

# DATA MODUL

Interim Report as of  
**September 30, 2009**



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## Dear shareholders,

The economic climate did not exhibit any significant improvement during the third quarter of the current fiscal year. However a base level is becoming noticeable, and an improvement over the second quarter 2009 can definitely be seen. In certain segments, such as the business activities of the Conrac group, a slight improvement with stability in the third quarter was observed when compared to the very low level of the previous months. This led in general to a slightly improved sales movement within the Data Modul Corporation. In conjunction with the now clearly effective cost savings program, there was significant improvement in the results, with a positive EBIT being achieved during the third quarter compared to the distinctly negative results in the second quarter of the current year. Accompanying this positive development especially is the addition of new customers and new applications, as well as consequently continuing to follow the strategy of internationalization.

The interim financial results and management report at hand were not audited according to § 317 HGB, nor were they audited by an external auditing organisation.

## Key Corporate Results

	Juli - Sept. 2009	Juli - Sept. 2008	Changes	Jan. -Sept. 2009	Jan. - Sept. 2008	Changes
Net Sales in total (in mio. Euro)	22.8	34.7	(34.2) %	71.4	103.1	(30.7) %
Industry	19.6	28.2	(30.5) %	62.4	79.6	(21.6) %
Information Systems	3.2	6.5	(50.3) %	9.0	23.5	(61.7) %
Order Entry (mio. Euro)	22.8	30.4	(25.1) %	72.6	100.4	(27.7) %
Order Backlog (mio. Euro)	63.1	71.4	(11.5) %	63.1	71.4	(11.5) %
EBIT (mio. Euro)	0.3	2.3	(85.9) %	(0.6)	6.6	(1.137.9) %
PAT total (mio. Euro)	0.2	1.2	(81.8) %	(1.2)	4.1	(435.1) %
Capital Investment (mio. Euro)	0.2	0.5	(56.6) %	0.8	1.6	(51.6) %
Employees	269	299	(10.0) %	269	299	(10.0) %
Earnings per share (Euro)*	0.07	0.38	(81.6) %	(0.39)	1.29	(430.8) %

All figures are according to IFRS.

\* Profit after tax for the 3rd quarter or first nine months of the year / number of shares.

## **Business Results**

Revenues reached 22.8 million euros in the third quarter of the current business year, which is a decline of 34.2 % compared to 34.7 million euros sales during the same quarter of last year. The decline, when compared to the previous year, is mainly in the segment of Information Systems. However, an improvement over the very low revenues of 20.6 million euros in the second quarter of 2009 was achieved in this segment. Also, in the segment of Industry, there was no further postponement of deliveries from our customers in the third quarter, which would have led to a weakening of the current revenues. The period of January through September 2009 resulted in revenues of 71.4 million euros for the Corporation, or 30.7 % under last year's amount of 103.1 million euros. Order entry between July and September 2009 behaved similarly and was, with 22.8 million euros, 25.1 % less than last year's total of 30.4 million euros. Order entry therefore behaved constant, with a stable progression compared to the second quarter of the current business year. This development was evident in all segments of the company. The nine months of 2009 recorded an order entry of 72.6 million euros, which is a decline of 27.7 % compared to last year's amount of 100.4 million euros.

The order backlog as of 9/30/2009 totalled 63.1 million euros and was 11.5 % less than the 71.4 million euros of last year. The export quota for the period from January through September 2009 was 34.1 % (37.2 % last year) and mirrors the continued stable base of international business.

## **Corporation's Results**

As a result of the improvement in revenues in the third quarter in connection with the full effect of cost savings in the Conrac group and significant savings in the Data Modul group, there again was clear improvement during the third quarter in EBIT (earnings before interest and taxes) according to IFRS, to 0.3 million euros. Additionally in the third quarter we had a positive effect of 0.2 million euros from the sale of the 40 % ownership of the Varitronix GmbH. The second quarter resulted in a loss of 1.6 million euros. Compared to the third quarter of last year with a profit of 2.3 million euros, this was a decline of 85.9 %. The result of the first nine months of the current year shows a loss of 0.6 million euros compared to a profit of 6.6 million euros for the same period last year.

The situation with profit before tax (PBT) ran analogue and resulted in a profit of 0.2 million euros (2.0 million euros last year) in the third quarter, as well as a cumulated loss of 1.1 million euros for the period of January through September 2009, compared to a profit

of 5.9 million euros last year. It should be positively pointed out here, that especially the Conrac group showed a significantly improved revenue and profitability in the third quarter after their low amounts in the second quarter of 2009, and since August 2009 are again positive. The revenues of the Data Modul AG, as well, improved compared to the second quarter and also achieved positive results in the third quarter.

