

# Milestone Group A/S

CVR 25 70 61 45

## Annual Report 2015

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



David Bateson  
Chairman of the meeting

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## **Financial Statements**

### **January 1<sup>st</sup> – December 31<sup>st</sup> 2015**

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# Management's Statement

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

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

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

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

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

Copenhagen, March 16<sup>th</sup> 2016

## Executive Management



Lars Thinggaard

## Board of Directors




Lau Normann  
Chairman



John Sergio Blem



Henrik Friborg Jacobsen



Jeppe Frandsen



Peter Bo Jacobsen  
Employee elected



Artur Gevorkovic Magaljan  
Employee elected

# **Independent Auditor's Reports**

To the Shareholder of Milestone Group A/S

## **Report on Consolidated Financial Statements and the Parent Company Financial Statements**

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

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

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

### **Auditor's Responsibility**

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

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

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

The audit has not resulted in any qualification.

# Independent Auditor's Reports

## Opinion

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

## Statement on Management's Review

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

Copenhagen, March 16<sup>th</sup> 2016

### **PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

CVR-no. 33 77 12 31



Jens Otto Damgaard  
State Authorized Public Accountant



Allan Knudsen  
State Authorized Public Accountant

# Company Information

## **The Company**

Milestone Group A/S  
Banemarksvej 50  
DK-2605 Brøndby  
Denmark

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E-mail: milestone@milestonesys.com  
CVR no / VAT no: DK25706145  
Fiscal year: January 1<sup>st</sup> – December 31<sup>st</sup>  
Domicile: Brøndby, Denmark

## **Board of Directors**

Lau Normann (Chairman)  
John Sergio Blem  
Henrik Friborg Jacobsen  
Jeppe Frandsen  
Peter Bo Jacobsen (employee elected)  
Artur Gevorkovic Magaljan (employee elected)

## **Executive Management**

Lars Thinggaard (President & CEO)

## **Legal Counsel**

Kromann Reumert  
Sundkrogsgade 5  
DK 2100 København Ø

## **Auditors**

PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
DK 2900 Hellerup

## **Bankers**

Nordea Bank A/S  
Vesterbrogade 8  
DK 0900 København C

## **General Meeting**

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

# Financial highlights

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

Consolidated DKK 1,000

	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>
<b>Profit &amp; Loss</b>			
Net revenue	602,423	457,891	406,969
Gross profit before external expenses	567,960	440,488	392,539
Gross profit	440,699	303,758	319,868
Operating income before depreciation and amortization (EBITDA)	121,284	39,237	90,082
Operating income (EBIT)	64,222	-14,752	47,870
Net financials	10,852	12,846	-6,653
Net income	57,964	108	34,116
<b>Balance Sheet</b>			
Balance sheet total	630,160	497,527	399,673
Investment in tangible assets	11,276	5,870	6,597
Equity	293,625	244,073	209,972
<b>Cash Flow Statement</b>			
Cash Flow operating activities	135,937	85,356	112,305
Cash Flow investing activities	-88,830	-59,849	-67,611
Cash Flow financing activities	-2,941	48,686	168
Change in cash and cash equivalents	44,166	74,193	44,862
<b>Employees</b>			
Average no. of full-time employees	472	404	389
<b>Key Figures</b>			
Gross margin before external expenses	94.3%	96.2%	96.5%
Gross margin	73.2%	66.3%	78.6%
EBITDA margin	20.1%	8.6%	22.1%
Financial solidity	2.1	2.0	1.9
Return on Equity	26.1%	0.0%	18.2%

# Management's Review

## Main Activities and Market

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

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

## Financial Developments

Milestone increased the 2015 net revenue by DKK 144 million and achieved an EBITDA (earnings before interest, tax, depreciation and amortization) of DKK 121 million compared to DKK 39 million in 2014. Profit before corporate tax in 2015 is DKK 75 million.

The total Balance Sheet for Milestone as of December 31<sup>st</sup> 2015 is DKK 630 million compared to DKK 498 million on December 31<sup>st</sup> 2014. Total equity is DKK 294 million at the end of 2015 compared to DKK 244 million at the end of 2014.

