

DATA MODUL

ANNUAL REPORT 2015

Qualification & Approvals
easyBOARDS Modular product concept **OEM Solutions**
Software Mechanical design
EMC tests Open Frame Monitors
Made in Germany Production Computer-on-Module easyTOUCH
Project Management **PCAP**
Clean room
Display Optical Bonding Embedded Systems Custom designs Baseboards

VISUAL SOLUTION PROVIDER

Research & Development **Touch Solutions**

easySYSTEMS LCD Controller
Installation
climatic test **Front glass** System solutions
Logistics **Panel PCs** Quality Management
Obsolescence Management Human Machine Interface
Certification **Firmware** **Construction**
On-site service **Industrial Automation** **Integration support**
Information Systems

DATA MODUL AT A GLANCE



DATA MODUL Group financial statements were prepared in accordance with International Financial Reporting Standards (IFRS). For computation purposes, the tables and notes may include deviations from the accurately calculated amounts due to rounding.

Corporate Results in KEUR	2015	2014	2013	2012	2011	2010	2009
Revenue	180,300	155,915	146,706	140,245	140,870	119,083	98,287
EBITDA ¹⁾	15,331	13,257	7,797	10,181	12,070	8,684	1,727
EBIT ²⁾	12,576	11,404	5,676	8,391	10,135	6,582	(522)
EBIT margin in %	7.0	7.3	3.9	6.0	7.2	5.5	(0.5)
Net income	8,413	7,573	3,235	7,085	7,600	3,782	(2,099)
Shareholders' equity	60,246	48,036	42,131	41,774	38,918	32,573	28,705
Shareholders' equity ratio in %	66.6	60.0	50.5	56.2	55.6	50.7	50.6
Working Capital ³⁾	44,691	39,543	41,218	37,894	35,831	31,338	18,978
Cash flow ⁴⁾	7,049	13,799	4,854	3,852	6,348	3,969	2,555
Capital expenditures ⁵⁾	2,719	2,471	2,226	3,029	1,697	1,418	821
Employees ⁶⁾	364	348	333	315	296	276	285
Revenue per employee	495	448	441	445	476	431	345
Earnings per share in euros	2.41	2.23	0.95	2.05	2.16	1.11	(0.65)
Cash flow per share in euros ⁷⁾	2.00	3.91	1.38	1.09	1.80	1.13	0.80
Dividend per share in euros	1.20	0.12	0.60	0.60	0.60	0.40	Bonus shares
Stock price at year end in euros	36.90	20.00	16.55	17.01	10.97	13.25	8.30
Highest stock price in euros	38.09	20.82	19.55	18.30	15.77	13.87	9.21
Lowest stock price in euros	19.91	16.31	12.70	10.76	10.38	8.29	5.70

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) **Average annual number without apprentices**

7) **Cash flows from operating activities**

DATA MODUL

2015 ANNUAL REPORT

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MANAGEMENT REPORTING

The figures recorded by DATA MODUL for 2015 came as the result of a strong team effort. Transparent communications and a systematic goal-oriented approach facilitated effective action on the strategic decisions made by management. We are pleased to present this report on the matters we were concerned with in the course of this financial year.

DATA MODUL
MÜNCHEN



EXECUTIVE BOARD REPORT

**Dear Shareholders,
and friends of our Company,**

“The future depends on what we do today,” Mahatma Gandhi once said, and at DATA MODUL we take this message to heart for our business. The past success of an enterprise is history, while in the present, we have to think about the sustainability of our business model. Enterprises that last take an active approach to evolving, unafraid to question established practices and strategies. They break new ground and systematically invest to be able to provide what customers need. In this manner they ensure their long-term success while observing their responsibilities toward shareholders, employees and other stakeholders.

New challenges arise daily from our business environment, the market in which we operate and general economic conditions. The speed of data and the complexity of the processes are constantly increasing, at an ever-accelerating pace. Smartphones and the internet have become integral parts of everyday life. In business now there are “Smart Factories”, internetworked computer systems and intercommunicating machinery. Information technology, telecommunications and manufacturing are converging. We find ourselves on the threshold of a fourth industrial revolution, entering the age of “Industry 4.0”. The factory of the future will be more flexible, efficient and intelligent, as machines, systems and products will communicate with each other via the “Internet of Things”.

The internet, mobile computing and cloud computing open up possibilities for products, machines and entire factories to share data on a fully automated basis. The industrial process is no longer organized centrally and manually at the factory, being dynamically structured instead in decentralized fashion with a high level of automation. In “Smart Factories”, people, machines and resources communicate with each other, allowing better management of increasing complexity and gains in production efficiency. Communication takes place via visual control units – the product and market of DATA MODUL.

In 2015 we lived through another chapter in our success story, despite the market remaining challenging. Looking at our solid results this year, we also see how we have continued our progress since the global financial and economic crisis of 2008/2009. The goals we had set back then were ambitious for the difficult environment of achieving revenue of 180 million euros and an EBIT margin of 7 - 8%. And we have hit all of our major targets, slightly exceeding our projections. We finished out fiscal year 2015 with revenue of 180 million euros and EBIT up to 12.6 million euros.

Foreign markets were a key profit driver, as we continued our international growth in fiscal year 2015, thus further reducing our dependence on the German market. We will continue putting more emphasis on growing our pres-



ence abroad and will put our Company on an even stronger global footing for managing business fluctuations in Germany and Europe.

Our chief activities in 2015 included further expansion of our global sales network and continuing optimization of operating processes. Efforts underway to centralize our logistics and production capacity at the Weikersheim location are progressing according to plan.

The financial success we have enjoyed in recent years enables us to invest further in our future. The innovative capability of our research and development departments is mission-critical to our enterprise. In 2015, our research and development expenses rose to over 6 million euros, including in particular expenditures for projects designed to safeguard the Company's future.

The results compellingly affirm the soundness of the Executive Board's strategy program, illustrating how the course we have taken in recent years has been the right one. Our "Fit for Future 2015" strategy program was successfully implemented as we accomplished all of the program objectives, thus keeping the promises we made. Today, DATA MODUL is a much stronger company with a more global orientation and a more sustainable business than before implementation of our strategy. It

is quite clear today that the strategy has propelled our business into a new dimension.

Our strategy has always been and will always be the foundation upon which our success is built, and thus strategy will be guiding our business activities as we look ahead to the year 2020. We always act with the future in mind – even acting counter to current trends when necessary. And we have the courage to stay the course chosen when we believe we are on track for success.

But rather than wait for success to occur, we actively pursue it. The Executive and Supervisory Boards have thus adopted the new "Shape 2020" strategy, the overarching objective of which is to make us the world's leading and largest visual solutions provider by the year 2020. We continue in our efforts to ensure balanced diversification of our sales in the three major regions of the world, so as to buffer against fluctuations in individual markets and avoid dependencies. The global displays market continues to grow. We aim to upgrade our product array to meet the new requirements associated with Industry 4.0 and the Internet of Things, and to keep growing in international markets as we have in recent years. In the process, we will remain committed to the three "I's" for success: investment, innovation and international orientation.



In view of the Company's business results, the Executive and Supervisory Boards propose approval at the Annual Shareholders' Meeting to distribute a dividend of 1.20 euros per share for fiscal year 2015. This represents a distribution ratio of approximately 50% of net income for the year.

The past year's success is the result of the long-term planning we have carried through on, in line with our strategy. Yet difficult tasks await, which will require daily motivation and dedication across all levels of the Company. We owe our success to our employees, who number over 400 worldwide. Each individual's ability and performance has played a role in the overall success of the firm. I would thus like to expressly thank our staff members. Thanks are due as well to our business partners, and our customers in particular, whose trust in our capabilities guides us forward. Satisfied customers are the basis of our business success.

In addition to strategy, in the coming years product attractiveness will be foundational to our success. From machinery to medical device components, transportation and automation technology to household uses and a host of the other fields of application, display units are now in use in every area of daily life. We will thus remain

focused on our Display, Touch and Embedded technologies. Satisfying customers is our calling, and we strive to offer innovative products and services.

The course for the future has been set. Arising trends and challenges create business possibilities and opportunities. I thus firmly believe that DATA MODUL AG is well-prepared for the work ahead, and will continue growing dynamically along with our employees. 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 2016

Dr. Florian Pesahl
Chief Executive Officer



SUPERVISORY BOARD REPORT



Dear Shareholders,

In the year under review the Supervisory Board addressed matters concerning the situation and growth of DATA MODUL AG in detail. The Board fulfilled the obligations incumbent upon it by law and by virtue of the Articles of Incorporation and code of procedure, advising and supervising the Executive Board in its work.

The Executive Board regularly informed the Supervisory Board both verbally and in writing regarding business developments at DATA MODUL AG. Reporting to the Supervisory Board focused in particular on the market and sales situation for the Company in relation to macro-economic developments, on the financial position of the Corporation and its subsidiaries and on Group and Company-specific earnings. DATA MODUL Group sales and profits were presented in quarterly reporting, including a breakdown by business segment.

The current business situation was also discussed at Supervisory Board meetings, including revenues, earnings, planned longer-term capital expenditures and operational targets. The Executive Board provided detailed information on any occurrences deviating from business planning. The public takeover of the Company by Arrow was an important event in fiscal year 2015.

Principal discussion topics of the Supervisory Board

In the year under review the Supervisory Board convened for one constitutive meeting, four ordinary meetings and two extraordinary meetings.

In an extraordinary meeting in February 2015, the Supervisory Board discussed in detail Arrow's public takeover offer to shareholders of DATA MODUL AG, taking a critical look in particular at the potential consequences of an acquisition by Arrow on the Company and its shareholders. On this basis, the Supervisory and Executive

Boards jointly submitted a founded opinion on the takeover offer in line with Sec. 27 (1) sentence 1 of the Securities Acquisition and Takeover Act (WpÜG), and jointly resolved on an amendment thereof in an extraordinary Supervisory Board meeting in March 2015.

In the ordinary Supervisory Board meeting in March 2015, the Annual Financial Statements prepared by the Executive Board for DATA MODUL AG and for the Group for fiscal year 2014 were presented and discussed in detail. The Supervisory Board adopted the Annual Financial Statements of DATA MODUL AG and approved the Consolidated Financial Statements. Representatives of the auditor of the Separate and Consolidated Financial Statements, Ernst & Young Wirtschaftsprüfungsgesellschaft, Stuttgart, also attended the meeting. The German Corporate Governance Code declaration per Sec. 161 of the German Stock Corporation Act (AktG) and the Supervisory Board composition recommendations were additionally discussed and adopted. The Declaration of Compliance per Sec. 161 German Stock Corporation Act was posted on the Company website www.data-modul.com. In the meeting, the Supervisory Board also reviewed the remuneration scheme for the Executive Board and the appropriateness of the overall remuneration, conducted a questionnaire-based efficiency evaluation of Supervisory Board activities and verified that DATA MODUL AG has a risk management system in place on which the Executive Board reports to the Supervisory Board monthly in writing.

At the ordinary Supervisory Board meeting in May 2015, the Supervisory Board discussed in detail the agenda for the 2015 Annual Shareholders' Meeting in addition to ongoing business results, and formally adopted the resolution proposals for shareholders at the meeting.



At the Supervisory Board's constitutive meeting in July 2015, Amir Mobayen was elected as Chairman and Brian Armstrong as Deputy Chairman of the Supervisory Board.

The ordinary Supervisory Board meeting in September 2015 was devoted principally to examining the business situation and outlook for the DATA MODUL Group. In particular, the Supervisory Board discussed and approved the Executive Board's plans concerning the potential for business development in China and the restructuring of the Info Solutions business segment.

At the ordinary meeting in December 2015, the Executive Board reported to the Supervisory Board on the Group's current business and financial situation. The Executive Board presented the budget for the years 2016 to 2018 and the "Shape 2020" strategy. The Supervisory Board approved these. Additionally, the Supervisory Board discussed in detail and approved the Executive Board report on the current status of research and development activities at the DATA MODUL Group.

Audit of the Separate and Consolidated Financial Statements

At the Annual Shareholders' Meeting on July 3, 2015, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, was appointed as auditor of the Separate and Consolidated Financial Statements for fiscal year 2015. The DATA MODUL AG Separate Financial Statements and Management Report for fiscal year 2015 were prepared in accordance with German Commercial Code (HGB) accounting rules; the Consolidated Financial Statements

and Group Management Report were prepared in accordance with International Financial Reporting Standards (IFRS) as applicable in the European Union and with the supplemental Commercial Code rules per Sec. 315a German Commercial Code. The auditors Ernst & Young audited both sets of Financial Statements including Management Reports, thereupon issuing unqualified audit opinions. Ernst & Young also reviewed the Dependant Company Report per Sec. 312 (1) of the German Stock Corporation Act (AktG) on relations between DATA MODUL AG and its affiliated companies, which the Executive Board presented. The Report concerns the period April 16, 2015 (the date on which the voting rights held by Arrow Central Europe Holding GmbH Munich in DATA MODUL AG exceeded the 50% voting rights threshold) to December 31, 2015. The auditors Ernst & Young issued the following unqualified audit opinion regarding the Dependant Company Report:

Based on our audit performed in accordance with professional standards and our professional judgment, we confirm that

1. the factual statements made in the report are correct,
2. the consideration paid by the Company for the legal transactions stated in the report was not excessively high,
3. there are no circumstances that would require a materially different assessment of the actions listed in the report than that of the executive board.



At its March 2016 meeting, the Supervisory Board discussed in detail the Financial Statements and Dependant Company Report. Representatives of the auditing firm attended the meeting, reported on their audit findings and provided additional information. In their review, the auditors found no material weaknesses regarding the structure or effectiveness of the internal control and risk management system in place.

The Supervisory Board also reviewed independently the Separate Financial Statements and Management Report of DATA MODUL AG and the Consolidated Financial Statements and Group Management Report for fiscal year 2015 as well as the Dependant Company Report. This review by the Supervisory Board did not result in the noting of any reservations regarding the Separate Financial Statements, Consolidated Financial Statements or the Executive Board's concluding declaration in the Dependant Company Report. The Supervisory Board approved both sets of Financial Statements and concurred with the Executive Board's proposal for the appropriation of profits.

Supervisory Board members

The DATA MODUL AG Supervisory Board consists of three members. The Supervisory Board did not form any committees during the reporting period, as this is not expected to yield efficiency gains in view of the Supervisory Board being constituted of three members.

The term of office of Supervisory Board Chairman Peter Hecktor, who was also shareholder representative on the

Board, ended at the conclusion of the Annual Shareholders' Meeting on July 3, 2015 pursuant to his resignation. Prior to this date, the shareholder representative on the Supervisory Board, Tony Tsoi Tong Hoo, and alternate shareholder representative Victoria Hecktor, had resigned effective after April 14, 2015. Amir Mobayen was appointed to replace Tony Tsoi Tong Hoo on the Company's Supervisory Board by order of the Local Court Munich on April 24, 2015 in line with Sec. 104 (1) sentence 1 German Stock Corporation Act (AktG). Amir Mobayen and Brian Armstrong were appointed as shareholder representatives on the Supervisory Board with effect from the end of the Annual Shareholders' Meeting on July 3, 2015. Wolfgang Klein remains the employee representative on the Supervisory Board.

The Supervisory Board expressed gratitude and appreciation to the departing members for their many years of service to the firm.

The Supervisory Board would also like to thank and recognize the work of the Executive Board and the contributions of all DATA MODUL employees worldwide, whose dedication made 2015 a successful fiscal year.

On behalf of the Supervisory Board

Amir Mobayen, Chairman of the Supervisory Board Munich, March 2016

“DATA MODUL is becoming a world-leading visual solutions provider.”

INTERVIEW WITH AMIR MOBAYEN AND DR. FLORIAN PESAHL

1. What prompted Arrow to make its recent investment in a German company?

Amir Mobayen: The timing was favorable for us. The Hecktor family had sold its shares because no successor within the family was found. For Arrow this represented a major opportunity, as in acquiring DATA MODUL we get a thriving business instead of a turnaround situation. Besides, the German market is of great interest to us, and Arrow has not been very strongly positioned in Germany.

2. What opportunities does this create for DATA MODUL?

Dr. Florian Pesahl: DATA MODUL has been a family-operated SME, but now with a strategic investor on board we can become a global partner to our customers. There is quite promising synergy potential with Arrow OCS, which specializes in embedded systems and IT. Also, the product portfolios and regional market focuses of DATA MODUL and Arrow OCS complement each other optimally. We at DATA MODUL will additionally benefit from Arrow's 80 years of logistics experience. We are thus better positioned in the market than ever before. And of course we in Management can benefit from the experience Amir Mobayen will now be contributing as Chairman of the Supervisory Board. DATA MODUL employees

thus have no concerns regarding the investment by Arrow, seeing it instead as a great opportunity for growing the business.

3. Hasn't DATA MODUL been globally active all along?

Dr. Florian Pesahl: Yes, DATA MODUL has been quite active globally as a mid-sized enterprise, now generating 40% of revenue from exports. Central Europe has been our strongest market, but there are still tremendous opportunities in the US and Asia. Advancing globalization promotes merging into larger units in order to better meet the requirements of customers who are doing more and more business internationally. The economies of scale possible are also of interest for increasing market share. Arrow thus will afford us significantly greater efficiency in non-European markets, which I see as a great opportunity. Until further notice however, DATA MODUL is an independent company with a new majority shareholder. As Chief Executive, I am committed to upholding the interests of all shareholders and all employees of DATA MODUL.

Amir Mobayen: Arrow is putting a lot of money into the Internet of Things (IoT), and Germany is a highly important IoT market. Everything is moving in the direction of



connected devices, with displays playing a major role. All interneted intelligent systems need displays; they will be found everywhere, even on thermostats, to name just one example. And we have the right display for every application. One key differentiating factor is that we serve all markets. DATA MODUL is thus very well positioned, and that's just the start of it, as development work in close cooperation with our customers will be propelling us to further success.

4. Arrow now holds a 54% stake in DATA MODUL. Is that level stable?

Amir Mobayen: We view this shareholding as a strategic, long-term investment. With Brian Armstrong and myself, two Arrow employees are on the Supervisory Board right now. Our long-term goal is to acquire as large a stake as possible.

5. As Supervisory Board Chairman of DATA MODUL, you monitor Company strategy. What changes might there be upcoming in this area?

Amir Mobayen: The DATA MODUL Executive Board is responsible for strategy, while the Supervisory Board monitors the activities of and advises the Executive Board. I first would like to reiterate that Arrow has a long-

term interest in DATA MODUL, and that having a Fortune 500 investor on board with us is very good for us at DATA MODUL. We are very proud of the confidence placed in our enterprise, which is steadily evolving from a pure distributor into a system provider. DATA MODUL should continue along this path. Customers demand systems that deliver added value which they can utilize to get new products onto the market faster. If we are able to deliver this added value to customers we can be more profitable than in a conventional distribution business.

6. Regarding strategy, are there no changes?

Amir Mobayen: Together with the Executive Board we have to think about how we are working today and what needs to change for us to continue meeting growing customer demands a few years from now. We have to identify the growth areas and concentrate on the business units, which can be made even more responsive to customer requirements than in the past. In general this means being better capable of "fine tuning" to meet customer needs – which are changing with increasing rapidity. The Supervisory Board is not responsible for day-to-day operations however. That is the job of the Executive Board, comprised of an experienced senior management team.



Amir Mobayen, Arrow

“Arrow sees the acquisition as a long-term investment, and has specific plans for putting money into research and development, expanding production capacity and in DATA MODUL logistics in order to keep the Company on its global growth trajectory going forward.”

7. Keeping the Company on track for growth worldwide will undoubtedly require substantial further investment by Arrow after acquiring an initial stake, will it not?

Amir Mobayen: It will. Arrow is ready to invest further. Research and development must be strengthened if we are to be tomorrow’s provider of highly complex vision systems.

DATA MODUL R&D already has 70 personnel, which is a lot, but the Company has plans to further expand the department, particularly in the area of software development, because it’s software mainly that makes a system intelligent. The R&D team’s work is essential as the basis for offering added-value systems integrating hardware and software.

8. What is an example of that?

Amir Mobayen: DATA MODUL has opened a competence center in Deggendorf for the development of embedded boards tailored to customer requirements. This requires major software development, as the software provides the intelligence component. This will be increasingly important for service as well. Software and services – both are crucial for success in the information systems business. Software and services are the drivers behind everything related to the IoT.

