

○ 2002

Annual Report



**CONSUMER ELECTRONIC
AKTIENGESELLSCHAFT**
World Trade Center for Chips

Overview of ce CONSUMER ELECTRONIC Group

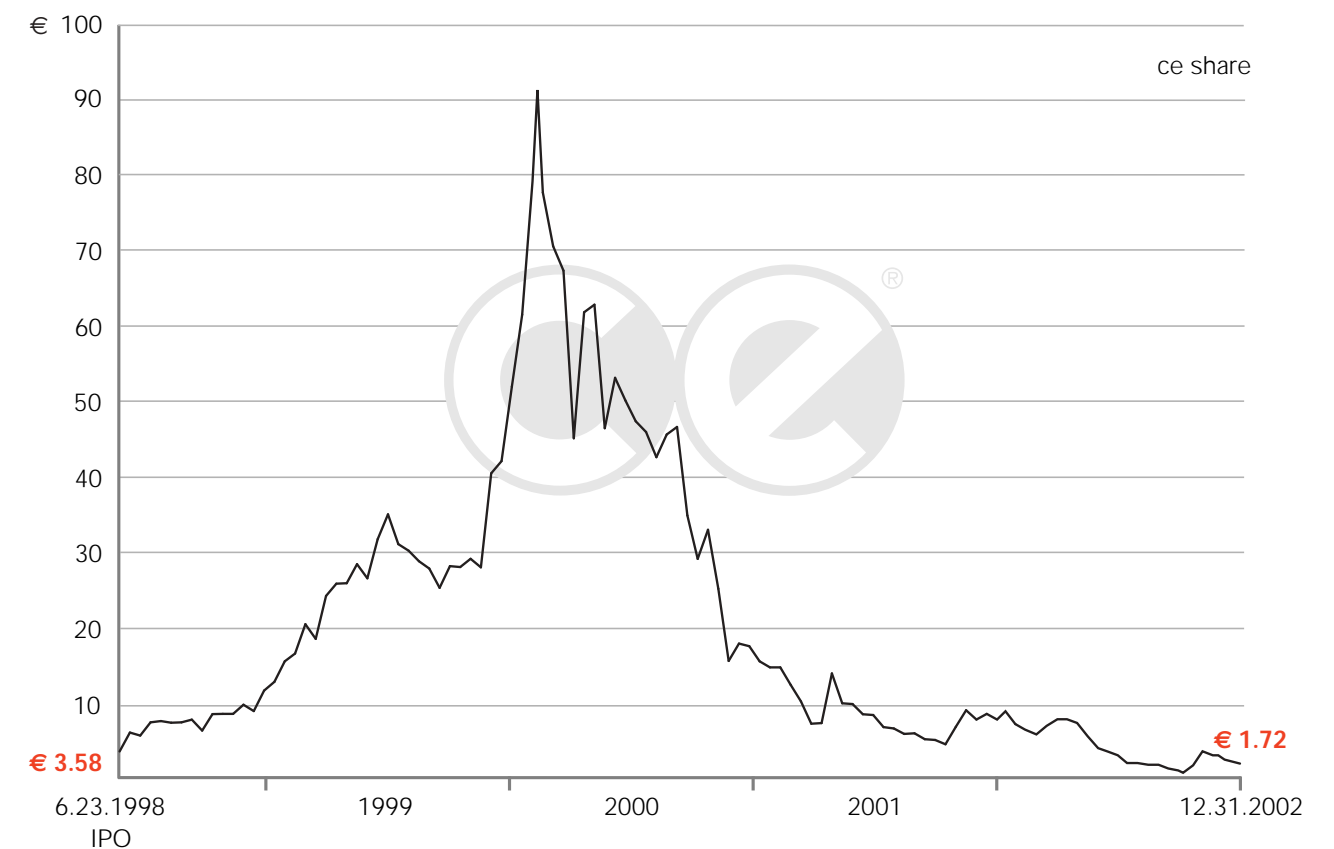
	2002	2001	2000	1999	1998
Earnings situation					
Sales in € mill.	321.3	426.8	284.2	37.2	23.6
Direct Chip-Brokerage	88.0	112.7	150.6	37.2	23.6
e-Commerce-Brokerage	11.0	63.4	110.8	-	-
Trading	222.3	250.7	22.8	-	-
EBITDA in € mill.	-8.3	8.1	15.7	4.6	3.5
Direct Chip-Brokerage	-6.0	2.3	13.4	4.6	3.5
e-Commerce-Brokerage	-0.1	1.1	1.8	-	-
Trading	-2.2	4.7	0.5	-	-
Depreciation (incl. goodwill) in € mill.	45.5	8.0	3.1	0.4	0.3
EBIT in € mill.	-54.8	0.1	12.7	4.2	3.2
Result from business activities in € mill.	-55.6	-1.3	13.3	4.2	2.3
Net income after minority interest in € mill.	-57.0	-1.9	5.8	2.1	1.2
Cash flow I in € mill.					
	-11.2	6.9	10.8	2.5	0.9
Key figures					
Gross profit margin in %	10.9	11.2	16.1	25.4	27.3
EBITDA margin in %	-2.6	1.9	5.5	12.4	14.8
EBIT margin in %	-17.1	0.0	4.5	11.3	13.6
Return on sales before taxes in %	-17.3	-0.3	4.7	11.3	9.7
Consolidated tax rate in %	-	-	41.8	48.5	25.7
Capital assets in € mill.	17.6	74.1	68.8	12.6	1.7
Shareholder equity in € mill.	46.6	112.3	126.6	29.2	20.7
Balance sheet total in € mill.	98.0	192.4	194.4	35.1	23.2
Shareholder equity rate in %	47.6	58.4	65.1	83.2	89.2
Return on shareholder equity in %	-122.3	-1.7	4.6	7.2	5.8
Total yield on investment in %	-57.1	-0.3	3.0	6.0	5.2
Net cash position in € mill.	3	-11	21	21	18
Employees (average worldwide)	405	423	203	33	23
Personnel costs in € mill.	22.4	24.0	13.4	3.0	2.0
Sales per employee in € mill.	0.8	1.0	1.4	1.1	1.0

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At a glance

Development of share price since IPO
(XETRA final quotes, corrected for splitting)



	2002	2001	2000	1999	1998
ce CONSUMER ELECTRONIC share					
Weighted number of shares (undiluted)	25.5	25.2	24.5	23.1	22.5
Weighted number of shares (diluted)	28.1	26.4	24.5	23.1	22.5
Earnings per share in € (undiluted)	-2.23*	-0.08	0.24	0.09	0.05
Earnings per share in € (diluted)	-2.03*	-0.07	0.24	0.09	0.05
Cash flow per share	-0.44	0.27	0.44	0.11	0.04
Dividend per share in €	-	-	0.05	0.05	0.05
Number of shares on 12/31 (corr. for splitting)	25.51	25.51	25.00	22.80	22.50
Share price on 12/31 in € (corr. for splitting)	1.72	7.90	17.50	43.33	8.90
Market capitalization on 12/31 in € mill.	43.9	201.5	437.5	987.9	200.3
Freefloat in %	84.9	84.0	81.0	52.0	42.4

* includes -1.84 € due to one-off balance corrections



Substance creates perspectives



The Chip-Brokers

The eCommerce-Brokers

The Forecasters

The IT-Brokers

The Quality managers

The Networkers



Foreword

Foreword to the Annual Report of ce CONSUMER ELECTRONIC AG for the year 2002 from the Chairman of the Managing Board

Ladies and Gentlemen,

this annual report for the year 2002 is the last one, in which I, as your Chairman of the Managing Board for ce CONSUMER ELECTRONIC AG, have to give an account of the work in our common enterprise.

On January 1 of this year, I handed over my executive office to Mr. Peter Bohn. I am sure that during the past few months you have increasingly become convinced that Mr. Bohn meets all prerequisites to lead ce CONSUMER ELECTRONIC AG into a bright future. I therefore ask you to give Mr. Bohn and his team your complete trust.

Of course, the decision to hand over the reins has not been easy for me, after 26 years at the head of a business whose ascent from a 3-person-company to a global concern is probably only comparable with a few other examples. After all, my energy and vigor remain unbroken.

However, a look into the financial sections of the daily newspapers reveals the turbulence many companies are exposed to if the founding entrepreneur cannot let go and cannot yield, as it should be, to his successor in good time. More to the point, I am one of the few chairmen of a NEMAX-50-enterprise, who has fulfilled his contract to the agreed upon date.

Of course, I will remain in close contact with ce. This is obvious as I will still be the biggest single-shareholder.

In a contractually agreed advisory capacity, I have been able to place my more than 40-years of experience on the world-wide semiconductor-market at the disposal of the Managing Board and the Management since January 1 of this year. As a pioneer of Chip-Brokerage, I possess a global network of contacts which I can now maintain more personally than it was possible for me to do in the past years due to lack of time.

One of my particular concerns is the cultivation of a qualified follow-up generation. The new career profile of the chip-broker requested by the Chambers of Industry and Commerce, is supported by ce CONSUMER ELECTRONIC AG and the new Lejeune Academy. This academy provides not only advanced training and further education for ce sales staff but is also open to other enterprises.

Last fiscal year was also characterized by extremely difficult market conditions. September 11, 2001 left traces, which had far reaching effects on the course of the economy in the past year. This critical development combined with a reluctance to purchase new technology products relating mainly to the information, communication and entertainment product range particularly affected the chip industry. Of course, the Iraq crisis is another reason for continued market insecurity. Although rapid improvement is not anticipated, there were a number of optimistic recovery signals from the electronica 2002 fair.

ce CONSUMER ELECTRONIC AG has been flexible in adjustment to market requirements. The cost reduction program we introduced in the middle of 2002 has been continued and constantly intensified. We received many suggestions here, given to us at the last Annual Shareholders' Meeting, and Managing Board members also contributed to this.

In October 2002, the Managing Board and the members at the Annual Shareholders' Meeting of ce CONSUMER ELECTRONIC AG decided to implement the Corporate Governance code published by the Federal Government on February 26, 2002. Many of the principles of this code relating to company management are oriented towards transparency and creation of value, which already were part of Group policy beforehand.

We carried out various restructuring measures in Human Resources and particularly in Sales to increase profitability. Quality not quantity is our slogan.



Due to the on-going confidence crisis in the Neuer Markt, from which it was unfortunately not able to recover, the German Stock Exchange took the necessary steps in removing this segment from the market by the end of 2003.

In November 2002, ce CONSUMER ELECTRONIC AG applied for admission to the Prime Standard Segment which has very exacting demands regarding solidity, openness and transparency of market participants.

We welcome these requirements and look forward to complying with them in the best possible way.

Dear Shareholders,

we have come a long way together. This way was characterized by a melting pot of feelings, joy and sorrow, anxiety and hope, despair and confidence. A part of this route resembled a roller coaster. I know that some of you have often doubted us but we were able to convince most of you again and again about the quality of ce CONSUMER ELECTRONIC AG and the performance of its executive, management and employees. Even in difficult times we have always dealt frankly together. Your suggestions and criticism were always valuable to me and I have learned much from them. Conversely, I hope that I was also able to give you the certainty that you had placed your trust in a business that had really earned it. My thanks to all those who have remained unwaveringly loyal to us.

With ce shares, you hold an important piece of future in your hands. No other industry is as growth oriented as the semiconductor-market. The development of this technology knows no reform hold-ups, no stagnation and no borders. We are facing gigantic innovations and quantum transitions. The unifying point for the ingenuity and investigative desire of the human spirit to come together practically is the chip. These chips are the raw material that will decide not only our well-being or torment but also that of generations in the years to come.

It is now 26 years ago that I started to develop a vision with the help of this unique raw material that does not lie under the earth but in our heads, to realize my dream of a full and successful life. This dream has come true for me and I wish for nothing more than that it also comes true for you.

Sincerely yours,

E. Wejune



Managing board

Our managing board stands for experience and competency in the international high-tech and chip brokerage industry.

Erich J. Lejeune (58)

Company founder

Chairman of the managing board until December 31, 2002

Responsible for:

- Implementing the ce vision
- Expansion strategy
- M&A management (strategy, projects)
- Public relations

Peter Bohn (45)

Chairman of the managing board since January 1, 2003

Member of the managing board since November 1, 2001

Responsible for:

- Corporate strategy, planning, and organization, corporate control and auditing
- Overall operational control of the corporate group
- Corporate governance, quality and risk management
- Investor relations

References:

- Chairman of the managing board of ACG AG
- Chairman of the managing board of Utimaco Safeware AG
- Worldwide general manager, Hewlett-Packard
- Member of German management of Hewlett-Packard GmbH

Friedrich Rettenberger (49)

CFO (Chief Financial Officer)

Member of the managing board since June 1, 2001

Responsible for: ■ Finance and accounting, controlling
■ Personnel
■ Administration

References: ■ Head of finance at Computer 2000 Deutschland GmbH
for Germany, Austria, and Switzerland

Michael Negel (39)

CBO (Chief Brokerage Officer)

Member of the managing board since June 1, 2001

Responsible for: ■ Chip brokerage, Key-Account-Management

References: ■ 17 years broker at ce CONSUMER ELECTRONIC AG,
thereof 12 years head of sales Europe

Michael Wood (44)

Member of the managing board since January 1, 2003

Responsible for: ■ Sales, purchasing, logistics and marketing activities in Europe,
eCommerce activities worldwide

References: ■ 24 years experience in the semiconductor market
■ CEO and President, VCE Virtual Chip Exchange, Inc.;
New York, USA
■ Managing Partner of ce CONSUMER ELECTRONIC GmbH
■ Purchasing Manager, Siemens AG; USA, Germany
■ Singapore Senior Manager, IBM Corporation; Santa Clara, USA

Matthias Knisig, Chief Operating Officer and responsible for sales, purchasing, customer service, logistics and marketing, left the managing board at the end of the year 2002.



Chronicle 2002

New chip enthusiasm

22. January 2002
Good start into the year. Markets signal significant recovery tendencies. High demand for chip shares.

Transparency and strong figures

6. March 2002
ce CONSUMER ELECTRONIC AG exceeds analysts' expectations with a strong sales result for 2001.

Going for number one

10. April 2002
Great objectives: ce CONSUMER ELECTRONIC AG intends to become the largest chip broker during 2002. Increasing demand in the first quarter is a good signal.

Italian offensive

7. June 2002
ce CONSUMER ELECTRONIC AG enters the Italian market and opens up a sales office in Affi near Verona, which focuses mainly on large customers.

Courageous consequences

2. July 2002
ce CONSUMER ELECTRONIC AG takes courageous steps to master the worldwide semiconductor market crisis. It performs an efficiency audit resulting in a necessary adjustment of €47 million.

January/February

Honesty and optimism

16. February 2002
Erich J. Lejeune, Chairman of ce CONSUMER ELECTRONIC AG's Managing Board expects an upsurge in business in the third quarter, but classifies the two first quarters as being difficult.

March

New segment reporting provides exemplary transparency. Figures in the first quarter are on track: total sales volume €96.58 million, gross profit €11.15 million.

April/May

New licenses strengthen eCommerce

3. May 2002
With one hundred percent interest in ce2B, ce CONSUMER ELECTRONIC AG strengthens its eCommerce field.

June

The quarterly figures reflect the difficult conditions on the semiconductor market. Total sales volume €80.65 million, gross profit €7.73 million.

July

Change of conductor

3. July 2002
At the Annual Shareholders' Meeting Erich J. Lejeune officially transfers the operative and strategic responsibility for ce CONSUMER ELECTRONIC AG to Peter Bohn.



Disposal gain and cost reduction

9. August 2002
ce CONSUMER ELECTRONIC AG gains €10.4 million from disposal of interest in Mediagrif Interactive Technologies.

Investment in core business

3. September 2002
ce CONSUMER ELECTRONIC AG increases interest in VCE Virtual Chip Exchange to 100%. This allows the group once again to strengthen its core competency – chip brokerage.

New top customers

10. October 2002
The world's largest contracting manufacturers Solectron and Celestica appoint ce subsidiary SND Electronics as worldwide preferred supplier.

Success import from America

11. November 2002
ce CONSUMER ELECTRONIC AG imports a successful U.S. business model to Europe. ce subsidiary VCE Virtual Chip Exchange opens a European office in Munich.

Worldwide number one

18. December 2002
The electronica fair demonstrated that the greatest goal has been accomplished. ce CONSUMER ELECTRONIC is seen as the world's No. 1 chip broker.

August

Simultaneously the group launches an extensive internal restructuring program to reduce costs worldwide.

September

In spite of the market crisis, the group announces quarterly figures showing total sales volume of €69.70 million, gross profit €8.05. Gross profit margin increases from 9.6 to 11.5%.

October

Top award
10. October 2002
ce subsidiary VCE Virtual Chip Exchange receives Forbes Magazine's "Best of the Web" award for its Internet platform for electronic components.

November

More bandwidth for Latin America
14. November 2002
ce subsidiary SND Electronics receives sales rights for HNS DIRECWAY Internet Services in Latin America, enabling the ce CONSUMER ELECTRONIC group to provide broadband satellite connections in major Latin American countries.

December

After 26 years, Erich J. Lejeune, founder of the company, passes on executive management responsibility to Peter Bohn effective from January 1, 2003.
Pioneer in prime standard
20. December 2002
ce CONSUMER ELECTRONIC AG is one of the first companies to receive admission to the Prime Standard segment of the Frankfurt Stock Exchange.



Report of the Supervisory Board

Dear Shareholders,

during the 2002 fiscal year, the Supervisory Board of ce CONSUMER ELECTRONIC AG, Munich, dealt extensively with the Company's position in a difficult economic environment. After initial hopes, the expected 2002 economic recovery did not take place. Naturally, this also had an effect on our Company. Declining investments and steadily decreasing consumption had a consistently negative impact on our course of business. The Managing Board recognized this development at an early stage and responded to the changed economic and political environment accordingly.

The Managing Board kept us fully informed on a regular basis and included us in all important Company decisions. Being an enterprise-oriented body, the Supervisory Board is a dedicated and critical partner of the Managing Board, wholeheartedly following the American tradition of playing a part in the added value process. To this end, we will actively accompany ce CONSUMER ELECTRONIC AG and its business development and policy in the future.

Eight supervisory board meetings in the reporting year

During the eight meetings of the previous fiscal year we were informed about the economic and financial development of the Company, important business events and the strategy and planning of the Company. Furthermore, the Chairman of the Supervisory Board was kept continuously informed of important developments and decisions to be made by the Managing Board. The effects of the difficult global economy and environment on the Company as well as the development of corporate governance at ce CONSUMER ELECTRONIC AG were important issues of the Supervisory Board's deliberations.

The Supervisory Board discussed basic questions regarding corporate governance during several meetings. We welcome the adoption of the German Corporate Governance Code as an important step to further develop the practice of executive management and monitoring. At the October meeting, the Supervisory Board agreed to the recommendations of the code in principal; Declaration of Conformity was adopted at the December meeting.

Objectives for 2003

In December 2002 we defined our objectives for 2003 together with the Managing Board. Our attention still focused on continuous increase in value, improvement of synergies within the group, its worldwide organic growth and further improvements in quality and risk management.

Annual financial statements approved

BDO Deutsche Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Munich, audited and unconditionally approved the annual financial statements and the management report of ce CONSUMER ELECTRONIC AG as at December 31, 2002. The annual financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS). The audit was carried out in accordance with the International Standards on Auditing (ISA).

The independent auditors confirmed that the consolidated financial statements and the management report fulfill the conditions for exemption from compliance with the rules of reporting stipulated by German law.

The stated documents were transferred and assessed by the Supervisory Board. The auditor's report of BDO Deutsche Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft was thoroughly discussed at the balance sheet meeting of the Supervisory Board in the presence of the auditor, who reported on the essential results of his audit.

At this meeting, the Managing Board explained the financial statements of ce CONSUMER ELECTRONIC AG and of the group in detail regarding scope, focal points and costs of the audit. The results of the audit were accepted. No objections to the final results were raised. The Supervisory Board accepted the annual financial statements prepared by the Managing Board, so these are also approved.

