

Milestone Systems A/S

CVR 20 34 11 30

Annual Report 2015

The annual report 2015 was presented and adopted at the company's Annual General Meeting on 16 March 2016



Christina Bruun Geertsen
Chairman of the meeting

Milestone Systems A/S

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The Open Platform Company

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Management's Statement

The Executive Management and Board of Directors have today considered and adopted the Annual Report of Milestone Systems A/S for the financial year January 1st – December 31st 2015.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at December 31st 2015 of the Company and the Group and of the results of the Company and Group operations and Group cash flows for 2015.

The management review contains, in our opinion, a fair statement of the facts to which it relates and describes the Group's significant risks and uncertainties.

We recommend the Annual Report to be adopted at the Annual General Meeting.

Copenhagen, March 16th 2016

Executive Management



Lars Thinggaard

Board of Directors



John Sergio Blem
Chairman



Henrik Friborg Jacobsen
Vice Chairman



Lars Larsen



Peter Bo Jacobsen
Employee elected



Artur Gevorkovic Magaljan
Employee elected

Independent Auditor's Reports

To the Shareholder of Milestone Systems A/S

Report on Consolidated Financial Statements and the Parent Company Financial Statements

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Milestone Systems A/S for the financial year January 1st to December 31st 2015, which comprise accounting policies, income statement, balance sheet, statement of changes in equity and notes for both the Group and the Parent Company, as well as consolidated cash flow statement. The Consolidated Financial Statements and the Parent Company Financial Statements are prepared in accordance with the Danish Financial Statements Act.

Management's Responsibility for the Consolidated Financial Statements and the Parent Company Financial Statements

Management is responsible for the preparation of Consolidated Financial Statements and Parent Company Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of Consolidated Financial Statements and Parent Company Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Consolidated Financial Statements and the Parent Company Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements in accordance with Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Consolidated Financial Statements and the Parent Company Financial Statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements and the Parent Company Financial Statements. The audit procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Statements and the Parent Company Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of Consolidated Financial Statements and Parent Company Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Consolidated Financial Statements and the Parent Company Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The audit has not resulted in any qualification.

Independent Auditor's Reports

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Company at December 31st 2015 and of the results of the Group and Parent Company operations as well as the consolidated cash flows for the financial year January 1st - December 31st 2015 in accordance with the Danish Financial Statements Act.

Statement on Management's Review

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Consolidated Financial Statements and the Parent Company Financial Statements. On this basis, in our opinion, the information provided in Management's Review is consistent with the Consolidated Financial Statements and the Parent Company Financial Statements.

Copenhagen, March 16th 2016

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR-no. 33 77 12 31



Jens Otto Damgaard
State Authorized Public Accountant



Allan Knudsen
State Authorized Public Accountant

Company Information

The Company

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E-mail: milestone@milestonesys.com
CVR no / VAT no: DK20341130
Fiscal year: January 1st – December 31st
Domicile: Brøndby, Denmark

Board of Directors

John Sergio Blem (Chairman)
Henrik Friborg Jacobsen (Vice Chairman)
Lars Larsen
Peter Bo Jacobsen (employee elected)
Artur Gevorkovic Magaljan (employee elected)

Executive Management

Lars Thinggaard (President & CEO)

Legal Counsel

Kromann Reumert
Sundkrogsgade 5
DK 2100 København Ø

Auditors

PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK 2900 Hellerup

Bankers

Nordea Bank A/S
Vesterbrogade 8
DK 0900 København C

General Meeting

The annual general meeting will be held at Banemarksvej 50, DK-2605 Brøndby on March 16th 2016

Financial highlights

During the last five years, the development of the company is described by the following financial highlights:

