Annual Report 2007

CEAG AG

FRIWO Mobile Power

FRIWO Power Solutions

07

FRIWO®

Mission

Development, Production and Sale of Innovative and Competitive "Power Supplies". Worldwide.

Company Profile

CEAG AG has its registered office in Bad Homburg, Germany, and its business address in Ostbevern, Westphalia, Germany. It is listed in the General Standard, and is the holding company of the two FRIWO business units.

The **FRIWO Mobile Power (FMP)** business unit operates in the mobile telecommunication market and is a world's leading manufacturer of chargers for mobile telephones. It held a market share of some 22% in 2007.

The **FRIWO Power Solutions (FPS)** business unit manufactures custom-made power supplies and chargers for the four segments of IT and communications, household appliances and power tools, industrial applications and medical technology.

CEAG AG/FRIWO Group is present in all major world markets, with state-of-the-art development centers, production and sales operations in Europe, Asia and North and South America. Consolidated revenues amounted to EUR 315.2 million in 2007. CEAG AG's principal shareholder is DELTON AG, which holds almost 77% of its capital.

Power Supplies and Chargers | Netz- und Ladegeräte

FRIWO Mobile Power

Mobile Power

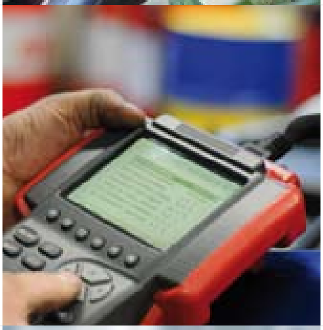
FRIWO Power Solutions

IT & communications

IT & Kommunikation

Household appliances and power tools

Mobile Haushaltsgeräte und Werkzeuge



Industrial applications

Industrielle Anwendungen

Medical technology

Medizintechnik

FRIWO®

At a Glance

Key Figures for the CEAG Group (The group currency is EUR)

in millions of EUR	2007	2006	Change in %
Unit sales			
CEAG	289.3	310.4	-6.8
FMP	259.2	282.9	-8.4
FPS	30.1	27.5	9.3
Revenues (with third parties)			
CEAG	315.2	351.7	-10.4
FMP	230.9	272.6	-15.3
FPS	84.3	79.1	6.7
EBIT			
CEAG	12.0	13.4	-10.5
FMP	9.5	12.8	-25.7
FPS	5.7	3.5	60.0
Holding company	-3.2	-2.9	-8.6
EBIT margin %	3.8	3.8	-
EBT CEAG	11.2	12.3	-8.9
Consolidated net profit	9.8	11.4	-13.4
Balance sheet			
Balance sheet total	127.9	131.4	-2.7
Subscribed capital	20.0	20.0	-
Number of shares in millions	7.7	7.7	-
Equity	44.6	37.5	19.0
Equity ratio %	34.8	28.5	-
Capital expenditure	7.0	13.3	-47.5
Employees (as of Dec. 31)	**19,027**	**22,223**	**-14.4**
Germany	270	270	0.0
Abroad	18,757	21,953	-14.6
Share			
Earnings per share EUR	1.28	1.48	-13.4
Dividend per share EUR	s. management report	-	-

Rolf Endress (Chairman of the Management Board) and Frank Gumbinger (Member of the Management Board)

Foreword

Dear Friends and Shareholders of CEAG AG,

2007 was a challenging fiscal year for the CEAG Group. We faced fierce headwinds on the cost side and among our competitors. Overall, our Group bravely navigated an increasingly difficult market and maintained its position as a leading manufacturer of high-quality power supplies.

The figures are as follows: In the fiscal year, CEAG sold 289.3 million FRIWO brand power supplies and chargers, 6.8% less than in growth year 2006. Consolidated revenues declined by 10.4% to EUR 315.2 million. Consolidated earnings before interest and taxes (EBIT) also fell short of the prior-year figure (EUR 13.4 million) at EUR 12.0 million.

The negative growth in revenues and earnings is attributable to the varied performance recorded by the two business units FRIWO Power Solutions (FPS) and FRIWO Mobile Power (FMP). The FPS business unit, which provides power supplies to various markets such as IT and communications, household appliances and power tools as well as industrial applications and medical technology, is continuing its growth course. FPS recorded revenue growth of 6.7% and EBIT growth of over 60% in fiscal year 2007.

FPS achieved double-digit growth rates on average in each of the last three years. This performance proves that the Group's strategy of consistently developing this business unit over the last few years was right. The good performance of FPS is based on new projects as well as a focus on high-revenue key customers with whom business relations have been stepped up. FPS has become a mainstay for CEAG and has good future potential.

By contrast, the FMP business unit did not partake in the ongoing dynamic growth of the mobile telephone market; its global market share dropped from 28% to 22% in 2007. This trend is partly due to the announced discontinuation of linear device production in favor of more advanced switch mode products. In addition, individual FMP customers showed below-average growth rates.

The entry or planned entry of a number of new providers, some with considerable financial backing, to the supplier market for mobile telephone manufacturers also had an impact. This resulted in a sharp increase in competition and additional pressure on prices and margins which is set to continue.

In order to remain competitive and continue to meet customer requirements in the future, considerable investment will be required in the global expansion of FMP in the

coming years. This will include the necessary production plants in dynamic economies such as India and Brazil. Besides the capital requirements and related risks, these projects will expend substantial management capacities and resources.

In view of these developments, we carefully assessed the strategic prospects of FMP as part of the CEAG Group for some time. This assessment showed that FMP would be better positioned to continue its past success in this new competitive field under new ownership.

On February 7, 2008, we concluded an agreement on the sale of the business unit to a subsidiary of Flextronics International Ltd., which is located in Singapore. The purchase price is EUR 57.5 million less any adjustments. The transaction is expected to be completed in the first half of 2008.

We want you, our shareholders, to partake in this sale. The Management Board has therefore resolved to propose the following dividend to the annual shareholders' meeting should the transaction be completed before the meeting is held:

- A dividend of EUR 4.00 per share will be paid for 2007. This will result in a distribution of EUR 30.8 million.
- If the transaction is not completed before the annual shareholders' meeting is held, the Management Board proposes a dividend of EUR 0.30 per share.

It is the start of a new era for CEAG. Following the sale of FMP, we will focus resolutely on the development of the FPS business unit. In fiscal year 2007, FPS discloses an EBIT operating margin of 6.7% in relation to revenues, which is much higher than the EBIT operating margin of the CEAG Group of 3.8%. We are convinced that this business unit has further growth potential which we plan to exploit in the coming years. We are therefore confident that our decision to focus on FPS will contribute long-term added value for CEAG and all its shareholders.

FPS is well equipped for this new phase in CEAG's development. The agreements with the new owner of FMP stipulate that most FPS products will continue to be produced at FMP's production sites in China. We have also secured FPS long-term access to all the relevant patents of FMP. CEAG will also retain the rights to the long established and highly respected FRIWO brand.

CEAG will continue to build on the strengths underlying its business success in recent years. Products which are both innovative and of the highest quality will lay the foundation for this growth. We will focus on more sophisticated products and growth markets.

We will continue to strengthen our business relations with major customers, thereby reducing complexity across all levels of the value chain. And we will build on our highly flexible production schedule, effective and customer-oriented research and development activities, efficient sales channels as well as our many decades of experience in the relevant markets.

In other words, the "new" CEAG is well placed to continue its path of value-based growth.

Ostbevern, Germany, March 31, 2008

Rolf Endress
Chairman of the Management Board

Frank Gumbinger
Member of the Management Board

CEAG Stock

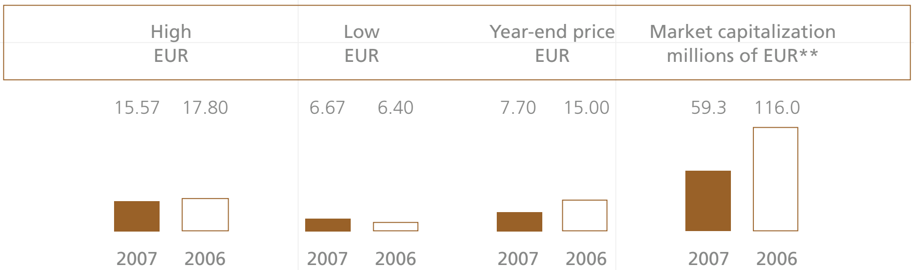
Subprime Crisis Affects Stock Markets

In fiscal year 2007, the international stock markets experienced increased volatility. The most important stock indices were, however, able to continue the upward trend of the first six months of the year. From summer 2007, the subprime crisis in the US led to sustained disruption on the international financial markets. In addition, towards the end of the year fears of an economic downturn in the US and the knock-on effects this would have on the European economy mounted. The increase in the price of crude oil and in raw materials costs also had a negative effect.

Against this backdrop, major stock indices in both the US and Europe experienced lower growth rates than in the prior year. The Dow Jones rose by 6.2% (2006: 16.3%), the Nasdaq 100 by 18.7% (2006: 6.8%) and the Euro Stoxx 50 by 6.9% (2006: 15%). The German DAX stock index rose by 22%, as in the prior year, ending the year at 8,067 points.

The CDax, comprising all German companies in the Prime Standard and General Standard, i.e. both traditional industry and technology stocks, rose by 20.4%, compared with 24.1% in the prior year.

Performance of the CEAG Stock*



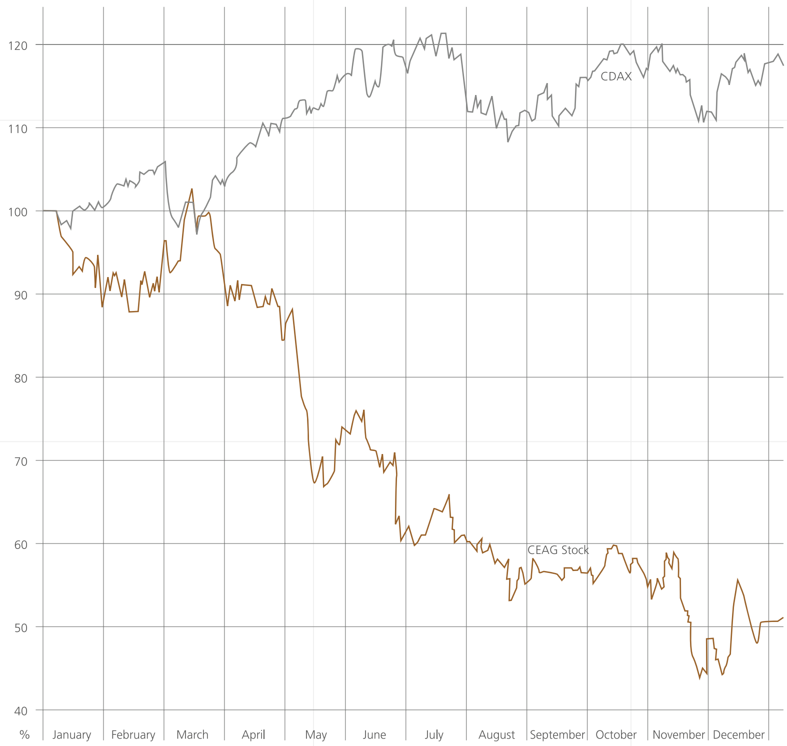
* All information based on Xetra closing prices
** Calculated on the basis of the relevant year-end prices

CEAG Stock Affected by Divergent Business Performance

Following a considerable increase in value in the prior year, CEAG stock, which is listed in the General Standard segment of Deutsche Börse, lost value in 2007. Following a year-end price of EUR 15.00 at the end of 2006, the stock initially dipped slightly, but then recovered to reach an annual high of EUR 15.57 on March 15. Not least due to the general downturn on the stock markets, the stock then started to fall. In the second half of the year, the price hovered between EUR 8.00 and EUR 9.00, falling to its annual low of EUR 6.67 on November 19. The price then recovered slightly and ended 2007 at EUR 7.70. This equals a 49% decrease on the 2006 year-end price (all information based on Xetra closing prices).

The performance of CEAG stock was below that of the comparative index CDax, which predominantly recorded steady growth. It was only with its annual high on March 15 that the CEAG stock briefly topped the comparative index.

The CEAG Stock in 2007 (Xetra)



The CEAG Stock vs. CDAX

Report of the Supervisory Board

In the reporting period, the Supervisory Board performed the duties incumbent upon it by law and the articles of incorporation with great care. It regularly advised the Management Board on matters concerning the governance of the Company and monitored the Company's management. The Supervisory Board was involved in all decisions material to the Company directly and without delay. The Management Board regularly informed the Supervisory Board about all relevant aspects of current business performance, major transactions and the position of the Group during its meetings as well as in the interim through written and verbal reports. The Supervisory Board was notified of specific major events as well as deviations from forecasts and targets and assessed these in detail on the basis of the documents provided. It paid particular attention to business planning, business performance, the risk situation, risk management, strategic alignment and the Group's development, as well as compliance.

There were no conflicts of interest in relation to members of the Management and Supervisory Boards which would require immediate disclosure to the Supervisory Board and reporting at the annual shareholders' meeting.

From left to right: Herbert Ellefred, Berndt-Michael Winter (chairman), Dr. Albrecht Leuschner (deputy chairman), Rita Brehm, Dr. Antonius Wagner, Prof. Dr. Hans-Jürgen Hellwig

Focus of Work

The Supervisory Board's work focused on the performance of the two business units, FRIWO Mobile Power (FMP) and FRIWO Power Solutions (FPS).

The increased competition, pressure on prices and the business performance of individual FMP customers were the subject of intense debate. Rising labor and energy costs at the Chinese production plants and the development of (raw) materials prices were also discussed.

The short-term interruption of work at the plants in the south of China was considered in detail. Projects and steps to improve productivity and profitability were also discussed.

The further development of the production strategy, such as the establishment of an FMP unit in India and expansion in Brazil, was also covered at the meetings.

The Supervisory Board considered in detail possible strategic options for the further development of the two business units FMP and FPS. In this context, the Supervisory Board also reflected at great length on the prospects and market opportunities of the individual business units should they become independent. In doing so, it focused on various strategic options for FMP. The Supervisory Board reviewed the purchase offer from Flextronics International Ltd. carefully and followed the progress of negotiations closely. After extensive consultation, the Supervisory Board approved the sale of FMP to a subsidiary of Flextronics International Ltd., which is located in Singapore.

The current business outlook of FPS was assessed. A further major focus was on measures to increase FPS's independence, which could, for example, include forming its own Chinese company.

The Supervisory Board examined the strategic plans of the two business units including both the forecasts and budgets. The agenda of the meetings included the development of cash flow within the Group and the financing plans of the business units and the Group as a whole.

A resolution was passed on the announcement and the agenda of the annual shareholders' meeting and the separate financial statements and consolidated financial statements were adopted. Risk management and quality issues were discussed during the meetings. The Management Board provided the Supervisory Board with detailed information on compliance, and the Supervisory Board discussed the related issues at length.

Further topics of Supervisory Board meetings in the absence of the Management Board included reports on the work of the committees and the assessment of its own work (efficiency evaluation).

The Supervisory Board satisfied itself that CEAG AG has complied with the recommendations of the German Corporate Governance Code pursuant to its compliance declaration of November 29, 2006. The new compliance declaration adopted at the meeting on November 28, 2007 contains five departures from the Code's recommendations. The Management Board and Supervisory Board issued a corporate governance report that is published in this annual report on pages 18 and 25 and includes the compliance declaration of November 28, 2007.

Supervisory Board and Committee Meetings

The Supervisory Board met six times in fiscal year 2007 and another two times in 2008 prior to the Supervisory Board meeting held to approve the financial statements. The Audit Committee met once. This meeting, which was attended by the auditors, focused on in-depth discussion of the separate financial statements and consolidated financial statements, risk management and compliance. At the same time, the Audit Committee prepared the Supervisory Board meeting held to approve the financial statements.

The Personnel Committee convened once in the fiscal year. The Finance Committee and the new Nominations Committee established in 2007, which will nominate suitable candidates for forthcoming elections to the Supervisory Board for presentation by the latter to the annual shareholders' meeting, did not meet.

Please see the list on pages 16 and 17 for the composition of the committees.

Audit of the Separate and Consolidated Financial Statements

The separate financial statements of CEAG AG presented by the Management Board and the consolidated financial statements and combined management report for CEAG AG and the Group were audited by Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Düsseldorf (hereinafter referred to as "Ernst & Young"). An unqualified opinion was expressed on each set of financial statements. The audit in accordance with Sec. 317 (4) HGB ["Handelsgesetzbuch": German Commercial Code] showed that the Management Board has taken adequate measures as required by Sec. 91 (2) AktG ["Aktiengesetz": German Stock Corporation Act] and that the risk monitoring system fulfills its functions. The documents pertaining to the financial statements and the auditors' reports on the audit of the separate financial statements and the audit of the consolidated financial statements were made available to all members of the Supervisory Board in good time. In a joint meeting with the auditors on February 18, 2008, the Audit Committee was informed in detail about the separate financial statements, consolidated financial statements and the audit findings. The members also received detailed information on the major aspects of the separate financial statements of CEAG AG as well as the consolidated financial statements. The Supervisory Board examined the separate financial statements, consolidated financial statements and the combined management report for CEAG AG and the Group as well as the proposal for the appropriation of profits made by the Management Board. The audit findings did not lead to any objections. The Supervisory Board agrees with the results of the audit and approved the separate financial statements presented by the Management Board and the consolidated financial statements at today's meeting in the presence of the auditors.

The financial statements have therefore been adopted in accordance with Sec. 172 AktG. The Supervisory Board reviewed the disclosures pursuant to Sec. 289 (4) and Sec. 315 (4) HGB in the management report in detail. Disclosures are made for the aspects relevant to the Company and disclosures that are not possible are specified. The Supervisory Board agrees with the Management Board's management report and the proposal for the appropriation of profits. In accordance with Sec. 312 AktG, the Management Board compiled a report on relationships with affiliated companies. Ernst & Young audited this report and issued the following opinion: "Based on our audit, which we performed in accordance with professional standards, and our professional judgment, we confirm that the factual disclosures in the report are correct, the Company's consideration for the transactions stated was not too high and that the measures stated in the report do not point to a substantially different assessment from that of the Management Board." The Supervisory Board, which also examined the report, agrees with the audit findings by Ernst & Young and raises no objection to the Management Board's report on the relationships with affiliated companies.

The Supervisory Board proposes to the annual shareholders' meeting for 2008 the appointment of Ernst & Young as auditor for fiscal year 2008. The latter has issued a declaration in accordance with No. 7.2.1 of the German Corporate Governance Code stating that no business, financial, personal or other relationships exist between Ernst & Young and its executive bodies and head auditors on the one hand, and CEAG AG and the members of its executive bodies on the other hand, that might call into question Ernst & Young's independence with regard to this engagement.

The Supervisory Board would like to thank the Management Board and all employees for their commitment and contribution in the past fiscal year.

