

DATA MODUL

HALF-YEAR FINANCIAL REPORT
AS OF JUNE 30, 2019



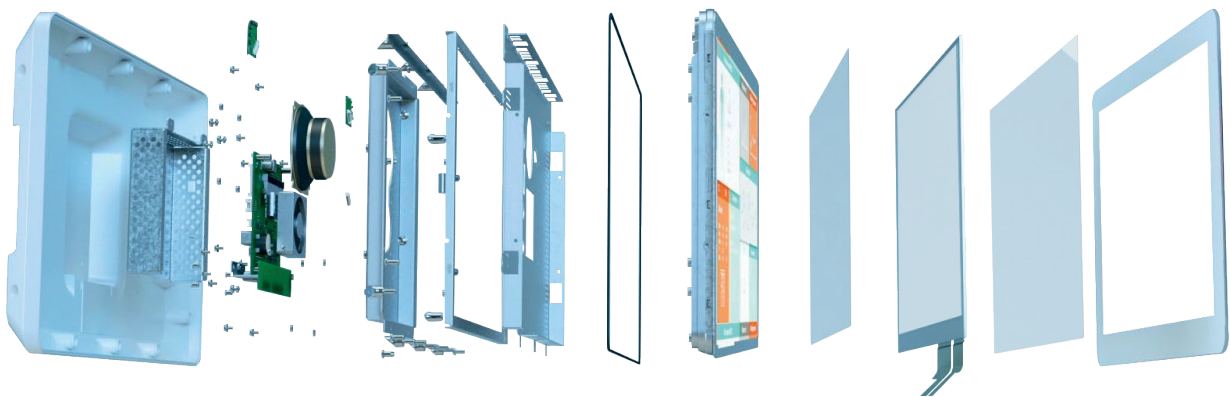
Dear Shareholders,

After a strong start to the year, a difficult economy and challenging market conditions in the second quarter meant that DATA MODUL has been unable to keep revenue and earnings at the same high level.

Orders received in the second quarter totaled 52.7 million euros, down 25.8% year-over-year (previous year: 71.0 million euros). Orders received in the first half of the year declined 11.9% versus first half 2018 to 123.4 million euros (previous year: 140.1 million euros). A 2.6% increase in order backlog from 132.3 million euros to 135.6 million euros resulted from a significant shift in delivery dates for customers across all sectors and regions. Versus the second quarter of 2018 revenue fell 17.9% to 51.2 million euros (previous year: 62.4 million euros). The half-year revenue figure declined slightly year-over-year by 4.3% to 114.7 million euros (previous year: 119.9 million euros).

As a result of the declining business, EBIT for Q2 2019 fell 24.8% to 3.8 million euros (previous year: 5.1 million euros) for an EBIT margin of 7.5% (previous year: 8.2%). For the half-year, EBIT decreased 2.0% to 8.9 million euros (previous year: 9.1 million euros), reflecting a slight increase in EBIT margin to 7.8% (previous year 7.6%). Net profit for the second quarter of 2019 was down 21.2% to 2.6 million euros (previous year: 3.3 million euros). Net profit for the first half ended June 30, 2019 was 1.6% lower year-over-year at 6.0 million euros (previous year: 6.1 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 measures across all areas.



INTERIM GROUP MANAGEMENT REPORT

1. General economic conditions

Significant upheaval across the global trade landscape is rendering economic forecasting particularly difficult, but there is general agreement among analysts that global economic growth will decline in view of the current trade disputes, political turmoil connected with the unresolved BREXIT situation and political tension between the US and Iran, significantly undermining the growth outlook. The relationship between the US and China has entered a confrontational phase in their ongoing geopolitical and economic rivalry. The US Federal Reserve has responded attentively to the emerging negative factors, laying the groundwork for further interest rate cuts.

After the surprise growth seen in the first quarter of 2019, disappointment has set in as the significant ill effects of protectionist policies by the world powers China and the US on the eurozone are being felt. Substantially declining global economic growth is causing a dramatic slowing of Germany's heavily export-oriented economy.

In view of weaker economic data for manufacturers and lower estimates for our primary markets, we continue to see challenging economic conditions ahead for DATA MODUL in fiscal year 2019.

