DATA MODUL

Annual Report 2013

DATA MODUL

global

DATA MODUL is a leading international corporation in the area of display technology and a manufacturer of complete LCD flat panel displays for industrial and professional applications. The global DATA MODUL sales network encompasses the four main electronic markets: Europe, Middle East, Asia and North America. In total, more than 2,000 industrial customers are served by the corporation. In the reporting period, most of the foreign revenue was achieved in the U.S.A., France and the Middle East. Continuous growth over the next few years is particularly expected in Asia and the U.S.A.

Munich (headquarters) / Weikersheim, Germany (production and R&D center)

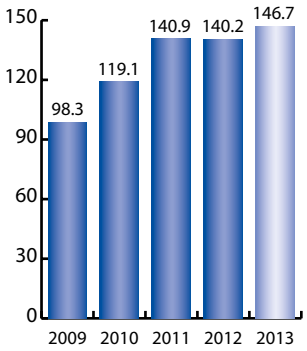
- Denmark, Kolding
- Germany, Hamburg / Duesseldorf
- Finland, Helsinki
- France, Paris
- United Kingdom, Birmingham
- Italy, Milan
- Switzerland, Zurich
- Singapore, Singapore
- Spain, Madrid
- USA, New York/ Portland/ Los Angeles
- U.A.E., Dubai

Investor-related figures

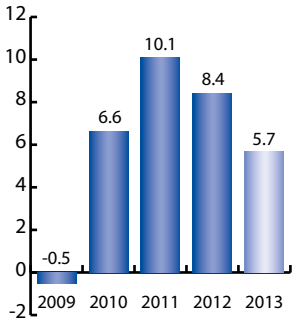
	IFRS				
Key parameter	**2013**	**2012**	**2011**	**2010**	**2009**
Dividend per share in euros*	0.60	0.60	0.60	0.40	Bonus shares
Earnings per share in euros	0.95	2.05	2.16	1.11	(0.65)
Cash flow per share in euros**	1.38	1.09	1.80	1.13	0.80
Equity per share in euros	12.11	11.85	11.04	9.24	8.95
Number of shares issued and outstanding at year's end	3,526,182	3,526,182	3,526,182	3,526,182	3,205,620
Stock price at year's end in euros	16.55	17.01	10.97	13.25	8.30
Highest stock price in euros	19.55	18.30	15.77	13.87	9.21
Lowest stock price in euros	12.70	10.76	10.38	8.29	5.70

* To be proposed at the Annual Shareholders' Meeting on May 17, 2013

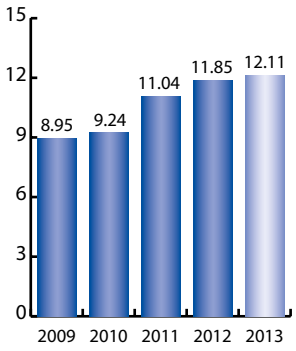
** Based on net cash flow from operating activities



Revenue (in MEUR)



EBIT (in MEUR)

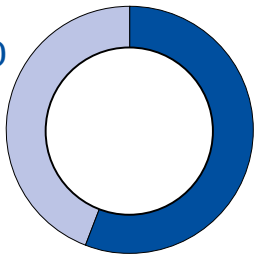


Equity per share (in EUR)

Revenue structure by Business Segment

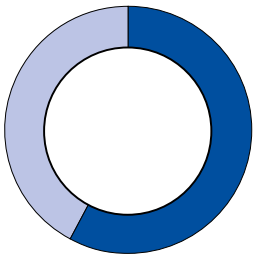
Revenue 2013 (in %)

Displays 56%
Systems 44%



EBIT 2013 (in %)

Displays 58%
Systems 42%



Corporate results according to IFRS
(in KEUR)

	2013	2012	2011	2010	2009
Revenue Group Total	146,706	140,245	140,870	119,083	98,287
Displays	82,802	77,966	85,225	73,576	61,174
Systems	63,904	62,279	55,645	45,507	37,113
EBITDA[1)]	7,797	10,181	12,070	8,684	1,727
EBITDA return on sales in %	5.3	7.3	8.6	7.3	1.8
EBIT[2)]	5,676	8,391	10,135	6,582	(522)
EBIT return on sales in %	3.9	6.0	7.2	5.5	(0.5)
Profit before income taxes	5,396	7,974	9,529	5,952	(1,091)
PBT return on sales in %	3.7	5.7	6.8	5.0	(1.1)
Net income	3,235	7,085	7,600	3,782	(2,099)
Shareholders' equity	42,689	41,774	38,918	32,573	28,705
Shareholders' equity ratio in %	50.9	56.2	55.6	50.7	50.6
Working capital[3)]	41,218	37,894	35,831	31,338	18,978
Cash flow[4)]	4,854	3,852	6,348	3,969	2,555
Capital expenditures[5)]	2,226	3,029	1,697	1,418	821
Employees (average for the year excl. trainees and interns)	333	315	296	276	285
Sales per employee (average for the year)	441	445	476	431	345
Dividend per share in euros	0.60 [6)]	0.60	0.60	0.40	Bonus shares

1) EBITDA: Earnings before interest, income taxes, depreciation and amortization.
2) EBIT: Earnings before interest and taxes.
3) Working Capital: Working capital is the difference between trade receivables including inventory, and accounts payable.
4) Cash flow: Cash flows from operating activities.
5) Capital expenditures: Capital expenditures in intangibles and property, plant and equipment.
6) To be proposed at the Annual Shareholders' Meeting on May 12, 2014

The financial statements of the DATA MODUL Group were prepared according to International Financial Reporting Standards (IFRS).
For computational purposes, the tables and notes may include deviations from exactly calculated amounts due to rounding.

Contents

Peter Hecktor CEO

Walter King CTO

Dr. Florian Pesahl CFO

Report of the Executive Board

Dear shareholders
and friends of our Company,

Viewing the world from a different angle can change one's perspective. This is not only true in our times – 2400 years ago the Greek philosopher Socrates was a firm believer of this principle. "Let him who would move the world first move himself" was one of his pearls of wisdom, referring to one's attitude to embracing change as the prerequisite for successful action.

In terms of DATA MODUL's business, this means that we have just finished a portentous and eventful fiscal year 2013 in which we broke new ground in many ways and implemented a number of measures from our strategy program "Fit for Future 2015". Making headway with the reorganization of our Company and setting the course for the future were just as important as continuing on our growth path and realigning DATA MODUL strategically.

During the past fiscal year 2013 we grew sales in our foreign markets considerably, thus reaching one of our most important goals: to reduce our dependency on domestic sales by increasing exports. The past fiscal year closed with a marked increase in profit from foreign trade. We will continue putting more emphasis on growing our presence abroad and will put our Company on an even stronger global footing in order to counteract the effects of weak domestic and European sales.

Other positive developments indicate clearly that the reorganization of DATA MODUL is well on its way and having effects even after completion of the restructuring program in the past fiscal year. We kept a strong focus on our priorities and reorganized our global sales network, consolidated our product portfolio even further and optimized our operating processes. We also reorganized and centralized our logistics and manufacturing facilities in our Weikersheim location.

Our achievements were therefore reflected in reaching all important targets and even surpassing slightly our forecast. For instance, our revenues increased by 5%, order entry rose by 3%, and we significantly surpassed the previous year's all-time high for order backlog, recording 89.6 million euros for this year.

Our past years' financial success grants us the necessary flexibility to continue investing into the future. In 2013, our research and development expenses increased to over 4.8 million euros and include in particular projects safeguarding our future. Our success factors are: investment, innovation and international orientation.

You as our shareholders will benefit too from our success in fiscal year 2013 and our excellent business prospects, as our dividend policy provides for distribution of approximately 60 percent of the Company's net income. Accordingly, at the upcoming Annual Shareholders' Meeting we will be proposing a dividend payout of 0.60 euros per share.

In 2013 we continued our success story, albeit in a very demanding and volatile environment, deliberately taking into account a transition year with declining earnings. Because we always act with the future in mind – even acting counter to current trends when

necessary. Once our course has been set, we are courageous enough to follow it through. DATA MODUL thus remains a company worth investing in.

We completed the first important milestone of our "Fit for Future 2015" strategy, reaching all intermediate targets. We kept the promises we made. Today, DATA MODUL is a much stronger company with global orientation and a more sustainable business than before implementation of our strategy. Thus, the company has been prepared for the next jump in sales expected by 2015. We anticipate sustainable value contributions resulting from measures to increase productivity related to our strategy program, and look forward to achieving the corresponding productivity gains in fiscal years 2014 and 2015.

Our key performance indicators for the year 2013 are the result of our mutual efforts. The past year's success is also due to our long-term planning, which we carried through in line with our strategy. Nevertheless, there are still many targets to be reached. To achieve all this, our employees' contributions and their high level of commitment are essential. On behalf of all the Executive Board, we wish to express our gratitude to all of you. Thanks are also due to our business partners, and to our customers in particular: Their trust in our capabilities is what guides us. Satisfied customers are the basis of our business success.

Constant change will continue to influence DATA MODUL's future. We are thus tackling head-on the ever-increasing changes in the market and associated opportunities, which will further propel us on our path to success. The foundations for our success are our highly desirable products. Digital processing of data has become an everyday part of professional and personal life. Today displays are used in all areas of life, be it mechanical engineering, medical devices, renewable energy resources, transportation, automation technology, households or the numerous areas where displays are used today. The use and operation of displays is a requirement in all these areas. Not only do we adapt to market conditions, we also set new trends by implementing custom solutions and developing our own products. We were thus able to further expand our strong market position during the reporting period.

We remain committed to our focus on our Display, Touch and Embedded technologies throughout the coming years. Only then will we be able to meet the growing demand for our display applications, and at the same time develop and implement new technologies for our customers. Satisfying our customers is our calling, and we strive to offer innovative products and services. This combined with our company tradition and our unique company culture has made us Europe's highest-volume seller of displays.

But we aspire to more than that, namely continued profitable growth of our business. We act responsibly, however, because we know we are part of a larger society. Our commitment to growth is reflected in the outlook for the current fiscal year, as we are targeting a 6% increase in revenues. We have prepared our company for future challenges, and are expecting sustainable added value from the productivity measures introduced over the past months. We are now looking forward to reaping the rewards of our work over the coming fiscal years. Our growth in international markets will again contribute considerably to our growth. However, further economic improvement in Europe, our core market, will be crucial.

Last but not least – on behalf of the entire Company we would like to express our sincere gratitude to you, our shareholders, for your interest in our Company, your attentive following of our activities, for your loyalty and for the trust you have extended us by virtue of owning a stake in DATA MODUL.

Munich, March 2014

Peter Hecktor CEO Dr. Florian Pesahl CFO Walter King CTO

Victoria Hecktor

Report of the

Supervisory Board

Dear Shareholders,

In the past fiscal year, the Supervisory Board fulfilled its duties pursuant to the statutes, the German Corporate Governance Code, the Company's Articles of Incorporation and the By-laws. We regularly advised and monitored the Executive Board's management of DATA MODUL and were consulted on all decisions of fundamental importance for the Company. The Executive Board informed the Supervisory Board regularly, promptly and comprehensively, verbally and in writing, on the Company' planning, the business situation, strategic developments and the current state of the Company, including risk management. Any deviations from the business plans were reported to us in detail. The Executive Board also discussed with us the strategic focus of the Company. Any business transactions of major importance to the Company were discussed in depth based on the Executive Board's reports. After extensive examination and consultation, the Supervisory Board approved the resolutions proposed by the Executive Board.

Focal points of the 2013 Supervisory Board Meetings

The Supervisory Board convened for four ordinary meetings held at regular quarterly intervals throughout the year. In addition, the Executive Board maintained continuous contact with all members of the Supervisory Board, apprising us of the current business situation and of important business transactions, developments and decisions.

Alongside detailed discussions of the key performance indicators for fiscal year 2012 and the external auditor's report on the findings of the audit of the financial statements, the Supervisory Board meeting held in March 2013 focused on the current market situation and its effects on the business of the DATA MODUL Group. Subsequently, the Supervisory Board approved the Consolidated Financial Statements and the Separate Financial Statements for DATA MODUL AG prepared by the Executive Board. Additionally, the agenda for the Annual Shareholders' Meeting was discussed and approved as well as the declaration of compliance with the Corporate Governance Code. It was decided to propose at the Annual Shareholders' Meeting a dividend payment of 0.60 euros per share. The Supervisory Board regularly reviews Executive Board remuneration policies and the appropriateness of overall remuneration in accordance with the German Act on the Appropriateness of Management Board Compensation (VorstAG). The Supervisory Board also reviews the efficiency of its activity utilizing a catalogue of questions. It was recorded that DATA MODUL AG has introduced a risk management system and that the monthly written report shall also include an update of its status. During the following meeting in May 2013, the results of ongoing business activities as well as the agenda and the procedures of the Annual Shareholders' Meeting were discussed in detail. The asset deal between DATA MODUL AG and Conrac GmbH was approved. The Supervisory Board also approved the termination of business activities of Conrac South Africa.

During the September 2013 meeting, the Supervisory Board discussed the current status of the operative business over the past months and the future outlook.

The Executive Board presented to the Supervisory Board the progress of renaming Conrac GmbH to Data Modul Weikersheim GmbH. Acquisition opportunities were discussed as well.
In the December 2013 meeting, the Executive Board reported on the current business situation, the financial position of the Group, the outlook for full-year results 2013 and growth potential through to the year 2016. The Supervisory Board approved the budget plan and the further implementation of the Executive Board's business strategies.

Corporate Governance Code

The Executive Board provides a report on Corporate Governance – including on behalf of the Supervisory Board – in accordance with Art. 3.10 of the German Corporate Governance Code on the DATA MODUL website http://www.data-modul.com in the Investor Relations section.
In March 2014 the Executive and Supervisory Boards issued an updated compliance statement in accordance with Section 161 of the German Stock Corporation Act (AktG), making this permanently available to the shareholders by publishing it on the Company website, including exceptions.

Comments on the Annual Audit of the Consolidated Financial Statements

Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Stuttgart, audited the accounts, the Financial Statements and the Management Report for 2013 and the Consolidated Financial Statements and Group Management Report for fiscal year 2013 which were prepared in accordance with International Financial Reporting Standards (IFRS), and issued an unqualified audit opinion. The independent auditors confirmed that the Consolidated Financial Statements and Group Management Report satisfy the conditions for the Group's exemption from obligation to prepare financial statements and a management report under German accounting rules, and that the Executive Board operates an efficient risk management system. The Supervisory Board acknowledged and approved the findings of the audit. The documents mentioned above and the report of the independent auditors were submitted to all members of the Supervisory Board and discussed in detail with the auditors. The Supervisory Board reviewed and approved the submitted documents and the profit appropriation proposal. The Separate Financial Statements for DATA MODUL AG prepared by the Executive Board and the Consolidated Financial Statements for the Group were approved by the Supervisory Board. The Supervisory Board approves the Management Report and the Group Management Report, and in particular the business outlook assessment. The Separate Financial Statements for DATA MODUL AG and the Consolidated Financial Statements are thereby adopted.
At the Annual Shareholders' Meeting the Supervisory Board will recommend that the external auditor Ernst & Young GmbH, Stuttgart, be appointed again as auditor for fiscal year 2014. Furthermore, the Supervisory Board agreed on the proposed resolutions for the agenda of the Annual Shareholders' Meeting to be held on May 12, 2014, and adopted this Report of the Supervisory Board.

Summary

Despite the crisis in Europe, DATA MODUL AG has successfully held its ground in our market segments. We, the members of the Supervisory Board, believe that the DATA MODUL AG Executive Board has set the right course for the continued success of our Company in a constantly changing world. We would like to express our particular thanks to all our employees, without whom the Company's many years of success would not have been possible.

On behalf of the Supervisory Board

Victoria Hecktor, Dipl.-Volkswirtin
Chairwoman of the Supervisory Board

Munich, March 2014


DATA MODUL
easy
TOUCH

Business Segment

Displays

DATA MODUL's philosophy as a reliable technology partner offering display and embedded solutions for industrial applications is based on the continuous development and refinement of its high-quality, pioneering, reliable and cost-effective solutions.
In order to provide our customers the best possible service we invested heavily in 2013 in infrastructure, production equipment and increased production capacity, as well as further staff training and qualification.
Some impressive examples include the expansion of our cleanroom facility, which plays a key role in the production of our easyTouch products, and investment in automated systems for our "Optical Bonded" products.

With the development and introduction of the Optical Bonding Technology at DATA MODUL we are now able to offer display solutions that meet the highest standards and specifications in terms of functionality, optical properties, and environmental and climatic conditions – all this from a single source.

Our broad customer base provides a solid and stable basis for continuing growth of this segment. We focus on the European markets, although Germany will always remain our primary market. Having set up our own sales companies in France, Spain, Italy, the UK, Switzerland and Scandinavia, as well as in the Middle and Far East and the U.S., DATA MODUL has opened up new markets and additional growth potential in these regions. DATA MODUL offers a comprehensive product portfolio of standard and custom solutions and extensive technological expertise in R&D and marketing, making us one of the most powerful players in the global market for flatbed displays. By continuously adding value and broadening our portfolio of electronic subassemblies, DATA MODUL is able to reinforce its market position and continue strengthening its leading position in the industry.

Investments ranging from metrology and production technologies to clean rooms are constantly adding to the DATA MODUL portfolio. Over the last 40 years, LCD display technology has become the standard in industrial applications. In recent years, a growing trend towards increasingly larger active color TFT displays has become evident, as these allow a much improved visual color presentation of information at a greatly reduced price. When combined with touch screens (easyTouch), display units are evolving from a mere visualization tool into an integrated control unit, thus being a man-machine interface.

The overall market is expected to continue to grow in 2014, influenced by investment activity in European markets. The innovative strength of the Group and the rapid development of product solutions for customers give us a distinct advantage over our competitors, and enable us to consolidate and expand our market leadership in the display technology sector.

German companies – including DATA MODUL – invested heavily in innovative technologies in 2013. In recent years, many companies have developed new products which were successfully marketed. DATA MODUL'S expenditures on R&D, product launches and development, including our extremely successful easyTouch product line, increased again in 2013.

German businesses are among the world's most innovative, particularly companies in the fields of electrical engineering, chemicals, IT, telecommunications, automotive, mechanical engineering and automation technology – which comprise DATA MODUL's main customer base.

BRAINLAB AG

Trapeze Switzerland GmbH

Business Segment

Systems

In the Systems business segment, we serve customers in manufacturing, medical device technology, automation technology, marine navigation, airports and railways. Applications range from passenger information systems at check-in counters to baggage claim in the arrivals hall and platform displays in railway stations. The Systems business segment also includes information system solutions for retail, point of sale, point of information, presentations and hotel information systems. In the future, large LCD displays will replace paper banners, electromechanical displays and projection systems in a variety of settings. The European market for these solutions is still in its fledgling stages, but is expected to grow exponentially.

Over a product lifespan of five years, intelligent solutions and technologies will lead to greatly reduced operating costs. Significantly lower energy consumption compared to other manufacturers' products offers environmental benefits as well. Our Company's innovative power will enable us to maintain our leading market position in this segment. Specialist display solutions for the medical devices industry are another key area within the Systems business segment. Our flatbed displays are particularly successful in magnetic resonance imaging (MRI) of human organs, in ophthalmology, where they are used in retina surgery, for example, in neurosurgery and in many other application areas. For marine/naval applications we provide custom flatbed displays for electronic nautical charts used in radar and navigation, which are integrated into a vessel's bridge instrument panel. Thanks to our large international competence teams, we have become one of the biggest providers in this very specialized sector, holding all important certifications.

Particularly in the Systems business segment, DATA MODUL has consistently built its reputation as an independent, marketing-driven high-tech systems consultant. Our focusing on growth industries and markets has worked as much to our advantage as our proven capability to deliver solutions (easyEmbedded, easyPanel, easyBoards) utilizing cutting edge technologies.
Our independent consulting is oriented around a product portfolio designed to provide complete system solutions – not just on whatever we can sell. Our customers, who face many pressures in international competition, benefit from a rapid transfer of know-how.
Our solution-oriented approach – that saves customers a huge amount of time and increases efficiency by reducing the number of external contacts – is effective, because we have been constantly adapting our portfolio of displays and electronic components technically and commercially for many decades, in order to meet changing market requirements.
Product solutions based on complete electronic subassemblies and intelligent system solutions in particular are becoming increasingly important. Innovative embedded computer technology solutions for industrial applications introduced in recent years have generated substantial project work. These new solutions are increasingly driving the development of new modular products and electronic subassemblies for the displays. The product portfolio also comprises embedded computer boards and modules for industrial use. Particularly in combination with our comprehensive range of displays, these highly integrated single-board computers offer additional growth potential and provide a foundation for rapid implementation of customized solutions.


DATA MODUL
DATA MODUL
RESISTIVE TOUCH PANEL
PROJECTED CAPACITIVE TOUCH PANEL

Our Employees

It was you, our staff members, who made it possible for the Group to continue on its growth trajectory while moving forward with our strategic realignment in fiscal year 2013. Our successes in these endeavors are primarily your achievement. Our employees played a very large role in systematically executing our strategy of optimally exploiting synergies within the Group, gaining market share and garnering customers' interest in our products and our business. We would thus like to express our thanks and appreciation for your outstanding achievements in an eventful fiscal year marked by change and restructuring in many areas.

Going forward, DATA MODUL will continue to rely on the dedication of highly qualified staff members in order to keep up our track record of success established throughout the past and move ahead with the "Fit for Future 2015" strategic agenda. Becoming more attractive as an employer is thus of key strategic importance. We have signed on qualified individuals to fill 25 newly created positions primarily in production and sales who will be contributing to solid business growth over the next few years. DATA MODUL rewards employees for their achievements through performance-based salaries and flex-time work hours. Another element of our strategy is ensuring that streamlined decision-making processes and flattened hierarchies are in place, affording flexibility. Our culture of teamwork and promoting good collegial relationships among our staff make the Company an attractive employer as well. Staff training sessions and seminars are offered on a wide range of topics so as to hone our collective knowledge.

We promote cultural diversity, currently employing individuals from more than 18 different countries, considering this to be a great asset to our business as part of an overall culture of respect of individuality in all its aspects. Our home office in Germany supports our international offices, enabling us to offer customers around the world solutions tailored to accommodate specific regional particularities, along with top service – this being the focus of our business activity. The growth of our foreign subsidiaries is impressive proof of our successful strategy of expanding our global sales network to become more internationally oriented.

Apprenticeships for motivated young people entering the workforce are another important part of our HR strategy, with 23 apprentices and 3 student interns on staff Group-wide as of December 31, 2013. It is thus natural that we sponsor select in-service study programs which our employees are encouraged to take advantage of for training and continuing education purposes.

This is in part why DATA MODUL has been successful for over 40 years now, and will remain a dependable partner to our customers, suppliers and employees in future .

Letter to our

Shareholders

Dear Shareholders,

We look back on quite a challenging year. Nevertheless, we managed to achieve the expected earnings despite the troubled global economy and further internal restructuring measures. The implementation of our revised strategy program has shown that we are on the right course for profitability and success.

DATA MODUL's focus is on sustainability. As a shareholder of DATA MODUL, you have invested in a listed company with years of trading experience. A business that is well-established in the growing and future-oriented display technology market, where we have held our ground for well over 40 years. DATA MODUL is on the road to success, which is reflected in the results of the past fiscal year. Once again, we increased spending on R&D in order to promote DATA MODUL's – and thereby our customers' – competitive standing. This investment is underpinning our mutual business success. Being on sound financial footing grants us the necessary flexibility to invest into the future. In 2013, our research and development expenses increased to over 4.8 million euros and include in particular projects safeguarding the Company's future.

Even though our earnings in the transitional year 2013 may have declined, investing in DATA MODUL remains attractive, because we deliberately took into account lower revenue levels, looking toward the future and even acting counter to current trends as necessary. Once our course has been set, we are courageous enough to follow it through. Thanks to our traditionally proactive financial policies, we have put our business on a very stable footing for the future. The financial health of the Group in combination with a very sound balance sheet constitutes a very solid foundation, even in today's turbulent times.

Our dividends are another indicator of trust and continuity. You, our shareholders, will benefit as well from our success in fiscal year 2013 and our excellent business prospects, as our dividend policy provides for distribution of approximately 60 percent of the Company's net income. Based on our policy of profit-based dividends that we have pursued in the past and will pursue in the future, and in view of the good prospects for 2014, the Executive Board and Supervisory Board will recommend at the Annual Shareholders' Meeting on May 12, 2014 that a cash dividend of 0.60 euros be disbursed. We will continue to pursue our extremely successful policy of paying profit-based dividends in order to maintain our company's liquidity and guarantee the future funding of research and development projects.

With regard to business results, DATA MODUL pursues an open communication policy, reporting in accordance with IFRS and maintaining constant contact with investors, shareholders and analysts. Regular road shows, analyst briefings and press releases by the Executive Board provide comprehensive opportunities to pass on information to the public.

