CEAG AG
HOLDING OF THE FRIWO GROUP

Dates and Addresses

Dates

Fiscal year January 1 – December 31

Results press and Analyst conference	March 16, 2005	First quarter report	May 12, 2005
Annual shareholders' meeting	April 21, 2005	Semi-annual report	August 3, 2005
		Third quarter report	November 9, 2005

Addresses

CEAG AG
Headquarters: Bad Homburg v. d. H.

WKN 620 110
ISIN DE 0006201106 CEA

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

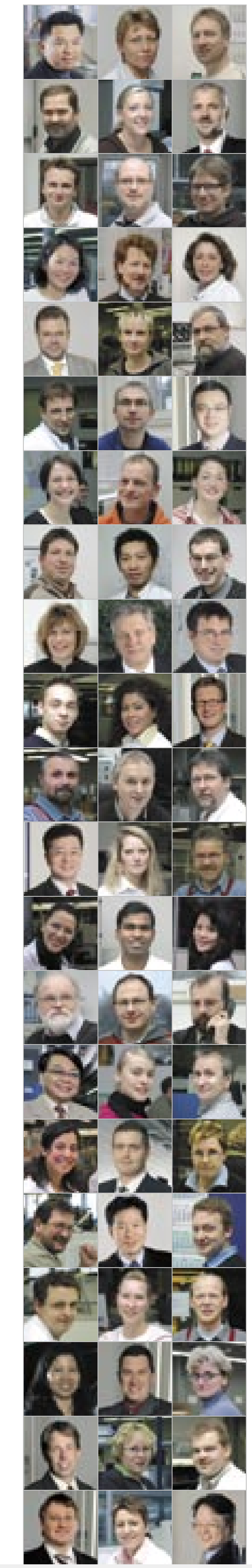
**Public Relations/
Investor Relations**
Ms. Gudrun Richter
Tel.: +49 (0) 25 32 - 81 - 158
Fax: +49 (0) 25 32 - 81 - 129
eMail: richter@friwo.de

The annual report is also available in German.

CEAG AG Annual Report 2004

Annual Report 2004

CEAG AG
HOLDING OF THE FRIWO GROUP



FRIWO

At a Glance

Key Figures for the CEAG Group

(The group currency is the EUR)

in millions of EUR		2004	2003	Change
Unit sales	in millions			in %
CEAG		154.7	139.2	**11.2**
FMP		142.0	131.9	**7.7**
FPS		12.7	7.3	**75.1**
Revenue (external)				
CEAG		160.4	167.4	**-4.2**
FMP		113.4	129.7	**-12.6**
FPS		47.1	37.7	**24.9**
EBIT				
CEAG		3.6	4.2	**-14.3**
FMP		3.4	5.2	**-35.4**
FPS		0.3	-1.0	
EBIT operating margin	%	2.3	2.5	
EBT		2.7	2.8	**-5.8**
Consolidated net profit		2.1	2.8	**-24.8**
Balance sheet				
Balance sheet total		70.2	77.7	**-9.6**
Subscribed capital		20.0	20.0	
Number of shares	in millions	7.7	7.7	
Equity		20.2	19.8	**2.1**
Equity ratio	%	28.8	25.5	
Capital expenditure		7.9	7.2	**9.8**
Employees (as of Dec. 31)		10,352	9,539	**8.5**
Germany		251	245	**2.4**
Abroad		10,101	9,294	**8.7**
Share				
Earnings per share	EUR	0.27	0.36	**-25.0**
Dividend per share	EUR	–	–	

Five-Year Overview

Key Figures for the CEAG Group

(The group currency is the EUR)

in millions of EUR		2004	2003	2002	2001	2000
Unit sales	in millions					
CEAG		154.7	139.2	122.6	107.8	108.0
FMP		142.0	131.9	116.5	–	–
FPS		12.7	7.3	6.1	–	–
Revenue (external)						
CEAG		160.4	167.4	191.4	213.8	260.8
FMP		113.4	129.7	149.1	–	–
FPS		47.1	37.7	42.3	–	–
EBIT						
CEAG (before restructuring)		3.6	4.2	-3.2	-1.7	24.1
CEAG (after restructuring)		3.6	4.2	-16.1	-2.9	22.4
FMP (before restructuring)		3.4	5.2	4.0	–	–
FPS (before restructuring)		0.3	-1.0	-7.2	–	–
EBIT operating margin	%	2.3	2.5	-1.7	-0.8	9.2
EBT		2.7	2.8	-17.6	-4.5	20.2
Consolidated net profit/loss		2.1	2.8	-25.1	-2.7	11.9
Balance sheet						
Balance sheet total		70.2	77.7	86.8	135.1	152.1
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		20.2	19.8	22.6	53.6	58.7
Equity ratio	%	28.8	25.5	26.0	39.7	38.6
Capital expenditure		7.9	7.2	6.8	9.2	10.6
Employees (as of Dec. 31)		10,352	9,539	8,727	8,519	8,095
Germany		251	245	298	431	526
Abroad		10,101	9,294	8,429	8,088	7,569
Share						
Earnings per share	EUR	0.27	0.36	-3.26	-0.35	1.55
Dividend per share	EUR	–	–	–	–	0.55

Contents

Our Mission Statement

To design, manufacture and sell innovative and competitive power solutions to customers worldwide.

Contents

Foreword

From left: Matthias Grevener (Member of the Management Board), Rolf Endress (Chairman of the Management Board)

Dear Friends and Shareholders,

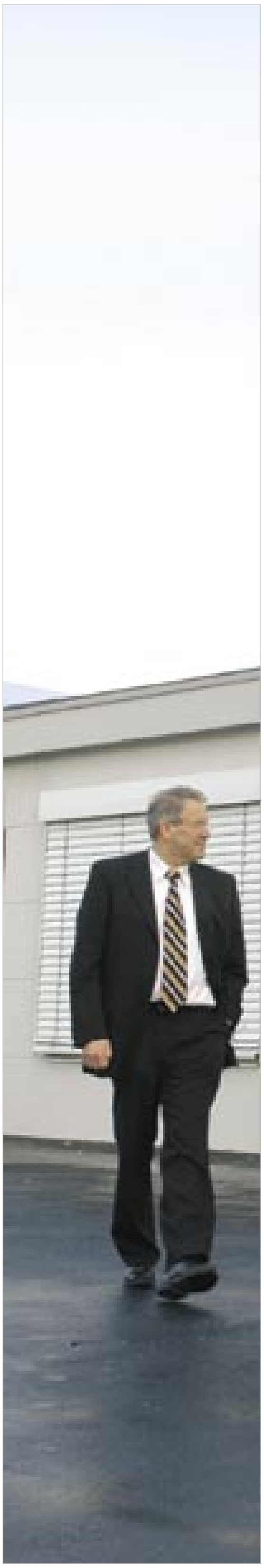
Fiscal year 2004 was a successful year for CEAG in many respects, but also marked a period of new challenges. Following the major restructuring of the Group which began in 2001 and the return to profitability in 2003, we strived to bolster the positive trend in earnings. With EBIT at EUR 3.6 million and net profit at EUR 2.1 million, the CEAG Group's results were well in the black in 2004. We thus built on the turnaround achieved in the prior year.

The fact that earnings for the prior year could not be outstripped is primarily attributable to unexpectedly strong cost effects. As in the prior year, the continuing increase in the value of the euro against the US dollar cut revenues in the consolidated financial statements by more than 4%. Net of currency effects, that is based on the same exchange rates as the prior year, revenues – as in 2003 – would have increased by almost 4%.

The significant surge in the cost of key raw materials such as copper and plastics which play an important role in the manufacture of CEAG products had an even stronger impact on earnings. We incurred unexpected additional costs of some EUR 4 million due to the hike in raw material prices on a previously unexpected scale.

We tackled this challenge by rigorously adhering to the principles which were anchored in the CEAG Group in the course of our restructuring and realignment: constantly monitoring all structures and processes for cost-saving potential and fostering our corporate culture which focuses on preventing costs at all levels of the value-added chain. The fact that we were able to absorb a significant portion of the additional costs underpins the appropriateness and effectiveness of the cost and process management system introduced in prior years.

Foreword



The FRIWO Mobile Power (FMP) business unit, which covers the high-volume market in the telecommunications industry, benefited from another excellent year for the mobile telephone industry in 2004. However, unit sales growth in the business unit failed to match the growth of some 27% reported in the global mobile telephone market. This is primarily due to some quite considerable shifts in the market shares of mobile telephone manufacturers and, above all, the fact that those manufacturers which benefited from the market boom are not yet customers of CEAG. The strategic goal of expanding the customer base for FMP has top priority in the current fiscal year. Efforts in this direction failed to make a significant contribution to revenues in 2004. With a market share of 21% (prior year 25%), we defended our leading market position in chargers for mobile telephones.

The performance of the FRIWO Power Solutions (FPS) business unit, which produces power supplies for highly fragmented markets such as medical technology, household appliances and power tools, is very promising. Unit sales and revenues in this business unit experienced very dynamic growth in 2004. FPS benefited from numerous new projects, some of which began in the prior year and affected a full 12-month period for the first time this past year. Despite unfavorable exchange rate effects and higher raw material prices, we achieved our goal of making the business unit more profitable again. The segment result (EBIT) of FPS improved from -EUR 1 million to EUR 0.3 million. The dynamic growth of the business unit, which accounted for 29% of consolidated revenues in 2004, confirms our strategic decision to retain the FPS business unit and transform it into a strong second pillar for the Group.

We also continued to improve our production and sales structures in the past year. The opening of our third Chinese production plant near Beijing in October marks another milestone in the Company's development. Our investment in the People's Republic of China since 1990 has proven to be a real success story, and we have devoted an entire chapter to this in our annual report. We also strengthened our sales channels in 2004: in response to the growing importance of the South Korean market, CEAG opened a sales office in the capital city, Seoul, in August, and we considerably increased our presence in Japan in the course of 2004.

Foreword

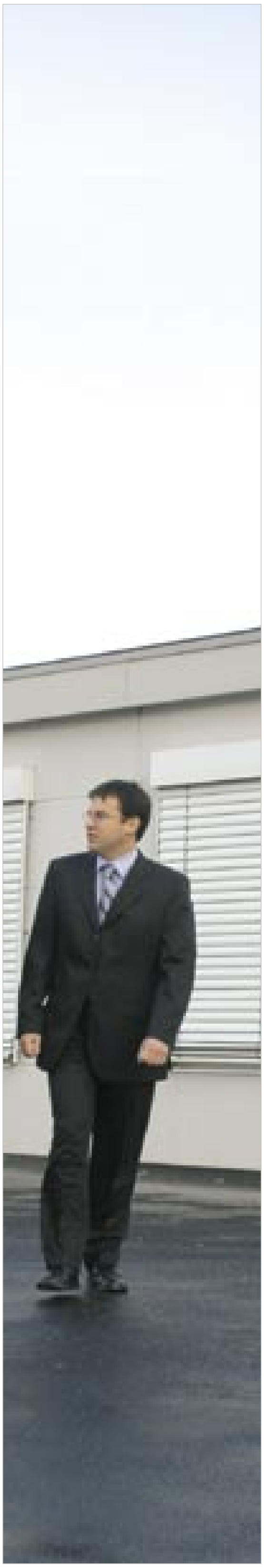
We are cautiously optimistic about 2005. Experts expect the mobile telephone market to continue to grow, albeit at a slower pace than in the prior year. CEAG's efforts will be focused on gaining a larger share of market growth than was the case in 2004.

This positive outlook contrasts with risk factors such as unfavorable exchange rates, persistent price pressure and increasing raw material costs, which make it difficult to give a reasonably accurate forecast for the entire year. In this context, we trust in our Company's strengths: efficient and lean structures, top product quality, innovation and cost consciousness will help us meet the challenges that present themselves in 2005.