Dr. Florian Pesahl: Times are rapidly changing, thus we need to complete our transformation quickly. DATA MODUL was a pure distribution company until not so long ago, but that’s changed as DATA MODUL has evolved into a system solutions provider. We have to constantly look out for trends, and listen to what our customers want, such as rapidly producing prototypes.

9. Is further investment needed?

Amir Mobayen: Yes, DATA MODUL is expanding production capacity in Weikersheim, which will require investing both in 2015 and 2016. Arrow will be able to deploy its core expertise in supply chain management in DATA MODUL’s production in Weikersheim. We also aim to expand DATA MODUL’s global logistics and supply bases. All that will require investment.

10. Will that mean the Company will undergo a major restructuring?

Amir Mobayen: Every business wants to be capable of rapidly and flexibly responding to new customer requirements in order to achieve its growth objectives, including DATA MODUL. Necessary steps to evolve into a systems provider have already been taken, including bundling of production and logistics capacity at



“Arrow’s investment gives us the chance to become truly global. Industry 4.0 opens up great opportunities worldwide, for anywhere information is shown on a display, our systems and products are in demand.”



Dr. Florian Pesahl, DATA MODUL

Weikersheim – while remaining a reliable partner to customers and employees. And that will not be changing. The overarching long-term goal is for DATA MODUL to become the world’s leading visual solutions provider.

11. Have you identified your growth areas?

Dr. Florian Pesahl: Working with Arrow OCS will create new strategic opportunities for DATA MODUL. The Company will enjoy additional growth potential in both the domestic and international markets. As mentioned, the markets and product portfolios of DATA MODUL and Arrow OCS perfectly complement each other, which will give DATA MODUL access to additional large customers. Medical device technology will be playing a particular role in this regard, as Industry 4.0 will bring big opportunities in general, wherever information is to be shown on a display.

12. What objectives do you hope to achieve within the next twelve months?

Amir Mobayen: Many customers in our markets are still collaborating with a large number of different partners, and there is bound to be some consolidation. Our goals are thus to deepen relationships with customers, respond flexibly to changing customer requirements and

remain our customers’ preferred partner due to our technical and logistical expertise. These things afford DATA MODUL customers faster time-to-market, and we will be doing everything to make that happen.

13. And Europe will play a key role?

Amir Mobayen: Definitely. Europe has always been DATA MODUL’s core market. I know my way around Europe, having lived there fifteen years, twelve of which in France. I live in the US again now but come to Germany regularly.

14. Are you going to turn DATA MODUL into an American-style company?

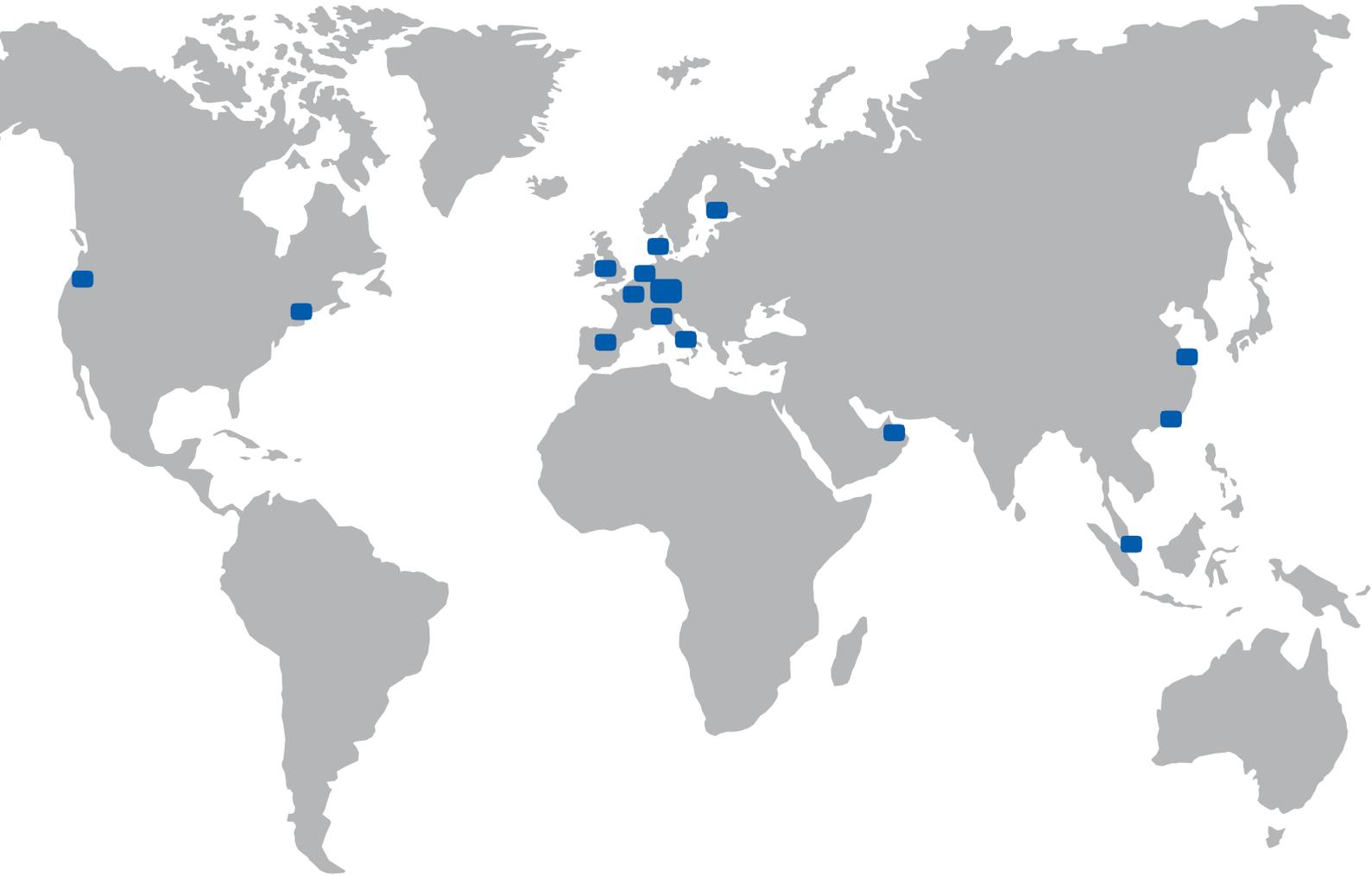
Amir Mobayen (laughs): One of the main things I’ve learned during my many years in Europe is not to try to impose a foreign culture on Europeans. DATA MODUL will remain a German business.

DATA MODUL WORLDWIDE

Munich ranks as one of Europe's most dynamic economic centers, with the highest purchasing power in Germany and six out of the 30 DAX companies headquartered in the city's metropolitan area. High-tech firms contribute particularly to Munich's excellent standing – including of course DATA MODUL, with its main office located there.



OUR LOCATIONS



Munich



Singapore



Weikersheim



New York



Birmingham



Dubai





A SUCCESS STORY

Over the last 40 years, DATA MODUL has grown to become one of Europe's most important providers of display technology and the European market leader. DATA MODUL AG, Produktion und Vertrieb von elektronischen Systemen, a global company specializing in display and systems solutions, is focusing increasingly on proprietary product development, which now accounts for half of the Company revenue.

At an 18,000 m² development and production facility in Weikersheim, the Company realizes proprietary products, custom solutions and value-added services for customers from a wide variety of industries, greatly shortening their time-to-market through optimized design cycles. DATA MODUL has expanded its embedded technology competencies to provide an even broader spectrum of know-how for visual applications, thus exceeding customer's expectations.

As a global player, DATA MODUL is constantly growing its presence in the firm's key markets Europe, the Middle East, Asia and North America.

Besides its German sales offices in Hamburg and Düsseldorf, DATA MODUL also has international distribution offices in

- › Kolding, Denmark
- › Shanghai and Hong Kong, China
- › Dubai, UAE
- › Helsinki, Finland
- › Paris, France
- › Birmingham, UK
- › Milan, Italy
- › Zurich, Switzerland
- › Singapore
- › Madrid, Spain
- › New York, Portland and Los Angeles, USA.

Enhanced competencies and strategic expansion into the American and Scandinavian growth markets and the Middle East and Asia-Pacific regions have positioned DATA MODUL for geographically diversified growth.



HIGHLIGHTS OF THE YEAR

Results for fiscal year 2015 reflect DATA MODUL's willingness to change, act rapidly and embrace innovation. Expanding production capabilities, investing in innovative technologies and optimizing processes made for a successful year.

HIGHLIGHTS IN

2015



A STRONG PARTNER – ARROW

With the public takeover of DATA MODUL by Arrow in 2015, the Company gained a strong strategic investor supporting the firm’s expansion, into the US and Asian markets in particular. Arrow’s more than 80 years of experience is additionally valuable for DATA MODUL, to be drawn on, for example, in expanding the Weikersheim production location.

DATA MODUL DEMONSTRATING MARKET PRESENCE

Traditionally, DATA MODUL’s trade exhibition schedule starts with the Embedded World trade fair in February, followed by numerous small and large tabletop shows, international scientific conferences and trade exhibitions held in Germany and abroad. The Company’s trade fair activities were again highly successful in 2015, thanks to a continuing focus on close contact with customers and their needs.



February 24 - 26	Embedded World 2015	Nuremberg
March 10 - 12	Passenger Terminal Expo 2015	Paris
May 10 - 12	Airport Show 2015	Dubai
June 2 - 5	Nor-Shipping 2015	Lillestrom
June 2 - 4	SID Display Week 2015	San José
October 6 - 8	ELKOM Helsinki 2015	Helsinki
October 6 - 9	Inter Airport Europe 2015	Munich

2015 – ANOTHER RECORD YEAR

The key figures for 2015 are the impressive fruit of our efforts and demonstrate how correct strategic decisions were made pertaining to our “Fit for Future 2015” program. DATA MODUL has initiated a follow-on program entitled “Shape 2020”, laying the foundations for further growth of the Company.



INVESTMENT IN INFRASTRUCTURE

Work continued in 2015 to comprehensively modernize the work environment for DATA MODUL employees. The offices at our Munich headquarters and our Weikersheim location have been attractively re-designed as an open-plan work environment to promote employee motivation and creativity. Efforts also continued to increase logistics and manufacturing capacity at Weikersheim.



THE EMBEDDED PRODUCT PORTFOLIO – OUR NEW CORE COMPETENCY

The opening of a new development office in Deggendorf and continuing additions to our development team are helping DATA MODUL expand in the field of embedded computing, with the aim of enhancing our core competency in modular embedded PC solutions.

In the Embedded Systems segment DATA MODUL is now, for the first time ever, offering CPU modules, base-boards and single-board computers developed entirely in-house. 100% designed in Germany! 100% developed by DATA MODUL!

VISION FOR

2020



INNOVATIVE MANUFACTURING PROCESSES

DATA MODUL will be continuously expanding and modernizing the Company's existing production facilities while optimizing manufacturing processes. Our in-house clean room facility is to be doubled in size in the near future. Adding more machinery for optical bonding of displays and touch screens as part of the expansion will more than double production capacity. These investments will further strengthen DATA MODUL's technological leadership in the field of optical bonding.



MORE IN-HOUSE MANUFACTURING

The purchase of a new robotic dispenser will increase DATA MODUL's in-house manufacturing capability. The sealing of display systems is prerequisite, for instance, in applications requiring a higher degree of protection and for medical device displays. DATA MODUL will be able to provide customers this production stage in-house as part of one-stop serial production. Shock resilience and vandal-proofing are increasingly required in public-sector applications, thus requests for safety glass panels, sometimes including touch functionality, are on the increase. Going forward, optical bonding units for large display sizes will be part of the DATA MODUL product portfolio. Bonding renders display units more resistant to external mechanical effects while enhancing color intensity, brightness and contrast.



A STEP CLOSER TO MEDICAL APPLICATIONS: EN ISO 13485 CERTIFICATION

DATA MODUL expects ISO 13485 certification toward the end of 2016, which is the prerequisite for real access to medical device manufacturers. Compliance with this EU directive allows DATA MODUL to freely sell system components for medical devices across Europe. The introduction of an independently assessed quality management system plays an important role in documenting compliance with the directive, and is a key part of managing product and process risks. In non-European markets too, it is often a prerequisite to have an adequate quality management system in place in order to build partnerships with medical device manufacturers. ISO 13485 certification will afford DATA MODUL access to the continuously growing global medical device market.

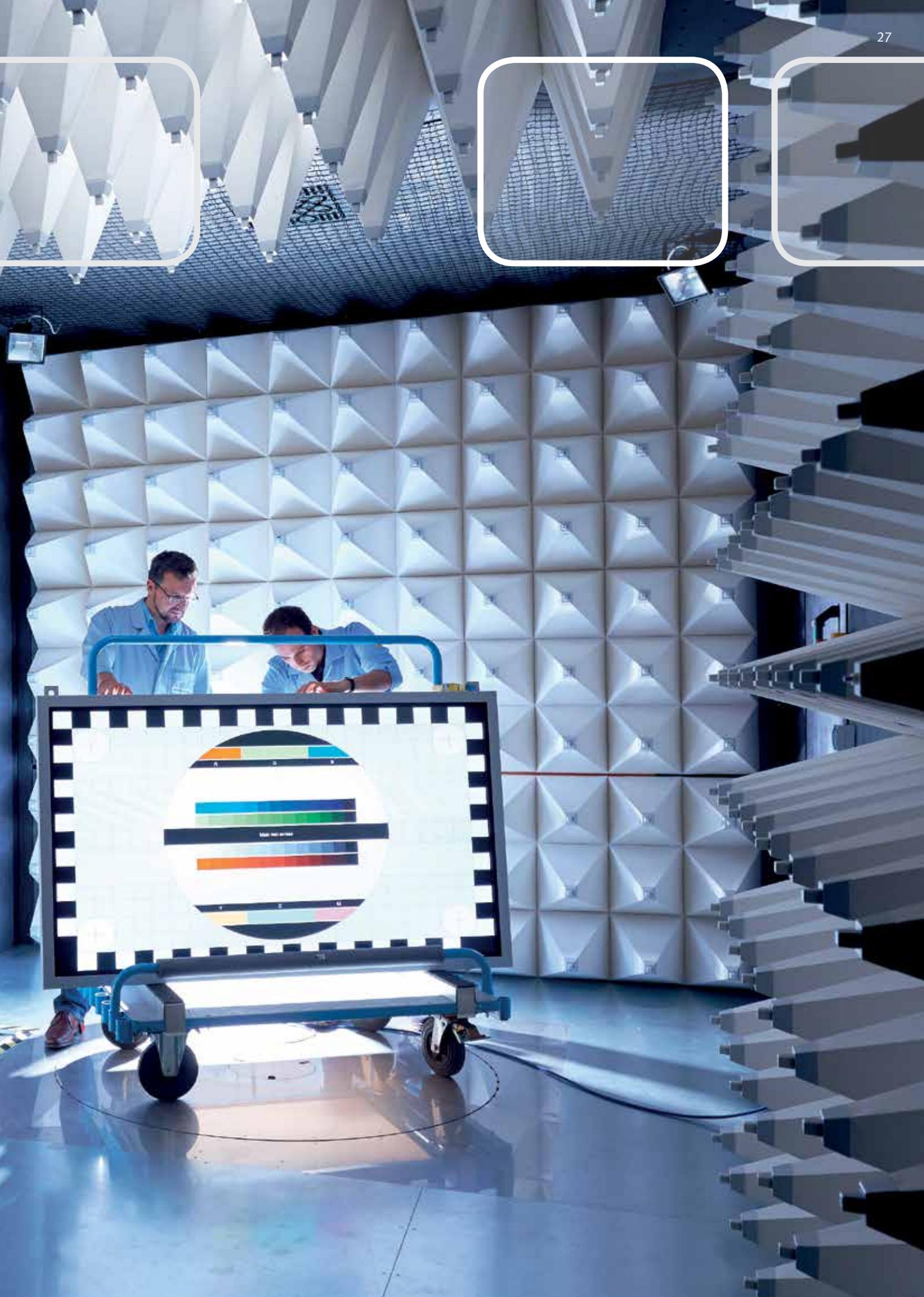


NEW PARTNERSHIPS ENABLING FURTHER GROWTH

DATA MODUL will continue co-operating with the world's most important TFT manufacturers in order to meet customer requirements for display systems. Keeping abreast of leading-edge technology requirements and trends in various industries and markets demands continuous product portfolio alignment and an increased number of display system partnerships. DATA MODUL has added high quality TIANMA NLT displays to the current product portfolio while ensuring best value for the Company.

DATA MODUL PRODUCT PORTFOLIO

DATA MODUL provides end-to-end system solutions for industrial and professional use. Our comprehensive product distribution portfolio comprising displays, touch screens and embedded solutions combined with innovative proprietary product development is based on a modular concept, which is quite unique in Europe, and forming the basis for a wide range of sophisticated applications. In our age of information visualization, DATA MODUL products and solutions are found worldwide in professional and industrial applications with extremely high quality standards. These visual applications are the most important man-machine interfaces in an industrial environment, presenting appealing information displays.



PRODUCTS & COMPETENCIES



SYSTEMS

DATA MODUL develops tailored system solutions for a wide range of sophisticated applications employing a modular concept. DATA MODUL system components and solutions are found worldwide in industrial applications and information systems requiring extremely high quality standards. Combining industrially manufactured components from our product distribution portfolio and proprietary products allows DATA MODUL to guarantee long-term availability and significantly shorter time-to-market.

EMBEDDED

DATA MODUL offers perfectly coordinated embedded computer systems based on x86 and ARM architectures. From pre-configured kits, complete custom baseboard design to professional embedded computing design – DATA MODUL provides the full range of embedded solutions. The key display control technology is offered in a wide variety of building blocks and solutions based on DATA MODUL's proprietary know-how.



DISPLAYS

In addition to proprietary branded BATRON displays, DATA MODUL, Europe's largest TFT provider, distributes product portfolios of all leading manufacturers. The wide range of display products satisfies all possible requirements and offers a platform for modern and innovative device design. Compactness, high contrast ratio and ultra-wide viewing angles are key aspects to consider in choosing the right displays for industrial applications. Long-term availability and value for money are crucial as well when it comes to choosing the right "face" for an operating unit.

TOUCH

Touch solutions are an essential part of the DATA MODUL product portfolio and are available in a wide range of versions and sizes for any technological application. The projected capacitive (PCAP) solution easyTOUCH was specially developed for industrial applications. DATA MODUL focuses on proprietary touch sensors and controller boards enabling multi-touch and gesture control. The complete PCAP solution – consisting of touch sensor, controller, firmware, front glass and optical bonding – is inter-coordinated and delivered from a single source.



STRENGTHENING OUR EMBEDDED COMPETENCIES

DATA MODUL is greatly expanding its display control expertise. An experienced engineering team dedicated to developing professional embedded computing design now supports existing personnel at the new development site in Deggendorf. The newly formed Embedded R&D team has many years of experience in developing successful serial products. Designs are often released for sale prior to serial production of the respective processor platform, offering customers shorter time-to-market.

Close co-operation between the departments Quality Management, Development, Product Marketing and Purchasing and early involvement of our production partners form the basis for high quality product develop-

ment for industrial uses. Applying FMEA (Failure Mode and Effects Analysis) throughout the development process ensures high quality in designing new embedded products. DATA MODUL invests in the latest measuring technology to allow verification of ever-faster signals and interfaces.

With computer-on-module-based designs ready for serial production as reference, unique designs are developed into complete systems via a modular approach. The chosen standard for reference designs is the globally leading modular form factor for modular embedded PC solutions: COM-Express. This form factor is used for performance categories ranging from simple single-core design to high-performance multi-core solutions. For





the customer, the modular concept means validated core components, reduced development time and less time for validation. Validated COM modules are used as building blocks for custom-built single-board computers, forming the basis for a perfect OEM system design. The competencies of the development team include – apart from creating circuit diagrams and layouts – selection of components within the available budget and design resources, design verification and validation, BOM compilation and definition of variants, prototype debugging and design documentation for product launch.

The software team also has many years of experience in BIOS (UEFI) firmware development for x86 assemblies. Besides adapting standard interfaces for the respective

processor platforms, the team also works on additional special board controller features for extremely reliable embedded products. The continuously updated Yocto-Linux operating system serves as basis for the adapted systems. The software team is also tasked with driver development, API's, BSPs and software and customer support.

Bundling all these key technologies under one roof, DATA MODUL offers customers fast, flexible and reliable solutions, tackling even great development-related challenges. DATA MODUL is committed to continuously expanding and enhancing its competencies as part of the Company's sustainable business model.





