Akton communications

Consolidated Annual Report 2014

CONTENTS:

1. BUSINESS REPORT

1.1 Performance Results of the Akton Group

The Group revenue

The Akton Group achieved net sales revenues of €68,537,859 in 2014, representing a 17.8% decrease on a year-over-year basis (2013: €83,385,343). This reduction in revenue is due to additional levy imposed by the Agency for Communication Networks and Services of the Republic of Slovenia, which is paid in the amount of €0.00124 for each one euro of revenue earned. **As this affects Akton's competitiveness on international markets,** Akton had to abandon any transactions where the margin is lower than the levy imposed. Consequently, these transactions have been taken up by our foreign competitors. In terms of transactions scope, in 2014 Akton recorded a 4% growth in all transit international minutes as well as growth in capacities sold in the data segment. All the group companies in Croatia, Bosnia and Herzegovina, Serbia and Macedonia recorded increase in sales revenue on their local markets. The share of services sold on foreign markets accounted for 92.1% of total net sales (2013: 90.7%). The Group's sales on foreign markets decreased by €12,524,889 in 2014 and a € 2,322,595 decline in revenue was recorded on the domestic market. In comparison, in 2013 sales on foreign markets increased by €5,138,271, and sales on domestic market recorded a €6,058,794 growth. By taking advantages of all of its knowledge and competitive advantages, the Akton Group further consolidated its position on the market of international telecommunications in 2014.

All the group companies in Croatia, Serbia and Macedonia recorded increase in sales revenue on their local markets in 2014. The highest growth (14.4%) was recorded in Macedonia, followed by a 13.6% increase on the Croatian market on year-over-year basis. Considering current economic conditions the above results are excellent and, the management believes, a proof that in terms of its strategic orientation, the Group is on the right path.

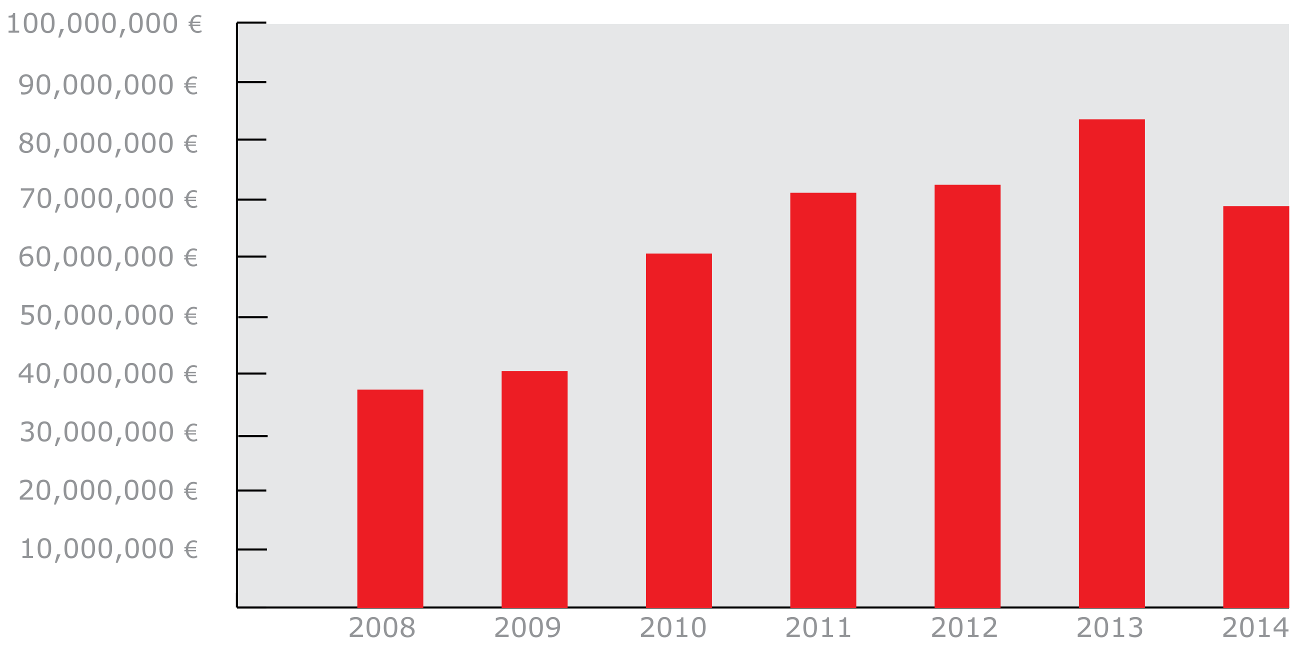
Major contribution to the scope of sales was provided by telecommunications services in the inter-operator segment, rendered by the parent company in Ljubljana. In addition to agreeing several new contracts for interconnection of networks in the inter-operator segment - wholesale of voice services, in 2014 the Group significantly increased and further strengthened its cooperation with regional and alternative operators. Thus, the Group is successfully increasing the provision of international telecommunications services from the region and into the global sphere. Our cooperation with the largest global operators of telecommunications services has also been successful. The Akton Group regards this as an exceptional success and recognition of the Group's knowledge and an expression of trust in the Akton Group's expertise by international market players. During the year the Group continued to increase the number of network interconnections with existing partners.

In the segment of data services, in 2014 the Akton Group achieved solid results despite challenging economic conditions on global markets. Several years of active investment of our efforts and knowledge in international market proved fruitful, resulting in further increase in the number of connections based on framework contracts agreed in the previous period with some of the largest international operators who were searching for a reliable regional partner. The Group provides services for some of the most important international institutions in the region and amongst other we supply technologically most advanced telecommunications solutions to one of the leading international multimedia television stations. In 2014 the Akton Group further consolidated its position as ”the preferred” contractor in the region and some of the largest international operators and with that also the largest business users, have entrusted the Akton Group to provide all of connections for their end business users in the whole region.

The challenges the Group is facing in this particular segment are above all further decline in sales prices on international markets and high fixed costs of local connections ”last mile” in the region. In spite of all, Akton is committed to the highest quality of services and through economies of scale of new orders, the Group is successfully weathering price conditions on the market. The Group provides highly reliable international connections for the most demanding users such as foreign embassies, banking systems, broadcasting corporations, some of the most successful international and regional corporations, as well as other international institutions. The Akton Group is one of the largest and most reliable alternative provider of voice services in the region.

The Akton Group provides services to business users in the region, primarily in Croatia, Bosnia and Herzegovina, Serbia and Macedonia. The highest increase in the number of clients and capacities sold has been in Serbia and Macedonia.

Year-on-year sales growth (2008-2014)



The Group expenses

The Group’s operating expenses reached €67,660,223 in 2014 (2013: €82,494,286), with costs of inter-operator telecommunications services, costs of leased telecommunications lines and costs of other services accounting for the bulk of the costs. On year-on-year basis, employee benefit costs rose by 5.8% in 2014 (2013: an increase of 1.1%) and account for 2.8% of total expenses of the Group. According to the valuation of group companies performed by a certified independent assessor of companies, goodwill was not impaired in 2014. Year-on-year comparison of results shows that certain operational costs fell further compared to 2013, whereas others remained stable in line with the Group’s long-term strategy of financial stability.

The financial year 2014 was again rather challenging for the Akton Group. In recent years, all our own financial resources have been swallowed-up by continued proceedings at independent state authorities as well as the courts in Slovenia and Bosnia and Herzegovina in order to claim damages for losses caused to the Akton Group by Telekom Slovenije d.d., Si.mobil d.d. and BH-Telecom. Members of the Management Board of the Group are personally affected by ongoing unjustifiable proceedings brought against the Group in particular due to unconventional approach and inappropriate actions of the national telecommunications providers. Operators, who fail to adhere to clear legislative framework of operations, and refuse to pay damages, are wilfully causing direct damage to the Group, as well as having detrimental effect on the telecommunications markets in Slovenia and Bosnia and Herzegovina. They continue to financially drain smaller operators, thus damaging the telecommunications market and indirectly penalising also the end users. In spite of all this, the Akton Group continues to have faith in independence of courts and expects beneficial outcome for the injured party.

The Akton Group is continuing its investments in acquisition of new contracts at home and abroad by regular participation at business conferences, strengthening its relations with business partners and investing in training and development of its employees. We continue to attend and take part in business meetings and conferences organised abroad. Furthermore, the Akton Group continues to pursue its strategic cycle. In the next financial year the Group will continue to ensure operating costs optimization in line with the realized returns and the plan.

Group employees

At 1 January 2014, the Akton Group employed 49 staff. There were no changes in the organizational framework of the Group in 2014 compared to the previous year. The Group is aware of the value of its human resources and has adopted a long-term employment and development policy. The environments in which we operate as well as our activity require high standards also in the area of human resources. Therefore, the Group recruits only the best and most talented staff. Organizational climate is positive and the goal of each and every member of staff is to achieve common objectives set by the Group through pursuing their own personal goals. Staff turnover is at its minimum. At 31 December 2014, the Akton Group employed 50 staff, although the plan was to have a total 53 employees at the year-end. Nevertheless, no further recruitments are planned in Slovenia for the foreseeable future.

Net profit of the Akton Group

In the financial year under review, the Group generated €550,715 of net profit (2013: €402,681), whereas losses of €1,657,166.00 were brought forward from previous periods (2013: losses amounting to €2,054,118 were brought forward). At the year-end, accumulated losses of the Group carried forward amounted to €1,106,451 (2013: €1,657,166).

The net profit amounting to €550,715 represents a 37% growth compared to the previous financial year. The increase in the net profit is primarily due to reduced interest rates on borrowings raised from banks as the Group regularly settles its liabilities relating to long-term borrowings raised from NLB d.d., and also on account of reduced income tax payable. On the other hand, foreign exchange rate losses resulting from a rapid growth in US$ compared to the Euro had the major negative impact on the net profit.

