DATA MODUL

QUARTERLY REPORT
AS OF SEPTEMBER 30, 2019

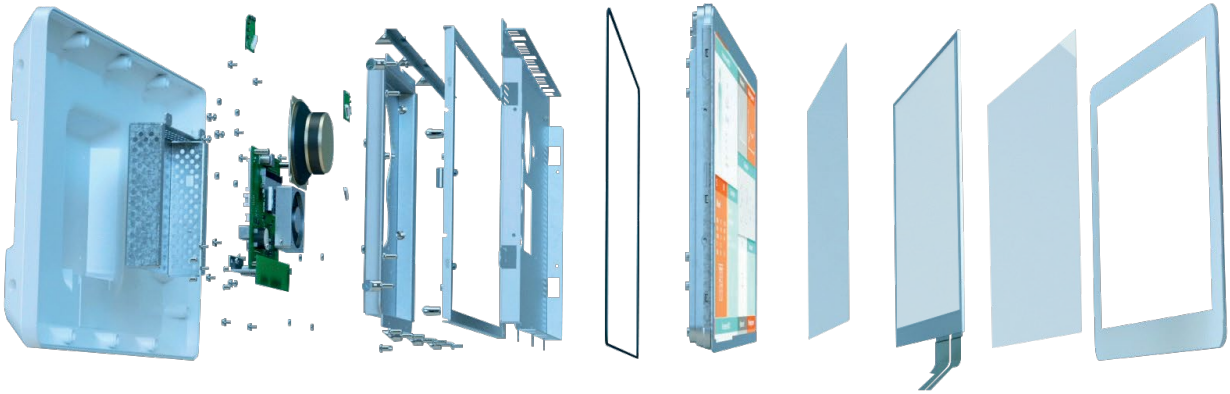
Dear Shareholders,

In response to difficult economic conditions in the markets in the third quarter, DATA MODUL introduced systematic business realignment and reorganization measures to enhance the company's competitiveness.

Orders received in the third quarter totaled 46.3 million euros, down 27.9% year-over-year (previous year: 64.2 million euros). Orders received in the first nine months of the year declined 16.9% versus the same period in 2018 to 169.7 million euros (previous year: 204.3 million euros). A 5.7% increase in order backlog from 133.5 million euros to 141.2 million euros resulted from a significant shift in delivery dates for customers across all sectors and regions. Versus the third quarter of 2018, revenue fell 28.6% to 44.3 million euros (previous year: 62.1 million euros). The nine-months revenue figure of 159.0 million euros is 12.6% lower year-over-year (previous year: 182.0 million euros).

EBIT for Q3 2019 declined to -0.4 million euros (previous year: 5.9 million euros) for an EBIT margin of -1.0% (previous year: 9.4%). As of the reporting date, EBIT had fallen 43.4% to 8.5 million euros (previous year: 15.0 million), reflecting a decrease in EBIT margin to 5.3% (previous year 8.2%). Net profit for the third quarter of 2019 fell to -0.4 million euros (previous year: 4.3 million). Net profit for the three quarters ended September 30, 2019 was 46.4% lower year-over-year at 5.6 million euros (previous year: 10.4 million euros).

General economic conditions have had considerable negative impact for DATA MODUL's business in 2019. The Company will be responding to these challenges by introducing systematic cost-cutting measures across all areas.



INTERIM GROUP MANAGEMENT REPORT

1. General economic conditions

Economies around the globe are growing at a slower rate than at any time seen since the financial crisis of ten years ago. The OECD has lowered its growth forecasts for nearly all G20 countries in view of the troubled economic environment, reflecting a gloomy outlook. Increasing uncertainty stemming from trade disputes between the US and China, the world's two largest national economies, is restraining capital investment worldwide and slowing business. These grim prospects led OECD chief economist Laurence Boon to urge the G20 governments to cooperate as much as possible to eliminate trade barriers and abandon ideas of imposing new tariffs. What is thus needed to revive the global economy is the opposite of the policies pursued by US President Trump.

The strong service sector of the consumer-oriented US economy has supported that country's growth thus far, although warning signals have been seen in manufacturing in the form of declining orders. The trade policy issues are also causing the Chinese economy to suffer from lower capacity utilization in manufacturing. The risk posed by a disorderly Brexit and by other geopolitical trouble spots are further clouding the outlook. In case of a no-deal Brexit, the automotive industry may be rocked by an "economic earthquake" according to a joint statement issued by 23 European automobile associations.

