



STRONGER TOGETHER

Milestone Group Annual Report 2020



Milestone Group A/S
Annual Report 2020
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Rising to a tough challenge has made us a stronger company

For Milestone, 2020 was a year of change that went beyond simply transitioning from our previous CEO to our new CEO. Like other companies, we spent the year dealing with the demands and disruptions of COVID-19. Many of our employees were working from home and looking after their families, sometimes home-schooling their children, as well as taking care of their responsibilities at Milestone.

This required extraordinary commitment, professionalism, and resilience. The good news is, we can see that together we made a big difference. In 2020, our net revenue was DKK 1.0 billion, with earnings before interest and taxes (EBIT) DKK 112 million. This was a 1% percent drop in net revenue compared with 2019, a successful outcome given the hardships imposed on our business during 2020 by COVID-19.

Thank you to our employees, partners and customers for getting behind our purpose to make the world see.

People First

During 2020, we showed that at Milestone, our People First strategy really means people first. That's easy to say in good times, but more difficult when you are confronted with a situation like COVID-19. Despite the challenges, we prioritized the safety and well-being of our colleagues, their families, and our partners, first.

One of Milestone's strengths is our diversity, which has played a big role in our approach to handling COVID-19. We first saw the effects of COVID-19 in our Asia Pacific (APAC) offices and we were able to learn from the actions taken there. We quickly extended these precautions to our global organization. Everyone at Milestone is proud of the fact that we made 2020 a year of

walking the talk for People First, both within and beyond Milestone.

This was reflected in our 2020 Global Employee Survey (GES) that produced our all-time highest levels of Satisfaction and Motivation and Loyalty. The Milestone Team reported employee engagement beyond industry benchmarks, and the margin of difference trend is increasing.

Helping our partners

COVID-19 has touched every one of Milestone's partners around the world. Many companies are much harder hit than Milestone and will have to cope with disruptive financial consequences. We understand that our partners are part of Milestone's future, and we are part of their future. Because of this, we changed the way we ran our company very quickly, and this has helped our partners and therefore our business. Here are two examples.

Moved partner training online:

We held hundreds of webinars in 2020. Our partners saw that we were trying to help and stepped up by encouraging thousands of their employees to attend. We even broke some of our own records, with over 450 registrations in a single day and 340 attendees at a single session. We were inspired to see our partners using the online training to be even better equipped to sell Milestone solutions during and after COVID-19.

2020 Care™ campaign: We were eager to find a way for our partners to continue to grow their business without having to be onsite with their customers, which because of lockdown has not been an option in many regions. The 2020 Care campaign made this possible.

Most importantly, Milestone continued to deliver products to partners in all parts of the world.



XProtect® on Amazon Web Services Marketplace at MIPS 2020

We held the first partner event of the year, MIPS 2020, in Dallas, Texas. This would turn out to be the only MIPS of the year. More than 2,200 participants attended – 700 at the event and 1,500 online – to experience this year’s theme “The Power of Open”. We announced XProtect on Amazon Web Services (AWS) Marketplace and introduced the new Arcules-XProtect Hybrid VMS Solution. This was a game-changer for the industry and a big move towards cloud and hybrid for Milestone customers.

Looking ahead

As we move into 2021, it is clear that COVID-19 is not behind us yet and we do not expect 2021 to be a walk in the park. The year 2020 also marked challenges as well as opportunities ahead. Still, we are optimists at heart, and looking at how the Milestone Team has risen to the challenge so far, we expect 2021 to be another growth year for Milestone.

We look forward to accelerating our Agile strategy approach to continue our journey as a market leader both in and beyond security, and to further emphasize our focus on the responsible use of technology.

COVID-19 created a lot of uncertainty and unpredictability in 2020. Throughout the year, the Milestone Team rose to the challenge, often stepping up to put what was needed for the greater good ahead of individual interests. This has made us a stronger company in many ways.

The year 2020 also marked a transition to Thomas Jensen as new CEO from Lars Larsen, who was interim CEO during 2020. We are proud to maintain consistency across our executive management team with Lars Larsen, Kenneth Hune Petersen and Bjørn Skou Eilertsen.

Thomas Jensen
Chief Executive
Officer

Lars Larsen
Chief Financial
Officer





Meet our new CEO

Thomas Jensen joined Milestone as CEO in October 2020. People are at the core of Thomas Jensen's leadership philosophy. This resonates well with Milestone's Scandinavian leadership values and People First approach to management.

Thomas Jensen has a background at HP Inc. and most recently in Europe's largest IT integrator company Bechtle. He is an executive leader with a strong global footprint that includes P&L responsibility for international businesses in software and hardware. He has deep business experience with IT and technology and an understanding of the dynamics of business communities, technology partners and integrators.

Thomas has also held leadership positions at Vestas Wind Systems and Maersk Line. He holds a Master of Science in International Business Economics from the University of Aalborg and has completed the Executive Board Program at INSEAD in France.

Making people the priority, Thomas will focus his attention at Milestone on transforming how video technology is used, both in security and in new applications beyond the industry.

We are a dynamic company built on a powerful open video technology platform

Where we are going

Milestone aspires to Make the World See by enabling people to make sense of video and video-related data. Together with our community, we increase the insights and benefits our customers can draw from video technology.

How we will get there

At Milestone, we believe in the power of open: empowering the long-term sustainable growth and success of the community through an open video technology platform.

Why we will succeed

Milestone's open philosophy provides the flexibility of choice and the scalability options needed for both partners and end-customers to thrive in an increasingly uncertain future.

Facts about Milestone

January 1, 2021



+500,000
Installations



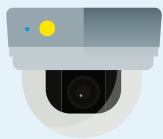
+11,000
Resellers & Integrators



+2,500
Technology Partners



+600
Software Integrations



+10,000
Devices Supported



+23
Offices Worldwide



+150
Countries have Availability



+900
Employees

Safe operations at Jackson Hole Airport

Isolated on the edge of the wilderness, Jackson Hole Airport relies on Milestone's XProtect VMS to enhance security, safety, and efficiency.

Jackson Hole Airport (JAC) lies seven miles north of Jackson, Wyoming at the base of the Teton mountains. It is unique for being entirely within Grand Teton National Park and is the busiest airport in the state with nearly 500,000 inbound passengers annually.

Distinct in its remote location and operational requirements, the team at Jackson Hole Airport has since 2009 relied on video management software (VMS) from Milestone Systems to enhance security, safety, and efficiency. Because it is isolated on the edge of the wilderness, the airport requires both system reliability and flexibility to run smoothly.

Over the past few years, the scalable system has enabled the airport to expand its video applications, first by growing its IT team, then by increasing the number of cameras and its data storage capabilities. Today, the airport has close to 220 cameras in operation.

Safe Parking and Remote Plane De-Icing

In the parking area alone, 48 new cameras have been installed. They monitor capacity and flow issues, as well play an important role in securing the safety of employees and the public. When the airport is clearing snow, the cameras monitor the snow removal vehicles used for the process, and recorded video has become helpful in verifying accidents

or damage caused by the plows. During the winter months, Jackson Hole Airport needs to provide a safe de-icing process for many planes before take-off. Aircraft are de-iced away from the main buildings, and while the airport has infrastructure at the de-icing location, the airlines do not.

To give their client airlines visibility of the process, beginning last year the airport started providing access to video so that they can watch their own planes during the de-icing process. The client airlines now see the airport camera views via the XProtect VMS and can see which stage of the de-icing process their planes have reached and when they are ready for take-off.

Optimized Storage and Multi-sensor Cameras

The video management system at Jackson Hole Airport has standardized on the XProtect Professional Plus VMS from Milestone Systems that manages a mix of IP network cameras from Axis Communications and Panasonic. For storage, Jackson Hole Airport now uses optimized video server hardware from Razberi. Because most of the system's 220 cameras are configured to record only when they see motion, they can record 24/7, keeping all video for up to a full year.

Additionally, the team has deployed video analytics from Agent Vi to provide a layer of automated alarms and notifications that flag abnormal

occurrences. Using video analytics to analyze behaviors, they can detect travelers who are moving in the wrong direction against the required foot traffic flow and those who cross into restricted areas.

Today, everybody in Jackson Hole Airport's IT team has XProtect Client on their PC with an individual account. This gives them seamless access to live and recorded video, instant control of cameras and connected security devices, and a comprehensive overview of recordings. The flexibility provided by the open platform VMS allows Jackson Hole Airport to scale its system and add the features they need now and in the future.





Our winning aspiration

Our purpose is to make the world see

Within our community, we aspire to deliver actionable information from video and video-related data that enables decision-makers to optimize business processes.

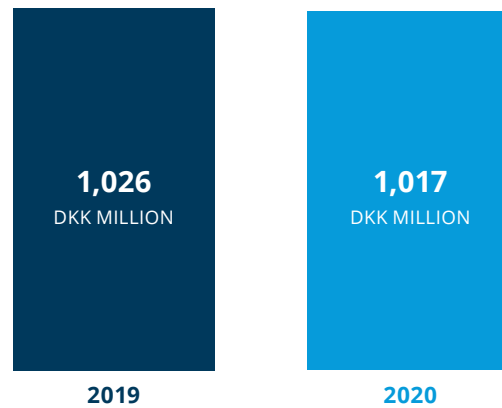
Our focus is first and foremost to create long-term sustainable growth with our community – we believe we are stronger together. That is why we work towards being the preferred business partner for our community.

We work every day to develop and deliver the best video solutions to our end-customers. We believe that together with our community's reach, we have a strong potential to be recognized as the preferred video installation in businesses all around the world.

Because of our open philosophy and strong, reliable product foundation, we are well-positioned to grow our business in an increasingly uncertain future. That's why we believe our revenue can grow well above the growth rate of the overall VMS market year-on-year.

Performance highlights of the year

Net Revenue

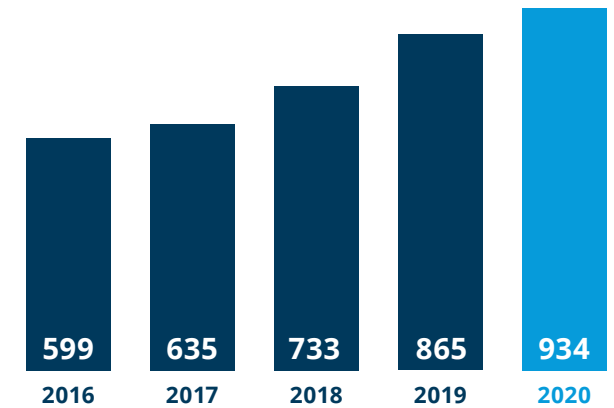


Offices and Representations

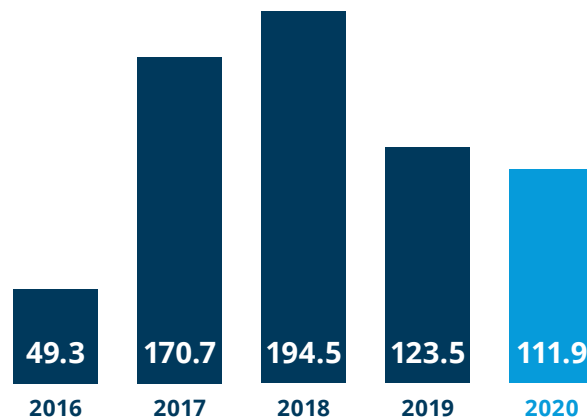
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Milestone has regional offices in 23 countries.

