ANNUAL REPORT 2012

funkwerk
aktiengesellschaft

Key data

	2012 € M	2011 € M
RESULTS OF CONTINUED SEGMENTS		
Revenues	141.3	146.9
Gross yield	76.5	74.9
Gross profit margin (in %)	54.2	51.0
Operating earnings*	1.9	– 0.5
Operating result / EBIT	– 5.1	– 6.3
Earnings after taxes	– 8.0	– 12.1
Earnings per share (in €)	– 0.99	– 1.51
Incoming orders	118.0	147.0
Order backlog	67.4	91.6
NET ASSTES AND FINANCIAL POSITION		
Cash flow (from operating activities)	0.4	– 5.9
Working capital	30.4	37.1
Net cash	6.0	4.5
Shareholders' equity	32.2	48.7
Equity ratio (in %)	28.5	30.8
Balance sheet total	113.1	157.9
Employees (reporting date incl. trainees)	859	885

* 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 to 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 (BUs).

TRAFFIC & CONTROL COMMUNICATION (TCC)

- Infrastructure BU
- Rolling Stock BU

SECURITY COMMUNICATION (SC)

- Video Systems BU
- Security Technology BU

Foreword by the Managing Director

Dear Shareholders,
dear Friends and Employees of Funkwerk,

in the last two years, the development of Funkwerk AG was defined by the comprehensive restructuring programme initiated to return our company to sustainable earning power. Its execution was at times fraught with painful cuts at all sites and has somewhat stretched our resources. Stringent measures were implemented in consultation with restructuring expert Dr. Christian E. Baur. Dr. Baur served on the Executive Board of Funkwerk AG in an interim capacity from April. As the key steps of the programme were largely completed over the course of the year, Dr. Baur left our company at the end of December. Johann Schmid-Davis and Carsten Ahrens as the two serving members of the board also retired from the company when their contracts expired at the end of 2012. Since then, Funkwerk AG has been managed by Dr.-Ing. Manfred Lerch as sole director. Mr Lerch has been on the Executive Board since 1 November 2012.

Our group was faced with a number of challenges because of these measures, but their introduction did have some initial positive effects in 2012.

The sale of companies and the related focus on two core business segments, but also leaner corporate structures, the introduction of sustainable processes and reduced inventories have all contributed to creating the premises for improved efficiency in the group. Business, however, was hampered by the general economic setting in our markets with the result that consolidated sales of our continued segments were down around 4 per cent on the prior-year figure, reducing to EUR 141.3 m. Most notable here was the considerable pricing pressure we experienced. We did manage though to counterbalance these factors with cost savings produced by our restructuring measures. Operating earnings before impairment charges and restructuring costs in the group improved from EUR – 0.5 m in the previous year to EUR 1.9 m despite reduced business volume. At EUR – 8.0 m, net earnings remained notably negative in 2012, but by the same token reflect our upward trend: A year prior, we had posted a net loss for the year of EUR 12.1 m.

Our measures therefore have already started to take effect and have given us a solid grounding to move forward in a much better position. Now is the time to establish these more efficient structures firmly in our company and to ensure that we play to the strengths of Funkwerk AG, which are now more evident again as a result of our reorientation. We have set our strategic priorities to focus on this very goal.

Our great technological expertise is widely recognised and provides Funkwerk with a significant competitive edge.

We will increase our efforts in the future to draw further attention to our comprehensive know-how so as to raise the profile of Funkwerk as a development and technology centre. Focus will be given to the key components of our product portfolio. Funkwerk has innovative solutions and unique selling points in many areas, and we will specifically invest in these. Greater attention will also be given to the profitability of our products. It stands us in good stead here that we have improved our processes and ensured more flexible personnel structures through our restructuring.

As a technology specialist, we are continuing to pursue the internationalisation of our business as a vital element in our strategy. We will do so by our own efforts, but are also seeking long-term partnerships with system suppliers. Primary aspects of these partnerships will largely be our expansion in other countries and, with it, local presence and customer care. To this end, we are looking to add to our partner network.

Further specific opportunities are opening up for us in end-to-end solutions, for which there is increasing demand. We are already positioning ourselves in our business segments as a system supplier and plan to consolidate this position as we press ahead. Software is a further sector of increasing importance in which we find ourselves in a strong position.

We are additionally benefitting from long-term global market trends. These most notably include the steady rise in passenger and cargo rail transport, the increasing use of modern communication systems in the railway industry, the growing importance of resource-efficient transport, and the increasing security requirements in virtually every sector of society. In the short-term, these stimulants will be negatively affected as resistance in the public sector persists and the investment environment in the railway sector remains tough. Competition is also predicted to further intensify with resulting increased pricing pressure.

DR.-ING. MANFRED LERCH
Managing Director of Funkwerk AG

Against this backdrop, we anticipate sales in the current financial year to be steady. Ultimately, our cost saving measures will take full effect in 2013. As a result, we expect a continued positive trend in operating earnings in the current year.

> We are at the same time convinced that Funkwerk AG will grow and produce a sustainable marginal profit in the long-term.

The prospects are good, and we have considerably improved our competitive strength through efforts taken over the last two years. May I thank all employees, business partners and investors of the Funkwerk group for your crucial contribution to creating this platform. With you, we will rise to the challenges still facing us and press on to firmly establish our company in the market.

Dr.-Ing. Manfred Lerch
Managing Director

Content

FOREWORD BY THE MANAGING DIRECTOR 1

01 GROUP MANAGEMENT REPORT 7

Business and general setting 8
Segment reports 11
Earnings, financial and asset position 13
Other performance indicators 16
Risk report 18
Remuneration report 23
Declaration on corporate governance 24
Report in compliance with Section 315 (4) HGB 25
Dependent company report 25
Events after the reporting period 26
Forecasting report 26
Responsibility statement by the legal representatives 29

02 TO OUR SHAREHOLDERS 31

The Funkwerk share 32
Report of the Supervisory Board 34
Corporate Governance Report 36
Declaration of Compliance 39

03 CONSOLIDATED FINANCIAL STATEMENTS ACCORDING TO IFRS 41

Consolidated balance sheet 42
Consolidated statement of comprehensive income 44
Consolidated statement of cash flows 45
Consolidated statement of changes in equity 46
Notes to the consolidated financial statements 48

AUDITOR'S REPORT 100

01

GROUP MANAGEMENT REPORT

Business and general setting	8
Segment reports	11
Earnings, financial and asset position	13
Other performance indicators	16
Risk report	18
Remuneration report	23
Declaration on corporate governance	24
Report in compliance with Section 315 (4) HGB	25
Dependent company report	25
Events after the reporting period	26
Forecasting report	26
Responsibility statement by the legal representatives	29

Business and General Setting

Basis and group structure

Funkwerk AG 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. Our mission is to maintain a high degree of flexibility in reacting to individual customer requests coupled with leading technological expertise.

> Under the umbrella of Funkwerk AG, operations are structured into two strategic segments that are subdivided into operational business units (BUs) which at the same time operate across all sectors.

Our Traffic & Control Communication (TCC) segment covers the development, production and sale of high-end system solutions for railway and transport companies, infrastructure operators and railway vehicle manufacturers worldwide. The Infrastructure BU within TCC concentrates on stationary systems in rail transport such as display and public announcement systems for railway stations, planning systems for timetable synchronisation, operations control systems for route management, and electronic interlocking control systems. The product range of the Rolling Stock BU, on the other hand, comprises mobile systems — both for communication between train and stationary infrastructure and for communication and passenger information on the train.

The Security Communication (SC) segment of Funkwerk addresses the increasing security requirements of individuals and companies, specialising in the development, production and sale of systems for high-end security solutions such as personal security and video surveillance systems. Our customers in this segment include authorities, penal facilities, public transport companies and businesses. Offering professional video cameras, video transmission technology and software, our Video Systems BU covers the entire requirement spectrum here — from image recording all the way to their transfer, processing and analysis. The Security Technology BU comprises personal security solutions and emergency call systems along with the appropriate terminals. Focus here is given to fields of work with increased security requirements such as found in penal facilities and power plants or on oil rigs.

Our previous Enterprise Communication segment and the main sectors of our Automotive Communication (AC) segment were sold at the end of 2011 and in fiscal 2012, respectively.

Consolidated group

Funkwerk is represented in key markets through branch establishments or subsidiaries. At the end of 2012, the group operated seven sites in Germany and four abroad. Our consolidated group changed in the reporting year due to the sale of our Enterprise Communication segment along with its subsidiaries at the end of 2011, as the beneficial title did not pass to the new owner until 13 January 2012. In the first quarter of 2012, we also sold Funkwerk Avionics GmbH, which was part of our former Automotive Communication segment, and in July 2012, we shed the sports display product line of Funkwerk Information Technologies Karlsfeld GmbH. Effective 1 October 2012 we then sold Funkwerk Dabendorf GmbH, Zossen. The subsidiary had been the central site for key activities in the group's Automotive Communication segment. The commercial property in Dabendorf and our subsidiary Funkwerk eurotelematik GmbH in Ulm were transferred from Funkwerk Dabendorf GmbH to Funkwerk AG before execution of the contract and continue to be included in the consolidated group.

Our subsidiary Hörmann-Funkwerk Kölleda GmbH (FWK) in Kölleda was merged with and into Funkwerk AG with effect from 1 January 2012. FWK was part of our TCC segment and specialises in the development of communication system solutions for mobile rail transport and railway infrastructures. Effective from the date of the merger, the assets of FWK passed to the parent company, and the subsidiary ceased to exist.

Details are included in the chapter on asset, financial and earnings position. A full account of the consolidated group is provided in the notes to the financial statements.

Reorientation of the Funkwerk group

In 2011, Funkwerk initiated a radical restructuring programme to focus on core segments in the group, to simplify its structures and to improve its earning power. Significant progress was made in implementing its key measures in 2012:

As an element of our focusing strategy, the group is consistently shedding peripheral sectors and activities which are not considered part of our core business. In 2011 and 2012, several companies were sold generating sales of around EUR 50 m in total. Funkwerk can now focus exclusively on its two segments TCC and SC, and on growth fields with a high profit margin in these segments.

We also plan to raise cost and organisational synergies existing in the group. To this end, we have initially structured operations within the segments into business units and have begun to combine cross-departmental and central functions in order to utilise resources more intensively across the group. In the development sector, our work has increasingly shifted to competence centres.

> The merger of subsidiaries such as Hörmann-Funkwerk Kölleda GmbH with and into the parent company, Funkwerk AG, which was finalised in 2012, further contributes towards our intended centralisation.

A third key factor in our reorientation is further development of the product portfolio in the Funkwerk group. Our aim here is to consolidate the lead we hold in many areas of technology. To this end, we are investing in key components, which will at the same time increase our real net output ratio. It will also streamline and simplify our spectrum to allow for broader marketing of our products — also through partnerships.

Our focus in sales is on international expansion of our operations. We are systematically analysing the regions here to break into new ground preferably through cooperation with partners. Our recognised expertise in technological fields and our excellent position in such subsectors as train radio terminals or personal emergency call systems stand us in good stead here.

A further issue for us is increasing the efficiency of our production processes and optimising our supply chain management. To achieve this, we are centralising our production sites, gradually improving both their productivity and their capacity utilisation, and are progressively outsourcing standard jobs.

Corporate governance and control system

Funkwerk is managed on the principles of the German Corporate Governance Code. Specific responsibility for corporate governance rests with the Executive Board. Its work is monitored by the Supervisory Board. The Executive Board also specifies the group strategy and together with the responsible parties in the segments and business units works out suitable measures for its implementation.

The operating units are controlled both on the basis of strategic requirements and key performance indicators. These include sales, the EBIT margin, the value added per employee, the working capital to sales ratio, the investment intensity, and the turnover ratio. These management tools are used in the context of group-wide controlling and are extended where required. We also keep a close eye on various leading operational indicators such as market, economic and selected industry figures, incoming orders in our segments, and the trend of key raw material prices. Corporate management and controlling at Funkwerk further includes the analysis of current and target positions in competition. To establish these, we regularly examine each of our market shares, the quality of our products, the sales contribution of new products, and development intensity.

Economic parameters in 2012

The world economy in 2012 continued to lose momentum. According to the IMF (International Monetary Fund), global markets grew by 3.2 per cent, after 3.9 per cent in the previous year. Key factors here were the debt crisis in the eurozone and the lack of any significant progress in this matter until later in the year, but also the fact that for long stretches growth of the US economy was all but limited. These factors also increasingly impacted the previously dynamic drive in newly industrialised and developing countries. According to the IMF, these countries had grown no more than 5.1 per cent, after a plus of 6.3 per cent in 2011. Against the backdrop of overall difficult economic parameters, the pace of expansion in the industrialised nations, which had already slowed, dropped further still from 1.6 per cent to 1.3 per cent. Particularly poor here was the trend in the eurozone, where the economic performance in 2012, in fact, shrank by as much as 0.4 per cent.

The German economy proved robust in 2012 — defying the recession that had gripped the rest of Europe. According to the Federal Statistical Office, the real gross domestic product in this country rose by 0.7 per cent. This was due primarily to excellent export business and higher consumer spending. Because of the poorer trend in global markets and the crisis of confidence in the eurozone, however, the economic climate in Germany also notably deteriorated towards the end of the year.

Sector environment

In 2012, the German rail industry developed positively on the whole. Sector sales should be up by a two-digit margin following the announcement by the German Rail Industry Association, VDB, that turnover had increased by around 13 per cent to EUR 5.3 bn in the first six months with a good backlog of orders in the sector. Significant momentum primarily came from the strong demand for railway vehicles. Trade in infrastructure equipment such as interlocking systems or signalling technology, on the other hand, continued on in a rather difficult environment.

On a more positive note, the security technology sector in Germany proved highly satisfactory. The National Association of Manufacturers and Installers of Security Systems, BHE, sees a welcome upward trend for 2012, with sales improving by around 2.9 per cent to EUR 2.8 bn. All market segments are expected to contribute here, but growth in fire alarm systems and video surveillance is predicted to be higher than average. Outside Germany, sales on the whole should also have improved despite the fact that investment confidence in the public sector in Europe was visibly shaken by the effects of the debt crisis.

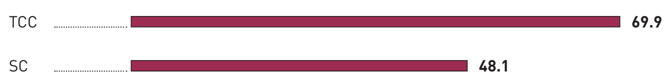
Funkwerk business trend at a glance

In 2012, business at Funkwerk was notably affected by slow demand in the public sector and increasingly serious pricing pressure.

Internally, operations were impacted in the first instance by our restructuring measures implemented across all our sites. Focal points here were the sale of further company units, the adjustment of capacities in consideration of significantly leaner corporate structures, the improvement of efficiency in operations, and the implementation of stable processes throughout the group. Our plans also involved personnel adjustments.

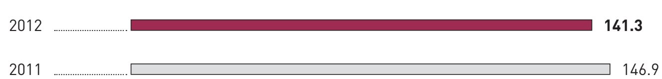
Demand in both our segments proved slow. As a result, orders received in the group only came to EUR 118.0 m, compared to prior-year orders worth EUR 147.0 m. All figures were adjusted for the sold operations. Orders received in our TCC segment totalled EUR 69.9 m in the reporting period (2011: EUR 88.4 m), and EUR 48.1 m (2011: EUR 58.6 m) in our SC segment. The backlog of orders as at 31 December 2012 amounted to 67.4 m in the continued segments (2011: EUR 91.6 m).

INCOMING ORDERS IN 2012 BY SEGMENT (IN EUR M)



Consolidated sales generated by our continued segments reduced by around 3.8 per cent to EUR 141.3 m in 2012, with the group's total operating performance down by 4.7 per cent to EUR 145.3 m. Aside from poor demand, a crucial factor here in particular was serious pricing pressure, which further increased in both our segments. The losses, however, could be more than compensated by savings made as a result of our restructuring programme. Gross profit therefore rose by 2.1 per cent to EUR 76.5 m, the gross profit margin improved from 51.0 per cent to 54.2 per cent (as a percentage of sales). The operating result before impairment charges and restructuring costs consequently increased to EUR 1.9 m, after EUR – 0.5 m in the previous year, the EBIT was up from EUR – 6.3 m to EUR – 5.1 m. The net loss for the year reduced from EUR –12.1 m to EUR – 8.0 m, net earnings per share stood at EUR – 0.99 (2011: EUR –1.51). The reorientation measures implemented also helped to stabilise the asset and financial situation in the group.

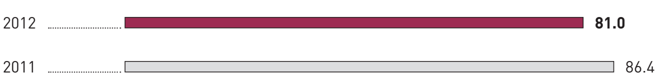
CONSOLIDATED SALES (IN EUR M) OF THE CONTINUED SEGMENTS



Segment report

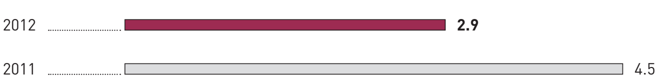
Traffic & Control Communication

TCC SALES (IN EUR M)



Sales in our TCC segment totalled EUR 81.0 m in 2012, after EUR 86.4 m in the previous year. The segment thus contributed some 57 per cent to the group's volume of sales generated in the continued segments. The operating result before impairment charges and restructuring costs came to EUR 2.9 m (2011: EUR 4.5 m), the EBIT stood at EUR −1.3 m, compared to EUR 0.4 m in the prior-year period.

TCC OPERATING RESULT* (IN EUR M)



* before impairment charges and restructuring costs

Significantly increased competitive pressures across all our business sectors in 2012 notably affected the order situation and profit margins in TCC. As projects were placed at times on unprofitable terms, we decided to withdraw from tenders.

> Our successful presence at the InnoTrans, the international railway technology trade fair, with more than 1,000 people visiting our stand proves that our product spectrum is as attractive as ever and underlines our expertise in key areas of the technology sector.

In our Rolling Stock BU, the introduction of the new generation of railway radio communication systems, MESA 26, as a voice and data transmission terminal designed for the GSM-R network particularly met with a highly positive response. Further products were also added to our focX range of handhelds which can be used for wireless communication both on the train and for shunting purposes: a wireless desktop radio device and a dual-mode device for use whether or not GSM-R network infrastructure is available. Continuous deliveries of handheld devices and accessories were made to the Austrian Federal Railways, ÖBB, throughout the year under the focX framework contract received from Austria back in 2011.

Our internationalisation efforts continued with good success as we received several orders from abroad, including Switzerland, Australia, Poland and Northern Europe. In India as a growth market, we are currently implementing our second project involving the supply of radio terminals. In order to further increase our international activities, we signed a new cooperation contract with a leading analogue railway communication systems producer in Russia. The contract involves the development of a dual-mode railway radio communication system for the Russian market. In Turkey, we were able to win a strategic partner to handle the sale and service of our train radio systems.

Along with expanding our international presence, we particularly seek to consolidate our position as a system provider. Our software solution CAIMAN will play a significant role here. Designed to furnish customer-friendly information for passengers, our platform was upgraded in 2012. The system provides Funkwerk with a number of unique selling points, as it is suited for such aspects as mobile connection to passenger information systems, web-based operation and the use of innovative voice synthesis solutions.

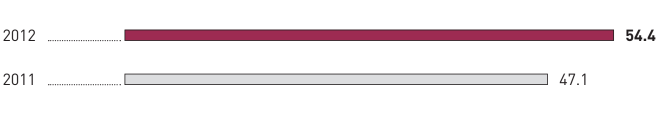
The launch of our electronic interlocking system Alister for passenger transport was hit with a delay in 2012, as we failed to obtain SIL 4 certification as planned for the pilot project of Deutsche Bahn. Since certification to this level is required for its operation, we are now applying every effort to ensure that the requirements of the Federal Railway Authorities are met. The considerable amount of documentation work, in particular, necessitated additional resources in the reporting year, which affected our earnings situation. The lack of certification — despite the fact that the system works perfectly without technical problems — also meant that we were forced to withdraw from a follow-up project placed by Deutsche Bahn AG. Incoming orders and backlog in 2012 reduced to around EUR 2.9 m as a result.

Our interlocking system in the cargo sector, which is subject to the lower safety level SIL 2, has proven successful in many instances. We have now installed more than 40 of these systems throughout Europe. In 2012, a new order was placed by Hamburger Hochbahn AG, the second-largest public transport operator in Germany. This interlocking system for depots was largely finished in the reporting year.

For Swiss railway operator Schweizerische Bundesbahn SBB, we implemented a project based on our BEST training platform (German acronym for operations and interlocking simulation), which simulates a wide variety of interlocking systems. The system ensures effective training of signalling staff and is used in Switzerland for nationwide training of traffic controllers. Deutsche Bahn AG also uses our BEST platform and placed an order with us in 2012 involving the upgrade of its existing training system.

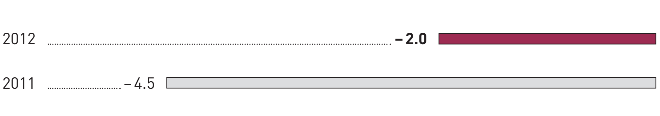
Security Communication (SC)

SC SALES (IN EUR M)



Our SC segment was equally affected by significantly more intense competition in 2012. The price wars that came as a result notably impacted our margins. The segment's operating result improved from EUR −4.5 m to EUR −2.0 m but failed to meet our expectations. Sales in SC increased primarily because of a considerably higher percentage share of export sales and brisk service and maintenance business, up by 15.5 per cent to EUR 54.4 m (2011: EUR 47.1). The EBIT here amounted to EUR −4.0 m, compared to EUR −6.2 m in 2011.

SC OPERATING RESULT* (IN EUR M)



* before impairment charges and restructuring costs

In the Security Technology BU, our Tetra based solutions presented us with new projects both in Germany and in the international arena. In 2012, we received a major contract from Russia involving the equipment of inland waterways craft with Tetra security systems. Against the backdrop of our planned international expansion and as high growth rates are expected for the GUS region, this order has significant strategic value for Funkwerk. On the whole, we have now generated sales in more than 20 countries with our security products.

At penal facilities, a sector in which Funkwerk clearly takes the lead, we are also benefitting greatly from the trend towards replacing existing personal emergency call systems with Tetra. New orders here came from facilities such as Tonna and Rohrbach.

A further noticeable trend was the move towards DECT-over-IP systems. Our solution here enables the connection of transceiver stations using existing Ethernet cables, which makes it suitable particularly for larger buildings. In 2012, we were able to sell DECT-over-IP systems to countries such as France, Italy, the Netherlands and Russia. We also acquired our first pilot project for personal emergency call systems.

Video solutions are used increasingly not only to improve security, but also to control resources — such as in traffic management or in major plants. Orders received in 2012 here included the supply of a furnace probe for installation in a power plant as well as an apron monitoring system for Düsseldorf Airport. Here, we installed our new FAC 4000 type IP-HD camera introduced as recently as in 2012. We also put systems used to control several level crossings in the Hesse region into operation.

A further major project in 2012 started in Frankfurt. Here, Funkwerk is providing equipment for the new headquarters of the European Central Bank, ECB. The contract, which is expected to run up until 2014, involves full video surveillance for interior and exterior as well as the networking of all security-relevant components.

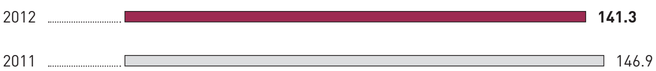
Automotive Communication (AC)

Funkwerk Dabendorf GmbH, Zossen, which had been the central site for key activities in the group's Automotive Communication segment, was sold effective 1 October 2012. The beneficial title passed to the new owner on 19 October 2012. As a result, the company ceased to be included in the consolidated group as at 31 December 2012. The business premises in Zossen along with our subsidiary Funkwerk eurotelematik GmbH, Ulm, which were not included in the sale, still factor in the consolidated financial statements. Sales generated in the remaining sectors totalled EUR 5.9 m in 2012 (2011: EUR 5.0 m), the operating result (before impairment charges and restructuring costs) amounted to EUR 1.0 m (2011: EUR 0.0 m). The EBIT here stood at EUR 0.3 m (2011: EUR −0.1 m).

Earnings, financial and asset position

Sales and earnings

CONSOLIDATED SALES (IN EUR M) OF THE CONTINUED SEGMENTS



The group's earnings, financial and asset situation once again reflects the systematic and comprehensive reorientation of Funkwerk in 2012. Not only did numerous measures taken to optimise our processes and structures affect the situation. We also continued to focus on core business by selling further company units.

> In the reporting year alone, we sold Funkwerk Avionics GmbH, our TCC sports display product line and Funkwerk Dabendorf GmbH. The total revenues sold for 2012 came to EUR 11.8m.

To ensure comparability, the prior-year figures were adjusted accordingly.

Consolidated sales of the continued segments declined by 3.8 per cent in 2012 to EUR 141.3m. This was mainly due to sluggish investment in the public sector and increasingly serious pricing pressure in a number of market segments. Our finished goods inventories and work in progress also reduced by EUR 4.1m as a result of our efficiency improvement programme and more effective working capital management. Internally produced and capitalised assets decreased from EUR 3.3m to EUR 2.2m on grounds of the change in valuation method for capitalisation of internally produced assets as announced in the context of our reorientation. This was compensated to a certain extent by the increase in other operating income from EUR 3.9m to EUR 5.9m after a retransfer of reserves. On balance, the group's total operating performance dropped by 4.7 per cent to EUR 145.3m in 2012.

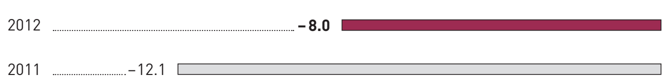
OPERATING RESULT* (IN EUR M)
OF THE CONTINUED SEGMENTS

* before impairment charges and restructuring costs

Satisfactory progress was made in the cost of materials in fiscal 2012, which reduced quite sharply by 13.6 per cent to EUR 60.7m. This came as a result of restructuring measures such as portfolio adjustments. It enabled us to more than compensate the losses in our overall operating performance. Gross profit (without internally produced and capitalised assets and other operating income) hence increased by 2.1 per cent to EUR 76.5m. The gross profit margin (as a percentage of sales) improved from 51.0 per cent to 54.2 per cent.

At EUR 55.4m, personnel expenses in 2012 remained more or less at prior-year level. Here, further cost reduction measures must be seen opposite significant pay-scale and non-pay-scale wage and salary increases. Since planned depreciation of EUR 5.6m (2011: EUR 5.3m) and other operating expenditure of EUR 21.7m (2011: EUR 21.6m) also remained virtually at prior-year level, the positive trend in cost of materials fully affected our operating result before impairment charges and restructuring costs, which improved from EUR – 0.5m to EUR 1.9m. Allowing for impairments in intangible assets and tangible assets of EUR 1.9m (2011: EUR 2.5m) and restructuring costs amounting to EUR 5.1m (2011: EUR 3.3m), our earnings from operations (EBIT) totalled EUR – 5.1m, compared to EUR – 6.3m in fiscal 2011.

EARNINGS AFTER TAXES (IN EUR M)
OF THE CONTINUED SEGMENTS



At EUR – 2.1m (2011: EUR – 2.1m), our financial result remained unchanged, resulting in consolidated earnings before taxes of EUR –7.2m (2011: EUR – 8.4m) below the line. Tax expenditure reduced significantly from EUR 3.8m to EUR 0.8m, as the prior-year figure had included a significant amount of provisions for back taxes. As a consequence, net earnings of our continued segments improved much more drastically than our operating result, up from EUR −12.1 m to EUR −8.0 m. This translates into — diluted and undiluted — earnings per share for our continued segments of EUR −0.99 (2011: EUR −1.51).

Earnings from discontinued segments (after taxes) amounted to EUR −8.4 m, compared to EUR −3.8 m in the previous year. This includes the deconsolidation loss from the sale of Funkwerk Dabendorf GmbH in the amount of EUR 6.7 m. The group's overall result therefore aggregated EUR −16.4 m (2011: EUR −15.9 m).

Financial position

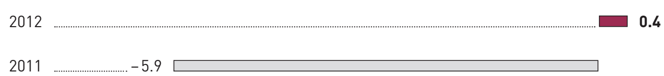
> As financial management targets, Funkwerk AG seeks to secure the group's liquidity, optimise its financial expenses and income, and control and minimise its currency and interest risks.

In our efforts to achieve these targets, we employ as wide a spectrum of financing instruments as possible. This diversification provides us with a much wider scope for action and ensures independence from individual markets.

