

Interim Group Management Report of MOBOTIX AG

October 1, 2020 to March 31, 2021



MOBOTIX
Beyond Human Vision

Business Conditions and General Framework

Market and Competition

The first half of the 2020/2021 financial year was impacted by the global COVID-19 pandemic and associated lockdowns. These resulted in a reduced demand for products and solutions, particularly for thermal imaging cameras, and postponed orders. Fiscal year 2019/20 was influenced by high demand for thermal imaging cameras.

This market development is in stark contrast to the forecasts to date which – without the COVID-19 pandemic – predicted overall market growth.

Despite this difficult economic situation worldwide, MOBOTIX has decided to continue investing in its corporate strategy of becoming stronger and more visible to existing and new partners and customers. This will expand its status as a provider of seamless, comprehensive and intelligent video system solutions. In doing so, MOBOTIX will continue to focus on customer needs and offer complete end-to-end solutions that can be efficiently implemented through its own development team and its partners. MOBOTIX is focused on delivering best-in-class solutions to its core sectors including industry and production, the energy sector, federal government, states and municipalities, education and science, trade, hospitality and healthcare. MOBOTIX will support and enhance customer solutions in the long term with highly qualified partners and complementary services.

In the first half of financial year 2020/2021, as part of the existing five-year plan, MOBOTIX consistently focused on growing its product and

solution portfolio, advancing optimization of its sales concepts and continued expanding of its strategic and technology partnerships. As a result, in the 2nd half of the year, MOBOTIX will have a complete portfolio of application solutions for high-demand applications such as video-based traffic monitoring and control. For example, as well as integrating market-leading technologies for its automatic license plate recognition system, MOBOTIX has developed several intelligent extensions to enhance functionality. These include recognition and documentation of international container codes, vehicle category, model and color. These highly effective modules, which can be activated easily in the M73 and S74 IoT cameras, are ideal for statistical and forensic purposes and for intelligent access and marketing applications.

Collaboration with Konica Minolta

In the first six months, the technology cooperation between MOBOTIX and Konica Minolta was strengthened. In particular, the collaboration in deep-learning-based video analysis was expanded. In the second half of the year. This will lead to improved reliability and shorter reaction times for the analysis software used in the MOBOTIX cameras. It will have a lasting impact on MOBOTIX competitiveness in the growing market of ever smarter object, person and gesture recognition. This collaboration also provides a basis for future innovative apps for comprehensive protection and process optimization. This development collaboration highlights the strength of the strategic partnership between Konica Minolta and MOBOTIX.



MOBOTIX HUB

The Expandable Video Management Platform

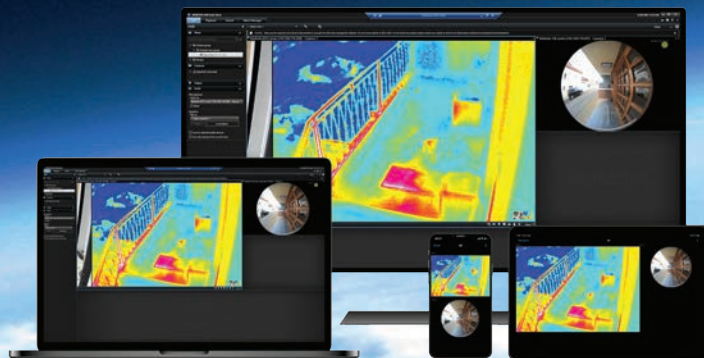
Connect all network components

Easily control video and security systems

Get the best overview

Use premium analysis functions

Optimize business processes



Konica Minolta also invested in additional sales staff in the first half of financial year 2020/2021. These employees will focus on selling MOBOTIX technologies to its end customers and channel partners.

Strengthening and expanding other technology and sales partnerships by MOBOTIX in the first half of 2020/2021 also underpins the strategy of establishing MOBOTIX as a provider of video system solutions with a seamless offering of hardware, software, applications and scalable video management systems.