Bad Homburg v. d. Höhe, Germany, April 18, 2008

Berndt-Michael Winter
Chairman of the Supervisory Board

Boards

Supervisory Board	Offices
Berndt-Michael Winter Chairman of the management board of DELTON AG – Chairman –	· DELTON Vermögensverwaltungs AG, Bad Homburg v. d. Höhe (Germany) (chairman of the supervisory board) · Delacher Logistics AG, Wolfurt (Austria) (chairman of the supervisory board) · Quehenberger Logistik AG, Bergheim (Austria) (member of the supervisory board) · Thiel Logistik AG, Grevenmacher (Luxembourg) (chairman of the management board) · Mast-Jägermeister AG, Wolfenbüttel (Germany) (member of the supervisory board)
Dr. Albrecht Leuschner Lawyer – Deputy chairman –	· Jungheinrich AG, Homburg (Germany) (member of the supervisory board) · Deta-Douglas Battery LLC, Winston-Salem (NC/USA) (chairman of the supervisory board until August 31, 2007) · Deutsche Exide GmbH, Büdingen (Germany) (chairman of the supervisory board until August 31, 2007) · Hagen Batterie AG, Soest (Germany) (chairman of the supervisory board until August 31, 2007) · OEB Traktionsbatterien AG, Zürich (Switzerland) (member of the management board until August 31, 2007)
Rita Brehm Assembly worker/ Chairwoman of the works council (released from regular duties)	· DELTON AG, Bad Homburg v. d. Höhe (Germany) (deputy chairwoman of the supervisory board)
Herbert Ellefred Project manager FRIWO FPS	
Prof. Dr. Hans-Jürgen Hellwig Lawyer and notary public	· Alte Oper Frankfurt GmbH, Frankfurt (Germany) (member of the supervisory board) · Isabellenhütte Heusler GmbH & Co. KG, Dillenburg (Germany) (chairman of the advisory board) · Putsch GmbH & Co. KG, Kaiserslautern (Germany) (member of the advisory board)
Dr. Antonius Wagner Member of the management board of DELTON AG	· Microlog Logistics AG, Aschaffenburg (Germany) (deputy chairman of the supervisory board) · Delacher Logistics AG, Wolfurt (Austria) (member of the supervisory board from April 20, 2007) · Quehenberger Logistik AG, Bergheim (Austria) (member of the supervisory board from April 20, 2007) · Thiel Logistik AG, Grevenmacher (Luxembourg) (deputy chairman of the management board)

Committees

Personnel Committee
Berndt-Michael Winter (chairman) Rita Brehm Dr. Albrecht Leuschner

Audit Committee
Dr. Antonius Wagner (chairman) Rita Brehm Dr. Albrecht Leuschner

Finance Committee
Dr. Albrecht Leuschner (chairman) Prof. Dr. Hans-Jürgen Hellwig Dr. Antonius Wagner

Nominations Committee
Prof. Dr. Hans-Jürgen Hellwig (chairman) Dr. Albrecht Leuschner Berndt-Michael Winter

Management Board	Offices
Rolf Endress Chairman of the Management Board (CEO)	· CEAG China Limited, Hong Kong, China · FRIWO CEAG Electrical Shenzhen Company Limited, China · FRIWO Electrical Beijing Company Limited, China · FRIWO Far East Limited, Hong Kong, China · FRIWO India Private Limited, India · FRIWO Power Solutions Technology Company Limited, China · FRIWO USA, Inc., USA
Frank Gumbinger Member of the Management Board (CFO)	· CEAG China Limited, Hong Kong, China · FRIWO CEAG Electrical Shenzhen Company Limited, China · FRIWO Electrical Beijing Company Limited, China · FRIWO Far East Limited, Hong Kong, China · FRIWO India Private Limited, Indien · FRIWO Power Solutions Technology Company Limited, China

Corporate Governance Report

The Management Board and Supervisory Board have issued the following corporate governance report:

Confidence in the business policies of CEAG AG is substantially influenced by responsible and transparent corporate governance. Good corporate governance is therefore the basis for all decision and control processes at CEAG AG.

For CEAG AG as a globally operating company with its headquarters in Germany, German law, especially the laws governing the stock exchange and capital market, the articles of incorporation and the German Corporate Governance Code implemented at the Company with very few exceptions form the basis for corporate governance.

Compliance Declaration Pursuant to Sec. 161 AktG [“Aktiengesetz”: German Stock Corporation Act] Dated November 28, 2007

Compliance Declaration Pursuant to Sec. 161 AktG

The Management Board and Supervisory Board of CEAG AG declare the following pursuant to Sec. 161 AktG:
“The Company has complied with the recommendations of the Government Commission on the German Corporate Governance Code (as amended on June 14, 2007) published on July 20, 2007 in the electronic version of the *Bundesanzeiger* [German Federal Gazette] since the last compliance declaration on November 29, 2006 with the following exceptions and will continue to comply with the recommendations of the Government Commission as amended on June 14, 2007 with the following exceptions:

1. As the Company has issued bearer shares only, it does not know all its shareholders. It is therefore not possible to inform all shareholders of the convening of the annual shareholders’ meeting and to send them the convention documents using electronic channels **(No. 2.3.2. of the Code)**.

2. The Company’s current D&O insurance policy does not provide insurance coverage for intentional breaches of duty. Where there is insurance coverage, there is no deductible either for Management Board members or for Supervisory Board members. The Company has obtained personal undertakings from its Management Board and Supervisory Board members that they will bear the cost of any deductible even if insurance coverage is otherwise provided under a D&O insurance policy taken out by the Company. These undertakings ensure that Management Board members who cause

damage to the Company or third parties through gross negligence in their management function bear the cost of all cases of damage in any one year up to a maximum of three fixed monthly salaries in the year in which the damage is caused. Supervisory Board members who cause damage to the Company or third parties through gross negligence in their supervisory function shall bear the cost of all cases of damage in any one year up to a maximum of half their annual compensation in the year in which the damage is caused. Legal and other costs of defense are not included in calculating the damage. This does not involve any limitation of the liability of Management Board and Supervisory Board members towards the Company or third parties **(No. 3.8 (2) of the Code).**

3. The full Supervisory Board shall only consult on the Management Board's compensation structure and not issue any binding instruction to the Personnel Committee **(No. 4.2.2 (1) of the Code).**

4. The disclosures relating to Management Board compensation are not personalized in order to protect the members' privacy **(Nos. 4.2.4 and 4.2.5 of the Code)**. The Company was exempted for a period of five years from the obligation to disclose Management Board compensation under the German Act on the Disclosure of Management Board Compensation [Gesetz über die Offenlegung der Vorstandsvergütungen: VorstOG] dated August 3, 2005 by a resolution adopted at the annual shareholders' meeting in May 2006.

5. The compensation of the Supervisory Board shall also not be personalized in the corporate governance report in order to protect the members' privacy **(No. 5.4.7 (3) of the Code).**

Bad Homburg v. d. H., Germany, November 28, 2007

Berndt-Michael Winter
Chairman of
the Supervisory Board

Rolf Endress
Chairman of
the Management Board

Frank Gumbinger
Member of
the Management Board

Management and Corporate Structure

As CEAG AG with its registered office in Bad Homburg v. d. Höhe, Germany, is subject to the German Stock Corporation Act, it has a two-tier management and supervisory structure with its Management Board and Supervisory Board. The annual shareholders' meeting is the Company's third executive body.

All three bodies are required to act in the interests of the shareholders and the Company.

The Supervisory Board

The Supervisory Board has six members, two thirds of whom are shareholders and one third employee representatives in accordance with the German Act for One-Third Participation of Employees on Supervisory Boards ["Gesetz über die Drittelbeteiligung der Arbeitnehmer im Aufsichtsrat": DrittelbG]. The shareholders' representatives are elected by the annual shareholders' meeting, the representatives of the employees are elected by the employees in an election separate from the annual shareholders' meeting. The Supervisory Board has a five year term of office.

The Supervisory Board has regular meetings at least four times during the year. The Supervisory Board has adopted its own internal rules of procedure which set out the Supervisory Board's responsibilities and manner of working. The Supervisory Board monitors and advises the Management Board on the management of business. It discusses business performance, planning, strategy and its implementation at regular intervals. It approves the annual budget and the financial statements of CEAG AG and the Group, taking the auditor's reports into consideration. It is also responsible for appointing the members of the Management Board. Significant Management Board decisions require its approval.

The Supervisory Board has formed from its members a Personnel Committee, an Audit Committee and a Finance Committee, each comprising three members. In November 2007, a Nominations Committee was also established. These committees represent the entire Supervisory Board in performing the functions assigned to them by the internal rules of procedure or resolutions adopted by the Supervisory Board.

Members of the Supervisory Board held a total of 120 shares directly as of December 31, 2007 (prior year: 120 shares). No shares are held by the Management Board. No subscription rights for shares have been granted to the members of the Management Board and Supervisory Board.

The Management Board

The Management Board of CEAG AG, which currently has two members, is the Group's management body. It serves the Company's interests, aiming to achieve a sustained increase in its business value.

The responsibilities of the Management Board include the Company's strategic focus, planning and determining the budget, allocating resources and monitoring the management of the strategic business units. The Management Board is responsible for the preparation of the quarterly, annual and consolidated financial statements and for appointments to key positions in the Company. The Management Board works closely with the Supervisory Board. It provides regular, timely and comprehensive information to the Supervisory Board on all issues of strategy and its implementation, planning, business performance, financial position and results of operations as well as business risks and compliance of relevance to the Company as a whole.

The Annual Shareholders' Meeting

The annual shareholders' meeting, which convenes in the first eight months of the fiscal year, is the decision-making body for the shareholders of CEAG AG. Through this body, the shareholders participate in the fundamental decisions of CEAG AG. CEAG AG also allows its shareholders to exercise their rights as shareholders without having to attend the meeting personally through proxies who are bound to follow the shareholders' instructions. The chairman of the Supervisory Board chairs the annual shareholders' meeting. The annual shareholders' meeting passes resolutions on all affairs assigned to it by law with binding effect for all shareholders and the Company. These include in particular the appropriation of results, exoneration of the Management Board and Supervisory Board and the election of the auditor. All amendments to the articles of incorporation and changes in capital are adopted by the annual shareholders' meeting and implemented by the Management Board with the Supervisory Board's approval.

Financial Statements and Audit

The CEAG Group prepares its accounts in accordance with International Financial Reporting Standards (IFRSs). The separate financial statements of CEAG AG are prepared in accordance with the German Commercial Code (HGB). The Management Board is responsible for the preparation of the financial statements. The separate and consolidated financial statements are audited by an independent auditor. The auditor is elected by the annual shareholders' meeting, and the audit engagement is issued by the Supervisory Board. The Supervisory Board's Audit Committee determines the audit priorities and fees and reviews the auditor's independence.

Risk Management

CEAG AG has a system for recording and managing business and financial risks. The elements of the risk management system are designed to identify and control business risks at an early stage.

The Management Board is responsible for the internal control and risk management system of the CEAG Group and also evaluates the effectiveness of this system.

Principles, policies, procedures and responsibilities are defined and established to allow correct and timely recognition of all business transactions, early identification of risks and regular provision of reliable information on the financial situation of the Company for internal and external use. However, as the elements of the internal control and risk management system cannot avert risks altogether, the system cannot offer absolute protection against losses or fraud.

Compliance

The Management Board and Supervisory Board consider compliance to be a major element of CEAG's management and control structure. The Company has reorganized its compliance functions with the aim of communicating and implementing management's instructions in a uniform manner around the globe. Furthermore, compliance will steadily be improved and implemented enterprise-wide. All compliance functions within the Company have been placed under the management of the Chief Financial Officer. The Management Board is drawing up a code of ethics for financial affairs and a compliance program comprising additional rules of conduct. These rules are updated regularly and approved by the Audit Committee.

Within the Supervisory Board, the Audit Committee will assume particular responsibility for compliance issues.

Financial Disclosure

Transparency is important to CEAG AG. The Company informs its shareholders, all capital market participants, financial analysts, shareholders' associations, the media and the interested public in regular, open and up-to-date bulletins on the Company's situation and significant developments in and changes to the business.

The following remuneration report is part of the management report (page 27 to 53).

Remuneration Report

The remuneration report follows the recommendations of the German Corporate Governance Code dated June 14, 2007 and includes the disclosures of the management report pursuant to Sec. 289 (2) No. 5 HGB and Sec. 315 (2) No. 4 HGB. However, the annual shareholders' meeting of CEAG AG on May 11, 2006 adopted a resolution not to personalize the disclosures of compensation pursuant to Sec. 285 (1) No. 9a Sentences 5 to 9 HGB and Sec. 314 (1) No. 6a Sentences 5 to 9 HGB for the Company's separate financial statements and consolidated financial statements for fiscal years 2006 to 2010.

This remuneration report is part of the management report audited by the auditors.

Management Board Compensation

The Supervisory Board's Personnel Committee is responsible for setting Management Board compensation.

The compensation for members of CEAG AG's Management Board is based on the amount and structure of management board compensation at comparable companies in Germany. It takes the special areas of responsibility of each Management Board member into account. Compensation comprises three components: fixed compensation, a variable bonus and a contribution to retirement.

The fixed compensation is paid as a monthly salary. The bonus is dependent on the achievement of certain predefined financial and qualitative targets. The targets may be set for one or more years. The three measurement criteria are:

- Economic value added (EVA) of the CEAG Group
- Earnings before interest, taxes and amortization (EBITA) of the CEAG Group
- Qualitative strategic targets

An annual target income based on exact 100% target achievement in all three measurement criteria is contractually agreed upon. The proportion of variable compensation increases as the target income increases and is a maximum of 30% to 48% of the target income for 100% target achievement in 2007. The bonus can range from 0% to 200% of the target bonus depending on quantitative results and qualitative performance. There is no minimum guaranteed bonus. Management Board compensation is therefore heavily dependent on results.

The members of the Management Board also receive a contribution to retirement. The Management Board members either receive 6% of their annual target income as a defined contribution to retirement or an individual pension commitment at fixed amounts based on market rates. The commitment includes benefits in the event of disability as well as pensions for surviving spouses and children.

In the year under review, EUR 46 thousand was allocated to the pension provisions for active Management Board members.

Management Board members also receive fringe benefits in the form of remuneration in kind (company car, insurance premiums and allowances for the maintenance of two households).

The Supervisory Board's Personnel Committee may also fix a special bonus and may grant stock options in accordance with legal provisions. A stock option plan does not exist at present, nor do any comparable incentives.

The employment contracts with the members of the Management Board do not offer severance payments in the event of premature termination. However, a severance payment is possible on the basis of an individual agreement on the termination of employment.

Supervisory Board Compensation

The compensation of the Supervisory Board is regulated in Art. 18 of the articles of incorporation of CEAG AG.


F1
F2
F3
F4
F5
F6
ON/OFF
SHIFT
HELP
ESC

Management Report for the CEAG Group and CEAG AG

Business and Overall Economic Conditions

Overview of the CEAG Group

CEAG AG, with the subsidiaries it managed in 2007, is a global supplier of high-quality power supplies and chargers for a variety of applications. The Group develops, produces and sells devices under the FRIWO brand name and is one of the world's leading manufacturers of power supplies and chargers for mobile telephones.

The CEAG Group includes the German companies FRIWO Gerätebau GmbH, which has a production facility in Ostbevern, and FRIWO Mobile Power GmbH, which has three manufacturing companies in China, a company in India which was founded during the fiscal year to establish production there, and a sales and service company in China founded by FPS. The Group also has a service company in Hong Kong and sales companies in the US and Brazil. CEAG AG is the holding company of the FRIWO Group and directly or indirectly holds all shares in the FRIWO companies.

Given the structure of the Group, the net assets, financial position and results of operations of CEAG AG depend on the business performance of the subsidiaries. The following group management report therefore also provides a full account of the situation of CEAG AG.

Operating activities are divided up between two business units, FRIWO Mobile Power (FMP) and FRIWO Power Solutions (FPS). On February 7, 2008, CEAG AG concluded an agreement on the sale of the FMP business unit to a subsidiary of Flextronics International Ltd., which is located in Singapore. The transaction is expected to be completed in the first half of 2008.

FMP operates in the high-volume market for mobile telephone chargers. FPS, on the other hand, operates primarily in the following market segments: IT and communications, household appliances and power tools, and industrial applications and medical technology. In the future, the FPS business unit will be the focus of the operating activities of CEAG AG and the CEAG Group.

Both business units are operated separately with their own development, procurement, manufacturing, sales and administrative functions. As the holding company, CEAG AG performs functions related to the Group's corporate strategy and financing as well as financial control, legal, risk management, group accounting, internal audit, and public and investor relations functions.

The FMP business unit produces almost exclusively at three large plants in China. The FPS business unit operates its own production facility in Ostbevern, working closely together with a Polish supplier, and also purchases services and the majority of its products from the Chinese FMP plants. Following the completion of the aforementioned sale, the Vista Point Technologies business unit of Flextronics will provide FPS with the manufacturing services currently provided by FMP.

The Group's KPIs are unit sales, revenues, earnings before interest and taxes (EBIT) and cash flow. The concept of adequate return on capital based on economic value added (EVA) is also used to assess performance and involves comparing the adjusted performance indicator NOPAT (net operating profit after taxes) with capital employed.

The consolidated financial statements are prepared in accordance with the provisions of the International Financial Reporting Standards (IFRSs). The separate financial statements of CEAG AG are prepared in accordance with the provisions of the German Commercial Code (HGB).

Please also refer to our report on significant events after the balance sheet date, which includes additional information on the sale of the FMP business unit.

Overall Economic Conditions

In fiscal year 2007, the global economy developed solidly, continuing the upward trend of the prior years. According to the German Council of Economic Experts, global economic growth reached 3.7% in 2007. Economic activity slowed during the year, and indications of a downturn increased: from summer 2007, the subprime crisis in the US led to sustained turbulence on the international financial markets. Crude oil prices continued to rise steeply, reaching an all-time high at the end of the year. Added to this was the weakening of the US dollar against the euro.

The positive economic development in the fiscal year is to a large extent due to the continued high levels of activity in the emerging Asian economies. In particular in China, the economy continued to expand considerably, although rising inflation and a labor shortage in the southern Chinese special economy zone of Shenzhen made their mark. The national minimum wage has been raised every year for several years. The labor shortage and wage increases have led to higher labor costs. In Japan, the economy recovered steadily, boosted by strong domestic demand and robust exports. Latin America and eastern Europe also experienced sound economic growth which, according to the European Central Bank (ECB), was also helped along by domestic demand.

The eurozone continued to grow solidly. The Organisation for Economic Cooperation and Development (OECD) forecasts gross domestic product (GDP) growth of 2.6% for 2007. Economic growth in Germany matched the eurozone average. The VAT increase dampened consumer spending temporarily, but this development was compensated for by a significant increase in employment levels. Export growth and investment slowed slightly over the course of the year. Overall, the OECD forecasts economic growth of 2.5% for Germany.

Sources:
Deutsche Bundesbank, 2007 annual report; OECD, February 2008; European Central Bank monthly reports; German Council of Economic Experts, annual report 2007/08.

Development of CEAG's Markets

To date, the global market for mobile telephones has been by far the most important of the FMP business unit's target markets. The lively economic activity which has been typical of this market for many years continued in 2007, but growth leveled off somewhat in comparison with the prior year.

The market research institute Gartner Dataquest's latest forecast for 2007 (in February 2008) projected global sales of 1.15 billion mobile telephones. This represents an increase of 16.3% against the prior-year figure (991 million units sold). In the prior year, growth amounted to more than 21.7%. Market growth was in particular due to strong demand in the Asia/Pacific region, primarily in India. These markets are characterized by particularly strong interest in low-cost starter telephones, although demand for higher-quality telephones with additional multimedia functions is now growing.

Demand was also buoyant in Japan, Eastern Europe, the Middle East, Africa and Latin America. In Western Europe and North America, consumers are primarily looking to purchase technically sophisticated replacements.

A small number of large suppliers continued to dominate the mobile telephone market, which requires a global manufacturing presence. In 2007, global market leader Nokia as well as Samsung, Sony Ericsson and LG all increased their market share. Motorola, on the other hand, lost considerable ground. BenQ all but disappeared from the global market as a mobile telephone manufacturer. Again this year, the five largest manufacturers in the industry accounted for a total market share in excess of 80%. Competition has become considerably fiercer on the supplier market for power supplies and chargers for mobile telephones due to the entry of new competitors.

