

□ ■ □ □ **First Quarter Report 2006**

Insights



POWERUNLIMITED

At a Glance

Highlights

- Consolidated revenues up 68% in the first quarter
- Consolidated EBIT improves from 0.6 million to EUR 3.5 million
- CEAG wins a greater share of the global mobile telephone market
- Significant growth also expected for fiscal year 2006

Key Figures for the CEAG Group

(The group currency is the EUR)

In millions of EUR		1-3/2006	1-3/2005	Change in %
Unit sales	in millions of units			
CEAG		61.7	40.5	52.2
FMP		56.0	36.5	53.1
FPS		5.8	4.0	44.3
Revenues (with third parties)				
CEAG		73.9	44.0	68.2
FMP		56.5	29.7	90.3
FPS		17.4	14.3	22.2
EBIT				
CEAG		3.5	0.6	
EBIT operating margin	%	4.7	1.5	
FMP EBIT		3.5	1.0	
FPS EBIT		0.7	0.2	
Holding company EBIT		-0.7	-0.5	
Consolidated net profit		3.1	0.4	
Earnings per share	EUR	0.40	0.05	
Capital expenditure		2.7	2.1	30.4
Employees (as of March 31)				
Germany		257	252	2.0
Abroad		19,380	10,665	81.7

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Financial Calendar and Addresses

Financial Calendar

Fiscal Year January 1 – December 31

Annual shareholders' meeting

May 11, 2006

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The Quarterly Report is also available in German.

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Market Environment

The global economy was still in robust condition at the beginning of 2006 – despite the further increase in prices for raw materials and slightly higher interest rates. The United States and Asia’s booming economies remained the driving force behind the economic upturn. German economists expect an average 2.1% growth in gross domestic product (GDP) for the euro area in 2006. The experts unanimously agree that the German economy will see a slight upturn, leading to 1.7% GDP growth. For the first time in a long while, growth is also expected to be driven by private consumption, not just investment in plant and equipment.

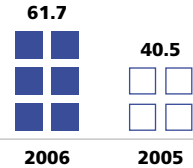
Steady growth continues in the global market for mobile telephones, the CEAG Group’s most important customer segment. Following an increase of around 21% to 817 million units sold in 2005, the Gartner Dataquest market research institute forecasts further growth of around 10% in the current year, which will bring total sales of mobile telephones to some 900 million.

Business Performance in the First Three Months of 2006

Unit Sales

The CEAG Group sold a total of 61.7 million power supplies and chargers in the first quarter of 2006. This translates into an increase of 52.2% on the figure for the same prior-year period (40.5 million units). CEAG had previously increased production capacities in its three Chinese plants to meet the high level of demand expected and was therefore well prepared for growth.

Unit sales in millions



Both business units contributed to this excellent performance with high double-digit growth rates. The FRIWO Mobile Power (FMP) business unit, which caters to the high-volume mobile telephone market, sold 56.0 million units to third parties in the first three months, compared to 36.5 million units in the same prior-year period (up 53.1%).

Growing well above market levels, CEAG has further increased its lead in the global market for power supplies and chargers for mobile telephones and won a greater share of the market compared to the first quarter of 2005. Already in 2005, the Group succeeded in improving its position as world market leader and increasing its market share by two percentage points to around 23%.

The FRIWO Power Solutions (FPS) business unit, which focuses on highly fragmented markets such as medical technology, household appliances and power tools, was able to increase the number of units sold to 5.8 million in the first three months, an increase of 44.3% on the 4.0 million units sold in the same prior-year period. This increase was mainly achieved thanks to greater sales to major customers.

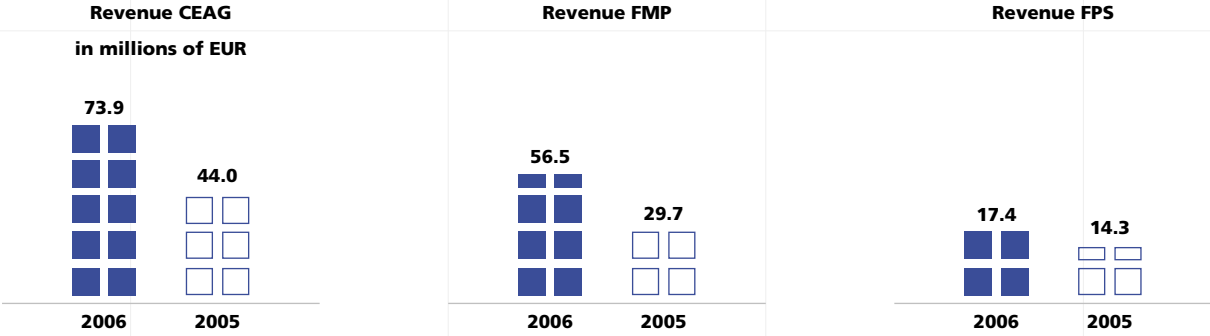
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Revenue

