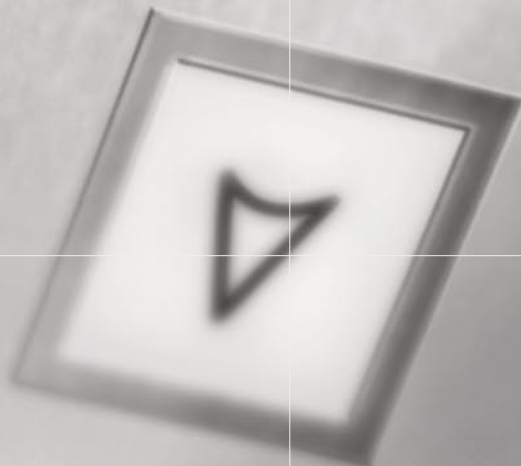


 **SEMI-ANNUAL REPORT 2006**

Insights



**POWERUNLIMITED**

# At a Glance

## Highlights

- Strong revenue and earnings growth in the first six months
- Consolidated revenues up 64% to EUR 154.5 million
- Almost five-fold increase in consolidated EBIT from EUR 1.6 million to EUR 7.7 million
- Leading position in the global mobile telephone market extended

## Key Figures for the CEAG Group

(The group currency is the EUR)

in millions of EUR		1-6/2006	1-6/2005	Change %
<b>Unit sales</b>	in millions of units			
CEAG		131.0	87.0	+ 50.6
FMP		118.2	78.3	+ 51.0
FPS		12.8	8.6	+ 47.5
<b>Revenues (with third parties)</b>				
CEAG		154.5	94.2	+ 64.0
FMP		117.8	64.9	+ 81.6
FPS		36.7	29.3	+ 25.1
<b>EBIT</b>				
CEAG		7.7	1.6	+ 376.0
EBIT operating margin	%	5.0	1.7	
FMP EBIT		7.8	2.2	+ 254.6
FPS EBIT		1.6	0.7	+ 121.1
Holding company EBIT		-1.7	-1.3	- 28.9
Consolidated net profit		6.4	1.1	+ 459.1
Earnings per share	EUR	0.83	0.15	+ 493.3
Capital expenditure		6.0	5.3	+ 13.7
<b>Employees (as of June 30)</b>				
Germany		261	255	+ 2.4
Abroad		21,251	12,015	+ 76.9

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# Financial Calendar

## Financial Calendar

**Fiscal year January 1 – December 31**

Annual shareholders' meeting

May 8, 2007

## Addresses

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The Semi-Annual Report is also available in German.

# Semi-Annual Report

## Market Environment

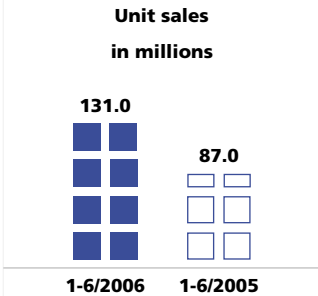
The global economy reported dynamic growth again in the second quarter of 2006, with the Asian countries and the United States continuing to drive growth. According to calculations by the German Institute for Economic Research (DIW), the German economy grew faster in the second quarter than in the first three months of the year. An increasingly tangible recovery in domestic demand is particularly worthy of note in this context. In contrast to prior years, the DIW believes it possible that private consumption could make a positive contribution to growth in 2006.

Stable growth continues in the global market for mobile telephones, the CEAG Group's most important customer segment. Following an increase of around 21% to 817 million units sold in 2005, the Gartner Inc. market research institute forecasts further growth in excess of 15% in the current year, which will bring total sales of mobile telephones to some 960 million.

## Business Performance in the First Six Months of 2006

### Unit Sales

In the second quarter of 2006, the CEAG Group was able to build on the strong unit sales growth reported in the first three months, underpinned by the continued upsurge of the mobile telephone market. The Group manufactured a total of 131.0 million power supplies and chargers in the first half of the year. This represents an increase of 50.6% against the same prior-year period (87.0 million units). All plants were operating at full capacity and production capacity had to be expanded.



