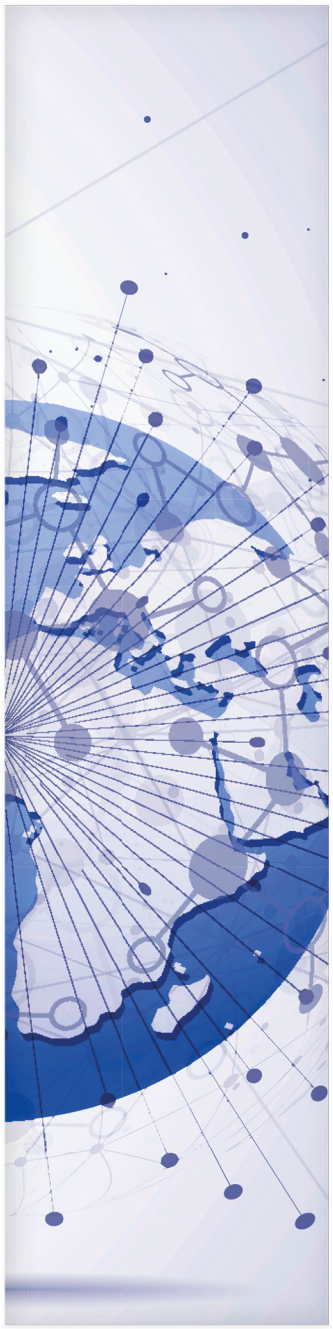
DATA MODUL

QUARTERLY REPORT
AS OF SEPTEMBER 2018

Integration support
Embedded Systems
Human Machine Interface
OEM Solutions
Optical Bonding
EMC tests
Visual Solution Provider
Industrial Automation
Certification
Quality Management
Logistics
Modular product concept
Panel PCs
Firmware
Research & Development
Baseboards
Open Frame Monitors
Construction
Installation
Obsolescence Management
Project Management
LCD Controller
PCAP
Mechanical design
Software
Computer-on-Module
Monitor Solutions
Digital Signage

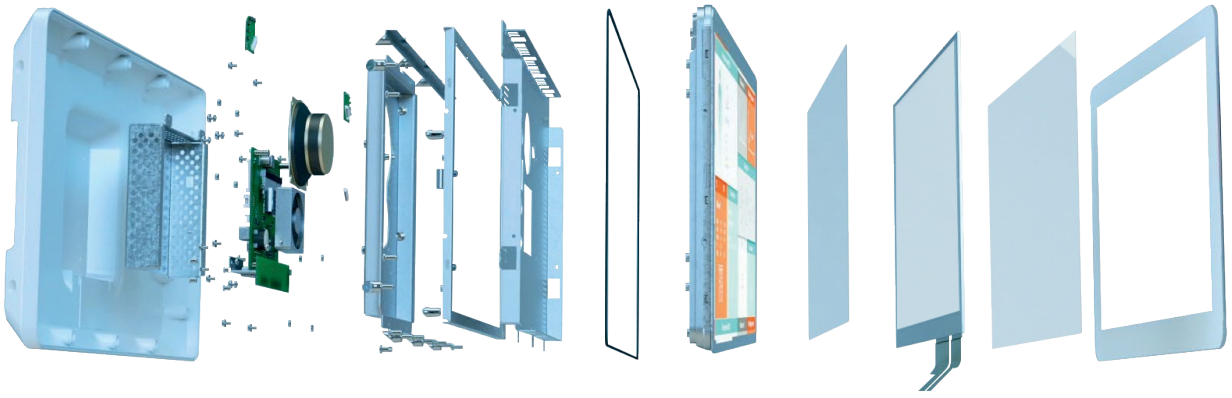
Custom designs
Information Systems
Climatic test
On-site service
Front glass
Made in Germany
easyTOUCH
Qualification & Approvals