Due to primarily wholesale nature of transactions, it is absolute, rather than relative numbers that apply to the Akton Group. Accordingly, certain relative indicators such as profit/revenue or EBITDA margin do not always give the real picture of the Group's performance. The Group's objective is to ensure settlement of all of its operating liabilities with its own assets and is making regular repayments of all of its financial liabilities, including interest; furthermore, the Group is funding all the necessary investments on an ongoing basis. This can only be achieved on a regulated and transparent market, with full support and trust of our owners, business partners and banks and the Group continues to forge good business relations with all of the Slovene banks as well as foreign banks that are present in the region. This ensures smooth funding of the company and the Akton Group operates on the international market with an enviable amount of borrowings raised from banks. The banking system is of key importance as it provides support to fast growing enterprises and corporations such as Akton and we are counting on continued support of banks for our business operations also in the future.

The impact of global financial and economic crisis eased slightly in 2014 on foreign markets however, no such improvements were on the horizon for the markets in the neighbouring regions. Yet again it was proven that the major drivers of Slovenian as well as other economies are production and export-oriented companies with prospects on international markets. However, the government with its decisions and levies seem to be intent on reducing if not completely eroding the competitive position of these companies.

Nevertheless, the Akton Group succeeded in increasing its share on international markets. The crisis continues to have a major impact on decline in sales prices and gross margin and we expect more marked improvements in the next financial year. Thanks to increased inputs at all levels and new business, the Group succeeded in generating operating profit at the level recorded in 2013, whereas the net profit for 2014 is in fact 36.5% up on the profit recorded in 2013. In the next financial year the Group is expecting more stability on international markets regarding the scope of business on the one hand, and heightened pressure on gross margin on the other. Regarding the net operating profit, in 2015 we expect results to be slightly lower than those achieved in 2014.

Financially the Akton Group performed very well in 2014. It settled its operating and financial liabilities on a regular basis, and the majority of receivables were successfully collected, resulting in no major outstanding receivables, which is quite an achievement and a rare occurrence in given circumstances. The Akton Group devotes much attention to collection of receivables and we have in place one of the best collection systems and have no need to take advantage of external factoring services. The Akton Group does business with first-class business partners where financial discipline is a prerequisite for a long and successful cooperation. The Group has demonstrated again and again to be a reliable partner and the best among the middle-sized operators in the region.

Outstanding issues that have a direct impact on performance of the Akton Group

The Akton Group and above all Akton Ljubljana and Akt.online Sarajevo continue to face some unresolved business issues in their respective local markets. In Slovenia, these issues are present above all in agreeing new contracts on inter-operator market as well as the market of business users. The Akton Group devotes much energy and efforts to protect the interests of the Group and its owners since the Akton Group companies in Slovenia and Bosnia and Herzegovina have so far not been compensated for damages suffered over a period 2006 - 2009 due to failure of the market regulators to act and as a result of non-compliance with legislation by the companies holding a monopolistic position on the market. This adverse impact is even greater since prolonged proceedings and the related costs are financially draining the Group. The fact that the Akton Group is highly productive and extremely successful on foreign markets, yet this success is not reflected in the local, Slovenian market, is a proof that the local market is non transparent and, possibly, under a strong influence of the system's corruption. Unfortunately bad lobbying practices and the influence of the local politics continue to prevail over mature competitive approach which the Akton Group sees on international markets. Contrary to this mature approach, the Group believes that in Slovenia, measures persist that protect the monopole position of major operators under the pretext of "national interest", whilst at the same time causing additional damage to other market operators. In contrast to described practices, the Akton Group sees partners rather than competitors and complies with business ethics, and is encountering major issues in its operations at home and in the wider region. When the main market players fail to adhere to the Western standards of transparency, it impacts the entire market. The smaller spineless players choose to join the major ones rather than to highlight irregularities and fight to ensure the market is operating fairly and transparently. However, this kind of practice only reaps short-term success. In contrast, the Akton Group has its eye on the long-term solution.

We are always willing to actively approach any unresolved issues and support compromise. Reaching a compromise implies that both parties involved waive some of their demands and claims and the solution reached is acceptable for both parties involved. Blackmail, arrogance and disregard of the other party is never the right approach. We hope that circumstance on the market will improve in the future with full compliance with applicable legislation in the Slovenian market by the competitor operators as well as by the "independent" state authorities.

It is very difficult to operate in a country where due to inactivity of supervisory authorities such as the Agency for Telecommunication Networks and Service of the Republic of Slovenia (AKOS) and Slovenian Competition Protection Agency, the major market players are allowed to continue to breach the law, are unwilling to admit and rectify errors, and even less willing to compensate for damages caused. In these circumstances, a company is forced to bring unresolved issues to the court where excessively long procedures additionally drain the company and where the rule of law loses its meaning. However, this seems to be how in the times of crisis, the state is striving to protect government owned enterprises and monopolies.

As members of the management board, we have a duty to conduct business with due responsibility and diligence, protect interests of the owners and the Group, and to alert the responsible ministries of violations. Since to date no response has been forthcoming from those ministries, we had no other choice but to bring these irregularities to the attention of the European Commission.

This resulted in an investigation by the National Bureau of Investigation who, as a result of unfounded false criminal complaint by the Telekom Slovenia, inspected business operations of the company in Ljubljana. A report was issued subsequently stating that there was a suspicion that the complaint was false. Immediately after the completion of the investigation, the Tax Administration began tax inspection of payments made abroad. As no irregularities were found, the tax inspection was widened to the area beyond the competencies of the Tax Administration, which resulted in the Tax Administration issuing a negative report on an issue to which it gave its consent in previous years, and illegally imposed retrospective tax. Slovenian Tax Administration (DURS) is playing a rather dangerous game when trying to impose a new legal precedence in given economic conditions, which may prove extremely damaging to the economy. It seems that DURS is another state body that has lost its grasp of reality when it comes to the circumstances in which Slovenian economy operates. The Management Board of the company in Ljubljana is resolved to pursue its fight for justice and prove the existence of irregularities associated with the DURS's decision also at international courts if necessary.

In 2011, Akton Ljubljana and its management suffered direct material and non-material damage as a result of a criminal complaint brought against the company by Telekom Slovenia. The Akton Group has in its possession data and documentation showing direct decline in turnover as a result of illicit and unethical intervention of Telekom Slovenia and its activities on foreign markets. If we consider all of the above issues, the net profit of Akton Ljubljana could have been in fact significantly higher. The Group and its Management Board took appropriate action against the offenders and claimed damages. In the beginning of 2014, Akton lodged legal action against Telekom Slovenia for damages. The fact that false criminal complaint and subsequent damage caused are in fact criminal acts should not be overlooked. The complainant was well aware that Akton neither participated nor was in any way associated with the alleged activities and used the instrument of criminal complaint to put pressure on Akton's Management Board, to protect its own monopolistic position and to cover irregularities that occurred in its own related party Ipko in Kosovo.

We expect the operators, who failed to comply with the legislation in the past and who have currently put their trust into rather expensive legal advisers and representatives that are protecting only their own interests and are fighting for their own businesses at the expense of the shareholders of those operators, to finally realize that their actions were inappropriate and accordingly, to act responsibly and compensate Akton for overcharged amounts and damages caused. It is intolerable that managers in state owned and some other companies are receiving their salaries despite the fact that they make no decisions in order to avoid criticism and responsibility. The fact which unfortunately neither the taxpayers nor the shareholders are aware of, is the cost of these actions (or inactions) by irresponsible management (e.g. default interest may accumulate to tens of thousands of euros per day).

In 2013 the High Court in Ljubljana withheld the ruling of the District Court in Ljubljana who ruled that the claim by Si.mobil regarding realization and payment of a bank guarantee for the settlement of receivables above the price prescribed by the AKOS (former APEK) for call completion services in the Si.mobil mobile network was unjustified. In its explanation of the ruling the Court stated that the call completion market encompasses all call completion services, including international calls and hence, the same price applies regardless of the origin of calls. In the beginning of 2014 the District Court of Ljubljana issued a partial ruling on a legal action brought by Si.mobil. In its ruling the District Court in Ljubljana ruled that there are no receivables of Si.mobil in excess of the price of call completion prescribed by APEK in the Si.mobil network, and rejected Si.mobil's claim for settlement of receivables.

In February 2015, the Higher Court fully confirmed the judgment of the court of first instance, which thereby became final. According to the judgment of the High Court it is undisputed that since the introduction of the regulation in 2006, the regulated price applies to the termination of all calls, regardless of their origin, and that, consequently, the price discrimination between domestic and international calls practiced until September 2009 by Slovenian mobile operators (including state owned Mobitel i.e. Telekom Slovenije as it

is now), was illegal. Namely, pursuant to the undisputable provision of Article 443 of the Code of Obligations, the operators should not have charged higher prices for terminating calls than the price prescribed by the regulatory agency. Since the facts of the case in the dispute with Telekom Slovenije are almost identical, we expect the High Court to shortly annual the illegal judgment of the court of first instance.

