Consolidated annual report 2012

Akton communications

Trust and integrity.
Regardless of everything, we always act in accordance with our basic ethical values and principles.

1. INDEPENDENT AUDITOR'S REPORT

ERNST & YOUNG

This is a translation of the original report in Slovene language

INDEPENDENT AUDITOR'S REPORT

To the owners of Akton d.o.o., Ljubljana

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Akton Group, Ljubljana, which comprise the consolidated statement of financial position as at December 31, 2012, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Slovenian Accounting Standards and with the requirements of the Slovenian Companies Act related to the preparation of the financial statements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity'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 consolidated financial statements.

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Akton Group, Ljubljana, as of December 31, 2012, and its financial performance and cash flows for the year then ended in accordance with Slovenian Accounting Standards and with the requirements of the Slovenian Companies Act related to the preparation of the consolidated financial statements.

Report on Other Legal and Regulatory Requirements

Management is also responsible for preparing the business report in accordance with the Slovenian Companies Act. Our responsibility is to assess whether the business report is consistent with the audited consolidated financial statements. Our work regarding the business report is performed in accordance with ISA 720, and restricted to assessing whether the business report is consistent with the consolidated financial statements and does not include reviewing other information originated from non-audited financial records.

The business report is consistent with the audited consolidated financial statements.

Ljubljana, May 10, 2013

ERNST & YOUNG
Revizija, poslovno svetovanje d.o.o., Ljubljana

Janez Uranič
Director
Ernst & Young d.o.o.
Dunajska 111, Ljubljana

Janez Hostnik
Certified Auditor

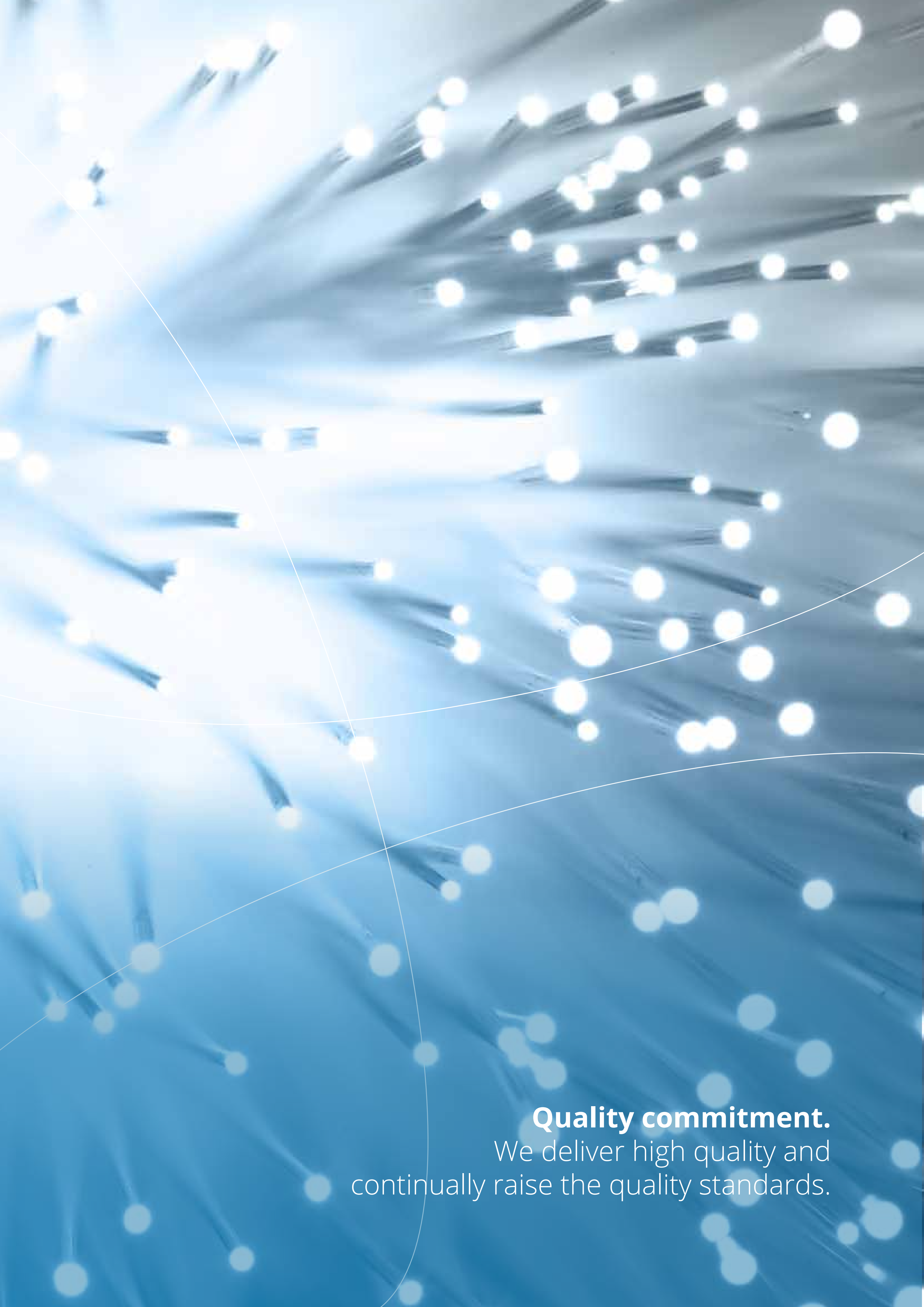
Quality commitment.
We deliver high quality and
continually raise the quality standards.

