

Semi-Annual Report 2005

CEAG AG



At a Glance

Highlights

- Over 30% growth in both business units for CEAG
- First positive effects from new customers in the FMP business unit
- Good first-half earnings
- Dynamic business performance expected to continue in the second half

Key Figures for the CEAG Group (According to IFRSs)

(The group currency is the EUR)

in millions of EUR		1-6/2005	1-6/2004	Change in %
Unit sales	in millions of units			
CEAG		87.0	66.5	30.7
FMP		78.3	60.9	28.5
FPS		8.6	5.6	54.5
Revenues (with third parties)				
CEAG		94.2	70.4	33.8
FMP		64.9	48.9	32.8
FPS		29.3	21.6	36.0
EBIT				
CEAG		1.6	1.0	61.4
EBIT operating margin	%	1.7	1.4	
FMP EBIT		1.1	0.7	
FPS EBIT		0.5	0.3	
Consolidated net profit		1.1	0.5	136.5
Earnings per share	EUR	0.15	0.06	
Capital expenditure		5.3	2.0	168.7
Employees (as of June 30)				
Germany		255	243	4.9
Abroad		12,015	9,065	32.5

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Financial Calendar and Addresses

Financial Calendar

Fiscal year January 1 – December 31

Third Quarter Report November 9, 2005

Addresses

CEAG AG

Headquarters: Bad Homburg v. d. H.

Business address

Von-Liebig-Strasse 11
D-48346 Ostbevern, Germany
Tel.: +49 (0) 25 32 - 81 - 0
Fax: +49 (0) 25 32 - 81 - 129
eMail: info.ceag@friwo.de
Internet: <http://www.ceag-ag.com>

WKN 620 110

ISIN DE 0006201106 CEA

Public Relations/ Investor Relations

Ms. Gudrun Richter
Tel.: +49 (0) 25 32 - 81 - 158
Fax: +49 (0) 25 32 - 81 - 129
eMail: richter@friwo.de

The Semi-Annual Report is also available in German.

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Market Environment

Market experts expect the German economy to grow at a slow pace in 2005. At the end of April, the leading economic research institutes revised their forecasts for GDP growth downwards to 0.7% (fall report 2004: 1.5%). Growth is also sluggish in the euro zone. In its July report, the European Central Bank cited the continuing high oil prices as one of the main reasons for this. The OECD is expecting 1.25% economic growth for the euro area. By contrast, the global economy is recording steady growth overall.

Stable growth continues in the global market for mobile telephones, the CEAG Group's most important customer segment. In July, the Gartner market research institute again upped its market forecast for 2005 as a whole. The institute now anticipates worldwide sales growth of 16% to some 780 million mobile telephones. Its previous forecasts had been 720 and 750 million units.

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Business Performance in the First Six Months of 2005

Unit Sales

Unit sales growth in the CEAG Group picked up in the second quarter. After sales of 40.5 million FRIWO brand power supplies and chargers in the first three months, 46.5 million units were sold in the second quarter. This represents an increase of 43% against the same prior-year quarter (32.4 million units). In the first half of the year, unit sales grew 30.7% to 87.0 million units after 66.5 million in the same period of the prior year.

In June 2005, CEAG sold its one billionth power supply/charger since the foundation of Friemann & Wolf Gerätebau GmbH (FRIWO) in 1971. The increasing pace of growth in the markets in which CEAG operates is evidenced by the fact that the 750 millionth unit was manufactured as recently as November 2003.

The FRIWO Mobile Power (FMP) business unit, which caters to the high-volume mobile telephone market, sold 78.3 million units in the first six months, compared to 60.9 million units in the same prior-year period (up 28.5%). By reference to the mobile telephone market, the business unit's growth even reached 31.3%, with the global mobile telephone market expected to grow by 16% for the whole of 2005.

By contrast, sales of chargers for MD and CD players, digital cameras, etc., dropped. The reason for this decrease is CEAG's decision to remove this segment from its strategic focus and therefore not to acquire any new customers.

The FRIWO Power Solutions (FPS) unit, which focuses on highly fragmented markets such as medical technology, mobile household appliances and power tools, sold 8.6 million units in the first half, an increase of 54.5% compared with the same prior-year period (5.6 million units).



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Revenues

The CEAG Group generated revenues of EUR 94.2 million in the first six months, up 33.8% on the same period in 2004 (EUR 70.4 million). Revenues for the second quarter came to EUR 50.3 million after EUR 35.7 million in the same quarter last year (up 40.5%).

Revenues for the FMP business unit amounted to EUR 64.9 million in the first half (prior-year period: EUR 48.9 million), up 32.8%. This growth is partly attributable to a greater market share from a major customer in the mobile telephone market. In addition, CEAG succeeded in winning new customers in the first six months, especially in Asia, which had a first positive impact on revenues. FMP revenues grew more strongly than unit sales in the first half thanks to a higher percentage of power supplies and chargers incorporating the higher-priced switch mode technology.

