

Q2 2009 Report



Funkwerk at a Glance

Funkwerk in the second quarter of 2009:

- Weakness in automobile industry and investment restraint continue unabated
- At Euro 57.2m, Funkwerk sales stabilise at prior-quarter level (Euro 56.7m)
- Comprehensive restructuring achieves its end, sources of loss eliminated
- At Euro -5.9m (2008: Euro 1.2m), half-yearly result (EBIT) proves negative
- Recovery in Traffic & Control Communication delayed until latter half of the year
- Successful reorientation gets Enterprise Communication back into the black
- Security Communication compensates weak export through project business
- Stabilisation of economic activity may bring increase in sales and earnings in latter half of the year
- First-half loss to be reduced by year-end

in mill. EUR	Q1-Q2 2009	Q1-Q2 2008
Sales	113.9	131.4
Operating result (EBIT)	-5.9	1.2
Gross yield	62.8	70,0
Operational Cash Flow	-23.3	0.9
Order volume	97.5	127.9
Employees	1,567	1,668

Group management report

Dear Madams and Sirs,

In the second quarter of 2009, the serious crisis of the global economy continued to form the background of business at Funkwerk. The weak level of economic activity in the automobile industry and the related dip in sales in our Automotive Communication segment persisted as much as the investment restraint among customers in the railway sector and other lines of industry.

At Euro 57.2m, revenues in the second quarter thus missed the prior-year figure (Euro 69.8m) by 18 per cent, but stabilised in comparison to the previous quarter (Euro 56.7m). Sales generated in the first six months totalled Euro 113.9m and thus were down by 13.3 per cent on the previous year (Euro 131.4m).

Funkwerk counteracted this trend by adjusting its personnel and cost levels accordingly and completely restructuring Automotive Communication, initial positive effects of which are now beginning to show. Sources of loss both in our product portfolio and in our sales activities were also eliminated.

On the whole, the operating result (EBIT) of Euro -3.0m in the second quarter remained at a level comparable to the previous quarter (Euro -2.9m). Related to the full half year, this meant results were negative at Euro 5.9m. In the previous year, Funkwerk had generated an operating profit of Euro 1.2m in the first six months, although this figure contained one-off effects in the amount of Euro 4.3m. At Euro 4.8m, the first-half result for our shareholders is negative (2008: Euro +0.5m), with earnings per share adjusting to Euro -0.58 (2008: Euro +0.06).

The sluggishness of the global economy was also evident in incoming business, which particularly affected our Automotive Communication segment. By the end of June, Funkwerk had gained new contracts worth Euro 97.9m, some 26.7 per cent less than in the previous year (133.5 per cent). The level of orders as at 30 June thus reduced to Euro 97.5m (2008: Euro 127.9m).

Since the majority of our business is conducted with major companies and government organisations, the first two quarters are traditionally weak for Funkwerk in terms of incoming orders, sales and earnings. Many projects are only decided by customers throughout the remainder of the year, with settlements preferably in the fourth quarter. In addition, we usually face advance payments for major projects in the first six months, which do not generate sales and earnings until later on in the year.

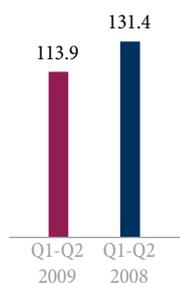
Based on the general thrust of recent developments and in view of the increasing need for replacement investments in infrastructure and the further stabilisation of the global economy, we believe that the third and fourth quarters will once again see business revive, along with an increase in sales and earnings.

Automotive Communication continues to suffer from slump in vehicle production

No recovery is as yet evident in Funkwerk's segment that proves most affected by the crisis, in Automotive Communication (AC). As an OEM supplier of communication equipment for the automobile and commercial vehicle industries, AC suffers particularly from the slump in demand in these sectors, at times of over 50 per cent.

Sales group

in million Euro



EBIT group

in million Euro



Since Funkwerk is entirely dependent on the arrangements and operations of vehicle manufacturers and, at the same time, after-sales business remained poor, sales in this segment were similarly meagre. Add to this the fact that even Avionics as a product sector was gripped quite badly by the recession in the second quarter. Compared to the first six months of the previous year, sales in this segment thus almost halved to Euro 14.2m (2008: Euro 28.2m).

In the second quarter, the segment was subsequently adjusted quite radically to the new market conditions, with focus on rationalisation, improvement in quality and integrated solutions. A drastic cost reduction program involving a reduction in capacities, job cuts by a 50, and personnel measures such as short-time work helped prevent more serious losses in the second quarter. On the whole, however, the AC segment reported an operating loss of Euro -3.1m (2008: Euro +0.6m).

