

# Annual Report 2015/16

Annual Report for the period, 1 July 2015  
– 30 June 2016, approved at the Annual  
General Assembly on 23 August 2016



Carl-Erik Jørgensen,  
Chairman of the General Assembly



# 2operate

Simplifying Network Operations

# Annual Report for 2operate A/S

7<sup>th</sup> Fiscal Year  
1 July 2015 - 30 June 2016

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## Company Details

### Company

2operate A/S  
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Denmark

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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  
The Danish Agency for Science, Technology and Innovation  
Torben Svanberg

### Board of Directors

Kaj Juul-Pedersen, Chairman  
Carl Erik Jørgensen, Vice Chair  
Carsten Hellegaard  
Torben Svanberg

### Management Team

Christian Ingerslev Sørensen, CEO  
Lars Moltsen, CSO  
Carsten Hellegaard, CTO

### Auditors

Ernst & Young Godkendt Revisionspartnerselskab

### Bank

Spar Nord A/S

### Legal

Borean Innovation A/S



*Zoperate proudly serves these customers*

## Report from the Management Team and Board of Directors

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

In fiscal year 2015/16 Zoperate continued growth according to the business plan, this year slightly exceeding budgets. Gross profit was increased by 264% compared to last year and Net Profit went from DKK 0.35 million last year to DKK 2,0 million.

As a result of strong financial growth and increased customer interaction, and in order to facilitate further growth, the organization was extended with new staff in both technical and commercial roles. In particular, the management team was significantly strengthened by appointing Christian Ingerslev Sørensen as the new CEO from January 2016. Christian comes with a background from telecom network operations with responsibility for OSS solutions at Telenor Nordic. Lars Moltsen, co-founder and CEO since company start-up, has taken on a new role as Chief Science Officer.

Zoperate's growth in fiscal year 2015/16 mainly came from existing customers in Northern Europe. To exploit its full potential, Zoperate will expand to provide its award-winning, unique solutions globally. During the fiscal year several new expansion initiatives were started, especially in the last half year (first half of 2016). These initiatives are expected to result in new business already in the coming fiscal year. At the same time the near market will be further cultivated.

**2operate A/S, Annual Report 2015/16**

Report from the Management Team and Board of Directors



*2operate exhibited at Mobile World Congress 2016 in Barcelona*

During the fiscal year, 2operate's marketing activities were focused around the GSMA *Mobile World Congress*, in Barcelona, and *Teleforum* in Cyprus organized by TOSS (Telecom Operators of Small States). Based on these activities the pipeline for new sales has been 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 and Tele Greenland for the European Space Agency (ESA). This project is bringing new knowledge to the Company, paving the way for future business in the growing and very attractive satellite communications industry.

***Financial Development***

In fiscal year 2015/16 2operate reached the important milestone of profitability by presenting its second successive positive result of DKK 2,0 million. In comparison the result last year was DKK 347 thousand.

Profitability came as a consequence of increased gross profit, in total DKK 4,6 million for the year, which is an increase of 264% compared to last year.

Based on a solid backlog of orders and an optimistic development in sales when entering fiscal year 2016/17, 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.

### ***Future Expectations***

Based on investments in the development of sales processes and the principle product in fiscal year 2015/16, the Company is expected to further accelerate growth in coming years. The total global market of principle product offerings in the telecoms industry is estimated to annually DKK 2 billion. In addition, the portfolio of offerings is planned to be extended in coming years, and the same offerings may be converted for parallel markets.

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.

