

Power unlimited

Semi-annual Report 2004



CEAG AG

At a Glance

Highlights

- Increase in EBIT to EUR 1 million
- Revenues down 1.8% net of currency effects
- FPS business unit gains significant momentum

Key Figures for the CEAG Group

In millions of EUR		1 - 6/2004	1 - 6/2003
Unit sales	in millions		
CEAG		66.5	59.6
FMP		60.9	56.6
FPS		5.6	3.0
Revenue			
CEAG		70.4	78.0
FMP		48.9	59.9
FPS		21.6	18.1
EBIT			
CEAG		1.0	0.8
EBIT operating margin	%	1.4	1,1
FMP EBIT		0.7	1.4
FPS EBIT		0.3	-0.5
Consolidated net profit		0.5	0.0
Earnings per share	EUR	0.06	0.00
Capital expenditure		2.0	4.5
Employees (as of June 30)			
Germany		243	246
Abroad		9,065	7,583

Contents

4 Semi-annual Report 2004

Market Environment
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
Semi-annual report August 12, 2004
Third quarter report November 10, 2004

Financial Calendar 2005

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

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CEAG AG, Bad Homburg v.d.H

This semi-annual report is also available in German.

Semi-annual Report

Market Environment

Economic experts continue to expect significant growth in the global economy in 2004 despite increasing references to risk factors such as higher oil prices or rising inflation in the US. For the euro area and particularly for Germany, indications are on the rise that economic growth could be somewhat higher in 2004 than was forecast at the beginning of the year. The general consensus is that growth will be at around 1.7% in the euro area. For Germany, the leading German economic research institutes are continuing to forecast GDP growth ranging between 1.5% and 2%, but are increasingly adjusting their estimates towards the upper end of the scale.

Dynamic growth continued in the second quarter in the most important customer segment of the CEAG Group, the global market for mobile telephones. Analysts such as the Gartner market research institute or the global market leader Nokia are anticipating global sales of over 600 million mobile telephones for the fiscal year. This would be an increase of some 15% against the prior year (520 million units). In both relatively new markets such as China or India as well as almost saturated regions such as Europe or the US, the marketplace is shaped by price wars and high pressure to innovate.

Business Performance in the First Half of 2004

Unit Sales

The CEAG Group sold a total of 66.5 million FRIWO brand power supplies and chargers from January to June 2004. This represents an increase of 11.7% against the same prior-year period (59.6 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 60.9 million units (prior-year period 2003: 56.6 million units) in the first half of the year. At 7.2%, growth lagged behind the mobile communications market. This is attributable to substantial shifts in the market shares held by mobile telephone manufacturers, partly to the disadvantage of CEAG customers.

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, noticeably gathered momentum in the first six months. 5.6 million power supplies and chargers were sold from January to June – an 86% increase on the same period last year (3.0 million units). The lively development reflects projects acquired in 2003 that affect the fiscal year.

Revenue

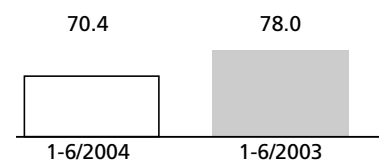
Consolidated revenue amounted to EUR 70.4 million in the first half of the year after EUR 78.0 million in the same period of the prior year (down 9.7%). Net of currency effects, that is based on the same exchange rates as the prior year, this is a decrease of 1.8%.

At EUR 48.9 million, semi-annual revenue for the FMP business unit was 18.4% below the prior-year period (EUR 59.9 million), net of currency effects this was a fall of 9.8%. In addition to price reductions for chargers, the shifts in market shares of the mobile telephone manufacturers were also to the detriment of CEAG. The FPS business unit discloses semi-annual revenue of EUR 21.6 million, an increase of 19.0% year-on-year (prior-year period: EUR 18.1 million). Net of currency effects, this is a jump of 24.7%.

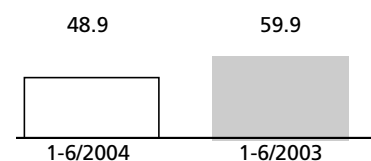
Sales in millions of units



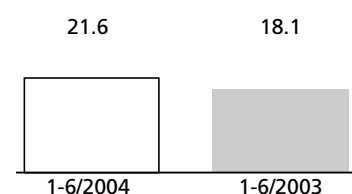
Group revenue in millions of EUR



FMP revenue in millions of EUR

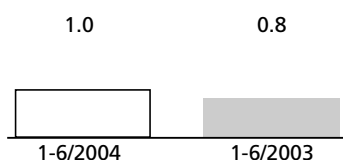


FPS revenue in millions of EUR



Semi-annual Report

EBIT in millions of EUR



Earnings

Earnings before interest and taxes (EBIT) of the CEAG Group improved in the first six months to EUR 1.0 million after EUR 0.8 million in the prior-year period. This increase is attributable to streamlined cost management and further improvements in processes. Earnings before taxes were up EUR 0.6 million due to the EUR 0.4 million improvement in the financial result (break-even in the first half of 2003). Net profit for the first half of the year amounts to EUR 0.5 million or EUR 0.06 per share (prior-year period: EUR 0.00 per share).

