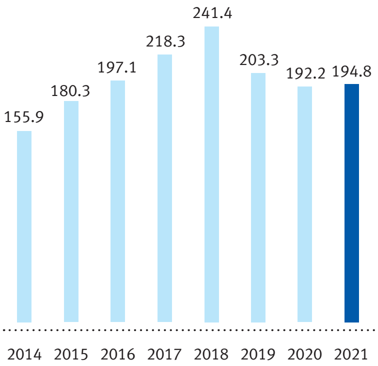
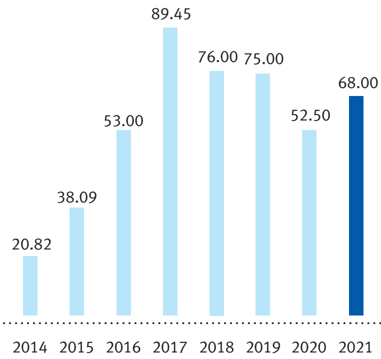
DATA MODUL
ANNUAL REPORT 2021

DATA MODUL AT A GLANCE

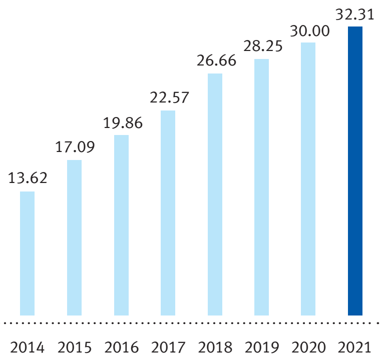
REVENUE
(in millions of euros)



HIGHEST STOCK PRICE
(in euros)



EQUITY PER SHARE
(in euros)



Group key figures per IFRS and alternative key performance indicators*

In KEUR	2021	2020	2019	2018	2017	2016	2015	2014
Revenue	194,774	192,185	203,314	241,417	218,256	197,079	180,300	155,915
EBITDA [1]	18,575	17,745	15,644	23,587	18,324	17,060	15,331	13,257
EBIT [2]	12,704	11,829	10,194	20,801	15,913	15,039	12,576	11,404
EBIT margin in % [3]	6.5	6.2	5.0	8.6	7.3	7.6	7.0	7.3
Net income	7,898	7,563	6,507	14,277	10,623	10,228	8,413	7,573
Shareholders' equity	113,933	105,860	99,599	94,006	79,571	70,027	60,246	48,036
Shareholders' equity ratio in %	60.3	69.2	67.5	70.1	71.8	68.0	66.6	60.0
Working capital [4]	89,440	61,232	63,702	63,039	56,193	52,854	44,691	39,543
Cash flow [5]	-15,715	10,777	10,447	10,797	6,756	6,325	7,049	13,799
Capital expenditure [6]	3,019	3,429	6,984	5,638	4,427	4,031	2,719	2,471
Number of employees [7]	468	460	489	445	403	395	364	348
Revenue per employee	416	418	416	543	542	499	495	448
Earnings per share in euros	2.24	2.14	1.85	4.05	3.01	2.90	2.41	2.23
Cash flow per share in euros [8]	-4.46	3.06	2.96	3.06	1.91	1.79	2.00	3.91
Dividend per share in euros [9]	1.00	0.12	0.12	0.12	0.12	0.12	0.12	0.12
Stock price at year end in euros	65.00	49.00	51.00	55.60	70.00	49.00	36.90	20.00
Highest stock price in euros	68.00	52.50	75.00	76.00	89.45	53.00	38.09	20.82
Lowest stock price in euros	45.60	28.60	45.00	55.60	49.00	35.01	19.91	16.31

1) **EBITDA:** EBITDA is an acronym for 'earnings before interest, taxes and depreciation'. This metric is calculated as EBIT after depreciation and amortization.
2) **EBIT:** EBIT is an acronym for 'earnings before interest and taxes'. This metric is calculated as gross profit minus research and development expenses, selling and general administrative expenses.
3) **EBIT margin:** EBIT margin is calculated as EBIT relative to revenue.
4) **Working capital:** Working capital is a measure of operating liquidity and thus short-term financial health. This metric is calculated as trade receivables plus inventories minus allowance for doubtful accounts and trade payables.
5) **Cash flow:** Cash flow refers to cash flow from operating activities. This metric is calculated as net income for the year minus non-cash income plus non-cash expenses.
6) **Investments:** Investments are calculated as capitalized development costs and capex/investments in other intangible assets and property, plant and equipment.
7) **Number of employees:** Average number of employees during the year excluding apprentices.
8) **Cash flow per share in euros:** Cash flow per share means cash flow from operating activities per outstanding share.
9) **Dividend per share in euros:** The dividend amount proposed by management at the Annual Shareholders' Meeting in 2022.

* The DATA MODUL Group utilizes alternative key performance indicators as part of its regular and mandatory reporting. These alternative performance indicators are in supplement to the ratios defined under IFRS and are not defined under International Financial Reporting Standards (IFRS). The alternative performance indicators utilized are listed and explained separately unless their meaning is obvious by the name.

DATA MODUL
2021 ANNUAL REPORT

MANAGEMENT REPORTS

Another year full of challenges, with global materials shortages, political tensions and pandemic management necessities requiring the company's Executive Board to demonstrate both agility and tact. Despite these great challenges, DATA MODUL surmounted global planning difficulties, recording steadily increasing order backlog while further expanding operations at the company's international locations.

EXECUTIVE BOARD REPORT

Dear shareholders and friends of our Company,

“Troubled times help us cultivate our determination and inner strength”—these words of the Dalai Lama were the reality for DATA MODUL in year two of the coronavirus pandemic. We performed very well even though the environment continues to be challenging, remaining a strong and reliable business partner for our customers, suppliers and employees as ever before.

Thanks to the hard work and dedication of every DATA MODUL employee, the Company was able to record revenue of 195 million euros for fiscal year 2021. This represents a slight increase versus the previous year despite all the supply chain problems, planning uncertainty and shortages of materials. Thanks to stringent cost management policies established in recent years we recorded EBIT of 12.7 million euros (up 7% year over year), further increasing our equity. This result was thanks in part to good international positioning and diversification of sales across different industries and global regions. Impact suffered in certain markets was thus effectively cushioned and balanced out.

In view of the Company’s business results, the Executive and Supervisory Boards propose approval at the Annual Shareholders' Meeting to distribute a dividend of 1.00 euro per share for fiscal year 2021. This represents a distribution ratio of approximately 50% of net income for the year.

Given the political tensions between the US and China, securing our supply and improving the supply chain situation were top priorities in the fiscal year ended. Our strong financial position enabled us to pursue proactive purchasing and inventory policies for the benefit of our customers, deliberately increasing inventories to fill the significantly greater backlog of orders deliverable now in fiscal year 2022. We remained in close dialogue with our customers in this regard. With trade fair activities sharply limited, we substantially stepped up and expanded our use of digital communication options to make up for reduced personal contact with customers.

The extensive hygiene measures taken to protect our staff members kept operations undisrupted and allowed us to continue expansion efforts at all production sites. We are proud to have reached further milestones in our global production and logistics plan, which is part of the Touch Tomorrow 2023 strategy program. Our locations in Poland and China received recognition in 2021 for sustainable quality management and obtained certification under ISO 9001:2015. Even though travel remains subject to restrictions, these locations remain solidly on track with their expansion plans, both significantly increasing production volume. This was chiefly possible thanks to the extraordinary dedication shown by the local staff on site and close cooperation with their counterparts in Germany.

Plans introduced last year to devise a more agile organizational structure were further pursued in the fiscal year ended with the aim of fostering greater personal employee responsibility at all levels. Complementing our talent promotion program, going forward there will be a greater focus on general staff development as we expand and diversify our training course offering. Driven by ever-increasing digitalization, dynamic markets and a skilled labor shortage, we believe self-examination and continuous development are crucial in order to allow the realization of key changes and make our organization highly resilient. Resilience is understood here as the ability to respond with agility to situations while retaining stability. And we are aware that making gains in this area

requires persistence, boldness, prudence and flexibility on the part of every employee. I would thus like to take this opportunity to thank all staff for their extraordinary contributions in making last year a successful one overall for the Company.

Since founding of the company nearly 50 years ago, we have been working with dedication and professionalism to steadily grow our company in sustainable fashion. Our future rests on the know-how and wealth of experience our employees contribute, which are essential for innovation and growth. Our corporate values of professionalism, dedication, drive for success, innovation and team spirit inform our day-to-day activities.

We as vendor and manufacturer of premium display products and related services remain in close cooperation with both customers and suppliers worldwide at all times in our pursuit of a paradigm shift in man-machine interaction. Our extensive experience in display, touch, embedded and system technologies enables us to comprehensively meet customer requirements—now better than ever before.

The financial success we have enjoyed over the past few years continues to afford us the means for crucial investment in tomorrow's technologies. Such as the 5.7 million euros we invested in research and development in 2021, reflecting our commitment to the "three I's" as factors for success: investment, innovation, internationalization. We believe we are ideally positioned to meet the elevated requirements in today's global display market, marked by steady growth and intensifying competition, and we look to the future with optimism.

This past year we navigated the company through numerous challenges with prudence and foresight, benefiting from the hybrid working trend as a public health and hygiene measure.

We saw our way competently through another year full of challenges affecting virtually all industries, societies and countries, and have observed a significant rebound in the last few months that supports our belief that we will emerge from the crisis stronger overall, remaining on track for a future of sustainable growth.

We thank all of our stakeholders, and it is our sincere wish that you, our shareholders and investors, will be accompanying our enterprise further along our path. Your backing reveals your esteem for us and the confidence you have in our organization.
We intend to keep working together to ensure that DATA MODUL remains on track for sustainable, profitable growth going forward.

Dr. Florian Pesahl, Chief Executive Officer
Munich, March 2022

SUPERVISORY BOARD REPORT

Dear shareholders,

In the year under review the Supervisory Board addressed matters concerning the situation and growth of DATA MODUL AG in detail. The Board fulfilled the obligations incumbent upon it by law and by virtue of the Articles of Incorporation and code of procedure, advising and supervising the Executive Board in its work.

The Executive Board regularly informed the Supervisory Board both verbally and in writing regarding business developments at DATA MODUL AG.

The Supervisory Board heard and reviewed reporting on the Company's sales and market situation and regarding the balance sheets and earnings of the parent company and subsidiaries respectively, particularly in view of the global coronavirus pandemic. DATA MODUL Group sales and profits were presented in quarterly reporting, including a breakdown by business segment.

Principal discussion topics of the Supervisory Board

In the period under review the Supervisory Board convened for four meetings. All meetings were attended by all members of the Supervisory Board. The main issues addressed in these meetings are outlined below.

At the Supervisory Board meeting in March 2021, the Annual Financial Statements prepared by the Executive Board for DATA MODUL AG and for the Group for fiscal year 2020 were presented and discussed in detail. The Supervisory Board adopted the Annual Financial Statements of DATA MODUL AG and approved the Consolidated Financial Statements. Representatives of the auditor of the Separate and Consolidated Financial Statements, Ernst & Young Wirtschaftsprüfungsgesellschaft, Stuttgart, also attended the meeting. The Supervisory Board also reviewed the Dependent Company Report per Sec. 312 (1) of the German Stock Corporation Act (Aktiengesetz/AktG) on relations between DATA MODUL AG and its affiliated companies, which the Executive Board presented. The German Corporate Governance Code declaration per Sec. 161 of the German Stock Corporation Act (Aktiengesetz/AktG) and the Corporate Governance Declaration per Sec. 289f of German Commercial Code (HGB) were additionally discussed and adopted, among other Board activities. The Declaration of Compliance per Sec. 161 AktG and the Declaration on Corporate Governance per Sec. 289f HGB have been made publicly available on the company website at www.data-modul.com.

At its March 2021 meeting the Supervisory Board discussed in detail the outcome of the tender invitation for regular selection of a new auditor, Executive Board remuneration and the agenda for the 2021 Annual Shareholders' Meeting and approved the resolution proposals for the Annual Shareholders' Meeting. Discussion focused as well on the business results for the current fiscal year.

At its May 2021 meeting the Supervisory Board discussed the latest business developments and the liquidation of DATA MODUL Suisse, passing a corresponding resolution. At its September 2021 meeting the Supervisory Board primarily addressed the business situation and outlook for the DATA MODUL Group in light of the continuing coronavirus pandemic and the special challenges affecting supply chains.

At the Supervisory Board meeting in December 2021 the Executive Board reported on the Group's current business and financial situation, presenting the budget planning — which the Supervisory Board approved. Mazars GmbH & Co. KG, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Hamburg, hired as the company's new auditor at the Annual Shareholders' Meeting on May 6, 2021, reported on its audit planning for fiscal year 2021. The Company provides support to newly appointed Supervisory Board members as well as continuing educa-

tion subsequently. No onboarding events were conducted in fiscal year 2021 because no new members were appointed to the DATA MODUL AG Supervisory Board.

Audit of the Separate and Consolidated Financial Statements

In early 2022 the Executive Board prepared the DATA MODUL AG Separate Financial Statements and Management Report for fiscal year 2021 in accordance with German Commercial Code (HGB) accounting rules; the Consolidated Financial Statements and Group Management Report were prepared in accordance with the applicable International Financial Reporting Standards (IFRS) and with the supplemental Commercial Code rules per Sec. 315e of German Commercial Code. The auditor Mazars audited both sets of Financial Statements including Management Reports, thereupon issuing unqualified audit opinions.

Mazars also audited the Dependent Company Report for the period January 1, 2021 - December 31, 2021. The auditor issued the following unqualified audit opinion regarding the Dependent Company Report:
“Based on our audit, performed in accordance with professional standards and our professional judgment, we confirm that

1. the factual statements made in the report are correct,
2. the consideration paid by Data Modul AG in the transactions stated in the Report was not excessively high.”

At its March 2022 meeting, the Supervisory Board discussed in detail the Financial Statements for fiscal year 2021 and Dependent Company Report. Representatives of the financial accounting firm Mazars attended the meeting, reported on their audit findings and provided additional information. In their review, the auditors found no material weaknesses regarding the structure or effectiveness of the internal control and risk management system in place.

The Supervisory Board also reviewed the Separate Financial Statements and Management Report of DATA MODUL AG, the Consolidated Financial Statements and Group Management Report for fiscal year 2021 and the Dependent Company Report. This review by the Supervisory Board did not result in the noting of any reservations regarding the Separate Financial Statements, Consolidated Financial Statements, Dependent Company Report, the Executive Board's concluding declaration in the Dependent Company Report or the auditor's findings from auditing of the Dependent Company Report. The Supervisory Board approved the 2021 Consolidated Financial Statements, adopted the 2021 Separate Financial Statements and agreed to the Executive Board’s proposal for the appropriation of accounting profits.

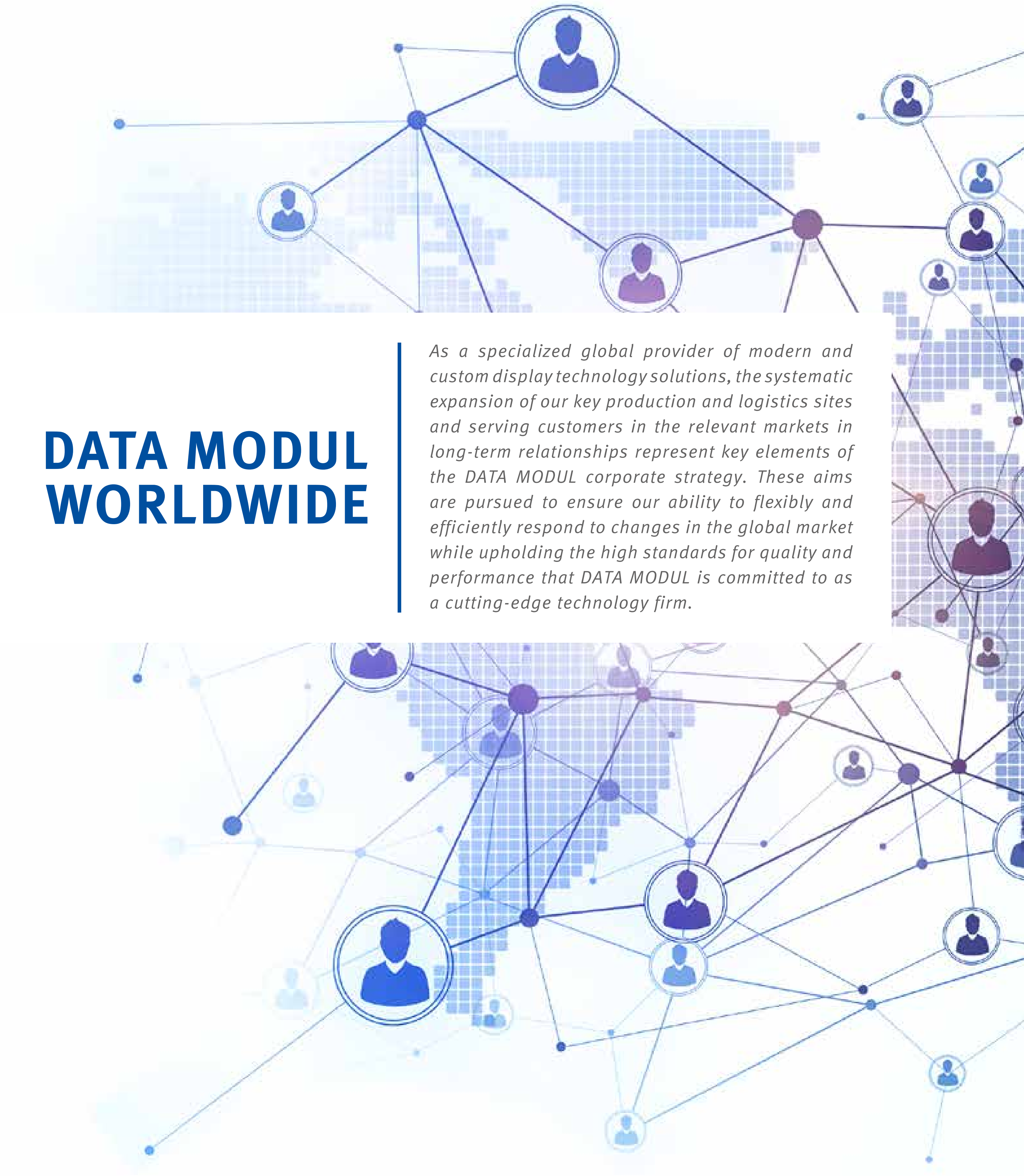
Supervisory Board members

The DATA MODUL AG Supervisory Board consists of three members. The Supervisory Board did not form any committees during the reporting period, as this is not expected to yield efficiency gains in view of the Supervisory Board being constituted of three members.
Kristin D. Russell joined the Supervisory Board in 2016; Richard A. Seidlitz and Employee Representative Mr. Eberhard Kurz joined in 2019.

The Supervisory Board would like to thank and recognize the work of the Executive Board as well as the contributions of all DATA MODUL employees worldwide, whose dedication made 2021 a successful fiscal year.

For the Supervisory Board

Kristin D. Russell, Supervisory Board Chair
Munich, March 2022



DATA MODUL WORLDWIDE

As a specialized global provider of modern and custom display technology solutions, the systematic expansion of our key production and logistics sites and serving customers in the relevant markets in long-term relationships represent key elements of the DATA MODUL corporate strategy. These aims are pursued to ensure our ability to flexibly and efficiently respond to changes in the global market while upholding the high standards for quality and performance that DATA MODUL is committed to as a cutting-edge technology firm.

DATA MODUL WORLDWIDE

THE DISPLAY EXPERTS

Drawing upon many years of experience in display, touch, embedded and system technologies, we realize proprietary products, tailored solutions and value-added services for customers in many different industries on roughly 45,000 sqm at our in-house development and manufacturing locations.
DATA MODUL products efficiently meet customers' specific edge computing requirements for today's smart and networked industrial applications. The Company's performance and competitiveness rest upon a broad product portfolio and high-level expertise in display technologies and delivering cutting-edge visual solutions.
As a global player, DATA MODUL is constantly growing its presence in the firm's key markets of Europe, Asia and North America. DATA MODUL is positioning itself for the future, strategically expanding in global growth markets and in growth sectors like automotive and industrial automation.

FACTS & FIGURES

Last revised 12/31/2021

~500
EMPLOYEES WORLDWIDE

195
REVENUE IN MILLIONS OF EUROS

>20
DATA MODUL LOCATIONS WORLDWIDE

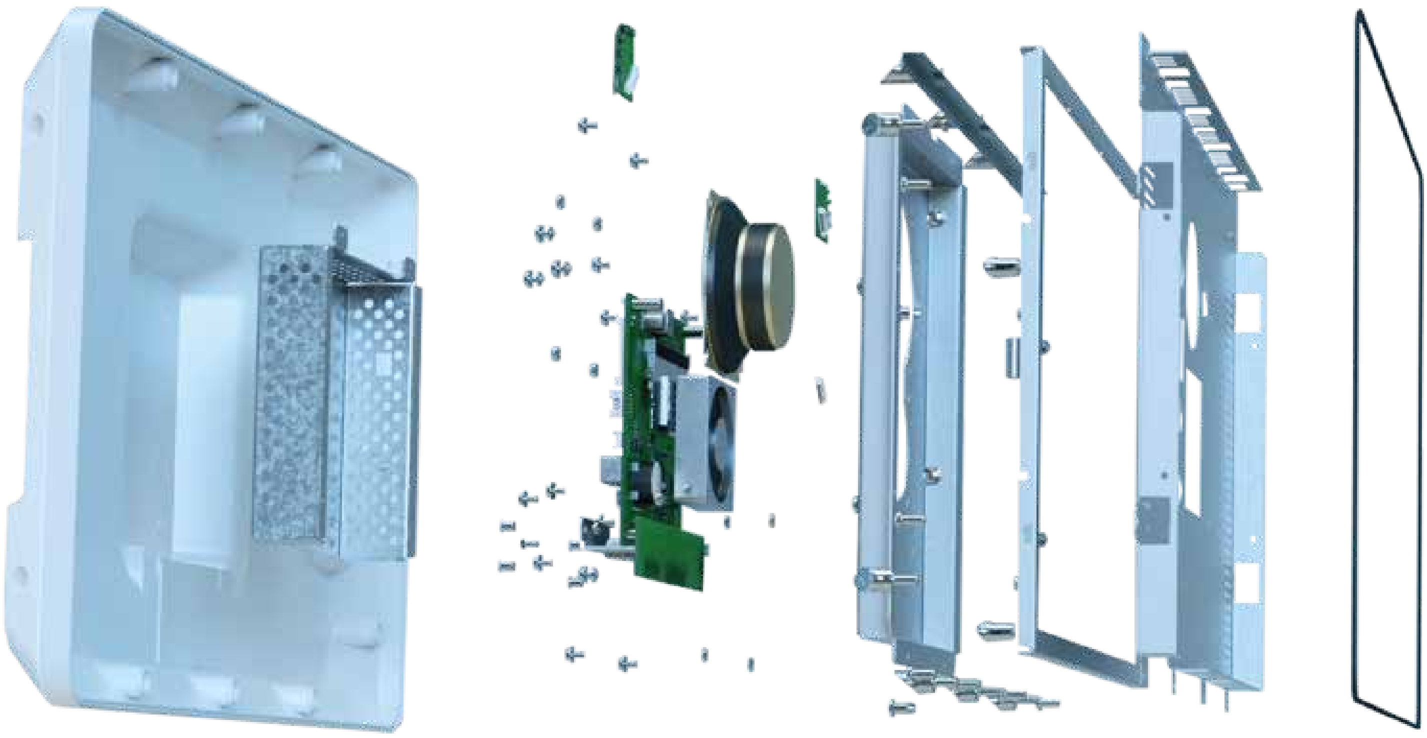
R&D EXPENSES IN MILLION EURO	YEARS' EXPERIENCE IN VISUAL SOLUTIONS	EQUITY RATIO IN %
5.7	~50	~60

DATA MODUL
PRODUCT PORTFOLIO

DATA MODUL is focused on the systematic optimization and further development of its extensive product portfolio, dedicated to long-term partnerships with suppliers and to keeping in-house development aligned with the needs of customer

industries and markets. Our product and service array is thus unique, built around the core segments: Display, Touch, Embedded and Systems — each revealing our commitment to maximum efficiency and quality.

PRODUCTS AND COMPETENCIES

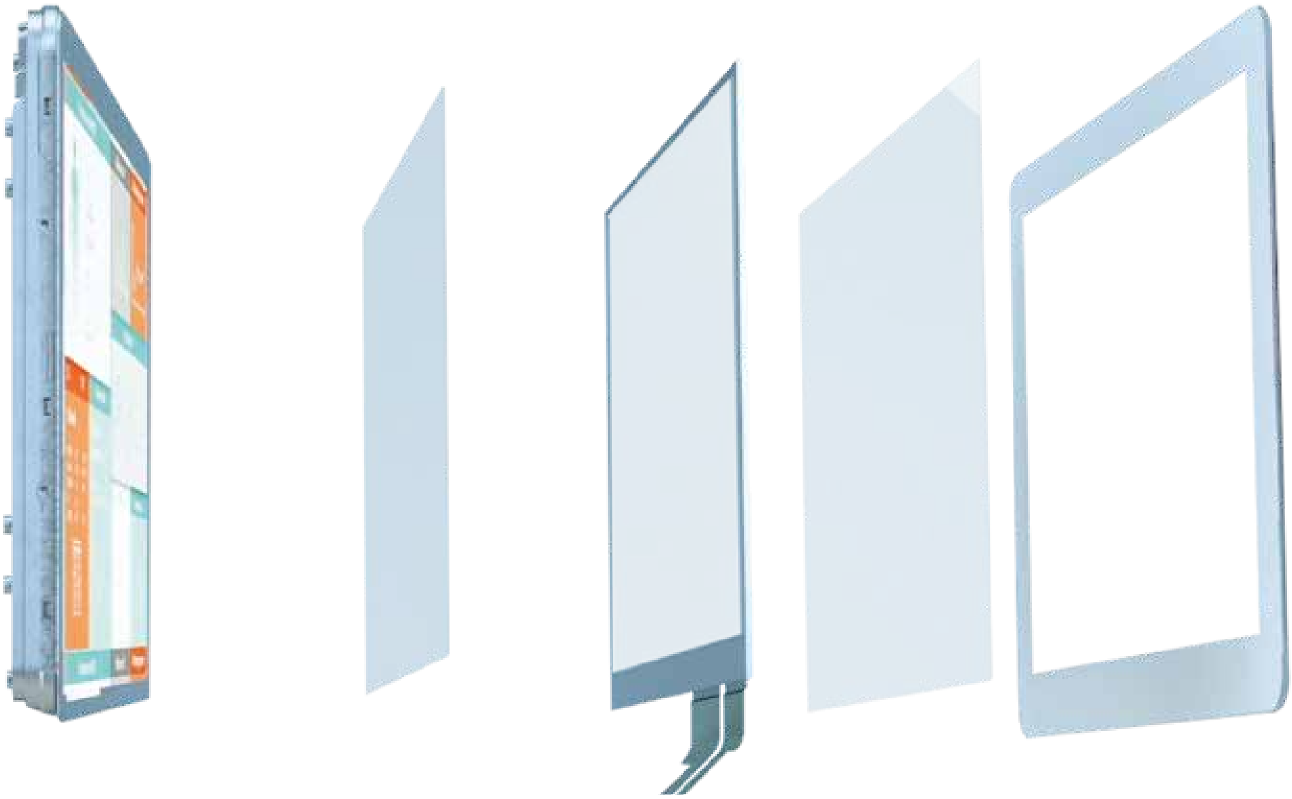


SYSTEM SOLUTIONS

DATA MODUL realizes custom monitor and panel PC system solutions for a variety of demanding applications by drawing upon the Company's modular product portfolio, proprietary innovations and extensive manufacturing expertise. DATA MODUL system components are found worldwide in industrial applications and information systems which are subject to extremely high quality standards.

EMBEDDED SOLUTIONS

DATA MODUL offers a wide range of ARM and x86 embedded CPU boards in many different sizes, form factors and performance classes. The entire range of embedded solutions is available with preconfigured kits, customer-specific baseboards and professional embedded computing designs. In addition, experienced engineering teams provide support and advice on developing high-quality solutions for industrial applications.



DISPLAY SOLUTIONS

As Europe's largest TFT provider, DATA MODUL offers an uncommonly extensive distribution portfolio of products from all leading manufacturers. The extensive variety of displays available today means that modern, innovative applications can be delivered to meet nearly any customer requirements. DATA MODUL offers a spectrum encompassing the latest technologies, custom design and a broad variety of sizes, formats and makes. Customers enjoy outstanding advice on selecting the right product for the application – one that offers long-term availability and good value for the money.

TOUCH SOLUTIONS

Touch solutions and the bonding processes involved are an integral part of the DATA MODUL portfolio. The focus is on the easyTOUCH projected capacitive (PCAP) series and easyTOUCH displays—specially developed for industrial applications. DATA MODUL also provides proprietary touch sensors and controller boards enabling multi-touch and gesture control, for example. Complete PCAP solutions – consisting of touch sensor, controller, firmware, front glass and optical bonding – are perfectly inter-coordinated and delivered from a single source.

