ANNUAL REPORT 2021

The annual report 2021 was presented and adopted at the company's Annual General Meeting on 19 April 2022

Dorthe Rosenkilde Saunders
Chairman of the meeting

◆ milestone

MAKE THE
WORLD SEE

◆ milestone

SUCCEED TOGETHER

Milestone Systems Annual Report 2021

Video technology helps care for seniors living alone

Caring for residents in a non-invasive manner.

Our roadmap to the future

Four strategic objectives for 2022.

High employee satisfaction

Guided by purpose and strong values.

Management's review

Financial statement

To demonstrate our support for the people of Ukraine, Milestone has suspended all business activities in Russia and Belarus.

Milestone Systems grows beyond 1,000 employees

2021 was a strong year for Milestone Systems (Milestone), with double-digit growth in net revenue, growth in our employee numbers, and growth in investments in our company.

During the first months of 2022, as we were preparing this annual report, the global situation changed drastically. We were devastated to witness the continuing invasion of Ukraine and the many people who lost their lives as a result. We have suspended all our activities in Russia and Belarus until further notice.

Our intention with these actions is to do what we believe is right in these circumstances. For everyone who was unintentionally entrapped by this situation, no matter their nationality, we want to show that Milestone stands together with you and that you have our empathy, understanding, and support during this difficult time.

Growing beyond 1,000 employees
Turning to Milestone, 2021 was a special year because we grew beyond 1,000 employees while continuing to generate

net revenue of more than one billion Danish kroner (DKK). Unfortunately, it was another tough year for the global community with COVID-19 continuing to impact people in all regions.

People First
At Milestone, People First is an approach to leadership that values all of the people connected with our business so that they can do their best work. People First is a mindset, rather than a strategy or a set of principles.

This goes beyond our colleagues in the company to include our partners and customers as well. People First is one of our competitive differentiators, especially when recruiting top talent for the company.

As part of our investment in people and designing our organization for the future, during 2021 we introduced:

Grow Together,
a voluntary program to help colleagues achieve a balanced, sustainable lifestyle.

Flexible Working,
which gives colleagues the flexibility to balance working from the office or remotely.

Scaling for growth – extending our leadership team
To increase our reach in the core areas of our business, we extended our executive leadership team as part of scaling for growth. To continue prioritizing People First at Milestone, we hired a Chief People & Culture Officer. We also hired a Chief Marketing Officer to increase our focus on marketing. Together, these new positions raise the accountability of both functions to C-level.

In addition, we extended the leadership team at senior leadership level with new core positions to increase our focus on strategic areas of our business.

"Shaping the New Next," our first 100 percent virtual MIPS
One of the highlights of 2021 was the MIPS Conference. As our first 100 percent virtual event, MIPS was a big success, with lots of positive feedback from attendees.

The event attracted more than 6,000 attendees at its peak. Over 70 percent rated MIPS as a great or outstanding event, and more than 90 percent said that the conference was relevant for their business.

New products and certifications

To support our partners in continuing to grow their business, we introduced several new products and certifications during the year.

Husky™ IVO

is an advanced Network Video Recorder (NVR) that gets the most out of any XProtect® video management solution. Customers can use Husky IVO with any XProtect product license and integrate more than 11,000 supported third-party devices to ensure the best fit now and in the future.

XProtect® Rapid REVIEW

gives customers an intelligent video analytics solution that can quickly review and analyze forensic video content to find what they are looking for, fast. For example, it took officials weeks to review 5,000 hours of video from the Stanley Cup riots in Vancouver, Canada.

Using XProtect Rapid REVIEW, authorities would have been able to do this in a matter of hours.

XProtect Corporate European Privacy Seal (EuroPriSe)

introduced a new privacy seal certification that expands XProtect's General Data Protection Regulation (GDPR) compliance to cover more functions. As a strong advocate for responsible technology, we are committed to protecting people's privacy and data.

Working with the right partners, in and beyond security

We are a partner-driven company, and we succeed by cooperating with our partners to co-create technology and revenue together. We will continue to work hard for our partners. However, to maintain our joint success, we will focus on partners who choose to work equally hard for Milestone.

We expect our partners to align with our vision of selling business outcomes. In our future business, success will not just be about selling products. It will about delivering results and solutions that make sense for our customers and that they acknowledge as valuable. We refer to this as business outcomes rather than product features.

For example, we want to help make cities a better place to live. Combining video with data from air quality sensors we can help redirect traffic to alternate, less congested routes. This makes it possible to prevent pollution hotspots from building up.

At a global level, this helps city authorities support the United Nations Sustainable Development Goal (SDG) #11, to make cities inclusive, safe, resilient, and sustainable. That business outcome is clearly valuable to society, and that's the approach we need to take alongside our partners in the future.

In the future, success is not only going to be about security and safety. Our core partners in security and safety will always be very important for Milestone. However, we want to take advantage of future opportunities beyond security.

To do that, we must work with additional partners to create the right value for our customers, both within security and beyond security.

Thomas Jensen
Chief Executive Officer

Lars Larsen
Chief Financial Officer

The new Executive Leadership Team

In 2020, a new CEO joined Milestone, and in 2021 we expanded our Executive Leadership Team (ELT) with two new positions. We hired a Chief Marketing Officer and a Chief People & Culture Officer. We also welcomed a new Chief Revenue Officer on February 1, 2022.

The new team has six people with a wide range of capabilities, and leadership skills. We believe they will complement each other as we set the direction for Milestone during the years to come.

Thomas Jensen
Chief Executive Officer

Lars Larsen
Chief Financial Officer

Bjørn Skou Eilertsen
Chief Technology Officer

Christina Molt Wengel
Chief Marketing Officer

Simon Thule Viggers
Chief People & Culture Officer

Ilijana Vavan
Chief Revenue Officer

ELT is from left to right, in the back: Thomas Jensen, Bjørn Skou Eilertsen and Lars Larsen. In front, sitting: Christina Molt Wengel, Simon Thule Viggers and Ilijana Vavan.

Five reasons to choose Milestone

1

History of sustainable growth

The story of Milestone is a story of long-term, sustainable growth. In just five years, our net revenue has grown from DKK 881 million in 2017 to DKK 1.2 billion in 2021.

In that same five years, we have grown from 635 to 1,088 colleagues.

2

International presence

Milestone is an international company with a presence in 24 countries. We are close to our clients and partners in all our markets.

Our partner ecosystem, the Care™ program, and a wide range of industry events ensure a strong, ongoing dialogue with our stakeholders.

3

Flexible platform

Milestone is a leading provider of data-driven video technology software.

Based on an open platform, our software enables integration with the industry's widest choice of devices and best-in-class business solutions.

4

Focus on people

People are at the core of everything we do. We continuously create opportunities for our colleagues to grow professionally and personally.

We focus on servicing our partners and customers to achieve true business outcomes. We create best-in-class solutions that add value for each of our customers. And we ensure safety and security for people living across the world.

5

**Responsible technology**

Our products support economic and human well-being in facilities and infrastructures worldwide.

But they can also be used in ways that go against our purpose and values. We realize that society has ethical concerns about some of the ways video technology is being used. That is why we strive to ensure that our technology is developed, marketed, and used responsibly.
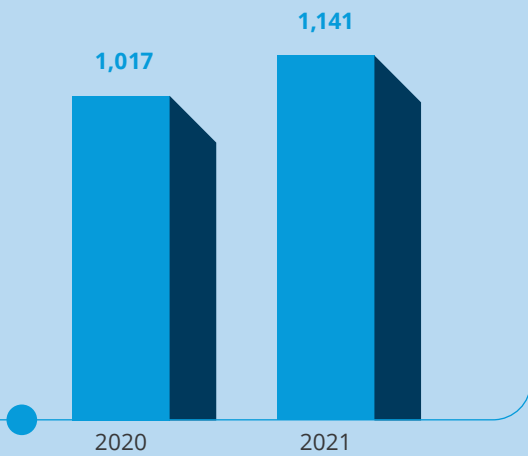
1,141

1,017

2020   2021

Net revenue (DKK million)

Milestone has experienced solid growth in net revenue from DKK 1,017 million in 2020 to DKK 1,141 million in 2021.

24

Number of countries

Milestone is present in 24 countries.

1,088

Employees in Milestone

Milestone has grown from 635 employees at year-end in 2017 to 1,088 in 2021.

170,7   **194,5**   **123,5**   **111,9**   **92,5**

2017   2018   2019   2020   2021

EBIT (DKK million)

Milestone has experienced a solid profit margin the last five years.

24 years

Milestone history

In 1998, Milestone was founded by John Blem and Henrik Friborg Jacobsen. The company was incorporated in 2000 with a new logo and a Board of Directors. In 2014, Milestone was acquired by the Canon Group.

It's all about peace of mind

Milestone is a leading provider of data-driven video technology software that helps to Make the World See.

We help ensure safety, protect assets, and increase business efficiency. Milestone supports an open platform that drives collaboration and innovation in the development and use of network video technology.

Our reliable and scalable solutions are proven at numerous customer sites worldwide.

Founded in 1998, Milestone is a standalone company in the Canon Group.

The numbers

Consolidated key figures.

The key figures and financial ratios on page 13 are not fully comparable throughout the five years because IFRS 15 and 16 were implemented in the financial statements adopted in 2019.

No comparative information has been restated as the simplified approach has been applied.

DKK'000	2021	2020	2019	2018	2017
Income statement					
Net revenue	1,140,912	1,016,793	1,026,494	934,445	881,138
Gross margin	1,087,170	968,315	967,305	858,117	808,756
Operating income (EBIT)	92,515	111,891	123,534	194,474	170,671
Net financials	29,152	-45,244	6,226	14,356	-16,743
Profit before corporate tax	121,667	66,647	129,760	208,830	153,928
Net income	97,454	53,631	98,284	170,815	116,722
Balance sheet					
Balance sheet total	1,635,983	1,545,951	1,478,630	1,200,680	931,443
Investment in tangible assets	22,903	30,403	26,964	28,449	13,793
Receiveables from Group enterprises	665,850	497,056	382,572	346,922	229,123
Cash at bank and in hand	155,271	312,697	346,741	249,068	201,466
Equity	788,382	749,623	724,574	630,475	482,852
Cash flow statement					
Cash flow operating activities	27,875	181,832	239,921	130,772	140,166
Cash flow investing activities	-123,211	-123,818	-114,690	-82,049	-95,223
Cash flow financing activities	-64,174	-89,899	-26,004	0	0
Change in cash and cash equivalents	-159,510	-31,885	99,227	48,723	44,943
Employees					
Average no. of full-time employees	956	866	776	658	586
Number of employees at year-end	1088	934	865	733	635
Key figures					
Invoiced revenue	1,243,974	1,113,885	1,165,573	1,031,946	938,698
Gross margin	95.3%	95.2%	94.2%	91.8%	91.8%
EBIT margin	8.1%	11.0%	12.0%	20.8%	19.4%
Financial solidity	2.1	2.1	2.0	1.9	1.9
Return on equity	12.7%	7.3%	14.5%	30.7%	28.4%

Due to the merger of Milestone Systems A/S and Milestone Group A/S in 2021, the historical figures in the 5 year summary have been adjusted accordingly.

Double-digit growth in challenging times

Milestone achieved a very satisfying outcome in 2021 given the continued impact of COVID-19 on our business throughout the year.

Invoiced revenue amounted to DKK 1.2 billion, corresponding to an increase of 12 percent.

After adjustments for revenue deferrals and the impact of cash flow hedging and sales incentives, net revenue was DKK 1.1 billion. This is an increase of 12 percent compared with 2020. Operating income amounted to DKK 93 million, a decrease of 17 percent. Milestone considers this satisfactory considering the business impact of the ongoing pandemic in all regions, the investment in strategic initiatives, and the implementation of a new organizational structure.

Results in our markets
Looking at results in our markets, 2021 has been a year where some markets have been recovering from the COVID-19 pandemic, while others are still severely affected.

We have seen new structural challenges such as component shortages combined with markets partly closing once again at the end of the year. However, the demand for our solutions continues to be strong despite the challenging market conditions. During the year, we launched our new Milestone Husky Ivo series, an offering optimized with a range of products to cover a wide range of solution needs.

In addition, we worked together with our partner Briefcam within the Canon Group to create XProtect Rapid REVIEW, an intelligent video analytics solution that enables customers to quickly review and analyze forensic video content. This new product has helped us grow our business and increase the value that our solution brings to our partners and customers.

