

# MOBOTIX AG

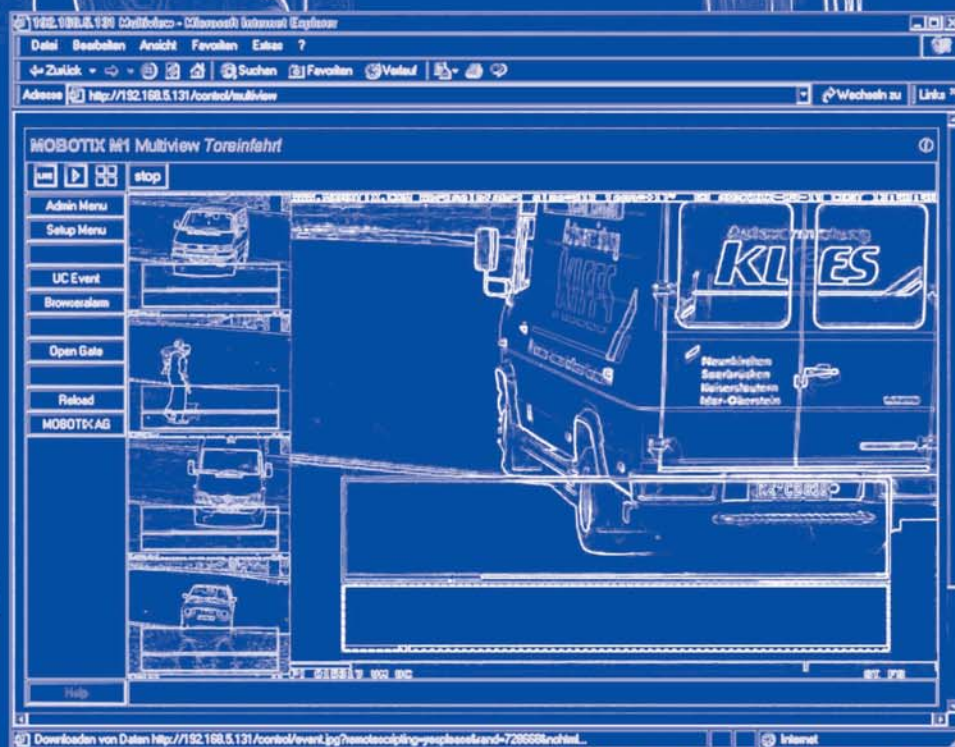
## Annual Report

1 July 2007 to 30 June 2008



### HiRes Complete Video Solutions

high-resolution, digital & cost-effective recording



Security-Vision-Systems



English 09/2008

## MOBOTIX best stock exchange newcomer in 2007

Kaiserslautern, 19 December 2007. 2007 has been a rather mixed year for stock exchange newcomers. Of the 29 stock exchange debuts with a stock issuing volume of more than 10 million euros, only six had share prices high at the close of trading on 18 December than at the time of the IPO.

Top of the ranking is Mobotix AG of Kaiserslautern, whose share price increased by 85 percent compared to the IPO on 10 October 2007. Second place is held by T. with a share price increase of 71 percent, followed by Centrotherm Photo with a 68 percent increase.

## Most successful fiscal year in the history of the MOBOTIX Group

MOBOTIX AG (ISIN DE0005218309) a technologically leading network-based video security systems, reports preliminary sales and profit estimates above expectations for the fiscal year ending on 30th June 2008. The past year was the most successful year in the company's history. After a strong 4th quarter, sales growth of about 50% is expected for the consolidated financial statement. EBITDA could be increased to about 22%. With EBIT of approx. 7 Mio. EUR, the EBIT margin could be increased to 19% despite the total overhaul in 1972, the stadium can hold 50,000 spectators. The new surveillance system has a series of new D22 cameras, a line of very compact, attractively-priced dome cameras with 960 lines resolution, integrated video sensor and long-term storage. The D22-Basic was designed specifically for use in indoor areas. The camera includes a 90-degree wide-angle lens, it is powered using Power-over-Ethernet (PoE) and costs only EUR 448 net.

## Panama Are Safer Thanks To MOBOTIX Cameras



of the most important ports of Panama Ports Company (PPC) is now on being selected by MOBOTIX cameras: the container harbor and Cristobal (both in Panama). The MOBOTIX partner, Mutitek, installed a system with more than 50 M12 DualNight cameras. The decisive factor for the MOBOTIX was especially their robustness since they operate even in an ocean climate with high humidity and salt air.

average of 40. annually between 2006 and 2007. The market for network video surveillance is not far behind at 35.8 per cent, according to IMS Research. As a complete solution provider, Mobotix serves both major and minor camera manufacturers. Mobotix will continue to expand its surveillance camera portfolio with dome models and integrated sensors. The Dutch security company Proseco also recommended the Heineken Group to use MOBOTIX products to secure the Heineken Experience beer museum and the Heineken Brandstore in Amsterdam. Besides the extraordinary technical advantages MOBOTIX offers, the company's customer service is also a key factor.

## MOBOTIX at Parc des Princes, Paris

French engineering company Ingenica has been asked to install a MOBOTIX network-based video surveillance solution at the Parc des Princes soccer stadium in Paris. The stadium is home of the French premier club Paris Saint Germain and has a long history of international games, including the 1998 World Cup final. After a total overhaul in 1972, the stadium can hold 50,000 spectators. The new surveillance system has a series of new D22 cameras, a line of very compact, attractively-priced dome cameras with 960 lines resolution, integrated video sensor and long-term storage. The D22-Basic was designed specifically for use in indoor areas. The camera includes a 90-degree wide-angle lens, it is powered using Power-over-Ethernet (PoE) and costs only EUR 448 net.

## Equips Network with 3-Megapixel

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## MOBOTIX at Abu Dhabi International Airport

The project at the Abu Dhabi International Airport is an impressive demonstration of MOBOTIX IP video surveillance technology. The camera series from now on at an unchanged price. In addition, the new version 3.4 of the D22 camera series will be available in all MOBOTIX stores. The highlights of the system are: object detection and face recognition, centralized command and control, mission-critical failsafe redundancy throughout the network and secure offsite storage. New phases are still being implemented with greater capabilities.

## MOBOTIX Stocks traded on the Stock Market

As of today, MOBOTIX AG stocks are publicly traded in the Entry Standard at Frankfurt Stock Exchange (Open Market) under the ISIN DE0005218309. MOBOTIX AG, a worldwide leading manufacturer of digital, high-resolution and network-based video security systems, reports sales of EUR 15.19 million for the half-year (1 July to 31 December) compared to EUR 10.1 million in the same period of the previous year. The EBITDA reached EUR 3.4 million, which corresponds to an EBITDA margin of 22.5 per cent. The company's net profit for the half-year amounts to EUR 1.8 million, which corresponds to a net profit margin of 18.5 per cent. The company's goal is to increase the net profit for the half-year to EUR 2.5 million.

MOBOTIX Secures Heineken House. The HHH is thereby equipped with one of the most modern video surveillance solutions worldwide, consisting of high-resolution, intelligent cameras with integrated sensors. The Dutch security company Proseco also recommended the Heineken Group to use MOBOTIX products to secure the Heineken Experience beer museum and the Heineken Brandstore in Amsterdam. Besides the extraordinary technical advantages MOBOTIX offers, the company's customer service is also a key factor.

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French Surveillance. Kaiserslautern, January 29, 2007. Mobotix AG, a worldwide leading manufacturer of network cameras, reports preliminary sales and profit estimates above expectations for the fiscal year ending on 30th June 2008. The past year was the most successful year in the company's history. After a strong 4th quarter, sales growth of about 50% is expected for the consolidated financial statement. EBITDA could be increased to about 22%. With EBIT of approx. 7 Mio. EUR, the EBIT margin could be increased to 19% despite the total overhaul in 1972, the stadium can hold 50,000 spectators. The new surveillance system has a series of new D22 cameras, a line of very compact, attractively-priced dome cameras with 960 lines resolution, integrated video sensor and long-term storage. The D22-Basic was designed specifically for use in indoor areas. The camera includes a 90-degree wide-angle lens, it is powered using Power-over-Ethernet (PoE) and costs only EUR 448 net.

## Recording An Entire Room With A 360° Camera

MOBOTIX AG, a worldwide leading manufacturer of high-resolution, complete IP network cameras, presents a new hemispheric camera with a discreet design for mounting on the ceiling or wall at the Security Essen Exhibition, Germany, in hall 1.0, stand 408. In addition to the PTZ function, which comes without any mechanically moving parts, an entire room can be recorded and reviewed later in the playback with a virtual PTZ function. A Quad view allows simultaneous viewing from four different angles with an independent PTZ functionality. Due to the conversion of the hemispheric image to a normal image in the camera and by saving the images in a 16 GB hard drive, the camera can store up to 16 hours of video footage.



## MOBOTIX Successful Fiscal Year

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## MOBOTIX D22 Camera Series: Attractively Priced, High-Resolution

ing this year's show, Mobotix AG (Hall 15, Booth 33) will present its new D22 camera series, a line of very compact, attractively-priced dome cameras with 960 lines resolution, integrated video sensor and long-term storage. The D22-Basic was designed specifically for use in indoor areas. The camera includes a 90-degree wide-angle lens, it is powered using Power-over-Ethernet (PoE) and costs only EUR 448 net.



## MOBOTIX ControlCenter

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## ... Letter To The Shareholders



**Dear shareholder,**

The 2007/2008 financial year that ended on June 30, 2008 was the most successful in MOBOTIX' history, with revenue growing by some 50 percent to €35.3 million. Only as recently as 2001, the Company had generated revenue of only €0.8 million. Despite the special expenses resulting from MOBOTIX' initial public offering (IPO) and its switch to the Prime Standard segment, the Company reported the best-ever financial results with a 20 percent before tax return on revenue and a €4.9 million profit for the year.

On the balance sheet date of June 30, the Company's share price was 65 percent above the IPO issue price. Earnings per share rose by 84 percent to €1.16, and a dividend of €0.50 per share will be proposed at the annual general meeting. The consistent strategy of MOBOTIX AG to focus on international markets has resulted in a further increase in the export ratio to 62 percent of revenue. Given the strong profitability and

sound business model, we believe that MOBOTIX offers a very interesting investment, especially for international investors.

We are delighted that at the end of this year, the three sites we currently use will be merged in the new building located on the A63 autobahn between Kaiserslautern and Frankfurt, providing the Company with the extra space it needs to continue growing. In the past few years, significant new technologies have been developed that only now are creating the technological platform for further growth in the coming years. The most important of these is the Q22M Hemispheric camera as the first representative of a new camera family offering allround view, long-term recording on an internal semiconductor memory (Flash) and new software technology that enables camera systems to be installed and operated without too much IT knowledge. These product developments will open up new applications, for example in the field of mobile security, and, through their ease of installation, will reach new customer target groups. We are confident that MOBOTIX will continue to perform well also in the coming months.



Dr. Ralf Hinkel • CEO MOBOTIX AG

**Stock Exchange Segment**  
**Prime Standard**

**Earnings per share**  
**€ 1.16 (+84.1%)**

## MOBOTIX Close Up ...

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# ... Or At A Glance

<b>Fiscal Year</b> (July 1 to June 30)	<b>2007/08</b>	<b>2006/07</b>	<b>Delta %</b>
<b>Financial performance</b>	EUR '000s	EUR '000s	
Total Output	36,933	24,177	+ 52.8
Revenue	35,313	23,602	+ 49.6
thereof outside of Germany (in %)	62.3	55.8	
EBITDA	8,218	4,618	+ 77.9
EBITDA as a percentage of total output	22.3	19.1	
EBIT	6,999	3,880	+ 80.4
EBIT as a percentage of total output	19.0	16.0	
Profit before tax	7,096	3,742	+ 89.6
Return on revenue in % before tax	20.1	15.9	
Profit for the year	4,924	2,243	+ 119.6
Cash flow from operating activities	4,338	2,582	+ 68.0
<b>Financial position</b>			
Equity	20,031	6,876	
Equity-to-assets ratio in %	60.0	50.3	
Total assets	33,379	13,671	
Return on equity in % <sup>(1)</sup>	36.6	41.0	
Non-current assets	11,221	4,991	
Current assets	22,157	8,680	
thereof cash and cash equivalents	10,475	1,352	
<b>Employees</b>			
Number of employees (as of June 30, 2008)	196	143	
Revenue per employee	219 <sup>(2)</sup>	211 <sup>(3)</sup>	
EBIT per employee	43 <sup>(2)</sup>	35 <sup>(3)</sup>	
<b>Key figures per share (in €)</b>			
Earnings per share (EPS)	1.16	0.63	+ 84.1
Dividend	0.50 <sup>(4)</sup>	0.22	+ 127.3
Cash flow as per DVFA/SG <sup>(5)</sup>	1.64	0.86	+ 90.7

1) Based on an average Equity for the fiscal year.

2) Based on an average of 161 employees.

3) Based on an average of 112 employees

4) Proposal

5) Based on an average of 4,256m shares for the fiscal year 2007/08 and 3,557m shares for fiscal year 2006/07.

**Total Output**  
**€ 36.9m (+52.8%)**

**Revenue**  
**€ 35.3m (+49.6%)**

## Fiscal Year 2007/08 ...

<b>July 2007:</b>	Launch of D22 FixedDome Camera product line
<b>October 2007:</b>	Successful IPO on Entry Standard segment of the Frankfurt Stock Exchange
<b>November 2007:</b>	Launch of CamIO – an input/output module to supplement the MOBOTIX camera systems
<b>December 2007:</b>	Mobotix applauded as most successful IPO of the year 2007 in Germany (Frankfurter Allgemeine Zeitung)  Construction starts for new administrative and production building
<b>February 2008:</b>	MOBOTIX reports strong first half of fiscal year, with revenue growth exceeding 50%
<b>March 2008:</b>	Shift to Prime Standard segment  Successful appearance at Cebit with introduction of new product line Q22, the room surveillance camera with a 360° allround view  MOBOTIX receives the European CCTV and Video Surveillance Product Innovation Award 2008 from Frost & Sullivan for outstanding product innovations  Launch of „Internal Flash Recording“ - a camera-integrated, digital video recorder (DVR) providing high-resolution video images with sound, completely without network load
<b>May 2008:</b>	MOBOTIX reports nine-month results with continued strong growth including a 46% rise in revenue
<b>June 2008:</b>	Delivery of first Q22 cameras to customers  Listing on German Entrepreneurial Index (GEX) of the Deutsche Börse

# ... Company Profile

MOBOTIX Firmensitz Kaiserslautern, Germany



MOBOTIX AG is a **system provider and technology leader** of digital, high-resolution, network-based video security solutions. Unlike the conventional analog cameras that use coaxial cables, network cameras enable video and audio data to be transported via digital computer networks. Thanks to the digital transfer, the stored images are in megapixel resolution unlike with analog cameras that are limited to 0.1 megapixels since they still use an old television standard.

One of MOBOTIX' fundamental technical innovations is the **placing of the intelligence into the camera itself** by integrating software for image processing, image analysis, event control and recording management, **and not in the central control unit, which is typical in video security systems.** This decentralized system architecture has made megapixel technolo-

gy possible and cost efficient. MOBOTIX is currently the only manufacturer that offers network camera systems with this kind of software-based, decentralized system architecture. In addition to network cameras, MOBOTIX also offers a complete video management software solution for video surveillance systems.

**Over 100,000 MOBOTIX cameras are in use worldwide.** The cameras' area of application ranges from individual users in the private sector, to utilization in the public sector and all the way to complex applications in globally operating conglomerates. According to a study from IMS Research, MOBOTIX holds fourth place worldwide among network camera manufacturers in terms of market share. In the EMEA region, MOBOTIX occupies the second place. For years, MOBOTIX has been exclusively manufacturing megapixel cameras and with a market share of over 60 percent, is considered a world market leader of high-resolution systems.

## HiRes Video Innovations

The German company MOBOTIX AG is known as the leading pioneer in network camera technology and its decentralized concept has made high-resolution video systems cost efficient.

# The MOBOTIX Concept

## Was Somewhat Out Of Ordinary ...

M12D-Secure: Outdoor Day&Night



### HiRes Video Innovations

The German company MOBOTIX AG is known as the leading pioneer in network camera technology since its founding in 1999, and its decentralized concept has made high-resolution video systems cost efficient. Whether in embassies, airports, railway stations, ports, gas stations, hotels or on highways - over hundred thousand MOBOTIX video systems have been in operation on every continent for years.

### Technology Leader Of Network Cameras

In a short time, MOBOTIX has gained the second place in Europe and the fourth place worldwide in terms of market share. MOBOTIX has been producing solely megapixel cameras for years and, in this area, ranks as global market leader in high-resolution video systems with a market share of over 60%.

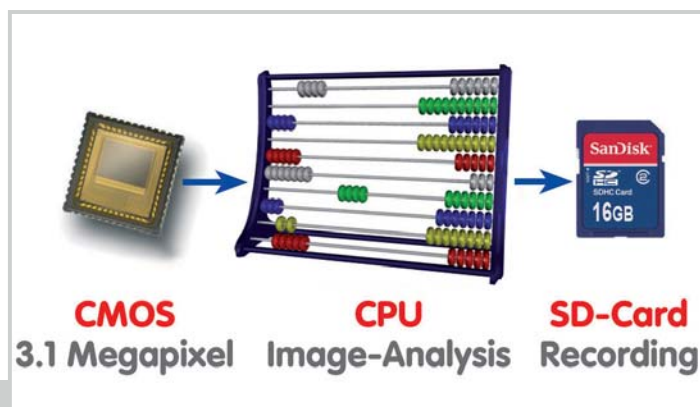
### Why High-Resolution Systems?

The higher the resolution, the more accurate the detail in the image. With the old analog technology, a live image has no more than 0.4 megapixels and a recorded image generally 0.1 megapixels (CIF). One MOBOTIX camera with 3.1 megapixels, on the contrary, records around 30 times

more detail. As a result, larger image areas with up to 360° allround views are possible, thus reducing the number of cameras needed and therefore the costs. For example, four lanes of a gas station can be recorded with one MOBOTIX camera instead of four conventional cameras.

### Disadvantages Of Old Centralized Solutions

Usually cameras only supply the images while the processing and recording is done later on a central PC using video management software. This traditional centralised structure has many limitations, since it requires a high network bandwidth and the PC processing power is not enough for several cameras. An HDTV MPEG4 film already puts considerable strain on a PC, how can it be expected to process dozens of high-resolution live cameras? Traditional centralized systems are therefore less suitable and unprofitable than high-resolution systems due to the high number of PCs needed.



### Network Video

MOBOTIX has redefined video. Whether on the Internet, in traffic management, building surveillance or banking environment, the MOBOTIX camera is connected to the network like a printer and live and recorded images can then be retrieved from any PC without installing any software.

# ... Is The Benchmark Today

## The Decentralized MOBOTIX Concept

Unlike with other systems, with the decentralized MOBOTIX concept a high-speed computer and, if requested, digital memory (SD card) is built into every camera for longterm recording. The PC now serves purely for viewing, not for analysis or recording. As a result, MOBOTIX cameras can record in response to an event even without the PC being switched on and digitally store the videos with sound.

## The Benefits

MOBOTIX video solutions therefore require significantly:

- **fewer cameras** due to the more accurate detail of panoramic images with mega-pixel technology,
- **fewer PCs/DVRs**, because around 40 cameras can store high-resolution videos with sound efficiently on a single PC, or no PC at all when recording in the camera using digital memory (USB, SD card),
- **lower network bandwidth**, because everything is processed in the camera itself and the high-resolution images

therefore do not have to be constantly transported for analysis.

## Robust And Low-Maintenance

MOBOTIX cameras have no mechanical motors for lenses or for movement. Without any moving parts, they are therefore so robust that maintenance is reduced to a minimum. The unique temperature range from -30°C to +60°C (-22°F to +140°F) is achieved without heating or fan at only 3 watts. Since no PC hard disk is required for recording, there are no parts that wear out in the entire video system.

## Software Included - For Life

There are no software and licensing costs with MOBOTIX, because the software is always supplied with the camera; for an unlimited number of cameras and users. The software package supplied with the camera also includes professional control room software, like that used in football stadiums for example. Updates are supplied free of charge on the website. The system price for a weatherproof camera including lens, query software and day-today recording on the SD card is under € 1.000 .



## Standardised Network Technology

The networking of cameras incl. power supply is encoded and occurs via a normal computer network and not via video cable. This has the advantage of connecting from anywhere in the world with glass, copper or even wireless access using affordable standard IT technology components.