The restructuring and reorientation of the Funkwerk group has helped stabilise our financial position. Positive effects resulted primarily from incoming payments in the amount of around EUR 18 m received in the last two years for sold companies. This cash inflow prompted our banking syndicate headed by Commerzbank AG in April 2012 to amend the syndicated loan agreement of 2011. The addendum centred on reducing the loan funds from EUR 75.5 m to EUR 50.0 m on the same interest terms. At the same time, funds of around EUR 18m from the sale were made available to Funkwerk AG at its free disposal. The indemnity bonds received from the »Germany funds« Government/Laender programme in connection with the syndicated loan agreement could be returned. This means that the condition whereby the majority shareholder of Funkwerk AG is obligated to vote for a retention of earnings no longer applies from fiscal 2012. The syndicated loan agreement stipulates the achievement of specific financial ratios. These specifications were amended under the supplementary agreement of 19 April 2012. Based on this, the equity ratio of the Funkwerk group must not at any point up until 30 June 2013 drop below 28 per cent, and thereafter remain at least at 30 per cent. The adjusted debt to equity ratio of the Funkwerk group as at 31 December 2012 must not exceed 6.0. Thereafter, this threshold will gradually reduce to 4.0 on a quarterly basis up until 31 December 2013; as at 31 March 2014 and thereafter, it must not exceed 2.7.

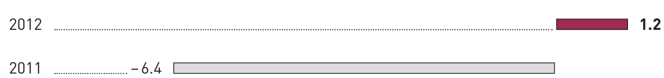
Liquidity trend

CASH FLOW FROM OPERATING ACTIVITIES (IN EUR M)



Cash flow from current operations improved from EUR −5.9 m to EUR 0.4 m in 2012. Significant non-cash charges resulting from deconsolidation measures impacted our results for the year, but did not involve an outflow of liquidity. Changes in other debt led to cash inflow in the amount of EUR 5.1 m.

FREE CASH FLOW (IN EUR M)



In the context of investment activities, receipts in the previous year totalled EUR 0.7 m on balance, as Funkwerk took in funds in the amount of EUR 8.2 m after transaction costs from the sale of companies. This inflow came opposite spending on investments in tangible assets and intangible assets of EUR 2.8 m and in development activities of EUR 5.0 m. Adding up the cash inflow and outflow from current operations and investment activities, free cash flow totalled EUR 1.2 m in 2012, compared to EUR −6.4 m in the previous year.

Cash outflow relating to financing activities amounted to EUR 6.2 m for repayment of the syndicated loan by way of a release of funds in the current reporting year which had been placed into an assigned account subject to disposal restrictions as at 31 December 2011 (in connection with sales activities). Adding up all payment transactions in 2012, cash outflow totalled EUR 5.0 m, so that liquid assets as at the end of December reduced to EUR 12.9 m.

Asset position

Our focus on core business segments in the group had an equally significant effect on our consolidated balance sheet. The sale of further companies makes it impossible to draw a direct comparison with the previous year.

Consolidated total assets as at the end of 2012 amounted to EUR 113.1 m, down from EUR 157.9 m on the prior-year closing date. The balance sheet contraction was due to completed sales in the reporting period. By the same token, the sale of Funkwerk Avionics GmbH and our EC segment initiated in the fourth quarter of 2011 took full effect, as these were ultimately finalised in 2012.

The assets of these two company units in the total amount of EUR 14.6 m had been consolidated under the asset-side item »Long-term assets held for sale» of the 2011 balance sheet. Once these transactions had been finalised, this item was deleted and resulted in an appropriate balance sheet contraction. The same applies to »Liabilities held for sale« of EUR 15.7 m on the liabilities site. The decrease in financial assets from EUR 12.0 m to EUR 3.4 m also in the main resulted from the sale of these two units, in the context of which shareholder loans which Funkwerk AG had granted to the EC segment and Funkwerk Avionics GmbH were fully repaid.

Along with the sale of these companies, further aspects factoring in the balance sheet contraction for 2012 were other comprehensive restructuring measures, our improved working capital management, and specific portfolio optimisation efforts. On the assets side, this was most evident in the decrease of inventories by almost one third to EUR 25.4 m and the reduction of trade accounts receivable by 15.0 per cent to EUR 28,9 m.

> The rise in receivables from projects in progress from EUR 4.7m to EUR 7.7m was a direct consequence of accelerated order filling in the fourth quarter.

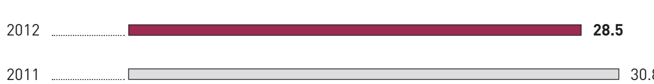
Liquid funds reduced from EUR 17.4 m to EUR 12.9 m primarily as a result of repaid financial debt. In total, short-term assets decreased by 33.0 per cent to EUR 81.1m. Long-term assets diminished somewhat more moderately, but still quite significantly by 13.4 per cent to EUR 31.9 m. Decreases here primarily concerned fixed assets, down by EUR 2.7 m to EUR 9.5 m, and capitalised development costs, which reduced from EUR 16.4 m to EUR 15.4 m.

On the liabilities side of the consolidated balance sheet, the most notable aspect other than the deconsolidation measures was the payment of short-term financial liabilities. These reduced year-on-year by EUR 6.0 m to EUR 6.9 m. We also decreased our trade accounts payable by EUR 6.5 m to EUR 21.4 m. Accrued liabilities diminished from EUR 11.5 m to EUR 7.2 m. These were utilised in connection with the implementation of planned restructuring measures. On the whole, short-term liabilities — including the closed item »Liabilities held for sale« — reduced by 29.7 per cent to EUR 66.7 m. At EUR 14.2 m in total, long-term liabilities were only marginally down on the prior-year figure of EUR 14.4 m.

As at the end of December, the Funkwerk group had positive net cash and cash equivalents (liquid funds less short- and long-term financial debt) of EUR 6.0 m (2011: EUR 4.5 m).

Equity reduced to EUR 32.2 m (2011: EUR 48.7 m). This translates into an equity ratio of 28.5 per cent, compared to 30.8 per cent as at the end of 2011.

EQUITY RATIO (IN %)



Overall view of the economic situation

The Executive Board of Funkwerk believes that positive effects resulting from our reorientation measures have helped stabilise our earnings position despite a rather difficult economic situation for the company in 2012. The steps taken to date once again led to restructuring costs in the reporting year; at the same time, however, they also contributed to optimising the cost structures in the group. We now also enjoy a stronger financial and asset position. At EUR 0.4 m, cash flow from current operations in our continued segments is positive again, the equity ratio accounted for 28.5 per cent as at the end of 2012. A direct comparison with the prior-year figure of 30.8 per cent is impossible, though, because of the sale of further companies.

Other performance indicators

Procurement

The sourcing of raw materials and supplies and of components is a vital aspect of business at Funkwerk. As part of our strategic reorientation, we have begun to centralise the management of our group's purchasing volume, to standardise suppliers and components, and to intensify cooperation across our various sectors. These measures enabled us in 2012 to compensate price increases affecting electronic components and customised mechanical devices as well as cables and conductors and to reduce our cost of materials in the group by 13.6 per cent to EUR 60.7 m (2011: EUR 70.2 m). In order to offset price fluctuations in individual regions, our raw materials and supplies are sourced from different suppliers worldwide, preferably based on long-term contracts.

Production

Production was focused on two facilities, with Kölleda acting as the central site for the railway sector and Salzgitter for SC production. This enables us to consolidate expertise and optimise the utilisation of capacities in the group in an effort to reduce our fixed costs.

> In 2012 we already noticed a significant improvement in efficiency. Especially the introduction of our lean manufacturing concept throughout the group led to significant cost savings.

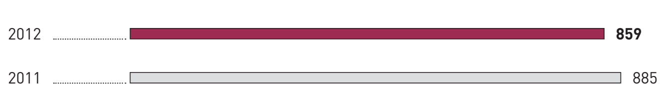
At our TCC facility in Kölleda, the implementation of »lean« processes along with the setup of appropriate workplaces reduced the time from receipt of order to dispatch somewhere in the two-digit percentage range. Inventories also decreased significantly. At the same time, the introduction of a KanBan supply system for specific materials helped to cut the amount of storage space required. On an annual average, as much as 85 per cent of available production resources were utilised in Kölleda. Consequently, we initiated appropriate personnel measures including the transfer of individual employees. At our Karlsfeld site near Munich, where electronic display systems are assembled, resources were utilised at 33 per cent in the reporting year. In fiscal 2013, the production of components produced at this site will be relocated to Kölleda and outsourced to external producers.

Our facility in Salzgitter also benefitted from efficiency improvement measures in 2012. Increased efficiency meant that our production volume in the Tetra sector rose to more than 3,600 devices (40 per cent above plan) in the last quarter, but our optimisation also freed personnel capacities. As a result, the use of temporary staff could be cut to almost zero. The relocation of video camera production from Nuremberg to Salzgitter was completed in the reporting year.

Employees

As at 31 December 2012, Funkwerk as a group employed 859 people in its continued segments, compared to 885 at the end of 2011. Employees in TCC totalled 510 at the end of the reporting year, and 319 in our SC segment. Funkwerk eurotelematik GmbH, which previously had been part of the AC segment, employed 30 people in 2012.

EMPLOYEES



The reduction of personnel was primarily due to the measures taken to improve our efficiency both in the administrative and the production sector. The number of staff in administration reduced from 61 to 59, while the production sector had a workforce of 391 (2011: 407) at the end of 2012, and development, of 168 (2011: 171).

The know-how and expertise of our employees in technological aspects are key factors for the success of Funkwerk. As a result, we aim to secure these both now and in the future.

In 2012, 42 per cent of our employees held university degrees, some 53 per cent were skilled workers. In order to further consolidate and improve the know-how available in the group, Funkwerk places high priority on training and further education. A diverse range of employee advancement programmes in the company ensures continuous qualification of our staff and helps to increase their motivation. Programmes in 2012 focused on aspects such as software, hardware and product development, project management, certification and licensing as well as sales. We also offered an equally diverse programme for executive staff.

To secure competent and motivated trainees, Funkwerk has attractive offers for young professionals. Along with training in typical industrial and commercial jobs, we also provide the opportunity to study business administration or engineering in cooperation with the university of cooperative education. As at 31 December 2012, Funkwerk as a group employed 48 trainees and students, after 60 a year earlier. This corresponds to around 5 per cent of our total workforce.

Research and development

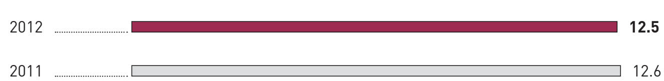
Intensive research and development activities (R&D) at Funkwerk are aimed at designing new products and solutions and increasing the efficiency of our production processes. This is to ensure that we are able to further consolidate our lead already held in many markets and increase our efficiency.

In 2012, R&D spending in the group totalled around EUR 12.5 m, which is almost exactly as much as in the previous year. In terms of sales, this produces an R&D ratio of around 9.0 per cent. Capitalised development costs came to EUR 2.2 m in the reporting year (2011: EUR 3.3 m).

Focus in our TCC segment was given to working towards SIL 4 certification of our Alister interlocking system, which we are vehemently continuing to push. Development in the segment also concentrated on the completion of our Electronic Public Address System (ELA). As Funkwerk is the first manufacturer to offer such a system for use on trains, this product provides us with a unique selling point. In terms of railway radio communication systems, we received certification for our MESA 23 model in the Czech Republic in 2012.

Major R&D projects in our SC segment in 2012 included the new IP-HD camera, FAC 4000. Used for the first time at Düsseldorf Airport, its appeal lies in outstanding picture quality. We also optimised our solution for hard shoulder release on motorways. Focus here was given to more exact position control of the pan-tilt cameras used. Our Security Technology BU developed several upgrades of our Dect-over-IP platform and a number of Tetra variants specifically for international use. Priority here was given to a special Tetra version for the Russian contract.

RESEARCH & DEVELOPMENT SPENDING (IN EUR M)



Sustainability and corporate social responsibility

As a corporation with international operations, Funkwerk takes responsibility towards its social, economic and ecological environment seriously. Consequently, we are committed to acting with a view to sustainability and take account of the requirements of all interest groups affected by our activities.

Funkwerk practises corporate citizenship through engagement in various social initiatives. In 2012, the better part of our support was poured into scientific projects. Donations were made to such projects as the »Jugend forscht« youth science programme set up to promote training for young people in such fields as mathematics, information technology, natural sciences, and technology. We also believe that the successful training and further education of our staff, the compatibility of work and family, and the provision of attractive jobs along with healthy and safe working conditions are good indicators of sustainability.

Under ecological aspects, we endeavour to keep the effects of our activities on the environment to an absolute minimum and continuously reduce them. Our aim is to combine economic with ecological interests. All our facilities have their own environmental management systems, which are largely certified to national and European standards.

Quality

The high quality of our products and the reliability of our systems are of paramount importance to us. For this reason, all relevant business processes are subjected to regular quality control. The quality management system installed at our production facilities is continuously improved. Individual facilities also undergo specific certification procedure to meet our customers' requirements.

In 2012, our facility in Kölleda underwent a supplier evaluation process initiated by Deutsche Bahn AG as well as a recertification audit to DIN EN ISO 9001:2008. In addition, our TCC segment passed the IRIS (International Railways Industrial Standard) inspection audit. In our SC segment, we appointed a QM manager in the reporting year to ensure further optimisation of our system here. We were also recertified to DIN ISO 9001 and passed the audits of the government safety organisation which reviews our products for compliance with its standards. In terms of health and safety, we met the requirements of the SCC (Safety, Certificate, Contractors) certificate, and in the product sector, the explosion-proof versions of our Tetra handhelds received IEC certification in addition to the European ATEX protection class.

Risk Report

Risk policy

Opportunities and risks are an integral part of any business operation and so also the globally oriented activities of Funkwerk.

> Our risk policy is based on the principle that risks are taken only if the business involving these risks is expected to improve the value of our company.

This requires wide knowledge of uncertainties and their implications. This risk policy established by the Executive Board determines the actions of all individuals involved in the risk management process.

Risk management system

Funkwerk has implemented a multistage risk management system (RMS) along with other supporting control systems. This includes our internal control system (ICS). Together, both systems provide an adequate framework to allow early detection of risks which may jeopardise the continued existence of the company, but also to identify and use opportunities. The system is centrally coordinated, is mandatory for all group companies, and includes every division and department. It ensures a high level of transparency through regular and systematic monitoring of all projects and the pertinent basic parameters, so that appropriate measures can be defined and implemented early.

Each company evaluates its projects using a risk checklist which allows a systematic identification and assessment of risks. Focus here is given both to quantitative and qualitative criteria. Where defined risk thresholds are exceeded, Investment Controlling is notified. The latter then prepares the data for the Executive Board and ensures prompt assessment, discussion, a definition of any required measures and, finally, agreement with the Executive Board.

Internal control and risk management system in the financial reporting process

Based on Section 315 (2) no. 5 of the German Commercial Code (HGB), Funkwerk is obligated to describe the main features of its internal control and risk management system in the financial reporting process. This system is not defined by law. ICS refers to the policies, principles, processes and measures introduced by corporate management which are focused on management's decisions to secure the effectiveness and efficiency of the company's operations and to ensure truth and fairness of internal and external accounting and compliance with the statutory requirements pertinent to the company. These control activities also contribute to ensuring the provision of reliable and comprehensible information through accounting records.

In terms of the financial reporting process, we consider the main features to be such that could significantly influence the accounting and overall conclusion of the annual and the consolidated financial statements including management report and group management report. This includes risks relating to the financial statements as such, but also to the illustration of individual types of transactions. Specific risks for Funkwerk AG may result from such events as the conclusion of unusual or complex transactions. Furthermore, transactions which are not routinely processed involve a greater risk. Accounting risks related to derivative financial instruments are explained in the notes to the consolidated financial statements.

Measures to ensure effectiveness of the RMS / ICS

Regular discussions and follow-up in monthly meetings, complemented by individual reviews, provide assurance that the measures taken are, and remain, effective. At the same time, this platform is used to make changes to existing systems and thus is a starting point for a continuous improvement process.

The information provided is analysed on the basis of key figures. This allows us to identify weak points and any divergences. Investment Controlling is also responsible for verifying efficiency through spot checks and, where necessary, making appropriate changes.

The implementation of the early risk warning system as required under Section 91 (2) of the German Stock Corporation Act (AktG) is verified by our auditors as part of their annual audit in accordance with Section 317 (4) of the German Commercial Code (HGB). The opportunities and risks are regularly reported to the Supervisory Board.

Individual risk report

The following describes the main risks which may have a detrimental effect on the asset, financial and earnings position of Funkwerk.

COMPANY-SPECIFIC AND MARKET RISKS

The market for professional communication systems relevant to Funkwerk is a comparatively young market and subject to rapid technological change. Our business development therefore always depends on the extent to which Funkwerk is able to maintain or consolidate its market position and technology leadership while reacting flexibly to market changes.

In order to reduce the development-related risk, it is crucial that new products are developed using the right technology and launched at just the right time. This requires that we recognise and implement new technological trends in good time. We particularly face the risk that competitors roll out improved or innovative products earlier or cheaper than Funkwerk. And we cannot always guarantee that improved or new products are accepted accordingly by the market.

Due to its operations, Funkwerk is also subject to the market cycles of the electronics industry, specifically the dynamic product life cycles of electronic components. Suppliers, for instance, replace parts and components with new ones with little advance warning, so that Funkwerk is continuously forced to adapt its products to these new parts and components. This goes hand in hand with the risk that Funkwerk may not be able to provide the development resources required for adaptation of its products.

Since Funkwerk needs to guarantee a spare part stock at times for over 10 years due to warranties agreed with customers, we have a significant stock on hand. This may lead to impairment of inventories over and above the regular depreciation.

Due to the highly dynamic behaviour of technology, the scalability of serial production and the innovative and competitive pressures, the market for communication technology relevant to Funkwerk is defined by price deterioration. Especially in periods of economic crisis, competitors increasingly try to gain market shares through rock-bottom prices. Even with a technology lead the risk remains that competitor products prevail on the market because of the price.

Funkwerk requires a wide variety of parts and components to manufacture its products. These are sourced from a limited number of suppliers. Some, primarily electronic components, are specially made for Funkwerk. If these components are no longer available from the supplier, Funkwerk may not be able to change early enough to components from other suppliers.

DEPENDENCE ON POLITICAL DECISIONS AND CONTRACTING PRACTICES

A large fraction of business at Funkwerk depends to quite a degree on political decisions based on which funds are made available to the contracting authorities and customers of Funkwerk. Both our segments rely on public sector investments in railway equipment, personal security, property protection systems, motorways and infrastructure measures. Delays or cancellations of investment projects and subsidies especially against the backdrop of budget consolidation pressures currently experienced in many European countries and declining tax income may have a detrimental effect on public contracting and, as a result, on the business development at Funkwerk.

DEPENDENCE ON INTERNATIONAL MARKETS

The focal point of Funkwerk to date has been on Germany and other European countries. Funkwerk now plans to concentrate more intensively on internationalising its operations into non-European countries. The further international expansion of our operations, however, poses risks. These primarily include risks arising from the general economic, legal and tax parameters existing in the various countries, exchange risks, and the necessity to comply with current technical standards.

> The vast majority of sales at Funkwerk are generated in euros. Parts and components, on the other hand, are purchased largely in foreign currencies, more often than not in US dollars.

We therefore face an exchange risk that may affect the purchase prices, the valuation of trade accounts receivable, currency reserves, liabilities, and with it, the result of Funkwerk. The use of exchange rate hedging at Funkwerk may not be enough to compensate all exchange rate fluctuations between other currencies and the euro.

DEPENDENCE ON EMPLOYEES AND PROJECT MANAGEMENT

The future success of Funkwerk depends quite considerably on the further involvement and performance of its executives, managerial staff and employees in other key positions. If Funkwerk fails in the future to hold on to, or find, appropriately qualified personnel, the strategic and economic targets of Funkwerk may be in jeopardy.

Funkwerk is involved in project business. When project contracts are placed, the customer may act on the basis of different premises and requirements, which may jeopardise the implementation of the project. Since Funkwerk is paid after completion of specific performance stages in project business, the termination of a project may mean that preparatory efforts or expenses and costs incurred are not fully compensated. Furthermore, the risk assessment carried out prior to submitting offers for projects may be incorrect or incomplete for a specific project so that the agreed payment bears no relation to the expenses actually incurred by Funkwerk.

DEPENDENCE ON CUSTOMERS AND CERTIFICATIONS

Funkwerk has customers that each generate business of up to 10 per cent, in one case even slightly over 10 per cent, of total sales. The prorated sales volume produced with these customers compared to sales generated in the relevant segment is considerably higher in some cases involving key accounts. If several key accounts cease to purchase products in the same amount from Funkwerk, the company would face considerable risks.

The success of business at Funkwerk also depends on such factors as obtaining sector-specific licences and certification and complying with the prescribed standards and technical regulations which govern the introduction of new products and technologies. If Funkwerk is unable to develop products that comply with the prescribed standards and technical regulations or fails to obtain the approval required to market and sell its products in a specific country, this could impact business at Funkwerk.

The innovative electronic interlocking system Alister SIL 4 developed by Funkwerk is currently pending licensing, which we applied for on grounds including the upgrade of the Lindaunis interlocking system commissioned by Deutsche Bahn. Contrary to the original plans, the system could not be taken into operation within the first six months of 2012 since the Federal Railway Authorities (EBA) refused to issue the licence required for this type of interlocking system. The new interlocking system installed by Funkwerk has been running in shadow mode for about a year now without showing any noticeable problems. The field tests to be conducted as a requirement for licensing were also successful. Funkwerk is currently working hard to meet the stipulations of the EBA. The completion of assessment and subsequent operation are planned for the latter half of 2013. Despite the currently positive trends, we cannot altogether rule out that there will be further delays in receiving the required licence. This would mean additional costs facing us. Refusal of the licence, which the Executive Board does not anticipate based on current information, would considerably impact our future business and liquidity trend in the group. Related costs would range in single-digit millions and further aggravate the already strained liquidity situation in the Funkwerk group.

COMPLIANCE

In view of the complexities of our business and the geographical location of Funkwerk, violations of the law and criminal acts on the part of our employees may not necessarily be discovered and prevented in time.

If employees or third parties acting for Funkwerk leverage or provide unfair advantages in connection with business initiations, or use any other illegal business practices, we may face legal sanctions such as fines, the exclusion from tenders and the loss of contracts, and thus considerable damage to the reputation of Funkwerk. Funkwerk cannot guarantee that existing and future risk management and control procedures at Funkwerk are appropriate to cover every conceivable legal requirement in every country and are fully observed by all our employees and other parties acting for Funkwerk.

INFRINGEMENT OF PROPERTY RIGHTS AND PATENT VIOLATIONS

To date, Funkwerk has registered, or applied for registration of, a large number of patents and other industrial property rights for its products in various countries.

Funkwerk cannot guarantee that patents based on pending or future patent applications are granted or that Funkwerk will always be able to protect current and future developments, applications and computer programs by patent. Even if patents have been, or are, granted, it is not certain that the scope of current or future patents is sufficient to provide protection vis-à-vis third parties that is economically significant or guarantees potential competitive advantages for Funkwerk.

The success of Funkwerk in developing and marketing its products depends quite considerably on such aspects as ensuring that third-party property rights are not violated. It cannot be ruled out that current or future new and further developments of Funkwerk will violate third-party property rights and that third parties, as a consequence, assert claims against Funkwerk because of a violation and may therefore be entitled to damages or payment of royalties from Funkwerk.

Products of Funkwerk may be flawed. These flaws may be the responsibility of Funkwerk or of its suppliers and result in warranty or liability claims from customers or third parties or adversely affect the products' acceptance in the market and, as a result, lead to a drop in sales. The fact that no significant claims have to date been asserted against Funkwerk does not mean that Funkwerk will not be subject in the future to considerable warranty and liability claims or demands of payment of contractual penalties. There is also the risk if a liability case becomes public that it will damage the reputation of our products and destroy the basis of trust which we enjoy with our customers and adversely affect the acceptance of our products.

RISKS FROM LEGAL DISPUTES

Companies in the Funkwerk group are defendants in various legal and out-of-court disputes. The outcome of these proceedings is uncertain and there is a risk that we may lose a case or aspects of it. Where claims are likely, appropriate provisions have been set up to cover any eventualities.

RISKS FROM OUR ALGERIA BUSINESS

Funkwerk videosysteme GmbH, an indirect subsidiary of Funkwerk AG, is involved in a joint venture under Algerian law. In connection with the internal developments in Algeria, a preliminary investigation was opened against a number of companies and individuals because of suspicion of corruption and illegal price increases. Affected parties include the joint venture, the Algerian partner and, along with other foreign companies, also Funkwerk videosysteme GmbH, a fully-owned subsidiary of Funkwerk AG, but not its management or other employees in the Funkwerk group or individuals locally involved. In the course of these investigations, the accounts of the joint venture were frozen with the result that the money on these accounts totalling around EUR 4 m, which had been duly paid after completion of work performed and which is due exclusively to Funkwerk videosysteme GmbH cannot currently be transferred to Germany and therefore will not be freely available to Funkwerk AG or the Funkwerk group in the foreseeable future.

As at 31 December 2012, Funkwerk had also furnished bank guarantees to the total amount of around EUR 3.5 m, of which around EUR 3 m could be closed out in February 2013. These were issued by Algerian banks based on appropriate counter-guarantee agreements with a number of German banks.

Based on the contracts with the client, around EUR 7.2 m in bank guarantees should no longer be at risk of claims against Funkwerk due to fulfilment of the underlying supply and performance obligations and expiry of the contractual warranty periods and because of failure to observe the time limit of the guarantees. There is, however, a remaining risk involving the bank guarantees not yet returned in so far as the German banks have issued »real« counter-guarantees on first request to the Algerian banks.

LIQUIDITY RISKS

To ensure a stable financing basis in the long term, Funkwerk AG as the borrower and its German subsidiaries as codebtors have concluded a multi-year syndicated loan agreement with three German commercial banks.

The syndicated loan comprises a revolving loan of EUR 10.0 m, which may be utilised either as a money market loan or as credit in current account up to EUR 5 m, and a bank guaranteed credit line of EUR 40.0 m. Funkwerk AG and its subsidiaries have provided collateral for this loan in the form of blanket assignments of trade accounts receivable of individual subsidiaries, assignment of inventories of all companies in the Funkwerk group, and land charges on the company premises in Dabendorf and Kölleda. The loan has a term of three years (up until March 2014) with the option of renewal for a further two years.

The medium-term planning for 2013 to 2015 has shown that the financial ratios defined for 2013 (the ›Covenants‹) cannot be met at the required level during the period. On 25 March 2013, the banking syndicate reassured us that it would not exercise its termination rights despite failure to meet the defined financial ratios at 31 March 2013, 30 June2013 and 30 September 2013. Based on projections, the Executive Board expects that the financial ratio agreed for 31 December 2013 will be met. If the target figures cannot be reached, both the company and the group may face considerable liquidity risks.

RISKS RELATED TO THE REPAYMENT OF GRANTS AND TO TAX AUDITS

The Funkwerk group was and is granted or promised government investment subsidies for several development projects and business measures. Use of these funds is generally earmarked for a specific purpose and subject to appropriate terms and conditions. If Funkwerk is unable to ensure and demonstrate earmarked use of these funds in compliance with these terms and conditions, we may have to repay these investment subsidies.

Funkwerk believes that the tax returns prepared are complete and correct. Nonetheless, there is a risk of additional retrospective tax demands due to different views of facts. Particularly with respect to debt claims of EUR 14.7 m and EUR 12.0 m of Vossloh AG, which the former shareholder and seller waived in the preliminary stages of our sale of Funkwerk Information Technologies GmbH, Kiel, and Funkwerk Information Technologies Karlsfeld GmbH, Karlsfeld. We believe that these debt claims are recoverable. There is, however, a tax risk regarding assessment of the value of these claims by the tax authorities, which may result in subsequent taxes of up to EUR 4.6m plus supplementary interest payments from the 2007 assessment year. In 2011, Funkwerk appealed against this assessment and applied for a suspension of execution. This request for suspension of execution was granted by the authorities. An action was filed with the Tax Authorities in January 2012.