2. Corporate Results

	4/1 - 6/30/2019	4/1 - 6/30/2018	Change	1/1 - 6/30/2019	1/1 - 6/30/2018	Change
Total revenue ¹⁾	51,200	62,368	-17.9%	114,709	119,855	-4.3%
Displays	34,689	37,123	-6.6%	72,187	72,188	0.0%
Systems	16,511	25,245	-34.6%	42,522	47,667	-10.8%
Orders received	52,664	70,975	-25.8%	123,435	140,132	-11.9%
Order backlog	135,631	132,257	2.6%	135,631	132,257	2.6%
EBIT ²⁾	3,835	5,098	-24.8%	8,917	9,101	-2.0%
EBIT margin ³⁾	7.5%	8.2%	-8.5%	7.8%	7.6%	2.6%
Net profit for the period	2,576	3,270	-21.2%	6,015	6,115	-1.6%
Capital expenditure ⁴⁾	2,144	1,560	37.4%	3,810	2,311	64.9%
Number of employees ⁵⁾	506	426	18.8%	506	426	18.8%
Earnings per share (in euros)	0.73	0.92	-21.2%	1.71	1.73	-1.6%
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 51,200 thousand euros for the second quarter of 2019 (previous year: 62,368 thousand euros), down 17.9% year-over-year. In a half-year view, revenue declined 4.3% year-over-year from 119,855 thousand euros to 114,709 thousand euros. The Displays business segment recorded revenue of 34,689 thousand euros in the second quarter 2019 (previous year: 37,123 thousand euros)¹, while the Systems business segment recorded revenue of 16,511 thousand euros (previous year: 25,245 thousand euros)¹. Orders received decreased 25.8% for the Group year-over-year to 52,664 thousand euros (previous year: 70,975 thousand euros) as order backlog rose 2.6% to 135,631 thousand euros (previous year: 132,257 thousand euros). The Company's strategy to enhance its international orientation continues to yield successes, reflected in a largely unchanged export rate of 48.4% for the first six months of 2019 (previous year: 48.7%).

4. Earnings

Negative macroeconomic developments are driving a decline in earnings across all sectors and markets. For the second quarter of 2019 DATA MODUL recorded EBIT of 3,835 thousand euros (previous year: 5,098 thousand euros), representing a year-over-year decrease of 24.8%. This resulted in EBIT margin narrowing slightly to 7.5% (previous year: 8.2%). For the half-year, EBIT decreased 2.0% to 8,917 thousand euros (previous year: 9,101 thousand euros), reflecting a slight increase in EBIT margin to 7.8% (previous year 7.6%). The Displays business segment recorded EBIT of 3,758 thousand euros (previous year: 3,455 thousand euros)¹, while the Systems business segment recorded EBIT of 5,159 thousand euros (previous year: 5,646 thousand euros)¹. The profit for the second quarter of 2019 decreased by 21.2% to 2,576 thousand euros (previous year: 3,270 thousand euros). The profit recorded for the period ended June 30, 2019 of 6,015 thousand euros was down 1.6% year-over-year (previous year: 6,115 thousand euros), for earnings per share of 1.71 euros (previous year: 1.73 euros). Earnings for the first six 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 32 thousand euros and net income for the period by 170 thousand euros.

5. Balance sheet

The balance sheet total has increased by 11,284 thousand euros since calendar year-end to 145,408 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, inventories and contract assets per IFRS 15 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 the net profit recorded for the first half of 2019. Trade payables also declined.

In the change over to IFRS 16 accounting rules effective January 1, 2019, applying the cumulative method without adjustment of the previous-year figures, lease assets for rights of use to leased property were recognized in the amount of 8,481 thousand euros, as well as lease liabilities in the amount of 9,337 thousand euros and deferred tax assets in the amount of 274 thousand euros. The initial application effect of 582 thousand euros was charged against retained earnings.

Cash flow from operating activities was -6,117 thousand euros as of June 30, 2019 (previous year: -3,898 thousand euros)². This was due primarily to lower trade payables and to higher inventories and trade receivables.

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

² 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.

Cash flow from investing activities was -10,610 thousand euros (previous year -2,310 thousand euros) due to the investments made in intangible assets and property, plant and equipment in the first half 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 inflows reportable for the first time as cash inflows from lease liabilities per IFRS 16 and the dividend distribution for fiscal year 2018 resulted in cash flows from financing activities of 5,516 thousand euros (previous year: 79 thousand euros)¹. At the reporting date the Group had 13,756 thousand euros in cash and cash equivalents (December 31, 2018: 24,956 thousand euros).

At the end of second quarter 2019 DATA MODUL had an equity ratio of 68.2% (December 31, 2018: 70.1%). The Group thus remains solid financially, with sufficient liquidity.

6. Capital expenditure

Capital expenditures in the first half of 2019 totaled 3,810 thousand euros (previous year: 2,311 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 June 30, 2019, the number of Group employees was 506 (previous year: 426).

8. Opportunities and risks

In fiscal year 2019, DATA MODUL will stay 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 June 30, 2019 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 involve an inevitable risk that projected developments may not actually occur, with respect to either their direction or extent.

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.

