



1. Business Report

Ladies and Gentlemen,
Dear Shareholders,

The CeoTronics Group continued to outperform the flat overall economy in the first quarter.

The figures for the first quarter of the fiscal year 2004/2005, represent the best summer result since the Group's 1998 IPO and the start of its interim reporting.

The order backlog as of August 31, 2004 jumped 234% year-on-year. This sizeable figure was largely due to the German Air Force's order for the Company's CT-DECT TowCom systems, used during towing and taxiing of the Eurofighter.

International consolidated revenues increased by 9.7% year-on-year.

CeoTronics increased its revenues in Switzerland, Spain, the U.S.A., and the rest of Europe. Revenues in Germany, Poland, the U.K., France, and the rest of the world declined, although in some of these markets the drop is very slight and in Germany and France the very high order backlog should be taken into account.

The optimization of the sales and management structure at CeoTronics' U.S. subsidiary, coupled with increased support by the German management, led to an improvement in CeoTronics' U.S. sales activities. This is expected to lift revenue and earnings figures for the next quarters.

EBITDA (Earnings Before Interest, Taxes, and goodwill Amortization/impairment) rose by €294 thousand, from €-135 thousand in the first quarter of the previous year to €159 thousand. EBIT increased over the same period by €310 thousand, from €-253 thousand to €57 thousand.

For the first time since the start of its interim reporting and its 1998 IPO, the CeoTronics Group recorded positive net income after taxes of €11 thousand in Q1. In the same period of the previous year a net loss of €272 thousand was recorded.

Gross cash flow improved by €267 thousand in the period under review, from €-154 thousand to €113 thousand.

The equity ratio, which has substantially outperformed the German industry average for many years, increased from 68.1% to 76.5%.

2004/2005

Consolidated interim report CeoTronics AG for the first quarter

The consolidated key figures (U.S. GAAP, unaudited) for the first three months of fiscal year 2004/2005 were as follows:

Sales	9.7 %
Cost of revenues	-7.1 %
Research & development expenses	-2.3 %
Selling expenses	4.8 %
General and administrative expenses	-26.7 %

The percentage cost of revenues improved as a result of a lower proportion of higher-value merchandise.

Cost trends in the area of research and development are relatively stable.

Marketing and sales expenses grew according to plan, due to increased sales and marketing activities.

Administrative expenses were radically reduced once again.

Overall, the CeoTronics Group lowered its expenses year-on-year by 6.2%.

The number of employees in the Group as of August 31, 2004 fell to 122 (August 31, 2003: 129).

In the period under review, the price of CeoTronics shares increased by a further 17.5%, bucking the negative trend on the DAX and TECDEX.

In light of the macroeconomic environment, the Board of Management is satisfied with the results of operations, and believes that revenues and earnings will continue to improve in the coming quarters due to the high order backlog, among other things.

The Board of Management



Thomas H. Günther
Chairman of the Board of Management



Berthold Hemer
Deputy Chairman
Vice-President Research & Development

Rödermark, October 15, 2004

2. Balance Sheet (US GAAP)

Assets	Quarterly Report (closing date of current quarter) August 31, 2004	Annual Report (closing date of last annual report) May 31, 2004
	€ thousand	€ thousand
Current assets		
Cash and cash equivalents	788	370
Short-term investments/marketable securities	0	0
Trade accounts receivable	1,726	3,458
Accounts receivable due from related parties	0	0
Inventories	4,138	3,910
Deferred tax	1,322	1,323
Prepaid expenses and other current assets	362	381
Total current assets	8,336	9,442
Non-current assets		
Property, plant, and equipment	3,184	3,231
Intangible assets	124	130
Goodwill	1,513	1,510
Participations	0	0
Investments	16	15
Investments accounted for by the equity method	0	0
Deferred tax	0	0
Total non-current assets	4,837	4,886
Total assets	13,173	14,328