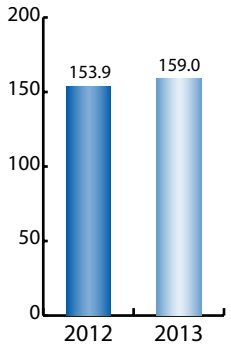
It is our intention that you should profit from the growth of our business, and we hope that you will continue supporting us. For DATA MODUL is a strong enterprise and we intend maintaining that status – for the benefit of our customers, suppliers, staff and particularly of you, our shareholders.

The Executive Board

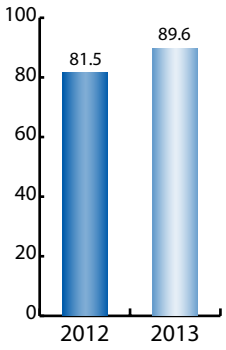
March 2014

Group Management Report for 2013

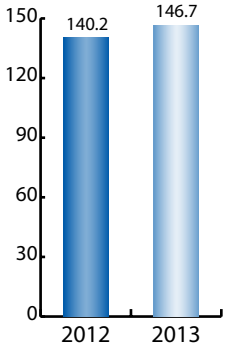
Order entry (in millions of euros)



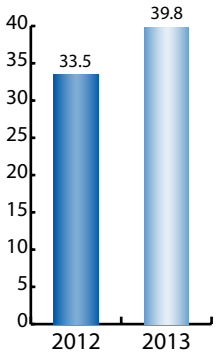
Order backlog (in millions of euros)



Revenues (in millions of euros)



Export quota (in %)



1. Basic principles of the Company

1.1 Business model

DATA MODUL AG, Produktion und Vertrieb von elektronischen Systemen, Munich, is, according to its own assessment, the European market leader in display technology. DATA MODUL develops, manufactures and distributes innovative flatbed displays, monitors, electronic subassemblies and complete information systems. DATA MODUL is organized into two business segments: Displays and Systems. The Displays business primarily involves the purchase and distribution of Data Modul displays, easyTouch displays, electronic subassemblies and custom products for use in industrial applications and the automotive industry in particular.
The Systems business segment comprises selling our easyPanel and easyEmbedded Solutions and special monitors for marine navigation and medical device applications, targeting customers in airport and railway operations and providing business solutions.

All of DATA MODUL's major markets have long-term growth potential, thus holding long-term growth prospects for the Group. We primarily serve customers in the mechanical engineering, medical device technology, automotive and gaming industries. DATA MODUL is thus influenced by the general economic environment and by developments in mechanical engineering, which is our primary industry. The Company is also impacted by changes in customer behavior, as order volume is steadily increasing in parallel with product complexity, so that orders turn into long-term projects more frequently. Due to such project business, this may sometimes lead to greatly fluctuating revenue figures.

The DATA MODUL Group maintains regional offices in Germany, Spain, Italy, Switzerland, France, the UK, Dubai, Singapore and the United States.

1.2 Control systems

DATA MODUL reflects the structure and philosophy of a classic small to medium-sized organization, yet has implemented additional processes and organizational directives which meet legal and other regulatory requirements of a publicly traded company. Management and controlling functions at DATA MODUL AG are structured in line with the German Stock Corporation Act, according to which company governance consists of three executive and supervisory bodies: shareholders, the Executive Board and the Supervisory Board. The Executive Board prepares monthly reports which are reviewed and monitored by the Supervisory Board, and thoroughly discussed at Supervisory Board meetings. In addition, the Executive Board meets on a regular basis to discuss current events and strategies. Monthly Executive Board reports organized by business segment (Displays and Systems) serve as a basis for corporate decision-making, this structure being reflected in the Consolidated Financial Statements as well. Key segment metrics employed are order entry, order backlog, revenue, EBIT and net income. EBIT margin and return on equity are the profitability KPIs. The Executive Board members are responsible for operational management.

1.3 Research and development

It is our goal to further strengthen our innovative capabilities. Our Company's success in the future highly depends on our ability to present to our customers new products and solutions that meet their ever-changing requirements. DATA MODUL's research and development expenses thus rose in fiscal year 2013 to 4.8 million euros (previous year: 3.1 million euros), a figure which includes 1.0 million euros in amortization of capitalized development costs (previous year: 0.7 million euros). The increase in expenses resulted from additional hiring and use of external service providers to take over partially completed projects for our Development department. As of the reporting date, R&D employed 58 staff members (previous year: 49). The R&D intensity metric (R&D costs/revenue) was 3.3% (previous year:2.2%).

In the fiscal year 2013, our R&D priorities were as follows:

1. Safeguarding the future
2. Enhancing technological competitiveness
3. Optimizing R&D resource allocation

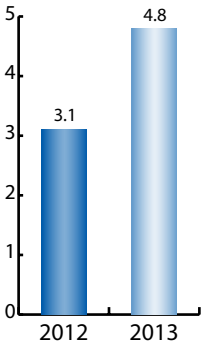
Investment was made primarily in control electronics, industrial applications and OEM products, as well as expansion of our R&D facility in Weikersheim. We have great expectations as well in our R&D projects concerning our Touch and Optical Bonding technology, and have activities underway in the area of Embedded systems. These comprised the main focus of our R&D efforts in the reporting period.

Our development projects are classified as either research, basic development or custom development. The R&D department focuses its activities on the next generation of products and solutions, and preparing these for successful market launch.

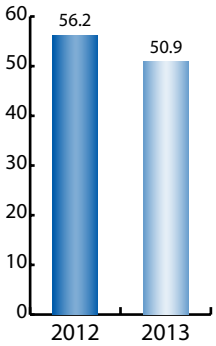
We capitalized basic development costs in the amount of 779 thousand euros, recognized as intangible assets (previous year: 1,343 thousand euros). This corresponds to an activation/R&D expense ratio of 16.1%). Amortization came to 972 thousand euros (previous year: 662 thousand euros), which reduced net earnings by 193 thousand euros (previous year: 681 thousand euros). Research expenses are not capitalized.

Developing new products and solutions is but one aspect of our ongoing optimization efforts. Continuous improvement in product quality is another key priority, as are resource-efficient production, avoiding and reducing waste and emissions.

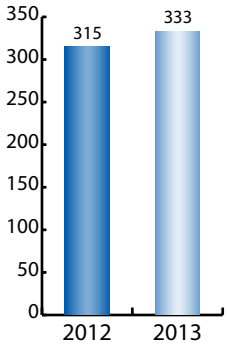
Expenditures for research and development (in millions of euros)



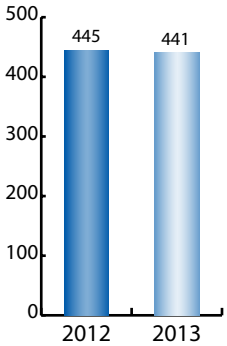
Shareholders' equity ratio (in %)



Employees (average for the year)



Sales per employee (average for the year) (in KEUR)



2. Economic report

2.1 Business performance

As predicted in 2012, 2013 was a year of transition for DATA MODUL, largely dominated by further implementation efforts connected with our „Fit for Future 2015“ strategy. The primary objectives in fiscal year 2013 were:

- Further increasing revenue
- Expansion and realignment of our sales network
- Increasing exports
- Greater concentration of our product portfolio
- Restructuring of DATA MODUL AG and CONRAC GmbH (reorganized as DATA MODUL WEIKERSHEIM GMBH)

Our progress is evident, as we achieved and slightly exceeded all of our targets.

Projections table	Projections for 2013	2013 Actual
Order entry	EUR 150.0 – 155.0 million	EUR 159.0 million
Revenue	EUR 140.0 – 145.0 million	EUR 146.7 million
EBIT	EUR 4.0 – 5.0 million	EUR 5.7 million

Order entry and revenues in Germany rose, while business in Italy, Spain, Switzerland and France fell short of our expectations. Our results were outstanding in the US and UK, however.

On October 1, 2013 the parent company DATA MODUL AG acquired substantial assets and liabilities from CONRAC GmbH in an asset deal. The latter was then renamed DATA MODUL WEIKERSHEIM GmbH, and now operates exclusively as a service company for DATA MODUL AG. There was no change to the group of consolidated companies or similar moves, the reorganization being done solely to optimize operational processes. Manufacturing and logistics capacity in Weikersheim were centralized as part of this internal restructuring, and operational processes substantially streamlined.

A significant one-time factor in 2013 was the implementation of restructuring in connection with the centralization of our manufacturing and logistics capacity in Weikersheim. We also had to write down one outstanding receivables claim from fiscal year 2008.

We thus finished fiscal year 2013 with a net profit of 3.2 million euros (previous year: 7.1 million euros).

Our prudent financial policies have put our business on a very stable footing for the future. The financial health of the Group, reflected in our very sound balance sheet, constitutes a solid foundation, even in tough economic times.

Dividends are another marker of confidence and continuity. In keeping with our dividend policy, which will remain in place going forward, the Executive Board and Supervisory Board will recommend distribution of a cash dividend in the amount of 0.60 euros at the Annual Shareholders‘ Meeting on May 12, 2014. We will continue pursuing our extremely successful policy of distributing profits through dividends while maintaining adequate liquidity to ensure our future ability to fund research and development. All shareholders thus participate in our business success at the same time as we strengthen the Company‘s financial basis, enabling further pursuit of our long-term corporate strategy.

We firmly believe that this will have a lasting positive influence on our business, as can already be seen in rising order entry and historically high order backlog. Considerable investment in R&D and enlargement of our sales staff have contributed as well to this situation.
We are pleased at our 2013 results, having met our ambitious intermediate targets; DATA MODUL Group is thus excellently positioned for continuing growth.

In summary, DATA MODUL has completed a transitional year in which the stage was properly set for future business. Barring another destabilization of the global economy, over the next two years DATA MODUL will be returning to the stable growth path the Company‘s business model is designed to realize. This means healthy, profitable single-digit growth.

2.2 Macroeconomic and industry-specific conditions

a) Macroeconomic conditions

The year 2013 was good for Germany overall. The country set a new employment record of 41.8 million for the year, although further declines in unemployment were not seen. The economically weak 2012/2013 winter season and uncertainties connected with the European debt crisis kept German economic growth to a muted 0.4% when compared to the previous year. Private consumption and exports were again key pillars of the German economy.

On the European level it was a mixed picture in 2013. Market anxiety over the financial and economic crisis ebbed over the course of the year; thus at year end leading indicators were signaling slight economic improvement for the eurozone. In the second quarter, the recession underway since late 2011 ended as the economy grew 0.3% versus the first quarter. For the year however, the eurozone recorded a 0.4% decline in real gross domestic product. Labor market troubles persisted, with unemployment throughout the eurozone stabilizing at an average 12% for the year – still far above the pre-crisis level of 8%. EU member states did make significant progress in 2013 in improving macroeconomic imbalances in such areas as competitiveness and unit labor costs.

The US economic recovery steadily gained momentum over the course of the year, yielding a GDP growth of 1.9%. Consumer spending picked up in the second half of the year, helping the economy recover, and the government shutdown in October had only a relatively minor impact on economic output in both the fourth quarter and for the full year. Economic growth remained significantly below the previous year's level of 2.8%, coming in at 1.9%. By the end of the year, unemployment rate had fallen to 6.7%, its lowest level in five years. There remained several factors of concern regarding the structural soundness of the American job market however which dampened enthusiasm. The statistics only included active job seekers, a number which has further declined; the number of Americans in the labor market too has further declined, to a level not seen since 1978.

The global financial and economic crisis has even caused growth engine China to stutter a bit, even though the country surpassed the US in 2013 as the world's largest trading nation. The world's second-largest economy recorded economic growth of 7.7%, exceeding the country's official target of 7.5%.

b) Industry-specific conditions

DATA MODUL's markets are highly fragmented and subject to great competitive pressure. However, the expansion of our R&D resources and the resulting improved flexibility allowing us to respond quickly to market changes and to customer requirements will give us an edge over our competitors. To this effect, and following Agenda 2012, we have developed our strategy program "Fit for Future 2015" that will be systematically implemented over the next two years.

In our core industries of machinery and industrial engineering we are strongly subjected to influences from the economic environment. German machinery and industrial engineering companies saw incoming orders increase slightly in 2013, domestic demand being stronger than foreign demand. The German automotive industry suffered from a 4.2% year-on-year decline in new car registrations, a downward trend continuing from 2012. Corporate capital expenditure rose slightly during the course of the year however, demonstrating confidence in the ongoing economic recovery.

2.3 Group business situation

a) Earnings

In fiscal year 2013, DATA MODUL Group received orders totaling 159.0 million euros (previous year: 153.9 million euros). Order backlog rose as a result to 89.6 million euros (previous year: 81.5 million euros).

Revenue increased in fiscal year 2013 as well to 146.7 million euros (previous year: 140.2 million euros). A strong second half of the year was key to this successful outcome, with growth stemming from Northern European countries in particular, and the completion of two major projects in the UK and the US.

A regional revenue breakdown is shown below.

Revenue analysis	2013	2012
Europe	EUR 134.8 million	EUR 129.7 million
USA	EUR 7.2 million	EUR 6.1 million
Asia/Pacific & Africa	EUR 3.7 million	EUR 3.7 million
Rest of World	EUR 1.0 million	EUR 0.7 million
Total	**EUR 146.7 million**	**EUR 140.2 million**
Export rate	39.8%	33.5%

Changes in key expense and income positions in fiscal year 2013 were as follows:

- Cost of sales rose to 115.7 million euros due to higher purchasing cost and expansion of production and services capacity (previous year: 108.3 million euros). The increase in purchasing costs and heightened competitive pressure in the displays market reduced gross margin to 21.1% (previous year: 22.8%). It must be noted however that the Company's strategic evolution into a system solutions provider delivers more value to customers, which will lead to wider gross margin in future. Expansion of the Systems business is more resource-intensive as well, and requires more production staff. One-time charges impacted cost of sales additionally.
- Research and development expenses climbed to 4.8 million euros, as compared to 3.1 million euros in the previous year. This increase resulted from continued expansion of the R&D department. Capitalizing development costs led to a net loss of 0.2 million euros (difference between capitalization and amortization in the fiscal year).
- Selling and general administration expenses were largely unchanged year-on-year at 20.4 million euros versus 20.4 million euros in 2012. Selling expenses accounted for 14.5 million euros of total expenses reported (previous year: 15.6 million euros), and general administration expenses were 5.9 million euros (previous year: 4.8 million euros). The decline in selling expenses was mainly due to lower expenses for revenue-related commissions and bonuses paid during the fiscal year, and lower trade fair-related expenses. The increase in general administration expenses resulted from a change in provisions for bad debts (809 thousand euros; previous year: -94 thousand euros). This includes net exchange losses of 481 thousand euros during the reporting period (previous year: 477 thousand euros).

The financial result improved due to the Group's timely efforts to secure refinancing, and totaled -280 thousand euros on December 31, 2013 (previous year: -417 thousand euros). The increase in the tax rate to 40.0% (previous year: 11.2%) was due to operating activities and recognition of tax provisions for an ongoing audit.

The Group achieved an EBIT (earnings before interest and taxes) of 5.7 million euros (previous year: 8.4 million euros). Return on sales thus came to 3.9% (previous year: 6.0%).

With revenue stable, special factors resulted in a net pre-tax profit of 5.4 million euros (previous year: 8.0 million euros).

While the modest overall economic decline in the first half of 2013 was somewhat to blame for lower earnings, one-time charges in connection with further restructuring efforts aimed at capturing synergies by integrating Conrac GmbH (DATA MODUL Weikersheim GmbH) weighed on earnings in the fiscal year ended. This integration will further optimize our logistics and production processes.

After tax effects, the pre-tax profit resulted in a net income for 2013 amounting to 3.2 million euros (previous year: 7.1 million euros). Earnings per share thus came to 0.95 euros for 2013 (based on a weighted average of 3,394,000 shares outstanding), as compared to 2.05 euros in 2012 (based on 3,460,889 shares outstanding).

Displays segment

Displays segment revenue rose to 82.8 million euros (previous year: 78.0 million euros). This 6.2% increase was in part the result of greater focus on our product portfolio. EBIT of 3.3 million euros was recorded (previous year: 4.3 million euros). The segment generated net income for the year of 1.9 million euros (previous year: 3.4 million euros). The Displays segment, which is the backbone of the Group's business, again recorded a substantial increase in order entry at 92.1 million euros (previous year: 78.9 million euros). Order backlog as of December 31, 2013 was 48.5 million euros (previous year: 41.8 million euros).

Systems segment

The Systems segment recorded another revenue increase of 2.6% up to 63.9 million euros (previous year: 62.3 million euros), for EBIT of 2.4 million euros (previous year: 4.1 million euros). Net income for the year thus came to 1.3 million euros (previous year: 3.7 million euros). Order entry declined 10.8% to 66.9 million euros (previous year: 75.0 million euros). As of December 31, 2013 order backlog was 41.1 million euros (previous year: 39.6 million euros). We thus view our decision to further expand the Systems business as the right move, and are optimistic about this business segment in fiscal year 2014.

b) Financial position

Capital structure

To the extent possible, DATA MODUL Group finances its operations from internal resources, supplemented by borrowings from financial institutions and trade credit when necessary. Currently, DATA MODUL Group generally uses natural hedges to protect its operations against potential currency fluctuation risks with respect to the US dollar, the Japanese yen and the British pound. However, should the need arise, we will use derivatives as well to hedge against interest rate risks. No hedging instruments were held at the reporting date.

The equity ratio was 50.9% (previous year : 56.2%), the debt ratio 49.1% (previous year: 43.8%). The table "Liabilities due to financial institutions" shows the Group debt broken down by maturity.

The Group's leverage ratio was 96.6% (previous year: 77.9%).

Debt consists primarily of

- 19.9 million euros (previous year: 14.7 million euros) in liabilities due to financial institutions. The maturities are as follows (in KEUR):

Liabilities due to financial institutions	< 1 year	1-5 years	> 5 years	Gesamt
EUR	19,034	850	0	19,884

- 10.9 million euros (previous year: 8.4 million euros) in trade accounts payable. The maturities are as follows (in KEUR):

Trade accounts payable	< 1 year
EUR	3,816
USD	6,178
JPY	869
Other	82
Grand total	**10,945**

- 2.2 million euros (previous year: 2.3 million euros) in guaranteed bills outstanding. The maturities are as follows (in KEUR):

Guaranteed bills outstanding	< 1 year	1-5 years	> 5 years	Total
EUR	64	888	1,092	2,044
AED (in euros)	114	0	15	129
Grand total	**178**	**888**	**1,107**	**2,173**

The Group acted in a timely manner in the past fiscal year to secure refinancing and additional financing for further growth. We thus extended our credit facilities as a means of rapidly ensuring adequate working capital financing, enabling us to take quick advantage of arising business opportunities. The Group companies have credit lines totaling 41.3 million euros at their combined disposal until further notice. As of the reporting date, 53.4% of these credit facilities had been utilized.

Accordingly, the Group does not face going-concern risks related to financing. Credit agreements with banks generally do not contain special covenants besides the usual quarterly reporting obligations. One bank however has stipulated that the Group meet a specific KPI indicator level (debt/equity leverage ratio up to 2.8 times the adjusted EBITDA for DATA MODUL Group) as part of a long-term financing agreement through to 2015. If this KPI level cannot be adhered to, the bank is entitled to demand additional collateral. In the event of a change of control, discussions are to be held with the lenders as to the further course of cooperation.

There were no special financing measures or financing projects in the reporting period.

Capital expenditure

In the past fiscal year, we adjusted our investing activities to better align them with our business results and strategic agenda. We invested in capacity expansion and streamlining operational processes to increase manufacturing productivity and promote innovation

and quality gains in our displays and services. We also invested in IT infrastructure, logistics and business equipment. In fiscal year 2013, we expended 2.2 million euros on capital investments (previous year: 3.0 million euros).

The most significant capital expenditures were

- additions to intangible assets in the amount of 802 thousand euros (previous year: 1,614 thousand euros).
- additions to property, plant and equipment in the amount of 1,424 thousand euros (previous year: 1,422 thousand euros).

A breakdown of capital expenditure by segment is provided below.

- Capital expenditure Displays segment 663 thousand euros (previous year: 1,021 thousand euros).
- Capital expenditure Systems segment 1,563 thousand euros (previous year: 2,008 thousand euros).

There were no significant capital expenditure commitments as of the reporting date.

Liquidity

Cash flows from operating activities as of the reporting date were at 4.9 million euros (previous year: 3.9 million euros).

Cash flows from financing activities at year end were 3.1 million euros (previous year: 0.3 million euros). Inflows derived from short-term borrowings. Dividends comprised in particular an outflow of 2.0 million euros (previous year: 2.1 million euros), and redemption of non-current financial liabilities in the amount of 3.9 million euros (previous year: -0.5 million euros).

At the end of the year, the Group held cash and cash equivalents totaling 15.3 million euros (previous year: 9.5 million euros). Net debt as of the reporting date declined to 3.7 million euros (previous year: 4.3 million euros). Cash is on hand to pay off all trade accounts payable.

The Group has not been rated by an external rating agency. In view of positive cash flows from operating activities and the credit lines available to us, we have not commissioned an agency to rate the Group's credit standing. Information from various reputable credit institutions available to DATA MODUL indicates that the Company enjoys a good credit rating.

c) Financial status

The balance sheet total increased by 9.6 million euros over previous year to 83.9 million euros (previous year: 74.3 million euros). The increase in assets is almost entirely the result of an increase in trade accounts receivable.

On the other side of the balance sheet, shareholders' equity and current liabilities increased. Current liabilities due to financial institutions increased to 19.0 million euros through scheduled borrowings (previous year: 9.9 million euros).

As of the reporting date, the DATA MODUL Group equity ratio was 50.9% (previous year: 56.2%).

2.4 Financial and non-financial performance metrics

a) Financial performance indicators

The table below shows the relevant financial performance indicators for the reporting year and for the previous year.

Financial performance indicators	2013	2012
Order entry	KEUR 158,999	KEUR 153,886
Order backlog	KEUR 89,639	KEUR 81,471
Revenue	KEUR 146,706	KEUR 140,245
EBIT	KEUR 5,676	KEUR 8,391
Net income	KEUR 3,235	KEUR 7,085
Return on equity	13.3%	19.6%
EBIT margin	3.9%	6.0%

b) Non-financial performance indicators

DATA MODUL believes that non-financial performance indicators such as employee interests, long-term customer relationships, environmental concerns, ISO certifications and our industry-specific characteristics are just as important as financial key indicators. One positive indicator in the area of employee interests, for example, is an average 10 years of service at DATA MODUL. This reflects our very special long-term working relationship with employees, which we actively foster through internal training seminars and continuing educational programs.

Our remuneration structure comprising fixed and variable salary components ensures that individual employees performance is fairly compensated. As a

result, we take pride in a high degree of employee satisfaction and correspondingly low fluctuation. As of December 31, 2013 DATA MODUL Group employed 344 staff, compared to 326 in the previous year. The average annual headcount increased by 6% to 333 staff (previous year: 315 staff). This change was in response to higher demand for our products necessitating an increase in sales staff and R&D activity. At its various subsidiaries the Group employed staff from over 18 nations. As in the previous fiscal year, we have again trained many young people. At the balance sheet date, the Group employed 23 trainees and interns. In the recruitment of new employees, we greatly benefit from the city of Munich's reputation as a preferred business location, which heightens our appeal as an employer.

Our long-term relationships with customers and suppliers add great value to the Company as well. Honesty and loyalty are of great importance to us with regard to both our staff and our customers, and as a result members of both these groups tend to stay with us for a long time. High product quality yields lasting customer satisfaction. Long-term supplier relationships in place since founding of the Company are another key aspect of our success.
In addition, our energy-efficient products contribute to protecting the environment. Environmentally-friendly disposal of our waste products and environmental audits for ISO certification are standard practices at DATA MODUL.
We continue to improve our processes and production technologies, taking regional conditions into account. Resource-friendly planning avoids wastage of materials, and efficient logistics eliminates unnecessary transportation. For our organization, business success and the environment are not mutually exclusive goals.

3. Subsequent events

We are not aware of any significant events occurring after fiscal year end which would have had a material influence or impact on the Company's financial position, financial performance and cash flows.

