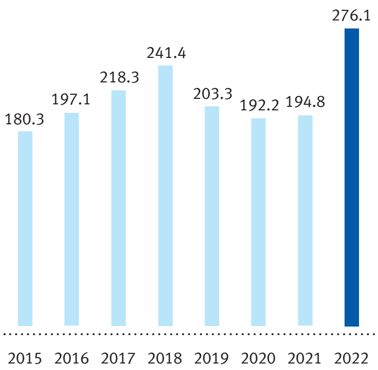
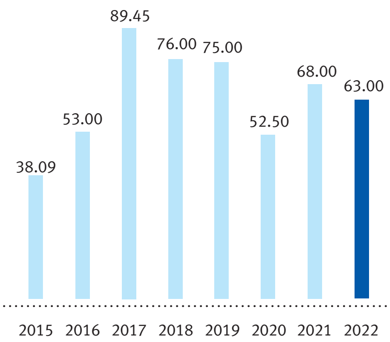
# DATA MODUL
ANNUAL REPORT 2022

# DATA MODUL AT A GLANCE

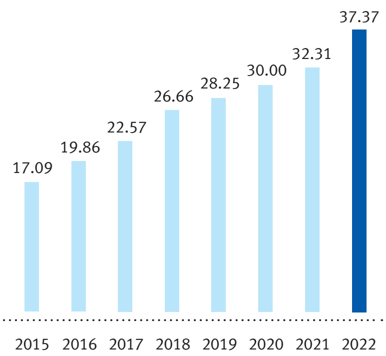
REVENUE
(in millions of euros)




HIGHEST STOCK PRICE
(in euros)




EQUITY PER SHARE
(in euros)




## Group key figures per IFRS and alternative key performance indicators*

| In KEUR | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|---|---|---|
| Revenue | 276,053 | 194,774 | 192,185 | 203,314 | 241,417 | 218,256 | 197,079 | 180,300 | 155,915 |
| EBITDA [1] | 32,970 | 18,575 | 17,745 | 15,644 | 23,587 | 18,324 | 17,060 | 15,331 | 13,257 |
| EBIT [2] | 27,149 | 12,704 | 11,829 | 10,194 | 20,801 | 15,913 | 15,039 | 12,576 | 11,404 |
| EBIT margin in % [3] | 9.8 | 6.5 | 6.2 | 5.0 | 8.6 | 7.3 | 7.6 | 7.0 | 7.3 |
| Net income | 18,367 | 7,898 | 7,563 | 6,507 | 14,277 | 10,623 | 10,228 | 8,413 | 7,573 |
| Shareholders' equity | 131,780 | 113,933 | 105,860 | 99,599 | 94,006 | 79,571 | 70,027 | 60,246 | 48,036 |
| Shareholders' equity ratio in % | 59.4% | 60.3 | 69.2 | 67.5 | 70.1 | 71.8 | 68.0 | 66.6 | 60.0 |
| Working capital [4] | 120,510 | 89,440 | 61,232 | 63,702 | 63,039 | 56,193 | 52,854 | 44,691 | 39,543 |
| Cash flow [5] | -2,825 | -15,715 | 10,777 | 10,447 | 10,797 | 6,756 | 6,325 | 7,049 | 13,799 |
| Capital expenditure [6] | 3,370 | 3,019 | 3,429 | 6,984 | 5,638 | 4,427 | 4,031 | 2,719 | 2,471 |
| Number of employees [7] | 488 | 468 | 460 | 489 | 445 | 403 | 395 | 364 | 348 |
| Revenue per employee | 566 | 416 | 418 | 416 | 543 | 542 | 499 | 495 | 448 |
| Earnings per share in euros | 5.21 | 2.24 | 2.14 | 1.85 | 4.05 | 3.01 | 2.90 | 2.41 | 2.23 |
| Cash flow per share in euros [8] | -0.08 | -0.44 | 3.06 | 2.96 | 3.06 | 1.91 | 1.79 | 2.00 | 3.91 |
| Dividend per share in euros [9] | 2.50 | 0.12 | 0.12 | 0.12 | 0.12 | 0.12 | 0.12 | 0.12 | 0.12 |
| Stock price at year end in euros | 55.50 | 65.00 | 49.00 | 51.00 | 55.60 | 70.00 | 49.00 | 36.90 | 20.00 |
| Highest stock price in euros | 63.00 | 68.00 | 52.50 | 75.00 | 76.00 | 89.45 | 53.00 | 38.09 | 20.82 |
| Lowest stock price in euros | 51.00 | 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 2023.

* 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
# 2022 ANNUAL REPORT

# MANAGEMENT REPORTS

*Materials shortages, political tension and global uncertainty: despite continuing challenges in the global market, 2022 was the most successful fiscal year in the 50 years that DATA MODUL has been in business. The professional crisis management capability of the Munich-based provider of specialized display, touch, embedded, monitor and panel PC solutions has again been demonstrated, clearly apparent in the strong business results the Company recorded. DATA MODUL is a constant that customers, business partners and suppliers can rely on.*

# EXECUTIVE BOARD REPORT

**Dear shareholders and friends of our Company,**

"Our actions today make the world we live in tomorrow." (Marie von Ebner-Eschenbach) It became very apparent last year that the world we live in is one of fluid transitions, as we moved out of the pandemic crisis and straight into the Ukraine war, record inflation and labor shortages. Crisis is the new normal in some ways, requiring commitment to take the situation on day by day through action. Despite several challenges, DATA MODUL now looks back on the most successful year in its 50-year company history thanks to the extraordinary performance delivered by our entire team.

For fiscal year 2022 we recorded a net profit of 276 million euros, up roughly 40% versus the previous year. Our strong financial position enabled us to pursue a proactive ordering policy over the last two years, despite continuing market volatility, which ensured our ability to deliver. This in combination with stringent cost management policies led to EBIT doubling to approximately 27 million euros. Our sales volume was again distributed across diverse customer industries, and our global sales teams played a decisive role in our success. For the first time in 2022 we achieved a solid export rate of well over 50% thanks to systematic execution on our internationalization strategy over the last few years.

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 2.50 euro per share for fiscal year 2022. This represents a distribution ratio of approximately 50% of net income for the year.

Capacity utilization across all of our production sites remained consistently high despite the geopolitical disruption caused by the Ukraine war, pandemic after-effects, the China-Taiwan conflict, and fluctuations in materials availability. We continued to invest globally in new innovative technologies and automation, purchasing new machinery and control systems. Alongside improvements in internal processes through digitalization and process optimization, additional investment was made in IT infrastructure enabling us to surmount increasing challenges connected with hybrid working, including heightened security requirements. Our financial success in recent years enabled us to invest a total of 9,825 million euros in Research & Development, remaining focused on the 'three I's as the factors for our success: investment, innovation and internationalization.

Despite the vast experience accumulated and expertise built up in the displays business over the past 50 years, we are still confronted with issues every day that require us rethink approaches and do things differently. We believe firmly that our attitude towards the future is crucial to these efforts. Rather than facing change and uncertainty with pessimism or resistance, we move forward courageously, taking steps both large and small. Working on innovation and developing our vision, we determine the actions to be taken right now that allow us to take our future into our own hands. These considerations flow into the defining our strategic framework for the next five years, informed by the values of professionalism, dedication, innovation and team spirit upon which our success is founded. We are aware that this requires perseverance, boldness, a forward-looking stance and flexibility on the part of all of our staff. I thus wish to take this opportunity to express my thanks to the entire DATA MODUL team – everyone working together across all the different departments and countries – for contributing to the overall success of the Company day by day and pro-actively shaping the fortunes of DATA MODUL.



Broad expertise and our long-standing relationships within our global network of suppliers are the basis for working together with customers to realize innovative solutions utilizing display, touch, embedded and system technologies. The evolution of our business from a pure supplier into a manufacturer is steadily progressing. In addition to continuous further development of production and other technologies, we carefully study market trends so we can better understand, anticipate and meet the needs of customers and markets. Alongside our existing markets we see new global business opportunities arising in future-relevant areas like digital health, energy-efficient and resource-saving products, sustainable mobility, artificial intelligence and connectivity. In a market characterized by intense competition, heavily interwoven supply chains and rapidly advancing trends, software and cloud solutions will play an increasingly important role alongside our comprehensive hardware portfolio. It is thus crucial that we be able to respond to constant change and sometimes alter our course, making decisions despite an ever-present degree of uncertainty. We intend to continue managing DATA MODUL with prudence, remaining constant dialogue with our staff in a spirit of candid, transparent communication.

Finding highly qualified staff to join our team is more challenging today than ever before. While there are no simple answers, we take the many smaller steps necessary to promote a constructive, cooperative relationship between government and business in regard to the skilled labor shortage. Alongside recruiting, employee retention is becoming increasingly important as a competitiveness factor. We want to be a good employer that listens to its workforce – not just in difficult times – striving constantly to find solutions and be a reliable partner. We are committed to giving our employees opportunities for skills development and career pathing. There are various national and international career paths open at our firm, and we significantly increased our training budget in the fiscal year ended, rolling out a new internal training platform that includes an extensive array of training courses. Two years ago we also launched a management talent program devised in-house which is designed as a skills development journey to comprehensively prepare capable, up-and-coming managerial candidates for taking on greater responsibilities.

With our organizational resilience and strong team, and in view of the growth in our key markets and new strategic business opportunities opening up, we believe we are in a very good position to remain successful in our demanding market environment over the coming years. 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 are energetically tackling the major challenges encountered in today's uncertain global economic environment head-on, working hard every day to ensure that DATA MODUL stays on its present path of sustained profitable growth as we move forward.

Dr. Florian Pesahl, Chief Executive Officer
Munich, March 2023

# 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 geopolitical impact of the war in Ukraine. 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 2022, the Annual Financial Statements prepared by the Executive Board for DATA MODUL AG and for the Group for fiscal year 2021 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, Mazars GmbH & Co. KG, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Hamburg, also attended the meeting. The Supervisory Board also reviewed the Dependent Company Report per Sec. 312 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.

In addition, in its March 2022 meeting the Supervisory Board addressed the agenda for the 2022 Annual Shareholders' Meeting in detail and the resolution proposals for shareholders to vote on at the Meeting. Discussion focused as well on the business results for the current fiscal year.

In addition to discussion of the latest business developments, the appointments for the offices of Supervisory Board chairman and deputy chairman were approved at the June 2022 meeting of the Supervisory Board.

At its October 2022 meeting the Supervisory Board primarily addressed the business situation and outlook for the DATA MODUL Group in light of the continuing war in Ukraine and its impact on energy prices and supply chains.

At the Supervisory Board meeting in December 2022 the Executive Board member reported on the Group's current business and financial situation, presenting the budget planning – which the Supervisory Board approved. The auditor Mazars also reported on its audit planning for fiscal year 2022.

The Company provides support to newly appointed Supervisory Board members as well as continuing education subsequently. No onboarding events were conducted in fiscal year 2022 because no new members were appointed to the DATA MODUL AG Supervisory Board.

## Audit of the Separate and Consolidated Financial Statements

In early 2023 the Executive Board prepared the DATA MODUL AG Separate Financial Statements and Management Report for fiscal year 2022 in accordance with German Commercial Code (HGB) accounting rules; the Consolidated Financial Statements and Group Management Report were prepared in accordance with 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, 2022 - December 31, 2022. 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 in the transactions stated in the Report was not excessively high"

At its March 2023 meeting, the Supervisory Board discussed in detail the Financial Statements for fiscal year 2022 and Dependent Company Report. Representatives of the financial accounting firm Mazars attended the meeting, reported on their audit findings and provided additional information. In its review, the auditor 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 2022 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 2022 Consolidated Financial Statements, adopted the 2022 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 separate 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 in 2018 and Employee Representative 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 2022 a successful fiscal year.

For the Supervisory Board

Kristin D. Russell, Supervisory Board Chair
Munich, March 2023

# DATA MODUL WORLDWIDE

*Given today's supply chain problems, efficient, forward-looking global management is now more important than ever. Thanks to our longstanding relationships with international partners and our highly motivated and dedicated teams working at all of our locations, in 2022 DATA MODUL saw excellent order flow. Moreover, we were able to reliably fill these orders through efficiently interlocking materials management, purchasing and logistics.*

# DATA MODUL WORLDWIDE


## CUSTOM SOLUTIONS FOR TOMORROW

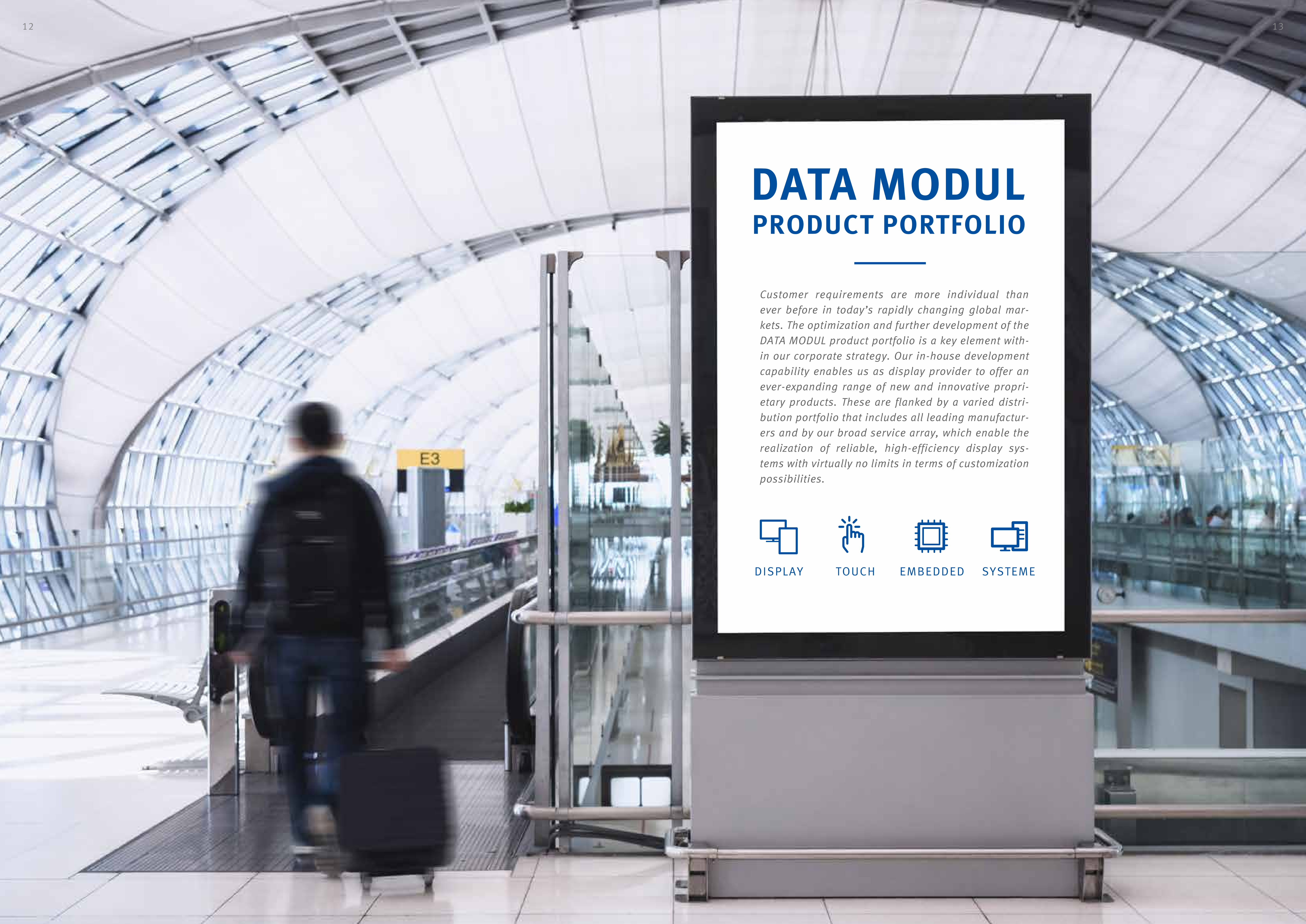
DATA MODUL with company headquarters in Munich delivers custom display and system solutions worldwide from its distributed production and logistics sites in Europe, Asia and the US occupying 40,000 sqm of total space, maintaining sales offices in promising growth markets.

DATA MODUL pursues continuous technological progress and business growth as a provider of innovative display systems. One of our core strengths as a firm is constant development of our product and service portfolio so that we can efficiently meet our customers' needs. Following emerging market trends is also key, in parallel with network expansion in our existing customer industries, such as industrial automation and digital signage. DATA MODUL will continue positioning itself as a pioneer in state-of-the-art applications and source for smart, intuitive and connective solutions built around display, touch, embedded and system technologies.