The FRIWO Mobile Power (FMP) business unit, which focuses on the high-volume market of chargers for mobile telephones, recorded 51.0% sales growth to 118.2 million units (first half 2005: 78.3 million units). This means that the business unit grew at a much faster rate than the overall mobile telephone market. As a result, CEAG won market share in the period under review and further extended its position as the world's biggest manufacturer of power supplies and chargers for mobile telephones. This was achieved by acquiring new projects for existing and new customers. In 2005, FMP had already extended its share of the world market for mobile telephones by two percentage points to some 23%.

# Semi-Annual Report

The FRIWO Power Solutions (FPS) business unit, which focuses on highly fragmented markets such as household appliances and power tools or medical technology, achieved unit sales of 12.8 million units (up 47.5%) in the first half of the year (prior-year period: 8.6 million units). The Management Board sees this good performance of unit sales as confirmation that it was the right decision for FPS to focus on standardized product platforms and selected market segments in order to reduce complexity. Despite demand leaping by over 50%, CEAG has been able to deliver to customers at all times thanks to timely capacity planning adjustments and efficient process management.

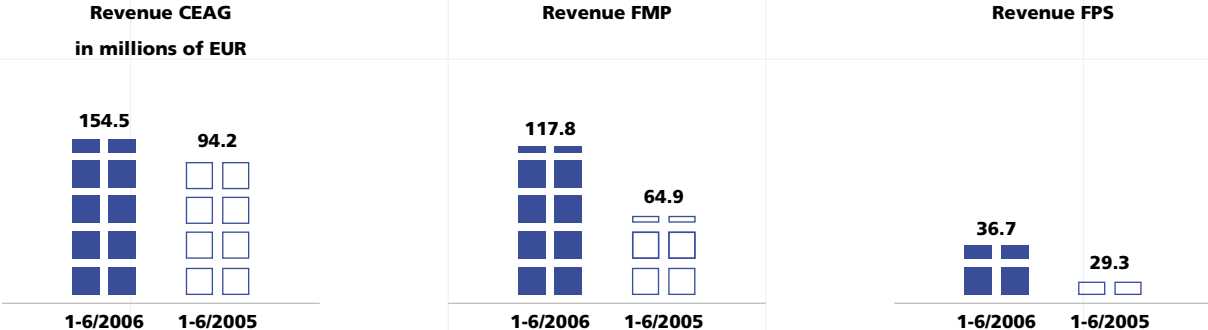
In the second quarter, the Group sold a total of 69.3 million units, up 49.2% year on year (46.4 million units). From April to June, FMP sold 62.3 million units (second quarter 2005: 41.8 units; up 49.1%). FPS increased unit sales from 4.6 million units to 7.0 million units in the second quarter (up 50.3%).

## Revenues

The CEAG Group achieved revenue growth of 64.0% to EUR 154.5 million in the first six months of the year (first half 2005: EUR 94.2 million). Revenues thus grew faster than unit sales thanks to the further increase in the percentage of products incorporating the more sophisticated switch mode technology, for which higher prices can be realized than for conventional linear technology. Products using switch mode technology accounted for 68% of consolidated revenues compared with 63% in the same prior-year period.

The FMP business unit increased revenues in the first six months by 81.6%, a much higher rate than unit sales, from EUR 64.9 million to EUR 117.8. Switch mode technology accounted for 63% of revenues in the period under review. Revenues generated from new customers were increased almost four-fold compared with the first half of 2005. CEAG's current customer portfolio covers close to 70% of the entire mobile telephone market. The FPS business unit reported a 25.1% rise in revenues in the first six months, up EUR 29.3 million to EUR 36.7 million.

