

Annual Report 2017/18

ZOPERATE A/S

NIELS JERNES VEJ 10, 9220 AALBORG Ø

ANNUAL REPORT Årsrapport

1. JULI 2017 - 30. JUNI 2018

The Annual Report has been presented and adopted at the Company's Annual General Meeting on


Carl-Erik Jørgensen



zoperate

Simplifying Network Operations

Zoperate A/S – Niels Jernes Vej 10 – DK-9220 Aalborg Øst – Registration no. 32067522

Annual Report for Zoperate A/S

9th Fiscal Year
1 July 2017 - 30 June 2018

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Company Details

Company

2operate A/S
Niels Jernes Vej 10
DK-9220 Aalborg Ø
Denmark

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Web: www.2operate.com
Email: info@2operate.com

Reg. No.: DK32067522
Founded: 16th February 2009
Registered Office: Aalborg
Fiscal Year: 1 July - 30 June

Ownership

Asala Consult ApS
Borean Innovation A/S
CIS Holding, Aalborg ApS
Hellegaard Holding ApS
Management for institutions and education grants
Moltsen Holding ApS
Sitella ApS
Torben Svanberg

Board of Directors

Kaj Juul-Pedersen, Chairman
Carl Erik Jørgensen, Vice Chair
Lars Moltsen
Torben Svanberg

Management Team

Christian Ingerslev Sørensen, CEO

Auditors

Ernst & Young Godkendt Revisionspartnerselskab

Bank

Nykredit Bank

Legal

Borean Innovation A/S

Statement by the Executive Board and Board of Directors

The Board of Directors and the Management Team have today discussed and approved the annual report of 2operate A/S for the fiscal year 1 July 2017 - 30 June 2018.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

It is our opinion that the financial statements give a true and fair view of the Company's financial position on 30 June 2018 as well as of the result of the Company's operations for the fiscal year 1 July 2017 - 30 June 2018.

Further, in our opinion, the Report from the Management Team and Board of Directors gives a fair review of the matters addressed therein.

We recommend that the annual report be approved at the annual general meeting.

Aalborg, 25 September 2018

Management Team



Christian Ingerslev Sørensen

Board of Directors



Kaj Juul-Pedersen
Chairman



Lars Moltsen



Carl Erik Jørgensen



Torben Svanberg

Independent auditor's report

To the shareholders of 2Operate A/S

Opinion

We have audited the financial statements of 2Operate A/S for the financial year 1 July 2017 – 30 June 2018, which comprise income statement, balance sheet and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 30 June 2018 and of the results of the Company's operations for the financial year 1 July 2017 – 30 June 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

Management is responsible for the preparation of 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 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 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 as to 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 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 the financial statements.

Independent auditor's report

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional

scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's 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 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 Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Aalborg, d. 25. september 2018

Ernst & Young

Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28



Hans B. Vistisen
State Authorised
Public Accountant
MNE no.: mne23254

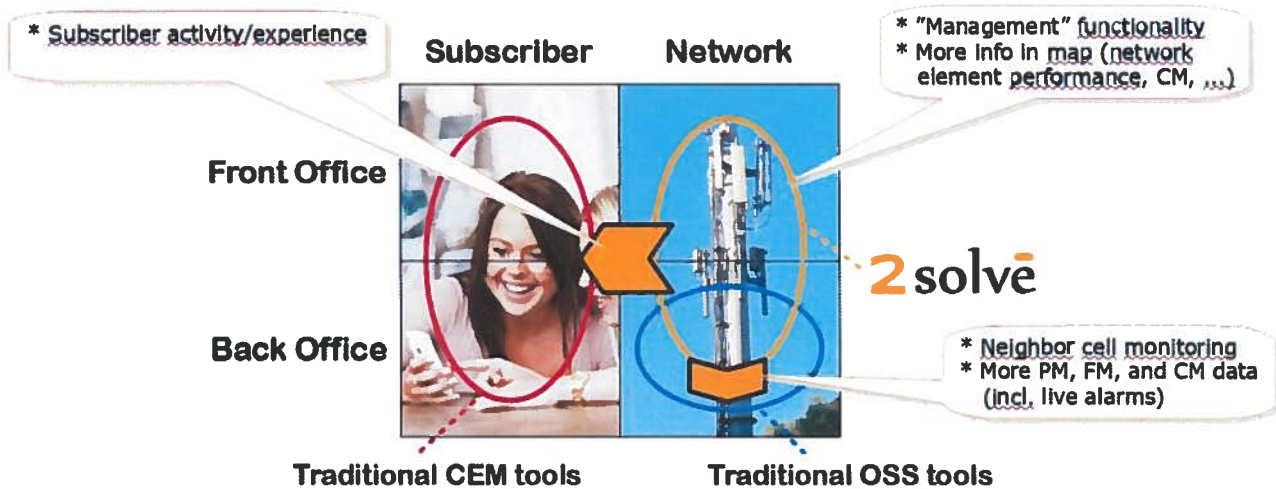
Report from the Management Team and Board of Directors