Milestone's financial position is considered sufficient.

In 2015, Milestone provided significant and satisfactory financial results in the international markets.

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

## Development Project Activities

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

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

## Acquisition

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



## **Knowledge Resources**

To maintain Milestones status as a leader in the industry, it is crucial that the Group is able to recruit and retain employees with high technical and commercial skills.

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

## **Risks**

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

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

No speculative currency positions are taken.

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

### **Milestone organization**

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

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

### **Legal compliance**

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

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

Milestone does not have an independent policy for climate impact and human rights.

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

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

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

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

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

## **Expectations for 2016**

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

## **Subsequent Events**

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

## Accounting Policies

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

### Basis of preparation

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

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

The accounting policies are unchanged compared to the previous year.

### Consolidation financial statement

The consolidated financial statement includes the financial statement of Milestone Group A/S (the Parent Company) and all the companies in which Milestone Group 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 Group A/S and these companies are referred to as the Group.

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

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

### Foreign currencies

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

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

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

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

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

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

The company is not jointly taxed with its foreign subsidiaries.

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

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

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

# Accounting Policies

## **Derivative financial instruments and hedging activities**

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

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

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

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

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

## **Government grants**

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

## **Share-based Payment (warrants)**

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

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

## **Net revenue**

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

## **Cost of sales**

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

## **Other external expenses**

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

## **Staff expenses**

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

## **Amortization and depreciation**

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

# Accounting Policies

## Results from investments in subsidiaries

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

## Financial income and expenses

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

## Balance Sheet

### Development projects

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

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

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

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

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

### Intangible and tangible fixed assets

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

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

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

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

### Impairment of fixed assets

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

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

### Financial fixed Assets

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

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

### Receivables

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

## Accounting Policies

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

### Prepayments

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

### Debt

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

### Deferred income

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

### Cash Flow Statement

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

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

### Cash flows from operating activities

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

### Cash flows from investing activities

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

### Cash flows from financing activities

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

### Cash and cash equivalents

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

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

# Accounting Policies

## Definition

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



# Income Statement January 1<sup>st</sup> - December 31<sup>st</sup>

Parent Company DKK 1,000				Consolidated DKK 1,000	
2014	2015		Note	2015	2014
0	0	<b>Net Revenue</b>	1	<b>602.423</b>	<b>457.891</b>
0	0	Cost of sales		-34.463	-17.403
<b>0</b>	<b>0</b>	<b>Gross profit before external expenses</b>		<b>567.960</b>	<b>440.488</b>
-52	-24	Other external expenses	2	-127.261	-136.730
<b>-52</b>	<b>-24</b>	<b>Gross profit</b>		<b>440.699</b>	<b>303.758</b>
-1.504	-167	Staff expenses	3, 4, 15	-319.415	-264.521
<b>-1.556</b>	<b>-191</b>	<b>depreciation and amortization (EBITDA)</b>		<b>121.284</b>	<b>39.237</b>
0	0	Depreciation and amortization of intangible and tangible fixed assets	5, 6	-57.062	-53.989
<b>-1.556</b>	<b>-191</b>	<b>Operating income (EBIT)</b>		<b>64.222</b>	<b>-14.752</b>
358	58.262	Result from investments in subsidiaries	7	-	-
0	28	Interest and other financial income	8	12.551	13.702
-15	-194	Interest and other financial expenses	9	-1.699	-856
<b>-1.213</b>	<b>57.905</b>	<b>Profit before corporate tax</b>		<b>75.074</b>	<b>-1.906</b>
369	59	Corporate tax	10	-17.110	2.014
<b>-844</b>	<b>57.964</b>	<b>Net income</b>		<b>57.964</b>	<b>108</b>
		Net income attributable to:			
-844	57.964	Owners of Milestone Group A/S		57.964	-844
	-	Non-controlling interests		0	952
<b>-844</b>	<b>57.964</b>	<b>Net income</b>		<b>57.964</b>	<b>108</b>
		<b>Proposed distribution of profit</b>			
0	0	Proposed dividend for the year		0	0
0	38.387	Reserve for net revaluation under the equity method		38.387	0
-844	19.577	Retained earnings		19.577	108
<b>-844</b>	<b>57.964</b>			<b>57.964</b>	<b>108</b>