4. Forecast, risks and rewards

4.1. Risk report

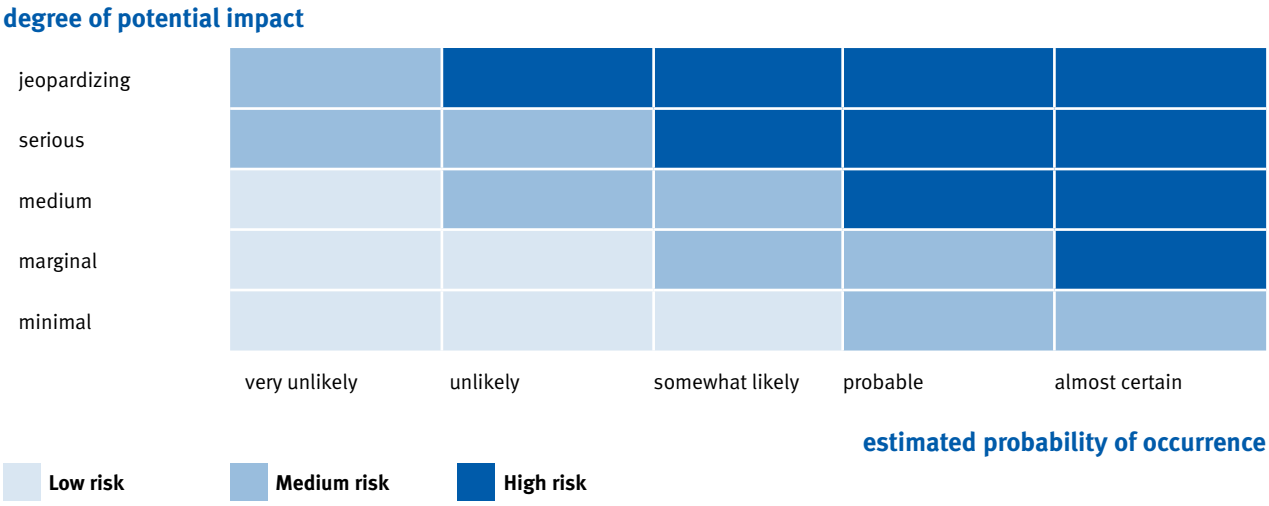
In fiscal year 2013, DATA MODUL continued to grow its core business. Global economic trends, exchange rate movements, increasing commodity and energy prices and uncertainties regarding customer ordering behavior constitute risks which may have a lasting impact on our business. We are aware of these risks and carefully monitor their impact on our business operations. As a multinational enterprise, DATA MODUL Group is exposed to a number of risks which are inextricably linked to our business activities. Efficient management of these risks is of key importance as they serve as an early warning system. In order to adapt to changes in our markets and address the challenges the Company faces we constantly upgrade our internal risk management systems in response to changing conditions.

Risk management system

Strategic principles
The DATA MODUL Group risk management system is intended to render transparent and manageable any known and new risks and rewards arising in the daily business operations of all Group companies. We view risk management as an ongoing process of recording, analyzing, and assessing whenever possible the complete spectrum of potential and actual developments, and managing these accordingly. Risk management is an integral part of our management system, allowing us to identify at an early stage any risks to the Company's growth or existence, and to contain potential business impact. These methods are not solely applied to risks, but also to identifying opportunities for DATA MODUL and exploiting these so as to enable sustainable growth and increase Company value.
To achieve this, all our employees and our decision makers in particular must be aware of any extent and potential risks to which the Company is exposed. A wide array of instruments are integrated into business processes to achieve this goal, which facilitate management on all tiers of the Group's hierarchy.

Organization and responsibilities
The DATA MODUL Executive Board bears overall responsibility for effective risk management; the Board defines the Company's risk-bearing capacity levels and decides on actions to be taken in response to particularly significant, core risks. It also updates the Supervisory Board regularly concerning the Company' risks exposure.
The risk management function is within the Group Controlling Department's scope of responsibilities, which

Risk classification matrix



ensures that risk management is an integral part of regular business management rather than a mere response to specific risks. It enables us to improve the identification of risks affecting the entire Group. The Group's Controlling Department coordinates risk management processes, assists responsible staff with all risk management aspects, defines risk thresholds, and is responsible for adequate reporting.
Each department and business segment has been assigned a risk manager charged with identifying, analyzing and monitoring risks within his/her area of responsibility. This individual initiates risk response measures and their implementation after consultation with Risk Control or the Executive Board.
Our risk management manual, available to all staff, outlines all relevant risk management components.

Risk identification

At the start of every year we begin the risk management process by identifying key risk factors and risk sources in the respective operational and functional risk areas, using suitable tools such as checklists and questionnaires. We involve the various departments in the risk inventory process so as to heighten risk awareness, which requires rendering emerging risks transparent. The goal is to identify risks before events occur causing damage to the Company.
Risks must be classified according to defined risk categories, and their cause, actual risk involved and impact on Company comprehensively and transparently documented. All risks are recorded in a risk catalog, analyzed and assessed.

Risk assessment and risk management

Risks are assessed with respect to their impact and likelihood of occurrence. The Group's key performance metrics for the current and future years serve as reference points. If quantitative risk assessment is not possible, a qualitative method is used to assess impact.

The table above shows both the measurement scale for the two assessment factors (degree of impact and probability of occurrence), and the resulting risk classification matrix.

Risk analysis results are presented within a risk portfolio.
A given risk is classified as "high", "medium" or "low" depending on the degree of potential impact on the Company's business operations, financial position, financial performance and cash flows, and its reputation as well as estimated probability of occurrence.
Depending on the risk perception and position, the Company introduces different risk strategies and specific counter-measures. A staff member is then charged with implementation of these measures.
Risk control measures are implemented based on our strategic risk principles.

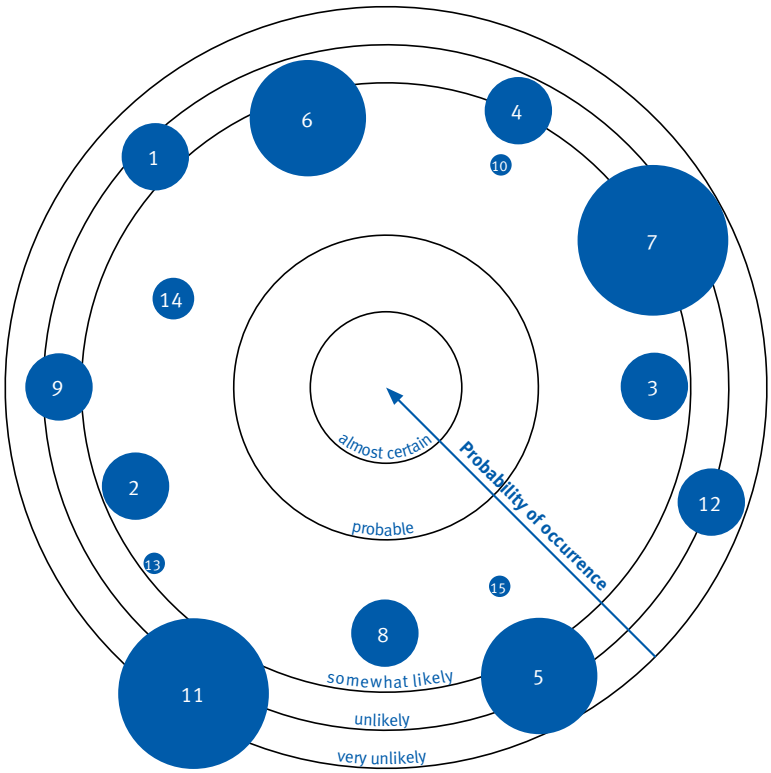
Risk monitoring and reporting

Risks are subject to constant change, thus they are continuously monitored by the risk owners and risk officers as to changes and to the adequacy and efficiency of the risk strategy currently in place.

Constant monitoring of proposed risk response measures and reporting on their status is an important risk control tool. A summary report on risk categories and sub-categories is always included in the monthly Executive Board report.
Continuous risk reporting provides Company management a view of the overall risk status. We thus prepare an annual risk report and discuss risks and rewards for DATA MODUL across all business segments in monthly, quarterly and year-end meetings.
Additional ad-hoc risk reporting ensures that the Executive Board is always up to date regarding any newly arising significant risks.
The following risks could have an adverse effect on our business, financial resources and/or earnings. These are not the only risks we are exposed to. Other risks not yet identified or considered minor could also have an impact on our business. We are not aware of any risks which could jeopardize the Group as a going concern.

Risk category	No.	Substantial risks
Strategic risks	1	Challenges to our business model
Market risks	2	Economic shifts
	3	Non-identification of technology trends
	4	Competitive risks
	5	Dependency on certain industries
	6	Supplier dependencies
Value chain risk	7	Product quality issues
Financial risks	8	Foreign currency risk
	9	Credit risk
	10	Interest rate risk
	11	Liquidity risk
IT-related risks	12	Data and business system availability
Legal risks	13	Compliance with statutory requirements
Personnel risks	14	Staff turnover
Other operational risks	15	Business disruption due to external causes

Risk chart

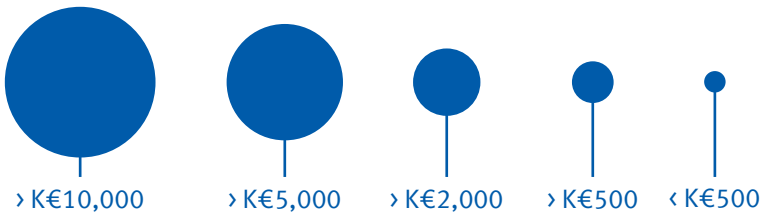


Explanatory notes:

Probability of occurrence

Very unlikely ‹ 10%
Unlikely ‹ 20%
Somewhat likely ‹ 60%
Probable ‹ 80%
Almost certain › 80%

Circle size = potential impact



a) Corporate strategy risk

Our business strategy is about growth. All decisions regarding capital expenditures and investments in companies are made on this basis. Our successful Embedded and Touch Systems segment, with which we entered the market just a few years ago, has become an integral part of our business. Corporate strategy risks may result from internal projects and strategic decisions which fail to meet expectations. In consequence, investments made may not pay off for example, or the decision to evolve into an end-to-end system solutions provider may prove inadvisable.

b) Market risks

General economic conditions and industry risks

Demand for DATA MODUL products is subject to a certain amount of cyclical fluctuation and volatility. In addition, demand rises and falls in line with the economic cycles in our primary markets, and could continue declining in future. Economic analysts forecast growth of up to 1.6% for the German economy in 2014. In recent years however, similar forecasts have been somewhat unreliable. The risk of the economic recovery faltering due to certain countries' high sovereign debt levels could have a negative impact on our business. Other negative effects of the crisis, including particularly those resulting from instable international currency markets, may also affect our business. Economic trends in Germany and the US, our key markets, are of particular significance to our business.

DATA MODUL primarily operates in markets characterized by a great deal of innovation and rapid technological change. Thus there is always a risk that the Company will not be able to adapt fast enough to new market trends or new technologies, and therefore lose market share to competitors. We maintain very close contact with leading display manufacturers and our customers in order to minimize this risk. Expanding our R&D resources has also laid a foundation for rapid response by adapting our products to market changes. It cannot be ruled out however, that the strategic decision to realign the Company as an end-to-end system solutions provider could prove wrong if the market trends we have counted on prove to be unprofitable or without growth potential. The loss of key customers to competitors poses another substantial risk to DATA MODUL's business.

Changes in legislation may affect sales in certain industries and target markets. DATA MODUL has been carefully monitoring and assessing the economic, political, legal and social environment in order to take account of any arising risks or opportunities in our decision-making processes at an early stage.

Procurement risks

The market for flatbed displays is dominated by a small number of manufacturers, almost all of which are based in Asia. Procurement risks could become manifest in times of high demand and product scarcity due to capacity bottlenecks, resulting in delayed deliveries to customers, cost increases and missed sales. We are countering these risks by means of 'second sourcing'.

Similar effects could also manifest from logistical risks associated with shipping merchandise from the East Asia to Europe. We contain this risk through proactive inventory management based on estimating demand and by choosing reliable suppliers and logistics providers upholding high safety and security standards.

However, demand and inventory service level risks remain, as well as technical inventory risks. The risk of declining prices is taken into account when valuing inventories, in accordance with our accounting rules. The average inventory service level was 92 days during the reporting period, as compared to 106 days in the previous year.

Competitive and price risks

We aim to be the innovation and technology leader in our markets. This and the fact that we operate in markets driven by innovation pose particular challenges regarding our product portfolio and services. The flatbed displays business is highly competitive. Additionally, it is normal for prices of some of our products to fall during their life cycle. The ability to develop and successfully market new products that meet the market's needs will be of ever-greater significance in the future. We address these challenges by intensifying our research and development efforts and striving to identify our customers' requirements early on and respond to their needs with appropriate products.

c) Value chain risks

DATA MODUL has increased vertical integration of production in order to add more value for customers. This involves product quality and customer satisfaction risks, however. Systematic quality assurance processes have thus been implemented which play a key role

in our value chain, enabling us to meet customers' expectations. Because of increased production capacity, general risks related to production processes may arise which could jeopardize our product supply.
Our QA department performs regular supplier audits, which are important for ensuring quality and reliable deliverability in our supply chain.
Because we concentrate on a small number of suppliers and have to maintain inventories, impairment losses may have to be recorded on inventories if customers postpone delivery or cancel orders. Our product marketing personnel contain such risks through active inventory management.

d) Financial risks

Interest and currency risks

The international orientation of our business entails a large number of cash flows in different currencies. Foreign currencies having the greatest significance for the Group are the US dollar and currencies pegged to the dollar, as well as the Japanese yen. The Group is exposed to risk from foreign exchange rate movements, thus hedging is an integral part of our risk management strategy. Natural hedges are predominantly used to hedge foreign currency purchases calculated in euros. Foreign exchange hedges are employed to secure our calculated margins, avoiding potential foreign exchange losses, which would increase the cost of purchased components. By nature, hedges also offer opportunities to realize exchange rate gains, but the Company does not enter into any speculative transactions involving foreign exchange derivatives, only employing derivatives to hedge underlying transactions.
The credit facilities available for financing our global business operations are in part subject to interest rate risks. We utilize interest rate swaps to contain such risks. Non-current debt is at fixed interest rates, thus these items are not subject to interest rate risk.

Liquidity and default risks

Currently, DATA MODUL Group has credit facilities totaling 41.3 million euros at its disposal. These credit facilities have been granted until further notice by various banks under bilateral agreements. Credit agreements with banks generally do not contain special covenants besides the usual quarterly reporting obligations. One bank however, has stipulated that the Group must meet a specific KPI indicator level (debt/equity leverage ratio up to 2.8 times the adjusted EBITDA for DATA MODUL Group) as part of a long-term financing agreement through 2015. If this KPI level cannot be adhered to, the bank is entitled to demand additional collateral.
It is very likely that these credit facilities will remain available to the Group in the amount required. Our Company's liquidity continued to improve in the fiscal year ended. The Group has not been exposed to liquidity risk, nor is currently exposed.

Default risk may arise should a contractual partner be unable to fulfill or delayed in fulfilling its obligations, causing financial losses to the contract counterparty. In order to contain bad debt risks we verify our customers' credit standing, and obtain trade credit insurance for trade accounts receivable. In some cases, precautionary/surety measures are agreed directly with the customer when deemed necessary. Days sales outstanding (DSO) was 47 days in 2013.

e) Information technology-related risks

These risks include unauthorized access to sensitive company data and information, and impaired system access resulting from service disruptions and disasters. Adequate approval processes, access profiles and technologies have been implemented to prevent such occurrences. Critical data files are backed up on a daily basis, and back-up files stored in external locations. In addition, we perform regular disaster recovery testing. In 2013, external attacks were successfully repelled by the security measures in place, so that these did not cause any disruptions to our business. In addition, our protective measures are tested by external experts to verify their effectiveness and efficiency. Our IT systems are continuously checked and improved to ensure the security and efficiency of our business processes on an ongoing basis. Furthermore, our employees are required to comply with our IT policies.

f) Legal risks

Being the quality leader gives us an edge over our competition, and it is our goal to retain and widen that edge. This requires us, however, to rapidly identify and fix any product weaknesses, an ability we enhance through constant innovation and quality improvement. We are liable to our customers for the quality of our products. Quality management and quality assurance are thus essential to minimizing this risk. Nevertheless, experience has shown that a

minor amount of risk remains. Legal disputes arise in connection with ordinary business activities, involving claims over improper product delivery or service provision, product liability, product defects, quality problems and title infringements. There is no guarantee that DATA MODUL's reputation will not suffer from these or other disputes. Defective products may lead to warranty claims against Group companies, or these companies may be held liable for damages. We have recorded provisions for warranty claims and legal disputes to the extent we believe such obligations are valid, and the amount of damages can be adequately assessed. Certain legal risks are covered by appropriate insurance policies which are commonly used in the industry.

g) Personnel-related risks

The success of DATA MODUL Group depends on our comprehensive skills and years of experience in the field, and on the high level of motivation and commitment our employees contribute. Our HR policy is thus about consistently acting upon our corporate mission statement of "Success based on competence and responsibility". The Group responds to increasingly fierce competition for highly qualified specialist and managerial staff and the related risks of loss of expertise due to staff fluctuation by offering attractive training and development opportunities as well as profit- and performance-based salary components and incentives. DATA MODUL's flat hierarchical structure, open communication policy and continuous knowledge-sharing promote employee satisfaction. We secure new talent for the Company by regularly providing apprenticeships for young people.

h) Other operative risks

DATA MODUL is exposed to external risks such as natural disasters, fires and accidents. Property damage may occur in the form of damage to the Group's buildings, production facilities or warehouses or those of our suppliers, as well as damage to goods in transit, potentially causing business disruptions. We contain these risks in various ways. For instance, we select reliable suppliers and logistics providers which uphold high safety and security standards. In addition to insurance coverage, we have also implemented emergency procedures to mitigate potential negative effects.

Internal controls and risk management with regard to Group financial accounting

Our internal control system comprises the standards, processes and measures introduced by Company management and aimed at organizational implementation of management decision-making to ensure

- efficient and cost effective operations (including asset safety and preventing and discovering pecuniary losses,
- correct and reliable internal and external financial accounting, and
- compliance with legal requirements applicable to the Company.

As part of the internal control and risk management system, DATA MODUL applies Group-wide controlling instruments and utilizes financial performance indicators. Target vs. actual comparisons of financial performance indicators are used principally to ascertain DATA MODUL's meeting of business. Project cost control and degree of deviation from planning are especially important performance indicators.
Performance indicators are checked versus quantitative and qualitative non-financial indicators.

DATA MODUL monitors these indicators as part of integrated project management and controlling. The DATA MODUL AG Executive Board receives periodic reports as well as ad-hoc reports, as necessary. In the reporting, all projects are thoroughly analyzed, taking into consideration the complete set of performance indicators.

DATA MODUL AG monitors the enterprise value of its investments in subsidiaries as part of the control and risk management system, relying on both qualitative and quantitative variables.

Accounts receivable are regularly reviewed to ascertain any impairment of value. The Company consults credit agencies to verify credit standing prior to the first-time customer delivery, and periodically thereafter. As soon as there is any indication of a change in a customer's credit standing, a new credit check is performed. Corresponding impairment losses are recorded as necessary.

DATA MODUL AG ensures the correctness of its financial accounting through use of the internal control system. This ensures that transactions are accounted for and processes executed promptly, uniformly, correctly

and completely, as well as the compliance with legal requirements. The internal control system is structured with measures of an organizational and technical content, such as coordination processes, automated plausibility checking, segregation of functions and compliance with policies and requirements.

The Executive Board bears overall responsibility for the internal control and risk management system with respect to the financial accounting processes of consolidated companies and to Group consolidated accounting processes. A strictly defined management and reporting structure regulates the inclusion of all companies, strategic business segments and departments in the consolidated financial statements.

The principles ruling organizational and operational structures as well as processes of the accounting-related internal control system and risk management have been stipulated in organizational directives and are valid throughout the Group. These directives are regularly updated to reflect current external and internal developments.

With respect to financial accounting processes of associated companies and the Group accounting processes, we consider those aspects of the internal control and risk management system to be of material importance that have a major impact on our business accounting and the overall view presented in the Consolidated Financial Statements and the Group Management Report. In particular, these are as follows:

- Identifying material risk and control areas relevant to Group financial accounting Financial accounting processes
- Monitoring of Group financial accounting processes and their results on the levels of the Group Executive Board, strategic business segments and Group companies included in consolidation
- Preventive control measures in Group finance and accounting and at the consolidated companies as well as operating, performance-related business processes, generating material information for inclusion in the consolidated financial statements including the Group management report, including segregating of functions and controlling of predefined approval processes in relevant areas
- Measures to ensure appropriate computerized processing of Group accounting-related issues and data
- Establishing an internal audit system, including regular visits to international and domestic subsidiaries with a view to monitoring the Group accounting-related internal control and risk management system.

4.2. Opportunities

Alongside risk factors, we also identify opportunities arising in the course of our business operations, which we analyze in order to take steps accordingly. The most significant opportunities are outlined below, prioritized by their current estimated magnitude for DATA MODUL. The opportunities outlined below are not necessarily the only ones perceived. Also, the estimated impact of these opportunities is subject to regular change due to the rapid developments constantly taking place within the Company and our markets as well as to technology in general. New opportunities may arise from such changes, and existing opportunities may become less or more pertinent. It is also possible that opportunities perceived today are never realized.

Economic environment and product portfolio.

We live in a world of fast information flows. Receiving, processing and responding to information from every corner of the world has become an important factor in everyday life. In the coming years, information will be increasingly communicated via displays. It is a world in which people's quality of life will be directly affected by technological progress. Our products are a meaningful, important contribution to that end, which is why we take care to offer the right products for each individual market.

Changes in general economic conditions present opportunities to DATA MODUL as well. In view of the overall improvement of the global economic situation, market research forecasts and increasing investment in modern communication media, we believe DATA MODUL will experience stable growth over the next two fiscal years (see forecast report).

We base these growth expectations on our heightened R&D efforts in the field of control electronics and in our industry-related business, in which we operate as OEM supplier of specially developed niche products. There is additional potential in the Embedded sector through our newly developed expertise in the field of touch and optical bonding technology. We have received some promising customer inquiries indicative of how much potential exists.

Another attractive growth opportunity lies in further globalization in order to gain exposure to the significant sales growth opportunities in emerging markets over the next several years. Expansion of our business activities in the US holds growth opportunities as well.

We believe that this will enhance our enterprise value in a sustainable way.

Acquisitions and competition

We look out for acquisition, investment and partnership opportunities which could help us consolidate on our technology leadership, tap market potential and further optimize our product portfolio, keeping our options open. We continue to observe the situation in our current markets with regard to opportunities for strategic partnerships and acquisitions augmenting our organic growth. Such activities can further our efforts to strengthen our position in our current markets, enter new markets and add select areas of technology to our portfolio.

The intense competition in the markets in which we operate constantly challenges us and our customers to strive for innovation. The DATA MODUL business model provides a good basis for realizing these business opportunities. However, the present market situation holds opportunities as well for gaining market share through weaker competitors exiting the market. Because our business units operate in different market and industry segments, DATA MODUL does not depend completely on any one industry.

Adding value

We could move our value-adding activities to low-cost countries to save cost. Transferring certain value-adding activities, such as procurement, production and maintenance to markets such as the BRIC countries or nations in the Near and Middle East would allow us to reduce costs and strengthen our global competitive standing, particularly with respect to competition from countries where cost structures are more favorable. Additionally, we are working to develop and implement cost-cutting initiatives, adjust capacity, improve processes and rebalance our portfolio constantly. In highly competitive markets, competitive cost structures enhance the competitive advantage of innovation capability. Starting in fiscal year 2014, we expect to reap lasting benefits from productivity raising measures connected with the “Fit for Future 2015” strategy program.

Nonetheless, uncertainties remain which could endanger any sustained improvement in business conditions (see: ‘Macroeconomic conditions’ and ‘Forecast’).

The Executive Board saw no individual risks which pose a going-concern threat to the DATA MODUL Group as of the reporting date, and does not foresee any arising in the near future, nor did risks in aggregate pose an evident going-concern threat to the DATA MODUL Group as of the reporting date.

4.3. Forecast

The statements made in the following regarding the future business results of DATA MODUL Group and assumptions regarding market and industry trends deemed material in relation thereto are based on opinions which we believe are realistic at this time given the information available. These assumptions and assessments are subject to uncertainty however, and involve an inevitable risk that developments may not occur as forecast, with regard to either trend direction or extent.

General economic conditions

The global economic situation in 2013 was greatly influenced by fiscal measures implemented by major central banks like the Fed, EZB, BoE and BoJ to stabilize the economy. The Fed started reducing its bond-buying in 2013, and is set to continue its course in 2014. Growth prospects for the manufacturing sector have brightened somewhat, with 3.7% global economic growth projected for 2014 versus 3.0% in 2013.

In Germany, private consumption will be an important factor for domestic growth in 2014, supported by the currently low interest levels. German exports will benefit from the gradually improving global economy, helping German gross domestic product grow by 1.6% year-on-year.

In addition to domestic political developments, decisions and developments on the European level will remain of foreground importance. The implications of the free trade agreement between EU and US will have a particularly significant influence over the next several years. The banking union will be another important stepping stone to European integration. The European Central Bank will thus start its supervision of the most import European banks from the middle of this year. The effects of the sovereign debt crisis and the resulting consolidation measures will continue slowing the economy in 2014, so economic growth of 1.0% is expected.

In the US, major political decisions will likely be made in 2014. Political debate in the coming Congressional elections this fall and the resulting fallout are expected to be less dramatic than in the last elections. The US economy is gradually recovering, a 2.8% growth rate being projected for 2014.

