MOBOTIX AG
Winnweiler-Langmeil

Short-form audit report
Consolidated financial statements and combined management report
30 September 2023

Translation from the German language

EY GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft

Building a better working world

Translation from the German language

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Note:

We have issued the independent auditor's report presented below in compliance with legal and professional requirements subject to the conditions described in the enclosed "Engagement Terms, Liability and Conditions of Use."

If an electronic version of this document is used for disclosure in the *elektronischer Bundesanzeiger* [Electronic German Federal Gazette], only the files containing the financial reporting and, in the case of a statutory audit, the independent auditor's report, are intended for this purpose.

Translation of the German independent auditor's report concerning the audit of the consolidated financial statements and group management report prepared in German

Independent auditor's report

To MOBOTIX AG

Opinions

We have audited the consolidated financial statements of MOBOTIX AG, Winnweiler-Langmeil, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 30 September 2023, the consolidated income statement, the consolidated cash flow statement and the development of Group equity for the fiscal year from 1 October 2022 to 30 September 2023, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the consolidated management report of MOBOTIX AG, which has been combined with the management report of the Company, for the fiscal year from 1 October 2022 to 30 September 2023.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Group as at 30 September 2023 and of its financial performance for the fiscal year from 1 October 2022 to 30 September 2023 in compliance with German legally required accounting principles, and

- the accompanying consolidated management report as a whole provides an appropriate view of the Group's position. In all material respects, this consolidated management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Sec. 322 (3) Sentence 1 HGB ["Handelsgesetzbuch": German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the consolidated management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the consolidated management report in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the consolidated management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the consolidated management report.

Material uncertainty about the Company's ability to continue as a going concern

We refer to the disclosures in the section "A. General Information" in the notes to the consolidated financial statements and the section "6.3 Significant Risks" in the consolidated management report, which has been combined with the management report of the Company, under the subheading "Financial Risks," in which the executive directors state that there are financing risks in connection with the creditworthiness of MOBOTIX AG, and therefore of the Group, and the existing loan commitments. Of the liabilities to banks of EUR 14.0m reported in the Group as of the reporting date, an amount of EUR 9.8m is due in less than one year. If, in the future, the banks do not extend their credit lines, or only do so with lower amounts than those drawn, the majority shareholder Konica Minolta, Inc., Tokyo, Japan, has contractually agreed to take over financing until 30 June 2025 and has issued a qualified letter of subordination. The existing and already utilized credit lines of the majority shareholder Konica Minolta, Inc. were contractually extended beyond the calendar year 2024 until 30 June 2025 and a qualified letter of subordination was issued. In addition, the majority shareholder has committed to provide another loan of EUR 7.0m for a limited period until 30 June 2025 and has issued a qualified letter of subordination. If there are major delays to planned revenue or further significant delays in incoming payments or if one or more of the assumptions used in the planning prove incorrect, further support will be required from the majority shareholder in the form of loans or other external financing sources, e.g., a capital increase based on the authorized capital of EUR 6.5m, in order to enable MOBOTIX AG, and therefore the Group, to continue as a going concern. This draws attention to the existence of a material uncertainty that may cast significant doubt on the ability of MOBOTIX AG, and therefore of the Group, to continue as a going concern and that represents a going concern risk pursuant to Sec. 322 (2) Sentence 3 HGB.

Our opinions are not modified in respect of this matter.

Other information

The Supervisory Board is responsible for the report of the Supervisory Board. In all other respects, the executive directors are responsible for the other information. The other information comprises the other parts of the annual report which we expect to receive after we have issued our independent auditor's report. This particularly applies to the "Letter to the shareholders," the "Report of the Supervisory Board" and other sections of the annual report.

Our opinions on the consolidated financial statements and on the consolidated management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the consolidated management report or our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

Responsibilities of the executive directors and the Supervisory Board for the consolidated financial statements and the consolidated management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with the requirements of German commercial law, and that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with German legally required accounting principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the consolidated management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a consolidated management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the consolidated management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the consolidated management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the consolidated management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the consolidated management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the consolidated management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this consolidated management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the consolidated management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the consolidated management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the consolidated management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with German legally required accounting principles.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the consolidated management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the consolidated management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the consolidated management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Saarbrücken, 21 March 2024

EY GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft

Dr. Zabel Wirtschaftsprüfer [German Public Auditor]	Krämer Wirtschaftsprüfer [German Public Auditor]

Consolidated Financial Statements of MOBOTIX AG,

Winnweiler-Langmeil

2022/23 Financial Year

October 1, 2022 to September 30, 2023

Consolidated balance sheet as of September 30, 2023

				09/30/2023	09/30/2022
			See Notes	€'000s	€'000s
A.	**Assets**				
	I.	**Intangible Assets**	(1)		
	1.	Self-created intangible assets		12,211	9911
	2.	Purchased industrial property rights and similar rights and assets as well as licenses to such rights and assets		690	1107
	3.	Goodwill		3649	4074
	4.	Advance payments		447	246
				16,997	15,338
	II.	**Property, Plant And Equipment**	(1)		
	1.	Land and buildings, including buildings on third-party land		10,115	10,708
	2.	Technical equipment and machinery		1100	1354
	3.	Other equipment, factory and office equipment		2469	2664
	4.	Advance payments and assets under construction		6	4
				13,690	14,730
	III.	**Financial Assets**	(2)		
		Shares in affiliated companies		0	0
				0	0
				30,687	30,068
B.	**Current Assets**				
	I.	**Inventory**			
	1.	Raw materials and supplies		13,732	15,276
	2.	Work in progress		3854	3865
	3.	Finished goods and merchandise		7703	11,427
				25,289	30,568
	II.	**Receivables And Other Assets**	(3)		
	1.	Trade receivables		14,723	15,225
	2.	Receivables due from affiliated companies		3662	4276
	3.	Other assets		751	1,191
				19,136	20,692
	III.	**Cash In Hand And Bank Balances**		944	2271
				45,369	53,531
C.	**Prepaid Expenses And Deferred Charges**			680	767
D.	**Deferred Tax Assets**		(4)	4753	3596
ASSETS				**81,490**	**87,962**

			See Notes		09/30/2023 €'000s		09/30/2022 €'000s
A.	**Equity**		(5)				
I.		**Subscribed Capital**		13,271		13,271	
		./. Treasury shares		-62		-106	
		(Corrected) subscribed capital			13,209		13,165
II.		**Capital Reserves**			1250		1250
III.		**Retained Earnings**					
	1.	Statutory reserve			78		77
	2.	Other retained earnings			18,790		17,974
					18,869		18,051
IV.		**Equity Capital Difference From Currency Conversion**			44		214
V.		**Loss Carryforward**			-9777		-2668
VI.		**Consolidated Net Loss**			-5409		-6313
					18,186		23,743
B.	**Provisions**						
	1.	Provisions for taxes			19		40
	2.	Other provisions	(6)		7590		9231
					7609		9271
C.	**Liabilities**		(7)				
	1.	Bank loans and overdrafts			14,011		38,674
	2.	Advance payments received for orders			8		2
	3.	Trade payables			6300		7514
	4.	Liabilities to affiliated companies			30,090		4748
	5.	Other liabilities			1762		1151
					52,171		52,089
D.	**Prepaid Expenses And Deferred Charges**				93		40
E.	**Deferred Tax Liabilities**				3430		2819
	LIABILITIES				**81,490**		**87,962**

Consolidated Income Statement

October 1, 2022 through September 30, 2023

			Financial year	
		See Notes	**10/01/2022 - 09/30/2023**	**10/01/2021 - 09/30/2022**
			€'000s	€'000s
1.	Revenue from sales	(8)	63,168	56,037
2.	Increase/decrease in finished and unfinished goods and work in progress		-1517	993
3.	Other own work capitalized		3922	3227
4.	Other operating income	(9.11)	1375	826
5.	Material costs		27,936	28,321
	a) Expenses for raw, auxiliary and operating materials as well as for purchased goods		22,031	22,601
	b) Expenses for purchased services		5905	5720
6.	Personnel expenses		25,389	25,828
	a) Wages and salaries		21,807	21,860
	b) Social security contributions and expenditure on pension benefits of which relating to pensions EUR 36,000 (previous year: EUR 43,000)		3582	3968
7.	Amortization of intangible assets and depreciation of property, plants and equipment		4219	3649
8.	Other operating expenses	(9.11)	13,288	10,744
9.	Interest and similar expenses		1489	306
10.	Taxes from income and profit	(12)	-23	-1495
	a) Current taxes		523	184
	b) Deferred taxes	(4)	-546	-1679
11.	**After-Tax Profit**		**-5351**	**-6271**
12.	Other taxes		58	42
13.	**Consolidated Net Loss**		**-5409**	**-6313**

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Consolidated Cash Flow Statement
from October 1, 2022 to September 30, 2023

		Financial year 10/01/2022 - 09/30/2023	Financial year 10/01/2021 - 09/30/2022
		€'000s	€'000s
Annual result before taxes on income		-5432	-7808
+	Income from interest	1489	306
+	Amortization of intangible assets and depreciation of property, plants and equipment	4219	3649
-/+	Increase/decrease of other provisions	-241	-517
+	Loss due to disposal of fixed and tangible assets	3	110
+	Other non-cash expenses	0	0
Operating cash flow before changes in working capital		38	-4260
-	Increase in inventory, trade receivables and other assets that do not fall under investment or financing activities	6922	-6068
+	Increase in trade payables and other liabilities that do not fall under investment or financing activities	3714	6067
Cash flow from operating activities before taxes on income		3246	-4261
-	Income tax payments	-522	-166
Cash flow from operating activities		2724	-4427
Cash flow from investing activities			
-	Cash outflows for purchases of property, plants and equipment	-490	-1404
-	Cash outflows for purchases of intangible assets	-4396	-3492
-	Payments for additions to the scope of consolidation	-1400	-1770
Cash flow from investing activities		-6286	-6666
Cash flow from financing activities			
-	Dividend payments	0	-531
-	Cash outflows for redemption of loans	-1278	-12,612
+	Cash inflows from the take-up of loans	28,515	3000
-	Interest paid	-1489	-306
Cash flow from financing activities		-25,748	-10,449
Net change in cash and cash equivalents		-22,186	-21,542
+	Net change in financial facilities due to exchange rate	-128	56
+	Consolidation-related changes in the scope of funds	0	257
+	Cash and cash equivalents at the beginning of the reporting period	-29,529	-8300
Cash and cash equivalents at the end of the reporting period		-7471	-29,529
Transfer to inventory in accordance with balance sheet:			
+ Short-term loans		8415	31,800
Cash in hand and bank balances		944	2271

Development Of Group Equity

	Subscribed capital	Treasury shares	(Corrected) subscribed capital	Capital reserves	Statutory reserve	Other retained earnings
	€'000s	€'000s	€'000s	€'000s	€'000s	€'000s
As at 10/01/2021	13,271	-106	13,165	1250	77	17,819
Allocation to reserves						
Distribution						
Currency conversion						
Issuance of treasury shares		44	44			155
Consolidated annual net profit						
As at 09/30/2021	13,271	-62	13,209	1250	77	17,974
As at 10/01/2022	13,271	-62	13,209	1250	77	17,974
Allocation to reserves					1	
Distribution						
Issuance of treasury shares						
Currency conversion						
Change in the scope of consolidation						
Consolidated annual net profit						
As at 09/30/2023	13,271	-62	13,209	1250	77	18,791

	Reserves	Equity difference from currency conversion	Loss carry-forward	Consolidated net loss	Group equity
	€'000s	€'000s	€'000s	€'000s	€'000s
As at 10/01/2021	17,896	146	-2317	-62	30,320
Allocation to reserves					
Distribution			-531		-531
Issuance of treasury shares	155				199
Currency conversion		67			67
Consolidated annual net profit				-6313	-6313
As at 09/30/2022	18,051	214	-2668	-6313	23,743
As at 10/01/2022	18,051	214	-8981		23,743
Allocation to reserves	818		-818		
Distribution					
Issuance of treasury shares					
Currency conversion		-170	22		-148
Consolidated net loss				-5409	-5409
As at 09/30/2023	18,869	44	-9777	-5409	18,186

Notes to the Consolidated Financial Statements for the Financial Year 2022/23

A. General Information

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

The consolidated financial statement of MOBOTIX AG has been prepared in line with the stipulations of the German Commercial Code (Sections 290 ff.).