System Solutions
Touch Solutions
Clean Room
Production



Dear Shareholders,

DATA MODUL recorded substantial year-over-year increases in revenue and earnings in the third quarter, keeping up the company's business momentum.
Orders received remained stable at a high level in the third quarter at 64.2 million euros (previous year: 55.4 million euros), reflecting steady demand. Orders received in the first nine months thus totaled 204.3 million euros, up 7.5% year-over-year from 190.1 million euros. Revenue rose 18.0% versus the third quarter 2017 to 62.1 million euros (previous year: 52.6 million euros). The nine-month revenue figure of 182.0 million euros is 10.6% higher year-over-year (previous year: 164.5 million euros). EBIT for the first nine months of 2018 increased 20.7% to 15.0 million euros (previous year: 12.4 million euros) for an EBIT margin of 8.2% (previous year: 7.5%). Net profit for the first nine months rose 24.5% to 10.4 million euros (previous year: 8.4 million euros).
We will continue systematically executing on the DATA MODUL strategy, as business results have proven it to be successful.



INTERIM GROUP MANAGEMENT REPORT

1. General economic conditions

The economy continues to expand, though at a somewhat slower pace. IMF analysts have noted that political uncertainties are among that factors posing a risk to the global economy, particularly in the area of trade policy, for negative effects on foreign trade will impact the level of investment as well. Continuing trade disputes and persistent Brexit anxiety are increasingly weakening the international business environment, as are protectionist policies in the US and the country's escalating trade conflict with China.

There is now greater political uncertainty in Europe, as the European Union is facing major challenges in the areas of migration policy, economic policy, legal compliance and the institutional architecture of the Eurozone. High levels of public debt have left many countries vulnerable. The summer is over, but Italy is still on everyone's mind, as a shadow of financial worry has fallen over the country's lovely beaches with the government's plans to increase spending, unsettling EU partners and investors.

The German economy is still doing well, but there is a lot of fear. The domestic economy remains in a durable upswing despite a rise in protectionist tendencies in the global economy. The broad-based recovery in Germany rests on the solid foundation of the domestic economy, with good capacity utilization, record employment and stable consumer prices.

In view of the continuing overall robustness of near-term economic indicators and stable forecasts for our primary markets, we still see favorable business conditions ahead for DATA MODUL for the remainder of 2018.

2. Corporate Results

	7/1 - 9/30/2018	7/1 - 9/30/2017	Change	1/1 - 9/30/2018	1/1 - 9/30/2017	Change
Total revenue	62,121	52,627	18.0%	181,976	164,513	10.6%
Displays	28,777	29,751	-3.3%	88,275	92,174	-4.2%
Systems	33,344	22,876	45.8%	93,701	72,339	29.5%
Orders received	64,179	55,363	15.9%	204,311	190,090	7.5%
Order backlog	133,519	121,925	9.5%	133,519	121,925	9.5%
EBIT [1)]	5,870	3,369	74.2%	14,971	12,408	20.7%
EBIT margin [2)]	9.4%	6.4%	46.9%	8.2%	7.5%	9.3%
Net profit for the period	4,306	2,302	87.1%	10,421	8,367	24.5%
Capital expenditure [3)]	877	494	77.4%	3,187	2,937	8.5%
Number of employees [4)]	475	404	17.6%	475	404	17.6%
Earnings per share (in euros)	1.23	0.65	87.1%	2.96	2.37	24.5%
Outstanding shares – Basic	3,526,182	3,526,182	0.0%	3,526,182	3,526,182	0.0%

1) EBIT: Earnings before interest and taxes

2) EBIT margin: Ratio of EBIT to revenues

3) Investments: Capital expenditures on intangible assets and property, plant and equipment

4) Employees: Number of employees as of the reporting date

All figures in KEUR, except for number of employees, earnings per share and number of shares