The Managing Board proposal not to distribute dividends for the difficult fiscal year of 2002 was agreed.

Changes in the Supervisory Board and the Managing Board

According to the articles of the Company, the members of the Supervisory Board were elected to a five-year term on the Company's conversion to a corporation in 1998. Effective as of June 12, 2002 Dietrich Walther, Chairman of the Supervisory Board, retired from the board. As Chairman of the Supervisory Board, of which he has been a member since ce CONSUMER ELECTRONIC AG was converted to a corporation in March 1998, Mr. Walther has carried out his responsibilities with great merit. The Supervisory Board members extend their thanks to Mr. Walther for his constructive work on this board and his successful activities over many years. Rolf Baron Vielhauer von Hohenhau was elected as his successor as Chairman of the Supervisory Board. Deputy Chairman is Bernhard Dorn. By approval of the Munich Registry Court, Herbert E. Graus was confirmed as a member of the Board effective June 12, 2002.



At the Annual Shareholders' Meeting on June 5, 2003, the current Supervisory Board's term of office will expire. I would like to thank all of the members of the Board for their commitment and constructive contributions to the Company and its Managing Board over the past years.

On January 1, 2003 Erich J. Lejeune handed over the Chair of the Managing Board of ce CONSUMER ELECTRONIC AG to his hitherto deputy chairman Peter Bohn, as announced at the last Annual Shareholders' Meeting. Mr. Bohn has been a member of the Managing Board since November 1, 2001 and has been responsible for the operational business of the Company since July 4, 2002, on a global basis. Mr. Lejeune will continue to stay in close contact with the Company in an advisory capacity.

For 26 years Mr. Lejeune had been at the head of ce, which he founded with his partner Herbert E. Graus in Munich in 1976. During this time ce CONSUMER ELECTRONIC has successfully established chip brokerage as the third power in the semiconductor market together with manufacturers and distributors.

The Supervisory Board expresses its gratitude to Mr. Lejeune for his entrepreneurial performance and inexhaustible commitment to the Company.

At its meeting on December 18, 2002, the Supervisory Board appointed Michael Wood as a member of the Managing Board of ce CONSUMER ELECTRONIC AG, effective January 1, 2003.

We would particularly like to thank the Managing Board, the employees of the Company and their associated companies for their extensive loyalty, commitment, efforts and support during the difficult fiscal year of 2002. Such wholehearted dedication deserves our respect and recognition.

Munich, March 2003

For the Supervisory Board

Rolf Baron Vielhauer von Hohenhau
Chairman

The

Chip-Brokers



Free trading with chips – our core competence, independent from manufacturers, price cycles, exchange rates and time zones: Our name stands for this since 1976. We find every chip. Even in short markets.



**CONSUMER ELECTRONIC
AKTIENGESELLSCHAFT**
World Trade Center for Chips



The ce share and the Neuer Markt 2002

The Neuer Markt, the innovative platform for equity and growth financing, experienced a significant change during the last year. In 2002 the stock exchange was characterized by an enormous loss of trust. In view of this situation the German Stock Exchange took the necessary steps in October 2002 to redefine capital markets and to restructure the Neuer Markt after five successful years of pioneer work. These conditions are also reflected in the development of the share price.

NEMAX 50

The NEMAX 50 stock index includes the 50 largest companies in terms of market capitalization and trading volume of the Neuer Markt.

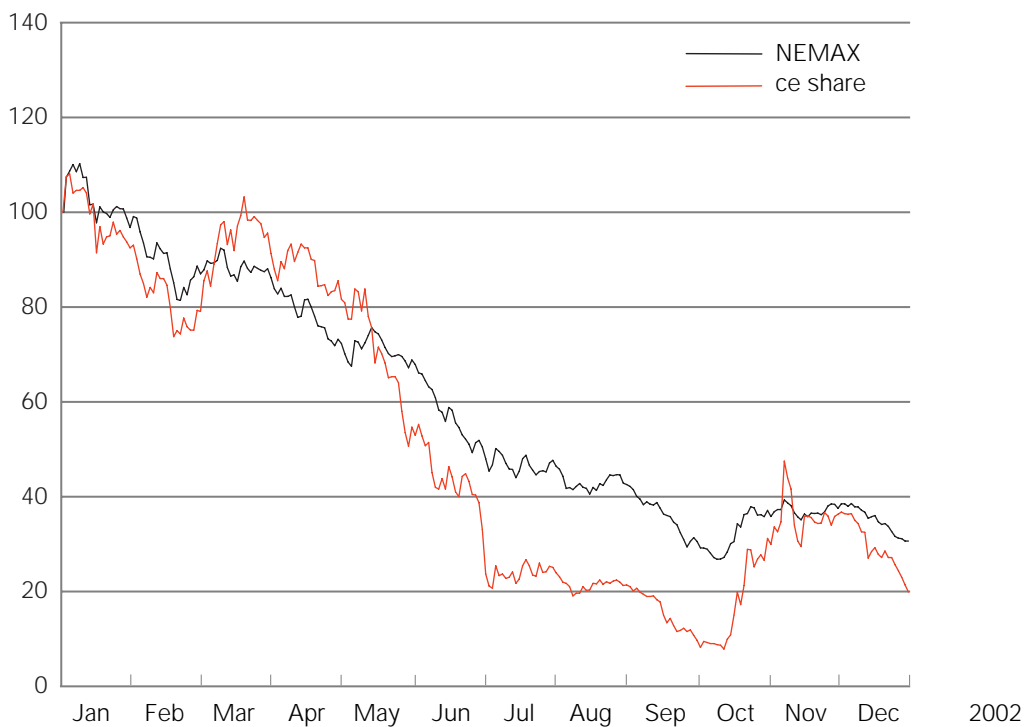
Development of NEMAX 50

The **NEMAX 50** fell from 1,161.48 at the beginning of 2002 to 355.99 at the end of 2002, resulting in a decline of 69.4 percent. Shortly after the German Stock Exchange announced the restructuring of the Neuer Markt on September 26, 2002 the NEMAX 50 Index marked its lowest level with 311.22 points on October 7, 2002.

Development of ce share 2002

At the beginning of 2002 the ce share price was 8.65 euro. The significant deterioration of the worldwide economic situation and the unexpected strong setback of the global semiconductor market led to corrections directly effecting capital market evaluation. Beginning of October, the share sank below the price of one euro for a few days. However, the share recovered quickly: At year's end it closed at 1.72 euro, market capitalization went up to nearly 44 million euro.

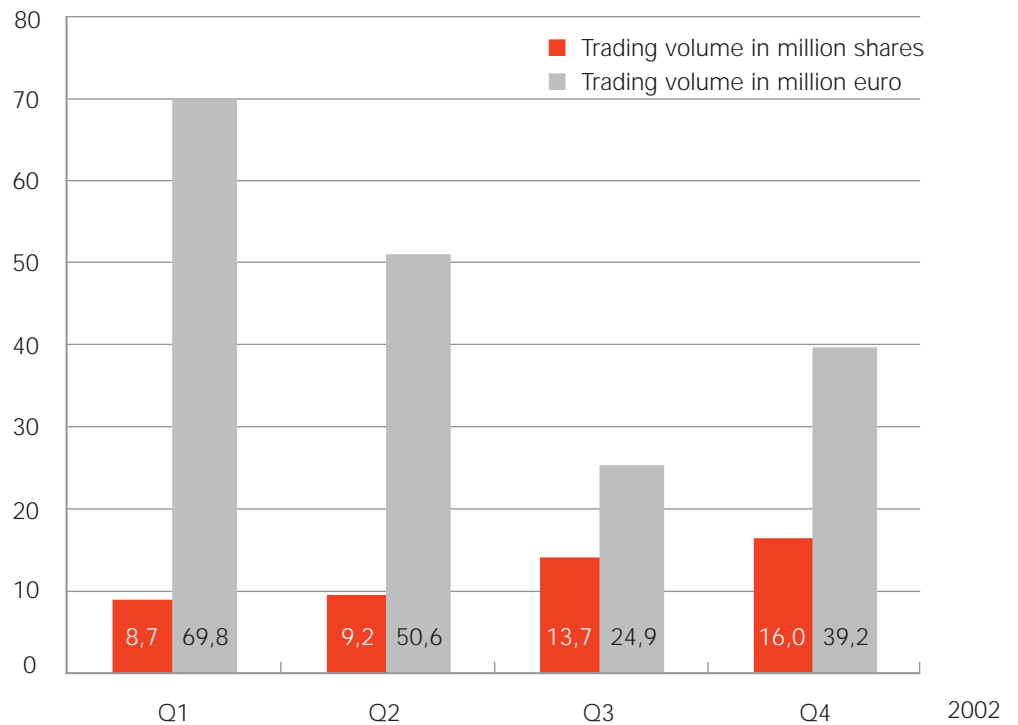
Comparison of ce share and NEMAX 50





Very high trading volume of the ce share

The ce CONSUMER ELECTRONIC AG was one of the highest volume shares in the NEMAX 50. In 2002 an average of 188,000 shares were traded on the exchange daily. The stock reached its greatest sales volume on the electronic trading platform XETRA at a daily average of 101,000 shares. During last fiscal year 47.6 million shares worth 184.5 million euro were traded.



As we expect a recovery of chip economy in the second half of 2003, especially in the USA, we see a considerable potential for future development of the ce share based on our strong US presence.

Overview of ce CONSUMER ELECTRONIC AG share

International Securities Identification Number (ISIN)	DE0005082226
Securities Identification Number	508 222
Stock exchange code	CEW
Reuters code	CEWGn
Bloomberg code	CEW2
Trading segment as of 31/12/2002	Neuer Markt
Neuer Markt industry code as of 31/12/2002	Technology
Designated sponsors as of 31/12/2002	HypoVereinsbank AG Bayerische Landesbank Archelon Deutschland GmbH Archelon Suisse GmbH
Trading segment effective from 1/1/2003	Prime Standard
Industry Group effective from 1/1/2003	Industrial Products & Services
First listed	23/06/1998
Bookbuilding margin	DM 95 - DM 105
Issue price	DM 105; adjusted for splitting DM 7 (€3.58)
Capital stock	€25,514,523
Number of shares	25,514,523
Class of stock and nominal value	Individual shares (personal shares without nominal value)
Capital stock approved for exchange trading	€25,514,523
Stock price at year's end*	€1.72
Highest price 2002 (4/1/2002)	€9.35
Lowest price 2002 (9/10/2002)	€0.68
Change since 1/1/2002 abs. (%)	€-6.93 (-80.1%)
Change in NEMAX 50 since 1/1/2002 abs. (%)	-805.49 (-69.4%)
Change since IPO abs. (%)	€-1.86 (-52.0%)
Market capitalization at year's end	€43.9 million
Average number of shares traded daily	188,000
Average volume traded daily	€729,000

* Final price XETRA Frankfurt on 31/12/2002



Number of Shares

The total number of shares is the result from the following activities, since IPO in 1998, which changed shareholder's equity.

Date	Activity	Number of shares
18/03/1998	Initial capital of corporation	250,000
22/04/1998	Capital increase from corporate funds	950,000
23/08/1998	Capital increase from IPO in June 1998	300,000
	Subtotal 31/12/1998	1,500,000
19/05/1999	Capital increase for contributed assets from approved capital: purchase of multiple participations	19,240
12/07/1999	Conversion to euro and individual shares	
12/07/1999	Capital increase from corporate funds without issuance of new shares	
04/08/1999	Stock split 1:5	6,076,960
11/11/1999	Issuance of new shares for € 75 per share for cash	2,908
	Subtotal 31/12/1999	7,599,108
02/03/2000	Capital increase with subscription right offering with 11:1 ration for exercise price of € 100 per share for cash	690,828
06/09/2000	Stock split 1:2	16,579,872
04/09/2000	Capital increase from approved capital to purchase 51% of capital of SND Electronics Inc.	131,190
	Subtotal 31/12/2000	25,000,998
24/08/2001	Capital increase from approved capital to purchase 49% of capital of SND Electronics Inc.	513,525
	Subtotal 31/12/2001	25,514,523
	No measures which change the Company's capital stock in 2002	
	Subtotal 31/12/2002	25,514,523

Until July 1999, bearer stock represented a nominal value of five Deutsche Mark of the capital stock of the corporation. The conversion to euro was also followed by the conversion to bearer stock without nominal value. Conversion to personal stock (individual shares without nominal value) was made on November 12, 2001. Each share carries one vote. The confirmation is contained in global certificates. Treasury stock is not available.

Designated sponsors

In Bayerische Landesbank and HypoVereinsbank AG, we have appointed two large well-known credit institutions as designated sponsors for our stock. There are also other credit institutions which have been acting as **designated sponsors** not commissioned by us, ensuring additional liquidity in the share trading of ce CONSUMER ELECTRONIC AG. The table below provides an overview of our designated sponsors:

	Beginning	End
Archelon Deutschland GmbH	26/10/2001	
Archelon Suisse GmbH	04/10/2002	14/01/2003
HypoVereinsbank AG	12/11/2001	31/12/2002
Bayerische Landesbank	12/11/2001	
Commerzbank AG	02/09/2002	29/11/2002
Lang & Schwarz Wertpapierhandel AG	28/03/2002	30/08/2002
N. M. Fleischhacker AG	22/03/2002	30/08/2002

Shareholder structure

The shareholder structure did not change substantially compared to the annual financial statement for the year 2001. At the end of 2002 nearly 37,600 shareholders were registered in the share register. The definition of freefloat by Deutsche Börse AG results in the following shareholder structure as of December 31, 2001 – based on shareholders who to our knowledge hold a cumulative total of at least five percent of the total capital stock:

■ Erich J. Lejeune (founding board member)	9.59%
■ Herbert E. Graus (founding member)	5.49%
■ Diversified holdings (freefloat)	84.92%

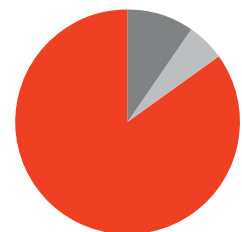
High duration of price quote and high spread

Deutsche Börse AG gave all our designated sponsors the highest rating of "AA".

What is a Designated Sponsor?

A credit institution or financial services company whose clients include companies listed on the stock exchange, ensuring liquidity and smooth operation of trade.

Shareholder structure





The data from the share register, as of December 31, 2002, provides additional information on freefloat:

The 36,900 shareholders domiciled in Germany hold 71.60% of the total capital shares. Another 700 foreign shareholders, primarily from Europe and the USA, hold 13.32% of ce CONSUMER ELECTRONIC AG's capital stock. Institutional investors – investment funds and investment companies – hold a total of 2.40 million shares or 9.41% of the entire shareholder's capital.

Shareholders' annual meeting and dividend

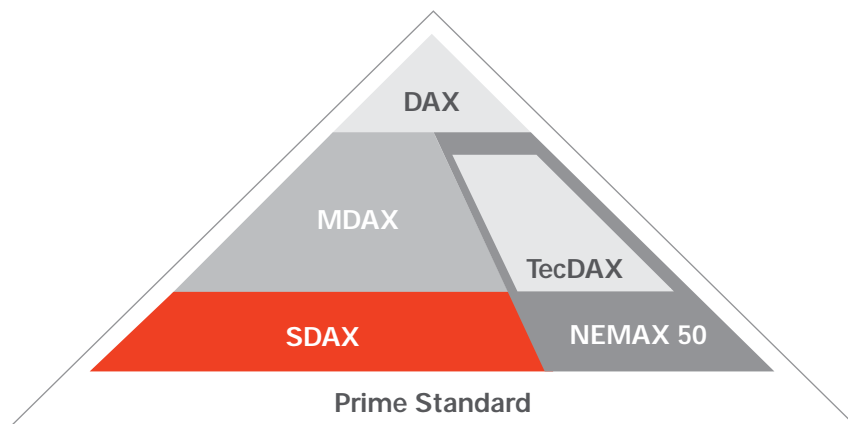
The company Annual General Meeting was held on July 3, 2002 in Munich. The participating 600 shareholders represented 30.40% or 7,755,397 euro of the total capital stock of 25,514,523 euro. The annual General Meeting agreed to the proposal that no dividend should be paid for the difficult financial year 2001, in order to utilize the company's liquidity for the future organic growth. The company does not pay a temporary dividend.

New segmentation of the German equity market

The Exchange Council of the Frankfurt Stock Exchange (FWB) on October 16, 2002 approved the new segmentation of the German equity market in Prime Standard Segment and General Standard Segment effective January 1, 2003. ce CONSUMER ELECTRONIC AG then applied for the Prime Standard Segment at the earliest time possible. ce CONSUMER ELECTRONIC AG already fulfills all necessary and internationally accepted transparency requirements: quarterly reports, international accounting standards IAS, a corporate calendar, at least one analysts' meeting per year as well as ad-hoc disclosure, also in English. As maintaining two Designated Sponsors is no longer required, we have terminated the contract with HypoVereinbank as of the end of 2002. Therefore the new segmentation does not mean additional expenditure for the company.

On December 16, 2002, the shares of ce CONSUMER ELECTRONIC AG were admitted to the Regulated Market segment including subsequent admission obligations (Prime Standard) effective from January 1, 2003. ce CONSUMER ELECTRONIC AG is therefore one of the first companies admitted for Prime standard by the Frankfurt Stock Exchange.

Based on the new segmentation, the Frankfurt Stock Exchange also implemented the new Indexwelt as of March 24, 2003. The shares of ce CONSUMER ELECTRONIC AG were allocated within the classical industries of the Industry Group Industrial Products & Services.



Pyramid showing the new segmentation of the German stock market

The index ranking lists published early February 2003, based on stock capitalization and stock sales, have qualified our share within the Prime standard segments as a member of the Small Cap Index **SDAX** comprising 50 values. Among all shares from the classical scope of companies listed on the German Stock Exchange, the ce share ranked 87 with stock capitalization and, with regard to sales volume, 41, thus ranking 64 weighed in total. This makes ce CONSUMER ELECTRONIC AG one of the 100 largest companies from classical fields listed on the German Stock Market.

At the same time, the share of ce CONSUMER ELECTRONIC AG is included in the newly created indices Prime All Share and Classic All Share.

SDAX member

Stock capitalization, i.e. the market value of the company, and the Stock Exchange volume in euro during the last 12 months, determine index allocation. The new SDAX was calculated for the first time as to chaining date March 21, 2003, its composition being checked quarterly.



Web site
Comprehensive,
continuously updated
information on the
ce share and our
company is available
for you at
www.consumer.de

Investor relations

In spite of difficult market conditions, we have further intensified our IR activities during the last fiscal year. The analyst meeting at the Trade Fair electronica, Munich, was just one part of this. Regular individual discussions, conference calls, and road shows with analysts, institutional investors, and shareholders in Germany and abroad, substantially more transparent quarterly reporting as well as a new web site have improved communication with the financial community and created trust among market participants.

We have achieved this trust because we have voluntarily subjected our financial communication to the strict rules of the US Securities and Exchange Commission (SEC) and the requirements of the German Corporate Government Code: we publish any information relevant to share price simultaneously for all market participants (fair disclosure) on our web site from which financial reports can be ordered, downloaded in electronic form or read in detail online. Also, services, such as the regularly published electronic newsletter as well as press releases or date reminders can be subscribed.

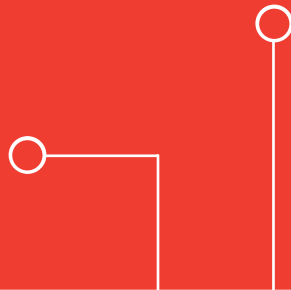
On December 31, 2002, eight analyst firms issued comments and recommendations for ce CONSUMER ELECTRONIC AG. One investment bank recommended buying ce shares, holding three, and underweight was recommended four times.

ce CONSUMER ELECTRONIC AG is a member of D.I.R.K. (the German Investor Relations Council). D.I.R.K. is actively working on the continuous development of the German capital market and supports our goal to enhance the quality of investor relations.

