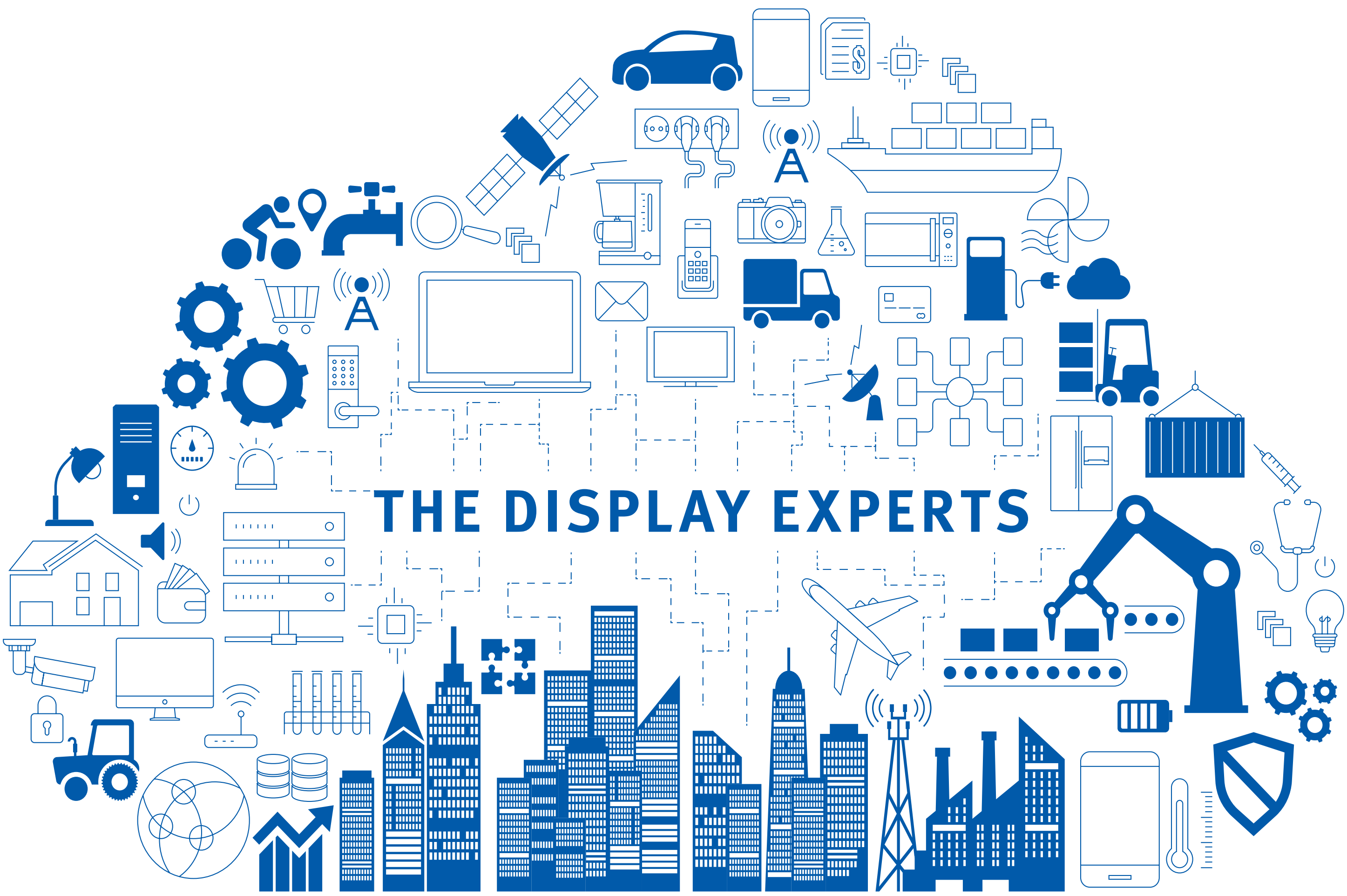
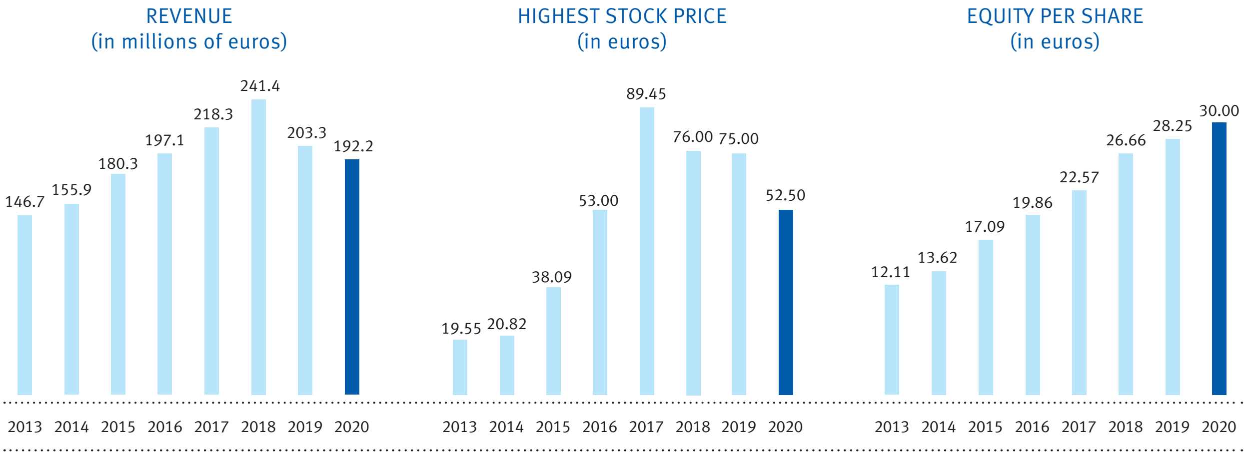
DATA MODUL

ANNUAL REPORT 2020



DATA MODUL AT A GLANCE



Group key figures per IFRS and alternative key performance indicators*

In KEUR	2020	2019	2018	2017	2016	2015	2014	2013
Revenue	192,185	203,314	241,417	218,256	197,079	180,300	155,915	146,706
EBITDA [1]	17,745	15,644	23,587	18,324	17,060	15,331	13,257	7,797
EBIT [2]	11,829	10,194	20,801	15,913	15,039	12,576	11,404	5,676
EBIT margin in % [3]	6.2	5.0	8.6	7.3	7.6	7.0	7.3	3.9
Net income	7,563	6,507	14,277	10,623	10,228	8,413	7,573	3,235
Shareholders' equity	105,860	99,599	94,006	79,571	70,027	60,246	48,036	42,131
Shareholders' equity ratio in %	69.2	67.5	70.1	71.8	68.0	66.6	60.0	50.5
Working capital [4]	61,232	63,702	63,039	56,193	52,854	44,691	39,543	41,218
Cash flow [5]	10,777	10,447	10,797	6,756	6,325	7,049	13,799	4,854
Capital expenditure [6]	3,429	6,984	5,638	4,427	4,031	2,719	2,471	2,226
Number of employees [7]	460	489	445	403	395	364	348	333
Revenue per employee	418	416	543	542	499	495	448	441
Earnings per share in euros	2.14	1.85	4.05	3.01	2.90	2.41	2.23	0.95
Cash flow per share in euros [8]	3.06	2.96	3.06	1.91	1.79	2.00	3.91	1.38
Dividend per share in euros [9]	1.00	0.12	0.12	0.12	0.12	0.12	0.12	0.60
Stock price at year end in euros	49.00	51.00	55.60	70.00	49.00	36.90	20.00	16.55
Highest stock price in euros	52.50	75.00	76.00	89.45	53.00	38.09	20.82	19.55
Lowest stock price in euros	28.60	45.00	55.60	49.00	35.01	19.91	16.31	12.70

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 less 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 less 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 less 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 2021.

* 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
2020 ANNUAL REPORT

MANAGEMENT REPORTS

The coronavirus pandemic unleashed unprecedented economic and organizational challenges worldwide, making 2020 a highly eventful year. Thanks to their quick reaction to changing requirements and to the systematic execution of the Touch Tomorrow 2023 strategy, DATA MODUL can look forward to further success as one of the world-leading specialists in industrial display, touch, embedded, monitor and panel PC solutions.

EXECUTIVE BOARD REPORT

Dear shareholders and friends of our Company,

Former German Chancellor Helmut Schmidt once said, “Character shows through in times of crisis”, and this observation certainly proved true in the past fiscal year, when the coronavirus pandemic revealed the vulnerability of our increasingly globalized world. At the same time, entire new vistas opened up for the use of digital technologies. DATA MODUL performed very well despite this challenging environment, remaining a strong and reliable business partner for customers, suppliers and employees as ever before.

Thanks to the hard work and dedication of every DATA MODUL employee, the Company was able to record revenue of 192 million euros for the fiscal year 2020 – a mere 5% lower year-over-year despite the world economy plunging deeply into recession. And even with lower revenue, the Company still recorded an EBIT of 11.8 million euros, thanks to good international positioning and diversification of sales across different industries and global regions. Impact suffered in certain markets was thus effectively cushioned and balanced out.

In view of the Company’s business results, the Executive and Supervisory Boards propose that shareholders approve of the distribution of a dividend of 1.00 euro per share for the fiscal year 2020 at the Annual Shareholder’s meeting. This represents a distribution ratio of approximately 50% of net income for the year.

Primary objectives in the past fiscal year included in particular securing and improving our supply chains as well as refining our strategy in target markets and intensifying our focus on growth drivers. Our financial strength enabled us to build up inventories undeterred despite highly volatile freight costs and reorder delivery times caused by the coronavirus pandemic, ensuring our ability to provide customers the products they desire at all times. DATA MODUL was furthermore able to repay all of the loans taken out since founding of the Company, making it for the first time a debt-free enterprise, as of December 31.

All production sites remained in operation without disruption despite continuous expansion work, and we are proud to have reached further milestones in our global production and logistics plan, which is part of the Touch Tomorrow 2023 strategy program. The site opened in Lublin, Poland in 2019 has successfully completed another stage of expansion, and the local assembly line at our plant in Shanghai, China resumed operation in June 2020. This was possible despite travel being largely restricted thanks to the tireless efforts of the local teams working on-site and in close cooperation with their colleagues in Germany.

The cost cutting program adopted last year was another focus in the past fiscal year, as well as preparatory moves for implementing a leaner and more flexible organizational structure. Greater attention was directed in particular to enhancing performance and enabling a more entrepreneurial work approach on all levels, which of course both represent processes that are never fully completed. Making improvements in these areas requires continuous persistence, courage, prudence and flexibility from all our employees. I would thus like to take this opportunity to thank all staff members for

their extraordinary contributions in making last year a successful one overall for the Company.

The DATA MODUL culture is about professionalism and our innovations are driven by team spirit and passion. Our experience forms the foundation for our future. As both a vendor and manufacturer of premium products as well as premium service provider in the world of displays, we cooperate closely with customers and suppliers in our mission to redesign the interaction between human and machine. Our extensive experience in display, touch, embedded and system technologies enables us to comprehensively meet customer requirements – now better than ever before. Our profitability in recent years has made it possible for us to now invest in the technologies of tomorrow. In 2020 we expended roughly 5.5 million euros on research and development. We remain focused on our success factors: investment, innovation and internationalization, as these enable us to best meet the requirements of customers in the steadily growing and increasingly competitive global displays market.

Our decisions in the past year were guided by these core priorities: stay healthy, secure staff salaries and avoid layoffs. As a result, we were able to prudently steer the Company through the vagaries of the fiscal year with composure. Numerous protective and hygiene measures were implemented flanked by ongoing information and communications, and our IT specialists succeeded in providing the necessary infrastructure within a few days for all employees to work from home, thus preserving our operational effectiveness. Mobile working became more significant in the last months than it has ever been since the beginning of the industrial age. The future we envision is of a hybrid work life that offers the best of both worlds, thus we cultivate dialogue aimed at developing bold new ideas that keep us at the cutting edge of innovation.

This past year we all witnessed extraordinary challenges affecting all industries and countries, and it it is still difficult to fully assess the wider economic impact of the corona pandemic. Thanks to our extremely motivated people and global strategy, we are able to look ahead with optimism that we will emerge from the crisis even stronger than we were before. We thank all of our investors and lenders and hope that you, our shareholders, will be accompanying our enterprise further along our path. Your highly supportive backing reveals your esteem for us and your confidence in our organization. We intend to keep working together to ensure that DATA MODUL continues on its sustainable and profitable growth in the future.

Dr. Florian Pesahl, Chief Executive Officer
Munich, March 2021

SUPERVISORY BOARD REPORT

Dear Shareholders,

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

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

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

Principal discussion topics of the Supervisory Board

The Supervisory Board held a total of four meetings during the period under review. All members of the Supervisory Board attended all meetings. The main issues addressed in these meetings are outlined below.

At the Supervisory Board meeting in March 2020, the Annual Financial Statements prepared by the Executive Board for DATA MODUL AG and for the Group for the fiscal year 2019 were presented and discussed in detail. The Supervisory Board adopted the Annual Financial Statements of DATA MODUL AG and approved the Consolidated Financial Statements. Representatives of the auditor of the Separate and Consolidated Financial Statements, Ernst & Young Wirtschaftsprüfungsgesellschaft, Stuttgart, also attended the meeting. The Supervisory Board also reviewed the Dependent Company Report per Sec. 312 (1) of the German Stock Corporation Act (*Aktiengesetz*/AktG) on relations between DATA MODUL AG and its affiliated companies, which the Executive Board presented. The German Corporate Governance Code declaration per Sec. 161 of the German Stock Corporation Act (*Aktiengesetz*/AktG) and the Corporate Governance Declaration per Sec. 289f of German Commercial Code (HGB) were additionally discussed and adopted, among other Board activities. The Declaration of Compliance per Sec.161 AktG and the Declaration on Corporate Governance per Sec. 289f HGB have been made publicly available on the company website at www.data-modul.com.

In addition, the meeting in March 2020 the Supervisory Board addressed the agenda of the 2020 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. The Supervisory Board meeting in September 2020 was devoted principally to examining the business situation and outlook for the DATA MODUL Group in view of the continuing coronavirus pandemic. At the Supervisory Board meeting in December 2020 the Executive Board reported on the Group's current business and financial situation, presenting its estimates for fiscal years 2021 - 2023. The Supervisory Board approved these.

The Company provides appropriate support to Supervisory Board members in connection with their appointment and continuing education. As no new members were elected to the Supervisory Board of DATA MODUL AG in the 2020 financial year, no onboarding events took place.

Audit of the Separate and Consolidated Financial Statements

At the Annual Shareholders' Meeting on May 12, 2020, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, was appointed as auditor of the Separate and Consolidated Financial Statements for the fiscal year 2020. In early 2021 the Executive Board prepared

the DATA MODUL AG Separate Financial Statements and Management Report for the fiscal year 2020 in accordance with German Commercial Code (HGB) accounting rules; the Consolidated Financial Statements and Group Management Report were prepared in accordance with International Financial Reporting Standards (IFRS) as applicable in the European Union and with the supplemental Commercial Code rules per Sec. 315e of German Commercial Code. The auditors Ernst & Young audited both sets of Financial Statements including Management Reports, thereupon issuing unqualified audit opinions. Ernst & Young also audited the Dependent Company Report. The report covers the period January 1, 2020 - December 31, 2020. The auditors Ernst & Young 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 the Company for the legal transactions stated in the Report was not excessively high, and
3. there are no circumstances which would require an assessment of the actions outlined in the Report that is materially different from the assessment of the Executive Board.”

At its March 2021 meeting, the Supervisory Board discussed in detail the Financial Statements for the fiscal year 2020 and Dependent Company Report. Representatives of the auditing firm attended the meeting, reported on their audit findings and provided additional information. In their review, the auditors found no material weaknesses regarding the structure or effectiveness of the internal control and risk management system in place. The Supervisory Board also reviewed the Separate Financial Statements and Management Report of DATA MODUL AG, the Consolidated Financial Statements and Group Management Report for the fiscal year 2020 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 Consolidated Financial Statements, adopted the Separate Financial Statements and agreed to the Executive Board's proposal for the appropriation of accounting profits.

Supervisory Board members

The DATA MODUL AG Supervisory Board consists of three members. The Supervisory Board did not form any committees during the reporting period, as this is not expected to yield efficiency gains in view of the Supervisory Board being constituted of three members.

Kristin D. Russell has been a Supervisory Board member since 2016. Richard A. Seidlitz was elected to the Supervisory Board at the 2019 Annual Shareholders’ Meeting, having previously been court-appointed. The employees appointed Eberhard Kurz as an employee representative on the Supervisory Board of DATA MODUL AG, effective as of the conclusion of the Annual Shareholders’ Meeting held May 9, 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 2020 a successful fiscal year.

For the Supervisory Board

Kristin D. Russell, Supervisory Board Chair
Munich, March 2021

DATA MODUL WORLDWIDE

Since its foundation in 1972, DATA MODUL has been committed to a strategy of offering customers modern, customized end-to-end display technology solutions of the highest level of sophistication. Our production and logistics locations in Europe, Asia and the US and our sales offices in all relevant growth markets afford us flexibility, enabling us to deploy our expertise in markets worldwide.

