

**Annual Financial Statement
Of MOBOTIX AG,
Winnweiler/Langmeil, Germany**

Financial Year 2017/18

1 October 2017 To 30 September 2018

Balance Sheet As Of 30 September 2018

			30.09.2018	30.09.2017
	<u>See Appendix</u>		€'000s	€'000s
A. Non-current assets				
I. Intangible assets	(1)			
1. Purchased industrial property rights and similar rights and assets as well as licenses to such rights and assets			507	97
2. Advance payments			725	88
			<u>1,232</u>	<u>185</u>
II. Property, plants and equipment	(1)			
1. Land and buildings, including buildings on third-party land			13,017	13,611
2. Technical equipment and machinery			2,440	2,992
3. Other equipment, factory and office equipment			714	995
4. Advance payments and assets under construction			10	16
			<u>16,181</u>	<u>17,614</u>
III. Financial assets	(2)			
Shares in affiliated companies			7,104	7,104
			<u>7,104</u>	<u>7,104</u>
			<u>24,517</u>	<u>24,903</u>
B. Current assets				
I. Inventories				
1. Raw materials and supplies			5,264	4,794
2. Work in progress			5,594	3,400
3. Finished goods			4,283	5,779
			<u>15,141</u>	<u>13,973</u>
II. Receivables and other assets				
1. Trade receivables	(3)		8,749	7,987
2. Receivables due from affiliated companies	(4)		5,196	3,671
3. Other assets	(3)		212	461
			<u>14,157</u>	<u>12,119</u>
III. Cash in hand and bank balances			2,353	7,010
			<u>31,651</u>	<u>33,102</u>
C. Accruals and deferrals			466	445
D. Deferred taxes	(5)		1,087	1,444
ASSETS			<u>57,721</u>	<u>59,894</u>

			30.09.2018	30.09.2017
		See Appendix	€'000s	€'000s
A.	Equity			
I.	Subscribed capital	(6)	13,271	
	Minus notional value of treasury shares		-128	
	Issued capital		13,143	13,143
II.	Capital reserves		1,250	1,250
III.	Retained earnings			
1.	Statutory reserve		77	77
2.	Other retained earnings		17,678	0
			17,755	77
IV.	Distributable profit		1,350	18,739
			33,498	33,209
B.	Provisions			
	Other provisions	(7)	3,915	5,482
C.	Liabilities			
1.	Bank loans and overdrafts		16,990	18,410
2.	Advance payments received for orders		13	16
3.	Trade payables		2,517	1,839
4.	Liabilities to affiliated companies		150	136
5.	Other liabilities		638	802
			20,308	21,203
	LIABILITIES		57,721	59,894

Income Statement

From 1 October 2017 To 30 September 2018

		Financial year	
		1 Oct.2017	1 Oct.2017
		-	-
		30 Sept. 2018	30 Sept. 2018
		€'000s	€'000s
1.	Revenue from sales (9)	63,460	62,867
2.	Increase in finished and unfinished goods and work in progress	697	736
3.	Other own work capitalized	166	0
4.	Other operating income (10,12)	963	726
5.	Material costs	30,429	30,689
	a) Expenses for raw, auxiliary and operating materials as well as for purchased	29,971	29,933
	b) Expenses for purchased services	458	756
6.	Personnel expenses	20,712	22,506
	a) Wages and salaries	17,694	19,372
	b) Social security contributions and expenditure on pension benefits of which pension benefits amount to €53,000 (previous year: €60,000)	3,018	3,134
7.	Amortization of intangible assets and depreciation of property, plants and equipment	2,156	2,194
8.	Other operating expenses (10,12)	10,596	14,280
9.	Depreciation of financial assets	0	4
10.	Interest and similar expenses	172	335
11.	Taxes from income and profit (expenses, previous year: profit)	366	-1,590
	a) Current taxes	9	-144
	b) Deferred taxes	357	-1,446
12.	After-tax profit	855	-4,089
13.	Other taxes	36	35
14.	Annual net income (previous year: loss)	819	-4,124
15.	Profit carried forward	531	22,863
16.	Distributable profit	1,350	18,739

Notes On Financial Year 2017/18

A. General Information

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

The annual financial statement of MOBOTIX AG has been prepared in line with the stipulations of the German Commercial Code and German Stock Corporation Act.