Figure 1: The Akton Group Backbone network in the region

2.3 Strategy

In the financial year 2012, the Group successfully pursued its strategic objectives, achieving its short-term goals. In the beginning of 2013, we will set out new long-term goals and strategic priorities for the period 2010-2014.

Results achieved in recent years demonstrate without a doubt that the Akton Group is following its ambitious goals and has achieved excellent results in highly competitive markets. Our aim is to expand our success in international market by providing services to the largest companies in the region. International banking institutions and insurance undertakings, government institutions and trading companies represent target groups that are users of our services for years now.

The investments, which we plan in the future, will allow the Group to implement new connections in international hubs and to realize some key projects to ensure our future growth and development.

Key priorities of the Group in the period 2010-2014 are the following:

- One-Stop-Shop
- Competitive offerings
- Penetrating new markets
- Ensure financial stability
- Customer focus
- Searching for new niches
- Increase synergy between regional subsidiaries

The Akton Group is developing into the best provider of telecommunications services whose objective is to connect the region with the global world of telecommunications. Akton is focusing on partnerships, rather than competitors!

2.4 Corporate Social Responsibility

Akton consistently complies with the fundamental principles of corporate social responsibility, which the Akton group perceives as our commitment to taking our part in the social environment in which we operate. We strive to ensure our business operations are carried out in a manner that conveys to all our stakeholders our spirit and our high social standards.

Care for employees

We operate in a highly technological industry where advancement is ensured only by having highly motivated and dedicated professionals who through their knowledge and experience achieve success on a daily basis in their own individual field. To Akton, every single employee is important as together we build a culture of mutual trust, respect, efficient cooperation and teamwork. We continually learn and ensure that we are responsible and efficient in our approach to work and the environment.
Akton organizes a variety of professional trainings for its employees, enables their participation in international forums and conferences and, subsequently, personal growth and career development of each individual.