DATA MODUL WORLDWIDE

THE DISPLAY EXPERTS

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

FACTS AND FIGURES

Last revised 12/31/2020

~500
NUMBER OF EMPLOYEES WORLDWIDE

192
REVENUE IN MILLIONS OF EUROS

>20
DATA MODUL LOCATIONS WORLDWIDE

~50

YEARS' EXPERIENCE IN VISUAL SOLUTIONS

R&D EXPENSES IN MILLION EURO

5.5

EQUITY RATIO IN %

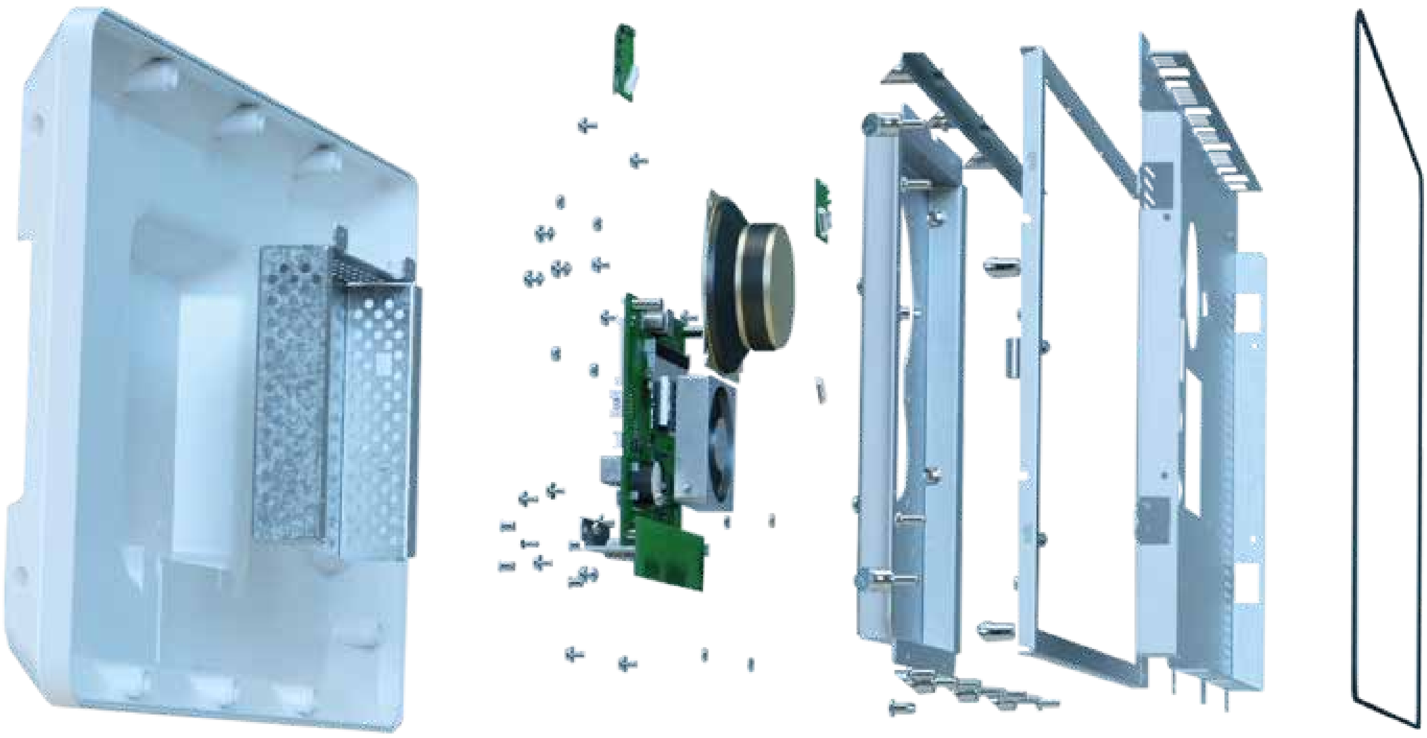
~70

DATA MODUL
PRODUCT PORTFOLIO

DATA MODUL is a world-leading display technology partner and the European market leader for industrial displays. Our extensive distribution portfolio of displays, touchscreens, embedded solutions and innovative proprietary products developed in-house

makes it possible to put together unique, modular product packages. This is in addition to cutting-edge production methods, professional services and top-level consulting over the entire product life cycle. This forms the basis for the successful realization of an array of sophisticated, modern and tailored applications for a broad spectrum of industries.

PRODUCTS AND COMPETENCIES

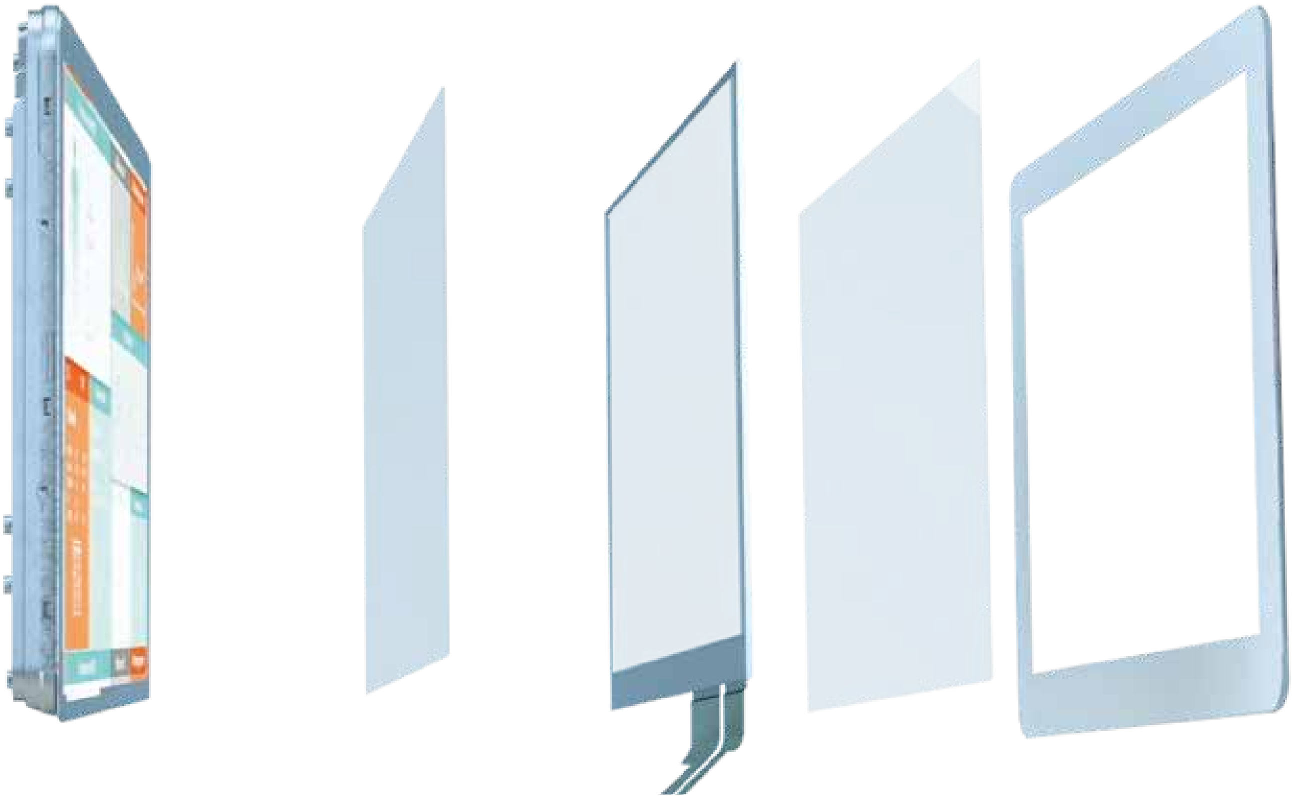


SYSTEM SOLUTIONS

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

EMBEDDED SOLUTIONS

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



DISPLAY SOLUTIONS

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

TOUCH SOLUTIONS

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

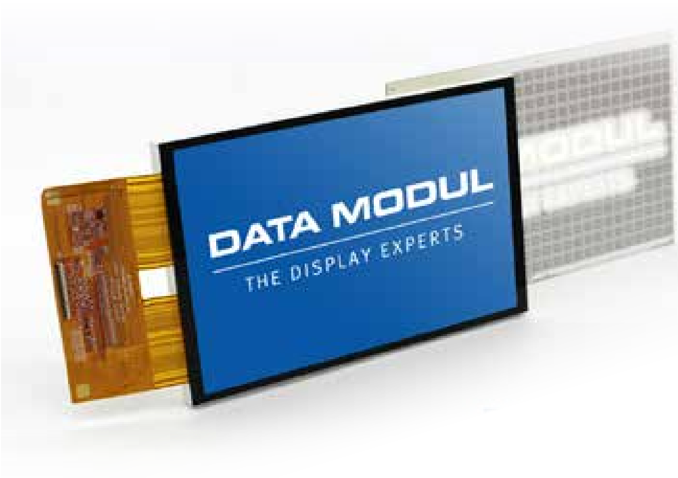
HIGHLIGHTS OF THE YEAR

The broad, innovative DATA MODUL product portfolio demonstrated its strengths in 2020 like never before. The Company was able to respond rapidly to new customer requirements and efficiently meet surging demand for hygienic system controls without raising prices or sacrificing delivery capacity thanks to its long-term partnerships with suppliers and manufacturers – and especially to the firm's innovative product development and ultra-modern production facilities.

HIGHLIGHTS 2020

CUSTOMIZING FOR MODERN DISPLAY APPLICATIONS

Modern display applications involve more custom design requirements than has ever been the case before. Because of our modular product concept, within a single system customers could have products deployed from across the Company's entire spectrum of technologies. This means the latest display technologies, embedded boards and controllers plus innovative touch manufacturing processes and a wide range of housing options, all arrayed to create custom solutions that deliver real added value.



FALD DISPLAYS: LOW POWER CONSUMPTION WITH SUPERIOR IMAGE QUALITY

The acronym FALD stands for *Full Array Local Dimming*, which is an innovative technology for controlling the LED backlighting of a TFT that allows direct illumination of densely arrayed LED zones by the LED unit behind it. The technology affords optimal control of image content in coordination with the image signal. Black tones are significantly deeper than with standard LCD displays, and black levels can be more evenly distributed with lower power consumption.

FURTHER EXPANSION: NEW FACTORY IN SHANGHAI

DATA MODUL continues to move forward with its expansion and internationalization strategy, having opened a new facility in Shanghai. The local assembly capacity there now enables DATA MODUL to more rapidly and effectively serve the Asian market and work with global customers right there where they are operating. This move enhances international competitiveness for DATA MODUL and represents another step toward the successful future envisioned in the growth markets of Europe, China and the US.

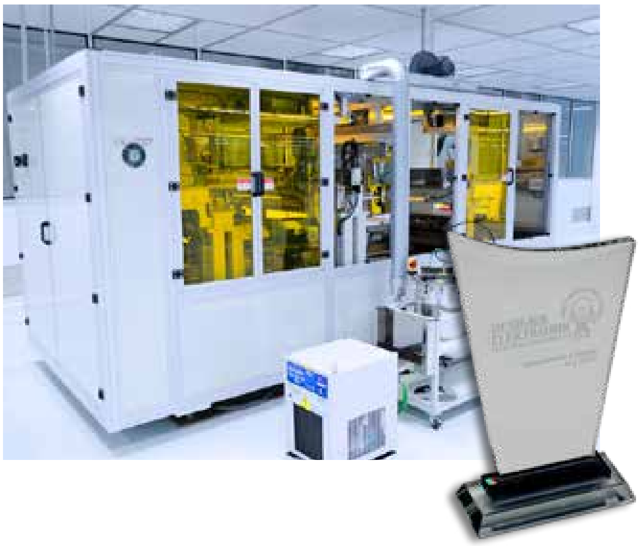
THE easyTOUCH STARTER KIT: DOOR-OPENER TO THE WORLD OF DISPLAYS

Customers are finding it increasingly difficult to select the right components for their individual needs and applications given all the different TFT displays, touch technologies, cover glasses and embedded solutions out there to choose from. Taking up the challenge, DATA MODUL has developed a special STARTER KIT with all the components needed to start running a fully functional touch display solution. The components can be put together in just a few steps, giving the customer an ideal pairing of an easyTOUCH display with eMotion board, both developed in-house. Customers, developers and designers are then able to quickly and conveniently familiarize themselves with the impressive PCAP and display performance capability of DATA MODUL technologies.

NEW TECH HIGHLIGHTS: FROM FACE RECOGNITION TO SMART SURFACES

Some of the new and improved technologies integrated by DATA MODUL in 2020 included face recognition for counting and identifying users – with age estimation and even mask recognition capability – via camera in combination with software. And new materials in combination with modern technologies are affording unprecedented design possibilities, such as display integration behind real wood surfaces with touch operation.

2020 INNOVATION PRIZE FOR HYBRID BONDING METHODS



DATA MODUL was named Innovator of the Year in November 2020 in the category of Optoelectronics and Displays by the prestigious trade magazine Design & Electronics. Hybrid bonding is a method combining classic LOCA (liquid) bonding with OCA (dry lamination) that is highly economical for high-volume touch projects. DATA MODUL is one of the first European providers to use fully automated hybrid bonding, at the Company's Weikersheim location.

HYGIENIC TOUCH DISPLAY CONTROLS

Hygiene and health measures for protecting against infection soared in importance last year, for both industrial and non-industrial applications. Stricter hygienic legal requirements and standards now apply in many areas, including medical environments in particular. Touch operation, now offered with a large number of devices and applications, clearly poses particular hygiene challenges. DATA MODUL is tackling this problem head-on by offering an array of options for hygienic, non-contact operation of display applications. Selecting the right components and manufacturing steps is critical in producing such solutions.

Gloved operation

Gloves are mandatory protective clothing with many industrial and medical applications, their use being crucial to prevent contamination, contagion and the transmission of diseases and pathogens. As the fruit of longstanding efforts, DATA MODUL has successfully optimized its PCAP (Projective Capacitive Touch) technology for touch display operation while wearing gloves. Touch unit responsiveness has improved so much that operability is unaffected, even for users wearing nitrile or latex gloves, so that touch performance is the same even with gloves. Another advance is that cutting-edge setting tools enable touch sensors to continue functioning unaffected by water, disinfectants, blood, sweat or other conductive liquids, ensuring safe system touch operability.

Pen input

Digital pens/styluses are another input option representing an indirect touch control method. This allows highly precise input combined with no direct skin contact with the touch display. Many DATA MODUL touch display products support safe, hygienic stylus operation without requiring adjustment, eliminating any disruption if changing from regular touch input.

Eye tracking

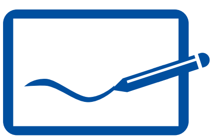
Eye tracking is an interaction mode that involves no contact whatsoever, requiring an integrated camera within the system employed. The camera with eye tracker software analyzes user movements, registering changes in gaze direction to trigger specific actions, such as selecting a particular field. This “hands-free” method is particularly practical when the user needs to use their hands to perform work tasks rather than input data or operate a touch display application. This technology creates another safe and hygienic option for controlling modern applications that is especially relevant in the medical field.

Gesture control

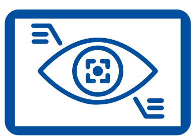
Gesture control is another alternative to conventional touch input that allows systems to recognize and execute even complex actions like zooming and swiping (as well as simple ones) without touch. DATA MODUL utilizes

Gloved operation

Pen input



Eye tracking



capacitive gesture control and the established PCAP sensor for this rather than deploying additional hardware. A controller board was developed in-house based on Microchip's GestIC® technology that combines 2D PCAP functionality with 3D gesture control. In addition to regular screen input, the GUI also supports a non-touch system operation via defined gestures. Such non-contact interaction is particularly useful for retrieving data and executing operator commands on devices and applications that can pose a contamination hazard through touch.

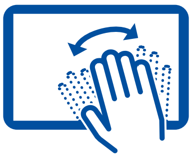
Components for manufacturing processes

Further building blocks for hygienic operation concepts are found in manufacturing processes, and special components can be selected that already meet mandated hygiene standards. For example, antimicrobially prepared cover glasses can be used, which, due to their surface properties, enable a significant reduction in surface contamination by viruses and bacteria. Product sterility can also be enhanced by tightly sealing the edge where the cover glass fits into the monitor housing via a production technique called 'gap filling', preventing ingress of bacteria and any kind of fouling. This process is fully automated at DATA MODUL and is conducted under clean room conditions to ensure maximum quality in serial production.

Outlook

Hygienic operation and interaction technologies for modern industrial and medical applications will become ever more important going forward. DATA MODUL already offers an array of diverse solutions to meet customers' heightened requirements, thus the Company is well positioned. To ensure our competitiveness in the markets we will be steadily expanding our product portfolio while integrating the latest technologies, conducting tireless research and development, expanding our network of suppliers and service providers and obtaining further certifications for the latest ISO and industry standards. The spectrum of controls offered by DATA MODUL represent innovative, effective solutions for hospitals and other environments with heightened hygiene requirements, more and more of which are being used.

Gesture control



Antimicrobial cover glasses

CORPORATE RESPONSIBILITY

DATA MODUL is committed to responsible management that takes into account the interests of all of our employees, customers, suppliers and business partners. We pursue sustainable growth and act with a view toward the future, as these lay foundations for successful

long-term relationships all along the value chain. Our corporate culture is built around shared principles of respect for diversity, trust and commitment to continuous improvement. Through professionalism and dedication we aim to establish DATA MODUL as the preferred partner to customers around the world for innovative industrial display solutions.

DATA MODUL AS EMPLOYER

Our staff are the key to our success

DATA MODUL, a leading provider of cutting-edge display technologies, is on a mission to permanently revolutionize human-machine interaction. And to see this mission through we rely on highly motivated, hard-working staff able to convert strategic planning into reality, generating real added value for our customers through their day-to-day efforts. The Touch Tomorrow 2023 strategy is transparently designed to provide a clear-cut framework for how we intend to move forward together.

Projects and milestones in 2020

A lot of hard work and sacrifice were required from all of us this past fiscal year, as execution continued on the initiative launched in 2019 to streamline internal structures entitled DATA MODUL Organization 4.0 as a necessary step to enable growth. This involved the redesign of internal processes and further expansion of our production sites in Poland and in China, which was possible despite the pandemic travel restrictions through close cooperation between the tremendously dedicated staff working at our different locations.

We would like to recognize and thank all of our employees, who energetically rose to meet these challenges with determination, contributing to the future of our enterprise. Further challenges lie ahead that will require personal drive and focus from everyone on a daily basis, on all levels of our organization. With a strong team spirit and the courage to come up with new ideas, we are convinced that we will be able to master these challenges successfully in the future.

Workplace health and safety

Protecting the health of our employees is our highest priority. In line with WHO recommendations, we implemented an array of prevention and hygiene measures to protect all of our employees and help contain the general spread of the coronavirus throughout society. Our IT specialists managed within a few days to roll out the infrastructure necessary for all employees to work remotely. In addition to policies imposed company-wide, we review our various locations to identify any need for additional rules in view of the specific circumstances there. These include for example introducing shift-like scheduling for administrative functions to reduce the number of people present on site at any given time, and requiring the majority of meetings to be conducted online. We are also proud of how we were able to keep operations going at all production sites without interruption this entire time despite the preventive measures that had to be taken. We monitor developments closely at all times so that we can inform our employees promptly as appropriate in regular communications. In doing so we call upon every individual to exercise personal responsibility in ensuring their compliance with the hygiene and distancing rules that protect us all. Going forward DATA MODUL intends to make good on its earned reputation as a reliable employer and strong partner for all staff members.

Skills development, career-pathing and internal advancement

Well before the pandemic we were aware that continuous adaptation and flexibility are both necessary for

our business, and this past fiscal year our employees emphatically demonstrated how to translate these into practice in deploying their skills and delivering performance in their assigned roles. Acceptance of change, motivation, dedication and know-how are key factors in this equation which we aim to consistently cultivate by offering an array of training and continuing education options tailored to the respective needs of staff members. The Talent Pool formed in connection with these objectives in July 2020 prepares younger staff members for future managerial roles at DATA MODUL. In addition to providing networking opportunities and internal mentoring, the Talent Pool program is about acquiring contemporary management and leadership skills, in part through working on real-world issues in small groups.