Number of Employees (Year-end)



EBIT (DKK Million)



Investment in R&D

11%  INCREASE

Milestone invested DKK 237 million in R&D in 2019. This was increased to DKK 264 million in 2020.

Registered Participants in Milestone Virtual Events in 2020

22,700

In 2020, Milestone hosted virtual events such as online conferences and webinars with a record number of participants.



The numbers

Consolidated key figures

In 2019, we adopted IFRS 15 and 16 in our financial statements. As a consequence, the key figures and financial ratios are not fully comparable throughout the five-year period.

No comparative information has been restated because the simplified approach has been applied.

DKK'000	2020	2019	2018	2017	2016
Income statement					
Net revenue	1,016,793	1,026,494	934,445	881,138	709,037
Gross margin	968,315	967,305	858,117	808,756	651,126
Operating income (EBIT)	111,891	123,534	194,474	170,671	49,276
Net financials	-45,244	6,226	14,356	-16,743	1,048
Profit before corporate tax	66,647	129,760	208,830	153,928	50,324
Net income	53,631	98,284	170,815	116,722	41,349
Balance sheet					
Balance sheet total	1,546,208	1,478,862	1,200,850	931,561	748,517
Investment in tangible assets excluding lease assets	30,403	26,964	28,449	13,793	11,450
Receivables from Group enterprises	497,056	382,572	346,922	229,123	134,731
Cash at bank and in hand	312,697	346,741	249,068	201,466	153,483
Equity	749,623	724,574	630,475	482,852	339,695
Cash flow statement					
Cash flow operating activities	181,832	237,760	130,772	140,166	2,392
Cash flow investing activities	-123,818	-114,578	-82,049	-95,223	-96,380
Cash flow financing activities	-89,899	-26,004	0	0	0
Change in cash and cash equivalents	-31,885	97,178	48,723	44,943	-93,988
Employees					
Average number of full-time employees	866	776	658	586	569
Number of employees at year-end	934	865	733	635	599
Key figures					
Invoiced revenue	1,113,885	1,165,573	1,031,946	938,698	805,260
Gross margin	95.2%	94.2%	91.8%	91.8%	91.8%
EBIT margin	11.0%	12.0%	20.8%	19.4%	6.9%
Financial solidity	2.1	2.0	1.9	1.9	2.2
Return on equity	7.3%	14.5%	30.7%	28.4%	13.1%

Strong results in a challenging year

The Milestone Group achieved a successful outcome in 2020 given the hardships imposed on our business during the year by COVID-19. Invoiced revenue amounted to DKK 1.1 billion, corresponding to a decrease of 4 percent. After adjustments for revenue deferrals and the impact of cash flow hedging and sales incentives, net revenue was DKK 1.0 billion. This is a decrease of 1 percent compared with 2019. Operating profit amounted to DKK 112 million, a decrease of 9 percent. Milestone considers this satisfactory considering the business impact of the ongoing pandemic on all regions.

Looking at results in our markets, 2020 has been a very special year. We surpassed expectations during the first two months of 2020. Soon after that, of course, the COVID-19 pandemic resulted in lockdowns with strong containment measures that have affected the business climate in all regions. Despite the challenging conditions, Milestone

secured several large customer solutions during 2020, including the two largest solutions in company history. This shows a strong demand for our solutions despite markets and industries having been affected by the pandemic during 2020.

Invoiced revenue in the Americas region amounted to DKK 577 million, corresponding to an increase of 10 percent compared with 2019. The North American market continues to grow despite the difficult business climate. Milestone's North American region has signed several key projects within the global technology, transport, and entertainment industry.

The Caribbean region and Latin America were impacted by the COVID-19 restrictions and we saw a minor slowdown in sales compared with 2019. A strong fourth quarter showed signs of the business climate improving. The Asia and Pacific region (APAC) continues to be severely impacted by

COVID-19, with shutdowns throughout the region that have resulted in a very challenging business environment. Invoiced revenue amounted to DKK 102 million in 2020, representing a decrease of 35 percent compared to the same period last year. All sub-regions have been impacted, with India and Japan being affected the most. Conditions in the South Pacific have been better, with Australia and New Zealand landing several key projects within infrastructure and retail sector. Overall, APAC has remained severely impacted. However, towards the end of the year we saw signs of the situation improving.

In the Europe Middle East and Africa (EMEA) region, invoiced revenue amounted to DKK 435 million, representing a decrease of 11 percent. EMEA was significantly impacted by COVID-19 as a result of shutdowns across Europe. However, the business climate has been improving during the second half of the year and we have seen an emerging optimism.

Markets in Middle East, Germany and Switzerland showed strong growth in 2020 compared with the previous year, with these countries signing contracts for key projects within the government healthcare and the transportation sector. The rest of EMEA has been adversely affected by the pandemic, with Southern Europe and emerging markets being impacted the most. The business climate in EMEA is improving, although we have not seen a full recovery yet.

Operating expenses

Operating expenses totaled DKK 856.4 million compared with DKK 843.8 million in 2019, representing an increase of 1 percent. The increase is mainly driven by higher costs for personnel and is a consequence of Milestone's increased focus on driving an innovation agenda and the continued expansion of our sales force. This was partly offset by reduced travel, consultancy, meeting activities, and other staff-related costs due to

the pandemic. Operating expenses amounted to 84 percent of revenue compared with 82 percent of revenue in 2019.

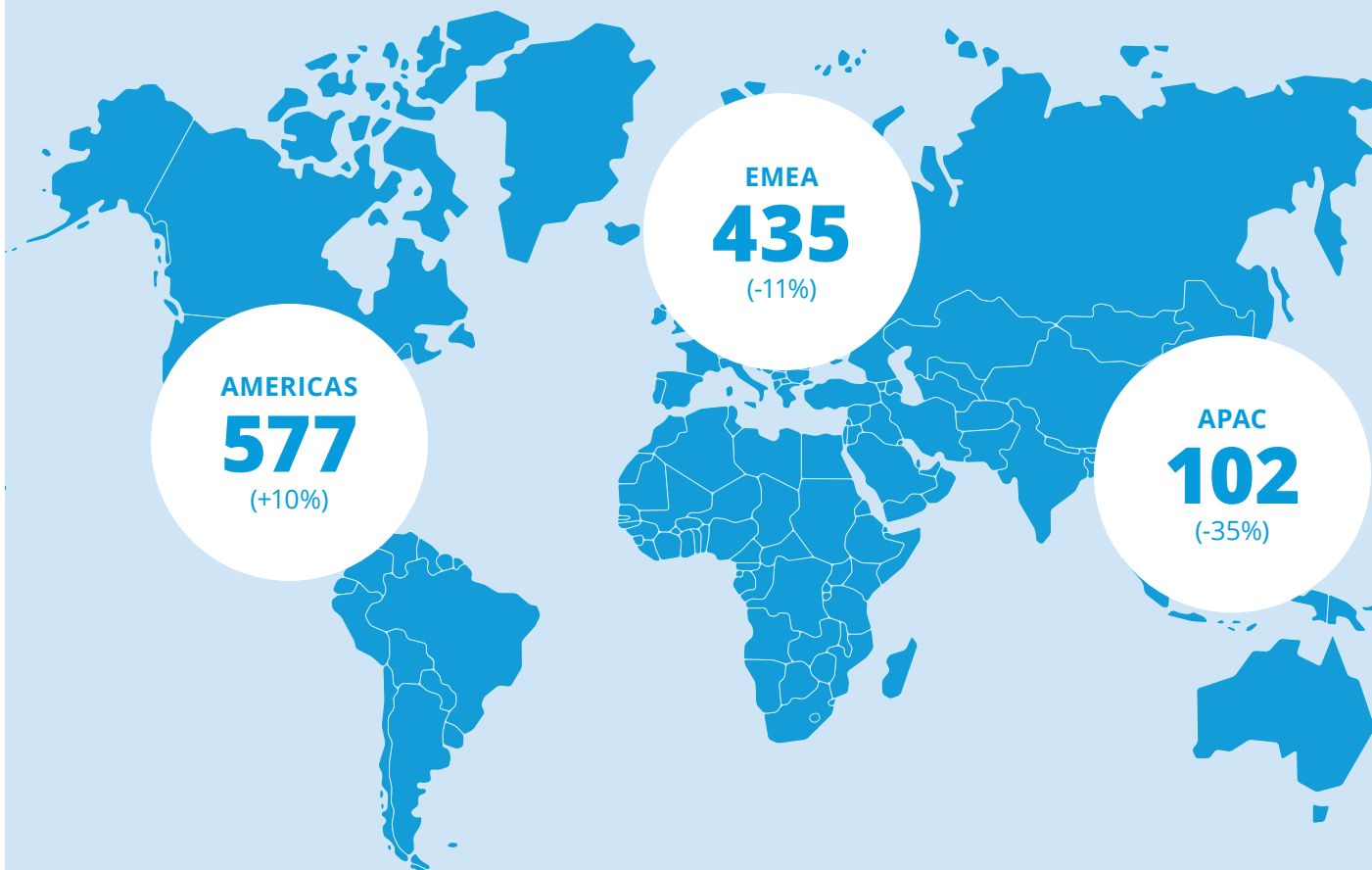
Research and development

Research and development expenses amounted to DKK 263.6 million compared with DKK 236.7 million in 2019. This corresponds to a growth of 11 percent as a result of investments in the number of full-time employees, increasing costs for consultants, and depreciation from capitalization of development cost.

Total research and development expenses correspond to 26 percent of net revenue in 2020, an increase from 23 percent in 2019.

Invoiced revenue

(DKK million)



Distribution and sales costs

Distribution and sales costs amounted to DKK 506.8 million, compared to DKK 523.5 million in 2019, which represents a decrease of 3 percent. Milestone has continued to invest in building the right organization by adding several new members to our regional sales teams to expand for further growth. This was offset by COVID-19 significantly decreasing travel activities and the cancellation of some of our main marketing events. Total distribution and sales costs corresponded to 50 percent of net revenue, a decrease from 51 percent in 2019.

Administrative expenses

Administrative expenses amounted to DKK 86.0 million compared with DKK 83.6 million in 2019, which corresponds to an increase of 3 percent. The increased investment is driven by expanding our support organization together with projects shaping our company culture and our People First agenda. Total administrative expenses correspond to 8 percent of net revenue, the same level as in 2019.

Income and balance sheet

Operating income (EBIT) of DKK 112 million was recorded for the year, compared with DKK 124 million in 2019.

The decrease of 9 percent was a consequence of the ongoing pandemic impacting sales, the increase in our development capacity, and investment in new headcounts to fuel future growth. Profit before corporate tax was DKK 67 million in 2020, compared to DKK 130 million in 2019, corresponding to a decrease of 49 percent. The decrease in profit before corporate tax was predominantly a consequence of the decrease in US dollar to Danish kroner exchange rate. Milestone delivered a satisfactory financial result with profits in line with expectations despite the uncertainties as a result of the COVID-19 pandemic.

The total value on our balance sheet as of December 31, 2020, was DKK 1,546 million, compared with DKK 1,479 million on December 31, 2019. The total equity amounted to DKK 750 million at the end of 2020, compared with DKK 725 million at the end of 2019. Cash at bank and in hand as of December 31, 2020, was DKK 313 million, compared with DKK 347 million on December 31, 2019. As a result, Milestone's financial position is considered strong and healthy.



