1,221	1,200
Royalty.....	1,613	200
Self insurance.....	1,094	750
Other.....	1,602	1,112
	-----	-----
Total.....	\$13,963	\$13,204
	=====	=====

NOTE 7. DEBT FACILITIES

CONVERTIBLE SUBORDINATED NOTES - 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.

On January 21, 2004 EMCORE commenced an offer to exchange up to \$88,962,500 principal amount of its new 5% Convertible Senior Subordinated Notes due May 15, 2011 and \$56,612,500 payable in its common stock, up to a maximum of 10,542,365 shares, for up to all of the \$161,750,000 principal amount of its currently outstanding 5% Convertible Subordinated Notes due May 2006. If consummated, the exchange offer will allow the Company to reduce its outstanding indebtedness by up to \$72,787,500 and reduce its interest expense through May 15, 2006 by up to \$3,639,375 per year. The exchange offer is scheduled to expire on February 18, 2004 at 11:59 p.m., unless extended.

NOTE 8. STOCK OPTIONS AND WARRANTS

EMCORE accounts for its employee stock option-based compensation plans under Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. Accordingly, no compensation expense is recognized for stock option-based compensation unless the quoted market price of the stock at grant date is in excess of the amount the employee must pay to acquire the stock. EMCORE has not recognized any stock option-based compensation expense in any of the periods presented.

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, Accounting for Stock Based Compensation, as amended by SFAS No. 148, Accounting for Stock Based Compensation-Transition and Disclosure to stock based employee compensation:

	FOR THE THREE MONTHS ENDED DECEMBER 31,	
	2003	2002
Net income (loss).....	\$8,114	\$(2,897)
Deduct: Total stock based employee compensation expense determined under fair value based methods for all awards, net of related tax effects.....	(857)	(779)
Pro forma net income (loss).....	\$7,257	\$(3,676)

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 DECEMBER 31,	
	2003	2002
Expected dividend yield.....	0%	0%
Expected stock price volatility.....	112%	111%
Risk-free interest rate.....	2.85%	3.25%
Weighted average expected life (in years).....	5	5

NOTE 9. RECENT FINANCIAL ACCOUNTING PRONOUNCEMENTS

In January 2003, the FASB issued Interpretation No. 46 Consolidation of Variable Interest Entities. This interpretation defines when a business must consolidate a variable interest entity. This interpretation applies immediately to variable interest entities created after January 31, 2003 and became effective for all other transactions as of July 1, 2003. However, in October 2003 the FASB permitted companies to defer the July 1, 2003 effective date to December 31, 2003. Again in December 2003, the FASB permitted companies to defer the December 31, 2003 effective date, in certain circumstances, to the first interim or annual period ending after March 15, 2004. The Company has determined that it is not reasonably probable that it will be required to consolidate or disclose information about a variable interest entity.

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and requires all preferred securities of subsidiary trusts to be classified as debt on the consolidated balance sheet and the related dividends as interest expense. The Company adopted the provisions of SFAS No. 150, including the deferral of certain effective dates as a result of the provisions of FASB Staff Position 150-3, Effective Date, Disclosures, and Transition for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests Under FASB Statement No. 150 Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity. The adoption of this statement did not have a material impact on the Company's financial position and results of operations.

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. These forward looking statements may be identified by the use of words such as "expects", "anticipates", "intends", "plans", "believes", "estimate", "target", "may", "will" and variations of these words and similar expression. These forward-looking statements are subject to business, economic and other risks and uncertainties, and actual results may differ materially from those discussed in these forward-looking statements. This discussion should be read in conjunction with the Consolidated Financial Statements, including the related footnotes. These forward-looking statements include, without limitation, any and all statements or implications regarding:

- o The ability of EMCORE Corporation (EMCORE) to remain competitive and a leader in its industry and the future growth of EMCORE, the industry and the economy in general;
- o difficulties arising from the separation of the TurboDisc business from EMCORE's ongoing business lines;
- o difficulties in integrating recent or future acquisitions into EMCORE's operations;
- o 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,
 - o expected improvement to EMCORE's product and technology development programs, and
 - o the belief that restructuring and realignment efforts will position EMCORE well in the current business environment and prepare it for future growth with increasingly competitive new product offerings and long-term cost structure,
- o 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 2004 and subsequent periods; and
- o statements regarding EMCORE's pending exchange offer for its 5% convertible subordinated notes.