Remuneration Report

The remuneration report of Funkwerk AG is based on the recommendations of the German Corporate Governance Code and includes details which are a component part of the notes to the consolidated financial statements and the management report under the requirements of the German Commercial Code (HGB) and the International Financial Reporting Standards (IFRS).

Executive Board pay

The current salary structure for the Executive Board is based on the German Act on the Appropriateness of Management Board Remuneration (VorstAG), which came into force on 5 August 2009 and is also found in the recommendations of the current German Corporate Governance Code. The Supervisory Board regularly reviews this remuneration system and verifies the adequacy of executive contracts. In so doing, it ensures that the total emoluments of each member of the Executive Board is in appropriate proportion to their responsibilities and work, to the economic situation, and to the future prospects of the company, and that they do not exceed the usual amount without good reason.

Main features of the remuneration system

In agreement with the Code, the following will explain the basic features of the remuneration system for the Executive Board of Funkwerk AG.

> In principle, the emoluments of members of the Board are made up of a fixed component and a performance-related component; their level and structure are determined by the Supervisory Board.

Executive contracts are concluded for a fixed term and provide for a target salary for each year of service.

Fixed component

The non-performance-related component of Executive Board pay is made up of a fixed salary plus fringe benefits, which include private use of a company car and insurance premiums. The fixed annual base salary is paid monthly in equal instalments and is not dependent on certain targets being reached. It is reasonable in relation to comparable companies.

In the 2012 financial year, Dr. Christian E. Baur was added to the Executive Board of Funkwerk AG with the special role of overseeing the restructuring process. This assignment, which ended on 31 December 2012, was based on a consultancy agreement between Alvarez & Marsal Deutschland GmbH, Munich, and Funkwerk AG. The consulting fees are included in the restructuring costs.

Variable components

Die erfolgsbezogene Vergütungskomponente berücksichtigt das The performance-related pay component factors in the achievement of quantitative and possibly qualitative targets. It is divided into an annual management bonus and a component with a long-term incentive effect.

Short-term remuneration component: Members of the Executive Board receive an annual bonus as a short-term variable remuneration component. For Messrs Carsten Ahrens and Johann M. Schmid-Davis this payment is calculated on the basis of a fixed percentage profit share of 0.8 to 1.0 per cent of generated earnings before interest and taxes (EBIT) and 0.3 per cent of cash flow after investments. It is limited to 1.25 times the basic salary, of which 20 per cent are retained to offset negative amounts which may subsequently accrue, and bears interest at 4 per cent. Messrs Carsten Ahrens and Johann M. Schmid-Davis also receive an annual bonus of EUR 50,000 provided that qualitative targets are met. Dr. Manfred Lerch does not receive a variable component as he joined the board during the financial year, on 1 November 2012. Members who are on the board only for a portion of the financial year are remunerated on a pro rata temporis basis. The annual bonus can reduce down to zero. This complies with the requirements of the German Act on the Appropriateness of Management Board Remuneration (VorstAG) and the Code.

Long-term remuneration component: In order to create incentives for positive performance of the company in the long term, the Executive Board is given share options. The number of options is determined by the Supervisory Board. The terms and conditions for exercising these options are identical with those stipulated for other allottees. The share option plan is described in detail in the notes to the financial statements under section E (11). Currently, members of the board receive share options from the 2008 and 2010 share option plans. No share options were granted to them in the reporting year and no options were exercised in 2012.

Pension commitments

In addition to remuneration, each member of the board is entitled to a pension insurance scheme (pension commitment). Insurances are taken out for each person separately. Contributions under this commitment are paid into a pension fund. The terms and conditions of the remuneration are determined by the Supervisory Board for the entire term of the employment contract. Compared to other companies, the pension payments for the Executive Board of Funkwerk AG are also appropriate. Pension commitments exist both to active members of the Executive Board and partly also to retired members.

Remuneration costs in 2012

All Executive Board members are entitled to these remuneration components and each must tax them as appropriate. The total remuneration of around EUR 852k in 2012 (2011: EUR 574k) is appropriate compared to other companies of similar size. It takes account both of the positive and negative developments in the company. Furthermore, the individual remuneration components keep the Executive Board from taking unreasonable risks. In summary, we can confirm that the remuneration of the Executive Board of Funkwerk AG meets the requirements of the VorstAG and the Code and is geared to sustainability. An individual account of the Executive Board remuneration is found in the notes to the financial statements under section I (7).

Supervisory Board pay

The remuneration of the Supervisory Board is governed by Section 12 of the Articles of Incorporation of Funkwerk AG. It is divided into a fixed and a variable component as well as a meeting attendance fee. The members of the Supervisory Board receive a fixed component of EUR 5,000 per financial year and an attendance fee of EUR 1,300 per session. Under the remuneration system, the chairman receives twice, his deputy 1.5 times, the annual pay and attendance fee. As a variable component, EUR 1,000 are paid for every full 5 cents of dividend paid per share in the financial year.

Members of the Supervisory Board who have not served on the Board for a full financial year receive a prorated remuneration. Where a member of the Supervisory Board fails to attend a meeting, the pay is reduced accordingly. All components of the remuneration for the preceding financial year are payable on conclusion of the annual general meeting of shareholders at which the annual accounts for the preceding financial year are presented or approved and, where applicable, a resolution is passed on the appropriation of profits. Section 113 (2) AktG remains unaffected by this.

The members of the Supervisory Board are further reimbursed for their expenses and for any VAT applicable to their remuneration and expenses.

In the 2012 financial year, the total remuneration amounted to around EUR 58k, after EUR 57k in the previous year. An individual account of Supervisory Board remuneration in 2012 and 2011 is found in the notes to the financial statements under section I (7).

Declaration on corporate governance

The full Declaration on corporate governance Report is disclosed on our website at www.funkwerk.com.

Report in compliance with Section 315 (4) HGB

The subscribed capital (capital stock) of Funkwerk AG did not change in the reporting period. Hence, the subscribed capital as at 31 December 2012 was divided into 8,101,241 (2011: 8,101,241) non-par-value shares with an accounting value of EUR 1 each. The majority shareholder was Hörmann Funkwerk Holding GmbH with 4,280,00 shares, which corresponds to 52.83 per cent of the capital. As at 31 December 2012, Funkwerk AG held 41,579 own shares.

> Each share grants one vote at the shareholders' meeting and the right to participate in agreed dividend payouts. There are no restrictions relating to the voting rights.

Based on a decision passed at the annual general meeting of shareholders on 28 May 2009, the Executive Board is authorised, with the approval of the Supervisory Board, to increase the capital stock of the company by up to EUR 4,050,000 by 27 May 2014, through a single or repeated issue of new, ordinary bearer shares in the form of non-par shares against contributions in cash and/or in kind (2009 approved capital).

Where the shareholders are granted subscription rights, the shares may also be offered to a credit institution or a company operating in compliance with Section 53 (1) sentence 1 or Section 53 b (1) sentence 1 or (7) of the German Banking Act (KWG), with the undertaking to offer them to the shareholders for subscription (indirect subscription right). The Executive Board was also authorised, with the approval of the Supervisory Board, to suspend the statutory subscription rights of the shareholders

- to exclude subscription rights for fractional amounts,
- in case of capital increases against assets in the form of companies, divisions, investments in companies, or receivables from the companies if the shares issued excluding the subscription rights do not exceed 4,050,000 shares in total,
- in case of capital increases against cash investments if the amount for which the shares are issued is not substantially less than the market price of the shares at the time when this amount is determined by the Executive Board and the shares issued excluding the subscription rights do not exceed 810,000 shares in total.

The Executive Board was authorised by the shareholders' meeting of 27 May 2010, with the approval of the Supervisory Board, to acquire its own stock up to a share of 10 per cent of the current capital stock by the end of 26 May 2015.

Together with other own stock held by the company or attributable to it under Sections 71 a et seq. AktG, the shares acquired must not at any point exceed 10 per cent of the capital stock. The time limit only applies to the acquisition, not to ownership of the shares. The shares must be acquired at the stock exchange or through a public offer to buy or a public request for submission of such an offer.

Under Section 5 (7) — (9) of the Articles of Incorporation, the increase in conditional capital is used to issue option rights on shares. Option holders may be members of the Executive Board of the company, members of the management of affiliated companies, executives of the company and the affiliated companies, and other employees of the company and affiliated companies. The conditional increase in capital stock is effected only where option rights have been issued and are exercised by the authorised parties.

Under Section 5 (10) of the Articles of Incorporation, the increase in conditional capital (conditional capital IV) is used to issue convertible and/or warrant bonds. Conditional capital will only be increased in so far as the holders or creditors of convertible and/or warrant bonds which the Executive Board was authorised to issue based on the resolution passed at the shareholders' meeting held on 27 May 2010 exercise their conversion privilege or option on the shares of the company or meet their conversion obligations under these convertible and/or option bonds.

With respect to the conditional capital I to IV, please refer to the notes to the financial statements section E (11).

Sections 84, 85 and 133, 179 of the German Stock Corporation Act have been implemented in the Articles of Incorporation.

Dependent Company Report

The Executive Board of Funkwerk AG hereby declares that all legal transactions concluded with affiliated companies involved adequate compensation, and that neither party was prejudiced in any way. Reference is made to Section 312 (3) sentence 1 of the German Stock Corporation Act.

Events after the Reporting Period

On 21 January 2013, the Executive Board and the Supervisory Board of Funkwerk AG decided to initiate a change of stock market segment.

> Based on this decision, the Funkwerk share will no longer be traded in the regulated market (Prime Standard) at the Frankfurt Stock Exchange from mid-2013, but in the m:access trading segment within the open market of the Munich Stock Exchange.

Funkwerk has opted to change segments primarily as this will significantly lower its costs. The company also believes that the quality segment of the open market (m:access) is better suited to our changed corporate structure. While the transparency standards in m:access will give regard to the shareholders' interests, this move will also ensure the continued marketability of Funkwerk's share.

In early February 2013, Funkwerk applied in writing to the banking syndicate to request a temporary increase of the available cash credit line and tolerance of the Covenant violations during the financial year. On 25 March 2013, the banking syndicate decided as follows in the matter: a) The temporary increase of the available cash credit line is currently refused. b) The lenders are tolerating the stated Covenant violations including failure to maintain the adjusted debt ratio and the equity ratio based on our projections for the reporting dates on 31 March 2013, 30 June 2013 and 30 September2013 and will not exercise their termination rights.

Aside from the above, no other events with a significantly detrimental effect on the asset, financial and earnings position of Funkwerk AG and the group occurred since the conclusion of the 2012 financial year up until signing of this report.

Forecasting Report

General economic setting

The leading economic research institutes predict that the global economy in 2013 will grow at no more than a moderate level. The IMF forecasts a rise of around 3.5 per cent in the current year. One of the main reasons weighing on the global economy is the persistently poor prospects in the eurozone as it manages only by degrees this year to emerge from the recession. On the whole, the economic performance in this region looks likely to shrink further still by around 0.2 per cent. Risks here are seen in the failure to implement the structural reforms and fiscal consolidation on a political level in the European countries hit by the crisis.

The IMF further warns of risks as a result of the uncertain budget situation in the USA, where growth is predicted to reach 2 per cent in 2013. Continued blocking of a forward-looking budget policy will have significant effects on the US economy, so that cuts of forecasts and even a recession cannot be ruled out. Projections for the newly industrialised countries, meanwhile, are somewhat more optimistic. After the cooling in 2012, the markets here are expected to grow more significantly again in the current year, rising by around 5.5 per cent. China will likely top the list again with growth of 8.2 per cent.

> Against this backdrop, Germany with its excellent position in the Asian growth market is forecast a slight rise in the economy.

In its 2013 annual economic report, the German government expects the German economy to grow by 0.4 per cent in 2013. These somewhat improved prospects might impact the propensity to invest in positive ways. Equipment investments, so the expert advisory board says, are likely to increase moderately by around 0.2 per cent.

Sector trend

The infrastructure sector in the railway industry is believed to remain a tough investment environment in 2013. Over the past few months, a number of factors here have gained weight and are expected to put a damper on our trend of business. The Federal government, for instance, has postponed the works required to continue the Service and Financing Agreement until after the Bundestag elections. Since the current framework contract designed to ensure steady infrastructure investments and greater planning certainty expires towards the end of the year, we cannot rule out cuts in this sector. A certain investment reluctance is equally notable in the other European countries hit by recession. This applies both to state-owned railway companies and to cities and municipalities. Sustained growth, on the other hand, is expected in the countries that specifically push for development of railway transport. These include China, Russia and Turkey.

According to the National Association of Manufacturers and Installers of Security Systems, BHE, German firms specialising in electronic security technology rated their situation predominantly as good at year-end. The debate about potential attacks especially is said to have sparked fresh discussions about public security and surveillance at public facilities. In this environment, we can expect to see increasing demand in the mid to long term. In the short term, however, business may be affected by reluctance in the public sector as a highly important source of income for Funkwerk. We also expect competition to further intensify with resulting increased pricing pressure.

Development in the Funkwerk group

The cautious attitude to investments in Funkwerk's main customer groups will have a significant effect on business in 2013. Both in the railway sector and in security technology we depend heavily on public authorities. Internally, the current financial year is marked by the implementation of the new structures and processes established. By the same token, our restructuring measures have created the basis in many aspects for lasting improvement in our competitive position. Leaner corporate structures, in the first instance, but also the setup of stable processes will stand us in good stead in 2013. These measures have increased the efficiency of our internal processes and lowered the break-even point in operations. We are also benefitting from great technological expertise and excellent market positions in both our segments.

> On the whole, we expect sales in the group to remain steady at prior-year level in 2013, provided that the general setting does not deteriorate to any significant degree.

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 the 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.

The implementation of our targets will, however, bring with it fresh challenges. Due to the growing reluctance of customers to agree to advance payments, we will need to address ourselves to the financial feasibility of the higher volume of business. The significantly reduced throughput times will benefit us greatly here, as they will also reduce the prefinancing period. In this context, it is conceivable that we might sell other peripheral sectors to further improve our financial clout.

Segment trends

Over the next few years, our TCC segment should see growth particularly in international markets, as the German market continues to be adversely affected by slow investments. We are therefore concentrating more intensely on expanding our global sales activities through partnerships with focus primarily on such regions as Austria, Switzerland, the Benelux countries, Scandinavia, the Eastern European countries, Turkey, Russia, and Australia. A vital key to our success in export markets is excellent references from our primary customer, Deutsche Bahn, which we were able to gain over the last few years. This gains Funkwerk a good reputation, but also provides us with in-depth knowledge of the processes, operations and requirements of railway operators.

In the control and signalling technology sector, we are expecting to see significant growth after successful certification of our Alister SIL 4 interlocking system. As an SPS-based system working without technical problems, Alister SIL 4 is both an innovative and efficient system that has met with keen interest both at national and international level. Impetus for growth will come primarily from the immense investment backlog here — in Germany alone, more than 30,000 interlocking systems have reached their age limit, and in Europe, too, a large majority of the systems will need to be upgraded in the next few years. Gaining SIL 4 certification, which we are expecting to come through by the latter half of the year at the latest, will be given full attention and every effort will be made to push it to completion.

In marketing our TRAVIS platform, we are increasingly opting for cooperation with established partners, hoping in this way to raise our international market presence. Our flexible operations control and safety system ensures effective system management of railway networks of different sizes and functions. The Infrastructure BU is believed to grow moderately over the next few years. We intend to operate increasingly as a solution-oriented system provider here, having gained valuable competitive edges over the last few years. Software solutions, where our CAIMAN system provides us with unique selling points, are also further gaining in importance.

In our SC segment, the systematic development of our international partner network will contribute considerably to growth over the next few years.

> Working with global suppliers means we will be able to open up new customer groups and benefit from increments in growth regions.

At the same time, we expect to see steady growth rates in direct project business. Our Security Communication BU is adding to our market share with specific developments such as our explosion-proof devices, all the while concentrating as much on complete problem solutions to connect different systems with each other. Focus in product development is given to personal emergency call systems based on Dect-over-IP and Tetra technology. We are aiming here to consolidate our lead especially with penal institutions and expect to see further key international orders to materialise before the end of the first half of 2013.

In our Video Systems sector, we anticipate growth in 2013 to come from our innovative HD camera, for which we have developed a new pan-tilt head for exact positioning. A key field of application here is our solution for hard shoulder release on motorways, where we hope to see further increase in our market share.

Financial situation and investments

The stabilisation of the financial situation in the Funkwerk group will continue in 2013. From today's perspective, we therefore expect a positive cash flow from operations. This, on the one hand, is based on improved earnings. But the measures taken to better our working capital are also starting to show results, as the positive effects from the programme initiated in 2012 to reduce our inventories and increase our value added per employee will fully unfold in the current financial year. The free cash flow allowing for planned investments will likely be balanced, possibly slightly negative.

The investment volume planned for 2013 totals just under EUR 4 m. Focal points here are investments in intangible assets (EUR 1.9 m), replacements in production facilities, and office and plant equipment.

Other performance indicators

The majority of measures in our Personnel sector required in the context of our restructuring have already been implemented. As a consequence, our focus in 2013 will be on the specific development and advancement of qualified employees in order to increase our expertise in key areas..

> Crucial success factors for a technology company such as Funkwerk are the know-how and expertise of our employees. For this reason, we rigorously support and further their qualification and further education.

But we are also pushing ahead with supporting junior staff to ensure that as we deal with a growing business volume we are able to continue as usual to satisfy our customers with superior quality. Funkwerk is facing stiff competition here from comparable companies in our field of expertise.

In the production sector, we are continuing our efforts aimed at increasing our efficiency through further improvements in group-wide processes and utilisation of further synergies. In 2013, we are planning, among other measures, to close the assembly plant at our Karlsfeld site and to relocate the production of our display systems manufactured here. Further optimisation measures will also affect our two remaining production facilities in Kölleda and Salzgitter to ensure that costs at these sites continue to be minimised.

Key prerequisites for the future success of Funkwerk are consistent and effective operating processes, which is why we are installing a standard ERP system in all our sectors. This is expected to be put into operation in stages from September 2013.

Because of long-term contracts with reliable suppliers, we do not foresee any significant price changes for 2013 in the procurement sector.

Strategic orientation and opportunities of future development

Over the past two years, Funkwerk has focused on restructuring and cost saving measures, the sale of companies, and ensuring a more stable financing basis. At the same time, we have optimised our product portfolio and as a result can offer innovative solutions with unique selling points in many sectors. Based on this, we will in future invest specifically in key component and concentrate group-wide on products with strong margins which we increasingly plan to sell through a network of partners.

Specific opportunities are opening up for us in end-to-end solutions, which is why we want to position Funkwerk increasingly as a system provider. We have already proven great expertise in the field and benefit from the multiplicity of systems we have already installed. This gives us the opportunity to market applications as add-ons to existing systems. Software is a further sector of increasing importance in which we find ourselves in a strong position with competitive advantages which we plan to utilise more intensively for our benefit.

> A further focal point of our strategic orientation is the planned international expansion of our business. We are consistently opting for strategic cooperation and partnerships here.

Funkwerk itself will increasingly be positioned as a competence centre focused primarily on the areas of development and technology. These, traditionally, are the core strengths of the Funkwerk group, which are now more evident again as a result of our reorientation.

Further opportunities for Funkwerk are megatrends and the growth expected in the longer term in the markets we serve. In our TCC segment, we are benefitting from the increasing traffic volume in the passenger and cargo sectors which requires functional logistics. Specifically the younger generation also shows a high affinity for the train, which is further increased through modern media and communication systems such as offered by Funkwerk. But also the resource-saving use of transport is ever more important. Our solutions help to transport people and cargo quickly, safely and efficiently and present passengers with easily accessible, up-to-date information. Our SC segment benefits from the increasing security requirements in many areas of our society. Depending on the region, the market for security technology is expected to see significant growth on a year-by-year basis. Funkwerk products help to protect people and systems and ensure a better use of infrastructures. Furthermore, the demand for integrated systems is increasing to merge different security-relevant solutions. Here, too, we plan to utilise the trend to our advantage.

Responsibility statement by the legal representatives

To the best of our knowledge and in accordance with the applicable accounting principles for financial reporting, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit and loss of the group, and the group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

Kölleda, 25 March 2013
The Executive Board

Dr.-Ing. Manfred Lerch

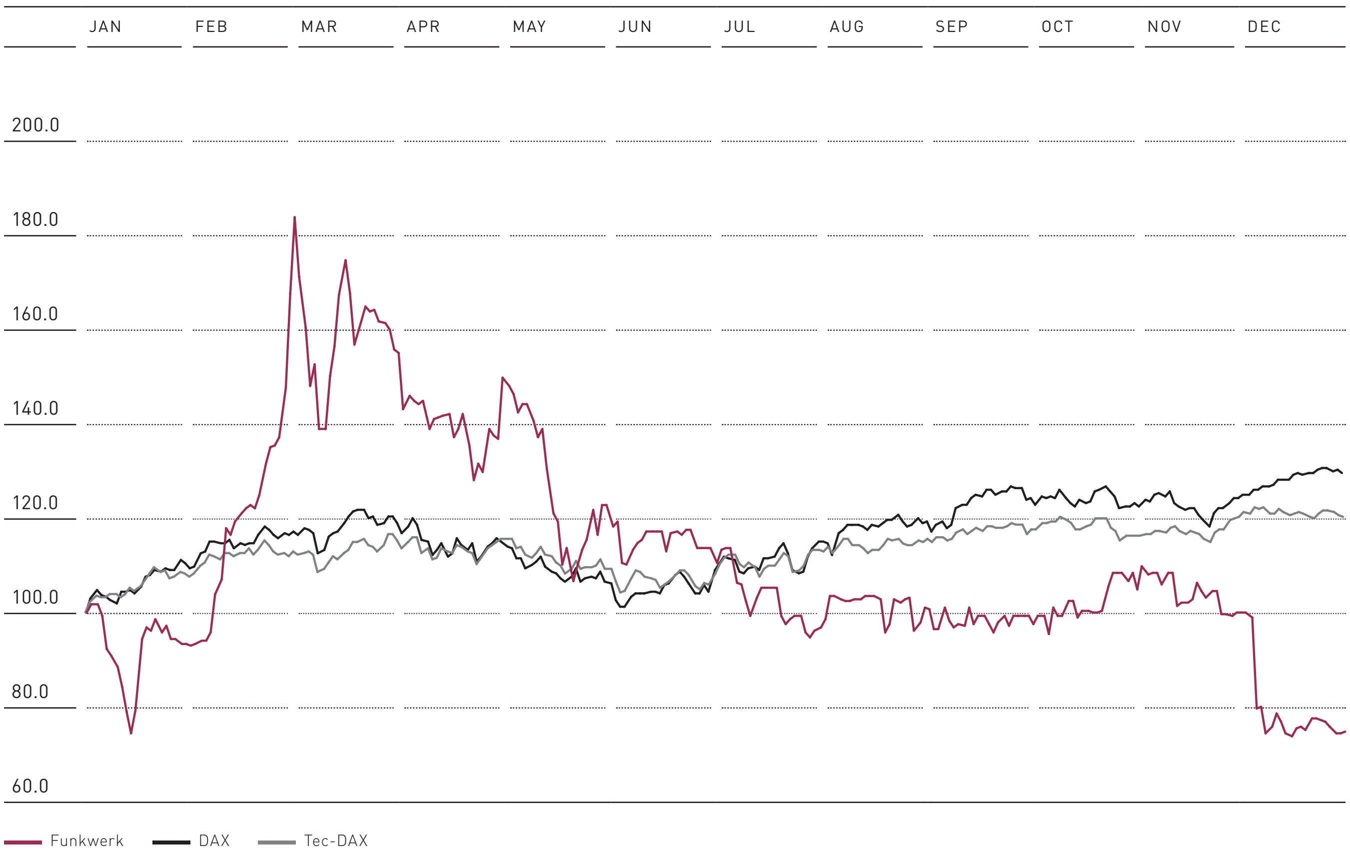
02

TO OUR SHAREHOLDERS

The Funkwerk share	32
Report of the Supervisory Board	34
Corporate Governance Report	36
Declaration of Compliance	39

The Funkwerk share

PERFORMANCE 2012 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
- Market segment: Prime Standard
- Designated sponsor: Close Brothers Seydler Bank AG
- Capital stock: EUR 8,101,241
- Number of shares: 8,101,241

Stock markets in 2012

The international stock markets closed 2012 mostly with notable gains despite stock prices stagnating on balance up until June. From the third quarter on, the successes in dealing with the European debt crises in the first instance delivered a positive thrust to the markets. Add to that a consistently expansive monetary policy of the central banks, which provided the markets with liberal amounts of liquidity out of concern for the economy and the financial sector worldwide. As a consequence, misgivings that the global economy could once more be heading for a recession were initially quelled. The optimism lasted into the fourth quarter fuelled by fresh dynamic activity in the Chinese market and a highly robust German economy. As a result, the DAX went up by 29.1 per cent in 2012 emerging as a top performer among the leading international indices. The TecDAX gained 20.9 per cent in value.

Funkwerk stock closes below prior-year level

In 2012 Funkwerk's share hit choppy waters. As we rigorously pushed ahead with the restructuring and reorientation of our company, the resulting positive effect on the share was all but short-lived, taking it up to its peak of EUR 5.15 at the end of February. In the further course of the year, it became increasingly clear that the economic environment both in the rail infrastructure sector and in security technology would remain rather challenging and that Funkwerk business would be affected as a result. This notably left its mark on the further performance of our share. By mid December, its price had dropped to EUR 2.09, marking its lowest level in 2012. From there, it continued to move sideways to close at EUR 2.11, or 25.1 per cent below the prior-year closing price. Based on this close, the 8.1 million Funkwerk shares had a market capitalisation of EUR 17.1 m at the end of December, compared to EUR 22.8 m as at 31 December 2011.

Exchange transactions

In 2012 Funkwerk's share was listed in the Prime Standard of the Frankfurt Stock Exchange, but was also traded on the electronic trading system XETRA and through off-floor trading at all other German stock markets. Around 2.8 m Funkwerk shares were traded in total in 2012, after approx. 1.7 m in 2011. This translates to an average of around 11,100 shares changing hands per trading day (2011: around 6,500).

Segment change decided

In early 2013, the Executive Board and the Supervisory Board of Funkwerk AG decided 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 then 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.

Funkwerk opted to change segments primarily for two reasons. Firstly, because this will significantly lower our costs, and secondly, we believe that the quality segment of the open market (m:access) is better suited to the notably leaner structures of Funkwerk as a mid-sized company.

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, all relevant company data may be accessed on our website at www.funkwerk.com. In addition, we will regularly publish financial statements, business reports and press releases along with any facts that may be relevant to our share. As always, the personal dialogue with financial analysts is a key aspect of our Investor Relations activities and will continue at such events as analyst conferences.

Shareholder structure remains unchanged

The shareholder structure of Funkwerk AG as at the end of December 2012 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.

ALFONS HÖRMANN
Chairman of the Supervisory Board

Report of the Supervisory Board

Dear Shareholders,
dear Friends of Funkwerk,

in 2012, the Supervisory Board of Funkwerk AG was once again intensively engaged in the situation and development of the group. It performed the duties incumbent on it by law and the Articles of Association with the greatest diligence and acted in an advisory capacity to the Executive Board of Funkwerk AG while monitoring its conduct of affairs. Talks between the Supervisory Board and the Executive Board were at all times constructive with open discussions in a relationship of trust.

The Executive Board informed the Supervisory Board regularly, promptly and comprehensively of any matters of strategy and planning relevant to Funkwerk, and of the trend of operations and situation of the group including risk situation, risk management and compliance. Deviations from the course of business established in the planning and from the targets were discussed in detail. In performing its functions, the Supervisory Board was able to draw on communication such as detailed management reports. All issues, specifically business requiring approval, were discussed at length at the Supervisory Board meetings. Between the meetings, the Supervisory Board also promptly consulted with the Executive Board on relevant topical issues.

Meetings of the Supervisory Board

In the 2012 financial year, the Supervisory Board assembled for six ordinary meetings, held on 4 January, 25 March, 22 June, 17 August, 9 October and 13 December. The August meeting took place at the Kölleda site and included a visit to the local production facilities. At all meetings, the board was complete and had a quorum. Conflicts of interest affecting the performance of duties to be discharged by members of the Supervisory Board did not arise in the reporting year. No committees were set up in 2012.

