

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

Financial year 2019/20

October 1, 2019 to September 30, 2020

Dear Sir or Madam,
Dear shareholders,

The MOBOTIX Group's net assets, financial position and results of operations in 2019/20 mainly reflected the expectations of the Management Board and the Supervisory Board for the performance of business during this financial year.

Despite the worsening economic conditions as a result of the global COVID-19 pandemic, particularly as of the second half of the financial year, the MOBOTIX Group managed to record positive business development in the 2019/20 financial year.

Anticipated declining revenue from component sales to contract manufacturers in the amount of €0.1 million (previous year: €4.5 million) and from contract development for Konica Minolta in the amount of €2.1 million (previous year: €3.6 million) was more than compensated for by the significant increase in revenue from the sale of video security systems and software in the amount of €68.1 million (+10.7%). As a result, sales revenues reached €70.4 million, an increase of €0.5 million (+0.6%) compared to the previous year.

Particularly in the second half of the year, the global COVID-19 pandemic resulted in an increased demand for thermal cameras, which – among other things – enable the detection of elevated body temperatures. The negative effect on sales revenue because of the decline in sales volume, due to a downturn in economic conditions, was compensated for by higher revenue from each thermal camera system sold.

In the US sales region, the demand for thermal cameras also increased as a result of the global Covid-19 pandemic. In addition, a re-structure and new sales strategy focusing on a partner program and selected vertical markets generated a sales growth of 58%.

Product development continued to advance in the 2019/20 financial year. The focus was on further development of the new MOBOTIX 7 camera platform primarily the M73 and the new S74, the first models based on this platform. In light of this, capitalization of development costs in the 2019/20 financial year, according to the “right to choose” specified by Sec. 248 (2) HGB (Handelsgesetzbuch [German Commercial Code]), led to a positive effect on earnings before deferred taxes in the amount of €3.1 million.

The reduction in travel due to the global COVID-19 pandemic caused travel costs (including car costs) to decrease by €0.9 million. The €0.5 million reduction in costs for contract workers, as a result of lower sales volumes, also had a positive effect.

The increase in sales, in particular from the sales of video security systems, together with the capitalized development costs and cost savings, resulted in a significant increase in consolidated annual net income and the corresponding earnings figures.

EBIT (earnings before interest and taxes) in the amount of €6.2 million for the financial year is €4.2 million above that of the previous year (previous year: €2.0 million).

The consolidated annual net income has improved by €3.8 million to €4.7 million (previous year: €0.9 million).

A market survey (Video Surveillance Analytics Intelligence Database October 2020) by the market research company OMDIA concludes that “the CAGR for 2019-2024 for the world market for video surveillance equipment total cameras (excluding China) is estimated at 4.4%.”

The study cites as key trends in the market for video-based security systems and in addition to the increased use of video analytics in general, an accelerated development and use of artificial intelligence, a continuing high demand for cyber security, and an increasing importance of deep learning for processing ever larger amounts of data. In the analytics and deep learning market segments, OMDIA forecasts high growth rates of 11% and 63% respectively.

In this promising market, MOBOTIX is reacting to increased competition by introducing new competitive products based on the MOBOTIX 7 camera platform and the MOBOTIX MOVE product line, adapting industry standards such as ONVIF and H.264/H.265 and improving integration into leading management video systems, as well as complementary products, 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.

Additional technology partnerships were concluded during the 2018/19 financial year as a response to the diverse 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 and of strengthening the sales team around the world. Collaboration with Konica Minolta was further expanded in the area of R&D, focused on developing new video surveillance technologies. MOBOTIX is an important part of Konica Minolta's "Imaging IoT solution business strategy for industries", especially through the company's innovative product and service portfolio.

During the reporting year, the Supervisory Board advised and monitored the Management Board mainly on business-related, organizational and regulatory matters with a special focus on the sales and product strategy, on product development activities and on the business organization, including HR-related measures and compliance. At several of its meetings, the Supervisory Board dealt extensively and critically with the respective current state of business as well as corporate, revenue and liquidity planning.

In keeping with its tasks required 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 at all times and found no objections to be raised.