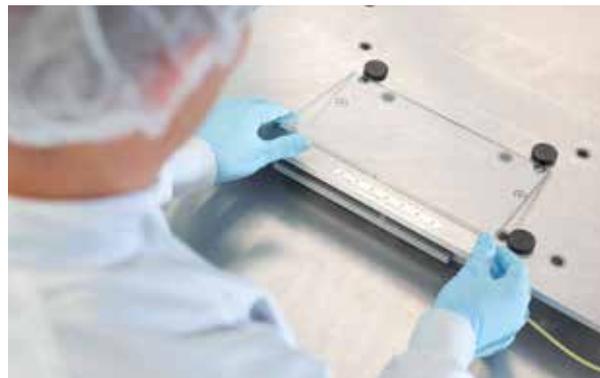
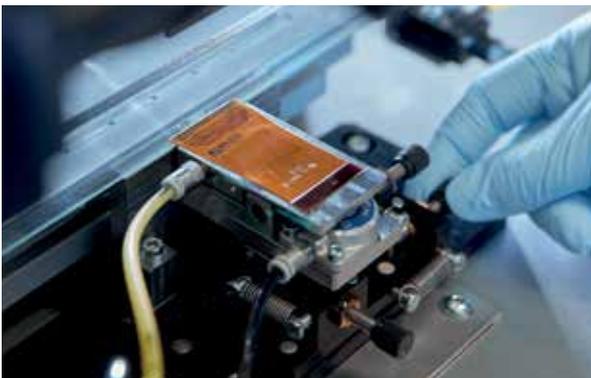
TOUCH TECHNOLOGY BY DATA MODUL

The growing popularity of smartphones very quickly led to the realization that multi-touch systems have some decisive advantages over other touch technologies. Since that time, there has been no stopping this technology from taking hold in other industrial applications. Eight years ago, DATA MODUL responded to ever-increasing demand for touch solutions by developing a proprietary projected capacitive touch solution (PCAP/PCT) for the easyTOUCH series, which has since become an integral part of the Company's product portfolio.

easyTOUCH systems are almost completely manufactured in-house. During the assembly process, these products are subjected to numerous quality and func-

tionality tests. Because the touch sensors are developed and produced at DATA MODUL's own development and manufacturing sites, our customers benefit from harmonization with other system components like displays, touch controller, cover glass and bonding. DATA MODUL's comprehensive expertise makes compliance with EMC guidelines easy for our customers. Proprietary hardware design of touch sensors and controller boards and tailor-made firmware allow full control of all parameters.

easyTOUCH solutions are also useful for flexibly responding to out-of-the-ordinary customer requirements. While custom cover glass design is now expected as standard, DATA MODUL offers even more flexibility: With the imple-





mentation of the innovative ACF tail bonding process, for example, there are almost no limits to tail design. During this process, SITO touches are electrically bonded with active or passive FPC tails in the cleanroom, in accordance with customers' build requirements.

This very successful concept came as a result of long-term relationships and partnerships with leading touch chip manufacturers who not only provide DATA MODUL with leading edge controllers but also deliver the transparency and know-how necessary for optimum touch system configuration. The latest innovations from these co-operations include improved device operation while wearing gloves or in wet conditions.

With the introduction of SITO touch sensors, featuring particularly thin edges and enhanced temperature ranges between - 30 to + 85°C, the product family now includes touch sensors which meet almost any industrial application requirements. Enlarging the cleanroom space at our Weikersheim location indicates our intention to add further innovative products to the easy-TOUCH product portfolio.

Combining custom cover glass design, advanced bonding technology, leading edge sensor technology and fine-tuned firmware means that DATA MODUL customers can realize any industrial display system in a unique and flexible way, getting everything from a single source.





CORPORATE RESPONSIBILITY

DATA MODUL focuses on sustainability and responsibility in our business activities. These commitments pervade all areas of the Corporation – from the Executive Board level on down. In addition to optimizing the sustainability of our own products, we also support our customers in their efforts to attain sustainability targets. All this is based on fair treatment of those most essential to our Company: our employees.





DATA MODUL AS EMPLOYER

DATA MODUL has always relied on its employees' motivation, performance and flexibility, the year 2015 being no exception. The corporate strategic realignment, which in fiscal year 2013 included expanding the Weikersheim location to house a production and logistics center for the DATA MODUL Group, has proven a success for the third year running. Our staff members have supported and worked to realize the changes involved, successfully standardizing processes and improving communication flows between locations, including particularly the growing number of foreign subsidiaries. Once more our employees played a vital role in the systematic execution of our strategy of optimally exploiting synergies within the Group, gaining market share and generating customer interest in our products and our business. For their outstanding performance we would like to express our gratitude.

We have always believed that if you don't go forward, you go backwards. This motto has successfully carried the Corporation forward. In fiscal year 2015, our new principal shareholder came on board – a strong partner organization that shares our visions and dedication to the Company's success. This partnership holds

much growth potential, thus we are aiming for greater market share and to strengthen and enhance the Company's global presence. With our employees' help we have achieved successes in recent years, securing further growth and stability while increasing the value of the Company – even in a year full of changes and challenges. We will only succeed if all of us contribute to the team effort, tackling future challenges together, working continuously to reach our ambitious goals. The current number of jobs and apprenticeships offered are indicative of the steady growth of the Company, and new training and career opportunities will be opening up for our employees.

The demands placed upon our organizational structures and employees have increased as the DATA MODUL Group has grown and developed. We have introduced an additional executive management level below the Executive Board comprising a senior management team of experienced leaders who have been with the Company for many years. These senior managers, all of whom hold commercial power of representation (Prokura), are responsible for various Group departments and for ensuring stability, continuity and reliability. There



have been additions to our second and third tier management levels from the ranks of our own staff, as we have given disciplinary and functional responsibility and decision-making authority to heads of department and team leaders, thereby streamlining decision-making processes, promoting efficient communication flows and contributing to a more productive and team-work-oriented work atmosphere. Employees are rewarded for their achievements through performance-based

pay elements. And of course we provide training seminars, language courses and Company sports activities for our employees.

DATA MODUL has been successful for over 40 years, and will remain a dependable partner to our employees going forward. We consider this our past and present mission and obligation.





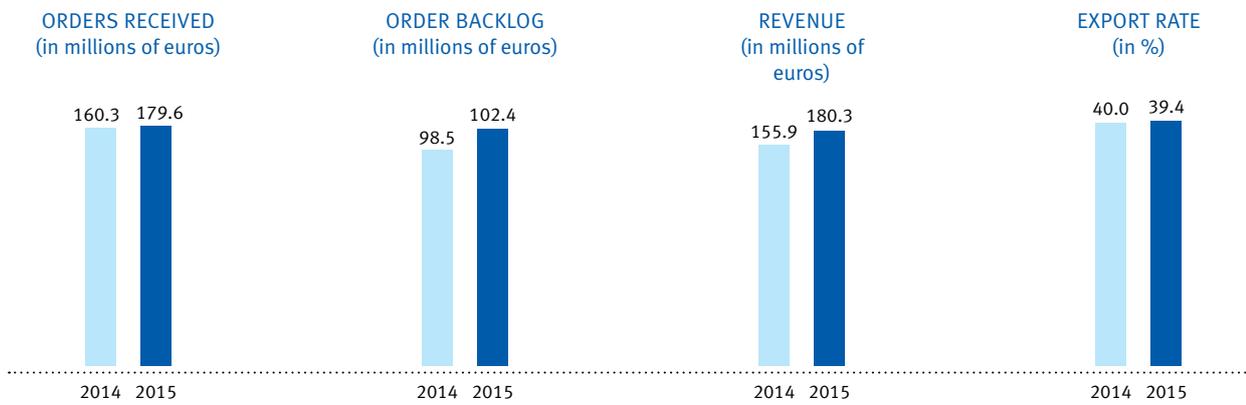
GROUP MANAGEMENT REPORT

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GROUP MANAGEMENT REPORT

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GROUP MANAGEMENT REPORT FOR 2015



1. Basic principles of the Company

1.1 Business model

DATA MODUL AG, Produktion und Vertrieb von elektronischen Systemen, Munich (hereinafter "DATA MODUL"), is in the company's 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. It 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 with increasing frequency. Due to these circumstances, revenues may at times sharply fluctuate.

The DATA MODUL Group maintains regional offices in Germany, Spain, Italy, Switzerland, France, the UK, Dubai, Singapore, Hong Kong, Shanghai 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 for 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 orders received, order backlog, revenue, EBIT and net income. EBIT margin and return on equity are the

profitability KPIs. The Executive Board member and the senior management team 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 customers with new products and solutions that meet their ever-changing requirements. DATA MODUL's research and development expenses thus rose in fiscal year 2015 to 6,517 thousand euros (previous year: 5,274 thousand euros), a figure which includes 1,327 thousand euros in amortization of capitalized development costs (previous year: 655 thousand euros). This figure includes 900 thousand euros for an R&D project impairment (previous year: 0 thousand 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. On annual average, R&D employed 66 staff members (previous year: 59). The R&D intensity metric (R&D costs/revenue) was 3.6% (previous year: 3.4%).

In fiscal year 2015, our R&D priorities were as follows:

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

Investment was made primarily in control electronics, industrial applications and OEM products, expansion

of our production and R&D facility in Weikersheim and in a new competence center dedicated to our Embedded business that opened in Deggendorf/Germany in fiscal year 2015. We have great expectations as well in R&D projects concerning our Touch and Optical Bonding technology. These comprised the main focus of our R&D efforts in the reporting period.

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

We capitalized development costs in the amount of 1,018 thousand euros, recognized as intangible assets (previous year: 568 thousand euros). This corresponds to an activation/R&D expense ratio of 15.6% (previous year: 10.8%). Amortization came to 1,327 thousand euros (previous year: 655 thousand euros), resulting in a net loss of 309 thousand euros (previous year: 87 thousand euros). Research expenses are not capitalized. This increase over the previous year was mainly due to expansion of our Embedded business. Amortization includes impairment costs of 900 thousand euros for an internal Embedded R&D project which failed to fully meet our expectations.

Developing new products and solutions is only one part of our continuous improvement efforts. Ongoing quality enhancement is a key priority as well, alongside resource-efficient production to avoid and reduce waste and emissions.

INVESTMENTS IN RESEARCH AND DEVELOPMENT
(in millions of euros)



GROUP EQUITY RATIO
(in %)



NUMBER OF STAFF
(annual average)



SALES PER EMPLOYEE
(average for the year)
(in KEUR)



2. Economic report

2.1 Business performance

DATA MODUL took advantage of last year's positive business and economic developments and recorded a successful fiscal year 2015, not least because of the stringent implementation of the "Fit for Future 2015" strategy program. Last year's primary goals and topics included:

- Adjusting organizational structures to match current market requirements
- Further increasing revenue
- Expanding and realigning our sales network
- Increasing international sales
- Greater concentration of our product portfolio

Our significant progress is evident, as we achieved all of our major targets and exceeded our forecasts considerably.

In millions of euros	Projections for 2015	2015 Actual
Orders received	165.1 – 174.7	179.6
Revenue	160.6 – 169.9	180.3
EBIT	11.5 – 12.5	12.6

Orders rose in Germany, further boosting revenue. Italy, Spain, Switzerland and France recorded year-on-year gains, albeit somewhat less than anticipated. Results were again outstanding in the US, UK and Singapore, delivering an encouraging affirmation of the Executive Board's strategy program implementation and how we have taken the right course in recent years. The successful implementation of restructuring measures in fiscal year 2013 and our further evolution into a system solutions provider have yielded greater results than expected one year ago. Currency gains were another major special factor, which were reflected in lower purchasing prices.

We thus ended fiscal year 2015 with a net profit of 8,413 thousand euros (previous year: 7,573 thousand euros).

Our prudent financial policies have put our business on a highly stable footing for the future. The financial health of the Group in combination with a very sound balance sheet constitutes a quite solid foundation, even in today's turbulent times.

The Executive and Supervisory Boards have resolved to propose distribution of a dividend of 1.20 euros per share at the Company's Annual Shareholders' Meeting.

We firmly believe that this will have a lasting positive influence on our business, as can already be seen in new orders received and a historically high order backlog. Considerable investment in R&D and additions to our sales staff have contributed as well to this situation.

We are pleased with our 2015 results, having met our ambitious targets; DATA MODUL Group is thus well positioned for continuing growth.

In summary, DATA MODUL had an outstanding fiscal year 2015. We have completed our "Fit for Future 2015" strategy program, reaching all targets, keeping the promises we made. Today, DATA MODUL is a much stronger company with a more global orientation and a more promising business than before implementation of this strategy. It is quite clear today that the strategy has propelled our business into a new dimension. DATA MODUL profited from the implemented productivity enhancement measures in 2015 and will continue to do so in the future. Barring another destabilization of the global economy, over the next two years, DATA MODUL will continue on the stable growth trajectory the Company's business model is designed to bring about. This means healthy, profitable single-digit growth.

2.2 Macroeconomic and industry-specific conditions

a) Macroeconomic conditions

World economy expanded in fiscal year 2015, growing approximately 3.1%. Results varied however in DATA MODUL's three primary regions (Europe, America, Asia).

Recovery in Europe continued unabated in 2015, gaining somewhat in momentum due to fiscal stimuli and higher global demand, the factors likely responsible for 1.5% GDP growth. Geopolitical risks did affect last year's growth however. The conflict between Ukraine and Russia in particular and the instability of the Middle East with the ensuing refugee crisis burdened the European Union economies. Europe faces its biggest challenge of its post-war history. Never before has the number of refugees around the globe been greater than in 2015, with

Europe being the favored destination for many from the troubled regions. Dealing with the refugees crisis has led to major political tensions and has pointed out fundamental flaws in the EU's political construct. The sovereign debt crisis in Greece too is still unresolved and has also revealed weaknesses of the monetary union.

On balance, Germany fared well in 2015, starting off the year strong before stagnation set in during the summer. Imponderabilities like the threat of a "Grexit", a weaker economy in some of the emerging countries and China, and the VW emissions scandal have impacted the industry's investment levels and export figures. With private consumer spending and exports lifting the German economy as in the previous year, the country recorded growth of around 1.7% for 2015.

The US economic recovery steadily gained momentum over the course of the year, yielding GDP growth of 2.4%. This result came about in part due to further job creation and declining unemployment, which aided the economy in 2015 by boosting private consumption. A significant rise in industrial output also contributed to GDP growth in 2015.

Even the growth engine China began to sputter a bit in the course of global financial and economic crises, growth of 6.9% was recorded in 2015 for the world's second-largest national economy.

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. That will give us an edge over our competitors.

German electrical engineering companies, with its major machinery and industrial engineering customers, saw incoming orders increase slightly in 2015, domestic demand being stronger than foreign demand. Corporate capital expenditure declined slightly during the course of the year however, demonstrating the fragile confidence in the ongoing economic recovery.

In our core industries of machinery and industrial engineering we are greatly influenced by the economic

environment. Following the 1.1% rise in production in the field of mechanical engineering in 2014, the level of new orders for the machinery and industrial engineering companies has increased slightly too, resulting in expected 1.5% growth for the year 2015, which is largely due to stronger domestic demand and increased exports to EU countries. A rise in exports to the key countries USA and China is also expected as a result of the stronger US dollar exchange rate. In order to optimize utilization of China's growth markets, an increasing number of production facilities are opening in China, facilitating access to the local markets. DATA MODUL also opened a subsidiary in the Chinese city of Shanghai in fiscal year 2015.

2.3 Group business situation

a) Earnings

The Group recorded a record high of 179,581 thousand euros in new orders, higher than last year's 160,347 thousand euros of orders received. Thus order backlog rose further to 102,432 thousand euros (previous year: 98,485 thousand euros).

Revenue too increased substantially in fiscal year 2015 amounting to 180,300 thousand euros (previous year: 155,915 thousand euros). DATA MODUL benefited from another good year for German mechanical engineering companies. The continuing strength of the northern European economies and major projects in Singapore and the UK helped make it a highly successful fiscal year.

Revenue broke down by region as follows:

Revenue analysis in millions of euros	2015	2014
Germany	109.3	93.6
Europe	51.9	46.6
America	10.9	8.4
Asia/Pacific/Africa	7.1	6.5
Rest of World	1.1	0.8
Total	180.3	155.9
Export rate	39.4%	40.0%

The change in key expenses and income items in fiscal year 2015 is shown below:

- Cost of sales increased year-on-year to 135,798 thousand euros (previous year: 117,886 thousand euros), as cost of materials rose as a result of the 15.6% rise in revenue. Gross margin rose further in the fiscal year to 24.7% (previous year: 24.4%), mainly due to progress in evolving into a system solutions provider, lower purchasing costs and foreign currency translation effects.
- Research and development expenses climbed to 6,517 thousand euros, as compared to 5,274 thousand euros in the previous year. Apart from a one-time impairment of 900 thousand euros recorded for an R&D project, the rise in expenses in fiscal year 2015 resulted from expansion of our R&D department to enhance innovative capability. In capitalizing development costs, this impairment resulted in a net loss of 309 thousand euros (the difference between capitalization and amortization) in fiscal year 2015.
- Selling and general administration expenses rose year-on-year to 25,409 thousand euros in 2015 (previous year: 21,351 thousand euros). Selling expenses accounted for 16,948 thousand euros of total expenses reported (previous year: 15,735 thousand euros), and general administration expenses came to 8,461 thousand euros (previous year: 5,616 thousand euros). The increase in sales and marketing expenses mainly resulted from additional sales staff hired over the last two years. In fiscal year 2015, the Company opened a subsidiary in the Chinese city of Shanghai in support of our expanding sales network. Profit-based bonuses and commissions increased due to the Company's good performance and target attainment. Due to a change of control and the related special rights of termination contractually agreed with Executive Board members, administrative expenses rose by 1,560 thousand euros; consulting fees increasing as well versus the previous year's figure.

As financing conditions remained quite favorable for the Group, the financial result reported was more positive at -170 thousand euros (previous year: -272 thousand euros). The Group recorded EBIT (earnings before interest and taxes) of 12,576 thousand euros, reflecting higher revenue and a wider gross margin (previous year:

11,404 thousand euros). EBIT margin thus came to 7.0% (previous year: 7.3%). Low financing costs contributed to a net pre-tax profit of 12,406 thousand euros (previous year: 11,132 thousand euros).

Net income for 2015 changed in line with the pre-tax result, coming in at 8,413 thousand euros (previous year: 7,573 thousand euros). Earnings per share thus came to 2.41 euros for 2015 (based on a weighted average of 3,487,629 shares outstanding), as compared to 2.23 euros in 2014 (based on a weighted average of 3,394,000 shares outstanding).

This handsome earnings growth comes as the result of stringent implementation of the "Fit for Future 2015" strategy program and related restructuring measures as well as a greater focus on our system solutions business.

Displays segment

Displays segment revenue rose to 109,516 thousand euros (previous year: 90,959 thousand euros). This 20.4% increase was in part the result of greater focus on our product portfolio. EBIT of 8,539 thousand euros was recorded (previous year: 6,144 thousand euros). The segment generated net income for the year of 6,602 thousand euros (previous year: 4,378 thousand euros). The Displays segment, the Group's business backbone, again recorded a substantial increase in new orders of 18.6%, amounting to 110,212 thousand euros (previous year: 92,928 thousand euros). Order backlog as of December 31, 2015 was 57,861 thousand euros (previous year: 53,620 thousand euros).

Systems segment

The Systems segment recorded another revenue increase of 8.5% up to 70,784 thousand euros (previous year: 64,956 thousand euros), resulting in EBIT of 4,037 thousand euros (previous year: 5,260 thousand euros). Net income for the year thus came to 1,811 thousand euros (previous year: 3,195 thousand euros). Earnings for the year under review were impacted by an R&D project impairment amounting to 900 thousand euros. Orders received increased 2.9% to 69,369 thousand euros (previous year: 67,418 thousand euros). Order backlog as of December 31, 2015 was 44,572 thousand euros (previous year: 44,865 thousand euros). We thus view our decision to further expand the Systems business as the

right move, and are optimistic about this business segment's future.

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 against potential currency risks with respect to the US dollar, the Japanese yen and the British pound. No hedging instruments were held at the reporting date.

The equity ratio was 66.6% (previous year : 60.0%), the debt ratio was 33.4% (previous year: 40.0%).

The Group's leverage ratio was 50.0% (previous year: 66.7%).

Debt consists primarily of

- 7,000 thousand euros (previous year: 12,050 thousand euros) in liabilities due to financial institutions.