Ostbevern, February 11, 2005

Rolf Endress
Chairman of the Management Board

Matthias Grevener
Member of the Management Board



FRIWO in Asia

CEAG – 15-Year Growth Course in China

From left: Gordon Chen (Taiwan), Sung-Shik Yong (Korea), Dieter Knipp (Germany) and Edward Lee (China)

FRIWO in Asia

Few other countries can boast years of such strong economic growth, no other country is attracting so many foreign investors, and no other nation is going through such radical economic and social change as China: at the beginning of the 21st century, many political observers and economic experts see China on its way to becoming the world's leading economic power. The People's Republic, with a population of 1.3 billion, is already the sixth largest economy and the fourth largest trading nation.

Western industrial nations have long since discovered the attractiveness of China's liberalized economy as a production location and sales market. Foreign investment in China has risen considerably since the beginning of the 1990s and totaled some USD 500 billion by the end of 2003. China has developed particularly close economic ties with Germany, its most important trading partner in the European Union. China, in turn, is Germany's most important trading partner in Asia, ahead of Japan.

The Chinese market is also enticing the German midmarket. So far around 2,000 midmarket companies have taken the plunge. CEAG can rightly claim to be one of the forerunners in this process. The Company opened its first production plant in Shajing in Shenzhen province back in 1990 to produce components for production and semi-finished goods for Germany taking advantage of cost factors. At the same time, FRIWO Far East Ltd. was founded in the former crown colony of Hong Kong. CEAG therefore has around 15 years of experience in China, a clear competitive advantage in a country in which knowledge of local conditions is a critical success factor.

FRIWO in Asia

CEAG – 15-Year Growth Course in China

Internationally competitive production costs for the high-volume power supply market, in particular for mobile telephones, and flexible production capacity were the factors driving the increased use of production in China. The logical consequence was the opening of a second plant in Xixiang in Shenzhen province, just 25 kilometers away from the first plant, in 2000.

In the course of the realignment of the CEAG Group initiated in 2001, a strategic decision was made to concentrate the entire production of high-volume power supplies and chargers in the Chinese plants. The sales network in the Asia-Pacific region that is so important to CEAG was also gradually expanded. The Group now has sales teams in Japan, China, South Korea and Taiwan.

Another important step towards bolstering our position in China and securing our status as the world's largest manufacturer of power supplies and chargers for mobile telephones was taken in October 2004 with the opening of the third production plant in Xing Wang Business Park in Beijing. Initially, around 400 workers will commence production at this plant encompassing 6,500 m^2, where capacity can be flexibly adjusted to meet demand. The logistics and infrastructure of the new plant are state of the art and designed to meet the high quality requirements of CEAG customers.

The CEAG Group's investment in China is a success story par excellence. It is a prime example of how a midmarket company can rise to the challenges of a globalized economy and safeguard its viability in a highly competitive industry. CEAG has become a local economic factor over the past 15 years.

- At the end of 2004, the Group employed around 10,000 workers in China.
- Since the inauguration of the first Chinese plant in 1990, over 800 million of the 930 million appliances produced since the Company's foundation have been manufactured in China.

FRIWO in Asia

The role of the People's Republic as a sales market is also attracting the attention of industry more and more, especially consumer goods manufacturers. China is now the world's largest market for mobile telephones with over 300 million people owning a mobile. CEAG, as one of the key suppliers of mobile telephone producers, stands to benefit from its established local position when it comes to further tapping the Chinese market.

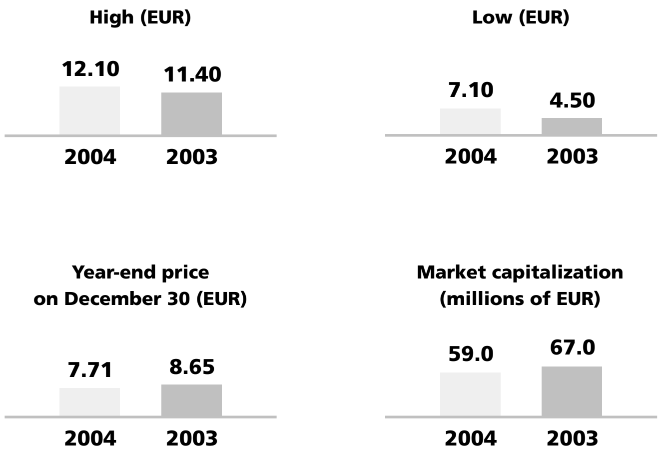
From left: Armin Wegener (Germany), Masanori Uekihara (Japan)

The CEAG Stock

Stock Markets Edge Up in 2004

The upward trend in the international stock markets that commenced in 2003 continued in 2004, although with considerably less momentum in some areas. The DAX closed at 4,256 points at the end of the year, up 7.3% on the prior year, but in stark contrast to the 37% growth seen in 2003. According to market experts, the hike in the value of the euro against the US dollar and the rise in oil prices hampered a stronger recovery in the leading German index. The MDax for mid-caps performed well, growing 20%. In contrast, the technology index, TecDax, dropped 3.9%.

Performance Data of the CEAG Stock*



CEAG AG has 7.7 million shares outstanding. 5.9 million shares are held by DELTON AG, 1.8 million are held in free float. 1.5 million shares were traded in 2004.

* All information based on Xetra closing prices from the Frankfurt Stock Exchange.

The CEAG Stock

The CEAG stock, which has been listed in the Prime Standard Segment of Deutsche Börse since January 1, 2003, initially continued to enjoy the positive trend of the prior year. It peaked on March 8, 2004 at EUR 12.10 but then began to slide, hitting a low of EUR 7.10 on July 22, 2004.

During the second half of 2004, the CEAG stock enjoyed some short-lived rallies, at times to more than EUR 9 per share. Overall, however, performance was flat. The stock closed the year at EUR 7.71, down around 11% on the prior year.

The CEAG Stock

The CEAG Stock vs. Prime All Share Index

While the CEAG stock outperformed the comparative index Prime All Share during the first half of 2004, it could not keep pace with the upward trend of the index in the second half. The Prime All Share performed well, closing up 8.5%.

Landesbank Baden-Württemberg (LBBW) is CEAG AG's designated sponsor.

Open Communication

The Management Board of CEAG AG is committed to open, clear and timely communication with its shareholders, the media and the capital market. In addition to regular events such as the analyst conference and the annual shareholders' meeting, a number of other investor relations and PR events were held in 2004. These included meetings with potential investors and one-to-one meetings with relevant German and foreign business media during which CEAG's particular strengths such as its many years of experience in the Chinese market were discussed. The main task of investor relations is to target measures towards improving the inadequate level of capital market awareness of CEAG as an attractive small cap.

Unchanged Shareholder Structure

At year-end 2004, DELTON AG, Bad Homburg, reported that it continued to hold 76.8% of the capital stock of CEAG AG. DELTON AG is a strategic management holding company for the business operations of its sole shareholder, Mr. Stefan Quandt. The Management Board did not receive any other reports on voting rights pursuant to the Securities Trading Act (WpHG) in the year under review. This means that 23.2% of the CEAG shares were in free float at year-end according to the definition of Deutsche Börse.

Report of the Supervisory Board

Supervisory Board of the CEAG Group
Front, from left: Prof. Dr. Hans-Jürgen Hellwig, Berndt-Michael Winter (Chairman),
Rita Brehm, Dr. Albrecht Leuschner (Deputy Chairman)
Back, from left: Herbert Ellefred, Dr. Antonius Wagner

Report of the Supervisory Board

The Supervisory Board was regularly informed about business developments over the past fiscal year at and between its meetings through written and verbal reports provided by members of the Management Board.

At these meetings, the situation of the Company and its subsidiaries was explained in detail. Business planning and significant individual transactions were also discussed. The chairman of the Supervisory Board and the Management Board also met to discuss major transactions and to review the current development of the Company between Supervisory Board meetings.

Major Topics

Consultations in the strategic business unit, FRIWO Mobile Power (FMP), focused on new customer acquisition. The performance of the second business unit, FRIWO Power Solutions (FPS), was also closely followed. The impact of raw material price increases on the two business units was discussed at length. Personnel and organizational issues, group financing and risk management were also considered in detail.

The Supervisory Board monitored management based on the reports and information from the Management Board. Major transactions were discussed and examined in detail.
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 December 4, 2003. The new compliance declaration adopted by the meeting on December 8, 2004 still contains four deviations. The Management Board and Supervisory Board issued a report that is published in the annual report for 2004 and includes the compliance declaration of December 8, 2004.

Report of the Supervisory Board

Supervisory Board and Committee Meetings

The Supervisory Board held four meetings in the reporting year. The Audit Committee met once in the fiscal year and discussed the Company's financial statements and consolidated statements with the auditors. In addition, the Audit Committee ratified the key points for the audit of the financial statements and the consolidated financial statements as of December 31, 2004. The Personnel Committee had two meetings during the reporting year.

Financial Statements

The 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, 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) of the German Commercial Code (HGB) showed that the Management Board has taken the measures pursuant to Sec. 91 (2) of the Stock Corporation Act (AktG) in a suitable form and that the risk monitoring system fulfills its functions.

The auditors' reports on the audit of the 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 17, 2005, the Audit Committee was informed in detail about the financial statements, consolidated financial statements and the audit findings. They also received detailed information on the major aspects of the financial statements of CEAG AG as well as the consolidated financial statements. The Supervisory Board examined the financial statements, consolidated financial statements and the combined management report for CEAG AG and the Group. There was no cause for objection. The Supervisory Board agrees with the results of the audit and approved the 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 agrees with the Management Board's management report.

Corporate Governance

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 result of the audit 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 2005 the appointment of Ernst & Young AG, Wirtschaftsprüfungsgesellschaft, Düsseldorf, as auditors for fiscal year 2005. The latter has issued a declaration in accordance with No. 7.2.1 of the German Corporate Governance Code.

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, February 24, 2005
The Supervisory Board

Berndt-Michael Winter
Chairman

Corporate Governance
Boards

Supervisory Board

Berndt-Michael Winter
Chairman of the management board of DELTON AG
– Chairman –
Other offices:
DELTON Vermögensverwaltung AG (chairman of the supervisory board)
Thiel Logistik AG, Luxembourg (chairman of the board of directors)
CeDo Household Products Ltd., United Kingdom (until December 21, 2004)
Mast-Jägermeister AG, Wolfenbüttel

Dr. jur. Albrecht Leuschner
Former chairman of the management of Deutsche EXIDE GmbH
and chairman of EXIDE Holding Europe S.A.
– Deputy chairman –
Other offices:
Deutsche EXIDE GmbH (chairman)
DETA DOUGLAS, LLC, USA
HAGEN Batterie AG (chairman)
JUNGHEINRICH AG
Langguth-Erben GmbH & Co.KG (chairman)
OEB Traktionsbatterien AG, Switzerland

Supervisory Board Committees

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

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

Rita Brehm
Assembly worker
Chairperson of the works council
Other offices:
DELTON AG (deputy chairperson)

Herbert Ellefred
Head of warehouse and transformer production

Prof. Dr. Hans-Jürgen Hellwig
Lawyer and notary public
Other offices:
Alte Oper Frankfurt GmbH
Frankfurter Sparkasse (until June 14, 2004)
Putsch GmbH & Co. KG (deputy chairman of the advisory board)
Isabellenhütte Heusler GmbH & Co. KG (chairman of the advisory board)

Dr. Antonius Wagner
Member of the management board of DELTON AG
Other offices:
Thiel Logistik AG, Luxembourg (deputy chairman of the board of directors)
CeDo Household Products Ltd., United Kingdom (until December 21, 2004)
Kraftverkehr Bayern GmbH

As of December 31, 2004

Management Board

Rolf Endress
Chairman of the Management Board
Member of the following supervisory boards in the CEAG Group:
FRIWO Far East Ltd., China
FRIWO Electrical (Shenzhen) Co. Ltd., China
FRIWO Electrical (Beijing) Co. Ltd., China
FRIWO USA, Inc., USA
FRIWO Japan Co. Ltd., Japan

Matthias Grevener
Member of the Management Board (CFO)
Member of the supervisory boards in the CEAG Group:
FRIWO Far East Ltd., China
FRIWO Electrical (Shenzhen) Co. Ltd., China
FRIWO Electrical (Beijing) Co. Ltd., China
FRIWO USA, Inc., USA

Corporate Governance Report

The Management Board and Supervisory Board issue 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 Government Code implemented at the Company with very few exceptions form the basis for corporate governance.

