

Power unlimited

Semi-Annual Report 2003



At a Glance

Highlights

- Significant improvement in income for both FMP and FPS business units
- Successful cost management and realignment make themselves felt
- Revenues well down on prior year due to exchange rates, economic situation and project postponements
- CEAG still plans to be back in the black for fiscal year 2003 as a whole

Key Figures for the CEAG Group (According to IFRS)

		1-6/2003	1-6/2002
CEAG revenue	in millions of EUR	78.0	100.2
FMP revenue	in millions of EUR	59.9	77.4
FPS revenue	in millions of EUR	18.1	22.8
CEAG EBIT	in millions of EUR	0.8	- 13.1*
EBIT operating margin	%	1.1	- 13.1
FMP EBIT	in millions of EUR	1.4	- 4.1
FPS EBIT	in millions of EUR	- 0.5	- 9.0
Net income (prior year: net loss)	in millions of EUR	0	- 8.7
Earnings per share	in EUR	0.00	- 1.13
Capital expenditure	in millions of EUR	4.5	3.1
Employees (as of June 30)		7,829	7,018
Germany		246	338
Abroad		7,583	6,680

* incl. EUR 10 million in restructuring costs

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Corporate Calendar (Fiscal Year, January 1 to December 31, 2003)

Third Quarter Report 2003	November 3, 2003	First Quarter Report 2004	May 13, 2004
Key Figures for Fiscal Year 2003	March 22, 2004	Annual Shareholders' Meeting	May 26, 2004
Annual Report for 2003 on the Internet	March 31, 2004	Semi-Annual Report 2004	August 12, 2004
Annual Results Press Conference	April 28, 2004	Third Quarter Report 2004	November 11, 2004
Analyst Conference	April 28, 2004		

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The semi-annual report is also available in German.

Semi-Annual Report

Market Environment

The general economic environment remained gloomy in the markets relevant to CEAG in the second quarter of 2003. Apart from sluggish growth in the major industrial nations, political tension, especially the escalation of the Iraq conflict in March, dogged the global economy. The SARS epidemic crippled normal life in parts of Asia for some time.

In Germany, the federal government once again reduced its forecast of GDP growth for 2003 from 1.0% to 0.75%. Leading economic institutes expect growth to be even lower. There are no signs of a lasting recovery of the economy in the euro area at present.

Business Performance

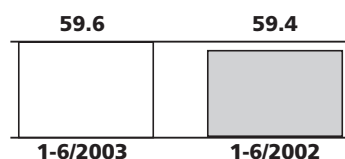
Unit Sales

The CEAG Group sold 59.6 million FRIWO brand power supplies and chargers in the first six months of the current year (prior year: 59.4 million units). Sales in the second quarter (31.0 million units) increased by 9% to 28.6 million against the first three months of 2003.

The FRIWO Mobile Power (FMP) business unit, which focuses on the high-volume markets such as those for mobile telephones, CD/MD players, etc., sold 56.6 million power supplies and chargers in the first six months, up almost 1% (prior-year period: 56.0 million units). According to manufacturers, some 105 million mobile telephones were sold in the second quarter of 2003. This gives CEAG and the FRIWO brand a 27% market share for the second quarter and an accumulated market share of 25% for the first half of 2003 against 28% for the same period in 2002. The decrease is due to changes in the customer portfolio and delays with some new projects.

Unit sales for the FRIWO Power Solutions (FPS) business unit, which focuses on products for medical technology, power tools, industrial technology, and other applications in the communications industry, came to 3.0 million power supplies and chargers, a decrease of 10% (prior-year period: 3.3 million units).

**Sales
in millions of EUR**



CEAG took swift action in response to the outbreak of SARS in parts of Asia. Extensive safety checks and preventive measures were introduced at the Chinese plants in both Shajing and Xixiang (workers' temperatures were taken daily, face masks were issued daily, etc.). Travel was stopped between the plants and Hong Kong, which was particularly hard hit by SARS. SARS did not restrict production at CEAG's Chinese plants at any time, although marketing and internal processes were impaired for a while, especially by the restrictions on travel. The situation in the regions affected by the illness improved toward the end of the second quarter.