## FACTS AND FIGURES

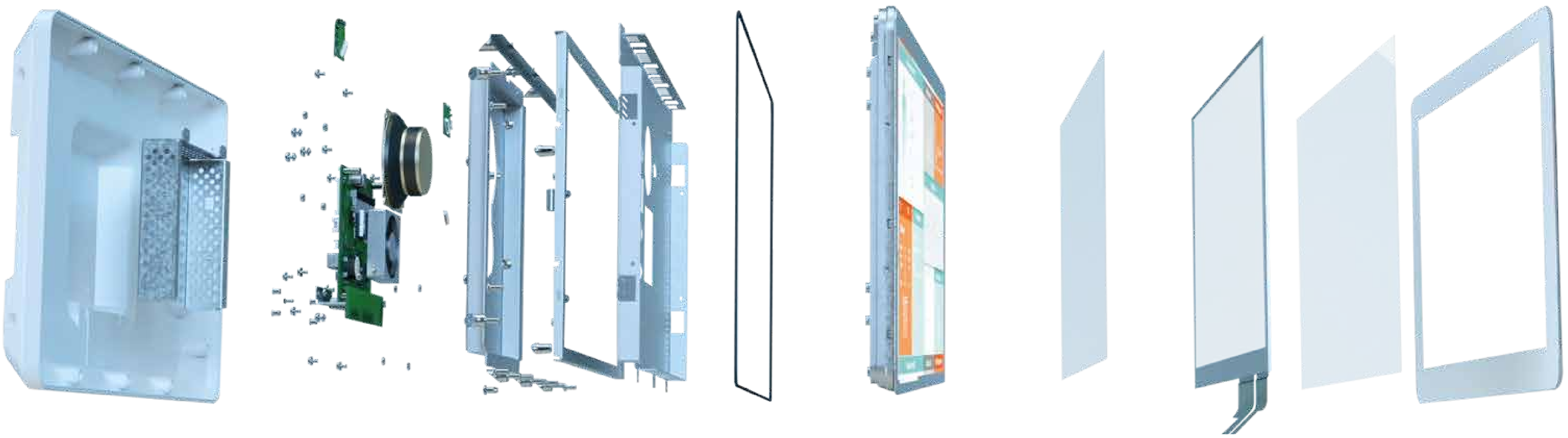
Balance as of 12/31/2022

| | |
|---|---|
| ~500 | EMPLOYEES WORLDWIDE |
| 276 | REVENUE IN MILLIONS OF EUROS |
| >20 | DATA MODUL LOCATIONS WORLDWIDE |
| 9.8 | R&D EXPENSES IN MILLION EURO |
| ~50 | YEARS' EXPERIENCE IN VISUAL SOLUTIONS |
| ~60 | EQUITY RATIO (%) |



DATA MODUL
PRODUCT PORTFOLIO
Customer requirements are more individual than ever before in today's rapidly changing global markets. The optimization and further development of the DATA MODUL product portfolio is a key element within our corporate strategy. Our in-house development capability enables us as display provider to offer an ever-expanding range of new and innovative proprietary products. These are flanked by a varied distribution portfolio that includes all leading manufacturers and by our broad service array, which enable the realization of reliable, high-efficiency display systems with virtually no limits in terms of customization possibilities.
DISPLAY
TOUCH
EMBEDDED
SYSTEME
E3

# 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 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 in-house developed easyTOUCH projected capacitive (PCAP) series and easyTOUCH displays – specially designed 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

*While there were certain hurdles to cross in 2022, the year saw many favorable events and changes for DATA MODUL, starting with the introduction of innovative new products and expansion of our in-house bonding capability. Even as we celebrated our 50-year anniversary as tech firm, 2022 turned out to be a record fiscal year that emphatically underscored the steady growth and business improvement of DATA MODUL AG; thus we look ahead to 2023 filled with confidence.*

# HIGHLIGHTS 2022

## DATA MODUL TURNS 50

DATA MODUL celebrated its 50th birthday in July 2022! Looking back with pride on an eventful history as a tech company, we have enjoyed steady growth as we strive continuously to improve, intensely dedicated to technological and business progress. When the Company was founded back in 1972, DATA MODUL specialized in electromechanics, but very early on the tremendous potential of display technologies was recognized as a growth market. Thus before long we were positioned as an expert and pioneer in complex display and system solutions. As a mid-sized enterprise today we are a world-leading supplier of specialized display, touch, embedded, signage, monitor and panel PC solutions, and thus confident regarding our business outlook and the future of our enterprise.

## SPECIAL-FORMAT TOUCH SENSORS AND BONDING FOR SHORT DIAGONALS

Requirements for displays are becoming more and more sophisticated, including special formats and increasingly customer-specific product designs. In response to these market demands, now alongside touch displays with standard rectangular touch sensors DATA MODUL also offers round and square touch sensors allowing effective operation with short diagonals.

DATA MODUL has advanced as well in its optical bonding expertise for the short diagonals characteristic of the new touch sensor formats. In a new bonding process based on liquid LOCA technology, the display, the glass and the touch unit are bonded together under an electrical field. This advancement in bonding know-how for short diagonals closes a gap in our portfolio as display provider, thus we now have a bonding process optimized for the 1 - 7-inch display size range that enables us to create professional display solutions for handheld devices and wearables right here in Munich.

## TRANSPARENT OLED DISPLAYS FOR INDUSTRIAL APPLICATIONS

Transparent displays using brilliant OLED technology are very attention-getting and can be used in many different ways and settings. The combination of FHD resolution, extremely high light transmission, bright colors and high contrast lends itself well to innovative advertising and informational signage, effectively usable in retail and restaurants, and at trade fairs and public facilities, for example. Thanks to the self-illuminating properties of OLED displays, no additional backlighting is required, making an extremely thin structure possible.


## COMPACT FORMAT WITH MACHINE LEARNING POWER: THE NEW SBC I.MX8MPLUS

DATA MODUL has come out with a new, highly compact and super-powerful single board computer (SBC) ideal for a wide variety of AI applications: the i.MX8MPlus, based on the successful i.MX8M series of processors. The i.MX8MPlus-based single board computer is available with different quad-core processor models affording easy scalability (e.g. with and without machine learning unit) and with different memory capactities as well as an optional WLAN/Bluetooth module. The NPU (Neural Processing Unit) integrated in the processor with 2.3 TOPS opens up wide-ranging application possibilities for machine learning, such as face, speech and gesture recognition.

## INNOVATIVE BUTTON DECK FOR GAMING APPLICATIONS

One of the latest technologies we have developed is a state-of-the-art button deck with a number of outstanding features that impressively demonstrates the DATA MODUL core competencies in our four product segments. PCAP touch technology makes the device extremely easy and intuitive to operate. The cover glass employed has a thickness of 5mm, making it highly resistant impact from outside. The button deck is controlled via eMotion LCD controller board (developed in-house), which is specially designed for demanding industrial environments. It also has an NFC reader, a field for wireless/inductive smartphone charging and a unique LED lighting concept that is flexibly configurable via proprietary software.

# SMART DIGITAL SIGNAGE SOLUTIONS

**Professional digital signage systems**

Demand is rising for high-performance digital signage systems, and the requirements these products have to meet are becoming more sophisticated. Functional considerations are very important role for customers in deciding on the right solution, alongside their individual design specifications. DATA MODUL AG is responding to trends and developments in the industry by expanding its newest business unit dedicated to digital signage solutions, in order to realize and deliver state-of-the-art digital signage products of unsurpassed quality.

**Design elegance, top performance**

Appealing design is essential to maximize the eye-catching factor, but even the most striking design is useless if performance does not meet expectations. DATA MODUL digital signage systems are built of high-quality components optimized for industrial usage, thus they are ideal for both indoor and outdoor applications. The efficient, modern solutions of both today and tomorrow call for a contemporary, slim design, outstanding performance and IoT-enabled functions. Large-format displays with 4K UHD technology deliver astoundingly bright and vivid colors while affording an extremely wide span of viewing angles. DATA MODUL devices unite functionality with superb design.

**Simple operational start-up, smart management**

DATA MODUL is taking signage systems to the next level with WiFi, mobile data, Bluetooth and our proprietary smart signage software. DATA MODUL digital signage systems are plug & play solutions that are ready to use within minutes, with minimal setup effort. Content management, update and upgrade processes are fast and reliable. Additional displays, such as ESL, are integratable into our signage systems with ease. DATA MODUL offers installation, setup and maintenance among other supplemental services as one-stop provider, ensuring uncomplicated, convenient operation of customers' individual systems at all times.

**Expanded usage possibilities**

Innovative digital signage systems are more than just spaces for information and advertising, for they can yield insights into customers and their buying behavior. Marketing campaigns can be specifically optimized through observation, measurement and subsequent analysis of customer interactions and interests. Additional features like face, age and gender recognition can be implemented as desired in order to target content, making it as personalized as possible for customers.

**Virtually unlimited customization possibilities**

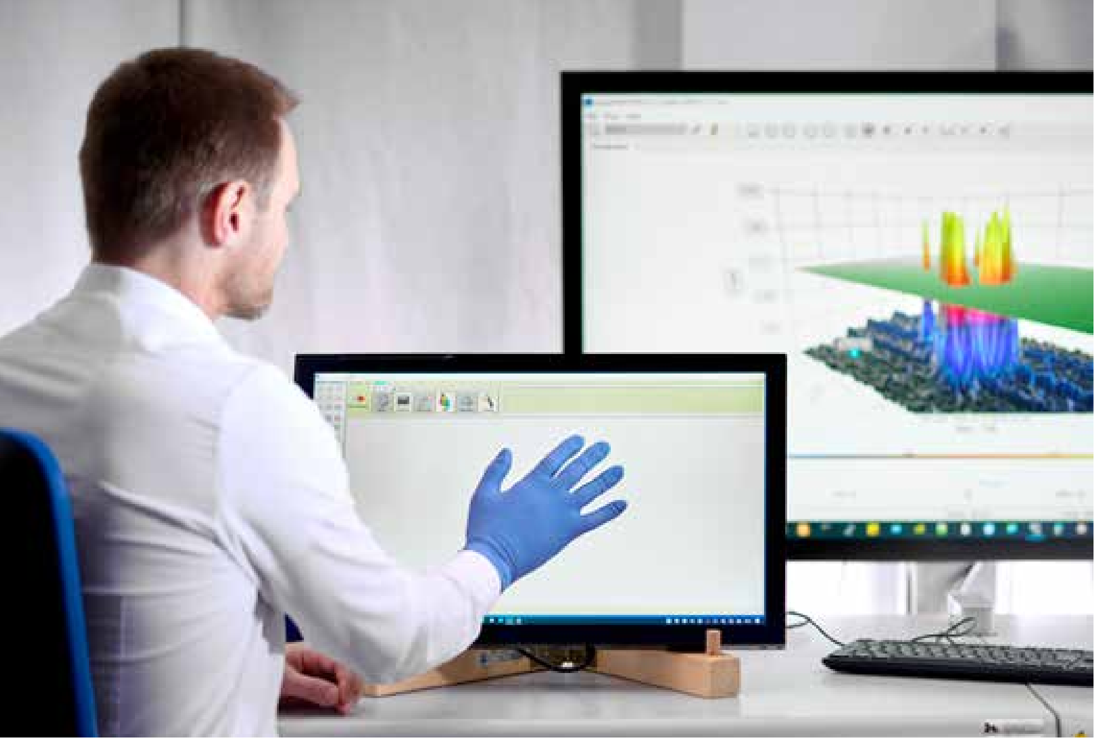
The customization options for DATA MODUL digital signage systems are nearly unlimited, with a wide array of display technologies, sizes, shapes and formats to choose from as well as many different touch expansions, plus the latest embedded technologies, custom housing solutions and additional features – so customers can get remarkably unique products meeting their specific requirements. Our team of highly trained, expert consultants can accompany you every step of the way, contributing their broad and specialized market-specific knowledge from product idea on down to final implementation and beyond.

**The future is smart(er)**

The digital signage market is steadily expanding, opening up hitherto unforeseen opportunities and growth potential for manufacturers able to deliver innovative systems. DATA MODUL AG, a pioneering supplier of cutting-edge system solutions, is positioned as a professional provider of smart signage solutions that are ready for the smart future.


# CORPORATE RESPONSIBILITY

*The DATA MODUL corporate values of dedication, team spirit, innovation, professionalism and results-orientation form the basis for successful long-term relationships with our employees, customers, suppliers and business partners. A corporate culture of open communication and our commitment to corporate responsibility inform how we conduct business across all areas of the Company. This means knowing our responsibilities and stepping up our efforts to live up to them worldwide, both now and in future, so that DATA MODUL contributes in positive ways to ecological, economic and social progress.*



# DATA MODUL AS EMPLOYER

**Working together to achieve big things**

In the 50-year history of DATA MODUL, 2022 was our most successful fiscal year yet. Our roughly 500 employees is the cornerstone of our business success as a tech firm, and their unflagging dedication played a key role in the growth we achieved in 2022. Today more than ever, people appreciate reliable jobs with an international employer who offers flexible work models. DATA MODUL renewed efforts in 2022 to support employees experiencing a personal crisis out of our larger commitment to cultivating a respectful work culture – in alignment with our valuing of "individual solutions". Work paradigms are evolving, and DATA MODUL will continue investing in flexible work arrangements and other employee perks and benefits that contribute to a positive workplace culture in which we work together and treat each other as partners.

**Top-quality apprenticeships**

The market is tight for skilled labor, so it is becoming even more essential for employers to retain the people they have who possess advanced technical competencies. In parallel with effective teaching of regular apprenticeship content, there is an increasing need as well for training courses of international relevance, such as intercultural competency. Aware of our obligations in this regard, DATA MODUL has been investing for a very long time already in order to offer a solid, diverse and structured apprenticeship curriculum affording comprehensive training of capable younger individuals. One of the latest training modules focuses on the voluntary international rotation program, which affords trainees rich insights into working at other companies within the corporate group. For the first time in 2022, all interested apprentices in their second apprenticeship year or later were able to rotate out during the summer break to a desk at an international location of the Company. Apprentices at the New York and Lublin sites enjoyed an opportunity to energetically support their international colleagues, playing their own part in shaping the future of DATA MODUL.

DATA MODUL has expanded the fields in which apprenticeships are offered and created a multi-week internship aimed at those interested in doing an apprenticeship. These moves are aligned with our purpose of making a tech firm apprenticeship the start of a promising and out-of-the-ordinary career for young people who come to DATA MODUL. Our apprenticeship instructors also introduced team events and workshops as new activities designed to help members of different apprenticeship years and apprentices in different fields feel a united strength, fostering team spirit.

The apprenticeship qualifications pursued remained squarely in focus throughout the entire apprenticeship year, in line with the "results orientation" recognized as one of our corporate values as an international technology enterprise. It occurred again in 2022 that several DATA MODUL apprentices were recognized for achieving the highest final exam score in their respective apprenticeship year. Rounding out the year's highlights, DATA MODUL furthermore received recognition as one of the best employers to apprenticeship with in Germany.

For further information, including the currently available apprenticeships, visit www.data-modul.com/de/company/career/training.html.

**Motivation through career pathing and skills development**

Ensuring steady career progression and skills development for all DATA MODUL employees are top priorities for us as a corporate tech firm. Thus we support the individual planning and building of technical and management careers, but we have furthermore significantly expanded and internationalized our intensive and broad-based onboarding program for those coming on board our midcap firm. The company-wide platform INSIGHT SKILLS was launched in 2022 as a further measure to ensure continuous, successful employee advancement. A wide range of internal and approved external training courses for employees are listed on the Company intranet, organized into the categories of Soft Skills, General Skills, Department Skills and Technical Skills, additionally available digitally in video format. The company has decided to allow participation in training courses outside of the employee's own work area, subject to approval.

**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**.

The recently launched Talent Pool advancement program was continued in 2022, welcoming a new round of entrants; the program is designed to provide special training for talented individuals, preparing them for the next step in their careers. The initiative promotes successful cooperation within the Company, aligned with the DATA MODUL corporate values of "results orientation, professionalism, innovation, dedication and team spirit". The Talent Pool participants learn as a team about modern management approaches and practices important for effective communication and leadership in a series of comprehensive workshops taking roughly twelve months to complete. Another important program element is the promoting of networking among the various DATA MODUL companies, departments and locations, and an individual mentoring program is in place optimally prepare future managers for a successful start into that role. Nearly all participants who completed the program in 2021 have gone on to assume a management role within the DATA MODUL Group. We look forward greatly to seeing the talented individuals enrolled in the Talent Pool who will be completing the program in the spring of 2023 advance their careers at our publicly traded firm.

**Corporate values enacted in practice**

The DATA MODUL corporate values are key principles that guide our staffing and other company policy decisions. Our communications and actions are informed by these values. In 2022 there was a special focus on "innovation" as a key principle for DATA MODUL, as reflected in the launch of the new INNOVATION BEYOND project, flanking our existing innovation programs, as part of which up to 50,000 euros in prizes may be awarded. The project purpose is to empower staff to play an active role in shaping the Company's future by contributing their own ideas. Sustainability, social responsibility and globalization were additionally addressed as focal points in a range of specifically designed measures. The company observes its responsibilities and acts on its principles, revealing a hands-on mentality at DATA MODUL in campaigns like tree planting in Upper Bavaria and in-house donation calls to support Ukrainian refugees, local children's hospices and our cooperation with the children's rights humanitarian organization Plan International.

**Job security and opportunity**

Taking responsible action has ever been an essential principle for DATA MODUL, which extends to ensuring job security over the longer term. Indeed, job security has become increasingly important to employees in today's time of global crises, facing the threat of recession. Staffing levels were strategically increased across nearly all areas of our international enterprise in 2022, and this is to continue in 2023.

Also last year, special inflation defrayments were paid to support employees, and all staff in Germany received assistance in the form of fuel vouchers. Such targeted measures illustrate how DATA MODUL strives to be a strong partner for its employees.