DATA MODUL outlook for 2014

The continuing sovereign debt crisis, possibly resulting in a banking crisis, poses another risk. This will drive up corporate borrowing costs and lead to more stringent equity ratio requirements. The spiral effect created by rising interest rates due to higher risk premiums and the related increase in net debt service will pose a major challenge for businesses in the years ahead. Because of DATA MODUL's high equity ratio, the Company will benefit due to wider margins in 2014 resulting from lower net debt service. DATA MODUL Group will benefit from the solid financial policies in place over the last several years.
The "Fit for Future 2015" strategy program will further strengthen DATA MODUL's global competitiveness. We aim for balanced growth in Europe and the US, with Germany naturally forming the backbone of the Group. The DATA MODUL Group will thus find growth opportunities in 2014 arising from the overall economic situation and from new products developed to market-readiness, despite fierce competition. We will nevertheless consequently pursue our strategic goals with a view to returning to the growth trajectory of previous years.
In consequence of our strategic development program, we will again be investing this year in our production and logistics center to further increase production capacity. Currently the Group has plans for a total 3.0 million euros in capital expenditure. Depending on the developments in fiscal year 2014, we will either invest the full amount or reserve part of the funds. We plan to finance these investments from operating cash flow and existing credit lines. In a move to further improve the Company's financial position, we aim to reduce working capital, freeing up substantial operating positive cash flow.

These projections are based on a number of assumptions, and particularly on our revenue estimates. A detailed, reliable forecast is not possible due to the inability to determine the extent to which stabilizing factors could compensate for uncertainties.
Because of the aforementioned risks and rewards, DATA MODUL's actual situation could differ from our projections either positively or negatively. Our projections are based on the following assumptions:

- German economic growth: +1.6%
- European economic growth: +1.0%
- US economic growth: +2.8%
- Global economic growth: +3.7%
- USD exchange rate unchanged versus JPY
- Operational start-up of additional machinery at our production facilities

Summary

In view of the favorable market environment, the Executive Board expects DATA MODUL Group to grow its profits. The productivity-raising measures implemented over the past two years are expected to add lasting value, boosting profitability.

The book-to-bill ratio however will remain well above 1, thus our revenue growth will be secure over the long term. Revenue is expected to fall within a range of 152 - 160 million euros for 2014, and we are aiming for an EBIT margin of 4%-6%. Both our business segments are expected to grow, although our highest expectations are for the Systems business. We have invested heavily over the past two years in touch and embedded technologies, which is reflected in increased R&D expenses, and is anticipated to enhance revenue and earnings for the segment.

Group objectives	Targets for 2014	Fiscal year 2013
Order entry	3 - 6%	EUR 159.0 million
Order backlog	6 - 9%	EUR 89.6 million
Increase in sales	4 - 9%	EUR 146.7 million
EBIT	10 - 30%	EUR 5.7 million
Net income	10 - 30%	EUR 3.2 million
Return on equity	2 - 4%	13.3%
EBIT margin	4 - 6%	3.9%

5. Remuneration report

The DATA MODUL AG Supervisory Board determines the overall remuneration packages for individual members of the Executive Board. It also reviews and makes decisions regarding the remuneration scheme for Executive Board members on a regular basis, as

well as the appropriateness of the overall remuneration of the individual Executive Board members, including all material contractual elements. The provisions of the Act on Appropriateness of Remuneration Paid to Executive Board Members of July 31, 2009 are taken into account when renewing Executive Board member contracts.

The remuneration packages of DATA MODUL AG Executive Board members are determined based on the size and the global activities of the company, its business and financial position, its prospects, and the amount and structure of remuneration packages of executives and directors of comparable companies in and outside Germany. In addition, the responsibilities, contributions and performance of the respective Executive Board member are taken into account. Our remuneration structure is designed to be competitive in the international market for highly qualified executives, and incentivizes hard work within a high-performance culture to successfully and sustainably grow the enterprise. DATA MODUL participates in comparative remuneration surveys of both the industry and of Prime Standard companies in general to ensure horizontal comparability of Executive Board remuneration. When determining Executive Board remuneration, pay scales and the remuneration scheme used throughout the DATA MODUL Group are taken into account as well for a vertical perspective.

Executive Board remuneration is performance-oriented. It comprises the following four components:

1. Fixed components (base salary plus fringe benefits)
2. Performance-based components (variable compensation linked to achieving set targets)
3. Share-based remuneration (SOP)
4. Pension commitments

Base salary, fringe benefits and pension are non-performance-linked components. Fixed remuneration is paid in equal monthly installments. Fringe benefits primarily consist of contributions to accident, life and health insurance and use of a business car. As Executive Board chairman, Mr. Hecktor also receives pension plan benefits. There are no pension commitments of any kind for other Executive Board members.

Performance-based variable remuneration in the form of an executive bonus depends on the attainment of certain targets set in individual employment contracts. The targets are based on Group EBIT. The executive bonus is staggered based on the degree of target attainment, with a minimum threshold and cap. The earnings target for fiscal year 2013 was adopted at the Supervisory Board meeting held in November 2012.

The table below shows the fixed and performance-based components for each individual Executive Board member paid for all their respective activities within the Group:

All figures are in thousands of euros	Peter Hecktor		Walter King		Dr. Florian Pesahl		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Basic salary	280	280	220	220	200	200	700	700
Fringe benefits	43	42	17	17	11	11	71	70
Total components not linked to performance	**323**	**322**	**237**	**237**	**211**	**211**	**771**	**770**
Executive bonus	200	200	87	87	87	87	374	374
Executive bonus – long-term incentive	0	0	43	43	43	43	86	86
Total performance-related components	**200**	**200**	**130**	**130**	**130**	**130**	**460**	**460**
Total remuneration	**523**	**522**	**367**	**367**	**341**	**341**	**1,231**	**1,230**

Mr. King's and Dr. Pesahl's executive bonus packages involve long-term incentives, according to which only two-thirds of accrued executive bonuses are to be paid out in 2013, the other third only being disbursable if the Company records further growth in the following year. Mr. Hecktor's executive bonus package does not contain a CSR component. Two other Executive Board members receive remuneration in the form of stock options granted as a long-term incentive. These are granted within the framework of the 2000 Stock Option Program outlined in detail under Point 8 of the Notes. The table below shows the stock option benefits of individual Executive Board members:

Stock option program 2000	Peter Hecktor		Walter King	
	2013	2012	2013	2012
Exercisable options per 12/31/2013	2,967	2,967	2,967	2,967
Options forfeited in 2013	0	3,015	0	3,015
Options exercised in 2005 and 2007	2,174	2,174	2,174	2,174

As of the reporting date, the Group had pension commitments for active and retired members of the Executive Board as shown in the table below, indicating annual contributions to the pension plan:

All figures are in thousands of euros (KEUR).	Peter Hecktor		Walter Eichner	
Pensions	2013	2012	2013	2012
Provisions recorded as of the reporting date	211	205	241	240
Allocations to pension accruals	25	77	24	67
Pensions paid	19	19	23	22

In fiscal years 2012 and 2013, Executive Board members did not receive any loans or any similar benefits. Nor did they receive any remuneration for offices held at other Group companies.

There are no contractual agreements in place with Executive Board members governing early termination of Board duties without due cause, or severance caps. The Supervisory Board believes this would be inappropriate due to the fact that Executive Board members usually do not have any control over a decision to terminate agreements without due cause. Executive Board members' contracts contain provisions governing termination of employment in the event of a change of control. If an Executive Board member leaves the Company as a result of a change of control, that member is entitled to full salary for the remainder of his/her contract term.

Supervisory Board remuneration

The amount of remuneration paid to Supervisory Board members is commensurate with the size of the company, the members' tasks and the responsibilities, and the Company's financial position and business outlook. The relevant provisions are set forth under Art. 8 of the Company's Articles of Incorporation. These provide that Supervisory Board members receive a fixed annual fee payable after the fiscal year has ended. This fee is 20,000 euros p.a.; the chairman receives twice this amount, and the deputy chairman receives 1.5 times this amount. The Company does not pay any fees for attending Supervisory Board meetings. Remuneration paid to individual Supervisory Board members is outlined below.

All figures in KEUR	Victoria Hecktor		Tony Tsoi Tong Hoo		Petra Ollhoff		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Annual remuneration	40	40	30	30	20	20	90	90
Other compensation	0	0	0	0	0	0	0	0
Grand total	**40**	**40**	**30**	**30**	**20**	**20**	**90**	**90**

Supervisory Board members are reimbursed for expenses incurred in connection with performing their office, and for any VAT charged on their remuneration. The Company does not grant loans to Supervisory Board members. DATA MODUL AG provides D&O insurance for certain Group board members. The insurance is taken out or renewed annually. The insurance covers personal liability in cases of pecuniary loss claims brought against directors/officers in connection with the performing of their duties. The policy for the fiscal year 2013 stipulates a deductible for Executive Board members in line with the German Stock Corporation Law and German Corporate Governance Code.ration Law and the German Corporate Governance Code.

6. Control of capital

a) Subscribed capital

DATA MODUL AG has capital stock amounting to 10,578,546 euros, and was listed as a technology firm on the Prime Standard in March 2003. Capital stock comprises 3,526,182 no-par bearer shares. Each share represents 3.00 euros of subscribed capital.
At the balance sheet date, DATA MODUL held 132,182 treasury shares (3.75% of former subscribed capital), and the number of shares outstanding as of December 31, 2013 was 3,394,000.

b) Shareholders

The largest single shareholder is Varitronix Investment Limited, Hong Kong, holding a 19.99% stake; its voting rights are held by Varitronix International Ltd., which controls the Hong Kong-based company. Another significant individual shareholder is Mr. Peter Hecktor, who holds 321,767 or 9.13% of Company shares. In total, the Hecktor family holds 14.22% of shares (including shares held by Mr. Peter Hecktor). The next-largest individual shareholder is Mr. Ludwig Lehmann, who notified us on September 14, 2009 that his shareholdings in DATA MODUL AG exceeded the 5% threshold on September 7, 2009 at 5.01% (176,807 votes) on that date. The Company is not aware of any other individual shareholders holding more than 3% of Company shares.

c) Voting rights restrictions

The Executive Board is not aware of any restrictions on the transfer of shares such as rights of first refusal or lock-up clauses. Likewise, there are no restrictions on voting rights or controls, and no shareholders hold special rights of any kind.

Statutory provisions are observed when appointing and replacing members of the Executive Board. Changes in Executive Board composition are made in accordance with Secs. 84, 85 German Stock Corporation Law (AktG); changes to the Articles of Incorporation are made in accordance with Secs. 133, 179 German Stock Corporation Law.

The authority of the Executive Board with respect to the issuance and acquisition of new shares is as follows:

Authorized capital

Pursuant to a shareholder resolution, the Executive Board is authorized – subject to Supervisory Board approval – to increase the Company's capital stock by a total amount of 5,289 thousand euros (authorized capital) through the issuance of no-par bearer shares to be sold for cash or exchanged for non-cash assets , one or more times through the date May 10, 2015. The Executive Board is also authorized – subject to Supervisory Board approval – to exclude existing shareholders' subscription rights to shares issued from authorized capital up to 2,645 thousand euros in amount if the shares are issued for non-cash assets. The Executive Board is furthermore authorized – subject to Supervisory Board approval – to exclude existing shareholders' subscription rights to shares issued from authorized capital up to 1,057 thousand euros in amount if the new shares are sold for cash at a price not substantially below market price, or if the shares are issued to acquire or invest in companies. The increase in authorized capital was recorded in the German commercial register (Handelsregister) on May 18, 2010.

Contingent capital

The Executive Board is further authorized to increase capital stock by up to 754 thousand euros in total through the issuance of up to 251,196 no-par bearer shares in conjunction with the stock option program approved by shareholders. Shares issued in conjunction with the stock option program are dividend-entitled from the first day of the fiscal year in which the options are exercised. In 2005, 1,580 options were exercised, and the contingent capital was reduced by 5 thousand euros. In 2007, another 9,640 options were exercised, and contingent capital reduced by 29 thousand euros. No options were exercised in the years 2008 to 2013.

Stock buybacks to treasury

Per resolution at the Annual Shareholders' Meeting on May 11, 2010, DATA MODUL AG is authorized to buy back stock to treasury. Stock buybacks may be made during the period from May 11, 2010 through May 10, 2015 in the amount of 10% of capital stock. Treasury stock may not be traded. Stock is purchased to treasury via the stock exchange, a public purchase offer open to all shareholders or a public invitation to tender an offer.

7. Corporate governance declaration

Sec. 289a German Commercial Code (HGB) mandates a corporate governance declaration. This declaration is made available to the public on the Company website www.data-modul.com in the Investor Relations section.

Munich, February 27, 2014

Peter Hecktor, Chief Executive Officer
Dr. Florian Pesahl, Chief Financial Officer
Walter King, Chief Operating Officer

Consolidated Statement of Financial Position – IFRS as of December 31, 2013

ASSETS	Notes	IFRS	
		12/31/2013	12/31/2012
Non-current assets			
Goodwill	[8]	2,419	2,419
Intangible assets	[8]	2,545	2,994
Property, plant and equipment	[8]	8,954	8,402
Other non-current assets	[9]	308	1,415
Deferred tax assets	[6]	478	882
Total non-current assets		**14,704**	**16,112**
Current assets			
Inventories	[10]	29,811	30,434
Trade accounts receivable, net of allowance for doubtful accounts (2013: 254; 2012: 357)	[11]	22,352	15,847
Other current assets	[11]	1,782	2,413
Cash and cash equivalents	[12]	15,287	9,517
Total current assets		**69,232**	**58,211**
Total assets		**83,936**	**74,323**

All figures in KEUR

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	IFRS	
		12/31/2013	12/31/2012
Shareholders' equity			
Capital stock no-par-value bearer shares (authorized: KEUR 5,289); contingent: KEUR 754; shares issued and outstanding: 3,394,000 in 2013 and in 2012)	[13]	10,182	10,182
Capital reserves	[13]	22,446	22,446
Retained earnings	[13]	11,745	10,649
Other reserves	[13]	(1,675)	(1,503)
Total shareholders' equity		**42,698**	**41,774**
Non-current liabilities			
Pension and non-current personnel liabilities	[14]	1,504	1,592
Non-current borrowings	[15]	850	4,783
Non-current provisions	[16]	520	0
Deferred tax liabilities	[6]	0	758
Total non-current liabilities		**2,874**	**7,133**
Current liabilities			
Trade accounts payable		10,945	8,387
Taxes payable	[18]	1,913	521
Current provisions	[16]	862	2,063
Current borrowings	[17]	18,101	9,033
Current portion of non-current borrowings	[15]	933	933
Other current liabilities	[18]	5,610	4,479
Total current liabilities		**38,364**	**25,416**
Total liabilities		**41,238**	**32,549**
Total liabilities and shareholders‘ equity		**83,936**	**74,323**

All figures in KEUR

Consolidated Statement of Income – IFRS

	Notes	IFRS	
		2013	2012
Revenues	[1]	146,706	140,245
Cost of sales	[2]	(115,739)	(*) (108,318)
Gross margin		**30,967**	**31,927**
Research and development expenses	[3]	(4,850)	(3,137)
Selling, general and administrative expenses	[4]	(20,441)	(*) (**) (20,399)
Earnings before interest and taxes (EBIT)		**5,676**	**8,391**
Interest income	[5]	45	28
Interest expense	[5]	(325)	(445)
Earnings before taxes		**5,396**	**7,974**
Income tax expense	[6]	(2,161)	(889)
Net income		**3,235**	**7,085**
Earnings per share – basic	[7]	0.95	2.05
Earnings per share – diluted	[7]	0.95	2.05
Weighted average of shares outstanding – basic		3,394,000	3,460,889
Weighted average of shares outstanding – diluted		3,394,000	3,460,889

All figures in thousand euros (KEUR) except earnings per share and weighted average of shares outstanding.

(*) Reclassification of various expenses: please refer to the Notes, section [2], cost of sales, and section [4], selling, general and administrative expenses.

(**) Retrospective application of revised IAS 19: please refer to the Notes, section [14], Pensions and non-current personnel obligations, and chapter 2 of the Notes.

Consolidated Statement of Cash Flow – IFRS

	IFRS	
	2013	2012
Cash flows from operating activities		
Net income	3,235	7,085
Non-cash expenses and income		
Income tax expense	2,499	963
Amortization of capitalized development costs	972	662
Amortization of other intangible assets and depreciation of fixed assets	1,149	1,127
Provisions for bad debts	884	(250)
Deferred taxes	(354)	(74)
Gain from disposals of fixed assets	2	0
Changes in non-current accrued liabilities	663	513
Net interest	280	417
Other non-cash expenses and income	2,396	3,175
Changes in operating assets and liabilities		
Trade accounts receivable	(7,345)	2,126
Inventories	624	(3,296)
Trade accounts payable	2,596	(623)
Current provisions	(1,546)	231
Other assets and liabilities	514	(5,395)
Income taxes paid	(1,445)	(2,455)
Interest received	2	59
Interest paid	(272)	(413)
Cash flows from operating activities	**4,854**	**3,852**
Cash flows from investing activities		
Proceeds from disposals of fixed assets	3	14
Proceeds from disposals of subsidiaries	6	0
Loss from disposals of subsidiaries	(15)	0
Outflows from capitalized development costs	(779)	(1,354)
Capital expenditures on other intangible and fixed assets	(1,447)	(1,675)
Cash flows from investing activities	**(2,232)**	**(3,015)**
Cash flows from financing activities		
Increase in short-term borrowings	9,068	3,814
Repayment of non-current borrowings	(3,933)	0
Increase in non-current borrowings	0	458
Acquisition of treasury shares	0	(1,883)
Dividend to shareholders	(2,036)	(2,100)
Other financing activities	(2)	0
Cash flows from financing activities	**3,097**	**289**
Effects of exchange rate changes on cash and cash equivalents	51	(35)
Net increase in cash and cash equivalents	**5,770**	**1,091**
Cash and cash equivalents at beginning of period	9,517	8,426
Cash and cash equivalents at end of period	**15,287**	**9,517**

Consolidated Statement of Changes in Equity per IFRS

	Capital Stock		Capital reserves	Retained earnings	Other reserves	Total
	No. of shares	Amount				
Balance as of 1/1/2012	3,526,182	10,579	22,440	7,389	(1,490)	38,918
Net income				7,085		7,085
Dividend				(2,100)		(2,100)
Treasury shares	132,182	(397)		(1,486)		(1,883)
Transfers to capital reserves			6	(6)		
Other comprehensive income (*)				(232)		(232)
Foreign currency translation adjustments				(1)	(13)	(14)
Balance as of 12/31/2012	3,394,000	10,182	22,446	10,649	(1,503)	41,774
Balance as of 1/1/2013	3,394,000	10,182	22,446	10,649	(1,503)	41,774
Net income				3,235		3,235
Dividend				(2,037)		(2,037)
Other comprehensive income				(102)		(102)
Foreign currency translation adjustments					(172)	(172)
Balance as of 12/31/2013	**3,394,000**	**10,182**	**22,446**	**11,745**	**(1,675)**	**42,698**

All figures in KEUR, except number of shares

(*) Retrospektive Anwendung IAS 19 rev., vgl. Anhangangabe [14] Pensions- und langfristige Personalverpflichtungen sowie Kapitel 2 des Konzernanhangs

Consolidated Statement of Comprehensive Income

	2013	2012
	KEUR	KEUR
Consolidated net income for the period	3,235	7,085
Other comprehensive income		
Other comprehensive income to be reclassified and reported in profit or loss in subsequent reporting periods		
Adjustments from currency translation of foreign subsidiary results	(172)	(14)
Other comprehensive income not to be reclassified and reported in profit or loss in subsequent reporting periods		
Actuarial gains/losses	(102)	(232)
Comprehensive income after tax	2,961	6,839

All figures in KEUR

Notes to the 2013 Consolidated Financial Statements

1. Description of Business

DATA MODUL AG, Produktion und Vertrieb von elektronischen Systemen, Munich, is, according to its own assessment, the European market leader in display technology. DATA MODUL develops, manufactures and distributes innovative flatbed displays, monitors, electronic subassemblies and complete information systems. DATA MODUL displays and easyTouch displays, electronic subassemblies and custom products for use in industrial applications and the automotive industry comprise the Displays business segment.
Our easyPanel and easyEmbedded Solutions and specialized monitors for use in marine navigation and medical technology, and customers in the fields of airports, railways and general business comprise the Systems business segment.

The Company's main business address is Landsbergerstrasse 322, 80687 Munich, Germany. The Consolidated Financial Statements as of December 31, 2013 were prepared by the Executive Board in February 2014 and approved and authorized for public disclosure on March 24, 2014.

2. Summary of Significant Accounting Policies

Basis and methods

The object of the Consolidated Financial Statements is DATA MODUL AG, having its registered office in Munich, as well as its subsidiaries.
The Consolidated Financial Statements were prepared in accordance with International Financial Reporting Standards (IFRS) outlined by the International Accounting Standards Board (IASB), as adopted by the EU, and in accordance with Sec. 315a (1) German Commercial Code (Handelsgesetzbuch [HGB]) and applicable provisions of German commercial law. Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) have been taken into account.
The Consolidated Financial Statements of DATA MODUL AG were prepared in accordance with standard accounting policies pursuant to IFRS 10 (Consolidated financial statements) and IAS 27 (Separate financial statements).
The recognition and measurement methods we applied did not significantly change versus the previous year, except where changes in IFRS accounting procedures required application on and after January 1, 2013.

The Consolidated Financial Statements consist of the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of cash flows, the statement of changes in equity, the statement of comprehensive income, and the Notes. The disclosures in the Notes include the Company's segment reporting. The Consolidated Financial Statements are prepared in euros (EUR). For presentation purposes, the euro amounts are rounded to thousands of euros (KEUR). For computation purposes, the tables and notes may include deviations from the accurately calculated amounts due to rounding. The fiscal year corresponds to the calendar year. The Consolidated Financial Statements are published in the German Federal Gazette (BAnz).
The income statement was prepared using the cost-of-sales method.
On the income statement and balance sheet, certain items are combined for clarification purposes; explanatory comments are provided in the Notes. A distinction is made on the balance sheet between current and non-current assets and liabilities in accordance with IAS 1 (Presentation of Financial Statements). Equity, provisions and liabilities are classified as current if they are realizable or fall due within one year.

Adoption of new accounting standards

The Group complied with the following changes or new amendments of IFRS standards and interpretations in fiscal year 2013, if they are applied Group-wide in general.

	Adopted by IASB/ IFRIC	Applicable as of
Mandatory first-time application as of 12/31/2013 (endorsed by the EU)		
Revised IFRS 1 – Drastic hyperinflation and elimination of fixed data for first-time adopters	December 2010	1/1/2013
Revised IFRS 1 – Government loans	March 2012	1/1/2013
Revised IFRS 7 – Disclosures: Offsetting of financial assets and financial liabilities	December 2011	1/1/2013
IFRS 13 – Fair Value Measurement	June 2011	1/1/2013
Revised IAS 1 – Presentation of items of other comprehensive income	June 2011	7/1/2012
Revised IAS 12 – Deferred taxes: Realization of underlying assets	December 2010	1/1/2013
IAS 19 – Employee Benefits (amended in 2011)	June 2011	1/1/2013
Improvements to IFRS (2009 - 2011)	May 2012	1/1/2013
IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine	October 2011	1/1/2013

Revised IFRS 1 – Drastic hyperinflation and elimination of fixed data for first-time adopters

The revised IFRS 1 was published in December 2010 and is to be applied for the first time in fiscal years beginning on or after January 1, 2013. The amendment replaces references to a fixed date for derecognition of financial assets and liabilities and for recognition of profit or loss as per IFRS 1 with the date of transition to IFRS reporting. The amendment gives guidance as well on how a company should resume presenting its financial statements in accordance with IFRS after a period of being unable to comply fully with IFRS because its functional currency was subject to severe hyperinflation.

This new amendment is currently not applicable to the Group, and therefore has no impact on its financial position, financial performance and cash flows.

Revised IFRS 1 – Government loans

The amended IFRS 1 was published in March 2012 and is to be applied for the first time in fiscal years beginning on or after January 1, 2013. This change defines the recognition of a government loan granted at a below-market interest rate, and allows first-time adopters to carry such a loan at its existing carrying amount if it was obtained prior to the date of transition. This new amendment is currently not applicable to the Group as there are no relevant activities, and thus it has no impact on the Group's financial position, financial performance and cash flows.

Revised IFRS 7 – Offsetting of Financial Assets and Financial Liabilities

The revised IFRS 7 was published in December 2011 and is to be applied for the first time in fiscal years beginning on or after January 1, 2013. This change is intended to eliminate inconsistencies by supplementing the application guidelines. However, the existing basic provisions on offsetting financial instruments are retained. The change also defines required supplemental information.

This amendment does not affect the Group's applicable accounting policies.

IFRS 13 – Fair Value Measurement

IFRS 13 was published in May 2011 and is to be applied for the first time in fiscal years beginning on or after January 1, 2013. This standard regulates the

principles of fair value measurement and defines comprehensive quantitative and qualitative disclosures on the measurement of fair value. Not included in the regulatory scope of the standard however is the question as to when assets and liabilities must be or can be measured at fair value. IFRS 13 defines fair value as the price that a party would receive in a normal transaction between market participants on the day the measurement is performed for an asset sale or for an assignment of a liability.