Although the former Mobitel d.d. (now Telekom Slovenije d.d.) has been using the same practice of unlawful charges of international call completions in its own mobile network, the same court issued quite the opposite decision at the end of 2014 when it ruled in the action brought against Telekom Slovenije by Akton. During the proceedings there were some indications leading one to a reasonable doubt of the judge's impartiality, when she decided to close the main hearing without hearing the party that instigated the dispute. Although the proceedings continued over a period of five years, not all of the relevant evidence was produced there was no active conduct of proceedings and over 50 written submissions completely dimmed otherwise very simple and clear state of facts. Akton believe that the ruling judge's conduct of the proceedings was discriminatory, the fact which during the proceedings the judge did not make any great efforts to disguise. Namely, the judge failed to follow the evidence submitted, refused to hear the witnesses for the prosecution and failed to follow the proposed legal basis despite the fact the final decision of the District Court in Ljubljana speaks in favour of Akton, resulting in Telekom Slovenije losing the dispute before the District Court. On the other hand, the ruling judge heard all the key witnesses for the defence and followed everything the defendant proposed or stated. Another tell-tale detail is the fact that the judge was attending a lecture on competition disputes held by the defendant's attorney at law. As a result of discriminatory conduct during the proceedings the plaintiff twice issued a request to disqualify the judge. However, this only had a slight effect and the judge only slightly rectified her conduct but continued to conduct the proceedings in a discriminatory fashion. Another significant element in the case is the fact that although EU had instructed Slovenia to appoint more judges to conduct competition disputes, majority of cases brought against the state monopolist Telekom with claims for damages in excess of EUR 400 million, were allocated to the said judge (or in the case of Akton, the case was subsequently allocated to the said judge). Also we should not overlook the fact that at the time the judge issued her decision the state owned Telekom was holding "management meetings" (among others with Russian MTS and Deutsche Telekom) as collection of binding bids was in progress and the judge was keen to bring the proceedings to speedy closure even at the expense of proceedings where not all evidence was heard and a large number of procedural violations. Considering disputed circumstances the judge's decision was not surprising. Based on in-depth analysis of the judge's ruling Akton believes that the decision should be regarded as unlawful due to large number of errors and irregularities. In the opinion of Akton, in the contested decision the court made several significant violations of contentious proceedings provisions, among others even an absolutely fundamental violations of provisions of ZPP, mistakenly and incompletely established decisive facts of the subject matter and also mistakenly applied substantive law by incorrect interpretation of the relevant legal regulations (above all provisions of EU aqcuis and the Electronic Communications Act) and thus deviated from the existing legal practices of Slovenian courts as well as from the provisions and positions of the responsible professional institution i.e. the former Post and Electronic Communications Agency of the Republic of Slovenia or the Agency for Communication Network and Services of the Republic of Slovenia as it is called now. In line with the above said, Akton is confident that the High Court will accept its appeal and rule in favour of the company Akton.

Everyone at the Akton Group is very surprised that certain directors of companies that have breached legislation year after year appear on the list of the most successful Slovene managers. These same people failed to respond to our memos regarding breach of legislation and have not done anything to resolve the issues resulting from their infractions. While at the same time they are in charge of listed companies, which is in itself an absurd. It is sad to see that companies in the region feel that to achieve justice, they need to lodge actions against the major players and fight using the same strategy of attrition of the other party. We can only hope that the courts will remain independent and impose sanctions on these offences. We wish to point out that management of these companies bear personal responsibility in particular for infractions of which they were informed in a timely manner. These companies and their managements include: Telekom Slovenije d.d. Ljubljana, which is listed on the Ljubljana stock exchange; Si.mobil d.d. Ljubljana, owned by Telekom Austria, which is listed on the Vienna stock exchange; and BH-Telecom Sarajevo, which is listed on the Sarajevo stock exchange.

On the Slovenian market and on the market of Bosnia and Herzegovina, the practice of protecting the monopolistic interests of the major players continues and this is causing additional damage to other operators in the market. The worst of all is the fact that no one gives a single thought to the fact that market liberalization resulted in a number of alternative operators appearing on the telecommunications market as a means of ensuring competitive environment and direct supervision over the liberalized markets as well as preventing an even increased exploitation of monopoly position. Of course, alternative operators also incur certain costs and have to make investments in the sector. In circumstances of non-compliance and protection of monopoly, where literally, any available means are allowed, the position of all alternative operators in the sector in Slovenia and in Bosnia and Herzegovina, is seriously jeopardized. As Slovenia is perceived as a model and an example to other countries in the region, the said development of events causes direct damage to our local market, our neighbouring markets, as well as to markets of the European Union, in addition to damaging Slovenia's reputation.

In the long-term, the state cannot and must not in any way be a majority owner of the largest operator in the country since, due to its incorrect actions, it causes further direct damages to alternative operators, thus putting its so called neutral position under question. This results in financial draining of stable and well performing small companies in the local market. Akton Ljubljana has in the past successfully resolved several legal actions through a court settlement. We believe that the said solution is a good example set for all other outstanding disputes.

The Akton Group and Akt.online (one of the enterprises in the Group) faced similar issues that we have encountered in Slovenia, also in Bosnia and Herzegovina. Obvious abuse of monopole position by BH Telecom as the operator and a rather strong market force, non-compliance and failure of the state's supervisory authorities such as »Konkurencijsko vječe and RAK« to act, left a negative impression on the Group's business in the year under review and indirectly, as a result of the loss of profit and investment restrictions, the company failed to develop as planned and to claim its rightful position in the market.

For example, despite several appeals, RAK failed to carry out any supervision in order to find if there was any breach of law and eliminate potential infringements. It was only in the repeated proceedings that KV did correctly establish the fact and as a result of misuse of monopolistic position, imposed a fine of KM 150,000 or EUR 76,693.78 on BH Telekom.

We are pleased to report positive actions of the RAK who has since assumed a more active role in carrying supervision of the market and is more decisive in its response to disputed business practices of monopolistic operators.

Due to the aforementioned breaches of legislation and consequent damages, two disputes were filed against BH Telecom. The outcome of one of them was favourable for Akton i.e. Akt.online whereas the second one, which was filed by Akton, was rejected by court of first instance due to alleged lack of capacity ad processum. We are confident that the judge incorrectly considered the evidence which resulted in error of fact and this in turn affected incorrect use of substantive law. Therefore, the Company appealed against the decision. Both these disputes will be judged by the appellate court and we are confident that the outcome will be favourable for Akton.

In one of the legal proceedings that took place in Slovenia a request to replace the judge was lodged twice as there was a number of indications and evidence of biased and unprofessional conduct on the part of the judge (for example, she attended training organised by the lawyer for the opposing party, failed to comply with the decisions of the APEK and other court rulings regarding the regulated price of call completion, and instead took into account unproven claims by the opposing party, only accepting the counter-party proposals for the exclusion of expert witnesses, took unreasonable decision not to hear the plaintiff and its witnesses, but to mentioned a few). Considering the course and method of running the entire proceedings, decision of rejection was of no great surprise. Since several substantial violations of civil legal procedures were made by the court, the facts of the dispute were established wrongly and incompletely, and the court incorrectly applied substantive law, we are confident that the High Court will accept the appeal and make its decision in favour of Akton.

Another damaging factor is the fact that the said judge was allocated or reallocated more than €400 million worth of legal actions lodged against Telekom Slovenia,

including:

1. Tušmobil, d.o.o., (formerly Tuš Telekom, d.o.o.) against Telekom Slovenia, (IV Pg 2122/2007, claiming damages of €28.2 million): the case was initially assigned to another judge;
2. Si.mobil, against Telekom Slovenia, (formerly against Mobitel) (IV Pg 4883/2011, claiming damages of €286.4 million): the case was initially assigned to another judge;
3. Akton, against Telekom Slovenia, (formerly against Mobitel) (IV Pg 4477/2012, claiming damages of €2.6 million): the case was initially assigned to another judge;
4. Tušmobil, against Telekom Slovenia, (formerly against Mobitel) (IV Pg 303/2011, claiming damages of €86 million): the case was initially assigned to the presiding judge.

This puts into question one's constitutional right to a legal representative, and in particular the rights referred to in Article 23 of the Constitution of the Republic of Slovenia, to independent, impartial and legal appointment of a judge.

For further consideration: were the reasons for assignment of those cases consistent with the applicable Court Rules regulating the circumstances in which a case may be referred to another judge in accordance with the case plan based on the schedule of judges for 2013? We wonder whether the said judge will be able to cope with the given task and pressures. Judging from our own experience it was indisputably proven that the judge is not able to conduct an unbiased procedure or to issue an impartial decision.

In 2013 the Agency for Communication Networks and Services of the Republic of Slovenia increased the annual fee, which resulted in the increase of the annual fee payable by Akton by 725%. Other operators in Slovenia faired similarly. The Agency pursued this practice despite several appeals and without giving any justification and in fact in 2014 additionally increased the fee by 27%. The applicable fee (€0.00158 for each euro of revenue) is in actual fact putting a halt to the major part of the transit of wholesale voice services and inhibiting market development. What's more, it has significantly reduced competitive position of the Slovenian economy. In our opinion the Agency should conduct its duties in a transparent manner and provide clear and specific instructions to the market that will apply to each individual case. General rules are no longer sufficient for highly developed telecommunications services and due to lack of clarity they may result in disputes and costs. While we believe the fee is clearly defined, it is overestimated and incorrectly regulated. The fact that the Agency equates international transit with domestic services, yet is unable to find solutions to new technologies such as IP and similar shows that it has been left behind by new technologies. This may in future result in major disputes. For this reason in 2015 and in future Akton will be forced to decline transactions whose margin is lower than €0.00158 for each euro of income. We should add that the Agency charges fees for one and the same call several times and to all operators when a call travels from one network into the other. This of course means that the Agency is claiming multiple payments from various business entities for the same call and service, which puts into question legality of multiple taxation of the same product or service.

Investments

In 2014, the Akton Group invested mainly in regular maintenance and upgrading of its telecommunications equipment, although no major investments were carried out. Investments in property, plant and equipment amounted to a total €203,194 in 2014 (2013: €190,653), while no additional investments were made in intangible assets in 2014 compared to €14,250 which was invested in 2013. The Group’s investments in the Ethernet technology in 2013 have resulted in a significant increase of the Akton Group’s own capacities over the whole of the region, improved quality of services and provided the basis for further growth and development.

