

**MILESTONE SYSTEMS A/S**

CVR 20 34 11 30

# Annual Report 2023

The annual report 2023 was presented and adopted at the company's Annual General Meeting on 29 March 2024



**Dorthe Rosenkilde Saunders**  
Chairman of the meeting

**Milestone Systems A/S**

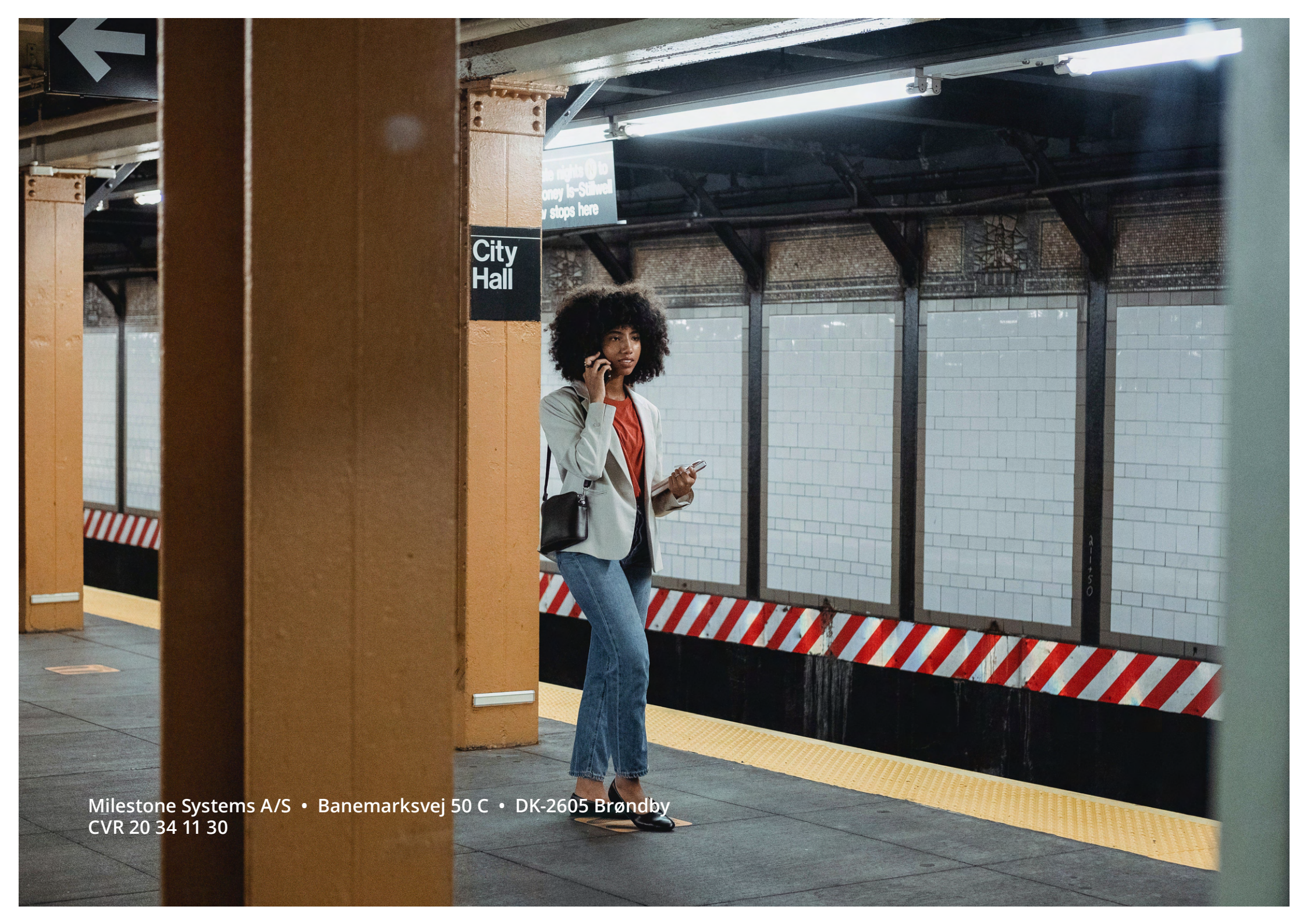
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# 25 years of responsible technology and growth





Milestone Systems A/S • Banemarksvej 50 C • DK-2605 Brøndby  
CVR 20 34 11 30



# Management's review

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# In Brief

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Highlights

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Letter from our Executive Directors

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Company profile



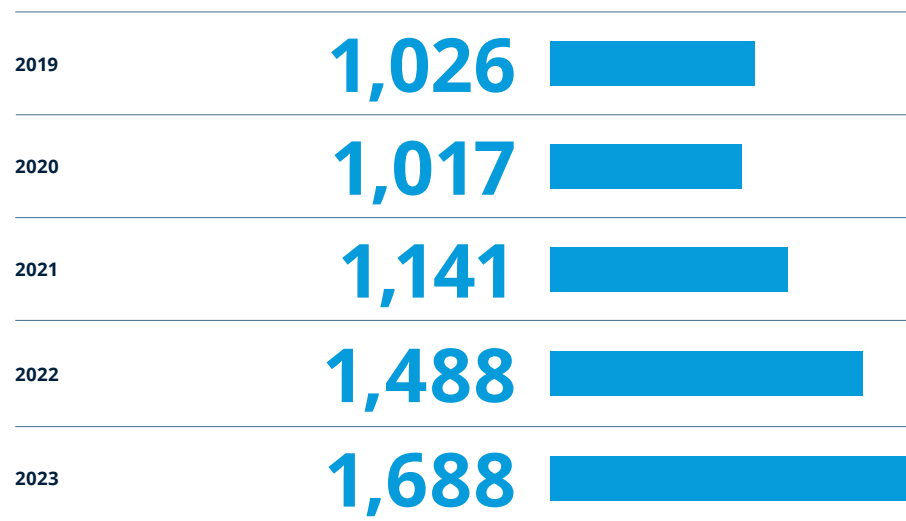




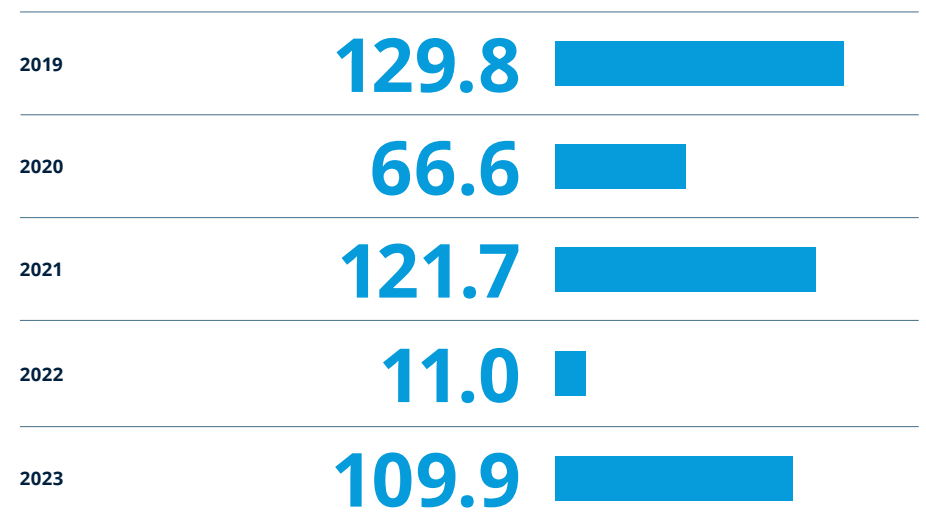
## HIGHLIGHTS

# Performance of the year

## Net revenue (DKK million)



## Profit before tax (DKK million)





## HIGHLIGHTS

# The year in numbers



## 101,000,000

DKK in development projects

Milestone has invested 101 million DKK in 2023 in development projects.

### Employees in Milestone

# 1,294

Milestone has grown from 776 employees in 2019 to 1,294 in 2023.

### Number of locations

# 25

Milestone is present in 25 countries.

### Nationalities

# 71

Represented in Milestone offices globally. 49 nationalities are represented at our HQ in Denmark.

### Milestone history

# 25 years

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

## LETTER FROM OUR EXECUTIVE DIRECTORS

# Milestone makes strides in an anniversary year

**In 2023, Milestone Systems (Milestone) delivered a net revenue of 1.69 billion Danish kroner (DKK) and earnings before interest and taxation (EBIT) of DKK 104.9 million.**

## 25 years in business

In 1998, two Danish engineers, John Blem and Henrik Friberg Jacobsen, had a eureka moment.

Having invented a way to seamlessly send financial data from the stock exchange to analysts, the pair discovered that the same competencies could be used to transfer video data. Milestone Systems was born, paving the way for modern-day video management software for security (VMS) and analytics.

In February 2023, Milestone celebrated 25 years in business. We ended the anniversary year with a net revenue of DKK 1.69 billion, an increase of 13.4 percent year-over-year, and earnings before interest and taxation (EBIT) of DKK 104.9 million.

This growth is the result of the hard work of our people and collaboration with our valued partners.

During the 12-month period, Milestone made significant strides in delivering our growth strategy, particularly in key industries such as healthcare and hospitality.

## Strategy achievements

In early 2023, Milestone launched XProtect® Hospital Assist, a video solution that allows medical staff to remotely observe multiple patients at once and respond to incidents quickly. We also introduced an updated approach for the casinos industry, one of the most strictly regulated industries in the world, focused on the use of video technology to ensure gaming compliance and deliver exceptional guest experiences.

Throughout the video security industry, cloud products grew faster than physical on-prem offerings in 2023.

We expect cloud will continue to outpace the overall VMS market over the coming years. However, we do not see the need for on-prem products disappearing any time soon.

In response to demand for cloud and hybrid solutions, Milestone continued to closely collaborate with Canon Group sister company Arcules in 2023. This collaboration resulted in an important step forward in our cloud ambitions with the rollout of Milestone Kite™, a video surveillance as a service (VSaaS) offering.

By year-end, we added Camera to Cloud capabilities to Kite, meaning computing, recording and video storage can take place on cameras. Camera to Cloud works with a series of cameras by another Canon Group sister company, Axis Communications, that are pre-installed with artificial intelligence-based Axis Object Analytics.

## Fit for the future

While Milestone recorded growth across all regions and improved profitability satisfactorily, 2023 undoubtedly presented several challenges for the company and the global business environment.

Ongoing conflicts in Ukraine and the Middle East, as well as global supply chain challenges, inflation, and recession, influenced partner and business confidence. Recovery from COVID-19 in some countries, particularly in the Asia-Pacific region, also took longer than expected.

To address the challenging business environment, Milestone implemented organizational adjustment measures to make Milestone fit for the future. Although the global business environment was challenging, we are proud that Milestone reported 13.4 percent growth ahead of expected market growth and solid improvement in profits.





## Looking ahead

Looking ahead, we anticipate an eventful and promising 2024. We will continue our growth journey, both in revenue, investments, and in profitability. We expect the coming financial year will bring many opportunities, particularly within the cloud and video analytics spaces.

Responsible technology, a significant element in Milestone's license to operate, will become increasingly important. As part of our internal Technology Strategy, Milestone intends to get even closer to customers' needs and help solve their challenges by rethinking how we design, develop, test and deliver our software products.

In closing, we wish to thank Milestone's 1,294 colleagues and valued resellers, distributors, technology partners and end customers. Thank you for another successful year and we look forward to the many opportunities ahead.



**Thomas Jensen**  
CEO, Milestone Systems



**Lars Larsen**  
CFO, Milestone Systems

## COMPANY PROFILE

# Empowering businesses and societies with data-driven video technology

We provide actionable insights from video data through the perfect combination of your cameras and sensors and our open platform software and analytics – always with a responsible mindset and a People First approach.

## Global video technology software company



Pioneered IP video surveillance technology



Born in Denmark and built on a Scandinavian leadership model



Provides software supported by hardware and services, centered on our XProtect® platform



Global technology partners drive innovation and develop the best solutions for our customers



Independent company within the Canon Group, the global leader in imaging technologies



Using data-driven video technology we can empower people, businesses, and societies

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## Empower people to get more from life



From providing safer and more livable city environments to easing people's workloads, video technology helps improve well-being.

## Empower businesses to embrace opportunities



Video technology enables all types of businesses to enhance safety and customer experiences while improving processes and driving growth.

## Empower societies to evolve responsibly



With analytics and alerts, video technology can help optimize traffic flows, monitor environmental dangers, and operate smarter cities.

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# The Executive Leadership Team



**Thomas Jensen**  
Chief Executive  
Officer

**Experience:**

Executive Vice President at Bechtle AG. Head of Worldwide Channel Sales & Strategy, Vice President Head of Channel Separation, Vice President WW Channel Sales & Strategy at HP. Director & General Manager, Denmark, at HP EMEA.

Employed at Milestone  
since 2020



**Lars Larsen**  
Chief Financial  
Officer

**Experience:**

Vice President, Group Finance at Carlsberg Breweries; Business Manager at Microsoft Business Solutions; Executive Vice President & Chief Financial Officer at Navision.

Employed at Milestone  
since 2010



**Rahul Yadav**  
Chief Technology  
Officer

**Experience:**

Chief Technology and Digital Officer at TV 2, Vice President and Chief R&D officer at KMD, and Director, Head of Software, Platforms and Ecosystems at B&O.

Employed at Milestone  
since 2023



**Christina Molt Wengel**  
Chief Marketing  
Officer

**Experience:**

Chief Marketing Officer at GN Hearing A/S, Senior VP Head of Global Marketing and Consumer Care Division at ALK, Global Marketing Director at Coloplast, Managing Director at MSD.

Employed at Milestone  
since 2021



**Morten Illum**  
Chief Revenue  
Officer

**Experience:**

Vice President EMEA, Aruba; Vice President, General Manager HPE Networking APAC; Managing Director, HP Denmark & Director HPE General Western Europe; General Manager, HP Central East Europe.

Employed at Milestone  
since 2023

# Value Creation

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Five-year summary

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Financial review



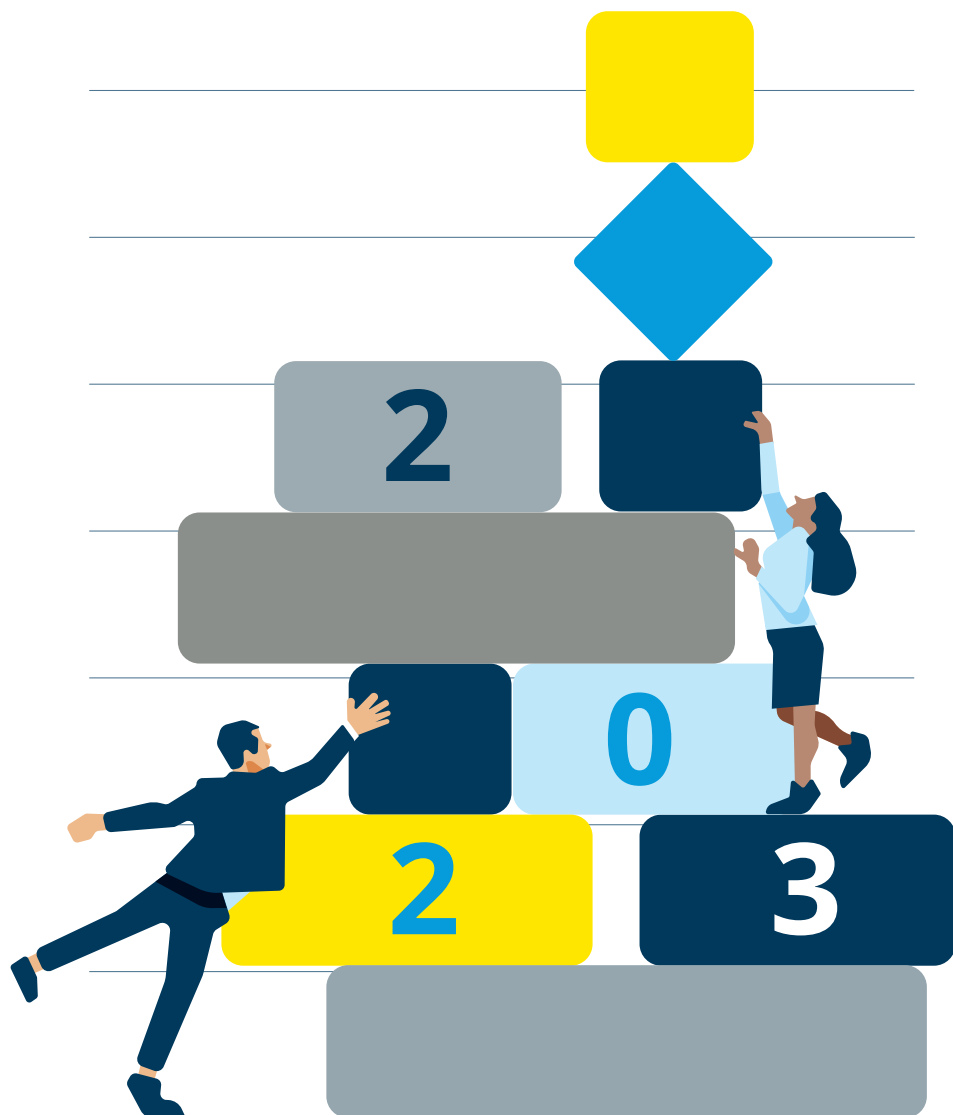


FIVE-YEAR SUMMARY

# Consolidated key figures



DKK'000	2023	2022	2021	2020	2019
<b>Profit &amp; Loss</b>					
Net Revenue	1,687,851	1,488,148	1,140,912	1,016,793	1,026,494
Gross margin	1,529,394	1,322,798	1,087,170	968,315	967,305
Operating income (EBIT)	104,905	-21,343	92,515	111,891	123,534
Net financials	5,000	32,386	29,152	-45,244	6,226
Profit before corporate tax	109,905	11,043	121,667	66,647	129,760
Net income	76,592	9,233	97,454	53,631	98,284
<b>Balance Sheet</b>					
Balance sheet total	2,078,127	1,857,670	1,635,983	1,545,951	1,478,630
Investment in other fixtures and fittings, tools and equipment excluding lease assets	37,015	41,475	22,903	30,403	26,964
Receiveables from Group enterprises	630,078	613,610	665,850	497,056	382,572
Cash at bank and in hand	292,377	193,889	155,271	312,697	346,741
Equity	896,361	799,249	788,382	749,623	724,574
<b>Cash flow Statement</b>					
Cash flow operating activities	305,944	262,623	27,875	181,832	239,921
Cash flow investing activities	-164,098	-193,233	-123,211	-123,818	-114,690
Cash flow financing activities	-42,342	-31,904	-64,174	-89,899	-26,004
Change in cash and cash equivalents	99,504	37,486	-159,510	-31,885	99,227
<b>Employees</b>					
Average no. of full-time employees	1,256	1,148	956	866	776
Number of employees at year-end	1,294	1,281	1,088	934	865
<b>Key Figures</b>					
Invoiced revenue	1,880,855	1,731,580	1,243,974	1,113,885	1,165,573
Gross margin	90.6%	88.9%	95.3%	95.2%	94.2%
EBIT margin	6.2%	-1.4%	8.1%	11.0%	12.0%
Financial solidity	2.3	2.3	2.1	2.1	2.0
Return on Equity	9.0%	1.2%	12.7%	7.3%	14.5%



## FINANCIAL REVIEW AND OUTLOOK

# Hard work and collaboration secure satisfying results, despite challenging times

Milestone achieved both growth and improved profitability in 2023 where the impact of an increase in inflation and interest rates, as well as the impact from the geopolitical security situation in Ukraine and the Middle East were great challenges.