We are a united team and this is confirmed by our formal and informal socializing events. We regularly celebrate each individual's life achievements. Every year employees participate in different activities financed by the Company or each individualsuch as: sailing, culinary team building, indoor recreational pursuits and others. Organization of recreational activities is very important to raise employees' awareness of the healthy life and we are proud that we are able to make up at least two basketball teams and two volleyball teams.
Time permitting, we annually organize a picnic for all employees and their families as family members are also a part of our Company as much as we are. At Christmas time children of our employees are awarded for accepting their parent's absence through work with a visit of Father Christmas who brings presents to each and every one of them.
Business partners

Satisfied business partners are a key factor in today's competitive environment and for this reason our motto is to provide services with added value that are tailored to individual client's needs. A long time ago we realized that the key condition for successful performance is a commitment to long-term and mutual benefit of both partners. Accordingly, we do not only sell services to our partners, we create added value for them which ensures that both, our partner and ourselves become winners on international markets. In cooperation with every business partner we strive to find solution with a winning balance between quality and price of services. Quality of services and products are systematically monitored and upgraded.

Akton is a full member of internal communications forum OSS&ICDS (The International One-Stop-Shopping / Inter-Carrier Data Services Forum). As members of this forum, we strive to standardize processes in the implementation of privately leased lines in order to raise their quality.

Environment

Our activities and business operations are directed not only at providing the best quality solutions, but also solutions that are friendly to the environment and the Akton Group. All the employees in all departments recycle waste and use reusable packaging.

All business processes in the company are organized in a way that uses the minimum amount of paper and printers. All internal communication as well as some of the archived documents within the Akton Group is based on electronic, trees-friendly platforms. We use the same approach in our communication with partners who are able to participate in such cooperation.

Solidarity

In the Akton Group we are aware that in statistical term, every 5 minutes someone needs blood transfusion. Therefore, we support the fundamental idea that every blood donor is a hero and we support all who take this noble action and donate blood. We are extremely proud of all our employees who are voluntary blood donors. To acknowledge our appreciation for their noble gesture, we organize an “Akton day” where together, in the greatest numbers possible, we participate in this greatest show of solidarity.

Sponsorship

Donor and sponsorship funds are awarded to various humanitarian organisations within our capabilities. We are primarily focused on long-term projects where we can expect best results and can assist the largest number of those in need of assistance. Everyone in the Akton Group appreciates and supports the work and efforts of all charity workers, particularly those involved in children charities.

It is our privilege and honour to be cooperating with the following institutions:

- Youth Association of Ljubljana – Moste
- Foundation »Vrabček Upanja«
- Safe house project

2.5 Exposure to Risk and Risk Management

Risk Management

We are aware of a number of risks that are present in the business environment and for this reason an integrated approach to risk management is prerequisite for regular monitoring of risks and effective risk management. Risk management is involved in all areas of our business activities.

2.5.1 Currency Risk

Currency risk is the risk of fluctuating value of financial instruments as a result of changes in foreign exchange rates.
Currency risk is a significant category and as such is being monitored particularly with regards to operating receivables and liabilities as the risk can neutralize gross margin. Currency risk exists in terms of individual countries and as part of the country risk management, we also monitor past and projected currency fluctuation on our target markets.

The Group purchases USD on the market whilst constantly monitoring fluctuation of international exchange rate for the currency. The Group monitors daily transactions with services denominated in USD in order to mitigate the risk. Our sales division applies current USD exchange rate with the relevant discount which further reduces risks.

2.5.2 Interest and Credit Risk

Interest risk is the risk of the negative impact of changes in market interest rates on the value of financial instruments.
Credit risk is the risk that party to the contract on the financial instrument fails to settle its obligations thus reducing economic benefits flowing to the Company.

In terms of securing funds for our own investing activities, interest rate is minimized through borrowing funds at a variable rate of interest.

The Group has set an excellent system of monitoring receivables maturity on a daily basis. Our business partners are informed few days in advance that certain receivables will mature. Consequently, the Group has no outstanding receivables that are disputed.

2.5.3 Liquidity Risk

Liquidity risk is the risk of a shortage of available financial assets and consequently the Group's inability to settle its obligations within contractual terms. The Group is doing its utmost to ensure the most efficient use of its assets and is managing liquidity through regular planning of cash inflows and outflows.

