

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

FORM 10-Q

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

For the quarterly period ended December 31, 2002

☐ 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 22-2746503
(State or other jurisdiction (I.R.S. Employer Identification No.)
of incorporation or organization)

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 outstanding of the registrant's no par value common stock at February 7, 2003 was 36,944,615.

ITEM 1. Financial Statements

EMCORE CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
For the three months ended December 31, 2002 and 2001
(in thousands, except loss per share)
(unaudited)

	Three Months Ended December 31,	
	2002	2001
Revenues:		
Systems-related.....	\$13,842	\$10,295
Materials-related.....	9,404	8,842
Total revenues.....	23,246	19,137
Cost of revenues:		
Systems-related.....	8,986	5,411
Materials-related.....	12,034	11,181
Total cost of revenues.....	21,020	16,592
Gross profit.....	2,226	2,545
Operating expenses:		
Selling, general and administrative	5,779	6,998
Research and development.....	3,606	11,947

Gain from debt extinguishment.....	(6,614)	-
Total operating expenses.....	2,771	18,945
Operating loss.....	(545)	(16,400)
Other expenses:		
Interest expense, net.....	1,781	928
Other expense.....	-	13,262
Equity in net loss of unconsolidated affiliate.....	571	377
Total other expenses.....	2,352	14,567
Net loss.....	(\$2,897)	(\$30,967)
	=====	=====
Per Share Data:		
Weighted average basic and diluted shares outstanding used in per share calculations.....	36,781	36,234
Net loss per basic and diluted share.....	(\$0.08)	(\$0.85)
	=====	=====

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

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

ASSETS	As of December 31, 2002 (unaudited)	As of September 30, 2002
Current assets:		
Cash and cash equivalents.....	\$27,103	\$42,716
Marketable securities.....	46,833	41,465
Accounts receivable, net.....	19,054	23,817
Accounts receivable, related party.....	506	518
Inventories.....	27,497	31,027
Other current assets.....	1,071	1,188
Total current assets.....	122,064	140,731
Property, plant and equipment, net.....	97,611	101,302
Goodwill.....	20,384	20,384
Intangible assets, net.....	3,080	3,042
Investments in unconsolidated affiliate.....	9,871	8,482
Other assets, net.....	11,387	12,002
Total assets.....	\$264,397	\$285,943
=====		
LIABILITIES and SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable.....	\$7,209	\$10,346
Accrued expenses.....	11,030	12,875
Advanced billings.....	4,830	5,604
Capitalized lease obligation - current.....	76	81
Total current liabilities.....	23,145	28,906
Convertible subordinated notes.....	161,750	175,000
Capitalized lease obligation, net of current portion.....	71	87
Total liabilities.....	184,966	203,993
Commitments and contingencies.....		
Shareholders' equity:		
Preferred stock, \$0.0001 par, 5,882,352 shares authorized, no shares outstanding.....	-	-
Common stock, no par value, 100,000,000 shares authorized, 36,928 shares issued and 36,908 outstanding at December 31, 2002; 36,772 shares issued and 36,752 outstanding at September 30, 2002.....	334,400	334,051
Accumulated deficit.....	(253,810)	(250,913)
Accumulated other comprehensive loss.....	(193)	(222)
Shareholders' notes receivable.....	(34)	(34)
Treasury stock, at cost; 19 shares.....	(932)	(932)
Total shareholders' equity.....	79,431	81,950
Total liabilities and shareholders' equity.....	\$264,397	\$285,943
=====		

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

EMCORE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three months ended December 31, 2002 and 2001
(in thousands)
(unaudited)

