

# CeoTronics Group

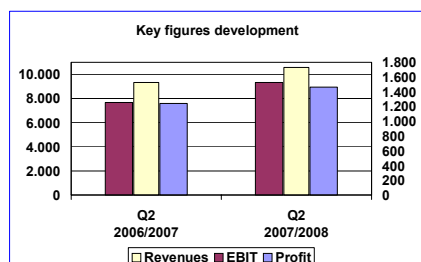
## Half-Yearly Financial Report



# 2007/2008

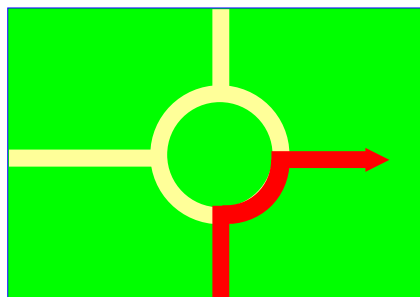
Half-Yearly Financial Report for Fiscal Year 2007/2008

## Key Group Figures



|   | H1 2007/2008         | H1 2006/2007         | Change  |
|---|----------------------|----------------------|---------|
| Accounting standards                                    | IFRS / €<br>thousand | IFRS / €<br>thousand | in %    |
| Revenues  | 10,568               | 9,331                | + 13.3% |
| of which outside Germany (%)                            | 58.6                 | 73.2                 | -       |
| Capital expenditure                                     | 273                  | 2,760                | -       |
| R&D expenses  | 744                  | 649                  | + 14.6% |
| EBITDA  | 1,783                | 1,563                | + 14.1% |
| EBIT  | 1,526                | 1,256                | + 21.5% |
| EBIT margin (in %)                                      | 14.4                 | 13.5                 | + 6.7%  |
| Profit before tax                                       | 1,463                | 1,241                | + 17.9% |
| Consolidated profit                                     | 974                  | 716                  | + 36.0% |
| Profit attributable to shareholders<br>of CeoTronics AG | 978                  | 712                  | + 37.4% |
| Gross cash flow   | 1,231                | 1,023                | + 20.3% |
| Cash and cash equivalents                               | 922                  | 511                  | + 80.4% |
| Total assets  | 19,762               | 17,449               | + 13.3% |
| Equity  | 12,055               | 11,368               | + 6.0%  |
| Equity ratio (%)  | 61.0                 | 65.1                 | - 6.3%  |
| Employees (as of November 30)                           | 145                  | 142                  | -       |
| Earnings per share                                      | 0.44                 | 0.32                 | + 37.5% |
| Gross cash flow per share                               | 0.56                 | 0.47                 | + 19.1% |

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## Letter from the Board of Management



Ladies and Gentlemen,  
Dear Shareholders,

CeoTronics recorded consolidated H1 revenues of €10,568 thousand as of November 30, 2007, an increase of 13.3% year-on-year. These H1 revenues set a new record in CeoTronics' 22-year history.

Revenues in Q2 2007/2008 rose by 34.2% as against the prior-year figure to €7,423 thousand. This is the first time that CeoTronics has billed more than €6.0 million in a single quarter.

The order backlog increased significantly, rising 68.8% year-on-year as of November 30, 2007.

The first batch of the largest project in the Company's history — CT-DECT JetCom systems for the German Armed Forces — worth over €2,190 thousand was delivered and invoiced on time at the end of Q2.

The new CT noise protection helmet, including a special visor and carrying bag, as well as the new CT-ContactCom (skull microphone) and a number of software programs for CT-DECT digital radio technology were developed, produced, and delivered in record time.

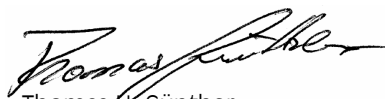
It was impressive to experience the high level of commitment and unshakeable confidence with which CeoTronics employees took on this challenge, and the discipline with which the development and production process was implemented in line with targets. On behalf of the entire Board of Management and the Supervisory Board, I would like to thank our employees for their achievements. Our thanks also go to our suppliers, whose just-in-time deliveries made it possible to keep to extremely tight deadlines.

On December 6, 2007, CeoTronics received an additional order from the German Armed Forces worth approximately €3,000 thousand for the delivery of CT-DECT JetCom systems. This is expected to be billed and recognized in income in fiscal year 2008/2009. As a result, the total value of this major project has increased from approximately €5,500 thousand to approximately €8,500 thousand.

Matthias Löw was appointed as an alternate member of the Supervisory Board by the General Meeting on November 2, 2007. We would like to thank Mr. Löw for his willingness to serve as a Supervisory Board member for CeoTronics AG if the need arises.

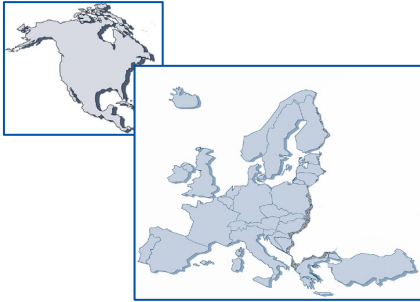
Our results as of November 30, 2007 and our very high order backlog strengthen our belief that CeoTronics can generate consolidated revenues of €21.0 million, EBIT of approximately €2.6 million, and profit of approximately €1.7 million in fiscal year 2007/2008.