The Company is entered into the Commercial Register of in Kaiserslautern as MOBOTIX AG, Commercial Register No. 3724.

The assets and liabilities were recognized and valued under the assumption that the Company will continue as a going concern.

We have used the total cost method for the income statement as we did in the previous year.

There may be minor discrepancies in the figures provided in euros or as a percentage, since the figures have been rounded to the nearest thousand euros.

B. Information On Accounting Policies

Intangible Assets, Property, Plants and Equipment, And Financial Assets

Purchased intangible assets are valued at acquisition cost less scheduled straight-line amortization in accordance with the expected useful life of one to five years.

Property, plants and equipment are valued at acquisition or manufacturing cost less scheduled straight-line depreciation in accordance with the expected useful life of three to 33 years. Grants and subsidies received are offset on the asset side.

The manufacturing costs of internally generated property, plants and equipment include the direct cost of materials and production as well as an appropriate proportion of the necessary materials and production overheads incurred, including production-related depreciation and production-related depreciation of non-current assets.

Shares in affiliated companies are valued at cost. If the value of such shares is permanently impaired, their carrying amount is written down to their fair value. If the reasons for such write-downs cease to apply, the impairment losses are reversed in accordance with Section 253 (5) of the German Commercial Code (HGB).

Inventories

The materials and supplies reported under inventories are recognized at their average price, taking into account of their realizable value on the balance sheet date and the lower-of-cost-and-market principle. Work in progress and finished goods are valued at their manufacturing cost in accordance with the lower-of-cost-or-market principle. Manufacturing costs include the direct cost of materials and production as well as an appropriate proportion of the materials and production overheads incurred and production-related depreciation of non-current assets. Interest on borrowed capital is not included in the manufacturing costs.

Receivables And Other Assets

Receivables and other assets are valued at their nominal value, taking into account all identified risks.

Deferred Tax Assets

Deferred tax assets are recognized for differences between the financial statements and tax accounts/accumulated tax losses incurred, provided this will result in tax relief in subsequent financial years.

Provisions

Other provisions take appropriate account of all identifiable risks and contingent liabilities; they are recognized at the settlement amount dictated by prudent business practice. Future price and cost increases are factored in if there is sufficiently objective evidence to suggest that they will materialize. Provisions with a residual maturity of more than one year are discounted using the maturity-matched average market interest rate for the previous seven financial years.

Liabilities

Liabilities are carried at their settlement amount.

Currency Conversion

Assets and liabilities denominated in foreign currencies are converted using the mean spot exchange on the reporting date, since all foreign currency items have residual maturities of less than one year. As such, Sections 253(1)(1) and 252(1)(4)(2) of the German Commercial Code are not applied.

Deferred Tax Liabilities

Deferred tax assets are recognized in respect of differences between the carrying amounts of assets, liabilities and prepaid expenses, provided that this will result in tax relief in later financial years.

C. Information And Explanations Regarding Individual Items On The Balance Sheet And Income Statement

(1) Intangible Assets and Property, Plants And Equipment

The changes in the non-current intangible assets and property, plant and equipment reported on the balance sheet are presented in the statement of changes in non-current assets (annex to the notes).

(2) Financial Assets

Shareholdings

Name and registered office of company	Percentage of capital	Equity	Profit/loss in 2017/18
MOBOTIX CORP, New York, USA	100,0	USD -38,000	USD -667,000
MOBOTIX LIMITED, Nottingham, UK*)	100,0	GBP 1	GBP 0
MOBOTIX SINGAPORE PTE. LTD., Singapore	100,0	SGD 95,000	SGD 19,000
MOBOTIX AUSTRALIA PTY LTD, Sydney, Australia	100,0	AUD 66,000	AUD 6,000

*) not operational

(3) Trade Receivables And Other Assets

Trade receivables and other assets have a residual term of less than one year, as in the previous year.

(4) Receivables Due From Affiliated Companies

Receivables from affiliated companies in the amount of €5,196,000 (previous year: €3,671,000) include trade receivables to MOBOTIX CORP, New York, USA, in the amount of €4,325,000 (previous year: €3,516,000). Receivables from affiliated companies have a residual term of less than one year, as in the previous year.

(5) Deferred Tax Assets

Deferred tax assets in the amount of €1,087,000 (previous year: €1,444,000) result from accumulated tax losses incurred in the financial year 2016/17. The recognition of deferred tax assets is based on a tax rate of 28.6%.