As a manufacturer of power supplies and chargers, FPS operates in several market segments worldwide, some of which are growing steadily, some dynamically. They are developing as follows:

The IT and communications segment is growing fast, in particular peripheral applications such as modems, routers, photo printers and credit card readers. The household appliance market, including smaller devices (e.g. toothbrushes and shavers) and white goods, experienced reliable growth. In this market, FPS focuses on large customers who demonstrate positive long-term performance. In the industrial applications market, attractive growth is expected in the coming years. The medical technology market is experiencing moderate, but sustainable growth rates.

Business Performance and Assessment

Overall Economic Situation of the Group

The performance of the FMP and FPS business units within the CEAG Group varied in 2007.

The FMP business unit was not able to participate in market growth and lost market share due to the following factors:

- Production of linear devices was phased out in favor of switch mode products.
- The performance of certain FMP customers was below market growth.

FPS's unit sales, revenues and earnings, on the other hand, were well above the prior-year figures. FPS was thus able to continue the positive upward trend of prior years. Overall, the Group reports earnings after taxes of EUR 9.8 million for 2007 (prior year: EUR 11.4 million).

Production and Unit Sales

The CEAG Group sold 289.3 million power supplies and chargers worldwide in 2007 compared to 310.4 million units in the prior year. This represents a decrease of 6.8% compared with an increase of 48.1% in the prior year. The downturn is solely attributable to the FMP business unit.

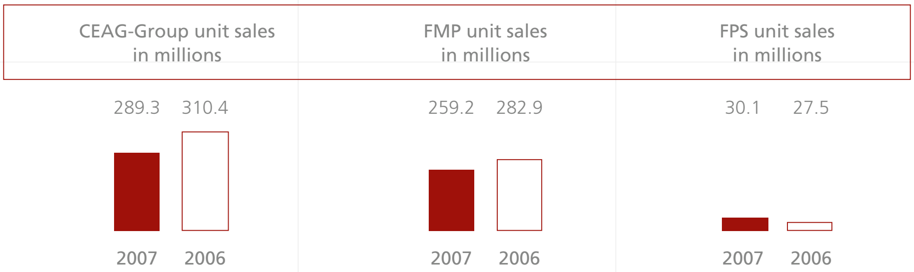
Group-wide, the production share of the technically advanced switch mode technology increased. Unit sales of switch mode products grew by a total of 35.6% in both business units compared with the prior year.

FMP recorded unit sales of EUR 259.2 million in the fiscal year (prior year: EUR 282.9 million units; down 8.4%). 13.0% growth was generated in the first half of 2007, but the pace of growth slowed as the year progressed. This is mainly due to linear device production being phased out in favor of switch mode products. While CEAG was the sole supplier to its biggest buyer of linear devices, customers of switch mode products generally have more than one supplier.

The FMP business unit was able to benefit from the increased demand for switch mode products in 2007, thus offsetting some of the sales lost as a result of linear production being phased out. FMP's global market share of power supplies and chargers for mobile telephones totaled around 22%, compared with 28% in the prior year.

The FPS business unit sold 30.1 million power supplies and chargers worldwide in 2007 compared to 27.5 million units in the prior year. This represents growth of 9.3% and highlights the fact that FPS is continuing to grow. FPS achieved particularly high growth rates in the IT and communications and industrial applications markets.

Unit sales growth was fueled to a considerable extent by focusing on a selected group of key international customers and intensifying relations with them.



Consolidated Revenues

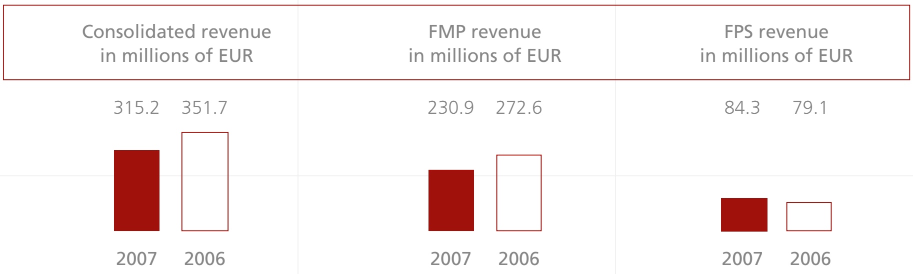
In 2007, the CEAG Group generated revenues of EUR 315.2 million, which represented a year-on-year decrease of 10.4% (2006: EUR 351.7 million). This is attributable to the lower unit sales generated by the FMP business unit. Furthermore, the appreciation of the euro against the US dollar, the currency used by CEAG for most of its invoicing, also damaged earnings. On the basis of prior-year exchange rates, the decrease was only 4.2%.

The FMP business unit reported revenues of EUR 230.9 million, which is 15.3% below the prior-year figure of EUR 272.6 million. If exchange rates had been constant, the drop in revenues would have been 9.1%. As well as currency effects, the shift from linear to switch mode products, the disappointing business performance of certain FMP customers, and the competitive situation among suppliers to mobile telephone manufacturers that has been on the cards and becoming fiercer for years, all left their mark.

The FPS business unit generated revenues of EUR 84.3 million, up 6.7% on the prior year (2006: EUR 79.1 million). This growth was mainly achieved on the back of new projects, for example in IT and communications.

FPS continued to pursue its strategic aim of increasing revenues and reducing complexity by focusing on major international customers in order to improve the efficiency of business workflows and processes. In 2007, the good product and customer mix was the main contributor to the pleasing revenue growth. Taking the exchange rate in the prior year as a basis, revenues would have increased by 13.2%.

Europe is the most important geographical market for FPS, and is where we generated most of our revenues. Asia is our second most important market.



Results of Operations

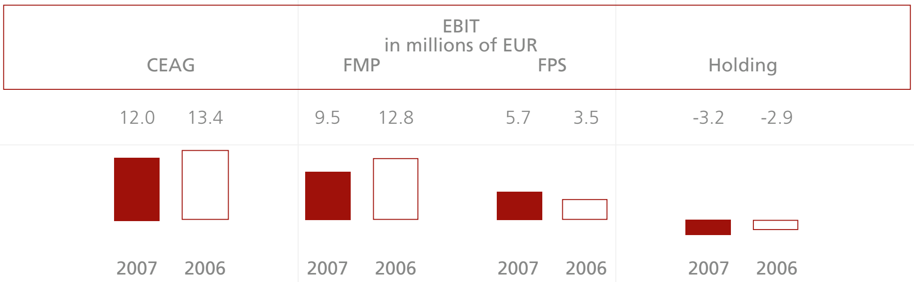
The CEAG Group's earnings were encumbered by the following external effects on business performance:

- The business performance of certain important FMP customers.
- Competition in the market for power supplies and chargers for mobile telephones which has been ongoing for some years and is becoming noticeably more intense had a negative impact on margins. Several large, companies with considerable financial backing have succeeded in entering the market; others are still endeavoring to gain a foothold.
- Wage increases in China and regular shortages in the Chinese energy supply.
- Temporary interruptions at the Chinese plants due to strike action.
- Prices for raw materials such as copper, plastics, and metals remained high in 2007. The average price per ton of copper increased by almost 6% in comparison with the prior year.
- Most CEAG companies are not within the eurozone, and generate revenues primarily in US dollars and currencies dependent on the US dollar. As the Group's reporting currency is the euro, the income statements of these companies have to be translated into euros. The strengthening of the euro against the US dollar had a negative impact in this context.

The abovementioned effects were partially offset by the ongoing process optimization in both business units, for example improved production workflows, material savings, intelligent product design, and improved procurement.

Gross profit fell from EUR 35.1 million to EUR 30.9 million (down 12.0%). The gross profit margin was thus 9.8% below the prior-year level.

Consolidated earnings before interest and taxes (EBIT) stood at EUR 12.0 million, a decrease of 10.5% on the prior year (EUR 13.4 million). The EBIT operating margin, in relation to revenues, remained around the prior-year level of 3.8%.



The CEAG Group's financial result improved EUR 0.3 million from -EUR 1.1 million in 2006 to -EUR 0.8 million. Consolidated earnings before taxes (EBT) reached EUR 11.2 million compared with EUR 12.3 million in the prior year. Income taxes rose from EUR 0.9 million in the prior year to EUR 1.4 million in 2007.

In the fiscal year, consolidated net profit was EUR 9.8 million, compared with EUR 11.4 million in the prior year. This corresponds to earnings per share of EUR 1.28, compared with EUR 1.48 in 2006.

The FMP business unit generated EBIT of EUR 9.5 million in 2007 (2006: EUR 12.8 million; down 25.7%). The year-on-year decrease is primarily due to the changeover from linear to switch mode products, much fiercer competition between suppliers to mobile telephone manufacturers, and the business performance of several important FMP customers not meeting expectations.

The FPS business unit reported EBIT of EUR 5.7 million (prior year: EUR 3.5 million), representing an increase of 60.0%. This rise is due to increased revenues, but also to effects arising from the well balanced customer structure.

The EBIT of CEAG AG as the holding company was EUR 3.2 million (prior year: EUR 2.9 million).

Net Assets

The CEAG Group's property, plant and equipment decreased from EUR 28.7 million to EUR 24.8 million in fiscal year 2007.

The CEAG Group's investments totaled EUR 7.0 million in the fiscal year, compared with the prior-year total of EUR 13.3 million. The majority was again invested in switch mode technology.

At EUR 99.6 million, current assets remained around the prior-year level (EUR 99.8 million). Inventories were cut by a considerable EUR 8.4 million to EUR 48.4 million, to a great extent thanks to successful working capital management. At EUR 32.7 million, trade receivables were EUR 3.9 million below the prior-year total. By contrast, cash and cash equivalents increased from EUR 2.5 million to EUR 15.5 million thanks to the free cash flow generated in the fiscal year.

The CEAG Group's balance sheet totaled EUR 127.9 million as of December 31, 2007, which was EUR 3.5 million, or 2.7%, lower than as of December 31, 2006. Currency effects reduced total assets by EUR 7.8 million.

The CEAG Group's equity rose by 19% from EUR 37.5 million as of December 31, 2006 to EUR 44.6 million as of December 31, 2007. The equity ratio increased by 6.3 percentage points to 34.8% (2006: 28.5%).

Non-current liabilities increased from EUR 7.6 million to EUR 13.2 million due to the higher utilization of medium-term loans for financing.

Current liabilities reduced by 19.0% overall from EUR 86.4 million to EUR 70.2 million. This was primarily due to the EUR 10.3 million decrease in trade payables to EUR 53.2 million.

A significant amount of the CEAG Group's liabilities are incurred abroad and are mostly recognized abroad in Chinese renminbi (CNY) and Hong Kong dollars (HKD). As of December 31, 2007, these currencies were weaker than the euro year on year.

Exchange rates

	Balance sheet date		Average	
In foreign currency/EUR	Dec. 31, 2007	Dec. 31, 2006	2007	2006
Brazil (BRL)	2.5827	2.8177	2.6677	2.7379
China (CNY)	10.7312	10.2793	10.4185	10.0090
Hong Kong (HKD)	11.4620	10.2409	10.6923	9.7549
India (INR)	57.7853	58.0750	56.6016	56.9442
Japan (JPY)	166.1300	156.9300	161.2343	146.0623
USA (USD)	1.4692	1.3170	1.3706	1.2557

Financial Position

Financial Management

The CEAG group companies operate in different economic and currency zones. The companies operating in China, Brazil, and India, for example, are subject to foreign exchange controls. The CEAG Group obtains most of its short-term financing locally in the group companies' main transaction currencies and most of its medium-term financing from CEAG AG, thereby limiting currency risks.

Borrowing facilities are mainly drawn on short term. Drawings by the individual companies can vary considerably during the fiscal year. Due to the Group's business cycle there are timing differences in the recognition of liabilities, inventories and receivables.

Furthermore, the non-recourse factoring introduced at FPS in Germany had a positive off-balance sheet effect of EUR 3.1 million on cash flow. The factoring company assumes the default risk of the receivables sold.

CEAG AG has raised a note loan with two tranches of EUR 5.0 million and USD 5.0 million, primarily with the aim of safeguarding its independent financing and financing growth projects.

In fiscal year 2007, the CEAG Group was fully independently financed without needing shareholder loans. Only a small amount of the borrowing facilities provided by banks were drawn as of December 31, 2007. Some borrowing facilities include clauses giving the banks the right to terminate in the event of any significant deterioration in the Company's net assets, financial position and results of operations in the future.

Cash Flow

The CEAG Group reported pleasing cash flow from operating activities of EUR 18.2 million in fiscal year 2007, compared to EUR 7.5 million in the prior year. In addition to the earnings generated, this increase was also influenced by the stabilization of working capital. The first-time use of non-recourse factoring contributed a positive off-balance sheet effect on cash flow of EUR 3.1 million. Investing activities led to a cash outflow of EUR 6.6 million (prior year: EUR 13.1 million). Financing activities led to a cash inflow of EUR 1.8 million (prior year: EUR 0.8 million). Cash and cash equivalents increased from EUR 2.5 million in 2006 to EUR 15.5 million in the fiscal year.

Disclosures Pursuant to Secs. 289 (4) and 315 (4) HGB

CEAG AG's capital stock of EUR 20.02 million is divided into 7.7 million bearer shares with equal rights. Thus each share represents a EUR 2.60 share in subscribed capital. The number of shares outstanding did not change in the fiscal year or the prior year. The contributions to capital have been paid up in full. CEAG AG does not hold treasury shares either directly or indirectly. The Management Board of CEAG AG is not aware of any restrictions relating to the voting rights or transfer of shares.

At 76.82%, DELTON AG, Bad Homburg v. d. Höhe, Germany, holds the majority of voting rights in CEAG AG. Thus Mr. Stefan Quandt, the sole shareholder of DELTON AG, indirectly holds 76.82% of the voting rights in CEAG AG. The shares issued do not grant any special rights conferring control. The employees of CEAG AG have no control over voting rights.

In accordance with Art. 7 (2) of the articles of incorporation of CEAG AG, the Supervisory Board both determines the number of and appoints the ordinary members and the deputy members of the Management Board. It also appoints one member of the Management Board as the Chairman and other members as Deputy Chairmen. In accordance with Secs. 119 (1) No. 5, 179 AktG ["Aktiengesetz": German Stock Corporation Act], the shareholders' meeting adopts amendments to the articles of incorporation. Under Art. 12 (2) of the articles of incorporation of CEAG AG, the Supervisory Board is only entitled to make amendments to the articles regarding the wording.

According to Art. 4 (4) of the articles of incorporation, the Management Board was entitled until May 31, 2007 to increase the Company's capital stock by up to EUR 9,100,000.00 by issuing on one or more occasions no-par bearer shares in return for contributions in cash or in kind. The Management Board did not make use of the option to increase the capital stock. It is not entitled to buy back treasury shares.

The Company has not entered into any material agreement conditional on a change of control as a result of a takeover bid. Likewise, the Company has not concluded any agreements on compensation in the event of a takeover bid with members of the Management Board or employees.

Economic Situation of CEAG AG

The figures in the separate financial statements of CEAG AG prepared in accordance with the German Commercial Code ["Handelsgesetzbuch": HGB] are largely determined by two factors: its own expenses, and the profits and losses absorbed from its two subsidiaries, FMP GmbH und FRIWO Gerätebau GmbH, with which it has domination and profit and loss transfer agreements.

CEAG AG reports investment income of EUR 15.2 million for fiscal year 2007 (prior year: EUR 4.2 million). The separate financial statements of CEAG AG report a profit after taxes of EUR 12.5 million after EUR 2.1 million in the prior year. After this is offset against the loss carryforward of EUR 1.9 million from the prior year and revenue reserves of EUR 22.5 million are released, the Company discloses net retained profit of EUR 33.1 million (prior year: net accumulated loss of EUR 1.9 million).

The assets of CEAG AG mainly comprise the carrying amounts of the subsidiaries disclosed under financial assets and receivables from group companies.

As in prior years, the Management Board explored strategic options in the year under review, looking at the independence and income prospects of both business units. In this connection, the Management Board had never ruled out the sale of a business unit.

Events After the Balance Sheet Date

On February 7, 2008, CEAG AG signed an agreement on the sale of the FRIWO Mobile Power (FMP) business unit to a subsidiary of Flextronics International Ltd., which is located in Singapore. The transaction is subject to the approval of the competent antitrust authorities as well as other normal market terms and conditions. We plan to complete the transaction in the first half of 2008. The main reasons for selling the FMP business unit were the fierce competition to which this business unit is subject and the significant investments and costs necessary to maintain its competitive position. As a result of new competitors entering the market for power supplies and chargers for mobile telephones, competition and price pressure became more intense in fiscal year 2007. We expect this trend to step up in the future and have negative effects on earnings. To defend our competitive position and meet the demands of globally operating customers, significant investment is necessary in Brazil and India. The establishment of new production facilities

requires the transfer of production activities and the adaptation of existing production structures. This involves a considerable increase in organizational complexity and bears significant risk.

The purchase price is EUR 57.5 million, less the net financial debt. It is subject to a standard working capital adjustment provision, which could reduce the net proceeds from the sale. On the basis of the figures at year-end 2007, the purchase price would decrease slightly if the adjustment provisions were applied. However, it looks as though application of these provisions as of the date of sale will reduce the purchase price further due to fluctuations in the net financial debt to third parties and the development of working capital in connection with business and seasonal trends.

The FMP business unit reported revenues of EUR 275.6 million in 2007, including EUR 230.9 million from non-group customers. FMP's revenues with external customers contribute 73.2% to the CEAG Group's total revenues. FMP's EBIT came to EUR 9.5 million.

As of the balance sheet date December 31, 2007, key balance sheet figures of the FMP business unit are as follows:

Non-current assets amount to EUR 18.1 million, including intangible assets of EUR 0.6 million and property, plant and equipment of EUR 17.5 million. Current assets total EUR 74.8 million and include inventories of EUR 37.3 million, trade receivables of EUR 32.2 million and other assets of EUR 1.5 million. Trade payables come to EUR 50.2 million. FMP has financial liabilities of EUR 21.5 million to CEAG AG. Including the other financial items, FMP's net financial debt totals EUR 18.4 million. At EUR 3.1 million, the balance of cash and cash equivalents and financial debt to third parties was positive at the end of the year.

At the end of February 2008, the individual companies of the FMP business unit together employed 19,528 workers.

Following its sale, FMP will remain the main supplier to the FPS business unit. To this end, a long-term agreement on future supplies between FMP and FPS was signed with the buyer.

The sale of FMP has no effect on the value of the assets recognized in the consolidated and separate financial statements of CEAG AG as of December 31, 2007.

Following the sale of its FMP business unit, CEAG AG will focus on the development of its FPS business unit.

Dividend Proposal

The Management Board makes the following proposal for the appropriation of profit:

a) If the sale of the FMP business unit is completed by the date of the 2008 annual shareholders' meeting, the Management Board proposes that the net retained profit of EUR 33.1 million reported in the financial statements of CEAG AG as of December 31, 2007 be appropriated as follows:

EUR million	Dec. 31, 2007
Distribution of a dividend of EUR 4.00 per no-par share for 7,700,000 no-par shares bearing dividend rights	30.8
Allocation to revenue reserves	0
Profit carryforward	2.3
Net retained profit	33.1

b) If the sale of the FMP business unit is not completed by the date of the 2008 annual shareholders' meeting, the Management Board proposes that the net retained profit of EUR 33.1 million reported in the financial statements of CEAG AG as of December 31, 2007 be appropriated as follows:

EUR million	Dec. 31, 2007
Distribution of a dividend of EUR 0.30 per no-par share for 7,700,000 no-par shares bearing dividend rights	2.3
Allocation to revenue reserves	0
Profit carryforward	30.8
Net retained profit	33.1

Risks

Risk Management

Professional and effective risk management is an integral and indispensable part of corporate governance at CEAG. In fiscal year 2007, the continuously improved risk identification and monitoring systems were used. CEAG's risk management system serves to systematically identify risks at an early stage and therefore to allow risks to be avoided from the outset or timely counteractive measures to be taken to minimize negative effects.