Rödermark, January 14, 2008



Thomas H. Günther  
Chairman of the Board of Management

# Group Management Report



## Our Market

CeoTronics specializes in high-end communications under difficult conditions, and develops, produces, and sells audio, video, and data communications solutions. Above all, our top-of-the-line products ensure clear and precise interaction: in noisy or hazardous areas, while wearing protective helmets or protective clothing, in explosion hazard areas, in undercover operations, and in hands-free communication.

In addition to traditional headsets and other communications systems for connecting to analog and digital radio systems, the broad range of products for extremely diverse applications meets the toughest demands and focuses in particular on end-to-end system solutions. For example, mobile or fixed digital radio networks that can be set up in seconds and used on the move.

Our customer base includes well-known companies in industry, the service sector and sports, airlines, airports, and ground handling service companies as well as firefighters, civil defense, and rescue services.

A particular strength of CeoTronics AG is the development and supply of custom communications solutions for the German State and Federal Police, customs authorities, and the army, navy, and air force. A wide range of systems is available in this field: Fully and partially covert communication systems as well as miniature radio cameras for the wireless transfer of video images during undercover investigations and for preserving evidence.

Economic growth in Europe and North America in the first half-year of 2007/2008 was largely stable and satisfactory. Tax revenues have increased in most countries. However, the most important countries still have a long way to go in increasing their budgets, which have been reduced over the course of many years, i.e., adjusting them to the necessary investments and workforce requirements.

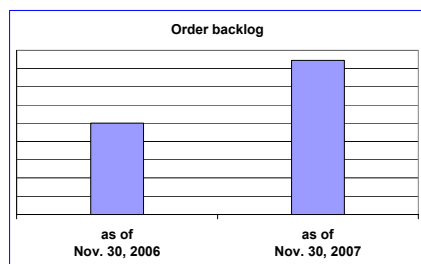
Many industrial companies are again investing in new technologies that accelerate work processes, in increasing workplace safety through improved communication, and in new jobs. This development offers CeoTronics further potential for growth, provided it continues.

The threat posed by international terrorism around the globe has not waned. Accordingly, government security and law enforcement agencies must upgrade their equipment in order to maintain the highest degree of security for citizens, as well as for freedom and democracy.

Government security and law enforcement agencies in a number of priority European markets already began switching from analog to digital radio several years ago. As a result, CeoTronics' subsidiaries in Spain, France, and Switzerland recorded sustained annual revenue increases, in part even more than doubling their revenues.

Preparations are being made for the switch in a few other priority European markets. CeoTronics expects large investments in Germany on the part of security authorities and organizations (BOS — Behörden und Organisationen mit Sicherheitsaufgaben), the Armed Forces, firefighters, and industry. Those responsible for Germany's switch to digital radio at the federal and state levels are projecting 500,000 BOS digital radio users and plan to invest a total of over €4.5 billion.

## Group Management Report



Additionally, CeoTronics expects to see its revenues grow through the switch to digital radio in industry and by firefighters.

CeoTronics has already produced and sold over 35,000 systems for connection to new digital TETRA/TETRAPOL radios. Our experience in adapting communications accessories to digital radios is a major competitive advantage.

### Business Developments

CeoTronics again reported a successful first half of the fiscal year as of November 30, 2007. Consolidated revenues rose by 13.3% year-on-year from €9,331 thousand to €10,568 thousand, a new record amount.

This year-on-year improvement in revenues is due in particular to revenue growth at CeoTronics Germany of 54.9%, from €3,480 thousand to €5,390 thousand. This was mainly driven by the delivery and invoicing of the first batch of the major order from the German Armed Forces worth approximately €2,190 thousand.

Expressed in euros, revenues also increased – in some cases substantially – at CeoTronics Switzerland (+9.8%), CeoTronics France (+12.9%), and CeoTronics U.S.A. (+40.8%). As expected, CeoTronics Spain was unable to match the previous year's very high level of revenues (-20.9%), but continues to make the largest contribution to revenues after CeoTronics Germany. CeoTronics Poland's decline in revenues is more than offset by the very high order backlog.

On account of these developments, the share of revenues generated outside Germany fell to 58.6% in the first half of fiscal year 2007/2008 (previous year: 73.2%). In line with this, the proportion accounted for by Germany increased correspondingly to 41.4% (previous year: 26.8%).

As of November 30, 2007, the order backlog was up 68.8% as against the prior-year period. This growth was driven in particular by CeoTronics Germany (+228%), CeoTronics Switzerland (+210%), and CeoTronics Poland (+371%). The other companies recorded declines in their order backlog, although in some cases these were only minor.

