

INTERIM REPORT Q1 / 2013

Consolidated key figures

| | | Q1 / 2013 | Q1 / 2012 |
|--|-------|------------|------------|
| RESULTS (CONTINUED BUSINESS SEGMENTS) | | | |
| Sales | EUR m | 22.6 | 28.4 |
| Gross profit | EUR m | 14.2 | 16.0 |
| Gross profit margin | % | 63.0 | 56.4 |
| Operating EBITDA* | EUR m | -1.5 | -1.0 |
| Operating earnings * | EUR m | -2.9 | -2.3 |
| Operating result / EBIT | EUR m | -2.9 | -2.5 |
| Earnings after taxes | EUR m | -3.3 | -3.0 |
| Earnings per share | EUR | -0.41 | -0.38 |
| Incoming orders | EUR m | 33.3 | 29.2 |
| Order backlog | EUR m | 76.9 | 87.5 |
| NET ASSETS AND FINANCIAL POSITION | | | |
| | | 31/03/2013 | 31/12/2012 |
| Cash flow (from operating activities) | EUR m | -4.3 | -3.8 |
| Working capital | EUR m | 27.1 | 30.4 |
| Net cash | EUR m | -0.3 | 6.0 |
| Shareholders' equity | EUR m | 28.9 | 32.2 |
| Equity ratio | % | 29.7 | 28.5 |
| Balance sheet total | EUR m | 97.3 | 113.1 |
| Employees (reporting date incl. trainees) | | | |
| | | 789 | 814 |

* before impairment charges and restructuring costs

Funkwerk AG

Funkwerk is a mid-sized technology company specialising in solution-oriented information, communication and security systems for rail transport, infrastructure, authorities and businesses. Funkwerk products are based on the state-of-the-art principles of radio and communication technology and data processing to improve security and comfort and help reduce customer costs. Under the umbrella of Funkwerk AG, operations are divided into two strategic segments, which in turn are structured into operational business units (BU).

TRAFFIC & CONTROL COMMUNICATION (TCC)

- Infrastructure BU
- Rolling Stock BU

SECURITY COMMUNICATION (SC)

- Video Systems BU
- Security Technology BU

Group interim report

Business and general setting

GLOBAL ECONOMIC ENVIRONMENT

Based on the International Monetary Fund (IMF), the world economy on the whole stabilised in the first few months of 2013 despite the continuing uncertainties and a rather moderate start to the year from a global aspect. The main contributing factor here was the fact that the policy makers in the industrialised nations managed to find a way to diffuse two of the currently biggest risk factors — the break-up of the eurozone and a highly restrictive fiscal policy in view of the as yet unresolved budget dispute in the USA. In addition, the markets in the developing and newly industrialised countries had gained momentum again after a somewhat weaker period.

Following the gradual slow-down in 2012, Germany's economic performance also seems to have steadied in early 2013, as the Federal Ministry of Economics and Technology has stated. Export activities remained rather sluggish on grounds of the difficult situation a number of key trading partners found themselves in; industrial activities should, however, have swung back to a more positive situation thanks to the rising domestic demand. Uncertainties are currently still high, though, as the slump in the ifo Business Climate index published in March 2013 has shown.

SECTOR ENVIRONMENT

As expected, Germany's railway engineering manufacturers started the year on a rather cautious note following the announcement of the German Rail Industry Association, VDB, that incoming orders in 2012 had dropped by almost 28 per cent on 2011. Even taking into account the fact that the figure for 2011 had been defined by major ICE contracts, business lagged behind the expectations. Trade in infrastructure equipment, so the VDB reports, decreased by around 3.5 per cent in 2012 — a trend that is likely to have continued in the early months of 2013, even if increased orders from abroad meant that incoming business in this segment improved on the whole. Expanding markets primarily include Turkey, the Middle East and the former GUS states, which are planning, or have started implementing, major investment programmes for rail transport. Demand from Germany as an important market, however, is stagnating at a low level.

The market for security technology on the whole, as we believe, developed positively again in the first few months of 2013. Growth in Germany was seen primarily in such sectors as fire alarm systems and video surveillance. Outside Germany, the public sector in contrast continued to be rather reluctant with ordering.

FUNKWERK BUSINESS TREND AT A GLANCE

Over the last two years, Funkwerk AG underwent a radical restructuring programme resulting in a significantly reduced size and focus on our core business. Our main restructuring projects were completed in 2012, so that attention in the first quarter of 2013 was given primarily to improving the efficiency of our operations. We aim to lower our breakeven threshold further still and ensure more stable processes within the group. The main features of our restructuring programme are detailed in our latest annual report, along with the purpose, the segments and the management and control system of the Funkwerk group. This report is available for downloading in the Investor Relations/ Financial Reporting section on the company's website or can be requested from Funkwerk AG.

Since early 2013 Dr.-Ing. Manfred Lerch, who the Supervisory Board appointed to the Executive Board on 1 November 2012, has managed the Funkwerk AG as sole director. Our two previous board members, Mr Ahrens and Mr Schmid-Davis, retired from the company when their contracts expired at the end of 2012. Dr Christian E. Baur, who had been appointed to the board as Chief Restructuring Officer in April 2012 in an interim capacity, also ended his involvement with Funkwerk on 31 December 2012.

In January 2013, the Executive Board and the Supervisory Board of Funkwerk AG decided to initiate a change of stock market segment to lower the costs involved in its listing. In future, the Funkwerk share will be listed exclusively in the m:access trading segment within the open market of the Munich Stock Exchange. The appropriate application for admission of our share to the market in Munich was approved and the listing at the Frankfurt Stock Exchange cancelled. We expect to be included in m:access before the end of June and believe that the quality segment of the m:access open market is better suited to the notably leaner structures of Funkwerk as a mid-sized company.