Today's trainees are the skilled labor the Company needs tomorrow. Around 30 young professionals at the Company locations in Munich and Weikersheim are currently undergoing apprenticeships for either business or technical roles, some of which are in combined apprenticeship/study programs. In addition to broad insights into the interworkings of a modern and innovative business enterprise across all areas, DATA MODUL provides specialized, focused training for acquiring knowledge that is directly applicable in practice. Trainees and apprentices enjoy a host of employment and career pathing opportunities within the DATA MODUL Group in addition to good chances generally in the international job market. For further information on current apprenticeship availability visit https://www.data-modul.com/de/unternehmen/karriere/ausbildung.html

Organizational development and corporate culture

The working environment at DATA MODUL is international, with our headquarters located in Munich and subsidiaries strewn around the world. Diversity is one of the factors behind our success, as our employees hail from over 35 different nations. Results-oriented entrepreneurial thinking outside the departmental box is another cornerstone. The Company strives for a solution-oriented exchange of information between departments, independent of hierarchical levels, and promote an open feedback culture.We took the opportunity throughout the past fiscal year to look closely at how we work together and to fine-tune the ways in which we uphold our values day by day, thus serving as role models for one another.

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.

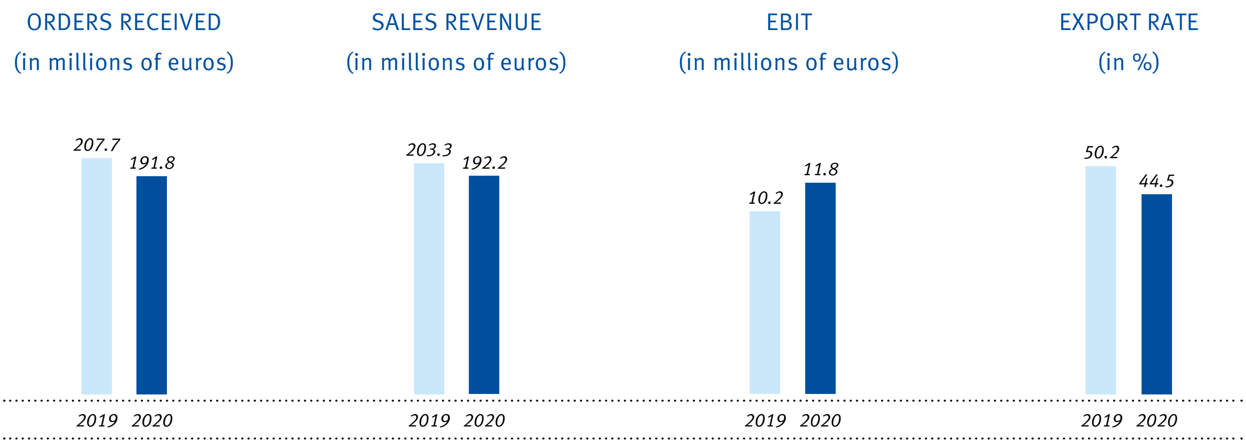
Success follows **professionalism. Innovation** is driven by **passion.** And everything is backed by strong **team spirit.**

GROUP MANAGEMENT REPORT

CONTENTS

GROUP MANAGEMENT REPORT

2020 GROUP MANAGEMENT REPORT



1. Basic principles of the Company

1.1 Business model

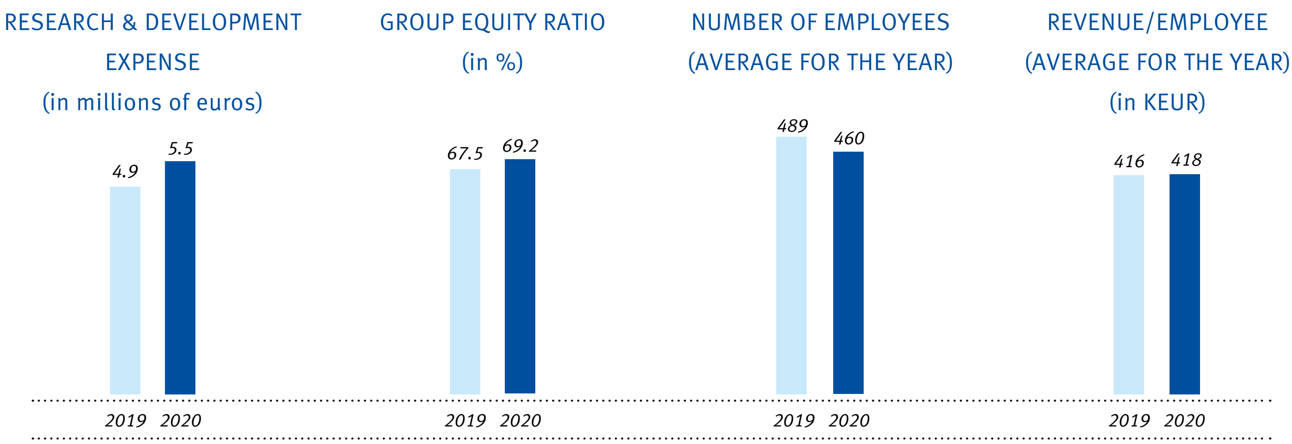
DATA MODUL AG, Produktion und Vertrieb von elektronischen Systemen, Munich (DATA MODUL for short) manufactures and distributes innovative flatbed displays, monitors, electronic subassemblies and complete information systems. The Company is organized into two business segments: Displays and Systems. The 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, as order volume is steadily rising in parallel with product complexity, so that orders are increasingly becoming long-term projects that make us sustainable partners for our customers. The DATA MODUL Group maintains regional offices in Germany, Spain, Italy, Switzerland, 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 were the relevant key performance indicators for the past fiscal year. 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 the fiscal year 2020 totaled 5,483 thousand euros (previous year: 4,927 thousand euros).

The average number of R&D employees during the year was 72 (previous year: 77 staff members). The R&D intensity ratio (R&D expense/revenue) was 2.9% (previous year: 2.4%).

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

Investment was made primarily in control electronics, industrial applications and OEM products, expansion of our production and R&D facility in Weikersheim. We have great expectations as well in R&D projects concerning our touch and optical bonding technologies. These were the main focus of our R&D efforts in the reporting period. We capitalized development costs in the amount of 827 thousand euros, recognizing intangible assets (previous year: 728 thousand euros). This corresponds to a capitalization/R&D expense ratio of 15.1% (previous year: 14.8%). Amortization came to 692 thousand euros (previous year: 824 thousand euros), resulting in a net effect of 135 thousand euros (previous year: net effect of -96 thousand euros). Research expenses may not be capitalized.

In the year under review, assets were recognized derived from customer-specific development projects in the amount of 3,453 thousand euros (previous year: 3,427 thousand euros).

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

2. Economic report

2.1 Business performance

The fiscal year 2020 was good for DATA MODUL despite the challenging business environment, thanks to the stringent implementation of the Touch Tomorrow 2023 strategy program. The primary goals and issues addressed last year included:

- Strengthening the supply chain impacted by the pandemic,
- Streamlining of our product portfolio,
- Expansion and standardization of production capacity,
- Expansion of our production site in Lublin,
- Operational start-up of our production site in Shanghai,
- Reducing costs and adapting the organization in line with DATA MODUL 4.0,
- Our ‘core pandemic priorities’: stay healthy, secure staff salaries, avoid layoffs and
- Preparing for a hybrid working environment.

Despite the difficult market environment in the past fiscal year, DATA MODUL was able to meet its forecast figures and estimates. Details regarding our performance metrics are discussed below.

In millions of euros	2020 Estimated	2020 Actual
Orders received	186.9 – 243.0	191.8
Order backlog	118.4 – 146.1	120.1
Revenue	182.9 – 227.7	192.2
EBIT	9.2 – 17.5	11.8
Net income	5.9 – 11.8	7.6
Return on equity	9.2% – 15.6%	11.2%

DATA MODUL recorded slightly lower revenue across nearly all industries and regions in the past fiscal year, falling short of the estimates for 2020 which were based on results from the fiscal year 2019. Our business grew in Germany and Italy, and we are confident about our long-term prospects in both the US and China.

General economic conditions had considerable negative impact on DATA MODUL’s business in 2020. EBIT rose despite declining revenue thanks to cost-cutting measures combined with lower personnel, travel and trade show costs. The estimates for 2020 were achieved. The Executive and Supervisory Boards have resolved in proposing a distribution of a dividend of 1.00 euros per share at the Company's Annual Shareholders' Meeting.

The fiscal year 2020 was thus good and profitable for DATA MODUL overall despite the general economic situation and 5.5% lower revenue. DATA MODUL also expects the next two years to be profitable.

2.2 Macroeconomic and industry-specific conditions

a) Macroeconomic conditions

The global economy was heavily impacted by the coronavirus pandemic in 2020. Originally limited to the Wuhan region of China in late 2019/early 2020, the virus had reached already Germany by late January. With the virus spreading around the globe, in March the German government imposed significant limits on business and personal travel, followed later by “lockdown” measures that severely restricted social interaction and commerce nationwide. Huge economic bailouts were launched to soften the blow to the economy and the resulting impact on the general population, along with other measures such as suspending the obligation of bankruptcy filing. In late April some of these measures started to be eased and rolled back as infection numbers declined. A resurgence in case numbers led to renewed restrictions from the beginning of November, which were again extended to a full nationwide lockdown at the end of the year.

The global economy fell into a short but deep recession of historic proportions in the spring. Europe was hit the hardest, with the UK, France and southern EU countries suffering the worst impact in the form of a nearly double-digit plunge in economic output for the year versus the previous year.[1)] The US, Germany’s big trading partner, recorded high infection numbers. Following the election of Joe Biden of the Democratic Party as the new President in November, lockdown measures remained limited and variable from state to state. As a result, the country only recorded a 3.5% decline in economic output for 2020 versus the previous year[2)]. Asia demonstrated how to best get through the pandemic, where the spread of the virus was effectively contained after the first wave in spring thanks to digital tracking

[1)] Eurostat database, Annual National Accounts, accessed February 3, 2021

[2)] Bureau of Economic Analysis 2021, BEA press release 21-02 of infection chains and scrupulous quarantine policies. Germany's other big trading partner China still saw year-over-year growth in its gross domestic product on an inflation-adjusted basis despite the sharp downturn early in the year.[3)]

The pandemic took a tremendous toll on the German economy in 2020, as gross domestic product fell 5.3% year-over-year (inflation and working-day adjusted)[4)], rivaling the worst plunge in the financial and economic crisis in 2009 (-5.6%). In line with the course of the pandemic in Germany, a noticeable but uneven recovery set in during the second half of the year following a strongly negative second quarter. Corporate investment activity was severely reined in due to the crisis despite a massive increase in government spending and expansion of bailout programs for businesses. The investment and business climate was further undermined by the US-China trade dispute and Brexit. Falling foreign trade, the driving force of the economy, also contributed substantially to the negative growth. This resulted more from falling exports than imports, as international transport routes were disrupted, impacting the premium-priced capital goods which Germany, with its cyclical auto industry, specializes in. Businesses made extensive use of short-time work as a means of avoiding mass layoffs and spiking unemployment. Even so, unemployment rose to 6.1% for the year on a seasonally adjusted basis[5)].

The severe recession put a significant damper on inflation in Germany, consumer prices rising only 0.5% year-over-year in 2020 overall.[6)] The stark global recession caused the price of Brent crude oil to fall below 20 US dollars per barrel in March[7)], and one-time measures like the three percentage point reduction in VAT implemented nationwide in early July, expiring at the end of 2020[8)], served to push prices lower.

[3)] National Bureau of Statistics of China 2021, http://www.stats.gov.cn/english/PressRelease/202101/t20210120_1812680.html

[4)] Federal Statistical Office 2021, press release no. 020

[5)] Agentur für Arbeit, Monthly Report for December 2020

[6)] Federal Statistical Office 2021, press release no. 006

[7)] Brent oil price retrieved from Refinitiv Eikon on December 8, 2020

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

Unprecedented economic policy measures were taken to counter the economic impact of the pandemic. These included, in addition vast federal government spending, the creation of a 750 billion euro EU Recovery Fund and employment stimulus funding for member states financed by joint EU bonds. Central banks moved again to significantly ease monetary policy in view of the clouded economic prospects, the milder inflation outlook and the large demand being placed on the public sector to provide financial support. The ECB conducted extensive securities purchasing and provided banks with additional large volumes of liquidity.

Interest rates on Eurozone bond markets thus remained at their low levels or declined further. The yield on 10-year Bonds fluctuated between -0.9% and -0.1%, having started out the year at -0.19%[9)] and finishing at -0.57%.[10)] Risk premiums rose significantly but over the further course of the year gradually receded to their starting level for the year. Borrowing conditions remained favorable for companies despite somewhat more stringent lending terms imposed by banks starting in the 2nd quarter of 2020. Stocks rapidly recovered from the first-quarter lump, with markets in several regions of the world finishing out the year at all-time highs.

Exchange rate developments in 2020 were also influenced by the pandemic and the course of risk aversion on the markets. The dollar strengthened as a safe-haven currency through the month of April until the trend reversed in May/June. For the year the dollar declined against the euro by around 9%, the EUR-USD rate falling to 1.221.[11)]

b) Industry-specific conditions

Electronics is one of Germany's most important manufacturing industries in terms of gross value creation. Coming after significantly lower production and revenue in 2019 already (-2.4% and -1.8% respectively),[12)] the corona crisis restrictions hit the industry hard, causing

[9)] 10-year Bund yield retrieved from Bloomberg on January 11, 2021

[10)] 10-year Bund yield retrieved from Bloomberg on January 11, 2021

[11)] EUR-USD exchange rate retrieved from Refinitiv Eikon on January 11, 2021

[12)] ZVEI Business Cycle Report, January 2021 an order decrease of 4.8%[13] between January and November 2020 versus the same period in the previous year, with international orders down sharply. Real production fell 7% and revenue 5.6%[14] in calendar year 2020. Even though the business climate has improved again since mid-2020, a rapid return to precrisis production levels is not expected. The industry's recovery is driven by the economic stimulus package rolled out by the German government in mid-2020, which provided major incentives for investing in climate protection through electrification and digitalization. These trends will continue to buoy the electronics industry in significant fashion, as companies are having to digitally transform their business models (see for example Industry 4.0) to deal with the physical contact restrictions under lockdown conditions. The purchase subsidies for electric vehicles have been increased and charging infrastructure is being expanded, spurring on the mobility revolution.

The German Electrical and Electronic Manufacturers Association ZVEI has estimated that the global electronics market, of which Germany comprises around 3%[15], contracted by 3% in 2020 due to the coronavirus pandemic to a current level of 4,374 billion euros in sales. The electronics markets of industrialized countries are estimated to have slumped 7% while the impact in emerging economies is believed to have been much more moderate, declining only 1% due to China's swift rebound. In DATA MODUL's core markets developments were mixed in 2020. By far the largest market at a volume of 1,801 billion euros, China accounts for roughly 40% in total. Despite temporary stagnation in 2020 the market still handsomely outperformed the rest of the world, according to estimates.

The US, which accounts for roughly 20% of the world market at 891 billion euros in sales, is estimated to have shrunk by 7% in 2020. Both these markets suffered from the bilateral trade dispute on top of the pandemic-related effects. The picture was similarly grim for Europe, with EU and eurozone markets declining an estimated 8% and 9% respectively in 2020. The European electronics market comprises roughly 17% of the global market with sales of 770 billion euros. German electronics exports to the UK suffered particularly (-12.9% January to November 2020)[16], reflecting deteriorating trade relations in connection with the prospect of a no-deal Brexit taking the UK out of the EU internal market.

Machinery manufacturing is another important buyer industry for DATA MODUL that dealt with a similar blow from the pandemic in 2020 as was felt by the electronics industry. In the period January to November 2020 orders fell 12% year-over-year, real production 12.4% and revenue 13.1%[17]. This heavily export-oriented, late-cycle industry was anticipated to experience much harsher decline when the corona crisis first erupted last spring. DATA MODUL recorded significantly better results than would have been the case thanks to the performance of China as a key export market for German machinery manufacturers alongside the US and EU, and because a coronavirus vaccine has become available sooner than expected. Recovery over the course of 2020 was uneven however in this highly heterogeneous industry, as some machine manufacturers benefited from digitalization, e-commerce and other trends accelerated by the pandemic, enabling a relatively rapid emergence back to pre-crisis levels even before the year was over. These beneficiaries include forklift and robot manufacturers, for example, as well as semiconductor producers, who are important suppliers to the electronics industry. In contrast, many machine tool manufacturers are still in crisis due to both the pandemic and the change of a structural nature connected with e-mobility and digitization.

2.3 Group business situation

a) Earnings

The Group was unable to match the previous year's level of 207,688 thousand euros in new orders, which came in at a value of 191,826 thousand euros. Order backlog declined to 120,105 thousand euros on weaker order flow and a book-to-bill ratio slightly below 1 (previous year: 131,601 thousand euros). At fiscal year-end, revenue totaled 192,185 thousand euros (previous year: 203,314 thousand euros). DATA MODUL was affected by the challenging economic environment in 2020, seeing

[13] ZVEI Business Cycle Report, January 2021
[14] ZVEI press release of June 2020
[15] ZVEI report *Weltelektromarkt*, August 2020
[16] ZVEI Foreign Trade Report, January 2021
[17] VDMA Economic Update, January 2021

revenue decline across nearly all industries and regions, due principally to the lockdown measures imposed. International revenue remained at a high level thanks to the Company's persistent internationalization efforts, though the export rate declined slightly to 44.5%.

Revenue broke down by region as follows:

Revenue breakdown in millions of euros	**2020**	**2019**
Germany	106.6	101.3
Europe[18]	59.6	67.6
America	15.3	17.8
Asia/Pacific/Africa	10.6	16.4
Rest of World	0.1	0.2
Total	192.2	203.3
Export rate	44.5%	50.2%

Domestic revenue increased slightly due to rising demand for medical products despite revenue otherwise trending lower across all markets and regions.

The change in key expenses and income items in the fiscal year 2020 is shown below.

- Cost of sales decreased year-on-year to 150,396 thousand euros (previous year: 159,394 thousand euros), primarily reflecting lower materials expenses connected to the 5.5% decline in revenue. Gross margin for the fiscal year 2020 was 21.7% (previous year: 21.6%). This slight increase primarily reflects changes in the product mix and higher revenue in the Systems business segment. Offsetting factors included increased transaction costs in connection to limited logistical capacity from Asia to Europe throughout the course of the year.
- Research and development expenses increased to 5,483 thousand euros from 4,927 thousand euros in the previous year. This increase factors in impairments in the amount of 952 thousand euros recorded for two custom development projects which the customer discontinued due to experiencing significant economic impact from the pandemic.

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

- Selling and administrative expenses declined year-on-year to 24,574 thousand euros (previous year: 28,799 thousand euros). Selling expenses accounted for 14,846 thousand euros of total expenses reported (previous year: 19,337 thousand euros), and general administration expenses came to 9,728 thousand euros (previous year: 9,462 thousand euros). The decrease in selling and administrative expenses is mainly due to lower commissions, travel expenses and marketing expenses as a result of the coronavirus pandemic. Administrative expenses include net foreign exchange losses from currency conversion in the amount of -1,093 thousand euros (previous year: profit of 206 thousand euros).