Invoiced revenue in the Americas region amounted to DKK 548 million, corresponding to a decrease of 5 percent compared with 2020.

The North American market continues to grow despite the difficult business climate and Milestone had a strong close of 2021 with record sales in December. During the year, we have signed several key projects within the global technology, transport, and healthcare industries. The strong sales have been offset by the USD/DKK exchange rate which causes the decrease in invoiced revenue.

Milestone sees great opportunities in the North American market and as a part of the adjusted strategy, during the second half of 2021, Milestone increased its presence in the American region, and this will continue into 2022. The markets in the Caribbean and Latin America regions continued to be impacted by COVID-19 restrictions and an unstable economy. This has led to a decrease in sales compared with 2020.

The Asia and Pacific region (APAC) was severely impacted by COVID-19 in 2020 with shutdowns throughout the region.

In 2021, the business climate improved significantly, and as a result, Milestone has had a strong year in the region. Invoiced revenue amounted to DKK 158 million in 2021, representing an increase of 54 percent compared to the same period last year. All sub-regions have recovered well, with India, South Pacific and Taiwan growing most and delivering several key projects within the security, aviation and retail industries.

The Europe Middle East and Africa (EMEA) region had a strong year with invoiced revenue amounting to DKK 538 million, representing an increase of 24 percent. The business climate in the EMEA region has been satisfactory despite restrictions being lifted and reintroduced in different areas of the region. Markets in South and North Europe showed strong growth and key projects within government, security and healthcare were signed.

Invoiced revenue

(DKK million)

EMEA
538
(+24%)

AMERICAS
548
(-5%)

APAC
158
(+54%)
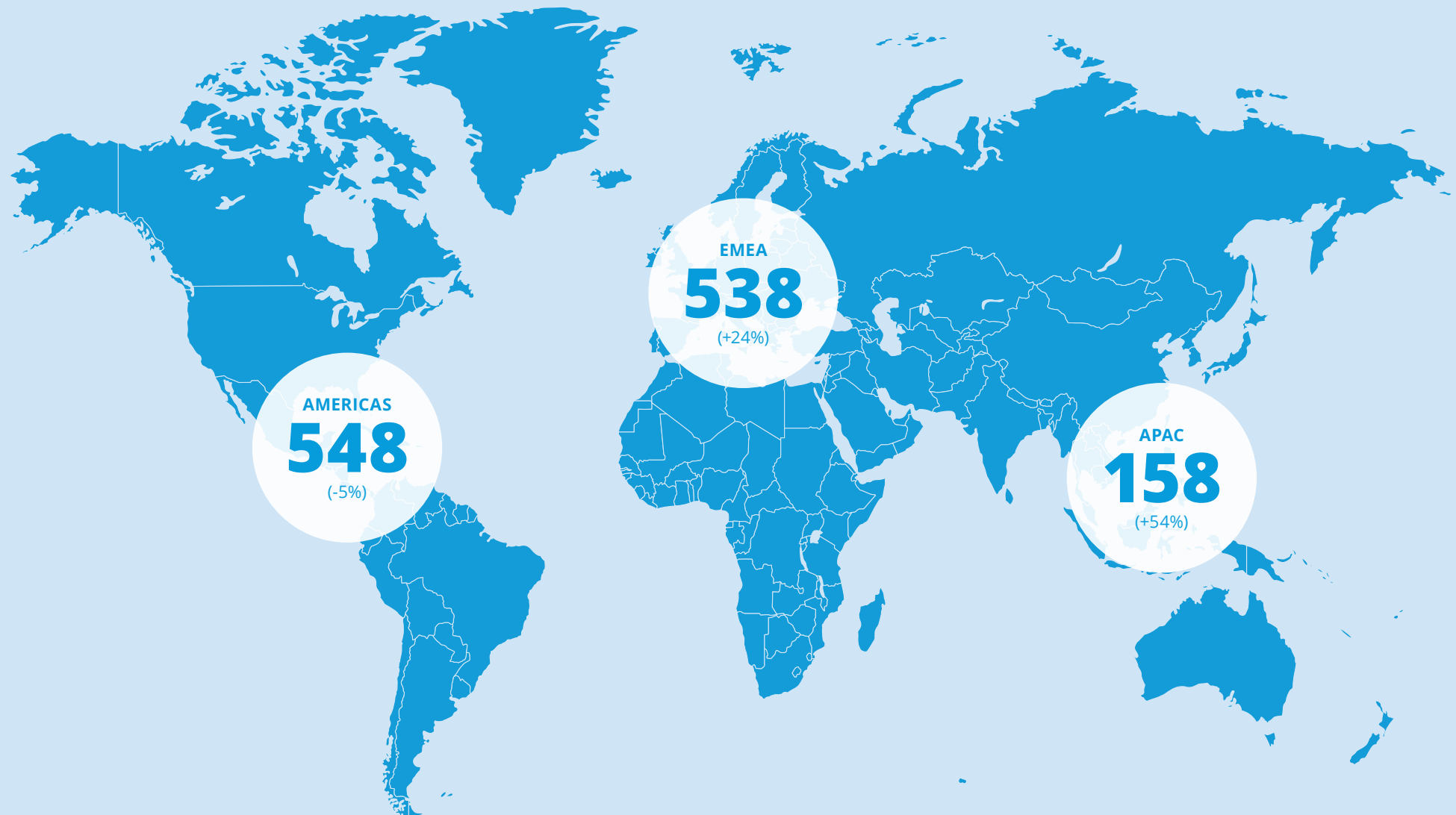
Operating expenses

Operating expenses totaled DKK 995 million compared with DKK 856 million in 2020, representing an increase of 16 percent. The increase is mainly driven by higher costs for personnel and is a consequence of Milestone launching an adjusted strategy and a new organizational structure to support the strategy during the year. With the strategic adjustment, Milestone is increasing its focus on marketing activities, investing in increasing presence in the North American market and continuing to drive an innovation agenda. This was partly offset by travel, consultancy, meeting activities, and other staff-related costs that have been affected by the pandemic.

Operating expenses amounted to 87 percent of revenue compared with 84 percent of revenue in 2020.

Research and development

Research and development expenses amounted to DKK 297 million compared with DKK 264 million in 2020. This corresponds to a growth of 13 percent as a result of investments in the number of full-time employees and increasing costs for consultants. Total research and development expenses corresponded to 26 percent of net revenue in 2021, the same level as 2020, and this was a testament to the ambition of continuous investment in software development to make our competitive position stronger.

Distribution and sales costs

Distribution and sales costs amounted to DKK 596 million, compared to DKK 507 million in 2020, which represents an increase of 18 percent.

Milestone has continued to add new members to our regional sales teams. The main investment has been in the North American region as a part of the adjusted strategy. Costs related to travel, meeting and marketing activities increased compared to 2020, but these costs have been affected by the pandemic and have been lower than expected going into the year. Total distribution and sales costs corresponded to 52 percent of net revenue, an increase from 50 percent in 2020.

Administrative expenses

Administrative expenses amounted to DKK 101 million compared with DKK 86 million in 2020, which corresponds to an increase of 18 percent. The increased investment is due to the strengthening our support organization by adding a new Business Performance Management area and strengthening the Strategic Office to support and drive business decisions. In addition, Milestone has maintained its focus on People First and has initiated a project to create "The workplace of the future." Total administrative expenses correspond to 9 percent of net revenue, an increase from 8 percent in 2020.

Income and balance sheet

An operating income (EBIT) of DKK 93 million was recorded for the year, compared with DKK 112 million in 2020. The decrease of 17 percent was a consequence of increased costs related to the new organization plus initiatives to support the adjusted strategy, investment in new headcounts to fuel future growth and increased costs for travel, meeting and marketing partly as a consequence of the normalization of the pandemic. This is also the reason why we didn't meet our expectation from the Annual Report 2020 at which time an EBIT on the same level was expected.

Profit before corporate tax was DKK 122 million in 2021, compared to DKK 67 million in 2020, corresponding to an increase of 83 percent.

The increase in profit before corporate tax was predominantly a consequence of the increase in U.S. dollar to Danish krone exchange rate. Milestone delivered a satisfactory financial result with profits slightly below expectations despite the uncertainties as a result of the COVID-19 pandemic and increased costs relating to the adjusted strategy.

The total value on the balance sheet as of December 31, 2021, was DKK 1,636 million, compared with DKK 1,546 million on December 31, 2020. The total equity amounted to DKK 788 million at the end of 2021, compared with DKK 750 million at the end of 2020. Cash at bank and in hand as of December 31, 2021, was DKK 155 million, compared with DKK 313 million on December 31, 2020. The decrease in cash at bank and in hand is mainly due to an increase in loans given to Canon Inc. of DKK 153 million. Milestone's financial position is considered strong and healthy.

Outlook

The Executive Leadership Team believes that there are good business opportunities in 2022. EBIT for 2022 is expected to be slightly lower than 2021, mainly related to increased investments implementing the adjusted strategy.

As a global company with customers around the world, Milestone is subject to varying market conditions. Lockdowns and mobility restrictions will continue to impact customers, partners, and employees in 2022.

In light of the conflict in Ukraine, developments in the pandemic, and new challenges such as component shortages, we underline that our assumptions are significantly more uncertain than normal.

Video technology helps care for seniors living alone

In the precinct of Ang Mo Kio in Singapore, an integrated care facility for the elderly is using video technology to care for residents in a non-invasive manner.

Challenge:
Monitoring medical emergencies for seniors who live alone
The population of Singapore is aging and The Centre for Ageing Research and Education projects that 83,000 elderly people will be living alone in Singapore by 2030.

Falls account for 40 percent of injury-related deaths in Singapore, with one in three people aged 65 years and older having at least one fall within a year.

Solution:
Privacy-sensitive monitoring
The care facility for the aged, caters to vulnerable elderly people who live alone in the precinct of Ang Mo Kio. It currently provides free daytime care to this group.

As a pilot, the facility has set up two cameras and a sound sensor in the homes of elderly residents. Artificial Intelligence (AI) and sound analytics software embedded in the system detect falls or other signs of distress.

This triggers an alarm.

The system uses privacy-masking solutions to ensure that residents' personal privacy is respected. For example, it uses silhouettes instead of actual images of people.

The solution was set up by Milestone Systems, together with AI company Senturian Solutions and Canon.

Result:
Artificial Intelligence to assist caregivers

The video feed from the solution helps volunteer caregivers from a resident community club to assist the elderly in continuing to live an independent life. The system triggers an alarm when a fall or signs of distress are detected. When the alarm is triggered, caregivers provide medical assistance or notify the appropriate emergency services.

Similar technology is expected to be used in other parts of Singapore to aid the elderly. The hope is that this pilot will lead to better ways to care for seniors in the future.

This article was based on an original article in the Straits Times, March 2, 2021

Different markets call for different measures

Milestone is following one strategy for creating value and growth, but tactics and operational actions are different in the various regions and markets.

EMEA: Stronger relations to customers

**"We are steadily adjusting how we go to market in our region,"
says VP of EMEA Jos Beernink. "We are to a greater extent
moving towards a position where we increasingly talk directly
to large customers in specific verticals."**

This change is also seen in the activities and events held by or attended by Milestone. "We are increasingly meeting customers and end users directly at events focusing on solutions within specific verticals," Jos says.

"We are connecting with customers earlier than before in the value chain and getting involved in defining and developing customer-specific business solutions. We actively work with architects and engineers in all markets, specifying our products in the design stage, instead of just being a software provider. "

"This transforms us from a one-size-fits-all service provider to a value position as a knowledgeable partner for businesses. Our customers are seeking specific solutions that drive business outcomes in and beyond security. This position benefits our customers and partners at the same time."

APAC: Partners play an essential role

"We have been challenged in many ways by the fact that, to a large extent, we have had to work and meet virtually with customers, partners and our colleagues," says VP of APAC Benjamin Low.

"But both internally and externally, it has been a huge advantage that we are very familiar with online tools and that most parts of our business have already been digitized."

In APAC, local leaders have put a great deal of effort into keeping up motivation and maintaining well-being among employees. "Our increasing focus on employee well-being has helped us thrive, but the time we spent together taking part in charity events and supporting our local communities makes us realize how fortunate we are to be working at Milestone," Benjamin says.

"Our partner model is crucial to our success. That's why we have invested time and effort into meeting our key partners to understand their biggest marketing and sales challenges. "

"Getting a sense of who they are and what they need improves discussions on creating solutions together, especially when we are aware of one another's goals. In these solutions, our online partner tools have come to play a significant role in the way we add value to our own, our partners' and our customers' business."