Group-wide principles and policies for structured recording and evaluation of risks and for reporting form the framework for efficient risk management. Risk owners, who are executives in all major functions of the Group, are responsible for identifying, evaluating, controlling and communicating risks. They are assisted by risk controllers, who make sure that material risks that exceed defined thresholds are reported to higher management levels. This system ensures that all identified risks are addressed and provided for in line with their significance. The involvement of all relevant management levels creates a risk culture and increases risk awareness within the Company.

Below, we describe risks which could have a significant impact on CEAG's net assets, financial position and results of operations. These are not necessarily the only risks to which CEAG is exposed. Risks of which the CEAG Group is currently unaware or risks which we are currently assess as immaterial may also have a negative effect on the Company's operations.

As an internationally operating group and manufacturer of electronic goods in the market for small power supplies, CEAG is exposed to numerous risks which could have a considerable negative effect on operations.

General Economic Risks and Risks Specific to the CEAG Group

CEAG is dependent on global economic growth, the development of the relevant sales markets and demand for electronic goods. Furthermore, legal rules and regulations as well as technical, technological, energy and environmental requirements are constantly changing. CEAG's success thus hinges on how quickly it implements new rules, in close consultation with its customers. As an industrial supplier, high dependency on customers and on parameters that influence customer behavior presents a general risk for CEAG and its subsidiaries. Moreover, CEAG is dependent on a small number of major customers. The loss of a major customer or a significant reduction in the volume of business conducted with a major customer could have a significant adverse impact on the Group's net assets, financial position and results of operations.

Furthermore, end consumers and government policies are not only directing demands for more customer and environmentally friendly products to producers of mobile telephones, but to all manufacturers of power supplies and chargers. This is having an effect on both of CEAG's business units.

In FMP's high-volume business there is a trend towards greater standardization of the plug connector between the mobile telephone and the charger. The FMP business unit already manufactures chargers with the relevant USB technology for the mobile telephone market. Further standardization using USB interfaces could result in lessening demand for chargers for the mobile telephone market, which would have a considerable negative impact on the Company's net assets, financial position and results of operations.
Individual CEAG production sites are also exposed to country-specific risks. Of particular

significance is the risk of inconsistent interpretation and application of legal issues, specifically labor law, tax and customs regulations, in China. The Chinese legal system does not yet meet western standards and is subject to constant, at times extremely abrupt, changes. Changes to the legal, tax and customs regulations at the CEAG Group's production sites could have a significant negative effect on the Company's net assets, financial position and results of operations.

Currency Risk

Many of CEAG's group companies do not operate in the eurozone. As the Group's reporting currency is the euro, the income statements of these companies need to be translated into euros.

There are related risks from the global, at times volatile, interest and currency markets.

As a transaction risk, foreign currency risk represents a significant exposure due to the international operations of the CEAG Group. Foreign currency risks result from balance sheet items denominated in foreign currencies and future transactions whose incoming and outgoing payments are in different currencies. The foreign currency risk of the individual subsidiaries is assessed on the basis of its local currency against all other currencies. Such risks are at least partially naturally hedged for those foreign currency positions with matching accounts receivable and payable in the same currency.

Any remaining foreign currency risks are hedged by targeted currency management. Subsidiaries preferably obtain financing in their local currency or on a hedged basis as far as possible. Speculative foreign currency borrowing or investment is not permitted. The Group has a treasury function which regularly assesses currency risks, and hedges against any material consolidated risks by entering into forward exchange contracts or raising debt in foreign currencies. Foreign currency risks between USD, BRL, HKD and CNY are not hedged. CEAG counters risks from future transactions by endeavoring to conduct transactions in the currency in which production costs are incurred.

Nevertheless, considerable risks to the Group's net assets, financial position and results of operations could arise from a shift in exchange rates, the large share of transactions billed in US dollars or translation to the group currency, the euro.

Procurement, Production and Price Risks

Both of CEAG's business units are exposed to procurement, production, volume and capacity utilization risks which could negatively impact the Group's performance.

In its production chain, CEAG also processes intermediate products or components from other manufacturers. CEAG works closely with its suppliers. Some of these are CEAG's sole suppliers. For this reason, we are not always able to ensure high-quality or sufficient production and supply quantities. There is a risk of bottlenecks in delivery and supply which would negatively impact business performance. There are also risks from price changes, product liability, warranties and, at the Chinese plants, insufficient energy supply. The volatile prices of raw materials (copper, other metals and plastics) and energy prices could significantly impair the economic situation of the CEAG Group.

Although there were no copper forward contracts as of December 31, 2007, CEAG regularly reviews whether it makes sense to enter into such transactions. These contracts for copper are entered into to ensure the calculability of prices for the planned consumption of copper based on customer projections for the linear devices produced by the FMP business unit. Depending on copper prices, risks or rewards can arise if consumption projections are too low or too high and the price of copper changes dramatically.

As both of CEAG's operating business units actively exchange goods and services, the risks outlined above cannot be restricted to one single business area. A short or long-term halt in supply from the main supplier FMP would have a significant effect on the business performance of FPS.

Personnel Risks

Further risks relate to personnel, especially at the foreign subsidiaries due to the high labor needs. As the labor market is proving extremely dynamic in emerging economies, there is frequently a lack of well trained workers and specialists in these regions. Since it is common practice to change jobs frequently, even at manager level, there is a high staff turnover in the Company.

General personnel expenses rise much faster in these countries and are more difficult to predict than in western economies. The high labor needs in the Chinese plants require a high headcount. If available numbers of potential workers are insufficient, production bottlenecks and a risk of rising wages can be the result. Moreover, the inflationary cost of living bears the risk of rising wages and can also result in strikes and interruptions to operations. We are therefore unable to guarantee that CEAG will have sufficient human resources in the future to fully meet the demand of all its customers. This in turn could be the cause of considerable negative effects on the Company's net assets, financial position and results of operations.

Competitive Risks

The global market for our products is highly competitive. The CEAG Group faces fierce competition from companies, some of which are sizeable and have substantial resources. Reputable and financially strong manufacturers of mobile telephone components are increasing efforts to gain a foothold in the market for mobile telephone chargers or have already entered the market. We assume that other large companies will follow suit. This trend could lead to further intensification of the competitive situation in the future and thereby to even stronger pressure on prices and margins, which would disadvantage the business and earnings development of both business units.

Credit Risk

As reported in the prior year, we wrote down receivables and inventories in 2006 in connection with the insolvency of our customer BenQ Germany. The residual risk of EUR 0.4 million described as of December 31, 2006 has not eventuated. In 2007, there was no further impact on earnings from BenQ Germany. Other important CEAG customers could have a negative effect on business performance if their own business does not develop as forecast.

Liquidity Risk

A negative development on the capital markets would increase CEAG's financing costs and undermine its financial flexibility. The current trend on the US mortgage market is affecting capital markets around the world. Developments of this kind could restrict the Company's debt financing options.

Legal Risks

In its ordinary course of business, CEAG is exposed to current and future risks from legal disputes or proceedings, e.g. with regard to deliveries, product liability, product defects or quality problems. We cannot rule out a negative impact from the results of such disputes and proceedings on the business performance of the CEAG Group.

Interest Rate Risk

In managing its interest rate risk, the Group aims at optimizing the Group's interest income and expense and minimizing the overall interest rate risk. Otherwise, this risk could result in considerable negative effects on the Company's net assets, financial position and results of operations.

CEAG AG's interest rate risk stems primarily from current financial liabilities, loans and two medium-term note loans.

To hedge the interest rate risk from the variable rate note loans raised in the fiscal year (one tranche each in EUR and USD), interest rate swaps featuring the same maturities and volumes were concluded. Under these swaps, the original variable rate interest payments on the note loans were swapped for fixed interest payments. The interest rate swaps are subject to a risk of a change in market value during the terms of the contracts.

Risks and Effects From the Sale of FMP

Some of the risks named above relate to the FMP business unit. If successfully completed, the announced sale of the FMP business unit will contribute to reducing risk. Once the sale of FMP has been concluded, a large portion of FPS products will continue to be manufactured at the former FMP sites in China. After completion of the transaction, Flextronics will provide FPS with the manufacturing services currently provided by FMP via the Vista Point Technologies business unit. A short or long-term interruption in this supply arrangement or potential quality problems would have a significant effect on the business performance of FPS. Furthermore, the usual contractual warranty risks exist in connection with the sale of the FMP business unit.

Overall Risk Situation of the Group

No risks to the ability of the Company to continue as a going concern have been identified to date.

Employees

The CEAG Group employed a total of 19,027 workers as of December 31, 2007. This represents a decrease of 3,196 compared to 22,223 workers as of the balance sheet date of the prior year (down 14.4%). As well as lower unit sales, this decline is largely attributable to significant increases in productivity at the Chinese plants.

As in the prior year, the Group had 270 employees in Germany as of the end of fiscal year 2007. They work at the Company's headquarters in Ostbevern in development, production, sales and administration. As of the balance sheet date, the Group employed 18,757 people in foreign countries.

Training and Projects

Ongoing training is of particular importance for our international workforce, especially at the Chinese sites. In order to train the entire workforce and contribute to team building, we began implementing training courses at various management levels in China in 2006. These measures were extended to other levels of management in fiscal year 2007.

berufundfamilie
Eine Initiative der Gemeinnützigen Hertie-Stiftung

The "Career and Family" Project in Ostbevern

The "Career and Family" project launched during the summer in association with the Hertie Foundation is aimed at improving the compatibility of work and family for employees in Ostbevern and securing competitive advantages through the adoption of family-conscious personnel policies.


Grundzertifikat

Die berufundfamilie gemeinnützige GmbH bescheinigt hiermit, dass die

Grundzertifikat 2007
audit berufundfamilie®

2007

FRIWO Gerätebau GmbH

Von-Liebig-Straße 11, 48346 Ostbevern

Dieses Grundzertifikat ist gültig bis
26. November 2010
Grundzertifikat-Registernummer
071126-470

das audit berufundfamilie® erfolgreich durchgeführt hat.
Im Rahmen der Auditierung wurden der Bestand familienorientierter Maßnahmen begutachtet und weiterführende Zielvorgaben zur Verwirklichung einer familienbewussten Personalpolitik definiert.

Der FRIWO Gerätebau GmbH wurde am 26. November 2007 das Grundzertifikat zum audit berufundfamilie® erteilt.

Die FRIWO Gerätebau GmbH gehört zu den weltweit führenden Herstellern von Netz- und Ladegeräten. Sie beliefert die Segmente IT & Kommunikation, mobile Werkzeuge, industrielle Anwendungen und Medizintechnik. Mit modernen Entwicklungszentren, Fertigung und Vertrieb in Europa, Asien, Nord- und Südamerika ist die FRIWO Gruppe in allen wichtigen Märkten der Welt präsent.

Zum Zeitpunkt der Auditierung waren 273 Mitarbeiterinnen und Mitarbeiter in Ostbevern beschäftigt. Der Anteil weiblicher Beschäftigter betrug 36 Prozent. Die Teilzeitquote lag bei etwa 11 Prozent.

Ziel der Auditierung

Ziel der FRIWO Gerätebau GmbH ist ein weiterer Ausbau der familienbewussten Personalpolitik. So soll FRIWO zukünftig als noch attraktiverer Arbeitgeber wahrgenommen werden. Die Auditierung soll sich darüber hinaus bei der Rekrutierung neuer, qualifizierter Beschäftigter unterstützend auswirken. Des Weiteren gilt es, die Motivation der Beschäftigten zu erhöhen und die Arbeitsproduktivität zu steigern. Außerdem wird sich FRIWO durch sein familienbewusstes Handeln einen klaren Wettbewerbsvorteil gegenüber seinen Mitbewerbern verschaffen.

Es gilt, nötige Rahmenbedingungen und Freiräume zu schaffen, um Beruf und Familie besser miteinander vereinbaren zu können.

Vorhandene Maßnahmen
(Auswahl)

- Individuelle Arbeitszeitvereinbarungen zur Unterstützung der Vereinbarkeit von Beruf und Familie
- Engagement im Lokalen Bündnis
- Angebot an Praktikumsplätzen und Ferienjobs für Kinder von Beschäftigten
- Patenkonzept für Auszubildende
- Girls' day
- Kostenlose Parkplätze
- Durchführung von Gesundheits- und Vorbeugungsmaßnahmen, wie zum Beispiel Grippeschutzimpfungen
- Zahlung eines Essenszuschusses sowie zusätzliche Salatbar in der Kantine

Zukünftige Maßnahmen
(Auswahl)

- Übertragung des bestehenden Patenkonzepts auf neue Beschäftigte
- Erstellung eines regelmäßig erscheinenden Newsletters rund um die Vereinbarkeit von Beruf und Familie
- Überprüfung und Überarbeitung der bestehenden Betriebsvereinbarung Arbeitszeit
- Durchführung von thematisch relevanten Informationsveranstaltungen
- Entwicklung eines Kontakthalteprogramms für Beurlaubte und Langzeitkranke
- Aufbau eines Ferienbetreuungsangebots für die Kinder der Beschäftigten
- Ausdehnung des Kantinenservices sowie deren Öffnungszeiten
- Aufbau eines Generationennetzwerks

26. November 2007
Frankfurt am Main

berufundfamilie gemeinnützige GmbH
Geschäftsführung

berufundfamilie gemeinnützige GmbH
Kuratorium

www.beruf-und-familie.de

In conjunction with the award of the basic certificate "audit berufundfamilie®", joint goals were agreed which will be implemented over the course of the project's three-year term. These goals include:

- securing recruitment advantages over other companies;
- increasing staff productivity;
- safeguarding the location.

The Management Board would like to thank all employees for their hard work and dedication in fiscal year 2007.

Remuneration Report

The remuneration report is included in the corporate governance report on pages 18 to 19. This remuneration report audited by the auditors forms part of the management report. The notes to the consolidated financial statements contain further details on the compensation of the Management Board and Supervisory Board on page 104.

Research and Development

Research and development activities in both business units in fiscal year 2007 continued to focus on reducing costs and miniaturizing power supplies and chargers. The use of FRIWO-specific power management chips (ASICs) reduces circuit complexity and thus the size requirements. Furthermore, the special chip, called the Blackbox, offers copy protection against other manufacturers and meets the requirements of a USB interface.

ENERGY STAR® is a registered trademark in the US which is used to identify energy-saving devices. "Energy-saving" in this context means that the efficiency of the device has been increased, i.e. the relationship between input and output has been optimized. Energy efficiency for devices with three watts of power output must be around 60% and devices with 60 watts of power output must be around 85% energy efficient. Energy-saving also relates to power consumption when the device is idle. This means further reducing the energy used by a power supply in stand-by mode. The Code of Conduct initiated by the European Commission is comparable to the requirements of ENERGY STAR® in the US. This symbol was created to make it easy for consumers to recognize energy-saving products, households and buildings, allowing them to save money and help protect the environment.

All FMP devices conform with both the European Code of Conduct and meet the US requirements. The devices of FPS's extensive product range likewise meet the targets. New products are developed from the outset in accordance with the requirements of the Code of Conduct and ENERGY STAR®.

FMP developed a technology in the fiscal year that will enable it to manufacture and market its products without PVC and antimony trioxide. FMP also supplied a charger for a green product series that has a very low no load power consumption of 30 milliwatts, which is much lower than the target no load power consumption of 300 milliwatts.

In the NIKOL (new reaction-controlled ceramics for the integration of passive components in electronic modules) project, funded by the German Federal Ministry of Education and Research (BMBF) and headed by FMP, the targets for materials development were achieved in 2007. The aim of the project, which is expected to last three years and involves eight industry partners, is to reduce the number of components and further miniaturize devices.

FPS has launched a device platform with a new primary plug system which conforms to all important norms. These power supplies and chargers will be used in IT and communications applications, the industrial sector and in medical technology. FPS is also working on new projects aimed at developing and marketing higher-performance devices.

Lithium-ion (li-ion) chargers are still very popular on the market. FPS has successfully launched a li-ion charger platform. These microprocessor-controlled chargers ensure that the lithium-ion battery is charged smoothly and efficiently, which significantly improves the life of the battery and allows fast charging.

The Environment

Environmental protection is particularly important to CEAG AG. We strive to use natural resources responsibly in all stages of development and production and incorporate appropriate measures in all operating activities from the outset. Achieving this goal requires all relevant measures to be continually monitored and improved. Furthermore, effective environmental management also serves to reduce development and production costs.

CEAG fully complies with the EU's environmental directive, the RoHS (restrictions of use of certain hazardous substances) directive, by reducing and avoiding hazardous substances. We have achieved this by recording all the substances used in products and reducing some of the relevant materials. CEAG also cooperates with its worldwide suppliers in this context. The conversion of products to comply with the RoHS directive was largely completed in 2007.

The European REACH (registration, evaluation, authorization and restriction of chemicals) directive 1907/2006 has been in force since June 2007. This directive was adopted as part of the reform of European chemicals law and is relevant to all producers and users of chemicals. All users must test, document and register the chemicals they work with. The producers and users rather than the authorities are now responsible for substantiating the data they provide (safety, toxicity, biodegradability, hazards, etc.).

The regulations arising from the directive are being implemented in phases. The first phase from June to December 2008 involves the pre-registration of substances. From June 1, 2009, companies will propose materials for the list of substances for which applications for authorization can be submitted. From 2013 to 2018, all materials requiring authorization will be registered if a company requires more than one ton of a substance requiring authorization per year. Suppliers to the CEAG Group will also be involved in the implementation process in order to take pre-emptive measures in line with the directive.

Significant Events After the Balance Sheet Date

Events After the Balance Sheet Date

Sale of the FMP Business Unit

On February 7, 2008, CEAG AG signed an agreement with a subsidiary of the Singapore-based Flextronics International Ltd. to sell the FMP business unit.

Please see the section "Economic Situation of CEAG AG", page 38, for further details.

Outlook

General Economic Conditions

Economic experts predict that the global economy will continue to thrive in the coming years. However, due to turbulence on the financial markets and high raw materials and oil prices, growth will not be as steep.

The OECD forecasts that the Chinese economy will continue to flourish, with annual GDP growth in excess of 10%. A slowdown is expected in the US. Forecasts predict a slight drop in 2008 followed by a recovery in 2009.

According to the OECD, the eurozone economies must first overcome the effects of the developments on the financial and commodity markets before resuming their dynamic growth. Experts anticipate that growth in the eurozone will drop from 2.6% to 1.9% in 2008, and will then increase slightly to 2.0% in 2009. The Federal Association of German Banks ["Bundesverband deutscher Banken"] predicts that the eurozone economy will continue to perform well, supported by structural improvements on labor markets, sound company revenues, and moderate interest rates.

The OECD predicts that economic growth will slow in Germany. Economic experts forecast growth of 1.8% in 2008 and 1.6% in 2009. Due to the strong euro, imports will increase and the contribution made by external trade will be much lower. However, unemployment levels may continue falling until 2009.

Conditions in the Industry

Following growth of around 16.3% in 2007, for the coming years the market research institute Gartner Dataquest also forecasts growth in FMP's relevant segment, the global market for mobile telephones. The markets in China and India will continue to drive the rising demand, along with technical developments such as mobile telephones with multimedia functions. For 2008, Gartner Dataquest predicts sales of 1.27 billion telephones, which would represent year-on-year growth of around 10%.

Economic experts believe that the global market for power supplies and chargers has long-term growth potential. The FPS business unit will continue to focus on four market segments. The IT and communications, household appliances and power tools, industrial applications and medical technology segments are all growth markets, although they are developing at different rates. Forecasts for the global power supplies and chargers market as a whole predict significant growth of 7.5% for 2008.

