

Milestone Group A/S

CVR 25 70 61 45

Annual Report 2019

The annual report was presented and
adopted at the company's Annual General
Meeting on 14 April 2020



Anne Krebs

Chairman of the meeting

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GROW

MILESTONE GROUP ANNUAL REPORT

TOGETHER

MAKE THE
WORLD SEE

◆ milestone

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PASSING A MILESTONE FOR MILESTONE

A couple of years ago, we challenged the company to achieve an annual net revenue of one billion Danish Kroner. 2019 was a big year for Milestone because we exceeded the challenge with a net revenue of DKK 1.03 billion.

Therefore, to start, we would like to thank all our employees and our business partners in the Milestone community for working together to make this happen. Milestone achieved this goal because we focus on long-term, sustainable growth. This is our way of running the company and as a result, over our 22 years in business, we have been profitable every year with a compound annual growth rate (CAGR) on net revenue of 14 percent over the last five years.

17 successful years

We also have to tell you that the 2019 Annual Report will be Lars Thinggaard's final duty for Milestone because, after 17 successful years, he has decided to resign from his position as President and CEO of Milestone Systems. For the last six years, since the company's acquisition by Canon Group in 2014, he has led Milestone as a standalone company in the Group. Under his leadership, Milestone has developed into a growth company with a strong team and a great future.

People First

Since our acquisition by Canon in 2014, we have nearly doubled the number of people working at Milestone. Not just any people, the long-term, sustainable growth

above requires great people. It is these people who are fueling our growth and who will continue to excel in finding future opportunities for Milestone. Consequently, it is very important for us to think carefully about how we continue to build our team.

We believe in People First, it comes ahead of everything else: ahead of technology, ahead of strategy, ahead of business ideas. Because we prioritize People First, we can attract the very best people to Milestone.

Flexible and open

Looking ahead, we see some significant changes in our industry because of the disruptive effect of new technology, and no one can know exactly how all this

will play out. In an economy like this, Milestone needs flexibility to pivot quickly as we find future opportunities for our business.


Along with Milestone, our community partners also need flexibility to meet the challenges of the future economy. We deliver flexibility to our partners through our open platform. Looking back, when Milestone talked about open, we were referring to our open technology platform, and how partners can integrate with Milestone's technology.

In 2019, we added Milestone Marketplace, our open business platform. Here, open refers to commerce and how partners can grow their business faster with Milestone.

With these two platforms we continue to bring the power of open to our partners.

To drive these Milestone platforms forward, in 2018, we planned to reduce our profitability for 2019 to fund a new program, Accelerate Innovation. The program called for significant investments to increase our research and development capacity. During 2019, we have established a new engineering hub in Barcelona and expanded our engineering teams in Copenhagen and Sofia.

The financial results for 2019 show the planned, reduced EBIT (earnings before interest and taxes) of DKK 124 million for the year. However, as we enter 2020, we are already starting to feel the energy of our stronger engineering team.



...it is very important for us to think carefully about how we continue to build our team.

Lars Thinggaard
President & Chief Executive Officer

Lars Larsen
Chief Financial Officer

Taking care of each other

At the start of 2019 we held our 14th Milestone Integration Platform Symposium (MIPS) in Copenhagen with the largest audience ever. Over 800 attendees came from 50 countries around the world. The continuing success of MIPS over many years is important because it shows that we take care of our community, and it sees Milestone as a great company to partner with.

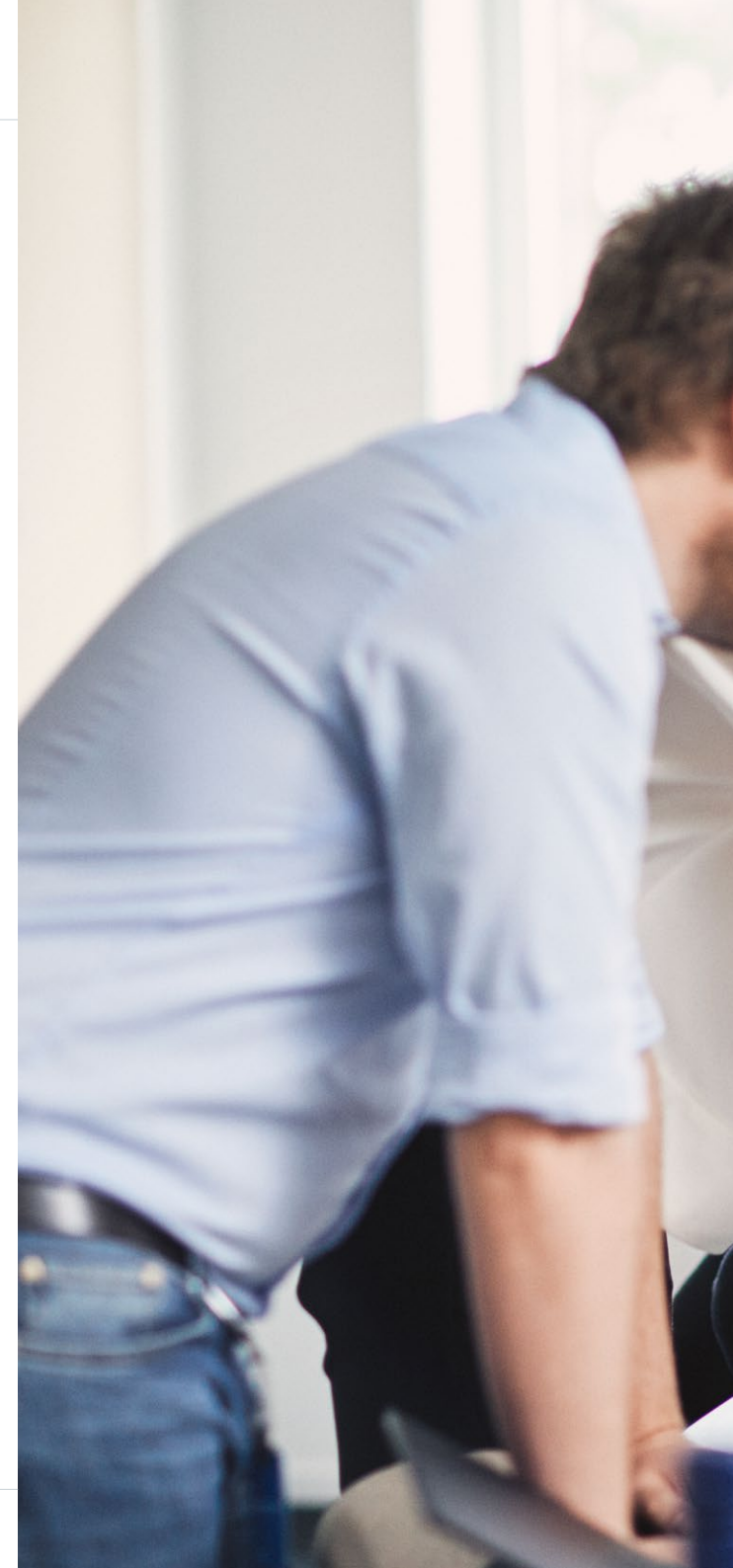
Equally important, we want to take care of our employees so that they see Milestone as a great place to work. Taking care of each other means maximizing each other's mental and physical energy and to achieve this, we strive to provide the best conditions for happy and healthy people. For example, healthy food options, massage, free health checks, access to gym and fitness training, creating spaces for reflection and collaboration.

“At Milestone, People First is not just a slogan. It means having smart, energized people in the right places because, at the end of the day, you bet on people, not on strategies.”

We do this because, while many things—strategy, technology, agility, etc.—are important for our success we have come to realize that it is about people above all else. At Milestone, People First is not just a slogan, it means having smart, energized people in the right places because, at the end of the day, you bet on people, not on strategies.

Lars Thinggaard
President & Chief Executive Officer

Lars Larsen
Chief Financial Officer





Agile ways of working

To use the power of open and the flexibility that comes with it, requires an agile organization. Starting in 2014, our Research & Development team began implementing agile ways of working by moving from a 6-18-month release cycle, to releasing software updates three times a year.

Since then, Milestone has been on a journey towards agile ways of working and in 2019, we implemented Agile Performance Management. We moved away from measuring individual output and instead, we now focus on the team effort.

These changes set Milestone up for faster growth and put us in a strong position to face the business challenges that 2020 will bring.

Our strategy already addresses many of the challenges we see ahead, for example:

- Continuing to find and recruit the best people to strengthen the Milestone team
- Realizing the return on our investment in the Accelerate Innovation program
- Becoming a truly agile organization that can pivot quickly as we find new opportunities.

WHAT DOES MILESTONE DO?



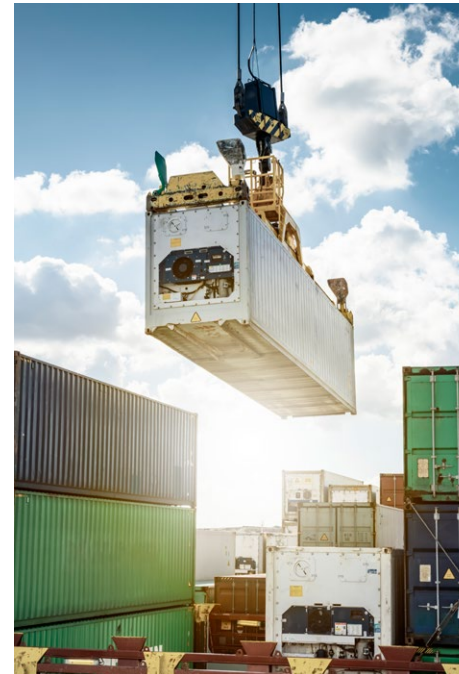
We use Milestone to see what's happening on our school busses to keep our students and staff safe.

→ **Canyons School District, Utah, United States.**



We use Milestone to see when our customers with disabilities arrive at our parking garage so that we can send a mobility chair to meet them at their car.

→ **Douglas Village Mall, Ireland.**



Our customers use Milestone to see where their cargo is in real-time.

→ **Global Cargo Panama, Panama.**



We use Milestone to see where our customers go and what they do to improve their shopping experience.

→ **Retail Therapy, United States.**



We use Milestone to see when wild polar bears are getting too close to our town so that we can manage the situation safely for our town, the tourists and the bears.

→ **Polar Bears International, Canada.**



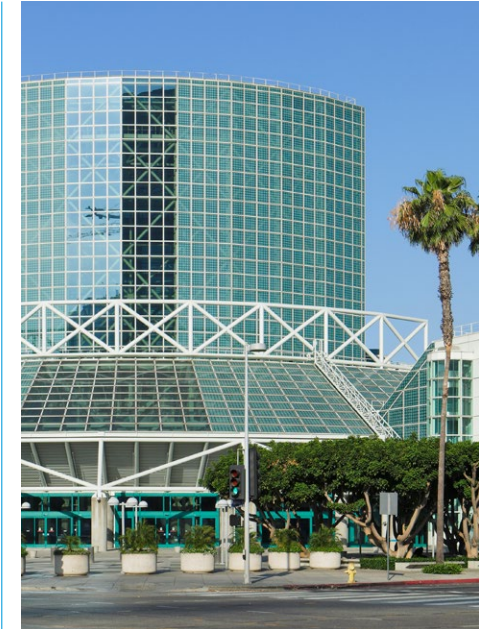
We use Milestone to see each and every child that's in our care at our children's hospital.

→ **Nemurs Children's Hospital, United States.**



We use Milestone to see when our pregnant guide dog mothers are going into labor. We can watch over them without being intrusive and be there when we're needed.

