

Power unlimited

Third Quarter Report 2004



CEAG AG

At a Glance

Highlights

- Revenues and earnings pick up in the third quarter
- EBIT positive at EUR 2 million after nine months
- Revenues for the nine months up 1% net of currency effects
- Dynamic growth continues at FPS

Key Figures for the CEAG Group

In millions of EUR		1 - 9/2004	1 - 9/2003
Unit sales	in millions		
CEAG		106.1	95.4
FMP		97.3	90.4
FPS		8.8	4.9
Revenue			
CEAG		112.6	120.8
FMP		78.5	92.9
FPS		34.1	27.9
EBIT			
CEAG		2.0	1.5
EBIT operating margin	%	1.8	1.2
FMP EBIT		1.2	2.6
FPS EBIT		0.8	-1.1
Consolidated net profit			
Earnings per share	EUR	0.14	0.05
Capital expenditure			
		5.8	5.8
Employees (as of September 30)			
Germany		254	251
Abroad		11,299	10,115

Contents

4 Third Quarter Report

Market Environment
Business Performance in the Third Quarter
Unit Sales
Revenue
Earnings
Cash Flow and Balance Sheet
Capital Expenditure
Employees
Outlook

8 The CEAG Share

9 CEAG Group Quarterly Financial Statements

Financial Calendar 2004

Fiscal year January 1 - December 31
Third quarter report November 10, 2004

Financial Calendar 2004

Fiscal year January 1 - December 31
Annual results March 16, 2005
Results press conference March 16, 2005
Analyst conference March 16, 2005
Annual shareholders' meeting April 21, 2005
First quarter report May 12, 2005
Semi-annual report August 3, 2005
Third quarter report November 9, 2005

Addresses

CEAG AG

Headquarters: Bad Homburg v.d.H.

Business address

Von-Liebig-Strasse 11
D-48346 Ostbevern, Germany
Tel.: +49 (0) 25 32 - 81 -111
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

WKN 620 110

ISIN DE 0006201106

CEA

CEAG AG, Bad Homburg v.d.H

The third quarter report is also available in German.

Third Quarter Report

Market Environment

There was little change in global economic conditions in the third quarter of 2004. Despite the high price of oil, still a major risk factor for overall economic development, the six leading German economic research institutes forecast in their fall report a robust 3.9% growth for the global economy in 2004, driven primarily by the United States and Asia. The experts predict an increase of 1.8% in GDP for Germany and of 1.9% for the euro area. However, the forecasts for next year point to a slowdown in global growth.

Dynamic growth continues in the global market for mobile telephones, the CEAG Group's most important customer segment. Market research institutes and leading manufacturers have again upwardly adjusted their expectations for 2004 as a whole and most now expect worldwide sales to exceed 600 million mobile telephones. This would be an increase of well above 15% against the prior year (520 million units). Competitive pressure remains high, especially as experts are predicting a decrease in unit sales growth for the industry next year.

Business Performance in the First Nine Months of 2004

Unit Sales

The CEAG Group sold a total of 106.1 million power supplies and chargers from January to September 2004. This represents an increase of 11.3% against the same prior-year period (95.4 million units). The FRIWO Mobile Power (FMP) business unit, which covers the high-volume markets for mobile telephones, CD/MD players, etc., recorded sales of 97.3 million units (prior-year period: 90.4 million units) from January to September, an increase of 7.6%. As in the first six months, CEAG was unable to benefit fully from the growth of the mobile telephone market in the third quarter as CEAG's customers accounted for a lower-than-average share of unit sales growth in the industry.

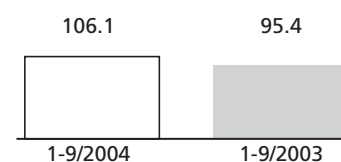
Sales in the FRIWO Power Solutions (FPS) business unit, which focuses on highly fragmented markets such as medical technology or household appliances and power tools, achieved unit sales of 8.8 million units in the first nine months. This represents nearly 80% growth against the prior-year period (4.9 million units), which is due exclusively to new projects, some of which were launched last year.