Revenues

At EUR 78.0 million, consolidated revenues in the first six months fell 22% short of the prior-year period (EUR 100.2 million). The CEAG Group's revenues for the second quarter came to EUR 37.9 million as opposed to EUR 50.9 in the same quarter last year.

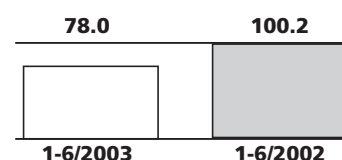
This development was driven by the hike in the value of the euro, which was up 23% on the comparable prior-year period. Net of currency effects, revenues decreased by 7%.

Semi-annual revenues for the FMP business unit decreased by 23% from EUR 77.4 million to EUR 59.9 million (down 5% net of currency effects). Apart from continuing pressure on prices, this was caused by postponement of some new projects by customers.

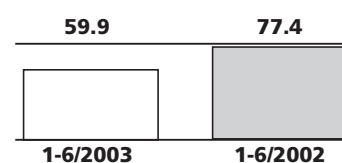
The FPS business unit generated revenues of EUR 18.1 million (prior-year period: EUR 22.8 million) in the first six months of 2003. Almost 6 percentage points of the 21% decrease are attributable to currency effects.

In addition, the general low level of consumption, especially in Germany, had a negative effect. This is because demand for FRIWO products is largely dependent on sales of consumer products such as set-top boxes and toys. Germany contributes some 50% to FPS revenues, while Europe as a whole accounts for around 70%.

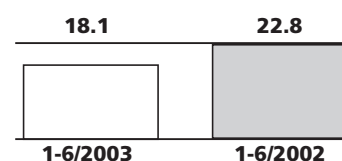
**Group revenue
in millions of EUR**



**FMP revenue
in millions of EUR**

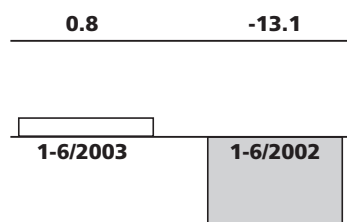


**FPS revenue
in millions of EUR**



Semi-Annual Report

EBIT in millions of EUR



Earnings

Despite the clear decrease in revenues, CEAG significantly improved its operating result, achieving a turnaround in earnings. Earnings before interest and tax (EBIT) came to EUR 0.8 million for the first half after a loss of EUR 13.1 million in the prior-year period (-EUR 3.1 million net of non-recurring restructuring costs). The Group's second quarter EBIT was EUR 0.3 million (prior-year period: -EUR 2.4 million before restructuring costs).

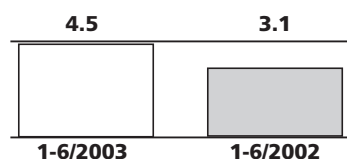
The encouraging turnaround in earnings has been achieved by pressing ahead with successful cost management in the entire Group. The breakthrough is the result of the measures launched in 2000 to optimize cost structures throughout the entire value-added chain while increasing productivity at the same time. In addition, the strategic realignment, which lowered the break-even point considerably, has put CEAG in a position to operate profitably even in a difficult market environment in which sales have slumped. Including the financial result and taxes, the Group broke even compared with a loss of EUR 8.7 million in the first half of 2002.

Cash Flow and Balance Sheet

Despite the break-even result, cash flow was negatively affected by the outflow of accrued restructuring costs. Inventories and liabilities decreased due to seasonal effects. Receivables exceeded the balance at year-end due to a slight delay in the receipt of a payment (EUR 2 million). Without this special effect, receivables would have been lower and cash flow from operating activities would have broken even.

The balance sheet total has decreased further. Financing has been switched to bank loans in part. We are continuing with cash flow management, aiming to become less reliant on credit lines.

Capital expenditure in millions of EUR



Capital Expenditure

Total capital expenditure for the CEAG Group amounted to EUR 4.5 million in the first half of the year (prior-year period EUR 3.1 million). EUR 3.7 million was invested in various areas such as extending capacity for switch mode technology at the FMP business unit in China, while EUR 0.8 million was channeled into the FPS business unit.

