

Milestone Systems A/S

CVR 20 34 11 30

Annual Report 2020

The annual report 2020 was presented and adopted at the company's Annual General Meeting on 6 April 2021

Anne Krebs
Chairman of the meeting

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Statement by management

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 1, – December 31, 2020.

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 31, 2020, of the Company and the Group and of the results of the Company and Group operations and Group cash flows for 2020.

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 26, 2021

Executive Management

Thomas Jensen

Lars Larsen

Board of Directors

Kenneth Hune Petersen
Chairman

John Sergio Blem
Vice Chairman

Henrik Friborg Jacobsen

Independent auditor's report

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, 2020, 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, 2020 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 2020, 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 Report

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 scepticism 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 Report

- 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, March 26, 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Allan Knudsen

State Authorised Public Accountant

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Company Information

The Company

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DK-2605 Brøndby
Denmark

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Website: www.milestonesys.com
CVR no / VAT no: DK20341130
Fiscal year: January 1st – December 31st
Domicile: Brøndby, Denmark

Board of Directors

Kenneth Hune Petersen (Chairman)
John Sergio Blem (Vice Chairman)
Henrik Friborg Jacobsen

Executive Management

Thomas Jensen (President & CEO)
Lars Larsen (Executive Director & CFO)

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 50C, DK-2605 Brøndby on March 26, 2021

5-year summary

Consolidated key figures

DKK'000	2020	2019	2018	2017	2016
Income Statement					
Net revenue	1,016,793	1,026,494	934,445	881,138	709,037
Gross margin	968,315	967,305	858,117	808,756	651,126
Operating income (EBIT)	112,915	124,448	194,792	170,990	49,520
Net financials	-45,337	6,131	14,273	-16,779	1,506
Profit before corporate tax	67,578	130,579	209,065	154,211	51,026
Net income	54,357	98,923	170,998	117,334	41,897
Balance Sheet					
Balance sheet total	1,502,372	1,435,340	1,156,690	887,202	703,472
Investment in tangible assets excluding lease assets	30,403	26,964	28,449	13,793	11,450
Receivables from group enterprises	454,138	339,576	303,431	185,056	93,394
Cash at bank and in hand	312,036	346,447	248,602	201,326	150,357
Equity	706,024	681,291	586,553	438,746	294,977
Cash Flow Statement					
Cash Flow operating activities	182,507	237,932	130,446	143,152	48,025
Cash Flow investing activities	-123,818	-114,578	-82,049	-95,223	-96,380
Cash Flow financing activities	-90,930	-26,004	0	0	0
Change in cash and cash equivalents	-32,241	97,350	48,397	47,929	-48,354
Employees					
Average no. of full-time employees	866	776	658	586	569
Number of employees at year-end	934	865	733	635	599
Key Figures					
Invoiced Revenue	1,113,885	1,165,573	1,031,946	938,698	805,260
Gross margin	95.2%	94.2%	91.8%	91.8%	91.8%
EBIT margin	11.1%	12.1%	20.8%	19.4%	7.0%
Financial solidity	2.1	2.1	2.0	2.0	2.4
Return on Equity	7,8%	15.6%	33.4%	32.0%	15.4%

The key figures and financial ratios above are not fully comparable throughout the 5 years due to adopting IFRS 15 and 16 in the financial statements adopted in 2019. No comparative information has been restated as the simplified approach has been applied.

Management Review

Main Activities

Milestone is a global leader in open platform IP Video Management Software (VMS) and Network Video Recorders (NVRs) for IP, network-based video surveillance. We deliver both an open business and an open technology platform, on which our community of hardware and software partners can grow their business and integrate their video solutions for security and beyond security purposes.

The Company operates as a standalone company in the Canon Group with headquarters in Denmark and subsidiaries in fifteen countries.

Business model

The market for video technology is evolving rapidly. Milestone is at the forefront of this development, ready to deliver and support products and services that meet many different market needs.

Milestone's long-term ambition is to develop and deliver the best video solutions to our end-customers with and through our partners.

We do this by focusing on four strategic priorities:

Products & services – We pursue end-customers' needs and preferences through our focused product and service portfolio.

End-customer segments – We target the end-customer segments where we believe we contribute the most value.

Markets – We are an international company that enters and develops markets with a clear blueprint to win strong positions.

Partnerships – We scale our business by proactively supporting and helping our channel partners to grow.

Our business model is essential to the way we create value and results. Our video solutions are sold with and through our channel partners, providing us with great scalability. We are continuously adapting the way we do business to fit market conditions and customer needs, wherever it makes sense for us, our partners, and end-customers.

In addition, our focus on open platform Video Management Software (VMS) connects our channel and technology partners and end-customers to build best-of-breed video solutions without changing current infrastructure. For example, we enable this through Marketplace, which is developed around the idea of growing together with our partners.

Financial Review

The Milestone Group achieved a successful outcome in 2020 given the hardships imposed on our business during the year by COVID-19. Invoiced revenue amounted to DKK 1.1 billion, corresponding to a decrease of 4 percent. After adjustments for revenue deferrals and the impact of cash flow hedging and sales incentives, net revenue was DKK 1.0 billion. This is a decrease of 1 percent compared with 2019. Operating income amounted to DKK 113 million, a decrease of 9 percent. Milestone considers this satisfactory considering the business impact of the ongoing pandemic on all regions.