The interest rate policy also affects and ensures regulation of liquidity risks as we are able to determine monthly outflow of interest costs. Similarly, we also monitor other liquidity categories on a daily basis, which allows us to make additional projections for the future. Through daily monitoring of liquidity needs we try to optimize allocation of funds per individual companies and in future we plan a transition to cash-management services. The available revolving credit provides us with sufficient security in terms of our needs and we do not fear any major liquidity issues in the future.

2.6 Subsequent Events

No events have occurred after the balance sheet date which would affect the financial statements for the year ended 31 December 2012. In 2013, the Company's operations are running as planned.

2.7 Related Party Transactions

In all transactions with the parent company, Akton obtained suitable payments and has not suffered any loss due to transactions carried out or as a result of any actions that were either taken or omitted in given circumstances.

2.8 Statement of Management Responsibilities

The Management Board approved the financial statements on 10 May 2013.

The Management Board is responsible for the preparation of the annual report that gives a true and fair presentation of the financial position of the Group and of its financial performance for the year ended 31 December 2012.

The Management Board confirms that the appropriate accounting policies were consistently applied, and that the accounting estimates were made under the principle of prudence and due diligence of a good manager. The Management Board also confirms that the consolidated financial statements and notes thereof have been compiled under the assumption of a going concern, and in accordance with the current legislation and Slovene Accounting Standards.

The Management Board is also responsible for the appropriate accounting system and adoption of measures to secure the assets, and to prevent and detect fraud and other irregularities and/or illegal acts.

The Tax Authorities may, at any time within a period of 5 years after the end of the year for which tax assessment was due, carry out the audit of the company operations, which may lead to assessment of additional tax liabilities, default interest, and penalties with regards to corporate income tax or other taxes and duties. Other than the issue described in Note 11 to the consolidated financial statements, the Management Board is not aware of any circumstances that may result in a significant tax liability.

Director:
Igor Košir

Procurator:
Miha Novak

Ljubljana, 10 May 2013

Result-oriented approach.
We strive to achieve positive and concrete results and are always searching for ways to improve the long-term results.

Persistence.
We are continually active and are still able to find additional energy to achieve the biggest goals.

3. CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

3.1 Consolidated Balance Sheet at 31 December 2012

	Notes	31.12.2012	EUR 31.12.2011
ASSETS		17,100,694	18,361,063
A. Long-Term Assets		**7,298,056**	**7,765,966**
I. Intangible assets and long-term deferred costs	1	6,100,164	6,328,996
1. Concessions, trademarks and licences		138,940	50,326
2. Goodwill		5,956,000	6,278,670
II. Property, plant and equipment	2	1,195,367	1,255,288
1. Other plant and equipment		1,195,367	1,255,288
III. Investment property		0	0
IV. Long-term investments		2,525	2,739
1. Long-term investments, excluding loans		2,525	2,739
a) Other long-term investments	3	2,525	2,739
V. Long-term operating receivables		0	0
VI. Deferred tax assets		0	178,943
B. Current Assets		**9,739,903**	**10,499,090**
I. Assets held for sale		0	0
II. Inventories		21,919	24,607
III. Short-term investments		50,022	0
IV. Short-term operating receivables	3	9,561,345	9,721,950
1. Short-term trade receivables		8,534,798	8,827,895
2. Short-term operating receivables due from others		1,026,547	894,056
V. Cash		106,617	752,532
C. Short-Term Deferred Costs and Accrued Revenue		**62,735**	**96,007**
Off Balance Sheet Assets	9	**3,948,695**	**4,144,501**

