

Årsrapporten er fremlagt og godkendt
på selskabets ordinære generalforsamling

dato *24 april, 2019*



Anne Krebs
(dirigent)

Milestone Group A/S

CVR 25 70 61 45

Årsrapport 2018

ANNUAL REPORT 2018

REACHING NEW FRONTIERS

MAKE THE
WORLD SEE

 milestone



1 Kensington
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KAGEN



John Lewis

BIG SAVINGS FOR LITTLE HELPERS

HELLO LDO.

GET UP TO 70% OFF RRP ON GREAT BRANDS THIS CHRISTMAS



Superdry



ERNEST JONES
THE OUTLET COLLECTION



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COMPANY PROFILE

Milestone in brief

Milestone is a leading provider of open platform IP Video Management Software; technology that helps the world see. Milestone enables an open platform community that drives collaboration and innovation in the development and use of network video technology, with reliable and scalable solutions that are proven in more than 150,000 installations worldwide. Founded in 1998, Milestone is a standalone company in the Canon Group.



OFFICES AND REPRESENTATIONS
22 countries



PARTNERS
+ 8,000



INSTALLATIONS
150,000

Our purpose

Make the world see.

What we believe in

Our values make up our cultural foundation. We strive to be Reliable, Open, Innovative, Flexible and Independent in everything we do.

How we behave

We place immense trust in our people. We use our Behavior Compass to express the **passion, growth, empowerment**, and **empathy** needed to build and maintain relations, as well as to make sound business decisions. It is all about **YOU**.

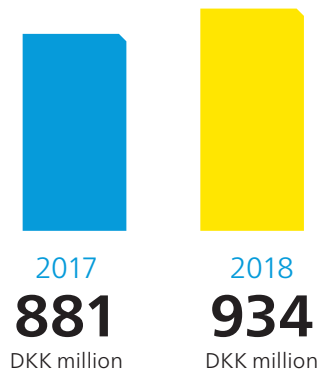
Our people

We have grown quickly, today we are around 750 people in 22 countries. We are truly diverse, with people on our team of all ages and from all corners of the world. Right now, 77 different nationalities work together at Milestone every day.

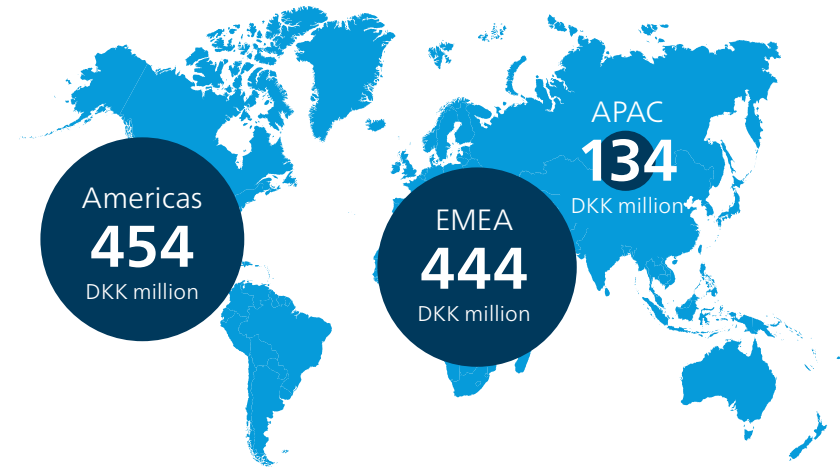
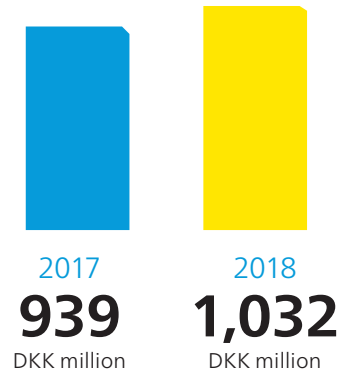
HIGHLIGHTS

Performance highlights of the year

NET REVENUE

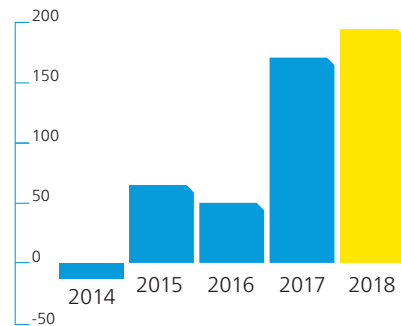


INVOICED REVENUE



Invoiced revenue by region

EBIT (DKK MILLION)



ACCELERATING INNOVATION

45%

In 2018, we decided to increase our development capacity by 45% before the end of 2019. Our goal is to develop unique market innovations that meet future market demands within six key areas. These investments take place in Copenhagen, Sofia, and Barcelona.

EMPLOYEE SATISFACTION (1-100)

78 Satisfaction and motivation

86 Loyalty

Milestone employees rated their satisfaction and motivation at 78 and their loyalty at 86 out of 100 in the annual Global Employee Survey. In 2018, 96% of all employees participated. These numbers are very pleasing, as we work hard to retain and develop our team.



We are very ambitious, with clear strategic objectives and well-defined actions to help us succeed.

Lars Thinggaard
President & CEO



LETTER FROM OUR CEO

Our people and our unique culture drive results

For the 10th year in a row, Milestone was in June 2018 once again ranked the number 1 global Video Management Software (VMS) provider, according to market research from the business intelligence provider IHS Markit. We have year over year been able to grow faster than the market and won market share.

In 2018, our net revenue increased to DKK 934 million from DKK 881 million in 2017. Operating income (EBIT) grew to DKK 195 million from DKK 171 million in 2017, which is equal to a growth of 14%.

We are proud of these results. They reflect our substantial investment in people, our open platform community, and research and development. They tell us that we are on the right track.

We are very ambitious, with clear strategic objectives and well-defined actions to help us succeed. But strategy is nothing if you do not have the culture that will make it happen. We invest in our people and in our unique culture every single day. We depend on our engaged and motivated workforce's ideas, initiative and loyalty.

In our recent internal survey, our employees scored their satisfaction and motivation at 78 and loyalty at 86 points out of 100. This makes me very proud, but we do not take it for granted.

In 2018, we took a closer look at our employer brand and started applying a more structured approach to recruiting and retaining the brightest hearts and minds around. A necessary maneuver, because we are constantly on the lookout for potential new colleagues all over the globe to support our rapid growth.

