Q3 2009 Report

funkwerk
aktiengesellschaft

Funkwerk at a Glance

Funkwerk in the third quarter of 2009:

- Quarterly sales decrease to Euro 54.0m (Q3/2008: Euro 71.9m), first nine months of fiscal 2009 at Euro 167.9m (Q3/2008: Euro 203.3m) due to unexpected slump in export levels
- Ongoing restructuring places additional burden of Euro 10.0m on earnings (EBIT) in 2009; figure opposite cost savings of over Euro 10m in 2010
- Loss (EBIT) after nine months increased to Euro -15.5m (Q3/2008: Euro +2.5m) due to decrease in sales and restructuring costs
- Strict spending and cost discipline pushes operating cash flow back into black in Q3, further improvements by year-end
- All risks considered, sales projections reduced to Euro 230m, EBIT up to Euro -19m after restructuring costs
- Permanent cost savings to produce turnaround in Q4 operations and basis for positive business and earnings trends from 2010. Fitness program implemented to concentrate operations and increase productivity.

in mill. EUR	Q1-Q3 2009	Q1-Q3 2008
Sales	167.9	203.3
Gross yield	90.2	105.7
Operating result (EBIT)	-15.5	2.5
Operational Cash Flow	-10.4	4.3
Employees	1,582	1,673
Order volume	101.3	145.1

Group management report

Dear Madams and Sirs,

The global economic crisis we are currently experiencing has upset much of what was once believed certain and thrown many budgets out of kilter. After the last three quarters of the current financial year, it has become clear to us that the current crisis will have a longer and more pronounced effect on our business than we could have predicted. The state aid and infrastructure programmes announced have not as yet shown any effect either on our business or on that of our customers.

Recovery in Q3 replaced by slump in export

The economic recovery forecast in the first half of 2009 has still not materialised in the latter half of the year. Instead, we notice that our business partners abroad are now also increasingly forced to review their planning. Our business in the third quarter was thus defined primarily by the postponement, or even cancellation, of many investments and projects.

Since an expected major contract worth around Euro 30m failed to materialise, business in our previously stable Security Communication segment was hit particularly hard. Our large-scale project in Algeria, which had begun to take shape and was well under way, needed to be stopped at short notice. In addition, the crisis in the automobile supplier sector continued as a key detrimental factor in the third quarter, along with the investment restraint of transport companies and the industry.

Contrary to previous projections, our revenues and incoming orders declined between July and the end of September and proved rather disappointing. At Euro 54.0m, sales remained behind the prior-year figure (Euro 71.9m) by almost 25 per cent. Revenues generated in the first nine months thus totalled Euro 167.9m (Q3/2008: Euro 203.3m), which corresponds to a decline of 17.4 per cent.

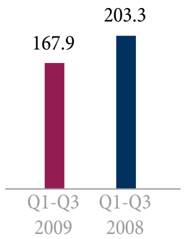
More pronounced still was the decline in incoming orders. In the first nine months, Funkwerk booked new orders worth Euro 164.8m, which is some 27 per cent less than in the previous year (Euro 224.1m). The orders on hand reduced to Euro 101.3 (Q3/2008: Euro 145.1m).

These trends and facts resulted in a correction of our business projections for 2009. All risks considered, we now expect group sales to reduce to around Euro 230m by year-end (2008: Euro 290.2m).

Restructuring reduces costs by over Euro 10m p.a.

The weak order and sales trends mean further restructuring measures are now absolutely essential. These will burden earnings (EBIT) in fiscal 2009 by around Euro 10m, some Euro 5m of which have already been posted, the remainder will be charged against earnings in the fourth quarter. In this context, we will also be required to include extraordinary depreciations and value adjustments. Taking all risk factors and the restructuring costs into consideration, the group EBIT for the whole financial year is currently estimated to climb up to Euro -19m.

Sales group
in million Euro



Through implementation of our current restructuring program, however, we hope to achieve permanent cost savings in 2010 and the years following to set the stage again for a positive business and earnings trend.

In addition, Funkwerk has started introducing a comprehensive fitness programme to systematically eliminate sources of loss and concentrate our business activities. Furthermore, we have implemented measures to improve our transparency and thus our risk management and are optimising our early warning system for business risks. This is to be achieved, among other things, by ensuring a more stringent standardisation of our business and controlling processes. The ongoing restructuring measures will result in a reduction of personnel and are meant to increase staff qualification.

