

# MOBOTIX AG

## Half-Year Financial Report

October 1, 2013 to March 31, 2014

**Complete HiRes Video Solutions**  
high-resolution, digital & cost-effective recording



Security-Vision-Systems



12/2014

## Interim Group Management Report

### Market And Competition

MOBOTIX AG is a software Company with its own hardware development in the area of digital, high-resolution and network-based video security solutions. The Company focuses on the development of user-friendly, complete system solutions from a single provider.

In the first half of the 2013/14 financial year, MOBOTIX again launched numerous product innovations.

In December 2013, it brought out the Q25, M25, D25 and T25 camera models. These new 5-megapixel camera models, which feature the new Lowlight Exposure Optimization (MxLEO), capture high-contrast images without motion blur, even in poor lighting conditions. They are far more light sensitive than their predecessors and have twice as many pixels as the Full HD image standard.

In March 2014, MOBOTIX introduced its first thermographic cameras based on the M15 camera platform. The new thermographic camera modules measure the heat given off by people and objects, which is why they work even in complete darkness. Combined with the MxActivitySensor, they enable specific movements to be detected accurately.

Conditions deteriorated slightly in the market for network camera systems during the first half of 2013/14 financial year. Growth rates were down, particularly in some regional markets. Moreover, there was greater pressure on prices in the main sales markets.

## Net Assets, Financial Position And Results Of Operations

### Results Of Operations

The revenue earned by the MOBOTIX Group rose by 3.9% to €43.0 million in the first half of 2013/14, compared with €41.4 million in the same period of the previous year.

The overall export ratio was 72.9% in the first six months of 2013/14 (prior year: 75.6%). Revenue generated in Germany climbed from €10.1 million to €11.7 million in the first half of 2013/14 financial year, an increase of 15.3%. The revenue attributable to the rest of Europe (excluding Germany) came to €15.1 million (prior year: €14.2 million). The revenue posted for the rest of the world was down by 5.4% to €16.2 million in the reporting period (prior year: €17.1 million).

Total operating output (revenue, increase/decrease in inventories of finished goods and work in progress) fell by 3.6% to €39.6 million, compared with €41.1 million in the first six months of the previous financial year. This was due to the deliberate scaling back of inventories of finished goods and work in progress as well as to impairment charges recognized on inventories.

The cost-of-materials ratio (material costs as a percentage of total operating output) grew from 25.5% in the prior-year period to 31.7% in the first half of 2013/14, two of the reasons being price reductions on 3-megapixel camera models and the impairment charges recognized on inventories.

The staff costs ratio (staff costs as a percentage of total operating output) was slightly higher year on year at 32.2% (prior year: 30.8%). The main reason for this was the increase in headcount.

Other operating expenses advanced by 8.6% to €10.0 million in the first half of 2013/14, compared with €9.2 million in the prior-year period. This rise was due not only to higher legal and consultancy expenses resulting from the costs incurred by MOBOTIX CORP, New York, for defending against patent trolls but also to higher costs on the back of the increase in business volume.

EBITDA (11.6% of total operating output; earnings before interest, tax, depreciation and amortization) amounted to €4.6 million (prior year: €9.0 million). EBIT (7.8% of total operating output; earnings before interest and tax) stood at €3.1 million (prior year: €7.6 million). Net profit for the first half of 2013/14 came to €1.8 million (prior year: €5.2 million), while the return on revenue was 4.2%.

### Net Assets

With capital expenditure of €0.8 million, and depreciation and amortization of €1.5 million, non-current assets declined from €23.7 million as of September 30, 2013 to €23.0 million as of March 31, 2014 – a decrease of 3.1%.

Inventories contracted from €23.9 million at the start of the financial year to €18.4 million as of March 31, 2014. This fall of €5.5 million or 23.2% was caused by the deliberate scaling back of inventories, the successful completion of product launches and impairment charges recognized on inventories of materials and supplies, finished goods and work in progress in the first half of the year.

Compared with the start of the financial year, receivables and other assets went down by €1.2 million to €17.6 million as of March 31, 2014 thanks to improved receivables management and lower input VAT receivables.

Cash and cash equivalents fell by €6.3 million to €1.5 million as of March 31, 2014 (September 30, 2013: €7.8 million), primarily due to the dividend distribution of €9.9 million.

The dividend distribution for 2012/13, combined with the profit generated in the first half of 2013/14, resulted in a net decrease in equity of €8.0 million to €41.2 million. With total assets down by €13.7 million or 18.1%, the equity ratio rose from 65.3% to 66.8%.

