

# DATA MODUL

---

Interim Report as of  
**September 30, 2014**



## Dear Shareholders,

As indicated in our semi-annual report, DATA MODUL's business continued to grow during third quarter of 2014, resulting in excellent earnings for this period. Revenue in Q3 increased by 9.7% to 40.7 million euros (previous year: 37.1 million euros), continuing the positive trend of the first half-year. Another positive value contributor has been increased productivity resulting from our program "Fit for Future 2015". Thus third quarter EBIT increased exponentially by 43.5% to 3.3 million euros (previous year: 2.3 million euros). Net income for the period therefore jumped in Q3 to 2.4 million euros (previous year: 1.5 million euros), resulting in earnings per share of 0.71 euros (previous year: 0.43 euros). Our strategy is further supported by the positive development of our order entry which rose to 40.7 million euros in the reporting period, and thanks to increased investment in R&D which amounted to 4.1 million euros in the past nine-month period (previous year: 3.5 million euros).

## Interim Report for the Group

### I. General economic conditions

Looking at our markets, economic risks have increased during third quarter of 2014, with global geopolitical risks remaining high. Additional sanctions and other measures imposed by the EU and the USA against Russia have increased the tension. Thus the eurozone remains vulnerable to negative shocks, with the geopolitical development proving an increasingly heavy burden. In the U.S., economic momentum increased in Q2 and Q3 and the general economic conditions are looking good for a gradual phase-out of the FED's expansive fiscal policy. All now depends on the FED and when it decides to increase key rates.

### Key Indicators

In million euros	Juli to Sept.2014	Juli to Sept.2013	Changes	January to Sept.2014	January to Sept.2013	Changes
Total revenue	40.7	37.1	9.7 %	117.3	106.9	9.7 %
Displays	23.4	19.4	20.6 %	68.7	59.8	14.9 %
Systems	17.3	17.7	(2.3) %	48.6	47.1	3.2 %
Order entry	40.7	40.8	(0.2) %	127.8	122.8	4.1 %
Order backlog	104.0	94.9	9.6 %	104.0	94.9	9.6 %
EBIT	3.3	2.3	43.5 %	7.5	3.3	127.3 %
EBT	3.2	2.2	45.5 %	7.3	3.1	135.5 %
Net income	2.4	1.5	60.0 %	5.2	1.7	205.9 %
Investments	0.8	0.6	33.3 %	1.5	1.4	7.1 %
Employees	345	332	3.9 %	345	332	3.9 %
Earnings per share (in euros)	0.71	0.43	65.1 %	1.54	0.50	208.0 %
Number of shares	3,394,000	3,394,000	0.0 %	3,394,000	3,394,000	0.0 %

In Germany, all parameters driving domestic demand, such as the labor market situation, wage increase rates, low inflation rate and low interest rates, have remained favorable. Due to recent bad news however, companies have postponed their investments, particularly because of a sharp decline in production in the manufacturing industry – the worst drop for five years – and some disenchantment with foreign trade results brought about by the Russian conflict.

## **II. Business performance**

Revenues for the first nine months of the current fiscal year totaled 117.3 million euros (previous year: 106.9 million euros), an increase of 9.7%. In Q3, revenues grew by 9.7% to 40.7 million euros (previous year: 37.1 million euros), with the Displays business segment contributing 23.4 million euros (previous year: 19.4 million euros), and the Systems segment adding 17.3 million euros (previous year: 17.7 million euros). The Company's strategy to strengthen its international orientation has been a great success and is reflected in an unchanged export quota of 37.7% for the 2014 nine-month period (previous year: 39.2%). DATA MODUL's most noticeable revenue gains outside Germany were generated in the UK, the USA and the Nordic countries.