Although this new regulation is applicable to the Group, it has no significant impact on its financial position, financial performance and cash flows.

Revised IAS 1 – Presentation of items of other comprehensive income

The revised IAS 1 was published in June 2011 and is to be applied for the first time in fiscal years beginning on or after July 1, 2012. The revised IAS 1 defines the presentation of other comprehensive income items. Items to be reclassified through profit or loss in future ('recycling') are to be recorded separately from items remaining in equity.

These changes affect only the presentation method in the annual statements, and therefore have no effect on the Group's financial position, financial performance and cash flows.

Revised IAS 12 – Deferred taxes: Realization of underlying assets

The revised IAS 12 was published in December 2010 and is to be applied for the first time in the fiscal years beginning on or after January 1, 2013. The revised IAS 12 introduces a simplification rule. Accordingly, an assumption is made (which may be refuted) as a rule that realizable book value through sale applies for measuring deferred taxes on real estate measured at fair value. Property, plant and equipment that is not subject to depreciation and is measured using the revaluation method are always to be assumed to be sellable.

As expected, application of this revised standard did not have any impact on the Group's financial position, financial performance and cash flows.

IAS 19 – Employee Benefits (amended in 2011)

The revised IAS 19 was published in June 2011 and is to be applied for the first time in fiscal years beginning on or after January 1, 2013. The revisions undertaken range from basic changes, such as the determination of expected proceeds from plan assets and elimination of the corridor method, which served to distribute or even out over time volatility resulting from pension obligations, to simple clarifications, new definitions and new and changed disclosures in the Notes. The standard requires retrospective application.

Elimination of the corridor method is not applicable to the Group, and therefore has no impact. We took into account the impact of the other revisions introduced in IAS 19 and recorded the effects correspondingly. The effects on the Annual Financial Statement 2013 and the comparative period are as follows:

Income Statement	12/31/2013	12/31/2012
	KEUR	KEUR
Selling and general administration expenses	119	232
Earnings before interest and taxes (EBIT)	119	232
Earnings before taxes	119	232
Income tax expense	-17	0
Net income	102	232
Earnings per share – basic	0.03	0.07
Earnings per share – diluted	0.03	0.07

Consolidated Statement of Comprehensive Income	12/31/2013	12/31/2012
	KEUR	KEUR
Consolidated net income for the period	102	232
Other comprehensive income		
Actuarial gains/losses after tax	-102	-232
Comprehensive income after tax	0	0

The transition did not affect shareholders' equity reported in the statements of financial position. Cash flows from operating activities were also not affected.

Improvements to IFRS (2009 - 2011)

The improvements to IFRS published in 2009 - 2011 have been compiled as an omnibus standard published in May 2012, containing amendments to various IFRS to be applied for fiscal years beginning on or after January 1, 2013.

- IFRS 1: Clarifies that a company which has concluded its business reporting in accordance with IFRS and decides or is obligated to continue its reporting under IFRS has the option of re-applying IFRS 1. If a company does not re-apply IFRS 1, it has to revise its annual statements retrospectively in such a way as if it had never ceased to comply with IFRS;
- IAS 1: Clarifies the difference between voluntary additional comparative information and mandatory comparative information which usually includes the previous reporting period;
- IAS 16: Clarifies that essential spare parts and servicing equipment classified as property, plant and equipment are not to be treated as inventory.
- IAS 32: Clarifies that income tax on distributions to holders of equity capital instruments are treated as per IAS 12 (Income taxes);
- IAS 34: Provisions for harmonization of the reporting of segment assets and segment liabilities as well as for harmonization of interim reporting and annual reporting.

Although this new regulation is applicable to the Group, it has no impact on its the financial position, financial performance and cash flows.

Recently published accounting standards

The IASB published the following standards and interpretations which have already been adopted by the EU in the comitology process, but were not yet required for application in fiscal year 2013. The Group does not apply these standards and interpretations voluntarily prior to their becoming mandatory.

	Adopted by IASB/ IFRIC	Applicable as of
Voluntary first-time application permitted as of December 31, 2013 (endorsed by the EU)		
IFRS 10 – Consolidated financial statements	May 2011	1/1/2014
IFRS 11 – Joint arrangements	May 2011	1/1/2014
IFRS 12 – Disclosures of interests in other entities	May 2011	1/1/2014
IAS 27 – Separate financial statements (revised 2011)	May 2011	1/1/2014
IAS 28 – Investments in associates and joint ventures (revised 2011)	May 2011	1/1/2014
Revised IAS 32 – Offsetting of financial assets and financial liabilities	December 2011	1/1/2014
IAS 36 – Disclosures on recoverable amounts for non-financial assets	May 2013	1/1/2014
IAS 39 – Novation of derivatives and continuation of hedge accounting	June 2013	1/1/2014
Revised IFRS 10, IFRS 11 and IAS 12 – Transitional provisions	June 2012	1/1/2014
Changes to IFRS 10, IFRS 12 and IAS 27 – Investment entities	October 2012	1/1/2014

IFRS 10 – Consolidated financial statements

IFRS 10 was published in May 2011 and is to be applied for the first time in fiscal years beginning on or after January 1, 2014. The new standard replaces the previous IAS 27 – Consolidated and separate financial statements – on consolidated accounting, and the Interpretation SIC-12 – Consolidation – Special purpose entities. IFRS establishes a uniform controlling concept applicable for all companies including special purpose entities. In addition, the revised interim guidelines for IFRS 10-12 were published in June 2012, which are intended to help with the first-time application of the new standards.

IFRS 11 – Joint arrangements

IFRS 11 was published in May 2011 and is to be applied for the first time in fiscal years beginning on or after January 1, 2014. This standard replaces IAS 31 Interests in joint ventures and the Interpretation SIC-13 Jointly controlled entities – Non-monetary contributions by venturers. IFRS 11 eliminates the option of proportionate consolidation for joint venture companies. Going forward, these companies are to be included in the consolidated financial statements at-equity only.

IFRS 12 – Disclosures of interests in other entities

IFRS 12 was published in May 2011 and is to be applied for the first time in fiscal years beginning on or after January 1, 2014. The standard uniformly regulates the disclosure requirements for group accounting and consolidates disclosures on subsidiaries which previously were regulated under IAS 27, disclosures on jointly controlled and associated entities which previously were regulated under IAS 31 or IAS 28, and disclosures on structured entities.
As the new standard stipulates additional new disclosure requirements, future Group disclosures regarding these entities will be more comprehensive.

IAS 27 – Separate financial statements (revised 2011)

The revised IAS 27 was published in May 2011 and is to be applied for the first time in fiscal years beginning on or after January 1, 2014. With the publication of IFRS 10 and IFRS 12, the scope of application of IAS 27 was limited to accounting for investments in subsidiaries, jointly controlled entities and associated entities in a company's separate financial statements.

IAS 28 – Investments in associates and joint ventures (revised 2011)

The revised IAS 28 was published in May 2011 and is to be applied for the first time in fiscal years beginning on or after January 1, 2014. After adoption of IFRS 11 and IFRS 12, the regulatory scope of IAS 28 was extended to require application of the equity method not only for associated companies but for joint ventures as well.

Revised IAS 32 – Offsetting of financial assets and financial liabilities

The revised IAS 32 and IFRS 7 were published in December 2011 and are to be applied for the first time in fiscal years beginning on or after January 1, 2014 and January 1, 2013, respectively. This change is intended to eliminate inconsistencies by supplementing the application guidelines. However, the existing basic provisions on offsetting financial instruments are retained. The change also defines required supplemental information.
The amendment will not affect Group accounting policies, but will require additional disclosures.

Revised IAS 36 – Disclosures on recoverable amounts for non-financial assets

The revised IAS 36 was published in May 2013 and is to be applied for the first time in fiscal years beginning on or after January 1, 2014. This change is intended to eliminate undesirable effects to disclosure requirements resulting from adoption of IFRS 13. It also requires disclosures on recoverable amounts for assets and cash-generating units which required value adjustments or reversals during the reporting period. The change applies retrospectively. Early application is permissible.
This revision only requires additional disclosures or disclosure changes, and has no impact on the Group's financial position, financial performance and cash flows.

Revised IAS 39 – Novation of derivatives and continuation of hedge accounting

The revised IAS 39 and IFRS 9 were published in June 2013 and are to be applied for the first time in fiscal years beginning on or after January 1, 2014. Under certain circumstances, this revision provides for continuation of hedge accounting in instances where

derivatives classified as hedges are transferred to a central clearing house (novation) due to statutory or regulatory requirements. The change applies retrospectively. Early application is permissible.

Changes to IFRS 10, IFRS 12 and IAS 27 – Investment entities

The revised IFRS 10 and IAS 27 were published in October 2012, and are to be applied for the first time in fiscal years beginning on or after January 1, 2014. Early application is permissible. This new regulation provides that 'investment entities' are exempt from the consolidation rules as per IFRS 10, and that all subsidiaries controlled by them are to be measured at fair value through profit or loss. Exempt are investments in subsidiaries which provide services to the investment entity which are still to be consolidated as per IFRS 10. Parent companies of investment entities which are not themselves classified as investment entities thus have to include in their consolidated financial statements all companies which are controlled by an investment entity. An investment entity is defined as an entity which obtains funds from investors for the purpose of providing those investors with investment management services for generating returns from capital appreciation, investment income, or both.

The following standards will not be applied prior to their becoming mandatory:

Not endorsed by the EU – Application date unknown	Published by IASB/IFRIC	Applicable as of
IFRS 9 – Financial Instruments: Classification and measurement	2009 and 2010	1/1/2015
Revised IFRS 7 and IFRS 9 – Disclosures: Time periods for application and transitional provisions	December 2011	1/1/2015
IFRS 9 – Financial Instruments: Hedge accounting	November 2013	1/1/2013
IAS 19 – Employee contributions	November 2013	7/1/2014
Improvements to IFRS (2010 - 2012)	December 2013	Various
Improvements to IFRS (2011 - 2013)	December 2013	7/1/2014
IFRIC 21 – Levies	May 2013	1/1/2014

IFRS 9 – Financial Instruments: Classification and measurement

The first part of Phase I in preparation of IFRS 9 Financial Instruments was published in November 2009. The standard includes revised provisions regarding the classification and measurement of financial assets. Accordingly, debt instruments are to be carried either at amortized cost or at fair value through profit or loss, regardless of their respective characteristics, and taking into account the business model. Equity instruments must always be carried at fair value. Fluctuations in the value of equity instruments however may be recorded in other comprehensive income due to the instrument-related elective option which may be exercised when the financial instrument is acquired. In such case only certain dividend income from equity instruments would be recorded in profit or loss. Exempt are financial assets held for trading

which must be measured at fair value through profit or loss. The IASB completed the second part of Phase I of the project in October 2010. The standard was thus supplemented with rules on financial liabilities, prescribing that existing classification and measurement standards for financial liabilities are to be retained with the following exceptions: Effects resulting from changes in a company's own credit risk from financial liabilities classified as measured at fair value through profit or loss are to be recorded in equity, and derivative liabilities on unlisted equity instruments may no longer be recorded at cost. IFRS 9 is to be applied for the first time in fiscal years beginning on or following January 1, 2015.

Application of the first part of Phase I will affect the classification and measurement of the Group's financial assets. The second part of this project phase is not expected to have a major impact on the Group's financial position, financial performance and cash flows. The third phase of the project completed in November 2013 concerns hedge accounting. In order to present a comprehensive view of the potential effects, the Group will not quantify these effects until the other phases have been completed and their results published.

IFRS 9 – Financial Instruments: Hedge accounting

The publication of hedge accounting regulations in November 2013 marked another step in the IASB's project work to further develop the new IFRS 9 Financial instruments. This standard includes supplementary rules and changes to the existing published version of IFRS 9, and formulates new requirements which concern in particular the designation of instruments and risks respectively, effectiveness requirements, hedge adjustments and derecognition and, to a certain extent, hedge accounting. This standard replaces the interpretation IFRIC 9 Reassessment of embedded derivatives, and provides for changes to a number of existing standards such as IFRS 7 regulating the disclosure requirements for financial instruments as well as the requirements of the IFRS 9 versions published in 2009 and 2010. This standard formulates extensive transition rules, and has been available for application from the publishing date, but IFRS 9 must be applied in its entirety to do so.

Revised IAS 19 – Employee contributions

The revised IAS 19 was published in November 2013 and is to be applied for the first time in fiscal years beginning on or after July 1, 2014. This revision regulates the recording of contributions by employees or third parties to defined benefit plans as reducing service costs for services performed in the reporting period in question. The change applies retrospectively. Early application is permissible.

Improvements to IFRS (2010 - 2012)

The Improvements to the IFRS published in 2010 - 2012 have been compiled as an omnibus standard and published in December 2013. It contains amendments to various IFRS, most of which are to be applied in fiscal years beginning on or after 7/1/2014. The Group has not yet applied the following revised standards:

- IFRS 2: Clarifies the definition of vesting conditions and in particular definitions of service and performance conditions;
- IFRS 3: Clarifies the classification and measurement of contingent consideration in relation to joint ventures. Accordingly, classification of an obligation to pay contingent consideration as a liability or as equity is solely determined based on IAS 32.11. A contingent consideration item is to be measured at fair value and the resulting changes recognized in profit or loss;
- IFRS 8: Requirements for the aggregation of operating segments and reconciliation of total segment assets with the entity's assets;
- IFRS 13: Clarifies the effects of the amended IFRS 9 on the measurement of short-term receivables and payables;
- IAS 16: Amendments to the treatment of accumulated depreciation under the revaluation method.
- IAS 24: Clarifies that external entities providing key planning, managerial and supervisory services (external key management personnel services) to a company are to be treated by the reporting company as a 'related party' in accordance with IAS 24, and includes an exemption rule for disclosures of compensation paid for these management services by an external management entity to its own employees.
- IAS 38: Amendments to the treatment of accumulated depreciation under the revaluation method.

Improvements to IFRS (2011 - 2013)

The Improvements to the IFRS published in 2011 - 2013 have been compiled as an omnibus standard and published in December 2013. This contains amendments to various IFRS which are mandatory and are to be applied for fiscal years beginning on or after 7/1/2014. The Group has not yet applied the following revised standards:

- IFRS 1: Clarifies which versions of the standards and interpretations are mandatory and which versions are optional for first-time IFRS adopters.
- IFRS 3: Clarifies the exclusion of the formation of joint arrangements from the scope of IFRS 3.
- IFRS 13: Clarifies the scope of application of the portfolio exception as per IFRS 13.48 ff.
- IAS 40: Clarifies the scope of IFRS 3 and IAS 40 regarding classification of real estate as investment property or owner-occupied property.

IFRIC 21 – Levies

The IASB published the IFRIC Interpretation 21 in May 2013. This interpretation provides that a company operating in a particular market has to recognize a liability for a levy imposed by the competent authority at the time the business transaction triggering the levy occurs. The interpretation also clarifies that a levy which is dependent for example on reaching a certain minimum transaction volume may only be classified as a liability once the volume reaches the threshold concerned. This Interpretation is to be applied for the first time in fiscal years beginning on or after January 1, 2014. Early application is permissible.

Application of this provision will become mandatory, if it is adopted by the EU. The Group currently analyzes the effects of the amended and new provisions.

It is not yet possible to predict the future impact on our financial position, financial performance and cash flows.

3. Consolidation

Consolidation standards

The Consolidated Financial Statements comprise the separate financial statements of DATA MODUL AG and its subsidiaries as of December 31, 2013, prepared using the recognition and measurement methods applied uniformly throughout the Group. Subsidiaries whose finance and business policies DATA MODUL AG is capable of directly or indirectly influencing to derive benefit from their activities are fully consolidated. Companies are deconsolidated when the subsidiary is no longer controlled by the parent company.

Investments in subsidiaries controlled by DATA MODUL AG are consolidated by way of offsetting cost against the pro rata equity of the subsidiary at the time of initial consolidation. Any difference between fair value and carrying amount resulting from such offsetting is attributed to the identifiable assets and liabilities, as well as contingent liabilities. Any value exceeding the fair-value cost of acquired assets and assumed liabilities is recognized as goodwill. Any negative difference resulting from the acquisition price being lower than the fair values of the identifiable net assets is recognized through profit or loss in the fiscal year in which consolidation occurred.

All inter-company balances, income and expenses, as well as unrealized gains and losses and dividends from inter-company transactions are fully eliminated.

Foreign currency translation

The Consolidated Financial Statements are prepared in euros, the functional currency of the parent company. The functional currency of foreign entities is determined by the primary economic environment in which these entities independently operate with respect to financial, economic and organizational considerations, and in which they predominantly earn and use their cash and cash equivalents. In the DATA MODUL Group, the functional currency of every subsidiary is the local currency. The financial statement items of every subsidiary are recorded in the functional currency. Foreign currency transactions are first translated into the functional currency applying the transaction rate. Monetary foreign currency assets and liabilities are translated into the functional currency applying the spot rate at the balance sheet date. Exchange gains or losses resulting from this currency translation are recorded in profit or loss under sales, general and administrative expenses.

Foreign currency exchange losses were recognized on the income statement in the amounts of 481 thousand euros and 477 thousand euros for fiscal years 2013 and 2012 respectively.

Assets, including goodwill, and liabilities of subsidiaries whose functional currency is not the euro are translated into euros applying the exchange rate at the reporting date; income statement items are translated applying annual average rates.

Any differences arising from the translation of the income statement at annual average exchange rates and of the balance sheet at closing rates, and any difference resulting from the translation of assets and liabilities versus translation in the previous year, are recorded under equity as other comprehensive income in "Other reserves", with no effect on the income statement. The exchange gains or losses resulting from currency translation of equity at historical rates, or at the reporting date rates in the scope of capital consolidation, were also recorded in "Other reserves". These accumulated translation differences are recorded in profit or loss at the date on which the Group company ceases to be part of the Group.
Exchange rate trends for the major currencies included in the Consolidated Financial Statements as related to the euro are as follows:

Foreign currency translation				
Currency exchange rate	12/31/2013 Balance sheet	12/31/2013 Income Statement	12/31/2012 Balance sheet	12/31/2012 Income Statement
EUR / USD	1.3768	1.3301	1.3176	1.2926
EUR / GBP	0.8328	0.8503	0.8175	0.8116
EUR / SGD	1.7391	1.6668	1.6119	1.6074
EUR / AED	5.0563	4.8846	4.8400	4.7484
EUR / ZAR	14.4965	12.9934	11.2223	10.5721
EUR / JPY	144.5000	130.1308	113.4400	103.4825
EUR / CHF	1.2269	1.2290	1.2084	1.2043

Scope of consolidation

Pursuant to IFRS 10, the separate financial statements of DATA MODUL AG as well as the separate financial statements of all subsidiaries over which DATA MODUL AG has control are to be consolidated.

The Consolidated Financial Statements as of December 31, 2013 include the following subsidiaries:

Scope of consolidation	
Name, registered office of the Company	Shareholding
	in %
DATA MODUL France SARL, Lognes, France	100
DATA MODUL Iberia S.L., Madrid, Spain	100
DATA MODUL Inc., New York, U.S.A.	100
DATA MODUL Italia S.r.l, Bolzano, Italy	100
DATA MODUL Ltd., Birmingham, United Kingdom	100
DATA MODUL Suisse GmbH, Zug, Switzerland	100
DATA MODUL Weikersheim GmbH, Weikersheim, Germany	100
Conrac Asia Display Products PTE Ltd., Singapore	100
Conrac MENA FZE EST, Dubai, UAE	100
Conrac SA (Pty) Ltd., Johannesburg, South Africa	100

Conrac SA (Pty) Ltd., Johannesburg, South Africa, was sold and deconsolidated effective October 1, 2013.

Changes in the scope of consolidation

Capital of newly acquired subsidiaries is consolidated in accordance with the provisions of IFRS 3 (Business combinations) using the purchase method.

4. Recognition and measurement methods

Major discretionary decisions, estimates and assumptions

The preparation of the Consolidated Financial Statements pursuant to IFRS requires management to make discretionary decisions and assumptions as well as estimates that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the balance sheet date and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates and assumptions. The major items where estimates are made are impairment losses on doubtful accounts, measurement of inventories, determination of the useful lives of non-current assets, allowances on deferred taxes, and impairment of long-term assets and provisions. Any change in these estimates could have a material adverse effect on the Company's financial position, results of operations, and cash flows.

The most significant future-related assumptions and any other sources of uncertain assumptions existing

on the balance sheet date that might lead to a significant risk involve the possibility that the carrying amount of assets and liabilities be materially adjusted. For further explanations see comments below.

Impairment of non-financial assets
Measurement of goodwill is based on medium-term corporate planning applying market and company-related discount rates, as well as projected growth rates and exchange rates. The assumptions made in this respect may be subject to changes which could result in impairment losses on those assets in future periods.

Deferred tax assets
Deferred taxes are calculated applying the tax rates of the individual countries (tax rates in effect or announced as of the reporting date) at the date at which the assets are realized or the liability settled, and on the estimates of the Group companies' future ability to generate taxable income. Any tax rate changes or any deviation of actual taxable income from estimates could result in deferred tax assets not being realized. When determining the amount of the deferred tax asset, management must exercise a substantial amount of discretion in estimating the amount and timing of future taxable income, as well as future tax strategies.

Pensions and other post-employment benefits
The expenditure on post-employment defined benefit plans is determined based on actuarial calculations. Actuarial valuation is calculated based on assumptions regarding discount rates, mortality and future pension increases. All estimates are reviewed annually at the balance sheet date. These estimates are very uncertain due to the long-term nature of these plans. Management considers the yields of prime fixed income corporate bonds within the currency zone when estimating the appropriate discount rate. The mortality rate is based on published mortality tables; future wage and salary increases as well as expected inflation rates are also taken into consideration.
Inventories
Impairment losses recorded on the inventories are measured based on the inventory service level or the expected net income (expected sales price less estimated costs at completion and less estimated selling expenses). Future consumption, actual income and outstanding costs could differ from the expected amounts.

Development costs
The initial recognition of development costs is done in accordance with IAS 38.57, and is based in particular on the management's opinion that technical and economic feasibility is given; this is generally the case when a project development project reaches a certain milestone within the framework of an existing project management model. In order to calculate the capitalized amount, management makes assumptions concerning the amount of the expected cash flows to be generated by assets, the discount rate to be used, and the period in which future cash flows can be expected. Significant adjustments could become necessary if certain expectations are not realized and a value adjustment is then required.

Recognition of revenue, income and expenses
In accordance with IAS 18 (Revenue), revenue is recognized at transfer of risk at the time of delivery to the customer, or upon rendering of the service insofar as it is more likely than not that the economic benefits will actually flow to the company and the amount of the revenue can be determined reliably. Sales deductions resulting from rebates, cash discounts or bonuses, as well as sales tax and other charges are offset against revenues.

The Company records gains from the disposal of assets when the major risks and rewards have been transferred to the customer and the Company can no longer dispose of or control the products sold.
Income from orders having multiple performance elements (such as product delivery, project management and additional significant product installation) is realized upon completion of the installation applying the fair value of consideration received, as long as no performance elements are left unfulfilled which are essential for the functionality of the ordered products/services provided. Service revenue is recognized at the time of performance.
Income from disposals of assets is recorded after delivery and transfer of risks and rewards to the buyer, and in accordance with the mandatory criteria as per IAS 18.14.

Interest is prorated using the effective interest rate applicable to the asset.
Income from license agreements is recorded according to the terms and conditions and the duration of the underlying agreement.
Operating expenses are recorded in profit or loss using the principle of accrual accounting when they are incurred or when the service is accepted.

Intangible assets

Intangible assets that were not acquired in the course of business combinations are initially recognized at cost or cost of sales. In subsequent periods, the intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses. With the exception of goodwill, intangible assets are written off as scheduled. The estimated useful life, or remaining life, as well as the method of depreciation are reviewed annually. If necessary, useful life is adjusted based on the new assumptions. This adjustment of useful life or depreciation method is treated as a change in estimates. Amortization of intangible assets with finite lives is recorded in the appropriate expense item of the income statement that reflects the purpose of the asset. Intangible assets with indefinite lives are not amortized; however, they are subject to an impairment test at least once every year or if there is any indication that either the asset or the cash-generating unit are impaired.
Intangible assets (except for goodwill) include purchased software and capitalized development costs. Purchased software is capitalized and amortized over the estimated useful life of three to eight years using the straight-line method.

Pursuant to IAS 38 (Intangible Assets), research and development costs must be treated separately.
Research is defined as original and planned search efforts undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Development is the technical and commercial usage of research results. Pursuant to IAS 38, development costs must be capitalized if certain criteria are met, while research costs must be expensed in the period in which they are incurred. Development costs must be capitalized as intangible assets when it is more likely than not that the development activities will result in future cash flows and the economic benefits embodied in those cash flows will exceed the development costs. In addition, the development project has to be technically feasible, technical and financial resources to complete the project must be available, and costs incurred during the development must be reliably measured.