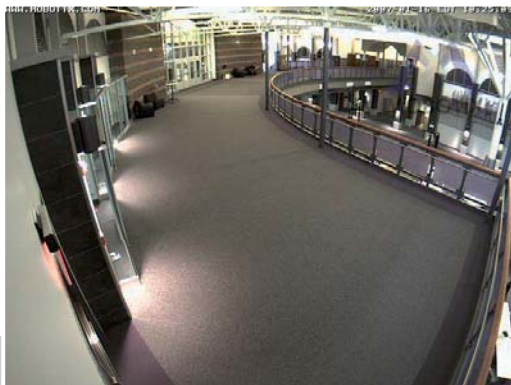
## A Success Around The World ...

### Jackson High School, Ohio, USA

The Jackson High School in Cleveland, Ohio, USA, has replaced its outdated analog video surveillance system with a new digital and high-resolution system based on MOBOTIX cameras, the **free MxControlCenter** and bidirectional VoIP communication. This has achieved substantial savings and offers unprecedented image quality for both live streams and recorded video.

"With our old system, we had great difficulty recognising particular students, or certain events clearly. The new MOBOTIX IP cameras record clips which are extremely detailed and represent an incredible improvement in image quality," comments Doug Winkler, Business Manager of the Jackson High School and continues, "the better we can keep an eye on our school, the better we can protect our students and teaching staff. So far we have had very positive feedback from parents. They welcome the fact that we have been able to improve the security of their children at school."

MOBOTIX ensures security at high school



### Parc des Princes - Stadium, Paris, France

At the football stadium in Paris, the new IP video surveillance system serves, in particular, to monitor the influx of spectators at the turnstiles of the stadium entrances.

Like at the World Cup stadium in Kaiserslautern, Germany, the MOBOTIX high-resolution D12 and M12 network cameras



MOBOTIX cameras at the football stadium "Parc des Princes"

are being used as cameras for perimeter surveillance during matches and to spot intruders when there are no events at the stadium. A storage system complying with the new French law on video surveillance has been installed in order to store large volumes of video data reliably. In addition, there are plans for a 3D face recognition system to control the admission of annual season-ticket holders at the stadium. This project is currently awaiting approval from the French data protection authorities.

### German Reference Projects

Daimler AG, Deutsche Bahn Station & Service AG, EON Wasserkraft, Le Méridien Parkhotel Frankfurt, MAN Logistics, Max Planck Institute for Chemical Ecology, Commerzbank AG, Skoda Auto Deutschland GmbH, Rheinkalk GmbH, Kliniken Maria Hilf GmbH, Zellstoff Stendal GmbH, etc.

# ... Over 100.000 In Operation

## International Airport, Abu Dhabi, United Arab Emirates

The Abu Dhabi International Airport project is an impressive example of how outstanding solutions can be achieved with MOBOTIX IP video technology in the area of security. Crucial factors in favor of MOBOTIX, in addition to the **high accuracy of image detail** produced by the network cameras, were the **low memory requirements** and coverage of the areas to be monitored with a relatively small number of cameras.

MOBOTIX cameras at Abu Dhabi International Airport



Highlights of the system include automatic object and face recognition, central control, network-wide redundancy in case of failures as well as secure offsite recording.

## Panama Ports Company, Central America



MOBOTIX Cameras at Panama's Cargo-Port

Two of the most important ports of the Panama Ports Company (PPC), Balboa and Cristobal, are being secured by over 50 MOBOTIX cameras. Crucial for the decision was particularly the robustness of the devices that even under the attack of the ocean climate operate maintenance free, while also warning employees of hazardous situations. "When we saw the images from the MOBOTIX cameras for the first time, they were as sharp as if we had been watching a DVD. Such quality has become an absolute necessity in our sector," says Michael Hernandez, Chief Investment Officer of the PPC, explaining their reasons for their choice. He adds, "It is not enough for us to just see what is happening at the moment - we have to hear it, too. Our entire security and safety depends on these two features."

## International Reference Projects

Garfield County Airport (USA), German Antarctic Receiving Station (GARS) - O'Higgins (Antarctic), British Republic Polytechnic (Singapore), Manly Beach (Australia), Heineken House (Olympic Games, Beijing), Orange Mobile (Romania), Integra2 (Barcelona, Spain), Bahrain Defense Hospital (Bahrain), etc.

# The Success Of MOBOTIX

## MOBOTIX Shares ...

### **MOBOTIX Shares**

MOBOTIX AG shares have been listed on the stock exchange since October 10, 2007. After first being launched on the Entry Standard segment of the Frankfurt Stock Exchange, the shares have been listed on the Prime Standard segment since March 31, 2008.

### **Market Environment And Performance Of The MOBOTIX Share**

Investor sentiment varied dramatically on the global capital markets since the IPO of MOBOTIX AG. As a result of the strong uncertainty triggered by the subprime mortgage crisis in the USA, along with repeated write-downs in the billions that the banking industry had to face as a consequence of mortgage defaults, the equity markets and above all financial stocks were hard hit on multiple occasions. The crisis reached a temporary climax when the American investment bank Bear Stearns nearly collapsed. The U.S. Fed attempted to bring the crisis under control by drastically reducing interest rates.

In particular since the first quarter of 2008, the subprime crisis led to a pronounced decline in willingness to take risks among private and institutional investors. The strong rise in oil, commodities, and food prices

pushed up inflation rates worldwide.

Even in this turbulent market phase, the MOBOTIX share proved to be an exceptionally solid investment. Since the IPO, it rose from the issue price of EUR 15.50 to most recently EUR 25.60 Euro – a 65.2% increase (Xetra). The high was EUR 40.20 on January 10 and the low was on the first trading day, October 10, 2007, at EUR 16.25 (intraday rates).

Both the DAX and the TecDAX lost in value since MOBOTIX AG's initial listing; the DAX lost 19.6% and the TecDAX 23.4%. Both indexes performed significantly worse than the MOBOTIX share since the IPO. The German Entrepreneurial Index (GEX), on which the MOBOTIX share has been listed since June 23, 2008, also showed a poor performance since MOBOTIX AG's IPO and lost 25.1%. The GEX tracks owner-operated German companies within the Prime Standard segment of the Frankfurt Stock Exchange that have been listed for a maximum of ten years and are managed by their owners. To qualify as owner-managed, members of the management and supervisory boards or their families must hold between 25 and 75 percent of the voting shares. Since its introduction in 2005, the GEX has performed better than the DAX, MDAX, TecDAX, and SDAX.

# ... Most Successful IPO of 2007

## Performance of the MOBOTIX share since IPO

MOBOTIX share	+65.2%
DAX	-19.6%
TecDax	-23.4%
GEX	-25.1%

## Dividend

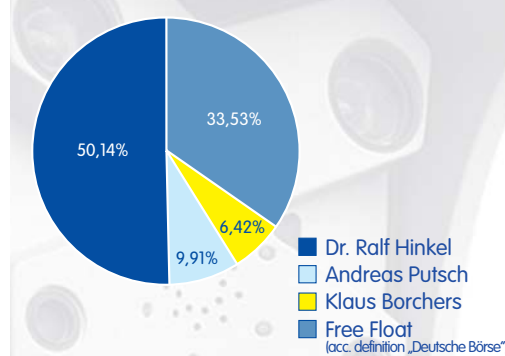
MOBOTIX AG pursues a growth-oriented dividend policy that corresponds to corporate growth and the respective business situation. For fiscal year 2007/08, the Management Board plans to propose the distribution of a dividend of EUR 0.50 per share to the Supervisory Board and to the annual general meeting.

## Shareholder Structure

At the end of the fiscal year, MOBOTIX AG continues to have a very stable shareholder base that supports the long-term and sustained development of the Company. Following the end of the hard lock-up period for pre-IPO shareholders on April 9, 2008 the shareholder structure changed as follows:

The founder and CEO of the Company, Dr. Ralf Hinkel, continues to hold 50.14% of the shares. Andreas Putsch holds 9.91% and Klaus Borchers 6.42%. The free float as defined by the Deutsche Börse is 33.53%.

MOBOTIX Shareholder Structure



## Investor Relations

Since MOBOTIX AG's IPO, the Management Board has regularly engaged in dialogue with investors, analysts, and financial journalists. Special emphasis is placed on the continuous flow of information. The company fulfills the subsequent obligations of the Prime Standard segment of the German Stock Exchange.

## Prices and trading volume (Xetra) since IPO

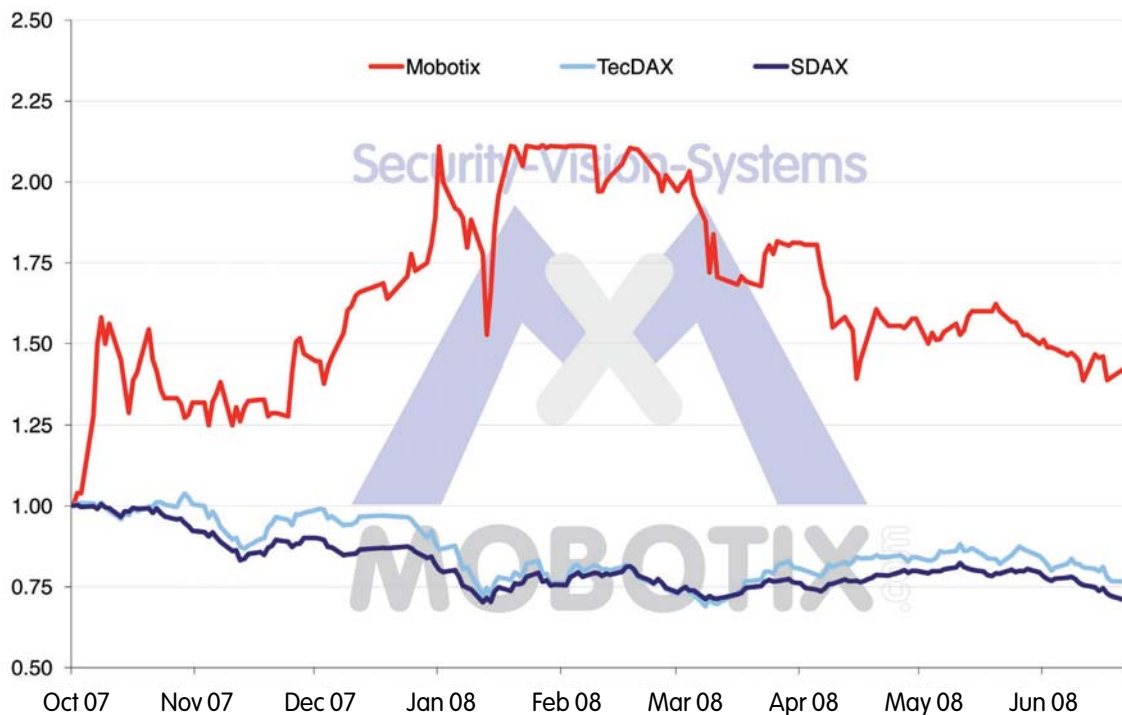
Opening price (07/10/10)	€ 16.25
High (08/01/10)	€ 40.20
Low (07/10/10)	€ 16.25
Closing price*	€ 25.60
Market capitalization*	€ 113.2m

\*reporting date June 30, 2008

**Dividend per share 2007/08 (proposal)**  
**€ 0.50**

# The Success Of MOBOTIX

## Solid MOBOTIX Shares ...



### Key data of the MOBOTIX share

WKN	521830
ISIN	DE0005218309
Ticker symbol	MBQ
Bloomberg	MBQ:GR
Reuters Instrument Code	MBQGn.DE
Stock exchange segment	Regulated market (Prime Standard)
Prime Segment	Technology
Industry Group	Electronic Components & Hardware
Stock exchange	Frankfurt
Share capital	€ 4,423,814
No. of shares outstanding	4,423,814
Indexes	GEX, CDAX, Technology All Share, Prime All Share

**Market capitalisation**  
**€ 113.2m**

**Share price increase**  
**€ 25.60 (+65.2%)**

**DEUTSCHE BÖRSE**



**PRIME STANDARD**

**PRIME STANDARD**



# Report Of The Supervisory Board

## Fiscal Year 2007/08 ...

### **Ladies And Gentlemen, Dear Shareholders,**

fiscal year 2007/08 was another important year for MOBOTIX AG. Major milestones included the Company's IPO on the Entry Standard segment and the shift to the regulated market (Prime Standard) of the Frankfurt Stock Exchange on March 31, 2008. Other significant developments included the successful launch of the D22 and Q22 product lines, the continued expansion of the export business, and strong internal growth. These factors meant that the Supervisory Board was continuously called upon to advise and monitor management in the past fiscal year. From the perspective of the Supervisory Board, all its dealings with the Management Board were always marked by cooperation and trust. We were directly and promptly involved in all decisions of a fundamental nature.

### **Methods Of Advice, Supervision, And Control**

At its meetings, the Management Board regularly and comprehensively informed the Supervisory Board of the situation of the Company, in particular the business trend, the financial and human resources, ongoing and new investment projects, and issues relating to the corporate strategy. Through regular reports, the Management

Board also advised the Supervisory Board outside of meetings on the most important financial performance indicators and, above all, kept the Supervisory Board up to date on the status of the construction project for the new building. Transactions requiring approval were presented in a timely manner with sufficient opportunity to review the relevant information for subsequent resolutions. No conflicts of interest arose in this context on the Supervisory Board in fiscal year 2007/08.

The interim reports of the Management Board conveyed a fair presentation of the business trend and corresponded with the situation described in the 2007/08 financial statements. In addition, in regular and personal discussions between meetings, the Management Board also apprised the Supervisory Board of all important developments and pending decisions.

### **Key Advisory Activities Of The Supervisory Board**

The Supervisory Board convened in a total of nine physical meetings and teleconferences in fiscal year 2007/08. In the meetings in the first half of the fiscal year on August 17, 2007, August 31, 2007 (two meetings), October 2, 2007, October 26, 2007, and December 14, 2007, the emphasis of the Supervisory Board's

**Chairman of the Supervisory Board, Dr. Thomas Hoch**  
CEO EVP Capital Management AG

# ... A Business Highlight

advisory activities was on the approval of the annual plan for 2007/08, the audit and approval of the financial statements for the fiscal year 2006/07, decisions concerning the financing and design of the new building, and the preparation and implementation of the Company's IPO. Additionally, the Management Board and Supervisory Board paid special attention to measures to further enhance the attractiveness of the MOBOTIX share. In this regard, the necessary preparations were coordinated for the adoption of the International Financial Reporting Standards (IFRS) as an important condition for the shift to the Prime Standard segment on March 31, 2008.

Throughout the year, and in particular at the meetings in the second half of the fiscal year on February 13, 2008, March 18, 2008, and March 31, 2008, strategic decisions were of central significance. In this regard, the Supervisory Board discussed current business development projects and product innovations. Consultations regarding the continued expansion strategy covered many areas. This topic was especially consequential for the Supervisory Board, not least because it concerns the use of the proceeds from the IPO. Land use planning, upcoming investment projects, the continuous expansion of capacities, and medium-term planning along with planning relating to the

corresponding number of employees are just a few aspects of the expansion strategy. Another key area of deliberation was the further development of the risk management system.

## Supervisory Board Elections

At the extraordinary shareholders' meeting on August 31, 2007, the number of Supervisory Board members was reduced and the Board was newly elected. The shareholders reelected the Supervisory Board members already in office before the extraordinary shareholders' meeting on August 31, 2007 – Dr. Thomas Hoch, Prof. Dr. Rainer Gerten, and Ulrich Putsch.



Prof. Dr. R. Gerten   Dr. T. Hoch   U. Putsch

**Prof. Dr. Rainer Gerten**  
Hochschule Mannheim

**Ulrich Putsch**  
Founder of Keiper Recaro

# Report Of The Supervisory Board

## A Rapid Growth Rate ...

### **Audit Of The 2007/08 Financial Statements For The Group And The Parent Company**

In accordance with the resolution adopted at the regular shareholders' meeting in August 2007, the Supervisory Board appointed KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Mainz office ("KPMG Mainz"), as auditor of the single-entity and consolidated financial statements for fiscal year 2007/08. Prior to the appointment, a declaration of impartiality was obtained from the auditor and found to be unobjectionable. The Supervisory Board noted with approval that KPMG Mainz audited the annual financial statements and management report of MOBOTIX AG in accordance with German accounting principles (Handelsgesetzbuch, HGB) and the consolidated financial statements and Group management report prepared in accordance with International Financial Reporting Standards (IFRS) for the first time for the period ended June 30, 2008 and issued an unrestricted audit opinion for each.

The accounting records provided by the Management Board for the financial statements were presented to the Supervisory Board for review. The Supervisory Board examined and discussed in detail the annual single-entity and consolidated

financial statements, the management reports for the parent company and the Group, the Management Board's proposal for the appropriation of profits, and the audit reports of the auditor. The auditor participated in these deliberations, was available for questions, and reported on important results of the audit. Upon completion of its own review, the Supervisory Board confirmed the findings of the auditor and concluded that it had no objections. In its meeting on August 25, 2008, the Supervisory Board approved of the annual financial statements of MOBOTIX AG prepared by the Management Board. Accordingly, the annual financial statements have been adopted in accordance with Section 172 of the German Stock Corporation Act (Aktien-gesetz, AktG). Considering the excellent result and strong operational cash flow, the Supervisory Board concurs with the proposal of the Management Board to distribute a dividend of EUR 0.50 per share, retain the remaining net profit from 2007/08, and submit a qualified proposal for the appropriation of profits to the annual general meeting.

### **Thanks To The MOBOTIX Team**

The Supervisory Board would like to thank all employees and the management for their hard work and dedication in fiscal year

## ... Deserves Recognition

2007/08. Their contributions are especially commendable considering our very rapid growth rate. We would like to wish the management and our employees considerable success for the challenges we will share in the year ahead. Together, we have arrived at an excellent starting point to set lasting trends in high resolution surveillance technology on the strength of our leading market position. This key technology will also give us the opportunity to profit from additional potentials in fields such as building automation. We are confident that our team will continue to take advantage of these possibilities and achieve enduring economic success in the future as well.

We also wish to sincerely thank our customers, partners, and shareholders for their confidence in MOBOTIX AG.

Kaiserslautern, August 25, 2008

On behalf of the Supervisory Board

Yours,

A handwritten signature in blue ink, appearing to read 'Dr. Hoch'.

Dr. Thomas Hoch

# Corporate Governance Report

## Responsible ...

### Corporate Governance Report

#### Introduction

The Management Board and Supervisory Board of MOBOTIX AG are committed to ensuring that the Company is managed competently and responsibly. **The guidelines laid down in the German Corporate Governance Code (Deutscher Corporate Governance Kodex, DCGK) constitute key parameters of our policy on corporate governance.** Our actions are therefore guided by the standards of competent and responsible corporate management, and we ensure that our corporate governance policies are based on the principles of transparency and value creation.

Because the Company joined the regulated market (Prime Standard) of the Frankfurt Stock Exchange on March 31, 2008, the Management Board and Supervisory Board of MOBOTIX AG are obliged to issue an annual declaration of compliance pursuant to Section 161 of the German Stock Corporation Act (Aktiengesetz, AktG) in which they explain to what extent they have complied with, or intend to comply with, the recommendations made by the German Government Commission on the German Corporate Governance Code, which have been published by the German Federal Ministry of Justice in the official Section of the electronic version of the German Federal Gazette, and

which recommendations they have not applied or do not intend to apply. The Management Board and Supervisory Board of MOBOTIX AG therefore issued their annual declaration of compliance pursuant to Section 161 AktG on August 22, 2008; this declaration has also been published and made permanently available in the "Investors" Section of MOBOTIX AG's website.

Furthermore, the Management Board and Supervisory Board have for the first time compiled a corporate governance report pursuant to item 3.10 DCGK, which includes the remuneration report pursuant to item 4.2.5 DCGK.

#### Relations With Shareholders; Annual General Meeting

The shareholders exercise their voting rights at the annual general meeting. Voting takes place on the basis of one share, one vote. The annual general meeting elects the members of the Supervisory Board and votes on whether to formally approve the actions of the Management Board and Supervisory Board. It votes on the appropriation of the Company's profits, on capital transactions, on the approval of intercompany agreements, on the remuneration paid to the Supervisory Board, and on amendments to the Company's articles of incorporation. The Company holds an annual

**Dr. Ralf Hinkel**  
Founder and Chief Executive Officer

## ... Management

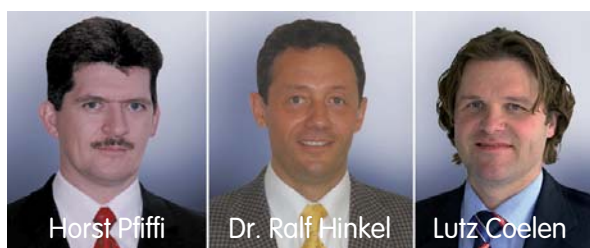
general meeting, at which the Management Board and Supervisory Board report to shareholders on the previous financial year. The German Stock Corporation Act allows an extraordinary general meeting to be convened in exceptional cases.