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 The disposition of our TurboDisc business may result in decreased revenues going forward as well as additional difficulties arising from the separation of its operations from our ongoing operations,
- o our inability to complete the exchange offer of EMCORE's 5% convertible subordinated notes on satisfactory terms,
- o other risks and uncertainties described in EMCORE's filings with the Securities and Exchange Commission (SEC) (including under the heading "Risk Factors" in our 2003 Annual Report), such as:
 - o cancellations, rescheduling or delays in product shipments;
 - o manufacturing capacity constraints;
 - o lengthy sales and qualification cycles;
 - o difficulties in the production process;
 - o changes in semiconductor industry growth;
 - o increased competition; and
 - o delays in developing and commercializing new products.

We assume no obligation to update the matters discussed in this Quarterly Report or our 2003 Annual Report, except as required by applicable law or regulation.

COMPANY OVERVIEW

EMCORE Corporation, a New Jersey corporation established in 1984, offers a broad portfolio of compound semiconductor-based components and subsystems for the rapidly expanding broadband and wireless communication markets and the solid-state lighting industry. EMCORE continues to expand its comprehensive product portfolio to enable the transport of voice, data and video over copper, hybrid fiber/coax (HFC), fiber, satellite and wireless communication networks. The company is building upon its leading-edge compound semiconductor materials and device expertise to provide cost-effective components and subsystems for the cable television (CATV), telecommunications, data and storage, satellite and wireless communications markets. EMCORE supports these end markets through its EMCORE Fiber Optics, EMCORE Photovoltaics and EMCORE Electronic Materials and Devices product lines. Through its 49% ownership participation in GELcore, LLC, EMCORE plays a vital role in developing and commercializing next-generation LED technology for use in the general illumination market. Our target markets and main products that support these markets include:

- o CATV - Optical components and subsystems for cable television signal transmission over HFC, including hub transmitters based on linear 1310 nanometer (nm) and 1550 nm Distributed Feedback (DFB) and Fabry-Perot (FP) laser technologies, head-end transmitters based on 1550 nm DFB laser and external modulator technologies, and HFC node video detectors and receivers based on PIN (the "P", "I", "N" represent P-type, intrinsic and N-type semiconductor materials, respectively) photodiode technology.
- o TELECOMMUNICATIONS - Optical components and subsystems for telecommunications and fiber-to-the-premise, business, curb or home (in general, FTTx), including high-speed long-wavelength edge emitting lasers and transmit optical subassemblies (TOSA) based on 1310 nm and 1550 nm DFB or FP technologies, head-end transmitters for FTTx applications based on 1550nm laser technology, passive optical network (PON) receivers for FTTx applications, high speed receivers and detectors based on avalanche photodetectors (APD) and PIN detector technologies, and 4- and 12-channel parallel optical transceiver modules for telecommunication switch applications based on 850 nm vertical cavity surface emitting laser (VCSEL) and PIN photodiode array technology.
- o DATA AND STORAGE - Optical components and subsystems for data communications and storage applications, including high-speed VCSELs and PIN photodiode components, 12-channel parallel optical transceiver modules for High Performance Computing (HPC) or "Super Computing" markets, LX4 and CX4 products for short reach 10 Gigabit per second (Gb/s) data communications and Ethernet networks, and 10 Gb/s TOSA and receive optical subassemblies (ROSA) for storage area networks (SAN).
- o SATELLITE COMMUNICATIONS - Solar cells and solar panels for global satellite communications, featuring world-leading conversion efficiencies and satellite communication (Satcom) products, including transmitters, receivers, subsystems and systems to transport wideband microwave signals between satellite base stations and antenna dishes.
- o WIRELESS COMMUNICATIONS - Electronic materials for the wireless handset and base station markets, which materials include 4-inch and 6-inch InGaP Hetero-junction Bipolar Transistor (HBT) and AlGaAs pseudomorphic high electron mobility transistors (pHEMT) and E-mode epi wafers that are used for power amplifiers and switches in GSM, TDMA and CDMA multiband wireless handsets.
- o SOLID-STATE LIGHTING - High Brightness Light Emitting Diodes (HB-LEDs) for lighting applications. Through its 49% ownership participation in GELcore, LLC (GELcore), EMCORE plays a vital role in developing and commercializing next-generation LED technology for use in the general illumination market. GELcore's products include traffic lights, channel letters, flashlights and other signage and display products incorporating HB-LEDs. In the near term, GELcore expects to be deploying its HB-LED products in the automotive and general appliance markets.