Initial positive effects of the restructuring can now be seen, but will not become fully evident in terms of improved earnings until the third and fourth quarters. The automobile sector is not predicted to recover until the end of 2010 at the earliest. By then, Funkwerk will also have launched a new signal amplifier technology which promises great sales potential. We are currently also involved in promising negotiations for cooperation with other technology companies in order to consolidate our competences and thus increase our market opportunities for equipment of the next generation of vehicles.

Furthermore, Funkwerk is in the process of opening a new future market in the area of broadband communication. Nationally, the comprehensive supply of broadband Internet access is increasing in importance. For time and cost-related reasons, radio-based concepts are a highly effective solutions particularly in rural areas and are now partly funded by the government. Funkwerk was able to prove its technological competence in this field in pilot projects in Brandenburg, so that the AC facility in Dabendorf was commissioned with the serial development and production of receivers. This opens up the potential of further sales in 2010 and 2011.

Traffic & Control Communication continues on target for positive result

Even Traffic & Control Communication (TCC, communication and information systems for transport, logistics and industry) – which is usually the strongest segment of Funkwerk in terms of growth – continued to suffer from the influences of the economic crisis in the second quarter, but through cost adjustments was able more or less to break even in terms of operating result.

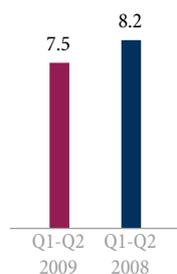
Against the background of the global crisis, which drastically impaired the funding options for projects and companies, investments of railway companies planned for the period under review were postponed and some even terminated. At the same time, the competition in tenders and projects became increasingly fierce, which negatively affected the prices and earnings margins.

Nevertheless, TCC was able in the second quarter to stabilise sales at prior-quarter level, reporting a figure of Euro 25.6m. Compared to the previous year, however, this meant a decline of 10 per cent. For the first six months, revenues thus amounted to Euro 51.4m, down by 6 per cent on the previous year (Euro 54.9m). Due to the postponement of projects particularly in the first quarter, the first-half result in this segment thus totalled Euro 2.2m and thus remained negative (2008: Euro +4.3m). Comparing these figures with prior-year results, however, it must be borne in mind here that the latter were adjusted to the new structure resulting from the establishment of our Security Communication segment in the third quarter of 2008.

Despite aggravated competition and the continued effects of the global economic crisis, however, we expect to see a significant revival of business in TCC in the latter half of the year. In addition to seasonal effects, the state aid programmes here should bring about a number of additional contracts. The segment result is also likely to improve further due to the action taken to reduce costs (rationalisation at several locations, reduction of other operating expenses) and the more favourable conditions of purchase.

Investments

in million Euro



Enterprise Communication confirms positive development

In Enterprise Communication, Funkwerk was able in the second quarter to achieve a further increase in revenues to Euro 9m (Q1 2009: Euro 7.3m). Here, too, the economic crisis has now hit customers, resulting in a slump in sales specifically in export. International business in this segment, which is focused on solutions in areas including networks, TC systems and CPE terminals for companies and telecommunication providers, also saw a decline. On the other hand, the restructuring measures implemented here in 2008 led to a reduction in costs by some 25 per cent, with a lasting positive effect on the results.

By the end of June, Enterprise Communication had generated revenues of Euro 16.4m and a positive operating result of Euro 1.8m (2008: Euro -2.1m). This improvement is due primarily to the sale of licence rights to a globally leading cooperating partner, amounting to over Euro 2m.

However, despite the difficult underlying conditions and the aggravated pricing pressures, Funkwerk anticipates sales in EC to increase slightly in the latter half of 2009.

Project business of Security Communication compensates weak exports

The drastic decline in export business in the second quarter also affected our Security Communication segment (personal security, video monitoring and property protection). This, however, could be offset by the continued positive trend in foreign projects, where Funkwerk as a supplier of integrated systems for the protection of property and persons is a successful contender. On the whole, revenues in this segment of Euro 15.9m remained stable compared to the prior-quarter figure (Euro 16.1m), while the operating result slightly improved.

Since project business in the first six months necessitated advance payments and other significant expenses, the segment result remained negative, amounting to Euro 2.5m. In the further course of the year, however, we expect sales to rise, along with

a positive earnings contribution. Crucial here, however, will be whether the continuing weakness in export business can be compensated by the acquisition of a new major project involving property protection.

Cash flow burdened through reduction of liabilities and increase in inventories

On account of the asymmetrical distribution of sales throughout the year and the advance payments required for major projects in the first six months, the cash flow of Funkwerk tends to be highly negative up until the third quarter. While the capital requirement decreased in the second quarter of 2009, the operating cash flow as at the end of June stood at Euro -23.3m (2008: Euro 0.9m).

