

# DATA MODUL

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Interim Report as of  
**March 31, 2013**



## Dear Shareholders,

in the first quarter of 2013, order entry totaled 46.6 million euros, thus representing an increase of 1.7% over the prior year quarter (45.8 million euros). As a result, we achieved a record order backlog of 94.6 million euros. However, DATA MODUL has been experiencing delays in customer order call-offs since December 2012 because of uncertain general economic conditions. As a result, our revenues decreased by 6.7% from last year's levels and now total 33.4 million euros. These revenue shifts as well as increased competition resulted in an EBIT drop of 0.4 million euros in the first quarter of the current year (previous year: 2.1 million euros).

## Interim Management Report

### I. General economic conditions

The continuing sovereign debt crisis in Europe is still an issue, and the budget deficit in the U.S.A. is still waiting to be resolved. However, the outlook for DATA MODUL is now much brighter than expected at the beginning of the year. After the slump in the fourth quarter of 2012, all the important leading indicators are signaling a rebound of the German economy in the course of the year. Although the Ifo Business Climate Index, the most important leading indicator for Germany, registered a minor drop recently, economic expectations are much more optimistic than those projected in summer and fall of 2012. The competitive standing of Germany's industry and the resulting export activities will again contribute exponentially to increased economic growth this year.

### Key Indicators

| In million euros              | Jan to Mar 2013 | Jan to Mar 2012 | Changes   |
|-------------------------------|-----------------|-----------------|-----------|
| Total revenue                 | 33.4            | 35.8            | (6.7) %   |
| Displays                      | 19.6            | 21.3            | (8.0) %   |
| Systems                       | 13.8            | 14.5            | (4.8) %   |
| Order entry                   | 46.6            | 45.8            | 1.7 %     |
| Order backlog                 | 94.6            | 78.4            | 20.7 %    |
| EBIT                          | 0.4             | 2.1             | (81.0) %  |
| Annual net earnings           | 0.0             | 1.5             | (100.0) % |
| Investments                   | 0.4             | 0.4             | 0.0 %     |
| Employees                     | 335             | 306             | 9.5 %     |
| Earnings per share (in euros) | 0.00            | 0.43            | (100.0) % |
| Based on number of shares     | 3,394,000       | 3,518,602       | (3.5) %   |
| EBT                           | 0.4             | 2.0             | (80.0) %  |

The economic trend in the euro zone still varies greatly among individual countries. Those European countries with high debt levels must continue to implement austerity measures through 2013, and therefore the end of the recession is not yet in sight. With Italy and Spain as part of this group, Europe's third and fourth largest economies are in recession. In France as well, economic performance is marked for a slump during the first half of this year. Particularly notable are the risks resulting from difficulties in forming a working government in Italy and the Cyprus crisis. The euro zone's GDP has dropped by 0.5% in 2012 and a further slump is expected for 2013.

Compared with the euro zone, the U.S. economy seems to be in a much better state and showing better figures; it seems to be coping better than expected with the budget cuts. Against the background of the surprisingly positive economic results in the U.S., we look forward to a very positive development of our sales to the U.S.A..

OECD leading indicators had somewhat improved recently, brightening up prospects for a positive development of the global economy. In summary, we should see a modest improvement in the global situation over the next months.

## **II. Business Performance**

Revenue for the first quarter of fiscal year 2013 totaled 33.4 million euros, a decrease of 6.7% compared to prior year results of 35.8 million euros. The Displays business segment achieved revenues of 19.6 million euros (previous year: 21.3 million euros), whereas the Systems business segment saw revenues of 13.8 million euros (previous year: 14.5 million euros). In the first quarter order entry increased by 1.7% to 46.6 million euros (previous year: 45.8 million euros). The order backlog amounts to a record 94.6 million euros (previous year: 78.4 million euros) with a calculated revenue stream of six to eight months. In the first three months of 2013, the export ratio was 34.0% (previous year: 31.1%). With the help of our strategy program "Fit for Future 2015", we will strengthen DATA MODUL's global competitive standing, and envisage continuing balanced growth in Europe and the U.S.A..

## **III. Profitability**

As a result of revenue trends and also due to slightly reduced margins attributable to increased competition, the first quarter of 2013 saw EBIT of 0.4 million euros (previous year: 2.1 million euros). The Displays business segment contributed to EBIT with 1.0 million euros (previous year: 1.4 million euros) whereas the Systems business segment contributed minus 0.6 million euros (previous year: 0.7 million euros). In the first quarter of this year we continued changing the business model to include further value-added activities with custom solutions as well as our own products and bundling them in the Systems business. It is therefore perhaps understandable that this business segment has not met our revenue expectations because of postponed customer order call-offs and the 46.1% increase in research and development expenses in the first quarter.