ACQUISITIONS AND DIVESTITURE

Over the past fourteen months, EMCORE has refocused its market and product strategy to address high growth opportunities for its compound semiconductor based components and subsystems in the CATV, telecom, data and storage, satellite and wireless communications markets. In addition to developing its internal capability to develop and manufacture products for these markets, EMCORE has expanded its portfolio of communications products and technologies through a series of strategic acquisitions:

- o In December 2002, EMCORE acquired certain assets of privately held Alvesta Corporation (Alvesta) of Sunnyvale, California. The transaction included the acquisition of intellectual property and inventory including several Alvesta product designers. Alvesta, which operates under EMCORE's fiber optics group, was 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 and 10 Gigabit (10G) Fibre Channel, Ethernet and Infiniband applications. The newly formed design center in Santa Clara, CA designs low-cost parallel optical module solutions used in Fibre Channel, Ethernet and Infiniband networks. The new products include media converter modules, copper XENPAK transceivers and active optical cables to address the short reach requirements of central offices and data centers. These components form the optical subsystem of the recently announced SmartLink product.

- o In January 2003, EMCORE purchased Agere Systems, Inc.'s CATV transmission systems, telecom access and Satcom components business, formerly Ortel Corporation (Ortel). This business, now operating as the Ortel division within EMCORE's fiber optics group, designs and manufactures high performance optoelectronic solutions that enable voice, video and data networks. Ortel's product offerings include 1310 nm and 1550 nm analog and digital lasers, dense wavelength division multiplexing (DWDM) lasers, transmitter engines, photodiodes, FTTx components, wideband lasers and receivers, and optical links for long-haul antenna remoting. These products will enable EMCORE to have a broad presence in the CATV and Radio Frequency (RF) transport markets as well as the telecom access and emerging FTTx market.

- o On October 9, 2003, EMCORE announced that it had acquired Molex Inc.'s 10G Ethernet transceiver business (Molex). This transaction included assets, products and intellectual property including several Molex product designers. Management believes that Molex, which operates under EMCORE's fiber optics group, gives EMCORE a significant competitive advantage and the most complete 10G Ethernet transceiver product portfolio in the industry. Molex specializes in coarse-wavelength-division-multiplexing (CWDM) products. The newly formed design center in Downers Grove, IL designs and manufactures serial 10 Gb/s and CWDM optical transceivers for the growing 10G Ethernet market.

- o On November 3, 2003, pursuant to approval received by the Board of Directors on October 31, 2003, EMCORE sold its TurboDisc systems business to a subsidiary of Veeco Instruments Inc. (Veeco) in a transaction that could be valued at up to \$80.0 million. The purchase price was \$60.0 million in cash at closing with an additional aggregate maximum payout of \$20.0 million over the next two years. EMCORE will receive in cash 50% of all revenues from this business that exceeds \$40.0 million in each of the next two years, beginning January 1, 2004. In accordance with the terms of the agreement, EMCORE also received an additional \$2.0 million in cash for working capital adjustments and expense reimbursements. This transaction included the assets, products, product warranty liabilities, hardware-related technology and intellectual property used primarily in the operation of this business, including its manufacturing facility located in Somerset, New Jersey. Approximately 150 employees of EMCORE were involved in the TurboDisc business of which approximately 120 became employees of Veeco.

Management believes that the sale of the TurboDisc systems business was a critical step in reorienting EMCORE's market and product focus. The capital equipment business enabled EMCORE to develop the critical materials science expertise that has become the cornerstone of its compound semiconductor based communications products and our sole business focus. EMCORE retained a license to all systems related intellectual property and ownership of all its process and device technology. Moreover, the sale of the TurboDisc business strengthened EMCORE's balance sheet and helped provide the resources necessary to implement its communications strategy.

REVENUES BY PRODUCT LINE

Prior to the systems business divestiture, EMCORE had two reportable operating segments: the systems segment and the components and subsystems segment. As a result of this divestiture, EMCORE now has only one reportable operating segment. This segment is comprised of our Fiber Optics, Photovoltaics and Electronic Materials and Devices product lines. EMCORE's Fiber Optics product line supports our CATV, telecommunications, data and storage and Satcom target markets. Specific products for this communications-related product line include optical components and subsystems for CATV and FTTX, VCSEL and PIN photodiodes components, 10G LX4, CX4, TOSA, ROSA packaged parts and modules, and Satcom transmitter and receiver components. EMCORE's Photovoltaic revenues are derived primarily from the sales of solar power conversion products including solar cells, covered interconnect solar cells (CICs) and solar panels. Revenues from the Electronic Materials and Devices product line include wireless products, such as RF materials including HBTs and enhancement-mode PHEMTs, and also MR sensors and process development technology.

