Arcus Holding A/S

Banemarksvej 50, DK-2605 Brøndby

Annual Report for 1 January - 31 December 2017

CVR No 38 33 03 65

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 11/6 2018

Anne Krebs
Chairman of the General Meeting

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Arcus Holding A/S for the financial year 1 January - 31 December 2017.

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 31 December 2017 of the Company and the Group and of the results of the Company and Group operations for 2017.

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

København, 11 June 2018

Executive Board

Peter Andreas Pettersson

Board of Directors

Lars Thinggaard Chairman	Aitake Wakiya	Yuichi Ishizuka
David John Bateson	Lars Larsen	Darren Andrew Rayner

Independent Auditor's Report

To the Shareholders of Arcus Holding 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 2017 and of the results of the Group's and the Parent Company's operations for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Arcus Holding A/S for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company ("the 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 Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements 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 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 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 judgement 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 Company's and the Group'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 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 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.

Hellerup, 11 June 2018
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Jens Otto Damgaard	Allan Knudsen
statsautoriseret revisor	statsautoriseret revisor
mne9231	mne29465

Company Information

The Company	Arcus Holding A/S Banemarksvej 50 DK-2605 Brøndby
	CVR No: 38 33 03 65 Financial period: 1 January - 31 December Incorporated: 1 January 2017 Financial year: 1st financial year Municipality of reg. office: Brøndby
Board of Directors	Lars Thinggaard, Chairman Aitake Wakiya Yuichi Ishizuka David John Bateson Lars Larsen Darren Andrew Rayner
Executive Board	Peter Andreas Pettersson
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Financial Highlights

The development of the Group in it's 1st financial year is described by the following financial highlights:

	Group
	2017
	DKK
Key figures	
Profit/loss	
Revenue	692.913
Operating profit/loss	-22.376.453
Profit/loss before financial income and expenses	-22.376.453
Net financials	-2.863
Net profit/loss for the year	-20.538.621
Balance sheet	
Balance sheet total	19.621.311
Equity	-19.835.070
Ratios	
Gross margin	Neg.
Profit margin	Neg.
Return on assets	Neg.
Solvency ratio	Neg.
Return on equity	Neg.

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

Consolidated and Parent Company Financial Statements of Arcus Holding A/S for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

Key activities

The purpose of the Group is to be the global market leader within cloud offered Video management software (VMS). The purpose of the parent company is to develop the cloud-based VMS platform and commercialize it, either by itself, or through Group related companies. The Group is operating as standalone company within the Canon Group.

Development in the year

The income statement of the Group for 2017 shows a loss of DKK 20,538,621, and at 31 December 2017 the balance sheet of the Group shows a negative equity of DKK 19,835,070. The Group was established in mid-2017 and has grown substantially during the second half of the year. Further, significant investments have been made in in building the cloud-based VMS platform. This has resulted in a loss for the year, which was is in line with the expectations set by management.

The Group has been funded by its parent company, Milestone Systems A/S, during 2017 to ensure sufficient liquidity to operate, as the share capital has been lost due to the losses incurred in 2017. The share capital has been re-established by contributions, both in cash and in kind, during the first months of 2018. Our parent company has contributed in kind with technology, and Canon Europe NV has contributed with cash. The additional funding has ensured that the Group can continue the planned activities the coming years.

Research and development

To become the global market leader within cloud-offered VMS, it is crucial that the Group can recruit and retain employees with high technical and commercial skills.
The Group is focusing on retention and development of employees by demonstrating respect for the individual, creating a motivating workplace, and offering opportunities for professional and personal development.

Subsequent events

On the 6th of March, the parent company contributed in kind the existing Arcus platform, which is software designed to be embedded in any type of hardware to enable video streams.
Further, on the 6th of March, Canon Europe NV contributed in cash against the issue of A-shares. As a result of the capital increase, Canon Europe NV has become the majority shareholder of Arcus Holding A/S. Milestone Systems A/S will continue as minority shareholder with reduced voting rights as the holder of B-shares.

Income Statement 1 January - 31 December

	Note	Consolidated 2017 DKK	Parent company 2017 DKK
Revenue		**692.913**	**0**
Cost of sales		-186.763	0
Other external expenses		-9.852.956	-8.364.780
Gross profit/loss		**-9.346.806**	**-8.364.780**
Staff expenses	1	-12.838.824	0
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-190.823	0
Profit/loss before financial income and expenses		**-22.376.453**	**-8.364.780**
Income from investments in subsidiaries		0	-14.012.520
Financial income		91	0
Financial expenses	2	-2.954	-2.016
Profit/loss before tax		**-22.379.316**	**-22.379.316**
Tax on profit/loss for the year	3	1.840.695	1.840.695
Net profit/loss for the year		**-20.538.621**	**-20.538.621**

