

Milestone Systems A/S

CVR 20 34 11 30

Annual Report 2018

The annual report 2018 was presented and adopted at the company's Annual General Meeting on ~~27~~ April 2019



Anne Krebs
Chairman of the meeting

Milestone Systems A/S,
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Annual Report

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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 2018.

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 2018 of the Company and the Group and of the results of the Company and Group operations and Group cash flows for 2018.

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, April 1st 2019

Executive Management



Lars Thinggaard

Board of Directors



Lars Larsen
Chairman



John Sergio Blem
Vice Chairman



Henrik Fribojg Jacobsen

Independent Auditor's Reports

To the Shareholder of Milestone Systems A/S

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 Parent Company at 31 December 2018, and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Milestone Systems A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of change in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("financial statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement in Management's Review.

Independent Auditor's Reports

Management's Responsibilities for the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.


Independent Auditor's Reports

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Copenhagen, April 1st 2019

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31



Jens Otto Damgaard
State Authorised Public Accountant
mne9231



Allan Knudsen
State Authorised Public Accountant
mne29465

Company Information

| | |
|-----------------------------|---|
| The Company | <p>Milestone Systems A/S Banemarksvej 50C DK-2605 Brøndby Denmark</p> <p>Telephone: (+45) 8830 0300 Website: www.milestonesys.com CVR no / VAT no: DK20341130 Fiscal year: January 1st – December 31st Domicile: Brøndby, Denmark</p> |
| Board of Directors | <p>Lars Larsen (Chairman) John Sergio Blem (Vice Chairman) Henrik Friberg Jacobsen</p> |
| Executive Management | <p>Lars Thinggaard (President & CEO)</p> |
| Legal Counsel | <p>Kromann Reumert Sundkrogsgade 5 DK 2100 København Ø</p> |
| Auditors | <p>PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK 2900 Hellerup</p> |
| Bankers | <p>Nordea Bank A/S Vesterbrogade 8 DK 0900 København C</p> |
| General Meeting | <p>The annual general meeting will be held at Banemarksvej 50C, DK-2605 Brøndby on April 1st 2019</p> |

Financial highlights

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

Consolidated DKK 1,000

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|-------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Profit & Loss | | | | | |
| Net revenue | 934,445 | 881,138 | 709,037 | 602,423 | 457,891 |
| Gross margin | 858,117 | 808,756 | 651,126 | 567,960 | 440,488 |
| Operating income (EBIT) | 194,792 | 170,990 | 49,520 | 64,413 | -13,196 |
| Net financials | 14,273 | -16,779 | 1,506 | 11,018 | 12,861 |
| Profit before corporate tax | 209,065 | 154,211 | 51,026 | 75,431 | -335 |
| Net income | 170,998 | 117,334 | 41,897 | 58,262 | 1,310 |
| Balance Sheet | | | | | |
| Balance sheet total | 1,156,690 | 887,202 | 703,472 | 585,435 | 450,409 |
| Investment in tangible assets | 28,449 | 13,793 | 11,450 | 11,276 | 5,870 |
| Equity | 586,553 | 438,746 | 294,977 | 248,359 | 198,509 |
| Cash Flow Statement | | | | | |
| Cash Flow operating activities | 130,446 | 143,152 | 48,025 | 136,130 | 85,213 |
| Cash Flow investing activities | -82,049 | -95,223 | -96,380 | -88,830 | -59,849 |
| Cash Flow financing activities | 0 | 0 | 0 | -2,941 | 0 |
| Change in cash and cash equivalents | 48,397 | 47,929 | -48,354 | 44,359 | 25,364 |
| Employees | | | | | |
| Average no. of full-time employees | 658 | 586 | 569 | 472 | 404 |
| Number of employees at year-end | 733 | 635 | 599 | 554 | 445 |
| Key Figures | | | | | |
| Gross margin | 91.8% | 91.8% | 91.8% | 94.3% | 96.2% |
| EBIT margin | 20.8% | 19.4% | 7.0% | 10.7% | -2.9% |
| Financial solidity | 2.0 | 2.0 | 2.4 | 2.4 | 2.3 |
| Return on Equity | 33.4% | 32.0% | 15.4% | 26.1% | 0.6% |

Management's Review

Main Activities

Milestone Systems is a global leader in the video management software ("VMS") industry, which is a segment of the video surveillance equipment market. The company operates as a standalone company in the Canon Group with headquarters in Denmark and subsidiaries in thirteen countries.