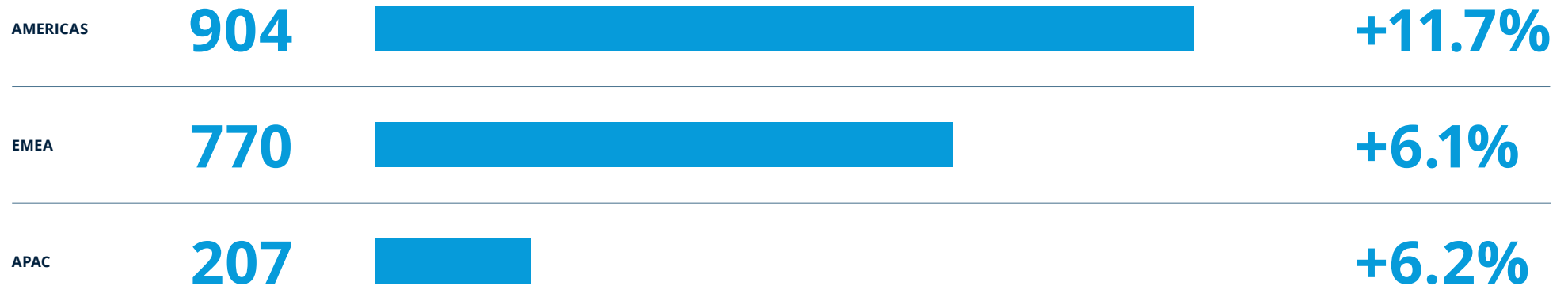
Invoiced revenue amounted to DKK 1.9 billion, corresponding to an increase of 8.6 percent. After adjustments for revenue deferrals and the impact of cash flow hedging and sales incentives, net revenue was DKK 1.7 billion. This is an increase of 13.4 percent compared with 2022. Net income amounted to DKK 77 million, an increase of 729.5 percent. Milestone considers this satisfactory considering the business impact of the challenging macroeconomic factors globally.

### Results in our markets

Looking at results in our markets, 2023 has been challenging due to slowdown in the economy caused by increasing interest rates and the business impact related to the security situation unfolding in Ukraine, as well as the Middle East region. However, the demand for our solutions continues to be strong despite the challenging market conditions.

Invoiced revenue in the **Americas** region amounted to DKK 904 million, corresponding to a 11.7 percent increase compared with 2022.

## Invoiced revenue (DKK million)



The growth is driven mainly by positive development in verticals such as education, government administration and manufacturing. The market demand has been significantly impacted by the increase in interest rates and inflation.

**LATAM** business continues to grow. In 2023 it grew 22.0 percent. Brazil grew 62.0 percent compared to 2022. During the year, Milestone has signed several key projects within different industries, including transport, public sector & critical infrastructure.

**APAC** invoiced revenue grew 6.2 percent in 2023, to DKK 207 million. Key projects won within transport, critical infrastructure & manufacturing. South Pacific has seen the most impact from the inflation and interest rate increases, with a negative growth. In Asia and India, the growth has been 23.2 and 22.6 percent and continues to see a very positive development.

In Asia, hardware sales increased with 116.2 percent compared to 2022.

**In EMEA**, the business climate has improved significantly. Milestone had a good year in the region, invoiced revenue amounted to DKK 770 million in 2023, representing an increase of 6.1 percent compared to the same period last year. Continued growth in verticals such as government administration, logistics and critical infrastructure were recorded.

On the product side, the performance was mainly driven by Care growing 17.7 percent, followed by Software growing 10.5 percent.



## Operating expenses

**Operating expenses totaled DKK 1,424 million compared with DKK 1,344 million in 2022, representing an increase of 6.0 percent.**

The increase is primarily explained by added headcounts within Sales and Business Support functions as part of our growth strategy. Despite having increased our headcounts, operating expenses measured in percentage of revenue decreased to 84.4 percent in 2023 compared with 90.3 percent in 2022, which is due to increased efficiency in the delivery model. Another reason for this is that Milestone has made some organizational adjustments in 2023 to be fit for the future.



## Research and development

**Research and development expenses amounted to DKK 356 million compared with DKK 355 million in 2022. This corresponds to a growth of 0.1 percent keeping cost at status quo.**

Total research and development expenses correspond to 21.1 percent of net revenue in 2023, a decrease compared to 23.9 in 2022. The decrease mainly relates to reclassification of cost related to IT licenses to administration cost in 2023. Research and development are a vital part of our strategy, and we expect to keep investing in this area, which also aligns with our new Tech Strategy launched in 2023.



## Distribution and sales costs

**Distribution and sales costs amounted to DKK 915 million, compared to DKK 871 million in 2022, which represents an increase of 5.0 percent.**

The cost increase is primarily explained by an increased headcount to support growth ambitions particular in the Americas, a growth enabler program optimizing sales processes. Some of this is offset by a reclassification of cost related to IT licenses to administration cost in 2023.

Total distribution and sales costs corresponded to 54.2 percent of net revenue, a decrease from 58.6 percent in 2022.



## Administrative expenses

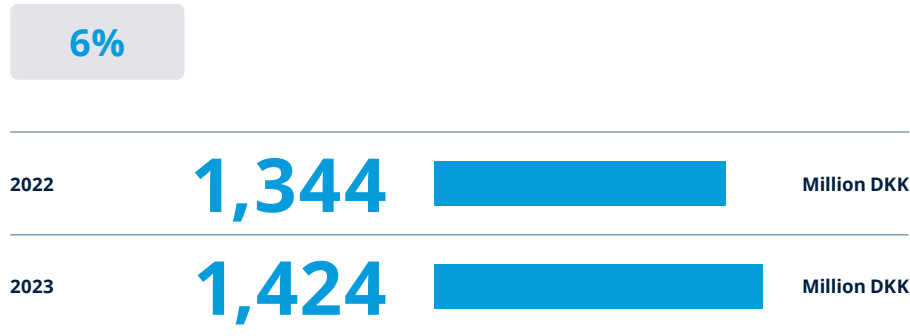
**Administrative expenses amounted to DKK 153 million compared with DKK 117 million in 2022, which corresponds to an increase of 30.8 percent.**

Total administrative expenses correspond to 9.1 percent of net revenue, an increase from 7.9 percent in 2022.

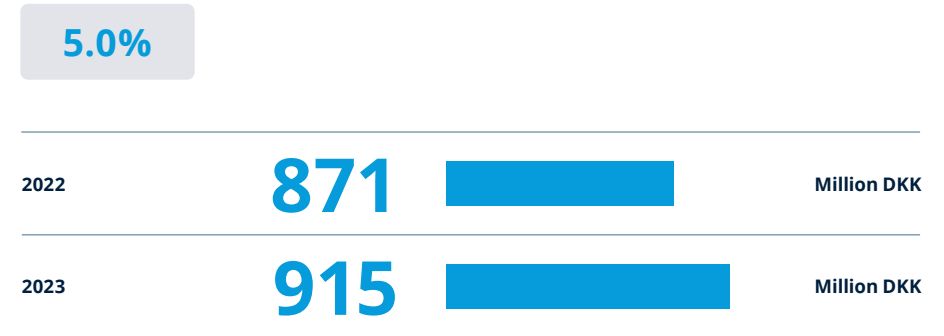
The increase is explained by added headcounts in early 2023, reclassification of cost related to IT licenses from research and development, usage of external consultants strengthening our support organization and the increased need for compliance due to the global nature of Milestone's business activities.



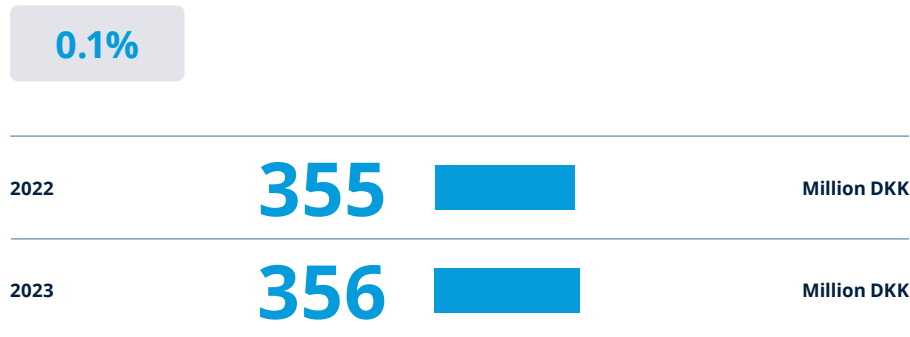
OPERATING EXPENSES



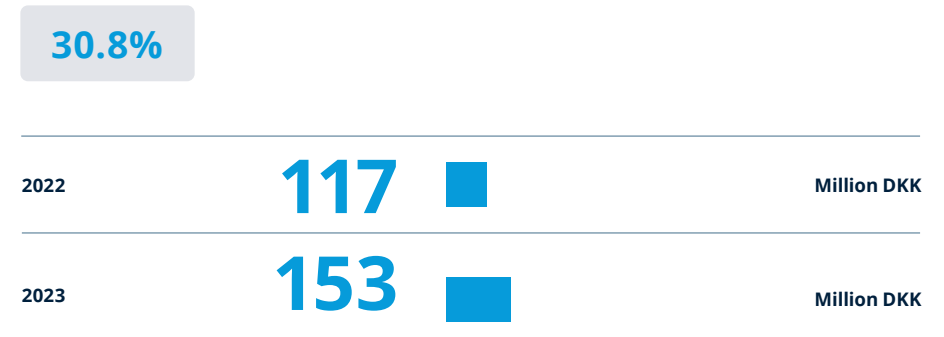
DISTRIBUTION AND SALES



RESEARCH AND DEVELOPMENT



ADMINISTRATIVE EXPENSES



# Income and balance sheet

**An operating income (EBIT) of DKK 105 million was recorded for the year, compared with DKK -21 million in 2022.**

Turning a negative EBIT in 2022 into a positive EBIT in 2023 is in line with the expectations we set out in last years annual report and was achieved through hard work and collaboration with our valued partners.

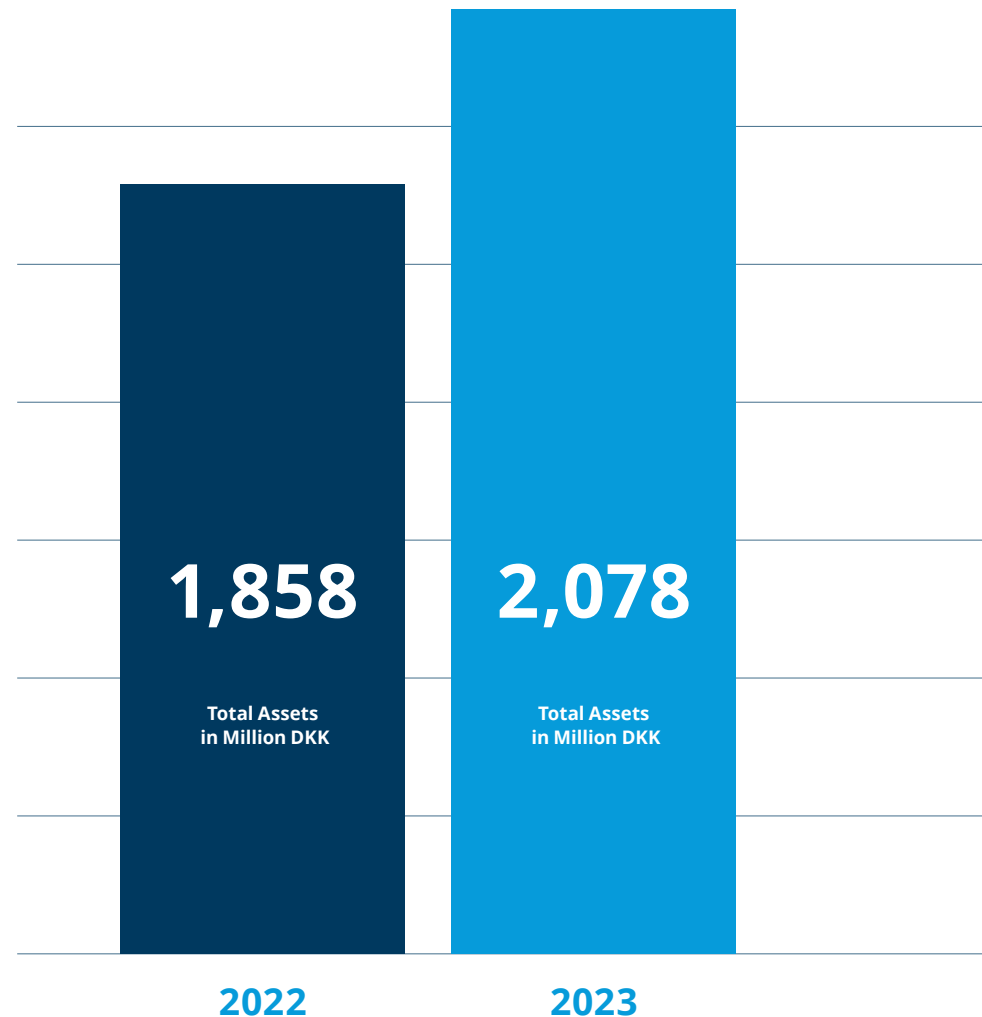
Profit before tax was DKK 110 million in 2023, compared to DKK 11 million in 2022, corresponding to an increase of 895.2 percent. The increase in profit before tax is primarily due to the development in EBIT with a larger increase in sales than cost. Furthermore the impact of financial items are limited due to the net impact of MDKK 5.

The total value on our balance sheet as of December 31, 2023, was DKK 2,078 million, compared with DKK 1,858 million on December 31, 2022.

The total equity amounted to DKK 896 million at the end of 2023, compared with DKK 799 million at the end of 2022. Cash at bank and in hand as of December 31, 2023, was DKK 292 million, compared with DKK 194 million on December 31, 2022.

The increase in cash and bank and in hand is mainly due to the positive result for the year. Milestone's financial position is considered strong and healthy.

## The total value on our balance sheet





# Outlook

**The Executive Leadership Team continues to believe that there are good business opportunities for Milestone particularly within cloud and video analytics as well as market consolidation. Expectations for 2024 is growth in both revenue and EBIT compared to 2023.**

Our financial targets reflect our business' ambitions to secure profitable growth while growing market leadership by investing into the key strategic and operational areas. Focus on sales efficiency, transforming our business and optimizing our structure are some of 2024 focus areas.

Some uncertainty remains in regard to the interest rate and inflation, as well as the impact and uncertainty from the geopolitical security situation in Ukraine and the Middle East.

# **Our Business**

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Business model and strategy

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Market and partners

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Innovation and technology





## BUSINESS MODEL AND STRATEGY

# Creating business outcomes through open platform software

## Milestone Systems is a leading provider of open platform video management software.

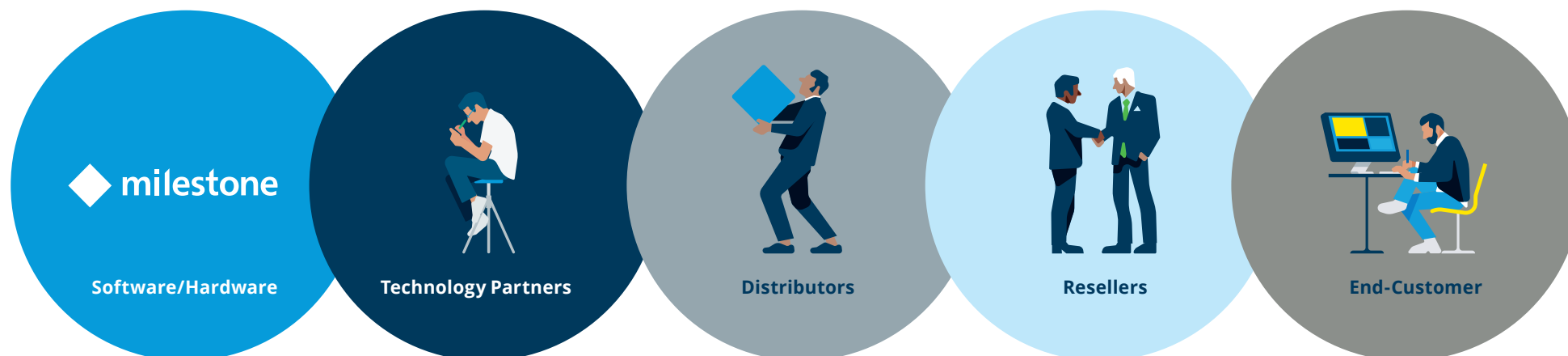
Based on an open platform, our video management software enables integration with the industry's widest choice in cameras, devices, and best-in-class business solutions.