The earnings per share in the third quarter amounted to 0.07 euro (based on 3,205,620 shares) compared to 0.38 euro last year, and for the period from January through September to -0.39 euro (1.29 euro last year).

### **Cash flow, capital and financial status**

The cash flow from operations as of 9/30/2009 amounted to 1.7 million euros compared to 3.4 million euros last year. This was once again a significant improvement compared to the second quarter. The continuation of activities targeted in working capital led to positive cash flow from operations despite a negative net profitability. The sale of the 40 % ownership of Varitronix GmbH resulted in a positive cash flow from investment activities. As a result of these significant positive free cash flows, the net amount of debt as of 9/30/2009 could be reduced to 8.8 million euros (14.6 million euros last year). We anticipate further improvements by the end of the year.

The equity ratio for the Corporation (according to IFRS) at the end of the third quarter 2009 amounted to 50.8 % (43.2 % last year) and 80,3 % (67.4 % last year) for Data Modul AG (according to HGB). The corporation thereby demonstrates its financial strength, and shows an improvement compared to last year, despite a declining business environment.

### **Sale of the 40 % ownership of the Varitronix GmbH**

According to a notarized agreement on July 24, 2009, Data Modul AG sold its 40 % ownership to the previous majority owner, the Varitronix B.V.I. Limited in Hong Kong. The agreement was witnessed and approved by Varitronix B.V.I. on August 6, 2009. The sale of the investment was for 721,052.00 euro and was effective retroactive to December 31, 2008. Following the payment of the sales price in cash as well as additional amounts in the form of credit notes for current business and marketing costs to the benefit of Data Modul, the sale of the investment was concluded. This transaction was recorded in the trade register in the name of Varitronix B.V.I. on August 19, 2009. This transaction led to a book profit of 0.2 million euros, which was posted by Data Modul AG in July 2009.

### **Development of the business segments**

During the first nine months of the current year the business segment of Industry achieved a sales percentage of 87 % (77 % last year). This equated to a revenue decline from

last year to 62.4 million euros (79.6 million euros last year) as well as an EBIT of 1.7 million euros (5.6 million euros last year). Despite the slightly improved sales progress in the third quarter, order entry was low, especially in the major market of Germany, which continued to show business activity level well under that of last year. Similar to the previous months, the young foreign subsidiaries are showing a positive development, with just a few exceptions, but cannot compensate for the declining domestic trend. However, it is pleasing to note, that the targeted activities to acquire new customers and applications is running successfully, and especially in the year 2010, will show a sustained positive impulse. This is true both of the business activities in Germany as well as the internationally targeted markets.

The business segment of Information Systems saw a considerable revenue reduction in the period of January through September 2009, which resulted in a reduced sales percentage to 13 % (23 % last year). This equates to revenues of 9.0 million euros (23.5 million last year) and an EBIT of –2.3 million euros (1.0 million euros last year). Similar to the improved revenue development in the main business segment of Industry in the third quarter, Information Systems also showed a slight increasing trend compared to the very low level of the second quarter 2009. Stability could be seen, especially in order entry, as the spares business by replacements at existing installations increased, and requests continue to increase, but it is still considerably lower than last year's level. The expected break-up of the investment log jam is now just becoming apparent. We anticipate that this development will proceed in a slowly increasing trend and not in a quick and short lived recovery. Project activity continued to concentrate strongly in the markets of the Middle and Far East as well as South Africa. Enlarging the customer base with new applications and markets is reaping additional fruit and will additionally lend a hand to a stabilisation of the situation.

## **Employees**

As of 9/30/2009, the Corporation employed 269 employees, which is a reduction of 30 employees compared to 299 employees of the same time last year, and also a reduction of 43 employees compared to the amount at 12/31/2008.

## **Capital investments**

Capital investment amounted to 0.8 million euros for the nine months of 2009 compared to last year's amount of 1.6 million euros. The investment level is due to a restrictive treatment in the current economic situation.

## **Sales offices**

Data Modul AG maintains regional sales offices in Düsseldorf and Hamburg.

## Ownership and Control

The following has changed from the information presented in the Status of the Corporation report for fiscal year 2008: Mr. Ludwig Lehmann informed us according to § 21 Clause 1 Wertpapierhandelsgesetz (WpHG) (Securities Trading Act) on 9/14/2009 that he had increased his ownership of the Data Modul AG as of 9/7/2009 above the 5 % reporting hurdle and owned 5.01 % of the stock, or 160,734 shares. Other changes during the third quarter of 2009 were neither reported to nor known by us.