Complete Solutions from MOBOTIX: Hardware, Software & Applications and Video Management Systems (VMS)

At the end of 2019 with the launch of the open MOBOTIX 7 video system platform, based on artificial intelligence (AI) and deep-learning modules, the company has already established its claim to technological leadership. The first half of 2020/2021 saw MOBOTIX expand its software and app development team and, in collaboration with its numerous technology partners, has developed solutions and apps designed to meet specific industry functions and requirements.

MOBOTIX was about to launch its MOBOTIX HUB video management system, a global solution for handling projects of any size, at the end of the first half of 2020/2021. More than 10,000 cameras and end devices can be integrated into the platform. Regardless of location and function, the cameras and devices operate and are managed centrally in the MOBOTIX HUB.



Products and Innovations

In October 2020, the MOBOTIX 7 platform was enhanced by the addition of the S74 camera model, which offers maximum flexibility in terms of its potential applications. Equipped with four connectors for sensor and function modules and two interface boards, a single camera can, for the first time, be used for numerous applications.

Alongside the 4K sensor modules, the latest generation of 4MP ultra-low-light sensor modules was also added to the portfolio. Featuring four times greater light sensitivity, the ultra-low-light modules are a global innovation that is setting new standards in the industry.

With the launch of the new MOBOTIX MOVE network video recorder which connects and supplies up to 16 cameras and license-free video management software, MOBOTIX now has a professional, high quality „standalone“ video solution for smaller to medium-sized facilities that is very competitively priced.



MOBOTIX S74
Discreet. Flexible. Brilliant.





The expansion of the MOBOTIX MOVE portfolio to include additional camera models and accessories in the second half of the 2020/2021 financial year is already underway. In the software segment, the MOBOTIX CLOUD, launched in 2020, was upgraded with various functions including user-friendly image rectification from MOBOTIX 360° cameras and integration of thermal camera events. Additions approved for the MOBOTIX Management Center 2.4 included certification management, and various MOBOTIX iOS and Android apps were continuously updated and improved.

Continued Strong Focus on Data Security and Data Protection

Edge computing is a fundamental component of the MOBOTIX DNA. The standalone IoT cameras transmit high-standard images to the network only when relevant events occur. This reduces data transmission which means fewer opportunities for cyber attacks. Furthermore, MOBOTIX is the only video system manufacturer that makes its own high-performance, high-quality electronic components which increase reliability and security. MOBOTIX ensures all its data protection policies are in line with GDPR guidelines.



Results of Operations

During the first half of the 2020/2021 financial year, sales decreased by 13.0% to €28.5 million compared with the same period of the previous year. In addition to the planned decline in revenue from order development for Konica Minolta (EUR -1.0 million) due to the focus on in-house developments, this is attributable to the EUR 3.5 million (11.1%) decline in revenue from sales of video system solutions caused by the pandemic. Project delays or postponements also attributable to the COVID-19 pandemic have led to declining sales revenue from video security solutions in some sales regions. It should be noted that the previous year was influenced by high demand for thermal imaging cameras. Despite the drop in sales, a balanced result was achieved owing to significant cost savings and the temporary hold on recruiting for vacant positions.

Due to the commitment of capacities in the development of the new MOBOTIX 7 platform and the new camera lines M73 and S74, as well as the expiration of development projects, fewer contract developments for Konica Minolta could be carried out. Revenue declined accordingly during the first half of the financial year.

The development of revenues from sales of video solutions varied in the individual sales regions in the first half of the 2020/2021 financial year. In the Americas, Europe South/West and DACH regions, single-digit and double-digit growth rates were achieved despite poorer economic conditions because of the COVID-19 pandemic. This is due primarily to the continued high acceptance of our thermal solutions and to the increase in sales volumes for the new M73 and S74 camera lines compared with the previous financial year. The Americas region performed particularly well compared with the same period of the previous year, generating sales growth of 22% in local currency. By contrast, the Northern Europe, MEA and APAC regions all posted sales declines. Pandemic-related project delays and postponements were prevalent for the MOBOTIX Group in these regions. Furthermore, delays in the APAC region with implementing the global sales strategy and staffing changes also led to a decline in revenue.