HIGHLIGHTS OF THE YEAR

DATA MODUL remained on its growth trajectory this past year despite a host of issues connected with the troubled global economy, achieving key milestones within the company's international strategy. The company also added new and innovative products representing a sound expansion of its portfolio, enabling the firm to enter new markets and serve customers rapidly, efficiently and with professionalism.


TB2

HIGHLIGHTS 2021

PRODUCT OF THE YEAR 2021

In February 2021, the prominent German trade magazine Elektronik named us as Product of the Year winner in the Industrial + IOT category for our capacitive gesture control technology. The magazine presents awards for innovative products and technologies in eight categories, the winners being chosen by the readership.
Gesture control technology is a man-machine interface for non-contact operation that affords numerous advantages. Our innovation: a controller board developed in-house based on Microchip's GestIC® technology that combines 2D PCAP functionality with 3D gesture control. In addition to regular screen input the GUI also supports no-touch system operation via defined gestures.

FLEXIBLE LED LIGHTING CONCEPTS FOR VISUAL DISPLAY SYSTEMS

We now offer new monitor solutions with integrated LED control and lighting and custom lighting concepts for visual display systems that are optimally adaptable to customers' specific requirements. These have LED strips or tubes seamlessly integrated into the housing, which are flexibly adaptable to meet customers' needs. The LEDs can be controlled individually or as a group using the controller developed in-house, allowing flexibly configuration of the light settings. Applications include medical devices, slot machines and POS vending machines, with which LED lighting effects provide supplemental visual feedback for users.

4K UHD DISPLAYS NOW FOR INDUSTRIAL APPLICATIONS AS WELL

High contrast and rich color important in many industrial display applications. UHD has advantages but can furthermore be necessary where FHD displays are no longer available or if large format displays are to be used. The 4K UHD technology with resolution of 3840x2160 pixels affords four times the Full HD resolution, yielding a significantly better image display with high contrast values and brilliant color. Optional high-brightness technology can then consistently ensure good readability performance, even with strong ambient light. These properties are all highly beneficial in industrial, medical and digital signage applications.

NEW WEBSITE

Our revamped website went live right before Christmas, completely restructured for easy navigation—in addition to an all-new design. Now we are technically up to speed and all content has been updated while a lot of new information has been added as well about our product areas, technologies and industry solutions. This included highlighting the many customizing options we offer, our modern manufacturing capability and how we are successfully executing on our global growth strategy. Website visitors will now find a host of new features and interesting, informative content as well as a wide range of sharing options.

MILESTONES IN OUR INTERNATIONAL GROWTH STRATEGY

Our production sites in Lublin (Poland) and Shanghai (China) received recognition in 2021 for sustainable quality management and obtained certification under ISO 9001:2015. This globally recognized standard sets out requirements for process-oriented quality management systems, and certification means that our products and services are continuously optimized and regularly updated to meet the latest market and customer requirements. Certification is important to DATA MODUL to demonstrate our quality assurance commitment across all areas, including particularly how we uphold German quality standards at our international production sites.

LUBLIN LOCATION

SHANGHAI LOCATION

Our Shanghai site earned ISO 9001:2015 certification just a few months after opening, and the Lublin plant was certified within a year of opening.
Both production sites underwent extensive auditing, and by passing certification established that the company's internal processes meet international quality management standards. This is an extremely positive sign of our further growth potential in key markets, representing another important step within DATA MODUL's international growth strategy.

MOVING INTO OUR (e)MOBILE FUTURE

Electrical chargers, intelligent charging solutions

The fossil fuel era will slowly but surely come to an end as the quest proceeds for sustainable solutions to protect earth's climate. Drastic changes are being seen in the area of mobility, affecting the automotive industry.

Having extensively studied these changes, DATA MODUL has positioned itself to take advantage of the many possibilities opening up for new technologies and products customers will need and want. DATA MODUL believes the automotive market going electric will create major opportunities for the profitable deployment of our capabilities and solutions, and as we benefit from this paradigm shift we will simultaneously be doing our part to protect and sustain our planet.

Cutting-edge charging systems

Be it private wallbox or a commercial/public station, modern charging systems have to work perfectly and safely, and at the same time meet today's requirements for attractive design. DATA MODUL offers cutting-edge visual solutions using the latest display technology — efficient systems with an attractive look. These enable EV ('electric vehicle') applications characterized by maximum ease of operation and user-friendliness combined with attractive, top-quality design.

Optimal user-friendliness in every application

Charging stations should be easy to use, and work reliably despite ambient conditions that can be highly demanding. The integrated components must remain functional even though they may be subject to direct sunlight, high temperatures, humidity and/or extreme cold. All DATA MODUL products are developed and tested for both indoor and outdoor use situations. DATA MODUL deploys modern touch technologies that deliver error-free interaction and performance for any application. Display solutions right for the situation—that deliver brilliant color and perfect readability, even in strong ambient light or with thick touch cover glass. The systems are easily expandable to support WIFI, Bluetooth, internet access, gesture control and other IoT

functionalities. DATA MODUL is thus the ideal partner for those in need of sophisticated applications for the fast-growing EV market.

Wide range of applications

Beyond EV charging stations, the DATA MODUL portfolio includes an array of solutions for system-like applications such as parking meters and gas pumps as well as indoor applications like wallboxes and information systems.

The latest display technologies can be integrated into available areas on charging stations to create innovative digital signage systems.
These can be anything ranging from extremely bright mini-displays to large-diagonal displays with and without touch function, possibly including relevant hardware and software. As an established provider in our product areas, you can get all components plus advice and other services from DATA MODUL as your one-stop-shop.

Industrial quality, modern design

The product portfolio is specially designed for industrial applications, which means 24/7 operation and full life-cycle support for all our components.
And a broad variety of high-tech display formats enable maximum creativity in product design. We utilize the latest embedded technologies and CPU versions of leading manufacturers, ensuring performance and maximum connectivity. We also offer a range of housing solutions for mechanical applications that are usable outdoors and in harsh environments.

The EV market holds great potential, affording many opportunities—though it is a demanding market with ever-heightening requirements. DATA MODUL: helping shape our electric future!

CORPORATE RESPONSIBILITY

Responsible management, sustainable growth and a focus on the future are the basic prerequisites for our long-term success, ensuring that DATA MODUL remains a strong global partner for industrial display solutions. Our planning, communications and day-to-day operations are conducted in alignment with our corporate values of professionalism, dedication, results-orientation, innovation and team spirit. This enables us to achieve our objectives in partnership with our employees, customers, suppliers and other business partners, and is why our outlook remains highly positive.

DATA MODUL AS EMPLOYER

Our staff are the key to our success

DATA MODUL, a leading provider of cutting-edge display technologies, is on a mission to permanently revolutionize man-machine interaction. And to see this mission through we rely on highly motivated, hard-working staff able to convert strategic planning into reality, generating real added value for our customers through their day-to-day efforts.

Focus topics for 2021

Our corporate values form the foundation for our business and staffing policies. Our HR activities in the year 2021 were devoted substantially to anchoring these values—results-orientation, professionalism, innovation, dedication and team spirit—so that they inform our actions, including our internal and external communications, on all levels of the company. Sustainability and globalization were also focus topics of relevance to our staffing policy.

Sustainable staff development

Staff development and retention are traditionally very high priorities for DATA MODUL. In addition to individual career pathing for management and non-management trajectories, we also offer intensive onboarding and broad continuing education to ensure that our staff have what they need to successfully advance in their careers. We need our employees, as the company's most important resource over the long term, to steadily advance in their careers so we can make effective gains toward our management-relevant objectives around know-how transfer, innovation and teamwork.

In 2020 we launched our new Talent Pool program for promoting and retaining talent, including the next generation of executive management. A broad array of workshops is offered for select talented individuals to learn about modern management methods and important best practices for communication and leadership. Networking opportunities within DATA MODUL and a mentoring program are also provided to ensure that our people get off to a successful start as they embark upon a management career. Initial successes were seen in the talent pool projects in 2021 and the first round of workshops was conducted. A second round with new topics and enrollees then started in the fall of 2021. Activities in connection with the Talent Pool program will be continued throughout 2022, thus we are excited about the future up ahead of us as our people mature in their skills and capabilities.

Continuing education

Today's trainees are the skilled labor the Company needs tomorrow. Around 35 young people at the Company locations in Munich and Weikersheim are currently doing apprenticeships for either business or technical roles, some of whom are in combined apprenticeship/study programs. In addition to broad insights into the interworkings of a modern and innovative business enterprise across all areas,

DATA MODUL provides specialized, focused training for acquiring knowledge that is directly applicable in practice. It is important that our apprentices be assigned tasks allowing them to assume responsibility, so they can grow. Trainees and apprentices enjoy a host of employment and career pathing opportunities within the DATA MODUL Group in addition to good chances generally in the international job market. For further information, including on current apprenticeship availability, visit https://www.data-modul.com/de/unternehmen/karriere/ausbildung.html.

Organizational development and corporate culture

The working environment at DATA MODUL is international, with our headquarters located in Munich and subsidiaries strewn around the world. Diversity is one of the factors behind our success, as our employees hail from over 35 different nations. Results-oriented entrepreneurial thinking outside the departmental box is another cornerstore. The focus on all hierarchical levels is on cross-functional information sharing focused on solutions, and we cultivate a culture of open dialogue and constructive criticism.

Another mentionable project in 2021 was the development of the Insight Skills platform, usable as a tool for internal knowledge transfer—soon to be launched.

OUR MISSION, TRAITS AND VALUES

SUCCESS
Sustainable growth together with our customers, whom we are committed to serving as a strong and highly focused partner.

PROFESSIONALISM
Our work is dependable, evidencing the structure and discipline necessary to meet the most sophisticated requirements across all competency areas.

INNOVATION
We are dedicated to shaping tomorrow's technology trends today, drawing on our curiosity, boldness and expertise.

PASSION
We are dedicated individuals who enjoy tackling challenges and solving problems for our customers on a day-to-day basis.

TEAM SPIRIT
Acting in concert as a global enterprise, together we take responsibility for achieving our goals, supporting each other's efforts.

Success follows **PROFESSIONALISM.**
INNOVATION is driven by **PASSION.**
And everything is backed by strong **TEAM SPIRIT.**

Secure jobs

These pandemic years we have been living through have demonstrated how important a reliable employer is for employees, and how protecting jobs is important for employers as well. We are very proud of how DATA MODUL performed in this situation as a solid and reliable employer in 2021, overcoming challenges and difficulties in the area of HR as well as other areas.

Our efforts to keep jobs secure while planning for change are informed by the long-term orientation of our staffing management policies. The right decisions were made with prudent foresight to better protect jobs and expand efforts as part of our strategy of internationalization and global growth.

All of our apprentices passed their final exams with flying colors, qualifying for a guaranteed employment offer, and many departments saw staffing increases.

Global work environment

DATA MODUL is also successfully continuing its internationalization and global networking in the area of human resources. We are strongly interested in creating the atmosphere necessary for our staff to enjoy working in a networked environment characterized by long-term relationships with colleagues around the world.

A new program launched for the promotion of young talent in 2021 provides apprentices with the opportunity to complete an on-site assignment at one of our production plants in Germany, Poland, the US or China during the summer months. These opportunities foster an international orientation among our up-and-coming staff, affording them valuable insights into cultural aspects encountered when working in an international context.

Some of our specialists and managers who have been with the company for several years decided to accept international assignments again in 2021 to contribute their skills at our international locations. The confidence in our management response to the global pandemic this has fostered is indicative of our commitment to finding individual solutions to specific challenges we encounter around the world. For the benefit of both customers and employees.

Hybrid working

Special measures are still necessary due to the ongoing pandemic affecting the workplace and work approaches. Protecting our customers, employees, service providers and other business partners is our top priority at all times.

DATA MODUL is an attractive, modern employer in this regard as well, offering flexibility in terms of work environment and hybrid time models to afford good balance between on-site and mobile working. We deploy sophisticated IT infrastructure and provide suitable hardware to enable smooth working from home and online meetings, so business can be done anytime, anywhere around the world.

This enhances our attractiveness as an employer, ensures constant availability, maximizes production capacity and assures our customers of receiving the professional support they are accustomed to.

Thank you

We would like to again recognize and thank all of our employees, who energetically rose to meet these challenges with determination, contributing to the future of our enterprise. Further challenges lie ahead in 2022 that will require personal drive and focus from everyone on a daily basis, on all levels of our organization. We firmly believe that the Company will be able to surmount these, relying on teamwork and bold new ideas as we have all along.

WHAT WE OFFER AS AN EMPLOYER

GLOBAL WORK ENVIRONMENT

International assignments offered at more than 20 locations around the world
Close cooperation, site-to-site work exchange
International assignments for knowledge transfer

WORK-LIFE BALANCE & WELLNESS

A modern, wellness-oriented workplace
Company gym and fitness courses
Free health checkups
Accessible location, free parking
Work-life balance

TALENT MANAGEMENT

Individual onboarding
Tailored training offerings
Language training

HYBRID WORKING

Flexible work hours
Mobile working allowed

CONTINUING EDUCATION

Talent Pool program
Guaranteed employment upon apprenticeship completion
International assignments for apprentices

SECURE JOBS

Job security despite the pandemic
Employee loyalty, low turnover

Our ♥ beats for **DATA MODUL**

GROUP MANAGEMENT REPORT

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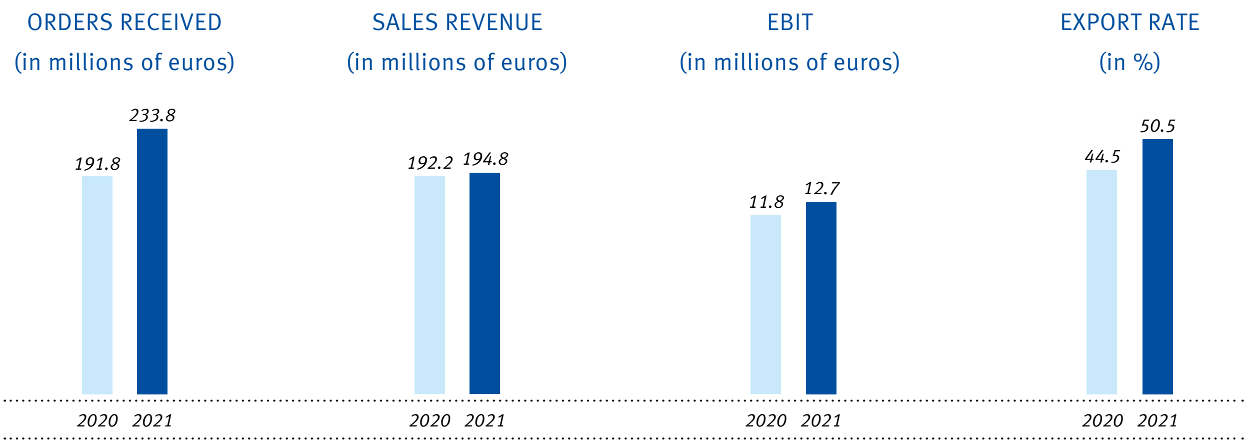
GROUP MANAGEMENT REPORT

2021 GROUP MANAGEMENT REPORT



1. Basic principles of the Company

1.1 Business model

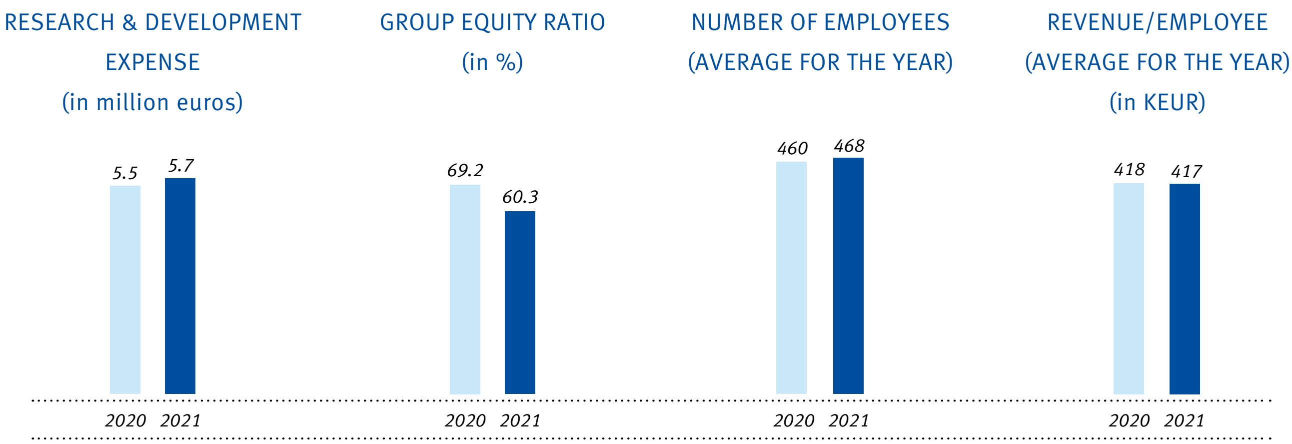
DATA MODUL AG Produktion und Vertrieb von elektronischen Systemen, Munich (DATA MODUL for short) manufactures and distributes innovative flatbed displays, monitors, electronic subassemblies and complete information systems. The Company is organized into two business segments: Displays and Systems. The Displays business primarily involves the purchase and distribution of DATA MODUL displays, easyTOUCH displays, electronic subassemblies and custom products for use in industrial applications and the automotive industry in particular. The Systems business segment comprises selling our easyBoard, easyPanel and easyEmbedded Solutions and special monitors for marine navigation and medical device applications, also targeting airport and digital signage customers.

We primarily supply customers in the mechanical engineering, medical device technology, automotive, industrial automation and gaming industries. DATA MODUL is thus influenced by the general economic environment and by developments in mechanical engineering, which is our primary industry. The Company is also impacted by changes in customer ordering behavior, as order volume is steadily rising in parallel with product complexity, so that orders are with increasing frequency turning into long-term projects in which we act as long-term partners to our customers.

The DATA MODUL Group maintains regional offices in Germany, Spain, Italy, France, the UK, Poland, Singapore, Hong Kong, Shanghai and the United States.

1.2 Control systems

DATA MODUL reflects the structure and philosophy of a classic small to medium-sized organization, yet has implemented additional processes and organizational directives which meet legal and other regulatory requirements for a publicly traded company. Management and controlling functions at DATA MODUL AG are structured in line with the German Stock Corporation Act, according to which company governance consists of three bodies: shareholders, the Executive Board and the Supervisory Board. The Executive Board prepares monthly reports which are reviewed and monitored by the Supervisory Board and discussed at Supervisory Board meetings. In addition, the Executive Board meets on a regular basis to discuss current events and strategies. Monthly Executive Board reports organized by business segment – Displays and Systems – serve as a basis for corporate decision-making, this structure being reflected in the Consolidated Financial Statements as well.



Orders received, revenue and EBIT are the key performance indicators. The Executive Board manages the Company's operations at the top level.

1.3 Research and development

It is our goal to further strengthen our innovative capabilities. Our success depends substantially on our ability to continuously offer customers new products and solutions to meet their ever-changing requirements. Expenses for internal and external research and development in fiscal year 2021 totaled 5,686 thousand euros (previous year: 5,483 thousand euros).

The average number of R&D employees during the year was 71 (previous year: 72 staff members). The R&D intensity ratio (R&D expense/revenue) was 2.9% (previous year: 2.9%).

Our development projects are classified as either research, product-related development or custom development. The R&D department focuses its activities on next-generation products and solutions, and preparing these for successful market launch.

Investment was made primarily in control electronics, industrial applications and OEM products, expansion of our production and R&D facility in Weikersheim. We have great expectations as well in R&D projects concerning our touch and optical bonding technologies. These comprised the main focus of our R&D efforts in the reporting period.

We capitalized development costs in the amount of 856 thousand euros, recognizing intangible assets (previous year: 827 thousand euros). This corresponds to a capitalization/R&D expense ratio of 15.1% (previous year: 15.1%). Amortization came to 463 thousand euros (previous year: 692 thousand euros), resulting in a net effect of 393 thousand euros (previous year: net effect of 135 thousand euros). Research expenditures are non-capitalizable.

In the year under review, assets were recognized derived from customer-specific development projects in the amount of 3,704 thousand euros (previous year: 3,453 thousand euros).

Developing new products and solutions is only one part of our continuous improvement efforts. Ongoing quality enhancement is a key priority as well.

2. Economic report

2.1 Business performance

DATA MODUL was able to record a profit despite the challenging business environment of fiscal year 2021 thanks to stringent implementation of the Touch Tomorrow 2023 strategy program. Last year's primary goals and topics included:

- Strengthening the supply chain, impacted by the pandemic
- Streamlining of our product portfolio
- Expansion and standardization of production capacity
- Expansion of our production site in Lublin
- Expansion of our production site in Shanghai
- Cost cutting and re-organizing as DATA MODULE 4.0
- Our core pandemic priorities: stay healthy, secure staff salaries and avoid layoffs while
- Converting over to a hybrid work environment.

Despite the difficult market environment in the fiscal year ended, DATA MODUL was able to meet its forecasts and estimates, the figures for orders received and order backlog coming in ahead of estimates. Details regarding our performance metrics are discussed below.

In millions of euros	2021 Estimated	2021 Actual
Orders received	172.6 – 224.4	233.8
Order backlog	108.1 – 133.3	164.9
Revenue	173.0 – 215.2	194.8
EBIT	8.3 – 15.4	12.7
Consolidated net income	5.3 – 9.2	7.9
Return on equity	10.1 – 17.1	11.2

New orders surged again in the fiscal year under review on recovering demand, especially from Germany, the US and China. Business in Italy and Spain was strong as well. We remain confident regarding our plans to expand business activity in the US and China.

Economic conditions were challenging for DATA MODUL in 2021, due particularly to materials availability and other supply chain problems. EBIT increased on nearly unchanged revenue, reflecting the impact of cost-cutting measures as well as a net gain from currency translation. The estimates for 2021 were achieved.

The Executive and Supervisory Boards have resolved to propose distribution of a dividend of 1.00 euros per share at the Company's Annual Shareholders' Meeting.

Fiscal year 2021 was thus good and profitable for DATA MODUL overall despite the generally difficult economic situation. DATA MODUL expects the next two years to be profitable as well.

2.2 Macroeconomic and industry-specific conditions

a) Macroeconomic conditions

The coronavirus pandemic continued to have enormous impact on the German economy, and the world economy, in 2021. Far-reaching lockdown restrictions affecting work-related and personal travel, social life and business imposed early in the year were gradually relaxed starting in May[1], stimulating a dynamic recovery in Germany. Achieving a high vaccination rate in the population has proved to be a great asset in the fight against the virus. The summer months, with only minimal restrictions in place in Germany and many other countries, was followed by an in part spiking resurgence of demand, even as manufacturing, trading and construction continued to be affected by regional supply chain disruptions, especially in Asia. International maritime trade was impacted in particular, causing long delivery times for raw materials, semi-manufactures and finished products as well as noticeable price increases across the value chain and on imports in particular. There were very few signs of improvement on the producer/supply side as 2021 drew to a close, with regional lockdowns and production halts in response to the huge wave of infection delta and omicron variants of the virus spreading worldwide. At the same time, consumer demand was impacted.

The extent of economic rebound varied around the world depending on the pandemic measures remaining in effect. China is currently Germany’s most important trading partner, and its national economy, the world’s second largest, [2]·has recovered the fastest after enforcing extremely strict regional lockdowns, expanding by approximately 8% year-over-year in 2021. The US, a crucial market for German exports, similarly showed strength with real GDP growth of around 6%. Under

[1] Bavarian State Government 2021, https://www.bayern.de/bericht-aus-der-kabinettssitzung-vom-04-05-2021/

[2] Federal Statistical Office 2022, Press release no. 052

the highly expansive fiscal policy under both President Trump (through the end of 2020) and President Biden (starting in January 2021), economic output surged beyond pre-crisis levels in the first quarter of 2021[3]. A broad program of state transfer payments stimulated consumer spending. Implementation of the green, socially oriented investment program entitled “Build Back Better”, a key element of President Biden’s economic policy agenda, has been delayed however due to lack of a majority in Congress, now appearing increasingly unlikely to pass. The euro zone recorded expansion of around 5% for 2021, a figure that appears high but is relativized by the previous year’s plunge[4]. Italy and France showed the most growth in economic output, both of which suffered particularly badly from pandemic effects in 2020. The picture is similar for the UK, which saw a 7.5% growth despite Brexit, formalized at the start of 2021, but was still unable to make up for the previous year’s 9.4% drop[5].

German economic output recovered significantly in 2021 as the country recorded a 2.8% growth (workday-adjusted) versus the Covid recession year of 2020[6]. German manufacturing as the main driver of the country’s economy, especially in the second half of 2020, encountered significant supply chain problems affecting semiconductors, raw materials and intermediate products. Production fell as a result on into the fall months[7], but this state of affairs will not likely persist in view of high new order volume and tremendous backlog. With the progressive easing of lockdown restrictions, construction, the service sector and retail gradually took over as engine of the economy starting in the second quarter. Consumer spending alone would not have been enough to make up for the lockdown impact early in the year, even with the high expansion rates seen in the summer half of the year. The savings rate remained above average, coming after a sharp rise in the previous year. Running a high budget deficit, the state was ultimately to thank for significantly boosting GDP through government spending. Investment activity also contributed to growth, though lagging behind the high expectations held early in the year. With construction activity largely continuing unabated and property prices continuing to rise in many segments, construction investments showed resilience and further appreciation. Foreign trade – the driving force behind investment activity for many years – detracted significantly from overall growth, as Germany’s economically key manufacturers of expensive capital goods suffered from disrupted international shipping, exports falling for the cyclical auto industry. At the same time, rising domestic demand led to increased imports.

Recovering demand, supply chain problems and rising raw material prices drove prices up sharply in Germany, so that inflation became one of the year’s major economic themes. In 2021 consumer prices (per the CPI) rose an average 3.1 percent[8] year-over-year. Brent crude oil, the price of which surged in the global recovery from below USD 20 per barrel in March/April 2020 to over USD 85 by October 2021[9] as high natural gas and electricity costs further exacerbated energy price inflation. Special factors also played a role, including the temporary 3% VAT reduction from July through the end of 2020[10] and the new CO^2 tax introduced in January 2021. Inflation in the eurozone rose sharply in 2021, with the ECB inflation target of 2% (symmetric) adopted in its strategy process of mid-2021 significantly exceeded, the figure coming in at 2.6%[11].[12] The ECB’s ultra-expansionary policy remained largely unaltered however, with no change in the key interest rates.

The euro was still stable against the dollar overall in the first half of 2021. However, in a surprise announcement in mid-June the Fed projected significantly higher interest rates for the years ahead, since then market expectations of US key interest rate hikes from 2022 onwards

[3] Federal Reserve Bank of St. Louis 2022, https://fred.stlouisfed.org/series/GDP

[4] Eurostat 2022, https://ec.europa.eu/eurostat/documents/2995521/14245715/2-15022022-AP-DE.pdf/667993dd-08a2-2573-1b66-315e80aa071a

[5] Office for National Statistics 2022, https://www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/gdpfirstquarterlyestimateuk/octobertodecember2021/pdf

[6] Federal Statistical Office 2022, Press release no. 039

[7] Federal Statistical Office 2022, https://www.destatis.de/DE/Themen/Wirtschaft/Konjunkturindikatoren/Produktion/kpi111.html;jsessionid=8698F1F3A7EC42D5C89DB425F492E3AA.live731

[8] Federal Statistical Office 2022, Press release no. 052

[9] Brent oil price retrieved from Refinitiv Eikon on January 5, 2022

[10] The economic stimulus package announced by the German government on June 29, 2020, https://www.bundesregierung.de/breg-de/aktuelles/corona-steuerhilfegesetz-1759296

[11] Federal Statistical Office 2022, https://www.destatis.de/DE/Themen/Wirtschaft/Konjunkturindikatoren/Basisdaten/vpi001j.html

[12] EZB 2021, https://www. cb.europa.eu/home/search/review/html/ecb.strategyreview_monpol_strategy_statement.en.html

have continued to rise amid high inflationary pressure. The Fed also decided to reduce its bond buying, later accelerating the pace of tapering in December. This was the background for the euro's 7.1% depreciation versus the dollar over the course of last year to EUR-USD 1.14.[13]

b) Industry-specific conditions

Electronics is one of Germany's most important manufacturing industries in terms of gross value creation. Coming after significant declines in production and revenue in 2020 (-6.1% and -5.0% respectively)[14], the industry staged an impressive recovery, new order volume rising 23.9% year-over-year in 2021, driven substantially by international orders (+27.0%). The business climate[15] in the German electrical and digital industry brightened up a bit at the turn of the year. Overall deteriorating sentiment affecting the expectations component of the index was due principally to sometimes serious shortages of electronic components, making it hard to fill orders. Companies in the industry estimate[16] last year's revenue could in fact have been as much as ten percent higher if it weren't for the shortages and logistics problems. According to ZVEI, the German Electrical and Electronic Manufacturers Association, the industry worldwide posted a bottom-line growth figure likely around 9.7% versus the previous year. Other factors boosting demand beyond the catch-up effects coming after crisis year 2020 include increased remote working, increasing production of electric vehicles in the automotive industry (linked to expanding of charging infrastructure), increased use of industrial products for energy efficiency enhancement and strong growth from expansion of data centers and the 5G network.