Please send any questions and suggestions directly per e-mail to ir@consumer.de. Of course, our Investor Relations Team will be available for you on the telephone: 49 (89) 9971-1900. Please send your fax to: +49 (89) 9971-1010. We will continue promoting the dialogue with our shareholders.

The

eCommerce-Brokers



Efficient transactions – that means eCommerce for our customers. For us it is an additional sales channel for chips – and an important pillar.



**CONSUMER ELECTRONIC
AKTIENGESELLSCHAFT**
World Trade Center for Chips

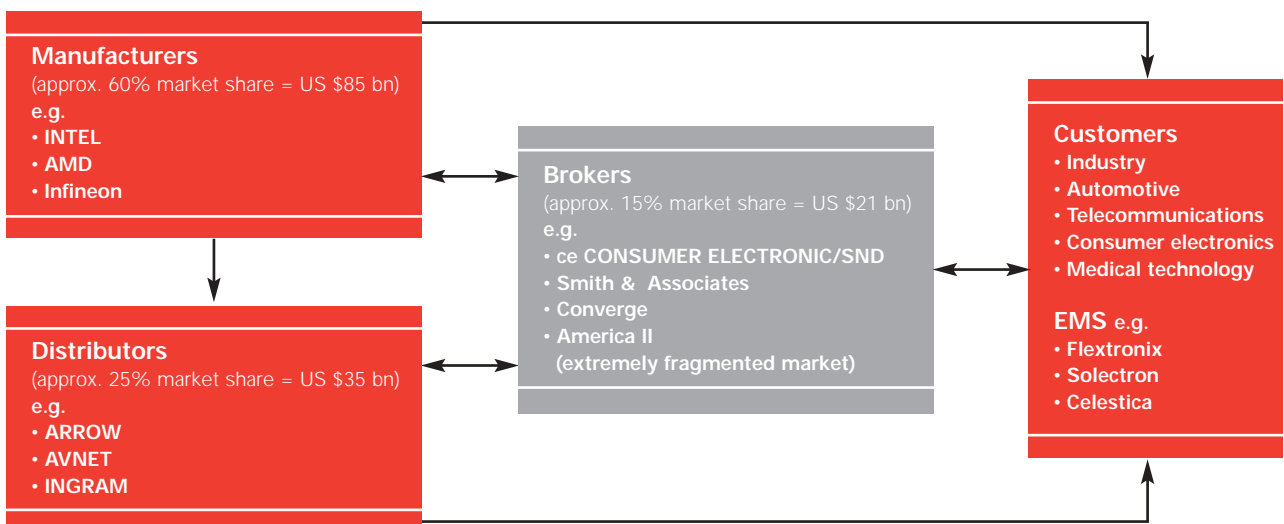


Market and business model

ce CONSUMER ELECTRONIC group has firmly established itself as the third independent power in the worldwide semiconductor market. Quality, service, promptness and efficiency ensure customer satisfaction.

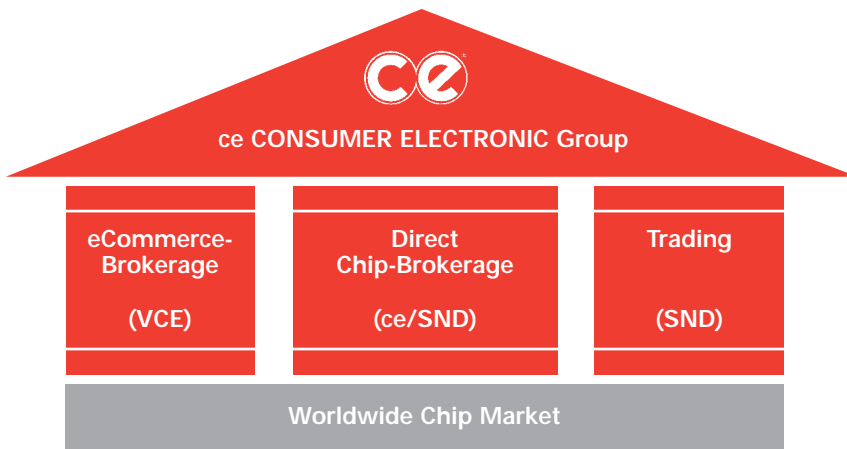
The worldwide semiconductor market

The following representation provides an overview of the entire semiconductor market. The Semiconductor Industry Association (SIA) figures the worldwide sales volume for 2002 at approximately 141 billion U.S. dollars.



Our business model

The following graphic illustrates the three business segments of ce CONSUMER ELECTRONIC group:



Direct Chip-Brokerage forms the central core area: free trading with electronic components. We procure the chips worldwide from renowned suppliers on order. This means that there is a fixed customer order for each purchase of goods which cannot be canceled. Scope of delivery, pricing and date of shipment are precisely defined. This eliminates the need for a capital intensive and risky inventory. This is a decisive advantage in a market where the price structure can significantly change within a short time. We keep the exchange rate risk as small as possible by purchasing and selling products in the same currency.

The **eCommerce Brokerage** segment is based on the rules of chip brokerage, however with focus on a very efficient, user-friendly and cost-effective electronic trading platform. VCE Virtual Chip Exchange, Inc. and its subsidiary represent this segment.

Direct Chip-Brokerage

We are trading with electronic components in this segment – independently and without inventory.

eCommerce-Brokerage

We use an efficient electronic platform for computer chip trading here.



IT-Brokerage/Trading

Our third business segment concentrates on trading with various IT products, mainly in growth markets.

The **Trading** segment is the third business pillar of the ce CONSUMER ELECTRONIC group. The basic idea is the same: high quality – fast, flexible and reliable. No matter whether we are in contractually binding business or move freely in the global chip market. In this segment we sell IT products according to the brokerage business model. We focus on IT products for personal computers and telecommunication, such as personal computers, monitors (including TFT displays), drives, motherboards, peripherals, but also satellite receiver equipment for creating communications networks in structurally weak countries. With product lines from manufacturers such as Intel, Samsung and Western Digital, the Direct IT brokerage segment is well positioned in the growth markets of Latin America (Brazil, Guatemala, El Salvador, Dominican Republic). SND Electronics is responsible for the Trading segment in the ce CONSUMER ELECTRONIC group.

Products and customers

Our independence is mainly based on three success factors: versatility of all our product segments, a global network of suppliers and a balanced customer portfolio.

A large number of our customers are globally recognized industrial companies. And there are new customers in markets with high growth potential.

Product portfolio Direct Chip Brokerage and eCommerce brokerage

The Direct Chip Brokerage and eCommerce Brokerage segments within the ce CONSUMER ELECTRONIC group trade hundreds of thousands of different electronic components. We differentiate between three main groups: active, electromechanical and passive components.

Active components, such as integrated circuits (ICs), CPUs, controllers, memory devices (SDRAMs, Eproms, Flash-Eproms, DRAMs, DDRs), transistors, diodes, opto-electronic components, AC/DC converters and much more, account for most of the sales volume.

Electromechanical products, such as liquid crystal displays (LCDs), vacuum fluorescent displays (VFDs), plasma displays, thin film transistor displays (TFT displays), connectors, switches, keys etc. form the second-largest group.

What are active components?

Active components (semiconductors) amplify the signals in a circuit.

What are electro-mechanical products?

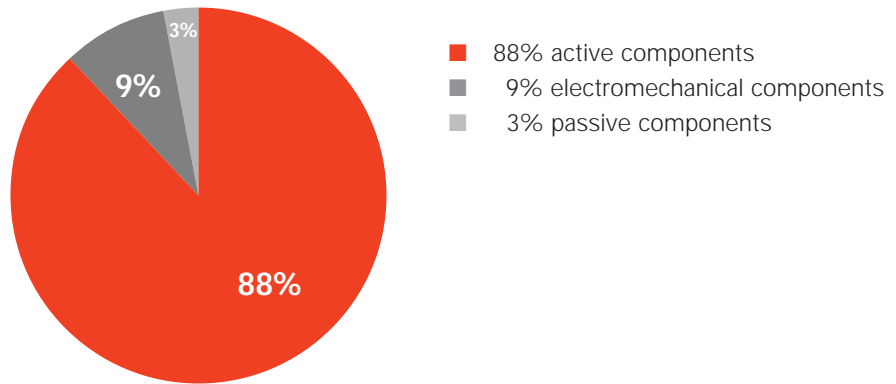
These products combine a mechanical effect with an electronic effect. This principle is best illustrated with the example of a switch.



And passive components?

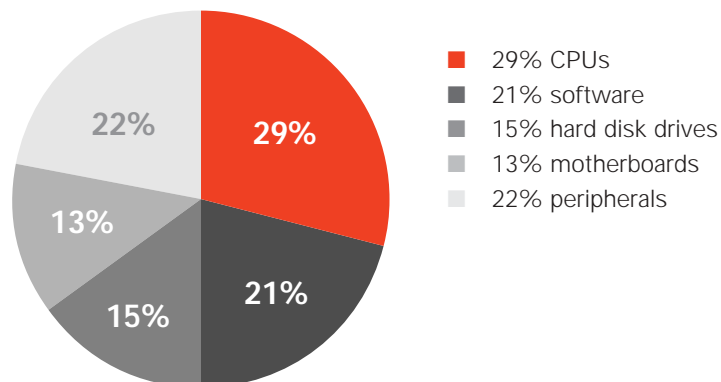
These components behave passively, i.e. they influence the function of a switch not by changing specifications.

This portfolio is complemented by **passive components** such as capacitors (electrolytic capacitors, tantalum capacitors, ceramic capacitors, foil capacitors), potentiometers and resistors.



Product portfolio Trading

In the Trading segment, the company is mainly dealing in components from the semiconductor market, such as CPUs, memory devices, drives and motherboards. We focus on standard products which can also be sold in the brokerage business. With new orders from Latin American countries, the product portfolio has been expanded to include satellite dishes, PCs, monitors and peripherals. SND Electronics, Inc. is also an official contract trader of Intel and the largest trading partner for Microsoft software licenses in Brazil.



Customer structure

The ce CONSUMER ELECTRONIC group has a balanced and wide-ranging customer portfolio without being dependent on certain large customers. Our ten largest customers contribute 14% of the total sales volume. Eight of these customers are based on the American continent, mainly in the U.S. and Brazil, and are serviced by SND Electronics, Inc. As of now, the ce CONSUMER ELECTRONIC group has about 10,000 customers, mainly in the fields of industrial automation, distribution, information technology, automotive engineering, telecommunication, **consumer electronics** and medical technology. We have long-standing relations with the majority of our regular customers developed over many years.

What does consumer electronics mean?

This industrial segment is also called Entertainment Electronics. This includes, for example, CD and DVD players, digital cameras and much more.





Group strategy

The strategic orientation of our group is based in three areas: core competency, service and organic growth.

Market position and objectives

We maintained our leading market position as the third major power in the international semiconductor market even in the difficult fiscal year of 2002 due to our successful business model. Employees with extensive market and industry know-how work 24/7 for our customers around the world.

We have defined the following strategic and operating objectives for our future success:

- to focus on our core competency: direct brokerage and e-brokerage (VCE) of electronic components and IT system components;
- results orientation and first and foremost organic growth with a clear focus on high-margin direct brokerage and e-brokerage;
- higher service levels for our customers by using VCE Virtual Chip Exchange as the leading e-brokerage platform, the aim being to strengthen our geographic presence in three time zones; America, Europe and Asia-Pacific.
- to expand the direct brokerage system in attractive Asian growth markets.

Focus on core competency

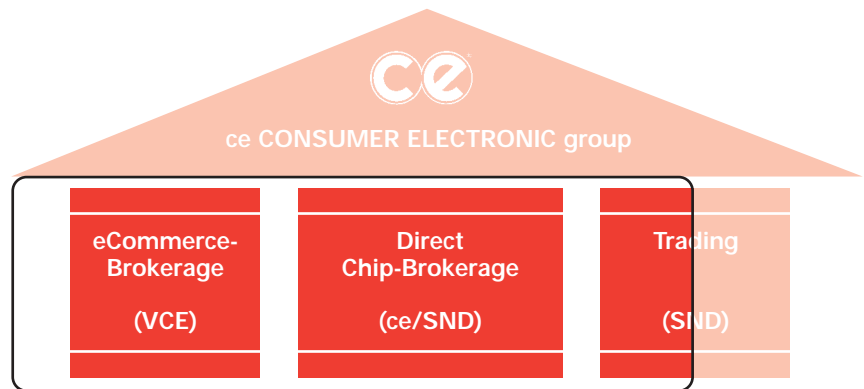
Concentrating on direct brokerage business, we primarily intend to gain large customers using our worldwide presence: contract manufacturers, globally acting concerns and major medium-size companies.

All our customers are offered market access via the electronic trading platform of VCE Virtual Chip Exchange. Simultaneously, VCE is also a trading site and information portal, which has established itself as a cost effective purchase and sales option with our customers. We continue to promote this success and to focus unwaveringly on further expansion of this proven sales channel. The key to achieving this is not only virtual closeness to customers but the means to show geographical presence for physical order processing. Following our US-activities the opening of VCE Europe was the next consequent step.

The Trading segment can be divided into those businesses which – like brokerage – are not contractually binding, and businesses based on basic contracts with manufacturers. The ratio here was 52% to 48% in fiscal 2002. This means that more than half of the sales volume in the Trading segment was generated by non-contract based business during the last fiscal year. We intend to focus on this in the future. Without purchase obligations, discount systems, contracts with retailers etc., our independence and therefore flexibility as regards our customers and suppliers will increase.



Based on our three-pillar business model, the following graph illustrates future focus on the brokerage business.

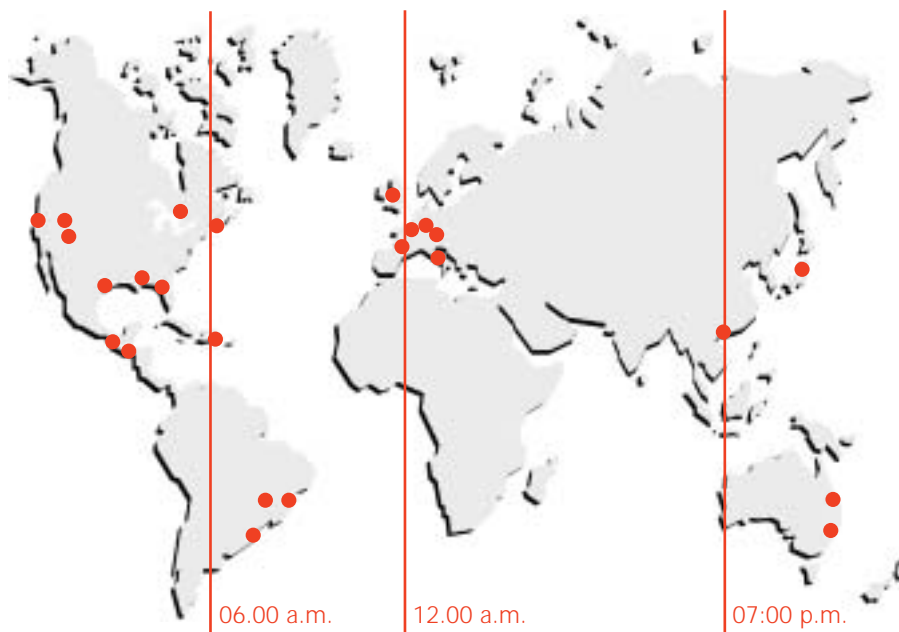


Service as a success factor

And we meet this demand. For our global customers we have appointed sales representatives in the respective countries. Coordination is carried out individually by experienced employees who are responsible for giving the best possible service to our key customers. Modified market conditions require adjustments. Intensive service deepens our close business relations with customers, strengthens our competitive position and allows us to be a preferred supplier in the expected shortage market as well.

Growth in Asia

Asia, particularly the People's Republic of China, is one of the fastest growing chip markets in the world. With a 29% market growth, this region was already the driving force behind global growth in 2002. Researchers believe that Asia will replace the U.S. as the leading market by 2006. We want to participate in this predicted development. We already have an office in Hong Kong and are now planning to become a presence in China by entering this promising purchase and sales market. With our stand at this year's International IC Conference & Exhibition (IIC-China) trade fair in Shanghai we have laid the foundation for future success.



Worldwide service for our customers –
24 hours a day, 365 days a year



**What does
outsourcing mean?**

Outsourcing means having parts of company business carried out by third-party providers.

Outsourcing makes sense if the costs saved are higher than the outsourcing expenses.

Organic and efficient growth

The European and Latin American regions also provide opportunities. On the European continent, Ireland and Scandinavia are among our favored future markets. In Latin America, we want to share in the expected economic growth particularly in Mexico. We expect a positive result and contribution from all these new activities within the first year. Simple connection of new offices to our present IT infrastructure offers distinct cost advantages, thanks to **outsourcing** in the previous fiscal year.

Corporate Governance

Responsible and transparent company management and monitoring structures – focused on achieving sustainable growth in company value – are crucial to earning and maintaining trust in CONSUMER ELECTRONIC and its business policies. This is why good corporate governance forms the basis of all our decision-making and monitoring processes.

The code as an important step

This applies particularly to our cooperation with shareholders. As a global company headquartered in Germany, CONSUMER ELECTRONIC must ensure that its internal management and monitoring structures comply with German laws governing corporations, codetermination and the capital markets, with our Articles of Association and with our Company-specific implementation of the German **Corporate Governance Code**. With the German Corporate Governance Code being put into effect, we took the opportunity to review internal regulations and procedures. Changes were made in only a few cases. We consider the Code to be a key step in the further development of statutory provisions and the practical implementation of corporate governance in Germany. We welcome the Code's introduction and the willingness to bring it further into line with international standards.

Corporate Governance

Corporate Governance defines corporate management guidelines that meet international standards. The Government Commission adopted the German Corporate Governance Code and published it in the Bundesanzeiger on August 20, 2002.



Management and company structure

Adhering to its legal form, ce CONSUMER ELECTRONIC AG has a two-part management and monitoring structure comprising a Managing Board and a Supervisory Board. The Annual Shareholders' Meeting is the third Company body, all three bodies being obligated to serve the interests of both the shareholders and the Company.

ce CONSUMER ELECTRONIC's business combines a centralized strategic orientation with decentralized business responsibilities. The global subsidiaries are individually responsible for their businesses. Each subsidiary is guided by the Company policies defined by the Managing Board of ce CONSUMER ELECTRONIC AG and the goals established by the Managing Board members and Executive Managers. The legally independent companies determine how the resources required to run their business will be used. They manage their own assets and generate earnings in their respective market segments.

The Supervisory Board

The Supervisory Board currently has three members and is not codetermined (German Codetermination Act). The shareholders' representatives are elected by the Annual Shareholders' Meeting. Decisions are made unanimously. The Supervisory Board is elected for five years. As a rule, members may not be older than 70. The Supervisory Board oversees and advises the Managing Board in its management of Company business. The Supervisory Board meets at regular intervals to discuss financial results, planning, strategy and implementation. It reviews ce CONSUMER ELECTRONIC's quarterly reports and approves the financial statements of ce CONSUMER ELECTRONIC AG as well as the consolidated financial statements of ce CONSUMER ELECTRONIC worldwide in light of the audit reports of the independent auditor. In addition, the Supervisory Board appoints the members of the Managing Board and determines their responsibilities. Major Managing Board decisions – such as acquisitions, **divestments** and financial measures – require Supervisory Board approval. There are two Supervisory Board committees: (A list of their respective members – together with the names of all Supervisory Board members – is provided on pages 102f. of this Report):

- The Audit Committee, whose duties particularly include financial accounting as well as risk and opportunity management, independence of the auditor, awarding the audit contract to the auditor, defining the focal points of the audit and determination of fee.

What are divestments?

It is the alienation of property, especially investments.

- The Personnel Committee decides on appointment or revocation of appointment of Managing Board members and, together with the Managing Board, ensures a long-term plan for the appointment of successors.