The apprehension created by these many different problems around the world is affecting German business confidence as well. A wide range of leading indicators are now pointing toward recession, including declining production capacity utilization and falling orders for manufacturers. Economists' forecasts are furthermore based on an assumption that the present anxiety-causing situations will resolve in a relatively favorable way, avoiding a hard Brexit and further escalation of the US trade conflict. Let's hope they are right.

2. Corporate Results

	7/1 - 9/30/2019	7/1 - 9/30/2018	Change	1/1 - 9/30/2019	1/1 - 9/30/2018	Change
Total revenue[1]	44,337	62,121	-28.6%	159,046	181,976	-12.6%
Displays	32,192	37,898	-15.1%	104,379	110,086	-5.2%
Systems	12,145	24,223	-49.9%	54,667	71,890	-24.0%
Orders received	46,294	64,179	-27.9%	169,729	204,311	-16.9%
Order backlog	141,165	133,519	5.7%	141,165	133,519	5.7%
EBIT [2]	(448)	5,870	-107.6%	8,468	14,971	-43.4%
EBIT margin[3]	-1.0%	9.4%	-110.6%	5.3%	8.2%	-35.4%
Net profit for the period	(429)	4,306	-110.0%	5,586	10,421	-46.4%
Capital expenditure[4]	1,312	877	49.7%	5,122	3,187	60.7%
Number of employees[5]	480	475	1.1%	480	475	1.1%
Earnings per share (in euros)	(0.13)	1.23	-110,0%	1.58	2.96	-46.4%
Outstanding shares – Basic	3,526,182	3,526,182	0.0%	3,526,182	3,526,182	0.0%

1) Revenue: The previous-year figures have been adjusted to reflect the change in segmentation implemented to reflect internal re-organization and reporting structure modifications.

2) EBIT: Earnings before interest and taxes

3) EBIT margin: ratio of EBIT to sales

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

5) 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 44,337 thousand euros for the third quarter of 2019 (previous year: 62,121 thousand euros), down 28.6% year-over-year. In the nine-months view, revenue fell 12.6% year-over-year from 181,976 thousand euros to 159,046 thousand euros. The Displays business segment recorded revenue of 32,192 thousand euros in the third quarter of 2019 (previous year: 37,898 thousand euros)[1], while the Systems business segment recorded revenue of 12,145 thousand euros (previous year: 24,223 thousand euros)[1]. Orders received fell 27.9% for the Group versus Q3 of last year to 46,294 thousand euros (previous year: 64,179 thousand euros). Order backlog rose however by 5.7% to 141,165 thousand euros (previous year: 133,519 thousand euros). The Company's strategy to enhance its international orientation continues to yield successes, reflected in a largely unchanged export rate of 48.7% for the first nine months of 2019 (previous year: 48.9%).

4. Earnings

Negative macroeconomic developments are driving a decline in earnings across all sectors and markets. DATA MODUL thus recorded negative EBIT of 448 thousand euros for the third quarter of 2019 (previous year: 5,870 thousand euros). This resulted in EBIT margin narrowing to -1.0% (previous year: 9.4%). During the period January 1 – September 30, 2019 EBIT fell 43.4% to 8,468 thousand euros (previous year: 14,971 thousand euros), for an EBIT margin of 5.3% (previous year 8.2%). The Displays business segment recorded EBIT of 4,081 thousand euros for the nine-months period (previous year: 5,837 thousand euros)[1], while the Systems business segment recorded EBIT of 4,387 thousand euros (previous year: 9,134 thousand euros)[1]. For the third quarter of 2019 a net loss of 429 thousand euros was recorded (previous year: net profit of 4,306 thousand euros). The year-to-date profit recorded as of September 30, 2019 of 5,586 thousand euros was down 46.4% year-over-year (previous year: 10,421 thousand euros), for earnings per share of 1.58 euros (previous year: 2.96 euros). This nine-months result for 2019 reflects a one-time charge of 3,100 thousand euros for restructuring measures implemented. Earnings for the first nine months of 2019 were positively affected by the movement of the EUR-USD currency pair.