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

The assets and liabilities were assessed and valued under the assumption of the company's continued operation. In relation to the creditworthiness of MOBOTIX AG and, consequently, the Group, as well as the existing credit commitments, financing risks exist. Of the liabilities to credit institutions disclosed within the Group as of the reporting date amounting to EUR 14.0 million, EUR 9.8 million have a term of up to one year. Should the credit institutions in the future fail to extend their credit lines, or do so only with amounts lower than those utilized, the majority shareholder Konica Minolta, Inc., has contractually pledged to undertake the financing until June 30, 2025, and has provided a qualified subordination declaration. The existing credit lines of the majority shareholder Konica Minolta, Inc., already utilized, were contractually extended beyond the calendar year 2024 until June 30, 2025, and a qualified subordination declaration was provided. Additionally, the majority shareholder has committed to providing another loan of EUR 7.0 million, limited until June 30, 2025, and has provided a qualified subordination declaration. The current earnings and liquidity forecasts of MOBOTIX AG and, consequently, the Group, include cash inflows prepared based on the best possible estimates of the Management Board. Should significant delays in planned revenues occur or further significant delays in receipt of payments, or should one or more of the assumptions underlying the forecasts prove incorrect, further support from the majority shareholder in the form of loans or other external sources of financing, for example, within the framework of a capital increase based on an authorized capital of EUR 6.5 million, will be necessary to enable the continuation of MOBOTIX AG and, therefore, the Group. This represents a significant uncertainty related to events or circumstances that may cast significant doubt on the company's ability to continue its operations. 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 euro or as a percentage, since the figures have been rounded to the nearest thousand euro.

Scope of Consolidation

The consolidated financial statements include all companies over which the company directly or indirectly exercises a dominant influence with the exception of MOBOTIX LIMITED, Nottingham, United Kingdom.

MOBOTIX LIMITED, Nottingham, is not included in the consolidated financial statements as it is not material to the presentation of a true and fair view of the MOBOTIX Group's net assets, financial position and results of operations.

Name and registered office of company	Share of capital in percent	Equity	Result in 2020/21
MOBOTIX LIMITED, Nottingham, UK*	100.0	1 British pound	0 British pounds

*not operational

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The companies acquired in the year under review, VAXTOR TECHNOLOGIES, S.L., Madrid, Spain, VAXTOR ASIA PTE. LTD., Singapore, Singapore and VAXTOR SYSTEMS CORPORATION, USA, were consolidated for the first time.

		Shareholding	
Company	**Registered office**	**09/30/2023**	**09/30/2022**
MOBOTIX CORP	New York, USA	100.00%	100.00%
MOBOTIX LIMITED	Nottingham, UK	100.00%	100.00%
MOBOTIX SINGAPORE PTE. LTD.	Singapore, SG	100.00%	100.00%
MOBOTIX AUSTRALIA PTY LTD	Sydney, AU	100.00%	100.00%
VAXTOR TECHNOLOGIES, S.L.	Madrid, ES	100.00%	100.00%
VAXTOR ASIA PTE. LTD.	Singapore, SG	100.00%	100.00%
VAXTOR SYSTEMS CORPORATION	Maryland, USA	100.00%	-

B. Principles Of Consolidation

The annual financial statements and interim financial statements of the companies included in the consolidated financial statements of MOBOTIX AG are prepared in line with Group-wide accounting policies as per the reporting date of September 30, 2023.

Consolidation Of Investments

Equity consolidation for companies that are consolidated for the first time as a result of an acquisition is carried out using the acquisition method at the time the company became a subsidiary.

The value of the shares owned by the parent company is offset against the amount of the equity of the subsidiary attributable to those shares. Treasury equity is recognized at the amount corresponding to the fair value of assets, liabilities and deferred income items to be included in the consolidated financial statements at the date of consolidation. Any goodwill remaining after netting is recognized as goodwill if it arises on the assets side and, if it arises on the liabilities side, as equity under the item "Difference from equity consolidation."

In principle, the date on which the company became a subsidiary is the date on which it determines the fair value of the assets and liabilities to be included in the consolidated financial statements and the date on which the company was consolidated. In the case of subsidiaries whose inclusion had previously been waived in accordance with Section 296 HGB, the date of inclusion of the subsidiary in the consolidated financial statements is decisive.

Liability Consolidation/Interim Results/Consolidation Of Expenditures And Incomes

Intra-group receivables and liabilities between the companies included in the consolidated financial statements and the total expenditures and income from intra-Group deliveries and services are offset. In the consolidated income statement, the income from internal sales and other intra-group income is offset against the corresponding expenses. Interim results within the scope of consolidation are eliminated. Profits and losses between the consolidated companies ("interim results") are also eliminated as part of the consolidation process.

Currency Conversion

The assets and liabilities listed in the annual financial statements prepared in foreign currency are translated into euro using the mean spot exchange rate as of the reporting date, with the exception of equity which is to be translated into euro at historical rates. Items on the income statement in the annual financial statements prepared in foreign currency are translated into euro at average monthly exchange rates. The difference due to currency translation is listed under the “Equity capital difference from currency conversion” item as part of the consolidated equity.

Deferred Taxes

Deferred tax assets and liabilities are recognized in respect of differences between the carrying amounts of assets, liabilities, prepaid expenses and deferred income and the corresponding carrying amounts reported in the tax accounts as well as differences due to the consolidation measures set out in Sections 300 to 307 HGB, provided these differences are expected to lessen in subsequent financial years. However, differences arising from the initial recognition of goodwill from equity consolidation are not taken into account. The resulting tax expenses and benefits are recognized in full without netting.

In addition, differences that are based on consolidation measures under Sections 300 to 307 HGB are also taken into account, but differences from the initial recognition of goodwill from equity consolidation are not taken into account.

C. Information On Accounting Policies

Accounting Principles

Intangible Assets, Property, Plants And Equipment And Financial Assets

Development costs are capitalized as self-created intangible assets. Capitalization occurs when it is sufficiently likely that the completion of the intangible asset is technically feasible and that future surpluses arise from the marketing. MOBOTIX AG and its subsidiaries do not carry out any research.

Capitalized development costs are amortized over the expected commercial useful life of five years. The depreciation starts at the end of the development phase. This is the time from which the asset can be used.

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

Property, plant and equipment are valued at acquisition or manufacturing cost less scheduled straight-line depreciation in accordance with the expected useful life of between three and thirty-three years. Grants received are deducted from the acquisition or production costs.

A fixed value of EUR 1,157,000 was established for camera stocks for MOBOTIX AG and USD 179,000 for MOBOTIX CORP that are intended for permanent use in the company.

The manufacturing cost of internally generated property, plants and equipment includes 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. Administrative costs are not capitalized.

Interest expenses on borrowed capital are not included in production costs.

Inventories

The materials and supplies reported under inventories are recognized at their average cost price, taking into account 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. Borrowing interest is not included in the cost of production; administrative costs are not capitalized either.

Receivables And Other Assets

Receivables and other assets are valued at their nominal value, taking into account all identifiable risks. All risk items are taken into account by forming appropriate individual value adjustments. The general credit risk is taken into account by means of flat-rate discounts.

Cash In Hand And Bank Balances

Cash in hand and bank balances are valued at face value.

Deferred Taxes

To determine **deferred taxes** due to temporary or quasi-permanent differences between the valuation of assets under commercial law, debts and deferred income and their tax values or tax loss carryforwards are valued at the company's individual tax rates at the time the differences are reduced and the amounts of the resulting tax burden and relief are not discounted.

Tax deferred assets on both the assets and liabilities sides are shown without netting.

Provisions

Tax and 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.

Liabilities

Liabilities are carried at their settlement amount.

Currency Conversion

Assets and liabilities denominated in foreign currencies are generally translated at the average spot exchange rate on the balance sheet date, as all foreign currency items have residual terms of less than one year. Section 253 (1) sentence 1 and section 252 (1) no. 4 clause 2 of the German Commercial Code (Handelsgesetzbuch, HGB) are not applied in this respect.

D. Information and Explanations Regarding Individual Items On The Consolidated 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).

Self-Created Intangible Assets

In the 2022/23 financial year, research and development costs totaled EUR 7,762,000. Of this, an amount of EUR 3,922,000 was capitalized among the internally generated intangible assets.

Purchased Industrial Property Rights And Similar Rights And Assets As Well As Licenses To Such Rights And Assets

The technologies and brand names capitalized as part of the initial consolidation of the VAXTOR Group are depreciated over a period of four to ten years.

Goodwill

The initial consolidation of the VAXTOR Group in fiscal year 2021/22 resulted in goodwill of EUR 4,251,000.

This goodwill will is based on a useful life of ten years based on the life cycle of the products of the acquired companies. The remaining book value at the reference date amounts to EUR 3,649,000.

(2) Trade Receivables, Receivables From Affiliated Companies And Other Assets

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

(3) Receivables From Affiliated Companies

Receivables from affiliated companies of EUR 3,662,000 (previous year: EUR 4,276,000) include trade receivables from companies of the Konica Minolta Group, in whose consolidated financial statements MOBOTIX AG is included by way of full consolidation; in this respect, a consolidated statement in the consolidated financial statements of MOBOTIX AG itself is produced in the consolidated financial statements of MOBOTIX AG.

(4) Deferred Tax Assets

Deferred tax assets of EUR 4,752,000 (previous year: EUR 3,596,000) comprise accumulated tax losses of EUR 4,744,000 (previous year: EUR 3,222,000) from income tax loss carryforwards that occurred in previous years and in the 2022/23 financial year and in the amount of EUR 374,000 from the elimination of sales with Konica Minolta Business Solutions U.S.A., Inc., which are to be eliminated from the Group's point of view as a result of the resale to MOBOTIX CORP, USA. Deferred tax assets resulting from the elimination of interim results from deliveries between MOBOTIX AG and MOBOTIX CORP were not produced in the reporting year (previous year: EUR 0). The recognition of deferred tax assets is based on a tax rate of 29.0%.

Deferred tax assets on tax relief entitlements in the United States, which are expected to arise from the anticipated use of existing loss carryforwards in future five years, are not being recognized owing to the past and current loss situation.

(5) Equity

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

As of the balance sheet date, the company had issued 13,271,442 ordinary shares, 13,165,536 of which are in circulation. It held 61,558 shares as treasury shares as of September 30, 2022. These no-par-value shares each represent EUR 1.00 of the Company's share capital, which is fully paid-up.

By resolution of the Annual General Meeting on January 27, 2022, an Authorized Capital of EUR 6,500,000 was established for a period of 5 years.

The accumulated deficit for the fiscal year ending September 30, 2022, amounting to TEUR 197, was carried forward to new account.

The Annual General Meeting held on May 28, 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 April 30, 2023. The shares acquired under this authorization—in conjunction with other Company shares which the Company has already acquired or still possesses, or which 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 are 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 treasury shares in the 2022/23 financial year.

Its treasury shares account for EUR 62,000 of its share capital. The treasury shares were purchased in the 2010/11 and 2011/12 financial years.

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

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

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

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

The Management Board of MOBOTIX AG proposes carrying forward the MOBOTIX AG balance sheet loss of EUR 5,739,000 to a new account.

The other retained earnings, net of accumulated losses, at the parent company according to § 268 (8) of the German Commercial Code (HGB), are restricted from distribution due to the activation of internally generated intangible assets, taking into account passive deferred taxes amounting to EUR 7,495,000 and due to active deferred taxes amounting to TEUR 4,744,000

(6) Other provisions

Other provisions primarily include the following types of provisions.

- Provisions for purchase price obligations	EUR 2,800,000 (previous year: EUR 4,200,000)
- Provisions for outstanding invoices	EUR 1,578,000 (previous year: EUR 1,661,000)
- Provisions for annual bonuses and sales commissions	EUR 739,000 (previous year: EUR 769,000)
- Provisions for vacation	EUR 446,000 (previous year: EUR 572,000)
- Provisions for Christmas bonuses	EUR 390,000 (previous year: EUR 351,000).