The €5.3 million decline in liabilities to €12.4 million (September 30, 2013: €17.6 million) was the result not only of lower trade payables on the back of reduced goods inwards transactions in connection with the scaling back of inventories, but also of scheduled loan repayments amounting to €0.6 million.

## Financial Position

Cash flow from operating activities in the first half of 2013/14 amounted to €4.9 million (prior year: €3.3 million).

Net cash used by investing activities came to €0.7 million (prior year: €1.2 million) and was largely accounted for by capital expenditure on property, plant and equipment.

The negative cash flow from financing activities of minus €10.4 million (prior year: minus €7.2 million) was due, above all, to the dividend distribution of €9.9 million.

Overall, the changes in the individual cash flows resulted in cash and cash equivalents of €1.5 million as of March 31, 2014 (September 30, 2013: €7.8 million).

## Significant Events After The End Of The First Half Of 2013/14

No events of particular significance occurred after the end of the first half of the 2013/14 financial year.

## Related Party Disclosures

No significant changes in transactions with related parties occurred during the period under review.

## Changes To The Management Board

At a Supervisory Board meeting on 17 February 2014, Dr Magnus Ekerot was dismissed from the Management Board of MOBOTIX AG with immediate effect. For the time being, Klaus Gesmann has taken on the role of Chief Executive Officer (CEO) and responsibility for sales in addition to his existing finance remit. Dr Oliver Gabel remains the Chief Technology Officer (CTO).

## Switch Of Stock Exchange Segment

At its meeting on 29 May 2013, the Management Board of MOBOTIX AG decided to apply to voluntarily switch from the Prime Standard segment of the EU-Regulated Market to the Entry Standard segment of the Exchange-Regulated Market of the Frankfurt Stock Exchange (Open Market), meaning the Company would return to the segment that it was in at the time of its stock market flotation.

In a letter dated June 19, 2013, the management of the Frankfurt Stock Exchange announced that, following an application by MOBOTIX AG, the ordinary bearer shares, ISIN DE0005218309, would be delisted pursuant to section 39 (2) German Stock Exchange Act (BörsG) in conjunction with section 46 (1) sentence 2 no. 2 and section 46 (2) sentence 3 Exchange Rules for the Frankfurter Wertpapierbörse (BörsO). The delisting came into effect from midnight on December 19, 2013. Delisting from the Regulated Market (General Standard) simultaneously removes the shares from the section of the Regulated Market with further post-admission obligations (Prime Standard).

Listing in the Entry Standard of the Open Market took place simultaneously with the delisting from the Prime Standard of the EU-Regulated Market, i.e. as of December 20, 2013. The shares can still be traded.

## Changes To The Supervisory Board

On January 17, 2014, Dr. Ralf Hinkel Holding GmbH exercised its right, enshrined in the Articles of Incorporation of MOBOTIX AG, to appoint one member of the Supervisory Board by appointing Dr Ralf Hinkel to the Supervisory Board.

The previous chairman of the Supervisory Board, Professor Dr Rainer Gerten, resigned from his position on January 17, 2014 for personal reasons. Dr Ralf Hinkel was elected as chairman of the Supervisory Board on January 17, 2014.

## Opportunities And Risks Of Future Development; Outlook

There were no significant changes to the opportunities and risks of future development in the first half of 2013/14. The information provided in the risk report for 2012/13 continues to apply virtually unchanged.

Business performance was below expectations in the first six months. Revenue growth of just under 4% in the first half of the year, combined with impairment charges that had to be recognized on inventories and larger price reductions, resulted in a considerably smaller profit than anticipated.

The Management Board predicts that, in view of sustained weakness in individual sales regions, year-on-year revenue growth will be approximately 5% in 2013/14, which is lower than the Management Board's previous forecast for revenue growth in 2013/14 of 10%.

Based on the lower revenue growth forecast and the existing cost structures, the Management Board expects an EBIT margin of around 13% for 2013/14, compared with the previous forecast of 21%.

Besides the patent infringement proceedings against e-watch, Inc., San Antonio, USA, there is now also a patent infringement dispute with ComCam International Inc., USA. The Management Board assumes that the claimants' patents are invalid.

The forward-looking statements made above are predictive in nature. Actual results may therefore differ substantially from these expectations.