The ZVEI has estimated that the global electronics market, of which Germany comprises 3%,[17] grew 9% in volume to 5,000 billion euros in 2021. The electronics markets in industrialized countries are estimated to have grown 7% as compared to a significantly more robust 10% in emerging-market countries. The Chinese market is again the main growth driver, recording 11%.

[13] EUR-USD exchange rate retrieved from Refinitiv Eikon on January 5, 2022

[14] ZVEI Business Cycle Report, February 2022

[15] ifo business climate index for the German Electronics Industry, February 2022

[16] ZVEI press release on member survey, December 13, 2021

[17] ZVEI report *Weltelektromarkt*, July 2021

The Chinese market now comprises 41% of the global electronics market, by far and away the largest, followed by the US at 13%, Japan at 6% and South Korea at 4%, which recorded growth ranging 6% and 9% for 2021. The European electronics market makes up roughly 16% of the world market at a volume of 743 billion euros, of which the EU market makes up around 12% at 553 billion euros, including the German market—the fifth largest worldwide, accounting for 2.6%. German electronic exports to Europe totaled 144.9 billion euros for the period January - December 2021,[18] up 11.4% year-over-year. Exports to the UK recovered noticeably following the Brexit shock of 2020 (-13.4%), growing 11.8% in 2021. Exports to Europe rose more than to any other continent, up 11.4% to 144.9 billion euros.[19] Electronics sales to North America and Asia rose significantly as well, up 9.6% and 7.1% respectively.

Machine manufacturing, an important customer industry for DATA MODUL, came back vigorously in 2021 from severe setbacks experienced in the Coronavirus crisis. Production increased 6.6% year-over-year for the first eleven months.[20] Materials supply problems, for electronic components and steel particularly, high commodity prices and rising infection numbers in many countries in a "fourth corona wave" affected many of the countries important for machine manufacturers, putting the brakes on recovery. The main export markets are the EU, US and China. In 2021 new orders surged 32%[21], which would have allowed expectations of a much larger production rise. Another factor is the worsening skilled labor shortage, as many companies are unable to hire the additional personnel they are looking for due to a lack of suitable applicants.

2.3 Group business situation

a) Earnings

The previous year's level of 191,826 thousand euros was significantly exceeded, as we recorded new orders valued at 233,807 thousand euros. Order backlog rose to 164,867 thousand euros on increasing order

[18] ZVEI Foreign Trade Report, February 2022

[19] ZVEI Foreign Trade Report, February 2022

[20] VDMA, *Maschinenbau in Deutschland – Konjunktur aktuell*, February 2022

[21] VDMA, *Maschinenbau in Deutschland – Konjunktur aktuell*, February 2022

flow and a book-to-bill ratio well above 1 (previous year: 120,105 thousand euros). At fiscal year-end revenue totaled 194,774 thousand euros (previous year: 192,185 thousand euros). As in previous years, international revenue comprises a high percentage of total with an export ratio of 50.5%, reflecting the fruits of our continuing internationalization efforts.

Revenue broke down by region as follows:

Revenue breakdown in millions of euros	2021	2020
Germany	96.4	106.6
Europe[22]	65.5	59.6
America	18.1	15.3
Asia/Pacific/Africa	14.7	10.6
Rest of World	0.1	0.1
Total	194.8	192.2
Export rate	50.5%	44.5%

DATA MODUL recorded modest revenue growth across nearly all regions in 2021. Only domestic revenue declined year-over-year, reflecting increased demand for medical products relating to the coronavirus pandemic last year.

The change in key expenses and income items in fiscal year 2021 is shown below.

- Cost of sales rose year-over-year to 152,410 thousand euros (previous year: 150,396 thousand euros), due mainly to a 1.3% increase in cost of materials and higher purchasing prices resulting from supply chain disruptions. Purchasing-related ancillary costs rose on price increases due to falling logistical capacity between Asia and Europe. Gross margin for fiscal year 2021 was 21.8% (previous year: 21.7%).
- Research and development expenses increased to 5,686 thousand euros from 5,483 thousand euros in the previous year.
- Selling and administrative expenses rose year-on-year to 25,010 thousand euros (previous year: 24,574 thousand euros). Selling expenses accounted for 15,236 thousand euros of total expenses reported (previous year: 14,846 thousand euros), and general administration expenses came to 9,774 thousand euros (previous year: 9,728 thousand euros).

The financial result came in at -1,411 thousand euros as compared to the previous-year figure of -716 thousand euros. A lower financial result was chiefly due to the recognition of embedded foreign currency derivatives in connection with customer and supplier orders in foreign currency. Foreign currency derivatives connected with high order backlog in foreign currencies weighed on the financial result. These orders reflect an aggressive ordering policy in response to materials availability and supply chain problems.

In line with the change in revenue, EBIT (earnings before interest and taxes) came in at 12,704 thousand euros (previous year: 11,829 thousand euros), with EBIT margin at 6.5% (previous year: 6.2%). This increase primarily reflected the fruits of stringent cost management efforts.

A consolidated pre-tax profit (consolidated EBT) was recorded of 11,293 thousand euros (previous year: 11,113 thousand euros). Consolidated net income for the year changed in line with pre-tax profit, coming in at 7,898 thousand euros (previous year: 7,563 thousand euros). Earnings per share for 2021 came to 2.24 euros as compared to 2020 euros for 2.14 (based on a weighted average number of shares of 3,526,182).

Displays segment

Despite the challenging market environment, revenue for the Displays business segment increased 3.3% to 124,413 thousand euros (previous year: 120,482 thousand euros). EBIT of 5,762 thousand euros was recorded (previous year: 3,965 thousand euros). The segment generated consolidated net income for the year of 2,786 thousand euros (previous year: 1,869 thousand euros). Displays, which is the Group's core business segment, recorded a 50.9% increase in new orders up to 164,788 thousand euros (previous year: 109,191 thousand). New orders increased from nearly all industries. Order backlog as of December 31, 2021 was 121,394 thousand euros (previous year: 75,412 thousand euros).

[22] Revenue from European markets excluding Germany is shown here.

Systems segment

Revenue in the Systems segment declined 1.9% to 70,361 thousand euros (previous year: 71,703 thousand euros) for EBIT of 6,942 thousand euros (previous year: 7,864 thousand euros). Consolidated net income for the year thus came to 5,112 thousand euros (previous year: 5,694 thousand euros). Orders received declined 16.5% to 69,019 thousand euros (previous year: 82,635 thousand euros). In the previous year, the segment had benefited from rising demand for medical products. Order backlog as of December 31, 2021 was 43,473 thousand euros (previous year: 44,693 thousand euros).

b) Financial position

Capital structure

To the extent possible, DATA MODUL Group finances its operations from internal resources, supplemented by borrowings from financial institutions and trade credit when necessary. Currently, DATA MODUL Group generally uses natural hedges to protect against potential currency risks with respect to the US dollar, the Japanese yen and the Hong Kong dollar. No hedging instruments were held at the reporting date.

The equity ratio was 60.3% (previous year : 69.2%), the debt ratio was 39.7% (previous year: 30.8%). The Group's leverage ratio was 65.8% (previous year: 44.5%—debt/equity).

Debt consists primarily of

- 13,380 thousand euros in leasing liabilities recognized in accordance with IFRS 16 (previous year: 14,751 thousand euros)
  The maturity breakdown of the undiscounted expected cash flows is shown below.

Lease liabilities	‹ 1 year	1-5 years	› 5 years	Total
KEUR	2,370	8,298	4,449	15,117

- 15,000 thousand euros (previous year: 0 thousand euros) in liabilities due to financial institutions
- 20,953 thousand euros (previous year: 11,787 thousand euros) in trade accounts payable.

The maturities are as follows (in KEUR):

Trade accounts payable	‹ 1 year
USD (euro equivalent)	13,969
EUR	6,681
JPY euro equivalent)	220
Other (euro equivalent)	83
Grand total	20,953

The Company also has guaranteed bills outstanding in the form of bank guarantees in the amount of 1,035 thousand euros (previous year: 975 thousand euros).

The maturities are as follows (in KEUR):

Guaranteed bills outstanding	‹ 1 year	1-5 years	› 5 years	Total
KEUR	0	198	837	1,035

In the fiscal year ended the Group took steps early to secure the financing necessary for further growth. This involved the renewal of short-term lines of credit and bank-guaranteed lines for working capital, allowing us to react quickly when business opportunities open up. Group companies have credit lines totaling 49,000 thousand euros at their disposal until further notice. As of the reporting date, the Group had utilized 32.72% of these credit lines. Additionally, DATA MODUL AG is a jointly and severally liable co-signer of credit lines utilized by DATA MODUL Weikersheim GmbH.

There are thus no going-concern risks relating to Group financing at this time. Credit agreements with banks do not contain financial covenants besides the usual quarterly reporting obligations. In the event of a future change of control, the Group will negotiate with lenders new arrangements going forward. No special financing measures or projects were conducted in the period under review.

Investments

In the fiscal year ended we adjusted our capital expenditure in alignment with business changes. Capital expenditures were made to increase capacity, for rationalization purposes and related manufacturing productivity gains and to enhance innovation and quality in our displays and services. A major part of investment in 2021 went to expanding production and logistics capacity at the sites in Weikersheim, Lublin and Shanghai. Capital expenditure in fiscal year 2021 (excluding right-of-use assets per IFRS 16) totaled 3,019 thousand euros (previous year: 3,429 thousand euros).

The main capital expenditure items were:
- Additions to intangible assets in the amount of 994 thousand euros (previous year: 1,040 thousand euros) and
- Additions to property, plant and equipment in the amount of 2,024 thousand euros (previous year: 2,389 thousand euros).

A breakdown of capital expenditure by segment is provided below:
- Capital expenditure Displays segment 1,427 thousand euros (previous year: 2,084 thousand euros) and
- Capital expenditure Systems segment 1,592 thousand euros (previous year: 1,345 thousand euros).

There were no significant capital expenditure commitments as of the reporting date.

Liquidity

Cash flows from operating activities as of the reporting date came to -15,715 thousand euros (previous year: 10,777 thousand euros). The positive impact from slightly higher net income for the year recorded was significantly affected in turn by increased inventories and trade receivables, with a counter-effect from higher trade payables. Days sales outstanding (DSO) was 49.42 days as of 12/31/2021 (previous year: 48.97 days).

Decreased investment in intangible assets and property, plant and equipment in 2021 resulted in cash flow from investing activities of -3,018 thousand euros (previous year: -3,429 thousand euros). After the dividend distribution for fiscal year 2021, cash outflows for leases and new borrowings led to net cash flow from financing activities of 12,206 thousand euros (previous year: -6,945 thousand euros).

At the end of the year the Group held cash and cash equivalents totaling 20,224 thousand euros (previous year: 26,656 thousand euros). Net cash (cash and cash equivalents minus liabilities due to financial institutions) totaled 5,224 thousand euros as of the reporting date (previous year: 26,656 thousand euros). The Company holds sufficient cash to pay off all trade accounts payable on the books as of the reporting date.

c) Financial status

The balance sheet total increased by 35,887 thousand euros versus the previous year to 188,840 thousand euros (previous year: 152,953 thousand euros). On the assets side this was mainly due to increased inventories and trade receivables. Inventories were increased to ensure product availability in view of materials availability problems and ongoing supply chain bottlenecks. Capitalized costs to fulfill a contract, which are recorded for custom development work, also increased due to the acquisition of two new custom development projects. On the liabilities side, the increase in total assets was mainly due to new borrowings and the increase equity resulting from the consolidated net income for 2021 and higher trade payables. Lower lease liabilities mitigated the increase on the liabilities and equity side of the balance sheet.

A dividend was distributed in the reporting period for fiscal year 2020 in the amount of 423 thousand euros (previous year: 423 thousand euros). At the balance sheet date the Company did not have any non-current borrowings.

As of the reporting date, the DATA MODUL Group equity ratio was 60.3% (previous year: 69.2%).

2.4 Financial and non-financial performance metrics

a) Financial performance metrics

The table below shows the financial performance indicators for both the current and previous reporting years.

Financial performance metrics in KEUR	**2021**	**2020**
Orders received	233,807	191,826
Order backlog	164,867	120,105
Revenue	194,774	192,185
EBIT	12,704	11,829
Consolidated net income	7,898	7,563
Return on equity	11.2%	11.2%
EBIT margin	6.5%	6.2%

DATA MODUL was able to reach its targets for fiscal year 2021 despite the difficult market environment. The investments we have made, however, in our production sites in Germany, Poland and China put us in a strong position to meet future challenges in the marketplace. The Group remains very solid financially, having sufficient liquidity.

b) Non-financial performance metrics

In addition to financial metrics, DATA MODUL also utilizes non-financial performance indicators including labor relations, long-term customer and supplier relationships, environmental considerations and ISO certifications. One positive indicator in the area of labor relations is the employee average of 7.6 years of service at DATA MODUL. This reflects our long-term working relationships with our employees, which we actively foster through internal training seminars and continuing education programs. Our remuneration structure, comprising fixed and in some cases variable salary components, ensures that individual employee performance is fairly compensated. At the 2021 reporting date DATA MODUL Group employed 474 staff, as compared to 473 in the previous year. The average workforce headcount for the year increased 1.7% to 468 staff members (previous year: 460 staff members). The Group employed staff from more than 35 different nations at the various corporate subsidiaries. In the fiscal year just ended, we again provided apprenticeships to many young people. At the balance sheet date, the Group employed 30 apprentices.

3. Risks and Rewards; Forecast

3.1 Risk report

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. As a multinational enterprise, DATA MODUL Group is exposed to a number of risks which are inextricably linked to our business activities. Efficient management of these risks is of key importance as they serve as an early warning system.

Risk management system

Strategic principles

The DATA MODUL Group risk management system is intended to render transparent and manageable any known and arising risks and opportunities in the daily business operations of all Group companies.

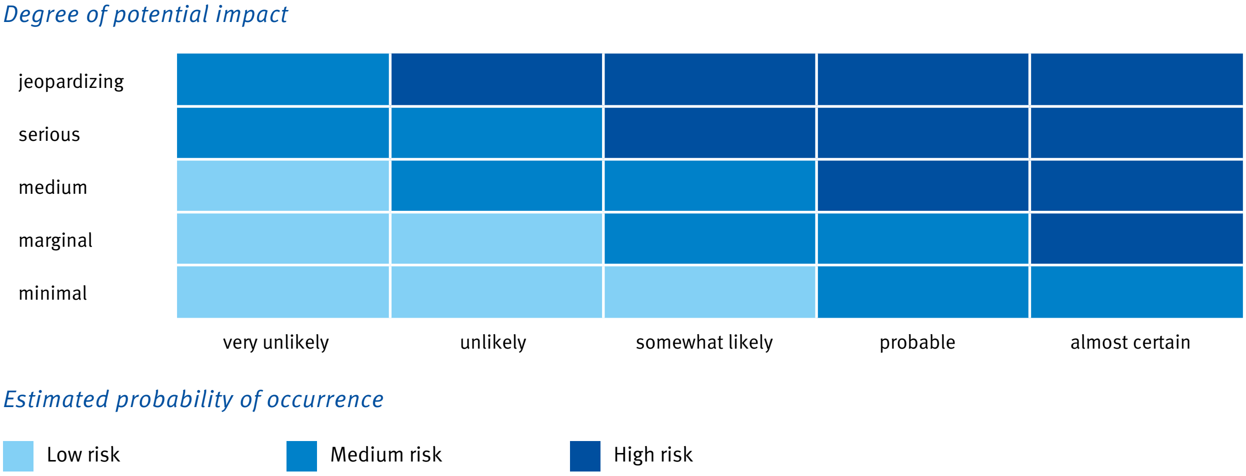
This system has been modified for the Company’s specific situation on the basis of the COSO framework. We view risk management as an ongoing process of recording, analyzing and assessing whenever possible the complete spectrum of potential and actual developments, and managing these accordingly. Risk management is an integral part of our management system, allowing us to identify at an early stage any risks to the Company's growth or existence, and to contain potential negative business impact. These methods are not solely applied to risks, but also to identifying opportunities for DATA MODUL and exploiting these to enable sustainable growth and increase Company value. To achieve this, all our employees and our decision makers in particular must be aware of any existing and potential risks to which the Company is exposed. A wide array of instruments are integrated into business processes to achieve this goal, which facilitate management on all tiers of the Group's hierarchy.

Organization and responsibilities

The DATA MODUL Executive Board bears overall responsibility for effective risk management; the Board defines the Company’s risk-bearing capacity levels and decides on actions to be taken in response to particularly significant, core risks. It also updates the Supervisory Board regularly concerning the Company's risk exposure. Risk management is the responsibility of the Group Controlling Department, which ensures that risk management is an integral part of regular business management rather than a mere response to specific risks. This function enables better identification of risks affecting the entire Group. The Group Controlling Department coordinates risk management processes, assists responsible staff with all risk management aspects, defines risk thresholds, and is responsible for adequate reporting.

Each department and business segment has been assigned a risk manager charged with identifying, analyzing and monitoring risks within his/her area of

Risk classification matrix



responsibility. This individual initiates risk response measures and their implementation after consultation with Risk Control or the Executive Board. Our risk management manual, available to all staff, outlines all relevant risk management components.

Risk identification

At the start of every year we begin the risk management process by identifying key risk factors and risk sources in the respective operational and functional risk areas, using suitable tools such as checklists and questionnaires. We involve the individual departments in the risk inventory process so as to heighten risk awareness, which requires rendering emerging risks transparent. The goal is to identify risks before events occur causing damage to the Company. Risks must be classified according to defined risk categories, and their cause, the actual risk involved and impact on the Company must be comprehensively and transparently documented. All risks are recorded, analyzed and evaluated in a risk catalogue.

Risk assessment and risk management

Risks are assessed with respect to their impact and likelihood of occurrence. The Group's key performance metrics for the current and future years serve as reference points. If quantitative risk assessment is not possible, a qualitative method is used to assess impact. The table above shows both the measurement scale for the two assessment factors (degree of impact and probability of occurrence) and the resulting risk classification matrix. Risk analysis results are presented within a risk portfolio. A given risk is classified as “high”, “medium” or “low” depending on the degree of potential impact on the Company’s business operations, financial position, financial performance, cash flows or reputation, and on the estimated probability of occurrence. Depending on the risk perception and position, the Company introduces different risk strategies and specific counter-measures. A staff member is then charged with implementation of these measures. Risk control measures are implemented based on our strategic risk principles.

Risk monitoring and reporting

Risks are subject to constant change, thus they are continuously monitored by the risk owners and risk officers as to changes and to the adequacy and efficiency of the risk strategy currently in place. Constant monitoring of proposed risk response measures and reporting on their status is an important risk control tool. A summary report on risk categories and sub-categories is always included in the monthly Executive Board report. Continuous risk reporting ensures that Company management has the overall risk situation in view. We thus prepare an annual risk report and discuss risks and rewards for the individual DATA MODUL business segments in monthly, quarterly and year-end financial statement meetings.

Additional ad-hoc risk reporting ensures that the Executive Board is always up to date regarding any significant newly arising risks. The following risks could have an adverse effect on our business, financial resources and/or earnings in either or both segments. These are not the only risks we are exposed to. Other risks not yet identified or considered minor could also have an impact on our business. As of the reporting date we were not aware of any risks which could jeopardize the Group as a going concern.

a) Corporate strategy risk

Our business strategy is about growth. All decisions regarding capital expenditures and investments in companies are made on this basis. Our portfolio of embedded and touch systems successfully introduced in the marketplace a few years ago has become integral to our business activities.

Corporate strategy risks may result from internal projects and strategic decisions which fail to meet expectations. In consequence, investments made may not pay off for example, or the decision to evolve into an end-to-end system solutions provider may prove inadvisable. We regularly conduct minute risk analyses in order to manage such risks in the Systems segment.

b) Market risks

General economic conditions and industry risks

Demand for DATA MODUL products is subject to a certain amount of cyclical fluctuation and volatility. In addition, demand rises and falls in line with the economic cycles in our primary markets, and could continue declining in future. The coronavirus pandemic and supply chain problems will continue to impact the global economic environment in 2022, principally in the first half. Recovery will continue, albeit at a significantly slower pace. Rising inflation remains a risk, partly in connection with Omicron. The supply situation for raw materials, semi-manufactures and finished products will not be noticeably improving until around mid-year at the earliest; easing price pressure will then accelerate economic growth. Geopolitical conflicts are an additional factor of rising significance, principally between Russia and Ukraine, and the latter's Western allies. No signs are evident of any easing of tensions in the near future. DATA MODUL primarily operates in markets character-

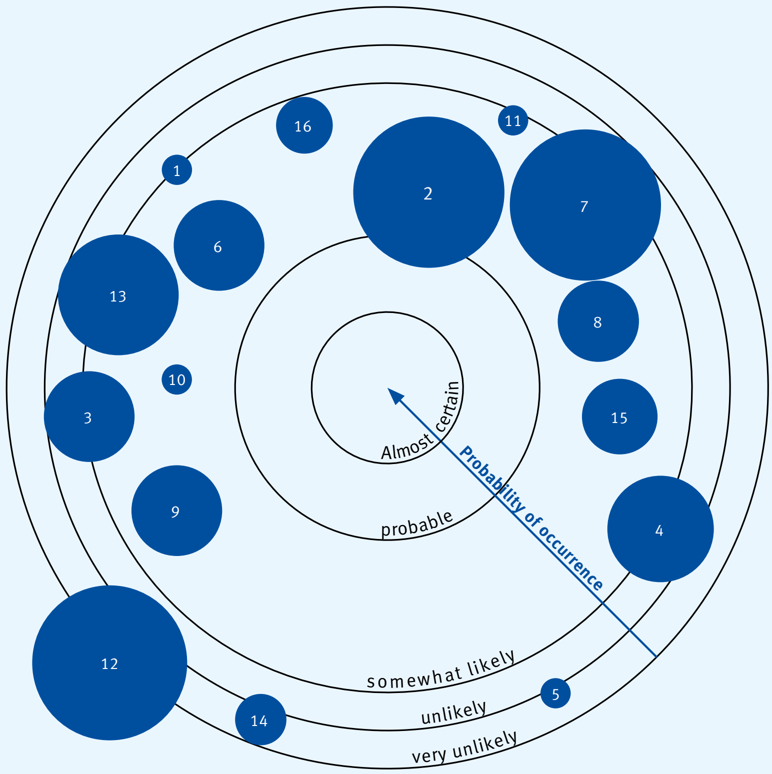
Risk portfolio:

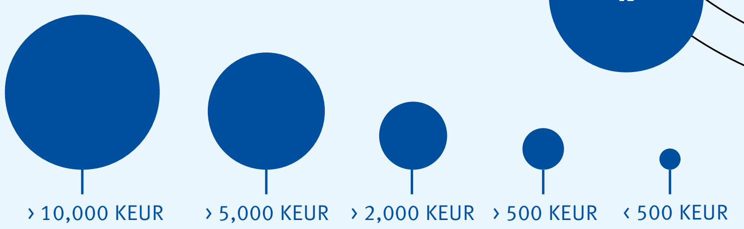
Explanatory notes:

estimated probability of occurrence

Very unlikely ‹ 10%
Unlikely ‹ 20%
Somewhat likely ‹ 60%
Probable ‹ 80%
Almost certain › 80%

Circle size = potential impact before risk management measures





ized by a great deal of innovation and rapid technological change. Thus there is always a risk that the Company will not be able to adapt fast enough to new market trends or new technologies, and therefore lose market share to competitors. We maintain very close contact with leading display manufacturers and our customers in order to minimize this risk. It cannot be ruled out however that the strategic decision to realign the Company as an end-to-end system solutions provider could prove wrong if the market trends we have counted on prove to be unprofitable or without growth potential. Losing key customers to competitors represents another substantial risk to DATA MODUL's business. Changes in legislation may affect sales in certain industries and target markets. DATA MODUL has been carefully monitoring and assessing the economic, political, legal and social environment in order to take account of any arising risks or opportunities in our decision-making processes at an early stage.

Risk category	No.	Substantial risks
Strategic risks	1	Business model-related challenges
Market risks	2	Economic shifts
	3	Non-identification of technology trends
	4	Competitive risks
	5	Dependency on certain industries
	6	Procurement risks
Value chain risks	7	Product quality issues
	8	Deliverability
Financial risks	9	Currency risk
	10	Credit risk
	11	Interest rate risk
	12	Liquidity risk
IT-related risks	13	Data and business systems availability
Legal risks	14	Compliance with statutory requirements
Staffing risks	15	Staff turnover
Other operating risks	16	Business disruption due to external causes

Procurement risks

The market for flatbed displays is dominated by a small number of manufacturers, almost all of which are based in Asia. Procurement risks could become manifest in times of high demand and product scarcity due to capacity bottlenecks, resulting in delayed deliveries to customers, cost increases and missed sales. Such capacity problems can be expected in 2022 due to supply problems from the chip and glass industries. As yet uncontained, the coronavirus will continue threatening global supply chains in 2022. We are countering these risks via 'second sourcing' and aggressive ordering policies. Similar effects could also become manifest from logistical risks associated with shipping merchandise from the East Asia to Europe. We are addressing these risks through strategic inventory buildup as part of proactive inventory management based on forecast demand, and in general by selecting reliable suppliers and logistics providers who uphold high standards for safety and security. Demand and inventory service level risks remain, as well as inventory risks connected with technological advancement. The risk of declining prices is taken into account when valuing inventories, in accordance with our accounting rules. The average inventory service level was 126 days during the reporting period, as compared to 122 days in the previous year.

Competitive and price risks

We aim to be the innovation and technology leaders in our markets. This and the fact that we operate in markets driven by innovation pose particular challenges regarding our product portfolio and services. The flatbed displays business is highly competitive. Additionally, it is normal for prices of some of our products to fall during their life cycle. The ability to develop and successfully market new products that meet the market's needs will be of ever-greater significance in the future. We address these challenges by intensifying our research and development efforts and by striving to identify our customers' requirements early on and respond to their needs with appropriate products.

c) Value chain risks

DATA MODUL has increased vertical integration of production in order to add more value for customers. However, this involves product quality and customer satisfaction risks, however. Systematic quality assurance processes have thus been implemented which play a key role in our value chain, enabling us to meet customers' expectations. Because of increased production capacity, general risks related to production processes may arise which could jeopardize our product supply. Our QA department performs regular supplier audits, which are important for ensuring quality and reliable deliverability in our supply chain. Because we concentrate on a small number of suppliers and have to maintain inventories, impairment losses may have to be recorded on inventories if customers postpone delivery or cancel orders. Our product management and purchasing departments conduct active inventory management to contain such risks.

d) Financial risks

Interest rate and currency risks

Our global business activities result in many payment flows in various currencies. The foreign currencies of greatest significance for the Group are the US dollar, Polish zloty, Japanese yen, Hong Kong dollar and Singapore dollar. The Group is exposed to risk from foreign exchange rate movements, thus hedging is an integral part of our risk management strategy. We mainly use natural hedges to hedge against risks from foreign currency business transactions calculated in euros. Foreign exchange hedges are employed to secure our calculated margins, avoiding potential foreign exchange losses, which would increase the cost of purchased components. The credit facilities available for financing our global business operations are in part subject to interest rate risks. In certain cases, membership in the ARROW Group has been detrimental for DATA MODUL's rating with lenders.

Liquidity and default risks

Currently the DATA MODUL Group has credit lines and bank guarantees totaling 49,000 thousand euros. These credit facilities have been granted by various banks under bilateral agreements in force at this time. Credit agreements with banks do not contain financial covenants besides the usual quarterly reporting obligations. Management believes we will continue to have these credit lines at our disposal in the same amounts or amounts which meet our requirements. The Group’s liquidity situation remains good; at this time we have no liquidity risk problems, as in the past.

Default risk exists in that a contractual partner may be unable to fulfill or may be delayed in fulfilling obligations, causing DATA MODUL to suffer financial losses. In order to contain bad debt risks we verify our customers' credit standing and obtain trade credit insurance for trade accounts receivable. In some cases, precautionary/surety measures are directly agreed with the customer when deemed necessary. The average days sales outstanding (DSO) figure was 49.42 days in 2021.

e) Information technology-related risks

These risks include unauthorized access to sensitive company data and information, and impaired system access resulting from service disruptions and disasters. Adequate approval procedures, access profiles and technologies are deployed to contain these risks. Critical data files are backed up on a daily basis, and back-up files stored in external locations. In addition, we perform regular disaster recovery testing. In 2021, external attacks were successfully repelled by the security measures in place, so that these did not cause any disruptions to our business. In addition, our protective measures are tested by external experts to verify their effectiveness and efficiency. Our IT systems are continuously checked and improved to ensure the security and efficiency of our business processes on an ongoing basis. Furthermore, employees are required to comply with our IT policies.

f) Product liability and legal risks

Being the quality leader gives us an edge over our competition, and it is our goal to retain and widen that edge. This requires us, however, to rapidly identify and fix any product weaknesses, an ability we enhance through constant innovation and quality improvement. We are liable to our customers for the quality of our products. Quality management and quality assurance are thus essential to minimizing this risk. Nevertheless, experience has shown that a minor amount of risk remains. Legal disputes arise in connection with ordinary business activities, involving claims over improper product delivery or service provision, product liability, product defects, quality problems and title infringements. There is no guarantee that DATA MODUL's reputation will not suffer from these or other legal disputes.