The financial result came in at -716 thousand euros, lower than the previous-year figure of -586 thousand euros. This was mainly due to interest expense being recorded for the full year for the office and production facilities leased in Lublin and Shanghai in 2019, and to increased utilization of credit lines during the year. A lower financial result was furthermore recorded due to initial recognition of embedded foreign currency derivatives in connection with customer and supplier orders in foreign currency.

Running counter to the change in revenue, EBIT (earnings before interest and taxes) came in at 11,829 thousand euros (previous year: 10,194 thousand euros), with EBIT margin at 6.2% (previous year: 5.0%). This increase primarily reflected the fruits of stringent cost management efforts and lower personnel, travel and trade show costs. A consolidated pre-tax profit (consolidated EBT) was recorded at 11,113 thousand euros (previous year: 9,608 thousand euros). Consolidated net income for the year changed in line with pre-tax profit, coming in at 7,563 thousand euros (previous year: 6,507 thousand euros). Earnings per share for 2020 came to 2.14 euros as compared to 1.85 euros for 2019 (based on a weighted average number of shares of 3,526,182).

Displays segment

As a result of the challenging market environment, revenue in the Displays business segment fell 11.3% to 120,482 thousand euros (previous year: 135,869 thousand euros). EBIT of 3,965 thousand euros was recorded (previous year: 4,565 thousand euros). The segment generated consolidated net income for the year of 1,869 thousand euros (previous year: 2,416 thousand euros). Displays, which is the Group's core business segment, recorded a decline in new orders as well, which fell 20.7% to 109,191 thousand euros (previous year: 137,725 thousand euros). DATA MODUL saw a broad fall in customer orders in this segment due to the lockdown measures. Order backlog as of December 31, 2020 was 75,412 thousand euros (previous year: 88,849 thousand euros).

Systems segment

Revenue in the Systems segment rose 6.3% to 71,703 thousand euros (previous year: 67,444 thousand euros) for EBIT of 7,864 thousand euros (previous year: 5,629 thousand euros). Consolidated net income for the year thus came to 5,694 thousand euros (previous year: 4,091 thousand euros). Orders received rose 18.1% to 82,635 thousand euros (previous year: 69,963 thousand euros), mainly on rising demand for medical products. Order backlog as of December 31, 2020 was 44,693 thousand euros (previous year: 42,752 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 British pound. No hedging instruments were held at the reporting date.

The equity ratio was 69.2% (previous year: 67.5%), the debt ratio was 30.8% (previous year: 32.5%). The Group's leverage ratio (debt/equity) was 44.5% (previous year: 48.2%).

Debt consists primarily of:

· 14,751 thousand euros in leasing liabilities recognized in accordance with IFRS 16 (previous year: 16,148 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	2,320	8,159	6,469	16,948

· Liabilities due to financial institutions of 0 thousand euros (previous year: 4,200 thousand euros)

· Trade accounts payable of 11,787 thousand euros (previous year: 9,206 thousand euros).

The maturities are as follows (in KEUR):

Trade accounts payable	‹ 1 year
EUR	5,499
USD (euro equivalent)	5,650
JPY (euro equivalent)	527
Other (euro equivalent)	111
Grand total	11,787

The Company also has guaranteed bills outstanding in the form of bank guarantees in the amount of 975 thousand euros (previous year: 1,375 thousand euros).

The maturities are as follows:

Guaranteed bills outstanding	‹ 1 year	1-5 years	› 5 years	Total
KEUR	0	97	878	975

In the past fiscal year the Group took early steps to secure the financing necessary for further growth. This involved the renewal of short-term lines of credit and bank-guaranteed lines for working capital, allowing us to react quickly when business opportunities open up. Group companies have credit lines totaling 30,000 thousand euros at their disposal until further notice. As of the reporting date, the Group had utilized 3.25% of these credit lines through guaranteed bills outstanding.

There are thus no going-concern risks relating to Group financing. Credit agreements with banks do not contain financial covenants besides the usual quarterly reporting obligations. In the event of a future change of control, further cooperation is to be discussed with the banks. No special financing measures or projects were conducted in the period under review.

Capital expenditure

In the past fiscal year 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 2020 went to expanding production and logistics capacity at the sites in Weikersheim, Lublin and Shanghai. Investments were also made in IT infrastructure and workplace equipment in connection with increased remote working. Capital expenditure in the fiscal year 2020 (excluding rights of use per IFRS 16) totaled 3,429 thousand euros (previous year: 6,984 thousand euros).

The main capital expenditure items were:

- Additions to intangible assets in the amount of 1,040 thousand euros (previous year: 1,150 thousand euros)
- Additions to property, plant and equipment in the amount of 2,389 thousand euros (previous year: 5,834 thousand euros).

A breakdown of capital expenditure by segment is provided below:

- Capital expenditure Displays segment 2,084 thousand euros (previous year: 3,429 thousand euros) and
- Capital expenditure Systems segment 1,345 thousand euros (previous year: 3,555 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 10,777 thousand euros (previous year: 10,447 thousand euros). The positive effect from the increased net income for the year recorded was partially offset by the increase in inventories, with an opposing effect from increased trade payables, and by lower trade receivables. Days sales outstanding (DSO) as of December 31, 2020 was 48.97 days (previous year: 49.73 days).

Decreased investment in intangible assets and property, plant and equipment in 2020 resulted in cash flow from investing activities of -3,429 thousand euros (previous year: -6,968 thousand euros). After the dividend distribution for fiscal year 2020, cash outflows for leases, taking out new short-term borrowings and the subsequent redemption of all borrowings in the second half of the fiscal year, cash flow from financing activities came to 6,945 thousand euros (previous year: -2,006 thousand euros).

At the end of the year the Group held cash and cash equivalents totaling 26,656 thousand euros (previous year: 26,421 thousand euros). Net cash (cash and cash equivalents less borrowings) totaled 26,656 thousand euros as of the reporting date (previous year: 22,220 thousand euros). The Company holds sufficient cash to pay off all trade accounts payable on the books as of the reporting date.

c) Financial status

The balance sheet total increased by 5,373 thousand euros versus the previous year to 152,953 thousand euros (previous year: 147,580 thousand euros). On the assets side of the balance sheet, this increase was largely attributable to the increase in inventories. This reflected active inventory management to contain heightened product availability risk in connection with coronavirus-related supply problems. Current financial assets increased due to the initial recognition of embedded foreign currency derivatives in connection with supplier orders in foreign currency. Capitalized costs to fulfil a contract, which are recorded for custom development work, also increased due to the acquisition of two new custom development projects. Contract assets declined on the other hand due to lower purchase quantities from our consignment warehouse customers. On the liabilities side, the increase in total assets was mainly due to the increase in equity resulting from the consolidated net income for fiscal year 2020, the initial recognition of embedded foreign currency derivatives in connection with customer orders in foreign currency and increased trade accounts payable. Increased liabilities were offset by the redemption of liabilities due to financial institutions.

A dividend was distributed in the reporting period for the fiscal year 2019 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 bank liabilities.

As of the reporting date, the DATA MODUL Group equity ratio was 69.2% (previous year: 67.5%).

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	2020	2019
Orders received	191,826	207,688
Order backlog	120,105	131,601
Revenue	192,185	203,314
EBIT	11,829	10,194
Consolidated net income	7,563	6,507
Return on equity	11.2%	10.2%
EBIT margin	6.2%	5.0%

DATA MODUL was able to reach its earnings targets for the fiscal year 2020 despite the difficult market environment. The investments we have made, however, in our production sites in Germany, Poland and China put us in a strong position to meet future challenges in the marketplace. The Group remains very solid financially, having sufficient liquidity.

b) Non-financial performance metrics

In addition to financial metrics, DATA MODUL also utilizes non-financial performance indicators including labor relations, long-term customer and supplier relationships, environmental considerations and ISO certifications. One positive indicator in the area of labor relations is the employee average of 7.5 years of service at DATA MODUL. This reflects our long-term working relationships with our employees, which we actively foster through internal training seminars and continuing education programs. Our remuneration structure, comprising fixed and in some cases variable salary components, ensures that individual employee performance is fairly compensated. At the 2020 reporting date DATA MODUL Group employed 473 staff, as compared to 447 in the previous year. The average workforce headcount for the year decreased 5.9% to 460 staff members (previous year: 489 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 33 apprentices.

3. Risks, Opportunities and Forecast

3.1 Risk report

Global economic trends, exchange rate movements, rising commodity and energy prices and uncertainties regarding customer ordering behavior constitute risks which may have a lasting impact on our business. We are aware of these risks and carefully monitor their impact on our business operations. As a multinational enterprise, DATA MODUL Group is exposed to a number of risks which are inextricably linked to our business activities. Efficient management of these risks is of key importance as they serve as an early warning system.

Risk management system

Strategic principles

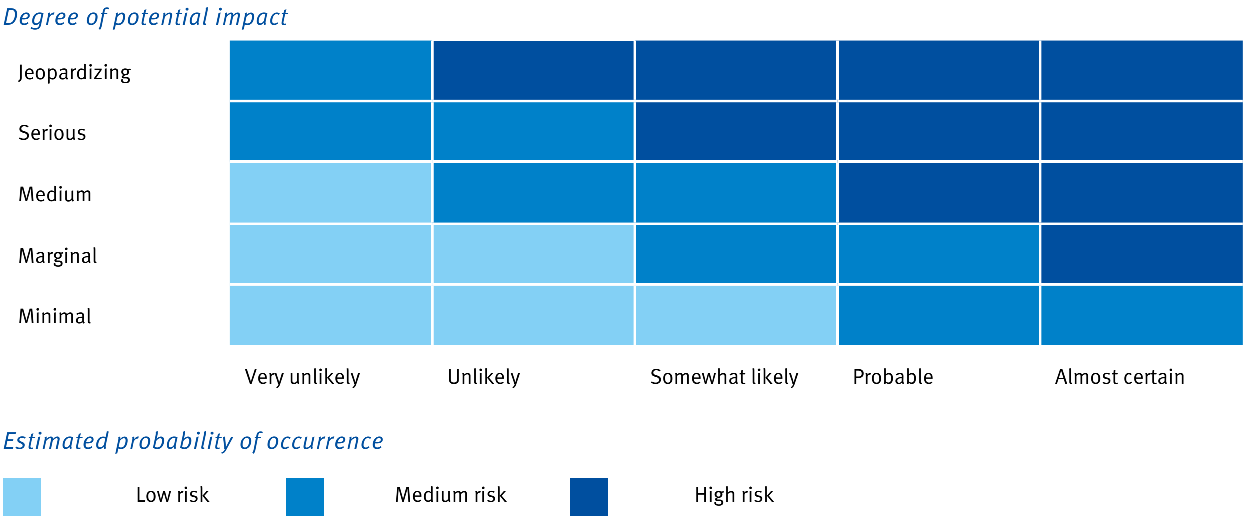
The DATA MODUL Group risk management system is intended to render transparent and manageable any known and arising risks and opportunities in the daily business operations of all companies involved in the Group.

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

Organization and responsibilities

The DATA MODUL Executive Board bears overall responsibility for effective risk management; the Board defines the Company's risk-bearing capacity levels and decides on actions to be taken in response to particularly significant, core risks. It also updates the Supervisory Board regularly concerning the Company's risk exposure. Risk

Risk classification matrix



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 their 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 catalog, analyzed and assessed.

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

Risk monitoring and reporting
Risks are subject to constant change, thus they are continuously monitored by the risk owners and risk officers as to changes and to the adequacy and efficiency of the risk strategy currently in place. Constant monitoring of proposed risk response measures and reporting on

their status is an important risk control tool. A summary report on risk categories and sub-categories is always included in the monthly Executive Board report. Continuous risk reporting ensures that Company management has the overall risk situation in view. We thus prepare an annual risk report and discuss risks and rewards for the individual DATA MODUL business segments in monthly, quarterly and year-end financial statement meetings.

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

a) Corporate strategy risk

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

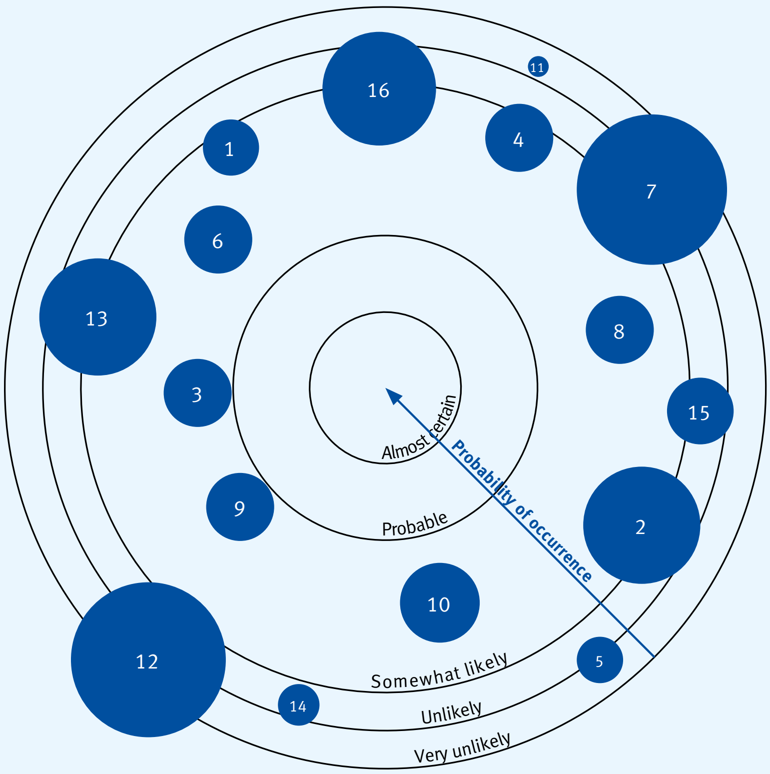
Corporate strategy risks may result from internal projects and strategic decisions which fail to meet expectations. In consequence, investments made may not pay off for example, or the decision to evolve into an end-to-end system solutions provider may prove inadvisable. We continuously attempt to counter this by regularly and closely analyzing the risk 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,

Risk portfolio:

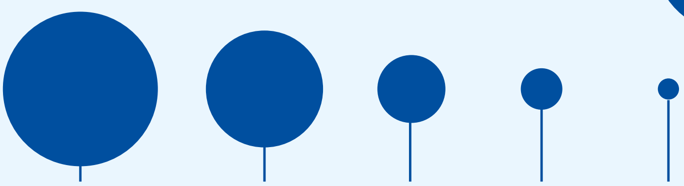


Explanatory notes:

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



› 10,000 KEUR › 5,000 KEUR › 2,000 KEUR › 500 KEUR ‹ 500 KEUR demand rises and falls in line with the economic cycles in our primary markets, and could continue declining in the future. However, economic analysts see the potential for weaker growth for the global economy in 2021 due to the coronavirus pandemic. Both production and demand will continue to be negatively affected by the pandemic, and a recession remains possible for many regions of the world in the first half of 2021. There is furthermore heightened risk of further recession and possibly even a financial markets crisis in 2021 due to the pandemic. Reliably predicting either the spread of the virus or its economic consequences is impossible however because too many unknowns are involved. There will also likely be further easing of European fiscal policy in an effort to aid affected businesses, following the Fed's move to cut interest rates last year. Other negative effects, including particularly those resulting from instable international currency markets, may also affect our business. Economic trends in Germany and the US, our key markets, are of particular significance to our business. 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 substantial risk to DATA MODUL's business. Changes in legislation may affect sales in certain industries and target markets. DATA MODUL has been carefully monitoring and assessing the economic, political, legal and social environment in order to take account of any arising risks or opportunities in our decision-making processes at an early stage.

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

Procurement risks

The market for flatbed displays is dominated by a small number of manufacturers, almost all of which are based in Asia. Procurement risks could become manifest in times of high demand and product scarcity due to capacity bottlenecks, resulting in delayed deliveries to customers, cost increases and missed sales. Such capacity problems can be expected in 2021 due to supply problems from the chip and glass industries. As yet uncontained, the coronavirus will thus continue threatening global supply chains for the foreseeable future. We are countering these risks by means of 'second sourcing'. 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 122 days during the reporting period, as compared to 112 days in the previous year.

Competitive and price risks

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

c) Value chain risks

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

d) Financial risks

Interest rate and currency risks

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

Liquidity and default risks

Currently the DATA MODUL Group has credit lines and bank guarantees totaling 30,000 thousand euros. These credit facilities have been granted until further notice by various banks under bilateral agreements at the current time. Credit agreements with banks generally 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 continued to improve in the past fiscal year, characterized by virtually no liquidity risk.

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 when deemed necessary. The average days sales outstanding (DSO) figure was 48.97 days in 2020.

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 2020, external attacks were successfully repelled by the security measures in place, so that these did not cause any disruptions to our business. In addition, our protective measures are tested by external experts to verify their effectiveness and efficiency. Our IT systems are continuously checked and improved to ensure the security and efficiency of our business processes on an ongoing basis. Furthermore, employees are required to comply with our IT policies.

f) Product liability and legal risks

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

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

DATA MODUL is subject to many different laws and regulations as an enterprise with international operations and access to capital markets. The international business practices of the corporate group are thus influenced by wide-ranging compliance requirements and tax and customs regulations, which furthermore change over time. Non-compliance, including any breach of the EU General Data Protection Regulation (GDPR), can result in significant fines, additional expense and negative media coverage for the Company. The Company is also exposed to 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 to applicable laws. The Company established internal control mechanisms, 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.

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

h) Other operational risks

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

The Executive Board saw no risks which pose a going-concern threat to the DATA MODUL Group as of the reporting date, and does not foresee any arising in the near future, nor did risks in aggregate pose an evident 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 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 its 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 associated 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 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. In addition, 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 are never realized.

Economic environment and product portfolio.

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

We base these growth expectations on our heightened R&D efforts in the field of control electronics and in our industry-related business, in which we operate as OEM supplier of specially developed niche products. There is additional potential in the Embedded sector thanks to our newly developed expertise in the field of touch and optical bonding technology. Several customer orders we have received are indicative of how much potential exists.

Attractive growth opportunities for DATA MODUL also lie in further globalization of our business. We want to participate in the growth opportunities in emerging markets over the next several years, increasing our sales. Expansion of our business activities in the US and China will open up growth opportunities as well. The Company is thus pursuing these objectives with the greater aim of increasing 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 increasing 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 may be able to better manage costs by relocating value-creating activities to more lower-cost countries. This goal is to be accomplished in part through our production site in Poland. Transferring certain value-adding activities, such as procurement, production and maintenance to markets such as the BRIC countries would allow us to reduce costs and strengthen our global competitive standing, particularly with respect to competition from countries where cost structures are more favorable. Additionally, we are working to develop and implement cost-cutting initiatives, adjust capacity, improve processes and rebalance our portfolio constantly. In highly competitive markets, competitive cost structures enhance the competitive advantage of innovation capability.