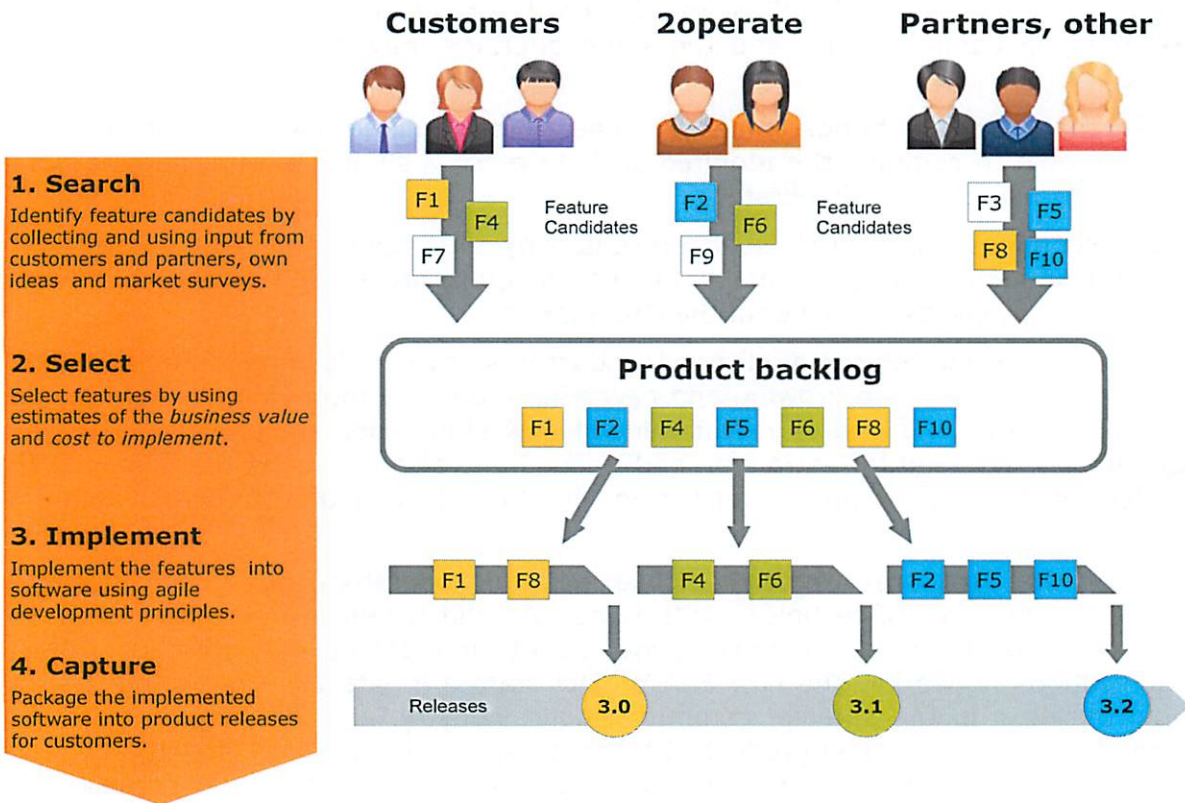
With a second positive annual result presented by this report and by already having support for all technologies and main vendors, 2operate has settled as an established - still young and innovative - player in the OSS market.

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.

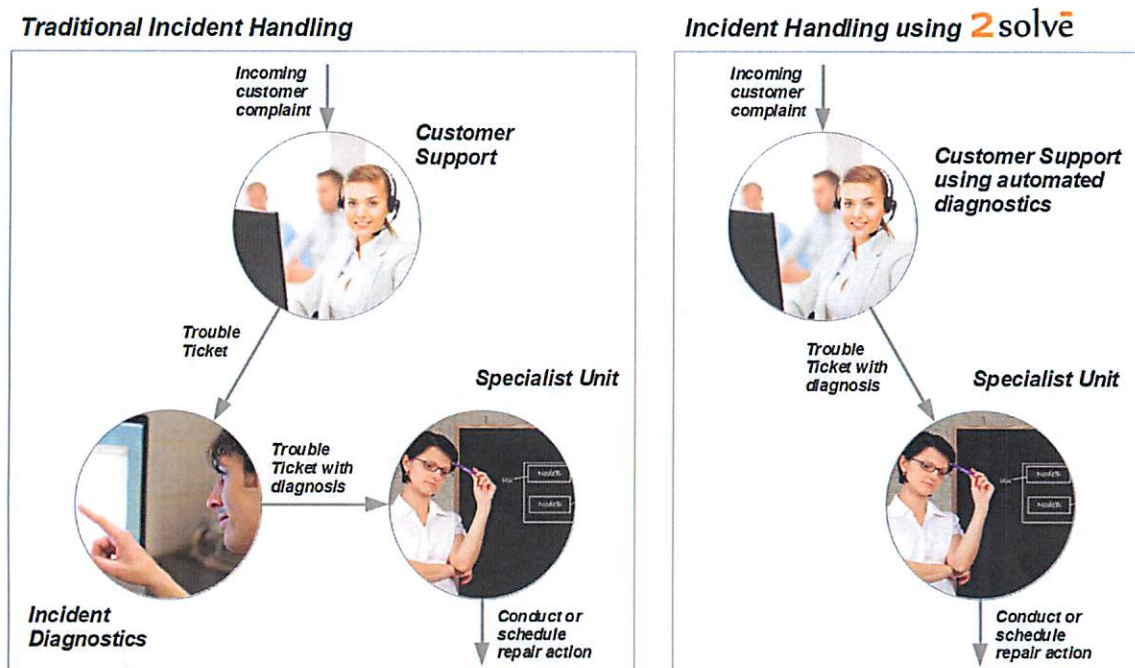
2operate's offerings are targeted mobile network operators but the concept of automated diagnostics of technical units is generic and useful in many other domains such as the operations of windmill farms, smart grid power networks, or satellite communications networks. The new ESA project started in 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.