EQUITY AND LIABILITIES

EQUITY AND LIABILITIES		17,100,694	18,361,063
A. Equity	4	**5,307,268**	**4,802,599**
I. Called-up capital		**4,915,686**	**4,915,686**
1.Share capital		4,915,686	4,915,686
II. Capital surplus		**2,434,649**	**2,434,649**
III. Revenue reserves		**6.621**	**6.621**
1. Legal reserves		6.621	6.621
IV. Revaluation surplus		**0**	**0**
V. Retained earnings		**-2,561,448**	**-2,798,015**
VI. Net profit for the year		**511,760**	**243,658**
VII. Non-controlling interests		**0**	**0**
B. Provisions and Long-Term Accrued Costs and Deferred Revenue		**0**	**0**
C. Long-Term Liabilities		**1,496,500**	**2,733,733**
I. Long-term financial liabilities		**1,496,500**	**2,733,733**
1. Long-term financial liabilities to banks	5	1,496,500	1,828,500
2. Other long-term financial liabilities		0	905,233
II. Long-term operating liabilities		**0**	**0**
III. Deferred tax liabilities		**0**	**0**
D. Short-Term Liabilities		**10,202,155**	**10,758,001**
I. Liabilities of disposal groups		**0**	**0**
II. Short-term financial liabilities		**530,060**	**1,373,518**
1. Short-term financial liabilities to banks	6	351,073	1,373,518
2. Other short-term financial liabilities	7	178,987	0
III. Short-term operating liabilities	8	**9,672,095**	**9,384,483**
1. Short-term supplier payables		9,064,042	8,831,319
2. Short-term operating liabilities from advances		110	1,618
3. Other short-term operating liabilities		607,943	551,546
E. Short-Term Accrued Costs and Deferred Revenue		**94,771**	**66,730**
Off Balance Sheet Liabilities	9	**3,948,695**	**4,144,501**

3.2 CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 December 2012

	Notes	2012	EUR 2011
1. Net sales	**10**	**72,188,278**	**70,864,454**
1. Sales on the local market		1,669,730	2,468,320
2. Sales on foreign markets		70,518,548	68,396,134
2. Other operating revenue (including revaluation revenue)		**2,816**	**6,414**
3. Costs of goods, materials and services	**11**	**-68,993,901**	**-68,225,148**
a) Costs of goods and materials and costs of materials used		-77,683	-88,760
b) Costs of services		-68,916,218	-68,136,388
4. Labour cost	**11**	**-1,764,651**	**-1,635,179**
1. Payroll		-1,320,533	-1,200,852
2. Social security insurance (with separate disclosure of pension insurance)		-346,383	-300,284
a) Other social security insurance costs		-155,752	-130,800
b) Pension insurance costs		-190,631	-169,484
3. Other labour costs		97,735	-134,043
5. Write-downs	**11**	**-659,995**	**-315,905**
a) Amortization and depreciation expense		-306,240	-258,405
b) Revaluation operating expenses from fixed assets		-347,701	-21,502
c) Revaluation operating expenses from current assets		-6,054	-35,998
6. Other operating expenses	**11**	**-29,198**	**-29,773**
OPERATING PROFIT		**743,349**	**664,863**
7. Financial revenue from loans		**1,230**	**586**
a) Financial revenue from loans to others		1,230	586
8. Financial revenue from operating receivables		**140,051**	**79,735**
a) Financial revenue from operating receivables due from others		140,051	79,735
9. Financial expenses from financial liabilities		**-185,055**	**-263,705**
a) Financial expenses from borrowings from banks		-168,131	-212,410
b) Financial expenses from other financial liabilities		-16,924	-51,295
10. Financial expenses from operating liabilities		**-124,281**	**-133,875**
a) Financial expenses from supplier payables and bills payable		-215	-1,920
b) Financial expenses from other operating liabilities		-124,066	-131,955
PROFIT FROM ORDINARY ACTIVITIES		**575,294**	**347,604**
11. Other revenue	**12**	**393,971**	**9,260**
12. Other expenses		**-12,144**	**-26,220**
13. Income tax	**13**	**-266,418**	**-1,599**
14. Deferred tax	**13**	**-178,943**	**-85,387**
NET PROFIT FOR THE YEAR		**511,760**	**243,658**