In addition to the higher quarterly loss, the drastic reduction in operating cash flow on the previous year is due primarily to the increase in working capital by Euro 10.9m. In the first six months we were required to build up our inventories by Euro 1.6m to prepare for projects which will be completed in the further course of the year. Furthermore, the accounts payable including payments on account for orders reduced by Euro 10.3m in the first half-year.

In the period under review, a total of Euro 7.5m (2008: Euro 8.2m) were released for investments. The capital expenditure and investments in intangible assets reduced by Euro 1.7m on the previous year, to Euro 1.9m. The internally produced and capitalised assets rose to Euro 5.6m (2008: Euro 4.6m).

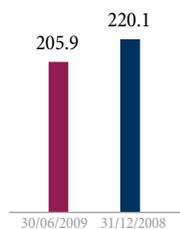
The inpayments for the acquisition of consolidated companies and shareholdings of Euro 2.2m are connected with the sale of 51 per cent of the shares in Vtech Funkwerk IAD GmbH.

As at the end of June, the free cash flow after acquisitions thus amounted to Euro -28.8m (2008: Euro -7.3m), the liquidity as at the end of the quarter stood at Euro 4.7m (2008: Euro 7.0m), which at the cutoff date is usually the lowest figure in the year.

Due to the completion of ongoing contracts and major projects progressing as planned, we expect to see a significant

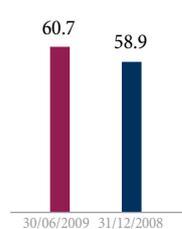
Group profit

in million Euro



Equity ratio

in percent



improvement in the cash flow situation and thus also in our liquidity throughout the remainder of the year.

Financial and net worth position

On account of the reduced business volume, the balance sheet total of Funkwerk as a group reduced in the first six months of 2009, falling by 6.5 per cent to Euro 205.9m (end of 2008: Euro 220.1m).

While our equity decreased to some Euro 125m due to the loss in the period under review, the equity ratio improved on the end of the year, up from 58.9 per cent to 60.7 per cent because of a more drastic reduction in short-term liabilities.

Employees

In view of the continued unstable condition of the global economy and the as yet uncertain point of a fundamental recovery, Funkwerk continued to adjust its capacities and the number of employees in its various business sectors accordingly. The necessary restructuring in Automotive Communication in particular necessitated a cut in jobs. As at 30 June, Funkwerk employed 1,567 employees (2008: 1,664). The personnel development throughout the remainder of the year will result in a further reduction of staff levels to around 1,400.

Research and development

In the period under review, our self-financed research and development continued to concentrate on TETRA handsets for security solutions and on electronic interlocking systems (Alister) for regional rail transport. Both product lines will be launched before the end of 2009. Furthermore, Funkwerk endeavours to keep up with technological advances in all areas and to enhance its portfolio by introducing innovative solutions.

On the whole, Funkwerk capitalised a total of Euro 5.7m (2008: Euro 4.4m) in own developments in the first half of 2009. This must be set against depreciations of these in the amount of Euro 2.8m (2008: Euro 3.2m).

Risks and risk management

All risks relating to the financial, net worth and earnings positions of Funkwerk along with the risk management system are described in detail in the 2008 annual report of the company. There are no new aspects that may have a significant effect on these situations.

Prospects

In the second quarter of 2009, the general economic setting on the whole continued to deteriorate to impact the business trend of Funkwerk. The effects of the global economic crisis on the operations of our customers are now noticeable in all four of our segments. This was evident in particular in incoming business. The state aid programmes and the investments in infrastructure as well as the usual seasonal revival in the latter half of the year, however, should improve the economic situation. The trend of business in each Funkwerk segment will be different though.

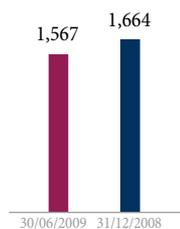
Automotive Communication can expect a minor stabilisation of sales. Due to the cost reduction measures now taking effect and the comprehensive restructuring, the operating loss here will continue to reduce. A return to the profit zone, however, is not likely until 2010 at the earliest, when automobile business is expected to start up again.

Traffic & Control Communication is still expected to see a revival in business in the latter half of the year, though customers here also continue to plan conservatively and place new orders quite hesitantly. Due to our adjustment measures relating to product groups affected by project postponements or cancellations, however, we anticipate earnings in this segment to improve quite significantly by the end of the year.

