

DATA MODUL

QUARTERLY REPORT AS OF
SEPTEMBER 30, 2016



Dear Shareholders,

Business was good in the third quarter of 2016, as DATA MODUL maintained its momentum from Q1 and Q2, which bodes well for profits in fiscal year 2016. Revenue for DATA MODUL in the first nine months of 2016 improved 10.0%, totaling 148.3 million euros (previous year: 134.8 million euros) with EBIT amounting to 11.0 million euros (previous year: 9.6 million euros). Net income of 7.7 million euros (previous year: 7.5 million euros) indicates that DATA MODUL's business is on course. Continuity in the level of orders received is particularly encouraging, increasing 9.0% year-on-year to 151.3 million euros (previous year: 138.8 million euros).

DATA MODUL management is working steadily on implementing the new "Shape 2020" strategy, the overarching objective of which is to make us one of the world's leading visual solutions providers by the year 2020. We continue in our efforts to ensure balanced sales diversification in the three major regions of the world, Europe, the USA and Asia, with a view to balancing out fluctuations in individual markets and avoiding potential dependencies.

GROUP INTERIM REPORT

I. General economic conditions

After the initial shock of the Brexit referendum the global economic situation seems to have stabilized for the time being, contributing to a moderate market recovery. Economic data in the euro area were, however, surprisingly weak. This is the result of growing uncertainties stemming from the referendum and the apparent gradual diminishing of economic effects of favorable financing terms. Although lending activity has been on an upward trend, it has not accelerated in recent months. The stimulus to economic momentum has thus become significantly weaker and was particularly noticeable in Q3 in our South European markets.

Even in our key market Germany, business indicators such as the German Institute for Economic Research (ifo) Business Climate Index have deteriorated considerably after the Brexit referendum. The German economy remains nevertheless on firm footing thanks to a sound level of employment and domestic demand. In the USA we are experiencing greater economic momentum due to continuing robust growth in employment and crude oil prices continuing to move sideways. The US presidential elections and a possible FED-induced rise in interest rates will remain dominant topics over the next months.

Key Corporate Results

In million euros	7/01 - 9/30/2016	7/01 - 9/30/2015	Change	1/01 - 9/30/2016	1/01 - 9/30/2015	Change
Total revenue	48.2	44.9	7.3%	148.3	134.8	10.0%
Displays	27.0	27.6	(2.2%)	85.6	81.3	5.3%
Systems	21.2	17.3	22.5%	62.7	53.5	17.2%
Orders received	50.6	44.1	14.7%	151.3	138.8	9.0%
Order backlog	104.1	106.1	(1.9%)	104.1	106.1	(1.9%)
EBIT	3.2	2.5	28.0%	11.0	9.6	14.6%
EBT	3.2	2.5	28.0%	11.0	9.5	15.8%
Net income for the period	2.1	2.3	(8.7%)	7.7	7.5	2.7%
Capital expenditures	1.1	1.0	10.0%	3.4	2.1	61.9%
Employees	401	371	8.1%	401	371	8.1%
Earnings per share (in euros)	0.60	0.65	(7.7%)	2.18	2.17	0.5%
Based on shares outstanding	3,526,182	3,526,182	0.0%	3,526,182	3,474,778	1.5%

II. Business performance

DATA MODUL revenues for the nine-month period of the current fiscal year totaled 148.3 million euros (previous year: 134.8 million euros), with 48.2 million euros accruing in the third quarter (previous year: 44.9 million euros), representing an increase of 7.3% over last year's Q3 results. The Displays business segment recorded revenues of 27.0 million euros in the third quarter (previous year: 27.6 million euros), while the Systems segment saw revenues of 21.2 million euros (previous year: 17.3 million euros). Orders received Group-wide in the third quarter came to 50.6 million euros (previous year: 44.1 million euros), totaling 151.3 million euros for the first nine months of 2016 (previous year: 138.8 million euros). Although compared to last year, order backlog decreased slightly by 1.9% to 104.1 million euros (previous year: 106.1 million euros), it surpassed the level recorded as of December 31, 2015, thus confirming our optimistic revenue estimates for the current fiscal year. The Company's strategy to enhance its international orientation continues to yield successes, reflected in an increased export rate of 45.0% for the first nine months of 2016 (previous year: 39.2%).