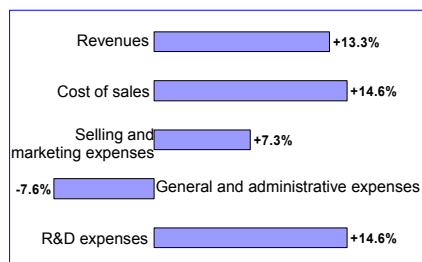
Following a renewed analysis of the location factors at the Lodz location, the Board of Management has decided to discontinue production in Poland in favor of the company's German sites, and particularly Lutherstadt Eisleben. No employees had to be made redundant due to high employee turnover in Poland.

### Results of Operations

During the period under review, the record EBITDA and EBIT figures reported in the first half of fiscal year 2006/2007 were increased by a further 14.1% and 21.5% respectively, reaching a new record level. EBITDA for the first half of 2007/2008 amounted to €1,783 thousand (previous year: €1,563 thousand), while EBIT was €1,526 thousand (previous year: €1,256 thousand).

Consolidated profit before tax in the first six months of fiscal year 2007/2008 was €1,463 thousand, up 17.9% year-on-year (previous year: €1,241 thousand). The return on sales based on profit before tax rose to 13.8% (previous year 13.3%).

## Group Management Report



Consolidated profit after tax was €974 thousand, up 36.0% year-on-year (previous year: €716 thousand). The tax rate fell from 42.3% to 33.4%, primarily due to the corporate tax reform in Germany. The return on sales based on profit after tax amounted to 9.2% (previous year: 7.7%).

The share of consolidated profit attributable to shareholders of the parent amounted to €978 thousand for the first half of the fiscal year (previous year: €712 thousand).

Earnings per share (after tax) were €0.44, up from €0.32 in the previous year.

The cost of sales as a proportion of revenues increased to 50.2% (previous year: 49.6%) due to an increase in the cost of purchased components, especially for the major order for the German Armed Forces.

Operating expenses (excluding cost of materials) as a percentage of revenues were 14.5%, down from the previous year (15.7%).

Selling and marketing expenses as a percentage of revenues amounted to 19.9% in the first half of fiscal year 2007/2008 (previous year: 21.0%). Absolute costs increased in line with planning by 7.3% year-on-year.

In the first six months of fiscal year 2007/2008, general and administrative costs decreased by 7.6% year-on-year, due among other things to decreased employee expenses. This represents 7.3% of revenues (previous year: 8.9%).

In research and development, additional costs for external testing laboratories, additional employees, and extensive development activities led to an increase in expenses of €95 thousand over the previous year, from €649 thousand to €744 thousand. The ratio of research and development expenses to revenues remained unchanged as against the previous year, at 7.0%.

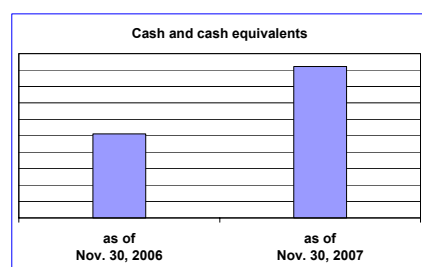
CeoTronics U.S.A.'s business performance and results improved significantly year-on-year. In the first six months, its operating loss before currency translation adjustments and interest amounted to USD 14 thousand (previous year: operating loss of USD 99 thousand). The company generated an operating profit of USD 36 thousand in the second quarter (previous year: operating profit of USD 8 thousand).

### Investments and Depreciation

CeoTronics has prepared itself for the challenges of the future in good time by investing in employee capacity, markets, technologies, developments, and production technologies and processes.

Investments in the first half of fiscal year 2007/2008 totaled €273 thousand. Excluding the one-time acquisition of real estate in the prior year, investments increased by €103 thousand or 60.6%.

# Group Management Report



## Net Assets and Financial Position

Gross cash flow for the period under review improved by €208 thousand, from €1,023 thousand to €1,231 thousand, breaking the previous record set in the first six months of 2006/2007.

The Group's cash and cash equivalents increased by €411 thousand as against the prior-year period to €922 thousand.

Equity as of November 30, 2007 increased to €12,055 thousand (previous year: €11,368 thousand), while the equity ratio amounted to 61.0% (previous year: 65.1%). This decrease in the equity ratio is due in particular to the use of short-term lines of credit for advance financing of the major German Armed Forces' order.