(6) Shareholders' Equity

The subscribed capital corresponds to the share capital of MOBOTIX AG as of the relevant balance sheet date.

The Company issued 13,271,442 ordinary shares as of the balance sheet date, of which 13,143,308 are in circulation. It held 128,134 shares as treasury shares as of 30 September 2018. These no-par-value shares each represent €1.00 of the Company's share capital, which is fully paid-up.

The Annual General Meeting of MOBOTIX AG, Winnweiler/Langmeil, held on 28 May 2018, adopted a resolution to pay a dividend of €0.04 per share for the financial year 2016/17. This constituted a total dividend payout of €531,000. The treasury shares held by the Company do not carry dividend rights. The dividend was distributed on 31 May 2018.

The Annual General Meeting held on 28 May 2018 adopted a resolution to authorize the Management Board once again – subject to compliance with the principle of equal treatment (Section 53a of the German Stock Corporation Act (AktG)) – to acquire treasury shares up to a total of 10% of the Company's existing share capital on or before 30 April 2023. The shares acquired under this authorization – in conjunction with other of the Company's shares that the Company has already acquired or still possesses or that are attributable to it pursuant to Sections 71d and 71e AktG – must at no time account for more than 10% of the Company's share capital.

At the Management Board's discretion, shares can be acquired on the open market or via a public purchase offer to all Company stockholders or by means of a public call to stockholders to submit offers to sell.

The Company did not purchase any of its own shares in the financial year 2017/18. Its treasury shares account for €128,000 of its share capital. The treasury shares were purchased in financial years 2010/11 and 2011/12.

The capital reserves consist of share premiums received from various capital increases in the past.

A statutory reserve required under Section 150(1) of the German Stock Corporation Act (AktG) totals €77,000; this amount has been allocated in previous years in accordance with Section 150(2) AktG.

€17,678,000 was allocated to other retained earnings pursuant to the resolution adopted by the Annual General Meeting held on 28 May 2018.

The distributable profit comprises accrued, retained profits and not the annual results allocated to other retained earnings.

Other retained earnings including profit carried forward in the amount equaling deferred tax assets must not be distributed in accordance of Section 268(8) of the German Commercial Code (HGB).

The Management Board of MOBOTIX AG proposes to distribute TEUR 531 to the shareholders from the distributable profit of MOBOTIX AG in the amount of TEUR 1,350 and to carry forward TEUR 819 to new account.

(7) Other Provisions

Other provisions primarily include the following types of provisions.

-Provisions for outstanding invoices	EUR 1,642,000
- Provisions for annual bonuses and sales commissions	EUR 591,000
- Provisions for Christmas bonuses	EUR 323,000
- Provisions for holiday leave	EUR 289,000

(8) Liabilities

The table below shows the residual maturities and security interests of the liabilities reported on the balance sheet (€'000s; previous years' figures in brackets).

Liabilities	Total	Maturity period			of which secured	
		Up to one year	One to five years	Over five years	Amount	Note
Liabilities to banks	16,990 (18,410)	4,240 (1,420)	12,750 (16,990)	0 (0)	3,090 (3,210)	1
Liabilities arising from advance payments received for orders	13 (16)	13 (16)	0 (0)	0 (0)	0 (0)	
Trade receivables	2,517 (1,839)	2,517 (1,839)	0 (0)	0 (0)	0 (0)	
Liabilities to affiliated companies	150 (136)	150 (136)	0 (0)	0 (0)	0 (0)	
Other liabilities	638 (802)	638 (802)	0 (0)	0 (0)	0 (0)	
Total	20,308 (21,203)	7,558 (4,213)	12,750 (16,990)	0 (0)	3,090 (3,210)	

1 = Land charges

Other liabilities include social security payments of €143,000 (previous year: €99,000) and taxes of €210,000 (previous year: €329,000).

Liabilities to affiliated companies relate exclusively to trade payables.

(9) Revenue From Sales

Revenue from sales comprises revenue from component sales to external manufacturers amounting to €2,520,000 (previous year: €2,448,000), revenue from order development and the services for Konica Minolta, Inc., Tokyo, Japan, amounting to €1,791,000 (previous year: €0) and revenue from the group charges amounting to €164,000 (previous year: €230,000). Revenue from sales excluding revenue from component sales, order development and group charges is €20,611,000 (previous year: €22,220,000) in Germany, €21,110,000 (previous year: €20,211,000) in the rest of Europe and €17,264,000 (previous year: €17,758,000) in the rest of the world.