Other highlights of 2018

- We decided to increase our 2018-2019 development capacity by 45% to accelerate our innovation.
- We released three major software updates and introduced two new hardware products aimed at boosting capacity, privacy and performance.
- We launched Milestone Store, a portal that makes it easier for our partners to place orders and integrate with existing platforms and devices.
- We hired almost 200 new colleagues across markets, functions and nationalities. Today, 77 nationalities are represented in Milestone.

Our digital responsibility: privacy needs to be protected

We want to be on the forefront when it comes to privacy protection and digital responsibility. To us, the General Data Protection Regulation (GDPR) – the new European legislation regarding personal data protection – is not just about putting the necessary internal measures in place to make sure that we comply with the legislation. We initiated getting our XProtect® VMS products GDPR-certified and compliant, too. All in the name of living up to good business standards for digital responsibility.

What lies ahead

We have our work cut out for us in the years to come. We must prove our ability to execute as a result of increasing our innovation capacity. We will continue our quest to be on the forefront of industry demands by bringing even more innovation and co-creation to our products and services. We will also go beyond the traditional realm of the security industry to craft solutions for new business segments and purposes. At our core, and together with our valued partners, we improve safety, efficiency and well-being in our society.



We will continue to digitize our operations so that we are even better able to scale our business. By improving the Milestone Store and launching new online services, we will make it easier to do business with us and our partners. By leveraging CRM, ERP, Code Management Systems, and by using software robotics, we will automate key processes globally. And by delivering our new Marketplace platform, we enable a business environment that makes it easier for sellers and buyers in our community to meet.

We are in a good place when it comes to implementing our strategy. With our focus on people, strong company culture, employer brand and agile performance focus, I am confident that we will continue to live up to our purpose and responsibility.

Lars Thinggaard

President & CEO

FINANCIAL REVIEW

Results are in line with expectations

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

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

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

The total Balance Sheet as of December 31, 2018, was DKK 1,201 million, compared with DKK 932 million on December 31, 2017. The total equity was DKK 630 million at the end of 2018, compared with

DKK 483 million at the end of 2017. Cash at bank and in hand as of December 31, 2018, was DKK 249 million, compared to DKK 201 million on December 31, 2017.

Our financial position is considered sufficient.

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

Establishment of Arcules Inc.

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

Expectations for 2019

Industry analysts expect continued growth in the video surveillance

equipment market and we expect to further strengthen our global market position.

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

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

5-YEAR SUMMARY

Consolidated key figures

DKK '000	2018	2017	2016	2015	2014
Income Statement					
Net revenue	934,445	881,138	709,037	602,423	457,891
Gross margin	858,117	808,756	651,126	567,960	440,488
Operating income (EBIT)	194,474	170,671	49,276	64,222	-14,752
Net financials	14,356	-16,743	1,048	10,852	12,846
Profit before corporate tax	208,830	153,928	50,324	75,074	-1,906
Net income	170,815	116,722	41,349	57,964	108
Balance Sheet					
Balance sheet total	1,200,850	931,561	748,517	630,160	497,527
Investment in tangible assets	28,449	13,793	11,450	11,276	5,870
Equity	630,475	482,852	339,695	293,625	244,073
Cash Flow Statement					
Cash flow from operating activities	130,772	140,166	2,392	135,937	85,356
Cash flow from investing activities	-82,049	-95,223	-96,380	-88,830	-59,849
Cash flow from financing activities	0	0	0	-2,941	48,686
Change in cash and cash equivalents	48,723	44,943	-93,988	44,166	74,193
Employees					
Average number of full-time employees	658	586	569	472	404
Number of employees at year-end	733	635	599	554	445
Key Figures					
Gross margin	91.8%	91.8%	91.8%	94.3%	96.2%
EBIT margin	20.8%	19.4%	6.9%	10.7%	-3.2%
Financial solidity	1.9	1.9	2.2	2.1	2.0
Return on equity	30.7%	28.4%	13.1%	21.6%	0.0%

SIGNIFICANT EVENTS OF THE YEAR

JAN

- **Milestone Integration Platform Symposium (MIPS)**
APAC and EMEA in January. Americas in February. More than 1,500 attendees in total.

MAR

- **Introduced System Builder Program**
- **XProtect software update 2018 R1**
Focus on performance and privacy

APR

- **Opened Milestone Store**
New online portal for distributors

MAY

- **Accelerating innovation**
Increasing innovation capacity by 45% over the next 18 months

JUN

- **XProtect software update 2018 R2**
Focus on hardware acceleration of system recording and mobile server
- **Milestone maintains global no. 1 VMS position for the tenth consecutive year**

SEP

- **Milestone elected best IT Security company by the Danish magazine Computerworld**
- **Techfestival in Copenhagen**
Sponsoring and participating
- **Research project with the Technical University of Denmark**

OCT

- **Opened new experience center in Melbourne, Australia**
- **XProtect software update 2018 R3**
Focus on tighter integration of cameras with built-in analytics
- **Hosted first-ever Milestone Hackathon and Milestone Developer Conference**
- **Research project with Copenhagen Business School**

NOV

- **Launched Milestone Husky™ X8 Network Video Recorder**

DEC

- **Launched Milestone Husky X2 Network Video Recorder**

BUSINESS MODEL

We create value through open platform software

Our business model defines the way we create value and results. It determines the key resources we bring into our products, services and processes, and the impact we create for customers, employees, owners, and society.

We are a world-leading provider of open platform IP Video Management Software (VMS) and Network Video Recorders (NVRs). We are dedicated to delivering a high-quality business video platform, on which our community of hardware, software and other partners can integrate their video solutions for security purposes and beyond. Our solutions are sold through a distribution and partner channel and are available in most countries around the world.

Our resources

Our available resources are the basis of our business. They define the focus areas of our investments in people, organization, technology, and capacity. We have a Scandinavian leadership model and believe that an open style with our employees is key to reaching our goals. We invest in people, culture, partner relations, technology, and innovation to succeed with our strategy.

Our core activities

Our purpose is to make the world see. It is at the very center of our core activities, which are defined within four strategy pillars: Products, Markets, Go-to-market and Organization. Our starting point is developing **products** that meet customer needs and are intuitive and easy to use. Next, we identify **market** opportunities and pursue a leadership position. Then we **go-to-market** through developing and growing a scalable partner and distribution network. This is a perpetual circle of activities. To succeed, we build and sustain our strategic leadership abilities and a high-performing **organization**.