→ **Guide dogs Victoria, Australia.**



We use Milestone to see who is entering and leaving the convention center and check their credentials.

→ **Los Angeles Convention Center, United States.**

A close-up photograph of a person's hands holding a Raspberry Pi single-board computer. The person is wearing a blue sweater and a gold ring on their left hand. A blue-handled screwdriver is visible in the background. The background is a solid blue color. The text 'OPEN TECHNOLOGY' is overlaid at the bottom in large white letters.

OPEN TECHNOLOGY

MILESTONE SYSTEMS IN BRIEF

Milestone Systems is a global leader in open platform IP Video Management Software (VMS) and Network Video Recorders (NVRs) for IP, network-based video surveillance.

We deliver both an open business and an open technology platform, on which our community of hardware and software partners can grow their business and integrate their video solutions for security and beyond security purposes.

Our objective is to improve our customers' organizational processes and safety through the management, integration, and distribution of digital video data.

Based on Milestone's open technology platform, our software supports more than 8,500 cameras, hardware devices and

sensors. It is powerful, easy to use, and proven in more than 500,000 installations worldwide. The Milestone community is a network of over 11,000 resellers and integrators who integrate their products and applications on Milestone Systems' open technology platform.

Milestone Systems' solutions are available in most countries around the world, with regional offices and sales representatives in 23 countries. Milestone Systems was founded in 1998 and has been a standalone company in the Canon Group since 2014.

+ **500,000**
Installations

+ **11,000**
Resellers & Integrators

+ **3,500**
Technology Partners

+ **450**
Software Integrations

+ **8,500**
Cameras Supported

+ **150**
Countries have Availability

+ **23**
Offices Worldwide

+ **900**
Employees

A man in a blue sweater is standing in a bright office, holding a smartphone and showing it to a group of people. The scene is lit with natural light from a large window in the background. A large green plant is visible in the foreground on the right. The overall atmosphere is professional and collaborative.

WE MAKE THE WORLD SEE

Why we are here

Our purpose is to Make the World See. We do this by developing and manufacturing better video technology to help protect people and assets throughout the world.

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, people growth, empowerment, and empathy needed to build a strong organization and make sound business decisions.

Our people

We have grown quickly and are now over 900 people in more than 23 countries. We are truly diverse, with people on our team of all ages and from all corners of the world. Right now, 62 different nationalities work together every day at Milestone.

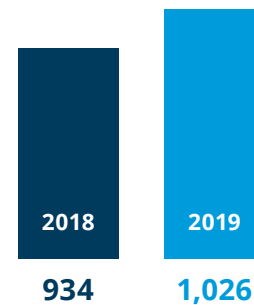
PERFORMANCE HIGHLIGHTS OF THE YEAR

Offices

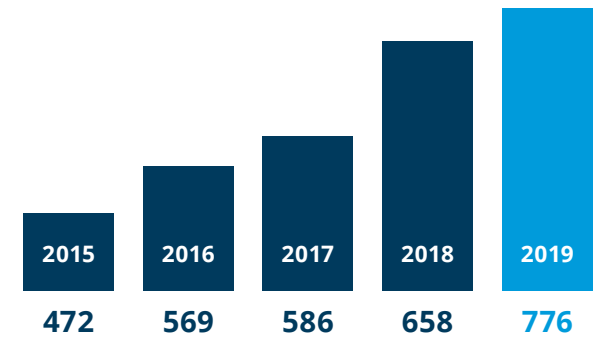
Milestone has offices in 23 places around the world

23

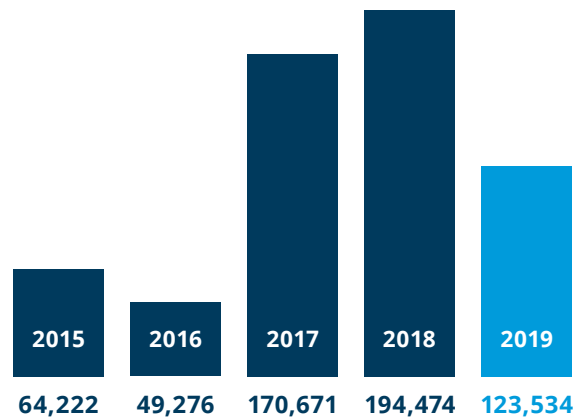
Net Revenue DKK million



Average number of full-time employees



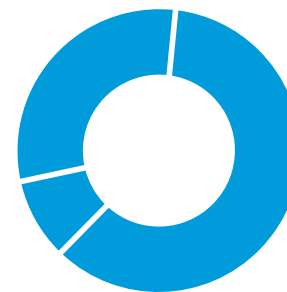
EBIT DKK million



Operating expenses — Growth in 2019 shown in percent Total DKK 844 million

+25%
R&D
DKK 237 million

+32%
Administration
DKK 84 million



+19%
Distribution & Sales
DKK 523 million

Employee satisfaction Loyalty

86

Milestone employees rated their satisfaction and motivation at 78 and their loyalty at 86 out of 100 in the annual Global Employee Survey in 2019. These numbers are very satisfying.

THE NUMBERS



CONSOLIDATED KEY FIGURES

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

DKK'000	2019	2018	2017	2016	2015
Income statement					
Net revenue	1,026,494	934,445	881,138	709,037	602,423
Gross margin	967,305	858,117	808,756	651,126	567,960
Operating income (EBIT)	123,534	194,474	170,671	49,276	64,222
Net financials	6,226	14,356	-16,743	1,048	10,852
Profit before corporate tax	129,760	208,830	153,928	50,324	75,074
Net income	98,284	170,815	116,722	41,349	57,964
Balance sheet					
Balance sheet total	1,478,862	1,200,850	931,561	748,517	630,160
Investment in tangible assets excluding lease assets	26,964	28,449	13,793	11,450	11,276
Equity	724,574	630,475	482,852	339,695	293,625
Cash flow statement					
Cash flow operating activities	239,921	130,772	140,166	2,392	135,937
Cash flow investing activities	-114,690	-82,049	-95,223	-96,380	-88,830
Cash flow financing activities	-26,004	0	0	0	-2,941
Change in cash and cash equivalents	99,227	48,723	44,943	-93,988	44,166
Employees					
Average no. of full-time employees	776	658	586	569	472
Number of employees at year-end	865	733	635	599	554
Key figures					
Invoiced revenue	1,165,573	1,031,946	938,698	805,260	701,414
Gross margin	94.2%	91.8%	91.8%	91.8%	94.3%
EBIT margin	12.0%	20.8%	19.4%	6.9%	10.7%
Financial solidity	2.0	1.9	1.9	2.2	2.1
Return on equity	14.5%	30.7%	28.4%	13.1%	21.6%

1,026,000,000

Milestone delivered 10 percent revenue growth and revenue exceeded DKK 1 billion.

In 2019, the Milestone Group's invoiced revenue grew to DKK 1,166 million, corresponding to an increase of 13 percent. After adjustments for revenue deferrals, impact from cash flow hedging and sales incentives, net revenue was DKK 1,026 million. This is an increase of DKK 92 million or 10 percent compared with 2018.

The positive revenue development was mainly derived from an increase in license and Care™ sales. Demand for VMS solutions continues to grow in all regions.

Results in our markets

We continued to increase sales and have signed several large projects in all regions during 2019. Invoiced revenue in the Americas region amounted to DKK 523 million, corresponding to an increase of 15 percent.

The North American market continues to show strong growth with Canada, Northern US and Southern US exhibiting favorable growth with key projects within education and technology industries.

This is partly offset by negative growth in the Caribbean region and Latin America caused by the current economic and political situation.


The APAC region grew by 16 percent and invoiced revenue amounted to DKK 156 million. India delivered strong growth signing several key strategic projects within industries such as technology, police and financial services during the year.

Japan, South Asia and North Asia developed satisfactorily and grew in line with expectations. The South Pacific markets did not develop as expected, with decreased sales in New Zealand.

In the EMEA region, invoiced revenue amounted to DKK 487 million representing a growth of 10 percent.

The emerging markets, Southern Europe and Middle Europe, showed good performance and several large project deals were closed in the Middle East, France and Turkey within transportation.

Northern Europe decreased slightly mainly due to the United Kingdom not meeting expectations because sales were affected by the economic and political situation caused by Brexit.



APAC

+16%

DKK 156 million
invoiced revenue

EMEA

+10%

DKK 487 million
invoiced revenue

AMERICAS

+15%

DKK 523 million
invoiced revenue

Products and services

Invoiced revenue generated from Milestone licenses and certification amounted to DKK 658 million, equivalent to 56 percent of total revenue, and an increase of 12 percent compared with 2018. The main product in the Advanced segment is XProtect® Corporate representing 40 percent of license revenue. In the Business-Ready segment, the main product is XProtect Professional+, that represents 24 percent of license revenue. Both products continue to show good performance and are growing year on year.

Invoiced revenue generated from Care™ amounted to DKK 384 million, equivalent to 33 percent of total revenue and a strong increase of 22 percent compared with 2018.

Invoiced revenue generated from Other sources amounted to DKK 124 million, equivalent to 11 percent of revenue and a decrease of 4 percent compared with 2018. The main reason for the decrease is that our hardware business is declining in the EMEA region caused by the current economic situation in the United Kingdom and Germany, although this is partly offset by growth in the APAC and Americas regions.

Operating expenses

Operating expenses totaled DKK 844 million compared with DKK 693 million in 2018 representing an increase of 22 percent. The growth is mainly driven by higher costs for personnel and is a consequence of Milestone's increased focus on driving innovation and the continued expansion of our sales force. Operating expenses amounted to 82 percent of revenue compared with 74 percent of revenue in 2018.

Research and development

Research and development expenses amounted to DKK 237 million compared with DKK 190 million in 2018, corresponding to a growth of 25 percent following the investments in Accelerate Innovation, investments in Innovation Lab, increased focus on using staff on demand and increasing depreciation from capitalization of development cost. Total research and development expenses correspond to 23 percent of net revenue in 2019, an increase from 20 percent in 2018.

Distribution and sales cost

Distribution and sales costs amounted to DKK 523 million compared with DKK 439 million in 2018, representing an increase of 19 percent. The increased investment is driven by the addition of new headcount to accelerate and facilitate further growth, increased travel costs and increased depreciation as a result of investment in sales support systems (i.e. Marketplace and Salesforce). Total distribution and sales cost corresponds to 51 percent of net revenue, an increase from 47 percent in 2018.

Administrative expenses

Administrative expenses amounted to DKK 84 million compared with DKK 64 million in 2018. The increased investment is driven by consultants assisting on various projects, and an increased investment in communication and recruitment to shape our company culture and strengthen our

employer brand. Total administrative expenses corresponded to 8 percent of net revenue, an increase from 7 percent in 2018.

Income and balance sheet

An operating income (EBIT) of DKK 124 million was recorded for the year, compared with DKK 194 million in 2018. The decrease of 36 percent was a consequence of establishing Arcules Inc. and the subsequent sale of the related activities in 2018, the increase of our development capacity and investments in new headcount to accelerate further growth.

Profit before corporate tax was DKK 130 million in 2019, compared with DKK 209 million in 2018, corresponding to a decrease of 38 percent.

Milestone delivered a satisfactory financial result in which profit was in line with expectations and the planned decrease was due to the significant investments in growth initiatives.