	Three Months Ended	
	2002	2001
Cash flows from operating activities:		
Net loss.....	(\$2,897)	(\$30,967)
Adjustments to reconcile net loss to net cash used for operating activities:		
Depreciation and amortization.....	4,771	4,979
Provision for doubtful accounts.....	150	(112)
Equity in net loss of unconsolidated affiliate.....	571	377
Compensatory stock issuances.....	178	165
Impairment of equity investment.....	-	13,262
Reduction of note receivable.....	100	
Gain from debt extinguishment.....	(6,614)	-
Decrease (increase) in assets:		
Accounts receivable - trade.....	4,613	2,823
Accounts receivable - related parties.....	12	426
Inventories.....	3,530	(2,609)
Other current assets.....	117	1,097
Other assets.....	61	400
Increase (decrease) in liabilities:		
Accounts payable.....	(3,137)	(7,125)
Accrued expenses.....	(1,845)	(3,082)
Advanced billings.....	(774)	916
Other.....	26	(39)
Total adjustments.....	1,759	11,478
Net cash used for operating activities.....	(1,138)	(19,489)
Cash flows from investing activities:		
Purchase of property, plant, and equipment.....	(414)	(3,197)
Investments in unconsolidated affiliate.....	(1,960)	(1,960)
Repayment of related-party loan.....	-	5,000
Business acquisition.....	(250)	-
Proceeds from sales of (investment in) marketable securities, net.....	(5,365)	18,287
Net cash (used for) provided by investing activities.....	(7,989)	18,130
Cash flows from financing activities:		
Repurchase of convertible subordinated notes.....	(6,636)	-
Payments on capital lease obligations.....	(21)	(17)
Proceeds from exercise of stock options and employee stock purchase plan.....	171	769
Proceeds from exercise of stock purchase warrants.....	-	4,194
Net cash (used for) provided by financing.....	(6,486)	4,946
Net (decrease) increase in cash and cash equivalents.....	(15,613)	3,587
Cash and cash equivalents, beginning of period.....	42,716	71,239
Cash and cash equivalents, end of period.....	\$27,103	\$74,826
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SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for interest.....	\$4,447	\$4,572
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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 three months ended December 31, 2002(unaudited)
(in thousands)

	Shares	Common Stock	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 charged to expense.....				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.....			2,897)				(2,897)
Unrealized gains on marketable securities.....				3			3
Translation adjustment.....				26			26
Comprehensive loss.....							(2,868)
Compensatory stock issuances.....	67	178					178
Issuance of common stock - Employee Stock Purchase Plan.....	89	171					171
Balance at December 31, 2002.....	36,908	\$334,400	(\$253,810)	(\$193)	(\$34)	(\$932)	\$79,431

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

EMCORE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

NOTE 1. Interim Financial Information

The accompanying unaudited consolidated financial statements of EMCORE Corporation (EMCORE) reflect all adjustments considered necessary by management to present fairly EMCORE's consolidated financial position as of December 31, 2002, the consolidated results of operations for the three-month periods ended December 31, 2002 and 2001 and the consolidated cash flows for the three-month periods ended December 31, 2002 and 2001. All adjustments reflected in the accompanying financial statements are of a normal recurring nature unless otherwise noted. Certain prior period amounts have been reclassified to conform with the current period financial statement presentation. The results of operations for the three-month period ended December 31, 2002 are not necessarily indicative of the results for the fiscal year ending September 30, 2003 or any future interim period.