The Managing Board

The Managing Board of ce CONSUMER ELECTRONIC AG, which currently has four members, is the Company's top management body. It is obligated to promote the interests of the Company and to drive sustainable growth in company value. The Chairman of the Managing Board defines the Company's strategic direction in cooperation with the other members of the Managing Board. The Managing Board's responsibilities include developing the Company's strategic orientation, planning and finalizing the annual budget, **allocating resources** and monitoring the Executive Management of each subsidiary. Furthermore, the Managing Board is responsible for preparing the Company's quarterly reports, the annual financial statements of ce CONSUMER ELECTRONIC AG and the consolidated financial statements of ce CONSUMER ELECTRONIC worldwide, and selects personnel to fill key Company positions. The Managing Board cooperates closely with the Supervisory Board. It informs the Supervisory Board regularly, promptly and comprehensively, concerning all Company-related issues regarding strategy and implementation, planning, financial results, financial condition, results of operations and emerging risks. As noted above, major decisions of the Managing Board require Supervisory Board approval. More details on Managing Board members are provided on pages 6f. and 101f. of the Annual Report.

What means to allocate resources?

This term describes the decision process how and where resources are leveraged.

The Annual Shareholders' Meeting

The Annual Shareholders' Meeting is the decision-making body of our shareholders, enabling the Company's owners to participate in basic decisions affecting ce CONSUMER ELECTRONIC AG. Each share carries one vote. All shareholders listed in the stock register and from whom notification of attendance has been received by a specified date are entitled to participate. The Managing Board facilitates shareholder participation in the meeting through the use of electronic means of communication, and enables shareholders who are unable to attend to vote by proxy. The meeting is directed by the Chairman of the Supervisory Board. The Annual Shareholders' Meeting makes decisions on all matters assigned to it by law. These decisions are binding on all shareholders and on the Company.



They include voting on appropriation of net income, ratification of the acts of the Managing and Supervisory Boards, and the appointment of the independent auditor. Amendments to the Articles of Association and measures which change the Company's capital stock are approved exclusively by the Annual Shareholders' Meeting and implemented by the Managing Board with the approval of the Supervisory Board. Shareholders may make counterproposals to the proposals of the Managing and Supervisory Boards.

Financial statements and auditing

The consolidated financial statements of ce CONSUMER ELECTRONIC worldwide are prepared in accordance with International Financial Reporting Standards (IFRS). The annual financial statements of ce CONSUMER ELECTRONIC AG are prepared in accordance with the German Commercial Code (HGB). The consolidated and quarterly financial statements are audited by independent auditors in accordance with International Standards on Auditing (ISA). As required by the German Corporation Act, the independent auditors are appointed by the Annual Shareholders' Meeting. The Audit Committee awards the audit contract, determines the focal points of the audit and the fee to be paid to the auditor, and monitors the auditor's independence. More details on important accounting regulations are provided on page 82f. of the Annual Report.

Control and risk management

The Managing Board is responsible for internal control and risk management at ce CONSUMER ELECTRONIC group and for assessing the system's effectiveness. The principles, guidelines, processes and responsibilities we have defined are intended to ensure accurate and prompt accounting for all business transactions, to ensure early risk identification, to continuously provide reliable information about the Company's financial situation for internal and external use, and to enable us to achieve our business goals. However, these mechanisms do not eliminate risk entirely, and thus cannot prevent loss or fraud in all cases.

The newly implemented software based risk management system is the key element in recognizing, evaluating and handling opportunities and risks. With R2C (Risk-to-Chance) from Schleupen AG we have found a suitable software solution that is easy to use and is accepted by process participants, ensuring transparency with regard to risks within the group. Any risks within the group can be centrally monitored and actively controlled. At the same time, opportunities can be consistently utilized. A well-known global consulting company has supported us in implementing the software. ce CONSUMER ELECTRONIC AG therefore has a highly advanced risk management system. Further information on risk and opportunity management is provided in the risk report, starting on page 67.

Our internal control and risk management system is comprised of the following:

- bylaws for the Managing Board, which are issued by the Supervisory Board and allocate specific responsibilities to Managing Board members;
- internal principles, rules and standards pertaining to finance, accounting and monitoring, which are defined and monitored by ce CONSUMER ELECTRONIC's corporate departments;
- the annual budget approved by the Supervisory Board, which is based on the Group Companies' annual budgets and supplemented by strategic plans approved by the Managing Board;
- monthly reporting to the Managing Board regarding the financial condition of operations of business units, and joint reviews by the Managing Board and the Subsidiary President;
- mandatory detailed internal reporting and disclosure processes to ensure the early identification and efficient monitoring and control of major risks. These risks are reported to the Managing Board, the Supervisory Board and the Audit Committee, and explained as part of the external accounting process.



What is fair disclosure?

Contemporary, equal and extensive information to all stakeholders.

Financial reporting

Transparency is of great importance to us. We communicate with our shareholders, all participants in the capital market, financial analysts, shareholder associations, the media and the interested public through regular, open and prompt reporting on the condition of the Company and material changes in Company business. We adhere to the **fair disclosure** principle to ensure that all ce CONSUMER ELECTRONIC stakeholder groups receive timely and comprehensive information on an equal basis.

Reports on the Group's status and results are issued at regular intervals in the form of:

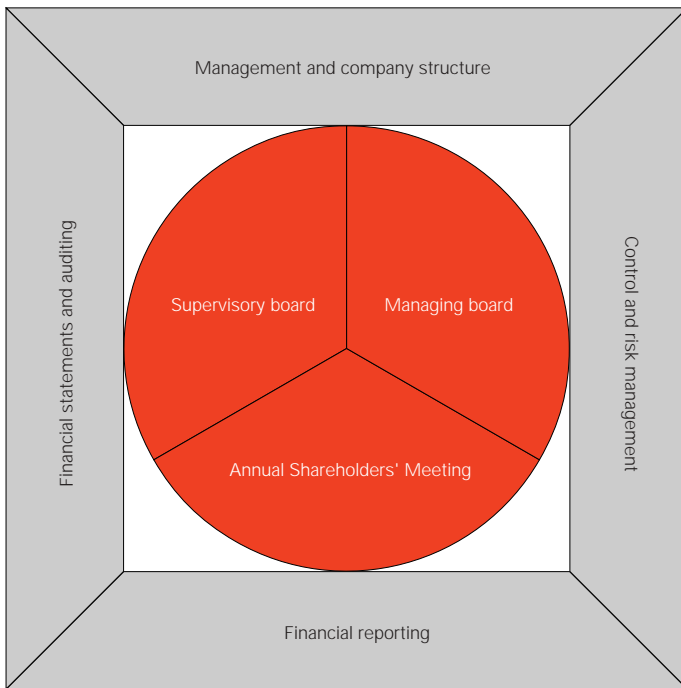
- quarterly reports, which are published as press releases,
- the Annual Report,
- minimum annual analysts conferences,
- telephone conferences with analysts on the publication of quarterly and full-year results, as well as
- numerous meetings with financial analysts worldwide.

We also provide event-related information in the form of:

- ad hoc releases, when situations arise which could materially affect ce CONSUMER ELECTRONIC's share price,
- company news.

All the information is published simultaneously on the Internet.

A financial calendar, which includes reporting dates, is available on page 112 of this Report and online at: www.consumer.de/News & Dates.



Corporate Governance of ce CONSUMER ELECTRONIC defines responsibilities and supports transparency.

Managing Board and Supervisory Board remuneration

Managing Board and Supervisory Board remuneration for fiscal 2002 contains both fixed and variable components. Managing Board remuneration comprises both cash compensation and stock options. Cash compensation is mainly fixed and paid in monthly installments, with the remaining part dependent on specified financial goals. Variable compensation is mainly determined on the basis of business results, including consolidated revenue, net profit or consolidated **EBITDA**. The ratio between the fixed and variable portion of the cash compensation for the Managing Board members is individually set between 50:50 and 90:10.

What is EBITDA?

Earnings before interests, taxes, depreciation and amortization.



Supervisory Board members receive fixed cash compensation as well as an option to subscribe to convertible bonds of the company.

Further information on Managing Board and Supervisory Board remuneration is provided on pages 102f. of this Report.

Declaration of Conformity with regard to the German Corporate Governance Code

At their meetings on October 17 and December 18, 2002, respectively, the Managing Board and the Supervisory Board adopted the recommendations of the Government Commission on the German Corporate Governance Code, with the exception indicated below, and approved the following Declaration of Conformity in accordance with § 161 of the German Corporation Act (AktG):

“ce CONSUMER ELECTRONIC AG complies with the recommendations of the Government Commission on the German Corporate Governance Code, with the following exception:

- Our directors and officers liability insurance policy (Code Section 3.8, paragraph 2) includes no deductible for board members. Our senior managers, both in and outside Germany, are covered by a group insurance policy. It is not considered appropriate to differentiate between board members and other high-level personnel. Furthermore, such a deductible is not common outside Germany.

Declaration of Conformity is available online at [www.consumer.de/Investor Relations/Corporate Governance](http://www.consumer.de/Investor_Relations/Corporate_Governance).

The IT-Brokers



Growth markets are booming globally. There we offer one-stop-shopping: from chips to IT-system components. IT-brokerage is one of the supporting pillars of our business model.



**CONSUMER ELECTRONIC
AKTIENGESELLSCHAFT**
World Trade Center for Chips



2002 Financial Year

In 2002, the ce CONSUMER ELECTRONIC group operated in a difficult market environment characterized by unfavorable global economic conditions, a significant continued downturn in the semiconductor industry and strong pricing pressure.

Thus, the group countered actively with concrete measures.

The following are the key developments in the 2002 fiscal year:

- Success of cost reduction program
- Streamlining of business portfolio through divestitures of non-core activities
- Significantly improved liquidity
- Ongoing improvement of quarterly results
- Positive operating result in the fourth quarter
- One-time valuation allowances dominate annual results
- Decline in revenues
- Clear focus on core business and profitability

Unfavorable global economic conditions

In 2001, the global economy was characterized by a broad-based recessionary trend. In the first quarter of 2002, expectations for growth were accompanied by widespread optimism about a significant rise in key economic indicators. Increasingly favorable U.S. economic conditions led to an improvement of the economic situation in other parts of the world, particularly in the Asia-Pacific region. However, the U.S. economic recovery lost momentum in the second and third quarters of 2002. The initial optimism was replaced by a broad-based pessimism and fears of a "double dip" recession. The global economy was

IBM looks back

"2002 was one of the most difficult years in business."

*Samuel Palmisano,
CEO of IBM*

characterized throughout the year by declining telecommunications and PC markets. Investments declined, particularly in the telecommunications sector. There was also a drop in consumption and an increase in unemployment. The prevailing interest rates did not provide sufficient stimulus for recovery.

High semiconductor market **volatility**

In the 2001 calendar year, the semiconductor industry posted the most significant market downturn in its history, with sales declining approximately 32 percent compared to the 2000 calendar year, according to the US industry association SIA (Semiconductor Industry Association). The worldwide market volume decreased 65 billion US dollar to 138.9 billion US dollar.

In the 2002 calendar year, demand and prices were consistently at a low level, with 140.7 billion US dollar market volume in 2002 nearly unchanged compared to the previous year, a slight increase of 1.3 percent.

Asia as a leading growth market

There were significant regional differences in market developments in 2002. Whereas the Asia-Pacific region had a market growth of 29% compared to the previous year, sales decreased 13% in the USA, 8% in Japan and also 8% in Europe. Relocation of large production capacities to Asia and a growing demand for electronic products in China contributed to this development.

Short-term market developments with positive trend

The quarterly development of worldwide semiconductor sales in 2002 shows a positive trend. There is evidence that the semiconductor market is recovering. For the current calendar year 2003, the leading market research companies Dataquest and SIA expect a world wide **market volume** of \$153.2 billion to \$169.3 billion. This represents an 8.9% to 19.8% increase over the previous year. Experts forecast increased growth mainly for the second half of 2003. Analysts foresee even stronger two-digit growth during 2004.

What is volatility?

Volatility defines the extent of the fluctuation of pricing, stock prices and markets.

Expected market growth

"We expect further improvement across broad product sectors, positioning the industry for 19.8% growth in 2003, increasing revenues to \$169.3 billion."
George Scalise, SIA president, about the future development of the semiconductor market



**Mobile phones and
PC's will trigger growth**

"We expect the momentum built throughout 2002 in both cell phones and PCs to increase in 2003."

*George Scalise,
SIA president*

Computers and mobile phones will be the impetus for growth

Even if the first quarter 2003 is still characterized by the weakness of the computer markets from the previous year, Dataquest expects a long anticipated replacement cycle for computers in companies in the near future. Market researchers also forecast increased demand for mobile phones, DVD players and digital cameras. New purchase is continuously postponed and low investment in production facilities provides further arguments for growth fantasy.

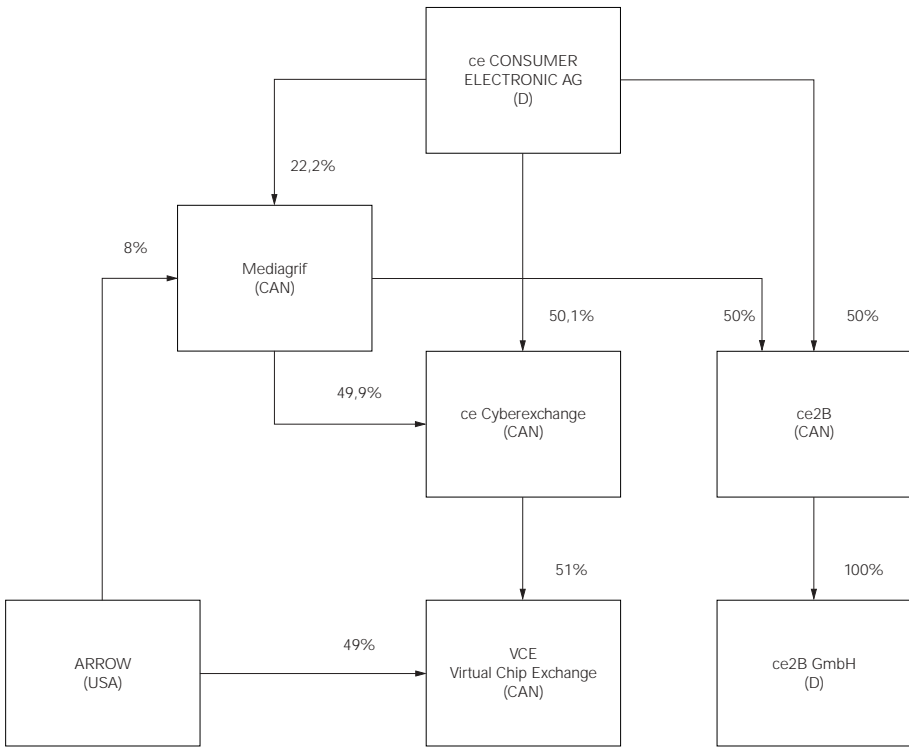
Portfolio structure optimized – focus on core business

During the last fiscal year ce CONSUMER ELECTRONIC implemented a multistage project to optimize portfolio structure. Focussing on the core business, margin oriented brokerage, and strengthening the ce CONSUMER ELECTRONIC group's eCommerce segment position in chip trading with simultaneously generating liquid resources was an integrated part of the ce CONSUMER ELECTRONIC group's strategy. The following transactions were effected as part of this project.

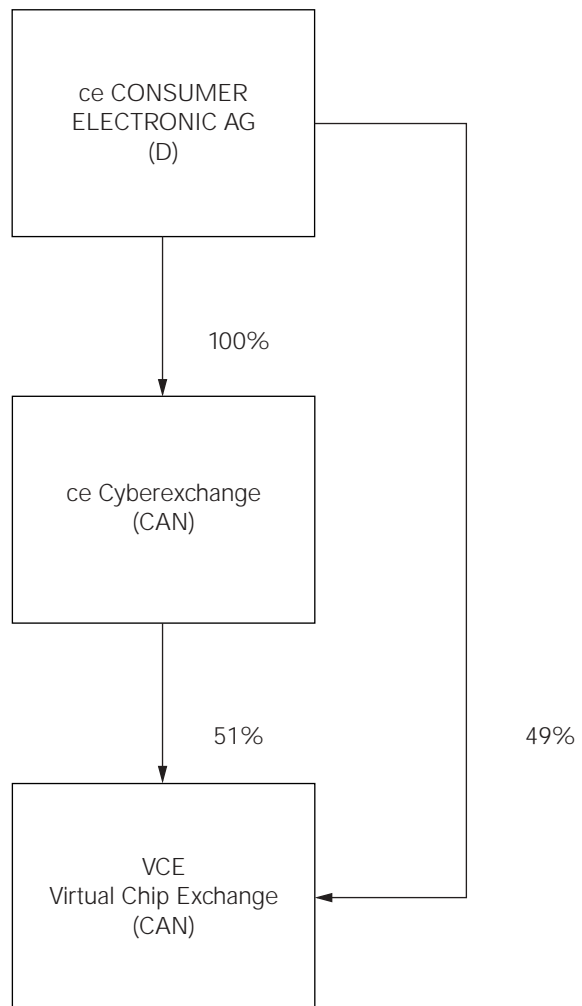
In May 2002, ce CONSUMER ELECTRONIC AG acquired the majority of eCommerce company VCE Virtual Chip Exchange shares from Arrow Electronics, Inc., the world's largest semiconductor distributor. Within the framework of restructuring eCommerce, ce CONSUMER ELECTRONIC AG acquired 100 percent of ce2B GmbH shares by negotiating with Mediagrif Interactive Technologies Inc.

In September 2002, ce CONSUMER ELECTRONIC AG resold its Mediagrif stock of 22.2% to the Canadian software company. The price of €10.4 million was slightly above the balanced book value of the stock acquired in 1999. ce CONSUMER ELECTRONIC AG also acquired the shares of VCE Virtual Chip Exchange Inc., Hauppauge, USA, hitherto indirectly held by Mediagrif Interactive Technologies Inc., thus becoming a 100% shareholder of this company.

The following diagrams show the effects of the transactions on the group's structure:



Original structure of eCommerce segment



Streamlined structure
of eCommerce segment

Focusing on our core business, we have closed the production facility in Manaus, Brazil. Sales activities for the Austrian market are cost-efficiently conducted by our Munich head quarters.

Global network expanded

In June 2002 we entered the Italian market and opened a sales office near Verona, thus allowing us to continue our organic growth in Europe as scheduled.

At the same time, we strengthened our successful market position on the American continent with new offices in the USA, Brazil and the Dominican Republic.

With a branch in Hong Kong and sales representatives in the People's Republic of China we have access to the world's fastest growing economy.

VCE Virtual Chip Exchange Europe GmbH opened in Munich in November 2002 with a view to implement the profitable business model of the US-based VCE Virtual Chip Exchange Inc. on the European continent as well.

Cost reduction program successfully implemented

In addition to our initiatives for an increase in revenue and margin ce CONSUMER ELECTRONIC AG countered the difficult market condition by carrying out strict cost reduction measures. In the beginning of August 2002, ce CONSUMER ELECTRONIC AG initiated an extensive, company-wide cost reduction program. By forgoing €700,000 or 30% of its 2002 remuneration effective August 1, the Managing Board gave a clear starting signal. The members of the Management renounced their provisions and accepted an individual reduction in compensation. At the same time, Managing Board and Management renounced holiday pay effective from 2001.

The positions of employees who left the company in the course of fluctuation and who were not part of the sales staff were refilled selectively according to current requirements. New employees were mainly recruited for the sales department.

We stopped or postponed projects which were not binding, as well as activities we did not regard as being indispensable for our operational business. Among others, we postponed the scheduled implementation of the company-wide **Customer Relationship Management system**.

What is a Customer Relationship Management?

Customer Relationship Management (CRM) integrates all customer related procedures in marketing, sales, customer service and R&D. Core of a CRM-system is a customized software linked to a database.