We are already beginning to see initial effects: Our strict cost and spending discipline produced a positive operating cash flow in the third quarter. In the fourth quarter, Funkwerk will likely be able to get out of the red in operations – without the restructuring costs.

Business trend by segment

Automotive Communication: Adjusting to difficult market conditions

Our Automotive Communication segment (AC, communication equipment for vehicles) is currently undergoing a fundamental adjustment process necessitated by the slump in automobile markets worldwide. As an OEM supplier of communication equipment for the vehicle industry, AC is directly dependent on the plans and arrangements of vehicle manufacturers. These have at times halted productions altogether and have introduced short-time work while their projections are based on weak demand expected to last until late 2010. This specifically affects the commercial vehicle sector and models in the upper price range, segments in which Funkwerk products are more widely used than in any other. The situation in the after-sales market and in the avionics product sector also continues to be difficult, while business in telematics is stable and looks set to rise.

While the downturn on the whole thus slowed in the third quarter, segment revenues of Euro 6.8m were down by 45 per cent on the comparative prior-year period. In the first three quarters, sales in AC thus declined by 48 per cent to around Euro 21m (Q3/2008: Euro 40.4m).

The adjustment programme largely implemented as early as in the second quarter, which involves a reduction of capacities, job cuts and personnel measures including short-time work, thus continued. In the third quarter, this once again led to a negative operating result in this segment. As at 30 September 2009, the EBIT of AC amounted to Euro -5.5m (Q3/2008: Euro 0.0m).

In 2010, we expect to see business stabilise slightly with balanced earnings contributions, even if current studies have shown that the global automobile markets will only recover slowly in 2010. This is made possible by the quick action and the countermeasures taken by the management to adjust our capacities and costs and by our diversification years earlier adding avionics and telematics to our portfolio. Moreover, we have increased our competences in key positions in development and sales with focus on the international after-sales market.

Security Communication suffers slump in international project business

The continuing export weakness in the third quarter and the failure of a major project announced in the property protection sector to materialise significantly impaired the previously stable business trend of Security Communication (SC, personal security, video monitoring and property protection). Preparatory efforts for the now cancelled project, exchange losses (Algerian dinar not convertible) in current foreign trade and only the most cautious investments in security systems in Germany despite announcements to the contrary proved to be further exacerbating factors.

The market launch of the new TETRA handsets is unfortunately delayed due to complex approval procedures and will result in direct sales reductions in the current financial year. Consequently, revenues of SC in the first nine months totalled Euro 43.1m and thus remain significantly below the prior-year figure (Euro 55.4m). Contrary to our projections, the operating loss in this segment increased and stood at Euro -8.5m at the end of September (Q3/2008: Euro -1.1m).

SC also saw restructuring measures initiated, which will lead to cost savings of around Euro 3m from 2010 and in the following years. In the medium term, Funkwerk expects this segment return to significant growth, as the need for intelligent solutions for the protection of people, buildings, public places and objects is steadily growing. Funkwerk already has many years of expertise in electronic security and communication systems and is one of the leading specialists here in the international market.

Traffic & Control Communication still waiting for recovery

Business in Funkwerk's strongest segment in terms of sales – Traffic & Control Communication (TCC, communication, management and information systems for transport, logistics and industry) – also failed to recover as anticipated in the third quarter. Sales here deteriorated between July and September, down by 8.3 per cent to Euro 27.8m (Q3/2008: Euro 30.3m). After the first nine months of 2009, segment revenues thus totalled Euro 79.2m, which is 7 per cent less than in the previous year (Euro 85.2m).

In addition to the postponement, and even cancellation, of infrastructure investments planned by transport companies, the main reason for the decline was the growing weakness in foreign trade. With financing options deteriorating, at times dramatically, for companies and projects specifically in Eastern Europe and also the Middle East, customers were forced to review their plans. As a consequence, promised or announced orders failed to materialise, ongoing projects experienced delays and credit periods were extended. On the other hand, the competitive pressure is steadily growing for new tenders, which results in drastically reduced margins.