Operating income (EBIT) of DKK 113 million was recorded for the year, compared with DKK 124 million in 2019. The decrease of 9 percent was a consequence of the ongoing pandemic impacting sales, the increase in our development capacity, and investments in new headcounts to fuel future growth.

Profit before corporate tax was DKK 68 million in 2020, compared to DKK 131 million in 2019, corresponding to a decrease of 48 percent. The decrease in profit before corporate tax was predominantly a consequence of the decrease in US dollar to Danish kroner exchange rate. Milestone delivered a satisfactory financial result with profits in line with expectations despite the uncertainties as a result of the COVID-19 pandemic.

The total value on our balance sheet as of December 31, 2020, was DKK 1,502 million, compared with DKK 1,435 million on December 31, 2019. The total equity amounted to DKK 706 million at the end of 2020, compared with DKK 681 million at the end of 2019. Cash at bank and in hand as of December 31, 2020, was DKK 312 million, compared with DKK 346 million on December 31, 2019. As a result, Milestone's financial position is considered strong and healthy.

Risk Management

Executing strategies and managing business growth requires a shared understanding of governance and risk management, and the EMT has a strong focus on ensuring that risk management is an integral part of the decision-making process.

Our governance and risk management systems support an adequate balance between growth and risk in the Milestone business model. In Business Support, we operate in three pillars: business risk, financial reporting risk and compliance risk, and for each of these risk areas we identify, monitor, measure and manage the company's risks. Our IT Division controls and monitors our IT security risks.

Our approach to risk management is formulated in our Enterprise Risk Management Policy and we have implemented an ongoing and cyclical process to report on activities within the areas, to identify risks, and to mitigate risk by determining risk responses and actions. Identified risks are assessed in terms of impact drivers like "financial," "technology," "market," "brand," and "organization" and in respect of the likelihood of an impact materializing.

With these processes, we identify and manage potential events that may affect Milestone's ability to meet strategic objectives.

The risk response activities are monitored and reported to management for an ongoing evaluation and update of processes. The risk response activities are also integrated into the annual board schedule. The Board of Directors reviews the company's risk exposure, the system for risk monitoring and reporting, and the company's insurance coverage

Financial risks

Milestone is exposed to financial risks, where currency risk is the main risk factor. However, it is not possible to eliminate and avoid these risks entirely. The main objective is to cover commercial risks and to actively manage potential risks in a transparent and disclosed way. The overall objectives and policies for the financial risk management are outlined in an internal Treasury Policy, which is approved by the Board of Directors.

Milestone has currency exposure resulting from the reporting in Danish Kroner (DKK) while generating the majority of the revenue in Euros (EUR) and U.S. Dollars (USD). Transactions dominated in other foreign currencies than EUR and USD are not material. In respect of EUR the currency risk is limited due to the ERMII treaty between Denmark and the European Union (EU) which implies that the risk to fluctuations in the DKK/EUR rate is assumed to be insignificant.

The currency risk related to generating revenue in USD is partly offset by maintaining a significant cost share in USD and partly by cash flow hedging. The hedging is based on 24 months rolling forecast and a larger portion of the forecasted amount is hedged the closer the forecasted period gets. The hedging is approved on a monthly basis.

Mitigating business risks

We have identified the relevant strategic business risks which our company may face in 2021. Our approach is to mitigate these business risks and, at the same time, define both challenges and opportunities which the risks may present to Milestone.

To support the risk identification processes, we have included a situational scan of Milestone's market position and factors such as new regulations and policies, including changes in governments' approach to globalization and regional markets.

To achieve clear risk ownership and an embedded risk culture within the company, risk sponsors and owners are appointed to focus on driving the mitigating activities and projects in the organization.

Through this process, we have identified our top risks, taken action to raise awareness for each risk and actions to mitigate its consequences. Our primary risks included:

- Partner dependencies
- Cyber threats
- Regionalized markets
- Governance of video feeds.

Strategic choices to mitigate risks and create opportunities

Our strategic work is essential to the progress and continued development of our business, and it also serves to mitigate the identified risks.

We strive to accelerate our position in the market for VMS, and we strive to develop and strengthen our community initiatives for collaboration with all our partners, developers, customers, and end-users.

In 2020, we opened Milestone Marketplace for our partner integrators to present their services and solutions. Milestone Marketplace was released in 2019 to present our Technology Partners' offerings of applications and hardware which are compatible with the Milestone XProtect VMS. By including partner integrators, our Marketplace now provides insights and flexibility to find the partners, components, solutions, and services to build and complete best-of-breed solutions for the individual needs.

Cyber security risks are confronted through our strategic work to safeguard our digital security and as the foundation of investments to continue to strengthen our IT systems and products. In 2020, we fully implemented FIPS encryption onto our products.

Our worldwide market presence gives us the advantages of a strong interaction with local markets, but also a dependency on regional regulations and introduction of trade barriers such as product requirements and regulations on privacy and surveillance. In 2020, we have focused on our cross-organizational collaboration, which will continue to be a high priority for 2021. We will continue to interact with our local offices and service providers to maintain our ability to scale worldwide and continue our geo-expansion strategy. This will also include continued people focus to make People First visible and real to all employees, as well as driving our culture, our Behavior Compass, our risk and control framework and our training on code of conduct, business ethics, and compliance

Report on Corporate Social Responsibility

At Milestone we are conscious of our operations and impact as a global company. We support the United Nations Sustainable Development Goals, and we are committed to contributing to these goals within our reach in our business and industry.

Our core activities

Our purpose is to Make the World See.