Americas: Multi-faceted journey into 2022

In 2021, the gradual easing of COVID-19 restrictions in North America had a positive effect on Milestone's business.

The undesirable effects of supply chain issues on hardware were a hindrance, but they also presented the U.S. team with an opportunity. Freedom of choice within the technology stack continued to prove invaluable for end-users and system integrators alike. This open and technology partner-centric choice powers flexibility and growth – key factors for the coming years.

"In general, we don't see COVID-19 going away," says VP of the Americas, Tim Palmquist. "Instead, we see that we have learned to live with its impact on our society. The disruptions that we saw due to COVID-19 as well as the supply chain crunch have underscored the ongoing importance for multi-vendor solutions that provide flexibility."

Furthermore, as a consequence of the national "great reevaluation" of people's professional journeys, there is a strong desire from many Milestone personnel for flexible working. This is the biggest change management issue the U.S. team is confronted with right now. Milestone Americas sees it as a relevant factor that has not impaired progress or growth, but it is a significant change in the way of working.

"Our returning to normal is a test of our culture and focus on people. Our People First culture is resilient, and it is really helping Milestone to thrive in times when an extra effort is needed," Tim says.

10

More than 10 years in Bulgaria

In February 2011, Milestone's Bulgarian journey officially began in Sofia. It was not an easy start though. With just five people it started small but has grown rapidly since.

Fast forward by four years and ten months and the team found themselves in the small Bulgarian city of Sandanski.

It was 2015, and they were challenged with an interesting team building assignment: building cars out of cardboard.

But not just for the fun of it. The cars had to compete in a race. Although it sounded impossible, everyone gave it a shot. And after many hours of failures and fun, they managed to put together a memorable car race using human power instead of horsepower.

An ongoing growth story

This story says a lot about how teamwork and creativity can make the impossible possible.

With the expansive growth of our team in Bulgaria from just five people in 2011, to close to 180 employees at year-end 2021, it has become clearer than ever that it is through our people that we can reach our goals.

In 2019, Milestone Bulgaria moved to a new office to meet the growing needs of our people. We now have a multifunctional modern site where we can develop and grow even further.

Concept center

In October 2021, Milestone launched a new Concept Center in Sofia, Bulgaria. The Concept Center allows us to show how video technology can help humanity and society optimize their operations' efficiency and security.

The Concept Center was created as a LEGO® city with control centers, cameras, and traffic monitoring. The center serves to demonstrate our solutions in action. This cannot happen without real-time simulations and interaction in the LEGO city.

By observing the LEGO city simulation, customers can see how Milestone XProtect software and Milestone Husky hardware combined with partners' solutions can contribute to programming traffic lights to reduce congestion and pollution at peak hours and direct ambulances in emergencies.

Business model

We exist for people, create business outcomes for customers, and sell through partners.

Our ambition is to create long-term, sustainable growth. To make this happen, our business model is becoming more flexible to fit market needs and serve diverse segments.

We use our video solutions to create business outcomes for customers, and we sell them through our partners, which provides us with great scalability.

Today, video technology is delivering business outcomes for customers in many ways. For example, a combination of video and sensor technology can improve the quality of life for people living in a city.

Video technology combined with Artificial Intelligence (AI) can learn a city's traffic patterns and make

real-time adjustments to traffic signals and signage to avoid a backup of slow-moving vehicles. Combined with data from air quality sensors, AI together with video technology will predict traffic patterns and take early action to prevent pollution hotspots from building up in cities. At a global level, this helps city authorities support Sustainable Development Goal #11, to make cities inclusive, safe, resilient, and sustainable.

To continue delivering business outcomes for customers, we constantly adapt our business model to fit market conditions and customer needs. We do this via a focused, yet flexible and adaptable channel approach that delivers partner-enabled business outcomes. That's how we create value and results.

Partners

We scale our business by proactively supporting and helping the right channel partners to grow.

Customer Segments

We target the customer segments where we believe we can contribute the most value through business outcomes.

Milestone's open platform spans from on-premise Video Management Software (VMS) to the cloud

Customers can now choose whether they want a solution that is entirely on-premise or completely in the cloud. XProtect gives customers the flexibility to choose the best option for their needs.

Arcules – XProtect Hybrid VMS Solution

The integration of XProtect's on-premise VMS and Arcules Video Surveillance is a powerful hybrid solution for centralizing video surveillance operations. It works best for customers who already have XProtect and want to expand their solution into smaller locations.

We continue our close collaboration with Arcules to evolve our cloud offerings.

XProtect on AWS

With XProtect available on the Amazon Web Services (AWS) Marketplace, customers can install an XProtect solution without worrying about hardware investment and maintenance.

This works best for customers who want a scalable solution and don't want to invest in hardware.

CUSTOMERS

CULTURE

PEOPLE FIRST

MAKE THE
WORLD SEE

PARTNERS

RESPONSIBILITY

VIDEO TECHNOLOGY

Our roadmap to the future

Centered around our strategic direction.

At Milestone, we are dedicated to improving lives and businesses through solutions centered around people first and responsibility.

Milestone operates in a dynamic business that is undergoing a number of changes and transformations.

To stay at the forefront, we continuously evaluate our commercial environment and adapt our strategy and initiatives to maximize business outcomes for our customers and our partners.

For 2022, we will focus on People First, Responsibility, and four strategic objectives to guide our priorities and initiatives.

Milestone strategy

People First

We put people first in everything we do. Our culture, our solutions, our cooperation with our partners and our understanding of our customers' needs – it is all about people.

Responsibility

We take responsibility for the world we live in and create. Technology should serve humanity, not the other way around.

Culture	Video Technology	Partners	Customers
Our culture is based on People First.	Our video technology is based on People First.	Our cooperation with our partners is based on People First.	Our approach to our customers is based on People First.
We know that it is crucial to attract great colleagues and make them want to stay. Only then can we create the best solutions.	We know that only by having people at the center of our solutions will we be able to meet our customers' demands sustainably.	We know that by working closely together, we can create value for the whole community.	We know that by understanding their needs, we can develop sustainable solutions for today and tomorrow.

What does Milestone do?

Milestone enables you to see what your eyes cannot always see.

We create video technology software that helps people make sense of what they are looking at.

We find information in video data that people can act on:

- To revisit things that happened in the past
- To see things in real time
- Soon we will be able to see and predict things before they actually happen.

In other words, we **Make the World See.**

School safety rebuilt in Puerto Rico

After installing a perimeter security system that integrates all public schools, the Puerto Rico Department of Education reported a 97 percent reduction in intrusions at educational institutions.

Challenge: To improve security with a centralized command center

Ensuring a safe environment is a growing issue for colleges and schools, but when infrastructure is damaged by a natural disaster, it becomes even more difficult. After Hurricane Maria ravaged Puerto Rico, break-ins and assaults at educational institutions increased, largely due to the destruction of lighting and communication systems.

The need to repair hurricane damage provided the opportunity to invest in modern improvements.

Instead of repairing and replacing separate security systems, local officials decided on perimeter security for all schools through multiple integrations and a centralized command center.

Solution:
Efficient central command with open platform VMS
The solution included these integrated elements:

Milestone XProtect Corporate VMS and Interconnect™ to manage all locations | **10,000 Uniview DH-Vision 4-megapixel cameras installed in 856 schools** | **Axis Communications audio speakers, OPTEX perimeter sensors and Seneca servers**

All schools in Puerto Rico now have their own anti-intrusion system with alerts that feed back to the central station using Milestone Interconnect. Leveraging the power of the open platform, the VMS supports all the security and surveillance devices, and enables software integration for seamless, efficient operations.

Result:
Fewer intrusions, fewer physical assaults, less theft
According to the security commissioner, intrusions decreased from two or three per day to one or none after the first camera installation. The upgraded video technology helped cut back on property theft and reduced rates of physical assault and bullying among students.

Using the system, the integrator was able to create virtual perimeter gates around schools and other important assets, like utility substations and solar panels. In the event of an intrusion, an alert is generated locally and passed to the central station.

Operators can then make a visual confirmation remotely and if needed, activate an emergency protocol. Milestone Interconnect provides quick intrusion management and reduces the need for security personnel to visit sites for non-critical incidents, saving time and money.

Since the system became operational, there has been a 97 percent reduction in school intrusions, according to the integrator.

In addition, the overall cost of security in schools is lower, one of the Department of Education's main objectives at the onset of the project.

Rethinking city living

How connected video technology lies at the heart of safe cities.

We can no longer count on the comforting assumption that the future will resemble the past. Cities are growing faster than at any time in history.

Today, 55 percent of the world's population lives in urban areas. This will increase to 70 percent by 2050. Ensuring a better quality of life in the future means we must act now.

The explosive growth in urban populations will continue to put pressure on cities. Rising populations will lead to an increase in traffic and the issues that come with it – more vehicles, strained public transport systems, and inevitable gridlock.

And, of course, the more people, the more pollution and emissions, and the more pressure on necessities such as fresh water and fresh air. Public safety will become a primary concern.

These are tough challenges that cities will face. Governments, policy makers, urban planners and citizens' groups can plan for these issues and manage them. As a starting point, they must collectively rethink how cities operate. And they can turn to digital tools, data, and intelligent video technology to successfully address these concerns.

Three pillars that support safe cities

There are three distinct components that make up a safe city – safety, mobility, and sustainability. They must all work in unison for a city to be truly considered a safe city.

1

Safety:
Public safety is required at multiple levels to ensure a safe city. Safety can include everything from citywide crime prevention and risk analysis to crowd management and COVID-19 mitigation.

2

Mobility:
A smoothly running city infrastructure uses a combination of devices and analytics to ease traffic flow, reduce congestion and parking issues, and speed up emergency response and incident management.

3

Sustainability:
A cleaner, healthier city is the result of reduced environmental pressures through new approaches to energy, waste, noise, and air quality management and control.

XProtect – the heart of our safe city offering
XProtect is our market-leading VMS that supports over 11,000 devices, from over 11,000 resellers worldwide. It is an open, scalable VMS platform that can adapt to all the needs and demands of a city today, as well as future-proofing it for emerging technologies tomorrow.

Our connected video technology helps city leaders, urban planners and citizens keep their cities safe. It creates an integrated system of connected cameras, mobile devices, and sensors, and helps analyze all the real-time data generated from them. This generates actionable intelligence to make cities secure, efficient, and more sustainable. XProtect helps make cities great to live in and great to work in.

Milestone Systems – at the forefront of safe cities

Milestone is uniquely poised to help rethink city living.
We offer video management solutions to cities – ranging from surveillance and threat detection to solutions that bridge the communication gap between public functions.

We have more than two decades of experience in producing world-leading video solutions for organizations and deployments of all sizes, including cities. Our purpose is to 'Make the World See'. For many city leaders, video solutions can be the key to greater insight and clarity when it comes to the areas they manage.

MIPS 2021

Annual conference goes online to evade the pandemic

When COVID-19 threatened to end the 15-year run of our flagship MIPS event, we decided to take it online. The result? MIPS 2021 was the most successful MIPS yet.

The Milestone MIPS Conference originally started up in the U.S. with only 20 attendees. It has since been picked up in all our markets, becoming a major annual fixture for the Milestone community.

Then came COVID
The onset of COVID-19 shut down events everywhere. We had to decide whether to cancel the 16th MIPS or take it online. Naturally, we didn't want to disappoint our partners, but we also did not want to put them at risk.

Could MIPS work in a virtual format? We decided to give it a shot.

Shaping MIPS 2021 — and the New Next

MIPS 2021 was held under the theme Shaping the New Next. All its sessions focused on how video technology is helping to revolutionize and improve how people live and work, both in and beyond security.

The event was hosted in a virtual cityscape that attendees could navigate around. The two-day agenda took the form of main sessions supplemented by on-demand tracks — 37 sessions in all.

All of this had to be pre-recorded, creating even tighter deadlines than would be experienced with a physical event. Three film sets were created in Copenhagen, Singapore, and Portland so our regional audiences could enjoy localized content. The Copenhagen set grew into one of the biggest green screen productions ever staged in Denmark.

A real-world hit
More than 6,000 joined the event, making the attendance rate well above the average for virtual events. The feedback more than justified the monumental effort the MIPS team put in to overcome pandemic limitations — and ensure our annual event kept going strong.