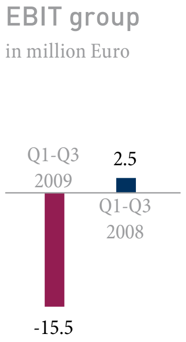
To improve the overall earnings situation of TCC again, both the costs and personnel figures were adjusted, which will mean a one-off burden on the result in the third and fourth quarters but in the long run will have a positive effect. At Euro -3.2m, the segment result as at the end of September was negative (Q3/2008: Euro +6.7m). By the end of the year, however, the operating result of the TCC segment is likely to improve significantly, although this must be seen opposite one-off burdens of around Euro 3m due to further adjustments and the closure of sources of loss. In some sectors such as mobile radio technology for railway companies, the management systems for the energy industry and information systems for Deutsche Bahn, meanwhile, we can see positive signals. This could be further enhanced by the planned state aid programmes for infrastructure investments in European countries.

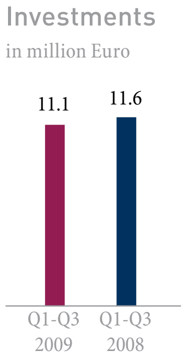
Enterprise Communication growing to report operating profit

Enterprise Communication (EC, network and telecommunication solutions for companies) is a segment in which restructuring measures have already been completed successfully and sales are increasing again. While the global economic crisis led to cuts in foreign business even in this segment, revenues of Euro 8.3m remained within our expectations. After the first three quarters of the financial year, EC thus improved its sales figure by over 10 per cent on the previous year, up from Euro 22.2m Euro in 2008 to Euro 24.7m.

Despite the difficult general setting and increasing pricing competition, the segment result remained positive at Euro 1.7m (Q3/2008: Euro -3.1m). By the end of the year, steady sales will mean a positive earnings contribution of EC.

The strategy change initiated in EC as early as in 2008 – away from individual components to focus on solution-oriented communication systems in the enterprise sector – is now showing the first positive effects. This was particularly evident in the framework contract awarded in the third quarter for the





delivery of the access solution for the Associations of Statutory Health Insurance Physicians within the scope of the introduction of the health card.

Explanatory notes to the earnings position

The failure of orders to materialise and the unexpected slump in export had a negative effect on the earnings position of Funkwerk in the period under review. After the first three quarters of the financial year, group revenues totalled Euro 167.9m to remain 17.4 per cent below the prior-year figure (Q3/2008: Euro 203.3m).

The sales trend proved weaker than projected and thus necessitated restructuring and adjustment measures. This will lead to a burden on earnings (EBIT) in fiscal 2009 of around Euro 10m, with some Euro 5m already entered in the books. Around Euro 3m were due to personnel measures, some Euro 1.4m to extraordinary depreciations of internally produced and capitalised assets, and Euro 0.6m to other operating expenses.

From 2010, however, the restructuring costs in 2009 must be seen opposite permanent cost savings of over Euro 10m p.a.

On the whole, the operating loss in the third quarter increased by Euro -9.6m, from Euro -5.9m to Euro -15.5m, influenced in part by exchange losses (Algerian dinar) of around Euro 1.8m. In the previous year, Funkwerk had still generated an operating profit of Euro 2.5m in the same period. The group loss after the first three quarters of fiscal 2009 thus totalled Euro -12.2m (Q3/2008: Euro +1.3m), which corresponds to earnings per share of Euro -1.52 (Q3/2008: Euro +0.17).

Explanatory notes to the financial and net worth position

Operating cash flow back to positive in Q3

Due to the asymmetrical distribution of sales throughout the year and the preparatory work for major projects in the first half year, the cash flow in the group tends to be negative up until the third quarter. As at June 2009, the operating cash flow thus stood at Euro -23.3m (Q3/2008: Euro 0.9m).

In the third quarter, our rigid cost and spending discipline and a reduction of working capital by around Euro 12m helped to reduce the negative operating cash flow by Euro 12.9m despite the high quarterly losses. As at the end of September, it totalled Euro -10.4m (Q3/2008: Euro +4.3m).

The payments for investments in the reporting period were slightly reduced from Euro 11.6m in the previous year to Euro 11.1m. The investments in tangible and intangible assets thus decreased significantly on the previous year, down by Euro 1.8m to Euro 2.9m as at the end of September. In contrast, the internally produced and capitalised assets increased from Euro 6.9m (end of September 2008) to Euro 8.2m.