In 2014, Akton Ljubljana made additional investment amounting to €30,000 in its subsidiary in Skopje. On the other hand, subsidiaries repaid a total of €207,057 (2013: €214,156.39) of loans and the related interest to the account of the parent company Akton, Slovenia. Accordingly, at 31 December 2014, the outstanding amount of loans granted to subsidiaries stands at €402,536, compared to €569,883 as at 31 December 2013. All the subsidiaries in which the parent holds a 100% interest are profitable.

In 2014 the Akton Group reduced its financial liabilities by €323,281 (2013: €599,518) and at the end of the year, total amount of the Group’s financial liabilities stands at €1,103,791 (2013 year-end: €1,427,072).

The Akton Group will continue investing in the development of data and voice services, provision of high quality services and implementation of new solutions. Investments are funded by the Group’s own assets. The Akton Group does not engage in R&D activities.

In the financial year under review, none of the Group’s companies raised additional capital.

The Group possesses no real estate.

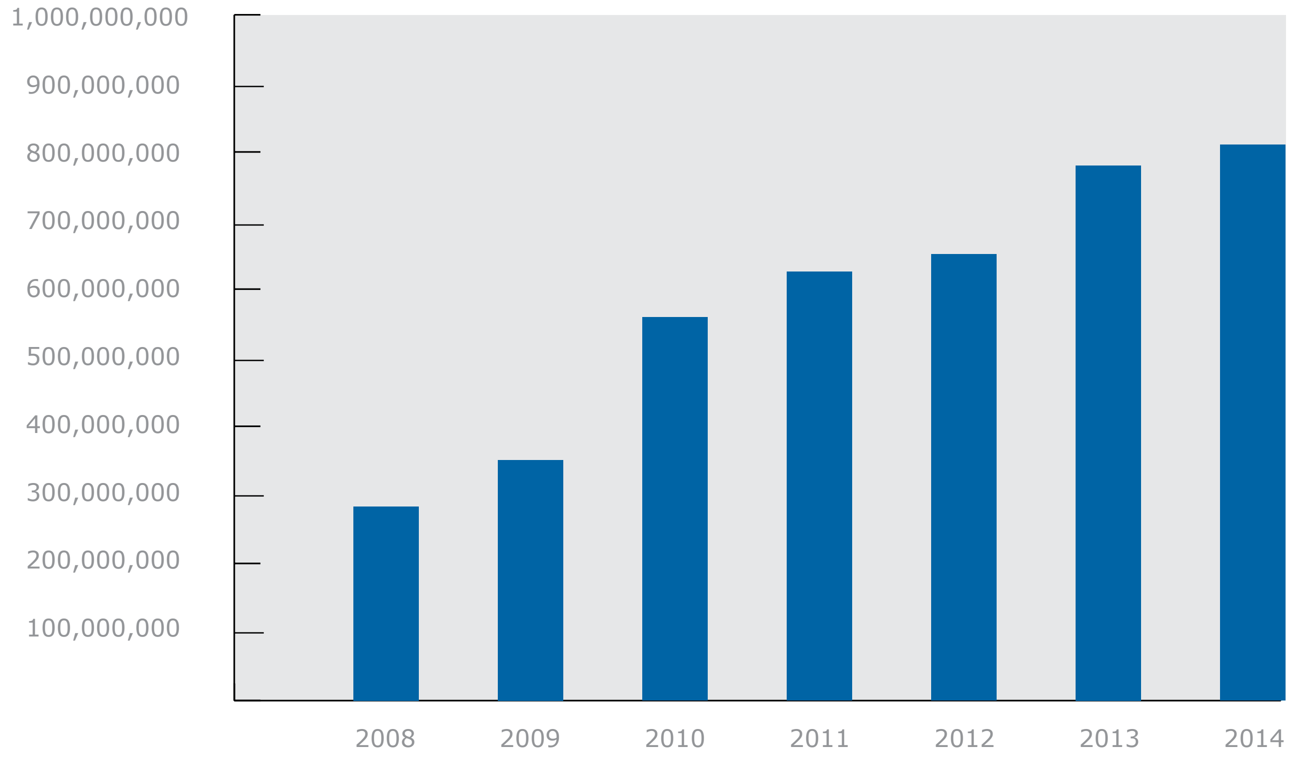
1.2 Products and Services

1.2.1 Inter-operator sale of voice services

The Akton Group is present on the four largest Central European intersections: PoP Vienna and PoP Frankfurt (both twice), which allows us to set up international network connections (TDM, IP) with the major European and global operators. Closer at home, we are linked with national operators of fixed and mobile communications in the Adriatic region though 8 local PoPs.

The Akton Group is the largest alternative provider of voice services in the region with over 810 million terminated minutes annually (780 million in 2013).

Inter-operator sale of voice services in minutes



1.2.2 Origin of calls

Services of origin of international calls are provided by the Group companies in Croatia, Bosnia and Herzegovina, Serbia and Macedonia. With turnover of 6.7 million minutes in 2014, operational result in this particular segment was similar to the one achieved in the previous year. Both, the operating scope and growth are within the plan and the Serbian market continues to offer the highest potential among all the markets in the region.

1.2.3 Data services

In 2014, the Group consolidated its position as the leading integrator of technologically most advanced connections and applications in the Adriatic region and recorded additional growth in the number of orders for international leased lines. The Akton Group is continually investing in expansion of our international data capacities whilst protecting connections with a number of different routes. Further expansions were achieved in 2014, which resulted in an increase in the costs of leased lines. At the same time, the Group remains loyal to its primary objective: to be the »One-Stop-Shop« service provider for international business partners in the entire region. Akton successfully strengthened its cooperation with local operators to allow its customers access to all locations in the region.

In recent years the Group has developed into the preferred provider of IPLC services in the Adriatic region of a large number of operators and business users. The list of countries where the Group provides data services includes Slovenia, Croatia, Bosnia and Herzegovina, Serbia, Macedonia, Montenegro, Kosovo and Albania, which geographically encompasses the entire Adriatic region. We believe that Bulgaria is our potential for the future. The Group provides numerous data connections to its end users in the Adriatic region in the direction towards Western Europe including London, Frankfurt, Milan, Vienna, Bratislava and elsewhere.

Despite continued trend of falling prices of calls on international markets, the scope of the Group's operations in 2014 in the international data communications market remained at the level recorded in the previous year. On the other hand the number of active connections has in fact increased even though unlike other operators, Akton is not operating on the market with dumping prices. The Company continues its excellent sales strategy in this particular segment, which has been acknowledged by all major international operators and further growth in sales in this particular segment is expected also in 2015.

The Company is continually investing in new technologies, allowing it to improve its backbone network and, along with it, increase security, ensure faster routing and better use of the available capacities. The Company offers to its customers standardized L3 MPLS connections for Intranet/Internet or Common Service VPN. Our own backbone network also supports CsC (Carrier supporting Carrier) connections and provides QoS (Quality of Service) parameters, which are individually specified in the SLA (Service Level Agreement) to ensure the level of quality agreed. Customers are able to distribute bandwidth among various applications and protocols such as VoIP, video conference, ERP, SIP, Citrix, X-Windows, PC-Anywhere, Netshow, Netbios, NFS, HTTP, Internet access, e-mail and much, much more.

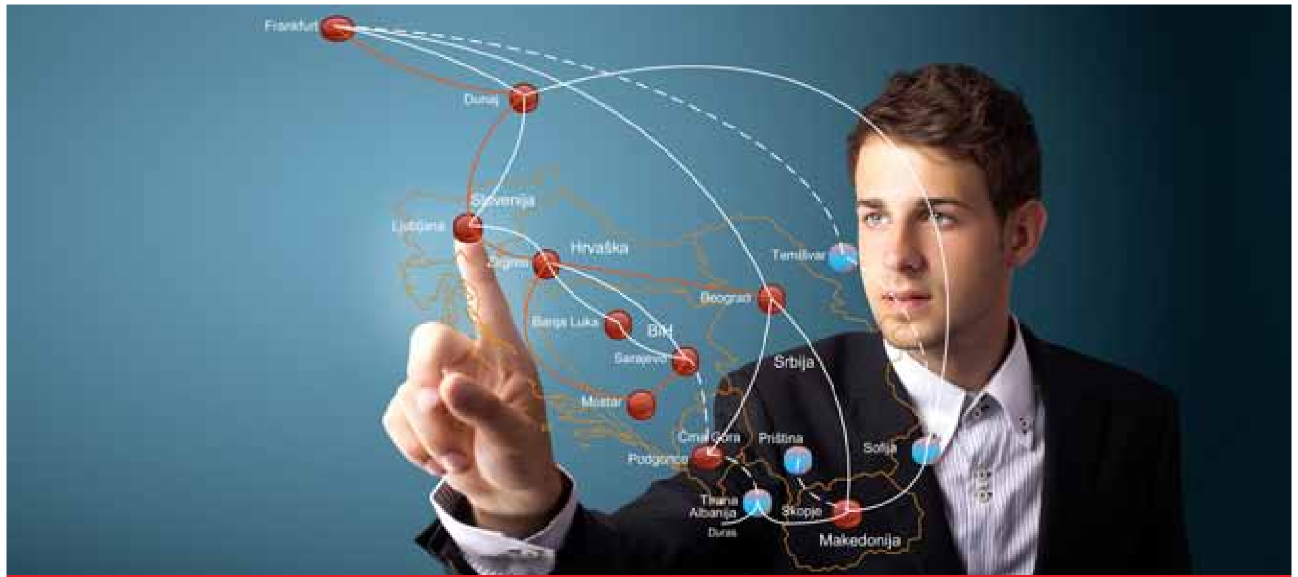


Figure 1: The Akton Group Backbone network in the region

1.3 Strategy

In the financial year 2014, the Akton Group successfully pursued its strategic objectives and achieved its short-term goals. In the next financial year, we intend to further strengthen and improve our strategic objectives. The Group has achieved its long-term goals and strategic priorities set 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 markets by providing services to the largest Slovenian companies operating in the region. International banking institutions and insurance undertakings, government institutions and trading companies represent target groups that are already beginning to emerge as users of our services.