The capitalized development costs are amortized on a straight-line basis over a period of 12 - 36 months of future economic exploitation, beginning with the completion of the development phase and the time at which the product is ready for (serial) manufacturing. The intrinsic value of the development project is reviewed annually. Impairment losses on development projects recognized as intangible assets are presented in the income statement as research and development costs.

Goodwill

Goodwill incurred during a company combination is recorded pursuant to IFRS 3 as the difference between the value of the transferred compensation at the time of acquisition and the identifiable assets and liabilities of the acquired company as measured pursuant to IFRS 3. Goodwill is subsequently measured at cost less cumulative impairment losses. The value assigned to goodwill is reviewed annually (as of December 31). This value is also reviewed if circumstances indicate that impairment may have occurred.
The impairment is calculated by determining the amount attainable from the cash generating entity to which the goodwill is allocated. If the attainable amount from the cash-generating unit is less than the carrying amount of this unit, impairment loss is recorded. Impairment losses recorded on goodwill may not be reversed in future periods.

Impairment testing was performed based on the three cash generating units: Line Management (Displays), Custom Solutions (Displays) and Systems.
The amount realizable for each cash-generating unit is calculated on the basis of the value in use applying the cash flow method. The cash flows are based on a three-year projection (2014 – 2016) approved by management and the Supervisory Board. A growth rate of 2.5% is applied for estimating future revenues in the year 2017 and thereafter. These growth rates correspond to the long-term average growth rates of the display industry as well as the further concentration on the Systems business segment.

Property, plant and equipment

Property, plant and equipment is recorded at cost less scheduled accumulated depreciation and/or accumulated impairment losses. In addition to the purchase price and the directly attributable costs for bringing the asset to the location and in a state ready for operation as intended by management, the cost includes estimated costs for the demolition of the asset, as well as restoration of the location where the asset was situated. Maintenance and repair costs are expensed as incurred.

Scheduled depreciation is recorded pro rata using the straight-line method and attributed to the individual functional areas. The depreciation period corresponds to the estimated useful life. Estimated useful life is 3 years for computer hardware, 5 to 10 years for machinery, office equipment and leasehold improvements, and up to 25 years for buildings.

The useful lives and the depreciation method for property, plant and equipment are reviewed periodically and adjusted as necessary to ensure that the depreciation period and method reflect the expected economic benefits embodied in the asset. If the estimates deviate from the previously made assumptions, the respective changes are recorded as changes in estimates in accordance with IAS 8 (Accounting policies, changes in accounting estimates and errors). In respect to any permanent impairment that exceeds reduction in value attributable to use, impairment losses are recorded pursuant to IAS 36 (Impairment of assets) when the recoverable amount of the asset falls below amortized cost. The recoverable amount is the higher of net realizable value and the value in use of the asset. If there are no longer any reasons for impairment losses recorded in previous years, impairment losses are reversed up to the recoverable amount or the amortized cost, not taking into account impairment losses recorded in the past.

The historical cost and cumulative depreciation of assets that are sold or scrapped are derecognized. Fully depreciated fixed assets are reported at cost less cumulative depreciation until decommissioned. Gains and losses from the disposal of non-current assets are recorded as selling and general administrative expenses.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is primarily determined based on average batch cost or weighted average cost of the item. In addition to attributable direct costs, cost of sales includes appropriate material and production overheads to the extent these relate to production of the items. The net realizable value is the estimated sales price during customary business operations less estimated costs of completion and estimated selling expenses.

Discounted net sales prices are applied as necessary to reflect shelf life and reduced usability risks. If the reasons for impairment losses recorded on inventories no longer exist, impairment losses are reversed accordingly.

Impairment of non-financial assets

The carrying amounts of intangible assets and of property, plant and equipment are subject to impairment testing on each balance sheet date, and whenever there are indications of potential impairment in accordance with IAS 36 (Impairment of assets).

To the extent the value of intangible assets or property, plant and equipment as determined according to the principles above exceeds the recoverable amount at the balance sheet date, impairment losses are recorded on the carrying amount of the assets. The recoverable amount is the higher of the fair value less selling costs of the asset and value in use. If the reason for recording impairment losses no longer applies, the impairment losses are reversed up to the amortized cost.

Financial instruments

A financial instrument is a contract under which a financial asset is created at one company and a financial liability or an equity instrument at another company. Financial assets consist primarily of cash and cash equivalents, trade accounts receivable, other loans and receivables, financial assets held to maturity, and primary and derivative financial assets held for trading. Financial liabilities generally create a claim to return in the form of cash or another financial asset. These include bonds and other guaranteed liabilities, trade payables, liabilities due to banks or from finance leases, as well as derivative financial liabilities. Financial assets and financial liabilities are usually not netted. They are not netted unless the company has the right to offset the amounts at the current time and intends to settle the respective asset or liability at net amount.

The assets are classified upon initial recognition; subsequent recognition is based on the classification upon initial recognition. Financial assets are classified upon initial recognition in line with IAS 39 (Financial instruments, recognition and measurement) as follows:

Financial assets and financial liabilities at fair value through profit or loss
The group of financial assets and liabilities carried at fair value through profit or loss includes held-for-trading financial assets and liabilities, and financial assets and liabilities classified as carried at fair value upon initial recognition.
Financial assets and financial liabilities are classified as held-for-trading if they are acquired for the purpose of sale in the near future. Derivative financial instruments are also classified generally as financial assets or liabilities held for trading, unless they are intended for and effectively used as hedging instruments. Financial assets and liabilities recognized at fair value through profit or loss are carried at fair value on the balance sheet, any gains or losses are recognized through profit or loss. The fair value of financial instruments traded on organized markets is determined as the market price quoted on the balance sheet date. If no active market exists, fair value is determined applying generally accepted measurement methods.

Financial investments held to maturity
Non-derivative financial assets with fixed or measurable payments and fixed maturities are classified as held-to-maturity when the Company has a definite intention and the ability to hold the assets to maturity, with the exception of a) those that the Company, at initial measurement, considers measurable at fair value to be recorded in profit or loss, b) those that the Company considers assets for sale, and c) those that satisfy the definition of loans and receivables. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be held to maturity, such as bonds, are subsequently measured at amortized cost. Such amortized cost is determined as the amount initially recognized less repayments, plus or minus cumulative amortization applying the effective interest method of any difference between the initially recognized amount and the amount repayable when due. Calculation of the effective interest rate takes into account all fees paid or received by the contracting parties as well as any other premiums and discounts. For investments carried at amortized cost, gains and losses are recognized through profit or loss when the investments are derecognized, impaired or amortized.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Such assets are carried at amortized cost applying the effective interest method less impairment. Appropriate impairment losses were recorded in profit or loss to account for all discernible risks. The Company performs ongoing credit checks of its customers. The Company records appropriate impairment losses on doubtful accounts resulting from the inability or unwillingness of its customers to effect the required payments. In cases where the Company is aware of circumstances that may impair a specific customer's ability to meet its financial obligations towards the Company, the Company records an appropriate itemized allowance on the amounts due the Company, thereby reducing the net receivable to the amount that the Company reasonably believes can be collected.

For all other customers, the Company carries an allowance for doubtful accounts. Value adjustments depend on the current business situation, the period of time the receivables are overdue as well as the industry and geographic concentration. In addition, past experience in is taken into account when assessing receivables outstanding. The Company records its bad debt expenses and impairment losses as selling and general administrative expenses.
Any material change in the financial situation of one or a group of customers could have a material adverse effect on the Company's financial position, results of operations and cash flows. Although such losses have remained within management's expectations to-date, the Company cannot be certain that such impairment losses will remain adequate.
DATA MODUL Group holds a credit insurance policy to minimize risk of losses from doubtful accounts. In case of payment default, the credit insurance covers 90% of losses incurred within 6 months of the default date.

In 2013 and 2012, the Company paid a premium of 0.85 euros per thousand on outstanding receivables in all countries. This amounted to a total premium including fees of 198 thousand euros in 2013 and 211 thousand euros in 2012. The Company received payments under this trade credit policy in the amount of 30 thousand euros in 2013, and 15 thousand euros in 2012 for insurance claims for defaulted receivables. The contract with the trade credit insurer can be terminated effective December 31, 2014 and extends automatically by an additional year unless terminated two months prior to the expiration date. The deductible amount remained unchanged versus the previous year at 10%.
To further minimize potential losses, the Company performs credit checks on new customers before accepting orders.
The capital goods credit insurance for project-related credit risks in place since April 2012 extended by another 12-month term during the fiscal year, expiring April 1, 2014. It extends automatically for another year unless terminated in writing, providing two months' notice. In 2013, premiums and fees totaling 10 thousand euros were paid for this insurance. The bad debt deductible is 10%.
Gains or losses are recognized in profit or loss when loans or receivables are derecognized, impaired or amortized.

Financial assets available for sale
Assets available for sale are non-derivative assets that cannot be allocated to any of the three categories described above. After initial recognition, available-for sale financial assets are measured at fair value or amortized cost, with gains or losses being recognized as a separate portion of equity until the investment is derecognized or until the investment is determined to be impaired at which time the accumulated gains or losses previously reported in equity are recorded in profit or loss. The fair value of financial investments that are actively traded in organized financial markets is determined based on the quoted market prices at the close of the market at the balance sheet date. The fair value of investments for which there is no active market is determined using other measurement methods. A significant or continual reduction of the fair value below the carrying amount is an objective reason for impairment.

When financial assets are sold, the difference between consideration received and carrying amount of the asset is recorded through profit or loss. In initial recognition, a financial asset is recognized at cost that equals the fair value of the consideration, including transaction costs.
Changes in the fair value of financial assets held for trading, except for impairment losses and foreign currency translation gains and losses, are reported in the Statements of Changes in Equity and recorded directly in equity until the financial asset is derecognized.

Impairment of financial assets
Financial assets are tested for impairment at each balance sheet date. If there are objective indications of an impairment of an asset recorded at amortized cost, the impairment losses to be recorded in profit or loss are calculated as the difference between the carrying amount of the asset and the present value of the expected future cash flows, discounted using the effective interest rate used in initial recognition. Company management includes in its assessment of a potential impairment all information available, particularly market and pricing conditions and the expected duration of the impairment. If there are new circumstances requiring reversal, impairment losses already recorded are reversed. Except for financial assets held for sale, such reversal is limited to the amortized cost at the time of reversal and recorded in profit or loss.

Derivative financial instruments
DATA MODUL Group uses derivative financial instruments solely for the purpose of hedging interest and currency exposures arising from operations.
According to IAS 39 (Financial instruments: Recognition and measurement), all derivative financial instruments are carried at their market value as of the reporting date. The Company generally does not designate derivative instruments as hedges. Accordingly, all changes in the fair value of foreign exchange forward contracts and foreign currency options are disclosed as selling and general administrative expenses in the period in which the changes occurred. To hedge interest rate risks the Company employed an interest rate swap which as a financial instrument is measured at fair value through profit or loss.

Derecognition of financial assets and liabilities
A financial asset is derecognized when one of the following criteria has been met:

- Contractual rights to receive cash flows from a financial asset have expired
- The Group has transferred its contractual rights to receive cash flows from the financial asset to a third party or assumed a contractual obligation to immediately pay out the received cash flow to a third party, thereby either having essentially transferred all risks and rewards associated with the ownership of the financial asset, or having neither transferred nor withheld essentially all risks and rewards arising pertaining to the ownership of the financial asset but transferred rights of disposal over the asset.

A financial liability is derecognized when the underlying commitment has been fulfilled, canceled or eliminated for other reasons.

Risks resulting from the Company's financial instruments

The Company has various other financial assets and liabilities such as trade receivables and trade payables that directly result from its operations. The Company also enters into derivative financial transactions, including interest rate swaps and forward currency contracts. The purpose of those transactions is to hedge interest and currency risks arising from the Company's operations and secure financial resources. It is, and has been throughout the reporting year, the Company's policy that no financial instruments should be held for trading. Long-term debt bears fixed interest; therefore, no interest risk is inherent in these items.

The major risks inherent in the Company's financial instruments include interest-based fair value risks, liquidity risks, currency risks and risks of bad debt. The Executive Board reviews and adopts policies for the management of each of these risks; explanatory comments are provided below.

Foreign currency risk
As a result of major investments in the United States and the United Arab Emirates, fluctuations in the exchange rate of the US dollar to the euro (the AED is linked directly to the US dollar) have a major impact on the Company's assets, financial and earnings position. Furthermore, the Group also enters into transactions in ZAR, GBP and JPY. The Company also faces currency risks arising from processing transactions. Such exposure arises from sales or purchases by an operating unit in currencies other than the unit's functional currency. Approximately 52.8% (previous year: 48.2%) of the Company's sales are denominated in currencies other than the functional currency of the operating unit, while approximately 67.2% (previous year: 70.9%) of costs are denominated in the unit's functional currency.

Commodity price risk
The Company's exposure to price risks is minor due to the fact that the majority of the raw materials are procured on an order-related basis.

Default risk
The Company trades only with customers having a good credit standing. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit checks. Receivable balances are monitored continuously, and emerging risks are accounted for by recognizing valuation allowances. There were no other significant default risks arising from operating activities. For additional minimization of risks related to bad debt, the Company has purchased credit insurance for some of its operations. In respect to other customers that are not covered by such insurance policies, their credit standing is assessed, special terms of payment and payment guaranties are agreed upon and securities or collaterals are stipulated.

Liquidity risk
The Company's objective is to maintain a balance between the continuity of funding and flexibility by way of current account credits, bank loans, finance leases and hire purchase contracts. The basis for decisions concerning financial strategies and ensuring sufficient liquidity is a short-term Company-wide cash management program, taking into account rolling liquidity forecasts, a strategic financial requirement analysis based on 1- and 3-year budgets, and working closely with external banks and investors as regards the review and adjustment of lines of credit.

Pension and non-current personnel liabilities

Pensions and non-current personnel obligations include retirement obligations based on a defined benefit plan, as well as the German phased retirement program.
The amount of obligations resulting from the defined benefit plan is calculated using the projected unit credit method.
Revaluations, including actuarial gains and losses, of asset ceiling effects excluding net interest (not applicable to the Group) and returns on plan assets excluding net interest are immediately recorded on the balance sheet and allocated to retained earnings via "Other comprehensive income" (net positive or negative) in the period in which they accrue. Revaluations may not be reclassified to profit or loss in subsequent periods.

Net interest is calculated by applying the discount rate to the balance (net liability or asset) from the defined benefit plan. The Group records changes in defined benefit obligations on the income statement under administration costs, corresponding to their nature.

The amount of obligations for pension plan and commitments under German phased retirement schemes is calculated applying an annual actuarial report based on biometric parameters and current market interest rates. Individual pension commitments exist for one member of the Executive Board, two former members and two other former managers.

For fiscal years starting on or after December 31, 2012 application of the modified IAS 19 (revised 2011) is mandatory. The new standard thus replaced IAS 19 (revised 2008) in fiscal year 2013, introducing a net interest method, requiring determination of a net interest component at the start of the reporting period which is calculated by multiplying the net defined benefit pension liability (or net asset) recorded on the balance sheet by the discount rate used in measuring the defined benefit obligation. Expected changes in the net liability (or net asset) during the year due to contributions and pension benefit payments are to be factored in. This net interest component replaces interest expense from applying an interest rate to the pension obligation and the projected return on plan assets. The standard also requires immediate recording of revaluation effects connected with pension commitments such as actuarial gains and losses and any differences between actual return and the return on plan assets implicitly recognized in other net interest income directly in equity as "Other comprehensive income". In addition, IAS 19R requires full and immediate recognition of past service cost and outlines expanded disclosure requirements for defined benefit plans. Application of IAS 19 (revised 2011) had no material impact on the consolidated financial statements. The comparison period shown reflects the latest information.

Provisions

Provisions are recorded when – due to a past event – the Company incurs a current legal or constructive obligation towards a third party, the outflow of resources embodying economic benefits in order to settle the obligation is probable, and the amount can be estimated reliably. If an accrued liability is expected to be paid at least in part (e.g. liabilities under an insurance policy), the reimbursement is classified as a separate asset, provided there is a high probability of the reimbursement occurring. Expense for provision accrual is shown on the income statement less any reimbursement. If the obligations fall due within more than one year and payment can be reliably estimated in terms of both amount and timing, the non-current portion of the obligation is measured at present value if the corresponding interest effect is material. Present value is determined based on market interest rates commensurate with risk and the period until the settlement of the obligation. In case of discounting, the increase in the provision due to the passage of time is recorded as interest expense in the financial result. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.
Provisions for warranties related to delivered products are recorded in the amount required for meeting legal requirements. In individual cases, commitments can be made and obligations can be agreed upon in an amount exceeding the warranty or guarantee. In such case the corresponding future expenses are estimated and measured and a provision is recorded in that amount. After expiration or elapsing of the guarantee obligation, the provision is reversed.

Taxes on income

Taxes on income and earnings comprise all actual taxes on current taxable income of the consoli-

dated subsidiaries under the tax laws applicable in the respective countries, as well as deferred taxes. The current tax assets and liabilities for the current and previous periods are measured at the expected amount of refund from or payment to the tax authorities. The local tax rate and tax laws applicable at the balance sheet date are used as a basis to determine this amount.

Deferred tax assets and liabilities are reported applying the liability method as per IAS 12 (Taxes on income) for all temporary differences between carrying amounts in individual companies' tax reporting and carrying amounts shown on the consolidated financial statements applying IFRS, and factored in with regard to specific consolidation measures. Deferred tax assets also include claims for tax reductions resulting from the anticipated use of loss carryforwards in future years, provided their realization is deemed reasonably certain. If realization is not deemed reasonably certain, an impairment loss is recorded on the deferred tax asset down to the anticipated realizable tax benefit.

Deferred tax assets and deferred tax liabilities are measured based on the tax rate expected to be applicable in the period in which the temporary differences are expected to be reversed. The applicable or announced tax rates at the balance sheet date are used for this purpose. Deferred taxes that are directly related to equity items are also recorded directly in equity without any effect on profit or loss. Deferred tax assets and liabilities may be offset if and when the Group has an enforceable claim to offset the current tax assets against actual tax liabilities, and which are attributable to income taxes of the same taxable unit, and are imposed by the same tax authority.

Value-added tax

Revenues, expenses and assets are recorded net of VAT, except for purchases of assets or services where the tax authority does not reimburse VAT incurred. In this case, VAT is recorded as part of the cost of sales of the asset or as an expenditure. Receivables and liabilities are recorded on the balance sheet with VAT amounts included. VAT that may be reimbursed by or payable to the tax authority is recorded as "Other assets" or "Other liabilities" on the Group balance sheet.

Contingent liabilities and contingent assets

According to IAS 37 (Provisions, contingent liabilities and contingent assets), contingent liabilities are not recorded on the balance sheet. Contingent liabilities are potential obligations whose actual existence depends on the occurrence of one or more uncertain future events which are not entirely within the Company's control. In addition, contingent liabilities are existing obligations that will probably not result in an outflow of assets, or any outflow of assets cannot be reliably determined. The Notes show all contingent liabilities of the Group such as bank guarantees, other guarantees, legal proceedings and other financial obligations. Obligations are measured at the higher of their nominal value or the amount required to settle the obligation.

Contingent assets are also disclosed in the Notes in the event an inflow of resources involving economic benefits is probable.

Leases

The decision whether an agreement is classified as a lease is made in accordance with IFRIC 4 (Determining whether an arrangement contains a lease) based on the economic substance of the agreement at the time of conclusion, and requires an estimate of whether fulfillment of the agreement depends on the use of a specific asset or assets and whether the agreement grants the right to use that/those asset/s. A subsequent assessment must be made after the commencement date of the lease agreement if one of the conditions listed in IFRIC 4.10 is met.

Finance leases in which essentially all risks and rewards related to the title of the transferred asset are transferred to the Group as lessee result in capitalization of the leased asset at the closing date of the lease. The asset is recognized at the lower of its fair value or the present value of the minimum lease payment stream. Lease payments are divided into finance expenses and repayments of principal in such manner that a non-variable interest rate applies to the remaining lease obligation over the lease term. Finance expenses are expensed directly. The depreciation methods and estimated useful lives correspond to those of similar acquired assets.

If transfer of the title to the asset to the Company is not sufficiently likely at the end of the lease, the lease will

be fully amortized over the shorter of the estimated useful life of the asset or the term of the lease.
Payments for operating leases are recorded in profit or loss on a straight-line basis over the term of the lease agreement.

Share-based payments

DATA MODUL AG grants employees of DATA MODUL AG and its associated companies equity-based remuneration under employee stock option programs in accordance with IFRS 2 (Share-based payments).
These share-based payments are measured at fair value at the granting date using the Black-Scholes option pricing model. At the granting date, the fair value of stock options is expensed over the vesting period in profit or loss, with a counter-entry in equity ("capital reserve"). The calculation is based on the Group's internal estimate of the number of exercisable stock options. This estimate is reviewed and adjusted annually if and when there are indications that the number of expected exercisable stock options differs from the previous estimate. Any adjustments required are immediately and fully expensed in the period in which the estimate changes.
The dilutive effect of outstanding stock options is accounted for as additional dilution in the calculation of earnings per share (see note [7] in the explanatory comments to the line items in the income statement, and other disclosures regarding the employee stock option plan).

Subsequent events

Events after the reporting date that provide additional information on the Company's situation at the reporting date (disclosable events) are reported in the Notes to the extent that they are material. Non-disclosable subsequent events of material significance are disclosed in the Notes.

5. Notes to the Statement of Income

[1] Revenues

Revenue is classified by segment in line with the Executive Board's management reporting and realized in either Displays or Systems. Key segment metrics employed are order entry, order backlog, revenue, EBIT and net income.

Revenue broken down by segments:
For fiscal year 2013

Revenues	Displays	Systems	Total
	KEUR	KEUR	KEUR
Product revenue	82,618	61,668	144,286
Service revenue	184	2,236	2,420
Total revenues	82,802	63,904	146,706

For the 2012 fiscal year

Revenues	Displays	Systems	Total
	KEUR	KEUR	KEUR
Product revenue	77,737	60,501	138,238
Service revenue	229	1,778	2,007
Total revenue	77,966	62,279	140,245

[2] Cost of sales

The table below provides a breakdown of cost of sales:

	2013	2012
	KEUR	KEUR
Material expenses	101,624	98,870
Other cost of sales	14,115	9,448
Total cost of sales	115,739	108,318

Other cost of sales is comprised primarily of wages and salaries, and overhead for the manufactured products and services sold.
In fiscal year 2013, various production cost items were classified as selling expenses to ensure reliable and relevant information in the financial statements. For better comparability, an adjustment of 532 thousand euros was made to the previous year's figure in accordance with analyses in fiscal year 2013.

[3] Research and development expenses

The Company distinguishes between research and development costs. Development projects involve either basic and product development without a specific customer order, product development projects with a specific customer order or development of a product to market-readiness as a result of a customer order for a particular product.

In addition, general development costs not related to a specific product are recorded as research and development costs.
Basic research and product development projects without a specific customer order are recognized as intangible assets in non-current assets and amortized using the straight-line method over a period beginning at the time of serial production of the respective product or the rendering of the service to the customer until the estimated useful life of the product elapses. Depreciation expense is recorded as research and development costs in profit and loss.
Product development projects based on a specific customer order and development of a product to market-readiness under an existing customer order for a particular product are deemed expenses incurred in generating revenue, and therefore recorded as cost of sales in profit or loss. Product development projects of this type which have not been completed and for which revenues have not yet been realized are recorded as inventories at the reporting date and accrued.
Individual expense items for research and development and their impact on the income statement for the fiscal years 2013 and 2012 are presented below:

	2013	2012
	KEUR	KEUR
Development costs based on a customer order recorded as cost of sales	865	914
Research and development costs		
- original development expenses	3,878	2,475
- Amortization of development projects	972	662
Research and development expenses	4,850	3,137
Total research and development expenses	5,715	4,051
Carrying amount capitalized development expenses	2,006	2,199
Development expenses recorded as inventory as of Dec. 31	89	88

[4] Selling and general administrative expenses

The table below shows selling and general administrative expenses:

	2013	2012
	KEUR	KEUR
Selling expenses	14,501	15,556
General administrative expenses	5,940	4,843
Total expenses	20,441	20,399

In fiscal year 2013, various production cost items were classified as selling expenses to ensure reliable and relevant information in the financial statements. For better comparability, an adjustment of 532 thousand euros was made to the previous year's figure in accordance with analyses in fiscal year 2013.
Due to the mandatory application of the revised IAS 19, a retroactive adjustment of general administrative expenses for the year 2012 was necessary (see [14] Pensions and long-term personnel obligations).

Total expenses by type of cost

Research and development expenses, selling and general administration expenses and production expenses include personnel and depreciation/amortization expenses. The Company's total expenditure broken down by expense types is shown below:

Personnel expenses
The following table shows the personnel expenses:

	2013	2012
	KEUR	KEUR
Wages and salaries	19,177	17,729
Social security and old-age pensions	3,069	2,530
Total	22,246	20,259

Application of the revised IAS 19 resulted in a reduction of personnel expenses in 2012 of 232 thousand euros.

