

CeoTronics Interim Report



Q1

2006/2007

Consolidated interim report CeoTronics AG for the first quarter

1. Business Report

Ladies and Gentlemen,
Dear Shareholders,

The CeoTronics Group's consolidated results for the first quarter of fiscal year 2006/2007 (from June 1 to August 31, 2006) in accordance with IFRSs exceeded the record quarter of the previous year.

We were almost able to match the previous year's record quarterly revenues (€3,483 thousand). In the first quarter of the current fiscal year 2006/2007, we performed preparatory work for larger orders to be delivered during the second quarter.

Consolidated profit for the first quarter increased year-on-year by €15 thousand to €210 thousand (+7.7%).

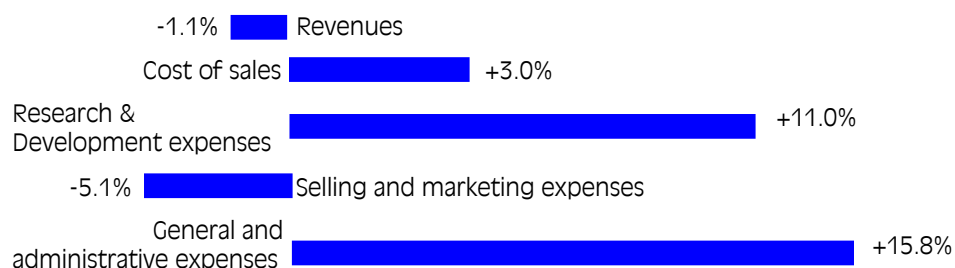
We significantly increased our order backlog compared with the reporting date for the prior-year period by 45.2%. This extremely high order backlog is another reason for our optimism with respect to future business developments.

EBITDA (Earnings before Interest, Taxes, Depreciation and goodwill Amortization/impairment) dropped by €110 thousand compared with the prior-year period, from €601 thousand to €491 thousand. EBIT decreased by €28 thousand, from €394 thousand to €366 thousand. In contrast to the previous year's consolidated net profit of €195 thousand, net profit of €210 thousand was generated. Consolidated net profit therefore improved by €15 thousand. Gross cash flow decreased by €67 thousand in the period under review, from €402 thousand in the prior-year period to €335 thousand. Earnings per share improved by €0.01 to €0.10 compared to €0.09 for the same period last year. Consolidated equity as of August 31, 2006 amounted to €11,554 thousand, while the equity ratio was 80.5% (previous year: 78.8%). The equity ratio thus reached a new record level.

CeoTronics increased its revenues in Germany, France, the United Kingdom, Poland, the rest of Europe, and the rest of the world, in some cases recording extremely significant growth in the first quarter as compared with the previous year.

Revenues in Switzerland, Spain, and the U.S.A. fell in the first quarter of 2006/2007. This was due to low volume in some cases (U.S.A.) and to extremely high prior-year revenues in others (Spain and Switzerland). In Spain and in Switzerland, however, order backlogs increased by 556% and 163% respectively, year on year.

The consolidated key figures (IFRSs, unaudited) for the first three months of fiscal year 2006/2007 in comparison to the previous year were as follows:



The increase in the cost of sales was due to the rising proportion of higher-value components, the change in the order structure, increased personnel capacity, and an increased elimination of intragroup profits.

The trend in research and development expenses reflects the increased effort involved in developing new products and modifying existing technologies, as well as increased personnel capacity.

Selling and marketing expenses declined as planned due to lower trade fair expenses, among other things.

Administrative expenses increased, primarily as a result of rising employee expenses and personnel capacity.

The number of employees in the Group (including trainees) increased to 134 as of August 31, 2006 (August 31, 2005: 130). All new jobs were created in Germany.

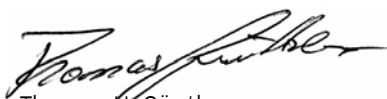
At +3.4% in the period under review, CeoTronics' share price does not reflect the positive development of the company. Our extremely positive figures for fiscal year 2005/2006, which were published in detail in August, and the proposed dividend of €0.30 per share (+50%) did not have a sufficiently positive effect on our share price in the period up to the reporting date of August 31, 2006.