# Balance Sheet December 31<sup>st</sup> 2015

## Assets

Parent Company DKK 1,000			Consolidated DKK 1,000		
2014	2015	Note	2015	2014	
0	0		165.194	131.069	
0	0		3.911	21.700	
0	0		13.179	2.808	
<b>0</b>	<b>0</b>	<b>Intangible fixed assets</b>	<b>5</b>	<b>182.284</b>	<b>155.577</b>
0	0		16.858	11.353	
<b>0</b>	<b>0</b>	<b>Tangible fixed assets</b>	<b>6</b>	<b>16.858</b>	<b>11.353</b>
197.205	248.359		0	0	
0	0		4.267	3.577	
<b>197.205</b>	<b>248.359</b>	<b>Financial fixed assets</b>	<b>4.267</b>	<b>3.577</b>	
<b>197.205</b>	<b>248.359</b>	<b>Fixed assets</b>	<b>203.409</b>	<b>170.507</b>	
0	0		139.594	93.719	
0	0		0	0	
0	0		10.091	3.649	
0	0		6.527	6.153	
369	428		4.172	742	
0	0		17.377	11.352	
<b>369</b>	<b>428</b>	<b>Receivables</b>	<b>177.761</b>	<b>115.615</b>	
<b>48.954</b>	<b>48.760</b>	<b>Cash at bank and in hand</b>	<b>248.990</b>	<b>211.405</b>	
<b>49.323</b>	<b>49.188</b>	<b>Current assets</b>	<b>426.751</b>	<b>327.020</b>	
<b>246.528</b>	<b>297.547</b>	<b>Assets</b>	<b>630.160</b>	<b>497.527</b>	

## Balance Sheet December 31<sup>st</sup> 2015

### Shareholders Equity and Liabilities

Parent Company			Consolidated		
DKK 1,000			DKK 1,000		
2014	2015		Note	2015	2014
		<b>EQUITY</b>			
744	744	Share capital		744	744
242.025	292.881	Retained earnings		254.494	243.329
		Capital and reserves attributable to owners of Milestone Group A/S		293.625	242.769
-	-	Non-controlling interests		0	1.304
<b>242.769</b>	<b>293.625</b>	<b>Total equity</b>		<b>293.625</b>	<b>244.073</b>
0	0	Deferred tax	11	41.400	24.390
<b>0</b>	<b>0</b>	<b>Provisions</b>		<b>41.400</b>	<b>24.390</b>
0	0	Trade payables		10.105	10.724
2.205	3.650	Payables to group enterprises		-	-
0	0	Corporation tax		2.166	1.359
1.555	272	Other payables		115.531	95.261
0	0	Deferred income		167.333	121.720
<b>3.760</b>	<b>3.922</b>	<b>Short-term debt</b>		<b>295.135</b>	<b>229.064</b>
<b>3.760</b>	<b>3.922</b>	<b>Debt</b>		<b>295.135</b>	<b>229.064</b>
<b>246.528</b>	<b>297.547</b>	<b>Liabilities and equity</b>		<b>630.160</b>	<b>497.527</b>
		Mortgages, securities and contingent liabilities		12	
		Contractual obligations		13	
		Related parties		14	
		Government grants		15	
		Cash Flow Statement Notes		16	