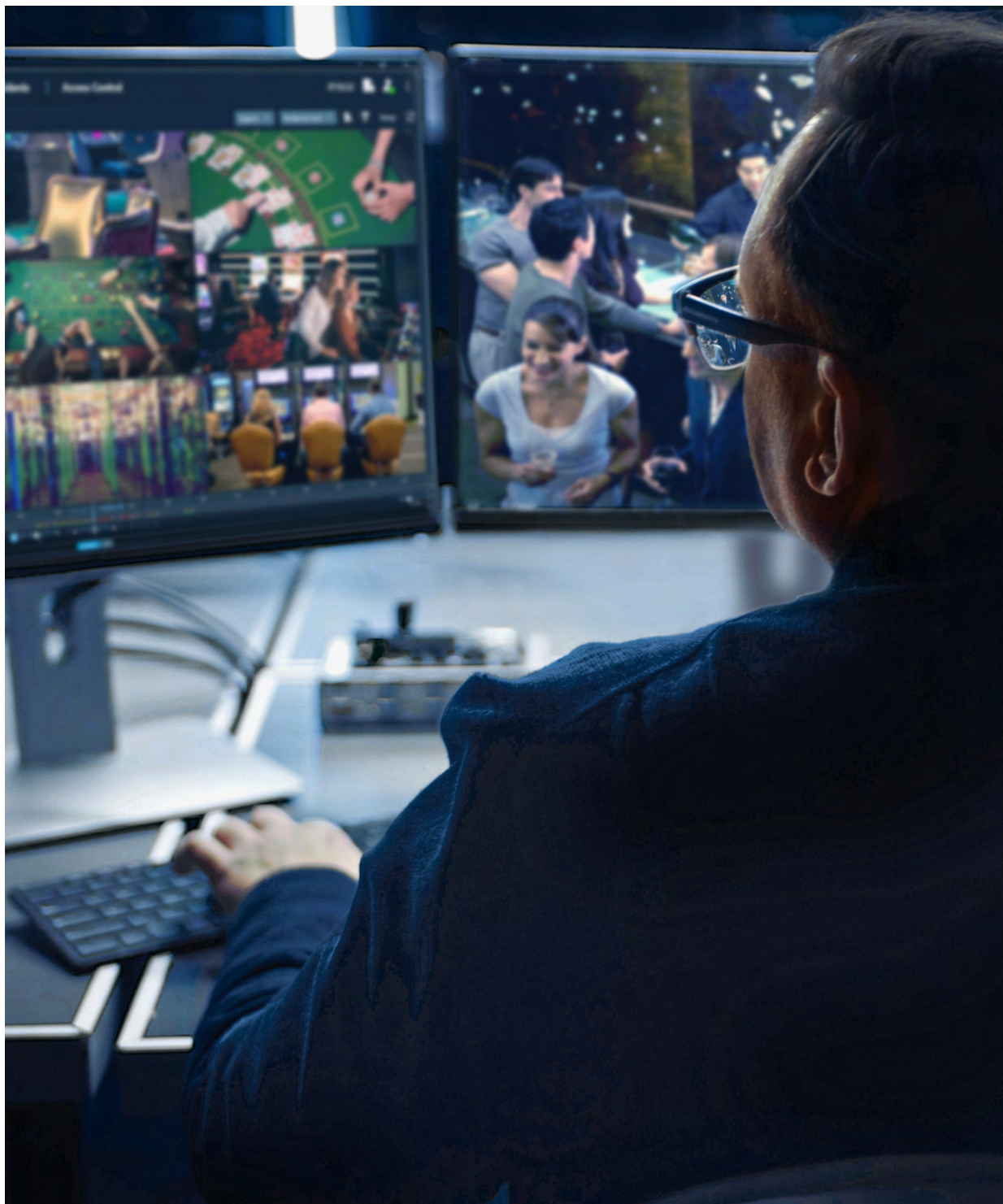
Our open platform makes it possible for our hardware and software partners to grow their business and integrate their video solutions for security and beyond security purposes.

We operate our business through a two-tier distribution and partner channel model, and our solutions are available

in most countries around the world. This model provides great scalability. We are continuously adapting the way we do business to fit market conditions and customer needs, wherever it makes sense for us, our partners, and customers.

Our focus on open platform video management software (VMS) connects our channel and technology partners to each other so they can build best-of-breed video solutions.





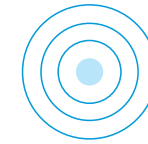
## BUSINESS MODEL AND STRATEGY

# Global Leader in data-driven Video Technology Software – in and beyond security

**2023 marks the halfway point in Milestone's 2026 Strategy. This is a natural moment to pause and take stock of what we have achieved so far and look ahead at what is yet to come.**

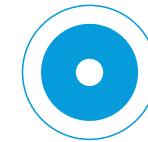
The world is changing and so too is the market for video technology software. Our strategy has been crafted to bring us to the forefront of these changes. It sets a clear direction and positions us to transform our industry by setting the standard for data-driven video technology software in and beyond security.

Since our strategy period began in 2021, we have succeeded with initiatives touching all of our strategic objectives and taken huge strides towards our goals.



## Purpose

Our strategy centers around **our purpose** – to Make the World See. We envision a future in which video technology can be used to explain the past, understand the present, and predict the future, with the intent of creating a positive impact for businesses and society.



## Approach

**Responsibility** is our license to operate. It's the basis for developing and integrating technology and it's a driver for choosing partners and business focus. We want to be a beacon for **responsible technology** in our industry.

Over the last year we have significantly matured our responsible technology program, which is a tangible expression of our commitment to ensuring our technology is developed, sold, and used responsibly.

Similarly, **People First** is at the core of everything we do. We build a culture focused on engagement and well-being in the way we develop, market, and sell our products and when we collaborate with partners – both inside of Milestone and in the broader industry.



## Culture

The importance of people is emphasized even further in our four strategic objectives, most obviously in our focus on **culture**. At Milestone, culture is a differentiator.

We believe our employees are our most important asset, and we continuously improve our working conditions, empower employees and teams, and create flexible, digital and hybrid working environments.



## Video Technology

**Video technology** software is the core of our product offering and will remain so. In the strategy period so far, we continuously modernized our core software, have launched our first cloud offering Milestone Kite™, extended analytics with XProtect Rapid REVIEW, and our first exclusively designed and industry specific offering, XProtect Hospital Assist.

In the years ahead we will develop our open video technology platform in brand new ways. We constantly ensure that our technology is geared for growth, and that we get even closer to the customers' needs and help solve their challenges.



## Partners

Our **partners** play a vital role in our business model and strategy, and we have already launched a new partner program with incentives for our partners.

In the years ahead, we will continue to strengthen our relationships with partners, increase our common marketing and sales efforts, and work together to create solutions for key customer industries that address unique customer needs.



## Customers

We have adapted our **customer** focus to fit a world using video technology for different purposes: to secure a business and to optimize a business.

We see great opportunities for offerings that are relevant for customers and solve their needs, and we are accelerating our marketing and sales efforts with dedicated initiatives to meet our customers where they are.

While working to maintain our leadership position in Europe, Middle East and Africa (EMEA) and Asia-Pacific (APAC), we are also strengthening our presence in the Americas. We expect to continue our growth journey in this market and around the world, as we pursue business outcomes that benefit people, businesses, and societies.





## MARKET AND PARTNERS

# Growing further – together

**Our business relies on partnerships. We sell through a network of resellers and distributors and cannot achieve our goals without their collaboration.**

Milestone runs a three-level Partner Program with Authorized, Advanced and Premier Partners. Twice a year, we meet with a group of Premier Partners from around the world that are part of Milestone's Partner Advisory Board.

In 2023, meetings took place in Barcelona and Copenhagen. The events provided a chance to identify mutual growth opportunities, receive feedback, and determine areas needing support.

Milestone's Global Channel team consolidates the input and identifies actions to take. These insights and suggestions guide Milestone in exploring the possibilities of data-driven video technology in and beyond security.



## Milestone appointed a new Chief Technology Officer

**Rahul Yadav brings a fresh way of thinking technology and product development in Milestone.**

On March 1, 2023, Rahul Yadav stepped into the role of Chief Technology Officer (CTO) at Milestone, bringing extensive experience setting up, scaling, and leading multi-site, global technology and product organizations and collaborating with technology providers to deliver customer-centric products.

Together with his leadership team, Rahul has launched an ambitious Technology & Product Strategy for Milestone. Currently, Rahul's primary focus is to successfully execute the strategy and strengthen Milestone Systems' position as a provider of market-leading data-driven video technology. Under his leadership the Technology group is innovating the way they build, with a customer-first mindset; leaning into the open platform philosophy, to support true freedom of choice for customers; and continuing to inspire each other and the industry.



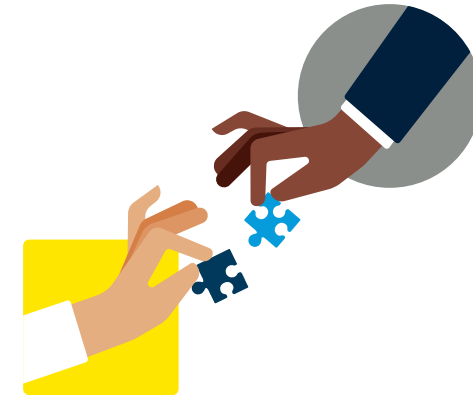
## Milestone appointed a new Chief Revenue Officer

**Morten Illum brings a wealth of experience to the Executive Leadership Team (ELT).**

On August 1, 2023, Morten Illum joined Milestone as Chief Revenue Officer (CRO).

Morten brings extensive experience and a strong track record in channel sales across various regions. His leadership in driving transformation, coupled with a deep knowledge of the tech industry, makes him an invaluable addition to the Milestone team.

In addition to building relationships with stakeholders and getting under the hood of Milestone's product, Morten's long-term focus is showing the world how video technology can be a crucial part of solving some major challenges in societies and how to do it in a safe, secure, and responsible way.



## Putting customers' needs first

**Milestone has moved from selling products to selling solutions.**

In 2023, Milestone invested in training our Global Sales team. The team was equipped with the latest tools to deliver business outcomes by focusing on how to best understand customer concerns and find video solutions for their problems.

Rather than focusing solely on product features and capabilities, Milestone's sales team delves into critical business issues, offering holistic solutions to customers in collaboration with our partners.

These adjustments position Milestone for continued growth and the scaling of our global business.







## INNOVATION AND TECHNOLOGY



### Video technology makes caring hands reach further

**In May 2023, Milestone Systems launched XProtect® Hospital Assist, a new remote patient monitoring technology.**

The World Health Organization estimates that by 2030, there will be a shortfall of 10 million healthcare professionals around the world. Milestone's data-driven video technology can help hospitals respond to this crisis while continuing to provide high-quality care. XProtect Hospital Assist is a video solution that allows medical staff to remotely observe multiple patients at once and respond to incidents quickly, easing the burden of some routine tasks.

With the use of XProtect Hospital Assist, hospitals can improve patient care by offering an additional layer of support for healthcare staff. With an extra set of eyes and ears in patient rooms, the solution enables rapid responses to incidents, ensuring the highest quality of patient care. XProtect Hospital Assist helps pave the way for a better, safer, and more connected hospital environment worldwide.

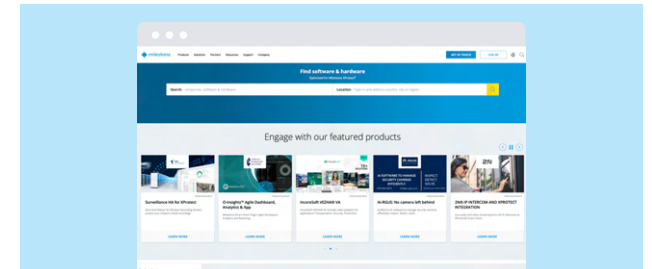


### We have lift-off

**Since launching in January 2023, Milestone Kite™ has offered organizations hassle-free and scalable cloud-based video security.**

Powered by Arcules, Milestone Kite is a simple, secure, and scalable video surveillance as a service (VSaaS). The cloud-based solution is primarily designed for small- to medium-sized businesses and larger organizations with multiple satellite and remote locations.

Additionally, Milestone announced the upcoming release of a new camera-to-cloud deployment option, Milestone Kite Camera to Cloud. With Camera to Cloud, computing, recording and video storage take place on the cameras, which connect directly to the Milestone Kite cloud. This makes it even faster to set up, can lower costs and involves even less IT effort.



### From Milestone Marketplace to Technology Partner Finder

**Milestone transformed Marketplace into Technology Partner Finder in 2023.**

The Milestone Technology Partner Program is a program for vendors offering applications, devices and hardware that are complementary to the Milestone XProtect video management platform.

This is a core value add to our Open Platform as technology partners represent a key element of our ecosystem. Technology partners can leverage the Milestone brand and Milestone's global market channel and benefit from a wide range of marketing resources and activities.

The enhanced Technology Partner Finder helps technology partners drive visibility to potential resellers and end-customers.

## INNOVATION AND TECHNOLOGY

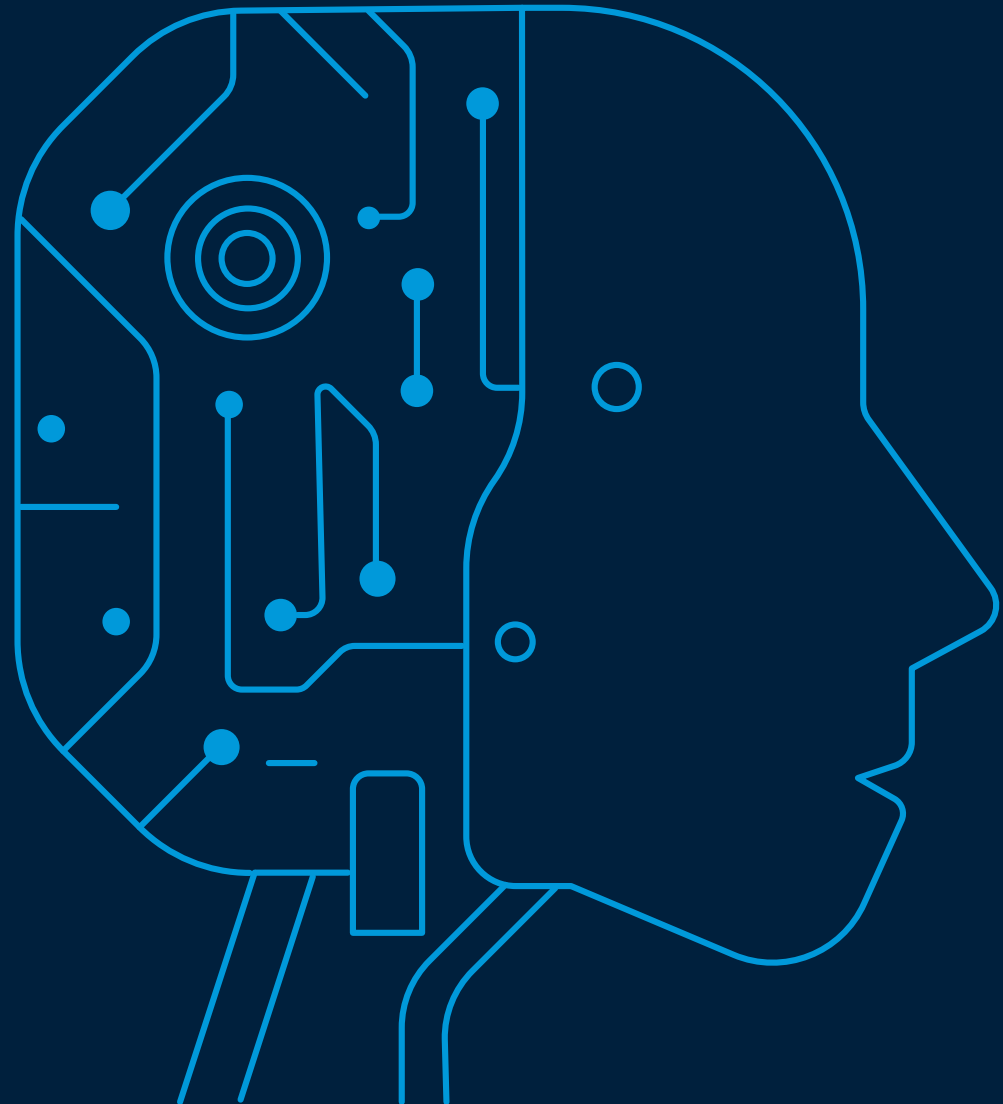
# Innovate, integrate, inspire

**Milestone launched a new Tech Group Strategy to help shape the future of our industry.**

Last year, Milestone introduced a new internal strategy in our Technology Group.

Building on our 25-year legacy, Milestone will continue to promote our responsible technology approach and dedication to openness and will lead the next revolution in the video security industry.

As part of this approach, Milestone will get even closer to customers' needs and help solve their challenges by rethinking how we design, develop, test and deliver our software products.





## INNOVATION AND TECHNOLOGY

# A ModelOps approach to Artificial Intelligence

**The world of video technology is at an exciting turning point – with AI set to play an important role.**

As well as the advantages, there are risks with these technologies, and people have concerns about the increasing role they will play in our everyday lives.

It is no longer possible to judge the performance of an AI solution simply by looking at its overall accuracy, because most real environments, and the people in them, are highly diverse. Milestone refers to several principles to assess AI: accountability; transparency; fairness and inclusion; privacy and security.

To improve performance on both dimensions, AI solutions need massive amounts of labeled training data. This is challenging because collecting and labeling this training data can easily introduce privacy and ethical issues.

At Milestone, for our research on AI we are using Synthetic Data in preference over real data to solve these issues and train AI solutions to be more effective. Synthetic Data is 'artificial' data containing computer-generated information instead of real-world images or video. It is generated in a way that maintains the characteristics of real-world data – but doesn't infringe on the privacy of individuals, and automatically comes with labeling information.

As well as developing and training, there are also concerns arising in the operation of AI solutions. Our solution is to continue testing to assess how well it performs over the lifetime of the solution, and if we find it is deteriorating, either retrain, or replace it.

A Model Operations (ModelOps) approach requires us to think across the lifetime of an AI solution, from development and training, to deployment, continuous monitoring and then retraining or replacement.