A story of partner collaboration

Every day our customers' needs evolve. Through Milestone Marketplace, we present them with VMS products and services that can help them meet their challenges.

With so many options, our customers are looking for guidance. Milestone's Marketplace continues to showcase the strength of open platform integrations. This enables collaborative solutions and creates connections between Milestone's customers and partners.

Enabling collaborative solutions
On Marketplace, XProtect users are shown a wide range of video management solution products and services and are offered inspiration

on how to best address their needs. Marketplace also provides the opportunity to download supporting documentation or to reach out for further dialogue.

Engaging with companies promoting their proven technologies and services on Marketplace gives XProtect users and Milestone partners the freedom to build customized video solutions and explore the possibilities offered by XProtect's open platform.

Addressing business needs
To meet emerging business opportunities and drive collaboration between partners and Milestone's sales teams, initiatives that drive both traffic and awareness are increasingly

aligned across sales, marketing and communications activities. This is done to make sure that we match the most pressing customer needs with new partners and new solutions.

Innovative partner solutions
At the end of 2021, traffic on Marketplace represented a 50/50 split between Milestone partners and XProtect users.

Users could choose between more than 451 products and 286 solution services demonstrating not only the breadth of available solutions and installations but also the exponential growth in both areas.

Marketplace facts

451 products (100+ YOY)
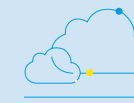
286 solution services (100+ YOY)

12,202 get in touch and download leads

536,000 page views

The value of tech support

Strong technical support is vital to Milestone's ambition of keeping customers happy and loyal, and it can be a competitive advantage, especially in mature markets. A positive support experience is one of the best business cards you can leave behind.

Tech support is key to maintaining a good relationship with customers when sudden needs arise. The support team at Milestone is passionate and ready to go the extra mile for customers.

High customer satisfaction
Milestone's tech support team is located around the world and caters to all time zones. It's not unusual for them to receive more than 200 calls per day.

"People working in tech support are a special type. They choose to help others. No one calls support when everything is running smoothly. In a way, we are like doctors, who only get visits when something hurts. We need to stay calm and have everything under control," says Per Andersson, who helps Milestone partners and customers worldwide from his base in Dubai.

This year, Milestone's Tech Support team scored 189 out of 200 in customer satisfaction (NSAT metrics).

Kept troubleshooting into the night
Huda Mohamed, a Milestone Support Professional based in Dubai, describes one case in which a partner called to report 20 servers going down at once.

"This partner deals with one of the region's most high-profile customers," Huda explains. "They run servers managing everything from ATMs to local bank branches and they were experiencing a severe outage."

As the workday reached its end and the issue had not yet been completely resolved, Huda had the option to hand over the case to Americas Support.

Instead, she enlisted help from senior colleagues in the EMEA team and kept troubleshooting the issue into the night until the servers were up and running again.

New product launch

Milestone launches XProtect Rapid REVIEW

On November 30, 2021, Milestone Systems launched XProtect Rapid REVIEW globally.

This is an intelligent video analytics solution for security operators and investigators to efficiently and quickly analyze forensic video content to find what they are looking for, fast.

Unlock the value of video
Powered by innovative BriefCam® technology, XProtect Rapid REVIEW is an add-on product that is seamlessly integrated into the XProtect Smart Client. It enables highly accurate, cross-camera video search and filtering. Based on an expanding suite of classes, attributes, behaviors, and visual layers, it helps the user quickly review video to pinpoint people, objects, and behavior of interest. This information can immediately be turned into evidence, insights, and actions.

Invaluable aid
XProtect Rapid REVIEW enables security and law enforcement professionals

to conduct a forensic review of video recordings rapidly and accurately. This ability to filter and focus video review across multiple cameras speeds up post-incident investigations and reduces time to target. No more wasting time rewinding and playing back endless video recordings. Officers can now filter objects according to criteria such as gender, color of clothing, vehicle type and color, direction of travel, as well as by license plate or facial recognition. This makes it easier to identify and locate perpetrators, recover stolen vehicles, or locate missing children.

Beyond security
Traditionally, video surveillance cameras have been used to drive investigations and improve response to security situations. However, in recent years customers have discovered that they can get much more value from their video surveillance networks by complementing them with video analytics like XProtect Rapid REVIEW. This allows a variety of operators (beyond security and law enforcement) across a range of

organizations and industries to leverage XProtect Rapid REVIEW to get more value from video.

Getting our Business Partners excited
We know XProtect Rapid REVIEW offers clear advantages to end-customers. This makes it a potentially big new revenue stream for our business partners. We want to give our business partners the right tools to promote this innovative product as an add-on solution for their existing XProtect customers.

Beyond the traditional web pages and banner ads, we have created a set of XProtect Rapid REVIEW sales and marketing assets that include messaging, logos, imagery, digital banners, email templates, webinars, etc. We package them all into an easy-to-use Partner Marketing Kit which we distribute to our business partners.

Who can leverage XProtect Rapid REVIEW?

- Security & Law Enforcement Officers
- Compliance Officers
- Operations Directors
- Urban Planning
- Marketing & Merchandising Managers

An advanced video analytics software

People moving suspiciously, traffic violations, a sudden burst of flame – these are just a few examples of what a video analytics solution like XProtect Rapid REVIEW can detect quickly and accurately.

It automates tasks that are usually performed by humans. And it delivers results that are fast and accurate. Rapid REVIEW can play a key role in keeping cities and citizens sustainable and safe, in and beyond security.

European Privacy Seal
EP-P-LTZNZL / Valid till 2021-07
- Criteria Catalogue v201701 -

Uncompromising compliant video solution

Stronger compliance for General Data Protection Regulation (GDPR)

Privacy and data protection continued to be a focus area in 2021 worldwide. We have taken our commitment to privacy and data protection a step forward with XProtect Corporate 2021 R1. The 2021 version includes a new and expanded privacy seal that covers all core VMS functions including XProtect's Basic User, Mobile Server, Mobile Client, and Web Client on top of the functions previously covered in our first GDPR-ready seal from 2019.

Careful planning and dedicated product development helped us build an uncompromising and secure VMS product, checked by independent experts, and approved by an impartial certification body. The certification was issued by EuroPriSe, the independent and recognized European Privacy Seal institute funded by the European Commission.

Machine learning research via university cooperation

The Milestone Research Program has recently increased cooperation with universities to explore the possibilities of machine learning. The team will look at future trends in computer vision and how they could be further developed over the coming years.

At Aalborg University (AAU) in Denmark, four PhD students have been recruited to join the Milestone Research Program. A fifth PhD student (an industrial PhD student) is working with Milestone's research team in Copenhagen.

The project will push the boundaries of computer vision and machine learning as well as provide Milestone with direct and immediate feedback on the integration of the latest video analytics algorithms in XProtect.

Three patents filed so far
Three patent applications have been filed so far based on work done under the Milestone Research Program. In addition, twelve scientific, peer-reviewed papers have been published in international conferences and journals, and one paper won the best paper award in a workshop at the Computer Vision and Pattern Recognition (CVPR) conference 2021.

We expect to grow the program even more through external co-funding with national and European funding sources.

Milestone Husky IVO, the new standard in video hardware performance

While our core business is software, we have long offered a popular hardware line by the name of Husky.

The Husky series of video surveillance appliances has continuously evolved. The latest generation is the Husky IVO, launched in 2021.

What's so special about Husky IVO?
Each Husky series has been designed to be optimal for XProtect video management software. Each generation also reflects changing industry and partner needs and feedback.

Husky IVO takes this to a new level to create even more value for installers. This starts with its construction, combining Dell® Technologies' hardware capabilities, Intel®'s processing power, and our own XProtect flexibility and reliability.

Easier, faster, more flexible
With six products, Husky IVO is the most flexible Husky series yet. It can cater to installations that require only a couple of video streams and scale up to ones with 250 streams. It works with storage spaces of 16TB all the way up to 384TB. This gives installers a portfolio they can call upon for everything from a corner store to a stadium.

Since it is pre-loaded with XProtect, Husky IVO speeds up the setup and installation process. This saves time and hassle and enables installers to focus on the many other elements that need their attention.

Husky IVO can be used with any XProtect product license and integrates with more than 11,000 supported third-party devices. That means it can seamlessly adapt and scale with end-users' changing needs.

The Power to Perform

Husky IVO launched in June 2021 under the campaign line "Unleash Your Power to Perform."

It has been extremely well received by our global partner community, since it builds upon an already highly popular and proven series and continues with Milestone's commitment to open platform freedom and flexibility.

Improving care for children with Autism Spectrum Disorder

The use of advanced video technology has enabled the Lebanese non-governmental organization SESOBEL to help children with Autism Spectrum Disorder (ASD).

The challenge: Detecting changes in behavior patterns
SESOBEL in Lebanon has adopted a standardized treatment protocol for more than 70 children with ASD. The protocol requires a weekly assessment to evaluate treatment outcomes. The evaluation method involves the opinion of at least two people, usually from medical or educational teams, who know the child's abilities. Children are observed individually or in small groups.

This procedure was time-consuming and was not useful in detecting slight changes in the children's behavior or distinguishing between different behavior patterns. During traditional therapy sessions, the SESOBEL team had to have a camera and a video operator in the therapy room, which distracted the children.

The treatment session's outcome was usually documented manually on hard copies and stored in the child's folder, while the recorded videos were difficult to manage and often not saved correctly. This made analyzing the data a daunting challenge.

The solution: Logging behaviors directly on the video timeline
The new rehabilitation center at SESOBEL is the first of its kind in the Middle East and equipped with a state-of-the-art behavior monitoring and logging system. The project was initiated by Systeminence in collaboration with Axis Communications and Milestone Systems to aid evaluations and enhance treatment.

A behavior management system called Mantis has been installed – a Milestone smart client plugin developed by Systeminence to manage and operate behavioral therapy sessions and to organize data. The project focuses on enhancing the classroom experience of children with ASD by recording their behavior and expressions with Axis cameras installed inside the therapy room or the classroom. With Milestone's XProtect Smart Client, the operator can manage the cameras from the control room without distracting the child or interrupting the therapy session.

During or after each session, the therapist can log behaviors directly on the video timeline inside the Smart Client, making all the behavioral details easily accessible, searchable, and quantifiable. All data concerning the treatment goals and outcomes is stored in one place and accessed remotely.
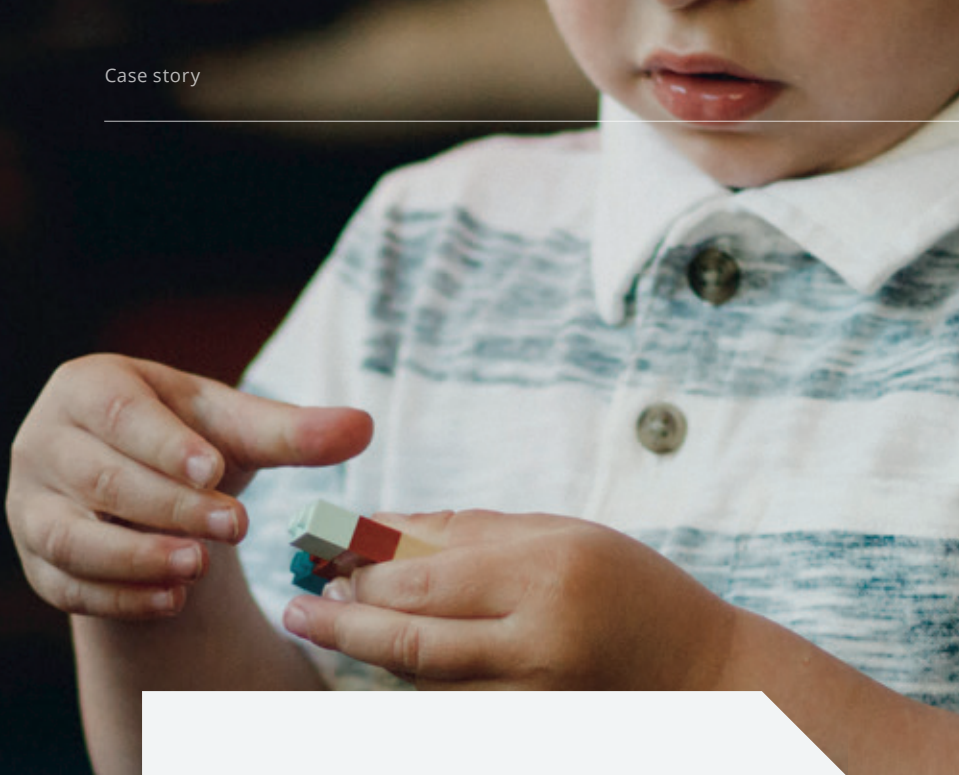
The results: Data from videos becomes more useful for treatment

Using this video recording system, therapists are able to set up an individualized treatment plan for each child. The project provides the medical and educational team with accurate quantitative data to help in ASD diagnosis, define specific goals, and evaluate treatment outcomes.