However, important investments, such as the implementation of a risk management system and the implementation of a SAP authorization policy, were made. Furthermore, we examined all significant existing agreements and partly renegotiated them. This allowed us to create saving potential which had an effect to some extent even during the previous fiscal year. The total savings accomplished become evident when the expense positions for the first half of 2002 are compared with those of the second half of the year.

Differences arise as follows:

In thousand €	First half year 2002	Second half year 2002	Differences	Percent
Sales costs*	8,760	7,961	-799	-9.1
Costs of general administration	12,047	8,381	-3,666	-30.4
Total	20,807	16,342	-4,465	-21.5
Costs for human resources	11,690	10,719	-971	-8.3

* For better comparison, sales costs in the first half of 2002 were corrected by the €7.580 million in valuation allowances made in the second quarter of 2002.

The difference between the sales costs and the general administration costs in the second half of 2002 compared to the first six months is €4,465 million or 21.5%. The group had 392 employees as of June 30, 2002, and 426 at the end of the year. Even with the number of employees increasing by 8.7 percent, savings in human resources were 8.3% in the second half of 2002 compared to the first half of the year.

Successful electronica 2002 fair

Together with more than 3,000 exhibitors from 49 countries, ce CONSUMER ELECTRONIC group successfully presented itself at electronica 2002 taking

place from November 12 to 15. 77,000 visitors from more than 27,000 companies provided an excellent platform for new contacts. We talked to more than 600 qualified customers at our stand, intensified existing customer relationships and gained many attractive new customers.

Focus on top customers

In October 2002, U.S.-based SND Electronics, Inc., a wholly owned subsidiary of ce CONSUMER ELECTRONIC AG, entered into agreements with two of the three largest contract manufacturers in the world, **Solectron** and **Celestica**, to appoint preferred vendors, winning top new customers in this way. The agreements allow access to the world's largest contract manufacturers with a purchasing volume of several billion U.S. dollars. In this way, we were able to strengthen our position in the global chip business.

Powerful purchasers

Solectron and Celestica contract manufacturers purchase chips for nearly 20 billion U.S. dollars annually.

Success in Latin America

SND Electronics Inc. (SND), a wholly owned subsidiary of ce CONSUMER ELECTRONIC AG, received the distribution rights for HNS DIRECWAY® Internet Services in Latin America. This was announced in November 2002 by SND and Hughes Network Systems, Inc. (HNS), the global leader in the field of broad band satellite network solutions. First-time sales of DIRECWAY began in Guatemala, seen by SND as a major step towards further expansion in South and Central America. Our customers now have a supplementary service in addition to existing sales offers, including the associated technology. Broad band satellite technologies such as DIRECWAY are the key for providing low-cost Internet access to emerging markets with low population density. SND, together with Red Technologies SA, will offer individual services for this.

Effect of U.S. dollar exchange rate

Parity between euro and U.S. dollar has significantly changed since the beginning of 2002. While one euro bought only 0.8830 U.S. dollars on December 31, 2001, it purchased 1.050 on December 31, 2002, representing an 18.6% increase of the euro. We generate 87 percent of the entire group revenue – billed in U.S. dollars – in North and South America. The change in foreign-exchange rates therefore has a direct effect on the consolidated financial statements generated in euro, especially on revenues and gains.



Employees

The ce CONSUMER ELECTRONIC group promotes knowledge and experience, since current and future success is based on qualified and dedicated people.

Employees are key

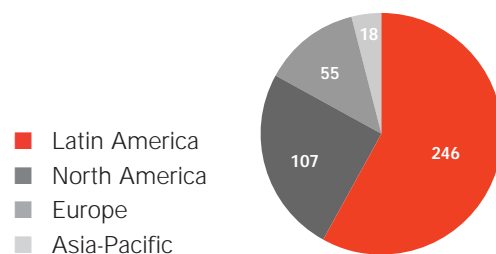
Profound professional education is still very important for today's information society: Lifelong learning, company specific employee orientation as well as appropriate measures to retain and win employees are becoming more and more important.

Stable Personal level

Our employees form the foundation for successful business. In spite of unfavorable conditions in our industry we have not reduced the number of employees; instead we have slightly increased them due to new employees, mainly in sales functions, and the opening of new sales offices.

On December 31, 2001 we had 420 employees compared to 426 employees on December 31, 2002. ce CONSUMER ELECTRONIC group is an international organization: 107 people work in North America, 246 in Latin America, 55 in Europe (43 of them in Germany) and 18 in the Asia-Pacific region.

There are 426 employees of the ce CONSUMER ELECTRONIC group working around the world



Costs for human resources for the prior fiscal year were €22.4 million in the ce CONSUMER ELECTRONIC group. This represents a reduction of 6.7% compared to fiscal 2001 (€24.0 million). There are several reasons in spite of the date related slightly increased number of employees: the ce CONSUMER ELECTRONIC AG Managing Board and Management members' renunciation of provisions and compensation as well as the adaptation of the provision models for sales staff, removal of a management layer in sales and recruitment at lower salaries for at least the same qualification.

Networked model

We have continuously extended our global relationship network through ongoing communication in combination with exchange programs for our employees. This allows us to secure our company's future success in dynamic growth markets. Furthermore, experienced colleagues help to quickly and productively integrate new people into the company employing an institutionalized service (so-called partner principal).

Creativity, readiness to perform, discipline and enthusiasm mark the image of our employees. Our human resources policy consistently promotes entrepreneurial thinking and doing with an even greater sense of responsibility, fostering market and cost orientation as well as flexibility and innovation in daily actions.



Performance-oriented compensation model

Our model constitutes responsible entrepreneurial thinking and action. Our compensation system reflects results and performance oriented principles. This applies to employees on all levels.

We offer a performance related and variable compensation system which is mainly based on three criteria – EBIT, turnover and net profit. Net profit is the most important element of sales functions. In addition, we have developed share options programs for all employees.

Employees as shareholders

The share option plans, approved by the ce CONSUMER ELECTRONIC AG Annual Shareholders' Meeting during 2000 and 2001, have been made use of intensively. We offered employees fixed contracts to subscribe options. If the group EBITDA develops positively at a minimum of 15 percent, the options can be converted to ce CONSUMER ELECTRONIC AG shares at a set price in two years at the earliest. Managing Board members and employees of the group have received 1.017 million options from option plan I and a further 1.035 million options from option plan II up to now. Details of the share option plans are provided on page 104 of this Report. The option strike price of both option plans is above the recent price of ce shares. Thus the granted options are currently not very attractive for the employees.

www.consumer.de

Information on a carrier in the ce CONSUMER ELECTRONIC group is available on the Internet: for general applicant information click www.consumer.de, the current job offers are listed under "Jobs".

Thank you for the excellent work you have done

It cannot be said often enough: a company is only as good as its employees. The employees of ce CONSUMER ELECTRONIC have once again met the expectations of customers, suppliers, senior officers and partners during 2002. The Managing Board would like to thank those who have participated for their high personal commitment.

Business development during fiscal year 2002

Even after the year 2002, which was characterized by global recession, we are internally and externally well positioned for a successful future. We build on our motivated employees and our worldwide presence.

Development of asset and financial position during fiscal year 2002

	31/12/2002	31/12/2001	Changes in €	Changes in %
Liquidity	27,385	20,795	6,590	31.7
Loans to banks	18,574	34,416	-15,842	-46.0
Net liquidity	8,811	-13,621	22,432	
Total assets	98,034	192,383	-93,349	-49.0
Shareholders' equity	46,580	112,326	-65,746	-58.5
Equity ratio	48%	58%		-10

Loans significantly reduced - positive net liquidity

Mainly through sales of our Canadian Mediagrif Technologies Inc. shares, cash significantly increased to €27.4 million as of December 31, 2002 (€20.8 million end of 2001). Furthermore, unused credit lines are available from various credit institutions.



Working Capital

Working Capital means assets that are not used for long term perspectives but can be used for improving the company's liquidity. It includes inventories, receivables, liquid assets and securities.

Liquidity from active reduction of the so-called **working capital**, especially inventories and receivables, was mainly used to reduce existing loans with credit institutions. Also, a part of the proceeds from sale of interest in Mediagrif was used to reduce bank loans. Net liquidity increased €22.4 million to a positive €8.8 million from minus €13.6 million, comparing both years' end.

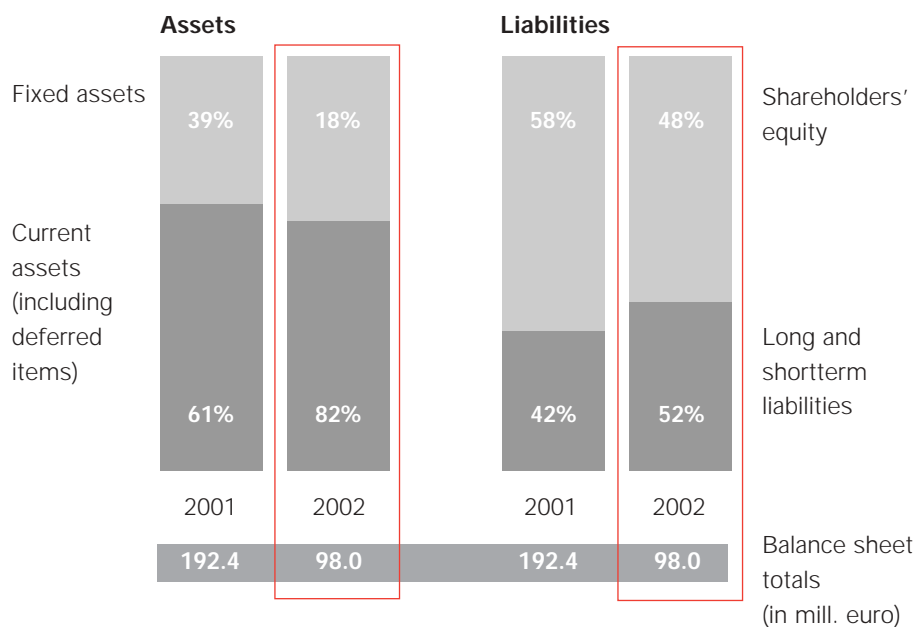
Solid balance figures

As of December 31, 2002, the consolidated balance sheet total was €98.0 million (€192.4 million previous year), group liabilities (without provisions) totaled €47.6 million (€76.8 million previous year), thereof liabilities with credit institutions €18.6 million (€34.4 million previous year).

ce CONSUMER ELECTRONIC shareholders' equity decreased to €46.6 million (€112.3 million previous year), mainly due to valuation allowances, changes in euro exchange rate parities against U.S. dollar and due to cancellation of the VCE Virtual Chip Exchange outside shares.

This reduced equity ratio to 48 percent (58% end of 2002). It is, however, still significantly above the average of German companies.

The ratio between shareholder's equity and long-term assets emphasizes the continued excellent asset and financial position of the group. The percentage cover of the ce CONSUMER ELECTRONIC group on December 31, 2002 for fixed assets and investments was 291 percent (previous year: 154 percent).



Development of earnings in fiscal 2002

One-time balance corrections impact 2002 results

Due to the general worldwide weakness in markets, the one-time valuation allowances of €47.0 million with respect to goodwill, investments, receivables and inventory, included in the second quarter of 2002 and announced on July 2, 2002, had a significant impact on the last fiscal year's figures. The greatest part of this, €29.5 million, relates to goodwill depreciation not scheduled for. This means for the future: the annual burden of the result caused by goodwill depreciation will decrease approximately €3 million to approximately €2.6 million. The extraordinary valuation allowances of financial assets total €9.9 million. From the remaining €7.6 million, €5.2 million relate to receivables and €2.4 million to inventory.



The overview below shows the group's **key figures**:

In thousand €	2002	2001	Changes
Sales	321,336	426,806	- 105,470
EBITDA	- 8,332	8,086	- 16,418
EBITDA before Valuation allowances	- 752	8,086	- 8,838
EBIT	- 54,847	110	- 54,957
EBIT before Valuation allowances	- 7,890	110	- 8,000
Earnings per share in €	- 2.23	- 0.08	- 2.15
Earnings per share before Valuation allowances in €	- 0.39	- 0.08	- 0.31

Due to the difficult economic situation in the semiconductor market and with clear focus on sales oriented earnings, the consolidated revenue of ce CONSUMER ELECTRONIC AG decreased 24.7% to €321.3 million in fiscal 2002 compared to the prior year.

The operating profit before interest, taxes and depreciation (EBITDA) in 2002 decreased €16.4 million compared to the prior year. Eliminating the onetime adjustment of €7.6 million, the difference to the previous year amounts to €8.8 million.

Depreciation and amortization (software and goodwill) as well as fixed assets increased €38.5 million to €46.5 million. The valuation allowances of €29.5 million made in the second quarter of 2002 contributed the greatest part, with €25.7 million relating to valuation estimates of US-based SND Electronics Inc.

EBIT 2002 decreased €55.0 million compared to the previous year. Without €47.0 million effects resulting from the onetime adjustment in the second quarter, the difference to the previous year is €8.0 million.

The result for the current fiscal year totaled €57.0 million (minus €1.9 million in the previous year), decreasing earnings per share to minus €2.23 (minus €0.08 previous year). The effects of the onetime valuation allowances on the consolidated result totaled €47.0 million, representing €1.84 per share.

Managing Board and Supervisory Board will propose to the Annual Shareholder's Meeting on June 5, 2003 to carry forward the net loss for fiscal 2002 and the remainder be transferred to other retained earnings.

R&D activities, investments

As a chip broker and chip trading company, we consider Research & Development (R&D) expenses to be of secondary importance with regard to the amount. Essential investments related to acquisition of interests in ce2B GmbH and in VCE Virtual Chip Exchange for acquisition of the entire capital stock. Further investments in 2002 were confined to the purchase of plant and equipment.

Development of order position in fiscal 2002

As of December 31, 2002, the **book-to-bill ratio** for the group totaled 0.99. This shows a tendency for improvement compared to 0.93 at 2001 year-end.

Cash flow

Cash flow, which is defined as the result before minority interests and depreciation, changes in reserves and results from disposal of fixed assets, decreased to minus €11.2 million in the financial period from January 1 to December 31, 2002, compared to €6.9 million in the previous year. This reduction is explained in particular by the year's loss and the valuation allowances made. Taking also into account the change in net working capital, mainly the reduction of receivables and inventory, the cash flow from operating activities is a positive €20.1 million, compared to a negative €6.5 million for the previous year.

What is the book-to-bill ratio?

The book-to-bill ratio is an indicator for short-term and medium-term future sales and defines the order entry to sales ratio. A ratio greater than one indicates an increase in order entry and thus an increase in sales expectation.



From segments

We have established segmentation according to brokerage, eCommerce and trading, providing transparency for customers, shareholders and employees.

The overview below shows figures of each key segment (amounts in thousand euros):

2002					
	Sales	%	EBITDA	%	EBITDA margin %
Brokerage	88,006	28	- 6,022	72	- 6.84
eCommerce	10,983	3	- 50	1	- 0.45
Trading	222,347	69	- 2,260	27	- 1.02
Total	321,336	100	- 8,332	100	- 2.59

2001					
	Sales	%	EBITDA	%	EBITDA margin %
Brokerage	112,729	26	2,301	28	2.04
eCommerce	63,370	15	1,140	14	1.80
Trading	250,707	59	4,645	58	1.85
Total	426,806	100	8,086	100	1.90

Considering the onetime valuation allowances made in the second quarter of 2002, the analysis of consolidated EBITDA for 2002 is as follows, compared to the figures of the previous year:

Thousand €	2002			2001		
	EBITDA	%	Margin%	EBITDA	%	Margin%
Brokerage	- 1,570	209	- 1.78	2,301	28	2.04
eCommerce	- 50	7	- 0.45	1,140	14	1.80
Trading	868	-116	0.39	4,645	58	1.85
Total	- 752	100	- 0.23	8,086	100	1.90

Earnings and margins affected by market environment

In 2002, the generally unfavorable economic conditions and the continued low demand for chips had an enormous effect on the drop in margins. There is actually no shortage, and therefore a lower return on investment from margin-oriented brokerage business.

Segment reports

The **Brokerage** segment continues to focus on the high margin business. Internal structure and monitoring measures promoted a result-oriented business development, including allocation of large customers to individually appointed sales staff, creation of sales teams with extended variable compensation components complying with a uniform commission model and the introduction of a minimum margin on cross results for individual contracts. In spite of this measure, the absence of shortage business in an extremely difficult market environment resulted in a drop in sales and earnings. After all, ce CONSUMER ELECTRONIC has become popular as the "Fire engine of the chip industry" in connection with chip shortages. After the economy has recovered, we will probably see an increase in demand and a shortage in chips. In this case we expect the brokerage segment to benefit more than average from this.

Brokerage segment:
Acting margin-oriented

The **eCommerce segment**, represented by the now fully owned subsidiary VCE Virtual Chip Exchange Inc. and the VCE Europe GmbH, also focused on the high-margin broker business. This means that the companies knowingly accepted a reduction in sales to continue differentiating themselves from other eCommerce

eCommerce segment:
Successful Internet platform



platforms through result-oriented growth in the medium term. Together with the general weakness in markets, the eCommerce segment contributed 3% to the consolidated revenue in 2002. In its October issue, the U.S. magazine Forbes honored VCE Virtual Chip Exchange Inc. as one of the best Internet platforms for B2B business in electronic components, emphasizing its extraordinary market position. With 5,400 customers in 62 countries, VCE (www.virtualchip.com) is one of the world's leading eCommerce platforms in chip brokerage.

Trading segment:

Positive EBITDA

In **Trading**, where we focus on high value and selected product lines particularly in the growth markets of Latin America (Brazil, Guatemala, El Salvador, Dominican Republic), we reached a positive EBITDA in spite of the significant price drop of IT products and the effects resulting from the crisis in other Latin American countries (before valuation allowances). Brazil is the most important single market for our activities on the South American continent. The CONSUMER ELECTRONIC group is conducting its business in Brazil almost exclusively on a U.S. dollar basis. Sales and results are therefore significantly affected by the unfavorable development of exchange rates against U.S. dollar as seen from the euro's point of view.

Quarterly business development

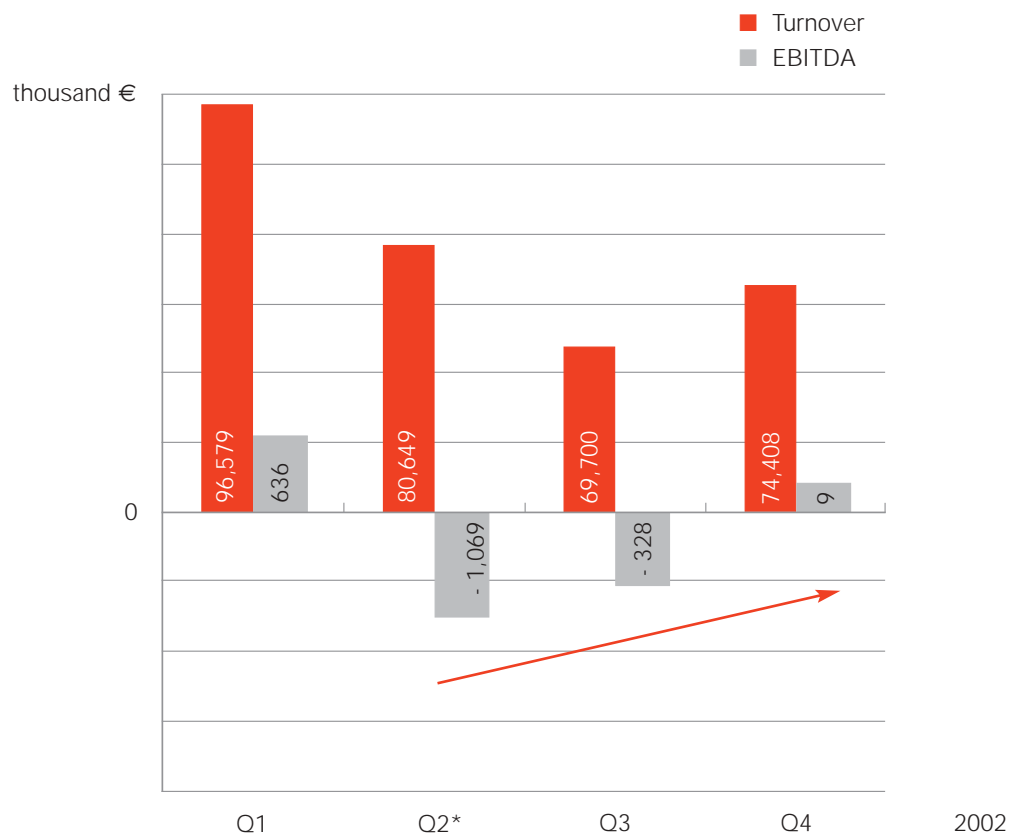
There has been an improvement in operational results (EBITDA) – particularly when compared in a quarterly sequence.