The ModelOps process helps us to discover unintended consequences and side effects, and address these either through retraining or replacement. Using ModelOps together with Synthetic Data is an effective way to improve the performance of an AI solution in both accuracy and fairness because:

- It is trained using datasets that provide a broader representation of the operational conditions
- It provides the opportunity to discover unintended consequences or side effects
- It does not infringe people's privacy

# The Regions

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Regional update: EMEA

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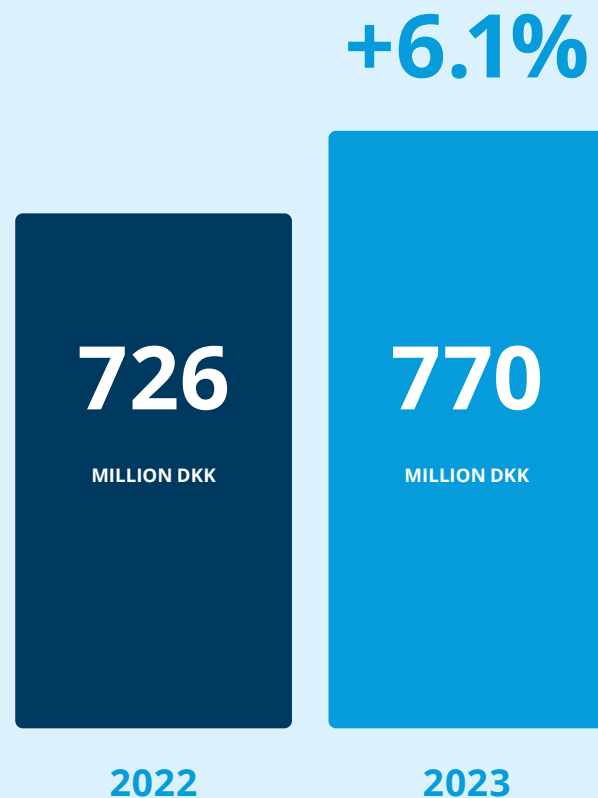
Regional update: APAC

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Regional update: Americas



## Revenue numbers



### REGIONAL UPDATE > EMEA

# Experiencing growth against challenging odds

**The Europe, Middle East, and Africa (EMEA) region navigated economic shifts, conflict impacts, and evolving market demands in 2023.**

In 2023, Milestone's EMEA business witnessed a strong increase in software sales and a notable enhancement in the average value of deals with partners.

The region experienced noteworthy expansion in well-established markets, specifically in the United Kingdom, Italy, France, Nordics and also in the Middle East, an impressive performance was observed. EMEA continued its successful service to specific, focus verticals.

The airport sector, particularly in the Middle East, benefited from the return of pre-pandemic passenger numbers that drove demand for Milestone's products.

#### **Challenged Business Conditions**

Several challenges faced the EMEA region in 2023. War on European soil and in the Middle East impacted surrounding countries, inflation in the eurozone, increased interest rates, and the looming risk of recession also impacted business confidence.

#### **AI and Cybersecurity in focus**

As we look forward to 2024, the EMEA management team will be vigilant in monitoring the forthcoming European Union Artificial Intelligence Act and the NIS2 Directive, which introduces cybersecurity legislation throughout the European Union.

The implementation of NIS2 is anticipated to be advantageous for Milestone, aligning with the growing customer demand for assurance regarding product safety and security. Milestone's investments in AI with a strong focus on responsible technology will continue to set the bar high for industry norms and we believe that Milestone's foresight will support our business in the region.

**CUSTOMER STORY > EMEA**

## Skiing on a smart mountain

You might be familiar with Smart Cities that use various electronic methods and sensors to gather data for improving city operations. In Limone Piemonte, Italy, there's something unique: a Smart Mountain.

This popular ski destination decided to install high-altitude cameras to fulfill a double requirement: to promote the resort and to ensure the safety of the facilities and skiers.

The system also provides maximum compliance with current legislation on data privacy. In addition to other cameras, around two to three cameras are installed on each of the 17 ski lifts, running continuously during the resort's opening hours.

System operators can view the video in real-time via a dual monitor installed at the base and at the top. A central control room in the center of Limone Piemonte provides access via optical fiber to all the cameras.

**Device Count**

100+ AXIS cameras

**Milestone Technology**

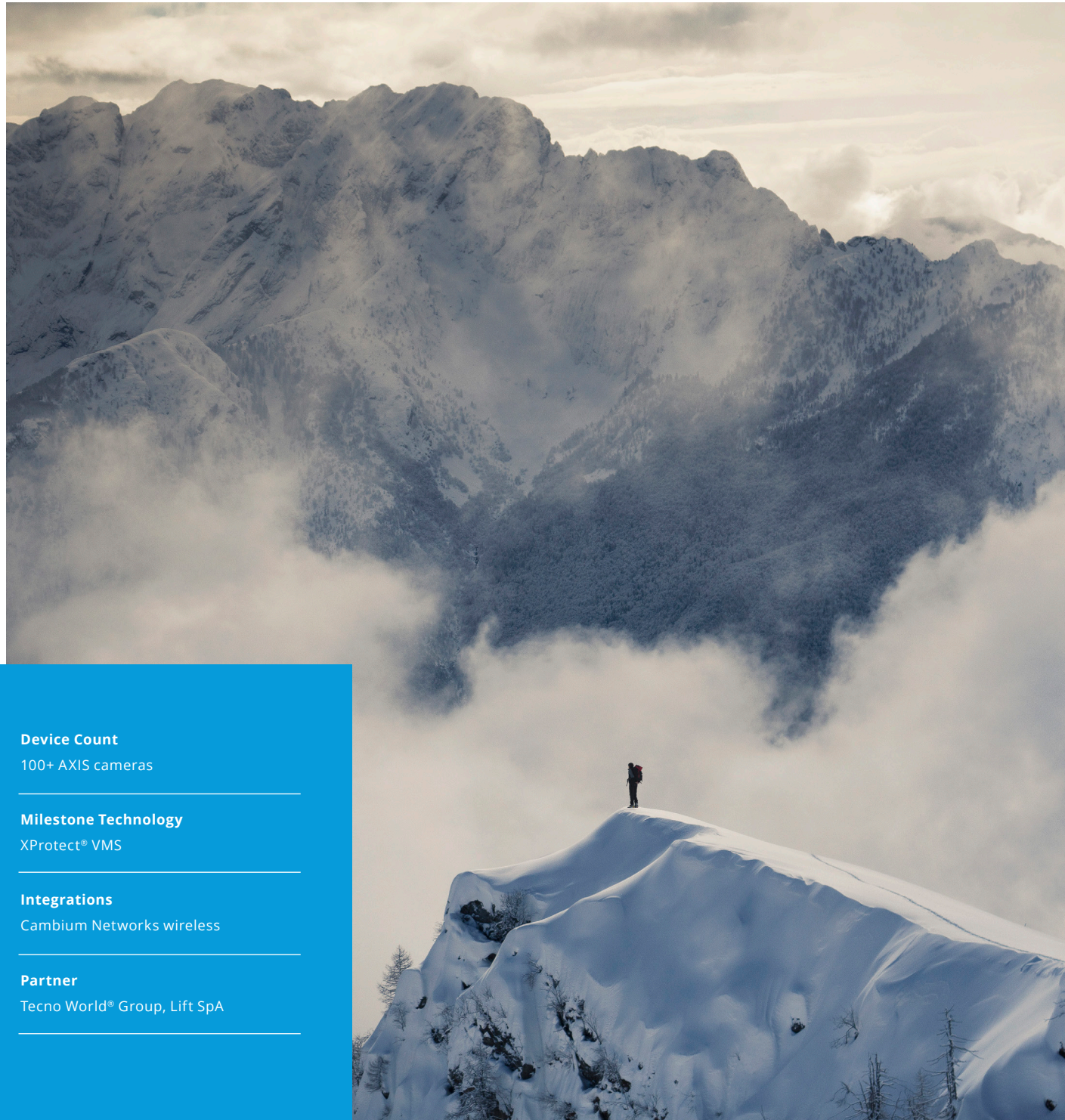
XProtect® VMS

**Integrations**

Cambium Networks wireless

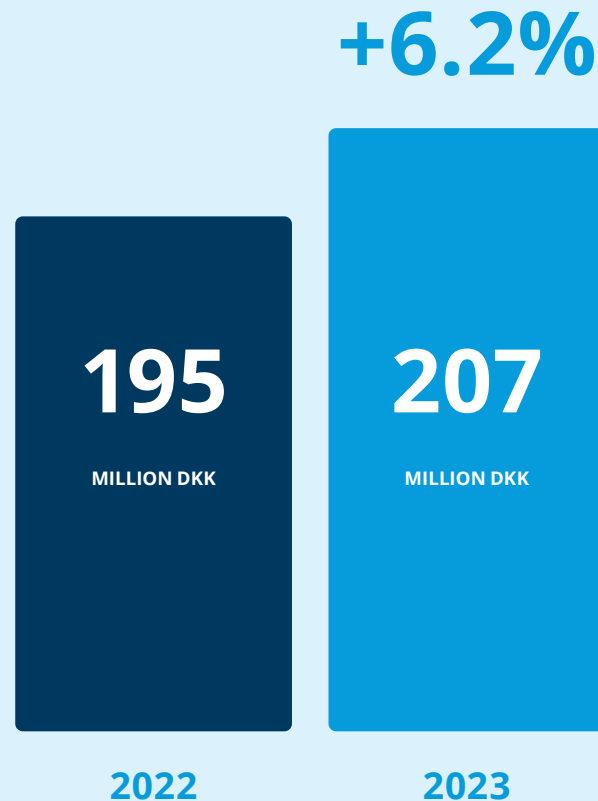
**Partner**

Tecno World® Group, Lift SpA





## Revenue numbers



### REGIONAL UPDATE > APAC

# Significant growth – and happy customers

**COVID-19 loomed longer than expected in the Asia-Pacific (APAC), but the region continued to capitalize on investments in 2023.**

The APAC region delivered significant double-digit growth in India and various subregions. There was sustained high demand from data centers and the retail sector. Notably, the region achieved its highest-ever Net Customer Satisfaction (NSAT) score for technical support in 2023.

Among the year's highlights was the largest Milestone Experience Days event for APAC channel partners in August 2023, with more than 250 partners and customers in attendance.

APAC also organized end-customer focused events in Australia and India highlighting the power of video technology.

#### Challenges

The APAC region encountered challenges during the year, including economic stagnation and a recession in the South Pacific affecting major industries like construction.

Additionally, north Asia faced a slower-than-expected recovery from the COVID-19 pandemic, and government changes in New Zealand created market uncertainty.

#### Outlook

Milestone plans to focus even more in India and aims to open a new experience center in the southern part of the country.

## CUSTOMER STORY &gt; APAC

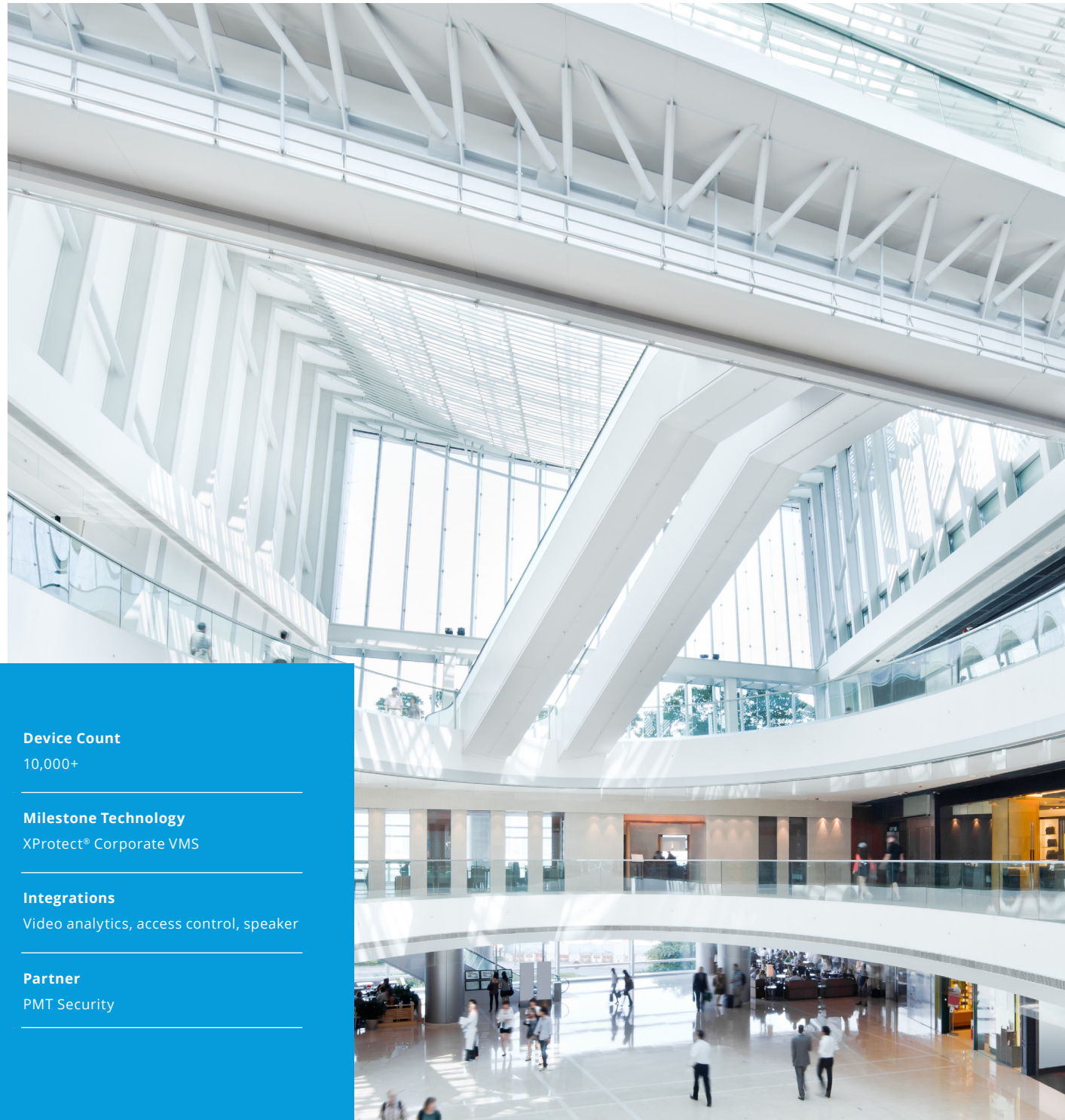
## Shopping centers use video tech to address diverse issues

The Queensland Investment Corporation (QIC) previously relied on security systems at their commercial sites, primarily monitoring shopping centers by observing live feeds from a Control Room and reviewing footage post-incident. However, a shift in mindset occurred following an investigation into a self-harm incident.

Project Safe-Guard employs advanced security solutions utilizing video technology to prevent incidents, ranging from security breaches to addressing other major issues like self-harm.

After extensive monitoring and analysis over several months, Deb Palmer, QIC's National Programs Manager, and her team are confident in the system's effectiveness.

It has successfully prevented numerous security breaches by proactively identifying anomalies in specific areas and allowing staff to intervene promptly, potentially saving lives.

**Device Count**

10,000+

**Milestone Technology**

XProtect® Corporate VMS

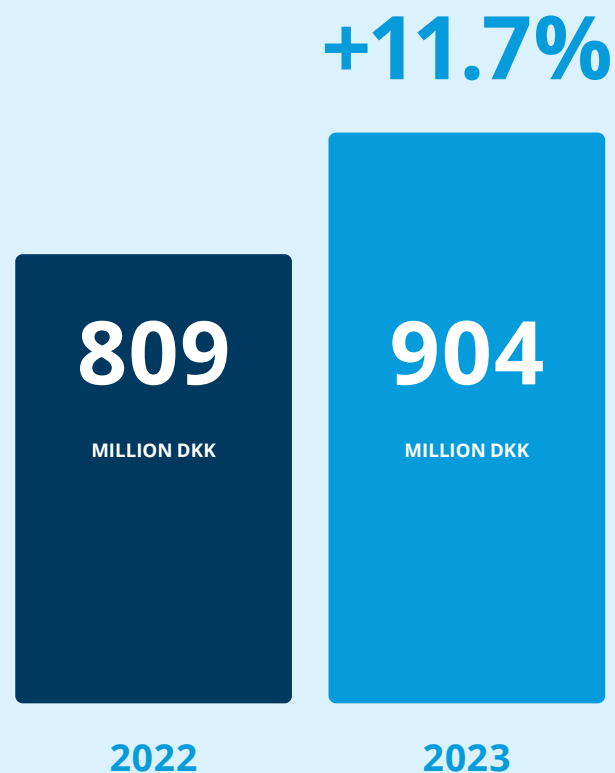
**Integrations**

Video analytics, access control, speaker

**Partner**

PMT Security

## Revenue numbers



### REGIONAL UPDATE > AMERICAS

# A boom year for Latin America

**In the Americas, 2023 was marked by strong growth in Latin America, but economic uncertainty loomed large in the United States.**

Overall, market development in the Americas was steady last year. Investments in Latin America (LATAM) paid off in 2023, with Mexico, Brazil and other areas delivering a strong performance.

Milestone is now considered a significant competitor in LATAM, where presence has increased in recent times, and there is further unrealized growth potential in the area.

#### Economic influence

The United States (US) was more of a mixed bag in 2023. The tail-end of camera supply-chain issues wore off by the year's half-way mark, but economic influences created hesitation in the market during the second half of 2023. Fear of recession, interest rate increases, and a higher cost of money created a slowdown in customers' buying decisions.

Economics also influenced activity in Argentina. Monetary policy was not favorable to the US dollar, leading to a slowdown in business.

The election of a new administration, which pledged to replace the local peso with the US dollar, added to an uncertain trading environment.

#### Existing markets growth

The outlook for 2024 indicates continued growth in LATAM but a higher degree of uncertainty in the US, tempered by the upcoming presidential election.

While political uncertainty may hold back investment decisions, the Americas region expects to capture new business in pockets of existing markets in 2024.



**CUSTOMER STORY > AMERICAS**

## Putting the brakes on hit-and-runs

Between 2009 and 2015, Nassau in the Bahamas experienced a significant increase in criminal activity and hit-and-run incidents.

The city's video surveillance system, installed in 2012, needed expanding to help the Royal Bahamas Police Force (RBPF) more effectively monitor and respond to the upsurge of incidents.

The upgraded video technology now helps the police monitor and address a range of incidents around the city.

This includes monitoring and prevention of potential criminal activity, tracking vehicles involved in hit-and-run incidents, elevating external security for government ministries, and assisting with the enforcement of pandemic-related lockdowns.

**Device Count**

750+ total, 500 from AXIS

**Milestone Technology**

XProtect® Corporate VMS

**Integrations**

License Plate Recognition (LPR), Object/Facial Recognition (BriefCam), SoundThinking™ (formerly ShotSpotter), Rasilient Systems (servers)

**Premier Partner**

Proficient Business Services, Bahamas

# ESG

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ESG framework

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Environment and climate

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People and society

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Integrity and risks





## ESG FRAMEWORK

# Progress on our ESG journey

## Milestone has a strategic focus on environmental, social and governance (ESG) performance.

We continue to implement new measures to strengthen focus on ESG projects and reporting. Our strategic aim is our value of responsibility – going beyond compliance.

To Milestone, ESG means taking responsibility for the way we do business, how our products are developed, sold, and used, and for the way we impact people, society, and the environment. To achieve our ESG ambitions, we are working to implement robust compliance and risk management systems within environmental and social sustainability, recognizing the need to ensure good governance in our global operations.

In 2023, we expanded the ways we assess, monitor, report, and act on ESG topics that could affect our business and stakeholders.