Compliance Declaration Pursuant to Sec. 161 of the Stock Corporation Act (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 May 21, 2003) published on July 4, 2003 in the electronic version of the Federal Gazette since the last compliance declaration on December 4, 2003 with the following exceptions and shall continue to comply with them with the following exceptions:

1. 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. Under these undertakings, Management Board members who cause damage to the Company or third parties through gross negligence in their management function shall 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 remuneration 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).

2. 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).

3. The disclosures of Management Board compensation shall not be personalized in the notes to the consolidated financial statements in order to protect the members' privacy (No. 4.2.4 (2) of the Code).

4. The remuneration of the Supervisory Board shall also not be personalized in the notes to the consolidated financial statements in order to protect the members' privacy (No. 5.4.5 (3) Sentence 1 of the Code)."

Bad Homburg v. d. H., December 8, 2004

Berndt-Michael Winter	Rolf Endress	Matthias Grevener
Chairman of the Supervisory Board	Chairman of the Management Board	Member of the Management Board

Corporate Governance Report

Management and Corporate Structure

As CEAG AG with its headquarters in Bad Homburg v.d.H. is subject to the German Stock Corporation Act (AktG), it has a two-tier management and supervisory structure with its Management Board and Supervisory Board. The 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. It is composed to two thirds of shareholders and to one third of employee representatives in accordance with the German Works Constitution Act (BetrVG) 1952. The shareholders' representatives are elected by the shareholders' meeting, the representatives of the employees are elected by the employees in an election separate from the shareholders' meeting. The Supervisory Board has a five year term of office. The Supervisory Board regularly meets 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 with three members and an Audit Committee also comprising three members. These committees represent the entire Supervisory Board in performing the functions assigned to them by the internal rules of procedure.

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 of relevance to the Company as a whole.

The Shareholders' Meeting

The 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 shareholders' meeting. The 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 shareholders' meeting and implemented by the Management Board with the Supervisory Board's approval.

Financial Statements and Audit

The CEAG Group draws up its financial statements in accordance with International Financial Reporting Standards (IFRSs). The 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 annual and consolidated financial statements are audited by an independent auditor. The auditor is elected by the 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.

Corporate Governance Report

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 entrepreneurial 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 the 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.

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 changes to the business.

Report on the Structure of Management Board Compensation at CEAG AG

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 remuneration at comparable companies in Germany. It takes the special areas of responsibility of each Management Board member into account.

Compensation comprises two components: fixed compensation and a variable bonus. 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 45% of the target income for 100% target achievement in 2004. 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 Supervisory Board's Personnel Committee may fix a special bonus and may grant stock options in accordance with the legal provisions and the resolutions adopted by the shareholders' meeting.

In addition, pension commitments are granted in the form of benefit commitments.

Management Report

From left: Barry Slaughter, Felix Zimmermann

Management Report for the CEAG Group and CEAG AG

CEAG AG with its FRIWO subsidiaries is the world's leading supplier of chargers for mobile telephones. It also produces individual power supplies and chargers for IT and communications, household appliances and power tools, industrial applications and medical technology.

CEAG AG, the holding company of the FRIWO Group, holds all shares in the FRIWO companies. As such, its net assets, financial position and results of operations depend on the performance of the subsidiaries. The following group management report therefore provides a full account of the situation of CEAG AG as well as the Group.

Overall Economic Conditions

Overall Economic Conditions

The upward trend in the global economy continued in 2004. After a strong first quarter, growth slowed down during the rest of the year. Inflated oil prices dampened private consumption and investment confidence among businesses.

The upturn in the global economy in 2004 was primarily driven by the United States and Asia, although other regions such as the new EU member states and some countries in Latin America have been contributing more and more to economic growth. Forecasts by economic experts pointed towards global economic growth of between 3.5% and 4% for the entire year.

The hike in oil prices and the prevailing strength of the euro against the US dollar depressed the European economy, which is highly dependent on exports. Experts forecast economic growth of 1.8% in the euro zone for 2004, albeit with some significant differences from one country to the next. The German economy continued to suffer from sluggish domestic demand, in particular for private consumption goods.

Economic growth in Asia (excluding Japan) remains solid. The level of exports is continuing to grow substantially due to continuing high demand from the United States and lively trade within the region itself. Experts forecast GDP growth of over 7.5% in 2004 for Asia (excluding Japan). 9% growth was forecast for China, where the government has even had to take steps to curtail growth. However, growth is anticipated to slow down in this region in 2005, although the Chinese economy is once again expected to experience above-average growth.

Sources: Globale Trends Q4 2004; Deutsche Bank AG Research; Konjunktur & Trends, Deutsche Bank AG Research, November 26, 2004; ECB Monthly Report September-December 2004; OECD Economic Outlook 76, November 30, 2004

Market Development

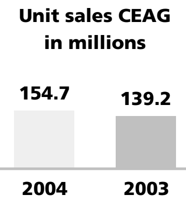
Development of CEAG's Markets

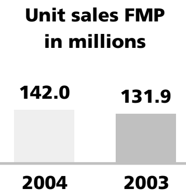
The positive trend in the second half of 2003 in the world market for mobile telephones, by far the most important market for the CEAG Group's FMP business unit, continued in 2004 with a surge in demand. The Gartner market research institute expects annual global sales of mobile telephones to come to around 660 million, which would equate to an increase of almost 27% on 2003 (520 million units). This increase saw some major shifts in the market shares of leading mobile telephone manufacturers (Gartner Dataquest, January 2005).

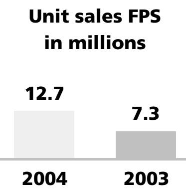
Growth was powered by first-time buys and first-time replacement purchases in the Asia-Pacific region. The industry in China and India performed particularly well; in some regions, the number of mobile telephone users now exceeds the number of land line users. Demand for mobile telephones in emerging countries such as Russia, South Africa, Mexico and Brazil is also high.
The saturated markets of Europe and North America continue to be shaped by replacement purchases with consumers favoring new generation telephones (source: Gartner Dataquest).

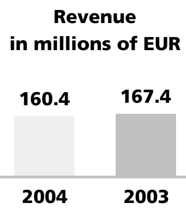
The general conditions for the FPS business unit did not improve considerably in the period under review. The European power supply market contracted by around 1.5% in 2004 (source: IMS Research Euro PSS, December 2004). Demand for FPS products is dependent on the state of the general economy and in particular on consumer behavior, which remained weak in Germany where almost 50% of the business unit's revenues are generated.

Business Performance









Business Performance

Following the earnings turnaround achieved in 2003 subsequent to major restructuring and in spite of unexpectedly high costs, the CEAG Group reports positive earnings both from operations and after tax, with the FPS business unit contributing to earnings for the first time. As in the prior year, consolidated revenues increased net of currency effects.

Production and Unit Sales

The CEAG Group sold a total of 154.7 million power supplies and chargers in 2004. This represents an increase of 11% against the same prior-year period (139.2 million units).

The FMP business unit sold 142.0 million units compared with 131.9 units in 2003. With an increase of 8%, this business unit grew at a slower pace than the mobile telephone market itself. This is chiefly attributable to shifts in the market shares held by mobile telephone manufacturers to the benefit of manufacturers who were not customers of CEAG in the period under review.

CEAG expanded production capacity in China in order to be able to respond flexibly to market growth. The third production plant was opened in Beijing in October 2004. The other two facilities are located in Shajing und Xixiang, both in Shenzhen province. CEAG's production is thus well equipped to meet the expected growth in the mobile telephone market in Asia.

Unit sales in the FPS business unit grew significantly in the period under review. In total, 12.7 million units were sold, corresponding to an increase of 75% against the same prior-year period (7.3 million units). The strong rise is attributable to the major customers and projects acquired over the past 24 months.

Revenues

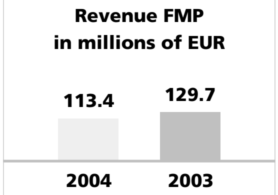
Consolidated revenues came to EUR 160.4 million in 2004. This represents a drop of 4% against the prior year (EUR 167.4 million). As in the prior year, revenue losses can be primarily attributed to the strength of the euro against the US dollar. Most of CEAG's business volume is traded in US dollars and currencies dependent on the US dollar. Net of currency effects, that is based on the same exchange rates as the prior year, consolidated revenues would have exceeded the prior-year figure by almost 4%.

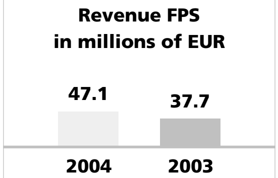
Management Report

Business Performance

The FMP business unit generated revenues of EUR 113.4 million with third parties compared with EUR 129.7 million in 2003 (down 13%) and accounted for 71% (prior year: 77%) of consolidated revenues.

Revenues with third parties in the FPS business unit were up 25% in 2004, increasing from EUR 37.7 million to EUR 47.1 million, and accounted for 29% (prior year: 23%) of consolidated revenues.





Earnings

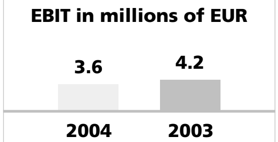
The CEAG Group's earnings were mainly influenced in the period under review by two cost factors:

- The continuing decline in the US dollar against the euro and the related revenue losses reduced EBIT by around EUR 2 million.
- The prices of key raw materials (copper, plastic and metals) rose considerably in 2004. The consumption of copper alone comes to around 3,000 tonnes each year; overall, additional costs of some EUR 4 million were incurred in comparison to the prior year.

As in prior years, CEAG pressed ahead with strict cost management and continuous efficiency improvements and thus further improved the Group's competitiveness. In this context, the processes "design-to-cost" (development of components taking cost/price, availability, quality and platform suitability into account) and "purchase-to-cost" (procurement of components taking price, deliverability and supplier reliability into account) play an important role.

Much of the additional cost related to exchange rates and raw materials and the discounts still granted were absorbed thanks to cost management and efficiency improvements. The improved business outlook at FPS also had a positive effect. As a result, the CEAG Group reports a gross profit as a percentage of revenues of 12.5%, which is even above the prior-year figure (11.6%).

EBIT comes to EUR 3.6 million compared with EUR 4.2 million in the prior year. On the back of the financial result which improved to -EUR 0.9 million (prior year: -EUR 1.4 million), the Group's EBT of EUR 2.7 million almost matched that of the prior year (EUR 2.8 million). After taxes, net profit came to EUR 2.1 million compared with EUR 2.8 million in 2003. With the same number of shares, this corresponds to earnings per share of EUR 0.27 (prior year: EUR 0.36).



Business Performance

At EUR 3.4 million, EBIT in the FMP business unit was down considerably on the prior year (EUR 5.2 million). The decrease is primarily due to the currency-induced revenue losses and the considerable jump in raw material prices.

