

# Annual Report 2016/17



# 2operate

Simplifying Network Operations



# Annual Report for 2operate A/S

**8<sup>th</sup> Fiscal Year**  
**1 July 2016 - 30 June 2017**

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## Company Details

### Company

2operate A/S  
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Web: [www.2operate.com](http://www.2operate.com)  
Email: [info@2operate.com](mailto:info@2operate.com)

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

### Ownership

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

### 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

Spar Nord A/S

### Legal

Borean Innovation A/S



*2Operate proudly serves these customers*

## Report from the Management Team and Board of Directors

### ***Development in Activities***

The focus has been on new markets outside Europe and maintaining and expanding relationships with existing customers. 2Operate has not yet fully benefitted from these efforts.

In fiscal year 2016/17 2Operate succeeded with getting new customers outside Europe. We signed deals with TelePost in TeleGreenland and with TelemGroup in Sint Maarten. At the same time we signed a deal to deliver the 2solve solution for the SatCom project lead by Thales-Alenia Space to launch a new satellite in Bangladesh the Bangabandhu satellite.

During the fiscal year we also succeeded in new contracts to deliver solutions for TT-netværket and to Hi3G in Sweden. Those solutions cover service class and site configuration and will be a good foundation for further product offerings for existing and new 2solve customers.

2Operate's activities in fiscal year 2016/17 mainly came from existing customers in Northern Europe. To exploit its full potential, 2Operate has tried to expand to provide its award-winning, unique solutions globally. During the fiscal year several new expansion initiatives were started. At the same time the near market was further cultivated.



**2operate A/S, Annual Report 2016/17**

Report from the Management Team and Board of Directors

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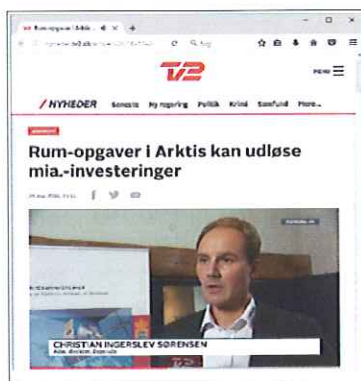
*Both TELE Greenland & TelemGroup signed at MWC2017*

During the fiscal year, 2operate's marketing activities were focused around the GSMA *Mobile World Congress*, in Barcelona, and *Teleforum* in Iceland organized by TOSS (Telecom Operators of Small States). And 2operate participated in CANTO, 31 July – 4 August 2016, in Puerto Rico, where co-founder of 2operate, Lars Moltsen did a speech on *"Exploiting Algorithms and global Knowledge to boost productivity in Network Quality Assurance"*. The conference was a great success. It provided valuable insights in the Caribbean telecoms industry, and a number of concrete leads were opened. As a result of our activity at CANTO we were able to sign our first contract in that region with TelemGroup.

In October 2016, we executed the campaign in Lagos, Nigeria, that had been planned for months. In early November 2016, this had resulted in 4 offers for Proof-of-Concept projects.

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

During the fiscal year, 2operate finalized a new project together with Thales Alenia Space to provide our 2solve platform for the Bangabandhu satellite. The Bangabandhu project gave a significant amount of positive media exposure, in particular an article in Børsen on 21 November and a live interview on TV2 Business with CEO Christian Ingerslev Sørensen on 22 November during the "Rummet kalder Arktis" conference in Copenhagen.



*Bangabandhu project on live TV*

## ***Financial Development***

In fiscal year 2016/17 2operate got a negative result of DKK -1.2 million. In comparison the result last year was DKK 2.0 million.

The result came as a consequence of increased sales and development activities but the new customer contracts were too little in numbers and size.

Based on a solid backlog of orders and an optimistic development in sales-pipeline when entering fiscal year 2017/18, 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.

## ***Event after the Balance Sheet Date***

We have in October 2017 made a capital increase and received a new loan from Nordjysk Lånefond.

Apart from this 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 Bangabandhu contract we expect to get more business in the coming fiscal years within SatCom industry and especially with the MegaConstallations of the SatComs.