Lastly, our Security Communication growth segment also experienced a slump in exports, although the scheduled progress of major projects and the prospect of improving our market position in video systems provide good prospects of compensating this negative effect. Enterprise Communication

Employees

(Average)



managed to get back into the black in the first six months and should be able to further confirm this positive trend by the end of the year.

Although we were unable in the second quarter to improve our operating result, we still see a good chance for Funkwerk to develop its potentials in the current recession and gain further market shares. Business is expected to revive in the third and fourth quarters and will largely reduce our losses in the first six months by year-end.))

Kölleda, June 2009

For the Executive Board

Dr.-Ing. Hans Grundner
Chairman of the Board

Statutory bodies of the Company in the reporting period

Supervisory Board

- Christian A. Hufnagl (Chairman), Entrepreneur, Hamburg
- Maximilian Ardel (Vice-Chairman), Entrepreneur, Starnberg
- Niels Lund Chrestensen, Entrepreneur, Erfurt

Executive Board

- Dr.-Ing. Hans Grundner (Chairman), Business Development and Business segment Traffic & Control Communication
- Norbert Gunkler, B.A.M., Finance, Organisation and Investor Relations
- Lutz Pfister, M.Sc., Business segment Automotive Communication

Share and Investor Relations

The Funkwerk share: In the wake of the TecDAX

In the second quarter of 2009, the global financial and economic crisis continued to be the dominating factor in the capital markets. Though a fundamental revival of the economy cannot as yet be seen, the stock markets finally saw a trend reversal by mid-year. Both the German stock index DAX and the index of leading technology shares, TecDax, recovered from their lows. As at the end of June, the DAX had all but compensated its losses previously accrued, while the TecDAX improved by as much as 23 per cent. This trend, however, is primarily due to the upturn in the price of the share weighted most favourably, of Infineon AG.

While Funkwerk initially suffered from the poor appraisal of the automobile supplier industry, though only one of our four segments is affected by the automobile crisis, the price improved in the second quarter. In the wake of the TecDAX, the price of the Funkwerk share (ISIN DE0005753149) also steadily began to point up again. Starting from its lowest point of Euro 4 in March, the price had neared the Euro 7 mark again by June. As at the end of June, the Funkwerk share had fully made up for losses earlier in the year and even managed to break through the Euro 7 mark in July. The four financial institutions that regularly analyse our share currently consider a valuation of Euro 5 to Euro 8.50 fair for Funkwerk.



Company calendar 2009

10/2009	Capital Markets Day
06/11/2009	Disclosure of nine-monthly report
11/11/2009	Analysts' conference Eigenkapitalforum, Frankfurt

New approved capital decided

In addition to authorising the purchase of own shares on 28 May 2009, the shareholders' meeting of Funkwerk AG decided on the creation of new "approved capital" in the amount of Euro 4,050,000. This will replace an arrangement established in 2004 which expired at the 2009 shareholders' meeting. The approved capital is to enable the company generally to adapt the equity base of the company to its business requirements.

Further information on the Funkwerk share along with presentations and reports on the company are available on the Internet at www.funkwerk.com/investor-relations.

Executive Board reduced

In its meeting on 28 July, the Supervisory Board of Funkwerk AG decided to reduce the Executive Board to two members. At the same time, Mr. Johann Schmid-Davis (35, MBA) was appointed as the new CFO. Effective from 1 September 2009, Mr. Schmid-Davis will take over the function of Norbert Gunkler, who will resign from the Executive Board on termination of his contract at the end of August 2009 to take on new duties and responsibilities. The Supervisory Board thanked Norbert Gunkler for his many years of successful work. At the request of the Supervisory Board, Norbert Gunkler will continue to be available to the company in an advisory capacity. The contract of Lutz Pfister also terminated at the end of August, though Mr. Pfister will continue as head of the Automotive Communication segment. 

Shareholder structure

In the period under review, Funkwerk was not notified of any material changes to the shareholder structure. As at the end of March, the shares in Funkwerk AG were distributed as follows:

Total shares	8,101,241	100.00%
Hörmann Funkwerk Holding GmbH	4,280,000	52.83%
Free float	3,821,241	47.17%
thereof own shares	41,579	0.51%
thereof Executive Board	500	0.01%