The FPS business unit reports positive EBIT of EUR 0.3 million compared with negative EBIT of -EUR 1.0 million in 2003.

The consolidated financial statements are prepared in accordance with the provisions of the International Financial Reporting Standards (IFRSs).

Separate Financial Statements of CEAG AG

The results in the separate financial statements of CEAG AG are largely determined by the Company's own expenses and the profits and losses absorbed from its subsidiaries. It has domination and profit and loss transfer agreements with the German subsidiaries. Foreign subsidiaries have to make dividend distributions in order to generate earnings for CEAG AG.

The separate financial statements of CEAG AG disclose a net profit of EUR 6.4 million, comprising profits absorbed in the fiscal year and dividends from group companies (prior year: -EUR 2.6 million).

The financial statements of CEAG AG are drawn up in accordance with the provisions of the German Commercial Code (HGB).

Cash Flow and Balance Sheet

The CEAG Group reports a positive cash flow from operating activities of EUR 11.3 million for fiscal year 2004 (prior year: EUR 15.5 million). This contrasts with an outflow of EUR 7.2 million from investing activities. At EUR 3.4 million as of the balance sheet date, cash and cash equivalents were below the value at the start of the fiscal year (EUR 5.8 million).

The balance sheet total of the CEAG Group stood at EUR 70.2 million as of December 31, 2004, down EUR 7.5 million year on year. Non-current assets were up EUR 1.1 million year on year to EUR 18.2 million mainly due to investments in the third production plant in China. Current assets, on the other hand, decreased by EUR 8.7 million to EUR 51.8 million due to lower receivables and the year-on-year deterioration in the US dollar which is used to account for substantial parts of current assets.

Research and Development, Capital Expenditure

On the liability side of the balance sheet, consolidated net profit, despite offsetting currency adjustments, led to an increase in equity from EUR 19.8 million to EUR 20.2 million. The equity ratio increased from 25.5% to 28.8%. As of December 31, 2004, financing liabilities were down EUR 6.9 million on the prior year.

Research and Development

In 2004, research and development activities in the FMP business unit focused on further cutting the costs of existing components for mobile telephone chargers and designing miniaturized plug-in chargers with less than five watts of power output. By using new power management chips (ASICs), circuit complexity and thus the size requirements were reduced significantly. This technology has met with great interest among key customers.

A cost-optimized universal adapter plug system for different platforms has been constructed and a patent application filed.

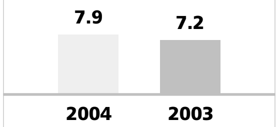
Research activities in 2004 also centered on further downscaling switch mode power supplies. The first prototypes with a power density of up to ten times that of standard plug-in power supply appliances have been developed and presented to important customers.

Key industrial property rights were granted for ASIC integration, battery management and circuit miniaturization.

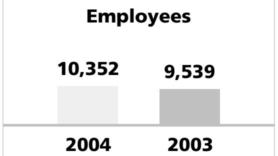
Capital Expenditure

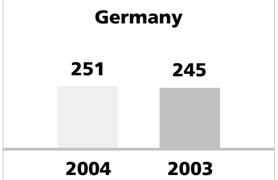
EUR 7.9 million was invested in the CEAG Group in 2004, more than in the prior year. The two investment priorities were increasing capacity in China, in particular in the newly established plant in Beijing, and switch mode technology.

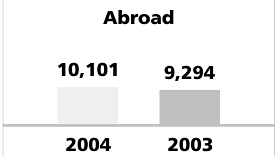
Capital expenditure in millions of EUR



Employees, Environmental Report







Employees

The CEAG Group employed a total of 10,352 employees as of the balance sheet date. This represents an increase of 813 against 2003 (9,539). The increase in the number of employees reflects the expansion of production due to the good climate on the mobile telephone market and the considerable expansion of the FPS business unit.

At the end of 2004, the Group employed around 10,101 workers abroad, an increase of 807. In Germany, 251 staff were employed at CEAG AG's headquarters in Ostbevern as of the balance sheet date (prior year: 245).

The Management Board would like to thank all employees and the works council for their valuable contribution to the Group's success in the period under review. The CEAG Group owes its success in building on the positive earnings trend of the prior year to a large extent to the dedication and commitment of our staff.

Environmental Report

Environmental protection is particularly important to CEAG. The responsible use of natural resources is integrated in all stages of development and production and is continuously monitored and improved.
Besides meeting legal requirements, environmental management in the CEAG Group serves to reduce costs in development and production by conserving resources. This relates, among other things, to the reusability of components.

CEAG documented the materials used in most appliances and took steps to reduce the level of hazardous substances well before the implementation of the EU environmental directive on the Restriction of Use of Hazardous Substances (ROHS Directive). Most of CEAG's products already comply with the legal requirements under the ROHS Directive.

All of the CEAG Group's production plants have been certified in accordance with the internationally accepted environmental management system DIN EN ISO 14001.

Risk Management

Risk Management

CEAG is an internationally operating company. For this reason, effective professional risk management is an indispensable part of corporate governance. In fiscal year 2004, therefore, we made a number of improvements to our risk identification and monitoring systems.
CEAG's risk management system serves to systematically identify risks at an early stage and therefore, in line with its function as a prevention system, 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, evaluation and 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 levels are passed on to higher management levels (Management Board, Supervisory Board). This ensures that all identified risks are addressed and reinforces our risk culture in the Group through the involvement of several management levels.

The risk management system in place guarantees that risks are addressed in accordance with the Law on Control and Transparency in Business (KonTraG) in the CEAG Group.
The development of the global economy, exchange rate effects – especially the US dollar-euro exchange rate – increasing prices for raw materials and uncertainties surrounding the future development of the market for mobile telephones are risks that can have a lasting impact on business performance. In addition, the Company generates most of its revenues from a few major customers.

Risk Management

The foreign currency risk as a transaction risk represents a significant risk due to the international operations of the CEAG Group. In our case, 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 their local currency against all other currencies. Subsidiaries are not permitted to engage in speculative foreign currency borrowing or investment. Subsidiaries preferably obtain financing in their local currency or on a hedged basis. The Group has a treasury function which regularly assesses currency risks, and hedges against major consolidated risks by entering into foreign exchange contracts, selling foreign currencies or debt in foreign currencies. Foreign currency risks between USD, BRL, HKD and CNY are not hedged. Risks from future transactions are countered by endeavoring to conduct transactions in the currency in which production costs are incurred.

Many of our companies do not operate in the euro zone. As our reporting currency is the euro, the income statements of these companies need to be translated into euros. With regard to foreign currency translation effects, our risk management approach works on the principle that investments in our foreign companies are long term.

The EU Directive on Waste Electrical and Electronics Equipment (WEEE) took effect on February 13, 2003. It had to be transposed into national law by August 13, 2004. The return of WEEE free of charge for end users and distributors must be in place by August 13, 2005. It is uncertain at present how this will be arranged and how much this will cost CEAG. In particular, the products and manufacturers concerned have not yet been clearly defined by law, such that it is not yet evident as to whether the CEAG Group would be notably affected by this legislation. This, however, is due to be more precisely defined by the legislator and the EU. A provision in connection with the directive was not recognized in the 2004 financial statements as sales will not result in potential obligations until after August 13, 2005.

DELTON AG, the majority shareholder of CEAG AG, has extended some of the required credit lines to the Company. This financing is currently set to expire on June 30, 2005. With support from DELTON AG, CEAG AG is now attempting to secure full independent financing once again.

There are currently no risks which could threaten the Company's ability to continue as a going concern.

Outlook

Outlook

Due to the rise in oil prices and the resulting hike in the price of key raw materials, the growth forecasts for the global economy for 2005 were adjusted downward at the end of 2004. The OECD adjusted its growth projections for 2005 for the 31 leading industrial nations from 3.3% in the spring to a mere 2.9% at the end of November.
The federal government's most recent projection for GDP growth in Germany stood at 1.6% (January 26, 2005). In its annual report, the German Council of Economic Experts estimated growth of 1.4% for 2005, which is nominally lower than in 2004, but did point out that there are less working days in 2005.

Industry experts also expect the global mobile telephone market to grow in 2005 (source: Gartner Dataquest). Growth is expected to slow down, although double-digit growth looks possible.

In the FMP business unit, the CEAG Group will focus on expanding its customer portfolio in 2005. Our aim is to widen our customer base to allow us to take greater advantage of the momentum of the mobile telephone market than in 2004 and become less sensitive to shifts in markets shares among mobile telephone manufacturers. The FPS business unit will continue to focus on exhausting the potential of the strategic segments with improved platforms and targeted developments.

Relationships With Affiliated Companies

In its report on relationships with affiliated companies in fiscal year 2004, 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 of the steps taken or omitted."

Ostbevern, February 11, 2005
CEAG AG
The Management Board

Financial Statements CEAG Group

From left: Holger Müller, Peter Vogt

Financial Statements CEAG Group

Contents

Consolidated Financial Statements 2004

Consolidated Balance Sheet of the CEAG Group

as of December 31, 2004

Assets

in thousands of EUR	Notes	2004	2003
Non-current assets			
Goodwill	(6)	0	168
Other intangible assets	(7)	419	663
Property, plant and equipment	(8)	17,732	16,213
Financial assets	(9)	5	5
		18,156	**17,049**
Different assets	(14)	**231**	**103**
Current assets			
Inventories	(10)	32,279	27,994
Trade receivables	(11)	13,590	22,396
Other assets	(11)	2,181	4,191
Prepaid expenses	(12)	343	154
Cash and cash equipments	(13)	3,426	5,801
		51,819	**60,536**
Total assets		**70,206**	**77,688**

Financial Statements CEAG Group

Equity and liabilities

in thousands of EUR	Notes	2004	2003
Equity	(15)		
Subscribed capital		20,020	20,020
Capital reserve		15,440	15,440
Revenue reserves		-17,299	-18,405
Consolidated net profit		2,074	2,759
		20,235	**19,814**
Debt			
Non-current debt			
Non-current liabilities to banks	(19)	522	714
Provisions for pensions	(16)	2,215	2,174
Other non-current provisions	(17)	909	784
		3,646	**3,672**
Current debt			
Provisions for taxes		855	509
Other current provisions	(17)	1,305	1,628
Current financial liabilities	(18)	9,775	16,471
Trade payables	(18)	27,720	28,709
Other liabilities	(18)	6,670	6,885
		46,325	**54,202**
		49,971	**57,874**
Total equity and liabilities		**70,206**	**77,688**

Financial Statements CEAG Group

Consolidated Income Statement of the CEAG Group

for Fiscal Year 2004

in thousands of EUR	Notes	2004	2003
Revenue	(21)	**160.448**	**167,426**
Cost of sales	(22)	-140,454	-148,003
Gross profit		**19,994**	**19,423**
Research costs	(23) (31)	-597	-625
Selling expenses	(24)	-7,622	-6,161
General administrative expenses	(25)	-9,080	-9,490
Other operating expenses	(26)	-3,507	-4,189
Other operating income	(27)	4,574	5,313
Income from investments		19	14
Earnings before interest, taxes and amortization (EBITA)		**3,781**	**4,285**
Amortization of goodwill		-168	-71
Earnings before interest and taxes (EBIT)		**3,613**	**4,214**
Interest income	(28)	36	92
Interest expense	(28)	-964	-1,457
Earnings before income taxes (EBT)		**2,685**	**2,849**
Income taxes	(29)	-611	-90
Consolidated net profit		**2,074**	**2,759**
Earnings per share (basic and diluted) (in EUR)	(30)	0.27	0.36

Financial Statements CEAG Group

Cash Flow Statement of the CEAG Goup

for Fiscal Year 2004

in thousands of EUR	2004	2003
Consolidated net profit	2,074	2,759
Depreciation of non-current assets	5,386	5,480
Change in provisions	307	-3,042
Gain/loss on the disposal of non-current assets	-245	-421
Change in deferred taxes	-128	-149
Change in inventories	-6,506	5,881
Change in trade receivables and other assets that cannot be allocated to investing or financing activities	9,927	-1,008
Change in trade payables and other liabilities that cannot be allocated to investing or financing activities	1,103	7,298
Other non-cash effects	-606	-1,321
Cash flow from operating activities	**11,312**	**15,477**
Cash received from disposals of property, plant and equipment/intangible assets	682	1,220
Cash paid for investments in intangible assets	-65	-283
Cash paid for investments in property, plant and equipment	-7,841	-6,916
Cash flow from investing activities	**-7,224**	**-5,979**
Cash paid to repay financial liabilities to affiliated companies	-9,254	-2,945
Cash received from raising a long-term annuity loan	0	1,000
Cash paid to repay a long-term annuity loan	-183	-103
Cash received from/cash paid to repay liabilities to banks (net)	2,754	-2,665
Cash flow from financing activities	**-6,683**	**-4,713**
Effect of exchange rates on cash and cash equivalents	220	-86
Net change in cash and cash equivalents	**-2,375**	**4,699**
Cash and cash equivalents at beginning of fiscal year	5,801	1,102
Cash and cash equivalents at end of fiscal year	**3,426**	**5,801**

For more information, please see Note 39 of the notes to the financial statements.