In the second quarter, consolidated revenues came to EUR 80.6 million, up 60.3% on the same prior-year quarter (EUR 50.3 million). FMP achieved an increase of 74.2% to EUR 61.3 million (second quarter 2005: EUR 35.2 million). FPS revenues rose by 27.9% from EUR 15.0 million to EUR 19.2 million.



# Semi-Annual Report

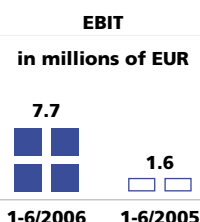
## Earnings

The strong revenue growth in the first half was accompanied by considerable increases in costs – especially for raw materials but also for the supply of energy to the Chinese plants. The price of copper, which is important for CEAG, peaked at some USD 4,500 last year, reaching record levels in excess of USD 8,500 per metric ton in May 2006. The price of copper then settled at around USD 6,500 by mid-June, only to rise again thereafter.

In the first six months, the CEAG Group reported earnings before interest and taxes (EBIT) of EUR 7.7 million, almost five times more than the prior-year figure (EUR 1.6 million). The EBIT operating margin, in relation to revenues, grew from 1.7% to 5.0%. Including the financial result, the Group reports earnings before taxes of EUR 7.2 million (first half 2005: EUR 1.3 million). Consolidated net profit rose from EUR 1.1 million to EUR 6.4 million; this is equivalent to earnings per share of EUR 0.83 versus EUR 0.15 in the first half of 2005.

Consolidated EBIT for the second quarter came to EUR 4.2 million (prior-year quarter: EUR 1.0 million). The net profit for the quarter was EUR 3.3 million (second quarter 2005: EUR 0.7 million); this translates into earnings per share of EUR 0.43 compared with EUR 0.10 in the same prior-year period.

The FMP business unit increased its EBIT in the first half from EUR 2.2 million to EUR 7.8 million. FPS EBIT amounted to EUR 1.6 million after EUR 0.7 million in the first half of 2005. The EBIT of the holding company, CEAG AG, disclosed separately for the first time in the current fiscal year, came to -EUR 1.7 million following -EUR 1.3 million in the first six months of 2005.



## Cash Flow and Balance Sheet

The CEAG Group's cash flow from operating activities for the first half of 2006 amounted to -EUR 5.6 million compared with -EUR 1.4 million in the same prior-year period. This negative operating cash flow is mainly attributable to the greater level of capital tied up as a result of business growth.

The balance sheet total of the CEAG Group stood at EUR 134.7 million as of June 30, 2006, up EUR 10.1 million on the figure at year-end 2005. The increase was almost entirely attributable to current assets, especially inventories.

On the liabilities side of the balance sheet as of June 30, 2006, equity was reported at EUR 37.4 million (December 31, 2005: EUR 30.8 million); the equity ratio rose from 24.7% at the end of 2005 to 27.8%. Higher financing requirements for expanded operating activities and investments increased current financial liabilities by EUR 7.6 million to EUR 15.2 million.

# Semi-Annual Report

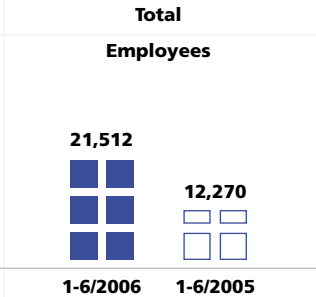
## Capital Expenditure

EUR 6.0 million was invested in the CEAG Group in the first six months of the fiscal year, up EUR 0.7 million on the prior-year period. The expenditure mainly went towards expanding capacities for switch mode technology at the three Chinese plants.

## Employees

Headcount in the CEAG Group increased worldwide to 21,512 as of June 30, 2006. This represents an increase of 75.3% compared with the same date in the prior year (12,270). The number of workers was up 1,875 against the end of the first quarter of 2006.

Almost all new jobs were created in China, reflecting the considerable expansion of production. At the end of June 2006, 21,251 workers were employed abroad versus 12,015 at the same date in 2005. 261 employees worked at the headquarters of CEAG AG in Ostbevern compared with 255 a year ago.