(7) 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 1 year	1 to 5 years	over 5 years	Amount	Note
to financial institutions	14,011 (38,674)	9761 (33,078)	4250 (6750)	0 (11)	5500 (6750)	1
arising from advance payments received for orders	8 (2)	8 (2)	0 (0)	0 (0)	0 (0)	
trade receivables	6300 (7514)	6300 (7514)	0 (0)	0 (0)	0 (0)	
liabilities to affiliated companies	30,090 (4748)	30,090 (4748)	0 (0)	0 (0)	0 (0)	
other liabilities	1762 (1151)	1762 (1151)	0 (0)	0 (0)	0 (0)	
Total	**52,089 (33,144)**	**47,921 (46,493)**	**4250 (5585)**	**0 (11)**	**5500 (6750)**	

1 = Land charges

Other liabilities include social security payments of EUR 665,000 (previous year: EUR 720,000) and taxes of EUR 357,000 (previous year: EUR 264,000).

Liabilities to affiliated companies relate to trade payables and the loan from Konica Minolta Inc., Tokyo, Japan, in the amount of EUR 28,500,000.

(8) Passiv deferred tax assets

In the consolidated notes, it is necessary to specify the differences or tax loss carryforwards on which the deferred taxes are based and the tax rates used for valuation. Additionally, disclose the deferred tax balances at the end of the fiscal year and any changes to these balances that occurred during the fiscal year.

The passive deferred taxes amounting to EUR 3,430,000 (prior year: EUR 2,819) consist of EUR 295,000 (prior year: EUR 337,000) resulting from the initial consolidation of the VAXTOR Group in the fiscal year 2021/22 and EUR 3,136,000 (prior year: EUR 2,482,000) resulting from the activation of internally generated intangible assets. The calculation of passive deferred taxes is based on an approximate tax rate of 29.0%.

(9) Revenue From Sales

Sales revenue comprises revenue of EUR 61,133,000 (previous year EUR 53,578,000) from the sale of video management systems, revenue of EUR 477,000 (previous year EUR 885,000) from the sale of components to external manufacturers, revenue from the contract development for Konica Minolta, Inc. Tokyo, Japan in the amount of EUR 1,558,000 (previous year: EUR 1,574,000).

Revenues from the sale of video management system solutions of EUR 15,696,000 (previous year: EUR 15,266,000) are attributable to Germany, EUR 26,054,000 (previous year: EUR 19,510,000) to the rest of Europe and EUR 19,383,000 (previous year: EUR 18,802,000) to the rest of the world.

From the Group's perspective, revenues from MOBOTIX AG with Konica Minolta Business Solutions U.S.A., Inc., which are in connection with the resale to MOBOTIX CORP, USA, have been eliminated.

(10) Extraordinary Income and Expenses

Within other operating expenses, expenses related to the formation of individual value adjustments on receivables from deliveries and services amount to EUR 3,392,000 (previous year: EUR 291,000).

(11) Income And Expenses From Other Reporting Periods

Other operating income includes income of EUR 156,000 (previous year: EUR 70,000) from other reporting periods, while other operating expenses include expenses of EUR 67,000 (previous year: EUR 52,000) from other reporting periods.

(12) Other Financial Obligations

Other financial obligations mainly consist of the order obligation for components. As of September 30, 2022, the order obligation for components amounts to EUR 7,298,000.

(13) Currency Conversion Income And Expenses

Other operating income includes income of EUR 849,000 (previous year: EUR 489,000) from currency conversion, while other operating expenses include expenses of EUR 1,137,000 (previous year: EUR 367,000) from other reporting periods.

(14) Derivative financial instruments

No derivative financial instruments exist at the balance sheet date. No economic hedging relationships had been entered into at the balance sheet date.

(15) Taxes From Income And Profit

Income and revenues taxes include income of EUR 2,302,000 from the formation of deferred tax assets on the loss carryforwards and expenses of EUR 1,756,000 from the formation of deferred tax liabilities on the capitalization of development costs.

E. Other Compulsory Information

(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 Group during the 2022/23 financial year:

Full-time employees	300.3
Part-time employees	26.2

The total number of people employed on average was 325.6 (previous year: 341.3).

(2) Auditor's Fees

The following information must be provided for MOBOTIX AG's independent auditors, EY GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, in the financial year in accordance with Section 285 (17) of the German Commercial Code (HGB):

Services	Fees 2022/23 €'000s	Fees 2021/22 €'000s
Statutory Audit Services		
invoiced	222	32
from provisions	70	106
Total	**292**	**138**

(3) MOBOTIX AG Management Board

Members of the MOBOTIX AG Management Board

- Thomas Lausten, Master of Business Administration, Kaiserslautern (Chairman)
- Klaus Kiener, Graduate in Business Administration, Wiesbaden (CFO)
- Hartmut Sprave, Graduate Physicist, Otterbach (till March 31,2023 (Chief Technology Officer)
- Christian Cabriol, Graduate in Computer Science, Kaiserslautern, Germany (from April 01, 2023) (Chief Technology Officer)
- Philippos Antoniou, Bachelor of Science in Business Information Systems, Barnet, Großbritannien (from May 01,2023) (Chief Sales and Marketing Officer)

Management Board Member Remuneration

The total remuneration paid to the members of the Management Board amounted to EUR 968,000 (previous year: EUR 918,000). This consisted entirely of short-term remuneration.

(4) MOBOTIX AG Supervisory Board

Members Of The Supervisory Board

- Toshiya Eguchi, Executive Officer at Konica Minolta, Inc., Tokyo, Japan, responsible for IoT Service Platform Development, Imaging-IoT Solution Business and Visual Solutions Business (Chair)
- Olaf Jonas, General Manager Corporate Governance Division, Konica Minolta Business Solutions Europe GmbH, Langenhagen, Germany (till September 30,2023)
- Koji Ozeki, General Manager Imaging-IoT Solution Development, Konica Minolta Business Solutions Europe GmbH, Mainz, Germany (from November 2021)
- Olaf Lorenz, General Manager Corporate Governance Division, Konica Minolta Business Solutions Europe GmbH, Langenhagen, Germany (from. October 01,2023)

Supervisory Board Members' Remuneration

Each member of the Supervisory Board receives a fixed annual remuneration of EUR 10,000 for their services. In addition, each member of the Supervisory Board receives for their work variable remuneration amounting to EUR 75.00 for each EUR 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 EUR 13,271,442.00 divided into 13,271,442 no-par-value shares, each representing EUR 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 EUR 40,000 in the 2022/23 financial year (previous year: EUR 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 statements for the largest group of companies. These consolidated financial statements are translated into German and published in the Federal Gazette and can be obtained from the company. MOBOTIX AG 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) Business With Related Companies And Individuals

No unusual market transactions were conducted with related companies or individuals.

(7) 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 May 13, 2016, that it no longer holds the majority of shares and voting rights (majority interest) of MOBOTIX AG as of May 10, 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 May 10, 2016, in accordance with Section 20 (1) of AktG, even with the addition of shares (Section 20 (2) AktG).

Konica Minolta, Inc., Tokyo, Japan, informed us in a letter dated May 10, 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.

(8) Supplementary Report

As of December 31, 2023, an additional loan of EUR 5,000,000 was acquired from a credit institution by Konica Minolta, and another intercompany loan of EUR 700,000 was granted. Consequently, the reported balance of intercompany loans amounts to EUR 34,200,000 as of March 21, 2024. The financing originally obtained from credit institutions by the majority shareholder Konica Minolta on February 24, 2023, was extended to June 30, 2025, on February 28, 2024, along with a qualified subordination declaration. Additionally, on February 28, 2024, the majority shareholder has temporarily committed to further support in the form of loans amounting to EUR 7,000,000 until June 30, 2025. Utilization of EUR 2,500,000 is anticipated by March 31, 2024.

Furthermore, the Board refers to the disclosures in the management report.

At the end of the financial year, no other transactions of particular importance have occurred that have a significant financial impact on the MOBOTIX Group’s assets and revenues position.

Winnweiler-Langmeil, March 21, 2024

The Management Board

Thomas Lausten • CEO　　Klaus Kiener • CFO　　Christian Cabirol • CTO　　Philippos Antoniou • CSMO

Annex To The Notes

	As at 10/01/2022	Additions	Disposals	Transfer postings	Currency translation differences	As at 09/30/2023
	€'000s	€'000s	€'000s	€'000s	€'000s	€'000s
Initial investment costs/manufacturing costs						
Intangible assets						
Self-created intangible assets	12,194	3990	0	98	-7	16,184
Purchased industrial property rights and similar rights and assets as well as licenses to such rights and assets	3901	107	0	0	0	4099
Goodwill	4251	0	0	0	0	4251
Advance payments	246	300	0	-98	0	448
Total intangible assets	**20,592**	**4397**	**0**	**0**	**-7**	**24,982**
Property, plant and equipment						
Land and buildings, including buildings on third-party land	18,244	0	0	0	0	18,244
Technical equipment and machinery	11,129	85	0	0	0	11,212
Other equipment, factory and office equipment	13,375	401	0	2	-9	13,767
Advance payments and assets under construction	4	4	0	-2	0	6
Total property, plant and equipment	**42,752**	**490**	**0**	**0**	**-9**	**43,229**
Aggregated amortization and depreciation						
Intangible assets						
Self-created intangible assets	2283	1690	0	0	0	3973
Purchased industrial property rights and similar rights and assets as well as licenses to such rights and assets	2794	616	0	0	0	3410
Goodwill	177	425	0	0	0	602
Advance payments	0	0	0	0	0	0
Total intangible assets	**5254**	**2731**	**0**	**0**	**0**	**7985**
Property, plant and equipment						
Land and buildings, including buildings on third-party land	7536	592	0	0	0	8128
Technical equipment and machinery	9775	338	0	0	0	10,113
Other equipment, factory and office equipment	10,711	547	41	0	11	11,299
Advance payments and assets under construction	0	0	0	0	0	0
Total property, plant and equipment	**28,022**	**1477**	**0**	**0**	**11**	**29,540**
Net carrying amount						
Intangible assets						
Self-created intangible assets	9911					12,211
Purchased industrial property rights and similar rights and assets as well as licenses to such rights and assets	1107					689
Goodwill	4074					3649
Advance payments	246					448
Total intangible assets	**15,338**					**16,997**
Property, plant and equipment						
Land and buildings, including buildings on third-party land	10,708					10,115
Technical equipment and machinery	1354					1100
Other equipment, factory and office equipment	2664					2469
Advance payments and assets under construction	4					6
Total property, plant and equipment	**14,730**					**13,690**

Summary of the Annual Report of MOBOTIX AG, Winnweiler-Langmeil

2022/23 Financial Year

October 1, 2022 to September 30, 2023

1. Basic Information On The Group

1.1. Technology and Products

MOBOTIX AG, Winnweiler-Langmeil (hereinafter referred to as "MOBOTIX" or Company), offers high-resolution, network-based video control systems. The systems consist of hardware, with a focus on high-performance cameras, as well as increasingly software, such as application software (also called applications or apps), that fulfill customer-specific functions. The solutions are distributed worldwide by distributors and qualified resellers. Founded in 1999, the Company has more than 20 years of market experience in decentralized IP-based video surveillance solutions.

The system architecture developed by MOBOTIX offers two options for managing data either decentrally in the camera or on a central server, depending on the customer's requirements. The processing of recorded data begins right in the camera and thus directly on the border between the real world and the MOBOTIX system. Such an architecture is called "edge technology."

The decentralized structure of MOBOTIX's systems relieves both the network and the central video management system, enables higher frame rates and reduces the data storage requirement when recording high-resolution video sequences. This makes it cost-effective overall. MOBOTIX video security systems are suitable for highly diverse applications, from small systems with a few web cameras to large-scale property surveillance with hundreds of cameras and central control stations. MOBOTIX systems are used for remote maintenance and automation in airports, train stations, universities, logistics companies and in industrial companies.

In recent financial years, MOBOTIX has transformed from merely being a product provider to a solution provider with integrated software. The combination of hardware and software to form a complete solution is due on the one hand to customer requests. On the other hand, digital possibilities open up a growing scope for using MOBOTIX technologies in a meaningful manner for customers.