Consolidated Statement of Financial Position at June 30, 2009

ASSETS	30/06/2009 EUR k	31/12/2008 EUR k
A. Non-Current Assets		
1. Intangible assets	50,392	47,499
thereof goodwill	19,265	19,065
thereof development costs	25,275	22,089
2. Property, plant and equipment	17,789	19,146
thereof land, leasing rights and buildings including those on third-party land	7,378	7,578
thereof technical equipment, plant and machinery	5,128	5,883
thereof other equipment, operational and business equipment	5,152	5,605
thereof advanced payments and construction in progress	131	79
3. Loans to affiliated companies	0	0
4. Other financial assets	2,310	126
5. Deferred taxes	587	372
	71,078	67,143
B. Current Assets		
1. Inventories	49,932	46,193
thereof raw materials and supplies	24,223	24,486
thereof work in progress	9,871	7,875
thereof finished goods and merchandise	15,011	13,240
thereof advance payments	827	592
2. Trade accounts receivable	43,728	50,702
3. Accounts due from projects in process	24,428	18,611
4. Accounts due from affiliated companies	436	617
5. Other taxes receivable	4,206	4,477
6. Other asset value	7,434	4,252
7. Securities	638	642
8. Cash	4,035	25,365
9. Long-term assets received for sale		2,100
	134,837	152,959
	205,915	220,102

Financial Statements according to IFRS

EQUITY AND LIABILITIES	30/06/2009	31/12/2008
	EUR k	EUR k
A. Shareholders' Equity		
1. Subscribed capital	8,101	8,101
2. Additional paid-in capital	63,163	63,017
3. Appropriated retained earnings	38,211	38,211
4. Own shares	(1,062)	(1,062)
5. Consolidated unappropriated retained earnings	16,848	21,657
6. Minority interest	(26)	11
7. Foreign currency items	(243)	(379)
	124,992	129,556
B. Accrued Liabilities		
1. Pension accrued	12,444	12,640
2. Prepaid expenses item for investment subsidies and allowances	1,447	1,358
3. Deferred taxes	925	3,008
4. Liabilities due to banks	28	33
	14,844	17,039
C. Current Liabilities		
1. Liabilities due to banks	7,895	341
2. Trade accounts payable	24,788	33,730
3. Advance payments received on orders	2,475	3,844
4. Accounts due to affiliated companies	73	73
5. Taxes payable	3,985	3,474
6. Other accrued liabilities	9,845	10,767
7. Prepaid expenses item for investment subsidies and allowances	0	184
8. Financial liabilities	17,018	21,094
thereof personnel liabilities	7,081	8,566
thereof for taxes	2,248	4,016
thereof for social security	167	641
	66,079	73,507
	205,915	220,102

Consolidated Statement of Comprehensive Income 01/01/2009 to 30/06/2009

	Q2 2009		Q2 2008		Q1-Q2 2009		Q1-Q2 2008	
	01/04/2009 to 30/06/2009		01/04/2008 to 30/06/2008		01/01/2009 to 30/06/2009		01/01/2008 to 30/06/2008	
	EUR k	%	EUR k	%	EUR k	%	EUR k	%
1. Revenues	57,204	94.1	69,777	92.6	113,944	90.9	131,408	92.4
2. Increase in inventories of finished goods and work in progress	795	1.3	(1,074)	1.4	2,142	1.7	(795)	0.6
3. Other own work capitalised (development costs)	2,751	4.5	2,192	2.9	5,712	4.6	4,437	3.1
4. Other operating income	16	0.0	4,479	5.9	3,556	2.8	7,203	5.1
5. Gross income	60,766	100	75,374	100	125,354	100	142,253	100
6. Material expenses	(27,514)	45.3	(35,491)	47.1	(58,979)	47.0	(65,063)	45.7
7. Personnel expenses	(24,613)	40.5	(25,233)	33.5	(48,282)	38.5	(48,920)	34.4
8. Depreciation and amortisation thereof development costs	(3,084)	5.1	(3,679)	4.9	(6,172)	4.9	(7,363)	5.2
9. Other operating expenses	(1,411)	2.3	(1,583)	2.1	(2,760)	2.2	(3,240)	2.3
9. Other operating expenses	(8,554)	14.1	(9,846)	13.1	(17,846)	14.2	(19,688)	13.8
10. Operating expenses	(63,765)	104.9	(74,249)	98.5	(131,279)	104.7	(141,034)	99.1
11. Operating profit (EBIT)	(2,999)	(4.9)	1,125	1.5	(5,925)	(4.7)	1,219	0.9
12. Financial income	54	0.1	195	0.3	117	0.1	261	0.2
13. Depreciation/Amortisation of financial assets	(0)	0.0	(0)	0.0	(0)	0.0	(0)	0.0
14. Financial expenditure	(252)	0.4	(442)	0.6	(487)	0.4	(833)	0.6
15. Financial income	(198)	0.3	(247)	0.3	(370)	0.3	(572)	0.4
16. Income from ordinary operations	(3,197)	(5.3)	878	1.2	(6,295)	(5.0)	647	0.5
17. Deferred taxes	1,127	1.9	484	0.6	2,277	1.8	650	0.5
18. Taxes on income and earnings	(265)	0.4	(688)	0.9	(575)	0.5	(756)	0.5
19. Other taxes	(120)	0.2	(95)	0.1	(251)	0.2	(240)	0.2
20. Consolidated net income	(2,455)	(4.0)	579	0.8	(4,844)	(3.9)	301	0.2
21. Minority interests	20	0.0	135	0.2	35	0.0	210	0.1
22. Shareholders' equity	(2,435)	(4.0)	714	0.9	(4,809)	(3.8)	511	0.4
23. Profit carried forward	21,657	35.6	15,473	20.5	21,657	17.3	15,473	10.9
24. Donation of surplus reserve	(0)	0.0	(0)	0.0	(0)	0.0	(0)	0.0
25. Dividends paid	(0)	0.0	(2,014)	2.7	(0)	0.0	(2,014)	1.4
26. Consolidated unappropriated retained earnings	19,222	31.6	14,173	18.8	16,848	13.4	13,970	9.8
Earnings per share according to IAS 33								
Consolidated net income	EUR k	(2,435)	714	(4,809)	511			
Number of shares (undiluted)	Shares k	8,060	8,060	8,060	8,060			
Earnings per share (undiluted)	EUR	(0.30)	0.09	(0.60)	0.06			
Consolidated net income	EUR k	(2,435)	714	(4,809)	511			
Number of shares (diluted)	Shares k	8,268	8,272	8,268	8,272			
Earnings per share (diluted)	EUR	(0.29)	0.09	(0.58)	0.06			