Financial Statements CEAG Group

Statement of Changes in Equity for the CEAG Group

Statement of Changes in Equity for the CEAG Group

in thousands of EUR	Subscribed capital	Capital reserve
January 1, 2003	**20,020**	**15,440**
Appropriation of prior-year profit/loss	0	0
Consolidated net profit/loss	0	0
Valuation of cash flow hedges	0	0
Currency translation differences	0	0
December 31, 2003	**20,020**	**15,440**
Appropriation of prior-year profit/loss	0	0
Consolidated net profit/loss	0	0
Valuation of cash flow hedges	0	0
Currency translation differences	0	0
December 31, 2004	**20,020**	**15,440**

Segment Report of the CEAG Group for Fiscal Year 2004

By business segment in thousands of EUR	2004 FMP	2004 FPS
External sales	113,372	47,076
Internal sales	13,443	300
Segment result (EBIT)	3,362	251
Interest		
Income taxes		
Consolidated net profit		
Segment assets	51,141	17,458
Other assets		
Balance sheet total		
Segment liabilitites	33,587	7,282
Other liabilities		
Debt		
Investments in intangible assets and property, plant and equipment	6,987	919
Amortization/depreciation of intangible assets and property, plant and equipment	4,239	1,147
Other non-cash expenses	2,412	1,286

in thousands of EUR	2004 Europe	2003 Europe
External sales (by geographical segment)	93,769	109,492
Segment assets (by geographical segment)	22,730	37,813
Investments in intangible assets and property, plant and equipment (by geographical segment)	1,006	1,196

Financial Statements CEAG Group

	Other revenue reserves	Valuation reserve for cash flow hedges	Currency translation adjustment	**Revenue reserves**	**Consolidated net profit/ loss**	**Consolidated equity**
	14,024	**0**	**-1,843**	**12,181**	**-25,064**	**22,577**
	-25,064	0	0	-25,064	25,064	0
	0	0	0	0	2,759	2,759
	0	109	0	109	0	109
	0	0	-5,631	-5,631	0	-5,631
	-11,040	**109**	**-7,474**	**-18,405**	**2,759**	**19,814**
	2,759	0	0	2,759	-2,759	0
	0	0	0	0	2,074	2,074
	0	-53	0	-53	0	-53
	0	0	-1,600	-1,600	0	-1,600
	-8,281	**56**	**-9,074**	**-17,299**	**2,074**	**20,235**

	2004 Consolidation	**2004 Group**	**2003 FMP**	**2003 FPS**	**2003 Group**
		160,448	129,726	37,700	167,426
	-13,743	0			
		3,613	5,207	-993	4,214
		-928			-1,365
		-611			-90
		2,074			2,759
	-2,050	66,549	50,447	21,337	71,784
		3,657			5,904
		70,206			77,688
	-2,050	38,819	31,837	8,343	40,180
		11,152			17,694
		49,971			57,874
		7,906	5,687	1,512	7,199
		5,386	4,212	1,268	5,480
		3,698	1,537	554	2,091

	2004 Asia	**2003 Asia**	**2004 Americas**	**2003 Americas**	**2004 Group**	**2003 Group**
	40,796	32,463	25,883	25,471	**160,448**	**167,426**
	40,778	32,417	3,041	1,554	**66,549**	**71,784**
	6,770	5,898	130	105	**7,906**	**7,199**

Notes to the Consolidated Financial Statements for Fiscal Year 2004

General (1)
CEAG AG, the holding company of the FRIWO Group, is one of the world's leading suppliers of chargers and power supplies for mobile telephones and other appliances along with the FRIWO subsidiaries.

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 2004 are published in the Federal Gazette and deposited with the commercial register of the Local Court of Bad Homburg v. d. Höhe under HRB 6024.

Basis and Methods

General Principles (2)
The consolidated financial statements of CEAG AG have been prepared in accordance with the provisions of the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), London, in effect as of the balance sheet date. CEAG AG also applies the International Accounting Standards revised in the course of the IASB's improvement project in these financial statements. These standards are mandatory for fiscal years starting from January 1, 2005; earlier adoption from January 1, 2004 is encouraged by the IASB. These standards are as follows:

IAS 1	Presentation of Financial Statements
IAS 2	Inventories
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10	Events After the Balance Sheet Date
IAS 16	Property, Plant and Equipment
IAS 17	Leases
IAS 21	The Effects of Changes in Foreign Exchange Rates
IAS 24	Related Party Disclosures
IAS 27	Consolidated and Separate Financial Statements
IAS 28	Investments in Associates
IAS 31	Interests in Joint Ventures
IAS 33	Earnings per Share
IAS 40	Investment Property

The adoption of these standards does not have a material effect on the consolidated financial statements of CEAG AG as of December 31, 2004.

With regard to the amended provisions on the currency translation of goodwill and hidden reserves disclosed in first-time consolidation, we refer to Note (5).

The IASB published IFRS 3 ("Business Combinations") and substantially revised IAS 36 and IAS 38 in March 2004. IFRS 3 applies to business combinations agreed upon by the transaction partners on or after March 31, 2004. The CEAG Group did not participate in any business combinations in fiscal year 2004; IFRS 3 and IAS 36 (revised) and IAS 38 (revised) therefore apply at the latest to the fiscal year starting on January 1, 2005. CEAG AG does not disclose any goodwill at the end of fiscal year 2004, and no assets with an indefinite useful life are reported. First-time application of IFRS 3, IAS 36 and IAS 38 is therefore not expected to have a material effect on CEAG AG.

The IASB published the revised versions of IAS 32 and IAS 39 in December 2003. They supersede IAS 32 (revised 2000) and IAS 39 (revised 2000) and are mandatory for fiscal years starting from January 1, 2005. The embedded derivates recognized under other liabilities/other assets no longer need to be recognized under IAS 39 (2003). Other liabilities of EUR 130 thousand (prior year: EUR 121 thousand) are disclosed as of December 31, 2004. For comparison, the comparative figures and equity as of January 1, 2004 would need to be adjusted accordingly.

The IASB also adopted the following standards in 2004:

IFRS 2 Share-Based Payment
IFRS 4 Insurance Contracts
IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations

Mandatory adoption of these standards from January 1, 2005 is not expected to have a material effect on CEAG AG's consolidated financial statements as an exercisable stock option plan does not exist at present and there are no assets available for sale within the meaning of IFRS 5.

The consolidated financial statements are in compliance with the European Union's accounting directives (Directive 83/349/EEC). To ensure that the consolidated financial statements are equivalent to consolidated accounts prepared in accordance with the German Commercial Code (HGB) all disclosures and explanations required above and beyond the provisions of the IASB have been provided.

These consolidated financial statements in accordance with IFRSs are exempting consolidated financial statements as the requirements of Sec. 292a HGB are met. Compliance with these requirements is assessed on the basis of German Accounting Standard 1 (GAS 1) issued by the German Accounting Standards Committee (GASC).

The IFRS provisions applied and the provisions of the German Commercial Code (HGB) differ in the following significant respects:

Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the entity, and the cost of the asset can be measured reliably; i.e. there is no general ban on the recognition of intangible assets that were not purchased for a consideration.

Non-current assets are generally depreciated on a straight-line basis. Regardless of whether property, plant and equipment are still used in operations or are held for sale, these items must be tested for impairment (in an impairment test that may be based on cash-generating units) and reduced to their recoverable amount if need be.

Inventories are always valued according to their value on the sales market.

Contrary to Sec. 274 (2) HGB, deferred tax assets must be recognized for all temporary differences between the tax balance sheet and IFRS balance sheet, including differences not recognized in net profit or loss.

The actuarial method used to calculate pension provisions under IAS 19 includes future salary and pension increases and differs from valuation according to German commercial law, which is typically based on tax regulations. Gains and losses from changes in actuarial assumptions are only recognized in net profit or loss if they exceed 10% of the present value of the pension obligations.

Overall, the rules governing the creation of provisions are more stringent. Provisions may only be recognized when an entity has a legal or constructive obligation towards third parties and it is probable that the obligation will have to be settled. Under IFRSs, the obligation has to be quantifiable and the most probable amount should be recognized.

Primary and derivative financial instruments are recognized as assets and liabilities in the balance sheet. Depending on their classification, some financial instruments are measured at fair value – even if fair value exceeds (historical) cost. Under IFRSs, hedging relationships may also qualify for special hedge accounting under which gains or losses are sometimes recognized directly in equity.

In the separate financial statements, receivables and liabilities in foreign currencies are disclosed at the exchange rate on the date of the transaction. They are then translated at the closing rate on the balance sheet date. In contrast to HGB, receivables and liabilities are not measured at the lower or higher of cost or market.

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

The financial statements are prepared on a cost basis except for certain financial instruments which are measured at fair value. Forward exchange contracts are measured at fair value. We refer to Note (38).

All amounts are in thousands of euros (EUR thousand) unless otherwise stated.

Consolidated Group (3)

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. Reference is made to the disclosures on shareholdings in Note (44).

The consolidated group comprises three domestic and six foreign companies. FRIWO Electrical (Beijing) Co. Ltd., consolidated in the prior year, commenced its operating activities in the fiscal year.

Consolidation Policies (4)

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

Capital consolidation follows the purchase method. Any differences remaining after the allocation of hidden reserves and hidden charges are disclosed as goodwill or negative goodwill and recognized as expense or income on a systematic basis. In accordance with SIC-8, the goodwill from first-time consolidation prior to January 1, 1995 is still recognized directly in reserves.

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 sales, intercompany profits and losses and all other intercompany expenses and income are eliminated.

Foreign Currency Translation (5)
In the separate financial statements, receivables and liabilities in foreign currencies are disclosed at the exchange rate on the date of the transaction. They are then translated at the closing rate on the balance sheet date.

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 annual 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 equity in the separate item “currency translation differences”.

In accordance with IAS 21 (2003), goodwill and the hidden reserves disclosed on first-time consolidation of foreign subsidiaries are treated as if they represented assets of the subsidiaries. As a result, they are translated according to the functional currency concept. However, the goodwill from first-time consolidation existing as of January 1, 2004 and the hidden reserves disclosed were still translated at historical cost applying the transitional provisions of IAS 21 (2003).

The Group’s reporting currency is the euro, which is the reporting currency of CEAG AG.