In order to ensure comparability with the quarterly figures of the prior-year period, the accounts were adjusted for companies sold in fiscals 2012 and 2013. This includes Funkwerk Avionics GmbH, our TCC sports display product line, and Funkwerk Dabendorf GmbH. In early May 2013, after the reporting period, we also sold Microsyst Systemelectronic GmbH, Weiden, which had been part of the TCC segment. The key figures of this company are shown in the quarterly financial statements under »Assets/liabilities held for sale« and in the statement of comprehensive income under »Result of sold segments (after taxes)«.

At EUR 22.6m, consolidated sales of our continued business segments in the first quarter of 2013 fell short of the appropriately adjusted prior-year figure of EUR 28.4m, as was to be expected. On a more positive note, incoming business improved from EUR 29.2m to EUR 33.3m. The main contributing factor here was the notable rise in foreign trade, which had been specifically intensified as part of our strategic reorientation programme. Our order backlog as at the end of March 2013 totalled EUR 76.9m (31 March 2012: EUR 87.5m). As far as group earnings are concerned, the lower sales volume was partly compensated by our efficiency improvement measures and portfolio adjustments. On balance, the EBIT amounted to EUR -2.9m, compared to EUR -2.5m in the first quarter of 2012. Contrary to the previous year (EUR 0.2m), no impairment charges and restructuring costs were incurred. Net earnings per share stood at EUR -0.41.

Segment report

TRAFFIC AND CONTROL COMMUNICATION (TCC)

Sales in our TCC segment decreased in the first three months primarily because of the investment reluctance in our home market, down from EUR 16.0m in the prior-year benchmark period to EUR 13.1m. The segment thus contributed some 58 per cent to the group's volume of sales generated by our continued segments. Due to lower sales, the EBIT reduced to EUR -1.5m, after EUR -0.7m in the prior-year quarter. Internally, the relocation of passenger information system productions from our Karlsfeld site to Kölleda was largely finalised in the first quarter of 2013. We also continued to implement our restructuring projects initiated at various sites in the previous year.

With business in the railway equipment sector in Germany progressing rather slowly, as was to be expected, activities in our TCC segment to raise our presence and profile in international markets are showing the hoped-for success. In our Rolling Stock BU, keen demand was noted primarily in France, Austria and Switzerland, but we also received new orders for train radio systems from Russia and Australia. We furthermore commenced deliveries of initial devices to India, where Metro Kalkutta had opted for train radio systems of the GSM-R standard, and supplied focX handhelds to Great Britain.

In passenger information systems, the largest order in the reporting period came from Deutsche Bahn, which commissioned Funkwerk with providing a full set of new equipment for its main railway station in Hannover. In this sector, we also made important progress in our planned intensification of activities in foreign markets. Austria's federal railway company, ÖBB, re-

quested the first displays under a framework contract which involves a total of 160 platform display systems in LCD technology. This sector currently reports very brisk project business and bidding activities. Having received verbal commitments already here, we expect further orders in key reference projects to materialise in the near future.

In the first quarter of 2103, we received another large cargo sector order for our electronic interlocking system Alister. Hamburger Hochbahn AG, the second-largest public transport operator in Germany, commissioned a further interlocking system for its Barmbek depot, after the system for its Saarlandstraße depot had been put into operation at the end of 2012. We have now installed more than 40 Alister Cargo systems throughout Europe and are currently working on obtaining a licence for our passenger transport system. We are working closely with our customer, Deutsche Bahn, and the Federal Railway Authorities on the completion and appraisal of the considerable documentation as a requirement for obtaining a licence from the Federal Railway Authorities. In view of the fact that our interlocking system has been running in shadow mode for many months now without showing any technical problems, we expect completion of the appraisal and subsequent licensing of Alister SIL4 in the fourth quarter.

SECURITY COMMUNICATION (SC)

The EBIT in our SC segment improved from EUR -1.6m to EUR -1.4m quarter-on-quarter, despite the fact that sales in the first three months of 2013 reduced from EUR 11.5m to EUR 9.5m.

Our Security Technology BU continued to experience demand primarily for Tetra systems. Further penal facilities, a sector in which Funkwerk takes the lead, will be supplied with personal emergency call systems. We were also able to break into a new field of application with an order received from Berlin's sanitation department. Our internationalisation efforts continued with good success, as we received a new offshore sector contract from Asia. A further growth factor was increasing demand for Dect-over-IP systems, which Funkwerk provides as economical security solutions.

New orders for video solutions came in from Sweden, including a contract for equipment of a power station. In addition, Nuremberg's transport corporation, VAG Nürnberg, ordered further video surveillance systems for use in local transport. The equipment of the new headquarters of the European Central Bank, ECB, in Frankfurt is advancing as planned.

Earnings, financial and asset position

SALES AND EARNINGS

The general economic setting early in the year remained difficult for Funkwerk. In view of strained budgets, the public sector as a vital customer group for us proved very reluctant to invest. This was aggravated by the fact that the pricing pressure in a number of market sectors continued unabated. Against this backdrop, consolidated sales in the first quarter of 2013 fell by 20.4 per cent on the prior-year period to EUR 22.6m. At EUR 24.1m, the group's total operating performance was down by 18.2 per cent on the prior-year benchmark. In all, we ended the first quarter of 2013 within our expectations and the non-linear annual budget provided.

The cost of materials once again reduced at a proportionally greater rate than sales, down by around a third to EUR 8.4m. This again came as a result of the restructuring measures and portfolio adjustments made over the past couple of years. At -11.1 per cent, the loss in gross profit (without internally produced and capitalised assets and other operating income), down to EUR 14.2m, hence proved significantly more moderate than our decrease in sales volume. The gross profit margin improved from 56.4 per cent to 63.0 per cent.