The total value on our balance sheet as of December 31, 2019, was DKK 1,479 million, compared with DKK 1,201 million at December 31, 2018. The total equity amounted to DKK 725 million at the end of 2019, compared with DKK 630 million at the end of 2018. Cash at bank and in hand as of December 31, 2019, was DKK 347 million, compared with DKK 249 million on December 31, 2018. As a result, Milestone's financial position is considered strong and healthy.

Outlook

Industry analysts expect continued growth in the video surveillance equipment market for 2020, and Milestone expects to further strengthen our global market position.

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 2019, 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.

As a consequence of the COVID-19 virus outbreak at the beginning of 2020, forward-looking expectations, especially those that relate to future revenue and operating profit, are subject to risks and uncertainties which may cause the actual development to differ materially from the expectations. As of today, the COVID-19 virus outbreak has not affected our revenue to a degree where we see the need to lower our growth expectations for the coming year. The situation is being evaluated on a continuous basis by the Management.

THE POWER OF OPEN

Looking back, when Milestone talked about open, we were referring to our open technology platform, and how partners can integrate with Milestone's technology. In 2019, we added our open business platform. Here open refers to commerce and how partners can grow their business faster with Milestone.

Looking ahead we are living in a raging tornado of change fueled by digitization. The way we work will never be the same, the skills we need will be dramatically different. Analysts predict unprecedented wealth creation over the next ten years.

How do you grow your business in this future?

It's a different ball game and there is a real danger that you could get locked out of your own business. For example, it's tempting to fall in love with closed solutions, you can own your customers, lock them in. But think about it from the manufacturer's point of view, why do they like closed solutions?

Because they know they can lock you out. You win the customer, solve all the problems and deploy the solution. Maybe you get to maintain the customer for a year or so, then, you lose your dealership agreement. What choices are left for you? None.

On top of that, closed solutions limit the scope of innovation in your solution to a single manufacturer. As your single source for innovation, you have to hope they will deliver what your business needs for the future, and as the business saying goes "hope is not a strategy." In a world that is changing rapidly you need to plan on innovation coming from many sources to secure your company's future.

Closed solutions might look like the way to go, but the risk of being locked out, and the limited scope of innovation are serious consequences. That's why you need the power of open. With an open approach to your business, you can make the right choices to grow your business. To protect your business, you cannot be overly dependent on one manufacturer. If you are, you risk limiting your negotiating and innovation power and being left with no choices available to you.

Instead of taking everything from one manufacturer, open technology gives you the flexibility to customize two or three components into an open, best-of-breed solution. Through the power of open, you can plan for the unexpected and create choices for yourself when unforeseen change confronts your business.



MIPS 2020 Dallas

To close his keynote at MIPS 2020 in Dallas, Chief Sales & Marketing Officer Kenneth Hune Petersen, demonstrated the power of open for the MIPS audience.

By inviting the industry's leading manufacturers to join him on stage, he showed that they are working together with Milestone to give partners the freedom of choice they need to build open solutions.



VALUE THROUGH OPEN

We create value through our open platform, people and partners.

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

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

We operate our business through a two-tier distribution and partner channel and our solutions are available in most countries around the world.

01



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: Organization, Markets, Products and Go-to-market.

We strive to make Milestone a strong, high-performing organization with robust strategic leadership abilities so that we can sustain our perpetual circle of activity. Using this organization, our goal is to reach a leadership position in each of the markets we operate in, and we prioritize opportunities that will help us to achieve this goal. We develop products that meet customer needs, and that are intuitive and easy to use. Then, to go-to-market, we establish and grow a scalable partner and distribution network.

02



Our resources

We have a Scandinavian leadership model and believe that cooperation with our employees is key to reaching our targets.

Following this model, we invest in people, culture, partner relations, technology, and innovation to succeed with our strategy.

03

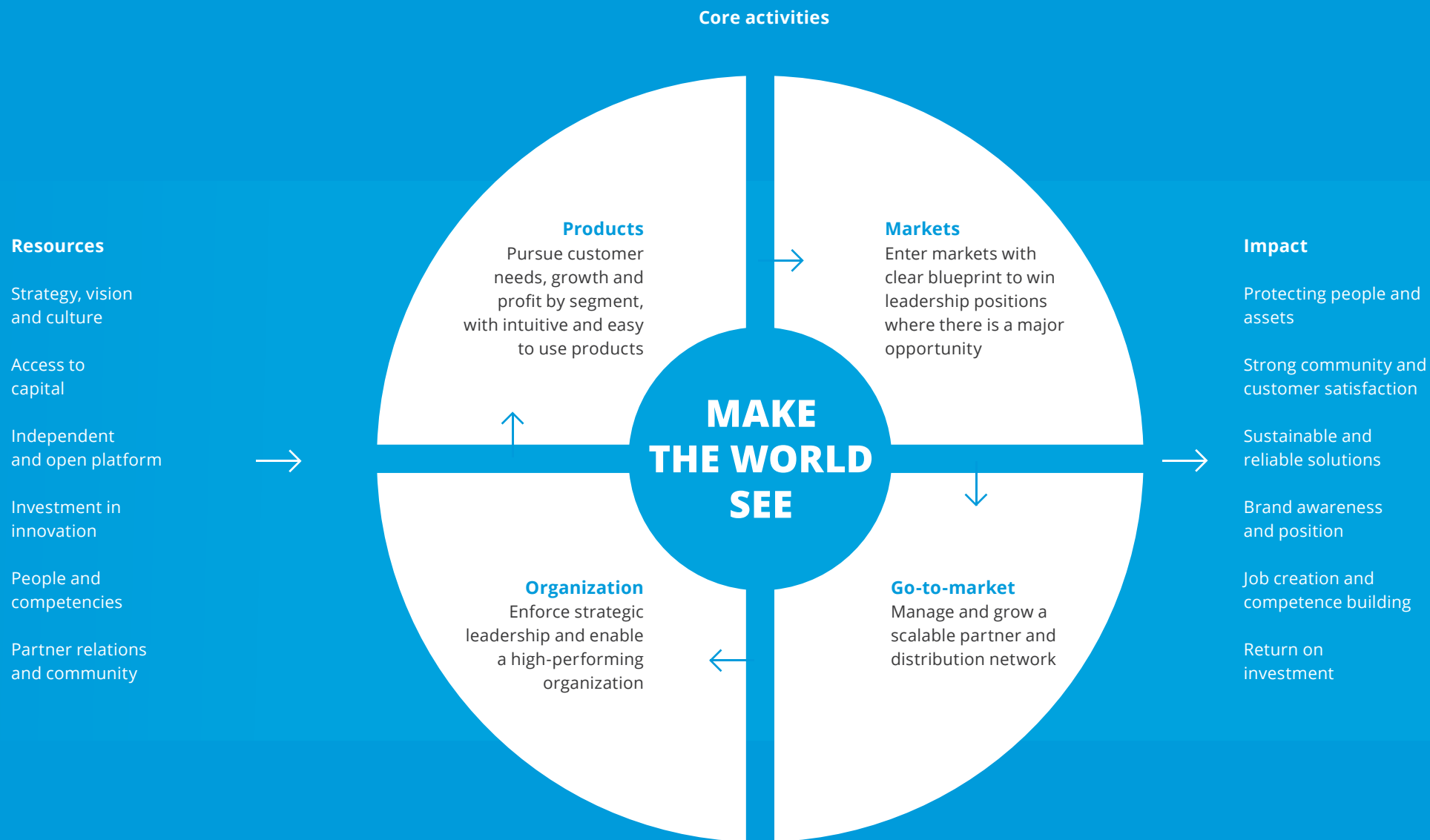


Our impact

We influence and create value for our stakeholders by creating sustainable and reliable solutions that protect people and assets.

The impact of our activities results in satisfied customers, a strong brand, jobs, and new competencies.

Our return on investment benefits Canon Inc., our employees and our customers.





OUR STRATEGY PAVES THE WAY TO THE NEXT ECONOMY

With four key focus areas, Milestone's strategy leads both management and people to excellent performance and future growth.

The strategy, covering 2020-2022, is all about business flexibility - for partners, customers and employees at Milestone. We believe in the technical flexibility that comes with the open technology platform, and that has been a trademark of Milestone since our early days.

But openness and flexibility must reflect all parts of our business and relationships. That's why, we have built this into our strategy; instead of a one-size-fits-all approach, we follow a flexible and dynamic plan that gives direction for the next economy.

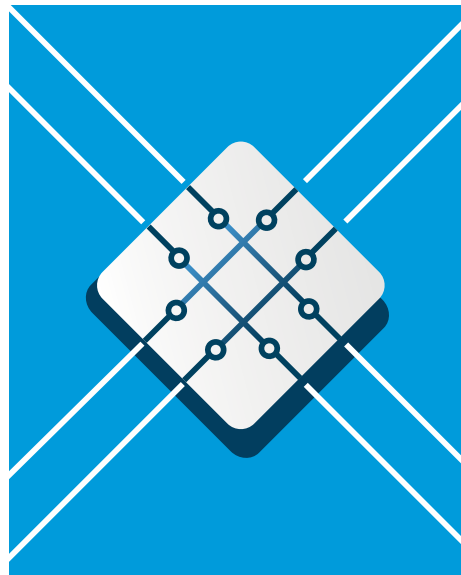
The strategy provides guidance for the decisions and actions we will take now, and in the coming years.



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



Digitize Milestone

In the years to come, we will continue to digitize our products, services, and processes. We will improve the Milestone Store and launch new online services and a help portal 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.

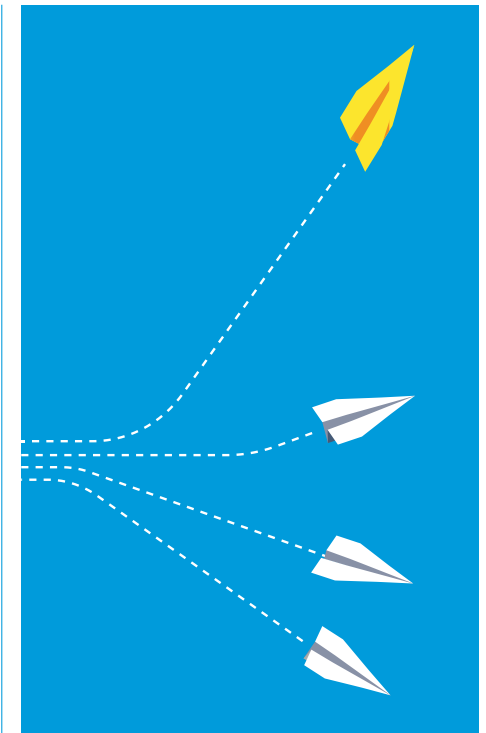
In addition, we will enable a transactional marketplace to ensure order-to-cash optimization and a contractual framework.



Accelerate Innovation

In 2019, we increased our development resources by 45 percent to further expand our capacity to deliver new innovative products and services.

Our focus was on video processing power, metadata and analytics, and cyber security. To deliver, we launched initiatives that address needs beyond security, for example, Innovation Lab to explore industrial Internet of Things (IoT) solutions for smart cities and buildings. Going forward, with these initiatives will enhance solution selling together with partners by expanding our Marketplace and collaborating with other technology market platforms.



Scale Business

We will keep our strong focus on increasing net revenue, maintaining our gross margin and level and ensuring our cost-to-revenue balance.

To scale our business, we will strengthen our Information Technology (IT) and cyber security foundation, as well as continue to modernize IT and operations in general.