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

	Balance sheet date		Average	
in foreign currency/EUR	**2004**	**2003**	**2004**	**2003**
Brazil (BRL)	3,6331	3,6453	3,6285	3,5008
China (CNY)	11,0925	10,2676	10,1219	9,2872
Hong Kong (HKD)	10,5794	9,8049	9,6801	8,8259
Japan (JPY)	141,0300	135,0500	134,3816	131,9235
USA (USD)	1,3604	1,2630	1,2429	1,1333

Notes to the Balance Sheet

Goodwill (6)
Any excess of the cost of acquiring an entity over the fair value of the acquired entity’s assets and liabilities is recognized as goodwill in the balance sheet. This goodwill should be reported at cost less any accumulated amortization and any accumulated impairment losses. If there are indications of impairment and threcoverable amount is less than the amortized cost, an impairment loss is

Schedule of Consolidated Non-Current Assets of CEAG AG for Fiscal Year 2004

	Cost					
in thousands of EUR	Jan. 1, 2004	Additions	Disposals	Transfers	Currency translation differences	Dec. 31, 2004
Intangible assets						
Goodwill	2,701	0	0	0	-168	2,533
Industrial property rights and similar rights and assets	3,071	32	15	94	-15	3,167
Payments on account	94	33	0	-94	0	33
	5,866	**65**	**15**	**0**	**-183**	**5,733**
Property, plant and equipment						
Land and buildings	11,885	277	1,019	0	-194	10,949
Technical equipment and machinery	31,729	5,754	437	111	-1,870	35,287
Other equipment, furniture and fixtures	17,961	1,193	2,548	27	-223	16,410
Payments on account and assets under construction	270	617	0	-138	-44	705
	61,845	**7,841**	**4,004**	**0**	**-2,331**	**63,351**
Financial assets						
Investments	5	0	0	0	0	5
	67,716	**7,906**	**4,019**	**0**	**-2,514**	**69,089**

recogized on the goodwill. Goodwill comprises the goodwill from capital consolidation and is amortized over its useful life (five years at present).

CEAG's remaining goodwill from capital consolidation was fully amortized in fiscal year 2004.

Reference is made to the schedule of consolidated non-current assets.

Depreciation/amortization						Carrying amount	
Jan. 1, 2004	**Additions**	**Disposals**	**Transfers**	**Currency translation differences**	**Dec. 31, 2004**	**Dec. 31, 2004**	**Dec. 31, 2003**
2,533	168	0	0	-168	2,533	0	168
2,502	303	15	0	-9	2,781	386	569
0	0	0	0	0	0	33	94
5,035	**471**	**15**	**0**	**-177**	**5,314**	**419**	**831**
7,436	660	803	0	-138	7,155	3,794	4,449
22,369	3,360	283	-20	-1,075	24,351	10,936	9,360
15,827	895	2,481	20	-148	14,113	2,297	2,134
0	0	0	0	0	0	705	270
45,632	**4,915**	**3,567**	**0**	**-1,361**	**45,619**	**17,732**	**16,213**
0	0	0	0	0	0	5	5
50,667	**5,386**	**3,582**	**0**	**-1,538**	**50,933**	**18,156**	**17,049**

Other Intangible Assets (7)
In accordance with IAS 38, intangible assets should be recognized at cost and systematically amortized on a straight-line basis over their expected useful life. The useful life for other intangible assets is three to four years. The amortization period and method are reviewed regularly. 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 capitalized and treated as an intangible asset if these

Schedule of Consolidated Non-Current Assets of CEAG AG for Fiscal Year 2003

	Cost					
in thousands of EUR	Jan. 1, 2003	Additions	Disposals	Transfers	Currency translation differences	Dec. 31, 2003
Intangible assets						
Goodwill	3,181	0	0	0	-480	2,701
Industrial property rights and similar rights and assets	2,914	283	211	125	-40	3,071
Payments on account	222	0	3	-125		94
	6,317	**283**	**214**	**0**	**-520**	**5,866**
Property, plant and equipment						
Land and buildings	12,236	365	48	0	-668	11,885
Technical equipment and machinery	30,938	5,540	1,446	138	-3,441	31,729
Other equipment, furniture and fixtures	18,122	979	708	19	-451	17,961
Payments on account and assets under construction	1,035	32	550	-157	-90	270
	62,331	**6,916**	**2,752**	**0**	**-4,650**	**61,845**
Financial assets						
Investments	5	0	0	0	0	5
	68,653	**7,199**	**2,966**	**0**	**-5,170**	**67,716**

costs are not an integral part of the related hardware. Software is amortized on a straight-line basis over three to five years.

Research and development costs are charged against income in the period incurred. The requirements for recognizing development costs as assets under IAS 38.45 are not met.
Reference is made to the schedule of consolidated non-current assets.

Depreciation/amortization						Carrying amount	
Jan. 1, 2003	Additions	Disposals	Transfers	Currency translation differences	Dec. 31, 2003	Dec. 31, 2003	Dec. 31, 2002
2,942	71	0	0	-480	2,533	168	239
2,052	527	122	60	-15	2,502	569	862
45	15	0	-60	0	0	94	177
5,039	**613**	**122**	**0**	**-495**	**5,035**	**831**	**1,278**
7,321	542	48	0	-379	7,436	4,449	4,915
22,425	3,308	1,385	58	-2,037	22,369	9,360	8,513
15,727	1,016	612	4	-308	15,827	2,134	2,395
61	1	0	-62	0	0	270	974
45,534	**4,867**	**2,045**	**0**	**-2,724**	**45,632**	**16,213**	**16,797**
0	0	0	0	0	0	5	5
50,573	**5,480**	**2,167**	**0**	**-3,219**	**50,667**	**17,049**	**18,080**

Property, Plant and Equipment (8)

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

Items of property, plant and equipment whose use is limited are depreciated systematically over their expected useful lives unless the actual pattern of use indicates that they are impaired. If there are indications of impairment and the recoverable amount is less than the cost less depreciation, an impairment loss is recognized for the property, plant and equipment. If the reasons for an impairment loss cease to apply, the impairment loss is reversed as appropriate.

Systematic 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.

Reference is made to the schedule of consolidated non-current assets.

There was an indication of a possible impairment of the property, plant and equipment at the Ostbevern production plant in fiscal year 2004. Property, plant and equipment were therefore reviewed in accordance with IAS 36 ("Impairment of Assets"). As in the prior years, the production facilities in Ostbevern were defined as one cash-generating unit. Net of systematic depreciation, the carrying amounts approximated the recoverable amount, such that no additional impairment losses had to be recognized. As in the prior year, the recoverable amount in fiscal year 2004 was determined by reference to the value in use in excess of the net realizable value. The calculation of value in use was based on the expected net cash receipts of the cash-generating unit discounted at a rate of 9%.

The discounted cash flow model used is based on the budget and forecast data for the following fiscal years. The five-year planning period assumes dynamic market growth with increasing revenues, but slightly lower margins for CEAG. This analysis also included the expected increase in costs, in particular personnel expenses, determined on the basis of past experience.

The residual carrying amount of the Ostbevern cash-generating unit comes to EUR 2,131 thousand as of December 31. If the profitability of the production plant were to exceed the assumptions made on a sustainable basis, the carrying amounts (calculated as of December 31, 2004) could be written up to EUR 4,206 thousand and the impairment losses reversed accordingly.

Financial Assets (9)

Financial assets relate to the investment in Taunus Treuhandgesellschaft mbH, Bad Homburg v. d. Höhe, in which CEAG holds 10% of the capital stock. This investment is classified as available for sale under IAS 39 ("Financial Instruments: Recognition and Measurement") and should therefore be measured at fair value. Reference is made to the disclosures on financial instruments in Note (38). Since the fair value could not be reliably determined, the investment is carried at historical cost.

Inventories (10)

in thousands of EUR	2004	2003
Raw materials, consumables and supplies	10,279	8,752
Work in progress	3,192	2,289
Finished goods and merchandise	18,808	16,953
	32,279	**27,994**

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 weighted 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 of purchase or conversion. Measurement includes reasonable provision for inventory risks arising from a lower net realizable value. Impairment losses on inventories came to EUR 2.3 million (prior year: EUR 2.0 million) as of December 31, 2004. The salability of the inventories was taken into account in the calculation.

The carrying amount of the inventories recognized at net realizable value is EUR 3,088 thousand (prior year: EUR 3,893 thousand).

Receivables and Other Assets (11)

in thousands of EUR	2004	2003
Trade receivables	13,590	22,396
Other assets	2,181	4,191
	15,771	**26,587**

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 net profit or loss.

Appropriate specific bad debt allowances account for recognizable risks; an allowance based on past experience is recognized for the remaining credit risk. In the reporting year, trade receivables and other assets were adjusted by EUR 449 thousand (prior year: EUR 551 thousand).

Other claims for refunds from the tax office, rent deposits and receivables from import VAT are recognized as other assets. Tax refund claims of EUR 762 thousand (EUR 1,390 thousand) are disclosed. They mainly comprise receivables from German and foreign VAT.

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

Prepaid Expenses (12)

Prepaid expenses comprise prepaid insurance premiums and other prepaid items.

Cash and Cash Equivalents (13)

Cash and cash equivalents comprise cash on hand and balances at banks. Cash and cash equivalents are carried at nominal value or translated at the closing rate and break down as follows:

in thousands of EUR	2004	2003
Cash	82	21
Balances at banks	3,344	5,780
	3,426	**5,801**

Deferred Taxes (14)

Deferred taxes are calculated in accordance with IAS 12 ("Income Taxes"). Deferred tax assets and liabilities that are likely to arise in future are recognized for temporary differences between the carrying amounts in the consolidated financial statements and the tax base of assets and liabilities. Any anticipated tax savings from loss carryforwards which are likely to be used in future are recognized as deferred tax assets.

Deferred tax assets related to deductible temporary differences and tax loss carry forwards exceeding taxable temporary differences of a taxable entity are only recognized to the extent that it is reasonably probable that the entity will have future taxable profit against which the unused tax losses can be utilized.

Deferred tax assets and liabilities are only offset if the claims relate to the same taxation authority and the same taxable entity.

We also refer to our comments on "Income Taxes".

Equity (15)

The subscribed capital and capital reserve 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 does not hold treasury shares either directly or indirectly. The capital reserve is available to offset any future losses and in part to increase capital stock subject to the restrictions of Sec. 150 of the Stock Corporation Act (AktG), but not for distributions.

The Management Board is authorized to increase capital stock by up to EUR 9,100,000 on one or several occasions by issuing no-par bearer shares in return for contributions in cash or kind. No use has been made of this authorization to date. It is limited until May 31, 2007.

The Management is also authorized to grant subscription rights to no-par bearer shares in the Company to beneficiaries on a single occasion. No use has been made of this authorization to date. It is limited until December 31, 2005. In this context, the capital stock has been conditionally increased by up to EUR 156,000 by issuing up to 60,000 no-par shares (conditional capital). The conditional capital serves to grant subscription rights (stock option rights) to members of the Management Board and employees of the Company and to members of the management board/management and employees of entities affiliated to the Company within the meaning of Secs. 15 et seq. AktG. The conditional capital increase will only be carried out to the extent that the bearers of the stock options, which the Management Board and Personnel Committee of the Supervisory Board have been authorized to issue, exercise their subscription rights. An exercisable stock option plan does not exist at present.

The revenue reserves disclosed in the consolidated balance sheet comprise the consolidated equity earned to December 31, 2003 and the item for currency translation differences as well as changes in the fair value of derivatives (cash flow hedges).