MOBOTIX provides extensive accessories and powerful software solutions for all camera lines.

The main features of MOBOTIX technologies are a large-scale absence of moving parts and a decentralized approach. The lack of moving parts avoids heat generation in the housings and is associated with low susceptibility to interference and longevity. The decentralized approach makes it possible for MOBOTIX to protect its offers in the best possible way regarding the security of the obtained data from access by unauthorized persons. Both high quality and data security are two key differentiators of MOBOTIX in the competition environment.

For MOBOTIX, IT security is a central component of every technology. Therefore, continuous certifications are very important. MOBOTIX's solutions are based on the combination of decentralized IoT technology developed in-house and video management software. Both the MOBOTIX 7 platform and the Mx6 security cameras have been tested and certified once again by SySS GmbH in the past financial year. SySS GmbH is one of the leading providers of penetration tests in Germany and is independent of manufacturers. MOBOTIX has been working regularly with SySS since 2017 as part of its cyber security campaign "Cactus Concept." The SySS tests expose hardware and software components to simulated hacker attacks. As a result, the best possible cyber security of MOBOTIX products and solutions was once again certified in June 2021. Despite the decentralized approach, the industry standards ONVIF, H.264 and H.265 were met.

There are also partnerships with other external IT security testing companies—with the French company CNPP (Centre national de prévention et de protection), Paris, France, and White Hat IT Security Kft., Budapest, Hungary. In 2019, MOBOTIX was the first European manufacturer to receive the French product certification "CNPP Certified" for video security systems with the highest level of protection against cyber attacks. A partnership with another well-known testing institute is in the process of conceptual preparation, and further partnerships are also planned. What are called "white hacker" institutes have been and will be commissioned to specifically attack MOBOTIX Software. This complements our efforts to provide solutions that meet the ever-increasing global IT security needs. The Company's explicit focus on cyber security is a clear differentiator for MOBOTIX in the competitive environment.

Focus on Six Vertical Markets

MOBOTIX expects long-term market growth for video systems in six economic sectors: the public sector and administration, industrial companies, mining of raw materials including oil/gas, utilities and waste removal, energy, manufacturing, education, retail and healthcare.

MOBOTIX specifically addresses these vertical markets to place its solutions here and will continue to do so in the 2022/23 financial year. MOBOTIX offers hardware (cameras, access control) as well as software (intelligent apps and video analysis) as well as professional and convenient camera management and control (MOBOTIX HUB, MxManagementCenter, MOBOTIX CLOUD), to be able to offer tailor-made offers in these markets and thus to exploit the long-term growth opportunities that arise.

A part of this approach is what are called solution packages for clearly definable user groups, such as supermarkets or vaccination centers. MOBOTIX offers package solutions that link different aspects of user interest. For example, in addition to classic safety monitoring, fire protection, monitoring of cold chains and documentation requirements of MOBOTIX solution packages can be covered for companies in the food processing sector.

Focus on Recurring Business

In the past, MOBOTIX generated revenue almost exclusively through the sale of hardware and cameras. The Company can structurally improve its business model to include diverse possibilities, by increasing what are called recurring sales in the future. These have the advantage of being less cyclical and more predictable. For this reason, MOBOTIX has been pursuing its strategy for some time to achieve more recurring sales in the long-term. Recurring sales include rental and leasing constellations for hardware and software, subscription models, services such as (remote) maintenance, or regular software upgrades, user training and consumption of tools and materials used although the consumption of tools and materials is practically irrelevant for MOBOTIX. In contrast to selling a product or service as a one-time event, MOBOTIX seeks a long-term connection to the end customer.

On the one hand, this opens up opportunities to better understand customers and their markets, i.e. to recognize customer needs and wishes earlier and more accurately. On the other hand, recurring revenues reduce MOBOTIX's cyclical dependence because they improve predictability. This approach can have a positive impact on the Company both in the operating business and on the capital market. On the capital market, investors often demand a higher risk premium during increasing economic sensitivity. Increasing the proportion of recurring sales gives MOBOTIX the opportunity to reduce risk premiums in the long-term and thus to provide added value for shareholders and employees.

Product Launches in The Past Financial Year

The **MOBOTIX 7** platform was expanded by a total of **five models** in the past financial year, which completes its product lines. Two hemispheric camera models have been added with the addition of the **Q71 and c71**. The Q71 has a 12-MP sensor, integrated audio support, built-in IR and white light illumination, which offer numerous further potential applications, including in the healthcare and retail sectors. The portfolio has also been expanded by the **D71, v71** and **p71** to include 3 single lens dome cameras, which offer more cost-effective alternatives for indoor and outdoor applications in addition to the modular models M73 and S74.

In addition, the platform was reinforced by two further sensor modules, as well as white light lighting modules for M73 and S74. The application areas of both models can, thus, be further expanded. The new ECO Thermal Sensor, which enables the use of thermal technology in significantly more price-sensitive fields of application, is a particular highlight.

Integration and strategic partnerships are also a focus for the MOBOTIX 7 platform during this financial year as well. The MOBOTIX Certified App package provided by strategic partners has been expanded in the OCR (Optical Character Recognition) segment to include aircraft identification number and US DOT number recognition as well as a freely definable OCR app. In addition, the security app portfolio has been expanded with object classification intrusion detection, which can be used on both optical and thermal sensors.

In addition to the apps created by Certified App Partners, MOBOTIX's own Certified Apps were also released in the financial year, which expand the portfolio in the field of intelligent motion detection and color recognition.

In the area of software**, MOBOTIX CLOUD, MOBOTIX HUB** and the **ManagementCenter (MxMC)** have been significantly extended to include various functions of research. For example, other MOBOTIX 7 apps and events in the field of Smart Data Search of the MxMC as well as a post-video motion search were published. Additional apps and events have also been released as a plugin for MOBOTIX HUB to optimize the search for events for the operator and save time and effort.

The publication of thermal apps, thermal extensions of the software portfolio, and the achievement of further thermal certifications (including EN54 and CNPP) illustrate the focus of MOBOTIX AG on advancing its thermal solution.

In addition to its decentralized camera program, MOBOTIX also offers the classically centrally managed MOVE series. The successful product launch of the new MOBOTIX MOVE 2MP camera with vehicle license plate recognition and pre-installed VAXTOR ALPR MMC Analytics license demonstrated the strong and close cooperation between MOBOTIX and VAXTOR.

The MOBOTIX MOVE PTZ Line was replaced by a powerful next generation in the spring of 2023, supporting video resolutions from 2MP up to 4K resolution. In addition to higher image resolutions and frame rates, this new PTZ Speed Dome series features integrated license-free DNN-based video analysis functions, including face and license plate recognition, enabling efficient deployment in many vertical markets as part of tailored solution packages, also in combination with the classic MOBOTIX IoT products.

In the summer of 2023, the first MOBOTIX MOVE multisensor camera was introduced to the market. It combines four individual 5MP cameras with varifocal lenses in one housing with only one network cable connection and one IP address. This allows for cost-effective setup and operation, offering, among other things, a 360° panoramic view and versatile deployment both stand-alone and as part of high-performance end-to-end solution packages due to the already integrated and license-free DNN-based video analysis functions.

To meet the increasing demands for IT security, this multisensor camera features a certified HW TPM chipset (Trusted Platform Module) for secure storage of SSL keys and thereby meets the requirements of the FIPS140-2 IT Security Standard.

All MOBOTIX MOVE products allow 3rd party integration through the industry standard ONVIF S/G/T and M and are also NDAA compliant.

These new MOBOTIX MOVE products also come equipped with the innovative EverClear coating from the factory, enabling significantly better image reproduction in darkness in conjunction with IR illumination and additionally providing a rain and dirt-repellent effect for domes and camera front glasses (self-cleaning effect).

Furthermore, all MOBOTIX MOVE products (cameras, NVR, CMS software, and apps) have been continuously equipped with new features and improved convenience through FW/SW updates.

The MOBOTIX MOVE camera, announced in the spring of 2023 based on the strengthened technology partnership between MOBOTIX, Konica Minolta, and i-PRO, was developed as part of an ODM cooperation between MOBOTIX and i-PRO and has been officially marketed since October 2023. This is a 20MP (4x5MP) multisensor camera with integrated PTZ Speed Dome and 21x optical motor zoom and integrated DNN-based video motion detection with automatic object tracking.

Cooperation with Konica Minolta

MOBOTIX maintains partnership relationships with several companies.

MOBOTIX is strategically cooperating with the majority shareholder Konica Minolta Inc, Chiyoda, Japan. This collaboration extends to joint development and production, among other things. Both companies have intensified their collaboration in the Konica Minolta FORXAI platform. Konica Minolta combines intelligent sensors with learning based on algorithms (artificial intelligence) and an IoT platform. By integrating FORXAI technology into its solutions, MOBOTIX is further expanding its "edge competence."

Outlook

In the fiscal year 2022/23, MOBOTIX worked intensively on new products and solutions. Several of these will be launched after the end of the fiscal year. In November 2023, another solution package was released, combining the MOBOTIX c71 Indoor camera with analysis software from Kepler Vision to detect falls and movements of individuals, particularly in hospitals and care facilities.

In addition, MOBOTIX is already working on the release of further MOVE models and a new camera platform called "MOBOTIX ONE," which is set to be introduced to the market in spring 2024. From the board's perspective, this will support the transformation process from being a product provider to a solution provider, including further software monetization.

1.2 Structure of The MOBOTIX Group

The MOBOTIX Group consists of MOBOTIX AG, Winnweiler/Langmeil, Germany; MOBOTIX CORP, New York, USA; MOBOTIX LIMITED, Nottingham, UK; MOBOTIX SINGAPORE PTE. LTD., Singapore; and MOBOTIX AUSTRALIA PTY LTD, Sydney, Australia. Since May 1, 2022, the companies VAXTOR TECHNOLOGIES, S.L., Madrid, Spain; VAXTOR ASIA PTE. LTD, Singapore are also 100% owned by the MOBOTIX Group. As an inactive company, MOBOTIX LIMITED, Nottingham, is not included in the consolidated financial statements. VAXTOR System Corp was liquidated as of December 31, 2022.

Manufacturing and development of MOBOTIX products—along with the coordination of worldwide sales and distribution of MOBOTIX products—take place exclusively in Winnweiler/Langmeil, Germany.

The VAXTOR companies are managed from Madrid, Spain. The VAXTOR companies are purely software companies. The software is developed at the Madrid site in Spain.

The subsidiary MOBOTIX Corp., which is included in the consolidated financial statements, is a distribution company for the American market. The Managing Directors of MOBOTIX Corp. are Thomas Lausten (CEO) and Klaus Kiener (CFO).

MOBOTIX SINGAPORE PTE. LTD., Singapore and MOBOTIX AUSTRALIA PTY LTD, Sydney, are purely service companies for the respective local market without any intention to generate sales.

1.3 Sales

MOBOTIX products in Germany are sold through certified partners, security and IT installers and electronics wholesalers.

The primary sales model for MOBOTIX products internationally is through distributors with downstream qualified system integrators and resellers. The distributors are assisted in most regions by local Business Development Managers and Technical Project Engineers, who are directly employed by the MOBOTIX Group.

Since April 2022, the distribution of MOBOTIX products in the USA has also been carried out through Konica Minolta Business Solutions U.S.A., Inc. This means that MOBOTIX AG now sells its products directly to Konica Minolta Business Solutions U.S.A., Inc., which acts as the main distributor. Konica Minolta is thus able to supply both its own customers and customers of MOBOTIX CORP. Customers from America within the MOBOTIX group continue to order directly from MOBOTIX CORP, but Konica Minolta handles the entire process. Therefore, MOBOTIX Corp no longer maintains its own inventory, as all logistics are handled by Konica Minolta. In return, Konica Minolta receives a handling fee of two percent for this service.

In addition, there are distribution agreements in place with individual regional companies of the Konica Minolta Group and other MOBOTIX partners.

The VAXTOR products are mainly distributed via system integrators or directly to the end customer. Global distribution is managed from Madrid, Spain.

The MOBOTIX Group's export ratio in the 2022/23 financial year was 73% (previous year: 71%).

1.4 Research and Development

As of September 30, 2023, the MOBOTIX Group employed 76 people (by headcount) in product development and product management.