However, CeoTronics' shares clearly outperformed the TECDEX by 6.0% and the TAS (Technology All Share) by 6.8%.

The positive share price performance should also be bolstered by the positive results of the research by German Business Concepts GmbH (the study calculated a fair value of €10.38 for CeoTronics shares) and by designated sponsoring (including trading on the XETRA) by Gebhard & Co. Wertpapierhandelsbank AG.

In keeping with tradition, CeoTronics expects to issue its revenue and earnings targets for fiscal year 2006/2007 in January 2007, at the time of publication of its half-year results.

CeoTronics' results for the first quarter of 2006/2007 and its order backlog have met the expectations of the Board of Management, and the Company remains on course for success.



Thomas H. Günther
Chairman of the Board of Management



Berthold Hemer
Chief Technology Officer
Deputy Chairman

Rödermark, October 13, 2006

2. Consolidated Balance Sheet (IFRS)

| Assets | Quarterly Report (closing date of current quarter) August 31, 2006 | Annual Report (closing date of last annual report) May 31, 2006 |
|--------------------------------|--|--|
| | € thousand | € thousand |
| Current assets | | |
| Cash and cash equivalents | 1,564 | 2,376 |
| Trade receivables | 2,925 | 2,571 |
| Inventories | 4,009 | 3,754 |
| Other current assets | 532 | 229 |
| Total current assets | 9,030 | 8,930 |
| Noncurrent assets | | |
| Property, plant, and equipment | 3,225 | 3,262 |
| Intangible assets | 187 | 180 |
| Goodwill | 1,357 | 1,364 |
| Noncurrent financial assets | 0 | 0 |
| Deferred tax assets | 553 | 535 |
| Total noncurrent assets | 5,322 | 5,341 |
| Total assets | 14,352 | 14,271 |

| Equity and Liabilities | Quarterly Report (closing date of current quarter) August 31, 2006 | Annual Report (closing date of last annual report) May 31, 2006 |
|---|--|--|
| | € thousand | € thousand |
| Current liabilities | | |
| Current finance lease obligations | 260 | 175 |
| Trade payables | 530 | 679 |
| Advance payments received | 26 | 147 |
| Provisions | 579 | 932 |
| Current tax payables | 397 | 219 |
| Other current liabilities | 578 | 347 |
| Total current liabilities | 2,370 | 2,499 |
| Noncurrent liabilities | | |
| Noncurrent financial liabilities | 428 | 429 |
| Total noncurrent liabilities | 428 | 429 |
| Equity | | |
| Subscribed capital | 6,600 | 6,600 |
| Capital reserves | 4,471 | 4,471 |
| Retained earnings | 16 | 16 |
| Cumulative other recognized income and expense | -13 | -13 |
| Net retained profit | 436 | 226 |
| Equity attributable to shareholders of CeoTronics AG | 11,510 | 11,300 |
| Minority interest | 44 | 43 |
| Total equity | 11,554 | 11,343 |
| Total equity and liabilities | 14,352 | 14,271 |

3. Consolidated Income Statement (IFRS)

| Income Statement | Quarterly Report (current quarter) | Quarterly Report (comparative quarter of previous year) |
|---|---------------------------------------|---|
| | June 1, 2006- August 31, 2006 | June 1, 2005- August 31, 2005 |
| | € thousand | € thousand |
| Revenues | 3,799 | 3,843 |
| Cost of sales | -1,929 | -1,872 |
| Gross profit | 1,870 | 1,971 |
| Selling and marketing expenses | -869 | -916 |
| General and administrative expenses | -359 | -310 |
| Research and development expenses | -272 | -245 |
| Other operating income and expenses | 5 | -5 |
| Impairment of goodwill | -9 | -101 |
| Operating profit (EBIT) | 366 | 394 |
| Interest income/expenses | 5 | -2 |
| Profit before tax | 371 | 392 |
| Income tax expense | -161 | -197 |
| Consolidated profit | 210 | 195 |
| Consolidated profit attributable to: | | |
| Minority interest | 0 | -2 |
| Shareholders of CeoTronics AG | 210 | 197 |
| Earnings per share (basic) in € | 0.10 | 0.09 |
| Earnings per share (diluted) in € | 0.10 | 0.09 |
| Weighted average shares outstanding (basic) | 2,199,998 | 2,199,998 |
| Weighted average shares outstanding (diluted) | 2,199,998 | 2,199,998 |