Zoperate proudly serves these customers

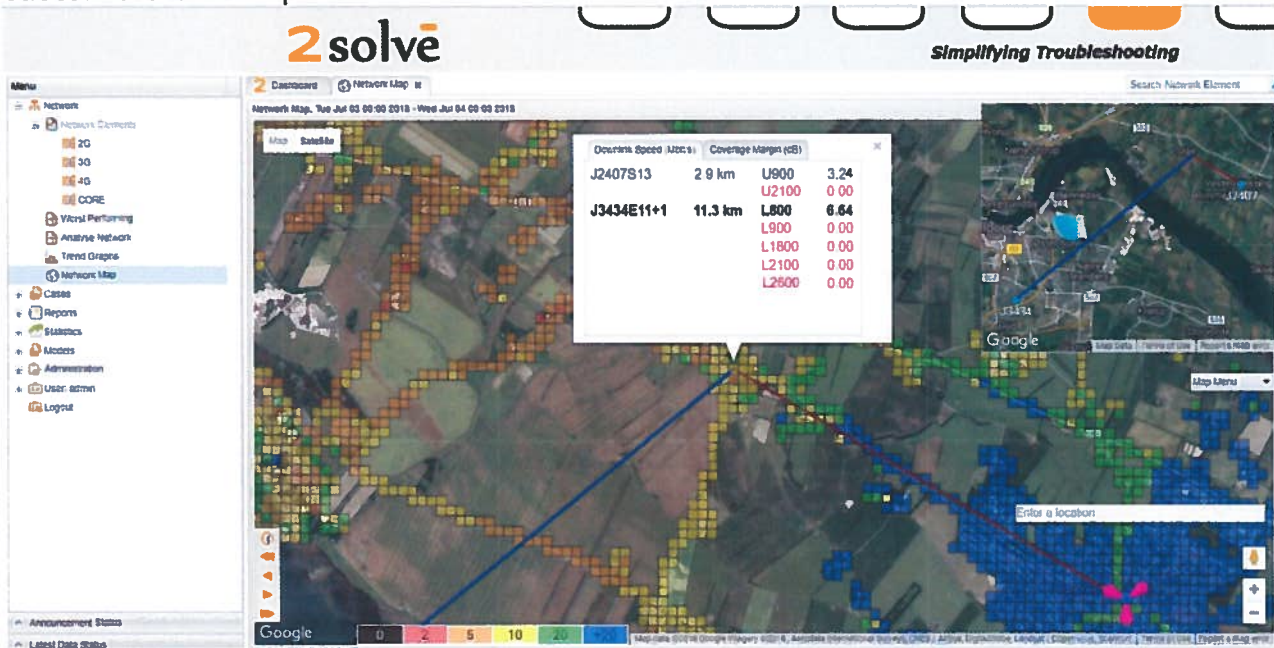
Development in Activities

During the fiscal year we have increased our product portfolio for Mobile Telecoms. This has been achieved with R&D activity on our 2solve suite. It is a 2-year initiative focused on adding new advanced functionality to the 2solve suite. The development project will add functionality to the 2solve suite focusing on the end-user experience and on collecting real-time data from the network.



The development project has already helped us getting more sales to existing customers and opened positive dialogues with potential new customers.

The project has led to the development of new 2solve features branded as ServiceClassifier and SiteConfigurator – both announced at the MWC2018 in Barcelona. Graphically the ServiceClassifier has added a lot to 2solve enabling the operator to visualize the end-user experience and we already have 2 new customers on the product.



The SiteConfigurator helps the operator to launch new sites or reconfigure existing sites. It is a multivendor system supporting Ericsson, Nokia and Huawei and we have a new customer in Sweden and Denmark using the system.

The 2solve solution for the SatCom project lead by Thales-Alenia Space to launch a new satellite in Bangladesh the Bangabandhu satellite was finalized and delivered and on Friday, May 11, 2018, the first commercial telecommunications satellite from Bangladesh was launched by a new SpaceX Falcon-9 Block 5 rocket. This also marked the start-up of the first 2operate management system for space.