III. Profitability

For the period January 1 through September 30, 2016 DATA MODUL recorded EBIT of 11.0 million euros (previous year: 9.6 million euros), representing an increase of 14.6%, with the Displays business segment contributing 7.1 million euros (previous year: 5.5 million euros), and the Systems business segment contributing 3.9 million euros (previous year: 4.1 million euros). The Group's EBT in the current fiscal year increased 15.8% to 11.0 million euros (previous year: 9.5 million euros). DATA MODUL closed out the third quarter on September 30, 2016 with a net profit of 7.7 million euros (previous year: 7.5 million euros). Based on the result for the period, earnings per share was 2.18 euros (previous year: 2.17 euros).

IV. Financial position

Cash flows from operating activities as of September 30, 2016 were minus 0.4 million euros (previous year: 0.7 million euros). This negative cash flow was mainly due to a large increase in receivables and inventories versus the previous year. The reasons for this development were insolvency of a large shipping company and intentionally increased inventory levels to ensure the ability to satisfy customer needs at short notice and guard against possible shortages in the Displays market. At the end of the third quarter of 2016, the Group's equity ratio (in accordance with IFRS) was 66.4% (December 31, 2015: 66.6%). The Group thus demonstrates continuing financial stability, and has sufficient liquidity.

V. Capital expenditure and regional offices

As of September 30, 2016 capital expenditures totaled 3.4 million euros (previous year: 2.1 million euros). In the current fiscal year we plan to invest in fixed assets at our Munich location and in expanding our production and logistics center in Weikersheim. To ensure we remain competitive, we will continue investing in research and development. DATA MODUL AG maintains subsidiaries in Düsseldorf and Hamburg which serve as regional sales offices.

VI. Employees

As of September 30, 2016 the Group had 401 employees, as compared to 371 in the previous year, of which 61 staff were employed by Group companies located outside Germany (previous year: 55 employees).

VII. Risks and rewards

In fiscal year 2016, DATA MODUL will remain focused on growth in its core Displays and Systems 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. Currently, there are no apparent going-concern risks for the DATA MODUL Group. No significant changes in the information on risks and rewards published in the 2015 Annual Report have occurred since.

VIII. Subsequent events

We are not aware of any significant events that have occurred after the balance sheet date September 30, 2016 which would have had a major influence or impact on the Company's financial position, financial performance and/or cash flows.

IX. Forecast and outlook

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 may not actually occur, with respect to either their direction or extent.

We expect the global economy to improve further in 2016 and 2017, albeit with reduced momentum. In addition to domestic political developments, decisions and developments on the European level will remain of foreground importance in 2016. Europe is set to benefit from continuing expansive fiscal policies, lax ECB monetary policies and continuing growth in global demand. Britain's possible application for withdrawal from the EU will weigh particularly heavily on the situation in Europe, which may be further aggravated by the forthcoming referendums in Italy and Hungary and the Convention on Refugees with Turkey.

We believe we will reach our targets for fiscal year 2016, raising our estimates slightly due to the continuing positive market environment. One-time expenses, including higher trade show costs, exchange losses and restructuring charges, have already impacted our second-half earnings and may reduce them further.

Results in the US, our most important foreign market, are expected to be more modest in the fourth quarter 2016 due to Brexit fallout and the US elections, though our expectation of solid growth of this market remains intact.

We expect the economy in China, our new market, to remain subdued in 2016 and 2017, yet we are very optimistic, as growth rates there are still twice as high as in the "old" industrialized countries. The Chinese government has additionally been counteracting declining growth with stimulus measures, initial effects from which are now being seen.

The "Shape 2020" strategy program is designed to further strengthen DATA MODUL's global competitiveness. We aim for balanced growth in Europe and the US, with Germany naturally forming the backbone of the Group. The DATA MODUL Group will thus find growth opportunities in 2016 arising from the overall economic situation and from new products developed to market-readiness, despite fierce competition. We will nonetheless consequently pursue our strategic goals with a view to maintaining the growth trajectory of previous years.

In view of the rather favorable market environment, the Executive Board expects DATA MODUL Group to increase its profits. Both our business segments are expected to grow, though our expectations are higher for the Systems business.

