



## 1. Business Report

Ladies and Gentlemen,  
Dear Shareholders,

The first nine months of fiscal year 2004/2005 have once again demonstrated the strengths of CeoTronics' broad customer base, varied and innovative range of products and international distribution network.

Cyclical weakness in individual customer sectors, budget constraints for public sector customers in various markets and the unsatisfactory development of CeoTronics' business position in the U.S.A. did not endanger growth in revenues and profitability for our Group as a whole, although they did impact them to a certain extent.

CeoTronics successfully bucked the general trend within German industry with impressive increases of 38.5% in consolidated revenues and €971 thousand in consolidated net income compared with the same period of the previous year.

This very high level of revenue growth is partly due to the delivery and invoicing of the largest single order in CeoTronics' history. Even without the completion of this major order, however, CeoTronics would have generated double-digit growth in consolidated revenues.

The exceptionally high order book from the previous year declined as expected to a healthy, above-average level at the reporting date, February 28, 2005.

CeoTronics also achieved substantial increases in revenues for the period to February 28, 2005 in the German, Spanish, Polish, French and UK markets, as well as the rest of Europe. In Switzerland, revenues were down on the prior-year level, while revenues in the U.S.A. and the rest of the world fell once again.

The weak US dollar continued to have a negative impact on business development in the U.S.

The poor political climate between the U.S. and German governments makes it more difficult for a German-owned company to achieve sales in the country. Once again, we had to revise our targets for revenues and earnings in the U.S.A. for fiscal 2004/2005 in the third quarter. In accordance with the principles of prudent business practice, we have therefore again reduced the value of the equity interest in CeoTronics, Inc. U.S.A. recognized in the balance sheet of the parent company by €200 thousand and charged additional write-downs of receivables from the US company of €200 thousand. CeoTronics U.S.A. is more and more concentrating on the sale and distribution of specialty products with unique features. These systems are highly complex in some cases and involve elaborate and time-consuming project development activity, leading to a correspondingly lengthy decision process on the part of the customer. The cost structure and organization of CeoTronics U.S.A. will continue to be adjusted in line with the development in revenues over the coming quarters.

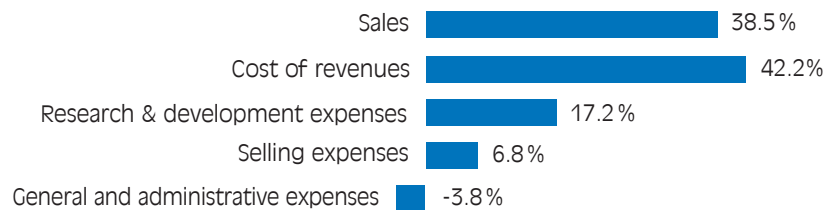
# 2004/2005

Consolidated interim report CeoTronics AG for the first three quarters

EBITDA (Earnings before Interest, Taxes, Depreciation and goodwill Amortization/impairment) improved by €1,418 thousand in comparison with consolidated earnings for the first three quarters of the previous year, from €486 thousand to €1,904 thousand. EBIT was up during the same period by €1,448 thousand from €154 thousand to €1,602 thousand, while net income after taxes for the nine months rose by €971 thousand from €5 thousand in the previous year to €976 thousand. Gross cash flow for the 9-month period was €941 thousand higher at €1,278 thousand, compared with €337 thousand in the previous year.

The Group's equity ratio rose from 67.9 % to 75.4 % and has been substantially above the German industry average for many years.

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



The percentage cost of revenues increased only slightly despite further write-downs of inventories amounting to €100 thousand in the third quarter of fiscal 2004/2005. The rise in research and development expenses is partly due to increased staff capacity and to higher materials and testing costs. Selling and marketing expenses rose in line with budget, reflecting intensified sales and marketing activities. Administrative expenses were reduced once again in comparison with the previous year.

The number of employees remained at 126, the same as at the corresponding date last year.

In the period under review, CeoTronics' share price again performed well, increasing by 150% in sharp contrast to the downward trend on the TECDAX and the only marginally positive trend on the DAX. CeoTronics' shares have also outperformed the Technology All Share index since they were first included on September 1, 2004, rising by 102.5% compared with 18.8% for the TAS overall.