The maturities are as follows:

Liabilities due to financial institutions	< 1 year	1 - 5 years	> 5 years	Total
KEUR	7,000	0	0	7,000

- 10,119 thousand euros (previous year: 7,697 thousand euros) in trade accounts payable. The maturities are as follows (in KEUR):

Trade accounts payable	< 1 year
EUR	3,865
USD (euro equivalent)	4,981
JPY euro equivalent)	1,213
SGD (euro equivalent)	30
Other (euro equivalent)	30
Grand total	10,119

Guaranteed bills outstanding came to 1,453 thousand euros (previous year: 1,476 thousand euros).

The maturities are as follows (in KEUR):

Guaranteed bills outstanding	< 1 year	1 - 5 years	> 5 years	Total
EUR	933	25	432	1,390
AED (euro equivalent)	63	0	0	63
Grand total	996	25	432	1,453

In the fiscal year ended the Group took steps early to secure the financing and refinancing necessary for further growth. This involved the renewal of short-term lines of credit and bank-guaranteed lines for working capital, allowing us to react quickly when business opportunities open up. Group companies have credit lines totaling 40,000 thousand euros at their disposal until further notice, including 1,453 thousand euros in bank-guaranteed lines. As of the reporting date, the Group utilized 21.13% of these credit lines.

There are thus no going-concern risks relating to Group financing. Credit agreements with banks generally do not contain special covenants besides the usual quarterly reporting obligations. In the event of a future change of control, the Group will negotiate with lenders new arrangements going forward.

No special financing measures or projects were conducted in the period under review.

Capital expenditure

In the fiscal year ended we adjusted our capital expenditure in alignment with business changes and our strategy program. Capital expenditures were made to increase capacity, for rationalization purposes and related manufacturing productivity gains and to enhance innovation and quality in our displays and services. Investments were also made in IT infrastructure, logistics and workplace equipment. Capital expenditure in fiscal year 2015 totaled 2,719 thousand euros (previous year: 2,471 thousand euros). The main capital expenditure items were

- additions to intangible assets in the amount of 1,215 thousand euros (previous year: 841 thousand euros).
- additions to property, plant and equipment in the amount of 1,504 thousand euros (previous year: 1,630 thousand euros).

A breakdown of capital expenditure by segment is provided below:

- Capital expenditure Displays segment 630 thousand euros (previous year: 775 thousand euros).
- Capital expenditure Systems segment 2,089 thousand euros (previous year: 1,696 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 came to 7,049 thousand euros (previous year: 13,799 thousand euros). The decrease in cash flows from operating activities versus the previous year is largely related to increased inventory levels, intended to satisfy customer needs at short notice.

Cash flows from financing activities were at -1,840 thousand euros at year end (previous year: -9,876 thousand euros). This inflow derived from the sale of treasury shares totaling 3,635 thousand euros (previous year: 0 thousand euros). Following the public offer from the company Arrow Central Europe Holding Munich GmbH, DATA MODUL AG decided to sell its treasury shares at 27.50 euros per share. Outflows occurred through dividend distributions totaling 423 thousand euros (previous year: 2,036 thousand euros) and redemptions of current financial liabilities totaling 5,050 thousand euros (previous year: 9,985).

At the end of the year the Group held cash and cash equivalents totaling 19,334 thousand euros (previous year: 16,819 thousand euros). Net assets as of the reporting date were at 12,334 thousand euros (previous year: 5,619 thousand 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 prominent credit institutions available to DATA MODUL indicates that the Company enjoys a good credit rating.

c) Financial status

The balance sheet total increased by 10,318 thousand euros versus the previous year to 90,394 thousand euros (previous year: 80,076 thousand euros). The increase in assets is almost entirely the result of increased cash and cash equivalents and inventories.

On the other side of the balance sheet, the sale of treasury shares is reflected in shareholders' equity, where the difference between acquisition cost and sales price was recorded in the capital reserve. The dividend distribution in the reporting period was 423 thousand euros (previous year: 2,036 thousand euros). Current liabilities due to financial institutions decreased to 7,000 thousand euros through repayment of short-term debt (previous year: 9,050 thousand euros). At the balance sheet date the Company did not have any non-current bank liabilities (previous year: 3,000 thousand euros).

As of the reporting date, the DATA MODUL Group equity ratio was 66.6% (previous year: 60.0%).

2.4 Financial and non-financial performance metrics

a) Financial performance metrics

The table below shows the relevant financial performance indicators for both the current and previous reporting years.

a) Financial performance metrics In KEUR	2015	2014
Orders received	179,581	160,347
Order backlog	102,432	98,485
Revenue	180,300	155,915
EBIT	12,576	11,404
Net income	8,413	7,573
Return on equity	20.9%	23.7%
EBIT margin	7.0%	7.3%

b) Non-financial performance metrics

In addition to financial metrics, DATA MODUL also utilizes non-financial performance indicators including labor relations, long-term customer and supplier relationships, environmental considerations and ISO certifications. One positive indicator in the area of labor relations is the average 9 years of service at DATA MODUL. This reflects our very special long-term working rela-

tionship with our employees, which we actively foster through internal training seminars and continuing education programs. Our remuneration structure, comprising fixed and in some cases variable salary components, ensures that individual employee performance is fairly compensated. As a result, we take pride in a high degree of employee satisfaction and correspondingly low staff turnover. As of December 31, 2015 DATA MODUL Group employed 378 staff, as compared to 350 in the previous year. The average annual headcount increased by 5% to 364 staff members (previous year: 348 staff). This staffing increase was in response to higher demand for our products, necessitating additions to our sales staff and heightened R&D activity. The Group employed staff from more than 18 different nations at the various corporate subsidiaries. In the fiscal year just ended, we again provided apprenticeships to many young people. At the balance sheet date, the Group employed 30 apprentices. 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 our enterprise as well. Honesty and loyalty are of great importance to us with regard to both our staff and our customers, thus both 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, while 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 that have occurred after the end of the fiscal year, which would

have had a major influence or impact on the Company's financial position, financial performance and/or cash flows.

4. Forecast, risks and rewards

4.1. Risk report

In fiscal year 2015, DATA MODUL continued to grow its core businesses. Global economic trends, exchange rate movements, rising 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 system 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 arising risks and opportunities 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.

Risk classification matrix

degree of potential impact

jeopardizing					
serious					
medium					
marginal					
minimal					
	very unlikely	unlikely	somewhat likely	probable	almost certain

■ Low risk
 ■ Medium risk
 ■ High risk

estimated probability of occurrence

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's risk exposure.

Risk management is the responsibility of the Group Controlling Department, which ensures that risk management is an integral part of regular business management rather than a mere response to specific risks. This function enables better identification of risks affecting the entire Group. The Group 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 the Company must be 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 or reputation, and on the 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 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
8		Deliverability
Financial risks	9	Currency risk
	10	Credit risk
	11	Interest rate risk
	12	Liquidity risk
IT-related risks	13	Data and business system availability
Legal risks	14	Compliance with statutory requirements
Personnel risks	15	Staff turnover
Other operational risks	16	Business disruption due to external causes

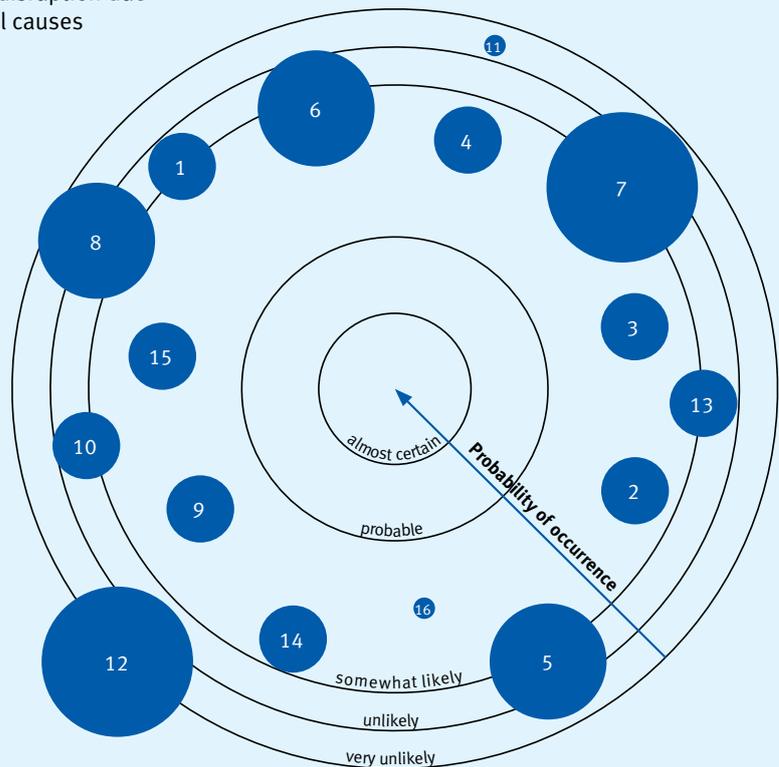
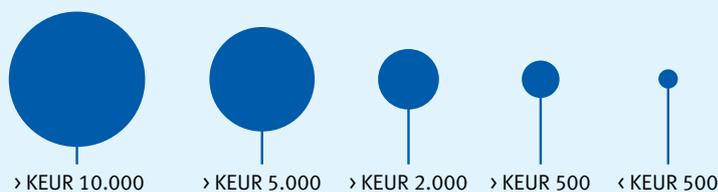
Risk chart

Explanatory notes:

Probability of occurrence

- Very unlikely < 10%
- Unlikely < 20%
- Somewhat likely < 60%
- Probable < 80%
- Almost certain > 80%

Circle size = potential impact



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.

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. An impairment of 900 thousand euros recorded for an R&D project in the Embedded segment during the fiscal year ended serves as an example.

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 1.7%

for the German economy in 2016. 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 become manifest from logistical risks associated with shipping merchandise from the East Asia to Europe. We contain these risks 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 88 days during the reporting period, as compared to 91 days in the previous year.

Competitive and price risks

We aim to be the innovation and technology leaders 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 by 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 rate and currency risks

Our global business activities result in many payment flows in various currencies. Foreign currencies having the greatest significance for the Group are the US dollar

and 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. We mainly use natural hedges to hedge against risks from foreign currency business transactions 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. Non-current debt is at fixed interest rates, thus these items are not subject to interest rate risk.

Liquidity and default risks

Currently the DATA MODUL Group has credit lines and bank guarantees totaling 40,000 thousand euros. 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. It is highly likely that we will continue to have these credit lines at our disposal in the same amounts or amounts which meet our requirements. The Group's liquidity situation continued to improve in the fiscal year ended, characterized by virtually no liquidity risk.

Default risks may arise should a contractual partner be unable to fulfill or should delay 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. The days sales outstanding (DSO) figure was 43.16 days in 2015.

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 procedures, access profiles and technologies are deployed to contain these risks. 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 2015, 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, 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 legal 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 will probably exist 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 is responding to ever-intensifying competition for highly qualified specialist personnel and managers and to the associated risks of losing know-how

through staff turnover by providing attractive training opportunities, targeted staff development offerings and performance-based pay components and remuneration schemes. 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 many young people.

h) Other operational 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 security and the prevention and discovery of pecuniary losses), correct and reliable internal and external invoicing, and compliance with legal requirements applicable to the Company.

DATA MODUL has Group-wide controlling instruments deployed as part of the internal control and risk management system and utilizes financial performance indicators. Target vs. actual comparisons of financial performance indicators are used principally to measure attainment of DATA MODUL objectives. Project cost control and the 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 and 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 value impairment. The Company consults credit agencies to verify credit standing prior to 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 an internal control system. This ensures that transactions are accounted for and processes executed promptly, uniformly, correctly and completely, as well as ensuring 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.

Business principles, organizational structures, work-flows and accounting-related processes comprising the internal control and risk management system are documented in Group-wide organizational policies which are regularly updated in response to the latest external and internal developments.

With respect to the accounting processes of associated companies and Group accounting processes, we consider those aspects of the internal control and risk management system to be of material importance, which 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-wide financial accounting
- Monitoring of Group accounting processes and their results on the levels of the Group Executive Board, strategic business segments and Group companies included in the 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 computer-aided 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 significance 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 meaning-

ful, 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 for DATA MODUL as well. In view of the overall improvement in 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, and we continue observing the situation in our current markets with regard to opportunities for strategic partnerships and acquisitions augmenting our organic growth. Such activities can further 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 indus-

try segments, DATA MODUL has little dependence on particular industries.

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. We reaped sustainable value from stringent implementation of the “Fit for Future 2015” strategy program.

Nonetheless, uncertainties remain which could endanger any sustainable improvement in business conditions (see: “General economic 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

We expect the global economy to improve further in 2016 and 2017, albeit with reduced momentum, reaching 3.4% in 2016. Despite predominantly lax monetary policies, inflation rates in most of the industrialized

countries remain low, while declining commodity prices are increasing purchasing power in many countries. Another supporting factor is the slowly improving situation in Russia and Brazil – countries, finding themselves in deep recession due to home-made problems. Thus we expect the emerging countries as well to contribute to economic recovery in 2016.

In addition to domestic political developments, decisions and developments on the European level will remain of foreground importance in 2016. Also, geopolitical risks stemming from the Russia-Ukraine conflict and the battle against the IS remain high. The discord on how to deal with the influx of refugees reveals the lack of political decision-making processes that work for all of the currently 28 countries which are part of the European community, leading to a strengthening of populist and nationalist parties in many of these countries. In the aftermath of the Paris terrorist attacks, the greatest risks in Europe are political risks – and Europe is facing an acid test. There are many good reasons however for Europe's GDP to reach the 1.7% mark in 2016. Europe is set to benefit from continuing expansive fiscal policies, lax ECB monetary policies and continuing growth in global demand, European exports being positively influenced by low crude oil prices and the weak euro.

In Germany, private consumption will continue to be an important factor for domestic growth in 2016, supported by the currently low interest levels. German exports too will benefit from the gradually improving global economy and weak euro, helping German gross domestic product grow by 1.7% year-on-year. Recovery is thus continuing, unfortunately impacted by globally increasing uncertainties, as reflected in corporate reluctance to invest.

The US, our most important foreign market, is currently preoccupied with the 2016 presidential elections. We do not expect any significant economic effects should the Democrats win the elections, and with the positive economic momentum continuing we anticipate a GDP growth of 2.6% in 2016. Domestic economy is expected to remain the driver however, with consumer spending an important factor supported by the recovering labor market, higher salaries and thus higher disposable incomes. The revival of the US housing market will also contribute. Commercial investment however is expected

to decline because of the low crude oil price. The United States could nevertheless function as the engine of the world economy again in 2016.

We expect the economy in China, our new market, to remain slow in 2016 and 2017, largely due to three effects: Firstly, in 2015 the government took measures to reduce asset price bubbles and introduced regulations to control rampant credit-financed growth. The second factor is that rising wages and production costs put pressure on China's export competitiveness. Thirdly, the changes made are taking hold only haltingly, transformation being less driven by exports and more by innovation and the domestic economy. Nevertheless we expect a "soft landing" in China despite the stock market collapse and a downward trend in productivity, as growth rates there are still twice as high as in the "old" industrialized countries. China's five-year-plan offers the government substantial means to stabilize economic growth, consequently reducing risks for the global economy.

DATA MODUL outlook for 2016

The outlook for the global economy and for DATA MODUL in particular is for further growth according to indications. Greater consumer spending and purchasing power brought about by low crude oil prices are key economic factors in our primary markets of Germany and the US. Thus we expect to continue on our growth trajectory in the years ahead.

In addition to geopolitical risks stemming from the Middle East and the rise of the IS, which could significantly affect growth, political unrest in Europe will play a key role in 2016. The outcome of at least six elections in the euro zone countries could potentially change the political landscape – influenced by people's fears sparked by recent terrorist attacks. With the influx of refugees to Europe continuing in 2016, populist parties will probably increase in popularity in Europe. New governing coalitions could for example influence the handling of the Greek situation. The outcome of the scheduled referendum in the UK will also have a significant impact on Europe's future. In the run-up to these decisions, corporate investment may become sluggish. Political risks in Europe are on the increase, and will no doubt be felt in the financial markets. The year 2016 poses great challenges for Europe, and it remains to be seen how Europe

will emerge from this political acid test. Still, DATA MODUL expects to remain on track for growth in 2016, in Germany and other European countries.

China too will have a great influence on the global economy in 2016, the key factor being how much doubt over the sustainability of the second-largest economy in the world and the most important emerging market can be overcome. In China too there are signs that economic growth is founded upon consumer spending as well as exports. If this proves to be true, we believe China can expect a “soft landing”. Given initial positive indicators in China and the opening of DATA MODUL’s Chinese subsidiary, we believe the Company is well-positioned to benefit from the growing Chinese market going forward.

The “Shape 2020” strategy program is aimed at further strengthening 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 2016 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 maintaining 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 roughly 4.5 million euros in capital expenditure. Depending on the developments in fiscal year 2016, we will either invest the full amount or reserve part of the funds. In addition, major investment may be necessary within the next two years to expand production and logistics capabilities at the Weikersheim location to avoid resource shortages as sales continue to increase. We plan to finance these investments from operating cash flow and existing credit lines.

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 opportunities, 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: 1.7%
- European economic growth: 1.7%
- US economic growth: 2.6%
- Global economic growth: 3.4%
- Stable US dollar and JPY exchange rates
- Operational start-up of additional machinery at our production facilities

Summary

We expect the upward trend of the macroeconomic situation to continue in fiscal year 2016 while the geopolitical environment remains complex. In view of the rather favorable market environment, the Executive Board expects DATA MODUL Group to grow its profits.

The book-to-bill ratio is expected to remain above 1, thus our revenue growth will be secure long-term. We anticipate revenue between 185 and 200 million euros in 2016, aiming for an EBIT margin of 7 - 8%. 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, as reflected in increased R&D expenses; this is anticipated to enhance revenue and earnings for the segment.

Group objectives	Targets for 2016	Fiscal year 2015
Orders received	+ 5 - 11%	179.6 million euros
Order backlog	+ 3 - 11%	102.4 million euros
Increase in sales	+ 3 - 11%	180.3 million euros
EBIT	+ 3 - 10%	12.6 million euros
Net income	+ 3 - 10%	8.4 million euros
Return on equity	+ 0 - 4%	20.9%
EBIT margin	+ 0 - 4%	7.0%

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 adapts the Executive Board remuneration scheme on a regular basis with a view towards appropriateness in terms of both overall remuneration and individual Executive Board member remuneration, considering the principal contractual elements in place.

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 three components:

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

Basic salary, fringe benefits and pension are the non-performance-linked remuneration components. Basic salary is paid in even monthly installments. Fringe benefits primarily consist of contributions to accident, life and health insurance and use of a business car. The Company founder and former Chief Executive Officer, Mr. Hector, and the former Executive Board member, Mr. Walter Eichner, also receive pension plan benefits.

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 on fully attaining set targets. The earnings target for fiscal year 2015 was adopted at the Supervisory Board meeting held in December 2014.

Disclosure of the compensation packages granted to Executive Board members in fiscal year 2015 are in accordance with applicable accounting principles (IAS 17 and IFRS) and the German Corporate Governance Code provisions (GCGC):

Compensation packages granted	Peter Hecktor ¹⁾ Chief Executive Officer (CEO) Joining date: October 12, 1988 Leaving date: May 12, 2014				Walter King ²⁾ COO Joining date: May 15, 2001 Leaving date: June 30, 2015				Dr. Florian Pesahl ³⁾ CEO Joining date: January 01, 2010				Total	
	2014	2015	2015 (min.)	2015 (max.)	2014	2015	2015 (min.)	2015 (max.)	2014	2015	2015 (min.)	2015 (max.)	2014	2015
Fixed remuneration	99	0	0	0	239	125	125	125	219	230	230	230	557	355
Fringe benefits	25	0	0	0	18	9	9	9	11	11	11	11	54	20
Total	124	0	0	0	257	134	134	134	230	241	241	241	611	375
One-year variable compensation ⁴⁾	0	0	0	0	95	0	0	0	95	100	0	100	190	100
Multi-year variable compensation ⁵⁾	0	0	0	0	47	0	0	0	47	50	0	50	94	50
Executive bonus 2014					47				47				94	0
Executive bonus 2015						0	0	0		50	0	50	0	50
Total compensation (according to GCGC)	124	0	0	0	399	134	134	134	372	391	241	391	895	525
Service cost	20	0	0	0	0	0	0	0	0	0	0	0	20	0
Total compensation²⁾³⁾ (According to GAS 17)	144	0	0	0	399	134	134	134	372	391	241	391	915	525

¹⁾ Mr. Hecktor was elected to the Supervisory Board on May 12, 2014 at the Annual Shareholders' Meeting. The stated remuneration figures are for Executive Board member activities up to that date. In line with the dissolution agreement concluded in fiscal year 2014 between the Company and Mr. Hecktor, a fixed severance payment of 181 thousand euros was paid in fiscal year 2014. Provisions for the bonus severance element in the amount of 200 thousand euros calculated according to the bonus provisions in his employment contract were allocated accordingly. The bonus severance element in the amount of 200 thousand euros was paid in fiscal year 2015.