The table below sets forth the revenues and percentage of total revenues attributable to each of EMCORE's product lines for the three months ended December 31, 2003 and 2002.

(in thousands)	3 months ended December 31, 2003	% of revenue	3 months ended December 31, 2002	% of revenue
PRODUCT LINE REVENUE THREE MONTHS ENDED DECEMBER 31, 2003 & 2002				
Fiber Optics.....	\$15,493	67.0%	\$2,286	24.4%
Photovoltaics.....	4,526	19.6%	5,075	54.1%
Electronic Materials and Devices.	3,106	13.4%	2,021	21.5%
Total revenues.....	\$23,125	100.0%	\$9,382	100.0%

CUSTOMERS AND GEOGRAPHIC REGION

EMCORE works 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. For the three months ended December 31, 2003, revenues from Motorola, Inc. and the Indian Space Research Organization (ISRO) represented 23% and 10% of our consolidated quarterly revenue, respectively. For the three months ended December 31, 2002, revenues from ISRO and the U.S. Department of Defense represented 31% and 11% of our consolidated quarterly revenue, respectively.

EMCORE has generated a significant portion of its sales to customers outside the United States. Historically, EMCORE has received most 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:

(in thousands)	3 months ended December 31, 2003	% of revenue	3 months ended December 31, 2002	% of revenue
REVENUE BY GEOGRAPHIC REGION THREE MONTHS ENDED DECEMBER 31, 2003 & 2002				
United States.....	\$16,251	70.3%	\$5,750	61.3%
Asia.....	5,176	22.4%	3,368	35.9%
Europe.....	1,698	7.3%	264	2.8%
Total revenues.....	\$23,125	100.0%	\$9,382	100.0%

Sales to the United States include sales to Canada and South America, which have not, historically, been material.

BACKLOG

As of December 31, 2003, EMCORE had a backlog believed to be firm of approximately \$34.7 million. This compares to a backlog of \$33.1 million as reported at September 30, 2003. Historically, significant portions of our revenue are not reported in backlog since our customers have reduced lead times. Many of our sales usually occur within the same month when the purchase order is received. We believe the entire backlog could be filled during the next 12 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.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements requires management to make assumptions and estimates 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 may differ from those estimates. Critical accounting policies include those policies that are reflective of significant judgments and uncertainties, which potentially could produce materially different results under different assumptions and conditions. The significant accounting policies that we believe are the most critical to the understanding of reported financial results include the following:

- o Valuation of long-lived assets and intangible assets -- EMCORE reviews long-lived assets and intangible assets on an annual basis or whenever events or changes in circumstances suggest that they may be impaired. A long-lived asset is considered impaired when its anticipated discounted cash flow is less than its carrying value. In making this determination, EMCORE uses certain assumptions, including, but not limited to: (a) estimates of the fair market value of these assets, and (b) estimates of future cash flows expected to be generated by these assets, which are based on additional assumptions such as asset utilization, length of service that assets will be used in our operations and estimated salvage values.

- o Inventories -- Inventories are stated at the lower of cost or market with cost being determined using the first-in, first-out (FIFO) method. We evaluate our ending inventories on a quarterly basis for excess quantities, impairment of value and obsolescence. This evaluation includes analysis of sales levels by product and projections of future demand based upon input received from our customers, sales team and management estimates. If inventories on hand are in excess of demand, or if they are greater than 12-months old, appropriate reserves are provided. Remaining inventory balances are adjusted to approximate the lower of our manufacturing cost or market value. If future demand or market conditions are less favorable than our estimates, additional inventory write-downs may be required.

- o Revenue Recognition -- Revenue is recognized upon shipment provided we have received a signed purchase order, the price is fixed, the product meets the customer's specifications, title and ownership have transferred to the customer and there is reasonable assurance of collection of the sales proceeds. The majority of our products have shipping terms that are FOB or FCA shipping point. The difference between FOB and FCA is that under FCA terms, the customer designates a shipping carrier of choice to be used. Under both terms, we fulfill the obligation of delivery when the goods are handed over to the carrier at our shipping dock. If inventory is maintained at a consigned location, revenue is recognized when our customer pulls product for its use.