Consolidated DKK 1,000

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Profit & Loss					
Net revenue	602,423	457,891	406,969	317,683	266,024
Gross profit before external expenses	567,960	440,488	392,539	306,571	255,502
Gross profit	440,723	303,810	319,868	240,460	201,547
Operating income before depreciation and amortization (EBITDA)	121,475	40,793	90,082	49,680	38,387
Operating income (EBIT)	64,413	-13,196	47,870	9,820	3,173
Net financials	11,018	12,861	-6,653	6,855	3,039
Net income	58,262	1,310	34,116	10,186	3,836
Balance Sheet					
Balance sheet total	584,622	450,409	399,673	308,727	262,577
Investment in tangible assets	11,276	5,870	6,597	5,085	2,535
Equity	248,359	198,509	209,972	164,575	153,571
Cash Flow Statement					
Cash Flow operating activities	136,130	85,213	112,305	85,667	52,117
Cash Flow investing activities	-88,830	-59,849	-67,611	-60,892	-53,043
Cash Flow financing activities	-2,941	0	168	-8,615	48,097
Change in cash and cash equivalents	44,359	25,364	44,862	16,160	47,171
Employees					
Average no. of full-time employees	472	404	389	351	310
Key Figures					
Gross margin before external expenses	94.3%	96.2%	96.5%	96.5%	96.0%
Gross margin	73.2%	66.3%	78.6%	75.7%	75.8%
EBITDA margin	20.2%	8.9%	22.1%	15.6%	14.4%
Financial solidity	2.4	2.3	1.9	1.9	1.7
Return on Equity	26.1%	0.6%	18.2%	6.4%	3.0%

Management's Review

Main Activities and Market

Milestone Systems is a global leader in the video management software ("VMS") industry, which is a segment of the closed circuit television ("CCTV") and video surveillance equipment market. The company operates as an independent software vendor with headquarters in Denmark and ten international offices.

In 2015, Milestone Systems increased revenue by 31.6% compared to 2014. This resulted in a total revenue of DKK 602 million.

Financial Developments

The Group increased the 2015 net revenue by DKK 144 million and achieved an EBITDA (earnings before interest, tax, depreciation and amortization) of DKK 121 million compared to DKK 41 million in 2014. Profit before corporate tax in 2015 is DKK 75.4 million.

The total Balance Sheet for the Group as of December 31st 2015 is DKK 585 million compared to DKK 450 million on December 31st 2014. Total equity is DKK 248 million at the end of 2015 compared to DKK 199 million at the end of 2014.

The Group's financial position is considered sufficient.

In 2015, Milestone Systems A/S provided significant and satisfactory financial results in the international markets.

The Group's financial results for 2015 are in line with company expectations.

Development Project Activities

Development activities are mainly carried out at the parent company. In 2015 Milestone Systems maintained the trend of increasing investments in R&D activities. The Milestone Systems product road map and development projects support the ambition to continue to be a leader in the open platform video management software industry.

The major part of the development activities involves staffing and IT costs. The product related development cost is capitalized as an intangible fixed asset in accordance with the Danish Financial Statements Act.

Acquisition

To further strengthen the presence in Asia, in 2015 Milestone Systems Pte, Singapore became a fully owned subsidiary of Milestone Systems A/S. Prior to the acquisition, Milestone Systems A/S was the majority owner of Milestone Systems Pte. and as such, Milestone Systems Pte. was already fully incorporated in the consolidated Group financial statement.

Knowledge Resources

To maintain the company's status as a leader in the industry, it is crucial that Milestone Systems is able to recruit and retain employees with high technical and commercial skills.

Milestone Systems is focusing on retention and development of employees by demonstrating respect for the individual, creating a motivating workplace, and offering opportunities for professional and personal development.

Risks

95% of Milestone Systems revenue is generated from international business activities and transactions in either EUR or USD. Consequently, cash flow and equity are influenced by the development in international currency exchange rates.

It is Milestone Group policy to cover commercial currency risks. The USD exposure is partially covered by a cash flow hedge and partially by maintaining a significant part of the Group's cost base in USD. For EUR the Group has a limited currency exchange risk due to the ERMII treaty between Denmark and the EU.

No speculative currency positions are taken.

Statutory statement of social responsibility (The Danish Financial Statement Act §99a)

Milestone organization

The Milestone Code of Conduct, the Milestone Behavior Compass and the Employee Handbook are key elements of the Company's corporate social responsibility program. Through the Company's global onboarding program, our employees are made aware of Milestone's procedures, policies and regulations as well as the moral and legal standards in our industry.

Once a year through an Global Employee Survey our employees evaluate Milestone against a number of parameters. The survey forms the basis of our on-going effort in sustaining a competent and motivating workplace. The results of the survey show that Milestone has a very high satisfaction and motivation score. The goal for 2016 is to continue our focus on the development of our employees' competences, to support Milestone's future business.

Legal compliance

Milestone Systems A/S continued in 2015 to require that all authorized channel partners do not sell our solutions for use in ways that would abuse human rights, or break international laws or embargos.

