

**Report of the Supervisory Board
of MOBOTIX AG,
Winnweiler-Langmeil**

Financial Year 2017/18

1 October 2017 To 30 September 2018

Dear Sir or Madam,

Dear Shareholders,

with a revenue in the amount of €63.9 million (excluding component sales) in the 2017/18 financial year, the MOBOTIX Group was unable to meet the planned revenue target of €65 million. It did, however, significantly exceed its profit target of €0.7 million with an EBIT of €1.0 million.

The number of camera systems sold decreased by 1.5% in comparison to the previous year. Declining sales volume has been recorded due to the continued increased competition, particularly from Chinese camera suppliers, but also due to expectations not being met by partners and end customers. A higher-than-average decline in sales was reported particularly in Germany, the Benelux region and in Australia, while sales volumes increased in the American market and in the MEA region.

EBITDA is equivalent to 5.0% of the total operating output (excluding component sales) and amount to €3.2 million, which corresponds to an increase of €8.5 million in comparison to the previous year. EBIT is equivalent to 1.6% of the total operating output (excluding component sales) and amounts to €1.0 million in comparison to -€7.6 million in the previous year. The 2017/18 financial year ended on an annual net income of €0.4 million compared to an annual net loss of €6.3 million in the previous year, which, however, was burdened by restructuring costs of €1.4 million after tax effects.

Personnel costs were significantly reduced compared to the previous year (-€2.2 million), as were other operating expenses (-€5.7 million).

Total liabilities to banks are €17.0 million. Equity remained virtually unchanged from the previous year. The equity ratio is 51.4% compared to 49.0% in the previous year. MOBOTIX AG's financial position therefore remains satisfactory.

The business activities generally met the expectations of the Management Board and Supervisory Board for business performance.

The main task and challenge in the new year is the implementation of the new product strategy focusing on smart cyber secure video solutions that offer a clear competitive advantage. This strategy is based around a new camera platform which provides additional possibilities for intelligent IoT devices. Optimization of the MOBOTIX AG income model using license models to monetize the MxManagementCenter video management software remains a further focal point; these models are available alongside the MxMC versions free of charge, which continue to be. In addition, the timely implementation of an SAP ERP and CRM system is the precondition for more effective and more efficient processes.

At 5% in the period 2018 to 2022, the growth potential in the area of digital IP video security systems is still regarded as comparatively high by the market research companies in all worldwide submarkets. Above-average growth is expected in the Americas region in particular.

The study forecasts that global annual sales growth from 2018 to 2022 will average 23% for network cameras with a resolution of between 6 and 8.3 megapixels. At the same time, IHS Research is expecting a 16% annual average decline in prices. As such, the decline in prices already forecast in previous studies will continue.

MOBOTIX is reacting to increased competition by introducing new competitive products such as the MOBOTIX MOVE product line, adapting industry standards such as ONVIF and H.264 and improving integration into leading video management systems but also with complementary products such as PTZ cameras to gain access to new market segments. As a highly innovative technology company, MOBOTIX sets itself apart from its competitors above all else through its complete system solution package and solutions tailored to vertical focus markets.

MOBOTIX intends to add peripheral components such as a switch, IR emitter and NAS to its range of products, thus offering a complete system from a single provider and giving itself a competitive edge.

A number of technology partnerships were concluded during the 2017/18 financial year as a response to the diverse

MOBOTIX

requirements in the vertical markets with optimally tailored complete solutions.

Since 2016, Konica Minolta has been a strategic investor in MOBOTIX with the intention of continuing to improve MOBOTIX's leading camera technology through innovations such as new high-resolution image sensors and high-quality lenses and to strengthen the sales team around the world. Collaboration with Konica Minolta was further expanded in the area of R&D during the reporting year, focused on developing new video surveillance technologies. The sales through the Konica Minolta global channel as well as joint R&D contributed to the profitability of MOBOTIX in 2017/18.

