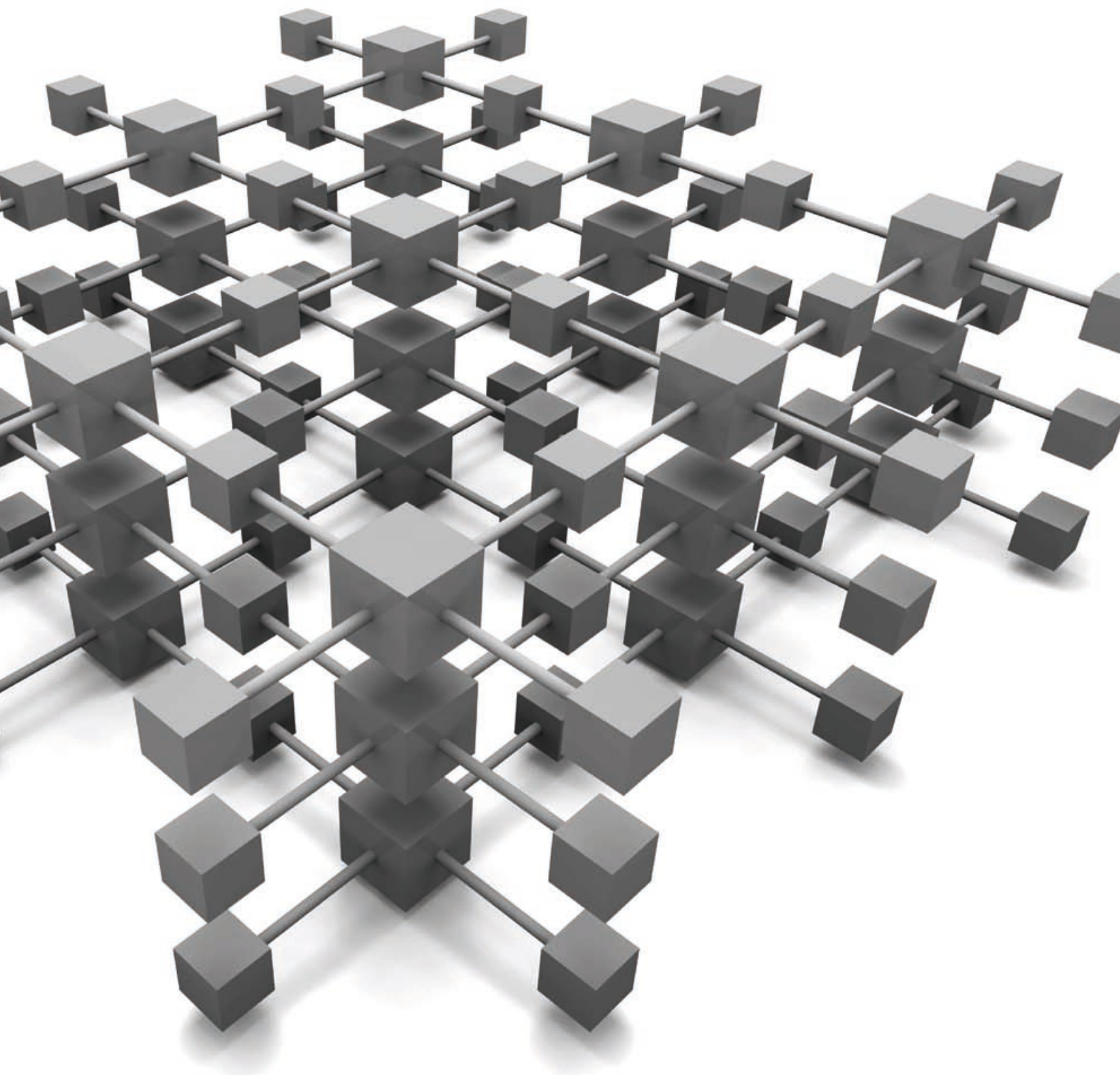


INTERIM REPORT

1/2010



KEY DATE

	Q1 2010	Q1 2009
	€ M	€ M
Results of operations		
Revenues	47.4	56.7
Gross yield	25.1	29.6
Operating profit*	-2.4	-2.9
Operating result /EBIT	-2.8	-2.9
Earnings per share in EUR	-0,36	-0,29
Receipt of order	61.4	50.1
Order volume	112.1	106.6
Net assets and financial position		
Operating Cash Flow	-6.1	-13.8
Working Capital	54.5	84.3
Shareholder's Equity	86.2	127.2
Equity ratio in %	53,6	60,1
Balance sheet total	160.8	211.6
Employees (annual average)	1.325	1.614

*result before impairment charges and restructuring costs

FUNKWERK AG

Funkwerk specialises in solution-oriented information and communication systems for such applications as transport and traffic, vehicles, security and data networks. Funkwerk systems automate, rationalise and secure the operating processes of customer target groups covering a wide range from private enterprises to public institutions. Based on different areas of application and appropriate target groups, Funkwerk today is an active technology provider with four strategic business units.

TRAFFIC & CONTROL COMMUNICATION

- Communication systems
- Management systems
- Information systems

AUTOMOTIVE COMMUNICATION

- Communication systems (ASM)
- Communication systems (OEM)
- Telematics
- Avionics

ENTERPRISE COMMUNICATION

- Networks
- Voice
- Data security

SECURITY COMMUNICATION

- Video systems
- Property protection
- Personal security systems
- Radio equipment for security functions

GROUP MANAGEMENT REPORT

Dear ladies and gentlemen, dear shareholders,

The global economy appears to have bottomed out, the key economic figures point to stabilisation, albeit at a low level, and a number of indicators give hope for an incipient recovery. This holds true for the economic system as such as much as it does for the first quarter of the 2010 financial year at Funkwerk AG – the worst is behind us, there are signs indicating a stimulation of business.