At Milestone, we strive to make our products efficient and to optimize them to have a positive social impact and protect the environment. We use our company policies and guidelines to maintain a culture that supports the protection of labor rights, safe working conditions, human rights and prevents corruption.

With our solutions, we optimize for life, not just for profit, as we help to protect people and property. We provide video technology to cities, industries, communities, schools, hospitals, and other institutions to enable them to make sense of video data and as a result, have access to actionable information.

Using our independent IP video platform makes it possible to improve safety and build resilient infrastructures for the common good of citizens in our societies. Our product can be used to secure the safety of many situations and environments, for example, to protect people and supplies of essentials, such as water and electricity.

With our software, feeds of video data can be managed and concentrated, so people only need to look at what is important to them. This enables them to analyze the past and predict the future and make better decisions. Better decisions equal a better world. These are important capabilities in creating an intelligent and more responsible society. And that is how we Make the World See.

People and working environment

Milestone is an international company and diversity is a central part of who we are. We are present in 23 countries and we are close to 70 nationalities globally, with more than 40 nationalities in the Copenhagen office alone. Diversity is not just a question of nationality. To us, diversity equals different perspectives, and different perspectives reflect the world we live in and lead to new, brilliant ideas to help us Make the World See.

To realize our strategic priorities, we rely on our people and their expertise, skills, and diversity. Our People First principle encompasses these values together with our belief that to safeguard the long-term sustainable growth of our business, we need to prioritize the ongoing development of our people.

It has been busy times for Milestone. COVID-19 had a significant impact on how we work, cooperate, and stay healthy, both internally and externally. However, 2020 has also brought new ideas and methods that have helped us to work in a more flexible and creative way.

COVID-19 has been a challenge for Milestone and the way we work. It has affected workplace dynamics, leadership, communication, and many other aspects of running a global organization. But the pandemic has also forced us to create new flexible ways of meeting, being creative and innovative, offering new services, training partners, executing events, recruiting, and onboarding new employees. And those are just a few areas in which we have been on a steep learning curve to establish new ways of managing and supporting our People First culture.

Although the pandemic has created challenges for Milestone, being a software company focused on creating opportunities for people and culture has given us some distinct advantages to handling these challenges. Consequently, our multiple initiatives to support agile performance, digitize processes and putting people first have continued.

One of those Milestone initiatives is Grow Together, which provides a range of activities which are now being offered to all employees. The base of this initiative is the energy pyramid that focuses on ways to create energy by working to achieve a mental, and spiritual balance. Grow Together is a program that includes training, ways to optimize your physical well-being, tips to keep focus on assignments, and an improved practice for planning and holding meetings. Because we believe people in balance make the organization more creative and efficient, Grow Together supports an agile and flexible working culture while strengthening our growth ambitions.

As part of our agile performance culture and management, we have implemented team goals and reviews. This puts the focus on the team rather than the individual, on the way we collaborate at Milestone, and on the way, we set and evaluate goals and success in fulfilling them together with our teams. This has been the standard for our development teams and projects for a long time. To get everybody on board, we are training and sharing the learning from these teams across the organization.

The environment and climate

Milestone are aware that our business has an impact on the climate as well as the environment, and that to some extent, we can influence this impact. We encourage all employees to become more climate and environmentally conscious in their work processes.

Looking at how we use technology, we believe that smart technology design can minimize adverse effects on the environment, and following this principle, we are working to reduce energy consumption. In this way, we can save costs in security installations, as well as extend the lifespan of the hardware used.

When relevant, we also include environmental protection in our contracts with partners. We require our distributors to comply with local environmental legislation, including the European Union (EU) Battery Directive, the EU Waste Electrical and Electronic Equipment (WEEE) Directive and environmental fees.

To increase the share of renewable energy in the energy mix used by Milestone, we have committed to sourcing some of our operational electricity needs from renewable sources. In a joint project with the property owner at our office in Denmark, solar panels have been installed on the roof of the building. When the project is complete, 14% of the energy that the Milestone Denmark office consumes will be from our own solar production. The rest is green energy from Danish offshore windmills.

Human rights, anti-corruption and anti-bribery

Our products can support and be integrated into many facilities and infrastructures where they can support economic development and human well-being. However, like other technologies, our product can also be applied in contexts of restraint. We realize that technology is a growing concern in matters of society and ethics, and we believe in taking responsibility for the world we are creating.

We care about privacy, and we have made our XProtect Corporate product General Data Protection Regulation (GDPR)-ready for which we have obtained the EuroPriSe GDPR-ready certification from the European Privacy Seal institute.

For security and protection of data, in 2020, Milestone has integrated functionalities into our products to operate in a Federal Information Processing Standard (FIPS) compliant mode. FIPS is a United States standard for encryption which has increased cyber security overall.

Milestone's approach to human rights, anti-corruption and bribery is firmly based on our company values and company Behavior Compass. Milestone is a co-author of the Copenhagen Letter (copenhagenletter.org) a technology declaration to further an open and honest public conversation about the power of technology and how it should enhance the quality of life.

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

Milestone remains aware of the many ethical aspects of video surveillance and for many years, Milestone has incorporated human rights language into our licensing terms that, in 2019, was supplemented by the Copenhagen Clause.

Our anti-corruption policy is clearly documented in our code of conduct that we require all employees to sign and comply with. To keep this current, we will provide ongoing training in business ethics as part of the All-hands (company meetings for all employees) program in 2021. This is a continuation of similar training we delivered at the 2020 kickoff sessions, and during the year we maintained a focus on anti-corruption in our dialogue with the site offices. In addition, we require our management and employees to raise their own awareness, and to take action if they observe incidents which, directly or as a result of circumstances, may be seen as unlawful or unethical activities.