**DATA MODUL says THANK YOU**

We would like to recognize and thank all of our staff member for working with such dedication and persistence to meet the challenges we faced in 2022. The growth we experienced last year came amid a difficult environment, and we are grateful for the individual contribution of every single team member to our successful results. We firmly believe that DATA MODUL will continue to surmount business challenges as they arise in future, in view of the great spirit our employees demonstrate and their bold ideas.

## 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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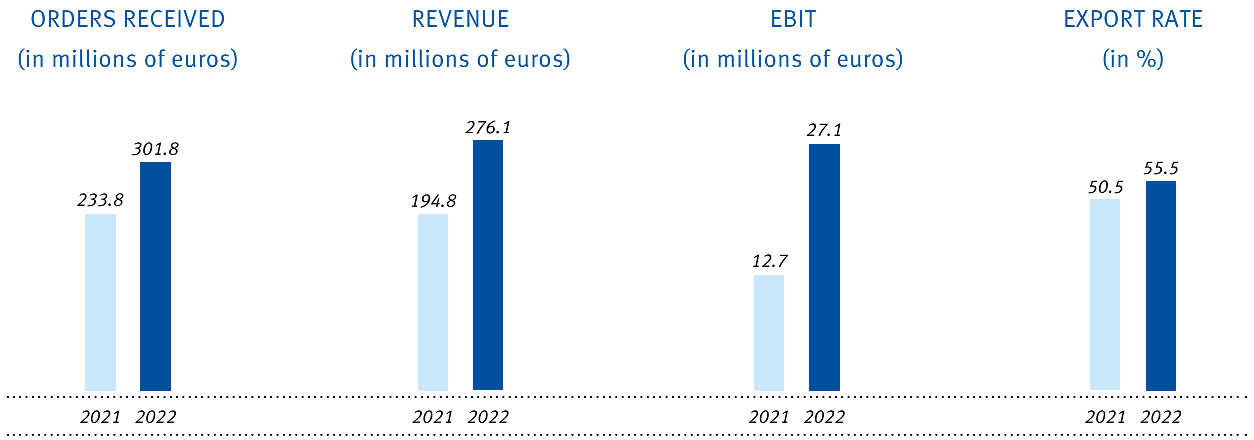
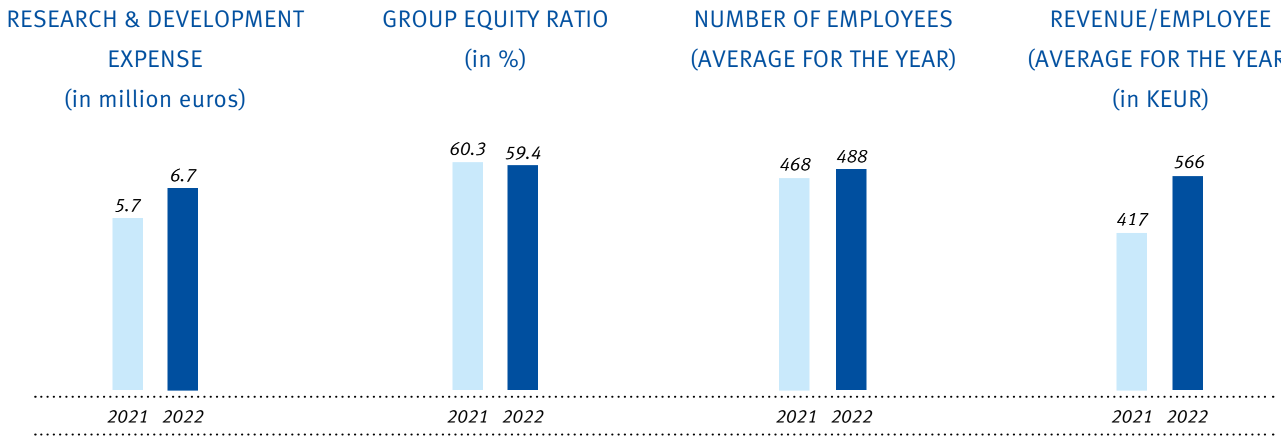
## GROUP MANAGEMENT REPORT

# 2022 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 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. Order volume is steadily rising in parallel with product complexity, as orders are increasing frequency turning into longer-term projects in which we act as partners to our customers on a sustained basis.

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 2022 totaled 6,660 thousand euros (previous year: 5,686 thousand euros).

The average number of R&D employees during the year was 66 (previous year: 71 staff members). The R&D intensity ratio (R&D expense/revenue) was 2.4% (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.

We invested further in our R&D, particularly in innovative electronic controls, industrial applications and OEM products. 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 226 thousand euros in the year under review, recognizing intangible assets (previous year: 856 thousand euros). This corresponds to a capitalization/R&D expense ratio of 3.4% (previous year: 15.1%). Amortization came to 283 thousand euros (previous year: 463 thousand euros), resulting in a net effect of -57 thousand euros (previous year: net effect of 393 thousand euros). Research expenditures are non-capitalizable.

Assets were recognized from customer-specific development projects in the amount of 4,185 thousand euros (previous year: 3,704 thousand euros) and amortized by schedule in the amount of 2,774 thousand euros (previous year: 908 thousand euros).

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

## 2. Economic report

### 2.1 Business performance

DATA MODUL was able to record outstanding results for fiscal year 2022 despite the challenging business environment, thanks to stringent implementation of the Touch Tomorrow 2023 strategy program. The primary goals and issues addressed last year included:

- Ensuring supply chain stability and delivery capability
- Streamlining of our product portfolio
- Expansion and standardization of production capacity
- Expansion of our production sites
- Further implementation of measures required for hybrid working.

Despite the difficult market environment in the fiscal year ended, DATA MODUL significantly exceeded its forecast figures and estimates. Details regarding our performance metrics are discussed below.

| In millions of euros | 2022 Estimated | 2022 Actual |
|---|---|---|
| Orders received | 210.4 – 257.2 | 301.8 |
| Revenue | 185.0 – 218.1 | 276.1 |
| EBIT | 11.4 – 14.2 | 27.1 |

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

Business conditions were challenging for DATA MODUL in 2022, due to materials availability and other supply chain problems. We were able to successfully meet rising market demand and increase our revenue in this dynamic economic environment, thanks to the strategic procurement measures taken last year.
The Executive and Supervisory Boards have resolved to propose distribution of a dividend of 2.50 euros per share at the Company's Annual Shareholders' Meeting. At the Annual Shareholders' Meeting a resolutions was passed approving a dividend of 0.12 euro per share for fiscal year 2021, deviating from the proposal advanced by the Executive and Supervisory Boards.
Fiscal year 2022 was thus highly successful and profitable for DATA MODUL all in all. DATA MODUL furthermore foresees rising profits over the next two years.

### 2.2 Macroeconomic and industry-specific conditions

#### a) Macroeconomic conditions

The coronavirus pandemic and the Russian war of aggression in Ukraine significantly impacted the global economy in 2022. The sustained recovery expected in early 2022 thus proved much less substantial in effect. Over the course of the year, direct and indirect pandemic impact in the form of high hospitalization rates, stringent lockdowns restricting economic and social life and supply chain problems subsided more and more into the background in the more industrialized nations. China on the other hand, being a key global supplier of intermediate goods and industrial products, kept a strict zero-Covid policy in place for a long time, and a quick reversal of many measures in December led to spiking infection numbers, creating added uncertainty in the transition phase. The Russian attack on Ukraine and the West and Russia subsequently imposing mutual sanctions exacerbated the supply situation, especially for energy commodities (coal, oil, natural gas) and food. Europe and Germany in particular were hit harder due to major dependency on Russian energy resources, but thus far the feared gas shortage has been averted. Inflation thus continued sharply accelerating in 2022, leading the world's central banks to respond vigorously. The Federal Reserve Bank (Fed) and the European Central Bank (ECB) among other major central banks raised interest rates significantly further than expected, and many emerging market economies saw even larger interest rate hikes. The mood in the manufacturing sector significantly deteriorated in the first half of the year, against this background. After the lifting of lockdowns however, the service sector and tourism provided support for the economy.

The above slowing factors led to a substantial deceleration of global economic growth in 2022. Emerging markets continue to grow faster than industrialized countries. China – the world's second largest economy and currently Germany's most important trading partner[1] – recorded only 3.0%[2] real GDP growth, which is roughly average for emerging markets. The eurozone recorded a similar growth rate thanks in significant part to the southern European countries, foremost Italy and Spain, which are rooted in the service sector and tourism and less exposed to supply chain problems. The United States recorded real GDP growth of 2.1%, lagging somewhat behind; the country is a key export market for Germany.[3] Major negative fiscal impact resulted from a significant reduction of the national budget deficit. The Fed started raising interest rates earlier than the ECB, also moving more dynamically, which put the brakes on real estate prices to a more substantial degree. In contrast to many eurozone countries, the US exceeded its pre-pandemic GDP in 2021 already, so the country has staged a more advanced recovery. The United Kingdom recorded real growth at a high rate of 4.0%, but that still does not make up for impact from the Covid pandemic and from Brexit.[4] Furthermore, 2022 was a year marked by political uncertainty, frequent changes of government and pressure from fiscal austerity, so the prospect of another recession was already looming in the second half of the year.

Recovery continued in 2022 for Germany, which recorded year-over-year growth of 1.8%.[5] This very low growth rate was the result of lockdown early in the year, causing decreased consumer spending, and of disappointing exports due to supply chain problems. The war in Ukraine caused confidence, supply chain and price shocks in the spring, severely undercutting the anticipated rise in economic output upon the lifting of lockdown. EU sanctions against Moscow meant the end of Germany's strategic (primarily energy-based) partnership with Russia. Soaring energy prices resulted, especially for gas and electricity, leading the government to respond with huge subsidy programs for consumers and businesses ("energy price brakes", special fund of over 200 billion euros).[6] The prospect of a gas supply crisis and mass plant closures were avoided however. The consumer spending outlook dimmed dramatically, remaining close to the record low reached in September at the end of the year.[7] In 2022 consumer spending rose considerably thanks to a robust labor market with strong labor demand, but on an inflation-adjusted basis remains well below the 2019 level. The trade balance was significantly in the negative on sharply rising import volume combined with weak exports.

Recovering demand, supply chain problems and rising raw materials and energy prices caused spiking prices in Germany, Producers were able to pass on higher costs for input and intermediate goods to consumers, who had saved money left over from lockdown. Consumer prices (CPI) rose 7.9%[8] versus the previous year's level on average for 2022; energy prices rose 34.7%. Relief packages implemented by the German government provided only temporary compensation for fuel and rail prices during the summer. The rise in inflation for Europe significantly outstrips the figure for Germany, with average inflation (HICP) in June at 8.6%, and exceeding 20% in some Baltic states.[9] The ECB responded to these figures with progressively sharpening rhetoric in 2022 and adoption of a broad package of measures, including cessation of net purchasing in both bond purchase programs (pandemic emergency purchase programs (PEPP) and asset purchase programs (APP)) followed by the first across-the-board interest rate hike of 50 basis points in July. A new program called the Transmission Protection Instrument (TPI) was also introduced in an attempt to prevent renewed fragmentation of the eurozone – in addition to reinvestment in the PEPP program – which thus far has shown success. By the end of 2022 interest rates had been raised three more times by a total of 200 basis points, leaving the deposit rate relevant for the interbank market at 2.0% at yearend. This upswing in the interest rate cycle remains in place in 2023. The ECB also focused on reducing excess liquidity as conditions worsened for the outstanding longer-term refinancing

[1] Federal Statistical Office 2023, https://www.destatis.de/DE/Themen/Wirtschaft/Aussenhandel/Tabellen/rangfolge-handelspartner.html

[2] National Bureau of Statistics of China 2023, https://www.stats.gov.cn/english/PressRelease/202301/t20230118_1892204.html/

[3] Bureau of Economic Analysis 2023, https://www.bea.gov/news/2023/gross-domestic-product-fourth-quarter-and-year-2022-advance-estimate

[4] Office for National Statistics 2023, https://www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/gdpfirstquarterlyestimateuk/octobertodecember2022

[5] Federal Statistical Office 2023, https://www.destatis.de/DE/Themen/Wirtschaft/Volkswirtschaftliche-Gesamtrechnungen-Inlandsprodukt/Tabellen/bip-bubbles.html

[6] Federal Ministry for Economic Affairs and Climate Action, press release of December 15, 2022, https://www.bmwk.de/Redaktion/DE/Press Releases/2022/12/20221215-bundestag-beschluss-energiepreisbremsen.html

[7] Consumer Research Society, press release of December 21, 2022, https://www.gfk.com/de/presse/spender-climate-rises-for-the-third-time-in-a-row

[8] Federal Statistical Office 2023, press release no. 003 of January 3, 2023, https://www.destatis.de/DE/Presse/Press Releases/2023/01/PD23_003_611.html

[9] Eurostat, press release 81/2022, https://ec.europa.eu/eurostat/documents/2995521/14644638/2-19072022-AP-DE.pdf/03162bf7-ad2a-9e07-ba7c-a46ce8461181

operations (TLTROs) in October, and in December the decision was made to start reducing the APP in the first quarter of 2023. Inflation rose earlier and faster in the US (CPI) than in the eurozone, but had tapered off, averaging 8.0% for 2022.[10] The Fed's response was more drastic, raising rates in a series of moves by a total of 425 basis points over the course of the year.[11] The Fed also decided to reduce its bond holdings, stepping up the pace in September. Some room remains for raising interest rates, but there is significantly increasing risk of recession.

The dollar appreciated sharply versus the euro in 2022, remaining well below parity (1.00 EUR-USD) on into autumn. The strengthening in the dollar was precipitated by rapid interest rate hikes by the Fed and significantly increasing US bond yields. Risk aversion following the outbreak of the Ukraine war and concerns over the economy and energy supply in Europe served to weakened the euro against the dollar on the other hand. These fears abated somewhat towards the end of the year, supporting a slight recovery in the euro. Additionally, lower-than-expected US inflation data for October and November decreased the likelihood of further Fed rate hike, causing US bond yields to fall on the long end. The dollar then gave back some of its gains versus the euro, finishing out 2022 up 6.6% to EUR-USD 1.07.[12]

### b) Industry-specific conditions

The electro and digital industry is the second largest within the German manufacturing sector, providing jobs for nearly 900,000[13]people. Industry revenue rose 10.2% in the previous year[14] in nominal terms, and in calendar year 2022 increased again by 12.0%[15], much of which however was attributable to inflation. On an inflation-adjusted basis, production only increased 3.4% year-over-year in 2022. In real terms growth slowed following the 9% output increase in 2021.[16] This is still a solid figure for the industry in view of the many challenges ranging from the Ukraine war to the energy crisis and continuing Covid issues in China. The materials shortage[17] continues to be the main factor throttling production in the electro and digital industry, according to a survey conducted by the ifo Institute, but in the course of 2022 the situation improved significantly. The impact of high energy costs on the industry is only a secondary factor. Energy represents less than two percent[18] of materials and goods directly purchased in the industry. This is seen in how material costs (+13.0%) and producer prices (+7.5%) increased only moderately compared to the rest of the economy.[19] The nominal value of orders received increased substantially again in 2022 (+10.0%), but significantly less than the rise seen in 2021 (+23.5%). Thus in late 2022, more and more companies were complaining about lacking orders for the first time since the coronavirus pandemic. For 18%[20] of companies in the industry, this development was not yet seen as a cause for concern, especially with capacity utilization at 87.9% and 5.6 months of order backlog in January 2023 – both still well above average. However, production and staffing planning at the start of 2023 indicated a stagnation phase of some duration, according to the ifo survey. The Electro and Digital Industry Association forecasts growth of only 7% for the German electro market in 2023,[21] to approximately 170 billion euros in volume. According to estimates, the global market will grow 5% to approximately 5,800 billion euros in volume. While much of this revenue growth will stem from persistent inflation, the continuing electrification and digitalization trends should support industry profits over the longer term.

China remains the undisputed leader in the electro industry, holding 40% world market share.[22] In calendar year 2022 China was the main purchaser of German exports (11%) and main source of imports (32%).[23] Exports became more diversified however over the course of the year. The largest year-over-year sales increases were seen in the US (+23.8%) and the Netherlands (+18.6%); these countries currently rank as Germany's second and fifth largest trading partner, respectively. German export dependency on Russia was already low in 2021[24] at 1.7%, and significantly declined again in 2022 after outbreak of the war. The large rise in Germany's total imports (+18.4%) to 262 billion euros in 2022 led to an unusual foreign trade deficit for the German electro and digital industry. As global supply chain disruptions eased in 2022, many German companies seized the opportunity to procure key intermediate products, from China in particular. Total exports increased 8.6% to 246 billion euros.[25]

Supply chain problems continued to affect the mechanical engineering industry in 2022, where is an important customer industry for DATA MODUL, preventing thus far the real production growth that could have been achieved given the high level of order backlog. The materials supply situation only started improving, modestly, late in the year. The 17th flash survey conducted by the German Mechanical Engineering Industry Association (VDMA) in December 2022 revealed that 74% of companies reporting serious or noticeable problems in their upstream supply chains. While this is significantly lower than the figures from the summer 2022 survey (87%), the mechanical and industrial engineering industries remain nowhere close to a “normal” situation. The Russian attack on Ukraine In February and the resulting energy and inflation crisis made matters worse. The skilled labor shortage remains a major problem, as many companies are unable to hire the additional personnel they are looking for due to a lack of suitable applicants. In real terms production declined year-over-year for the first eleven months of 2022.[26] Germany's export-oriented mechanical and industrial engineering industries have continued to perform despite the difficult global environment, with machine exports increasing by a nominal 4.8% year-over-year for the first eleven months of 2022 to 173.8 billion euros.[27] This nominal growth only reflected price inflation effects however. On an inflation-adjusted, i.e. real, basis, these exports declined 2.4% over the same period.[28] Exports to the US and China as the two most important markets have clearly been diverging for some time now, increasing significantly to the US while exports to China are declining. Between January and September, machines and systems worth 61.4 billion euros were exported to the European Union (EU) countries, representing the industry's most important region for sales (+2.1% year-over-year).[29] The business outlook for the German mechanical engineering industry is dimmed by the war in Ukraine and the resulting energy crisis, runaway inflation and major interest rate hikes in response and the weakening Chinese economy (due to Covid and a real estate crisis). The looming recession in combination necessary price increases in response to huge rises in electricity and other energy prices will likely be increasingly felt in the mechanical engineering industry, which is economically cyclical. Real production is projected to decline by around 2% in 2023 (VDMA forecast).