Order entry for the Group remains at previous year's high level, amounting to 40.7 million euros in the third quarter (previous year: 40.8 million euros), totaling 127.8 million euros for the first nine months of the fiscal year (previous year: 122.8 million euros). The resulting book-to-bill ratio is 1.1 which is quite encouraging. Accordingly, order backlog increased by 9.6% to 104.0 million euros (previous year: 94.9 million euros), reaching a record high for the Company.

## **III. Profitability**

Profitability in the first nine months of 2014 has shown quite clearly that implementing our strategy "Fit for Future 2015" was the right decision. EBIT in accordance with IFRS for the first nine months of 2014 increased to 7.5 million euros (previous year: 3.3 million euros) and to 3.3 million euros in the third quarter of 2014 (previous year: 2.3 million euros). The earnings distribution between the two business segments Displays and Systems proves our strategy as well: In the third quarter our Displays business segment contributed 1.8 million euros to the rise in EBIT (previous year: 0.8 million euros), resulting in a cumulative amount of 4.5 million euros for the first nine months of the fiscal year (previous year: 2.5 million euros). Our Systems business segment thus contributed to the EBIT increase with a total of 1.5 million euros (previous year: 1.5 million euros) in the third quarter of the fiscal year, amounting to 3.0 million euros (previous year: 0.8 million euros) for the first nine months of 2014. EBT for the Group were at 7.3 million euros in the first nine months of 2014 (previous year: 3.1 million euros). Net income for the same period amounted to 5.2 million euros (previous year: 1.7 million euros), resulting in earnings per share of 1.54 euros for the first nine months of 2014 (previous year: 0.50 euros).

## **IV. Financial position**

Operating cash flow as of September 30, 2014 was 4.3 million euros (previous year: -2.1 million euros). At the end of Q3 2014, the Group's equity ratio (in accordance with IFRS) was 56.3% (December 31, 2013: 50.9%). Consequently, the Group continues to demonstrate financial stability and has sufficient liquidity at its disposal.

## **V. Investments and regional offices**

In the first nine months of 2014, investments amounted to 1.5 million euros (previous year: 1.4 million euros). Further investments are planned for R&D in order to considerably shorten our innovation cycles and thus the time-to-market for our products. In addition to investments in our infrastructure maintenance we also plan to invest in streamlining our operating processes and increasing output in production and logistics.

DATA MODUL AG maintains regional offices in Düsseldorf and Hamburg which serve as our sales offices for the respective regions.

## **VI. Employees**

As of September 30, 2014, the Group had 345 employees, compared to 332 staff in the previous year, of which 52 staff were employed by Group companies located outside Germany. Changing our business to a solution-oriented model requires additional resources. DATA MODUL plans to scale up its organization to accommodate the forecast revenue growth and will therefore continue investing in its most valuable asset – its employees. Additions to the workforce are planned for R&D, Application Development, Production and Sales.

## **VII. Risks and rewards**

In fiscal year 2014, DATA MODUL continues to aim for growth in its core business segments Displays and Systems. Global economic trends, the impact of exchange rate fluctuations, rising commodity and energy prices, as well as uncertainty with respect to future customer ordering behavior constitute risks that may have a sustained impact on our business performance. We are aware of these risks and carefully monitor their impact on our business operations. Currently, there are no apparent existential risks for the DATA MODUL Group. No significant changes in the information on risks and rewards published in the 2013 Annual Report have occurred since.

## **VIII. Subsequent events**

There were no significant subsequent events during the reporting period after the reporting date of September 30, 2014.

## **IX. Forecast - Outlook 2014**

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. However, these assumptions and assessments are subject to uncertainty and carry the inevitable risk that projected developments do not actually occur with respect to either their direction or their extent.