## Condensed Consolidated Financial Statements

### Condensed Consolidated Balance Sheet As Of March 31, 2014

€'000	Mar. 31, 2014	Sep. 30, 2013
Non-current assets	22,991	23,735
Current assets	37,508	50,489
Prepaid expenses	1,006	791
Deferred tax assets	262	415
<b>ASSETS</b>	<b>61,767</b>	<b>75,430</b>
Equity	41,235	49,264
Provisions	8,158	8,533
Liabilities	12,368	17,627
Deferred tax liabilities	6	6
<b>EQUITY AND LIABILITIES</b>	<b>61,767</b>	<b>75,430</b>

### Condensed Income Statement For The Period October 1, 2013 to March 31, 2014

€'000	Oct. 1, 2013- Mar. 31, 2014	Oct. 1, 2012- Mar. 31, 2013
Revenue	43,007	41,410
Decrease in inventories of finished goods and work in progress	-3,388	-294
Other operating income	313	266
Cost of materials	12,563	10,503
Staff costs	12,774	12,659
Depreciation, amortization expense and impairment losses	1,488	1,412
Other operating expenses	9,995	9,206
Other interest and similar income	5	19
Interest expense and similar charges	169	171
<b>Profit from ordinary activities</b>	<b>2,948</b>	<b>7,448</b>
Income taxes	1,127	2,272
Other taxes	17	16
<b>Profit for the period</b>	<b>1,804</b>	<b>5,162</b>

## Condensed Notes To The Consolidated Financial Statements

### General

The financial year used by MOBOTIX AG starts on October 1 of each year and ends on September 30 of the following year.

### Accounting Policies

These condensed interim consolidated financial statements of MOBOTIX AG for the period ended March 31, 2014 have been prepared in accordance with German generally accepted accounting principles (HGB) for the first time, whereas International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and interpretations of the International Financial Reporting Interpretation Committee and Standing Interpretations Committee (IFRIC/SIC) were applied to the consolidated financial statements for the year ended September 30, 2013.

In the condensed interim consolidated financial statements for the period ended March 31, 2014, which have been prepared in accordance with German Accounting Standard No. 16 (DRS 16) 'Interim Financial Reporting' issued by the German Accounting Standards Committee (DRSC) and

the General Terms and Conditions for the Entry Standard of Deutsche Börse AG for the Open Market, largely the same accounting policies have been used as in the consolidated financial statements for 2012/13. These interim financial statements differ from the consolidated financial statements for the year ended September 30, 2013 in that development costs have not been capitalised and the subsidy included in the interest rate on development loans granted is no longer shown separately. Neither of these accounting policy changes have a material impact on the net assets, financial position or results of operations. The equity reported as of September 30, 2013 is €1.9 million lower (development costs €1.4 million, liabilities to banks €0.4 million, miscellaneous €0.1 million) than in the IFRS consolidated financial statements.

These condensed interim consolidated financial statements have been reviewed by the auditor, KPMG AG, Wirtschaftsprüfungsgesellschaft, Saarbrücken.

For further information about the individual accounting policies used, please refer to the consolidated financial statements of MOBOTIX AG for the year ended September 30, 2013.

Unless indicated otherwise, all amounts in the condensed interim consolidated financial statements are stated in thousands of euros (€ thousand). The translation of amounts in euros into thousands of euros may give rise to rounding discrepancies of plus or minus one unit (thousands of euros or per cent).

### Basis Of Consolidation

The entities that were consolidated with MOBOTIX AG as of March 31, 2014 were the same as those included in the consolidated financial statements for the year ended September 30, 2013 and in the comparative prior-year period.

Winnweiler-Langmeil, May 20, 2014

The Management Board



Klaus Gesmann • CEO



Dr. Oliver Gabel • CTO

### Disclaimer

This financial report contains MOBOTIX AG statements and information that relate to future periods. These forward-looking statements use formulations such as 'plan', 'expect', 'intend', 'endeavour', 'will', 'estimate', 'believe', 'aim to' and similar expressions. Such statements are made based on the current situation and latest expectations and may occasionally differ significantly – either on the upside or downside – from actual developments. Some of the factors that may give rise to uncertainties are changes in domestic or international macroeconomic conditions, changes in the underlying political situation, the introduction of new products or technologies by other companies, changes in investment behaviour in MOBOTIX AG's key markets, movements in exchange rates or interest rates, and the integration of acquired companies. MOBOTIX AG undertakes no obligation – over and above the existing legal requirements – to revise or update forward-looking statements.

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