The sales trend may have continued at a restrained level. But this essentially is a reflex of poor incoming business in the latter half of 2009 and the discontinuation of sales items related to the restructuring and concentration of our product range and the closure of sources of loss.

As a result, revenues at group level amounted to €47.4m to finish lower again by 16 per cent than the prior-year reference figure (2009: €56.7m). It is necessary to point out here though that the very fact alone that our French company Bouyer S.A.S., Montauban, was deconsolidated at the start of the year and business activities in Algeria were »frozen« in the first quarter meant that sales were down some €7m on the previous year. A further detrimental factor was the long, hard winter, which prevented us from implementing projects already commenced in the railway sector and worth some €4m.

Despite the drop in sales, our operating result before restructuring and impairment costs improved by around 18 per cent, up from €–2.9m in 2009 to €–2.4m. Earnings before interest and taxes, including restructuring costs of €0.4m, aggregated €–28m (2009: €–2.9m). It must be taken into account here that the restructuring of our Security Communication segment, which continued in the first quarter of 2010, involved related cost in the personnel sector along with further expense, so that the negative result was due almost exclusively to this segment (segment result: €–2.7m).

Growth indicator back to precrisis level – incoming business strong

In other respects, however, our cost cutting programme implemented in 2009 started to show positive effects in our business segments. Despite sales being down by €9.3m, the gross yield (sales and inventory changes less cost of materials) reduced by only €1.5m, which resulted in an increase in the gross yield margin from 46.9 to 52.9 per cent. In addition, we were able to cut fixed personnel costs and other operating expenses by a total of around €4m on the previous year. As a result, earnings improved by €2.5m without special confounding factors. Earnings after interest and taxes in the period totalled €–2.9m (2009: €–2.4m), which corresponds to earnings per share of €–0.36 (2009: €–0.29). Cash flow from operations improved significantly on the previous year, up from €–13.9m in 2009 to €–6.1m.

Over the next few quarters, Funkwerk expects that both sales and earnings will increase again with earnings stabilising effectively. A strong indicator of this is the drastic improvement in incoming business by over 22 per cent to €61.4m on the prior-year reference period (€50.1m). Consequently, the ratio of orders booked to the amount billed – the book-to-bill ratio – as a key growth indicator for our company climbed to over 1.3. The last time a comparable figure was achieved was before the global economic crisis in 2007. It is also satisfactory to see that all four of our segments reported increases.

As at the end of March, the volume of orders totalled €112.1m (2009: €106.6m) and thus was also back to levels last registered in 2007.

Business trend by segment

SECURITY COMMUNICATION REALIGNED

The massive slump in the latter half of 2009, triggered by a politically induced termination of major international property protection projects, resulted in the pressing need for a fundamental restructuring and realignment of capacities in our Security Communication segment. It was also taken as an opportunity to shift towards stronger integration of the products and organisation of the various operating units in this segment. In the first quarter of 2010, this therefore necessitated further restructuring costs of €0.4 m and brought with it a drastic drop in sales from €16.1 m to €10.8 m. Despite the incipient effects of cutting fixed costs, the segment loss (EBIT) increased as a result to €-2.7 m (2009: €-1.6 m).

In terms of operations, however, the first quarter of 2010 brought with it further successes besides cost savings. As an example, radio systems and terminals in the personal security sector were launched for the first time based on the new TETRA standard. In this sector, along with our integrated building security system Webnet-2, is expected to provide excellent growth potential in the area of security technology.

Due to the reorientation, the progressing integration and the resulting synergy effects for Security Communication, we expect business on the whole to stabilise with upward tendencies and a gradual improvement in earnings over the course of the year. This is corroborated by the positive trend in incoming business. As at the end of March, the figure here was up by some 20 per cent to €13.9 m (2009: €11.6 m).

In the medium term, Funkwerk anticipates significant growth in this segment in line with the growing demand for intelligent solutions for the protection of people, buildings and objects. Authorities and organisations with security functions such as the police and the fire brigade, operators of industrial sites and the raw material industry in particular will increasingly need to invest in security systems. Funkwerk has many years of experience in pertinent communication technology and is a leading specialist in personal security and video monitoring systems in the global market.

AUTOMOTIVE COMMUNICATION STABILISED

Our Automotive Communication (AC) segment has already completed its adjustment process brought on by the worldwide slump in the automobile markets with good results. Whereas OEM business for the automobile industry began to show signs of stabilisation, after-sales business, specifically in export, continued to be rather disappointing. This, however, could be compensated almost fully in the first quarter of 2010 by the noticeable increase in demand in the OEM sector as well as in business with radio transponders as part of our avionics product range.

At €7.1 m in the first quarter of 2010, revenues at Automotive Communication on the whole remained at prior-year level (€7.5 m). The operating result in this segment improved, however, up from €-1.4 in 2009 to €-0.5 m. Over the course of the year, earnings here are also expected to stabilise, accompanied by a slight increase in sales.

Again, incoming business of €7.7 m as at the end of March pointed up to finish 22 per cent above the previous year (€6.3 m).

Business with communication equipment for vehicles, however, is not expected to pick up to any marked degree until 2011. The supply market for the automobile and commercial vehicle industry should have normalised by then and receive new impetus from increasing infotainment offers. Additional potential for the sector is likely to come from our new WLAN routers and USB hubs for leading German premium manufacturers and from our Home Compenser designed to provide rural areas with broadband.