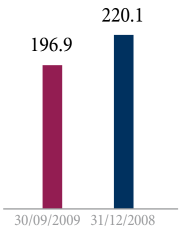
Taking into account the inflow of funds from the sale of consolidated shareholdings in the range of Euro 2m, the free cash flow after acquisitions thus aggregated Euro -19.5m as at the end of September (Q3/2008: Euro -7.3m).

The liquid funds increased to Euro 9.8m in the third quarter due to the positive operating cash flow to top the prior-year level (Euro 7.4m). The loans taken out could be reduced by Euro 4.3m to Euro 3.6m in the third quarter, so that net cash and cash equivalents – Euro 6.1m as at 30 September 2009 – was clearly positive again. Since the fourth quarter is traditionally the period reporting the strongest sales gains for Funkwerk, we expect to see an improvement in the cash flow, and thus in our liquidity situation, by the end of the year.

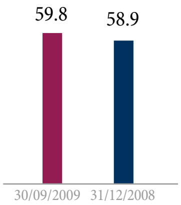
Equity ratio continues on high

Due to the trend of business, the balance sheet total of Funkwerk as a group continued to reduce in the third quarter of 2009 and now amounts to Euro 196.9m, which is evident primarily in the decrease in accounts receivable (Euro -12.2m).

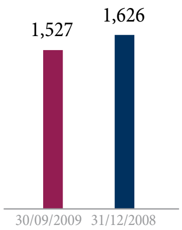
Group profit
in million Euro



Equity ratio
in percent



Employees



On account of the loss in the period under review, our equity reduced to Euro 117.7m. At 60 per cent, the equity ratio, however, remained well above average.

At around Euro 79m, the working capital remained virtually the same compared to earlier in the year, but reduced by around Euro 14m on the prior-year period (30 September 2008). Based on the seasonal business development at Funkwerk, the current trend ensues from a year-on-year comparison. The Executive Board will in future focus its attention emphatically on a further reduction of inventories.

Research and development

The development costs of Funkwerk in the period under review increased slightly on the previous year, up by 4 per cent to Euro 22.7m. This corresponds to over 13 per cent of sales. The lion's share here, almost Euro 15m, were due to customer-financed activities within the scope of projects and contracts.

Our self-financed and capitalised development work in the reporting period totalled Euro 8.2m (2008: Euro 6.9m). This must be seen opposite depreciations of around Euro 5m (Q3/2008: Euro 4.8m). Efforts continued to concentrate on TETRA handsets for security solutions and on electronic interlocking systems (Alister) for regional rail transport. Due to complex approval conditions, the launch of both product lines has unfortunately been delayed. We do, however, firmly expect a gradual launch by the end of 2009 and in early 2010, respectively. This will open up new sales potential of up to Euro 50m. Furthermore, Funkwerk endeavours to keep up with technological advances in all areas and enhance its portfolio by introducing innovative solutions.

Employees

Business in the period under review required an adjustment of capacities and the number of employees in our various business segments. The necessary restructuring in all segments in particular led to job cuts, which particularly affected such functional areas as administration, sales and production.

As at 30 September, the number of workforce (without trainees) in the Funkwerk group thus reduced by a good 8 per cent on the previous year, to 1,527 (2008: 1,626). On conclusion of the ongoing restructuring programme, the number of staff will likely reduce even further to below 1,400 by the close of the year.

Risks, risk management and opportunities

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.

Even though not much has changed since then, we noticed at the end of the period under review that the burdens particularly of the global economic crisis did not affect business with foreign customers until a little later so that individual risks needed to be reassessed, necessitating appropriate adjustments and a strategic reorientation in our organisation and in controlling.

The opportunities for our business resulting from the various state aid measures introduced to boost the economy and revive the investment activity have not become manifest yet and are not likely to affect sales and earnings until next year.

Prospects

The continued poor booking of new orders specifically in foreign business shows that the general crisis has now also hit Funkwerk and that a recovery is slow to set in. We expect business to revive by the middle of 2010 and believe that the state-introduced infrastructure programmes will be a contributing factor here.

Against this background, the fourth quarter of 2009 will primarily be defined by the implementation and conclusion of our current restructuring and fitness programme. This will lead to permanent cost savings of over Euro 10m in 2010 and to a stabilisation of our business trend with a turnaround to set the stage for a fresh, growth-oriented forward strategy from 2011.