Our impact

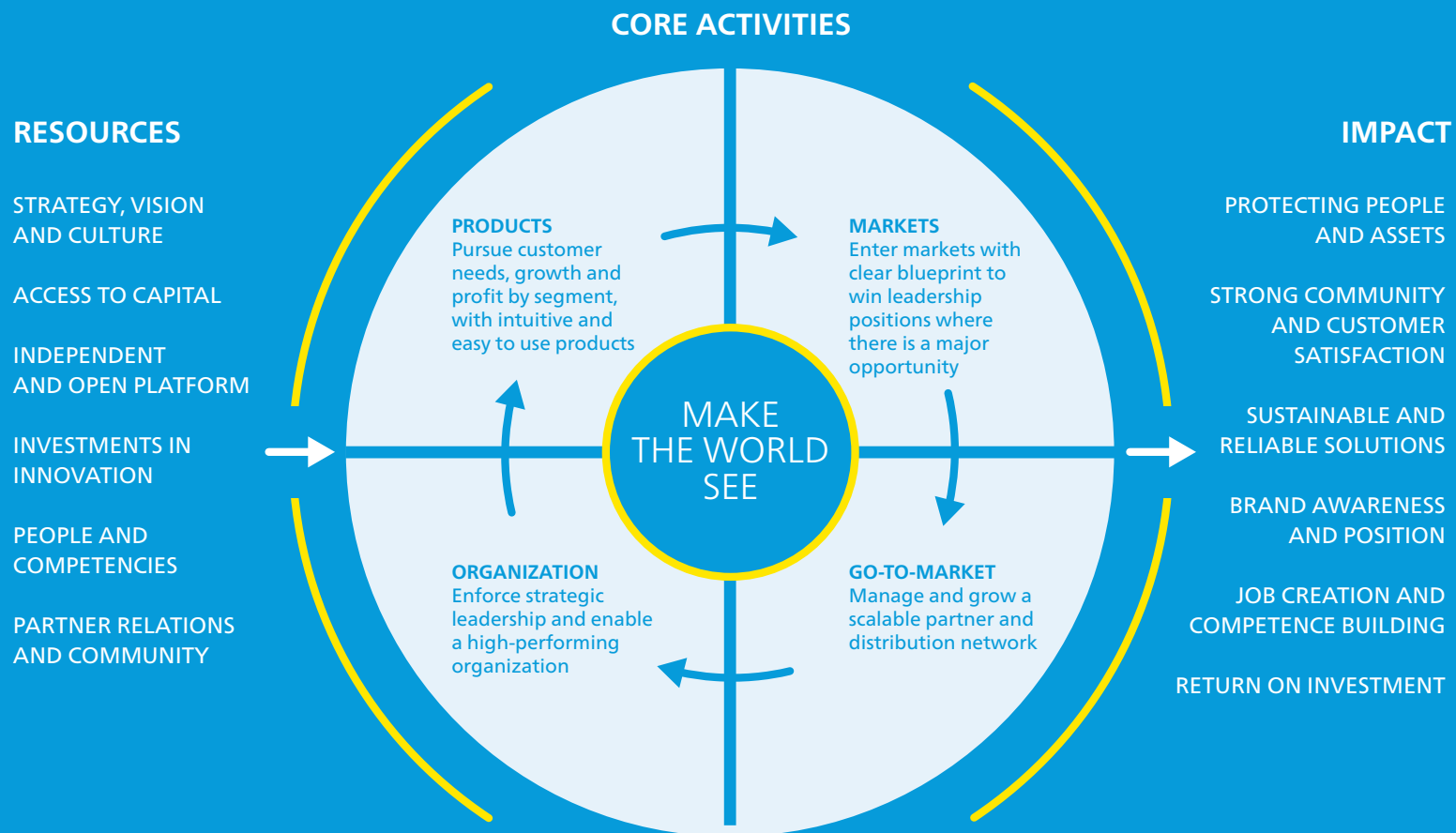
Our impact defines how we influence and create value for our stakeholders. Our solutions help protect people and assets and we create sustainable and reliable solutions that result in customer satisfaction, a strong brand, jobs, and new competencies. Our return on investment benefits Canon Inc., employees and customers.





BUSINESS MODEL

We have a Scandinavian leadership model and believe that an open style with our employees is key to reaching our goals.



STRATEGY

Our strategy helps us to perform and grow

The Milestone strategy is a long-term plan founded on our strategic pillars, objectives, and value drivers.

We use our strategy map to communicate Milestone’s purpose, direction, strategy and culture:

- Strategy pillars make up our business foundation
- Strategic objectives guide us when we prioritize initiatives
- Value drivers are factors that create value for our customers and other stakeholders

What we keep a keen eye on

While our strategy map defines us as a business in the long-term, our focus areas narrow down targets for the coming three-year period (2019 – 2021). The four key focus areas are essential to implementing our strategy:

- 1 People first
- 2 Accelerate innovation
- 3 Digitize Milestone
- 4 Scale business

1 People first

Our employees, competencies, and culture are vital to our success. That is why we increase our investment in communication and recruitment – to shape and feed our company culture and strengthen our employer brand. We strive to continuously improve onboarding, development, and retention, for instance through our Milestone Leadership, Sales and Developer Academies. We develop and refine

agile systems, teams and work processes to support the business, sustain future growth and enable us to work together globally.

2 Accelerate innovation

We are currently increasing our development capacity by 45% to be able to deliver new innovative products and services. We focus on video processing power, metadata and analytics, and cyber security.

We will also launch initiatives that address needs beyond security, like Internet of Things (IoT) solutions for smart cities and businesses. And we are developing online solutions that connect buyers and sellers in our vast partner community.

3 Digitize Milestone

In the years to come, we will continue to digitize our products, services, and processes. We will improve

STRATEGY

STRATEGY PILLARS	Products	Markets	Go-to-market	Organization	
STRATEGIC OBJECTIVES	Lead industry innovation	Win segmented VMS market share	Strengthen our brand	Ensure long-term profitable growth	Improve performance organization
VALUE DRIVERS	Build platform desirability	Strengthen competitive position	Increase brand awareness	Increase revenue	Lead to inspire

This model presents the key elements in our strategy map. The strategic pillars, objectives and value drivers serve as a guide to internal and external stakeholders in terms of Milestone’s strategic focus.

STRATEGY



We develop and refine agile systems, teams and work processes to support the business, sustain future growth and enable us to work together globally.

the Milestone Store and launch new online services and portals for customers and our partners. We aim to automate key processes globally, for instance by leveraging CRM, ERP, and Code Management Systems and by using robotics to increase efficiency. In 2019, we will launch an online platform that will make it easier for sellers and buyers to meet – Milestone Marketplace.