In accordance with the right to choose specified by Section 248(2) German Commercial Code (Handelsgesetzbuch — HGB), own development costs of €2.0 million were capitalized and reported accordingly on the income statement under „Other own work capitalized“ with effect on net income. Own work capitalized is accompanied by amortization on capitalized own development costs of €0.3 million

The material usage ratio (cost of materials, adjusted for changes in inventory, in proportion to revenue without order development) was 49.1% (previous year: 44.5%); this is an increase of 4.6 percentage points on the first half of the 2019/2020 financial year, driven by larger project discounts.

The staffing costs ratio (personnel expenses in relation to total operating output) increased to 39.2% in the first half of the year, compared with 32.6% in the same period of the previous year. The increase was due to a decline in total operating performance while personnel expenses remained almost the same. Other operating expenses amounting to €3.7 million generated in the first half of the 2020/2021 financial year represent a year-on-year decrease of €1.8 million (32.5%). The decrease in other operating expenses is due primarily to the reduction in expenses for marketing (€0.7 million), travel expenses (€0.5 million) and temporary workers (€0.2 million).

EBITDA (4.9% of total operating output; earnings before interest, taxes, depreciation and amortization) amounted to €1.5 million, which is a decrease of €2.1 million compared with the same period of the previous year (€3.4 million). EBIT (0.3% of total operating output; earnings before interest and taxes) amounted to €0.1 million, which is €2.3 million less than in the same period of the previous year. The first half of the 2020/2021 financial year closed with net income of €0.1 million (first half of 2019/2020 financial year: €1.5 million) and a return on sales of 0.2% (first half of 2019/2020 financial year: 4.5%).

Net Assets

Non-current assets increased by €1.1 million to €18.4 million compared with the beginning of the financial year. Intangible assets increased by €1.4 million, primarily as a result of the capitalization of own development costs. Property, plant and equipment, on the other hand, fell by €0.3 million to €15.3 million due to scheduled depreciation.

Inventories decreased from €25.9 million at the start of the financial year to €23.1 million as of March 31, 2021. This is due primarily to a planned reduction of stock levels taking into account the shift in the product mix to thermal solutions that began in the previous financial year. In addition, there was a significant increase in sales volumes of systems with the new MOBOTIX 7 camera platform compared to the previous year, so that the planned sales volumes were almost achieved here, too.

Trade receivables as of March 31, 2021 were down by €1.2 million compared with the start of the financial year, to €10.9 million. The main reason for this is the decline in sales in the second quarter of the 2020/2021 financial year.

As of March 31, 2021, receivables from affiliated companies, which includes receivables from companies within the Konica Minolta Group, were up €0.8 million compared with the start of the financial year, to €1.8 million. The receivables relate primarily to product sales.

Cash in hand/bank balances and cash equivalents as of March 31, 2021 were down €0.4 million compared with September 30, 2020, to €1.7 million (September, 30, 2020: €2.1 million).

Taking into account the result for the first half of the 2020/2021 financial year and the dividend payment of €0.5 million for the 2019/2020 financial year, in January 2021, equity decreased by €0.4 million to €30.4 million. The equity ratio of 48.6% as at September 30, 2020 increased to 49.4% as at March 31, 2021 due to the reduction of €61.6 million in total assets.

Other provisions decreased by €0.8 million to €4.2 million, due primarily to low human resources provisions. As at March 31, 2021, liabilities to banks had decreased by €1.7 million compared with the start of the financial year, to €21.8 million. In addition to the planned repayment of medium-term loans amounting to €1.1 million, short-term borrowing was reduced by €0.6 million against the background of reduced

working capital requirements. As of March 31, 2021, there were short-term loans totaling €4.4 million. Trade payables decreased by €0.4 million to €2.6 million compared with September 30, 2020. Deferred tax liabilities amounting to €1.4 million were formed as of March 31, 2021 due to the capitalization of own development costs.