Liabilities and shareholders' equity	Quarterly Report (closing date of current quarter) August 31, 2004	Annual Report (closing date of last annual report) May 31, 2004
	€ thousand	€ thousand
Current liabilities		
Current portion of capital lease obligation	0	0
Short-term debt and current portion of long-term debt	588	847
Trade accounts payable	601	1,152
Accounts payable due to related parties	0	0
Advance payments received	0	2
Accrued expenses	320	511
Deferred revenues	0	0
Income tax payable	242	208
Deferred tax	0	0
Other current liabilities	371	564
Total current liabilities	2,122	3,284
Non-current liabilities		
Long-term debt, less current portion	955	955
Capital lease obligations, less current portion	0	0
Deferred revenues	0	0
Deferred tax	0	0
Pension accrual	0	0
Total non-current liabilities	955	955
Minority interest	24	29
Shareholders' equity		
Share capital	6,600	6,600
Additional paid-in capital	4,471	4,471
Retained earning/accumulated deficit	-986	-997
Accumulated other comprehensive income/loss	-13	14
Total shareholders' equity	10,072	10,060
Total liabilities and shareholders' equity	13,173	14,328

3. Income Statement

Income Statement (US GAAP)	Quarterly Report (current quarter) June 1, 2004- August 31, 2004	Quarterly Report (comparative quarter of previous year) June 1, 2003- August 31, 2003
	€ thousand	€ thousand
Revenues	2,799	2,551
Cost of revenues	-1,370	-1,474
Gross profit/loss	1,429	1,077
Selling and marketing expenses	-868	-828
General and administrative expenses	-310	-423
Research and development expenses	-210	-215
Other operating income and expenses	16	136
Amortization (and impairment) of goodwill	0	0
Operating income/loss (EBIT)	57	-253
Interest income and expenses	-10	-21
Income from investments and participations	0	0
Income/expense from investments accounted for by the equity method	0	0
Foreign currency exchange gains/losses	0	0
Other income/expenses	0	0
Net income/loss before income tax (and minority interest)	47	-274
Income tax	-38	2
Extraordinary income/expenses	0	0
Result before minority interest	9	-272
Minority interest	2	0
Net income/loss	11	-272
Net income per share (basic) in €	0.01	-0.13
Net income per share (diluted) in €	0.01	-0.13
Weighted average shares outstanding (basic)	2,199,998	2,159,998
Weighted average shares outstanding (diluted)	2,199,998	2,159,998

4. Consolidated Cash Flow Statement

Cash Flow Statement	Year-to-date (current year) June 1, 2004-August 31, 2004	Year-to-date (comparative period of previous year) June 1, 2003-August 31, 2003
	€ thousand	€ thousand
Cash flow from operating activities		
Net income before tax	47	-274
Income tax	-38	2
Net income after tax before minority interest	9	-272
Minority interest	2	0
Net income after tax and after minority interest	11	-272
Depreciation	102	118
Subtotal	113	-154
Changes in assets and liabilities		
Change in trade accounts receivable	1,732	159
Change in inventories	-228	-202
Change in prepaid expenses and other current assets	19	-206
Change in trade accounts payable	-551	493
Change in advanced payments received	-2	-11
Change in other accruals	-191	-116
Change in corporate tax liabilities	34	-5
Change in other liabilities	-193	120
Change in asset-side adjustment for deferred tax	1	-5
Total changes	621	227
Net cash provided by operating activities	734	73
Cash flow from investing activities		
Investments in intangible assets	-8	-9
Investments in fixed assets	-42	-113
Changes in other assets and prepaid expenses	0	1
Investments in participations	0	0
Change in foreign currency differences	-3	-85
Disposal of assets (net book value)	0	0
Net cash used in investing activities	-53	-206
Cash flow from financing activities		
Change in other liabilities	0	0
Change in minority interest	-5	1
Change in short-term liabilities to banks	-259	-53
Change in mid-term and long-term liabilities to banks	0	0
Change in common stock	0	0
Change in additional paid in capital	0	0
Net cash provided by financing activities	-264	-52
Change in cash and cash equivalents	417	-185
Net effect of currency translation on cash and cash equivalents	1	83
Cash and cash equivalents at beginning of period	370	527
Cash and cash equivalents at end of period	788	425