EBT for the Group in the first three months of 2013 was 0.4 million euros (previous year: 2.0 million euros). At the same time no positive net income was recorded (previous year: 1.5 million euros), translating into earnings per share of 0.00 euros compared to 0.43 euros during the same period of 2012.

#### **IV. Financial position**

Operating cash flow as of March 31, 2013 amounted to minus 2.7 million euros (previous year: minus 1.6 million euros). Based on business trends, working capital was increased further. At the end of the first quarter of 2013, the Group's equity ratio (in accordance with IFRS) was 53.9% (December 31, 2012: 56.2%). Consequently, the Group continues to demonstrate financial stability and has remarkable liquidity at its disposal.

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

In the first three months of 2013, investments amounted to 0.4 million euros (previous year: 0.4 million euros). In the current fiscal year, we plan to invest in fixed assets both at our Munich location and at our production and logistics center at Weikersheim in order to strengthen the Systems business segment.

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

#### **VI. Employees**

As of March 31, 2013, the number of employees had increased throughout the Group to 335 staff (previous year: 306 staff) of which 55 staff were employed by Group companies located outside Germany.

#### **VII. Risks and rewards**

In fiscal year 2013, DATA MODUL will continue 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 demand constitute risks that may have a sustained impact on our business performance. We are aware of these risks and thoroughly monitor their impact on our business operations. As a result of the expected economic recovery and depleted customer inventories, displays will be in short supply in the second half of the year leading to much longer delivery periods and price increases. Currently, there are no apparent existential risks for the DATA MODUL Group. No significant changes of the information on risks and rewards that was published in the 2012 Annual Report have occurred since.

#### **VIII. Subsequent events**

There were no significant subsequent events during the reporting period after the reporting date of March 31, 2013.

## **IX. Forecast - Outlook 2013**

The following disclosures regarding the future course of business of the DATA MODUL Group and the assumptions of the economic market and industry trends that are regarded as significant in this context are based on our assessments that we believe are currently realistic given the information available. However, these assumptions and assessments are subject to uncertainty and bear the unavoidable risk that projected developments do not actually occur with respect to either their direction or their extent.

As reported before, fiscal year 2013 constitutes a transition year for DATA MODUL and will be characterized by activities to support our future growth. Thus, a drop in earnings, as compared to previous year, may be expected and must be seen in conjunction with the subdued overall development in global markets. As a result, DATA MODUL's revenues are expected to increase only slightly. However, customer uncertainty should diminish over the year, although a definite point in time cannot be projected. On the cost side, expenditures will increase because of the Group's reorganization and the change of our business model to a greater added value and growth orientation in the systems solution business. At the same time, we will continue focusing on globalization of our business. Even though these investments may have a short-term impact on our earnings, we will have laid the groundwork for our future success. There is definite growth potential in the industry market, our most important customer base. Due to market pressures, these customers are being forced to introduce automated production processes. The interconnected production processes are highly complex and require man-machine communication (displays) to control the production lines. These integrated embedded systems are a great opportunity for growth for DATA MODUL in the coming years.

## **X. Related party transactions**

In the first quarter of 2013, 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 Statements of Financial Position - IFRS

| ASSETS  | IFRS          |            |
|---|---------------|------------|
|   | 03/31/2013    | 12/31/2012 |
| <b>Non-current assets</b>   |               |            |
| Goodwill  | 2,419         | 2,419      |
| Intangible assets   | 2,963         | 2,994      |
| Property, plant and equipment   | 8,379         | 8,402      |
| Other non-current assets  | 1,455         | 1,415      |
| Deferred tax assets   | 679           | 882        |
| Total non-current assets  | <b>15,895</b> | 16,112     |
| <b>Current assets</b>   |               |            |
| Inventories   | 34,803        | 30,434     |
| Trade accounts receivable,<br>net of allowance for doubtful accounts (in 2013: 358;<br>2012: 357) | 17,892        | 15,847     |
| Other current assets  | 2,690         | 2,413      |
| Cash and cash equivalents   | 6,336         | 9,517      |
| Total current assets  | <b>61,721</b> | 58,211     |
| <b>Total assets</b>   | <b>77,616</b> | 74,323     |