(10) Income And Expenses From Other Reporting Periods

Other operating income includes income of €227,000 (previous year: €114,000) from other reporting periods, while other operating expenses include expenses of €161,000 (previous year: €164,000) from other periods.

(11) Other Financial Obligations

Other financial obligations relate solely to payments for rents, leases and materials within the scope of the Company's ordinary business activities. The commissioning of a system house to introduce an ERP system is expected to result in financial obligations of €250,000.

(12) Currency Conversion Income And Expenses

Other operating income includes income of €132,000 (previous year: €164,000), from currency conversion, while other operating expenses include expenses of €131,000 (previous year: €145,000) arising from currency conversion.

(13) Miscellaneous

The contractual relationship with the general contractor for the new construction (construction phase I) in Langmeil, Germany, was terminated for good cause in 2009 before the construction was completed. The general contractor submitted their final invoice amounting to €2,262,000 (net) in 2009. MOBOTIX is contesting this invoice, since counterclaims for contractual penalties, defects and underperformance come to at least the same amount. Proceedings at the court of first instance are pending. As in the previous year, this situation was reflected in the financial statements – in line with the Management Board's risk assessment – by the recognition of an item of property, plants and equipment on the assets side of the balance sheet and the reporting of a corresponding provision on the liabilities side. Consequently, the unrecognized final payment did not give rise to any outflow of cash.

D. Other Mandatory Disclosures

(1) Average Number Of People Employed In The Financial Year (Full-Time Equivalent)

The following groups of employees (excluding the Management Board, trainees and temporary employees) were employed by the Company during the financial year 2017/18:

Full-time employees	278.4
Part-time employees	16.7

The total number of people employed on average was 295.1 (previous year: 322.5).

(2) Auditor's Fees

MOBOTIX AG incurred the following expenses for its independent auditors, Ernst & Young GmbH (previous years: KPMG AG Wirtschaftsprüfungsgesellschaft), in the financial year in accordance with Section 285 (17) of the German Commercial Code (HGB):

Services	Fees	
	2017/18 €'000s	2016/17 €'000s
Statutory audit services		
invoiced	45	48
from provisions	25	72
Tax advisory services		
invoiced	0	49
Other services		
invoiced	0	9
Total	70	178

(3) MOBOTIX AG Management Board**Members Of The MOBOTIX AG Management Board**

- Thomas Lausten, Master of Business Administration, Kaiserslautern (Chief Executive Officer)
- Dr. Oliver Gabel, Diplom-Ingenieur, Weilerbach (Chief Technology Officer until 30 November 2017)
- Dr. Tristan Haage, Diplom-Physiker, Bolanden (Chief Sales Officer until 31 October 2017)
- Klaus Kiener, Diplom-Betriebswirt, Wiesbaden (Chief Financial Officer)
- Hartmut Sprave, Diplom-Physiker, Lorsch (Chief Technology Officer; since 2 March 2018; assumed post on 1 June 2018)

Management Board Member Remuneration

The total remuneration paid to the members of the Management Board amounted to €641,000 (previous year: €951,000). This consisted entirely of short-term remuneration. Remuneration in the financial year 2016/17 included the allocation of provisions for severance payments in the amount of €315,000.

(4) MOBOTIX AG Supervisory Board**Members Of The Supervisory Board**

- Yuji Ichimura, Executive Officer and Executive General Manager of Business Development der Konica Minolta, Inc., Tokyo, Japan, (Chairman)
- Sabine Hinkel, MBA, Höringen, Germany
- Kunihiro Koshizuka, Director and Senior Executive Officer der Konica Minolta, Inc., Tokyo, Japan

Supervisory Board Members' Remuneration

Each member of the Supervisory Board receives a fixed annual remuneration of €10,000 for their services. In addition, each member of the Supervisory Board receives for his or her work variable remuneration amounting to €75.00 for each €0.01 of the Company's earnings per share as shown in the HGB consolidated financial statements and calculated in accordance with the principles of the Society of Investment Professionals in Germany (DVFA) (based on share capital of €13,271,442.00 divided into 13,271,442 no-par-value shares, each representing €1.00 of the share capital). The Chairman of the Supervisory Board receives twice the fixed and variable remuneration.