The MOBOTIX GROUP research and development costs totaling €7.8 million were incurred in the 2022/23 financial year. An amount of €3.9 million (50% of the total R&D costs) was capitalized among the internally generated intangible assets. Depreciation and amortization on capitalized development costs amounted to €1.7 million.

As in previous years, its activities focused on the creation of new hardware and software products as well as on the optimization of product functionality. Most development work is performed in-house. To a small extent, outsourcing of development activities only takes place in the areas of camera and lens design, tool design and board layout.

In terms of research and development, MOBOTIX continued its intensive collaboration with Konica Minolta in the fiscal year 2022/23. The focus of the cooperation was on further expanding the image processing algorithms based on deep learning, general image processing in the camera, and the creation of a new joint camera platform. This joint platform is intended to further advance cooperation in the field of image analysis and integration into Konica Minolta's FORXAI technology in the future, to continue successfully leveraging synergies between the two companies.

2. Financial Report

2.1 Macroeconomic and Sector-Specific Conditions

MOBOTIX operates in the market for video security systems. The market for video security systems comprises analog video security systems and network camera systems in addition to video management software and accessories. The relevant market segment for MOBOTIX is video-based security systems in general and network camera systems in particular.

A market survey from June 2023 by the market research company Novaira Insights concludes that the total revenue generated by the video-based security system market worldwide excluding China is set to grow by an annual average of around 9.4% between 2022 and 2027, and by an average of 11.4% for the network camera segment. With an average of 9.9% per year from 2022 to 2027, the network camera segment is expected to achieve the highest growth in the EMEA region, followed by the Americas with 13.1% and Asia (excluding China) with 10.2%.

In addition to the increased use of video analytics in general, the study identifies the accelerated development and use of artificial intelligence, the continued high demand for cyber security and the great importance of deep learning for processing ever-increasing amounts of data as being major trends in the market for video-based security systems. For the analytics market segment, Novaira Insights predicts an average annual growth rate of 11.4% from 2022 to 2027, with deep learning being identified as one of several analytics technology approaches as a clear growth driver (49.8%).

2.2 Business Development

In the 2022/23 financial year, the MOBOTIX Group had a decline in sales by €7.2million (12.8%) to €63.2 million compared to the supply chain problems and the effects of the war in Ukraine.

Revenues from contract development for Konica Minolta remained nearly unchanged at €1.6 million (previous year: € 1.6 million), revenues from component sales to contract manufacturers decreased to €0.5 million (previous year: €0.9 million), and revenues from the sale of video security systems and software increased by €7.5 million (14.0%) to €61.1 million. The increase in revenue, coupled with reduced costs due to cost-saving measures, led to a reduction in the group's annual loss and a corresponding improvement in key performance indicators.

EBIT (earnings before interest and taxes) in the amount of -€3.9 million for the financial year is €3.6 million higher than the previous year (previous year: €-7.5 million).

The consolidated annual net loss has worsened by €0.9 million to -€5.4 million (previous year: -€6.3 million).

Non-financial performance indicators are currently of minor importance for understanding the business development and the situation of the MOBOTIX Group; in view of the future requirements of management reporting in the context of ESG reporting, the Management Board is currently in the preparatory phase of collecting and evaluating relevant non-financial data.

2.3 Net Assets, Financial Position and Results of Operations of the MOBOTIX Group

Results of Operations

The 2022/23 financial year saw MOBOTIX Group sales increased by €7.2 million (12.8%), from €56.0 million in the previous year to €63.2 million.

The sales revenue includes revenue from component sales to contract manufacturers in the amount of €0.5 million (previous year: €0.9 million). Revenue from contract development of €1.6 million was almost unchanged at €1.6 million compared to the previous year because of the intensification of collaboration with Konica Minolta under the FORXAI partnership program. Revenue from the sale of video security systems and software increased by 14.0% to €61.1 million (previous year: €53.6 million).

The VAXTOR subgroup, which was first fully consolidated for an entire fiscal year in the fiscal year 2022/2023, contributed significantly to the increase in revenue with external sales revenue of €4.5 million, representing a share of 7.1% of the total revenue.

The export ratio (excluding component sales) was 74.3% in the financial year 2022/23 (previous year: 71.3%). The revenue from the sale of video security systems and software in Germany increased from €15.4 million in the 2021/22 financial year to €15.6 million. The rest of Europe (excluding Germany) amounted to €26.0 million (previous year: €19.5 million). Sales in the rest of the world increased from €18.7 million in the previous year to €19.4 million in the reporting year.

In exercising the right to choose specified by Section 248(2) German Commercial Code (HGB), own development costs of €3.9 million (previous year: €3.1 million) were capitalized and reported accordingly on the income statement under "Other own work capitalized" with effect on net income.

The total operating output (sales revenue, increase or decrease in the inventory of finished goods and work in progress, other own work capitalized) decreased by 8.8%, from €60.3 million in the previous year to €65.6 million in the 2022/23 financial year. This is primarily attributable to the increase in sales revenue and capitalized self-performance.

Other operating income increased by €0.5 million to €1.4 million.

The material cost ratio (material expenses excluding material expenses for component sales, adjusted for inventory changes, relative to revenue from the sale of video security systems and software) improved to 47.4% in fiscal year 2022/23 compared to 49.4% in the previous year. This improvement is due in part to the increased share of software revenue, as well as material cost savings.

The decrease in the personnel cost ratio (personnel expenses relative to total performance excluding component sales) to 39.0% in fiscal year 2022/23, compared to 43.5% in the previous year, is primarily attributable to the increase in revenue. Personnel expenses decreased by €0.4 million (1.70%) compared to the previous year, mainly due to the decreased average number of employees in fiscal year 2022/23.

At €4.2 million, depreciation and amortization increased in the 2022/23 financial year (previous year: €3.6 million) by €0.6 million. This is mainly due to the increase in the depreciation of own capitalized development costs.

The other operating expenses in the amount of €13.3 million in the 2022/23 financial year (previous year: €10.7 million) increased by €2.6 million (23.7%) compared to the previous year. The surge in other operating expenses is primarily due to newly formed individual value adjustments on receivables from sales and services. The individual value adjustments formed on receivables from sales and services rose by €3.3 million compared to the previous year.

EBITDA (earnings before interest, taxes, depreciation and amortization; 0.5% of total operating output excluding component sales) amounted to €0.3 million (2021/22: -€3.8 million). **EBIT** (earnings before interest and taxes; -5.9% of total operating output excluding component sales;) amounted to -€3.9 million (2021/22: -€7.5 million). The financial year 2022/23 ended with a **consolidated annual net loss** of €5.4 million (2021/22: €6.3 million) and a return on revenue (excluding component sales) of -8.6% (2021/22: -11.3%).

Net Assets

Non-current assets increased by €0.6 million (2.06%) to €30.7 million. Investments in fixed assets of €4.9 million are offset by €4.3 million in write-offs and disposals of €0.1 million.

Here, the investments primarily consist of investments in intangible assets amounting to €4.4 million and in tangible assets amounting to €0.5 million. The investments in intangible assets mainly involve internal development costs amounting to €3.9 million.

Inventories, in particular raw materials, auxiliary materials, operating materials and finished products, decreased from €30.6 million to €25.3 million.

During the fiscal year 2022/23, trade receivables decreased by €0.5 million to €14.7 million compared to the beginning of the fiscal year. This reduction stemmed from an increase in receivables due to the higher sales volume in the fiscal year 2022/23, offset by newly formed individual value adjustments on receivables from sales and services amounting to €3.4 million.

The receivables from affiliated companies amount to €3.7 million, which is €0.6 million lower than the previous year's level of €4.3 million. These receivables from affiliated companies consist of receivables from sales and services to companies within the Konica Minolta Group.

Cash in hand and bank balances and cash equivalents on September 30, 2023, had decreased by €1.3 million to €0.9 million compared to the beginning of the financial year (September 30, 2022: €2.3 million).

Deferred tax assets of €4.8 million (September 30, 2022: €3.6 million) mainly result from income tax loss carryforwards of €4.7 million (September 30, 2021: €3.2 million).

At €18.2 million (September 30, 2022: €23.7 million), equity capital has decreased compared to the previous year, mainly due to the consolidated annual net loss of €5.4 million. The equity ratio fell from 27.0% to 22.3%, with a balance sheet total that increased by €6.5 million (-7.4%) to €81.5 million (September 30, 2022: €88.0 million). MOBOTIX held a total of 61,658 treasury shares as of September 30, 2022. 44,248 treasury shares were used as a purchase price component for the VAXTOR Group in the 2021/22 financial year.

The decrease in other provisions by €1.6 million to €7.6 million mainly results from the utilization of the provision for purchase price obligations amounting to the payment made in 2023 of €1.4 million under the earn-out agreement from the acquisition of the VAXTOR Group in 2022. The provision for purchase price obligations relates to the expected earn-out payments from the acquisition of the VAXTOR Group in 2022.

The decrease in liabilities to banks by €24.7 million to €14.0 million (as of September 30, 2022: €38.7 million) mainly results from the replacement and repayment of short-term bank loans by loans from Konica Minolta Inc., Tokyo, Japan, amounting to €28.5 million as of the reporting date.

Accounts payable decreased by €1.2 million to €6.3 million (as of September 30, 2022: €7.5 million).

The passive deferred taxes amounting to €3.4 million (as of September 30, 2022: €2.8 million) result solely from the capitalization of development costs.

Financial Position

The operating cash flow before changes in working capital amounted to €0.04 million in the fiscal year 2022/23 (previous year: -€4.3 million). The increase compared to the previous year is primarily attributable to the improved pre-tax earnings of -€5.4 million.

The cash flow from operating activities before income taxes was €3.2 million in fiscal year 2022/23 (previous year: -€4.3 million), primarily due to the decrease in inventories coupled with an increase in trade payables, including liabilities to affiliated companies.

The cash flow from investing activities amounted to -€6.3 million (previous year: -€6.7 million), primarily due to investments in internally generated intangible assets and the earn-out payment made during the fiscal year for the acquisition of the VAXTOR Group, amounting to €1.4 million.

The positive cash flow from financing activities of €25.7 million (previous year: -€10.4 million) is mainly the result of short-term intercompany loans taken out in the amount of €28.5 million, offset by interest payments of €1.4 million.

As of September 30, 2023, the net cash position amounted to -€7.5 million (September 30, 2022: €29.5 million). The negative net cash position is covered by the short-term intercompany loans of €28.5 million.

The company's liquidity was ensured in fiscal year 2022/23. The available credit lines were largely utilized as of the reporting date. Any further credit requirements, if credit institutions are not available, will be provided by the majority shareholder, Konica Minolta, Inc. We also refer to the subsequent reporting.

Medium- and long-term liabilities decreased by €1.3 million to €7.1 million as of September 30, 2022. Short-term liabilities including short-term provisions increased from €52.9 million to €54.3 million. This increase is partly due to a payment of €1.4 million under the earn-out agreement from the acquisition of the VAXTOR Group in fiscal year 2021/22. Additionally, the increase resulted from taking out short-term intercompany loans. The proportion of medium- and long-term liabilities to the total assets of the MOBOTIX Group is lower at 0.9% compared to the previous year. Short-term liabilities including short-term provisions represent 66.6% of the total assets as of the reporting date, compared to 60.2% as of September 30, 2022.

2.4 Net Assets, Financial Position and Results of Operations of MOBOTIX AG

Results of Operations

The 2022/23 financial year saw MOBOTIX AG sales increased slightly by 0.75%, from €53.5 million in the previous year to €53.9 million. The sales revenue includes revenue from component sales to contract manufacturers in the amount of €0.5 million (previous year: €0.9 million). Revenue from contract development of €1.6 million was almost unchanged by €1.46 million compared to the previous year because of the intensification of collaboration with Konica Minolta under the FORXAI partnership program. Revenue from the sale of video security systems and software increased by 1.9% to €51.7 million (previous year: €50.7million).

The export ratio (excluding component sales) was 70.0% in the financial year 2021/22 (previous year: 69.7%). The revenue from the sale of video security systems and software in Germany increased from €15.4 million in the 2021/22 financial year to €15.7 million. The rest of Europe (excluding Germany) amounted to €22.4 million (previous year: €18,5 million). Sales in the rest of the world declined by 19.5%, from €16.9 million in the previous year to €13.6 million in the reporting year.