4 Scale business

We will keep our strong focus on growing revenue, maintaining our gross margin level and ensuring our costs are in balance with our revenue. To scale our business, we will continue to strengthen our Information Technology (IT) and cyber security foundation, as well as to modernize IT and operations in general.

PRODUCTS AND INNOVATION

Optimizing for growth

In 2018, we had a strong focus on optimizing existing technology, products, and services. We intensified our developer relations and worked to make it even easier for customers to use and connect hardware and software.

At Milestone, we develop and offer Video Management Software based on an open IP technology platform. This means that developers, manufacturers, and customers can seamlessly integrate our software and hardware products into their own solutions. Innovation is at the core of our success and the basis of our technology platform, our community model and the solutions provided by our business partners. Our partners and customers create their own way of optimizing video technology and security systems, extending the value of the Milestone XProtect software.

A growing community

Every day, we support and expand our open platform community: device manufacturers, software developers, and engineers all work with and on our platform. Our application programming interface (API) and the Milestone Integration Platform Software Development Kit (MIP SDK) make

it possible to integrate any business application and system into our video management software. The possibilities are truly endless.

New software releases and hardware platforms

In 2018, we issued three new software releases for XProtect. In the first one – XProtect 2018 R1 – we optimized performance and privacy. We enabled industry-leading performance by using multiple NVIDIA graphics cards on top of Intel Graphics Processing Unit acceleration. The release also enabled selective blurring of video image areas, making it easy for Milestone users to comply with privacy requirements and regulations.

In XProtect 2018 R2, we introduced server-side hardware acceleration with NVIDIA. This enabled lower cost solutions, in which less hardware infrastructure is required to meet customer needs. XProtect 2018 R2 introduced hardware acceleration for the system recording and mobile server environments. XProtect 2018

R3 brought tighter integration of cameras with built-in analytics, starting with Axis cameras. It includes stronger and more secure system documentation and extended audio support for remote users.

We have been busy on the hardware front, too. We launched two new Network Video Recorders in 2018: the Milestone Husky X2 supports up to 133 cameras and the Milestone Husky X8 supports up to 780 cameras. The two new hardware platforms support our goal of keeping the total cost of ownership down, as less hardware is needed for a given installation compared to off-the-shelf standard servers.

New System Builder partner program

This year, we introduced the System Builder program. It enables hardware manufacturers to sell hardware with Milestone XProtect Essential+ pre-installed as free software. With this program, end-customers and partners in our community benefit from simplified deployment, a wider



PRODUCTS AND INNOVATION

selection of hardware, and the ability to increase or adapt their level of VMS functionality.

Accelerating innovation

In 2018, we decided to increase our development capacity by 45% by the end of 2019. Our goal is to develop unique innovations that meet future market demands within six key areas. These investments take place in Copenhagen, Sofia, and Barcelona.

We are now in the middle of boosting our capacity within deep driver integration, advanced rendering, IoT and metadata sources, online services, advanced data management, and the Milestone Integration Platform Software Development Kit (MIP SDK) – a set of comprehensive tools that make it easy to create applications for Milestone XProtect VMS.

With these substantial investments, we want to accelerate our leading position as an enabler of processing of video and data from solution

partners. We can clearly see that market trends are changing. And to be able to ride these new disruptive waves in the market, we must offer the most innovative video technology platform around – a platform that lets our partners address the wide range of challenges faced by our end-customers. We want to push our technology beyond the traditional security industry and help it play a unique role in areas like smart buildings and city development.

Cloud solutions

In 2018, California-based Arcules Inc. became a company in its own right. A spin-off from Milestone, Arcules wants to transform video into powerful intelligence by offering video cloud IoT solutions. The company addresses the significant unmet global market demands from large enterprises for Video Cloud IoT as a Service for security and business optimization. By separating the two entities, both Milestone and Arcules can focus entirely on what they do best.

Milestone works closely with Arcules on delivering valuable technology and know-how, ensuring the best possible foundation. Milestone and Arcules are both part of the Canon Group.

Co-creating with our partners

We spearhead an ever-increasing number of co-creation projects, awards, conferences, and collaborations across our open platform community. In 2018, we hosted or participated in:

- MIPS – Milestone Integration Platform Symposium
- MPOP – Milestone Partner Open Platform Conference
- Milestone Hackathon and Milestone Developer Conference
- Milestone Community Kickstarter Contest for developers
- Techfestival in Copenhagen
- Research projects with the Technical University of Denmark and Copenhagen Business School

OUR PEOPLE

Developing a culture that helps us perform

Milestone is a global company with around 750 employees. We are represented by regional offices and sales representatives in more than 22 countries. We adhere to a Scandinavian way of management, guided by a clear purpose and strong values.

At Milestone, we are committed to invest in people and culture. We have five clearly defined values and a Behavior Compass that serve as a guideline for our way of doing business, creating relations, making decisions, and liaising with our colleagues, partners and customers.

Our values

Our values make up our cultural foundation. They define us as a company and describe how we want to be recognized – internally as well as externally.

To create and sustain a strong, performance-oriented culture, we have established a number of initiatives that help improve manager and employee learning and development capacities.

Our Leadership Academy is for all managers and our Leadership Pipeline program is for middle management. These initiatives include best practice learning, sharing of tools and processes,

and inspiration for improving innovation capabilities and performance across functions and regions.

Retaining and recruiting the right people

About 200 new employees joined Milestone this year. Our ability to recruit and retain highly educated employees is essential to our business. That is why we established an employer branding project in 2018 – to optimize the way we communicate and recruit, and to enhance the understanding and attractiveness of Milestone among potential candidates.

An effective onboarding process is vital when we introduce new employees to Milestone. We hold quarterly regional onboarding days to communicate our story, values, and behaviors and to present our products, services and understanding of innovation.

We will invest heavily in our innovation power over the next few

years. This also entails recruiting highly qualified employees for the new developer teams. As we grow, we are also focused on preserving our entrepreneurial spirit. It helps teams and employees make local decisions and implement them.

Our annual employee survey tells us that our initiatives are working. In the 2018 survey, Milestone scored high compared with the industry benchmark, with 78 out of 100 on satisfaction and motivation and 86 on loyalty. Scores on reputation (85), cooperation (84), immediate manager (82) and job content (81) are also very satisfactory.