The offer that 2operate brings to network operators is unique and competitors are far from being able to combine the required skills to reach a similar level of automation of incident troubleshooting as 2operate.

At the same time, the telecommunications industry is developing in a favorable direction for 2operate. Networks are growing and becoming more and more complex, demanding training of current staff and/or recruitment of new staff. 2operate provides a solution that minimizes the need for extra staff and training and also a solution that supports the ability for the telecom group to monitor and benchmark their affiliates cross countries and technologies.

2operate's offerings are targeted mobile network operators but the concept of automated diagnostics of technical units is generic and useful in many other domains such as the operations of windmill farms, smart grid power networks, or satellite communications networks. The new ESA project started in late 2014 is paving the way for new business in the satellite communications industry, and 2operate is in a good position to adapt its principle product, **2solve**, to serve operators of satellite networks. This is seen as the first of several attempts to spread business into other domains, still keeping a strong focus on the current business in terrestrial telecommunications.



**2operate A/S, Annual Report 2016/17**

Statement by the Executive Board and Board of Directors

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**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 2016 – 30 June 2017.

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 2017 as well as of the result of the Company's operations for the fiscal year 1 July 2016 – 30 June 2017.

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, 28 November 2017

**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<sup>st</sup> of July 2016 - 30<sup>th</sup> of June 2017, which comprise a summary of significant accounting policies, income statement, balance sheet and notes. 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 2operate A/S and of the results of the Company's operations for the financial year 1<sup>st</sup> of July 2016 - 30<sup>th</sup> of June 2017 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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***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 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 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.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

### **Independent auditor's report**

- ▶ 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 conclusion is 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 our procedures, 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, 28 November 2017

ERNST & YOUNG  
Godkendt Revisionspartnerselskab  
CVR-nr 30700228

  
Niels David Nielsen  
State Authorised  
Public Accountant

  
Rikke Bitsch  
State Authorised  
Public Accountant :

## Income Statement

	Note	2016/17 DKK'000	2015/16 DKK'000
<b>Gross Profit</b>		<b>1099</b>	<b>4628</b>
Staff Costs	1	-1805	-1154
Depreciation, Amortisation, and Impairment		-873	-767
<b>Operating Profit</b>		<b>-1579</b>	<b>2707</b>
Other financial income		29	2
Other financial expenses		-23	-65
<b>Profit Before Tax</b>		<b>-1573</b>	<b>2643</b>
Tax on profit/loss for the year	2	345	-605
<b>Profit for the Year</b>		<b>-1228</b>	<b>2038</b>
<b>Proposed Distribution of Profit</b>			
Accumulated Profit		-1228	2038
<b>Total</b>		<b>-1228</b>	<b>2038</b>



## Balance Sheet

<b>ASSETS</b>	Note	2016/17 DKK'000	2015/16 DKK'000
Development Projects		3727	2730
<b>Intangible Fixed Assets</b>	3	<b>3727</b>	<b>2730</b>
Other plants, machinery, tools and equipment		18	30
<b>Tangible Fixed Assets</b>	4	18	30
<b>Fixed Assets</b>		<b>3745</b>	<b>2760</b>
Trade Receivables		436	157
Deferred Tax Assets		229	290
Other Receivables		194	140
Tax Receivables		466	0
Prepayments and Accrued Income		302	179
<b>Accounts Receivable</b>		<b>1568</b>	<b>766</b>
<b>Cash and Cash Equivalents</b>		<b>537</b>	<b>3487</b>
<b>Current Assets</b>		<b>2105</b>	<b>4253</b>
<b>Total Assets</b>		<b>5850</b>	<b>7013</b>

<b>EQUITY AND LIABILITIES</b>	Note	2016/17 DKK'000	2015/16 DKK'000
Share Capital		500	500
Transfer to reserve for development cost		1441	0
Retained Profit		2167	4835
<b>Equity</b>	5	<b>4107</b>	<b>5335</b>
Debt Instruments		283	496
<b>Long-Term Liabilities</b>	6	<b>283</b>	<b>496</b>
Short-Term Debt Instruments	6	<b>213</b>	<b>213</b>
Trade Payables		271	259
Other Liabilities		422	253
Prepayments and Accrued Income		553	456
<b>Current Liabilities</b>		<b>1460</b>	<b>1182</b>
<b>Liabilities</b>		<b>1743</b>	<b>1679</b>
<b>Equity and Liabilities</b>		<b>5850</b>	<b>7013</b>
Charges and securities	7		