(Sources: IMS 2007 excluding mobile and cordless telephones)

Strategic Goals and Focus

During the past few years, CEAG has successfully defended its position in mid to high-volume markets and has established itself as a supplier of technologically advanced devices. The Group has many decades of experience on the power supplies and chargers market.

The FMP business unit is exposed to much fiercer competition in the supplier market for mobile telephone manufacturers and rising operating costs. To continue meeting the demands of globally operating customers in the future and to safeguard its current market positions, it is planned to expand production capacities in Brazil and India in the coming years. Enlarging the production base is an important step towards safeguarding the business unit's competitiveness, but this requires significant investment. Such investment also increases risk, due to the higher amount of financing required. Added to this are expenses for adjustments to the existing production companies in China which may become necessary due to the planned transfer of production capacities.

The FPS business unit has recorded strong growth in recent years and has seen profitability rise considerably. There are still significant opportunities for growth open to FPS. It is also expected that FPS will be able to benefit from the overall positive economic environment and continue the strategic course it has been pursuing in the past few years, such as its focus on growth markets.

FPS's strengths include a wide range of core products, a flexible production schedule in Ostbevern complemented by contract manufacturing in China, effective and customer-oriented development activities, a well balanced customer structure, an efficient sales structure and many years, in some cases decades, of experience in the relevant market segments. Furthermore, planning and production processes that reduce or avoid costs such as design-to-cost (DTC) and purchase-to-cost (PTC) are a part of the value-added chain and our corporate culture, and are a key factor for success in the power supplies and chargers market.

Ensuring high quality standards is another make-or-break criterion for business success. This includes adhering to environmental protection standards in the relevant markets as well as meeting specific configurations required by customers for power supplies. Close, ongoing communication with customers ensures that CEAG learns of customers' needs and wants in plenty of time to take them into account in planning.

Outlook

Following the completion of the sale of FMP, CEAG will focus resolutely on the development of the FPS business unit, which is experiencing strong growth. The Management Board expects to generate positive proceeds in 2008 from the sale of FMP to Flextronics. The purchase price is EUR 57.5 million, less the net financial debt. It is subject to a standard working capital adjustment provision, which could reduce the net proceeds from the sale. If, contrary to our expectations, the transaction does not go ahead, CEAG will take on the challenges that would arise from continuing FMP's operations.

The Management Board expects the economic environment to remain positive and the rise in consumer confidence to continue in 2008. It also expects the markets in which FPS operates to perform well overall.

By contrast, no let-up is expected in the near future on the cost front. Raw materials prices will remain high in 2008. In addition, wages are expected to continue rising in China, and the US dollar could continue to weaken.

Given its very successful development in the past few years, the Management Board expects the FPS business unit to generate considerable unit sales and revenue growth in 2008. The Management Board believes that FPS harbors considerable growth potential for the coming years and that consequently, the CEAG Group will be able to generate further unit sales and revenue growth, net of FMP revenues, in 2008 and 2009. Whether or not this growth will manifest itself in an improvement in the Group's net assets, financial position and results of operations is to a great extent dependent on market and cost effects.

Relationships With Affiliated Companies

In its report on relationships with affiliated companies in fiscal year 2007, the Management Board made the following declaration:

"Our Company has received suitable consideration for each of the legal transactions listed in the report on relationships with affiliated companies, as appropriate under the circumstances known to us at the time of the transactions. The Company was not disadvantaged by any steps taken or omitted."

Ostbevern, Germany, March 31, 2008
CEAG AG
The Management Board


EKG-Elektroden ab
15:09
Neuer Patient?
Neuer Patient?
Schrittm. aus
Erw.
SpO2
PLS
NBP
Alarm Stop
Alle Alarme Aus
Hauptbild

Contents

Income Statement of the CEAG Group

for Fiscal Year 2007

In thousands of EUR	Note	2007	2006
Revenues	(11)	**315,219**	**351,659**
Cost of sales		-284,299	-316,513
Gross profit		**30,920**	**35,146**
Research costs	(12) (19)	-344	-659
Selling expenses	(13)	-6,830	-8,903
General and administrative expenses	(14)	-12,219	-12,808
Other operating expenses	(15)	-4,934	-3,644
Other operating income	(15)	5,408	4,284
Income from investments		17	17
Earnings before interest and taxes (EBIT)		**12,018**	**13,433**
Interest income	(16)	517	132
Interest expense	(16)	-1,331	-1,263
Earnings before income taxes (EBT)		**11,204**	**12,302**
Income taxes	(17)	-1,362	-932
Consolidated net profit		**9,842**	**11,370**
Earnings per share (basic and diluted) (in EUR)	(18)	1.28	1.48

Cash Flow Statement of the CEAG Group

for Fiscal Year 2007

In thousands of EUR	2007	2006
Consolidated net profit	9,842	11,370
Amortization and depreciation on non-current assets	8,582	7,743
Change in provisions	479	-426
Gain/loss on the disposal of non-current assets	348	-61
Change in deferred taxes	-1,429	269
Change in inventories	4,468	-11,324
Change in trade receivables and other assets that cannot be allocated to investing or financing activities	1,589	-7,176
Change in trade payables and other liabilities that cannot be allocated to investing or financing activities	-5,758	7,179
Other non-cash effects	68	-91
Cash flow from operating activities	18,189	7,483
Cash received from disposals of property, plant and equipment/intangible assets	387	236
Cash paid for investments in intangible assets	-396	-460
Cash paid for investments in property, plant and equipment	-6,617	-12,890
Cash flow from investing activities	-6,626	-13,114
Cash paid to repay financial liabilities to affiliated companies	0	-188
Cash received from/cash paid to repay non-current liabilities to banks (net)	7,114	2,075
Cash received from/cash paid to repay current liabilities to banks (net)	-5,337	-1,131
Cash flow from financing activities	1,777	756
Effect of exchange rates on cash	-323	-99
Net change in cash	13,017	-4,974
Cash at beginning of fiscal year	2,522	7,496
Cash at end of year	15,539	2,522

Balance Sheet of the CEAG Group

as of December 31, 2007

Assets

In thousands of EUR	Note	Dec. 31, 2007	Dec. 31, 2006
Non-current assets	(23)		
Intangible assets		1,349	1,222
Property, plant and equipment		24,797	28,710
Financial assets		5	5
		26,151	29,937
Deferred taxes	(17)	2,147	1,731
		28,298	31,668
Current assets			
Inventories	(24)	48,354	56,771
Trade receivables	(25)	32,747	36,611
Other assets	(25)	2,855	3,649
(of which financial instruments)		(1,485)	(2,446)
Prepaid expenses	(26)	137	215
Cash	(27)	15,539	2,522
		99,632	99,768
Total assets		127,930	131,436

Equity and liabilities

In thousands of EUR	Note	Dec. 31, 2007	Dec. 31, 2006
Equity	(28)		
Subscribed capital		20,020	20,020
Capital reserves		2,002	2,002
Revenue reserves		22,964	11,594
Other reserves		-10,271	-7,530
Consolidated net profit		9,842	11,370
		44,557	**37,456**
Non-current liabilities			
Non-current liabilities to banks	(31)	8,970	2,288
Provisions for pensions and similar obligations	(29)	2,308	2,499
Other non-current provisions	(30)	1,321	1,114
Deferred taxes	(17)	586	1,693
		13,185	**7,594**
Current liabilities			
Provisions for income taxes		659	693
Other current provisions	(30)	2,296	2,157
Current financial liabilities	(31)	631	6,057
Trade payables	(32)	53,247	63,497
Income tax liabilities	(32)	956	128
Other liabilities (of which financial instruments)	(32)	12,399 (11,164)	13,854 (13,077)
		70,188	**86,386**
		83,373	**93,980**
Total equity and liabilities		**127,930**	**131,436**

Statement of Recognized Income and Expense

In thousands of EUR	2007	2006
Changes in the fair value of financial instruments used for hedging purposes recognized in equity	-766	-2,620
Actuarial gains/losses from defined benefit pension obligations and similar obligations	225	-33
Adjustment item for the currency translation of foreign subsidiaries	-2,306	-2,602
Deferred taxes on changes in value recognized directly in equity	106	509
Changes in value recognized directly in equity	-2,741	-4,746
Consolidated net profit	9,842	11,370
Total income/expense for the period	7,101	6,624

The statement of changes in equity of the CEAG Group is presented in Note (28).

Notes to the Consolidated Financial Statements for Fiscal Year 2007

General Information on the Company (1)

CEAG AG, the holding company of the FRIWO Group, and its FRIWO subsidiaries are one of the world's leading manufacturers of chargers and power supplies for mobile telephones and other appliances.

The business address of the parent company is:
CEAG AG, Von-Liebig-Strasse 11, 48346 Ostbevern, Germany.

The consolidated financial statements and group management report of CEAG AG for fiscal year 2007 are published in the electronic version of the Bundesanzeiger [German Federal Gazette] and filed with the electronic business register.

DELTON AG, Bad Homburg v. d. Höhe, Germany, holds the majority of shares in CEAG AG. The consolidated financial statements of CEAG AG are included in the consolidated financial statements of DELTON AG, which are filed with the electronic business register.

The consolidated financial statements of CEAG AG will be authorized for issue by the Management Board on March 31, 2008 (day of authorization by the Management Board for submission to the Supervisory Board).

Accounting Policies

Statement of Compliance With IFRSs (2)

CEAG AG participates with its securities in a regulated market in the European Union. The consolidated financial statements are prepared in accordance with IFRSs. In addition to the IFRSs endorsed by the European Union, the Company must also comply fully with the requirements set out in Sec. 315a HGB ["Handelsgesetzbuch": German Commercial Code].

Basis of Preparation of the Financial Statements (3)

The consolidated financial statements were prepared using the cost method, with the exception of derivative financial instruments, which were measured at fair value. See Note (35).

The key accounting policies used to prepare these consolidated financial statements are disclosed below. The policies described were consistently applied to the periods presented unless otherwise stated.

The consolidated financial statements were prepared in euros. Unless otherwise indicated, all amounts are stated in thousands of euros (EUR thousand).

Use of Judgment and Uncertainty of Estimates (4)

The preparation of the consolidated financial statements in accordance with IFRSs requires assumptions and estimates to be made which have an effect on the carrying amounts of recognized assets, liabilities, income, expenses and contingent liabilities.

Significant judgment was exercised with regard to the need to test non-current assets for impairment. See Note (23).

Significant assumptions and estimates relate to the assumptions made in the measurement of provisions (see Notes (29) and (30)), the underlying value of inventories (see Note (24)) and deferred taxes (see Note (17)).

Consolidation Policies (5)

The financial statements of the domestic and foreign subsidiaries included in consolidation have been prepared in accordance with uniform accounting policies.

Capital is consolidated on the date of acquisition in accordance with the purchase method. Date of acquisition is the date on which control of the net assets and operations of the acquiree is effectively transferred to the CEAG Group. Under the purchase method, the cost of the shares acquired is netted with CEAG's share in the fair value of the assets acquired and the liabilities and contingent liabilities assumed as of the date of acquisition. Differences arising from netting are recognized as acquired goodwill. Negative differences arising from capital consolidation as of the date of acquisition are immediately recognized in profit or loss. The hidden reserves disclosed after measurement of assets, liabilities and contingent liabilities at fair value on first-time consolidation are carried forward, written down or released in subsequent periods in line with changes in assets, liabilities and contingent liabilities. Any acquired goodwill is regularly tested for impairment in subsequent periods and written down to its recoverable amount in the event of impairment.

The fiscal year of all consolidated companies is the calendar year and is the same as CEAG AG's fiscal year.

Intercompany receivables and liabilities are netted. Intercompany revenues, intercompany profits and losses and all other intercompany expenses and income are eliminated.

See our disclosures on the consolidated group in Note (8) and on foreign currency translation in Note (9).

Changes in Accounting Policies (6)

The consolidated financial statements of CEAG as of December 31, 2007 have been prepared in accordance with International Financial Reporting Standards (IFRSs) and the provisions of the International Accounting Standards Board (IASB) in effect as of the balance sheet date. These standards also encompass the International Accounting Standards (IASs) still in effect. In addition, all interpretations of the International Financial Reporting Interpretations Committee (IFRIC) (formerly the Standing Interpretations Committee (SIC)) applicable to fiscal year 2007 were applied.

The accounting policies applied are largely consistent with those applied in the prior year.

As of December 31, 2007, the following new standards and interpretations were applied for the first time:

IFRS 7	Financial Instruments: Disclosures
IAS 1	Presentation of Financial Statements – revision with regard to managing capital as a result of IFRS 7
IFRIC 7	Applying the Restatement Approach under IAS 29 – Financial Reporting in Hyperinflationary Economies
IFRIC 8	Scope of IFRS 2
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 10	Interim Financial Reporting and Impairment

IFRS 7 “Financial Instruments: Disclosures” is a summary of the provisions of IAS 32 governing the disclosure of financial instruments and of the entire IAS 30. While the provisions of IAS 30 were restricted to banks and financial institutions, the application of IFRS 7 requires extensive disclosures on financial instruments from all entities – including CEAG.
The revision of IAS 1 “Presentation of Financial Statements” coincides with the publication of IFRS 7 and relates to the management of capital by entities. The standard requires fair value disclosures that enable users of financial statements to evaluate the entity’s objectives, policies and processes for managing capital.

The application of the other standards and interpretations stated above do not have any (material) effect on the consolidated financial statements of CEAG as of December 31, 2007.

The IASB also adopted IFRIC Interpretation 11 “IFRS 2 - Group and Treasury Share Transactions” in 2007, which has already been endorsed by the European Union and must be applied in the consolidated financial statements for fiscal year 2008. It is not expected to have any impact on CEAG.

In addition, IFRS 8 "Operating Segments", which has already been endorsed by the European Union, supersedes IAS 14 "Segment Reporting". A key change to IAS 14, IFRS 8 follows the full management approach, requiring segment reporting to follow the internal reporting structure. IFRS 8 is effective for fiscal years beginning on or after January 1, 2009. It will not have any impact on CEAG as segment reporting is already based on the internal reporting structure.

The following standards and interpretations have already been adopted by the IASB but not yet endorsed by the European Union. After endorsement, CEAG will also apply these standards:

IFRS 2	Share-based Payment – amendment
IFRS 3	Business Combinations
IAS 1	Presentation of Financial Statements – revision of presentation provisions
IAS 23	Borrowing Costs – revision
IAS 27	Consolidated and Separate Financial Statements – amendment
IFRIC 12	Service Concession Arrangements
IFRIC 13	Customer Loyalty Programmes
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The amendment of IFRS 2 was published in January 2008 and is operative for the first time for fiscal years beginning on or after January 1, 2009. The amendment clarifies that vesting conditions are service conditions and performance conditions only. It also specifies that cancellations of share-based payment arrangements by employees should receive the same accounting treatment as cancellations by other parties. The transitional provisions specify retrospective application of the changes. They are not expected to have any impact on CEAG.

The revised IFRS 3 was published in January 2008 and is operative for the first time for fiscal years beginning on or after July 1, 2009. The standard was extensively revised as part of the convergence project of the IASB and the FASB. The main changes include the introduction of a choice for the measurement of non-controlling interests between recognizing them at their proportionate share of the acquiree's net identifiable assets (purchased goodwill method) and the full goodwill method, whereby the total amount of goodwill of the acquiree, including that attributable to non-controlling interests, is recognized. Other changes include the remeasurement of any previously held equity interest in the acquiree when control is first obtained, with any resulting gain or loss recognized in profit or loss (business combination achieved in stages), the required recognition of a contingent consideration at the acquisition date and the expensing of acquisition-related costs. The transitional provisions specify prospective application of the changes. Assets and liabilities that arose from business combinations prior to the first-time application of the new standard are not affected. No impact on CEAG's consolidated financial statements is expected.

The revised IAS 1 sets out overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content. These provisions will require extended presentations in CEAG's consolidated financial statements.

The main change to IAS 23 is the abolition of the option to immediately expense borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. In this context, a qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. The revision of IAS 23 is not expected to have any impact on CEAG.

The amended IAS 27 was published in January 2008. The changes are operative for the first time for fiscal years beginning on or after July 1, 2009. They are the outcome of the joint project between the IASB and the FASB to revise the accounting provisions governing business combinations. The changes mainly relate to the recognition of non-controlling interests (minority interests) that are to participate fully in the group's losses in the future, and transactions leading to loss of control of a subsidiary and whose effects are recognized in profit or loss. Effects of share sales that do not lead to loss of control, on the other hand, are recognized directly in equity. The transitional provisions, which generally specify retrospective application of changes, stipulate prospective application of the above changes. Assets and liabilities that arose from such transactions prior to the first-time application of the new standard are therefore not affected. The changes are not expected to have any impact on CEAG.

IFRIC 12 relates to special services that are not rendered by CEAG. It therefore has no impact on the consolidated financial statements.

IFRIC 13 "Customer Loyalty Programmes" deals with accounting by entities that grant customers credits ("points" or "miles") when they buy other goods or services. It explains in particular how such entities are to account for free or discounted goods or services ("awards") for customers who redeem their credits. This is not expected to have any impact on CEAG's consolidated financial statements.

IFRIC 14 provides general guidance on determining the limit on a defined benefit asset that may be recognized in accordance with IAS 19. The interpretation also explains how statutory or contractual minimum funding requirements can affect plan assets or liabilities. Under IFRIC 14, the employer does not recognize an additional liability unless the amounts payable under the minimum funding requirements cannot be refunded to the entity. IFRIC 14 will not affect CEAG.

Summary of Significant Accounting Policies (7)

The **income statement** was drawn up using the cost of sales method.

Revenues are generated by the goods and services sold by the consolidated companies net of internal sales, customer discounts, rebates and bonuses. Revenues are recognized when the goods have been delivered or the services rendered.

Cost of sales comprises the cost of conversion of goods sold and the cost of purchased merchandise. In accordance with IAS 2 "Inventories", the cost of self-constructed goods comprises directly attributable costs such as material costs and direct labor as well as all production overheads, including production-related depreciation. Production-related development costs and logistics costs are also disclosed in this item.

Research and development costs are charged as expenses in the periods in which they are incurred. The requirements for recognizing development costs as assets under IAS 38.57 are not met.

Deferred taxes are calculated in accordance with IAS 12. Deferred taxes are recognized for temporary differences between the carrying amounts in the consolidated balance sheet and their tax base and for loss carryforwards that may be utilized for tax purposes. Probable tax benefits and burdens arising from these differences are recognized as assets and liabilities, respectively. If the benefits or burdens underlying these deferred taxes are recognized directly in equity, deferred taxes are also recognized or reversed through equity. Consolidation entries also result in deferred taxes. Deferred taxes are determined on the basis of the tax rates which, under the current legislation, apply or are expected to apply in the individual countries at the time of realization.

If deferred tax assets exceed deferred tax liabilities, the underlying value of these assets is assessed on the basis of the anticipated performance of the group company concerned.

Deferred tax assets and liabilities are netted if the Group has an enforceable right to set off current tax assets and liabilities and these relate to the income taxes levied by the same taxation authority for the same taxable entity.

Current and non-current assets and current and non-current liabilities are presented as separate classifications on the face of the **balance sheet** in accordance with IAS 1.51.

Financial Instruments: financial assets within the meaning of IAS 39 are financial assets measured at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. When financial assets are recognized initially, they are measured at fair value plus, in the case of investments not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. The Group defines the classification of its financial assets upon initial recognition and reviews this classification at the end of each fiscal year where permissible and appropriate. Regular way purchases and sales of financial assets are accounted for at trade date, i.e. on the day on which the Group commits to purchase the asset. Regular way purchases and sales are purchases and sales of financial assets that require delivery within the time frame established by regulation or convention in the market place. CEAG does not use the fair value option under IAS 39 to measure financial instruments.