In accordance with the right to choose specified by Section 248(2) German Commercial Code (HGB), own development costs of €3.4 million (previous year: €3.2 million) were capitalized and reported accordingly on the income statement under "Other own work capitalized" with effect on net income.

The total operating output (sales revenue, increase or decrease in the inventory of finished goods and work in progress, other own work capitalized) decreased from €57.6 million in the previous year to €57.2 million in the 2022/23 financial year. Other operating income increased by €0.5 million to €1.3 million.

The material cost ratio (material expenses excluding material expenses for component sales, adjusted for inventory changes, in relation to revenues from the sale of video security systems and software) deteriorated to 53.4% (previous year: 51.4%) compared to the previous year in the fiscal year 2022/23.

The decrease in the personnel cost ratio (personnel expenses in relation to total performance excluding component sales) to 36.2% (previous year: 38.2%) in the fiscal year 2022/23 is primarily attributed to the increased revenues. Personnel expenses in the fiscal year 2022/23 decreased by €1.1 million (5.2%) compared to the previous year. The main reason for this is the lower average number of employees in the fiscal year 2022/23.

At €3.6 million (previous year: €3.4 million), depreciation and amortization increased by €0.2 million in the 2022/23 financial year. This is mainly due to the increase in the depreciation of own capitalized development costs.

The other operating expenses amounted to €12.0 million in the fiscal year 2022/23 (previous year: €10.1 million), representing an increase of €1.9 million (19.2%) compared to the previous year. The increase in other operating expenses is mainly due to newly formed individual value adjustments for receivables from deliveries and services.

The **EBITDA** (earnings before interest, taxes, depreciation, and amortization; -3.5% of total performance) amounts to -€1.9 million (2021/22: -€1.2 million). The **EBIT** (earnings before interest and taxes; -9.7% of total performance) amounts to -€5.5 million (2021/22: -€4.6 million). The fiscal year 2022/23 ended with a **net loss** of €5.5 million (2021/22: €3.5 million) and a revenue margin of -10.4% (2021/22: -6.7%).

Net Assets

Non-current assets increased by €3.2 million (7.7%) to €42.9 million. Capital expenditures of €6.7 million in non-current assets were offset by depreciation and amortization of €3.6 million.

Here, the investments mainly comprise investments in financial assets amounting to €2.6 million and in intangible assets amounting to €3.8 million. The investments in financial assets primarily pertain to the loan to MOBOTIX CORP amounting to €2.6 million. The investments in intangible assets include internal development costs amounting to €3.4 million.

Inventories, in particular raw materials, auxiliary materials, operating materials and finished products, decreased to €25.2 million from €28.8 million in previous year.

In the fiscal year 2022/23, trade receivables decreased by €0.7 million compared to the beginning of the fiscal year, amounting to €8.7 million. On one hand, trade receivables increased by €2.0 million due to the higher sales volume in the fiscal year 2022/23. However, newly formed individual value adjustments for trade receivables of €3.1 million subsequently decreased the trade receivables.

The receivables from affiliated companies amounting to €4.8 million are €1.8 million lower than the previous year's level of €6.6 million. These receivables from affiliated companies concern trade receivables against companies within the Konica Minolta Group and against MOBOTIX CORP. The receivables against MOBOTIX CORP could be reduced by €1.8 million.
Cash in hand/bank balances and cash equivalents as of September 30, 2023 decreased to €0.3 million, representing a €0.7 million decrease since the beginning of the financial year (September 30, 2021: €1.0 million).

Deferred tax assets of €4.7 million (September 30, 2021: €3.2 million) result from tax loss carryforwards which were incurred in the 2022/23 financial year and in previous years.

At €26.8 million (September 30, 2022: €32.3 million), equity capital has decreased compared to the previous year, mainly due to the annual net loss of €5.5 million. The equity ratio fell from 35.7% to 30.5%, with a balance sheet total that increased by €2.6 million (2.9%) to €87.9 million (September 30, 2021: €90.5 million). MOBOTIX held a total of 61,658 treasury shares as of September 30, 2023. 44,248 treasury shares were used as a purchase price component for the VAXTOR Group in the 2021/22 financial year.

The decrease in other provisions by €1.7 million to €7.0 million primarily results from the utilization of the provision for purchase price obligations amounting to the payment made in 2023 of €1.4 million under the earn-out agreement from the acquisition of the VAXTOR Group in 2022. The provision for purchase price obligations relates to the earn-out payments expected from the acquisition of the VAXTOR Group in 2022.

The decrease in liabilities to credit institutions by €24.7 million to €13.9 million (as of September 30, 2022: €38.6 million) primarily results from the replacement and repayment of short-term bank loans with loans from Konica Minolta Inc., Tokyo, Japan, amounting to €28.5 million. We refer in this context to the explanations under section 2.5 Overall Assessment of the Financial, Financial, and Earnings Situation of the MOBOTIX Group.

Trade payables increased by €1.1 million to €6.2 million compared to September 30, 2022 caused by the use of payment terms (September 30, 2022: €7.4 million).

Deferred tax liabilities of €3.0 million (September 30, 2022: €2.5 million) result from the capitalization of development costs.

Financial Position

The operating cash flow before working capital changes amounted to -€3.7 million in the fiscal year 2022/23 (previous year: -€2.0 million). The decrease compared to the previous year is mainly attributable to the poorer pre-tax earnings of -€6.5 million (previous year: -€4.9 million).

The cash flow from operating activities before income taxes was €2.9 million in the fiscal year 2022/23 (previous year: -€3.1 million), primarily due to the decrease in inventories and the decline in receivables and other assets.

The cash flow from investing activities amounted to -€5.5 million (previous year: -€8.7 million) and is mainly attributed to investments in self-created intangible assets as well as the earn-out payment made during the fiscal year for the acquisition of the VAXTOR Group, amounting to €1.4 million.

The positive cash flow from financing activities of €25.3 million (previous year: -€10.4 million) primarily results from the issuance of short-term intercompany loans amounting to €28.5 million, offset by interest payments of €1.4 million.

As of September 30, 2023, the company had a negative cash balance of €8.1 million (September 30, 2022: -€30.6 million). The negative cash balance is covered by the issuance of short-term intercompany loans amounting to €28.5 million.

The company's solvency was ensured in the fiscal year 2022/23. The available credit lines were largely utilized as of the reporting date. Any further credit requirements, if credit institutions are not available, will be provided by the majority shareholder, Konica Minolta, Inc. We also refer to the subsequent reporting.

The medium- and long-term liabilities decreased by €1.9 million to €6.5 million compared to September 30, 2022. Short-term liabilities including short-term provisions increased from €47.4 million to €51.5 million. This increase is mainly due to the payment of €1.4 million under the earn-out agreement from the acquisition of the VAXTOR Group in the fiscal year 2021/22. The proportion of medium- and long-term liabilities to the balance sheet total of the MOBOTIX Group decreased from 9.2% in the previous year to 7.5%. Short-term liabilities including short-term provisions accounted for 58.6% of the balance sheet total as of the reporting date, compared to 52.4% as of September 30, 2022.

2.5 Overall Assessment of the MOBOTIX Group's Net Assets, Financial Position and Results of Operations

The MOBOTIX Group's net assets, financial position and results of operations in 2022/23 do not reflect the management's expectations for the performance of the business. Business performance was negatively impacted by the war in Ukraine. The increase in other operating expenses is mainly due to newly formed individual value adjustments for trade receivables amounting to €3.4 million.

The envisaged revenue of €64 million to €66 million could not be achieved since the sales revenue was at €63.2 million. Similarly, the envisaged EBIT of €2.0 million to 4.0 million for the financial year 2022/23 could not be achieved with EBIT at -€3.9 million.

As of December 31, 2023, another loan amounting to €5.0 million was assumed from a credit institution by Konica Minolta, and an additional intercompany loan of €0.7 million was granted. The reported balance of intercompany loans thus amounts to €34.2 million as of March 21, 2024. The financing acquired from the credit institutions by the majority shareholder Konica Minolta on February 24, 2023, was extended until June 30, 2025, and a qualified subordination declaration was provided on February 28, 2024. Additionally, on February 28, 2024, the majority shareholder committed to providing further support through the provision of loans amounting to €7.0 million until June 30, 2025, subject to certain conditions. A utilization of €2.5 million is planned until March 31, 2024.

With an equity ratio of 18.2% and equity amounting to €18.1 million, there still exists a satisfactory equity base.

3. Changes to the Supervisory Board

Mr. Olaf Lorenz was appointed as a member of the Supervisory Board effective October 1, 2023. Conversely, Mr. Olaf Jonas concluded his term and stepped down from the Supervisory Board as of September 30, 2023. The District Court of Kaiserslautern approved the request for the judicial appointment of Mr. Olaf Lorenz to the Supervisory Board. Mr. Lorenz, domiciled in Hamburg, Germany, assumes the role of General Manager of the Corporate Governance Division at Konica Minolta Business Solutions Europe GmbH, Langenhagen, Germany, within the Konica Minolta Group. Therefore, as of October 1, 2023, the composition of the MOBOTIX Supervisory Board comprises Toshiya Eguchi (Chairman of the Supervisory Board), Koji Ozeki, and Olaf Lorenz.

4. Changes to the Supervisory Board

Mr. Hartmut Sprave, a Diplom-Physicist from Otterbach, Germany, ceased to serve as the Head of Technology effective until March 31, 2023. Mr. Christian Cabriol, a Diplom-Informatician from Kaiserslautern, Germany, was appointed as the Head of Technology effective April 1, 2023. Mr. Philippos Antoniou, a Bachelor of Science in Business Information Systems from Barnet, Great Britain, was appointed as the Head of Sales and Marketing effective May 1, 2023.

5. Rescissory Actions and Proceedings for Annulment Relating to Resolutions Adopted by the Annual General Stockholders' Meeting for the 2015/16 Financial Year

On March 9, 2017, MOBOTIX became aware that three shareholders had filed for rescissory action and proceedings for annulment at the Local Court of Kaiserslautern in relation to resolutions adopted by the Annual General Stockholders' Meeting on January 12, 2017, for agenda items 2 to 6, i.e. specifically against the resolution to retain net profit as of September 30, 2016 (agenda item 2) and to reelect two Supervisory Board members (agenda item 6).

The Board considers the lawsuits to be unfounded and has initiated legal proceedings. The case was initially in the appellate stage before the Higher Regional Court of Zweibrücken but has since been returned to the Regional Court of Kaiserslautern. A decision announcement was scheduled for February 20, 2024, following an initial oral hearing held on November 14, 2023, at the Regional Court of Kaiserslautern, where the issues were again discussed, and the possibility of a settlement was explored. However, no agreement was reached. MOBOTIX intends to appeal against the decision announced on February 20, 2024, which orders MOBOTIX AG to pay an additional dividend of approximately €531,000. All other lawsuits have been dismissed.

6. Penalty Announced by the French Competition Authority (DGCCRF)

On November 8, 2021, the French competition authority DGCCRF informed the Management Board that in previous years illegal price agreements were alleged to have been made with French wholesalers or distributors. The fine of €645,000 was imposed for a distribution practice that existed for six to seven years between 2011/12 and 2017/18 and involved a significant share of the sales of MOBOTIX products in France. The practice was changed in the 2017/18 financial year and is no longer applied today.

The Management Board considers the fine and the allegations to be unjustified and has taken legal steps. In addition, a distributor involved in the proceedings has filed potential recourse claims from the penalty imposed on him which, according to our legal review, are unfounded and which may be challenged.

Nevertheless, as a precaution for this risk, a provision of €0.70 million was made in the previous annual financial statements, which was used for the payment of €0.64 million in the present annual financial statements.