²⁾ Mr. King has exercised his contractually agreed special right of termination because of a change of control and departed the Company on June 30, 2015. The stated remuneration figures are for Executive Board member activities up to that date. In conjunction with his special right of termination because of a

change of control, Mr. King also received a one-off payment of 800 thousand euros in fiscal year 2015.

³⁾ The Company and Dr. Pesahl have agreed for Dr. Pesahl to continue in his position as CEO at least until the end of fiscal year 2016. The parties have also agreed to compensate Dr. Pesahl for forfeiting his right of special termination in 2017 with a one-off payment in the amount of 760 thousand euros.

⁴⁾ Not taking into account any deferrals.

⁵⁾ According to his employment contract, Dr. Pesahl's executive bonus package contains a long-term incentive by virtue of which only two-thirds of the accrued executive bonus is to be paid out in 2016, the third portion only being disburseable if the Company remains profitable in 2017.

Compensation of Executive Board members paid in fiscal year 2015 breaks down as follows:

Compensation	Peter Hecktor ⁶⁾ Chief Executive Officer (CEO) Joining date: October 12, 1988 Leaving date: May 12, 2014		Walter King ⁸⁾ COO Joining date: May 15, 2001 Leaving date: June 30, 2015		Dr. Florian Pesahl CEO Joining date: January 01, 2010		Total	
	2014	2015	2014	2015	2014	2015	2014	2015
Fixed remuneration	99	0	239	125	219	230	557	355
Fringe benefits	25	0	18	9	11	11	54	20
Total	124	0	257	134	230	241	611	375
One-year variable compensation ⁷⁾	200	0	87	100	87	100	374	200
Multi-year variable remuneration	0	0	43	50	43	50	86	100
Executive bonus 2012			43		43		86	0
Executive bonus 2013				50		50	0	100
Total compensation	324	0	387	284	360	391	1,071	675

⁶⁾ Mr. Hecktor was elected to the Supervisory Board on May 12, 2014 at the Annual Shareholders' Meeting. The stated compensation figures are for Executive Board member activities up to that date. The dissolution agreement between the Company and Mr. Hecktor also provided for a fixed severance payment of 181 thousand euros which was disbursed in fiscal year 2014. The bonus severance element agreed in fiscal year 2014 in the amount of 200 thousand euros was paid in fiscal year 2015.

⁷⁾ Not taking into account any deferrals.

⁸⁾ Mr. King has exercised his contractually agreed special right of termination because of a change of control and departed the Company on June 30, 2015. The stated compensation figures are for Executive Board member activities up to that date. In conjunction with his special right of termination because of a change of control, Mr. King also received a one-off payment of 800 thousand euros in fiscal year 2015.

Two other Executive Board members received 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	
	2015	2014	2015	2014
Exercisable options as of 12/31/2015	0	0	0	0
Options forfeited in 2015	0	2,967	0	2,967
Options exercised in 2005 and 2007	2,174	2,174	2,174	2,174

As of the reporting date, the Group had the following pension commitments for former members of the Executive Board:

Pensions KEUR	Peter Hecktor		Walter Eichner	
	2015	2014	2015	2014
Provisions recorded as of the reporting date	258	260	268	275
Allocations to pension provisions	18	69	17	58
Pensions paid	20	20	24	23

In fiscal years 2014 and 2015, Executive Board members did not receive any loans or 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. The Supervisory Board believes that this is not appropriate due to the fact that the members of the Executive Board usually do not have any control over a decision to terminate agreements without due cause. Executive Board members' contracts valid until the middle of 2015 contained provisions governing termination of employment in the event of a change of control.

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:

Annual remuneration in KEUR	2015	2014
Victoria Hecktor	0	15
Tony Tsoi Tong Hoo	8	30
Petra Ollhoff	0	8
Peter Hecktor	20	25
Wolfgang Klein	20	12
Amir Mobayen	24	0
Brian Armstrong	15	0
Grand total	87	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 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 2015 stipulates a deductible for Executive Board members in line with the German Stock Corporation Law and German Corporate Governance Code.

6. Control of capital

a) Subscribed capital

DATA MODUL AG has capital stock of 10,578,546 euros, and has been 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 did not hold any

treasury shares, thus the number of shares outstanding was 3,526,182.

b) Current shareholdings in DATA MODUL Aktiengesellschaft Produktion und Vertrieb von elektronischen Systemen

Sec. 160 (1) No. 8, German Stock Corporation Act (AktG) requires disclosure of any changes in voting rights of which DATA MODUL Aktiengesellschaft Produktion und Vertrieb von elektronischen Systemen has been notified in accordance with Sec. 21 (1) or (1a) of the German Securities Trading Act (WpHG).

Changes regarding voting rights reported up to the approval date of the Company's annual accounts are subsequently announced in accordance with Sec. 26 (1) German Securities Trading Act (WpHG). Only the most recent disclosure by a reporting party to the Company is listed. All Company announcements regarding changes in voting rights disclosed by a reporting party during the reporting period and until the approval date of the Company's annual accounts are published on the DATA MODUL Group website www.data-modul.com under "Corporate Governance/Voting rights". Please note that the percentage figure of the shareholding and the voting rights stated may have become obsolete.

Arrow

The latest voting rights announcement to the Company published reads as follows:

"Correction of the Publication of voting rights pursuant to Article 26, Section 1 of the WpHG [the German Securities Trading Act] on April 23rd, 2015

1) Arrow Central Europe Holding Munich GmbH, Munich, Germany has informed us according to Article 21, Section 1 of the WpHG that via shares its Voting Rights on DATA MODUL Aktiengesellschaft Produktion und Vertrieb von elektronischen Systemen, Munich, Germany, have exceeded the 50% threshold of the Voting Rights on April 16, 2015 and on that day amounted to 53.37% (this corresponds to 1,881,986 Voting Rights).

2) Arrow Electronics GmbH & Co. KG, Neu-Isenburg, Germany has informed us according to Article 21, Section 1 of the WpHG that via shares its Voting Rights on

DATA MODUL Aktiengesellschaft Produktion und Vertrieb von elektronischen Systemen, Munich, Germany, have exceeded the 50% threshold of the Voting Rights on April 16, 2015 and on that day amounted to 53.37% (this corresponds to 1,881,986 Voting Rights). 53.37% of Voting Rights (this corresponds to 1,881,986 Voting Rights) are attributed to the company in accordance with Article 22, Section 1, Sentence 1, No. 1 of the WpHG (German Securities Trading Act). Attributed Voting Rights are held by the following shareholders, whose share of the Voting Rights in DATA MODUL Aktiengesellschaft Produktion und Vertrieb von elektronischen Systemen amounts to 3 percent or more:

Arrow Central Europe Holding Munich GmbH

3) Verwaltungsgesellschaft Arrow Electronics GmbH, Neu-Isenburg, Germany has informed us according to Article 21, Section 1 of the WpHG that via shares its Voting Rights on DATA MODUL Aktiengesellschaft Produktion und Vertrieb von elektronischen Systemen, Munich, Germany, have exceeded the 50% threshold of the Voting Rights on April 16, 2015 and on that day amounted to 53.37% (this corresponds to 1,881,986 Voting Rights). 53.37% of Voting Rights (this corresponds to 1,881,986 Voting Rights) are attributed to the company in accordance with Article 22, Section 1, Sentence 1, No. 1 of the WpHG (German Securities Trading Act). Attributed Voting Rights are held by the following shareholders, whose share of the Voting Rights in DATA MODUL Aktiengesellschaft Produktion und Vertrieb von elektronischen Systemen amounts to 3 percent or more:

Arrow Electronics GmbH & Co. KG

Arrow Central Europe Holding Munich GmbH

4) B.V. Arrow Electronics DLC, Venlo, The Netherlands has informed us according to Article 21, Section 1 of the WpHG that via shares its Voting Rights on DATA MODUL Aktiengesellschaft Produktion und Vertrieb von elektronischen Systemen, Munich, Germany, have exceeded the 50% threshold of the Voting Rights on April 16, 2015 and on that day amounted to 53.37% (this corresponds to 1,881,986 Voting Rights). 53.37% of Voting Rights (this corresponds to 1,881,986 Voting Rights) are attributed to the company in accordance with Article 22, Section 1, Sentence 1, No. 1 of the WpHG (German Securities Trading Act). Attributed Voting Rights are held by the following shareholders, whose share of the Voting

Rights in DATA MODUL Aktiengesellschaft Produktion und Vertrieb von elektronischen Systemen amounts to 3 percent or more:

Verwaltungsgesellschaft Arrow Electronics GmbH
Arrow Electronics GmbH & Co. KG
Arrow Central Europe Holding Munich GmbH

5) Arrow Electronics EMEASA S.r.l., Milano, Italy has informed us according to Article 21, Section 1 of the WpHG that via shares its Voting Rights on DATA MODUL Aktiengesellschaft Produktion und Vertrieb von elektronischen Systemen, Munich, Germany, have exceeded the 50% threshold of the Voting Rights on April 16, 2015 and on that day amounted to 53.37% (this corresponds to 1,881,986 Voting Rights). 53.37% of Voting Rights (this corresponds to 1,881,986 Voting Rights) are attributed to the company in accordance with Article 22, Section 1, Sentence 1, No. 1 of the WpHG (German Securities Trading Act). Attributed Voting Rights are held by the following shareholders, whose share of the Voting Rights in DATA MODUL Aktiengesellschaft Produktion und Vertrieb von elektronischen Systemen amounts to 3 percent or more:

B.V. Arrow Electronics DLC
Verwaltungsgesellschaft Arrow Electronics GmbH
Arrow Electronics GmbH & Co. KG
Arrow Central Europe Holding Munich GmbH

6) Arrow Electronics Holdings Asset Management, Kft, Budapest Hungary has informed us according to Article 21, Section 1 of the WpHG that via shares its Voting Rights on DATA MODUL Aktiengesellschaft Produktion und Vertrieb von elektronischen Systemen, Munich, Germany, have exceeded the 50% threshold of the Voting Rights on April 16, 2015 and on that day amounted to 53.37% (this corresponds to 1,881,986 Voting Rights). 53.37% of Voting Rights (this corresponds to 1,881,986 Voting Rights) are attributed to the company in accordance with Article 22, Section 1, Sentence 1, No. 1 of the WpHG (German Securities Trading Act). Attributed Voting Rights are held by the following shareholders, whose share of the Voting Rights in DATA MODUL Aktiengesellschaft Produktion und Vertrieb von elektronischen Systemen amounts to 3 percent or more:

Arrow Electronics EMEASA S.r.l.
B.V. Arrow Electronics DLC
Verwaltungsgesellschaft Arrow Electronics GmbH

Arrow Electronics GmbH & Co. KG
Arrow Central Europe Holding Munich GmbH

7) Arrow International Holdings, L.P., Grand Cayman, Cayman Islands has informed us according to Article 21, Section 1 of the WpHG that via shares its Voting Rights on DATA MODUL Aktiengesellschaft Produktion und Vertrieb von elektronischen Systemen, Munich, Germany, have exceeded the 50% threshold of the Voting Rights on April 16, 2015 and on that day amounted to 53.37% (this corresponds to 1,881,986 Voting Rights). 53.37% of Voting Rights (this corresponds to 1,881,986 Voting Rights) are attributed to the company in accordance with Article 22, Section 1, Sentence 1, No. 1 of the WpHG (German Securities Trading Act). Attributed Voting Rights are held by the following shareholders, whose share of the Voting Rights in DATA MODUL Aktiengesellschaft Produktion und Vertrieb von elektronischen Systemen amounts to 3 percent or more:

Arrow Electronics Holdings Asset Management, Kft,
Arrow Electronics EMEASA S.r.l.
B.V. Arrow Electronics DLC
Verwaltungsgesellschaft Arrow Electronics GmbH
Arrow Electronics GmbH & Co. KG
Arrow Central Europe Holding Munich GmbH

8) Arrow Holdings (Delaware), Centennial, CO, USA has informed us according to Article 21, Section 1 of the WpHG that via shares its Voting Rights on DATA MODUL Aktiengesellschaft Produktion und Vertrieb von elektronischen Systemen, Munich, Germany, have exceeded the 50% threshold of the Voting Rights on April 16, 2015 and on that day amounted to 53.37% (this corresponds to 1,881,986 Voting Rights). 53.37% of Voting Rights (this corresponds to 1,881,986 Voting Rights) are attributed to the company in accordance with Article 22, Section 1, Sentence 1, No. 1 of the WpHG (German Securities Trading Act). Attributed Voting Rights are held by the following shareholders, whose share of the Voting Rights in DATA MODUL Aktiengesellschaft Produktion und Vertrieb von elektronischen Systemen amounts to 3 percent or more:

Arrow International Holdings, L.P.
Arrow Electronics Holdings Asset Management, Kft,
Arrow Electronics EMEASA S.r.l.
B.V. Arrow Electronics DLC
Verwaltungsgesellschaft Arrow Electronics GmbH

Arrow Electronics GmbH & Co. KG
Arrow Central Europe Holding Munich GmbH

9) Arrow Electronics (UK), Inc., Centennial, CO, USA, has informed us according to Article 21, Section 1 of the WpHG that via shares its Voting Rights on DATA MODUL Aktiengesellschaft Produktion und Vertrieb von elektronischen Systemen, Munich, Germany, have exceeded the 50% threshold of the Voting Rights on April 16, 2015 and on that day amounted to 53.37% (this corresponds to 1,881,986 Voting Rights). 53.37% of Voting Rights (this corresponds to 1,881,986 Voting Rights) are attributed to the company in accordance with Article 22, Section 1, Sentence 1, No. 1 of the WpHG (German Securities Trading Act). Attributed Voting Rights are held by the following shareholders, whose share of the Voting Rights in DATA MODUL Aktiengesellschaft Produktion und Vertrieb von elektronischen Systemen amounts to 3 percent or more:

Arrow Holdings (Delaware), LLC
Arrow International Holdings, L.P.
Arrow Electronics Holdings Asset Management, Kft,
Arrow Electronics EMEASA S.r.l.
B.V. Arrow Electronics DLC
Verwaltungsgesellschaft Arrow Electronics GmbH
Arrow Electronics GmbH & Co. KG
Arrow Central Europe Holding Munich GmbH

10) Arrow Electronics Inc., Centennial, Co. USA, has informed us according to Article 21, Section 1 of the WpHG that via shares its Voting Rights on DATA MODUL Aktiengesellschaft Produktion und Vertrieb von elektronischen Systemen, Munich, Germany, have exceeded the 50% threshold of the Voting Rights on April 16, 2015 and on that day amounted to 53.37% (this corresponds to 1,881,986 Voting Rights). 53.37% of Voting Rights (this corresponds to 1,881,986 Voting Rights) are attributed to the company in accordance with Article 22, Section 1, Sentence 1, No. 1 of the WpHG (German Securities Trading Act). Attributed Voting Rights are held by the following shareholders, whose share of the Voting Rights in DATA MODUL Aktiengesellschaft Produktion und Vertrieb von elektronischen Systemen amounts to 3 percent or more:

Arrow Electronics (UK) Inc.
Arrow Holdings (Delaware), LLC
Arrow International Holdings, L.P.

Arrow Electronics Holdings Asset Management, Kft,
Arrow Electronics EMEASA S.r.l.
B.V. Arrow Electronics DLC
Verwaltungsgesellschaft Arrow Electronics GmbH
Arrow Electronics GmbH & Co. KG
Arrow Central Europe Holding Munich GmbH”

DATA MODUL AG, Produktion und Vertrieb von elektronischen Systemen

The Company announcement published on April 16, 2015 reads as follows:

“Herewith we inform, that via shares our Voting Rights on DATA MODUL AG, München, Germany, have fallen below the 3% threshold of the Voting Rights on April 16, 2015 and on that day amounted to 0% (this corresponds to 0 Voting Rights).”

The Hecktor family

The Company announcement published on April 15, 2015 reads as follows:

“On April 15, 2015, Mr. Ralf Zimmermann, Germany has informed us according to Article 21, Section 1 of the WpHG that via shares his Voting Rights on DATA MODUL AG, München, Germany, have fallen below the 5% and 3% threshold of the Voting Rights on April 14, 2015 and on that day amounted to 0% (this corresponds to 0 Voting Rights).

On April 15, 2015, Mrs. Heidrun Hecktor, Germany has informed us according to Article 21, Section 1 of the WpHG that via shares her Voting Rights on DATA MODUL AG, München, Germany, have fallen below the 3% threshold of the Voting Rights on April 14, 2015 and on that day amounted to 0% (this corresponds to 0 Voting Rights).

On April 15, 2015, Mrs. Victoria Hecktor, Germany has informed us according to Article 21, Section 1 of the WpHG that via shares her Voting Rights on DATA MODUL AG, München, Germany, have fallen below the 5% and 3% threshold of the Voting Rights on April 14, 2015 and on that day amounted to 0% (this corresponds to 0 Voting Rights).

On April 15, 2015, Mr. Peter Hecktor, Germany has

informed us according to Article 21, Section 1 of the WpHG that via shares his Voting Rights on DATA MODUL AG, München, Germany, have fallen below the 5% and 3% threshold of the Voting Rights on April 14, 2015 and on that day amounted to 0% (this corresponds to 0 Voting Rights).”

Ludwig Lehmann

The latest voting rights announcement to the Company published reads as follows:

“On September 16, 2015 Mr. Ludwig Lehmann, Germany has informed us according to Article 21, Section 1 of the WpHG that via shares his Voting Rights on DATA MODUL AG, München, Germany, have fallen below the 3% threshold of the Voting Rights on September 15, 2015 and on that day amounted to 2.92% (this corresponds to 103,125 Voting Rights). 2.69% of Voting Rights (this corresponds to 94,825 Voting Rights) are attributed to Mr. Lehmann in accordance with Article 22, Section 1, Sentence 1, No. 1 of the WpHG (German Securities Trading Act).”

Maven

The latest voting rights announcement to the Company published reads as follows:

“Correction of the Release according to Article 26, Section 1 of the WpHG [the German Securities Trading Act] of April 20th, 2015

1. On April 17, 2015, Maven Trading Ltd., London, United Kingdom has informed us according to Article 21, Section 1 of the WpHG that via shares its Voting Rights on DATA MODUL Aktiengesellschaft Produktion und Vertrieb von elektronischen Systemen, Munich, Germany, have fallen below the 3% threshold of the Voting Rights on April 15, 2015 and on that day amounted to 2.95% (this corresponds to 103,955 Voting Rights).

2. On April 17, 2015, Maven Securities Holding Ltd., London, United Kingdom has informed us according to Article 21 of the WpHG that via shares its Voting Rights on DATA MODUL Aktiengesellschaft Produktion und Vertrieb von elektronischen Systemen, Munich, Germany, have fallen below the 3% threshold of the Voting Rights on April 15, 2015 and on that day amounted to 2.95%

(this corresponds to 103,955 Voting Rights). 2.95% of Voting Rights (this corresponds to 103,955 Voting Rights) are attributed to Maven Securities Holding Ltd. in accordance with Article 22, Section 1, Sentence 1, No. 1 of the WpHG (German Securities Trading Act).

3. On April 17, 2015, Maven Securities Ltd., Birkirkara, Malta has informed us according to Article 21 of the WpHG that via shares its Voting Rights on DATA MODUL Aktiengesellschaft Produktion und Vertrieb von elektronischen Systemen, Munich, Germany, have fallen below the 3% threshold of the Voting Rights on April 15, 2015 and on that day amounted to 2.95% (this corresponds to 103,955 Voting Rights). 2.95% of Voting Rights (this corresponds to 103,955 Voting Rights) are attributed to Maven Securities Ltd. in accordance with Article 22, Section 1, Sentence 1, No. 1 of the WpHG (German Securities Trading Act).”

Varitronix

The Company announcement published on April 14, 2015 reads as follows:

“On April 14, 2015, Varitronix (B.V.I.) Limited, Hongkong, China has informed us according to Article 21, Section 1 of the WpHG that via shares its Voting Rights on DATA MODUL AG, München, Germany, have fallen below the 15%, 10%, 5% and 3% threshold of the Voting Rights on April 14, 2015 and on that day amounted to 0% (this corresponds to 0 Voting Rights).