The CEAG Group reports revenues of EUR 73.9 million in the first three months of 2006, up 68.2% on the same period in 2005 (EUR 44.0 million). Revenues grew more strongly than unit sales thanks to a higher percentage of products incorporating switch mode technology, for which higher prices can be realized than for conventional linear technology. In the first quarter, switch mode products accounted for 67% of consolidated revenues (first quarter 2005: 61%).

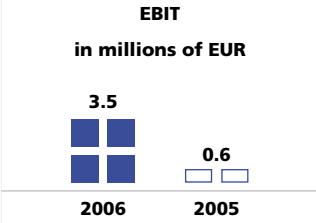
The FMP business unit generated revenues of EUR 56.5 million from January to March 2006, up 90.3% (first quarter 2005: EUR 29.7 million). This strong growth is attributable to the dynamic performance of the mobile telephone market, the revenues generated by the new FMP customers and a greater share contributed by switch mode technology.

The FPS business unit increased its revenues by 22.2% to EUR 17.4 million in the first quarter (first quarter 2005: EUR 14.3 million).



Earnings

The Group's earnings before interest and taxes (EBIT) for the quarter came to EUR 3.5 million, well up on the EUR 0.6 million generated in the same prior-year quarter. The strong improvement in earnings was achieved despite a further rise in the cost of raw materials, especially copper, and continued power shortages at the Chinese plants, which occasioned additional expenses. The EBIT operating margin, in relation to revenues, grew by 3.2 percentage points to 4.7%.



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Consolidated net profit for the first three months of 2006 rose from EUR 0.4 million to EUR 3.1 million. This is equivalent to earnings per share of EUR 0.40 for the quarter following EUR 0.05 in the first quarter of the prior year.

To enhance transparency, CEAG will report the results of the group holding company, CEAG AG, as a separate segment starting in fiscal year 2006. The prior-year figures for all segments have been adjusted accordingly. The FMP business unit improved its EBIT from EUR 1.0 million to EUR 3.5 million. FPS generated EBIT of EUR 0.7 million (first quarter 2005: EUR 0.2 million). The holding company's EBIT came to -EUR 0.7 million after -EUR 0.5 million in the same quarter of the prior year.

Cash Flow and Balance Sheet

The CEAG Group's cash flow from operating activities for the period from January to March 2006 amounted to -EUR 7.3 million after -EUR 4.2 million in the same prior-year period. This figure was influenced significantly by inventories of raw materials, which were higher than they were at year-end 2005, and by the drop in liabilities to suppliers. Earnings for the quarter made a positive contribution to cash flow.

The balance sheet total of the CEAG Group stood at EUR 129.1 million as of March 31, 2006, up EUR 4.5 million compared with year-end 2005 (EUR 124.6 million). On the assets side, the increase is due mainly to the EUR 4.4 million increase in trade receivables. On the liabilities side, higher financing requirements for operating activities and investments increased current financial liabilities by EUR 6.9 million to EUR 14.5 million. At EUR 34.5 million, equity was EUR 3.7 million up on the figure at year-end 2005 (EUR 30.8 million). This translates into an equity ratio of 26.7% following 24.7% at the end of last year.

Capital Expenditure

EUR 2.7 million was invested in the CEAG Group in the first three months of the fiscal year, up EUR 0.6 million on the prior-year period. The funds were mainly invested in expanding capacities for switch mode technology at the Chinese plants.

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Employees

On March 31, 2006, the CEAG Group employed 19,637 people worldwide, 8,720 more than on March 31, 2005. The increase of around 80% reflects the considerable expansion of production in China. At the end of March 2006, 257 employees worked at the headquarters of CEAG AG in Ostbevern compared with 252 a year ago. 19,380 workers were employed abroad (March 31, 2005: 10,665).



Outlook

The Management Board reaffirms its revenue growth forecast, although the growth rate of the first quarter of 2006 cannot be expected for the year as a whole. As long as there are no unexpected costs or other negative events, the results of operations are expected to improve for the year as a whole.

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.