Defective products may lead to warranty claims against companies of the DATA MODUL Group, or these companies may be held liable for damages. We have recorded provisions for warranty claims and legal disputes to the extent we believe such obligations will probably exist and the amount of damages can be adequately assessed. Certain legal risks are covered by appropriate insurance policies which are commonly used in the industry.

DATA MODUL is subject to many different laws and regulations as an enterprise with international operations and access to capital markets. The international business practices of the corporate group are thus influenced by wide-ranging compliance requirements and tax and customs regulations, which furthermore change over time. Non-compliance, including any breach of the EU General Data Protection Regulation (GDPR), can result in significant fines, additional expense and negative media coverage for the Company. The Company is also exposed to the risk of their employees violating applicable guidelines. DATA MODUL proactively manages such risk by obtain- ing professional legal and tax advice on an ongoing basis. The Company closely monitors legislative chang- es and takes measures as necessary to ensure that its business practices conform to applicable laws. The Company has implemented internal control mechanisms to this end, and Company employees receive compli- ance training as necessary.

g) Personnel-related risks

The success of DATA MODUL Group depends on our comprehensive skills and years of experience in the field, and on the high level of motivation and commitment our employees contribute. Our HR policy is thus about consistently acting upon our corporate mission statement of “Success based on competence and responsibility”. The Group is responding to ever-intensifying competition for highly qualified specialist personnel and managers, and the associated risks of losing know-how through staff turnover, by providing attractive training opportunities, targeted staff development offerings and performance-based pay components and remuneration schemes. DATA MODUL's flat hierarchical structure, open communication policy and continuous knowledge-sharing promote employee satisfaction. We secure new talent for the Company by regularly providing apprenticeships for many young people.

In response to infection risk from the coronavirus pandemic the Company introduced remote working policies while ensuring strict adherence with the hygiene plans enacted for all locations.

h) Other operational risks

DATA MODUL is exposed to external risks such as natural disasters, fires and accidents. Property damage may occur in the form of damage to the Group's buildings, production facilities or warehouses or those of our suppliers, as well as damage to goods in transit, potentially causing business disruptions. We contain these risks in various ways. For instance, we select reliable suppliers and logistics providers which uphold high safety and security standards. In addition to insurance coverage, we have also implemented emergency procedures to mitigate potential negative effects.

The Executive Board saw no risks which pose a going-concern threat to the DATA MODUL Group as of the reporting date, and does not foresee any arising in the near future, nor did risks in aggregate pose an evident going-concern threat to the DATA MODUL Group as of the reporting date.

Internal controls and risk management with regard to Group financial accounting

Our internal control system, based on the COSO framework, comprises the standards, processes and measures introduced by Company management and aimed at organizational implementation of management decision-making to ensure efficient and cost-effective operations (including asset security and the prevention and discovery of pecuniary losses), correct and reliable internal and external invoicing, and compliance with legal requirements applicable to the Company.

DATA MODUL has Group-wide controlling instruments deployed as part of the internal control and risk management system and utilizes financial performance indicators and metrics. Target vs. actual comparisons of financial performance indicators are used principally to measure attainment of DATA MODUL objectives. Project cost control and the degree of deviation from planning are especially important performance indicators. Performance indicators are checked versus quantitative and qualitative non-financial indicators. DATA MODUL monitors these indicators as part of integrated project management and controlling. The DATA MODUL AG Executive Board receives periodic reports and ad-hoc reports as necessary. In the reporting, all projects are thoroughly analyzed, taking into consideration the complete set of performance indicators.

Accounts receivable are regularly reviewed to ascertain any value impairment. The Company consults credit agencies to verify credit standing prior to the first-time customer delivery, and periodically thereafter. As soon as there is any indication of a change in a customer's credit standing, a new credit check is performed. Corresponding impairment losses are recorded as necessary.

DATA MODUL ensures the correctness of its financial accounting through use of an internal control system. The internal control system is structured with measures of an organizational and technical content, such as coordination processes, automated plausibility segregation of functions.
The Executive Board bears overall responsibility for the internal control and risk management system with respect to the financial accounting processes of consolidated companies and to Group consolidated accounting processes. A strictly defined management and reporting structure regulates the inclusion of all companies, strategic business segments and departments in the consolidated financial statements.

Business principles, organizational structures, workflows and accounting-related processes comprising the internal control and risk management system are documented in Group-wide organizational policies which are regularly updated in response to the latest external and internal developments.

With respect to the accounting processes of consolidated companies and Group accounting processes, we consider those aspects of the internal control and risk management system to be of material importance which have a major impact on our business accounting and on the overall view presented in the Consolidated Financial Statements and the Group Management Report. In particular, these are as follows:

- Identifying material risk and control areas relevant to Group-wide financial accounting
- Monitoring of Group accounting processes and their results on the levels of the Group Executive Board, strategic business segments and Group companies included in the consolidation
- Preventive control measures in Group finance and accounting and at the consolidated companies as well as operating, performance-related business processes, generating material information for inclusion in the consolidated financial statements including the Group management report, including segregating of functions and controlling of predefined approval processes in relevant areas, and
- Measures to ensure appropriate computer-aided processing of Group accounting-related issues and data.

3.2 Opportunities

Alongside risk factors, we also identify opportunities arising in the course of our business operations, which we analyze in order to take steps accordingly. The most significant opportunities are outlined below, prioritized by their current estimated significance for DATA MODUL. The opportunities outlined below are not necessarily the only ones perceived. Also, the estimated impact of these opportunities is subject to regular change due to the rapid developments constantly taking place within the Company and our markets as well as to technology in general. New opportunities may arise from such changes, and existing opportunities may become more or less pertinent. It is also possible that opportunities perceived today prove to be unrealizable.

Economic environment and product portfolio.

We live in a world of fast information flows. Receiving, processing and responding to information from every corner of the world has become an important factor in everyday life. In the coming years, information will be increasingly communicated via displays. It is a world in which people's quality of life will be directly affected by technological progress. Our products are a meaningful, important contribution to that end, which is why we take care to offer the right products for each individual market.
Changes in general economic conditions present opportunities for DATA MODUL as well. We believe DATA MODUL will experience stable growth over the next two fiscal years (see Forecast Report). This view is based on the moderate recovery of the global economy forecast for

the medium term despite the uncertainties connected with the coronavirus pandemic, market analysts' projections and the fact of our increasing investment in modern communication media (see Management Report, section 3.3. Forecast).

We base these growth expectations on our heightened R&D efforts in the field of control electronics and in our industry-related business, in which we operate as OEM supplier of specially developed niche products. There is additional potential in the Embedded sector thanks to our newly developed expertise in the field of touch and optical bonding technology. Several customer orders we have received are indicative of how much potential exists.
Attractive growth opportunities for DATA MODUL also lie in further globalization of our business. We want to participate in the growth opportunities in emerging markets over the next several years, increasing our sales. Expansion of our business activities in the US and China will open up growth opportunities as well. We believe these factors will enhance our enterprise value over the long term.

Acquisitions and competition

We look out for acquisition, investment and partnership opportunities that could help us consolidate on our technology leadership, tap market potential and further optimize our product portfolio, and we continue to monitor the situation in our current markets with regard to opportunities for strategic partnerships and acquisitions augmenting our organic growth. Such activities can fur- ther efforts to strengthen our position in our current mar- kets, enter new markets and add select areas of technol- ogy to our portfolio.

The intense competition in the markets in which we currently operate constantly challenges us and our customers to strive for innovation. The DATA MODUL business model provides a good basis for realizing these business opportunities. However, the present market situation holds opportunities as well for gaining market share through weaker competitors potentially exiting the market. Because our business units operate in different market and industry segments, DATA MODUL has little dependence on particular industries.

Adding value

DATA MODUL AG may be able to better manage costs by relocating value-creating activities to lower-cost countries. This is to be accomplished in part through our new production site in Poland. Transferring certain value-adding activities, such as procurement, production and maintenance to markets such as the BRIC countries would allow us to reduce costs and strengthen our global competitive standing, particularly with respect to competition from countries where cost structures are more favorable. Additionally, we are working to develop and implement cost-cutting initiatives, adjust capacity, improve processes and rebalance our portfolio constantly. In highly competitive markets, competitive cost structures enhance the competitive advantage of innovation capability.

We believe DATA MODUL is well positioned to take advantage of market opportunities opening up in the fiscal years ahead thanks to our portfolio of cutting-edge products and advanced technology development capability. The anticipated global economic recovery should furthermore be supportive for our business.

Nonetheless, uncertainties remain which could endanger any sustainable improvement in business conditions (see point 2.2. 'General economic conditions' and point 3.3. 'Forecast' in the Management Report).

3.3 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 the time of report preparation 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.

General economic conditions[23)]

The coronavirus pandemic will have major economic impact again in 2022. Direct economic impact from the pandemic should however subside in the summer thanks to progress with vaccination (which in some countries will likely require mandates to achieve). Indi-

[23)] BayernLB Research, Perspektiven report November 2021 (updated by Perspektiven, February 2022) rect pandemic impact on the economy should likewise subside over the course of the year, including supply chain disruptions on the one hand and pent-up consumer and investment demand on the other, slowing inflation. In 2022, central banks will likely stick to the course already taken by some in late 2021 of stepping back from an ultra-loose monetary policy, moving at an unhurried pace. The ECB is likely to follow suit as well with an initial increase in the deposit facility rate towards the end of 2022. The Russian invasion of Ukraine however has made prediction much more uncertain, triggering EU sanctions on Russia that will increase inflationary pressure in the short term.

The German economy recovered more modestly than the rest of the eurozone in 2021 due to a smaller consumer service sector. Germany will again lag behind in 2022, partly because the country is more heavily impacted by global supply chain disruptions, but also due to insufficient vaccination, which is the fault of the country's own population. Because of capacity issues in the construction sector and skilled labor shortages, the initiatives of Germany's new government coalition to promote investment in decarbonization and digitalization will only be partially implemented for now, and their effects will only be seen in subsequent years. Germany, like many other countries, is thus unlikely to achieve the contributions in 2022 that will be necessary to hit the CO2 reduction target by 2030.

The price-boosting effect of VAT rising back to its previous level has ceased having any impact, but Germany is still projected to have a similar inflation level for 2022 at 4.4% as the eurozone at 4.5%. The foreseen reasons are falling unemployment and consumer spending and capital expenditure which has been put off and is yet to be unleashed. The government's new policy sharply increasing taxes on CO2 emissions, combined with a sharp increase in the minimum wage, are also driving inflation. The Ukraine war is having an inflationary effect as well, driving up prices for energy, industrial and agricultural commodities and demanding supply chain adjustments.

The economic rebound following the Covid recession together with substantial base effects in 2021 led to the highest global GDP growth being recorded for since 1973. Emerging market countries demonstrated showed greater gains on average than advanced economies, propelled in large part China's rapid recovery. With vaccination proceeding, many emerging countries are likely to maintain their rapid pace of growth in 2022. China however is expected to continue at the more modest pace of growth recently seen. The financing problems of big property developers are putting the brakes on construction activity, and government intervention is having a slowing effect as well in many other areas of the economy.

Looking at developed economies, the eurozone will catch up with the US in 2022 in terms of GDP growth.. This is due for one due to later lifting of pandemic restrictions than in other regions, and to the delayed effect of economic stimulus packages rolled out. The US economy will be subject to a major slowing effect in 2022 due to the changing fiscal stimulus situation, while in the eurozone, expiring national programs will largely be made up for by rollout of the Next Generation EU program.

While the leaders of the US and China engaged in constructive dialogue on many issues in late 2021, the two countries will remain at odds as competitors for global primacy in 2022. Leadership in key areas of technology is set to be a critical point of contention next to tensions over Taiwan. Both countries will continue seeking to line up partners on either side of the Pacific, which will likely drag the EU and export-dependent Germany in particular into conflicts in the years ahead. With the Ukraine war and sanctions on Russia we now have a conflict right before our doorstep, for which the European continent in particular will have to pay a cost in the form of higher prices, increased military spending and more moderate growth.

DATA MODUL outlook for 2022

The coronavirus pandemic and supply chain problems will continue to impact the global economic environment in 2022, principally in the first half. Recovery will continue, albeit at a significantly slower pace. The supply situation for raw materials, semi-manufactures and finished products will not be noticeably improving until around mid-year at the earliest, at which time economic growth will accelerate. Year-over-year growth of 3.9% is projected for the global economy.

The greatest economic risks that will be faced in 2022 are related the pandemic. SMEs face going concern risks in the potential for an aggressive or resistant mutation of the coronavirus emerging, necessitating continuing lockdowns. Another effect of the Ukraine war and related EU sanctioning of Russia is a worsening of an already challenging situation in international markets. If supply problems persist, the recovery could be in jeopardy, a wave of insolvencies cannot be ruled out as government support measures come to an end. A high inflation rate also creates a risk of a too-abrupt tightening of monetary policy with interest rate hikes. The economy could furthermore be affected by declining financial markets, where valuations are high, leading to increased risk aversion in the real estate market. The economy could however fare better than expected if the expansive monetary and fiscal policies enacted within the monetary union prove more effective than anticipated, if the coronavirus pandemic is contained more quickly than expected and/or if the foreign policy differences between the US, China and Russia become less acute. If the problematic supply chain situation affecting the electrical and mechanical engineering industries continues to improve, production could pick up dramatically, rapidly reducing order backlog.

The Touch Tomorrow 2023 strategy program is aimed at further strengthening DATA MODUL's global competitiveness. We aim for balanced sales growth in Europe, the US and Asia, with Germany naturally forming the backbone of the Group's business. Plans are in place to further develop sites in Poland and China as part of efforts to expand capacity on a 'local for local' basis. Thus with new products being developed to market-readiness, DATA MODUL Group will face a challenging environment ahead in 2022 due to the overall economic situation. We will nevertheless consequently pursue our strategic goals with a view to maintaining the same trajectory as in recent years.

In consequence of our strategic development program, we will again be investing this year in our production and logistics sites to further increase production capacity. Currently the Group has plans for total capital expenditure of 4 - 7 million euros. Depending on the developments in fiscal year 2022, we will either invest the full amount or reserve part of the funds. Within the next two years, larger investments may also be made to acquire smaller firms. This will subsequently accelerate our organic growth while strengthening our product portfolio and our global presence. We plan to finance these investments from operating cash flow and existing credit lines.

These plans are made on the basis of a number of assumptions, including particularly projected revenue. A detailed, reliable forecast is not possible due to the inability to determine the extent to which stabilizing factors could compensate for uncertainties. Because of the aforementioned risks and opportunities, actual circumstances for DATA MODUL could differ from our projections, either positively or negatively. Our projections are based on the following assumptions: [24)]

- German economic growth: 2.7%
- European economic growth: 3.7%
- US economic growth: 3.8%
- Global economic growth: 3.9%
- Fiscal and monetary measures aimed at containing the coronavirus will be in place until the summer of 2022
- USD slightly lower and JPY steady versus EUR
- Operational start-up of additional machinery at our production sites
- No further, more restrictive or longer-lasting lockdown measures are imposed than were in place at the time of preparation of this report.

Summary

We foresee further weakening of the global economy in the first half of 2022 due to the spread of the coronavirus, followed by a moderate recovery in the second half. Based on a view that fiscal and monetary policy measures will effectively mitigate the economic consequences of the coronavirus pandemic, leading to normalization and an economic rebound, the Executive Board expects that business will remain solid for the DATA MODUL Group. The book-to-bill ratio is expected to come in above 1 again, indicating secure revenue growth over the medium term. Both segments will likely see growth. Despite lessened growth expectations we project revenue to rise thanks to the expansion of our business activities in the US and China and to our newly developed expertise in touch, optical bonding and embedded technologies. The global digitalization trend is also favorable for the Displays business.

The 'war for talent' will continue to pose challenges in 2022, thus we will remain focused as an employer on recruiting high-energy younger people for long-term

[24)] Vgl. BayernLB Research, Perspektiven report, February 2022

careers, on rewarding performance and on developing the skills and competencies of our personnel. Promoting and retaining top performing staff will be a top priority, as before. We foresee our workforce expanding in the years ahead as we systematically hire dedicated individuals who are internationally oriented team players.
The Executive Board does not rule out the possibility of key performance indicators going slightly negative if the coronavirus pandemic is not contained by the summer of 2022 as expected and countermeasures to cushion the economic consequences prove ineffective. In our base scenario however, significant growth is expected.

Group objectives	Increase in 2022	Fiscal year 2021
Orders received	-10 to +10%	233.8 million euros
Revenue	-5 to +12%	194.8 million euros
EBIT	-10 to +12%	12.7 million euros

4. Control of capital

a) Subscribed capital

DATA MODUL AG is classified as a technology firm and has 10,578,546 euros of capital stock. The shares are listed on the Regulated Market in Frankfurt (in the Prime Standard trading segment since January 1, 2003), on Xetra and in Munich and also trade on the Open Market in Berlin, Düsseldorf, Hamburg and Stuttgart. The Company's capital stock comprises 3,526,182 no-par-value bearer shares. Each share represents 3.00 euros of subscribed capital.

At the balance sheet date, DATA MODUL AG held no treasury shares, thus the number of shares outstanding was 3,526,182.

b) Significant shareholders

The disclosures per Sec. 315a (1) no. 3 of German Commercial Code (HGB) of direct and indirect holdings of share capital exceeding ten percent of voting rights are published in the Notes.

c) Voting rights restrictions

The Executive Board is not aware of any restrictions on the transfer of shares such as rights of first refusal or lock-up clauses. Likewise, there are no restrictions on voting rights or controls, and no shareholders hold special rights of any kind.
The statutory provisions are observed when appointing and replacing members of the Executive Board. Changes in Executive Board composition are made in accordance with Secs. 84, 85 German Stock Corporation Act (AktG); changes to the Articles of Incorporation are made in accordance with Secs. 133, 179 German Stock Corporation Act.

5. Corporate governance declaration

Sec. 289f German Commercial Code (HGB) mandates a corporate governance declaration. This declaration is made available to the public on the Company website www.data-modul.com in the Investor Relations/Corporate Governance section.

6. Closing statement of the Executive Board on relationships with affiliated companies

In fiscal year 2021 DATA MODUL AG was a controlled affiliate of Arrow Central Europe Holding Munich GmbH, Munich, Germany, pursuant to Sec. 312 of the German Stock Corporation Act (AktG). The DATA MODUL AG Executive Board thus compiled an Executive Board report on relationships with affiliated companies in accordance with Sec. 312 (1) German Stock Corporation Act (AktG) containing the following closing statement:

“The Company's Executive Board declares that DATA MODUL AG received consideration for all legal transactions stated in this Report on Relations with Affiliated Companies which was appropriate in light of the circumstances known to the Executive Board at the time the transactions were undertaken. No other actions were undertaken or omitted under the direction or in the interest of the controlling company during the fiscal year under review.”

Munich, March 23, 2022

Dr. Florian Pesahl
Chief Executive Officer

CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2021

ASSETS	Notes	12/31/2021	12/31/2020
Non-current assets			
Goodwill	[9]	2,419	2,419
Intangible assets	[9]	3,042	3,066
Property, plant and equipment	[9]	17,689	18,559
Right-of-use assets	[10]	10,864	12,330
Capitalized costs to fulfill a contract	[11]	8,516	5,720
Deferred tax assets	[7]	710	701
Total non-current assets		**43,240**	**42,795**
Current assets			
Inventories	[12]	86,702	52,029
Trade accounts receivable Including impairments (2021: 422; 2020: 605)	[13]	29,202	24,181
Contract assets	[13]	3,239	2,904
Tax receivables	[13]	574	705
Other current assets	[13]	3,742	1,019
Other current financial assets	[13]	1,917	2,664
Cash and cash equivalents	[14]	20,224	26,656
Total current assets		**145,600**	**110,158**
Total assets		**188,840**	**152,953**

All figures in KEUR

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	12/31/2021	12/31/2020
Shareholders' equity			
Share capital no-par-value bearer shares (shares issued and outstanding: 3,526,182 as of 12/31/2021 and as of 12/31/2020)	[15]	10,579	10,579
Capital reserves	[15]	24,119	24,119
Retained earnings	[15]	78,513	71,054
Other reserves	[15]	722	108
Total shareholders' equity		**113,933**	**105,860**
Non-current liabilities			
Pensions and non-current personnel liabilities	[16]	1,482	1,587
Non-current provisions	[17]	171	237
Non-current contract liabilities	[18]	6,884	4,381
Non-current lease liabilities	[10]	11,045	12,468
Deferred tax liabilities	[7]	889	803
Total non-current liabilities		**20,471**	**19,476**
Current liabilities			
Trade accounts payable		20,953	11,787
Current contract liabilities	[18]	232	374
Current lease liabilities	[10]	2,335	2,283
Taxes payable	[19]	1,628	1,291
Current provisions	[17]	1,054	1,130
Liabilities due to financial institutions	[20]	15,000	0
Other current liabilities	[19]	9,133	6,819
Other current financial liabilities	[19]	4,101	3,933
Total current liabilities		**54,436**	**27,617**
Total liabilities		**74,907**	**47,094**
Total liabilities and shareholders' equity		**188,840**	**152,953**

All figures in KEUR

CONSOLIDATED STATEMENT OF INCOME

FOR THE PERIOD JANUARY 01 TO DECEMBER 31, 2021

	Notes	2021	2020
Revenue	[1]	194,774	192,185
Cost of sales	[2]	(152,410)	(150,396)
Gross margin		**42,364**	**41,789**
Other operating income	[3]	1,036	0
Research and development expenses	[4]	(5,686)	(5,483)
Selling and general administrative expenses	[5]	(25,010)	(24,574)
Income from investments		0	97
Earnings before interest and taxes (EBIT)		**12,704**	**11,829**
Financial income	[6]	4	2,328
Financial expense	[6]	(1,415)	(3,044)
Earnings before taxes		**11,293**	**11,113**
Income tax expense	[7]	(3,395)	(3,550)
Net income for the year		**7,898**	**7,563**
Earnings per share – undiluted	[8]	2.24	2.14
Earnings per share – diluted	[8]	2.24	2.14
Weighted average of shares outstanding – undiluted		3,526,182	3,526,182
Weighted average of shares outstanding – diluted		3,526,182	3,526,182

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD JANUARY 01 TO DECEMBER 31, 2021

	2021	**2020**
Net income for the year	7,898	7,563
Other comprehensive income (loss)		
Other comprehensive income (loss) to be reclassified and reported in profit or loss in subsequent reporting periods		
Adjustments from currency translation of foreign subsidiary results	614	(799)
Other comprehensive income not to be reclassified and reported in profit or loss in subsequent reporting periods		
Actuarial gains (losses)	(23)	(115)
Attributable tax effects	7	35
Deferred taxes recorded in equity	0	0
Total other comprehensive income not to be reclassified and reported in profit or loss	(16)	(80)
Total other comprehensive income	598	(880)
Comprehensive income after tax	**8,496**	**6,683**

All figures in KEUR

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD JANUARY 01 TO DECEMBER 31, 2021

	Notes	2021	2020
Cash flows from operating activities	[7]		
Net income for the year		7,898	7,563
Non-cash expenses and income:			
Income tax expense		3,395	3,550
Depreciation/amortization and impairments		5,871	5,935
Provisions for bad debts		0	621
Gain from disposals of fixed assets		103	55
Net interest		517	617
Net loss from embedded derivatives measured at fair value through profit or loss		894	99
Other non-cash expenses and income		(131)	415
Changes:			
Change in inventories		(34,673)	(10,516)
Change in trade receivables, costs to fulfill a contract and contract assets		(7,986)	4,297
Change in other assets		(2,551)	53
Change in trade payables		9,166	2,579
Other liabilities and contract liabilities		4,645	(1,278)
Income taxes paid		(2,863)	(3,213)
Cash flows from operating activities		**(15,715)**	**10,777**
Cash flows from investing activities	[7]		
Capital expenditures in capitalizable development projects		(856)	(827)
Capital expenditures on other intangible assets and property, plant and equipment		(2,162)	(2,602)
Cash flows from investing activities		**(3,018)**	**(3,429)**
Cash flows from financing activities	[7]		
Outflows for the redemption portion of lease liabilities		(1,946)	(1,669)
Cash inflows from current financial liabilities (+)		17,000	13,500
Cash outflows for current financial liabilities (-)		(2,000)	(17,700)
Dividend paid		(423)	(423)
Interest received (+) / paid (-) (net)		(517)	(610)
Other financing activities		92	(43)
Cash flows from financing activities		**12,206**	**(6,945)**
Effects of exchange rate movements on cash & cash equivalents		95	(168)
Net change in cash and cash equivalents		**(6,432)**	**235**
Cash and cash equivalents at beginning of the fiscal year		26,656	26,421
Cash and cash equivalents at end of the fiscal year		**20,224**	**26,656**

All figures in KEUR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD JANUARY 01 TO DECEMBER 31, 2021

	Share Capital No. of shares	Share Capital Amount	Capital reserves	Retained earnings	Other reserves	Total
BALANCE AS OF 01/01/2020	3,526,182	10,579	24,119	63,994	907	99,599
Net income for the year				7,563		7,563
Dividend				(423)		(423)
Other comprehensive income (loss)				(80)		(80)
Foreign currency translation					(799)	(799)
BALANCE AS OF 12/31/2020	**3,526,182**	**10,579**	**24,119**	**71,054**	**108**	**105,860**
BALANCE AS OF 01/01/2021	3,526,182	10,579	24,119	71,054	108	105,860
Net income for the year				7,898		7,898
Dividend				(423)		(423)
Other comprehensive income (loss)				(16)		(16)
Foreign currency translation					614	614
BALANCE AS OF 12/31/2021	**3,526,182**	**10,579**	**24,119**	**78,513**	**722**	**113,933**

All figures in KEUR, except number of shares.

NOTES TO THE 2021 CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business

DATA MODUL AG Produktion und Vertrieb von elektronischen Systemen, Munich, manufactures and distributes innovative flatbed displays, monitors, electronic subassemblies and complete information systems. DATA MODUL displays and easyTOUCH displays, electronic subassemblies and custom products for use in industrial applications and the automotive industry comprise the Displays business segment.

The Systems business segment comprises selling our easyBoard, easyPanel and easyEmbedded Solutions and special monitors for marine navigation and medical device applications, also targeting airport, rail and digital signage customers.

The main business address of the Company is Landsberger Strasse 322, 80687 Munich, Germany, recorded in the Munich Commercial Register under record number HRB 85591. The Consolidated Financial Statements as of December 31, 2021 were prepared by the Executive Board in March 2022 and approved and endorsed for public disclosure on March 23, 2022.

2. Summary of Significant Accounting Policies

Basis and methods

The object of the Consolidated Financial Statements is DATA MODUL AG with registered office in Munich, and its corporate subsidiaries.

The Consolidated Financial Statements were prepared in accordance with International Financial Reporting Standards (IFRS) outlined by the International Accounting Standards Board (IASB), as adopted by the EU, and in accordance with Sec. 315e (1) German Commercial Code (Handelsgesetzbuch [HGB]) and applicable provisions of German commercial law.

The Consolidated Financial Statements of DATA MODUL AG were prepared in accordance with standard accounting policies pursuant to IFRS 10 (Consolidated financial statements). The recognition and measurement methods we applied did not significantly change versus the previous year, except where changes in IFRS accounting procedures required application on and after January 1, 2021.

The consolidated financial statements consist of the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity and the notes to the consolidated financial statements. The disclosures in the Notes include the Company's segment reporting. The Consolidated Financial Statements are prepared in euros (EUR). For presentation purposes, 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. The fiscal year corresponds to the calendar year. The Consolidated Financial Statements are published in the German Federal Gazette (BAnz). The income statement was prepared using the cost-of-sales method. Certain items on the statement of income and statement of financial position are combined for clarification purposes; explanatory comments are provided in the Notes. Distinction is made on the balance sheet between current and non-current assets and liabilities, in accordance with IAS 1 (Presentation of Financial Statements). Assets, provisions and liabilities are classified as current if they are realizable or fall due within a period of one year.

Adoption of new accounting standards

DATA MODUL initially applied the new and revised standards and interpretations outlined below in fiscal year 2021.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – IBOR Interest Rate Benchmark Reform, Phase 2

The IASB released its finalized IBOR Reform Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 on August 27, 2020. The Phase Two amendments are aimed at facilitating the accounting presentation of changes in contractual cash flows with financial instruments and hedge relationships resulting from the transition to alternative benchmark rates. The changes apply to fiscal years starting on or after January 1, 2021. EU endorsement was given on January 13, 2021. Application of these amendments had no significant effect on the consolidated financial statements.

