



1. Business Report

Ladies and Gentlemen,
Dear Shareholders,

During the first three quarters of the business year 2002/2003 (June 1, 2002-February 28, 2003) the economic situation deteriorated more and more. The war with Iraq which was first a threat and became then reality led to increasing economic uncertainty. As a consequence, economic research institutes reduced their growth estimates permanently downwards. The majority of the institutes predicts an economic stagnation or even a recession for Germany.

This unfavourable environment had especially in the third quarter of business year 2002/2003 an negative impact on CeoTronics customers. Offers for bulk orders were made to private and public costumers at home and abroad but the customers are reserved regarding expenses and capital expenditure. This behaviour was especially noticed during the first two months of 2003. Many industrial customers decided to wait and see how the economic situation develops before they make a decision for expenses and capital expenditure. The public sector behaves in a similar way: budgets that are normally free at the beginning of the year are still blocked and will probably be available later on this year. At the same time, many offers for bulk orders include communication systems based on CeoTronics DECT technology (such as the CeoTronics Digital Mini Radio Networks). These digital communication systems are much more complex than conventional systems. Therefore the decision makers test the systems more thoroughly and intensively which leads to a slower order placing.

Due to this development and the resulting weak third quarter, consolidated net-sales for the group dropped for the first nine months from 10.085 T€ by 8.6% to 9.213 T€.

The net-sales in the regions developed quite differently. Sales in Germany and Switzerland increased by 1.8% or 1.4% respectively. Due to the lack of public bulk orders sales decreased significantly in Spain (-12.6%), France (-27.8%) and United Kingdom (-36.2%). US-sales developed similar to the first six months, compared to last year they are down by 47.8% for the first nine months.

As already mentioned in the last report, the senior executives of CeoTronics, Inc., Chesapeake (Virginia), USA, were replaced as of November 1, 2002. The restructuring of the US-business which is coupled with the change of the executives moves forward as planned but can not offset the unfavourable development of the past in the short run.

The order backlog for the group as of February 28, 2003 developed positively. It amounts to 1.2 m € which is an increase of 6.4% compared to the corresponding due date last year. Therefore CeoTronics is optimistic regarding a soon improvement in sales.

2002/2003

Consolidated interim report CeoTronics AG for the first three quaters

The downturn in sales had also an impact on the results, so that profits did not develop so positively as they did in the last report. Compared to last year, the EBITDA (Earning before interests, taxes and depreciation) decreased for the first 9 months from 339 T€ to 62 T€. The EBIT was down in the same period from -138 T€ by 254 T€ to -392 T€. The net-income decreased from -361 T€ to -577 T€. The effect of the downturn in sales during the last quarter could not be offset by cost savings.

The consolidated figures as of February 28, 2003 (according to US-GAAP unaudited) show the following picture:



The percentage of cost of sales improved for the first nine months to 49.7% compared to 50.2% for the first 6 months. The improvement is based especially on productivity gains at CT-Video, Rothenschirmbach (Saxonia-Anhalt), Germany, and a better sales mix. An increase of the percentage of cost of sales in comparison to last year from 48.1% to 49.7% is due to an increasing share of high tech components which are purchased from external sources.

The expenses for research and development increased in comparison to last year as planned. Although cost cuts are made in all areas of CeoTronics, there is a strategic importance for forcing new projects even in difficult times. These new projects should bring the success in the future. Examples for these projects are a CeoTronics DECT system for the US-market, an innovative digital inductive earpiece and a multifunctional headset for authorities. The expenses for such developments are arising in the actual business year, meanwhile sales and margins will arise in the following quarters.

The structural changes carried out last year in the area of sales and distribution are now showing their success. Sales and distribution expenses decreased substantially. General and administration expenses are up slightly compared to last year meeting our expectations.

There was no extraordinary capital expenditure during the reporting period. Apart from usual capital expenditure in tools and IT systems, there was just the addition of the investment in AACOM-CeoTronics to the fixed assets. Details to the investment in AACOM-CeoTronics are available under item 9.