Hardware suppliers are requested to use materials that are compliant with international standards for safe materials and environmental impact. In 2015, Milestone continues to monitor materials that may conflict these standards by asking suppliers to provide information about their products and sources.

Milestone Systems A/S does not have an independent policy for climate impact and human rights.

Policy gender composition of Management (The Danish Financial Statement Act §99b)

As an international organization, Milestone recognizes the value of a diverse workforce that brings varied experiences, ideas and innovation to the workplace. In Milestone, we collaborate across the organization and benefit from knowledge sharing between culturally diverse groups. Consequently, Milestone does not discriminate on the basis of race, color, sex, religion, political opinion, sexual orientation or social origin. When hiring, we always look for the best-suited candidate for each position.

Additionally, Milestone's ambition is to support an equal balance of qualified women and men in the Management, and the Board of Directors. Milestone has set the target that from 2018, at least 20% of the Board of Directors elected by the general meeting should be women. In December 2015 Milestone's new chairman of the Board of Directors was appointed as a result of a nomination process based on skills, competences and industry knowledge.

The board has currently no female member elected by the shareholders.

In 2015 the percentage of women in senior management has increased to 25% from 17% in 2014. During 2015 and going forward, in our recruitment process for management positions across the organization, the People & Organization Team will continue to attract qualified female and male candidates.

Expectations for 2016

Industry analysts expect a continued growth in the video surveillance market. Milestone Systems will continue to expand its competitive portfolio of innovative surveillance products and its international ecosystem of channel partners, camera vendors, technology, and solution partners to strengthen further its global market leadership position.

Subsequent Events

Subsequent to the balance sheet date, no events that could significantly affect the financial statement as of December 31st 2015 have occurred.

Accounting Policies

The company's accounting policies applied in the preparation of the consolidated financial statements and the financial statements of the parent company are set out below.

Basis of preparation

The Annual Report for Milestone Systems A/S for 2015 has been prepared in accordance with the provisions of the Danish Financial Statements Act. The Annual Report is presented in accordance with the reporting provisions for large Class C enterprises. The new Danish Financial Statement Act have been early adopted.

The financial statements has been prepared using the historical cost convention.

The accounting policies are unchanged compared to the previous year.

Consolidation financial statement

The consolidated financial statement includes the financial statement of Milestone Systems A/S (the Parent Company) and all the companies in which Milestone Systems A/S, at the balance sheet date, directly or indirectly holds more than 50% of the voting rights or in any other way has a controlling influence (subsidiaries). Milestone Systems A/S and these companies are referred to as the Group.

The consolidated financial statement is based on the financial statement of the Parent Company and the subsidiaries and is prepared by combining items of a uniform nature and eliminating intercompany transactions, shareholdings, balances and unrealized intercompany profit and losses. The consolidated financial statement is based on financial statements prepared by applying the Group accounting policies.

Non-controlling interests in the Net income and equity are shown separately in the consolidated income statement, balance sheet and statement of changes in equity respectively.

Foreign currencies

Transactions in foreign currencies are translated during the year at the exchange rates prevailing on transaction date.

Receivables, payables and other items in foreign currencies that have not been settled at balance sheet date are translated at the exchange rates prevailing on balance sheet date.

Realized and unrealized exchange rate adjustments are recognized in financial income and expenses in the income statement.

Tax on profit for the year, corporation tax and deferred tax

Tax for the year consists of current tax and deferred tax. The tax charge on profit for the year is recognized in the income statement, whereas the tax attributable to equity entries is recognized directly in equity.

Current tax is calculated at the tax rate applicable for the year.

The company is not jointly taxed with its foreign subsidiaries.

Current tax receivables are recognized in the balance sheet if taxes on account have been overpaid whereas current tax liabilities are recognized as short-term debt insofar as they have not been paid.

Deferred tax is recognized in the balance sheet as the tax on all temporary differences and tax loss carry forward. Deferred tax is calculated on the basis of legislation applicable for the financial year at the rate that will apply at the time when it is expected to be realized.

Deferred tax assets are measured at the value at which the asset is expected to be realized.

Accounting Policies

Derivative financial instruments and hedging activities

Derivatives are recognized at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The company designates derivatives as hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in the equity. The gain or loss relating to the ineffective portion is recognized immediately in the income statement.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (when the forecast sale that is hedged takes place).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Government grants

Government grants received relating to research and development costs are recognized under Staff expenses, net, based on the percentage completion of the projects.