Regular points of discussion at the meetings covered the present state of business and liquidity and the ongoing restructuring of Funkwerk. Items discussed in great detail specifically included the sale of companies and the adjustment of corporate structures. The Supervisory Board also gave attention at all its meetings to the group's financial, investment and personnel planning and to its operating targets. The Executive Board presented the latest quarterly reports, explained deviations of business from the budget, and agreed the further strategic approach with the Supervisory Board.

In addition to regular matters, the meeting on 4 January had various options for the planned sale of Funkwerk Dabendorf GmbH on the agenda. Also considered was the issue of relocating the head office of Funkwerk AG and potential cooperation opportunities with various business partners.

The annual accounts and the consolidated financial statements of Funkwerk AG and the group for the 2011 financial year were discussed in the presence of the auditors at the meeting on 25 March, which was continued the following day. The Supervisory Board approved both financial statements with no objections. We also discussed support for corporate management by consulting firm Alvarez & Marsal Deutschland and the temporary reinforcement of the Executive Board by restructuring expert Dr. Christian E. Baur. Alvarez & Marsal GmbH was subsequently commissioned by written consent in lieu of a meeting. The adjustment of production structures in the Funkwerk group and corporate changes were also up for debate. The decision was made to propose to the shareholders' meeting the merger of Hörmann-Funkwerk Kölleda GmbH (HFWK) with and into Funkwerk AG.

The meeting on 22 June, which followed the annual general meeting, centred on explanatory reports of new orders in all operations. We also spoke about the progress of the fitness programme initiated and the latest status of the Alister project. Focus was given to the then still outstanding SIL 4 certification of the overall system by the responsible Federal Railway Authority and the further course of action.

In the meeting on 17 August, we primarily directed our attention to the trend of business over the first six months of the year and the projections for 2012. A closer look was taken at the latest status of major projects, the progress made with our fitness programme, and the measures implemented to optimise productions. The Executive Board also apprised us of the status of negotiations for the sale of Funkwerk Dabendorf GmbH.

This issue was again on the agenda of our next meeting on 9 October 2012. We were informed about the legal closing of the sale and the further steps ahead. Aside from personnel changes at a number of subsidiaries and the latest status report on corporate restructuring in the group, we also deliberated on the implications of the revised German Corporate Governance Code of 15 May 2012. The Supervisory Board subsequently approved and adopted the amended declaration of compliance.

At the Supervisory Board meeting on 13 December, we voted to amend the Rules of Internal Procedure both for the Supervisory Board and the Executive Board. The Executive Board then presented the business planning for 2013 through to 2015 and reported on the effects of the fitness programme on the company's performance to date. The board also considered the potential sale of other companies and possibly further restructuring measures, analysing the impact which various scenarios would have on the development of the group. Furthermore, we authorised the Executive Board to initiate the planned segment change of the company from the regulated market to the m:access trading segment within the open market of the Munich Stock Exchange.

Annual accounts and consolidated financial statements

On 22 June 2012, the annual general meeting of Funkwerk AG elected BDO AWT GmbH Wirtschaftsprüfungsgesellschaft, Munich, as the auditor and group auditor for the 2012 financial year. Before proposing its candidate, the Supervisory Board obtained from the firm the required declaration of independence specified in the German Corporate Governance Code. BDO AWT audited the annual accounts of Funkwerk AG prepared in compliance with the German Commercial Code (HGB), the management report and the related party report along with the consolidated financial statements prepared under IFRS and the group management report, providing these with an unqualified audit certificate. The management reports accurately describe the situation of the company and the group along with the opportunities and risks of future development.

The financial statements of the company and the group, the management reports and the audit reports were made available to all members of the Supervisory Board in due time. These were then discussed at length at the ordinary Supervisory Board meeting on 25 March 2013. Representatives of the auditor present at this meeting reported on the results of their audits and were then available for further information. Considering the process of accounting and reporting, they confirmed to the Supervisory Board in an overall assessment of the annual accounts and the consolidated financial statements that there were no findings to suggest weaknesses of any significance in the risk management system and the internal control system. Furthermore, the auditors also affirmed that they did not perform any services of significance other than the audit for Funkwerk AG in the reporting year. The final review of the annual accounts and the management reports of both the company and the group by the Supervisory Board did not lead to any objections. The members of the Supervisory Board approved the annual accounts of the company and the consolidated financial statements prepared by the Executive Board for fiscal 2012. The annual accounts of Funkwerk AG are therefore adopted. The Supervisory Board endorses the proposal of the Executive Board to refrain from a distribution of dividends.

BDO AWT GmbH Wirtschaftsprüfungsgesellschaft also audited the report on relationships with affiliated companies (dependent company report) prepared by the Executive Board in compliance with Section 312 of the German Stock Corporation Act. The auditor issued the following audit certificate regarding the result:

»Following our dutiful audit and assessment, we hereby confirm that the actual information contained in the report is correct, that payments of the company for the legal transactions specified in the report were not inappropriately high or that disadvantages were balanced, and that there are no circumstances relating to the measures described in the report which indicate a fundamentally different assessment than given by the Executive Board.«

The Supervisory Board also reviewed the dependent company report. It raised no objections to the final declaration of the Executive Board in the report and the result of the audit conducted by the auditors.

Personnel matters

Effective 20 April 2012, the Supervisory Board of Funkwerk AG appointed Dr. Christian E. Baur to the Executive Board of the company. The restructuring expert and managing director of consulting firm Alvarez & Marsal Deutschland GmbH reinforced the Executive Board as Chief Restructuring Officer up until 31 December 2012, overseeing the implementation of initiated reorientation measures.

Dr.-Ing. Manfred Lerch was added to the Executive Board on 1 November 2012. Due to the significantly reduced size of Funkwerk AG after restructuring, he has managed the company as sole director since the beginning of 2013. Johann Schmid-Davis and Carsten Ahrens as the two serving members of the board retired from the company when their contracts expired at the end of 2012. We would like to thank these gentlemen for their outstanding efforts and commitment and wish them all the best for the future.

The Supervisory Board would like to express the very best wishes to all employees of Funkwerk and the Executive Board in meeting the challenges facing us in the current financial year and thanks all staff for their dedicated service in the preceding year.

Kölleda, March 2013
For the Supervisory Board

Alfons Hörmann
Chairman

Members of the Supervisory Board

- Alfons Hörmann, CEO of Hörmann Holding & Co. KG, Sulzberg, Chairman
- Prof. Dr. Gerhard P. Fettweis, University Lecturer, Dresden, Vice Chairman
- Dr.-Ing. Manfred Egner, Non-Executive Director, Freudenberg & Co. Kommanditgesellschaft, Aidlingen

Corporate Governance Report

Funkwerk AG is committed to responsible and transparent corporate management and control (corporate governance). Our principles of corporate governance are based on the legal requirements, the company's Articles of Association, the Rules of Internal Procedure for the Executive Board and the Supervisory Board, and the German Corporate Governance Code (the Code). These principles factor into every decision-making process. In compliance with legal regulations for a German stock corporation, Funkwerk AG operates a dual management system in which the Executive Board manages the company while the Supervisory Board performs a monitoring function. Both boards are strictly separate, both in terms of the persons appointed to them and their competencies.

Over and above the Corporate Governance Code, the Executive Board and the management of Funkwerk AG act on the basis of a code of conduct drawn up internally to comply with strict insider regulations. The appropriate Insider Trading Policy and Publication Guidelines are published on the website of Funkwerk AG.

Under the terms of section 3.10 of the Code, the following provides details of corporate governance at Funkwerk. This report is also part and parcel of the Statement of Corporate Governance found on our website in the »Investor Relations« section.

Implementation of the German Corporate Governance Code

Funkwerk aims to comply with the majority of the recommendations and proposals of the German Corporate Governance Code. We have applied the revised version of the Code adopted by the Government Commission on the German Corporate Governance

Code on 15 May 2012 with five exceptions. Deviations and their reasons are explained in our current declaration of compliance issued by the Executive Board and the Supervisory Board in accordance with Section 161 of the German Stock Corporation Act (AktG) of October 2012. It can be found in this annual report on page 39 and is also available along with the declarations of previous years on our website at www.funkwerk.com.

Shareholders and annual general meeting

Each share of Funkwerk AG strictly grants one vote. At the annual general meeting, all shareholders may exercise their voting rights on the basis of equality and engage members of the Executive Board and the Supervisory Board in a dialogue on any issue on the agenda.

The Executive Board of the company is responsible for convening the shareholders' meeting in due time and for ensuring that all reports and documents required by law including the agenda are mailed out to shareholders. These documents along with a list of those present and the results of votes at the shareholders' meeting are also published on our website. On request, all data are also sent in electronic form.

Proxies present at the annual general meeting are available to exercise the voting rights of the shareholders as authorised and instructed to enable shareholders unable to attend the meeting to exercise their rights. These proxies may be authorised and instructed at any time and are available to all shareholders throughout the meeting. The annual shareholders' meeting in 2010 decided to introduce the option for shareholders to submit their votes by post. This option was not put into effect in the 2012 shareholders' meeting.

Executive Board

The Executive Board is responsible for the management and direction of the company and acts in the interest of the company with a view to increasing its value on a sustainable basis. To this end, it sets up an appropriate strategy which it agrees with the Supervisory Board and ensures its implementation. Its responsibilities further include effective opportunity and risk management and controlling as well as the monitoring of compliance (with legal provisions and internal policies and guidelines) throughout the group.

Several changes were made to the Executive Board of Funkwerk AG in 2012. Restructuring expert Dr. Christian E. Baur was newly appointed to the board to support the two board members, Carsten Ahrens and Johann M. Schmid-Davis, in an interim capacity in the definition and implementation of the fitness programme from 20 April 2012. Dr. Baur is managing director at the consulting firm Alvarez & Marsal Deutschland GmbH and ended his involvement with Funkwerk on 31 December 2012. Mr Ahrens and Mr Schmid-Davis retired from the company when their contracts expired at the end of 2012. Dr.-Ing. Manfred Lerch was added to the Executive Board on 1 November 2012 and has managed the company as sole director since 2013.

Collaboration within the Executive Board is governed by Rules of Internal Procedure which are stipulated by the Supervisory Board. These were amended in 2012 in consideration of the changes to the board. The Rules include a catalogue of transactions requiring approval by the Supervisory Board. Detailed information on the remuneration of the Executive Board is provided in the remuneration report, which is part of the group management report. The Executive Board did not engage in notifiable additional employment in the reporting year.

Supervisory Board

The Supervisory Board of Funkwerk AG advises and supervises the Executive Board in its management of the company. It is comprised of three members. The composition of the Supervisory Board is determined in consideration of criteria including independence, experience, internationality and expertise of the members, while also accounting for the requirements of the current Corporate Governance Code relating to diversity and for an appropriate level of female representation. The number or quota of females is not specified. The work of the Supervisory Board is governed by Rules of Internal Procedure which were updated in 2012.

In the reporting year, the Supervisory Board convened six ordinary meetings. Issues discussed in these instances are detailed in the report of the Supervisory Board. Where necessary, the Supervisory Board also meets without the Executive Board. The German Corporate Governance Code recommends that the Supervisory Board set up qualified committees, an audit committee and a nomination committee. Since the Supervisory Board only comprises three members, the setup of committees is considered impractical. The duties assigned to the audit committee are performed jointly by the whole Supervisory Board.

The members of the Supervisory Board of Funkwerk AG hold no more than a further three seats on the supervisory boards of other listed companies or in supervisory bodies of companies with similar requirements. The company adequately supports its board members in independently pursuing training and further education measures required to perform their duties. The members of the Supervisory Board are introduced in the report of the Supervisory Board and in the notes to the consolidated financial statements. The structure and level of remuneration of the Supervisory Board are detailed in the remuneration report.

Cooperation of Executive Board and Supervisory Board

> The Executive Board and the Supervisory Board of Funkwerk AG work in close cooperation for the good of the company maintaining a basis of trust. The Executive Board agrees the strategic orientation with the Supervisory Board and regularly discusses with it the progress and stage reached in implementing the strategy.

The Supervisory Board is also regularly, promptly and comprehensively informed of any key events and the corporate planning, the trend of business, the risk situation and the compliance measures. The information and reporting requirements of the Executive Board are stipulated in the Rules of Internal Procedure for the Executive Board. At Supervisory Board meetings, the Executive Board and the Supervisory Board discuss key strategic decisions and transactions requiring approval in great detail in an open dialogue while maintaining strict confidentiality. In addition to the ordinary meetings, the Executive Board and the Supervisory Board meet where required to deliberate on relevant topical issues. Further information on the cooperation of both boards is provided in the report of the Supervisory Board.

Funkwerk AG has concluded a D&O insurance for the Executive Board and the Supervisory Board. Contrary to the German Corporate Governance Code but as legally stipulated, this does not include an excess for the Supervisory Board. The Executive Board and the Supervisory Board of Funkwerk AG hold the view that the due diligence and sense of responsibility which the members of the Supervisory Board exercise at all times as a matter of principle in the performance of their duties could not be further optimised through agreement of an excess. As stipulated in Section 93 (1) of the German Stock Corporation Act (AktG), the current employment contracts of Executive Board members include an excess of 10 per cent of the damage up to at least one and a half times their fixed annual remuneration.

Transparency

Funkwerk AG notifies its shareholders, the shareholders' meetings, financial analysts, the media and the interested public equally, promptly and in detail of the development of the company and any key events. In so doing, the company uses a variety of communication channels. All mandatory publications along with comprehensive additional information are available in the latest versions on the website of Funkwerk AG at www.funkwerk.com. Publications such as ad hoc releases, press information, interim and annual reports are published both in German and English. The website also provides an up-to-date financial calendar containing the key dates of publications and events. At regular capital market conferences we regularly meet analysts and institutional investors to engage in an intensive dialogue.

All share transactions of the Executive Board and the Supervisory Board and of related parties (Directors' Dealings under Section 15a of the German Securities Trading Act — WpHG) are published on the website of Funkwerk AG as soon as the company is informed. No such transactions were reported in fiscal 2012.

Accounting

The consolidated financial statements for the 2012 financial year along with the condensed consolidated interim financial statements in the six-month financial report and the two quarterly reports of Funkwerk AG in 2012 were prepared in compliance with international financial reporting standards (IFRS). The annual accounts of Funkwerk AG follow the requirements of the German Commercial Code (HGB).

On 22 June 2012, the annual general meeting of Funkwerk AG elected BDO AWT GmbH Wirtschaftsprüfungsgesellschaft, Munich, as the auditor and group auditor for the 2012 financial year. Before proposing its candidate, the Supervisory Board obtained from the firm the required declaration of independence. This rules out any business, financial, personal or other relationships between the auditor, its executive bodies and lead auditors on the one hand, and Funkwerk AG and the members of its executive bodies, on the other, which may cast doubt on the independence of the auditor. BDO AWT GmbH provided the appropriate binding declaration of independence.

The Supervisory Board also agreed with the auditor that the latter report promptly on all findings and events arising in the conduct of its audit which may be of relevance to the duties of the Supervisory Board. The auditor is required to notify the Supervisory Board of, and include in its audit report, any facts which may contradict the declarations of the Executive Board and the Supervisory Board on the Code.

Declaration of compliance

Declaration issued by the Executive Board and the Supervisory Board of Funkwerk AG on the recommendations of the »Government Commission on the German Corporate Governance Code« in accordance with Section 161 AktG (German Stock Corporation Act):

The Executive Board and the Supervisory Board of Funkwerk AG hereby declare compliance – both currently and in the past — with the recommendations of the »Government Commission on the German Corporate Governance Code« as amended on 15 May 2012 and published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette:

1. The German Corporate Governance Code recommends that D&O insurances for the Supervisory Board include an excess of at least 10 per cent of the damage up to at least 1.5 times the fixed annual remuneration (section 3.8). The D&O insurance contract concluded for the Supervisory Board of Funkwerk AG does not provide for an excess (in agreement with the law). The Executive Board and the Supervisory Board of Funkwerk AG hold the view that the due diligence and sense of responsibility which the members of the Supervisory Board already exercise at all times in the performance of their duties could not be further optimised through agreement of an excess.
2. The German Corporate Governance Code recommends that the Executive Board should comprise more than one person (section 4.2.1). This recommendation is currently met. As a result of the restructuring and focusing strategy, however, Funkwerk AG will in future be managed by a single director. In compliance with the legal requirements of Section 76 (2) of the German Stock Corporation Act (AktG) in conjunction with Section 7 (1) of the company's Articles of Association, the Executive Board of Funkwerk AG may be made up of one person only.
3. The German Corporate Governance Code recommends that the Supervisory Board set up qualified committees (section 5.3.1), specifically an audit committee (section 5.3.2) and a nomination committee (section 5.3.3). Since the Supervisory Board does not comprise more than three members, the setup of committees is considered impractical. The duties assigned to the audit committee are performed jointly by the whole Supervisory Board.
4. The German Corporate Governance Code recommends that the Supervisory Board specify concrete objectives regarding its composition, which, whilst considering the specifics of the company, take into account the international activities of the company, potential conflicts of interest, the number of independent board members (as defined by section 5.4.2 of the Code), an age limit to be specified for the members of the Supervisory Board and diversity, and stipulate an appropriate level of female representation (section 5.4.1). The Supervisory Board is of the opinion that decisions relating to Supervisory Board candidates should continue to be made on the basis of whether relevant candidates possess the knowledge, abilities, expertise and experience required to properly perform the duties of the Supervisory Board. The implementation of concrete objectives as recommended in section 5.4.1. subsection 2 of the Code in regard to specific criteria for the recommendation of candidates for the Supervisory Board as opposed to other criteria does not seem appropriate. The Supervisory Board therefore intends to continue deciding on recommendations for its composition on a case-by-case basis based on the given situation.
5. The German Corporate Governance Code recommends that a performance-related remuneration component for members of the Supervisory Board should be based on sustainable corporate development (section 5.4.6). In conformity with the Articles of Association and the law, the Supervisory Board of the company currently receives a performance-related remuneration which is linked to the dividend distributed. Using this parameter for variable remuneration of the Supervisory Board is common practice.

Kölleda, 8 October 2012
The Executive Board and the Supervisory Board of Funkwerk AG

03

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet	42
Consolidated statement of comprehensive income	44
Consolidated statement of cash flows	45
Consolidated statement of changes in equity	46
Notes to the consolidated financial statements	48

Consolidated balance sheet ACCORDING TO IFRS AS AT 31 DECEMBER 2012

ASSETS	NOTES	31/12/2012 € K	31/12/2011 € K
A. LONG-TERM ASSETS			
1. Intangible assets	E. (1)	22,378	24,607
2. Tangible assets	E. (1)	9,536	12,252
3. Other assets	E. (1)	4	4
		31,918	**36,863**
B. SHORT-TERM ASSETS			
1. Inventories	E. (3)	25,355	35,611
2. Trade accounts receivable	E. (4)	28,896	33,991
3. Receivables from projects in progress	E. (5)	7,741	4,733
4. Due from affiliated companies	E. (6)	0	52
5. Tax refund claims	E. (7)	1,329	1,010
6. Other assets	E. (8)	1,470	1,602
7. Financial assets	E. (9)	3,445	11,997
8. Liquid assets	E. (9)	12,906	17,424
9. Long-term assets held for sale	E. (10)	0	14,631
		81,142	**121,051**
		113,060	157,914

LIABILITIES	NOTES	31/12/2012 € K	31/12/2011 € K
A. CAPITAL STOCK	E. (11)		
1. Subscribed capital		8,101	8,101
2. Capital reserve		63,562	63,529
3. Retained earnings (revenue reserve)		38,211	38,211
4. Own shares		−1,062	−1,062
5. Net loss for the year		−76,351	−59,915
6. Foreign currency item		−228	−204
Equity of Funkwerk AG shareholders		32,233	48,660
		32,233	**48,660**
B. LONG-TERM LIABILITIES			
1. Pension obligations	E. (12)	13,376	12,822
2. Deferred investment subsidies	E. (13)	155	517
3. Deferred taxes	E. (14)	635	1,066
		14,166	**14,405**
C. SHORT-TERM LIABILITIES			
1. Financial liabilities	E. (15)	6,873	12,886
2. Trade accounts payable	E. (16)	21,394	27,939
3. Advance payments received on orders	E. (17)	9,846	9,004
4. Due to affiliated companies	E. (18)	364	390
5. Tax liabilities	E. (19)	6,624	5,674
6. Accrued liabilities	E. (20)	7,150	11,532
7. Deferred investment subsidies	E. (13)	31	87
8. Other liabilities	E. (21)	14,379	11,679
9. Liabilities held for sale		0	15,658
		66,661	**94,849**
		113,060	**157,914**

Consolidated statement of comprehensive income ACCORDING TO IFRS

FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2012	NOTES	2012 € K	2011 € K
CONTINUED SEGMENTS			
1. Sales revenues	F. (22)	**141,347**	**146,943**
2. Decrease in finished goods inventories and work in progress		–4,098	–1,809
3. Other own work capitalised		2,153	3,307
4. Other operating income	F. (25)	5,867	3,925
5. Total operating performance		**145,269**	**152,366**
6. Cost of materials	F. (23)	–60,698	–70,231
7. Personnel expenses	F. (24)	–55,420	–55,737
8. Planned depreciation		–5,587	–5,276
9. Other operating expenses	F. (26)	–21,683	–21,603
10. Operating result before impairment charges and restructuring costs		**1,881**	**–481**
11. Impairment charges for intangible assets and tangible assets	F. (27)	–1,903	–2,500
12. Restructuring costs	F. (28)	–5,069	–3,341
13. Operating result / EBIT		**–5,091**	**–6,322**
14. Financial income		351	181
15. Financial expenses		–2,473	–2,254
16. Financial results	F. (29)	**–2,122**	**–2,073**
17. Earnings before taxes		**–7,213**	**–8,395**
18. Taxes on income	F. (30)	– 800	–3,753
19. Result of continued segments		**– 8,013**	**–12,148**
20. Result of sold segments (after taxes)	C. (1)	**–8,423**	**–3,791**
21. Earnings after taxes / result for the year		**–16,436**	**–15,939**
AMOUNTS DIRECTLY INCLUDED IN EQUITY			
22. Currency differences		–24	33
23. Other period results – continued segments		**–24**	**33**
24. Other period results – sold segments		**0**	**0**
25. Total		**–16,460**	**–15,906**
THE RESULT FOR THE YEAR COMPRISES			
Funkwerk AG shareholders		–16,436	–15,939
THE AMOUNTS DIRECTLY INCLUDED IN EQUITY COMPRISE			
Funkwerk AG shareholders		–24	33
EARNINGS PER SHARE			
Earnings per share, undiluted and diluted (in €)	E. (11)	– 2.04	– 1.98
EARNINGS PER SHARE CONTINUED SEGMENTS			
Earnings per share, undiluted and diluted (in €)	E. (11)	– 0.99	– 1.51

Consolidated statement of cash flows ACCORDING TO IFRS

FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2012	NOTES	2012 € K	2011 € K
1. Annual result		**–16,436**	**–15,939**
2. Income tax expenditure	F. (30)	1,526	4,133
3. Depreciation of development costs	E. (1)	3,216	8,077
4. Amortisation of goodwill	E. (1)	750	1,850
5. Depreciation of tangible assets and intangible assets	E. (1)	4,175	5,156
6. Writedown of investments	F. (29)	0	24
7. Other non-cash expenditure and income	G. (31)	4,956	–4,955
8. Reversal of investment subsidies	F. (25)	–35	–1,079
9. Changes in reserves		–3,657	–2,573
10. Profit/loss from the disposal of fixed assets		–181	–10
11. Changes in inventories, receivables and other assets		628	–3,944
12. Changes in advance payments received on orders		842	332
13. Changes in other debts		5,074	2,144
14. Interest income	F. (29)	–110	–132
15. Interest expenditure	F. (29)	1,429	1,581
16. Interest paid		–570	–387
17. Interest received		52	96
18. Paid income tax		–1,211	–301
19. Cash flow from operating activities	G. (31)	**448**	**–5,927**
20. Receipts from the disposal of fixed assets		344	21
21. Payments for investments and development costs		–5,043	–7,383
22. Payments for investments in intangible assets without goodwill and development costs		–601	–1,192
23. Payments for investments in fixed assets		–2,150	–2,717
24. Receipts from investment subsidies		29	1,115
25. Receipts for deconsolidation	G. (33)	8,151	9,644
26. Cash flow from investing activities	G. (32)	**730**	**–512**
27. Free cash flow	G. (34)	**1,178**	**–6,439**
28. Receipts from take-up of (financial) credit		0	12,500
29. Payments for the redemption of (financial) credit		–6,223	–166
30. Cash flow from financing activities	G. (35)	**–6,223**	**12,334**
31. Net change in cash and cash equivalents		–5,045	5,895
32. Cash and cash equivalents at beginning of period		17,951	12,056
33. Cash and cash equivalents at end of period	G. (36)	**12,906**	**17,951**

Consolidated statement of changes in equity ACCORDING TO IFRS

	NOTES	SUBSCRIBED CAPITAL	CAPITAL RESERVE	REVENUE RESERVE
		€ K	€ K	€ K
1 January 2011		**8,101**	**63,422**	**38,211**
Group loss for the year	E. (11)	0	0	0
Foreign currency item		0	0	0
Total		**0**	**0**	**0**
Share options (IFRS 2)	E. (11)	0	107	0
Transactions with owners		**0**	**107**	**0**
31 December 2011		**8,101**	**63,529**	**38,211**

	NOTES	SUBSCRIBED CAPITAL	CAPITAL RESERVE	REVENUE RESERVE
1 January 2012		**8,101**	**63,529**	**38,211**
Group loss for the year	E. (11)	0	0	0
Foreign currency item		0	0	0
Total		**0**	**33**	**0**
Share options (IFRS 2)	E. (11)	0	33	0
Transactions with owners		**0**	**0**	**0**
31 December 2012		**8,101**	**63,562**	**38,211**

OWN SHARES	NET LOSS FOR THE YEAR	FOREIGN CURRENCY ITEM	EQUITY OF FUNKWERK AG SHAREHOLDERS
€ K	€ K	€ K	€ K
–1,062	**–43,976**	**–237**	**64,459**
0	–15,939	0	–15,939
0	0	33	33
0	**–15,939**	**33**	**–15,906**
0	0	0	107
0	**0**	**0**	**107**
–1,062	**–59,915**	**–204**	**48,660**

–1,062	**–59,915**	**–204**	**48,660**
0	–16,436	0	–16,436
0	0	–24	–24
0	**–16,436**	**–24**	**–16,460**
0	0	0	33
0	**0**	**0**	**33**
–1,062	**–76,351**	**–228**	**32,233**

Notes to the 2012 Consolidated Financial Statements

A. Description of group relations

PARENT COMPANY

The parent company is Funkwerk AG, Im Funkwerk 5, 99625 Kölleda, (hereafter also referred to as »Funkwerk« or the »corporation«), entered in the Jena Commercial Register, Division B, under number 111457.

Funkwerk AG is quoted on the German Stock Market in Frankfurt/Main and is listed in the Prime Standard (WKN: 575 314). It is also quoted on other German stock markets.

The group is divided into the following two strategic business segments:

The Traffic & Control Communication (TCC) segment of Funkwerk provides innovative solutions involving communication technology that is geared to automate and rationalise operations in transport, logistics and the industry and meet increasing security standards. The key focus of this segment is on mobile radio solutions, management systems and information systems for transport services, forwarders and logistics companies, and the industry. TCC is subdivided into the two Business Units »Infrastructure« and »Rolling Stock«.

Using special and security-orientated communication systems in the fields of personal and building security, video surveillance and property protection, the Security Communication (SC) segment addresses the target groups of industrial and energy companies, authorities and organisations with security functions (BOS Behörden und Organisationen mit Sicherheitsaufgaben), public transport, railways, airports, transport infrastructure, correctional facilities and forensic institutes. In SC the Business Units »Video Systems« and »Security Technology« are combined.

As a result of the realignment of the Funkwerk Group and the sale of Funkwerk Dabendorf GmbH, the Automotive Communication (AC) segment is no longer counted as one of the strategic segments. Here Funkwerk concentrated on providing vehicle users with secure, faultless and universal access to new possibilities of mobile communication.

The Enterprise Communication (EC) segment was already relinquished as a strategic segment back in 2011.