3. Business performance

DATA MODUL recorded revenue of 62,121 thousand euros for the third quarter of 2018 (previous year: 52,627 thousand euros), up 18.0% year-over-year. In the nine-month view, revenue rose 10.6% year-over-year from 164,513 thousand euros to 181,976 thousand euros. The Displays business segment recorded revenue of 28,777 thousand euros in the third quarter (previous year: 29,751 thousand euros), while the Systems business segment recorded revenue of 33,344 thousand euros (previous year: 22,876 thousand euros). Orders received rose 15.9% for the Group year-over-year to 64,179 thousand euros (previous year: 55,363 thousand euros), and order backlog rose 9.5% to 133,519 thousand euros (previous year: 121,925 thousand euros). In view of these figures, we anticipate revenue to remain strong through the end of the fiscal year. Progress continues to be made on the strategic internationalization plans, even though exports declined slightly in the first nine months of 2018 as a percentage of total business to 48.9% (previous year: 50.1%).

4. Earnings

For the period January 1 through September 30, 2018, DATA MODUL recorded EBIT of 14,971 thousand euros (previous year: 12,408 thousand euros), representing a year-over-year increase of 20.7%. The Displays business segment recorded EBIT of 6,180 thousand euros for the nine-month period (previous year: 6,829 thousand euros), while the Systems business segment recorded EBIT of 8,791 thousand euros (previous year: 5,579 thousand euros). This resulted in EBIT margin widening to 8.2% (previous year: 7.5%). DATA MODUL thus recorded a net profit for the period ended September 30, 2018 of 10,421 thousand euros (previous year: 8,367 thousand euros), increasing 24.5% year-over-year for earnings per share of 2.96 euros (previous year: 2.37 euros). Earnings for the first nine months of 2018 were positively affected by the movement of the EUR-USD currency pair.

The application of IFRS 15 in the first nine months of 2018 affected the statement of income as outlined below. These effects would not have occurred under the IAS 18 rules in place prior to December 31, 2017. Reportable revenue increased by 1,123 thousand euros. Cost of sales increased by 611 thousand euros. As a result, gross profit improved by 512 thousand euros. The FX effects resulting from application of IFRS 15 caused a decrease of 165 thousand euros in selling and general administrative expenses. Earnings before interest and taxes (EBIT) and earnings before taxes for the first nine months of 2018 rose by 677 thousand euros, factoring in all effects. Tax expense increased by 218 thousand euros, including deferred taxes recorded through profit or loss. The net effect of application of IFRS 15 on the statement of income was an improved net profit for the first nine months of 2018 of 459 thousand euros.

5. Financial position

The balance sheet total has increased by 17,599 thousand euros since calendar year-end to 128,451 thousand euros (December 31, 2017: 110,852 thousand euros). On the assets side, this increase was principally due to higher inventories, trade receivables and contract assets, reflecting our strong business results. On the liabilities and equity side, the increase in total assets was mainly due to the increase in equity resulting from net profit for the first nine months of 2018 and to increased other current liabilities and trade payables.

Cash flow from operating activities was -2,414 thousand euros as of September 30, 2018 (previous year: -4,453 thousand euros). This was mainly due to increased inventories and trade receivables in connection with higher sales. Investments in intangible assets and property, plant and equipment in the first nine months of 2018 resulted in cash flow from investing activities of -3,182 thousand euros (previous year: -2,931 thousand euros). Cash flow from financing activities, which included short-term credit taken out with banks and the dividend distribution for fiscal year 2017, was 105 thousand euros (previous year: 1,853 thousand euros). At the reporting date the Group had 14,737 thousand euros in cash and cash equivalents (December 31, 2017: 20,217 thousand euros).

At the end of the third quarter of 2018 DATA MODUL had an equity ratio of 70.2% (December 31, 2017: 71.8%). The Group thus remains very solid financially, with sufficient liquidity.

Initial application of the new revenue recognition rules per IFRS 15 relating to revenue from customer-specific consignment stock items with an existing purchase obligation and use of the cumulative method for contract assets per IFRS 15 C3 (b) required a one-time adjustment to inventories and deferred tax liabilities, the amount of which was included in other reserves. This resulted in an increase of 3,099 thousand euros in contract assets, an increase of 224 thousand euros in deferred tax liabilities and a decrease of 2,406 thousand euros in inventories as of January 1, 2018. In consequence, a net adjustment of 469 thousand euros was recorded in other reserves.