Outlook

The Executive Management Team believes that there are good business opportunities going forward. EBIT for 2021 is expected to be at the same level as 2020, although our markets are currently negatively impacted by the pandemic across all regions. In 2020, we have seen that once the restrictions have been lifted, sales have picked up.

During 2020, Milestone has demonstrated that we have a strong COVID-19 continuity plan. Throughout the year we have been in control of our profitability and we expect to continue the COVID-19 continuity plan as long as needed. As a global company with customers around the world, Milestone is subject to varying market conditions. Lockdowns and mobility restrictions have continued to impact customers, partners, and employees in 2021 and in light of the current developments in the COVID-19 pandemic, we underline that our assumptions are significantly more uncertain than normal.



State-of-the-art facial recognition to stop trespassing at a shopping center

PMT Security has deployed an advanced Facial Recognition (FR) solution and network of advanced IP cameras at a busy shopping center in Sydney. Milestone's XProtect VMS supports the network.

One of the most popular shopping centers in Sydney, Australia contains two large supermarkets as well as more than 55 specialty stores. The site also hosts several heritage-listed cottages.

The security mission at the center is sensitive. The retail destination had been experiencing antisocial behavior from a small group of repeat offenders trespassing outside of retail hours. In addition, there had been frequent incidents of shoplifting and disturbances of the peace.

The shopping center required a solution that would help them recognize individuals who were known to have

transgressed in the past and alert staff and authorities that they had entered the premises despite being banned.

Open platform to the rescue

Darren Taylor, Managing Director at PMT Security: *"We needed something that went beyond the footage provided by our network of analog security cameras and the people sitting behind them watching monitors all day. We needed to create a safe environment that made our customers feel secure, so it was essential that we introduced cutting-edge technology to help us achieve that.*

Being an open platform solution, the Milestone VMS supports the widest variety

of cameras and other hardware, and also allows us to plug in the other solutions that we need in order to provide the absolute latest and most high-tech security solution possible in the market today."

One such integration is the shopping center's Facial Recognition (FR) solution, powered by Vix Vizion's Imagus software.

Return on Investment

Brett Hansen, Country Manager, Milestone Systems: *"Deployments like this are at the very forefront of today's video technology, but they also open up the possibility of more complementary technologies being added in the future.*

An open platform allows for a huge amount of functionality to be built into a security solution and, as we see in this case, essentially future-proofs the premises and the business. They can add the latest technologies as they become available and therefore continue to offer their customers the very best retail experience moving forward."

The PMT Security solution at the shopping center has enabled the shopping center's security team to curb offensive behavior and trespassing, making the security mission much more effective while saving the team a lot of time previously spent monitoring screens and manually inputting data.

The number of individuals attempting to trespass on the property has dropped to 'almost zero' as a result of the investment.







Responsible use of Technology

Milestone acknowledges that technology is a growing concern in matters of society and ethics, and we believe in taking responsibility for the world we are part of creating. That's why we support the Copenhagen Letter (www.copenhagenletter.org) committing the technology industry to put humans before business and build on the principle that technology should enhance the quality of life.

In the spirit of the Letter, we are holding ourselves accountable, replacing words with real actions through our Initiative for the Responsible Use of Technology. With this initiative, we are actively promoting, externally and internally, trust and a humanity-centered approach to the use of technology.

Milestone remains aware of the many ethical aspects of video surveillance and for many years, we have incorporated human rights language into our licensing terms. In 2019, these were supplemented by the Copenhagen Clause. The Clause encourages our partners to involve themselves in the important discussion surrounding responsible use of technology, and to sign the Copenhagen Letter and adopt the Copenhagen Clause into their own agreements.

A flexible business model to meet different market needs

The market for video technology is evolving rapidly. Milestone is at the forefront of this development, ready to deliver and support products and services that meet many different market needs.

Milestone's long-term ambition is to develop and deliver the best video solutions to our end-customers with and through our partners.

We do this by focusing on four strategic priorities:

Products & services – We pursue end-customers' needs and preferences through our focused product and service portfolio.

End-customer segments – We target the end-customer segments where we believe we contribute the most value.

Markets – We are an international company that enters and develops markets with a clear blueprint to win strong positions.

Partnerships – We scale our business by proactively supporting and helping our channel partners to grow.

Our business model is essential to the way we create value and results. Our video solutions are sold with and through our channel partners, providing us with great scalability. We are continuously adapting the way we do business to fit market conditions

and customer needs, wherever it makes sense for us, our partners, and end-customers.

In addition, our focus on open platform Video Management Software (VMS) connects our channel and technology partners to each other so they can build best-of-breed video solutions. For example, we enable this through Marketplace, which is developed around the idea of growing together with our partners.



Hybrid cloud solution provides flexibility and scalability

Cloud solutions are an integrated part of Milestone's offering and business model. Our hybrid Cloud solution offers more deployment options, supporting our end-customers' preferences and empowering our partners to deliver relevant solutions.

We are currently cooperating with:

- Arcules Inc., offering Arcules-XProtect Hybrid VMS Solution to enable existing XProtect customers to deploy VMS remotely and connect to Arcules Video Surveillance as a Service (VSaaS).
- Amazon Web Services (AWS) Marketplace to offer XProtect with the same full feature compatibility as an on-prem solution, and XProtect Essential+ Milestone's free product.

These offerings are extending our customer base, increasing online sales, and expanding our partner network.



Agile strategizing in times of change

At Milestone, we continuously scrutinize our commercial environment and adapt our strategy and initiatives to maximize business outcomes for our partners and customers. For 2021, five focus areas will guide our priorities and strategic projects.

Milestone is part of a dynamic business undergoing a number of changes and transformations. To be at the forefront, our strategy and strategy process needs to be agile to adapt to the rapid change we see in our markets and across our organization.



Strategy implementation delivering results

In 2019, we reported on four focus areas. These included projects and initiatives which are now bearing fruit.

For example, we have:

- Invested in our company culture and employer brand by improving employee onboarding, development, and retention through our Milestone Leadership, Sales and Developer Academies, as well as refining existing systems, teams and work processes.
- Digitized products, services, and processes. For example, we are improving the Milestone Store, automating key processes globally, and aspiring to accelerate our marketplace initiatives.
- Increased our development capacity to be able to deliver new innovative products and services. We have launched initiatives that address needs beyond security, and we are enabling solution marketing with partners by expanding Milestone Marketplace.
- Kept a strong focus on revenue, gross margin level and cost of revenue.
- Continued to modernize Information Technology (IT) and operations in general.
- Continued our strong collaboration with Axis Communications, BriefCam and Arcules.

Many of these initiatives will continue in the year ahead. But now is also the time for Milestone to take new strategic steps.

Five focus areas in 2021

Our strategic focus areas are directed towards projects and initiatives that support our current objectives for 2021.

In 2020, our corporate strategy was updated to match expected developments in the market as well as the needs and potential of our partners. In 2021, we have five areas where we will focus our value creation:



People First

We want to maintain a culture built on Scandinavian values with a flat hierarchy. Empower people growth by developing our employees and their skills. Strengthen flexibility and agility in our way of working to enable us to adapt faster and work together globally.



Digitize Milestone

We want to continue to digitize products and services to deliver better solutions to our partners and end customers. Ensure friction-free online platforms including Marketplace and Store. Ensure agility and optimize internal processes through automation.



Lead industry innovation

We want to deliver new innovative products, services, and platforms within security as well as beyond security. Develop solutions that connect buyers and sellers to our growing number of diverse partners.



Strengthen partners

We want to strengthen our brand to attract both technology and channel partners. Proactively develop partners to enable the long-term sustainable growth of our partners. Ensure our partners are highly engaged and individually contributing through, for example, co-creation.



Expand reach

We want to amplify our partners' reach through efficient channel management and stronger relationships. Strengthen prioritized market verticals. Expand our global reach through high-potential markets in line with our business values.

Boosting productivity in packaging systems

At Senzani Brevetti Spa manufacturing, a video surveillance system has been installed to improve the efficiency of packaging operations for food & beverages, chemical products, agriculture, and home and personal care products.

The challenge

Senzani Brevetti produces machinery and technology for automatic packaging. To ensure constant monitoring and correct operation of the machinery, the Italian company needed a video technology solution. For this purpose, Senzani relied on C.OM.I.TEL, a system integrator and Milestone partner based in Italy.

The solution

The machinery consisted of an entire packaging line protected by a 12m x 3m glass enclosure around its perimeter that is only accessible from the outside via movable guard rails. This installation was fitted with 8 ultra-high frame rate IP video cameras and a server where video was recorded and maintained for up to 7 days, in compliance with privacy legislation.

The cameras were integrated on the Milestone XProtect platform. They were able to take a high number

of frames per second to guarantee quality recording even for the fast-rotating parts of the mechanism on the machine.

Thanks to the flexibility and ease of configuration of XProtect, the eight integrated cameras were synchronized to produce a timeline of the packaging process on which any potential malfunctions of the machine are recorded in real-time. The video recorded by the cameras plus the reporting of any malfunction alarms and their indexing on the timeline are displayed on a monitor outside the enclosure of the machinery.

With XProtect, the solution provides operators with a time-synchronized view of the packaging process and controls physical access inside the machinery. That means that it protects the privacy of users in accordance with EU's General Data Protection Regulation (GDPR).

The benefits

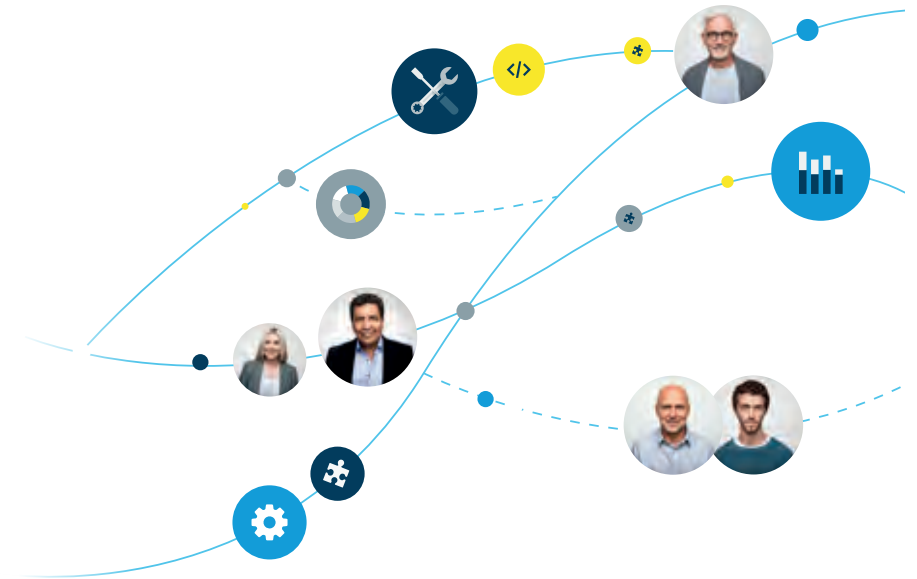
Increased efficiency and productivity are among the main benefits. In the past, a production line required multiple operators to monitor its functioning from outside the enclosure. Now any malfunction can be displayed in real-time on an external monitor. The video technology solution greatly reduces maintenance time and costs. In the event of a breakdown, operators can immediately identify the moment and the exact point where the malfunction occurred, without having to check the entire video recording.



Milestone Marketplace

Community and Collaboration

The extension of Milestone Marketplace to include services by systems integrators was officially announced in early December 2020, making Marketplace the place for all XProtect users looking for the right expert to build their next video management solution.