Share-based Payment (warrants)

Milestone has established equity-settled share-based payment plans (warrants). The employee services received in exchange for the grant of the warrants is recognized as an expense and allocated over the vesting period. The amount is determined as the fair value of the equity instruments granted. The total amount recognized over the vesting period corresponds to the fair value of the warrants that actually vest. The fair value is determined at grant date and is not adjusted subsequently.

On each balance sheet date, Milestone reassesses its estimates of the number of warrants expected to be exercised. Milestone recognizes any impact of such reassessment of the original estimates in the income statement with a corresponding adjustment in equity over the remaining vesting period. Prior-year adjustments are recognized in the income statement in the adjustment year.

Net revenue

Revenues are recognized in the income statement provided that delivery and transfer of risk have been made to the purchaser by year-end. Revenues are recognized exclusive of VAT and net of discounts offered on sales.

Cost of sales

Cost of sales comprises the finished products consumed in achieving revenues for the year.

Other external expenses

Other external expenses comprises expenses for premises, sales and distribution as well as office expenses, etc.

Staff expenses

Staff expenses comprises wages and salaries as well as payroll dependent expenses. Government grants received are deducted based on the percentage completion of the projects they relate to.

Amortization and depreciation

Amortization and depreciation comprises amortization and depreciation of fixed assets and gains/losses on regular replacement of fixed assets.

Accounting Policies

Results from investments in subsidiaries

Milestones share of results from subsidiaries are stated in the income statement.

Financial income and expenses

Financial income and expenses include interest, realized and unrealized currency adjustments.

Balance Sheet

Development projects

Costs for development projects include salaries, depreciation and other expenses that are directly or indirectly attributable to the company's development activities.

Clearly defined and identifiable development projects are stated as intangible fixed assets provided that there is sufficient certainty that the capital value of future earnings will cover sales, marketing and administrative costs as well as actual development costs.

Development costs that do not satisfy the criteria for inclusion in the balance sheet are stated as costs in the Income Statement as they are incurred.

Capitalized development projects are valued at cost less accumulated depreciation and amortization.

Capitalized development projects are depreciated linearly from the date of completion over the period in which they are expected to produce financial benefits, but not exceeding five years.

Intangible and tangible fixed assets

Other plant, operating equipment, fixtures and fittings as well as goodwill and software purchases are measured at cost less accumulated depreciation and less any accumulated impairment losses. Cost comprises the cost of acquisition and expenses directly related to acquisition and commissioning costs.

Depreciation of a fixed asset commences when it is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Software	3 years
Other plant, fixtures and equipment	3-5 years
Vehicles	6 years

Impairment of fixed assets

The carrying amounts of fixed assets are reviewed annually to determine whether there is any indication of impairment other than that expressed by amortization and depreciation. If so, the asset is written down to its lower recoverable amount.

The recoverable value of the asset is calculated as the higher of net sales price and value in use. Where it is impossible to set a recoverable amount for an individual asset, assets should be valued as a whole for the smallest group of assets for which a reliable recoverable amount can be determined.

Financial fixed Assets

Investments in subsidiaries are recognized and measured after the net asset value convention.

The balance sheet include the proportionate ownership share of the net asset value of the subsidiary. The total net revaluation is transferred upon distribution of profit to "reserve for net revaluation under the equity method". The reserve is reduced by dividend distributed to the parent company and adjusted for other equity movement in the subsidiaries. Investments with a negative net assets value are recognized at DKK 0. Any legal or constructive obligation of the parent company to recover the negative balance is recognized as provisions.

Receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Accounting Policies

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

Prepayments

Prepayments include costs paid relating to subsequent financial years and are measured at cost.

Debt

Other debt is recognized at cost at the date of contracting the debt. It is then subsequently stated at amortized cost, which usually corresponds to nominal value for short-term and non-interest-bearing debt.

Deferred income

Deferred income is recorded as liabilities consisting of payments received relating to revenue in subsequent periods.

Cash Flow Statement

The cash flow statement shows the Group's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

No cash flow statement has been prepared for the parent Company as the parent company cash flows are included in the Consolidated Cash Flow Statement.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortization and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprises cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprises cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprises "Cash at bank and in hand" and "Credit institutions".

The cash flow statement cannot be immediately derived from the published financial records.