X. Related party transactions

Per disclosure dated April 29, 2015, ARROW Central Europe Holding Munich GmbH, Neu-Isenburg, Germany, holds approximately 53.66% of DATA MODUL AG voting rights. DATA MODUL AG purchased goods at arm's length prices from Arrow Central Europe GmbH, Fürstenfeldbruck, Munich and Putzbrunn, Germany.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF SEPTEMBER 30, 2016

ASSETS	9/30/2016	12/31/2015
Non-current assets		
Goodwill	2,419	2,419
Intangible assets	2,373	2,028
Property, plant and equipment	11,636	10,017
Other non-current assets	4	105
Deferred tax assets	40	68
Total non-current assets	16,472	14,637
Current assets		
Inventories	45,118	36,988
Trade accounts receivable net of allowance for doubtful accounts (2016: 224; 2015: 445)	24,390	17,822
Other current assets	1,809	1,613
Cash and cash equivalents	13,512	19,334
Total current assets	84,829	75,757
Total assets	101,301	90,394

All figures in KEUR

LIABILITIES AND SHAREHOLDERS' EQUITY	9/30/2016	12/31/2015
Shareholders' equity		
Common stock no-par-value (authorized: KEUR 5,289; shares issued and outstanding: 3,526,182 as of 9/30/2016 and as of 12/31/2015)	10,579	10,579
Capital reserves	24,119	24,119
Retained earnings	33,890	26,633
Other reserves	(1,288)	(1,085)
Total shareholders' equity	67,300	60,246
Non-current liabilities		
Pensions and non-current personnel liabilities	1,608	2,482
Non-current provisions	21	79
Other non-current liabilities	1,488	1,107
Deferred tax liabilities	413	494
Total non-current liabilities	3,530	4,162
Current liabilities		
Trade accounts payable	13,155	10,119
Taxes payable	459	776
Current provisions	2,708	2,173
Liabilities due to financial institutions	5,500	4,000
Current portion of non-current borrowings	0	3,000
Other current liabilities	8,649	5,918
Total current liabilities	30,471	25,986
Total liabilities	34,001	30,148
Total liabilities and shareholders' equity	101,301	90,394

All figures in KEUR

CONSOLIDATED STATEMENT OF INCOME

	7/01 - 9/30/2016	7/01 - 9/30/2015	1/01 - 9/30/2016	1/01 - 9/30/2015
Revenues	48,229	44,902	148,280	134,754
Cost of sales	(37,647)	(34,925)	(113,872)	(101,472)
Gross margin	10,582	9,977	34,408	33,282
Research and development expenses	(1,380)	(959)	(4,512)	(4,142)
Selling and general administrative expenses	(5,984)	(6,489)	(18,866)	(19,503)
Earnings before interest and taxes (EBIT)	3,218	2,529	11,030	9,637
Interest income	7	11	8	13
Interest expense	(13)	(36)	(47)	(120)
Earnings before taxes for the period	3,212	2,504	10,991	9,530
Income tax expense	(1,087)	(200)	(3,311)	(1,993)
Net income for the period	2,125	2,304	7,680	7,537
Earnings per share – basic	0.60	0.65	2.18	2.17
Earnings per share – diluted	0.60	0.65	2.18	2.17
Weighted average of shares outstanding – basic	3,526,182	3,526,182	3,526,182	3,474,778
Weighted average of shares outstanding – diluted	3,526,182	3,526,182	3,526,182	3,474,778

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	1/01 - 9/30/2016	1/01 - 9/30/2015
Net income for the period	7,680	7,537
<i>Non-cash expenses and income</i>		
Income tax expense	3,312	(*)1,966
Depreciation, amortization and impairment	1,442	(*)1,395
Provisions for bad debts	119	20
Loss/gain from disposals of fixed assets	(13)	0
Net interest	39	107
Other non-cash expenses and income	(4)	(*) (31)
<i>Changes in:</i>		
Trade accounts receivable, increase (-) / decrease (+)	(6,686)	(2,322)
Inventories, increase (-) / decrease (+)	(8,130)	(11,931)
Trade accounts payable, increase (+) / decrease (-)	3,040	1,447
Other assets and liabilities, increase (+) / decrease (-)	2,784	(*)3,992
Income taxes paid	(3,959)	(1,358)
Interest received (+) / Interest paid (-) (net)	(46)	(*) (115)
Cash flows from operating activities	(422)	707
Proceeds from disposals of fixed assets	14	3
Outflows from capitalized development costs	(591)	(796)
Capital expenditures on other intangible and fixed assets	(2,819)	(1,299)
Cash flows from investing activities	(3,396)	(2,092)
Repayment of current borrowings	(1,500)	(3,400)
Dividend to shareholders	(423)	(423)
Sale of treasury shares	0	3,635
Other financing activities	0	(5)
Cash flows from financing activities	(1,923)	(193)
Effects of exchange rate movements on cash and cash equivalents	(81)	(113)
Net increase in cash and cash equivalents	(5,822)	(1,691)
Cash and cash equivalents at beginning of fiscal year	19,334	16,819
Cash and cash equivalents at end of quarter	13,512	15,128