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 tends to exceed 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. Contract revenue represents reimbursement by various U.S. Government entities to aid in the development of new technology. The contract funding may be based on either a cost-plus or a cost-share arrangement. Cost-plus funding is determined based on actual costs plus a set percentage margin. For the cost-share contracts, the actual costs relating to the activities to be performed by us under the contract are divided between the U.S. Government and us based on the terms of the contract. The government's cost share is then paid to us. A contract is considered complete when all significant costs have been incurred, and the research reporting requirements to the customer have been met. The contracts typically require the submission of a written report that documents the results of such research, as well as some material deliverables. The revenue and expense classification for contract activities is based on the

nature of the contract. For contracts where we anticipate that funding will exceed direct costs over the life of the contract, funding is reported as contract revenue and all direct costs are reported as costs of contract revenue. For contracts under which we anticipate that direct costs of the activities subject to the contract will exceed amounts to be funded over the life of the contract, costs over and above the funded amount are reported as research and development expenses.

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.

o Accounts Receivable -- EMCORE regularly evaluates accounts receivable and accordingly maintains allowances for doubtful accounts for estimated losses resulting from the inability of our customers to meet their financial obligation to us. If the financial condition of our customers were to deteriorate, additional allowances may be required.

o Accruals for Liabilities and Warranties -- EMCORE may incur costs for which we have not been billed. These costs can include legal and accounting fees, costs pertaining to our self-funded medical insurance, warranty costs and other expenses. EMCORE makes estimates for these costs using historical data or information gained directly from the service providers

The above listing is not intended to be a comprehensive list of all of our accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by generally accepted accounting principles. There are also areas in which management's judgment in selecting any available alternative would not produce a materially different result. See our audited consolidated financial statements and notes thereto included in our 2003 Annual Report on Form 10-K which contain a discussion of our accounting policies and other disclosures required by accounting principles generally accepted in the United States.

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and requires all preferred securities of subsidiary trusts to be classified as debt on the consolidated balance sheet and the related dividends as interest expense. The Company adopted the provisions of SFAS No. 150, including the deferral of certain effective dates as a result of the provisions of FASB Staff Position 150-3, Effective Date, Disclosures, and Transition for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests Under FASB Statement No. 150 Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity. The adoption of this statement did not have a material impact on the Company's financial position and results of operations.

RESULTS OF OPERATIONS

The following table sets forth the consolidated statements of operations data of EMCORE expressed as a percentage of total revenues for the three months ended December 31, 2003 and 2002:

STATEMENTS OF OPERATIONS DATA:	THREE MONTHS ENDED DECEMBER 31,	
	2003	2002
Revenue.....	100.0%	100.0%
Cost of revenue.....	86.2%	128.0%
Gross profit (loss).....	13.8%	(28.0)%
Operating expenses:		
Selling, general and administrative.....	23.0%	42.4%
Research and development.....	26.1%	26.1%
Gain from debt extinguishment.....	-	(70.5)%
Total operating expenses (income).....	49.1%	(2.0)%
Operating loss.....	(35.3)%	(26.0)%
Other expenses:		
Interest income.....	(0.7)%	(4.3)%
Interest expense.....	8.8%	23.3%
Equity in net (income) loss of unconsolidated affiliate.....	(1.1)%	6.1%
Total other expenses.....	7.0%	25.1%
Loss from continuing operations.....	(42.3)%	(51.1)%
Discontinued operations:		
(Loss) income from discontinued operations...	(7.3)%	20.2%
Gain on disposal of discontinued operations..	84.7%	-
Income from discontinued operations....	77.4%	20.2%
Net income (loss).....	35.1%	(30.9)%

COMPARISON OF THE THREE MONTHS ENDED DECEMBER 31, 2003 AND 2002

REVENUE. For the three months ended December 31, 2003 and 2002, EMCORE's consolidated revenue increased \$13.7 million or 146% to \$23.1 million from \$9.4 million, respectively. On a product line basis, sales of fiber optic components and subsystems devices increased \$13.2 million or 578%, photovoltaic products decreased \$0.5 million or 11% and electronic materials and devices increased \$1.1 million or 54% from the same period in the prior year. International sales accounted for 30% of revenues for the three months ended December 31, 2003 and 39% of revenues for the three months ended December 31, 2002.

Prior to the systems business divestiture, EMCORE had two reportable operating segments: the systems segment and the components and subsystems segment. As a result of this divestiture, EMCORE now has only one reportable operating segment. This segment is comprised of our Fiber Optics, Photovoltaics and Electronic Materials and Devices product lines.