## Outlook

The results for the first half of the year exceeded the Management Board's expectations. With strong demand continuing, especially in the mobile telephone market, the Management Board expects robust growth in unit sales and revenues for the second half of 2006 compared with the prior-year period. However, as announced after the first quarter, the rise in production and revenues over the course of 2005 led to a higher basis for comparison and therefore the growth rates in the next two quarters will inevitably be lower than in the first two quarters of this year.

The Management Board reaffirms its forecast of clear double-digit growth in unit sales and revenues for the CEAG Group for the year 2006 as a whole. A considerable improvement in the results of operations is also expected. However, the results for the first six months cannot be extrapolated to the entire year because it will not be possible to pass on to customers all of the significant cost increases in some areas in the second half.

The Management Board has not identified any change in the Company's situation as far as risks and opportunities related to the further development of the Company are concerned and therefore refers to the discussion in the consolidated financial statements for 2005.



# Semi-Annual Report

## CEAG Stock

The CEAG share price rose steadily in the second quarter – despite the overall decline on many stock markets – thus building on the trend set in the first three months. After closing at EUR 9.25 (Xetra trading) at the end of the first quarter, the share price peaked at EUR 17.65 on June 1, 2006. The closing rate on June 30, 2006 was EUR 15.70. This is equivalent to an increase in value of almost 70% compared with the share price at the end of the first quarter and 125% compared with year-end 2005. This price growth means that CEAG stock performed much better than the comparative index CDax, which lost 6% of its value from April to June.



CEAG vs. CDax January 1, 2006 to June 30, 2006

# Consolidated Balance Sheet of the CEAG Group

## as of June 30, 2006

### Assets

In thousands of EUR	June 30, 2006	Dec. 31, 2005
<b>Non-current assets</b>		
Intangible assets	1,174	1,159
Property, plant and equipment	26,030	25,213
Financial assets	5	5
	<b>27,209</b>	<b>26,377</b>
Deffered taxes	1,240	1,378
	<b>28,449</b>	<b>27,755</b>
<b>Current assets</b>		
Inventories	59,868	50,186
Trade receivables	30,355	29,914
Other assets	12,510	9,005
Prepaid expenses	289	263
Cash and cash equivalents	3,226	7,496
	<b>106,248</b>	<b>96,864</b>
<b>Total assets</b>	<b>134,697</b>	<b>124,619</b>

### Equity and liabilities

In thousands of EUR	June 30, 2006	Dec. 31, 2005
<b>Equity</b>		
Subscribed capital	20,020	20,020
Capital reserve	15,440	15,440
Revenue reserves	-1,844	-6,077
Other reserves	-2,589	-2,784
Consolidated net profit	6,413	4,233
	<b>37,440</b>	<b>30,832</b>
<b>Non-current liabilities</b>		
Non-current liabilities to banks	200	321
Provisions for pensions and similar obligations	2,446	2,427
Other non-current provisions	860	876
Deferred taxes	2,247	1,568
	<b>5,753</b>	<b>5,192</b>
<b>Current liabilities</b>		
Provisions for income taxes	769	978
Other current provisions	3,305	3,039
Current financial liabilities	15,182	7,604
Trade payables	61,622	65,511
Other liabilities	10,626	11,463
	<b>91,504</b>	<b>88,595</b>
	<b>97,257</b>	<b>93,787</b>
<b>Total equity and liabilities</b>	<b>134,697</b>	<b>124,619</b>