Our reporting continues to be structured around topics related to the relevant environment and climate, people and society, and governance and risk. We rely on Danish guidelines and international sustainability reporting standards to guide our internal discussions and priorities and our external reporting.

Milestone adheres to the Sustainable Development Goals (SDG) as our purpose, our business operations and solutions and our ESG program are all meeting SDG objectives. We need to meet the standards of the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD) and have been working towards this for a while already, well ahead of the deadline for regulatory compliance.

We have already taken steps to follow the standards and will continue in the direction against full implementation over the coming years.

## Materiality is our guide

We prioritize our work on environmental, social and governance (ESG) issues by focusing on the most material areas first. We have adopted the principle of double materiality, whereby we seek to understand the relative importance – materiality – of ESG areas to both Milestone and external stakeholders.

In 2023, we conducted a double-materiality workshop with a cross-functional management team assessing data privacy, trade compliance, human rights, and anti-corruption to be among our most material areas. This assessment draws on both a legal and policy analysis, extensive stakeholder interviews conducted to determine what ‘responsible technology’ means at Milestone, now and in the future, and a human rights impact assessment.

The Executive Leadership Team (ELT) and Senior Leadership Team (SLT) have been involved in assessing the double materiality of ESG matters, discussing the impacts, risks and opportunities related to material social sustainability topics.

Together with the mandatory regulatory topics our assessment of materiality guides our ESG work and reporting.

Building on this work, we also initiated a more extensive double-materiality assessment in line with the incoming European Sustainability Reporting Standards for completion in early 2024.

## Strengthening our focus

Our focus on ESG has been further strengthened in 2023. This ensures our accountability and license to operate, but it also gives us a platform to engage in dialogue with partners, industry organizations and political stakeholders.

As many businesses in 2023, we recognize that we still have some ground to cover. The global climate crisis, increasing stakeholder expectations and geopolitical instability all contribute to the continuous evolution of what it means to be a responsible business. We will continue to develop and expand our ESG program in 2024. New policies will be developed, training programs will be carried out, and in late 2023 we purchased an IT platform to collect, monitor, analyze and report an increasing amount of data within ESG.

**Part of business model**

Our ESG framework is closely linked to our business model. Milestone plays an important role in the supply chain for video management systems, and we are aware that our open and flexible platform make it a complex task to monitor and control where and how our products are used. That is why our policies, stakeholder engagement and due diligence processes play a key role in affecting how video management is carried out around the world.

> **Our business model is described in more detail on page 26.**



## ESG FRAMEWORK

# Supporting SDGs as a business opportunity

**The 17 UN Sustainable Development Goals (SDG) go hand in hand with Milestone's strategic ambition to benefit societies globally. The industries we serve and our solutions are directly linked to specific SDGs.**

Milestone has identified six of the 17 goals as being particularly relevant to our business:



## 3. Good health and well-being

We have a strong focus on the healthcare industry. In 2023, we launched XProtect Hospital Assist to ensure patient and employee safety while protecting assets and property.

This solution focus on healthcare's unique compliance requirements and working environments.



## 4. Quality education

We offer video management solutions to schools, universities, and daycare centers, ensuring a safe and healthy environment that promotes lifelong learning and well-being.



## 9. Industry, innovation, and infrastructure

Video management solutions play an essential role in critical infrastructure and city development. For example, video is used to manage large crowds safely and can be applied to enhance safety efforts in a range of environments.

It can also be used to reduce costs. In addition, Milestone core solutions are widely used in transportation industries.



## 11. Sustainable cities and communities

More and more people live in cities, putting immense pressure on city infrastructure. We offer video technology solutions to create a better urban quality of life.

This supports safer environments, better infrastructure, and cleaner streets and public spaces.

We enable proactive responses to important issues in cities while delivering insights for officials to make long-lasting improvements.



## 16. Peace, justice, and strong institutions

Our products are used by law enforcement and governments globally to ensure peace, safety, and justice. Our technology can be used forensically, as evidence within justice systems and to ensure safety and security in cities.

However, we recognize that data-driven video technology may represent a threat to individual privacy and civil rights if developed, applied, and used in the wrong context.

As a leading software provider, it is Milestone's clear aim to conduct human rights due diligence to avoid infringing negatively on privacy rights and we are continuously inviting lawmakers to a dialogue on increasingly impactful legislation on how technology-derived data can and may be used.



## 17. Partnerships for the goals

Milestone cooperates with stakeholders to protect and continuously earn our social license to operate. We create market-leading technology solutions that meet the evolving societal demands for sustainability, governance, and accountability.

We cooperate with policy makers, industry associations, partners, and customers to find new solutions to shared challenges.



**ESG FRAMEWORK**

# Responsible technology puts people first

**Our focus on responsible technology is a commitment to ensure that our technology is developed, sold, and used responsibly. Five principles guide us, our partners, and customers.**

Milestone focused on the responsible use of our technology for many years. Our commitment to the Copenhagen Letter in 2017, and our policies – on e.g. human rights and data ethics – are examples of this DNA and of our putting people first in all our business operations.

**Program and principles**

However, in 2023, to support our commitment to United Nation's Guiding Principles (UNGP) on Human Rights and Businesses, we have established a formal program on responsible technology with executive leadership involvement to work across functions. We have established five Responsible Technology Principles, which guide the development of our products and services and the choice and character of our engagements across our value chain.

The principles help us identify ethical implications and human rights risks in our work and enable us to adequately address them from the outset.

## Our five Responsible Technology Principles

**1****Accountability**

To ensure that our technology is subject to human control and oversight.

**2****Transparency**

To explain our technologies and provide an understanding of their intended use.

**3****Fairness & Inclusion**

To ensure that our technologies are free of harmful bias.

**4****Privacy**

To respect the privacy rights of people and communities.

**5****Security**

To protect the confidentiality, integrity, and availability of our technologies.







## ESG FRAMEWORK

### We are adopting the principles across Milestone through a process of continuous improvement.

Our systematic focus on responsible technology is our global trademark and a foundational part of our operating model.

To ensure a successful implementation we have defined five focus areas: 1) Governance, 2) Training and Awareness, 3) Sales (Due Diligence), 4) Research & Development and 5) Public Engagement.

Our insights and experiences from these will assist us in identifying how we can implement and continuously evolve the principles.

### Public engagement supporting the agenda

Milestone wants to be a beacon and industry leader on responsible technology. We consistently increase our ambitions and encourage our partners, peers, and the entire technology industry to work in the same direction to create common responsibility standards for technological development and growth.

In essence, we believe that more legislation is needed to secure public trust in technology and responsible development and implementation of modern technology for the greater good of societies.

Therefore, we are engaged in organizations, committees and roundtables that debate and define common ground on responsible technology.

In 2023, we have been involved in The Confederation of Danish Enterprises AI Coalition, we are represented in several policy boards in The Danish ICT Industry Association, we are part of the Danish AI Standardization Committee, and we have a seat at ArticleOne's Business Roundtable on Human Rights and technology.

Also in 2023, we have participated in several events to direct focus on challenges and possibilities in video technology and AI. E.g. we participated in a facial recognition case competition

with law students from the University of Copenhagen arranged by ADD (Algorithms, Data & Democracy), we were at the People's Meeting (Folkemødet) and on the Copenhagen Democracy Summit to discuss AI and human rights, and we participated in a panel debate in Brussels about EU's AI Act that were approved in December 2023. In addition, we provided input, advice and feedback on both the Danish and EU legislative process around AI and technology in general.

### The work ahead

There are plenty of challenges to Milestone and our industry when it comes to development, sale, and use of video technology. When it comes to responsibility the bottom line is: existing regulation does not provide sufficient guidance for addressing ethical challenges related to the use of our technologies. Therefore, we need to evolve our own practices and principles, and we will promote new standards that balances our social responsibility and business objectives.

## Five focus areas

# 1

Governance

# 2

Training and Awareness

# 3

Sales (Due Diligence)

# 4

Research & Development

# 5

Public Engagement



## ESG FRAMEWORK

# Zooming in on Artificial Intelligence (AI)

**At Milestone, we have a special focus on the use of AI in relation to developing and using our products.**

We see a great potential in utilizing AI and we welcome regulation and guidelines to set common standards for the developers and users of AI.

Our program for responsible technology serves as a solid foundation for taking decisions on the use of AI, but we also support and are directly involved in a number of initiatives to guide us in our priorities. We have given our input to EUs new AI Act which e.g. define standards for use of facial recognition technology. Also, we have adopted the G7 Leaders' agreement on the Hiroshima AI Code of Conduct. With this support we "recognize the need to manage risks and to protect individuals, society, and our shared principles including the rule of law and democratic values, keeping humankind at the center. We affirm that meeting those challenges requires shaping an inclusive governance for artificial intelligence".

Our involvement in these initiatives directly affects our research, development, marketing, and sales, and it is affecting the due diligence processes in our supply and value chain.



## ENVIRONMENT AND CLIMATE

# Measuring the carbon footprint

**In 2023, we conducted the first carbon footprint, measuring our global emissions in 2022.**

The carbon footprint calculates our scope 1, 2 and 3 emissions and serves as our baseline for action.

As a global company with operations in 25 countries around the world and partners and sales in many more, our business has a significant environmental impact. In terms of climate impact, we generate a carbon footprint on the planet through our offices as well as through business activities in the value chain.

We recognize that we have a responsibility to measure, monitor and reduce our CO2 emissions to support the Paris Agreement (2015) and limit global warming. Our 2022 measurement of carbon footprint is our first, and it is aligned with the GHG Protocol standard.

As a Canon company, we support the Canon group ambition of achieving net-zero CO2 emissions in the product lifecycle by 2050.

**Targets and reductions in sight**

Milestone is planning to set clear targets for reductions, and we will introduce trackable measures to lower our carbon footprint globally.

In 2022, our business travel emissions were especially influenced by large partner events. As we see a need for fewer industry events in the future, we expect a reduction in our coming measurements.

However, we will also investigate other improvement areas. This could be initiatives related to the way we travel, conduct meetings, and coordinate our work in general.

Also, our use of utilities is a relevant intervention area identified through our initial assessment conducted in 2023 that we plan to consider in the years ahead.

**From local to global**

We realize that we have an important task in ensuring that successful local initiatives to reduce emissions must be consolidated globally to increase the total effect.

E.g. we have taken initiatives in our offices in Copenhagen to reduce use of energy and use 100% renewable energy. In a joint project with the property owner of our office in Copenhagen, solar panels have been installed on the roof of the building. The panels have been used for three years and have performed as expected. The rest of the energy required to power the Copenhagen office comes from offshore wind turbines.

In addition to solar panels, Milestone has also taken other energy saving measures such as changing light fixtures to LED and installing sensors on lighting.

The largest potential impact on energy savings relates to our sourcing and value chain. Smart technology design can minimize adverse effects on the environment.

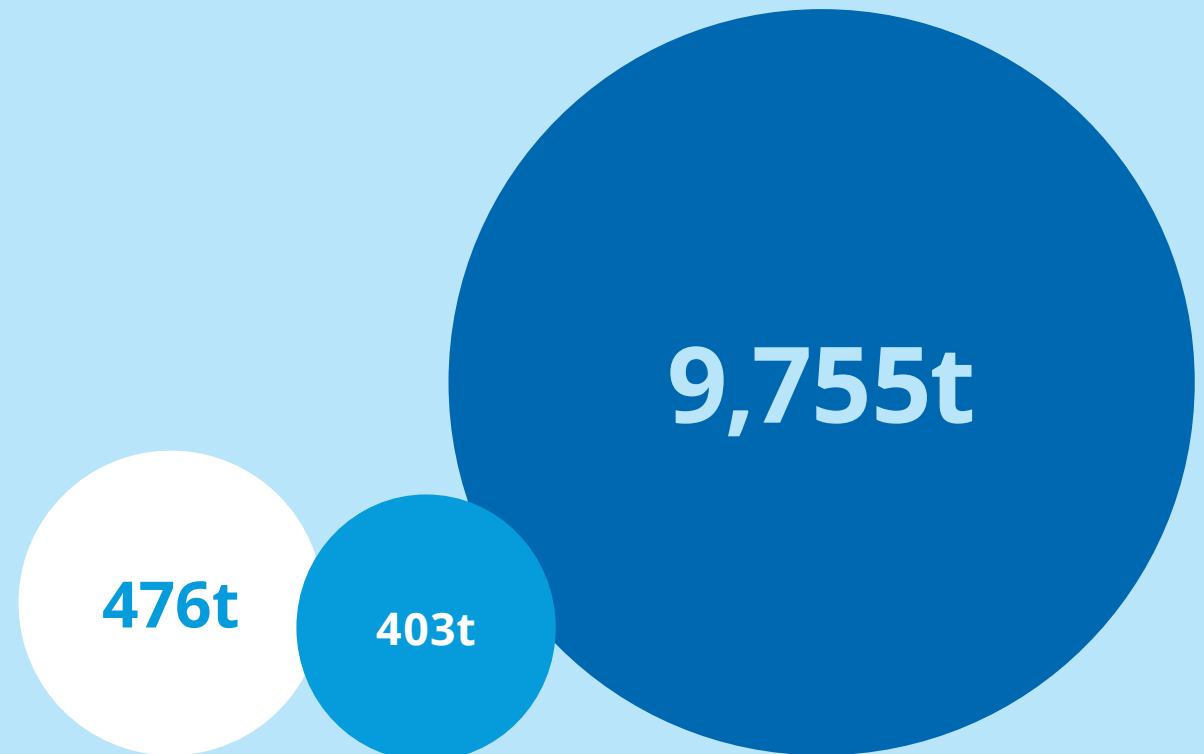
In 2023, we have continued to work to reduce the energy consumption of our products. Where relevant, we also include environmental protection in our contracts with partners.

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 tariffs.



## Base year footprint

The total tons CO2 emitted were 10,634 in 2022. This equals 8.66t CO2e per employee which is higher than the average footprint of an employee in a tech company.



### ● Scope 1 emissions

Scope 1 emissions (direct emission from fuel combustion in own buildings and vehicles) were **476t CO2e in 2022.**

### ● Scope 2 emissions

Scope 2 emissions (emissions from electricity and heating use in control of the company) were **403t CO2e in 2022.**

### ● Scope 3 emissions

Scope 3 emissions (emissions from our suppliers, the usage of our product and other parts of the value chain) were **9,755t CO2e in 2022.**

By far, our largest share of emissions come from business travel. This takes up 46% of all emissions, equaling 4,841.9 tons of CO2 emissions. The main, single source of emissions within business travel is flights.

## PEOPLE AND SOCIETY

# Upscaling our workplace of the future

## Milestone takes a systematic approach to developing our people and culture.

In 2023, we improved our operations and implemented new measures to streamline how we develop talent, leadership, and engagement.

Milestone has been growing rapidly the last couple of years and we have welcomed many new colleagues to our offices. We have close to 1,300 employees worldwide, and more than 70 nationalities represented in our workforce working from 25 countries around the world.

Our growth trajectory and current size present both challenges and opportunities. We need to transform our organization, revitalize our culture and align our operations around the world with our corporate strategy. In 2023, our focus has been on systematizing and professionalizing existing initiatives as well as implementing projects that support these initiatives.

These are some examples of our initiatives:

## Culture revitalization

This project was initiated in 2022 and in 2023 we have implemented new measures to support the transformation process.

The objective of the project is to safeguard our People First organization and to adapt our workplace culture as we scale. We have strong values and a solid DNA, but as the world around us is changing, we also need to adapt our ways of working, internally and with our external stakeholders in a meaningful way.

To do so, in 2023, we have engaged our people to develop a new Behavior Model with five values defining the Milestone way of acting and relating to internal and external stakeholders. Four values - growth, empathy, passion, and empowerment - are retained values, but one new value - responsibility - has been added to cement our approach to technology and business development.

## Individual Development Plans

Once a year, managers and employees at Milestone are encouraged to summarize development conversations into Individual Development Plans (IDPs). The objective of these plans is to define what motivates and drives each individual and to discuss development opportunities that would be relevant to pursue.

The IDPs is also a tool to align individual goals with goals for our teams and departments and to secure that they support the goals of our corporate strategy. It makes us able to plan efforts for retention, job rotation, coaching, training, and learning initiatives, and it ensures that development conversations between employees and managers become an approachable and frequent event.

## Reviewing talent, organization, and salaries

The IDPs also assists us in the yearly talent review at Milestone. This assessment identifies the employees who might be able to develop skills that would help us achieve our goals in the future. With this review we get a structured approach to talent development and managers are better equipped to support their employees in driving their career development. The talent review allows us look at how we can take advantage of the talent and opportunities that already exist in our organization.

The organization and salary reviews take place once a year. In this case we evaluate whether we are organized in the most effective way to tackle future business opportunities and whether our salaries are competitive in relation to industry benchmarks.





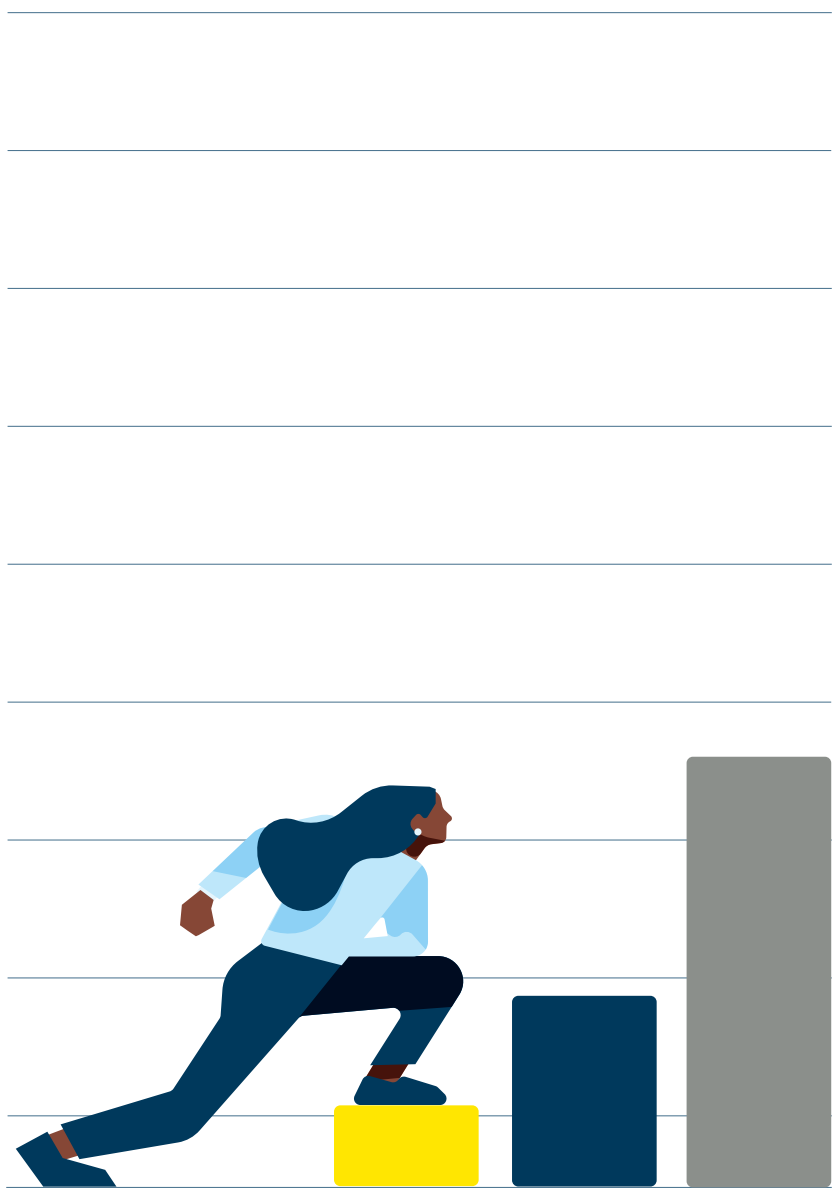
## Learning the Bulgarian way

**In 2023, we expanded our office in Sofia to be ready for growth and we used the opportunity to introduce some new ways of working.**

We have launched hybrid and flexible working spaces in which you must book your working station for the days you are present at the office, and we have established a learning platform to enhance training and education in specific areas of our business.