Also, geopolitical risks like the Russia-Ukraine conflict and the battle against the IS remain high. Sanctions increasingly imposed against Russia by the EU and the USA may have a negative impact on the eurozone's economic growth. If the ECB's extremely relaxed monetary policy does not deliver the promised results, and without clear fiscal stimuli, the mid-term outlook on economic growth in the eurozone countries will remain dull and subject to some negative shocks, with continued slow private sector borrowing contributing further to the situation. However, looking at the very positive mood prevailing in US companies over the past months and due to the favorable development of hard-core economic results, we expect the US economy to grow (GDP 2.2%) over the next six months. The economic slump in other large eurozone countries and the geopolitical uncertainties dampen the mood of German companies, leading to postponement of investments. Overall, the risk of an economic downward trend has increased in the third quarter of the fiscal year.

DATA MODUL is looking forward to some good business for fiscal years 2014 and 2015 thanks to our strategic business improvements and despite the mixed economic outlook on our primary markets. Increase in sales is expected to reach a mark between 4% to 9% for fiscal year 2014, subsequently leading to a considerably improved earnings situation. DATA MODUL expects sustainable value contributions from productivity measures introduced over the past two years and plans to improve its competitive standing through strengthening its international orientation. Rapid merging of industrial and information technologies for instance, as well as increased energy efficiency awareness and the continuing industrialization of the emerging countries offer short and medium-term opportunities for electrical engineering companies to grow business. DATA MODUL will also concentrate on medical device technology as one of the most promising future markets due to demographic change as well as the healthcare industry's increasing significance for the growing middle class in the emerging countries. Besides the eurozone, the USA and China will be the regions driving the increase in our export sales. DATA MODUL will therefore open its own sales office in China in the fourth quarter of 2014.

## **X. Information concerning related party transactions**

In the first nine months of 2014, the Group incurred expenses for services rendered in relation to filling a Group level key management position. In addition, DATA MODUL AG purchased goods at customary market conditions from Varitronix Investment Ltd., Hong Kong, China, which holds 19.99% of the voting rights.

## Consolidated Statement of Financial Position - IFRS

ASSETS	IFRS	
	09/30/2014	12/31/2013
<b>Non-current assets</b>		
Goodwill	2,419	2,419
Intangible assets	2,346	2,545
Property, plant and equipment	9,327	8,954
Other non-current assets	210	308
Deferred tax assets	139	478
<b>Total non-current assets</b>	<b>14,441</b>	<b>14,704</b>
<b>Current assets</b>		
Inventories	34,657	29,811
Trade accounts receivable, net of allowance for doubtful accounts (in 2014: 489; 2013: 254)	20,536	22,352
Other current assets	1,674	1,782
Cash and cash equivalents	11,085	15,287
<b>Total current assets</b>	<b>67,952</b>	<b>69,232</b>
<b>Total assets</b>	<b>82,393</b>	<b>83,936</b>

All figures in thousands of euros

LIABILITIES AND SHAREHOLDERS' EQUITY	IFRS	
	09/30/2014	12/31/2013
<b>Shareholders' equity</b>		
Capital stock no-par value bearer shares (authorized: KEUR 5,289; contingent: EUR 0 as of 09/30/2014 and TEUR 754 as of 12/31/2013; shares issued and outstanding: 3,394,000 as of 09/30/2014 and 12/31/2013)	10,182	10,182
Capital reserves	22,446	22,446
Retained earnings	14,926	11,745
Other reserves	(1,161)	(1,675)
<b>Total shareholders' equity</b>	<b>46,393</b>	<b>42,698</b>
<b>Non-current liabilities</b>		
Pension and non-current personnel liabilities	1,716	1,504
Non-current borrowings	3,150	850
Non-current provisions	421	520
Deferred tax liabilities	59	0
<b>Total non-current liabilities</b>	<b>5,346</b>	<b>2,874</b>
<b>Current liabilities</b>		
Trade accounts payable	9,702	10,945
Taxes payable	1,699	1,913
Current provisions	1,886	862
Current borrowings	10,853	18,101
Current portion of non-current borrowings	933	933
Other current liabilities	5,581	5,610
<b>Total current liabilities</b>	<b>30,654</b>	<b>38,364</b>
<b>Total liabilities</b>	<b>36,000</b>	<b>41,238</b>
<b>Total liabilities and shareholders' equity</b>	<b>82,393</b>	<b>83,936</b>