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The CEAG Stock

The CEAG share price saw an upward trend in the first three months of 2006. After closing at EUR 6.98 in Xetra trading at the end of 2005 and recording a rise at the beginning of the year, the share price fell until early March, when it rallied on the back of the capital market's positive response to the publication of the financial statements for fiscal year 2005 on March 16, 2006. The CEAG share closed the quarter at EUR 9.25, up 32% on its closing price at year-end 2005. CEAG stock thus outperformed the comparative index CDax by 12% in the first quarter of 2006.

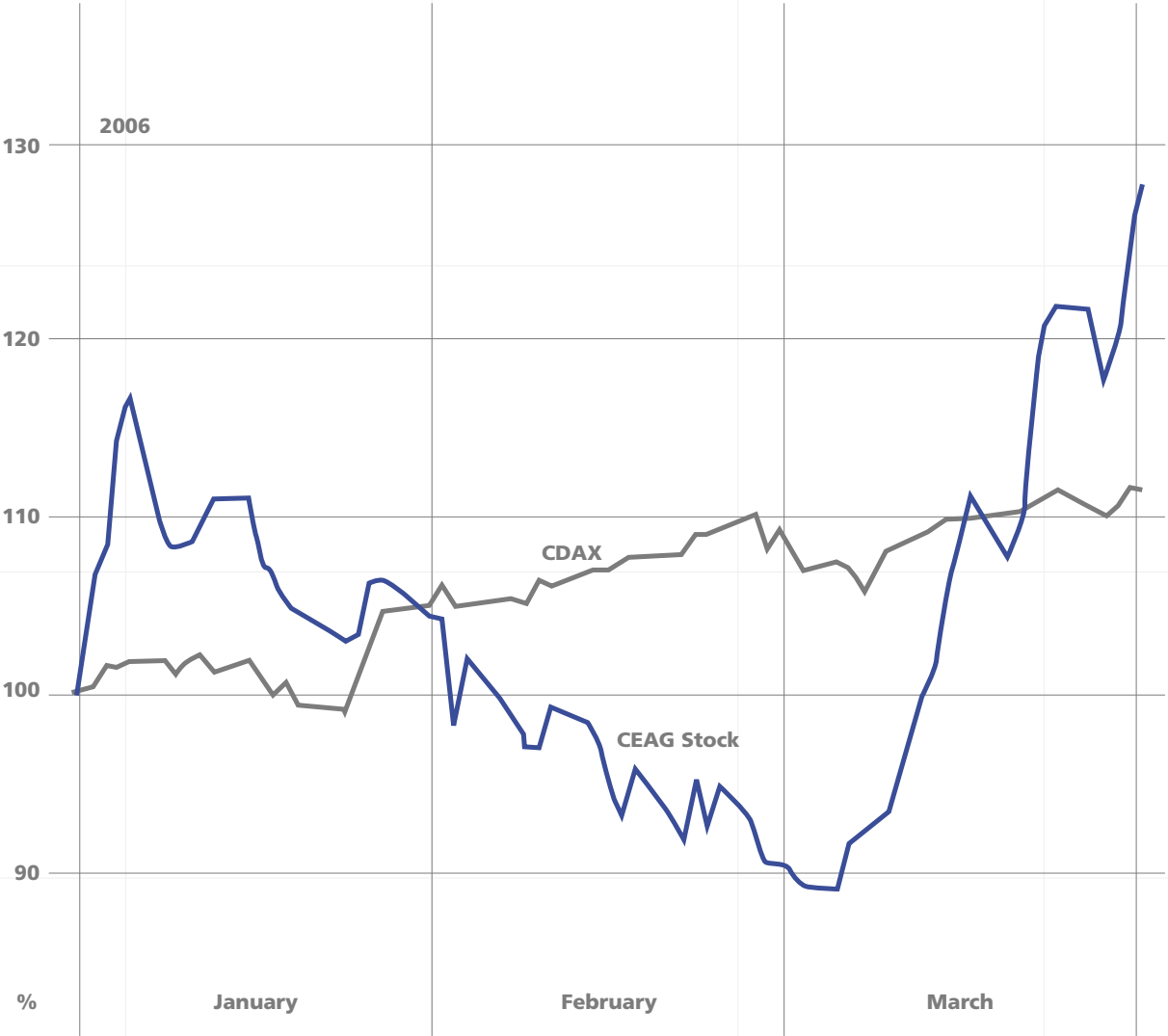


Chart: CEAG vs. CDax January 1, 2006 to March 31, 2006

Consolidated Balance Sheet of the CEAG Group

as of March 31, 2006

Assets

In thousands of EUR	Mar. 31, 2006	Dec. 31, 2005
Non-current assets		
Intangible assets	1,145	1,159
Property, plant and equipment	25,611	25,213
Financial assets	5	5
	26,761	26,377
Deferred taxes	1,348	1,378
	28,109	27,755
Current assets		
Inventories	54,586	50,186
Trade receivables	31,209	29,914
Other assets	10,649	9,005
Prepaid expenses	254	263
Cash and cash equivalents	4,297	7,496
	100,995	96,864
Total assets	129,104	124,619