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) MOCVD product line, which designs, develops and manufactures systems and manufacturing processes. Revenues for the systems-related business are derived primarily from sales of TurboDisc systems, as well as spare parts, services and related products. The materials-related business is comprised of our satellite communications, fiber-optic and wireless product lines. Revenues for the materials-related business are derived primarily from the sales of solar cell products including cells, covered interconnect solar cells (CICs) and panels, vertical cavity surface emitting lasers (VCSELs) and VCSEL-based transceiver and transponder modules, RF materials including heterojunction bipolar transistors (HBTs) and enhancement-mode pseudomorphic high electron mobility transistors (PHEMTs), 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) STATEMENT OF OPERATIONS	Systems- related	Materials- related	TOTAL	Systems- related	Materials- related	TOTAL
Three months ended December 31, 2002 & 2001	Quarter 1 FY 2003	Quarter 1 FY 2003	Quarter 1 FY 2003	Quarter 1 FY 2002	Quarter 1 FY 2002	Quarter 1 FY 2002
Revenues.....	\$13,842	\$9,404	\$23,246	\$10,295	\$8,842	\$19,137
Cost of revenues.....	8,986	12,034	21,020	5,411	11,181	16,592
Gross profit (loss).....	4,856	(2,630)	2,226	4,884	(2,339)	2,545
Gross margin.....	35.1%	(28.0%)	9.6%	47.4%	(26.5%)	13.3%
Operating expenses:						
Selling, general and administrative.....	2,359	3,420	5,779	4,750	2,248	6,998
Research and development.....	1,332	2,274	3,606	3,880	8,067	11,947
Gain from debt extinguishment..	-	-	(6,614)	-	-	-
Total operating expenses..	3,691	5,694	2,771	8,630	10,315	18,945
Operating income (loss)...	\$1,165	(\$8,324)	(\$545)	(\$3,746)	(\$12,654)	(\$16,400)

The gain from debt extinguishment was not allocated between the two operating segments.

EMCORE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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:

(in thousands)

Product Revenue

Three months ended December 31, 2002 & 2001	Quarter 1 FY 2003	% of revenue	Quarter 1 FY 2002	% of revenue
Systems-related.....	\$13,842	59.6%	\$10,295	53.8%
Materials-related:				
Photovoltaics.....	5,075	21.8%	1,829	9.6%
Optical Devices and Components.....	2,286	9.8%	1,327	6.9%
Electronic Materials and Devices.....	2,043	8.8%	5,686	29.7%
Total revenues.....	\$23,246	100.0%	\$19,137	100.0%

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:

(in thousands)

Revenue by Geographic Region Three months ended December 31, 2002 & 2001	Quarter 1 FY 2003	% of revenue	Quarter 1 FY 2002	% of revenue
North America.....	\$10,594	45.6%	\$12,988	67.8%
Asia.....	7,179	30.9%	2,731	14.3%
Europe.....	5,473	23.5%	3,418	17.9%
Total revenues.....	\$23,246	100.0%	\$19,137	100.0%

NOTE 3. Acquisition

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.

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 and accounts for its investment under the equity method of accounting. In November 2002, EMCORE contributed approximately \$2.0 million to the joint venture. For the three-month periods ended December 31, 2002 and 2001, EMCORE recognized a loss of \$0.6 million and \$0.4 million, respectively, related to the joint venture, which was recorded as a component of other income and expense. At December 31, 2002, EMCORE's net investment in this joint venture amounted to approximately \$9.9 million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5. Balance Sheet Data

o Accounts receivable, net

The components of accounts receivable consisted of the following:

(in thousands)	At December 31, 2002	At September 30, 2002
Accounts receivable.....	\$19,289	\$24,029
Accounts receivable - unbilled	3,094	3,135
	22,383	27,164
Allowance for doubtful accounts....	(3,329)	(3,347)
Total.....	\$19,054	\$23,817

o Inventories

The components of inventories consisted of the following:

(in thousands)	At December 31, 2002	At September 30, 2002
Raw materials.....	\$18,806	\$19,926
Work-in-process.....	6,567	8,706
Finished goods.....	2,124	2,395
Total.....	\$27,497	\$31,027

o Property, Plant and Equipment

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

(in thousands)	At December 31, 2002	At September 30, 2002
Land.....	2,502	2,502
Building and improvements.....	60,959	60,777
Equipment.....	69,457	69,223
Furniture and fixtures.....	4,868	4,843
Leasehold improvements.....	1,728	1,729
Construction in progress.....	1,068	1,094
Property and equipment Under capital lease.....	429	429
	141,011	140,597
Less: accumulated depreciation and amortization.....	(43,400)	(39,295)
Total.....	\$97,611	\$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. EMCORE adopted SFAS No. 142 on October 1, 2001 and will complete its annual transition test for impairment during the quarter ending March 31, 2003.