Supplementary report

There were no other events of special significance after the reporting date on 30 September 2009.

Kölleda, November 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 Ardelt (Vice-Chairman), Entrepreneur, Starnberg
- Niels Lund Chrestensen, Entrepreneur, Erfurt

Executive Board

- Dr.-Ing. Hans Grundner (Chairman), Business Development and Business segment Traffic & Control Communication
- Johann Schmid-Davis, MBA,
  Finance and Organisation (since 01.09.2009)
- Norbert Gunkler, B.A.M.,
  Finance, Organisation and Investor Relations
  (until 31.08.2009)
- Lutz Pfister, M.Sc.,
  Business segment Automotive Communication
  (until 15.08.2009)

Share and Investor Relations

The Funkwerk share: Annual gains lost after budget review

In the third quarter, the financial markets decoupled themselves increasingly from the real trend of business and the economic prospects. While both the DAX and the TecDAX marked new annual highs, the key economic data do not give rise to hope for an end of the crisis.

At the end of the third quarter, the German stock index, DAX, had gained 17 per cent on the start of the year, with the benchmark of the leading technology and growth shares even up by 48 per cent, although its outperformance was due primarily to the multiplication of the top weighted stock in the TecDAX, Infineon AG.

Initially, the Funkwerk share (ISIN DE0005753149) largely followed the fluctuations of the TecDAX until well into July. In August, however, it broke the Euro 7 barrier so that Funkwerk, if briefly, outperformed the TecDAX. September saw the first profit takings. At Euro 7.29, the Funkwerk share had increased in value by 31.3 per cent in the reporting period.

It subsequently climbed to a new annual high of Euro 8.20 in early October. But when the sales and profit forecasts needed to be revised, the Funkwerk share lost much of its annual profit again.

The five financial institutions and analysts that regularly analyse Funkwerk AG subsequently revised their assessments accordingly, putting the fair value of the share at between Euro 5.50 and Euro 10.

Basic information on the share

Segment	Prime Standard of Frankfurt Stock Exchange
Stock category	No-par bearer shares at a par value of Euro 1
WKN/ISIN DE	575 314 / DE 0005753149 (code: FEW) Reuters: FEWG.DE Bloomberg: FEW GR
Designated sponsors	• WestLB • Close Brothers Seydler Bank AG
Market capitalisation	Euro 59.1m (as at the end of September 2009)

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

Shareholder structure

Funkwerk was not notified of any major changes in the shareholder structure in the period under review. As at the end of March, the shares in Funkwerk AG are held 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 September 30, 2009

ASSETS		30/09/2009 EUR k	31/12/2008 EUR k
A. Non-Current Assets			
1.	Intangible assets	50,404	47,499
	thereof goodwill	19,265	19,065
	thereof development costs	25,633	22,089
2.	Property, plant and equipment	17,442	19,146
	thereof land, leasing rights and buildings including those on third-party land	7,380	7,578
	thereof technical equipment, plant and machinery	4,891	5,883
	thereof other equipment, operational and business equipment	5,023	5,605
	thereof advanced payments and construction in progress	148	79
3.	Loans to affiliated companies	0	0
4.	Other financial assets	2,325	126
5.	Deferred taxes	3,142	372
		73,313	**67,143**
B. Current Assets			
1.	Inventories	49,246	46,193
	thereof raw materials and supplies	24,193	24,486
	thereof work in progress	11,168	7,875
	thereof finished goods and merchandise	13,152	13,240
	thereof advance payments	733	592
2.	Trade accounts receivable	33,074	50,702
3.	Accounts due from projects in process	22,556	18,611
4.	Accounts due from affiliated companies	755	617
5.	Other taxes receivable	4,711	4,477
6.	Other asset value	3,536	4,252
7.	Securities	622	642
8.	Cash	9,133	25,365
9.	Long-term assets received for sale	0	2,100
		123,633	**152,959**
		196,946	**220,102**