The Board of Management is extremely satisfied with the results for the nine months, particularly in view of the general economic environment and the write-downs required. We expect to hit our target revenues for fiscal 2004/2005 of around €15,500 thousand and to exceed our earnings target of around €1,000 thousand, and believe that we have created the basis for positive future share price development.

The Board of Management

Thomas H. Günther  
Chairman of the Board of Management

Berthold Hemer  
Deputy Chairman  
Vice-President Research & Development

Rödermark, April 14, 2005

## 2. Balance Sheet (US-GAAP)

Assets	Quarterly Report (closing date of current quarter) February 28, 2005	Annual Report (closing date of last annual report) May 31, 2004
	€thousand	€thousand
<b>Current assets</b>		
Cash and cash equivalents	2,191	370
Short-term investments/marketable securities	0	0
Trade accounts receivable	2,227	3,458
Accounts receivable due from related parties	0	0
Inventories	3,764	3,910
Deferred tax	939	1,323
Prepaid expenses and other current assets	277	381
<b>Total current assets</b>	<b>9,398</b>	<b>9,442</b>
<b>Non-current assets</b>		
Property, plant, and equipment	3,215	3,231
Intangible assets	132	130
Goodwill	1,430	1,510
Participations	0	0
Investments	16	15
Investments accounted for by the equity method	0	0
Deferred tax	0	0
<b>Total non-current assets</b>	<b>4,793</b>	<b>4,886</b>
<b>Total assets</b>	<b>14,191</b>	<b>14,328</b>

Liabilities and shareholders' equity	Quarterly Report (closing date of current quarter) February 28, 2005	Annual Report (closing date of last annual report) May 31, 2004
	€thousand	€thousand
<b>Current liabilities</b>		
Current portion of capital lease obligation	0	0
Short-term debt and current portion of long-term debt	141	847
Trade accounts payable	766	1,152
Accounts payable due to related parties	0	0
Advance payments received	0	2
Accrued expenses	900	511
Deferred revenues	0	0
Income tax payable	312	208
Deferred tax	0	0
Other current liabilities	310	564
<b>Total current liabilities</b>	<b>2,429</b>	<b>3,284</b>
<b>Non-current liabilities</b>		
Long-term debt, less current portion	1,021	955
Capital lease obligations, less current portion	0	0
Deferred revenues	0	0
Deferred tax	0	0
Pension accrual	0	0
<b>Total non-current liabilities</b>	<b>1,021</b>	<b>955</b>
<b>Minority interest</b>	<b>46</b>	<b>29</b>
<b>Shareholders' equity</b>		
Share capital	6,600	6,600
Additional paid-in capital	4,471	4,471
Retained earning/accumulated deficit	-306	-997
Accumulated other comprehensive income/loss	-70	14
<b>Total shareholders' equity</b>	<b>10,695</b>	<b>10,060</b>
<b>Total liabilities and shareholders' equity</b>	<b>14,191</b>	<b>14,328</b>