EMCORE's Fiber Optics product line supports our CATV, telecommunications, data and storage and Satcom target markets. Its products include VCSEL die and chip products, packaged products, which include TOSA, ROSA and transceiver module level products, fiber optic transmitter and receiver CATV products, Satcom transmission links, and PON and FTTx systems. For the three months ended December 31, 2003 and 2002, Fiber Optics revenues were \$15.5 million and \$2.3 million, respectively. This accounts for 67% and 24% of EMCORE's total revenues for the three months ended December 31, 2003 and 2002, respectively.

We expect demand for EMCORE Fiber Optics products to be fueled by several factors. Recently, cable operators and traditional telephone service providers have been competing with each other to offer the lowest price for unlimited "triple play" (voice, data and video) communications through one cable. As the market leader in RF transmission over fiber for the cable industry, EMCORE is enabling Multi-System Operators (MSO's) to offer "triple play" to meet the exploding demand for on-demand, high-speed interactive and other new services. In response to the "triple play" threat from MSOs, the Regional Bell operating companies (RBOCs) also plan to offer "triple play" service over new deployment of fiber-to-the-premise systems. These growing applications should increase demand for FTTx subsystems. In addition, during the three months ended December 31, 2003, EMCORE commenced shipments of both 10G TO/TOSA parts and LX4 transceivers. As a result of new product launches and increased volumes of VCSEL-related product, fiscal 2004 second quarter fiber optics revenues are expected to significantly increase.

Photovoltaic revenues include the sale of epi wafers, solar cells, covered interconnect solar cells (CICs) and solar panels. Photovoltaic revenues for the three months ended December 31, 2003 and 2002 were \$4.5 million and \$5.1 million, respectively. The decrease is attributable to delays in government program launch schedules and continued sales price erosion on solar cell products. Photovoltaic sales fluctuate quarterly due to the timing of large shipments or completion of significant research contracts. Sales in the photovoltaic group represented 20% and 54% of EMCORE's total revenues for the three months ended December 31, 2003 and 2002, respectively.

Sales of electronic materials and devices, which include RF materials and MR sensors, increased to \$3.1 million for the three months ended December 31, 2003 from \$2.0 million for the three months ended December 31, 2002. The increase was due to an increase in orders from both Motorola and Anadigics. This market is highly competitive, raw materials are extremely expensive and average selling prices have been declining over the past several years. Sales from this group represented 13% and 22% of EMCORE's total revenues for the three months ended December 31, 2003 and 2002, respectively.

GROSS PROFIT (LOSS). Gross profit increased \$5.8 million to \$3.2 million for the three months ended December 31, 2003 from (\$2.6) million for the three months ended December 31, 2002. Compared to the prior year, gross margins increased from (28%) to 14%. This quarterly improvement is associated with increased volumes, changes in product mix and increased manufacturing efficiency associated with newer product introductions. As revenues increase, our margins should increase as well since a significant portion of our facility costs is fixed, so higher throughput should result in lower costs per unit produced. Fiscal 2004 gross margins should also increase as product lines are transferred to contract manufacturers for high volume production and as management implements additional programs to improve manufacturing process yields. Management expects gains in gross margins to be slightly offset by lower sales prices due to competitive pricing pressures.

SALES, GENERAL AND ADMINISTRATIVE. Sales, general and administrative expenses (SG&A) increased \$1.3 million or 34% to \$5.3 million for the three months ended December 31, 2003 from \$4.0 million for the three months ended December 31, 2002. As a percentage of revenue, SG&A decreased from 42% to 23%. The increase in SG&A was a direct result of the Ortel acquisition.

RESEARCH AND DEVELOPMENT. Research and development expenses (R&D) increased \$3.6 million or 150% to \$6.0 million for the three months ended December 31, 2003 from \$2.4 million for the three months ended December 31, 2002. As a percentage of revenue, R&D remained constant at 26% for both periods. The increase in R&D spending was primarily due to \$1.7 million related to the Ortel acquisition and development of 10G Ethernet applications. In the second half of fiscal 2004, R&D is expected to decrease as the fiber optic group completes the development of (a) SmartLink, a 10 Gb/s patent-protected media converter solution that uses fiber optics to extend the current copper socket throughout the data center or central office to up to 300 meters; (b) CX4, a product similar to LX4 except that it uses a copper cable connection instead of fiber optics; and (c) 10 Gb/s TOSAs and ROSAs packaged parts. Ortel's R&D is expected to be approximately \$6.5 million in fiscal 2004. Ortel's R&D focus is on the continued development of PONs, FTTC and FTTH systems that will provide even greater bandwidth, better performance and increased reliability to homes and businesses.