Equity and liabilities

In thousands of EUR	Mar. 31, 2006	Dec. 31, 2005
Equity		
Subscribed capital	20,020	20,020
Capital reserve	15,440	15,440
Revenue reserves	-1,844	-6,077
Other reserves	-2,219	-2,784
Consolidated net profit	3,097	4,233
	34,494	30,832
Non-current liabilities		
Non-current liabilities to banks	252	321
Provisions for pensions and similar obligations	2,453	2,427
Other non-current provisions	830	876
Deferred taxes	1,724	1,568
	5,259	5,192
Current liabilities		
Provisions for income taxes	1,026	978
Other current provisions	3,129	3,039
Current financial liabilities	14,460	7,604
Trade payables	57,406	65,511
Other liabilities	13,330	11,463
	89,351	88,595
	94,610	93,787
Total equity and liabilities	129,104	124,619

Consolidated Income Statement of the CEAG Group

From January 1 to March 31, 2006

In thousands of EUR	1-3/2006	1-3/2005
Revenue	73,929	43,953
Cost of sales	-65,698	-39,239
Gross profit	8,231	4,714
Research costs	-155	-137
Selling expenses	-1,895	-1,778
General administrative expenses	-3,052	-2,316
Other operating expenses	-731	-395
Other operating income	1,111	557
Earnings before interest and taxes (EBIT)	3,509	645
Interest income	14	4
Interest expense	-232	-197
Earnings before income taxes (EBT)	3,291	452
Income taxes	-194	-50
Consolidated net profit	3,097	402
Earnings per share (basic and diluted) (in EUR)	0.40	0.05

Statement of Changes in Equity for the CEAG Group

In thousands of EUR	1-3/2006	1-3/2005
Consolidated equity as of January 1	30,832	20,369
Other changes	1,067	-9
Currency translation differences	-502	1,006
Total income/expense recognized directly in equity	565	997
Consolidated net profit	3,097	402
Total profit for the period	3,662	1,399
Consolidated equity as of March 31	34,494	21,768

This quarterly report complies with International Accounting Standard 34. The same accounting policies 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 March 31, 2006

In thousands of EUR	1-3/2006	1-3/2005
Consolidated net profit	3,097	402
Depreciation of non-current assets	1,909	1,459
Change in provisions	118	22
Gain/loss on the disposal of non-current assets	-9	-9
Change in deferred taxes	8	-31
Change in inventories	-4,400	1,376
Change in trade receivables and other assets that cannot be allocated to investing or financing activities	-1,894	-4,666
Change in trade payables and other liabilities that cannot be allocated to investing or financing activities	-6,030	-3,184
Other non-cash effects	-88	429
Cash flow from operating activities	-7,289	-4,202
Cash received from disposals of property, plant and equipment/ intangible assets	69	18
Cash paid for investments in intangible assets	-75	-224
Cash paid for investments in property, plant and equipment	-2,646	-1,862
Cash flow from investing activities	-2,652	-2,068
Cash received from/cash paid to financial liabilities to affiliated companies	705	-676
Cash paid to repay a long-term annuity loan	-69	-49
Cash received from/cash paid to repay current liabilities to banks (net)	6,151	9,363
Cash flow from financing activities	6,787	8,638
Effect of exchange rates on cash and cash equivalents	-45	0
Net change in cash and cash equivalents	-3,199	2,368
Cash and cash equivalents at beginning of fiscal year	7,496	3,426
Cash and cash equivalents at the end of quarter	4,297	5,794

Segment Report for the CEAG Group

By business unit in thousands of EUR	FMP	FPS	Holding	Consolidation	Group
1-3/2006					
Revenue	65,111	17,485	0	-8,667	73,929
Segment result (EBIT)	3,523	668	-682	0	3,509
1-3/2005					
Revenue	34,830	14,349	0	-5,226	43,953
Segment result (EBIT)	990	194	-539	0	645