o Intangible Assets, net

The components of net intangible assets consisted of the following:

(in thousands)	At December 31, 2002			At September 30, 2002		
	Gross Assets	Accumulated Amortization	Net Assets	Gross Assets	Accumulated Amortization	Net Assets
Patents.....	\$2,351	(\$1,120)	\$1,231	\$2,674	(\$1,326)	\$1,348
Intellectual property:						
Tecstar.....	1,900	(301)	1,599	1,900	(206)	1,694
Alvesta.....	250	-	250	-	-	-
Total...	\$4,501	(\$1,421)	\$3,080	\$4,574	\$(1,532)	\$3,042

o Accrued Expenses

The components of accrued expenses consisted of the following:

(in thousands)	At December 31, 2002	At September 30, 2002
Compensation.....	\$4,825	\$4,392
Interest.....	1,025	3,281
Warranty.....	2,035	2,134
Other.....	3,145	3,068
Total.....	\$11,030	\$12,875

NOTE 6. Debt Facilities

Convertible Subordinated Notes - 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 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.

EMCORE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7. 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 \$0.3 million and \$0.2 million for the three months ended December 31, 2002 and 2001, 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 December 31, 2002 are as follows:

(in thousands)

Period ending:	Operating

December 31, 2003	\$1,344
December 31, 2004	982
December 31, 2005	656
December 31, 2006	418
December 31, 2007	166

Total minimum lease payments	\$3,566
	=====

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 Can\$7.5 million (US \$4.8 million at December 31, 2002) 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 December 31, 2002, US \$2.1 million was outstanding under the GELcore Credit Facility.

NOTE 8. Recent Financial Accounting Pronouncements

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 No. 148 on January 1, 2003.

NOTE 9. Subsequent Event

In January 2003, EMCORE acquired the West Coast optoelectronics division of Agere Systems, Inc (formerly Ortel Corporation) for \$25 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. The purchase price allocation should be completed by March 31, 2003. In the quarter ended March 31, 2003, operations from this acquisition will be consolidated into EMCORE's quarterly financial results.

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 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 the 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 statements regarding the anticipated cost of the restructuring and realignment efforts;
- o statements regarding the anticipated charges to be recorded by EMCORE to reduce the carrying value of excess and obsolete inventory and doubtful accounts;
- o difficulties in integrating recent or future acquisitions into EMCORE's operations;
- o statements regarding EMCORE's ability to obtain or maintain ISO qualifications; and
- 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 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 currently 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 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 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 appears to have declined significantly, we believe our overall market share has recently increased 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. 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, which allows for high capacity data storage. 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.

Materials-Related

EMCORE offers a broad array of compound semiconductor wafers and devices, including photovoltaic products, optical 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. However, the photovoltaic industry continues to be affected by weakness in satellite infrastructure spending, which has created delays in program deployment. As required, EMCORE adopted SFAS No. 142 on October 1, 2001 and will complete its annual transition test for impairment on this product line during the quarter ending March 31, 2003.

Optical 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 optical 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.

Electronic Materials and Devices. RF materials 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.

Acquisitions

In December 2002, EMCORE acquired certain assets of privately-held Alvesta Corporation of Sunnyvale, California. Alvesta Corporation is an industry leader in research and development relating to 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 the year ended December 31, 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.

In January 2003, EMCORE acquired the West Coast optoelectronics division of Agere Systems, Inc Inc (formerly Ortel Corporation) for \$25 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 the year ended September 30, 2002.