Revenue

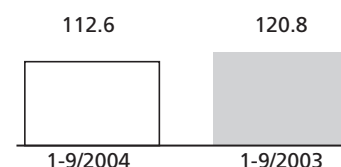
Consolidated revenue amounted to EUR 112.6 million in the first nine months of 2004 after EUR 120.8 million in the same period of the prior year (down 6.8%). However, despite the strength of the euro against the US dollar continuing to diminish revenues, we were able to keep revenues in the third quarter fairly constant at EUR 42.2 million versus EUR 42.8 million in the same quarter of 2003. Net of currency effects, that is based on the same exchange rates as the prior year, revenues would have increased by 0.8% in the nine-month period.

The revenues of the FMP business unit amounted to EUR 78.5 million in the first nine months (prior-year period: EUR 92.9 million). Almost 8.2 percentage points of the 15.5% decrease are attributable to currency effects. In addition, product price cuts again led to losses that growth in unit sales failed to offset. The FPS business unit reported EUR 34.1 million for the nine months (prior-year period: EUR 27.9 million). This is an increase of 22.4% or, net of currency effects, even 28.1%.

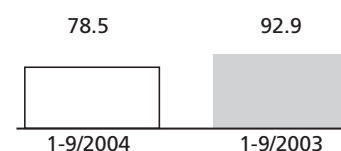
Sales in millions of units



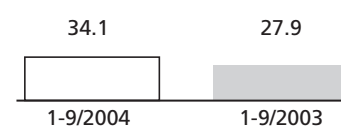
Group revenue in millions of EUR



FMP revenue in millions of EUR

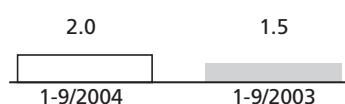


FPS revenue in millions of EUR



Third Quarter Report

EBIT in millions of EUR



Earnings

As announced in the semi-annual report, the CEAG Group's earnings picked up in the third quarter. Earnings before interest and taxes (EBIT) improved to EUR 2.0 million in the first nine months after EUR 1.5 million in the prior-year period, with the period from July to September alone accounting for EUR 1.0 million. CEAG is continuing to compensate for currency-induced revenue losses and strong increases in the cost of raw materials (copper, plastic, etc.) through rigorous cost and process management.

Earnings before taxes improved to EUR 1.3 million in the first nine months of the year thanks to higher EBIT and a lower net financial loss of EUR 0.4 million. Consolidated net profit for the nine months comes to EUR 1.1 million or EUR 0.14 per share after EUR 0.4 million or EUR 0.05 per share in the prior-year period.

With EBIT at EUR 1.2 million in the first nine months, FMP fell short of the prior-year figure of EUR 2.6 million due to revenue and currency effects. FPS, on the other hand, improved its EBIT significantly to EUR 0.8 million on the back of strong revenue growth, following negative EBIT of EUR 1.1 million in the prior-year period.

Cash Flow and Balance Sheet

The CEAG Group's cash flow from operating activities for the first three quarters of 2004 amounted to -EUR 2.9 million after EUR 2.8 million in the same prior-year period. The main reason for the negative figure was the greater level of capital tied up in higher inventories, which as of September 30, 2004 were up EUR 10.4 million on the level as of December 31, 2003. Inventories have been increased to cater to expected units sales in the traditionally strong fourth quarter. Customers have also been slow to request delivery of orders, resulting in a corresponding rise in inventories as of the reporting date.

The balance sheet total of the CEAG Group increased to EUR 84.0 million as of September 30, 2004, up 8.1% on the EUR 77.7 million reported as of December 31, 2003. At EUR 21.4 million, equity was EUR 1.6 million up on the year-end 2003 figure (EUR 19.8 million), translating into an equity ratio of 25.5%, the same level as was recorded at the end of the last fiscal year. Greater capital requirements for operating and investing activities were financed by reducing cash and cash equivalents from EUR 5.8 million to EUR 0.6 million and increasing short-term financial liabilities from EUR 3.1 million to EUR 19.5 million.

Capital Expenditure

EUR 5.8 million was invested in the CEAG Group in the first nine months of the fiscal year, much the same as in the prior-year period. The third quarter accounted for EUR 3.8 million (prior year: EUR 1.3 million) of this amount. A key focus of expenditure was the expansion of switch mode technology as well as investment in the third Chinese production plant in Beijing and in information technology. The new plant was inaugurated in October.

