

PRESS RELEASE

Funkwerk reports sales increase and earnings growth in the second quarter

- **Positive operating profit with 1.1 million Euro, despite the expenditures caused by the restructuring of Enterprise Communications and weak economic climate**
- **Sales increase to 131.4 million Euro (2007: 126.6 million Euro) in the first half of the year**
- **Net cash from operating activities up by over 9 million Euro compared to the previous year**

Kölleda, 12 August 2008. With sales of 69.8 million Euro (2007: 69.7 million Euro) the operating profit (EBIT) rose to 1.1 million Euro (previous year: 1.5 million Euro). Over the first six months, this resulted in a sales increase of 3.8 per cent on 131.4 million Euro (2007: 126.6 million Euro), with EBIT of 1.2 million Euro (2007: 1.7 million Euro). "With the second half of the year traditionally being stronger, we expect an increase in revenue and a disproportionate increase in earnings and cash flows," said Chairman of the Board Dr. Hans Grundner, in presenting the semi-annual report. For the entire year, the specialist in professional communication systems expects an increase in sales to around 310 million Euro (2007: 291 million Euro).

International expansion and rising demand for security systems

The positive result for the second quarter was primarily due to the strong performance of the Traffic & Control Communication (communication, management and information systems for transportation and logistics companies and industry) segment. Revenues went up by 18.2 percent to 40.9 million Euro (previous year: 34.6 million Euro). In the first six months of the financial year, sales went up by around 28 percent to 74.3 million Euro (2007: 58.2 million Euro). By becoming the market leader in the product groups GSM-R terminals and real-time information systems for rail transport in Europe, Funkwerk was able to expand internationally as well as make excellent progress in business with security and video surveillance systems.

The growth in the TCC segment compensated for the decline in the business segment Enterprise Communication (network solutions, communications and messaging systems for businesses and institutions) where restructuring is making fast progress. With 14.4 million Euro, sales has stabilised in the second quarter compared to the previous quarter, particularly the downward trend in the network area could be halted. Thus, revenues for FEC after six months amounted to 28.9 million Euro (2007: 39.7 million Euro).

Rising earnings contributions and positive cash flow by the end of the year

In the Automotive Communication (communication equipment for vehicles) segment, competitive pressure on revenues and margins continue to intensify. Funkwerk is meeting this development by expanding into new market segments. Despite a deepening economic gloom in the automotive industry, AC reported a stable trend in sales for the second quarter 2008. At 14.5 million Euro there was a slight increase compared to the previous year (14.3 million Euro) and the previous quarter (13.7 million Euro). After only six months, the new business segment Avionik showed a particularly impressive performance, achieving sales of around 3 million Euros with radio devices and transponders for the aviation industry.

The development of operating profit in the individual segments of the Funkwerk Group is reflected in overall business performance. While TCC achieved of 2.2 million Euros in the second quarter and thus doubling the operating result to 2.8 million Euro (2007: 1.4 million Euro), the operating result for AC after first six months remained at the same level with 0.6 million Euro (2007: 0.7 million Euro). The restructur-

ing of the FEC business segment resulted in a further operating loss of 1.1 million Euro (previous year: +0.1 million euro) in the second quarter and with a negative EBIT of 2.1 million Euro (2007:-0.3 million Euro) for the first half of the year.

At the Group level, EBIT was thus 1.2 million Euro (2007: 1.7 million Euro) with a Group profit of 0.5 million Euro at the end of June, compared with 1.2 million Euro in the previous year, taking interest and tax into consideration. This translates into earnings per share of 0.06 Euro (2007: 0.15 Euro).

Positive net cash from operating activities

Net cash from operating activities for the Funkwerk Group has significantly improved in comparison, from -8.7 million Euro to +0.6 million Euro in the first half of the year, by reducing receivables and inventories. This is all the more remarkable as Funkwerk had considerable outlays for large projects in the first six months due to the traditionally asymmetrical sales distribution with cash inflow only at the end of the year. A higher cash flow from operating activities is thus expected for the second half of the year.

At 67 million Euro (previous year: 68 million Euro), incoming orders remained stable in the second quarter. At the end of June, the order book was at 127.9 million Euro (2007: 155.2 million Euro), with Funkwerk securing another major order in July for the property protection of a leading oil and gas companies amounting to 30 million Euro, with several other offers on the go. In addition, there are several successful projects for rail infrastructure in Eastern Europe and security systems for property protection and security services in the pipeline.

Since large corporate and government institutions constitute the majority of the current business, Funkwerk traditionally receives more orders in the second half of the year, resulting in higher sales and more earnings. The Chairman of the Board, Dr. Hans Grundner, thus anticipates an upward trend in these areas by the end of the year

Security Communication start-up

Business segment Traffic & Control Communication will thus experience continued growth until the end of 2008 and beyond, while any further development in Automotive Communication will depend on the effectiveness of the new sales approach in the aftermarket and the economic development in the automotive sector. The reorientation of the Enterprise Communication segment should be completed by the end of the year.

In the medium term, Grundner expects added impetus from the new business segment Security Communication. The existing product areas personal protection/messaging and video systems will be merged into this segment as well. From the third quarter this business segment will be operationally independent. "We are well prepared to become a major player as systems provider in the growing market of security technology.

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