Nonetheless, uncertainties remain which could endanger any sustainable improvement in business conditions (see 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[19)]

The economy will continue to be impacted in 2021 as governments further respond to the coronavirus pandemic with restrictions, offset in part by economic stimulus measures. The global economy is expected to demonstrate weakness and volatility in the first half of the year before stabilizing and recovering as vaccination becomes more broadly available. Despite a persistently high level of political uncertainty, it is believed that the situation will not be escalating in a manner that substantially jeopardizes the prospects for global economic recovery. Fiscal and monetary policy will remain expansionary to stave off another potential economic downturn. Interest rates will remain low, although lending practices will be more restrictive in view of increasing bankruptcies. Despite selective price increases, we foresee companies having scarce pricing policy leeway given low capacity utilization worldwide, which means a low-inflation environment.

With the pandemic set to continue having significant impact at least in the first half of 2021, the German economy is fortunate to have a relatively high proportion of its value creation stemming from manufacturing. German manufacturers have adapted production well to meet the infection control measures imposed, which has served to stabilize the economy. The service sector on the other hand, normally less volatile, will continue to suffer heavily under the lockdown measures. In the second half of the year however, service providers will likely be leading the recovery, propelled significantly by foreign trade. Yet economic output and investment activity will remain substantially below their pre-crisis levels as 2021 draws to a close. BayernLB Research is forecasting real GDP growth of 3.1% for the full year of 2021.

The outlook is similar for the EU and eurozone, which are set to remain on the roller coaster cycles of lockdown and economic recovery in 2021, finishing out with forecast growth of around 3.9% for full-year 2021. Brexit will have a noticeable negative impact on the UK early in the year, but the EU will be less affected. The southern EU countries should benefit the most from recovery of the service sector and tourism in the second half of the year. Monetary and fiscal policy will remain highly expansionary in 2021, thus central bank balance sheets and public debt will continue growing significantly.

[19)] BayernLB Research, Perspektiven report 1/2021

Further government spending can be expected from the US in 2021 in view of Democratic majorities in both chambers of Congress under a Democratic President. Thanks to this stimulus, US economic output will already return to pre-crisis levels by the summer of 2021 – an entire year ahead of the eurozone. Real GDP growth of 5% is forecast for 2021. Fed monetary policy will remain expansive. With the coronavirus pandemic under control, China is the first large country to return to normal growth. With capital investment catching up (particularly in the automotive sector) and the broad fiscal policy measures enacted increasingly taking effect towards the end of 2020, real growth of around 7.8% is forecast for the Chinese economy – a level not seen since 2013.

The financial markets will also be affected by expansive monetary and fiscal policies in 2021, as financing will likely remain cheap and higher-risk asset classes will be in demand. Increased volatility can be expected, however. The dollar will likely weaken further against the euro as risk aversion becomes less pronounced.

DATA MODUL outlook for 2021

The coronavirus pandemic will have a major impact on the global economic environment in 2021, principally in the first half. Recovery will gradually set in towards midyear as vaccination campaigns make progress, led by manufacturers, who successfully adapted production to the pandemic conditions, followed by the service sector later in the year. Growth of 4.2% is forecast for the global economy versus the previous year, fueled by US government spending and vigorous expansion of the Chinese economy. Global economic output will have risen above its pre-crisis level by the end of the year.

The greatest economic risks that will be faced in 2021 are related to the pandemic. An aggressive or resistant mutation of the coronavirus as well as a low vaccination rate and, as a consequence, prolonged lockdowns pose a threat to the continued existence of SMEs in particular. The wave of bankruptcies could turn out to be significantly larger than anticipated. In addition, the US-China trade dispute will not likely go away entirely under the new administration of President Biden. The economy could furthermore be affected by declining financial markets, where valuations are high, or by increasing risk aversion in the real estate market. The economy could however fare better than expected if the expansive monetary and fiscal policies enacted within the European monetary union prove more effective than anticipated or take more rapid effect, if the coronavirus pandemic is contained more quickly than anticipated and/or if the trade dispute between China and the US is permanently resolved relatively soon.

In addition to geopolitical risks, economic impact from the coronavirus pandemic, the trade war between China and the US and the global sovereign debt problem, which could significantly affect growth, are creating political uncertainty in Europe and will play a large role in 2021. The year 2021 will once again pose great challenges and it remains to be seen how Europe will continue to hold up under the continuing strain threatening political division.

The Touch Tomorrow 2023 strategy program is aimed at further strengthening DATA MODUL's global competitiveness. We aim for balanced sales growth in Europe, the US and Asia, with Germany naturally forming the backbone of the Group's business. Plans are in place to further develop sites in Poland and China as part of efforts to expand capacity on a 'local for local' basis. Thus with new products being developed to market-readiness, DATA MODUL Group will face a challenging environment ahead in 2021 due to the overall economic situation. We will nevertheless consequently pursue our strategic goals with a view to maintaining the same trajectory as in recent years.

In consequence of our strategic development program, we will once again be investing this year to expand our production and logistics center in China in order to progressively increase production capacity. Currently the Group has plans for a total capital expenditure of 4 – 7 million euros. Depending on the developments in the fiscal year 2021, we will either invest the full amount or reserve part of the funds. Within the next two years, larger investments may also be made to acquire smaller firms. This will subsequently accelerate our 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 based on 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:[20)]

- German economic growth: 2.8%
- European economic growth: 3.6%
- US economic growth: 3.2%
- Global economic growth: 4.2%
- Fiscal and monetary measures aimed at containing the coronavirus will be in place until the summer of 2021
- Stable USD and JPY exchange rates
- Operational start-up of additional machinery at our production sites
- No further, more restrictive or longer-lasting lockdown measures are imposed than were in place at the time of preparation of this report.

Summary

We foresee further weakening of the global economy in the first half of 2021 due to the spread of the coronavirus, followed by a moderate recovery in the second half. Based on a view that fiscal and monetary policy measures will effectively mitigate the economic consequences of the coronavirus pandemic, leading to normalization and an economic rebound, the Executive Board expects that business will remain stable for the DATA MODUL Group. The book-to-bill ratio is expected to come in above 1 again, indicating secure revenue growth over the medium term. Both segments will likely see growth. Despite lessened growth expectations we project revenue to rise thanks to expansion of our business activities in the US and China and to our newly developed expertise in touch, optical bonding and embedded technologies. The global digitalization trend is also favorable for the Displays business.

The Executive Board does not rule out the possibility of key performance indicators going slightly negative if the coronavirus pandemic is not contained by the summer of 2021 as expected and countermeasures to cushion the economic consequences prove ineffective.

Group objectives	Increase in 2021	Fiscal year 2020
Orders received	- 10 - 17%	191.8 million euros
Revenue	-10 - 12%	192.2 million euros
EBIT	-30 - 30%	11.8 million euros

20) OECD Economic Outlook, December 2020

4. Remuneration report

The DATA MODUL AG Supervisory Board determines the overall remuneration packages for members of the Executive Board. It also reviews and adapts the Executive Board remuneration scheme on a regular basis with a view towards appropriateness of individual Executive Board member remuneration, considering the principal contractual elements in place.

The remuneration packages of DATA MODUL AG Executive Board members are determined based on the size and the global activities of the Company, its business and financial position, profitability, prospects, and the amount and structure of remuneration packages of executives and directors of comparable companies in and outside Germany. In addition, the responsibilities and personal performance of the Executive Board member are taken into account.

Our remuneration structure is designed to be competitive in the international market for highly qualified executives, and incentivizes hard work within a high-performance culture to successfully and sustainably grow the enterprise. DATA MODUL AG participates in comparative remuneration surveys of both the industry and of Prime Standard companies in general to ensure horizontal comparability of Executive Board remuneration. In determining Executive Board remuneration, pay scales and the remuneration scheme used throughout the DATA MODUL Group are taken into account as well for a vertical perspective. Executive Board remuneration is performance-oriented. Pay packages are comprised of the following components:

- Fixed components (basic salary plus fringe benefits)
- Performance-based component (single-year and multi-year variable remuneration tied to the attainment of specific goals/targets).

Basic salary, fringe benefits and pension are the non-performance-linked remuneration components. The basic salary is paid in even monthly installments. Fringe benefits primarily consist of contributions to accident, life and health insurance and use of a company car. The Company has no pension commitments to Dr. Pesahl as sole Executive Board member.

Multi-year performance-based variable remuneration as regulated by the executive bonus scheme depends on the attainment of certain targets specified in the employment contract. These targets are based on Group EBIT. The executive bonus is staggered, depending on the degree to which targets are achieved, with a minimum threshold and a maximum amount when the targets are fully achieved. The earnings target for the fiscal year 2020 was adopted at the Supervisory Board meeting held in December 2019.

The disclosures on compensation paid to Executive Board members in the fiscal year 2020 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	**2019**	**2020[3]**	**2020 (min.)**	**2020 (max.)**
Fixed remuneration	230	230	230	230
Fringe benefits	17	18	18	18
Total	**247**	**248**	**248**	**248**
One-year variable compensation [1]	73	73	0	147
Multi-year variable compensation [2]				
Executive bonus 2017	73	0	0	0
Executive bonus 2018	0	73	0	73
Total compensation (according to GCGC)	**393**	**394**	**248**	**468**
Service cost	0	0	0	0
Total compensation (according to GAS 17)	**393**	**394**	**248**	**468**

[1] Not taking into account any deferrals.

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

[3] An additional performance bonus in the amount of 100 thousand euros was approved for Dr. Pesahl in 2020 based on his contract, payable for performance in the fiscal year 2020.

Compensation paid to Executive Board members in the fiscal year 2020 breaks down as follows:

Compensation KEUR	Dr. Florian Pesahl *CEO* *Appointment date: January 1, 2010* 2020[6]	 2019[5]
Fixed remuneration	216 [7]	230
Fringe benefits	18	17
Total	**234**	**247**
One-year variable compensation [4]	73	147
Multi-year variable compensation	73	73
Total compensation	**380**	**467**

[4] Not taking into account any deferrals.

[5] Bonuses were approved in 2018 for Dr. Pesahl based on his contract in the amount of 119 thousand euros for performance in the year 2017, and 83 thousand euros for the year 2018. The total amount paid out in 2019 was 202 thousand euros.

[6] An additional performance bonus in the amount of 50 thousand euros was approved for Dr. Pesahl in 2019 based on his contract. This amount was paid out in 2020.

[7] 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	2020	2019	2020	2019
Provisions recorded as of the reporting date	297	295	274	277
Allocations to pension provisions	26	51	25	42
Pensions paid	24	23	28	27

In fiscal years 2019 and 2020, the Executive Board member did not receive any loans or similar benefits. Nor did the Executive Board member receive any remuneration for offices held at other Group companies.

There are no contractual agreements in place with the Executive Board member governing early termination of Board duties without due cause. The Supervisory Board believes that this is not appropriate due to the fact that the Executive Board member usually has no control over a decision to terminate agreements without due cause. The Executive Board member's contract contains a severance clause in the event of a change of control in the Company in the maximum amount of two years' remuneration.

Supervisory Board remuneration

The amount of remuneration paid to Supervisory Board members is commensurate with the size of the Group as a corporation, the members' tasks and the responsibilities, and the Group's financial position and business outlook. The relevant provisions are set forth under Sec. 8 of the Company's Articles of Incorporation. These provide that Supervisory Board members receive a fixed annual fee payable after the fiscal year has ended. This fee is 20,000 euros p.a.; the chairman receives twice this amount, and the deputy chairman receives 1.5 times this amount. The Company does not pay any fees for attending Supervisory Board meetings.

Remuneration paid to individual Supervisory Board members is outlined below:

Annual remuneration in KEUR	2020	2019
Kristin D. Russell	40	40
Rick Seidlitz	30	30
Wolfgang Klein	0	7
Eberhard Kurz	20	13
Grand total	**90**	**90**

Supervisory Board members are reimbursed for expenses incurred in connection with performing their office, and for any VAT charged on their remuneration. The Company does not grant loans to Supervisory Board members. DATA MODUL AG provides D&O insurance for Group board members. The insurance is taken out or renewed annually. The insurance covers personal liability in cases of pecuniary loss claims brought against directors/officers in connection with the performing of their duties. The policy for the fiscal year 2020 stipulates a deductible for the Executive Board member in line with the German Stock Corporation Act and German Corporate Governance Code.

5. Control of capital

a) Subscribed capital

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

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 Law (AktG); changes to the Articles of Incorporation are made in accordance with Secs. 133, 179 German Stock Corporation Law.

The authority of the Executive Board with respect to the issuance and acquisition of new shares is as follows:

d) Authorized capital 2015

Shareholders have authorized the Executive Board to increase the Company's share capital one or more times in the period through July 2, 2020 by a maximum total of 5,289,273 euros, subject to Supervisory Board approval, by offering and issuing new bearer shares for cash or non-cash contributions. The Executive Board's empowerment to utilize authorized capital under Sec. 3 (3) of the Company's Articles of Incorporation expired unused on July 2, 2020.

6. 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 Corporate Governance section.

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

In the fiscal year 2020 DATA MODUL AG was a controlled affiliate of Arrow Central Europe Holding Munich GmbH, Munich, Germany, according to Sec. 312 German Stock Corporation Act (AktG). The DATA MODUL AG Executive Board thus compiled an Executive Board report on relationships with affiliated companies in accordance with Sec. 312 (1) German Stock Corporation Act (AktG) containing the following closing statement:

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

Munich, March 18, 2021

Dr. Florian Pesahl
Chief Executive Officer

CONSOLIDATED FINANCIAL STATEMENTS

CONTENTS

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2020

ASSETS	Notes	12/31/2020	12/31/2019
Non-current assets			
Goodwill	[8]	2,419	2,419
Intangible assets	[8]	3,066	3,001
Property, plant and equipment	[8]	18,559	19,353
Right-of-use assets	[9]	12,330	14,424
Capitalized costs to fulfil a contract	[10]	5,720	3,813
Deferred tax assets	[6]	701	534
Total non-current assets		**42,795**	**43,544**
Current assets			
Inventories	[11]	52,029	41,512
Trade accounts receivable including impairments (2020: 605; 2019: 76)	[12]	24,181	27,907
Contract assets	[12]	2,904	4,096
Tax receivables	[12]	705	2,369
Other current assets	[12]	1,019	1,291
Other current financial assets	[12]	2,664	440
Cash and cash equivalents	[13]	26,656	26,421
Total current assets		**110,158**	**104,036**
Total assets		**152,953**	**147,580**

All figures in KEUR

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	12/31/2020	12/31/2019
Shareholders' equity			
Share capital: no-par-value bearer shares (shares issued and outstanding: 3,526,182 as of 12/31/2020 and as of 12/31/2019)	[14]	10,579	10,579
Capital reserves	[14]	24,119	24,119
Retained earnings	[14]	71,054	63,994
Other reserves	[14]	108	907
Total shareholders' equity		**105,860**	**99,599**
Non-current liabilities			
Pensions and non-current personnel liabilities	[15]	1,587	1,600
Non-current provisions	[16]	237	242
Non-current contract liabilities	[17]	4,381	1,861
Non-current lease liabilities	[9]	12,468	14,045
Deferred tax liabilities	[6]	803	911
Total non-current liabilities		**19,476**	**18,659**
Current liabilities			
Trade accounts payable		11,787	9,206
Current contract liabilities	[17]	374	606
Current lease liabilities	[9]	2,283	2,103
Taxes payable	[18]	1,291	2,603
Current provisions	[16]	1,130	1,743
Liabilities due to financial institutions	[19]	0	4,200
Other current liabilities	[18]	6,819	7,917
Other current financial liabilities	[18]	3,933	944
Total current liabilities		**27,617**	**29,322**
Total liabilities		**47,094**	**47,981**
Total liabilities and shareholders' equity		**152,953**	**147,580**

All figures in KEUR

CONSOLIDATED STATEMENT OF INCOME

FOR THE PERIOD JANUARY 1 TO DECEMBER 31, 2020

	Notes	2020	2019
Revenue	[1]	192,185	203,314
Cost of sales	[2]	(150,396)	(159,394)
Gross margin		**41,789**	**43,920**
Research and development expenses	[3]	(5,483)	(4,927)
Selling and general administrative expenses	[4]	(24,574)	(28,799)
Income from investments	[4]	97	0
Earnings before interest and taxes (EBIT)		**11,829**	**10,194**
Financial income	[5]	2,328	5
Financial expense	[5]	(3,044)	(591)
Earnings before taxes		**11,113**	**9,608**
Income tax expense	[6]	(3,550)	(3,101)
Net income for the year		**7,563**	**6,507**
Earnings per share – basic	[7]	2.14	1.85
Earnings per share – diluted	[7]	2.14	1.85
Weighted average of shares outstanding – basic		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 1 TO DECEMBER 31, 2020

	2020	**2019**
Net income for the year	7,563	6,507
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	(799)	155
Other comprehensive income not to be reclassified and reported in profit or loss in subsequent reporting periods		
Actuarial gains (losses)	(115)	(132)
Attributable tax effects	35	41
Deferred taxes recorded in equity	0	0
Total other comprehensive income not to be reclassified and reported in profit or loss	(80)	(91)
Total other comprehensive income	(880)	64
Comprehensive income after tax	**6,683**	**6,571**

All figures in KEUR

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD JANUARY 1 TO DECEMBER 31, 2020

	Notes	2020	2019
Cash flows from operating activities	[7]		
Net income for the year		7,563	6,507
Non-cash expenses and income:			
Income tax expense		3,550	3,101
Depreciation, amortization and impairments		5,935	5,450
Provisions for bad debts		621	58
Gain from disposals of fixed assets		55	(3)
Net interest		617	585
Net loss from embedded derivatives measured at fair value through profit or loss		99	0
Other non-cash expenses and income		415	(122)
Changes:			
Change in inventories		(10,516)	9,413
Change in trade receivables and contract assets		4,297	845
Change in other assets		53	(829)
Change in trade payables		2,579	(9,504)
Other liabilities and contract liabilities		(1,278)	1,015
Income taxes paid		(3,213)	(6,069)
Cash flows from operating activities		**10,777**	**10,447**
Cash flows from investing activities	[7]		
Proceeds from disposals of fixed assets		0	17
Capital expenditures with capitalizable development cost		(827)	(728)
Capital expenditures on other intangible assets and property, plant and equipment		(2,602)	(6,257)
Cash flows from investing activities		**(3,429)**	**(6,968)**
Cash flows from financing activities	[7]		
Outflows for the redemption portion of lease liabilities		(1,669)	(1,196)
Cash inflows from current financial liabilities (+)		13,500	0
Cash outflows from current financial liabilities (-)		(17,700)	0
Dividend paid		(423)	(423)
Interest received (+) / paid (-) (net)		(610)	(342)
Other financing activities		(43)	(45)
Cash flows from financing activities		**(6,945)**	**(2,006)**
Effects of exchange rate movements on cash & cash equivalents		(168)	(8)
Net change in cash and cash equivalents		**235**	**1,465**
Cash and cash equivalents at beginning of the fiscal year		26,421	24,956
Cash and cash equivalents at end of the fiscal year		**26,656**	**26,421**

All figures in KEUR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD JANUARY 1 TO DECEMBER 31, 2020

	Share Capital No. of shares	Share Capital Amount	Capital reserves	Retained earnings	Other reserves	Total
BALANCE AS OF 1/1/2019	3,526,182	10,579	24,119	58,556	752	94,006
Initial application effects from IFRS 16				(555)		(555)
BALANCE AS OF 1/1/2019 adjusted	3,526,182	10,579	24,119	58,001	752	93,451
Net income for the year				6,507		6,507
Dividend				(423)		(423)
Other comprehensive income (loss)				(91)		(91)
Foreign currency translation					155	155
BALANCE AS OF 12/31/2019	**3,526,182**	**10,579**	**24,119**	**63,994**	**907**	**99,599**
BALANCE AS OF 1/1/2020	3,526,182	10,579	24,119	63,994	907	99,599
Net income for the year				7,563		7,563
Dividend				(423)		(423)
Other comprehensive income (loss)				(80)		(80)
Foreign currency translation					(799)	(799)
BALANCE AS OF 12/31/2020	**3,526,182**	**10,579**	**24,119**	**71,054**	**108**	**105,860**

All figures in KEUR, except number of shares.