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 niche
- 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. By doing that, Akton is focusing on partnerships, rather than competitors!

1.4 Corporate Responsibility

Akton consistently complies with the fundamental principles of corporate responsibility, which the Group perceives as our commitment to taking our part in the social environment in which we operate. We strive to ensure our business is 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 are building 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, promotes personal growth and career development of each individual.

We are a united team and this is confirmed by our formal and informal socializing events including regular celebration of each individual's life achievements. Every year employees participate in different activities financed by the Company or each individual, including sailing, culinary team building, indoor recreational pursuits, etc. 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 good basketball teams and two volleyball teams.

Time permitting we annually organize a picnic for all employees and their families to acknowledge that 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: provision of 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 each and every business partner we strive to find solution with a winning balance between quality and price of services. Quality of our services and products is 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, along with other business partners, 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 the company's business processes 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 are based on electronic, trees-friendly platforms. We use the same approach in our communications with partners who are able to take part in such cooperation.

Solidarity

In the Akton Group we are aware that in statistical terms, 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 and to acknowledge our appreciation for their noble gesture, we organize an "Akton day" where together, in the greatest numbers possible, we participate in this largest 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

1.5 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.

1.5.1 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 the price margin. Currency risk exists in terms of individual countries and as part of the country risk management we also monitor past and projected currency fluctuations 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.

1.5.2 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 financial instrument contract 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.

1.5.3 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 company. The available revolving credits and overdraft facilities provide us with sufficient security in terms of our needs of funding working capital. The Group has no liquidity issues.

1.6 Subsequent Events

In 2015, the Company's operations are running as planned.

1.7 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.

1.8 Consolidated Financial Statements 2014

1.9 Consolidated Balance Sheet at 31 December 2014

	Notes	31.12.2014	31.12.2013
			EUR
ASSETS		15,424,406	17,132,037
A. NON-CURRENT ASSETS		**6,985,427**	**7,172,908**
I. Intangible assets and long-term deferred costs	1	6,067,226	6,091,359
1. Concessions, trademarks and licences		111,226	132,747
2. Goodwill		5,956,000	5,956,000
3. Other long-term deferred costs		0	2,612
II. Property, plant and equipment	2	915,862	1,079,079
1. Other plant and equipment		915,862	1,079,079
III. Long-term investments		2,339	2,470
1. Long-term investments except loans		2,339	2,470
a) Other long-term investments		2,339	2,470
B. CURRENT ASSETS		**8,373,333**	**9,842,888**
I. Inventories		5,241	17,180
II. Short-term investments		0	670,004
1. Short-term loans		0	670,004
a) Short-term loans to others		0	670,004
III. Short-term operating receivables	3	7,762,262	8,767,412
1. Trade receivables		6,751,000	7,782,785
2. Short-term operating receivables due from others		1,011,262	984,627
IV. Cash and cash equivalents	4	605,830	388,292
C. SHORT-TERM DEFERRED COSTS AND ACCRUED INCOME		**65,646**	**116,241**
OFF BALANCE SHEET ASSETS	8	**3,358,685**	**3,193,779**

	Notes	31.12.2014	31.12.2013
			EUR
EQUITY AND LIABILITIES		15,424,406	17,132,037
A. EQUITY	5	**6,250,505**	**5,705,521**
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. Profit reserves		6,621	6,621
1. Legal reserves		6,621	6,621
V. Retained earnings		-1,657,166	-2,028,514
VI. Consolidation reserve		-31,133	-25,602
VII. Net profit or loss for the year		550,715	402,681
B. LONG-TERM LIABILITIES		**814,500**	**1,054,500**
I. Long-term financial liabilities		814,500	1,054,500
1. Long-term financial liabilities to banks	6	814,500	1,054,500
C. SHORT-TERM FINANCIAL LIABILITIES		**8,129,890**	**10,260,514**
I. Short-term financial liabilities		289,291	372,572
1. Short-term financial liabilities to banks	6	240,202	183,739
2. Other short-term financial liabilities		49,089	188,833
II. Short-term operating liabilities	7	7,840,599	9,887,942
1. Supplier payables		7,358,260	8,930,438
2. Short-term operating liabilities from advances		2,969	17,469
3. Other short-term operating liabilities		479,370	940,035
D. SHORT-TERM ACCRUED COSTS AND DEFERRED INCOME		**229,511**	**111,502**
OFF BALANCE SHEET LIABILITIES	8	**3,358,685**	**3,193,779**

The accounting policies used and notes are an integral part of consolidated financial statements and should be read in conjunction with them.

1.10 Consolidated Income Statement for the year ended 31 December 2014

	Notes	2014	EUR 2013
1. Net sales revenue	9	68,537,859	83,385,343
1. Sales on the local market		5,405,929	7,728,524
2. Sales on foreign markets		63,131,930	75,656,819
2. Other operating revenue (including revaluation revenue)		1,478	10,473
3. Costs of goods, materials and services	10	-65,380,315	-80,381,631
a) Costs of goods and materials and costs of materials used		-111,459	-71,887
b) Costs of services		-65,268,856	-80,309,744
4. Employee benefit costs	10	-1,886,901	-1,783,270
1. Payroll costs		-1,414,037	-1,353,522
2. Social insurance costs (separate disclosure of pension insurance costs)		-382,865	-332,941
a) Other social security insurance costs		-192,155	-194,831
b) Pension insurance costs		-190,710	-138,110
3. Other labour costs		-89,999	-96,807
5. Write-downs	10	-321,678	-318,021
a) Amortization and depreciation		-311,966	-308,254
b) Operating expenses from revaluation of fixed assets		-2,963	-5,007
c) Operating expenses from revaluation of current assets		-6,749	-4,760
6. Other operating expenses	10	-71,329	-11,364
OPERATING PROFIT		**879,114**	**901,530**
7. Financial income from loans granted		79	3,139
a) Financial income from loans to others		79	3,139
8. Financial income from operating receivables		41,057	136,605
a) Financial income from operating receivables due from others		41,057	136,605
9. Financial expenses from financial liabilities		-97,693	-144,940
a) Financial expenses from bank borrowings		-84,336	-134,791
b) Financial expenses from other financial liabilities		-13,357	-10,149
10. Financial expenses from operating liabilities		-95,771	-121,978
a) Financial expenses from supplier payables and bills payable		-3,427	-2,049
b) Financial expenses from other operating liabilities		-92,344	-119,929
PROFIT FROM ORDINARY ACTIVITIES		**726,786**	**774,356**
11. Other revenue		2,045	23,133
12. Other expenses		-55,390	-37,937
13. Income tax payable		-122,726	-356,871
14. Deferred tax		0	0
NET PROFIT FOR THE YEAR		**550,715**	**402,681**

The accounting policies used and notes are an integral part of consolidated financial statements and should be read in conjunction with them.

1.11 Consolidated Statement of Comprehensive Income Year ended 31 December 2014

	Notes	2014	EUR 2013
1. Net profit for the year		**550,715**	**402,681**
2. Other comprehensive income – consolidation reserve		-5,731	-4,428
3. TOTAL COMPREHENSIVE INCOME		**544,984**	**398,253**

The accounting policies used and notes are an integral part of consolidated financial statements and should be read in conjunction with them.

1.12 Consolidated Cash Flow Statement Year ended 31 December 2014

	Notes	2014	EUR 2013
A. Cash flows from operating activities			
a) Items derived from the income statement		**968,529**	**1,044,611**
Operating revenue (except revaluation) and financial revenue from operating receivables		68,580,961	83,545,081
Operating expenses excluding amortization and depreciation (except from revaluation) and financial expenses from operating liabilities		-67,489,706	-82,372,186
Income tax and other taxes not included in operating expenses		-122,726	-128,284
b) Changes in net operating assets in balance sheet items (including accruals and deferrals, provisions and deferred tax assets and liabilities)		**-868,399**	**780,435**
Opening less closing operating receivables		998,401	789,173
Opening less closing deferred costs and accrued revenue		50,595	-39,935
Opening less closing deferred tax assets		0	0
Opening less closing inventories		11,939	4,739
Closing less opening operating liabilities		-2,047,343	9,727
Closing less opening accrued costs and deferred revenue, and provisions		118,009	16,731
c) Net cash from operating activities (a+b)		**100,130**	**1,825,046**
B. Cash flows from investing activities			
a) Cash receipts from investing activities		**9,451,000**	**4,828,169**
Interest and dividends received from investing activities		79	3,139
Cash receipts from disposal of short-term investments		9,450,921	4,825,030
b) Cash disbursements from investing activities		**-8,915,183**	**-5,628,170**
Cash disbursements to acquire intangible assets		-12,263	-14,250
Cash disbursements to acquire property, plant and equipment		-121,924	-168,920
Cash disbursements to acquire long-term investments		0	0
Cash disbursements to acquire short-term investments		-8,780,996	-5,445,000
c) Net cash from investing activities (a+b)		**535,817**	**-800,001**
C. Cash flows from financing activity			
a) Cash receipts from financing activities		**15,770,000**	**14,990,000**
Cash proceeds from increase in short-term financial liabilities		15,770,000	14,990,000
b) Cash disbursements from financing activities		**-16,188,409**	**-15,733,370**
Interest paid on financing activities		-97,693	-149,370
Cash repayments of long-term financial liabilities		0	-262,000
Cash repayments of short-term financial liabilities		-16,090,716	-15,322,000
c) Net cash from financing activities (a+b)		**-418,409**	**-743,370**
D. Closing balance of cash		**605,830**	**388,292**
Net cash inflow or outflow for the period (sum total of Ac, Bc and Cc)		**217,538**	**281,675**
Opening balance of cash		**388,292**	**106,617**

The accounting policies used and notes are an integral part of consolidated financial statements and should be read in conjunction with them.