4. Consolidated Cash Flow Statement (IFRS)

| Cash Flow Statement | Year-to-date (current fiscal year) June 1, 2006-August 31, 2006 | Year-to-date (comparative period of previous year) June 1, 2005-August 31, 2005 |
|--|---|--|
| | € thousand | € thousand |
| Cash flow from operating activities | | |
| Profit before tax | 371 | 392 |
| Income tax expense | -161 | -197 |
| Consolidated profit | 210 | 195 |
| Depreciation, amortization, and impairment losses | 125 | 207 |
| Gross cash flow | 335 | 402 |
| Changes in assets and liabilities | | |
| Change in trade receivables | -354 | 123 |
| Change in inventories | -255 | -39 |
| Change in other assets | -303 | -249 |
| Change in trade payables | -149 | 0 |
| Change in advance payments received | -121 | -29 |
| Change in other provisions | -353 | -296 |
| Change in tax payables | 178 | 35 |
| Change in other current liabilities | 231 | 227 |
| Change in deferred tax liabilities | -18 | 152 |
| Total changes in assets and liabilities | -1,144 | -76 |
| Net cash provided by operating activities | -809 | 326 |
| Cash flow from investing activities | | |
| Payments to acquire intangible assets | -18 | -1 |
| Payments to acquire property, plant, and equipment | -68 | -113 |
| Change in noncurrent financial assets | 0 | 2 |
| Change in foreign currency differences | -3 | 1 |
| Disposal of noncurrent assets (net carrying amounts) | 1 | 0 |
| Net cash used in investing activities | -88 | -111 |
| Cash flow from financing activities | | |
| Change in current financial liabilities | 85 | -138 |
| Change in noncurrent financial liabilities | -1 | -14 |
| Dividend payment to minority interest | 0 | 0 |
| Dividend payment to shareholders of CeoTronics AG | 0 | 0 |
| Net cash used in financing activities | 84 | -152 |
| Change in cash and cash equivalents | -813 | 63 |
| Effect of exchange rate changes on cash and cash equivalents | 1 | -20 |
| Cash and cash equivalents at beginning of period | 2,376 | 2,243 |
| Cash and cash equivalents at end of period | 1,564 | 2,286 |

5. IFRS Statement of Changes In Equity

| € thousand | Equity attributable to shareholders of CeoTronics AG | | | | | | Minority interest | Total equity |
|---|--|------------------|-------------------|--|--|--------|-------------------|--------------|
| | Subscribed capital | Capital reserves | Retained earnings | Net retained profit/net accumulated losses | Cumulative other recognized income and expense | Total | | |
| Current year | | | | | | | | |
| Balance at May 31, 2006 | 6,600 | 4,471 | 16 | 226 | -13 | 11,300 | 43 | 11,343 |
| Consolidated profit | | | | 210 | | 210 | | 210 |
| Dividend distribution | | | | | | | | |
| Currency translation adjustments | | | | | | | 1 | 1 |
| Change in minority interest | | | | | | | | |
| August 31, 2006 | 6,600 | 4,471 | 16 | 436 | -13 | 11,510 | 44 | 11,554 |
| Previous year's figures for comparison | | | | | | | | |
| Balance at May 31, 2005 | 6,600 | 4,471 | 16 | -283 | -33 | 10,771 | 48 | 10,819 |
| Consolidated profit | | | | 197 | | 197 | -2 | 195 |
| Dividend distribution | | | | | | | | |
| Currency translation adjustments | | | | | 2 | 2 | 0 | 2 |
| Change in minority interest | | | | | | | -23 | |
| Balance at August 31, 2005 | 6,600 | 4,471 | 16 | -86 | -31 | 10,970 | 23 | 10,993 |

The equity ratio of the CeoTronics Group was 80.5% as of August 31, 2006 (previous year: 78.6%).