Employees

As of June 30, 2003, the CEAG Group had 7,829 employees (June 30, 2002: 7,018), 246 of whom worked in Ostbevern (June 30, 2002: 338) and 7,583 abroad (June 30, 2002: 6,680).

The increase in headcount relates to the Chinese production plants and is due to changes in technology.

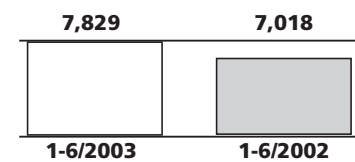
Outlook

EBIT improved significantly in the first half of the year despite lower revenues and the effects of currency fluctuations and SARS.

Such effects will lead to a reduction in revenues for the year as a whole.

However, the Management Board still expects the Group to be back in the black in fiscal year 2003.

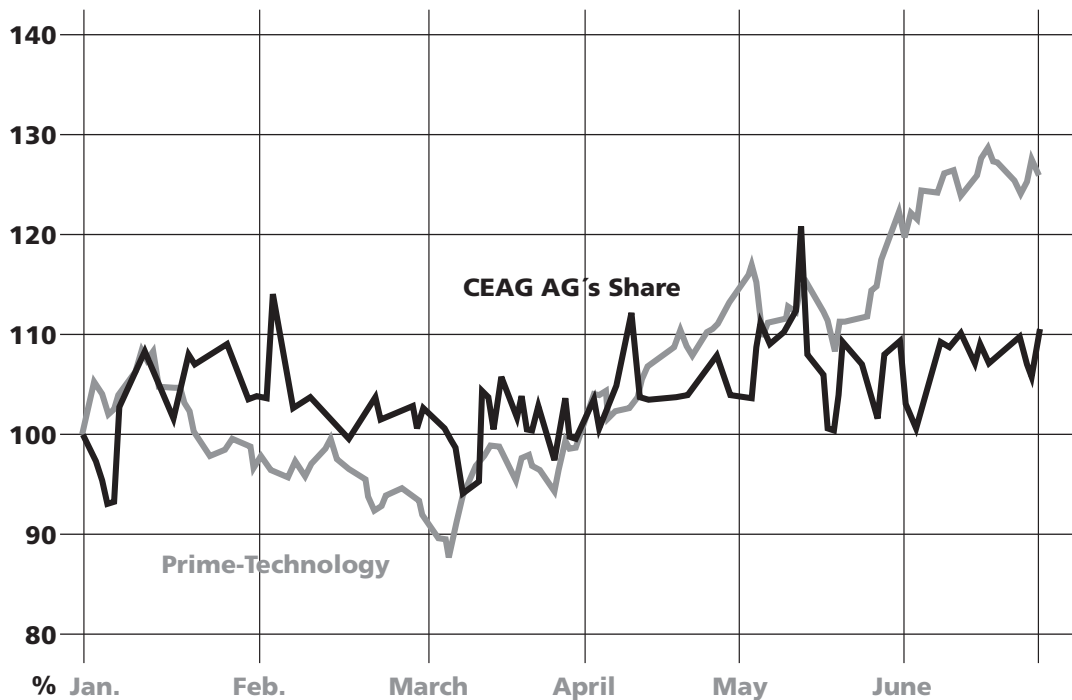
Total employees



Semi-Annual Report

CEAG AG's Share

CEAG AG's share, which is traded in the Prime Segment of Deutsche Börse, performed well in the first half of 2003. Following a Xetra closing price of EUR 4.80 on December 30, 2002, the share peaked at EUR 5.80 on May 16, 2003, closing at EUR 5.30 on June 30, 2003. Its low in the first half of the year was EUR 4.50. The share's top performance against its year-end price was 21%, with an almost 10% increase from the end of December to the end of June.