Accounting Policies

Definition

Gross margin before external expenses	=	$\frac{\text{Gross profit before external expenses} \times 100}{\text{Net revenue}}$
Gross margin	=	$\frac{\text{Gross profit} \times 100}{\text{Net revenue}}$
EDITDA margin	=	$\frac{\text{Operating income before depreciation and amortization} \times 100}{\text{Net revenue}}$
Financial solidity	=	$\frac{\text{Total Assets}}{\text{Shareholders Equity}}$
Return on Equity	=	$\frac{\text{Net income for the year} \times 100}{\text{Average Shareholders Equity}}$

Income Statement January 1st - December 31st

Parent Company DKK 1,000				Consolidated DKK 1,000	
2014	2015		Note	2015	2014
420,629	557,915	Net Revenue	1	602,423	457,891
-9,482	-29,699	Cost of sales		-34,463	-17,403
411,147	528,216	Gross profit before external expenses		567,960	440,488
-211,018	-214,519	Other external expenses	2	-127,237	-136,678
200,129	313,697	Gross profit		440,723	303,810
-163,495	-199,084	Staff expenses	3, 4, 15	-319,248	-263,017
36,634	114,613	Operating income before depreciation and amortization (EBITDA)		121,475	40,793
-51,900	-54,209	Depreciation and amortization of intangible and tangible fixed assets	5, 6	-57,062	-53,989
-15,266	60,404	Operating income (EBIT)		64,413	-13,196
-2,397	527	Result from investments in subsidiaries	7	-	-
15,526	14,186	Interest and other financial income	8	12,579	13,717
-661	-783	Interest and other financial expenses	9	-1,561	-856
-2,798	74,334	Profit before corporate tax		75,431	-335
3,156	-16,072	Corporate tax	10	-17,169	1,645
358	58,262	Net income		58,262	1,310
		Net income attributable to:			
358	58,262	Owners of Milestone Systems A/S		58,262	358
-	-	Non-controlling interests		0	952
358	58,262	Net income		58,262	1,310
		Proposed distribution of profit			
0	0	Proposed dividend for the year		0	0
358	58,262	Retained earnings		58,262	1,310
358	58,262			58,262	1,310

Balance Sheet December 31st 2015

Assets

Parent Company DKK 1,000				Consolidated DKK 1,000	
2014	2015		Note	2015	2014
132,069	167,443	Completed development projects		165,194	131,069
21,700	3,911	Development projects in progress		3,911	21,700
2,808	13,179	Other intangible assets		13,179	2,808
156,577	184,533	Intangible fixed assets	5	182,284	155,577
5,250	9,253	Other fixtures and fittings, tools and equipment		16,858	11,353
5,250	9,253	Tangible fixed assets	6	16,858	11,353
5,344	6,401	Investments in subsidiaries	7	0	0
2,782	3,095	Deposits		4,267	3,577
8,126	9,496	Financial fixed assets		4,267	3,577
169,952	203,282	Fixed assets		203,409	170,507
86,330	132,648	Trade receivables		139,594	93,719
7,369	12,223	Receivables from group enterprises		3,650	2,205
2,300	8,439	Other receivables		10,091	3,649
6,153	6,328	Prepaid company tax		6,527	6,153
0	0	Deferred tax		3,744	373
8,100	9,912	Prepayments		17,377	11,352
110,252	169,550	Receivables		180,983	117,451
152,851	188,837	Cash at bank and in hand		200,230	162,451
263,103	358,387	Current assets		381,213	279,902
433,055	561,669	Assets		584,622	450,409

Balance Sheet December 31st 2015

Shareholders Equity and Liabilities

Parent Company DKK 1,000			Consolidated DKK 1,000	
2014	2015	Note	2015	2014
		EQUITY		
693	693	Share capital	693	693
196,512	247,666	Retained earnings	247,666	197,816
		Capital and reserves attributable to owners of Milestone Systems A/S	248,359	197,205
-	-	Non-controlling interests	0	1,304
197,205	248,359	Total equity	248,359	198,509
6,508	2,763	Investments in sub. with negative equity	7	-
25,078	39,906	Deferred tax	11	41,400
31,586	42,669	Provisions	41,400	24,390
6,807	9,634	Trade payables	10,105	10,724
5,906	7,506	Payables to group enterprises	-	-
145	58	Corporation tax	2,166	1,359
71,834	88,771	Other payables	115,259	93,707
119,573	164,672	Deferred income	167,333	121,720
204,265	270,641	Short-term debt	294,863	227,510
204,265	270,641	Debt	294,863	227,510
433,055	561,669	Liabilities and equity	584,622	450,409
		Mortgages, securities and contingent liabilities	12	
		Contractual obligations	13	
		Related parties	14	
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Statement of changes in equity