Amendments to IFRS 16 – Covid-19-Related Rent Concessions beyond June 30, 2021

In March 2021 the IASB published another amendment to IFRS 16 in view of the lasting impact from the COVID-19 pandemic. The application period for the IFRS 16 amendments published in May 2020 has been extended under an option available to lessees. This allows for simplified accounting for concessions in connection with the COVID-19 pandemic (such as deferred or reduced rent). Instead of adjusting the right-of-use asset directly in equity, COVID-19-related changes are to be recorded as negative variable lease payments through profit & loss. The changes apply as of June 1, 2020 solely and explicitly to rent concessions up to June 2022. EU endorsement was given on August 30, 2021. The amendments had no effect on the consolidated financial statements.

DATA MODUL has not applied any standards, interpretations or changes which have been published but are not yet effective.

Published standards which are not yet mandatory to apply

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

In January 2020 the IASB published an amendment to IAS 1, Presentation of Financial Statements, that clarifies that existing rights of the Company as of the balance sheet date (e.g. with regard to early repayment or a loan extension) are to be applied in order to classify debts as current or non-current. Management expectations and intentions as to whether such a right is to be actually exercised or whether early repayment is intended are not taken into account. On July 15, 2020 the effective date of the changes was moved back from January 1, 2022 to fiscal years starting on or after January 1, 2023. EU endorsement is pending.

Amendments to IAS 1 and IFRS Practice Statement 2: disclosure of accounting policies

On February 12, 2021 the IASB released further amendments to IAS 1 in the document “Disclosure of Accounting Policies”. Pursuant to these changes, IFRS users are to disclose “material” accounting policy information. The previous practice was to disclose “significant accounting policies”. What counts as “material” hinges on the usefulness of the information for decision-making by financial statement users. The IASB simultaneously issued changes to IFRS Practice Statement 2, which outlines supplementary guidelines for assessing the materiality of accounting policies, along with illustrative examples. The changes apply to fiscal years starting on or after January 1, 2023. EU endorsement is pending.

Amendment to IAS 8: Definition of Accounting Estimates

On February 12, 2021 the IASB released amendments to IAS 8 in a document entitled “Definition of Accounting Estimates”. The amendment serves to clarify the distinction between changes in accounting policies and changes in estimates. Pursuant to the amendment, changes to estimates are applied prospectively to transactions and other accounting events from the point of changing of the estimate. In contrast, accounting policy changes are generally applicable retrospectively as well, affecting the treatment of past transactions and other accounting events. The changes apply to fiscal years starting on or after January 1, 2023. EU endorsement is pending.

Amendments to IFRS 3 – Updating a Reference to the Conceptual Framework

The IASB published amendments to IFRS 3 on May 14, 2020. The amendments concern the updating and changing of references to the Conceptual Framework. These provide that the modified definitions of assets and liabilities under the revised Conceptual Framework of 2018 be apply to business combinations. Situations falling within the scope of IAS 37 and IFRIC 21 represent exceptions, regarding which the definitions per the respective standards apply. Rules were additionally adopted explicitly prohibiting the recognition of contingent receivables from a business combination. The changes apply to fiscal years starting on or after January 1, 2022. EU endorsement was given on June 28, 2021.

Amendments to IAS 16 – Proceeds Before Intended Use

The IASB published amendments to IAS 16 on May 14, 2020. The amendments concern the recording of income from sales of goods produced in the construction phase of a property, plant and equipment asset, such as in test runs. Under the previous rules, such revenues could be offset against construction/set-up cost under certain circumstances, and non-uniform practical treatment was also possible. Offsetting will now no longer be allowed, and such income and the corresponding costs have to be recorded uniformly, affecting net income for the period. Offsetting will now no longer be allowed, and such income and the corresponding costs have to be recorded uniformly, affecting net income for the period. The changes apply to fiscal years starting on or after January 1, 2022. EU endorsement was given on June 28, 2021.

Amendments to IFRS 10 and IAS 28 – Sales or contributions of assets between an investor and its associate or joint venture

These amendments are in response to a conflict between IAS 28, Investments in Associates and Joint Ventures, and IFRS 10, Consolidated Financial Statements. The amendments clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business per IFRS 3. The IASB postponed the date of initial application of the changes indefinitely in December 2015 in view of potential changes to IAS 28 resulting from the research project on the equity method of accounting. This project resumed in October 2020 after a lengthy hiatus in connection with the ongoing Post Implementation Review of IFRS 11.

Amendments to IAS 37 – Onerous Contracts – Costs of Fulfilling a Contract

The IASB published amendments to IAS 37 on May 14, 2020. These serve to clarify what costs are relevant for deciding whether to classify a contract as onerous. The amendments provide that both directly incurred additional costs for contract fulfillment and other costs directly attributable to fulfillment of the contract must be taken into account. The changes apply to fiscal years starting on or after January 1, 2022. EU endorsement was given on June 28, 2021.

Amendments to IAS 12 – Income Taxes – Deferred tax related to assets and liabilities arising from a single transaction

In May 2021 the IASB published amendments to IAS 12 to clarify ambiguities regarding accounting for deferred taxes related to leases and disposal/restoration obligations.

Pursuant to the amended IAS 12, the initial recognition exemption no longer applies to transactions in which both deductible and taxable temporary differences arise in the same amount upon initial recognition, even if the other previously applicable requirements are met. The changes mean that deferred taxes are to be recognized on leases and on disposal/restoration obligations, for example, in the lessee's accounting. The changes apply to fiscal years starting on or after January 1, 2023. EU endorsement is pending.

Annual Improvements to IFRS (2018-2020 cycle)

The IASB published its Annual Improvements to IFRS for the 2018-2020 cycle on May 14, 2020. Amendments made as part of the Annual Improvements pertain to specific, narrowly defined areas, representing the ongoing evolution of IFRS. The changes provided for in the 2018-2020 cycle concern the following four standards:

- IFRS 1: Permitting simplified measurement rules for cumulative currency translation effects for subsidiaries which initially apply IFRS at a later date than the parent company, in the context of application of IFRS 1.D16(a).
- IFRS 9: Clarification regarding fees to be included for deciding on the derecognition of financial liabilities

using the 10% present value test.

- IFRS 16: Change to illustrative example 13 with striking of some of the wording under “Measurement by the lessee and consideration of a change in lease term” regarding reimbursement for leasehold improvements by the lessor. This change was made to avoid potential confusion regarding accounting for lease incentives.
- IAS 41: Striking of the requirement per IAS 41.22 that tax cash flows may not be factored into the calculation of the fair value of a biological asset. This creates consistency with IFRS 13.

IFRS 17 – Insurance Contracts

The IASB published amendments to IFRS 17, Insurance Contracts, on May 18, 2017. Aimed at establishing consistent, principle-based accounting for insurance contracts, this new standard requires that insurance liabilities have to be measured at their current fulfillment value. This affords uniform measurement and presentation for all insurance contracts. The effective date was moved back from January 1, 2022 to January 1, 2023 pursuant to a resolution of March 18, 2020. EU endorsement was given on November 19, 2021.

Application of the changes is mandatory for fiscal years starting on or after January 1, 2022. EU endorsement was given on June 28, 2021.

DATA MODUL is studying how the standards, changes and interpretations listed will affect its consolidated financial statements going forward. It is not expected at this time that these will significantly affect the Group’s balance sheet or earnings.

3. Consolidation

Consolidation standards

The Consolidated Financial Statements comprise the separate financial statements of DATA MODUL AG and its subsidiaries as of December 31, 2021, prepared using the accounting and measurement methods applied uniformly throughout the Group. Subsidiaries whose finance and business policies DATA MODUL AG is capable of directly or indirectly influencing to derive benefit from their activities are fully consolidated. Companies are deconsolidated when the subsidiary is no longer controlled by the parent company. All inter-company balances, income and expenses, as well as unrealized gains and losses and dividends from inter-company transactions are fully eliminated.

Foreign currency translation

The consolidated financial statements are prepared in euros, the functional currency of the parent company. The functional currency of foreign entities is determined by the primary economic environment in which these entities independently operate with respect to financial, economic and organizational considerations, and in which they predominantly earn and use their cash and cash equivalents. The functional currency of DATA MODUL Group subsidiaries is the respective local currency. The financial statement items of every subsidiary are recorded in the functional currency. Foreign currency transactions are first translated into the functional currency applying the transaction rate.

Monetary foreign currency assets and liabilities are translated into the functional currency applying the spot rate at the balance sheet date. Exchange gains or losses resulting from this currency translation are recorded in profit or loss under sales, general and administrative expenses. Non-monetary consolidated balance sheet items in foreign currency are carried at historical exchange rates. To determine the exchange rate applied for initial recognition of the associated asset, expense or income when derecognizing a non-monetary asset or liability arising from prepaid consideration, the date of the transaction is the date of initial recognition of the non-monetary asset or liability arising from the advance payment.

Assets, including goodwill, and liabilities of subsidiaries whose functional currency is not the euro are translated into euros applying the exchange rate at the reporting date; income statement items are translated applying annual average exchange rates.

Any differences arising from the translation of the income statement at annual average exchange rates and of the balance sheet at period closing rates, or resulting from currency translation of asset and liability values versus the previous year, are recorded under equity as other comprehensive income in “Other reserves”, with no effect on the income statement. Exchange gains or losses resulting from currency translation of equity items at historical or reporting-date rates were also recorded under “Other reserves”. These accumulated translation differences are recorded in profit or loss at the date on which the Group company ceases to be part of the Group.

Exchange rate trends for the major currencies included in the Consolidated Financial Statements as related to the euro are as follows:

Exchange rate	12/31/2021 Balance sheet	12/31/2021 P&L	12/31/2020 Balance sheet	12/31/2020 P&L
EUR / USD	1.1320	1.1813	1.2275	1.1469
EUR / GBP	0.8400	0.8585	0.8996	0.8894
EUR / SGD	1.5280	1.5865	1.6221	1.5785
EUR / AED	4.1579	4.3390	4.5088	4.2121
EUR / HKD	8.8277	9.1832	9.5162	8.8945
EUR / JPY	130.3200	130.2933	126.5000	121.8217
EUR / CHF	1.0333	1.0795	1.0811	1.0710
EUR / PLN	4.5944	4.5756	4.5566	4.4670

Scope of consolidation

Pursuant to IFRS 10, the Consolidated Financial Statements incorporate DATA MODUL AG and all its subsidiaries which DATA MODUL AG has a controlling influence.

The Consolidated Financial Statements as of December 31, 2021 include the following subsidiaries:

Company name, registered office	Shareholding in %
DATA MODUL Weikersheim GmbH, Weikersheim, Germany	100
DATA MODUL France SARL, Baron, France	100
DATA MODUL Iberia S.L., Madrid, Spain	100
DATA MODUL Inc., New York, USA	100
DATA MODUL Italia S.r.l, Bolzano, Italy	100
DATA MODUL Ltd., Cannock, UK	100
DATA MODUL Suisse GmbH, Zug, Switzerland	100
DATA MODUL Hong Kong Ltd., Hong Kong, China	100
DATA MODUL Electronic Technology (Shanghai) Co., Ltd., Shanghai, China	100
Conrac Asia Display Products PTE Ltd., Singapore	100
DATA MODUL Polska Sp. z o.o, Warsaw, Poland	100

4. Recognition and measurement methods

Major discretionary decisions, estimates and assumptions

Preparation of the Consolidated Financial Statements pursuant to IFRS requires Company management to make discretionary decisions and assumptions as well as estimates that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the balance sheet date and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates and assumptions. The primary areas in which discretionary decisions and estimates are made concern the impairment of goodwill and other non-financial assets, valuation of inventories, capitalization of development expenses and recognition of deferred tax assets. Discretionary judgments and estimates are also made in connection with IFRS 15, Revenue From Contracts With Customers, and IFRS 16, Leases. Any change in these discretionary judgments could have a material adverse effect on the Company's financial position, results of operations and cash flows.

Material uncertainties connected with the coronavirus pandemic were factored into estimates and discretionary decisions as appropriate. In fiscal year 2021 no material adjustments were made to the carrying values of stated assets and liabilities in connection as a result of the pandemic. Additional information regarding the impact of the coronavirus pandemic is provided in the relevant sections of the Notes to the Consolidated Financial Statements and the Group Management Report.

The key assumptions concerning the future and other key sources of estimation uncertainty and judgement at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of goodwill and other non-financial assets

An impairment loss is recorded when the carrying value of an asset or cash-generating unit exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the greater of its fair value minus costs of disposal and value in use. The discounted cash flow method is used to calculate value in use. Measurement is based on medium-term corporate planning applying market and company-related discount rates, as well as projected growth rates and exchange rates. The assumptions made in this respect may be subject to changes which could result in impairment losses on those assets in future periods.

Carrying of deferred tax assets

Deferred taxes are calculated applying the tax rates of the individual countries (tax rates in effect or announced as of the reporting date) at the date at which the assets are realized or the liability settled, and on the estimates of the Group companies' future ability to generate taxable income. Any tax rate changes or any deviation of actual taxable income from estimates could result in deferred tax assets not being realized.

When determining the amount of the deferred tax asset, management must exercise a substantial amount of discretion in estimating the amount and timing of future taxable income, as well as future tax strategies.

Inventories

Impairment losses recorded on the inventories are measured based on the inventory service level or the expected net income (expected sales price minus estimated costs at completion and minus estimated selling expenses). Future consumption, actual income and outstanding costs could differ from the expected amounts.

Development costs

The initial recognition of development costs is done in accordance with IAS 38.57, and is based in particular on the management's opinion that technical and economic feasibility is given; this is generally the case when a project development project reaches a certain milestone within the framework of an existing project management model. To determine capitalizable amounts management makes assumptions concerning the amount of the cash flows expected to be generated by the assets in question, the discount rate to be applied and the period in which the assets are expected to generate future cash flows. Significant adjustments could become necessary if certain expectations are not realized and a value adjustment is then required.

Revenue from contracts with customers

Estimates and discretionary judgments are made regarding the recognition of revenue from development services provided in connection with customer-specific development projects[1] and the associated capitalization of costs to fulfill a contract and their amortization. The first step required is to verify whether the development work constitutes a good or service identifiable as discrete (discrete performance obligation) or whether it is closely connected with subsequent serial production, thus representing a fulfillment activity for such production (rather than a discrete performance obligation). A number of factors are to be considered in making this assessment. All such factors are taken into account as time of signing of the development and serial production contracts, handover of work results and the customer's interest in independently using and right to use the development results. Upon weighing all of the relevant facts and circumstances in a given case, the decision will in many cases involve a certain degree of discretion, even if a uniform group-wide evaluation procedure is employed. In general, customer-specific development projects conducted by DATA MODUL are classifiable as a fulfillment activity for serial production of the respective end product, despite a sometimes large degree of complexity of the work required, because the development results are not handed over to the customer—even if the customer pays for the development work separately. Even if work results derived from a previous state of development are handed over, the customer still cannot use those development results to have the serially manufactured product made by any other manufacturer. Development-related costs are deferred as costs to fulfill a contract and amortized starting on the commencement date of production of the end product, calculated applying to the projected sales volume for the serial products. Sales volume is projected based on the agreement in place with the customer, which may however provide for fluctuation. Changes in Management estimates may result in differences regarding the amount and timing of expenditures in subsequent periods.

In the next step, it must be reviewed whether the performance obligation identified in the contract with the customer for serial production of the end product exists over a defined period of time or at a specific point in

[1] This concerns the development of complex, custom system solutions and design and functionality to existing standard products adjustments made to meet individual requirements.

time. Fulfillment of a performance obligation over a defined period of time is only in evidence if DATA MODUL creates an asset which does not have any possible alternative uses and is entitled to payment for the work already performed (cost plus an appropriate profit margin). DATA MODUL reviews all relevant facts and circumstances in a given case and then makes a decision as to the period over which revenue would be recognizable, which can involve a degree of discretion. Serial production generally relates to a point in time as a performance obligation. Accordingly, revenue is usually recognized when the serial products are delivered. This does not apply to individual contracts with consignment warehouse customers.

DATA MODUL also makes discretionary decisions in deferring consignment warehouse revenues. As a rule, revenue is recognized at the point in time when the customer removes the goods from the consignment warehouse. For consignment warehouse customers under contracts requiring the delivery of custom-made products subject to a legally binding acceptance obligation, revenue is recognized at the time of delivery to the consignment warehouse. All facts and circumstances are reviewed which are relevant to the case at hand in order to make a decision, which involves a certain degree of discretion. Indicators taken into consideration include current claims to payments, significant risks and opportunities, customer acceptance clauses, property rights and physical possession of the customer-specific items.

Measuring deferred revenue for extended warranties also involves discretionary decision-making and estimates. DATA MODUL exercises discretion in measuring the consideration we are likely to receive in exchange for granting warranty to a customer. The transaction price is determined on a percentage basis determined by Management. In exercising such discretion, DATA MODUL takes into account previous experiences had with the customer in question and factors beyond the scope of the relationship with the individual customer. Revenue is distributed over the contractually agreed extended warranty period starting from the effective date. Costs connected with the warranty are generally distributed evenly, and benefits for the customer are also distributed evenly over the contractually agreed term due to the nature of the warranty obligation, thus Management has decided to recognize revenue in linear form, accordingly. Changes to the above assumptions can affect the recording of revenue in future periods.

Leases

The Group determines the lease term based on the non-terminable base term plus possible periods under a lease extension option as long as it is reasonably certain that the option will be exercised, or taking into consideration periods resulting from a lease termination option if it is reasonably certain that the Group will not exercise that option. DATA MODUL has concluded several lease contracts which have extension and termination options, and makes discretionary judgments in assessing whether there is sufficient certainty that the lease extension or termination option will or will not be exercised. Thus all relevant factors are considered which represent an economic incentive to exercise the extension/renewal or termination option. DATA MODUL reassesses the lease term after the commencement date in case of a significant event or change in circumstances. For the lease term of buildings, the extension option was taken into account in most cases because lease extension option is usually exercised with such contracts. This assumption is based on Management's current position that no shifting production or distribution to different facilities is planned for the near future. Motor vehicle lease renewal options are not included in the lease term because the Group generally leases vehicles for a maximum of two years, and therefore typically does not exercise a renewal option.

Additionally, periods following a termination option are only factored in as part of the lease term if it is reasonably certain that the termination option will not be exercised.

See Note [10] for details regarding potential future lease payments for periods after the exercise date of extension and termination options which were not factored into the lease term.

DATA MODUL cannot determine the interest rate implicit in the lease without additional information. The marginal borrowing rate is thus applied to measure lease liabilities. The marginal borrowing rate is the interest rate which the Company would pay if borrowing funds over a comparable term in a comparable economic environment for an asset of a value comparable to the right of use. The marginal borrowing rate has to be estimated if a monitorable interest rate cannot be referenced (e.g. for subsidiaries which do not conclude financing transactions). DATA MODUL estimates the marginal borrowing rate based on available, monitorable input factors (such as market interest rates), and has to make certain company-specific estimates (regarding for example any company-specific premium for credit and country risks).

Revenue from contracts with customers and costs to fulfill a contract

In accordance with IFRS 15, Revenue from Contracts with Customers, revenue is recognized when the disposal over specifiable goods or services is transferred to the customer, i.e. when the customer is capable of determining usage of the transferred goods or services and of deriving most of the residual benefit of these. The conditions for this include that a contract with enforceable rights and obligations must be in place and receipt of the consideration must be probable in view of the customer's credit standing. Revenue deductions resulting from rebates, cash discounts or bonuses, as well as sales tax and other charges are offset against revenues. Revenue from customer-specific development projects is recognized based on a case-by-case assessment depending on the contractual agreement in place with the customer (see Note 4, Major discretionary decisions, estimates and assumptions). Development work is generally not a performance obligation but rather a necessary fulfillment activity leading to the serial production contract. Through development work, products are modified to meet customer requirements, which can be of a highly specific nature, but the development results are not transferred to the customer because the customer is solely interested in the end product which has been modified to meet his requirements. A transaction price is thus generally not referenceable to customer-specific development work, thus revenue is not recorded for it. The conditions for capitalization as costs to fulfill a contract are met because development work is performed under a concluded or an anticipated customer contract, lead to the creation or improvement of resources of DATA MODUL and compensation for the costs incurred for such under the serial production contract has either been explicitly agreed with the customer or at a minimum is expected. The conditions for period-specific revenue recognition per IFRS 15 are not met in most cases, thus development costs accruing for product customizing are capitalized as costs to fulfill a contract and recorded as production expenses under cost of sales when the products are sold. Amounts are for the most part expensed based on the contractually binding sales volume.

Compensation payable by the customer for development work represents a non-reimbursable upfront fee as payment for the activities necessary for fulfillment of the contract (in this case: development work). Because development work is not a performance obligation, this fee must be allocated to those goods which have been identified as a separate performance obligation (in this case: delivery of the end product). Revenue is thus recognized in a procedure similar to how costs to fulfill a contract are amortized based on sales volume, via a mark-up on the corresponding unit price.
Regarding DATA MODUL's consignment customers, revenues are are always recognized at the time of customer retrieval of the goods from the consignment warehouse. However, revenues from consignment customers whose contracts provide for customer-specific products under a purchase obligation are already recognized at the time of delivery to the consignment warehouse and recorded as contract assets (see Note 4, Major discretionary decisions, estimates and assumptions).

If a contract involves multiple specifiable goods or services, the transaction price is distributed across the performance obligations on the basis of the relative individual sale prices. If individual sale prices are not directly observable, a reasonable price estimate is made (see Note 4, Major discretionary decisions, estimates and assumptions). Revenues from each performance obligation are either recognized at a specific point in time or during a specific period.

Period-specific revenue recognition is required if the customer realizes ongoing benefit from the work products of DATA MODUL and simultaneously consumes these, if DATA MODUL creates or processes an asset controlled by the customer or if DATA MODUL creates an asset without alternative usages for its own benefit and is legally entitled to payment for the products/services provided.

Invoices are issued in accordance with the contractual terms. The payment terms generally require payment within 30 days of invoicing.

In line with IFRS 15, transactions are reviewed to identify deferrable commitments so as to accurately reflect the economic content of the transaction. Extended warranties granted to customers have been classified as deferred commitments and recognized accordingly as deferred revenue on the balance sheet. requiring estimates to be made for allocation of the transaction price for these (see Note 4, Major discretionary decisions, estimates and assumptions). An extended warranty is in evidence if warranty is granted beyond the statutory warranty period. Deferred revenue is reported as current or non-current contract liabilities in accordance the period of its realization.

Advance payments from customers are usually short-term in horizon, thus they do not entail a significant financing component. These are likewise shown as a contract liability.

Operating expenses are recorded in profit or loss either at the point in time of service utilization or at the point in time when they are incurred, applying the principle of accrual accounting.

Intangible assets

Intangible assets that were not acquired in the course of business combinations are initially recognized at cost or cost of sales. Intangible assets are carried in subsequent periods at acquisition or production cost minus cumulative amortization and expensed impairments. With the exception of goodwill, intangible assets with a definite useful life are amortized as scheduled. The estimated life and remaining useful life periods applied and the amortization method used are reviewed annually. Useful life periods are adjusted for future periods as necessary when the underlying assumptions change. Such adjustments made due to a changed expectation of useful life or use of a different amortization method are treated as a change in estimates. Amortization of intangible assets with finite lives is recorded in the appropriate expense item of the income statement that reflects the purpose of the asset. Intangible assets with indefinite useful lives are not amortized; however, they are subject to an impairment test at least once every year or if there is any indication that either the asset or the cash-generating unit are impaired.

Intangible assets (except for goodwill) include purchased software and capitalized development costs. Purchased software is capitalized and amortized over the estimated useful life of three to five years using the straight-line method.

Pursuant to IAS 38 (Intangible Assets), research and development costs must be treated separately. Research is defined as independent investigations conducted according to plan with the aim of acquiring new scientific or technical knowledge or insights. Development is defined as the technical/technological implementation of research findings for commercial purposes. Pursuant to IAS 38, development costs must be capitalized if certain criteria are met, while research costs must be expensed in the period in which they are incurred. Development costs must be capitalized as intangible assets when it is more likely than not that the development activities will result in future cash flows and the economic benefits embodied in those cash flows will exceed the development costs. In addition, the development project concerned must be technically feasible, the technical and financial resources necessary to complete the project must be available and project-related costs incurred during development must be reliably measurable.

The capitalized development costs are amortized on a straight-line basis over a period of 12 - 60 months of future economic exploitation, beginning with the completion of the development phase and the time at which the product is mature, i.e. ready for serial manufacturing. Development projects are reviewed annually as to any impairment of value. Impairment losses on development projects recognized as intangible assets are presented in the income statement as production costs.

Goodwill

Goodwill incurred during a company combination is recorded pursuant to IFRS 3 as the difference between the value of the transferred compensation at the time of acquisition and the identifiable assets and liabilities of the acquired company as measured pursuant to IFRS 3.

Goodwill is subsequently measured at cost minus cumulative impairment losses. The value assigned to goodwill is reviewed annually (as of December 31). This value is also reviewed if circumstances indicate that impairment may have occurred.

The impairment is measured based on the recoverable amount of the cash generating entity to which the goodwill was allocated. If the realizable amount from the cash-generating unit is less than the carrying amount of that unit, an impairment loss is recorded. Impairment losses recorded on goodwill may not be reversed in future periods.

Property, plant and equipment

Property, plant and equipment is carried at acquisition or construction cost minus cumulative scheduled depreciation and cumulative impairments. In addition to the purchase price and directly attributable costs for bringing the asset to the location in a state ready for operation as intended by management, acquisition/construction cost includes estimated costs for demolition of the asset and for restoration of the location where the asset was situated. Maintenance and repair costs are expensed as incurred. Scheduled depreciation is recorded pro rata using the straight-line method and attributed to the individual functional areas. The term of depreciation is the estimated economic life of the asset. Estimated useful life is 3 years for computer hardware, 5 to 10 years for machinery, office equipment and leasehold improvements, and up to 25 years for buildings.

The useful lives applied and the depreciation method for property, plant and equipment are reviewed periodically and adjusted as necessary to ensure that these reflect the economic benefits expected to be derived from the asset. If the estimates deviate from the previously made assumptions, the respective changes are recorded as ‘changes in estimates’ per IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors). Impairments expected to last longer than the period of consumption of economic value through usage are recorded in line with IAS 36 (Impairment of Assets) when the recoverable amount of the asset falls below amortized cost. The recoverable amount is the higher of net realizable value and the value in use of the asset. If there are no longer any reasons for impairment losses recorded in previous years, impairment losses are reversed up to the recoverable amount or amortized cost, irrespective of past impairments recorded.

The historical cost and cumulative depreciation of assets which are sold or scrapped are derecognized. Fully depreciated non-current assets are shown at cost minus cumulative depreciation until they are decommissioned. Gains and losses from the disposal of fixed assets are recorded in the respective cost accounts.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is primarily determined based on average batch cost or weighted average cost of the item.

The cost of inventories includes the purchase price, import duties and other taxes, transport and processing costs and other costs directly attributable to the purchase. Discounts, rebates and similar amounts are deducted when calculating purchase cost.

In addition to attributable direct costs, cost of sales includes appropriate material and production overheads to the extent that these relate to production of the items. The net realizable value is the estimated sale price realizable in regular business operations minus estimated costs of completion and estimated selling expenses.

Discounted net sales prices are applied as necessary to reflect shelf life and reduced usability risks. Impairment losses are reversed accordingly if the reasons for impairment losses recorded on inventories no longer exist.

Contract assets and liabilities, receivables

When one party to a contract with the customer has fulfilled its contractual obligations, a contract asset or liability or a receivable is recognized depending on the relationship between performance and payment by the customer. Receivables are recognized if the claim to receive the consideration is no longer in any way conditional.

Claims arising from performance by DATA MODUL for customers are generally reported as trade receivables. However, claims against consignment customers whose contracts provide for customer-specific products under a purchase obligation are shown as contract assets on the statement of financial position if the items have not been removed from the consignment warehouse. These are reported as current because they accrue within the ordinary business cycle.

Impairments on contract assets and receivables recorded to reflect credit risk exposures are measured using the method for financial assets at measured amortized cost. The Group utilizes an impairment matrix to calculate expected credit losses on trade receivables and contract assets. Impairment percentages vary based on days overdue and any relevant information indicating potential credit losses expectable in future.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank deposits available on call and other current, highly liquid financial assets not subject to any disposal limitations which have a maximum maturity of three months at the time of acquisition and are measured at cost.

Impairment of intangible assets (excluding goodwill) and property, plant and equipment

The carrying amounts of intangible assets and of property, plant and equipment are subject to impairment testing on each balance sheet date, and whenever there are indications of potential impairment in accordance with IAS 36 (Impairment of Assets). To the extent the value of intangible assets or property, plant and equipment as determined according to the principles above exceeds the recoverable amount at the balance sheet date, impairment losses are recorded on the carrying amount of the assets. The recoverable amount is the higher of the fair value minus selling costs of the asset and value in use. Impairment losses are reversed up to the amortized cost if the reason for their recording no longer applies.