STRONG POSITION IN THE IP SECURITY MARKET

The surveillance market is a diverse market with many players, business areas, and products. In recent years, while the IP security market has seen steady growth, several acquisitions suggest a trend towards consolidation is starting. Having already been acquired by Canon Inc., Milestone is well-positioned for growth.

The surveillance market has been growing steadily in the last 10 years, measured on revenue from surveillance cameras and hardware equipment sold, and on the development of the IP Video Management Software (VMS) market. According to the annual Omdia Video Surveillance & Analytics Intelligence Service (see disclaimer on page 73), the

IP market has moved from a diversified market of many suppliers with minor market shares, to a more focused market with fewer, larger players that dominate the market.

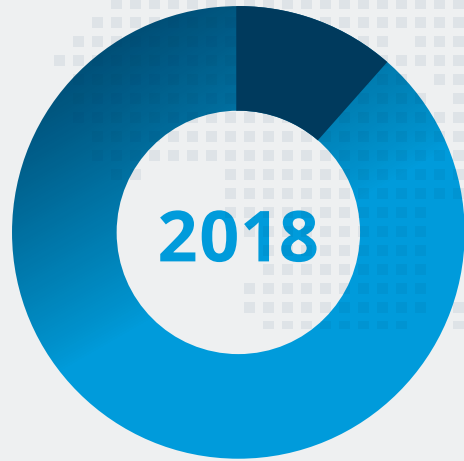
The IP market is expected to continue to grow in the future. In 2018, the size of the surveillance market was USD 18.2 billion

which included an IP camera market of USD 9.0 billion and an analog and HD CCTV camera market of USD 1.1 billion. In 2022, Omdia predicts that this will grow to a total of USD 25.6 billion, with USD 13.8 billion coming from the sale of IP cameras. Milestone is well-positioned to take advantage of the change that is taking place in the market. During the last 10

years, we have been a dominant player in the VMS market. In 2018, our global VMS market share was just below 10 percent in a market valued at USD 1.4 billion.

A growing IP video surveillance market

Source: Omdia, 2019.

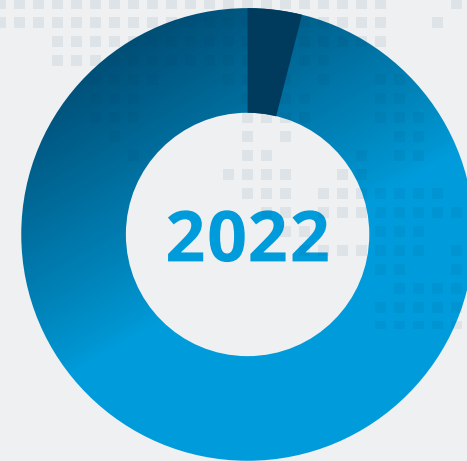


USD 9.0 B

IP Cameras

USD 1.1 B

Analog Cameras



USD 13.8 B

IP Cameras

USD 0.6 B

Analog Cameras



Milestone cybersecurity principles

Milestone XProtect VMS products provide the highest security protection against internal and external security threats:

High-level encryption and security (HTTPS) of web and mobile user access	Industry standards – ISO / IEC 29147:2018
Full authentication and authorization of third-party applications integrated via Milestone Integration Platform SDK (MIP SDK)	
Digital signing encryption and password protection of video databases and exports	HTTPS – secure camera connectivity
Strict and time-controlled user rights management, enforced server side SDK (MIP SDK)	
Possibility for physical separation of camera networks and client network	Product Security Incident Response Team (PSIRT)
All identified vulnerabilities scored according to an industry standard Common Vulnerability Scoring System	
Option for Windows AD user authentication via Microsoft NTLM or Kerberos authentication	Full traceability of user actions with audio log

DEVELOPMENT PRIORITIES IN 2020

Our annual product development priorities ensure that we maximize the value we deliver to our customers and users. We continually review these priorities according to our agile development principles.

Open Technology Platform

Our open technology platform allows any business application or system to access our VMS, letting users take advantage of the industry’s innovation. By making our platform open, we increase the value of our partners’ solutions today and in the future.

Looking ahead to 2020, we plan to continue empowering our community members by encouraging them to create and deliver the latest advances in technology. How? By adding more functionality to our Milestone Integration Platform Software Developers’ Kit (MIP SDK) and our Application Programming Interface (API) such as Rule Engine

Support and Metadata Search. We will also continue to release bi-monthly Device Packs, adding to our 8,500 supported devices and complemented by the Driver Framework. Hardware readiness will also be expanding through our System Builder program.

In addition, we will continue to work with the Open Security & Safety Alliance (OSSA), where we are a founding member. During 2020 the alliance plans to launch its offering designed to provide standards and specifications for common components including operating systems, IoT infrastructure, collective approach to data security and privacy.

We plan to further develop the Milestone Marketplace community, our open business platform, which contains a growing number of technology solutions and partners. In 2020, we will invite integrators and resellers to join the business platform as well.

XProtect®

Milestone XProtect is at the core of our platform and will remain the end-user's main gateway to a solid VMS experience. To remain a preferred VMS vendor, we will continue to develop and strengthen the software's native capabilities. Enhancements planned for 2020 include Meta Data Search and indexing and advanced performance on mobile devices. Ensuring security and integrity of all XProtect installations remains a top priority for Milestone. As you would expect, security is a core area in our product development. Following our cybersecurity principles, our approach is to minimize customers' exposure to risk by ensuring that our software and hardware is secure by design, secure by default, and secure by deployment. Our primary goal is to deliver a XProtect that is resilient to all threats and is certification-ready in every market.

Deployment in cloud

Increasing demand for cloud-based video management solutions motivated Milestone to embark on its journey to the cloud in 2019. Cloud, as a method of deployment, will be a key focus area in 2020 from both a product perspective and a go-to-market value proposition. For example, Video Surveillance-as-a-Service (VSaaS) allows users to remotely store, manage, record, play, and monitor surveillance footage entirely on the cloud or on secure servers.

The commercial principals that guide us in our journey to the cloud include:

- The cloud should be viewed as a new, or additional way of deploying a VMS. It allows us to leverage on VSaaS advantages while still benefiting from XProtect's rich feature set.
- New partnerships will arise from cloud deployment that will increase the reach of Milestone solutions and our brand by adding new competencies to the Milestone platform.
- Customers seeking cloud solutions will enter the VMS market via new channels. That means cloud propositions will be added on top of the traditional on-premise solutions.

It is important to note that Milestone views cloud-based VMS solutions as complementary to on-premise and XProtect. The open platform will remain Milestone's core offering and will now be available in a new deployment mode.

In 2020, we plan to introduce several hybrid cloud-based solutions to the market together with partners. These will cater for both the customer's technical needs, such as available infrastructure, and commercial needs, like performance, scalability needs, and capital investment.

Introducing in 2020



The Arcules-XProtect Hybrid VMS Solution is the first step in our journey to Cloud. It is a hybrid solution designed for customers looking to centralize their dispersed video surveillance operation. The solution combines VSaaS-deployment at remote sites with the XProtect on-premise VMS at headquarters.

The second offering in 2020 will be a Platform as a Service (PaaS) that brings the XProtect solution to the Amazon Web Services (AWS) platform. This allows for less deployment friction, easy scalability and the secure and reliable benefits of AWS.

Other cloud-based solutions, created by our developer community, are available on Milestone Marketplace.



SAFETY ABOVE ALL IN THE SOFIA SAFE CITY PROJECT

In 2018, Bulgaria held the Presidency of the Council of the European Union. This resulted in the presence of high-level officials, increased protest activity, civil disturbances and potential terrorist attacks. Therefore, a major focus was ensuring public safety via detection and prevention of potential security threats.

A key area to secure was the National Palace of Culture (NDK), where most scheduled events hosted 40,000+ delegates. To strengthen measures of safety and security it required limiting the number of system operators and increasing the efficiency of video feeds through analytical capabilities. The task was complex: most systems were separate, inadequate and lacking important functionality; legacy products from different vendors operated independently of one another; users could view video only from specific workstations; each system had to be monitored separately.

The solution:

The Ministry of Interior (MoI) and Sofia Municipality collaborated with a national partner to upgrade security both city-wide and at the NDK by designing and implementing an Integrated Automated Security System (IASS) linking video surveillance and information exchange systems. The Sofia Safe City digital transformation project led to shifting to a single tool for smart policing, enabling more information-driven decisions to be taken at any given time, and providing better instruments for subsequent investigation.

Digital technologies were leveraged via a Microsoft Domain Awareness System, making Bulgaria the first European Union (EU) country to implement this technology. Video streams were consolidated into a single Milestone XProtect® Corporate video management system (VMS) integrated with various internal systems (people/vehicles register, access control) and managing thousands of in- and outdoor cameras from nine different vendors (both analog and IP).

As a result, Milestone provided a platform for proactive monitoring and quick detection of an incident's location, enhancing law enforcement's ability to handle events effectively in different scenarios. Among them, automated alerts from license plate recognition (LPR) when a stolen vehicle's license plate is detected on camera, people running, unattended luggage, people loitering in a main venue and restricted areas, crossing a line etc.



“Milestone provided a unified platform for proactive real-time monitoring and quick detection of incidents among all surveillance centers at the Sofia Municipality and at the Ministry of Interior. This enhanced local law enforcement's ability to handle events effectively.”

Mladen Petrov

Director of Communication and Information Systems
Directorate, Ministry of Interior



CONNECTING CUSTOMERS WITH INNOVATION

In February 2019, we launched Milestone Marketplace, our first step towards an open business platform that helps partners grow their business faster. Milestone Marketplace provides an easy way to connect and build business relationships within the Milestone community.

Technology is advancing so rapidly that we all need to be flexible, robust and agile. That's why freedom of choice is at the very core of our open technology platform. Partners need similar flexibility to grow their business in the next economy, which is why we created

Milestone Marketplace, our open business platform.

Connecting people

Milestone Marketplace makes it easy for partners to explore how their solution can benefit from the latest technology

and innovation from the Milestone Community. Then, connect with the right people and documentation when it's needed. This is possible because Milestone is an open platform, and we have a unique position in the industry from which we can invite partners to work with us.

Listening to partners

To build Milestone Marketplace, we spent a year listening to our partners. Next, we mapped the complete customer journey from realizing a need, to buying and selling a solution.

We found that the biggest pain-point was the time it takes to research what is available and who can provide a solution.

Our answer: in phase one, an open business platform to connect our Technology Partners with potential customers.

Relevant information

Milestone Marketplace is tailor-made for the Milestone community and uses

a search strategy that is specific to the challenges our partners face. Of course, you could use Google, but this delivers thousands of search results. Using Milestone Marketplace, you will probably find ten ways to solve a customer's problem. What makes this unique for our partners is that all the software, hardware and services they find, are verified by Milestone and optimized to work with XProtect.

Rather than re-inventing the wheel over and over, Milestone Marketplace makes it easy for partners to connect with other partners and find existing, relevant solutions that they can build on top of. Customers (Solution Owners) can use Milestone Marketplace to discover the industry innovation that is available and which partners can help them with a solution. That is how Marketplace helps partners grow their business faster.



“Since we launched on Milestone Marketplace, we have had an increase in the number of potential clients looking at Design Automator as a business solution which has resulted in added sales enquiries. Utilizing the online service has given us an additional channel to market our software.”

Patrick Biggin, Head of Research and Innovation
Design Automator

2019 KEY RESULTS

Milestone Marketplace
is growing fast

200
product pages

400,000+
page views

130+
company pages

9,000+
“get in touch”
and downloads



1,000

new device drivers. 8,500 devices are supported on the Milestone platform.