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) MOCVD product line, which designs, develops and manufactures systems and manufacturing processes. Revenues for the systems-related business are derived primarily from sales of TurboDisc systems, as well as spare parts, services and related products. The materials-related business is comprised of our satellite communications, fiber-optic and wireless product lines. Revenues for the materials-related business are derived primarily from the sales of solar cell products including cells, covered interconnect solar cells (CICs) and panels, vertical cavity surface emitting lasers (VCSELs) and VCSEL-based transceiver and transponder modules, RF materials including heterojunction bipolar transistors (HBTs) and enhancement-mode pseudomorphic high electron mobility transistors (pHEMTs), 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) STATEMENT OF OPERATIONS	Systems- related	Materials- related	TOTAL	Systems- related	Materials- related	TOTAL
Three months ended December 31, 2002 & 2001	Quarter 1 FY 2003	Quarter 1 FY 2003	Quarter 1 FY 2003	Quarter 1 FY 2002	Quarter 1 FY 2002	Quarter 1 FY 2002
Revenues.....	\$13,842	\$9,404	\$23,246	\$10,295	\$8,842	\$19,137
Cost of revenues.....	8,986	12,034	21,020	5,411	11,181	16,592
Gross profit (loss).....	4,856	(2,630)	2,226	4,884	(2,339)	2,545
Gross margin.....	35.1%	(28.0%)	9.6%	47.4%	(26.5%)	13.3%
Operating expenses:						
Selling, general and administrative...	2,359	3,420	5,779	4,750	2,248	6,998
Research and development.....	1,332	2,274	3,606	3,880	8,067	11,947
Gain from debt extinguishment.....	-	-	(6,614)	-	-	-
Total operating expenses.....	3,691	5,694	2,771	8,630	10,315	18,945
Operating income (loss).....	\$1,165	(\$8,324)	(\$545)	(\$3,746)	(\$12,654)	(\$16,400)

The gain from debt extinguishment was not allocated between the two operating segments.

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:

(in thousands) Product Revenue Three months ended December 31, 2002 & 2001	Quarter 1 FY 2003	% of revenue	Quarter 1 FY 2002	% of revenue
Systems-related.....	\$13,842	59.6%	\$10,295	53.8%
Materials-related:				
Photovoltaics.....	5,075	21.8%	1,829	9.6%
Optical Devices and Components.....	2,286	9.8%	1,327	6.9%
Electronic Materials and Devices.....	2,043	8.8%	5,686	29.7%
Total revenues.....	\$23,246	100.0%	\$19,137	100.0%

Management is committed to reducing EMCORE's cost structure by focusing on lowering the breakeven points for each of its product lines. 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. Included in the provision for restructuring and impairment charges recorded in fiscal 2002 were severance and fringe benefit charges related to employee termination costs for 330 employees. We expect this program to lower our expenditures by approximately \$4.9 million per quarter in fiscal 2003. EMCORE also essentially eliminated all outside contractor and temporary employees and significantly reduced overall expenditures for materials, software and capital assets. As part of the ongoing effort to cut costs, EMCORE implemented a program to focus research and development efforts on projects that can be expected to generate returns within one year. As a result, EMCORE has been able to reduce overall research and development costs without, we believe, jeopardizing future revenue opportunities. In addition, we expect lower R&D costs to be incurred on our fiber-optic product line as new components continue to be released for commercial use. These combined actions should result in a cost reduction of approximately \$6.0 million to \$8.0 million per quarter in fiscal 2003, which we believe 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.

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:

(in thousands)

Revenue by Geographic Region Three months ended December 31, 2002 & 2001	Quarter 1 FY 2003	% of revenue	Quarter 1 FY 2002	% of revenue
North America.....	\$10,594	45.6%	\$12,988	67.8%
Asia.....	7,179	30.9%	2,731	14.3%
Europe.....	5,473	23.5%	3,418	17.9%
Total revenues.....	\$23,246	100.0%	\$19,137	100.0%

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 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.

As a result of the acquisition of Tecstar in 2002, 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 Pronouncements

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 No. 148 on January 1, 2003.

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-month periods ended December 31, 2002 and 2001.