OUR FIVE VALUES

RELIABILITY We strive to deliver high-quality, dependable software that is proven and well-tested. We support each other, our partners, and our customers.

OPENNESS We are open with our stakeholders. We ensure that communication is open, honest, and continuous. Our open platform also forms the foundation of our compatibility with other technologies, integrations with other systems, and collaboration with our partners.

INNOVATION Drives our entrepreneurial spirit, passion, enthusiasm, and ambition. It inspires us to continually improve our knowledge base, develop new technology, and strengthen our relationships with partners and users.

FLEXIBILITY Milestone stays agile and responsive in our dynamic and complex environment. We give partners and customers the ability to choose products of varying complexity, to scale installations for future needs, and to integrate with other systems.

INDEPENDENCE The support for the widest choice in network hardware and devices gives our customers and partners the freedom to choose. Freedom in the work environment also allows Milestone employees to speak out and initiate new activities.



Culture builds agile teams

“Culture and values play a significant role in developing new sites and teams,” says Yassen Angelov Hristo, Engineering Manager in Milestone Barcelona. “Milestone has a strong culture. It defines the way we help each other, the way we meet our customers – and the way employees and managers work together. Culture is also the starting point when it comes to being agile. You can see it in our transparent and open leadership style, where challenges and dilemmas are met head-on the moment they emerge.”

Yassen Angelov Hristo has experienced the leadership culture first-hand in his career path. “After more than five good years at our development site in Bulgaria, I expressed a wish to pursue new management challenges. This opportunity in Barcelona was presented to me right after. It was exactly the challenge I was looking for.”

Yassen Angelov Hristo

Employed by Milestone at our Barcelona site in November 2018

Governance and risk management is essential

Milestone has a systematic approach to governance and risk management. As a growing technology company, we encounter both challenges and opportunities that must be addressed to preserve strong relationships with all our stakeholders.

As a truly international company, our governance measures are essential to running the business in an effective and transparent way. We believe in an open and trusting work environment in which our purpose, values and behaviors serve as practical guidelines for managers and employees.

Our strategy map describes how this environment connects with our management style and company ambitions.

In 2018, we updated our strategy map, including strategic objectives, value drivers and KPIs. The strategy map serves as an important tool in monitoring and communicating progress and results to our owner, the Board of Directors, management and employees.

Our Board of Directors follow an annual wheel of topics and procedures which are addressed at board meetings. These include a strategy outlook, review of policies, budget status, preparing the annual general meeting, review

of remuneration and board self-assessment.

Risk management

Our approach to risk management is formulated into a policy that we use to identify and manage potential events which may affect Milestone's ability to meet our strategic objectives. For Milestone, risk management is an ongoing, cyclical process that includes five steps to be performed by top management and key stakeholders related to the identified risks.



GOVERNANCE AND RISK

Business risks

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

Our strategic work is essential to the progress and continued development of our business, and it also serves to mitigate identified risks. We strive to maintain and accelerate our position in the market for Video Management Software (VMS), and one driving force is our “Company to Community” initiative where we develop platforms and support for the collaboration with our partners, developers, customers, and end-users.

We are increasing our development capacity and accelerating our innovation to explore new products and services.

Cyber security risks are confronted through our strategic work to safeguard our digital security and as the foundation of investments to continue to strengthen our IT systems.

Our worldwide market presence requires that we work in a strategic and focused way on cultural dilemmas as guiding principles for people behavior.

Our “people first” focus strengthens our employer branding and must be visible and real to all employees. It is implemented through a Culture Shaping project that aims to solve challenges through teamwork and through our Agile Performance Management program. The people focus is also founded in our Code of Conduct, our employee Behavior Compass, our risk and control framework and our training program on business ethics and compliance.



CORPORATE SOCIAL RESPONSIBILITY

Report on Corporate Social Responsibility, cf. Section 99 a of the Danish Financial Statements Act.

Our responsibility – principles, policies, and actions

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

Working environment and human rights

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

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

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

The environment

We believe that intelligent technology design can minimize adverse effects on the environment. We comply with applicable laws and when relevant, we include environmental protection in our contracts with partners (cf. 'Minimizing negative environmental impact', p. 21).

Anti-corruption and anti-bribery

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

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

Optimizing for the future

To optimize people growth and enhance responsible behavior, we are currently implementing a global strategic project "Shaping our Culture".

Our culture is deeply rooted in our company values and behavior. Our 2018 annual employee survey showed high scores across the board, exceeding the industry benchmark on satisfaction and motivation. We also scored exceptionally high when it came to equal opportunities. We apply survey instruments throughout the year to assess our physical and mental working environment and monitor employee retention.

We have set up channels for reporting concerns about irregular practice, and for GDPR requests on privacy rights. In 2018, we had a particular focus on communicating privacy rights.

We have implemented enduser contract terms to require compliance with applicable laws and to prohibit the use of our products to violate human rights and we encourage our partners to sign the Copenhagen Letter. We implement conflict mineral assessments into our contracts with hardware suppliers, and we require our partners to respect applicable export regulations.

Corporate Social Responsibility risks

Our global activities may expose us to risks and uncertainties related to our corporate social responsibility. Growing fast and expanding internationally, we use business opportunities with observance to minimize the risk of negative impact on the environment, climate, working conditions, and human rights. This negative impact could be:

- Power consumption related to products and solutions
- Energy consumption and waste disposal in our operations and offices
- Minerals used by suppliers
- Use of Milestone's software and solutions to violate personal integrity and human rights
- Indirect involvement through employees, suppliers, distributors or partners in bribery or corruption.

We mitigate these risks with our guidelines and activities, and have established risk management frameworks which include mechanisms and functions to ensure compliance and internal control.

Non-financial KPIs

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

Gender distribution

[Report on the gender distribution in the management, cf. Section 99 b of the Danish Financial Statements.](#)

A diverse workforce brings varied experiences, expertise, ideas, and innovation. We collaborate across Milestone, benefit from knowledge-sharing between culturally diverse groups and always look

for the best-suited candidate – regardless of their gender.

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

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

Minimizing negative environmental impact

Milestone is a leading player when it comes to intelligent technology design and software efficiency. In 2018, our IP video management software and video recording hardware became even more efficient. Because of this, we have minimized the negative environmental impact by design: we can reduce power consumption and save complete security solution and installation costs, as well as extend the lifespan of our hardware.

There are more of these improvements to come. We require our distributors to secure compliance with local environmental legislation, including the EU Battery Directive, the EU WEEE Directive and environmental fees. In 2018, we have replaced printers and other devices with more efficient hardware, and we have intensified the use of Skype meetings as an alternative to travelling.