The number of employees (without trainees) of the CeoTronics Group as of February 28, 2003 amounted to 130 (compared to 140 on February 28, 2002).

As already decided on the General Assembly, CeoTronics AG was able to issue bonus shares in a ratio 1:1 due to its equity strenght. The trading activity for the new shares at the Deutsche Börse started on February 3, 2003

In March 6, 2003, the CeoTronics group revised its forecast due to the actual economic situation. Since then, economic uncertainties increased caused by the outbreak and the course of the war against Iraq. Therefore a secure forecast regarding sales and profit for business year ending May 31, 2003 was not possible before the copy deadline.

CeoTronics AG
Audio • Video • Data Communication

Board of Management

Thomas H. Günther
Chairman of the Board of Management

Bernd Weinel
Vice-President
Finance & Human Resources

Rödermark, April 14, 2003

2. Balance Sheet (according to US-GAAP)

Assets	Quarterly Report (Date of current quarter) February 28, 2003	Annual Report (Date of last annual report) May 31, 2001
	T€	T€
Current Assets		
Cash and cash equivalents	544	851
Short-term investments/marketable securities	0	0
Trade accounts receivable	1,744	2,730
Accounts receivable due from related parties	0	0
Inventories	4,177	4,107
Deferred tax	1,380	1,396
Prepaid expenses and other current assets	418	321
Total current assets	8,263	9,405
Non-current assets		
Property, plant and equipment	3,536	3,744
Intangible assets	117	113
Goodwill	1,572	1,694
Participations	0	138
Investments	0	0
Investments accounted for by the equity method	0	0
Deferred tax	0	0
Other assets	18	18
Total non-current assets	5,243	5,707
Total assets	13,506	15,112

Liabilities and shareholders' equity	Quarterly Report (Date of current quarter) February 28, 2003	Annual Report (Date of last annual report) May 31, 2001
	T€	T€
Current liabilities		
Current portion of capital lease obligation	0	0
Short-term debt and current portion of long-term debt	922	799
Trade accounts payable	302	652
Accounts payable due to related parties	0	0
Advance payments received	2	2
Accrued expenses	360	503
Deferred revenues	0	0
Income tax payable	435	450
Deferred tax	0	0
Other current liabilities	470	622
Total current liabilities	2,491	3,028
Non-current liabilities		
Long-term debt, less current portion	1,226	1,477
Capital lease obligations, less current portion	0	0
Deferred revenues	0	0
Deferred tax	0	0
Pension accrual	0	0
Total non-current liabilities	1,226	1,477
Minority interest	28	0
Shareholders' equity		
Share capital	6,600	3,300
Additional paid-in capital	4,935	8,235
Treasury stock	-614	-614
Retained earning/accumulated deficit	-1,323	-745
Accumulated other comprehensive income/loss	0	0
Currency translation adjustment	163	431
Total shareholders' equity	9,761	10,607
Total liabilities and shareholders' equity	13,506	15,112

3. Income Statement

Income Statement (according to US-GAAP)	Quarterly Report (current quarter) Dec. 1, 2002- Feb. 28, 2003	Quarterly Report (comparative quarter previous year) Dec. 1, 2001- Feb. 28, 2002	Quarterly Report (current year to date) June 1, 2002- Feb. 28, 2003	Quarterly Report (comparative period previous year) June 1, 2001- Feb. 28, 2002
	T€	T€	T€	T€
Revenues	2,904	3,801	9,213	10,085
Cost of revenues	-1,417	-1,800	-4,583	-4,851
Gross profit/loss	1,487	2,001	4,630	5,234
Selling and marketing expenses	-929	-991	-2,709	-3,206
General and administrative expenses	-458	-518	-1,362	-1,359
Research and development expenses	-264	-257	-729	-698
Other operating income and expenses	-67	21	-147	-29
Amortization (and impairment) of goodwill	-23	-24	-75	-80
Operating income/loss (E.B.I.T.)	-254	232	-392	-138
Interest income and expenses	-32	-45	-96	-118
Income from investments and participations	0	0	0	0
Income/expense from investments accounted for by the equity method	0	0	0	0
Foreign currency exchange gains/losses	0	0	0	0
Other income/expenses	0	0	0	0
Result before income tax (and minority interest)	-286	187	-488	-256
Income tax	-30	-66	-87	-105
Extraordinary income/expenses	0	0	0	0
Result before minority interest	-316	121	-575	-361
Minority interest	-4	0	-2	0
Net income/loss	-320	121	-577	-361
Net income per share (basic) in €	-0.15	0.06	-0.27	-0.17
Net income per share (diluted) in €	-0.15	0.06	-0.27	-0.17
Weighted average shares outstanding (basic)	2,159,998	2,159,998	2,159,998	2,159,998
Weighted average shares outstanding (diluted)	2,159,998	2,159,998	2,159,998	2,159,998