**Principle Activities of the Company**

In fiscal year 2015/16 2operate continued development of its principle product, **2solve**, to meet demands for simplicity and support of processes in network operations. A key effort during this year was an activity to formalize customer-driven software development processes around the principles of agility and SCRUM. This will ensure a continuous stream of 4 yearly releases of the **2solve** suite. In the coming year, this effort is planned to result in a certification of the company and its development processes.



*Our innovation process – 4 yearly releases of 2solve to meet customer-driven demands.*



**2solve** helps to speed up Incident Management in network operations.

**2solve** is 2operate's award-winning Operations Support System (OSS), Incident Management, and Customer Experience Management (CEM) solution that helps mobile network operators achieving high performance in their network operations. **2solve** utilizes *Bayesian* probabilistic reasoning algorithms to automate diagnostics of faulty network elements, primarily in Radio Access where the volume of network elements (and technical incidents) is high.

In traditional Incident Management (see the figure at the top of this page), engineers are allocated to manually diagnose identified problems received as Trouble Tickets from Customer Support. When a high-level diagnosis has been determined from the investigation of available performance data and alarms, the engineer will dispatch the Trouble Ticket to the most relevant technical specialist team for detailed diagnostics and repair.

In **2solve**, such high-level diagnostics is performed automatically by the reasoning engine, and the user does not need to understand underlying technical data. This means that non-technicians in Customer Support are able to quickly analyse incidents and dispatch them to the right specialist unit. The overall resolution time and resources spent is significantly reduced, and both network quality and customer satisfaction is improved.

**2solve** is provided with pre-configured knowledge bases per technology and per equipment vendor. Knowledge bases are developed and maintained by 2operate's team of knowledge builders capturing the knowledge from system documentation, expert interviews, and own experiments. A strong reasoning engine allows many simultaneous users (and automated network scans) to troubleshoot incidents faster and with a higher level of accuracy than human troubleshooters.



### ***Awards and public statements from customers***

Based on its novelty **2solve** has already won two prestigious awards by market analysts, Frost & Sullivan and GTB. These are important statements from leading experts in telecom industry development.



*2solve is recognized by market analysts as one of the world's most innovative OSS products.*

Current customers of **2solve** have provided the following public statements on how they have experienced working with **2solve** and 2operate:

- *"2operate provides a unique tool which enables our staff members close to the customer to work more efficiently on network incidents. Moreover, our technical experts are shielded from incident management and can focus on their ongoing projects."*  
- Saulius Grudzinskas, Senior Manager of RAN Operations at **TeliaSonera**
- *"We evaluated 2solve over a three month period, and the solution met expectations on our measured parameters. In particular, 2solve makes service and network data available to more staff members, what makes 2solve a common working tool between divisions. During the evaluation period, 2operate also proved to be very effective in reacting to our demands and requests."*  
- Gunars Danbergs, Technical Director of **LMT**
- *"At Faroese Telecom we have a strong focus on placing the customer at the centre of everything we do, and the way that 2operate makes network data more available to staff members in customer support is just perfect for us."*  
- Kristian R. Davidsen, CEO of **Faroese Telecom**

## 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 Zoperate A/S for the period 1 July 2015 – 30 June 2016.

The annual report is 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 2016 as well as of the result of the Company's operations for the fiscal year 1 July 2015 – 30 June 2016.