With EBIT at EUR 0.7 million, FMP did not attain the prior-year figure of EUR 1.4 million due to revenue and currency effects. FPS made the biggest contribution to the improved semi-annual result. The revenue growth from newly acquired customers improved EBIT from -EUR 0.5 million to EUR 0.3 million in the first six months. This puts FPS back in the black, as previously announced.

Cash Flow and Balance Sheet

Group cash flow from operating activities amounted to -EUR 2.8 million (prior-year period: -EUR 2.3 million) in the first six months of 2004. Lower business activity in the first half resulted mid-year in liabilities and receivables below the 2003 year-end levels. Finished goods inventories were reduced to a lesser degree since the Group expects greater demand for the third quarter. The balance sheet total of the CEAG Group of EUR 69.4 million as of June 30, 2004 was EUR 8.3 million below the level as of December 31, 2003 due to lower receivables and lower cash and cash equivalents. At EUR 21.2 million, equity was EUR 1.4 million down on the figure at year-end 2003 (EUR 19.8 million), translating into an equity ratio of 30.6% as of June 30, 2004 (December 31, 2003: 25.5%).

Capital Expenditure

EUR 2.0 million was invested in the CEAG Group in the first half of the fiscal year (prior-year period: EUR 4.5 million). The investments were mainly made in the FMP business unit and related to the expansion of switch mode technology in the Chinese plants and spending on information technology.

Employees

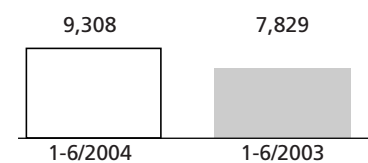
Group-wide, CEAG employed 9,308 people on June 30 of this year. Headcount was increased by a substantial 1,479 against June 30, 2003, reflecting the recent recovery in the global mobile telephone market and higher production by CEAG as a result. As of June 30, 2004, 243 employees worked at the headquarters of CEAG AG in Ostbevern compared with 246 a year ago. 9,065 people were employed abroad, mostly in the two Chinese production plants (June 30, 2003: 7,583).

Outlook

Management continues to expect higher revenues and earnings for the second half of the year due to the seasonal fluctuations. Currency effects and high raw material prices are still risk factors for CEAG. In the FMP business unit, the acquisition of new key customers in the mobile telephone market continues to be a top priority. In response to the growing importance of the South Korean market, CEAG is opening a sales office in the capital city, Seoul, in the third quarter. In mid-August 2004, the Group will also significantly expand its production capacity by opening a new plant in Beijing. The pleasing performance of the FPS business unit is also expected to continue in the second half of the year.

Based on business in the first six months, the Management Board is forecasting positive EBIT in the Group for the whole of 2004. This would keep the Group well in the black after its return to profit in 2003, provided that overall economic and industry-specific conditions do not deteriorate significantly.