In fiscal year 2013 the Company employed an average 333 staff across all departments, as compared to the 315 staff in 2012.

The average annual number of employees breaks down by segment as follows:

Fiscal year 2013								
Department	Sales & Marketing	R&D	Production	Service	Administration	Logistics	Disposition / Procurement	**Total**
Employees	106	57	54	38	38	27	13	333

Fiscal year 2012								
Department	Sales & Marketing	R&D	Production	Service	Administration	Logistics	Disposition / Procurement	**Total**
Employees	109	47	49	36	36	26	12	315

The number of employees as of the reporting date is shown below broken down by segment:

Fiscal year 2013								
Department	Sales & Marketing	R&D	Production	Service	Administration	Logistics	Disposition / Procurement	**Total**
Employees	101	58	71	36	36	29	13	344

Fiscal year 2012								
Department	Sales & Marketing	R&D	Production	Service	Administration	Logistics	Disposition / Procurement	**Total**
Employees	112	49	50	37	37	27	14	326

Major expense items and depreciation

Other major expense items were as follows:

	2013	2012
	KEUR	KEUR
Rent and maintenance	2,709	2,851
Depreciation/amortization	2,121	1,790
Vehicle and travel expenses	2,091	2,306
Office and IT expenses	797	910
Legal and consulting fees	930	1,009
Advertising and trade shows	597	710
Insurance premiums	456	389
Reversals of / Additions to provisions for bad debts	809	(94)
Packaging material and freight costs	603	532
Other	674	756
Total	11,787	11,159

[5] Interest income / expenses

The Company recorded interest income/expenses for the past two years as shown below:

	2013	2012
	KEUR	KEUR
Interest and similar income	45	28
Interest expense on current liabilities	(282)	(328)
Interest expense on non-current financing	(43)	(39)
Other interest-like expenses	0	(78)
Total	(280)	(417)

The reported financial result for 2013 includes interest derivatives recorded at a net loss of 33 thousand euros (previous year: 102 thousand euros), recorded at fair value through profit or loss.

[6] Income tax expense

Taxes on income and earnings break down as follows:

	2013	2012
	KEUR	KEUR
Current tax expenses		
Germany	1,722	555
Foreign	777	408
Deferred taxes		
Germany	(286)	(75)
Foreign	(52)	1
Total	2,161	889

Current tax expenses are taxes on income and earnings for the fiscal year recorded in profit or loss in the individual countries, as well as additional tax assessments and tax refunds for previous years. Current and deferred tax expense in Germany was increased by 657 thousand euros by tax expenses from previous years, and reduced by tax refunds of 99 thousand euros due to loss carrybacks. Current foreign tax expense includes 94 thousand euros in additional tax assessments for previous years.

Deferred taxes result from timing differences between the tax bases of the consolidated companies and from loss carry-forwards for tax purposes. The tax rate applicable in the individual countries is used as a basis for calculation of deferred taxes of the foreign operations.

The income tax rate on which computation of German deferred taxes is based was 32.98% for DATA MODUL AG, and 28.08% for Data Modul Weikersheim GmbH as of December 31, 2013, and 27.73% as of December 31, 2012. The 0.35% change in the tax rate caused deferred tax expense to change by 6 thousand euros.

The tax rates for 2013 and 2012 are determined as follows:

	in %
Corporate income tax	15.000
Solidarity surcharge	0.825
Trade tax	17.15
Income tax rate	32.98

The table below shows a reconciliation of projected income tax expense versus actual income tax expense recorded in the consolidated financial statements applying the average German income tax rate of 32.98% for 2013 and 2012.

	2013	2012
	KEUR	KEUR
Earnings before taxes reported	5,396	7,974
Projected income tax expense	1,780	2,553
Non-deductible expenses	194	301
Tax reductions resulting from tax-free income	(118)	(596)
Accrual/reversal of deferred taxes from Group-internal restructuring	0	(1,079)
Actuarial gains/losses from pension commitments recorded in equity	0	(232)
Unrecognized loss carry-forwards	2	32
Difference amount to local tax rates	(403)	(313)
Domestic tax rate change	(6)	0
Taxes from previous years	751	(39)
Other	(38)	30
Reported income tax expense	2,161	889

The refund claim of German companies discounted long-term arising from the corporate income tax credit as per Sec. 37 of the German Corporate Income Tax Act (KStG) is reported under other non-current assets (see note [9], Other non-current assets).
Income from compounding is included in the financial result, as this income is not tax income.

Deferred taxes consist of the following material balance sheet items:

	Deferred tax assets		Deferred tax liabilities	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
	KEUR	KEUR	KEUR	KEUR
Current assets				
Trade and other receivables	12	2	(91)	(16)
Inventories	0	26	(50)	(129)
Non-current assets				
Intangible assets	635	0	(447)	(684)
Fixed assets	0	0	(68)	(75)
Other financial liabilities	0	0	0	(39)
Current liabilities				
Trade payables and other liabilities	35	0	0	0
Other provisions	43	76	0	0
Non-current liabilities				
Provisions for pensions and similar obligations	130	109	0	0
Total	**855**	**213**	**(656)**	**(943)**

Deferred income tax assets and liabilities break down as follows:

		12/31/2013	12/31/2012
	Origin	KEUR	KEUR
Deferred tax assets			
Tax loss carry-forwards	Germany	252	828
	Foreign	27	26
Total claims to tax loss carry-forwards		279	854
Deferred tax assets from temporary differences	Germany	802	211
	Foreign	53	2
Total deferred tax assets		1,135	1,067
Total deferred tax liabilities	Germany	(656)	(943)
Deferred tax assets/ liabilities (-), net		478	124

As of December 31, 2013 and 2012, the corporate income tax loss carry-forwards in Germany totaled 554 thousand euros and 3,311 thousand euros respectively, while trade tax carry-forwards totaled 962 thousand euros and 2,558 thousand euros respectively. Loss carry-forwards may be used without limit in Germany. According to the tax planning for Group companies, loss carry-forwards are expected to be realizable within the next three years.
The Swiss loss carry-forward from 2013 in the amount of 9 thousand euros will expire on December 31, 2020; the loss carry-forward from 2012 in the amount of 87 thousand euros will expire on December 31, 2019.
Deferred tax assets arising from actuarial gains and losses on pension commitments recorded directly in equity increased equity by 16 thousand euros (previous year: 0 thousand euros).

Deferred tax liabilities were not recognized for temporary differences in connection with investments in subsidiaries in the amount of 14.4 million euros, as it was not likely that these temporary differences would reverse in the foreseeable future. If this were the case, 5% of those temporary differences would be subject to tax.

[7] Earnings per share

Undiluted earnings per share are calculated by dividing annual income accruing to common shareholders by the weighted average number of common shares outstanding during the year under review.
Diluted earnings per share are calculated applying the weighted average number of common shares outstanding after potentially diluting events during the period under review.
Potential dilution of common shares results primarily from employee stock options. In the fiscal years ended December 31, 2013 and December 31, 2012, no shares were deemed dilutive applying the treasury stock method (stock redemption method).
In fiscal years 2013 and 2012, there were employee stock options for the purchase of 17,922 and 21,809 shares respectively which were not included in the computation of diluted earnings per share due to the fact that the exercise price of the stock options exceeded the average market price of the shares, thus having an anti-dilutive effect.

The table below shows the computation of earnings per share (diluted and undiluted):

	2013	2012
Net income for the year in KEUR	3,235	7,085
Denominator (thousands of shares):		
Denominator for undiluted earnings per share – weighted average number of shares	3,394	3,461
Denominator for diluted earnings per share- adjusted weighted average shares	3,394	3,461
Undiluted earnings per share	EUR 0.95	EUR 2.05
Diluted earnings per share	EUR 0.95	EUR 2.05

Earnings per share for 2012 were increased through a one-time tax effect in the amount of 0.31 euros. In fiscal 2013 no one-time effects were recorded.

6. Notes to the Statement of Financial Position

[8] Fixed Assets

Fixed assets 2013

	Acquisition cost						Depreciation					Carrying amount as of 12/31/2013
	Status as of Jan. 1, 2013	Effects of foreign currency translation adjusments	Additions	Disposals	Reclassifications	Status as of Dec. 31, 2013	Status as of Jan. 1, 2013	Effects of foreign currency translation adjusments	Additions	Disposals	Status as of Dec. 31, 2013	
Intangible assets/Goodwill												
Goodwill	3,112	0	0	0	0	3,112	693	0	0	0	693	2,419
Software	2,513	0	23	0	0	2,536	1,718	0	279	0	1,997	539
Development costs	7,054	0	779	0	0	7,833	4,855	0	972	0	5,827	2,006
Total	12,679	0	802	0	0	13,481	7,266	0	1,251	0	8,517	4,964
Property, plant and equipment												
Land and buildings	10,831	(4)	601	0	171	11,599	4,150	(3)	358	0	4,505	7,094
Technical equipment	1,235	0	110	(4)	222	1,563	1,011	0	108	(3)	1,116	447
Other equipment, fixtures and fittings, and office equipment	3,635	(9)	444	(99)	20	3,991	2,552	(8)	404	(100)	2,848	1,143
Assets under construction	414	0	269	0	(413)	270	0	0	0	0	0	270
Total	16,115	(13)	1,424	(103)	0	17,423	7,713	(11)	870	(103)	8,469	8,954
Total	28,794	(13)	2,226	(103)	0	30,904	14,979	(11)	2,121	(103)	16,986	13,918

Fixed assets 2012

	Acquisition cost						Depreciation					Carrying amount as of 12/31/2012
	Status as of Jan. 1, 2012	Effects of foreign currency translation adjusments	Additions	Disposals	Reclassifications	Status as of Dec. 31, 2012	Status as of Jan. 1, 2012	Effects of foreign currency translation adjusments	Additions	Disposals	Status as of Dec. 31, 2012	
Intangible assets/Goodwill												
Goodwill	3,112	0	0	0	0	3,112	693	0	0	0	693	2,419
Software	2,358	0	260	(105)	0	2,513	1,521	0	302	(105)	1,718	795
Development costs	5,768	0	1,354	(68)	0	7,054	4,250	0	662	(57)	4,855	2,199
Total	11,238	0	1,614	(173)	0	12,679	6,464	0	964	(162)	7,266	5,413
Property, plant and equipment												
Land and buildings	10,334	(1)	498	0	0	10,831	3,821	(1)	330	0	4,150	6,681
Technical equipment	1,251	0	113	(129)	0	1,235	1,008	0	132	(129)	1,011	224
Other equipment, fixtures and fittings, and office equipment	4,229	(2)	397	(989)	0	3,635	3,174	(2)	363	(983)	2,552	1,083
Assets under construction	0	0	414	0	0	414	0	0	0	0	0	414
Total	15,814	(3)	1,422	(1,118)	0	16,115	8,003	(3)	825	(1,112)	7,713	8,402
Total	27,052	(3)	3,036	(1,291)	0	28,794	14,467	(3)	1,789	(1,274)	14,979	13,815

Goodwill having an indefinite useful life acquired in business combinations was allocated across multiple cash-generating units for impairment testing. The carrying amount of goodwill for the fiscal years ended December 31, 2013 and 2012 is shown below, broken down by reportable segment and cash-generating unit (in KEUR).

	Displays		Systems	Total
Cash-generating unit	Line Management	Custom Solutions	Systems	
	KEUR	KEUR	KEUR	KEUR
Balance as of Jan. 1, 2012	123	909	1,387	2,419
Goodwill acquired during the period	0	0	0	0
Impairment during the period	0	0	0	0
Balance as of Dec. 31, 2012	123	909	1,387	2,419
Goodwill acquired during the period	0	0	0	0
Impairment during the period	0	0	0	0
Balance as of Dec. 31, 2013	123	909	1,387	2,419

DATA MODUL Group comprises the cash-generating units mentioned above whose goodwill totals 2,419 thousand euros. Their goodwill was subjected to an impairment test at the end of the year ended on December 31, 2013. The recoverable amount for each cash-generating unit was determined applying calculated value in use based on projected cash flows.

The cash flow projections for all cash-generating units are based on a three-year forecast (2014 – 2016) approved by management and the Supervisory Board, extrapolated for 2017 and years thereafter.

The before-tax discount rates used for cash flow projections and revenue growth rates starting in 2017 (for 2012 in 2016) are shown in the table below.

Cash-generating unit	Discount rates before tax		Revenue growth rates	
	2013	2012	2013	2012
Line Management	12.65%	11.89%	2.5%	2.5%
Custom Solutions	12.17%	11.94%	2.5%	2.5%
Systems	12.34%	12.03%	2.5%	3.5%

Fair value is primarily determined by the final value (perpetuity), which is particularly sensitive to changes in growth rate assumptions and discount rates.

Goodwill impairment testing for fiscal years 2013 and 2012 yielded no indication of impairment losses.

Basic assumptions for calculating value in use

The following assumptions applied in calculating value in use of the cash-generating units are subject to particular uncertainty:

- Gross margins
- Discount rates
- Growth rates during the projection period

Gross profit margins
These margins are calculated based on average profit for the fiscal years prior to the projection period. The gross margin is adjusted during the projection period based on expected efficiency increases and corresponding risks.

Discount rates
Discount rates reflect current market estimates pertaining to specific risks attributable to the respective cash-generating units. The discount rate is estimated based on the average weighted cost of capital which is common in the industry.

Estimated growth rates
The growth rates are based on historical data from preceding years. The assumed growth rate for cash-generating units is 2.5% for 2017 and thereafter.

Assumption sensitivity
The management board is of the opinion that no changes appearing reasonably possible to basic assumptions made in order to determine value in use of cash-generating units would cause the carrying amount of a cash-generating unit to substantially exceed its recoverable amount.

[9] Other non-current assets

Other non-current assets break down as follows:

	12/31/2013	12/31/2012
	KEUR	KEUR
Trade receivables	971	1,014
Allowance for doubtful accounts	(971)	0
Other non-current assets	308	401
Total	308	1,415

Other non-current assets include tax credits. These include in particular corporate income tax credits (302 thousand euros) which were assessed for the last time as of December 31, 2006 and will be paid to the entitled companies in ten equal annual installments over the period from 2008 to 2017. The current portion of corporate income tax credits in the amount of 111 thousand euros is included in „Other current assets“.

[10] Inventories

Inventories break down as follows:

	12/31/2013	12/31/2012
	KEUR	KEUR
Raw materials, consumables and supplies	6,679	8,982
Work in progress	1,869	1,185
Finished goods and merchandise	22,756	22,126
Impairment	(1,493)	(1,859)
Total	29,811	30,434

Impairment of the net realizable value of available inventories was recognized as part of cost of sales in profit or loss.

[11] Trade receivables and other current assets

	12/31/2013	12/31/2012
	KEUR	KEUR
Trade receivables, net of doubtful accounts	22,352	15,847
Other receivables and assets Tax claims and prepayments	992	1.783
Suppliers with credit balances	103	22
Other assets	687	608
Total	24,134	18,260

Trade receivables are not discounted and are usually due within 30 - 90 days. The allowance for doubtful accounts as of December 31, 2013 and December 31, 2012 was 254 thousand euros and 357 thousand euros respectively. The allowance for non-current trade receivables is included under [9] „Other non-current assets“.

Identifiable impairment losses are first recorded against a value adjustment account and are only written off after final clarification. Activity on the value adjustment account was as follows:

	12/31/2013	12/31/2012
	KEUR	KEUR
Balance as of Jan. 1	357	608
Additions recorded in profit or loss	0	0
Utilization	(9)	(152)
Reversals	(87)	(94)
Effects from foreign currency translation adjustments	(7)	(5)
Balance as of Dec. 31	254	357

The aging of trade receivables as of December 31, 2013 was as follows:

	12/31/2013	12/31/2012
	KEUR	KEUR
Total	22,606	16,204
Amounts neither overdue nor impaired	16,816	11,809
Overdue < 30 days	3,841	3,090
Overdue 30 - 60 days	1,460	527
Overdue > 60 days	489	778

With regard to default risk, please refer to the credit risk disclosures under „Supplementary Disclosures“ in chapter 8.

[12] Cash and cash equivalents

Cash and cash equivalents in the amount of 15,287 thousand euros as of December 31, 2013 and 9,517 thousand euros as of December 31, 2012 were comprised of cash on hand and bank deposits.

[13] Shareholders' equity

Capital Stock

Capital stock paid in full comprised 3,526,182 shares as of December 31, 2013 and December 31, 2012, respectively.

On February 10, 2012 the DATA MODUL AG Executive Board, with the Supervisory Board's approval, resolved to acquire treasury stock as per the authorization approved in accordance with Sec. 71 (2) No. 8, German Stock Corporation Law (AktG) at the Annual Shareholders' Meeting on May 11, 2010.

The Company acquired 132,182 treasury shares on the stock exchange (Xetra) reducing the number of shares outstanding to 3,394,000 as of December 31, 2012. There were no share buybacks in 2013. Thus, as of December 31, 2013 the number of shares issued was unchanged at 3,394,000. As a result of the share buyback, subscribed capital stock was reduced by 397 thousand euros, and other retained earnings by 1,486 thousand euros.

Dividend

For fiscal year 2013, the Executive Board and the Supervisory Board will recommend at the Annual Shareholders' Meeting on May 12, 2014 that a cash dividend of 0.60 euros be paid, corresponding to a total distribution of 2.0 million euros on the outstanding dividend-entitled shares.

Authorized capital

By way of resolution at the Annual Shareholders' Meeting, the Executive Board was authorized – with Supervisory Board approval – to increase the Company's capital stock through the date May 10, 2015 by issuing non-par bearer shares for cash or stock one or more times by a total of 5,289 thousand euros (authorized capital). The Executive Board – with Supervisory Board approval – is also authorized to exclude existing shareholders' subscription rights for the issuance of shares from authorized capital of up to 2,645 thousand euros if the new shares are issued for an asset deal. Furthermore, the Executive Board – with Supervisory Board approval – is authorized to exclude existing shareholders' subscription rights for the issuance of shares from authorized capital of up to 1,057 thousand euros if the new shares are sold for cash at a price not substantially below market price, or if the shares are issued for the purpose of acquiring companies or investments in companies. The increase in authorized capital was entered into the commercial register on May 18, 2010.

Contingent capital

The Executive Board is further authorized to increase capital stock by up to 754 thousand euros total through the issuance of up to 251,196 non-par bearer shares under the stock option program approved by shareholders. Shares issued under the stock option program are entitled to Company dividends as of the first day of the fiscal year in which the options are exercised. In 2005, 1,580 options were exercised, reducing contingent capital by 5 thousand euros. In 2007, additional 9,640 options were exercised, reducing contingent capital by 29 thousand euros. No options were exercised in the years 2008 to 2013.

Other reserves

	12/31/2013	12/31/2012
	KEUR	KEUR
Variances due to first time adoption of IFRS	(1,628)	(1,628)
Foreign currency adjustment	(47)	125
Total	(1,675)	(1,503)

[14] Pensions and non-current personnel liabilities

The Company maintains a non-contributory defined benefit plan that also covers certain former employees. The Company has purchased life insurance policies to cover the actuarial net present value of pension obligations. The cash surrender value of those insurance policies totaled 224 thousand euros as of December 31, 2013, and 234 thousand euros as of December 31, 2012. The pledged reinsurance policies are netted out as plan assets in "Pensions and non-current personnel obligations". The pension accruals as of December 31, 2013 and December 31, 2012 were calculated in December of the respective year. The mortality rates are based on the tables of Prof. Dr. Klaus Heubeck (2005R). There were no changes to the defined benefit plan in the fiscal year ended. The revised IAS 19 was applied for the first time in fiscal year 2013, ruling the comparative period disclosures. The table below shows the capitalized amounts related to pension commitments. There were no differences in carrying amounts after application of the revised IAS 19 (2011):

	2013	2012	2011	2010	2009
	KEUR	KEUR	KEUR	KEUR	KEUR
Present value of deferred pension obligations	1,609	1,559	1,377	1,311	1,311
Fair value of the plan assets	224	234	243	253	262
Funded status	1,385	1,325	1,134	1,058	1,049

Taking into account the principles of computation set forth in IAS 19, the current funding status of the pension obligations is as follows:

	2013	2012	2012 IAS 19 rev. (2011)
	KEUR	KEUR	KEUR
Changes in the present value of pension obligations:			
Defined pension obligations at beginning of year	1,559	1,379	1,379
Accruing interest on expected pension obligations	46	62	62
Actuarial profit or loss recorded in other comprehensive income resulting from changed interest and trend assumptions	93	0	0
Actuarial gain/loss recorded in other comprehensive income resulting from funding level changes	26	0	22
Actuarial profit or loss recorded in personnel expenses resulting from changed interest and trend assumptions	0	210	0
Actuarial profit or loss recorded in personnel expenses resulting from funding level changes	0	22	0
Pensions paid	(115)	(114)	(114)
Present value of pension obligations at year end	1,609	1,559	1,559
Plan assets	(224)	(234)	(234)
Pension obligations	1,385	1,325	1,325

	2013	2012	2012 IAS 19 rev. (2011)
	KEUR	KEUR	KEUR
The net pension expenditure breaks down as follows:			
Accruing interest on expected pension obligations	46	62	62
Realized actuarial gains or losses	0	232	0
Net periodic pension cost	46	294	62

Expenses are recorded in profit or loss under general administration costs or under net interest. In last year's adjusted comparison period, actuarial gains or losses were recorded under shareholders' equity in "Other comprehensive income" as per IAS 19 (revised 2011).

The following average factors were used as basis for calculating pension obligations:

	12/31/2013	12/31/2012
	in %	in %
Weighted average assumptions:		
Discount rate	2.97	3.10
Growth rate of future benefit payments	1.5 – 3.0	0.5 – 3.0

The duration is ten years, unchanged versus the previous year.

The Company has pension plan benefit payment obligations as outlined below for respective fiscal years ending December 31:

	KEUR
2014	117
2015	119
2016	121
2017	124
2018	127
Cumulative 2019 through 2023	676

The sensitivity analysis provided below shows changes in carrying amounts resulting from changes in the parameters for calculating pension obligations:

	12/31/2013
	KEUR
Discount rate increase by 1.0%	(138)
Discount rate decrease by 1.0%	161
Pension trend rise by 1.0%*	86
Pension trend decline by 1.0%*	(75)

* Pension trend sensitivity applies only to those portions of the pension obligations which have not been contractually agreed.

There are other long-term personnel obligations in addition to pension obligations. Obligations from German phased retirement programs resulting in payment obligations after the end of the active work period under a block-time scheme were included in current pension accruals in fiscal year 2013, as this obligation lapses in fiscal year 2014.

	12/31/2013	12/31/2012
	KEUR	KEUR
Pension accruals	1,385	1,325
German phased retirement program liabilities	0	152
Other non-current personnel obligations	119	115
Amount reported on consolidated balance sheet	1,504	1,592

[15] Non-current borrowings and current portion of non-current borrowings

Non-current interest-bearing borrowings and the current portion of the non-current borrowings are summarized below.

Loans from financial institutions	Initial loan amount	Due date	Non-current portion 12/31/2013	Non-current portion 12/31/2012	Current portion 12/31/2013	Current portion 12/31/2012
	KEUR		KEUR	KEUR	KEUR	KEUR
Commerzbank	3.000	6/30/2014	0	3,000	0	0
Bayerische Landesbank	1.800	Quarterly, starting on 3/31/2013	600	1,200	600	600
Deutsche Bank	1.000	Quarterly, starting on 12/31/2012	250	583	333	333
Total non-current interest-bearing borrowings			850	4,783	933	933

Repayment of principal for interest-bearing non-current borrowings for the fiscal years subsequent to December 31, 2013 is as follows:

	KEUR
2014	0
2015	850
2016	0
Total	850

[16] Current accruals

Quantifying warranty accruals are inevitably subject to uncertainty regarding amount and due dates. The amount of the accrual is calculated based on historical data. Except for risks for which accruals have been recorded, Company management is unaware of any matters potentially creating liabilities for the Company which could have a major adverse impact on the Company's financial position, financial performance and cash flows.

	Warranty accruals	Personnel-related accruals	Other accruals	Total
	KEUR	KEUR	KEUR	KEUR
Status as of 1/1/2013	959	852	252	2,063
Additions	608	4	108	720
Utilization	(337)	(565)	(92)	(994)
Reversals	(125)	(235)	(47)	(407)
Status as of 12/31/2013	1,105	56	221	1,382
Of these, non-current	520	0	0	520
Of these, current	585	56	221	862

[17] Current borrowings from financial institutions

Short-term credit facilities are summarized in the following table:

	12/31/2013	12/31/2012
	KEUR	KEUR
Deutsche Bank, Munich	7,500	5,500
Commerzbank, Munich	6,101	0
Bayer. Landesbank, Munich	4,500	3,533
Total	18,101	9,033

The Company has credit facilities with the following banks (including guaranteed bills outstanding and letters of credit):

	12/31/2013	12/31/2012
	KEUR	KEUR
Commerzbank, Munich	12,000	12,000
Sparkasse Tauberfranken, Bad Mergentheim	7,000	7,000
Bayer. Landesbank, Munich	10,700	11,300
Deutsche Bank, Munich	11,583	11,917
Uni Credit, Munich	40	40
Total	41,323	42,257

In addition to these credit facilities, the Company has bank guarantees which it can use in lieu of rent deposits or supplier guarantees. These bank guarantees are equivalent to letters of credit. For example, instead of receiving a cash deposit from the Company, the bank guarantees the deposit amount without actually depositing assets. These guarantees affect the total amount of cash the Company can borrow, as the guarantees pose a potential risk to the issuing banks. The Company had utilized 2,173 thousand euros in bank guarantees as of December 31, 2013 and 2,326 thousand euros as of December 31, 2012.

