

# OPERATING EXPENSE BREAKDOWN

## Q4 2023 Financial Report

DeepShield Systems, Inc.

For the Period: October 1, 2023 - December 31, 2023

CONFIDENTIAL AND PROPRIETARY

Document Reference: FIN-OPEX-Q4-2023-001

### 1. EXECUTIVE SUMMARY

This Operating Expense Breakdown details the quarterly expenditures of DeepShield Systems, Inc. ("Company") for Q4 2023, prepared in accordance with GAAP standards and the Company's financial reporting policies.

### 2. OPERATING EXPENSES BREAKDOWN

#### 2.1 Personnel Expenses

- Base Salaries and Wages: \$4,872,500
- Employee Benefits: \$974,500
- Payroll Taxes: \$389,800
- Stock-Based Compensation: \$456,200
- Contract Labor: \$287,400

**Subtotal Personnel: \$6,980,400**

#### 2.2 Research & Development

- Engineering Materials: \$487,600
- Testing Equipment: \$234,500
- Software Licenses: \$198,700
- Cloud Computing Resources: \$345,800
- Technical Documentation: \$76,400

**Subtotal R&D: \$1,343,000**

#### 2.3 Sales & Marketing

- Digital Marketing: \$287,400

- Trade Shows & Events: \$156,800
- Sales Commissions: \$432,900
- Marketing Materials: \$89,600
- Customer Success Programs: \$167,300

**Subtotal S&M: \$1,134,000**

## **2.4 General & Administrative**

- Office Lease (3 locations): \$384,600
- Professional Services: \$256,700
- Insurance Premiums: \$198,400
- IT Infrastructure: \$167,800
- Administrative Supplies: \$45,600

**Subtotal G&A: \$1,053,100**

## **2.5 Technology Infrastructure**

- Data Center Operations: \$287,600
- Cybersecurity Tools: \$198,400
- Network Infrastructure: \$156,700
- Software Subscriptions: \$178,900
- Hardware Maintenance: \$89,400

**Subtotal Technology: \$911,000**

# **3. QUARTERLY ANALYSIS**

## **3.1 Expense Ratios**

- Personnel Expenses: 61.2%
- R&D: 11.8%
- Sales & Marketing: 9.9%
- G&A: 9.2%
- Technology Infrastructure: 7.9%

**Total Operating Expenses: \$11,421,500**

## **3.2 Notable Variances**

Personnel expenses increased 8.4% from Q3 2023 due to planned Q4 hiring

R&D expenses exceeded budget by 12.3% due to accelerated maritime security module development

Marketing expenses decreased 6.7% due to completion of major trade show cycle

#### **4. CERTIFICATIONS**

The undersigned certifies that this Operating Expense Breakdown accurately reflects all material expenses incurred by DeepShield Systems, Inc. during Q4 2023.

#### **5. DISCLAIMERS**

1 This document contains confidential financial information of DeepShield Systems, Inc.

2 All figures are unaudited and subject to adjustment during year-end review.

3 Forward-looking statements and projections are based on current expectations and subject to change.

4 This document is protected by attorney-client privilege and work product doctrine.

#### **6. APPROVAL**

REVIEWED AND APPROVED BY:

Robert Kessler

Chief Financial Officer

DeepShield Systems, Inc.

Date: January 15, 2024

Marcus Chen, Ph.D.

Chief Executive Officer

DeepShield Systems, Inc.

Date: January 15, 2024

#### **7. DOCUMENT CONTROL**

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