In the past financial year, the Supervisory Board closely monitored the work of the Management Board. The Supervisory Board worked closely with the Management Board as usual, based on mutual trust and in the interest of cooperative and constructive interaction. The Supervisory Board was continuously involved in the 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 and stock corporation law.

The Supervisory Board agrees to the proposal of the Management Board to pay a minimum dividend of €0.53 million pursuant to Section 254 of the German Stock Corporation Act (Aktiengesetz; AktG). Whilst the net income for the fiscal year 2019/20 could be increased compared to the previous year, we support the proposal of the Management Board not to increase the dividend for fiscal year 2019/20, partly due to the considerable investments that are planned to increase the number of employees in the development departments, especially in the software development area, as well as in the sales organization, e.g. in the USA, but also due to the uncertainties in the business development of the Company due to the COVID-19 pandemic. We are convinced that the investments planned for fiscal year 2020/21 will lead to improved profitability in the medium term and thus also to an increased dividend in the future. The remaining net profit of €4.6 million will be carried forward to the next accounting period. 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 commitments 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 technology strategy, product development, business performance, financial position, the personnel situation and ongoing and new investment projects. This also includes 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 an 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 apart from regular meetings by means of regular reports about the current state of business and about important financial and internal company developments. In the case of transactions requiring approval, the Supervisory Board approved the measures proposed by the Management Board after detailed examination 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 2019/20 annual financial statements. In addition, the Management Board also informed the Chairperson 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 five meetings of the Supervisory Board took place in the 2019/20 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 first official meeting in October 2019 focused on the current sales and earnings performance, the product strategy for fiscal year 2019/20 and the analysis of various sales regions (especially DACH and USA) as well as the resulting strategies and plans for the new fiscal year.

At our official meeting in December 2019, the Management Board presented the financial report of the past fiscal year 2018/19. We closely examined the annual and consolidated financial statements as of September 30, 2019 in the presence of the auditor. All questions were answered in full and comprehensively 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. Dr. Born was unanimously appointed Chairman of the Meeting.

The future product and development strategies were discussed, possible M&A targets and synergies were presented and a revised 5-year plan was explained.

The extension of the management contracts of Thomas Lausten and Hartmut Sprave for another three years was also approved.

In the third session in January 2020, the current sales and earnings development as well as the market feedback regarding the new MOBOTIX 7 camera platform were the main focus of the discussions.

At our meeting in April 2020, the updated product strategy and quality issues were discussed in detail. The business development of the first half of the year and necessary measures were discussed. In addition, the MOBOTIX Executive

Board informed us about the Covid-19 development in Germany/ Rhineland-Palatinate and the resulting measures at MOBOTIX headquarters and MOBOTIX locations worldwide.

The fifth meeting in July 2020 focused on the current sales and earnings development, the further development of the 5-year plan and the discussion of further synergies between Konica Minolta and MOBOTIX.

The Supervisory Board held discussions on multiple occasions and maintained regular contact with the Management Board and in particular with the CEO between the meetings to discuss significant issues. In the months in which no Supervisory Board meetings took place, so-called monthly "jour fixes" were held in which the Management Board and Supervisory Board discussed current topics and developments together.

Topics that were discussed regularly throughout the year were about corporate development, sales and marketing activities, the status of product development and quality and technology partnerships, including cooperation with Konica Minolta, the implementation of the new IT infrastructure, pending legal proceedings and the development of the share price.

The Supervisory Board also dealt intensively with the issue of personnel, financial and liquidity planning as well as the status of process and structural optimization. The development of the subsidiary in the USA, the US market as a whole, and the situation and associated reorganization measures in DACH were also regularly discussed.

A further key topic was the development of Covid-19 in Germany/Rhineland-Palatinate from April 2020. The Executive Board also kept the Supervisory Board continuously informed outside the regular meetings about the effects of the pandemic on the Company, including the implemented (protective) measures taken for the workforce.

AG and consolidated financial statements 2019/20

On January 30, 2020 the Annual General Meeting of the company selected Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Mannheim, as annual and consolidated financial statements auditor for the financial year ended September 30, 2020. A statement of independence was obtained from the auditor in advance and did not lead to any objections.