Financial Review

In 2018, Milestone Group's invoiced revenue grew to DKK 1,032 million, equal to an increase of DKK 93 million or 10% compared with 2017. After adjustments for revenue deferrals, impact from cash flow hedge and sales incentives, the net revenue was DKK 934 million. This is an increase of DKK 53 million or 6% compared with 2017.

We achieved an operating income (EBIT) of DKK 195 million, compared with DKK 171 million in 2017. The increase of 14% was influenced by the establishment of Arcules Inc. and the subsequent sale of the related activities.

Profit before corporate tax was DKK 209 million in 2018, compared with DKK 154 million in 2017, corresponding to an increase of 36%.

The total Balance Sheet as of December 31, 2018, was DKK 1,157 million, compared with DKK 887 million on December 31, 2017. The total equity was DKK 587 million at the end of 2018, compared with DKK 439 million at the end of 2017. Cash at bank and in hand as of December 31, 2018, was DKK 249 million, compared to DKK 201 million on December 31, 2017.

Our financial position is considered sufficient.

In 2018, Milestone delivered significant and satisfactory financial results. The profit was better than expected, partly due to gain from the sale of the Arcules Inc. activities.

Establishment of Arcules Inc.

In 2017, we decided to establish a new business entity. As part of this establishment, some activities were sold to Arcus Holding A/S, the parent company of Arcules Inc. and the gain has been recognized in the 2018 financial statement.

Expectations for 2019

Industry analysts expect continued growth in the video surveillance equipment market and we expect to further strengthen our global market position.

The revenue growth will be driven by a continued expansion of our competitive portfolio of innovative products, including both Video Management Software and Network Video Recorders, as well as our international business ecosystem of channel partners, camera vendors, technology, and solution partners.

As in 2018, we expect to see continued growth in both invoiced revenue and net revenue. Costs are expected to grow in balance with the top-line growth.

Development Project Activities

Development activities are mainly carried out at the parent company. In 2018, Milestone Systems maintained the trend of increasing investments in Research and Development (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 Information Technology (IT) costs. The product related development cost is capitalized as an intangible fixed asset in accordance with the Danish Financial Statements Act.

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

96% of Milestone Systems' revenue is generated from international business activities and transactions in either EUR or USD currencies. Consequently, cash flow and equity are influenced by the development in international currency exchange rates.

It is Milestone Group's 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 Exchange Rate Mechanism II (ERMII) treaty between Denmark and the European Union.

No speculative currency positions were taken.

Report on Corporate Social Responsibility

(The Danish Financial Statement Act §99a)

We recognize our responsibility as a global leader and believe in conducting business in a sound and open manner. We strive to make our products efficient and to optimize their positive impact on the environment. We use our company policies and guidelines to maintain a culture that prevents corruption and supports the protection of labour rights, safe working conditions and human rights.

Working environment and human rights

Milestone is a co-creator of the Copenhagen Letter, www.copenhagenletter.org, a technology declaration to further an open and honest public conversation about the power of technology and how it should enhance our quality of life.

Our Code of Conduct includes principles for how our company, management, and employees should conduct themselves based on honesty and integrity. With almost 750 employees, 77 nationalities and presence in 22 countries, diversity is central to who we are. Milestone applies non-financial KPIs that relate to working conditions, diversity and equality in the workplace and talent attraction.

We do not accept unethical discrimination, violation of human rights or child labor, and we respect the individual's right to a safe working environment. We require our employees, partners, and customers to comply with applicable laws and to respect human rights.

The environment

We believe that intelligent design can minimize adverse effects on the environment. We comply with applicable laws and when relevant we include environmental protection in our contracts with partners.

Anti-corruption and anti-bribery

We support the prevention of corruption. We avoid participating in or knowingly benefit from unlawful or unethical activities. Our anti-corruption policy is implemented into our Code of Conduct, and we require our management and employees to employ high ethical standards in the way they do business.

In 2018, we set up a direct email hotline for employees to pose questions, get support and report ethical issues. We began training our sales people in using our anticorruption policy to perform in a responsible and transparent way.