In order to make it easier for shareholders to exercise their voting rights in accordance with the provisions of the Code, the Company offers shareholders who are either unable or do not wish to exercise their voting rights in person the option of having their vote cast at the annual general meeting by a proxy who votes in accordance with their instructions.

### Management Board

The Management Board of MOBOTIX AG consists of three members (**Dr. Ralf Hinkel**, **Horst Pfiffi** and **Lutz Coelen**) and is responsible for running the Company.

The Management Board's main responsibilities are to manage the MOBOTIX Group, to



determine the Company's strategy and to put in place and monitor a risk management system.

It is obliged to act in the Company's best interests and to ensure that the value of the Company increases over time. The Management Board consults the Supervisory Board on the Company's strategy and provides it with regular information on the implementation of this strategy as part of a continuous dialog. All members of the Management Board are involved in the Company's day-to-day business and bear operational responsibility.

In accordance with the provisions of the Code, the Company's articles of incorporation require certain specified types of material transactions conducted by the Management Board within the Company to be approved by the Supervisory Board.

The members of the Management Board have signed comprehensive non-compete agreements with MOBOTIX AG which apply while they are working for the Company. They are obliged to act in the Company's best interests. When making decisions, therefore, no member of the Management Board may pursue personal interests or exploit business opportunities that are due to the Company for his or her personal gain and will disclose any conflicts of interest to the Supervisory Board without delay and notify the other members of the Management Board of this fact. All transactions between the Company, on the one hand, and

**Lutz Coelen**  
CFO, CSO

**Horst Pfiffi**  
CTO

## Management Board And ...

the Management Board members or related parties, on the other (related-party transactions), must meet the usual standards applicable to the sector.

Furthermore, any secondary employment taken on by members of the Management Board – especially directorships at other companies – must be approved by the Supervisory Board.

Contrary to the recommendations made by the Code, the Company has taken out a directors' and officers' (D&O) insurance policy without any deductible for the Management Board and Supervisory Board.

Contrary to the recommendations made by the Code, the Company's articles of incorporation do not impose an age limit on the members of the Management Board.

### Supervisory Board

The Supervisory Board monitors the Management Board's running of the Company and provides it with advice and support. It is also responsible, among other things, for appointing the members of the Management Board, determining the remuneration paid to the Management Board, and examining the Company's annual financial statements. It consists of three members (**Dr. Thomas Hoch, Professor Dr. Rainer Gerten and**

**Ulrich Putsch**). The Company is not subject to codetermination legislation.

The Company's articles of incorporation state that the Supervisory Board is allowed to form committees from among its members. However, the Company does not currently comply with the Code's recommendation that the Supervisory Board should form suitably qualified committees and an audit committee from among its members because the Supervisory Board consists of only three members and, in the opinion of the Supervisory Board, it would be inappropriate to form committees given the specific circumstances and the size of the Company because all members of the Supervisory Board are supposed to deal with all issues.

Furthermore, the articles of incorporation state that Dr. Ralf Hinkel – provided that he himself and/or a company either controlled by him (Section 17 AktG) or under his management (Section 18 AktG) in total holds more than 25 percent of the Company's shares – has the nontransferable right to appoint one member of the Company's Supervisory Board. He can only exercise this right of appointment vis-a-vis the Company by issuing a personally signed declaration to both the Management Board and the chairman of the Supervisory Board that states the name of the person to be appointed to

## ... Supervisory Board Cooperation

the Supervisory Board. The person thus appointed immediately replaces any Supervisory Board member who has previously been appointed in this way, who is then removed from the Supervisory Board. If, at the time the right of appointment is exercised, no member of the Supervisory Board has been appointed in this way, the person thus appointed only joins the Supervisory Board when the first elected Supervisory Board member steps down, his or her term of appointment expires, or he or she is removed by the annual general meeting.

The term of appointment of the current Supervisory Board members ends at the end of the annual general meeting that votes on whether to formally approve their actions for the fourth financial year after the beginning of their term of appointment.

The work performed by the Supervisory Board is coordinated by its chairman or, if he or she is prevented, by a deputy. The relevant responsibilities and procedures – including the powers vested in the Supervisory Board chairman and his or her deputy as well as the rules governing conflicts of interest – are laid down in the articles of incorporation. The rules governing conflicts of interest and efficiency checks are laid down in the Supervisory Board's rules of procedure, which are due to be drafted in the current financial year.

The members of the Supervisory Board are independent of the Management Board and maintain no business relations with the Company that might influence their independent judgement. There have been and continue to be no consultancy agreements or other contracts for work and services between Supervisory Board members and the Company. If, in exceptional cases, a member of the Supervisory Board performs a function for the Company other than that of Supervisory Board member, this must be approved by the Supervisory Board. The Supervisory Board's report to the annual general meeting provides information on any conflicts of interest that have arisen during the financial year concerned.

Contrary to the recommendations made by the Code, the Company's articles of incorporation do not impose an age limit on the members of the Supervisory Board.

### **Cooperation Between Management Board And Supervisory Board**

The Management Board and Supervisory Board of MOBOTIX AG work continuously and very closely with each other in the interests of a sound and responsible corporate governance policy. They regularly consult each other on a timely basis in those areas recommended by the Code as well as in other respects. The Management Board uses an established

# Corporate Governance Report

## Shareholding ...

procedure to report to the Supervisory Board on the Company's general situation, including its risk position.

Members of the Management Board usually attend the regular meetings of the Supervisory Board, which are held at least once every quarter. In certain cases, however, the Supervisory Board meets alone, as suggested by the Code. Extraordinary meetings and teleconferences are also held if required.

### Directors' Dealings

There were no directors' dealings (either buying or selling of shares) by the members of the Management Board or Supervisory Board between March 31, 2008 (the date on which MOBOTIX's shares were officially listed in the regulated market [Prime Standard] of the Frankfurt Stock Exchange) and June 30, 2008.

### Shareholdings

The following members of the Management Board and Supervisory Board held more than 1 percent of the shares issued by the Company (as at June 30, 2008):

Management	Number of shares	(%)
Dr. Ralf Hinkel	2,218,134	50.14

The other members of the Management Board who held shares in MOBOTIX AG were

Lutz Coelen (14,200 shares, or 0.32 percent) and Horst Piffi (17,210 shares, or 0.39 percent). The Management Board held a total of 2,249,544 shares in MOBOTIX AG, which was 50.85 percent of the Company's share capital.

The members of the Supervisory Board who held shares in the Company were Dr. Thomas Hoch (1,000 shares, or 0.02 percent) and Professor Dr. Rainer Gerten (20,000 shares, or 0.45 percent). The Supervisory Board therefore held a total of 0.47 percent of the shares in MOBOTIX AG as at June 30, 2008.

Both boards together therefore held a total of 2,270,544 shares in MOBOTIX AG, or 51.32 percent of the Company's share capital, as at June 30, 2008.

## Remuneration report

### Management Board

The remuneration paid to the members of the Management Board of MOBOTIX AG is set at an appropriate level by the Supervisory Board on the basis of an assessment of their performance, taking account of any remuneration received from other group companies. The main criteria used to assess the appropriateness of this remuneration are the responsibilities of the respective

Founder's share  
**50,14%**

Management Board's  
share **50,85%**

## ... And Remuneration Report

Management Board member, his or her personal performance and the performance of the Management Board as well as the Company's financial position, its performance and its future prospects given its competitive environment.

The total remuneration paid to the members of the Management Board of MOBOTIX AG comprises monetary compensation and further entitlements that are listed below. Otherwise, there were no pension entitlements or entitlements in particular in the event of employment being terminated or any third-party payments or benefits that were either promised for work performed on the Management Board or were granted during the financial year.

The remuneration paid to the Management Board was last adjusted by a Supervisory Board resolution adopted on August 31, 2007. This remuneration comprises fixed and variable components. The variable remuneration consists of a bonus of no more than 10 percent of the Company's net income for the year as defined by Section 275 of the German Commercial Code (HGB), with no more than 6 percent of this net income being paid as a bonus to the chairman of the Management Board and 2 percent of the net income being paid as a bonus to each of the

other members of the Management Board.

In addition, Horst Pfiffi receives an annual performance-related bonus of €10,000, which is paid at the end of the respective financial year on condition that he achieves targets that are agreed with the Supervisory Board at the beginning of the financial year.

Furthermore, the Supervisory Board may decide to award one-off bonuses as remuneration in recognition of outstanding achievements. Last year, the Company's Supervisory Board decided to pay a one-off bonus of €300,000 for the 2006/2007 financial year to the Management Board member Lutz Coelen as a reward for his outstanding performance and his valuable contribution to the Company's success in the 2006/2007 financial year (it was the most successful year in the Company's history to date) and in recognition of the valuable part he played in the Company's initial public offering (IPO).

At present the Company does not offer monetary remuneration components of a speculative nature that provide long-term incentives, such as stock option plans, as recommended by the Code.

In addition, the members of the Management Board are given a luxury-class car

**Supervisory Board's share**  
**0,47%**

# Corporate Governance Report

## Supervisory Board ...

commensurate with their position, which they may use for business and private travel. Furthermore, the Company has taken out accident insurance cover for occupational and day-to-day accidents as well as death for each member of the Management Board for the duration of their employment with the Company. The Company has also provided the members of the Management Board with directors' and officers' (D&O) insurance, for which there is no deductible.

The Company has signed non-compete agreements with the members of the Management Board which apply for a period of one year after their employment contracts have expired. While this non-compete agreement is still in force, the Company is obliged to pay the respective Management Board member compensation amounting to 50 percent of the final remuneration paid under the terms of his or her employment contract.

The table below shows the remuneration paid to the members of the Management Board in the 2007/2008 financial year:

Management Board	Fixed EUR'000s*	Variable EUR'000s	Total EUR'000s
Dr. Ralf Hinkel	283	254	537
Lutz Coelen	123	80	203**
Horst Pfiffi	107	80	187
<b>Total</b>	<b>513</b>	<b>414</b>	<b>927</b>

\*Including benefits in kind

\*\*Not including one-off bonus of €300,000

### Supervisory Board

Each member of the Supervisory Board receives fixed annual remuneration of €10,000 for his or her work. The chairman of the Supervisory Board receives twice this amount.

The Company has also taken out directors' and officers' (D&O) insurance for the members of the Supervisory Board at its own expense.

Contrary to the Code's recommendations, the members of the Supervisory Board of MOBOTIX AG do not currently receive any variable remuneration based on the Company's performance.

The table below shows the remuneration paid to the members of the Supervisory Board in the 2007/2008 financial year:

Supervisory Board	Total EUR'000s
Dr. Thomas Hoch	20
Prof. Dr. Rainer Gerten	10
Ulrich Putsch	10
<b>Total</b>	<b>40</b>

### Disclosures

MOBOTIX AG attaches considerable importance to the timely and transparent disclosure of information to its relevant target groups.

## ... And Disclosure

It regularly informs shareholders, financial analysts, shareholder associations, the media and interested members of the public about the Company's situation and material changes in its business. MOBOTIX notifies all shareholders and interested members of the public of all new facts at the same time that they are made available to financial analysts and institutional investors. MOBOTIX uses the internet as well as other communication channels to ensure that it provides timely information.

An overview of all material information published during the financial year concerned can be found on our website at [www.mobotix.com](http://www.mobotix.com).

- **Ad-hoc disclosures:**

The Company complies with the legal requirements by publishing insider information directly affecting the Company itself without delay, including outside its regular reporting cycle. Ad-hoc disclosures published by MOBOTIX AG are made available to shareholders on the Company's website at ["investors/news/ad\_hoc\_messages"].

- **Disclosure of voting rights:**

We also publish in a Europe-wide information system and on our website the fact that someone's shareholding in

the Company has reached, exceeded or fallen below 3 percent, 5 percent, 10 percent, 15 percent, 25 percent, 30 percent, 50 percent or 75 percent of the Company's voting rights by buying or selling shares or in some other way as soon as we have been notified of such changes pursuant to Section 21 of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG).

- **Directors' Dealings:**

Dealings in securities by members of the Management Board or Supervisory Board of MOBOTIX AG or by certain executives who have regular access to insider information and are authorized to make key operational decisions (as well as by related parties as defined by the German Securities Trading Act) must be disclosed by these persons pursuant to Section 15a WpHG. As soon as the Company is notified of such dealings, they are published in a Europe-wide information system and on the Company's website.

- **Financial calendar:**

Our financial calendar, which is shown in our annual and quarterly reports and is permanently available on our website, provides our shareholders and the capital markets with advance notification of the

# Corporate Governance Report

## Accounts ...

dates of material publications (such as our annual and interim reports and the annual general meeting).

### Accounts And Auditing

MOBOTIX AG prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). Its annual and quarterly reports inform shareholders and other interested parties about the Company's general situation. All reports are simultaneously made available to all interested parties on our website.

The Company has agreed with its auditors that the chairman of the Supervisory Board should be notified without delay of any grounds for exclusion or partiality arising during the audit unless they are immediately resolved. Furthermore, the auditors must notify the Supervisory Board without delay of all findings and incidents of which they become aware in the course of the audit that are of significance for the remit of the Supervisory Board. The auditors must also notify the Supervisory Board or note accordingly in the audit report if, when conducting the audit, they become aware of facts that are incompatible with the declaration of compliance issued by the Management Board and Supervisory Board pursuant to Section 161 of the German Stock Corporation Act (AktG).

### Joint Declaration Of Compliance By The Management Board And Supervisory Board Of MOBOTIX AG On The German Corporate Governance Code.

Section 161 of the German Stock Corporation Act (AktG) requires the Management Board and Supervisory Board to issue an annual declaration stating that the Company has complied with, or intends to comply with, the recommendations made by the German Government Commission on the German Corporate Governance Code and also stating which recommendations it has not applied or does not intend to apply.

The Management Board and Supervisory Board of MOBOTIX AG hereby declare that the Company has complied with the recommendations made by the German Government Commission on the German Corporate Governance Code, as amended on June 14, 2007, for the period from March 31, 2008 (the date on which the Company's shares were officially listed in the regulated market [Prime Standard] of the Frankfurt Stock Exchange) to June 30, 2008 with the following exceptions:

**Item 3.8:** If the company takes out D&O insurance for the management board and supervisory board, an appropriate deductible shall be agreed.

## ... And Declaration

**Reason:** No deductible has been agreed for the directors' and officers' (D&O) insurance cover currently provided for the Management Board and Supervisory Board. We believe that the agreement of a deductible for D&O insurance policies in the event of claims for damages does not encourage responsible behavior on the part of company directors. Moreover, the directors' legal responsibility for criminal acts involving gross negligence or breach of trust is not affected by the terms and conditions of any D&O insurance policy.

**Item 4.2.1:** Rules of procedure shall govern the activities of the Management Board, in particular the responsibilities of individual Management Board members, those matters to be dealt with by the Management Board as a whole, and majority required for resolutions adopted by the Management Board (unanimous or majority votes).

**Reason:** There are no rules of procedure for the Management Board at present. Such rules of procedure are due to be drafted by the end of the current financial year.

**Item 5.1.2:** An age limit shall be set for members of the Management Board.

**Reason:** We believe that a general age limit would unnecessarily restrict our search for suitably qualified and experienced

candidates for the Management Board. Age is not a suitable criterion for excluding such candidates.

**Item 5.1.3:** The supervisory board shall provide itself with rules of procedure.

**Reason:** There are no rules of procedure for the Supervisory Board at present. Such rules of procedure are due to be drafted by the end of the current financial year.

**Item 5.2:** The chairman of the Supervisory Board shall also chair the committees that deal with the Management Board's employment contracts and prepare the Supervisory Board meetings.

**Reason:** Because the Supervisory Board of MOBOTIX AG consists of only three members, the Supervisory Board believes that the formation of suitably qualified committees would currently be inappropriate given the specific circumstances and the size of the Company. This recommendation is therefore not being applied at present.

**Item 5.3.1:** Depending on the number of people on the Supervisory Board and the specific circumstances of the Company, the Supervisory Board shall form suitably qualified committees to help improve the efficiency of the Supervisory Board's work and deal with complex issues. The chairmen

## Declaration Of Compliance ...

of the relevant committees shall report regularly to the Supervisory Board on the committees' work.

**Reason:** Because the Supervisory Board of MOBOTIX AG consists of only three members, the Supervisory Board believes that the formation of suitably qualified committees would currently be inappropriate given the specific circumstances and the size of the Company because all members of the Supervisory Board are supposed to deal with all issues.

**Item 5.3.2:** The Supervisory Board shall set up an audit committee to deal with issues such as accounting, risk management and compliance, the legally required independence of auditors, the engagement of auditors, the determination of audit focal points and the agreement of fees. The chairman of the audit committee shall possess specific expertise in, and experience of, the application of accounting principles and internal control procedures.

**Reason:** Because the Supervisory Board of MOBOTIX AG consists of only three members, the formation of suitably qualified committees would currently be inappropriate given the specific circumstances and the size of the Company.

**Item 5.3.3:** The Supervisory Board shall form a nominations committee consisting exclusively of shareholder representatives to propose suitable candidates to the Supervisory Board so that the latter in turn can submit proposals to the annual general meeting concerning the election of suitable candidates.

**Reason:** Because the Supervisory Board of MOBOTIX AG consists of only three members, the formation of suitably qualified committees would currently be inappropriate given the specific circumstances and the size of the Company.

**Item 5.4.1:** An age limit shall be set for members of the Supervisory Board.

**Reason:** As with the issue of an age limit for members of the Management Board, we believe the most important criteria for Supervisory Board candidates to be qualifications and experience. Moreover, an age limit would, in our opinion, inappropriately restrict the annual general meeting's right to appoint the members of the Supervisory Board.

**Item 5.4.7:** The members of the Supervisory Board shall receive performance-related remuneration in addition to their fixed compensation.

**Reason:** The Management Board and Supervisory Board of MOBOTIX AG are convinced that it is in the Company's interests to remunerate the members of the Supervisory Board appropriately; the agreement on their existing fixed remuneration ensures that this is the case. By contrast, we do not believe that the agreement of a variable, performance-related remuneration component would create any significant additional incentive for the Supervisory Board to approach its work with the due level of care and commitment. Furthermore, anecdotal evidence suggests that most publicly traded companies that pay some of their Supervisory Board's remuneration in the form of a variable, performance-related bonus merely tie these payments to the company's dividend.

Because this criterion is based on a decision in which the Supervisory Board is involved, namely the proposal submitted to the annual general meeting for the appropriation of the company's profits, this could give the impression that the company's dividend policy was being influenced by improper considerations.

Moreover, recent rulings handed down by the highest courts have been extremely critical of stock option plans for Supervisory Board members. For these reasons, we do

not believe that the benefits of such a system of variable remuneration would justify the consequent drawbacks.

MOBOTIX AG

Kaiserslautern, August 22, 2008

On behalf of the Management Board



Dr. Ralf Hinkel

(Chief Executive Officer)

On behalf of the Supervisory Board



Dr. Thomas Hoch

(Chairman of the Supervisory Board)

# Consolidated Management Report

## Positive Business Development ...

### Business And Market

#### Technology And Products

MOBOTIX is a European system provider and technology leader of digital, high-resolution, network-based video security systems. At the heart of MOBOTIX technology are proprietary and internally manufactured, fully digital network cameras. The Company was established in 1999 and recorded revenue of €35.3 million in fiscal year 2007/08.

One of the most important innovations of MOBOTIX is the **decentralized system architecture**, where the intelligence is placed into the camera itself by integrating software for image processing, image analysis, event control and recording management, and not in the central control unit, which is typical in traditional video security systems. MOBOTIX is currently the **only manufacturer** that offers network camera

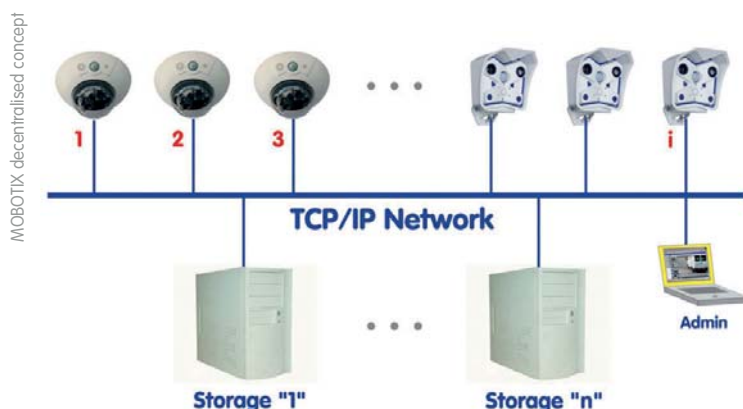
systems with such software-based, decentralized system architecture.