7. Legal Dispute with the General Contractor for the New Construction Project (Phase I) in Winnweiler-Langmeil

The contractual relationship with the general contractor for the new construction project (Phase I) in Winnweiler-Langmeil was terminated with immediate effect in 2009 before completion. The general contractor submitted its final invoice amounting to TEUR 2,262 (net) in 2009. This invoice is disputed by MOBOTIX AG due to counterclaims for contractual penalties, defects, and underperformance amounting to at least the same value. The legal proceedings are currently pending before the Higher Regional Court of Zweibrücken. However, the court hearing on November 28, 2023, has not yet resulted in a resolution. In accordance with the risk assessment of the management, the situation has been reflected unchanged in the financial statements by recognizing an asset in the fixed assets and creating a corresponding provision compared to the previous year.

8. Risk Report

8.1 Risk Management

The MOBOTIX Group implemented a risk management system as part of the corporate management system. This is to ensure that risks can be identified and addressed early on (prior to considering risk-mitigation measures). It consists of early identification of risks, control and planning processes, reporting and an internal control system. The principles and decisions relating to the risk management system have been documented in a risk management handbook. The system is enhanced and optimized on an ongoing basis.

The purpose of the Group's risk management system is to identify, monitor and manage any risks assumed. In addition to risks to the Company's survival as a going concern, the system records activities, events and developments that could have a significant impact on future business performance. The risk management process involves identifying and managing operational opportunities and risks over a period of between one and three years. A longer forecasting period is used for strategic opportunities and risks.

The risk to earnings is analyzed using a risk matrix. that indicates the probability of occurrence and the potential level of losses. If risks are not quantifiable, their impact is estimated in qualitative terms.

Probability of Occurrence		**Possible Impacts (€)**	
Low	< 25%	Low	< €0.1 million
Medium	25%–50%	Medium	€0.1 million–€0.2 million
High	50%–75%	High	€0.2 million–€0.7 million
Very high	> 75%	Very high	> €0.7 million

The internal control system described under Item 6.2 has been set up to manage the business risks that are typical for the MOBOTIX Group and that could have a material impact on the Group's net assets, financial position and results of operations.

8.2 Internal Control System

The MOBOTIX Group has an extensive system of process controls. The introduction of the extensive system of process controls for the companies of the VAXTOR Group is still in the process of being implemented. The aim of the control system is to detect possible deficiencies in the Company's processes at different process levels to initiate appropriate countermeasures, and to ensure and continuously improve the effectiveness of the risk identification and analysis methods by conducting regular reviews. The tasks in the control system are carried out by members of the management team and by employees working centrally in the organization department who assume some of the duties of an internal audit function. The organization department reports directly to the Management Board. The role of the employees of this department as advisors to the departmental managers enables them to monitor the internal control system's integrity and other aspects. A major element of this task is monitoring the proper compliance with—and implementation of—guidelines. Recommendations (categorized according to their importance) and any needs for changes are reported directly to those in charge of the units under review and to the Management Board.

Ad-hoc audits are carried out in order to identify and investigate current issues promptly. If required, these result in immediate process changes aimed at continuously improving the quality of processes. Afterward, follow-up audits are conducted so that progress on implementing the process changes can be reviewed. The Management Board is notified of any discrepancies without delay.

The internal control system is an integral element of risk monitoring in the Group. It is based not only on defined control mechanisms for prevention and monitoring—such as automated and manual reconciliation processes—but also on predefined approval processes, separation of functions and compliance with guidelines. Another important measure is ensuring that the actions of individuals are verified by a second person. By rigorously applying the principles and instructions laid down in the risk policy, the majority of risks can be avoided or their impact can at least be mitigated.

8.3 Significant Risks

Overview of Overall Risk

	Probability of Occurrence	Possible Impact
Market Risks		
Sales risks/competitive situation	Very high	Very high
Procurement risks	Very high	Very high
Financial Risks		
Financial risks	Medium	Very high
Risk of receivables default	High	High
Currency and interest rate risks	High	High
Political and Legal Risks		
Statutory and regulatory risks	Medium	Medium
Risks from patent disputes	Medium	Medium
Operational Risks		
Personnel risks	High	Medium
Warranty risks	Low	Medium

Market Risks

MOBOTIX products are used as video security solutions in various sectors, such as transportation (buses, train stations, airports, traffic surveillance, etc.), retail and industry as well as for building and perimeter protection. In past years, MOBOTIX succeeded in standing out from among many competitors through high-resolution and hemispheric camera technology.

External market studies show that digital IP video security systems will see growth in coming years, but that average prices will decrease considerably. Specifically, fiercer competition is expected, especially in the segment of high-resolution network cameras, a field where MOBOTIX has so far held a strong position.

There are also further risks resulting from political changes in specific regions (such as Brexit and the political situation in Türkiye)—and of course because of the COVID-19 pandemic and global supply chain volatility. Therefore, the Management Board expects the **market environment** to be exposed to growing risk.

Procurement market risks increased significantly in the reporting year due to the global procurement situation for electronic components, in particular semiconductors, processors and chips. The global market volatility can thus lead to changes in the availability of components. The risk of longer delivery times in this context is countered by the contractually guaranteed larger stock of inventory of components at suppliers and of finished goods. There are procurement bottlenecks affecting product availability, which are the consequence of the COVID-19 pandemic and global supply chain volatility.

Temporary unavailability of critical suppliers, for example for the processors, which could lead to significant production disruptions, cannot currently be ruled out due to the global procurement situation of electronic components, in particular semiconductors, processors and chips as a result of the global COVID-19 pandemic and global supply chain volatility. Therefore, the Management Board expects the **procurement environment** to be exposed to growing risk.

Financial Risks

In connection with the company's and thus the Group's creditworthiness and the existing credit commitments, financing risks exist. Of the liabilities to credit institutions disclosed within the Group as of the reporting date, amounting to €14.0 million, €9.8 million have a term of up to one year. Should the credit institutions in the future fail to extend their credit lines or extend them with lower amounts than those utilized, the majority shareholder, Konica Minolta, Inc., has contractually committed to taking over the financing until June 30, 2025, and has provided a qualified subordination declaration. The existing credit lines of the majority shareholder, Konica Minolta, Inc., already utilized, were contractually extended beyond the calendar year 2024 until June 30, 2025, and a qualified subordination declaration was provided. Additionally, the majority shareholder has pledged another loan of €7.0 million, limited until June 30, 2025, and has provided a qualified subordination declaration. The current earnings and liquidity forecasts of MOBOTIX AG and thus the Group include cash inflows, which were prepared based on the best possible estimates of the Management Board. Should significant delays in planned revenues occur or further significant delays in receipt of payments, or should one or more of the assumptions underlying the forecasts prove incorrect, further support from the majority shareholder in the form of loans or other external sources of financing, for example, within the framework of a capital increase based on an authorized capital of €6.5 million, will be necessary to enable the continuation of MOBOTIX AG and thus the Group. This represents a significant uncertainty related to events or circumstances that may cast significant doubt on the company's ability to continue its operations.

Currency risks generally exist in connection with the business operations in the US and the purchasing requirements of MOBOTIX AG in US dollars. An **interest rate risk** is significant due to the use of, in particular, short-term credit lines or short-term money market loans. The existing medium-term **borrowing** was taken out with a fixed interest rate. **Bad debt risks** are to be limited in the future by the Company's reworked, efficient accounts receivable management, including dunning and collection with restrictive granting of payment terms, but bad debt risks cannot be ruled out due to the COVID-19 pandemic and global supply chain volatility.

Political and Legal Risks

Existing video surveillance boosts people's feeling of security, which is why it is enjoying increasing public acceptance. A growing number of political initiatives are emerging that are aimed at improving the quality of surveillance systems in public areas. If high-resolution systems increasingly become the norm in public security, MOBOTIX will be able to profit additionally from such development as a key manufacturer of such systems. On the other hand, limits will be imposed on video surveillance through various laws and regulations, such as the EU General Data Protection Regulation.

In the video security industry, there is still a risk of patent disputes. It cannot be ruled out that the MOBOTIX Group will be involved in patent infringement proceedings and that these could have a significant financial impact.

Operational Risks and Other Risks

Given the changes to the market and competition environment, the organization has a continued need for adjustment. This presents fundamental risks, which the Company counters through adjusting personnel resources, optimizing processes and control systems as well as updating the IT infrastructure (particularly ERP and CRM).

The production and sales of technical products entail **warranty risks**. These are reflected in the financial statements by recognizing appropriate provisions. The Company has also taken out product liability insurance to safeguard against possible losses and risks.

If trends in the global financial markets and the real economy result in a widespread, global recession, this would naturally have a marked effect on the markets relevant to the MOBOTIX Group.

The IT risk and cyber security requirements required for the business model are ensured by significant investments in the IT infrastructure, product certifications and penetration testing.

The Management Board continues to assume that technological innovations and further distribution expansion are of great importance for the long-term success of the Group.

9. Opportunity Report

MOBOTIX is active in the continuously growing video surveillance system market. The Company's growth is mainly due to an increasing requirement for IT security, automation, Industry 4.0, intelligent sensors based on high-performance deep learning and AI video analytics, as well as the Internet of Things (IoT).

The Management Board generally assumes that technological market drivers, such as cloud-based installations and software applications in the fields of analytics, deep learning and artificial intelligence, will favor the decentralized technology approach and that MOBOTIX will, therefore, prevail despite growing competitive pressure.

In the coming months, MOBOTIX will develop intelligent IP video solutions for selected market segments with a clear competitive advantage from the perspective of the Management Board (e.g., due to system architecture or robust design) and drive corresponding customer projects through key account sales and the global network of certified partners. In doing so, the robust outdoor cameras will also be increasingly used as sensors in industrial automation, for example, for monitoring temperature-critical processes, early fire detection, or as part of preventive maintenance efforts.

MOBOTIX currently offers a wide range of IP video cameras plus accessories, along with its own video management software. The goal of the Company is to provide more software applications and add peripheral components (switch, IR emitter, NAS, etc.) to the MOBOTIX MOVE segment, thereby offering a complete system from a single provider and giving itself a competitive edge. Thanks to the 2018 launch of the MOBOTIX MOVE camera portfolio as a "complementary portfolio" and regular extensions, it was possible to offer customers additional business opportunities. MOBOTIX will continue to focus on additional MOBOTIX MOVE products and associated business options, incorporating them into our product portfolio in accordance with our high-quality standards.

Further opportunities arise from the improved integration options resulting from the adoption of standards such as ONVIF and H.264/H.265 and from the integration of MOBOTIX cameras with leading video management systems as well as from the ONVIF compatibility of our products.

MOBOTIX also optimizes the MOBOTIX AG sales and earnings model by monetizing software through license models. As part of the market launch of the MOBOTIX 7 M73 and S74 cameras in the 2019/20 financial year, additional high-performance video analysis apps have also been made available via licensing, which enables the development of new market verticals through new customer solutions.

In the future, MOBOTIX will continue to focus to an even greater extent on technology partnerships to respond to the diverse requirements in the vertical markets with optimally tailored complete solutions.

Moreover, today's cooperation with Konica Minolta is already opening up good growth opportunities in the medium-term for technologically oriented order development and sales.

10. Forecast Report

For the financial year 2023/24, the MOBOTIX Group's envisaged sales are in the region of €54 million to €56 million. Accordingly, the EBIT for financial year 2023/24 is in the region of €0.3 million to €1.0 million. For MOBOTIX AG, the Management Board expects similar sales and EBIT trends as are expected for the MOBOTIX Group. The revenue is contingent upon the overall economic situation due to the impact of the Ukraine conflict and the Middle East conflict, as well as the development of interest rates and inflation, and thus, the construction cost trends.

The forward-looking statements made above are predictions.

11. Dependent Company Report

A report on the relationships with affiliated companies was prepared for the 2022/23 financial year in accordance with Section 312 of the German Stock Corporation Act (AktG). Regarding those transactions that have to be reported, the report states: "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, March 21, 2024

The Management Board

Thomas Lausten • CEO

Klaus Kiener • CFO

Christian Cabirol • CTO

Philippos Antoniou • CSMO

Engagement Terms, Liability and Conditions of Use

We, EY GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, conducted our audit of this financial reporting on behalf of the Company. Besides satisfying the legal disclosure requirement (Sec. 325 HGB ["Handelsgesetzbuch": German Commercial Code]) for statutory audits, the auditor's report is addressed exclusively to the Company and was issued for internal purposes only. It is not intended for any other purpose or to serve as a decision-making basis for third parties. The result of voluntary audits summarized in the auditor's report is thus not intended to serve as a decision-making basis for third parties and must not be used for purposes other than those intended.