The application of IFRS 15 in the first nine months of 2018 had the effects on the balance sheet outlined below, which would not have occurred under the IAS 18 rules in place prior to December 31, 2017. On the assets side, inventories decreased by 3,016 thousand euros and contract assets in the amount of 4,387 thousand euros were recorded for the first time. On the liabilities and equity side, deferred tax liabilities increased by 442 thousand euros. Equity increased by 928 thousand euros. The change in equity resulted in part from the previously disclosed adjustment amount of 469 thousand euros recorded in other reserves as of January 1, 2018. In addition, retained earnings increased by 460 thousand euros due to the earnings effect of IFRS 15 on the statement of income for the first nine months of 2018.

6. Capital expenditure

Capital expenditures during the first nine months of 2018 totaled 3,187 thousand euros (previous year: 2,937 thousand euros). A major part of this investment went to expanding production and logistics capacity at the Weikersheim site. Over the remainder of the current fiscal year we are planning capital expenditures for our Munich location and our production and logistics center in Weikersheim, and will continue investing in research and development to ensure remain competitive.

7. Employees

As of September 30, 2018, the number of Group employees was 475 (previous year: 404).

8. Opportunities and risks

In fiscal year 2018, DATA MODUL will remain focused on growth in its core Displays and Systems business segments. 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 have occurred in the information on risks and rewards published in the 2017 Annual Report.

9. Subsequent events

We are not aware of any significant events occurring after the reporting date of September 30, 2018 which would have had a major influence or impact on the Company's earnings or balance sheet.

10. 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. 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.

In its October World Economic Report, the International Monetary Fund (IMF) adjusted its forecast for global economic growth from 3.9% down to 3.7%. This was in significant part due to the slowing effect of the many ongoing trade conflicts, particularly affecting China (from 6.6% to 6.2%) and the USA (from 2.9% to 2.5%). According to estimates by the World Trade Organization (WTO) and IMF, if a full-fledged trade war should ensue, both the US and China would suffer, respectively sacrificing economic growth of 0.9% (US) and 0.6% (China) after all announced measures have been introduced. This situation could be exacerbated in the US if the stimulus effects under the Trump administration, such as through the recent tax reform, were to subside.

The IMF is projecting 1.9% growth for Germany for both this year and next, having trimmed their estimates by 0.3 and 0.2 percentage points respectively. An Ifo Institute index shows that German companies felt the largest rise in uncertainty about the business climate between May and September of this year since the global financial crisis years of 2008 and 2009. In addition to trade wars, the situation in Italy and the unknown outcome of the UK's negotiations to leave the EU are particularly weighing on the general mood. Tight capacity utilization and labor shortages are additional negative factors in Germany alongside global economic risks. And yet the robustness of the domestic economy allows for optimism. Positive economic effects can also be expected next year from the coalition agreement, with research institutes projecting a record national budget surplus of 54 million euros for 2018 in their autumn outlook reports.

Expanding global competitiveness is a focus of both the "Shape 2020" strategy program and the successor program "Touch Tomorrow 2023" through balanced sales growth in Europe, the US and China, while Germany remains the backbone of the Group's business. In view of the strong business results in the first nine months of the year and a mostly positive outlook, the Executive Board believes 2018 will be a good fiscal year for DATA MODUL.

11. Related party disclosures

Per a disclosure dated April 11, 2017, ARROW Central Europe Holding Munich GmbH, Neu-Isenburg, holds approximately 69.2% of voting rights in DATA MODUL AG. The trade relationships with the ARROW Group involve purchases and sales at arm's length.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as of September 30, 2018

ASSETS	9/30/2018	12/31/2017
Non-current assets		
Goodwill	2,419	2,419
Intangible assets	3,224	3,064
Property, plant and equipment	14,002	12,982
Deferred tax assets	186	186
Total non-current assets	**19,831**	**18,651**
Current assets		
Inventories	52,848	42,758
Trade accounts receivable net of allowance for doubtful accounts (2018: 154; 2017: 184)	34,654	27,137
Contract assets	4,387	0
Other current assets	1,152	1,719
Other current financial assets	842	370
Cash and cash equivalents	14,737	20,217
Total current assets	**108,620**	**92,201**
Total assets	**128,451**	**110,852**