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, 23 August 2016

### Management Team



Christian Ingerslev Sørensen



Carsten Hellegaard



Lars Moltsen

### Board of Directors



Kaj Juul-Pedersen  
Chairman



Carsten Hellegaard



Carl Erik Jørgensen



Torben Svanberg

## Independent auditors' report on the financial statements

### *To the shareholders of 2operate A/S*

We have audited the financial statements of 2operate A/S for the financial year 1 July 2015 – 30 June 2016, which comprise income statement, balance sheet and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

### *Management's responsibility 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 that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' responsibility*

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

**Opinion**

In our opinion, the financial statements give a true and fair view of the Company's financial position at 30 June 2016 and of the results of its operations for the financial year 1 July 2015 – 30 June 2016 in accordance with the Danish Financial Statements Act.

Aalborg, 23 August 2016

ERNST & YOUNG  
Godkendt Revisionspartnerselskab  
CVR. NR 30 70 02 28



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Niels David Nielsen  
State Authorised  
Public Accountant



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Rikke Bitsch  
State Authorised  
Public Accountant

## **Accounting Policies**

The annual report for 2operate in fiscal year 2015/16 has been prepared in accordance with the provisions applying to reporting class B large enterprises under the Danish Financial Statements Act and Danish Accounting Standards.

The accounting policies are in line with last year and comprise the following significant recognition principles and measurement base.

### ***General Information***

Income is recognized in the income statement as earned, including value adjustments of financial assets and liabilities. Equally, all costs incurred are recognized, including depreciation, amortization and impairment losses.

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

Liabilities are recognized in the balance sheet when an outflow of economic benefits is probable and when the liability can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual item.

Certain financial assets and liabilities are measured at amortized cost implying the recognition of a constant effective interest rate to maturity. Amortized cost is calculated as initial cost minus any principal repayments and plus or minus the cumulative amortization of any difference between cost and nominal amount.

In recognizing and measuring assets and liabilities, any losses and risks occurring prior to the presentation of the annual report that evidence conditions existing at the balance sheet date are taken into account.

The carrying amount of intangible and tangible fixed assets should be estimated annually to determine if there is any indication of impairment in excess of the amount reflected by normal amortization or depreciation. If this is the case, writedown should be made to the lower recoverable amount.

### ***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:

	<b>Useful life</b>	<b>Residual value</b>
Other plants, fixtures and equipment	2 years	0%

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.

### ***Inventories***

Inventories are measured at cost using the FIFO principle. If the net realizable value is lower than cost, write-down is provided to the lower value.

The cost of merchandise as well as raw materials and consumables is calculated at acquisition price with addition of transportation and similar costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct payroll costs and direct production costs.

The net realizable value of inventories is stated at sales price less completion costs and costs incurred to execute the sale and is determined with due regard to marketability, obsolescence and development in expected sales price.

### ***Accounts Receivable***

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

### ***Contract work in progress***

Work in progress on contract is measured at the sales value of the work performed. The sales value is measured on the basis of the degree of completion on the balance sheet date and the total anticipated revenue related to the specific piece of work in progress.

The specific piece of work in progress is recognized in the balance sheet as an account receivable or payable, depending on the net value of the selling price less progress invoicing and progress payments.

Costs relating to sales work and obtaining of contracts are recognized in the income statement as and when they are incurred.

### ***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.



## Income Statement

	Note	2015/16 DKK'000	2014/15 DKK'000
<b>Gross Profit</b>		<b>4628</b>	<b>1750</b>
Staff Costs	1	-1154	-454
Depreciation, Amortisation, and Impairment		-767	-824
<b>Operating Profit</b>		<b>2707</b>	<b>472</b>
Other financial income		2	2
Other financial expenses		-65	-27
<b>Profit Before Tax</b>		<b>2643</b>	<b>448</b>
Tax on profit/loss for the year	2	-605	-101
<b>Profit for the Year</b>		<b>2038</b>	<b>347</b>
<b>Proposed Distribution of Profit</b>			
Accumulated Profit		2038	347
<b>Total</b>		<b>2038</b>	<b>347</b>