All figures in thousands of euros

| LIABILITIES AND SHAREHOLDERS' EQUITY  | IFRS          |            |
|---|---------------|------------|
|   | 03/31/2013    | 12/31/2012 |
| <b>Shareholders' equity</b>   |               |            |
| Common stock no-par value bearer shares (shares authorized: KEUR 5,289; shares issued and outstanding: 3,394,000 as of 03/31/2013 and as of 12/31/2012) | 10,182        | 10,182     |
| Share-based equity  | 22,446        | 22,446     |
| Retained earnings   | 10,621        | 10,649     |
| Other reserves  | (1,424)       | (1,503)    |
| <b>Total shareholders' equity</b>   | <b>41,825</b> | 41,774     |
| <b>Non-current liabilities</b>  |               |            |
| Pension and non-current personnel liabilities   | 1,580         | 1,592      |
| Non-current borrowings  | 4,700         | 4,783      |
| Deferred tax liabilities  | 789           | 758        |
| <b>Total non-current liabilities</b>  | <b>7,069</b>  | 7,133      |
| <b>Current liabilities</b>  |               |            |
| Trade accounts payable  | 11,198        | 8,387      |
| Taxes payable   | 212           | 521        |
| Accruals  | 2,068         | 2,063      |
| Current borrowings  | 9,063         | 9,033      |
| Current portion of non-current borrowings   | 933           | 933        |
| Other current liabilities   | 5,248         | 4,479      |
| <b>Total current liabilities</b>  | <b>28,722</b> | 25,416     |
| <b>Total liabilities</b>  | <b>35,791</b> | 32,549     |
| <b>Total liabilities and shareholders' equity</b>   | <b>77,616</b> | 74,323     |

All figures in thousands of euros

## Consolidated Statements of Income – IFRS

|  | IFRS               |                    |
|--|--------------------|--------------------|
|  | 01/01 - 03/31/2013 | 01/01 - 03/31/2012 |
| Revenue  | 33,426             | 35,782             |
| Cost of sales                                    | (26,851)           | (27,928)           |
| <b>Gross margin</b>                              | <b>6,575</b>       | 7,854              |
| Research and development expenses                | (1,172)            | (802)              |
| Selling and general administrative expenses      | (4,995)            | (4,984)            |
| <b>Earnings before interest and taxes (EBIT)</b> | <b>408</b>         | 2,068              |
| Interest income                                  | 1                  | 6                  |
| Interest expense                                 | (47)               | (90)               |
| <b>Income before income taxes</b>                | <b>362</b>         | 1,984              |
| Income tax expense                               | (390)              | (484)              |
| <b>Net income</b>                                | <b>(28)</b>        | 1,500              |
| Earnings per share - basic                       | 0.00               | 0.43               |
| Earnings per share - diluted                     | 0.00               | 0.43               |
| Weighted average of shares outstanding - basic   | 3,394,000          | 3,518,602          |
| Weighted average of shares outstanding - diluted | 3,394,000          | 3,518,602          |

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



## Consolidated Statements of Cash Flow – IFRS

|  | IFRS               |                    |
|--|--------------------|--------------------|
|  | 01/01 - 03/31/2013 | 01/01 - 03/31/2012 |
| <b>Cash flows from operating activities</b>                              |                    |                    |
| Net income   | (28)               | 1,500              |
| Non-cash expenses and income   |                    |                    |
| Income tax expense   | 155                | 505                |
| Amortization of capitalized development costs                            | 177                | 216                |
| Amortization of other intangible assets and depreciation of fixed assets | 289                | 271                |
| Provisions for bad debts   | 1                  | (142)              |
| Deferred taxes   | 235                | (21)               |
| Changes in non-current accrued liabilities                               | (12)               | (16)               |
| Net interest   | 46                 | 84                 |
| Other non-cash expenses and income                                       | 1,671              | 0                  |
| Changes in operating assets and liabilities                              |                    |                    |
| Trade accounts receivable  | (2,047)            | (1,046)            |
| Inventories  | (4,368)            | (4,213)            |
| Trade accounts payable   | 2,821              | 1,166              |
| Accrued liabilities  | (608)              | 50                 |
| Other receivables, assets and loans                                      | (492)              | 818                |
| Income taxes paid  | (507)              | (695)              |
| Interest received  | 1                  | 2                  |
| Interest paid  | (53)               | (79)               |
| <b>Cash flows from operating activities</b>                              | <b>(2,719)</b>     | <b>(1,600)</b>     |
| <b>Cash flows from investing activities</b>                              |                    |                    |
| Outflows from capitalized development costs                              | (217)              | (335)              |
| Capital expenditures on other intangible and fixed assets                | (194)              | (111)              |
| <b>Cash flows from investing activities</b>                              | <b>(411)</b>       | <b>(446)</b>       |
| <b>Cash flows from financing activities</b>                              |                    |                    |
| Increase in short-term borrowings  | 30                 | (253)              |
| Decrease in non-current borrowings                                       | (83)               | 0                  |
| Acquisition of treasury shares   | 0                  | (284)              |
| <b>Cash flows from financing activities</b>                              | <b>(53)</b>        | <b>(537)</b>       |
| Effect of exchange rate changes on cash and cash equivalents             | 2                  | (2)                |
| <b>Net increase in cash and cash equivalents</b>                         | <b>(3,181)</b>     | <b>(2,585)</b>     |
| <b>Cash and cash equivalents at the beginning of the period</b>          | <b>9,517</b>       | <b>8,426</b>       |
| <b>Cash and cash equivalents at the end of the period</b>                | <b>6,336</b>       | <b>5,841</b>       |