GAIN FROM DEBT EXTINGUISHMENT. In December 2002, EMCORE purchased, in multiple transactions, \$13.2 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 of approximately \$6.6 million after netting unamortized debt issuance costs of approximately \$0.3 million.

INTEREST EXPENSE, NET. Interest expense, net essentially remained flat at approximately \$1.8 million.

EQUITY IN NET LOSS OF UNCONSOLIDATED AFFILIATE. EMCORE's share of GELcore's operating results increased \$0.8 million or 147% to \$0.3 million for the three months ended December 31, 2003 from \$(0.5) million for the three months ended December 31, 2002. This quarterly improvement is associated with increased unit volumes, changes in LED product mix and less manufacturing inefficiencies associated with newer product introductions.

INCOME TAXES. EMCORE did not incur any income tax expense for the three months ended December 31, 2003 and 2002 as we do not expect to generate a tax liability in excess of our net operating loss carryforwards.

DISCONTINUED OPERATIONS. On November 3, 2003, EMCORE sold its TurboDisc systems business to Veeco. Accordingly, the operating results from this business were reported as discontinued operations in our consolidated statements of operations. For the three months ended December 31, 2003, net loss from discontinued operations was \$1.7 million and EMCORE recognized a gain on the disposal of the systems business of \$19.6 million. For the three months ended December 31, 2002, net income from discontinued operations was \$1.9 million.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital

EMCORE has funded operations to date through product sales and sales of equity and subordinated debt. Significant financial transactions include the following:

- o In March 2000, EMCORE raised approximately \$127.5 million from an additional equity offering;
- o In May 2001, EMCORE issued \$175.0 million of 5% convertible subordinated notes; and
- o In November 2003, EMCORE sold its TurboDisc systems business.

At December 31, 2003, EMCORE had working capital of approximately \$88.5 million. Prior to reclassifying all of the assets associated with the discontinued operation to current assets, working capital at September 30, 2003 was \$55.5 million. Cash, cash equivalents and marketable securities at December 31, 2003 totaled \$78.4 million, which reflects a net cash increase of \$50.0 million for the three months ended December 31, 2003, which is largely attributable to the sale of the TurboDisc business.

On November 3, 2003, pursuant to approval received by the Board of Directors on October 31, 2003, EMCORE sold its TurboDisc systems business to a subsidiary of Veeco in a transaction that could be valued at up to \$80.0 million. The purchase price was \$60.0 million in cash at closing with an additional aggregate maximum payout of \$20.0 million over the next two years. EMCORE will receive in cash 50% of all revenues from this business that exceeds \$40.0 million in each of the next two years, beginning January 1, 2004. In accordance with the terms of the agreement, EMCORE also received an additional \$2.0 million in cash for working capital adjustments and expense reimbursements. This transaction included the assets, products, product warranty liabilities, hardware-related technology and intellectual property used primarily in the operation of this business, including its manufacturing facility located in Somerset, New Jersey. Approximately 150 employees of EMCORE were involved in the TurboDisc business of which approximately 120 became employees of Veeco.

Cash Flow

Net Cash Used For Operations -- For the three months ended December 31, 2003, net cash used for operations, including results from discontinued operations, increased \$11.8 million to \$(12.9) million from (\$1.1) million for the three months ended December 31, 2002. Included in EMCORE's net income of \$9.8 million, for the three months ended December 31, 2003, were non-cash items of \$19.6 million related to the gain on disposal of discontinued operations, \$4.1 million in depreciation and amortization expenses and \$1.7 million related to losses incurred from the discontinued operations. Decreases in cash flow from changes in balance sheet accounts totaled \$3.6 million for the three months ended December 31, 2003. Significant fluctuations on the balance sheet included increased receivables of \$5.6 million offset by an increase in accounts payable of \$2.8 million.