* Due to the issue of bonus shares as of February 3, 2003 the total number of shares doubled.
In order to improve the comparability of last years figures, the number of shares outstanding
was adjusted the in the same way.

4. Consolidated Cash Flow Statement

Cash Flow Statement	Quarterly Report (current year to date) June 1, 2002 - Feb. 28, 2003	Quarterly Report (comparative period previous year) June 1, 2001 - Feb. 28, 2002
	T€	T€
Cash flow from operating activities		
Net income before tax	-488	-256
Income tax	-87	-105
Net income after tax and after earnings	-575	-361
Minority interest	-2	0
Net income after tax and after minority interest	-577	-361
Depreciation	455	477
Subtotal	-122	116
Changes in assets and liabilities		
Change in trade accounts receivable	985	-402
Change in inventories	-70	-268
Change in prepaid expenses and other current assets	-97	-457
Change in trade accounts payable	-349	219
Change in advanced payments received	0	-9
Change in other accruals	-143	-21
Change in corporate tax liabilities	-15	0
Change in other liabilities	-153	809
Change in asset-side adjustment for deferred tax	17	-29
Total changes	175	-158
Net cash provided by operating activities	53	-42
Cash flow from investing activities		
Investments in intangible assets	-188	-20
Investments in fixed assets	-171	-372
Changes in other assets and prepaid expenses	0	2
Investments in participations	138	0
Change in foreign currency differences	212	47
Disposal of assets (net book value)	16	8
Net cash used in investing activities	7	-335
Cash flow from financing activities		
Change in other liabilities	-194	0
Change in minority interest	28	0
Change in short-term liabilities to banks	123	-712
Change in long-term liabilities to banks	-56	-56
Change in common stock	3,300	0
Change in additional paid in capital	-3,300	0
Net cash provided by financing activities	-99	-768
Change in cash and cash equivalents	-39	-1,145
Net effect of currency translation in cash and cash equivalents	-268	-45
Cash and cash equivalents at beginning of period	851	1,698
Cash and cash equivalents at end of period	544	508

5. Statement of Shareholders' Equity

	Capital stock	Treasury stock	Capital reserve	Revenue reserve	Retained earnings	Currency translation	Comprehensive income	Shareholders' equity
	T€	T€	T€	T€	T€	T€	T€	T€
As of May 31, 2002	3,300	-614	8,235	71	-816	431		10,607
Consolidated net loss					-577		-577	-577
Currency translation differences in the period						-268	-268	-268
Comprehensive income							-845	0
Capital increase (bonus shares)	3,300		-3,300					
Adjustment					-1			-1
As of February 28, 2003	6,600	-614	4,935	71	-1,394	163		9,761

As of February 28, 2003 the CeoTronics Group had an equity ratio of 72 %.

The Annual Shareholder's Meeting decided on the suggestion of the Management and the Supervisory Board to increase capital stock by 3,299,997 €. Therefore, 3,299,997 € of the capital reserve were transformed in capital stock, whereby 1,099,999 new shares were created. The new shares were issued in a ratio 1:1 to the shareholders.

The corresponding capital increase was registered on December 20, 2002 and the trading activity for the new shares started on Monday, February 3, 2003 at the stock market.