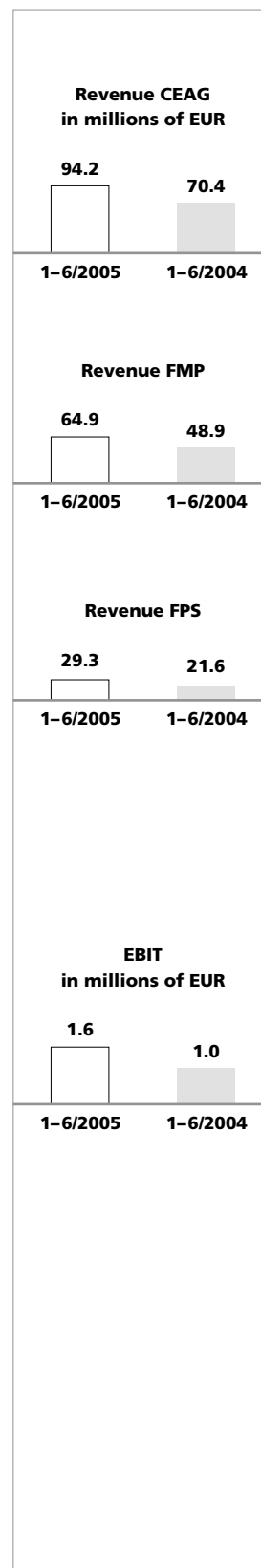
The FPS business unit discloses semi-annual revenues of EUR 29.3 million, an increase of 36.0% against the same period last year (EUR 21.6 million). This growth is due to new customers and projects that were not, or only partly, reflected in the prior-year period, as well as successful new customer wins in the first six months of 2005. Consumer appliances (e.g. electric ovens, electric shavers), power tools (e.g. drills) and IT and communication (e.g. headsets) were the main segments involved.

Earnings

The good performance of unit sales and revenues of the CEAG Group has yet to be fully reflected in earnings, as the drop in gross margin shows. The high cost of our most important raw materials is responsible for this development. Additional costs were also incurred in the first half of the year to expand operations and to create the required production and sales capacity. Nonetheless, earnings before interest and taxes (EBIT) increased from EUR 1.0 million in the prior-year period to EUR 1.6 million in the first six months of this year. The second quarter accounted for EUR 1.0 million of this amount (second quarter 2004: EUR 0.4 million).

Including the financial result, the Group reports first-half earnings before taxes of EUR 1.3 million (prior-year period: EUR 0.6 million). Consolidated net profit for the first six months rose from EUR 0.5 million (prior year) to EUR 1.1 million. This is equivalent to basic and diluted earnings per share of EUR 0.15 following EUR 0.06 in the same period last year.

The FMP business unit grew EBIT from EUR 0.7 million in the prior-year period to EUR 1.1 million in the first half of this year. At EUR 0.5 million, the FPS business unit's EBIT also exceeded the EUR 0.3 million generated in the first half of 2004.



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Cash Flow and Balance Sheet

The CEAG Group's cash flow from operating activities for the period from January to June 2005 amounted to -EUR 1.4 million, an improvement of EUR 1.4 million on the -EUR 2.8 million recorded in the first half of 2004. The development of cash flow from operating activities was influenced particularly strongly by the increase in trade receivables. This increase of EUR 9.4 million is attributable to the strong expansion of the Group's operations as well as longer payment terms, especially for Asian customers.

The balance sheet total of the CEAG Group stood at EUR 84.5 million as of June 30, 2005, up EUR 14.3 million compared with December 31, 2004 and up EUR 7.4 million on the figure as of March 31 of this year. This development reflects the expansion of business in the first half of 2005 and the lower euro exchange rate as of the balance sheet date. On the assets side, trade receivables rose from EUR 13.6 million at the end of 2004 to EUR 23.0 million. On the liabilities side, higher financing requirements for operating activities and investments increased current financial liabilities by EUR 5.9 million to EUR 15.7 million, although this figure was still EUR 2.8 million below the level at the end of the first quarter.

At EUR 23.3 million, equity as of June 30, 2005 was EUR 3.1 million up on the figure at year-end 2004 (EUR 20.2 million). The equity ratio came to 27.6% following 28.8% at the end of the last fiscal year.

Capital Expenditure

CEAG significantly upped its capital expenditure in the first six months of the year under review. The Group spent EUR 5.3 million, more than twice the amount in the same prior-year period (EUR 2.0 million).

The period-on-period increase is partly due to the higher percentage of switch mode products for which capacity had to be created. The higher level of investment also reflects expectations of continuing strong growth in the second half of 2005.