### 3. Income Statement

Income Statement (US GAAP)	Quarterly Report (current quarter)  Dec. 1, 2004- Feb. 28, 2005	Quarterly Report (comparative quarter previous year) Dec. 1, 2003- Feb. 29, 2004	Quarterly Report (current year to date) June 1, 2004- Feb. 28, 2005	Quarterly Report (comparative period previous year) June 1, 2003- Feb. 29, 2004
	€thousand	€thousand	€thousand	€thousand
<b>Revenues</b>	<b>4,295</b>	<b>3,419</b>	<b>12,955</b>	<b>9,354</b>
Cost of revenues	-2,064	-1,583	-6,500	-4,570
<b>Gross profit/loss</b>	<b>2,231</b>	<b>1,836</b>	<b>6,455</b>	<b>4,784</b>
Selling and marketing expenses	-1,017	-977	-2,976	-2,785
General and administrative expenses	-365	-378	-1,097	-1,141
Research and development expenses	-242	-228	-756	-645
Other operating income and expenses	-21	-85	-24	-59
Amortization (and impairment) of goodwill	0	0	0	0
<b>Operating income/loss (EBIT)</b>	<b>586</b>	<b>168</b>	<b>1,602</b>	<b>154</b>
Interest income and expenses	-26	-40	-60	-89
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
<b>Net income/loss before income tax (and minority interest)</b>	<b>560</b>	<b>128</b>	<b>1,542</b>	<b>65</b>
Income tax	-162	-25	-545	-58
Extraordinary income/expenses	0	0	0	0
<b>Result before minority interest</b>	<b>398</b>	<b>103</b>	<b>997</b>	<b>7</b>
Minority interest	-17	-2	-21	-2
<b>Net income/loss</b>	<b>381</b>	<b>101</b>	<b>976</b>	<b>5</b>
Net income per share (basic) in €	0.17	0.05	0.44	0.00
Net income per share (diluted) in €	0.17	0.05	0.44	0.00
Weighted average shares outstanding (basic)	2,199,998	2,159,998	2,199,998	2,159,998
Weighted average shares outstanding (diluted)	2,199,998	2,159,998	2,199,998	2,159,998

## 4. Consolidated Cash Flow Statement

Cash Flow Statement	Year-to-date (current fiscal year) June 1, 2004-Feb. 28, 2005	Year-to-date (comparative period of previous year) June 1, 2003-Feb. 29, 2004
	€thousand	€thousand
<b>Cash flow from operating activities</b>		
Net income before tax	1,542	65
Income tax	-545	-58
<b>Net income after tax before minority interest</b>	<b>997</b>	<b>7</b>
Minority interest	-21	-2
<b>Net income after tax and after minority interest</b>	<b>976</b>	<b>5</b>
Depreciation	302	332
<b>Subtotal</b>	<b>1,278</b>	<b>337</b>
<b>Changes in assets and liabilities</b>		
Change in trade accounts receivable	1,231	-465
Change in inventories	146	-309
Change in prepaid expenses and other current assets	104	-3
Change in trade accounts payable	-386	608
Change in advanced payments received	-2	-11
Change in other accruals	389	-8
Change in corporate tax liabilities	104	18
Change in other liabilities	-254	-113
Change in asset-side adjustment for deferred tax	384	-8
<b>Total changes</b>	<b>1,716</b>	<b>-291</b>
<b>Net cash provided by operating activities</b>	<b>2,994</b>	<b>46</b>
<b>Cash flow from investing activities</b>		
Investments in intangible assets	-47	-22
Investments in fixed assets	-247	-280
Changes in other assets and prepaid expenses	0	2
Change in foreign currency differences	86	54
<b>Net cash used in investing activities</b>	<b>-208</b>	<b>-246</b>
<b>Cash flow from financing activities</b>		
Change in short-term liabilities to banks	66	113
Change minority interest	17	4
Change in mid-term and long-term liabilities to banks	-706	-90
Dividend	-286	0
<b>Net cash provided by financing activities</b>	<b>-909</b>	<b>27</b>
<b>Change in cash and cash equivalents</b>	<b>1,877</b>	<b>-173</b>
Net effect of currency translation on cash and cash equivalents	-56	-68
Cash and cash equivalents at beginning of period	370	527
Cash and cash equivalents at end of period	2,191	286

## 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
<b>Current year</b>								
<b>As of May 31, 2004</b>	<b>6,600</b>	<b>0</b>	<b>4,471</b>	<b>70</b>	<b>-1,067</b>	<b>-14</b>		<b>10,060</b>
Consolidated net income in the first nine months					976		976	976
Distribution of dividend					-286			-286
Currency translation differences in the period						-56	-56	-56
Comprehensive Income							920	
<b>As of February 28, 2005</b>	<b>6,600</b>	<b>0</b>	<b>4,471</b>	<b>70</b>	<b>-377</b>	<b>-70</b>		<b>10,694</b>
<b>Previous year's values for comparison</b>								
<b>As of May 31, 2003</b>	<b>6,600</b>	<b>-614</b>	<b>4,935</b>	<b>70</b>	<b>-1,382</b>	<b>10</b>		<b>9,619</b>
Consolidated net income in the first nine months					5		5	5
Currency translation differences in the period						-68	-68	-68
Comprehensive Income							-63	
<b>As of February 29, 2004</b>	<b>6,600</b>	<b>-614</b>	<b>4,935</b>	<b>70</b>	<b>-1,377</b>	<b>-58</b>		<b>9,556</b>

The equity ratio of the CeoTronics Group as of February 28, 2005 was 75.4 %.