## Statement of changes in equity

Attributable to owners of Milestone Group A/S

Notes	Attributable to owners of Milestone Group A/S					Total	Non-controlling interests	Total Equity
	Share capital	Share premium	Reserve for not paid in share capital	Retained earnings	Reserve for net revaluation according to the equity method			
<b>Equity at January 1<sup>st</sup> 2014</b>	<b>500</b>	<b>0</b>	<b>375</b>	<b>-393</b>	<b>0</b>	<b>482</b>	<b>299</b>	<b>781</b>
Capital decrease	-500		-375	375		-500		-500
Capital Increase	693	209.279				209.972		209.972
Exerscise of Warrants	59	49.402				49.461		49.461
Cost of capital Increase		-275				-275		-275
Annulment of Treasury shares	-8			8		0		0
Cost of share-based payment				6.486		6.486		6.486
Exchange rate adjustment beginning of year				-920		-920	29	-891
year				-547		-547	24	-523
Fair value adjustment of hedging instruments, end of year				-27.213		-27.213		-27.213
Adjustment to deferred tax on hedging instruments, end of year				6.667		6.667		6.667
Net result				-844		-844	952	108
Transferred to Retained earnings		-258.406		258.406		0		0
<b>Equity at 1 December 31<sup>st</sup> 2014</b>	<b>744</b>	<b>0</b>	<b>0</b>	<b>242.025</b>	<b>0</b>	<b>242.769</b>	<b>1.304</b>	<b>244.073</b>
Exchange rate adjustment beginning of year				-1.243		-1.243		-1.243
Exchange rate adjustment during year				-298		-298		-298
Fair value adjustment of hedging instruments, end of year				-4.852		-4.852		-4.852
Adjustment to deferred tax on hedging instruments, end of year				922		922		922
Purchase of minority interests				1.304		1.304	-1.304	0
Other adjustments				-2.941		-2.941		-2.941
Net income for the year				19.577	38.387	57.964	0	57.964
<b>Equity at December 31<sup>st</sup> 2015</b>	<b>744</b>	<b>0</b>	<b>0</b>	<b>254.494</b>	<b>38.387</b>	<b>293.625</b>	<b>0</b>	<b>293.625</b>
	2015	2014	2013					
<b>Share capital DKK 1,000</b>	744	744	500					

The share capital consists of 743,824 shares of a nominal value of DKK 1. No shares has special rights.

According to the authorisation of the General Meeting, the Board of Directors may allow the Company to acquire treasury shares up to a total holding of 10% of the nominal share capital. At December 31st 2015 treasury shares amounted to DKK 5 (2014: DKK 5).

In the financial year the Company have acquired treasury shares of a nominal amount of DKK 0 (2014: DKK 7,922).

# Cash Flow Statement

		Consolidated DKK 1,000	
	Note	2015	2014
Net income for the year		57.964	108
Adjustments	16	61.263	18.519
Change in working capital	16	6.232	60.036
Cash flows from operating activities before paid financial items and tax		125.459	78.663
Financial income received		12.551	13.702
Financial expenses paid		-1.699	-856
Cash flows from operating activities before paid tax		136.311	91.509
Corporate tax paid		-374	-6.153
<b>Cash flows from operating activities</b>		<b>135.937</b>	<b>85.356</b>
Investment intangible fixed assets		-77.782	-53.979
Investment tangible fixed assets		-11.276	-5.870
Sale of property, plant and equipment		228	0
<b>Cash flows from investing activities</b>		<b>-88.830</b>	<b>-59.849</b>
Capital increase		0	49.186
Capital decrease		0	-500
Purchase of minority interests		-2.941	0
<b>Cash flows from financing activities</b>		<b>-2.941</b>	<b>48.686</b>
<b>Change in cash and cash equivalents</b>		<b>44.166</b>	<b>74.193</b>
Cash and cash equivalents at January 1 <sup>st</sup>		211.405	143.362
Currency adjustments		-6.580	-6.150
<b>Cash and cash equivalents at December 31<sup>st</sup></b>		<b>248.990</b>	<b>211.405</b>
<i>Cash and cash equivalents are specified as follows:</i>			
<i>Current asset investments</i>			
Cash at bank and in hand		248.990	211.405
<b>Cash and cash equivalents at December 31<sup>st</sup></b>		<b>248.990</b>	<b>211.405</b>