Embedded derivatives

Derivatives embedded in host contracts are accounted for separately and measured at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as held at fair value through profit or loss. These embedded derivatives are measured at fair value, changes in which are recorded through profit and loss, affecting the financial result.

Financial instruments

A financial instrument is a contract under which a financial asset is created at one company and a financial liability or an equity instrument at another company.

The assets are classified upon initial recognition; subsequent recognition is based on the classification upon initial recognition. Financial assets are classified upon initial recognition in line with IFRS 9 (Financial Instruments) as follows:

Financial assets measured at amortized cost

DATA MODUL carries financial assets which are debt instruments at amortized cost when the following two conditions are met:

- The financial asset is held under a business model the objective of which is to hold financial assets in order to realize contractual cash flows, and
- the contractual terms of the financial asset give rise to cash flows at fixed times which exclusively represent principal redemption and interest payments on the outstanding capital amount.

In subsequent periods, financial assets measured at amortized cost are measured applying the effective interest method and are subject to impairment testing. Gains and losses are recorded in profit or loss when the asset is derecognized, modified or impaired.

The financial assets measured at amortized cost held by Group include trade receivables, other financial assets and cash and cash equivalents.

Financial assets measured at fair value through other comprehensive income

The Group measures debt instruments at fair value through other comprehensive income if the following two conditions are met:

- The financial asset is held under a business model the objectives of which are to realize contractual cash flows and sell the financial assets, and
- the contractual terms of the financial asset give rise to cash flows at fixed times which exclusively represent principal redemption and interest payments on the outstanding capital amount.

For debt instruments measured at fair value through other comprehensive income, interest income, remeasurements of foreign exchange gains and losses, impairment losses and impairment loss reversals are recorded on the income statement and their amount calculated as for financial assets measured at amortized cost. The remaining changes in fair value are recorded in other comprehensive income. Upon derecognition, the cumulative gain or loss from changes in fair value recorded in other comprehensive income is reclassified to profit or loss. As of December 31, 2021, no financial assets were held which are recognized in other comprehensive income at fair value.

Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss include financial assets held for trading, financial assets designated at fair value through profit or loss upon initial recognition and financial assets which are required to be measured at fair value.

Financial assets are classified as held for trading which are acquired for the purposes of sale or repurchase in the near future. Derivatives, including separately recognized embedded derivatives, are also classified as held for trading, except for derivatives which are designated as and effectively are hedging instruments.

Financial assets with cash flows which do not exclusively represent principal redemption and interest payments are classified as designated at fair value through profit or loss irrespective of business model and measured accordingly.

Financial assets measured at fair value through profit or loss are carried at fair value on the balance sheet, and changes in fair value are shown on the income statement.

Impairment of financial assets

IFRS 9 governs accounting for impairment losses on financial assets. Accordingly, an impairment model for projected credit losses must be applied to all financial assets (debt instruments) that are measured at either amortized cost or at fair value through comprehensive income, for which DATA MODUL references an impairment matrix.

The expected credit losses method is a three-stage approach to allocating impairments:

Stage 1: Expected credit losses within the next 12 months

Stage 1 is comprised of all financial instruments which have not seen a significant increase in credit risk since initial recording; this will typically include new financial instruments and contracts with payments less than 31 days past due. The portion of the expected credit losses over the term of the instrument which results from a default within the next twelve months is recorded.

Stage 2: Expected credit losses over the entire term—credit quality not impacted

Financial assets are classified to stage 2 which have had a significant increase in credit risk but their credit quality has not been impacted. Impairment losses are recorded for expected credit losses over the entire term of the financial asset.

Stage 3: Expected credit losses over the entire term—credit quality is impacted

If the credit quality of a financial asset is impacted or it is in default, it is classified to stage 3. Impairment losses are recorded for expected credit losses over the entire term of the financial asset. Objective indications that the credit quality of a financial asset is impacted include payments being 91 days overdue and other information indicative of significant financial difficulties on the part of the debtor.

The determination of whether a financial asset has incurred significantly heightened credit risk is made on the basis of a quarterly assessment of default probability in which both external rating information and internal information about the credit quality of the financial asset are taken into account.

A financial asset is moved into stage 2 if credit risk has significantly increased in relation to the credit risk exposure at the time of initial recognition.

The simplified method is applied for trade receivables and contract assets, which means these receivables are already classified to stage 2 upon initial recognition. Accordingly, there is no need to assess whether there has been a significant heightening of credit risk.

DATA MODUL applies the exception option to stage classification for financial assets with low credit when debt instruments are concerned which are rated as investment grade. These are always classified as stage 1 debt. This applies to any credit balances with banks which had an investment grade rating throughout all of fiscal year 2021.

In stages 1 and 2, effective interest income is calculated based on gross book value. As soon as the credit quality of a financial asset is impacted and it is classified to stage 3, the effective interest income is calculated based on net book value (gross book value minus risk provisioning).

Expected credit losses are calculated as the probability-weighted present value of all defaults over the expected term of the financial asset.

For trade receivables and contract assets, DATA MODUL calculates expected default on the basis of historical default rates, applying an impairment matrix. The expected default rates are calculated based on the respective period overdue of the receivables. In addition, the values determined may also be adjusted to reflect available information of relevance to the future value/recoverability of customer receivables.

DATA MODUL Group holds a credit insurance policy to minimize risk of losses from doubtful accounts. In case of payment default, the credit insurance covers 90% of losses incurred within six months of the default date. The deductible amount remained unchanged versus the previous year at 10%. To further minimize potential losses, the Company performs credit checks on new customers before accepting orders.

Derivative financial instruments

DATA MODUL uses derivative financial instruments solely for the purpose of hedging interest and currency exposures arising from business operations. As of the balance sheet date of December 31, 2021 and in the previous year there were no outstanding contractual agreements for hedging interest rate or foreign currency risk.

Derecognition of financial assets

A financial asset is derecognized when one of the following criteria has been met:

- contractual rights to receive cash flows from a financial asset have expired, or
- the Group has transferred its contractual rights to receive cash flows from the financial asset to a third party or assumed a contractual obligation to immediately pay out the received cash flow to a third party, thereby either having essentially transferred all risks and rewards associated with the ownership of the financial asset, or having neither transferred nor withheld essentially all risks and rewards arising pertaining to the ownership of the financial asset but transferred rights of disposal over the asset.

Offsetting/netting

Financial assets and financial liabilities are generally not netted. These are only netted if the company has the right to offset the amounts at the current point in time and intends to settle the respective asset or liability by netting out.

Financial liabilities

Upon initial recognition, financial liabilities are classified as financial liabilities at fair value through profit or loss, as loans, as liabilities or as derivatives which have been designated as and effectively are hedging instruments.

All financial liabilities are initially measured at fair value, and loans and liabilities are shown after deduction of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other liabilities and liabilities due to financial institutions, including overdrafts.

The subsequent measurement of financial liabilities depends on their classification, as follows:

Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss include financial liabilities held for trading and other financial liabilities initially recognized at fair value through profit or loss.

Financial liabilities are classified as held for trading which are acquired for the purpose of a repurchase in the near future.

Also included in this category are derivative financial instrument contracts entered into by the Group which are not designated as hedging instruments in hedge accounting in accordance with IFRS 9. Separately recognized embedded derivatives are also classified as held for trading, except for derivatives which are designated as and effectively are hedging instruments.

Gains and losses on financial liabilities held for trading are recorded in profit or loss.

Financial liabilities held at fair value through profit or loss are classified at the time of initial recognition if the criteria per IFRS 9 are met. As of the reporting date DATA MODUL did not have any financial liabilities classified as measured at fair value through profit or loss.

Financial liabilities measured at amortized cost

This category is of the greatest significance for the DATA MODUL Consolidated Financial Statements. Following initial recognition, interest-bearing loans are measured at amortized cost applying the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized, also through amortization applying the effective interest method.

Derecognition of financial assets

A financial liability is derecognized when the underlying commitment has been fulfilled, canceled or extinguished for other reasons.

Risks resulting from the Company's financial instruments

DATA MODUL has various other financial assets and liabilities such as trade receivables and trade payables that directly result from its business operations. It is the Company's policy and has been throughout the reporting year that no financial instruments are held for trading. The primary risks connected with financial instruments held by DATA MODUL are interest rate-based fair value risk, liquidity risk, interest rate risk, currency risk and bad debt risk. The Executive Board reviews and adopts policies for managing these individual risks which are outlined below.

Interest rate risk

Interest rate risk is the risk of fair value or future cash flows changes affecting a financial instrument as a result of interest rate movements. The Group's exposure to risk of fluctuating market interest rates primarily concerns variable-rate longer-term loans. The credit facilities available for financing our global business operations are in part subject to interest rate risks. The Group manages interest rate risk by only taking out short-term loans at fixed interest rates.

Foreign currency risk

DATA MODUL conducts a substantial portion of its business in US dollars, thus fluctuations in the US dollar/euro exchange rate could significantly impact DATA MODUL's balance sheet and earnings. The Group also makes transactions in GBP, SGD, HKD and JPY. The Company also has exposure to currency risks in its business transactions. Such exposure arises from sales or purchases by an operating unit in currencies other than the unit's functional currency. Approximately 50.7% (previous year: 53.9%) of the Company's sales are denominated in currencies other than the functional currency of the operating unit, while approximately 75.5% (previous year: 69.8%) of costs are denominated in the unit's functional currency.

Commodity price risk

DATA MODUL is exposed to a price risk in connection with currently strong demand combined with product availability problems due to capacity bottlenecks. Such capacity problems can definitely be expected in 2022 due to supply problems in the chip and glass industries. DATA MODUL manages this risk by procuring most of the raw materials required for an order rapidly after its placement.

Default risk

DATA MODUL trades only with customers who have good credit standing. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit checks. Trade receivables balances are constantly monitored and allowances made for known and anticipated value adjustment risks. Other than that there are no significant default risks connected with ongoing business activities. For additional minimization of risks related to bad debt, the Company has purchased credit insurance for some of its operations. In respect to other customers that are not covered by such insurance policies, their credit standing is assessed, special terms of payment and payment guaranties are agreed upon and securities or collaterals are stipulated.

Liquidity risk

DATA MODUL's objective is to maintain a balance between the continuity of funding and flexibility by way of current account credits, bank loans, finance leases and hire purchase contracts. The basis for decisions concerning financial strategies and ensuring sufficient liquidity is a short-term Company-wide cash management program, taking into account rolling liquidity forecasts, a strategic financial requirement analysis based on 1-year and 3-year projections, and working closely with external banks and investors as regards the reviewing and adjustment of lines of credit.

Pensions and non-current personnel liabilities

Non-current personnel liabilities include long-term bonus claims and statutory severance pay claims accruing to employees of subsidiaries of DATA MODUL AG. DATA MODUL measures payment claims applying the projected unit credit method, which calculates the actuarial present value of accrued credits. The provision amount is measured applying the net interest method, in which the net defined benefit pension liability (net asset value) recorded on the balance sheet is multiplied by the discount rate applied in measuring the defined benefit obligation (DBO). Expected changes in the net liability (or net asset) during the year due to contributions and pension benefit payments are to be factored in. This net interest component replaces interest expense from applying an interest rate to the pension obligation and the projected return on plan assets. Revaluation effects connected with pension commitments such as actuarial gains and losses and any differences between actual return and the return on plan assets implicitly recognized in other net interest income are immediately recorded in equity as "Other comprehensive income". The amount of obligations for pension plans is calculated applying an annual actuarial report based on biometric parameters and current market interest rates. Individual pension commitments only exist for two former Executive Board members and three former managers.

Provisions

Provisions are recorded when – due to a past event – the Company incurs a current legal or constructive obligation towards a third party, the outflow of resources embodying economic benefits in order to settle the obligation is probable, and the amount can be reliably estimated. If a reimbursement is expected to be paid, at least in part, for a provision recorded under liabilities (e.g. liabilities under an insurance policy), the reimbursement is classified as a separate asset if there is a high probability of reimbursement occurring. The expense for the recorded provision is shown on the income statement minus any reimbursement. If the obligations fall due within more than one year and payment can be reliably estimated in terms of both amount and timing, the non-current portion of the obligation is measured at present value if the corresponding interest effect is material. Net present value is determined based on market interest rates commensurate with risk and the period until the settlement of the obligation. In case of discounting, the increase in the provision due to the passage of time is recorded as interest expense in the financial result.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Provisions for warranty obligations

DATA MODUL provides the typical statutory warranties for remedying of defects extant at the time of sale. These assurance-type warranties are recorded in accordance with IAS 37. Provisions for warranties related to delivered products are recorded in the amount required for meeting legal requirements. After expiration or elapsing of the guarantee obligation, the provision is reversed.

Personnel provisions

Personnel provisions are allocated for existing claims of employees against DATA MODUL. These include premiums, commissions, performance bonuses, severance, travel expenses, vacation and Christmas supplements and accrued vacation and overtime.

Other provisions

Other provisions consist primarily of outstanding invoices for auditing of the annual financial statements, tax accounting services and other services not yet billed including transport, provision of temporary staff and services to be expensed in fiscal year 2021.

Income taxes
Taxes on income and earnings comprise all actual taxes on current taxable income of the consolidated subsidiaries under the tax laws applicable in the respective countries, as well as deferred taxes. The current tax assets and liabilities for the current and previous periods are measured at the expected amount of refund from or payment to the tax authorities. The local tax rate and tax laws applicable at the balance sheet date are used as a basis to determine this amount. Management regularly assesses individual tax issues to determine whether there room for interpretation under the applicable tax regulations in question. Tax liabilities are recognized as necessary.

Unless the initial recognition exemption applies or there are outside basis differences for subsidiaries, deferred tax assets and liabilities are reported applying the liability method as per IAS 12 (Taxes on Income) for temporary differences between carrying amounts in individual companies' tax reporting and carrying amounts shown on the consolidated financial statements applying IFRS, and these are also factored in with regard to specific consolidation measures.

Deferred tax assets and deferred tax liabilities are measured based on the tax rate expected to be applicable in the period in which the temporary differences are expected to be reversed. The applicable or announced tax rates at the balance sheet date are used for this purpose. Deferred taxes that are directly related to equity items are also recorded directly in equity without any effect on profit or loss. Deferred tax assets and liabilities may be offset if and when the Group has an enforceable claim to offset the current tax assets against actual tax liabilities, and which are attributable to income taxes of the same taxable unit, and are imposed by the same tax authority.

Contingent liabilities and contingent assets
Pursuant to IAS 37 (Provisions, Contingent Liabilities and Contingent Assets), contingent liabilities are not recorded on the balance sheet. Contingent liabilities are potential obligations whose actual existence depends on the occurrence of one or more uncertain future events which are not entirely within the Company's control. In addition, contingent liabilities are existing obligations that will probably not result in an outflow of assets, or any outflow of assets cannot be reliably determined. The Notes show all contingent liabilities of the Group such as bank guarantees, other guarantees, legal proceedings and other financial obligations. Obligations are measured at the higher of their nominal value or the amount required to settle the obligation. Contingent claims are disclosed in the Notes if an inflow of resources of economic benefit is probable.

Leases
The Group assesses at contract commencement whether a contract constitutes or includes a lease. This is the case if the contract grants entitlement to control usage of an identified asset in return for payment of a fee over a defined period of time.

The Group as lessee

The Group utilizes one single model for the recording and measurement of all leases (except short-term leases and leases with a low-value underlying asset). The model is used to record lease payment liabilities and right-of-use assets for the underlying asset.

Right-of-use assets

The Group records right-of-use assets as of the commencement date (i.e. the point in time when the underlying leased asset is available for use). Rights of use are carried at acquisition cost minus all cumulative amortization and cumulative impairment losses, and are adjusted for any revaluation of the lease liabilities. The cost of rights of use includes the recorded lease liabilities, initial direct costs incurred and lease payments made during or before commencement minus any leasing incentives received. Rights of use are amortized on a straight-line basis over the shorter of the lease term or the projected useful life of the leases, as follows:
· Real estate 1 - 10 years
· Motor vehicles 1 - 3 years

If ownership of the leased asset is transferred to the Group at the end of the lease term or an exercised purchase option is included in cost, amortization is measured based on the projected useful life of the leased asset. Rights of use are also tested for impairment.

Lease liabilities

The Group records lease liabilities at the present value of the lease payments to be made over the lease term as of the commencement date. Lease payments include fixed payments (including de facto fixed payments) minus any lease incentives to be received, variable lease payments linked to an index or interest rate or other rate, and amounts expected to be paid under a residual value guarantee. Lease payments also include the purchase option exercise price if it is reasonably certain that the Group will actually exercise the option, and include lease termination penalties if it is taken into account in the term that the Group will exercise the termination option. Variable lease payments not linked to an index or interest rate or other rate are expensed in the period in which the event triggering the payment occurs or triggering condition is met. The Group determines lease term based on the non-terminatable base lease term plus possible periods under a lease extension option as long as it is reasonably certain that the option will be exercised, or taking into consideration periods resulting from a lease termination option if it is reasonably certain that the Group will not exercise that option. Management has to make significant discretionary decisions in assessing whether there is sufficient certainty that renewal and/or termination options will be exercised, (see Note 4, Major discretionary decisions, estimates and assumptions).

In calculating the present value of the lease payments, the Group applies its incremental borrowing rate as of the commencement date because the interest rate implicit in the lease cannot be determined without additional information. The marginal borrowing rate is the interest rate which the Group would pay if borrowing funds over a comparable term in a comparable economic environment for an asset of a value comparable to the right of use. After the commencement date, the lease liability amount is adjusted upward to reflect increased interest expense and downward to reflect the lease payments made. In addition, the carrying amount of lease liabilities is adjusted when there are changes to the lease, including changes in lease term and lease payments (e.g. changes in future lease payment amounts due to a change in the index or interest rate applied to determine the payment amounts), and when there are changes in the evaluation of an option to purchase the underlying asset.

Short-term leases and leases with an underlying low-value asset

The Group utilizes the exception rule for current lease contracts for real estate and motor vehicles (i.e. leases without a purchase option maturing in twelve months or less from the commencement date). The Group also utilizes the exception rule for leases for low-value underlying assets to leases for office equipment classified as low-value. Lease payments for current leases and for leases for a low-value underlying asset are expensed over the lease term on a straight-line basis.

The Group as lessor

Leases in which the Group does not transfer all material risks and opportunities associated with ownership of an asset are classified as operating leases. Any resulting lease income is recorded over the lease term on a straight-line basis. Initial direct costs incurred to negotiate and conclude an operating lease contract are added to the carrying amount of the leased asset and expensed over the lease term in the same procedure as recognition of lease income. Contingent rent payments are recognized as income in the period in which they are generated.

Government grants

DATA MODUL drew on government subsidies as part of the corona support package for the private sector. These subsidies constitute government grants subject to certain conditions, as per IAS 20.3. Refunds of social security expenditures borne by the employer in the amount of 78 thousand euros, paid by the Federal Employment Agency for lost work hours, constitute government grants recognizable in profit and loss. Returned social security contributions are recognized as income netted against the corresponding expenses on the statement of income applying the option per IAS 20.29ff.

5. Notes to the Statement of Income

[1] Revenues

Concerning the transaction price allocated to the outstanding performance obligations connected with extended warranties and customer-specific development projects, please refer to the contract liabilities shown on the statement of financial position. Non-current contract liabilities are realized over the term of serial production of custom development projects or the term of extended warranties. Other outstanding performance obligations arise from contracts with an expected original term of less than one year, thus DATA MODUL has opted against stating the transaction price applied for these outstanding benefit obligations.

Revenue is classified by segment in line with the Executive Board's management reporting and realized in either Displays or Systems. Revenue breaks down by segment as follows:

For fiscal year 2021:

KEUR	Displays	Systems	Total
Revenue from product sales	124,100	69,407	193,507
Service revenue	313	954	1,267
Total revenue	124,413	70,361	194,774

For fiscal year 2020:

KEUR	Displays	Systems	Total
Revenue from product sales	119,936	70,730	190,666
Service revenue	546	973	1,519
Total revenue	120,482	71,703	192,185

DATA MODUL recorded modest revenue growth across nearly all regions in 2021. Only domestic revenue declined year-over-year, reflecting last year's spike in demand for medical products in connection with the coronavirus pandemic. A geographical breakdown of revenue is provided in the segment reporting section.

[2] Cost of sales

The table below shows a breakdown of cost of sales.

KEUR	2021	2020
Cost of materials	131,944	132,617
Other cost of sales	20,466	17,779
Total cost of sales	152,410	150,396

Other cost of sales is comprised primarily of wages and salaries, and overhead for the manufactured products and services sold.

[3] Other operating income

Other operating income of 1,036 thousand euros (previous year: 0 thousand euros) primarily results from exchange rate differences reflecting appreciation of the dollar versus the euro.

[4] Research and development expenses

The Company distinguishes between research expenses and development expenses. Development projects are classified as either product development without a specific customer order or product development with a specific customer order and development of a product to market-readiness in connection with a customer order for a particular product.

In addition, general development costs not related to a specific product are recorded as research and development costs.

Product development projects without a specific customer order are recognized as intangible assets in fixed assets and amortized using the straight-line method over a period beginning at the time of serial production of the respective product or delivery of the product to the customer up until elapse of the product's estimated useful life. Product development projects based on a specific customer order and development of a product to market-readiness under an existing customer order for a particular product are deemed expenses incurred in generating revenue, and therefore recorded as cost of sales for the reporting period in profit or loss. Product development costs in this category are capitalized as costs to fulfill a contract and deferred as as of the reporting date.

Individual expense items for research and development and their impact on the income statement for the fiscal years 2021 and 2020 are presented below:

KEUR	2021	2020
Order-related development expenses contained in production cost	1,203	1,325
Research and development expenses	5,686	5,483
Total research and development expenses	6,889	6,808
Residual carrying amount of capitalized development expenses	2,257	1,865
Development expenses recorded as capitalized costs to fulfill a contract as of Dec. 31	8,516	5,720

An impairment loss of 952 thousand euros was recorded under research and development expenses last year for two customer-specific development projects. Further information regarding 315 thousand euros of revenues from these projects is provided under Note [18], Non-current and current contract liabilities. No impairment losses were recorded this year on customer-specific development projects.

[5] Selling and general administrative expenses

The table below shows selling and general administrative expenses.

KEUR	2021	2020
Selling expenses	15,235	14,846
General administrative expenses	9,775	9,728
Total expenses	25,010	24,574

Total expenses by cost type

Research and development expenses, selling and general administrative expenses and production expenses include personnel expenses, among others. The Company's total expenditure broken down by expense types is shown below.

Personnel expenses

KEUR	2021	2020
Wages and salaries	25,421	23,201
Social security	4,881	4,566
Total	30,302	27,767

Pension expenses of 2,545 thousand euros were recorded for fiscal year 2021 (previous year: 2,251 thousand euros). In fiscal year 2021 the Group employed an average of 468 employees versus an average of 460 employees in the previous year. Higher personnel expenses resulted mainly from an increased number of employees, higher commission payments in 2021 and one-time expenses connected with short-time work last year.

The average annual number of employees breaks down by functional area as follows:

Employees by functional area	2021	2020
Sales & Marketing	113	115
Development	71	72
Production	146	146
Service	26	27
Administration	55	50
Logistics	37	29
Materials requirement planning/	20	21
Total	468	460

The number of employees as of the reporting date is shown below broken down by functional area:

Employees by functional area	2021	2020
Sales & Marketing	115	114
Development	72	72
Production	152	159
Service	23	25
Administration	53	49
Logistics	36	33
Materials requirement planning/	23	21
Total	474	473

Significant expense items and depreciation/amortization

Other significant expense items were as follows:

KEUR	2021	2020
Legal, consulting and project fees	3,437	3,067
Depreciation/amortization	3,406	3,209
Rent and maintenance	2,019	1,874
Office and IT expenses	1,607	1,564
Vehicle and travel expenses	884	835
Insurance premiums	594	578
Advertising and trade shows	575	599
Additions to provisions for bad debts	0	609
Other	(268)	(111)
Currency translation losses	0	1,093
Total	12,254	13,317

The negative figure of -268 thousand euros recorded for other expenses (previous year: -111 thousand euros) was primarily due to the inclusion of capitalized development costs in this item.

[6] Financial income/expenses

The Company recorded financial income/expenses for the past two years as shown below:

KEUR	2021	2020
Interest and similar income	4	23
Interest expense from lease liabilities	(493)	(545)
Interest expense on current liabilities	(30)	(87)
Other interest-like expenses	2	(8)
Income from embedded derivatives	0	2,305
Expenses from embedded derivatives	(894)	(2,404)
Total	(1,411)	(716)

Income/expense from derivative financial instruments measured at fair value through profit or loss derives from embedded foreign currency derivatives separated from the host contract.

[7] Income tax expense

Income tax expense breaks down as outlined below.

KEUR	2021	2020
Current tax expenses		
Germany	2,478	3,258
International	830	548
Deferred taxes		
Germany	79	(91)
International	8	(165)
Total	3,395	3,550

Current tax expenses are taxes on income and earnings for the fiscal year recorded in profit or loss in the individual countries, as well as additional tax assessments and tax refunds for previous years. Current tax expenses in Germany increased by 44 thousand euros through tax expenses from previous years (previous year: increase due to 568 thousand euros in tax income). Foreign current tax expenses include 32 thousand euros in tax expense from previous years (previous year: tax income of 65 thousand euros). Deferred taxes result from timing differences between the tax bases of the consolidated companies. The tax rate applicable in the individual countries is used as a basis for calculation of deferred taxes of the foreign operations.

The income tax rate on which computation of German deferred taxes is based was 32.40% for DATA MODUL AG, and 29.13% for DATA MODUL Weikersheim GmbH as of December 31, 2021. Tax rates for 2021 and 2020 are determined as follows:

in %	2021	2020
Corporate income tax	15.00	15.00
Solidarity surcharge	0.825	0.825
Trade tax	16.57 and 13.30 respectively	16.45 and 13.30 respectively
Income tax rate	32.40 and 29.13 respectively	32.28 and 29.13 respectively

The table below shows a reconciliation of projected income tax expense versus actual income tax expense recorded in the consolidated financial statements applying the average German income tax rate of 32.28% for 2020 and 32.40% for 2021.

KEUR	2021	2020
Earnings before taxes reported	11,293	11,113
Projected income tax expense[2)]	3,658	3,587
Non-deductible expenses	2	228
Tax reductions resulting from tax-free income	(37)	(16)
Difference amount at local tax rates	(379)	(189)
Tax expense for foreign operations, foreign/other tax losses	15	(72)
Taxes from previous years	103	(67)
Other	33	79
Reported income tax expense	3,395	3,550

Deferred income tax assets and liabilities as of the reporting date break down as follows:

KEUR		2021	2020
Deferred tax assets for temporary differences	Germany	297	291
Deferred tax assets from tax loss carry-forwards	Foreign	11	28
Deferred tax assets for temporary differences	Foreign	401	382
Deferred tax assets for temporary differences	Total	709	701
Deferred tax liabilities for temporary differences	Germany	(889)	(803)
Total balance of deferred tax assets (+) / liabilities (-) (of which 7 thousand euros recorded as other comprehensive income in 2021)		(180)	(102)

2) Net amount after additions and reductions

Deferred taxes consist of the following balance sheet items:

	Deferred tax assets		Deferred tax liabilities	
KEUR	2021	2020	2021	2020
Current assets				
Trade receivables and other assets	45	120	(184)	(102)
Contract assets	0	0	(275)	(248)
Inventories	131	89	(165)	(167)
Non-current assets				
Intangible assets	123	135	(729)	(602)
Property, plant and equipment	1	3	(606)	(612)
Capitalized costs to fulfill a contract	0	0	(1,770)	(1,077)
Current liabilities				
Lease liabilities	611	589	0	0
Trade payables and other payables	15	0	0	(31)
Other provisions	96	323	0	0
Other current assets	320	0	0	0
Non-current liabilities				
Provisions for pensions and similar obligations	168	191	0	0
Contract liabilities	2,029	1,259	0	0
Total[3]	3,539	2,709	(3,729)	(2,839)

[3] Balance sheet items are shown net according to maturity for presentation reasons.

The subsidiary DATA MODUL Electronic Technology (Shanghai) Co. Ltd., Shanghai, China, had a usable tax loss carryforward in the amounts of 11 thousand euros as of December 31, 2021. The carryforward is measured at an income tax rate of 25% and shown as a deferred tax asset.

Deferred tax assets arising from actuarial gains and losses on pension commitments recorded directly in equity increased equity by 6 thousand euros (previous year: 35 thousand euros). Deferred tax liabilities were not recognized for temporary differences in connection with investments in subsidiaries in the amount of 18,938 thousand euros, as it was not likely that these temporary differences would reverse in the foreseeable future. If this were the case, 5% of those temporary differences would be subject to tax.

[8] Earnings per share

Undiluted earnings per share are calculated by dividing consolidated income for the year accruing to common shareholders by the weighted average number of common shares outstanding during the year under review.

Diluted earnings per share are calculated applying the weighted average number of common shares outstanding after potentially diluting events during the period under review.