1.13 Consolidated Statement of Changes in Equity

Consolidated Statement of Changes in Equity in 2014:

	Share capital	Capital surplus	Legal reserves	Retained earnings/accumulated loss	Net profit for the year	Consolidation reserve	EUR Total
A1. Opening balance at 31 Dec 2013	**4,915,686**	**2,434,649**	**6,621**	**-2,028,514**	**402,681**	**-25,602**	**5,705,521**
A2. Opening balance at 1 Jan 2014	**4,915,686**	**2,434,649**	**6,621**	**-2,028,514**	**402,681**	**-25,602**	**5,705,521**
B2. Total comprehensive income for the period	**0**	**0**	**0**	**0**	**550,715**	**-5,731**	**544,984**
a) Net profit for the year	0	0	0	0	550,715	0	550,715
b) Consolidation reserve	0	0	0	0	0	-5,731	-5,731
B3. Movements within equity	**0**	**0**	**0**	**402,681**	**-402,681**	**0**	**0**
a) Appropriation of the net profit to other equity elements - decision of the management and supervisory boards	0	0	0	402,681	-402,681	0	0
C. Closing balance at 31 Dec 2014	**4,915,686**	**2,434,649**	**6,621**	**-1,625,833**	**550,715**	**-31,333**	**6,250,505**

The accounting policies used and notes are an integral part of consolidated financial statements and should be read in conjunction with them.

Statement of Changes in Equity for 2013:

	Share capital	Capital surplus	Legal reserves	Retained earnings/accumulated loss	Net profit for the year	Consolidation reserve	EUR Total
A1. Opening balance at 31 Dec 2012	**4,915,686**	**2,434,649**	**6,621**	**-2,540,274**	**511,760**	**-21,174**	**5,307,268**
A2. Opening balance at 1 Jan 2013	**4,915,686**	**2,434,649**	**6,621**	**-2,540,274**	**511,760**	**-21,174**	**5,307,268**
B2. Total comprehensive income for the period	**0**	**0**	**0**	**0**	**402,681**	**-4,428**	**398,253**
a) Net profit for the year	0	0	0	0	402,681	0	402,681
b) Consolidation reserve	0	0	0	0	0	-4,428	-4,428
B3. Movements within equity	**0**	**0**	**0**	**511,760**	**-511,760**	**0**	**0**
a) Appropriation of the net profit to other equity elements - decision of the management and supervisory boards	0	0	0	511,760	-511,760	0	0
C. Closing balance at 31 Dec 2012	**4,915,686**	**2,434,649**	**6,621**	**-2,028,514**	**402,681**	**-25,602**	**5,705,521**

The accounting policies used and notes are an integral part of consolidated financial statements and should be read in conjunction with them.

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.

2 APPENDIX TO CONSOLIDATED FINANCIAL STATEMENTS

2.1 Profile of the Group

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 1990, registration number 1/06892/00
Principal activity:	Activity code 61.900: Other telecommunications
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, whose principal activity is the sale of telecommunications services, AKT.ONLINE d.o.o. Bosnia and Herzegovina, whose principal activity is the sale of telecommunications services, AKTON d.o.o. Serbia, whose principal activity is the sale of telecommunications services, AKTON d.o.o.e.l. Macedonia, whose principal activity is electronic data processing (EDP) and sale of telecommunications services.
Financial year:	Financial year covers the same period as the calendar year. The Management Board adopted and approved the consolidated Annual Report 2014 for publication on 26 March 2015.

The following companies in the Akton Group are included in consolidation:

Company	Head office	Ownership share in 2014	Ownership share in 2013
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	2014	2013
Level 5	22	24
Level 6	8	6
Level 7	20	19
Total	50	49

2.2 Summarized Accounting Policies And Assumptions

The consolidated financial statements are compiled in accordance with Slovene Accounting Standards, and Slovenia Companies Act (ZGD-1). The two fundamental accounting assumptions of accrual and going concern have been considered in the preparation of these financial statements. The qualitative characteristics of consolidated financial statements include understandability, relevance, reliability and comparability. The Company applies the accounting policies consistently from one year to the other. The consolidated financial statements are prepared on the historical cost basis with exception of available-for-sale financial assets, which are measured at cost.

The consolidated cash flow statement format, selected by the Group, is specified in SAS 26.2 as format II, compiled under the indirect method and in a report form (SAS 26.4 and SAS 26.9). Data is derived from the consolidated balance sheet, consolidated income statement and other documents of the Group.

Exchange rate and translation into the local currency:
Foreign currency transactions were translated into euro at the reference rate of the European Central Bank on the transaction date. On the balance sheet date, assets and liabilities denominated in foreign currency were translated at the reference rate of the European Central Bank.

Rules and procedures, applied by the management in the compilation and presentation of consolidated financial statements, are in accordance with SAS. As the selection of some of the accounting policies is subject to the entity's discretion, the management is free to select one of the available accounting policies. The accounting policies used by the Group in the measurement of individual financial statement items, are described below (summarized):

- Intangible assets and property, plant and equipment: assets that qualify for recognition are initially measured at cost, comprising purchase price, import duty and non-refundable purchase taxes as well as costs attributed to making the assets ready for their intended use. The items of property, plant and equipment and intangible assets with finite useful lives are depreciated individually under the straight-line depreciation method. Each year, goodwill is reviewed for impairment; any impairment losses are recognised in profit or loss. Impairment loss recognized on account of goodwill cannot be reversed. Subsequent expenditure on the item of fixed assets increases the asset's cost, if they increase future benefits from the asset over the previously assessed benefits. Carrying amount of an individual item of property, plant and equipment and intangible assets is derecognised on the asset's disposal or when no future economic benefits are expected from the assets continued use or subsequent disposal.

- Long-term financial assets are initially measured at cost. Initial costs are further increased by costs of transaction that arise directly from the acquisition or issue of the financial asset. Non-marketable financial assets are classified as available-for-sale and measured at cost. Marketable financial assets are classified as available-for-sale and measured at fair value through equity.

- Inventory of merchandise is measured at cost. Inventory consumption is accounted for under the FIFO method. Net realizable value of inventory of merchandise, its movement, and use is reviewed by the Group on a yearly basis. Inventories are measured at the lower of cost or net realisable value. Net realizable value of inventories required for completion of agreed contracts is calculated on the basis of contractually agreed prices.

- On initial recognition, receivables of all categories are recognized at amounts reported in the relevant documents under the assumption that they will be recovered. Impairment loss on receivables is recognized when their carrying amount is higher than their fair value. Reversal of impairment loss is recognized when their fair value or realizable amount of receivables exceeds their carrying amount. The Group recognizes receivable impairment on all receivables due and outstanding more than one year.

- Short-term financial assets are initially measured at fair value. Initial fair value of financial assets is increased by the costs of transaction that arise directly from the acquisition or issue of the financial assets (except for assets measured at fair value through profit or loss). All equity investments of the Group that are not quoted on stock markets are classified as available-for-sale. Changes in fair value of investments in securities are recognized when their identifiable fair value i.e. the price quoted on an active market, differs from their carrying amounts: if the quoted price is higher than the investment's carrying amount, the difference is recognised in the revaluation surplus, whereas if the price quoted on an active market is lower than the investment's carrying amount, the difference is recognised as a reduction in the revaluation surplus.

- Deferred costs and accrued income comprise short-term deferred costs (expenses) and short-term accrued revenue. They are recognized at amounts recorded in the relevant documents evidencing their incurrence and existence.

- Accrued costs and deferred income comprise short-term accrued costs or expenses and short-term deferred revenue. They are recognized at amounts recorded in the relevant documents evidencing their incurrence and existence.

- Cash and cash equivalents comprise cash on the Group's bank accounts. Cash is reported at fair value. On the balance sheet date, cash denominated in foreign currency is translated into the euro currency at the mean exchange rate of the Bank of Slovenia.

- Total equity of the Group comprises called-up capital, capital surplus, profit reserves, retained earnings or accumulated loss brought forward, revaluation surplus, and undistributed net profit or unsettled net loss of the financial year.

- Provisions are made for present obligations that arise from obligating past events and are expected to be settled in the period that cannot be defined with certainty, but a reliable estimate can be made of the amount of the obligations. The amounts recognised as provisions are the best estimate of the expenditure required to settle obligations at the balance sheet date.

- Long-term liabilities: non-interest bearing borrowings are recognized in the consolidated balance sheet at a discounted amount using the average rate of interest achieved by the Group in comparable transactions. Interest bearing borrowings whose actual or agreed rate of interest does not differ significantly from the effective rate of interest, are recognized in the consolidated balance sheet at initially recognized amount, decreased by any repaid amounts.

- Short-term liabilities are classified as financial or operating. Short-term financial liabilities are short-term loans received on the basis of loan contracts and short-term securities issued, except cheques that are considered as a deduction item within monetary terms. Short-term operating liabilities are short-term supplier credits for goods or services purchased, payables to employees for their work performed, short-term liabilities to providers of funds arising from accrued interest and similar items, short-term liabilities to the state arising from taxes, including the value added tax payable, and short-term liabilities associated with the distribution of profit or loss. A specific class of short-term operating liabilities are liabilities to customers arising from advances and short-term collaterals received.