GDPR

XProtect Corporate qualified for the GDPR-ready certification from the European Privacy Seal organization.

A STRONG YEAR FOR MILESTONE TECHNOLOGY

In 2019, our engineers were busy improving our products and strengthening the integration possibilities of XProtect. This is how Milestone continues to give community partners better choices to meet their customers' current and future needs.

MIP Driver Framework

Using this framework, manufacturers can develop their own device drivers, complete device compatibility testing faster and give their customers a deeper integration with XProtect.

Centralized Search

Users now have a single place to search for all types of data, including third-party applications. Using Centralized Search, you can find a specific incident or video sequence much more easily because all data types are grouped together in the XProtect VMS.

All search results are displayed the same way, and when you find something of interest, you can take immediate action, for example, create an export or make a bookmark. This makes investigating an incident much faster and more efficient.

An additional and powerful feature is that partners can integrate their own modules into the Centralized Search tab. During the development of Centralized Search, Milestone worked with BOSCH engineers to incorporate their forensic search capability. As a result, when customers want to use the BOSCH

forensic search capability, it appears as seamlessly integrated with XProtect.

1,000 new device drivers

At the end of 2019, 8,500 devices were supported on the Milestone open technology platform. Milestone is unique in having so many devices available and this gives customers the widest range of choices when they build their XProtect solution.

GDPR-ready certification

The 2019 R2 release of XProtect Corporate, Milestone's flagship VMS,

qualified for the GDPR-ready certification from the European Privacy Seal (EuroPriSe) organization. The GDPR-ready seal and the extensive guidelines and recommendations provided by Milestone help end-users reduce the cost of building a GDPR-compliant video surveillance operation.

IT'S TIME TO TAKE RESPONSIBILITY

Using technology to benefit humans and society has been part of Milestone's way of thinking for many years.

Since 2008, Milestone's end-user license agreement (EULA) has stated that our products cannot be used for the purpose of, or in connection with, a violation of the human rights of any person as set out in the United Nations Universal Declaration of Human Rights. If we find that our products are being used this way, we consider it a material breach of our

EULA. As a consequence, we may terminate the whole license for the product immediately without notice and rendering any further use of the product unlawful.

The Copenhagen Letter

More recently, at the first Copenhagen Techfestival in 2017, Lars Thinggaard,

Milestone's Chief Executive Officer (CEO), and Bjørn Skou Eilertsen, Chief Technical Officer (CTO), took part in a think tank together with 150 thinkers from around the world. The thought leaders created the Copenhagen Letter that was presented at the close of the event with this clear and solid message. (next page)



From a Millennials Point of View

As a young millennial, it means a lot to me that I'm working for a company that not only provides me with opportunities to grow professionally, but more important in my opinion, does not shy away from taking a stand on issues that influence and shape the future.

I'm really proud to be part of Milestone's initiative on Responsible Use of Technology, especially as I get the chance to work with our vision on how we drive positive change in our industry. Technology is here to stay, and as someone involved with creating and shaping it, I want to make sure it's being used as a force for good.

Subhi Irshed

Business Developer Manager,
Technology Business Development

The Copenhagen Letter

It is time:

- Time to take responsibility for the world we are creating
- Time to replace the empty rhetoric with a commitment to real action
- Time to organize, and to hold each other accountable.

Because Milestone's business is shaping technology for the future, this message inspired us to act. The letter clearly speaks to Milestone's culture and core values, People First is how we describe our management style, putting humans at the center of technology development. Having helped create the letter, Milestone responded with real action through an initiative to guide how we innovate and use technology; we call it the Responsible Use of Technology.

Responsible Use of Technology

Through this initiative, Milestone wants to amplify the language in the Copenhagen Letter and change the way everyone involved with technology development addresses and thinks about digital ethics and digital innovation.

As a leader in the global video technology industry, Milestone recognized the importance of taking a stand on the rising issue of technology governance. At Techfestival 2019, Bjørn Skou Eilertsen, challenged the audience to put the letter's message into practice, "we need a framework that helps us to think clearly and critically about the consequences of digital innovation. We need a language that addresses today's issues, and not a language that was designed for yesterday's problems. We need to start an open and public conversation about the power of technology."

With our global network of partners, Milestone brings tremendous power of innovation to society. We understand that with this power, comes responsibility to build technologies from trust so that we create fair and transparent societies.

Together, we can shape this innovation to ensure a better quality of life for us all.

Real action

To demonstrate our commitment to the Copenhagen Letter's call to "replace empty rhetoric with a commitment to real action," at MIPS 2019 we announced the Copenhagen Clause. The Copenhagen Clause is a new section that we added to our EULA effective June 19th, 2019.

By including the Copenhagen Clause in our agreements, Milestone is encouraging our partners to involve themselves in the important discussion on responsible use of technology, to sign the Copenhagen Letter and adopt the Copenhagen Clause in their own agreements. Together with our partners, we want to make a positive impact on the world and "leave our garden patch, a little greener than we found it."

It's time to take responsibility for the technology we are creating.





A new employee's story

"When you take a new job, it's like a bet. You don't really know the company and its culture so you're betting on your own future. I joined Milestone three months ago and it feels like I won my bet. The culture is informal, which I like, and everyone is very respectful in the way they treat each other. I really feel my team is looking out for me.

People are passionate here: they really get things done, and at the same time, they are happy to go to work. I think that's because as well as fast growth, Milestone wants people to have a healthy life, and the leadership genuinely supports this."

Mette Maarup

Strategy & Corporate Development

GROW OUR PEOPLE TO GROW OUR BUSINESS

When we ask what is unique about working at Milestone Systems, our employees tell us “I like it because I’m growing personally and my professional skills,” and “I get to decide on important things for my job, it’s not just a poster on a wall.”

Culture at Milestone is about People First. People like working at Milestone because the environment is diverse, and they feel included. You will hear them say, “we all take care of each other — it’s a good place to be.”

Driving growth

Driving growth means building the right team. First, we hire people that fit our

culture, then our managers provide empowerment and professional development to suit each individual. Balancing entrepreneurial culture and business growth requires a mix of people and an agile management approach. Milestone is a diverse team with over 60 nationalities globally. All parts of the organization are implementing agile ways of working: R&D, strategizing and performance management.

At Milestone, People First means we strive to provide the best conditions for happy & healthy employees and teams. Because of this, we can attract the best people and keep them year after year. This is how we grow our business.

Employee Wellness

To maximize each other’s mental and physical energy, we are working with:

Culture: cross-organizational collaboration and feedback skills.

Wellness: healthy food, access to gym, getting a health check.

Place: creating spaces for reflection and collaboration.

Engagement: prioritizing face-to-face time, walk/talk meetings.

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.

The role of management

Being a Danish corporation, we are governed by our Board of Directors in a dual-execution system of collaboration with the Executive Directors, consisting of our Chief Executive Officer (CEO) and our Chief Financial Officer (CFO). Our Board

of Directors has four shareholder-elected members, elected annually, and two employee representatives that joined the board in 2018, and are elected for a four-year term.

Milestone's overall objectives and policies are defined by our Board of Directors which also approves targets and strategies, and ensures structures are in place to roll out our corporate governance. The work of the Board of Directors follows an annual wheel of topics and procedures which are addressed at board meetings. These include a strategy outlook, budget status, financial results, annual reports, and

review of policies, including accounting procedures, internal controls, IT, treasury, insurance and budgeting.

Every year, the Board of Directors conducts a self-assessment of the board's performance. The review includes and addresses the efficiency of the board, the board composition and dynamics supporting its work, including topics such as agendas and discussions, strategy development and implementation, risk awareness, monitoring and reporting. The result of the assessment is presented and discussed by the Board of Directors following the annual board schedule.

The Executive Directors are responsible for the day-to-day management and compliance with the overall guidelines and policies approved by the Board of Directors.

The Executive Directors are also members of the Executive Management Team (EMT) together with the Chief Technology Officer

(CTO) and the Chief Sales and Marketing Officer (CSMO). The four members of EMT collectively represent and govern the business divisions in Milestone.

The EMT forms the strategies and drives the business operations supported by the group of Vice Presidents. Each Vice President carries the responsibility for a business division and manages the day-to-day operations together with the team of directors, managers and our many colleagues.

To convey our strategies and objectives to Milestone's employees, EMT has a keen focus on communication and visibility, which includes regular presentations of our culture, goals and business news that are live-streamed globally.

An updated strategy

In 2019, we updated our strategy map which was distributed as a one-page document to all employees. The strategy map provides the direction for 2020

and summarizes our purpose, direction, strategy and culture, including strategic pillars, objectives, value drivers and Key Performance Indicators (KPIs). The strategy map serves as an important tool that managers use to explain our company ambition to their teams and show how their individual contribution connects to our overall objectives and strategy.

Risk management

Executing strategy and managing business growth require a shared understanding of governance and risk management. Our governance and risk management systems and processes support an adequate balance between growth and risk in the Milestone business model. Milestone has an enterprise risk management system in place to identify, monitor, measure and manage the company's risks, which system consists

of three pillars: business risk, financial reporting risk and compliance risk. Our approach to risk management is documented in the Enterprise Risk policy in which each enterprise risk is assessed in terms of the following impact drivers; "financial", "technology", "market", "brand", and "organization" and in respect of the likelihood of an impact materializing.

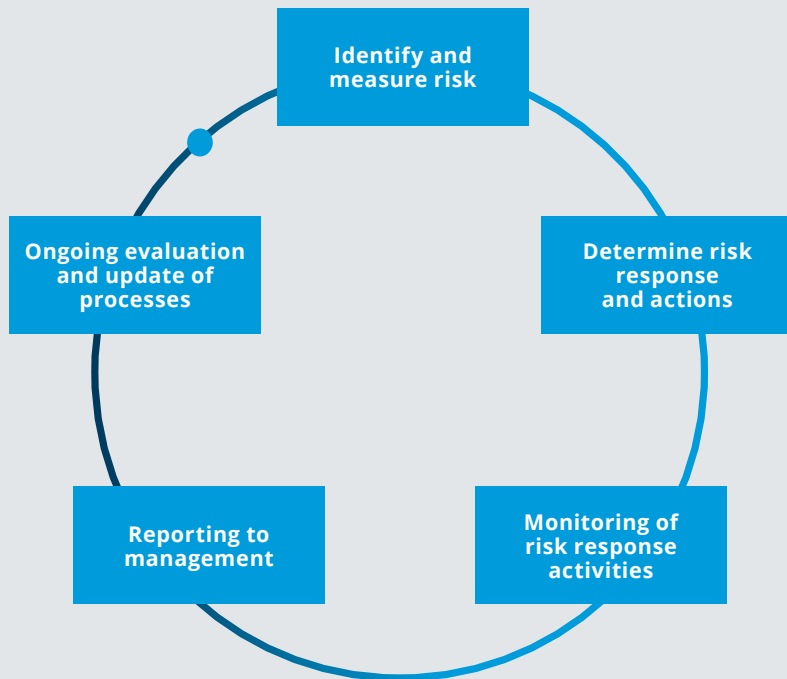
As part of the annual board schedule, the Board of Directors review the company's risk exposure, the system for risk monitoring and reporting, and the company's insurance coverage. The Executive Directors and EMT maintain a strong focus to ensure that risk management is an integral part of the decision making process. Using our policy for risk management, we identify and manage potential events



Rules of procedure – Annual wheel



Approach



that may affect Milestone’s ability to meet strategic objectives. Managing risk is an ongoing and cyclical process where executive management identifies and mitigates risk in five steps (see model).