Since 2019, Milestone Marketplace has been instrumental in helping our partners identify their next business opportunity with XProtect. It quickly established itself as the place to go for exploring a wide range of verified hardware, software and solution services, and these features have now also been made available for end customers looking for new solutions as well as existing XProtect-users looking to expand existing installations.

The year 2020 has underlined how vital it is for businesses to be flexible and adaptable. The need to rapidly

expand video solutions, to integrate analytics and other functionalities, and to innovate and repurpose existing investments has never been more prominent. These adaptations require collaboration and inspiration – two areas that Milestone’s Marketplace seeks to cultivate.

Milestone Marketplace journey

Today, Milestone Marketplace continues to build on the open platform approach, enabling flexibility and relationships between XProtect-users and Milestone partners.

One of Marketplace’s new features is a detailed search function that allows users to search for specific services, software and hardware based on their challenges and location. Marketplace now also shows Milestone’s various system integrators – listed as Solution Service Partners – making it possible for end-customers to find partners to advise them and help them deploy expansions to their video solution with new technology.

Insights and expertise

Engaging with Marketplace gives XProtect-users the freedom to build

customized video solutions and explore the possibilities offered by XProtect’s open platform. Marketplace also provides the insights and expertise needed to help users make informed decisions about their video deployments.

For technology vendors and system integrators, joining Milestone Marketplace provides the opportunity to become aware of new innovations, create long-lasting relationships with customers, and drive value to the community for many years to come.



XProtect on AWS

During early-summer of 2020, Milestone launched XProtect on Amazon Web Services (AWS). This is our first video management software (VMS) solution deployed on AWS's cloud. It offers an unprecedented flexibility to scale infrastructure resources on demand.

AWS is the world's most comprehensive and broadly adopted cloud platform. It offers one of the most secure cloud computing environments available today with services such as computing, storage, database, and networking available in seconds.

XProtect on AWS is deployed directly from AWS Marketplace – a digital catalog that makes it easy to find, buy, deploy, and manage software and services. By deploying XProtect from AWS Marketplace, the user saves time on system set-up with an automated operating system and VMS installations and a pre-configured VMS.

In a full-cloud deployment scenario, the only hardware maintained on the user's premises are the cameras and the end-device used to access the system. This means that the servers, recorders, and datacenters are maintained fully by AWS 24/7 anywhere in the world.





FIPS compliance and product security

FIPS, which stands for Federal Information Processing Standard, is a set of requirements designed to standardize security for solutions deployed in federal government IT systems across the United States and Canada.

XProtect is deployed in more than 2,000 federal installations across the United States and Canada. To meet the needs of these customers, and as a response to the new FIPS

140-2 specification, Milestone made all the required updates in our 2020 R3 product version.

FIPS 140-2 specifies which encryption algorithms can be used in federal software solutions. All software solutions deployed in United States' government installations and in highly-regulated industries such as healthcare and finance are required to comply with the FIPS standard.





Staying safe with video technology

When the COVID-19 pandemic created unprecedented restrictions in the public space, businesses, organizations, and governments were suddenly forced to look for new ways to ensure public safety.

Video technology quickly established itself as an important tool for mitigating the impact of COVID-19. It could provide social distancing detection, temperature detection, touch-less access control and contact tracing. And it replaced the need for large, on-site teams by enabling remote conferencing.

The pandemic created a situation where the heavy responsibility of ensuring the safety of

customers, employees and business partners was suddenly placed on the shoulders of authorities and business owners. Video technology helped facilitate and maintain the safe environment that was critical to prevent the further spread of the virus.

Open platform technology

Our partners provide an almost endless range of 'best-in-class' combinations and solutions for almost any situation. This makes our technology scalable, flexible and future-proof, since our open platform allows users to put together the solution that fits their specific need best.

Whether users are looking to prevent overcrowding in an office space or in need of the option to identify possible virus carriers early, the open platform combined with a Milestone partner provides users with all the necessary features needed to address a specific issue.

The year 2020 has only underlined how vital it is for businesses to be flexible and adaptable. The open platform technology allows us to adapt to any unforeseen circumstances because the option to integrate new technologies is always there.

Heading for the clouds

Increasing business demands for flexibility and scalability took Milestone on its journey to cloud which resulted in several new deployment choices.

Since its early days, Milestone's primary goal has been to make the world safer and more secure by delivering innovative VMS solutions, and by promoting responsible technology use among our partners.

Technology has changed over the years, but one thing stayed constant — our commitment to be the open platform company that provides our customers with the freedom to choose:

- The XProtect products that best suits their businesses
- The cameras they prefer to use
- The server hardware that fits their needs and budget.

However, for more than two decades, on-premises seemed to be the only deployment choice for video surveillance installations. Then came cloud computing.

New deployment choices

Cloud computing introduced new opportunities for our industry. New ways of delivering computing, storage, and networking allowed us to remove much of the friction involved in setting up and maintaining

on-premises systems, while providing our customers with new deployment choices.

A key enabler for removing that friction is the change to the technology stack that the surveillance system is built on. Until recently, this stack was embedded in devices, clients, and servers, but it can now be replaced with cloud computing and applications from cloud and video Software as a Service (vSaaS) providers.

Within a few years, one XProtect deployment possibility turned into five deployment choices: On-premises, hybrid cloud, video Software as a Service (SaaS), Infrastructure as a Service (IaaS), and Platform as a Service (PaaS).

They differ in the way they distribute the workload between the end user, system integrator, and SaaS/ Public Cloud provider. However, they all have one thing in common — they all use the XProtect platform as the core engine that drives the entire installation.

Enabling the organization to work from home

Most of us probably remember where we were when we were first told that the place we live was going into lockdown. Milestone's IT department is no exception. Within a few hours, our IT team had to enable an entire organization to work from home.

Quickly establishing an IT task force, they set up a system for how to handle the predictable issues that would arise as well as issues it was impossible to plan for.

Some of the immediate actions were:

- **Increasing company-wide communication:** Frequent reminders and IT updates from IT ServiceDesk were an important first step and remained constant throughout the most intense periods of lockdown.

- **Intensifying global cooperation:**

24/7 support was quickly established to deal with regional requests across the globe.

- **Virtual Private Network (VPN):**

Based on early estimations, the IT ServiceDesk was able to pinpoint an expected maximum number of VPN connections needed to allow people to work from home without friction. They were able to increase the normal capacity and remove any capacity constraints.

- **Purchasing laptops, monitors and webcams:** Equipment needs were expected to increase during lockdown, so we made estimates about how much equipments might have to be purchased.



Taking advantage of co-created innovation

In 2020, we launched a new Technology Partner area, focused on co-created innovation with Milestone partners.

The Technology Partner area has a core focus on scaling, strengthening, and deepening our collaboration with technology partners. It is designed to accelerate time-to-value, as well as to enable growth throughout the community. Co-created innovation offers some clear business advantages that we wanted to pursue even further. The global video technology partner landscape has an immense innovation capacity that no single company can compete with.

We are in this together

The Technology Partner area will optimize the way we identify, partner, develop and manage this co-created

innovation capacity to create the greatest value for partners and end customers. It is a long-term investment with the ambition of growing not only Milestone's own capabilities but lifting our partners as a whole.

The power of choice

We strongly believe that for us to grow, we must grow together with our partners. We cannot do it on our own. Co-creation with thriving and diverse partners, based upon an open platform, provides end customers with the power of choice and partners with the largest addressable market.



What the wearer saw – a new perspective on body-worn cameras

Body-worn cameras complement and provide a new perspective compared to traditional fixed surveillance cameras.

The use of body-worn cameras is increasing, currently driven by the desire of law enforcement and private security to improve officer and citizen safety as well as case transparency. In 2020, the global market for body-worn cameras and digital evidence management systems was approximately USD 1.0 billion. This is forecast to grow at a compound annual growth rate of 11.8% to over USD 1.5 billion by 2024 (Omdia 2020).

Combining fixed surveillance with body-worn

Body-worn cameras are often extensions to existing surveillance systems meant to enhance the operational conditions of its users. Many end users, like governments, law enforcement units, and transportation companies, are large operations with many departments that have different requirements regarding the body-worn

camera functionality. In the end, the data generated by body-worn cameras needs to be centrally managed and accessed.

Milestone XProtect can combine an existing fixed surveillance system with a body-worn camera system. It connects to either the body-worn camera system or the camera directly and supports multiple body-worn camera systems.

Using XProtect Scalable Video Quality Recording and Flexible Retrieval, live streaming body-worn cameras can maintain a constant connection to XProtect. Operators do not have to wait to offload data from the device's internal data storage. The recorded footage can be retrieved at any time by the video management software as soon as there is a connection to the device or the device system.

Where are body-worn cameras used?

Body-worn cameras are used in professional environments, like governments or private-sector companies. The data can be recorded on the device locally and be live streamed to a centrally managed system. The cameras are battery-operated and are usually designed to be used in harsh or hazardous environments with long operation times to cover an entire working day. Often, body-worn cameras can also be used with external connections for audio communication equipment like headsets. They can carry infra-red lighting to create the best possible video quality in poor lighting conditions.

Not the same as action cameras

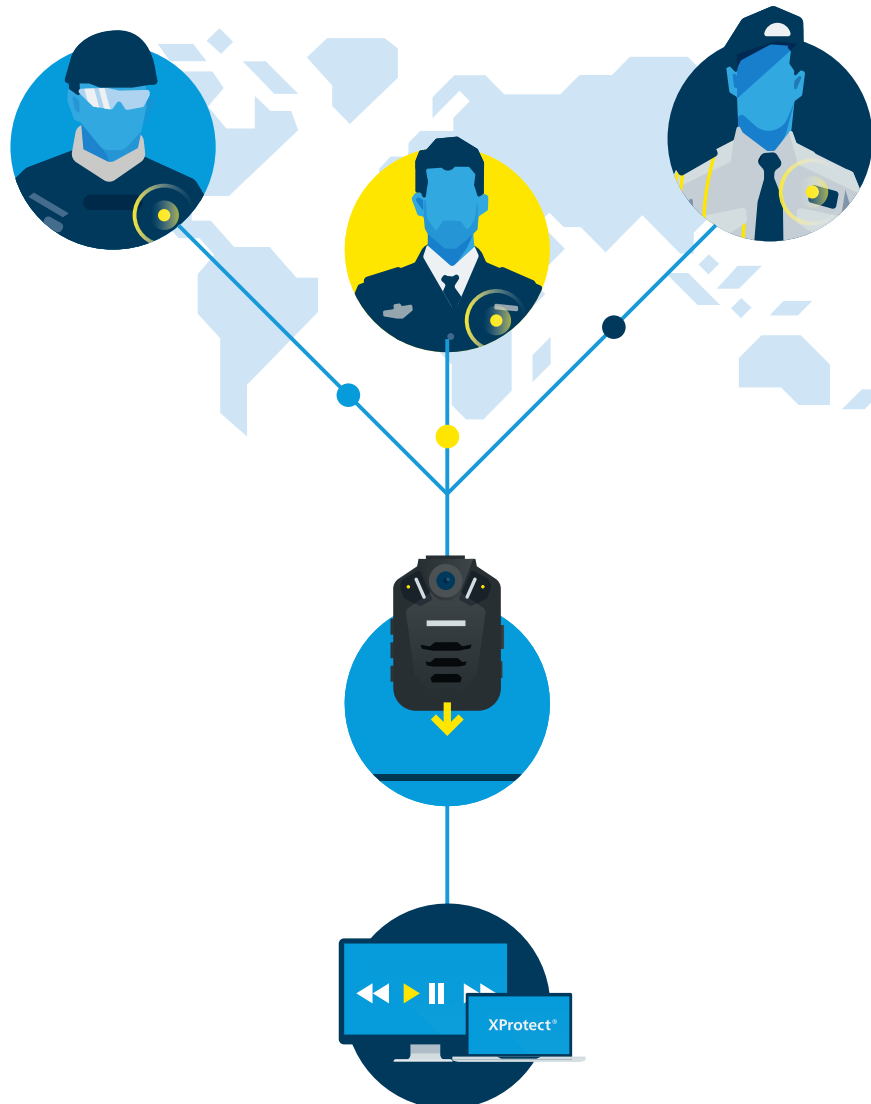
Body-worn cameras are not the same as the action cameras used in leisure and sports environment and should not be compared with these cameras. Their use

cases are very different, as is the output and usability for security, training, inspection, and remote assistance.