Statements of Operations Data:	Three months ended December 31	
	2002	2001
	-----	-----
Revenues.....	100.0%	100.0%
Cost of revenues.....	90.4%	86.7%
	-----	-----
Gross profit.....	9.6%	13.3%
Operating expenses:		
Selling, general and administrative.....	24.9%	36.6%
Research and development.....	15.5%	62.4%
Gain from debt extinguishment.....	(28.5%)	-
	-----	-----
Total operating expenses.....	11.9%	99.0%
	-----	-----
Operating loss.....	(2.3%)	(85.7%)
Other expense:		
Interest expense, net.....	7.6%	4.8%
Other expense.....	-	69.3%
Equity in net loss of unconsolidated affiliate.....	2.5%	2.0%
	-----	-----
Total other expense.....	10.1%	76.1%
	-----	-----
Net loss.....	(12.4%)	(161.8%)
	=====	=====

Comparison of the three-month periods ended December 31, 2002 and 2001

Revenues. EMCORE's revenues increased 22% or \$4.1 million from \$19.1 million for the three months ended December 31, 2001 to \$23.2 million for the three months ended December 31, 2002. Excluding the results of Tecstar, which was acquired in March 2002, revenues for the three months ended December 31, 2002 would have increased approximately \$0.8 million from the prior year. First quarter international sales accounted for 54% of revenues in fiscal year 2003 and 32% of revenues in fiscal year 2002. Sales in Asia increased 163% or \$4.4 million from the prior year. Due to continuing adverse general market conditions and weakened demand for certain of our products, we expect that annual revenues from existing product lines will remain flat, or at best, modestly increase in fiscal 2003 compared to fiscal 2002. In January 2003, EMCORE acquired the West Coast optoelectronics division of Agere Systems, Inc. Inc (formerly Ortel Corporation). We expect results from this acquisition will increase consolidated quarterly revenues by \$5.0 million to \$8.0 million in fiscal 2003.

For the three-month periods ended December 31, 2002 and 2001, systems-related revenues increased 35% or \$3.5 million from \$10.3 million reported in the prior year to \$13.8 million. First quarter systems-related sales represented 60% and 54% of EMCORE's total consolidated revenues in fiscal 2003 and 2002, respectively. The number of MOCVD production systems shipped during the quarter increased 133% from 3 systems in fiscal 2002 to 7 systems in fiscal 2003. First quarter component and service revenue in fiscal 2003 of \$2.1 million increased as expected when compared to \$1.6 million earned in the prior year. Based on EMCORE's backlog of system orders, management expects systems related revenues to increase in fiscal 2003 compared with fiscal 2002 in absolute dollars and as a percentage of revenues.

For the three-month periods ended December 31, 2002 and 2001, materials-related revenues increased 6% or \$0.6 million from \$8.8 million reported in the prior year to \$9.4 million. First quarter materials-related sales represented 40% and 46% of EMCORE's total consolidated revenues in fiscal 2003 and 2002, respectively. On a product line basis, sales of photovoltaic products increased \$3.2 million or 177%, optical devices and components increased \$1.0 million or 72% and electronic materials and devices decreased \$3.6 million or 64% from the prior year. Excluding results of Tecstar, materials-related revenues decreased 31% or \$2.7 million from the prior year.

Photovoltaic products include the sale of solar cells, CICs and solar panels. First quarter photovoltaic sales represented 22% and 10% of EMCORE's total consolidated revenues in fiscal 2003 and 2002, respectively. The increase in revenue is attributable to additional sales as a result of the acquisition of Tecstar. Excluding results of Tecstar, photovoltaics revenues for fiscal 2003 would have decreased \$0.1 million or 3% from the prior year. The photovoltaic industry continues to be affected by 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 with fiscal 2002.

Sales of optical devices and components include revenues from VCSELs, photodetectors and VCSEL-based array transceivers and transponders. First quarter sales of optical devices and components represented 10% and 7% of EMCORE's total consolidated revenues in fiscal 2003 and 2002, respectively. Although, sales from this product line did not contribute significantly to first quarter revenues in either fiscal year, 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.