Rather than ‘more’, ‘better’ and ‘faster’, the growth outlook for the world economy over the next few years will be characterized by slower and more isolated growth in which politics plays a large role. European monetary policy decision-makers will have to act in view of increasing geopolitical risk, a persistently low level of inflation and a renewed rise in borrowing by European nations. These developments point to an end to the long break in interest rate cuts. The OECD warned one year ago that trade and political risks could significantly undermine the global economy, further deepening socio-economic division in societies.

Economic momentum has now slowed significantly worldwide, and growth is expected to be weak in the near term in view of the ongoing trade disputes. Trade and investment have slowed, the business and consumer climates have deteriorated and industrial production has fallen. The OECD estimates global growth of a mere 3.2%.

The eurozone economy has noticeably cooled off, particularly affected by lower foreign demand. The OECD does not see these structural weaknesses resolving, as recent indicators have shown a dramatic slump in foreign orders and in capital goods production. Analysts believe economic growth for full-year 2019 will come in at less than one percent.

German businesses have concerns about the future too, as reflected in another 0.5 point decline in the Ifo Business Climate Index down to 97.4 in June, marking a historic low since November 2014. Ifo Institute surveys have revealed further worsening in the business climate in the manufacturing sector in particular, where business is expected to decline further, as foreign buyers will not be providing a boost in the present economic environment. Inventories are rising to problematically high levels, so production cuts and layoffs in the months ahead are likely.

General economic conditions have had a negative impact on DATA MODUL’s business in 2019. The Company is responding to these challenges by introducing systematic measures across all areas to prudently cut costs and reduce staff levels while keeping longer-term business objectives in focus.

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 June 30, 2019

ASSETS	6/30/2019	12/31/2018
Non-current assets		
Goodwill	2,419	2,419
Intangible assets	3,007	3,100
Property, plant and equipment	18,117	15,799
Right-of-use assets	14,544	0
Deferred tax assets	587	280
Total non-current assets	38,674	21,598
Current assets		
Inventories	55,401	52,865
Trade accounts receivable including writedowns (2019: 169; 2018: 167)	28,708	28,961
Contract assets	6,275	3,945
Other current assets	1,961	1,160
Other current financial assets	633	639
Cash and cash equivalents	13,756	24,956
Total current assets	106,734	112,526
Total assets	145,408	134,124

All figures in KEUR

LIABILITIES AND SHAREHOLDERS' EQUITY	6/30/2019	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 6/30/2019 and 12/31/2018)	10,579	10,579
Capital reserves	24,119	24,119
Retained earnings	63,566	58,556
Other reserves	794	752
Total shareholders' equity	99,058	94,006
Non-current liabilities		
Pensions and non-current personnel liabilities	1,567	1,567
Non-current provisions	293	303
Non-current contract liabilities	605	722
Non-current lease liabilities	14,010	0
Deferred tax liabilities	1,393	1,158
Total non-current liabilities	17,868	3,750
Current liabilities		
Trade accounts payable	11,518	18,787
Current contract liabilities	519	546
Current lease liabilities	1,533	0
Taxes payable	2,844	3,366
Current provisions	2,042	2,423
Liabilities due to financial institutions	4,200	4,200
Other current liabilities	4,739	6,072
Other current financial liabilities	1,087	974
Total current liabilities	28,482	36,368
Total liabilities	46,350	40,118
Total liabilities and shareholders' equity	145,408	134,124

All figures in KEUR

CONSOLIDATED STATEMENT OF INCOME

	4/1 – 6/30/2019	4/1 – 6/30/2018	1/1 – 6/30/2019	1/1 – 6/30/2018
Revenue	51,200	62,368	114,709	119,855
Cost of sales	(39,516)	(48,115)	(88,517)	(93,774)
Gross margin	11,684	14,253	26,192	26,081
Research and development expenses	(1,423)	(1,636)	(3,056)	(3,001)
Selling and general administrative expenses	(6,426)	(7,519)	(14,219)	(13,979)
Earnings before interest and taxes (EBIT)	3,835	5,098	8,917	9,101
Interest income	1	0	2	0
Interest expense	(121)	(13)	(188)	(31)
Earnings before taxes for the period	3,715	5,085	8,731	9,070
Income tax expense	(1,139)	(1,815)	(2,716)	(2,955)
Net profit for the period	2,576	3,270	6,015	6,115
Earnings per share – basic	0.73	0.92	1.71	1.73
Earnings per share – diluted	0.73	0.92	1.71	1.73
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 – 6/30/2019	1/1 – 6/30/2018
Cash flows from operating activities¹		
Net profit for the period	6,015	6,115
<i>Non-cash expenses and income</i>		
Income tax expense	2,716	2,955
Depreciation, amortization and impairments	2,348	1,290
Provisions for bad debts	2	12
Gain from disposals of fixed assets	(3)	0
Net interest	185	31
Other non-cash expenses and income	1	(3)
<i>Change in:</i>		
Inventories	(2,536)	(14,194)
Trade receivables and contract assets	(2,078)	(7,292)
Other assets	(749)	77
Trade accounts payable	(7,269)	7,199
Change in other liabilities and contract liabilities	(1,606)	2,141
Income taxes paid	(3,143)	(2,229)
Cash flows from operating activities	(6,117)	(3,898)
Cash flows from investing activities		
Proceeds from disposals of fixed assets	11	0
Capital expenditures with capitalizable development cost	(438)	(491)
Capital expenditures on other intangible assets and property, plant and equipment	(3,363)	(1,819)
Investments in right-of-use assets	(6,820)	0
Cash flows from investing activities	(10,610)	(2,310)
Cash flows from financing activities¹		
Inflows (+)/outflows (-) from lease liabilities	6,205	0
Cash inflows (+) / outflows (-) from current financial liabilities	0	500
Dividend paid	(423)	(423)
Interest received (+) / paid (-) (net)	(185)	(31)
Other financing activities	(81)	33
Cash flows from financing activities	5,516	79
Effects of exchange rate movements on cash & cash equivalents	11	46
Net change in cash and cash equivalents	(11,200)	(6,083)
Cash and cash equivalents at beginning of the fiscal year	24,956	20,217
Cash and cash equivalents at end of the quarter	13,756	14,135