ENTERPRISE COMMUNICATION: RETURN TO POSITIVE RESULT

Enterprise Communication (EC) is on a good track. After reducing the variety of its product range and realigning with the requirements of small to mid-sized companies, its business with TC systems, network and data security solutions is now back to being profitable despite intensified competition and pricing pressures. While the stronger focus on specific areas meant giving up certain sales potential, it has also effectively improved other business parameters.

In the first quarter of 2010, EC generated sales of €7.0m, which virtually matched the prior-year figure (€7.3m). At €0.2m, the segment result was positive (2009: €2.2m). Due to a one-off licence sale reflected in the first quarter of 2009, a prior-year comparison here provides a distorted picture. Adjusted by this sale, the earning power of this segment improved by around €0.3m.

Over the further course of the year, we therefore expect a positive earnings contribution here along with a steady sales trend. EC will continue its efforts to become a provider of integrated all-IP solutions for small to mid-sized companies with special data security requirements and together with its partners develop further sector-specific solutions.

New solutions with a trendsetting PABX architecture and IP TC systems may require further investments. But this must be seen opposite new sales potential in such areas as export, which is likely to have a noticeably positive effect on sales and earnings in this segment from the fourth quarter of 2010. Incoming business revived somewhat as early as in the first quarter and at €7.5m was up by 10 per cent on the previous year (€6.8m).

TRAFFIC & CONTROL COMMUNICATION: BACK ON TRACK TO SUCCESS

Funkwerk's largest segment, Traffic & Control Communication (TCC), will be back on track to success in 2010, having eliminated sources of loss and implemented an effective cost cutting programme. The competitive capacity and profitability regained as a result of these measures is already reflected in key figures for this segment.

Segment sales in the first quarter of 2010 once again fell from €25.8m in 2009 to €22.5m as a reflex response to the poor order situation in the latter half of 2009 and due to the discontinuation of unprofitable peripheral activities. This is made up, however, by the operating result, which improved by over €2m to €0.2m (2009: €-2.1m). It also must be borne in mind here that the first quarter in this segment is typically the poorest on account of preparatory efforts for projects that will not be reflected in sales until later. In addition, the long, hard winter took its toll and prevented us from implementing projects already commenced in the railway sector which were worth some €4m.

The growth potential of our business with communication, information and management systems for transport companies and manufacturers of transport infrastructures is already evident, however, in our incoming business. At €32.3m as at the end of March, Funkwerk was able to improve its intake by over 30 per cent here compared to the previous year (2009: €24.7m). This figure includes catch-up effects.

Funkwerk was able in the process to consolidate its leading position as a supplier of communication systems (mobile radio terminals), in information systems and in management system both at national and international level. A framework contract with Deutsche Bahn AG involving the supply of electronic interlocking systems (ESTW) for regional transport and for the automation of branch lines was concluded and should be reflected in sales in the latter half of the year. Funkwerk also supplied cutting-edge communication technology for two announcement centres along with information systems for key railway stations of Deutsche Bahn AG.

On the international stage, Funkwerk scored successes in that we were able to deliver an information system for Austria's national railway company (ÖBB), equip Saudi-Arabia's existing railcar fleet with mobile radio devices (KAP radios) and win a major contract from the Hungarian MATEV. This was complemented by direct supplies for the international leader in railcar manufacturing, Bombardier, and the Polish supplier of regional railcar equipment, PESA.

Further impetus for growth in 2010 will come from the market launch of the ESTW system Alister 2, the new mobile radio devices based on DMR (Digital Mobile Radio) standard, and worldwide efforts to modernise the rail transport systems. As a result, Traffic & Control Communication should see sales increase over the year and in 2010 generate significantly positive earnings from operations.

Explanatory notes to the earnings situation

The earnings situation of Funkwerk AG in the first quarter of 2010 was defined primarily by three factors. Firstly, the poor order situation in the latter half of 2009 and a once again declining sales trend after discontinuation of unprofitable activities and the streamlining of our product portfolio. Secondly, the progressing restructuring of our Security Communication segment; and thirdly, the reduction in fixed costs now achieved as a result of our group-wide »fitness« programme.

While the cost cutting measures implemented in 2009 already showed positive effects on the earnings situation of all our segments, Security Communication continued to report an operating deficit. The negative segment result of € – 2.7 m had a determining influence on the group loss in the first quarter.

At € 47.4 m (2009: € 56.7 m), the sales volume was down by € 9.3 m, or 16 per cent, on the previous year. Funkwerk was able to even out all but € 1.5 m of this loss in the gross yield (sales and inventory changes less cost of materials) on grounds of the significant increase in the gross yield margin from 46.9 to 52.9 per cent. This is due primarily to the optimisation in procurement and the streamlining of our portfolio as part of our »fitness« programme implemented in 2009. The »fitness« and restructuring programme also resulted in considerable reductions in personnel costs and other operating expenses in the order of around € 4.3 m, or 13 per cent, on 2009. This indicates even at the early stage of the first quarter that the measures implemented to achieve cost savings of over € 10 m in 2010 are effective. Furthermore, depreciations reduced by € 0.8 m to € 2.3 m (2009: € 3.1 m) primarily as an effect of the impairment of capitalised development costs in 2009.

The reduction in gross yield of € 1.5 m therefore must be seen opposite savings in fixed costs of over € 4 m as well as reduced depreciations of € 0.8 m. Compared with the previous year, it must also be borne in mind here that 2009 included one-off income from licence sales in the order of over € 2 m as part of the other operating income.