Business Risks

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

To support the risk identification processes, in 2019, risk workshops were held with respective business divisions and key stakeholders.

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

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

- Partner dependencies
- Changed talent landscape
- Transformational ability risk
- Cyber threats

Mitigating risks

Our strategic work is essential to the progress and continued development of our business, and it also serves to mitigate the identified risks. We strive to accelerate our position in the market for 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.

In 2019, we added Marketplace that presents the many applications and hardware on Milestone’s website that Technology Partners offer as compatible with the Milestone XProtect VMS.

When opening Marketplace, our Partners get the business flexibility to find the components they need to build and complete best-of-breed solutions for their customers, and in 2020 we will open for our partner integrators to present their services and solutions.

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 create opportunities through teamwork and through our Agile Performance Management program. The people focus is also based on our Code of Conduct, our employee Behavior Compass, our risk and control framework and our training program on business ethics and compliance.

We are focusing on the ability to embrace future changes in the talent landscape, engagement forms and maintain and develop a people growth model.

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.

To support the risk identification processes, risk workshops are held with respective business divisions and key stakeholders. To achieve clear risk ownership and an embedded risk culture within the company, risk sponsors and owners are appointed to focus on driving the mitigating activities and projects in the organization.

PEOPLE FIRST

Precautions against COVID-19

The worldwide spread of the COVID-19 virus in Q1 2020, has had its impact on Milestone, our people and partner community, and our daily work. As a truly global company, Milestone experienced the consequences of the COVID-19 virus already in January 2020 when Milestone APAC took its precautions to protect employees and the society in our Asian offices. With this experience we had to act, and in the middle of hosting the greatest MIPS Americas event in Milestone's history, on 20 February 2020 we decided to cancel MIPS Dubai planned for April 2020.

Communication has been a priority, and actions have been taken starting with travel and quarantine policies and later requiring a general work from home policy as of mid-March 2020. New ways

of working were required to solve the challenges, and our colleagues have met these changes with a spirit of agility and will to protect each other and to uphold the continued operations in Milestone. Our IT-support and capacity has proven to be strong, and our business continuity set-up is effective.

Even though Milestone at this stage has been able to maintain and preserve our business activities, the COVID-19 virus is having a major impact on all industries during the spring of 2020 and will continue to cause disruptions for an unpredictable time. Milestone is following the situation closely and is working with our partners to minimize the negative impact on our business environments, society, and our employees, their families and loved ones.

A woman with long dark hair and a man with a beard are shown in profile, looking towards the right. They appear to be in a professional setting, possibly a meeting or presentation. In the background, a whiteboard with some faint diagrams is visible. The overall lighting is bright and professional.

**SUSTAINABLE
GROWTH**

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 them to have a 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. Having this approach to our operations and impact, and acting globally, Milestone also actively supports and contributes to the UN Sustainable Development Goals.

Business model

We create value through our open platform, people and partners. Milestone's business model as a global leader in open platform IP Video Management Software (VMS) and Network Video Recorders (NVRs) is further described on page 21.

People and working environment

For Milestone, the continuous development of the competencies, social,

mental and physical well-being, and safety of our employees are of the highest importance. To realize our strategic priorities, we rely on people and their expertise, skills and diversity.

Our People First principle encompasses these values together with our belief that to safeguard the long-term, sustainable growth of our business, we need to prioritize the ongoing development of our people.

All new Milestone employees attend an onboarding bootcamp led by People and Organization with presentations from senior management and employees. Part of the bootcamp focuses on Milestone's Code of Conduct, our values and company Behavior Compass. To optimize people growth and enhance responsible behavior after the bootcamp, we have

implemented a global strategic initiative, "Shaping our Culture".

As part of our focus on the social, mental and physical well-being of all employees we have implemented our Good Health and Well-being programs that include a number of global initiatives. These include access to sport and access to training facilities, healthy food and encouraging our employees to work in a way that keeps their personal life, professional life, and family life in harmony. With around 900 employees, 62 nationalities and a presence in more than 20 countries, diversity is part of our identity. To make this relevant for everyone at Milestone, we apply non-financial KPIs that relate to working conditions, diversity and equality in the workplace and in talent recruiting. Our 2019 annual global employee survey showed high scores across the board,

exceeding the industry benchmark on satisfaction and motivation. We also saw an exceptionally high score for equal opportunities, which reflects our ongoing focus on gender equality and preventing discrimination based on nationality or race.

We use surveys throughout the year to assess our physical and mental working environment, and to monitor employee retention. Should any employee have concerns about irregular practice, or GDPR requests on privacy rights, we have set up confidential channels for reporting such issues.

The environment and climate

Milestone is aware that our business has an impact on the climate and on the environment, and that to some extent, we can influence whether this impact is negative or positive. To make this a positive impact, our policy is to actively encourage all employees to become more climate and environmentally conscious in their work processes. As part of our contribution to the overall climate and environmental agenda, we are raising awareness of the impact that our business has on these areas in our decision-making process. For example, in 2019 we have:

- Worked actively to reduce our print consumption and purchased more sustainable paper items
- Expanded our food waste schemes
- Resold or donated as much IT equipment and furniture as possible for non-profit purposes
- Focused on environmentally friendly interior solutions in our offices
- Continued to replace office lighting with LED lighting.

Going forward, we will continue to improve our climate and environmental policy and strive for an even better balance between price, quality and sustainability, and increase our focus on

optimizing our travel activities and how we use transport.

Looking at how we use technology, we believe that smart technology design can minimize adverse effects on the environment. Milestone is a leading player when it comes to smart technology design and software efficiency and our policy is to focus on continuing to make our IP video management software and video recording hardware more efficient.

Our effort to minimize the negative environmental impact is a win/win for both the environment and our customers, by reducing power consumption we can save costs in security installations, as well as extend the lifespan of our hardware. To comply with legislative requirements, it is our policy to abide by applicable laws and when relevant, we include environmental protection in our contracts with partners.

We also require our distributors to comply with local environmental legislation, including the European Union (EU) Battery Directive, the EU WEEE Directive and environmental fees.

Human rights, anti-corruption and anti-bribery

Milestone's approach to human rights, anti-corruption and bribery is firmly

based on our company values and company Behavior Compass.

Our anti-corruption policy is clearly documented in our Code of Conduct that we require all employees to sign and comply with. In addition, we require our management and employees to complete training to raise their awareness of acts which, directly or as a result of circumstances, may be seen as unlawful or unethical activities. It is ongoing activities and was latest conducted at our Kick-off 2020 in all regions, and we also continuously have awareness of anti-corruption as a risk factor in our geo-expansion activities, cf. below on Corporate Social Responsibility Risks.

Employees and external stakeholders are encouraged to raise any concerns they may have regarding business integrity through a direct email hotline on the Milestone website.

To make sure all employees and relevant stakeholders are aware of the process, we communicate with them about the whistleblower system.

At Milestone, we require our employees, partners, and customers to comply with applicable laws and to respect human rights. 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. Milestone is aware of the many aspect of video surveillance and for many years, Milestone has incorporated human rights into our licensing terms. In 2019 we added a Copenhagen Clause to further responsible use of technology. Please see the sections below on Corporate Social Responsibility and the separate section above on our initiative for Responsible Use of Technology Risk. Our special actions to promote and support human rights and wellbeing are described in the boxes below on the Copenhagen Clause and our community initiatives in Americas and APAC.

Corporate Social Responsibility risks

Our global activities may expose us to risks and uncertainties related to our corporate social responsibility. Growing fast and expanding internationally, as we take advantage of business opportunities, we also take precautions to minimize the risk of negative impact on the environment, climate, working conditions, and human rights.

This negative impact could be:

- Power consumption related to products and solutions
- Energy consumption and waste

- disposal in our operations and offices
- Minerals used by suppliers
- Use of Milestone's software and solutions in a way which could violate personal integrity and human rights
- Indirect involvement through employees, suppliers, distributors or partners in bribery or corruption.

We evaluate the risks before initiating geo-expansion activities and we collaborate with local professionals during our set-up phase.

We also mitigate these risks through our policies and in close connection with our managers, our guidelines and activities. Through on-site training, we establish risk management frameworks that include mechanisms and functions for compliance and internal control.

Non-financial KPIs

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

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 to a company. To maintain such a diversified workforce, we collaborate across Milestone to benefit from knowledge-sharing between culturally diverse groups and always look for the best-suited candidate – regardless of their gender.

Following this principle, the composition of the Board of Directors is reviewed on an annual basis and in 2019, there were no changes to the shareholder-elected board members. Consequently, the composition of the board is the same as in 2018 and it currently has no female shareholder-elected members. By 2021, we aim to have one female member among the shareholder-elected board members.

Apart from the board, in 2019, Milestone's senior management consisted of 21 percent women. Going forward, we will continue to ensure that gender diversity is an integrated part of our talent review, leadership development, and recruitment activities for management positions.

The Copenhagen Clause

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.

As a result of our involvement, in 2019, Milestone introduced the Copenhagen Clause into our contract framework. The Clause encourages our partners to involve themselves in the important discussion about the responsible use of technology, and to sign the Copenhagen Letter and adopt the Copenhagen Clause into their own agreements. In the spirit of the Letter, we are holding ourselves accountable, replacing words with real actions through our initiative for Responsible Use of Technology. With this initiative, we are actively promoting, externally and internally, how we can foster trust and a humanity-centered approach to the use of technology.



Green is green

We strongly support the use of sustainable and green energy and recently entered a contract with the world's most sustainable energy company, Ørsted, to ensure that we continuously minimize our impact on the environment.

"The contract guarantees Milestone green energy produced by offshore windmills for the next three years," says Milestone Facility Manager Simon Høj Hjelmbjerg. "Using sustainable energy is a logical step for us. We want to bring down our overall energy consumption—to save money and to protect our environment."

However, saving energy starts with every employee being aware of energy consumption. Therefore, Milestone is focusing on how light, sound, temperature, etc. impacts the working environment and use of energy in our offices.

A photograph of two men in an office environment. The man on the left is wearing a dark, textured sweater and is pointing at a large sheet of paper. The man on the right is wearing a white t-shirt and is looking down at the paper. The paper appears to be architectural plans or a technical drawing. The background is slightly blurred, showing office equipment and a window.

"We are not just focusing internally. We are also working with suppliers and partners to ensure that sustainable energy and green solutions are an integrated part of the solutions and services we deliver."

Simon Høj Hjelmbjerg
Facility Manager

GIVING TO THE COMMUNITY IN THE AMERICAS

Milestone is donating money and manpower to help community purposes and organizations in the Americas region.

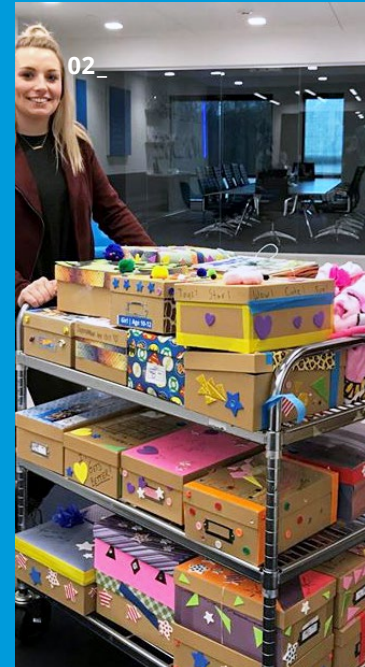
"It's just a part of our company culture, a natural thing close to our hearts", says Kristi Corno, Executive Assistant to the VP Americas at Milestone Systems in Portland, Oregon. "Community work is part of our leadership philosophy and is highly valued by new employees."