In the past financial year, the Supervisory Board advised and monitored the Management Board chiefly on business-related matters with a special focus on the sales and product strategy, on product development activities and on the business organization, including HR-related measures. The Supervisory Board dealt extensively with the respective current state of business as well as corporate and liquidity planning multiple times.

In keeping with its tasks laid down by law and the Articles of Association, we continuously monitored business activities with utmost diligence and care. We assured ourselves of the legality, expediency and regularity of said activities and found no objections to be raised.

The Supervisory Board intensively monitored the work of the Management Board during the reporting year. The Supervisory Board worked as usual closely with the Management Board based on mutual trust in the interest of cooperative and constructive interaction. The Supervisory Board was always involved in all decision-making of fundamental importance for the company in a comprehensive and timely manner. Following in-depth consultation and examination of the extensive documents provided to us by the Management Board, we approved individual transactions where required by the articles of association or stock corporation law.

The Supervisory Board agrees to the proposal of the Management Board to pay a minimum dividend of €530,857.68 pursuant to Section 254 of the German Stock Corporation Act (Aktiengesetz, AktG). The remaining distributable profit in the amount of €819,476.92 shall be carried forward to new account. A corresponding proposed resolution for the distribution of profits will be submitted to the Annual General Stockholders' Meeting.

Consultation, Review And Monitoring Methods

The Management Board has fulfilled its duties to inform. It provided the Supervisory Board with regular, comprehensive and timely information about all issues relevant for the Group in its meetings, such as the situation of the company, technology strategy, product development, business performance, the financial position, the personnel situation and ongoing and new investment projects, as well as about any important decisions and transactions.

The Management Board always provided prompt and detailed explanations regarding deviations in business performance from the established plans which were discussed by the Supervisory Board in depth.

The Management Board regularly provided us with detailed written reports for the preparation of Supervisory Board meetings. This provided us with ample opportunity in all cases to critically analyze the Management Board's reports and proposed resolutions and to put forward our own suggestions before passing resolutions following in-depth examination and consultation. The Management Board was available to answer our questions at the Supervisory Board meetings.

The Management Board also informed the Supervisory Board outside of the meetings by means of regular reports about the current state of business and about important financial and internal company developments. With respect to transactions requiring approval, such as the Master Service Agreement with Konica Minolta Inc., the contract with our supplier regarding the manufacture and supply of board assemblies, the "Fit for the Future" company agreement, the employee participation program and the introduction of the MX MOVE OEM camera line, the Supervisory Board agreed to the measures proposed by the Management Board after a detailed review and

discussion. We critically evaluated the plausibility of, as well as scrutinized and reviewed, the information submitted by the Management Board.

The Supervisory Board was satisfied with the proper governance of company management throughout the year. There were no conflicts of interest concerning members of the Supervisory Board or the Management Board.

The reports of the Management Board during the year provided a good indication of the business performance and are in line with the report given in the 2017/18 annual financial statements. In addition, the Management Board also informed the Chairman of the Supervisory Board of all important developments and pending decisions in the course of regular discussions between the meetings.

The Supervisory Board did not exercise the right to examine the company's books and records or to commission special experts with specific tasks in the reporting year (Section 111 (2) of the German Stock Corporation Act (AktG)). To date the Supervisory Board has not formed any committees since they would not have contributed to improved efficiency due to the size and structure of the company. The entire Supervisory Board has consistently focused its attention on future topics and decisions in all matters.

Focal Points Of The Supervisory Board Discussions

A total of seven meetings of the Supervisory Board took place in the 2017/18 financial year. When needed the Supervisory Board met without the attendance of the Management Board. All members of the Supervisory Board were present at all meetings.

The Management Board presented an initial financial report for the past financial year 2016/17 at our first meeting in November 2017. In addition, business plans for the 2017/18 financial year were discussed extensively and decided on, the current status in relation to the necessary restructuring measures was presented and the future product and development strategy was discussed.