Further substantial changes in the area of the equity and stock-options did not occur during the reporting period.

6. Segment Reporting

The company measures the success of its subsidiaries by measuring their net income. The accounting and reporting principles used for regional reporting are according to the group accounting rules. The subsidiaries in the individual countries are legally independent and have their own management teams.

The company's product groups are comparable both with regard to their production process and the market development methods used. Internal and external reporting follows geographical criteria in the first instance.

The information below is presented by region.

Net sales for the first three quaters 2002/2003 and 2001/2002 are broken down by region as follows:

	Three quaters 2002/2003	Three quaters 2001/2002
	T€	T€
Germany	4,198	3,819
Rest of Europe and rest of world	7,149	8,566
Subtotal	11,347	12,385
Elimination of intercompany trade	-2,134	-2,300
External revenues	9,213	10,085

Net income for the first three quaters 2002/2003 and 2001/2002 is broken down by region as follows:

	Three quaters 2002/2003	Three quaters 2001/2002
	T€	T€
Germany	-170	-95
Rest of Europe and rest of world	-122	-99
Subtotal	-292	-194
Consolidation entries	-285	-167
Consolidated net income	-577	-361

Total assets as of February 28, 2003 and February 28, 2002 are broken down by region as follows:

	As of Feb. 28, 2003	As of Feb. 28, 2002
	T€	T€
Germany	16,560	16,572
Rest of Europe and rest of world	5,533	6,740
Subtotal	22,093	23,312
Consolidation entries	-8,587	-8,313
Consolidated total assets	13,506	14,999

Total non-current assets as of February 28, 2003 and February 28, 2002 are broken down by region as follows:

	As of Feb. 28, 2003	As of Feb. 28, 2002
	T€	T€
Germany	3,376	3,680
Rest of Europe and rest of world	1,867	2,253
Non-current assets (total)	5,243	5,933

Capital expenditure for the first three quaters 2002/2003 and 2001/2002 is broken down by region as follows:

	Three quaters 2002/2003	Three quaters 2001/2002
	T€	T€
Germany	345	371
Rest of Europe and rest of world	14	22
Capital expenditure (total)	359	393