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 Nine Months Ended February 28, 2005

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 nine months of 2004/2005 and 2003/2004 are broken down by regional subsidiary as follows:

	Three quarters 2004/2005	Three quarters 2003/2004
	€thousand	€thousand
Germany	11,599	3,074
Rest of Europe and rest of world	5,378	9,583
Subtotal	16,977	12,657
Elimination of intercompany trade	-4,022	-3,303
External revenues	12,955	9,354



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

	Three quarters 2004/2005	Three quarters 2003/2004
	€thousand	€thousand
Germany	218	44
Rest of Europe and rest of world	255	83
Subtotal	473	127
Consolidation entries	503	-122
Consolidated net income	976	5

Total assets as of February 28, 2005 and February 29, 2004 are broken down by regional subsidiary as follows:

	February 28, 2005	February 29, 2004
	€thousand	€thousand
Germany	16,054	17,053
Rest of Europe and rest of world	5,237	5,312
Subtotal	21,291	22,365
Consolidation entries	-7,100	-8,294
Consolidated total assets	14,191	14,071

Total non-current assets as of February 28, 2005 and February 29, 2004 are broken down by regional subsidiary as follows:

	February 28, 2005	February 29, 2004
	€thousand	€thousand
Germany	3,194	3,277
Rest of Europe and rest of world	1,599	1,751
Non-current assets (total)	4,793	5,028

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

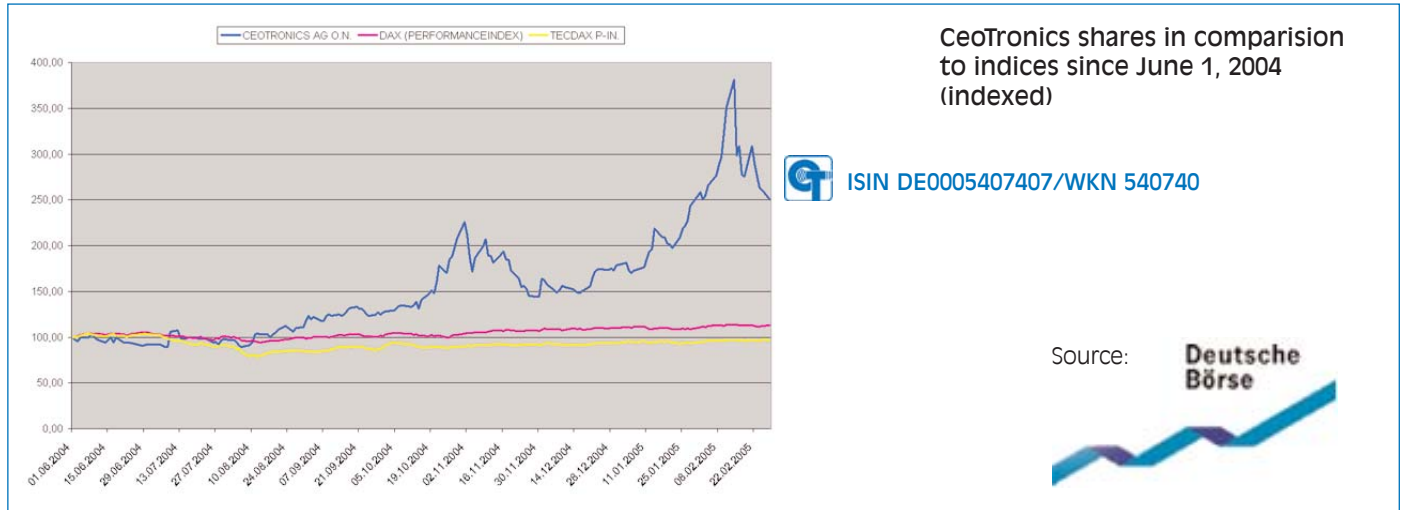
	Three quarters 2004/2005	Three quarters 2003/2004
	€thousand	€thousand
Germany	197	288
Rest of Europe and rest of world	97	14
Capital expenditure (total)	294	302