Under Section 291 (2) of the German Commercial Code (§ 291 Abs. 2 HGB), the companies Funkwerk Security Communications GmbH and Funkwerk Information Technologies GmbH are exempt from the preparation of consolidated financial statements. In compliance with Section 315a of the HGB, the consolidated financial statements of Funkwerk were drawn up in line with the IFRS; the prerequisites for this are satisfied.

The companies of the Funkwerk group are included in the consolidated financial statements of Hörmann Holding GmbH & Co. KG, Kirchseeon. The consolidated financial statements of the group company Hörmann Holding GmbH & Co. KG, Kirchseeon, are submitted to the electronic version of the Federal Official Gazette.

B. Accounting rules

A) PRINCIPLES FOR APPLYING THE IFRS STANDARDS

Funkwerk's consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS) passed and published by the International Accounting Standards Board (IASB), as were endorsed by the European Union at the time of releasing the consolidated financial statements and were mandatory on said date. These contain the IAS and IFRS that were mandatory on the reporting date of 31 December 2012 and their corresponding interpretations (SIC / IFRIC).

No application was made of the possibility of making early use of new standards, revisions of standards and interpretations, which had already been passed by 31 December 2012 and adopted by the European Union before the release of the consolidated financial statements.

The following amendments published by the IASB and the standards and interpretations passed by the European Union are currently not yet used. Their use would not likely have led to any essential changes in the accounting and valuation principles:

- IAS 1 Presentation of items of other comprehensive income
- IAS 19 Supplement to accounting rules and figures in the financial statements for employee benefits
- IAS 28 Guidelines for accounting on associates and regulations on the use of the equity method
- IAS 32 Accounting rules for balancing of financial assets and liabilities
- IFRS 7 Enhanced disclosure requirements in the financial statements for balancing of financial assets and liabilities
- IFRS 10 Accounting rules for the presentation of consolidated financial statements and explanations on the principle of control
- IFRS 11 Supplement to the regulations for joint arrangements and their reporting
- IFRS 12 Enhanced disclosure of interests in other entities
- IFRS 13 Guidelines and disclosure requirement for fair value measurement

The following amendments, published by the IASB, to standards and interpretations still require adoption by the EU into European law and are currently not yet applied. Their use would not likely have led to any essential changes in the accounting and valuation principles:

- IFRS 7/IFRS 9 Regulations for the mandatory use of IFRS 9 and for enhanced disclosures in the financial statements during the transitional phase from IAS 39 to IFRS 9
- IFRS 9 Supplement to the regulations for the reporting of financial liabilities

For the application of special IFRS regulations, please refer to the explanations on individual balance sheet items further below in these Notes.

The financial statements were prepared on the basis of historic purchase and production costs, with the exception of certain financial instruments which were reported at the fair market value.

Unless otherwise stated, all figures of the consolidated financial statements are stated in thousands of euro (EUR k).

The balance sheet format follows the provisions of IAS 1.54 to 1.76. Short-term and long-term assets as well as short-term and long-term liabilities are shown on the balance sheet as separate classifications.

The statement of income and accumulated earnings was prepared with due regard to the provisions of IAS 1.82 to 1.96 and structured using the aggregate cost method. Since the 2009 financial year, the breakdown of the statement of income and accumulated earnings have been expanded to give better comparability. In the transition to the operating result (EBIT), an intermediate result is shown as the operating result before impairment charges and restructuring costs as well as separated expenditure items, impairment charges relating to intangible/tangible assets and restructuring costs.

As a result of relinquishing business segments, the balance sheet, the statement of income and accumulated earnings and the consolidated statement of cash flows were drawn up using the regulations of IFRS 5.

B) OTHER

The financial year is the calendar year.

On 25 March 2013, the Executive Board of Funkwerk AG approved the 2012 consolidated financial statements for forwarding to the Supervisory Board. It is incumbent on the Supervisory Board to audit the consolidated financial statements and to state whether it endorses it.

C. The consolidated group

1. CONSOLIDATED COMPANIES

The consolidated financial statements of Funkwerk AG include all companies that are controlled directly or indirectly by the parent company. Control is deemed to be acquired if the company is able to determine the financial and business policy of a subsidiary in order to gain benefit from the subsidiary's activity. The results of the subsidiaries bought or sold during the course of the year are reported correspondingly in the statement of income and accumulated earnings as from the actual date of acquisition or until the actual date of sale. As and where necessary, the subsidiaries' annual financial statements have been adjusted in order to match the accounting and valuation principles to suit those used within the consolidated group.

In addition to Funkwerk AG (FWAG), the following companies are fully consolidated in the consolidated financial statements (Germany, unless otherwise stated):

DIRECT SUBSIDIARIES	REGISTERED OFFICE	VOTING RIGHTS IN %
Funkwerk Information Technologies GmbH	Kiel, Schleswig-Holstein	100
Funkwerk Security Communications GmbH	Salzgitter, Lower-Saxony	100
Microsyst Systemelectronic GmbH	Weiden, Bavaria	100
Funkwerk Systems Austria GmbH	Vienna, Austria	100
Funkwerk Statkom GmbH	Kölleda, Thuringia	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 (previously Funkwerk Akademie GmbH)	Kölleda, Thuringia	100
Funkwerk videosysteme GmbH (previously Funkwerk plettac electronic GmbH)	Nuremberg, Bavaria	100
Funkwerk Electronic Services GmbH	Salzgitter, Lower-Saxony	100
Funkwerk Engineering GmbH	Kiel, Schleswig-Holstein	100

Sold business segments

In the course of the strategic realignment, the Executive Board already decided to sell off various companies back in 2011. For the first time in the interim report of 30 September 2011, and as a result of the requirements of IFRS 5 being fulfilled, all assets and liabilities connected to the planned sale were brought together under one balance-sheet item each or the result of the sold segments was individually indicated in the statement of income and accumulated earnings. By 31 December 2012 all planned sales were concluded and the companies concerned deconsolidated.

On 19 October 2012 Funkwerk AG sold 100 per cent of its shares in Funkwerk Dabendorf GmbH, Zossen, (»FWD« for short). FWD belonged to the AC segment. The deconsolidation of FWD took effect as of 1 October, 2012. In the first three quarters of the 2012 financial year, having made sales revenues of EUR 10,669k, the sold company recorded a net loss for the period of EUR −2,916k (before transfer of losses by FWAG). In the 2011 financial year, FWD turned over sales of EUR 18,830k and recorded a net loss for the year of EUR −8,334k (before transfer of losses by FWAG). On 30 September 2012 FWD employed 119 personnel. The outgoing assets due to the deconsolidation consisted of EUR 4,557k in fixed assets and EUR 9,259k in current assets, while the outgoing liabilities consisted of EUR 500k in deferred taxes and EUR 7,730k in short-term liabilities.

The deconsolidation had an effect on the result of around EUR −6.7m. This is indicated in the consolidated statement of income and accumulated earnings and recorded as the current period result in the »Result from sold business segments (after tax)«.

Funkwerk Avionics GmbH (FAV), which was also classified under the AC segment, was sold on 21 March 2012. The deconsolidation took effect on 31 March 2012. The deconsolidation had an effect on the result of approx. EUR −0.1m and is reported analogously in the consolidated statement of income and accumulated earnings under »Result from sold business segments (after tax)«. In the first three months of the 2012 financial year FAV turned over sales revenues of EUR 824k, recording a result for the period of EUR −29k. In the 2011 financial year as a whole FAV achieved sales revenues of 3,354k and an annual net profit of EUR 187k. At the time of sale the company employed a workforce of 24.

Funkwerk Information Technologies Karlsfeld GmbH’s Sportanzeiger product line, previously classified under the TCC segment, was sold in the period under review. This sale did not have any significant effect on the consolidated statement of income and accumulated earnings.

Funkwerk AG sold all its shares in the wholly-owned subsidiary Funkwerk Enterprise Communications GmbH, Nuremberg, on 18 October 2011. The sale was completed on 13 January 2012. It was subject to the usual reservation of precedent conditions and required the approval of the bank consortium of Funkwerk AG.

The sale not only included Funkwerk Enterprise Communications GmbH but also its subsidiaries Funkwerk IP-Appliances GmbH (Nuremberg), Funkwerk Aphona Communications GmbH (Vienna, Austria), Funkwerk Enterprise Communications France S.A.S. (Gradignan Cedex, France) and Funkwerk Enterprise Communications Italia S.R.L. (Milan, Italy). Not included were the inactive subsidiaries in Germany and Spain and the majority shareholding in Funkwerk ES Iberia S.L. (Majadahonda / Madrid, Spain) held by Funkwerk Enterprise Communications GmbH. The transaction therefore meant the splitting of the entire EC segment and was reported as per IFRS 5 in the consolidated balance sheet (cf. Assets: B.9.; Liabilities: C.9.) and the consolidated statement of income and accumulated earnings (»Result of the sold business segments (after tax)«). The deconsolidation became effective on 1 January 2012 and its effect here on the result was about EUR 1.7m.

The result of the sold business segments (after tax) as per item 20 of the consolidated statement of income and accumulated earnings is calculated as follows:

SOLD BUSINESS SEGMENTS	31/12/2012 IN EUR K	31/12/2011 IN EUR K
Sales revenues	11,820	62,886
Gross performance	15,530	71,559
Expenditure	18,137	78,952
Impairment charge	0	410
Operating result	−2,607	−7,803
Financial result	−78	−679
Result before tax from sold business segments	−2,685	−8,482
Taxes on income	−553	−380
Operating result after tax	−3,238	−8,862
Result from the sale of sold business segments	−5,012	5,071
Taxes on income on the result from the sale of sold business segments	173	0
Period result	**−8,423**	**−3,791**

The share of the sold business segments in the cash flows from current business activity is EUR −1,595k (prev. year: EUR −4,464k); in the cash flow from investment activity it is EUR 3,696k (prev. year: EUR −4,434k) and in the cash flow from financing activity it is EUR −2,257k (prev. year: EUR 7,467k). The cash flow from financing activity concerns group-internal financing.

The cash and cash equivalents reported at EUR 12,906k in the consolidated cash-flow statement at the end of the 2012 financial year are solely attributable to the retained business activity, whereas the cash and cash equivalents reported at the end of the previous period consisted of EUR 17,422k from continued business segments and EUR 529k from sold business segments.

For the presentation of the effect on the consolidated balance sheet, please see E.10.

Due to the unchanged situation with the blocked bank accounts in Algeria, belonging to the subsidiary Funkwerk videosysteme GmbH (EUR 3,000k after impairment of value in 2010), these monetary funds cannot currently be transferred to Germany and will not be available to the Funkwerk group in the foreseeable future.

2. BALANCE SHEET CLOSING DATE

The financial year of Funkwerk AG and its subsidiaries ends each and every year on 31 December.

3. CONSOLIDATION METHODS

The consolidated financial statements include the annual accounts of the company, its majority-owned subsidiaries and its associated companies. All receivables and payables and all transactions between the consolidated companies are eliminated in the consolidated financial statements. Both the receivables and payables, and the expenses and income between the consolidated companies are offset against each other. The group inventories and the fixed assets are adjusted by intermediate results. Consolidation processes affecting net income are subject to the adjustment of deferred taxes, with deferred tax assets and liabilities being balanced if a legal entitlement exists for offsetting the recorded amounts against each other and it is intended either to achieve the balance on a net basis or, simultaneous with the realisation of the asset concerned, to redeem the relevant liability. Non-controlling interests in the net assets (except for goodwill) of the consolidated subsidiaries are reported separately from the equity capital of the group. They consist of the amount of such interests on the date of the original company merger and the non-controlling interest in the changes of equity capital as of the merger date. The share of companies acquired by non-controlling shareholders is reported at their share of contribution to the net current market value of the assets, liabilities and continent liabilities upon their inclusion.

When acquiring the companies that are to be included in the consolidated group, the assets and liabilities are assessed at their respective market value at the time of acquisition. If the acquisition costs are higher than the group share in the thus determined equity of the company, this results in goodwill, which is to be carried as an asset, for the respective planning unit. The disclosed hidden reserves and liabilities are continued within the scope of subsequent consolidations according to the corresponding assets and liabilities. The goodwill accounting is subject to IFRS 3. If, however, the acquisition costs are lower than the group share in the thus calculated equity capital of the company, no deficit amount is carried as a liability. Instead, in accordance with IFRS 3, this difference was immediately recorded, affecting the operating result.

When companies that were included in the consolidated group were sold, the assets (including goodwill) and liabilities were taken off the books at their book value at the time of the loss of control. The fair market value of the return consideration received from the transaction was calculated and the profit/loss transferred from equity capital into the result.

Increases in majority shareholdings are taken into consideration using the equity transaction method.

4. CURRENCY CONVERSION AND TRANSACTIONS

Currency conversion

Funkwerk Information Technologies York Limited, Great Britain, Funkwerk Information Technologies Malmö AB, Sweden, and Funkwerk IT Polska Sp. z.o.o., Poland are not domiciled in the Euro-zone.

The functional currency of all other subsidiaries included in the consolidated financial statements is the euro, since these subsidiaries are exclusively registered in the Euro-zone. Annual accounts prepared in foreign currencies were converted as follows: the equity capital was valued at the historical exchange rates on the date of acquisition, the balance sheet at the mean rates on the closing date, and the items of the statement of income and accumulated earnings at the average rates. The currency differences from this conversion were recorded in the equity capital without affecting the operating result. In the remaining result of the 2012 financial year, EUR −23k were due to currency differences (2011: EUR 33k).

In the preparation of the financial statements of the individual group companies, any transactions made in currencies other than the working currency of the group company were converted using the exchange rates valid on the day of the transaction.

	HISTORICAL RATE	CUT-OFF DATE RATE	AVERAGE RATE
Sweden (in EUR/SEK)	0.10972	0.11652	0.11504
Great Britain (in EUR/GBP)	1.51768	1.22534	1.23100
Poland (in EUR/PLN)	0.25821	0.24546	0.23915

Currency transactions

The company has entered into hedging transactions in order to secure transactions in foreign currencies. These hedging transactions are limited to the period in which the risk exists and minimise the effects of exchange rate fluctuations on the earnings position of the companies. In the 2012 financial year, hedging transactions were effected with regard to the US dollar, Australian dollar, Swiss franc, Hungarian forint, Swedish krona and Japanese yen.

5. AFFILIATED COMPANIES

Affiliated companies are defined as companies that are directly or indirectly controlled by the corporation or by Hörmann Holding GmbH & Co. KG.

The corporation is the parent company of all direct and indirect subsidiaries, which consequently are also considered affiliated companies within the meaning of Section 271 (2) of the HGB (German Commercial Code), and in accordance with IAS 24. All direct and indirect subsidiaries, associated companies and key management personnel are considered as affiliates.

Within the meaning of Section 271 (2) in conjunction with Section 290 of the HGB (German Commercial Code), the corporation itself is an affiliated company of Hörmann Holding GmbH & Co. KG, Kirchseeon, and is listed in the consolidated financial statements of that company.

Consequently, the following subsidiaries of Hörmann Holding GmbH & Co. KG, Kirchseeon, are also affiliated companies of Funkwerk AG:

AFFILIATED COMPANIES WITH WHOM BUSINESS RELATIONSHIPS EXIST	REGISTERED OFFICE
Hörmann GmbH	Kirchseeon
Hörmann Informationssysteme GmbH	Gustavsburg
Hörmann Automotive Gustavsburg GmbH	Gustavsburg
Hörmann Kommunikationsnetze GmbH	Kirchseeon

In addition, Hörmann Holding GmbH & Co. KG consolidates other companies with which Funkwerk does not have any business relations.

D. Accounting and valuation principles

1. INTANGIBLE ASSETS AND GOODWILL

Intangible assets acquired for a consideration, primarily software, patents and intangible assets with a determinable useful life are carried as assets at purchase cost and their loss in value calculated on a straight-line basis by planned depreciation throughout their economic life, typically three to four years.

Development costs are carried as assets if the development of a new product (or process) can be clearly defined, is technically feasible and is intended either for own use or for sale. Carrying as assets further requires reasonable certainty that these development costs can be covered by future incoming funds. Development costs carried as assets are depreciated systematically over the expected selling period of the products or useful life of the processes (principally up to five years). Research costs are shown as current expenditure in accordance with IAS 38. The production cost here includes any costs directly attributable to the development process and appropriate shares of the development-related overhead. Where the requirements for carrying as assets are not met, the expenditures are allocated to the year of their accrual affecting net income.

The intangible assets, which are still at the development stage and therefore do not yet undergo planned depreciation, are audited in accordance with IAS 36. If the higher value of the net sales price and the value in use of the asset in question falls below the book value (impairment test), unplanned depreciation is made as and when necessary. For individual development projects, the achievable amount is calculated in the form of the fair market value.

According to IFRS 3, positive goodwill represents the excess between the purchase cost of a company and the acquired, re-valued assets and liabilities including contingent liabilities, which remains after a purchase price allocation and consequently, the identification of all assets and liabilities acquired. Within the scope of this purchase price allocation, the identified assets and liabilities are taken into account not at their previous book values but at their current market values. Goodwill is recognised as an asset and assessed annually at a specific time in the context of impairment tests.

For the purposes of the impairment test, both the goodwill and the development costs are allocated to the appropriate cash generating units (CGU). The CGUs correspond to the independent legal entities of the company. In the SC segment, legal entities of the company that deviate from this and generate cash independent of each other were each grouped together to form one CGU. The value impairment costs are calculated on the basis of the amounts achievable by each CGU, whereby the latter is calculated on the basis of the value in use. It is refrained from calculating the fair value less cost to sell because there are no indications that this value is higher than the value in use.

The calculations are based on the cash flow projections approved by the Executive Board and submitted to the Supervisory Board for the following three financial years. The planning is drawn up based on figures gained from experience taking current market developments into consideration. The cash flows of the CGUs are primarily driven by the planned sales revenues of the periods, whereby sales increases up until the 2015 financial year were also taken into account at percentages in the higher single-figures for each year. For any periods exceeding these three years, the cash flows will be adjusted. A sustained growth of 1 per cent, which is typical for the industry, is taken as the basis for this.

The cash flows were discounted at the risk-adjusted pre-tax interest rate in line with the market. The discount rate before tax was calculated in accordance with IAS 36.55. The discount factors at the reporting date were calculated on segment level and applied to the cash flow predictions of the respective CGUs. They are 10.8 per cent for the TCC segment (2011: 11.7 per cent) and 11.7 per cent for the SC segment (2011: 13.0 per cent).

2. TANGIBLE ASSETS

Tangible assets are valued at purchase cost less accrued depreciations. The tangible assets are depreciated on a straight-line basis over their expected utilisation period. Investment subsidies are always shown as »Deferred investment subsidies«. Production costs are valued on the basis of directly allocable direct costs and pro-rata material and production overhead less depreciations. Maintenance and repair costs are expensed, while replacement and expansion investments extending the expected utilisation period or increasing the capacity are capitalised. The tangible assets were not re-valued based on the option under IAS 16.

The planned depreciations are based on the following utilisation periods:

DESCRIPTION	USEFUL LIFE
Buildings	15 to 50 years
Plant and machinery	3 to 12 years
Other fixtures and fittings, tools and equipment	1 to 10 years

In accordance with IAS 36, unplanned depreciations of tangible assets are undertaken if the higher value of net sales price and the utilisation value of the asset in question falls below the book value. If the reasons for an unplanned depreciation effected in previous years do not apply, we carry out the appropriate appreciations.

3. OTHER LONG-TERM ASSETS

The other long-term assets include the amounts stated for shareholdings in affiliated companies which, taking into account the principle of materiality, are not shown in the balance sheet in compliance with the provisions of IAS 27, participations, and other investments. These are valued at their net book value less the required depreciation.

4. INVENTORIES

Inventories are valued at the lower amount of purchase and production cost and net sales value. In addition to the direct costs, the purchase/production costs also include appropriate shares of the necessary material and production overhead and production-related depreciations directly attributable to the production process. Administration costs are taken into account where attributable to the production. If the values are lower as at the closing date due to sagging prices on the sales market, these are reflected. The valuation of similar items of inventories is always based on the average cost method. Payments on account for inventories are valued at purchase cost. Depreciations of the inventories are reported under material expenses.

5. RECEIVABLES FROM PROJECTS IN PROGRESS

Sales and profits from long-term production orders are reported following the percentage of completion method in accordance with IAS 11. The degree of completion of the individual orders is determined according to the ratio of total costs estimated as at the cut-off date to costs incurred as at the closing date (cost-to-cost method). Losses from long-term orders are immediately recorded in full in the financial year in which the losses are obvious, irrespective of their degree of completion. Depending on the amount of advance payments requested, long-term orders valued in line with the percentage of completion method are shown under receivables from production orders or carried as advances from customers. These are valued at production cost plus a pro-rata profit corresponding to the degree of completion. Where a reliable estimate is not possible, the zero-profit method is used. The production costs include any costs directly attributable to the order and, where appropriate, shares of the overhead.

6. TRADE ACCOUNTS RECEIVABLE AND OTHER ASSETS

Due to their short-term nature, trade accounts receivable do not bear interest and are reported at their nominal value less value adjustments due to anticipated bad debt losses. Bad debt losses and value adjustments of receivables are reported under other operational expenses. The other assets are valued at net book value. Recognisable risks of non-payment are taken into account by making appropriate value adjustments.

7. TAX REFUND CLAIMS / TAX LIABILITIES

The tax refund claims contain receivables from current taxes on income.

The tax liabilities contain obligations from current taxes on income and from the findings of audits conducted, insofar as these exceed the amounts paid as prepayments before the cut-off date.

8. FINANCIAL ASSETS

Listed under this item are securities classified as current assets (held for trading) and shown at their market value on the cut-off date pursuant to IAS 39.

Also reported under this item are current bank credit balances in Algeria that are either unavailable in the short term or are blocked. These are reported at the nominal value under consideration of the exchange rate on the cut-off date.

9. LIQUID FUNDS

Items under cash and cash equivalents include cheques, cash on hand and on deposit in banking accounts.

10. ASSETS HELD FOR SALE AND SOLD BUSINESS SEGMENTS

Long-term assets that according to IFRS 5 are classified as being available for sale are carried and valued at the lower amount of their original book value and at the current market value less costs of sale. Such a classification is always made whenever the sale is highly probable and the asset is available for immediate sale in its current state.

The assets and the related liabilities that are to be sold in one transaction are grouped together as a sale group.

Long-term assets and sale groups are classified as »held for sale« if the relevant book value is realised predominantly via a sale and not via its continued usage. This is only the case when the sale is highly probable and the asset or the sale group is immediately saleable in its present state. The management must have decided on the sale, which must be expectably completed within a year of the classification as a long-term asset held for sale or as a sale group.

In the income statement for the reporting period and also the comparison period, the income and expenditure from sold business segments are reported separately from the income and expenditure of continued business segments and are separately listed as result after tax from sold business segments.

11. CAPITAL RESERVES

IFRS 2 requires the effects of share-based payments, including the expense for the share options granted to the corporate management and employees, to be shown in the statement of income and accumulated earnings. Where share-based payments are settled by way of equity instruments, they are shown at their current market value.

12. DEFERRED INVESTMENT SUBSIDIES

Some subsidiaries receive subsidies from public funds which are used both for research and development projects and for the acquisition of tangible fixed assets.

According to IAS 20.24, any investment subsidies from public funds received by the corporation must be itemised as a separate liability item. The transfer was made on the basis of the fulfilled statutory entitlement requirements and the appropriated grants for investments effected by the corporation. The release affected the earnings corresponding to the utilisation period of the subsidised fixed assets.

Other public subsidies, which were collected in order to balance out expenses or losses already arisen or for purposes of immediate financial support, were reported affecting the net income in the period in which the need arose.

13. DEFERRED TAXES

The deterred taxes are reported and evaluated as per IAS 12 »Income Taxes«.

Deferred tax assets and liabilities are formed for future tax consequences from the difference of the book values in the IFRS balance sheet and the trade balance sheet and from tax loss carry-forwards.

The accruals and deferrals are effected at the rate of the anticipated tax burden or relief of following financial years on the basis of the tax rate effective at the time of applicability. To determine future rates of taxation, reference is made to the tax legislation and regulations that are valid or announced by the cut-off date. Tax consequences of dividend distributions are only taken into account at the time of the resolution on the disposal of corporate profits. Accruals are only reported when the realisation of future tax advantages seems probable.

14. PENSIONS ACCRUED

In accordance with IAS 19, these accruals are calculated using the projected unit credit method (PUCM). Here, future liabilities are valued using actuarial procedures with a conservative estimate of the relevant impacting factors.

15. ACCRUED LIABILITIES

According to IAS 37, accrued liabilities are set aside where there is a current obligation towards third parties due to a past event that is expected to lead to an outflow of resources and can be estimated reliably.

Accrued liabilities that will not lead to an outflow of resources in the following year are valued at their settlement amount discounted as at the cut-off date, with the market interest rates forming the basis for the discounting. The settlement amount also covers any increases in costs to be taken into account on the cut-off date. Accrued liabilities in foreign currency are converted using their current rate.

16. LIABILITIES

Liabilities are valued at their amount repayable.

Long-term liabilities not bearing interest are included in the balance sheet at their cash value. Differences between the cash value and the amount repayable are taken into account according to the effective interest rate method.

17. REALISATION OF SALES REVENUES

Sales revenues are shown for existing contractual relations, where delivery has been made, the opportunities and risks have transferred to the buyer, the price has been agreed or can be determined, and the collection of the debt is probable. Sales for products requiring installation at the customer are recognised after delivery and installation at the customer. The sales recognition in regard to production orders is explained under item 5. The revenues are realised after deducting price reductions such as cash discounts, customer bonuses and rebates.

A reserve for warranties is set up as at the cut-off date for realised sales. The reserve is based on estimates and experience figures. Where specific risks are recognisable, appropriate reserves are formed. For all other sales, a bad-debt provision is established to allow for the general risk of utilisation.

18. DERIVATIVE FINANCIAL INSTRUMENTS

Within the scope of active control of currency management, Funkwerk makes targeted use of derivative financial instruments.

The derivative financial instruments which we use are recorded on conclusion of the contracts. At that time and subsequently, they are valued at their fair market value (reported as on the day of trading). In case of a positive or negative market value, they are either carried as an asset or a liability. The market value of these non-listed derivatives is calculated using recognised actuarial models.

Derivative financial instruments are concluded by Funkwerk exclusively with financial institutes with impeccable financial standing. The market value depends on the respective type of financial instrument.

The derivative financial instruments available as at the cut-off date do not qualify for hedge accounting. Changes in the fair value of these derivatives are directly recorded in the financial results in the statement of income and accumulated earnings. Derivative financial instruments are exclusively used by Funkwerk for hedging purposes.

The market values of the derivative financial instruments available as at the cut-off date were as follows:

	31/12/2012		31/12/2011	
	ASSETS IN EUR K	LIABILITIES IN EUR K	ASSETS IN EUR K	LIABILITIES IN EUR K
Currency futures dealing	0	84	7	259
Currency options	0	0	0	0
Total	**0**	**84**	**7**	**259**

The derivates are carried as assets under »other assets« and as liabilities under »other liabilities«.

19. DISCLOSURES PURSUANT TO IFRS 7 — FINANCIAL INSTRUMENTS

A financial instrument is a contractual agreement that leads to the creation of a financial asset in one company while simultaneously leading to a financial liability or an equity instrument with another party. A compound financial instrument is one which contains both an equity and a borrowed capital component.

Financial assets in the sense of IAS 39 are classified into four classes at the time of their initial recognition:

- Financial assets held for trading
- Loans and receivables
- Held-to-maturity investments
- Available-for-sale financial assets.

Financial liabilities in the sense of IAS 39 are classified as »financial liabilities at fair value through profit or loss« or as »financial liabilities measured at amortised cost using the effective interest method.«

Financial assets and liabilities are recognised as on the day of trading.

The initial measurement is made at fair value. When calculating the initial recognition, directly allocable transaction costs are also included (except for assets and liabilities at fair value through profit or loss). Financial assets and liabilities are only balanced out when a right to set-off exists for the amounts concerned and it is intended to balance on a net basis.

Where the Funkwerk group has extended »Credits and loans« and issued »Financial liabilities« in the sense of IAS 39, these are valued at their amortised cost/net book value always using the effective interest method. This principally concerns the balance sheet's trade accounts receivable and payable as well as liabilities on current account due to banks and loan liabilities.