Net Cash Provided By (Used For) Investment Activities -- For the three months ended December 31, 2003, net cash provided by investment activities improved \$44.6 million to \$36.6 million from \$(8.0) million. Changes in cash flow from December 31, 2002 to 2003 consisted of:

- o Divestiture - Sale of TurboDisc business generated \$62.0 million in cash.
- o Capital expenditures -- Capital expenditures decreased slightly to \$0.3 million from \$0.4 million. As part of our ongoing effort to manage cash, management carefully scrutinizes all capital purchases. Exclusive of facility consolidation efforts, EMCORE estimates fiscal 2004 capital expenditures to increase modestly as management focuses on purchasing equipment that will provide higher target yields for manufactured product.
- o Investments -- For the three months ended December 31, 2002, investments in EMCORE's GELcore joint venture totaled approximately \$2.0 million. As a result of GELcore's improved operations and recently reported profitable quarterly results, no additional investments were made to GELcore in the first quarter of fiscal 2004.
- o Acquisitions -- From time to time, EMCORE evaluates potential acquisitions of complementary businesses as strategic opportunities and anticipates continuing to make such evaluations. In December 2002, EMCORE acquired certain assets of privately held Alvesta Corporation for approximately \$250,000. In October 2003, EMCORE purchased Molex's 10G Ethernet transceiver business for an initial \$1.0 million in cash. In accordance with the agreement, EMCORE will pay an additional \$1.5

million in progress payments, of which \$0.1 million was paid in the first quarter of fiscal 2004. The remaining progress payments are expected to be paid during the balance of fiscal 2004.

o Marketable securities -- For the three months ended December 31, 2003 and 2002, EMCORE's net investment in marketable securities decreased by \$24.1 million and \$5.4 million, respectively, in order to fund acquisitions and operations.

Net Cash Provided By (Used For) Financing Activities -- For the three months ended December 31, 2003, net cash used for financing activities increased \$8.7 million to \$2.2 million from \$(6.5) million in the prior year. In December 2002, \$6.3 million related to the partial repurchase of our convertible subordinated notes. Proceeds received from the exercise of common stock options amounted to \$1.8 million and \$0.2 million for the three months ended December 31, 2003 and 2002, respectively.

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 months ended December 31, 2003 and 2002, interest expense relating to the notes approximated \$2.0 million and \$2.2 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, \$13.2 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. As a result of the partial debt repurchase, annual interest expense in future periods 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.

On January 21, 2004 EMCORE commenced an offer to exchange up to \$88,962,500 principal amount of its new 5% Convertible Senior Subordinated Notes due May 15, 2011 and \$56,612,500 payable in its common stock, up to a maximum of 10,542,365 shares, for up to all of the \$161,750,000 principal amount of its currently outstanding 5% Convertible Subordinated Notes due May 2006. If consummated, the exchange offer will allow the Company to reduce its outstanding indebtedness by up to \$72,787,500 and reduce its interest expense through May 15, 2006 by up to \$3,639,375 per year. The exchange offer is scheduled to expire on February 18, 2004 at 11:59 p.m., unless extended.

CONCLUSION

EMCORE believes that its current liquidity should be sufficient to meet its cash needs for working capital through the next 12 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 may occasionally enter 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. During the quarter ended December 31, 2003, there were no significant changes to our internal controls over financial reporting or in other factors that has materially affected or is reasonably likely to materially affect our internal controls over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are involved in lawsuits 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

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) List of Exhibits

31.1 Certificate of Chief Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 dated February 17, 2004.

31.2 Certificate of Chief Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 dated February 17, 2004.

32.1 Certificate of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 dated February 17, 2004.

32.2 Certificate of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 dated February 17, 2004.

(b) Reports on Form 8-K

Current report on Form 8-K, dated December 29, 2003, announcing filing of Registration Statement on Form S-4

Current report on Form 8-K, dated November 18, 2003, announcing sale of the Registrant's TurboDisc division

Current report on Form 8-K, dated November 13, 2003, announcing Registrant's fiscal fourth quarter and year end results

Current report on Form 8-K, dated October 14, 2003, announcing acquisition of Molex by Registrant

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: February 17, 2004 By: /s/ Reuben F. Richards, Jr.

Reuben F. Richards, Jr.
President and Chief Executive Officer

Date: February 17, 2004 By: /s/ Thomas G. Werthan

Thomas G. Werthan
Vice President and Chief Financial Officer

EXHIBIT INDEX

31.1 Certificate of Chief Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 dated February 17, 2004.

31.2 Certificate of Chief Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 dated February 17, 2004.

32.1 Certificate of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 dated February 17, 2004.

32.2 Certificate of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 dated February 17, 2004

CERTIFICATION

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 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 17, 2004

/s/ Reuben F. Richards, Jr.

Reuben F. Richards, Jr.
President and CEO

CERTIFICATION

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 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 17, 2004

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

EXHIBIT 32.1

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 December 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.

Reuben F. Richards, Jr.
February 17, 2004

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.

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 December 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

Thomas G. Werthan
February 17, 2004

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.