Among the many projects Milestone has supported, three stand out:



Portland Backpack:

We have donated time and resources to support Portland Backpack, an organization that serves children who are at risk of hunger by providing food sacks for weekend days when food scarcity is high. At a Milestone event, 175 employees packed 1,200 food sacks with five meals in each sack.



Foster Care:

We support the Foster Care program at the Oregon Department of Human Services by donating our time to assemble boxes of food, toys and other items for children waiting to be taken care of by a foster family.



Mission 500:

Is an organization that works closely with the security industry to serve the needs of children and communities in crisis across America. In 2019, Milestone employees travelled to Puerto Rico to help with building new homes for families following Hurricane Maria that affected 69,000 homes.

CODING CLASS: THE FUTURE IS 12 YEARS OLD

As part of our initiative to give back to the community, in 2019 Milestone took part in Coding Class together with two sixth-grade classes from a school in Copenhagen.

TV2 News featured one of the Milestone Coding Class events as a news story that included interviews with Milestone staff as well as teachers and pupils from the school.

Coding Class is a Danish national initiative started and funded by IT-Branchen, the Danish IT industry organization. It was inspired by the ongoing international discussion about 21st century skills: which skills do our children need to prepare them to be citizens of the future society, and to make them ready to take on future jobs?

Coding Class is the Danish IT industry's way of taking action and facilitating the discussion around our children's digital skills for the future. The Coding Class project is growing fast and so

far, has reached out to 7,000 children. Because this is a highly relevant topic for Denmark's future, ministers and members of parliament regularly visit Coding Class events.

As a result, it has stimulated a national discussion among science, academia and politicians about future digital skills for children.

In 2019, Milestone was one of a large group of IT-Branchen's members to support the project by hosting school classes for the final presentation of their coding projects. With such broad support from the Danish IT industry, the Coding Class project is unique and has attracted significant international attention.

This year, the project was nominated as a contender for the European Commission's Digital Skills Award and in January 2020, Coding Class and IT-Branchen will be featured in a BBC program covering the Danish initiative.



CHARITY IN APAC

Milestone is supporting a number of charities in the APAC region (Asia-Pacific countries). Two of the recent charity events we engaged in were:

Run Melbourne

Participating in this running event that raises funds for a variety of charities.

Managers and employees of Milestone in the APAC region raised money for the non-profit mental health support organization Beyond Blue. Charities (THKMC) that assists anyone who needs help irrespective of their race, color, creed, language, culture and religion.



Food Bank Singapore

Packing and distributing food bundles to needy and unfortunate families in Singapore.

This took place at the yearly kick-off meeting in Milestone APAC. Sixty employees took time off to participate in the charity task which was organized by The Food Bank Singapore, and the charity donation was given to the Thye Hua Kwan Moral Charities (THKMC) that assists anyone who needs help irrespective of their race, color, creed, language, culture and religion.

FINANCIAL STATEMENT

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 2019 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.

Changes to accounting policies

Changes have been made in the financial statements regarding the recognition and presentation of operating lease contracts.

IFRS 16 has been adopted by applying the simplified approach. No comparative information has been restated as the simplified approach has been applied.

IFRS 16 has a significant impact on the balance sheet. At the beginning of January 2019 the new standard has affected the balance sheet with DKK 110 million as fixed assets and DKK 110 million as lease liabilities, and at the end of December 2019 the balance sheet is affected with DKK 120 million as fixed assets and DKK 122 million as lease liabilities. The adoption of IFRS 16 has increased cost in the Income Statement by DKK 1.1 million.

IFRS 15 has also been adopted in the financial statements as required by adoption of IFRS 16. No comparative information has been restated as a result of the adoption.

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 the balance sheet date are translated at the exchange rates prevailing on the balance sheet date.

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

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

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

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

The company is not jointly taxed with its foreign subsidiaries.

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

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

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

Derivative financial instruments and hedging activities

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

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

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in the equity. The gain or loss relating to the ineffective portion is recognized immediately in the income statement. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (when the forecast sale that is hedged takes place).

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

INCOME STATEMENT

Revenues are recognized in the income statement in accordance with IFRS 15. IFRS 15 has no impact in the recognition of revenue in the Income Statement compared to previous years. Revenue is mainly derived from sales of licenses, service, support and maintenance agreements, sale of hardware products and other revenue such as training.

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

Revenues are recognized in the income statement when control over the individual identifiable performance obligations passes to the customer. Recognized revenue is measured at the fair value of the agreed remuneration, exclusive VAT and charges levied on behalf of third parties. All types of discounts granted are recognized in revenue.

Sales of goods

Sales of goods comprise of licenses and hardware products and are recognized as revenue when control of the individual identifiable performance obligation in the sales agreement is transferred to the customer, which is according to the sales conditions at the time of delivery. Revenue is recognized when the client has obtained control of the license and has the ability to use and obtain substantially all the benefits from the license.

Sales of services

Sales of services comprise of service, support and maintenance agreements & other services such as training etc. The services typically include a performance obligation that is recognized on a straight-line basis in revenue over the period in which the services are provided.

Cost of sales

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

Research and development costs

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

Distribution and sales costs

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

Administrative costs

Administrative costs comprise salaries, bonuses and other employee costs and expenses, office costs, depreciation and amortization, and indirect costs such as rent and technological infrastructure directly or indirectly attributable to administrative activities.

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

Milestone's share of results from subsidiaries are stated in the income statement.

Financial income and expenses

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

BALANCE SHEET

Development projects

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

Lease contracts

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

IFRS 16 has been adopted by applying the simplified approach. No comparative information has been restated as the simplified approach has been applied.

By adoption of IFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases.

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

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

Financial fixed assets

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

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

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

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

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

Other investments are measured at cost less write downs.

Impairment of fixed assets

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

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

Receivables

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

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

Prepayments

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

EQUITY

Reserve for net revaluation according to the equity method

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

Proposed dividends

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

Liabilities

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

Deferred income

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

CASH FLOW

Cash flow statement

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

No cash flow statement has been prepared for the Parent Company as the Parent Company cash flows are included in the Consolidated cash flow statement.

Cash flows from operating activities

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

Cash flows from investing activities

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

Cash flows from financing activities

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

Cash and cash equivalents

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

Financial ratios

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

DEFINITION OF KEY FIGURES

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

INCOME STATEMENT

	Note	CONSOLIDATED DKK'000		PARENT COMPANY DKK'000	
		2019	2018	2019	2018
Net revenue	1	1,026,494	934,445	0	0
Cost of sales		-59,189	-76,328	0	0
Gross margin		967,305	858,117	0	0
Research and development costs	3, 4	-236,702	-190,124	0	0
Distribution and sales costs	3, 4	-523,456	-439,455	0	0
Administrative costs	2, 3, 4	-83,613	-63,580	-914	-318
Operating profit		123,534	164,958	-914	-318
Other income		0	29,516	0	0
Operating income (EBIT)		123,534	194,474	-914	-318
Result from investments in subsidiaries	10	0	0	98,923	170,998
Interest and other financial income	5	9,335	16,540	109	112
Interest and other financial expenses	6	-3,109	-2,184	-14	-29
Profit before corporate tax		129,760	208,830	98,104	170,763
Corporate tax	7	-31,476	-38,015	180	52
Net income		98,284	170,815	98,284	170,815
NET INCOME ATTRIBUTABLE TO:					
Owners of Milestone Group A/S		98,284	170,815	98,284	170,815
Net income		98,284	170,815	98,284	170,815

BALANCE SHEET

December 31

Assets

		CONSOLIDATED DKK'000		PARENT COMPANY DKK'000	
	Note	2019	2018	2019	2018
Completed development projects		164,305	143,610	0	0
Development projects in progress		17,859	24,324	0	0
Other intangible assets		46,443	42,738	0	0
Intangible fixed assets	8	228,607	210,672	0	0
Land and buildings		112,149	0	0	0
Other fixtures and fittings, tools and equipment		52,326	35,928	0	0
Tangible fixed assets	9	164,475	35,928	0	0
Investments in subsidiaries	10	0	0	681,291	586,553
Other investments		21,469	21,469	0	0
Deposits		8,403	8,033	0	0
Financial fixed assets		29,872	29,502	681,291	586,553
Fixed assets		422,954	276,102	681,291	586,553
Trade receivables		257,709	239,256	0	0
Receivables from group enterprises		382,572	346,922	43,679	43,590
Other receivables		5,133	4,710	0	34
Prepaid company tax		41,254	61,924	0	0
Deferred tax	11	3,684	3,831	232	170
Prepayments	12	18,815	19,037	0	0
Receivables		709,167	675,680	43,911	43,794
Cash at bank and in hand		346,741	249,068	294	466
Current assets		1,055,908	924,748	44,205	44,260
Assets		1,478,862	1,200,850	725,496	630,813

BALANCE SHEET

December 31

Shareholders Equity and Liabilities

	Note	CONSOLIDATED DKK'000		PARENT COMPANY DKK'000	
		2019	2018	2019	2018
Equity					
Share capital		744	744	744	744
Reserve for net revaluation under the equity method		0	0	471,319	376,581
Retained earnings		664,861	629,731	193,542	253,150
Dividend proposed for the year		58,969	0	58,969	0
Capital and reserves attributable to owners of Milestone Group A/S		724,574	630,475	724,574	630,475
Total equity		724,574	630,475	724,574	630,475
Deferred tax	11	42,101	39,355	0	0
Provisions		42,101	39,355	0	0
Lease liability	13	94,228	0	0	0
Non-current liabilities		94,228	0	0	0
Lease liability	13	28,133	0	0	0
Trade payables		25,423	22,805	0	0
Payables to group enterprises		0	0	683	99
Corporation tax		36,041	68,850	0	0
Other payables		132,526	128,405	239	239
Deferred income	14	395,836	310,960	0	0
Current liabilities		617,959	531,020	922	338
Total liabilities		712,187	531,020	922	338
Liabilities and equity		1,478,862	1,200,850	725,496	630,813
Mortgages, securities and contingent liabilities	15				
Related parties	16				
Cash flow statement Notes	17				
Proposed distribution of profit	18				
Subsequent events	19				

STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED

	Notes	Share capital	Retained earnings	Dividend proposed for the year	Total
DKK'000					
Equity at January 1, 2018		744	482,108	0	482,852
Exchange rate adjustment, beginning of the year		0	78	0	78
Exchange rate adjustment, during the year		0	95	0	95
Fair value adjustment of hedging instruments, end of the year		0	-29,955	0	-29,955
Adjustment to deferred tax on hedging instruments, end of the year		0	6,590	0	6,590
Net income for the year		0	170,815	0	170,815
Equity at December 31, 2018		744	629,731	0	630,475
Exchange rate adjustment, beginning of the year	10	0	233	0	233
Exchange rate adjustment, during the year	10	0	262	0	262
Fair value adjustment of hedging instruments, end of the year		0	-6,000	0	-6,000
Adjustment to deferred tax on hedging instruments, end of the year		0	1,320	0	1,320
Net income for the year		0	39,315	58,969	98,284
Equity at December 31, 2019		744	664,861	58,969	724,574

STATEMENT OF CHANGES IN EQUITY

		PARENT COMPANY				
	Notes	Share capital	Reserve for net revaluation according to the equity method	Retained earnings	Dividend proposed for the year	Total
DKK'000						
Equity at January 1, 2018		744	228,774	253,334	0	482,852
Exchange rate adjustment, beginning of the year		0	0	78	0	78
Exchange rate adjustment, during the year		0	0	95	0	95
Fair value adjustment of hedging instruments, end of the year		0	0	-29,955	0	-29,955
Adjustment to deferred tax on hedging instruments, end of the year		0	0	6,590	0	6,590
Net income for the year		0	147,807	23,008	0	170,815
Equity at December 31, 2018		744	376,581	253,150	0	630,475
Exchange rate adjustment, beginning of the year	10	0	0	233	0	233
Exchange rate adjustment, during the year	10	0	0	262	0	262
Fair value adjustment of hedging instruments, end of the year		0	0	-6,000	0	-6,000
Adjustment to deferred tax on hedging instruments, end of the year		0	0	1,320	0	1,320
Net income for the year		0	94,738	-55,423	58,969	98,284
Equity at December 31, 2019		744	471,319	193,542	58,969	724,574

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 percent of the nominal share capital. At December 31, 2019, treasury shares amounted to DKK 0 (2018: DKK 0).