Financial Position

Cash flow from operating activities before taxes on income was €4.5 million in the first half of the 2020/2021 financial year (same period of the previous year: €-3.3 million). Despite negative earnings before taxes, operating cash flow before changes in working capital amounted to €0.7 million (same period of the previous year: €3.6 million). The reduction in working capital saw positive cash flows from changes in working capital amounting to €3.8 million (same period of the previous year: €-6.8 million). The changes in working capital of €3.8 million are due primarily to the decrease in inventories (€2.8 million) and the decrease in trade receivables (€1.2 million).

Negative cash flow from investment activities in the amount of €2.5 million (same period of previous year: €-2.5 million) is due primarily to investments in intangible assets of €2.0 million. These are attributable primarily to the capitalized own development costs. Negative cash flow from financing activities amounting to €-1.7 million (same period of previous year: €-1.7 million) is due primarily to the scheduled repayment of financial loans and the distribution of a dividend of €0.5 million.

The changes in these individual cash flows resulted in negative total cash and cash equivalents of €2.7 million as of March 31, 2021 (March 31, 2020: €7.2 million). Short-term loans of €4.4 million were taken out to finance the negative cash and cash equivalents; as such, cash and credit balances with banks of €1.7 million are reported as of March 31, 2021.

Opportunities and Risks of Future Development and Outlook

The challenging macroeconomic situation due to the COVID-19 pandemic has not improved to date, and the business activities of MOBOTIX Group will continue to feel its effects in the second half of the 2020/2021 financial year. While COVID-19 is likely to continue to impact performance, there are some positive signs for the future. As the world emerges from the pandemic, the global economic outlook looks to be improving. Hopefully we will be able to return to normal life and work worldwide this year.

The MOBOTIX AG Executive Board anticipates that the positive trends seen in some sales regions, in particular the Americas, will continue in the second half of the 2020/2021 financial year as a result of the personnel and organizational changes that have taken place in sales, in particular due to the initiation of further investments in strengthening the Americas sales region. Moreover, product innovations will have a positive impact on sales trends in the second half of the 2020/2021 financial year.

MOBOTIX used the time during the pandemic to position itself technologically and strategically so that the company can be presented as a seamless solution provider in the area of video solutions and it is optimistic about the period after the pandemic.

However, all this will only partially compensate for the negative impact of the COVID-19 pandemic, the postponement of customer projects and the reduced propensity to invest in this fiscal year.

Even the cost savings already initiated and the postponement of investments, particularly in the personnel area, will not be able to offset the effects of the decline in sales on EBIT in this fiscal year. In addition, there are risks on the procurement market, particularly for critical electronic components such as processors, chips and board assemblies. Procurement difficulties increased significantly in the first half of the financial year and will continue to impact the supply situation in the second half. The increase in safety stocks of the aforementioned electronic components has therefore already been initiated.

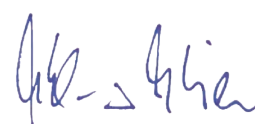
Given the sustained strain within the global economy as a result of the pandemic, the Executive Board is no longer able to maintain the sales target of approximately €75 million for the 2020/2021 financial year or the associated EBIT of approximately €6.0 million. Product-related sales for the current financial year are therefore expected to be in the order of €62–64 million, a decline of 6%–9% on the previous year (€68 million). Consequently, the Executive Board expects an EBIT of €1.5–2.5 million. The statements made in the risk report for fiscal year 2020/21 therefore apply virtually unchanged. The statements made above about the future are merely forecasts; actual results may differ materially from these expectations.