Action cameras focus mainly on image quality and single recording while body-worn cameras are a group of cameras providing multi-channel video streams as well as video availability for live streaming and recording. Most body-worn cameras today provide local recording only, but live streaming types that provide both are also available.

Due to the need for handling multiple cameras on a daily basis, body-worn cameras usually use docking stations where the recorded data can be offloaded from the device to free up space in the device data storage. When the data is offloaded, it can be stored for a longer period of time and processed for further analysis.

Schematic overview of live streaming solution



What are body-worn cameras?

Body-worn cameras are small wearable devices that capture video, audio data, and sometimes also generate meta data (position, object classification, etc.). They are traditionally worn on the torso, built into a helmet or worn around the neck with multiple cameras stitched together to provide a 360-viewing experience. The technology shares characteristics with other mobile camera solutions such as camera equipped drones and in-vehicle cameras.

The majority of the cameras store the captured data locally on the device. But as 4G and 5G networks make live streaming from the devices more affordable and feasible, the use areas are multiplying.

People First culture proven strong

It has been busy times for Milestone. COVID-19 had a significant impact on how we work, cooperate, and stay healthy, both internally and externally. However, 2020 has also brought new ideas and methods that have helped us to work in a more flexible and creative way.

COVID-19 has been a challenge for Milestone and the way we work. It has affected workplace dynamics, leadership, communication, and many other aspects of running a global organization. But the pandemic has also forced us to create new flexible ways of meeting, being creative and innovative, offering new services, training partners, executing events, recruiting, and onboarding new employees. And those are just a few areas in which we have been on a steep learning curve to establish new ways of managing and supporting our People First culture.

Although the pandemic has created challenges for Milestone, being a software company focused on creating opportunities for people and culture has given us some distinct advantages to handling

these challenges. Consequently, our multiple initiatives to support agile performance, digitize processes and putting people first have continued.

More energy, more focus

One of those Milestone initiatives is Grow Together, which provides a range of activities that are now being offered to all employees. The base of this initiative is the energy pyramid that focuses on ways to create energy by working to achieve a physical, emotional, mental, and spiritual balance. Grow Together is a program that includes training, ways to optimize your physical well-being, tips to keep focus on assignments, and an improved practice for planning and holding meetings. Because we believe people in balance make the organization more

creative and efficient, Grow Together supports an agile and flexible working culture while strengthening our growth ambitions.

Agile performance

As part of our agile performance culture and management, we have implemented team goals and reviews. This puts the focus on the team rather than the individual, on the way we collaborate at Milestone, and on the way we set and evaluate goals and success in fulfilling them together with our teams. This has been the standard for our development teams and projects for a long time. To get everybody on board, we are training and sharing the learning from these teams across the organization.



Strong performance

As part of our employer branding strategy, Milestone has also continued efforts to recruit and retain employees. We monitor, evaluate, and share this effort in our global organization to secure employee satisfaction and a successful retention rate. Despite concerns related to COVID-19, in 2020, our employees gave Milestone a satisfying employee net promoter score of 46 and an engagement score of 8 (out of 10).

The yearly Global Employee Survey was completed by 97% of our employees. It shows that the overall satisfaction and motivation scores 79 and loyalty scores 87. Our employees rated management at an all-time high with an overall score in the Leadership Quality Index of 85.

Despite the COVID-19 pandemic, the number of Milestone employees has grown in 2020. The headcount was 934 employees at the end of 2020, an increase of 69 employees from the previous year.





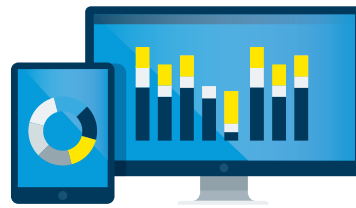
Performance highlights



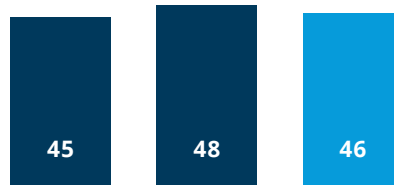
Engagement Score

8

= Very good



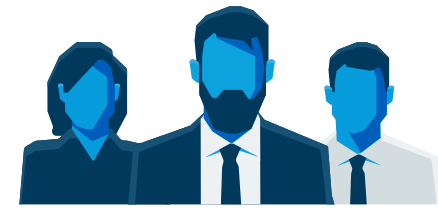
Net Promoter Score



2018

2019

2020



Leadership Quality Index

84

2019

85

2020



Governance and risk management to drive sustainable growth

Sustainable growth is key for Milestone. As a growing video technology company, we encounter both challenges and opportunities that must be addressed to preserve strong relationships with all our stakeholders.

To succeed, Milestone conducts our governance and risk management with the goal of remaining a value-driven and responsible company.

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

We are a Danish corporation that is governed by our Board of Directors in collaboration with our Executive Directors. Our Board of Directors has four shareholder-elected members and two employee-elected representatives. Milestone's overall objectives and policies are mandated by our Board of Directors who also approve targets and strategies and ensure that structures are in place to roll out our corporate governance. Topics and policies are presented at board meetings following an annual wheel which ensures that the Board of Directors discusses and approves our strategy outlook, budget status, financial results, annual reports, and reviews policies, including

accounting procedures, internal controls, information technology (IT), treasury, insurance and budgeting.

The Board of Directors also makes a yearly review as a self-assessment of the board's performance to address the efficiency of the board, the board composition and dynamics, the processes supporting its work, the Chairman's performance and the collaboration with the Executive Directors. The assessment includes topics of governance and risk awareness and how the Board of Directors evaluates the risk management. 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. In this role, they present, submit and recommend proposals for the company's overall strategy and objectives to the Board of Directors.

The Executive Directors are our Chief Executive Officer and Chief Finance Officer who also constitute the

Rules of procedure – Annual wheel

Q1

- Annual report and annual general meeting
- Board self-assessment

Q2

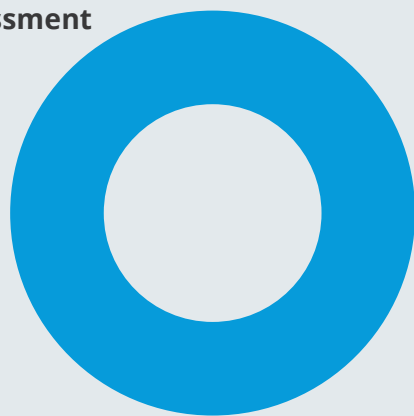
- Strategy outlook
- Review and status of Milestone's policies and risk management

Q4

- Approval of budget for the coming year

Q3

- Budget status and business plan



Executive Management Team (EMT) together with our Chief Technology Officer and Chief Sales and Marketing Officer. 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 a group of Vice Presidents, and each Vice President carries the responsibility for a business division and manages its 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, the 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.

Communication of our Strategy 2021

In 2020, we formed our Strategy 2021 for Milestone as a dynamic company built on our powerful open video technology platform. Our Strategy has been communicated and has also been distributed as a one-page strategy map to all employees. The strategy map provides direction for 2021 and summarizes our aspirations, strategy and culture, including strategic focus areas and how we measure success. The strategy map serves as an important tool for our managers to explain our company ambition to their



teams and show how their individual contribution connects to our overall objectives and strategy.

Risk management

Executing strategies and managing business growth requires a shared understanding of governance and risk management, and the EMT has a strong focus on ensuring that risk management is an integral part of the decision-making process.

Our governance and risk management systems support an adequate balance between growth and risk in the Milestone business model. In Business Support, we operate in three pillars: business risk, financial reporting risk and compliance risk, and for each of these risk areas we identify, monitor, measure and manage the company's risks. Our IT Division controls and monitors our IT security risks.

Our approach to risk management is formulated in our Enterprise Risk Management Policy and we have implemented an ongoing and cyclical process to report on activities within the areas, to identify risks, and to mitigate risk by determining risk responses and actions. Identified risks are assessed in terms of impact drivers like "financial," "technology," "market," "brand," and "organization" and in respect of the likelihood of an impact materializing.

With these processes, we identify and manage potential events that may affect Milestone's ability to meet strategic objectives. The risk response activities are monitored and reported to management for an ongoing evaluation and update of processes.

The risk response activities are also integrated into the annual board schedule. The Board of Directors reviews the company's risk exposure, the system

for risk monitoring and reporting, and the company's insurance coverage.

Financial risks

Milestone is exposed to financial risks, where currency risk is the main risk factor. However, it is not possible to eliminate and avoid these risks entirely. The main objective is to cover commercial risks and to actively manage potential risks in a transparent and disclosed way. The overall objectives and policies for financial risk management are outlined in an internal Treasury Policy which is approved by the Board of Directors.

Milestone has currency exposure resulting from reporting in Danish Kroner (DKK) while generating the majority of revenue in Euros (EUR) and U.S. Dollars (USD). Transactions dominated in other foreign currencies than EUR and USD are not material. In respect of EUR the currency risk is limited due to the EMU treaty between Denmark and the European Union (EU) which implies that the risk to fluctuations in the DKK/EUR rate is assumed to be insignificant.

The currency risk related to generating revenue in USD is partly offset by maintaining a significant cost share in USD and partly by cash flow hedging. The hedging is based on 24 months rolling forecast and a larger portion of the forecasted amount is hedged the

closer the forecasted period gets. The hedging is approved on a monthly basis.

Mitigating business risks

We have identified the relevant strategic business risks which our company may face in 2021. 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, we have included a situational scan of Milestone's market position and factors such as new regulations and policies, including changes in governments' approach to globalization and regional markets.

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 of each risk and planned actions to mitigate its consequences.

Our primary risks included:

- Partner dependencies
- Cyber threats
- Regionalized markets
- Governance of video feeds.

Strategic choices to mitigate risks and create opportunities

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 VMS, and we strive to develop and strengthen our community initiatives for collaboration with all our partners, developers, customers, and end users.

In 2020, we opened Milestone Marketplace for our partner integrators to present their services and solutions. Milestone Marketplace was released in 2019 to present our Technology Partners' offerings of applications and hardware which are compatible with the Milestone XProtect VMS. By including partner integrators, our Marketplace now provides insights and flexibility to find the partners, components, solutions, and services to build and complete best-of-breed solutions for the individual needs.

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 and products. In 2020, we fully implemented FIPS encryption onto our products.