Despite reduced sales, this produces an operating result before restructuring costs and impairments of € – 2.4 m (2009: € – 2.9 m). Taking into account the restructuring costs of € 0.4 m still required in the first quarter, the earnings before interest and taxes (EBIT) stood at € – 2.8 m (2009: € – 2.9 m).

The pre-tax loss (EBT) in the Funkwerk group aggregated € – 3.1 m in the first quarter of 2010 to match the figure for the previous year. The consolidated earnings after taxes amounted to € – 2.9 m (2009: € – 2.4 m). This corresponds to a loss per share of € – 0.36 (2009: € – 0.29).

Explanatory notes to the financial and net worth position

Despite the decline in sales, the financial and net worth position of the Funkwerk group developed positively in the reporting period as a result of the effective adjustment measures initiated. Cash flow from operations improved by €7.8m on the previous year. At 53.6 per cent (end of 2009: 53.1 per cent), the equity ratio as a measure of financial stability of a company also continued at an exceptionally high level.

Due to the drop in business and the impairments effected in the latter half of 2009, total assets reduced considerably on the previous year, down by around 24 per cent to 60.8m (2009: €211.6m). Compared to the end of 2009 (€167.8m), total assets fell somewhat by 4 per cent, or €7.0m. As expected, the equity decreased to €86.2m on account of the loss for the period (end of 2009: €89.1m).

The deconsolidation of Bouyer S.A.S. Montauban, France, following its commencement of insolvency proceedings in January 2010 did not affect the equity of the group in the first quarter, as the extensive earnings and equity effects had already been taken into account in the consolidated financial statements for 2009. In regard to the other items on the balance sheet, the deconsolidation resulted in a reduction in pension commitments of €0.8m and a decrease in short-term debt of €1.5m. On the other side, liquid funds along with other short-term assets reduced by a total of €2.3m as a consequence of the deconsolidation.

WORKING CAPITAL FURTHER OPTIMISED

In the reporting period, further progress was made in optimising the volume of capital tied up in the Funkwerk group for operations (working capital). Compared to the previous year, the working capital was reduced by some 35 per cent to €54.6m (2009: €84.2m). It is remarkable here that despite the asymmetrical business trend and the resulting preparatory efforts for projects, the working capital in the first quarter of 2010 could largely be kept at the 2009 year-end level. The increase in inventories to €48.3m (end of 2009: €42.6m) owing to project progress and the recent stabilisation of business and the order trend must be seen opposite a reduction in trade accounts receivable to €23.8m (end of 2009: €25.3m) as well as counterfinancing through increase in trade accounts payable to €25.3m (end of 2009: €23.3m) and advance payments on orders to €8.0m (end of 2009: €7.3m). The positive trend of the working capital contributed significantly to the drastic gain in cash flow from operations. Compared to the prior-year quarter, the cash flow from operations improved quite significantly by around €8m to €-6.1m (2009: €-13.9m).

Payments for investments in the reporting period reduced by €1.2m on the prior-year quarter, to €2.6m (2009: €3.8m). In the first quarter of 2010, spending on tangible assets amounted to €0.4m (2009: €0.6m), while investments in intangible assets came to €0.1m (2009: €0.3m). The capitalised development costs aggregated €2.1m (2009: €2.9m). Taking into account the deconsolidation effect of Bouyer S.A.S in the amount of €-1.1m, the cash flow from investments came to €-3.7m as at the end of March 2010 (2009: €-3.9m).

As a result, the free cash flow improved by around €8m on the previous year, to €-9.8m (2009: €-17.7m).

Liquid funds as at 31 March 2010 amounted to €10.1m to remain at prior-year level (2009: €10.5m). Financial liabilities repaid in the reporting period amounted to €2.3m. Net cash and cash equivalents as at the cutoff date totalled €10.1m, up by around €3m on the first quarter of the previous year (2009: €7.3m).

Research and development

Spending on development efforts at Funkwerk is always proportionate to business growth. In addition, we aim to keep up with the latest technological developments in all areas and consolidate our market leadership achieved in specific product fields and applications through innovative solutions.

In the reporting period, spending on development reduced slightly on the previous year, down by 3 per cent to €7.0m. This corresponds to around 15 per cent of sales (2009: 13 per cent).

Self-financed and capitalised development in the reporting period totalled around €2.1m (2009: €3.0m). This figure is opposite depreciations of around €0.6m (2009: €1.3m). Development in the reporting period focused on the new IP-based communication platform at Enterprise Communications and on the application-based further development of the hand-held TETRA devices for security solutions.

Employees

With the exception of Security Communication, the personnel and capacity adjustments required in all segments had largely been completed by the end of 2009. As at 31 March, the number of employees (without trainees) in the Funkwerk group reduced by over 17 per cent to 1,325 (end of March 2009: 1,614). At the end of 2009, this figure had still been up at 1,485. On completion of the as yet ongoing restructuring of Security Communication, the number of employees will reduce further to around 1,300 by the end of the year.

Opportunities and risk report

The main opportunities and risks affecting the asset, financial or earnings position of Funkwerk, along with the risk management system are described in detail in the 2009 annual report of our company. No new aspects have arisen since then.

Events after the cutoff date and major transactions with affiliated individuals and companies

No events of special note occurred after the cutoff date on 31 March 2010. There were no major transactions with individuals or companies affiliated with Funkwerk.

Forecast and prospects

The use of information and communication technology at transport companies in the industry and at organisations with security functions continues in the long run to gain in importance. As a specialist in this area, this opens up sustainable growth potential for Funkwerk.