First-time application IFRS 16 in fiscal year 2019 negatively impacted earnings, reducing EBIT by 441 thousand euros and net income for the period by 768 thousand euros.

Adjusted for one-time effects totaling 3,541 thousand euros, EBIT came to 3,093 thousand euros for the third quarter of 2019, and 12,009 thousand euros for the first nine months of the fiscal year.

5. Balance sheet

The balance sheet total has increased by 14,066 thousand euros since calendar year-end to 148,190 thousand euros (December 31, 2018: 134,124 thousand euros). On the assets side of the balance sheet, this increase was largely attributable to the rights of use reportable since introduction of lessee accounting rules under IFRS 16 since January 1, 2019. Property, plant and equipment, other current assets and inventories also increased, with corresponding decreases in cash and cash equivalents. On the liabilities and equity side of the balance sheet, the increase in total assets resulted mainly from short-term and long-term lease liabilities initially recognized pursuant to IFRS 16 and from rising equity reflecting net profit recorded in fiscal year 2019. Trade payables also declined.

In the change over to IFRS 16 accounting rules effective January 1, 2019, lease assets for rights of use to leased property were recognized in the amount of 8,784 thousand euros applying the cumulative method, without adjustment of the previous-year figures, as well as lease liabilities in the amount of 9,598 thousand euros and deferred tax assets in the amount of 260 thousand euros. The initial application effect of 555 thousand euros was charged against retained earnings.

[1] The previous-year figures have been adjusted to reflect the change in segmentation implemented to reflect internal re-organization and reporting structure modifications.

Cash flow from operating activities was -98 thousand euros as of September 30, 2019 (previous year: -2,375 thousand euros)[1]. This was mainly due to lower inventories and trade receivables.

Cash flow from investing activities was -5,105 thousand euros (previous year -3,182 thousand euros) due to the investments made in intangible assets and property, plant and equipment in the first three quarters of 2019, for the site in Lublin (Poland) in particular, and due to cash outflows for investment in rights of use per IFRS 16.

Cash outflows reportable for the first time as cash outflows from lease liabilities per IFRS 16 and the dividend distribution for fiscal year 2018 resulted in cash flows from financing activities of -1,462 thousand euros (previous year: 66 thousand)[1]. At the reporting date the Group held 18,316 thousand euros in cash and cash equivalents (December 31, 2018: 24,956 thousand euros).

At the end of the third quarter of 2019 DATA MODUL had an equity ratio of 66.7% (December 31, 2018: 70.1%). The Group thus remains very solid financially, with sufficient liquidity.

6. Capital expenditure

Capital expenditures during the first nine months of 2019 totaled 5,122 thousand euros (previous year: 3,187 thousand euros). A major part of this investment went to expanding production and logistics capacity at the sites in Weikersheim and Lublin (Poland). Over the remainder of the current fiscal year we are planning capital expenditures for our Munich location and our production and logistics sites in Weikersheim, Lublin (Poland) and Shanghai (China) and will continue investing in research and development to ensure we remain competitive.

7. Employees

As of September 30, 2019, the number of Group employees was 480 (previous year: 475).

8. Opportunities and risks

In fiscal year 2019, DATA MODUL remains 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 opportunities stated in the 2018 Annual Report.

9. Subsequent events

We are not aware of any significant events occurring after the reporting date of September 30, 2019 which would have had a major influence or impact on the Company's earnings or balance sheet.

[1] Interest inflows and outflows have been reclassified as cash flow from financing activities and previous-year figures have been adjusted accordingly to afford better comparability.

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 involve an inevitable risk that projected developments may not actually occur, with respect to either their direction or extent.

US President Trump has just announced an agreement partially resolving the trade war with China. The conflict has been causing damage for quite a while though, as reflected in the latest growth projections. In October, for example, the International Monetary Fund (IMF) capped its growth forecast for 2019 at 3% for the fourth year in a row because of trade tensions, down from 3.2% back in July. The IMF cited increasing trade barriers and heightened geopolitical risk factors as causes for the slowest global economic growth seen since the financial crisis. With new tariffs being imposed all the time, many companies are becoming less willing to invest. The growth outlook is also being compromised by risks associated with a disorderly Brexit.