Financial assets are classified as held for trading if they are acquired for the purpose of selling them in the near term. Derivative financial instruments are also classified as held for trading except for derivatives that are designated and effective hedging instruments. Gains or losses from financial assets held for trading are recognized in profit or loss. Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the receivable is derecognized or impaired. The first indication of impairment of a receivable is when it is past due, in which case an individual impairment test is carried out.

Derecognition of financial assets: a financial asset (or part of a financial asset or part of a group of similar financial assets) is derecognized if the criteria under IAS 39.17 are met. A financial liability is derecognized when the obligation is settled, canceled or expires.

The Group assesses on each balance sheet date whether a **financial asset** or group of financial assets is **impaired**. If there is objective evidence that an impairment loss on receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the loss is recognized in profit or loss. The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. The amount of the reversal shall be recognized in profit or loss provided the carrying amount of the asset at the time of reversal does not exceed the amortized cost.

The Group uses **derivative financial instruments** such as forward exchange contracts, copper forward contracts and interest rate swaps to hedge currency, price and interest rate risks. These derivative financial instruments are initially carried at the fair value on the date on which the relevant contract was concluded and are then subsequently remeasured at fair value. Derivative financial instruments are classified as assets if their fair value is positive and as liabilities if their fair value is negative. The fair value of forward contracts is calculated by reference to the current forward rates for contracts with similar maturity.

Hedging instruments: for the purpose of hedge accounting, hedging instruments can be classified as fair value hedges, cash flow hedges or hedges of a net investment in a foreign company. CEAG pursues both the strategy of hedging cash flows and of hedging fair values.

At the inception of the hedge there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge. This documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk. The hedges are assessed on an ongoing basis to ascertain whether they have actually been highly effective throughout the financial reporting periods for which the hedge was designated.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when they hedge the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or a forecast transaction and could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognized directly in equity while the ineffective portion is recognized in profit or loss. Amounts directly recognized in equity are recognized in profit or loss in the period during which the hedged transaction affects profit or loss, for example when hedged financial income or expenses are recognized or when a forecast sale or purchase occurs. If the hedged transaction relates to the recognition of the cost of a non-financial asset or liability, the amounts recognized in equity are added to the original carrying amount of the non-financial asset or liability. If the forecast transaction is no longer expected to occur, the amounts previously recognized in equity are recognized in profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover of a hedging instrument into another hedging instrument or if the Group revokes the designation of a hedging instrument, the amounts previously recognized continue to be recognized separately in equity until the forecast transaction occurs. If the forecast transaction is no longer expected to occur, the amount is recognized in profit or loss.

In accordance with IAS 38, **intangible assets** should be recognized at cost and amortized on a straight-line basis over their expected useful life. The useful life for intangible assets (except for goodwill) is three to five years. The amortization period and method used are reviewed each period. If there are indications of impairment and the recoverable amount is less than the amortized cost, an impairment loss is recognized for the intangible assets. If the reasons for an impairment loss cease to apply, the impairment loss is reversed as appropriate.

The cost of new software is recognized as an intangible asset if these costs are not an integral part of the related hardware. Software is amortized on a straight-line basis over three to five years.

Property, plant and equipment are recognized at cost in accordance with IAS 16. The cost of self-constructed assets includes direct costs as well as all production overheads, including production-related depreciation. Interest expenses are not included in cost.

Items of property, plant and equipment whose use is limited are depreciated straight-line over their expected useful lives unless the actual pattern of use indicates that they are impaired.

Depreciation of property, plant and equipment is based on the following useful lives:

Buildings	10 to 50 years
Technical equipment and machinery	2 to 15 years
Other equipment, furniture and fixtures	2 to 15 years
Vehicles	5 years

The useful lives and depreciation methods are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Complex items of property, plant and equipment which have clearly separable components with different useful lives are broken down into these respective components when calculating depreciation. Depreciation is calculated on the basis of the useful lives of the individual components.

Impairment of Non-Financial Assets

The Group assesses on each balance sheet date whether there is any indication that an asset may be impaired. If there are signs of impairment or if an annual impairment test is required, the Group makes a formal estimate of the recoverable amount. The recoverable amount of an asset is the higher of the fair value of an asset or that of the cash-generating unit less costs to sell and value in use. The recoverable amount is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognized in the expense categories which correspond to the function of the impaired asset.

On each balance sheet date it is assessed whether there is any indication that an impairment loss recognized for an asset in prior years may no longer exist or may have decreased. If such indications exist, the recoverable amount is estimated. An impairment loss recognized for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount.

The increased carrying amount may not exceed the carrying amount that would have been determined after amortization or depreciation had no impairment loss been recognized for the asset in prior years. A reversal of an impairment is recognized immediately in profit or loss, unless the asset is carried at revalued amount. In this case, the reversal is treated as a revaluation increase. After a reversal of an impairment loss is recognized, the amortization/depreciation charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Inventories are measured at cost or at the lower net realizable value as of the balance sheet date in accordance with IAS 2 "Inventories" with due regard to the principle of item-by-item measurement. The average cost method is used for interchangeable items in accordance with IAS 2.25.

Cost of conversion comprises direct material costs, direct production costs and all production-related overheads, including production-related depreciation. Interest expenses are not included in cost. Measurement includes reasonable provision for inventory risks arising from a lower net realizable value.

Receivables and other assets are recognized at amortized cost, which is generally their nominal value. Foreign currency receivables are translated at the closing rate in accordance with IAS 21. Translation differences are reported in profit or loss.
Adequate specific bad debt allowances are recognized on special allowance accounts for identifiable risks to individual receivables.

The **provisions for pensions** are recognized in accordance with the requirements of IAS 19. Pension obligations from direct pension commitments were calculated according to the projected unit credit method, allowing for future adjustments to salaries and pensions.

Under IAS 19.93A all actuarial gains and losses are recognized in full directly in equity.

The interest portions of the changes in provisions for pensions are reported in the financial result and the other expenses in functional costs.

Other provisions are recognized in accordance with IAS 37. Under this standard, provisions are only recognized when the entity concerned has a present obligation (legal, contractual or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The provisions recognized make adequate allowance for third-party risks in the financial statements. They were measured at the amount likely to be required. Provisions whose remaining term is expected to exceed one year are reported at present value if the effect is material. Provisions expected to be utilized within one year are disclosed under current provisions.

Liabilities are recognized at amortized cost. Liabilities in foreign currencies are translated using the closing rate. Any differences between the closing rate and the rate at the date of the transaction are recognized in profit or loss. The long-term liabilities from financing bear interest at market rates and the carrying amount therefore approximates the fair value.

Whether or not an arrangement is or contains a **lease** is determined on the basis of the economic substance of the arrangement and requires an assessment as to whether fulfillment of the contractual arrangement is dependent on the use of a certain asset or assets and whether the arrangement provides for the right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability. Finance charges are recognized immediately in profit or loss. If it is not reasonably certain that the Group will obtain ownership by the end of the lease term, the assets are fully depreciated over the shorter of the lease term or its useful life.

Lease payments for operating leases are recognized as an expense on a straight-line basis over the lease term.

Contingent liabilities are not recognized in the consolidated balance sheet until they are likely to materialize. They are disclosed in the notes if there is a possibility that they may eventuate. As an internationally operating company with different business segments, CEAG is exposed to numerous legal risks, including risks related to product liability, warranties, tax law and other legal disputes. The outcome of currently pending or future proceedings cannot be forecast with any certainty. Decisions lead to expenses that are not fully covered by insurance policies and that could have a significant impact on the business and the results of operations. The Management Board does not expect decisions with a significant impact on the Group's net assets, financial position and results of operations to be passed to the Group's disfavor in the legal proceedings currently pending.

Events after the balance sheet date that provide additional information about the Group's position at the balance sheet date are reflected in the consolidated financial statements. Information indicative of conditions that arose after the balance sheet date are only disclosed in the notes to the financial statements.

Consolidated Group (8)

In addition to CEAG AG, all domestic and foreign companies in which CEAG AG directly or indirectly holds the majority of voting rights have been included in the consolidated financial statements.

The consolidated group comprises three domestic and eight foreign companies. In fiscal year 2007, FRIWO Power Solutions Technology (Shenzhen) Co., Ltd., Xixiang, China, and FRIWO India Pvt. Ltd, Chennai, India, were formed. FRIWO Japan Co., Ltd., Tokyo, Japan, left the consolidated group due to its liquidation. See the disclosures on shareholdings in Note (41).

Foreign Currency Translation (9)

The Group's reporting currency is the euro, which is the reporting currency of CEAG AG. Each group company determines its own functional currency. The items in the financial statements of each company included in the consolidated financial statements are measured using this functional currency. Foreign currency transactions are initially recorded at the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. Foreign currency monetary assets and liabilities are translated into the functional currency at the closing rate. All differences are recognized in profit or loss. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction. Non-monetary items which are carried at fair value denominated in a foreign currency are reported using the exchange rates that existed when the fair values were determined.

The financial statements of the foreign subsidiaries have been translated in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates" according to the functional currency concept. The balance sheets are translated using the closing rate on the balance sheet date, and the income statements are translated at average rates as these companies operate as independent entities in financial, economic and organizational terms. The functional currency of the foreign companies is their respective local currency. The exchange differences on translation are recognized directly under other reserves in equity in the separate item currency translation differences (see Note (28)).

Foreign currency translation is based on the following foreign exchange rates.

Exchange rates

	Balance sheet date		Average	
in foreign currency/ EUR	Dec. 31, 2007	Dec. 31, 2006	2007	2006
Brazil (BRL)	2.5827	2.8177	2.6677	2.7379
China (CNY)	10.7312	10.2793	10.4185	10.0090
Hong Kong (HKD)	11.4620	10.2409	10.6923	9.7549
India (INR)	57.7853	58.0750	56.6016	56.9442
Japan (JPY)	166.1300	156.9300	161.2343	146.0623
USA (USD)	1.4692	1.3170	1.3706	1.2557

Segment Reporting

Segment Report (10)
of the CEAG Group for Fiscal Year 2007

By business segment in thousands of EUR	2007 FMP	2007 FPS	2007 Holding company
External revenues	230,884	84,335	0
Internal revenues	44,731	248	0
Segment result (EBIT)	9,505	5,679	-3,166
Interest	0	0	0
Income taxes	0	0	0
Consolidated net profit	0	0	0
Segment assets	89,057	28,149	59,499
Other assets	0	0	0
Balance sheet total	0	0	0
Segment liabilities	61,867	13,525	3,595
Other liabilities	0	0	0
Debt	0	0	0
Investments in intangible assets and property, plant and equipment	4,936	2,363	9
Amortization/depreciation on intangible assets and property, plant and equipment	7,105	1,459	18
Other non-cash expenses	816	2,387	1,747

In thousands of EUR	2007 Europe	2006 Europe
External revenues (by geographical segment of customer)	170,055	170,905
Segment assets (by geographical segment)	26,919	25,356
Investments in intangible assets and property, plant and equipment (by geographical segment)	2,256	2,360

2007 Consolidation	2007 Group	2006 FMP	2006 FPS	2006 Holding company	2006 Consolidation	2006 Group
0	315,219	272,592	79,067	0	0	351,659
-44,979	0	40,422	339	0	-40,761	0
0	12,018	12,799	3,549	-2,915	0	13,433
0	-814	0	0	0	0	-1,131
0	-1,362	0	0	0	0	-932
0	9,842	0	0	0	0	11,370
-66,461	110,244	108,581	22,544	47,091	-51,033	127,183
0	17,686	0	0	0	0	4,253
0	127,930	0	0	0	0	131,436
-7,416	71,571	74,312	9,864	3,976	-5,031	83,121
0	11,802	0	0	0	0	10,859
0	83,373	0	0	0	0	93,980
-295	7,013	11,219	2,036	23	0	13,350
0	8,582	6,442	1,233	68	0	7,743
0	4,950	1,147	2,418	1,470	0	5,035

2007 Asia	2006 Asia	2007 Americas	2006 Americas	2007 Group	2006 Group
133,536	151,718	11,628	29,036	315,219	351,659
80,637	97,523	2,688	4,304	110,244	127,183
4,473	10,730	284	260	7,013	13,350

Segment Reporting

The reporting format for the primary segments is broken down by business unit, distinguishing between our activities at FRIWO Mobile Power (FMP) and FRIWO Power Solutions (FPS). The FMP business unit is responsible for the high-volume market of mobile telephones. The FPS business unit focuses on IT and communications, household appliances and power tools as well as industrial applications and medical technology. Sales are regionally structured for this unit, with some support from commercial agents and distributors. The holding company monitors the operating segments and performs the Group's central functions. It is shown separately in line with the internal reporting structure.

Sales made between the business units are disclosed separately in the income statement and balance sheet (as receivables and liabilities). The transfer prices between the FMP and FPS business units are calculated on the basis of cost plus a margin. The corresponding effects are eliminated in the Group. There were no significant effects on profit or loss to be consolidated at year-end.

The Group's secondary reporting format is based on the geographical markets on which CEAG sells its products. The geographical segments used are the three economic areas relevant for CEAG, these being Europe, Asia and the Americas.

Sales to one customer from the FMP business unit who is represented in all geographical segments came to 53% of total revenues for all segments in the year under review and in the prior year.

Likewise, sales to another customer from the FMP business unit who is represented in all geographical segments came to 16% of total revenues for all segments in the year under review and in the prior year.

Notes to the Income Statement

Revenues (11)

The development of revenues by strategic business unit and by region is presented in the segment report in accordance with IAS 14.

Research Costs (12)

Expenditure on basic research is disclosed in this item. Also see the disclosures on research and development costs in Note (19).

Selling Expenses (13)

Selling expenses comprise the costs of the sales departments as well as costs for advertising, write-downs on receivables and commission expenses.

General Administrative Expenses (14)

Personnel and material expenses for administration and the costs for external services are disclosed in this item.

Other Operating Expenses and Income (15)

In thousands of EUR	2007	2006
Losses on disposals of assets	369	0
Exchange losses	4,445	3,323
Other expenses	120	321
Other operating expenses	4,934	3,644
Gains on disposals of assets	21	61
Exchange gains	4,375	3,169
Other income	1,012	1,054
Other operating income	5,408	4,284
Other operating expenses/income (net)	474	640

In 2007, other operating income (net) of EUR 474 thousand was reported (prior year: other operating income (net) of EUR 640 thousand).

Financial Result (16)

In thousands of EUR	2007	2006
Other interest and similar income	517	132
Interest and similar expenses	-1,220	-1,154
(of which to affiliated companies)	(0)	(-21)
Interest portion of allocations to provisions for pensions and similar obligations	-111	-109
Financial result	-814	-1,131

Income Taxes (17)

Taxes on income paid or due in the individual countries as well as deferred taxes are stated as income taxes. Income taxes are calculated in accordance with IAS 12 and break down as follows.

In thousands of EUR	2007	2006
Current income taxes	2,186	760
Taxes from prior years	605	-98
Deferred income taxes	-1,429	270
	1,362	932

Recognized deferred taxes relate to the following balance sheet items and loss carryforwards.

In thousands of EUR	2007 Assets	2007 Liabilities	2006 Assets	2006 Liabilities
Intangible assets	0	0	0	0
Property, plant and equipment	1,443	586	511	1,587
Inventories	485	0	303	0
Trade receivables	0	0	0	0
Other assets	0	0	0	106
Retained earnings of foreign subsidiaries	0	275	0	449
Provisions for pensions	69	0	69	0
Other provisions	261	11	40	12
Liabilities	0	0	0	0
Loss carryforwards	2,781	0	4,846	0
Total	5,039	872	5,769	2,154
Netting	-286	-286	-461	-461
Adjustment	-2,606	0	-3,577	0
Consolidated balance sheet	2,147	586	1,731	1,693

	Netted			Of which		
In thousands of EUR	2007	2006	Change	recognized in profit or loss	recognized in equity	currency translation
Intangible assets	0	0	0	0	0	0
Property, plant and equipment	857	-1,076	1,933	1,872	0	61
Inventories	485	303	182	201	0	-19
Trade receivables	0	0	0	0	0	0
Other assets	0	-106	106	0	106	0
Retained earnings of foreign subsidiaries	-275	-449	174	174	0	0
Provisions for pensions	69	69	0	0	0	0
Other provisions	250	28	222	232	0	-10
Liabilities	0	0	0	0	0	0
Loss carryforwards	2,781	4,846	-2,065	-1,988	0	-77
Netting	0	0	0	0	0	0
Adjustment	-2,606	-3,577	971	938	0	33
Consolidated balance sheet	1,561	38	1,523	1,429	106	-12

In the prior year, the following results were reported.

In thousands of EUR	2006 Assets	2006 Liabilities	2005 Assets	2005 Liabilities
Intangible assets	0	0	0	1
Property, plant and equipment	511	1,587	581	953
Inventories	303	0	152	0
Trade receivables	0	0	13	0
Other assets	0	106	0	615
Retained earnings of foreign subsidiaries	0	449	0	372
Provisions for pensions	69	0	73	0
Other provisions	40	12	21	12
Liabilities	0	0	0	0
Loss carryforwards	4,846	0	4,716	0
Total	5,769	2,154	5,556	1,953
Netting	-461	-461	-385	-385
Adjustment	-3,577	0	-3,793	0
Consolidated balance sheet	1,731	1,693	1,378	1,568

	Netted			Of which		
Consolidated balance sheet	2006	2005	Change	recognized in profit or loss	recognized in equity	currency translation
Intangible assets	0	-1	1	1	0	0
Property, plant and equipment	-1,076	-372	-704	-814	0	109
Inventories	303	152	151	168	0	-16
Trade receivables	0	13	-13	-12	0	-1
Other assets	-106	-615	509	0	509	0
Retained earnings of foreign subsidiaries	-449	-372	-77	-77	0	0
Provisions for pensions	69	73	-4	-4	0	0
Other provisions	28	9	19	20	0	-2
Liabilities	0	0	0	0	0	0
Loss carryforwards	4,846	4,716	130	267	0	-136
Netting	0	0	0	0	0	0
Adjustment	-3,577	-3,793	216	181	0	33
Consolidated balance sheet	38	-190	228	-270	509	-13

The total amount of deductible temporary differences for which no deferred tax assets were disclosed is EUR 162 thousand (prior year: EUR 1,307 thousand).

The realization of deferred tax assets for unused tax loss carryforwards depends on the achievement of taxable income or trade income in subsequent years. As in the prior year, it is not considered sufficiently certain that the tax loss carryforwards of the German companies will be realized. As a result, no deferred tax assets were recognized for these loss carryforwards.

The loss carryforward in Germany as of December 31, 2007 for which no deferred tax assets were recognized amounts to EUR 28.1 million (prior year: EUR 28.1 million) for corporate income tax and EUR 25.9 million (prior year: EUR 26.2 million) for trade tax. With regard to tax loss carryforwards in Germany, from fiscal year 2004, current taxable income up to a maximum of EUR 1 million may be fully offset against loss carryforwards, while only 60% of income in excess of this amount may be offset.

No deferred tax asset was recognized on FRIWO USA, Inc.'s loss carryforward of EUR 0.8 million. The loss carryforwards in the US can be used over a 20-year period.

The reconciliation from computed to actual tax expense is shown in the following table.

In thousands of EUR	2007	2006
Earnings before income taxes	11,204	12,302
Estimated tax expense [1]	4,258	4,675
Differing tax rates abroad	-2,531	-2,133
Change in the tax rate for deferred taxes [2]	-1,111	-176
Non-deductible other expenses	29	38
Non-deductible foreign investment income	245	90
Non-recognition of deferred taxes	93	742
Use of deferred taxes on loss carryforwards not previously recognized	-96	-1,000
Tax effects from temporary differences not recognized/adjusted to date	-91	9
Non-recognition of taxes due to local tax exemptions	-395	-1,503
Taxes for prior years	605	-98
Other effects, net	356	-288
	1,362	932

[1] Estimated tax expense at the tax rate of CEAG AG of 38% (prior year: 38%)
[2] The change in the tax rate for deferred taxes relates to the German and Chinese companies and is due to the tax reforms adopted in 2007

The business tax reform 2008 will lead to a number of changes in the taxation of the German group companies from fiscal year 2008. The key element of the business tax reform is the reduction of the corporate income tax rate from 25% to 15%. In the future, trade tax will no longer reduce the tax base for trade tax or for corporate income tax purposes as it is no longer deductible as a business expense. The overall tax burden on the profits of corporations will decrease from approx. 38% to approx. 30%.