The Bangabandhu project gave us to possibility to apply for and win the "MegaMan" project, which is a new Danish R&D with the aim to reduce the complexity of satellite mega constellations by exploiting existing standards from cellular networks. The project is headed by network operations software specialist 2operate in collaboration with nanosatellite pioneer GomSpace and Aarhus University. The MegaMan project was public announced on the 9th of October 2017 and was covered in the news 24Nordjyske and TV2Nord and had a 5-minute long TV coverage at 22:00 o'clock at TV2.



During the fiscal year, Zoperate's marketing activities were focused around the *GSMA Mobile World Congress*, in Barcelona, and *Teleforum* in Luxembourg organized by TOSS (Telecom Operators of Small States). And Zoperate participated in *CANTO17* in Punta Cana Dominican Republic.

Based on these activities the pipeline for sales pipeline has grown significantly. Moreover, a number of new partnerships were signed with agents in markets around the world.

Financial Development

In fiscal year 2017/18 Zoperate got a negative result of DKK 564 thousand. In comparison last year result was DKK -1.2 million.

Based on a solid backlog of orders and a positive development in sales when entering fiscal year 2018/19, it is the opinion of the Management Team and Board of Directors that the Company is in a solid state having sufficient financial resources to execute activities and operations within budgets.

All remaining long-term debts are low-interest loans from Nordjysk Lånefond.

Events after the Balance Sheet Date

No events have occurred after the balance sheet date that may materially affect the Company's financial position.

Expectations to the future

Based on investments in the product development and the MegaMan project we expect to increase our revenues and get a positive result in fiscal year 2018/19.

Income Statement

	Note	2017/18 DKK'000	2016/17 DKK'000
Gross Profit		2036	1099
Staff Costs	1	-1734	-1805
Depreciation, Amortisation, and Impairment		-958	-873
Operating Profit		-656	-1579
Other financial income		0	29
Other financial expenses		-57	-23
Profit Before Tax		-713	-1573
Tax on profit/loss for the year	2	149	345
Profit for the Year		-564	-1228
Proposed Distribution of Profit			
Accumulated Profit		-564	-1228
Total		-564	-1228

Balance Sheet

ASSETS	Note	2017/18 DKK'000	2016/17 DKK'000
Development projects completed		2970	1880
Development projects in progress and prepayments		2271	1847
Intangible Fixed Assets	3	5241	3727
Other plants, machinery, tools and equipment		35	18
Tangible Fixed Assets	4	35	18
Fixed Assets		5274	3745
Trade Receivables		1280	436
Deferred Tax Assets		0	229
Other Receivables		86	194
Tax Receivables		842	466
Prepayments and Accrued Income		79	302
Accounts Receivable		2287	1568
Cash and Cash Equivalents		148	537
Current Assets		2435	2105
Total Assets		7710	5850

EQUITY AND LIABILITIES	Note	2017/18 DKK'000	2016/17 DKK'000
Share Capital		625	500
Transfer to reserve for development cost		3131	1441
Retained Profit		788	2167
Equity	5	4544	4107
Provision for deferred tax		57	0
PROVISION FOR LIABILITIES		57	0
Debt Instruments		499	283
Long-Term Liabilities	6	499	283
Short-Term Debt Instruments	6	113	213
Bank dept		3	0
Trade Payables		284	271
Other Liabilities		436	422
Prepayments and Accrued Income		1775	553
Current Liabilities		2612	1460
Liabilities		3109	1743
Equity and Liabilities		7710	5850
Charges and securities	7		