Our worldwide market presence gives us the advantages of a strong interaction with local markets, but also a dependency on regional regulations and potential introduction of trade barriers such as product requirements and regulations on privacy and surveillance. In 2020, we have focused on our cross-organizational collaboration, which will continue to be a high priority for 2021. We will continue to interact with our local offices and service providers to maintain our ability to scale worldwide and continue our geo-expansion strategy. This will also include continued people focus to make People First visible and real to all employees, as well as driving our culture, our Behavior Compass, our risk and control framework and our training on code of conduct, business ethics, and compliance.





Our responsibility – principles, policies, and actions

At Milestone we are conscious of our operations and impact as a global company. We support the United Nations Sustainable Development Goals, and we are committed to contributing to these goals within our reach in our business and industry.

At Milestone, we strive to make our products efficient and to optimize them to have a positive social impact and protect 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.



Our Purpose: Make the World See

With our solutions, we optimize for life, not just for profit, as we help to protect people and property. We provide video technology to cities, industries, communities, schools, hospitals, and other institutions to enable them to make sense of video data and as a result, have access to actionable information.

Using our independent IP video platform makes it possible to improve safety and build resilient infrastructures for the common good of citizens in our societies. Our product can be used to secure the safety of many situations and environments, for example, to protect people and supplies of essentials, such as water and electricity.

With our software, feeds of video data can be managed and concentrated so people only need to look at what is important to them. This enables them to analyze the past and predict the future and make better decisions. These are important capabilities in creating an intelligent and more responsible society. And that is how we Make the World See. Also, see the description of our business model on page 24.

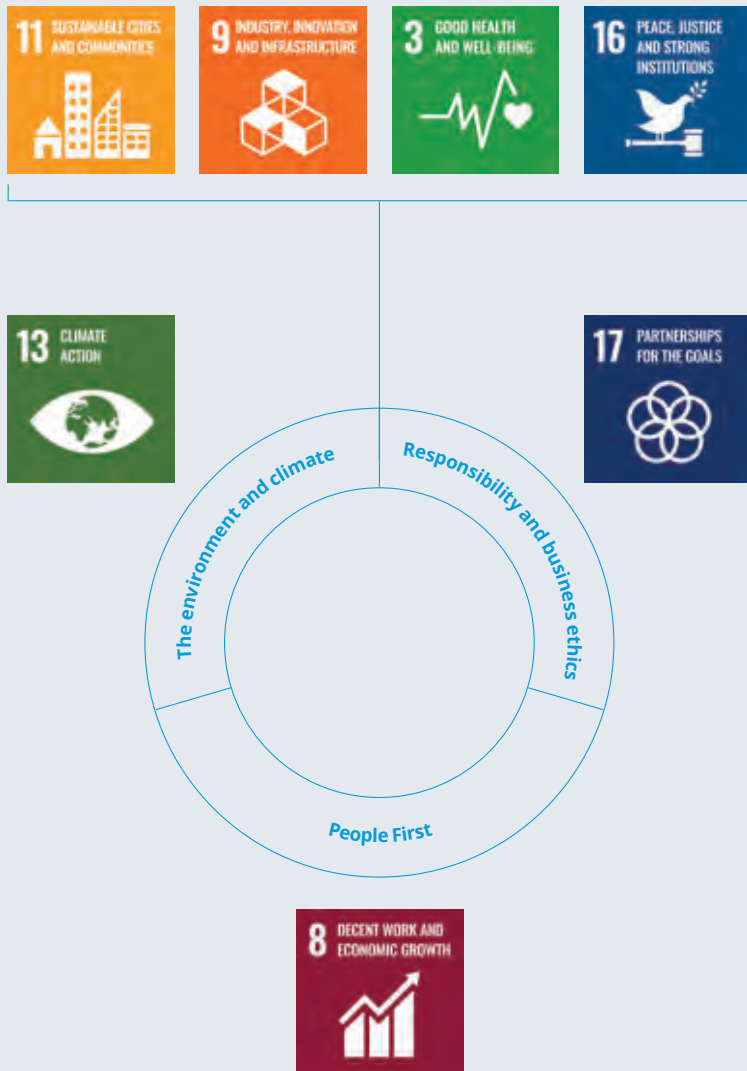


Responsibility and business ethics

Our products can support and be integrated into many facilities and infrastructures where they can support economic development and human well-being. However, like other technologies, our product can also be applied in contexts of restraint. We realize that technology is a growing concern in matters of society and ethics, and we believe in taking responsibility for the world we are creating.

We care about privacy, and we have made our XProtect Corporate product General Data Protection Regulation (GDPR)-ready for which we have obtained the EuroPriSe GDPR-ready certification from the European Privacy Seal institute.

Our purpose: Make the World See



For security and protection of data, in 2020, Milestone has integrated functionalities into our products to operate in a Federal Information Processing Standard (FIPS) compliant mode. FIPS is a United States standard for encryption which has increased cyber security overall.

Milestone’s approach to human rights, anti-corruption and bribery is firmly based on our company values and company Behavior Compass. Milestone is a co-author 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.

At Milestone, we require our employees, partners, and customers to comply with applicable laws and to respect human rights. We do not accept discrimination, violations of human rights or violations of child labor laws. We respect each individual’s right to a safe working environment.

Milestone remains aware of the many ethical aspects of video surveillance and for many years, Milestone has incorporated human rights language into our licensing terms that, in 2019, was supplemented by the Copenhagen Clause.

Our anti-corruption policy is clearly documented in our code of conduct

that we require all employees to sign and comply with. To keep this current, we will provide ongoing training in business ethics as part of the All-hands (company meetings for all employees) program in 2021. This is a continuation of similar training we delivered at the 2020 kickoff sessions, and during the year we maintained a focus on anti-corruption in our dialogue with the site offices. In addition, we require our management and employees to raise their own awareness, and to take action if they observe incidents which, directly or as a result of circumstances, may be seen as unlawful or unethical activities.

Employees and external stakeholders are encouraged to raise any concerns they may have regarding business integrity through a direct email hotline, which for external stakeholders can be found on the Milestone website. This has been communicated to all employees to make sure that they are aware of the process.



People First

Milestone is an international company and diversity is a central part of who we are. We are present in 23 countries and we are close to 70 nationalities globally, with more than 40 nationalities in the Copenhagen office alone. Diversity is not

just a question of nationality. To us, diversity equals different perspectives, and different perspectives reflect the world we live in and lead to new, brilliant ideas to help us Make the World See.

To realize our strategic priorities, we rely on our people and their expertise, skills, and diversity. Our People First principle encompasses these values together with our belief that by prioritizing the ongoing development of our people, we safeguard the long-term sustainable growth of our business.

We take pride in challenging our people and creating growth opportunities. Putting People First, we believe that each of us, as individuals and as employees, should have access to personal

development and the opportunity to learn and train professionally and grow personally. Some of the ways Milestone meets this obligation are through Milestone internal bootcamps, training programs, and academies.

In 2020, we launched our Grow Together program as a guide to strengthen mental and physical well-being. The program offers tools and opportunities for daily breaks and to focus on body, mind, and spirit. Global volunteering is part of the Grow Together initiative: Milestone gives every employee one day per year to give back to society through voluntary work for a purpose that individual teams define will benefit society.

Read more about Milestone Grow Together on page 40.



The environment and climate

Milestone is aware that our business has an impact on the climate as well as the environment, and that to some extent, we can influence this impact. We encourage all employees to become more climate and environmentally conscious in their work processes.

Looking at how we use technology, we believe that smart technology design can minimize adverse effects on the environment, and following this principle, we are working to reduce energy consumption. In this way, we can save costs in security installations, as well as extend the lifespan of the hardware used.

When relevant, we also include environmental protection in our contracts with partners. We require our distributors to comply with local environmental legislation, including the European Union (EU) Battery Directive, the EU Waste Electrical and Electronic Equipment (WEEE) Directive and environmental fees.

To increase the share of renewable energy in the energy mix used by Milestone, we have committed to sourcing some of our operational electricity needs from renewable sources. In a joint project with the property owner at our office in Denmark, solar panels have been installed on the roof of the building. When the project is complete, 14% of the energy that the Milestone Denmark

office consumes will be from the local solar production. The rest is green energy from Danish offshore windmills.

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.

Gender distribution

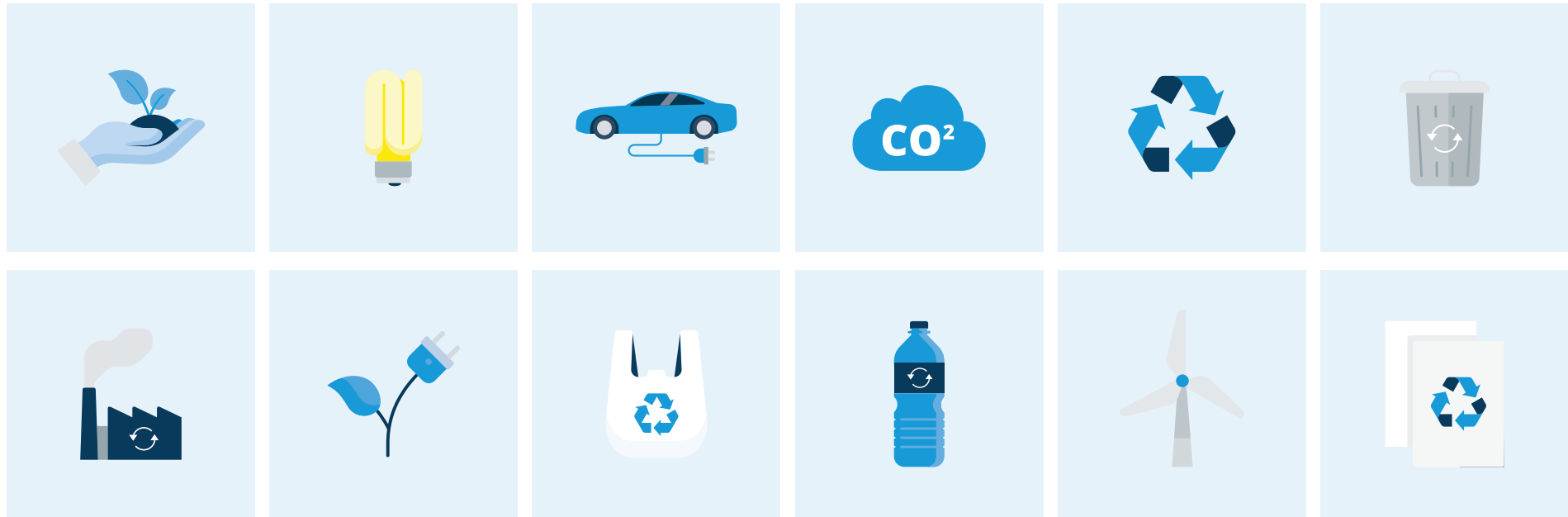
Report on the gender distribution in the management, cf. Section 99 b of the Danish Financial Statements.

A diverse workforce brings varied experiences, expertise, ideas, and innovation. To maintain a diverse workforce, we collaborate across Milestone to benefit from knowledge

sharing between culturally diverse groups. When recruiting to fill employee positions, we always look for the best candidate. In 2020, when we used consultants and headhunters to help fill vacancies, we continued to ask for diversity in the field of candidates, including in terms of gender.

Following this principle, the composition of the Board of Directors is reviewed on an annual basis. In 2020, there were no changes to the shareholder-elected board members, who are currently all male. Canon Inc. valued the continuity of the board and, consequently new members have not been elected. By 2024, the board aims to have one female candidate for election as shareholder-elected member.