There were no material changes to 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, 2006

The unaudited consolidated quarterly report of CeoTronics AG as of August 31, 2006 was prepared in accordance with the International Financial Reporting Standards (IFRSs). This interim report complies with IAS 34 *Interim Financial Reporting*.

The quarterly report was prepared using the accounting, measurement and consolidation principles applied in the preparation of the consolidated annual financial statements as of May 31, 2006.

Further details can be found in the Annual Report for fiscal year 2005/2006.

7. Consolidated Segment Reporting

The Company assesses the performance of the subsidiaries on the basis of their pre-tax profit. 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 production process and the marketing methods. Internal and external reporting primarily follows geographic criteria.

The information below is presented by region.

Revenues for the first quarter of 2006/2007 and 2005/2006 are attributable as follows:

Country of origin (primary segment):

| | Q1 2006/2007 | Q1 2005/2006 |
|----------------------|--------------|--------------|
| Revenues | € thousand | € thousand |
| Germany | 2,453 | 1,903 |
| Rest of Europe | 1,276 | 1,836 |
| Rest of world | 70 | 104 |
| Third-party revenues | 3,799 | 3,843 |

By customer country (secondary segment):

| | Q1 2006/2007 | Q1 2005/2006 |
|----------------------|--------------|--------------|
| Revenues | € thousand | € thousand |
| Germany | 1,494 | 1,238 |
| Rest of Europe | 2,227 | 2,481 |
| Rest of world | 78 | 124 |
| Third-party revenues | 3,799 | 3,843 |

The profit or loss for the first quarter of 2006/2007 and 2005/2006 is attributable as follows to the subsidiaries in the various regions:

| | Q1 2006/2007 | Q1 2005/2006 |
|---------------------|--------------|--------------|
| Profit/loss | € thousand | € thousand |
| Germany | 232 | 217 |
| Rest of Europe | 49 | 128 |
| Rest of world | -71 | -151 |
| Consolidated profit | 210 | 194 |

Segment assets are attributable as follows to the subsidiaries in the various regions (primary segment) as of August 31, 2006 and August 31, 2005:

| | August 31, 2006 | August 31, 2005 |
|----------------------|-----------------|-----------------|
| Segment assets | € thousand | € thousand |
| Germany | 8,871 | 8,958 |
| Rest of Europe | 3,858 | 3,130 |
| Rest of world | 1,623 | 1,839 |
| Total segment assets | 14,352 | 13,927 |

Segment liabilities are attributable as follows to the subsidiaries in the various regions (primary segment) as of August 31, 2006 and August 31, 2005:

| | August 31, 2006 | August 31, 2005 |
|---------------------------|-----------------|-----------------|
| Segment liabilities | € thousand | € thousand |
| Germany | 2,262 | 2,351 |
| Rest of Europe | 543 | 566 |
| Rest of world | 41 | 16 |
| Total segment liabilities | 2,846 | 2,933 |

Noncurrent assets are attributable as follows to the subsidiaries in the various regions (primary segment) as of August 31, 2006 and August 31, 2005:

| | August 31, 2006 | August 31, 2005 |
|-------------------------|-----------------|-----------------|
| Noncurrent assets | € thousand | € thousand |
| Germany | 3,262 | 3,226 |
| Rest of Europe | 586 | 628 |
| Rest of world | 921 | 954 |
| Total noncurrent assets | 4,769 | 4,808 |

Investments in the first six months of 2006/2007 and 2005/2006 are attributable to the subsidiaries in the various regions (primary segment) as follows:

| | Q1 2006/2007 | Q1 2005/2006 |
|-------------------|--------------|--------------|
| Investments | € thousand | € thousand |
| Germany | 61 | 68 |
| Rest of Europe | 25 | 46 |
| Rest of world | 0 | 0 |
| Total investments | 86 | 114 |