Employees and external stakeholders are encouraged to raise any concerns they may have regarding business integrity through a direct email hotline, which for external stakeholders can be found on the Milestone website. This has been communicated to all employees to make sure that they are aware of the process.

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 as we take advantage of business opportunities, we also take precautions to minimize the risk of 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 which could violate personal integrity and human rights
- Indirect involvement through employees, suppliers, distributors or partners in bribery or corruption.

We evaluate the risks before initiating geo-expansion activities, and we collaborate with local professionals during the set-up phase. We also mitigate these risks through our policies and close connection with our managers, our guidelines, and activities. Through on-site training, we establish risk management frameworks that include mechanisms an

Non-financial KPIs

We use non-financial KPIs to manage the reporting of working conditions including diversity and equality in the workplace, employee attrition rate and talent recruiting.

Gender distribution

(The Danish Financial Statement Act §99b)

A diverse workforce brings varied experiences, expertise, ideas, and innovation. To maintain a diverse workforce, we collaborate across Milestone to benefit from knowledge sharing between culturally diverse groups. When recruiting to fill employee positions, we always look for the best suited candidate and in 2020, when we use consultants and headhunters to help fill vacancies, we continued always to ask for diversity in field of the best suited candidates, including in terms of gender.

Following this principle, the composition of the Board of Directors is reviewed on an annual basis. In 2020, there were no changes to the shareholder-elected board members who currently do not include women. Canon Inc. valued the continuity of the board and, consequently new members have not been elected. By 2024, the board aims to have one female candidate for election as shareholder-elected member.

In 2020, Milestone's senior management at VP-level grew to 33% women and our Director-level grew to 26% women. These results support our aim to ensure that within Milestone, we are fostering a basis for organic growth and development of women talent also to our management levels, and that women are truly considered in our commitment to make sure we have the best suited candidate. Going forward, we will continue to ensure that gender diversity is an integrated part of our talent review, leadership development, and recruitment activities for management positions.

Expectations for 2021

The Executive Management Team believes that there are good business opportunities going forward. EBIT for 2021 is expected to be at the same level as 2020, although our markets are currently negatively impacted by the pandemic across all regions. In 2020, we have seen that once the restrictions have been lifted, sales have picked up.

During 2020, Milestone has demonstrated that we have a strong COVID-19 continuity plan. Throughout the year we have been in control of our profitability and we expect to continue the COVID-19 continuity plan as long as needed. As a global company with customers around the world, Milestone is subject to varying market conditions. Lockdowns and mobility restrictions have continued to impact customers, partners, and employees in 2021 and in light of the current developments in the COVID-19 pandemic, we underline that our assumptions are significantly more uncertain than normal.

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 2020 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 accounting policies are unchanged compared to the previous year.

Reporting currency

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

Consolidated 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.

Recognition and measurement

Revenues are recognized in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortized cost are recognized. Moreover, all expenses incurred to achieve the earnings for the year are recognized in the income statement, including depreciation, amortization, impairment losses and provisions as well as reversals due to changed accounting

estimates of amounts that have previously been recognized in the income statement.

Assets are recognized in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognized in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

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 the balance sheet date are translated at the exchange rates prevailing on the 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 liability insofar as they have not been paid.

Accounting Policies

Deferred tax is recognized in the balance sheet as the tax on all temporary differences and tax loss carried 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.

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.

Income Statement

Net revenue

Revenues are recognized in the income statement in accordance with IFRS 15.

Revenue is mainly derived from sales of licenses, service, support and maintenance agreements, sale of hardware products & other revenue such as training.

The sales agreements are divided into individually identifiable performance obligations that are recognized and measured separately at fair value. Where a sale agreement includes multiple performance obligations, the total sales value of the sale agreement is allocated proportionally to the individual performance obligations of the agreement.

Revenues are recognized in the income statement when the individual identifiable performance obligations have been met and the goods or services are transferred to the customer and the customer obtains control.

Recognized revenue is measured at the fair value of the agreed remuneration, exclusive VAT and charges levied on behalf of third parties. All types of discounts granted are recognized in revenue.

Sales of goods

Sales of goods comprise of licenses and hardware products and are recognized as revenue when control of the individual identifiable performance obligation in the sales agreement is transferred to the customer, which is according to the sales conditions at the time of delivery.

Revenue is recognized when the client has obtained control of the license and has the ability to use and obtain substantially all the benefits from the license.

Sales of services

Sales of services comprise of service, support and maintenance agreements & other services such as training etc.

The services typically include a performance obligation that is recognized on a straight-line basis in revenue over the period in which the services are provided.

Accounting Policies

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.

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 amortization.

Capitalized development projects are amortized 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 software purchases are measured at cost less accumulated amortization and depreciation and less any accumulated impairment losses. Cost comprises the cost of acquisition and expenses directly related to acquisition and commissioning costs.

Amortization and depreciation of a fixed asset commences when it is ready for use.

Amortization and 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 is reassessed every year.

Where the residual value exceeds the carrying amount of the asset, no further amortization and 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.

Accounting Policies

Lease contracts

Lease contracts are recognized and measured as tangible fixed assets according to IFRS 16.

Leases are recognized in the balance sheet at the lower fair value of the asset and the present value of the lease payments.