Corporate Social Responsibility risks

Our global activities may expose us to risks and uncertainties related to our corporate social responsibility. Growing fast and expanding internationally, we use business opportunities to minimize the risk of corruption and mitigate negative impact on the environment, climate, working conditions, and human rights. This negative impact could be power consumption related to products and solutions, energy consumption and waste disposal in our operations and offices, minerals used by suppliers, use of Milestone's software and solutions to violate personal integrity and human rights or indirect involvement through employees, suppliers, distributors or partners in bribery or corruption. We mitigate these risks with our policies, guidelines, and activities and have established risk management frameworks which include mechanisms and functions to ensure compliance and internal control.

Non-financial KPIs

We use non-financial KPIs to manage the reporting of working conditions. This includes diversity and equality in the workplace, personnel turnover rates and talent attraction. We also measure and promote the efficiency of our products, including costs, environmental impact, and savings.

Gender distribution

(The Danish Financial Statement Act §99b)

A diverse workforce brings varied experiences, expertise, ideas, and innovation. We collaborate across Milestone, benefit from knowledge-sharing between culturally diverse groups and always look for the best-suited candidate - regardless of their gender.

The composition of the board of directors is reviewed on an annual basis. In 2018, the shareholder elected board members have not been changed and the composition is the same as in 2017. The board currently has no female shareholder-elected members. By 2021, we aim to have one female member among the shareholder-appointed board members.

In 2018, senior management consisted of 18% women. We continue to ensure that gender diversity is an integrated part of our talent review, leadership development, and recruitment activities for management positions.

Expectations for 2019

Industry analysts expect continued growth in the video surveillance equipment market and Milestone Systems expects to further strengthen its global market leadership position. The Company's revenue growth will be driven by a continued expansion of Milestone Systems' competitive portfolio of innovative surveillance products, including both Video Management Software and Network Video Recorders, as well as its international business ecosystem of channel partners, camera vendors, technology, and solution partners.

As in 2018, we expect to see continued growth in both invoiced revenue and net revenue. Costs are expected to grow in balance with the top-line.

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 2018 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 financial statements have been prepared using the historical cost convention.

Changes to accounting policies

Changes have been made in the financial statements regarding the presentation and classification of items. The income statement has been changed from a cost by nature income statement to a cost by function. Comparatives have been restated to reflect the presentation and classification. The changes have not affected the result of operations, equity or balance sheet total.

Apart from above, the financial statements have been prepared in accordance with the same accounting policies as last year.

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

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.

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.

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 comprise costs incurring in generating the revenue for the year. Such costs include costs for royalty costs to third parties, subcontractors for delivering services, salaries, bonuses, other employee related costs, depreciation and other costs.

Research and development costs

Research and development costs comprise salaries, other employee related costs, depreciation and amortization, and other costs directly or indirectly attributable to research and development activities. Research and development costs are expensed in the year in which they are incurred when they do not qualify for capitalization.

Distribution and sales costs

Distribution and sales costs primarily comprise salaries, commissions, bonuses, and other sales employee related costs, travel and meeting expenses, marketing expenses, depreciation and amortization, and indirect costs such as rent and technological infrastructure directly or indirectly attributable to sales and marketing activities.

Administrative costs

Administrative costs comprise salaries, bonuses and other employee costs and expenses, office costs, depreciation and amortization, and indirect costs such as rent and technological infrastructure directly or indirectly attributable to administrative activities.

Other operating income

Other operating income comprise items of a secondary nature relative to the core activities of the enterprises.

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.

Accounting Policies

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 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 | 3-5 years |
| Other plant, fixtures and equipment | 3-5 years |

The residual value is determined at the time of acquisition and are reassessed every year.

Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognized. In case of changes in

the residual value, the effect on the depreciation charges is recognized prospectively as a change in accounting estimates.

Financial fixed Assets

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

The balance sheet includes 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.

Other investments are measured at cost less write downs.

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.

Accounting Policies

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.

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.

Equity

Reserve for development projects

The reserve for development include recognized development cost. The reserve cannot be used for paying dividends or cover for incurred losses. The reserve is reduced or dissolved by depreciation, or if, the recognized development cost ceases to be part of the company's operations. This is done by transferring directly to distributable reserves in the equity.

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 comprise "Cash at bank and in hand".