We keep polar bears safe

The open platform video community helps humans and polar bears maintain a safe distance.

Every year, nearly 10,000 tourists pour into Churchill in Manitoba, Canada, to view the polar bears as climate change forces them to hunt closer to populated areas. City managers and conservationists alike were looking for a way to use technology to safely manage the situation.

Milestone teamed up with NMS Security and SpotterRF to help Polar Bears International and Utah's Hogle Zoo install a unique camera/radar solution to help the city of Churchill keep citizens and polar bears at a safe distance from each other.

"At Polar Bears International, part of our mission is to be involved with helping prevent conflicts between polar bears and humans," said BJ Kirschhoffer,

Director of Field Operations, Polar Bears International. "When we looked at what Churchill was dealing with, we thought it might be a good match for a camera and radar solution that we observed a few years ago on the other side of the continent."

"We're very happy with all the elements of the project. The radar units, the camera, the Milestone video management software, everything is working well," said Kirschhoffer.



We secure the premier U.S. youth sporting event

Milestone, Axis Communications, Extreme Networks and Lenel make the Little League Baseball® World Series safer.

The 72-acre Little League International complex includes two stadiums, a museum, parking, concessions and a gift shop, sponsor booths, a concourse pavilion, a media center, security and medical facilities.

"Our town of 6,500 people booms to almost half a million over the course of this annual event. Making sure it is both fun for families, and safe for all who take part, is of utmost importance. We have every confidence in Axis Communications, Extreme Networks, Lenel and Milestone to help us achieve these goals. They are tested and proven systems, with each of these companies leaders in their field, chosen to protect the players and fans from around the world," said Jim Ferguson, Assistant Director of Risk Management for the Little League Baseball World Series.



FINANCIAL STATEMENTS

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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 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act. The Annual Report is presented in accordance with the reporting provisions for large Class C enterprises.

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

Changes to accounting policies

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

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

Reporting currency

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

Consolidated 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.

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.

Derivative financial instruments and hedging activities

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

The Group documents at the inception of the transaction the relationship between

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

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

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

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

INCOME STATEMENT

Net revenue

Revenues are recognized in the income statement provided that delivery and

ACCOUNTING POLICIES

transfer of risk have been made to the purchaser by yearend. Revenues are recognized exclusive of VAT and net of discounts offered on sales.

Cost of sales

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

Research and development costs

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

Distribution and sales costs

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

Administrative costs

Administrative costs comprise salaries, bonuses and other employee costs and expenses, office costs, depreciation and amortization, and indirect costs such as rent

and technological infrastructure directly or indirectly attributable to administrative activities.

Other operating income

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

Results from investments in subsidiaries

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

Financial income and expenses

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

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

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

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

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

The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognized. In case of changes in the residual value, the effect on the depreciation charges is recognized prospectively as a change in accounting estimates.

Financial fixed assets

Investments in subsidiaries are

recognized and measured after the net asset value convention.

The balance sheet includes the proportionate ownership share of the net asset value of the subsidiary. The total net revaluation is transferred upon distribution of profit to "reserve for net revaluation under the equity method".

The reserve is reduced by dividend distributed to the parent company and adjusted for other equity movement in the subsidiaries.

Investments with a negative net assets value are recognized at DKK 0.

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

Other investments are measured at cost less write downs.

Impairment of fixed assets

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

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

ACCOUNTING POLICIES

Receivables

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

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

Prepayments

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

EQUITY

Reserve for development projects

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

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

Cash flow statement

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

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

Cash flows from operating activities

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

Cash flows from investing activities

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

Cash flows from financing activities

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

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand".

DEFINITION OF KEY FIGURES

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

		CONSOLIDATED DKK 1,000		PARENT COMPANY DKK 1,000	
	NOTE	2018	2017	2018	2017
Net revenue	1	934,445	881,138	0	0
Cost of sales		-76,328	-72,382	0	0
Gross margin		858,117	808,756	0	0
Research and development costs	3, 4	-190,124	-188,829	0	0
Distribution and sales costs	3, 4	-439,455	-381,646	0	0
Administrative costs	2, 3, 4	-63,580	-71,621	-318	-319
Operating profit		164,958	166,660	-318	-319
Other operating income		29,516	4,011	0	0
Operating income (EBIT)		194,474	170,671	-318	-319
Result from investments in subsidiaries	10	0	0	170,998	117,334
Interest and other financial income	5	16,540	8,573	112	120
Interest and other financial expenses	6	-2,184	-25,316	-29	-84
Profit before corporate tax		208,830	153,928	170,763	117,051
Corporate tax	7	-38,015	-37,206	52	-329
Net income		170,815	116,722	170,815	116,722
NET INCOME ATTRIBUTABLE TO:					
Owners of Milestone Group A/S		170,815	116,722	170,815	116,722
Net income		170,815	116,722	170,815	116,722

BALANCE SHEET

DECEMBER 31

ASSETS

	NOTE	CONSOLIDATED DKK 1,000		PARENT COMPANY DKK 1,000	
		2018	2017	2018	2017
Completed development projects		143,610	133,622	0	0
Development projects in progress		24,324	52,145	0	0
Other intangible assets		42,738	35,233	0	0
Intangible fixed assets	8	210,672	221,000	0	0
Other fixtures and fittings, tools and equipment		35,928	21,551	0	0
Tangible fixed assets	9	35,928	21,551	0	0
Investments in subsidiaries	10	0	0	586,553	438,746
Other investments		21,469	0	0	0
Deposits		8,033	5,784	0	0
Financial fixed assets		29,502	5,784	586,553	438,746
Fixed assets		276,102	248,335	586,553	438,746
Trade receivables		239,256	200,718	0	0
Receivables from group enterprises		346,922	229,123	43,590	45,453
Other receivables		4,710	17,932	34	34
Prepaid company tax		61,924	5,779	0	0
Deferred tax	11	3,831	5,953	170	118
Prepayments		19,037	22,255	0	0
Receivables		675,680	481,760	43,794	45,605
Cash at bank and in hand		249,068	201,466	466	140
Current assets		924,748	683,226	44,260	45,745
Assets		1,200,850	931,561	630,813	484,491