Depreciation, amortization, and impairment losses are attributable as follows to the subsidiaries in the various regions (primary segment) in the first quarter of 2006/2007 and 2005/2006:

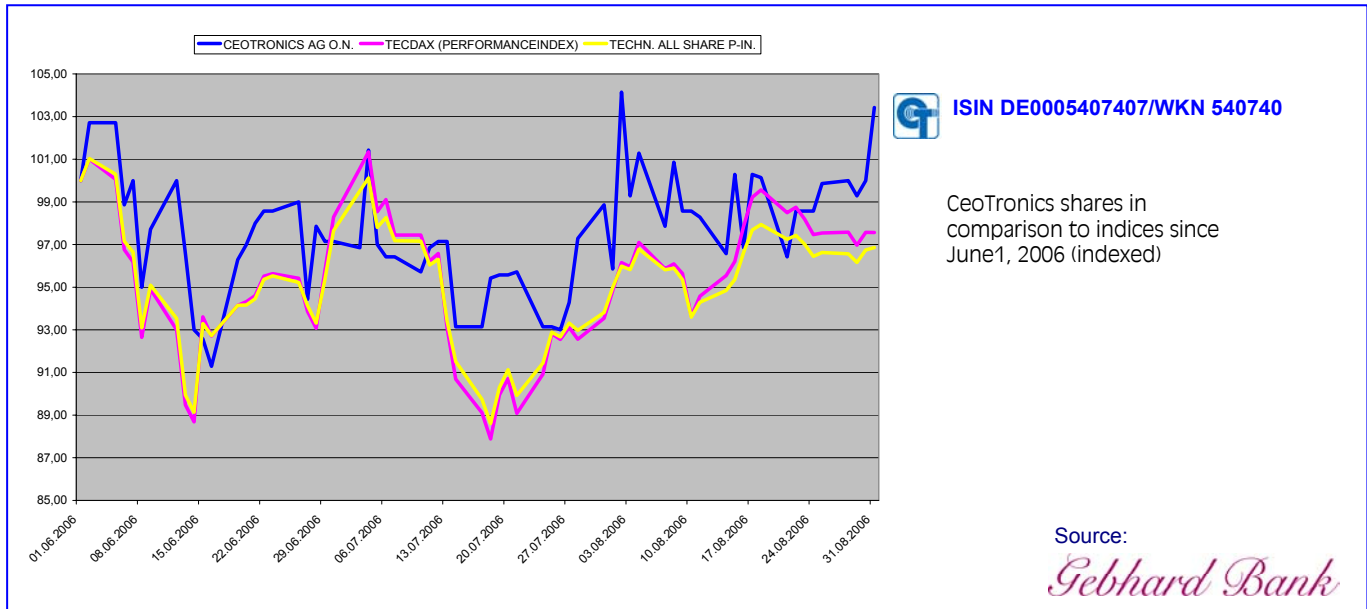
| | Q1 2006/2007 | Q1 2005/2006 |
|---|--------------|--------------|
| Depreciation, amortization, and impairment losses | € thousand | € thousand |
| Germany | 101 | 81 |
| Rest of Europe | 19 | 20 |
| Rest of world | 5 | 106 |
| Total depreciation, amortization, and impairment losses | 125 | 207 |

8. Reportable Securities Holdings

| Reportable securities holdings as of August 31, 2006 | | CeoTronics shares (ISIN DE0005407407/WKN 540740) (quantity) | Virtual CeoTronics stock options (quantity) |
|--|---------------------|---|---|
| Board of Management | | | |
| Chairman of the Board of Management | Thomas H. Günther | 9,498 | 2,000 |
| Chief Technology Officer | Berthold Hemer | 171,050 | 2,000 |
| Chief Operating Officer | Günther Thoma | 6,022 | 2,000 |
| Supervisory Board | | | |
| Chairman | Hans-Dieter Günther | 371,200 | 0 |
| Deputy Chairman | Horst Schöppner | 218,470 | 0 |
| 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



At only +3.4% in the period under review, CeoTronics AG' share price performed well below the Board of Management's expectations, in view of the extremely positive figures for the 2005/2006 fiscal year and based on the actual positive business development. However, the share price did significantly better than the negative performance of the TECDAX and TAS (Technology All Share).