## Risk Management

The information presented in the Status of the Corporation report for fiscal year 2008 concerning risk management and the significant risks faced by the Corporation has not changed significantly. Also, at the end of the quarter on 9/30/2009, and similar to the previous periods, there are no known financial risks and no known risks that could affect the continuation of the company.

## Outlook

From our view point the concluded third quarter showed a slight relaxation in our market economy and also nothing sustainable for the global economic situation. It seems that, on the current level following the results of the past months, a stabilising and in October increasing order entry is noticeable. On the basis of this current level, and taking into considerations all restructuring and cost savings activities, at least a break-even can be achieved even at this low level. Aside from the base business in the segment of Industry, the basis for future revenue growth was laid through acquisition of new applications and new customers.

The segment of Information Systems continued the slight improvement of the second quarter in the third quarter and experienced a slow breaking up of the investment jam as a result of again increasing demand. However, a quick return to the level of the past year is at present not foreseeable in this segment.

We anticipate, in general, a slightly increasing tendency in order entry and revenues for the fourth quarter. We are expecting therefore also a positive profit result from operations in the fourth quarter. The continual improvement of cash flows as well as the balance sheet structure in the Corporation, which is contrary to the general business development, exemplifies the financial strength of the Corporation and the solid basis with which we will succeed in this current tense situation.

## Consolidated Statements of Income IFRS

	IFRS			
	Juli 1 until Sept, 30 2009	Juli 1 until Sept, 30 2008	Jan, 1 until Sept, 30 2009	Jan, 1 until Sept, 30 2008
Revenues	22,811	34,688	71,399	103,060
Cost of Sales	(17,849)	(26,586)	(56,635)	(77,995)
Gross margin	<b>4,962</b>	8,102	<b>14,764</b>	<b>25,065</b>
Research and development	(696)	(481)	(1,980)	(1,537)
Selling, general and administrative	(4,186)	(5,360)	(13,656)	(16,976)
Income from affiliated company	242	20	234	64
Income before interest and taxes (EBIT)	<b>322</b>	2,281	<b>(638)</b>	<b>6,616</b>
Interest income	32	22	36	93
Interest expense	(149)	(283)	(473)	(771)
Income before income taxes	<b>205</b>	2,020	<b>(1,075)</b>	<b>5,938</b>
Provision for income taxes	15	(812)	(162)	(1,793)
Net income	<b>220</b>	1,208	<b>(1,237)</b>	<b>4,145</b>
Earnings per share (basic)	0.07	0.38	(0.39)	1.29
Earnings per share ( diluted)	0.07	0.38	(0.39)	1.29
Weighted average shares outstanding (basic)	3,205,620	3,205,620	3,205,620	3,205,620
Weighted average shares outstanding (diluted)	3,205,620	3,205,620	3,205,620	3,205,620

All figures in thousand euros, except share and per share amounts.

## Condensed consolidated balance sheets according IFRS

ASSETS (consolidated)	IFRS	
	as of Sept. 30, 2009	as of Dec. 31, 2008
<b>Non-current assets</b>		
Goodwill	2,419	2,419
Intangible assets, net	3,092	3,616
Property, plant and equipment, net	8,329	8,880
Investment in affiliated company	0	507
Other non-current assets	925	1,002
Deferred tax assets	1,825	1,840
Total non-current assets	<b>16,590</b>	18,264
<b>Current Assets</b>		
Inventories	19,156	23,386
Trade accounts receivable, net of allowance for doubtful accounts (in 2009: 243, in 2008: 303)	16,438	16,650
Taxes receivable	328	151
Other current assets	1,777	2,862
Cash and cash equivalents	3,910	3,155
Total current assets	<b>41,609</b>	46,204
<b>Total assets</b>	<b>58,199</b>	64,468

All figures in thousand euros.