All figures in thousands of euros

## Consolidated Statement of Income - IFRS

	IFRS			
	07/01 - 09/30/2014	07/01 - 09/30/2013	01/01 - 09/30/2014	01/01 - 09/30/2013
Revenues	40,683	37,112	117,266	106,923
Cost of sales*	(30,912)	(28,964)	(89,747)	(84,856)
<b>Gross margin</b>	<b>9,771</b>	<b>8,148</b>	<b>27,519</b>	<b>22,067</b>
Research and development expenses	(1,303)	(1,005)	(4,115)	(3,477)
Selling, general and administrative expenses*	(5,184)	(4,850)	(15,913)	(15,322)
<b>Earnings before interest and taxes (EBIT)</b>	<b>3,284</b>	<b>2,293</b>	<b>7,491</b>	<b>3,268</b>
Interest income	19	20	20	22
Interest expense	(56)	(72)	(200)	(176)
<b>Earnings before taxes</b>	<b>3,247</b>	<b>2,241</b>	<b>7,311</b>	<b>3,114</b>
Income tax expense	(847)	(784)	(2,094)	(1,414)
<b>Net income</b>	<b>2,400</b>	<b>1,457</b>	<b>5,217</b>	<b>1,700</b>
Earnings per share - basic	0,71	0,43	1,54	0,50
Earnings per share - diluted	0,71	0,43	1,54	0,50
Weighted average of shares outstanding - basic	3,394,000	3,394,000	3,394,000	3,394,000
Weighted average of shares outstanding - diluted	3,394,000	3,394,000	3,394,000	3,394,000

All figures in thousands of euros, except earnings per share and weighted average of shares outstanding

\* Various production cost items were classified as selling expenses to ensure reliable and relevant information in the financial statements. For better comparability, previous year's figures were adjusted in accordance with analyses in the interim report by 356 thousand euros for the first nine months of 2013, and by 97 thousand euros for the third quarter of 2013.



## Consolidated Statement of Cash Flow - IFRS

	IFRS	
	01/01 - 09/30/2014	01/01 - 09/30/2013
<b>Cash flows from operating activities</b>		
Net income	5,217	1,700
Non-cash expenses and income		
Income tax expense	1,697	739
Amortization of capitalized development costs	501	618
Amortization of other intangible assets and depreciation of fixed assets	861	833
Provisions for bad debts	235	21
Deferred taxes	398	675
Changes in non-current accrued liabilities	112	272
Net interest	179	154
Other non-cash expenses and income	3,404	2,388
Changes in operating assets and liabilities		
Trade accounts receivable	1,582	(5,663)
Inventories	(4,846)	(4,869)
Trade accounts payable	(1,233)	2,173
Current provisions	(55)	(471)
Other assets and liabilities	(2,586)	429
Income taxes paid	(914)	(873)
Interest received	5	3
Interest paid	(233)	(229)
<b>Cash flows from operating activities</b>	<b>4,324</b>	<b>(2,100)</b>
<b>Cash flows from investing activities</b>		
Proceeds from disposal of fixed assets	1	0
Outflows from capitalized development costs	(417)	(668)
Capital expenditures on other intangible and fixed assets	(1,103)	(717)
<b>Cash flows from investing activities</b>	<b>(1,519)</b>	<b>(1,385)</b>
<b>Cash flows from financing activities</b>		
Repayment of short-term borrowings	(7,248)	0
Increase in short-term borrowings	0	4,051
Repayment of non-current borrowings	0	(700)
Increase of non-current borrowings	2,300	0
Dividend to shareholders	(2,036)	(2,037)
Other financing activities	(3)	0
<b>Cash flows from financing activities</b>	<b>(6,987)</b>	<b>1,314</b>
Effect of exchange rate changes on cash and cash equivalents	(20)	10
<b>Net increase in cash and cash equivalents</b>	<b>(4,202)</b>	<b>(2,161)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>15,287</b>	<b>9,517</b>
<b>Cash and cash equivalents at end of period</b>	<b>11,085</b>	<b>7,356</b>