In addition to punitive tariffs, the current slowing of China's economy is also due to falling domestic demand, which is now projected to grow only 6.1% in 2019 as compared to 6.6% last year. And the IMF also sees a downward trend for the US as well, forecasting 2.4% growth for 2019 – lower by 0.5% year-over-year. In line with the global outlook, the IMF has also adjusted its growth forecast for Europe downward to 1.3%. The IMF says that multilateral cooperation by policymakers is essential to surmount some of the short and long-term problems currently faced. For the trade tensions have weighed on the global economy, undermining confidence.

As a heavily export-oriented economy, Germany suffers more from slowing global growth than many other countries in the currency union. International demand for products "Made in Germany" was lower than expected in the first half of the year, leading the IMF to adjust its forecast for the German economy downward to a mere 0.5%.

Expanding global competitiveness is a focus of the Touch Tomorrow 2023 strategy program through balanced sales growth in Europe, the US and China, while Germany remains the backbone of the Group's business. The company continues to systematically work towards its targets in the present troubled market environment, and is responding to the deteriorated business outlook by cutting costs, reducing staffing levels and postponing investment.

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, 2019

ASSETS	9/30/2019	12/31/2018
Non-current assets		
Goodwill	2,419	2,419
Intangible assets	2,884	3,100
Property, plant and equipment	18,571	15,799
Right-of-use assets	14,591	0
Deferred tax assets	582	280
Total non-current assets	**39,047**	**21,598**
Current assets		
Inventories	54,258	52,865
Trade accounts receivable including writedowns (2019: 26; 2018: 167)	27,348	28,961
Contract assets	4,549	3,945
Other current assets	4,072	1,160
Other current financial assets	600	639
Cash and cash equivalents	18,316	24,956
Total current assets	**109,143**	**112,526**
Total assets	**148,190**	**134,124**

All figures in KEUR

LIABILITIES AND SHAREHOLDERS' EQUITY	9/30/2019	12/31/2018
Shareholders' equity		
Capital stock no-par bearer shares (approved: 5,289 thousand euros; shares issued and outstanding: 3,526,182 as of 9/30/2019 and 12/31/2018)	10,579	10,579
Capital reserves	24,119	24,119
Retained earnings	63,164	58,556
Other reserves	936	752
Total shareholders' equity	**98,798**	**94,006**
Non-current liabilities		
Pensions and non-current personnel liabilities	1,545	1,567
Non-current provisions	293	303
Non-current contract liabilities	538	722
Non-current lease liabilities	14,338	0
Deferred tax liabilities	1,376	1,158
Total non-current liabilities	**18,090**	**3,750**
Current liabilities		
Trade accounts payable	10,010	18,787
Current contract liabilities	610	546
Current lease liabilities	1,848	0
Taxes payable	2,932	3,366
Current provisions	1,819	2,423
Liabilities due to financial institutions	4,200	4,200
Other current liabilities	8,608	6,072
Other current financial liabilities	1,275	974
Total current liabilities	**31,302**	**36,368**
Total liabilities	**49,392**	**40,118**
Total liabilities and shareholders' equity	**148,190**	**134,124**

All figures in KEUR

CONSOLIDATED STATEMENT OF INCOME

	7/1 – 9/30/2019	7/1 – 9/30/2018	01/01 – 9/30/2019	01/01 – 9/30/2018
Revenue	44,337	62,121	159,046	181,976
Cost of sales	(35,348)	(47,755)	(123,865)	(141,529)
Gross margin	**8,989**	**14,366**	**35,181**	**40,447**
Research and development expenses	(1,655)	(1,430)	(4,711)	(4,431)
Selling and general administrative expenses	(7,782)	(7,066)	(22,002)	(21,045)
Earnings before interest and taxes (EBIT)	**(448)**	**5,870**	**8,468**	**14,971**
Interest income	1	1	3	1
Interest expense	(222)	(9)	(409)	(40)
Earnings before taxes for the period	**(669)**	**5,862**	**8,062**	**14,932**
Income tax expense	240	(1,556)	(2,476)	(4,511)
Net profit for the period	**(429)**	**4,306**	**5,586**	**10,421**
Earnings per share – basic	(0.13)	1.23	1.58	2.96
Earnings per share – diluted	(0.13)	1.23	1.58	2.96
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