LIABILITIES AND SHAREHOLDERS' EQUITY (consolidated)	IFRS	
	as of Sept, 30, 2009	as of Dec, 31, 2008
<b>Shareholders' equity</b>		
Common stock no par value; (shares authorized: 4,791,600 euros; shares issued and outstanding: 3,205,620 in 2009 and 2008)	29,767	29,767
Share based assets / employee stock options	79	79
Accumulated deficit	1,456	4,135
Other reserves	(1,765)	(1,621)
<b>Total shareholders' equity</b>	<b>29,537</b>	<b>32,359</b>
<b>Non-current liabilities</b>		
Pension and non-current personnel liabilities	1,838	2,014
Non-current debt	967	5,303
Deferred tax liabilities	2,054	2,230
<b>Total non-current liabilities</b>	<b>4,859</b>	<b>9,547</b>
<b>Current liabilities</b>		
Accounts payable	4,845	6,926
Taxes payable	333	349
Accrued liabilities	1,198	3,256
Current borrowings	7,205	6,178
Current portion of non-current debt	4,534	523
Other current liabilities	5,688	5,330
<b>Total current liabilities</b>	<b>23,803</b>	<b>22,562</b>
<b>Total liabilities</b>	<b>28,662</b>	<b>32,109</b>
<b>Total liabilities and shareholders' equity</b>	<b>58,199</b>	<b>64,468</b>

All figures in thousand euros.

## Consolidated Statements of Cash Flows IFRS as of Sept. 30, 2009

	IFRS	
	September 30, 2009	September 30, 2008
<b>Cash flows from operating activities</b>		
Net income	- 1,237	4,145
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	801	728
Amortization	1,065	462
Share based assets	0	1
Deferred income tax	(161)	(293)
Cash earnings	468	5,043
Provision for bad debts	30	542
Earnings in equity method investments	0	(64)
Gain on sale and disposal of fixed assets	(214)	0
Loss on disposal of fixed assets	0	49
Income taxes paid (received)	605	1,194
Interest received	- 36	- 92
Interest paid	474	771
Changes in operating assets and liabilities:		
Receivables	182	(2,631)
Inventories	4,231	(3,698)
Accounts payable	(2,081)	2,703
Accrued liabilities	(2,058)	327
Other current assets and liabilities	90	(770)
Net cash provided by operating activities	<b>1,691</b>	3,374
<b>Cash flows from investing activities</b>		
Proceeds from disposal of fixed assets	721	211
Purchase of fixed and intangible assets	(795)	(1,641)
Net cash used in investing activities	<b>(74)</b>	(1,430)
<b>Cash flows from financing activities</b>		
Increase in short-term borrowings	1,027	1,677
Repayment of long-term debt	(325)	(318)
Dividend to shareholders	<b>(1,443)</b>	(1,923)
Other financing activities	<b>(126)</b>	0
Net cash used in financing activities	<b>(867)</b>	(564)
Effect of exchange rate changes on cash and cash equivalents	5	22
Net increase in cash and cash equivalents	<b>755</b>	1,402
<b>Cash and cash equivalents at the beginning of the period</b>	3,155	2,180
<b>Cash and cash equivalents at the end of the period</b>	<b>3,910</b>	3,582

All figures in thousand euros.

## Consolidated Statements of Changes in Shareholders' Equity

	Common stock		Share Based Equity	Retained Earnings	Other Reserves	Total
	Shares (pcs.)	Amount				
<b>Balance Dec. 31, 2007</b>	3,205,620	29,767	76	1,749	(1,819)	29,773
Net income				4,145		4,145
Dividend				(1,923)		(1,923)
Employee options			1			1
Foreign currency translation adjustment					104	104
<b>Balance Sept. 30, 2008</b>	3,205,620	29,767	77	3,971	(1,715)	32,100
<b>Balance Dec. 31, 2008</b>	3,205,620	29,767	79	4,135	(1,621)	32,359
Net income				(1,237)		(1,237)
Dividend				(1,442)		(1,442)
Employee options						
Foreign currency translation adjustment					(144)	(144)
<b>Balance Sept. 30, 2009</b>	<b>3,205,620</b>	<b>29,767</b>	<b>79</b>	<b>1,456</b>	<b>(1,765)</b>	<b>29,537</b>

All figures in thousand euros.

## Disclosure to the financial statements

### Basis for the preparation of the financial statements

The short version of the Corporation's Interim Report for the third quarter of 2009 does not contain all the required information and details for an Annual Report and therefore should be read in combination with the Annual Report from 12/31/2008.

The methods and assumptions used to calculate the short version of the Corporation's interim financial statements according to IFRS remained unchanged from the Annual Report 2008.

## Coming Events 2009 / 2010:

<b>Deutsches Eigenkapitalforum, Frankfurt</b>	<b>November 2009</b>
<b>Press Conference, Munich</b>	<b>March 11, 2010</b>
<b>Analyst´s Meeting, Frankfurt</b>	<b>March 12, 2010</b>
<b>Annual Shareholders´ Meeting 2010</b>	<b>May 11, 2010</b>



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