Both initiatives will be evaluated and improved along the way, and if the benefits are clear, we will expand the initiatives to other parts of Milestone.





## PEOPLE AND SOCIETY

# Working conditions in numbers

**To make sure we are aware of employees' well-being and opinions about their working environment and conditions, we carry out measurements.**

Milestone has defined non-financial figures that we report consistently year after year, both internally and externally. These are shown on page 59.

This year, we have improved our method for measuring employee satisfaction. We have developed Milestone Voice which gives us an up-to-date temperature check on our working environment and culture.

### **eNPS and engagement score**

Our measurement of employee net promoter score (eNPS) is carried out more frequently and is communicated quarterly to all employees.

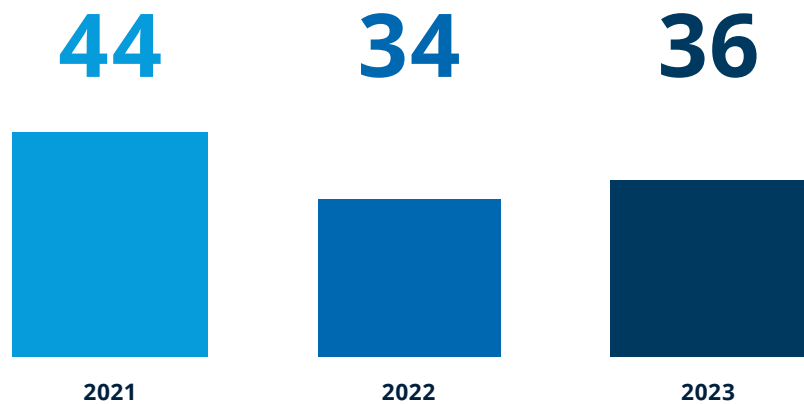
The eNPS is a metric used to measure employee engagement and loyalty towards a business.

The score ranges from -100 to +100. Together with the engagement score (measured from 1 to 10) it gives us a valuable indicator of the temperature of our company.

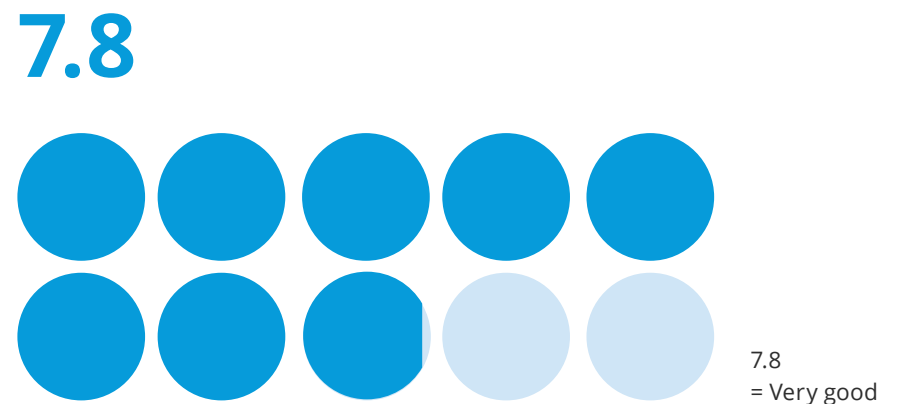
In 2023, our employees gave Milestone an eNPS of 36 (34 in 2022) and an engagement score of 7.8 (7.9 in 2022). Both measurements have been done in November 2023, but are close to the average results of measurements carried out through the year. We consider this to be a satisfactory result.

Milestone's eNPS is higher than the benchmark of 26 and the engagement score is matching the benchmark of 7.8. However, our ambitions go further, and we strive to increase these numbers by the measures we have initiated related to workplace and culture.

EMPLOYEE NET PROMOTER SCORE



ENGAGEMENT SCORE

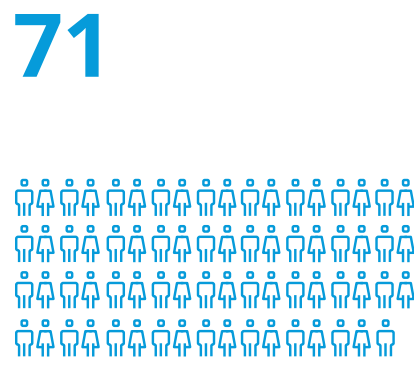


LOCATIONS



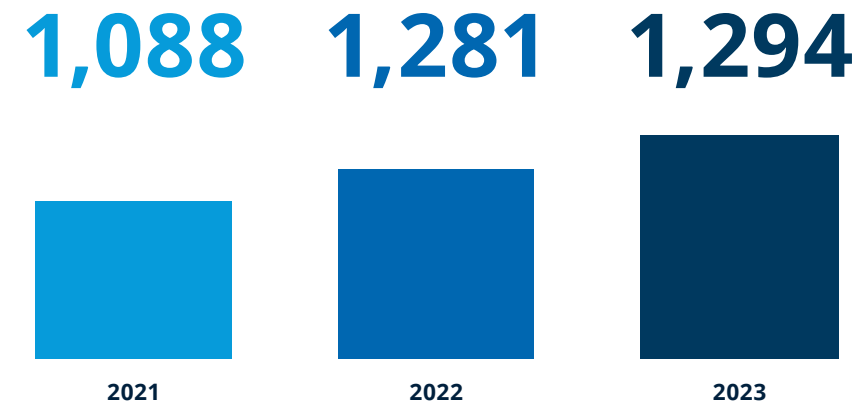
Milestone is present all over the world

NATIONALITIES



Represented in Milestone offices globally. 49 nationalities are represented at our HQ in Denmark.

EMPLOYEE GROWTH



Number of employees at year-end

## PEOPLE AND SOCIETY

# Diversity and inclusion are part of our culture

Milestone has a diverse workforce with different nationalities, skills, cultural and socio-economic backgrounds, genders, and heritage. This is a foundational asset that enhances our innovation and effectiveness.

Diversity and inclusion are essential elements in building a workplace of the future. In line with international ESG reporting standards, we believe diversity and inclusion is a key differentiator, especially for companies in our industry. We believe, different people with different backgrounds bring different ideas and perspectives to the table. This is supported by data. And generates both innovation and growth. Diverse teams improve processes and products in ways that a homogenous team cannot. Diversity benefits both societies, communities, and individuals, as well as the financial bottom line.

In Milestone, we have a focus on gender distribution in our management levels. But in our initiative for diversity and inclusion we also have a focus on age, nationality, background, culture, values, and competencies. Having a diverse and inclusive workforce make us learn from each other and make it easy to communicate and respect different approaches to solve challenges and create solutions.

Diversity starts in recruitment. When reviewing talent and leadership, we always look for a diverse mix of skills, backgrounds, genders, and cultures. We hope to take more steps to formalize this process, make it trackable and show further and continuous improvement in the next reporting cycles. We also know that recruitment and talent reviews can include unconscious bias.

This is also reflected in our Responsible Technology Principles, where the principle of Fairness and Inclusion guides not just how we develop our product, but also how we sell them and expect them to be used. Of course, we also work to see this principle reflected internally, within our own business.

## Gender diversity in management

*Statement on the gender composition in management, cf. section 99 b of the Danish Financial Statements Act*

Gender diversity is a dedicated focus area when it comes to management, and we now have targets and policies to cover our position.

By 2026, we aim to have at least one female candidate for election as a shareholder-elected member in our Board of Directors. By the end of 2023, the four shareholder-elected members were all males.

The composition of the Board of Directors is reviewed on an annual basis. The Board consists of six members, including two employee-elected members. Since 2021, an employee-elected woman has been a member of the board.

In 2023, we have continued searching for members of the underrepresented gender which are also fulfilling our requirements for competencies, experience, industry background, and other diversity factors such as educational, cultural and national background.

In 2023, we have established a policy for the underrepresented gender at other management levels.

The target figure applicable to both the Executive Leadership Team (ELT) and the Senior Leadership Team (SLT) is a gender composition of 35 % women / 65 % men no later than 2025.

However, the intention of the policy is to over time achieve an equal share of men and women in these management levels.

In 2023, our other management levels (ELT and SLT) consisted of 37% women / 63% men. This is above our current target of 35% women.

#### Measures for improvement

We have undertaken several measures to increase the share of underrepresented gender and to promote diversity and inclusion in general.

We have developed a career framework that help us to identify high-potential employees. We believe that we have organized Milestone in a way that is inclusive to both executives, managers, and employees. We have promoted equal options and employment opportunities, and we have established procedures for non-biased recruitment. These include reviewing tone-of-voice in our job postings, and we always challenge decisions made on stereotypes and learned attitudes to be sure to maintain a culture based on diversity and inclusion. These are just a few elements implemented to reach our targets.

Also in 2023, we have implemented our employer branding concept all around the world. The concept celebrates our employees' individual qualities, the diversity of our workforce, and the fact that a job at Milestone holds much more than a function and a title.

## Percent of underrepresented gender (women) at management level

	2020	2021	2022	2023
<b>Board of Directors</b>				
Total number of members (AGM elected)	4	4	4	4
Underrep. gender in %	0	0	0	0
Target in %	25	25	25	25
Year for achieving target	2024	2024	2026	2026
<b>Other management level*</b>				
Total number of members	16	21	30	27
Underrep. gender in %	33	33	33	37
Target in %	-	-	-	35
Year for achieving target	-	-	-	2025

\* From 2020 to 2022 the percentage covers the Senior Leadership Team. In 2023, it covers both the Executive Leadership Team and the Senior Leadership Team.







## PEOPLE AND SOCIETY

# Human rights go beyond compliance

**Milestone has a systematic approach to protecting human rights.**

Human rights due diligence is a key element in our focus and program for responsible technology, and it is closely linked to our compliance and risk management. Based on a thorough human rights impact assessment, the right to privacy and to non-discrimination have been identified as the most salient to our business.

Also, our strategic intent is clear. We want to become a global leader in how data-driven video technology is developed, sold, and used responsibly.

Our technology has a great potential for improving the well-being of citizens and societies.

But to fulfill this potential, we need to actively manage, mitigate, and reduce any risk and harm of our technology within our sphere of influence.

**Our policy and commitments**

Our policy sets out our commitment to respect human rights, in line with the United Nations Guiding Principles for Business and Human Rights. Our commitment and process include reference to all internationally recognized human rights, and seeks full alignment with the OECD Guidelines for Multinational Enterprises.

The practical implementation of our business commitment to respect human rights will be directed by the standards, process and reporting requirements set out in these guides.

In addition, we have defined five principles that guide our internal and external focus.

The principles commit Milestone to avoid causing or contributing to adverse human rights impacts through our own activities, to seek to address and remedy such impacts when they occur and to extent possible to identify, prevent and mitigate human rights violations and negative impacts on rights-holders directly linked to Milestone's operations, products, or services by our business relationships.

We also commit to implementing adequate and proportionate human rights due diligence in order to be able to know and show Milestone's human rights impacts across all markets in which we operate, and we will account for, and communicate internally and externally about our

commitment, process, the human rights impact of our business and steps we have taken to ensure adequate remedy.

**Internal and external engagement**

The principles articulated in the human rights policy define the process to include external stakeholders and business relations in human rights standards. Also, to make clear our position on human rights, we have sharpened the description of responsible use of our technology in our license agreements.

The human rights policy is solidly founded in our top management layers. It has been approved by top management and our Senior Leadership Team has discussed the potential human rights impacts.

## INTEGRITY AND RISKS

# Ethical principles are at the core of responsible technology

## As a global Danish company, we must live up to Danish and international regulations and directives.

With colleagues in 25 countries all over the world, we also encounter local regulations, customs and cultures that need to be considered when we do business.

At Milestone, we strive to move beyond legal compliance. Through determining principles and policies for sustainable corporate behavior we promote values and standards internally and externally that will ensure our position in the tech industry.

Our focus on business ethical practices includes:

### Data ethics

In 2021 we launched our first data ethics policy and in 2023 our policy has been updated to align with our principles for responsible technology.

The purpose of the data ethics policy is to formally state Milestone's data ethics principles and describe 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.

As part of our policy, we have established five principles that defines our commitments. In brief, these are 1) accountability, 2) transparency, 3) fairness and inclusion, 4) privacy and 5) security.

These principles describe our conduct and scope of ambition for the future.

### Privacy and GDPR

We have identified the right privacy as among the most salient rights for our business, alongside non-discrimination. As a tech company, we access, rely on, and build from data. That is critical in many parts of our business, and we wish to do so responsibly.

Delivering on our policy commitments as they relate to data ethics, human rights, and Responsible Technology Principles, we have updated our privacy policy. The privacy policy describes the external personal data we collect and process. We process personal data in order to conduct our business, research, develop, sell, and deliver of our products and services.

We have had no substantiated complaints concerning breaches of customer privacy or losses of customer data in 2023.

### Anti-corruption

We will continue to build our anti-corruption efforts around data-driven responses from global colleagues to ensure that our programs are risk-based and relevant across our growing business.

### Whistleblower scheme

Milestone has a global whistleblower scheme that makes it easy for internal and external stakeholders to report issues and incidents of actual or suspected

misconduct which might constitute a breach of the law or internal procedures. These issues can be related to bribery and corruption, competition law, fraud, financial crime, food safety and quality issues, harassment and discrimination, international trade controls, protection of personal data, rights and protection of individuals, serious environmental damage, or conflict of interest.

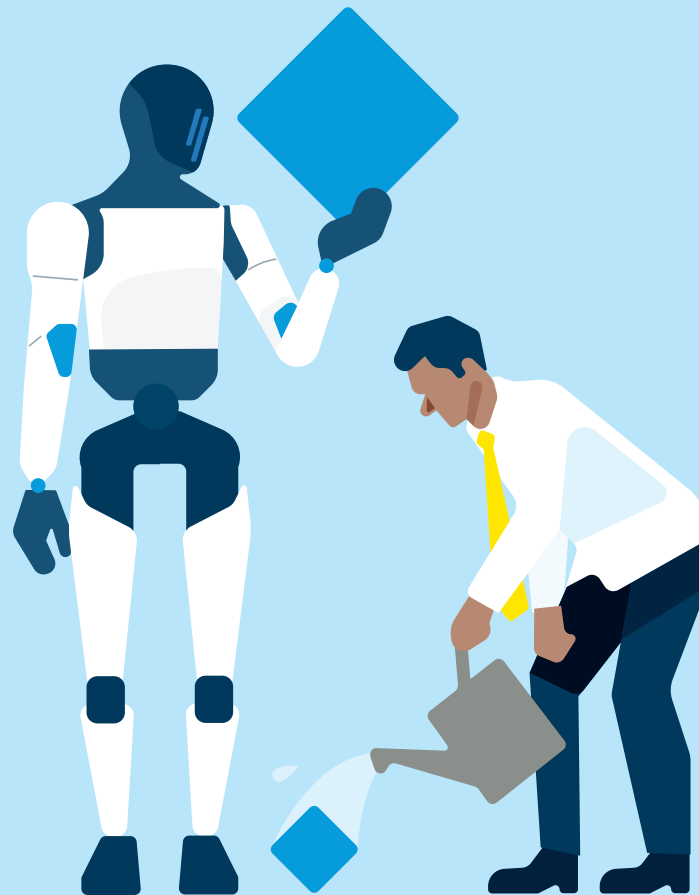
A key element that ensures the effectiveness of this setup is the preservation of anonymity, allowing stakeholders to come forward without fear of reprisals.

New employees are introduced to the whistleblower scheme as part of the onboarding process, but other employees are also made aware of the scheme through internal channels and in training and education focusing on responsibility and ethics.

## Tax

It is deeply rooted in our culture and business model to act as a responsible partner to society. This includes contributing to better social welfare in the societies where we do business.

At Milestone, we have a transparent tax disclosure practice, which clearly states that we disassociate ourselves from the use of tax havens and other methods of tax evasion. As a company, we pay taxes properly in accordance with the letter and the spirit of tax-related laws and ordinances without employing tax planning for tax avoidance purposes.



## Looking forward

**In the years ahead, we will focus on our continued work on responsible technology and human rights, which have been identified as among the most material ESG areas to Milestone and our stakeholders.**

A special focus will be on the development and governance of AI-related activities and products.

This includes internal processes of determining policies and principles, onboarding, developing toolkits and completing training and education. It includes external processes of defining criteria, conducting assessments and due diligence, and creating a dialogue with stakeholders about the impact of our technology and operations.

We will continue to define the framework, topics, and indicators so we can improve our reporting over the coming years. Our aim is to present a consistent, comparable, and transparent framework.



## INTEGRITY AND RISKS

# Good governance and responsibility go hand in hand

## **Governance and management systems are key in addressing challenges and opportunities as a global technology company.**

At Milestone, we approach governance and risk management with the objective of creating value for people, businesses, and societies, while minimizing the risk of causing or contributing to harm. We are a global company, experiencing growth all over the world, and we want to implement our responsible standards and actions throughout our value chain.

This calls for strong frameworks and processes, consistent implementation, and clear values. It all starts in our own organization.