The lease obligation is recognized in the balance sheet as a liability, and the interest portion of the lease payment is expensed on an ongoing basis in the income statement.

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 the 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.

Contract assets

Contract assets relate to the Group's rights to consideration for software licensed to customers under subscription agreements with future payments, when that right is conditional on Milestone Systems future performance.

If the timing of payments specified in the contract provides the client with a significant financing benefit, the transaction price is adjusted to reflect this financing component.

Contract assets from contracts with customers are measured at amortized cost less provision for impairment.

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.

Accounting Policies

Equity

Reserve for net revaluation according to the equity method

The reserve comprises net revaluations of investments in subsidiaries compared to the cost price.

Reserve for development projects

The reserve for development includes 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.

Proposed dividends

Dividend proposed for the year is recognized as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Liabilities

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

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 liabilities excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise 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 comprise cash flows from the raising and repayment of long-term liabilities 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

Financial ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines.

The financial ratios stated under "5-year summary" have been calculated as follows:

Invoiced Revenue	=	Invoiced revenue for the financial year
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	=	$\frac{\text{Total Assets}}{\text{Shareholder Equity}}$
Return on Equity	=	$\frac{\text{Net income for the year} \times 100}{\text{Average Shareholder Equity}}$

Income Statement

	Note	Consolidated DKK'000		Parent Company DKK'000	
		2020	2019	2020	2019
Net revenue	1	1.016.793	1.026.494	1.011.274	1.020.187
Cost of sales		-48.478	-59.189	-47.679	-58.177
Gross margin		968.315	967.305	963.595	962.010
Research and development costs	3, 4	-263.619	-236.702	-270.784	-244.452
Distribution and sales costs	3, 4	-506.770	-523.456	-528.577	-543.065
Administrative costs	2, 3, 4	-85.011	-82.699	-70.022	-68.142
Operating income (EBIT)		112.915	124.448	94.212	106.351
Result from investments in subsidiaries		0	0	13.092	9.715
Interest and other financial income	5	2.744	9.232	3.455	10.957
Interest and other financial expenses	6	-48.081	-3.101	-48.278	-2.268
Profit before corporate tax		67.578	130.579	62.481	124.755
Corporate tax	7	-13.221	-31.656	-8.124	-25.832
Net income		54.357	98.923	54.357	98.923
Net income attributable to:					
Owners of Milestone Systems A/S		54.357	98.923	54.357	98.923
Net income		54.357	98.923	54.357	98.923

Balance Sheet

December 31

Assets

	Note	Consolidated DKK'000		Parent Company DKK'000	
		2020	2019	2020	2019
Completed development projects		185.022	164.305	187.646	166.377
Development projects in progress		10.820	17.859	13.172	19.900
Other intangible assets		43.381	46.443	42.751	45.750
Intangible fixed assets	8	239.223	228.607	243.569	232.027
Land and buldings		106.618	112.149	53.679	46.912
Other fixtures and fittings, tools and equipment		58.833	52.326	38.287	27.514
Tangible fixed assets	9	165.451	164.475	91.966	74.426
Investments in subsidiaries	10	0	0	45.294	37.404
Other investments	11	21.469	21.469	21.469	21.469
Contract assets		9.086	0	9.086	0
Deposits		8.800	8.403	4.382	3.821
Financial fixed assets		39.355	29.872	80.231	62.694
Fixed assets		444.029	422.954	415.766	369.147
Trade receivables		234.561	257.709	234.297	253.782
Receivables from Group enterprises		454.138	339.576	458.562	350.239
Other receivables		25.818	5.133	22.856	1.443
Prepaid company tax		11.000	41.254	5.160	36.659
Deferred tax	12	4.159	3.452	0	0
Prepayments	13	16.631	18.815	10.716	14.272
Receivables		746.307	665.939	731.591	656.395
Cash at bank and in hand		312.036	346.447	264.600	299.222
Current assets		1.058.343	1.012.386	996.191	955.617
Assets		1.502.372	1.435.340	1.411.957	1.324.764

Balance Sheet

December 31

Shareholders Equity and Liabilities

	Note	Consolidated DKK'000		Parent Company DKK'000	
		2020	2019	2020	2019
Equity					
Share capital		693	693	693	693
Reserve for net revaluation under the equity method		0	0	27.505	18.631
Reserve for development projects		0	0	156.638	118.565
Foreign exchange reserve		-4.296	-2.137	-4.296	-2.137
Hedging reserve		14.048	-18.498	14.048	-18.498
Retained earnings		663.360	641.233	479.217	504.037
Dividend proposed for the year		32.219	60.000	32.219	60.000
Capital and reserves attributable to owners of Milestone Systems A/S		706.024	681.291	706.024	681.291
Total equity		706.024	681.291	706.024	681.291
Investments in sub. with negative equity		0	0	0	322
Deferred tax	12	54.764	42.101	54.690	42.029
Provisions		54.764	42.101	54.690	42.351
Deferred income	14	182.258	161.810	182.258	161.810
Lease liability	15	87.004	94.228	45.079	40.426
Non-current liabilities		269.262	256.038	227.337	202.236
Lease liability	15	27.130	28.133	11.678	11.729
Trade payables		29.235	25.423	26.623	22.837
Payables to Group enterprises		0	0	5.994	2.966
Corporation tax		9.904	36.041	4.684	31.162
Other payables		133.262	132.287	102.136	98.693
Deferred income	14	272.791	234.026	272.791	231.499
Current liabilities		472.322	455.910	423.906	398.886
Total liabilities		741.584	711.948	651.243	601.122
Liabilities and equity		1.502.372	1.435.340	1.411.957	1.324.764
Mortgages, securities and contingent liabilities			16		
Related parties			17		
Cash Flow Statement Notes			18		
Proposed distribution of profit			19		
Subsequent events			20		