CEAG Group

Semi-Annual Financial Statements

Consolidated Balance Sheet of CEAG AG as of June 30, 2003

Assets

In thousands of EUR	Jun. 30, 2003	Dec. 31, 2002
Non-current assets		
Goodwill	203	239
Other intangible assets	866	1,039
Property, plant and equipment	17,115	16,797
Financial assets	5	5
	18,189	18,080
Deferred tax	123	101
Current assets		
inventories	30,418	37,812
Trade receivables	23,419	21,793
Other assets	5,458	7,671
Prepaid expenses	583	222
Cash and cash equivalents	3,064	1,102
	62,942	68,600
Total assets	81,254	86,781

CEAG Group

Semi-Annual Financial Statements

Consolidated Balance Sheet of CEAG AG as of June 30, 2003

Equity and liabilities

In thousands of EUR	Jun. 30, 2003	Dec. 31, 2002
Equity		
Subscribed capital	20,020	20,020
Capital reserve	15,440	15,440
Earned capital	-15,636	12,181
Consolidated net profit (prior year: consolidated net loss)	13	-25,064
	19,837	22,577
Debt		
Non-current debt		
Provisions for pensions and similar obligations	2,187	2,118
Other non-current provisions	594	725
Deferred taxes	134	147
	2,915	2,990
Current debt		
Provisions for taxes	664	527
Other current provisions	2,307	4,923
Current financial liabilities	30,122	21,966
Trade payables	18,508	27,289
Other liabilities	6,901	6,509
	58,502	61,214
	61,417	64,204
Total equity and liabilities	81,254	86,781

Consolidated Income Statement of CEAG AG as of June 30, 2003

In thousands of EUR	4-6/2003	4-6/2002	1-6/2003	1-6/2002
Revenue	37,889	50,890	78,002	100,236
Cost of sales	-33,893	-47,010	-68,566	-89,854
Gross profit	3,996	3,880	9,436	10,382
Research costs	-142	0	-314	0
Selling expenses	-2,031	-3,298	-4,444	-6,889
General administrative expenses	-2,168	-2,326	-4,468	-5,846
Other operating income	1,645	1,783	2,379	2,619
Other operating expenses	-986	-12,468	-1,744	-13,388
Profit/loss from operations	314	-12,429	845	-13,122
Financial result	-477	-375	-822	-679
Earnings before income taxes	-163	-12,804	23	-13,801
Income taxes	-5	4,422	-10	5,069
Consolidated net profit (prior year: consolidated net loss)	-168	-8,382	13	-8,732
Earnings per share (EUR)	-0.02	-1.09	0.00	-1.13

Statement of Changes in Equity for the CEAG Group

In thousands of EUR	1-6/2003	1-6/2002
Consolidated equity as of January 1	22,577	53,586
Consolidated net profit (prior year: consolidated net loss)	13	-8,732
Currency translation differences	-2,753	-4,082
Consolidated equity as of June 30	19,837	40,772

CEAG Group Semi-Annual Financial Statements

The present report of the CEAG Group for the first half of 2003 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 2002.

Segment Report for the CEAG Group

By business segment in thousands of EUR	FMP	FPS	Group
01-06/2003			
External sales	59,890	18,112	78,002
Segment result (EBIT)	1,387	-542	845
01-06/2002			
External sales	77,407	22,829	100,236
Segment result (EBIT)	-4,118	-8,981	-13,099
EBIT before restructuring	528	-3,633	-3,105

Cash Flow Statement of the CEAG Group

In thousands of EUR	1-6/2003	1-6/2002
Earnings before income taxes	23	-13,801
Depreciation of non-current assets	2,898	4,909
Change in provisions	-2,678	3,293
Gain/loss on the disposal of non-current assets	-180	-50
Change in inventories	7,394	9,143
Change in trade receivables and other assets that cannot be allocated to investing or financing activities	226	14,414
Change in trade payables and other liabilities that cannot be allocated to investing or financing activities	-8,389	-14,558
Income taxes paid	92	-175
Other non-cash expenses and income	-1,686	-1,870
Cash flow from operating activities	-2,300	1,305
Cash received from disposals of property, plant and equipment/intangible assets	584	266
Cash paid for investments in property, plant and equipment/intangible assets/financial assets	-4,468	-3,143
Cash flow from investing activities	-3,884	-2,877
Change in financial liabilities	8,156	1,918
Cash flow from financing activities	8,156	1,918
Effect of exchange rates on cash and cash equivalents	-10	-523
Net change in cash and cash equivalents	1,962	-177
Cash and cash equivalents at beginning of fiscal year	1,102	4,593
Cash and cash equivalents at end of half year	3,064	4,416