First quarter sales of electronic materials and devices, which include RF materials and MR sensors, represented 9% and 30% of EMCORE's total consolidated revenues in fiscal 2003 and 2002, respectively. 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 each quarter since March 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 \$0.4 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 and we may stop production of MR sensors in connection therewith.

Gross Profit. EMCORE experienced a gross profit of \$2.2 million for the three months ended December 31, 2002 compared to a gross profit of \$2.5 million for the three months ended December 31, 2001, representing a 13% decrease totaling \$0.3 million. For the three-month periods ended December 31, 2002 and 2001, gross margins decreased from 13% to 10%. The decline in gross profit occurred in both the systems-related and materials-related segments. We anticipate that gross profit will continue to be affected in the near term as a result of flat sales.

For both three-month periods ended December 31, 2002 and 2001, EMCORE's gross profit on systems-related revenues was \$4.9 million. For the three months ended December 31, 2002 and 2001, gross margins for systems-related revenues decreased to 35% from 47%. This gross margin decrease was a result of differences in pricing and product mix of MOCVD systems sales. The average selling price for MOCVD systems sold during the first quarter of fiscal 2002 was approximately \$2.0 million as compared to \$1.4 million in the first quarter of fiscal 2003. In addition, prior year revenues included a significant number of system installation revenues, which typically have very high margins.

For the three-month periods ended December 31, 2002 and 2001, EMCORE experienced a gross loss of \$2.6 million on materials-related revenues compared to a gross loss of \$2.3 million, representing a 12% decrease totaling \$0.3 million. For the three-month periods ended December 31, 2002 and 2001, gross margins for materials-related revenues decreased to a negative 28% from a negative 27%. The most significant factor contributing to these negative gross margins is unabsorbed overhead costs associated with lower revenues due to customer delayed product launches. The decrease in margins from prior year is a direct result of increased fiber-optic operations. 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 expenses (SG&A) decreased 17%, or \$1.2 million, from \$7.0 million for the three months ended December 31, 2001 to \$5.8 million for the three months ended December 31, 2002. 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 decreased from 37% for the three months ended December 31, 2001 to 25% in fiscal 2003. Exclusive of further non-recurring charges, management expects annual SG&A 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 expenses (R&D) decreased 70%, or \$8.3 million, from \$11.9 million for the three months ended December 31, 2001 to \$3.6 million for the three months ended December 31, 2002. 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 decreased from 62% for the three months ended December 31, 2001 to 16% in 2002. Exclusive of non-recurring charges, management expects annual R&D 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.

Interest Expense, net. For the three months ended December 31, 2002, net interest changed \$0.9 million from net interest expense of \$0.9 million to net interest expense of \$1.8 million. The increase in net interest expense is a result of lower interest rates and decreased investments in marketable securities offset by interest expense being incurred on our \$175 million 5% convertible subordinated notes due in May 2006. In December 2002, EMCORE purchased \$13.3 million principal amount of the notes. As a result of the transaction, EMCORE's annual interest expense in future periods will be decreased by approximately \$650,000.

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 Net Loss of Unconsolidated Affiliate. Because EMCORE does not have a controlling economic and voting interest in GELcore, EMCORE accounts for this joint venture under the equity method of accounting. For the three-month periods ended December 31, 2002 and 2001, EMCORE recognized a loss of \$0.6 million and \$0.4 million, respectively, related to the joint venture.

Liquidity and Capital Resources

Working Capital

At December 31, 2002, EMCORE had working capital of approximately \$98.9 million, which included \$73.9 million in cash, cash equivalents and marketable securities. Working capital at September 30, 2002 was \$111.8 million. EMCORE has funded operations to date through product sales, sales of equity, subordinated debt and borrowings under revolving credit facilities. Significant transactions include:

- o In May 2001, EMCORE issued \$175.0 million of 5% convertible subordinated notes due in May 2006, at par, less issuance costs of \$6.2 million;
- o In March 2000, EMCORE raised approximately \$127.5 million, net of issuance costs, from an additional equity offering;
- o In June 1999, EMCORE raised approximately \$52.0 million, net of issuance costs, from a secondary public offering.