CASH FLOW STATEMENT

CONSOLIDATED
DKK'000

	Note	2019	2018
Net income for the year		98,284	170,815
Adjustments	17	137,775	79,084
Change in working capital	17	36,941	-78,540
Cash flows from operating activities before paid financial items and tax		273,000	171,359
Financial income received		9,335	16,540
Financial expenses paid		-3,109	-2,184
Cash flows from operating activities before paid tax		279,226	185,715
Corporate tax paid/received		-39,305	-54,943
Cash flows from operating activities		239,921	130,772
Investment in intangible fixed assets		-87,614	-75,847
Investment in tangible fixed assets excluding operating lease assets		-26,964	-28,449
Sale of property, plant and equipment		-112	-697
Sale of fixed asset investments		0	22,944
Cash flows from investing activities		-114,690	-82,049
Repayments on lease liability		-26,004	0
Cash flows from financing activities		-26,004	0
Change in cash and cash equivalents		99,227	48,723
Cash and cash equivalents at January 1, 2019		249,068	201,466
Currency adjustments		-1,554	-1,121
Cash and cash equivalents at December 31, 2019		346,741	249,068
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		346,741	249,068
Cash and cash equivalents at December 31, 2019		346,741	249,068

NOTES

Note 1 Segment information

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

Note 3 Remuneration to the Executive Management Team and the Board of Directors:

In 2019, DKK 780K (2018: DKK 450) has been paid to Management and to the Board, for their services rendered to Milestone Group A/S during the year.

Pursuant to section 98b, Section 3 of the financial Statements Act, remuneration to Executive Management and Board of Directors is not disclosed separately in 2018.

	CONSOLIDATED DKK'000		PARENT COMPANY DKK'000	
	2019	2018	2019	2018
Geographical segments				
Net revenue Denmark	32,637	38,966	0	0
Net revenue export from Denmark	987,550	885,906	0	0
Net revenue generated outside Denmark	6,307	9,573	0	0
	1,026,494	934,445	0	0
Product segments				
Surveillance related products	1,026,494	934,445	0	0
	1,026,494	934,445	0	0
Note 2 Fees to independent auditors				
Statutory audit fee	344	319	25	35
Other assurance engagements	0	0	0	0
Tax advisory services	739	551	0	0
Other services	395	266	9	0
	1,478	1,136	34	35
Note 3 Staff expenses				
Wages and salaries	488,612	407,805	756	183
Pensions	23,369	18,240	15	0
Social contributions	22,064	17,825	0	0
Other staff expenses	54,540	47,056	9	0
Capitalized development costs	-52,960	-44,827	0	0
	535,625	446,099	780	183
Average number of employees	776	658	0	0
Staff expenses are recognized as follows:				
Cost of sales	0	4,171	0	0
Research and development costs	136,549	107,253	0	0
Distribution and sales costs	340,640	289,141	0	0
Administrative costs	58,436	45,534	780	183
	535,625	446,099	780	183
Remuneration to the Executive Management Team and the Board of Directors:				
Executive Management Team	9,273	-	580	-
Board of Directors	200	-	200	-
	9,473	-	780	-

	CONSOLIDATED DKK'000		PARENT COMPANY DKK'000	
	2019	2018	2019	2018
Note 4 Depreciation and amortization of intangible and tangible fixed assets				
Completed development projects	58,085	56,372	0	0
Other intangible assets	11,594	8,572	0	0
Land and buildings	23,990	0	0	0
Other fixtures and fittings, tools and equipment	22,733	12,715	0	0
Gains and losses in fixed assets	112	697	0	0
	116,514	78,356	0	0

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

Cost of sales	0	29	0	0
Research and development costs	74,942	62,795	0	0
Distribution and sales costs	39,872	13,230	0	0
Administrative costs	1,700	2,302	0	0
	116,514	78,356	0	0

Note 5 Interest and other financial income

Interest from Group companies	3,567	1,858	109	112
Currency adjustments	4,427	12,879	0	0
Other financial interest and income	1,341	1,803	0	0
	9,335	16,540	109	112

Note 6 Interest and other financial expenses

Interest from Group companies	0	0	6	24
Other financial interest and expenses	3,109	2,184	8	5
	3,109	2,184	14	29

	CONSOLIDATED DKK'000		PARENT COMPANY DKK'000	
	2019	2018	2019	2018
Note 7 Tax				
Current tax for the year	26,381	37,253	0	0
Adjustment of current tax for prior years	885	872	0	0
Change in deferred tax	2,775	-6,793	-180	-52
Adjustment in deferred tax for prior years	115	93	0	0
	30,156	31,425	-180	-52
Attributable to:				
Tax on profit for the year	31,476	38,015	-180	-52
Tax on changes in equity	-1,320	-6,590	0	0
	30,156	31,425	-180	-52

Note 8 Intangible fixed assets Consolidated DKK'000	Completed development projects	Development projects in progress	Total development projects	Other intangible assets	Note 9 Tangible fixed assets Consolidated DKK'000	Land and buildings	Other fixtures and fittings, tools and equipment	Total
Cost at January 1, 2019	562,927	24,324	587,251	64,536	Cost at January 1, 2019	0	78,613	78,613
Additions in the year	127	72,188	72,315	15,299	Currency adjustment	0	561	561
Disposals in the year	0	0	0	0	Additions in the year	136,139	39,303	175,442
Transferred to completed	78,653	-78,653	0	0	Disposals in the year	0	-1,382	-1,382
Cost at December 31, 2019	641,707	17,859	659,566	79,835	Cost at December 31, 2019	136,139	117,095	253,234
Depreciation and impairment at January 1, 2019	-419,317	0	-419,317	-21,798	Depreciation and impairment at January 1, 2019	0	-42,685	-42,685
Depreciation in the year	-58,085	0	-58,085	-11,594	Currency adjustment	0	-261	-261
Depreciations on disposals in the year	0	0	0	0	Depreciation in the year	-23,990	-22,733	-46,723
Depreciation and impairment at December 31, 2019	-477,402	0	-477,402	-33,392	Depreciations on disposals in the year	0	910	910
Carrying amount at December 31, 2019	164,305	17,859	182,164	46,443	Depreciation and impairment at December 31, 2019	-23,990	-64,769	-88,759
					Carrying amount at December 31, 2019	112,149	52,326	164,475
					Tangible assets include operating leases with a carrying amount totaling	112,149	8,203	120,352

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

Note 10 Financial fixed assets

Parent Company
DKK'000

Investments in
subsidiaries

Cost at January 1, 2019	209,972
Cost at December 31, 2019	209,972
Revaluations at January 1, 2019	376,581
Changes in equity	-4,680
Currency adjustment	495
Profit for the year	98,923
Revaluations at December 31, 2019	471,319
Carrying amount at December 31, 2019	681,291

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, United States	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
Milestone Systems Norway AS	Oslo, Norway	100%	NOK 30,000

	CONSOLIDATED DKK'000		PARENT COMPANY DKK'000	
	2019	2018	2019	2018
Note 11 Deferred tax				
Deferred tax at 1 January, 2019	35,524	40,460	-170	-118
Other adjustments	118	1,857	118	0
Change in profit and loss	4,095	-203	-180	-52
Change in equity	-1,320	-6,590	0	0
	38,417	35,524	-232	-170
Deferred tax relates to:				
Intangible assets	49,096	44,463	0	0
Tangible assets	1,472	1,419	0	0
Current assets	10	-313	0	0
Other obligations	-9,876	-7,637	0	0
Net operating loss	-2,285	-2,408	-232	-170
	38,417	35,524	-232	-170
Deferred tax recognized in the balance sheet:				
Deferred tax asset	-3,684	-3,831	-232	-170
Deferred tax liability	42,101	39,355	0	0
	38,417	35,524	-232	-170
Note 12 Prepayments				
Prepayments consist of prepaid costs related to licenses, marketing events and other costs.				
Note 13 Lease liability				
Under one year	28,133	0	0	0
One to five years	85,530	0	0	0
Above five years	8,698	0	0	0
	122,361	0	0	0
Note 14 Deferred income				
Deferred income under one year	234,026	184,041	0	0
Deferred income over one year	161,810	126,919	0	0
	395,836	310,960	0	0

Long-term deferred income consists of deferred revenue from services where the company has received payment as a pre-paid amount.

Note 15 Mortgages, securities and contingent liabilities

Consolidated and Parent Company

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

Note 16 Related parties

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

The related party with significant influence in the company is Canon Inc. (Tokyo, Japan).

Milestone Group A/S is a subsidiary of Canon Inc. (Tokyo, Japan).

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

	CONSOLIDATED DKK'000	
	2019	2018
Note 17 Cash flow statement - adjustments		
Depreciation of intangible and tangible assets	116,514	78,356
Interest and other financial items	-6,226	-14,356
Corporate tax	31,476	38,015
Other	691	434
Fair value of derivatives	-4,680	-23,365
	137,775	79,084
Cash flow statement - change in working capital		
Change in receivables	-54,674	-175,167
Change in suppliers, provisions, etc	91,615	96,627
	36,941	-78,540

Note 19 Subsequent events

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

Our assessment of the COVID-19 virus outbreak at the beginning of 2020 is that this event has not affected the financial-year ending 31 December 2019.

As of today, the COVID-19 virus outbreak has not affected our revenue to a degree where we see the need to lower our growth expectations for the coming year. The situation is being evaluated on a continuous basis by the Management.

	CONSOLIDATED DKK'000		PARENT COMPANY DKK'000	
	2019	2018	2019	2018
Note 18 Proposed distribution of profit				
Retained earnings	39,315	170,815	-55,423	23,008
Proposed dividend recognized under equity	58,969	0	58,969	0
Reserve for net revaluation under the equity method	0	0	94,738	147,807
	98,284	170,815	98,284	170,815

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, 2019.

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, 2019, of the Company and the Group and of the results of the Company and Group operations and Group cash flows for 2019.

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 27, 2020

Executive Management

Lars Thinggaard

Lars Larsen

Board of Directors

Lau Normann Jørgensen
(Chairman)

Henrik Friberg Jacobsen

Steen Strandkov Andersen
Employee-elected

John Sergio Blem

Jeppe Frandsen

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, 2019, 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, 2019 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 2019, 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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our

auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Copenhagen, March 27, 2020

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Allan Knudsen

State Authorised Public Accountant
mne29465

Thomas Beltrão-Primdahl

State Authorised Public Accountant
mne45342

MILESTONE LOCATIONS



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