MOBOTIX DualNight M12M

The Company's product portfolio includes the product lines **M12** (DualNight Camera), **M22** (Allround Camera), **D12** (DualDome Camera), **D22** (MonoDome Camera), **V12** (Vandalism Camera), and, since the end of fiscal 2007/08, the product line **Q22** (Hemispheric 360° Camera). In addition to its network cameras, MOBOTIX also offers the MxControlCenter, a complete video management solution, as a control center software that is able to integrate

cameras also from other manufacturers. The MOBOTIX video management software is offered free of charge. In addition, various accessories are available in the Company's product mix.



## Worlds No. 1 in Megapixel

# ... And Business Condition

MOBOTIX MonoDome D22M



Thanks to the decentralized system architecture, **MOBOTIX cameras have a number of advantages** over traditional systems.

Processing the image within the camera considerably reduces the required com-

MOBOTIX Allround W22M



puting power of a central PC and saves bandwidth within the network permitting a significantly larger number of recording cameras per PC to be used in video security systems, particularly when high image rates and resolutions are needed. In addition, the fully digital design of MOBOTIX cameras enables them to transmit images in megapixel quality and also permits event-controlled

adjustment of the image rate in response to changes in the image, noises or sound signals. The cameras also have other functions such as dual-camera technology with picture-in-picture and **360° panorama**, day/night switching with exposure



MOBOTIX Hemispheric Q22M

adjustment, lip-synchronized audio transmission, alarm messages via VoIP telephony and soft pan-tilt-zoom functionality. Through the total elimination of mechanically moving parts, with wide temperature range and low power usage, MOBOTIX cameras offer a very powerful and failure-resistant video monitoring system at a comparatively low cost.



MOBOTIX Video Management Software VMS

# Consolidated Management Report

## Positive Business Development ...

### Group Organization And control

The MOBOTIX Group consists of MOBOTIX AG, Kaiserslautern, and MOBOTIX CORP, New York.



**New products are manufactured and developed exclusively at the Kaiserslautern location.** Kaiserslautern also controls global sales.

The subsidiary MOBOTIX CORP is exclusively a distribution company for the American market. MOBOTIX CORP is managed by Dr. Hinkel (CEO and president) and Mr. Lutz Coelen (CFO).

The MOBOTIX Group uses a number of operational key indicators to measure the Group's strategic growth and profitability objectives. These include sales figures for the individual segments as well as profitability indicators for the Company as a whole. The Company's performance is monitored and controlled through regular

monitoring of trends in the individual sales regions. Other financial figures are also analyzed and evaluated. EBIT and EBITDA are the primary control parameters for the profitability of the MOBOTIX Group. These financial indicators are presented to the Management Board on a monthly basis as part of the internal reporting process, so that any necessary changes can be initiated promptly.

### Sales

In Germany, the Company's most important market with a 37.7% share of total sales, the products are currently sold via **MOBOTIX-certified Secure Partners, specialized IT-retailers or directly**, e.g. via the Company's online store, to commercial and private customers.

Most of MOBOTIX' international sales are made via distributors and their qualified systems integrators and resellers. The distributors are supported in this process by a number of locally-based Business Development Managers who are employed directly by MOBOTIX AG.

More than 135,000 MOBOTIX cameras are in use worldwide. In addition to numerous projects in Germany, MOBOTIX AG also has a number of international reference projects, such as railroad crossings in

**EBITDA**  
**€ 8.2m (22.3%)**

**EBIT**  
**€ 7.0m (19.0%)**

## ... And Business Condition

Japan, urban monitoring in Alaska, the campus of Singapore Polytechnic, pipelines in Saudi Arabia, gold mines in South Africa and post offices in Israel. In the USA, the Company sells its products through its own sales subsidiary, MOBOTIX CORP. Sales in Switzerland are handled by an associated company (MOBOTIX AG Schweiz).



### IPO And Change Of Segment

MOBOTIX AG conducted a successful initial public offering (IPO) on October 10, 2007 in the Entry Standard segment of the Frankfurt Stock Exchange, laying the foundation for financing the Company's future growth. Very soon after the IPO, on March 31, 2008, MOBOTIX changed from the Entry Standard to the **Prime Standard** of the Frankfurt Stock Exchange. The change is a sign of a strong commitment from MOBOTIX AG to the quality of investor relations and at the same time, to attract international investors.

As of the end of the fiscal year, the MOBOTIX share price of €25.60 significantly exceeded the issue price of €15.50.

### Market And Competition

MOBOTIX operates in the market for video security systems. This market is generally referred to as the CCTV market. Today's market for video security systems includes both analog video security systems and network camera systems, as well as video management software and accessories. Combinations of analog and network camera systems are known as hybrid systems.



Software and storage integrated in the Mobotix camera

**Revenue share** (Germany)  
**37.7%**

**Export share**  
**62.3%**

# Consolidated Management Report

## Results Of Operations, Net Assets...

In a study made by the market research firm Frost & Sullivan (World Internet Protocol Surveillance Markets, 2006), the authors presume that global sales in the market for network cameras will grow by an annual average of approximately 40% from 2005 to 2012. MOBOTIX is now the world's fourth largest network camera manufacturer, with a market share of 6.6% in 2006 (source: IMS Research, The World Market for CCTV & Video Surveillance Equipment, 2007 Edition), up from fifth place in 2005 with a 6.2% market share. According to IMS, MOBOTIX was in second place in the EMEA region in 2006. **The study shows that MOBOTIX has a solid global market share** that should increase further in the coming years.

The favorable market environment and the excellent global market position are a good basis for further successful growth of the Company. In addition to its important

primary product features and unique selling propositions (USPs), MOBOTIX has a further advantage over most of its global competitors. The company offers not just a camera, but – as one of the very few manufacturers of IP video products – a complete monitoring system, including accessories and its own video management software.

MOBOTIX' technology leadership is reflected distinctively in its receiving the Frost & Sullivan "European CCTV and Video Surveillance Product Innovation Award 2008" for outstanding product innovation. The award recognized MOBOTIX for its sophisticated, innovative megapixel cameras, which provide highly detailed resolution to best meet the demands of the security industry.

MOBOTIX camera original image from the zugspitze mountain



# ... And Financial Position

## Results Of Operations, Net Assets And Financial Position

### Results Of Operations

**The MOBOTIX Group maintains its strong revenue and earnings growth from the previous years.** The positive trend continues uninterrupted since the second quarter of 2002, recording significant net income in each period.

In fiscal year 2007/08, MOBOTIX Group revenue grew by 49.6% to approx. €35.3 million (prior year: €23.6 million), and pretax earnings increased by 89.6% to €7.1 million.

Total output (sales revenue, increase in finished goods and work in progress, and other own work capitalized) rose by €12.8 million to €36.9 million.

EBITDA came to €8.2 million (prior year: €4.6 million), or approx. 23.3% percent of sales.

EBIT amounted to €7.0 million (prior year: €3.9 million). Net income for the year increased by 119.6% to €4.9 million (prior year: €2.2 million).

Revenue growth was achieved to a large extent through increased sales of dome cameras, which grew from approx. €5.6 million to €11.5 million (+105.3%), while revenues from fixed cameras increased

from €16.4 million to approx. €22.0 million (+34.1%). The product line D22 introduced at the end of the prior fiscal year was successfully established on the market during the reporting year. The launch of the product line Q22 in June 2008 did not have a noticeable effect on sales growth in fiscal year 2007/08.

Once again, the export business was a growth driver. The export ratio grew to 62.3% in fiscal 2007/08, compared to 55.8% in the prior year. In Germany, revenue rose from €10.4 million to €13.3 million (27.5%), while in the rest of Europe, revenue climbed 61.3% to €14.1 million. In the remaining countries, revenue rose 78.7% to €7.9 million, up from €4.4 million a year earlier.

The material usage ratio (cost of materials to total operating performance) increased slightly from 28.1% to 28.9%. The gross profit margin declined slightly in response to price pressures and changes in the distribution mix, and was not fully offset even by the positive effects of economies of scale due to significant volume increases.

Staff costs rose in response to the significant number of new hires, but grew at a slightly lower rate than total operating performance. The personnel usage ratio (personnel expenses to total operating

**Revenue Europe** (ex Germany)  
**€ 14.1m (+61.3%)**

**Revenue Rest of World**  
**€ 7.9m (+78.7%)**

# Consolidated Management Report

## Results Of Operations, Net Assets...

performance) declined from 28.0% to 27.8%.

Other operating expenses increased slower than revenues, thus contributing to the increase in profit for the year. Other operating expenses include non-recurring consulting expenses of €524 thousand from the IPO and the segment change at the Frankfurt Stock Exchange.

Depreciation and amortization rose by €481 thousand, or 65.2% to €1,219 thousand. This item includes write-downs of €104 thousand for prototypes and tools due to the postponement of a development project, as well as €81 thousand allocated to development projects capitalized for the first time in the period under review.

The subsidiary MOBOTIX CORP reported a loss of approx. USD 0.2 million with sales growth of approximately 114.8%. This includes currency losses of approx. USD 0.3 million.

### Net Assets

Development costs of €847 thousand were capitalized for the first time in the year under review. Investments in intangible assets amounted to €128 thousand in the fiscal year.

Property, plant, and equipment grew by €5.5 million (+123.7%) to approx. €10.0 million, with new investments in property, plant, and equipment totaling €6.5 million during the reporting period. The investments primarily involved construction at the new Winnweiler location. Investments in technical systems consist primarily of investments in injection molding tools and IT equipment.

Inventories increased moderately by €657 thousand, or 17.5%, to €4.4 million due to the expansion of the product range with the product line Q22 and the increase in operational activities.

High sales revenues in June boosted trade receivables by €1.7 million over the prior year figure, to a total of €4.7 million.

Other assets rose from €371 thousand to €2.3 million primarily due to the investment of available funds in fixed-income securities.

Cash and cash equivalents grew by €9.1 million (+674.8%) to €10.5 million following

Cashflow margin  
**12.3%**

## ... And Financial Position

the proceeds from the IPO as well as the assumption of a loan for the construction of the Company's new location.

On the liabilities side, the increase of approx. €13.2 million in equity due to proceeds from the IPO as well as the net profit for the year led to an increase in the equity-to-assets ratio from 50.3% to 60.0%.

The rise in provisions can be explained in particular by corresponding tax provisions based upon the high net profit for the year.

The increase in liabilities to banks results in particular from the assumption of approx. €4.3 million in subsidized low-interest development loans for the new construction.

Trade payables as of the reporting date grew by €1.3 million to €1.9 million due to payment obligations related to the construction activity at the new location as well as increased operational activity.

The increase in other liabilities from €1.0 million to €1.5 million as of June 30, 2008 can be explained primarily by an increase in payroll liabilities and liabilities for commissions and bonuses.

Based upon the developments described above, the total assets of the MOBOTIX

Group grew by €19.7 million (144.2%) to €33.4 million as of June 30, 2008 compared to a year earlier.

### Financial Position

Cash flow from operating activities of the MOBOTIX Group was €4.3 million in the year under review, compared to €2.6 million in the prior year. Cash outflows for investments increased by €3.8 million to €7.0 million. Cash flow from financing activities grew by €11.0 million to €11.8 million as a result of the proceeds from the IPO and the use of external funds for construction of the Company's new location.

As a result of changes in individual cash flows, the Company had liquid assets of €10.5 million available on the reporting date of June 30, 2008. The Company's solvency was guaranteed at all times during the current fiscal year. Because of the Company's credit standing, it has a number of financing options available.

Cash inflows from the capital increase performed in fiscal year 2007/2008, together with the net profit for the year, led to a 9.7% increase in the equity-to-assets ratio to 60.0%. Non-current liabilities increased by €4,409 thousand to €6,772 thousand, in particular due to borrowing for the new construction of the production and

**CF from operating activities**  
**€ 4.3m (+68.0%)**

# Consolidated Management Report

## Research And Development ...

administrative building. Non-current liabilities as a share of total assets increased from 17.3% to 20.3%. Current liabilities as of the reporting date correspond to 19.7% of total assets, compared to 32.4% in the prior year. Current liabilities include tax provisions of €2,453 thousand. A cash outflow for tax payments in the amount of €1,396 thousand is still expected for fiscal year 2008/09.

The Group's results of operations, net assets, and financial position, which are distinguished by continued strong growth and high profitability, fully reflect the expectations of the Management Board, and exceed the expectations from the beginning of the reporting year, even when the additional charges from the IPO and the segment change are taken into account.

### Research And Development

Development activities were also further expanded during the year under review. As of June 30, 2008, the MOBOTIX Group had 47 employees in its Development department. As in previous years, the primary development focus was on the creation of new hardware and software products and components as well as further optimization of product functionality.

Development activities are essentially done only in-house. Outsourcing of development



Q22M 180° panorama function



180° Pan

Number of employees  
**196** (Full-time equivalent, trainees included)

# ... Employees, Further Information

activities occurs only on a very small scale, and only in the area of tool design and PC board layout.

During the current fiscal year, the Company introduced the newly developed 360° camera product line Q22 and the CAM IO input/output module. The video control system software MxCC underwent further development. Other product innovations are currently in development and should be introduced to the market in fiscal year 2008/09.



Original image of the Q22M



## Employees

As in the past years, the number of employees grew in almost every area of the Company. As of June 30, 2008, the MOBOTIX Group had 196 employees, compared to 143 employees at the beginning of the fiscal year. There will be personnel increases in fiscal 2008/09 as well, primarily in national and international sales. The Company will also focus on strengthening its development activities.

## Main Aspects Of The Compensation System

Information on compensation for the Management Board can be found in the remuneration report of the Corporate Governance Report, which should be considered part of the Group Management Report.

## Significant Events After The Balance Sheet Date

In July 2008, the Company signed a supplemental agreement to the general contractor agreement, in which the general contractor was commissioned to provide additional services related to the construction of the new location. The agreement involves an additional construction volume of approx €1.3 million.

Thereof Development  
47

## Information Pursuant To ...

### **Information Pursuant To Section 315 (4) Of The German Commercial Code (HGB)**

In response to the German Takeover Directive Implementation Act, Section 315 (4) of the German Commercial Code (HGB) requires publicly traded companies to provide takeover-relevant information on their capital structure, shareholders' rights and restrictions, shareholding ratios and governing bodies.

MOBOTIX AG states the following with regard to the required information:

#### **Section 315 (4) No. 1 HGB:**

The subscribed capital of MOBOTIX AG is €4,423,814 divided into 4,423,814 no-par bearer shares, each representing €1.00 of share capital. Each share entitles the bearer to one vote. As far as the Management Board of the Company is aware, there are no restrictions on voting rights of the shares.

#### **Section 315 (4) No. 2 HGB:**

Based upon the Company's IPO on October 10, 2007, the existing shareholders of MOBOTIX AG have committed to the syndicate leader, DZ Bank, for the following lockup of their shares.

All existing shareholders of the Company at the time of the stock exchange listing, with

the exception of VRP Venture Capital Rheinland Pfalz GmbH & Co. KG and Co-Investor AG (and/or the trustor of Co-Investor AG) have committed to DZ BANK in the course of the introduction of the Company's stock on the stock exchange in October 2007 to refrain from either directly or indirectly offering or selling shares of the Company, or announcing such offer or sale or taking other measures economically equivalent to a sale, for a period of six months after the inclusion of the Company's shares for trading on the stock exchange in the Entry Standard segment of the Open Market of the Frankfurt Stock Exchange. This period ended on April 9, 2008. For an additional six months after this period, i.e. the period from April 10, 2008 to October 9, 2008, the aforementioned persons have further committed to refrain from either directly or indirectly offering or selling shares of the Company, or announcing such offer or sale or taking other measures economically equivalent to a sale, without the prior written consent of DZ BANK.

VRP Venture Capital Rheinland Pfalz GmbH & Co. KG and Co-Investor AG and their trustors have, with respect to the dissolution of the trusteeship and the transfer of the shares held by Co-Investor AG to the former, committed themselves to DZ BANK in the course of the introduction of the Company's

## ... Section 315 (4) HGB

stock on the stock exchange in October 2007 to refrain from either directly or indirectly offering or selling shares of Company, or announcing such offer or sale or taking other measures economically equivalent to a sale, for a period of six months after the inclusion of the Company's shares for trading on the stock exchange in the Entry Standard segment of the Open Market of the Frankfurt Stock Exchange. This period ended on April 9, 2008.

### **Section 315 (4) No. 3 HGB:**

Dr. Ralf Hinkel, CEO of MOBOTIX AG, holds 50.14% of the subscribed capital.

### **Section 315 (4) No. 4 HGB:**

So long as Dr. Ralf Hinkel himself and/or a company controlled by him (Section 17 of the Stock Corporation Act (AktG)) or under his direction (Section 18 AktG) holds a total of more than 25% of the Company's shares, Dr. Ralf Hinkel shall have the nontransferable right to appoint one member to the Supervisory Board of the Company.

### **Section 315 (4) No. 6 HGB:**

The regulations on the appointment and dismissal of Management Board members and amendments to the articles of incorporation (Section 315 (4) No. 6 HGB) are based upon the Stock Corporation Act and the articles of incorporation of MOBOTIX AG,

which are published on the website in the Corporate Governance section.

According to Section 5 of the MOBOTIX AG articles of incorporation, the Management Board consists of three persons.

Pursuant to Section 15 (2) of the MOBOTIX AG articles of incorporation, an amendment of the articles of incorporation is permitted only if capital with voting rights present in the meeting of shareholders represents at least 60% of the share capital. If a proposed resolution for amendment of the articles of incorporation is not voted upon due to a lack of such presence, then the obligation for presence will not apply in a second meeting of shareholders.

### **Section 315 (4) No. 7 HGB:**

With the consent of the Supervisory Board, the Management Board is authorized to increase the Company's share capital on one or more occasions in the period from January 1, 2008 to November 31, 2011 by a total of up to €1,272,544 through the issuance of up to 1,272,544 new no-par bearer shares in return for cash contributions or contributions in kind (authorized capital). In this process, the shareholders shall be granted a subscription right, which can also be granted to the shareholders in the form of an indirect subscription right (Section 186 (5) AktG).

# Consolidated Management Report

Nevertheless, the Management Board is authorized, with the consent of the Supervisory Board, to exclude the subscription right of shareholders,

(I) if the capital increase is made in return for cash contributions, and the proportional amount of share capital assigned to the new shares issued under exclusion of the subscription right pursuant to Section 186 (3) Sentence 4 AktG does not exceed a total of 10% of the share capital, either at the time that this authorization takes effect or at the time that it is exercised, and the issue price of the new shares is not materially lower, within the meaning of Sections 203(1) and (2), 186 (3) Sentence 4 AktG, than the stock exchange price of the shares of the same class and features already being traded on the stock exchange at the time the issue price is finally determined. Shares to be counted against this maximum limit are those which were issued or are to be issued for the servicing of warrant-linked or convertible bonds or participation rights with conversion or option rights, so long as these bonds were issued in corresponding application of Section 186 (3) Sentence 4 AktG under exclusion of the subscription right. Furthermore, the Company's own shares to be counted against the maximum limit of 10% of the share capital are those that will be sold

during the term of the subscribed capital under exclusion of the subscription right of shareholders pursuant to Sections 71 (1) No. 8 Sentence 5, 186 (3) Sentence 4 AktG;

(II) in the case of capital increases in return for contributions in kind, particularly the acquisition of companies, portions of companies, and shareholdings in companies;

(III) in order to issue employee shares to employees and pensioners of the Company and its affiliated companies;

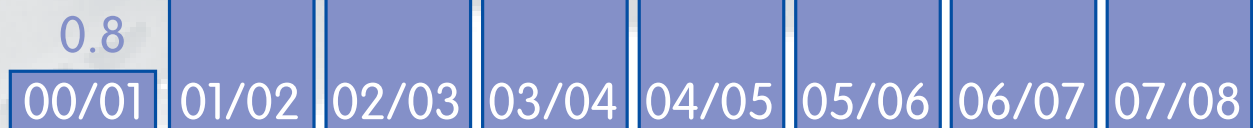
(IV) for fractional amounts.

The Management Board is authorized, with the consent of the Supervisory Board, to stipulate additional details for the performance of the capital increase.

# MOBOTIX Growth

Revenue In Fiscal Year (June 30)

€  
35.3m



# Consolidated Management Report

## Risk Management ...

### Opportunities And Risks Of Future Development And Outlook

#### Risk Management

The MOBOTIX Group has implemented an adequate risk management system to ensure that risks are detected and mitigated at an early stage. The Group's risk management system is intended to identify, monitor, and control any risks that occur. In addition to risks that could jeopardize the Company's continued existence as a going concern, the system also records activities, events, and developments that could significantly affect the future performance of the Company's business.