In fiscal year 2005/2006 and in Q4 of fiscal year 2005/2006, as well as in Q1 of the current fiscal year 2006/2007, CeoTronics beat almost all its previous records:

Consolidated profit for fiscal year 2005/2006 (year-on-year changes in %)

- Revenues (+13.7%)
- EBITDA (+11.5%)
- EBIT (+6.9%)
- Profit before tax (+9.7%)
- Gross cash flow (+3.2%)
- Order backlog (+10.1%)

Consolidated profit for Q4 of fiscal year 2005/2006 (year-on-year changes in %)

- Revenues (+57.4%)

It appears that the market has noticed CeoTronics' good key figures during the current second quarter of fiscal year 2006/2007. CeoTronics' share price performance improved significantly between June 1, 2006 and October 12, 2006, rising 16.0% (from €7.0 to €8.12 per share). The start of designated sponsoring, including trading on the XETRA, by Gebhard & Co. Wertpapierhandelsbank AG in early September 2006, as well as the publication of German Business Concepts GmbH's CeoTronics study in mid September 2006 are also likely to have contributed to this share price development. The German Business Concepts GmbH study calculated a fair value of €10.38 for CeoTronics shares.

The record consolidated profit for the first quarter of the current 2006/2007 fiscal year and the extremely high order backlog as of August 31, 2006 should also bolster the positive development of the share price.

10. Changes in the Consolidated Group Structure

There were no changes in the scope of consolidation in the first quarter of fiscal year 2006/2007.

The following companies are included in the consolidated financial statements:

CeoTronics AG (Rotkreuz, Switzerland), CeoTronics Sarl (Brie Comte Robert, France), CeoTronics Ltd. (Bestwood Village, Nottingham, United Kingdom), CeoTronics Inc. (Virginia Beach, U.S.A.), CeoTronics S.L. (Madrid, Spain), CT-Video GmbH (Lutherstadt Eisleben, Germany), AACOM-CeoTronics Sp.z.o.o. (Lodz, Poland).

Subsidiaries in which the parent directly or indirectly holds the majority of shares and hence of the voting power are consolidated in accordance with the principles of acquisition accounting under IFRSs.

We account for the 25% minority interest in AACOM-CeoTronics Sp.z.o.o. by deducting the minority interest and the resulting effects on profit or loss within equity in the balance sheet, in the income statement, the cash flow statement, and the statement of changes in equity.

11. Changes in the Company's Executive Bodies

There were no changes in the Company's executive bodies in the first quarter of 2006/2007.

12. Current Financial Calendar

| | |
|---|------------------------------|
| General Meeting 2006 | Friday, November 3, 2006 |
| German Equity Forum Fall 2006 | Tuesday, November 28, 2006 |
| MKK Munich Capital Market Conference | Wednesday, December 13, 2006 |
| Report on Q2 2006/2007 | Friday, January 12, 2007 |
| Report on Q3 2006/2007 | Friday, April 13, 2007 |
| End of fiscal year 2006/2007 | Thursday, May 31, 2007 |
| 4 th Quarterly report and annual financial statement 2006/2007 | Friday, August 17, 2007 |
| Annual earnings press conference 2007 | Thursday, August 30, 2007 |
| Analyst meeting 2007 | Thursday, August 30, 2007 |
| Report on Q1 2007/2008 | Friday, October 12, 2007 |
| General Meeting 2007 | Friday, November 2, 2007 |

13. New Edition of CT-NEWS

The new edition of CT-NEWS can be downloaded at www.ceotronics.com or is available in print upon request from CeoTronics AG, Marketing Service, Adam-Opel-Strasse 6, 63322 Rödermark, Germany (thomas.stamm@ceotronics.com).



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