Winnweiler-Langmeil, May 12, 2021

The Executive Board



Thomas Lausten • CEO



Klaus Kiener • CFO



Hartmut Sprave • CTO

Condensed consolidated financial statements

Condensed consolidated balance sheet as at March 31, 2021

KEUR	Mar. 31, 2021	Sep. 30, 2020
Non-current assets	21.657	20.547
Current assets	38.251	41.936
Accruals and deferrals	695	676
Deferred tax assets	1.010	321
ASSETS	61.612	63.480
Equity	30.426	30.829
Provisions	4.385	5.200
Liabilities	25.384	26.559
Deferred tax liabilities	1.416	892
LIABILITIES	61.612	63.480

Condensed notes to the consolidated financial statements

General Information

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

Accounting Principles

The abridged interim consolidated financial statements as at March 31, 2021, which were drawn up pursuant to both standard no. 16, (GAS 16) "Interim financial reporting," of the Accounting Standards Committee of Germany (ASCG) and the Deutsche Börse AG rules and regulations for trading and admission (Basic Board), primarily use the same accounting and valuation methods as the consolidated financial statements for the 2019/20 financial year.

In accordance with the right to choose specified by Section 248(2) HGB, own development costs of T€1958 were capitalized in the 2020/21 financial year. There was amortization of T€325 on capitalized own development costs. Deferred tax liabilities in the amount of T€524 were formed accordingly.

Condensed income statement from October 1, 2020 to March 31, 2021

KEUR	Oct. 1, 2020 - Mar. 31, 2021	Oct. 1, 2019 - Mar. 31, 2020
Revenue	28.549	32.830
Increase in inventories of finished goods and work in progress	-523	1.532
Other own work capitalized	2.072	1.740
Other operating income	288	328
Cost of materials	13.451	15.644
Personnel expenses	11.809	11.785
Depreciation and amortization	1.393	1.229
Other operating expenses	3.654	5.415
Interest and similar expenses	103	78
Taxes on income and profit	-115	786
Profit after tax	91	1.492
Other taxes	23	18
Consolidated net income for the period	68	1.474

Pursuant to the right to choose in accordance with Section 274(1)(2) HGB, deferred tax assets in the amount of T€1010 are recognized, which result in the amount of T€899 from the income tax loss carryforwards of MOBOTIX AG from the 2016/17 and 2020/21 financial years and in the amount of T€111 from the elimination of interim results from deliveries between MOBOTIX AG and MOBOTIX CORP.

Please refer to the Consolidated Financial Statements of MOBOTIX AG dated September 30, 2020 for further information about the accounting and valuation methods applied.

All figures in the Abridged Consolidated Interim Financial Statements are given in thousands of euro (T€) unless stated otherwise. There may be minor discrepancies in the figures presented in euros or as a percentage, since the figures have been rounded to the nearest thousand euro.

Scope of Consolidation

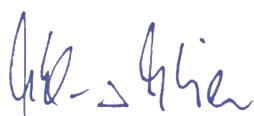
The scope of consolidation of MOBOTIX AG as at March 31, 2021 did not change compared with the Consolidated Financial Statements as at September 30, 2020.

Winnweiler-Langmeil, May 12, 2021

The Executive Board



Thomas Lausten • CEO



Klaus Kiener • CFO



Hartmut Sprave • CTO

Disclaimer

This financial report contains statements and information of MOBOTIX AG which refer to future periods. These forward-looking statements can be identified by formulations such as plan, expect, intend, strive for, will, estimate, assume, aim to be or similar terms. Such statements have been made on the basis of the current situation and current expectations and may deviate considerably from actual developments, both positively and negatively. Uncertainties may arise from the following factors, among others: Changes in the overall economic situation both nationally and internationally, changes in the political environment, the introduction of new products or technologies by other companies, changes in investment behavior in the customer markets important to MOBOTIX AG, changes in exchange and interest rates, the integration of acquired companies and other factors. MOBOTIX AG assumes no obligation to correct or update forward-looking statements beyond existing legal obligations.

Contact

Klaus Kiener

Vorstand Finanzen

Telefon: +49 6302 9816-0

Fax: +49 6302 9816-190

E-Mail: Klaus.Kiener@mobotix.com

MOBOTIX AG

Investor Relations

Kaiserstrasse

D-67722 Langmeil

E-Mail: investor@mobotix.com



MADE IN GERMANY