Non-consolidated holdings are allocated to the category of »Available-for-sale financial assets« and on each balance-sheet cut-off date they are valued at fair value. Unless a sustained decrease in value is to be assumed, changes in value are reported in the equity capital under the »Reserve for time evaluation« item without effect on the operating result, whereby deferred taxes are taken into account. For instruments traded on an organised market, the fair value is calculated with reference to the respective market price.

If realised by disposal or if a lasting drop in the market value below the purchase costs is foreseeable, then the market changes will affect the operating result. Market increases are always reported without effect on the operating result, even if there was a prior devaluation affecting net income.

At every balance sheet closing date, Funkwerk checks the book values of the financial assets measured at fair value through profit or loss to see if there are any substantial indications for a value impairment. If, for the financial assets categorised as »available for sale«, it is found that a lasting impairment does exist, then impairments previously reported in the equity capital without effect on the operating result are removed from the equity capital and transferred to the statement of income and accumulated earnings with effect on the operating result. If the value recovers at a later point in time due to events that arose after the original value impairment, then the impairment must be returned to the respective level.

Value impairments of financial assets of the »available for sale« category that were valued with the purchase costs must not be reversed.

Financial assets are taken off the books when the company loses power of control over them. A financial liability is taken off the books when the obligation on which it was based is fulfilled or cancelled.

Held for Trading covers financial assets that are held for trading as well as financial assets that, at their first ever measurement, are classified at fair market value through profit or loss. This category includes derivative financial instruments concluded by the group as well as securities. Changes to the fair market value are reported in the statements of income and accumulated earnings in the financial results.

The market values of liquid funds, of short-term receivables, of accounts payable and other liabilities correspond to the book values. This is due to the short-term nature of these financial instruments.

Market value of financial assets and liabilities

The financial assets and liabilities can be divided into valuation categories with the following book values and fair values:

	VALUE CATEGORIES AS PER IAS 39 IN EUR K	BOOK VALUE 31/12/2012 IN EUR K	BOOK VALUE 31/12/2011 IN EUR K	NET BOOK VALUE IN EUR K	FAIR VALUE 31/12/2012 IN EUR K	FAIR VALUE 31/12/2011 IN EUR K
ASSETS						
Other long-term assets	AfS	4	4	4	4	4
Accounts receivable (trade)	LaR	27,786	33,991	27,786	27,786	33,991
Due from affiliated companies	LaR	0	52	0	0	52
Receivables from work in progress	LaR	8,871	4,733	8,871	8,871	4,733
Financial assets	LaR	0	8,472	0	0	8,472
Financial assets	FAHfT	445	525	445	445	525
Other financial assets		3,000	3,000	3,000	3,000	3,000
Liquid funds		12,906	17,424	12,906	12,906	17,424
Derivatives	FAHfT	0	7	0	0	7
		53,012	**68,208**	**53,012**	**53,012**	**68,208**
LIABILITIES						
Long-term financial liabilities	FLAC	0	0	0	0	0
Short-term financial liabilities	FLAC	6,873	12,886	6,873	6,873	12,886
Accounts payable (trade)	FLAC	21,394	27,939	21,394	21,394	27,939
Due to affiliated companies	FLAC	364	390	364	364	390
Derivatives	FLHfT	84	259	84	84	259
		28,715	**41,474**	**28,715**	**28,715**	**41,474**

OF WHICH, AGGREGATED ACCORDING TO VALUATION CATEGORIES AS PER IAS 39					
Available for Sale (AfS)	4	4	4	4	4
Loans and Receivables (LaR)	36,657	47,248	36,657	36,657	47,248
Financial Assets Held for Trading (FAHfT)	445	532	445	445	532
Financial Liabilities Measured at Amortised Cost (FLAC)	28,631	41,215	28,631	28,631	41,215
Financial Liabilities Held for Trading (FLHfT)	84	259	84	84	259

Fair value hierarchy

The table shows the financial instruments reported at fair value according to their valuation method. The various methods are defined as follows:

- Stage 1: The prices listed on active markets for identical assets or liabilities (taken over unchanged).
- Stage 2: Input factors that do not concern the listed prices considered in stage 1 but which can be observed for the asset or liability either directly (i.e. as price) or indirectly (i.e. derived from prices).
- Stage 3: Factors for the valuation of the asset or liability that are not based on observable market data (non-observable input factors).

31/12/2012	STAGE 1 IN EUR K	STAGE 2 IN EUR K	STAGE 3 IN EUR K	TOTAL IN EUR K
Financial assets at fair value through profit or loss (FAHfT)*	445	-	-	445
Derivative financial assets (FAHfT)	-	-	-	-
Subtotal	**445**	**-**	**-**	**445**
Derivative financial liabilities (FAHfT)	-	84	-	84
Total	**445**	**–84**	**-**	**361**
31/12/2011				
Financial assets at fair value through profit or loss (FAHfT)*	525	-	-	525
Derivative financial assets (FAHfT)	-	7	-	7
Subtotal	**525**	**7**	**-**	**532**
Derivative financial liabilities (FAHfT)	-	259	-	259
Total	**525**	**–252**	**-**	**273**

* Securities held in connection with the securing of entitlements for partial retirement.

Net earnings from financial instruments

The net earnings from financial instruments were as follows:

	2012 IN EUR K	2011 IN EUR K
Financial assets and liabilities at fair value through profit or loss (FAHfT/FLHfT)	–392	–60
Available-for-sale financial assets (AfS)	0	–24
Receivables (LaR)	–805	–489

The net earnings as per IFRS 7 comprise value adjustments, reinstatements of original values, and earnings from the valuation of financial instruments at fair value.

Maturity analysis for financial liabilities:

The following table shows all contractually agreed (non-discounted) interest and redemption payments of the original financial liabilities and the derivative financial instruments at 31 December 2012:

	2013 IN EUR K	2014 – 2017 IN EUR K
Non-derivative financial liabilities		
Short-term financial debt	6,873	0
Accounts payable (trade)	21,340	54
Due to affiliated companies	364	0
Derivative financial liabilities	84	0

Breakdown of the previous years' figures:

	2012 IN EUR K	2013 – 2016 IN EUR K
Non-derivative financial liabilities		
Short-term financial debt	12,886	0
Accounts payable (trade)	27,939	0
Due to affiliated companies	390	0
Derivative financial liabilities	259	0

Management of financial market risksn

Due to the nature of its operations, the group is subject to various financial risks: the market risk (consisting of foreign exchange risk and interest rate risk), the credit risk and the liquidity risk. The comprehensive risk management of the group is prepared for the unpredictability of the development of financial markets and is geared to minimising the potentially negative effects on the financial situation of the corporate group.

The risk management is handled by the group's financial department as specified by the Executive Board. Funkwerk identifies, values and hedges financial risks in close cooperation with the operating units of the group. The Executive Board specifies guidelines for risk management along with principles for specific areas such as the handling of foreign exchange risks, interest rate risks and credit risks, for the use of derivative and non-derivative financial instruments, and for the use of liquidity surpluses.

We refer here in particular to the explanations on risk reporting in the Management Report.

Financial risk factors

The companies of the Funkwerk group source the vast majority of their material supplies in the euro zone. Outgoing invoices are also mainly issued in euros.

Foreign exchange risks particularly relate to the currencies listed below. The rate hedging using currency options and currency futures dealing is handled centrally by Funkwerk AG for the subsidiaries. The volume of US dollars hedged on the balance sheet closing date using currency futures dealing was zero. The volume of US dollars hedged on the balance sheet closing date using currency options dealing was also zero.

The essential book values of the financial assets reported in the group as well as the liabilities in foreign currencies represent the risk positions on 31 December 2012:

	CHF IN EUR K	SEK IN EUR K	USD IN EUR K	GBP IN EUR K	DZD IN EUR K
Financial assets	2,165	83	38	267	3,000
Financial liabilities	994	127	328	38	0
Foreign currency risk from balance-sheet items	1,171	–44	–290	229	3,000

The foreign currencies CHF, USD, GBP and DZD represent significant risk for the group with regard to financial instruments. A sensitivity analysis as per 31 December 2012 for these financial assets and liabilities is shown below.

	RESULT BEFORE TAXES ON INCOME IN EUR K	RESERVE FOR CURRENCY CONVERSIONS IN EUR K	CONSOLIDATED ASSETS IN EUR K
CHF(10% upvaluation)	117	0	117
CHF (10% devaluation)	–117	0	–117
USD (10% upvaluation)	29	0	29
USD (10% devaluation)	–29	0	–29
GBP (10% upvaluation)	23	–23	0
GBP (10% devaluation)	–23	23	0
DZD (10% upvaluation)	300	0	300
DZD (10% devaluation)	–300	0	–300

Delinquency risk or credit risk is understood as the risk of a loss for the group if one contractual party does not honour its contractual obligations. The corporate guidelines stipulate that business relations must only be entered into with creditworthy contractual parties and, if appropriate, taking receipt of collateral to mitigate the risk of loss due to the non-fulfilment of obligations. The maximum delinquency risk is the amount of the book value of the financial assets (without consideration of insurance policies taken out).

There are receivables from goods and services and receivables from work in progress from a large number of customers from different business segments and geographical regions. Credit checks are constantly being conducted on the financial status of the receivables. Bad-debts insurance is taken out where appropriate (cf. E.4.).

A liquidity risk exists in terms of a possible impairment of creditworthiness, which could lead to a withdrawal of the existing consortium financing. Funkwerk sees the short-term probability of this risk arising as low — not least due to the selling of companies. A further risk is the loss of banks as creditors. The latter is limited by the consortium loan. If the covenant is broken, the banks in the consortium basically have special termination rights.

A consortium loan agreement for EUR 75.5 m, dated 24 March 2011 and set for several years, has been agreed with three German commercial banks. The loan is made up of a money market loan on revolving basis of EUR 12.5 m, a current account overdraft facility of EUR 5.0 m and a bank guaranty credit of EUR 58.0 m. Funkwerk AG and its subsidiaries provide collateral for this in the form of blanket assignments of trade receivables of individual subsidiaries, assignment of inventories of all companies of the Funkwerk group as well as land charges on commercial property. The loan is set to run for three years with the option to extend for a further two years.

An initial amendment dated 19 April 2012 was agreed and signed for the consortium loan agreement. The available credit facilities were redrawn at EUR 50.0 m, whereby EUR 40 m of this credit facility was made available by way of bank guaranty and EUR 10 m by way of loans. The loans are divided into a money market loan of EUR 5.0 m and a current account overdraft of EUR 5.0 m. The money market loan is charged variable interest at 3.25 per cent above the Euribor rate p.a. If the current account overdraft is utilised, interest is charged at a rate dependent on the covenant; in the year under review the variable interest rate is 3.95 per cent above the Euribor rate p.a. For bank guaranty credits the interest rate is 2.85 per cent p.a. for advance payment bonds or 2.10 per cent for other guaranties.

In addition, in the subsequent agreement of 19 April 2012, also renegotiated the stipulations for financial figures to be achieved. For details on this, please refer to the Consolidated Management Report — Financial Situation.

(Bank) guaranty credits were utilized until December 31, 2012, at EUR 22.9 m.

On 31 December 2012 the following collateral existed for the consortium loan: blanket assignment of receivables at EUR 24,362 k; assignment as security of goods inventories at EUR 21,040 k as well as land charges on the commercial property in Kölleda and Dabendorf.

Liquidity risks are covered in the group-wide financial planning, which is prepared at three-year intervals. Continuous monthly liquidity forecasts are prepared for the short-term sector, while optimising measures are discussed and decided in Board meetings.

Capital management

The group capital is managed and controlled with the aim of maximising the revenues of the company participations through optimisation of the equity and borrowed capital ratio. This ensures that all group companies can operate on the premise of continuation. The capital structure of the group comprises debts, cash and cash equivalents, and the equity capital due to the equity capital providers of the parent company. This is composed of issued shares, the capital reserve, the revenue reserve and the net profit for the year.

The financial security is measured primarily using the equity ratio. Components of this ratio are the balance sheet total of the consolidated financial statements and the equity capital shown in the consolidated balance sheet, which also provides the capital in the Funkwerk group within the meaning of IAS 1. The equity ratio is used with investors, analysts, banks and rating agencies as a key ratio.

The capital structure of Funkwerk can be controlled by way of adjusting dividends, decreasing the capital or emissions of new shares and the issue of financial instruments, which are qualified as equity capital under IFRS. The aim is to achieve a capital structure in line with the business risk.

The equity ratio on 31 December 2012 is calculated as follows:

	2012	2011	VARIANCE IN %
Equity capital (in EUR k)	32,233	48,660	–33.8
Balance sheet total (in EUR k)	113,060	157,914	–28.4
Equity ratio according to book values in %	28.5	30.8	

The reduced equity ratio is essentially attributable to the negative annual result in the year under review, which is heavily influenced by impairment charges on intangible assets and tangible assets at EUR 1,903k and restructuring costs at EUR 5,069k. In addition, the increased balance sheet total due to the disclosure scheme as per IFRS 5 also contributed to reducing the equity ratio.

20. SIGNIFICANT SCOPE FOR DISCRETION IN ACCOUNTING AND MAIN SOURCES OF ESTIMATION UNCERTAINTY

When applying the group accounting rules with regard to those book values of assets and liabilities that cannot simply be obtained from other sources, the management must consider the facts and circumstances and also make estimations and assumptions. The estimations and the assumptions on which they are based are determined from empirical values from past experience and from other factors deemed as being relevant. The actual values may deviate from the estimates. The assumptions on which the estimations are based are subject to regular scrutiny.

The management views that the most important assumptions pertaining to the future and the main sources of uncertainty in the estimates are as follows: the goodwill impairment test with regard to the planning and the discount rate (cf. D.1.); the share-based remuneration with regard to the valuation parameters entered into the estimation of the current market value (cf. E.11.); the capitalisation of deferred taxes to tax losses carried forward with regard to the future tax planning strategies (cf. E.30.); the pension payments with regard to the parameters entered into the actuarial calculations (cf. E.12.); value adjustments on receivables (cf. E.4.); the probable utilisation of reserves with regard to appraising the facts relevant to the reserves (cf. E.20.) and the development work carried as assets with regard to the estimations on economical and technical feasibility and/or on the level of cash flow expected in future (cf. D.1.).

The estimates regarding the deferred taxes on losses carried forward are largely dependent on the trend of earnings. As a result, the estimates could deviate from figures that actually arise in later periods. Changes to the pertinent assumptions or estimations will be taken into consideration with effect on the result as and when they become known. The estimates are based on the conditions prevailing at the time of drawing up the consolidated financial statements and on the future development of the sector environment as it relates to the expected future performance of the Funkwerk group.

E. Notes to the consolidated balance sheet

— Assets —

(1) FIXED ASSETS

In regard to the composition and movement of the individual fixed assets, please refer to the fixed-asset movement schedule (cf. Notes, last page).

Goodwill, intangible assets, tangible assets

The following breakdown shows the development of goodwill attributable to the individual cash generating units/business segments:

	OPENING BALANCE 01/01/2012 IN EUR K	VALUE IMPAIRMENTS 2012 IN EUR K	DISPOSAL DECON-SOLIDATION IN EUR K	CLOSING BALANCE 31/12/2012 IN EUR K
GOODWILL VALUES				
Microsyst Systemelectronic GmbH	2,092	0	0	2,092
Funkwerk Information Technologies Karlsfeld GmbH	483	0	0	483
Funkwerk Information Technologies GmbH	1,700	0	0	1,700
Funkwerk Information Technologies York Limited	750	750	0	0
Traffic & Control Communication segment	**5,025**	**750**	**0**	**4,275**
Funkwerk eurotelematik GmbH	400	0	0	400
Automotive Communication segment	**400**	**0**	**0**	**400**
Total	**5,425**	**750**	**0**	**4,675**

Value impairments of EUR 1,750 k were made in the 2011 financial year. EUR 1,600 k of which was at Funkwerk Information Technologies Karlsfeld GmbH and EUR 150 k at Funkwerk Information Technologies York Limited. In addition, in connection with the deconsolidation of Alpha Meß-Steuer-Regeltechnik GmbH, 2011 also saw a drop of EUR 1,886 k in the goodwill figure. Furthermore, a goodwill figure pertaining to Funkwerk Avionics GmbH of EUR 100 k was classified as per IFRS 5 in the previous year.

The examination of the reported goodwill figures led to a value impairment of EUR 750 k in the 2012 financial year.

Other than goodwill, the company did not have any intangible assets with indeterminable useful lives.

Expenditure on research and development in the financial year was EUR 12,625 k (2011: EUR 12,503 k), of which EUR 2,153 k (2011: EUR 3,307 k) was carried as assets.

From the group point of view, the most important development projects are the Alister electronic signal box (book value EUR 7,200 k; remaining depreciation period between 7 and 9 years) and the new TETRA radio equipment (book value EUR 1,242 k; remaining depreciation period: 2 to 3 years).

Value impairments on development costs carried as assets concern the following business segments:

	31/12/2012 IN EUR K	31/12/2011 IN EUR K
TCC		
Funkwerk Information Technologies York Limited	400	0
Funkwerk Information Technologies Karlsfeld GmbH	0	750
AC		
Funkwerk Dabendorf GmbH *	0	3.526
Total	**400**	**4.276**

* The value impairments went hand in hand with income from the release of the special balance sheet item for investment grants at EUR 748k. This is reported with the item »Impairment charges of intangible assets«.

In addition to the value impairments on goodwill figures and development costs carried as assets, there were also value impairments concerning other intangible assets at EUR 241k (2011: EUR 0k) and value impairments on tangible assets at EUR 512k (2011: EUR 0k).

Other long-term assets

The other long-term assets at EUR 4k (2011: EUR 4k) relate to the participating interest in Patil Vossloh Rail IT Systems Private Ltd., India, in which Funkwerk has a 51 per cent holding (2011: 51 per cent).

(2) DEFERRED TAXES

The deferred tax assets resulted from the following expected future tax relief:

	31/12/2012 IN EUR K	31/12/2011 IN EUR K
Temporary differences between the valuations of the tax balance sheet and of the consolidated financial statements	4,267	4,514
Future tax savings due to losses carried forward	3,579	2,927
Balancing with deferred tax liabilities	−7,846	−7,441
Total	**0**	**0**

For details on the deferred taxes, see also E.14 and E.30.

(3) INVENTORIES

The inventories for 31 December 2012 comprised the following:

	GROSS IN EUR K	VALUE ADJUSTMENT IN EUR K	NET IN EUR K
Raw materials and supplies	21,487	9,360	12,127
Work in progress	11,335	3,896	7,439
Finished goods and merchandise	7,681	2,096	5,585
Advance payments	204	0	204
Total inventories	**40,707**	**15,352**	**25,355**

The figures for 31 December 2011 were as follows:

	GROSS IN EUR K	VALUE ADJUSTMENT IN EUR K	NET IN EUR K
Raw materials and supplies	30,521	13,406	17,115
Work in progress	14,610	3,654	10,956
Finished goods and merchandise	9,620	2,518	7,102
Advance payments	438	0	438
Total inventories	**55,189**	**19,578**	**35,611**

The inventories reported on the balance sheet at their net sales value on 31 December 2012 were zero (2011: EUR 6,154 k).

(4) TRADE ACCOUNTS RECEIVABLE

The trade accounts receivable consist of the following:

	2012 IN EUR K	2011 IN EUR K
Trade accounts receivable	29,833	34,861
Discounts	– 937	– 870
Trade accounts receivable net, at 31 December	**28,896**	**33,991**

All our subsidiaries grant supplier loans within the scope of their ordinary operations, in individual cases with a term of up to 180 days. The creditworthiness of their customers is verified on a regular basis and discounts entered to cover established risks. The residual maturity of the trade accounts receivable is less than one year.

The value adjustments on receivables are heavily based on estimations and assessments of individual receivables which are in turn based on the creditworthiness of the customer in question, on the current economic trend and on the analysis of historic losses of receivables.

The value adjustments on receivables developed as follows in the reporting period:

	2012 IN EUR K	2011 IN EUR K
At 01 January	870	607
Transfer	527	620
Release / utilisation	460	357
At 31 December	**937**	**870**

On 31 December 2012, gross receivables of EUR 793k (2011: EUR 927k) were assigned with individual value adjustments (specific allowances for bad debts). In compliance with IFRS 7.37 (a), the maturity structure of the accounts receivable not subject to value adjustments is as follows:

	31/12/2012 IN EUR K	31/12/2011 IN EUR K
Gross receivable not value-adjusted	28,606	33,934
of which not overdue and not value-adjusted	22,458	28,062
Overdue in the following time frames not value-adjusted		
less than 30 day	3,578	4,318
between 31 and 60 days	838	726
between 61 and 90 days	453	215
between 91 and 180 days	878	333
between 181 and 360 days	321	96
more than 360 days	80	184

With regard to those accounts receivable that are neither value-adjusted nor overdue, there was no indication as at the cut-off date to suggest that the debtors would not meet their financial obligations. In addition, relevant bad-debts insurance also exists on trade accounts receivable amounting to EUR 1,033k (2011: EUR 1,080k).

(5) RECEIVABLES FROM PROJECTS IN PROGRESS

Future accounts receivable from production orders develop as follows:

	31/12/2012 IN EUR K	31/12/2011 IN EUR K
BALANCE		
Work in progress	11,177	6,996
Advance payments received	−3,436	−2,263
Total	**7,741**	**4,733**
PROFIT & LOSS ACCOUNT		
Sales	3,948	−4,048
Costs	3,652	−3,818
Profit share	**296**	**−230**

The contracts on which the receivables are based were fully completed in the 2013 financial year.

(6) DUE FROM AFFILIATED COMPANIES

The accounts receivable from affiliated companies totalled zero (2011: EUR 52k), and were due to sales and services.

(7) TAX REFUND CLAIMS

This item predominantly comprises receivables from tax offices due to excessive advance payments on corporate income tax and commercial income tax during the financial year on account of lower, taxable income in the year of assessment as against the previous year.

(8) OTHER ASSETS

	31/12/2012 IN EUR K	31/12/2011 IN EUR K
Prepayments and accrued income	290	366
Receivables from employment office	62	154
Claims from subsidies, grants and investment subsidies	44	48
Security deposits	132	35
Advances to personnel	40	47
Interest receivables	6	6
Refund claims for turnover tax	641	426
Miscellaneous	256	520
Total	**1,471**	**1,602**

(9) FINANCIAL ASSETS AND LIQUID FUNDS

The Financial assets item not only includes securities but also liquid funds that are either unavailable in the short term or are blocked; these amount to EUR 3,000 k and are held in Algerian bank accounts.

The securities held are allocable exclusively to current assets. They have been invested in money market-related funds.

This item developed as follows:

	2012		2011	
	PURCHASE COST IN EUR K	CURRENT MARKET VALUE IN EUR K	PURCHASE COST IN EUR K	CURRENT MARKET VALUE IN EUR K
Securities	425	445	562	525

The trend of the liquid funds is shown in the consolidated statement of cash flows.

The fund requirements of the subsidiaries is controlled and monitored centrally via a cash pool. The cash is invested in accordance with the defined investment standards. The investment in shares (excluding own shares) or financial derivatives is explicitly excluded.

(10) ASSETS HELD FOR SALE / LIABILITIES HELD FOR SALE

As a result of classifying certain business segments as »held for sale«, the 2011 consolidated balance sheet was subject to re-division. These new divisions are united in the items B.9 and C.9.

The long-term assets held for sale total EUR 14,631 k and are made up as follows: fixed assets at EUR 7,202 k, inventories at EUR 3,631 k, receivables and other assets at EUR 3,271 k and liquid funds at EUR 527 k.

The long-term liabilities held for sale, amounting to EUR 15,658 k, are made up of: short-term liabilities at EUR 14,320 k, long-term liabilities at EUR 59 k and deferred taxes at EUR 1,279 k.

— Liabilities —

(11) EQUITY CAPITAL

The equity capital trend of Funkwerk AG is shown in the Statement of Changes in Equity.

Subscribed capital

The capital stock of Funkwerk AG is shown at its nominal value. The capital stock amounts to EUR 8,101,241.00 and is divided into 8,101,241 shares in the form of bearer shares with a nominal value of EUR 1 each and is fully paid in. The number of shares in circulation remains unchanged at the previous year's figure of 8,059,662.

On the cut-off date, Hörmann Funkwerk Holding GmbH, Kirchseeon, held 52.83 per cent (2011: 52.83 per cent) of the shares in Funkwerk AG, which corresponds to 4,280,000 shares. Hörmann Funkwerk Holding GmbH is fully owned (100 per cent) by Hörmann Holding GmbH & Co. KG, Kirchseeon.

Approved capital

Based on a decision passed at the annual shareholders' meeting on 28 May 2009, the Executive Board is authorised, with the approval of the Supervisory Board, to increase the capital stock of the company by up to EUR 4,050,000 by 27 May 2014, through a single or repeated issue of new, ordinary bearer shares in the form of non-par shares against contributions in cash or in kind (approved capital for 2009). Furthermore, the Executive Board was also authorised, with the approval of the Supervisory Board, to exclude the legal subscription right of the shareholders

- in order to prevent the subscription right of the shareholders leading to peak amounts,
- if, where capital increases against contributions in kind in the form of companies, parts of companies, participating interests in companies or debt claims against the company are concerned, the shares issued when excluding the subscription right do not exceed 4,050,000 shares in total,
- if, where capital increases against cash contributions are concerned, the amount for which the shares are issued is not significantly lower than the stock exchange price of the shares at the time the Executive Board fixes the said amount and the shares issued when excluding the subscription right do not exceed 810,000 shares in total.

Conditional capital I – III

At the ordinary shareholders' meeting on 18 May 2005, the 2005 Share Option Plan was passed and the conditional capital II was created to service that plan. Following this, a conditional capital of EUR 367,965 and EUR 367,965 option rights were made available to the company. The authorisation to issue share options under the 2005 Share Option Plan was given a time limit of until 18 May 2009. This means that no more share options can be issued from the 2005 Share Option Plan. Since the authorisation expired and a total of 155,375 options were not issued, the conditional capital II of EUR 155,375 was cancelled in 2010. The conditional capital II was renamed as conditional capital I and amounts to EUR 212,590. Individual share certificates have not yet been issued under this Share Option Plan.

The shareholders of Funkwerk AG passed the 2008 Share Option Plan at the ordinary shareholders' meeting on 14 May 2008 and created the conditional capital III to grant that plan. Following this, a conditional capital of EUR 232,525, i.e. 232,525 option rights, was available to the company. In 2010, the conditional capital III was renamed as conditional capital II. Individual share certificates have not yet been issued under this Share Option Plan.

At the ordinary shareholders' meeting on 27 May 2010, the 2010 Share Option Plan was passed and, for this purpose, a conditional capital III of up to EUR 365,000 and 365,000 option rights were created.

This conditional increase of capital stock will be effected only where option rights have been issued and are exercised by the authorised parties. The new shares will share in the profit from the beginning of the financial year in which they come into existence through exercise of the option right. The statutory subscription right of the shareholders is excluded in this respect. The nominal value of the conditional capital decided in compliance with Section 192 (2) no. 3 of the German Stock Corporation Law for the establishment of share option plans must not exceed 10 per cent.

Conditional capital IV

At the annual shareholders' meeting on 27 May 2010, the Executive Board was authorised to issue convertible and/or warrant bonds. With the agreement of the Supervisory Board, the Executive Board can, until the expiry of 26 May 2015, issue once or repeatedly bearer and/or registered convertible and/or warrant bonds for a total nominal amount of up to EUR 30,000,000 and can grant the owners/creditors of these convertible bonds conversion privileges and can grant owners/creditors of these warrant bonds option rights on up to a total of 3,200.000 new bearer shares of the company. The term of the convertible and/or warrant bonds can be up to ten years.

To grant shares to the owners/creditors of convertible and/or warrant bonds, the annual shareholders' meeting passed a resolution to create a new conditional capital IV and, thereby, decided to conditionally increase the capital stock of the company by up to EUR 3,200,000 by issuing up to 3,200,000 new bearer shares. The conditional capital increase is only made to the extent that the owners/creditors of convertible and/or warrant bonds exercise their conversion privileges and option rights and/or fulfil their conversion obligations from such convertible and/or warrant bonds. The new shares bear dividends as of the beginning of the current financial year in which they were issued.