	Q2 2009 01/04/2009 to 30/06/2009		Q2 2008 01/04/2008 to 30/06/2008		Q1-Q2 2009 01/01/2009 to 30/06/2009		Q1-Q2 2008 01/01/2008 to 30/06/2008	
	EUR k	%	EUR k	%	EUR k	%	EUR k	%
Consolidated net income	(2,455)	(4.0)	579	0.8	(4,844)	(3.9)	301	0.2
Other comprehensive income								
Foreign currency items	177	0.3	(20)	0.0	136	0.1	(53)	0.0
Other comprehensive income for the period, net of income tax	177	0.3	(20)	0.0	136	0.1	(53)	0.0
Total comprehensive income for the period	(2,278)	(3.7)	559	0.8	(4,708)	(3.8)	248	0.2
Attributable to shareholders' equity	(2,258)	(3.7)	694	0.9	(4,673)	(3.8)	458	0.3
Attributable to minority interests	(20)	0.0	(135)	(0.1)	(35)	0.0	(210)	(0.1)

Consolidated Statement of Cash Flows

01/01/2009 to 30/06/2009

	Q1-Q2 2009 01/01/2009 to 30/06/2009 EUR k	Q1-Q2 2008 01/01/2008 to 30/06/2008 EUR k
1. Consolidated net income	(4,809)	511
2. Depreciation and amortisation	6,172	7,363
3. Other non-cash expenditure and income	(2,285)	(0)
4. Increase/Decrease in the special line item	(95)	(99)
5. Increase/Decrease in deferred taxes	(2,298)	(675)
6. Cash flow according to DVFA	(3,315)	7,100
7. Increase/Decrease of accounts receivable and other assets	(5,184)	6,000
8. Increase/Decrease of accounts payable and other equity and liabilities	(14,818)	(12,154)
9. Net cash from operating activities	(23,317)	946
10. Cash paid for investments	(7,530)	(8,243)
11. Alienation of financial assets	(0)	(0)
12. Net cash used in investing activities	(7,530)	(8,243)
13. Free Cash Flow before acquisitions	(30,847)	(7,297)
14. Cash paid for consolidated and related companies	(232)	(0)
15. Cash-inflow from disposal of consolidated and related companies	2,233	(0)
16. Allocation of own shares for the acquisition of associated companies	(0)	(0)
17. Net cash used in financing activities	2,001	(0)
18. Free Cash Flow incl. acquisitions	(28,846)	(7,297)
19. Proceeds from raising of (finance) loans	7,549	49
20. Payment for repayment of (finance) loans	(0)	(1,730)
21. Capital increase for shareholders' capital	(0)	(0)
22. Allocation in additional paid-in capital	(0)	(0)
23. Receipt of payment/Disbursement from claims of adjustments to minority interest	(37)	(209)
24. Dividends paid	(0)	(2,014)
25. Net cash used in financing activities	7,512	(3,904)
26. Change in cash	(21,334)	(11,201)
27. Cash at beginning of period	26,007	18,247
28. Cash at end of period	4,673	7,046
Composition of cash at the end of the reporting period		
Cash in hand and deposit at banks	4,035	6,472
Securities	638	574
	4,673	7,046