The major tax reform 2008 in China will lead to changes that will affect the Group's Chinese companies. The most important change is a uniform tax rate of 25% for companies and the abolition of most tax privileges. There will be transitional provisions for companies that were previously entitled to claim tax reductions. The tax rate for these companies will be successively raised to the new rate of 25% over a five-year period.

Earnings Per Share (18)

Earnings per share are calculated in accordance with IAS 33 "Earnings Per Share" on the basis of the consolidated net profit or loss and come to EUR 1.28 in 2007 (prior year: EUR 1.48). The number of shares (7.7 million no-par shares) has not changed in the reporting year. As there are no financial instruments that could be exchanged for shares, diluted earnings are the same as basic earnings.

In thousands of EUR	2007	2006
Number of no-par shares outstanding	7,700,000	7,700,000
Consolidated net profit (in thousands of EUR)	9,842	11,370
Earnings per share (in EUR)	1,28	1,48

Other Disclosures on the Income Statement

Research and Development Costs (19)

Costs of EUR 6.0 million were reported in the year under review for research and development (prior year: EUR 6.4 million). Basic research accounted for EUR 0.3 million (prior year: EUR 0.7 million) of this amount. The other costs, which are costs for the project-related enhancement of the product range, are contained in cost of sales.

The following classes of expense are also included in cost of sales, research costs, selling expenses and general administrative expenses.

Amortization, Depreciation and Impairment Losses (20)

In thousands of EUR	2007	2006
Amortization of intangible assets	342	330
Depreciation of property, plant and equipment	8,240	7,413
	8,582	7,743

Cost of Materials (21)

In thousands of EUR	2007	2006
Cost of raw materials, consumables and supplies and of purchased merchandise	205,666	241,352
	205,666	241,352

Personnel Expenses and Number of Employees (22)

In thousands of EUR	2007	2006
Personnel expenses	59,101	56,713

The annual average number of people employed by the Group was:

Number of employees	2007	2006
Germany	271	264
Abroad	18,217	21,228
	18,488	21,492

Notes to the Balance Sheet

Statement of Changes in Non-Current Assets of the CEAG Group for Fiscal Year 2007

In thousands of EUR	Cost					
	Jan. 1, 2007	Additions	Disposals	Transfers	Currency translation differences	Dec. 31, 2007
Intangible assets						
Goodwill	2,605	0	0	0	-232	2,373
Industrial property rights and similar rights and assets	3,844	183	497	278	-31	3,777
Payments on account	134	213	0	-188	0	159
	6,583	396	497	90	-263	6,309
Property, plant and equipment						
Land and buildings	12,488	281	367	137	-290	12,249
Technical equipment and machinery	51,016	2,590	4,519	1,568	-3,170	47,485
Other equipment, furniture and fixtures	17,705	977	882	575	-224	18,151
Payments on account and assets under construction	2,491	2,769	0	-2,370	-214	2,676
	83,700	6,617	5,768	-90	-3,898	80,561
Financial assets						
Investments	5	0	0	0	0	5
	90,288	7,013	6,265	0	-4,161	86,875

Amortization/depreciation						Carrying amount	
Jan. 1, 2007	Additions	Disposals	Transfers	Currency translation differences	Dec. 31, 2007	Dec. 31, 2007	Dec. 31, 2006
2,605	0	0	0	-232	2,373	0	0
2,756	342	490	0	-21	2,587	1,190	1,088
0	0	0	0	0	0	159	134
5,361	342	490	0	-253	4,960	1,349	1,222
8,644	689	144	0	-218	8,971	3,278	3,844
31,887	6,340	3,852	0	-1,990	32,385	15,100	19,129
14,459	1,211	1,043	0	-219	14,408	3,743	3,246
0	0	0	0	0	0	2,676	2,491
54,990	8,240	5,039	0	-2,427	55,764	24,797	28,710
0	0	0	0	0	0	5	5
60,351	8,582	5,529	0	-2,680	60,724	26,151	29,937

Statement of Changes in Non-Current Assets of the CEAG Group for Fiscal Year 2006

	Cost					
In thousands of EUR	Jan. 1, 2006	Additions	Disposals	Transfers	Currency translation differences	Dec. 31, 2006
Intangible assets						
Goodwill	2,867	0	0	0	-262	2,605
Industrial property rights and similar rights and assets	3,579	382	688	604	-33	3,844
Payments on account	660	78	0	-604	0	134
	7,106	460	688	0	-295	6,583
Property, plant and equipment						
Land and buildings	12,371	409	0	75	-367	12,488
Technical equipment and machinery	44,727	10,017	694	415	-3,449	51,016
Other equipment, furniture and fixtures	17,216	912	325	256	-354	17,705
Payments on account and assets under construction	1,888	1,552	0	-746	-203	2,491
	76,202	12,890	1,019	0	-4,373	83,700
Financial assets						
Investments	5	0	0	0	0	5
	83,313	13,350	1,707	0	-4,668	90,288

Amortization/depreciation						Carrying amount	
Jan. 1, 2006	Additions	Disposals	Transfers	Currency translation differences	Dec. 31, 2006	Dec. 31, 2006	Dec. 31, 2005
2,867	0	0	0	-262	2,605	0	0
3,080	330	634	0	-20	2,756	1,088	499
0	0	0	0	0	0	134	660
5,947	330	634	0	-282	5,361	1,222	1,159
8,156	733	0	0	-245	8,644	3,844	4,215
28,888	5,648	638	0	-2,011	31,887	19,129	15,839
13,945	1,032	260	0	-258	14,459	3,246	3,271
0	0	0	0	0	0	2,491	1,888
50,989	7,413	898	0	-2,514	54,990	28,710	25,213
0	0	0	0	0	0	5	5
56,936	7,743	1,532	0	-2,796	60,351	29,937	26,377

Property, Plant and Equipment (23)

CEAG reviews property, plant and equipment each year to check whether there are indications that an asset may be impaired.

The Management Board of CEAG did not find any indication of impairment for individual assets or assets classed as cash-generating units for fiscal year 2007.

Inventories (24)

In thousands of EUR	2007	2006
Raw materials, consumables and supplies	16,474	13,971
Work in process	5,418	5,943
Finished goods and merchandise	26,462	36,857
	48,354	56,771

Write-downs on inventories came to EUR 5.3 million as of December 31, 2007 (prior year: EUR 5.8 million). The year-on-year difference of EUR 0.5 million was recognized in profit or loss during the period under review (prior year: EUR 2.7 million).

Current price trends on the sales market are taken into account when determining sales-market related write-downs. Inventory days, expected consumption and saleability are factored into the calculation of the recoverable amount (net realizable value). If no other product-specific indicators exist, it is assumed that past sales trends can be used as a basis for estimating future sales.

Based on past experience, finished goods and work in process not consumed within one year are assumed to be either unsellable or only sellable as scrap.

The carrying amount of the inventories recognized at net realizable value is EUR 4.9 million (prior year: EUR 3.0 million).

Receivables and Other Assets (25)

In thousands of EUR	Dec. 31, 2007	Dec. 31, 2006
Trade receivables	32,747	36,611
Other assets	2,855	3,649
	35,602	40,260

Bad debt allowances changed as follows in the fiscal year:

In thousands of EUR	2007	2006
Bad debt allowances on January 1	-967	-34
Exchange differences	115	39
Utilization	6	6
Allocation	-245	-978
Reversal	60	0
Bad debt allowances on December 31	-1,031	-967

The receivables subject to bad debt allowances are largely the same as those in the prior year. The biggest single item is a receivable from the insolvent BenQ Mobile GmbH & Co. OHG, for which a write-down of EUR 0.5 million was recognized. Flat-rate bad debt allowances were not recognized.

The following table shows the past due status of non-impaired trade receivables:

	Carrying amount	Of which					
		neither impaired nor past due as of the balance sheet date	impaired as of the balance sheet date (carrying amount)	not impaired but past due as of the balance sheet date			
In thousands of EUR				1 to 30 days	31 to 90 days	91 to 180 days	181 to 360 days
As of December 31, 2007							
Trade receivables	32,747	26,860	10	5,388	298	6	185
As of December 31, 2006							
Trade receivables	36,611	34,164	53	1,259	625	455	55

There are no receivables that are past due more than 360 days for which a bad debt allowance has not been recognized.

Other assets developed as follows.

In thousands of EUR	2007	2006
Other assets	3,596	4,328
Valuation allowance	-741	-679
	2,855	3,649

Other claims for refunds from the tax office, derivative financial instruments, rent deposits, other asset items and receivables from import VAT are recognized as other assets. Tax refund claims of EUR 903 thousand (prior year: EUR 739 thousand) are disclosed. They mainly comprise receivables from German and foreign VAT. The valuation allowance was recognized for foreign tax receivables which remain unchanged in the foreign currency. The year-on-year difference is due to a change in the exchange rate. Other assets not subject to valuation allowances came to EUR 2,318 thousand as of the balance sheet date (prior year: EUR 3,163 thousand).

All trade receivables and other assets are due in less than one year.

Prepaid Expenses (26)

Prepaid expenses comprise prepaid insurance premiums and other prepaid items.

Cash (27)

In thousands of EUR	Dec. 31, 2007	Dec. 31, 2006
Checks and cash on hand	590	633
Bank balances	14,949	1,889
	15,539	2,522

Equity (28)

The subscribed capital and capital reserves relate to CEAG AG. CEAG AG's capital stock of EUR 20 million is divided into 7.7 million no-par bearer shares with equal rights. Thus each share represents a EUR 2.60 share in subscribed capital. The number of shares outstanding did not change in the fiscal year or the prior year. The contributions to capital have been paid up in full. CEAG AG does not hold treasury shares either directly or indirectly. The capital reserves are available to offset any future losses and in part to increase capital stock subject to the restrictions of Sec. 150 AtkG ["Aktiengesetz": German Stock Corporation Act], but not for distributions.

In accordance with a resolution adopted by the Management Board, in the prior year CEAG AG used EUR 13.4 million of its capital reserves of EUR 15.4 million to offset most of the loss carried forward in accordance with German commercial law, reducing its capital reserves to the minimum EUR 2 million prescribed by law.

In its separate financial statements prepared in accordance with the German Commercial Code ["Handelsgesetzbuch": HGB] as of December 31, 2007, CEAG AG released revenue reserves of EUR 22.5 million and transferred them to net retained profit.

Statement of Changes in Equity of the CEAG Group for Fiscal Year 2007

	Subscribed capital	Capital reserves	Revenue reserves	Other reserves	Consolidated net profit	Consolidated equity
As of Dec. 31, 2005	20,020	15,440	-6,077	-2,784	4,233	30,832
Total income/expense recognized directly in equity	0	0	0	-4,746	0	-4,746
Consolidated net profit	0	0	0	0	11,370	11,370
Total income/expense for the period	0	0	0	-4,746	11,370	6,624
Allocation to revenue reserves	0	0	4,233	0	-4,233	0
Withdrawal from the capital reserves	0	-13,438	13,438	0	0	0
As of Dec. 31, 2006	20,020	2,002	11,594	-7,530	11,370	37,456
Total income/expense recognized directly in equity	0	0	0	-2,741	0	-2,471
Consolidated net profit	0	0	0	0	9,842	9,842
Total income/expense for the period	0	0	0	-2,741	9,842	7,101
Allocation to revenue reserves	0	0	11,370	0	-11,370	0
As of Dec. 31, 2007	20,020	2,002	22,964	-10,271	9,842	44,557

The composition and development of other reserves is presented in the following table.

Statement of Changes in Other Reserves of the CEAG Group for Fiscal Year 2007

In thousands of EUR	Cash flow hedges	Provisions for pensions and similar obligations	Foreign currency	Total
As of Dec. 31, 2005	2,691	-168	-5,307	-2,784
Changes in the fair value of financial instruments used for hedging purposes recognized in equity				
Unrealized gains/losses	686	0	0	686
Transfers of gains/losses to profit or loss	-3,306	0	0	-3,306
Tax effect from gains/losses from cash flow hedge	509	0	0	509
Net result from cash flow hedges	-2,111	0	0	-2,111
Unrealized gains/losses from provisions for pensions and similar obligations	0	-33	0	-33
Net result from provisions for pensions and similar obligations	0	-33	0	-33
Currency translation differences	0	0	-2,602	-2,602
Total income/expense recognized directly in equity	-2,111	-33	-2,602	-4,746
As of Dec. 31, 2006	580	-201	-7,909	-7,530
Changes in the fair value of financial instruments used for hedging purposes recognized in equity				
Unrealized gains/losses	-215	0	0	-215
Transfers of gains/losses to profit or loss	-551	0	0	-551
Tax effect from gains/losses from cash flow hedges	106	0	0	106
Net result from cash flow hedges	-660	0	0	-660
Unrealized gains/losses from provisions for pensions and similar obligations	0	225	0	225
Net result from provisions for pensions and similar obligations	0	225	0	225
Currency translation differences	0	0	-2,306	-2,306
Total income/expense recognized directly in equity	-660	225	-2,306	-2,741
As of Dec. 31, 2007	-80	24	-10,215	-10,271

Provisions for Pensions (29)

The actuarial gains and losses are recognized directly in equity.
The present value of the defined benefit obligation developed as follows.

Present value of the defined benefit obligation

In thousands of EUR	2007	2006	2005
Defined benefit obligation as of Jan. 1	2,499	2,427	2,211
Current service cost (present value of the pension claims earned in the fiscal year)	68	73	63
Interest expense	111	109	122
Actuarial gains/losses	-225	33	172
Benefits paid	-145	-143	-141
Defined benefit obligation as of Dec. 31	2,308	2,499	2,427

The actuarial calculation is based on the following parameters: a discount rate of 5.25% (prior year: 4.5%), a salary increase of 3.5% (prior year: 3.5%) and a pension increase of between 1.0% and 1.5% (prior year: 1.0% to 1.5%). With regard to life expectancy, the 2005 mortality tables published by Dr. Klaus Heubeck were used.

The present values of the pension obligation are not funded.

The obligations, which solely relate to Germany, chiefly comprise fixed employee benefits related to length of service; a commitment based on income and length of service has also been made. All obligations result from individual agreements.

Other Provisions (30)

In thousands of EUR	As of Jan. 1, 2007	Utilization	Reversal	Allocation	Currency difference	As of Dec. 31, 2007
Other non-current provisions						
Personnel and welfare	1,114	308	0	515	0	1,321
Other current provisions						
Warranties	1,736	147	2	667	-123	2,131
Other	421	31	251	26	0	165
	2,157	178	253	693	-123	2,296

The obligations for long-service awards and provision for pre-retirement part-time work are disclosed under non-current provisions in the balance sheet. The provision for pre-retirement part-time work concerns the German companies. The provision for pre-retirement part-time work is expected to be utilized within the next five years.

The provisions for warranties cover warranties for deliveries and services rendered and obligations from product recalls. These obligations are expected to materialize within the next two fiscal years.

Liabilities to Banks (31)

		Current	Non-current	
Dec. 31, 2007 In thousands of EUR	Carrying amount	Up to 1 year	1 to 5 years	More than 5 years
Note loan	8,403	0	8,403	0
Annuity loan	109	109	0	0
Investment loan	794	227	567	0
Other current	295	295	0	0
	9,601	631	8,970	0

		Current	Non-current	
Dec. 31, 2006 In thousands of EUR	Carrying amount	Up to 1 year	1 to 5 years	More than 5 years
Note loan	0	0	0	0
Annuity loan	321	212	109	0
Investment loan	2,765	586	2,179	0
Other current	5,259	5,259	0	0
	8,345	6,057	2,288	0

The liabilities to banks are secured by the following financial and non-financial assets:

	Liabilities to banks			Secured by	
				non-fin. assets	fin. assets
In thousands of EUR	Carrying amount	of which unsecured	of which secured	Carrying amount	Carrying amount
Dec. 31, 2007					
Non-current	8,970	8,403	567	25,596	18,817
Current	631	404	227	10,248	7,533
Dec. 31, 2006					
Non-current	2,288	0	2,288	17,179	9,952
Current	6,057	0	6,057	45,476	26,345

The liabilities of EUR 0.8 million to a foreign bank are secured by material assets of FRIWO Far East Ltd., especially receivables from customers and a limited guarantee from CEAG AG.

The weighted average interest rate for liabilities to banks stood at 6.10% in 2007 (prior year: 6.04%).

At year-end, the borrowing facilities raised in the various currencies and presented here at present value in the group currency are shown below.

In thousands of EUR	Borrowing facility	Drawings	Residual facility
EUR	8,109	5,404	2,705
HKD	6,383	794	5,589
USD	3,403	3,403	0
CNY	15,842	0	15,842
	33,737	9,601	24,136

Trade Payables and Other Liabilities (32)

In thousands of EUR	Dec. 31, 2007	Dec. 31, 2006
Trade payables (third parties)	53,247	63,497
Liabilities to affiliated companies	0	35
(of which trade)	(0)	(35)
Income tax liabilities	956	128
Other liabilities	12,399	13,819
(of which taxes)	(233)	(453)
(of which social security)	(5)	(15)
	66,602	77,479

Payment obligations are reported as long or short term depending on their maturity. The liabilities reported above are all due within one year.

The remaining liabilities include tax liabilities, sales bonuses and other liabilities relating to sales and operations and are lower than the prior year due to lower revenues.

Notes to the Cash Flow Statement (33)

The cash flow statement is classified in accordance with IAS 7 "Cash Flow Statements" and shows how the Group's cash and cash equivalents have changed in the course of the year under review due to inflows and outflows of funds.

The cash at the beginning and end of the periods under review reflects the composition of cash in the respective balance sheet.

Interest and tax payments are shown in the following table.

In thousands of EUR	2007	2006
Interest paid	-1,205	-1,190
Interest received	512	132
Income taxes paid/received (net)	-1,985	-819

Other Disclosures

Other Financial Commitments (34)

In thousands of EUR	Dec. 31, 2007	Dec. 31, 2006
Purchase commitments for property, plant and equipment	1,220	1,185
Rent and lease obligations	5,794	9,733
(of which due next year)	(2,752)	(3,442)
(of which due in two to five years)	(3,042)	(6,291)
	7,014	**10,918**

The rent and lease obligations include rent of EUR 5,251 thousand (prior year: EUR 8,935 thousand) for sites in China, mainly for factory buildings.

Rent and lease expenses of EUR 3,343 thousand (prior year: EUR 3,062 thousand) were recognized in profit or loss in fiscal year 2007.

The Company has a contingent liability due to a legal dispute valued at EUR 251 thousand. A provision recognized in the same amount in the prior year was reversed this fiscal year because the case was won before the court of first instance. The liability is no longer expected to materialize.

Financial Risk Management and Derivative Financial Instruments (35)

Credit Risk

The Group has receivables from a variety of customers. These receivables frequently include high individual accounts from major customers. The default risks associated with accounts receivable are addressed by applying a systematic procedure for the selection of customers, analyzing payment histories and setting appropriate credit limits. The receivables and other assets recognized as of the balance sheet date represent the maximum risk of default. CEAG only sells its products to customers whose creditworthiness has been reviewed. The Group is therefore not exposed to any material credit risk.

Liquidity Risk

CEAG performs liquidity planning for the Group twice a month in order to identify potential shortages of cash at an early stage. The software used for this purpose takes into account the terms of financing instruments as well as the cash flows from operating activities.