- Provisions and long-term accrued costs and deferred income. Provisions are recognized and charged against the relevant costs or expenses when all the conditions are fulfilled in accordance with SAS 10.6. Provisions are made on the basis of a resolution of the management indicating the purpose of provisions, the amount, the type of costs or expenses to which provisions are charged, and maturity or expected settlement date of the obligations (except for provisions made for guarantees). Long-term accrued costs and deferred income are recognized by the Group if they will cover costs or expenses expected to arise in a period of more than one year.

- Revenue comprises operating revenue, financial revenue and other revenue. Operating and financial revenue are ordinary revenues.
  Operating revenue comprises revenue from sales and other operating revenue associated with products and services. Sales revenue comprises sales value of services rendered in the accounting period and recorded in invoices and other documents, less any discounts granted, providing the Group can realistically expect their payment. Majority of other operating revenue relates to revaluation operating revenue associated with: disposal of property, plant and equipment and intangible assets; reduction in trade receivable allowances as a result of impairment reversal; and revenue resulting from derecognition of operating liabilities.
  Financial income is revenue generated by investing activities. Financial income arises in relation to investments as well as in association with receivables.

- Expenses are classified into operating expenses, financial expenses and other expenses. Operating expenses and financial expenses are ordinary expenses. Operating expenses are in principle equal to the calculated cost of the accounting period.
  Operating expenses comprise costs of materials, services, labour costs, amortization and depreciation costs, as well as revaluation operating expenses and other operating expenses. Expenses are recognized if decreases in economic benefits in the accounting period are associated with decreases in assets or increase in liabilities and these decreases can be measured reliably. Costs of salaries, salary substitutes and reimbursements of costs to employees are accounted for in consideration of labour legislation, collective agreement, internal rules of the companies in the Group, and employment contracts. Depreciation and amortization expenses of an individual accounting period are recognized as costs or operating expenses in the consolidated income statement. Depreciation and amortization rates applied to the items of intangible assets and property, plant and equipment, are determined in accordance with the assessed useful life of these assets. Revaluation operating expenses appear in association with fixed assets and current assets as a result of their impairment. They are recognized when the relevant revaluation is carried out.
  Financial expenses include financing expenses and investment expenses. The former primarily comprise interest paid, while the latter predominantly have the nature of revaluation financial expenses.

- Income tax: current tax liabilities are measured on the basis of tax rates effective on the consolidated balance sheet date.

- Deferred tax assets and liabilities are recognized for all taxable temporary differences. A deferred tax asset is also recognized on account of unused tax losses and unused tax credits carried forward to the next period, if it is probable that future taxable profit will be available against which these unused tax losses and unused tax credits can be utilized. On each balance sheet date, deferred tax assets are reassessed and impaired by the amount which the Group no longer expects that in future the relevant taxable profits will be available against which these unused tax losses may be utilized. Deferred tax assets and liabilities are measured on the basis of tax rates expected to be used when the asset is realized or the liability is settled, using tax rates (and tax legislation) enacted at the balance sheet date. Deferred tax assets and liabilities arising from transactions recognized directly in equity should be recognized in equity.

Consolidation

Subsidiaries

Subsidiaries are companies under control of the controlling entity. Control exists when the Group is able to make decisions about financial and operating policies of the subsidiary to gain returns from the subsidiary's operations. In assessing the influence, existence and impact of voting rights that may currently be either exercised or exchanged should be taken into account. The separate financial statements of the group companies are included in the consolidated financial statements from the date the parent obtains control over its subsidiary and until the control is lost.

Basis of consolidation

Consolidated financial statements of the Akton Group comprise separate financial statements of the parent Akton d.o.o. and its subsidiaries: Akton d.o.o., Zagreb, AKT.ONLINE d.o.o., Sarajevo, AKTON d.o.o., Beograd, and AKTON d.o.o.e.l., Skopje, as at 31 December 2014. The separate financial statements of the group companies are compiled for the same reporting period as those of the parent, using the uniform accounting policies.

All intercompany transactions, balances and unrealized profits are eliminated from consolidation.

Full consolidation method is applied to all subsidiaries from the date the parent or another group company gains control of the subsidiary. A subsidiary is eliminated from the group when the control of the parent or another company in the group, ceases. When a significant influence over the subsidiary is lost during the year, consolidated financial statements include the result of the whole group until the date the control over the subsidiary was lost. Investments in associates and interests in jointly controlled entities are recognised under the equity method.

2.3 Notes to the Financial Statements

		EUR
	31.12.2014	31.12.2013
1. Intangible assets and long-term deferred costs	**6,067,226**	**6,091,359**

Changes in intangible assets in 2014 are presented below (in EUR):

	Concessions, trademarks and licences	Goodwill	Other long-term deferred costs	Total
1. Cost				
Balance at 1 Jan 2014	221,599	5,956,000	2,612	6,180,211
FX differences	-272	0	0	-272
Increase	0	0	0	0
Decrease	0	0	-2,612	-2,612
At 31 Dec 2014	221,327	5,956,000	0	6,177,327
2. Accumulated amortization				
Balance at 1 Jan 2014	-88,852	0	0	-88,852
FX differences	169	0	0	169
Increase	-21,419	0	0	-21,419
Decrease	0	0	0	0
At 31 Dec 2014	-110,101	0	0	-110,101
3. Carrying amount				
Balance at 1 Jan 2014	132,747	5,956,000	2,612	6,091,359
At 31 Dec 2014	111,226	5,956,000	0	6,067,226

The items of concessions, patent and trademarks in the amount of €111,226 represent licences for the use of telecommunications equipment which are amortized using the following amortization rates (in %):

	2014	2013
Software applications	10,00 - 50,00	10,00 - 50,00

Amortization rates are determined for each individual item of intangible assets based on its assessed useful life.

Goodwill in the amount of €5,956,000 is the difference arising on merger by acquisition of Modra investicija d.o.o. on 28 June 2006. At the end of each financial year, the parent company obtains assessment of the fair value of goodwill performed by a certified appraiser of companies. Since the assessed value of goodwill in the financial year 2014 does not significantly differ from its carrying amount, no goodwill impairment was recognized in 2014. Key assumptions used in the goodwill valuation include cash flow forecasts, residual value of the company, discount rate forecast, net debt calculation, and determination of control/ marketability deductibles and add-ons.

At 31 December 2014 and 31 December 2013, the Group reported no financial commitments for acquisition of intangible assets.

Movement in intangible assets in 2013 is presented in the table below (in EUR):

	Concessions, trademarks and licences	Goodwill	Other long-term deferred costs	Total
1. Cost				
Balance at 1 Jan 2013	207,658	5,956,000	5,224	6,168,882
FX differences	-309	0	0	-309
Increase	14,250	0	0	14,250
Decrease	0	0	-2,612	-2,612
At 31 Dec 2013	221,599	5,956,000	2,612	6,180,211
2. Accumulated amortization				
Balance at 1 Jan 2013	**-68,718**	**0**	**0**	**-68,718**
FX differences	**-519**	**0**	**0**	**-519**
Increase	**-19,615**	**0**	**0**	**-19,615**
Decrease	**0**	**0**	**0**	**0**
At 31 Dec 2013	**-88,852**	**0**	**0**	**-88,852**
3. Carrying amount				
Balance at 1 Jan 2013	138,940	5,956,000	5,224	6,100,164
At 31 Dec 2013	132,747	5,956,000	2,612	6,091,359

	31.12.2014	31.12.2013
		EUR
2. Property, plant and equipment	**915,862**	**1,079,079**

Changes in property, plant and equipment in 2014 (in EUR):

	Other plant and equipment	Total
1. Cost		
Balance at 1 Jan 2014	2,827,751	2,827,751
FX differences	-22,140	-22,140
Increase	203,194	203,194
Decrease	-486,327	-486,327
At 31 Dec 2014	2,522,478	2,522,478
2. Accumulated depreciation		
Balance at 1 Jan 2014	-1,748,672	-1,748,672
FX differences	9,184	9,184
Increase	-290,547	-290,547
Decrease	423,419	423,419
At 31 Dec 2014	-1,606,616	-1,606,616
3. Carrying amount		
Balance at 1 Jan 2014	1,079,079	1,079,079
At 31 Dec 2014	915,862	915,862

Changes in property, plant and equipment in 2013 (in EUR):

	Other plant and equipment	Total
1. Cost		
Balance at 1 Jan 2013	2,689,947	2,689,947
FX differences	-3,307	-3,307
Increase	190,653	190,653
Decrease	-49,542	-49,542
At 31 Dec 2013	2,827,751	2,827,751
2. Accumulated depreciation		
Balance at 1 Jan 2013	-1,494,580	-1,494,580
FX differences	2,090	2,090
Increase	-287,630	-287,630
Decrease	31,448	31,448
At 31 Dec 2013	-1,748,672	-1,748,672
3. Carrying amount		
Balance at 1 Jan 2013	1,195,367	1,195,367
At 31 Dec 2013	1,079,079	1,079,079

The Akton Group applies the following depreciation rates to its assets (in %):

	2014	2013
Computer hardware	5.00-50.00	5.00-50.00
Office machinery	7.50-25.00	7.50-25.00
Telecommunications equipment	4.00-25.00	4.00-25.00
Other equipment	8.00-25.00	8.00-25.00

Depreciation rates are determined for each individual item of property, plant and equipment based on its useful life.

At 31 December 2014 and 31 December 2013, no items of property, plant and equipment were obtained under finance lease. As at 31 December 2014 and 31 December 2013, no items of property, plant and equipment were pledged as collateral.