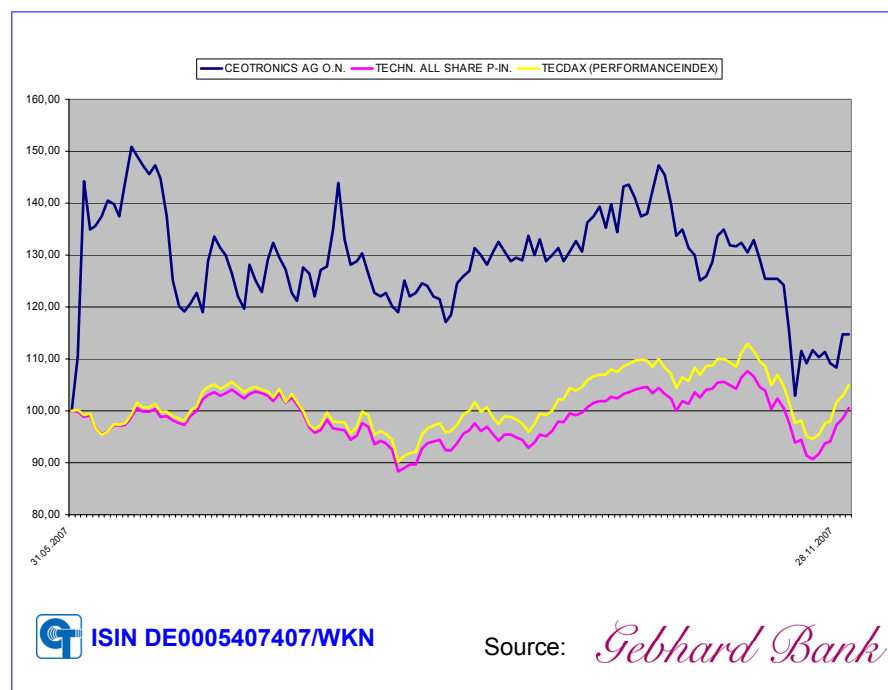
## Workforce Development

The growth in the volume of business and the increased opportunities and challenges prompted CeoTronics to increase its workforce (including trainees) by 3 from 142 (previous year) to 145 as of November 30, 2007. All new jobs were created in Germany, reflecting our clear commitment to this location.

Additional job vacancies have been advertised in Germany. However, they were not yet filled as of the date of going to print.

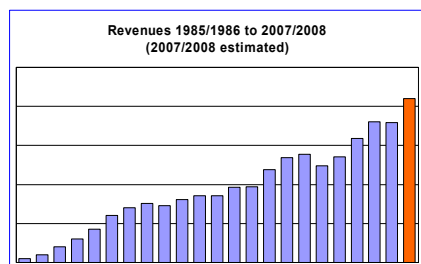
## CeoTronics' Shares

CeoTronics' shares performed as follows in comparison to the indices in the period since June 1, 2007 (indexed):





# Group Management Report



After the General Meeting in November 2007 and the payment of dividends of €0.30 per share, CeoTronics' shares slipped to an extent that cannot entirely be explained by profit-taking after the dividend distribution.

It appears that many investors rebalanced their assets in view of the financing crisis in the banking sector and the possible effects on the economy and on financing opportunities for companies. This affected many good, strong, and high-dividend companies — not only CeoTronics.

Nonetheless, CeoTronics' share price increased 14.8% in the period under review (June 1, 2007 to November 30, 2007), outperforming the Technology All Share (+ 0.6%) and TecDAX (+ 5.0%) indices.

The share price recovered somewhat after our ad hoc disclosure of December 3, 2007 on the preliminary revenue figures for the first half of the year and the development of the order backlog, before picking up speed significantly after our ad hoc disclosure of December 6, 2007 entitled "CeoTronics to deliver additional CT-DECT JetCom Systems to German Armed Forces worth approximately €3 million".

However, the drop in share price caused by business developments at CeoTronics that began approximately two months ago had not been completely offset as of the date of going to print. CeoTronics' share price has attractive potential for growth for exactly this reason. Studies by a number of research firms also confirm this.

## Report on Risks and Opportunities up to May 31, 2008

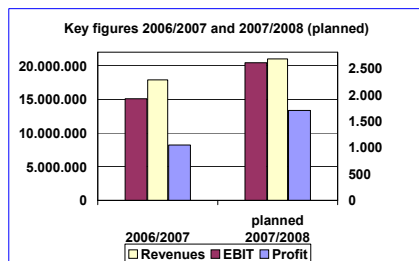
If CeoTronics U.S.A. is unable to meet our revenue and earnings forecasts, a decrease in the goodwill reported on CeoTronics U.S.A.'s balance sheet and a write-down by CeoTronics AG (Germany) of the value of its investment in CeoTronics U.S.A. and/or of its receivables from CeoTronics U.S.A. cannot be ruled out.

Competitors, radio dealers, and importers could step up their efforts to penetrate CeoTronics' markets — especially Germany — using cheap goods from Asia in order to win tenders during the switch to digital radio. CeoTronics will not leave the premium segment and will attempt to keep price acceptance and appreciation for its products and systems at a high level by offering value. The Company will also make greater use of its more cost-effective production location in Lutherstadt Eisleben (Saxony-Anhalt, Germany).

CT video systems will play an even more important role in fighting crime and terrorism in future. The CeoTronics Group's long-term revenue growth will be boosted by authorities investing in monitoring areas at risk — especially those temporarily at risk — and in securing video evidence, as well as by CT-Video GmbH's new product innovations.

The development and marketing of new products ensure CeoTronics' market leadership and open up new markets — not only outside of the defined geographical priority markets in Europe and North America.

# Group Management Report



## Report on Expected Developments

In addition to the very high order backlog at the end of the 2007 calendar year, CeoTronics is pleased with the orders it has received up to the date of going to print, and with the projects being negotiated or prepared for the current fiscal year 2007/2008.