Statement of Changes in Shareholders' Equity

EUR k	Consolidated								Total
	Subscribed Capital	Additional paid-in Capital	Retained earnings	unappropriated retained earnings	Own Shares	Foreign currency items	Minority interests	Capital	
December 31, 2007	8,101	62,560	38,211	15,473	(1,062)	(85)	123,198	628	123,826
Distribution	0	0	0	(2,014)	0	0	(2,014)	0	(2,014)
Stock options (according to IFRS 2)	0	363	0	0	0	0	363	0	363
Minority interests	0	0	0	0	0	0	0	(209)	(209)
Profit Q1 2008	0	0	0	511	0	0	511	0	511
Currency exposure	0	0	0	0	0	(53)	(53)	0	(53)
June 30, 2008	8,101	62,923	38,211	13,970	(1,062)	(138)	122,005	419	122,424
December 31, 2008	8,101	63,017	38,211	21,657	(1,062)	(379)	129,545	11	129,556
Distribution	0	0	0	0	0	0	0	0	0
Stock options (according to IFRS 2)	0	146	0	0	0	0	146	0	146
Minority interests	0	0	0	0	0	0	0	(37)	(37)
Loss Q1 2009	0	0	0	(4,809)	0	0	(4,809)	0	(4,809)
Currency exposure	0	0	0	0	0	136	136	0	136
June 30, 2009	8,101	63,163	38,211	16,848	(1,062)	(243)	125,018	(26)	124,992

Option Rights granted

	Executive Board	Managing Director of affiliated companies	Employees executive staff	Employees other staff	Total
Opening balance 01/01/2009	114,000	50,450	82,735	315,065	562,250
+ Options rights granted	0	0	0	0	0
- Options rights exercised	0	0	0	0	0
- Options rights forfeited	0	0	(6,250)	(15,182)	(21,432)
Closing balance 30/06/2009	114,000	50,450	76,485	299,883	540,818

Segment Reporting

01/01/2009 to 30/06/2009

	Year	TCC EUR k	AC EUR k	EC EUR k	SC EUR k	Total EUR k
1. Revenues	2009	51,494	14,265	16,790	36,492	119,041
	2008	74,287	28,220	28,906	-	131,413
2. Revenues by segment*	2009	74	32	413	4,578	5,097
	2008	0	0	5	-	5
3. External revenues	2009	51,420	14,233	16,377	31,914	113,944
	2008	74,287	28,220	28,901	-	131,408
4. Increase/Decrease in inventories of finished goods and work in progress	2009	1,159	389	0	594	2,142
	2008	(1,630)	418	417	-	(795)
5. Other own work capitalised (development costs)	2009	1,604	1,720	1,029	1,359	5,712
	2008	1,816	1,050	1,571	-	4,437
6. Other operating income	2009	1,599	644	876	437	3,556
	2008	6,199	594	410	-	7,203
7. Gross income	2009	55,782	16,986	18,282	34,304	125,354
	2008	80,672	30,282	31,299	-	142,253
8. Material expenses	2009	(25,440)	(9,349)	(7,172)	(17,018)	(58,979)
	2008	(34,623)	(17,083)	(13,357)	-	(65,063)
9. Personnel expenses	2009	(23,824)	(6,521)	(5,204)	(12,733)	(48,282)
	2008	(29,297)	(7,691)	(11,932)	-	(48,920)
10. Depreciation of non-current assets	2009	(1,423)	(835)	(402)	(752)	(3,412)
	2008	(2,003)	(976)	(1,144)	-	(4,123)
11. Depreciation of development costs	2009	(377)	(1,180)	(758)	(445)	(2,760)
	2008	(1,024)	(1,000)	(1,216)	-	(3,240)
12. Other operating expenses	2009	(6,877)	(2,164)	(2,930)	(5,875)	(17,846)
	2008	(10,961)	(2,978)	(5,749)	-	(19,688)
13. Operating profit (EBIT)	2009	(2,159)	(3,063)	1,816	(2,519)	(5,925)
	2008	2,764	554	(2,099)	-	1,219

* Within consolidation revenues with other segments will be eliminated.

The Security Communication segment features in an interim report for the first time not as a result of acquisitions but of a reorganisation of existing business in the previous year. The sectors video monitoring (previously TCC) and messaging (previously EC) were combined here to form the new Security Communication segment. The prior-year figures were not adjusted.