## 2.3 Group business situation

### a) Earnings

The previous year's level of 233,807 thousand euros was significantly exceeded, as we recorded new orders valued at 301,808 thousand euros. Order backlog rose to 197,057 thousand euros on increasing order flow and a book-to-bill ratio well above 1 (previous year: 164,867 thousand euros). At fiscal year-end, revenue totaled 276,053 thousand euros (previous year: 194,774 thousand euros). As in previous years, international revenue comprises a high percentage of total with an export ratio of 55.5%, reflecting the fruits of our continuing internationalization efforts.

Revenue broke down by region as follows:

| **Revenue breakdown** in millions of euros | 2022 | 2021 |
|---|---|---|
| Germany | 122.9 | 96.4 |
| Europe[30] | 97.9 | 65.5 |
| America | 34.2 | 18.1 |
| Asia/Pacific/Africa | 20.9 | 14.7 |
| Rest of World | 0.2 | 0.1 |
| Total | 276.1 | 194.8 |
| Export rate | 55.5% | 50.5% |

[10] St. Louis Fed 2023, https://fred.stlouisfed.org/series/CPI-AUCSL
[11] Federal Reserve 2023, https://www.federalreserve.gov/monetarypolicy/openmarket.htm
[12] EUR-USD exchange rate retrieved from Refinitiv Eikon on January 5, 2022
[13] ZVEI Fact Sheet, February 2023
[14] ZVEI Business Cycle Report, February 2022
[15] ZVEI Business Cycle Report, February 2023
[16] ZVEI Fact Sheet, February 2023
[17] ZVEI Business Cycle Report, November 2022
[18] ZVEI Raw Materials from Russia, March 2022
[19] ZVEI Business Cycle Report, February 2023
[20] ZVEI Business Cycle Report, February 2023
[21] ZVEI Global Electric Market Outlook, July 2022
[22] ZVEI Global Electric Market Outlook, July 2022
[23] ZVEI Foreign Trade Report, February 2023
[24] ZVEI Raw Materials from Russia, March 2022
[25] ZVEI Raw Materials from Russia, March 2022
[26] VDMA, *Maschinenbau in Deutschland – Konjunktur aktuell*, February 2023
[27] VDMA, *Maschinenbau in Deutschland – Konjunktur aktuell*, February 2023
[28] VDMA, *Maschinenbau in Deutschland – Konjunktur aktuell*, February 2023
[29] VDMA, *Maschinenbau in Deutschland – Konjunktur aktuell*, December 2022
[30] Revenue from European markets excluding Germany is shown here.

DATA MODUL recorded substantial revenue growth across all regions in 2022.
The change in key expenses and income items in fiscal year 2022 is shown below.

- Cost of sales rose year-over-year to 212,247 thousand euros (previous year: 152,410 thousand euros), due mainly to higher materials costs in connection with a 41.7% increase in revenue. Gross margin for fiscal year 2022 was 23.1% (previous year: 21.8%).
- Research and development expenses increased to 6,660 thousand euros from 5,686 thousand euros in the previous year.
- Selling and administrative expenses increased year-on-year to 30,082 thousand euros (previous year: 25,010 thousand euros). Selling expenses accounted for 18,431 thousand euros of total expenses reported (previous year: 15,236 thousand euros), and general administration expenses came to 11,651 thousand euros (previous year: 9,774 thousand euros).

The financial result came in at -270 thousand euros, significantly improving versus the previous-year figure of -1,411 thousand euros. The higher financial result was chiefly due to the measurement of embedded foreign currency derivatives resulting from customer and supplier orders in foreign currency. Despite significantly increasing orders from customers and suppliers, the net effect of the two derivatives decreased so that assets increased, positively impacting the financial result.

In line with the change in revenue, EBIT (earnings before interest and taxes) came in at 27,149 thousand euros (previous year: 12,704 thousand euros). Despite increasing costs in many areas due to inflation, the EBIT margin widened to 9.8% (previous year 6.5%) due to economies of scale, currency gains and strict cost management. A consolidated pre-tax profit (consolidated EBT) was recorded of 26,879 thousand euros (previous year: 11,293 thousand euros). Income tax expense came to 8,512 thousand euros (previous year: 3,395 thousand euros) for an income tax rate of 31.7% (previous year: 30.1%). Consolidated net income for the year changed in line with pre-tax profit, coming in at 18,367 thousand euros (previous year: 7,898 thousand euros). Earnings per share for 2022 came to 5.21 euros as compared to 2021 euros for 2.24 (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 42.6% to 177,423 thousand euros (previous year: 124,413 thousand euros). EBIT of 12,813 thousand euros was recorded (previous year: 5,762 thousand euros). The segment generated consolidated net income for the year of 8,386 thousand euros (previous year: 2,786 thousand euros). Displays, which is the Group's core business segment, recorded a 19.4% increase in new orders up to 196,774 thousand euros (previous year: 164,788 thousand). New orders increased from nearly all industries. Order backlog as of December 31, 2022 was 146,119 thousand euros (previous year: 121,394 thousand euros).

*Systems segment*

Revenue in the Systems segment rose 40.2% to 98,630 thousand euros (previous year: 70,361 thousand euros) for EBIT of 14,336 thousand euros (previous year: 6,942 thousand euros). Consolidated net income for the year thus came to 9,981 thousand euros (previous year: 5,112 thousand euros). Orders received rose 52.2% to 105,033 thousand euros (previous year: 69,019 thousand euros). Order backlog as of December 31, 2022 was 50,938 thousand euros (previous year: 43,473 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 59.4% (previous year: 60.3%), and the debt ratio 40.6% (previous year: 39.7%). The Group's leverage ratio was 68.5% (previous year: 65.8% – debt/equity).

Debt consists primarily of

- 13,813 thousand euros in discounted leasing liabilities measured in accordance with IFRS 16 (previous year: 13,380 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 | 2,509 | 8,738 | 6,844 | 18,091 |

- 20,021 thousand euros (previous year: 15,000 thousand euros) in liabilities due to financial institutions
- 19,708 thousand euros (previous year: 20,953 thousand euros) in trade accounts payable.

The maturities are as follows (in KEUR):

| Trade accounts payable | ‹ 1 year |
|---|---|
| USD (euro equivalent) | 12,133 |
| EUR | 7,252 |
| JPY (euro equivalent) | 121 |
| Other (euro equivalent) | 202 |
| Grand total | 19,708 |

The Company also has guaranteed bills outstanding in the form of bank guarantees in the amount of 938 thousand euros (previous year: 1,035 thousand euros).

The maturities are as follows (in KEUR):

| Guaranteed bills outstanding | ‹ 1 year | 1-5 years | › 5 years | Total |
|---|---|---|---|---|
| KEUR | 0 | 108 | 830 | 938 |

Group companies have credit lines totaling 48,000 thousand euros at their disposal until further notice. As of the reporting date, the Group had utilized 43.66% of these credit lines. Additionally, DATA MODUL AG as co-signer has full joint and several liability for 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.

*Capital expenditure*

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 2022 went to expanding production and logistics capacity at the sites in Weikersheim and Lublin. Capital expenditure in fiscal year 2022 (excluding right-of-use assets per IFRS 16) totaled 3,370 thousand euros (previous year: 3,019 thousand euros).

The main capital expenditure items were:

- Additions to intangible assets in the amount of 290 thousand euros (previous year: 994 thousand euros) and
- Additions to property, plant and equipment in the amount of 3,080 thousand euros (previous year: 2,024 thousand euros).

A breakdown of capital expenditure by segment is provided below:

- Capital expenditure Displays segment 1,890 thousand euros (previous year: 1,427 thousand euros) and
- Capital expenditure Systems segment 1,480 thousand euros (previous year: 1,592 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 -2,825 thousand euros (previous year: -15,715 thousand euros). The positive impact from substantially higher net income for the year recorded was significantly affected in turn by increased inventories and trade receivables, with a counter-effect from higher tax expense and other liabilities. Days sales outstanding (DSO) was 50.79 days as of 12/31/2022 (previous year: 49.42 days).

Increased investment in intangible assets and property, plant and equipment in 2022 resulted in cash flow from investing activities of -3,370 thousand euros (previous year: -3,018 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 1,645 thousand euros (previous year: 12,206 thousand euros).

At the end of the year the Group held cash and cash equivalents totaling 15,669 thousand euros (previous year: 20,224 thousand euros). Net cash (cash and cash equivalents less liabilities due to financial institutions) totaled -4,352 thousand euros as of the reporting date (previous year: 5,224 thousand euros).

**c) Financial status**

The balance sheet total increased by 33,193 thousand euros versus the previous year to 222,033 thousand euros (previous year: 188,840 thousand euros). On the assets side this was mainly due to an increase of 23,101 thousand euros in inventories and an increase of 8,376 thousand euros in trade receivables. Inventories were increased again in 2022 to ensure product availability in view of materials availability problems and ongoing supply chain bottlenecks. Cash and cash equivalents declined by 4,555 thousand euros, used to finance products kept in inventory. The carrying value of capitalized costs to fulfill a contract increased by 1,411 thousand euros. This item includes capitalized costs for development services from customer-specific development projects, for new development project contracts won and for the positive fair value of the derivative contract for supplier orders in foreign currency. On the liabilities and equity side, the increase in the balance sheet total mainly reflects increased liabilities due to financial institutions by the amount of 5,021 thousand euros, the negative fair value of the derivative for customer orders in foreign currency, an increase in equity by 17,847 thousand euros and in tax liabilities by 2,860 thousand euros resulting from the consolidated net income recorded for 2022. A decrease in trade payables by the amount of 1,245 thousand euros offset the increase in liabilities.

A dividend was distributed in the reporting period for fiscal year 2021 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 59.4% (previous year: 60.3%).

### 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 | 2022 | 2021 |
|---|---|---|
| Orders received | 301,808 | 233,807 |
| Order backlog | 197,057 | 164,867 |
| Revenue | 276,053 | 194,774 |
| EBIT | 27,149 | 12,704 |
| Consolidated net income | 18,367 | 7,898 |
| Return on equity[31] | 20.6% | 11.2% |
| EBIT margin[32] | 9.8% | 6.5% |

DATA MODUL exceeded its targets for fiscal year 2022 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 holds cash and cash equivalents totaling 15,669 thousand euros, which in view of our unused credit lines means the Group has sufficient liquidity to meet its payment obligations.

**b) Non-financial performance indicators**

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 7.0 years of service at DATA MODUL (previous year: 7.6 years). 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 2022 reporting date DATA MODUL Group employed 494 staff, as compared to 474 in the previous year. The average workforce headcount for the year increased 4.3% to 488 staff members (previous year: 468 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 27 apprentices.

[31] EBIT/equity (KEUR 27,149 / KEUR 131,780)
[32] EBIT/revenue ratio (KEUR 27,149 / KEUR 276,053)



## 3. Risks and Rewards; Forecast

### 3.1 Risk report

Global economic trends, exchange rate and interest 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 risk management 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 so as 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 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 in a risk catalogue, analyzed and assessed.

*Risk assessment and risk management*

Risks are assessed as to their potential impact and probability of occurrence, taking risk correlation factors into account. 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 tables below show the scales applied for gauging these two metrics (degree of impact and probability of occurrence), the risk classification matrix based thereupon and changes in the risk situation versus the previous year. The risk analysis results are presented within a risk portfolio in relation to risk-bearing capacity, which proceeds from the amount of equity carried on the balance sheet. 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 fine-grained risk analyses to manage such risks in the Systems segment.

**b) Market risks**

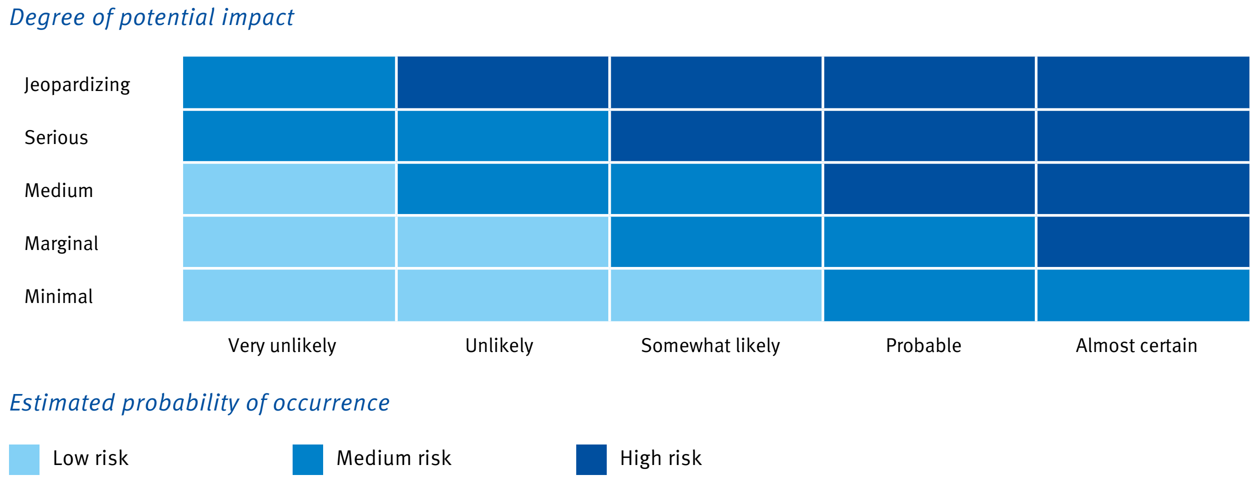
*General economic conditions and industry risks*

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 decline in future. The ongoing war between Russia and Ukraine, backed by Western allies, will continue to affect business in 2023. The military conflict between Ukraine and Russia is causing major uncertainty and volatile conditions, and any escalation will further limit economic prospects and exacerbate political instability. No signs are evident at this time of any easing of tensions in the near future. DATA MODUL has not had any significant business relationships with customers or suppliers in those two countries, and has none at this time.

Although seen as less likely at this time, it remains possible that another round of lockdown will be necessitated by a mutated version of the Covid-19 virus. DATA MODUL primarily operates in markets characterized 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 substan-



**Risk classification matrix**




tial 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.

*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) Operational risks**

*Value chain risks*

DATA MODUL has increased vertical integration of production in order to add more value for customers. 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. Long-term contracts with utility providers are in place to manage the risk of rising energy costs. Emergency generators were procured for the Weikersheim and Lublin sites to ensure that the Company will still have power in the event of a blackout.

*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. Shortages will again be a possibility in 2023 due to supply chain problems in the chip and glass industry. 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 increased from 126 days in the previous year to 159 days for the year under review in order to better manage existing supply chain problems. Persistent inflation creates procurement price risk, which we manage by continuously reviewing our margins for price adjustment potential on the sales side.

*Liability risk*

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.