	Notes	Attributable to owners of Milestone Systems A/S			Non-controlling interests	Total Equity
		Share capital	Retained earnings	Total		
Equity at January 1st 2014		693	209,279	209,972	299	210,271
Cost of share-based payment			6,486	6,486		6,486
Exchange rate adjustment beginning of year			-920	-920	29	-891
Exchange rate adjustment during year			-547	-547	24	-523
Fair value adjustment of hedging instruments, end of year			-27,213	-27,213		-27,213
Adjustment to deferred tax on hedging instruments, end of year			6,667	6,667		6,667
Net income for the year			358	358	952	1,310
Shares transferred to Milestone Group A/S			2,402	2,402		2,402
Equity at 1 December 31st 2014		693	196,512	197,205	1,304	198,509
Exchange rate adjustment beginning of year	7		-1,243	-1,243		-1,243
Exchange rate adjustment during year	7		-298	-298		-298
Fair value adjustment of hedging instruments, end of year			-4,852	-4,852		-4,852
Adjustment to deferred tax on hedging instruments, end of year			922	922		922
Purchase of minority interests			1,304	1,304	-1,304	0
Other adjustments			-2,941	-2,941		-2,941
Net income for the year			58,262	58,262	0	58,262
Equity at December 31st 2015		693	247,666	248,359	0	248,359
		2015	2014	2013	2012	2011
Share capital DKK 1,000		693	693	693	693	693

The share capital consists of 692,644 shares of a nominal value of DKK 1. No shares has special rights.

According to the authorisation of the General Meeting, the Board of Directors may allow the Company to acquire treasury shares up to a total holding of 10% of the nominal share capital. At December 31st 2015 treasury shares amounted to DKK 0 (2014: DKK 0).

Cash Flow Statement

		Consolidated DKK 1,000	
	Note	2015	2014
Net income for the year		58,262	1,310
Adjustments	16	61,155	21,275
Change in working capital	16	6,069	55,920
Cash flows from operating activities before paid financial items and tax		125,486	78,505
Financial income received		12,579	13,717
Financial expenses paid		-1,561	-856
Cash flows from operating activities before paid tax		136,504	91,366
Corporate tax paid		-374	-6,153
Cash flows from operating activities		136,130	85,213
Investment intangible fixed assets		-77,782	-53,979
Investment tangible fixed assets		-11,276	-5,870
Sale of property, plant and equipment		228	0
Cash flows from investing activities		-88,830	-59,849
Purchase of minority interests		-2,941	0
Cash flows from financing activities		-2,941	0
Change in cash and cash equivalents		44,359	25,364
Cash and cash equivalents at January 1 st		162,451	143,237
Currency adjustments		-6,580	-6,150
Cash and cash equivalents at December 31st		200,230	162,451
<i>Cash and cash equivalents are specified as follows:</i>			
<i>Current asset investments</i>			
Cash at bank and in hand		200,230	162,451
Cash and cash equivalents at December 31st		200,230	162,451

Notes to the Annual Report

Parent Company DKK 1,000			Consolidated DKK 1,000	
2014	2015		2015	2014
Note 1 Segment information				
The revenue is segmented on the basis of where the main part of the processes and activities that generates the revenue has taken place, which follows the invoicing.				
Geographical segments				
23,663	30,957	Net revenue Denmark	30,957	23,663
396,966	526,958	Net revenue export from Denmark	526,958	396,966
0	0	Net revenue generated outside Denmark	44,508	37,262
420,629	557,915		602,423	457,891
Product segments				
420,629	557,915	Surveillance related products	602,423	457,891
420,629	557,915		602,423	457,891
Note 2 Fees to independent auditors				
180	290	Statutory audit fee	290	180
13	26	Other assurance engagements	129	105
61	336	Tax advisory services	336	61
667	33	Other services	33	667
921	685		788	1,013
Note 3 Staff expenses				
163,423	204,383	Wages and salaries	306,084	248,520
6,486	0	Share based payment	0	6,486
6,711	7,661	Pensions	12,400	9,575
4,592	3,873	Social contributions	24,691	19,886
12,845	18,098	Other staff expenses	25,825	19,897
-30,562	-34,931	Capitalized development costs	-49,752	-41,347
163,495	199,084		319,248	263,017
220	247	Average number of employees	472	404

Notes to the Annual Report

Note 4 Share-based payment

Milestone has established share-based incentive programs for the Executive management Team, key employees and other employees. The purpose of the share-based incentive programs has been to ensure common goals for Management, employees and shareholders.