2008 Share Option Plan

The ordinary shareholders' meeting of 14 May 2008 authorised the corporation, inter alia, to issue option rights to a maximum of 232,525 shares once or in several stages to members of the corporate Executive Board, members of the executive management of affiliated companies (Section 15 of the German Stock Corporation Act), executive staff at the second management level of the corporation and affiliated companies, and to other employees of the corporation and of affiliated companies (2008 Share Option Plan — SOP 2008). Instead of lapsed or as yet unexercised option rights, it is possible for new option rights to be given.

The following conditions apply to both issue and exercise:

- Allottees must be members of the Executive Board or staff of the group.
- At the time of issuing, the allottees must be in permanent employment at a company of the Funkwerk group.
- The option rights may be issued to the authorised parties once or several times during a period of ten trading days, beginning twelve trading days after a shareholders' meeting or after the publication of an annual or quarterly report (»issuance period«). The decision as to whether and to what extent option rights are granted to an employee is made at the discretion of the corporate management. There is no legal claim to a future granting of option rights.

The option right has a life of four years, beginning with the end of the applicable issuance period. The option right lapses without compensation on the last day of the life of the option right at the latest.

The option right may be exercised for the first time after a period of two years from the end of the respective issuance period (»waiting period«). After the waiting period, the option right can only be exercised during a period of 10 trading days following the day of the ordinary shareholders' meeting or the publication of a quarterly report of the company (»exercise periods«).

A trading day is defined as any day during which the German Stock Market is open for trading.

The option right may only be exercised by the authorised parties within the exercise period if at any time since the granting of option rights the average closing price of the corporate share in XETRA trading has exceeded the exercise price once by at least 16 per cent (»performance target«). Once the upside target for the option rights has been reached, they can be exercised irrespective of the further price performance of the share during the term of the option right within the exercise periods.

2010 Share Option Plan

The ordinary shareholders' meeting of 27 May 2010 authorised the corporation, inter alia, to issue option rights to a maximum of 365,000 shares once or in several stages to members of the corporate Executive Board, members of the executive management of affiliated companies (Section 15 of the German Stock Corporation Act), executive staff at the second management level of the corporation and affiliated companies, and to other employees of the corporation and of affiliated companies (2010 Share Option Plan — SOP 2010). Instead of lapsed or as yet unexercised option rights, it is possible for new option rights to be given.

The terms and conditions for the options for the SOP 2010 deviate in one instance from the SOP 2008:

Unlike the previous option plan, the option right has a term of six years beginning from the end of the respective issue period. The option right expires without compensation with the expiry of the last day of the term at the latest. In contrast to the previous option plan, the option right can be exercised for the first time after the expiry of four years, beginning with the end of the respective issue period (»waiting period«).

For a further presentation of the terms and conditions for the options, please refer to the 2008 Share Option Plan.

The following breakdown shows the stock development of the shares authorised for subscription and the issue prices in the period under review:

	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE 2012 EUR	NUMBER OF OPTIONS 2012 QTY.	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE 2011 EUR	NUMBER OF OPTIONS 2011 QTY.
Outstanding at the start of the reporting period	6.04	276,150	8.17	423,425
Options granted in the reporting period	0	0	0	0
Options forfeited in the reporting period	6.02	100,575	6.99	47,585
Options lapsed in the reporting period	5.41	56,865	14.60	99,690
Options outstanding at the end of the reporting period	6.36	118,710	6.04	276,150
Options exercisable at the end of the reporting period	5.90	54,815	5.66	177,990

No options could be exercised in the period under review. The weighted average of the remaining contractual period as at 31 December 2012 was two years.

The current market value of the options granted in the 2008 to 2010 financial years, which were used to calculate the expenses and the comparative data of the previous year, was determined on the basis of the binomial option price model. The following table shows the valuation premises applied:

	2010	2009	2008
Risk-free interest rate (in %)	4.0	2.23	2.7
Term in years	6	4	4
Expected volatility	44	55	50
Expected dividend yield	0	2.19	4.0
Current market value of options (in EUR)	1.68	2.19	0.97
Share price at issue (in EUR)	6.46	5.80	4.05

The calculation of the expected volatility was estimated by Funkwerk AG based on the historical share price figures of a six year period (2011: six). The fluctuation was set at 5 per cent.

Capital reserves

The capital reserves include the revenue generated from the issue of shares (premium) that exceeds the par value per share of EUR 1. It rose by EUR 33k in 2012 (2011: EUR 107k) due to the recorded personnel expenditure for share options. Since no share options could be exercised in the context of the share option plan in the period under review, there was no additional change to the capital reserve above and beyond this. Since the introduction of the share option plans, the capital reserves have increased by EUR 2,287k in total due to exercised options, and by EUR 3,529k when applying IFRS 2. The capital reserves serve to finance the further growth of Funkwerk.

Earnings per share

The earnings per share are calculated as follows:

	31/12/2012	31/12/2011
Earnings of the shareholders of Funkwerk AG in EUR k	–16,436	–15,939
Earnings per share (undiluted and diluted) in EUR	–2,04	–1,98
Earnings of the shareholders of Funkwerk AG in EUR k continued business segments	–8,013	–12,148
Earnings per share (undiluted and diluted) in EUR continued business segments	–0.99	–1.51

The weighted average number of ordinary shares, which was used for calculating the undiluted and diluted earnings per share, can be derived as follows:

	2012 X 1000	2011 X 1000
Issued shares, 1 Jan / 31 Dec	8,101	8,101
Own shares, 1 Jan / 31 Dec	–41	–41
Weighted, average number of ordinary shares used for calculating the undiluted earnings per share	**8,060**	**8,060**

The potential ordinary shares with dilution effect should not be considered for the financial year because they would reduce the loss per share for the period.

Retained earnings (revenue reserve)

The revenue reserve includes the retained prior-year results.

Own shares

By resolution passed at the shareholders' meeting on 27 May 2010, the company was authorised to acquire its own stock up to a share of 10 per cent of the current capital stock by the end of 26 May 2015. At no point in time may the acquired shares together with other own shares in the possession of the company or assigned to the company according to Sections 71a ff. of the German Stock Corporation Law (§§ 71a ff. AktG) account for more than 10 per cent of the capital stock. The time limit only applies to the acquisition, not to ownership of the shares.

The countervalue for the acquisition of these shares must not exceed the unweighted average of the share price in the closing auction in the XETRA trading system (or a commensurate successor system) at the Frankfurt Stock Market on the previous five stock trading days by more than 10 per cent or fall below this price by more than 10 per cent. If the company share price is not established in the closing auction in the XETRA trading system (or a commensurate successor system) at the Frankfurt Stock Market on one or more trading days, then the relevant company share price in the closing auction in the floor trading at the Frankfurt Stock Market will take its place.

If the acquisition is made using a public bid or using a public invitation to submit a bid, then the bid offered or the limit value of the purchase price range per share (without additional acquisition costs) must not exceed by more than 10 per cent the unweighted average of the company share price in the closing auction in the XETRA trading system (or a commensurate successor system) at the Frankfurt Stock Market on the five stock-market trading days before the day of publishing the bid or of public invitation to submit a bid, or fall below this figure by more than 10 per cent. If, after the publication of a bid and/or after the public invitation to submit a bid, considerable deviations exist to the authoritative price, then the bid or the invitation to submit one such bid, can be adjusted. In this case, the average price of the three stock market trading days before the publication of a possible adjustment will be used. The bid or the invitation to submit one such bid can stipulate further conditions. If the bid is over-subscribed or, in the case of an invitation to submit a bid from several equivalent bids, they are not all accepted, then the acceptance must be made using quotas. A preferential acceptance of low quantities of up to 100 for the acquisition of offered shares per shareholder can be stipulated.

The company is authorised to sell its own shares by methods other than through the stock market or through offers to all shareholders, so as to be able to offer shares of the company to third parties within the scope of mergers with companies or the acquisition of, or investments in, companies. The subscription right of the shareholders is excluded where own shares acquired by the company are used in order to offer shares of the company to third parties within the scope of mergers with companies or the acquisition of, or investments in, companies. This authorisation can be exercised fully or in part amounts, once or on several occasions, in pursuit of one or several of the specified purposes. Finally, the Executive Board is authorised to redeem either entirely or in part the own shares of the company bought on the basis of its authorisation, without the requirement of a further resolution passed by the shareholders' meeting for the redemption.

Funkwerk AG, Kölleda, did not acquire any own shares in the year under review. On the cut-off date, the stock remains unchanged at 41,579 shares and has a value of EUR 1,062k. The own shares are split between securities accounts at three banks. The own shares are shown as a separate item of the equity capital.

(12) PENSION OBLIGATIONS

The pension accruals reported on the balance sheet are the result of commitments made to the employees of Funkwerk Security Communications GmbH (FSC), Salzgitter, Funkwerk Electronic Services GmbH (FES), Salzgitter, and Funkwerk Information Technologies Karlsfeld GmbH (FITK). This concerns assurances from performance-orientated pension schemes based on company agreements and other agreements. The pension accruals are calculated based on independent actuarial opinions. The scope and level of the pension are essentially governed by the number of years in service.

All pension schemes have been closed.

The valuation assumptions and methods at the beginning and the end of the year under review can be summarised as follows:

	BEGINNING OF YEAR UNDER REVIEW FSC / FES	END OF YEAR UNDER REVIEW FSC / FES	BEGINNING / END OF YEAR UNDER REVIEW FITK
Accounting standards applied	IAS 19		
Valuation standards applied	Projected Unit Credit Method		
Assumptions on mortality	2005 G K. Heubeck reference tables		
Assumed rate of interest p.a.	4.60 %	3.60 %	4.70 % / 3.70 %
Expected annual increase of the income threshold	3.00 %	3.00 %	2.50 % / 2.50 %
Expected annual increase in income	3.00 %	3.00 %	2.50 % / 2.50 %
Expected annual increase in pensions	2.00 %	2.00 %	2.00 % / 2.00 %
Average fluctuation	<=1 %	<=1 %	1.50 % / 1.50 %
Average remaining employment period	6.90 / 9.10	6.97 / 9.38	12 / 9

The actuarial profits and losses are recorded using the method in accordance with IAS 19.92–93 (»corridor method«).

The expenditure for adjustment of the pension obligation was recorded in personnel expenses, the interest paid for the obligations was shown in the other financial results.

1. Development of the defined benefit obligation (IAS 19.120 A (c))

	FSC IN EUR K	FES IN EUR K	FITK IN EUR K	TOTAL IN EUR K
At 31 December 2011	**6,222**	**2,452**	**4,603**	**13,277**
Service cost	75	57	313	445
Interest cost	280	111	214	605
Actuarial profits / losses	976	261	945	2,182
Benefits paid	–290	–161	–104	–555
Transfer payments	0	0	0	0
At 31 December 2012	**7,263**	**2,720**	**5,971**	**15,954**
At 31 December 2010	**6,304**	**2,246**	**4,899**	**13,449**
Service cost	77	52	114	243
Interest cost	300	106	204	610
Actuarial profits / losses	–2	–14	–531	–547
Benefits paid	–301	–94	–83	–478
Transfer payments	–156	156	0	0
At 31 December 2011	**6,222**	**2,452**	**4,603**	**13,277**

2. Analysis of the Defined Benefit Obligation (IAS 19.120 A (d))

The plans are not financed via a fund.

3. Planned assets

The consolidated group does not have any reimbursement rights or planned assets.

4. Reconciliation to the balance sheet item (IAS 19.120 A (f))

	FSC IN EUR K	FES IN EUR K	FITK IN EUR K	TOTAL IN EUR K
Defined Benefit Obligation as at 31 December 2012	**7,263**	**2,720**	**5,971**	**15,954**
Actuarial profits/losses not yet recognised	−1,768	55	−889	−2,602
Defined Benefit Liability as at 31 December 2012	**5,495**	**2,775**	**5,082**	**13,352**
Defined Benefit Obligation as at 31 December 2011	**6,222**	**2,452**	**4,603**	**13,277**
Actuarial profits/losses not yet recognised	−840	304	56	−480
Defined Benefit Liability as at 31 December 2011	**5,382**	**2,756**	**4,659**	**12,797**

In addition to the pension obligations carried as liabilities, there are also provisions for similar obligations, amounting to EUR 24k (2011: EUR 25k).

5. Expense components (IAS 19.120 A (g))

2012	FSC IN EUR K	FES IN EUR K	FITK IN EUR K	TOTAL IN EUR K
A. IN PERSONNEL EXPENSES				
Current service cost	75	57	313	445
Actuarial profits/losses	29	−9	0	20
Total personnel expenses	**104**	**48**	**313**	**465**
B. IN FINANCIAL RESULTS				
Interest cost	280	111	214	605
Total financial results	**280**	**111**	**214**	**605**
Grand Total	**384**	**159**	**527**	**1,070**
2011				
A. IN PERSONNEL EXPENSES				
Current service cost	77	52	114	243
Actuarial profits/losses	0	−30	0	−30
Total personnel expenses	77	22	114	213
B. IN FINANCIAL RESULTS				
Interest cost	300	106	204	610
Total financial results	**300**	**106**	**204**	**610**
Grand Total	**377**	**128**	**318**	**823**

The components of the expenses (IAS 19.120 A (q)) expected for the 2013 financial year are EUR 241k (personnel expenditure) and/or EUR 549k (financial results).

6. Amounts for the current reporting period and the previous four reporting periods (IAS 19.120 A (p))

	31/12/2012 IN EUR K	31/12/2011 IN EUR K	31/12/2010 IN EUR K	31/12/2009 IN EUR K	31/12/2008 IN EUR K
Defined Benefit Obligation	15,954	13,277	13,449	11,762	11,338
Deficit in the plan	15,954	13,277	13,449	11,762	11,338

The expenses for defined contribution pension schemes (direct insurance schemes, statutory social security) amount to EUR 3,852k (2011: EUR 3,938k).

(13) DEFERRED INVESTMENT SUBSIDIES

The prepaid expenses item developed as follows in the period under review:

	2012 IN EUR K	2011 IN EUR K
At 1 January	**604**	**1,012**
Transfer	25	671
Release	–406	–1,079
Deconsolidation	–37	0
At 31 December	**186**	**604**

The breakdown into investment subsidies and allowances is shown in the following table:

	INVESTMENT SUBSIDY IN EUR K	INVESTMENT ALLOWANCE IN EUR K
At 1 January 2011	**608**	**404**
Transfer	14	657
Release	–133	–946
At 31 December 2011	**489**	**115**
Transfer	25	0
Release	–401	–5
Deconsolidation	–37	0
At 31 December 2012	**76**	**110**

The prepaid expenses item has the following maturities:

Up to 1 year	EUR 31k (2011: EUR 87k)
1 to 5 years	EUR 64k (2011: EUR 149k)
Over 5 years	EUR 91k (2011: EUR 368k)

The granting of subsidies is fundamentally linked to the observance of certain constraints and/or conditions, some of which may cover several years and extend into the future. On any non-fulfilment, the Funkwerk group could be threatened with an obligation to repay the received subsidies in whole or in part, which would have a lasting effect on the economic position of the company. Regular checks of the granted subsidies have shown no cause for complaint to date.

(14) DEFERRED TAXES

The deferred taxes result from deviations between the tax balance sheet and the trade balance sheet II according to IFRS. These were calculated with the respective rates for taxes on income. For domestic (German) companies, the corporate income tax rate in the 2012 financial year was 15 per cent (in 2011: 15 per cent) plus the solidarity tax of 5.5 per cent (in 2011: 5.5 per cent). Taking the trade tax rate into consideration, this gives an effective taxation rate of 26 per cent (in 2011: 26 per cent). Consolidation measures affecting net income and, consequently, deferred taxes were taken into account. We refer here to F.30.

(15) FINANCIAL LIABILITIES

The drop in financial liabilities comes as a result of the partial repayment of the consortium loan using the payments made from the sale of various subsidiaries. One part of these payments was invested in restricted-access bank accounts at the end of 2011 — but cost allocation was only made in this reporting period.

At the reporting date, the utilisation of the money market loan stands at EUR 5,000 k (2011: EUR 12,500 k). The current account overdraft stands at EUR 1,873 k. The money market loan is charged variable interest at 3.25 per cent above the Euribor rate, as is the utilised current account overdraft which is charged variable interest at 3.95 per cent above the Euribor rate p.a. As regards the collateral, we refer to D.19.

(16) TRADE ACCOUNTS PAYABLE

The remaining maturities are short term. We refer here to item D.19.

(17) ADVANCE PAYMENTS RECEIVED ON ORDERS

This item includes advances from customers where no chargeable service has as yet been rendered.

(18) LIABILITIES DUE TO AFFILIATED COMPANIES

On the cut-off date of 31 December 2012, there were liabilities due to the majority shareholder, Hörmann Funkwerk Holding GmbH, or Hörmann Holding GmbH & Co. KG, amounting to EUR 225 k (2011: EUR 390 k), and also due to Hörmann Informationssysteme GmbH, amounting to EUR 139 k (2011: EUR 0 k).

(19) TAX LIABILITIES

Taxes and fiscal charges incurred as at the closing date, whose amount has not yet been determined, are covered by the »tax liabilities« item. Typically, Funkwerk is subject to two types of tax on income, i.e. trade tax and corporate income tax. The corporate income tax was subject to a uniform tax rate of 15 per cent plus 5.5 per cent solidarity surcharge, the trade tax on average amounting to 10 per cent.

(20) ACCRUED LIABILITIES

The development of accrued liabilities in the year under review is shown in the following table:

	01/01/2012 IN EUR K	UTILISATION IN EUR K	RELEASE IN EUR K	ALLOCATION IN EUR K	DECON-SOLIDATION / RE-DIVISION AS PER IFRS 5 IN EUR K	31/12/2012 IN EUR K
Warranties	4,598	1,893	249	1,682	85	4,053
Usage fee	2,032	0	1,000	0	102	930
Personnel accruals	2,043	868	479	186	0	882
Impending losses	457	361	0	30	0	126
Other accrued liabilities	2,402	1,455	273	500	15	1,159
Total	**11,532**	**4,577**	**2,001**	**2,398**	**202**	**7,150**

The accrued liabilities have durations of less than a year.

The accrued liabilities for usage fee were carried as liabilities on the balance sheet under fees and licence fees for the use of know-how. The release, amounting to EUR 1,000 k, comes as a result of the re-estimation of a particular risk.

The personnel accruals essentially contain planned severance payments.

The remaining accrued liabilities essentially contain provisions for penalties and litigation expenses.

(21) OTHER LIABILITIES

The other short-term liabilities are composed of the following:

IN EUR K	31/12/2012	31/12/2011
Other taxes	3,607	2,336
Social security liabilities	67	75
Outstanding holiday entitlements	864	764
Overtime claims	595	489
Partial retirement	1,117	911
Profit-sharing bonus	1,941	1,731
Other personnel liabilities	2,427	2,805
Miscellaneous	3,761	2,568
Total	**14,379**	**11,679**

F. Statement of income and accumulated earnings

(22) SALES REVENUES

In the 2012 financial year, Funkwerk generated sales totalling EUR 141,347k. Sales revenues are recorded as net sales after deduction of discounts, rebates and allowances. The sales revenues are divided by corporate segments and regions.

Breakdown into geographic markets

2012	TRAFFIC & CONTROL COMMUNICATION		SECURITY COMMUNICATION		AUTOMOTIVE COMMUNICATION		ENTERPRISE COMMUNICATION		TOTAL SALES REVENUE	TRAN-SITION AS PER IFRS 5*	SALES REVENUE OF RETAINED SEGMENTS	
	IN EUR K	IN %	IN EUR K	IN %	IN EUR K	IN %	IN EUR K	IN %	IN EUR K	IN EUR K	IN EUR K	IN %
Domestic	43,409	53.4	40,643	74.7	12,615	79.4	0	/	96,667	–7,412	89,255	63.1
EU	27,171	33.4	9,194	16.9	3,220	20.2	0	/	39,585	–2,877	36,708	26.0
Other foreign countries	10,731	13.2	4,595	8.4	58	0.4	0	/	15,384	0	15,384	10.9
Total	**81,311**	**100.0**	**54,432**	**100.0**	**15,893**	**100.0**	**0**	**/**	**151,636**	**–10,289**	**141,347**	**100.0**

2011	TRAFFIC & CONTROL COMMUNICATION		SECURITY COMMUNICATION		AUTOMOTIVE COMMUNICATION		ENTERPRISE COMMUNICATION		TOTAL SALES REVENUE	TRAN-SITION AS PER IFRS 5*	SALES REVENUE OF RETAINED SEGMENTS	
	IN EUR K	IN %	IN EUR K	IN %	IN EUR K	IN %	IN EUR K	IN %	IN EUR K	IN EUR K	IN EUR K	IN %
Domestic	57,963	58.4	34,677	73.6	19,478	76.2	21,357	76.9	133,475	–39,465	94,010	64.0
EU	30,836	31.1	11,139	23.6	5,777	22.6	6,154	22.2	53,906	–11,951	41,955	28.5
Other foreign countries	10,424	10.5	1,296	2.8	320	1.2	254	0.9	12,294	–1,316	10,978	7.5
Total	**99,223**	**100.0**	**47,112**	**100.0**	**25,575**	**100.0**	**27,765**	**100.0**	**199,675**	**–52,732**	**146,943**	**100.0**

* We refer here to the presentation of the transition under section H.

15.0 per cent of the total sales revenues of the retained segments of the Funkwerk group were realised with a single customer (corresponds to EUR 21,195k, segments TCC and SC).

(23) COST OF MATERIALS

In the financial year, the cost of materials consists of expenditure for raw materials and supplies at EUR 53,843 k (2011: EUR 74,821 k) and expenditure for services received at EUR 15,900 k (2011: EUR 21,961 k).

The cost of materials of the business segments that were given up was EUR 9,045 k (2011: EUR 26,551 k).

(24) PERSONNEL EXPENSES

The personnel expenses concern expenditure for wages and salaries at EUR 50,885 k (2011: EUR 66,429 k) and social security contributions, expenditure for retirement pension and benefits at EUR 9,488 k (2011: EUR 12,161 k).

The personnel expenses of the business segments that were given up was EUR 4,953 k (2011: EUR 22,853 k).

(25) OTHER OPERATING INCOME

	2012 IN EUR K	2011 IN EUR K
Income from release of accrued liabilities	2,001	445
Income from release of liabilities	748	452
Income from release of prepaid expenses item for investment subsidies and allowances	30	43
Expense subsidies	327	347
Remuneration in kind	424	417
Earnings from the retirement of fixed assets	20	10
Gains on exchange	448	213
Release of value impairments	464	62
Miscellaneous	1,405	1,936
Total	**5,867**	**3,925**

In regard to the release of special items for investment subsidies and allowances, please refer to the explanations under item E. 13. The expense subsidies relate to supported projects, for example within the scope of research activities, training activities for junior staff (»education and research«), and personnel expense allowances.

The income from the release of accrued liabilities was recognised where the future outflow of resources is no longer probable.

(26) OTHER OPERATING EXPENSES

	2012 IN EUR K	2011 IN EUR K
Space and building expenses	4,359	4,112
Administrative expenses	7,240	5,786
Selling expenses	3,799	4,252
Allocation to reserve for warranties	886	1,037
Operating expenses	1,690	1,903
Current-asset valuation adjustments	610	468
Vehicle expenses	1,707	1,898
Losses on exchange	688	317
Miscellaneous	704	1,830
Total	**21,683**	**21,603**

(27) IMPAIRMENT CHARGES ON INTANGIBLE AND TANGIBLE ASSETS

For information on impairment charges on intangible and tangible assets, we refer to the information given in section E.1 of the Notes to the Consolidated Financial Statements and to the consolidated fixed-asset movement schedule.

(28) RESTRUCTURING COSTS

The restructuring costs in the 2012 financial year relate to management and consultancy services used in conjunction with the realignment of the Funkwerk group, which total EUR 3,223k (2011: EUR 648k), and also to settlements and expenses for transitional companies, which total EUR 1,846k (2011: EUR 2,693k).

(29) FINANCIAL RESULTS

	2012 IN EUR K	2011 IN EUR K
Profit from currency futures dealing / currency options	0	7
Interest and similar revenue	351	174
Write-up of investment classified as current assets	0	0
	351	**181**
Interest and similar expenses	–1,783	–1,361
Interest cost for pension obligations	–605	–610
Write-down of participating interests	–1	–24
Loss from currency futures dealing / currency options	–84	–259
	–2,473	**–2,254**
Total	**–2,122**	**–2,073**

(30) TAXES ON INCOME AND EARNINGS

Composition of tax expenditure:

	2012 IN EUR K	2011 IN EUR K
Actual tax expenditure	1,274	2,335
Deferred tax revenue (prev. year expenditure)	–474	1,418
Taxes on income and earnings	**800**	**3,753**

The taxes on income include a tax expense of EUR 269k that is unrelated to the accounting period.

The following deferred tax accruals and liabilities shown in the balance sheet were attributable to differences in methodology and valuation in regard to the individual balance sheet items and to tax losses carried forward:

	31/12/2012		31/12/2011	
	DEFERRED TAX ACCRUALS IN EUR K	DEFERRED TAX LIABILITIES IN EUR K	DEFERRED TAX ACCRUALS IN EUR K	DEFERRED TAX LIABILITIES IN EUR K
Intangible assets	111	4,464	512	6,190
Tangible assets	2	323	22	358
Financial assets	2	0	738	713
Inventories	3,228	756	1,757	1,989
Accounts receivable and other assets	1	2,939	25	510
Pension accruals	370	0	682	0
Provisions	190	0	374	0
Liabilities	332	0	372	26
Deferred investment subsidies	32	0	32	0
Tax losses carried forward	3,579	0	2,927	0
Balancing out	–7,847	–7,847	–7,441	–7,441
Total	**0**	**635**	**0**	**2,345**
Of which, accounted for by sold business segments	**0**	**0**	**0**	**1,229**
Balance sheet figure	**0**	**635**	**0**	**1,116**

Transition from the anticipated income tax revenue to the reported income tax expenditure

	2012 IN EUR K	2011 IN EUR K
Result of continued business segments before taxes on income	–7,213	–15,340
Result of sold business segments before taxes on income	–7,842	3,534
Result before taxes on income	**–15,055**	**–11,806**
Rate of taxation of Funkwerk group	**26.00 %**	**26.00 %**
Anticipated income tax expenditure	**–3,914**	**–3,070**
TRANSITION		
Tax rate variances		
a) Effects of tax rate changes/differences	–548	–64
b) Effects from tax rate differences of foreign fiscal regions	–6	–36
Tax effects from variances in the basis of assessment		
a) Tax-free foreign plant income as per double taxation agreement	0	552
b) Tax-free income from investments and gain on disposal or other transfer	–26	–1,220
c) Disposal losses not recognised for tax purposes	1,766	0
d) Non-deductible expenditure	176	319
e) Other tax-free income	–104	–96
f) Corporate income tax increases or decreases	152	138
Valuation of deferred tax assets		
a) Non-recognition of deferred tax assets	3,658	5,469
b) Utilisation of tax losses carried forward that have not yet accrued deferred tax assets	0	–300
c) Deferral of tax losses carried forward that have not yet accrued deferred tax assets	–73	–100
d) Lapse of tax losses carried forward that have not yet accrued deferred tax assets	0	0
e) Lapse of tax losses carried forward, which arose in the current year	0	243
Effects not identified with the specified period		
a) Current and deferred taxes, previous years	269	1,884
Tax effects on consolidation level		
a) Deconsolidation	–328	0
b) Depreciation of goodwill	195	481
Other	164	–67
Income tax expenditure	**1,381**	**4,133**
Of which, income tax from sold business segments	**581**	**524**
Of which, income tax from continued business segments	**800**	**3,609**
Group tax load ratio (continued business segments)	**–11.09 %**	**–23.53 %**

The domestic group companies did not report any deferred tax claims on tax losses carried forward of EUR 58,456 k (in 2011: EUR 47,641 k).

G. Statement of cash flows

(31) CASH FLOWS FROM OPERATING ACTIVITIES

The cash flow from operating activities is an indicator of the extent to which the company managed to generate cash surplus through its operative business.