In the personnel sector, Funkwerk made equally good progress in the first quarter, realising significant cost savings on the prior-year period as a result of the adjustment measures implemented in 2012. Personnel expenses decreased by 7.9 per cent to EUR 12.4m. Depreciation, in contrast, increased marginally from EUR 1.3m to EUR 1.4m, as did the other operating expenses, up from EUR 4.3m to EUR 4.8m. In total, the operating result before impairment charges and restructuring costs reduced by EUR 0.6 m to EUR -2.9m. This also equated to the EBIT operating result, as no restructuring costs were incurred in the first quarter of 2013. The EBIT from January to March 2012 had stood at EUR -2.5m.

The financial result in the reporting period improved primarily because of lower expenses in connection with the syndicated loan and was up from EUR -0.6m to EUR -0.2m. At EUR -3.1m, consolidated earnings before taxes thus all but matched the prior-year figure of EUR -3.0m. After taxes, net earnings of our continued segments totalled EUR -3.3m (2012: EUR -3.1m). This translates into — diluted and undiluted — earnings per share of EUR -0.41 for our continued segments (2012: EUR -0.38).

FINANCIAL POSITION

As financial management targets, Funkwerk AG seeks to secure the group's liquidity, optimise its financial expenses and income, and control and minimise its currency and interest risks. The primary features and instruments of our system are described in our 2012 annual report.

LIQUIDITY TREND

In the first quarter of 2013, cash outflow relating to current operations amounted to EUR 4.3m, compared to EUR 3.8m in the prior-year benchmark period. Positive cash effects from the specific reduction of inventories, receivables and other assets to the amount of EUR 8.6m were opposite negative effects primarily from the period deficit and the repayment of liabilities in the amount of EUR 10.4m.

Cash flow from investing activities in the reporting period totalled EUR -0.9m, the most significant factor here being development spending. The prior-year figure of EUR +6.8m had included cash from the sale of companies. Adding up the cash inflow and outflow from current operations and investing activities, free cash flow in the first quarter of 2013 totalled EUR -5.2m, compared to EUR +3.0m between January and March 2012. In terms of financing activities, Funkwerk repaid short-term credit lines of around EUR 1.9m in the reporting period.

Adding up all payment transactions between January and March 2013, cash outflow totalled EUR 7.1m, so that liquid assets reduced from EUR 12.9m at 31 December 2012 to EUR 5.8m. Part of this amount is shown in the consolidated balance sheet under »Assets held for sale«.

ASSET POSITION

Consolidated total assets as at the end of March 2013 amounted to EUR 97.3m, down by 14.0 per cent on the 2012 annual figure of EUR 113.1m. On the assets side, this contraction was due primarily to changes in short-term assets. Trade accounts receivable, which reduced by more than EUR 6m to EUR 22.0m as a result of our improved working capital management, and liquid funds, specifically, were notably down on the figures at 31 December 2012.

On the liabilities side of the consolidated balance sheet, short-term liabilities decreased by 18 per cent to EUR 54.8m. Contributing factors here were primarily the decrease in trade accounts payable, down by around 27 per cent to EUR 15.6m, and in other liabilities by more than 30 per cent to EUR 9.7m. There were no long-term financial liabilities as at the cutoff date. Net debt in the Funkwerk group totalled EUR 0.3m as at 31 March 2012, after a positive figure of EUR 6.0m at the end of 2012.

Long-term debt at the cutoff date totalled EUR 13.7m, compared to EUR 14.2m at the end of 2012. The primary change here related to pension commitments, which reduced from EUR 13.4m to EUR 12.8m due to claims.

Equity in the Funkwerk group decreased by 10.4 per cent to EUR 28.9m as a result of the deficit in the first quarter. With further contractions of the consolidated balance sheet, the equity ratio increased from 28.5 per cent at 31 December 2012 to 29.7 per cent at the end of March 2013.

Other performance indicators

RESEARCH AND DEVELOPMENT

Intensive research and development activities (R&D) at Funkwerk are aimed at designing new products and solutions and improving our production processes. This is to ensure that we are able to further consolidate our lead already held in many markets and increase our efficiency. In the first quarter of 2013, R&D spending in the group totalled around EUR 3.7m. In terms of sales, this produces an R&D ratio of 16 per cent.

Focus in our TCC segment was given to working on the documentation for SIL 4 certification of our Alister interlocking system to meet the requirements for approval by the Federal Railway Authorities. A further project concentrated on the innovative remote management system for train radio systems. It involves an interface that allows the software of our devices to be managed wirelessly in the future. We also worked on country-specific specifications for various devices. Two of our projects for Deutsche Bahn AG could be completed: the modernisation of software in the depots and the development of a new signalling technology. In addition, we were involved in the collaborative research project NeGST — New Generation Signalling Technology, which is sponsored by the Federal Ministry of Economics and Technology. The objectives of NeGST are to simplify the approval procedure and to develop common standards.

Major R&D projects in our SC segment included Dect-over-IP systems. An initial installation in the field and, as a result, basic development were completed successfully. At the same time, we worked on the mining approval of our Tetra FT4 device for international marketing to enable us to fill relevant orders in Australia. Specific adjustments were also initiated for the Russian market. Our Video Systems BU focused on enhancements of our POSA video management system and on the new pan/tilt head for cameras.

EMPLOYEES

As at 31 March 2013, Funkwerk as a group employed 789 people. The reduction in workforce by 25 people in the first three months was due to the streamlining of operations in conjunction with the implementation of efficient production processes.