**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 subject to interest rate risks. Increased loan interest led to increased interest expense on the consolidated financial statements. 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 48,000 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 agreed directly with the customer

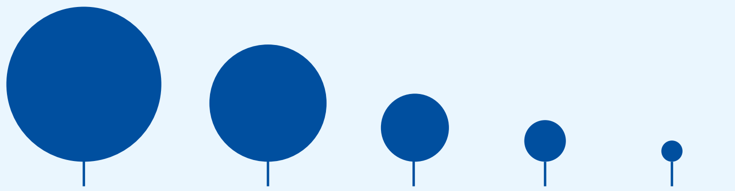
## Risk portfolio:

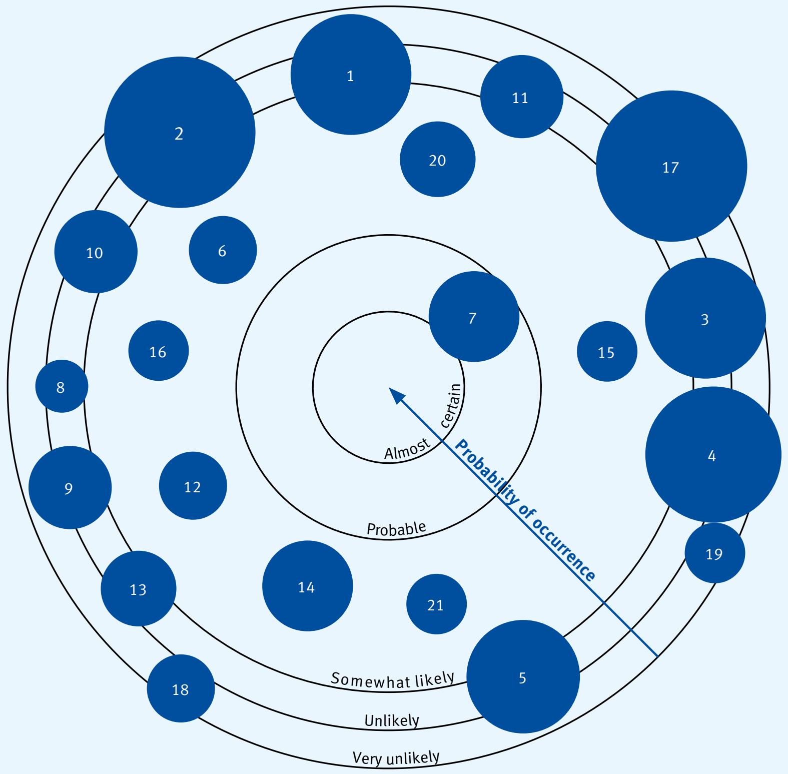
*Explanatory notes:*

**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**




| Risk category | No. | Substantial risks | Change vs. previous year |
|---|---|---|---|
| Strategic risks | 1 | Business model-related challenges | ↑ |
| Market risks | 2 | Economic shifts | ↓ |
| | 3 | Non-identification of technology trends | ↑ |
| | 4 | Competitive risks | ↑ |
| | 5 | Dependency | ↑ |
| | 6 | Procurement risks | ↓ |
| | 7 | Political risk | ↑ |
| Operational risk | 8 | Impaired delivery capability | ↓ |
| | 9 | Operational disruption | ↑ |
| | 10 | Quality risk | ↓ |
| | 11 | Product risk | ↓ |
| | 12 | Budget overrun | ↓ |
| | 13 | Loss of customers | ↓ |
| Financial risks | 14 | Currency risk | → |
| | 15 | Credit risk | ↑ |
| | 16 | Interest rate risk | ↑ |
| | 17 | Liquidity risk | → |
| IT-related risks | 18 | Data security | ↓ |
| Legal risks | 19 | Compliance with statutory requirements | ↑ |
| Staffing risks | 20 | Staff turnover | ↓ |
| | 21 | Resource availability | ↓ |

when deemed necessary. The average days sales outstanding (DSO) figure for 2022 was 50.79 days (previous year: 49.42 days). No increase in bad debts is anticipated in fiscal year 2023 in view of our existing commercial credit insurance and credit checking procedures.

**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 2022, 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. Company employees are furthermore bound to comply with IT policies and are required to take security-related training courses on a regular basis.

**f) Legal risk**

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 risk through the potential for violations of applicable laws and regulations by its employees. DATA MODUL proactively manages such risk by obtaining professional legal and tax advice on an ongoing basis. The Company closely monitors legislative changes and takes measures as necessary to ensure that its business practices conform with applicable laws. The Company has implemented internal control mechanisms to this end, and Company employees receive compliance 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.

**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, which is 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, the strategic business segments and the Group companies included in the Consolidated Financial Statements
- 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 less or more 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 see rising profits 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, 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. Expansion of our business activities in the US and China will open up growth opportunities. 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 which could help us consolidate on our technology leadership, tap market potential and further optimize our product portfolio, and we continue observing the situation in our current markets with regard to opportunities for strategic partnerships and acquisitions augmenting our organic growth. Such activities can further efforts to strengthen our position in our current markets, enter new markets and add select areas of technology 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 BRICS 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 and industry 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

Despite the year 2023 starting out with much of the world in recession, a decline in global economic output is still not likely.[33] Surging inflation undercut purchasing power, particularly in industrialized nations. Borrowing terms have furthermore deteriorated as monetary policy has tightened. What will happen with inflation remains highly uncertain; we are nowhere near official inflation targets in any case. Yet there is much to suggest that inflation will fall in the US and Europe over the course of 2023. It is thus likely that as of spring, central banks will refrain from further interest rate hikes. Based on this view we expect the onset of economic recovery mid-year, albeit hampered by continuing major geopolitical uncertainty.

Demand is falling in industrialized Western nations as purchasing power is eroded and financing becomes more expensive, but China relaxing its zero-Covid policy should provide economic stimulus in early 2023. As China reopens for business, supply chain problems will improve, allowing major order backlog in many industries to be worked through. This expected rebound in the Chinese economy will not however boost the global economy to the degree seen in 2021 after the first wave of the pandemic, having predominantly national rather than international impact. Despite the anticipated stabilization of the Chinese real estate market, construction activity, and thus demand for raw materials, will likely remain constrained. Upward pressure on commodity prices will thus likely be only moderate in the first half of the year. We foresee commodity prices rising however on a reviving global economy over the course of 2023. This development would be offset by more substantial declining consumer prices.

The recession forecast for Germany for the winter half-year 22/23 will likely be more severe than for the larger eurozone. The energy price shock hit Germany hard due to the country's longstanding strategic partnership with Russia, thus we forecast a 0.9% decline in real gross domestic product. Germany will thus likely trail the other large eurozone countries. The only offsetting factor is manufacturing, which can have a stabilizing effect as resolving supply problems allow tremendous order backlog to be worked through. Construction and consumer-related sectors, in contrast, have been noticeably impacted. Inflation is forecast at a high rate of 6.8% for 2023, but this figure is subject to major uncertainty, primarily due to the "energy price brake" policy, which will contain the impact of the expected spike in electricity and gas prices early in the year. Consumer confidence is plummeting. Government aid programs will likely prevent further damage to the economy occurring over the course of 2023, but recovery is not expected before the end of 2023.

The monetary policies of the Fed and ECB are no longer supportive, as interest rates were hiked significantly in the second half of 2022. While central banks are aware of the considerable time lag involved until their policy changes show effect (approximately six months), they will only be able to stop raising interest rates when the inflation currently observed subsides, whether or not the economy slips into recession. Inflation being already above target, the risk is too great of it rising further, with excessive wage increases perpetuating the current severe inflationary phase. Our expectation is that inflation in the eurozone will peak in the spring of 2023, the Fed and ECB will be finished raising interest rates so that "only" quantitative measures will then be employed for monetary tightening. Financial market volatility will likely remain high due to the resulting scarcity of liquidity. Ten-year government bond yields are projected to moderately decline over the course of 2023 after peaking in the winter half-year of 2022/23. Regarding exchange rate impact, BayernLB sees the dollar depreciating to EUR-USD 1.12 by the end of 2023.

#### DATA MODUL outlook for 2023

High inflation and interest rate hikes by central banks will continue to impact the global economic environment in 2023, principally in the first half. Recession is expected in many countries. Inflation will gradually subside and economic growth will accelerate starting around the mid-year mark. Year-over-year growth of 1.8% is projected for the global economy.

Political factors pose the greatest risk for the economy in 2023. The power struggle between the US and Chi-

[33] BayernLB Research, *Perspektiven* report 10/2022, (see update in *Perspektiven* 02/23)

na represents a threat to international order and world trade. Regional conflicts and struggles over access to raw materials (especially energy commodities) and to intermediate products could pose huge challenges for Germany's export-oriented economy. With the Russian invasion of Ukraine, a hot war is being fought right on Europe's doorstep. The specter of a potential gas shortage in Germany will continue to loom on into the winter of 2023/24 if the supply situation remains dire and weather conditions are unfavorable. Rampant inflation creates a risk of monetary policy being tightened too abruptly by hiking interest rates. Further setbacks on the financial markets or the real estate market could adversely affect the economy. Risks from the potential appearance of an aggressive or resistant mutation of the coronavirus and resulting lockdowns and supply chain problems have subsided, but such developments cannot be ruled out. On the other hand, economic forecasts be too conservative, in that expansive fiscal policy may have greater impact, consumer spending may prove more resilient and the energy sector may be forced through a beneficial restructuring, leading to rapidly falling prices. 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, China and the US as part of efforts to expand capacity on a 'local for local' basis. Currently the Group has plans for total capital expenditure of 5 - 10 million euros. Depending on the developments in fiscal year 2023, we will either invest the full amount or reserve part of the funds. We will be holding to our strategic course, concentrated on the 'three I's' as the factors behind our success: "investment, innovation, internationalization". We intend to leverage the tremendous expertise in display technology we have built up over 50 years to develop solutions for new markets and emerging global trends like digital health, sustainable mobility and artificial intelligence. Thus despite a challenging and uncertain global market environment, we see attractive business opportunities for DATA MODUL in 2023 and the years to come.

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: [34)]

- German economic growth: -0.9%
- European economic growth: -0.4%
- US economic growth: 0.7%
- Global economic growth: 1.8%
- Appreciation of the EUR versus USD and JPY
- Easing of global supply chain problems
- Falling inflation
- Operational start-up of additional machinery at our production sites
- Planned expansion of production capacity and logistics capacity.

*Summary*

We believe the expected recession and general economic and geopolitical risks we face will mean that businesses will have to be flexible and able to adapt to a dynamic market situation. Geopolitical unrest, the energy crisis, skyrocketing inflation and recession in the eurozone are posing business challenges which we intend to meet with prudence and resolution. In anticipation of an economic upturn leading out of recession by mid-2023, the Executive Board foresees good overall performance for the DATA MODUL Group. With order books full at yearend and a book-to-bill ratio above 1, we foresee stable revenue growth in both segments over the medium term. Despite lessened growth expectations we project revenue to rise thanks to 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.

[34)] BayernLB Research, *Perspektiven* report, February 2023

The 'war for talent' will continue to pose challenges in 2023, thus we will remain focused as an employer on recruiting high-energy younger people for long-term 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 slight declines in our key figures if an economic upturn moving past recession does not set in until mid-2023, although our base scenario is decidedly positive.

| Group objectives | Increase in 2023 | Fiscal year 2022 |
|---|---|---|
| Orders received | -10 to +10% | 301.8 million euros |
| Revenue | -10 to +10% | 276.1 million euros |
| EBIT | -25 to +10% | 27.2 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 share capital. 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 share capital is comprised of 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 2022 DATA MODUL AG was a controlled affiliate of Arrow Central Europe Holding Munich GmbH, Munich, Germany, pursuant to Sec. 312, German Stock Corporation Act. 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, 2023

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, 2022

| ASSETS | Notes | 12/31/2022 | 12/31/2021 |
|---|---|---|---|
| **Non-current assets** | | | |
| Goodwill | [9] | 2,419 | 2,419 |
| Intangible assets | [9] | 2,719 | 3,042 |
| Property, plant and equipment | [9] | 17,525 | 17,689 |
| Right-of-use assets | [10] | 11,310 | 10,864 |
| Capitalized costs to fulfill a contract | [11] | 9,927 | 8,516 |
| Deferred tax assets | [7] | 912 | 710 |
| Total non-current assets | | **44,812** | **43,240** |
| **Current assets** | | | |
| Inventories | [12] | 109,803 | 86,702 |
| Trade accounts receivable Including impairments (2022: 408; 2021: 422) | [13] | 37,577 | 29,202 |
| Contract assets | [13] | 3,235 | 3,239 |
| Tax receivables | [13] | 429 | 574 |
| Other current assets | [13] | 3,871 | 3,742 |
| Other current financial assets | [13] | 6,637 | 1,917 |
| Cash and cash equivalents | [14] | 15,669 | 20,224 |
| Total current assets | | **177,221** | **145,600** |
| **Total assets** | | **222,033** | **188,840** |

All figures in KEUR

| LIABILITIES AND SHAREHOLDERS' EQUITY | Notes | 12/31/2022 | 12/31/2021 |
|---|---|---|---|
| **Shareholders' equity** | | | |
| Share capital no-par-value bearer shares (shares issued and outstanding: 3,526,182 as of 12/31/2022 and as of 12/31/2021) | [15] | 10,579 | 10,579 |
| Capital reserves | [15] | 24,119 | 24,119 |
| Retained earnings | [15] | 96,165 | 78,513 |
| Other reserves | [15] | 917 | 722 |
| Total shareholders' equity | | **131,780** | **113,933** |
| **Non-current liabilities** | | | |
| Pensions and non-current personnel liabilities | [16] | 1,154 | 1,482 |
| Non-current provisions | [17] | 246 | 171 |
| Non-current contract liabilities | [18] | 8,039 | 6,884 |
| Non-current lease liabilities | [10] | 11,411 | 11,045 |
| Deferred tax liabilities | [7] | 1,619 | 889 |
| Total non-current liabilities | | **22,469** | **20,471** |
| **Current liabilities** | | | |
| Trade accounts payable | | 19,708 | 20,953 |
| Current contract liabilities | [18] | 206 | 232 |
| Current lease liabilities | [10] | 2,402 | 2,335 |
| Taxes payable | [19] | 4,487 | 1,628 |
| Current provisions | [17] | 1,733 | 1,054 |
| Liabilities due to financial institutions | [20] | 20,021 | 15,000 |
| Other current liabilities | [19] | 11,414 | 9,133 |
| Other current financial liabilities | [19] | 7,813 | 4,101 |
| Total current liabilities | | **67,784** | **54,436** |
| Total liabilities | | **90,253** | **74,907** |
| **Total liabilities and shareholders' equity** | | **222,033** | **188,840** |

All figures in KEUR

# CONSOLIDATED STATEMENT OF INCOME

## FOR THE PERIOD JANUARY 01 TO DECEMBER 31, 2022

| | Notes | 2022 | 2021 |
|---|---|---|---|
| Revenue | [1] | 276,053 | 194,774 |
| Cost of sales | [2] | (212,247) | (152,410) |
| **Gross margin** | | **63,806** | **42,364** |
| | | | |
| Other operating income | [3] | 103 | 1,036 |
| Research and development expenses | [4] | (6,660) | (5,686) |
| Selling and general administrative expenses | [5] | (30,082) | (25,010) |
| Income from investments | | (18) | 0 |
| **Earnings before interest and taxes (EBIT)** | | **27,149** | **12,704** |
| | | | |
| Financial income | [6] | 679 | 4 |
| Financial expenses | [6] | (949) | (1,415) |
| **Earnings before taxes** | | **26,879** | **11,293** |
| | | | |
| Income tax expense | [7] | (8,512) | (3,395) |
| **Net income for the year** | | **18,367** | **7,898** |
| | | | |
| Earnings per share – undiluted | [8] | 5.21 | 2.24 |
| Earnings per share – diluted | [8] | 5.21 | 2.24 |
| | | | |
| Weighted average number 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, 2022

| | 2022 | 2021 |
|---|---|---|
| **Net income for the year** | **18,367** | **7,898** |
| 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 | 195 | 614 |
| Adjustments from currency translation of a net investment in a foreign operation | (640) | 0 |
| Attributable tax effects | 206 | 0 |
| **Total other comprehensive income to be reclassified and reported in profit or loss** | **(239)** | **614** |
| *Other comprehensive income not to be reclassified and reported in profit or loss in subsequent reporting periods* | | |
| Actuarial gains (losses) | 203 | (23) |
| Attributable tax effects | (62) | 7 |
| **Total other comprehensive income not to be reclassified and reported in profit or loss** | **141** | **(16)** |
| **Total other comprehensive income** | **(98)** | **598** |
| **Comprehensive income after tax** | **18,269** | **8,496** |

All figures in KEUR

# CONSOLIDATED STATEMENT OF CASH FLOWS

## FOR THE PERIOD JANUARY 01 TO DECEMBER 31, 2022

| | Notes | 2022 | 2021 |
|---|---|---|---|
| **Cash flows from operating activities** | [7] | | |
| Net income for the year | | 18,367 | 7,898 |
| Non-cash expenses and income: | | | |
| Income tax expense | | 8,512 | 3,395 |
| Depreciation/amortization and impairments | | 5,820 | 5,871 |
| Gain from disposals of fixed assets | | 0 | 103 |
| Net interest | | 942 | 517 |
| Net loss/income from embedded derivatives measured at fair value through profit or loss | | (672) | 894 |
| Other non-cash expenses and income | | (66) | (131) |
| Changes: | | | |
| Change in inventories | | (23,101) | (34,673) |
| Change in trade receivables, costs to fulfill a contract and contract assets | | (9,751) | (7,986) |
| Change in other assets | | (3,987) | (2,551) |
| Change in trade payables | | (1,217) | 9,166 |
| Other liabilities and contract liabilities | | 7,141 | 4,645 |
| Income taxes paid | | (4,813) | (2,863) |
| **Cash flows from operating activities** | | **(2,825)** | **(15,715)** |
| **Cash flows from investing activities** | [7] | | |
| Proceeds from disposals of fixed assets | | 2 | 0 |
| Capital expenditures in capitalizable development projects | | (226) | (856) |
| Capital expenditures on other intangible assets and property, plant and equipment | | (3,146) | (2,162) |
| **Cash flows from investing activities** | | **(3,370)** | **(3,018)** |
| **Cash flows from financing activities** | [7] | | |
| Outflows for the redemption portion of lease liabilities | | (1,986) | (1,946) |
| Cash inflows from current financial liabilities (+) | | 17,325 | 17,000 |
| Cash outflows for current financial liabilities (-) | | (12,303) | (2,000) |
| Dividend paid | | (423) | (423) |
| Interest received (+) / paid (-) (net) | | (942) | (517) |
| Other financing activities | | (26) | 92 |
| **Cash flows from financing activities** | | **1,645** | **12,206** |
| Effects of exchange rate movements on cash & cash equivalents | | (5) | 95 |
| **Net change in cash and cash equivalents** | | **(4,555)** | **(6,432)** |
| Cash and cash equivalents at beginning of the fiscal year | | 20,224 | 26,656 |
| **Cash and cash equivalents at end of the fiscal year** | | **15,669** | **20,224** |

All figures in KEUR



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE PERIOD JANUARY 01 TO DECEMBER 31, 2022

| | Share capital No. of shares | Share capital Amount | Capital reserves | Retained earnings | Other reserves | Total |
|---|---|---|---|---|---|---|
| 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** |
| | | | | | | |
| BALANCE AS OF 01/01/2022 | 3,526,182 | 10,579 | 24,119 | 78,513 | 722 | 113,933 |
| Net income for the year | | | | 18,367 | | 18,367 |
| Dividend | | | | (423) | | (423) |
| Other comprehensive income (loss) | | | | (292) | | (292) |
| Foreign currency translation | | | | | 195 | 195 |
| **BALANCE AS OF 12/31/2022** | **3,526,182** | **10,579** | **24,119** | **96,165** | **917** | **131,780** |

All figures in KEUR, except number of shares.