The one-time adjustment in the second quarter of 2002 had a negative effect on EBITDA by €7.580 mill. and on the EBIT by €46.957 mill. In absolute terms, this results in an EBITDA of minus €1.069 mill. and an EBIT of minus €4.164 mill. for the second quarter 2002.

In thousand €	2002			2001		
	Sales	EBITDA	EBIT	Sales	EBITDA	EBIT
Q1	96,579	636	- 1,190	125,230	3,702	2,096
Q2	80,649	- 8,649	- 51,121	96,066	3,174	1,507
Q3	69,700	- 328	- 1,444	92,510	143	-2,230
Q4	74,408	9	- 1,092	113,000	1,067	-1,263
Total	321,336	- 8,332	- 54,847	426,806	8,086	110



Continuous improvement of results



* one-time valuation allowances considered

Consistent saving and margin-oriented action improved the operational result in each quarter.

Business development of the group in fourth quarter 2002

Comparison with previous year

In thousand €	Q4/2002	Q4/2001	Change
Sales	74,408	113,000	- 38,592
Gross profit margin	10.7%	10.3%	
EBITDA	9	1,067	- 1,058
EBIT	- 1,092	- 1,263	171
Earnings per share in €	- 0.08	- 0.03	- 0.05

The results of the fourth quarter suffered under the continuing difficult conditions in the semiconductor market. Compared to the previous year, group sales decreased 34.2% to €74.4 million from October 1. to December 31. 2002 (€113.0 million previous year). The gross profit margin increased 0.4% in absolute or 3.9% relatively.

The implemented set of measures showed a beneficial effect and provided a positive operational result (EBITDA) in the fourth quarter 2002. On EBIT basis we were able to increase the result by €0.171 million compared to the fourth quarter of the previous year.

Comparison to previous quarter

The overview below shows the fourth quarter 2002 in comparison to the third quarter 2002:

In thousand €	Q4/2002	Q3/2002	Change
Sales	74,408	69,700	4,708
Gross profit margin	10.7%	11.5%	
EBITDA	9	- 328	337
EBIT	- 1,092	- 1,444	352
Earnings per share in €	- 0.08	- 0.06	- 0.02



Compared sequentially, quarterly sales increased 6.8%. EBITDA and EBIT results improved significantly compared to the third quarter 2002. In absolute terms, quarterly EBITDA increased €0.337 million in the positive, EBIT increased €0.352 million.

The decline of 0.8% in gross profit margin is linked to seasonal effects. Christmas trading was mainly responsible for increased sales in the Trading segment, but with lower margins.

Risks and Opportunities

In its worldwide activities on the semiconductor market, ce CONSUMER ELECTRONIC is exposed to a number of risks that arise in the ordinary course of business. The semiconductor business is affected by high market volatility, thus offering both opportunities and risks.

Risk and opportunity management as part of Corporate Governance

Our risk management system and all the risks that we consider of substance are given below. Our risk management policy is to take advantage of business opportunities where they are offered as part of business strategy whilst accepting only those corporate risks that are necessarily associated with creating economic value. Risk and opportunity management is therefore an integral part of our entire corporate governance model. The Managing Board is responsible for ce CONSUMER ELECTRONIC group's risk policy as well as risk and opportunity management system. Each subsidiary or business entity is accountable for managing the risks associated with its regional or worldwide business.

To be able to take advantage of opportunities effectively, we also have to identify, monitor and control risks we are exposed to. To accomplish this we use a variety of management and control systems. In this way the Managing Board and the Supervisory Board are kept informed of any risks in good time. Further details on our Corporate Governance model are provided on page 35 of this Report.



Risk and opportunity management system now software-based

In December 2002 we have enhanced our management and control system with a software solution based on a recognized standard product. This software provides a total overview of any risks within the ce CONSUMER ELECTRONIC group at any time, thus effectively supporting the value orientated management of the company. Only our European companies have been integrated into the system up to now. We will, however, systematically include all the major group companies during the current fiscal year.

Systematics, requirements and measures

As part of internal workshops we have determined and systemized potential risks and classified these according to potential extent of damage, probability of occurrence and duration, using a Company-wide risk catalogue. On this basis we have evaluated the risks quantitatively and qualitatively. This has enabled us to develop prevention, acceptance, reduction or relocation strategies and realize specific practical measures for each major risk.

Measures for risk reduction are an integral part of risk and control management systems. Addressing all risks uniformly by internal measures is, however, not possible as some risks are materially defined as external ones. This can mean that individual measures may not show the desired effect.

Business risks

Worldwide markets for our products are highly competitive in terms of pricing, product and service quality and financing terms. ce CONSUMER ELECTRONIC faces downward price pressures and is exposed to market downturns or slower growth, particularly in the highly volatile semiconductor business.

Operational risks

We sell our products around the globe. Operational Risks in our business include unexpected quality problems or logistic difficulties. This may cause the Company to incur significant cost over-runs or penalties. Both the ce CONSUMER ELECTRONIC AG as well as the largest subsidiary of the ce CONSUMER ELECTRONIC group, SND Electronics, Inc., have been **DIN/ISO 9001** certified.

What stands DIN/ISO 9001 for?

This standard for quality assurance confirms that the certified company executes customer orders with the best possible quality.

In addition, we consider a uniform technical infrastructure to be an important instrument for assuring quality. We therefore plan to use SAP R/3, particularly the FI/CO Finance module, within all companies of the ce CONSUMER ELECTRONIC group in the medium-term. Since July 2002, ce Australia Pty Ltd., Brisbane, Australia has been integrated into the system. In addition, ce CONSUMER ELECTRONIC AG has direct access to the product administration system of SND Electronics, Inc. in USA.

Furthermore, by completely outsourcing ce CONSUMER ELECTRONIC AG's IT infrastructure we have attained high IT security and high flexibility.

Supplier risks

We rely on third parties to supply us with components and services as well as to perform functional testing for the products we trade. Using third parties reduces our control over quality assurance, delivery schedules and costs. Also, the unexpected rise of purchasing prices due to market shortages or currency fluctuations can affect performance. We counter these risks by monitoring our supply markets, working closely with our suppliers and using long-term supplier relationships and agreements.

Human resources risks

Competition to obtain highly qualified management and technical personnel is intense in the semiconductor industry. This is especially true for potential sales staff with industry-specific knowledge or a proven sales success record. Therefore, our future success also depends on recruiting, assimilating and retaining qualified management and other technical personnel. To do this, we provide attractive remuneration systems and jobs, an international and motivated environment and new-hire integration programs.

Credit risks

We are also exposed to credit risks because we provide various forms of direct or indirect financing for our customers, with Supplier Financing frequently involving credit and country risks. In addition, we may experience general financial risks, including delayed payments from customers or difficulties in the collection of receivables, especially given the deteriorating economic conditions in several markets, in emerging markets or when customers are start-up companies. To monitor and administer these credit risks, we have a credit assessment process and we emphasize the importance of effective receivables management on a Company-wide basis.



Financial market risks

We define financial market risks as potential loss due to an adverse move in financial market rates. For foreign exchange risk, a "potential loss" is defined as a decline in future cash flow due to an adverse move in market rates. For interest rate risk, we consider "potential loss" to mean a decline in fair values for fixed rate instruments.

Liquidity, Foreign currency and interest rate exposure

Our risk management approach is to pool and analyze interest rate and currency risk exposures of individual operational entities. We enter into derivative financial instruments with third-party financial institutions to secure all currency risks exposures.

We have detailed on page 55 that the group has appropriate liquid assets and that line of credit has not been exhausted. Liquidity risks are therefore limited, but still remain one of the major challenges for management. To ensure adequate liquidity, it is imperative to prolong existing credit lines beyond 2003. Since the borrowings have a short duration and interest rates continue to be stable, we have not used derivative instruments to secure interest rate risks. The market value interest rate risk primarily derives from our debt with fixed interest rates.

Foreign exchange risks are partly offset through our branches abroad, partly through conducting transactions in the respective local currency. The foreign currency exposure is determined from the point of view of the respective functional currency of the ce CONSUMER ELECTRONIC group's branch where the exposure exists, with foreign currency exposure essentially in U.S. dollar.

We secure existing net long foreign currency exposure in individual currencies using appropriate instruments.

Because our foreign currency inflows do not exceed our outflows, a weakening of foreign currencies against the euro would have a positive financial impact for ce CONSUMER ELECTRONIC group. For example, on December 31, 2002, we had a **net long U.S. dollar exposure**, therefore, if the dollar continued weakening against the euro, we would be able to convert it into more euros. If the euro weakened against the dollar, we would have a correspondingly negative effect.

Additional risks

An appropriate insurance cover provides corporate protection against the effects of liability or damage claims on assets, financial position and results.

Tax, competition and stock exchange legal requirements can also include corporate risks. We therefore consult extensively with internal and external experts.

The risk and opportunity management system we have created allows comprehensive assessment of the risks inherent in our business. From our current view there are neither legal risks nor demands for compensation or IT and other significant risks threatening the continuance of our business.

What is a currency exposure?

It is the net result of a long and a short position held in a certain currency.



Forecast

First signs would seem to indicate a positive movement in a number of market segments, but it is too early to speak of a general change in trend. We expect to see an improvement in general market conditions in the second half of 2003. We therefore anticipate our result for the current fiscal year to be significantly higher than during 2002, with hope for a stable political situation.

Market environment remains volatile

The world's economic condition cannot be predicted with certainty, particularly any developments in the semiconductor industry. Forecasting results for the fiscal year 2003 is therefore extremely difficult. Leading market research companies, such as Dataquest or the U.S. Semiconductor Industry Association (SIA) foresee an increase in global sales in semiconductor products from 8.9 to 19.8 percent compared to 2002, mainly in the second half of the year.

Market conditions will continue to be challenging and volatile in fiscal 2003. After seeing a slight improvement in market conditions at the end of the fiscal year, we do not expect this tendency to continue at present.

On the domestic market, we do not foresee any upward trend for the semiconductor market at the present time due to the unfavorable overall conditions of the current fiscal and financial policies and the political situation.

Optimism for second half of current year

There are also no clear signs in the global semiconductor market, which indicate that demand in the first half of fiscal 2003 will consistently increase. In the second half of fiscal 2003 we expect general market conditions to improve. Combined with the continued implementation of our successful cost cutting measures, we expect the current fiscal year's result to be significantly higher than in the previous year.

Cautious optimism

"First signs would seem to indicate a positive movement, but it is too early to speak of a general change in market trend."

*Ulrich Schumacher,
Infineon Technologies AG*

With signed agreements being appointed by Solelectron and Celestica as preferred vendor, we have gained access to two of the three largest contract manufacturers in the world, thus strengthening our position in global chip trade. This new business relationship should have a positive effect on our brokerage sales and earnings in the medium term.

Preparations for improved market conditions

We are currently preparing for the anticipated positive change in global economic conditions. We intend to gain additional market segments, mainly through organic growth, and are therefore planning to expand our activities for sales offices with growth potential in European countries starting in the current year. These regions include Ireland, the Iberian Peninsula and Scandinavia. We also intend to expand our presence in the East Asian region with offices in China or Taiwan. To this end, we will draw on experienced people from the Group and from our dedicated purchase and sales staff in the respective countries. After outsourcing our IT infrastructure in March 2002, we can now easily and cost-efficiently integrate future offices into the group's report system using the Internet.

With the tight situation in the domestic bank sector as well as the restricted outside financing options regarding credit institutions or capital markets, we are focusing our attention on a stable liquidity base. We have regular contact with our banks and we will build on existing longstanding partnerships when making future business decisions while continuing to focus on a stable financial situation.

We are convinced that we will be among the first to enjoy the profitability growth after the recovery of the chip market. The Group is positioned to benefit more than average from the forecasted market growth in 2003 and, most of all, from the anticipated strong shortage business.

Positive midterm perspective

"We expect an economic upturn in the chip-market starting in the second half of year 2003 and followed by a boom in the next two years."

Jerry Sanders, SIA

Chip-boom expected

"Chip market will be in a really good shape in 2003 and 2004."

*Hwang Chang-gyu,
Head of Samsung
semiconductor division*

**Disclaimer**

This Annual Report contains forward-looking statements based on assumptions and assessments of ce CONSUMER ELECTRONIC's management. Actual results may vary materially from those projected here. These assumptions may involve a number of risks and uncertainties that could cause actual results to differ materially from those statements projected. Factors that could cause deviation include, among others, changes in general economic and business conditions, changes in currency exchange rates and interest rates, failure to meet efficiency or cost reduction targets, lack of acceptance of new products or services and changes in business strategy. Due to the uncertain economic and political situation ce CONSUMER ELECTRONIC does not intend to update these forward-looking statements.

The Networkers



A worldwide network of valuable contacts, developed over 26 years – this is our strength. The advantage: fast inquiry, efficient sourcing, 24/7 presence.



**CONSUMER ELECTRONIC
AKTIENGESELLSCHAFT**
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ce **CONSUMER ELECTRONIC** group
Consolidated balance sheets as of December 31, 2002
(in thousands of euros)

Assets	Notes	December 31, 2002	December 31, 2001
Current assets			
Cash and cash equivalents	(1)	27,385	20,795
Short-term investments/marketable securities			-
Accounts receivable	(2)	33,324	66,454
Accounts receivable due from related parties			-
Inventories	(3)	15,370	25,314
Deferred income taxes	(4)	1,540	1,330
Prepaid expenses and other current assets	(5)	2,862	4,397
Total current assets		80,481	118,291
Non-current assets			
Property, plant and equipment	(6)	2,449	2,757
Intangible assets	(7)	1,014	2,268
Goodwill	(8)	12,637	45,524
Investments	(9)	-	21,259
Investments accounted for by the equity method			-
Notes receivable/loans		-	1,109
Deferred income taxes	(4)	675	-
Other assets	(10)	778	1,175
Total non-current assets		17,553	74,092
Total assets		98,034	192,383

Liabilities and shareholders' equity	Notes	December 31, 2002	December 31, 2001
Current liabilities			
Current portion of capital lease obligation		-	-
Short-term debt and current portion of long-term debt		-	-
Accounts payable	(11)	19,542	27,621
Accounts payable due to related parties		-	-
Advance payments received	(11)	132	12
Accrued expenses	(12)	3,885	2,954
Deferred revenues		-	-
Income tax payable		-	-
Deferred income taxes	(13)	95	270
Other current liabilities	(14)	27,335	14,465
Total current liabilities		50,989	45,321
Non-current liabilities			
Long-term debt, less current portion		-	-
Capital lease obligations, less current portion		-	-
Deferred revenues		-	-
Deferred income taxes	(13)	330	-
Pension accruals	(15)	-	318
Other non-current liabilities	(16)	135	34,418
Total non-current liabilities		465	34,735
Minority interest	(17)	429	5,408
Shareholders' equity			
Share capital	(18)	25,515	25,515
Additional paid-in capital		79,128	79,128
Surplus reserve	(19)	6,776	-
Treasury stock		-	-
Retained earnings/accumulated deficit	(20)	-60,126	3,640
Accumulated other comprehensive income/loss		-	-
Other	(21)	-5,142	-1,365
Total shareholders' equity		46,580	112,326
Total liabilities and shareholders' equity		98,034	192,383



ce CONSUMER ELECTRONIC group

Consolidated statements of income

for the fiscal year 2002 (in thousands of euros)

Income Statement	Notes	01.01.2002- 12.31.2002	01.01.2001- 12.31.2001
Revenues	(23)	321,336	426,806
Cost of sales		286,419	378,819
Gross profit on sales		34,917	47,987
Sales expenses (excluding depreciation)	(24)	24,301	19,588
General and administrative costs (excluding depreciation)	(25)	20,428	23,719
Research and development expenses		-	-
Other operating income and expenses	(26)	-1,480	-3,407
Operational result (EBITDA)		-8,332	8,086
Depreciation of goodwill	(27)	35,010	4,630
Depreciation of fixed assets (and intangible assets)	(28)	11,505	3,346
Earnings before interest and tax (EBIT)		-54,847	110
Interest income (-) and expenditure (+)	(29)	-1,068	-1,420
Income from investments and participations	(30)	322	-
Income/expense from investment accounted for by the equity method		-	-
Foreign currency exchange gains/losses		-	-
Other income/expense		-	-
Result before income taxes, minority interest and extraordinary result		-55,593	-1,310
Income tax	(31)	-1,316	-224
Other taxes		-	-14
Extraordinary income (-)/expenses (+)		-	-33
Result before minority interest		-56,909	-1,581
Minority interest		82	331
Net income (loss)		-56,991	-1,912
Earnings per share (basic) in euros	(32)	-2.23	-0.08
Earnings per share (diluted) in euros	(32)	-2.03	-0.07
Weighted average shares outstanding (basic)		25,514,523	25,166,467
Weighted average shares outstanding (diluted)		28,098,011	26,379,930

ce CONSUMER ELECTRONIC group

Consolidated statements of cash flow

for the fiscal year 2002 (in thousands of euros)

	01.01.2002- 12.31.2002	01.01.2001- 12.31.2001
Cash flows from operating activities:		
Net profit/loss	-56,991	-1,581
Adjustments for:		
Losses/gains on the disposal of fixed assets	-327	1,177
Minority interest	-82	-332
Increase/decrease in provisions and accruals	-273	-304
Depreciation and amortization	46,515	7,976
Cash Flow I	-11,158	6,937
Foreign exchange gains/losses		
Other		
Change in net working capital	31,238	-13,476
Net cash used in (provided by) operating activities	20,080	-6,539
Cash flows from investing activities:		
Acquisition of subsidiaries, net of cash acquired	-2,193	-
Proceeds from disposal of subsidiary, net of cash transferred	21,329	-
Purchase of property, plant and equipment	-9,480	-2,865
Other		-10,773
Net cash (used in) provided by investing activities	9,656	-13,638
Cash flows from financing activities		
Proceeds from issuance of share capital		3,113
Proceeds from short or long-term borrowings	1,109	-
Cash repayments of amounts borrowed	-15,842	-
Payment of capital lease liabilities		-
Others	-	8,392
Dividends paid		-1,278
Changes in minority interest	-4,897	-11,810
Effects from the consolidation of share capital	-3,516	-3,724
Net cash (used in) provided by financing activities	-23,146	-5,308
Net effect of exchange rates in cash and cash equivalents		-
Net (increase) decrease in cash and cash equivalents	6,590	-25,485
Cash and cash equivalents at beginning of period	20,795	46,280
Cash and cash equivalents at end of period	27,385	20,795



ce CONSUMER ELECTRONIC group
Statement of changes in shareholders' equity
in thousands of euros as of December 31, 2002

	Status 12.31.2001	Contribution / Disposed (-)	Stand 12.31.2002
Share capital	25,515		25,515
Additional paid-in capital	79,128		79,128
Surplus reserve	-	6,776	6,776
Differing amount from consolidation of capital	-1,366	-3,776	-5,142
Balance value other partners' shares	5,408		
Acquisition of VCE, ce2B		-4,979	429
Profit brought forward	3,641		
Donation of surplus reserve		-6,776	-3,135
Net income after profit due to shareholders 2002		-56,991	-56,991
Total shareholders' equity	112,326	-65,746	46,580
Approved capital I (1998)	1,221	-1,221	-
Approved capital II (1999)	1,109	-1,109	-
Approved capital I (2000)	9,460	-	9,460
Approved capital II (2002)	-	3,297	3,297
Conditional capital 2000/I	1,243	-	1,243
Conditional capital 2000/II	360	-	360
Conditional capital 2001/I	1,250	-	1,250

○ The

Quality managers



Professional purchasing, sales and logistics ensure certified quality for our customers. We live up to our high responsibility as a broker.