In fiscal year 2007/2008, CeoTronics is aiming to:

- close the year with consolidated revenues of approximately €21.0 million,
- generate EBIT of approximately €2.6 million, and
- report profit for the year of €1.7 million.

Assuming that business continues to develop positively and the revenue and earnings targets are met, the Board of Management plans to propose a dividend for the fifth consecutive time.

CeoTronics will continue to profit from the switch to digital radio in Germany and Europe in the coming fiscal years, as well as from greater investment in domestic and foreign security.

Rödermark, January 14, 2008

CeoTronics AG

Thomas H. Günther  
Chairman of the Board  
of Management

Berthold Hemer  
Deputy Chairman of the  
Board of Management

Günther Thoma  
Chief Operating Officer

# Consolidated Financial Statements as of November 30, 2007

## Balance Sheet (IFRS)

| Assets                         | Quarterly report<br>(closing date of the current<br>quarter)<br>November 30, 2007 | Annual report<br>(closing date of last annual<br>report)<br>May 31, 2007 |
|--------------------------------|---|--|
|                                | € thousand  | € thousand   |
| <b>Current assets</b>          |   |  |
| Cash and cash equivalents      | 922   | 783  |
| Trade receivables              | 6,468   | 4,886  |
| Inventories                    | 4,445   | 3,861  |
| Other current assets           | 263   | 241  |
| <b>Total current assets</b>    | <b>12,098</b>   | <b>9,771</b>   |
| <b>Noncurrent assets</b>       |   |  |
| Property, plant, and equipment | 5,747   | 5,740  |
| Intangible assets              | 202   | 194  |
| Goodwill                       | 1,238   | 1,308  |
| Deferred tax assets            | 477   | 520  |
| <b>Total noncurrent assets</b> | <b>7,664</b>  | <b>7,762</b>   |
| <b>Total assets</b>            | <b>19,762</b>   | <b>17,533</b>  |

| Equity and Liabilities                                      | Quarterly report<br>(closing date of the current<br>quarter)<br>November 30, 2007 | Annual report<br>(closing date of last annual<br>report)<br>May 31, 2007 |
|---|---|--|
|   | € thousand  | € thousand   |
| <b>Current liabilities</b>                                  |   |  |
| Current financial liabilities                               | 2,396   | 291  |
| Trade payables  | 928   | 814  |
| Advance payments received                                   | 44  | 208  |
| Provisions  | 682   | 1,058  |
| Current tax payables  | 602   | 816  |
| Other current liabilities                                   | 838   | 336  |
| <b>Total current liabilities</b>                            | <b>5,490</b>  | <b>3,523</b>   |
| <b>Noncurrent liabilities</b>                               |   |  |
| Noncurrent financial liabilities                            | 2,217   | 2,305  |
| <b>Total noncurrent liabilities</b>                         | <b>2,217</b>  | <b>2,305</b>   |
| <b>Equity</b>   |   |  |
| Subscribed capital  | 6,600   | 6,600  |
| Capital reserves  | 4,471   | 4,471  |
| Retained earnings   | 16  | 16   |
| Cumulative other recognized income and expense              | 3   | -36  |
| Net retained profit   | 926   | 609  |
| <b>Equity attributable to shareholders of CeoTronics AG</b> | <b>12,016</b>   | <b>11,660</b>  |
| Minority interest   | 39  | 45   |
| <b>Total equity</b>   | <b>12,055</b>   | <b>11,705</b>  |
| <b>Total equity and liabilities</b>                         | <b>19,762</b>   | <b>17,533</b>  |