NOTES TO THE 2020 CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business

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

The Systems business segment comprises selling our 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 as recorded in the Munich Commercial Register under record number HRB 85591. The Consolidated Financial Statements as of December 31, 2020 were prepared by the Executive Board in March 2021 and approved and endorsed for public disclosure on March 18, 2021.

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, 2020.

The Consolidated Financial Statements consist of the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity and the notes to the Consolidated Financial Statements. The disclosures in the Notes include the Company's segment reporting. The Consolidated Financial Statements are prepared in euros (EUR). For presentation purposes, euro amounts are rounded to thousands of euros (KEUR). For computation purposes, the tables and notes may include deviations from the accurately calculated amounts due to rounding. The fiscal year corresponds to the calendar year. The Consolidated Financial Statements are published in the German Federal Gazette (BAnz). The income statement was prepared using the cost-of-sales method. Certain items on the statement of income and statement of financial position are combined for clarification purposes; explanatory comments are provided in the Notes. The balance sheet is organized to recognize current versus 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 one year.

Adoption of new accounting standards

DATA MODUL initially applied the new and revised standards and interpretations outlined below in fiscal year 2020.

Conceptual Framework for Financial Reporting – Updated references within IFRS standards to the Conceptual Framework

The IASB released an amended version of the Conceptual Framework on March 29, 2018 featuring revised definitions of assets and liabilities and new rules on measurement, derecognition, presentation and notes. The IASB also updated various references to the Conceptual Framework appearing in the text of individual IFRS standards. The Conceptual Framework has not been adopted as EU law. The updated references appearing within individual standards are applicable starting January 1, 2020. EU endorsement was given on November 29, 2019. Application of the updated references within IFRS standards to the Conceptual Framework had no significant effects on the Consolidated Financial Statements.

Amendments to IAS 1 and IAS 8 – definition of 'material'
In October 2018 the IASB published amendments to IAS 1, Presentation of Financial Statements, and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The changes were aimed at achieving a uniform definition of the term "materiality" across all standards and clarifying certain aspects of this definition. Under the new definition, information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The changes apply to fiscal years starting on or after January 1, 2020. EU endorsement was given on November 29, 2019. Application of the revised definition of 'material' had no significant effects on the Consolidated Financial Statements.

Amendment to IFRS 3 – Definition of a Business
The IASB published an amendment to IFRS 3, Business Combinations in October 2018, redefining the term "business". In accounting practice, the definition had led to problems in determining whether a company has acquired a business or a group of assets. The changes apply to fiscal years starting on or after January 1, 2020. EU endorsement was given on April 21, 2020. Application of the revised definition of a business had no significant effects on the Consolidated Financial Statements.

Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform, Phase 1
The IASB published amendments to IFRS 9, IAS 39 and IFRS 7 on September 26, 2019 in response to ambiguities surrounding the IBOR reform. The phase 1 amendments concern hedging relationships under IFRS in the period before adjustment of the relevant benchmark interest rates. These concern prospective hedge effectiveness assessment, revision of the 'highly probable' criterion for cash flow hedges and the IBOR risk component. Pursuant to the changes, hedge relationships may have to be retained which would otherwise have to be unwound under the reform. The changes apply to fiscal years starting on or after January 1, 2020. EU endorsement was issued on January 15, 2020. The amendments had no effect on the Consolidated Financial Statements.

Amendments to IFRS 16 – Coronavirus-Related Rent Concessions
The IASB published amendments to IFRS 16 on May 28, 2020. The amendments concern rent concessions (deferrals, waivers) made due to the coronavirus pandemic, outlining a practical expedient as simplification option for lessees. If the practical expedient is utilized, the lease liability has to be remeasured in accordance with the changed circumstances, applying the original discount rate. The remeasurement effect then has no effect on the right of use and is recorded in profit & loss. No changes are planned to the existing IFRS 16 rules which would affect lessors. The changes apply as of June 1, 2020 solely and explicitly to rent concessions implemented up to the date June 30, 2021. EU endorsement was given on October 9, 2019. Application of these amendments had no effect on the Consolidated Financial Statements.

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

Standards issued, but not yet effective
Amendments to IFRS 4 – Extension of the temporary exemption from Applying IFRS 9
The validity period of the clause creating temporary exemption from applying IFRS 9 was extended for the corresponding users on June 25, 2020, similar to the postponement of initial applicability of IFRS 17. IFRS 9 will thus apply for the cases in question in fiscal years starting on or after January 1, 2023. EU endorsement was given on December 15, 2020.

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

The IASB released its finalized IBOR Reform Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 on August 27, 2020. The Phase Two amendments are aimed at facilitating the accounting presentation of changes in contractual cash flows with financial instruments and hedge relationships resulting from the transition to alternative benchmark rates. The changes apply to fiscal years starting on or after January 1, 2021. EU endorsement was given on January 13, 2021.

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 is expected in the second half of 2021.

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

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

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 is expected in the second half of 2021.

Annual Improvements to IFRS (2018-2020 cycle)

The IASB published its Annual Improvements to IFRS on May 14, 2020 (for the 2018-2020 cycle). 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 is expected in the second half of 2021.

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. The EU endorsement date is still unknown.

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. The effective date of the changes for fiscal years starting on or after January 1, 2023 was moved back from January 1, 2022 to July 15, 2020. 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 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.

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, 2020, prepared using the accounting and measurement methods applied uniformly throughout the Group. Subsidiaries whose finance and business policies DATA MODUL AG is capable of directly or indirectly influencing to derive benefit from their activities are fully consolidated. Companies are deconsolidated when the subsidiary is no longer controlled by the parent company.

All inter-company balances, income and expenses, as well as unrealized gains and losses and dividends from inter-company transactions are fully eliminated.

Foreign currency translation

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

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

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

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

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

	12/31/2020		12/31/2019	
Exchange rate	Balance sheet	P&L	Balance sheet	P&L
EUR / USD	1.2275	1.1469	1.1228	1.1197
EUR / GBP	0.8996	0.8894	0.8501	0.8757
EUR / SGD	1.6221	1.5785	1.5105	1.5258
EUR / AED	4.5088	4.2121	4.1242	4.1126
EUR / HKD	9.5162	8.8945	8.7427	8.7708
EUR / JPY	126.5000	121.8217	121.9300	121.9792
EUR / CHF	1.0811	1.0710	1.0856	1.1113
EUR / PLN	4.5566	4.4670	4.2597	4.2998

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, 2020 include the following subsidiaries:

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

The company DATA MODUL FZE was liquidated in 2020. The deconsolidation effect was 97 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 discretionary decisions and assumptions as well as estimates that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the balance sheet date and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates and assumptions. The primary areas in which discretionary decisions and estimates are made concern the impairment of goodwill and other non-financial assets, valuation of inventories, capitalization of development expenses and recognition of deferred tax assets. Discretionary decisions 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 coronavirus pandemic were factored into estimates and discretionary decisions as appropriate. In fiscal year 2020 no material adjustments were made to the carrying values of stated assets and liabilities in connection as a result of the pandemic. Additional information regarding the impact of the coronavirus pandemic is provided in the relevant sections of the Notes to the Consolidated Financial Statements and the Group Management Report.

The 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 less estimated costs at completion and less 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 and the associated capitalization of costs to fulfil 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 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. Costs associated with development are deferred as costs to fulfil a contract and amortized from the start of production of the final product in proportion to the expected sales volume of the series 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.

DATA MODUL also makes discretionary decisions in deferring consignment warehouse revenues. As a rule, revenue is recognized at the point in time when the customer removes the goods from the consignment warehouse. For consignment warehouse customers under contracts requiring the delivery of items 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. This means that all relevant factors are considered which represent an economic incentive to exercise the 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 [9] 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 lessee`s incremental borrowing rate is thus applied to measure lease liabilities. The incremental 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 incremental 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 incremental 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 fulfil 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 fulfil 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 fulfil 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 fulfil a contract are amortized based on sales volume, via a mark-up on the corresponding unit price.

Regarding DATA MODUL's consignment customers, revenues are are always recognized at the time of customer retrieval of the goods from the consignment warehouse. However, revenues from consignment customers whose contracts provide for customer-specific products under a purchase obligation are already recognized at the time of delivery to the consignment warehouse and recorded as contract assets (see Note 4, 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.

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. In subsequent periods, intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses. With the exception of goodwill, intangible assets with a definite useful life are amortized as scheduled. Estimated useful life and remaining useful life are reviewed annually, as well as the method of depreciation. Useful life periods are adjusted for future periods as necessary when the underlying assumptions change. Such adjustments made due to a changed expectation of useful life or use of a different amortization method are treated as a change in estimates. Amortization of intangible assets with finite lives is recorded in the appropriate expense item of the income statement that reflects the purpose of the asset. Intangible assets with indefinite useful lives are not amortized; however, they are subject to an impairment test at least once every year or if there is any indication that either the asset or the cash-generating unit are impaired.

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

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

The capitalized development costs are amortized on a straight-line basis over a period of 12 - 36 months of future economic exploitation, beginning with the completion of the development phase and the time at which the product is mature, i.e. ready for serial manufacturing. The intrinsic value of the development project is reviewed annually. Impairment losses on development projects recognized as intangible assets are presented in the income statement as production costs.

Goodwill

Goodwill incurred during a company combination is recorded pursuant to IFRS 3 as the difference between the value of the transferred compensation at the time of acquisition and the identifiable assets and liabilities of the acquired company as measured pursuant to IFRS 3. Goodwill is subsequently measured at cost less 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 less cumulative scheduled depreciation and cumulative impairments. In addition to the purchase price and the directly attributable costs for bringing the asset to the location and in a state ready for operation as intended by management, cost includes estimated costs for the demolition of the asset, as well as 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 depreciation period corresponds to the estimated economic life. 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 and the depreciation method for property, plant and equipment are reviewed periodically and adjusted as necessary to ensure that the depreciation period and method reflect the expected economic benefits embodied in 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 that are sold or scrapped are derecognized. Fully depreciated non-current assets are shown at cost less 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 carried at the lower of cost or 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 less estimated costs of completion and estimated selling expenses.

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

Contract assets and liabilities, receivables

If one party to the contract with the customer has fulfilled its contractual obligations, a contract asset, contract liability or receivable is recognized depending on the relation between service provision and the customer's payment. 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 less 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. A reassessment is only made in case of a change in contract terms which significantly changes the cash flows that otherwise would have resulted from the contract.

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, 2020, no financial assets were held which are recognized in other comprehensive income at fair value.

Financial assets measured at fair value through profit or loss

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

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

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

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

Impairment of financial assets

The new 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.

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 credit risk increase but their credit quality is not 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 contractual 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 that had an investment grade rating throughout the whole fiscal year 2020.

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 less 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 dates of December 31, 2020 and December 31, 2019 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 with-

held essentially all risks and rewards arising pertaining to the ownership of the financial asset but transferred rights of disposal over the asset.

Offsetting/netting

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

Financial liabilities

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

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

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

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

Financial liabilities measured at fair value through profit or loss

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

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

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

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

Financial liabilities measured at amortized cost

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

Derecognition of financial assets

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

Risks resulting from the Company's financial instruments

DATA MODUL has various other financial assets and liabilities such as trade receivables and trade payables that directly result from its business operations. The Company also enters into derivative financial transactions, including interest rate swaps and currency forward contracts. The purpose of those transactions is to hedge interest and currency risks arising from DATA MODUL business operations, securing financial resources. 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, currency risk and bad debt risk. The Executive Board reviews and adopts policies for managing these individual risks which are outlined below.

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 53.9% (previous year: 60.9%) of the Company's sales are denominated in currencies other than the functional currency of the operating unit, while approximately 69.8% (previous year: 60.1%) of costs are denominated in the unit's functional currency.

Commodity price risk

DATA MODUL's exposure to price risks is minor due to the fact that the majority of the raw materials are procured on an order-related basis.

Default risk

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

Liquidity risk

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

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 estimated reliably. 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 an 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 the remedy of defects that existed 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. The provision recognized is reversed when the guarantee obligation expires or has lapsed.

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 consolidated and separate financial statements, tax accounting services and other services not yet billed including transport, provision of temporary staff and services to be expensed in the fiscal year 2020.

Income tax
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 amount expected to be recovered from or paid to the tax authorities. The local tax rate and tax laws applicable at the balance sheet date are used as a basis to determine this amount. Management regularly assesses individual tax issues to determine whether there room for interpretation under the applicable tax regulations in question. Tax liabilities are recognized as necessary.

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

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

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

Leases
The Group assesses at contract commencement whether the 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 current 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 under-

lying leased asset is available for use). Right-of-use assets are carried at acquisition cost less all cumulative depreciation and cumulative impairment losses, and are adjusted for any revaluation of the lease liabilities. The cost of right-of-use assets includes the recorded lease liabilities, initial direct costs incurred and lease payments made during or before commencement less any leasing incentives received. Right-of-use assets are depreciated 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) less 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 discretionary decisions in assessing whether there is sufficient certainty that renewal and/or termination options will be exercised, (see Note 4, Significant judgments, 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 current leases and for leases for a low-value underlying asset are expensed over the lease term on a straight-line basis.

The Group as lessor

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

Government grants

DATA MODUL drew on government subsidies as part of the 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 264 thousand euros, paid by the Federal Employment Agency for lost work hours, constitute government grants recognizable in profit and loss. Returned social security contributions are recognized as income netted against the corresponding expenses on the statement of income applying the option per IAS 20.29ff.

5. Notes to the Statement of Income

[1] Revenues

Concerning the transaction price allocated to the outstanding performance obligations connected with extended warranties and customer-specific development projects, please refer to the contract liabilities shown on the statement of financial position. The non-current contract liabilities will be recognized as revenue within the next five years. 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 the fiscal year 2020:

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

For the fiscal year 2019:

KEUR	Displays	Systems	Total
Revenue from product sales	135,023	65,067	200,090
Service revenue	847	2,377	3,224
Total revenue	135,870	67,444	203,314

DATA MODUL was affected by the challenging economic environment in 2020, seeing revenue decline across nearly all industries and regions, due primarily to the lockdown measures imposed. 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	2020	2019
Materials expenses	132,617	139,641
Other cost of sales	17,779	19,753
Total cost of sales	150,396	159,394

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

[3] 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 fulfil 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 2020 and 2019 are presented below:

KEUR	2020	2019
Order-related development expenses under cost of sales	1,325	2,571
Research and development expenses	5,483	4,927
Total research and development expenses	6,808	7,498
Residual carrying amount of capitalized development expenses	1,865	1,730
Development expenses recorded as capitalized costs to fulfil a contract as of Dec. 31	5,720	3,813

An impairment loss of 952 thousand euros was recorded under research and development expenses for two customer-specific development projects. Further information regarding 315 thousand euros of revenues from these projects is provided under Note [17], Non-current and current contract liabilities.

[4] Selling and general administrative expenses

The table below shows selling and general administrative expenses.

KEUR	2020	2019
Selling expenses	14,846	19,337
General administrative expenses	9,728	9,462
Total expenses	24,574	28,799

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	2020	2019
Wages and salaries	23,201	30,172
Social security	4,566	5,038
Total	27,767	35,210

Pension expenses of 2,251 thousand euros were recorded for the fiscal year 2020 (previous year: 2,289 thousand euros). In the fiscal year 2020, the Group employed an average of 460 employees versus an average of 489 employees in the previous year. The decrease in personnel expenses is mainly due to the lower number of employees, lower commission payments and the expenses associated with the staff reduction measures in the previous year.

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

Employees by functional area	2020	2019
Sales & Marketing	115	116
Development	72	77
Production	146	150
Services	27	30
Administration	50	55
Logistics	29	39
Materials requirement planning/procurement	21	22
Total	460	489

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

Employees by functional area	2020	2019
Sales & Marketing	114	113
Development	72	75
Production	159	128
Services	25	29
Administration	49	52
Logistics	33	30
Materials requirement planning/procurement	21	20
Total	473	447

Significant expense items and depreciation/amortization

Other significant expense items were as follows:

KEUR	2020	2019
Depreciation/amortization	3,209	2,696
Legal, consulting and project costs	3,067	3,700
Rent and maintenance	1,874	1,798
Office and IT expenses	1,564	1,648
Foreign currency translation gains (-)/losses (+)	1,093	(206)
Vehicle and travel expenses	835	2,105
Packaging material & freight costs	659	865
Additions to (+)/reversals of (-) provisions for bad debts	609	58
Advertising and trade shows	599	867
Insurance premiums	578	570
Other	(770)	(2,025)
Total	13,317	12,076

The loss from currency translation was mainly the result of appreciation of the euro versus the dollar. The negative figure of -770 thousand euros recorded for other expenses (previous year: -2,025 thousand euros) was primarily due to the inclusion of capitalized development costs in this item.

[5] Financial income/expenses

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

KEUR	2020	2019
Interest and similar income	23	5
Interest expense from lease liabilities	(545)	(525)
Interest expense on current liabilities	(87)	(42)
Other interest-like expenses	(8)	(24)
Income from embedded derivatives	2,305	0
Expenses from embedded derivatives	(2,404)	0
Total	(716)	(586)

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.

[6] Income tax expense

Income tax expense breaks down as outlined below.

KEUR	2020	2019
Current tax expenses		
Germany	3,258	2,102
Foreign	548	1,197
Deferred taxes		
Germany	(91)	(230)
Foreign	(165)	32
Total	3,550	3,101

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 568 thousand euros through tax expenses from previous years (previous year: decline due to 57 thousand euros in tax income). Foreign current tax expenses include 65 thousand euros in tax income from previous years (previous year: 121 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, 2020. Tax rates for 2020 and 2019 are determined as follows:

in %	2020	2019
Corporate income tax	15.00	15.00
Solidarity surcharge	0.825	0.825
Trade tax	16.45 and 13.30 respectively	16.45 and 13.30 respectively
Income tax rate	32.28 and 29.13 respectively	32.28 and 29.13 respectively

The table below shows a reconciliation of projected income tax expense versus actual income tax expense recorded in the Consolidated Financial Statements applying the average German income tax rate of 32.28% for 2019 and 32.28% for 2020.