Precautions are taken against typical business risks that could have a material influence on the Group's results of operations, net assets, or financial position.

Based on the information currently available, the MOBOTIX Group is not at present faced with any dominant specific risks which, in themselves, are highly likely to jeopardize its continued existence as a going concern.

The Company continues to refine its internal structures in line with its growth

and to adapt them to the scale of its business. The Company plans additional measures to strengthen and improve quality management, the internal control system, and risk management.

#### Material Risks

##### Market Risks

In addition to the public security market



MOBOTIX cameras monitor Coventry Airport

(railway stations, airports, urban security, prisons, harbors, highways), MOBOTIX products are now also being used in the market segment of mobile security (police, railways, buses, goods transportation, logistics) because of their compact design and high temperature resistance. In coming fiscal years, further **simplification of the products** will also lead to a more aggressive marketing in the private security sector (home security, medical care, consumer). The Management Board expects the Company to continue growing strongly in

# ... And Material Risks

MOBOTIX Cameras at Panama's Cargo-Port



the coming fiscal years as it **introduces new product families**. Product innovations will play a central role in this growth.

External market studies confirm the expectation of high growth rates over the coming years in the area of digital IP video monitoring systems. Thus the market environment can be considered very attractive. In the Company's view, the **competitive situation** has not changed to its disadvantage in recent months. It remains to be seen, however, to what extent the traditional providers of analog security systems will join the technological shift to digital systems, or

whether they will withdraw from the market. MOBOTIX already has a market presence as a system provider offering not only a complete range of hardware and accessories, but also video software for control centers. MOBOTIX is differentiating itself from its competitors by acting as a one-stop shop for complete projects while at the same time putting pressure on pure-play software providers by offering its own control center software free of charge, thereby reducing the overall project cost for customers.

The Management Board deems the **procurement market risks** to be within the customary range for the industry. In its view there is no material medium-term or long-term dependency on individual suppliers. A short-term loss of critical suppliers, e.g. for processors, that could lead to significant disruptions of production is likewise considered very unlikely.

## Financial risks

Thanks to its comfortable **liquidity position** and excellent credit standing, the Company currently has no material financial risks. **Currency risks** exist primarily in connection with operations in the USA. The positive cash flow from the

MxControlCenter-software MxCC



# Consolidated Management Report

## Political, Legal ...

business in the USA covers MOBOTIX AG's purchasing requirements in the dollar zone. There is no material risk of changes in interest rates at the present time. Existing third-party financing was acquired at fixed interest rates. Other external financing related to the new location will be finalized in the near future at attractive fixed terms. Bad debt risks are limited through an efficient credit management system, including dunning and collection, with very restrictive terms of payment.

### Political, Legal And Social Risks

Public perception of video monitoring has developed in a very positive direction overall. The presence of video monitoring increases **public perception of security** and it is therefore finding increased public acceptance.

There have been a growing number of political initiatives aimed at improving the quality of monitoring systems in public areas. One example is the **French video law** of October 1, 2006. If standards change in favor of a high-resolution systems in the public security area, then MOBOTIX can also profit from this thanks to its position as an important manufacturer of such systems.

The Management Board therefore presumes that the Company's **regulatory environment** will have a significantly positive effect on its further growth.

### Operational Performance Risks And Other Risks

At a growth rate of more than 45% annually in recent years, MOBOTIX has an ongoing need for organizational adaptation. The Company counters the **entailing fundamental risks** with an ongoing adaptation of human resources, control systems and infrastructure.

Production and sale of technical products are always associated with **warranty risks**. These risks are reflected in appropriate provisions on the balance sheet. The Company has also purchased product liability insurance to protect against possible losses and risks.

The Company has begun building a new corporate location to accommodate its expected strong growth. A bidding consortium was engaged as general contractor for the construction. A large part of the construction work was completed by the end of June 2008. The Company plans to move into its **new location** at the end of the calendar year.

## ... And Other Risks

Basically the Management Board presumes that along with the planned corporate growth, operating results will also continue to increase in line with current profitability. In this regard, the significant market potential in the US market, as well as other startup losses of **MOBOTIX CORP** commensurate with business development must be taken into account.

The Company sees no risks at the present time or in the future that would endanger the Company's continued existence or would have a material influence on its development. Technological innovation and further expansion of the distribution network are extremely important for the Group's sustained success.

MOBOTIX new company's site



# Consolidated Management Report

## Opportunities, Risks ...

### Opportunities And Outlook

The **positive market environment** with continued forecasts for high growth rates will form the basis for the Company's further growth. Market growth will be driven by the switch from analog to **digital technology**. If this switch should happen sooner than expected, it could produce additional opportunities for MOBOTIX. Factors that could lead to an acceleration include **political initiatives** such as the aforementioned French video law.

The Management Board presumes that **technological market drivers** such as increasing image resolution of video systems and more complex security installations will favor the **advantages of a decentralized technology approach**. This would strengthen the MOBOTIX Group's competitive position and put pressure on the competition.

In the opinion of the Management Board, **increased publicity** will provide new opportunities, e.g. to acquire new employees, sales partners, and customers.

MOBOTIX is represented throughout the world. A key issue to unlock the potential for further growth is the targeted **expansion of its partner network**. With its **outstanding global market position**, particularly in the subsegment of high-resolution network cameras, the Company is in a very good position to take advantage of the tremendous growth potential at hand.

In terms of regions, the Management Board sees **key growth areas** for the coming years in North America, South America, Asia, and Russia.



Hemispheric Q22

The **market introduction of Q22** in June 2008 was very promising, with extremely positive feedback from distributors. The fact that the Company's main competitors cannot offer any comparable products shows MOBOTIX AG's **innovative strength**, and enables it to occupy a unique position in this product segment over the medium term.

## ... And Outlook

In addition, MOBOTIX will use additional **product innovations** in the coming months to strengthen its competitive position and create the conditions for developing new market segments.

The **consolidated financial statements** show an increase in revenue of approx. 50% to €35.3 million, compared to €23.6 million in fiscal year 2006/07. Profit for the year improved from €2.2 million to €4.9 million. Our goal for fiscal year 2008/09 and the following year is growth in line with market growth in the segment of network cameras. The main market research institutions estimate this growth rate to be approx. 40% per year. As in recent years, this growth should be achieved with continued profitability.

## HiRes Complete Video Solutions

high-resolution, digital & cost-effective recording



# Consolidated Financial Statements

## Income Statement ...

EUR '000s	See Note	Jul. 01, 2007 - Jun. 30, 2008	Jul. 01, 2006 - Jun. 30, 2007
<b>Revenue</b>	(1)	<b>35,313</b>	<b>23,602</b>
Increase/decrease in finished goods and work in progress	(2)	719	473
Other own work capitalized	(3)	902	102
<b>Total output</b>		<b>36,933</b>	<b>24,177</b>
Cost of materials	(4)	-10,681	-6,798
<b>Gross profit</b>		<b>26,252</b>	<b>17,379</b>
Staff costs	(5)	-10,261	-6,777
Depreciation, amortization and impairment	(6)	-1,219	-738
Other operating income	(7)	260	139
Other operating expenses	(8)	-8,032	-6,123
<b>Operating profit</b>		<b>6,999</b>	<b>3,880</b>
Profit or loss from investments accounted for using the equity method	(9)	9	4
Other interest and similar income	(10)	344	23
Interest expense and similar charges	(10)	-256	-165
<b>Profit before tax</b>		<b>7,096</b>	<b>3,742</b>
Income taxes	(11)	-2,172	-1,499
<b>Profit for the year</b>		<b>4,924</b>	<b>2,243</b>
<b>Earnings per share (diluted / basic)</b>	(12)	<b>1.16</b>	<b>0.63</b>

# ... Balance sheet

	See Note	Jun. 30, 2008 EUR '000s	Jun. 30, 2007 EUR '000s
Intangible assets	(13)	993	239
Property, plant and equipment	(13)	9,983	4,463
Investments accounted for using the equity method	(14)	32	25
Prepaid expenses	(19)	133	151
Deferred tax assets	(11)	80	113
<b>Non-current assets</b>		<b>11,221</b>	<b>4,991</b>
Inventories	(15)	4,402	3,745
Trade receivables	(16)	4,677	2,979
Other assets	(17)	2,301	371
Cash and cash equivalents	(18)	10,475	1,352
Prepaid expenses	(19)	303	233
<b>Current assets</b>		<b>22,157</b>	<b>8,680</b>
<b>ASSETS</b>		<b>33,379</b>	<b>13,671</b>
Subscribed capital	(20)	4,424	3,814
Capital reserves	(20)	9,665	1,249
Accumulated other comprehensive income	(20)	88	44
Profit or loss carried forward	(20)	930	-474
Profit for the year	(20)	4,924	2,243
<b>Equity</b>		<b>20,031</b>	<b>6,876</b>
Liabilities to banks	(23)	6,478	2,3
Deferred tax liabilities	(11)	294	63
<b>Non-current liabilities</b>		<b>6,772</b>	<b>2,363</b>
Tax provisions	(21)	2,453	1,661
Other provisions	(22)	123	161
Liabilities to banks	(23)	589	955
Trade payables	(23)	1,905	620
Other liabilities	(24)	1,506	1,036
<b>Current liabilities</b>		<b>6,576</b>	<b>4,432</b>
<b>EQUITY AND LIABILITIES</b>		<b>33,379</b>	<b>13,671</b>

**Total assets**  
**€ 33.4m (+144.2%)**

# Consolidated Financial Statements

## Cash Flow Statement ...

EUR '000s	Jul. 01, 2007 - Jun. 30, 2008	Jul. 01, 2006 - Jun. 30, 2007
<b>Profit before tax</b>	<b>7,096</b>	<b>3,742</b>
-/+ Net interest income or expense	-88	142
- Profit or loss from investments accounted for using the equity method	-9	-4
+ Depreciation, amortization and impairment of property, plant and equipment, and intangible assets	1,219	738
+ Interest received	315	22
-/+ Decrease/increase in other provisions	-38	35
+ Loss on disposal of non-current assets	4	7
+ Other non-cash expenses	18	18
<b>Operating profit before changes in working capital</b>	<b>8,517</b>	<b>4,701</b>
- Increase in inventories, trade receivables and other assets not attributable to investing or financing activities	-3,847	-2,684
+ Increase trade payables and other liabilities not attributable to investing or financing activities	582	586
<b>Cash flow from operating activities before tax</b>	<b>5,252</b>	<b>2,602</b>
- Income tax paid	-914	-20
<b>Cash flow from operating activities</b>	<b>4,338</b>	<b>2,582</b>
- Cash paid for purchases of property, plant and equipment	-5,670	-3,127
- Cash paid for purchases of intangible assets	-975	-98
- Cash paid for the issuance of loans	-430	0
+ Cash received from disposals of property, plant and equipment	16	13
<b>Cash flow from investing activities</b>	<b>-7,060</b>	<b>-3,212</b>
+ Cash received from additions to equity	9,455	525
- Cost of capital increase	-631	-4
- Dividends paid	-839	0
- Cash paid for the redemption of loans	-1,155	-339
+ Cash received from borrowings	5,204	736
- Interest paid	-190	-161
<b>Cash flow from financing activities</b>	<b>11,844</b>	<b>757</b>
<b>Net change in cash and cash equivalents</b>	<b>9,123</b>	<b>128</b>
Effect of exchange rate and other changes on cash and cash equivalents	0	-2
Cash and cash equivalents at the beginning of the reporting period	1,352	1,225
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>10,475</b>	<b>1,352</b>

Material non-cash transactions:

No material non-cash transactions occurred in the current fiscal year.

**Operating Cashflow**  
**€ 4.3m (+68.0%)**

**Profit before Tax**  
**€ 7.1m (19.2%)**

# ... Changes In Equity

EUR '000s	Subscribed	Capital reserves	Accumulated other comprehensive income	Profit or loss carried forward	Profit for the period	Total
<b>Balance as at Jul. 1, 2006</b>	<b>1,382</b>	<b>3,333</b>	<b>10</b>	<b>-647</b>	<b>0</b>	<b>4,078</b>
Issuance of shares	525					525
Capital increase from the Company's own funds	1,907	-1,907				0
Cost of capital increase		-4				-4
Withdrawal from capital reserves		-173		173		0
Currency translation			34			34
Profit for the period					2,243	2,243
<b>Balance as at Jun. 30, 2007</b>	<b>3,814</b>	<b>1,249</b>	<b>44</b>	<b>-474</b>	<b>2,243</b>	<b>6,876</b>
<b>Balance as at Jul. 1, 2007</b>	<b>3,814</b>	<b>1,249</b>	<b>44</b>	<b>1,769</b>	<b>0</b>	<b>6,876</b>
Issuance of shares	610	8,845				9,455
Cost of capital increase		-429				-429
Dividend payment				-839		-839
Currency translation			44			44
Profit for the period					4,924	4,924
<b>Balance as at Jun. 30, 2008</b>	<b>4,424</b>	<b>9,665</b>	<b>88</b>	<b>930</b>	<b>4,924</b>	<b>20,031</b>

Equity  
€ 20.0m

Equity-to-assets ratio  
60.0%

# Consolidated Financial Statements

## Notes ...

### Notes To The Consolidated Financial Statements For The Year Ended June 30, 2008

#### 1. General Information

MOBOTIX AG was established on June 21, 1999. Since June 16, 2001, the Company's registered office has been in Kaiserslautern (Luxemburger Str. 6, 67657 Kaiserslautern, Germany).

MOBOTIX AG is a European technology leader and system provider in the production of high-resolution digital, network-based video security systems, video management software and systems accessories. Its technology centers on its proprietary, internally manufactured, fully digital network cameras.

MOBOTIX products are sold worldwide primarily via distributors, qualified systems integrators and specialist retailers.

The initial listing of the shares of MOBOTIX AG in the Entry Standard of Deutsche Börse AG was made on October 10, 2007. Since March 31, 2008, the shares of MOBOTIX AG have been listed in the Prime Standard of Deutsche Börse AG.

MOBOTIX AG maintains one subsidiary in the U.S. and one joint venture in Switzerland.

The Management Board and the Supervisory Board have issued a declaration of compl-

iance to the German Corporate Governance Code, as prescribed by section 161 of the German Stock Corporation Act (Aktiengesetz, AktG), and has made this declaration available to the public on a permanent basis (in German only) on its website under [www.mobotix.com](http://www.mobotix.com).

The Group's fiscal year starts on July 1 and ends on June 30 of the following calendar year.

The consolidated financial statements are prepared in euro (EUR). Unless otherwise indicated, all amounts are stated in EUR thousand (EUR '000s).

#### 2. Basis Of Presentation

The consolidated financial statements of MOBOTIX AG have been prepared pursuant to section 315a of the German Commercial Code (Handelsgesetzbuch, HGB) in accordance with International Financial Reporting Standards (IFRS) and the related interpretations of the International Accounting Standards Board (IASB), as required to be applied in the European Union pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council on the application of international accounting standards.

All separate financial statements of the companies included in the consolidated

financial statements have been prepared in accordance with applicable local law and have been adjusted to IFRS as well as to the accounting policies of the MOBOTIX Group. The same accounting policies as in the financial statements for the fiscal year 2006/2007 were applied.

The income statement has been prepared according to the nature of expense method.

The Management of MOBOTIX AG authorized the consolidated financial statements for issue on August 25, 2008.

### 3. Accounting Standards Applied

The following new or amended standards, which have already been published, but which are not yet required to be applied, were not applied earlier:

- IFRIC 12 "Service Concession Arrangements" (required to be applied for fiscal years beginning on or after January 1, 2008).
- IAS 23 amendment related to the capitalization of borrowing costs (required to be applied for fiscal years beginning on or after January 1, 2009).
- IFRIC 13 "Customer Loyalty Programmes" (required to be applied for fiscal years beginning on or after July 1, 2008).
- IFRIC 14 "IAS 19 – The Limit on a Defined

- Benefit Asset, Minimum Funding Requirements and their Interaction" (required to be applied for fiscal years beginning on or after January 1, 2008).
- IAS 1 "Presentation of Financial Statements" (required to be applied for fiscal years beginning on or after January 1, 2009).

We expect that the first-time application of these standards and interpretations will not have a material impact on the presentation of the results of operations.

The following IASB pronouncements were applied by MOBOTIX AG for the first time in the fiscal year under review.

- IFRS 7 "Financial Instruments: Disclosures" The application of this standard did not result in any changes with respect to recognition or measurement of financial instruments. IFRS 7 merely includes provisions on disclosures required to be made. Prior-year figures were determined for these disclosures as well.
- IFRIC 10 "Interim Financial Reporting and Impairment."

The first-time adoption of the other pronouncements did not have a material impact on the presentation of the results of operations, net assets, and financial position.

# Consolidated Financial Statements

## Notes ...

MOBOTIX AG has applied IFRS 8 on a voluntary basis since fiscal year 2006/2007.

### 4. Accounting Principles

#### Scope Of Consolidation

In the year 2003, the subsidiary MOBOTIX CORP, New York, New York (formerly MOBOTIX LLC, Columbia, South Carolina) was founded in order to penetrate the U.S. market. On July 7, 2005, a 50% stake in MOBOTIX AG, Freienbach, Switzerland was acquired. MOBOTIX CORP was fully consolidated in the consolidated financial statements of MOBOTIX AG as of the opening balance sheet date. In addition, MOBOTIX AG Switzerland was included in the consolidated financial statements using the equity method as the Company is able to exercise a significant influence over its financial and operating policy decisions (associate). MOBOTIX Ltd., Birmingham, United Kingdom, is not included in the consolidated financial statements as the company was not operating in the year under review.

### Principles Of Consolidation

The financial statements of the companies included in the consolidated financial statements of MOBOTIX AG were prepared in accordance with uniform accounting policies in accordance with IFRS as of the balance sheet date of June 30, 2008.

MOBOTIX CORP was included in the consolidated financial statements as of July 1, 2005, i.e. the date of the opening balance sheet, in accordance with IFRS 1. Accordingly, the subsidiary's equity as of the date of the opening balance sheet was offset with the carrying amount of the equity investment at the parent company.

The investment in the associate, which is measured using the equity method, is recognized at the proportionate revalued equity. Intra-group profits from this company were insignificant in the years under review.

Company	Registered office	Shareholding		Equity as of		
		30.6.08	30.6.07	30.6.08*	30.6.07*	
MOBOTIX CORP	New York, USA	100.0%	100.0%	-530	-328	USD
MOBOTIX Ltd.	Birmingham, GB	100.0%	100.0%	1	1	GBP
MOBOTIX AG	Freienbach, CH	50.0%	50.0%	103	73	CHF

\* Equity pursuant to local law

Intra-group receivables and liabilities as well as any income and expenses from intragroup transactions are offset. Intragroup profits between the consolidated companies are also eliminated as part of the consolidation process. Deferred taxes are documented for consolidation adjustments recognized in income in accordance with IAS 12.

### Currency Translation

Foreign currency transactions included in the separate financial statements, which were prepared in local currencies, are translated using the exchange rates applicable at the transaction date. Assets and liabilities denominated in foreign currencies are translated into the local currency at the closing rate, with any resulting gains or losses recognized in income.

The translation of financial statements prepared in a foreign currency is based on the functional currency concept in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates." The relevant functional currencies of the foreign companies are identical with the respective local currency. All balance sheet items, except equity, are translated at the middle rate on the balance sheet date, while expense and income items are translated at average rates. Equity is translated at historical rates. Any resulting translation differences are offset directly in equity. Foreign exchange differences arising compared to the prior year are also offset directly in equity.

The currency translation differences of the material currencies of the MOBOTIX Group developed as follows:

Currency translation		Average rates		Closing rates	
1 EUR =	ISO code	2007/08	2006/07	2007/08	2006/07
Swiss franc	CHF	1.629	1.608	1.608	1.565
U.S. dollar	USD	1.467	1.304	1.579	1.255

# Consolidated Financial Statements

## Notes ...

### Accounting Policies

#### Revenue

Revenue is generally recognized upon delivery of the goods to the customer or when the goods are picked up by the courier. Revenue from the delivery of goods is recognized once the significant risks and rewards of ownership of the relevant goods have been transferred to the customer and the Company no longer retains effective control over the goods sold, and the amount of revenue can be reliably determined and an inflow of economic benefits from the sale is probable.

Revenue from services (primarily training) are only generated at a very insignificant amount in the MOBOTIX Group. They are recognized when the services are rendered.

#### Other Own Work Capitalized

This item mainly includes own development work capitalized as intangible assets. Own development work exclusively relates to staff costs.

#### Earnings Per Share

Earnings per share are determined in accordance with IAS 33 "Earnings per Share." Basic earnings per share are calculated by dividing the Group's profit for the year by the average number of shares. There is no dilutive effect at MOBOTIX AG.