The negative difference between the opening and closing balance in the amount of €163,217 is due to the following:

- additions in 2014: €203,194
- FX differences in 2014 (exchange rate losses): €12,956
- depreciation costs in 2014: €290,547
- disposals in 2014: €0 (carrying amount)
- write-off in 2014: €62,908 EUR (carrying amount).

At 31 December 2014 and 31 December 2013, the Group reported no financial commitments for acquisition of property, plant and equipment.

	31.12.2014	31.12.2013
		EUR
3. Short-term operating receivables	**7,762,262**	**8,767,412**
Short-term trade receivables	6,751,000	7,782,785
Short-term operating receivables due from others	1,011,262	984,627

	31.12.2014	31.12.2013
		EUR
Short-term trade receivables	**6,751,000**	**7,782,785**
Not past due	5,233,129	5,476,064
Past due up to 60 days – not impaired	1,430,153	2,229,471
Past due more than 60 days – not impaired	87,718	77,250
Past due more than 60 days - impaired	11,682	3,226
Receivable impairment	-3,417	0
Impairment and write-off of receivables past due	-8,265	-3,226

In 2014, Akton Slovenia (the parent company) recognized a total of €2,088 of trade receivables impairment; Akton Croatia recognized trade receivable impairment in the amount of €304, and the subsidiary also wrote-off trade receivables amounting to €1,448; Akton Macedonia recognized trade receivable impairment in the amount of €644 and wrote-off receivables of total €3,719; whereas Akton Serbia recognized trade receivable impairment of total €381 and wrote-off receivables of total €1,140; Akton BIH wrote-off trade receivables amounting to €1,958.

In 2013, Akton Croatia wrote-off trade receivables of total €85, Akton Macedonia wrote-off €270 of trade receivables, €731 of trade receivables of Akton Serbia were written-off, and Akton BIH wrote-off a total of €2,140 of trade receivables.

No receivables are collateralized.

		EUR
	31.12.2014	31.12.2013
Short-term operating receivables due from others	**1,011,262**	**984,627**
Due from the state – not past due	649,454	620,852
Other receivables – not past due	21,930	23,897
Receivables due from a local legal entity - disputed	339,878	339,878

In the financial years 2014 and 2013, no receivables were due from members of the Management Board.

		EUR
	31.12.2014	31.12.2013
4. Cash and cash equivalents	**605,830**	**388,292**

Cash and cash equivalents comprise €558.845 of cash in the local currency and €46,985 of cash in foreign currencies.

		EUR
	31.12.2014	31.12.2013
5. Equity	**6,250,505**	**5,705,521**
Share capital	4,915,686	4,915,686
Capital surplus	2,434,649	2,434,649
Legal reserves	6,621	6,621
Retained earnings/accumulated loss	-2,028,514	-2,540,274
Net profit for the year	402,681	511,760
Consolidation reserve	-25,602	-21,174

The capital surplus comprises surplus of capital paid in the amount of €2,426,076 and the general capital revaluation adjustment amounting to €8,573.

		EUR
Changes in accumulated losses are presented below:	31.12.2014	31.12.2013
Net profit for the year	550,715	402,681
Accumulated loss b/f	-1,657,166	-2,054,116
Total accumulated loss at 31 December 2013	-1,106,451	-1,651,435

Impact of the consumer price index on the real value of capital:

Consumer price index: 0.2%
Net profit before restatement: €550,715
Restatement: €-11,411
Profit after restatement: €539,304

The Management Board has proposed no settlement of the accumulated loss carried forward in the amount of €1,106,451

		EUR
	31.12.2014	31.12.2013
6. Long-term financial liabilities to banks	**814,500**	**1,054,500**

Long-term financial liabilities to banks amounting to€814,500 represent a bank loan which bears interest at the market rates. Of total amount, €240,000 matures in 2015 and is recognised under short-term financial liabilities to banks. The loan matures over a period from 2016 - 2017.

As at 31 December 2014, the parent company has approved but not yet utilized overdraft facility agreed with a Slovenian bank amounting to 1,400,000.

No long-term liabilities are due to members of the Management Board.

		EUR
	31.12.2014	31.12.2013
7. Short-term operating liabilities	**7,840,599**	**9,887,942**
Short-term trade payables	7,358,260	8,930,438
Short-term operating liabilities from advances	2,969	17,469
Other short-term operating liabilities	479,370	940,035

No liabilities are due to members of the Management Board.

		EUR
	31.12.2014	31.12.2013
Short-term trade payables	**7,358,260**	**8,930,438**
Not past due	6,573,438	8,150,278
Past due up to 60 days	735,257	707,234
Past due in excess of 60 days	49,565	72,926

		EUR
	31.12.2014	31.12.2013
8. Contingencies	**3,358,685**	**3,193,779**
Bank guarantees	2,017,004	1,852,098
Contingent liabilities to local suppliers	1,341,681	1,341,681
Contingent tax liabilities	0	0

Bank guarantees in total amount of €2,017,004 were issued as collateral for supplier payables for more lucrative transactions in the region where market rules require bank guarantee as collateral. These bank guarantees are largely a requirement to gain access to the inter-operator segment, and is available only to serious and solvent operators.

Contingent liabilities to two local suppliers and operators in the amount of €1,341,681 relate to the financial year 2009. The amount is not included within liabilities as the suppliers' invoices are in breach of the AKOS regulations and the Slovene legislation, and, based on expert opinions obtained also from the EU Commission, the Management Board believe that no settlement will be required in relation to these liabilities. The liabilities are subject to legal proceedings pending at the District Court in Ljubljana.

			EUR
	31.12.2014		31.12.2013
9. Net sales	**68,537,859**	**100.00%**	**83,385,343**
Sales on the local market	5,405,929	7.89%	7,728,524
Sales on foreign markets	63,131,930	92.11%	75,656,819

			EUR
	31.12.2014		31.12.2013
10. Costs	**67,660,223**	**100.00%**	**82,494,286**
Costs of goods and materials sold and costs of materials used	111,459	0.16%	71,887
Costs of services	65,268,856	96.46%	80,309,744
Employee benefit costs	1,886,901	2.79%	1,783,270
Write-downs	321,678	0.48%	318,021
Other operating expenses	71,329	0.11%	11,364

			EUR
	31.12.2014		31.12.2013
Costs of services	**65,268,856**	**100.00%**	**80,309,744**
Telecommunications services	60,181,906	92.21	75,230,505
Cost of rent	4,072,108	6.24	3,776,556
Costs of other services	1,014,842	1.55	1,302,682

On year-over-year comparison, the cost of rentals increased by 7.83% in 2014, the costs of telecommunications services fell by 20%, whereas other costs were cut down by 22.10% compared to 2013.

		EUR
	31.12.2014	31.12.2013
Audit fees:		
• audit of the annual report	11,000	11,000
• other assurance services	0	0
• tax consultancy services	0	0
• other non-auditing services	0	0

The 2014 and 2013 financial statements were audited by the auditing firm Ernst & Young d.o.o.

		EUR
	31.12.2014	31.12.2013
Employee benefit costs	**1,886,901**	**1,783,270**
Payroll costs	1,414,037	1,353,522
Pension insurance costs	190,710	138,110
Other social insurance costs	192,155	194,831
Other costs of labour	89,999	96,807

At the end of the year, the Akton Group employed a total of 50 staff.

		EUR
	31.12.2014	31.12.2013
Total amount of receipts of the Management Board and Managers with individual contracts of employment	**433,588**	**425,068**
Members of the Management Board/Company directors	319,702	306,180
Managers with individual contract of employment	113,886	118,888

		EUR
	31.12.2014	31.12.2013
Write-downs	**321,678**	**318,021**
Amortisation and depreciation expense	311,966	308,254
Revaluation expenses from fixed assets	2,963	5,007
• write-off of FA (Note 2)	2,963	5,007
• write-off of goodwill	0	0
Revaluation operating expenses from current assets	6,749	4,760
• receivable allowances	3,699	0
• write-off of unusable/damaged inventory of materials	3,050	4,760

		EUR
	31.12.2014	31.12.2013
Cost classification by functional groups	**67,660,223**	**82,494,286**
Selling expenses (incl. amortization and depreciation)	66,297,307	80,834,633
General and administrative expenses (incl. amortization and depreciation)	1,362,916	1,659,653
• Standard costs of general and administrative services	1,353,204	1,649,886
• Revaluation operating expenses associated with fixed assets	2,963	5,007
• Revaluation operating expenses from current assets	6,749	4,760

Standard costs of general and administrative services fell by 17.98% on year-over-year comparison.

11. Subsequent events

No events have occurred after the balance sheet date that could affect the 2014 consolidated financial statements and therefore require additional procedures to determine whether those events were accurately presented in these consolidate financial statements.

2.4 Statement of Management Responsibilities

The Management Board approved the financial statements on 26 March 2015.

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 2014.

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 the 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 applicable 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 a tax assessment was due, carry out an audit of the company's operations, which may lead to assessment of additional tax liabilities, default interest, and penalties with regards to corporate income tax or other taxes and levies. The Management Board is not aware of any circumstances that may result in a significant tax liability arising from the company's ordinary activities.

Director: Igor Košir

Procurator: Miha Novak

Ljubljana, 26 March 2015

3. INDEPENDENT AUDITOR'S REPORT

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This is a translation of the original report in Slovene language

INDEPENDENT AUDITOR'S REPORT

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Akton Group, which comprise the consolidated statement of financial position as at December 31, 2014, and the consolidated income statement, consolidated statement of other 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 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 Akton Group, as of December 31, 2014, and its financial performance and cash flows for the year then ended in accordance with Slovenian Accounting Standards.

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 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 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, 1.4.2015

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

ERNST & YOUNG
Revizija, poslovno svetovanje d.o.o., Ljubljana 1

Lidija Šinkovec
Certified auditor

www.akton.net

2014