

Maritime Division P&L Statement 2023

DeepShield Systems, Inc.

For the Fiscal Year Ended December 31, 2023

(USD in thousands unless otherwise noted)

CONFIDENTIAL - FOR DUE DILIGENCE PURPOSES ONLY

Revenue

Product Revenue

- Maritime ICS Security Platform Licenses: \$14,275
- Subsea Infrastructure Protection Systems: \$8,842
- OT Network Monitoring Solutions: \$4,963
- Custom Maritime Security Integration: \$2,156

Total Product Revenue: \$30,236

Service Revenue

- Maritime Security Consulting: \$1,845
- System Implementation Services: \$2,124
- Training & Certification: \$892
- Maintenance & Support: \$1,628

Total Service Revenue: \$6,489

TOTAL REVENUE: \$36,725

Cost of Revenue

Product Costs

- Hardware Components: \$4,216
- Software Licensing Fees: \$1,842
- Manufacturing & Assembly: \$2,984
- Quality Assurance: \$986

Total Product Costs: \$10,028

Service Delivery Costs

- Technical Personnel: \$2,845
- Travel & Deployment: \$684
- Support Infrastructure: \$492
- Training Materials: \$246

Total Service Delivery Costs: \$4,267

TOTAL COST OF REVENUE: \$14,295

GROSS PROFIT: \$22,430

Gross Margin: 61.1%

Operating Expenses

Research & Development

- Engineering Personnel: \$4,862
- Technology Development: \$1,845
- Testing & Validation: \$924
- Patent & IP Protection: \$386

Total R&D: \$8,017

Sales & Marketing

- Sales Personnel: \$2,845
- Marketing Programs: \$1,246
- Trade Shows & Events: \$684
- Sales Operations: \$492

Total Sales & Marketing: \$5,267

General & Administrative

- Executive Compensation: \$1,845
- Administrative Personnel: \$986
- Professional Services: \$624
- Office & Facilities: \$486
- Insurance & Compliance: \$384

Total G&A: \$4,325

TOTAL OPERATING EXPENSES: \$17,609

OPERATING INCOME: \$4,821

Operating Margin: 13.1%

Other Income/(Expense)

- Interest Income: \$186
- Interest Expense: \$(324)
- Foreign Exchange Gain/(Loss): \$(142)

Total Other Income/(Expense): \$(280)

INCOME BEFORE TAXES: \$4,541

Income Tax Provision

- Federal Tax: \$864
- State Tax: \$246
- Foreign Tax: \$124

Total Income Tax: \$1,234

NET INCOME: \$3,307

Net Margin: 9.0%

Notes & Disclaimers

This P&L statement represents the Maritime Division's financial performance for the fiscal year ended December 31, 2023, and has been prepared in accordance with U.S. GAAP.

All figures are presented in thousands of U.S. dollars and have been rounded to the nearest thousand.

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

R&D expenses include costs related to the development of proprietary maritime cybersecurity technologies and are expensed as incurred.

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

This statement is unaudited and subject to adjustment during year-end close procedures.

Certification

The undersigned officer hereby certifies that this P&L statement fairly presents, in all material respects, the financial condition and results of operations of the Maritime Division of DeepShield Systems, Inc. for the period indicated.

/s/ Robert Kessler

Robert Kessler

Chief Financial Officer

DeepShield Systems, Inc.

Date: January 15, 2024

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