Accounting Policies

Definition

| | | |
|--------------------|---|---|
| Gross margin | = | $\frac{\text{Gross margin} \times 100}{\text{Net revenue}}$ |
| EBIT margin | = | $\frac{\text{Operating Income before interest and tax} \times 100}{\text{Net revenue}}$ |
| 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 | |
|-----------------------------|----------------|---|---------|---------------------------|----------------|
| 2017 | 2018 | | Note | 2018 | 2017 |
| 853,511 | 924,872 | Net Revenue | 1 | 934,445 | 881,138 |
| -75,458 | -75,187 | Cost of sales | | -76,328 | -72,382 |
| 778,053 | 849,685 | Gross margin | | 858,117 | 808,756 |
| -176,752 | -193,150 | Research and development costs | 3, 4 | -190,124 | -188,829 |
| -377,356 | -456,719 | Distribution and sales costs | 3, 4 | -439,455 | -381,646 |
| -56,112 | -51,685 | Administrative costs | 2, 3, 4 | -63,262 | -71,302 |
| 167,833 | 148,131 | Operating profit | | 165,276 | 166,979 |
| 4,011 | 29,516 | Other operating income | | 29,516 | 4,011 |
| 171,844 | 177,647 | Operating income (EBIT) | | 194,792 | 170,990 |
| -5,444 | 10,502 | Result from investments in subsidiaries | 9 | 0 | 0 |
| 9,692 | 17,584 | Interest and other financial income | 5 | 16,428 | 8,453 |
| -25,299 | -1,683 | Interest and other financial expenses | | -2,155 | -25,232 |
| 150,793 | 204,050 | Profit before corporate tax | | 209,065 | 154,211 |
| -33,459 | -33,052 | Corporate tax | 6 | -38,067 | -36,877 |
| 117,334 | 170,998 | Net income | | 170,998 | 117,334 |
| | | Net income attributable to: | | | |
| 117,334 | 170,998 | Owners of Milestone Systems A/S | | 170,998 | 117,334 |
| 117,334 | 170,998 | Net income | | 170,998 | 117,334 |

Balance Sheet December 31st

Assets

| Parent Company DKK 1,000 | | | Consolidated DKK 1,000 | |
|-----------------------------|------------------|--|---------------------------|----------------|
| 2017 | 2018 | Note | 2018 | 2017 |
| 136,051 | 147,054 | Completed development projects | 143,610 | 133,622 |
| 44,022 | 24,324 | Development projects in progress | 24,324 | 52,145 |
| 35,197 | 42,652 | Other intangible assets | 42,738 | 35,233 |
| 215,270 | 214,030 | Intangible fixed assets | 210,672 | 221,000 |
| 12,943 | 17,055 | Other fixtures and fittings, tools and equipment | 35,928 | 21,551 |
| 12,943 | 17,055 | Tangible fixed assets | 35,928 | 21,551 |
| 18,832 | 27,345 | Investments in subsidiaries | 0 | 0 |
| 0 | 21,469 | Other investments | 21,469 | 0 |
| 3,157 | 3,737 | Deposits | 8,033 | 5,784 |
| 21,989 | 52,551 | Financial fixed assets | 29,502 | 5,784 |
| 250,202 | 283,636 | Fixed assets | 276,102 | 248,335 |
| 188,578 | 233,703 | Trade receivables | 239,256 | 200,718 |
| 215,354 | 326,183 | Receivables from group enterprises | 303,431 | 185,056 |
| 14,347 | 1,990 | Other receivables | 4,677 | 17,898 |
| 2,515 | 54,675 | Prepaid company tax | 61,924 | 5,779 |
| 0 | 0 | Deferred tax | 3,661 | 5,835 |
| 14,456 | 15,838 | Prepayments | 19,037 | 22,255 |
| 435,250 | 632,389 | Receivables | 631,986 | 437,541 |
| 174,321 | 206,938 | Cash at bank and in hand | 248,602 | 201,326 |
| 609,571 | 839,327 | Current assets | 880,588 | 638,867 |
| 859,773 | 1,122,963 | Assets | 1,156,690 | 887,202 |