Financial Statements according to IFRS

EQUITY AND LIABILITIES	30/09/2009 EUR k	31/12/2008 EUR k
A. Shareholders' Equity		
1. Subscribed capital	8,101	8,101
2. Additional paid-in capital	63,236	63,017
3. Appropriated retained earnings	38,211	38,211
4. Own shares	(1,062)	(1,062)
5. Consolidated unappropriated retained earnings	9,425	21,657
6. Minority interest	(3)	11
7. Foreign currency items	(202)	(379)
	117,706	**129,556**
B. Accrued Liabilities		
1. Pension accrued	12,488	12,640
2. Prepaid expenses item for investment subsidies and allowances	1,274	1,358
3. Deferred taxes	0	3,008
4. Liabilities due to banks	23	33
	13,785	**17,039**
C. Current Liabilities		
1. Liabilities due to banks	3,634	341
2. Trade accounts payable	23,536	33,730
3. Advance payments received on orders	2,943	3,844
4. Accounts due to affiliated companies	63	73
5. Taxes payable	3,945	3,474
6. Other accrued liabilities	9,984	10,767
7. Prepaid expenses item for investment subsidies and allowances	159	184
8. Financial liabilities	21,191	21,094
thereof personnel liabilities	9,355	8,566
thereof for taxes	2,079	4,016
thereof for social security	157	641
	65,455	**73,507**
	196,946	**220,102**

Consolidated Statement of Comprehensive Income 01/01/2009 to 30/09/2009

		Q3 2009 01/07/2009 to 30/09/2009		Q3 2008 01/07/2008 to 30/09/2008		Q1-Q3 2009 01/01/2009 to 30/09/2009		Q1-Q3 2008 01/01/2008 to 30/09/2008	
		EUR k	%	EUR k	%	EUR k	%	EUR k	%
1.	Revenues	53,969	91.6	71,919	96.5	167,913	91.1	203,327	93.8
2.	Increase in inventories of finished goods and work in progress	796	1.4	(3,514)	4.7	2,938	1.6	(4,309)	2.0
3.	Other own work capitalised (development costs)	2,465	4.2	2,503	3.4	8,177	4.4	6,940	3.2
4.	Other operating income	1,672	2.8	3,598	4.8	5,228	2.8	10,802	5.0
5.	**Gross income**	**58,902**	**100**	**74,506**	**100**	**184,256**	**100**	**216,760**	**100**
6.	Material expenses	(29,802)	50.6	(35,119)	47.1	(88,781)	48.2	(100,182)	46.2
7.	Personnel expenses	(25,028)	42.5	(23,875)	32.0	(73,310)	39.8	(72,795)	33.6
8.	Depreciation and amortisation	(3,882)	6.6	(3,608)	4.8	(10,054)	5.5	(10,971)	5.1
	thereof development costs	(2,190)	3.7	(1,598)	2.1	(4,950)	2.7	(4,838)	2.2
9.	Other operating expenses	(9,753)	16.6	(10,602)	14.2	(27,599)	15.0	(30,290)	14.0
10.	**Operating expenses**	**(68,465)**	**116.2**	**(73,204)**	**98.3**	**(199,744)**	**108.4**	**(214,238)**	**98.8**
11.	**Operating profit (EBIT)**	**(9,563)**	**(16.2)**	**1,302**	**1.7**	**(15,488)**	**(8.4)**	**2,522**	**1.2**
12.	Financial income	1	0.0	283	0.4	118	0.1	544	0.3
13.	Depreciation/Amortisation of financial assets	0	0.0	0	0.0	0	0.0	0	0.0
14.	Financial expenditure	(305)	0.5	(357)	0.5	(792)	0.4	(1,190)	0.5
15.	**Financial income**	**(304)**	**(0.5)**	**(74)**	**0.1**	**(674)**	**(0.4)**	**(646)**	**0.2**
16.	**Income from ordinary operations**	**(9,867)**	**(16.8)**	**1,228**	**1.6**	**(16,162)**	**(8.8)**	**1,876**	**0.9**
17.	Deferred taxes	3,480	5.9	283	0.4	5,757	3.1	806	0.4
18.	Taxes on income and earnings	(877)	1.5	(438)	0.6	(1,452)	0.8	(1,195)	0.6
19.	Other taxes	(142)	0.2	(139)	0.2	(393)	0.2	(380)	0.2
20.	**Consolidated net income**	**(7,406)**	**(12.6)**	**934**	**1.3**	**(12,250)**	**(6.6)**	**1,107**	**0.5**
21.	Minority interests	(17)	0.0	32	0.0	18	0.0	242	0.1
22.	**Shareholders' equity**	**(7,423)**	**(12.6)**	**966**	**1.3**	**(12,232)**	**(6.6)**	**1,349**	**0.6**
23.	Profit carried forward	21,657	36.8	15,473	20.8	21,657	11.8	15,473	7.1
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)	0.9
26.	**Consolidated unappropriated retained earnings**	**14,234**	**24.2**	**14,425**	**19.4**	**9,425**	**5.1**	**14,808**	**6.8**