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Employees

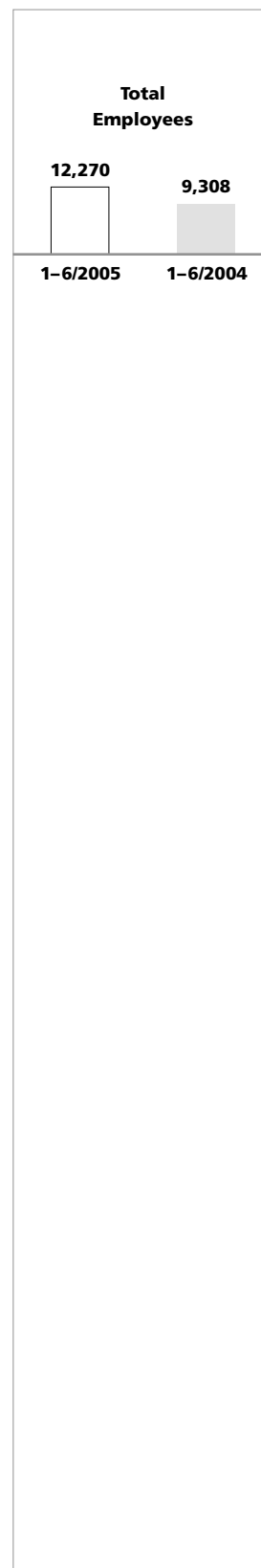
CEAG increased its workforce in the first six months of 2005 in line with the expansion of business volume in both business units. On June 30, 2005, the CEAG Group employed 12,270 people worldwide, more than on June 30, 2004 (9,308; up 31.8%) and at the end of the prior fiscal year (10,352; up 18.5%).

255 employees worked at the headquarters of CEAG AG in Ostbevern compared with 243 as of June 30, 2004. 12,015 people were employed abroad, mostly in the Chinese production plants (June 30, 2004: 9,065).

Outlook

The Management Board expects growth to continue after the strong rise in unit sales and revenues in the first six months.

On the expense side, the cost of raw materials remains high and the value of the Chinese currency (renminbi or yuan) has increased against the US dollar. In addition, a considerable increase in wages at the Chinese plants is expected in the second half of the year. Energy shortages also pose a risk to production in China. It will not be possible to neutralize the charges to earnings by taking tried and tested steps to optimize costs and increase efficiency. The Company will have to pass on the additional costs in its sale prices.

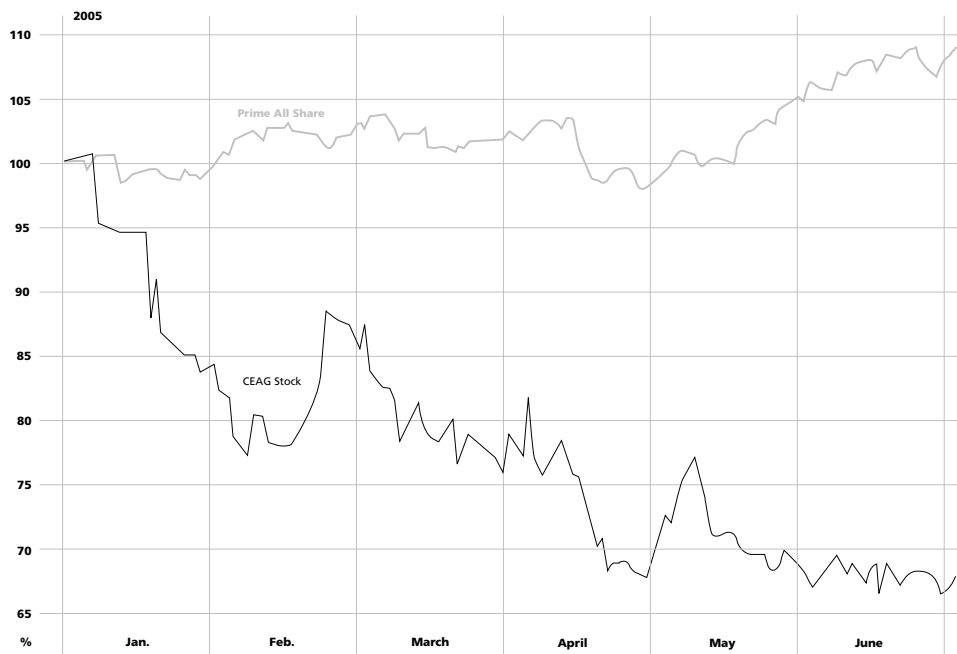


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The CEAG Stock

The CEAG stock price dropped further in the second quarter after losing ground in the first three months of 2005, reaching its low of EUR 5.55 for the first half on June 28. The stock was listed at EUR 5.59 (all information based on Xetra closing prices) at the end of the second quarter.