## Balance Sheet

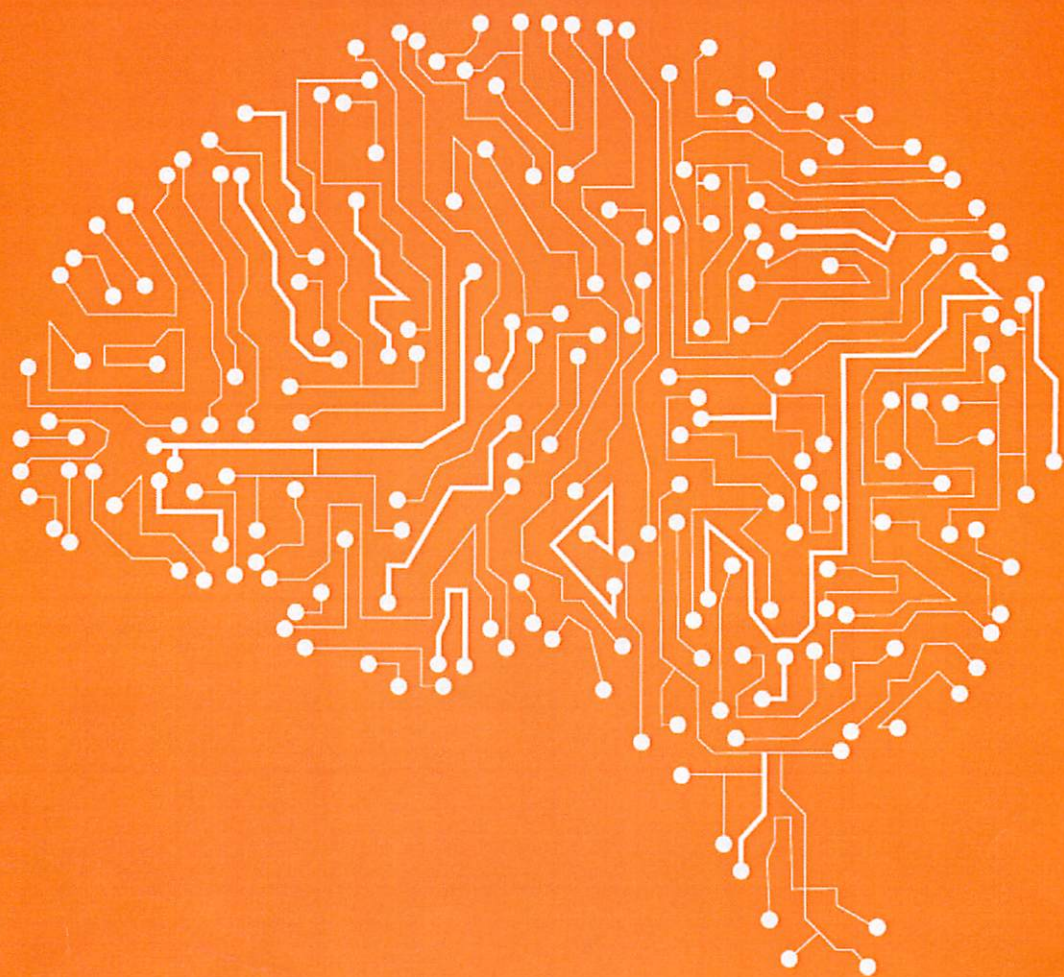
<b>ASSETS</b>	Note	2015/16 DKK'000	2014/15 DKK'000
Development Projects		2730	2276
Intangible Fixed Assets Acquired		0	24
<b>Intangible Fixed Assets</b>	3	<b>2730</b>	<b>2301</b>
Other plants, machinery, tools and equipment		30	4
<b>Tangible Fixed Assets</b>	4	<b>30</b>	<b>4</b>
<b>Fixed Assets</b>		<b>2760</b>	<b>2305</b>
Finished goods and goods for resale		0	0
<b>Inventories</b>		<b>0</b>	<b>0</b>
Trade Receivables		157	1247
Contract work in progress		0	79
Deferred Tax Assets	5	290	879
Other Receivables		140	43
Tax Receivables		0	205
Prepayments and Accrued Income		179	72
<b>Accounts Receivable</b>		<b>766</b>	<b>2525</b>
<b>Cash and Cash Equivalents</b>		<b>3487</b>	<b>680</b>
<b>Current Assets</b>		<b>4253</b>	<b>3204</b>
<b>Total Assets</b>		<b>7013</b>	<b>5509</b>