On April 14, 2015, Varitronix International Limited, Hongkong, China has informed us according to Article 21, Section 1 of the WpHG that via shares its Voting Rights on DATA MODUL AG, München, Germany, have fallen below the 15%, 10%, 5% and 3% threshold of the Voting Rights on April 14, 2015 and on that day amounted to 0% (this corresponds to 0 Voting Rights).

On April 14, 2015, Varitronix Investment Limited, Hongkong, China has informed us according to Article 21, Section 1 of the WpHG that via shares its Voting Rights on DATA MODUL AG, München, Germany, have fallen below the 15%, 10%, 5% and 3% threshold of the Voting Rights on April 14, 2015 and on that day amounted to 0% (this corresponds to 0 Voting Rights).”

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

Authorized capital 2010

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 by a total of 5,289 thousand euros (authorized capital). On expiry of the deadline the Executive Board had not increased the Company's capital stock.

Authorized capital 2015

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 July 2, 2020. The Executive Board is also authorized – subject to Supervisory Board approval – to exclude existing shareholders' subscription rights to shares issued from authorized capital 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 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 August 19, 2015.

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. Trading in the company's stock is prohibited. Stock is purchased to treasury via the stock exchange, by public purchase offer open to all shareholders or by 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.

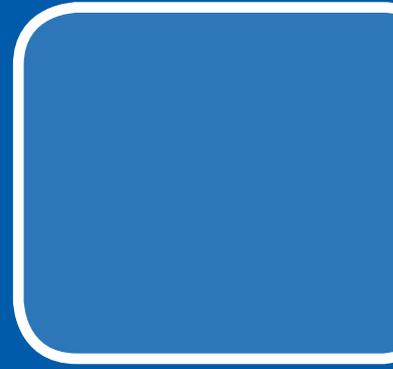
8. Closing statement of the Executive Board on relationships with affiliated companies

In fiscal year 2015 DATA MODUL AG was a controlled affiliate of Arrow Central Europe Holding Munich GmbH, Munich, Germany, according to Sec. 312 German Stock Corporation Act (AktG). The DATA MODUL AG Executive Board thus compiled an Executive Board report on relationships with affiliated companies in accordance with Sec. 312 (1) German Stock Corporation Act (AktG) containing the following closing statement:

“The Company's Executive Board declares that DATA MODUL AG received consideration for all legal transactions stated in this Report on Relations with Affiliated Companies which was appropriate in light of the circumstances known to the Executive Board at the time the transactions were undertaken. No other actions were undertaken or omitted under the direction or in the interest of the controlling company during the fiscal year under review.”

Munich, March 22, 2016

Dr. Florian Pesahl, Chief Executive Officer



CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2015

ASSETS	Notes	12/31/2015	12/31/2014
Non-current assets			
Goodwill	[8]	2,419	2,419
Intangible assets	[8]	2,028	2,503
Property, plant and equipment	[8]	10,017	9,595
Other non-current assets	[9]	105	205
Deferred tax assets	[6]	68	0
Total non-current assets		14,637	14,722
Current assets			
Inventories	[10]	36,988	28,899
Trade accounts receivable, net of allowance for doubtful accounts (2015: 445; 2014: 434)	[11]	17,822	18,341
Other current assets*	[11]	1,613	1,295
Cash and cash equivalents	[12]	19,334	16,819
Total current assets		75,757	65,354
Total assets		90,394	80,076

All figures in KEUR

* Other current assets include financial assets. See Notes 6.11.

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	12/31/2015	12/31/2014
Shareholders' equity			
Capital stock no-par-value bearer shares (authorized: KEUR 5,289; shares issued and outstanding: 3,526,182 as of 12/31/2015 and 3,394,000 as of 12/31/2014)	[13]	10,579	10,182
Capital reserves	[13]	24,119	22,367
Retained earnings	[13]	26,633	17,104
Other reserves	[13]	(1,085)	(1,617)
Total shareholders' equity		60,246	48,036
Non-current liabilities			
Pensions and non-current personnel liabilities	[14]	2,482	1,772
Non-current bank liabilities	[15]	0	3,000
Non-current provisions	[16]	79	351
Other non-current liabilities	[17]	1,107	0
Deferred tax liabilities	[6]	494	498
Total non-current liabilities		4,162	5,621
Current liabilities			
Trade accounts payable		10,119	7,697
Taxes payable	[18]	776	3,035
Current provisions	[16]	2,173	1,540
Liabilities due to financial institutions	[19]	4,000	8,200
Current portion of non-current borrowings	[15]	3,000	850
Other current liabilities*	[18]	5,918	5,097
Total current liabilities		25,986	26,419
Total liabilities		30,148	32,040
Total liabilities and shareholders' equity		90,394	80,076

All figures in KEUR

* Other current liabilities include financial liabilities. See Notes 6.18.

CONSOLIDATED STATEMENT OF INCOME

	Notes	2015	2014
Revenues	[1]	180,300	155,915
Cost of sales	[2]	(135,798)	(117,886)
Gross margin		44,502	38,029
Research and development expenses	[3]	(6,517)	(5,274)
Selling and general administrative expenses	[4]	(25,409)	(21,351)
Earnings before interest and taxes (EBIT)		12,576	11,404
Interest income	[5]	15	22
Interest expense	[5]	(185)	(294)
Earnings before taxes		12,406	11,132
Income tax expense	[6]	(3,993)	(3,559)
Net income		8,413	7,573
Earnings per share – basic	[7]	2.41	2.23
Earnings per share – diluted	[7]	2.41	2.23
Weighted average of shares outstanding – basic		3,487,629	3,394,000
Weighted average of shares outstanding – diluted		3,487,629	3,394,000

All figures in KEUR, except earnings per share and weighted average of shares outstanding.

CONSOLIDATED STATEMENT OF CASH FLOWS

KEUR	Notes	2015	2014
Cash flows from operating activities	[7]		
Net income		8,413	7,573
Non-cash expenses and income:			
Income tax expense		3,974	^(*) 3,512
Depreciation, amortization and impairment		2,755	^(*) 1,853
Provisions for bad debts		(9)	254
Gain from disposals of fixed assets		32	0
Net interest		170	272
Other non-cash expenses and income		(56)	^(*) (37)
Changes in:			
Trade accounts receivable, increase (-) / decrease (+)		527	3,757
Inventories, increase (-) / decrease (+)		(8,089)	912
Trade accounts payable, increase (+) / decrease (-)		2,477	(3,212)
Other assets and liabilities, increase (+) / decrease (-)		1,051	^(*) 594
Income taxes paid		(4,048)	(1,405)
Interest received (+) / Interest paid (-) (net)		(148)	^(*) (274)
Cash flows from operating activities		7,049	13,799
Cash flows from investing activities	[7]		
Proceeds from disposals of fixed assets		11	46
Outflows from capitalized development costs		(1,018)	(568)
Capital expenditures on other intangible and fixed assets		(1,701)	(1,903)
Cash flows from investing activities		(2,708)	(2,425)
Cash flows from financing activities	[7]		
Repayment of current borrowings		(5,050)	(9,985)
Increase in non-current borrowings		0	2,150
Inflow from sale of treasury shares		3,635	0
Dividend paid		(423)	(2,036)
Other financing activities		(2)	(5)
Cash flows from financing activities		(1,840)	(9,876)
Effects of exchange rate changes on cash and cash equivalents		14	35
Net increase in cash and cash equivalents		2,515	1,532
Cash and cash equivalents at beginning of period		16,819	15,287
Cash and cash equivalents at end of period		19,334	16,819

All figures in KEUR

^(*) Revised presentation of various reconciliation items in fiscal year 2015; for better comparability, previous year's items were reclassified accordingly.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Capital Stock No. of shares	Capital Stock Amount	Capital reserves	Retained earnings	Other reserves	Total
BALANCE AS OF 1/1/2014	3,394,000	10,182	22,446	11,745	(2,242)	42,131
Net income				7,573		7,573
Reversal of conditional capital			(79)	79		0
Dividend				(2,036)		(2,036)
Other comprehensive income (loss)				(257)		(257)
Foreign currency translation adjustments					625	625
BALANCE AS OF 12/31/2014	3,394,000	10,182	22,367	17,104	(1,617)	48,036
BALANCE AS OF 1/1/2015	3,394,000	10,182	22,367	17,104	(1,617)	48,036
Net income				8,413		8,413
Dividend				(423)		(423)
Sale of treasury shares	132,182	397	1,752	1,486		3,635
Other comprehensive income (loss)				53	(6)	47
Foreign currency translation adjustments					538	538
BALANCE AS OF 12/31/2015	3,526,182	10,579	24,119	26,633	(1,085)	60,246

All figures in KEUR, except number of shares.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

KEUR	2015	2014
Consolidated net income for the period	8,413	7,573
Other comprehensive income (loss)		
<i>Other comprehensive income (loss) to be reclassified and reported in profit or loss in subsequent reporting periods</i>		
Adjustments from currency translation of foreign subsidiary results	538	625
Attributable tax effects	0	0
<i>Other comprehensive income (loss) not to be reclassified and reported in profit or loss in subsequent reporting periods</i>		
Actuarial gains (losses)	26	(316)
Attributable tax effects	28	59
Deferred tax liabilities recorded in equity	(6)	0
Comprehensive income after tax	8,999	7,941

NOTES TO THE 2015 CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business

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 flat-bed 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 Landsberger Strasse 322, 80687 Munich, Germany. The Consolidated Financial Statements as of December 31, 2015 were prepared by the Executive Board in February 2016 and approved and endorsed for public disclosure in March 2016.

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, 2015.

The Consolidated Financial Statements consist of the statement of financial position, the statement of 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). Assets, 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 2015, if they are applied Group-wide in general.

Mandatory first-time application as of 12/31/2015 (endorsed by the EU)	Adopted by IASB/IFRIC	Temporal applicability
IFRIC 21 – Levies	May 2013	6/17/2014
Improvements to IFRS (2011 - 2013)	December 2013	1/1/2015

The following new and amended standards and interpretations have either no impact or no material impact on the consolidated financial statements:

IFRIC 21 – Levies

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. Early application of this interpretation is permissible.

Improvements to IFRS (2011 - 2013)

The Improvements to the IFRS published in 2011 - 2013 have been compiled as an omnibus standard and contains amendments to various IFRS. 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.

Future changes to accounting standards

Application of the following accounting rules and accounting standard changes published by the IASB is mandatory for reporting periods beginning on or after January 1, 2016. DATA MODUL has decided against early application of these standards.

Standards, interpretations, amendments	Adopted by IASB/IFRIC	Temporal applicability
EU endorsement issued prior to date of release:		
Revised IFRS 11 – Joint arrangements: Accounting for the acquisition of shares in joint ventures	May 2014	1/1/2016
IFRS 14 – Regulatory deferral accounts	January 2014	1/1/2016
Revised IAS 1 – Presentation of financial statements	December 2014	1/1/2016
Amended IFRS 16 and IAS 38 – Clarification of acceptable methods of depreciation and amortization	May 2014	1/1/2016
Amended IFRS 16 and IAS 41 – Agriculture: Bearer Plants	June 2014	1/1/2016
Amendments to IAS 19: Defined benefit plans: Employee contributions	November 2013	2/1/2015
Amended IAS 27 – Equity method in separate financial statements	August 2014	1/1/2016
Improvements to IFRS (2010 - 2012)	December 2013	2/1/2015
Improvements to IFRS (2012 - 2014)	September 2014	1/1/2016

Standards, interpretations, amendments	Adopted by IASB/ IFRIC	Temporal applicability
EU endorsement pending:		
IFRS 9 – Financial instruments	July 2014	1/1/2018
IFRS 15 – Revenue from contracts with customers	May 2014	1/1/2018
IFRS 16 – Leases	January 2016	1/1/2019
Amended IFRS 10, IFRS 12 and IAS 28 – Investment entities: Applying the consolidation exception	December 2014	1/1/2016
Amended IFRS 10 and IAS 28 – Sale or contribution of assets between an investor and its associate or joint venture	September 2014	- ¹⁾
Revised IAS 7 – Statement of cash flows:	January 2016	1/1/2017
Revised IAS 12 – Recognition of deferred tax assets for unrealized losses	January 2016	1/1/2017

¹⁾ In December 2015 the IASB decided to move back the effective date of this standard change to an unspecified point in time.

Except as outlined below regarding IFRS 15 and IFRS 16, the other standards and standard revisions specified here are not expected to cause any material change in current DATA MODUL accounting recognition or measurement policies.

IFRS 15 – Revenue from contracts with customers

In May 2014 the IASB issued IFRS 15 “Revenue from Contracts with Customers”, which regulates the recognition and measurement of future revenues. IFRS 15 provides for a five-step model for evaluating contracts with customers. Revenue is recorded on the date of delivery of promised goods or services to the customer in the amount corresponding to the consideration the company is expected to receive in exchange for those goods or services. IFRS 15 will replace IAS 11 “Construction Contracts”, IAS 18 “Revenue” and the related interpretations. The initial application date was again postponed to January 1, 2018. The company is currently reviewing what effects initial application will have on the Consolidated Financial Statements.

IFRS 16 – Leases

In January 2016 the IASB issued a draft of IFRS 16 – Leases, to replace the currently valid IAS 17. The new standard provides that the lessees no longer have to distinguish between operating leases and finance leases. Going forward, lessees will carry all lease contracts in a manner similar to today’s finance lease accounting,

recording a usage right and a liability on the balance sheet reflecting the present value of the minimum lease payment. In subsequent periods, for every lease contract recurring expenses are recorded to amortize the usage right and interest expense from continuation of the lease liability. The Company is currently reviewing what effects initial application will have on the Consolidated Financial Statements.

3. Consolidation

Consolidation standards

The Consolidated Financial Statements comprise the separate financial statements of DATA MODUL AG and its subsidiaries as of December 31, 2015, 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 con-

tingent 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. The functional currency of DATA MODUL Group subsidiaries is the respective 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. Non-monetary Consolidated Balance Sheet items in foreign currency are carried at historical exchange rates.

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 exchange 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

Exchange rate	12/31/2015		12/31/2014	
	Balance sheet	P&L	Balance sheet	P&L
EUR / USD	1.0892	1.1044	1.2155	1.3217
EUR / GBP	0.7351	0.7240	0.7786	0.8034
EUR / SGD	1.5397	1.5219	1.6059	1.6778
EUR / AED	4.0003	4.0558	4.4644	4.8548
EUR / HKD	8.4426	8.5594	9.4260	10.2514
EUR / JPY	131.1200	133.5808	145.0300	140.4908
EUR / CHF	1.0823	1.0641	1.20240	1.21280

Scope of consolidation

Pursuant to IFRS 10, the Consolidated Financial Statements incorporate DATA MODUL AG and all its subsidiaries which DATA MODUL AG has a controlling influence.

The Consolidated Financial Statements as of December 31, 2015 include the following subsidiaries:

Name, registered office of the Company	Shareholding %
DATA MODUL Weikersheim GmbH, Weikersheim, Germany	100
DATA MODUL France SARL, Baron, 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 Hong Kong Ltd., Hong Kong, China	100
DATA MODUL Electronic Technology (Shanghai) Co., Ltd., Shanghai, China	100
Conrac Asia Display Products PTE Ltd., Singapore	100
Conrac MENA FZE EST, Dubai, UAE	100

DATA MODUL Electronic Technology (Shanghai) Co., Ltd., China was founded on June 29, 2015 and is 100% owned by DATA MODUL Hong Kong Ltd., Hong Kong, China. The company has been included in DATA MODUL's scope of consolidation.

4. Recognition and Measurement Methods

Major discretionary decisions, estimates and assumptions

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 primary areas in which estimates are made concern allowances for doubtful accounts, inventory valuation, determination of the useful life of fixed assets, capitalization of development costs, carrying of deferred tax assets, impairment of assets, provisions, pensions and other post-employment benefits. 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 goodwill

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.

Carrying of 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 product 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. Revenue 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 on a time-period basis 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 with a definite useful life are amortized as scheduled. Estimated useful life and remaining useful life are reviewed annually, as well as the method of depreciation. If necessary, useful life is adjusted based on the new assumptions. This adjustment of useful life or depreciation method is treat-

ed 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 useful 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 project-related 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 recoverable amount for each cash-generating unit was determined applying calculated value in use based on projected cash flows. The cash flows are based on a three-year projection (2016 – 2018) approved by management and the Supervisory Board. A growth rate of 1 - 2.5% is applied for estimating future net cash flows in the year 2019 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 economic 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 pro-

perty, 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 amortized cost, irrespective of past impairments recorded.

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 that 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 intangible assets (excluding goodwill) and property, plant and equipment

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. Impairment losses are reversed up to the amortized cost if the reason for their recording no longer applies.

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 carried 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 are 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 to 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 bad debt. 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 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 six months of the default 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.

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 deter-

mined 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 business 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. In fiscal year 2015 no contracts hedging interest rate risks were concluded.

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 business operations. The Company also enters into derivative financial transactions, including interest rate swaps and currency forward contracts. The purpose of those transactions is to hedge interest and currency risks arising from the Company's business 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, liquidity, currency, commodity price and bad debt risks. 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 financial position, financial performance and cash flows. Furthermore, the Group also enters into transactions in GBP, SGD 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 60.4% (previous year: 56.3%) of the Company's revenues are denominated in currencies other than the functional currency of the operating unit, while approximately 64.1% (previous year: 68.2%) 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. 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. 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 one- and three-year budgets, and working closely with external banks and investors as regards the review and adjustment of lines of credit.

Pensions and non-current personnel liabilities

Pensions and non-current personnel liabilities include retirement obligations based on a defined benefit pension plan and long-term bonus agreements.

Calculation of respective accruals are based on a net interest 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. 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 are immediately recorded in equity as "Other comprehensive income". The amount of obligations for pension plans is calculated applying an annual actuarial report based on biometric parameters and current market interest rates. Individual pension commitments only exist for two former Executive Board members and three former managers.

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. Net 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.

Income tax

Taxes on income and earnings comprise all actual taxes on current taxable income of the consolidated 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 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.

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 granted employees of DATA MODUL AG and its associated companies equity-based remuneration under employee stock option programs recognized in accordance with IFRS 2 (Share-based payments). The last stock option program expired in fiscal year 2014. In fiscal years 2014 and 2015 there were no further transactions of relevance such as the granting or forfeiture of shares or exercising of options.

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 orders received, order backlog, revenue, EBIT and net income.

Revenue broken down by segments:

For fiscal year 2015

KEUR	Displays	Systems	Total
Revenue from product sales	108,861	67,925	176,786
Service revenue	655	2,859	3,514
Total revenue	109,516	70,784	180,300

For fiscal year 2014

KEUR	Displays	Systems	Total
Revenue from product sales	90,501	61,960	152,461
Service revenue	458	2,996	3,454
Total revenue	90,959	64,956	155,915

A geographical breakdown of revenue is provided in the segment reporting section.

[2] Cost of sales

The table below provides a breakdown of cost of sales:

KEUR	2015	2014
Material expenses	123,594	106,127
Other cost of sales	12,204	11,759
Total cost of sales	135,798	117,886

Other cost of sales is comprised primarily of wages and salaries, and overhead for the manufactured products and services sold.

[3] Research and development expenses

The Company distinguishes between research and development costs. Development projects are classified as either product development without a specific customer order, product development with a specific customer order and development of a product to market-readiness in connection with 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.

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 or 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 2015 and 2014 are presented below:

KEUR	2015	2014
Development costs based on customer orders recorded as cost of sales	552	400
Research and development expenses		
- Development expenses	5,190	4,619
- Amortization of development projects	427	655
- Impairment on development project	900	0
Research and development expenses	6,517	5,274
Total research and development expenses	7,069	5,674
Carrying amount capitalized development costs	1,576	1,919
Development expenses recorded as inventory as of Dec. 31	203	153

The 900 thousand euro impairment on development projects recorded reflects that our expectations were not fully met on an Embedded development project. The project is being continued in realigned form in view of the findings and new information acquired.

[4] Selling and general administrative expenses

The table below shows selling and general administrative expenses:

KEUR	2015	2014
Selling expenses	16,948	15,735
General administrative expenses	8,461	5,616
Total expenses	25,409	21,351

Total expenses by type of cost

Research and development expenses, selling and general administrative 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:

KEUR	2015	2014
Wages and salaries	24,113	20,334
Social security contributions and old-age pensions	3,838	3,199
Total	27,951	23,533

In fiscal year 2015 the Company employed an average 364 staff across all departments, as compared to the 348 staff in 2014.