Notes

Accounting principles and methods

The accounts were compiled in Euro in compliance with the International Financial Reporting Standards (IFRS). IFRS 3R „Business Combinations“, IAS 27R „Consolidated and Separate Financial Statements“ and IAS 1A „Presentation of Financial Statements“ were applied early as standards applicable to the period under review. IFRS 8 „Operating Segments“ was also applied for the first time. Furthermore the six month accounts are based on the accounting principles and methods applied to the consolidated financial statement for the 2008 financial year.

This interim report has neither been audited under § 317 of the German Commercial Code (HGB) nor reviewed and verified by an auditor.

Overview of companies of the consolidated Funkwerk group

In addition to the parent company, Funkwerk AG, the following operating companies were included as subsidiaries in the six month accounts of the company according to the full consolidation method:

Direct subsidiaries	Registered office	Voting rights in %
Hörmann-Funkwerk Kölleda GmbH (FWK)	Kölleda, Thuringia	100
ALPHA Meß-Steuer-Regeltechnik GmbH (Alpha)	Neustadt/Weinstr., Rhineland-Palatinate	100
Funkwerk Dabendorf GmbH (FWD)	Zossen, Brandenburg	100
Funkwerk Enterprise Communications GmbH (FEC-new)	Nuremberg, Bavaria	100
Funkwerk Information Technologies GmbH (FIT)	Kiel, Schleswig-Holstein	100
Bouyer S.A.S.	Montauban, France	100
Funkwerk Security Communications GmbH (FSC)	Salzgitter, Lower-Saxony	100

Indirect subsidiaries	Registered office	Voting rights in %
Funkwerk eurotelematik GmbH	Ulm, Baden-Württemberg	100
Funkwerk Avionics GmbH	Waal, Bavaria	100
Funkwerk Enterprise Communications Iberia S.L.	Madrid, Spain	100
Funkwerk Enterprise Communications France S.A.S.	Gradignan Cedex, France	100
Funkwerk Enterprise Communications Italy S.R.L.	Milan, Italy	100
Funkwerk Aphona GmbH	Vienna, Austria	100

Indirect subsidiaries	Registered office	Voting rights in %
Funkwerk IP-Appliances GmbH	Neu-Ulm, Bavaria	100
Funkwerk Information Technologies Karlsfeld GmbH (FITK)	Karlsfeld, Bavaria	100
Funkwerk Information Technologies York Limited	York, Great Britain	100
Funkwerk Information Technologies Malmö AB	Malmö, Sweden	100
Funkwerk IT Polska Sp. Z.o.o.	Warsaw, Poland	100
Microsyst Systemelectronic GmbH	Weiden, Bavaria	100
Funkwerk plettac electronic GmbH	Fürth, Bavaria	100
Funkwerk Systems Austria GmbH	Vienna, Austria	100
Funkwerk Ungarn Kft.	Budapest, Hungary	85
Funkwerk Akademie GmbH	Beichlingen, Thuringia	100
Funkwerk Electronic Services GmbH	Salzgitter, Lower-Saxony	100
Funkwerk Engineering GmbH	Kiel, Schleswig-Holstein	100

Seasonal and economic influences

Seasonal or economic influences exceeding the norm which require reporting or were not already disclosed in the report of the Executive Board did not exist.

Key events

Following the preparation of the six month report, there have been no key events that might have a major influence on our business operations.

Accounting of stock options according to IFRS 2

The following table shows the actual personnel expenses and the effects on the net income of the period and the earnings per share in compliance with IFRS 2:

	30/06/2009	30/06/2008
Consolidated net income in EUR k		
before the issue of IFRS 2	(4,955)	874
share-based personnel expenses	(146)	(363)
after the issue of IFRS 2	(4,809)	511
Earnings per share in EUR (undiluted)		
before the issue of IFRS 2	(0.61)	0.11
after the issue of IFRS 2	(0.59)	0.06
Earnings per share in EUR (undiluted)		
before the issue of IFRS 2	(0.60)	0.11
after the issue of IFRS 2	(0.58)	0.06

The fair value of the options granted in the financial years from 2003 to 2008 which were used for the calculation of the expenses and the prior-year comparative data was determined using the binomial option pricing model. The valuation premises taken into account here are unmodified against the previous periods.

Statement of the Executive Board

“In compliance with the generally accepted accounting principles for the interim report, we hereby confirm to the best of our knowledge and belief that the consolidated interim financial statements give a true and fair view of the company’s assets, liabilities, financial position, and profit and loss, and that the group management report is an accurate representation of the trend of business of the company including operating result and group situation, and appropriately describes the opportunities and risks of the anticipated future development of the group in the remaining financial year.”

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