Net Cash Used For Operations

In the first quarter of fiscal 2003, net cash used for operations totaled \$1.1 million, a decrease of \$18.4 million from the first quarter of fiscal 2002, when net cash used for operating activities was \$19.5 million. In the first quarter of fiscal 2003, net cash usage of \$1.9 million related to the combined operations of EMCORE's Photovoltaics and Optical Devices and Components product lines. The most significant factors contributing to this operating cash usage were: a) unabsorbed overhead costs associated with lower revenues due to customer delayed product launches; b) the push-out and cancellation of orders from certain customers forced EMCORE to maintain higher inventory levels than expected; and c) extended payment terms delayed cash receipts from certain sales. In the first quarter of fiscal 2003, net cash provided by operations of \$0.8 million related to the combined operations of EMCORE's TurboDisc MOCVD and Electronic Materials and Devices product lines.

Included in EMCORE's first quarter fiscal 2003 net loss of \$2.9 million were non-cash items of \$6.6 million related to the gain from partial debt extinguishment and \$4.8 million in depreciation and amortization expenses. In the first quarter of fiscal 2002, EMCORE recorded a non-cash impairment charge of \$13.3 million related to its holding of UTCI common stock. First quarter changes in balance sheet accounts in fiscal 2003 and 2002 totaled a positive \$2.6 million and negative \$7.2 million, respectively. Improvements in receivable collections and inventory turnover more than offset payments made on liabilities during the first quarter of 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 result in a cost reduction of approximately \$6.0 million to \$8.0 million per quarter in fiscal 2003, which we believe 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 Used For (Provided by) Investment Activities

For the three months ended December 31, 2002, net cash used for investment activities totaled \$8.0 million. For the three months ended December 31, 2001, net cash provided by investment activities totaled \$18.1 million.

- o Capital expenditures - First quarter capital expenditures in fiscal 2003 were \$0.4 million compared with \$3.2 million in the first quarter of fiscal 2002. As part of our ongoing effort to conserve cash, EMCORE's capital expenditures in the first quarter of fiscal 2003 consisted almost solely of sustaining capital purchases. EMCORE estimates annual sustaining capital expenditures in fiscal 2003 to be approximately \$4.0 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.
- o Investments - First quarter investments in EMCORE's GELcore joint venture in both fiscal 2003 and 2002 totaled approximately \$2.0 million. EMCORE expects to invest an additional \$2.7 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 - First quarter fiscal 2002, EMCORE's net investment in marketable securities increased by \$5.4 million in order to take advantage of higher interest bearing instruments. In the prior year, EMCORE's net investment in marketable securities decreased by \$18.3 million in order to fund operations. EMCORE is expected to continue to fund operations by liquidating marketable securities in fiscal 2003.

Net Cash Provided By Financing Activities

Net cash used for financing activities in the first quarter of fiscal 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 first quarter of fiscal 2002 amounted to approximately \$4.9 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 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 Can \$7.5 million (US\$4.8 million at December 31, 2002) 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 December 31, 2002, US \$2.1 million was outstanding under the GELcore Credit Facility.

As of December 31, 2002, 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

Not applicable.

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.*

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the quarter ended December 31, 2002.

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 14, 2003

By: /s/ Reuben F. Richards, Jr.

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

Date: February 14, 2003

By: /s/ Thomas G. Werthan

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: February 14, 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: February 14, 2003

/s/ Thomas G. Werthan

Thomas G. Werthan
Chief Financial Officer

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, 2002, 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 14, 2003

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, 2002, 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 14, 2003