Over time, the therapists can accurately track the children's progress by studying their behavior through recorded videos. An analysis can also be generated, making clinical interpretation easier and more accurate. Moreover, the quantification of all this data will allow the medical team to carry out research studies that will enable them to better assess and treat children with ASD.

High employee satisfaction

Milestone is an international company with more than 1,000 employees. We are present in 24 countries. We are guided by a clear purpose and strong values.

More than 200 new employees joined Milestone in 2021. Our ability to recruit and retain highly qualified employees is essential to our business. That's why we want to optimize the way we communicate and recruit through our employee branding initiatives. We want potential candidates to understand what Milestone stands for.

Onboarding new employees
An effective global onboarding process is vital when we introduce new employees to Milestone. It's their first glimpse of what we mean when we talk about culture. First impressions matter.

That's why we put a lot of effort into communicating our story, values, and behaviors, and to presenting our products, services, and our understanding of what responsible technology means to us.

Onboarding is just a small part of how we develop careers and help people to grow at Milestone. Other initiatives include programs focusing on mental well-being, creating opportunities for flexible working, providing access to fitness, and carrying out an effective leadership training program.

Strong performance
Our yearly Global Employee Survey tells us that our initiatives are working. In 2021, our employees gave Milestone an employee net promoter score of 44 and an engagement score of 8.0 (out of 10). That is a very high and satisfactory result.

The yearly survey was completed by 96 percent of our employees. It shows a high score on overall satisfaction and motivation (79) and loyalty (86). Our scores on reputation (85), cooperation (86), immediate manager (84), job content (82) and learning and development (79) are also satisfactory and in line with

last year's results. This year, working conditions were rated 80, an increase of five points from last year.

Our employees rated management with an overall score in the Leadership Quality Index of 86. This indicates that our focus on creating a meaningful working environment and providing clear leadership has been successful, even at a time when COVID-19 remains a challenge. Overall, our results are well above global benchmark scores.

Engagement score

8.0

= very good

Employee promoter score

2019 2020 2021

48 **46** **44**
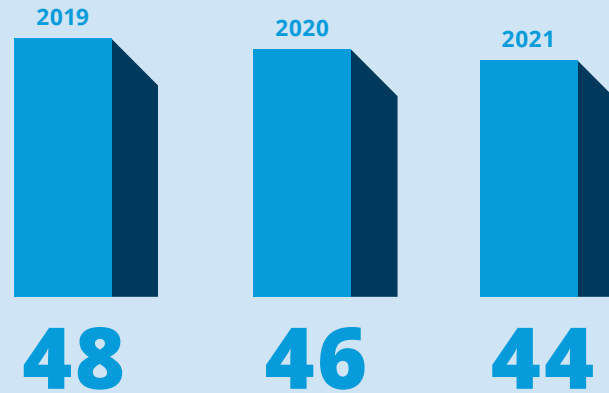
Employee growth

Number of employees at year-end

635 733 865 934 1,088

2017 2018 2019 2020 2021
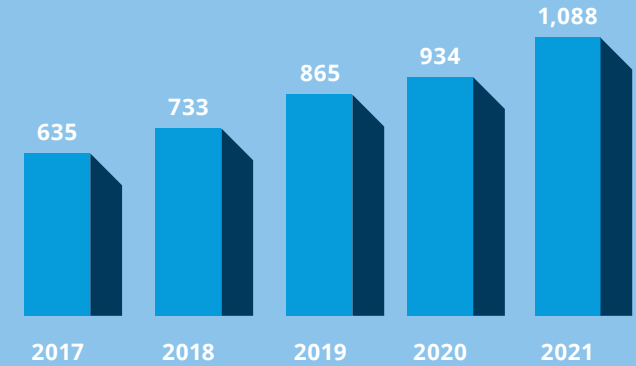
Global employee survey

■ Global employee and Leadership index   ■ Milestone

74 79   83 88

Satisfaction and motivation   Loyalty

Global Presence

24
countries

Milestone is present all over the world

+70
nationalities

Represented in Milestone offices globally

+40
nationalities

Represented in Milestone head office in Denmark

Leadership Quality index

85 | **86**

2020   2021
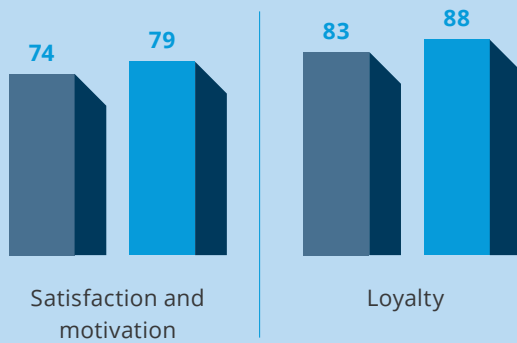
We continue to

GROW TOGETHER

Spiritual

Mental

Emotional

Physical

More than a year ago, Milestone embarked on a mission: we wanted to grow together. Since then, several initiatives have resulted in a stream of inspirational content being shared among Milestone's employees.

Milestone is a company of dedicated people, devoted to delivering innovative work. However, sometimes we might push ourselves a bit too hard. Stress can drain our productive energy.

Guiding the individual
When we face such challenges alone, it can be hard difficult to address them in the right way. Milestone's leaders saw a need to start

a conversation about this, and to offer a range of activities across the company that focus on creating energy.

The Grow Together initiative is guided by the energy pyramid. The four levels of the energy pyramid serve as an anchor for the initiative and a common language for addressing sustainable ways of working and living.
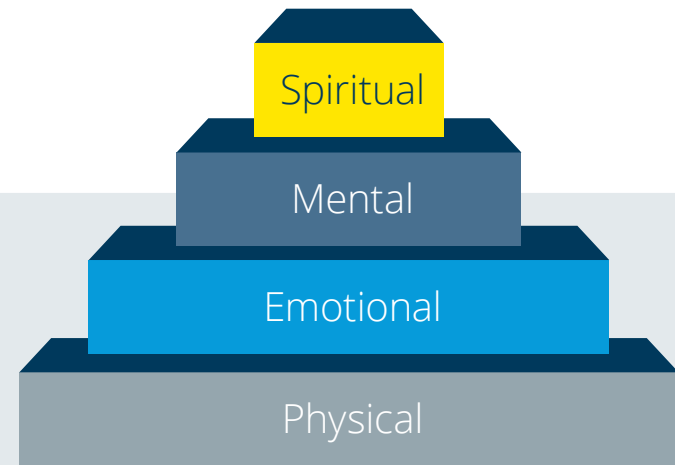
Strong potential in virtual project

Grow Together is a voluntary program and is also available as a virtual experience to include team members working remotely.

We have developed an online platform with trainable elements for growing individually as well as together. The platform is now delivering tips and tricks as well as specific exercises on a weekly basis.

These elements are not invented on a trial-and-error basis. We have enlisted the help of a consultant business with experience in supporting healthy alternatives such as active breaks and healthier eating habits.

We believe a sustainable lifestyle is achievable when individual levels of the energy pyramid are made available to people as trainable elements.

Governance and risk management to ensure resilience and long-term, sustainable growth

As a growing video technology company, we encounter both challenges and opportunities that must be addressed to preserve strong relationships with all our stakeholders.

At Milestone, we conduct our governance and risk management with the goal of remaining a value-driven and responsible company. As a truly global company, our governance measures are essential to running the business in an effective and transparent way. We believe in an open and trusting work environment in which our purpose, values, and behaviors serve as practical guidelines for leaders and colleagues.

The role of leadership
We are a Danish corporation that is governed by our Board of Directors in collaboration with our Executive Directors. Our Board of Directors has four shareholder-elected members and two employee-elected representatives.

Milestone's overall objectives and policies are mandated by our Board of Directors who also approve targets and strategies and ensure that structures are in place to carry out our corporate governance. Topics and policies are presented at board meetings using an annual wheel that ensures that the Board of Directors discuss and approve our strategy outlook, budget status, financial results, and annual reports. In addition, the Board of Directors reviews policies, including accounting procedures, internal controls, information technology (IT), treasury, risk management and budgeting.

The Board of Directors also makes a yearly self-assessment of its own performance. It looks at the efficiency of the board, the board composition and

dynamics, the processes supporting its work, the Chairman's performance, and the collaboration with the Executive Directors. The assessment includes topics of governance and risk awareness, and how the Board of Directors evaluates risk management.

The Executive Directors are responsible for day-to-day management and compliance within the overall guidelines and policies approved by the Board of Directors. In this role, they present, submit, and recommend proposals for the company's overall strategy and objectives to the Board of Directors.

The Executive Directors are our Chief Executive Officer and Chief Finance Officer. Together with our Chief Technology Officer,

Chief Revenue Officer, Chief Marketing Officer and Chief People & Culture Officer, they constitute the Executive Leadership Team (ELT).

The six members of ELT collectively represent and govern the business divisions of Milestone. The ELT forms the strategies and drives the business operations, supported by a group of leaders in the Senior Leadership Team.

Communicating our strategy internally and externally
To convey our strategy and objectives to Milestone's colleagues, the ELT has a keen focus on communication and visibility, which includes regular presentations of our culture, goals, and business news.

In 2021, we adjusted our strategy to form the Milestone Strategy 2026. The adjusted strategy defines future market opportunities, challenges, and our journey towards reaching goals for sustainable growth.

Our strategy defines our approach to customers, how we cooperate with partners, and our focus on culture and technological innovation. The strategy serves as an important foundation for our leaders to explain our company ambition to their teams. It also shows how everyone's contribution connects to our overall objectives and ambitions.

Risk management

Executing strategies and managing business growth requires a shared understanding of governance and risk management, and the ELT 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 a sensible 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. 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. We have implemented an ongoing and cyclical process to report on activities within the areas of our business to identify risks. We mitigate risk by determining risk responses and actions. Identified risks are assessed in terms of impact drivers like 'financial,' 'technology,' 'market,' 'brand,' and 'organization'. We also consider whether it is likely that an impact will take place.

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 leadership for an ongoing evaluation and update of processes.

These 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, and currency risk is the main risk factor. These risks cannot be eliminated entirely. However, we actively manage potential risks in a transparent and disclosed way.

The Board of Directors and Executive Directors are from left to right, standing in the back: Jeppe Frandsen, Lau Normann Jørgensen (chairman of the Board), Thomas Jensen (CEO) and Steen Strandskov Andersen. In the front: Vibeke Uhrenholdt, Henrik Friborg Jacobsen, John Blem and Lars Larsen (CFO).

Our overall objectives and policies for financial risk management are outlined in an internal Treasury Policy which is approved by the Board of Directors.

Milestone has currency exposure resulting from reporting in Danish kroner (DKK) while generating the majority of revenue in euros (EUR) and U.S. dollars (USD). Transactions dominated in foreign currencies other than EUR and USD are not material.

When it comes to EUR, currency risk is limited due to the European Exchange Rate Mechanism II (ERMII) treaty between Denmark and the European Union (EU). The risk of 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.

Our USD cash flow hedging is based on a 24-month rolling forecast. A larger portion of the forecasted amount is hedged the closer the forecasted period gets. The hedging is approved on a monthly basis.

From 'Group' to 'Systems'

In 2021, we merged Milestone Group and Milestone Systems. This is primarily a technical and governance measure to ensure a more simple and transparent financial structure. It will have no significant impact on our operations or on our reporting reflected in this annual report.