### **The Board of Directors**

Milestone is a Danish company governed by a Board of Directors in collaboration with a team of Executive Directors. Our board has four shareholder-elected members and two employee-elected representatives.

Milestone's overall objectives and policies are mandated by our Board of Directors. The board approves targets and strategies and ensures that the appropriate structures are in place to ensure good corporate governance.

Topics and policies are presented at board meetings. The Board of Directors discusses and approves our strategy outlook, budget, financial results, and annual reports. In addition, it reviews policies, accounting procedures, internal controls, information technology, ESG, treasury, and risk management.

The Board of Directors also makes a yearly self-assessment of its own performance. The assessment 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 role of 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 (to be hired), 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.

## **Anchoring the strategy**

To convey its strategy and objectives to Milestone employees, the ELT has a keen focus on communication and visibility through regular presentations in the organization.

In 2021, we adjusted our strategy to create the Milestone Strategy 2021-26. The adjusted strategy defines our approach to customers, how we cooperate with partners, and our focus on culture and technological innovation. It serves as an important foundation for our leaders to explain our company ambition to their teams.

Due to changing market conditions and new technological opportunities, the strategy has also been exposed to adaptations in 2023. These have also been anchored in new measures executed at our offices worldwide.

### Strengthening organization and competencies

Responsibility and ESG is at the core of Milestone's business model and strategy. It is embedded in the way we do business, in our relations to partners and end-customers, and in the way we market our products and services. In the same way, we are allocating increasing resources to compliance, risk management and partnering with NGOs and industry organizations.

Already in 2021, we established a Corporate Affairs function a part of Communications Department, and in 2022, we hired an internal, full-time ESG resource to our department for Legal, Compliance and Risk Management. In 2023, both departments have been upscaling to match the increasing compliance and our ambitions on areas such as human rights, data ethics, security, anti-corruption, emissions reduction, and responsible technology.

### Policy making

We are a global company with offices all over the world and many relations to both technology partners, distributors, and end-customers in our supply chain. Therefore, it is vital that we regulate conduct through international and national laws and standards as well as several Milestone policies and principles.

# 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

## Q3

Approval of budget for the coming year

## Q4

Budget status and business plan

## INTEGRITY AND RISKS

# Risk management is central to driving sustainable growth

**Milestone is assessing and managing risks as an important tool in delivering on our strategy.**

Executing our business strategy and achieving sustainable growth requires a shared understanding of governance and risk management, and our management has a strong focus on ensuring risk management is an integral part of decision-making processes in Milestone.

**Risk management system**

Risk assessment is an ongoing process at Milestone conducted at all levels of management and key personnel.

We are continuously monitoring changes in business conditions, objectives, and compliance requirements to assess the impact on exposures, emerging risks, and current plans.

We are updating our risk reports on a quarterly basis, and our risks and control function involves the senior leadership team and subject matter experts as risk owners in a pervasive risk assessment process annually.

Our risk management system is part of planning and decision-making to improve the performance of business plans and choosing the best alternatives and controls. Our approach to risk management is set out in our Enterprise Risk Management Policy.

**Reporting on risks**

Milestone is following the same framework for internal reporting on risks as Canon.

Therefore, we are defining our risks within three categories:

1. Compliance risks, related to internal and external obligations.
2. Financial reporting risks related to accounting fraud and error.
3. Business risks related to operations usually in software development, cyber security, and sales performance.

In our risk assessment we have identified five enterprise risks that are primarily business and compliance risks.

These risks are communicated to our leadership team and they are all on the agenda for the Board of Directors for action plans to be discussed and revised.



## 1. Cyber risks

We are exposed to cyber risks that may compromise products, services, data, and supporting systems. These risks can be caused by hackers, employees, or contractors with malicious intent.

Misconfiguration of systems and services, vulnerabilities in managing user identities the potential consequences of such risks include loss of customer trust and future revenue, partial or complete outages of business systems and IT services, and financial losses due to downtime, remediation costs, and compensations.



## 2. Regionalized markets

We are exposed to risks that may arise due to political changes in large countries or regions. Such changes can impact trade agreements and business operations, leading to limitations on the types of solutions or the inclusion of local software components that can add complexity and cost to development and marketing efforts.

Trade disputes and geopolitical tensions, new requirements for product localization certifications, and failure to adapt the sales strategy to the specific needs of local and new markets are some of the factors that can contribute to this risk. The potential consequences of such risks include loss of opportunities to sell or offer solutions and regulatory costs.



## 3. AI governance

We are affected by risks that may arise due to requirements aimed at regulating software using artificial intelligence models.

Uncertainty on the technological and compliance implications, as well as media attention on flaws in AI-based applications, are some of the factors that can contribute to this risk.

New regulatory requirements and standards are being created, which may affect the offering of some AI solutions in segments and business cases. The potential consequences of such risks include loss of opportunities to develop advanced and predictive solutions in computer vision and analytics, as well as conformity assessment and regulatory costs.



## 4. Market disruption

The video management market may be disrupted by the entry of new players offering business-to-business solutions. This risk can be caused by the entrance of new competitors to the market.

In addition, the market offering advanced technologies and solutions for smart cameras, IoT sensors, analytics, and big data is developing rapidly.

The potential consequences of this risk include loss of margins, growth, and business opportunities, as well as the commoditization of video management solutions.



## 5. Third-party dependency

The risk of a few technology partners becoming exclusive for a competitor could lead to revenue losses, delays in installations, and commercial issues with vendors and distributors.

This risk may be caused by tight market conditions and supply shortages, which could require a technology partner to prioritize a particular segment of customers and solutions.

The consequences of this risk include logistic issues, losses of revenue, growth, and business opportunities, as well as limitations in the solution.





### Mitigating risks

We mitigate risk by determining and applying appropriate risk responses and actions. Identified risks are assessed for their relative importance in terms of impact drivers and the likelihood that an impact occurs.

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 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.

As part of being compliant with Danish law and European reporting standards, we are also complementing our external reporting with an assessment on risks related specifically to our financial statement and to our ESG impact.

### Financial risks

Milestone is exposed to financial risks, and these risks cannot be eliminated entirely.

However, we actively manage potential risks in a transparent and disclosed way.

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

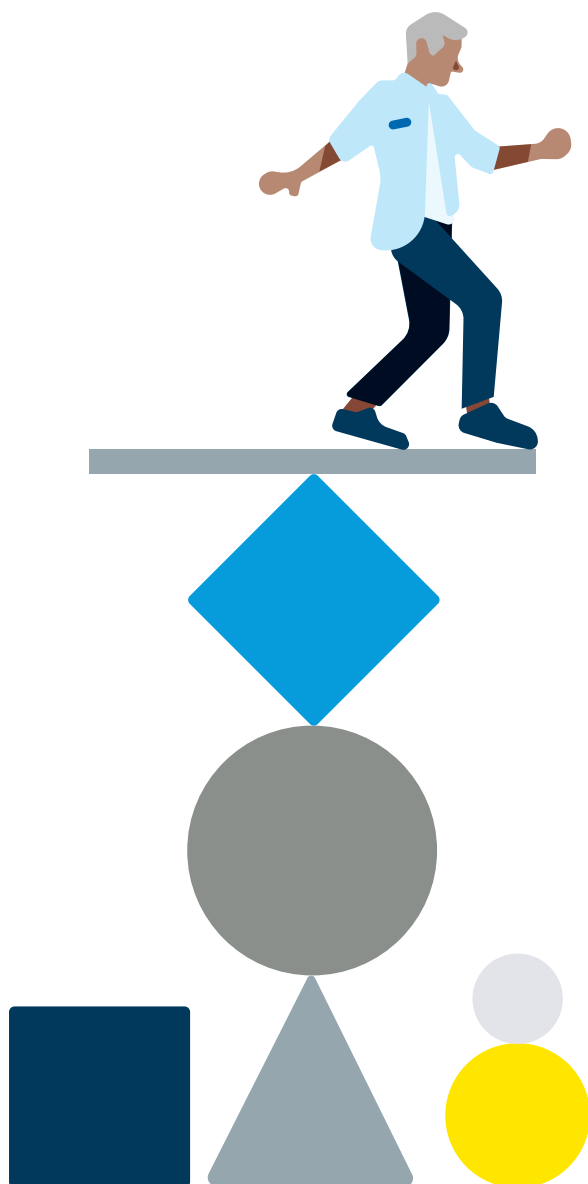
Currency risk is the main risk factor. Milestone has currency exposure resulting from reporting in Danish kroner (DKK) while generating most revenue in euros (EUR) and U.S. dollars (USD).

Transactions denominated 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. The closer a forecast period is, the larger the portion of the forecast amount is hedged.



## ESG risks

**Our product, industry and global value chain and activities exposes us to risks and uncertainties related to meeting our corporate social responsibility.**

We have assessed our most material ESG risks relating to energy and water usage in our wider value and supply chains, especially presented through data storage and hardware sales (E), potentially adverse human rights impacts related to the misuse of our products (S), and the global governance of our trade compliance and data privacy programs (G).

Anti-bribery and corruption (ABC) present a risk when conducting business globally, with a channel sales and distribution model. Recognizing this risk, Milestone seeks to mitigate ABC risks through the ongoing implementation of our code of conduct, anchored in our values. Our business plan for 2024 includes an ambition to strengthen our approach to ABC risks even further.

We have not detected any direct risks related to internal social relations and the well-being of our employees.

However, we have implemented a number of initiatives and programs to secure high employer satisfaction and empowered colleagues. Also see page 56.

In our attempt to understand, document and mitigate these and several other ESG risks characteristic of our industry, we rely on data, the establishment of structured ESG compliance programs, and a holistic value-chain driven approach to problem-solving. We are now working to build and implement the relevant frameworks, processes, monitoring, and reporting systems across these issues – work that will continue into the coming reporting cycles.

As we are growing fast and expanding internationally, we seek to minimize the risk of adverse impacts on human rights and the environment caused by our business operations or relationships. We seek to recognize the interconnections between environmental, social and governance risks in our compliance and risk mitigation efforts, and to provide remedies for any potential adverse impacts.

**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 2023 has been prepared in accordance with the provisions of the Danish Financial Statements Act. The Annual Report is presented in accordance with the reporting provisions for large Class C enterprises.

The accounting policies are unchanged compared to the previous year.

## Reporting currency

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

## Consolidated financial statement

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

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

## Recognition and measurement

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

Assets are recognized in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the 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 Parent 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 Group 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

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

### Financial income and expenses

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

## BALANCE SHEET

### Development projects

Costs for development projects include salaries, depreciation and other expenses that are directly or indirectly attributable to the 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 assets value are recognized at DKK 0.

Any legal or constructive obligation of the Parent Company to recover the negative balance is recognized as provisions.

Other investments are measured at cost less write downs.

### **Impairment of fixed assets**

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

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

### **Contract assets**

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

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

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

### **Receivables**

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

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

### **Prepayments**

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

## 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 realization in full or in part of the net investment, the foreign exchange adjustments are recognized 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 recognized 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 "Financial highlights" have been calculated as follows:

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



## Income Statement

	Note	CONSOLIDATED DKK'000		PARENT COMPANY DKK'000	
		2023	2022	2023	2022
<b>Net revenue</b>	1	<b>1,687,851</b>	<b>1,488,148</b>	<b>1,682,512</b>	<b>1,481,816</b>
Cost of sales		-158,457	-165,350	-156,693	-164,007
<b>Gross margin</b>		<b>1,529,394</b>	<b>1,322,798</b>	<b>1,525,819</b>	<b>1,317,809</b>
Research and development costs	3, 4	-355,846	-355,472	-367,301	-357,560
Distribution and sales costs	3, 4	-915,229	-871,347	-955,887	-920,084
Administrative costs	2, 3, 4	-153,414	-117,322	-130,238	-95,961
<b>Operating income (EBIT)</b>		<b>104,905</b>	<b>-21,343</b>	<b>72,393</b>	<b>-55,796</b>
Result from investments in subsidiaries		0	0	20,006	17,926
Interest and other financial income	5	28,578	37,584	29,514	43,765
Interest and other financial expenses	6	-23,578	-5,198	-23,195	-2,782
<b>Profit before corporate tax</b>		<b>109,905</b>	<b>11,043</b>	<b>98,718</b>	<b>3,113</b>
Corporate tax	7	-33,313	-1,810	-22,126	6,120
<b>Net income</b>		<b>76,592</b>	<b>9,233</b>	<b>76,592</b>	<b>9,233</b>
<b>NET INCOME ATTRIBUTABLE TO:</b>					
Owners of Milestone Systems A/S		76,592	9,233	76,592	9,233
<b>Net income</b>		<b>76,592</b>	<b>9,233</b>	<b>76,592</b>	<b>9,233</b>

## Balance sheet

		CONSOLIDATED DKK'000		PARENT COMPANY DKK'000	
	Note	2023	2022	2023	2022
Completed development projects		218,206	215,524	224,741	214,174
Development projects in progress		44,299	25,653	46,008	33,943
Other intangible assets		40,927	37,595	40,856	37,019
<b>Intangible fixed assets</b>	8	<b>303,432</b>	<b>278,772</b>	<b>311,605</b>	<b>285,136</b>
Land and buildings		146,145	120,364	54,395	53,284
Other fixtures and fittings, tools and equipment		80,946	74,905	52,903	47,979
<b>Tangible fixed assets</b>	9	<b>227,091</b>	<b>195,269</b>	<b>107,298</b>	<b>101,263</b>
Investments in subsidiaries	10	0	0	87,092	75,003
Other investments	11	54,847	54,847	54,847	54,847
Contract assets		1,294	1,548	1,294	1,548
Deposits		10,514	10,082	5,102	5,190
<b>Financial fixed assets</b>		<b>66,655</b>	<b>66,477</b>	<b>148,335</b>	<b>136,588</b>
<b>Fixed assets</b>		<b>597,178</b>	<b>540,518</b>	<b>567,238</b>	<b>522,987</b>
Trade receivables		471,626	432,824	471,195	432,308
Receivables from Group enterprises		630,078	613,610	640,187	627,553
Other receivables		25,513	19,131	19,618	12,312
Prepaid company tax		26,036	24,200	15,583	15,438
Deferred tax	12	8,855	7,149	0	0
Prepayments	13	26,464	26,349	19,876	18,776
<b>Receivables</b>		<b>1,188,572</b>	<b>1,123,263</b>	<b>1,166,459</b>	<b>1,106,387</b>
<b>Cash at bank and in hand</b>		<b>292,377</b>	<b>193,889</b>	<b>236,899</b>	<b>135,182</b>
<b>Current assets</b>		<b>1,480,949</b>	<b>1,317,152</b>	<b>1,403,358</b>	<b>1,241,569</b>
<b>Assets</b>		<b>2,078,127</b>	<b>1,857,670</b>	<b>1,970,596</b>	<b>1,764,556</b>

## Balance sheet

	Note	CONSOLIDATED DKK'000		PARENT COMPANY DKK'000	
		2023	2022	2023	2022
<b>Equity</b>					
Share capital		693	693	693	693
Reserve for net revaluation under the equity method		0	0	67,966	56,432
Reserve for development projects		0	0	211,185	193,531
Foreign exchange reserve		-2,095	-1,079	0	0
Hedging reserve		7,525	-14,011	7,525	-14,011
Retained earnings		890,238	813,646	608,992	562,604
Capital and reserves attributable to owners of Milestone Systems A/S		896,361	799,249	896,361	799,249
<b>Total equity</b>		<b>896,361</b>	<b>799,249</b>	<b>896,361</b>	<b>799,249</b>
Deferred tax	12	20,783	13,396	20,688	13,244
<b>Provisions</b>		<b>20,783</b>	<b>13,396</b>	<b>20,688</b>	<b>13,244</b>
Deferred income	14	313,524	267,605	313,524	267,605
Lease liability	15	129,224	103,121	47,559	46,030
<b>Non-current liabilities</b>		<b>442,748</b>	<b>370,726</b>	<b>361,083</b>	<b>313,635</b>
Lease liability	15	29,401	26,379	11,956	11,668
Trade payables		33,505	66,856	26,679	61,077
Payables to Group enterprises		0	0	62,254	45,711
Corporation tax		21,741	16,573	9,737	7,980
Other payables		166,965	169,495	115,236	116,996
Deferred income	14	466,623	394,996	466,602	394,996
<b>Current liabilities</b>		<b>718,235</b>	<b>674,299</b>	<b>692,464</b>	<b>638,428</b>
<b>Total liabilities</b>		<b>1,160,983</b>	<b>1,045,025</b>	<b>1,053,547</b>	<b>952,063</b>
<b>Liabilities and equity</b>		<b>2,078,127</b>	<b>1,857,670</b>	<b>1,970,596</b>	<b>1,764,556</b>
Mortgages, securities and contingent liabilities	16				
Related parties	17				
Cash flow statement notes	18				
Proposed distribution of profit	19				
Subsequent events	20				

## Statement of changes in equity

CONSOLIDATED  
DKK'000

	Notes	Share capital	Foreign exchange reserve	Hedging reserve	Retained earnings	Dividend proposed for the year	Total
<b>Equity at January 1, 2022</b>		<b>693</b>	<b>-2,211</b>	<b>-14,512</b>	<b>804,413</b>	<b>0</b>	<b>788,383</b>
Exchange rate adjustment, beginning of the year		0	1,812	0	0	0	1,812
Exchange rate adjustment, during the year		0	-680	0	0	0	-680
Fair value adjustment of hedging instruments, end of the year		0	0	642	0	0	642
Adjustment to deferred tax on hedging instruments, end of the year		0	0	-141	0	0	-141
Dividend paid		0	0	0	0	0	0
Net income for the year		0	0	0	9,233	0	9,233
<b>Equity at December 31, 2022</b>		<b>693</b>	<b>-1,079</b>	<b>-14,011</b>	<b>813,646</b>	<b>0</b>	<b>799,249</b>
Exchange rate adjustment, beginning of the year	10	0	-1,256	0	0	0	-1,256
Exchange rate adjustment, during the year	10	0	240	0	0	0	240
Fair value adjustment of hedging instruments, end of the year		0	0	27,610	0	0	27,610
Adjustment to deferred tax on hedging instruments, end of the year		0	0	-6,074	0	0	-6,074
Dividend paid		0	0	0	0	0	0
Net income for the year		0	0	0	76,592	0	76,592
<b>Equity at December 31, 2023</b>		<b>693</b>	<b>-2,095</b>	<b>7,525</b>	<b>890,238</b>	<b>0</b>	<b>896,361</b>