#### Intangible Assets

Intangible assets acquired for a consideration are capitalized in accordance with IAS 38 "Intangible Assets" if it is probable that the use of the asset results in a future economic benefit and the cost of the asset can be reliably measured. They are measured at amortized cost. Financing costs are not capitalized as part cost. Intangible assets are generally amortized using the straight-line method in accordance with their useful economic lives.

Amortization is primarily based on the following useful lives:

Useful life	Years
Industrial property rights	3 to 8
IT software	3

Research costs are not to be capitalized in accordance with IAS 38 "Intangible Assets." Development costs may only be capitalized if certain, clearly defined criteria are met. Accordingly, development costs must be capitalized when it is probable that the development activities will result in a future inflow of cash, the amount of which will cover not just the costs of production but also the corresponding development costs. In addition, the development project or the product or process to be developed must fulfill all of the further criteria defined in IAS 38. Since July 1, 2007, MOBOTIX AG has fulfilled these criteria for some of its development projects. Accordingly, the Company capitalizes development costs for product development in the area of camera housings, electronics, and software at cost if the relevant expenses can be clearly allocated and it is certain that the products will be technically feasible and can be successfully marketed. The capitalized development costs comprise all costs directly attributable to the development process.

Capitalized development costs are amortized over the expected product lifecycle of generally three years, beginning on the date of the start of production.

### Property, Plant And Equipment

All items of property, plant and equipment are subject to wear and tear and are measured at cost less depreciation. The cost includes purchase prices, transaction costs as well as subsequent expenditure less any purchase price deductions granted. The costs of production are determined on the basis of directly attributable individual unit costs as well as applicable proportionate overheads. Financing costs are not capitalized as part of the cost.

Items of property, plant and equipment are generally depreciated using the straight-line method in accordance with their useful economic lives. Depreciable assets of property, plant and equipment are depreciated individually if they have different useful lives. Low-value assets reported as non-current assets, which had been previously recognized as an expense, have been recognized in a collective item and depreciated over a useful life of five years since the fiscal year 2006/2007.

# Consolidated Financial Statements

## Notes ...

Depreciation is based on the following useful lives:

Useful life	Years
Buildings on third-party land	10 - 15
Mechanical equipment	10 - 13
Furniture and fixtures	10
Electronic laboratory appliances	3 - 10
Die cast tools	3 - 8
Testing equipment	3 - 7
IT equipment	3 - 5

A shorter useful life applies if the asset can only be used for a shorter period of time for legal reasons.

### Impairment Of Property, Plant And Equipment And Intangible Assets

The carrying amounts of intangible assets and of property, plant and equipment are reviewed for impairment in accordance with IAS 36 "Impairment of Assets," provided that there are indicators of impairment. An impairment loss is recognized when the recoverable amount of the asset, which is the higher of its fair value less costs to sell and its value in use, is lower than its carrying amount. If the reasons for the recognition of an earlier impairment loss no longer exist, the impairment loss is reversed and the carrying amount increased up to amortized cost.

### Government Grants

Government grants are recognized only when there is reasonable assurance that the Group complies with the conditions attached to it and the grants have been authorized. Subsidies received from the government for the purchase of tangible assets result in a reduction of cost.

### Leases

The currently existing rental and lease agreements of the MOBOTIX Group are exclusively **operating leases**. A lease is classified as an operating lease when the lessor retains substantially all the risks and rewards of ownership of the leased assets. The leases refer to the lease agreements for the production and administrative building in Kaiserslautern and lease agreements for operating and office equipment as well as for the vehicle fleet.

### Investments Accounted For Using The Equity Method

Investments in associates are accounted for using the equity method. Accordingly, the costs of acquisition incurred on the purchase date are adjusted by the future, pro-rata share in the profit or loss of the associate. Impairment losses are recognized when the recoverable amount falls below the carrying amount of the investment.

### Deferred Taxes

In accordance with IAS 12 "Income Taxes," deferred taxes are recognized for all temporary differences between the tax base and the carrying amounts in the financial statements. Deferred tax assets also include claims for tax reductions resulting from the anticipated use of loss carryforwards in subsequent years, the realization of which is deemed probable.

The basis for recognition is the tax rate applicable at the date of the reversal. Deferred tax assets and liabilities are not discounted and are reported in the consolidated financial statements in accordance with IAS 12.74.

### Inventories

Inventories are measured at cost, with the costs of the purchase of raw materials and supplies being determined using average prices and taking into account the net realizable value as of the balance sheet date. Work in progress and finished goods are measured at cost of conversion, also taking into account the net realizable value as of the balance sheet date. Costs of conversion include directly allocable individual unit costs and production overheads, assuming normal capacity utilization. Financing costs are not capitalized as part of the cost. The net

realizable value represents the estimated selling price less the estimated costs necessary to make the sale. Write-downs are recognized for inventory risks in an appropriate and sufficient amount.

# Consolidated Financial Statements

## Notes ...

### Financial Assets And Liabilities

A financial instrument is any contract that simultaneously gives rise to a financial asset of one company and a financial liability or equity instrument of another company.

Financial assets include in particular cash and cash equivalents, trade receivables as well as other loans extended and receivables.

Receivables and other assets are recognized at their nominal amount or at amortized cost. Identifiable individual risks are provided for by appropriate valuation allowances. In accordance with IAS 39 "Financial Instruments: Recognition and measurement," the Group regularly assesses whether there is objective evidence that a financial asset or group of financial assets may be impaired. Any impairment loss resulting from an impairment test is recognized in "Other operating expenses."

Cash and cash equivalents include cash accounts and short-term deposits at banks with a remaining term to maturity of not more than three months at the time of addition. They are measured at face value. Foreign currency balances are measured at the middle rate prevailing on the balance sheet date. Ratable interest income generated from cash equivalents is recognized in income.

Financial liabilities such as trade payables or liabilities to banks are regularly associated with a claim to receive compensation in cash or another financial assets. Financial assets and financial liabilities are generally reported on a gross basis. They are only offset when there is currently a legally enforceable right to offset and there is an intention to settle on a net basis. Financial assets are measured initially at fair value.

Financial liabilities are measured initially at fair value less any transaction costs directly attributable to borrowing. Financial liabilities are subsequently measured at amortized cost. The MOBOTIX Group does not have any liabilities held for trading.

### Provisions

In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets," provisions are recognized in the balance sheet for legal or constructive obligations as a result of past events when the outflow of resources required to settle the obligation is probable and can be reliably estimated. The carrying amount of provisions is based on best estimates. Provisions are only recognized for legal or constructive obligations towards third parties and discounted where necessary.

**Liabilities**

Liabilities, including financial liabilities, are generally measured at amortized cost.

**Estimates**

The preparation of the consolidated financial statements in accordance with IFRS requires the use of assumptions made by the management that have an influence on the measurement of assets and liabilities, the disclosure of contingent assets and liabilities as of the balance sheet date, and the reported income and expenses during the fiscal year. These estimates may differ from the actual development. The preparation of the present consolidated financial statements was in particular subject to estimates with regard to useful lives of property, plant and equipment, the measurement of other provisions and the realizability of tax loss carryforwards. Further estimates were made for the calculation of valuation allowances on trade receivables as well as for the measurement of inventories. Actual values may vary in specific cases from the assumptions and estimates made. Changes in assumptions or estimates are recognized in profit or loss once new information becomes available.

# Consolidated Financial Statements

## Notes ...

### **Cash Flow Statement**

The cash flow statement shows the changes that have occurred in the balance of the Group's cash and cash equivalents during the reporting periods in the form of cash inflows and cash outflows. In accordance with IAS 7 "Cash Flow Statements," a distinction is made between cash flows from operating, investing and financing activities. Cash and cash equivalents include balances with banks and cash on hand. Cash and cash equivalents are not subject to any restrictions.



# Consolidated Financial Statements

## Notes ...

### 5. Notes To The Income Statement

#### (1) Revenue

Please see the segment report for a break-down of revenue by region and product.

#### (2) Increase In Finished Goods And Work In Progress

Changes in inventories comprise increases and decreases in the amount of finished goods and work in progress.

#### (3) Other Own Work Capitalized

Other own work capitalized reported in the fiscal year 2007/08 comprises development costs capitalized for the first time in the amount of €847 thousand. This item also includes internally generated testing equipment and production facilities

#### (4) Cost Of Materials

	Jul. 01, 2007 - Jun. 30, 2008 EUR '000s	Jul. 01, 2006 - Jun. 30, 2007 EUR '000s
Cost of raw materials, supply and merchandise	10,630	6,696
Cost of purchased services	51	102
<b>Total</b>	<b>10,681</b>	<b>6,798</b>

Cost of materials comprises any materials used for the production of cameras. This item also comprises, to a small extent, expenses for purchased services, which include expenses for outsourced manufacturing and development activities.

#### (5) Staff Expenses

	Jul. 01, 2007 - Jun. 30, 2008 EUR '000s	Jul. 01, 2006 - Jun. 30, 2007 EUR '000s
Wages and salaries	8,576	5,511
Commissions, trade fair bonuses	110	90
Other	281	239
<b>Wages and salaries</b>	<b>8,967</b>	<b>5,841</b>
Social security contributions	1,215	881
Pension benefits	7	5
Other	72	50
<b>Social security</b>	<b>1,294</b>	<b>936</b>
<b>Total</b>	<b>10,261</b>	<b>6,777</b>

In fiscal year 2007/2008, the employer's contributions to social security included expenses for a defined contribution plan (Deutsche Rentenversicherung) in the amount of €584 thousand (prior year: €412 thousand), of which €6 thousand (prior year: €6 thousand) referred to related parties.

**Cost of Materials**  
**€ 10.7m (28.9%)**

**Staff Expenses**  
**€ 10.3m (27.8%)**

In fiscal year 2007/2008, the Company employed 161 persons (2006/07: 112) on average (excluding Management Board members, trainees and temporary staff).

The following groups of employees were employed by the Company in the year under review:

Group of employees	2007/08	2006/07
Full-time employees	151	104
Part-time employees	10	8

#### (6) Depreciation, Amortization And Impairment

	Jul. 01, 2007 - Jun. 30, 2008 EUR '000s	Jul. 01, 2006 - Jun. 30, 2007 EUR '000s
Amortization and impairment of intangible assets	221	128
Depreciation and impairment of property, plant and equipment	998	610
<b>Total</b>	<b>1,219</b>	<b>738</b>

Amortization of capitalized development costs amounted to €19 thousand in the fiscal year 2007/2008. The development projects underlying the amortization were transferred to production at the beginning of January 2008. As of June 30, 2008, the Company

recognized an impairment loss amounting to €62 thousand due to the discontinuation of a development project, which was capitalized for the first time as of December 31, 2007. Depreciation and impairment of property, plant and equipment includes impairment losses related to tools no longer used in the amount of €104 thousand.

We refer to Note (13) for an overview of amortization, depreciation and impairment.

#### (7) Other operating income

	Jul. 01, 2007 - Jun. 30, 2008 EUR '000s	Jul. 01, 2006 - Jun. 30, 2007 EUR '000s
Income from employees	66	77
Income from exchange differences	30	24
Income from the disposal of non-current assets	0	13
Miscellaneous	164	25
<b>Total</b>	<b>260</b>	<b>139</b>

Income from employees results from amounts reimbursed by employees for their private use of company cars.

**Number of employees**  
**196 (Full-time equivalent, trainees included)**

# Consolidated Financial Statements

## Notes ...

### (8) Other Operating Expenses

	Jul. 01, 2007 - Jun. 30, 2008 EUR '000s	Jul. 01, 2006 - Jun. 30, 2007 EUR '000s
Advertising and marketing expenses	2,509	2,484
Office material, telecommunications, postage, packaging	1,006	911
Travel, entertainment and vehicle expenses	1,262	602
Occupancy, operating and office equipment	709	914
Legal and consulting fees as well as IPO costs	852	320
Accounting costs and cost for preparing financial statements	271	159
Expenses from exchange differences	136	68
Miscellaneous	1,286	666
<b>Total</b>	<b>8,032</b>	<b>6,123</b>

### (9) Profit Or Loss From Investments Accounted For Using The Equity Method

The profit or loss from investments accounted for using the equity method amounts to €9 thousand (2006/07: €4 thousand) and includes the pro rata share in the profit or loss of the associate MOBOTIX AG, Freienbach, Switzerland.

### (10) Net Interest Income Or Expense

Interest and similar income primarily includes interest income from demand deposits and short-term time deposits at banks as well as income from a granted loan.

	Jul. 01, 2007 - Jun. 30, 2008 EUR '000s	Jul. 01, 2006 - Jun. 30, 2007 EUR '000s
Interest on borrowings	-255	-165
Other	-2	0
<b>Interest expenses</b>	<b>-256</b>	<b>-165</b>
Interest income from banks	329	23
Other interest income	15	0
<b>Interest income</b>	<b>344</b>	<b>23</b>
<b>Net interest income or expense</b>	<b>88</b>	<b>-142</b>

Interest expenses arise, among other things, from the loans taken out for the new construction of the production and administrative building as well as for other existing loans. Interest on loans and the other interest items can be allocated to financial assets and financial liabilities of the "loans and receivables" category.

### (11) Income Taxes

As a result of the German Corporate Tax Reform Act 2008, which was adopted by the Bundesrat (the Upper House of the German

Parliament), on July 6, 2007, German tax rates have changed considerably since the beginning of the year 2008. The corporation tax rate was reduced from 25% to 15%, and the municipal trade tax rate of assessment was reduced from a maximum of 5% to a uniform rate of 3.5%. In turn, the municipal trade tax is no longer tax-deductible as business expenses. The solidarity surcharge continues to amount to 5.5% of the corporation tax. These measures resulted in a reduction of the Group's tax rate from 38.86% to 29.96%.

The following table shows the reconciliation of the income taxes derived from profit before tax to income taxes reported in the financial statements:

<b>Tax reconciliation</b>	<b>Jul. 01, 2007 - Jun. 30, 2008 EUR '000s</b>	<b>Jul. 01, 2006 - Jun. 30, 2007 EUR '000s</b>
<b>Profit before tax</b>	<b>7,096</b>	<b>3,742</b>
Income taxes derived from profit before tax	2,104	1,454
Loss carryforwards not capitalized	54	57
Other non tax-deductible expenses	31	14
Differences to the Group tax rate	-13	1
Taxes from previous years	-32	-7
Adjustment resulting tax rate changes	14	0
Other non tax-effective income	0	-2
Other	14	-18
<b>Reported income taxes</b>	<b>2,172</b>	<b>1,499</b>

Income taxes can be broken down as follows:

	<b>Jul. 01, 2007 - Jun. 30, 2008 EUR '000s</b>	<b>Jul. 01, 2006 - Jun. 30, 2007 EUR '000s</b>
Current taxes	1,738	1,496
Deferred taxes	466	10
Taxes from previous years	-32	-7
<b>Total</b>	<b>2,172</b>	<b>1,499</b>

In accordance with IAS 12 "Income Taxes," deferred taxes were recognized on temporary differences between the IFRS balance sheet and the tax base as well as on tax loss carryforwards.

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The amount reported for deferred tax assets and liabilities by balance sheet items as of June 30 are as follows:

	Deferred tax assets EUR '000s		Deferred tax liabilities EUR '000s	
	Jun. 30, 2008	Jun. 30, 2007	Jun. 30, 2008	Jun. 30, 2007
Development costs	0	0	227	0
Property plant and equipment	4	3	0	0
Inventories	80	128	33	5
Trade receivables	0	13	12	9
Other assets	0	0	0	63
Promotional loans	5	0	0	0
Provisions	0	11	31	28
<b>Total deferred taxes on temporary differences</b>	<b>89</b>	<b>155</b>	<b>303</b>	<b>105</b>
Offset	-9	-42	-9	-42
<b>Amount reported on the balance sheet</b>	<b>80</b>	<b>113</b>	<b>294</b>	<b>63</b>

In the past years, MOBOTIX CORP generated tax losses. Due to the Company's history of losses, we have not recognized deferred taxes on the existing tax loss carryforwards, which amount to €763 thousand (June 30, 2007: €620 thousand).

## (12) Earnings Per Share

Earnings per share are calculated by dividing the profit for the year attributable to shareholders of MOBOTIX AG by the weighted number of shares outstanding.

On October 10, 2007, MOBOTIX AG carried out an initial public offering of its shares, which were listed on the Open Market (Entry Standard) of the Frankfurt Stock Exchange. The rights issue carried out in this context led to an increase in the number of shares by 610,000.

In the fiscal year 2006/07, the Company conducted a capital increase from reserves, by which the number of shares doubled without the Company receiving new capital. For this reason, the share split was taken into account retrospectively in the determination of earnings per share in accordance with the provisions of IAS 33 "Earnings per Share."

There is no dilutive effect on earnings at MOBOTIX AG.

	<b>2007/08</b> <b>EUR '000s</b>	<b>2006/07</b> <b>EUR '000s</b>
Profit attributable to shareholders of MOBOTIX AG (in EUR '000s)	4,924	2,243
Number of shares outstanding as of July 1 (in thousand)	3,814	1,382
Number of shares outstanding as of June 30 (in thousand)	4,424	3,814
Weighted average of shares taking into account retrospectively the effects of the share split in 2006/07 (in thousand)	4,256	3,557
<b>Basic / diluted earnings per share (in EUR)</b>	<b>1.16</b>	<b>0.63</b>

**Profit for the Year**  
**€ 4.9m (13.3%)**

**Earning per share**  
**€ 1.16**

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### 6. Notes To The Balance Sheet

#### (13) Intangible Assets And Property, Plant And Equipment

The following table shows the changes of the individual items of non-current assets based on total cost.

EUR '000s	Balance as of Jul. 01, 2007	Additions	Disposals	Reclassi- fications	Exchange differences	Balance as of Jun. 30, 2008
<b>Cost</b>						
Development costs	0	847	0	0	0	847
Software and industrial property rights	611	128	0	0	0	739
<b>Total intangible assets</b>	<b>611</b>	<b>975</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,586</b>
Land and buildings on third-party land	1,526	59	0	1	0	1,586
Machinery	3,192	307	10	376	0	3,865
Other plant and equipment	1,451	293	17	48	-9	1,766
Advance payments and construction in progress	621	5,881	0	-425	0	6,077
<b>Total property, plant and equipment</b>	<b>6,790</b>	<b>6,540</b>	<b>27</b>	<b>0</b>	<b>-9</b>	<b>13,294</b>
<b>Accumulated amortization, depreciation and impairment</b>						
Development costs	0	81	0	0	0	81
Software and industrial property rights	372	140	0	0	0	512
<b>Total intangible assets</b>	<b>372</b>	<b>221</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>593</b>
Land and buildings on third-party land	200	44	0	0	0	244
Machinery	1,453	601	8	0	0	2,046
Other plant and equipment	674	248	0	0	-5	917
Advance payments and construction in progress	0	104	0	0	0	104
<b>Total property, plant and equipment</b>	<b>2,327</b>	<b>998</b>	<b>8</b>	<b>0</b>	<b>-5</b>	<b>3,311</b>
<b>Net carrying amounts</b>						
Development costs	0					766
Software and industrial property rights	239					227
<b>Total intangible assets</b>	<b>239</b>					<b>993</b>
Land and buildings on third-party land	1,326					1,342
Machinery	1,739					1,819
Other plant and equipment	777					849
Advance payments and construction in progress	621					5,973
<b>Total property, plant and equipment</b>	<b>4,463</b>					<b>9,983</b>

EUR '000s	Balance as of Jul. 01, 2006	Additions	Disposals	Reclassi- fications	Exchange diffe- rences	Balance as of Jun. 30, 2007
<b>Cost</b>						
Software and industrial property rights	514	98	0	0	0	611
<b>Total intangible assets</b>	<b>514</b>	<b>98</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>611</b>
Land and buildings on third-party land	434	1,093	0	0	0	1,526
Machinery	2,066	724	-5	408	0	3,192
Other plant and equipment	955	405	-24	118	-4	1,450
Advance payments and construction in progress	242	906	0	-526	0	621
<b>Total property, plant and equipment</b>	<b>3,696</b>	<b>3,127</b>	<b>-29</b>	<b>0</b>	<b>-4</b>	<b>6,790</b>
<b>Accumulated amortization, depreciation and impairment</b>						
Software and industrial property rights	244	128	0	0	0	372
<b>Total intangible assets</b>	<b>244</b>	<b>128</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>372</b>
Land and buildings on third-party land	159	42	0	0	0	200
Machinery	1,032	425	-5	0	0	1,453
Other plant and equipment	536	144	-4	0	-2	674
Advance payments and construction in progress	0	0	0	0	0	0
<b>Total property, plant and equipment</b>	<b>1,727</b>	<b>610</b>	<b>-9</b>	<b>0</b>	<b>-2</b>	<b>2,327</b>
<b>Net carrying amounts</b>						
Software and industrial property rights	270					239
<b>Total intangible assets</b>	<b>270</b>					<b>239</b>
Land and buildings on third-party land	275					1,326
Machinery	1,034					1,739
Other plant and equipment	418					776
Advance payments and construction in progress	242					621
<b>Total property, plant and equipment</b>	<b>1,969</b>					<b>4,463</b>

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### **Intangible Assets**

In the fiscal year 2007/08, expenses for research and development amounted to €3,335 thousand (prior year: €2,482 thousand), of which development costs for camera housings, electronics and software projects in the amount of €847 thousand (prior year: €0 thousand) were capitalized for the first time. The capitalized development costs comprise all costs directly attributable to the development process. Two of the development projects that meet the criteria of IAS 38 "Intangible Assets" were completed at the end of December 2007 and were transferred to production at the beginning of January 2008. They are amortized over a useful life of three years from that date. In the fiscal year 2007/2008, this resulted in amortization expenses in the amount of €19 thousand. As of June 30, 2008, the Company recognized an impairment loss amounting to €62 thousand due to the discontinuation of a development project, which was capitalized for the first time as of December 31, 2007.