Notes

Note		2017/18	2016/17
1	Staff Costs	DKK'000	DKK'000
	Wages and Salaries	1637	1674
	Social Security Costs	30	34
	Other Staff Costs	67	97
	Total Staff Costs	1734	1805
	Employees	5	5
	In fiscal year 2017/18, salaries and staff costs of DKK 1.810 thousand Have been capitalised as development projects (2016/17: DKK 1.647 Thousand).		
2	Tax	DKK'000	DKK'000
	Tax on profit/loss for the year	-436	-466
	Adjustment of tax in previous years		0
	Adjustment of deferred tax	286	61
	Adj. deferred tax due to changed tax rate		0
		-150	-345
3	Intangible fixed assets		
		Development projects com- pleted	Development projects in pro- gress and pre- payments
	Cost at 1 July 2017	7384	461
	Addition	642	1809
	Cost at 30 June 2018	8025	2271
	Depreciation/amortisation 1 July 2017	4118	0
	Depreciation/amortisation of the year	938	0
	Depreciation/amortisation 30 June 2018	5056	0
	Carrying amount at 30 June 2018	2970	2271
	Development projects completed		
	Contains development of 2solve trouble-shooting suite and 2solve satcom for Bangabandhu. The carrying amount is 8.025 TDKK by 30th of June 2018.		
	The activities are depreciated over 5 years		
	Management has not identified an indication of impairment in relation to the carrying amount		
	Development projects in progress and prepayments		
	Contains development of SiteConfiguration, ServiceClassifier, Advanced OSS and MegaMan project. The carrying amount is 2.271 TDKK by 30th of July 2018.		
	Management has not identified an indication of impairment in relation to the carrying amount		
4	Tangible fixed assets		
	Cost at 1 July 2017		144
	Additions		37
	Cost at 30 June 2018		181
	Depreciation and write-down at 1 July 2017		126
	Depreciation/amortisation of the year		20
	Depreciation/amortisation 30 June 2018		147

Carrying amount at 30 June 2018

35

Note

5	Equity	Share Capital DKK'000	Transfer to reserve for development costs DKK'000	Retained Earnings DKK'000	Total DKK'000
	Equity at 1 July 2017	500	1441	2166	4107
	Capital Increase	125	0	875	1000
	Proposed distribution of profit	0	0	-564	-564
	Transfer to reserve for development costs		1690	-1690	
	Equity at 30 June 2018	625	3131	788	4544
6	Long-Term Liabilities	1 July '17 Total Debts DKK'000	30 June '18 Total Debts DKK'000	Repayment Next Year DKK'000	Debt outst. after 5 Years DKK'000
	Debt instruments	496	611	113	0
		496	611	113	0

7 Charges and securities

Zoperate A/S has provided as collateral for the fulfilment of the debt instruments of DKK 664 thousand by 30 June 2018 their right to development projects, other rights, and receivables from sales.

Accounting Policies

The annual report of 2operate A/S for 2017/18 has been prepared in accordance with the provisions applying to reporting class B under the Danish Financial Statements Act with opt-in from higher reporting classes.

The Annual Report is prepared consistently with the accounting principles used last year.

INCOME STATEMENT

Net revenue

The Net Revenue from sale of merchandise and finished goods is recognized in the income statement if supply and risk transfer to purchaser has taken place before the end of the year. Net revenues is recognized exclusive of VAT, duties and less discounts related to the sale.

Gross-profit

In accordance with section 32 of the Danish Financial Statements Act, the items "Revenue", "Cost of sales" and "Other external costs" have been aggregated under item "Gross profit."

Other external expenses

Other external costs include costs relating to distribution, sale, advertising, administration, premises, loss on bad debts, and similar expenses.

Staff costs

Staff costs include salaries including vacation pay, pensions, and other social costs of employees. Staff costs are subtracted received support from public authorities.

Financial income and expenses in general

Financial income and expenses include interest income and expenses, financial expenses of finance leases, realized and unrealized gains and losses arising from debt and transactions in foreign currencies. Financial income and expenses are recognized in the income statement by the amounts that relate to the financial year.

Tax on profit for the year

The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognized in the income statement by the portion that can be attributed to the profit for the year, and is recognized directly in the equity by the portion that can be attributed to entries directly to the equity.

BALANCE SHEET

Intangible fixed assets

Acquired rights are measured at the lower of cost less accumulated amortization or recoverable amount. Acquired rights are amortized over 5 years.

Development costs comprise costs, including salaries, which can directly be related to the Company's development activities and which fulfill the criteria for recognition.

Capitalized development costs are measured at the lower of cost less accumulated amortization or recoverable amount.

Capitalized development costs are amortized on a straight-line basis over the estimated useful life after completion of the development work, which is set to 5 years.

Intangible fixed assets are generally written down to the lower of recoverable value and carrying amount.

Tangible fixed assets

Other plants, fixtures and equipment are measured at cost less accumulated depreciation and writedowns.

The depreciation base is cost less estimated residual value after end of useful life.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used. As regards self-manufactured assets, the cost price includes cost of materials, components, subcontractors, direct payroll and indirect production costs.