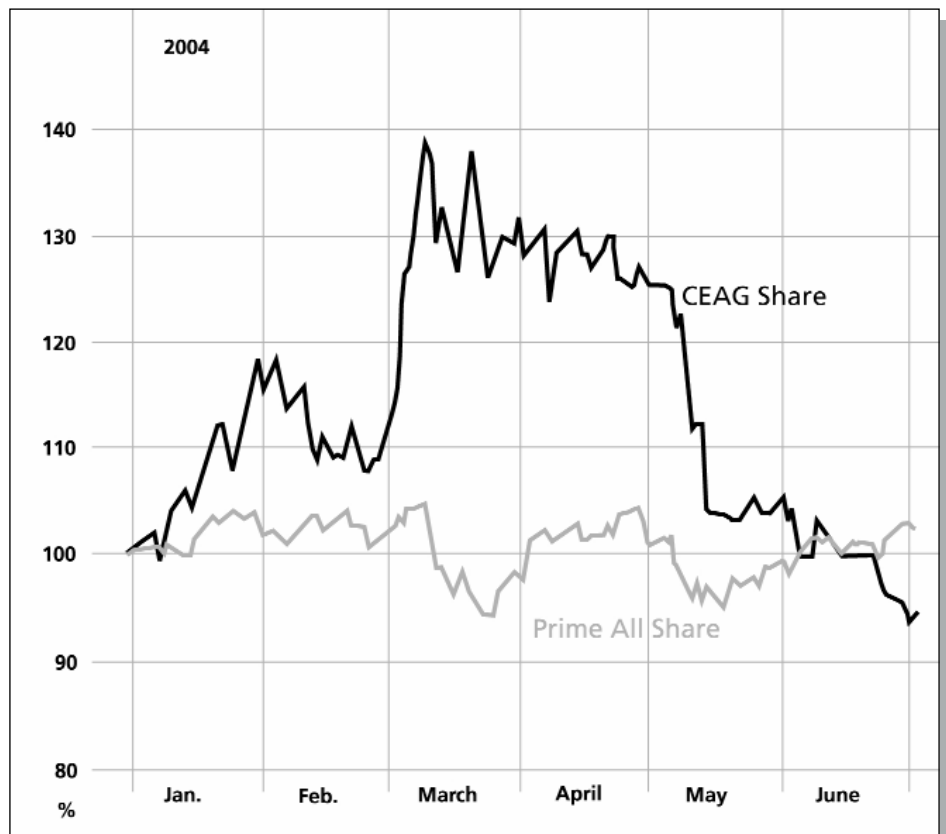
Total employees



Semi-annual Report

The CEAG Share

The CEAG share did not develop satisfactorily in the second quarter of 2004. From over EUR 11 at the beginning of the quarter (quarter high: EUR 11.40), the share price dropped to EUR 8.20 at the end of June. The reason for the share sales could be profit taking following the significant hike in the value of the share in the first three months. Yet technical reactions must also be held partly responsible, since smaller sales orders can also impact significantly on the price due to the CEAG share's relatively tight market.



CEAG Group

Semi-annual Financial Statements

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

Assets

In thousands of EUR	Jun. 30, 2004	Dec. 31, 2003
Non-current assets		
Goodwill	132	168
Other intangible assets	525	663
Property, plant and equipment	16,033	16,213
Financial assets	5	5
	16,695	17,049
Deferred taxes	151	103
Inventories	27,510	27,994
Trade receivables	18,221	22,396
Other assets	4,109	4,191
Prepaid expenses	346	154
Cash and cash equivalents	2,389	5,801
	52,575	60,536
Total assets	69,421	77,688

CEAG Group

Semi-annual Financial Statements

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

Equity and liabilities

In thousands of EUR	Jun. 30, 2004	Dec. 31, 2003
Equity		
Subscribed capital	20,020	20,020
Capital reserve	15,440	15,440
Revenue reserves	-14,704	-18,405
Consolidated net profit	485	2,759
	21,241	19,814
Debt		
Non-current debt		
Non-current liabilities to banks	807	897
Provisions for pensions and similar obligations	2,179	2,174
Other non-current provisions	790	784
	3,776	3,855
Current debt		
Provisions for taxes	752	509
Other current provisions	1,553	1,628
Current financial liabilities	17,721	16,288
Trade payables	16,824	28,709
Other liabilities	7,554	6,885
	44,404	54,019
	48,180	57,874
Total equity and liabilities	69,421	77,688

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

In thousands of EUR	4 - 6/2004	4 - 6/2003	1 - 6/2004	1 - 6/2003
Revenue	35,768	37,889	70,422	78,002
Cost of sales	-31,662	-34,575	-62,499	-70,390
Gross profit	4,106	3,314	7,923	7,612
Research costs	-131	-142	-223	-314
Selling expenses	-1,414	-1,349	-2,688	-2,620
General administrative expenses	-2,029	-2,168	-4,411	-4,468
Other operating income	715	1,645	1,643	2,379
Other operating expenses	-840	-986	-1,239	-1,744
Earnings before interest and taxes	407	314	1,005	845
Financial result	-183	-477	-391	-822
Earnings before income taxes	224	-163	614	23
Income taxes	-24	-5	-129	-10
Consolidated net profit/loss	200	-168	485	13
Earnings per share (in EUR)	0.03	-0.02	0.06	0.00

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 - 6/2004	1 - 6/2003
Consolidated equity as of January 1	19,814	22,577
Consolidated net profit	485	13
Change in valuation reserve for cash flow hedges	16	0
Currency translation differences	926	-2,753
Consolidated equity as of June 30	21,241	19,837

CEAG Group Semi-annual Financial Statements

This semi-annual report complies with International Accounting Standard 34. The same accounting and valuation principles are applied as used in the preparation of the consolidated financial statements for 2003.

Segment Reporting

By business unit in thousands of EUR	FMP	FPS	Group
1 - 6/2004			
External sales	48,872	21,550	70,422
Segment result (EBIT)	745	260	1,005
1 - 6/2003			
External sales	59,890	18,112	78,002
Segment result (EBIT)	1,387	-542	845

Cash Flow Statement of the CEAG Group

In thousands of EUR	1 - 6/2004	1 - 6/2003
Consolidated net profit	485	13
Depreciation of non-current assets	2,645	2,898
Change in provisions	179	-2,541
Gain/loss on the disposal of non-current assets	22	-180
Change in deferred taxes	-48	-35
Change in inventories	484	7,394
Change in trade receivables and other assets that cannot be allocated to investing or financing activities	4,065	226
Change in trade payables and other liabilities that cannot be allocated to investing or financing activities	-11,216	-8,389
Other non-cash expenses and income	577	-1,686
Cash flow from operating activities	-2,807	-2,300
Cash received from disposals of property, plant and equipment/intangible assets	13	584
Cash paid for investments in property, plant and equipment intangible assets/financial assets	-1,967	-4,468
Cash flow from investing activities	-1,954	-3,884
Change in financial liabilities	1,343	8,156
Cash flow from financing activities	1,343	8,156
Effect of exchange rates on cash and cash equivalents	6	-10
Net change in cash and cash equivalents	-3,412	1,962
Cash and cash equivalents at beginning of fiscal year	5,801	1,102
Cash and cash equivalents at end of semi-annual	2,389	3,064