Balance Sheet December 31st Shareholders Equity and Liabilities

| Parent Company DKK 1,000 | | | Consolidated DKK 1,000 | |
|---|------------------|------|---------------------------|----------------|
| 2017 | 2018 | Note | 2018 | 2017 |
| EQUITY | | | | |
| 693 | 693 | | 693 | 693 |
| 83,822 | 77,527 | | 77,527 | 83,822 |
| 354,231 | 508,333 | | 508,333 | 354,231 |
| 438,746 | 586,553 | | 586,553 | 438,746 |
| Capital and reserves attributable to owners of Milestone Systems A/S | | | | |
| 438,746 | 586,553 | | 586,553 | 438,746 |
| Total equity | | | | |
| 1,823 | 547 | 9 | 0 | 0 |
| 46,413 | 39,306 | 10 | 39,355 | 46,413 |
| 48,236 | 39,853 | | 39,355 | 46,413 |
| Provisions | | | | |
| 13,086 | 21,607 | | 22,805 | 14,087 |
| 14,117 | 4,306 | | 0 | 0 |
| 32,048 | 64,964 | | 68,850 | 36,753 |
| 74,996 | 95,580 | | 128,167 | 110,578 |
| 238,544 | 310,100 | 11 | 310,960 | 240,625 |
| 372,791 | 496,557 | | 530,782 | 402,043 |
| Short-term debt | | | | |
| 372,791 | 496,557 | | 530,782 | 402,043 |
| Debt | | | | |
| 859,773 | 1,122,963 | | 1,156,690 | 887,202 |
| Liabilities and equity | | | | |
| | | | 12 | |
| | | | 13 | |
| | | | 14 | |
| | | | 15 | |
| | | | 16 | |

Statement of changes in equity

| | | Attributable to owners of Milestone Systems A/S | | | |
|--|---------------|---|-------------------|----------------|------|
| Notes | Share capital | Reserve for development projects | Retained earnings | Total | |
| Equity at January 1st 2017 | 693 | 44,473 | 249,811 | 294,977 | |
| Exchange rate adjustment beginning of year | | | 1,012 | 1,012 | |
| Exchange rate adjustment during year | | | -604 | -604 | |
| Fair value adjustment of hedging instruments, end of year | | | 33,368 | 33,368 | |
| Adjustment to deferred tax on hedging instruments, end of year | | | -7,341 | -7,341 | |
| Net income for the year | | 39,349 | 77,985 | 117,334 | |
| Equity at December 31st 2017 | 693 | 83,822 | 354,231 | 438,746 | |
| Exchange rate adjustment beginning of year | 9 | | 78 | 78 | |
| Exchange rate adjustment during year | 9 | | 96 | 96 | |
| Fair value adjustment of hedging instruments, end of year | | | -29,955 | -29,955 | |
| Adjustment to deferred tax on hedging instruments, end of year | | | 6,590 | 6,590 | |
| Net income for the year | | -6,295 | 177,293 | 170,998 | |
| Equity at December 31st 2018 | 693 | 77,527 | 508,333 | 586,553 | |
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| 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 2018 treasury shares amounted to DKK 0 (2017: DKK 0).

Cash Flow Statement

| | | Consolidated DKK 1,000 | |
|--|------|---------------------------|----------------|
| | Note | 2018 | 2017 |
| Net income for the year | | 170,998 | 117,334 |
| Adjustments | 15 | 79,220 | 153,481 |
| Change in working capital | 15 | -79,102 | -106,702 |
| Cash flows from operating activities before paid financial items and tax | | 171,116 | 164,113 |
| Financial income received | | 16,428 | 8,453 |
| Financial expenses paid | | -2,155 | -25,232 |
| Cash flows from operating activities before paid tax | | 185,389 | 147,334 |
| Corporate tax paid/received | | -54,943 | -4,182 |
| Cash flows from operating activities | | 130,446 | 143,152 |
| Investment intangible fixed assets | | -75,847 | -81,442 |
| Investment tangible fixed assets | | -28,449 | -13,793 |
| Sale of property, plant and equipment | | -697 | 12 |
| Sale of fixed asset investments | | 22,944 | 0 |
| Cash flows from investing activities | | -82,049 | -95,223 |
| Change in cash and cash equivalents | | 48,397 | 47,929 |
| Cash and cash equivalents at January 1 st | | 201,326 | 150,357 |
| Currency adjustments | | -1,121 | 3,040 |
| Cash and cash equivalents at December 31st | | 248,602 | 201,326 |
| <i>Cash and cash equivalents are specified as follows:</i> | | | |
| <i>Current asset investments</i> | | | |
| Cash at bank and in hand | | 248,602 | 201,326 |
| Cash and cash equivalents at December 31st | | 248,602 | 201,326 |

Notes to the Annual Report

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.