OPPORTUNITY AND RISK REPORT

The existing opportunities and risks for Funkwerk as a group along with the structure and setup of our risk management system are described in detail in our 2012 annual financial statements. Otherwise, the opportunities and risks of the group in the first three months of 2013 did not significantly change compared to the account in the 2012 annual financial statements.

Events after the reporting period

On 2 May 2013, Funkwerk AG sold all shares in its subsidiary Microsyst Systemelectronic GmbH, Weiden, in a management buyout to the company's authorised signatory. The purchasing contract was signed subject to approval by the external financing partners of Funkwerk. The transfer of the shares will be backdated to 1 January 2013. Details of the purchase price have not been disclosed.

The main segment of Microsyst GmbH, a manufacturer and supplier of display systems for industrial applications, is focused on large-format displays used for processes such as assembly lines in the automobile industry and on solutions for paperless order picking. The sale was a further step in shedding peripheral sectors which are not considered part of the core business of our strategic segments. At the same time, it has consolidated the financial situation in our group.

No other events of material importance which may have a significant effect on the earnings, financial and asset position of the Funkwerk group occurred between the end of the reporting period and the signing of this report.

RELATED PARTY DISCLOSURES

No transactions of material importance were concluded with parties related to Funkwerk in the reporting period.

Forecasting report

GENERAL ECONOMIC SETTING

GLOBAL ECONOMIC ENVIRONMENT

The International Monetary Fund believes that the stabilisation of the global economy in the first quarter has improved chances of largely overcoming the current period of economic weakness in the further course of the year. No significant recovery is expected for 2013, however. The IMF predicts global growth of 3.3 per cent for the full year, after 3.2 per cent in the previous year. The main reason for the again all but moderate growth is the development in the euro zone, which is forecast to see a further decline in economic performance by 0.3 per cent in 2013. At the same time, the IMF once more warns in its latest report of continuing risks from the euro crisis and the budget problems in the USA.

SECTOR TREND

With orders notably down in the previous year, the German Rail Industry Association, VDB, predicts an end to current growth in the German rail industry for 2013. The main sector to be affected will be rolling stock, but trade in infrastructure equipment also remains at too low a level, the VDB says. The persistent lack of funding in this sector over the last years is getting worse and causes great concern. The fact that the German government postponed the works required to continue the Service and Financing Agreement until after the Bundestag elections may, in our estimation, put a further damper on demand. Since the current framework contract designed to ensure steady infrastructure investments is expiring, we cannot rule out cuts in this sector. A certain investment reluctance is equally noticeable in the European countries hit by recession. Sustained growth, on the other hand, is expected in countries specifically pushing the development of their railway transport system. These include China, Russia and Turkey.

The domestic market for security technology has a good chance of sustained growth. According to the National Association of Manufacturers and Installers of Security Systems, BHE, German firms specialising in electronic security technology described their situation predominantly as good early in 2013. The debate about public safety may provide fresh impetus which

could potentially lead to a rise in demand in the medium and long term. In the short term, however, the momentum to be expected may be dampened by investment restraint in the public sector. We also anticipate competition to further intensify.

PROSPECTIVE DEVELOPMENT IN THE FUNKWERK GROUP

Based on the outlook for our individual business segments and our development in the first quarter, it is our opinion as things stand today that we can meet the annual budget of the Funkwerk group passed for the full 2013 financial year. The positive trend in orders received throughout the first quarter should gather pace in the further course of the year. Our strategic measures implemented to ensure specific consolidation of our position in key growth markets are beginning to bear fruit, with the result that we are less exposed to trends in our rather more cautious home market. There may be some distributional shifts between our individual business units though. As things stand today, this incoming business involving at times prompt execution will enable us to achieve our sales and earnings targets. On the whole, we expect sales in the group to remain steady at prior-year level in 2013. In terms of operating earnings (without restructuring costs) we should be able to continue the positive trend seen in 2012 and achieve an increase of around 50 per cent on the reporting year, as our initiated cost saving measures will take full effect in 2013. Revenues in fiscal 2014 are predicted to improve by around 10 per cent with further positive trends in our margins.

In the further course of the year, our TCC segment will primarily focus on optimising its logistics and on developing its value stream-oriented production structures in order to further improve efficiencies here. In terms of personnel management in this segment we are concentrating specifically on recruiting qualified employees and consistently promoting junior staff. We believe to be in a good position, though, in technological and organisational aspects. Against the backdrop of an excellent order situation here and growing demand in a number of subsectors, we are confident that sales in this segment will improve, not least as a result of our acquisition efforts in fast growing inter-national markets.

Development in our SC segment should also continue on a positive note in light of the significant benefits to customers here. In Germany, we are concentrating on consolidating our position in market sectors in which we are already active and on advancing our technological expertise. For our Security Technology BU this primarily means business with penal facilities,

whereas in video systems priority will be given to the traffic analysis sector. Our new pan/tilt head system for cameras, which we are currently developing, will play a key role here. In the long-term, we hope to establish Funkwerk's network technology as a core technology. In the international arena, our lead in technology and the references we have gained here will help us harness considerable potential for growth in Russia as well as in the Far East, as we continue to work on the relevant country-specific specifications.

Against the backdrop of the restructuring commenced in the previous year and now largely implemented, and the competitive

position and positive market prospects this has afforded us, our focus in the further course of the year will be on securing our financing for the growth ahead of us.