Distribution of profit

Proposed distribution of profit

Retained earnings	-20.538.621
	-20.538.621

Balance Sheet 31 December

Assets

	Note	Consolidated 2017 DKK	Parent company 2017 DKK
Development projects in progress		7.774.120	7.808.647
Intangible assets	4	**7.774.120**	**7.808.647**
Other fixtures and fittings, tools and equipment		799.543	0
Property, plant and equipment	5	**799.543**	**0**
Investments in subsidiaries	6	0	0
Fixed assets		**8.573.663**	**7.808.647**
Receivables from group enterprises		0	9.890.456
Other receivables		2.520.988	1.704.051
Deferred tax asset		1.840.695	1.840.695
Prepayments		847.748	0
Receivables		**5.209.431**	**13.435.202**
Cash at bank and in hand		**5.838.217**	**498.929**
Currents assets		**11.047.648**	**13.934.131**
Assets		**19.621.311**	**21.742.778**

Balance Sheet 31 December

Liabilities and equity

	Note	Consolidated 2017 DKK	Parent company 2017 DKK
Share capital		500.000	500.000
Retained earnings		-20.335.070	-20.335.070
Equity		**-19.835.070**	**-19.835.070**
Credit institutions		338.996	0
Trade payables		1.972.054	150.000
Payables to group enterprises		0	8.406.789
Payables to associates		33.021.059	33.021.059
Other payables		4.124.272	0
Short-term debt		**39.456.381**	**41.577.848**
Debt		**39.456.381**	**41.577.848**
Liabilities and equity		**19.621.311**	**21.742.778**
Accounting Policies	7		

Statement of Changes in Equity

Consolidated

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 1 January	0	0	0
Exchange adjustments	0	203.551	203.551
Cash payment concerning formation of entity	500.000	0	500.000
Net profit/loss for the year	0	-20.538.621	-20.538.621
Equity at 31 December	**500.000**	**-20.335.070**	**-19.835.070**

Parent company

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 1 January	0	0	0
Exchange adjustments	0	203.551	203.551
Cash payment concerning formation of entity	500.000	0	500.000
Net profit/loss for the year	0	-20.538.621	-20.538.621
Equity at 31 December	**500.000**	**-20.335.070**	**-19.835.070**

Notes to the Financial Statements

		Consolidated 2017 DKK	Parent company 2017 DKK
1	**Staff expenses**		
	Wages and salaries	11.531.637	0
	Other social security expenses	615.831	0
	Other staff expenses	691.356	0
		12.838.824	**0**
	Average number of employees	**0**	**0**

		Consolidated 2017 DKK	Parent company 2017 DKK
2	**Financial expenses**		
	Other financial expenses	2.631	1.693
	Exchange loss	323	323
		2.954	**2.016**
3	**Tax on profit/loss for the year**		
	Current tax for the year	0	0
	Deferred tax for the year	-1.840.695	-1.840.695
		-1.840.695	**-1.840.695**

Notes to the Financial Statements

4 Intangible assets

Consolidated

	Development projects in progress
	DKK
Cost at 1 January	0
Additions for the year	7.774.120
Cost at 31 December	7.774.120
Carrying amount at 31 December	**7.774.120**

Parent company

	Development projects in progress
	DKK
Cost at 1 January	0
Additions for the year	7.808.647
Cost at 31 December	7.808.647
Carrying amount at 31 December	**7.808.647**

Notes to the Financial Statements

5 Property, plant and equipment

Consolidated

	Other fixtures and fittings, tools and equipment
	DKK
Cost at 1 January	0
Additions for the year	865.670
Cost at 31 December	865.670
Revaluations at 1 January	0
Revaluations at 31 December	0
Impairment losses and depreciation at 1 January	0
Depreciation for the year	66.127
Impairment losses and depreciation at 31 December	66.127
Carrying amount at 31 December	**799.543**

Notes to the Financial Statements

6 Investments in subsidiaries

	Parent company 2017 DKK
Cost at 1 January	0
Additions for the year	621
Cost at 31 December	621
Value adjustments at 1 January	0
Exchange adjustment	203.551
Net profit/loss for the year	-14.012.512
Value adjustments at 31 December	-13.808.961
Equity investments with negative net asset value amortised over receivables	13.808.340
Carrying amount at 31 December	**0**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
Arcules, Inc.	USA	621	100%	-13.808.340	-14.012.520

Notes to the Financial Statements

7 Accounting Policies

The Annual Report of Arcus Holding A/S for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The Consolidated and Parent Company Financial Statements for 2017 are presented in DKK.

Recognition and measurement

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

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Arcus Holding A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Notes to the Financial Statements

7 **Accounting Policies** (continued)

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Group.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Cost of sales

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

Other external expenses

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

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Notes to the Financial Statements

7 Accounting Policies (continued)

Income from investments in subsidiaries

The item “Income from investments in subsidiaries” in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

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

Cleary defined and identifiable development projects are stated as intangible fixed assets provided that there is sufficient certainty that the capital value of future earningswill 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 the are incurred.

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

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

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Notes to the Financial Statements

7 **Accounting Policies** (continued)

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset 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:

Other fixtures and fittings, tools and equipment	3-5	years

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 13,200 are expensed in the year of acquisition.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item“Investments in subsidiaries” in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to “Reserve for net revaluation under the equity method“ under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Notes to the Financial Statements

7 Accounting Policies (continued)

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Notes to the Financial Statements

7 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials x 100}}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$