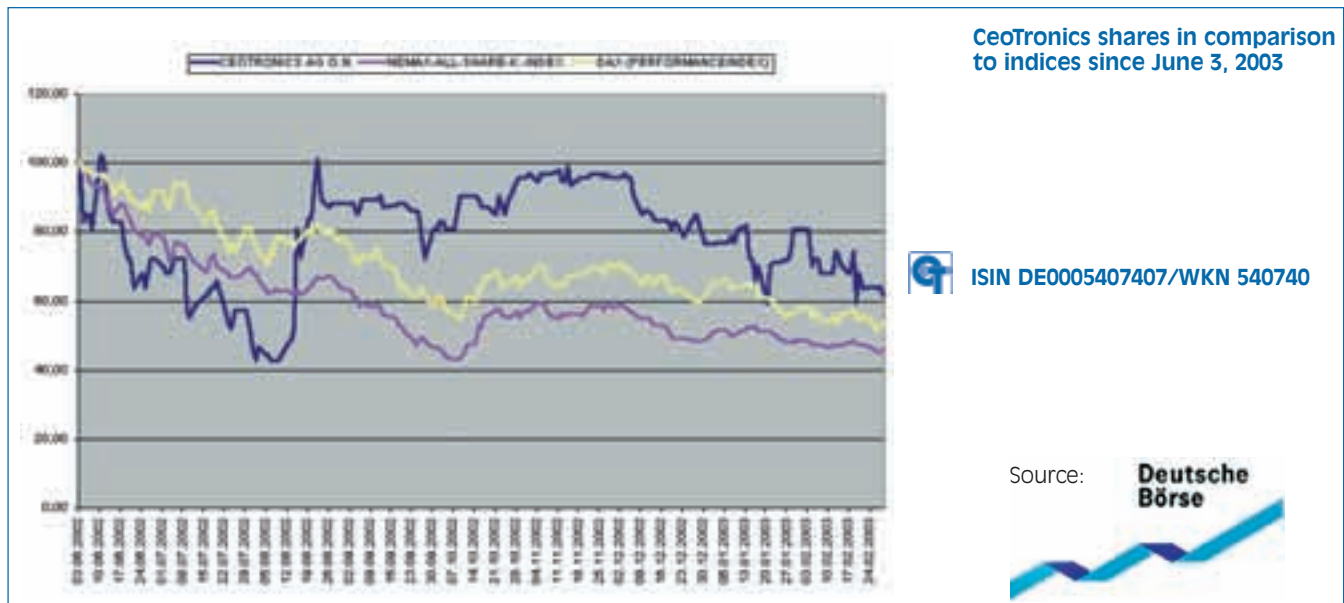
7. Reportable Security Portfolio

Reportable Security Portfolio as of February 28, 2003		CeoTronics Shares (ISIN DE0005407407/WKN 540740) per pcs.	Stock options per pcs.
Board of Management			
Chairman (since 01.02.2003)	Thomas Günther	7,998	4,800
Deputy Chairman, Senior-Vice President R&D	Berthold Hemer	212,600	6,000
Vice President Operations	Günther Thoma	5,222	4,800
Vice President Finance/Human Resources	Bernd Weinel	0	1,600
Supervisory Board			
Chairman (since 01.02.2003)	Hans-Dieter Günther	387,600	6,000
Chairman (until 01.02.2003)	Peter Haack	0	0
Deputy Chairman	Horst Schöppner	226,300	0
Member of Supervisory Board (until 5.11.2002)	Dagmar Günther	317,920	0
Member of Supervisory Board (since 5.11.2002)	Stephan Haack	0	0
CeoTronics AG			
Treasury Stock		40,000	0

The total number of shares amounted to 2,199,998 as of February 28, 2003

No dividends were paid during the reporting period.

8. CeoTronics Shares



9. Changes in the Scope of Consolidation

At the beginning of the business year the acquired 75% of the interests in AACOM-CeoTronics Ltd., Lodz/Poland, were consolidated for the first time; the scope of consolidation now consists of the following companies:

CeoTronics AG, Rotkreuz, Switzerland,
CeoTronics Sarl, Pontault-Combault, France,
Audio Video Data Service S.A.R.L., Pontault-Combault, France (in liquidation),
CeoTronics Ltd., Bordon/Hants, Great Britain,
CeoTronics, Inc., Chesapeake, Virginia, USA,
CeoTronics S.L., Madrid, Spain,
CT-Video GmbH, Rothenschirmbach, Germany,
AACOM-CeoTronics Ltd., Lodz, Poland.

Subsidiaries in which the parent company indirectly holds the majority of shares, and hence of the voting rights, are consolidated in accordance with the principles of capital consolidation..

The minority interests of 25 % in AACOM-CeoTronics Ltd., Lodz/Poland, is taken into account in the way, that the minority interests and the effects resulting from it are listed openly in the liability side of the Balance Sheet, in the Income Statement and in the Cash Flow Statement.

10. Changes in the Company Organisation

With the end of the Annual Shareholder's Meeting on November 5, 2002 Mrs. Dagmar Günther resigned from the Supervisory Board. New member of the Supervisory Board is Mr. Stephan Haack (attorney), Frankfurt/Main.

As already announced at the Annual Shareholder's Meeting on November 5, 2002, Mr. Peter Haack resigned from the Supervisory Board on January 31, 2003.

The company thanks Mrs. Dagmar Günther and Mr. Peter Haack for their commitment as members of the Supervisory Board.

As also announced at the Annual Shareholder's Meeting on November 5, 2002, Mr. Hans-Dieter Günther resigned from the Management Board on January 31, 2003. On February 1, 2003 he became member of the Supervisory Board and in its meeting which took place the same day, he was elected Chairman.

The company thanks Mr. Günther for his outstanding job for the last 18 years and wishes him a tremendous success in his new post as Member of the Supervisory Board.



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