## Statement of changes in equity

	Notes	PARENT COMPANY DKK'000						Total
		Share capital	Reserve for net revaluation according to the equity method	Reserve for development projects	Hedging reserve	Retained earnings	Dividend proposed for the year	
<b>Equity at January 1, 2022</b>		<b>693</b>	<b>39,544</b>	<b>171,282</b>	<b>-14,512</b>	<b>591,376</b>	<b>0</b>	<b>788,383</b>
Exchange rate adjustment, beginning of the year		0	1,812	0	0	0	0	1,812
Exchange rate adjustment, during the year		0	-680	0	0	0	0	-680
Fair value adjustment of hedging instruments, end of the year		0	0	0	642	0	0	642
Adjustment to deferred tax on hedging instruments, end of the year		0	0	0	-141	0	0	-141
Dividend paid		0	0	0	0	0	0	0
Net income for the year		0	15,756	22,249	0	-28,772	0	9,233
<b>Equity at December 31, 2022</b>		<b>693</b>	<b>56,432</b>	<b>193,531</b>	<b>-14,011</b>	<b>562,604</b>	<b>0</b>	<b>799,249</b>
Exchange rate adjustment, beginning of the year	10	0	-1,256	0	0	0	0	-1,256
Exchange rate adjustment, during the year	10	0	240	0	0	0	0	240
Fair value adjustment of hedging instruments, end of the year		0	0	0	27,610	0	0	27,610
Adjustment to deferred tax on hedging instruments, end of the year		0	0	0	-6,074	0	0	-6,074
Dividend paid		0	0	0	0	0	0	0
Net income for the year		0	12,550	17,654	0	46,388	0	76,592
<b>Equity at December 31, 2023</b>		<b>693</b>	<b>67,966</b>	<b>211,185</b>	<b>7,525</b>	<b>608,992</b>	<b>0</b>	<b>896,361</b>

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

## Cash Flow Statement

CONSOLIDATED  
DKK'000

	Note	2023	2022
Net income for the year		76,592	9,233
Adjustments	18	196,734	124,104
Change in working capital	18	47,330	137,603
<b>Cash flows from operating activities before paid financial items and tax</b>		<b>320,656</b>	<b>270,940</b>
Financial income received		28,578	37,584
Financial expenses paid		-23,578	-5,198
<b>Cash flows from operating activities before paid tax</b>		<b>325,656</b>	<b>303,326</b>
Corporate tax paid		-19,712	-40,703
<b>Cash flows from operating activities</b>		<b>305,944</b>	<b>262,623</b>
Investment in intangible fixed assets		-127,083	-118,380
Investment in tangible fixed assets excluding lease assets		-37,015	-41,475
Investments in fixed financial assets		0	-33,378
<b>Cash flows from investing activities</b>		<b>-164,098</b>	<b>-193,233</b>
Repayments on lease liability		-42,342	-31,904
<b>Cash flows from financing activities</b>		<b>-42,342</b>	<b>-31,904</b>
<b>Change in cash and cash equivalents</b>		<b>99,504</b>	<b>37,486</b>
Cash and cash equivalents at January 1		193,889	155,271
Currency adjustments		-1,016	1,132
<b>Cash and cash equivalents at December 31</b>		<b>292,377</b>	<b>193,889</b>
<i>Cash and cash equivalents are specified as follows:</i>			
Cash at bank and in hand		292,377	193,889
<b>Cash and cash equivalents at December 31</b>		<b>292,377</b>	<b>193,889</b>

## 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	
	2023	2022	2023	2022
<b>Geographical segments</b>				
Net revenue Denmark	49,496	48,454	49,496	48,454
Net revenue export from Denmark	1,633,016	1,433,362	1,633,016	1,433,362
Net revenue generated outside Denmark	5,339	6,332	0	0
	<b>1,687,851</b>	<b>1,488,148</b>	<b>1,682,512</b>	<b>1,481,816</b>
<b>Product segments</b>				
Security related products	1,687,851	1,488,148	1,682,512	1,481,816
	<b>1,687,851</b>	<b>1,488,148</b>	<b>1,682,512</b>	<b>1,481,816</b>
<b>Note 2 Fees to independent auditors</b>				
Statutory audit fee	577	507	392	363
Tax advisory services	2,250	1,725	1,114	962
Other services	607	326	607	249
	<b>3,434</b>	<b>2,558</b>	<b>2,113</b>	<b>1,574</b>
<b>Note 3 Staff expenses</b>				
Wages and salaries	906,756	809,549	501,326	451,860
Pensions	44,690	38,004	23,590	21,280
Social contributions	49,063	41,061	4,458	4,402
Other staff expenses	92,363	99,354	26,352	38,657
Capitalized development costs	-90,145	-84,172	-39,243	-38,890
	<b>1,002,727</b>	<b>903,796</b>	<b>516,483</b>	<b>477,309</b>
<b>Average number of employees</b>	<b>1,256</b>	<b>1,148</b>	<b>560</b>	<b>528</b>
<b>Staff expenses are recognized as follows:</b>				
Research and development costs	211,234	203,755	226,160	216,702
Distribution and sales costs	694,400	609,063	208,875	188,337
Administrative costs	97,093	90,978	81,448	72,270
	<b>1,002,727</b>	<b>903,796</b>	<b>516,483</b>	<b>477,309</b>
<b>Remuneration to the Management:</b>				
Executive Management Team	9,138	10,179	9,138	10,179
Board of Directors	600	600	600	600
	<b>9,738</b>	<b>10,779</b>	<b>9,738</b>	<b>10,779</b>

	CONSOLIDATED DKK'000		PARENT COMPANY DKK'000	
	2023	2022	2023	2022

#### Note 4 Amortization and depreciation of intangible and tangible fixed assets

Completed development projects	79,697	72,814	82,308	74,995
Other intangible assets	22,716	21,974	22,221	21,445
Land and buildings	30,925	29,121	12,660	11,369
Other fixtures and fittings, tools and equipment	36,458	31,014	21,286	17,946
Gains and losses in fixed assets	-216	-243	-7	-188
	<b>169,580</b>	<b>154,680</b>	<b>138,468</b>	<b>125,567</b>

#### Amortization and depreciation of intangible and tangible fixed assets are recognised as follows:

Research and development costs	104,837	92,534	100,930	89,282
Distribution and sales costs	60,233	58,878	33,028	33,016
Administrative costs	4,510	3,268	4,510	3,269
	<b>169,580</b>	<b>154,680</b>	<b>138,468</b>	<b>125,567</b>

#### Note 5 Interest and other financial income

Interest from Group companies	22,276	5,397	23,876	11,242
Currency adjustments	351	31,546	4	31,926
Other financial interest and income	5,951	641	5,634	597
	<b>28,578</b>	<b>37,584</b>	<b>29,514</b>	<b>43,765</b>

#### Note 6 Interest and other financial expenses

Interest to Group companies	0	0	5,240	64
Currency adjustments	14,807	1,012	14,451	0
Other financial interest and expenses	8,771	4,186	3,504	2,718
	<b>23,578</b>	<b>5,198</b>	<b>23,195</b>	<b>2,782</b>

	CONSOLIDATED DKK'000		PARENT COMPANY DKK'000	
	2023	2022	2023	2022

#### Note 7 Tax

Current tax for the year	21,310	14,330	10,075	6,303
Adjustment of current tax for prior years	10,740	11,999	10,682	11,813
Change in deferred tax	11,267	-14,081	13,126	-13,595
Adjustment in deferred tax for prior years	-3,930	-10,297	-5,683	-10,500
	<b>39,387</b>	<b>1,951</b>	<b>28,200</b>	<b>-5,979</b>

#### Attributable to:

Tax on profit for the year	33,313	1,810	22,126	-6,120
Tax on changes in equity	6,074	141	6,074	141
	<b>39,387</b>	<b>1,951</b>	<b>28,200</b>	<b>-5,979</b>

The change in prior years current and deferred tax is affecting by two larger items, lost withholding tax and an update of the permanent differences in the tax return of 2022.



<b>Note 8 Intangible fixed assets</b> Consolidated DKK'000	Completed development projects	Development projects in progress	Total development projects	Other intangible assets
Cost at January 1, 2023	899,204	25,653	924,857	123,159
Additions in the year	0	101,025	101,025	26,058
Disposals in the year	0	0	0	-8,580
Transferred to completed	82,378	-82,378	0	0
Cost at December 31, 2023	981,583	44,299	1,025,882	140,637
Depreciation and impairment at January 1, 2023	-683,680	0	-683,680	-85,564
Depreciation in the year	-79,697	0	-79,697	-22,716
Depreciations on disposals in the year	0	0	0	8,570
Depreciation and impairment at December 31, 2023	-763,377	0	-763,377	-99,710
<b>Carrying amount at December 31, 2023</b>	<b>218,206</b>	<b>44,299</b>	<b>262,505</b>	<b>40,927</b>

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

Cost at January 1, 2023	907,256	33,943	941,199	120,902
Additions in the year	0	104,940	104,940	26,058
Disposals in the year	0	0	0	-8,570
Transferred to completed	92,875	-92,875	0	0
Cost at December 31, 2023	1,000,131	46,008	1,046,139	138,390
Depreciation and impairment at January 1, 2023	-693,082	0	-693,082	-83,883
Depreciation in the year	-82,308	0	-82,308	-22,221
Depreciations on disposals in the year	0	0	0	8,570
Depreciation and impairment at December 31, 2023	-775,390	0	-775,390	-97,534
<b>Carrying amount at December 31, 2023</b>	<b>224,741</b>	<b>46,008</b>	<b>270,749</b>	<b>40,856</b>

<b>Note 9 Tangible fixed assets</b> Consolidated DKK'000	Land and buildings	Other fixtures and fittings, tools and equipment	Total
Cost at January 1, 2023	213,923	202,720	416,643
Currency adjustment	-1,324	-904	-2,228
Additions in the year	60,138	42,958	103,096
Disposals in the year	-20,233	-30,419	-50,652
Cost at December 31, 2023	252,504	214,355	466,859
Depreciation and impairment at January 1, 2023	-93,559	-127,815	-221,374
Currency adjustment	901	998	1,899
Depreciation in the year	-30,925	-36,458	-67,383
Depreciations on disposals in the year	17,224	29,866	47,090
Depreciation and impairment at December 31, 2023	-106,359	-133,409	-239,768
<b>Carrying amount at December 31, 2023</b>	<b>146,145</b>	<b>80,946</b>	<b>227,091</b>

**Tangible assets include operating leases  
with a carrying amount totaling**

<b>146,145</b>	<b>6,916</b>	<b>153,061</b>	
Cost at January 1, 2023	91,676	121,986	213,662
Additions in the year	13,771	27,481	41,252
Disposals in the year	0	-27,802	-27,802
Cost at December 31, 2023	105,447	121,665	227,112
Depreciation and impairment at January 1, 2023	-38,392	-74,007	-112,399
Depreciation in the year	-12,660	-21,286	-33,946
Depreciations on disposals in the year	0	26,531	26,531
Depreciation and impairment at December 31, 2023	-51,052	-68,762	-119,814
<b>Carrying amount at December 31, 2023</b>	<b>54,395</b>	<b>52,903</b>	<b>107,298</b>
<b>Tangible assets include operating leases with a carrying amount totaling</b>	<b>54,395</b>	<b>4,028</b>	<b>58,423</b>

**Note 10 Financial fixed assets**

Parent Company DKK'000	Investments in subsidiaries
Cost at January 1, 2023	13,223
Additions in the year	717
Disposals in the year	0
Cost at December 31, 2023	13,940
Revaluations at January 1, 2023	56,432
Currency adjustment	-1,016
Paid dividend	-7,456
Profit for the year	20,006
Revaluations at December 31, 2023	67,966
<b>Carrying amount at December 31, 2023</b>	<b>81,906</b>
Negative value of investments in subsidiaries recognized as a provision	0
Negative value of investments in subsidiaries set off against receivables from group enterprises	5,186
<b>Investments in subsidiaries</b>	<b>87,092</b>

Name	Reg.office	Ownership	Share Capital
Milestone Italia S.R.L.	Milan, Italy	100%	EUR 20,000
Milestone Systems Inc.	Portland, USA	100%	USD 100
Milestone Systems UK, Ltd.	London, United Kingdom	100%	GBP 1,000
Milestone Systems France	Paris, France	100%	EUR 10,000
Milestone Systems Pte.	Singapore	100%	SGD 100,100
Milestone Systems SL	Barcelona, Spain	100%	EUR 151,000
Milestone Systems (Australia) PL	Sidney, Australia	100%	AUD 1
Milestone Systems Bulgaria	Sofia, Bulgaria	100%	BGN 25,000
Milestone Sistemas do Brasil	Sao Pãolo, Brasil	100%	BRL 308,618
Milestone India	Bangalore, India	100%	INR 2,500,000
Milestone Systems Sweden AB	Stockholm, Sweden	100%	SEK 50,000
Milestone Systems KK	Tokyo, Japan	100%	JPY 10,000,000
Milestone Systems Germany GmbH	Munich, Germany	100%	EUR 25,000
Milestone Systems Norway	Oslo, Norway	100%	NOK 30,000
Milestone Sistemas	Mexico City, Mexico	100%	MEX 3,000
Milestone Systems Arabia Co, for Marketing	Riyadh, Kingdom of Saudi Arabia	100%	SAR 500,000
Milestone Systems Canada Inc.	Toronto, Canada	100%	CAD 100
Milestone Systems Video Teknoloji Limited Şirketi	Istanbul, Türkiye	100%	TRY 3,000,000

**Note 11 Other Investments**

DKK'000

Other investments are specified as follows:

Name	Reg. office	Share Capital	Ownership	Voting rights	Equity 2022	Net income for 2022
Arcus Holding A/S	Brøndby, Denmark	6,841	12%	6%	-9,343	-174,220

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

	CONSOLIDATED DKK'000		PARENT COMPANY DKK'000	
	2023	2022	2023	2022
<b>Note 12 Deferred tax</b>				
Deferred tax at January 1	6,247	30,843	13,244	37,338
Change in profit and loss	-393	-24,737	1,370	-24,235
Change in equity	6,074	141	6,074	141
<b>Deferred tax at December 31</b>	<b>11,928</b>	<b>6,247</b>	<b>20,688</b>	<b>13,244</b>
<b>Deferred tax relates to:</b>				
Intangible assets	30,563	30,518	30,563	30,518
Tangible assets	-13,792	-10,125	-12,382	-10,282
Current assets	385	-3,039	385	-3,040
Other obligations	-3,366	-10,632	2,122	-3,952
Net operating loss	-1,862	-475	0	0
	<b>11,928</b>	<b>6,247</b>	<b>20,688</b>	<b>13,244</b>
<b>Deferred tax recognized in the balance sheet:</b>				
Deferred tax asset	-8,855	-7,149	0	0
Deferred tax liability	20,783	13,396	20,688	13,244
	<b>11,928</b>	<b>6,247</b>	<b>20,688</b>	<b>13,244</b>
<b>Note 13 Prepayments</b>				
Prepayments consist of prepaid costs related to licenses, subscriptions, marketing events, warranties, rent and other costs.				
<b>Note 14 Deferred income</b>				
Under 1 year	466,623	394,996	466,602	394,996
1 year to 5 years	311,376	267,605	311,376	267,605
Above 5 years	2,148	0	2,148	0
	<b>780,147</b>	<b>662,601</b>	<b>780,126</b>	<b>662,601</b>
Deferred income consists of deferred revenue from services where the Group has received payment as a pre-paid amount.				
<b>Note 15 Lease liability</b>				
Under 1 year	29,401	26,379	11,956	11,668
1 year to 5 years	108,479	79,811	47,559	46,030
Above 5 years	20,745	23,310	0	0
	<b>158,625</b>	<b>129,500</b>	<b>59,515</b>	<b>57,698</b>

**Note 16 Mortgages, securities and contingent liabilities**

Consolidated and Parent Company

The company is jointly taxed with other Danish subsidiaries in the Canon Group. The administrative company is Canon Danmark A/S.

The companies in the joint taxation is unlimited, jointly and severally liable with the other Danish subsidiaries for Danish corporate taxes and withholding taxes on dividends, interest and royalties within the joint taxation circle.

**Note 17 Related parties****Controlling interest**

Canon Inc., Japan

**Basis**

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 DKK'000		PARENT COMPANY DKK'000	
	2023	2022	2023	2022

#### Note 18 Cash flow statement

##### Cash flow statement - adjustments

Depreciation of intangible and tangible assets	169,796	154,923		
Gain/loss on disposed assets	-216	-243		
Interest and other financial items	-5,000	-32,386		
Corporate tax	33,313	1,810		
Other	-1,159	0		
	<b>196,734</b>	<b>124,104</b>		

##### Cash flow statement - change in working capital

Change in receivables	-34,335	-77,489		
Change in trade payables, other payables, etc	81,665	215,092		
	<b>47,330</b>	<b>137,603</b>		

#### Note 19 Proposed distribution of profit

Net income	76,592	9,233	46,388	-28,772
Proposed dividend recognized under equity	0	0	0	0
Reserve for net revaluation under the equity method	0	0	12,550	15,756
Reserve for development projects	0	0	17,654	22,249
	<b>76,592</b>	<b>9,233</b>	<b>76,592</b>	<b>9,233</b>

#### Note 20 Subsequent events

Subsequent to the 2023 financial year, Canon contributed in kind the shares in the BriefCam Group, a fully owned subsidiary of Canon Inc., in a capital increase as of 3rd of March 2024. Together, Milestone and BriefCam will provide best-in-class capabilities in video management software and video analytics and bring a complete video surveillance offering to the market. The combined competencies can scale BriefCam's sales to realize the market potential, as well as expand Milestone's competencies within analytics.

Early 2024, Canon increased the investment in Milestone to strengthen the financial solidity to ensure the execution of our ambitious growth Strategy.



# 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, 2023.

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, 2023, of the Parent Company and the Group and

of the results of the Parent Company and Group operations and Group cash flows for 2023.

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 21, 2024

## Executive Management

Thomas Jensen

Lars Larsen

## Board of Directors

Lau Normann Jørgensen  
Chairman

John Sergio Blem

Vibeke Krog Olsen  
Employee elected

Jeppe Frandsen

Gustaf Pontus Löfberg

Monika Adelė Germanavičiūtė  
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 2023, 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 2023 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 2023, 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 Financial 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, March 21, 2024

### **PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

**CVR No 33 77 12 31**

### **Allan Knudsen**

State Authorised Public Accountant  
mne29465

### **Alexander Oliver Duschek**

State Authorised Public Accountant  
mne47774

# Milestone presence







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**Design and layout**

Brand Strategy & Marketing Creation at Milestone



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