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Notes ce CONSUMER ELECTRONIC group for the financial year January 1, 2002 to December 31, 2002

I. Commentary to the accounting principles used:

Basic principles in preparing the group financial statements

The financial statements of the ce CONSUMER ELECTRONIC group have been prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Committee (IASC), London. The intentions behind the presentation in accordance with the rules of internationally recognized accounting principles are to achieve a better international comparability and an increase in the transparency of our enterprise to the external observer.

The IFRS-based financial statements conform to the regulations of §292a HGB (German commercial code). The accounting and valuation methods applied in the preparation of the financial statements in accordance with IFRS statements are compatible with the provisions of §292a HGB requiring compliance with the regulations of the 7th EG Directive.

In March 2002, the European Parliament decided to define the International Accounting Standards (IAS) – meanwhile designated as International Financial Reporting Standards (IFRS) – as binding standards for financial accounting and reporting from early 2005 onwards for all companies listed on the stock exchanges of Europe. Since ce CONSUMER ELECTRONIC is bound to apply these generally accepted standards from January 1, 2004 onward due to existing IFRS provisions, it was decided to keep the IFRS accounting for fiscal 2002 and, contrary to the original plan, not to convert to Generally Accepted Accounting Principles (US GAAP).

We have combined individual items in the preparation of the balance sheet and income statement in order to improve the clarity of the presentation of the categories. The analyses of these categories are then included in the notes to the financial statements. The consolidated statements of income are based on cost of sales (operational) format. Prior year figures were based on the total costs (type of expenditure) format and thus have been adjusted in this report for comparative purposes. All amounts are given in thousand euros.

Subsidiary companies incorporated in countries which do not belong to the European Currency Union have converted their local currency financial statements into euros. Subsidiary companies within the Union have prepared their financial statements directly in euros.

Companies included in the consolidation

Apart from ce CONSUMER ELECTRONIC AG, 16 (previous year: 17) domestic and foreign subsidiary companies are included in the consolidated financial statements. ce CONSUMER ELECTRONIC holds either directly or indirectly a majority holding in these companies and has the possibility to exercise overall control.

Where a shareholding in a subsidiary company is only of minor significance, that company is not consolidated but included in the financial statements at acquisition cost.

The major change in the companies being consolidated results from the transactions made in connection with the restructuring of the eCommerce segment.



The following companies or groups are fully consolidated:

Company, place of incorporation	Share in %	Shareholders' equity in thousand euros	Result in thousand euros	Financial year
ce USA Inc., Wilmington, Delaware, USA	100.0	3,886	-12,496	2002
ce Cyber Exchange Inc., Montreal, Québec, Canada*	100.0	5,743	-658	2002
ce Schweiz AG, Regensdorf, Switzerland	100.0	1,614	-160	2002
ce Las Vegas Inc., Las Vegas, Nevada, USA	100.0	35	-272	2002
ce Media Management Consulting GmbH, Munich	100.0	494	13	2002
ce Japan K.K., Tokyo, Japan	100.0	535	66	2002
ce UK Plc., Basingstoke, UK	100.0	184	-226	2002
ce Australia Pty Ltd., Brisbane, Australia	100.0	852	75	2002

* Parent holding-company of the eCommerce segment.

ce Las Vegas Inc. ceased operational activities at the beginning of 2002 and since then is an inactive legal entity.

Principles of consolidation

The capital consolidation was made through the substitution of the book values of the shareholdings with the appropriate share of the newly-stated equity of the subsidiaries at the date of their acquisition. Positive differences are accounted for in the balance sheet under intangible assets as goodwill and will be written off over their assumed useful lives (5 or 10 years). Additionally, if necessary, we recognize balance-correction charges based on impairment tests that are performed at least on a yearly basis.

Group internal turnover, expenditure and income, receivables and payables and guarantee relationships are eliminated. Group internal deliveries and services are based on market prices and on charges that are established on the principle of arms-length dealing. The profit included in the items in inventories from group internal deliveries are eliminated.

Currency conversions

We have converted monetary positions in the financial statements of consolidated subsidiaries prepared in foreign currencies (liquid resources, receivables, liabilities) at the year-end rate, and foreign currency items secured by forward exchange contracts with the forward rate. Non-monetary items in foreign currencies are converted at historic rates. Differences arising from the conversion of monetary positions are booked to the income statement.

Asset values and liabilities are converted at the year-end rates, income and expenditure at the average rates for the year.

The conversions of the different currencies into euros were based on the following significant exchange rates:

Currency	ISO code	Average rate for the year in euros		Year-end rate in euros	
		2002	2001	12.31.2002	12.31.2001
US dollar	USD	0.94469	0.8955	1.05000	0.8830
British pound	GBP	0.62868	0.6219	0.65030	0.6095
Australian dollar	AUD	1.73708	1.7300	1.86000	1.7380
Swiss franc	CHF	1.46708	1.5104	1.45500	1.4800
Canadian dollar	CAD	1.48263	1.3867	1.65600	1.4100
Japanese yen	JPY	117.881	108.76	124.400	115.80

Foreign currency receivables and payables have been converted in the individual financial statements at the year-end conversion rate. The annual financial statements of the foreign subsidiary companies prepared in foreign currencies have been converted at officially published reference rates applicable to the balance sheet date.

General methods of accounting and valuation

The accounting and valuation methods used in the preparation of the group financial statements are explained below. Detailed descriptions and analyses of individual items in the balance sheet and income statement of the ce CONSUMER ELECTRONIC group are given in the following sections.



II. Explanations to the accounting and valuation

General principles

In the opinion of the IASB, financial statements prepared in accordance with generally accepted accounting principles and the IFRS pronouncements automatically fulfill the criteria of a "true and fair view" and of "fair presentation." Deviations from the individual regulations are not permitted in the presentation of a true picture of the actual circumstances of an enterprise.

Uniform accounting and valuation methods

The financial statements of the ce CONSUMER ELECTRONIC group have been prepared on the basis of accounting and valuation methods which are uniform throughout the group.

Continuity of accounting and valuation methods

The accounting and valuation methods are basically not varied.

Profit and loss statements of fiscal year 2002 were converted from the total cost format to the cost of sales format. Previous years' figures thus were adjusted accordingly.

Liquid assets

Liquid assets are included at their nominal value. Liquid assets in foreign currencies are converted with the year-end exchange rates.

Receivables and other current assets

Receivables and other current assets are included basically at their nominal value. Individual provisions are made for all recognizable individual risks.

Inventories

Inventories are valued at purchase prices or production costs. Values are established using the weighted average method. The risks that result from the limited utilizability involved in holding inventories are recognized through measured value reductions.

Deferred taxes

Deferred taxes have been accounted for in accordance with the normal liability method as applied generally in International Financial Reporting Standards. Deferred taxes are calculated on the differences between book values in accordance with IFRS rules and values in accordance with tax rules.

Fixed assets

Fixed assets are valued at acquisition or production costs less planned straight-line depreciation. Small-value assets are fully expensed in the year of acquisition.

Intangible assets

Purchased intangible assets, including goodwill, are capitalized at cost and depreciated with the straight-line method over their assumed useful life. Goodwill is amortized over 5 to 10 years. At least once a year we perform a so called impairment test. This might lead to additional amortization.

Planned depreciation

The planned depreciation of fixed assets is calculated in accordance with the expected years of usage uniform for each fixed asset category in accordance with the following table:

Software/other licences	3 to 5
Goodwill	5 to 10
Buildings	25
Plant and equipment	3 to 10

Investments

The interests in affiliated companies and other loans are valued at acquisition cost, and if necessary adjusted for non-recurring charges.

Liabilities

Liabilities are stated at the amounts to be paid. Liabilities in foreign currencies are converted with the higher rate pertaining at the year-end.

Advance payments received

Advance payments received from customers are included under liabilities.



Other accruals

Accruals are made in respect of possible additional liabilities arising from past transactions in so far as the possible liability can be reasonably estimated and there is a likelihood of more than 50% that the potential liability will actually occur.

Actual and derivative financial items

Actual financial items refers to receivables, liabilities for deliveries and services, financial receivables and financial liabilities and liquid assets.

Derivative financial items are transactions undertaken to limit the risks from changes in interest and exchange rates. Forward transactions for products with the object of maximalizing profits are not entered into. We are presently using as preference transactions outside the exchanges, so-called OTC instruments (over the counter), as for instance currency forward exchange contracts.

Derivatives are as a principle only entered into in connection with the existing underlying transaction.

III. Explanations to balance sheet items

1 Cash and cash equivalents

The increase of cash and cash equivalents of € 6,590 thousand to € 27,385 thousand is primarily related to the successful sale of our 22.2 percent stake in the shares of the Canadian Mediagrif Interactive Technologies Inc.

2 Accounts receivable

Trade accounts receivable are shown at nominal value. The decrease of € 33,130 thousand, or 50%, was due mainly to the following: First, the basis we compare against, year end 2001, included one-time impacts; secondly the general economic downturn and the one-off balance corrections in the current year (€ 5,159 thousand) effects the amount of accounts receivable. Single provisions are made against known individual risks; non-recoverable receivables are fully written-off. Foreign currency receivables are included in the balance sheet at the exchange rate at the balance sheet date.

3 Inventories

Inventories consist of:

Thousand euros	12.31.2002	12.31.2001
Products	15,352	25,307
Prepayments	18	7
Total	15,370	25,314

The major part of the inventories is in respect of trading items, which are stored in the warehouse in Miami, Florida, USA and with our subsidiary in Brazil.

Trading inventories are largely secured against price reductions through price protection and stock rotation on the part of suppliers or through hedging contracts.

4 Deferred income tax

The deferred income tax of € 2,215 thousand results from differences between the financial statements of consolidated subsidiaries prepared in accordance with national regulations and those prepared in accordance with IFRS regulations.

5 Prepaid expenses and other current assets

Prepaid expenses consist mainly of period allocation of prepaid finance costs, insurance premiums, rents and leasing. Other current assets comprise principally claims for tax repayments arising from prepayments of taxes made in respect of the financial year.



6 Fixed assets

The changes in fixed assets in the financial year are shown in the summary of fixed assets.

	Acquisition and production costs 1.1.2002 Thousand euros	Translation adjustment Thousand euros
I. Intangible assets		
1. Patents, software, licenses and similar rights	4,090	- 435
2. Goodwill	53,373	- 1,296
	57,463	- 1,731
II. Property, plant and equipment		
1. Land and buildings	246	-
2. Other tangible assets, equipment and installations	4,661	- 209
3. Advances to suppliers and construction in progress	-	-
	4,907	- 209
III. Financial assets		
1. Interest in affiliated companies	-	-
2. Participations	21,259	-
3. Other loans	1,108	-
	22,367	-
Total fixed assets	84,737	- 1,940

Additions	Retirements at cost	Accumulated depreciation/ amortization	Net book value as of 12.31.2002	Net book value as of 12.31.2001	Depreciation/ amortization during fiscal year
Thousand euros	Thousand euros	Thousand euros	Thousand euros	Thousand euros	Thousand euros
8,614	-	11,254	1,014	2,268	10,431
2,192	-	41,632	12,637	45,524	35,010
10,806	-	52,886	13,651	47,792	45,441
217	-	214	249	201	168
604	125	2,731	2,200	2,556	650
-	-	-	-	-	-
821	125	2,945	2,449	2,757	818
-	-	-	-	-	-
-	21,003	256	-	21,259	256
-	1,108	-	-	1,108	-
-	22,111	256	-	22,367	256
11,627	22,236	56,087	16,100	72,917	46,515



7 Intangible assets

Purchased intangible assets are included at acquisition cost and are written-off with straight-line depreciation over three to five years. Small-value intangible assets are fully written-off in the year of acquisition.

8 Goodwill

Goodwill results from the capital consolidation. The goodwill amounts relating to individual subsidiaries are written-off on the straight-line basis over either five or ten years and were as follows on December 31, 2002:

Company, country	Year of acquisition	Group- share in %	Goodwill at 12.31.2002 in thousand euros	Goodwill at 12.31.2001 in thousand euros
SND Electronics Inc., USA	2000/ 2001	100	8,986	40,101
ce Japan K.K., Japan	1999	100	1,019	2,898
ce Australia Pty. Ltd., Australia	2000	100	370	1,056
VCE Virtual Chip Exchange Inc., Canada	2002	100	1,610	-
ce Schweiz AG, Switzerland	1999	100	652	1,443
All other			-	26
Total			12,637	45,524

9 Investments

The value of the 20 per cent stake we hold in financial.de AG, Kissing, was written off in the current fiscal year. Prior year's figures include investments in the Canadian companies Mediagrif Interactive Technologies Inc. and ce2B Inc. that have been divested as part of the restructuring of our eBusiness activities.

10 Other long-term assets

Other long-term assets amounting to €778 thousand are also recorded at nominal value. Recognizable risks in individual cases are covered by individual provisions for irrecoverability; totally irrecoverable receivables are written-off. Receivables in foreign currencies have been converted at the exchange rates applying at the year-end.

11 Accounts payable/Advance payments received

Trade accounts payable and advance payments received are recorded at the amounts payable. Liabilities in foreign currencies have been converted at the higher exchange rates applying at the year-end.

12 Accrued expenses

Tax accruals relate as in previous years to amounts which are estimated to become payable for the financial year and total €604 thousand. Other accruals relate mainly to expected future payments related to existing contracts, holiday pay, audit fees and supervisory board compensation.



13 Deferred income tax liability

The deferred income tax liability results mainly from differences between the financial statements of consolidated subsidiaries prepared in accordance with national regulations and those prepared in accordance with IFRS regulations.

14 Other current liabilities

This item mainly includes a current account credit of €18,343 thousand or \$19,260 thousand utilized by the US subsidiary SND Electronics Inc. In the previous year, the balance of this credit was €31,914 thousand, or \$28,180 thousand, and, due to mature in more than 12 months, was classified under other non-current liabilities. Included are also tax and other amounts due relating to personnel totaling €2,002 thousand as well as other short-term credits of €3,120 thousand.

15 Pension accruals

No accruals for pension and similar liabilities were required as the net present value of accrued pensions was paid out to the pensioner in December 2002.

16 Other long-term liabilities

Other long-term liabilities mainly includes liabilities from convertible bonds of €90 thousand subscribed.

17 Minority interest

Due to the complete acquisition of VCE Virtual Chip Exchange Inc. the minority interests existing as of December 31, 2002 within the group are reduced to €429 thousand. These interests are the equity capital shares held by third parties in certain SND companies in Latin America.

18 Shareholders' equity

Share capital/number of issued shares

The share capital of ce CONSUMER ELECTRONIC AG is €25,514,523 and is divided into 25,514,523 shares. Each share carries one vote. The confirmation is contained in global certificates. Treasury stock is not available.

Treasury stock

The company general meeting of July 3, 2002 approved the re-purchase of the company's own shares up to 10% of the company's total share capital, with a time limit of January 3, 2004. ce CONSUMER ELECTRONIC AG holds none of its own shares.

Approved capital

	Resolution	Original amount €	Amount 12.31.2002 €	Time limit
Approved capital I, for cash and contributed assets	AGM 07.03.2000	9,460,481	9,460,481	07.03.2005
Approved capital II, for cash and contributed assets	AGM 07.03.2002	3,296,780	3,296,780	07.03.2007
Total			12,757,261	

Due to the short time limit and the low volume, the Annual Shareholders' Meeting decided on July 3, 2002 to cancel the previously approved funds I and II and to create a newly approved capital II of €3,296,780 with a time limit until July 2007. This increases the previously approved capital by €967,073. The previously approved capital III continues to exist as approved capital I.

Conditional capital

	Resolution	Original amount €	Amount 12.31.2002 €	Time limit
Conditional capital 2000/I	AGM 07.03.2000	1,243,488	1,243,488	unlimited
Conditional capital 2000/II	AGM 07.03.2000	360,000	360,000	07.01.2005
Conditional capital 2001/I	AGM 07.03.2001	1,250,000	1,250,000	unlimited
Total			2,853,488	

The conditional capital 2000/I and conditional capital 2001/I have been created in accordance with § 192 Sec. 2 No. 3 Aktiengesetz exclusively for the purpose of issuing shares under the employees' share option plans, share option plans I and II. The granting of option rights to members of the board of directors, management and employees followed for share option plan I in April 2001 and for share option plan II in October 2001. The option right can be excluded, dependent on the respective intended use, in respect of conditional capital 2000/I and 2001/I.



The conditional capital 2000/II created in accordance with § 192 Sec. 2 No. 1 Aktiengesetz is intended for the issue of convertible loans to members of the advisory board.

19 Surplus reserve

ce CONSUMER ELECTRONIC AG's 2001 net income of €1,504 thousand is included in the 2002 surplus reserve together with the profit brought forward of €5,272 thousand as decided by the Annual Shareholders' Meeting of July 3, 2002.

20 Retained earnings/accumulated deficit

Included in the balance sheet result are the results of €3,135 thousand generated by ce CONSUMER ELECTRONIC AG and its subsidiaries in previous years which have not been distributed up to now. Included is also the accumulated other consolidated result, which reflects the current year's consolidated loss of the ce CONSUMER ELECTRONIC group after the deduction of the shares of minority interests totalling €-56,991 thousand.

21 Other

Other includes the differences arising from the capital consolidation. The differences arise principally from exchange rate conversions necessary for the capital consolidation.

22 Other financial obligations and guarantee relationships

In thousand euros	2002	2001
Due 2003 (previous year: 2002)	1,045	1,039
Due 2004–2006 (previous year: 2003–2005)	1,528	1,382
Other financial obligations	2,573	2,421

The amounts are nominal values and not actual monetary values. Other financial obligations mainly relate to rented property, leased vehicles and office equipment.

Guarantee relationships

To support SND's business in Latin America, ce CONSUMER ELECTRONIC AG granted guarantees of €21,429 thousand to the most important suppliers. For the benefit of subsidiaries in the USA, Australia and Japan, ce CONSUMER ELECTRONIC AG entered into bank guarantees and sureties of €33,789 million.

IV. Explanations to the income statement

23 Revenues

The geographical distribution of the group's total revenues for the financial years 2002 and 2001 was as follows:

Revenues by geographic location of customer in thousand euros	2002	in %	2001	in %
Germany	23,681	7	47,103	11
Rest of Europe (excl. Germany)	24,904	8	28,358	7
USA	79,074	25	148,814	35
All other Americas	180,294	56	193,381	45
Asia/Pacific	13,383	4	9,150	2
Total	321,336	100	426,806	100

Revenues by country of incorporation of entity making sale in thousand euros	2002	in %	2001	in %
Germany	26,695	8	46,700	11
Rest of Europe (excl. Germany)	7,424	2	7,866	2
USA	176,628	55	281,691	66
All other Americas	102,987	32	81,973	19
Asia/Pacific	7,602	3	8,576	2
Total	321,336	100	426,806	100

24 Sales Expenses (excluding depreciation)

In thousand euros	2002	2001
Personnel costs	12,073	12,637
Accounts receivable write-offs	7,111	833
Travel costs	1,256	1,274
Rent and office costs	1,123	807
Freight-out	815	862
Sponsoring	787	2,045
Marketing and Advertising	558	566
Automobile expenses	394	404
Legal and consulting	122	9
All others	62	151
Total	24,301	19,588



Included in provisions for accounts receivable are €5.2 million due to the valuation allowances taken in the second quarter of 2002. The sponsoring was related to SpVgg Unterhaching (also refer to other operational profits) and was terminated on June 30, 2002.