Statement of changes in equity

		Consolidated						
	Note	Share capital	Hedging reserve	Hedging reserve	Retained earnings	Dividend proposed for the year	Total	
<i>DKK'000</i>								
Equity at January 1, 2019		693	-2.632	-13.818	602.310	0	586.553	
Exchange rate adjustment, beginning of the year		0	233	0	0	0	233	
Exchange rate adjustment, during the year		0	262	0	0	0	262	
Fair value adjustment of hedging instruments, end of the year		0	0	-6.000	0	0	-6.000	
Adjustment to deferred tax on hedging instruments, end of the year		0	0	1.320	0	0	1.320	
Net income for the year		0	0	0	38.923	60.000	98.923	
Equity at December 31, 2019		693	-2.137	-18.498	641.233	60.000	681.291	
Exchange rate adjustment, beginning of the year	10	0	-1.324	0	-11	0	-1.335	
Exchange rate adjustment, during the year	10	0	-835	0	0	0	-835	
Fair value adjustment of hedging instruments, end of the year		0	0	41.726	0	0	41.726	
Adjustment to deferred tax on hedging instruments, end of the year		0	0	-9.180	0	0	-9.180	
Dividend paid		0	0	0	0	-60.000	-60.000	
Net income for the year		0	0	0	22.138	32.219	54.357	
Equity at December 31, 2020		693	-4.296	14.048	663.360	32.219	706.024	

		Parent Company							
	Note	Share capital	Reserve for net revaluation according to the equity method	Reserve for development projects	Foreign exchange reserve	Hedging reserve	Retained earnings	Dividend proposed for the year	Total
<i>DKK'000</i>									
Equity at January 1, 2019		693	8.421	77.527	-2.632	-13.818	516.362	0	586.553
Exchange rate adjustment, beginning of the year		0	0	0	233	0	0	0	233
Exchange rate adjustment, during the year		0	0	0	262	0	0	0	262
Fair value adjustment of hedging instruments, end of the year		0	0	0	0	-6.000	0	0	-6.000
Adjustment to deferred tax on hedging instruments, end of the year		0	0	0	0	1.320	0	0	1.320
Net income for the year		0	10.210	41.038	0	0	-12.325	60.000	98.923
Equity at December 31, 2019		693	18.631	118.565	-2.137	-18.498	504.037	60.000	681.291
Exchange rate adjustment, beginning of the year	10	0	0	0	-1.324	0	-11	0	-1.335
Exchange rate adjustment, during the year	10	0	0	0	-835	0	0	0	-835
Fair value adjustment of hedging instruments, end of the year		0	0	0	0	41.726	0	0	41.726
Adjustment to deferred tax on hedging instruments, end of the year		0	0	0	0	-9.180	0	0	-9.180
Dividend paid		0	0	0	0	0	0	-60.000	-60.000
Net income for the year		0	8.874	38.073	0	0	-24.809	32.219	54.357
Equity at December 31, 2020		693	27.505	156.638	-4.296	14.048	479.217	32.219	706.024

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

Cash Flow Statement

		Consolidated	
		DKK'000	
	Note	2020	2019
Net income for the year		54.357	98.923
Adjustments	18	193.621	141.771
Change in working capital	18	-13.672	30.412
Cash flows from operating activities before paid financial items and tax		234.306	271.106
Financial income received		2.744	9.232
Financial expenses paid		-48.081	-3.101
Cash flows from operating activities before paid tax		188.969	277.237
Corporate tax paid/received		-6.462	-39.305
Cash flows from operating activities		182.507	237.932
Investment in intangible fixed assets		-93.415	-87.614
Investment in tangible fixed assets excluding operating lease assets		-30.403	-26.964
Sale of property, plant and equipment		0	0
Cash flows from investing activities		-123.818	-114.578
Repayments on lease liability		-30.930	-26.004
Distributed dividend		-60.000	0
Cash flows from financing activities		-90.930	-26.004
Change in cash and cash equivalents		-32.241	97.350
Cash and cash equivalents at January 1		346.447	248.602
Currency adjustments		-2.170	495
Cash and cash equivalents at December 31		312.036	346.447
<i>Cash and cash equivalents are specified as follows:</i>			
Cash at bank and in hand		312.036	346.447
Cash and cash equivalents at December 31		312.036	346.447

Notes to the Annual Report

Note 1 Segment information

The revenue is segmented following invoicing, and on the basis of where the main part of the processes and activities that generated the revenue took place.