Employees

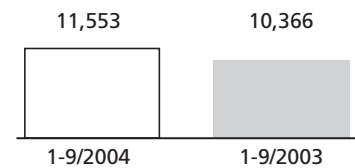
The CEAG Group increased its headcount substantially in the third quarter in line with seasonal trends and rising unit sales. 11,553 people were employed in the Group as of September 30, 2004. This represents an increase of 2,245 against June 30, 2004. Compared with September 30 of the prior year, this is a rise of 1,187. As of September 30, 2004, 254 employees worked at the headquarters of CEAG AG in Ostbevern compared with 251 a year ago. 11,299 people were employed abroad, mostly in the Chinese production plants (September 30, 2003: 10,115).

Outlook

The Management Board has reaffirmed its expectations that the CEAG Group will report positive EBIT for fiscal year 2004 as a whole, building on the positive result achieved in 2003.

Cash flow will improve as inventories are reduced in the fourth quarter.

Total employees

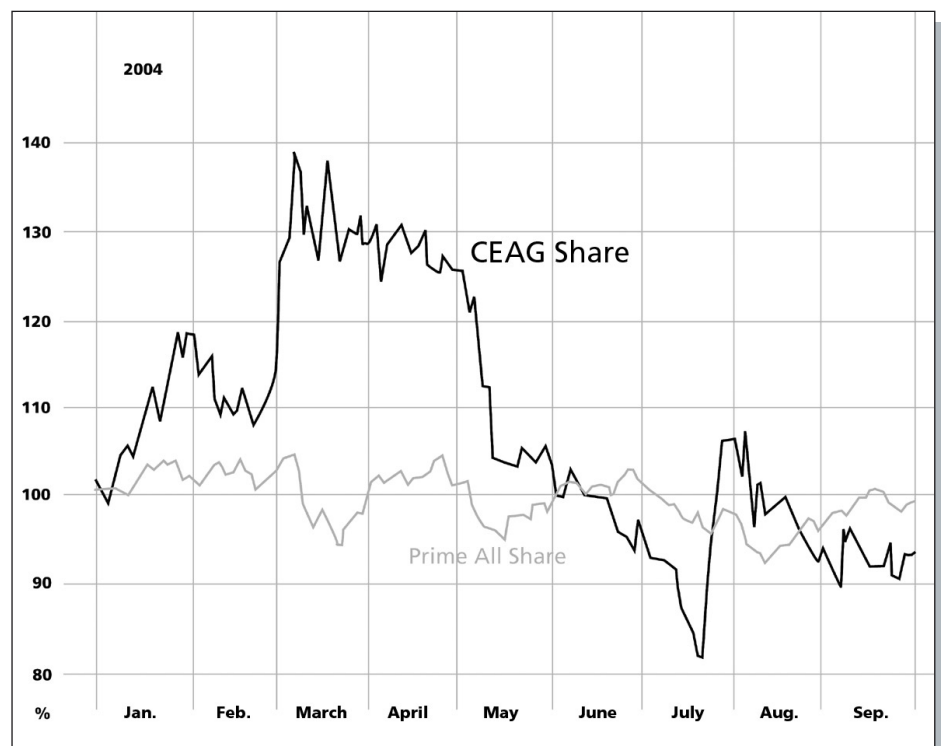


Third Quarter Report

The CEAG Share

The downward trend of the CEAG share price that set in during the second quarter initially continued in the third quarter of 2004. On July 22 the stock reached its low for the year at EUR 7.10. After rallying to EUR 9.30 by July 29, the CEAG share price slipped again, closing at EUR 8.13 on September 29 (Xetra closing prices).

During the third quarter, the stock outperformed the Prime All Share Index at times. However, at the beginning and end of the quarter under review, CEAG's performance was weaker in comparison.