KEUR	2020	2019
Earnings before taxes reported	11,113	9,608
Projected income tax expense	3,587	3,101
Non-deductible expenses	228	245
Tax reductions resulting from tax-free income	(16)	(18)
Difference amount at local tax rates	(189)	(328)
Tax expense for foreign operations, foreign/ other tax losses	(72)	(45)
Taxes from previous years	(67)	176
Other	79	(30)
Reported income tax expense	3,550	3,101

Deferred income tax assets and liabilities as of the reporting date break down as follows:[1)]

KEUR		2020	2019
Deferred tax assets from temporary differences	Germany	291	273
Deferred tax assets from tax loss carry-forwards	Foreign	28	33
Deferred tax assets from temporary differences	Foreign	382	228
Deferred tax assets from temporary differences	Total	701	534
Deferred tax liabilities from temporary differences	Germany	(803)	(911)
Total balance of deferred tax assets (+) / liabilities (-) (of which 35 thousand euros recorded as other comprehensive income in 2020)		(102)	(377)

1) The previous-year table has been adjusted to improve comparability.

Deferred taxes consist of the following balance sheet items:

	Deferred tax assets		Deferred tax liabilities	
KEUR	2020	2019	2020	2019
Current assets				
Trade receivables and other assets	120	38	(102)	(25)
Contract assets	0	0	(248)	(435)
Inventories	89	78	(167)	(72)
Non-current assets				
Intangible assets	135	148	(602)	(558)
Property, plant and equipment	3	4	(612)	(619)
Capitalized costs to fulfil a contract	0	0	(1,077)	(405)
Current liabilities				
Lease liabilities	589	447	0	0
Trade payables and other payables	0	0	(31)	(20)
Other provisions	323	362	0	0
Non-current liabilities				
Provisions for pensions and similar obligations	191	194	0	0
Contract liabilities	1,259	453	0	0
Total	2,709	1,724	(2,839)	(2,134)

The subsidiaries DATA MODUL Polska Sp. z o.o., Lublin, Poland and DATA MODUL Electronic Technology (Shanghai) Co. Ltd., Shanghai, China, have usable tax loss carryforwards in the respective amounts of 19 thousand euros and 98 thousand euros as of December 31, 2020. These are measured at the income tax rates of 19% for Poland and 25% for China, and shown as deferred tax assets.

Deferred tax assets arising from actuarial gains and losses on pension commitments recorded directly in equity increased equity by 35 thousand euros (previous year: 41 thousand euros). Deferred tax liabilities were not recognized for temporary differences in connection with investments in subsidiaries in the amount of 16,614 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.

[7] 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, 2020 and December 31, 2019, 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):

	2020	2019
Consolidated net income for the year in thousand euros	7,563	6,507
Denominator (thousands of shares):		
Denominator for undiluted earnings per share – weighted average number of shares	3,526	3,526
Denominator for diluted earnings per share – adjusted weighted average shares	3,526	3,526
Undiluted earnings per share	EUR 2.14	EUR 1.85
Diluted earnings per share	EUR 2.14	EUR 1.85

6. Notes to the Statement of Financial Position

[8] Fixed assets 2020

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

Fixed assets 2019

	ACQUISITION EXPENSES					
	Balance as of 1/1/2019	Currency translation	Additions	Disposals	Reclassifications	Balance as of 12/31/2019
Intangible assets/Goodwill						
Goodwill	3,112	0	0	0	0	3,112
Software	2,216	0	375	2	47	2,636
Development projects	8,260	0	728	0	0	8,988
Prepayments	78	0	47	0	(47)	78
Total	**13,666**	**0**	**1,150**	**2**	**0**	**14,814**
Property, plant and equipment						
Land and buildings	14,799	6	1,477	59	612	16,835
Technical equipment	3,486	0	192	0	2,966	6,644
Other equipment, fixtures and fittings, and office equipment	6,608	6	1,928	350	498	8,690
Assets under construction	2,436	11	2,237	8	(4,076)	600
Right-of-use assets	8,783	34	7,544	9	0	16,352
Total	**36,112**	**57**	**13,378**	**426**	**0**	**49,121**
Total	**49,778**	**57**	**14,528**	**428**	**0**	**63,935**

All figures in KEUR

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

	DEPRECIATION/AMORTIZATION AND IMPAIRMENTS						CARRYING AMOUNT
	Balance as of 1/1/2019	Currency translation	Additions	Disposals	Reclassifica-tions	Balance as of 12/31/2019	Balance as of 12/31/2019
	693	0	0	0	0	693	2,419
	1,020	0	424	2	0	1,442	1,194
	6,434	0	824	0	0	7,258	1,730
	0	0	0	0	0	0	78
	8,147	**0**	**1,248**	**2**	**0**	**9,393**	**5,421**
	6,601	4	791	58	0	7,338	9,497
	1,559	1	557	0	0	2,117	4,527
	3,369	6	931	344	0	3,962	4,728
	0	0	0	0	0	0	600
	0	5	1,923	0	0	1,928	14,424
	11,529	**16**	**4,202**	**402**	**0**	**15,345**	**33,776**
	19,676	**16**	**5,450**	**404**	**0**	**24,738**	**39,197**

Many of the additions to intangible assets and property, plant and equipment reported for the year under review reflect investments to the expansion of production and logistics capacity at the plants in Weikersheim (942 thousand euros), Lublin (672 thousand euros) and Shanghai (231 thousand euros). Investments were also made in IT infrastructure and workplace equipment in connection with increased remote working.

For further information on right-of-use assets shown under fixed assets, see Note [9] Leases.

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, 2020 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 1/1/2019	1,032	1,387	2,419
Goodwill acquired during the period	0	0	0
Impairment during the period	0	0	0
Balance as of 12/31/2019	1,032	1,387	2,419
Goodwill acquired during the period	0	0	0
Impairment during the period	0	0	0
Balance as of 12/31/2020	1,032	1,387	2,419

Goodwill was subjected to an impairment test as of December 31, 2020. 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 (2021 - 2023) approved by management and the Supervisory Board, extrapolated for 2024 and years thereafter. Cash flow projections were updated to reflect falling product demand due to the coronavirus pandemic and the growth rate for the System Solutions business segment was adjusted.

The pre-tax discount rates used for cash flow projections and revenue growth rates starting in 2024 (for 2019 in 2023) are shown in the table below.

Cash-generating unit	Before-tax discount rates		Revenue growth rates	
in %	2020	2019	2020	2019
Display Solutions	9.14	7.44	2.0	2.0
System Solutions	9.06	7.23	2.0	2.5

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 the fiscal years 2020 and 2019.

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 the average weighted cost of capital (WACC) which is common 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 increased discount rates principally reflect an increase in the “peer group beta” factor due to heightened share price volatility in the electronics industry vis-a-vis the overall market.

Estimated growth rates

The growth rates are based on historical data from preceding years. For the fiscal year 2019, revenue growth rates ranging from 2.0% (Display Solutions) to 2.5% (System Solutions) were applied for the cash-generating units for 2023 and thereafter. In the fiscal year 2020, the revenue growth rates applied were 2.0% for Display and System Solutions for 2024 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 based on 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.

[9] Leases

The Group has leases for real estate, motor vehicles and operating and office equipment which are utilized in business operations. Real estate leases usually have terms of 1 - 10 years. Lease terms for vehicles, operating and office equipment usually have a duration of 1-5 years. 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, as well as for low-value office equipment. The Group applies the simplification options available for its short-term leases and leases with a low-value underlying asset.

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

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

KEUR[1)]	Real estate	Vehicles	Total
Balance as of 1/1/2019	8,460	324	8,784
Foreign currency translation	33	0	33
Additions	7,125	420	7,545
Disposals	(10)	0	(10)
Depreciation expense	(1,601)	(327)	(1,928)
Balance as of 12/31/2019	14,007	417	14,424

[1)] The table with previous-year figures has been adjusted to afford better comparability.

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

KEUR[2)]	2020	2019
Balance as of 1/1	16,148	9,598
Foreign currency translation	(58)	(11)
Additions	385	7,544
Accrued interest	0	223
Disposals	(55)	(10)
Redemptions	(1,669)	(1,196)
Balance as of 12/31	14,751	16,148
Of which current	2,283	2,103
Of which non-current	12,468	14,045

[2)] The table with previous-year figures has been adjusted to afford better comparability.

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	2020	2019
Depreciation expense for right-of-use assets	2,034	1,923
Interest expenses for lease liabilities	545	525
Income (-)/expense (+) from deferred taxes	(155)	(185)
Foreign currency translation gains (-)/losses (+)	412	(45)
Expenses from short-term leases	109	411
Expenses from low-value asset leases	39	41
Total expense recorded through profit or loss	2,984	2,670

The Group recorded cash outflows of 2,227 thousand euros for leases (previous year: 1,500 thousand euros). The Group also reported non-cash additions to right-of-use assets in the amount of 385 thousand euros (previous year: 7,544 thousand euros) and disposals of right-of-use assets in the amount of 55 thousand euros (previous year: 10 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 is required to make significant discretionary decisions in assessing whether there is sufficient certainty that renewal and/or termination options will be exercised (see Note 4, Recognition and Measurement Methods).

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

For the fiscal year 2020:

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

For the fiscal year 2019:

KEUR	Within five years	More than five years	Total
Extension options not expected to be exercised	0	10,530	10,530
Termination options not expected to be exercised	0	0	0
Total	0	10,530	10,530

The Group holds no significant leases as lessor.

[10] Capitalized costs to fulfil a contract

As of the reporting date, capitalized costs to fulfil 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 5,720 thousand euros are shown as capitalized costs to fulfil a contract, in line with IFRS 15 (previous year: 3,813 thousand euros). Costs to fulfil a contract were capitalized in in the amount of 3,453 thousand euros fiscal year 2020 (previous year: 3,427 thousand euros) and scheduled depreciation was recorded in the amount of 593 thousand euros (previous year: 1,555 thousand euros). An impairment loss of 952 thousand euros was recorded for two customer-specific development projects. No impairment was recorded in the previous year.

[11] Inventories

Inventories as of the reporting date were as follows:

KEUR	2020	2019
Raw materials, consumables and supplies	12,431	7,567
Work in progress	1,540	5,041
Finished goods and merchandise	40,085	31,648
Impairment	(2,027)	(2,744)
Total	52,029	41,512

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

Writedowns through profit and loss in the amount of 1,105 thousand euros (previous year: 1,435 thousand euros) on the net realizable value of inventories were recorded under production costs on the 2020 statement of income.

In the fiscal year 2020, inventories in the amount of 143,737 thousand euros (previous year: 148,104 thousand euros) were included as cost of materials on the income statement .

[12] 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	2020	2019
Trade receivables, including impairments	24,181	27,907
Contract assets including impairments	2,904	4,096
Tax claims and prepayments	705	2,369
Other current assets:		
Other assets	1,019	1,291
Other current financial assets:		
Suppliers with credit balances	47	48
Positive fair values of embedded derivatives	2,305	0
Other financial assets	312	392
Total	31,473	36,103

Trade receivables are not interested-bearing, and are generally due within 30 days. The allowance for expected bad debts as of December 31, 2020 and December 31, 2019 was 605 thousand euros and 76 thousand euros respectively.

Contract assets in the amount of 2,904 thousand euros (previous year: 4,096 thousand euros) consist exclusively of receivables from sales to consignment warehouse customers under contracts for the supplying of customer-specific items. Under IFRS 15, revenue is recognizable upon delivery of such items to the consignment warehouse, giving rise to the corresponding receivables. The decline resulted from lower purchase quantities by our consignment warehouse customers due to the pandemic.

Other assets consist primarily of sales tax refunds due in the amount of 439 thousand euros (previous year: 705 thousand euros), deferred assets in the amount of 465 thousand euros (previous year: 461 thousand euros) and prepayments in the amount of 39 thousand euros (previous year: 122 thousand euros).

Other financial assets consist of other receivables in the amount of 149 thousand euros (previous year: 227 thousand euros), security deposits in the amount of 163 thousand euros (previous year: 166 thousand euros) and supplier debit balances of 47 thousand euros (previous year: 48 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	2020	2019
Balance as of 1/1	76	167
Additions recorded in profit or loss	615	62
Utilization	(43)	(149)
Reversals	(5)	(4)
Effects from foreign currency translation adjustments	(38)	0
Balance as of 12/31	605	76

No impairments on contract assets or any other financial instruments had to be recorded for expected bad debts in the fiscal year 2020.

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.

[13] Cash and cash equivalents

Cash and cash equivalents held as of December 31, 2020 in the amount of 26,656 thousand euros (previous year: 26,421 thousand euros) consist of bank balances in the amount of 26,654 thousand euros (previous year: 26,417 thousand euros) and 2 thousand euros in cash on hand (previous year: 4 thousand euros).

[14] Shareholders' equity

Share capital

DATA MODUL AG is classified as a technology firm and has 10,578,546 euros of capital stock. The shares are listed on the Regulated Market in Frankfurt (in the Prime

Standard trading segment since January 1, 2003), on Xetra and in Munich and also trade on the Open Market in Berlin, Düsseldorf, Hamburg and Stuttgart. Capital stock comprises 3,526,182 no-par 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 the fiscal year 2020, the Executive and Supervisory Boards will recommend at the Annual Shareholders' Meeting payment of a cash dividend of 1.00 euro per share for a total distribution of 3,526 thousand euros to holders of the outstanding dividend-entitled shares.

Authorized capital 2015

Shareholders have authorized the Executive Board to increase the Company's share capital one or more times in the period through July 2, 2020 by a maximum total of 5,289,273 euros, subject to Supervisory Board approval, by offering and issuing new bearer shares for cash or non-cash contributions. The Executive Board's empowerment to utilize authorized capital under Sec. 3 (3) of the company's Articles of Incorporation expired unused on July 2, 2020.

Retained earnings

Retained earnings broke down as follows as of December 31, 2019 and 2020 respectively:

KEUR	2020	2019
Retained earnings	63,994	60,605
Net income for the year	7,563	6,507
Other comprehensive income (loss)	(503)	(790)
Adjustments from first-time application of IFRS	0	(2,328)
Total	71,054	63,994

Other reserves

Other reserves consist exclusively of reserves for currency differences in the amount of 108 thousand euros (previous year: 907 thousand euros).

[15] Pension and non-current personnel liabilities

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

The redemption value of these insurance policies as of the reporting date totaled 168 thousand euros (previous year: 175 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, 2020 and December 31, 2019 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 past fiscal year.

The table below shows the capitalized amounts related to pension commitments.

KEUR	2020	2019	2018	2017	2016
Present value of deferred pension obligations	1,682	1,694	1,669	1,690	1,715
Fair value of the plan assets	168	175	181	189	189
Funding status	1,514	1,519	1,488	1,501	1,517

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

KEUR	2020	2019
Changes in the present value of pension obligations:		
Pension obligations forecast at beginning of year	1,694	1,669
Interest accrual on expected pension obligations	5	20
Actuarial profit or loss recorded in other comprehensive income resulting from changed interest and trend assumptions	38	103
Actuarial profit or loss recorded in other comprehensive income resulting from changed demographic assumptions	0	0
Actuarial gain/loss recorded in other comprehensive income resulting from funding level changes	77	30
Pensions paid	(132)	(128)
Present value of pension obligations at year end	1,682	1,694
Plan assets	(168)	(175)
Pension obligations	1,514	1,519

The net pension expenditure breaks down as follows:

KEUR	2020	2019
Accruing interest on expected pension obligations	20	20
Net periodic pension cost	20	20

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

in %	2020	2019
Weighted average assumptions:		
Discount rate	-0.04	0.29
Growth rate for future benefit payments	1.4 – 3.0	1.5 – 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
2021	135
2022	137
2023	140
2024	143
2025	146
Cumulative 2026 through 2030	776

Expenses are recorded in profit or loss under net interest.

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

KEUR	12/31/2020
Discount rate increase by 1.0%	(129)
Discount rate decrease by 1.0%	149
Pension trend rise of 1.0%[1)]	74
Pension trend decline of 1.0%[1)]	(67)

[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	2020	2019
pension provisions	1,514	1,519
Long-term bonus claims	73	73
Other non-current personnel obligations	0	8
Amount reported on consolidated balance sheet	1,587	1,600

[16] 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 the fiscal year 2020 was as outlined below.

KEUR	Warranties	Personnel	Other	Total
Balance as of 1/1/2020	1,550	92	343	1,985
Currency translation	0	0	(12)	(12)
Additions	712	0	119	831
Utilization	(757)	0	(166)	(923)
Reversals	(468)	0	(45)	(513)
Balance as of 12/31/2020	1,037	92	239	1,368
Of which non-current	237	0	0	237
Of which current	800	92	239	1,131

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

[17] 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 4,381 thousand euros (previous year: 1,861 thousand euros), while current contract liabilities totaled 374 thousand euros (previous year: 606 thousand euros). The significant increase in contract liabilities in the fiscal year 2020 resulted from non-current advance payments in the amount of 3,092 thousand euros received from customers during the year in connection with development projects (previous year: 1,432 thousand euros). Revenue from extended warranties was recognized in the amount of 534 thousand euros in 2020 (previous year: 604 thousand euros), and revenue from development projects was recognized in the amount of 460 thousand euros (previous year: 95 thousand euros). Deferred revenues from two terminated custom development projects were realized in full in 2020 in the amount of 315 thousand euros. For further information on development expenses connected with these projects see Note [3], Research and development expenses.

[18] 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	2020	2019
Taxes payable	1,291	2,603
Other current liabilities:		
Personnel-related liabilities	3,948	5,761
Social security and payroll taxes	511	621
Other liabilities	374	325
Value-added tax payable	1,986	1,210
	6,819	7,917
Other current financial liabilities:		
Outstanding invoices	1,430	879
Customers with credit balances	99	63
Negative fair values of embedded derivatives	2,404	0
Other liabilities	0	2
	3,933	944
Total	12,043	11,464

[19] Current borrowings from financial institutions

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

KEUR	2020	2019
Deutsche Bank, Munich	0	1,000
Commerzbank, Munich	0	1,000
Sparkasse Tauberfranken, Tauberbischofsheim	0	1,200
Bayerische Landesbank, Munich	0	1,000
Total	0	4,200

In the fiscal year 2019 these items were exclusively money market loans with a term of three months and interest rates ranging between 0.86% and 1.20%.

As of the reporting date, credit facilities were unutilized in the amount of 29,025 thousand euros (previous year: 22,865 thousand euros).