| Parent Company DKK 1,000 | | | Consolidated DKK 1,000 | |
|--|----------------|---------------------------------------|---------------------------|----------------|
| 2017 | 2018 | | 2018 | 2017 |
| Geographical segments | | | | |
| 33,512 | 38,966 | Net revenue Denmark | 38,966 | 33,512 |
| 819,999 | 885,906 | Net revenue export from Denmark | 885,906 | 813,671 |
| 0 | 0 | Net revenue generated outside Denmark | 9,573 | 33,955 |
| 853,511 | 924,872 | | 934,445 | 881,138 |
| Product segments | | | | |
| 853,511 | 924,872 | Surveillance related products | 934,445 | 881,138 |
| 853,511 | 924,872 | | 934,445 | 881,138 |
| Note 2 Fees to independent auditors | | | | |
| 266 | 284 | Statutory audit fee | 284 | 366 |
| 0 | 0 | Other assurance engagements | 0 | 0 |
| 437 | 38 | Tax advisory services | 551 | 452 |
| 255 | 133 | Other services | 266 | 421 |
| 958 | 455 | | 1,101 | 1,239 |
| Note 3 Staff expenses | | | | |
| 227,559 | 252,758 | Wages and salaries | 407,622 | 374,991 |
| 9,574 | 10,791 | Pensions | 18,240 | 16,750 |
| 3,723 | 2,811 | Social contributions | 17,825 | 31,178 |
| 17,652 | 20,885 | Other staff expenses | 47,056 | 31,335 |
| -32,546 | -31,011 | Capitalized development costs | -49,433 | -56,901 |
| 225,962 | 256,234 | | 441,310 | 397,353 |
| 285 | 318 | Average number of employees | 658 | 586 |
| Staff expenses are recognised as follows: | | | | |
| 4,019 | 4,171 | Cost of sales | 4,171 | 0 |
| 92,468 | 113,444 | Research and development costs | 102,647 | 93,682 |
| 92,411 | 100,860 | Distribution and sales costs | 289,141 | 258,650 |
| 37,064 | 37,759 | Administrative costs | 45,351 | 45,021 |
| 225,962 | 256,234 | | 441,310 | 397,353 |

Pursuant to section 98b, Section 3 of the financial Statements Act, remuneration to the Executive board is not disclosed separately.

Notes to the Annual Report

| Parent Company DKK 1,000 | | | Consolidated DKK 1,000 | |
|---|---------------|--|---------------------------|---------------|
| 2017 | 2018 | | 2018 | 2017 |
| Note 4 Depreciation and amortization of intangible and tangible fixed assets | | | | |
| 60,320 | 57,067 | Completed development projects | 56,372 | 59,434 |
| 5,132 | 8,539 | Other intangible assets | 8,572 | 5,132 |
| 6,819 | 7,914 | Other fixtures and fittings, tools and equipment | 12,715 | 10,629 |
| 0 | 0 | Gains and losses fixed assets | 697 | 112 |
| 72,271 | 73,520 | | 78,356 | 75,307 |
| Depreciation and amortization of intangible and tangible fixed assets are recognised as follows: | | | | |
| 28 | 29 | Cost of sales | 29 | 0 |
| 64,793 | 62,536 | Research and development costs | 62,795 | 64,673 |
| 4,494 | 8,653 | Distribution and sales costs | 13,230 | 7,645 |
| 2,956 | 2,302 | Administrative costs | 2,302 | 2,989 |
| 72,271 | 73,520 | | 78,356 | 75,307 |
| Note 5 Interest and other financial income | | | | |
| 2,060 | 3,105 | Interest from group companies | 1,746 | 780 |
| 0 | 12,958 | Currency adjustments | 12,879 | 0 |
| 7,632 | 1,521 | Other financial interest and income | 1,803 | 7,673 |
| 9,692 | 17,584 | | 16,428 | 8,453 |
| Note 6 Tax | | | | |
| 31,670 | 33,012 | Current tax for the year | 37,253 | 37,813 |
| 3,463 | 557 | Adjustment current tax prior years | 872 | 3,392 |
| 7,857 | -7,107 | Change in deferred tax | -6,741 | 5,364 |
| -2,190 | 0 | Adjustment deferred tax prior years | 93 | -2,351 |
| 40,800 | 26,462 | Total tax for the year | 31,477 | 44,218 |
| Attributable to: | | | | |
| 33,459 | 33,052 | Tax on profit for the year | 38,067 | 36,877 |
| 7,341 | -6,590 | Tax on changes in equity | -6,590 | 7,341 |
| 40,800 | 26,462 | Total tax for the year | 31,477 | 44,218 |