However, many investments depend on sufficient funds or state aid. Corresponding restrictions may lead to postponements or even the cancellation of projects in which preparatory efforts have already been made. In view of increasing public deficits and the continued restrictive attitude of banks in granting loans, these general economic parameters are also crucial for the development of business at Funkwerk.

Economic researchers generally expect the global economy to recover by a total of around 3 per cent in 2010.

This trend will likely be stronger in what are known as the BRIC states (Brazil, Russia, India and China) and significantly weaker in Europe and western industrialised nations. In the latter countries – which are significant markets for Funkwerk – growth is predicted not to exceed 1 or 2 per cent.

In Traffic & Control Communication, Funkwerk as a technology leader in key parts of the information and communication technology sector is presented with sustainable market opportunities where train radio systems for local and longdistance rail transport are due to be renewed and modernised. In electronic interlocking systems (ESTW-R), a further new market for cost-efficient systems is increasingly opening up which Funkwerk will be able to operate from the middle of the year. In the medium term, Funkwerk anticipates a market share here of around 25 % in Germany based on our own system, Alister ESTW-R.

In Automotive Communication, the market penetration of infotainment offers should to a degree boost the sale of Funkwerk products in the latter half of 2010. In addition to mobile signal amplifiers, Funkwerk also provides communication equipment for vehicles with superior radio transmission properties. Further potential results from spin-off applications of this technological competence in other markets.

In Enterprise Communication, Funkwerk occupies a good position with integrated all-IP solutions. Complete business solutions and system solutions with new performance features for select industries promise profitable growth here in the medium term, as companies increasingly modernise their communication infrastructures. We expect to see a steady upward trend here in 2010. A problem here as much as in Automotive Communication is, specifically, the current persistence of the demand-driven market for electronic components and the increasing weakness of the euro.

Following completion of the restructuring, Security Communication will also benefit from profitable growth potential based on increased demand for personal, building and property protection systems. As in our other segments, revenues here are also expected to improve again on the crisis year 2009.

Funkwerk has made it its goal in 2010 to grow rather more significantly than the overall economy. Based on the positive trend in incoming business in the first quarter, we anticipate sales to increase by up to 10 per cent on 2009. With our adjustments and restructuring measures virtually completed – with the exception of Security Communication – Funkwerk is now back on course in all its segments to achieving a generally positive result in 2010.

The Executive Board



Dr.-Ing. Hans Grundner
Chairman of the Board



Johann M. Schmid-Davis,
Chief Financial Officer

Corporate bodies in the reporting period

SUPERVISORY BOARD

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

EXECUTIVE BOARD

- Dr.-Ing. Hans Grundner (Chairman), Strategy and Business Development
- Johann M. Schmid-Davis, Masters in Bus. Econ., Finance, Organisation and Investor Relations

FUNKWERK-SHARE AND INVESTOR RELATIONS

THE FUNKWERK SHARE: TURNAROUND ACHIEVED

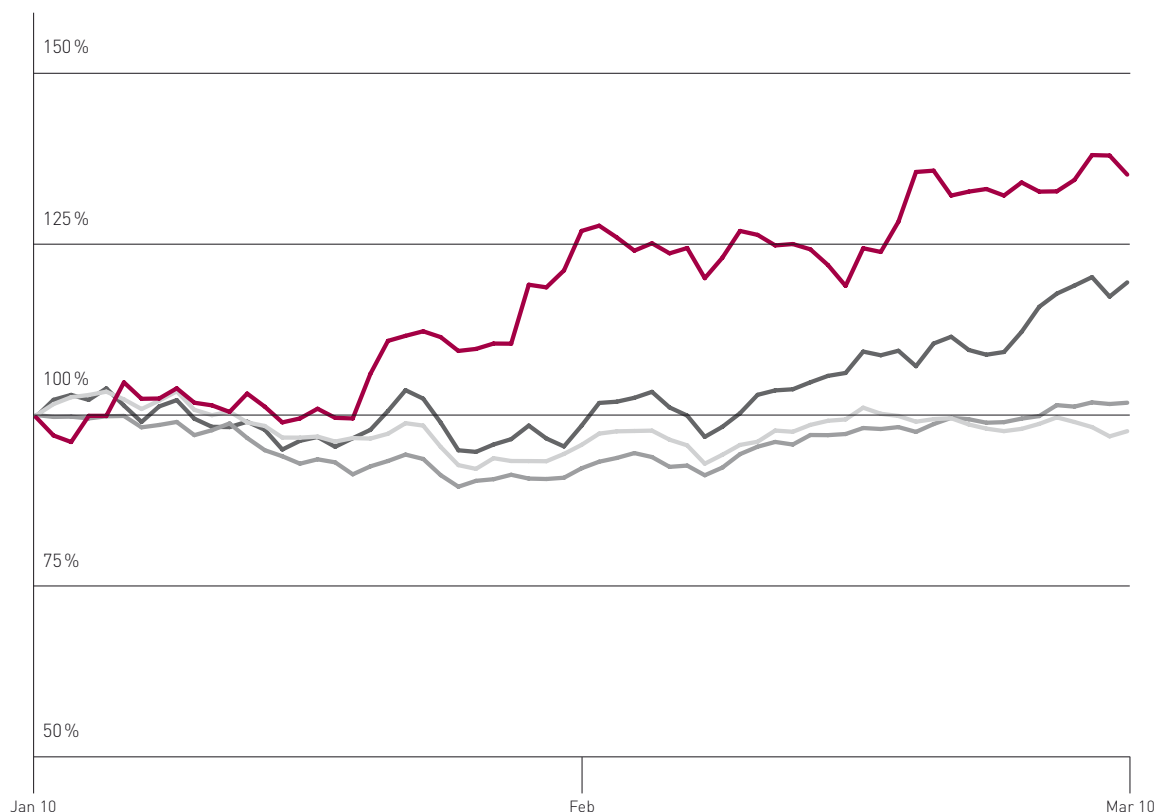
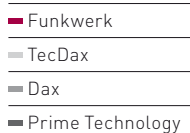
In the first quarter of 2010, Funkwerk's share (ISIN DE0005753149) seemed to a degree to anticipate the profit turnaround of the company. After an initially flat start into the new year, Funkwerk subsequently broke away from the general trend and from February was continuously traded higher.