The annual financial statements and the annual report of MOBOTIX AG according to the German Commercial Code (HGB), the consolidated financial statements and consolidated annual report according to HGB as of September 30, 2020 were audited by the auditor and an unrestricted independent auditors' report was issued respectively. No significant weaknesses in the risk management system were identified.

The report presented by the Management Board of MOBOTIX AG on relationships with affiliated companies pursuant to Section 312 of the German Stock Corporation Act (Dependent Company Report) for the period from October 1, 2019 to September 30, 2020 was also audited by the auditor and endorsed with the following unrestricted independent auditors' report:

"There are no objections based on the final outcome of our audit to the dependent company report. We are therefore issuing the following independent auditors' report:

Following our audit and assessment in accordance with professional standards, we confirm that

- 1) The actual content of the report is accurate;
- 2) With regards to the legal transactions listed in the report, the payments made by the company were not unreasonably high or disadvantages were offset;
- 3) Among the measures listed in the report, there are no circumstances for a materially different assessment from that of the Management Board.

Mannheim, November 20, 2020

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

Kaschub	Wöhe
Wirtschaftsprüfer	Wirtschaftsprüfer “

The annual accounting documents and proposed resolution for the distribution of profits of the Management Board and the audit reports of the auditor were submitted to the Supervisory Board for review in sufficient time. The Supervisory Board conducted a detailed review and discussion of the annual financial statements, the consolidated financial statements, the summary management report, the dependent company report pursuant to Section 312 of the German Stock Corporation Act (AktG), the resolution for the distribution of profits proposed by the Management Board and the audit report of the auditor. The auditor attended these discussions, was available for questions and reported on significant findings of the audit.

Upon completing its own review, the Supervisory Board agreed with the results of the auditor and noted that it had no objections, including with the declaration by the Management Board at the end 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 consideration was received by the company for each legal transaction and the company was not disadvantaged by the implemented measures according to the circumstances that were known to us at the time the legal transactions were concluded, 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, November 19, 2020

The Management Board".

In its meeting on November 26, 2020, the Supervisory Board adopted the annual financial statements prepared by the Management Board and approved the consolidated financial statements of MOBOTIX AG. As a result, the annual financial statements were 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.

In the period under review, there were the following personnel changes in the Supervisory Board:

The Supervisory Board members Yuji Ichimura and Keiji Okamoto resigned from office as of June 30, 2020. Mr. Toshiya Eguchi, Executive Officer at Konica Minolta, Inc. responsible for IoT Service Platform Development, Imaging-IoT Solution Business and Visual Solutions Business, and Mr. Tsuyoshi Yamazato, General Manager, Solution Sales of the Imaging-IoT Solution Business at Konica Minolta, Inc. succeeded them on July 1, 2020. Thus, as of July 1, 2020, the Supervisory Board was composed of Toshiya Eguchi (Chairman of the Supervisory Board), Tsuyoshi Yamazato, and Olaf Jonas as Vice Chairman of the Supervisory Board. The Local Court of Kaiserslautern has granted the application for court appointment of the Supervisory Board members Mr. Toshiya Eguchi and Mr. Tsuyoshi Yamazato, which was filed on June 2, 2020. There were no personnel changes in the Executive Board during the reporting period.

The Supervisory Board would like to thank all Group employees around the world and the Management Board members for their hard work in the 2019/20 financial year. We would also like to express our gratitude for the loyal service of the employee representatives.

We are convinced that the MOBOTIX Group is well positioned for the future to grow profitably in the 2020/21 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 the management and the employees great success for the challenges of the coming year. Our special thanks go out to the customers, partners and shareholders of MOBOTIX AG for their benevolent confidence in these difficult and challenging times.

Winnweiler-Langmeil, November 26, 2020

For the Supervisory Board

Toshiya Eguchi

We wish the management and the employees great success for the challenges of the coming year. Our special thanks go out to the customers, partners and shareholders of MOBOTIX AG for their benevolent confidence in these difficult and challenging times.

Winnweiler-Langmeil, November 26, 2020

For the Supervisory Board

Toshiya Eguchi

A handwritten signature in black ink, reading "Toshiya Eguchi". The signature is written in a cursive, flowing style with a small dot at the end.