Our work is based on our engagement agreement for the audit of this financial reporting and the "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]" as issued by the Institute of Public Auditors in Germany ["Institut der Wirtschaftsprüfer": IDW] on 1 January 2017.

To clarify, we point out that we assume no responsibility, liability or other obligations towards third parties unless we have concluded a written agreement to the contrary with the respective third party or liability cannot effectively be precluded.

We make express reference to the fact that we will not update the auditor's report to reflect events or circumstances arising after it was issued, unless required to do so by law.

It is the sole responsibility of anyone taking note of the summarized result of our work contained in this auditor's report to decide whether and in what way this result is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

[Translator's notes are in square brackets]

General Engagement Terms
for
Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften
[German Public Auditors and Public Audit Firms]
as of January 1, 2017

1. Scope of application

(1) These engagement terms apply to contracts between German Public Auditors (*Wirtschaftsprüfer*) or German Public Audit Firms (*Wirtschaftsprüfungsgesellschaften*) – hereinafter collectively referred to as "German Public Auditors" – and their engaging parties for assurance services, tax advisory services, advice on business matters and other engagements except as otherwise agreed in writing or prescribed by a mandatory rule.

(2) Third parties may derive claims from contracts between German Public Auditors and engaging parties only when this is expressly agreed or results from mandatory rules prescribed by law. In relation to such claims, these engagement terms also apply to these third parties.

2. Scope and execution of the engagement

(1) Object of the engagement is the agreed service – not a particular economic result. The engagement will be performed in accordance with the German Principles of Proper Professional Conduct (*Grundsätze ordnungsmäßiger Berufsausübung*). The German Public Auditor does not assume any management functions in connection with his services. The German Public Auditor is not responsible for the use or implementation of the results of his services. The German Public Auditor is entitled to make use of competent persons to conduct the engagement.

(2) Except for assurance engagements (*betriebswirtschaftliche Prüfungen*), the consideration of foreign law requires an express written agreement.

(3) If circumstances or the legal situation change subsequent to the release of the final professional statement, the German Public Auditor is not obligated to refer the engaging party to changes or any consequences resulting therefrom.

3. The obligations of the engaging party to cooperate

(1) The engaging party shall ensure that all documents and further information necessary for the performance of the engagement are provided to the German Public Auditor on a timely basis, and that he is informed of all events and circumstances that may be of significance to the performance of the engagement. This also applies to those documents and further information, events and circumstances that first become known during the German Public Auditor's work. The engaging party will also designate suitable persons to provide information.

(2) Upon the request of the German Public Auditor, the engaging party shall confirm the completeness of the documents and further information provided as well as the explanations and statements, in a written statement drafted by the German Public Auditor.

4. Ensuring independence

(1) The engaging party shall refrain from anything that endangers the independence of the German Public Auditor's staff. This applies throughout the term of the engagement, and in particular to offers of employment or to assume an executive or non-executive role, and to offers to accept engagements on their own behalf.

(2) Were the performance of the engagement to impair the independence of the German Public Auditor, of related firms, firms within his network, or such firms associated with him, to which the independence requirements apply in the same way as to the German Public Auditor in other engagement relationships, the German Public Auditor is entitled to terminate the engagement for good cause.

5. Reporting and oral information

To the extent that the German Public Auditor is required to present results in writing as part of the work in executing the engagement, only that written work is authoritative. Drafts are non-binding. Except as otherwise agreed, oral statements and explanations by the German Public Auditor are binding only when they are confirmed in writing. Statements and information of the German Public Auditor outside of the engagement are always non-binding.

6. Distribution of a German Public Auditor's professional statement

(1) The distribution to a third party of professional statements of the German Public Auditor (results of work or extracts of the results of work whether in draft or in a final version) or information about the German Public Auditor acting for the engaging party requires the German Public Auditor's written consent, unless the engaging party is obligated to distribute or inform due to law or a regulatory requirement.

(2) The use by the engaging party for promotional purposes of the German Public Auditor's professional statements and of information about the German Public Auditor acting for the engaging party is prohibited.

7. Deficiency rectification

(1) In case there are any deficiencies, the engaging party is entitled to specific subsequent performance by the German Public Auditor. The engaging party may reduce the fees or cancel the contract for failure of such subsequent performance, for subsequent non-performance or unjustified refusal to perform subsequently, or for unconscionability or impossibility of subsequent performance. If the engagement was not commissioned by a consumer, the engaging party may only cancel the contract due to a deficiency if the service rendered is not relevant to him due to failure of subsequent performance, to subsequent non-performance, to unconscionability or impossibility of subsequent performance. No. 9 applies to the extent that further claims for damages exist.

(2) The engaging party must assert a claim for the rectification of deficiencies in writing (*Textform*) [*Translators Note: The German term "Textform" means in written form, but without requiring a signature*] without delay. Claims pursuant to paragraph 1 not arising from an intentional act expire after one year subsequent to the commencement of the time limit under the statute of limitations.

(3) Apparent deficiencies, such as clerical errors, arithmetical errors and deficiencies associated with technicalities contained in a German Public Auditor's professional statement (long-form reports, expert opinions etc.) may be corrected – also versus third parties – by the German Public Auditor at any time. Misstatements which may call into question the results contained in a German Public Auditor's professional statement entitle the German Public Auditor to withdraw such statement – also versus third parties. In such cases the German Public Auditor should first hear the engaging party, if practicable.

8. Confidentiality towards third parties, and data protection

(1) Pursuant to the law (§ [Article] 323 Abs 1 [paragraph 1] HGB [German Commercial Code: *Handelsgesetzbuch*], § 43 WPO [German Law regulating the Profession of Wirtschaftsprüfer: *Wirtschaftsprüferordnung*], § 203 StGB [German Criminal Code: *Strafgesetzbuch*]) the German Public Auditor is obligated to maintain confidentiality regarding facts and circumstances confided to him or of which he becomes aware in the course of his professional work, unless the engaging party releases him from this confidentiality obligation.

(2) When processing personal data, the German Public Auditor will observe national and European legal provisions on data protection.

9. Liability

(1) For legally required services by German Public Auditors, in particular audits, the respective legal limitations of liability, in particular the limitation of liability pursuant to § 323 Abs. 2 HGB, apply.

(2) Insofar neither a statutory limitation of liability is applicable, nor an individual contractual limitation of liability exists, the liability of the German Public Auditor for claims for damages of any other kind, except for damages resulting from injury to life, body or health as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG [German Product Liability Act: *Produkthaftungsgesetz*], for an individual case of damages caused by negligence is limited to € 4 million pursuant to § 54 a Abs. 1 Nr. 2 WPO.

(3) The German Public Auditor is entitled to invoke demurs and defenses based on the contractual relationship with the engaging party also towards third parties.

(4) When multiple claimants assert a claim for damages arising from an existing contractual relationship with the German Public Auditor due to the German Public Auditor's negligent breach of duty, the maximum amount stipulated in paragraph 2 applies to the respective claims of all claimants collectively.

(5) An individual case of damages within the meaning of paragraph 2 also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty regardless of whether the damages occurred in one year or in a number of successive years. In this case, multiple acts or omissions based on the same source of error or on a source of error of an equivalent nature are deemed to be a single breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the German Public Auditor is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(6) A claim for damages expires if a suit is not filed within six months subsequent to the written refusal of acceptance of the indemnity and the engaging party has been informed of this consequence. This does not apply to claims for damages resulting from scienter, a culpable injury to life, body or health as well as for damages that constitute a liability for replacement by a producer pursuant to § 1 ProdHaftG. The right to invoke a plea of the statute of limitations remains unaffected.

10. Supplementary provisions for audit engagements

(1) If the engaging party subsequently amends the financial statements or management report audited by a German Public Auditor and accompanied by an auditor's report, he may no longer use this auditor's report.

If the German Public Auditor has not issued an auditor's report, a reference to the audit conducted by the German Public Auditor in the management report or any other public reference is permitted only with the German Public Auditor's written consent and with a wording authorized by him.

(2) If the German Public Auditor revokes the auditor's report, it may no longer be used. If the engaging party has already made use of the auditor's report, then upon the request of the German Public Auditor he must give notification of the revocation.

(3) The engaging party has a right to five official copies of the report. Additional official copies will be charged separately.

11. Supplementary provisions for assistance in tax matters

(1) When advising on an individual tax issue as well as when providing ongoing tax advice, the German Public Auditor is entitled to use as a correct and complete basis the facts provided by the engaging party – especially numerical disclosures; this also applies to bookkeeping engagements. Nevertheless, he is obligated to indicate to the engaging party any errors he has identified.

(2) The tax advisory engagement does not encompass procedures required to observe deadlines, unless the German Public Auditor has explicitly accepted a corresponding engagement. In this case the engaging party must provide the German Public Auditor with all documents required to observe deadlines – in particular tax assessments – on such a timely basis that the German Public Auditor has an appropriate lead time.

(3) Except as agreed otherwise in writing, ongoing tax advice encompasses the following work during the contract period:

a) preparation of annual tax returns for income tax, corporate tax and business tax, as well as wealth tax returns, namely on the basis of the annual financial statements, and on other schedules and evidence documents required for the taxation, to be provided by the engaging party

b) examination of tax assessments in relation to the taxes referred to in (a)

c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)

d) support in tax audits and evaluation of the results of tax audits with respect to the taxes referred to in (a)

e) participation in petition or protest and appeal procedures with respect to the taxes mentioned in (a).

In the aforementioned tasks the German Public Auditor takes into account material published legal decisions and administrative interpretations.

(4) If the German Public auditor receives a fixed fee for ongoing tax advice, the work mentioned under paragraph 3 (d) and (e) is to be remunerated separately, except as agreed otherwise in writing.

(5) Insofar the German Public Auditor is also a German Tax Advisor and the German Tax Advice Remuneration Regulation (*Steuerberatungsvergütungsverordnung*) is to be applied to calculate the remuneration, a greater or lesser remuneration than the legal default remuneration can be agreed in writing (*Textform*).

(6) Work relating to special individual issues for income tax, corporate tax, business tax, valuation assessments for property units, wealth tax, as well as all issues in relation to sales tax, payroll tax, other taxes and dues requires a separate engagement. This also applies to:

a) work on non-recurring tax matters, e.g. in the field of estate tax, capital transactions tax, and real estate sales tax**;**

b) support and representation in proceedings before tax and administrative courts and in criminal tax matters;

c) advisory work and work related to expert opinions in connection with changes in legal form and other re-organizations, capital increases and reductions, insolvency related business reorganizations, admission and retirement of owners, sale of a business, liquidations and the like, and

d) support in complying with disclosure and documentation obligations.

(7) To the extent that the preparation of the annual sales tax return is undertaken as additional work, this includes neither the review of any special accounting prerequisites nor the issue as to whether all potential sales tax allowances have been identified. No guarantee is given for the complete compilation of documents to claim the input tax credit.

12. Electronic communication

Communication between the German Public Auditor and the engaging party may be via e-mail. In the event that the engaging party does not wish to communicate via e-mail or sets special security requirements, such as the encryption of e-mails, the engaging party will inform the German Public Auditor in writing (*Textform*) accordingly.

13. Remuneration

(1) In addition to his claims for fees, the German Public Auditor is entitled to claim reimbursement of his expenses; sales tax will be billed additionally. He may claim appropriate advances on remuneration and reimbursement of expenses and may make the delivery of his services dependent upon the complete satisfaction of his claims. Multiple engaging parties are jointly and severally liable.

(2) If the engaging party is not a consumer, then a set-off against the German Public Auditor's claims for remuneration and reimbursement of expenses is admissible only for undisputed claims or claims determined to be legally binding.

14. Dispute Settlement

The German Public Auditor is not prepared to participate in dispute settlement procedures before a consumer arbitration board (*Verbraucherschlichtungsstelle*) within the meaning of § 2 of the German Act on Consumer Dispute Settlements (*Verbraucherstreitbeilegungsgesetz*).

15. Applicable law

The contract, the performance of the services and all claims resulting therefrom are exclusively governed by German law.