	Consolidated DKK'000		Parent Company DKK'000	
	2020	2019	2020	2019
Geographical segments				
Net revenue Denmark	30.274	32.637	30.274	32.637
Net revenue export from Denmark	981.000	987.550	981.000	987.550
Net revenue generated outside Denmark	5.519	6.307	0	0
	1.016.793	1.026.494	1.011.274	1.020.187
Product segments				
Surveillance related products	1.016.793	1.026.494	1.011.274	1.020.187
	1.016.793	1.026.494	1.011.274	1.020.187
Note 2 Fees to independent auditors				
Statutory audit fee	370	319	370	319
Tax advisory services	694	739	41	275
Other services	514	386	229	181
	1.578	1.444	640	775
Note 3 Staff expenses				
Wages and salaries	540.522	487.856	342.962	304.197
Pensions	25.791	23.354	15.961	13.556
Social contributions	25.589	22.064	3.822	3.349
Other staff expenses	42.802	54.531	17.625	21.102
Capitalized development costs	-59.421	-52.960	-34.944	-31.087
	575.283	534.845	345.426	311.117
Average number of employees	866	776	434	375
Staff expenses are recognized as follows:				
Research and development costs	154.543	136.549	161.732	148.304
Distribution and sales costs	357.791	340.640	130.450	114.094
Administrative costs	62.949	57.656	53.244	48.719
	575.283	534.845	345.426	311.117
Remuneration to the Executive Management:				
Executive Management	11.369	8.693	11.369	8.693
	11.369	8.693	11.369	8.693

Notes to the Annual Report

	Consolidated DKK'000		Parent Company DKK'000	
	2020	2019	2020	2019
Note 4 Amortization and depreciation of intangible and tangible fixed assets				
Completed development projects	67.689	58.085	69.163	59.456
Other intangible assets	15.110	11.594	14.821	11.379
Land and buildings	25.865	23.990	9.970	8.501
Other fixtures and fittings, tools and equipment	26.282	22.733	16.390	13.740
Gains and losses in fixed assets	170	112	76	0
	135.116	116.514	110.420	93.076
Amortization and depreciation of intangible and tangible fixed assets are recognised as follows:				
Research and development costs	87.034	74.942	82.362	70.349
Distribution and sales costs	46.018	39.872	25.994	21.026
Administrative costs	2.064	1.700	2.064	1.701
	135.116	116.514	110.420	93.076
Note 5 Interest and other financial income				
Interest from Group companies	2.619	3.464	3.344	4.845
Currency adjustments	0	4.427	0	4.891
Other financial interest and income	125	1.341	111	1.221
	2.744	9.232	3.455	10.957
Note 6 Interest and other financial expenses				
Interest from Group companies	0	0	1.556	173
Currency adjustments	45.101	0	44.735	0
Other financial interest and expenses	2.980	3.101	1.987	2.095
	48.081	3.101	48.278	2.268
Note 7 Tax				
Current tax for the year	9.919	26.381	4.535	21.780
Adjustment of current tax for prior years	660	885	108	8
Change in deferred tax	11.956	2.955	12.661	2.724
Adjustment in deferred tax for prior years	-134	115	0	0
	22.401	30.336	17.304	24.512
Attributable to:				
Tax on profit for the year	13.221	31.656	8.124	25.832
Tax on changes in equity	9.180	-1.320	9.180	-1.320
	22.401	30.336	17.304	24.512

Notes to the Annual Report

Note 8 Intangible fixed assets

Consolidated - DKK'000

	Completed development projects	Development projects in progress	Total development projects	Other intangible assets
Cost at January 1, 2020	641.707	17.859	659.566	79.835
Additions in the year	3.263	78.104	81.367	12.048
Disposals in the year	0	0	0	-26
Transferred to completed	85.143	-85.143	0	0
Cost at December 31, 2020	730.113	10.820	740.933	91.857
Depreciation and impairment at January 1, 2020	-477.402	0	-477.402	-33.392
Depreciation in the year	-67.689	0	-67.689	-15.110
Depreciations on disposals in the year	0	0	0	26
Depreciation and impairment at December 31, 2020	-545.091	0	-545.091	-48.476
Carrying amount at December 31, 2020	185.022	10.820	195.842	43.381

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 using resources allocated by management to the development projects. The new functionality is primarily aimed at the wide range of customers using Milestone software today. The functionality developed is based on input from various stakeholders within the VMS market, internally as well as externally.

Parent Company - DKK'000

	Completed development projects	Development projects in progress	Total development projects	Other intangible assets
Cost at January 1, 2020	647.733	19.900	667.633	78.857
Additions in the year	3.248	80.456	83.704	11.822
Disposals in the year	0	0	0	0
Transferred to completed	87.185	-87.185	0	0
Cost at December 31, 2020	738.165	13.172	751.337	90.679
Depreciation and impairment at January 1, 2020	-481.356	0	-481.356	-33.107
Depreciation in the year	-69.163	0	-69.163	-14.821
Depreciations on disposals in the year	0	0	0	0
Depreciation and impairment at December 31, 2020	-550.519	0	-550.519	-47.928
Carrying amount at December 31, 2020	187.646	13.172	200.818	42.751

Notes to the Annual Report

Note 9 Tangible fixed assets

Consolidated - DKK'000

	Land and buildings	Other fixtures and fittings, tools and equipment	Total
Cost at January 1, 2020	136.139	117.095	253.234
Currency adjustment	-4.513	-2.478	-6.991
Additions in the year	23.642	34.158	57.800
Disposals in the year	-2.711	-5.369	-8.080
Cost at December 31, 2020	152.557	143.406	295.963
Depreciation and impairment at January 1, 2020	-23.990	-64.769	-88.759
Currency adjustment	1.307	1.653	2.960
Depreciation in the year	-25.865	-26.282	-52.147
Depreciations on disposals in the year	2.609	4.825	7.434
Depreciation and impairment at December 31, 2020	-45.939	-84.573	-130.512
Carrying amount at December 31, 2020	106.618	58.833	165.451
Tangible assets include operating leases with a carrying amount totaling	106.618	6.935	113.553
<i>Parent Company - DKK'000</i>			
	Land and buildings	Other fixtures and fittings, tools and equipment	Total
Cost at January 1, 2020	55.413	66.459	121.872
Additions in the year	16.737	27.543	44.280
Disposals in the year	-897	-1.548	-2.445
Cost at December 31, 2020	71.253	92.454	163.707
Depreciation and impairment at January 1, 2020	-8.501	-38.945	-47.446
Depreciation in the year	-9.970	-16.390	-26.360
Depreciations on disposals in the year	897	1.168	2.065
Depreciation and impairment at December 31, 2020	-17.574	-54.167	-71.741
Carrying amount at December 31, 2020	53.679	38.287	91.966
Tangible assets include operating leases with a carrying amount totaling	53.679	5.004	58.683