# NOTES TO THE 2022 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 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, 2022 were prepared by the Executive Board in March 2023 and approved and endorsed for public disclosure on March 23, 2023.

## 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, 2022.

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. Pursuant to the Digitalization Directive (DiRUG) of August 1, 2022, starting in 2022 the consolidated financial statements will be published in the Register of Companies instead of the 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 2022.

*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. Application of these amendments had no effect on the Consolidated Financial Statements.

*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. The changes apply to fiscal years starting on or after January 1, 2022. EU endorsement was given on June 28, 2021. Application of these amendments had no significant effect on the consolidated financial statements.

*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 to fulfill a contract 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. Application of these amendments had no significant effect on the consolidated financial statements.

*Annual Improvements to IFRS (2018-2020 cycle)*

The IASB published its Annual Improvements to IFRS (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.

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

Application of these amendments had no effect on the Consolidated Financial Statements.

**Standards issued but not yet effective**

*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 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 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.

*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.

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, 2022, 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, 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.

Excluded from this are translation differences from net investment in a foreign operation. Those differences are recorded in other comprehensive income until sale or partial or full redemption of the net investment; the cumulative amount is only reclassified to the Statement of Income (partially of fully) upon disposal or partial or full redemption. Taxes resulting from these translation differences are also recorded directly in other comprehensive income.

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:

| | 12/31/2022 | | 12/31/2021 | |
|---|---|---|---|---|
| Exchange rate | Balance sheet | P&L | Balance sheet | P&L |
| EUR / USD | 1.0676 | 1.05056 | 1.1320 | 1.1813 |
| EUR / GBP | 0.8868 | 0.85462 | 0.8400 | 0.8585 |
| EUR / SGD | 1.4308 | 1.44737 | 1.5280 | 1.5865 |
| EUR / AED | 3.921 | 3.85862 | 4.1579 | 4.3390 |
| EUR / HKD | 8.3204 | 8.22645 | 8.8277 | 9.1832 |
| EUR / JPY | 140.67999 | 138.1242 | 130.3200 | 130.2933 |
| EUR / CHF | 0.9851 | 1.00178 | 1.0333 | 1.0795 |
| EUR / PLN | 4.68580 | 4.68908 | 4.5944 | 4.5756 |

**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, 2022 include the following subsidiaries:

| Company name, registered office | Shareholding in % |
|---|---|
| DATA MODUL Weikersheim GmbH, Weikersheim, Germany | 100 |
| DATA MODUL France SARL, Paris, 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 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 |

The company DATA MODUL Suisse GmbH was liquidated in 2022. The deconsolidation effect was 18 thousand euros.

## 4. Recognition and measurement methods

**Significant judgments, estimates and assumptions**

Preparation of the Consolidated Financial Statements pursuant to IFRS requires management to make judgments 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 judgments 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. Judgments and estimates are also 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 subsiding coronavirus pandemic were factored into estimates and discretionary decisions as appropriate. The Ukraine war and resulting energy crisis with runaway inflation triggering a dramatic rise in interest rates were discussed in the section on estimation uncertainty and judgments. In fiscal year 2022 no material adjustments were made to the carrying values of stated assets and liabilities due to challenging economic conditions. Additional information on the impact of the coronavirus pandemic, the war in Ukraine, the energy crisis, surging inflation and interest rate increases is provided in the relevant sections of the Notes to the Consolidated Financial Statements and in the Group Management Report.

The most significant future-relevant assumptions, other main causes of estimation uncertainty extant as of the balance sheet date and discretionary judgments made which entail a significant risk of having to materially adjust the carrying amount of assets and liabilities 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 less 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 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 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.

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

DATA MODUL also makes judgments 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, Significant judgments, 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 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, Significant judgments, 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, Significant judgments, 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, Significant judgments, 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.

**Expenses**

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 1 - 5 years 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 cost of sales.

**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, 2022, 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 classified as held at fair value through profit or loss, 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 2022.

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, 2022 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 amortised 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 51.1% (previous year: 50.7%) of the Company's sales are denominated in currencies other than the functional currency of the operating unit, while approximately 73.1% (previous year: 75.5%) 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 be expected again in 2023 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. A short-cycle cash management program is utilized Company-wide as the basis for financial strategy and liquidity decision-making that involves rolling liquidity forecasting, analysis of strategic financial requirements based on 1-year and 3-year projections and close cooperation with external banks and investors based thereupon regarding 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 less 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. Provisions are reversed upon expiration or elapsing of the respective guarantee obligation.

*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 2022.

**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.

**Debt**

To ensure a balance between the continuous coverage of financial requirements and ensuring flexibility even with tight supply chains, DATA MODUL AG uses current account credit and bank loans as part of its credit lines. The fair values of liabilities due to financial institutions do not differ significantly from their book values, as interest on these borrowings closely corresponds to current market rates and the borrowings are short-term. In addition to these credit facilities, DATA MODUL AG has bank guarantees which it can use in lieu of rent deposits or supplier guarantees. The Group has sufficient financing sources at its disposal.

**Financial income/expenses**

Financial income/expenses include interest on money market debt and income/expenses from derivative financial instruments measured at fair value through profit or loss representing embedded foreign currency derivatives separated from the host contract. If the time value of money resulting from discounting is significant, provisions are also discounted using a pre-tax interest rate that reflects the risks specific to the liability. In case of discounting, the increase in provisions due to the passage of time is recorded as financial expense.

**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, depreciation is measured based on the projected useful life of the leased asset. Right-of-use assets 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 the 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 judgments 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 incremental 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 short-term 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 in the previous year as part of the coronavirus 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 in 2021, paid by the Federal Employment Agency for lost work hours, constitute government grants recognizable in profit and loss. Returned social security contributions were 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 2022:

| KEUR | Displays | Systems | Total |
|---|---|---|---|
| Revenue from product sales | 177,064 | 97,784 | 274,848 |
| Service revenue | 359 | 846 | 1,205 |
| Total revenue | 177,423 | 98,630 | 276,053 |

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 |

DATA MODUL recorded substantial revenue growth across all regions in 2022. 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 | 2022 | 2021 |
|---|---|---|
| Materials expenses | 183,778 | 131,944 |
| Other cost of sales | 28,469 | 20,466 |
| Total cost of sales | 212,247 | 152,410 |

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 in the amount of 103 thousand euros (previous year: 1,036 thousand euros) resulted from the reversal of impairments on receivables. The previous-year figure primarily represents exchange rate differences resulting from appreciation of the dollar against 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, product development with a specific customer order or 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 2022 and 2021 are presented below:

Expenditures recorded as research and development expenses on the Statement of Income total 6,660 thousand euros (previous year: 5,686 thousand euros). Research and development expenses for the Group totaled 9,825 thousand euros (previous year: 6,889 thousand euros) plus order-related development expenses of 3,165 thousand euros (previous year: 1,203 thousand euros), included in cost of sales. The residual carrying amount of capitalized development costs at the balance sheet date was 2,200 thousand euros (previous year: 2,257 thousand euros). Deferred order-specific development costs included in capitalized contract costs to fulfill a contract total 9,927 thousand euros (previous year: 8,516 thousand euros).

### [5] Selling and general administrative expenses

The table below shows selling and general administrative expenses.

| KEUR | 2022 | 2021 |
|---|---|---|
| Selling expenses | 18,431 | 15,235 |
| General administrative expenses | 11,651 | 9,775 |
| Total expenses | 30,082 | 25,010 |

### 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 | 2022 | 2021 |
|---|---|---|
| Wages and salaries | 28,970 | 25,421 |
| Social security | 5,925 | 4,881 |
| Total | 34,895 | 30,302 |

Pension expenses of 2,735 thousand euros were recorded for fiscal year 2022 (previous year: 2,545 thousand euros). In fiscal year 2022 the Group employed an average of 488 employees versus an average 468 employees in the previous year. The rise in personnel expenses resulted mainly from the increased number of employees and increased sales commissions payable as a function of rising sales. The average number of employees for the year breaks down by functional area as follows:

| Employees by functional area | 2022 | 2021 |
|---|---|---|
| Sales / Product Management | 118 | 113 |
| Development | 66 | 71 |
| Production | 163 | 146 |
| Service | 26 | 26 |
| Administration | 51 | 55 |
| Logistics | 39 | 37 |
| Materials requirement planning/procurement | 25 | 20 |
| Total | 488 | 468 |

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

| Employees by functional area | 2022 | 2021 |
|---|---|---|
| Sales / Product Management | 120 | 115 |
| Development | 67 | 72 |
| Production | 172 | 152 |
| Service | 23 | 23 |
| Administration | 49 | 53 |
| Logistics | 38 | 36 |
| Materials requirement planning/procurement | 25 | 23 |
| Total | 494 | 474 |

*Significant expense items and depreciation/amortization*

Other significant expense items were as follows:

| KEUR | 2022 | 2021[1] |
|---|---|---|
| Legal, consulting and project costs | 4,142 | 3,437 |
| Depreciation/amortization | 3,773 | 3,869 |
| Rent and maintenance | 2,514 | 2,019 |
| Vehicle and travel expenses | 1,647 | 884 |
| Office and IT expenses | 1,360 | 1,607 |
| Other personnel expenses | 1,089 | 662 |
| Advertising and trade shows | 863 | 588 |
| Insurance premiums | 692 | 594 |
| Gain/loss on currencies | 62 | 0 |
| Other costs | 948 | (1,406) |
| Total | 17,090 | 12,254 |

[1] The previous-year figures have been adjusted for presentation reasons.

The negative previous-year figure of -1,406 thousand euros recorded for other expenses 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 | 2022 | 2021 |
|---|---|---|
| Interest and similar income | 7 | 4 |
| Interest expense from lease liabilities | (541) | (493) |
| Interest expense on current liabilities | (400) | (30) |
| Other interest-like expenses | (8) | 2 |
| Income from embedded derivatives | 672 | 0 |
| Expenses from embedded derivatives | 0 | (894) |
| Total | (270) | (1,411) |

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 | 2022 | 2021 |
|---|---|---|
| **Current tax expenses** | | |
| Germany | 6,408 | 2,478 |
| International | 1,434 | 830 |
| **Deferred taxes** | | |
| Germany | 891 | 79 |
| International | (221) | 8 |
| Total | 8,512 | 3,395 |

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 103 thousand euros through tax expenses from previous years (previous year: increase due to 44 thousand euros in tax expense). Foreign current tax expenses include 41 thousand euros in tax expense from previous years (previous year: tax expense of 32 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 32.28% for DATA MODUL AG, and 29.13% for DATA MODUL Weikersheim GmbH as of December 31, 2022. Tax rates for 2022 and 2021 are determined as follows:

| in % | 2022 | 2021 |
|---|---|---|
| Corporate income tax | 15.00 | 15.00 |
| Solidarity surcharge | 0.825 | 0.825 |
| Trade tax | 16.45 and 13.30 respectively | 16.57 and 13.30 respectively |
| Income tax rate | 32.28 and 29.13 respectively | 32.40 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 32.40% for 2021 and 32.28% for 2022.

| KEUR | 2022 | 2021 |
|---|---|---|
| Earnings before taxes reported | 26,879 | 11,293 |
| Projected income tax expense[2] | 8,675 | 3,658 |
| Non-deductible expenses | 472 | 2 |
| Tax reductions resulting from tax-free income | (119) | (37) |
| Difference amount at local tax rates | (655) | (379) |
| Tax expense for foreign operations, foreign/ other tax losses | 6 | 15 |
| Taxes from previous years | 143 | 103 |
| Other | (10) | 33 |
| Reported income tax expense | 8,512 | 3,395 |

[3] Net amount after additions and reductions

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

| KEUR | | 2022 | 2021 |
|---|---|---|---|
| Deferred tax assets for temporary differences | Germany | 276 | 297 |
| Deferred tax assets from tax loss carry-forwards | International | 196 | 11 |
| Deferred tax assets for temporary differences | International | 440 | 401 |
| Deferred tax assets for temporary differences | Total | 912 | 709 |
| Deferred tax liabilities for temporary differences | Germany | (1,621) | (889) |
| Total balance of deferred tax assets (+) / liabilities (-) (of which 144 thousand euros recorded as other comprehensive income in 2022) | | (709) | (180) |

Deferred taxes consist of the following balance sheet items:

| | Deferred tax assets | | Deferred tax liabilities | |
|---|---|---|---|---|
| KEUR | 2022 | 2021 | 2022 | 2021 |
| Current assets | | | | |
| Trade receivables and other assets | 113 | 45 | 0 | (184) |
| Contract assets | 0 | 0 | (331) | (275) |
| Inventories | 145 | 131 | (532) | (165) |
| Non-current assets | | | | |
| Intangible assets | 111 | 123 | (709) | (729) |
| Property, plant and equipment | 0 | 1 | (600) | (606) |
| Capitalized costs to fulfill a contract | 0 | 0 | (2,528) | (1,770) |
| Shareholders' equity | 206 | 0 | 0 | 0 |
| Current liabilities | | | | |
| Lease liabilities | 605 | 611 | 0 | 0 |
| Trade payables and other payables | 0 | 15 | (70) | 0 |
| Other provisions | 101 | 96 | 0 | 0 |
| Other current liabilities | 104 | 320 | 0 | 0 |
| Non-current liabilities | | | | |
| Provisions for pensions and similar obligations | 77 | 168 | 0 | 0 |
| Contract liabilities | 2,404 | 2,029 | 0 | 0 |
| Total[3] | 3,866 | 3,539 | (4,771) | (3,729) |

[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 784 thousand euros as of December 31, 2022. 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 decreased equity by 62 thousand euros (previous year: 6 thousand euros). Deferred tax liabilities were not recognized for temporary differences in connection with investments in subsidiaries in the amount of 20,209 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 net 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, 2022 and December 31, 2021, 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):

| | 2022 | 2021 |
|---|---|---|
| Consolidated net income for the year in KEUR | 18,367 | 7,898 |
| 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 5.21 | EUR 2.24 |
| Diluted earnings per share | EUR 5.21 | EUR 2.24 |

## 6. Notes to the Statement of Financial Position

### [9] Fixed assets 2022

| | ACQUISITION COST | | | | | | DEPRECIATION/AMORTIZATION AND IMPAIRMENTS | | | | | | CARRYING AMOUNT |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| KEUR | Balance as of 01/01/2022 | Currency translation | Additions | Disposals | Reclassifica-tions | Balance as of 12/31/2022 | Balance as of 01/01/2022 | Currency translation | Additions | Disposals | Reclassifica-tions | Balance as of 12/31/2022 | Balance as of 12/31/2022 |
| **Intangible assets/Goodwill** | | | | | | | | | | | | | |
| Goodwill | 3,112 | 0 | 0 | 0 | 0 | 3,112 | 693 | 0 | 0 | 0 | 0 | 693 | 2,419 |
| Software | 3,137 | (5) | 64 | 5 | 170 | 3,361 | 2,353 | (3) | 496 | 5 | 0 | 2,841 | 519 |
| Development projects | 10,671 | 0 | 226 | 0 | 0 | 10,897 | 8,414 | 0 | 283 | 0 | 0 | 8,698 | 2,200 |
| Prepayments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **16,920** | **(5)** | **290** | **5** | **170** | **17,370** | **11,460** | **(3)** | **779** | **5** | **0** | **12,232** | **5,138** |
| **Property, plant and equipment** | | | | | | | | | | | | | |
| Land and buildings | 17,726 | (33) | 252 | 17 | 7 | 17,935 | 9,185 | (5) | 986 | 17 | 0 | 10,149 | 7,786 |
| Technical equipment | 8,160 | (30) | 125 | 3 | 474 | 8,726 | 3,426 | (6) | 922 | 3 | 0 | 4,339 | 4,387 |
| Other equipment, fixtures and fittings, and office equipment | 9,505 | (16) | 1,515 | 218 | 218 | 11,004 | 5,563 | (1) | 1,096 | 217 | 0 | 6,441 | 4,563 |
| Assets under construction | 472 | (2) | 1,188 | 0 | (869) | 789 | 0 | 0 | 0 | 0 | 0 | 0 | 789 |
| Right-of-use assets | 15,983 | (92) | 2,682 | 741 | 0 | 17,832 | 5,119 | (61) | 2,037 | 573 | 0 | 6,522 | 11,310 |
| **Total** | **51,846** | **(173)** | **5,762** | **979** | **(170)** | **56,286** | **23,293** | **(73)** | **5,041** | **810** | **0** | **27,451** | **28,835** |
| **Total** | **68,766** | **(178)** | **6,052** | **984** | **0** | **73,656** | **34,753** | **(75)** | **5,820** | **815** | **0** | **39,683** | **33,973** |