All figures in KEUR

(*) Revised presentation of various reconciliation items in fiscal year 2016; previous-year items were reclassified for better comparability.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Capital Stock No. of shares	Capital Stock Amount	Capital reserves	Retained earnings	Other reserves	Total
BALANCE AS OF 1/1/2015	3,394,000	10,182	22,367	17,104	(1,617)	48,036
Net income for the period				7,537		7,537
Dividend				(423)		(423)
Treasury shares	132,182	397	1,752	1,486		3,635
Other comprehensive income (loss)				34	(6)	28
Foreign currency trans- lation adjustments					332	332
BALANCE AS OF 9/30/2015	3,526,182	10,579	24,119	25,738	(1,291)	59,145
BALANCE AS OF 1/01/2016	3,526,182	10,579	24,119	26,633	(1,085)	60,246
Net income for the period				7,680		7,680
Dividend				(423)		(423)
Foreign currency trans- lation adjustments					(203)	(203)
BALANCE AS OF 9/30/2016	3,526,182	10,579	24,119	33,890	(1,288)	67,300

All figures in KEUR, except number of shares.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	7/01 - 9/30/2016	7/01 - 9/30/2015	1/01 - 9/30/2016	1/01 - 9/30/2015
Consolidated net income for the period	2,125	2,304	7,680	7,537
<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	(74)	(218)	(203)	332
<i>Other comprehensive income (loss) not to be reclassified and reported in profit or loss in subsequent reporting periods</i>				
Deferred tax liabilities recorded in equity	0	0	0	(6)
Comprehensive income after tax	2,051	2,086	7,477	7,863

All figures in KEUR

NOTES – EXPLANATORY DISCLOSURES

Basis for preparation of the financial statements

The abbreviated consolidated interim accounts for the third quarter of 2016 do not contain all information and disclosures required when preparing consolidated financial statements, and thus must be interpreted in the context of the consolidated financial statements as of December 31, 2015.

The recognition and measurement methods applied to the consolidated financial statements as of December 31, 2015 remain unchanged and were applied when preparing these abbreviated consolidated quarterly accounts. This Interim Group Report has been prepared in accordance with IAS 34 – Interim Reporting. The IFRS newly adopted in fiscal year 2016 had no effect on our balance sheet or earnings. This Interim Group Report and the Interim Management Report have not been audited in accordance with Sec. 317 German Commercial Code (HGB), nor have they been audited by a financial accounting firm.

The quarterly report is prepared in euro denomination (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

The current consolidated quarterly accounts contain certain forward-looking statements based on currently discernible and available information as well as assumptions and forecasts made by DATA MODUL management. These are mainly for information purposes and may be identified by terminology such as "believe", "expect", "forecast", "intend", "predict", "plan", "estimate" and/or "strive for". Such statements are only valid at the time of their publication. Various known and unknown risks, uncertainties and other factors may cause the actual results, financial position, business trends or performance of the Company to substantially deviate from the forecast given herein. DATA MODUL does not assume any obligation to continue supporting forward-looking statements made, nor to revise such in light of future events or developments. The Company shall not be liable and offers no guarantee, express or implied, for the updatedness, correctness or completeness of the disclosed information.



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Financial Calendar 2017

Annual Report 2016	March 2017
Annual Accounts Press Conference	March 2017
Quarterly report as of March 31, 2017	May 2017
Half-Yearly Financial Report as of June 30, 2017	August 2017
Quarterly report as of September 30, 2017	November 2017