All figures in KEUR

LIABILITIES AND SHAREHOLDERS' EQUITY	9/30/2018	12/31/2017
Shareholders' equity		
Capital stock no-par bearer shares (approved: 5,289 thousand euros; shares issued and outstanding: 3,526,182 as of 9/30/2018 and 12/31/2017)	10,579	10,579
Capital reserves	24,119	24,119
Retained earnings	56,534	46,536
Other reserves	(1,030)	(1,663)
Total shareholders' equity	**90,202**	**79,571**
Non-current liabilities		
Pensions and non-current personnel liabilities	1,579	1,615
Non-current provisions	440	405
Other non-current liabilities	784	949
Deferred tax liabilities	1,354	797
Total non-current liabilities	**4,157**	**3,766**
Current liabilities		
Trade accounts payable	14,875	13,702
Taxes payable	2,067	1,618
Current provisions	2,065	1,298
Liabilities due to financial institutions	4,700	4,200
Other current liabilities	9,512	5,874
Other current financial liabilities	873	823
Total current liabilities	**34,092**	**27,515**
Total liabilities	**38,249**	**31,281**
Total liabilities and shareholders' equity	**128,451**	**110,852**

All figures in KEUR

CONSOLIDATED STATEMENT OF INCOME

	7/1 – 9/30/2018	7/1 – 9/30/2017	1/1 – 9/30/2018	1/1 – 9/30/2017
Revenue	62,121	52,627	181,976	164,513
Cost of sales	(47,755)	(41,609)	(141,529)	(127,756)
Gross margin	**14,366**	**11,018**	**40,447**	**36,757**
Research and development expenses	(1,430)	(1,220)	(4,431)	(4,502)
Selling and general administrative expenses	(7,066)	(6,429)	(21,045)	(19,847)
Earnings before interest and taxes (EBIT)	**5,870**	**3,369**	**14,971**	**12,408**
Interest income	1	0	1	1
Interest expense	(9)	(34)	(40)	(62)
Earnings before taxes for the period	**5,862**	**3,335**	**14,932**	**12,347**
Income tax expense	(1,556)	(1,033)	(4,511)	(3,980)
Net profit for the period	**4,306**	**2,302**	**10,421**	**8,367**
Earnings per share – basic	1.23	0.65	2.96	2.37
Earnings per share – diluted	1.23	0.65	2.96	2.37
Weighted average number of shares outstanding – basic	3,526,182	3,526,182	3,526,182	3,526,182
Weighted average number of shares outstanding – diluted	3,526,182	3,526,182	3,526,182	3,526,182

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	1/1 – 9/30/2018	1/1 – 9/30/2017
Cash flows from operating activities		
Net profit for the period	10,421	8,367
Non-cash expenses and income		
Income tax expense	4,511	4,002
Depreciation, amortization and impairments	2,011	1,732
Provisions for bad debts	(31)	1
Gain from disposals of fixed assets	(5)	(6)
Net interest	40	61
Other non-cash expenses and income	(2)	0
Change due to:		
Trade accounts receivable, increase (-) / decrease (+)	(8,774)	(6,695)
Inventories, increase (-) / decrease (+)	(12,495)	(6,092)
Trade accounts payable, increase (+) / decrease (-)	1,175	(576)
Other assets and liabilities, increase (+) / decrease (-)	3,990	(2,776)
Income taxes paid	(3,215)	(2,532)
Interest received (+) / paid (-) (net)	(40)	61
Cash flows from operating activities	**(2,414)**	**(4,453)**
Cash flows from investing activities		
Proceeds from disposals of fixed assets	5	6
Capital expenditures with capitalizable development cost	(702)	(363)
Capital expenditures on other intangible assets and property, plant and equipment	(2,485)	(2,574)
Cash flows from investing activities	**(3,182)**	**(2,931)**
Cash flows from financing activities		
Cash inflows (+) / outflows (-) from current financial liabilities	500	2,300
Dividend paid	(423)	(423)
Other financing activities	28	(24)
Cash flows from financing activities	**105**	**1,853**
Effects of exchange rate movements on cash & cash equivalents	11	(23)
Net change in cash and cash equivalents	**(5,480)**	**(5,554)**
Cash and cash equivalents at beginning of the fiscal year	20,217	17,193
Cash and cash equivalents at end of the quarter	**14,737**	**11,639**