# Notes to the Annual Report

Parent Company			Consolidated	
DKK 1,000			DKK 1,000	
2014	2015		2015	2014
<b>Note 1 Segment information</b>				
The revenue is segmented on the basis of where the main part of the processes and activities that generates the revenue has taken place, which follows the invoicing.				
<b>Geographical segments</b>				
0	0	Net revenue Denmark	30.957	23.663
0	0	Net revenue export from Denmark	526.958	396.966
0	0	Net revenue generated outside Denmark	44.508	37.262
<b>0</b>	<b>0</b>		<b>602.423</b>	<b>457.891</b>
<b>Product segments</b>				
0	0	Surveillance related products	602.423	457.891
<b>0</b>	<b>0</b>		<b>602.423</b>	<b>457.891</b>
<b>Note 2 Fees to independent auditors</b>				
52	5	Statutory audit fee	294	232
0	0	Other assurance engagements	129	105
0	42	Tax advisory services	378	61
0	0	Other services	33	667
<b>52</b>	<b>47</b>		<b>834</b>	<b>1.065</b>
<b>Note 3 Staff expenses</b>				
1.505	167	Wages and salaries	306.251	250.025
0	0	Share based payment	0	6.486
0	0	Pensions	12.400	9.575
0	0	Social contributions	24.691	19.886
0	0	Other staff expenses	25.825	19.898
0	0	Capitalized development costs	-49.752	-41.349
<b>1.505</b>	<b>167</b>		<b>319.415</b>	<b>264.521</b>
<b>0</b>	<b>0</b>	<b>Average number of employees</b>	<b>472</b>	<b>404</b>

# Notes to the Annual Report

## Note 4 Share-based payment

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

All warrants were exercised in 2014.

## Note 5 Intangible fixed assets

Consolidated - DKK 1,000

	Completed development projects	Development projects in progress	Total Development projects	Other intangible assets
Cost at January 1 <sup>st</sup> 2015	349.466	21.700	371.166	4.246
Additions for the year	61.417	3.697	65.114	12.668
Disposals for the year	0	0	0	-529
Transferred to completed	21.486	-21.486	0	0
Cost at December 31 <sup>st</sup> 2015	432.369	3.911	436.280	16.385
Depreciation and Impairment at January 1 <sup>st</sup> 2015	-218.397	0	-218.397	-1.438
Depreciation for the year	-48.778	0	-48.778	-2.146
Depreciations on disposals for the year	0	0	0	378
Depreciation and Impairment at December 31 <sup>st</sup> 2015	-267.175	0	-267.175	-3.206
<b>Carrying amount at December 31<sup>st</sup> 2015</b>	<b>165.194</b>	<b>3.911</b>	<b>169.105</b>	<b>13.179</b>

## Note 6 Tangible fixed assets

Consolidated - DKK 1,000

	Other fixtures and fittings, tools and equipment
Cost at January 1 <sup>st</sup> 2015	22.573
Currency adjustments	989
Additions for the year	11.276
Disposals for the year	-1.812
Cost at December 31 <sup>st</sup> 2015	33.026
Depreciation and Impairment at January 1 <sup>st</sup> 2015	-11.686
Currency adjustments	-309
Depreciation for the year	-5.750
Depreciations on disposals for the year	1.577
Depreciation and Impairment at December 31 <sup>st</sup> 2015	-16.168
<b>Carrying amount at December 31<sup>st</sup> 2015</b>	<b>16.858</b>

# Notes to the Annual Report

## Note 7 Financial fixed assets

Parent Company - DKK 1,000

	Investments in subsidiaries
Cost at January 1 <sup>st</sup> 2015	209.972
Cost at December 31 <sup>st</sup> 2015	209.972
Revaluations at January 1 <sup>st</sup> 2015	-12.767
Changes in equity	-7.108
Profit for the year	58.262
Revaluations at December 31 <sup>st</sup> 2015	38.387
<b>Carrying amount at December 31<sup>st</sup> 2015</b>	<b>248.359</b>