Kölleda, May 2013

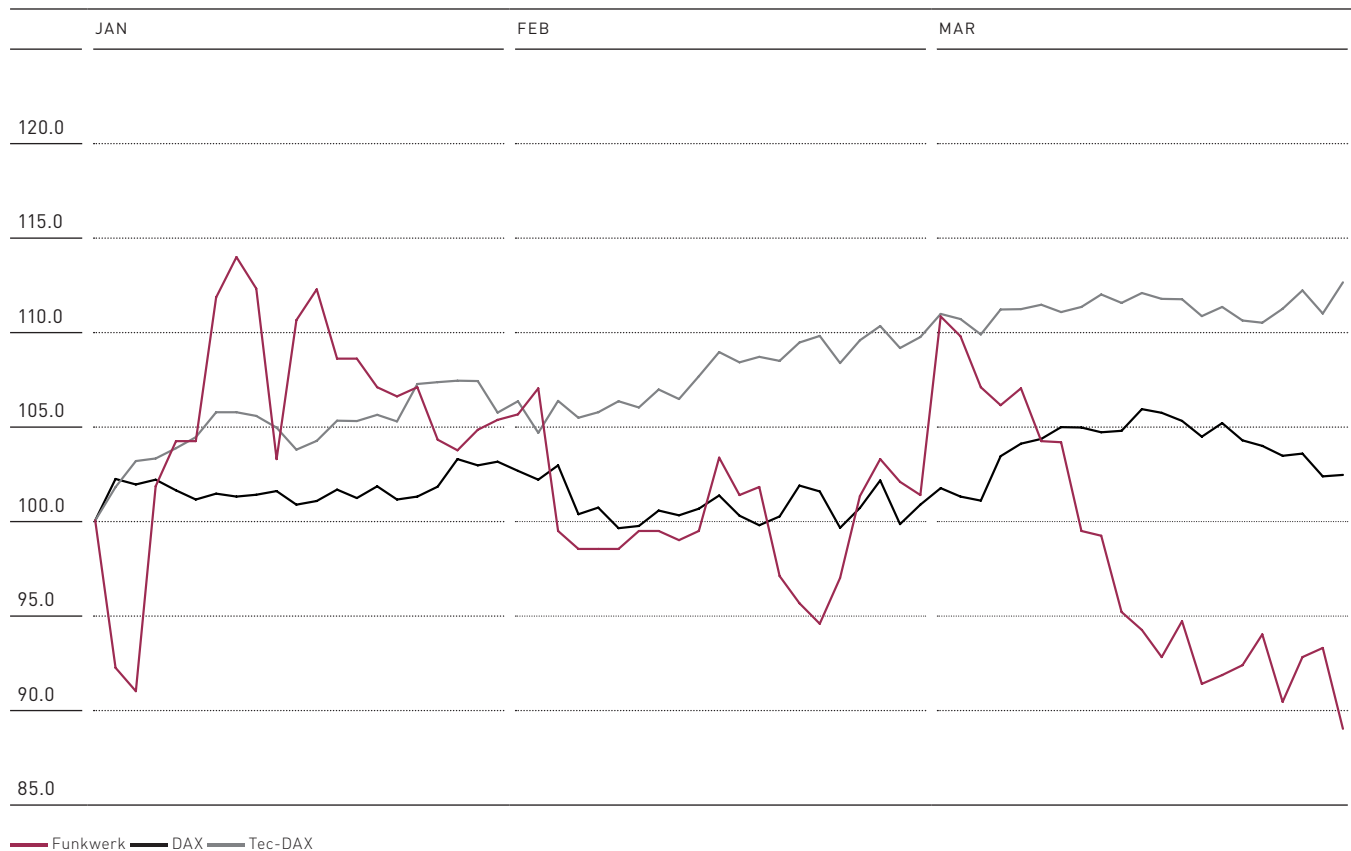
— The Executive Board —

Dr.-Ing. Manfred Lerch



The Funkwerk share

PERFORMANCE Q1 / 2013 FUNKWERK SHARE [INDICATED TO 100]



Basic information on the Funkwerk share

- First listing: 15 November 2000
- Ticker symbol: FEW
- ISIN: DE0005753149
- WKN: 575314
- Stock class: No-par bearer share at a nominal value of EUR 1
- Designated sponsor: Close Brothers Seydler Bank AG
- Capital stock: EUR 8,101,241
- Number of shares: 8,101,241

Erratic stock markets

Global stock markets in 2013 started the year in different style. Among the major markets, the US-American indices in particular reported significant gains in light of improved economic prospects. This was underpinned by a consistently expansive monetary policy of the central banks. Despite this generally favourable economic setting, the euro zone continued on a cautious note in view of the debt crisis. This also had an effect on the German stock market. Thanks to the robust condition of our domestic market, however, the leading index DAX on balance still managed a slight increase by 2.4 per cent. The TecDAX, meanwhile, fared considerably much better with a rise by 12.5 per cent.

Funkwerk share volatile

In terms of price our share moved sideways until mid-March amid some drastic fluctuations. Along with a cautious overall market, this was likely due to the difference in views among investors assessing the progress of our restructuring process. Our share in this phase hit its peak at EUR 2.41. At the end of the reporting period, the price temporarily came somewhat more under pressure after publication of our 2012 figures, falling to its low of EUR 1.88. This was also the closing price for the first quarter of 2013. The price stabilised at this level before recovering again from mid-April to make up for the interim losses.

Exchange transactions

At the Frankfurt Stock Exchange and on the electronic trading system XETRA, around 483,000 Funkwerk shares were traded between January and March 2013, after approx. 1.3m in the comparative prior-

year period. This translates to an average of around 7,800 shares changing hands per trading day in the first three months of 2013 (2012: around 19,700).

Segment change

As reported, the Executive Board and the Supervisory Board of Funkwerk AG decided in early 2013 to transfer the listing of its share to a different stock market segment. In future, the Funkwerk share will be listed exclusively in the m:access trading segment within the open market of the Munich Stock Exchange. The appropriate application for admission of the share to the market in Munich was approved. We subsequently filed an application with the Frankfurt Stock Exchange for cancellation of listing in the regulated market. This, too, was approved in early March. We expect to be included in m:access before the end of June 2013.