## Notes

Note		2016/17	2015/16
1	<b>Staff Costs</b>	DKK'000	DKK'000
	Wages and Salaries	1674	1056
	Social Security Costs	34	24
	Other Staff Costs	97	74
	<b>Total Staff Costs</b>	<b>1805</b>	<b>1154</b>
	Employees	5	4
	In fiscal year 2016/17, salaries and staff costs of DKK 1.647 thousand Have been capitalised as development projects (2015/16: DKK 1.187 Thousand).		
2	<b>Tax</b>	DKK'000	DKK'000
	Tax on profit/loss for the year	-466	17
	Adjustment of tax in previous years	0	0
	Adjustment of deferred tax	61	588
	Adj. deferred tax due to changed tax rate	0	0
		<b>-345</b>	<b>605</b>
3	<b>Intangible fixed assets</b>		Dev. Projects Completed DKK'000
	<b>Cost at 1 July 2016</b>		<b>5998</b>
	Addition		1847
	<b>Cost at 30 June 2017</b>		<b>7845</b>
	Depreciation/amortisation 1 July 2016		3267
	Depreciation/amortisation of the year		851
	<b>Depreciation/amortisation 30 June 2017</b>		<b>4118</b>
	<b>Carrying amount at 30 June 2017</b>		<b>3727</b>
4	<b>Tangible fixed assets</b>		
	<b>Cost at 1 July 2016</b>		<b>135</b>
	<b>Cost at 30 June 2017</b>		<b>145</b>
	Depreciation/amortisation 1 July 2016		104
	Depreciation/amortisation of the year		22
	<b>Depreciation/amortisation 30 June 2017</b>		<b>126</b>
	<b>Carrying amount at 30 June 2017</b>		<b>18</b>

## Note

	Share Capital DKK'000	Transfer to reserve for developmen t costs DKK'000	Retained Earnings DKK'000	Total DKK'000
<b>5 Equity</b>				
Equity at 1 July 2016	500	0	4835	5335
Proposed distribution of profit	0	0	-1228	-1228
Transfer to reserve for development costs		1441	-1441	
<b>Equity at 30 June 2017</b>	<b>500</b>	<b>1441</b>	<b>2167</b>	<b>4107</b>
<b>6 Long-Term Liabilities</b>	1 July '16 Total Debts DKK'000	30 June '17 Total Debts DKK'000	Repayment Next Year DKK'000	Debt outst. after 5 Years DKK'000
Debt instruments	709	496	213	0
	<b>709</b>	<b>496</b>	<b>213</b>	<b>0</b>

**7 Charges and securities**

Zoperate A/S has provided as collateral for the fulfilment of the debt instruments of DKK 496 thousand by 30 June 2017 their right to development projects, other rights, and receivables from sales.



## Accounting Policies

The annual report of 2operate A/S for 2016/17 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.

As from 1 July 2016, the Company has implemented Act no. 738 of 1 June 2015. This has entailed the following changes to recognition and measurement:

- Going forward, an amount corresponding to the capitalised development costs will be tied to the restricted reserve "Reserve for development costs" under equity. The reserve cannot be used for dividend, distribution or to cover losses. If the recognised development costs are sold or in other ways excluded from the Company's operations, the reserve will be dissolved and transferred directly to the distributable reserves under equity. If the recognised development costs are written down, the part of the reserve corresponding to the write-down of the developments costs will be reversed. If a write-down of development costs is subsequently reversed, the reserve will be re-established. The reserve is reduced by amortisation of capitalised development costs on an ongoing basis.
- In future, residual values of property, plant and equipment will be subject to annual reassessment. The Company has no significant residual values relating to property, plant and equipment. Consequently, the change is made with future effect only as a change in accounting estimates with no impact on equity.