KEUR	2020	2019
Commerzbank, Munich	9,000	7,000
Sparkasse Tauberfranken, Tauberbischofsheim	7,000	7,000
Bayerische Landesbank, Munich	7,000	7,000
Deutsche Bank, Munich	7,000	7,000
HypoVereinsbank, Munich	0	40
Total	30,000	28,040

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, 2020 DATA MODUL had drawn on bank guarantees for the amount of 975 thousand euros (previous year: 1,375 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 10,777 thousand euros (previous year: 10,447 thousand euros) due principally to the net income for the year recorded of 7,563 thousand euros (previous year: 6,507 thousand euros), to increased trade payables and to lower trade receivables. The increase in inventories was the primary factor reducing cash flow from operating activities.

Cash flows from investing activities reflect the capital outflow related to capitalized development costs and to other asset additions, and the cash inflows from the disposal of assets. Net cash flow from investing activities came to -3,429 thousand euros for 2020, reflecting the lower level of investment in the year under review (previous year: -6,968 thousand euros).

Cash flow from financing activities in the fiscal year 2020 was -6,945 thousand euros (previous year: -2,006 thousand euros). The increase resulted principally from the redemption in full of borrowings from the previous year in the amount of 4,200 thousand euros. The Group's credit rating remains strong despite the difficult economic environment created by the coronavirus pandemic, as illustrated by the redemption of all outstanding money market loans taken out in the first half of the year totaling 13,500 thousand euros. Cash flow from financing activities also includes cash outflows for leases, these payments being broken down into lease liability redemption and interest portions. The dividend distribution resulted in a cash outflow of 423 thousand euros in 2020 (previous year: 423 thousand euros). The dividend distribution in 2020 for the fiscal year 2019 was 0.12 euro per share (previous year: 0.12 euros).

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

Reconciliation of debt movements to cash flows from financing activities

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

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

Change in financing debt KEUR	Statement of financial position on 01/1/2019	Affecting cashflow	Not affecting cash flow			Statement of financial position on 12/31/2019
			Additions/ disposals	Interest accrued but not yet paid	FX	
Liabilities due to financial institutions	4,200	0	0	0	0	4,200
Lease liabilities	9,598	(1,196)	7,534	223	(11)	16,148
Total	13,798	(1,196)	7,534	223	(11)	20,348

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-related cash flow risk and foreign currency 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	2020	2019
Impact on earnings before taxes		
Interest rate change		
Increase by 1%	0	(42)
Decrease by 1%	0	42

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 53.9% (previous year: 60.9%) of Group revenue was generated in currencies other than the functional currency of the operating unit that generated the revenue, and 69.8% (previous year: 60.1%) 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, 2020, 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 JPY. 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 2020 earnings before taxes

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

Impact on 2019 earnings before taxes

	Exchange rate change	
KEUR	Increase by 5%	Decrease by 5%
USD	181	(164)
JPY	(13)	12
GBP	14	(12)
Total	182	(164)

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 12/31/2020 for calculating impairment (in %)

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

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

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

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

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

1) Invoiced, unimpaired receivables

Default rates as of 12/31/2019 for calculating impairment (in %)

	Not overdue	Overdue 1 - 30 days	Overdue 31 - 60 days	Overdue 61 - 90 days	Overdue > 90 days
DATA MODUL AG	0.0000	0.0403	1.5864	3.3129	6.1377
DATA MODUL France	0.0000	0.0000	0.0000	0.0000	0.0000
DATA MODUL Italia	0.0000	0.0000	0.0000	0.0000	7.7682
DATA MODUL Iberia	0.0000	0.0000	0.0000	0.0000	0.0000
DATA MODUL Ltd.	0.0000	0.0025	0.4583	0.4832	14.0625
DATA MODUL Inc.	0.0419	0.0885	0.4173	0.7885	16.7944
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
DATA MODUL FZE	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 12/31/2019 (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	12,620	2,235	748	16	38	15,657	EUR
DATA MODUL France	1,350	66	0	0	0	1,416	EUR
DATA MODUL Italia	1,800	767	119	32	33	2,751	EUR
DATA MODUL Iberia	1,970	442	123	35	0	2,570	EUR
DATA MODUL Ltd.	1,117	335	119	65	8	1,644	GBP (in EUR)
DATA MODUL Inc.	2,657	879	51	10	0	3,597	USD (in EUR)
DATA MODUL Hong Kong	256	14	0	0	0	270	HKD (in EUR)
DATA MODUL Shanghai	0	147	147	0	0	294	CNY (in EUR)
DATA MODUL Suisse	84	0	0	0	0	84	CHF (in EUR)
DATA MODUL FZE	0	0	0	0	43	43	AED (in EUR)
Conrac Asia	114	33	0	55	0	202	SGD (in EUR)
						28,528	**Total in EUR**

Impairments as of 12/31/2019 (in EUR)

	Not overdue	Overdue 1 - 30 days	Overdue 31 - 60 days	Overdue 61 - 90 days	Overdue > 90 days	Total	Currency
DATA MODUL AG	0.00	900.63	11,872.83	539.94	2,330.30	15,643.70	EUR
DATA MODUL France	0.00	0.00	0.00	0.00	0.00	0.00	EUR
DATA MODUL Italia	0.00	0.00	0.00	0.00	2,567.04	2,567.04	EUR
DATA MODUL Iberia	0.00	0.00	0.00	0.00	0.00	0.00	EUR
DATA MODUL Ltd.	0.00	8.42	543.91	316.01	0.00	868.34	GBP (in EUR)
DATA MODUL Inc.	1,113.36	777.73	214.38	81.54	0.00	2,187.01	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)
DATA MODUL FZE	0.00	0.00	0.00	0.00	0.00	0.00	AED (in EUR)
Conrac Asia	0.00	0.00	0.00	0.00	0.00	0.00	SGD (in EUR)
						21,266.09	**Total in EUR**

[1)] Invoiced, unimpaired receivables

Additional impairments in the amount of 555 thousand euros were recorded on trade receivables (previous year: 55 thousand euros) (gross carrying amount 638 thousand euros versus 80 thousand euros in the previous year) on the basis of expected defaults due primarily to the coronavirus crisis rather than on the historical default rates per the impairment matrix.

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

For transactions not conducted in the country of the respective operating unit, the Company does not grant credit terms without a prior 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, 2020, 34.6% of the Company's debt reported on the Consolidated Financial Statements was due within one year (previous year: 34.4%).

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

12/31/2020 KEUR	‹ 12 months	1 - 5 years	› 5 years	Total
Trade accounts payable	11,787	0	0	11,787
Lease liabilities	2,320	8,159	6,469	16,948
Other financial liabilities	3,933	0	0	3,933
Total	18,040	8,159	6,469	32,688

12/31/2019 KEUR	‹ 12 months	1 - 5 years	› 5 years	Total
Liabilities due to financial institutions	4,203	0	0	4,203
Trade accounts payable	9,206	0	0	9,206
Lease liabilities	2,136	8,240	8,523	18,899
Other financial liabilities	944	0	0	944
Total	16,489	8,240	8,523	33,252

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 were made to the objectives or policies as of December 31, 2020, 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	2020	2019
Current borrowings	0	4,200
Trade payables and contract liabilities	16,543	11,673
Lease liabilities	14,751	16,148
Other liabilities	15,801	15,960
Minus cash and cash equivalents and other current assets	(30,339)	(30,521)
Net financial debt	16,756	17,460
Total shareholders' equity	105,860	99,599
Shareholders' equity and net debt	122,616	117,059
Capital management ratio in %	13.67	14.92

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 applying level 2 (observable) valuation inputs. The maximum average term of such order contracts with customers and suppliers is 7 months.

The fair values are stated in the Notes to the Statement of Financial Position – see Note [12], Other current financial assets, and Note [18], Other current financial liabilities.

Hedging activities

As of December 31, 2020, 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, 2020 reporting date there were no hedged net investments in foreign business operations.

Contingent liabilities, contingencies and other financial obligations

Contingent liabilities and litigation

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 975 thousand euros (previous year: 1,375 thousand euros).

Segment reporting

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

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

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

Business segments

Segment results	Fiscal year 2020			Fiscal year 2019		
KEUR	Displays	Systems	Group total	Displays	Systems	Group total
Revenue from product sales	119,936	70,730	190,666	135,022	65,068	200,090
Service revenue	546	973	1,519	847	2,377	3,224
Total revenue	120,482	71,703	192,185	135,869	67,445	203,314
Research and development expenses	(2,435)	(3,048)	(5,483)	(1,496)	(3,431)	(4,927)
Selling and general administrative expenses	(15,875)	(8,603)	(24,478)	(18,119)	(10,680)	(28,799)
Amortization of intangible assets and depreciation on property, plant and equipment	(2,518)	(1,383)	(3,901)	(2,337)	(1,190)	(3,527)
Segment results (EBIT)	3,965	7,864	11,829	4,565	5,629	10,194
Financial income	1,694	634	2,328	1	4	5
Financial expense	(2,139)	(905)	(3,044)	(292)	(298)	(590)
Income tax	(1,651)	(1,899)	(3,550)	(1,858)	(1,244)	(3,101)
Net income for the year	1,869	5,694	7,563	2,354	4,153	6,507
Investments in intangible assets, property, plant and equipment, and financial assets	2,084	1,345	3,429	3,429	3,555	6,984

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	2020	2019
Domestic	64,037	66,232
Foreign	56,445	69,637
Total	120,482	135,869

Systems segment

KEUR	2020	2019
Domestic	42,536	35,104
Foreign	29,167	32,341
Total	71,703	67,445

Non-current assets

KEUR	2020	2019
Domestic		
Intangible assets	5,253	5,325
Property, plant and equipment	14,871	15,820
Total domestic	20,124	21,145
Foreign		
Intangible assets	233	95
Property, plant and equipment	3,688	3,533
Total foreign	3,921	3,628
Total	24,045	24,773

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.

Business transactions with the ARROW Group in the fiscal 2020 included 121 thousand euros in purchases (previous year: 202 thousand euros) and 42 thousand euros in sales (previous year: 3 thousand euros). As of the reporting date, unsecured liabilities due to the ARROW Group totaled 0 thousand euros (previous year 1 thousand euros), while receivables from ARROW Group totaled 8 thousand euros (previous year: 0 thousand euros).

The DATA MODUL Consolidated Financial Statements include all subsidiaries in which the 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	10,657	712
DATA MODUL France SARL, Baron, France	100	1,572	(1)
DATA MODUL Iberia S.L., Madrid, Spain	100	1,973	113
DATA MODUL Inc., New York, USA	100	5,099	1,048
DATA MODUL Italia S.r.l., Bolzano, Italy	100	1,547	185
DATA MODUL Ltd., Birmingham, United Kingdom	100	1,192	257
DATA MODUL Suisse GmbH, Zug, Switzerland	100	(102)	(4)
DATA MODUL Hong Kong Ltd., Hong Kong, China	100	(121)	7
DATA MODUL Electronic Technology (Shanghai) Co., Ltd., Shanghai, China	100[1]	1,231	27
Conrac Asia Display Products PTE Ltd., Singapore	100	855	(47)
DATA MODUL FZE, Dubai, VAE	0[2]	0	(16)
DATA MODUL Polska Sp. z o.o, Lublin, Poland	100	2,649	(219)

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

[2] The company DATA MODUL FZE was liquidated and deconsolidated in 2020.

Remuneration report

The remuneration structures for the Executive and Supervisory Boards are elaborated in the Group Management Report in the section “Remuneration report”.

Executive Board member remuneration

The disclosures on compensation paid to Executive Board members in the fiscal year 2020 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	**2019**	**2020[3]**	**2020 (min.)**	**2020 (max.)**
Fixed remuneration	230	230	230	230
Fringe benefits	17	18	18	18
Total	**247**	**248**	**248**	**248**
One-year variable compensation[1]	73	73	0	147
Multi-year variable compensation[2]				
Executive bonus 2017	73	0	0	0
Executive bonus 2018	0	73	0	73
Total compensation (according to GCGC)	**393**	**394**	**248**	**468**
Service cost	0	0	0	0
Total compensation (according to GAS 17)	**393**	**394**	**248**	**468**

[1] Not taking into account any deferrals.

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

[3] An additional performance bonus in the amount of 100 thousand euros was approved for Dr. Pesahl in 2020 based on his contract, payable for performance in 2020.

Compensation paid to the Executive Board member in the fiscal year 2020 breaks down as follows:

Compensation	**Dr. Florian Pesahl** *CEO* *Appointment date: January 1, 2010*	
KEUR	**2020[6]**	**2019[5]**
Fixed remuneration	216[7]	230
Fringe benefits	18	17
Total	**234**	**247**
One-year variable compensation[4]	73	147
Multi-year variable compensation	73	73
Total compensation	**380**	**467**

[4] Not taking into account any deferrals.

[5] Bonuses were approved in 2018 for Dr. Pesahl based on his contract in the amount of 119 thousand euros for performance in the year 2017, and 83 thousand euros for the year 2018. The total amount paid out in 2019 was 202 thousand euros.

[6] An additional performance bonus in the amount of 50 thousand euros was approved for Dr. Pesahl in 2019 based on his contract. This amount was paid out in 2020.

[7] 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	2020	2019	2020	2019
Provisions recorded as of the reporting date	297	295	274	277
Allocations to pension provisions	26	51	25	42
Pensions paid	24	23	28	27

In fiscal years 2020 and 2019, the Executive Board member did not receive any loans or similar benefits. Nor did the Executive Board member receive any remuneration for offices held at other Group companies.

Supervisory Board member remuneration

Annual remuneration In KEUR	2020	2019
Kristin D. Russell	40	40
Richard A. Seidlitz	30	30
Wolfgang Klein	0	7
Eberhard Kurz	20	13
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 231 thousand euros in accordance with Sec. 314 (1) No. 9a of German Commercial Code (previous year: 195 thousand euros). Tax consultancy expenses as 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, as well as other services as per Sec. 314 (1) No. 9d German Commercial Code in the amount of 0 thousand euros (previous year: 5 thousand euros).

Subsequent events

We are not aware 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 AG, Munich, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as of 31 December 2020, 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 01 January 2020 to 31 December 2020, 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 01 January 2020 to 31 December 2020. We have not audited the content of those components of the group management report mentioned in the appendix to the auditor's report or the Company information listed there outside of the annual report which is referred to in the group management 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 IFRSs 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 2020, and of its financial performance for the fiscal year from 01 January 2020 to 31 December 2020, 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 group management report does not cover the content of the components of the group management report named in the attachment to the auditor's report.

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 01 January 2020 to 31 December 2020. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

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

Recognition, measurement and amortization of customer-related development costs

Reasons why the matter was determined to be a key audit matter: 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 customer-related development costs 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 customer-related development costs 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 customer-related development costs was a key audit matter in our audit.

Auditor's response: We verified whether the accounting policies of DATA MODUL AG regarding the customer-related development costs provide a suitable basis for the IFRS Consolidated Financial Statements. In order to identify anomalies, we analyzed the capitalization and amortization of the capitalized customer-related development costs in the course of the year. We compared the capitalized costs and amortization of selected projects with the customer contracts, product planning, time and production volume of the series production related to these development costs and other project documents of the Company. We also interviewed the executive directors of DATA MODUL AG and other employees with regard to the status of the contract-specific developments and the measurement of development costs. 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 customer-related development costs. Furthermore, we reviewed the completeness of the disclosures pursuant to IFRS 15 in the notes to the Consolidated Financial Statements. Our audit procedures did not lead to any reservations regarding the recognition, measurement and amortization of customer-related development costs.

Reference to related disclosures: For further information on the recognition and measurement policies applied regarding the recognition, measurement and amortization of customer-related development costs, 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 fulfil 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 fulfil a contract" and "Contract liabilities".

Other information

The Supervisory Board is responsible for the Supervisory Board Report. The executive directors and Supervisory Board are responsible for the declaration pursuant to Sec. 161 AktG ["Aktiengesetz": German Stock Corporation Act] on the German Corporate Governance Code, which is a component of the corporate governance declaration. In all other respects, the executive directors are responsible for the other information. The other information comprises the components of the annual report mentioned in the appendix to the auditor's report.

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

In connection with our audit, our responsibility is to read the other information and, in so doing, 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 audit 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, the 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 (3b) 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 (3b) 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 attached electronic file "DM_AG_KA+KLB_ESEF_2020-12-31.zip" 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 attached 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 fiscal year from 1 January 2020 to 31 December 2020 contained in the "Report on the audit of the Consolidated Financial Statements and of 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 attached electronic file in accordance with Sec. 317 (3b) HGB and Exposure Draft of IDW Assurance Standard: Assurance in Accordance with Sec. 317 (3b) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410). 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 executive directors of the Company are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited Consolidated Financial Statements and the audited group management report as well as other documents to be published to the operator of the Bundesanzeiger [German Federal Gazette].

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, whether due to fraud or error, 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 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) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

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

We were elected as group auditor of the Consolidated Financial Statements by the Annual General Meeting on 12 May 2020. We were engaged by the Supervisory Board on 13 May 2020. We have been the group auditor of DATA MODUL AG without interruption since fiscal year 1987.

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).

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Peter von Wachter.

München, den 18. März 2021

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Horbach	von Wachter
Wirtschaftsprüfer	Wirtschaftsprüfer

Appendix to the auditor's report:

1. Components of the group management report that were not included in the audit

We have not audited the content of the following components of the group management report that are included in "Other information":

- The statement on corporate governance that was made publicly accessible.

2. Further other information

The "other information" comprises, in addition to the components mentioned above, the following sections of the Annual Report:

- Executive Board Report",
- "Supervisory Board Report",
- "DATA MODUL worldwide",
- "DATA MODUL Product Portfolio",
- „Highlights",
- „Corporate Responsibility"and
- "Management Representation" & Financial Calendar 2021",

but excluding the consolidated financial statements, those disclosures in the group management report that lie within the scope of our audit, and our associated auditor's report.

3. Company information that lies outside the annual report but that is referred to in the group management report

The following Company information that lies outside the annual report, is referred to in the management report: www.data-modul.com under the category "Company/ Corporate Governance"

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 2021

Quarterly report dated March 31, 2021	May 6, 2021
Annual Shareholders' Meeting	May 6, 2021
Half-year financial report dated June 30, 2021	August 6, 2021
Quarterly report dated September 30, 2021	November 5, 2021

The DATA MODUL 2020 Annual Report is available in German and English.

Further information about DATA MODUL:

DATA MODUL AG
Investor Relations
Landsberger Strasse 322, D-80687 Munich
Tel. +49-89-56017-105, Fax +49-89-56017-102
E-mail: investor-relations@data-modul.com
Internet: www.data-modul.com

Photos:
Jan Greune, Münsing

Translated by:
Sam Stallard, M.A. Germanistik, staatlich anerkannter Übersetzer und Dolmetscher – stallard.translator@gmail.com

DATA MODUL Aktiengesellschaft
Landsberger Str. 322
80687 Munich, Germany
Tel. +49 89 5 60 17 0
Fax +49 89 5 60 17 119
www.data-modul.com