

INDUSTRIAL DIVISION PROFIT & LOSS STATEMENT

DeepShield Systems, Inc.

Fiscal Year 2023 (January 1, 2023 - December 31, 2023)

CONFIDENTIAL - FOR DUE DILIGENCE PURPOSES ONLY

REVENUE

Operating Revenue:

- Industrial Control System (ICS) Security Solutions: \$18,725,000
- SCADA Protection Services: \$7,450,000
- Maritime & Subsea Security Products: \$4,890,000
- Maintenance & Support Contracts: \$3,215,000
- Professional Services & Consulting: \$2,120,000

Total Operating Revenue: \$36,400,000

COST OF GOODS SOLD (COGS)

Direct Costs:

- Hardware Components & Materials: \$4,215,000
- Software Licensing Fees: \$2,890,000
- Cloud Infrastructure Costs: \$1,725,000
- Third-party Technology Integration: \$945,000
- Installation & Deployment Labor: \$2,450,000

Total COGS: \$12,225,000

GROSS PROFIT: \$24,175,000

Gross Margin: 66.4%

OPERATING EXPENSES

Research & Development:

- Engineering Personnel: \$5,215,000
- Product Development: \$1,890,000
- Testing & Certification: \$725,000

- Research Infrastructure: \$445,000

Total R&D: \$8,275,000

Sales & Marketing:

- Sales Personnel: \$2,890,000
- Marketing Programs: \$1,215,000
- Trade Shows & Events: \$445,000
- Sales Operations: \$335,000

Total Sales & Marketing: \$4,885,000

General & Administrative:

- Administrative Personnel: \$2,115,000
- Office & Facilities: \$890,000
- Professional Services: \$445,000
- Insurance & Compliance: \$335,000

Total G&A: \$3,785,000

Total Operating Expenses: \$16,945,000

OPERATING INCOME (EBIT): \$7,230,000

Operating Margin: 19.9%

OTHER INCOME & EXPENSES

Other Income:

- Interest Income: \$125,000
- Foreign Exchange Gains: \$45,000

Total Other Income: \$170,000

Other Expenses:

- Interest Expense: \$(215,000)
- Foreign Exchange Losses: \$(85,000)

Total Other Expenses: \$(300,000)

NET INCOME BEFORE TAX: \$7,100,000

Income Tax Expense (25%): \$(1,775,000)

NET INCOME: \$5,325,000

Net Margin: 14.6%

NOTES TO FINANCIAL STATEMENT

****Basis of Preparation****

This P&L statement has been prepared in accordance with U.S. GAAP and represents the Industrial Division's financial performance for FY2023.

****Revenue Recognition****

Revenue is recognized when performance obligations are satisfied through the transfer of promised goods or services to customers, in accordance with ASC 606.

****Segment Reporting****

The Industrial Division represents approximately 85% of DeepShield Systems, Inc.'s total revenue for FY2023.

****Significant Events****

- Q2 2023: Launch of enhanced Maritime Security Suite
- Q3 2023: Strategic partnership with major industrial automation provider
- Q4 2023: Acquisition of subsea protection technology assets

****Currency****

All amounts are presented in United States Dollars (USD).

CERTIFICATION

The undersigned, as Chief Financial Officer of DeepShield Systems, Inc., hereby certifies that this Industrial Division Profit & Loss Statement fairly presents, in all material respects, the financial position and results of operations for the period indicated.

Date: January 31, 2024

/s/ Robert Kessler

Robert Kessler

Chief Financial Officer

DeepShield Systems, Inc.

DISCLAIMER

This financial statement is provided for due diligence purposes only and should be read in conjunction with the complete audited financial statements of DeepShield Systems, Inc. The information contained herein is confidential and proprietary. Any unauthorized use, disclosure, or distribution is strictly prohibited.