In the fiscal years ended December 31, 2021 and December 31, 2020, no shares were deemed dilutive applying the treasury stock method (stock redemption method).
The table below shows the computation of earnings per share (diluted and undiluted):

	2021	2020
Consolidated income for the year in EUR thousand	7,898	7,563
Denominator (thousands of shares):		
Denominator for undiluted earnings per share – weighted average number of shares	3,526	3,526
Denominator for diluted earnings per share – adjusted weighted average shares	3,526	3,526
Undiluted earnings per share	EUR 2.24	EUR 2.14
Diluted earnings per share	EUR 2.24	EUR 2.14

6. Notes to the Statement of Financial Position

[9] Fixed assets 2021

	ACQUISITION COST					
	Balance as of 01/01/2021	Currency translation	Additions	Disposals	Reclassifica-tions	Balance as of 12/31/2021
Intangible assets/Goodwill						
Goodwill	3,112	0	0	0	0	3,112
Software	2,996	3	138	0	0	3,137
Development projects	9,815	0	856	0	0	10,671
Prepayments	78	0	0	78	0	0
Total	**16,001**	**3**	**994**	**78**	**0**	**16,920**
Property, plant and equipment						
Land and buildings	17,169	82	22	18	471	17,726
Technical equipment	7,073	(8)	136	2	961	8,160
Other equipment, fixtures and fittings, and office equipment	9,002	22	635	227	73	9,505
Assets under construction	754	(2)	1,231	6	(1,505)	472
Right-of-use assets	15,884	24	535	460	0	15,983
Total	**49,882**	**118**	**2,559**	**713**	**0**	**51,846**
Total	**65,883**	**121**	**3,553**	**791**	**0**	**68,766**

Fixed assets 2020

	ACQUISITION COST					
	Balance as of 01/01/2020	Currency translation	Additions	Disposals	Reclassifica-tions	Balance as of 12/31/2020
Intangible assets/Goodwill						
Goodwill	3,112	0	0	0	0	3,112
Software	2,636	(4)	213	0	151	2,996
Development projects	8,988	0	827	0	0	9,815
Prepayments	78	0	0	0	0	78
Total	**14,814**	**(4)**	**1,040**	**0**	**151**	**16,001**
Property, plant and equipment						
Land and buildings	16,835	(73)	276	0	131	17,169
Technical equipment	6,644	(53)	896	359	(55)	7,073
Other equipment, fixtures and fittings, and office equipment	8,690	(120)	692	397	137	9,002
Assets under construction	600	(6)	525	1	(364)	754
Right-of-use assets	16,352	(445)	385	408	0	15,884
Total	**49,121**	**(697)**	**2,774**	**1,165**	**(151)**	**49,882**
Total	**63,935**	**(701)**	**3,814**	**1,165**	**0**	**65,883**

All figures in KEUR

	DEPRECIATION/AMORTIZATION AND IMPAIRMENTS						CARRYING AMOUNT
	Balance as of 01/01/2021	Currency translation	Additions	Disposals	Reclassifications	Balance as of 12/31/2021	Balance as of 12/31/2021
	693	0	0	0	0	693	2,419
	1,871	1	481	0	0	2,353	784
	7,950	0	464	0	0	8,414	2,257
	0	0	0	0	0	0	0
	10,514	**1**	**945**	**0**	**0**	**11,460**	**5,460**
	8,233	20	950	18	0	9,185	8,541
	2,572	(3)	857	0	0	3,426	4,734
	4,635	19	1,118	209	0	5,563	3,942
	0	0	0	0	0	0	472
	3,554	(23)	2,001	413	0	5,119	10,864
	18,994	**13**	**4,926**	**640**	**0**	**23,293**	**28,553**
	29,508	**14**	**5,871**	**640**	**0**	**34,753**	**34,013**

	DEPRECIATION/AMORTIZATION AND IMPAIRMENTS						CARRYING AMOUNT
	Balance as of 01/01/2020	Currency translation	Additions	Disposals	Reclassifications	Balance as of 12/31/2020	Balance as of 12/31/2020
	693	0	0	0	0	693	2,419
	1,442	(1)	430	0	0	1,871	1,125
	7,258	0	692	0	0	7,950	1,865
	0	0	0	0	0	0	78
	9,393	**(1)**	**1,122**	**0**	**0**	**10,514**	**5,487**
	7,338	(15)	910	0	0	8,233	8,936
	2,117	(7)	797	335	0	2,572	4,501
	3,962	(32)	1,072	367	0	4,635	4,367
	0	0	0	0	0	0	754
	1,928	(34)	2,015	355	0	3,554	12,330
	15,345	**(88)**	**4,794**	**1,057**	**0**	**18,994**	**30,888**
	24,738	**(89)**	**5,916**	**1,057**	**0**	**29,508**	**36,375**

Many of the additions to intangible assets and property, plant and equipment reported for the year under review reflect investments to expand of production and logistics capacity at the plants in Weikersheim, Lublin and Shanghai.

See Note [10], Leases for further information on the right-of-use assets shown under fixed assets.

Goodwill acquired in business combinations was allocated across multiple cash-generating units for impairment testing. The carrying amount of goodwill for the fiscal years ended December 31, 2021 is shown below, broken down by reportable segment and cash-generating unit.

KEUR	Displays	Systems	Total
Cash-generating unit	*Display Solutions*	*Systems Solutions*	
Balance as of 01/01/2020	1,032	1,387	2,419
Goodwill acquired during the period	0	0	0
Impairment during the period	0	0	0
Balance as of 12/31/2020	1,032	1,387	2,419
Goodwill acquired during the period	0	0	0
Impairment during the period	0	0	0
Balance as of 12/31/2021	1,032	1,387	2,419

Goodwill was impairment tested as of December 31, 2021. The recoverable amount for the cash-generating units was determined applying calculated value in use based on projected cash flows.

The cash flow projections for all cash-generating units are based on a three-year forecast (2022 - 2024) approved by management and the Supervisory Board, extrapolated for 2025 and years thereafter. Cash flow projections were updated and the growth rate for the System Solutions business segment was adjusted to reflect falling product demand last year due to Covid.

The before-tax discount rates used for cash flow projections and revenue growth rates starting in 2025 (for 2020 in 2024) are shown in the table below.

Cash-generating unit	Before-tax discount rates		Revenue growth rates	
in %	2021	2020	2021	2020
Display Solutions	8.15	9.14	2.0	2.0
System Solutions	8.26	9.06	2.0	2.0

The recoverable amount is primarily determined by the final value (perpetuity), which is particularly sensitive to changes in growth rate assumptions and discount rates.

Impairment testing of goodwill and of non-current assets yielded no indication of impairment losses for fiscal years 2021 or 2020.

Basic assumptions for calculating value in use

The following assumptions applied in calculating value in use of the cash-generating units are subject to particular uncertainty:

- Gross profit margins
- Discount rates
- Growth rates during the projection period and in perpetuity

Gross profit margins

These margins are calculated based on average profit for the fiscal years prior to the projection period. The gross profit margin is adjusted during the projection period based on expected efficiency increases and corresponding risks.

Discount rates

Discount rates reflect current market estimates pertaining to specific risks attributable to the respective cash-generating units. The discount rate is estimated based on weighted average cost of capital (WACC), as commonly applied in the industry. Both debt and equity are factored into the weighted average cost of capital. Segment-specific risk is factored in by applying individual beta factors. Beta factors are defined annually based on publicly available market data for a relevant peer group of companies in the same industry. The lower discount rates primarily result mainly from the increase in the debt ratio.

Estimated growth rates

The growth rates are based on historical data from preceding years. For fiscal year 2020, revenue growth rates of 2.0% were applied for cash-generating units in and after the year 2024. In fiscal year 2021 the revenue growth rates of 2.0% were also applied for Display Solutions, and 2.5% for System Solutions, for 2025 and years thereafter.

The revenue growth rates used for the cash flow projections reflect the projected growth rates of the respective markets and product revenue growth projected by the DATA MODUL in the respective markets on the basis of a market analysis.

Assumption sensitivity

The management board is of the opinion that no changes appearing reasonably possible to basic assumptions made in order to determine value in use of cash-generating units would cause the carrying amount of a cash-generating unit to substantially exceed its recoverable amount.

[10] Leases

The Group has leases for real estate, motor vehicles and operating and office equipment which are utilized in business operations. Real estate leases usually have terms of 1 - 10 years. Lease terms for vehicles and operating and office equipment are usually 1-5 years in duration. The Group's obligations under lease contracts are secured by the leased assets owned by the lessor. Numerous lease contracts feature extension and termination options, which are discussed in greater detail below.

The Group also has real estate and motor vehicle leases with a term of twelve months or less, and for low-value office equipment. The Group applies the simplification options available for its current leases and leases with a low-value underlying asset.

The table below shows the carrying amounts of recognized rights of use and the change therein during the period under review:

KEUR	Real estate	Vehicles	Total
Balance as of 01/01/2021	11,964	366	12,330
Foreign currency translation	18	6	24
Additions	115	420	535
Disposals	(45)	(2)	(47)
Depreciation expense	(1,613)	(365)	(1,978)
Balance as of 12/31/2021	10,439	425	10,864

KEUR	Real estate	Vehicles	Total
Balance as of 01/01/2020	14,007	417	14,424
Foreign currency translation	(442)	(3)	(445)
Additions	41	344	385
Disposals	(53)	0	(53)
Depreciation expense	(1,589)	(392)	(1,981)
Last revised 12/31/2020	11,964	366	12,330

The table below shows the carrying amounts of lease liabilities and the change therein during the period under review:

KEUR	2021	2020
Balance as of 01/01	14,751	16,148
Foreign currency translation	92	(58)
Additions	535	385
Accrued interest	0	0
Disposals	(52)	(55)
Redemptions	(1,946)	(1,669)
Balance as of 12/31	13,380	14,751
Of which, current	2,335	2,283
Of which, non-current	11,045	12,468

The maturity breakdown of lease liabilities is shown in Note [8] of the Supplementary Disclosures.

The amounts below were recorded in profit or loss in the period under review:

KEUR	2021	2020
Amortization expense for rights of use	1,992	2,034
Interest expenses for lease liabilities	493	545
Income (-)/expense (+) from deferred taxes	(22)	(155)
Foreign currency translation gains (-)/losses (+)	46	412
Expenses from current lease liabilities	81	109
Expenses from low-value asset leases	41	39
Total expense recorded through profit or loss	2,631	2,984

The Group recorded cash outflows of 2,431 thousand euros for leases (previous year: 2,227 thousand euros). The Group also reported non-cash additions to right-of-use assets in the amount of 482 thousand euros (previous year: 385 thousand euros) and disposals of right-of-use assets in the amount of 47 thousand euros (previous year: 55 thousand euros).

The Group has concluded a number of lease contracts which feature extension and termination options. Management negotiates to have such options to be able to more flexibly manage the portfolio of leased assets to meet the Group's various business requirements. Management has to make significant discretionary decisions in assessing whether there is sufficient certainty that renewal and/or termination options will be exercised, (see Note 4, Recognition and Measurement Methods).

The table below shows the undiscounted potential future lease payments for periods not factored into the lease term which apply in case of exercise of extension and termination options.

For fiscal year 2021:

KEUR	Within five years	More than five years	Total
Extension options not expected to be exercised	0	10,414	10,414
Termination options not expected to be exercised	0	0	0
Total	0	10,414	10,414

For fiscal year 2020:

KEUR	Within five years	More than five years	Total
Extension options not expected to be exercised	0	10,444	10,444
Termination options not expected to be exercised	0	0	0
Total	0	10,444	10,444

The Group holds no significant leases as lessor.

[11] Capitalized costs to fulfill a contract

As of the reporting date, capitalized costs to fulfill a contract included costs for development work for specific customer development projects which are capitalized up until serial production and recorded as cost of sales when the products are sold. These costs in the amount of 8,516 thousand euros are shown as capitalized costs to fulfill a contract, in line with IFRS 15 (previous year: 5,720 thousand euros). Costs to fulfill a contract were capitalized in the amount of 3,704 thousand euros fiscal year 2021 (previous year: 3,453 thousand euros) and scheduled depreciation was recorded in the amount of 908 thousand euros (previous year: 593 thousand euros). No impairments were recorded in the year under review. An impairment loss of 952 thousand euros was recorded in the previous year for two customer-specific development projects.

[12] Inventories

Inventories as of the reporting date break down as follows:

KEUR	2021	2020
Raw materials and supplies	15,810	12,431
Work in progress, unfinished products	2,345	1,540
Finished goods and merchandise	70,887	40,085
Impairment	(2,340)	(2,027)
Total	86,702	52,029

Inventories rose as a result of active inventory management to contain heightened product availability risk in connection with coronavirus-related supply problems.

Impairments on inventories affecting income in the amount of 1,119 thousand euros (previous year: 1,105 thousand euros) from the change in impairments and scrapping expense were recorded on the 2021 Statement of Income under production cost.

In fiscal year 2021, inventories in the amount of 143,009 thousand euros (previous year: KEUR 143,737) were included as cost of materials on the statement of income.

[13] Trade receivables, contract assets, tax receivables, other current assets and other current financial assets

Trade receivables, contract assets, tax receivables, other current assets and other current financial assets broke down as follows as of the reporting date:

KEUR	2021	2020
Trade receivables, including writedowns	29,202	24,181
Contract assets including impairments	3,239	2,904
Tax claims and prepayments	574	705
Other current assets:		
Other assets	3,742	1,019
Other current financial assets:		
Suppliers with credit balances	108	47
Positive fair values of embedded derivatives	1,456	2,305
Other financial assets	353	312
Total	38,674	31,473

The financial assets shown in the table are classified as measured at amortized cost, except for embedded derivatives. Embedded derivatives are classified as held at fair value through profit or loss.

Trade receivables are not interested-bearing, and are generally due within 30 days. The allowance for expected bad debts as of December 31, 2021 and December 31, 2020 was 422 thousand euros and 605 thousand euros respectively.

Contract assets in the amount of 3,239 thousand euros (previous year: 2,904 thousand euros) consist exclusively of receivables from sales to consignment warehouse customers under contracts for the supplying of customer-specific items. Under IFRS 15, revenue is recognizable upon delivery of such items to the consignment warehouse, giving rise to the corresponding receivables.

Other assets consist primarily of sales tax refunds due in the amount of 3,251 thousand euros (previous year: 439 thousand euros), deferred assets in the amount of 472 thousand euros (previous year: 465 thousand euros) and prepayments in the amount of 14 thousand euros (previous year: 39 thousand euros).

Other financial assets consist of other receivables in the amount of 157 thousand euros (previous year: 149 thousand euros), security deposits in the amount of 196 thousand euros (previous year: 163 thousand euros) and supplier debit balances in the amount of 108 thousand euros (previous year: 47 thousand euros).

These other current financial liabilities will in total generate a cash inflow for the Group at a future point in time.

Expected impairments on trade receivables are charged to impairment allowance accounts. Receivables are only derecognized after final clarification of the collection prospects. The change in the value adjustment accounts for expected bad debts as of the reporting date was as follows:

KEUR	2021	2020
Balance as of 01/01	605	76
Additions recorded in profit or loss	49	615
Utilization	(53)	(43)
Reversals	(214)	(5)
Effects from foreign currency translation adjustments	35	(38)
Balance as of 12/31	422	605

No impairments on contract assets or any other financial instruments had to be recorded for expected bad debts in fiscal year 2021.

Please see the comments on credit risk in the Supplementary Disclosures (Note 8) regarding default risk and the presentation of the impairment matrix applied to gauge expected bad debts on trade receivables.

[14] Cash and cash equivalents

Cash and cash equivalents held as of December 31, 2021 in the amount of 20,224 thousand euros (previous year: 26,656 thousand euros) consist of 20,221 thousand euros in bank balances (previous year: 26,654 thousand euros) and cash on hand of 3 thousand euros (previous year: 2 thousand euros).

[15] Shareholders' equity

Share capital

DATA MODUL AG is classified as a technology firm and has 10,578,546 euros of capital stock. The shares are listed on the Regulated Market in Frankfurt (in the Prime Standard trading segment since January 1, 2003), on Xetra and in Munich and also trade on the Open Market in Berlin, Düsseldorf, Hamburg and Stuttgart. Capital stock comprises 3,526,182 no-par-value bearer shares which are fully paid-in. Each share represents 3.00 euros of subscribed capital.

At the balance sheet date, DATA MODUL AG held no treasury shares, thus the number of shares outstanding was 3,526,182.

Dividend

For fiscal year 2021 the Executive and Supervisory Boards will recommend at the Annual Shareholders' Meeting payment of a cash dividend of 1.00 euro per share for a total distribution of 3,526 thousand euros to holders of the outstanding dividend-entitled shares.

Retained earnings

Retained earnings broke down as follows as of December 31, 2020 and 2021 respectively:

KEUR	2021	2020
Retained earnings	71,054	63,994
Net income for the year	7,898	7,563
Other comprehensive income (loss)	(439)	(503)
Adjustments from first-time application of IFRS	0	0
Total	78,513	71,054

Other reserves

Other reserves consist exclusively of reserves for currency differences in the amount of 722 thousand euros (previous year: 108 thousand euros).

[16] Pension and non-current personnel liabilities

DATA MODUL maintains a non-contributory defined benefit plan that covers certain former Executive Board members. The Company has purchased life insurance policies to cover the actuarial net present value of pension obligations.

The redemption value of these insurance policies as of the reporting date totaled 161 thousand euros (previous year: 168 thousand euros). The pledged reinsurance policies are netted out as plan assets in "Pensions and non-current personnel liabilities". The pension accruals as of Friday, December 31, 2021 and Thursday, December 31, 2020 were calculated in December of the respective year. The mortality rates are based on the tables of Prof. Dr. Klaus Heubeck (2018 G). There were no changes to the defined benefit plan in the fiscal year ended.

The table below shows the amounts capitalized for pension commitments.

KEUR	2021	2020	2019	2018	2017
Present value of deferred pension obligations	1,570	1,682	1,694	1,669	1,690
Fair value of the plan assets	161	168	175	181	189
Funding status	1,409	1,514	1,519	1,488	1,501

Taking into account the principles of computation set forth in IAS 19, the current funding status of the pension obligations is as follows:

KEUR	2021	2020
Changes in the present value of pension obligations:		
Pension obligations forecast at beginning of year	1,682	1,694
Interest accrual on expected pension obligations	(1)	5
Actuarial profit or loss recorded in other comprehensive income resulting from changed interest and trend assumptions	(22)	38
Actuarial profit or loss recorded in other comprehensive income resulting from changed demographic assumptions	0	0
Actuarial gain/loss recorded in other comprehensive income resulting from funding level changes	45	77
Pensions paid	(134)	(132)
Present value of pension obligations at year end	1,570	1,682
Plan assets	(161)	(168)
Pension obligations	1,409	1,514

The net pension expenditure breaks down as follows:

KEUR	2021	2020
Accruing interest on expected pension obligations	(1)	5
Net periodic pension cost	(1)	5

The following average factors were used as basis for calculating pension obligations as of the reporting date:

in %	2021	2020
Weighted average assumptions:		
Discount rate	0.34	-0.04
Growth rate in future benefit payments	1.8 – 3.0	1.4 – 3.0

The average duration is 8 years (previous year: 8 years). The Company has pension plan benefit payment obligations as outlined below for respective fiscal years ending December 31:

	KEUR
2022	140
2023	143
2024	147
2025	150
2026	153
Cumulative 2027 through 2030	803

Expenses are recorded in profit or loss under net interest.

The sensitivity analysis provided below shows changes in carrying amounts resulting from changes in the applied parameters for calculating pension obligations.

KEUR	12/31/2021
Discount rate increase by 1.0%	(114)
Discount rate decrease by 1.0%	130
Pension trend rise of 1.0%[1]	66
Pension trend decline of 1.0%[1]	(59)

[1] Pension trend sensitivity applies only to those portions of the pension obligations which have not been contractually agreed.

There were other long-term personnel obligations in addition to pension obligations as of the reporting date.

KEUR	2021	2020
Pension provisions	1,409	1,514
Long-term bonus claims	73	73
Amount reported on consolidated balance sheet	1,482	1,587

[17] Provisions

Quantifying warranty provisions are inherently subject to uncertainty regarding amount and due dates. The amount of the accrual is calculated based on historical data. Employment anniversary supplement obligations are reported under personnel provisions. Other provisions consist primarily of other liabilities, the amount of which is uncertain. The change in non-current and current provisions in fiscal year 2021 was as outlined below.

KEUR	Warranties	Personnel	Other	Total
Balance as of 01/01/2021	1,037	92	238	1,367
Currency translation	0	0	5	5
Additions	761	0	265	1,025
Utilization	(496)	0	(119)	(615)
Reversals	(541)	(11)	(5)	(557)
Balance as of 12/31/2021	761	81	384	1,225
Of which, non-current	171	0	0	171
Of which, current	589	81	384	1,054

Except for risks for which accruals have been recorded, Company management is unaware of any matters potentially creating liabilities for the Company which could have a major adverse impact on the Company's financial position, financial performance and cash flows.

[18] Non-current and current contract liabilities

As of the reporting date, contract liabilities included deferred revenue for contractually agreed warranty benefits for our customers beyond the scope of statutory warranty and for upfront payments from customers for customer-specific development projects.

As of the reporting date, non-current contract liabilities totaled 6,884 thousand euros (previous year: 4,381 thousand euros), while current contract liabilities totaled 232 thousand euros (previous year: 374 thousand euros). The increase in contract liabilities in fiscal year 2021 resulted from non-current advance payments in the amount of 3,031 thousand euros received from customers during the year in connection with development projects (previous year: 3,092 thousand euros).

Revenue from extended warranties was recognized in the amount of 294 thousand euros in 2021 (previous year: 534 thousand euros), and revenue from development projects was recognized in the amount of 473 thousand euros (previous year: 460 thousand euros). Deferred revenues from two terminated custom development projects were realized in full in 2020 in the amount of 315 thousand euros. For further information on development expenses connected with these projects see Note [4], Research and development expenses.

[19] Other current liabilities, other current financial liabilities and tax liabilities

Other current liabilities, other current financial liabilities and tax liabilities consisted of the following items as of the reporting date:

KEUR	2021	2020
Taxes payable	1,628	1,291
Other current liabilities:		
Personnel-related liabilities	3,447	3,948
Social security and payroll taxes	636	511
Other liabilities	1,024	374
Value-added tax payable	4,026	1,986
	9,133	6,819
Other current financial liabilities:		
Outstanding invoices	1,524	1,430
Customers with credit balances	104	99
Negative fair values of embedded derivatives	2,449	2,404
Other liabilities	24	0
	4,101	3,933
Total	14,862	12,043

The financial liabilities shown in the table are classified as measured at amortized cost, except for embedded derivatives. Embedded derivatives are classified as held at fair value through profit or loss.

[20] Current borrowings from banks

Short-term credit facilities are summarized in the following table as of the reporting date:

KEUR	2021	2020
Deutsche Bank, Munich	3,000	0
Commerzbank, Munich	7,000	0
Sparkasse Tauberfranken, Tauberbischofsheim	2,000	0
Bayerische Landesbank, Munich	3,000	0
Total	15,000	0

Current liabilities due to financial institutions are classified as measured at amortized cost.

In fiscal year 2021 these items were exclusively money market loans with a term of two to three months and interest rates ranging between 0.75% and 1.30%.

As of the reporting date, credit facilities were unutilized in the amount of 32,965 thousand euros (previous year: 29,025 thousand euros).

KEUR	2021	2020
Commerzbank, Munich	15,000	9,000
Sparkasse Tauberfranken, Tauberbischofsheim	12,000	7,000
Bayerische Landesbank, Munich	15,000	7,000
Deutsche Bank, Munich	7,000	7,000
Total	49,000	30,000

In addition to these credit facilities, DATA MODUL has bank guarantees which it can use in lieu of rent deposits or supplier guarantees. These bank guarantees are equivalent to letters of credit. Instead of receiving a cash deposit, the bank guarantees for example the deposit amount without actually depositing assets. These guarantees affect the total amount of cash the Company can borrow, as the guarantees pose a potential risk to the issuing banks. As of December 31, 2021 DATA MODUL had drawn on bank guarantees for the amount of 1,035 thousand euros (previous year: 975 thousand euros).

7. Notes to the Statement of Cash Flows

The Statement of Cash Flows records inflow and outflow of funds from ordinary operations and investment and financing activities.
Exchange rate changes are eliminated in the relevant line and presented separately.

Cash flows from operating activities include all cash flows from ongoing operating activities and are presented using the indirect method. All non-cash income and expense items are adjusted based on net income for the year. Cash flow from operating activities came to -15,715 thousand euros (previous year: 10,777 thousand euros), principally representing the recorded net income for the year of 7,898 thousand euros (previous year: 7,563 thousand euros) after the counter-effect of a year-over-year increase in inventories and receivables. The year-over-year rise in trade accounts payable increased cash flow from operating activities.

Cash flows from investing activities reflect the capital outflow related to capitalized development costs and to other asset additions, and the cash inflows from the disposal of assets. Net cash flow from investing activities came to -3,018 thousand euros for 2021, reflecting the lower level of investment in the year under review (previous year: -3,429 thousand euros).

Cash flow from financing activities in fiscal year 2021 was 12,206 thousand euros (previous year: -6,945 thousand euros). The increase resulted principally from the cash inflow from disbursed borrowings in the amount of 15,000 thousand euros. Cash flow from financing activities also includes cash outflows for leases, these payments being broken down into lease liability redemption and interest portions. The dividend distribution resulted in a cash outflow of 423 thousand euros in 2021 (previous year: 423 thousand euros). The dividend distribution in 2021 for fiscal year 2020 was 0.12 euro per share (previous year: 0.12 euros).

Cash and cash equivalents comprise current bank deposits and cash on hand. Effects of exchange rate fluctuations on cash and cash equivalents are presented in a separate line item.

Reconciliation of debt movements to cash flows from financing activities

The reconciliation statement of debt to cash flow from financing activities required pursuant to IAS 7.44A is shown below.

Change in financing debt KEUR	Statement of financial position on 01/1/2021	Affecting cash flow	Not affecting cash flow				Reclassi-fication	Balance as of 12/31/2021
			Additions/ disposals	Interest accrued but not yet paid	FX	Fair value		
Liabilities due to financial institutions	0	15,000	0	0	0	0	0	15,000
Lease liabilities	14,751	(1,946)	483	0	92	0	0	13,380
Total	14,751	13,054	483	0	92	0	0	28,380

Change in financing debt KEUR	Statement of financial position on 01/1/2020	Affecting cash flow	Not affecting cash flow				Reclassi-fication	Balance as of 12/31/2020
			Additions/ disposals	Interest accrued but not yet paid	FX	Fair value		
Liabilities due to financial institutions	4,200	(4,200)	0	0	0	0	0	0
Lease liabilities	16,148	(1,669)	330	0	(58)	0	0	14,751
Total	20,348	(5,869)	330	0	(58)	0	0	14,751

8. Supplementary Disclosures

Objectives and methods of financial risk management

Business operations inevitably result in liquidity, credit and market risks. Market risks are effects from market price changes on fair value and future cash flows from financial instruments. Market risks include in particular interest rate-related cash flow risk, interest rate risk, foreign currency risk and other price risks. Strategies and control mechanisms for specific risks arising from the Group's use of financial instruments are outlined below. The Company has no significant concentration of credit risk.

Interest rate risk

The table below shows a sensitivity risk analysis of Group earnings before taxes and equity to interest rate changes in variable-rate current borrowings.

KEUR	2021	2020
Impact on earnings before taxes		
Interest rate change		
Increase by 1%	(150)	0
Decrease by 1%	150	0

Currency risk

Currency fluctuations may materially affect the Group's balance sheet due to the significant volume of transactions in foreign currency. Risk exposure arises from sales or purchases by an operating unit in currencies other than the unit's functional currency. Approximately 50.7% (previous year: 53.9%) of Group revenue was generated in currencies other than the functional currency of the operating unit that generated the revenue, and 75.5% (previous year: 69.8%) of costs were incurred in a currency other than the functional currency of the operating unit to which they accrued. The Group may employ a range of hedging instruments such as currency futures contracts and options to minimize price and currency risks. Currency futures contracts must be in the same currency as the hedged item. It is the Group's policy not to enter into currency hedges until a fixed obligation has been agreed on. It is the Company's policy to negotiate the terms of hedge derivatives to correspond to those of the hedged item in order to maximize hedge effectiveness. As of December 31, 2021, no currency forwards were held.

The table below shows a sensitivity analysis of Group earnings before taxes to exchange rate fluctuations in all key foreign currencies which are deemed reasonably possible on the basis of prudent business judgment. The most impact is seen from exchange rate fluctuations versus the USD, PLN and HKD. The impact on earnings before taxes due to an exchange rate increase or decrease relative to the average foreign exchange rate for the respective fiscal years was calculated. All other factors remain unchanged.

Impact on 2021 earnings before taxes

	Exchange rate change	
KEUR	Increase by 5%	Decrease by 5%
USD	(1,834)	1,659
PLN	(192)	173
HKD	(102)	92
Total	(2,128)	1,924

Impact on 2020 earnings before taxes

	Exchange rate change	
KEUR	Increase by 5%	Decrease by 5%
USD	(770)	697
JPY	(197)	178
PLN	(188)	170
Total	(1,155)	1,045

Credit risk

Credit risks arise from the potential of business partners not meeting their obligations in operating business and financial transactions. Risk related to credit standing is minimized by means of an efficient credit and collections management system.