Enterprise Risk Management

Strategic & Business Risk

Financial Reporting & IT Security Risk

Compliance Risk
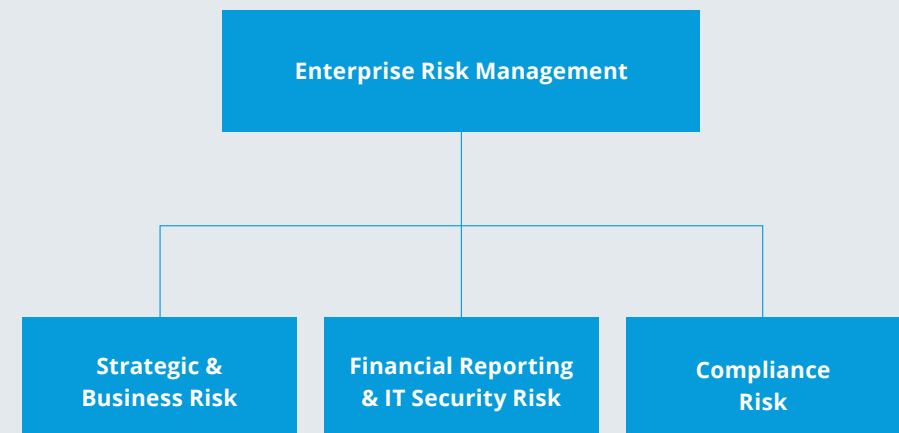
Rules of procedure
– Annual wheel

Q1

- Annual report and annual general meeting
- Board self-assessment

Q2

- Strategy outlook
- Review and status of Milestone's policies and risk management
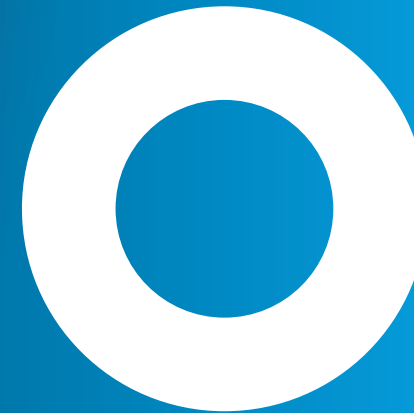
Q4

- Approval of budget for the coming year

Q3

- Budget status and business plan

Identifying business risks

We have identified the relevant strategic business risks which our company may face in 2022. Our approach is to mitigate these business risks and define both the challenges and opportunities they might 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.

Milestone has appointed risk sponsors and owners to focus on driving the mitigating activities and projects in the organization. They will help achieve clear risk ownership and create an embedded risk culture within the company.

Through this process, we identified our top risks, took action to raise awareness of each risk, and planned actions to mitigate its consequences.

Our primary risks include:

- Partner dependencies

- Global tech companies

- Regionalized markets

- Governance of video feed and AI technologies

Our leadership team have taken initiatives to mitigate these risks, and we continue to discuss tendencies and developments in our markets and how to pursue opportunities that meet us. Our strategic work is essential to the progress and continued development of our business.

Markets for video surveillance are impacted by new privacy and human rights driven regulations that put further restrictions on recording, use, and storage of video feeds. This also includes the governance of AI technologies. Milestone is on the forefront of this development by including compliance features in our software and by enforcing policies for responsible technology within our partnership and end-user relations.

We work closely with customers and end users to ensure our solutions are customized for specific needs and local regulations.

Responsibility and purpose go hand in hand

As a tech company with a global presence, we strive to make a positive impact on the environment and on society as a whole.

At Milestone Systems, we are conscious of our operations and impact. We strive to support the United Nations Sustainable Development Goals (SDGs).

We have prioritized seven of the SDGs. Four are directly linked to our purpose and business model (#3, #9, #11 and #16), one is linked to the measures we take in regard to privacy, human rights, ethics, and responsible technology (#17), one applies to our efforts on environment and climate action (#13), and one concerns the impact we have through our focus on people and culture (#8).

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. Our solutions help to protect people and property.

Using our video technology software makes it possible to improve safety and build resilient infrastructure for the common good of citizens in our societies.
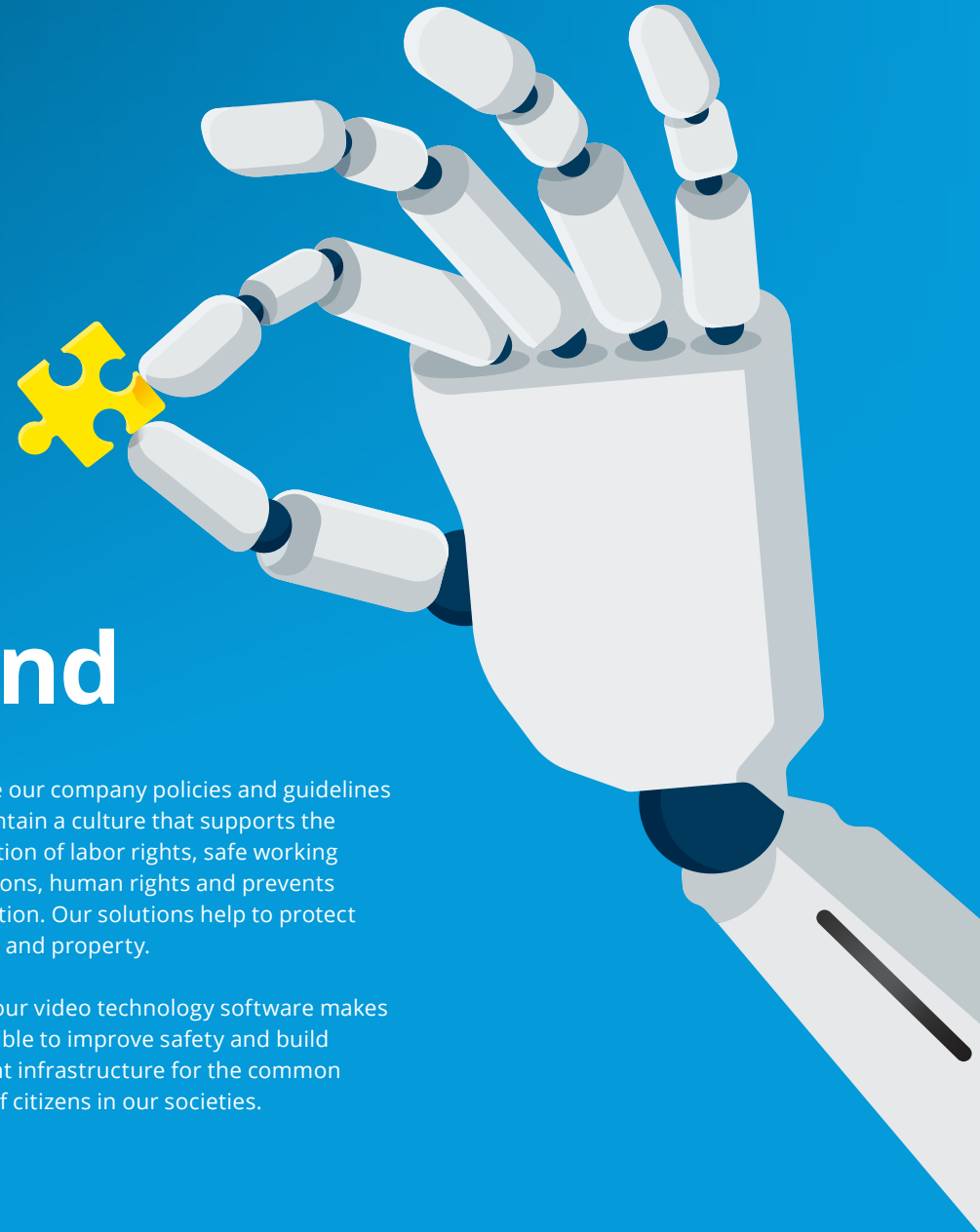
Strong focus on responsibility and ethics defines Milestone

Responsible technology, data ethics, privacy, human rights, and anti-corruption are important themes for Milestone Systems. Technology's role in society is a growing concern when it comes to ethics.

Milestone's products can support and be integrated into many facilities and infrastructures that support economic development and human well-being.

We believe in taking responsibility for the world we are part of. This requires that we explore and actively consider any unintended consequences or possible negative impacts of our products, and actively manage, mitigate, and reduce risk and harm.

Security and protection

Protecting privacy is a key priority. Our XProtect Corporate product complies with the General Data Protection Regulation (GDPR) and we have obtained the EuroPriSe GDPR-ready certification from the European Privacy Seal institute.

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

Human rights

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

In relation to this, we have introduced the Copenhagen Clause into our contract framework. The Clause encourages our partners to involve themselves in the important discussion about responsible use of technology, to sign the Copenhagen Letter and adopt the Copenhagen Clause into their own agreements. In 2021, we have continued to promote and enforce this clause and have had no incidents in which we needed to take specific actions.

Milestone remains aware of the many ethical aspects of video surveillance. As stated in our End-User-License Agreement, it is not permitted to use our software for the purpose of, or in connection with, a violation of the human rights of any person as set out in the United Nations' Declaration of Human Rights. A violation of the permitted use of the software may lead to a termination of the license granted under the End-User-License Agreement.

At Milestone, we require our colleagues, 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.

Anti-corruption and whistleblower scheme

Our anti-corruption policy is clearly documented in our code of conduct that we require all colleagues to sign and comply with. As part of this, we require our colleagues to raise awareness and to act if they observe incidents which, directly or as a result of circumstances, may be seen as unlawful or unethical activities, e.g. as anti-corruption activities.

Throughout 2021, we have provided training in business ethics as part of the All-hands (company meetings for all employees) program. 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 2021, Milestone has launched a new whistleblower scheme. The whistleblower scheme makes it easier for our internal and external stakeholders to report serious incidents of actual or suspected misconduct which could constitute a breach of the law or internal procedures. The whistleblower scheme can be used anonymously and ensures confidentiality for the person using the system to report an incident.

Data ethics

In 2021, Milestone has launched a data ethics policy. When we process data or develop, purchase, sell or implement new

A new policy for data ethics

technologies, artificial intelligence or algorithms, the principles for data ethics are assessed. Data ethics are a part of the design process and are considered prior to the purchase or implementation of technology. We have prepared guidelines ensuring that the data ethics policy is duly integrated within and beyond the organization.

In 2021, 'responsibility' has been placed at the core of Milestone's business strategy. A Corporate Affairs department has been established. And in 2022, we will continue the development of principles and practices for how we want video technology to be developed, sold, and used in society.

The purpose of the data ethics policy is to formally state Milestone Systems' data ethics principles and describe the overall ways in which we process data.

In this way, we make it clear to our customers, employees, partners, and other stakeholders that we are dedicated to protecting their data and will use data in a responsible and ethical way.

Our Global Data Protection Policy ensures that we comply with both Danish and European Union (EU) law on data and privacy protection. However, we see data ethics

considerations as more far-reaching than compliance with privacy legislation. For that reason, this data ethics policy relates to data processing in general.

What is data?
Data includes both structured and unstructured data, as well as public data and data we create at Milestone through selling, using, and developing technology.

We collect data directly from colleagues, partners, suppliers, customers, and public databases. We also purchase certain data from suppliers for Milestone to validate the data of our customers.

What are our principles?
When we process data or develop, purchase, sell or implement new technologies, artificial intelligence or algorithms, principles for data ethics must be assessed and included in the considerations during the design process and, or prior to purchase or implementation.

For this reason, we have prepared guidelines for the data ethics policy, which must be signed off by the relevant stakeholders accordingly. Our principles include specific guidelines on diversity, integrity, transparency, accountability, necessity, proportionality, legality, security and decisions.

Looking forward

In 2022, Milestone Systems A/S plans to increase the focus on environmental, social and corporate governance (ESG) by adding dedicated ESG resources to our team and by expanding our ESG policy framework and guidelines.

As a part of this effort, we will focus on anti-corruption and bribery, human rights and responsible technology.

As a part of this work, Milestone expects to conduct an impact assessment identifying and assessing human rights risks and anchoring its responsible technology framework in the UN Guiding Principles on Business and Human Rights (UNGPs).

Employee initiatives grow our culture

A strategic focus on diversity and inspiring working conditions creates the basis for an agile and dynamic culture.

Milestone is an international company and diversity is a central part of who we are. We are present in 24 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 ideas and innovation.

To realize our strategic priorities, we rely on our people and their expertise, skills, and diversity. It is our belief that by prioritizing the ongoing development of our people, we safeguard the long-term, sustainable growth of our business.

Focus on people and well-being

We take pride in challenging our people and creating growth opportunities. We believe that each of us, as individuals and as colleagues, should have access to personal development and

the opportunity to learn and train professionally and grow personally. Some of the ways Milestone meets this obligation are through Milestone internal bootcamps, training programs, and academies.

In 2021, we launched our Grow Together program as a guide to strengthen mental and physical well-being. The program offers tools for daily breaks and opportunities to focus on body, mind, and spirit. Global volunteering is part of the Grow Together initiative: Milestone gives every employee one day per year to give back to society through voluntary work for a purpose that individual teams define will benefit society.