### **Property, Plant And Equipment**

The item "land and buildings on third-party land" includes extensions of office and production space at the Company's site in Kaiserslautern. In the past fiscal year, the Company purchased land to be used for the construction of the new company site.

The item "machinery" mainly includes capitalized costs for tools. The tools are located at the Company's suppliers. In addition, the item comprises in particular IT equipment, electronic laboratory appliances, testing equipment, and production facilities.

The item "operating and office equipment" primarily consists of fittings for trade fairs, furniture and fixtures as well as operating equipment and production facilities.

The additions to property, plant and equipment mainly relate to the construction of the new production building. The total investment volume of this project, which is scheduled to be completed in December 2008, amounts to €14 million. Depreciation and impairment of property, plant and equipment includes impairment losses related to tools no longer used in the amount of €104 thousand (2006/2007: €0 thousand).

#### (14) Investments Accounted For Using The Equity Method

Investments accounted for using the equity method amounted to €32 thousand (June 30, 2007: €25 thousand) and consist of the shareholding in the associate MOBOTIX AG, Freienbach, Switzerland.

The financial indicators of the company accounted for using the equity method as of the balance sheet date are as follows:

	<b>2007/08</b>	<b>2006/07</b>
	<b>EUR '000s</b>	<b>EUR '000s</b>
<b>MOBOTIX AG, Freienbach, CH</b>		
Revenue	927	682
Net profit for the year	18	8

	<b>June 30, 2008</b>	<b>June 30, 2007</b>
	<b>EUR '000s</b>	<b>EUR '000s</b>
<b>MOBOTIX AG, Freienbach, CH</b>		
Non-current assets	17	30
Liabilities	237	130

#### (15) Inventories

Inventories are composed of the following:

	<b>Jun. 30, 2008</b>	<b>Jun. 30, 2007</b>
	<b>EUR '000s</b>	<b>EUR '000s</b>
Raw materials and supplies	1,785	1,860
Finished goods	1,453	1,151
Work in progress	1,139	721
Advance payments	26	13
<b>Total</b>	<b>4,402</b>	<b>3,745</b>

The inventories of raw materials and supplies consist of products that were purchased from other companies and integrated into the Company's own products or further processed otherwise, i.e. in particular printed circuit boards, housings, and sensors.

Work in progress relates to the inventory of pre-fabricated components and cameras in production as of the balance sheet date.

Finished goods mainly relate to finished cameras and accessories.

In the fiscal year 2007/2008, the Company recognized write-downs to the lower net realizable value for the first time.

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The carrying amount of inventories shown at net realizable value is €110 thousand. Write-downs to net realizable value amounted to €518 thousand, of which €308 thousand related to raw materials and supplies and €210 thousand to finished goods and products.

### (16) Trade Receivables

The default risk associated with trade receivables is monitored and limited by the management based on clearly defined requirements. Valuation allowances, which are based on the individual default risk, existed in the amount of €53 thousand (June 30, 2007: €56 thousand).

As in the previous years, all trade receivables had terms of less than one year. The market values of trade receivables largely correspond to their carrying amounts.

Trade receivables include receivables from the associate MOBOTIX AG, Freienbach, Switzerland, totaling €189 thousand (June 30, 2007: €121 thousand).

	Jun. 30, 2008 EUR '000s	Jun. 30, 2007 EUR '000s
Trade receivables, gross	4,730	3,035
Specific valuation allowances	-53	-56
<b>Total</b>	<b>4,677</b>	<b>2,979</b>

The balance of the specific valuation allowances changed as follows in the fiscal years 2007/2008 and 2006/2007:

	Specific valuation allowances EUR '000s
<b>Balance at July 1, 2006</b>	<b>31</b>
Exchange differences	-1
Reversals	-2
Utilization	-2
Additions	30
<b>Balance as of June 30, 2007 / July 1, 2007</b>	<b>56</b>
Exchange differences	-1
Reversals	-32
Utilization	-7
Additions	37
<b>Balance as of June 30, 2008</b>	<b>53</b>

As of June 30, 2007 and 2008, the maturity structure of trade receivables and receivables from associates was as follows:

**Trade receivables /  
receivables from associates**

	Jun. 30, 2008 EUR '000s	Jun. 30, 2007 EUR '000s
<b>Carrying amount</b>	<b>4,677</b>	<b>2,979</b>
neither impaired nor past due	3,633	2,556
not impaired, past due in the following time bands		
< 31 days	750	356
31-90 days	276	37
91-180 days	18	30
>181 days	0	0
Receivables subject to impairment (gross)	60	65

No circumstances exist that suggest that trade receivables that are neither impaired nor past due and trade receivables that are not impaired but past due will not be paid as contractually agreed by the relevant debtors. Specific valuation allowances are recognized after a detailed analysis of individual cases based on the customer's creditworthiness.

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### (17) Other Assets

Other assets are composed of the following:

	Jun. 30, 2008 EUR '000s	Jun. 30, 2007 EUR '000s
Other securities (other money market investments)	1,499	0
Receivables from shareholders	430	0
VAT receivables	125	100
Receivables from employees	6	58
Creditors with debit balances	10	23
Rent deposits	49	23
Miscellaneous	181	168
<b>Total</b>	<b>2,301</b>	<b>371</b>

As in the previous years, all other assets had terms of less than one year. The market value of the other assets corresponds to their carrying amount.

### (18) Cash And Cash Equivalents

Cash includes cash on hand, balances with banks, and term deposits with a maturity of less than three months.

	Jun. 30, 2008 EUR '000s	Jun. 30, 2007 EUR '000s
Cash on hand	6	12
Bank balances	3,149	1,340
Term deposits	7,320	0
<b>Total</b>	<b>10,475</b>	<b>1,352</b>

### (19) Prepaid expenses

Prepaid expenses primarily include accrued expenses for prepaid rent and special lease payments.

	Jun. 30, 2008 EUR '000s	Jun. 30, 2007 EUR '000s
Prepaid rent for production building	151	187
Vacation pay	0	91
Trade fair costs	120	22
Other	165	84
<b>Total</b>	<b>436</b>	<b>384</b>

The prepaid rent for the production building is reported on an accrual basis and is divided into a long-term and a short-term portion.

### (20) Equity

**Subscribed capital** corresponds to the share capital of MOBOTIX AG as of the relevant balance sheet date. On October 10, 2007, MOBOTIX AG carried out an initial public offering of its shares, which were listed on the Open Market (Entry Standard) of the Frankfurt Stock Exchange. In connection with this initial

public offering, the Company issued a total of 950,981 shares at a price of €15.50 per share. 610,000 shares of the total number were used for a capital increase. Accordingly, MOBOTIX AG increased its share capital by €610 thousand. In connection with the initial public offering, the preferred shares were exchanged against common shares.

As of the balance sheet date, the Company had 4,423,814 common shares (June 30, 2007: 3,330,178) and no preferred shares (June 30, 2007: 483,636) in issue. The no parvalue shares have a proportional interest in the share capital of €1.00 per share. The share capital is fully paid in.

The Management Board is authorized, subject to the consent of the Supervisory Board, to increase the Company's share capital on one or more occasions between January 1, 2008 and November 30, 2011 by up to a total of €1,273 thousand by issuing up to 1,272,544 new no-par value bearer shares against cash contributions or contributions in kind (authorized capital).

The **capital reserve** consists of share premiums of various capital increases. In the context of the initial public offering on October 10, 2007, a share premium of €8,845 thousand was transferred to the capital reserve. In turn, the capital reserve

was reduced by the costs of the capital increase (€429 thousand).

**Accumulated other comprehensive income** includes the differences from currency translation recognized directly in equity.

The **profit or loss carried forward** comprises the accrued, retained profits. In the prior years, this item included the losses accumulated during the start-up phase.

In September 2007, dividends amounting to €839 thousand were paid out. This corresponds to a dividend of EUR 0.22 per share.

### Capital Management

Capital management at the MOBOTIX Group focuses on long-term capital appreciation for the benefit of shareholders, employees, and customers. The main objective of this approach is to generate high profitability and high growth rates. Capital management also focuses on the participation of shareholders in the successful development of the company by using an appropriate dividend policy.

MOBOTIX AG is not subject to statutory capital requirements.

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### (21) Tax Provisions

The tax provisions in the amount of €2,453 thousand (June 30, 2007: €1,661 thousand) include provisions for municipal trade tax, corporation tax and solidarity surcharge for the years 2007 and 2008.

### (22) Other Provisions

EUR '000s	Balance as of June 30, 2007	Utilization	Additions	Balance as of June 30, 2008
Product returns	80	80	0	0
Warranties	55	45	68	78
Miscellaneous	26	10	29	45
<b>Other provisions</b>	<b>161</b>	<b>135</b>	<b>97</b>	<b>123</b>

In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets," provisions are recognized for legal and constructive obligations as a result of past events when the outflow of resources required to settle the obligation is probable and can be reliably estimated.

Provisions for warranties are recognized for warranty obligations specified by law in connection with the Company's products. Recognition of provisions for warranties is based on historical experience. We expect utilization of the provisions for warranties to occur within the next two years according to the legal warranty obligations. Starting in

fiscal year 2007/2008, the credits to be issued due to expected product returns are already offset against trade receivables as of the balance sheet date.

### (23) Financial Liabilities

The liabilities to banks have the following terms to maturity:

Donnersberg in the amount of €845 thousand has a term of 20 years and is intended to be used for the purchase of land

EUR '000s	Balance as of June 30, 2008	Due within 1 year	Due between 1 and 5 years	Due after more than 5 years
Loan from Deutsche Bank	4,022	489	1,800	1,733
Loan from Commerzbank	2,000	0	2,000	0
Loan from Sparkasse Donnersberg	845	0	0	845
Loan from Kreissparkasse Kaiserslautern	200	100	100	0
<b>Total</b>	<b>7,067</b>	<b>589</b>	<b>3,900</b>	<b>2,578</b>

EUR '000s	Balance as of June 30, 2007	Due within 1 year	Due between 1 and 5 years	Due after more than 5 years
Loan from Commerzbank	2,000	0	2,000	0
Loan from Sparkasse Donnersberg	119	119	0	0
Building loan from Sparkasse Donnersberg	736	736	0	0
Loan from Kreissparkasse Kaiserslautern	400	100	300	0
<b>Total</b>	<b>3,255</b>	<b>955</b>	<b>2,300</b>	<b>0</b>

The term of the Commerzbank loan ends on December 15, 2010 and bears interest at the rate of 5.65% per annum.

The redemption payments for the loan from Kreissparkasse Kaiserslautern amount to €100 thousand per year. The loan bears interest at the rate of 5.4% per annum.

In fiscal year 2007/08, the Company took out three new loans. The loan from Sparkasse

for the new company site. The loan bears interest at the rate of 5.5% per annum.

The loans from Investitions- und Strukturbank (ISB) Rheinland-Pfalz GmbH in the amount of €2,000 thousand and from KfW Bankengruppe (KfW) in the amount of €2,500 thousand, both of which were extended by Deutsche Bank, have a term of ten years each and are intended to be used to finance

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the construction of the new production building. The loans are promotional loans and bear effective interest rates of 4.19% (ISB) and 4.55% (KfW), respectively. In order to determine the fair value of the loans, we used a reference interest rate of 5.5% for discounting purposes. The promotional contributions included in the loans in the amount of €258 thousand were offset against property, plant and equipment.

The loan from Investitions- und Strukturbank (ISB) Rheinland-Pfalz GmbH and the loan

from KfW Bankengruppe (KfW) as well as the loan from Sparkasse Donnersberg are secured by way of registered land charges on the production and administrative building in Winnweiler, Germany. The registered land charges had not been registered in the land registry as of the balance sheet date. The carrying amount of the collateral property amounts to €7,146 thousand as of the balance sheet date.

The fair value of the liabilities to banks largely corresponds to their carrying amount.

The following table shows the contractually agreed (undiscounted) interest and principal payments of non-derivative financial liabilities:

	Carrying amount June 30, 2008	Cashflow							
		2009		2010-2012		2013-2017		2018 ff.	
	EUR'000s	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal
Non-current liabilities to banks	6,478	308	0	675	3,450	509	2,250	482	1,195
Current liabilities to banks	589	13	589						
Trade payables	1,905		1,905						
Other financial liabilities	902		902						

	Carrying amount June 30, 2007	Cashflows							
		2008		2009-2011		2012-2016		2017 and later	
	EUR'000s	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal
Non-current liabilities to banks	2,300	113	0	287	2,300	0	0	0	0
Current liabilities to banks	955	26	955						
Trade payables	1,905		1,905						
Other financial liabilities	480		480						

The following table shows the classification of the individual assets and liabilities pursuant to the measurement categories in accordance with IAS 39 and the classes in accordance with IFRS 7:

	Measurement category in accordance with IAS 39	Carrying amount as of June 30, 2008	Class in accordance with IFRS 7
<b>Asset</b>			
Cash and cash equivalents	n.a.	10,475	Cash
Trade receivables	LaR	4,677	Trade receivables
Other financial assets			
Loans to shareholders	LaR	430	Other financial assets
Securities	LaR	1,499	Other financial assets
Miscellaneous financial assets	LaR	41	Other financial assets
<b>Liabilities</b>			
Non-current liabilities to banks	LaR	6,478	Liabilities to banks
Current liabilities to banks	LaR	589	Liabilities to banks
Trade payables	LaR	1,905	Trade payables
<b>Other financial liabilities</b>			
Liabilities from wages and salaries	LaR	1,109	Other financial liabilities
Miscellaneous other financial liabilities	LaR	116	Other financial liabilities

*LaR: loans and receivables*

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	Measurement category in accordance with IAS 39	Carrying amount as of June 30, 2007	Class in accordance with IFRS 7
<b>Asset</b>			
Cash and cash equivalents	n.a.	1,352	Cash
Trade receivables	LaR	2,979	Trade receivables
Other financial assets	LaR	28	
<b>Liabilities</b>			
Non-current liabilities to banks	LaR	2,300	Liabilities to banks
Current liabilities to banks	LaR	955	Liabilities to banks
Trade payables	LaR	620	Trade payables
<b>Other financial liabilities</b>			
Liabilities from wages and salaries	LaR	578	Other financial liabilities
Miscellaneous other financial liabilities	LaR	294	Other financial liabilities

*LaR: loans and receivables*

The fair values of cash, trade receivables, trade payables as well as other financial assets and liabilities correspond to their carrying amounts. The maximum exposure to credit risk corresponds to the carrying amounts. The measurement of trade receivables led to a net loss of €5 thousand in the "loans and receivables" category.

### Management Of Financial Risks

The MOBOTIX Group is subject to various financial risks as a result of its business model. The control and limitation of these risks is ensured through risk management, which pursues a central currency and liquidity management approach. The main financial decisions are directly made by the Management Board.

Financial risks mainly consist of currency risks, liquidity risks, interest rate risks, and credit risks.

Liquidity management is based on short-term rolling liquidity forecasts as well as on medium and long-term integrated planning of results of operations, net assets, and financial position. In view of the large liquidity position and the high creditworthiness of the Group, there are currently no material liquidity risks. Excess liquidity is invested in risk-free, fixed-income financial instruments, especially overnight deposits and commercial paper. Financings directly connected with the financing of the location are collateralized through land charges. There is no further collateral provided for existing financial liabilities.

Invoices are denominated in EUR, with the exception of product sales in the U.S. This means that the currency risk is directly borne by the customers of MOBOTIX AG and does not lead to exchange losses at MOBOTIX AG. Accordingly, currency risks exist primarily in connection with the U.S. operations. Currency risks are hedged, in some cases due to in essence closed positions, where values or cash flows from receivables from MOBOTIX CORP and from the purchase of goods in the U.S. dollar zone match in terms of timing and amount. However, the positive cash flow from U.S. operations currently exceeds the purchase requirements of MOBOTIX AG in the U.S. dollar zone as a

result of the positive business trend in the U.S. We have not yet decided to use derivatives for reasons of volume.

The interest rate risk to which MOBOTIX AG is exposed is currently insignificant. Fixed interest rates were agreed for the existing borrowings. Further borrowings in connection with the new company site will be agreed at favorable financing terms on a short-term basis. The weighted average nominal interest rate of the borrowings is 4.4% (June 30, 2007: 5.7%).

The credit risk of non-derivative financial instruments is managed through an active receivables management, including dunning and collection processes. Credit terms are granted according to uniform guidelines applicable throughout the Group on a very restrictive basis, taking into account appropriate assessments of the relevant customers' creditworthiness. New customers in foreign countries are generally required to make advance payments for their first orders.

# Consolidated Financial Statements

## Notes ...

### Trade Payables

As in the previous years, trade payables had terms of less than one year.

The market values of trade payables largely correspond to their carrying amounts.

### (24) Other liabilities

EUR '000s	Jun. 30, 2008	Jun. 30, 2007
Liabilities from wages and salaries	510	391
Bonuses and commissions	599	187
Liabilities from wage and church tax	5	153
Debtors with credit balances	76	42
Remuneration of the Supervisory Board	40	26
Liabilities for social security	70	11
Advance payments received	19	1
Miscellaneous	187	225
<b>Total</b>	<b>1,506</b>	<b>1,036</b>

As in the previous years, the other liabilities had terms of less than one year.

The market value of the other liabilities largely corresponds to their carrying amount.



**MOBOTIX**  
**WOROLIX** ©2011

# Consolidated Financial Statements

## Notes ...

### 7. Other Disclosures

#### Contingencies

As in the previous year, there were no contingencies in the year under review.

#### Other Financial Obligations

The other financial obligations relate to purchase obligations under supply agreements (June 30, 2008: €4,185 thousand; June 30, 2007: €3,434 thousand), obligations from rental and lease agreements (June 30, 2008: €1,610 thousand; June 30, 2007: €1,891 thousand), and the general contractor agreement in connection with the new construction of the administrative and production building in Winnweiler (June 30, 2008: €6,065 thousand; June 30, 2007: €0 thousand).

The agreements have terms of up to nine years and are partly subject to renewal options. The main portion (June 30, 2008: €1,264 thousand; June 30, 2007: €1,445 thousand) of the other financial obligations results from the lease in relation to the production building at Luxemburger Strasse 6 in Kaiserslautern. The minimum term of the lease agreement expires on May 1, 2016. The vehicle leases include mileage-based contingent rents.

Within the framework of the rental and lease agreements, payments in the amount of

€579 thousand (2006/07: €487 thousand) were recognized as an expense in the fiscal year under review. Contingent rents did not have to be paid in the year under review.

The sum of future minimum lease payments from non-cancelable rental agreements and operating leases by maturity is as follows:

	30.6.08 EUR '000s	30.6.07 EUR '000s
<b>Maturity</b>		
up to 1 year	442	357
from 1 year to 5 years	804	834
more than 5 years	364	699
<b>Total</b>	<b>1,610</b>	<b>1,890</b>

#### Auditor's Fees

The following expenses were incurred for the auditors of MOBOTIX AG, KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, in accordance with section 314 (1) number 9 of the German Commercial Code:

	2007/08 EUR '000s	2006/07 EUR '000s
<b>Audit of financial statements</b>		
From provisions	45	25
<b>Other audit services</b>		
Invoiced	187	12
From provisions	0	62
<b>Total</b>	<b>232</b>	<b>99</b>

### Related Party Disclosures

In accordance with IAS 24 "Related party disclosures," relations with persons or companies that control MOBOTIX AG or are subject to control by MOBOTIX AG have to be disclosed unless such parties are already included in the consolidated financial statements as a consolidated company. Control is deemed to exist when a shareholder holds more than one half of the voting power of MOBOTIX AG or has the power to direct, by statute or agreement, the financial and operating policies of the management of MOBOTIX AG or its subsidiaries.