All warrants were exercised in 2014.

Note 5 Intangible fixed assets

Consolidated - DKK 1,000

	Completed development projects	Development projects in progress	Total Development projects	Other intangible assets
Cost at January 1 st 2015	349,466	21,700	371,166	4,246
Additions for the year	61,417	3,697	65,114	12,668
Disposals for the year	0	0	0	(529)
Transferred to completed	21,486	-21,486	0	0
Cost at December 31st 2015	432,369	3,911	436,280	16,385
Depreciation and Impairment at January 1 st 2015	-218,397	0	-218,397	-1,438
Depreciation for the year	-48,778	0	-48,778	-2,146
Depreciations on disposals for the year	0	0	0	378
Depreciation and Impairment at December 31 st 2015	-267,175	0	-267,175	-3,206
Carrying amount at December 31st 2015	165,194	3,911	169,105	13,179

Note 5 Intangible fixed assets

Parent Company - DKK 1,000

	Completed development projects	Development projects in progress	Total Development projects	Other intangible assets
Cost at January 1 st 2015	350,466	21,700	372,166	4,246
Additions for the year	62,666	3,697	66,363	12,668
Disposals for the year	0	0	0	(529)
Transferred to completed	21,486	-21,486	0	0
Cost at December 31st 2015	434,618	3,911	438,529	16,385
Depreciation and Impairment at January 1 st 2015	-218,397	0	-218,397	-1,438
Depreciation for the year	-48,778	0	-48,778	-2,146
Depreciations on disposals for the year	0	0	0	378
Depreciation and Impairment at December 31 st 2015	-267,175	0	-267,175	-3,206
Carrying amount at December 31st 2015	167,443	3,911	171,354	13,179

Notes to the Annual Report

Note 6 Tangible fixed assets

Consolidated - DKK 1,000

Other fixtures
and fittings,
tools and
equipment

Cost at January 1 st 2015	22,573
Currency adjustment	989
Additions for the year	11,276
Disposals for the year	-1,812
Cost at December 31 st 2015	33,026
Depreciation and impairment at January 1 st 2015	-11,686
Currency adjustment	-309
Depreciation for the year	-5,750
Depreciation of sold assets for the year	1,577
Depreciation and impairment at December 31 st 2015	-16,168
Carrying amount at December 31st 2015	16,858

Note 6 Tangible fixed assets

Parent Company - DKK 1,000

Other fixtures
and fittings,
tools and
equipment

Cost at January 1 st 2015	11,018
Additions for the year	7,138
Disposals for the year	-534
Cost at December 31 st 2015	17,622
Depreciation and impairment at January 1 st 2015	-5,769
Depreciation for the year	-3,134
Impairment and depreciation of sold assets for the year	534
Depreciation and impairment at December 31 st 2015	-8,369
Carrying amount at December 31st 2015	9,253

Notes to the Annual Report

Note 7 Financial fixed assets

Parent Company - DKK 1,000

	Investments in subsidiaries
Cost at January 1 st 2015	9,725
Additions for the year	1,336
Cost at December 31 st 2015	11,061
Revaluations at January 1 st 2015	-27,570
Adjustment earlier year	-30
Currency adjustment	-1,542
Profit for the year	527
Revaluations at December 31 st 2015	-28,615
Carrying amount at December 31st 2015	-17,554
Negative value of investments in subsidiaries recognized as a provision	2,763
Negative value of investments in subsidiaries set off against receivables from group enterprises	21,192
Investments in Subsidiaries	6,401