# Consolidated Financial Statements as of November 30, 2007

## Income Statement (IFRS)

| Income Statement                              | Quarterly report<br>(current quarter)    | Quarterly report<br>(comparative quarter<br>of previous year) | Year-to-date<br>(current fiscal year) | Year-to-date<br>(comparative period of<br>previous year) |
|---|--|---|---------------------------------------|--|
|   | September 1, 2007 –<br>November 30, 2007 | September 1, 2006 –<br>November 30, 2006                      | June 1, 2007 –<br>November 30, 2007   | June 1, 2006 –<br>November 30, 2006                      |
|   | € thousand                               | € thousand  | € thousand                            | € thousand   |
| <b>Revenues</b>                               | <b>7,423</b>                             | <b>5,532</b>  | <b>10,568</b>                         | <b>9,331</b>   |
| Cost of sales                                 | -3,741                                   | -2,701  | -5,308                                | -4,630   |
| <b>Gross profit</b>                           | <b>3,682</b>                             | <b>2,831</b>  | <b>5,260</b>                          | <b>4,701</b>   |
| Selling and marketing expenses                | -1,152                                   | -1,095  | -2,107                                | -1,964   |
| General and administrative expenses           | -448                                     | -474  | -770                                  | -833   |
| Research and development expenses             | -401                                     | -377  | -744                                  | -649   |
| Other operating income and expenses           | -97                                      | 10  | -113                                  | 15   |
| Impairment of goodwill                        | 0  | -5  | 0                                     | -14  |
| <b>Operating profit (EBIT)</b>                | <b>1,584</b>                             | <b>890</b>  | <b>1,526</b>                          | <b>1,256</b>   |
| Interest income/expense                       | -41                                      | -20   | -63                                   | -15  |
| <b>Profit before tax</b>                      | <b>1,543</b>                             | <b>870</b>  | <b>1,463</b>                          | <b>1,241</b>   |
| Income tax expense                            | -472                                     | -364  | -489                                  | -525   |
| <b>Consolidated profit</b>                    | <b>1,071</b>                             | <b>506</b>  | <b>974</b>                            | <b>716</b>   |
| Consolidated profit attributable to:          |  |   |                                       |  |
| Minority interest                             | -2                                       | 4   | -4                                    | 4  |
| Shareholders of CeoTronics AG                 | 1,073                                    | 502   | 978                                   | 712  |
| Earnings per share (basic) in €               | 0.49                                     | 0.23  | 0.44                                  | 0.32   |
| Earnings per share (diluted) in €             | 0.49                                     | 0.23  | 0.44                                  | 0.32   |
| Weighted average shares outstanding (basic)   | 2,199,998                                | 2,199,998   | 2,199,998                             | 2,199,998  |
| Weighted average shares outstanding (diluted) | 2,199,998                                | 2,199,998   | 2,199,998                             | 2,199,998  |

# Consolidated Financial Statements as of November 30, 2007

## Cash Flow Statement (IFRS)

| Cash Flow Statement  | Year-to-date<br>(current fiscal year)<br>June 1, 2007-November 30, 2007 | Year-to-date<br>(comparative period of previous<br>year)<br>June 1, 2006-November 30,<br>2006 |
|--|---|---|
|  | € thousand  | € thousand  |
| <b>Cash flow from operating activities</b>                   |   |   |
| Profit before tax  | 1,463   | 1,241   |
| Income tax expense   | -489  | -525  |
| <b>Consolidated profit</b>                                   | <b>974</b>  | <b>716</b>  |
| Depreciation, amortization, and impairment losses            | 257   | 307   |
| <b>Gross cash flow</b>                                       | <b>1,231</b>  | <b>1,023</b>  |
| <b>Changes in assets and liabilities</b>                     |   |   |
| Change in trade receivables                                  | -1,582  | -2,200  |
| Change in inventories  | -584  | -361  |
| Change in other assets                                       | -22   | -128  |
| Change in trade payables                                     | 114   | 297   |
| Change in advance payments received                          | -164  | 56  |
| Change in other provisions                                   | -375  | -232  |
| Change in tax payables                                       | -214  | 447   |
| Change in other current liabilities                          | 502   | 143   |
| Change in deferred tax assets                                | 43  | 69  |
| <b>Total changes in assets and liabilities</b>               | <b>-2,282</b>   | <b>-1,909</b>   |
| <b>Net cash used in operating activities</b>                 | <b>-1,051</b>   | <b>-886</b>   |
| <b>Cash flow from investing activities</b>                   |   |   |
| Payments to acquire intangible assets                        | -38   | -25   |
| Payments to acquire property, plant, and equipment           | -236  | -2,735  |
| Change in foreign currency differences                       | 70  | 29  |
| Disposal of noncurrent assets (net carrying amounts)         | 0   | 2   |
| <b>Net cash used in investing activities</b>                 | <b>-204</b>   | <b>-2,729</b>   |
| <b>Cash flow from financing activities</b>                   |   |   |
| Change in current financial liabilities                      | 2,104   | 372   |
| Change in noncurrent financial liabilities                   | -88   | 2,070   |
| Dividend payment to minority interest                        | 0   | -12   |
| Dividend payment to shareholders of CeoTronics AG            | -660  | -660  |
| <b>Net cash provided by financing activities</b>             | <b>1,356</b>  | <b>1,770</b>  |
| <b>Change in cash and cash equivalents</b>                   | <b>101</b>  | <b>-1,845</b>   |
| Effect of exchange rate changes on cash and cash equivalents | 38  | -20   |
| Cash and cash equivalents at beginning of period             | 783   | 2,376   |
| Cash and cash equivalents at end of period                   | 922   | 511   |