## 8. Reportable Security Portfolio

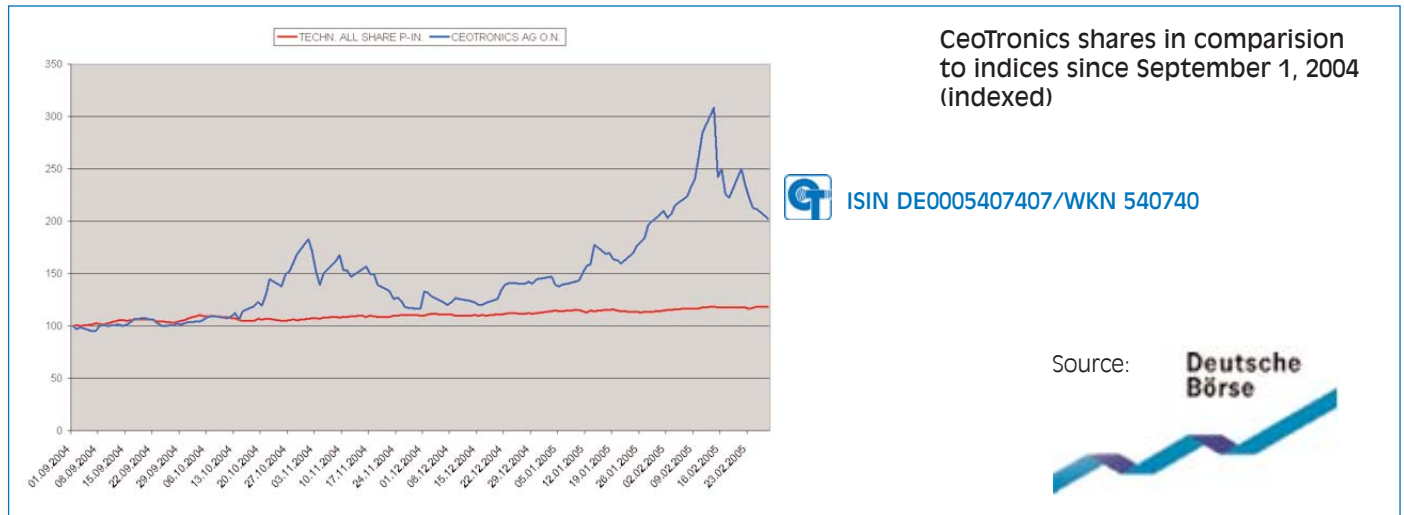
Reportable Security Portfolio as of February 28, 2005		CeoTronics shares (ISIN DE0005407407/WKN 540740) (quantity)	Virtual stock options (quantity)
<b>Board of Management</b>			
Chairman	Thomas Günther	8,998	2,800
Deputy Chairman, Vice President R&D	Berthold Hemer	211,050	3,000
Vice President Operations	Günther Thoma	6,022	2,800
<b>Supervisory Board</b>			
Chairman	Hans-Dieter Günther	371,200	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.

## 9. CeoTronics Shares



In the period under review, the price of CeoTronics shares increased by a further +150%, thus clearly bucking the negative trend on the TECDAX and the only slight recovery on the DAX.



CeoTronics shares have also outperformed the Technology All Share performance index since their first inclusion on September 1, 2004, recording growth of +102.5% compared with +18,8% (TAS benchmark).

## 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 nine month 2004/2005.



**CeoTronics**  
Audio · Video · Data Communication  
CeoTronics AG  
Adam-Opel-Str. 6  
63322 Rödermark (Germany)  
Tel. +49 6074 8751-722  
Fax +49 6074 8751-720  
E-Mail [chairman@ceotronics.com](mailto:chairman@ceotronics.com)  
[www.ceotronics.com](http://www.ceotronics.com)