Name	Reg.office	Ownership	Share Capital
Milestone Italia S.R.L.	Milan, Italy	100%	EUR 20,000
Milestone Systems Inc	Oregon, USA	100%	USD 100
Milestone Systems UK, Ltd	London, United kingdom	100%	GBP 1,000
Milestone Systems France	Paris, France	100%	EUR 10,000
Milestone Systems Pte	Singapore	100%	SGD 100,100
Milestone Systems SL	Barcelona, Spain	100%	EUR 154,800
Milestone Systems (Australia) PL	Sidney, Australia	100%	AUD 1
Milestone Systems Bulgaria	Sofia, Bulgaria	100%	BGN 25,000
Milestone Sistemas do Brasil	Sao Pãolo, Brasil	100%	BRL 308,618
Milestone India	Bangalore, India	100%	INR 100,000

Notes to the Annual Report

Parent Company DKK 1,000			Consolidated DKK 1,000	
2014	2015		2015	2014
Note 8 Interest and other financial income				
1,101	560	Interest from subsidiaries	0	0
14,214	13,534	Currency adjustments	12,370	13,506
211	92	Other financial interest and income	209	211
15,526	14,186		12,579	13,717
Note 9 Interest and other financial expenses				
-661	-783	Other financial interest and expenses	-1,561	-856
-661	-783		-1,561	-856
Note 10 Tax				
40	-2,166	Current tax for the year	-4,452	-2,532
9,783	-14,828	Change in deferred tax	-13,639	10,844
9,823	-16,994	Total tax for the year	-18,091	8,312
Attributable to:				
3,156	-16,072	Tax on profit for the year	-17,169	1,645
6,667	-922	Tax on changes in equity	-922	6,667
9,823	-16,994	Total tax for the year	-18,091	8,312
Note 11 Deferred Tax				
35,042	40,546	Intangible Assets	40,546	35,042
-438	-292	Tangible Assets	-813	-433
833	1,084	Current Assets	1,666	833
-1,877	-1,432	Other obligations	-3,023	-2,943
-8,482	0	Net Operating Loss	-721	-8,482
25,078	39,906		37,656	24,017
Change in deferred tax				
2,433	-16,873	Change in Profit and loss	-15,685	3,494
6,395	1,140	Change in Equity	1,140	6,395
683	1,124	Effect of change of local tax rates in P & L	1,124	683
272	-218	Effect of change of local tax rates in Equity	-218	272
9,783	-14,828	Change in deferred tax	-13,639	10,844

Notes to the Annual Report

Note 12 Mortgages, securities and contingent liabilities

Consolidated and Parent Company

The company has issued one supportive letter concerning financial support to a wholly owned subsidiary.

The Company is taxed jointly with other Danish companies in the Canon Group. The Company has unlimited and joint and several liability together with the other jointly taxed companies for Danish income tax and withholding taxes.

Note 13 Contractual obligations

Consolidated

The Group has entered into operating leases with an average annual lease payment of DKK 4,245,000. The value of the remaining period to maturity of these leases totals DKK 7,285,000.

The Group has entered into rental agreements with an annual total rent of DKK 13.624,000 in 2015. The total obligation amount is DKK 22,438,000 for the Group.

Parent Company

The Company has entered into operating leases with an average annual lease payment of DKK 3,606,000. The value of the remaining period to maturity of these leases totals DKK 5,993,000.

The Company has entered into a rental agreement with an annual rent of DKK 6,059,000 in 2015. This amount is set to rise by a minimum of 2% per year. The tenancy can be terminated with 6 months notice by both parties and the total obligation amount is DKK 3,184,000.

Note 14 Related parties

Related parties

Milestone Systems A/S have one related party with controlling interest.

Related party with significant influence in the Company is Canon Europe NV.

Milestone Systems A/S is a subsidiary of Milestone Group A/S (Denmark, Brøndby). The ultimate parent is Canon Inc. (Japan, Tokyo).

Note 15 Government grants

During the financial year the Group has received grants of DKK 2.1 million for research and development. Government grants includes grants from the Danish National Advanced Technology Foundation research projects.

Notes to Cash Flow Statement

Note 16 Cash Flow Statement

	Consolidated DKK 1,000	
	2015	2014
Cash flow statement - adjustments		
Depreciation intangible and tangible assets	57,062	53,989
Interest and other financial items	-11,018	-12,861
Corporate tax	17,169	-1,645
Other	2,794	118
Fair value of derivatives	-4,852	-27,213
Share-based payment	0	6,486
Transferred shares in Milestone Group A/S	0	2,401
	61,155	21,275
Cash flow statement - change in working capital		
Change in receivables	-60,477	-18,551
Change in suppliers, provisions, etc	66,546	74,471
	6,069	55,920