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value:

	Useful life	Residual value
Other plants, fixtures and equipment	2 years	0 %

The basis of depreciation is based on the residual value of the asset at the end of its useful life and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Profit or loss on disposal of tangible fixed assets is stated at the difference between selling price less selling costs and the carrying amount at the time of sale. Profits or losses are recognized in the income statement.

Receivables

Accounts Receivable are measured at nominal value less estimated losses based on an individual assessment.

Accruals, assets

Accruals recognised as assets include costs incurred relating to the subsequent financial year.

Tax payable and deferred tax

Current tax liabilities and receivable current tax are recognized in the balance sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carry-forwards, are measured at the expected realisable value of the asset, either by set-off against tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that under the

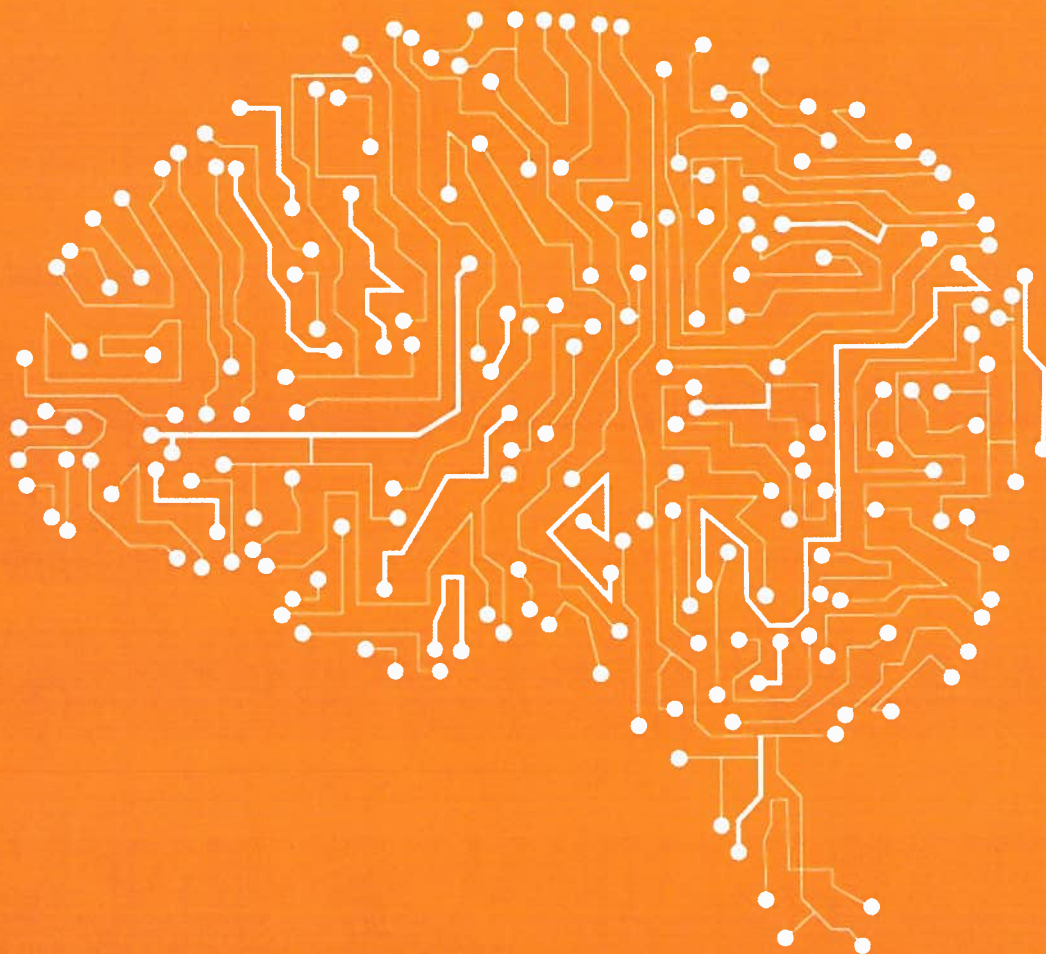
legislation in force on the balance sheet date would be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

Liabilities

Liabilities are recognized at net realizable value.

Accruals, liabilities

Accruals recognized as liabilities include payments received regarding income in subsequent years.



2solve

Operations Support System
with a brain

The need for effective Network Assurance grows daily because of increased network complexity.

The introduction of LTE and soon 5G technology means more load on technical personnel.

2solve boosts organisational productivity by introducing smart algorithms for automated network element diagnostics on top of raw data from the network. This empowers non-technical staff in Customer Care to act much faster on incidents reported by customers.