The item »Other non-cash expenditure and income« contains, in particular, the total loss from the sales of the EC business segment, of Funkwerk Avionics GmbH and of Funkwerk Dabendorf GmbH, which comes to EUR 5,012 k. Also included are expenses incurred in the context of reporting the share options as per IFRS 2, totalling EUR 33 k (2011: EUR 107 k).

(32) CASH FLOWS FROM INVESTING ACTIVITIES

This cash flow shows the extent to which expenses for resources were incurred that are to generate future income and cash flows.

(33) PAYMENTS FROM DECONSOLIDATION

These payments result from the sales of the EC business segment, of Funkwerk Avionics GmbH and of Funkwerk Dabendorf GmbH, and represent the balance from the purchase price less transaction costs and out-going liquid funds.

(34) FREE CASH FLOW

The free cash flow serves as an indicator for company-internal control.

(35) CASH FLOWS FROM FINANCING ACTIVITIES

The cash flow from financing activities essentially concerns the repayment of the consortium loan using the liquid funds that were invested in pledge accounts with restricted access as at 31 December 2011 and were released by the banks in the reporting period. We refer here to the details given under E.15.

(36) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD

The cash and cash equivalents reported in the consolidated statement of cash flows at the end of the period consist of: EUR 12,906 k (2011: EUR 17,422 k) for the continued business segments and EUR 0 k (2011: EUR 529 k) for the sold business segments.

As at 31 December 2011 a total of EUR 9,486 k was invested with restricted access in so-called »pledge accounts« at three German commercial banks.

The cash and cash equivalents do not contain restricted-access bank credit balances in Algeria totalling EUR 3,000 k (2011: EUR 3,000 k), since these are included in the balance-sheet item Financial assets.

We refer here to the details in the Consolidated Management Report, section 7, risk report and risk management, risks from the Algerian business.

Regarding the net cash flows of the sold business segments, we refer to section C.2 of the Notes.

H. Segment reporting

Funkwerk structures its business in clearly separated business segments: Traffic & Control Communication (abbr.: TCC), Security Communication (abbr.: SC) Automotive Communication (abbr.: AC)*, Enterprise Communication (abbr.: EC)*.

* sold business segment

In 2011, the Executive Board of Funkwerk AG had already decided that the EC segment would no longer be of strategic interest in future. The internal reporting in 2011 therefore contained three strategic segments plus the EC sales segment.

In 2012, the Executive Board of Funkwerk AG then decided that the AC segment would also no longer be counted as one of the strategic segments in future. The internal reporting in 2012 therefore contained the two strategic segments TCC and SC plus the AC sales segment.

IN EUR K	YEAR	TCC	SC	AC	EC	NON-ALLOCATED ITEMS	ENTIRE GROUP
Intangible and tangible assets	2012	18,438	9,066	616	0	3,794	31,914
	2011	21,293	9,192	6,374	0	0	36,859
Investment in intangible and tangible assets	2012	1,185	3,175	3,434	0	0	7,794
	2011	2,367	3,270	3,457	2,198	0	11,292
Inventories	2012	13,948	10,845	562	0	0	25,355
	2011	19,418	12,008	4,185	0	0	35,611
Trade accounts receivable and from work in progress	2012	18,952	17,026	659	0	0	36,637
	2011	20,834	14,345	3,545	0	0	38,724
Other current assets	2012	0	0	0	0	19,150	19,150
	2011	0	0	0	0	32,085	32,085
Segment assets	**2012**	**51,338**	**36,937**	**1,837**	**0**	**22,944**	**113,056**
	2011	**61,545**	**35,603**	**14,104**	**0**	**32,085**	**143,279**
Other long-term assets	2012	4	0	0	0	0	4
	2011	4	0	0	0	0	4
Assets held for sale	2012	0	0	0	0	0	0
	2011	0	0	0	0	14,631	14,631
Total assets	**2012**	**51,342**	**36,937**	**1,837**	**0**	**22,944**	**113,060**
	2011	**61,549**	**34,312**	**13,887**	**0**	**48,166**	**157,914**
Pension obligations	2012	5,082	8,294	0	0	0	13,376
	2011	4,659	8,163	0	0	0	12,822
Advance payments received	2012	6,924	2,684	238	0	0	9,846
	2011	6,536	2,299	169	0	0	9,004
Trade accounts payable	2012	14,615	6,453	326	0	0	21,394
	2011	16,681	8,366	2,892	0	0	27,939
Accrued liabilities	2012	5,807	1,231	112	0	0	7,150
	2011	8,907	1,656	969	0	0	11,532
Other debts	2012	0	0	0	0	28,466	28,466
	2011	0	0	0	0	32,299	32,299
Segment liabilities	**2012**	**32,428**	**18,662**	**676**	**0**	**28,466**	**80,232**
	2011	**36,783**	**20,484**	**4,030**	**0**	**32,299**	**93,596**
Liabilities held for sale	2012	0	0	0	0	0	0
	2011	0	0	0	0	15,658	15,658
Total liabilities	**2012**	**32,428**	**18,662**	**676**	**0**	**28,466**	**80,232**
	2011	**36,783**	**20,484**	**4,030**	**0**	**47,957**	**109,254**

The long-term assets pertaining to the foreign companies of the group amount to EUR 1,329 k (2011: EUR 2,480 k) and relate to the TCC segment.

CALCULATION OF EBIT AND RECONCILIATION TO THE SHAREHOLDERS' RESULTS

IN EUR K	YEAR	TCC	SC	AC	EC	GROUP	SOLD BUSINESS SEGMENTS	CORR. CONS.	CONTINUED BUSINESS SEGMENTS
Total sales revenues	2012	81,341	54,861	15,894	0	152,096			
	2011	99,228	55,689	25,613	27,925	208,455			
Sales revenues with other business segments*	2012	31	428	1	0	460			
	2011	5	8,577	38	160	8,780			
External sales revenues	2012	81,310	54,433	15,893	0	151,636	–11,820	1,531	141,347
	2011	99,223	47,112	25,575	27,765	199,675	–62,886	10,154	146,943
Other operating income	2012	6,268	1,295	1,573	0	9,136	–2,890	–379	5,867
	2011	7,558	645	3,491	500	12,194	–9,317	1,048	3,925
Segment revenues	**2012**	**87,578**	**55,728**	**17,466**	**0**	**160,772**	**–14,710**	**1,152**	**147,214**
	2011	**106,781**	**47,757**	**29,066**	**28,265**	**211,869**	**–72,203**	**11,202**	**150,868**
Inventory changes of finished goods and work in progress	2012	–3,337	–837	–33	0	–4,207	109	0	–4,098
	2011	–2,403	478	–19	0	–1,944	405	–270	–1,809
Own work capitalised (development)	2012	254	1,899	2,854	0	5,007	–2,854	0	2,153
	2011	1,444	1,864	2,334	1,749	7,391	–4,084	0	3,307
Cost of materials	2012	32,825	25,854	11,064	0	69,743	–10,576	1,531	60,698
	2011	43,570	23,198	16,143	13,871	96,782	–36,435	9,884	70,231
Personnel expenses	2012	32,918	20,408	7,047	0	60,373	–4,953	0	55,420
	2011	37,136	20,698	11,071	9,685	78,590	–22,853	0	55,737
Planned depreciation of fixed assets	2012	1,419	1,259	744	0	3,422	–651	0	2,771
	2011	1,842	1,476	1,627	312	5,257	–1,959	0	3,298
Planned depreciation of development work	2012	1,482	1,334	0	0	2,816	0	0	2,816
	2011	831	1,147	1,292	530	3,800	–1,822	0	1,978
Other operating expenses	2012	11,374	9,936	9,646	0	30,956	–8,894	–379	21,683
	2011	13,050	8,060	4,075	6,669	31,854	–11,299	1,048	21,603
Operating result before impairment charges and restructuring costs	**2012**	**4,477**	**–2,001**	**–8,214**	**0**	**–5,738**	**7,619**	**0**	**1,881**
	2011	**9,393**	**–4,480**	**–2,827**	**–1,053**	**1,033**	**–1,514**	**0**	**–481**
Impairment charges on intangible and tangible assets	2012	1,150	753	0	0	1,903	0	0	1,903
	2011	2,500	0	2,778	0	5,278	–2,778	0	2,500
Restructuring costs	2012	3,095	1,296	678	0	5,069	0	0	5,069
	2011	1,557	1,678	1,458	116	4,809	–1,468	0	3,341
Operating result = Segment result	**2012**	**232**	**–4,050**	**–8,892**	**0**	**–12,710**	**7,619**	**0**	**–5,091**
	2011	**5,336**	**–6,158**	**–7,063**	**–1,169**	**–9,054**	**2,732**	**0**	**–6,322**
Financial results	2012					–2,200	78	0	–2,122
	2011					–2,752	679	0	–2,073
Results from ordinary activities	**2012**					**–14,910**	**7,697**	**0**	**–7,213**
	2011					**–11,806**	**3,411**	**0**	**–8,395**
Taxes on income and earnings	2012					–1,526	726	0	–800
	2011					–4,133	380	0	–3,753
Shareholders' results	**2012**					**–16,436**	**8,423**	**0**	**–8,013**
	2011					**–15,939**	**3,791**	**0**	**–12,148**

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

TRANSITION OF SEGMENT REPORTING FOR SALES REVENUES, OPERATING RESULT BEFORE IMPAIRMENT CHARGES AND BEFORE RESTRUCTURING COSTS AND OPERATING RESULT OF CONTINUED BUSINESS SEGMENTS

Sales revenues of continued business segments

IN EUR K	YEAR	TCC	SC	AC	EC	GROUP
Sales revenues for the segment	2012	81,341	54,861	15,894	0	152,096
	2011	99,228	55,689	25,613	27,925	208,455
Sales revenues with other business segments*	2012	–31	–428	–1	0	–460
	2011	–5	–8,577	–38	–160	–8,780
Reduction of sales revenues of sold business segments	2012	–327	0	–9,962	0	–10,289
	2011	–12,777	0	–20,979	–27,765	–61,521
Sales revenues of segments, which are continued with sold business segments	2012	0	0	0	0	0
	2011	0	8,403	386	0	8,789
Sales revenues of continued business segments	**2012**	**80,983**	**54,433**	**5,931**	**0**	**141,347**
	2011	**86,446**	**55,515**	**4,982**	**0**	**146,943**

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

Operating result before impairment charges and restructuring costs of the continued business segments

IN EUR K	YEAR	TCC	SC	AC	EC	NON-AL-LOCATED EXPEND-ITURE	GROUP
Operating result before impairment charges and restructuring costs	2012	4,477	–2,001	–8,214	0		–5,738
	2011	9,393	–4,480	–2,827	–1,053		1,033
Operating result before impairment charges and restructuring costs of the sold business segments	2012	–1,568	0	9,187	0		7,619
	2011	–4,941	0	2,834	1,053	–460	–1,514
Operating result before impairment charges and restructuring costs of the continued business segments	**2012**	**2,909**	**–2,001**	**973**	**0**		**1,881**
	2011	**4,452**	**–4,480**	**7**	**0**	**–460**	**–481**

Operating result of the continued business segments

IN EUR K	YEAR	TCC	SC	AC	EC	NON-AL-LOCATED EXPEND-ITURE	GROUP
Operating result	2012	232	–4,050	–8,892	0		–12,710
	2011	5,336	–6,158	–7,063	–1,169		–9,054
Operating result of the sold business segments	2012	–1,568	0	9,187	0		7,619
	2011	–4,941	0	6,964	1,169	–460	2,732
Operating result of the continued business segments	**2012**	**–1,336**	**–4,050**	**295**	**0**		**–5,091**
	2011	**395**	**–6,158**	**–99**	**0**	**–460**	**–6,322**

The exchange of payments between the segments is made at normal market terms and conditions, as with external third parties.

The presentation of the financial result corresponds to the management approach of IFRS 8.

For a distribution of sales revenues according to geographically organised markets, please see section F.

I. Other disclosures

1. GUARANTEES

As at the cut-off date, the Funkwerk group had guarantees for the benefit of customers and suppliers and bank guarantees totalling EUR 22,909k (2011: EUR 29,721k). These essentially comprised guarantees for contractual fulfilments amounting to EUR 9,454k (2011: EUR 16,645k) and advance payments amounting to EUR 11,415k (2011: EUR 9,256k).

2. CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

Other financial obligations exist for:

	TERM		
	UP TO 1 YEAR IN EUR K	UP TO 5 YEARS IN EUR K	MORE THAN 5 YEARS IN EUR K
Long-term rental and lease agreements	2,030	1,065	0
Long-term leasing agreements	739	642	0
Other financial obligations	0	0	0
	2,769	**1,707**	**0**

The rental and leasing expenses of the financial year are EUR 3,963k (2011: EUR 3,766k).

3. AVERAGE NUMBER OF EMPLOYEES BY CATEGORY DURING THE FINANCIAL YEAR

	2012	2011
Executive Board	2	2
Management	16	23
Administration	65	88
Development	197	284
Sales/project management	186	282
Production	440	557
Other	3	8
	909	**1,244**
Trainees	55	60
	964	**1,304**

4. RELATIONSHIPS WITH RELATED PARTIES

Related parties in the sense of IAS 24 are the Executive Board and the Supervisory Board, cf. I.8.

Relationships with related parties in the sense of IAS 24 exist with affiliated companies which are not included in the consolidated financial statements and belong to the majority shareholder, Hörmann Funkwerk Holding GmbH, or Hörmann Holding GmbH & Co. KG (HHKG).

The business relationship of Funkwerk AG to HHKG was limited to passing on insurance expenses amounting to EUR 5k (2011: EUR 7k) and other advanced costs of EUR 200k (2011: EUR 110k). The business relationships of the subsidiaries of Funkwerk AG to HHKG also relate to insurance expenses together with personnel costs and they total EUR 111k (2011: EUR 53k). On 31 December 2012 the liabilities were EUR 35k (2011: EUR 104k).

The subsidiaries of Funkwerk AG have not made any sales with companies that are affiliates of HHKG (2011: EUR 1k). In the 2012 financial year, the subsidiaries of Funkwerk AG sourced goods and services from HHKG affiliates totalling EUR 126k (2011: EUR 0k). The deliveries were invoiced at market prices or at cost plus an appropriate profit mark-up. The terms of payment granted are those that are usual for the market. On the reporting date the resulting liabilities are EUR 139k.

5. MAJOR RISKS AND UNCERTAINTIES

Legal risks are principally taken into consideration by setting up reserves at the level of the foreseeable financial burden. Besides the risks that are sufficiently covered by reserves, no other risks or uncertainties are recognisable to date.

6. DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE IN CONFORMITY WITH SECTION 161 AKTG

In conformity with Section 161 of the German Stock Corporation Act, the Executive Board and the Supervisory Board have made the required declaration concerning the current and future compliance with the recommendations of the »Government Commission on the German Corporate Governance Code« published by the Federal Ministry of Justice in the official section of the Electronic Federal Gazette, and have made this declaration available to the shareholders on the website at http://www.funkwerk.com.

7. DETAILS ON THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD

Officiating members of the Executive Board

- Dr.-Ing. Manfred Lerch, Heidenheim (from 01/11/2012), future sole director
- Dipl.-Betriebswirt Johann M. Schmid-Davis, Zorneding (until 31/12/2012)
  Controlling, finance and accounting, taxation, auditing, legal and contracts, IT, human resources and personnel, investor relations, coordination of group purchasing
- Dipl.-Ing. Carsten Ahrens, Kaarst (until 31/12/2012), Coordination of technology and product planning, development of business segments, further developments of management tools, mergers and acquisitions
- Dr. Christian E. Baur, Wolfratshausen (20/04/2012 to 31/12/2012), Restructuring, holistic realignment

Remuneration

The remuneration of the Executive Board members features both a non-performance-based and a performance-based component; its level and structure is determined by the Supervisory Board of Funkwerk AG.

The component which is not related to performance is made up of a fixed salary plus fringe benefits and pension commitments and is not dependent on certain targets being reached; it is paid monthly. In addition to the monthly fixed salary, all board members also receive fringe benefits, which include the private use of the company car and insurance premiums. All Executive Board members are entitled to these remuneration components and each must tax them as appropriate.

For a detailed breakdown of the remuneration components of the Executive Board members, please see the Management Report for the financial year.

Executive Board pay

The payments due in the short term in the financial year are as follows:

	NON-PERFORMANCE-RELATED PAY		PERFORMANCE-RELATED PAY		PENSION COMMITMENTS		SHARE-BASED REMUNERATION		TOTAL REMUNERATION	
	2012 IN EUR	2011 IN EUR	2012 IN EUR	2011 IN EUR	2012 IN EUR	2011 IN EUR	2012 IN EUR	2011 IN EUR	2012 IN EUR	2011 IN EUR
Dr. M. Lerch	47,276	0	0	0	0	0	0	0	47,276	0
J. Schmid-Davis	169,397	165,005	50,000	40,000	15,000	15,000	0	0	234,397	220,005
C. Ahrens	234,509	228,300	0	0	3,750	3,750	0	0	238,259	232,050
Dr. C. Baur	332,000	0	0	0	0	0	0	0	332,000	0
Dr. H. Grundner	0	111,795	0	0	0	10,000	0	0	0	121,795
Total	**783,182**	**505,100**	**50,000**	**40,000**	**18,750**	**28,750**	**0**	**0**	**851,932**	**573,850**

The board members did not exercise any share options in the 2012 financial year.

Supervisory Board

- Alfons Hörmann, Businessman,
  Sulzberg, CEO of Hörmann Holding GmbH & Co. KG, Kirchseeon,
  Chairman
- Prof. Dr. Gerhard P. Fettweis,
  Dresden, University Lecturer,
  Vice Chairman
- Dr.-Ing. Manfred Egner,
  Aidlingen, Non-Executive Director, Freudenberg KG, Weinheim

In the period under review, Alfons Hörmann was a member of the following Supervisory Boards:

- Schöck AG, Baden-Baden (Chairman of the Supervisory Board)
- Wilhelm Geiger GmbH & Co. KG, Oberstdorf (Chairman of the Advisory Board)
- Scaltel AG, Waltenhofen (Chairman of the Supervisory Board)
- Hörmann Automotive Gustavsburg GmbH, Gustavsburg (Chairman of the Supervisory Board)
- Hörmann Automotive Penzberg GmbH, Penzberg (Chairman of the Supervisory Board)
- DSV Leistungssport GmbH, Planegg (Chairman of the Supervisory Board) (honorary)
- DSV Marketing GmbH, Planegg (Chairman of the Supervisory Board) (honorary)

In the period under review, Prof. Dr. Gerhard P. Fettweis was a member of the following Supervisory Boards:

- Qualitpe AG, Dresden (Chairman of the Supervisory Board)
- DEWB AG, Jena (Vice Chairman of the Supervisory Board)
- ZMDI AG, Dresden (Vice Chairman of the Supervisory Board)
- Signalion GmbH, Dresden (Member of the Advisory Board)
- digades GmbH, Zittau (Member of the Advisory Board)

In the period under review, Dr.-Ing. Manfred Egner was a member of the following Supervisory Board:

- Freudenberg Sealing Technologies GmbH & Co. KG, Weinheim (Member of the Advisory Board)

Remuneration

The remuneration of the Supervisory Board is governed by Section 12 of the Articles of Incorporation of Funkwerk AG and is divided into a fixed and a variable component plus an attendance fee. Concerning the level of payments, a distinction is made between the Chairman and the remaining members.

Pay of Supervisory Board members

	FIXED REMUNERATION		ATTENDANCE FEE		VARIABLE REMUNERATION		TOTAL REMUNERATION	
	2012 IN EUR	2011 IN EUR	2012 IN EUR	2011 IN EUR	2012 IN EUR	2011 IN EUR	2012 IN EUR	2011 IN EUR
Alfons Hörmann	10,000	9,458	15,600	14,300	0	0	25,600	23,758
Prof. Dr. Gerhard P. Fettweis	7,500	6,958	11,700	10,400	0	0	19,200	17,358
Dr.-Ing. Manfred Egner	5,000	3,069	7,800	5,200	0	0	12,800	8,269
Maximilian Ardelt	0	2,167	0	5,200	0	0	0	7,367
Total	**22,500**	**21,652**	**35,100**	**35,100**	**0**	**0**	**57,600**	**56,752**

8. AUDITOR'S FEES – DISCLOSURE AS PER SECTION 314 (1) NO. 9 GERMAN COMMERCIAL CODE (§ 314 ABS. 1 NR. 9 HGB)

In the current financial year, the following fees were recorded for the auditor as defined by Section 319 (1) of the German Commercial Code, BDO AWT GmbH Wirtschaftsprüfungsgesellschaft, Munich, and companies affiliated to it:

	2012 IN EUR K
Audit of financial statements	291
Other certification and appraisal services	0
Tax consulting	3
Other services	0
	294

9. EVENTS AFTER THE REPORTING PERIOD

No important events of particular significance, which have not already been reported in the Notes or the Management Report, have occurred so far since the conclusion of the financial year.

Kölleda, 25 March 2013
— The Executive Board —

Statement of changes in consolidated assets FOR THE 2012 FINANCIAL YEAR (GROSS FIGURES SHOWN)

FIXED ASSETS 2012	PURCHASE AND PRODUCTION COSTS						
	AT 01/01/2012 IN EUR K	ADDITIONS IN EUR K	DISPOSALS IN EUR K	DECON-SOLIDATION DISPOSALS IN EUR K	BOOK TRANSFERS IN EUR K	FOREIGN CURRENCY ITEMS IN EUR K	AT 31/12/2012 IN EUR K
I. INTANGIBLE ASSETS							
1. Concessions, industrial property rights and similar rights and values, as well as licences to such rights and values	14,236	548	–279	–1,083	29	28	13,479
2. Goodwill	15,144	0	0	0	0	0	15,144
3. Development costs	56,081	5,007	0	–15,115	59	56	46,088
	85,461	**5,555**	**–279**	**–16,198**	**88**	**84**	**74,711**
II. TANGIBLE ASSETS							
1. Land, leasehold rights and buildings, including buildings on third-party land	10,888	10	–1,589	0	0	0	9,309
2. Plant and machinery	29,369	1,176	–333	–17,431	563	8	13,352
3. Other fixtures and fittings, tools and equipment	17,113	835	–598	–2,418	25	6	14,963
4. Plant under construction	694	218	–14	–144	–676	0	78
	58,064	**2,239**	**–2,534**	**–19,993**	**–88**	**14**	**37,702**
	143,525	**7,794**	**–2,813**	**–36,191**	**0**	**98**	**112,413**

DEPRECIATIONS AND VALUE IMPAIRMENTS								BOOK VALUE	
AT 01/01/2012 IN EUR K	ADDITIONS DEPRECIA-TIONS IN EUR K	ADDITIONS VALUE IM-PAIRMENTS IN EUR K	DISPOSALS IN EUR K	DECONSOLI-DATION DISPOSALS IN EUR K	BOOK TRANSFERS IN EUR K	FOREIGN CURRENCY ITEMS IN EUR K	AT 31/12/2012 IN EUR K	AT 31/12/2012 IN EUR K	AT 31/12/2011 IN EUR K
11,408	840	241	-279	-1,056	-23	28	11,159	2,320	2,828
9,719	0	750	0	0	0	0	10,469	4,675	5,425
39,727	2,817	400	0	-12,261	23	-1	30,705	15,383	16,354
60,854	**3,657**	**1,391**	**-279**	**-13,317**	**0**	**27**	**52,333**	**22,378**	**24,607**
4,426	279	0	-1,511	0	0	0	3,194	6,115	6,462
26,688	1,158	202	-291	-16,226	0	7	11,538	1,814	2,681
14,698	1,145	250	-569	-2,155	0	5	13,374	1,589	2,415
0	0	60	0	0	0	0	60	18	694
45,812	**2,582**	**512**	**-2,371**	**-18,381**	**0**	**12**	**28,166**	**9,536**	**12,252**
106,666	**6,239**	**1,903**	**-2,650**	**-31,698**	**0**	**39**	**80,499**	**31,914**	**36,859**

Statement of changes in consolidated assets

FOR THE 2011 FINANCIAL YEAR (GROSS FIGURES SHOWN)

FIXED ASSETS 2011	PURCHASE AND PRODUCTION COSTS						
	AT 01/01/2011	ADDITIONS	DISPOSALS	DISPOSALS OF DECON-SOLIDATION AND IFRS 5 CLASSIFI-CATION*	BOOK TRANSFERS	FOREIGN CURRENCY ITEMS	AT 31/12/2011
	IN EUR K	IN EUR K	IN EUR K	IN EUR K	IN EUR K	IN EUR K	IN EUR K
I. INTANGIBLE ASSETS							
1. Industrial property rights and similar rights and values, as well as licences to such rights and values	17,677	1.192	–122	–5.236	717	8	14.236
2. Goodwill	19,265	0	0	–4,121	0	0	15,144
3. Development costs	61,821	7,384	0	–12,427	–717	20	56,081
	98,763	**8,576**	**–122**	**–21,784**	**0**	**28**	**85,461**
II. TANGIBLE ASSETS							
1. Land, leasehold rights and buildings, including buildings on third-party land	10,890	39	0	–41	0	0	10.888
2. Plant and machinery	29,257	604	–31	–510	43	6	29,369
3. Other fixtures and fittings, tools and equipment	21,307	1,349	–557	–5,049	59	4	17,113
4. Plant under construction	116	724	0	–44	–102	0	694
	61,570	**2,716**	**–588**	**–5,644**	**0**	**10**	**58,064**
	160,333	**11,292**	**–710**	**–27,428**	**0**	**38**	**143,525**

* Disposals relate to business segments deconsolidated in the financial year and to re-divisions as a result of classification as "held for sale".

** The additions to value impairments represent the balance from impairment charges of intangible assets and the income from the release of the special item for investment grants.

DEPRECIATIONS AND VALUE IMPAIRMENTS									BOOK VALUE	
AT	ADDITIONS			DISPOSALS	DISPOSALS	BOOK	FOREIGN	AT	AT	AT
01/01/2011	DEPRECIATIONS	VALUE IMPAIRMENTS, IFRS 5	VALUE IMPAIRMENTS**		OF DECONSOLIDATION AND IFRS 5 CLASSIFICATION*	TRANSFERS	CURRENCY ITEMS	31/12/2011	31/12/2011	31/12/2010
IN EUR K	IN EUR K	IN EUR K	IN EUR K	IN EUR K	IN EUR K	IN EUR K	IN EUR K	IN EUR K	IN EUR K	IN EUR K
14,364	1,432	72	0	–110	–4,410	52	8	11,408	2,828	3.313
10,104	0	100	1,750	0	–2,235	0	0	9,719	5,425	9.161
38,637	3,801	0	4,276	0	–6,938	–52	3	39,727	16,354	23.184
63,105	**5,233**	**172**	**6,026**	**–110**	**–13,583**	**0**	**11**	**60,854**	**24,607**	**35.658**
4,115	408	0	0	–79	–18	0	0	4,426	6,462	6.775
25,580	1,620	0	0	–24	–493	0	5	26,688	2,681	3.677
17,651	1,557	67	0	–500	–4,080	0	3	14,698	2,415	3.656
0	0	0	0	0	0	0	0	0	694	116
47,346	**3,585**	**67**		**–603**	**–4,591**	**0**	**8**	**45,812**	**12,252**	**14.224**
110,451	**8,818**	**239**	**6,026**	**–713**	**–18,174**	**0**	**19**	**106,666**	**36,859**	**49.882**

Kölleda, 25 March 2013
— The Executive Board —

Dr.-Ing. Manfred Lerch

Auditor's Report

We have audited the consolidated financial statements prepared by Funkwerk Aktiengesellschaft, Kölleda, comprising the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes to the consolidated financial statements, together with the group management report for the financial year from 1 January to 31 December 2012. The preparation of the consolidated financial statements and the group management report in accordance with the IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a (1) HGB (Handelsgesetzbuch »German Commercial Code«) are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany, IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit.

The audit includes assessing the annual financial statements of the entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with the IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides an accurate view of the group's position and accurately presents the opportunities and risks of future development.

Munich, 25 March 2013

BDO AWT GmbH
Wirtschaftsprüfungsgesellschaft

ppa. Th. Steiner

G. Wörl
Auditor

ppa. Th. Steiner
Auditor

Financial Calender

Annual Results Press Conference	March 28, 2013
Disclosure of quarterly report	May 15, 2013
Shareholder's meeting	June 20, 2013
Analyst conference	November 2013

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