The focus of the discussions in the second meeting in February 2018 was on current revenue and profit trends and current developments in the ongoing financial year. An employee participation program and the collaboration with Konica Minolta were also discussed.

At our meeting on 2 March 2018, Hartmut Sprave was appointed as a member of the Management Board with effect from (no later than) 1 September 2018 for a period of two years. Klaus Kiener was reappointed as the Chief Financial Officer with effect from 1 April 2018 for a period of three years.

At the end of March 2018, we closely examined the annual and consolidated financial statements as of 30 September 2017 in the presence of the auditor. All questions were answered in full by the auditors. In this meeting, we passed a resolution to adopt the annual financial statements and approve the consolidated financial statements.

The agenda for the Annual General Meeting and the proposed resolutions, including the proposed resolution for the distribution of profits, were adopted in the meeting at the start of April 2018. Business performance during the first six months and the necessary measures were also discussed in the meeting in April.

In the meeting directly before the Annual General Stockholders' Meeting in May 2018, the Management Board reported on the status of the implementation of the EU General Data Protection Regulation (GDPR) as well as the Group's current position. Furthermore, Christiane Kampling was presented as the new Head of Marketing & Corporate Communications. The Supervisory Board and the Management Board discussed the new product vision and strategy.

In our last meeting in September, the final budget and investment plan for the 2018/19 financial year were submitted to the Supervisory Board and approved. A possible five-year plan was discussed, and the regional sales strategies and the priorities of the partnerships were explained.

no objections; also no objections to the final statement of the Management Board of the Dependent Company Report:

"The Management Board declares that, for the legal transactions and measures disclosed in the report regarding relationships with affiliated companies, adequate compensation was received by the company for each legal transaction and the company was not disadvantaged by the measures implemented according to the circumstances that were known to us at the time the legal transactions were conducted or the measures were implemented.

No measures have been refrained from at the behest or in the interest of the controlling company or a company affiliated with it.

Winnweiler-Langmeil, 31 October 2018

The Management Board“

In its meeting on 29 November 2018, the Supervisory Board adopted the annual financial statements prepared by the Management Board and approved the consolidated financial statements of MOBOTIX AG. The annual financial statements are thus adopted.

Together with the Management Board, we closely examined its proposed resolution for the distribution of profits, which - as in the previous year - calls for a minimum dividend, and approved the resolution in view of the company's current and projected future financial situation.

There were no changes to the composition of the Supervisory Board during the reporting period. Mrs. Hinkel intends to resign as a member of the Supervisory Board with effect from the end of 24 January 2019. The terms of office of Yuji Ichimura and Kunihiro Koshizuka will terminate as scheduled upon the completion of the Annual General Stockholders' Meeting on 30 September 2021.

The Management Board consisted of four members in the past financial year. Dr. Tristan Haage, the Chief Sales Officer, and Dr. Oliver Gabel, the Chief Technology Officer, chose to resign from the Management Board of MOBOTIX AG effective on 31 October 2017 and 30 November 2017, respectively, with the mutual consent of the Supervisory Board and Management Board. Hartmut Sprave took up the role of CTO on 1 June 2018.

The Supervisory Board would like to thank all Group employees around the world and the Management Board members for their hard work in the 2017/18 financial year and their great personal commitment. We would also like to express our gratitude for the trusting cooperation of the employee representatives.

We are convinced that the MOBOTIX Group is well positioned for the future to grow profitably in the 2018/19 financial year and beyond. The cooperation with Konica Minolta is opening up quality growth opportunities in the medium term both for technological order development and in sales.

We wish management and the employees great success in tackling the challenges of the coming year. Our special gratitude goes out to the customers, partners and stockholders of MOBOTIX AG for their faith and confidence.

Winnweiler-Langmeil, 29 November 2018

For the Supervisory Board

Yuji Ichimura

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