Name	Reg.office	Ownership	Share Capital
Milestone Systems A/S	Broendby, Denmark	100%	DKK 692.644
Milestone Italia S.R.L.	Milan, Italy	100%	EUR 20.000
Milestone Systems Inc	Oregon, USA	100%	USD 100
Milestone Systems UK, Ltd	London, United kingdom	100%	GBP 1.000
Milestone Systems France	Paris, France	100%	EUR 10.000
Milestone Systems Pte	Singapore	100%	SGD 100,100
Milestone Systems SL	Barcelona, Spain	100%	EUR 154.800
Milestone Systems (Australia) PL	Sidney, Australia	100%	AUD 1
Milestone Systems Bulgaria	Sofia, Bulgaria	100%	BGN 25.000
Milestone Sistemas do Brasil	Sao Pãolo, Brasil	100%	BRL 308.618
Milestone India	Bangalore, India	100%	INR 100.000

## Notes to the Annual Report

Parent Company DKK 1,000			Consolidated DKK 1,000	
2014	2015		2015	2014
<b>Note 8 Interest and other financial income</b>				
0	28	Interest from subsidiaries	0	0
0	0	Currency adjustments	12.370	13.506
0	0	Other financial interest and income	181	196
<b>0</b>	<b>28</b>		<b>12.551</b>	<b>13.702</b>
<b>Note 9 Interest and other financial expenses</b>				
15	0	Interest from subsidiaries		
0	-194	Other financial interest and expenses	-1.699	-856
<b>0</b>	<b>-194</b>		<b>-1.699</b>	<b>-856</b>
<b>Note 10 Tax</b>				
0	0	Current tax for the year	-4.452	-1.794
369	59	Change in deferred tax	-13.580	10.475
<b>369</b>	<b>59</b>	<b>Total tax for the year</b>	<b>-18.032</b>	<b>8.681</b>
<b>Attributable to:</b>				
0	4	Adjustments previous years	4	0
369	55	Tax on profit for the year	-17.114	2.014
0	0	Tax on changes in equity	-922	6.667
<b>369</b>	<b>59</b>	<b>Total tax for the year</b>	<b>-18.032</b>	<b>8.681</b>
<b>Note 11 Deferred Tax</b>				
0	0	Intangible Assets	40.546	35.042
0	0	Tangible Assets	-813	-433
0	0	Current Assets	1.666	833
0	0	Other obligations	-3.023	-2.943
-369	-428	Net Operating Loss	-1.149	-8.851
<b>-369</b>	<b>-428</b>		<b>37.228</b>	<b>23.648</b>
<b>Change in deferred tax</b>				
369	88	Change in Profit and loss	-15.597	3.125
0	0	Change in Equity	1.140	6.395
0	-29	Effect of change of local tax rates in P & L	1.095	683
0	0	Effect of change of local tax rates in Equity	-218	272
<b>369</b>	<b>59</b>	<b>Change in deferred tax</b>	<b>-13.580</b>	<b>10.475</b>



# Notes to the Annual Report

## **Note 12 Mortgages, securities and contingent liabilities**

*Consolidated and Parent Company*

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

## **Note 13 Contractual obligations**

*Consolidated*

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

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

## **Note 14 Related parties**

### **Related parties**

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

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

Milestone Group A/S is a subsidiary of Canon Europe NV, (The Netherlands, Amstelveen). The ultimate parent is Canon Inc. (Japan, Tokyo).

## **Note 15 Government grants**

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

# Notes to Cash Flow Statement

## Note 16 Cash Flow Statement

	Consolidated DKK 1,000	
	2015	2014
<b>Cash flow statement - adjustments</b>		
Depreciation intangible and tangible assets	57.062	53.989
Interest and other financial items	-10.852	-12.846
Corporate tax	17.110	-2.014
Other	2.795	117
Fair value of derivatives	-4.852	-27.213
Share-based payment	0	6.486
	<b>61.263</b>	<b>18.519</b>
<b>Cash flow statement - change in working capital</b>		
Change in receivables	-59.032	-15.971
Change in suppliers, provisions, etc	65.264	76.007
	<b>6.232</b>	<b>60.036</b>