All figures in thousands of euros

## Consolidated Statements of Changes in Equity – IFRS

|   | Common Stock     |               | Share-Based Equity | Retained Earnings | Other Reserves | Total         |
|---|------------------|---------------|--------------------|-------------------|----------------|---------------|
|   | Shares           | Amount        |                    |                   |                |               |
| <b>Balance as of 01/01/2012</b>         | 3,526,182        | 10,579        | 22,440             | 7,389             | (1,490)        | 38,918        |
| Net income                              | -                | -             | -                  | 1,500             | -              | 1,500         |
| Treasury shares                         | (19,065)         | (58)          | -                  | (226)             | -              | (284)         |
| Foreign currency translation adjustment | -                | -             | -                  | -                 | (53)           | (53)          |
| <b>Balance as of 03/31/2012</b>         | <b>3,507,117</b> | <b>10,521</b> | <b>22,440</b>      | <b>8,663</b>      | <b>(1,543)</b> | <b>40,081</b> |
| <b>Balance as of 01/01/2013</b>         | 3,394,000        | 10,182        | 22,446             | 10,649            | (1,503)        | 41,774        |
| Net income                              | -                | -             | -                  | (28)              | -              | (28)          |
| Foreign currency translation adjustment | -                | -             | -                  | -                 | 79             | 79            |
| <b>Balance as of 03/31/2013</b>         | <b>3,394,000</b> | <b>10,182</b> | <b>22,446</b>      | <b>10,621</b>     | <b>(1,424)</b> | <b>41,825</b> |

All figures in thousands of euros, except number of shares

## Consolidated Statements of Comprehensive Income

|   | IFRS               |                    |
|---|--------------------|--------------------|
|   | 01/01 - 03/31/2013 | 01/01 - 03/31/2012 |
| <b>Consolidated net income for the period</b>             | (28)               | 1,500              |
| Exchange differences on translation of foreign operations | 79                 | (53)               |
| <b>Total comprehensive income</b>                         | <b>51</b>          | <b>1,447</b>       |

In thousands of euros

## **Notes - Explanatory disclosures**

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

These abbreviated Consolidated Interim Report for the first quarter of 2013 does not contain all information and disclosures required when compiling consolidated financial statements and thus shall be interpreted in context with the Consolidated Financial Statements as of December 31, 2012.

The recognition and measurement methods applied to the Consolidated Financial Statements as of December 31, 2012 remained unchanged and were applied when compiling this abbreviated Consolidated Interim Report. The new IFRS to be adopted in the financial year 2013 did not affect the net assets, financial and earnings position. This Interim Report and Interim Management Report was neither audited in accordance with Sec. 317 German Commercial Code (HGB) nor reviewed by an auditor.

The quarterly accounts were compiled in euros (EUR). For presentation purposes, the euro values have been rounded to thousand euros (KEUR). For calculation purposes, the tables and references may contain rounding differences.

### **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 identified and yet unknown risks, uncertainties and other factors might result in the actual events, the financial situation, the development or the Group's performance significantly deviating from 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 Group 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 2013/2014:

Interim Report as of June 30, 2013

August 8, 2013

Interim Report as of September 30, 2013

November 7, 2013

German Equity Forum, Frankfurt

November 2013

Annual Report 2013

March 2014



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