Whereas fears of insolvency of Europe's industrial nations, spurred by escalating public deficits and still unsolved problems in the financial markets, halted the upward trend on the stock markets, Funkwerk's share continued its upturn. By the end of March, Funkwerk had booked a gain of over 35 per cent to €7.18. In contrast, the German stock index, DAX, merely advanced by a good 3 per cent, while the index for Germany's leading technology companies, TecDAX, lost as much as nearly 3 per cent over the same period.

Following the analyst and press conference on the company's financial statements at the end of March, Funkwerk's share was rated as a clear buy by most analysts. The upside targets given all ranged in the region of €6 to €10. Based on these largely positive assessments, share dealings and its quotation subsequently rose quite significantly.

Current information on Funkwerk's share along with presentations and reports on the company are available on our website at www.funkwerk.com.

PERFORMANCE Q1/2010



SHAREHOLDERS' MEETING TO VOTE NEW SUPERVISORY BOARD

The annual shareholders' meeting of Funkwerk AG to be held in Frankfurt on 27 May 2010 is scheduled to vote on a new Supervisory Board for the company. Other items on the agenda include renewal of the authorisation to purchase own shares and the authorisation to issue convertible and/or option bonds.

BASIC SHARE INFORMATION

- Segment: Prime Standard Frankfurt Stock Exchange
- Class: No-par bearer share at a nominal value of €1
- WKN / ISIN: 575314 / DE 0005753149 (code: FEW)
- Reuters: FEWG.DE
- Bloomberg: FEW GR
- Designated sponsors: WestLB, Close Brothers Seydler Bank AG
- Market capitalisation: €58.2 (end of March 2010)

SHAREHOLDER STRUCTURE

In the reporting period, Funkwerk was not notified of any significant changes in the shareholder structure. As at 31 March 2010, the shares in Funkwerk AG were distributed as follows:

- HÖRMANN Funkwerk Holding GmbH: 52.83 per cent (4,280,000 shares)
- Free float: 47.17 per cent (3,821,241 shares)
- own shares: 1.06 per cent (41,579 shares)

No other shareholders or shareholder groups are known to hold a significant, reportable share in Funkwerk AG.

CONSOLIDATED FINANCIAL STATEMENT

Consolidated Statement of Financial position acc. to IFRS at 31, March 2010

ASSETS	31/03/2010	31/12/2009
	EUR K	EUR K
A. Long-Term Assets		
1. Intangible assets	34,019	32,887
thereof goodwill	10,168	10,161
thereof development costs	19,898	17,487
2. Tangible assets	16,070	16,804
3. Financial assets reported using the equity method	1,330	1,530
4. Other assets	43	67
5. Deferred taxes	2,840	2,303
	54,302	53,591
B. Short-Term Asset		
1. Inventories	48,316	42,568
2. Trade accounts receivable	23,843	25,282
3. Receivables from projects in progress	15,718	15,206
4. Due from affiliated companies	811	682
5. Tax refund claims	2,826	3,955
6. Other assets	3,841	3,397
7. Financial assets	950	950
8. Financial assets	10,132	22,141
9. Long-term assets available for sale	76	76
	106,513	114,257
	160,815	167,848

LIABILITIES	31/03/2010	31/12/2009
	EUR K	EUR K
A. Equity Capital		
1. Subscribed capital	8,101	8,101
2. Capital reserve	63,304	63,270
3. Retained earnings	38,211	38,211
4. Own shares	-1,062	-1,062
5. Net loss	-22,027	-19,096
6. Foreign currency items	-353	-323
Equity of Funkwerk AG shareholders	86,174	89,101
7. Minority interests	6	14
	86,180	89,115
B. Long-Term Liabilities		
1. Pension obligations	11,909	13,021
2. Deferred investment subsidies	915	748
3. Deferred taxes	0	0
4. Financial liabilities	20	23
	12,844	13,792
C. Short-Term Liabilities		
1. Financial liabilities	12	2,264
2. Trade accounts payable	25,262	23,263
3. Advance payments received on orders	7,989	7,349
4. Due to affiliated companies	0	58
5. Tax liabilities	2,467	2,852
6. Accrued liabilities	11,251	11,289
7. Deferred investment subsidies	186	403
8. Other liabilities	14,624	17,463
	61,791	64,941
	160,815	167,848