The total remuneration paid to the members of the Supervisory Board amounted to €41,000 in the financial year 2017/18 (previous year: €40,000).

(5) Group Affiliation

MOBOTIX AG is a subsidiary of Konica Minolta, Inc., Tokyo, Japan, which in turn is a subsidiary of Konica Minolta Holdings, Inc., Tokyo, Japan.

Konica Minolta Holdings, Inc., Tokyo, Japan, prepares the consolidated financial statement for the largest group of companies. This consolidated financial statement is translated into the German language and published in the Federal Gazette and can be obtained from the company. MOBOTIX AG, Langmeil, Germany, prepares the consolidated financial statement for the smallest group of companies, which is published in the Federal Gazette and can be obtained from the company.

(6) Notifications Pursuant To Section 20(1), (5) And (6) Of The German Stock Corporation Act

Dr. Ralf Hinkel Holding GmbH, Kaiserslautern, Germany, notified us, in accordance with Section 20(5) of the German Stock Corporation Act (AktG), in a letter dated 13 May 2016, that it no longer holds the majority of shares and voting rights (majority interest) of MOBOTIX AG as of 10 May 2016, in accordance with Section 20(4) AktG.

Dr. Ralf Hinkel Holding GmbH, Kaiserslautern, Germany, informed us in the same letter that it no longer holds more than a quarter of the shares in MOBOTIX AG as of 10 May 2016, in accordance with Section 20(1) AktG, even with the addition of shares (Section 20(2) AktG).

Konica Minolta, Inc., Tokyo, Japan, informed us in a letter dated 10 May 2016, in accordance with Section 20(1) and (3) AktG, that it holds more than a quarter of the shares in MOBOTIX AG, even without the addition of shares (Section 20(2) AktG).

Konica Minolta, Inc., Tokyo, Japan, informed us in the same letter, in accordance with Section 20(4) AktG, that it holds the majority of shares and voting rights (majority interest) in MOBOTIX AG.

Winnweiler/Langmeil, Germany, 31 October 2018

The Management Board

Thomas Lausten • CEO

Klaus Kiener • CFO

Hartmut Sprave • CTO

Annex To The Notes

	As of 1 October 2017	Additions	Disposals	Reclassified	As of 30 September 2018
	€'000s	€'000s	€'000s	€'000s	€'000s
Initial investment costs/manufacturing costs					
Intangible assets					
Purchased industrial property rights and similar rights and assets as well as licenses to such rights and assets	609	488	-31	88	1,154
Advance payments	88	725	0	-88	725
Total intangible assets	697	1,213	-31	0	1,880
Property, plants and equipment					
Land and buildings, including buildings on third-party land	18,188	0	0	0	18,188
Technical equipment and machinery	12,223	534	-1	16	12,772
Other equipment, factory and office equipment	5,980	44	-3	0	6,021
Advance payments and assets under construction	139	10	0	-16	133
Total property, plants and equipment	36,530	588	-4	0	37,114
Financial assets					
Shares in affiliated companies	7,108	0	-4	0	7,104
Total financial assets	7,108	0	-4	0	7,104
Aggregated amortization and depreciation					
Intangible assets					
Purchased industrial property rights and similar rights and assets as well as licenses to such rights and assets	512	135	0	0	647
Total intangible assets	512	135	0	0	647
Property, plants and equipment					
Land and buildings, including buildings on third-party land	4,577	594	0	0	5,171
Technical equipment and machinery	9,231	1,101	0	0	10,332
Other equipment, factory and office equipment	4,985	325	-3	0	5,307
Advance payments and assets under construction	123	0	0	0	123
Total property, plants and equipment	18,916	2,020	-3	0	20,933
Financial assets					
Shares in affiliated companies	4	0	-4	0	0
Total financial assets	4	0	-4	0	0
Net carrying amount					
Intangible assets					
Purchased industrial property rights and similar rights and assets as well as licenses to such rights and assets	97				507
Advance payments	88				725
Total intangible assets	185				1,232
Property, plants and equipment					
Land and buildings, including buildings on third-party land	13,611				13,017
Technical equipment and machinery	2,992				2,440
Other equipment, factory and office equipment	995				714
Advance payments and assets under construction	16				10
Total property, plants and equipment	17,614				16,181
Financial assets					
Shares in affiliated companies	7,104				7,104
Total financial assets	7,104				7,104