# Consolidated Financial Statements as of November 30, 2007

## Statement of Changes in Equity (IFRS)

|   | 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      |                   |              |
|   | € thousand   | € thousand       | € thousand        | € thousand                                 | € thousand                                     | € thousand |                   | € thousand   |
| <b>Current year</b>                           |  |                  |                   |  |  |            |                   |              |
| Balance at May 31, 2007                       | 6,600  | 4,471            | 16                | 609  | -36  | 11,660     | 45                | 11,705       |
| Consolidated profit                           |  |                  |                   | 978  |  | 978        | -4                | 974          |
| Dividend distribution                         |  |                  |                   | -660                                       |  | -660       |                   | -660         |
| Currency translation adjustments              |  |                  |                   |  | 39   | 39         |                   | 39           |
| Change in minority interest                   |  |                  |                   | -1   |  | -1         | -2                | -3           |
| Balance at November 30, 2007                  | 6,600  | 4,471            | 16                | 926  | 3  | 12,016     | 39                | 12,055       |
| <b>Previous year's figures for comparison</b> |  |                  |                   |  |  |            |                   |              |
| Balance at May 31, 2006                       | 6,600  | 4,471            | 16                | 226  | -13  | 11,300     | 43                | 11,343       |
| Consolidated profit                           |  |                  |                   | 712  |  | 712        | 4                 | 716          |
| Dividend distribution                         |  |                  |                   | -660                                       |  | -660       | -12               | -672         |
| Currency translation adjustments              |  |                  |                   |  | -20  | -20        |                   | -20          |
| Change in minority interest                   |  |                  |                   | -12  |  | -12        | 13                | 1            |
| Balance at November 30, 2006                  | 6,600  | 4,471            | 16                | 266  | -33  | 11,320     | 44                | 11,368       |

The equity ratio of the CeoTronics Group was 61.0% as of November 30, 2007 (prior-year period: 65.1%).

There were no material changes to equity compared with the last annual financial statements.

## Notes to the Consolidated Half-Yearly Financial Report

### Accounting policies

The unaudited consolidated half-yearly financial report of CeoTronics AG as of November 30, 2007 was prepared in accordance with the International Financial Reporting Standards (IFRSs). This interim report complies with IAS 34 *Interim Financial Reporting*.

The half-yearly financial report was prepared using the accounting, measurement, and consolidation principles applied in the preparation of the consolidated annual financial statements as of May 31, 2007. Further details can be found in the Annual Report for fiscal year 2006/2007.

The consolidated financial statements and the Group management report as of November 30, 2007 have not been audited or reviewed by an auditor.

### Consolidated group structure and shareholdings

There were no changes in the consolidated Group structure in the first six months of fiscal year 2007/2008.

The following companies are included in the consolidated financial statements:

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

The subsidiary AACOM-CeoTronics Sp. z o.o. (Lodz, Poland) was renamed CeoTronics Sp. z o.o. as of June 1, 2007.

# Consolidated Financial Statements as of November 30, 2007

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 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.

## Virtual stock options

All options on virtual shares outstanding at the end of fiscal year 2006/2007 were exercised on June 4, 2007. The exercise price was €11.84. €9.72 was paid as a cash settlement per option for the fourth stock option plan, and €8.08 per option for the fifth stock option plan. A total of €107 thousand was paid out to entitled employees. Provisions for outstanding options amounted to €64 thousand at the end of fiscal year 2006/2007.

## Other information

€0.30 per share was distributed in the first half of the current fiscal year in accordance with the resolution by the General Meeting on November 2, 2007.

## 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 the production process used and the marketing methods. Internal and external reporting primarily follows geographic criteria.

The information below is presented by region.

Revenues for the first six months of 2007/2008 and 2006/2007 are attributable as follows:

Country of origin (primary segment):

|                      | H1 2007/2008 | H1 2006/2007 |
|----------------------|--------------|--------------|
| <b>Revenues</b>      | € thousand   | € thousand   |
| Germany              | 5,973        | 4,236        |
| Rest of Europe       | 4,346        | 4,916        |
| Rest of world        | 249          | 179          |
| Third-party revenues | 10,568       | 9,331        |

By customer country (secondary segment):

|                      | H1 2007/2008 | H1 2006/2007 |
|----------------------|--------------|--------------|
| <b>Revenues</b>      | € thousand   | € thousand   |
| Germany              | 4,376        | 2,499        |
| Rest of Europe       | 5,932        | 6,632        |
| Rest of world        | 260          | 200          |
| Third-party revenues | 10,568       | 9,331        |

The profit or loss for the first six months of 2007/2008 and 2006/2007 is attributable as follows to the subsidiaries in the various regions (primary segment):

|                     | H1 2007/2008 | H1 2006/2007 |
|---------------------|--------------|--------------|
| <b>Profit/loss</b>  | € thousand   | € thousand   |
| Germany             | 597          | 420          |
| Rest of Europe      | 528          | 510          |
| Rest of world       | -151         | -218         |
| Consolidated profit | 974          | 712          |

## Consolidated Financial Statements as of November 30, 2007

Segment assets are attributable as follows to the subsidiaries in the various regions (primary segment) as of November 30, 2007 and November 30, 2006:

|                             | November 30, 2007 | November 30, 2006 |
|-----------------------------|-------------------|-------------------|
| <b>Segment assets</b>       | € thousand        | € thousand        |
| Germany                     | 13,656            | 10,207            |
| Rest of Europe              | 4,591             | 5,708             |
| Rest of world               | 1,515             | 1,534             |
| <b>Total segment assets</b> | <b>19,762</b>     | <b>17,449</b>     |