In 2022, we will continue our focus on the Grow Together program. We will continue to launch new measures building on the results and experiences we have harvested from the program so far.

We use non-financial KPIs to manage the reporting of working conditions including diversity and equality in the workplace,

employee attrition rate, number of employees year end, engagement score, net promoter score and score in the Leadership Quality Index (also see page 43).

Gender distribution

Report on the gender distribution in the leadership team, cf. Section 99 b of the Danish Financial Statements.

A diverse workforce brings varied experiences, expertise, ideas, and innovation. To maintain a diverse workforce, we collaborate across Milestone to take advantage of knowledge sharing between culturally diverse groups. When recruiting to fill employee positions, we always look for the best candidate. In 2021, when we used consultants and headhunters to help fill vacancies, we continued to ask for diversity in the field of candidates, including in terms of gender.

Following this principle, the composition of the Board of Directors is reviewed on an annual basis. The board consists of six members including two employee-elected members. In 2021, an employee-elected

woman became part of the board. The four shareholder-elected members are currently male. By 2024, the board also aims to have one female candidate for election as shareholder-elected member.

The Executive Leadership Team, consisting of six members, now has two women on board (as of February 1, 2022). In 2021, Milestone's Senior Leadership Team consisted of 26 percent women (from 33 percent in 2020).

Our aim is to foster a basis for organic growth and development of female talent that includes our leadership levels, and that women are truly considered in our commitment to make sure we have the best 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 leadership positions.

Innovation and partnerships to decrease environmental impact

Our business has an impact on the climate and the environment.
We can influence this impact.

We are aware that our business has an impact on the climate and on the environment, and that to some extent, we can influence our impact.

To make this a positive impact, our policy is to actively encourage all employees to become more climate-friendly and environmentally-conscious in their work processes.

Smart technology, less energy consumption
We believe that smart technology design can minimize adverse effects on the environment, and we are working to reduce the energy consumption of our products. 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.

Renewable energy
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 Copenhagen, solar panels have been installed on the roof of the building.

The solar panels have been in use throughout 2021 and have performed as expected. The rest of the energy required to power the Copenhagen office comes from Danish offshore wind turbines.

In the years ahead we will continue exploring using smart technologies that can help us save energy. For all of our offices around the world, we will pursue solutions that use renewable energy.

Corporate Social Responsibility (CSR) 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 impacts on the environment, climate, working conditions, and human rights.

Negative impacts 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 that could violate personal integrity and human rights

- Indirect involvement through colleagues, suppliers, distributors, or partners engaging in bribery or corruption

We evaluate these 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 by securing close relations between leadership, guidelines, and activities. Through on-site training, we establish risk management frameworks that include mechanisms and functions for compliance and internal control.

FINANCIAL STATEMENT

Accounting policies

The Group'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 2021 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 with the previous year.

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

Business combination
Intragroup business combinations are accounted for under the aggregation method. Under this method, the two enterprises are combined at carrying amounts, and no differences are identified. Any considerations which exceed the carrying amount of the acquired enterprise are recognized directly in equity. The aggregation method is applied as if the two enterprises had always been combined by restating comparative figures.

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 Group, 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 Group, 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.

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.

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
Milestone's 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 Group'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.

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 asset 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.

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 Parent company's operations. This is done by transferring directly to distributable reserves in the equity.

Foreign exchange reserve

The foreign exchange reserve in the consolidated financial statements comprise foreign exchange difference arising on translation of financial statements of foreign entities from their functional currency into the presentation currency used by the Group (DKK).

At realisation in full or in part of the net investment, the foreign exchange adjustments are recognised in the income statement.

Hedging reserve

Reserve for hedging relates to cash flow hedges. The hedging reserve is used to record gains or losses on derivatives that are designated and qualify as cash flow hedges and that are recognised in other comprehensive income. Amounts are reclassified to profit and loss when the associated hedged transaction affects profit or loss.

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."

FINANCIAL RATIOS

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines. The financial ratios stated under "five-year summary" have been calculated as follows:

Invoiced Revenue	=	Invoiced revenue for the financial year
Gross margin	=	$\dfrac{\text{Total assets} \times 100}{\text{Shareholder equity}}$
EBIT margin	=	$\dfrac{\text{Operating income before interest and tax} \times 100}{\text{Net revenue}}$
Financial solidity	=	$\dfrac{\text{Total assets}}{\text{Shareholder equity}}$
Return on equity	=	$\dfrac{\text{Net income for the year} \times 100}{\text{Average shareholder equity}}$

INCOME STATEMENT

	Note	CONSOLIDATED DKK'000		PARENT COMPANY DKK'000	
		2021	2020	2021	2020
Net revenue	1	**1,140,912**	**1,016,793**	**1,138,649**	**1,011,274**
Cost of sales		-53,742	-48,478	-53,239	-47,679
Gross margin		**1,087,170**	**968,315**	**1,085,410**	**963,595**
Research and development costs	3, 4	-297,483	-263,619	-304,957	-270,784
Distribution and sales costs	3, 4	-595,699	-506,770	-626,708	-528,577
Administrative costs	2, 3, 4	-101,473	-86,035	-81,076	-71,046
Operating income (EBIT)		**92,515**	**111,891**	**72,669**	**93,188**
Result from investments in subsidiaries		0	0	12,031	13,092
Interest and other financial income	5	32,857	2,846	33,842	3,557
Interest and other financial expenses	6	-3,705	-48,090	-2,453	-48,287
Profit before corporate tax		**121,667**	**66,647**	**116,089**	**61,550**
Corporate tax	7	-24,213	-13,016	-18,635	-7,919
Net income		**97,454**	**53,631**	**97,454**	**53,631**
NET INCOME ATTRIBUTABLE TO:					
Owners of Milestone Systems A/S		97,454	53,631	97,454	53,631
Net income		**97,454**	**53,631**	**97,454**	**53,631**

BALANCE SHEET

	Note	CONSOLIDATED DKK'000 2021	2020	PARENT COMPANY DKK'000 2021	2020
Completed development projects		193,529	185,022	194,360	187,646
Development projects in progress		20,426	10,820	25,233	13,172
Other intangible assets		41,224	43,381	40,214	42,751
Intangible fixed assets	8	**255,179**	**239,223**	**259,807**	**243,569**
Land and buildings		102,728	106,618	47,523	53,679
Other fixtures and fittings, tools and equipment		57,916	58,833	37,285	38,287
Tangible fixed assets	9	**160,644**	**165,451**	**84,808**	**91,966**
Investments in subsidiaries	10	0	0	56,765	45,294
Other investments	11	21,469	21,469	21,469	21,469
Contract assets		0	9,086	0	9,086
Deposits		9,004	8,800	4,426	4,382
Financial fixed assets		**30,473**	**39,355**	**82,660**	**80,231**
Fixed assets		**446,296**	**444,029**	**427,275**	**415,766**
Trade receivables		310,385	234,561	310,083	234,297
Receivables from group enterprises		665,850	497,056	674,859	501,480
Other receivables		20,726	25,818	18,083	22,856
Prepaid company tax		11,075	11,000	5,181	5,160
Deferred tax	12	6,931	4,159	0	0
Prepayments	13	19,449	16,631	12,943	10,716
Receivables		**1,034,416**	**789,225**	**1,021,149**	**774,509**
Cash at bank and in hand		**155,271**	**312,697**	**96,182**	**265,261**
Current assets		**1,189,687**	**1,101,922**	**1,117,331**	**1,039,770**
Assets		**1,635,983**	**1,545,951**	**1,544,606**	**1,455,536**

BALANCE SHEET

	Note	CONSOLIDATED DKK'000 2021	2020	PARENT COMPANY DKK'000 2021	2020
Equity					
Share capital		693	693	693	693
Reserve for net revaluation under the equity method		0	0	39,544	27,505
Reserve for development projects		0	0	171,282	156,638
Foreign exchange reserve		-2,211	-4,296	0	-4,296
Hedging reserve		-14,512	14,048	-14,512	14,048
Retained earnings		804,413	706,959	591,376	522,816
Dividend proposed for the year		0	32,219	0	32,219
Capital and reserves attributable to owners of Milestone Systems A/S		788,383	749,623	788,383	749,623
Total equity		**788,383**	**749,623**	**788,383**	**749,623**
Investments in subsidiaries with negative equity		0	0	399	0
Deferred tax	12	37,774	54,507	37,338	54,433
Provisions		**37,774**	**54,507**	**37,737**	**54,433**
Deferred income	14	209,751	182,258	209,751	182,258
Lease liability	15	81,818	87,004	39,567	45,079
Non-current liabilities		**291,569**	**269,262**	**249,318**	**227,337**
Lease liability	15	26,544	27,130	9,396	11,678
Trade payables		30,074	29,235	25,573	26,623
Payables to Group enterprises		0	0	20,729	5,994
Corporation tax		17,604	9,904	10,322	4,684
Other payables		135,923	133,499	95,036	102,373
Deferred income	14	308,112	272,791	308,112	272,791
Current liabilities		**518,257**	**472,559**	**469,168**	**424,143**
Total liabilities		**809,826**	**741,821**	**718,486**	**651,480**
Liabilities and equity		**1,635,983**	**1,545,951**	**1,544,606**	**1,455,536**
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Proposed distribution of profit	19				
Subsequent events	20				

STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED

DKK'000

	Notes	Share capital	Foreign exchange reserve	Hedging reserve	Retained earnings	Dividend proposed for the year	Total
Equity at January 1, 2020		**693**	**-2,137**	**-18,498**	**641,233**	**60,000**	**681,291**
Exchange rate adjustment, opening balance		0	-1,324	0	-11	0	-1,335
Exchange rate adjustment, during the year		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**
Merger adjustments		0	0	0	43,599	0	43,599
Equity at December 31, 2021		**693**	**-4,296**	**14,048**	**706,959**	**32,219**	**749,623**
Exchange rate adjustment, opening balance	10	0	1,568	0	0	0	1,568
Exchange rate adjustment, during the year	10	0	517	0	0	0	517
Fair value adjustment of hedging instruments, end of the year		0	0	-36,615	0	0	-36,615
Adjustment to deferred tax on hedging instruments, end of the year		0	0	8,055	0	0	8,055
Dividend paid		0	0	0	0	-32,219	-32,219
Net income for the year		0	0	0	97,454	0	97,454
Equity at December 31, 2021		**693**	**-2,211**	**-14,512**	**804,413**	**0**	**788,383**

STATEMENT OF CHANGES IN EQUITY

PARENT COMPANY

DKK'000

	Notes	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
Equity at January 1, 2020		**693**	**18,631**	**118,565**	**-2,137**	**-18,498**	**504,037**	**60,000**	**681,291**
Exchange rate adjustment, opening balance		0	0	0	-1,324	0	-11	0	-1,335
Exchange rate adjustment, during the year		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**
Merger adjustments		0	0	0	0	0	43,599	0	43,599
Equity at December 31, 2020		**693**	**27,505**	**156,638**	**-4,296**	**14,048**	**522,816**	**32,219**	**749,623**
Exchange rate adjustment, opening balance	10	0	1,568	0	0	0	0	0	1,568
Exchange rate adjustment, during the year	10	0	517	0	4,296	0	-4,296	0	517
Fair value adjustment of hedging instruments, end of the year		0	0	0	0	-36,615	0	0	-36,615
Adjustment to deferred tax on hedging instruments, end of the year		0	0	0	0	8,055	0	0	8,055
Dividend paid		0	0	0	0	0	0	-32,219	-32,219
Net income for the year		0	9,954	14,644	0	0	72,856	0	97,454
Equity at December 31, 2021		**693**	**39,544**	**171,282**	**0**	**-14,512**	**591,376**	**0**	**788,383**