CEAG Group

Consolidated Financial Statements

as of September 30, 2004

Consolidated Balance Sheet of CEAG AG as of September 30, 2004

Assets

In thousands of EUR	Sep. 30, 2004	Dec. 31, 2003
Non-current assets		
Goodwill	114	168
Other intangible assets	498	663
Property, plant and equipment	18,299	16,213
Financial assets	5	5
	18,916	17,049
Deferred taxes	116	103
Current assets		
Inventories	38,345	27,994
Trade receivables	22,235	22,396
Other assets	3,309	4,191
Prepaid expenses	395	154
Cash and cash equivalents	645	5,801
	64,929	60,536
Total assets	83,961	77,688

CEAG Group

Consolidated Financial Statements

as of September 30, 2004

Consolidated Balance Sheet of CEAG AG as of September 30, 2004

Equity and liabilities

In thousands of EUR	Sep. 30, 2004	Dec. 31, 2003
Equity		
Subscribed capital	20,020	20,020
Capital reserve	15,440	15,440
Revenue reserves	-15,130	-18,405
Consolidated net profit	1,104	2,759
	21,434	19,814
Debt		
Non-current debt		
Non-current liabilities to banks	761	897
Provisions for pensions and similar obligations	2,174	2,174
Other non-current provisions	791	784
	3,726	3,855
Current debt		
Provisions for taxes	782	509
Other current provisions	1,464	1,628
Current financial liabilities	19,530	16,288
Trade payables	29,651	28,709
Other liabilities	7,374	6,885
	58,801	54,019
	62,527	57,874
Total equity and liabilities	83,961	77,688

Consolidated Income Statement of CEAG AG as of September 30, 2004

In thousands of EUR	7 - 9/2004	7 - 9/2003	1 - 9/2004	1 - 9/2003
Revenue	42,177	42,799	112,599	120,801
Cost of sales	-37,481	-38,124	-99,980	-108,514
Gross profit	4,696	4,675	12,619	12,287
Research costs	-183	-128	-406	-442
Selling expenses	-1,428	-1,582	-4,116	-4,202
General administrative expenses	-2,494	-2,310	-6,905	-6,778
Other operating income	1,330	589	2,973	2,968
Other operating expenses	-945	-615	-2,184	-2,359
Earnings before interest and taxes	976	629	1,981	1,474
Financial result	-248	-213	-639	-1,035
Earnings before income taxes	728	416	1,342	439
Income taxes	-109	-15	-238	-25
Consolidated net profit	619	401	1,104	414
Earnings per share (in EUR)	0.08	0.05	0.14	0.05

Logistics costs are disclosed under cost of sales as of fiscal year 2004. The prior-year figures have been adjusted as appropriate.

Statement of Changes in Equity for the CEAG Group

In thousands of EUR	1 - 9/2004	1 - 9/2003
Consolidated equity as of January 1	19,814	22,577
Consolidated net profit	1,104	414
Change in valuation reserve for cash flow hedges	53	0
Currency translation differences	463	-3,011
Consolidated equity as of September 30	21,434	19,980

CEAG Group Consolidated Financial Statements as of September 30, 2004

The present report of the CEAG Group for the third quarter of 2004 complies with the International Accounting Standard 34. The same accounting and valuation principles are applied as used for preparation of the consolidated financial statements for 2003.

Segment Reporting

By business unit in thousands of EUR	FMP	FPS	Group
1 - 9/2004			
External sales	78,455	34,144	112,599
Segment result (EBIT)	1,236	760	1,996
1 - 9/2003			
External sales	92,896	27,905	120,801
Segment result (EBIT)	2,598	-1,111	1,487

Cash Flow Statement of the CEAG Group

In thousands of EUR	1 - 9/2004	1 - 9/2003
Consolidated net profit	1,104	414
Depreciation of non-current assets	3,926	4,368
Change in provisions	116	-2,804
Gain/loss on the disposal of non-current assets	-269	-270
Change in deferred taxes	-13	-25
Change in inventories	-10,351	7,580
Change in trade receivables and other assets that cannot be allocated to investing or financing activities	802	-318
Change in trade payables and other liabilities that cannot be allocated to investing or financing activities	1,431	-4,251
Other non-cash expenses and income	382	-1,888
Cash flow from operating activities	-2,872	2,806
Cash received from disposals of property, plant and equipment/intangible assets	441	886
Cash paid for investments in property, plant and equipment/intangible assets/financial assets	-5,836	-5,780
Cash flow from investing activities	-5,395	-4,894
Change in financial liabilities	3,106	3,118
Cash flow from financing activities	3,106	3,118
Effect of exchange rates on cash and cash equivalents	5	-16
Net change in cash and cash equivalents	-5,156	1,014
Cash and cash equivalents at beginning of fiscal year	5,801	1,102
Cash and cash equivalents at end of September 30	645	2,116