<b>EQUITY AND LIABILITIES</b>	Note	2015/16 DKK'000	2014/15 DKK'000
Share Capital		500	330
Retained Profit		4835	2968
<b>Equity</b>	6	<b>5335</b>	<b>3297</b>
Debt Instruments		496	766
<b>Long-Term Liabilities</b>	7	<b>496</b>	<b>766</b>
Short-Term Debt Instruments	7	<b>213</b>	<b>100</b>
Trade Payables		259	28
Other Liabilities		253	279
Prepayments and Accrued Income		456	1038
<b>Current Liabilities</b>		<b>1182</b>	<b>1446</b>
<b>Liabilities</b>		<b>1679</b>	<b>2212</b>
<b>Equity and Liabilities</b>		<b>7013</b>	<b>5509</b>
Charges and securities	8		

## Notes

Note		2015/16 DKK'000	2014/15 DKK'000
1	<b>Staff Costs</b>		
	Wages and Salaries	1056	392
	Social Security Costs	24	17
	Other Staff Costs	74	45
	<b>Total Staff Costs</b>	<b>1154</b>	<b>454</b>
	In fiscal year 2015/16, salaries and staff costs of DKK 1.187 thousand have been capitalised as development projects (2014/15: DKK 908 thousand).		
2	<b>Tax</b>	2015/16 DKK'000	2014/15 DKK'000
	Tax on profit/loss for the year	17	0
	Adjustment of tax in previous years	0	0
	Adjustment of deferred tax	588	101
	Adj. deferred tax due to changed tax rate	0	0
		<b>605</b>	<b>101</b>
3	<b>Intangible fixed assets</b>		Dev. Projects Completed DKK'000
	<b>Cost at 1 July 2015</b>		<b>4811</b>
	Addition		1187
	<b>Cost at 30 June 2016</b>		<b>5998</b>
	Depreciation/amortisation 1 July 2015		2535
	Depreciation/amortisation of the year		733
	<b>Depreciation/amortisation 30 June 2015</b>		<b>3267</b>
	<b>Carrying amount at 30 June 2013</b>		<b>2730</b>
4	<b>Tangible fixed assets</b>		
	<b>Cost at 1 July 2015</b>		<b>99</b>
	<b>Cost at 30 June 2016</b>		<b>135</b>
	Depreciation/amortisation 1 July 2015		95
	Depreciation/amortisation of the year		10
	<b>Depreciation/amortisation 30 June 2015</b>		<b>104</b>
	<b>Carrying amount at 30 June 2016</b>		<b>30</b>

Note					
5	<b>Deferred Tax Assets</b>				
	Deferred tax per 30 June 2016 amounts to DKK 290 thousand compared to DKK 879 thousand last year. The deferred tax asset is primarily related to negative transferred results in previous years and development projects.				
6	<b>Equity</b>	Share Capital DKK'000	Reserves DKK'000	Retained Earnings DKK'000	Total DKK'000
	Equity at 1 July 2015	330	0	2968	3298
	Capital Increase	170	0	-170	0
	Result of the Year	0	0	2163	2163
	<b>Equity at 30 June 2014</b>	<b>500</b>	<b>0</b>	<b>4961</b>	<b>5462</b>
	Changes in equity				
	Loans converted to shares, June 2013				131
	Loans converted to shares, September 2014				41
	Share capital increased, September 2015				170
	<b>Total Changes in Equity</b>				<b>342</b>
	Warrant Agreement:				
	The company has issued 151.699 warrants of nominal value DKK 1 and strike price DKK 23,07. The warrants allows for capital increase of up to nominal value DKK 151.699. The warrants may be exercised within a four-year period starting 30 September 2014.				
	The company has issued 30.000 warrants of nominal value DKK 1 and strike price DKK 40.				
	The warrants allows for capital increase of up to nominal value DKK 30.000. The warrants may be exercised within a four-year period starting 1 August 2016.				
	The company has issued 53.094 warrants of nominal value DKK 1 and strike price DKK 29,66.				
	The warrants allows for capital increase of up to nominal value DKK 53.094. The warrants may be exercised within a four-year period starting 10 August 2016.				
7	<b>Long-Term Liabilities</b>	1 July '15 Total Debts DKK'000	30 June '16 Total Debts DKK'000	Repayment Next Year DKK'000	Debt outst. after 5 Years DKK'000
	Debt instruments	866	709	213	0
		<b>866</b>	<b>709</b>	<b>213</b>	<b>0</b>
8	<b>Charges and securities</b>				
	Zoperate A/S has provided as collateral for the fulfilment of the debt instruments of DKK 706 thousand by 30 June 2016 their right to development projects, other rights, and receivables from sales.				



# 2 solve

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.