### Fixed assets 2021

| | ACQUISITION COST | | | | | | DEPRECIATION/AMORTIZATION AND IMPAIRMENTS | | | | | | CARRYING AMOUNT |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| KEUR | Balance as of 01/01/2021 | Currency translation | Additions | Disposals | Reclassifica-tions | Balance as of 12/31/2021 | Balance as of 01/01/2021 | Currency translation | Additions | Disposals | Reclassifica-tions | Balance as of 12/31/2021 | Balance as of 12/31/2021 |
| **Intangible assets/Goodwill** | | | | | | | | | | | | | |
| Goodwill | 3,112 | 0 | 0 | 0 | 0 | 3,112 | 693 | 0 | 0 | 0 | 0 | 693 | 2,419 |
| Software | 2,996 | 3 | 138 | 0 | 0 | 3,137 | 1,871 | 1 | 481 | 0 | 0 | 2,353 | 784 |
| Development projects | 9,815 | 0 | 856 | 0 | 0 | 10,671 | 7,950 | 0 | 464 | 0 | 0 | 8,414 | 2,257 |
| Prepayments | 78 | 0 | 0 | 78 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **16,001** | **3** | **994** | **78** | **0** | **16,920** | **10,514** | **1** | **945** | **0** | **0** | **11,460** | **5,460** |
| **Property, plant and equipment** | | | | | | | | | | | | | |
| Land and buildings | 17,169 | 82 | 22 | 18 | 471 | 17,726 | 8,233 | 20 | 950 | 18 | 0 | 9,185 | 8,541 |
| Technical equipment | 7,073 | (8) | 136 | 2 | 961 | 8,160 | 2,572 | (3) | 857 | 0 | 0 | 3,426 | 4,734 |
| Other equipment, fixtures and fittings, and office equipment | 9,002 | 22 | 635 | 227 | 73 | 9,505 | 4,635 | 19 | 1,118 | 209 | 0 | 5,563 | 3,942 |
| Assets under construction | 754 | (2) | 1,231 | 6 | (1,505) | 472 | 0 | 0 | 0 | 0 | 0 | 0 | 472 |
| Right-of-use assets | 15,884 | 24 | 535 | 460 | 0 | 15,983 | 3,554 | (23) | 2,001 | 413 | 0 | 5,119 | 10,864 |
| **Total** | **49,882** | **118** | **2,559** | **713** | **0** | **51,846** | **18,994** | **13** | **4,926** | **640** | **0** | **23,293** | **28,553** |
| **Total** | **65,883** | **121** | **3,553** | **791** | **0** | **68,766** | **29,508** | **14** | **5,871** | **640** | **0** | **34,753** | **34,013** |

All figures in KEUR

Many of the additions to 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.

Non-current assets are depreciated over their useful life, with the exception of goodwill. Apart from goodwill, no intangible assets with an indefinite useful life are recognized. 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, 2022 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 01/01/2021 | 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 acquired during the period | 0 | 0 | 0 |
| Impairment during the period | 0 | 0 | 0 |
| Balance as of 12/31/2022 | 1,032 | 1,387 | 2,419 |

Goodwill was impairment tested as of December 31, 2022. 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 (2023 - 2025) approved by management and the Supervisory Board, extrapolated for 2026 and years thereafter.

The before-tax discount rates used for cash flow projections and revenue growth rates starting in 2026 (for 2021 in 2025) are shown in the table below.

| Cash-generating unit | Before-tax discount rates | | Revenue growth rates | |
|---|---|---|---|---|
| in % | 2022 | 2021 | 2022 | 2021 |
| Display Solutions | 9.43 | 8.15 | 2.0 | 2.0 |
| System Solutions | 9.50 | 8.26 | 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 2022 or 2021.

### 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 higher discount rates primarily result mainly from the increase in interest on debt.

*Estimated growth rates*

The growth rates are based on historical data from preceding years. For fiscal year 2021, revenue growth rates of 2.0% were applied for cash-generating units in and after the year 2025. In fiscal year 2022 the revenue growth rates of 2.0% were also applied for Display Solutions and for System Solutions, for 2026 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 1-11 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 leases 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 01/01/2022 | 10,439 | 425 | 10,864 |
| Foreign currency translation | (86) | (6) | (92) |
| Additions | 2,288 | 394 | 2,682 |
| Disposals | (164) | (3) | (167) |
| Depreciation expense | (1,614) | (363) | (1,977) |
| Balance as of 12/31/2022 | 10,863 | 447 | 11,310 |

| 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 |

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

| KEUR | 2022 | 2021 |
|---|---|---|
| Balance as of 01/01 | 13,380 | 14,751 |
| Foreign currency translation | (71) | 92 |
| Additions | 2,682 | 535 |
| Disposals | (192) | (52) |
| Redemptions | (1,986) | (1,946) |
| Balance as of 12/31 | 13,813 | 13,380 |
| Of which current | 2,402 | 2,335 |
| Of which non-current | 11,411 | 11,045 |

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

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

| KEUR | 2022 | 2021 |
|---|---|---|
| Depreciation expense for right-of-use assets | 2,015 | 1,992 |
| Interest expense from lease liabilities | 541 | 493 |
| Income (-)/expense (+) from deferred taxes | 0 | (22) |
| Foreign currency translation gains (-)/losses (+) | (4) | 46 |
| Expenses from short-term lease liabilities | 234 | 81 |
| Expenses from low-value asset leases | 61 | 41 |
| Total expense recorded through profit or loss | 2,847 | 2,631 |

The Group recorded cash outflows of 2,534 thousand euros for leases (previous year: 2,431 thousand euros). The Group also reported non-cash additions to right-of-use assets in the amount of 2,489 thousand euros (previous year: 482 thousand euros) and disposals of right-of-use assets in the amount of 167 thousand euros (previous year: 47 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 judgments 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 2022:

| KEUR | Within five years | More than five years | Total |
|---|---|---|---|
| Extension options not expected to be exercised | 0 | 4,374 | 4,374 |
| Termination options not expected to be exercised | 0 | 0 | 0 |
| Total | 0 | 4,374 | 4,374 |

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 |

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 9,927 thousand euros are shown as capitalized costs to fulfill a contract, in line with IFRS 15 (previous year: 8,516 thousand euros). Costs to fulfill a contract were capitalized in the amount of 4,185 thousand euros fiscal year 2022 (previous year: 3,704 thousand euros) and scheduled depreciation was recorded in the amount of 2,774 thousand euros (previous year: 908 thousand euros). No impairments were recorded in the year under review.

### [12] Inventories

Inventories as of the reporting date were as follows:

| KEUR | 2022 | 2021 |
|---|---|---|
| Raw materials and supplies | 23,850 | 15,810 |
| Work in progress, unfinished products | 5,438 | 2,345 |
| Finished goods and merchandise | 83,430 | 70,887 |
| Impairment | (2,915) | (2,340) |
| Total | 109,803 | 86,702 |

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

Impairments on inventories affecting income in the amount of 1,780 thousand euros (previous year: 1,119 thousand euros) from the change in impairments and scrapping expense were recorded on the 2022 Statement of Income under cost of sales.

In fiscal year 2022, inventories in the amount of 194,439 thousand euros (previous year: KEUR 143,009) 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 | 2022 | 2021 |
|---|---|---|
| Trade receivables, including impairments | 37,577 | 29,202 |
| Contract assets including impairments | 3,235 | 3,239 |
| Tax claims and prepayments | 429 | 574 |
| Other current assets: | | |
| Other assets | 3,871 | 3,742 |
| Other current financial assets: | | |
| Suppliers with credit balances | 99 | 108 |
| Positive fair values of embedded derivatives | 6,140 | 1,456 |
| Other financial assets | 398 | 353 |
| Total | 51,749 | 38,674 |

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, 2022 and December 31, 2021 was 408 thousand euros and 422 thousand euros respectively.

Contract assets in the amount of 3,235 thousand euros (previous year: 3,239 thousand euros) consist exclusively of receivables from sales to consignment warehouse customers 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 2,502 thousand euros (previous year: 3,251 thousand euros), deferred assets in the amount of 528 thousand euros (previous year: 472 thousand euros) and prepayments in the amount of 837 thousand euros (previous year: 14 thousand euros).

Other financial assets consist of other receivables in the amount of 234 thousand euros (previous year: 157 thousand euros), security deposits in the amount of 164 thousand euros (previous year: 196 thousand euros) and supplier debit balances in the amount of 99 thousand euros (previous year: 108 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 | 2022 | 2021 |
|---|---|---|
| Balance as of 01/01 | 422 | 605 |
| Additions recorded in profit or loss | 42 | 49 |
| Utilization | (4) | (53) |
| Reversals | (75) | (214) |
| Effects from foreign currency translation adjustments | 23 | 35 |
| Balance as of 12/31 | 408 | 422 |

No impairments on contract assets or any other financial instruments had to be recorded for expected bad debts in fiscal year 2022.

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, 2022 in the amount of 15,669 thousand euros (previous year: 20,224 thousand) consist of 15,661 thousand euros in bank balances (previous year: 20,221 thousand euros) and cash on hand of 8 thousand euros (previous year: 3 thousand euros).

### [15] Shareholders' equity

*Share capital*

DATA MODUL AG is classified as a technology firm and has 10,578,546 euros of share capital. 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. Share capital 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 2022 the Executive and Supervisory Boards will recommend at the Annual Shareholders' Meeting payment of a cash dividend of 2.50 euro per share for a total distribution of 8,815 thousand euros to holders of the outstanding dividend-entitled shares. The amount of the per-share dividend for fiscal year 2021 distributed in 2022 was 0.12 euro (previous year: 0.12 euro). The total distribution amount was thus 423 thousand euros (previous year: 423 thousand euros).

*Retained earnings*

Retained earnings broke down as follows as of December 31, 2021 and December 31, 2022 respectively:

| KEUR | 2022 | 2021 |
|---|---|---|
| Retained earnings | 78,513 | 71,054 |
| Net income for the year | 18,367 | 7,898 |
| Other comprehensive income and dividend | (715) | (439) |
| Total | 96,165 | 78,513 |

*Other reserves*

Other reserves consist exclusively of reserves for currency differences in the amount of 917 thousand euros (previous year: 722 thousand euros).

**[16] Pension and non-current personnel liabilities**

DATA MODUL maintains a non-contributory salary-based defined benefit plan that covers certain former Executive Board members under individual contractual commitments. 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 155 thousand euros (previous year: 161 thousand euros). The pledged reinsurance policies are netted out as plan assets in "Pensions and non-current personnel liabilities". The pension accruals as of December 31, 2022 and December 31, 2021 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 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| Present value of deferred pension obligations | 1,236 | 1,570 | 1,682 | 1,694 | 1,669 |
| Fair value of the plan assets | 155 | 161 | 168 | 175 | 181 |
| Funding status | 1,081 | 1,409 | 1,514 | 1,519 | 1,488 |

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

| KEUR | 2022 | 2021 |
|---|---|---|
| Changes in the present value of pension obligations: | | |
| Pension obligations forecast at beginning of year | 1,570 | 1,682 |
| Accruing interest on expected pension obligations | 5 | (1) |
| Actuarial profit or loss recorded in other comprehensive income resulting from changed interest and trend assumptions | (248) | (22) |
| Actuarial gain/loss recorded in other comprehensive income resulting from funding level changes | 45 | 45 |
| Pensions paid | (136) | (134) |
| Present value of pension obligations at year end | 1,236 | 1,570 |
| Plan assets | (155) | (161) |
| Pension obligations | 1,081 | 1,409 |

The net pension expenditure breaks down as follows:

| KEUR | 2022 | 2021 |
|---|---|---|
| Accruing interest on expected pension obligations | 5 | (1) |
| Net periodic pension cost | 5 | (1) |

The table below shows the change in fair value of the plan assets:



| KEUR | 2022 | 2021 |
|---|---|---|
| Plan assets at the start of the year | 161 | 168 |
| Interest income/expense | 1 | 0 |
| Other changes in the value of plan assets | 17 | 17 |
| Benefits paid out | (23) | (23) |
| Plan assets at the end of the year | 155 | 161 |

Income from plan assets totals 18 thousand euros (previous year: 17 thousand euros). The fair value of plan assets is determined applying quoted values from securities exchanges or other observable market value.

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

| in % | 2022 | 2021 |
|---|---|---|
| Weighted average assumptions: | | |
| Discount rate | 3.09 | 0.34 |
| Growth rate for future benefit payments | 2.0 – 3.0 | 1.8 – 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 |
|---|---|
| 2023 | 142 |
| 2024 | 146 |
| 2025 | 149 |
| 2026 | 153 |
| 2027 | 156 |
| Cumulative 2028 through 2031 | 664 |

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 using the projected unit credit method.

| KEUR | 12/31/2022 |
|---|---|
| Discount rate increase by 1.0% | (75) |
| Discount rate decrease by 1.0% | 85 |
| Pension trend rise of 1.0%[1] | 44 |
| Pension trend decline of 1.0%[1] | (40) |

[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 | 2022 | 2021 |
|---|---|---|
| Pension provisions | 1,081 | 1,409 |
| Long-term bonus claims | 73 | 73 |
| Amount reported on consolidated balance sheet | 1,154 | 1,482 |

**[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 2022 was as outlined below.

| KEUR | Warranties | Personnel | Other | Total |
|---|---|---|---|---|
| Balance as of 01/01/2022 | 761 | 81 | 383 | 1,225 |
| Currency translation | 0 | 0 | 15 | 15 |
| Additions | 1,053 | 0 | 473 | 1,526 |
| Utilization | (363) | 0 | (273) | (636) |
| Reversals | (131) | (20) | 0 | (151) |
| Balance as of 12/31/2022 | 1,320 | 61 | 598 | 1,979 |
| Of which non-current | 246 | 0 | 0 | 246 |
| Of which current | 1,074 | 61 | 598 | 1,733 |

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, 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 8,039 thousand euros (previous year: 6,884 thousand euros), while current contract liabilities totaled 206 thousand euros (previous year: 232 thousand euros). The increase in contract liabilities in fiscal year 2022 resulted from non-current advance payments in the amount of 2,707 thousand euros received from customers during the year in connection with development projects (previous year: 3,031 thousand euros).

Revenue from extended warranties was recognized in the amount of 225 thousand in 2022 (previous year: 294 thousand euros), and revenue from development projects was recognized in the amount of 1,513 thousand euros (previous year: 473 thousand euros).

### [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 | 2022 | 2021 |
|---|---|---|
| Taxes payable | 4,487 | 1,628 |
| Other current liabilities: | | |
| Personnel-related liabilities | 4,544 | 3,447 |
| Social security and payroll taxes | 980 | 636 |
| Advance payments received | 1,433 | 1,024 |
| Value-added tax payable | 4,457 | 4,026 |
| | 11,414 | 9,133 |
| Other current financial liabilities: | | |
| Outstanding invoices | 1,228 | 1,524 |
| Customers with credit balances | 100 | 104 |
| Negative fair values of embedded derivatives | 6,461 | 2,449 |
| Other liabilities | 24 | 24 |
| | 7,813 | 4,101 |
| Total | 23,714 | 14,862 |

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 liabilities due to financial institutions

Utilization of short-term credit facilities as of the reporting date is shown in the table below.

| KEUR | 2022 | 2021 |
|---|---|---|
| Deutsche Bank, Munich | 5,003 | 3,000 |
| Commerzbank, Munich | 6,505 | 7,000 |
| Sparkasse Tauberfranken, Tauberbischofsheim | 4,005 | 2,000 |
| Bayerische Landesbank, Munich | 4,506 | 3,000 |
| Total | 20,021 | 15,000 |

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

In fiscal year 2022 these items were exclusively money market loans with a term of two to three months and interest rates ranging between 2.93% and 3.49%

As of the reporting date, the unused amount of available credit lines, including the bank guarantee for the amount of 938 thousand euros (previous year: 1,035 thousand euros) totaled 27,042 thousand euros (previous year: 32,965 thousand euros).

| KEUR | 2022 | 2021 |
|---|---|---|
| Commerzbank, Munich | 15,000 | 15,000 |
| Sparkasse Tauberfranken, Tauberbischofsheim | 12,000 | 12,000 |
| Bayerische Landesbank, Munich | 14,000 | 15,000 |
| Deutsche Bank, Munich | 7,000 | 7,000 |
| Total | 48,000 | 49,000 |

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, 2022 DATA MODUL had drawn on bank guarantees for the amount of 938 thousand euros (previous year: 1,035 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 -2,825 thousand euros (previous year: -15,715 thousand euros), principally representing the recorded net income for the year of 18,367 thousand euros (previous year: 7,898 thousand euros) after the counter-effect of a year-over-year increase in inventories and trade receivables. Cash flow from operating activities increased due to a year-over-year rise in other liabilities and to the tax expense not yet being recorded on the cash flow statement.

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 -3,370 thousand euros for 2022, reflecting the higher level of investment in the year under review (previous year: -3,018 thousand euros).

Cash flow from financing activities in fiscal year 2022 was 1,645 thousand euros (previous year: 12,206 thousand euros). The cash flow from financing activities essentially results from the net payment of bank liabilities in the amount of 5,000 thousand euros. Cash outflows for leases had an offsetting effect; these payments are broken down into lease liability redemption and interest portions. The dividend distribution resulted in a cash outflow of 423 thousand euros in 2022 (previous year: 423 thousand euros). The amount of the per-share dividend for fiscal year 2021 distributed in 2022 was 0.12 euro (previous year: 0.12 euro).