3.3 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME year ended 31 December 2012

		v EUR
	2012	2011
1. Net profit for the year	**511,760**	**243,658**
2. Other comprehensive income – consolidation reserve	-7,091	-7,840
3. TOTAL COMPREHENSIVE INCOME	**504,669**	**235,818**

3.4 CONSOLIDATED CASH FLOW STATEMENT year ended 31 December 2012

		v EUR
	2012	2011
A. Cash flows from operating activities		
a) Items derived from the income statement	**1,352,764**	**816,268**
Operating revenue (except revaluation) and financial revenue from operating receivables	72,722,300	70,953,449
Operating expenses excluding depreciation (except revaluation) and financial expenses from operating liabilities	-70,924,175	-70,050,195
Income tax and other taxes not included in operating expenses	-445,361	-86,986
b) Changes in net operating assets in balance sheet items (including accruals and deferrals, provisions and deferred tax assets and liabilities)	**685,107**	**-848,138**
Opening less closing operating receivables	154,551	-520,726
Opening less closing deferred costs and accrued revenue	33,272	683
Opening less closing deferred tax assets	178,943	85,387
Opening less closing assets (disposal groups) held for sale	0	0
Opening less closing inventories	2,688	72,817
Closing less opening operating liabilities	287,612	-523,122
Closing less opening accrued costs and deferred revenue, and provisions	28,041	36,823
Closing less opening deferred tax liabilities	0	0
c) Net cash from operating activities (a+b)	**2,037,871**	**-31,870**

B. Cash flows from investing activities		
a) Cash receipts from investing activities	**1,230**	**586**
Interest and dividends received from investing activities	1,230	586
Cash receipts from disposal of intangible assets	0	0
Cash receipts from disposal of property, plant and equipment	0	0
Cash receipts from disposal of investment property	0	0
Cash receipts from disposal of long-term investments	0	0
Cash receipts from disposal of short-term investments	0	0
b) Cash disbursements from investing activities	**-406,934**	**-231,444**
Cash disbursements to acquire intangible assets	-120,502	-7,860
Cash disbursements to acquire property, plant and equipment	-236,645	-220,845
Cash disbursements to acquire investment property	0	0
Cash disbursements to acquire long-term investments	214	-2,739
Cash disbursements to acquire short-term investments	-50,000	
c) Net cash from investing activities (a+b)	**-405,704**	**-230,858**
C. Cash flows from financing activities		
a) Cash receipts from financing activities	**16,942,877**	**20,145,500**
Cash proceeds from paid-in capital	0	0
Cash proceeds from increase in long-term financial liabilities	0	0
Cash proceeds from increase in short-term financial liabilities	16,942,877	20,145,500
b) Cash disbursements from financing activities	**-19,220,960**	**-19,858,120**
Interest paid on financing activities	-192,146	-271,545
Cash repayments of equity	0	0
Cash repayments of long-term financial liabilities	-350,000	
Cash repayments of short-term financial liabilities	-18,678,814	-19,586,575
Dividends and other profit shares paid	0	0
c) Net cash from financing activities (a+b)	**-2,278,083**	**287,380**
D. Closing balance of cash	**106,617**	**752,532**
Net cash inflow or outflow for the period (sum total of Ac, Bc and Cc)	**645,916**	**24,652**
Opening balance of cash	**752,532**	**897,161**

3.5 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Statement of changes in equity for the year ended 31 December 2012:

	Share capital	Capital surplus	Legal reserves	Retained earnings/ accumulated loss	Net profit for the year	Consoli-dation reserve	EUR Total
A1. Opening balance at 31 December 2011	**4,915,686**	**2,434,649**	**6,621**	**-2,783,932**	**243,658**	**-14,083**	**4,802,599**
A2. Opening balance at 1 January 2012	**4,915,686**	**2,434,649**	**6,621**	**-2,783,932**	**243,658**	**-14,083**	**4,802,599**
B2. Total comprehensive income for the year	**0**	**0**	**0**	**0**	**511,760**	**-7,091**	**504,669**
a) Net profit for the year	0	0	0	0	511,760	0	511,760
b) Consolidation reserve	0	0	0	0	0	-7,091	-7,091
B3. Changes within equity	**0**	**0**	**0**	**243,658**	**-243,658**	**0**	**0**
a) Appropriation of the net profit to other equity elements based on decision of the Management and the Supervisory Board	0	0	0	243,658	-243,658	0	0
C. Closing balance at 31 December 2012	**4,915,686**	**2,434,649**	**6,621**	**-2,540,274**	**511,760**	**-21,174**	**5,307,268**

Statement of changes in equity for the year ended 31 December 2011:

	Share capital	Capital surplus	Legal reserves	Retained earnings/ accumulated loss	Net profit for the year	Consoli-dation reserve	EUR Total
A1. Opening balance at 31 December 2010	**4,915,686**	**2,434,649**	**6,621**	**-2,847,440**	**63,508**	**-6,243**	**4,566,781**
A2. Opening balance at 1 January 2011	**4,915,686**	**2,434,649**	**6,621**	**-2,847,440**	**63,508**	**-6,243**	**4,566,781**
B2. Total comprehensive income for the period	**0**	**0**	**0**	**0**	**243,658**	**-7,840**	**235,818**
a) Net profit for the year	0	0	0	0	243,658	0	243,658
b) Consolidation reserve	0	0	0	0	0	-7,840	-7,840
B3. Changes within equity	**0**	**0**	**0**	**63,508**	**-63,508**	**0**	**0**
a) Appropriation of the net profit to other capital elements based on decision of the Management and the Supervisory Board	0	0	0	63,508	-63,508	0	0
C. Closing balance at 31 December 2011	**4,915,686**	**2,434,649**	**6,621**	**-2,783,932**	**243,658**	**-14,083**	**4,802,599**

Respect.
We know our own values and honour the values of others.

Creativity.
There are no limits. We always think outside the given parameters in order to find even better and more effective solutions.

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.1 Profile of the Company

Company name:	Akton Telekomunikacijski inženiring d.o.o.
Short name:	Akton d.o.o.
Registered office:	Dunajska cesta 9, Ljubljana
Legal form:	Limited liability company
Incorporated:	on 22 May 1999, registration number 1/06892/00
Principal activity:	Activity code 61.900; Other telecommunications
Glavna dejavnost družbe:	61.900 Druge telekomunikacijske dejavnosti
Share capital:	€4,915,685.55
Owner:	ATEL EUROPE B.V., Orlyplein 10, 1043DP Amsterdam, the Netherlands is the sole owner of the Company
Management Board:	Igor Košir, Director Miha Novak, Procurator
Subsidiaries:	AKTON d.o.o. Croatia, AKT.ONLINE d.o.o. Bosnia and Herzegovina, AKTON d.o.o. Serbia, AKTON d.o.o.e.l. Macedonia.
Financial year:	Financial year covers the same period as the calendar year

The following subsidiaries are included in the consolidation of the Akton Group:

Company	Registered office	The parent company's share in 2012	The parent company's share in 2011
AKTON d.o.o.	Bani 75, Buzin, Zagreb, Croatia	100%	100%
AKT.ONLINE d.o.o.	Fra Anđela Zvizdovića 1, Sarajevo, BIH	100%	100%
AKTON d.o.o., Beograd	Bulevar Mihajla Pupina 6/16, Beograd, Serbia	100%	100%
AKTON d.o.o.e.l.	Belasica 2, Skopje, Macedonia	100%	100%

Average number of employees by educational level:

Educational level / year	2012	2011
Level 5	21	22
Level 6	6	2
Level 7	22	22
Total	49	46

www.akton.net