The Group only enters into transactions with third parties with good credit standing. It is the Company's policy that all customers who wish to trade on credit are subject to verification of creditworthiness. Trade receivables balances are constantly monitored and allowances made for known and anticipated value adjustment risks.

For trade receivables and contract assets, DATA MODUL calculates expected default on the basis of historical default rates, applying an impairment matrix. The expected default rates are calculated based on the respective period overdue of the receivables. In addition, the values determined may also be adjusted to reflect available information of relevance to the future value/recoverability of customer receivables.

Impairments on trade receivables were calculated as follows:

Default rates as of 12/31/2021 for calculating impairment (in %)

	Not overdue	Overdue 1 - 30 days	Overdue 31 - 60 days	Overdue 61 - 90 days	Overdue › 90 days
DATA MODUL AG	0.0014	0.0115	0.0827	1.3533	13.0199
DATA MODUL France	0.0305	0.2278	0.0000	0.0000	2.7778
DATA MODUL Italia	0.0000	0.0000	0.0000	0.0000	0.0000
DATA MODUL Iberia	0.1189	0.2943	1.3905	2.5936	7.0880
DATA MODUL Ltd.	0.7392	0.4886	1.3635	2.2534	8.9024
DATA MODUL Inc.	1.5118	2.0412	9.8780	37.7062	45.4005
DATA MODUL Hong Kong	0.0000	0.0000	0.0000	0.0000	0.0000
DATA MODUL Shanghai	0.0000	0.0000	0.0000	0.0000	0.0000
DATA MODUL Suisse	0.0000	0.0000	0.0000	0.0000	0.0000
Conrac Asia	0.0000	0.0000	0.0000	0.0000	0.0000

Gross carrying amounts of trade receivables as of 12/31/2021 (in KEUR)[1)]

	Not overdue	Overdue 1 - 30 days	Overdue 31 - 60 days	Overdue 61 - 90 days	Overdue › 90 days	Total	Currency
DATA MODUL AG	13,704	1,558	609	124	82	16,077	EUR
DATA MODUL France	437	144	15	29	5	630	EUR
DATA MODUL Italia	2,936	483	138	11	1	3,569	EUR
DATA MODUL Iberia	1,439	245	52	1	3	1,740	EUR
DATA MODUL Ltd.	1,047	235	37	16	0	1,335	GBP (in EUR)
DATA MODUL Inc.	1,836	581	192	32	350	2,991	USD (in EUR)
DATA MODUL Hong Kong	1,802	224	146	0	0	2,172	HKD (in EUR)
DATA MODUL Shanghai	632	147	30	16	0	825	CNY (in EUR)
DATA MODUL Suisse	0	0	0	0	0	0	CHF (in EUR)
Conrac Asia	147	14	25	0	0	186	SGD (in EUR)
						29,525	**Total in EUR**

Impairments as of 12/31/2021 (in EUR)

	Not overdue	Overdue 1 - 30 days	Overdue 31 - 60 days	Overdue 61 - 90 days	Overdue › 90 days	Total	Currency
DATA MODUL AG	194.77	179.35	503.54	1,681.23	10,049.68	12,608.57	EUR
DATA MODUL France	133.18	327.45	0.00	0.00	88.73	549.36	EUR
DATA MODUL Italia	0.00	0.00	0.00	0.00	0.00	0.00	EUR
DATA MODUL Iberia	1,710.96	722.19	725.81	30.97	171.21	3,361.14	EUR
DATA MODUL Ltd.	7,742.71	1,146.64	500.29	352.18	0.00	9,741.82	GBP (in EUR)
DATA MODUL Inc.	27,760.54	11,865.79	18,920.34	12,025.21	94.49	70,666.37	USD (in EUR)
DATA MODUL Hong Kong	0.00	0.00	0.00	0.00	0.00	0.00	HKD (in EUR)
DATA MODUL Shanghai	0.00	0.00	0.00	0.00	0.00	0.00	CNY (in EUR)
DATA MODUL Suisse	0.00	0.00	0.00	0.00	0.00	0.00	CHF (in EUR)
Conrac Asia	0.00	0.00	0.00	0.00	0.00	0.00	SGD (in EUR)
						96,927.26	**Total in EUR**

1) Invoiced, unimpaired receivables

Default rates as of 12/31/2020 for calculating impairment (in %)

	Not overdue	Overdue 1 - 30 days	Overdue 31 - 60 days	Overdue 61 - 90 days	Overdue › 90 days
DATA MODUL AG	0.0014	0.0115	0.0827	1.3533	10.2636
DATA MODUL France	0.0000	0.0000	0.0000	0.0000	0.0000
DATA MODUL Italia	0.0000	0.0000	0.0000	0.0000	0.0000
DATA MODUL Iberia	0.1180	0.2892	0.3188	1.1478	0.0000
DATA MODUL Ltd.	0.7392	0.4886	1.3635	0.0000	0.0000
DATA MODUL Inc.	1.5118	2.0412	9.8780	37.7062	24.3566
DATA MODUL Hong Kong	0.0000	0.0000	0.0000	0.0000	0.0000
DATA MODUL Shanghai	0.0000	0.0000	0.0000	0.0000	0.0000
DATA MODUL Suisse	0.0000	0.0000	0.0000	0.0000	0.0000
Conrac Asia	0.0000	0.0000	0.0000	0.0000	0.0000

Gross carrying amounts of trade receivables as of 12/31/2020 (in KEUR)[1)]

	Not overdue	Overdue 1 - 30 days	Overdue 31 - 60 days	Overdue 61 - 90 days	Overdue › 90 days	Total	Currency
DATA MODUL AG	14,209	1,778	344	13	16	16,360	EUR
DATA MODUL France	506	31	28	0	1	566	EUR
DATA MODUL Italia	2,356	298	180	0	3	2,837	EUR
DATA MODUL Iberia	1,218	158	5	30	0	1,411	EUR
DATA MODUL Ltd.	722	164	103	0	0	989	GBP (in EUR)
DATA MODUL Inc.	1,467	173	54	74	470	2,238	USD (in EUR)
DATA MODUL Hong Kong	292	106	20	0	0	418	HKD (in EUR)
DATA MODUL Shanghai	119	82	0	0	0	201	CNY (in EUR)
DATA MODUL Suisse	0	0	0	0	0	0	CHF (in EUR)
Conrac Asia	99	16	7	10	0	132	SGD (in EUR)
						25,152	**Total in EUR**

Impairments as of 12/31/2020 (in EUR)

	Not overdue	Overdue 1 - 30 days	Overdue 31 - 60 days	Overdue 61 - 90 days	Overdue › 90 days	Total	Currency
DATA MODUL AG	201.95	204.76	283.94	173.52	920.69	1,784.86	EUR
DATA MODUL France	0.00	0.00	0.00	0.00	0.00	0.00	EUR
DATA MODUL Italia	0.00	0.00	0.00	0.00	0.00	0.00	EUR
DATA MODUL Iberia	1,436.89	440.71	15.68	204.99	0.00	2,098.27	EUR
DATA MODUL Ltd.	5,337.94	799.02	717.04	0.00	0.00	6,854.00	GBP (in EUR)
DATA MODUL Inc.	22,171.69	3,533.28	5,364.81	7,365.92	327.40	38,763.10	USD (in EUR)
DATA MODUL Hong Kong	0.00	0.00	0.00	0.00	0.00	0.00	HKD (in EUR)
DATA MODUL Shanghai	0.00	0.00	0.00	0.00	0.00	0.00	CNY (in EUR)
DATA MODUL Suisse	0.00	0.00	0.00	0.00	0.00	0.00	CHF (in EUR)
Conrac Asia	0.00	0.00	0.00	0.00	0.00	0.00	SGD (in EUR)
						49,500.23	**Total in EUR**

[1)] Invoiced, unimpaired receivables

Further impairments have been recorded in the amount of 325 thousand euros for trade accounts receivable (previous year: 555 thousand euros with a gross carrying amount of 371 thousand euros (previous year: 638 thousand euros)) due to default events which are expected but without reference to the historical default rates underlying the impairment matrix.

It was not necessary to present the impairment matrix because in the last three years no bad debts were recorded from customers whose receivables were reported under contract assets. There was no further significant default risks exposure from operating activities, even factoring in economic impact from the coronavirus. Additionally, credit sale insurance policies have been taken out to limit risk under a 10% benefit.

In transactions not conducted in the country of the respective operating unit, the Company does not offer credit terms without a credit check. The Group thus does not face a major concentration of credit risks. With other financial assets of the Group, such as cash and cash equivalents, the maximum credit risk exposure through counterparty default is equal to the carrying amount of those instruments.

Liquidity risk

The Group constantly monitors liquidity risk, employing a liquidity planning tool. This tool takes into account the maturities of both the financial investments and the financial assets, as well as projected cash flows from business operations.

The Company’s objective is to meet liquidity requirements at all times while maintaining flexibility through the utilization of overdraft facilities and bank loans. As of December 31, 2021, 56.3% of the Company’s debt reported on the Consolidated Financial Statements was due to mature within a period of one year (previous year: 40.4%).

The table below shows the maturity structure of contractual, undiscounted and expected cash flows from financial liabilities. The cash flows consist of redemption payments and related interest.

12/31/2021 KEUR	< 12 months	1 - 5 years	> 5 years	Total
Liabilities due to financial institutions	15,000	0	0	15,000
Trade accounts payable	20,953	0	0	20,953
Lease liabilities	2,370	8,298	4,449	15,117
Other financial liabilities	4,101	0	0	4,101
Total	42,424	8,298	4,449	55,171

12/31/2020 KEUR	< 12 months	1 - 5 years	> 5 years	Total
Liabilities due to financial institutions	0	0	0	0
Trade accounts payable	11,787	0	0	11,787
Lease liabilities	2,320	8,159	6,469	16,948
Other financial liabilities	3,933	0	0	3,933
Total	18,040	8,159	6,469	32,668

Capital management

The main objective behind the Company's capital management activities is to maintain a high credit rating and a good equity ratio to support business operations and maximize shareholder value. The Company manages and adjusts its capital structure taking into account any changes to the general economic conditions. In order to maintain or adjust its capital structure, the Company may adjust dividend payments to shareholders, make share repurchases and issue new shares. No changes had been made to the objectives or policies as of December 31, 2021, nor in the previous year.

The Company monitors its capital levels with respect to a capital management ratio which is the ratio of net debt to total equity plus net debt. The Company’s net debt is its interest-bearing loans and borrowings, trade payables, contract liabilities and other liabilities less cash and cash equivalents and current assets. Shareholders’ equity is the equity shown on the balance sheet.

KEUR	2021	2020
Current borrowings	15,000	0
Trade payables and contract liabilities	28,069	16,543
Lease liabilities	13,380	14,751
Other liabilities	18,458	15,801
minus Cash and cash equivalents and other current assets	(25,883)	(30,339)
Net debt	49,024	16,756
Total shareholders' equity	113,933	105,860
Shareholders' equity and net debt	162,957	122,616
Capital management ratio in %	30.08	13.67

Fair value

The carrying amounts of the financial instruments the Group holds mostly correspond to their fair values because of their short term to maturity.

Embedded derivatives

DATA MODUL enters into sale contracts with customers and purchase contracts with suppliers in currencies that are not the functional currencies of both parties. The contractual currencies under these contracts are USD and JPY. These contracts therefore contain embedded foreign currency derivatives which have to be separated from the host contract in accounting. These embedded foreign currency derivatives were measured at fair value through profit or loss applying level 2 (observable) valuation inputs. The maximum average term of such order contracts with customers and suppliers is 6 months.

The fair values are stated in the Notes to the Statement of Financial Position—see Note [13], Other current financial assets, and Note [19], Other current financial liabilities.

Hedging activities

As of December 31, 2021, there were no financial instruments classifiable as hedges for projected sales to customers or purchases from suppliers for which these fixed obligations existed. As of the December 31, 2021 reporting date there were no hedged net investments in foreign business operations.

Contingent liabilities, contingencies and other financial obligations

Contingent liabilities and legal disputes

The Group may be subject to litigation from time to time as part of the ordinary course of business. The Group's Executive Board and its legal advisors are not aware of any claims that could have a material adverse effect on the Company's business, balance sheet or earnings.

Contingencies from guarantees and warranties as of the balance sheet date totaled 1,035 thousand euros (previous year: 975 thousand euros).

Segment reporting

In accordance with IFRS 8 (Operating Segments), segments are defined using the “management approach”. Segments are defined and information on these segments is thus disclosed according to internal criteria used by Company management to allocate resources and evaluate segment performance. The segment reports below were prepared in accordance with this definition, New orders, revenue and EBIT are the primary performance metrics.

DATA MODUL displays and easyTOUCH displays, electronic subassemblies and custom products for use in industrial applications and the automotive industry comprise the Displays business segment.

The Systems business segment comprises our easyBoard, easyPanel and easyEmbedded solutions as well as special monitors for applications in marine navigation and medical devices. This business segment also serves customers in the airport, rail and digital signage industries.

Business segments

Segment results	Fiscal year 2021			Fiscal year 2020		
KEUR	Displays	Systems	Group total	Displays	Systems	Group total
Revenue from product sales	124,100	69,407	193,507	119,936	70,730	190,666
Service revenue	313	954	1,267	546	973	1,519
Total revenue	124,413	70,361	194,774	120,482	71,703	192,185
Other operating income	722	314	1,036	0	0	0
Research and development expenses	(1,809)	(3,877)	(5,686)	(2,435)	(3,048)	(5,483)
Selling and general administrative expenses	(16,509)	(8,501)	(25,010)	(15,875)	(8,603)	(24,478)
Amortization of intangible assets and depreciation on property, plant and equipment	(2,445)	(1,424)	(3,869)	(2,518)	(1,383)	(3,901)
Segment results (EBIT)	5,762	6,942	12,704	3,965	7,864	11,829
Financial income	(120)	124	4	1,694	634	2,328
Financial expense	(1,001)	(414)	(1,415)	(2,139)	(905)	(3,044)
Income taxes	(1,856)	(1,539)	(3,395)	(1,651)	(1,899)	(3,550)
Net income for the year	2,786	5,112	7,898	1,869	5,694	7,563
Investments in intangible assets, property, plant and equipment, and financial assets	1,427	1,592	3,019	2,084	1,345	3,429

Breakdown by geographical region

Regarding the geographical region data, revenues are allocated to countries applying to the country of destination principle. Non-current assets are accounted for at the location of the asset in question. 'Domestic' refers to the headquarters of the parent company DATA MODUL AG located in Germany.

Revenue

Displays segment

KEUR	2021	2020
Domestic	54,148	64,037
International	70,265	56,445
Total	124,413	120,482

Systems segment

KEUR	2021	2020
Domestic	42,262	42,536
International	28,099	29,167
Total	70,361	71,703

Non-current assets

KEUR	2021	2020
Domestic		
Intangible assets	5,281	5,253
Property, plant and equipment	13,424	14,871
Total domestic	18,705	20,124
International		
Intangible assets	180	233
Property, plant and equipment	4,265	3,688
Total international	4,445	3,921
Total	23,150	24,045

Supplementary Disclosures

Corporate Governance

DATA MODUL AG is the only listed company of the Group to provide shareholders online access to disclosures stipulated under Sec. 161 of German Stock Corporation Act (Aktiengesetz, [AktG]) and in Sec. 289f German Commercial Code (HGB) on the Company website www.data-modul.com, in the Corporate Governance section.

Related and affiliated companies

According to IAS 24 (Related party disclosures), transactions with persons and entities that are controlled by the reporting entity or could control the reporting entity are to be disclosed unless these have already been included in the Consolidated Financial Statements as consolidated entities.

On April 23, 2015, ARROW Central Europe Holding Munich GmbH notified the Company that its shareholding in DATA MODUL AG had exceeded the 50% threshold. Since that date, ARROW Central Europe Holding Munich GmbH has been the controlling company of DATA MODUL AG within the meaning of Sec. 17 AktG.

DATA MODUL AG in turn is a dependent company of Arrow Central Europe Holding Munich GmbH, Fürstenfeldbruck, and of the Arrow Group parent company Arrow Electronics Inc., Centennial, Colorado, USA. DATA MODUL AG is thus included in the consolidated financial statements of ARROW Electronics Inc as its largest group of companies. These consolidated financial statements are available at www.arrow.com.

Business transactions with the ARROW Group in fiscal year 2021 included 72 thousand euros in purchases (previous year: 121 thousand euros) and 27 thousand euros in sales (previous year: 42 thousand euros). As of the reporting date, unsecured liabilities due to the ARROW Group totaled 0 thousand euros (previous year 0 thousand euros), while receivables from ARROW Group totaled 0 thousand euros (previous year: 8 thousand euros).

The DATA MODUL consolidated financial statements include all subsidiaries in which parent company DATA MODUL AG holds an indirect or direct majority of voting rights.

Affiliated companies

Company name, registered office	Share-holding	IFRS equity	Net income for the year
	in %	KEUR	KEUR
DATA MODUL Weikersheim GmbH, Weikersheim, Germany	100	11,263	621
DATA MODUL France SARL, Baron, France	100	1,669	97
DATA MODUL Iberia S.L., Madrid, Spain	100	2,246	274
DATA MODUL Inc., New York, USA	100	5,020	1,331
DATA MODUL Italia S.r.l., Bolzano, Italy	100	1,902	356
DATA MODUL Ltd., Cannock, UK	100	1,517	243
DATA MODUL Suisse GmbH, Zug, Switzerland	100	(100)	7
DATA MODUL Hong Kong Ltd., Hong Kong, China	100	434	564
DATA MODUL Electronic Technology (Shanghai) Co., Ltd., Shanghai, China	100[1]	1,420	54
Conrac Asia Display Products PTE Ltd., Singapore	100	916	7
DATA MODUL Polska Sp. z o.o, Lublin, Poland	100	2,754	123

[1] Indirect holding via DATA MODUL Hong Kong Ltd.

Compensation report

The remuneration structures for the Executive and Supervisory Boards are elaborated below.

Executive Board member remuneration

The disclosures on compensation paid to Executive Board members in fiscal year 2021 take into account the recommendations per German Corporate Governance Code (GCGC) in addition to applicable accounting principles (GAS 17, HGB/German GAAP, IFRS):

Compensation packages granted	Dr. Florian Pesahl *CEO* *Appointment date: January 1, 2010*			
KEUR	2020	2021[3]	2021 (min.)	2021 (max.)
Fixed salary	230	230	230	230
Fringe benefits	18	18	18	18
Total	**248**	**248**	**248**	**248**
One-year variable compensation[1]	73	147	0	147
Multi-year variable compensation[2]				
Executive bonus 2018	73	0	0	0
Executive bonus 2019	0	37	0	73
Total compensation (according to GCGC)	**394**	**432**	**248**	**468**
Pension contributions	0	0	0	0
Total compensation (according to GAS 17)	**394**	**432**	**248**	**468**

[1] Not taking into account any deferrals.

[2] According to his employment contract, Dr. Pesahl's executive bonus package contains a long-term incentive by virtue of which only two-thirds of the accrued executive bonus is to be paid out upon adoption and approval of the consolidated financial statements, the third portion only being disbursable if the Group remains profitable in the fiscal year following.

[3] An additional performance bonus was approved in 2021 for Dr. Pesahl based on his contract in the amount of 110 thousand euros, as well as a company loyalty bonus of 100 thousand euros for fiscal year 2021.

Compensation paid to the Executive Board member in fiscal year 2021 breaks down as follows:

Compensation	Dr. Florian Pesahl *CEO* *Appointment date: January 1, 2010*	
KEUR	2021	2020[5]
Fixed salary	224 [6]	216 [6]
Fringe benefits	18	18
Total	**242**	**234**
One-year variable compensation [4]	73	73
Multi-year variable compensation	37	73
Total compensation	**352**	**380**

[4] Not taking into account any deferrals.

[5] An additional performance bonus in the amount of 100 thousand euros was approved for Dr. Pesahl in 2020 based on his contract. This amount was paid out in 2021.

[6] Dr. Pesahl voluntarily waived 10% of his salary during the months of short-time work at the Company.

As of the reporting date, the Group had pension commitments for former members of the Executive Board as shown in the table below, indicating annual contributions to the pension plan:

Pensions	Peter Hecktor		Walter Eichner	
KEUR	2021	2020	2021	2020
Provisions recorded as of the reporting date	273	297	252	274
Allocations to pension provisions	1	26	7	25
Pensions paid	24	24	29	28

In fiscal years 2021 and 2020, the Executive Board member did not receive any loans or similar benefits. Nor did Management Board members receive any compensation for offices held at other Group companies.

Supervisory Board member remuneration

Annual remuneration in KEUR	2021	2020
Kristin D. Russell	40	40
Richard A. Seidlitz	30	30
Wolfgang Klein	0	0
Eberhard Kurz	20	20
Grand total	90	90

Membership of the Executive and Supervisory Boards

Executive Board member:

Dr. Florian Pesahl, Munich, CEO

Supervisory Board members:

Kristin D. Russell, Chair
Richard A. Seidlitz, Deputy Chair
Eberhard Kurz (employee), Employee Representative

Auditors' fees

The Company recorded fees for auditing services in the amount of 135 thousand euros in accordance with Sec. 314 (1) No. 9a of German Commercial Code (previous year: 231 thousand euros). Tax consultancy expenses per Sec. 314 (1) No.9c German Commercial Code in the amount of 0 thousand euros (previous year: 0 thousand euros) were recorded through profit or loss, in addition to expenses for other services per Sec. 314 (1) No. 9d German Commercial Code in the amount of 0 thousand euros (previous year: 0 thousand euros).

Subsequent events

It will remain to be seen how DATA MODUL's business may be affected as the global economy is generally impacted by the EU sanctions imposed on Russia for invading Ukraine. DATA MODUL has no direct or indirect supplier or customer relationships in either Ukraine or Russia however, thus the Company's balance sheet and earnings are not expected to suffer any major direct effects.

We are not aware of any further significant events that have occurred after the end of the fiscal year, which would have had a major influence or impact on the Company's financial position, financial performance and/or cash flows.

INDEPENDENT AUDITOR'S OPINION

To DATA MODUL Aktiengesellschaft Produktion und Vertrieb von Elektronischen Systemen, Munich
Report on the audit of the consolidated financial statements and of the group management report

Opinions
We have audited the consolidated financial statements of DATA MODUL Aktiengesellschaft Produktion und Vertrieb von elektronischen Systemen, Munich, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as of 31 December 2021, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the fiscal year from 1 January 2021 to 31 December 2021, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of DATA MODUL AG for the fiscal year from 1 January 2021 to 31 December 2021. In accordance with the German legal requirements we have not audited the components of the notes to the consolidated financial statements and the group management report mentioned in the section "other information" to our Auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,
- the accompanying consolidated financial statements comply, in all material respects, with the International Financial Reporting Standards (IFRS) as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as of 31 December 2021, and of its financial performance for the fiscal year from 1 January 2021 to 31 December 2021, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the consolidated financial statements and the group management report does not cover the content of the components of the notes to the consolidated financial statements and the group management report mentioned in the section "other information".

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the opinions
We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key audit matters in the audit of the Consolidated Financial Statements
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from 1 January 2021 to 31 December 2021. These

matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matter:

Recognition, measurement and amortization of capitalized costs to fulfil a contract

Related disclosures in the consolidated financial statements and the group management report

For further information on the recognition and measurement policies applied regarding the recognition, measurement and amortization of capitalized costs to fulfil a contract, please refer to the disclosures in the notes to the consolidated financial statements in section 4. Recognition and measurement methods "Significant judgments, estimates and assumptions – revenue from contracts with customers", "Revenue from contracts with customers and costs to fulfill a contract" as well as section 5. Notes to the Statement of Income "Revenues" and section 6. Notes to the Statement of Financial Position "Capitalized costs to fulfill a contract" and "Contract liabilities".

Description of the Audit matter and risks for the audit

Revenue from contracts with customers is based on various agreements that also contain development services related to series orders. The recognition, measurement and amortization of capitalized costs to fulfil a contract is subject to judgment and estimates made by the executive directors of DATA MODUL AG. It has to be assessed whether the development services represent a distinct performance obligation, a performance obligation to be bundled with series production or an activity to fulfill an order for series production. In addition, the measurement and amortization of capitalized t costs to fulfil a contract are based on estimates of the expected sales volume and the term of the contract to which these development costs are to be allocated. Against this background, the recognition, measurement and amortization of capitalized costs to fulfil a contract was a key audit matter in our audit.

Audit approach and results

We verified whether the accounting policies of DATA MODUL AG regarding the capitalized costs to fulfil a contract provide a suitable basis for the IFRS consolidated financial statements. In order to identify anomalies, we analyzed the capitalization and amortization of the capitalized costs to fulfil a contract in the course of the year. We compared the capitalized costs and amortization of selected projects with the customer contracts, product planning, time and production volume of the series production related to these development costs and other project documents of the Company.

We also interviewed the executive directors of DATA MODUL AG and other employees with regard to the status of the contractspecific development and the measurement of the capitalized costs to fulfil a contract. We reconciled the capitalized costs to the time sheets and analyzed the hourly rates. In addition, we performed a margin analysis for selected customer contracts in order to identify the need to recognize impairment losses on capitalized costs to fulfil a contract . Furthermore, we reviewed the completeness of the disclosures pursuant to IFRS 15 in the notes to the consolidated financial statements. Our audit procedures did not lead to any reservations regarding the recognition, measurement and amortization of capitalized costs to fulfil a contract.

Other information

The executive directors respectively the Supervisory Board are responsible for the other information. The other information comprises:

- Corporate Governance declaration being referred to in the notes to the consolidated financial statements and the group management report
- other components of the annual report excluding the audited consolidated financial statements and the group management report and our associated auditor's report.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the executive directors and the Supervisory Board for the consolidated financial statements and the group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's responsibilities for the audit of the Consolidated Financial Statements and of the group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Report on the assurance in accordance with Sec. 317 (3a) HGB on the electronic reproduction of the consolidated financial statements and the group management report prepared for publication purposes.

Opinion

We have performed assurance work in accordance with Sec. 317 (3a) HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the electronic file „DM_AG_KA+KLB_ESEF_2021-12-31.zip" (SHA256-hash value: bba128ac6267d5d9ecd9bcf8c6f2146412ed7672401a4053261c3babdcef517c) and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained in this reproduction nor to any other information contained in the abovementioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the abovementioned electronic file and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the abovementioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January 2021 to 31 December 2021 contained in the "Auditor's report on the consolidated financial statements and on the group management report" above.

Basis for the opinion

We conducted our assurance work on the reproduction of the consolidated financial statements and the group management report contained in the abovementioned electronic file in accordance with Sec. 317 (3a) HGB, IDW Assurance Standard: Assurance in Accordance with Sec. 317 (3a) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (IDW AsS 410 (10.2021)) and International Standard on Assurance Engagements 3000 (Revised). Our responsibilities under that standard are further described in the "Group auditor's responsibilities for the assurance work on the ESEF documents" section. Our audit firm applied the standards for the quality assurance system set forth in IDW Standard on Quality Control: "Requirements for Quality Control in Audit Firms" (IDW QS 1).

Responsibilities of the executive directors and the Supervisory Board for the ESEF documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the group management report in accordance with Sec. 328 (1) Sentence 4 No. 1 HGB and for the tagging of the consolidated financial statements in accordance with Sec. 328 (1) Sentence 4 No. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB for the electronic reporting format.

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Group auditor's responsibilities for the assurance work on the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, in the version valid as of

the reporting date, on the technical specification for this electronic file.

- Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) provides an adequate and complete machine-readable XBRL copy of the XHTML rendering in accordance with Articles 4 and 6 of the ESEF regulation in the version applicable on the balance sheet date.

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as group auditor by the Annual General Meeting on 6 May 2021. We were engaged by the Supervisory Board on 17 June 2021. We have been the group auditor of DATA MODUL AG without interruption since fiscal year 2021.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Supervisory Board pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

Other matters - use of the audit opinion

Our audit opinion should always be read in conjunction with the audited consolidated financial statements and the audited group management report as well as the audited ESEF documents The consolidated financial statements and the group management report converted to the ESEF format - including the versions to be published in the Federal Gazette - are merely electronic reproductions of the audited consolidated financial statements and the audited group management report and do not replace them. In particular, the ESEF opinion and our audit opinion contained therein can only be used in conjunction with the audited ESEF documents provided in electronic form.

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Maria Link.

Munich, 23 March 2022

Mazars GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Christian Schönhofer	Maria Link
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

MANAGEMENT REPRESENTATION

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

Dr. Florian Pesahl
Chief Executive Officer

FINANCIAL CALENDAR 2022

Quarterly report dated March 31, 2022	May 10, 2022
Annual Shareholders' Meeting	May 10, 2022
Half-year financial report dated June 30, 2022	August 5, 2022
Quarterly report as of September 30, 2022	November 5, 2022

The DATA MODUL 2021 Annual Report is available in German and English.

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