The CEAG Stock vs. Prime All Share April 1 – June 30, 2005



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Consolidated Balance Sheet of the CEAG Group as of June 30, 2005

Assets

in thousands of EUR	June 30, 2005	Dec. 31, 2004
Non-current assets		
Other intangible assets	536	419
Property, plant and equipment	21,486	17,732
Financial assets	5	5
	22,027	18,156
Deferred taxes	270	231
Current assets		
Inventories	34,158	32,279
Trade receivables	22,994	13,590
Other assets	1,721	2,181
Prepaid expenses	476	343
Cash and cash equivalents	2,819	3,426
	62,168	51,819
Total assets	84,465	70,206

This Quarterly 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 2004.

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Consolidated Balance Sheet of the CEAG Group as of June 30, 2005

Equity and liabilities

in thousands of EUR	June 30, 2005	Dec. 31, 2004
Equity		
Subscribed capital	20,020	20,020
Capital reserve	15,440	15,440
Revenue reserves	-13,332	-17,299
Consolidated net profit	1,147	2,074
	23,275	20,235
Liabilities		
Non-current liabilities		
Non-current liabilities to banks	423	522
Provisions for pensions and similar obligations	2,216	2,215
Other non-current provisions	895	909
	3,534	3,646
Current liabilities		
Provisions for taxes	754	855
Other current provisions	1,546	1,305
Current financial liabilities	15,696	9,775
Trade payables	32,868	27,720
Other liabilities	6,792	6,670
	57,656	46,325
	61,190	49,971
Total equity and liabilities	84,465	70,206

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Consolidated Income Statement of the CEAG Group as of June 30, 2005

in thousands of EUR	4-6/2005	4-6/2004	1-6/2005	1-6/2004
Revenue	50,252	35,768	94,205	70,422
Cost of sales	-44,822	-31,323	-84,061	-61,804
Gross profit	5,430	4,445	10,144	8,618
Research costs	-183	-131	-320	-223
Selling expenses	-2,030	-1,753	-3,808	-3,383
General administrative expenses	-2,466	-2,029	-4,782	-4,411
Other operating expenses	-621	-822	-1,016	-1,203
Other operating income	834	715	1,391	1,643
Income from investments	13	0	13	
Earnings before interest, taxes and amortization of goodwill (EBITA)	977	425	1,622	1,041
Amortization of goodwill	0	-18	0	-36
Earnings before interest and taxes (EBIT)	977	407	1,622	1,005
Interest income	62	7	66	8
Interest expense	-227	-190	-424	-399
Earnings before income taxes (EBT)	812	224	1,264	614
Income taxes	-67	-24	-117	-129
Consolidated net profit	745	200	1,147	485
Earnings per share (basic and diluted) (in EUR)	0.10	0.03	0.15	0.06

Statement of Changes in Equity for the CEAG Group as of June 30, 2005

in thousands of EUR	1-6/2005	1-6/2004
Consolidated equity as of January 1	20,235	19,814
Consolidated net profit	1,147	485
Change in valuation reserve for cash flow hedges	-550	16
Currency translation differences	2,443	926
Consolidated equity as of June 30	23,275	21,241

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Cash Flow Statement of the CEAG Group as of June 30, 2005

in thousands of EUR	1-6/2005	1-6/2004
Consolidated net profit	1,147	485
Depreciation of non-current assets	2,927	2,645
Change in provisions	127	179
Gain/loss on the disposal of non-current assets	-13	22
Change in deferred taxes	-39	-48
Change in inventories	-1,879	484
Change in trade receivables and other assets that cannot be allocated to investing or financing activities	-9,077	4,065
Change in trade payables and other liabilities that cannot be allocated to investing or financing activities	5,270	-11,216
Other non-cash expenses and income	145	577
Cash flow from operating activities	-1,392	-2,807
Cash received from disposals of property, plant and equipment/ intangible assets	168	13
Cash paid for investments in property, plant and equipment/ intangible assets/financial assets	-5,286	-1,967
Cash flow from investing activities	-5,118	-1,954
Change in financial liabilities	5,822	1,343
Cash flow from financing activities	5,822	1,343
Effect of exchange rates on cash and cash equivalents	81	6
Net change in cash and cash equivalents	-607	-3,412
Cash and cash equivalents at beginning of fiscal year	3,426	5,801
Cash and cash equivalents at end of second quarter	2,819	2,389

Segment Reporting for the CEAG Group

By business unit in thousands of EUR	FMP	FPS	Group
1-6/2005			
External sales	64,899	29,306	94,205
Segment result (EBIT)	1,089	533	1,622
1-6/2004	48,872		
External sales	745	21,550	70,422
Segment result (EBIT)		260	1,005