Statement of Comprehensive Income acc. to IFRS

01/01/2010 to 31/03/2010

	Q1 2010 01/01/2010 TO 31/03/2010 EUR K	Q1 2009 01/01/2009 TO 31/03/2009 EUR K
1. Sales revenues	47,440	56,740
2. Increase in finished goods inventories and work in progress	2,491	1,347
3. Other own work capitalised	2,136	2,962
4. Other operating income	1,307	3,539
5. Total operating performance	53,374	64,588
6. Cost of materials	24,819	31,464
7. Personnel expenses	20,763	23,670
8. Planned depreciation	2,251	3,088
9. Other operating expenses	7,940	9,292
10. Operating result before impairment charges and restructuring costs	-2,399	-2,926
11. Restructuring costs	441	0
12. Operating result (EBIT)	-2,840	-2,926
13. Earnings from financial assets reported using the equity method	-200	0
14. Interest and similar income	88	63
15. Interest and similar expenses	158	234
16. Financial results	-270	-171
17. Earnings before taxes	-3,110	-3,097
18. Taxes on income	218	839
19. Other taxes	-47	-130
20. Earnings after taxes/result for the quarter	-2,939	-2,388
Amounts directly included in equity		
21. Currency differences	-30	-41
22. Other period results	-30	-41
23. Total	-2,969	-2,429
The result for the quarter comprises		
Funkwerk AG shareholders	-2,930	-2,374
Minority interests	-9	-14
The amounts directly included in equity comprise		
Funkwerk AG shareholders	-30	-41
Minority interests	0	0
Earnings per share acc. to IAS 33		
Earnings per share (undiluted) in EUR	-0.36	-0.29
Earnings per share (diluted) in EUR	-0.35	-0.29

Consolidated Statement of Cash Flows acc. to IFRS

01/01/2010 to 31/03/2010

	Q1 2010	Q1 2009
	01/01/2010 TO	01/01/2009 TO
	31/03/2010	31/03/2009
	EUR K	EUR K
1. Annual result	-2,939	-2,388
2. Income tax revenues/expenditure	-218	-844
3. Depreciation of development costs	632	1,349
4. Depreciation of tangible assets and intangible assets	1,619	1,739
5. Earnings from financial assets reported using the equity method	200	0
6. Other non-cash expenditure and income	33	73
7. Reversal of investment subsidies	-50	-55
8. Changes in reserves	-260	-1,065
9. Profit/loss from disposal of fixed assets	-88	-3
10. Changes in inventories, receivables and other assets	-6,382	-5,355
11. Changes in advance payments received on orders	473	-815
12. Changes in other debts	402	-6,567
13. Interest and similar income	-88	-63
14. Interest and similar expenses	158	234
15. Interest paid	-48	-50
16. Interest received	0	19
17. Paid income tax	474	-62
18. Cash flow from operating activities	-6,082	-13,853
19. Receipts from the disposal of fixed assets	8	15
20. Payments for investments and development costs	-2,136	-2,952
21. Payments for investments in intangible assets without goodwill and development costs	-62	-310
22. Payments for investments in fixed assets	-377	-582
23. Payments for the acquisition of consolidated companies less acquired cash and cash equivalents	25	0
24. Acquisition of participating interests	0	-32
25. Payments for removal of majority owned shares (including liquid funds)	-1,131	0
26. Cash flow from investing activities	-3,673	-3,861
27. Free cash flow	-9,755	-17,714
28. Receipts from take-up of (financial) credit	0	2,838
29. Payments for the redemption of loans and (financial) credit	-2,254	0
30. Receipts/payments due to compensation claims to minority shareholders	0	-14
31. Cash flow from financing activities	-2,254	2,824
32. Net change in cash and cash equivalents	-12,009	-14,890
33. Cash and cash equivalents at beginning of period	22,141	25,364
34. Cash and cash equivalents at end of period	10,132	10,474

Consolidated Statement of Changes in Equity acc. to IFRS

	SUBSCRIBED CAPITAL	CAPITAL RESERVE	REVENUE RESERVE	OWN SHARES	NET PROFIT / LOSS	FOREIGN CURRENCY ITEMS	EQUITY OF FUNKWERK AG SHARE- HOLDERS	MINORITY INTERESTS	TOTAL
	EUR K	EUR K	EUR K	EUR K	EUR K	EUR K	EUR K	EUR K	EUR K
December 31, 2008	8,101	63,017	38,211	-1,062	21,658	-379	129,546	11	129,557
Group profit for the period	0	0	0	0	-2,374	0	-2,374	-14	-2,388
Foreign currency items	0	0	0	0	0	-41	-41	0	-41
Total	0	0	0	0	-2,374	-41	-2,415	-14	-2,429
Share options (IFRS 2)	0	73	0	0	0	0	73	0	73
Change in minority interests	0	0	0	0	0	0	0	-15	-15
Transactions with owners	0	73	0	0	0	0	73	-15	58
March 31, 2009	8,101	63,090	38,211	-1,062	19,284	-420	127,204	-18	127,186
December 31, 2009	8,101	63,270	38,211	-1,062	-19,096	-323	89,101	14	89,115
Group profit for the period	0	0	0	0	-2,931	0	-2,931	-8	-2,939
Foreign currency items	0	0	0	0	0	-30	-30	0	-30
Total	0	0	0	0	-2,931	-30	-2,961	-8	-2,969
Share options (IFRS 2)	0	34	0	0	0	0	34	0	34
Change in minority interests	0	0	0	0	0	0	0	0	0
Transactions with owners	0	34	0	0	0	0	34	0	34
March 31, 2010	8,101	63,304	38,211	-1,062	-22,027	-353	86,174	6	86,180