5. Statement of Shareholders' Equity

	Capital stock	Treasury stock	Capital reserve	Revenue reserve	Retained earnings	Currency translation	Comprehensive income	Shareholders' equity
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Current year								
As of May 31, 2004	6,600	0	4,471	70	-1,067	-14		10,060
Consolidated net income Q1					11		11	11
Currency translation differences in the period						1	1	1
Comprehensive income							12	
As of August 31, 2004	6,600	0	4,471	70	-1,056	-13		10,072
Previous year's values for comparison								
As of May 31, 2003	6,600	-614	4,935	70	-1,382	10		9,619
Consolidated net loss Q1					-272		-272	-272
Currency translation differences in the period						83	83	83
Comprehensive income							-189	
As of August 31, 2003	6,600	-614	4,935	70	-1,654	93		9,430

The equity ratio of the CeoTronics Group as of August 31, 2004 was 76.5 %.

There were no material changes to shareholders' equity and stock option plans compared with the last annual financial statements.

6. Notes to the Consolidated Report of CeoTronics AG on the First Three Months Ended August 31, 2004

The quarterly report was prepared in accordance with U.S. Generally Accepted Accounting Principles (U.S. GAAP).

There were no changes in the accounting, measurement, and consolidation principles compared with the most recent annual financial statements as of May 31, 2004. Further details can be found in the Annual Report for fiscal year 2003/2004.

7. Segment Reporting

The Company measures the success of its subsidiaries by measuring their net income before income tax. The accounting and reporting principles used for regional reporting comply with the group accounting principles. The subsidiaries in the individual countries are legally independent and have their own management teams.

The Company's product groups are comparable in terms of both 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.

Revenues for the first quarter of 2004/2005 and 2003/2004 are broken down by regional subsidiary as follows:

	Q1 2004/2005	Q1 2003/2004
	€ thousand	€ thousand
Germany	2,383	2,228
Rest of Europe and rest of world	1,306	1,222
Subtotal	3,689	3,450
Elimination of intercompany trade and services	-890	-899
External revenues	2,799	2,551

The net income/net loss for the first quarter of 2004/2005 and 2003/2004 is broken down by regional subsidiary as follows:

	Q1 2004/2005	Q1 2003/2004
	€ thousand	€ thousand
Germany	209	-317
Rest of Europe and rest of world	41	-10
Subtotal	250	-328
Consolidation entries	-239	56
Consolidated net income	11	-272

Total assets as of August 31, 2004 and August 31, 2003 are broken down by regional subsidiary as follows:

	As of August 31, 2004	As of August 31, 2003
	€ thousand	€ thousand
Germany	16,459	16,629
Rest of Europe and rest of world	4,297	5,395
Subtotal	20,756	22,024
Consolidation entries	-7,583	-8,170
Consolidated total assets	13,173	13,854

Total non-current assets as of August 31, 2004 and August 31, 2003 are broken down by regional subsidiary as follows:

	As of August 31, 2004	As of August 31, 2003
	€ thousand	€ thousand
Germany	3,194	3,301
Rest of Europe and rest of world	1,643	1,900
Non-current assets (total)	4,837	5,201

Capital expenditure in the first quarter of 2004/2005 and 2003/2004 is broken down by regional subsidiary as follows:

	Q1 2004/2005	Q1 2003/2004
	€ thousand	€ thousand
Germany	15	113
Rest of Europe and rest of world	35	8
Capital expenditure (total)	50	121