BALANCE SHEET

DECEMBER 31

EQUITY AND LIABILITIES

	NOTE	CONSOLIDATED DKK 1,000		PARENT COMPANY DKK 1,000	
		2018	2017	2018	2017
EQUITY					
Share capital		744	744	744	744
Reserve for net revaluation according to the equity method		376,581	228,774	376,581	228,774
Retained earnings		253,150	253,334	253,150	253,334
Capital and reserves attributable to owners of Milestone Group A/S		630,475	482,852	630,475	482,852
Total equity		630,475	482,852	630,475	482,852
Deferred tax	11	39,355	46,413	0	0
Provisions		39,355	46,413	0	0
Trade payables		22,805	14,087	0	0
Payables to group enterprises		0	0	99	1,386
Corporation tax		68,850	36,753	0	0
Other payables		128,405	110,831	239	253
Deferred income	12	310,960	240,625	0	0
Short-term debt		531,020	402,296	338	1,639
Debt		531,020	402,296	338	1,639
Liabilities and equity		1,200,850	931,561	630,813	484,491

STATEMENT OF CHANGES IN EQUITY

	ATTRIBUTABLE TO OWNERS OF MILESTONE GROUP A/S				
	NOTE	SHARE CAPITAL	RESERVE FOR NET REVALUATION ACCORDING TO THE EQUITY METHOD	RETAINED EARNINGS	TOTAL
Equity at January 1, 2017		744	85,005	253,946	339,695
Exchange rate adjustment beginning of year				1,012	1,012
Exchange rate adjustment during year				-604	-604
Fair value adjustment of hedging instruments, end of year				33,368	33,368
Adjustment to deferred tax on hedging instruments, end of year				-7,341	-7,341
Net income for the year			143,769	-27,047	116,722
Equity at December 31, 2017		744	228,774	253,334	482,852
Exchange rate adjustment beginning of year	10			78	78
Exchange rate adjustment during year	10			95	95
Fair value adjustment of hedging instruments, end of year				-29,955	-29,955
Adjustment to deferred tax on hedging instruments, end of year				6,590	6,590
Net income for the year			147,807	23,008	170,815
Equity at December 31, 2018		744	376,581	253,150	630,475
DKK 1,000	2018	2017	2016	2015	2014
Share capital	744	744	744	744	744

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

According to the authorization passed by the Annual 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 31, 2018, treasury shares amounted to DKK 0 (2017: DKK 0).

CASH FLOW STATEMENT

	NOTE	CONSOLIDATED DKK 1,000	
		2018	2017
Net income for the year		170,815	116,722
Adjustments	16	79,084	153,909
Change in working capital	16	-78,540	-109,540
Cash flows from operating activities before paid financial items and tax		171,359	161,091
Financial income received		16,540	8,573
Financial expenses paid		-2,184	-25,316
Cash flows from operating activities before paid tax		185,715	144,348
Corporate tax paid/received		-54,943	-4,182
Cash flows from operating activities		130,772	140,166
Investment intangible fixed assets		-75,847	-81,442
Investment tangible fixed assets		-28,449	-13,793
Sale of property, plant and equipment		-697	12
Sale of fixed asset investments		22,944	0
Cash flows from investing activities		-82,049	-95,223
Change in cash and cash equivalents		48,723	44,943
Cash and cash equivalents at January 1, 2018		201,466	153,483
Currency adjustments		-1,121	3,040
Cash and cash equivalents at December 31, 2018		249,068	201,466
Cash and cash equivalents are specified as follows:			
Current asset investments			
Cash at bank and in hand		249,068	201,466
Cash and cash equivalents at December 31, 2018		249,068	201,466



NOTES

Note 1 Segment information

The revenue is segmented on the basis of where the main part of the processes and activities that generate the revenue have taken place, which follows the invoicing.

	CONSOLIDATED DKK 1,000		PARENT COMPANY DKK 1,000	
	2018	2017	2018	2017
Geographical segments				
Net revenue Denmark	38,966	33,512	0	0
Net revenue export from Denmark	885,906	813,671	0	0
Net revenue generated outside Denmark	9,573	33,955	0	0
	934,445	881,138	0	0
Product segments				
Surveillance-related products	934,445	881,138	0	0
	934,445	881,138	0	0

Note 2 Fees to independent auditors

Statutory audit fee	319	401	35	35
Other assurance engagements	0	0	0	0
Tax advisory services	551	452	0	0
Other services	266	421	0	0
	1,136	1,274	35	35

Note 3 Staff expenses

Wages and salaries	407,805	375,074	183	83
Pensions	18,240	16,750	0	0
Social contributions	17,825	31,178	0	0
Other staff expenses	47,056	31,335	0	0
Capitalized development costs	-49,433	-56,901	0	0
	441,493	397,436	183	83

Average number of employees

	658	586	0	0
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Staff expenses are recognized as follows:

Cost of sales	4,171	0	0	0
Research and development costs	102,647	93,682	0	0
Distribution and sales costs	289,141	258,650	0	0
Administrative costs	45,534	45,104	183	83
	441,493	397,436	183	83

In 2018, DKK 450K (2017: DKK 450K) has been paid to Management and to the Board, for their services rendered to Milestone Group A/S during the year.

Note 4 Depreciation and amortization of intangible and tangible fixed assets

	CONSOLIDATED DKK 1,000		PARENT COMPANY DKK 1,000	
	2018	2017	2018	2017
Completed development projects	56,372	59,434	0	0
Other intangible assets	8,572	5,132	0	0
Other fixtures and fittings, tools and equipment	12,715	10,629	0	0
Gains and losses fixed assets	697	112	0	0
	78,356	75,307	0	0

Depreciation and amortization of intangible and tangible fixed assets are recognised as follows:

Cost of sales	29	0	0	0
Research and development costs	62,795	64,673	0	0
Distribution and sales costs	13,230	7,645	0	0
Administrative costs	2,302	2,989	0	0
	78,356	75,307	0	0

Note 5 Interest and other financial income

Interest from Group companies	1,858	900	112	120
Currency adjustments	12,879	0	0	0
Other financial interest and income	1,803	7,673	0	0
	16,540	8,573	112	120

Note 6 Interest and other financial expenses

Interest from group companies	0	0	24	57
Currency adjustments	0	23,275	0	20
Other financial interest and expenses	2,184	2,041	5	7
	2,184	25,316	29	84

Note 7 Tax

Current tax for the year	37,253	37,813	0	0
Adjustment current tax prior years	872	3,392	0	0
Change in deferred tax	-6,793	5,693	-52	329
Adjustment deferred tax prior years	93	-2,351	0	0
Total tax for the year	31,425	44,547	-52	329

Attributable to:

Tax on profit for the year	38,015	37,206	-52	329
Tax on changes in equity	-6,590	7,341	0	0
Total tax for the year	31,425	44,547	-52	329

NOTES

Note 8 Intangible fixed assets

CONSOLIDATED DKK 1,000	COMPLETED DEVELOPMENT PROJECTS	DEVELOPMENT PROJECTS IN PROGRESS	TOTAL DEVELOPMENT PROJECTS	OTHER INTANGIBLE ASSETS
Cost at January 1, 2018	518,169	52,145	570,314	48,537
Additions for the year	35,446	24,324	59,770	16,077
Disposals for the year	-31,159	-11,674	-42,833	-78
Transferred to completed	40,471	-40,471	0	0
Cost at December 31, 2018	562,927	24,324	587,251	64,536
Depreciation and Impairment at January 1, 2018	-384,547	0	-384,547	-13,304
Depreciation for the year	-56,372	0	-56,372	-8,572
Depreciation on disposals for the year	21,602	0	21,602	78
Depreciation and Impairment at December 31, 2018	-419,317	0	-419,317	-21,798
Carrying amount at December 31, 2018	143,610	24,324	167,934	42,738

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

Note 9 Tangible fixed assets

CONSOLIDATED DKK 1,000	OTHER FIXTURES AND FITTINGS, TOOLS AND EQUIPMENT
Cost at January 1, 2018	53,127
Currency adjustment	624
Additions for the year	28,449
Disposals for the year	-3,587
Cost at December 31, 2018	78,613
Depreciation and impairment at January 1, 2018	-31,576
Currency adjustment	-476
Depreciation for the year	-12,715
Depreciation of sold assets for the year	2,082
Depreciation and impairment at December 31, 2018	-42,685
Carrying amount at December 31, 2018	35,928

NOTES

Note 10 Financial fixed assets

PARENT COMPANY DKK 1,000	INVESTMENTS IN SUBSIDIARIES
Cost at January 1, 2018	209,972
Cost at December 31, 2018	209,972
Revaluations at January 1, 2018	228,774
Changes in equity	-23,365
Currency adjustment	174
Profit for the year	170,998
Revaluations at December 31, 2018	376,581

Carrying amount at December 31, 2018

586,553

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	Portland, USA	100%	USD 100
Milestone Systems UK, Ltd	London, United Kingdom	100%	GBP 1,000
Milestone Systems France	Paris, France	100%	EUR 10,000
Milestone Systems Pte	Singapore	100%	SGD 100,100
Milestone Systems SL	Barcelona, Spain	100%	EUR 154,800
Milestone Systems (Australia) PL	Sidney, Australia	100%	AUD 1
Milestone Systems Bulgaria	Sofia, Bulgaria	100%	BGN 25,000
Milestone Sistemas do Brasil	Sao Pãolo, Brasil	100%	BRL 308,618
Milestone India	Bangalore, India	100%	INR 100,000
Milestone Systems Sweden AB	Stockholm, Sweden	100%	SEK 25,000
Milestone Systems KK	Tokyo, Japan	100%	JPY 10,000,000
Milestone Systems Germany GmbH	Munich, Germany	100%	EUR 50,000

	CONSOLIDATED DKK 1,000		PARENT COMPANY DKK 1,000	
	2018	2017	2018	2017

Note 11 Deferred tax

Intangible assets	44,463	45,752	0	0
Tangible assets	1,419	243	0	0
Current assets	-313	465	0	0
Other obligations	-7,637	383	0	0
Net operating loss	-2,408	-6,383	-170	-118
Deferred tax	35,524	40,460	-170	-118

Change in deferred tax

Other adjustments	-1,857	0	0	0
Change in profit and loss	203	1,513	-52	-464
Change in equity	6,590	-7,341	0	0
Change in deferred tax	4,936	-5,828	-52	-464

Note 12 Deferred income

Deferred income under one year	184,041	146,048	0	0
Deferred income over one year	126,919	94,577	0	0
	310,960	240,625	0	0

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

NOTES

Note 13 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 14 Contractual obligations

CONSOLIDATED

The Group has entered into operating leases with an average annual lease payment of DKK 4,773,000. The value of the remaining period to maturity of these leases totals DKK 11,869,000.

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

Note 15 Related parties

RELATED PARTIES

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

Related party with significant influence in the Company is Canon Inc. (Japan, Tokyo).

Milestone Group A/S is per December 31, 2018, a subsidiary of Canon Europe NV (The Netherlands, Amstelveen). The ultimate parent is Canon Inc. (Japan, Tokyo).

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

Note 16 Cash flow statement

	CONSOLIDATED DKK 1,000	
	2018	2017
Cash flow statement – adjustments		
Depreciation of intangible and tangible assets	78,356	75,307
Interest and other financial items	-14,356	16,743
Corporate tax	38,015	37,206
Other	434	-1,374
Fair value of derivatives	-23,365	26,027
	79,084	153,909

Cash flow statement – change in working capital

Change in receivables	-175,167	-123,618
Change in suppliers, provisions, etc,	96,627	14,078
	-78,540	-109,540

Note 17 Proposed distribution of profit

	CONSOLIDATED DKK 1,000		PARENT COMPANY DKK 1,000	
	2018	2017	2018	2017
Retained earnings	23,008	-27,047	23,008	-27,047
Reserve for development projects	147,807	143,769	147,807	143,769
Proposed distribution of profit	170,815	116,722	170,815	116,722

Note 18 Subsequent events

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

STATEMENT BY MANAGEMENT

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, – December 31, 2018.

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

In our opinion, the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at December 31, 2018, of the Company and the Group and of the results of the Company and Group operations and Group cash flows for 2018.

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

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

Copenhagen, April 1, 2019

Executive Management

Lars Thinggaard

Board of Directors

Lau Normann Jørgensen
Chairman

John Sergio Blem

Henrik Friborg Jacobsen

Jeppe Frandsen

Steen Strandkov Andersen
Employee elected

Artur Gevorkovic Magaljan
Employee elected

INDEPENDENT AUDITOR'S REPORT

To the shareholder of Milestone Group A/S

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December, 2018, and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 1 January – 31 December, 2018 in accordance with the Danish Financial Statements Act.

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

Basis for Opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

INDEPENDENT AUDITOR'S REPORT

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, April 1, 2019

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Jens Otto Damgaard

State Authorised Public Accountant
mne9231

Allan Knudsen

State Authorised Public Accountant
mne29465

MILESTONE LOCATIONS



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milestonesys.com/about-us/locations

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