Provisions for Pensions (16)

Development of provisions for pensions

in thousands of EUR	2004	2003
Provision, January 1	2,174	2,118
Benefits paid	-140	-125
Current service cost	65	63
Interest cost	116	118
Provision, December 31	**2,215**	**2,174**

Calculation of the amount of provision

in thousands of EUR	2004	2003
Present value of unfunded obligations	2,211	2,139
Unrecognized actuarial gains and losses	4	35
Provision, December 31	**2,215**	**2,174**

The provisions for pensions are recognized in accordance with the requirements of IAS 19 (revised 2002).

Pension obligations from direct pension commitments were calculated according to the projected unit credit method allowing for future adjustments to salaries and pensions. The actuarial calculation is based on the following parameters: a discount rate of 5.5% (prior year: 5.5%), a salary increase of 3.5% (prior year: 3.0%) and a pension increase of 1.25% to 1.5% (prior year: 1.0% to 1.5%). In accordance with IAS 19.93 actuarial gains or losses exceeding 10% of the present value of the pension obligations are recognized as income or expense in the year in which they arise.

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

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 (17)

in thousands of EUR	Balance Jan. 1, 2003	Utilization	Reversal	Addition	Translation difference	Balance Dec. 31, 2004
Other non-current provisions						
Personnel and welfare	**784**	**156**	**0**	**281**	**0**	**909**
Other current provisions						
Warranties	**696**	452	244	1,247	-85	**1,162**
Restructuring	**491**	266	225	0	0	**0**
Sales	**62**	59	3	59	0	**59**
Other	**379**	344	0	49	0	**84**
	1,628	**1,121**	**472**	**1,355**	**-85**	**1,305**

Other provisions are recognized in accordance with IAS 37. Under this Standard, provisions are only recognized when the entity 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.

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 provisions for warranties cover warranties for deliveries and services rendered.

All restructuring measures were completed in fiscal year 2004. No additional claims are expected to be asserted by third parties. The residual provision was therefore reversed in full.

The sales obligations mainly involve potential losses from pending sales transactions.

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 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 and results of operations to be passed to the Group's disfavor in the legal proceedings currently pending.

Current Liabilities (18)

in thousands of EUR	2004	2003
Liabilities to banks	6,334	3,776
Trade payables (third parties)	27,681	28,678
Liabilities to affiliated companies	3,480	12,726
(of which current financial liabilities)	(3,441)	(12,695)
(of which trade)	(39)	(31)
Other liabilities	6,670	6,885
(of which taxes)	(168)	(559)
(of which social security)	(346)	(379)
	44,165	**52,065**

Payment obligations are reported as non current or current depending on their maturity.

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 net profit or loss.

Other liabilities include embedded derivatives (in accordance with IAS 39) of EUR 130 thousand (prior year: EUR 121 thousand).

The remaining other liabilities include debtors with credit balances, sales bonuses and other liabilities relating to sales and operations.

The liabilities to banks and the loan disclosed under non-current liabilities are fully secured by land charges and other collateral rights. The registered land charges of EUR 5 million (prior year: EUR 5 million) are secured by the annuity loan disclosed under non-current liabilities. The other collateral rights mainly relate to inventories and trade receivables.

Non-Current Liabilities (19)

in thousands of EUR	Residual term of less than 1 year	Residual term of 1 to 5 years	Residual liability Dec. 31, 2004	Residual term of less than 1 year	Residual term of 1 to 5 years	Residual liability Dec. 31, 2003
Annuity loan	192	**522**	714	183	**714**	897

Non-current liabilities to banks relate to an annuity loan which has a term of five years. The current portion of EUR 192 thousand (prior year: EUR 183 thousand) is disclosed under current liabilities to banks. The prior-year disclosure was adjusted accordingly. Reference is made to the disclosures on financial instruments in Note (38).

Notes to the Income Statement

Presentation (20)

The presentation of the income statement was changed in the 2004 financial statements to improve clarity. The EBITA (earnings before interest, tax and goodwill amortization) and EBIT lines (earnings before interest and taxes) were added. Goodwill amortization, disclosed under other operating expenses in the prior year, is now shown separately. Income from investments, disclosed under the financial result in the prior year, is also now disclosed separately. The prior-year disclosure was adjusted accordingly.

Revenue (21)

Revenues from the sale of finished goods and merchandise and the related services are reported in this item. Revenues are recognized when the products and merchandise have been delivered or the service has been rendered. Revenues are disclosed net of general VAT, internal sales, trade discounts, volume rebates and any bonuses.

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

Cost of Sales (22)
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 Costs (23)
Expenditure on basic research is disclosed in this item.

Selling Expenses (24)
Selling expenses comprise the costs of the sales departments as well as costs for advertising and commission expenses. Logistics costs (EUR 3,413 thousand) are disclosed for the first time in fiscal year 2004 under cost of sales. Logistics costs (EUR 3,191 thousand) were disclosed under selling expenses in the prior year. The position of this item was changed in order to make the presentation of CEAG’s earnings power more transparent. The prior-year disclosure was adjusted accordingly for the 2004 consolidated financial statements.

General Administrative Expenses (25)
Personnel and material expenses for administration and the costs for external services are disclosed in this item unless they are recharged internally to other functions.

Other Operating Expenses (26)

in thousands of EUR	2004	2003
Losses on disposals of assets	28	94
Exchange losses	3,465	3,645
Other expenses	14	450
	3,507	**4,189**

Exchange losses mainly result from buying and selling goods in foreign currencies in the normal course of business.

In keeping with the new structure of the income statement, goodwill amortization (prior year: EUR 71 thousand) is now disclosed separately. The prior-year disclosure of other operating expenses was adjusted accordingly.

Other Operating Income (27)

Other operating income mainly comprises exchange gains of EUR 3.3 million (prior year: EUR 3.7 million). The exchange gains partly originate from forward exchange contracts and other hedges which were concluded to offset exchange losses but which may not be netted. This item also includes income of EUR 225 thousand (prior year: EUR 482 thousand) from the reversal of restructuring provisions.

Financial Result (28)

in thousands of EUR	2004	2003
Other interest and similar income	36	92
Interest and similar expenses	-848	-1,339
(of which to affiliated companies)	(-368)	(-936)
Interest portion of additions to provisions for pensions and similar obligations	-116	-118
Financial result	**-928**	**-1,365**

Income from investments was disclosed in the financial result in the prior year. For the sake of clarity, the items interest income, income expense and income from investments are disclosed separately in line with the new structure of the income statement.

Income Taxes (29)

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	2004	2003
Current income taxes	779	240
Taxes from prior years	-20	-126
Adjustment of deferred tax assets on loss carryforwards	276	0
Change in the adjustment of deferred tax assets from prior years	-568	-212
Change in deferred taxes on temporary differences	144	188
	611	**90**

Deferred taxes are recognized for all temporary differences between the tax base of assets and liabilities and their carrying amount in the IAS financial statements and for all loss carryforwards that may be utilized for tax purposes. Deferred tax assets and liabilities are measured at the tax rates expected at the time of realization and on the basis of the tax regulations applicable as of the balance sheet date. Deferred tax assets are only reported if there are likely to be taxable results against which the deferred tax asset may be used.

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

in thousands of EUR	2004 Assets	2004 Liabilities	2003 Assets	2003 Liabilities
Intangible assets	0	3	0	3
Property, plant and equipment	539	0	464	0
Inventories	117	173	90	173
Retained earnings of foreign subsidiaries	0	260	0	0
Provisions for pensions	74	0	85	0
Other provisions	5	12	0	12
Liabilities	0	1	0	1
Loss carryforwards	3,808	0	3.808	0
Total	**4,543**	**449**	**4,447**	**189**
Netting	-449	-449	-189	-189
Adjustment	-3,863	0	-4,155	0
Consolidated balance sheet	**231**	**0**	**103**	**0**

The total amount of deductible temporary differences for which no deferred tax assets were disclosed is EUR 4,841 thousand (prior year: EUR 6,321 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 considered unrealistic that the tax loss carryforwards of the German companies will be realized and deferred tax assets have not been recognized on these losses as a result.

The loss carryforward in Germany as of December 31, 2004 for which no deferred tax assets were recognized amounts to EUR 23.3 million (prior year: EUR 20.8 million) for corporate income tax and EUR 21.8 million (prior year: EUR 19.5 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 assets were recognized on loss carryforwards of EUR 3.0 million (prior year: EUR 1.5 million) for the two subsidiaries in the United States and Japan and for FRIWO Electrical (Beijing) Co. Ltd. The loss carryforwards may be utilized within 20 years in the United States, within seven years in Japan and within five years in China.

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

in thousands of EUR	**2004**	**2003**
Earnings before taxes	2,685	2,849
Estimated tax expense [1]	1,020	1,083
Differing tax rates abroad	-25	332
Non-deductible goodwill amortization	64	27
Non-deductible other expenses	127	101
Non-deductible foreign investment income	187	34
Non-recognition of deferred taxes	1,567	1,810
Impairment/reversals of impairments on deferred taxes recognized to date	-32	-377
Tax effects from temporary differences not recognized/adjusted to date	-936	-1,007
Non-recognition of taxes due to local tax exemptions	-1,296	-1,959
Taxes for prior years	-20	-126
Other effects, netted	-45	172
	611	**90**

[1] Estimated tax expenses at a rate of 38% (prior year: 38%) for CEAG AG

Earnings Per Share (30)

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 0.27 in 2004 (prior year: EUR 0.36). The number of shares (7.7 million no-par shares) has not changed in the reporting year. An exercisable stock option plan does not exist at present. As there are no financial instruments that could be exchanged for shares, diluted earnings are the same as basic earnings.

in thousands of EUR	2004	2003
Number of no-par shares outstanding	7,700,000	7,700,000
Consolidated net profit (in thousands of EUR)	2,074	2,759
Earnings per share (in EUR)	0.27	0.36

Other Disclosures on the Income Statement

Research and Development Costs (31)

Costs of EUR 5.4 million were reported in the year under review (prior year: EUR 5.4 million). Basic research accounted for EUR 0.6 million (prior year: EUR 0.6 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.

Depreciation and Amortization (32)

in thousands of EUR	2004	2003
Amortization of intangible assets	471	613
(of which systematic goodwill amortization)	(168)	(71)
Depreciation of property, plant and equipment	4,915	4,867
	5,386	**5,480**

Cost of Materials (33)

in thousands of EUR	2004	2003
Cost of raw materials, consumables and supplies and of purchased goods	99,820	105,757
Cost of purchased services	2,670	1,430
	102,490	**107,187**

Personnel Expenses (34)

in thousands of EUR	2004	2003
Personnel expenses	**30,479**	**28,922**

Employees (35)

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

Number of employees	2004	2003
Germany	248	252
Abroad	9,875	8,628
	10,123	**8,880**

Other Taxes (36)

Other taxes are disclosed in the expenses of the individual functions. They amount to EUR 57 thousand (prior year: EUR 48 thousand).

Other Disclosures

Other Financial Commitments (37)

in thousands of EUR	2004	2003
Purchase commitments for property, plant and equipment	174	153
Rent and lease obligations	6,855	5,769
(of which due next year)	(2,225)	(1,960)
(of which due in two to five years)	(4,630)	(3,809)
	7,029	**5,922**

Leases of assets under which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments under an operating lease were recognized as an expense on a straight-line basis over the lease term.

The rent and lease obligations include rent of EUR 6,213 thousand (prior year: EUR 5,695 thousand) for sites in China, mainly for factory buildings.

Lease expenses of EUR 2,120 thousand (prior year: EUR 1,819 thousand) were recognized in net profit in fiscal year 2004.

Financial Instruments (38)

The financial instruments shown on the face of the balance sheet are cash and cash equivalents, trade receivables and payables, interest rate swaps and forward exchange contracts.

