

# DEEPSHIELD SYSTEMS, INC.

## Industrial Division Profit & Loss Statement

Q4 2023 (October 1 - December 31, 2023)

CONFIDENTIAL AND PROPRIETARY

### REVENUE

---

#### Product Revenue

-	ICS Security Platform Licenses	\$7,245,000
-	OT Network Monitoring Solutions	\$3,890,000
-	Maritime Security Modules	\$2,675,000
-	Subsea Protection Systems	\$1,980,000
	Total Product Revenue	\$15,790,000

#### Service Revenue

-	Implementation Services	\$2,450,000
-	Managed Security Services	\$1,875,000
-	Technical Support & Maintenance	\$1,340,000
-	Professional Services	\$985,000
	Total Service Revenue	\$6,650,000

TOTAL REVENUE	\$22,440,000
---------------	--------------

---

### COST OF REVENUE

---

#### Product Costs

-	Hardware Components	\$2,245,000
-	Software Licensing Fees	\$875,000
-	Manufacturing & Assembly	\$945,000
-	Quality Assurance	\$425,000
	Total Product Costs	\$4,490,000

#### Service Delivery Costs

-	Technical Staff Salaries	\$2,180,000
-	Contractor Payments	\$685,000
-	Travel & Deployment	\$395,000
-	Support Infrastructure	\$275,000
	Total Service Delivery Costs	\$3,535,000

TOTAL COST OF REVENUE                      \$8,025,000

GROSS PROFIT                                      \$14,415,000

Gross Margin                                      64.2%

---

#### **OPERATING EXPENSES**

---

#### Research & Development

-	Engineering Salaries	\$2,245,000
-	Development Tools & Infrastructure	\$385,000
-	Patent & IP Costs	\$165,000
	Total R&D	\$2,795,000

#### Sales & Marketing

-	Sales Team Compensation	\$1,875,000
-	Marketing Programs	\$685,000
-	Trade Shows & Events	\$245,000
-	Sales Operations	\$325,000
	Total Sales & Marketing	\$3,130,000

#### General & Administrative

-	Executive Compensation	\$985,000
-	Administrative Staff	\$645,000
-	Facilities & Operations	\$425,000
-	Professional Services	\$285,000
-	Insurance & Benefits	\$395,000

Total G&A	\$2,735,000
<b>TOTAL OPERATING EXPENSES</b>	<b>\$8,660,000</b>

---

## **OPERATING INCOME**

---

Operating Income	\$5,755,000
Operating Margin	25.6%

### Other Income/(Expense)

- Interest Income	\$85,000
- Foreign Exchange Loss	(\$45,000)
<b>Total Other Income</b>	<b>\$40,000</b>

Income Before Taxes	\$5,795,000
Provision for Income Taxes	(\$1,448,750)

<b>NET INCOME</b>	<b>\$4,346,250</b>
-------------------	--------------------

Net Margin	19.4%
------------	-------

---

## **SUPPLEMENTARY INFORMATION**

### *Key Performance Metrics:*

- New Customer Acquisitions: 17
- Customer Retention Rate: 94%
- Average Deal Size: \$425,000
- Recurring Revenue %: 48%

### *Geographic Revenue Distribution:*

- North America: 52%
- Europe: 28%
- Asia Pacific: 15%
- Rest of World: 5%

*Segment Performance:*

- Critical Infrastructure: 45%
- Maritime & Offshore: 30%
- Manufacturing: 25%

**NOTES AND DISCLAIMERS**

This financial statement has been prepared in accordance with U.S. GAAP and internal accounting policies of DeepShield Systems, Inc.

All figures are preliminary and subject to audit adjustments. Final audited results may differ materially from these preliminary results.

Revenue recognition follows ASC 606 guidelines for software and services contracts.

Foreign currency transactions have been converted to USD using average exchange rates for the period.

Certain reclassifications have been made to prior period amounts to conform to current period presentation.

Prepared by: Robert Kessler

Chief Financial Officer

DeepShield Systems, Inc.

Date: January 15, 2024

CONFIDENTIAL: This document contains confidential and proprietary information of DeepShield Systems, Inc. Unauthorized disclosure, reproduction, or distribution is strictly prohibited.