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 CHANGES IN EQUITY

	Capital stock No. of shares	Capital stock 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				6,115		6,115
Dividend				(423)		(423)
Foreign currency translation					135	135
BALANCE AS OF 6/30/2018	3,526,182	10,579	24,119	50,454	695	85,947
BALANCE AS OF 1/1/2019	3,526,182	10,579	24,119	58,556	752	94,006
Initial application effects from IFRS 16				(582)		(582)
AS OF 1/1/2019 adjusted	3,526,182	10,579	24,119	57,974	752	93,424
Net profit for the period				6,015		6,015
Dividend				(423)		(423)
Foreign currency translation					42	42
BALANCE AS OF 6/30/2019	3,526,182	10,579	24,119	63,566	794	99,058

All figures in KEUR, except number of shares.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	4/1 – 6/30/2019	4/1 – 6/30/2018	1/1 – 6/30/2019	1/1 – 6/30/2018
Net profit for the period	2,576	3,270	6,015	6,115
<i>Other comprehensive income (loss) to be reclassified in the statement of income in subsequent reporting periods</i>				
<i>Adjustments from currency translation of foreign subsidiary results</i>	(142)	228	42	135
Comprehensive income after tax	2,434	3,498	6,057	6,250

All figures in KEUR

INCOME TAX

Income tax expense breaks down into the following principal items on the consolidated statement of income:

	1/1 – 6/30/2019	1/1 – 6/30/2018
Actual tax expense	(2,515)	(2,656)
Deferred income taxes	(201)	(299)
Income tax expense	(2,716)	(2,955)

All figures in KEUR

DIVIDEND DISTRIBUTION

	6/30/2019	6/30/2018
Approved and distributed dividends on common stock	423	423

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 half-year financial report dated June 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 half-year financial 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.

Segment reporting

For business management purposes, the Group is organized into business units based on products and services. The Group's two reporting segments are Displays and Systems.

Segment results 1/1 – 6/30/2019	Displays	Systems	Group total
Revenue	72,187	42,522	114,709
Net profit for the period	2,484	3,531	6,015

Segment results 1/1 - 6/30/2018¹	Displays	Systems	Group total
Revenue	72,188	47,667	119,855
Net profit for the period	2,321	3,794	6,115

All figures in KEUR

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

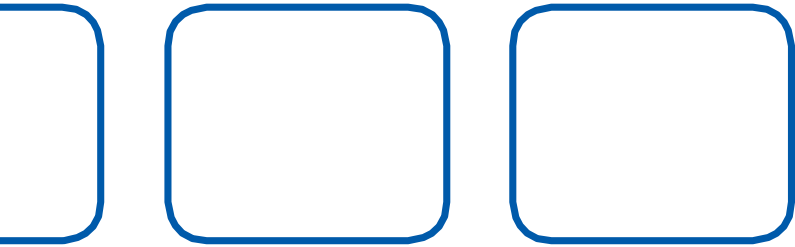
Management Representation

I represent, to the best of my knowledge and ability and in accordance with the applicable accounting principles for interim financial statements, that the interim consolidated financial statements present a true and fair view of the Group's financial position, financial performance and cash flows, and that the interim group management report presents fairly, in all material respects, the Group's business performance, results and financial position, as well as significant risks and opportunities for the Group of relevance during the remainder of the fiscal year.

Dr. Florian Pesahl,
Chief Executive Officer

Disclaimer

The current consolidated half-year financial 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 2019/2020

Quarterly report as of September 30, 2019

November 8, 2019

Annual Report 2019

March 2020