Earnings per share according to IAS 33

		Q3 2009	Q3 2008	Q1-Q3 2009	Q1-Q3 2008
Consolidated net income	EUR k	(7,423)	966	(12,232)	1,349
Number of shares (undiluted)	Shares k	8,060	8,060	8,060	8,060
Earnings per share (undiluted)	EUR	(0.92)	0.12	(1.52)	0.17
Consolidated net income	EUR k	(7,423)	966	(12,232)	1,349
Number of shares (diluted)	Shares k	8,278	8,272	8,278	8,272
Earnings per share (diluted)	EUR	(0.90)	0.12	(1.48)	0.16

	Q3 2009 01/07/2009 to 30/09/2009		Q3 2008 01/07/2008 to 30/09/2008		Q1-Q3 2009 01/01/2009 to 30/09/2009		Q1-Q3 2008 01/01/2008 to 30/09/2008	
	EUR k	%	EUR k	%	EUR k	%	EUR k	%
Consolidated net income	**(7,406)**	**(12.6)**	**934**	**1.3**	**(12,250)**	**(6.7)**	**1,107**	**0.5**
Other comprehensive income								
Foreign currency exchange rate changes	41	0.1	(139)	-0.2	177	0.1	(192)	(0.1)
Other comprehensive income for the period	**41**	**0.1**	**(139)**	**-0.2**	**177**	**0.1**	**(192)**	**(0.1)**
Total comprehensive income for the period	**(7,365)**	**(12.5)**	**795**	**1.1**	**(12,073)**	**(6.6)**	**915**	**0.4**
Attributable to shareholders' equity	(7,382)	(12.5)	827	1.1	(12,055)	(6.6)	1,157	0.5
Attributable to minority interests	17	0.0	(32)	0.0	(18)	0.0	(242)	(0.1)

Consolidated Statement of Cash Flows 01/01/2009 to 30/09/2009

	Q1-Q3 2009 01/01/2009 to 30/09/2009 EUR k	Q1-Q3 2008 01/01/2008 to 30/09/2008 EUR k
1. Consolidated net income	**(12,232)**	**1,349**
2. Depreciation and amortisation	10,054	10,971
3. Other non-cash expenditure and income	(2,285)	0
4. Increase/Decrease in the special line item	(109)	(175)
5. Increase/Decrease in deferred taxes	(5,778)	(837)
6. Cash flow according to DVFA	**(10,350)**	**11,308**
7. Increase/Decrease of accounts receivable and other assets	11,044	4,952
8. Increase/Decrease of accounts payable and other equity and liabilities	(11,123)	(11,951)
9. Net cash from operating activities	**(10,429)**	**4,309**
10. Cash paid for investments	(11,078)	(11,619)
11. Alienation of financial assets	0	0
12. Net cash used in investing activities	**(11,078)**	**(11,619)**
13. Free Cash Flow before acquisitions	**(21,507)**	**(7,310)**
14. Cash paid for consolidated and related companies	(247)	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	**1,986**	**0**
18. Free Cash Flow incl. acquisitions	**(19,521)**	**(7,310)**
19. Proceeds from raising of (finance) loans	3,283	49
20. Payment for repayment of (finance) loans	0	(909)
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	(14)	(642)
24. Dividends paid	0	(2,014)
25. Net cash used in financing activities	**3,269**	**(3,516)**
26. Change in cash	(16,252)	(10,826)
27. Cash at beginning of period	26,007	18,247
28. Cash at end of period	**9,755**	**7,421**
Composition of cash at the end of the reporting period		
Cash in hand and deposit at banks	9,133	6,808
Securities	622	613
	9,755	**7,421**