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

Employees by functional area	2015	2014
Sales & Marketing	107	103
Development	66	59
Production	73	73
Services	35	35
Administration	42	40
Logistics	28	25
Materials requirement planning/ Procurement	13	13
Total	364	348

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

Employees by functional area	2015	2014
Sales & Marketing	106	110
Development	68	56
Production	78	71
Services	40	32
Administration	45	42
Logistics	28	26
Materials requirement planning/ Procurement	13	13
Total	378	350

Material expense items and depreciation/amortization

Other material expense items were as follows:

KEUR	2015	2014
Legal and consulting fees	2,928	1,235
Depreciation/amortization	2,755	1,853
Rent and maintenance	2,603	2,374
Vehicle and travel expenses	2,238	2,377
Office and IT expenses	826	798
Advertising and trade shows	675	882
Insurance premiums	426	449
Packaging material & freight costs	328	568
Additions to (+)/reversals of (-) provisions for bad debts	(12)	157
Foreign currency translation gains (-)/losses (+)	(620)	(640)
Other	(84)	239
Total	12,061	10,292

[5] Interest income/expenses

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

KEUR	2015	2014
Interest and similar income	15	22
Interest expense on current liabilities	(91)	(226)
Interest expense on non-current financing	(42)	(55)
Other interest-like expenses	(52)	(13)
Total	(170)	(272)

As of December 31, 2015 no interest rate derivatives were held (previous year: net gain 16 thousand euros).

[6] Income tax expense

Taxes on income and earnings break down as follows:

KEUR	2015	2014
Current tax expenses		
Germany	4,297	2,034
Foreign	(253)	1,068
Deferred taxes		
Germany	(52)	430
Foreign	1	27
Total	3,993	3,559

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 tax expenses in Germany decreased by 518 thousand euros through tax income from previous years. Foreign current tax expenses include 526 thousand euros in tax income from previous years. Deferred taxes result from timing differences between the tax bases of the consolidated companies. 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, 2015.

Tax rates for 2015 and 2014 are determined as follows:

	in %
Corporate income tax	15.00
Solidarity surcharge	0.825
Trade tax	17.15 and 12.25 respectively
Income tax rate	32.98 and 28.08 respectively

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 2015 and 2014.

KEUR	2015	2014
Earnings before taxes reported	12,406	11,132
Projected income tax expense	4,091	3,671
Non-deductible expenses	515	897
Tax reductions resulting from tax-free income	(4)	(7)
Actuarial gains / (losses) from pension commitments recorded in equity	(7)	(33)
Unrecognized tax loss carry-forwards	0	52
Difference vs. amount at local tax rates	314	(439)
Tax expense for/from foreign operating locations, audits, miscellaneous	96	0
Taxes from previous years	(1,010)	(595)
Other	(2)	13
Reported income tax expense	3,993	3,559

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:

KEUR	Deferred tax assets		Deferred tax liabilities	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Current assets				
Trade receivables and other assets			(5)	(65)
Inventories			(39)	(23)
Non-current assets				
Intangible assets	308	468	(468)	(528)
Property, plant and equipment	0	0	(628)	(629)
Current liabilities				
Trade payables & other liabilities		51	(12)	0
Other provisions	244	28		0
Non-current liabilities				
Provisions for pensions and similar obligations	174	200		0
Total	726	747	(1,152)	(1,245)

Deferred income tax assets and liabilities as of the reporting date break down as follows:

KEUR		2015	2014
Deferred tax assets from tax loss carry-forwards	Germany	0	0
	Foreign	0	0
Deferred tax assets from temporary differences	Germany	685	747
	Foreign	41	0
Total deferred tax assets		726	747
Total deferred tax liabilities		(1,152)	(1,245)
Deferred tax assets (+)/liabilities (-), net		(426)	(498)

As of December 31, 2015 and 2014, the corporate income tax loss carry-forwards in Germany totaled 0 thousand euros and 0 thousand euros respectively, while trade tax carry-forwards totaled 0 thousand euros and 0 thousand euros respectively.

Deferred tax assets arising from actuarial gains and losses on pension commitments recorded directly in equity

decreased equity by 7 thousand euros (previous year: equity increase of 59 thousand euros). Deferred tax liabilities were not recognized for temporary differences in connection with investments in subsidiaries in the amount of 13.165 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, 2015 and December 31, 2014, no shares were deemed dilutive applying the treasury stock method (stock redemption method).

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

	2015	2014
Net income for the year in KEUR	8,413	7,573
Denominator (thousands of shares):		
Denominator for undiluted earnings per share – weighted average number of shares	3,488	3,394
Denominator for diluted earnings per share – adjusted weighted average shares	3,488	3,394
Undiluted earnings per share	2.41 euros	2.23 euros
Diluted earnings per share	2.41 euros	2.23 euros

6. Notes to the Statement of Financial Position

[8] Fixed assets 2015

	ACQUISITION EXPENSES					Balance as of 12/31/2015
	Balance as of 1/1/2015	Currency translation	Additions	Disposals	Reclassifi- cations	
Intangible assets/Goodwill						
Goodwill	3,112	0	0	0	0	3,112
Software	2,578	0	195	(7)	225	2,991
Development costs	6,901	0	1,018	(1,070)	0	6,849
Prepayments	225	0	2	0	(225)	2
Total	12,816	0	1,215	(1,077)	0	12,954
Property, plant and equipment						
Land and buildings	11,970	23	214	(176)	157	12,188
Technical equipment	1,819	0	85	(10)	19	1,913
Other equipment, fixtures and fittings, and office equipment	4,474	36	910	(160)	40	5,300
Assets under construction	39	0	295	0	(216)	118
Total	18,302	59	1,504	(346)	0	19,519
Total	31,118	59	2,719	(1,423)	0	32,473

Fixed assets 2014

	ACQUISITION EXPENSES					Balance as of 12/31/2014
	Balance as of 1/1/2014	Currency translation	Additions	Disposals	Reclassifi- cations	
Intangible assets/Goodwill						
Goodwill	3,112	0	0	0	0	3,112
Software	2,536	0	61	(19)	0	2,578
Development costs	7,833	0	568	(1,500)	0	6,901
Prepayments	0	0	212	0	13	225
Total	13,481	0	841	(1,519)	13	12,816
Property, plant and equipment						
Land and buildings	11,599	23	183	(413)	578	11,970
Technical equipment	1,563	0	24	0	232	1,819
Other equipment, fixtures and fittings, and office equipment	3,991	32	752	(380)	79	4,474
Assets under construction	270	0	671	0	(902)	39
Total	17,423	55	1,630	(793)	(13)	18,302
Total	30,904	55	2,471	(2,312)	0	31,118

	DEPRECIATION				CARRYING AMOUNT	
	Balance as of 1/1/2015	Currency translation	Additions	Disposals	Balance as of 12/31/2015	Balance as of 12/31/2015
	693	0	0	0	693	2,419
	2,219	0	329	(7)	2,541	450
	4,982	0	1,327	(1,036)	5,273	1,576
	0	0	0	0	0	2
	7,894	0	1,656	(1,043)	8,507	4,447
	4,500	11	489	(176)	4,824	7,364
	1,243	0	134	(10)	1,367	546
	2,964	10	476	(139)	3,311	1,989
	0	0	0	0	0	118
	8,707	21	1,099	(325)	9,502	10,017
	16,601	21	2,755	(1,368)	18,009	14,464

	DEPRECIATION				CARRYING AMOUNT	
	Balance as of 1/1/2014	Currency translation	Additions	Disposals	Balance as of 12/31/2014	Balance as of 12/31/2014
	693	0	0	0	693	2,419
	1,997	0	241	(19)	2,219	359
	5,827	0	655	(1,500)	4,982	1,919
	0	0	0	0	0	225
	8,517	0	896	(1,519)	7,894	4,922
	4,505	(7)	415	(413)	4,500	7,470
	1,116	3	124	0	1,243	576
	2,848	32	418	(334)	2,964	1,510
	0	0	0	0	0	39
	8,469	28	957	(747)	8,707	9,595
	16,986	28	1,853	(2,266)	16,601	14,517

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, 2015 and 2014 is shown below, broken down by reportable segment and cash-generating unit.

KEUR	Displays		Systems	Total
	Line Management	Custom Solutions	Systems	
Cash-generating unit				
Balance as of 1/1/2014	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 12/31/2014	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 12/31/2015	123	909	1,387	2,419

Goodwill was impairment tested on December 31, 2015. 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 (2016 – 2018) approved by management and the Supervisory Board, extrapolated for 2019 and years thereafter.

The before-tax discount rates used for cash flow projections and revenue growth rates starting in 2019 (for 2014 in 2018) are shown in the table below.

Cash-generating unit	Before-tax discount rates		Revenue growth rates	
	2015	2014	2015	2014
in %				
Line Management	9.57	13.60	2.5	2.5
Custom Solutions	10.06	11.94	1.0	2.5
Systems	9.67	13.03	2.5	2.5

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 2015 and 2014 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 profit 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 profit 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. Revenue growth rates of 1.0% (Custom Solutions) to 2.5% (Line Management and Systems) were applied for the cash-generating units starting in 2019.

The 2.5% revenue growth rates used for the cash flow projections for the segments Line Management and Systems reflect the projected growth rates of the respective markets and product revenue growth projected by the DATA MODUL Group in the respective markets on the basis of a market analysis.

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 as of the reporting date break down as follows:

KEUR	2015	2014
Other non-current assets	105	205

Other non-current assets include tax credits. These include corporate income tax credits (105 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 112 thousand euros is included in "Other current assets".

[10] Inventories

Inventories as of the reporting date break down as follows:

KEUR	2015	2014
Raw materials, consumables and supplies	5,366	5,805
Work in progress	3,198	2,124
Finished goods and merchandise	29,866	22,454
Impairment	(1,442)	(1,484)
Total	36,988	28,899

Write-downs on inventories to net realizable value are recorded under cost of sales on the income statement. Last year's impaired inventories were scrapped in the current fiscal year. Impairments on inventories were largely unchanged versus the previous year due to the scrapping of impaired inventories.

[11] Trade receivables and other current assets

Trade receivables and other current assets as of the reporting date break down as follows:

KEUR	2015	2014
Trade receivables, net of doubtful accounts	17,822	18,341
Other current assets		
Tax claims and prepayments	627	505
Suppliers with credit balances	29	36
Other assets, net of doubtful accounts	957	754
Total	19,435	19,636

Trade receivables are not discounted and are usually due within 30 - 90 days. The allowance for bad debt as of December 31, 2015 and December 31, 2014 was 445 thousand euros and 434 thousand euros respectively.

Other current assets include financial assets per IAS 32, mainly comprising supplier debit balances of 29 thousand euros (previous year: 36 thousand euros), other receivables totaling 240 thousand euros (previous year: 0 euros) and security deposits valued at 203 thousand euros (previous year: 188 thousand euros). These other current financial assets will generate a cash inflow for the Group at a future point in time.

Identifiable impairment losses are first recorded against a value adjustment account and are only written off after final clarification. The change in the value adjustment account for doubtful accounts as of the reporting date was as follows:

KEUR	2015	2014
Balance as of January 1	434	254
Additions recorded in profit or loss	24	266
Utilization	(3)	(86)
Reversals	(33)	(22)
Effects from foreign currency translation adjustments	23	22
Balance as of December 31	445	434

The aging of trade receivables as of the reporting date was as follows:

KEUR	2015	2014
Total	17,822	18,341
Amounts neither overdue nor impaired	14,960	13,301
< 30 days overdue, not impaired	2,403	3,481
30 - 60 days overdue, not impaired	211	1,552
Overdue > 60 days	248	7

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 19,334 thousand euros as of December 31, 2015 and 16,819 thousand euros as of December 31, 2014 comprised 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, 2015 and December 31, 2014, 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 (1) No. 8, German Stock Corporation Law (AktG) at the Annual Shareholders' Meeting on May 11, 2010.

In 2012, the Company purchased 132,182 of its own shares on the stock exchange (Xetra) to treasury, reducing the number of shares outstanding to 3,394,000 as of December 31, 2012. In fiscal 2015 the Company resold treasury shares, the resulting number of shares outstanding being 3,526,182 as of December 31, 2015. As a result of the share sales, subscribed capital stock increased by 397 thousand euros, the capital reserve by 1,752 thousand euros and other retained earnings by 1,486 thousand euros.

DATA MODUL AG has capital stock of 10,578,546 euros, and has been 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 AG held no treasury shares, thus the number of shares outstanding was 3,526,182.

Dividend

For fiscal year 2015 the Executive and Supervisory Boards will recommend at the Annual Shareholders' Meeting payment of a cash dividend of 1.20 euros for a total distribution of 4,231 thousand euros to holders of the outstanding dividend-entitled shares.

Authorized capital

Authorized capital 2010

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 by a total of 5,289 thousand euros (authorized capital). No capital stock increase had occurred via issuance by the end of the period.

Authorized capital 2015

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 July 2, 2020. The Executive Board – with Supervisory Board approval – is also authorized to exclude existing shareholders' subscription rights for the issuance of shares from authorized capital if the new shares are issued for an asset deal. The Executive Board – with Supervisory Board approval – is furthermore authorized to exclude existing shareholders' subscription rights for the issuance of shares from authorized capital 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 recorded in the German commercial register (Handelsregister) on August 19, 2015.

Other reserves

Other reserves as of the reporting date break down as follows:

KEUR	2015	2014
Variations due to first-time application of IFRS	(2,201)	(2,195)
Foreign currency adjustment	1,116	578
Total	(1,085)	(1,617)

[14] Pensions and non-current personnel liabilities

The Company maintains a non-contributory defined benefit plan that covers certain former Executive Board members. 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 206 thousand euros as of December 31, 2015, and 215 thousand euros as of December 31, 2014. The pledged reinsurance policies are netted out as plan assets in "Pensions and non-current personnel liabilities". The pension accruals as of December 31, 2015 and December 31, 2014 were calculated in December of the respective year. The mortality rates are based on the tables of Prof. Dr. Klaus Heubeck (2005 G). There were no changes to the defined benefit plan in the fiscal year ended.

The table below shows the capitalized amounts related to pension commitments.

KEUR	2015	2014	2013	2012	2011
Present value of deferred pension obligations	1,734	1,851	1,609	1,559	1,377
Fair value of the plan assets	206	215	224	234	243
Funding status	1,528	1,636	1,385	1,325	1,134

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

KEUR	2015	2014
Changes in the present value of pension obligations:		
Pension obligations forecast at beginning of year	1,851	1,609
Accruing interest on expected pension obligations	30	46
Actuarial profit or loss recorded in other comprehensive income resulting from changed interest and trend assumptions	(44)	248
Actuarial gain/loss recorded in other comprehensive income resulting from funding level changes	18	67
Pensions paid	(121)	(119)
Present value of pension obligations at year end	1,734	1,851
Plan assets	(206)	(215)
Pension obligations	1,528	1,636

KEUR	2015	2014
The net pension expenditure breaks down as follows:		
Accruing interest on expected pension obligations	30	46
Net periodic pension cost	30	46

Expenses are recorded in profit or loss under net interest. The following average factors were used as basis for calculating pension obligations as of the reporting date:

in %	2015	2014
Weighted average assumptions:		
Discount rate	1.70	1.70
Growth rate in future benefit payments	1.5 – 3.0	2.0 – 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
2016	123
2017	126
2018	129
2019	131
2020	134
Cumulative 2021 through 2025	713

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

KEUR	12/31/2015
Discount rate increase by 1.0%	(149)
Discount rate decrease by 1.0%	173
Pension trend rise by 1.0%*	91
Pension trend decline by 1.0%*	(80)

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

There were other long-term personnel obligations in addition to pension obligations as of the reporting date.

KEUR	2015	2014
Pension accruals	1,528	1,636
Other non-current personnel obligations	954	136
Amount reported on consolidated balance sheet	2,482	1,772

[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 outlined below in thousands of euros:

Loans from financial institutions	Bayerische Landesbank	Sparkasse Tauberfranken	Deutsche Bank	Total
Initial loan amount	1,800	3,000	1,000	
Maturity starting ending	Quarterly 3/31/2013 12/31/2015	Due at final maturity 4/30/2016	Quarterly 12/31/2012 9/30/2015	
Non-current portion 12/31/2015	0	0	0	0
Non-current portion 12/31/2014	0	3,000	0	3,000
Current portion 12/31/2015	0	3,000	0	3,000
Current portion 12/31/2014	600	0	250	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.

KEUR	Warranty accruals	Personnel related accruals	Other accruals	Total
Balance as of 1/1/2015	1,524	61	406	1,991
Additions	1,337	5	374	1,717
Utilization	(673)	0	(294)	(967)
Reversals	(486)	0	(2)	(489)
Balance as of 12/31/2015	1,702	66	484	2,252
Of these, non-current	79	0	0	79
Of these, current	1,623	66	484	2,173

[17] Other non-current liabilities

Other non-current liabilities include 1,107 thousand euros in deferred revenue for contractually agreed guarantees for customers beyond statutory warranty protections.

[18] Other current liabilities and tax liabilities

Other current liabilities as of the reporting date comprise the following items:

KEUR	2015	2014
Taxes payable	776	3,035
Personnel-related liabilities	2,678	1,960
Social security and payroll taxes	562	463
Value-added tax payable	1,312	1,565
Customers with credit balances	472	229
Annual audit and tax consultancy	168	172
Sales commissions	16	55
Shipping expenses	98	69
Other liabilities	612	584
	5,918	5,097
Total	6,694	8,132

Other current liabilities include financial liabilities per IAS 32, mainly comprising customer credit balances of 472 thousand euros (previous year: 229 thousand euros) and 878 thousand euros (previous year: 880 thousand euros) from outstanding invoices. These other current financial liabilities will in total generate a cash inflow for the Group at a future point in time.

[19] Current borrowings from financial institutions

Short-term credit facilities are summarized in the following table as of the reporting date:

KEUR	2015	2014
Deutsche Bank, Munich	1,000	2,700
Commerzbank, Munich	1,000	3,000
Sparkasse Tauberfranken, Tauberbischofsheim	1,000	1,500
Bayer. Landesbank, Munich	1,000	1,000
Total	4,000	8,200

As of the reporting date, the Company had the following bank credit facilities at its disposal (including guaranteed bills outstanding and letters of credit):

KEUR	2015	2014
Commerzbank, Munich	10,000	10,000
Sparkasse Tauberfranken, Tauberbischofsheim	7,000	7,000
Bayer. Landesbank, Munich	12,000	12,600
Deutsche Bank, Munich	11,000	11,250
Uni Credit, Munich	0	40
Total	40,000	40,890

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. Instead of receiving a cash deposit from the Company, the bank guarantees for example 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 utilized 1,453 thousand euros and 1,476 thousand euros in bank guarantees as of December 31, 2015 and 2014, respectively.

7. Notes to the Statement of Cash Flows

The statement of cash flows comprises inflow and outflow of funds from ordinary operations, and investment and financing activities. Effect from changes in the scope of consolidation and currency fluctuations are eliminated on the respective line item and reported 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 net profit for the year of 8,413 thousand euros, cash flow from operating activities came to 7,049 thousand euros. Interest received, interest paid and income taxes paid amounting to 4,196 thousand euros resulted from Group operating activities, and thus were classified as 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).

Net cash flow from investing activities was -2,708 thousand euros in 2015 and -2,425 thousand euros in 2014. Cash flow from financing activities for fiscal year 2015 was -1,840 thousand euros. With the currently low interest levels and the Company's good credit standing, the Group satisfied its short-term ongoing working capital financing requirements mainly with current borrowings from financial institutions in order to respond quickly and flexibly to changes in the business environment. In addition to further repayments of current financial liabilities causing an outflow of 5,050 thousand euros (previous year: 9,985 thousand euros), cash flow was positive in fiscal year 2015 due to an inflow of 3,635 thousand euros from sales of treasury stock (previous year: 0 thousand euros). Dividend distribution resulted in a liquidity outflow of 423 thousand euros in 2015, as compared to 2,036 thousand euros in 2014. The dividend per share in fiscal year 2014 was 0.12 euros (previous year: 0.60 euros).

Cash and cash equivalents comprise current bank deposits, checks and cash on hand.

Effects of exchange rate fluctuations on cash and cash equivalents are presented in a separate line item.

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.