Segment reporting

01/01/2010 to 31/03/2010

	YEAR	TCC EUR K	AC EUR K	EC EUR K	SC EUR K	GROUP EUR K
Total sales revenues	2010	22,530	7,216	7,058	12,669	49,473
	2009	25,852	7,540	7,411	18,177	58,980
Sales revenues with other business segments*	2010	15	86	40	1,892	2,033
	2009	28	0	96	2,116	2,240
External sales revenues	2010	22,515	7,130	7,018	10,777	47,440
	2009	25,824	7,540	7,315	16,061	56,740
Other operating income	2010	837	231	80	159	1,307
	2009	363	316	2,699	161	3,539
Segment revenues	2010	23,352	7,361	7,098	10,936	48,747
	2009	26,187	7,856	10,014	16,222	60,279
Inventory changes of finished goods and work in progress	2010	2,632	211	0	-352	2,491
	2009	682	276	0	389	1,347
Own work capitalised (development)	2010	199	875	556	506	2,136
	2009	943	907	489	623	2,962
Cost of materials	2010	12,114	4,672	3,341	4,692	24,819
	2009	13,891	5,032	3,567	8,974	31,464
Personnel expenses	2010	9,757	2,732	2,493	5,781	20,763
	2009	11,569	3,210	2,585	6,306	23,670
Planned depreciation of fixed assets	2010	671	369	211	368	1,619
	2009	712	440	205	382	1,739
Planned depreciation of development work	2010	58	179	26	369	632
	2009	161	610	363	215	1,349
Other operating expenses	2010	3,424	1,007	1,391	2,118	7,940
	2009	3,623	1,145	1,585	2,939	9,292
Operating result before impairment charges and restructuring costs	2010	159	-512	192	-2,238	-2,399
	2009	-2,144	-1,398	2,198	-1,582	-2,926
Restructuring costs	2010	4	0	0	437	441
	2009	0	0	0	0	0
Operating result	2010	155	-512	192	-2,675	-2,840
	2009	-2,144	-1,398	2,198	-1,582	-2,926

* The sales revenues with other business segments are eliminated in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES AND METHODS

The accounts were compiled in Euro in compliance with the International Accounting Standards Board (IASB) passed and published by the International Financial Reporting Standards (IFRS). The accounts are based on the accounting principles and methods applied to the consolidated financial statement for the 2009 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 companies were included as subsidiaries in the accounts of the company according to the full consolidation method:

DIRECT SUBSIDIARIES	REGISTERED OFFICE	VOTING RIGHTS IN %
Hörmann-Funkwerk Kölleda GmbH (HFWK)	Kölleda, Thuringia	100
ALPHA Meß-Steuer-Regeltechnik GmbH (Alpha)	Neustadt/Weinstraße, Rhineland-Palatinate	100
Funkwerk Dabendorf GmbH (FWD)	Zossen, Brandenburg	100
Funkwerk Enterprise Communications GmbH (FEC)	Nürnberg, Bavaria	100
Funkwerk Information Technologies GmbH (FIT)	Kiel, Schleswig-Holstein	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.	Mailand, Italy	100
Funkwerk Aphona Communications GmbH	Wien, Austria	100
Funkwerk IP-Appliances GmbH	Nürnberg, Bavaria	100
FunkTech GmbH	Nürnberg, 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.	Warschau, Poland	100
Microsyst Systemelectronic GmbH	Weiden, Bavaria	100
Funkwerk Systems Austria GmbH	Wien, Austria	100
Funkwerk Ungarn Kft.	Budapest, Hungary	85
Funkwerk Akademie GmbH	Beichlingen, Thuringia	100
Funkwerk plettac electronic GmbH	Fürth, Bavaria	100
Funkwerk Electronic Services GmbH	Salzgitter, Lower-Saxony	100
Funkwerk Engineering GmbH (FES)	Kiel, Schleswig-Holstein	100

On January 12th 2010 the management of Funkwerk's subsidiary Bouyer S.A.S., based in Montauban France, has requested the opening of insolvency proceedings. Because of the loss of control, the subsidiary was deconsolidated per January 1st 2010. Funkwerk has made the relevant provisions regarding its engagement already in 2009, resulting in no effect on the group profit and loss statement from this deconsolidation.

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.

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, May 2010

CORPORATE CALENDAR FOR 2010

27 May 2010

Annual shareholders' meeting

12 August 2010

Publication of Q2 report

10 November 2010

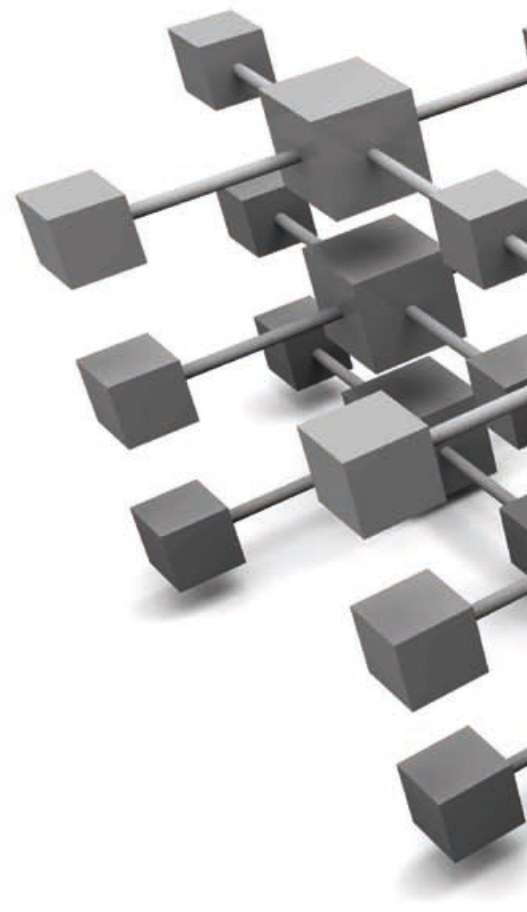
Publication of Q3 report

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