In 2020, Milestone's senior management at VP-level grew to 33% women and our Director-level grew to 26% women. These results support our aim to ensure that within Milestone, we are fostering a basis for organic growth and development of female talent that includes our management levels, and that women are truly considered in our commitment to make sure we have the best candidate. 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.



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
- Uses of Milestone's software and solutions that 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 the set-up phase. We also mitigate these risks through our policies and 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.

FINANCIAL STATEMENT

Accounting policies

The Group's accounting policies applied in the preparation of the consolidated financial statements and the financial statements of the Parent Company are set out below.

Basis of preparation

The Annual Report for Milestone Group A/S for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act. The Annual Report is presented in accordance with the reporting provisions for large Class C enterprises.

The accounting policies are unchanged compared with the previous year.

Reporting currency

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

Consolidated financial statement

The consolidated financial statement includes the financial statement of Milestone 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.

Recognition and measurement

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

Assets are recognized in the balance sheet when it is probable that future economic

benefits attributable to the asset will flow to the Group, and the value of the asset can be measured reliably.

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

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

Foreign currencies

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

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

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

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

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

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

The Company is not jointly taxed with its foreign subsidiaries.

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

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

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

Derivative financial instruments and hedging activities

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

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

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

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

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

INCOME STATEMENT

Net revenue

Revenues are recognized in the income statement in accordance with IFRS 15.

Revenue is mainly derived from sales of licenses, service, support and maintenance agreements, sale of hardware products & other revenue such as training.

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

Revenues are recognized in the income statement when the individual identifiable

performance obligations have been met and the goods or services are transferred to the customer and the customer obtains control.

Recognized revenue is measured at the fair value of the agreed remuneration, exclusive VAT and charges levied on behalf of third parties. All types of discounts granted are recognized in revenue.

Sales of goods

Sales of goods comprise of licenses and hardware products and are recognized as revenue when control of the individual identifiable performance obligation in the sales agreement is transferred to the customer, which is according to the sales conditions at the time of delivery.

Revenue is recognized when the client has obtained control of the license and has the ability to use and obtain substantially all the benefits from the license.

Sales of services

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

Cost of sales

Cost of sales comprise costs incurring in generating the revenue for the year. Such costs include costs for royalty costs to third parties, subcontractors for delivering

services, salaries, bonuses, other employee related costs, depreciation and other costs.

Research and development costs

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

Distribution and sales costs

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

Administrative costs

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

Results from investments in subsidiaries

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

Financial income and expenses

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

BALANCE SHEET

Development projects

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

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

Development costs that do not satisfy the criteria for inclusion in the balance sheet are stated as costs in the income statement as they are incurred. Capitalized development projects are valued at cost less accumulated amortization.

Capitalized development projects are amortized linearly from the date of

completion over the period in which they are expected to produce financial benefits, but not exceeding five years.

Intangible and tangible fixed assets

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

Amortization and depreciation of a fixed asset commences when it is ready for use. Amortization and depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

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

The residual value is determined at the time of acquisition and is reassessed every year.

Where the residual value exceeds the carrying amount of the asset, no further amortization and depreciation charges are recognized. In case of changes in the residual value, the effect on the amortization and depreciation charges is recognized prospectively as a change in accounting estimates.

Lease contracts

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

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

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

Financial fixed Assets

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

The balance sheet includes the proportionate ownership share of the net asset value of the subsidiary. The total net revaluation is transferred upon distribution of profit to "reserve for net revaluation under the equity method". The reserve is reduced by the dividend distributed to the Parent Company and adjusted for other equity movement in the subsidiaries.

Investments with a negative net assets value are recognized at DKK 0. Any legal or constructive obligation of the Parent Company to recover the negative balance is recognized as provisions.

Other investments are measured at cost less write downs.

Impairment of fixed assets

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

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

Contract assets

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

If the timing of payments specified in the contract provides the client with a significant financing benefit, the transaction price is adjusted to reflect this financing component. Contract assets from contracts with customers are measured at amortized cost less provision for impairment.

Receivables

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

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

Prepayments

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

EQUITY**Reserve for net revaluation according to the equity method**

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

Proposed dividends

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

Liabilities

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

Deferred income

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

CASH FLOW STATEMENT

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

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

Cash flows from operating activities

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

less short-term liabilities excluding items included in cash and cash equivalents.

Cash flows from investing activities

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

Cash flows from financing activities

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

Cash and cash equivalents

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

FINANCIAL RATIOS

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

Invoiced Revenue	=	Invoiced revenue for the financial year
Gross margin	=	$\frac{\text{Total assets} \times 100}{\text{Shareholder equity}}$
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

		CONSOLIDATED DKK'000		PARENT COMPANY DKK'000	
	Note	2020	2019	2020	2019
Net revenue	1	1,016,793	1,026,494	0	0
Cost of sales		-48,478	-59,189	0	0
Gross margin		968,315	967,305	0	0
Research and development costs	3, 4	-263,619	-236,702	0	0
Distribution and sales costs	3, 4	-506,770	-523,456	0	0
Administrative costs	2, 3, 4	-86,035	-83,613	-1,024	-914
Operating income (EBIT)		111,891	123,534	-1,024	-914
Result from investments in subsidiaries		0	0	54,357	98,923
Interest and other financial income	5	2,846	9,335	110	109
Interest and other financial expenses	6	-48,090	-3,109	-17	-14
Profit before corporate tax		66,647	129,760	53,426	98,104
Corporate tax	7	-13,016	-31,476	205	180
Net income		53,631	98,284	53,631	98,284
NET INCOME ATTRIBUTABLE TO:					
Owners of Milestone Group A/S		53,631	98,284	53,631	98,284
Net income		53,631	98,284	53,631	98,284

BALANCE SHEET

		CONSOLIDATED DKK'000		PARENT COMPANY DKK'000	
	Note	2020	2019	2020	2019
Completed development projects		185,022	164,305	0	0
Development projects in progress		10,820	17,859	0	0
Other intangible assets		43,381	46,443	0	0
Intangible fixed assets	8	239,223	228,607	0	0
Land and buildings		106,618	112,149	0	0
Other fixtures and fittings, tools and equipment		58,833	52,326	0	0
Tangible fixed assets	9	165,451	164,475	0	0
Investments in subsidiaries	10	0	0	706,024	681,291
Other investments	11	21,469	21,469	0	0
Contract assets		9,086	0	0	0
Deposits		8,800	8,403	0	0
Financial fixed assets		39,355	29,872	706,024	681,291
Fixed assets		444,029	422,954	706,024	681,291
Trade receivables		234,561	257,709	0	0
Receivables from group enterprises		497,056	382,572	43,678	43,679
Other receivables		25,818	5,133	0	0
Prepaid company tax		11,000	41,254	0	0
Deferred tax	12	4,416	3,684	257	232
Prepayments	13	16,631	18,815	0	0
Receivables		789,482	709,167	43,935	43,911
Cash at bank and in hand		312,697	346,741	661	294
Current assets		1,102,179	1,055,908	44,596	44,205
Assets		1,546,208	1,478,862	750,620	725,496

BALANCE SHEET

		CONSOLIDATED DKK'000		PARENT COMPANY DKK'000	
	Note	2020	2019	2020	2019
Equity					
Share capital		744	744	744	744
Reserve for net revaluation under the equity method		0	0	496,052	471,319
Foreign exchange reserve		-4,296	-2,137	-4,296	-2,137
Hedging reserve		14,048	-18,498	0	0
Retained earnings		706,908	685,496	224,904	195,679
Dividend proposed for the year		32,219	58,969	32,219	58,969
Capital and reserves attributable to owners of Milestone Group A/S		749,623	724,574	749,623	724,574
Total equity		749,623	724,574	749,623	724,574
Deferred tax	12	54,764	42,101	0	0
Provisions		54,764	42,101	0	0
Deferred income	14	182,258	161,810	0	0
Lease liability	15	87,004	94,228	0	0
Non-current liabilities		269,262	256,038	0	0
Lease liability	15	27,130	28,133	0	0
Trade payables		29,235	25,423	0	0
Payables to Group enterprises		0	0	760	683
Corporation tax		9,904	36,041	0	0
Other payables		133,499	132,526	237	239
Deferred income	14	272,791	234,026	0	0
Current liabilities		472,559	456,149	997	922
Total liabilities		741,821	712,187	997	922
Liabilities and equity		1,546,208	1,478,862	750,620	725,496
Mortgages, securities and contingent liabilities	16				
Related parties	17				
Cash flow statement notes	18				
Proposed distribution of profit	19				
Subsequent events	20				

STATEMENT OF CHANGES IN EQUITY

		CONSOLIDATED DKK'000					
	Notes	Share capital	Hedging reserve	Foreign exchange reserve	Retained earnings	Dividend proposed for the year	Total
Equity at January 1, 2019		744	-13,818	-2,632	646,181	0	630,475
Exchange rate adjustment, beginning of the year		0	0	233	0	0	233
Exchange rate adjustment, during the year		0	0	262	0	0	262
Fair value adjustment of hedging instruments, end of the year		0	-6,000	0	0	0	-6,000
Adjustment to deferred tax on hedging instruments, end of the year		0	1,320	0	0	0	1,320
Net income for the year		0	0	0	39,315	58,969	98,284
Equity at December 31, 2019		744	-18,498	-2,137	685,496	58,969	724,574
Exchange rate adjustment, beginning of the year	10	0	0	-1,324	0	0	-1,324
Exchange rate adjustment, during the year	10	0	0	-835	0	0	-835
Fair value adjustment of hedging instruments, end of the year		0	41,726	0	0	0	41,726
Adjustment to deferred tax on hedging instruments, end of the year		0	-9,180	0	0	0	-9,180
Dividend paid		0	0	0	0	-58,969	-58,969
Net income for the year		0	0	0	21,412	32,219	53,631
Equity at December 31, 2020		744	14,048	-4,296	706,908	32,219	749,623

STATEMENT OF CHANGES IN EQUITY

	Notes	PARENT COMPANY DKK'000					Total
		Share capital	Reserve for net revaluation according to the equity method	Foreign exchange reserve	Retained earnings	Dividend proposed for the year	
Equity at January 1, 2019		744	376,581	-2,632	255,782	0	630,475
Exchange rate adjustment, beginning of the year		0	0	233	0	0	233
Exchange rate adjustment, during the year		0	0	262	0	0	262
Fair value adjustment of hedging instruments, end of the year		0	0	0	-6,000	0	-6,000
Adjustment to deferred tax on hedging instruments, end of the year		0	0	0	1,320	0	1,320
Net income for the year		0	94,738	0	-55,423	58,969	98,284
Equity at December 31, 2019		744	471,319	-2,137	195,679	58,969	724,574
Exchange rate adjustment, beginning of the year	10	0	0	-1,324	0	0	-1,324
Exchange rate adjustment, during the year	10	0	0	-835	0	0	-835
Fair value adjustment of hedging instruments, end of the year		0	0	0	41,726	0	41,726
Adjustment to deferred tax on hedging instruments, end of the year		0	0	0	-9,180	0	-9,180
Dividend paid		0	0	0	0	-58,969	-58,969
Net income for the year		0	24,733	0	-3,321	32,219	53,631
Equity at December 31, 2020		744	496,052	-4,296	224,904	32,219	749,623

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

CASH FLOW STATEMENT

		CONSOLIDATED DKK'000	
	Note	2020	2019
Net income for the year		53,631	98,284
Adjustments	18	193,323	141,614
Change in working capital	18	-13,596	30,941
Cash flows from operating activities before paid financial items and tax		233,358	270,839
Financial income received		2,846	9,335
Financial expenses paid		-48,090	-3,109
Cash flows from operating activities before paid tax		188,114	277,065
Corporate tax paid/received		-6,282	-39,305
Cash flows from operating activities		181,832	237,760
Investment in intangible fixed assets		-93,415	-87,614
Investment in tangible fixed assets excluding operating lease assets		-30,403	-26,964
Cash flows from investing activities		-123,818	-114,578
Repayments on lease liability		-30,930	-26,004
Distributed dividend		-58,969	0
Cash flows from financing activities		-89,899	-26,004
Change in cash and cash equivalents		-31,885	97,178
Cash and cash equivalents at January 1		346,741	249,068
Currency adjustments		-2,159	495
Cash and cash equivalents at December 31		312,697	346,741
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		312,697	346,741
Cash and cash equivalents at December 31		312,697	346,741

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 2020, DKK 960K (2019: DKK 780K) has been paid to Management and to the Board, for their services rendered to Milestone Group A/S during the year.