[18] Other current liabilities and tax liabilities

Other current liabilities comprise the following items:

	12/31/2013	12/31/2012
	KEUR	KEUR
Taxes payable	1,913	521
Financial instruments	33	102
Personnel-related liabilities	2,259	2,449
Social security and payroll taxes	646	518
Value-added tax payable	1,574	213
Customers with credit balances	264	389
Annual audit and tax consultancy	192	210
Sales commissions	126	59
Shipping expenses	50	65
Other liabilities	466	474
	5,577	4,377
Total other current liabilities	7,523	5,000

7. Notes to the statement of cash flows

The cash flow statement is divided into inflows and outflows of cash from operating activities, investing activities and financing activities. The effects of changes to the group of consolidated companies are eliminated in the respective line and listed separately.

Cash flows from operating activities include all cash flows from ongoing operating activities and are presented using the indirect method. Based on net income for the year, all non-cash income and expenses are adjusted. Primarily due to the solid net profit for the year of 3,235 thousand euros, cash flow from

operating activities came to 4,854 thousand euros. The outflow of 1,715 thousand euros from interest received, interest paid and income taxes paid resulted from Group operating activities, and thus was classified into operating activities.

Cash flows from investing activities reflect the capital outflow related to capitalized development costs and to other asset additions, and the cash inflows from the disposal of assets (including consolidated investments in subsidiaries). Accordingly, the effects resulting from the sale and deconsolidation of the subsidiary Conrac SA (Pty) Ltd, Johannesburg, South Africa, effective October 1, 2013 were presented under investing activities. However, they did not influence significantly the Group's cash flows.
Net cash flows from investing activities amounted to minus 2,232 thousand euros in 2013 and minus 3,015 thousand euros in 2012.

In fiscal year 2013, cash flows from investment activities were 3,097 thousand euros due to the increase in current borrowings. With the currently low interest levels and the Company's good credit standing, the Group satisfied its ongoing working capital financing requirements with current borrowings from financial institutions in order to respond flexibly to changes in the business environment. Dividend distribution resulted in a liquidity outflow in the amount of 2,036 thousand euros and 2,100 thousand euros, respectively. The acquisition of treasury shares was completed in fiscal year 2012.

Cash and cash equivalents comprise current bank deposits, checks and cash net of outstanding bank overdrafts.
Effects of exchange rate fluctuations on cash and cash equivalents are presented in a separate line item.

Changes of accounting policies requiring capitalization of actuarial gains or losses in equity resulted in an increased net income for fiscal year 2012, amounting to 232 thousand euros and in the respective increase of other non-cash expenses and income.

8. Supplementary Disclosures

Employee stock option plan

Stock option plan
On July 4, 2000, February 28, 2002, March 3, 2003 and April 5, 2004 the Company granted 25,772, 31,497, 20,474 and 31,108 options respectively to employees of DATA MODUL AG and its affiliated companies for the purchase of shares in DATA MODUL AG. The options entitle the owner to purchase shares in the Company in three installments on the following price and vesting terms:

- One third of the options granted may be exercised at a price equal to 120% of the average price of the DATA MODUL AG shares for the five trading days prior to the option granting date. This tranche vests after two years and can only be exercised if DATA MODUL AG shares reach a value of 120% of the average price for the five days preceding the granting date at least once prior to the exercise date.

- One third of the options granted may be exercised at a price equal to 130% of the average price of the DATA MODUL AG shares for the five trading days prior to the option granting date. This tranche vests after three years and can only be exercised if DATA MODUL AG shares reach a value of 130% of the average price for the five days prior to the granting date at least once prior to the exercise date.

- One third of the options granted may be exercised at a price equal to 140% of the average price of the DATA MODUL AG shares for the five trading days prior to the option granting date. This tranche vests after four years and can only be exercised if DATA MODUL AG shares reach a value of 140% of the average price for the five days prior to the granting date at least once prior to the exercise date.

Any unexercised options are forfeited ten years from the stock option program start date.
Settlement occurs in the form of equity instruments.

The status of the Company's stock option plans as of December 31, 2013 is summarized below:

For shares granted before November 7, 2002

	Number of shares subject to option	Weighted average exercise price
		EUR
Outstanding as of 1/1/2012	24,694	20.93
Granted during the period	0	0
Forfeited during the period	(24,694)	20.93
Exercised during the period	0	0
Lapsed during the period	0	0
Outstanding as of 12/31/2012	0	0
Granted during the period	0	0
Forfeited during the period	0	0
Exercised during the period	0	0
Lapsed during the period	0	0
Outstanding as of 12/31/2013	0	0

For shares granted after November 7, 2002

	Number of shares subject to option	Weighted average exercise price
		EUR
Outstanding as of 1/1/2012	23,071	17.52
Granted during the period	0	0
Forfeited during the period	(1,262)	14.47
Exercised during the period	0	0
Lapsed during the period	0	0
Outstanding as of 12/31/2012	21,809	17.69
Granted during the period	0	0
Forfeited during the period	406	19.40
Exercised during the period	0	0
Lapsed during the period	3,481	8.70
Outstanding as of 12/31/2013	17,922	19.40

Total shares:

	Number of shares under option	Weighted average exercise price
		EUR
Outstanding as of 1/1/2012	47,765	19.28
Granted during the period	0	0
Forfeited during the period	(25,956)	20.62
Exercised during the period	0	0
Lapsed during the period	0	0
Outstanding as of 12/31/2012	21,809	17.69
Granted during the period	0	0
Forfeited during the period	(406)	19.40
Exercised during the period	0	0
Lapsed during the period	(3,481)	8.70
Outstanding as of 12/31/2013	17,922	19.40

The following table summarizes the information regarding Company stock options as of December 31, 2013:

		Unit
Range of exercise prices	17.90 – 20.89	EUR
Outstanding		
Number of existing options	17,922	
Residual maturity	0.25	in years
Weighted average exercise price	19.40	EUR
Exercisable		
Number exercisable as of Dec. 31, 2012	17,922	
Weighted average exercise price	19.40	EUR

Related party disclosures

According to IAS 24 (Related party disclosures), transactions with persons and entities that are controlled by the reporting entity or could control the reporting entity are to be disclosed unless these have already been included in the Consolidated Financial Statements as consolidated entities.

Varitronix Investment Ltd. of Hong Kong, China, announced on April 4, 2011 that it holds 19.99% of the votes in DATA MODUL AG.

The purchases and sales involving the Varitronix Group are presented in the table below:

	2013	2012
	KEUR	KEUR
Purchases from Varitronix Ltd., Hong Kong, China	5,187	6,223
Sales to Varitronix Ltd., Hong Kong, China	9	20
Service fee from Varitronix GmbH, Munich*	49	41

* A service fee was charged to Varitronix GmbH, Munich, for partial use of office, communications, administrative and financial functions.

As of the reporting date, unsecured liabilities due from Varitronix totaled 1,001 thousand euros.
In fiscal years 2013 and 2012, the Company incurred expenses for services rendered by one employee due to a material investment in DATA MODUL AG shares by related parties. The remuneration amount paid in 2013 was 197 thousand euros (2012: 199 thousand euros).
The obligatory disclosures regarding relations between Executive and Supervisory Board members and the Company are included in the Supplementary Disclosures.

Objectives and methods of financial risk management

Liquidity, credit and market risks arise from operating activities. Market risk can vary due to fluctuations in the fair values of or future cash flows from financial instruments as a result of market price changes. Market risks include cash flow, foreign currency and other price risks.

Strategies and control mechanisms for specific risks arising from the Group's use of financial instruments are outlined below. The Company has no significant concentration of credit risk.

Interest rate risk

The table below shows a sensitivity risk analysis of Group earnings before taxes and equity to interest rate changes in variable-rate current borrowings.

	2013	2012
	KEUR	KEUR
Impact on earnings before taxes		
Interest rate change		
Increase by 1%	(181)	(90)
Decrease by 1%	181	90

Foreign currency risk

As a result of major investments in foreign currencies, the Group's balance sheet may be affected significantly by exchange rate fluctuations.
In addition, the Group faces currency risks from individual transactions. Risk exposure arises from sales or purchases by an operating unit in currencies other than the unit's functional currency. Approximately 52.8% (2012: 48.2%) of the Group's sales are denominated in currencies other than the functional currency of the operating unit making the sale, while 67.2% of the costs are denominated in currencies other than the functional currency of the operating unit (2012: 70.9%). The Group uses various instruments in an attempt to minimize foreign currency risks, such as forward currency contracts and currency options. Currency futures contracts must be in the same currency as the hedged item. It is the Group's policy not to enter into currency hedges until a fixed obligation has been agreed on.
It is the Company's policy to negotiate the terms of hedge derivatives to correspond to those of the hedged item in order to maximize hedge effectiveness. As of December 31, 2013, no hedging instruments were held.

The table below shows a sensitivity analysis of Group earnings before taxes to exchange rate fluctuations in all key foreign currencies which are deemed reasonably possible on the basis of prudent business judgment. The most impact is seen from exchange rate fluctuations versus the USD, JPY and GBP. The impact on earnings before taxes due to an exchange rate increase or decrease relative to the average foreign exchange rate for the respective fiscal years was calculated. All other factors remain unchanged.

	2013	2012
	KEUR	KEUR
Impact on earnings before taxes		
Interest rate change		
Increase	(1,117)	(1,392)
Decrease	979	1,249

A 10% currency fluctuation was factored in for the JPY in view of the recent level of volatility. For all other currencies, fluctuation rates of 5% were applied for fiscal years 2013 and 2012.

Credit risk

Credit risks arise from the potential of business partners not meeting their obligations in operating business and financial transactions. Risk related to credit standing is minimized by means of an efficient credit and collections management system.

The Group only enters into transactions with third parties with good credit standing. It is the Company's policy that all customers who wish to trade on credit are subject to verification of creditworthiness. Trade receivables balances are constantly monitored and allowances made for possible value adjustment risks. Other than that there are no significant default risks connected with ongoing business activities. Additionally, credit sale insurance policies have been taken out to minimize risk. The average exposure for the past years is well below 1.0%.

In transactions not conducted in the country of the respective operating unit, the Company does not offer credit terms without a credit check. The Group thus does not face a major concentration of credit risks.

With other Group financial assets such as cash and cash equivalents and certain derivate financial instruments, the maximum credit risk exposure through counterparty default equals the carrying amount of these instruments.

Liquidity risk

The Group constantly monitors liquidity risk, employing a liquidity planning tool. This tool takes into account the maturities of both the financial investments and the financial assets, as well as projected cash flows from business operations.

The Company's objective is to meet liquidity requirements at all times while maintaining flexibility through the utilization of overdraft facilities, bank loans, and finance leases. As of December 31, 2013, 93% of the Company's debt reported on the consolidated financial statements falls due within one year (2012: 78%).

The maturities of the Group's financial liabilities are shown below as of December 31, 2013. The figures are based on contractual, undiscounted payments.

12/31/2013	< 12 months	1 - 5 years	More than 5 years	Total
	KEUR	KEUR	KEUR	KEUR
Interest-bearing loans				
Non-current	967	863	0	1,830
Current	18,159	0	0	18,159
Other liabilities				
Pensions and non-current personnel liabilities	269	579	656	1,504
Accrued liabilities	862	520	0	1,382
Trade accounts payable	10,945	0	0	10,945
Other liabilities	7,523	0	0	7,523
Total	35,624	1,962	656	38,242

12/31/2012	< 12 months	1 - 5 years	More than 5 years	Total
	KEUR	KEUR	KEUR	KEUR
Interest-bearing loans				
Non-current	989	4,974	0	5,963
Current	9,056	0	0	9,056
Other liabilities				
Pensions and non-current personnel liabilities	115	631	846	1,592
Accrued liabilities	2,063	0	0	2,063
Trade accounts payable	8,387	0	0	8,387
Other liabilities	5,000	0	0	5,000
Total	25,610	5,605	846	32,061

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure, and adjusts it accordingly, taking into account changing general economic conditions. In order to maintain or adjust its capital structure, the Company may adjust dividend payments to shareholders, make share repurchases or

issue new shares. No changes had been made to the objectives or policies as of December 31, 2013, nor in the previous year.
The Company monitors its capital levels with respect to a capital management ratio which is the ratio of net debt to total equity plus net debt. The Company's net debt is its interest-bearing loans and borrowings and trade and other payables less cash and cash equivalents and current assets. Shareholders' equity is the equity shown on the balance sheet.

	12/31/2013	12/31/2012
	KEUR	KEUR
Non-current borrowings	850	4,783
Current borrowings from financial institutions Current loans	18,101	9,033
Trade accounts payable	10,945	8,387
Other liabilities	11,342	10,346
./. Cash and cash equivalents and Current assets	(17,069)	(10,148)
Net debt	24,169	22,401
Total shareholders' equity	42,698	41,774
Equity and net debt	66,867	64,175
Capital management ratio in %	36.14	34.91

Fair value of financial instruments

The carrying amounts of the financial instruments the Group holds essentially correspond to their fair values.

Hedging activities

Cash flow hedges
As of December 31, 2013, there were no financial instruments classifiable as hedges for projected sales to customers or purchases from suppliers for which these fixed obligations existed.
There were no hedged net investments in foreign business operations as of December 31, 2013.

Contingent liabilities, contingencies and other financial obligations

Contingent liabilities and litigation
The Group may be subject to litigation from time to time in its ordinary course of business. To cover potential obligations arising from litigation, an accrual of 16 thousand euros was provisioned. The Group's Executive Board and its legal advisors are not aware of any claims that could have a material adverse effect on the Company's business, its financial position, financial performance and cash flows.

Contingencies from guarantees and warranties as of the balance sheet date totaled 2,173 thousand euros (2012: 2,326 thousand euros).

Lease agreements
The Group has entered into certain operating lease and rental agreements for office space and automobiles. During the reporting periods, the Group incurred lease and rental expenses as follows:

	2013	2012
	KEUR	KEUR
Rent of office space	1,489	1,512
Operating leases for vehicles	613	536
Total lease and rental expenses	2,102	2,048

Financial liabilities for the years following the balance sheet date were based on future minimum rental obligations under the current rental and lease contracts. As of December 31, 2013 these were as follows:

	12/31/2013
	KEUR
Rents and leases 2014	1,489
Rents and leases 2015	1,351
Rents and leases 2016	1,242
Rents and leases 2017	1,192
Rents and leases 2018	1,183
Rents and leases 2019 and after	4,583
Total	11,040

Rent obligations primarily relate to the office buildings in Munich and the sales offices in Hamburg, Düsseldorf, Hauppauge, Baron, Lognes, Milan, Madrid, Nänikon, Birmingham, Dubai and Singapore. Lease payments were primarily incurred for corporate vehicles.

At the reporting date, 38,253 thousand euros in orders placed with suppliers were still open (2012: 58,362 thousand euros).

Segment reporting

Pursuant to IFRS 8 (Operating segments), segments are defined using the "management approach". Segments are defined and information on these segments is thus disclosed according to internal criteria used by Company management to allocate resources and evaluate segment performance. The segment reports below were prepared in accordance with this definition, using as key indicators order entry, order backlog, revenue, gross margin, EBIT and net income for the year.

DATA MODUL AG, Produktion und Vertrieb von elektronischen Systemen, Munich, claims to be the European market leader in display technology.

DATA MODUL develops, manufactures and distributes innovative flatbed displays, monitors, electronic subassemblies and complete information systems.

DATA MODUL displays and easyTouch displays, electronic subassemblies and custom products for use in industrial applications and the automotive industry comprise the Displays business segment.

The Systems business segment comprises our easyBoard, easyPanel and easyEmbedded solutions as well as DATA MODUL Weikersheim's special monitors for applications in marine navigation and medical devices. This business segment also serves customers in the airport, railway and business sectors.

Business segments

Segment results fiscal year 2013			
	Displays	Systems	Group
	KEUR	KEUR	KEUR
Revenues from sale of goods and services	82,618	61,668	144,286
Service revenue	184	2,236	2,420
Total revenue	82,802	63,904	146,706
Research and development expenses	(1,840)	(3,010)	(4,850)
Selling and general administration expenses	(9,245)	(11,196)	(20,441)
Amortization of intangible assets and depreciation on property, plant and equipment	(908)	(1,213)	(2,121)
Segment results (EBIT)	3,294	2,382	5,676
Interest income	20	25	45
Interest expense	(146)	(179)	(325)
Income tax	(1,263)	(898)	(2,161)
Net income for the year	1,905	1,330	3,235
Investments in intangible assets, property, plant and equipment, and financial assets	663	1,563	2,226

Segment results fiscal year 2012			
	Displays	Systems	Group
	KEUR	KEUR	KEUR
Revenues from sale of goods and services	77,737	60,501	138,238
Service revenue	229	1,778	2,007
Total revenue	77,966	62,279	140,245
Research and development expenses	(152)	(2,985)	(3,137)
Selling and general administration expenses	(10,657)	(9,742)	(20,399)
Amortization of intangible assets and depreciation on property, plant and equipment	(488)	(1,302)	(1,790)
Segment results (EBIT)	4,292	4,099	8,391
Interest income	9	19	28
Interest expense	(184)	(261)	(445)
Income tax	(747)	(142)	(889)
Net income for the year	3,371	3,714	7,085
Investments in intangible assets, property, plant and equipment, and financial assets	1,021	2,008	3,029

Disclosures regarding geographical regions

Revenues

Displays segment

	2013	2012
	KEUR	KEUR
Domestic	53,971	52,525
Foreign	28,831	25,441
Total	82,802	77,966

Systems segment

	2013	2012
	KEUR	KEUR
Domestic	34,374	40,753
Foreign	29,530	21,526
Total	63,904	62,279

The Group does not currently have customers who individually account for more than 10% of Company.

Supplementary Disclosures

Corporate Governance

Being the only listed Group company, DATA MODUL AG has issued the mandatory declarations per Sec. 161, German Stock Corporation Law (Aktiengesetz, [AktG]) and in Sec. 289a German Commercial Code (HGB), and made these available to shareholders.

Related and affiliated companies

The DATA MODUL consolidated financial statements include all subsidiaries in which the parent company, DATA MODUL AG, holds an indirect or direct majority of voting rights.

Name, registered office of the Company	Share-holding	IFRS Equity	Annual net earnings
	in %	KEUR	KEUR
Conrac GmbH, Weikersheim, Germany	100	13,791	4,649
DATA MODUL France SARL, Lognes, Frankreich	100	119	61
DATA MODUL Iberia S.L., Madrid, Spanien	100	705	193
DATA MODUL Inc., New York, USA	100	1,857	219
DATA MODUL Italia S.r.l., Bozen, Italien	100	197	34
DATA MODUL Ltd., Birmingham, Großbritannien	100	1,168	823
DATA MODUL Suisse GmbH, Zug, Schweiz	100	(158)	(9)
Conrac Asia Display Products PTE Ltd., Singapur, Singapur	100	934	344
Conrac MENA FZE EST, Dubai, VAE	100	1,191	(6)

Conrac GmbH in Weikersheim was renamed Data Modul Weikersheim GmbH effective October 1, 2013. As of December 31, 2013, Conrac South Africa (Pty) Ltd is no longer within the scope of consolidation, as DATA MODUL AG sold all shares in this subsidiary effective October 1, 2013.

Remuneration report

The remuneration structures for the Executive and Supervisory Boards is elaborated in the Group Management Report in the section “Remuneration report”. The remuneration packages of the managing bodies’ members are as follows:

All figures in KEUR	Peter Hecktor		Walter King		Dr. Florian Pesahl		Gesamt	
	2013	2012	2013	2012	2013	2012	2013	2012
Basic salary	280	280	220	220	200	200	700	700
Fringe benefits	43	42	17	17	11	11	71	70
Total non-performance-based components	**323**	**322**	**237**	**237**	**211**	**211**	**771**	**770**
Executive bonus	200	200	87	87	87	87	374	374
Executive bonus – long-term incentives	0	0	43	43	43	43	86	86
Total performance-based components	**200**	**200**	**130**	**130**	**130**	**130**	**460**	**460**
Total remuneration	**523**	**522**	**367**	**367**	**341**	**341**	**1,231**	**1,230**

Executive Board member remuneration

Mr. King's and Dr. Pesahl's executive bonus packages contain long-term incentives by virtue of which only two thirds of accrued executive bonuses are to be paid out for 2013, the third portion only being disbursable if the Company remains profitable in the next fiscal year. Mr. Hecktor's executive bonus package does not contain a CSR component. Two other members of the Executive Board were granted stock options as part of their remuneration package as a long-term incentive. This component is in accordance with the stock option program 2000 detailed under chapter 8 of the Notes. The table below shows the amounts paid to the individual Executive Board members:

Stock option program 2000	Peter Hecktor		Walter King	
	2013	2012	2013	2012
Exercisable options per 12/31/2013	2,967	2,967	2,967	2,967
Forfeited options 2012	0	3,015	0	3,015
Options exercised in 2005 and 2007	2,174	2,174	2,174	2,174

As per the reporting date, the Group had pension benefit commitments to current and retired Executive Board members as outlined in the table below, showing annual pension plan contributions:

All figures in KEUR	Peter Hecktor		Walter Eichner	
Pensions	2013	2012	2013	2012
Accruals as per the reporting date	211	205	241	240
Allocations to pension accruals	25	77	24	67
Pensions paid	19	19	23	22

In fiscal years 2012 and 2013, no loans or other similar benefits were granted to Executive Board members. Executive Board members do not receive any remuneration for Board duties for other Group companies.

Supervisory Board member remuneration

All figures in KEUR	Victoria Hecktor		Tony Tsoi Tong Hoo		Petra Ollhoff		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Annual remuneration	40	40	30	30	20	20	90	90
Other provisions compensation	0	0	0	0	0	0	0	0
Grand total	**40**	**40**	**30**	**30**	**20**	**20**	**90**	**90**

Executive Board and Supervisory Board

Executive Board members:
Peter Hecktor, Munich, CEO
Dr. Florian Pesahl, Munich, CFO
Walter King, Munich, CTO

Supervisory Board members:
Victoria Hecktor, Chairwoman
Tony Tsoi Tong Hoo, Deputy Chairman
Petra Ollhoff (Employee), Employee Representative

Auditor's fee

The Company recorded expenses for auditing services provided in Germany in the amount of 117 thousand euros (2012: 126 thousand euros) in accordance with Sec. 314 (1) No. 9a of German Commercial Code (HGB). For other audit opinion-related services as per Sec. 314 (1) No. 9b German Commercial Code, 3 thousand euros (2012: 8 thousand euros) were recorded as expenses. Tax consultancy expenses as per Sec. 314 (1) No.9c German Commercial Code in the amount of 2 thousand euros (2012: 10 thousand euros) were recorded through profit or loss, as well as other services as per 314 (1) No. 9d German Commercial Code in the amount of 46 thousand euros (2012: 0 thousand euros).

Events after the reporting date

We are not aware of any significant events that may have occurred after the end of the fiscal year that would have had a major influence or impact on the Company's financial position, financial performance and cash flows.

Munich, February 27, 2014

Auditor's opinion – DATA MODUL Group

We have issued the following opinion on the consolidated financial statements and the group management report:

"We have audited the consolidated financial statements prepared by the Data Modul AG, München, comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes to the consolidated financial statements, together with the group management report for the fiscal year from 01.01.2013 to 31.12.2013. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 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 on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 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 those 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 the 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 IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 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 a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Munich, February 27, 2014

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Gallowsky
Wirtschaftsprüfer (German Public Auditor)

Haendel
Wirtschaftsprüferin (German Public Auditor)

Management Representation

We represent to the best of our knowledge and ability and in accordance with the applicable accounting principles that the Consolidated Financial Statements present a true and fair view of the Group's financial position, financial performance and cash flows and that the Group Management Report describes fairly, in all material respects, the Group's business and performance, including the business results, the Group's position, as well as the significant risks and rewards of the Group's future development.

Peter Hecktor CEO | Dr. Florian Pesahl CFO | Walter King CTO

The DATA MODUL Annual Report 2013 is available in German and English

Financial Calendar 2014:

Annual Shareholders' Meeting	5/12/2014
Interim report as of March 31, 2014	5/9/2014
Interim report as of June 30, 2014	8/7/2014
Interim report as of September 30, 2014	11/11/2014

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