Apart from the above, the accounting policies used in the preparation of the financial statements are consistent with those of 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 Costs***

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***

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 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 write-downs.

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 as follows:



	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.

### ***Accounts Receivable***

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

### ***Accruals, Assets***

Accruals recognized 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 realizable 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 unit.

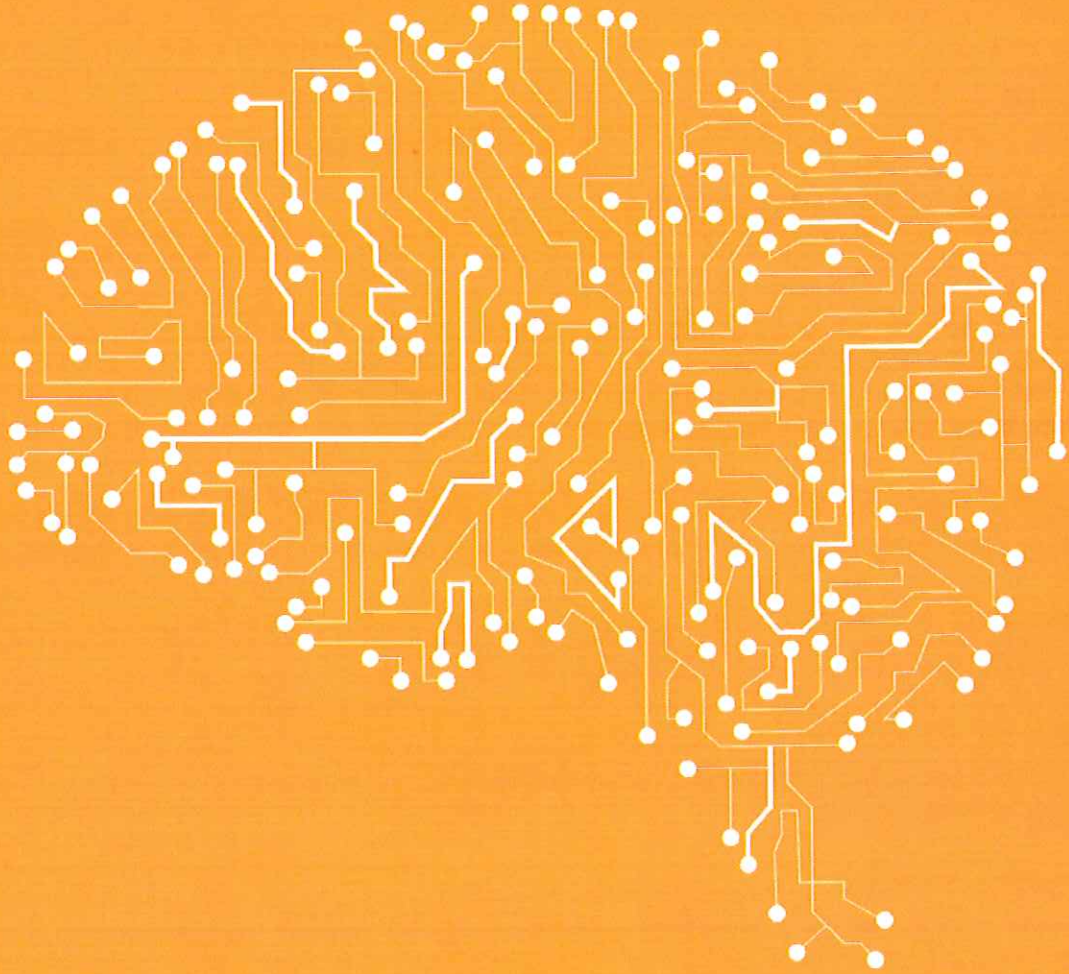
Deferred tax is measured on the basis of the tax rules and tax rates that under the legislation in force on the balance sheet date would be applicable when the deferred tax is expected to crystallize as current tax. Changes in deferred tax due to changes in tax rates are measured in the income statement except for entries going directly to the 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.