All figures in thousands of euros

## Consolidated Statement of Changes in Equity - IFRS

	Capital Stock		Capital Reserves	Retained Earnings	Other Reserves	Total
	No. of Shares	Amount				
<b>Balance as of 01/01/2013</b>	3,394,000	10,182	22,446	10,649	(1,503)	41,774
Net income	-	-	-	1,700	-	1,700
Dividend	-	-	-	(2,037)	-	(2,037)
Foreign currency translation adjustment	-	-	-	-	(97)	(97)
<b>Balance as of 09/30/2013</b>	3,394,000	10,182	22,446	10,312	(1,600)	41,340
<b>Balance as of 01/01/2014</b>	3,394,000	10,182	22,446	11,745	(1,675)	42,698
Net income	-	-	-	5,217	-	5,217
Dividend	-	-	-	(2,036)	-	(2,036)
Foreign currency translation adjustment	-	-	-	-	514	514
<b>Balance as of 09/30/2014</b>	<b>3,394,000</b>	<b>10,182</b>	<b>22,446</b>	<b>14,926</b>	<b>(1,161)</b>	<b>46,393</b>

All figures in thousands of euros

## Consolidated Statement of Comprehensive Income

	IFRS			
	07/01-09/30/2014	07/01-09/30/2013	01/01-09/30/2014	01/01-09/30/2013
<b>Consolidated net income for the period</b>	2,400	1,457	5,217	1,700
<i>Other comprehensive income to be reclassified and reported in profit or loss in subsequent reporting periods</i>				
Adjustments from currency translation of foreign subsidiary results	409	(95)	514	(97)
<b>Comprehensive income after tax</b>	<b>2,809</b>	<b>1,362</b>	<b>5,731</b>	<b>1,603</b>

All figures in thousands of euros

## **Notes - Explanatory disclosures**

### **Basis for the compilation of the financial statements**

The abbreviated consolidated interim accounts for the third quarter of 2014 do not contain all information and disclosures required when preparing consolidated financial statements and thus shall be interpreted in the context of the consolidated financial statements as of December 31, 2013.

The recognition and measurement methods applied to the consolidated financial statements as of December 31, 2013 remain unchanged and were applied when preparing this abbreviated quarterly report. The new IFRS to be adopted in the financial year 2014 did not affect our net assets, financial and earnings position. The interim financial results and management report at hand were not audited according to § 317 HGB, nor were they audited by an external auditing organization.

The quarterly report is 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.

### **Disclaimer**

These consolidated quarterly accounts contain certain disclosures regarding future events that are based on the currently foreseeable and available information, assumptions and projections by the management of DATA MODUL. They are provided for information purposes only and are marked by terms such as "believe", "expect", "predict", "intend", "project", "plan", "estimate" or "aim at". Hence, these statements can only apply at the date at which they are publicly disclosed. Various known and as yet unknown risks, uncertainties and other factors may, as a result, lead to significant deviations in the actual events, the financial situation, the development or the Corporation's performance compared to the projections provided in this report. DATA MODUL is not obligated to add or modify such statements predicting future events or adjust such statements based on future events or trends. Hence, the Corporation does not – neither conclusively nor explicitly – assume any liability or warranty for the data and information being up-to-date, accurate and complete.

## Financial Calendar 2014 / 2015:

German Equity Forum, Frankfurt

November 25, 2014

Annual Report 2014

March 2015

Annual Shareholders' Meeting 2015

May 12, 2015



### **DATA MODUL Aktiengesellschaft**

Landsberger Str. 322

80687 Munich

Tel. +49-89-5 60 17-0

Fax +49-89-5 60 17-119

[www.data-modul.com](http://www.data-modul.com)