Currency Risk

CEAG is exposed to currency risks on account of its international operations. These are hedged naturally on the basis of foreign currency positions by matching accounts receivable and payable in the same currency. Any remaining foreign currency risks are mitigated by concluding forward exchange contracts in the context of targeted currency management. The forward exchange contracts designated as cash flow hedges are used to hedge expected future cash flows from revenues in US dollars in fiscal year 2008. The forward exchange contracts designated as fair value hedges are hedges of existing balance sheet items.

As of the balance sheet date, approx. 80% of the amounts not covered by the natural hedge described are secured by forward exchange contracts. The remaining unhedged positions are exposed to a residual risk from potential changes in the USD/EUR exchange rate. Earnings before tax and equity display the following sensitivities with regard to this risk.

	Change in USD exchange rate	Effects on earnings before tax	Effects on equity
		EUR thousand	EUR thousand
2007	+5 %	-45	-318
	-5 %	50	351
2006	+5 %	-16	-144
	-5 %	18	159

The Group is mainly exposed to the exchange rate risk posed by the USD in relation to the EUR. The sensitivity analysis only covers outstanding monetary items in foreign currencies and the Group's cash flow hedges as of the balance sheet date, translated applying a 5% increase and decrease to the rate. The effect on equity also includes the change in market value of the forward exchange contracts disclosed as cash flow hedges as of the balance sheet date. Exchange rate differences resulting from translation of financial statements into the group currency are not taken into account.

Interest Rate Risk

Most liabilities to banks in fiscal year 2007 were medium-term borrowings. HIBOR, SIBOR, EURIBOR and LIBOR are the reference interest rates used by the lenders to settle most of the loans drawn as of the balance sheet date. The residual liability under the fixed-interest annuity loan (see Note (31)) expiring in mid-2008 was EUR 109 thousand as of the balance sheet date (prior year: EUR 321 thousand). The development of market interest rates is subject to constant monitoring and analysis.

To hedge the interest rate risk from the variable rate note loans raised in the fiscal year (one tranche each in EUR and USD), interest rate swaps featuring the same maturities and volumes were concluded and disclosed as cash flow hedges. Cash flows in the form of interest payments and bullet repayment will be incurred until maturity in fiscal year 2010.

The remaining variable rate assets and liabilities and the market values of the interest rate swaps are exposed to a residual risk from potential interest rate changes. Earnings before tax and equity display the following sensitivities with regard to this risk.

	Increase/decrease in base points	Effects on earnings before tax	Effects on equity
		EUR thousand	EUR thousand
2007	+60	-48	49
	-60	48	-50
2006	+60	-110	-110
	-60	110	110

To calculate the interest rate sensitivity, the interest result from the remaining variable rate assets and liabilities was compared with the average interest rate for the fiscal year. Then the change in the interest result if the average interest rate were to increase/decrease by 60 base points was calculated. The effect on equity also includes the change in market value of the interest rate swaps as of the balance sheet date.

Other Price Risks

As a processor of copper, CEAG is exposed to risks from fluctuations in the price of copper. As linear devices continue to be replaced by switch mode devices using chip technology, copper requirements have dropped considerably. Therefore, in contrast to the prior year, no derivative financial instruments based on the copper index are disclosed as of the balance sheet date.

The gains and losses due to the fair value measurement of derivative financial instruments are recognized directly in equity in the case of cash flow hedges. The gains and losses on fair value hedges are disclosed in profit or loss.

In fiscal year 2007, -EUR 79 thousand (prior year: EUR 686 thousand) from cash flow hedges was recognized directly in equity. In the same period, EUR 551 thousand (prior year: -EUR 3,306 thousand) was removed from equity and recognized in profit or loss. The amounts resulting from the forward exchange contracts are disclosed in other operating income and expenses, the amounts from copper hedges in cost of materials and the amounts from interest rate swaps in the interest result.

The nominal volumes and market values of the derivative financial instruments recognized at the balance sheet date are shown in the following table.

	Nominal volume		Market value	
In thousands of EUR	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2007	Dec. 31, 2006
Forward exchange contracts (cash flow hedges)	5,740	2,685	18	79
Forward exchange contracts (other)	5,553	1,592	88	-2
Copper hedges (cash flow hedges)	0	1,553	0	607
Interest rate swaps (cash flow hedges)	8,403	0	-97	0

The positive market values are reported under other assets, and the negative market values under other liabilities. The market values for copper hedges and interest rate swaps are calculated by the counterparty banks. For forward exchange contracts, the reference rates of the ECB are used.

Capital Management

The Group manages its capital structure with a view to return on total investment and creditworthiness objectives in order to satisfy the interests of both shareholders and lenders. In addition, individual circumstances such as planned dividends and investments as well as the overall economic situation are considered in determining the respective target capital structure.

The following table shows the changes in the capital structure, which CEAG defines as equity in relation to total capital.

In thousands of EUR	Dec. 31, 2007	Dec. 31, 2006
Equity	44,557	37,456
as a percentage of total capital	35%	28%
Non-current liabilities	13,185	7,594
Current liabilities	70,188	86,386
Debt	83,373	93,980
as a percentage of total capital	65%	72%
Total capital	127,930	131,436

Further Disclosures on Financial Instruments (36)

Abbreviations related to financial instruments:

Categories of financial instruments in accordance with IAS 39.9	
AfS	Availabe for Sale
FLaAC	Financial Liabilities at Amortized Cost
FLHfT	Financial Liabilities Held for Trading
HtM	Held to Maturity
LaR	Loans and Receivables
Classes of financial instruments in accordance with IFRS 7.6 in conjunction with Appendix B1:	
AC	At Cost
FV	At Fair Value

The following table shows the classification of financial instruments. Measurement of these financial instruments varies depending on the category to which they are assigned:

ASSETS In thousands of EUR	Carrying amount Dec. 31, 2007	IAS 39 category	Measured under IAS 39 at		IFRS 7 classes	Fair value Dec. 31. 2007
			cost	fair value		
Financial assets	5	AfS	5	0	AC	5
Trade receivables	32,747	LaR	32,747	0	AC	32,747
Cash and cash equivalents	15,539	LaR	15,539	0	AC	15,539
Other assets	2,885					
of which hedging derivatives	150				FV	150
of which other financial instruments	1,335	LaR	1,335	0	AC	1,335
of not financial instruments	1,370					

EQUITY AND LIABILITIES In thousands of EUR	Carrying amount Dec. 31, 2007	IAS 39 category	Measured under IAS 39 at		IFRS 7 classes	Fair value Dec. 31. 2007
			cost	fair value		
Non-current financial liabilities	8,970	FLaAC	8,970	0	AC	8,970
Trade payables	53,247	FLaAC	53,247	0	AC	53,247
Short-term financial liabilities	631	FLaAC	631	0	AC	631
Other liabilities	12,399					
of which hedging derivatives	141				FV	141
of which other financial instruments	11,023	FLaAC	11,023	0	AC	11,023
of not financial instruments	1,235					

In the prior year, the categorization was as follows:

ASSETS In thousands of EUR	Carrying amount Dec. 31, 2006	IAS 39 category	Measured under IAS 39 at cost	Measured under IAS 39 at fair value	IFRS 7 classes	Fair value Dec. 31, 2006
Financial assets	5	AfS	5	0	AC	5
Trade receivables	36,611	LaR	36,611	0	AC	36,611
Cash and cash equivalents	2,522	LaR	2,522	0	AC	2,522
Other assets	3,649					
of which hedging derivatives	686				FV	686
of which other financial instruments	1,760	LaR	1,760	0	AC	1,760
of not financial instruments	1,203					

EQUITY AND LIABILITIES In thousands of EUR	Carrying amount Dec. 31, 2006	IAS 39 category	Measured under IAS 39 at cost	Measured under IAS 39 at fair value	IFRS 7 classes	Fair value Dec. 31, 2006
Non-current financial liabilities	2,288	FLaAC	2,288	0	AC	2,288
Trade payables	63,497	FLaAC	63,497	0	AC	63,497
Short-term financial liabilities	6,057	FLaAC	6,057	0	AC	6,057
Other liabilities	13,854					
of which hedging derivatives	2				FV	2
of which other financial instruments	13,075	FLaAC	13,075	0	AC	13,075
of not financial instruments	777					

On the assets side, financial instruments in accordance with IAS 39 are mostly recognized as loans and receivables. On the liabilities side, only financial liabilities pursuant to IAS 39 are disclosed. Both categories are recognized at amortized cost. As they cannot be measured at fair value, the financial instruments categorized as available for sale on the assets side are recognized at amortized cost in accordance with IAS 39. As of the balance sheet date, there were no differences between fair value and the carrying amounts of the financial instruments as they are mostly current instruments and no notable differences arise in the short length of time between the date of posting and the balance sheet date. Likewise, no difference arose in respect of the long-term bank liabilities as they bear interest at variable rates.

The financial assets were categorized as available for sale in accordance with IAS 39.9 as they are available for sale and cannot be assigned to any of the other three categories defined in IAS 39.9.

The net gains/losses on financial instruments as of the balance sheet date are shown in the following table.

2007	Net gains/losses from					
In thousands of EUR	interest		subsequent measurement adjustment		income from dividends/ profit distri-butions	currency translation
IAS 39 FI category	Income	Expense	Reversal	Allocation		
ASSETS						
LaR	517	0	60	-245	0	-34
AfS	0	0	0	0	17	0
EQUITY AND LIABILITIES						
FLaAC	0	-1,219	0	0	0	-35
Total	**517**	**-1,219**	**60**	**-245**	**17**	**-69**

2006	Net gains/losses from					
In thousands of EUR	interest		subsequent measurement adjustment		income from dividends/ profit distri-butions	currency translation
IAS 39 FI category	Income	Expense	Reversal	Allocation		
ASSETS						
LaR	132	0	0	-978	0	-77
AfS	0	0	0	0	17	0
EQUITY AND LIABILITIES						
FLaAC	0	-1,154	0	0	0	-77
Total	**132**	**-1,154**	**0**	**-978**	**17**	**-154**

The following liquidity analysis shows the maturities of contractually agreed, undiscounted interest and principal payments on liabilities to banks.

	Interest and principal payments		
In thousands of EUR	Fixed interest	Variable interest	Principal
2008	461	36	631
2009	460	25	227
2010	159	13	8,630
2011	0	2	113
2012 and beyond	0	0	0

All other financial liabilities are due within one year.

Related Party Disclosures (37)

Under IAS 24, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

DELTON AG, Bad Homburg v. d. Höhe, Germany, holds the majority of shares in CEAG AG and is therefore a related party of CEAG AG and its subsidiaries. The CEAG Group received consulting services and cost recharges from DELTON AG of EUR 83 thousand in the reporting year. In addition, an amount of EUR 73 thousand from the prior year was reimbursed. All transactions were settled at arm's length.

Mr. Stefan Quandt is a related party of CEAG AG, since he is the sole shareholder of DELTON AG. There were no transactions with Mr. Stefan Quandt.

Total Remuneration of the Supervisory Board and Management Board (38)

Remuneration for members of the Supervisory Board for fiscal year 2007 comes to EUR 109 thousand (prior year: EUR 67 thousand). The fixed remuneration per Supervisory Board member is EUR 10,000 p.a. The variable remuneration depends on the amount of dividends declared. Total compensation to the members of the Supervisory Board is limited to three times the fixed amount. The chairman of the Supervisory Board receives two times, the deputy one-and-a-half times the above amount. Committee members, other than the chairman and deputy chairman of the Supervisory Board, receive additional remuneration of EUR 1,000.

Total remuneration of the Management Board for fiscal year 2007 amounts to EUR 772 thousand (prior year: EUR 1,172 thousand), consisting of a fixed component of EUR 472 thousand and a variable component of EUR 300 thousand. The pension expense for active Management Board members contained in the total remuneration was EUR 46 thousand (prior year: EUR 57 thousand). The provisions amounted to EUR 478 thousand (prior year: EUR 444 thousand).

Former members of the Management Board and their survivors received pension benefits of EUR 78 thousand (prior year: EUR 77 thousand). Total provisions of EUR 1,119 thousand (prior year: EUR 1,173 thousand) have been accrued for pension obligations towards former members of the Management Board and their survivors.

Shares Held by Members of the Management Board and Supervisory Board (39)

Members of the Supervisory Board held a total of 120 shares directly as of December 31, 2007 (prior year: 120 shares). No shares are held by Management Board members. No subscription rights for shares have been granted to the members of the Management Board and Supervisory Board.

Audit Fees (40)

The auditor's fees recognized as an expense in fiscal year 2007 cover the services shown below:

In thousands of EUR	2007	2006
Audit services	226	239
Tax services	86	14
Other services	93	141
	405	394

Shareholdings (41)

The domestic companies listed have profit and loss transfer agreements with CEAG AG. FRIWO Gerätebau GmbH, Ostbevern, Germany, and FRIWO Mobile Power GmbH, Ostbevern, Germany, make use of the simplifications pursuant to Sec. 264 (3) HGB ["Handelsgesetzbuch": German Commercial Code].

In thousands of EUR	Shareholding	Equity	Net profit/ loss 2007*
FRIWO Mobile Power GmbH, Ostbevern, Germany	100%	19,843	12,380**
FRIWO Gerätebau GmbH, Ostbevern, Germany	100%	6,563	3,047**
FRIWO Far East Ltd., Hong Kong, China	100%	11,529	197
FRIWO CEAG Electrical (Shenzhen) Company Ltd., XiXiang, China	100%	10,819	4,400
FRIWO Electrical (Beijing) Co., Ltd., Beijing, China	100%	4,691	5,044
CEAG China Ltd., Hong Kong, China	100%	59	26
FRIWO USA, Inc., Colorado Springs, USA	100%	243	276
FRIWO India Pvt. Ltd., Chennai, India	100%	387	-34
FRIWO Power Solutions Technology (Shenzhen) Co., Ltd., XiXiang, China	100%	207	-10
FRIWO do Brasil Ltda., Sao Paulo, Brazil	100%	743	-764

* in accordance with IFRSs
** before profit and loss transfer

Corporate Governance Disclosure (42)

The Management Board and Supervisory Board issued the declaration required pursuant to Sec. 161 AktG ["Aktiengesetz": German Stock Corporation Act] and made it available to the shareholders.

Events After the Balance Sheet Date (43)

Sale of the FMP Business Unit

On February 7, 2008, CEAG AG signed an agreement with a subsidiary of the Singapore-based Flextronics International Ltd. to sell the FMP business unit. The sale price was EUR 57.5 million less the net financial debt to third parties at the transfer date. The sale price is also subject to a standard working capital adjustment provision. The transaction is conditional upon the approval of the competent antitrust authorities. It is expected to be completed in the first half of 2008.

CEAG's Management Board gave close consideration to the strategic options and, with the approval of the Supervisory Board, decided to sell the FMP business unit to Flextronics. The Management Board's decision was primarily motivated by the intensifying competitive situation in the supplier market for mobile telephones and the resulting pressure on margins.

The acquisition of FMP by Flextronics will result in considerable synergies which will secure its competitiveness on the global market and meet the demands of globally operating customers. FMP's integration in the Flextronics Group will give it access to extensive resources and to production sites around the world. The acquisition of FMP will extend Flextronics' customer portfolio.

The agreement signed gives Flextronics Logistics B.V. 100% shareholdings in the following companies:

- FRIWO Mobile Power GmbH, Ostbevern, Germany
- FRIWO Far East Ltd, Hong Kong, China
- FRIWO CEAG Electrical (Shenzhen) Company Ltd., Shenzhen, China
- FRIWO Electrical (Beijing) Co. Ltd., Beijing, China
- CEAG China Ltd., Hong Kong, China
- FRIWO India Pvt. Ltd., Chennai, India
- FRIWO do Brasil Ltd., Sao Paulo, Brazil

The FMP business unit reported revenues of EUR 275.6 million in 2007, including EUR 230.9 million from non-group customers. This is equivalent to 73.2% of total revenues for the CEAG Group. FMP's EBIT came to EUR 9.5 million.

As of the balance sheet date December 31, 2007, key balance sheet figures are as follows:

Non-current assets amount to EUR 18.1 million, including intangible assets of EUR 0.6 million and property, plant and equipment of EUR 17.5 million.

Current assets include inventories of EUR 37.3 million, trade receivables of EUR 32.2 million and other assets of EUR 1.5 million.

Non-current liabilities amount to EUR 1.5 million. Trade payables come to EUR 50.2 million.

Net financial debt is EUR 18.4 million, including a loan from CEAG AG of EUR 21.5 million.

The individual companies of the FMP business unit together employ some 19,528 workers.

Following its sale, FMP will remain CEAG's supplier for the FPS business unit. To this end, a long-term supply agreement was signed with the buyer.

Bad Homburg v. d. Höhe, Germany, March 31, 2008
CEAG AG
The Management Board

Rolf Endress | Frank Gumbinger

Management Compliance Statement

"We confirm to the best of our knowledge that, in accordance with the applicable financial reporting framework, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the CEAG Group, the combined management report presents business performance including business results and the situation of the Company and the Group so as to give a true and fair view, and the significant opportunities and risks relating to the Company's and the Group's development have been described."

Audit Opinion

We have issued the following opinion on the consolidated financial statements and the combined management report:

"We have audited the consolidated financial statements prepared by CEAG AG, Bad Homburg v.d. Höhe, Germany, comprising the balance sheet, the income statement, the cash flow statement, the statement of changes in equity, the statement of recognized income and expense and the notes to the financial statements, together with the combined management report for the fiscal year from January 1 to December 31, 2007. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code] is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the combined management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The combined management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks relating to future development."

Düsseldorf, April 4, 2008
Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Gerhard Bormes
Wirtschaftsprüfer
[German Public Auditor]

Tim Klinkosch
Wirtschaftsprüfer
[German Public Auditor]

Dates and Addresses

Financial Calendar

Fiscal Year January 1 – December 31

Annual shareholders´ meeting August 21, 2008

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The annual report is also available in German.

Five-Year Overview

Key Figures for the CEAG Group (The Group currency is EUR)

in millions of EUR	2007	2006	2005	2004	2003
Unit sales					
CEAG	289.3	310.4	209.7	154.7	139.2
FMP	259.2	282.9	189.6	142.0	131.9
FPS	30.1	27.5	20.1	12.7	7.3
Revenues (with third parties)					
CEAG	315.2	351.7	230.1	160.4	167.4
FMP	230.9	272.6	166.7	113.4	129.7
FPS	84.3	79.1	63.3	47.1	37.7
EBIT					
CEAG	12.0	13.4	5.6	3.6	4.2
FMP	9.5	12.8	8.3	3.4	5.2
FPS	5.7	3.5	0.1	0.3	-1.0
Holding company	-3.2	-2.9	-2.7	-	-
EBIT margin %	3.8	3.8	2.5	2.3	2.5
EBT CEAG	11.2	12.3	4.7	2.7	2.8
Consolidated net profit	9.8	11.4	4.2	2.1	2.8
Balance sheet					
Balance sheet total	127.9	131.4	124.6	70.2	77.7
Subscribed capital	20.0	20.0	20.0	20.0	20.0
Number of shares in millions	7.7	7.7	7.7	7.7	7.7
Equity	44.6	37.5	30.8	20.4	19.8
Equity ratio %	34.8	28.5	24.7	29.0	25.5
Capital expenditure	7.0	13.3	12.6	7.9	7.2
Employees (as of Dec. 31)	**19,027**	**22,223**	**17,447**	10,352	9,539
Germany	270	270	253	251	245
Abroad	18,757	21,953	17,194	10,101	9,294
Share					
Earnings per share EUR	1.28	1.48	0.55	0.27	0.36
Dividend per share EUR	s. management report	-	-	-	-

CEAG AG

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