Disclosure is also required, in accordance with IAS 24 "Related party disclosures," of transactions with associates as well as transactions with persons who exercise significant influence over MOBOTIX AG or its subsidiaries in making financial and operating decisions, including close family members or intermediate companies. Significant influence over the financial and operating policies of MOBOTIX AG may result from a shareholding in MOBOTIX AG of 20% or more, or from the membership in the Management Board or Supervisory Board of MOBOTIX AG or in the executive boards of one of its subsidiaries.

Dr. Ralf Hinkel, Chairman of the Management Board and shareholder, and the Company as tenant signed a rental agreement for office and warehouse premises in Höringen, Germany on July 30, 1999. The tenancy began on July 1, 1999. The agreement was concluded with an indefinite term and may be terminated upon three months' notice to the end of the month. The annual gross rent (not including utilities, service costs, etc.) amounts to €30 thousand. On June 24, 2008, Dr. Hinkel was granted a loan in the amount of €430 thousand. The term of the loan ends on June 29, 2009 and bears interest at the rate of 6.45% per annum.

Ulrich Putsch is a member of the Supervisory Board and, at the same time, shareholder of Putsch GmbH & Co. KG, which has concluded a rental agreement with MOBOTIX AG as the tenant for warehouse space in Kaiserslautern via KEIPER GmbH & Co. KG. The tenancy began on January 1, 2007 and was initially concluded for a period of twelve months. The agreement may be terminated upon one month's notice to the end of the month. The annual gross rent (not including utilities, service costs, etc.) amounts to €40 thousand.

# Consolidated Financial Statements

## Notes ...

Revenue in a total amount of €628 thousand (2006/2007: €483 thousand) was generated from the sale of finished goods to the associate MOBOTIX AG, Freienbach, Switzerland. These transactions resulted in receivables from MOBOTIX AG, Freienbach, Switzerland, of €189 thousand as of June 30, 2008 (June 30, 2007: €121 thousand). The payment terms are in line with the usual payment terms applicable for transactions with third parties. The receivables are settled through payment of cash.

MOBOTIX AG has not entered into any further material transactions with persons or companies that exercise a significant influence over the Company in making financial and operating decisions, including their close family members.

All related party transactions, without exception, can be allocated to the Company's ordinary activities.

### Shareholdings Of Members Of Executive Bodies

	Number of shares held on June 30, 2008	Share in subscribed capital in %
<b>Management Board</b>		
Dr. Ralf Hinkel (CEO)	2,218,134	50.14
Lutz Coelen (CFO)	14,200	0.32
Horst Pfiffi (CTO)	17,210	0.39
<b>Supervisory Board</b>		
Dr. Thomas Hoch (Chairman)	1,000	0.02
Prof. Dr. Gerten	20,000	0.45
Ulrich Putsch	0	0.00

Ulrich Putsch is a family member related to the shareholder Andreas Putsch, who holds approx. 9.91% of the share capital of MOBOTIX AG.

### Remuneration Of The Members Of The Supervisory Board

Each member of the Supervisory Board receives a fixed annual remuneration of €10 thousand for its board activities. The Chairman of the Supervisory Board receives twice this amount.

### Remuneration of the members of the Management Board

The remuneration of the members of the Management Board amounted to €1,227 thousand (2006/2007: €586 thousand). Remuneration to the Management Board members exclusively relates to short-term benefits and consists of the following:

EUR '000s	Fixed	Variable	Total
<b>Remuneration of the Management Board 2007/2008</b>			
Dr. Ralf Hinkel	283	254	537
Lutz Coelen	123	80	203
Horst Pfiffi	107	80	187
<b>Total</b>	<b>513</b>	<b>414</b>	<b>927</b>
<b>Remuneration of the Management Board 2006/2007</b>			
Dr. Ralf Hinkel	181	60	241
Lutz Coelen	135	45	180
Horst Pfiffi	114	51	165
<b>Total</b>	<b>430</b>	<b>156</b>	<b>586</b>

In the fiscal year 2007/2008, Lutz Coelen received a one-off variable remuneration in the amount of €300 thousand in addition to the remuneration components described above.

The bonus for one fiscal year will be paid only in the following fiscal year upon the approval of the financial statements for the past fiscal year. The bonus for the fiscal year 2007/08 is

expected to amount to €400 thousand. Bonuses paid for the previous year amounted to €156 thousand.

In the case of disability due to ill health or accident, the remuneration of the members of the Management Board will continue to be paid for a period of six months unless the employment contract ends earlier.

# Consolidated Financial Statements

## Notes ...

Furthermore, the members of the Management Board will be provided with an upper class car that is appropriate for their position and which may be used for both private and business purposes. The Management Board members shall pay taxes incurred for the non-cash benefits from the private use of the company car. The company car has to be returned to the Company upon the end of the relevant employment contract.

In addition, the Company has taken out accident insurance policies for each member of the Management Board for the period of the employment contracts to cover occupational and private accidents. The amount covered for Mr. Coelen and Mr. Pfiffi is €250,000 each and for Dr. Hinkel €2.5 million. The sum payable upon death amounts to €500,000 each for Mr. Coelen and Mr. Pfiffi, and €2.5 million for Dr. Hinkel. Either the relevant member of the Management Board or the legal heirs are entitled to the insurance benefits. The Company also has taken out a D&O (directors' and officers' liability insurance) policy for the members of its Management Board, though without a deductible. Any wage taxes payable for the insurance premiums are paid by the relevant members of the Management Board.

### Corporate Governance Code

The Declaration of Compliance, as required by section 161 of the Stock Corporation Act, was issued by the Management Board and the Supervisory Board for the fiscal year 2007/2008 with respect to the period starting on the date of the transfer from the Open Market (Entry Standard) to the Regulated Market (Prime Standard) of the Frankfurt Stock Exchange. A summary of the Company's corporate governance practices can be found in the annual report and on the website ([www.mobotix.com](http://www.mobotix.com)). The declaration of compliance has been made permanently available on the Company's website (in German only).

### Notes To The Cash Flow Statement

The cash flow statement was prepared in accordance with IAS 7 "Cash Flow Statements." The cash flows from operating activities, investing activities, and financing activities are stated separately. The cash flows from investing activities and financing activities are determined on the basis of payments, while the cash flows from operating activities are derived using the indirect method. Cash and cash equivalents include balances with banks and cash on hand. Cash and cash equivalents are not subject to any restrictions.

## Segment Report For The Period From July 1, 2007 To June 30, 2008

Revenue by product line is broken down as follows:

<b>Revenue EUR '000s</b>	<b>Jul. 01, 2007 - Jun. 30, 2008</b>	<b>Jul. 01, 2006 - Jun. 30, 2007</b>
Fixed Cams	21,966	16,375
Dome Cams	11,549	5,627
Other	1,798	1,601
<b>Total</b>	<b>35,313</b>	<b>23,602</b>

Revenue by region is broken down as follows:

<b>Revenue EUR '000s</b>	<b>Jul. 01, 2007 - Jun. 30, 2008</b>	<b>Jul. 01, 2006 - Jun. 30, 2007</b>
Germany	13,316	10,441
Rest of Europe	14,087	8,734
Other	7,911	4,427
<b>Total</b>	<b>35,313</b>	<b>23,602</b>

In accordance with IFRS 8 "Operating Segments," the definition of the segments is based on the Company's internal reporting structure. At MOBOTIX AG, these segments are primarily defined by region, but also by product category. The regions represent the basis for corporate planning and allocation of resources.

The presentation of the segment report was adjusted compared to the consolidated financial statements of MOBOTIX AG as of

June 30, 2007 due to the change of internal control. Internal control is now based on product categories rather than on individual product lines.

The control of the MOBOTIX Group is based on revenue in view of the individual segments due to the internal structures and the size of the Company. Profitability ratios and performance-based statements are only made on the level of the entire company.

# Consolidated Financial Statements

## Notes ...

The Company's product categories are broken down as detailed below:

### Fixed Cams

The fixed cams category includes the M12, M22 and V12 models.

The M12 is usually equipped with two image sensors and a passive infrared sensor. This camera series also comes with a microphone and a speaker for audio communication. If there is no DSL connection, the M12 can be easily connected to the internet via its integrated ISDN connection that can be used to transmit data over the internet and to forward voice messages and alarm alerts, for example, to telephones. IP telephony based on the VoIP SIP standard is also available directly from the camera. Various camera modules can be used so that a wide-angle lens can be combined with a telephoto lens. The M12 Day/Night model is equipped with a light-sensitive black-and-white sensor for use at night and a color sensor that provides

sharp color images in daylight. Switching between lenses is purely electronic without need of mechanical parts.

The M22 is the mono version of the M12 and, with the exception of the passive infrared sensor and ISDN connection, features all the functionality of the M12. Audio communication is also available via the integrated microphone and speaker. All telephony functionality is based on the VoIP SIP standard.

The V12 vandalism-protected camera has been specially designed for use in locations at a high risk of vandalism, such as prisons, and is encased in a housing made from 3mm-thick stainless steel. It is also protected by a 6mm-thick cover and is triangular in shape so that it can be mounted in the corner of a room and fixed in place using heavy-duty dowels. To illuminate the room when it is dark, the V12 is equipped with integrated, remote-controlled IR lighting via 20 infrared LEDs.



### Dome Cams

The dome cams category includes the D12, D22 and Q22 models. The D12 is a dome camera that features two manually adjustable modules. It is based on the same hardware as the M12, although unlike the M12, its camera modules can be individually

positioned in any direction when mounted. This makes it possible, for example, to position a wide-angle lens in one direction and a telephoto lens in another direction. If super-wide-angle lenses each covering a 90-degree horizontal viewing angle are used in both camera modules, the camera can monitor an area with a 180 degree panorama view. The software integrated into the camera enables the two generated images either to be shown separately or to be combined into a single image.

The D22 is a dome camera that features a manually adjustable module and offers all the software functionality of the other camera series. Although it is not equipped with an infrared sensor, microphone or speaker, these can be externally retrofitted. In locations with a high risk of vandalism, the already robust D22 models can be given extra protection in the form of the optional Vandalism Set, which includes a 3mm-thick polycarbonate dome and an additional stainless steel cover.

The Q22 model is an ultra-compact IP-Dome camera that features a 360° allround view. The camera line allows a hemispherical allround view for complete room coverage, digital, continuous zooming and panning as well as event-driven complete room

recording directly in the camera. In addition, the camera features all the software functionality of the other camera series. The speaker and microphone are integrated into the camera. The range of accessories includes, for example, a vandalism housing and an in-ceiling set.



MOBOTIX MonoDome D22

### Miscellaneous

MOBOTIX offers the appropriate accessories for all camera series to enable the cameras to be properly mounted and to protect their cables and leads. Various installation kits for mounting cameras on surfaces and walls or integrating them into suspended ceilings are supplied for each model. MOBOTIX AG also generates a small amount of revenue from training seminars.

Internal reports are submitted to the Management Board. Only revenue is reported for each product category and region. Intersegment revenue is not netted. No single customer generates more than 10% of total revenue.

# Consolidated Financial Statements

## Notes ...

### Executive Bodies

#### Management Board Of MOBOTIX AG, Kaiserslautern

Dr. Ralf Hinkel, Graduate in Computer Sciences, Höringen (Chairman, CEO)

Horst Pfiffi, Graduate Engineer, Queidersbach (CTO)

Lutz Coelen, Graduate in Business Administration, Herrsching am Ammersee (CFO, also responsible for sales)

#### Members Of The Supervisory Board Of MOBOTIX AG

Dr. Thomas Hoch, Graduate in Business Informatics, Executive, Dreieich-Sprendlingen (Chairman)

Ulrich Putsch, Graduate Engineer, Rockenhausen

Prof. Dr. Rainer Gerten, Graduate in Computer Sciences, Professor, Neuhofen

Ulrich Dörr, Sales Director, Mainz (until August 31, 2007)

Sabine Hinkel, Graduate in Business Administration, Head of Human Resources, Höringen (until August 31, 2007)

Dr. Hans Dieter Rompel, Graduate in Business Administration, Executive, Diez (until August 31, 2007)

### Significant Events After The Balance Sheet Date

A supplemental agreement to the general contractor agreement was concluded in July 2008. The purpose of this supplement is the extension of the construction project by additional space. The volume amounts to €1,295 thousand.

Kaiserslautern, August 24, 2008

The Management Board



Dr. Ralf Hinkel • CEO MOBOTIX AG



Lutz Coelen • CFO MOBOTIX AG



Horst Pfiffi • CTO MOBOTIX AG

# ... And Responsibility Statement

## Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

Kaiserslautern, August 24, 2008

The Management Board

A handwritten signature in blue ink, appearing to read 'Ralf Hinkel'.

Dr. Ralf Hinkel • CEO MOBOTIX AG

A handwritten signature in blue ink, appearing to read 'Lutz Coelen'.

Lutz Coelen • CFO MOBOTIX AG

A handwritten signature in blue ink, appearing to read 'Horst Pfiffi'.

Horst Pfiffi • CTO MOBOTIX AG

# Consolidated Financial Statements

## Independent Auditors' Report ...

We have audited the consolidated financial statements prepared by the MOBOTIX AG, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from 1 July 2007 to 30 June 2008. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB [Handelsgesetzbuch "German Commercial Code"] are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § [Article] 317 HGB [Handelsgesetzbuch „German Commercial Code"] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially

affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Saarbrücken, August 25, 2008

KPMG Deutsche Treuhand-Gesellschaft

Aktiengesellschaft

Wirtschaftsprüfungsgesellschaft

Geis-Sändig

Kiener

Wirtschaftsprüfer

Wirtschaftsprüfer

## Technical Glossary ...

CCD	Image Sensor Charged Coupled Device; a light sensitive hardware component
CIF	Common Intermediate Format, an image compression format
CMOS Image Sensor	Complementary Metal Oxide Semiconductor - a light sensitive hardware component
CPU	Central Processing Unit
DVR	Digital Video Recorder
Fixdome	Camera without any moving parts, inside a dome housing
HDTV	High Definition TV
HiRes	High Resolution
IP Network	Data network based on the internet protocol
IP Standard	Standardized network protocol
JPEG Format	A lossy image data format which reduces the file size by compressing the same or similar image content.
LAN	Local Area Network; local network
Control Center Computer	The computer at a central control center that enables the information supplied by the camera to be handled
Megapixel	Image size of more than 1 million pixels
MPEG Format	Video format for creating data steams for streaming images, defined by the Motion Picture Experts Group
SD Card	SD Memory Card (short for Secure Digital Memory Card) is a digital memory device that works according to the principle of flash memory, such as a USB card
TCP/IP Protocol	Transmission Control Protocol/Internet Protocol
Video Server	Central storage unit for video images or video streams
VoIP	Voice over IP; standard for voice transmission via IP networks

# ... And Financial glossary

EBITDA	Earnings before interest, taxes, depreciation and amortization.
EBITDA margin	EBITDA divided by total output multiplied by 100 (the higher the percentage, the higher the financial performance)
EBIT	Earnings before interest and taxes.
EBIT margin	EBIT divided by total output multiplied by 100 (the higher the percentage, the higher the financial performance)
Total output	Revenue plus/minus changes in inventories plus other own work capitalized
Gross profit	Total output less cost of materials
Corporate governance	Responsible corporate management and control aimed at long-term value creation
Dividend yield	Dividend divided by share price multiplied by 100
Equity-to-assets ratio	Equity as reported on the balance sheet divided by total assets multiplied by 100 (the higher the figure, the lower the debt-to-equity ratio)
Return on equity	Earnings after tax divided by equity multiplied by 100
Free float	Shares of a public listed company that are freely available to the investing public
Market capitalization	Number of shares multiplied by share price

# Disclaimer

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This financial report contains MOBOTIX AG statements and information which relate to future periods. Such future-oriented statements may be recognised from wording such as plan, expect, intend, endeavour, will, estimate, assume, aim at or similar such terms. Statements of this kind have been made on the basis of current circumstances and current expectations and may differ considerably from the actual development both to positive and negative effect. The following factors, amongst others, may give rise to uncertainties: changes to the overall economic situation both nationally and internationally, changes to the underlying political situation, the introduction of new products or technologies by other companies, changes to investment activities in the customer markets important to MOBOTIX AG, changes to exchange rates and interest rates, integration of acquired companies along with other factors. MOBOTIX AG does not accept any obligation over and above existing legal obligations to correct or update future-oriented statements.

**This is an English translation of the German original. Only the German version is binding. The financial reports from MOBOTIX AG are available as pdf files on the homepage ([www.mobotix.com](http://www.mobotix.com)).**

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## Financial Calendar 2008/2009

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Annual Report for fiscal year 2007/08	September 30, 2008
Annual press conference	September 30, 2008
Annual General Meeting 2007/08	October 6, 2008
Analyst presentation, German Equity Forum (Deutsche Börse AG)	November 12, 2008
Report on the first three months of fiscal year 2008/09 (German Equity Forum)	November 12, 2008
DVFA Smart Equities Conference	December 2-3, 2008
Report on the first six months of fiscal year 2008/09	Wednesday, February 11, 2009
Report on the first nine months of fiscal year 2008/09	Wednesday, May 13, 2009

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## Contact Details

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## MOBOTIX best stock exchange newcomer in 2007

Kaiserslautern, 19 December 2007. 2007 has been a rather mixed year for stock exchange newcomers. Of the 29 stock exchange debuts with a stock issuing volume of more than 10 million euros, only six had share prices high at the close of trading on 18 December than at the time of the IPO.

Top of the ranking is Mobotix AG of Kaiserslautern, whose share price increased by 85 percent compared to the IPO on 10 October 2007. Second place is held by T. with a share price increase of 71 percent, followed by Centrotherm Photo with a 68 percent increase.

## Most successful fiscal year in the history of the MOBOTIX Group

MOBOTIX AG (ISIN DE0005218309) a technologically leading network-based video security systems, reports preliminary sales and profit estimates above expectations for the fiscal year ending on 30th June 2008. The past year was the most successful year in the company's history. After a strong 4th quarter, sales growth of about 50% is expected for the consolidated financial statement. EBITDA could be increased to about 22%, EBIT of approx. 7 Mio. EUR, the EBITDA margin could be increased to 19% despite the increase in sales.

## Quips Network with 3-Megapixel cameras

MOBOTIX AG (ISIN DE0005218309) a worldwide leading manufacturer of high-resolution and network-based video security systems, reports sales of 15.19 million for the first half-year (1 July to 31 December 2007) of the current 2007/08 fiscal year. This corresponds to growth of 51.1 percent compared to the same period of the previous year. EBITDA reached EUR 3.4 million for the half-year, up 155.7 percent for the same period of the previous year. The EBITDA margin therefore reached 22.5 percent, up from 18.5 percent. The company expects to increase the net profit for the 2007/08 fiscal year by 155.7 percent.

MOBOTIX AG (ISIN DE0005218309) a worldwide leading manufacturer of digital, high-resolution and network-based video security systems, reports sales of EUR 15.19 million for the first half-year (1 July to 31 December 2007) of the current 2007/08 fiscal year. This corresponds to growth of 51.1 percent compared to the same period of the previous year. EBITDA reached EUR 3.4 million for the half-year, up 155.7 percent for the same period of the previous year. The EBITDA margin therefore reached 22.5 percent, up from 18.5 percent. The company expects to increase the net profit for the 2007/08 fiscal year by 155.7 percent.

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## MOBOTIX Secures Heineken House



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## Recording An Entire Room With A 360° Camera

MOBOTIX AG, manufacturer of high-resolution, complete IP network cameras, presents a new hemispheric camera with a discreet design for mounting on the ceiling or wall at the Security Essen Exhibition, Germany, in hall 1.0, stand 408. In addition to the PTZ function, which comes without any mechanically moving parts, an entire room can be recorded and reviewed later in the playback with a virtual PTZ function. A Quad view allows simultaneous viewing from four different angles with an independent PTZ functionality. Due to the conversion of the hemispheric image to a normal image in the camera and by saving the images in a 16 GB hard drive.



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## MOBOTIX at Abu Dhabi International Airport

The project at the Abu Dhabi International Airport is an impressive demonstration of MOBOTIX IP video surveillance technology. The camera series from now on at an unchanged resolution of 2048 x 1536 pixels and will be available in all MOBOTIX camera series from now on at an unchanged resolution of 2048 x 1536 pixels.

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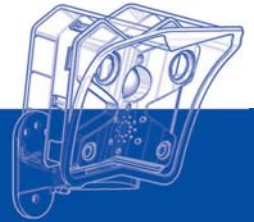
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## Panama Are Safer Thanks To MOBOTIX Cameras

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Security-Vision-Systems



... the HiRes Video Company

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