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

CASH FLOW STATEMENT

	Note	2021	2020
		CONSOLIDATED	
		DKK'000	
Net income for the year		97,454	53,631
Adjustments	18	133,108	193,323
Change in working capital	18	-204,000	-13,596
Cash flows from operating activities before paid financial items and tax		**26,562**	**233,358**
Financial income received		32,857	2,846
Financial expenses paid		-3,705	-48,090
Cash flows from operating activities before paid tax		**55,714**	**188,114**
Corporate tax paid/received		-27,840	-6,282
Cash flows from operating activities		**27,874**	**181,832**
Investment in intangible fixed assets		-100,309	-93,415
Investment in tangible fixed assets excluding lease assets		-22,902	-30,403
Cash flows from investing activities		**-123,211**	**-123,818**
Repayments on lease liability		-31,955	-30,930
Distributed dividend		-32,219	-58,969
Cash flows from financing activities		**-64,174**	**-89,899**
Change in cash and cash equivalents		**-159,511**	**-31,885**
Cash and cash equivalents at January 1		312,697	346,741
Currency adjustments		2,085	-2,159
Cash and cash equivalents at December 31		**155,271**	**312,697**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		155,271	312,697
Cash and cash equivalents at December 31		**155,271**	**312,697**

NOTES

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	
	2021	2020	2021	2020
Geographical segments				
Net revenue Denmark	39,901	30,274	39,901	30,274
Net revenue export from Denmark	1,098,748	981,000	1,098,748	981,000
Net revenue generated outside Denmark	2,263	5,519	0	0
	1,140,912	**1,016,793**	**1,138,649**	**1,011,274**
Product segments				
Surveillance related products	1,140,912	1,016,793	1,138,649	1,011,274
	1,140,912	**1,016,793**	**1,138,649**	**1,011,274**
Note 2 Fees to independent auditors				
Statutory audit fee	704	623	380	395
Tax advisory services	1,743	694	1,029	41
Other services	306	293	272	236
	2,753	**1,610**	**1,681**	**672**
Note 3 Staff expenses				
Wages and salaries	628,082	541,478	389,451	343,918
Pensions	30,401	25,811	18,388	15,981
Social contributions	29,411	25,589	4,139	3,822
Other staff expenses	61,538	42,817	26,333	17,640
Capitalized development costs	-74,339	-73,682	-41,045	-43,330
	675,093	**562,013**	**397,266**	**338,031**
Average number of employees	**956**	**866**	**480**	**434**
Staff expenses are recognized as follows:				
Research and development costs	168,539	140,282	181,490	153,346
Distribution and sales costs	427,688	357,791	150,210	130,450
Administrative costs	78,866	63,940	65,566	54,235
	675,093	**562,013**	**397,266**	**338,031**
Remuneration to the Executive Leadership Team and the Board of Directors:				
Executive Leadership Team	11,179	11,620	11,179	11,620
Board of Directors	500	300	500	300
	11,679	**11,920**	**11,679**	**11,920**

	CONSOLIDATED		PARENT COMPANY	
	DKK'000		DKK'000	
	2021	2020	2021	2020
Note 4 Amortization and depreciation of intangible and tangible fixed assets				
Completed development projects	65,776	67,689	67,568	69,163
Other intangible assets	18,577	15,110	17,973	14,821
Land and buildings	26,666	25,865	10,798	9,970
Other fixtures and fittings, tools and equipment	27,187	26,282	17,329	16,390
Gains and losses in fixed assets	-60	170	98	76
	138,146	**135,116**	**113,766**	**110,420**
Amortization and depreciation of intangible and tangible fixed assets are recognized as follows:				
Research and development costs	86,577	87,034	82,881	82,362
Distribution and sales costs	49,280	46,018	28,596	25,994
Administrative costs	2,289	2,064	2,289	2,064
	138,146	**135,116**	**113,766**	**110,420**
Note 5 Interest and other financial income				
Interest from Group companies	2,257	2,721	2,723	3,446
Currency adjustments	30,595	0	31,114	0
Other financial interest and income	5	125	5	111
	32,857	**2,846**	**33,842**	**3,557**
Note 6 Interest and other financial expenses				
Interest to Group companies	0	0	223	1,556
Currency adjustment	528	45,101	49	44,735
Other financial interest and expenses	3,177	2,989	2,181	1,996
	3,705	**48,090**	**2,453**	**48,287**

	CONSOLIDATED		PARENT COMPANY	
	DKK'000		DKK'000	
	2021	2020	2021	2020
Note 7 Tax				
Current tax for the year	17,141	9,741	10,393	4,535
Adjustment of current tax for prior years	18,324	658	17,486	108
Change in deferred tax	-1,457	11,931	615	12,456
Adjustment in deferred tax for prior years	-17,850	-134	-17,914	0
	16,158	**22,196**	**10,580**	**17,099**
Attributable to:				
Tax on profit for the year	24,213	13,016	18,635	7,919
Tax on changes in equity	-8,055	9,180	-8,055	9,180
	16,158	**22,196**	**10,580**	**17,099**

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, 2021	730,113	10,820	740,933	91,857
Additions in the year	4,933	78,956	83,889	16,420
Disposals in the year	0	0	0	0
Transferred to completed	69,350	-69,350	0	0
Cost at December 31, 2021	804,396	20,426	824,822	108,277
Depreciation and impairment at January 1, 2021	-545,091	0	-545,091	-48,476
Depreciation in the year	-65,776	0	-65,776	-18,577
Depreciations on disposals in the year	0	0	0	0
Depreciation and impairment at December 31, 2021	-610,867	0	-610,867	-67,053
Carrying amount at December 31, 2021	**193,529**	**20,426**	**213,955**	**41,224**

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, 2021	738,165	13,172	751,337	90,679
Additions in the year	4,932	81,411	86,343	15,436
Disposals in the year	0	0	0	0
Transferred to completed	69,350	-69,350	0	0
Cost at December 31, 2021	812,447	25,233	837,680	106,115
Depreciation and impairment at January 1, 2021	-550,519	0	-550,519	-47,928
Depreciation in the year	-67,568	0	-67,568	-17,973
Depreciations on disposals in the year	0	0	0	0
Depreciation and impairment at December 31, 2021	-618,087	0	-618,087	-65,901
Carrying amount at December 31, 2021	**194,360**	**25,233**	**219,593**	**40,214**

Note 9 Tangible fixed assets Consolidated DKK'000	Land and buildings	Other fixtures and fittings, tools and equipment	Total
Cost at January 1, 2021	152,557	143,406	295,963
Currency adjustment	3,816	2,086	5,902
Additions in the year	40,609	26,719	67,328
Disposals in the year	-29,205	-4,179	-33,384
Cost at December 31, 2021	167,777	168,032	335,809
Depreciation and impairment at January 1, 2021	-45,939	-84,573	-130,512
Currency adjustment	-1,488	-1,521	-3,009
Depreciation in the year	-26,666	-27,187	-53,853
Depreciations on disposals in the year	9,044	3,165	12,209
Depreciation and impairment at December 31, 2021	-65,049	-110,116	-175,165
Carrying amount at December 31, 2021	**102,728**	**57,916**	**160,644**
Tangible assets include operating leases with a carrying amount totaling	102,728	5,063	107,791

Parent Company DKK'000	Land and buildings	Other fixtures and fittings, tools and equipment	Total
Cost at January 1, 2021	71,253	92,454	163,707
Additions in the year	11,367	17,020	28,387
Disposals in the year	-7,900	-3,370	-11,270
Cost at December 31, 2021	74,720	106,104	180,824
Depreciation and impairment at January 1, 2021	-17,574	-54,167	-71,741
Depreciation in the year	-10,798	-17,329	-28,127
Depreciations on disposals in the year	1,175	2,677	3,852
Depreciation and impairment at December 31, 2021	-27,197	-68,819	-96,016
Carrying amount at December 31, 2021	**47,523**	**37,285**	**84,808**
Tangible assets include operating leases with a carrying amount totaling	47,523	3,696	51,219

Note 10 Financial fixed assets

Parent Company

DKK'000

	Investments in subsidiaries
Cost at January 1, 2021	12,165
Additions in the year	0
Disposals in the year	0
Cost at December 31, 2021	12,165
Revaluations at January 1, 2021	27,505
Currency adjustment	2,085
Dividend paid	-2,077
Profit for the year	12,031
Revaluations at December 31, 2021	39,544
Carrying amount at December 31, 2021	**51,709**
Negative value of investments in subsidiaries recognized as a provision	399
Negative value of investments in subsidiaries set off against receivables from group enterprises	4,657
Revaluations at December 31, 2021	**56,765**

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 SARL	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 X-Protect India Pvt Ltd	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, S.A. DE C.V.	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 2020	Net income for 2020
Arcus Holding A/S	Brøndby, Denmark	4.007	12%	1%	38,396	-117,685

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

| | CONSOLIDATED | | PARENT COMPANY | |
| | DKK'000 | | DKK'000 | |
	2021	2020	**2021**	2020
Note 12 Deferred tax				
Deferred tax at January 1	50,348	38,417	54,433	41,797
Other adjustments	0	180	0	180
Change in profit and loss	-11,450	2,571	-9,040	3,276
Change in equity	-8,055	9,180	-8,055	9,180
Deferred tax at December 31	**30,843**	**50,348**	**37,338**	**54,433**
Deferred tax relates to:				
Intangible assets	44,159	52,129	44,159	52,129
Tangible assets	-3,018	470	-3,545	-1,182
Current assets	818	-219	817	-219
Other obligations	-9,843	-302	-4,093	3,962
Net operating loss	-1,273	-1,730	0	-257
	30,843	**50,348**	**37,338**	**54,433**
Deferred tax recognized in the balance sheet:				
Deferred tax asset	-6,931	-4,159	0	0
Deferred tax liability	37,774	54,507	37,338	54,433
	30,843	**50,348**	**37,338**	**54,433**

Note 13 Prepayments

Prepayments consist of prepaid costs related to licenses, subscriptions, marketing events and other costs.

Note 14 Deferred income				
Under one year	308,112	272,791	308,112	272,791
One to five years	209,751	182,258	209,751	182,258
Above five years	0	0	0	0
	517,863	**455,049**	**517,863**	**455,049**

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

Note 15 Lease liability				
Under one year	26,544	27,130	9,396	11,678
One to five years	76,294	85,385	39,567	45,032
Above five years	5,524	1,619	0	47
	108,362	**114,134**	**48,963**	**56,757**

Note 16 Mortgages, securities and contingent liabilities

Consolidated and Parent Company

The Parent Company is jointly taxed with other Danish companies in the Canon Group. The Parent 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	**Basis**
Canon Inc., Japan	Controlling shareholder

Transactions

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

Name	**Place of registered office**
Canon Inc.	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

| | CONSOLIDATED | | PARENT COMPANY | |
| | DKK'000 | | DKK'000 | |
	2021	2020	**2021**	2020
Note 18 Cash flow statement				
Cash flow statement – adjustments				
Deprecation of intangible and tangible assets	138,206	134,946		
Gain/loss on disposed assets	-60	170		
Interest and other financial items	-29,152	45,244		
Corporate tax	24,213	13,016		
Other	-99	-53		
	133,108	**193,323**		
Cash flow statement – change in working capital				
Change in receivables	-270,077	-77,594		
Change in suppliers, other payables, etc.	66,077	63,998		
	-204,000	**-13,596**		
Note 19 Proposed distribution of profit				
Retained earnings	97,454	21,412	72,856	-25,535
Proposed dividend recognized under equity	0	32,219	0	32,219
Reserve for net revaluation under the equity method	0	0	9,954	8,874
Reserve for development projects	0	0	14,644	38,073
	97,454	**53,631**	**97,454**	**53,631**

Note 20 Subsequent events

On 24 February, Russia initiated an invasion of Ukraine, in response, Milestone has suspended all business activities in Russia and Belarus until further notice. At the time the annual report is published, the direct consequences for our business are limited, but we underline that our assumptions are significantly more uncertain than normal.

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, 2021.

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, 2021, of the Company and the Group and of the results of the Company and Group operations and Group cash flows for 2021.

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 31, 2022

Executive Management

Thomas Jensen

Lars Larsen

Board of Directors

Lau Normann Jørgensen

Henrik Friborg Jacobsen

Steen Strandskov Andersen
Employee-elected

John Sergio Blem

Jeppe Frandsen

Vibeke Uhrenholdt
Employee-elected

Independent auditor's report

To the Shareholders 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 2021, 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 2021 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 2021, which comprise income statement, balance sheet, statement of changes 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements

applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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.

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.

- 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, 31 March 2022

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Allan Knudsen
State Authorised Public Accountant
Mne29465

Alexander Oliver Duschek
State Authorised Public Accountant
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Milestone presence

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Jakobsen, Rasmus Kragh-Jensen,
Lars Larsen, Mette Maarup, Lars
Sandstrøm (external consultant),
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Henrik Thomsen, Mark Wilson.

Design and layout
Brand Strategy & Marketing Creation

milestone