Segment liabilities are attributable as follows to the subsidiaries in the various regions (primary segment) as of November 30, 2007 and November 30, 2006:

|                                  | November 30, 2007 | November 30, 2006 |
|----------------------------------|-------------------|-------------------|
| <b>Segment liabilities</b>       | € thousand        | € thousand        |
| Germany                          | 6,737             | 4,739             |
| Rest of Europe                   | 949               | 1,301             |
| Rest of world                    | 21                | 40                |
| <b>Total segment liabilities</b> | <b>7,707</b>      | <b>6,080</b>      |

Noncurrent assets are attributable as follows to the subsidiaries in the various regions (primary segment) as of November 30, 2007 and November 30, 2006:

|                                | November 30, 2007 | November 30, 2006 |
|--------------------------------|-------------------|-------------------|
| <b>Noncurrent assets</b>       | € thousand        | € thousand        |
| Germany                        | 5,853             | 5,760             |
| Rest of Europe                 | 550               | 585               |
| Rest of world                  | 785               | 884               |
| <b>Total noncurrent assets</b> | <b>7,188</b>      | <b>7,229</b>      |

Investments in the first six months of 2007/2008 and 2006/2007 are attributable as follows to the subsidiaries in the various regions (primary segment):

|                          | H1 2007/2008 | H1 2006/2007 |
|--------------------------|--------------|--------------|
| <b>Investments</b>       | € thousand   | € thousand   |
| Germany                  | 271          | 2,713        |
| Rest of Europe           | 2            | 47           |
| Rest of world            | 0            | 0            |
| <b>Total investments</b> | <b>273</b>   | <b>2,760</b> |

Depreciation, amortization, and impairment losses are attributable as follows to the subsidiaries in the various regions (primary segment) in the first six months of 2007/2008 and 2006/2007:

|  | H1 2007/2008 | H1 2006/2007 |
|--|--------------|--------------|
| <b>Depreciation, amortization, and impairment losses</b>       | € thousand   | € thousand   |
| Germany  | 236          | 262          |
| Rest of Europe   | 21           | 35           |
| Rest of world  | 0            | 10           |
| <b>Total depreciation, amortization, and impairment losses</b> | <b>257</b>   | <b>307</b>   |



# Consolidated Financial Statements as of November 30, 2007

## Executive Bodies

### Changes in the Company's executive bodies

There were no changes in the Company's executive bodies in the first six months of 2007/2008.

### Shareholdings of the members of the executive bodies as of November 30, 2007

|                             |                     | CeoTronics shares<br>(ISIN DE0005407407/WKN 540740)<br>(quantity) |
|-----------------------------|---------------------|---|
| <b>Board of Management</b>  |                     |   |
| Chairman                    | Thomas H. Günther   | 9,498   |
| Chief Technology Officer    | Berthold Hemer      | 171,050   |
| Chief Operating Officer     | Günther Thoma       | 6,022   |
| <b>Supervisory Board</b>    |                     |   |
| Chairman                    | Hans-Dieter Günther | 371,200   |
| Deputy Chairman             | Horst Schöppner     | 218,470   |
| Member of Supervisory Board | Stephan Haack       | 0   |

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

### Related party disclosures

No significant related party transactions were conducted in the first six months of 2007/2008.

# Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group for the remaining months of the financial year.

Rödermark, January 14, 2008

CeoTronics AG

Board of Management

## Legal Notice:

This half-yearly financial report contains forward-looking statements that reflect the current views of CeoTronics AG's Board of Management. These statements are based on the Company's current plans, estimates, projections, and expectations and are therefore subject to risks and uncertainties that could cause actual results to differ from expected results. The forward-looking statements are only valid at the time of publication of this half-yearly report and cannot be guaranteed. CeoTronics AG assumes no obligation to the public to update or correct forward-looking statements. This does not affect the Company's obligation to fulfill its information and reporting duties.

## CT-DECT ATEX Headsets

Available as of January 2008: The first digital two-way radio in the world integrated in a heavy-duty headset in an explosion-proof (intrinsically safe) version (ATEX).

The CT-DECT ATEX Headset is the product that the chemical and petrochemical industries, power plants, oil platforms/production facilities, pipeline inspection teams, oil/gas tanker crews, etc. need in order to increase workplace safety and accelerate the production process through better communication/consultation.



## Current Financial Calendar (subject to change)

Ad hoc disclosure on preliminary revenues/order backlog as of the end of Q3 2007/2008

Report on Q3 2007/2008

End of fiscal year 2007/2008

Ad hoc disclosure on preliminary revenues/order backlog as of the end of fiscal year 2007/2008

Report on Q4 and annual report 2007/2008

Annual earnings press conference 2008

Analyst meeting 2008

Ad hoc disclosure on preliminary revenues/order backlog as of the end of Q1 2008/2009

Report on Q1 2008/2009

General Meeting 2007/2008

Beginning of March 2008

Friday, April 11, 2008

Saturday, May 31, 2008

Beginning of June 2008

Thursday, August 14, 2008

Thursday, August 28, 2008

Thursday, August 28, 2008

Beginning of September 2008

Friday, October 10, 2008

Friday, November 7, 2008



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