	01/01 – 9/30/2019	01/01 – 9/30/2018
Cash flows from operating activities[1]		
Net profit for the period	5,586	10,421
Non-cash expenses and income		
Income tax expense	2,497	4,511
Depreciation, amortization and impairments	3,929	2,011
Provisions for bad debts	8	(31)
Gain from disposals of fixed assets	(3)	(5)
Net interest	406	40
Other non-cash expenses and income	2	(2)
Change in:		
Inventories	(1,393)	(12,495)
Trade receivables and contract assets	1,001	(8,774)
Other assets	(564)	50
Trade accounts payable	(8,779)	1,175
Change in other liabilities and contract liabilities	1,841	3,939
Income taxes paid	(4,629)	(3,215)
Cash flows from operating activities	**(98)**	**(2,375)**
Cash flows from investing activities		
Proceeds from disposals of fixed assets	17	5
Capital expenditures with capitalizable development cost	(569)	(702)
Capital expenditures on other intangible assets and property, plant and equipment	(4,553)	(2,485)
Cash flows from investing activities	**(5,105)**	**(3,182)**
Cash flows from financing activities[1]		
Inflows (+)/outflows (-) from lease liabilities	(920)	0
Cash inflows (+) / outflows (-) from current financial liabilities	0	500
Dividend paid	(423)	(423)
Interest received (+) / paid (-) (net)	(258)	(40)
Other financing activities	139	29
Cash flows from financing activities	**(1,462)**	**66**
Effects of exchange rate movements on cash & cash equivalents	25	11
Net change in cash and cash equivalents	**(6,640)**	**(5,480)**
Cash and cash equivalents at beginning of the fiscal year	24,956	20,217
Cash and cash equivalents at end of the quarter	**18,316**	**14,737**

All figures in KEUR

[1] Interest inflows and outflows have been reclassified as cash flow from financing activities and previous-year figures have been adjusted accordingly to afford better comparability.

CONSOLIDATED STATEMENT OF OF CHANGES IN EQUITY

	Share capital No. of shares	Share capital Amount	Capital reserves	Retained earnings	Other reserves	Total
BALANCE AS OF 1/1/2018	3,526,182	10,579	24,119	44,313	560	79,571
Initial application effects of IFRS 9 and IFRS 15				449		449
AS OF 1/1/2018 adjusted	3,526,182	10,579	24,119	44,762	560	80,020
Net profit for the period				10,421		10,421
Dividend				(423)		(423)
Foreign currency translation					164	164
BALANCE AS OF 9/30/2018	**3,526,182**	**10,579**	**24,119**	**54,760**	**724**	**90,182**
BALANCE AS OF 1/1/2019	3,526,182	10,579	24,119	58,556	752	94,006
Initial application effects from IFRS 16				(555)		(555)
AS OF 1/1/2019 adjusted	3,526,182	10,579	24,119	58,001	752	93,451
Net profit for the period				5,586		5,586
Dividend				(423)		(423)
Foreign currency translation					184	184
BALANCE AS OF 9/30/2019	**3,526,182**	**10,579**	**24,119**	**63,164**	**936**	**98,798**

All figures in KEUR, except number of shares.

STATEMENT OF COMPREHENSIVE INCOME

	7/1 – 9/30/2019	7/1 – 9/30/2018	01/01 – 9/30/2019	01/01 – 9/30/2018
Net profit for the period	(429)	4,306	5,586	10,421
Other comprehensive income (loss) to be reclassified in the statement of income in subsequent reporting periods				
Adjustments from currency translation of foreign subsidiary results	142	29	184	164
Comprehensive income after tax	(287)	4,335	5,770	10,585

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, 2018.

The same recognition and measurement methods applied to prepare the consolidated financial statements dated December 31, 2018 were applied in preparing this abbreviated consolidated quarterly report dated September 30, 2019. These interim consolidated financial statements have been prepared in accordance with IAS 34 – Interim Reporting. The effects of IFRS 16, which now must be applied from fiscal year 2019 on, our balance sheet and earnings were as outlined above. These interim financial statements and the 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 2020

Annual Report 2019	March 2020
Financial Press Conference	March 2020
Quarterly Report as of March 31, 2020	May 2020
Half-Year Financial Report as of June 30, 2020	August 2020
Quarterly Report as of September 30, 2020	November 2020