Notes to the Annual Report

Note 10 Financial fixed assets

Parent Company - DKK'000

	Investments in subsidiaries
Cost at January 1, 2020	12.165
Additions in the year	0
Disposals in the year	0
Cost at December 31, 2020	12.165
Revaluations at January 1, 2020	18.631
Currency adjustment	-2.159
Paid dividend	-2.059
Profit for the year	13.092
Revaluations at December 31, 2020	27.505
Carrying amount at December 31, 2020	39.670

Negative value of investments in subsidiaries set off against receivables from group enterprises	5.624
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Investments in Subsidiaries

45.294

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 151.000
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 2.500.000
Milestone Systems Sweden AB	Stockholm, Sweden	100%	SEK 50.000
Milestone Systems KK	Tokyo, Japan	100%	JPY 10.000.000
Milestone Systems Germany GmbH	Munich, Germany	100%	EUR 25.000
Milestone Systems Norway	Oslo, Norway	100%	NOK 30.000
Milestone Sistemas	Mexico City, Mexico	100%	MEX 3.000

Note 11 Other Investments

DKK'000

Other investments are specified as follows:

Name	Reg.office	Share Capital	Ownership	Voting rights	Equity 2019	Net income for 2019
Arcus Holding A/S	Brøndby, Denmark	4.007	12%	1%	141.498	-100.851

Numbers are based on the latest available annual report for Arcus Holding A/S.

Notes to the Annual Report

	Consolidated DKK'000		Parent Company DKK'000	
	2020	2019	2020	2019
Note 12 Deferred tax				
Deferred tax at January 1	38.649	35.694	42.029	39.306
Change in profit and loss	2.776	4.275	3.481	4.043
Change in equity	9.180	-1.320	9.180	-1.320
Deferred tax at December 31	50.605	38.649	54.690	42.029
Deferred tax relates to:				
Intangible assets	52.129	49.096	52.129	49.096
Tangible assets	470	1.472	-1.182	-1.141
Current assets	-219	10	-219	12
Other obligations	-302	-9.876	3.962	-5.938
Net operating loss	-1.473	-2.053	0	0
	50.605	38.649	54.690	42.029
Deferred tax recognized in the balance sheet:				
Deferred tax asset	-4.159	-3.452	0	0
Deferred tax liability	54.764	42.101	54.690	42.029
	50.605	38.649	54.690	42.029
Note 13 Prepayments				
Prepayments consist of prepaid costs related to licenses, subscriptions, marketing events and other costs.				
Note 14 Deferred income				
Under 1 year	272.791	234.026	272.791	231.499
1 year to 5 years	182.258	161.810	182.258	161.810
Above 5 years	0	0	0	0
	455.049	395.836	455.049	393.309

Deferred income consists of deferred revenue from services where the Company has received payment as a pre-paid amount.

	Consolidated DKK'000		Parent Company DKK'000	
	2020	2019	2020	2019
Note 15 Lease liability				
Under 1 year	27.130	28.133	11.678	11.729
1 year to 5 years	85.385	85.530	45.032	40.376
Above 5 years	1.619	8.698	47	50
	114.134	122.361	56.757	52.155

Note 16 Mortgages, securities and contingent liabilities

Consolidated and Parent Company

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

Note 17 Related parties

Controlling interest

Canon Inc., Japan

Basis

Controlling shareholder

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Consolidated Financial Statements

The Company's ultimate Parent Company which prepares consolidated financial statements into which the Company is incorporated as a subsidiary is

Name

Canon Inc

Place of registered office

Tokyo, Japan

The Group Annual report of Canon Group may be obtained at the following address:

Canon Inc.

30-2, Shimomaruko 3-chome, Ohta-ku

Tokyo 146-8501

Japan

Note 18 Cash Flow Statement

	Consolidated DKK'000	
	2020	2019
Cash flow statement - adjustments		
Depreciation of intangible and tangible assets	134.946	116.514
Gain/loss on disposed assets	170	-112
Interest and other financial items	45.337	-6.131
Corporate tax	13.221	31.656
Other	-53	-156
	193.621	141.771

Cash flow statement - change in working capital

Change in receivables	-77.672	-55.202
Change in suppliers, other payables, etc	64.000	85.614
	-13.672	30.412

Note 19 Proposed distribution of profit

	Consolidated DKK'000		Parent Company DKK'000	
	2020	2019	2020	2019
Retained earnings	22.138	38.923	-24.809	-12.325
Proposed dividend recognized under equity	32.219	60.000	32.219	60.000
Reserve for net revaluation under the equity method	0	0	8.874	10.210
Reserve for development projects	0	0	38.073	41.038
	54.357	98.923	54.357	98.923

Note 20 Subsequent events

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