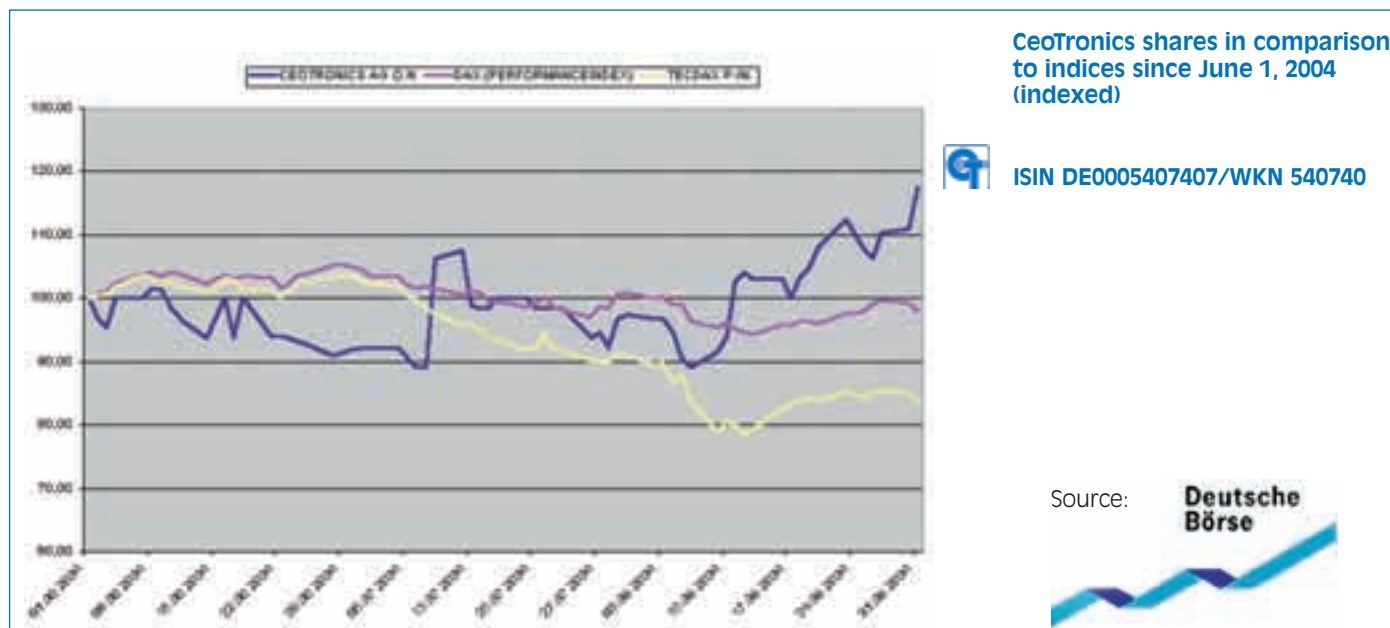
8. Reportable Security Portofolio

Reportable Security Portofolio as of August 31, 2004		CeoTronics shares (ISIN DE0005407407/WKN 540740) (quantity)	Stock options (quantity)
Board of Management			
Chairman	Thomas Günther	8,998	3,600
Deputy Chairman, Vice President R&D	Berthold Hemer	212,600	4,000
Vice President Operations	Günther Thoma	6,022	3,600
Supervisory Board			
Chairman	Hans-Dieter Günther	387,600	0
Deputy Chairman	Horst Schöppner	226,300	0
Member of Supervisory Board	Stephan Haack	0	0

The total number of CeoTronics AG shares at the reporting date amounted to 2,199,998.

No dividends were paid during the period under review.

9. CeoTronics Shares



In the period under review, the price of CeoTronics shares increased by a further 17.5%, bucking the negative trend on the DAX and TECDAX.

10. Changes in the Scope of Consolidation

The scope of consolidation has not changed and consists of the following companies:

CeoTronics AG, Rödermark, Germany,
CeoTronics AG, Rotkreuz, Switzerland,
CeoTronics Sarl, Pontault-Combault, France,
CeoTronics Ltd., Bestwood Village (Nottingham), United Kingdom,
CeoTronics, Inc., Chesapeake (Virginia), U.S.A.,
CeoTronics S.L., Madrid, Spain,
CT-Video GmbH, Rothenschirmbach, Germany,
AACOM-CeoTronics Ltd., Lodz, Poland.

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

The 25% minority interest in AACOM-CeoTronics Ltd. is accounted for by recognizing the minority interest and its effects on net income/loss in a separate item in the liabilities and shareholders' equity side of the balance sheet, in the income statement, and in the cash flow statement.

11. Changes in the Company's Executive Bodies

There were no changes in the Company's executive bodies in the first quarter of fiscal year 2004/2005.