# Consolidated Income Statement of the CEAG Group

From January 1 to June 30, 2006

In thousands of EUR	4-6/2006	4-6/2005	1-6/2006	1-6/2005
<b>Revenues</b>	<b>80,574</b>	<b>50,252</b>	<b>154,503</b>	<b>94,205</b>
Cost of sales	-70,716	-44,822	-136,414	-84,061
<b>Gross profit</b>	<b>9,858</b>	<b>5,430</b>	<b>18,089</b>	<b>10,144</b>
Research costs	-110	-183	-265	-320
Selling expenses	-2,104	-2,030	-3,999	-3,808
General administrative expenses	-3,425	-2,466	-6,477	-4,782
Other operating expenses	-1,065	-621	-1,796	-1,016
Other operating income	1,045	834	2,156	1,391
Income from investments	17	13	17	13
<b>Earnings before interest and taxes (EBIT)</b>	<b>4,216</b>	<b>977</b>	<b>7,725</b>	<b>1,622</b>
Interest income	29	62	43	66
Interest expense	-359	-227	-591	-424
<b>Earnings before income taxes (EBT)</b>	<b>3,886</b>	<b>812</b>	<b>7,177</b>	<b>1,264</b>
Income taxes	-570	-67	-764	-117
<b>Consolidated net profit</b>	<b>3,316</b>	<b>745</b>	<b>6,413</b>	<b>1,147</b>
Earnings per share (basic and diluted) (in EUR)	0.43	0.10	0.83	0.15

## Statement of Changes in Equity for the CEAG Group

From January 1 to June 30, 2006

In thousands of EUR	1-6/2006	1-6/2005
<b>Consolidated equity as of January 1</b>	<b>30,832</b>	<b>20,369</b>
Other changes	2,091	-550
Currency translation differences	-1,896	2,443
Total income/expense recognized directly in equity	195	1,893
Consolidated net profit	6,413	1,147
<b>Total profit for the period</b>	<b>6,608</b>	<b>3,040</b>
<b>Consolidated equity as of June 30</b>	<b>37,440</b>	<b>23,409</b>

This Semi-Annual Report complies with International Accounting Standard 34. The same accounting and valuation principles are applied as used in the preparation of the consolidated financial statements for 2005.

# Consolidated Cash Flow Statement of the CEAG Group

From January 1 to June 30, 2006

In thousands of EUR	1-6/2006	1-6/2005
Consolidated net profit	6,413	1,147
Depreciation of non-current assets	3,861	2,927
Change in provisions	60	127
Gain/loss on the disposal of non-current assets	-9	-13
Change in deferred taxes	468	-39
Change in inventories	-9,682	-1,879
Change in trade receivables and other assets that cannot be allocated to investing or financing activities	-1,732	-9,077
Change in trade payables and other liabilities that cannot be allocated to investing or financing activities	-4,517	5,400
Other non-cash effects	-465	15
<b>Cash flow from operating activities</b>	<b>-5,603</b>	<b>-1,392</b>
Cash received from disposals of property, plant and equipment/intangible assets	9	168
Cash paid for investments in intangible assets	-189	-264
Cash paid for investments in property, plant and equipment	-5,822	-5,022
<b>Cash Flow from investing activities</b>	<b>-6,002</b>	<b>-5,118</b>
Cash received from/cash paid to repay financial liabilities to affiliated companies	-188	-2,503
Cash paid to repay a long-term annuity loan	-121	-99
Cash received from/cash paid to repay current liabilities to banks (net)	7,766	8,424
<b>Cash Flow from financing activities</b>	<b>7,457</b>	<b>5,822</b>
Effect of exchange rates on cash and cash equivalents	-122	81
<b>Net change in cash and cash equivalents</b>	<b>-4,270</b>	<b>-607</b>
Cash and cash equivalents at beginning of fiscal year	7,496	3,426
<b>Cash and cash equivalents at end of half year</b>	<b>3,226</b>	<b>2,819</b>

## Segment Report for the CEAG Group

Inn thousands of EUR (by business unit)	FMP	FPS	Holding	Consolidation	Group
<b>1-6/2006</b>					
Revenues	136,049	36,779	0	-18,325	154,503
Segment result (EBIT)	7,788	1,621	-1,684	0	7,725
<b>1-6/2005</b>					
Revenues	76,376	29,504	0	-11,675	94,205
Segment result (EBIT)	2,196	733	-1,307	0	1,622