The primary financial instruments recognized as assets are classified according to IAS 39 ("Financial Instruments: Recognition and Measurement") as "held for trading", "held to maturity" and "available for sale" and initially measured at cost. Held-to-maturity financial instruments are also measured at cost in subsequent periods with changes in value not being recognized in net profit or loss until the date of maturity. Held-for-trading and available-for-sale financial instruments are subsequently measured at fair value. Changes in the fair value of held-for-trading financial instruments are immediately reported in net profit or loss unless the restrictive conditions for hedge accounting are met. This is also the case for fair value hedges that qualify for hedge accounting, where the gains or losses on the hedge and the host contract are recognized in net profit or loss. For cash flow hedges that qualify for hedge accounting, the gains and losses are initially reported in equity until they are recognized in net profit or loss for the relevant fiscal year once the purpose of the hedge has been achieved. Changes in the fair value of available-for-sale financial instrument are recognized directly under equity if they are temporary.

Financial instruments which represent cash and cash equivalents, trade receivables, other assets, trade payables, other liabilities and liabilities to banks are reported at nominal value, which approximates their fair value as these financial instruments are short term and bear interest at market rates. With regard to the long-term annuity loan, the carrying amount closely approximates the fair value as interest is charged at market rates.

"Regular way" purchases and sales of financial assets are accounted for at settlement date in accordance with IAS 39.

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 revenues in US dollars in fiscal year 2005.

Certain deliveries by CEAG companies are made in a currency which is not the currency of the primary economic environment of one of the two contracting parties. These contracts are hybrid financial instruments whose embedded derivative must be separated from the host contract. This is the case when the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract and a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.

The derivative financial instruments recognized are classified as held for trading. The nominal volumes and market values as of the balance sheet date are shown in the following table:

	Nominal volume		**Market value**	
in thousands of EUR	**Dec. 31, 2004**	**Dec. 31, 2003**	**Dec. 31, 2004**	**Dec. 31, 2003**
Forward exchange contracts (cash flow hedges)	1,243	1,154	56	109
Foreign exchange contracts (other)	649	2,164	2	147
Embedded derivatives	2,095	1,972	-130	-121

CEAG is exposed to the risk of changes in interest rates on account of its liabilities to lenders. As in the prior year, most liabilities to affiliated companies and banks in fiscal year 2004 are short-term borrowings. EONIA, HIBOR, LIBOR, SIBOR and EURIBOR are the reference interest rates used by the lenders to settle most of the loans drawn as of the balance sheet date. The fixed-interest period for a five-year loan to FRIWO Gerätebau GmbH, Ostbevern, of approx. EUR 1,000 thousand ends in mid-2008. The residual liability under the annuity loan (see Note (19)) is EUR 714 thousand as of the balance sheet date. The development of market interest rates is subject to constant monitoring and analysis. Given the interest risks, longer term financing options will also be considered in future.

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.

Notes to the Cash Flow Statement (39)
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 composition of cash and cash equivalents at the beginning and end of the period under review reflects the composition of cash and cash equivalents in the respective balance sheet.

Interest and tax payments are shown in the following table:

in thousands of EUR	**2004**	**2003**
Interest paid	-848	-1,339
Interest received	36	92
Income taxes received/paid	-413	-257

EUR 183 thousand of the long-term annuity loan was repaid in fiscal year 2004.

Notes to the Segment Reporting (40)
The primary reporting format is business segments. For this purpose, we distinguish between our FMP and FPS activities. The FMP (FRIWO Mobile Power) business unit focuses on the high-volume markets such as those for mobile telephones, CD/MD players and similar products, whose sales structure is solely based on key accounts. The FPS (FRIWO Power Solutions) unit concentrates on medical and industrial technology, power tools and applications in the communications industry. Sales are regionally structured for this unit, with some support from commercial agents and distributors.

Sales made between the two business units in fiscal year 2004 are disclosed separately in the income statement and balance sheet (as receivables and liabilities). For this purpose, an extra column for consolidation was added to the segment report. This had no effect that had to be eliminated from net profit or loss at year-end. Sales were not made between the business units in fiscal year 2003.

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 effects 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% (prior year: 59%) of total revenues for all segments in the year under review.

Sales to another customer from the FMP business unit which is represented in all geographical segments came to 10% (prior year: 12%) of total revenues for all segments in the year under review.

Related Party Disclosures (41)

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, 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 97 thousand (prior year: EUR 95 thousand) in the reporting year. In addition, DELTON AG granted CEAG AG a credit line in the year under review. EUR 3.5 million of the credit line totaling EUR 10.0 million (prior year: EUR 25.4 million) had been utilized as of December 31, 2004. The interest expense for the loans utilized in the fiscal year came to EUR 368 thousand (prior year: EUR 936 thousand). All transactions were concluded at normal market conditions in accordance with the arm's length principle.

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 (42)

Remuneration for members of the Supervisory Board for fiscal year 2004 comes to EUR 51 thousand (prior year: EUR 47 thousand). The fixed remuneration per Supervisory Board member is EUR 5,000 p.a. The variable remuneration depends on the amount of dividends declared and was not paid in 2004. The chairman of the Supervisory Board receives three times, the deputy twice the above amount. As decided at the shareholders' meeting on May 20, 2003, committee members, other than the chairman and deputy chairman of the Supervisory Board, receive additional remuneration of EUR 2,000.

Total remuneration of the Management Board for fiscal year 2004 amounts to EUR 583 thousand (prior year: EUR 674 thousand), consisting of a fixed component of EUR 419 thousand and a variable component of EUR 164 thousand. EUR 72 thousand (prior year: EUR 63 thousand) was added to the provision for pension obligations for current Management Board members. The provision thus comes to EUR 318 thousand (prior year: EUR 246 thousand).

Former members of the Management Board and their survivors received pension benefits of EUR 75 thousand (prior year: EUR 62 thousand). Total provisions of EUR 1,041 thousand (prior year: EUR 1,058 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 (43)

Members of the Supervisory Board held a total of 120 shares as of December 31, 2004 (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.

Shareholdings (44)
The domestic companies listed have profit and loss transfer agreements with CEAG AG. FRIWO Gerätebau GmbH, Ostbevern, and FRIWO Mobile Power GmbH, Ostbevern, make use of the simplifications pursuant to Sec. 264 (3) HGB.

in thousands of EUR	Shareholding	Equity	Net profit/loss 2004**
FRIWO Mobile Power GmbH, Ostbevern, Germany	100%	19,894	8,830*
FRIWO Gerätebau GmbH, Ostbevern, Germany	100%	10,838	86*
FRIWO Far East Ltd., Hong Kong, China	100%	10,634	-912
FRIWO CEAG Electrical (Shenzhen) Company Ltd., Xixiang, China	100%	9,717	4,364
FRIWO Electrical (Beijing) Co., Ltd, Beijing, China	100%	717	-935
FRIWO USA, Inc., Colorado Springs, USA	100%	-162	-190
FRIWO Japan Co., Ltd., Tokyo, Japan	100%	-1,068	-731
FRIWO do Brasil Ltda., Sao Paulo, Brazil	100%	170	201

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

Corporate Governance Disclosure (45)
The Management Board and Supervisory Board issued the declaration required pursuant to Sec. 161 of the Stock Corporation Act (AktG) and made it available to the shareholders.

Sub-Group Consolidated Financial Statements (46)
DELTON AG, Bad Homburg v. d. Höhe, holds the majority of CEAG AG. The consolidated financial statements of CEAG AG are included in the consolidated financial statements of DELTON AG, which are deposited with the commercial register of the Local Court of Bad Homburg v. d. Höhe.

Authorization for Issue (47)

The consolidated financial statements of CEAG AG will be authorized for issue by the Management Board on February 17, 2005 (day of authorization by the Management Board for submission to the Supervisory Board).

Bad Homburg v. d. Höhe, February 11, 2005
CEAG AG
The Management Board

Rolf Endress	Matthias Grevener
Chairman of the Management Board	Member of the Management Board

Report of Independent Auditors

Report of Independent Auditors

"We have audited the consolidated financial statements, comprising the balance sheet, the income statement and the statements of changes in equity and cash flows as well as the notes to the financial statements, prepared by CEAG AG, Bad Homburg v.d. Höhe, for the fiscal year from January 1, 2004 to December 31, 2004. The preparation and content of the consolidated financial statements are the responsibility of the Company's Management Board. Our responsibility is to express an opinion whether the consolidated financial statements are in accordance with International Financial Reporting Standards (IFRSs) based on our audit.

We conducted our audit of the consolidated financial statements in accordance with German auditing regulations and generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [in Deutschland] (IDW). Those standards require that we plan and perform the audit such that it can be assessed with reasonable assurance whether the consolidated financial statements are free of material misstatements. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of 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 amounts and disclosures in the consolidated financial statements are examined on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position, results of operations and cash flows of the Group for the fiscal year in accordance with IFRSs.

Report of Independent Auditors

Our audit, which also extends to the report on the position of the Company and the Group prepared by the Management Board for the fiscal year from January 1, 2004 to December 31, 2004, has not led to any reservations. In our opinion, on the whole the report on the position of the Company and the Group together with the other disclosures in the consolidated financial statements provides a suitable understanding of the Group's position and suitably presents the risks to future development. In addition, we confirm that the consolidated financial statements and the report on the position of the Company and the Group for the fiscal year from January 1, 2004 to December 31, 2004 satisfy the conditions required for the Company's exemption from its obligation to prepare consolidated financial statements and the group management report in accordance with German law."

Düsseldorf, February 17, 2005
Ernst & Young AG
Wirtschaftsprüfungsgesellschaft

Hans Dingler	Thomas Harms
Wirtschaftsprüfer	Wirtschaftsprüfer

Glossar

Cash flow hedge	A hedge that meets the requirements for cash flow hedges under IAS 39. Changes in fair value are reported directly in equity.
Corporate governance	Corporate management standard based on a voluntary code of conduct for greater transparency in business and greater investor protection. The Corporate Governance Code encompasses recommendations for corporate management and standards of conduct for listed companies recognized on an international and national level.
Design-to-cost/DTC	Continuous cost-optimized product development process.
DIN EN ISO 14001	Certification of process-based quality management in accordance with international standards.
FMP	FRIWO Mobile Power – strategic business unit producing power supplies and chargers for the high-volume markets of the telecommunications industry. Core segment: power supplies and chargers for mobile telephones.
FPS	FRIWO Power Solutions – strategic business unit producing power supply equipment for medical technology, IT/communications, power tools and industrial applications. This unit has a lower production volume than FMP.
Free float	That part of equity which is independently held.
IAS/IFRS	International Accounting Standards/International Financial Reporting Standards. Standards intended to ensure better international comparability of financial statements.
ISIN	ISIN International Securities Identification Number – global securities code.
OEM	Original equipment manufacturer – a company that buys products or components from a manufacturer and uses them in proprietary products or resells them under its own name.
Power supplies	Individual products or product solutions used to supply electricity to a wide variety of devices/applications.
Power supply market	Global market for power supplies with a wide variety of product segments, applications and country-specific features.
Prime All Share	The Prime All Share Index comprises all companies that meet the stringent criteria of the Prime Standard. It includes all companies from the DAX, MDAX, SDAX, TecDAX and Prime Standard.
Prime Standard	Premium segment of the Frankfurt Stock Exchange (FWB) since January 1, 2003, with international transparency requirements (quarterly reports, financial statements in accordance with international accounting standards, corporate calendar, annual analyst conference, ad hoc press releases in English). CEAG meets these requirements and is listed in this segment.
Purchase-to-cost/PTC	Continuous cost-optimized component and service procurement process.
RoHS	ROHS = restrictions on hazardous substances. This includes lead-free soldering, which has already been introduced at FRIWO. FRIWO's aim is to manufacture all its products without the use of hazardous substances before July 1, 2006 (Directive 2002/96/EC dated January 27, 2003).