	CONSOLIDATED DKK'000		PARENT COMPANY DKK'000	
	2020	2019	2020	2019
Geographical segments				
Net revenue Denmark	30,274	32,637	0	0
Net revenue export from Denmark	981,000	987,550	0	0
Net revenue generated outside Denmark	5,519	6,307	0	0
	1,016,793	1,026,494	0	0
Product segments				
Surveillance related products	1,016,793	1,026,494	0	0
	1,016,793	1,026,494	0	0
Note 2 Fees to independent auditors				
Statutory audit fee	395	344	25	25
Tax advisory services	694	739	0	0
Other services	521	395	7	9
	1,610	1,478	32	34
Note 3 Staff expenses				
Wages and salaries	541,478	488,612	956	756
Pensions	25,811	23,369	20	15
Social contributions	25,589	22,064	0	0
Other staff expenses	42,817	54,540	15	9
Capitalized development costs	-59,421	-52,960	0	0
	576,274	535,625	991	780
Average number of employees	866	776	0	0
Staff expenses are recognized as follows:				
Research and development costs	154,543	136,549	0	0
Distribution and sales costs	357,791	340,640	0	0
Administrative costs	63,940	58,436	991	780
	576,274	535,625	991	780
Remuneration to the Executive Management Team and the Board of Directors:				
Executive Management Team	12,129	9,273	760	580
Board of Directors	200	200	200	200
	12,329	9,473	960	780

Notes

	CONSOLIDATED DKK'000		PARENT COMPANY DKK'000	
	2020	2019	2020	2019
Note 4 Amortization and depreciation of intangible and tangible fixed assets				
Completed development projects	67,689	58,085	0	0
Other intangible assets	15,110	11,594	0	0
Land and buildings	25,865	23,990	0	0
Other fixtures and fittings, tools and equipment	26,282	22,733	0	0
Gains and losses in fixed assets	170	112	0	0
	135,116	116,514	0	0

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

Research and development costs	87,034	74,942	0	0
Distribution and sales costs	46,018	39,872	0	0
Administrative costs	2,064	1,700	0	0
	135,116	116,514	0	0

Note 5 Interest and other financial income

Interest from Group companies	2,721	3,567	110	109
Currency adjustments	0	4,427	0	0
Other financial interest and income	125	1,341	0	0
	2,846	9,335	110	109

Note 6 Interest and other financial expenses

Interest to Group companies	0	0	9	6
Currency adjustment	45,101	0	0	0
Other financial interest and expenses	2,989	3,109	8	8
	48,090	3,109	17	14

	CONSOLIDATED DKK'000		PARENT COMPANY DKK'000	
	2020	2019	2020	2019
Note 7 Tax				
Current tax for the year	9,741	26,381	0	0
Adjustment of current tax for prior years	658	885	0	0
Change in deferred tax	11,931	2,775	-205	-180
Adjustment in deferred tax for prior years	-134	115	0	0
	22,196	30,156	-205	-180

Attributable to:

Tax on profit for the year	13,016	31,476	-205	-180
Tax on changes in equity	9,180	-1,320	0	0
	22,196	30,156	-205	-180

Note 8 Intangible fixed assets Consolidated DKK'000	Completed development projects	Development projects in progress	Total development projects	Other intangible assets
Cost at January 1, 2020	641,707	17,859	659,566	79,835
Additions in the year	3,263	78,104	81,367	12,048
Disposals in the year	0	0	0	-26
Transferred to completed	85,143	-85,143	0	0
Cost at December 31, 2020	730,113	10,820	740,933	91,857
Amortization and impairment at January 1, 2020	-477,402	0	-477,402	-33,392
Amortization in the year	-67,689	0	-67,689	-15,110
Amortization on disposals in the year	0	0	0	26
Amortization and impairment at December 31, 2020	-545,091	0	-545,091	-48,476
Carrying amount at December 31, 2020	185,022	10,820	195,842	43,381

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 9 Tangible fixed assets Consolidated DKK'000	Land and buildings	Other fixtures and fittings, tools and equipment	Total
Cost at January 1, 2020	136,139	117,095	253,234
Currency adjustment	-4,513	-2,478	-6,991
Additions in the year	23,642	34,158	57,800
Disposals in the year	-2,711	-5,369	-8,080
Cost at December 31, 2020	152,557	143,406	295,963
Depreciation and impairment at January 1, 2020	-23,990	-64,769	-88,759
Currency adjustment	1,307	1,653	2,960
Depreciation in the year	-25,865	-26,282	-52,147
Depreciations on disposals in the year	2,609	4,825	7,434
Depreciation and impairment at December 31, 2020	-45,939	-84,573	-130,512
Carrying amount at December 31, 2020	106,618	58,833	165,451

Tangible assets include operating leases with a carrying amount totaling

106,618	6,935	113,553
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Note 10 Financial fixed assets

Parent Company
DKK'000

Investments in
subsidiaries

Cost at January 1, 2020	209,972
Cost at December 31, 2020	209,972
Revaluations at January 1, 2020	471,319
Changes in equity	32,546
Currency adjustment	-2,170
Dividend paid	-60,000
Profit for the year	54,357
Revaluations at December 31, 2020	496,052
Carrying amount at December 31, 2020	706,024

Name	Reg.office	Ownership	Share Capital
Milestone Systems A/S	Brøndby, Denmark	100%	DKK 692,644
Milestone Italia S.R.L.	Milan, Italy	100%	EUR 20,000
Milestone Systems Inc.	Portland, USA	100%	USD 100
Milestone Systems UK, Ltd.	London, United Kingdom	100%	GBP 1,000
Milestone Systems France	Paris, France	100%	EUR 10,000
Milestone Systems Pte.	Singapore	100%	SGD 100,100
Milestone Systems SL	Barcelona, Spain	100%	EUR 151,000
Milestone Systems (Australia) PL	Sydney, Australia	100%	AUD 1
Milestone Systems Bulgaria	Sofia, Bulgaria	100%	BGN 25,000
Milestone Sistemas do Brasil	Sao Pãolo, Brasil	100%	BRL 308,618
Milestone India	Bangalore, India	100%	INR 2,500,000
Milestone Systems Sweden AB	Stockholm, Sweden	100%	SEK 50,000
Milestone Systems KK	Tokyo, Japan	100%	JPY 10,000,000
Milestone Systems Germany GmbH	Munich, Germany	100%	EUR 25,000
Milestone Systems Norway	Oslo, Norway	100%	NOK 30,000
Milestone Sistemas	Mexico City, Mexico	100%	MEX 3,000

Note 11 Other Investments

DKK'000

Other investments are specified as follows:

Name	Reg.office	Share Capital	Ownership	Voting rights	Equity 2019	Net income for 2019
Arcus Holding A/S	Brøndby, Denmark	4,007	12%	1%	141,498	-100,851

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

	CONSOLIDATED DKK'000		PARENT COMPANY DKK'000	
	2020	2019	2020	2019
Note 12 Deferred tax				
Deferred tax at January 1	38,417	35,524	-232	-170
Other adjustments	180	118	180	118
Change in profit and loss	2,571	4,095	-205	-180
Change in equity	9,180	-1,320	0	0
Deferred tax at December 31	50,348	38,417	-257	-232

Deferred tax relates to:

Intangible assets	52,129	49,096	0	0
Tangible assets	470	1,472	0	0
Current assets	-219	10	0	0
Other obligations	-302	-9,876	0	0
Net operating loss	-1,730	-2,285	-257	-232
	50,348	38,417	-257	-232

Deferred tax recognized in the balance sheet:

Deferred tax asset	-4,416	-3,684	-257	-232
Deferred tax liability	54,764	42,101	0	0
	50,348	38,417	-257	-232

Note 13 Prepayments

Prepayments consist of prepaid costs related to licenses, subscriptions, marketing events and other costs.

Note 14 Deferred income

Under one year	272,791	234,026	0	0
One to five years	182,258	161,810	0	0
Above five years	0	0	0	0
	455,049	395,836	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 Lease liability

Under one year	27,130	28,133	0	0
One to five years	85,385	85,530	0	0
Above five years	1,619	8,698	0	0
	114,134	122,361	0	0

Note 16 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 17 Related parties**Controlling interest**

Canon Inc., Japan

Basis

Controlling shareholder

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Consolidated Financial Statements

The Company's ultimate Parent Company which prepares consolidated financial statements into which the Company is incorporated as a subsidiary is

Name

Canon Inc.

Place of registered office

Tokyo, Japan

The Group Annual report of Canon Group may be obtained at the following address:
Canon Inc.
30-2, Shimomaruko 3-chome, Ohta-ku
Tokyo 146-8501
Japan

	CONSOLIDATED DKK'000		PARENT COMPANY DKK'000	
	2020	2019	2020	2019

Note 18 Cash flow statement**Cash flow statement – adjustments**

Depreciation of intangible and tangible assets	134,946	116,514		
Gain/loss on disposed assets	170	-112		
Interest and other financial items	45,244	-6,226		
Corporate tax	13,016	31,476		
Other	-53	-38		
	193,323	141,614		

Cash flow statement – change in working capital

Change in receivables	-77,594	-54,674		
Change in suppliers, other payables, etc.	63,998	85,615		
	-13,596	30,941		

Note 19 Proposed distribution of profit

Retained earnings	21,412	39,315	-3,321	-55,423
Proposed dividend recognized under equity	32,219	58,969	32,219	58,969
Reserve for net revaluation under the equity method	0	0	24,733	94,738
	53,631	98,284	53,631	98,284

Note 20 Subsequent events

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

Statement by management

The Executive Management and Board of Directors have considered and adopted the Annual Report of Milestone Group A/S for the financial year January 1, – December 31, 2020.

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, 2020, of the Company and the Group and of the results of the Company and Group operations and Group cash flows for 2020.

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 26, 2021

Executive Management

Thomas Jensen

Lars Larsen

Board of Directors

Lau Normann Jørgensen

Henrik Friborg Jacobsen

Steen Strandskov 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 December 31, 2020, 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 January 1 - December 31, 2020 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 January 1 - December 31, 2020, 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 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 26, 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Allan Knudsen

State Authorised Public Accountant
mne29465

Milestone locations



For more information:
milestonesys.com/about-us/locations

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