Any unexercised options are forfeited ten years from the stock option granting date. Thus, 17,922 stock options from the last tranche issued in 2004 with a weighted average exercise price of 19.40 euros expired on April 4, 2014.

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.

ARROW Central Europe GmbH, Fürstfeldbruck, held at least 53.66% of voting rights in DATA MODUL AG as of April 29, 2015. Business transactions with the Arrow Group in fiscal 2015 comprised 333 thousand euros in purchases and 611 thousand euros in sales. At the reporting date there were no unsecured liabilities owed to the ARROW Group.

In addition, DATA MODUL AG conducted arm's length transactions with Varitronix Investment Ltd., Hong Kong, China, which held 19.99% of voting rights until April 14, 2015.

The purchases and sale transactions with Varitronix are outlined in the table below.

KEUR	2015	2014
Purchased from Varitronix Ltd., Hong Kong, China	6,841	5,261
Sales to Varitronix Ltd., Hong Kong, China	0	4
Service fee from Varitronix GmbH, Munich*	58	61

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

As of the reporting date, unsecured liabilities due to Varitronix totaled 978 thousand euros.

In fiscal years 2015 and 2014 the Group incurred expenses through payments connected with hiring and personnel departures in the Group; this involved significant holdings of DATA MODUL AG shares by related parties through April 2015, and concerned a Supervisory Board member who was a related party until July 2015. The remuneration amount paid in 2015 was 325 thousand euros (previous year: 219 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

Business operations inevitably result in liquidity, credit and market risks. Market risks are effects from market price changes on fair value and future cash flows from financial instruments. Market risks include in particular

interest-related cash flow risks, 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.

KEUR	2015	2014
Impact on earnings before taxes		
Interest rate change		
Increase by 1%	(40)	(82)
Decrease by 1%	40	82

Currency risk

Currency fluctuations may materially affect the Group's balance sheet due to the Company's significant foreign currency investments.

The Group is also subjected to foreign currency exposures from individual transactions. Risk exposure arises from sales or purchases by an operating unit in currencies other than the unit's functional currency. Approximately 60.4% of Group revenues are denominated in currencies other than the functional currency of the operating unit making the sale (previous year: 56.3%), while 64.1% of costs are denominated in currencies other than the functional currency of the operating unit (previous year: 68.2%). The Group may employ a range of hedging instruments such as currency futures contracts and options to minimize price and currency risks. 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, 2015, 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 and JPY. 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.

KEUR	2015	2014
Impact on earnings before taxes		
Exchange rate change		
Increase by 5%	104	(557)
Decrease by 5%	(31)	542

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 default risk in recent years remains well under 1%. 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 Thursday, December 31, 2015, 86% of the Company's debt reported on the consolidated financial statements falls due within one year (2014: 82%).

The maturities of the Group's financial liabilities are shown below as of December 31, 2015. The figures are based on contractual, undiscounted payments.

12/31/2015 KEUR	< 12 months	1 - 5 years	> 5 years	Total
Interest bearing borrowings				
Non-current	3,014	0	0	3,014
Current	4,003	0	0	4,003
Other liabilities				
Pensions and non-current personnel obligations	123	1,474	885	2,482
Provisions	2,173	79	0	2,252
Trade accounts payable	10,119	0	0	10,119
Other financial liabilities	7,188	1,107	0	8,295
Total	26,620	2,660	885	30,165

12/31/2014 KEUR	< 12 months	1 - 5 years	> 5 years	Total
Interest bearing borrowings				
Non-current	862	3,056	0	3,918
Current	8,207	0	0	8,207
Other liabilities				
Pensions and non-current personnel obligations	122	648	1,002	1,772
Provisions	1,540	351	0	1,891
Trade accounts payable	7,697	0	0	7,697
Other financial liabilities	8,630	0	0	8,630
Total	27,058	4,055	1,002	32,115

Capital management

The main objective of the Company's capital management is to safeguard high credit rating and good equity ratio to support business operations and maximize shareholder value. The Company manages and adjusts its capital structure taking into account any changes in

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, 2015, 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.

KEUR	12/31/2015	12/31/2014
Non-current borrowings	0	3,000
Current borrowings	7,000	9,050
Trade accounts payable	10,119	7,697
Other liabilities	13,029	12,293
minus Cash and cash equivalents and other current assets	(20,947)	(18,114)
Net debt	9,201	13,926
Total shareholders' equity	60,246	48,036
Shareholders' equity and net financial debt	69,447	61,962
Capital management ratio in %	13.25	22.48

Fair value

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, 2015, there were no financial instruments classifiable as hedges for projected sales to customers or purchases from suppliers for which these fixed obligations existed. As of the December 31, 2015 reporting date there were no hedged net investments in foreign business operations.

Contingent liabilities, contingencies and other financial obligations

Contingent liabilities and litigation

The Group may be subject to litigation from time to time as part of the ordinary course of business. There were no provisions for contingent liabilities connected with potential legal disputes at the balance sheet date (previous year: 0 thousand euros). 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 1,453 thousand euros (2014: 1,476 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:

KEUR	2015	2014
Rent of office space	1,149	1,082
Operating leases for vehicles	580	646
Total lease and rental expenses	1,729	1,728

Financial liabilities for the years following the balance sheet date from future minimum rental obligations under current contracts were as follows:

KEUR	12/31/2015
Rents and leases 2016	1,592
Rents and leases 2017	1,414
Rents and leases 2018	1,212
Rents and leases 2019	1,165
Rents and leases 2020	1,177
Rents and leases 2021 and after	3,805
Total	10,365

The rental lease obligations primarily relate to the office buildings in Munich and the sales offices in Hamburg, Düsseldorf, Hauppauge, Baron, Lognes, Milan, Madrid,

Nänikon, Birmingham, Dubai, Singapore and Shanghai. Lease payments are mostly related to corporate vehicles.

At the reporting date, 45,451 thousand euros in orders placed with suppliers were still outstanding (previous year: 40,580 thousand euros).

Segment reporting

In accordance with 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 orders received, order backlog, revenue, 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 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 2015			Fiscal year 2014		
	Displays	Systems	Group total	Displays	Systems	Group total
KEUR						
Revenue from sales of goods and services	108,861	67,925	176,786	90,501	61,960	152,461
Service revenue	655	2,859	3,514	458	2,996	3,454
Total revenue	109,516	70,784	180,300	90,959	64,956	155,915
Research and development expenses	(2,621)	(3,896)	(6,517)	(2,566)	(2,708)	(5,274)
Selling and general administrative expense	(13,041)	(12,368)	(25,409)	(10,635)	(10,716)	(21,351)
Amortization of intangible assets and depreciation of property, plant and equipment	(878)	(1,877)	(2,755)	(847)	(1,006)	(1,853)
Segment results (EBIT)	8,539	4,037	12,576	6,144	5,260	11,404
Interest income	2	13	15	22	0	22
Interest expense	(119)	(66)	(185)	(171)	(123)	(294)
Income tax	(1,820)	(2,173)	(3,993)	(1,617)	(1,942)	(3,559)
Net income for the year	6,602	1,811	8,413	4,378	3,195	7,573
Investments in intangible assets, property, plant and equipment, and financial assets	629	2,090	2,719	775	1,696	2,471

Breakdown by geographical region

Revenue

Displays segment

KEUR	2015	2014
Domestic	66,292	54,814
Foreign	43,224	36,145
Total	109,516	90,959

Systems segment

KEUR	2015	2014
Domestic	42,979	38,732
Foreign	27,805	26,224
Total	70,784	64,956

Affiliated companies

Company name, registered office	Shareholding	Equity per IFRS	Net income for the year
	in %	KEUR	KEUR
DATA MODUL Weikersheim GmbH, Weikersheim, Germany	100	10,763	948
DATA MODUL France SARL, Baron, France	100	804	368
DATA MODUL Iberia S.L., Madrid, Spain	100	1,116	265
DATA MODUL Inc., New York, U.S.A.	100	2,602	432
DATA MODUL Italia S.r.l., Bolzano, Italy	100	522	230
DATA MODUL Ltd., Birmingham, United Kingdom	100	518	(1,145)
DATA MODUL Suisse GmbH, Zug, Switzerland	100	(34)	61
DATA MODUL Hong Kong Ltd., Hong Kong, China	100	(145)	(121)
DATA MODUL Electronic Technology (Shanghai) Co., Ltd., Shanghai, China	100	177	(18)
Conrac Asia Display Products PTE Ltd., Singapore	100	1,107	188
Conrac MENA FZE EST, Dubai, UAE	100	1,353	25

Remuneration report

The remuneration structures for the Executive and Supervisory Boards is elaborated in the Group Management Report in the section "Remuneration report".

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

Supplementary Disclosures

Corporate Governance

DATA MODUL AG is the only listed company of the Group to provide shareholders online access to disclosures stipulated under Sec. 161 of German Stock Corporation Law (Aktengesetz, [AktG]) and in Sec. 289a German Commercial Code (HGB) on the Company website www.data-modul.com.

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.

Executive Board member remuneration

Disclosure of the compensation packages granted to Executive Board members in fiscal year 2015 are in accordance with applicable accounting principles (IAS 17 and IFRS) and the German Corporate Governance Code provisions (GCGC):

Compensation packages granted	Peter Hecktor ¹⁾ Chief Executive Officer (CEO) Joining date: October 12, 1988 Leaving date: May 12, 2014				Walter King ²⁾ COO Joining date: May 15, 2001 Leaving date: June 30, 2015				Dr. Florian Pesahl ³⁾ CEO Joining date: January 01, 2010				Total	
	2014	2015	2015 (min.)	2015 (max.)	2014	2015	2015 (min.)	2015 (max.)	2014	2015	2015 (min.)	2015 (max.)	2014	2015
Fixed remuneration	99	0	0	0	239	125	125	125	219	230	230	230	557	355
Fringe benefits	25	0	0	0	18	9	9	9	11	11	11	11	54	20
Total	124	0	0	0	257	134	134	134	230	241	241	241	611	375
One-year variable compensation ⁴⁾	0	0	0	0	95	0	0	0	95	100	0	100	190	100
Multi-year variable compensation ⁵⁾	0	0	0	0	47	0	0	0	47	50	0	50	94	50
<i>Executive bonus 2014</i>					47				47				94	0
<i>Executive bonus 2015</i>						0	0	0		50	0	50	0	50
Total compensation (according to GCGC)	124	0	0	0	399	134	134	134	372	391	241	391	895	525
Service cost	20	0	0	0	0	0	0	0	0	0	0	0	20	0
Total compensation ^{2) 3)} (according to GAS 17)	144	0	0	0	399	134	134	134	372	391	241	391	915	525

¹⁾ Mr. Hecktor was elected to the Supervisory Board on May 12, 2014 at the Annual Shareholders' Meeting. The stated remuneration figures are for Executive Board member activities up to that date. In line with the dissolution agreement concluded in fiscal year 2014 between the Company and Mr. Hecktor, a fixed severance payment of 181 thousand euros was paid in fiscal year 2014. Provisions for the bonus severance element in the amount of 200 thousand euros calculated according to the bonus provisions in his employment contract were allocated accordingly. The severance bonus 200 thousand euros was paid out in fiscal year 2015.

²⁾ Mr. King exercised a contractually agreed special termination right in the event of a change of control and left the company effective June 30, 2015. The stated remuneration figures are for Executive Board member activities up to that date. In conjunction with his special right of termination

because of a change of control, Mr. King also received a one-off payment of 800 thousand euros in fiscal year 2015.

³⁾ The Company has an agreement with Dr. Pesahl that he will remain on the Executive Board through the end of fiscal year 2016 and receive as compensation for not exercising his special termination right a one-time payment of 760 thousand euros in 2017.

⁴⁾ Not taking into account any deferrals.

⁵⁾ The executive bonus provisions in Dr. Pesahl's employment contract contain a long-term incentive by virtue of which only two-thirds of the accrued executive bonus is to be paid out in 2016, the other third only being disburseable if the Company remains profitable in 2017.

Compensation of Executive Board members paid in fiscal year 2015 breaks down as follows:

Compensation	Peter Hecktor ⁶⁾ Chief Executive Officer (CEO) Joining date: October 12, 1988 Leaving date: May 12, 2014		Walter King ⁸⁾ COO Joining date: May 15, 2001 Leaving date: June 30, 2015		Dr. Florian Pesahl CEO Joining date: January 01, 2010		Total	
	2014	2015	2014	2015	2014	2015	2014	2015
Fixed remuneration	99	0	239	125	219	230	557	355
Fringe benefits	25	0	18	9	11	11	54	20
Total	124	0	257	134	230	241	611	375
One-year variable compensation ⁷⁾	200	0	87	100	87	100	374	200
Multi-year variable remuneration	0	0	43	50	43	50	86	100
<i>Executive bonus 2012</i>			43		43		86	0
<i>Executive bonus 2013</i>				50		50	0	100
Total compensation	324	0	387	284	360	391	1,071	675

⁶⁾ Mr. Hecktor was elected to the Supervisory Board on May 12, 2014 at the Annual Shareholders' Meeting. The stated compensation figures are for Executive Board member activities up to that date. The dissolution agreement between the Company and Mr. Hecktor also provided for a fixed severance payment of 181 thousand euros which was disbursed in fiscal year 2014. The severance bonus of 200 thousand euros agreed in 2014 was paid out in fiscal year 2015.

⁷⁾ Not taking into account any deferrals.

⁸⁾ Mr. King exercised a contractually agreed special termination right in the event of a change of control and left the company effective June 30, 2015. The stated compensation figures are for Executive Board member activities up to that date. In conjunction with his special right of termination because of a change of control, Mr. King also received a one-off payment of 800 thousand euros in fiscal year 2015.

Two former Executive Board members received 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	
	2015	2014	2015	2014
Exercisable options as of 12/31/2015	0	0	0	0
Options forfeited in 2015	0	2,967	0	2,967
Options exercised in 2005 and 2007	2,174	2,174	2,174	2,174

Outstanding pension commitments to former Executive Board members on the reporting date were as follows:

Pensions KEUR	Peter Hecktor		Walter Eichner	
	2015	2014	2015	2014
Provisions recorded as of the reporting date	258	260	268	275
Allocations to pension provisions	18	69	17	58
Pensions paid	20	20	24	23

In fiscal years 2014 and 2015, Executive Board members did not receive any loans or similar benefits. Nor did they receive any remuneration for offices held at other Group companies.

Supervisory Board member remuneration

Remuneration for the year in KEUR	2015	2014
Victoria Hecktor	0	15
Tony Tsoi Tong Hoo	8	30
Petra Ollhoff	0	8
Peter Hecktor	20	25
Wolfgang Klein	20	12
Amir Mobayen	24	0
Brian Armstrong	15	0
Grand total	87	90

Membership of the Executive and Supervisory Boards

Executive Board members:

- Dr. Florian Pesahl, Munich, CFO (through June 30, 2015)
CEO (since June 30, 2015)
- Walter King, Munich, COO (through June 30, 2015)

Supervisory Board members:

- Peter Hecktor, Chairman (through July 2, 2015)
- Tony Tsoi Tong Hoo, Deputy Chairman (through April 13, 2015)
- Amir Mobayen, Chairman (member since April 24, 2015
Chairman since July 3, 2015)
- Brian Armstrong (since July 3, 2015)
- Wolfgang Klein (non-executive employee),
Employee Representative

Auditors' fees

The Company recorded expenses for auditing services provided in Germany in the amount of 138 thousand euros (previous year: 105 thousand euros) in accordance with Sec. 314 (1) No. 9a of German Commercial Code (HGB). An additional 32 thousand euros was expensed in 2015 for audit services performed in 2014. Tax consultancy expenses as per Sec. 314 (1) No.9c German Commercial Code in the amount of 0 thousand euros (previous year: 1 thousand euros) were recorded through profit or loss, as well as other services as per Sec. 314 (1) No. 9d German Commercial Code in the amount of 1 thousand euros (previous year: 6 thousand euros).

Subsequent events

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.

AUDITOR'S OPINION

Issued to DATA MODUL AG, Munich

“We have audited the Consolidated Financial Statements prepared by Data Modul Aktiengesellschaft, Produktion und Vertrieb von Elektronischen Systemen, Munich, 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 January 1, 2015 to December 31, 2015. The preparation of the Consolidated Financial Statements and the Group Management Report in accordance with IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) German Commercial Code (Handelsgesetzbuch, HGB): is the responsibility of the parent company's management. Our responsibility is to express an opinion on the Consolidated Financial Statements and the Group Management Report based on our audit.

We conducted our audit of the Consolidated Financial Statements in accordance with Sec. 317 HGB and generally accepted German standards for financial statement auditing as outlined by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer, IDW). Those standards require that we plan and perform the audit so as to reasonably ensure that the Consolidated Financial Statements and the Group Management Report are free of any misstatements materially affecting the presentation therein of the Company's net assets, financial position and results of operations in accordance with the applicable financial reporting framework. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to the potential for misstatements are taken into account in determining audit procedures. The effectiveness of the accounting-related internal control system and documentation supporting the disclosures in the Consolidated Financial Statements and the Group Management Report are examined primarily on a sample basis within the audit framework. The audit includes assessing the annual financial statements of the entities included in consolidation, the scope of consolidation, the accounting and consolidation principles applied 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 the audit we conducted provides a reasonable basis for our opinion.

The audit did not lead to the noting of any reservations.

In our opinion, based on the audit findings, the Consolidated Financial Statements comply with IFRS as adopted by the EU and the additional requirements under German commercial law pursuant to Sec. 315a (1) German Commercial Code, and present a true and fair view of the net assets, financial position and results of operations of the Group in accordance with said requirements. The Group Management Report is consistent with the Consolidated Financial Statements, and as a whole provides an accurate view of the Group's position and accurately presents pertinent business opportunities and risks going forward.”

Munich, March 22, 2016

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Gallowsky
Wirtschaftsprüfer (German Public Auditor)

Hohenegg
Wirtschaftsprüfer (German Public Auditor)

CONCLUDING REMARKS AND AUDITOR'S OPINION

The above report is given in accordance with Sec. 313 German Stock Corporation Act (AktG); in conclusion we note that the Executive Board Report of Data Modul Aktiengesellschaft, Produktion und Vertrieb von Elektronischen Systemen, Munich on relations with affiliated companies – attached as Appendix 1 – conforms with the provisions per Sec. 312 German Stock Corporation Act (AktG) for the fiscal year January 1, 2015 to December 31, 2015.

The Executive Board provided all information and documentation requested.

The Dependant Company Report conforms with the principles of conscientious and proper disclosure.

The concluding declaration in the Dependant Company Report was incorporated into the Management Report (according to Sec. 289 German Commercial Code) in accordance with Sec. 312 (3) sentence 3 German Stock Corporation Act (AktG).

No reservations were noted pursuant to the completed audit regarding the Dependant Company Report. We therefore issue the following opinion:

Based on our audit performed in accordance with professional standards and our professional judgment, we confirm that

1. the factual statements made in the report are correct,
2. the consideration paid by the Company for the legal transactions stated in the report was not excessively high,
3. there are no circumstances that would require a materially different assessment of the actions listed in the report than that of the executive board.

Munich, March 22, 2016

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Gallowsky
Wirtschaftsprüfer (German Public Auditor)

Hohenegg
Wirtschaftsprüfer (German Public Auditor)

MANAGEMENT REPRESENTATION

I represent, to the best of my knowledge and in accordance with the applicable accounting principles for consolidated financial statements, 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 performance, results and financial position, as well as significant risks and opportunities of relevance to the Group during the remainder of the fiscal year.



Dr. Florian Pesahl, CEO

FINANCIAL CALENDAR 2016

Interim report as per March 31, 2016	on 05/11/2016
Annual Shareholders' Meeting	on 05/19/2016
Interim report as per June 30, 2016	on 08/11/2016
Interim report as per September 30, 2016	on 11/11/2016

The DATA MODUL 2015 Annual Report is available in German and English.

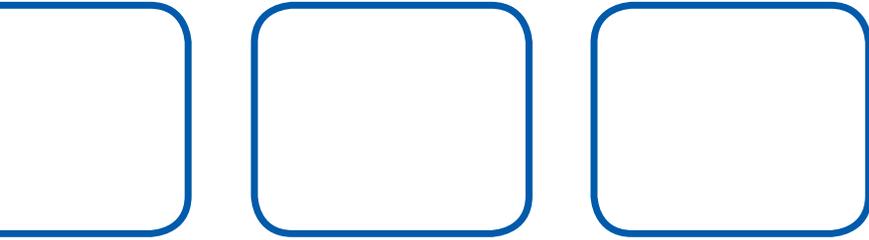
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