Statement of Changes in Shareholders' Equity

EUR k	Subscribed Capital	Additional paid-in Capital	Retained earnings	Consolidated unappropri-ated retained earnings	Own Shares	Foreign currency items	Total	Minority interests	Total 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	534	0	0	0	0	534	0	534
Minority interests	0	0	0	0	0	0	0	(642)	(642)
Profit Q1-Q3 2008	0	0	0	1,349	0	0	1,349	0	1,349
Currency exposure	0	0	0	0	0	(192)	(192)	0	(192)
September 30, 2008	**8,101**	**63,094**	**38,211**	**14,808**	**(1,062)**	**(277)**	**122,875**	**(14)**	**122,861**
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	219	0	0	0	0	219	0	219
Minority interests	0	0	0	0	0	0	0	(14)	(14)
Profit Q1-Q3 2009	0	0	0	(12,232)	0	0	(12,232)	0	(12,232)
Currency exposure	0	0	0	0	0	177	177	0	177
September 30, 2009	**8,101**	**63,236**	**38,211**	**9,425**	**(1,062)**	**(202)**	**117,709**	**(3)**	**117,706**

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	(48,000)	(21,060)	(24,580)	(118,113)	(211,753)
Closing balance 30/09/2009	**66,000**	**29,390**	**58,155**	**196,952**	**350,497**

Segment Reporting 01/01/2009 to 30/09/2009

	Year	TCC EUR k	AC EUR k	EC EUR k	SC EUR k	Total EUR k
1. Total revenues	2009	79,338	21,088	25,192	49,532	175,150
	2008	86,361	40,415	22,261	55,484	204,521
2. Revenues by segment*	2009	133	93	543	6,468	7,237
	2008	1,119	2	14	59	1,194
3. Revenues	2009	79,205	20,995	24,649	43,064	167,913
	2008	85,242	40,413	22,247	55,425	203,327
4. Increase/Decrease in inventories of	2009	1,329	265	0	1,344	2,938
finished goods and work in progress	2008	(3,546)	(213)	0	(550)	(4,309)
5. Other own work capitalised	2009	2,218	2,266	1,589	2,104	8,177
(development costs)	2008	2,091	1,750	1,251	1,848	6,940
6. Other operating income	2009	2,502	1,027	1,108	591	5,228
	2008	8,839	910	439	614	10,802
7. Gross income	2009	85,254	24,553	27,346	47,103	184,256
	2008	92,626	42,860	23,937	57,337	216,760
8. Material expenses	2009	(38,696)	(13,846)	(11,617)	(24,622)	(88,781)
	2008	(34,474)	(24,260)	(10,917)	(30,531)	(100,182)
9. Personnel expenses	2009	(36,545)	(9,783)	(8,003)	(18,979)	(73,310)
	2008	(35,298)	(11,347)	(8,835)	(17,315)	(72,795)
10. Depreciation of non-current assets	2009	(2,139)	(1,213)	(595)	(1,157)	(5,104)
	2008	(2,760)	(1,494)	(730)	(1,149)	(6,133)
11. Depreciation of development costs	2009	(886)	(2,187)	(1,207)	(670)	(4,950)
	2008	(1,245)	(1,500)	(1,284)	(809)	(4,838)
12. Other operating expenses	2009	(10,184)	(3,053)	(4,226)	(10,136)	(27,599)
	2008	(12,125)	(4,286)	(5,271)	(8,608)	(30,290)
13. Operating profit (EBIT)	**2009**	**(3,196)**	**(5,529)**	**1,698**	**(8,461)**	**(15,488)**
	2008	**6,724**	**(27)**	**(3,100)**	(1,075)	**2,522**

* Within consolidation revenues with other segments will be eliminated.

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 nine 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 nine 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:

	30/09/2009	30/09/2008
Consolidated net income in EUR k		
before the issue of IFRS 2	(12,013)	1,883
share-based personnel expenses	(219)	(534)
after the issue of IFRS 2	(12,232)	1,349
Earnings per share in EUR (undiluted)		
before the issue of IFRS 2	(1.49)	0.23
after the issue of IFRS 2	(1.52)	0.17
Earnings per share in EUR (undiluted)		
before the issue of IFRS 2	(1.45)	0.22
after the issue of IFRS 2	(1.48)	0.16

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."

The Executive Board of Funkwerk AG
Kölleda, November 2009

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