Notes to the Annual Report

Note 7 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 2018 | 518,169 | 52,145 | 570,314 | 48,537 |
| Additions for the year | 35,446 | 24,324 | 59,770 | 16,077 |
| Disposals for the year | -31,159 | -11,674 | -42,833 | -78 |
| Transferred to completed | 40,471 | -40,471 | 0 | 0 |
| Cost at December 31st 2018 | 562,927 | 24,324 | 587,251 | 64,536 |
| Depreciation and Impairment at January 1 st 2018 | -384,547 | 0 | -384,547 | -13,304 |
| Depreciation for the year | -56,372 | 0 | -56,372 | -8,572 |
| Depreciations on disposals for the year | 21,602 | 0 | 21,602 | 78 |
| Depreciation and Impairment at December 31st 2018 | -419,317 | 0 | -419,317 | -21,798 |
| Carrying amount at December 31st 2018 | 143,610 | 24,324 | 167,934 | 42,738 |

Development projects relate to the development of the existing Milestone open platform software and new functionality added to that platform. The new functionality will be released on an ongoing basis. The development is progressing according to plan through the use of the resources allocated by management to the development. The new functionality is primarily aimed towards the wide range of customers using our software today. The functionality developed is based on input from various stakeholders within the VMS market, internally as well as externally.

Parent Company - DKK 1,000

| | Completed development projects | Development projects in progress | Total Development projects | Other intangible assets |
|---|--------------------------------|----------------------------------|----------------------------|-------------------------|
| Cost at January 1 st 2018 | 522,486 | 44,022 | 566,508 | 48,464 |
| Additions for the year | 37,156 | 24,324 | 61,480 | 15,994 |
| Disposals for the year | -31,159 | -3,551 | -34,710 | -78 |
| Transferred to completed | 40,471 | -40,471 | 0 | 0 |
| Cost at December 31st 2018 | 568,954 | 24,324 | 593,278 | 64,380 |
| Depreciation and Impairment at January 1 st 2018 | -386,435 | 0 | -386,435 | -13,267 |
| Depreciation for the year | -57,067 | 0 | -57,067 | -8,539 |
| Depreciations on disposals for the year | 21,602 | 0 | 21,602 | 78 |
| Depreciation and Impairment at December 31st 2018 | -421,900 | 0 | -421,900 | -21,728 |
| Carrying amount at December 31st 2018 | 147,054 | 24,324 | 171,378 | 42,652 |

Notes to the Annual Report

Note 8 Tangible fixed assets

Consolidated - DKK 1,000

| | Other fixtures and fittings, tools and equipment |
|---|---|
| Cost at January 1 st 2018 | 53,127 |
| Currency adjustment | 624 |
| Additions for the year | 28,449 |
| Disposals for the year | -3,587 |
| Cost at December 31 st 2018 | <u>78,613</u> |
| Depreciation and impairment at January 1 st 2018 | -31,576 |
| Currency adjustment | -476 |
| Depreciation for the year | -12,715 |
| Depreciation of sold assets for the year | 2,082 |
| Depreciation and impairment at December 31 st 2018 | <u>-42,685</u> |
| Carrying amount at December 31st 2018 | <u>35,928</u> |

Parent Company - DKK 1,000

| | Other fixtures and fittings, tools and equipment |
|---|---|
| Cost at January 1 st 2018 | 30,968 |
| Additions for the year | 12,026 |
| Disposals for the year | -560 |
| Cost at December 31 st 2018 | <u>42,434</u> |
| Depreciation and impairment at January 1 st 2018 | -18,025 |
| Depreciation for the year | -7,914 |
| Impairment and depreciation of sold assets for the year | 560 |
| Depreciation and impairment at December 31 st 2018 | <u>-25,379</u> |
| Carrying amount at December 31st 2018 | <u>17,055</u> |

Notes to the Annual Report

Note 9 Financial fixed assets

Parent Company - DKK 1,000

| | Investments in subsidiaries |
|--|-----------------------------|
| Cost at January 1 st 2018 | 12,633 |
| Additions for the year | 0 |
| Disposals for the year | -500 |
| Cost at December 31 st 2018 | 12,133 |
| Revaluations at January 1 st 2018 | -23,842 |
| Currency adjustment | 174 |
| Profit for the year | 10,502 |
| Reversals for the year of revaluations in previous years | 21,587 |
| Revaluations at December 31 st 2018 | 8,421 |
| Carrying amount at December 31st 2018 | 20,554 |
| Negative value of investments in subsidiaries recognized as a provision | 547 |
| Negative value of investments in subsidiaries set off against receivables from group enterprises | 6,244 |
| Investments in Subsidiaries | 27,345 |