Investor Relations activities

The change of stock market segment will not have any significant effect on our information policy. We will continue to notify our shareholders, other financial market players and the interested public promptly and fully of any business development at Funkwerk. As before, we will regularly publish financial statements along with press releases and any facts that may be relevant to our share. As always, the personal dialogue with financial analysts remains a key aspect of our Investor Relations activities. In April 2013, for instance, we were at the Munich Capital Market Conference where 44 companies presented themselves to a plenum of over 300 participants.

Shareholder structure remains unchanged

The shareholder structure of Funkwerk AG as at the end of March 2013 remained unchanged: 52.83 per cent of the shares were held by Hörmann Funkwerk Holding GmbH, the remaining 47.17 per cent of the shares were in free float.

Consolidated financial statement

Consolidated balance sheet as at 31 March 2013 according to IFRS

| ASSETS | 31/03/2013 | 31/12/2012 |
|--|---------------|----------------|
| | EUR K | EUR K |
| A. LONG-TERM ASSETS | | |
| 1. Intangible assets | 20,057 | 22,378 |
| of which goodwill | 2,583 | 4,675 |
| of which development costs | 15,263 | 15,383 |
| 2. Tangible assets | 9,209 | 9,536 |
| 3. Other assets | 4 | 4 |
| | 29,270 | 31,918 |
| B. SHORT-TERM ASSETS | | |
| 1. Inventories | 23,299 | 25,355 |
| 2. Trade accounts receivable | 22,050 | 28,896 |
| 3. Receivables from projects in progress | 6,208 | 7,741 |
| 4. Tax refund claims | 1,327 | 1,329 |
| 5. Other assets | 1,790 | 1,470 |
| 6. Financial assets | 3,463 | 3,445 |
| 7. Liquid assets | 4,657 | 12,906 |
| 8. Assets held for sale | 5,223 | 0 |
| | 68,017 | 81,142 |
| | 97,287 | 113,060 |

| LIABILITIES | 31/03/2013 | 31/12/2012 |
|--|---------------|----------------|
| | EUR K | EUR K |
| A. CAPITAL STOCK | | |
| 1. Subscribed capital | 8,101 | 8,101 |
| 2. Capital reserve | 63,562 | 63,562 |
| 3. Retained earnings (revenue reserve) | 38,211 | 38,211 |
| 4. Own shares | -1,062 | -1,062 |
| 5. Net loss for the year | -79,710 | -76,351 |
| 6. Foreign currency item | -227 | -228 |
| Equity of Funkwerk AG shareholders | 28,875 | 32,233 |
| | 28,875 | 32,233 |
| B. LONG-TERM LIABILITIES | | |
| 1. Pension obligations | 12,807 | 13,376 |
| 2. Deferred investment subsidies | 148 | 155 |
| 3. Deferred taxes | 696 | 635 |
| | 13,651 | 14,166 |
| C. SHORT-TERM LIABILITIES | | |
| 1. Financial liabilities | 5,000 | 6,873 |
| 2. Trade accounts payable | 15,558 | 21,394 |
| 3. Advance payments received on orders | 8,770 | 9,846 |
| 4. Due to affiliated companies | 99 | 364 |
| 5. Tax liabilities | 6,421 | 6,624 |
| 6. Accrued liabilities | 8,108 | 7,150 |
| 7. Deferred investment subsidies | 30 | 31 |
| 8. Other liabilities | 9,685 | 14,379 |
| 9. Liabilities held for sale | 1,090 | 0 |
| | 54,761 | 66,661 |
| | 97,287 | 113,060 |

Consolidated statement of comprehensive income for the first quarter ended 31 March 2013 according to IFRS

| | Q1 / 2013 | Q1 / 2012 |
|---|---------------|---------------|
| | EUR K | EUR K |
| CONTINUED BUSINESS SEGMENTS | | |
| 1. Sales revenues | 22,607 | 28,413 |
| 2. Increase in finished goods inventories and work in progress | 17 | 202 |
| 3. Other own work capitalised | 678 | 282 |
| 4. Other operating income | 757 | 525 |
| 5. Total operating performance | 24,059 | 29,422 |
| 6. Cost of materials | -8,390 | -12,598 |
| 7. Personnel expenses | -12,403 | -13,469 |
| 8. Planned depreciation | -1,404 | -1,317 |
| 9. Other operating expenses | -4,752 | -4,327 |
| 10. Operating result before impairment charges and restructuring costs | -2,890 | -2,289 |
| 11. Restructuring costs | 0 | -172 |
| 12. Operating result/EBIT | -2,890 | -2,461 |
| 13. Financial income | 0 | 116 |
| 14. Financial expenses | -182 | -671 |
| 15. Financial results | -182 | -555 |
| 16. Earnings before taxes | -3,072 | -3,016 |
| 17. Taxes on income | -222 | -30 |
| 18. Result of continued segments | -3,294 | -3,046 |
| 19. Result of sold segments (after taxes) | -65 | 822 |
| 20. Earnings after taxes / period result | -3,359 | -2,224 |
| AMOUNTS DIRECTLY INCLUDED IN EQUITY | | |
| 21. Currency differences | 1 | -36 |
| 22. Other period results – continued segments | 1 | -36 |
| 23. Other period results – sold segments | 0 | 0 |
| 24. Total | -3,358 | -2,260 |
| THE RESULT FOR THE YEAR COMPRISES | | |
| Funkwerk AG shareholders | -3,359 | -2,224 |
| THE AMOUNTS DIRECTLY INCLUDED IN EQUITY COMPRISE | | |
| Funkwerk AG shareholders | 1 | -36 |
| EARNINGS PER SHARE | | |
| Earnings per share, undiluted and diluted (in €) | -0.42 | -0.28 |
| EARNINGS PER SHARE CONTINUED SEGMENTS | | |
| Earnings per share, undiluted and diluted (in €) | -0.41 | -0.38 |