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<br>KEUR | Statement of financial position as of 01/01/2022 | Affecting cash flow | Not affecting cash flow<br>Additions/ disposals | Interest accrued but not yet paid | FX | Fair value | Reclassi-fications | Balance as of 12/31/2022 |
|---|---|---|---|---|---|---|---|---|
| Liabilities due to financial institutions | 15,000 | 5,000 | 0 | 21 | 0 | 0 | 0 | 20,021 |
| Lease liabilities | 13,380 | (1,986) | 2,489 | 0 | (70) | 0 | 0 | 13,813 |
| Total | 28,380 | 3,014 | 2,489 | 21 | (70) | 0 | 0 | 33,834 |

| Change in financing debt<br>KEUR | Statement of financial position on 01/01/2021 | Affecting cashflow | Not affecting cash flow<br>Additions/ disposals | Interest accrued but not yet paid | FX | Fair value | Reclassi-fication | Balance as of 12/31/2021 |
|---|---|---|---|---|---|---|---|---|
| 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 |

## 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 | 2022 | 2021 |
|---|---|---|
| Impact on earnings before taxes | | |
| Interest rate change | | |
| Increase by 1% | (200) | (150) |
| Decrease by 1% | 200 | 150 |

*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 51.1% (previous year: 50.7%) of Group revenue was generated in currencies other than the functional currency of the operating unit that generated the revenue, and 73.1% (previous year: 75.5%) 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, 2022, 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 2022 earnings before taxes**

| KEUR | Exchange rate change<br>Increase by 5% | Decrease by 5% |
|---|---|---|
| USD | (2,857) | 2,585 |
| PLN | (278) | 252 |
| HKD | (136) | 123 |
| Total | (3,271) | 2,960 |

**Impact on 2021 earnings before taxes**

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

*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 12/31/2022 for calculating impairment (in %)**

| | Not overdue | Overdue 1 - 30 days | Overdue 31 - 60 days | Overdue 61 - 90 days | Overdue › 90 days |
|---|---|---|---|---|---|
| DATA MODUL AG | 0.0003 | 0.0025 | 0.0385 | 0.1962 | 13.5797 |
| DATA MODUL France | 0.0305 | 0.2278 | 0.0000 | 0.0000 | 24.3805 |
| 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. | 0.0095 | 0.5338 | 4.5177 | 2.9924 | 2.4396 |
| 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 12/31/2022 (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 | 13,960 | 3,178 | 218 | 144 | 27 | 17,526 | EUR |
| DATA MODUL France | 475 | 35 | 59 | 11 | 23 | 605 | EUR |
| DATA MODUL Italia | 4,502 | 1,173 | 496 | 5 | 14 | 6,190 | EUR |
| DATA MODUL Iberia | 1,710 | 677 | 47 | 4 | 18 | 2,455 | EUR |
| DATA MODUL Ltd. | 837 | 1,266 | 271 | 25 | 0 | 2,399 | GBP |
| DATA MODUL Inc. | 5,160 | 675 | 719 | 47 | 333 | 6,933 | USD |
| DATA MODUL Hong Kong | 610 | 188 | 0 | 0 | 0 | 798 | HKD |
| DATA MODUL Shanghai | 1,136 | 163 | 0 | 0 | 0 | 1,299 | CNY |
| DATA MODUL Suisse | 0 | 0 | 0 | 0 | 0 | 0 | CHF |
| Conrac Asia | 0 | 14 | 15 | 0 | 30 | 59 | SGD |
| | | | | | | **38,265** | **Total in EUR** |

**Impairments as of 12/31/2022 (in EUR)**

| | Not overdue | Overdue 1 - 30 days | Overdue 31 - 60 days | Overdue 61 - 90 days | Overdue › 90 days | Total | Currency |
|---|---|---|---|---|---|---|---|
| DATA MODUL AG | 41.30 | 80.67 | 83.80 | 283.00 | 3,074.13 | 3,562.91 | EUR |
| DATA MODUL France | 144.90 | 80.86 | 0.00 | 0.00 | 0.00 | 225.76 | EUR |
| DATA MODUL Italia | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | EUR |
| DATA MODUL Iberia | 2,033.21 | 1,990.91 | 649.34 | 108.80 | 1,243.58 | 6,025.84 | EUR |
| DATA MODUL Ltd. | 6,190.53 | 6,185.34 | 3,691.99 | 564.98 | 0.00 | 16,632.84 | GBP (in EUR) |
| DATA MODUL Inc. | 491.56 | 3,600.82 | 32,485.10 | 1,407.29 | 1,518.78 | 39,503.53 | 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) |
| | | | | | | **65,950.88** | **Total in EUR** |

1) Invoiced, unimpaired receivables

**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

Further impairments have been recorded in the amount of 271 thousand euros for trade accounts receivable (previous year: 325 thousand euros with a gross carrying amount of 292 thousand euros (previous year: 371 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. Other than that there are no significant default risks connected with ongoing business activities. 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, 2022, 54.8% of the Company's debt reported on the Consolidated Financial Statements was due to mature within a period of one year (previous year: 56.3%)

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.

| 12/31/2022<br>KEUR | < 12 months | 1 - 5 years | > 5 years | Total |
|---|---|---|---|---|
| Liabilities due to financial institutions | 20,021 | 0 | 0 | 20,021 |
| Trade accounts payable | 19,708 | 0 | 0 | 19,708 |
| Lease liabilities | 2,509 | 8,738 | 6,844 | 18,091 |
| Other financial liabilities | 7,813 | 0 | 0 | 7,813 |
| Total | 50,051 | 8,738 | 6,844 | 65,633 |

| 12/31/2021<br>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 |

**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, 2022, 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 | 2022 | 2021 |
|---|---|---|
| Current borrowings | 20,021 | 15,000 |
| Trade payables and contract liabilities | 27,953 | 28,069 |
| Lease liabilities | 13,813 | 13,380 |
| Other liabilities | 28,466 | 18,458 |
| Minus cash and cash equivalents and other current assets | (26,177) | (25,883) |
| Net debt | 64,076 | 49,024 |
| Total shareholders' equity | 131,780 | 113,933 |
| Shareholders' equity and net debt | 195,856 | 162,957 |
| Capital management ratio in % | 32.72% | 30.08% |

**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 YPN. 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 on the basis of material, observable valuation inputs. Fair value is calculated applying USD and JPY exchange rates quoted on an exchange over the period of the average fulfillment period of the customer and supplier orders multiplied by order volume. Order contracts with customers and suppliers have a maximum fulfillment period of 10 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, 2022, 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, 2022 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 938 thousand euros (previous year: 1,035 thousand euros).

The maturities are as follows (in KEUR):

| Guaranteed bills outstanding | < 1 | 1 - 5 years | > 5 years | Total |
|---|---|---|---|---|
| KEUR | 0 | 108 | 830 | 938 |

*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 2022 | | | Fiscal year 2021 | | |
|---|---|---|---|---|---|---|
| KEUR | Displays | Systems | Group total | Displays | Systems | Group total |
| Revenue from product sales | 177,064 | 97,784 | 274,848 | 124,100 | 69,407 | 193,507 |
| Service revenue | 359 | 846 | 1,205 | 313 | 954 | 1,267 |
| Total revenue | 177,423 | 98,630 | 276,053 | 124,413 | 70,361 | 194,774 |
| | | | | | | |
| Other operating income | 102 | 1 | 103 | 722 | 314 | 1,036 |
| Research and development expenses | (3,073) | (3,587) | (6,660) | (1,809) | (3,877) | (5,686) |
| Selling and general administrative expenses | (20,649) | (9,433) | (30,082) | (16,509) | (8,501) | (25,010) |
| Amortization of intangible assets and depreciation on property, plant and equipment | (2,443) | (1,340) | (3,783) | (2,445) | (1,424) | (3,869) |
| Income from investments | (18) | 0 | (18) | 0 | 0 | 0 |
| Segment results (EBIT) | 12,813 | 14,336 | 27,149 | 5,762 | 6,942 | 12,704 |
| | | | | | | |
| Financial income | 378 | 301 | 679 | (120) | 124 | 4 |
| Financial expense | (468) | (481) | (949) | (1,001) | (414) | (1,415) |
| | | | | | | |
| Income taxes | (4,338) | (4,174) | (8,512) | (1,856) | (1,539) | (3,395) |
| | | | | | | |
| Net income for the year | 8,385 | 9,982 | 18,367 | 2,786 | 5,112 | 7,898 |
| | | | | | | |
| Investments in intangible assets, property, plant and equipment, and financial assets | 1,890 | 1,480 | 3,370 | 1,427 | 1,592 | 3,019 |

## 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 | 2022 | 2021 |
|---|---|---|
| Domestic | 65,757 | 54,148 |
| International | 111,666 | 70,265 |
| Total | 177,423 | 124,413 |

*Systems segment*

| KEUR | 2022 | 2021 |
|---|---|---|
| Domestic | 57,134 | 42,262 |
| International | 41,496 | 28,099 |
| Total | 98,630 | 70,361 |

*Non-current assets*

| KEUR | 2022 | 2021 |
|---|---|---|
| Domestic | | |
| Intangible assets | 5,014 | 5,281 |
| Property, plant and equipment | 12,831 | 13,424 |
| Total domestic | 17,845 | 18,705 |
| International | | |
| Intangible assets | 125 | 180 |
| Property, plant and equipment | 4,693 | 4,265 |
| Total international | 4,818 | 4,445 |
| Total | 22,662 | 23,150 |

## 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 2022 included 80 thousand euros in purchases (previous year: 72 thousand euros) and 48 thousand euros in sales (previous year: 27 thousand euros). As of the reporting date, unsecured liabilities due to the ARROW Group totaled 3 thousand euros (previous year 0 thousand euros), while receivables from ARROW Group totaled 48 thousand euros (previous year: 0 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 |
|---|---|---|---|
| | in % | KEUR | KEUR |
| DATA MODUL Weikersheim GmbH, Weikersheim, Germany | 100 | 12,176 | 834 |
| DATA MODUL France SARL, Paris, France | 100 | 1,235 | 66 |
| DATA MODUL Iberia S.L., Madrid, Spain | 100 | 1,968 | 221 |
| DATA MODUL Inc., New York, USA | 100 | 6,607 | 3,097 |
| DATA MODUL Italia S.r.l., Bolzen, Italy | 100 | 2,355 | 453 |
| DATA MODUL Ltd., Cannock, UK | 100 | 800 | 310 |
| DATA MODUL Hong Kong Ltd., Hong Kong, China | 100 | 1,010 | 550 |
| DATA MODUL Electronic Technology (Shanghai) Co., Ltd., Shanghai, China | 100[1] | 639 | (739) |
| Conrac Asia Display Products PTE Ltd., Singapore | 100 | 702 | 4 |
| DATA MODUL Polska Sp. z o.o, Lublin, Poland | 100 | 2,909 | 209 |

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

The company DATA MODUL Suisse GmbH was liquidated in 2022. The deconsolidation effect was 18 thousand euros.

### Compensation report

The compensation scheme in place for members of the Management and Supervisory Boards is presented below.

### Executive Board member compensation

The disclosures on compensation paid to Executive Board members in fiscal year 2022 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 | 2021 | 2022[3] | 2022 (min.) | 2022 (max.) |
| Fixed salary | 230 | 230 | 230 | 230 |
| Fringe benefits | 18 | 18 | 18 | 18 |
| **Total** | **248** | **248** | **248** | **248** |
| One-year variable compensation[1] | 147 | 147 | 0 | 147 |
| Multi-year variable compensation[2] | | | | |
| Executive bonus 2018 | 37 | | 0 | 37 |
| Executive bonus 2019 | | 37 | 0 | 37 |
| **Total compensation** (according to GCGC) | **432** | **432** | **248** | **469** |
| Pension contributions | 0 | 0 | 0 | 0 |
| **Total compensation** (according to GAS 17) | **432** | **432** | **248** | **469** |

[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 2022 for Dr. Pesahl based on his contract in the amount of 220 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 2022 breaks down as follows:

| Compensation | Dr. Florian Pesahl *CEO* *Appointment date: January 1, 2010* | |
|---|---|---|
| KEUR | 2022 | 2021[5] |
| Fixed salary | 230 | 224[6] |
| Fringe benefits | 18 | 18 |
| **Total** | **248** | **242** |
| One-year variable compensation[4] | 147 | 73 |
| Multi-year variable compensation | 37 | 37 |
| **Total compensation** | **432** | **352** |

[4] Not taking into account any deferrals.

[5] 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. These amounts were paid out in 2022.

[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 | 2022 | 2021 | 2022 | 2021 |
| Provisions recorded as of the reporting date | 195 | 273 | 192 | 252 |
| Addition to (+) / reversal (-) of pension provisions | (53) | 1 | (30) | 7 |
| Pensions paid | 25 | 24 | 30 | 29 |

In fiscal years 2022 and 2021, the Executive Board member did not receive any loans or similar benefits. Nor did the Executive Board member receive any compensation for offices held at other Group companies.

### Supervisory Board member compensation

| Annual compensation in KEUR | 2022 | 2021 |
|---|---|---|
| Kristin D. Russell | 40 | 40 |
| Rick Seidlitz | 30 | 30 |
| 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 153 thousand euros in accordance with Sec. 314 (1) No. 9a of German Commercial Code (previous year: 135 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).

### Events after the reporting period

We are unaware of any 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 2022, 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 2022 to 31 December 2022, 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 to 31 December 2022. 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 2022, and of its financial performance for the fiscal year from 1 January 2022 to 31 December 2022, 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.

**1) Valuation of inventory**

**Related disclosures in the consolidated financial statements and the group management report**
For the applied accounting and valuation principles for inventories, please refer to the information in the notes in chapter 2, Accounting and valuation methods - Inventories.

**Description of the Audit matter and risks for the audit**
Inventories represent a significant part of DATA MODUL AG's assets and have increased significantly compared to the previous year. The valuation of inventories, in particular of semi-finished and finished goods, is complex. Due to the partly tense supply chains and the general economic uncertainties, price risks can arise on the procurement and sales markets. Within the framework of the valuation routines, there is scope for discretion in estimating the marketability of certain inventories. Against this background and due to the complexity of the measurement principles for inventories, the valuation of the inventories were a Key audit matter within the scope of our audit.

**Audit approach and results**
Within the scope of our audit, we analyzed the processes implemented by the legal representatives as well as the accounting and valuation guidelines for the valuation of inventories for possible risks of error and obtained an understanding of the stages of the process. In addition, we assessed the design of the controls implemented by the legal representatives for the valuation of inventories for their basic effectiveness, and we additionally tested certain particularly important controls for their operational implementation. As part of the audit of the ERP system, we performed a system audit of the automated inventory valuation routines. We also questioned the management of DATA MODUL AG and other employees regarding the scope for discretion in determining the marketability discounts. In order to identify anomalies, we analyzed the write-downs over the course of the year and in comparison, to the previous year. We also tested the valuation of inventories on a test basis.

We were able to satisfy ourselves that the systems and processes put in place and the accounting policies applied are appropriate and that the estimates and assumptions made by the legal representatives are sufficiently justified and reasonable to ensure the proper valuation of inventories.

**2) 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 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 con-

tract 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, 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 contract-specific 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.

We were able to satisfy ourselves that the systems and processes put in place and the accounting policies applied are appropriate and that the estimates and assumptions made by the legal representatives regarding the accounting of the capitalized costs to fulfil a contract are sufficiently justified and reasonable.

**Other information**

The legal representatives or the Supervisory Board are responsible for the other information. The other information comprises the following parts of the Group management report that have not been audited:

- The corporate governance statement pursuant to sections 289f and 315d of the German Commercial Code (HGB), to which reference is made in the group management report

The other information also includes:

- the assurances pursuant to Section 297 (2) sentence 4 and Section 315 (1) sentence 5 of the German Commercial Code (HGB) on the consolidated financial statements and the Group management report
- the report of the Supervisory Board, and
- the other parts of the Annual Report - without further cross-references to external information - with the exception of the audited consolidated financial statements and Group management report and our auditors' report.

The Supervisory Board is responsible for the Report of the Supervisory Board. Otherwise, the legal representatives are responsible for the other information.
Our audit opinions on the consolidated financial statements and the group management report do not cover the other information, and accordingly we do not express an audit opinion or any other form of conclusion on it.
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 „529900TID8A3AEWPG697-2022-12-31-de"(MD5-Hashwert:b348794bded04b8390679a44eb7ec245) 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 2022 to 31 December 2022 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 (06.2022)) 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 Delegated Regulation (EU) 2019/815 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 10 May 2022. We were engaged by the Supervisory Board on 3 November 2022. 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 Isabel Hohenegg.

Munich, 23 March 2023

Mazars GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

| | |
|---|---|
| Christian Schönhofer | Isabel Hohenegg |
| 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 2023

| | |
|---|---|
| Quarterly report dated March 31, 2023 | May 09, 2023 |
| Annual Shareholders' Meeting | May 09, 2023 |
| Half-year financial report dated June 30, 2023 | August 4, 2023 |
| Quarterly report as of September 30, 2023 | November 3, 2023 |

**The DATA MODUL 2022 Annual Report is available in German and English.**

**Further information about DATA MODUL:**
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