| Name | Reg.office | Ownership | Share Capital |
|----------------------------------|------------------------|-----------|----------------|
| Milestone Italia S.R.L. | Milan, Italy | 100% | EUR 20,000 |
| Milestone Systems Inc | Portland, 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 3,030,400 |
| Milestone Systems Sweden AB | Stockholm, Sweden | 100% | SEK 25,000 |
| Milestone Systems KK | Tokyo, Japan | 100% | JPY 10,000,000 |
| Milestone Systems Germany GmbH | Munich, Germany | 100% | EUR 50,000 |

Notes to the Annual Report

| Parent Company | | | Consolidated | |
|--------------------------------|----------------|-------------------------------|----------------|----------------|
| DKK 1,000 | | | DKK 1,000 | |
| 2017 | 2018 | | 2018 | 2017 |
| Note 10 Deferred Tax | | | | |
| 43,868 | 44,463 | Intangible Assets | 44,463 | 45,752 |
| -615 | -773 | Tangible Assets | 1,419 | 243 |
| 467 | -311 | Current Assets | -313 | 465 |
| 2,693 | -4,073 | Other obligations | -7,637 | 383 |
| 0 | 0 | Net Operating Loss | -2,238 | -6,265 |
| 46,413 | 39,306 | Deferred tax | 35,694 | 40,578 |
| Change in deferred tax | | | | |
| 0 | 0 | Other adjustments | -1,857 | 0 |
| -516 | 517 | Change in Profit and loss | 151 | 1,977 |
| -7,341 | 6,590 | Change in Equity | 6,590 | -7,341 |
| -7,857 | 7,107 | Change in deferred tax | 4,884 | -5,364 |
| Note 11 Deferred income | | | | |
| 143,966 | 183,180 | Deferred income under 1 year | 184,041 | 146,048 |
| 94,578 | 126,920 | Deferred income over 1 year | 126,919 | 94,577 |
| 238,544 | 310,100 | | 310,960 | 240,625 |

Long-term deferred income contains of deferred revenue from service where the company have received pre-paid payments.

Note 12 Mortgages, securities and contingent liabilities

Consolidated and Parent Company

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 4,773,000. The value of the remaining period to maturity of these leases totals DKK 11,869,000.

The Group has entered into rental agreements with an annual total rent of DKK 23,152,000 in 2018. The total obligation amount is DKK 68,474,000 for the Group.

Parent Company

The Company has entered into operating leases with an average annual lease payment of DKK 2,779,000. The value of the remaining period to maturity of these leases totals DKK 6,114,000.

The Company has entered into a rental agreement with an annual rent of DKK 8,695,000 in 2018. 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 5,552,000.

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 Inc. (Japan, Tokyo).

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

In accordance with the Danish Financial Statements Act paragraph 98c, will Milestone Systems A/S only disclose transactions, which has not occurred at market conditions.

Note 15 Cash Flow Statement

| | Consolidated | |
|--|----------------|-----------------|
| | DKK 1,000 | |
| | 2018 | 2017 |
| Cash flow statement - adjustments | | |
| Depreciation intangible and tangible assets | 78,356 | 75,307 |
| Interest and other financial items | -14,273 | 16,779 |
| Corporate tax | 38,067 | 36,877 |
| Other | 435 | -1,509 |
| Fair value of derivatives | -23,365 | 26,027 |
| | 79,220 | 153,481 |
| Cash flow statement - change in working capital | | |
| Change in receivables | -175,744 | -120,854 |
| Change in suppliers, provisions, etc | 96,642 | 14,152 |
| | -79,102 | -106,702 |

Note 16 Proposed distribution of profit

| Parent Company | | | Consolidated | |
|----------------|----------------|--|----------------|----------------|
| DKK 1,000 | | | DKK 1,000 | |
| 2017 | 2018 | 2018 | 2017 | |
| 77,985 | 177,293 | Retained earnings | 177,293 | 77,985 |
| 39,349 | -6,295 | Reserve for development projects | -6,295 | 39,349 |
| 117,334 | 170,998 | Proposed distribution of profit | 170,998 | 117,334 |

Note 17 Subsequent events

No subsequent events have occurred after the financial year end, which could affect the company's financial situation.