Consolidated statement of cash flows for the first quarter ended 31 March 2013 according to IFRS

| | Q1 / 2013 | Q1 / 2012 |
|--|---------------|---------------|
| | EUR K | EUR K |
| 1. Period result | -3,359 | -2,224 |
| 2. Income tax expenditure | 222 | 317 |
| 3. Depreciation of development costs | 824 | 592 |
| 4. Depreciation of tangible assets and intangible assets | 586 | 1,012 |
| 5. Other non-cash expenditure and income | -36 | -1,820 |
| 6. Reversal of investment subsidies | -9 | -21 |
| 7. Changes in reserves | 487 | -1,719 |
| 8. Profit/loss from the disposal of fixed assets | -2 | -1 |
| 9. Changes in inventories, receivables and other assets | 8,588 | 3,570 |
| 10. Changes in advance payments received on orders | -1,054 | 1,249 |
| 11. Changes in other debts | -10,392 | -4,667 |
| 12. Interest income | 0 | -28 |
| 13. Interest expenditure | 52 | 420 |
| 14. Interest paid | -26 | -417 |
| 15. Interest received | 0 | 3 |
| 16. Paid income tax | -160 | -86 |
| 17. Cash flow from operating activities | -4,279 | -3,820 |
| 18. Receipts from the disposal of fixed assets | 3 | 2 |
| 19. Payments for investments in development costs | -670 | -1,182 |
| 20. Payments for investments in intangible assets without goodwill and development costs | -39 | -55 |
| 21. Payments for investments in fixed assets | -202 | -604 |
| 22. Receipts from investment subsidies | 0 | 11 |
| 23. Receipts for deconsolidation | 0 | 8,671 |
| 24. Cash flow from investing activities | -908 | 6,843 |
| 25. Free cash flow | -5,187 | 3,023 |
| 26. Receipts from take-up of (financial) credit | 0 | 2,140 |
| 27. Payments for the redemption of (financial) credit | -1,873 | 0 |
| 28. Cash flow from financing activities | -1,873 | 2,140 |
| 29. Net change in cash and cash equivalents | -7,060 | 5,163 |
| 30. Cash and cash equivalents at beginning of period | 12,906 | 17,951 |
| 31. Cash and cash equivalents at end of period | 5,846 | 23,114 |

Consolidated statement of changes in equity for the first quarter ended 31 March 2013 according to IFRS

| | SUBSCRIBED CAPITAL | CAPITAL RESERVE | REVENUE RESERVE | OWN SHARES | NET LOSS | FOREIGN CURR. ITEM | EQUITY OF FUNKWERK AG SHARE- HOLDERS |
|---------------------------------|-----------------------|--------------------|--------------------|----------------|-----------------|-----------------------|---|
| | EUR K | EUR K | EUR K | EUR K | EUR K | EUR K | EUR K |
| 31 December 2011 | 8,101 | 63,529 | 38,211 | - 1,062 | - 59,915 | - 204 | 48,660 |
| Group profit for the period | 0 | 0 | 0 | 0 | - 2,224 | 0 | - 2,224 |
| Foreign currency item | 0 | 0 | 0 | 0 | 0 | - 36 | - 36 |
| Total | 0 | 0 | 0 | 0 | - 2,224 | - 36 | - 2,260 |
| Share options (IFRS 2) | 0 | 8 | 0 | 0 | 0 | 0 | 8 |
| Transactions with owners | 0 | 8 | 0 | 0 | 0 | 0 | 8 |
| 31 March 2012 | 8,101 | 63,537 | 38,211 | - 1,062 | - 62,139 | - 240 | 46,408 |
| 31 December 2012 | 8,101 | 63,562 | 38,211 | - 1,062 | - 76,351 | - 228 | 32,233 |
| Group profit for the period | 0 | 0 | 0 | 0 | - 3,359 | 0 | - 3,359 |
| Foreign currency item | 0 | 0 | 0 | 0 | 0 | 1 | 1 |
| Total | 0 | 0 | 0 | 0 | - 3,359 | 1 | - 3,358 |
| Share options (IFRS 2) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Transactions with owners | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 31 March 2013 | 8,101 | 63,562 | 38,211 | - 1,062 | - 79,710 | - 227 | 28,875 |