25 General and Administrative Costs (excluding depreciation)

In thousand euros	2002	2001
Personnel costs	10,336	11,358
Rent and office costs	4,417	4,805
Insurance	1,640	1,838
Accounting, legal and consulting	1,250	1,565
Investor relations	515	1,440
Travel costs	383	404
Automobile expenses	151	200
Bank fees and all others	1,736	2,109
Total	20,428	23,719

26 Other operating income and expenses

In thousand euros	2002	2001
Income from the lowering of accruals	1,430	894
Sponsoring income	787	2,045
Income from exchange differences	691	758
Sundry other operating income	66	188
Other operating income	2,974	3,885
Expense from exchange differences	1,471	460
Sundry other operating expenses	23	18
Other operating expenses	1,494	478
Total	1,480	3,407

27 Depreciation of goodwill

The depreciation amount of €35,010 thousand goodwill also includes one-time depreciation in addition to straight-line depreciation on goodwill (see footnote 8). These are valuation allowances of €29,458 thousand from the second quarter of 2002, the largest part of which is for the US-based subsidiary SND Electronics Inc.

28 Depreciation of fixed assets and intangible assets

The depreciation amount reflected also includes additional valuation allowance on capital assets of €9.9 million from the second quarter of 2002.

29 Interest result

The interest result is as follows:

In thousands euros	2002	2001
Interest and similar income	640	1,597
Interest and similar expense	-1,708	-3,017
Interest result	-1,068	-1,420

The interest expense relates to the bank liabilities of SND Electronics, Inc.

30 Income from other investments

The stated amount in income from other investments is fully related to the sale of our stake in Mediagrif Interactive Technologies Inc.

31 Income tax

The income tax includes the German corporation profits tax, including the solidarity levy, and trade income tax together with similar taxes of the foreign subsidiary companies.



32 Earnings per share

	2002	2001
Net income in thousand euros	-56,909	-1,581
Concern result after third party shares in thousand euros	-56,991	-1,912
Weighted average of the number of issued shares in thousand	25,514	25,166
Net income per share in €	-2.23	-0.08
Weighted average of the number of issued shares in thousand including the share option plans and the convertible bonds	28,098	26,380
Net income per share in € (diluted)	-2.03	-0.07

The option rights under the share option plans I and II of the ce CONSUMER ELECTRONIC group diluted the company's capital in 2001 for the first time.

V. Additional notes

33 Dividends

The Annual Shareholders' Meeting on July 3, 2002 in Munich agreed to the proposal not to distribute a dividend for the previous difficult fiscal year 2001 and to use the liquidity for future organic growth instead. The company does not pay a temporary dividend.

34 Cash flow statement

The cash flow statement shows how the liquid funds of the ce CONSUMER ELECTRONIC group have changed in the course of the financial year through cash inflows and cash outflows. The movements in cash flow are divided in the cash flow statement into operating, investing and financial activities. Liquid assets consist chiefly of deposit accounts and current accounts with banks.

35 Corporate Governance

The Declaration of Conformity with regard to the German Corporate Governance Code can be found on page 42 of this report.

36 The composition of the company's executive bodies

Board of directors

Erich J. Lejeune – Businessman, Munich

Chairman of the Board and CEO (Chief Executive Officer) until 12.31.2002

Peter Bohn – Dipl.Ing., Munich

Deputy Chairman of the Board, designated CEO (Chief Executive Officer)

Contract begin: 11.01.2001

Chairman of the Board (Chief Executive Officer) since 01.01.2003

Other executive positions:

Mr. Peter Bohn is a member of the board of:

- Mediagrif Interactive Technologies PLC, Montréal, Québec, Canada
- ce USA, Inc., Wilmington, Delaware, USA
- SND Electronics, Inc., Greenwich, Connecticut, USA
- ce Cyber Exchange Inc., Longueuil, Québec, Canada
- VCE Virtual Chip Exchange Inc., Longueuil, Québec, Canada
- ce Japan K.K., Tokyo, Japan

Friedrich Rettenberger – Dipl.Kaufmann, Munich

Financial director, CFO (Chief Financial Officer)

Contract begin: 06.01.2002

Other executive positions:

Mr. Friedrich Rettenberger is a member of the board of:

- Easy-Training.de AG, Munich
- ce USA, Inc., Wilmington, Delaware, USA
- SND Electronics, Inc., Greenwich, Connecticut, USA
- ce Cyber Exchange Inc., Longueuil, Québec, Canada

Michael M. Wood – Businessman, Munich

Sales, Purchasing, Logistics and Marketing for Europe; and worldwide eCommerce

Contract begin: 01.01.2003

Other executive positions:

Mr. Michael M. Wood is a member of the board of:

- ce USA, Inc., Wilmington, Delaware, USA
- ce Cyber Exchange Inc., Longueuil, Québec, Canada
- VCE Virtual Chip Exchange Inc., Longueuil, Québec, Canada



Michael Negel – Businessman, Munich

Brokerage director, CBO (Chief Brokerage Officer)
Contract begin: 06.01.2001

Other executive positions:

Mr. Michael Negel is a member of the supervisory board of:

- SFC Smart Fuel Cell AG, Brunenthal

Matthias Knisig – Dipl. Bw (FH), MBA, Munich

Deputy Chairman of the Board, COO (Chief Operating Officer) until 12.31.2002

Total remuneration of the Managing Board for fiscal 2002 was €1,477 thousand compared to €2,425 thousand in the previous year. Remuneration contains only fixed compensation. As part of a Company-wide cost reduction program, the members of the Managing Board partly renounced the fixed components of the compensation and completely renounced the variable provisions, which were based on individual targets. The share options issued to the members of the Managing Board as a variable compensation component with a long-term incentive effect are listed in detail under "Directors Holdings".

Supervisory board

Rolf Baron Vielhauer von Hohenhau – Dipl.-Kaufmann, Munich

Chairman of the supervisory board and chairman of the compensation committee
President of the Bund für Steuerzahler in Bayern e.V.

Member of the supervisory and/or administrative boards of:

- ATOSS Software AG, Munich Member
- Pro Cura Buchprüfungs AG, Augsburg Chairman

Bernhard Dorn – Company consultant, Leonberg

Deputy chairman of the supervisory board and chairman of the audit committee

Member of the supervisory boards of:

- ATOSS Software AG, Munich Deputy chairman
- AXA Service AG, Cologne Member
- DB Systems GmbH, Frankfurt Member
- SYSTEMATICS AG, Hamburg Deputy chairman
- TDS AG, Neckarsulm Deputy chairman
- twenty4help AG, Dortmund Member
- United Internet AG, Montabaur Deputy chairman
- 1&1 Internet AG, Montabaur Member

Herbert E. Graus – Businessman, Munich

Member of the supervisory board since 06.12.2002

Dietrich Walther – Businessman, Iserlohn

Chairman of the supervisory board until 06.12.2002

The remuneration of the members of the supervisory board for the fiscal year 2002 amounted to €70 thousand (previous year: €70 thousand).

Guarantee relationships

ce CONSUMER ELECTRONIC AG has entered into no guarantees for either members of the board of directors or of the supervisory board.

37 Directors' Holdings and Directors' Dealings

Board of directors		Number 12.31.2002	Number 12.31.2001	Change
Erich J. Lejeune, CEO	Shares	2,446,383	2,416,383	+ 30,000
	Subscription rights/Share option plan I	0	50,000	-50,000
	Subscription rights/Share option plan II	0	37,750	-37,750
Peter Bohn, deputy CEO	Shares	7,000	0	+ 7,000
	Subscription rights/Share option plan I	0	0	
	Subscription rights/Share option plan II	99,000	99,000	
Matthias Knisig, COO	Shares	0	0	
	Subscription rights/Share option plan I	99,000	99,000	
	Subscription rights/Share option plan II	37,750	37,750	
Friedrich Rettenberger, CFO	Shares	0	0	
	Subscription rights/Share option plan I	50,000	50,000	
	Subscription rights/Share option plan II	37,750	37,750	
Michael Negel, CBO	Shares	143,410	43,410	+ 100,000
	Subscription rights/Share option plan I	99,000	99,000	
	Subscription rights/Share option plan II	37,750	37,750	



Supervisory Board		Number/nominal 12.31.2002	Number/nominal 12.31.2001	Change
Rolf Baron Vielhauer von Hohenhau	Shares	0	0	
	Subscription rights/Conv. loan rights	30,000	30,000	
Bernhard Dorn	Shares	0	0	
	Subscription rights/Conv. loan rights	30,000	30,000	
Herbert E. Graus*	Shares	1,400,000	1,528,775	-128,775
	Subscription rights/Share option plan I	12,500	12,500	
	Subscription rights/Conv. loan rights	0	0	

* Member of the management board until 12.31.2001. Member of the supervisory board from 06.12.2002.

Acquisition and sales of shares (Directors' Dealings) were reported on the day of order execution to the German Stock Exchange in accordance with the Neuer Markt terms of admission (valid until June 30, 2002) or, from July 1, 2002 onwards, to the German Financial Supervisory Authority (BAFin) in accordance with the new section 15a of the German Securities Trading Act (Wertpapierhandelsgesetz; WpHG). As of December 31, 2002, Mr. Lejeune voluntarily returned the share options granted to him to the Company for further use. Acquisition and sales of Mr. Graus' shares were made during a time when he was not a board member. Notification was therefore not required.

All board members' transactions subject to registration carried out since the adoption of the notification obligation on April 1, 2001 are listed on the English version of ce's website: <http://www.consumer.de/Company/Management>

To fulfill the share options when exercised the share capital will be increased through the issue of shares from the conditional capitals 2000/I and 2001/I and to satisfy the convertible loan rights options through the issue of shares from the conditional capital 2000/II. The capital will only be increased to the extent necessary to satisfy the options actually exercised.

38 Share options program

Following are details of the two existing share option plans:

	Share option plan I	Share option plan II
General meeting resolution	July 3, 2000	July 3, 2001
Conditional capital	unlimited conditional capital 2000/I €1,243,488	unlimited conditional capital 2001/I €1,250,000
Max. number of options	1,243,488	1,250,000
Option strike price	€7.85	€4.52
Distribution of the options:		
- Board of directors	up to 20%	up to 20%
- Management	up to 20%	up to 20%
- Employees	up to 60%	up to 60%
Options beginn	April 19, 2001	October 15, 2001

The options can only be exercised after the waiting time has expired. The waiting time begins on the grant of an option and ends two years thereafter. The exercise time of the options begins with the date of grant of an option and ends on the tenth anniversary (option plan I) and the fifth anniversary (option plan II) of the grant.

Option rights may only be exercised when the group EBITDA (group result before interest and taxes and before depreciation and amortization) has increased by at least 15 percent per annum in two business years before the exercise of the option. In this respect the years do not have to be sequential; important is only the relative increase in result in comparison with the previous year.

Recording and valuation methods

IFRS does not prescribe any special recording or valuation methods. No recognition has therefore been made in the balance sheet and income statement.

39 Subsequent events

There are no important events to be reported arising after the balance sheet date.

Munich, March 13, 2003

ce CONSUMER ELECTRONIC AG



Audit opinion of the auditor of the group annual financial statements

We have audited the annual financial statements and management report of ce CONSUMER ELECTRONIC AG as prepared by the Company for the fiscal year from January 1, 2002 to December 31, 2002. The preparation of the annual financial statements and management report in accordance with the International Financial Reporting Standards (IFRS) are the responsibility of the Company's legal representatives. Our responsibility is to express our opinion on the annual financial statements and the management report on the basis of the audit we have carried out.

We conducted our audit of the annual financial statements in accordance with section 317 HGB (Handelsgesetzbuch – German Commercial Code) and the generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) and in agreement with the requirements of the International Standards on Auditing (IAS). These standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the assets, financial position and results in the annual financial statement in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and evaluation of possible misstatements are taken into account in the determination of audit procedures. In the course of the audit, the effectiveness of the accounting related internal auditing system and the evidence supporting the disclosures in the annual financial statements and in the management report are examined primarily on a test basis. The audit includes the opinion on the financial statements of the companies included in the financial statements, the definition of the scope of consolidation, an assessment of the accounting principles used and significant estimates made by legal representatives, as well as evaluation of the overall presentation of the annual financial statements and the management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, the financial statements give a true and fair view of the net assets, financial position, results of operations and cash flow of the Group for the fiscal year in accordance with IFRS rules. In our opinion, the Group report as a whole provides an accurate representation of the position of the Group and correctly describes the risks associated with the Group's future development.

Additionally, we confirm that the financial annual statements and the management report for the fiscal year from January 1, 2002 to December 31, 2002 fulfill the requirements necessary to absolve the Company from the preparation of the financial annual statements and the management report under German law. We have based our confirmation of the fulfillment of the requirements on the 7th EG Directive and the exemptions provided therein from the commercial law governing accounting rule provided therein, on the grounds that the Group's accounting complied with those rules, on the interpretation of the Directive by the contact committee for the Accounting Principles Directives of the European Commission.

Munich, March 13, 2003

BDO Deutsche Warentreuhand
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Goppelt Nowakowski
Auditor Auditor

**„Building on the experiences
of the past we will shape the
future.“**

Peter Bohn, Chief Executive Officer

The Forecasters



Knowing today where the chip market will develop.
Correctly anticipating delivery times and price trends.
We know the emerging markets in the world and we
act with an eye towards the future.



**CONSUMER ELECTRONIC
AKTIENGESELLSCHAFT**
World Trade Center for Chips



Chronicle of ce CONSUMER ELECTRONIC AG

1976

Erich J. Lejeune and his partner Herbert E. Graus found Consumer Electronic GmbH, Munich, which later becomes ce CONSUMER ELECTRONIC AG.

1979

Founding of ce Japan Inc. in Tokyo – ce CONSUMER ELECTRONIC becomes a pioneer in the sale of Japanese semiconductors in Europe.

1981

In San Jose, in the heart of Silicon Valley, we open ce America Ltd. and thus become one of the first German companies to have a sales office in the USA.

1983

From our Munich base we begin sales activities on the Austrian market.

1988

We become market leader in Switzerland.

1995

Important new product innovations, such as mobile telephones, digital dialing systems, and GPS strengthen the chip market – ce CONSUMER ELECTRONIC has sales of DM 62 mill. (€31.7 mill.)

1976/1978

1978

Irène Lejeune becomes a member of management.

1979/1980

1980

From Munich we begin sales activities on the Swiss market.

1981/1982

1982

ce CONSUMER ELECTRONIC is supplier of the year at Siemens Karlsruhe.

1983/1984

1984

With annual sales of more than 40 million DM ce CONSUMER ELECTRONIC makes its breakthrough as the "fire department of the electronics industry."

1988/1995/1996

1996

The Bundesverband mittelständischer Wirtschaft (German national association for mid-sized business) appoints Erich J. Lejeune as honorary Senator.

1997	1998	1999	2000	2001	2002
ce CONSUMER ELECTRONIC becomes a stock corporation (Aktien-gesellschaft).	First listing of the ce share on the Neuer Markt of Deutsche Börse AG in Frankfurt am Main.	The start of VCE Virtual Chip Exchange Inc. in Hauppauge gives us an American B2B Internet platform in the chip area.	We take over the largest chip broker in Australia, Alcora Pty. Ltd. in Brisbane.	We celebrate our company's 25th anniversary.	We enter the Italian market opening up a sales office for large customers near Verona.
		We conclude a trading alliance with the largest semiconductor distributor in the world, Arrow Electronics Inc.	In the second quarter, VCE Virtual Chip Exchange Inc. is already in the black and establishes itself as the B2B industry standard in electronics trading on the Internet.	Our new office in Hong Kong shows the flag on the growth market China.	We focus on the core business and restructure the eCommerce segment.
			In Greenwich we acquire 51 percent of SND Electronics Inc., the third-largest American chip broker and chip trader.	We take over the remaining shares of ce CONSUMER ELECTRONIC group advances to second-largest chip broker in the world.	The world's largest contracting manufacturers Solectron and Celestica appoint our subsidiary SND Electronics as worldwide preferred supplier.
					Our subsidiary VCE Virtual Chip Exchange receives Forbes Magazine's "Best of the Web" award.

1997/1998

Participation in the Canadian eCommerce software firm Mediagrif Interactive Technologies Inc. in Montreal.

To accelerate our worldwide expansion, we found ce Las Vegas Inc. in Nevada.

The journal "Finanzen" selects Erich J. Lejeune as Businessman of the Year.

1999

In Tokyo we acquire Nihon Arcom Corp., one of the leading Japanese chip broker companies.

In Switzerland we take over the chip broker Inter Chip AG.

Consolidated annual sales rise to DM 72.8 mill. (€37.2 mill.).

2000

Our consolidated annual sales reach DM 555.8 mill. (€284.2 mill.).

A committee from the companies SAP, "manager-magazin", and Ernst & Young selects Erich J. Lejeune as Entrepreneur of the Year and ce CONSUMER ELECTRONIC AG as Company of the Year in the area of trading.

2001

September 11 and the terrorist attacks in the USA lead to noticeable drops in US business. However, thanks to a strict savings program and positive prospects for 2002, we do not have to reduce personnel.

Despite the difficult economic situation our company achieves annual sales of DM 843.7 mill. (€426.8 mill.) and exceeds the target of DM 700 mill. (€357.9 mill.).

2002

VCE Virtual Chip Exchange opens a European office in Munich.

We provide broadband satellite connections in Latin America.

We are the world's No. 1 chip broker – electronica fair demonstrated it.

We are one of the first companies to receive admission to the Prime Standard segment of the Frankfurt Stock Exchange.



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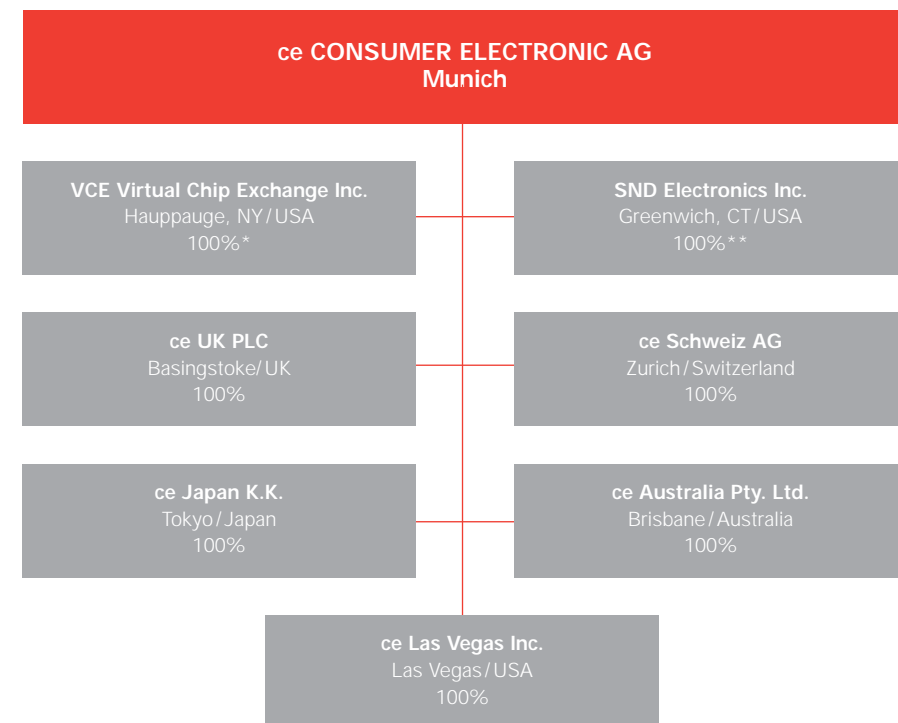
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The ce group structure (simplified representation)



*Full consolidation of the VCE Virtual Chip Exchange, Inc. through the majority holding of ce CONSUMER ELECTRONIC AG in ce Cyber Exchange Inc. ce Cyber Exchange Inc. is in turn the majority shareholder in VCE Virtual Chip Exchange.

**Full consolidation of SND Electronics, Inc. through the fully owned subsidiary ce USA, Inc., which holds the majority of shares in SND Electronics, Inc.

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