All figures in KEUR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Capital stock No. of shares	Capital stock Amount	Capital reserves	Retained earnings	Other reserves	Total
BALANCE AS OF 1/1/2017	3,526,182	10,579	24,119	36,390	(1,061)	70,027
Net profit for the period				8,367		8,367
Dividend				(423)		(423)
Other comprehensive income (loss)					(21)	(21)
Foreign currency translation					(533)	(533)
BALANCE AS OF 9/30/2017	**3,526,182**	**10,579**	**24,119**	**44,334**	**(1,615)**	**77,417**
BALANCE AS OF 1/1/2018	3,526,182	10,579	24,119	46,536	(1,663)	79,571
Net profit for the period				10,421		10,421
Dividend				(423)		(423)
Other comprehensive income (loss)					469	469
Foreign currency translation					164	164
BALANCE AS OF 9/30/2018	**3,526,182**	**10,579**	**24,119**	**56,534**	**(1,030)**	**90,202**

All figures in KEUR, except number of shares

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	7/1 – 9/30/2018	7/1 – 9/30/2017	1/1 – 9/30/2018	1/1 – 9/30/2017
Net profit for the period	4,306	2,302	10,421	8,367
Other comprehensive income (loss) to be reclassified in the statement of income in subsequent reporting periods				
Adjustments from currency translation of foreign subsidiary results	29	(149)	164	(533)
Other comprehensive income (loss) not to be reclassified in the statement of income in subsequent reporting periods				
Other comprehensive income recorded directly in equity pursuant to initial application of IFRS 15	0	0	693	0
Deferred taxes recorded in equity	0	0	(224)	(21)
Comprehensive income after tax	4,335	2,153	11,054	7,813

All figures in KEUR

NOTES TO THE FINANCIAL STATEMENTS

Principles for preparation of the accounts

The abbreviated consolidated interim financial statements and interim Group management report do not contain all information and disclosures required for preparing consolidated financial statements, and are thus to be interpreted in context with the consolidated financial statements and Group management report dated December 31, 2017.

The same recognition and measurement methods applied to prepare the consolidated financial statements dated December 31, 2017 were applied in preparing this abbreviated consolidated quarterly report dated September 30, 2018. These interim consolidated financial statements have been prepared in accordance with IAS 34 – Interim Reporting. The IFRS standards newly adopted in fiscal year 2018 had effects on our balance sheet and earnings, as outlined. These consolidated interim financial statements and interim management report have not been audited in accordance with Sec. 317 of German Commercial Code (HGB), nor have they been audited by a financial accounting firm.

The consolidated 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

The current consolidated quarterly report contains 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 such terminology as "believe", "expect", "forecast", "intend", "predict", "plan", "estimate" and/or "strive for". Accordingly, such statements only pertain to the circumstances as of 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 assumes no obligation to continue supporting forward-looking statements made, nor to revise such statements in light of events or developments. The Company shall not be liable and offers no guarantee, express or implied, for the updatedness, correctness or completeness of disclosed data and information.

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FINANCIAL CALENDAR 2019

Annual Report 2018	**March 2019**
Annual Accounts Press Conference	**March 2019**
Quarterly Report as of March 31, 2019	**May 2019**
Half-Year Financial Report as of June 30, 2019	**August 2019**
Quarterly Report as of September 30, 2019	**November 2019**