Segment reporting for the first quarter ended 31 March 2013 according to IFRS

| | YEAR | TCC | SC | AC | GROUP | SOLD BUSINESS SEG- MENTS | CORR. CONS. | CONTINUED BUSINESS SEGMENTS |
|---|-------------|---------------|---------------|--------------|---------------|-----------------------------------|----------------|-----------------------------------|
| | | EUR K | EUR K | EUR K | EUR K | EUR K | EUR K | EUR K |
| Total sales revenues | 2013 | 14,157 | 9,595 | 0 | 23,752 | | | |
| | 2012 | 17,857 | 11,552 | 5,151 | 34,560 | | | |
| Sales revenues with other business segments* | 2013 | 1 | 53 | 0 | 54 | | | |
| | 2012 | 0 | 76 | 1 | 77 | | | |
| External sales revenues | 2013 | 14,156 | 9,542 | 0 | 23,698 | -1,091 | 0 | 22,607 |
| | 2012 | 17,857 | 11,476 | 5,150 | 34,483 | -6,381 | 311 | 28,413 |
| Other operating income | 2013 | 585 | 180 | 0 | 765 | -8 | 0 | 757 |
| | 2012 | 1,800 | 346 | 246 | 2,392 | -1,891 | 24 | 525 |
| Segment revenues | 2013 | 14,741 | 9,722 | 0 | 24,463 | -1,099 | 0 | 23,364 |
| | 2012 | 19,657 | 11,822 | 5,396 | 36,875 | -8,272 | 335 | 28,938 |
| Inventory changes of finished goods and work in progress | 2013 | -428 | 459 | 0 | 31 | -14 | 0 | 17 |
| | 2012 | -671 | 924 | 570 | 823 | -621 | 0 | 202 |
| Own work capitalised (development) | 2013 | 97 | 581 | 0 | 678 | 0 | 0 | 678 |
| | 2012 | 51 | 231 | 900 | 1,182 | -900 | 0 | 282 |
| Cost of materials | 2013 | -4,891 | -4,085 | 0 | -8,976 | -586 | 0 | -8,390 |
| | 2012 | -6,267 | -7,138 | -4,074 | -17,479 | -5,192 | 311 | -12,598 |
| Personnel expenses | 2013 | -7,803 | -5,043 | 0 | -12,846 | -443 | 0 | -12,403 |
| | 2012 | -8,228 | -5,102 | -2,500 | -15,830 | -2,361 | 0 | -13,469 |
| Planned depreciation of fixed assets | 2013 | -358 | -228 | 0 | -586 | -6 | 0 | -580 |
| | 2012 | -363 | -332 | -301 | -996 | -287 | 0 | -709 |
| Planned depreciation of development work | 2013 | -335 | -489 | 0 | -824 | 0 | 0 | -824 |
| | 2012 | -368 | -240 | 0 | -608 | 0 | 0 | -608 |
| Other operating expenses | 2013 | -2,543 | -2,352 | 0 | -4,895 | -143 | 0 | -4,752 |
| | 2012 | -2,533 | -1,724 | -879 | -5,136 | -833 | 24 | -4,327 |
| Operating result before impairment charges and restructuring costs | 2013 | -1,520 | -1,435 | 0 | -2,955 | 65 | 0 | -2,890 |
| | 2012 | 1,278 | -1,559 | -888 | -1,169 | -1,120 | 0 | -2,289 |
| Restructuring costs | 2013 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2012 | -86 | -60 | -26 | -172 | 0 | 0 | -172 |
| EBIT | 2013 | -1,520 | -1,435 | 0 | -2,955 | 65 | 0 | -2,890 |
| | 2012 | 1,192 | -1,619 | -914 | -1,341 | -1,120 | 0 | -2,461 |

* 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 Financial Reporting Standards (IFRS) passed and published by the International Accounting Standards Board (IASB). The quarterly accounts are based on the accounting principles and methods applied to the consolidated financial statements for the 2012 financial year.

This interim report has neither been audited under Section 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 % |
|--|--------------------------|-----------------------|
| Funkwerk Information Technologies GmbH | Kiel, Schleswig-Holstein | 100 |
| Funkwerk Security Communications GmbH | Salzgitter, Lower Saxony | 100 |
| Funkwerk Systems Austria GmbH | Vienna, Austria | 100 |
| Funkwerk Statkom GmbH | Kölleda, Thuringia | 100 |
| Microsyst Systemelectronic GmbH | Weiden, Bavaria | 100 |
| FunkTech GmbH | Kölleda, Thuringia | 100 |
| Funkwerk eurotelematik GmbH | Ulm, Baden-Württemberg | 100 |

| INDIRECT SUBSIDIARIES | REGISTERED OFFICE | VOTING RIGHTS IN % |
|--|--------------------------|-----------------------|
| Funkwerk Information Technologies Karlsfeld GmbH | 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 |
| Funkwerk Passenger Informations GmbH | Kölleda, Thuringia | 100 |
| Funkwerk videosysteme GmbH | Nuremberg, Bavaria | 100 |
| Funkwerk Electronic Services GmbH | Salzgitter, Lower Saxony | 100 |
| Funkwerk Engineering GmbH | Kiel, Schleswig-Holstein | 100 |

On 2 May 2013, Funkwerk sold 100 per cent of the shares in Microsyst Systemelectronic GmbH, which was part of the Traffic & Control Communication (TCC) segment. As per IFRS 5, the transaction was reported in the consolidated balance sheet (cf. Assets: B.8.; Liabilities: C.9.) and the consolidated statement of comprehensive income (»Result of the sold business segments (after taxes)«). The deconsolidation effective 30 April 2013 will not have any significant effect on the consolidated statement of comprehensive income. At the time of sale, the company employed a total workforce of 39 people. In the 2012 financial year, the sold subsidiary generated a net profit of EUR 1,165k, with revenues of EUR 7,465k.

The result of the sold business segments (after taxes) as per item 19 of the consolidated statement of comprehensive income is calculated as follows:

| SOLD BUSINESS SEGMENTS | Q1 / 2013 IN EUR K | Q1 / 2012 IN EUR K |
|--|-----------------------|-----------------------|
| Sales revenues | 1,091 | 6,381 |
| Gross performance | 1,113 | 8,086 |
| Expenditure | -1,178 | -8,746 |
| Operating result | -65 | -660 |
| Financial results | 0 | -11 |
| Taxes on income | 0 | -671 |
| Operating result after tax | -65 | -958 |
| Result from the sale of sold business segments | 0 | 1,780 |
| Taxes on income on the result from the sale of sold business segments | 0 | 0 |
| Period result | -65 | 822 |

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

No events of special significance other than already described in the management report have occurred after the cutoff date on 31 March 2013.

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 2013

Financial Calender

| | |
|-----------------------|---------------|
| Shareholder's meeting | June 20, 2013 |
| Analyst conference | November 2013 |

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