Consolidated Annual Report **2017**

AKTON GROUP

Akton communications

CONTENTS:

1. Business Report

1.1 Performance Results of the Akton Group

The Group revenue

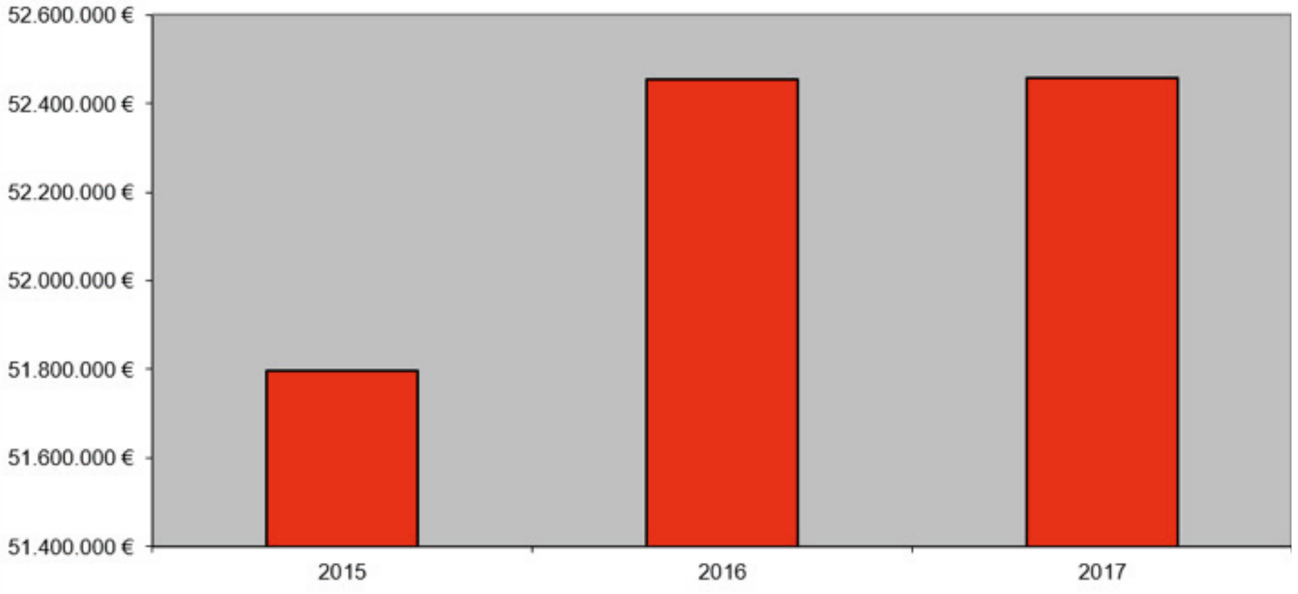
Considering prevailing market conditions, the Akton Group performed very successfully in the year under review and thus, it remains the key and most reliable regional hub in the international telecommunications market. Continued pressure on prices and above all on the achieved margin seems to be set to continue in the telecommunications sector also in the future. The Akton Group is mitigating this pressure by an increase in sales activities, which is reflected in a large increase in the number of minutes, SMSs and data services delivered, as well as by increased scope of business in more profitable markets. To this aim, the Group opened its first branch office in Africa.

The Akton Group achieved net sales revenues of €52,456,608.00 in 2017, compared to €52,453,217.00 recorded in 2016. In 2017, the charge imposed by the Agency for Communication Networks and Services of the Republic of Slovenia (AKOS) amounted to €0.00106 for each €1 of revenue generated from the sale of telecommunication services, which is an increase compared to €0.00096 applicable in 2016. The annual fee paid to the state agencies in Bosnia and Herzegovina and Macedonia is at a similar level. The Akton Group had to refuse any transactions where the margin is lower than the levy imposed, as charges linked solely to revenues are too heavy a burden for the Group. While data services absorb these high charges, the same is not true for voice services. Considering the volume of transactions, Akton recorded high growth in all transit international minutes (despite much lower prices), SMSs, as well as in capacities sold in the data segment in 2017. In terms of net sales revenue, the share of sales of the Akton Group services on foreign markets remained roughly the same as in the previous year, amounting to 74%. 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 2017 as the leading regional hub.

Compared to 2016, all regional companies recorded an increase in net revenues from the sale of services on the domestic market. The highest growth was recorded by the company in Macedonia where sales revenue rose by 159%, followed by Croatia with a 44% increase, a 13% rise in revenue was recorded in Bosnia and Herzegovina, and a 10% increase in Serbia. Given the current economic situation and the Group's strategic orientation, we can expect further growth in the coming years.

Major contribution to the scope of sales was provided by wholesale telecommunications services in the inter-operator segment rendered by the parent company in Ljubljana. Transit minutes grew by 51% in 2017 despite the decline in the total global volume (international calls - international minutes) due to OTTs, as the average selling prices continue their downward slide. By conclusion of a number of new contracts in the inter-operator segment of voice services, we consolidated our stronghold and potential for further growth in years to come. The Group significantly increased and further strengthened its cooperation with regional and alternative operators during the year under review. Thus, the Group is successfully expanding its provision

Year-on-year sales growth (2015-2017)



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 and the Akton Group regards this as an exceptional success and recognition of the Group's knowledge and 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 2017 the Akton Group achieved record results. Several years of major investment of our efforts and knowledge in international markets has 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. As we are present in all countries in the region with a fully staffed independent company we are able to provide services for some of the most important international institutions in the region and amongst other we supply technologically most advanced telecommunications solutions to foreign embassies, international banks, multinational corporations, leading international multimedia television stations and other businesses. In 2017, the Group further consolidated its position as "the preferred" contractor in the region and some of the largest international operators and the largest business users, have entrusted the Akton Group to provide all of connections for their end business users in the entire region.

The challenges the Group is facing in this particular wholesale segment of data services are above all further decline in sales prices on international markets, continued pressure on margin, and high fixed costs of local "last mile" connections in the region, and particularly in Bosnia and Herzegovina and Serbia. 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 difficult price conditions on the market.

The Akton Group anticipates further growth in the volume of business also in 2018. However, the growth in net revenues depends on the annual charges imposed by AKOS, as well as on market conditions.

The Akton Group provides services to business users in the region, primarily in Croatia, Bosnia and Herzegovina, Serbia and Macedonia.

The Group expenses

The Group's operating expenses reached €50,630,159.00 in 2017 (2016: €51,405,620.00), where costs of inter-operator telecommunications services, costs of leased telecommunications lines, and costs of other services, account for the bulk of the costs. On year-over-year basis, employee benefit costs rose by 1.5% in 2017 (2016: an increase of 11.2%) and account for 4.7% of total expenses incurred by the Group. We are actively supporting further development of our talented team and rewarding personal growth and the efforts of all our employees. According to the goodwill valuation performed by a certified independent assessor of companies, no goodwill impairment was recognized in 2017. Year-on-year results show that certain operational costs rose in 2017, whereas others remained stable in line with the long-term strategy aimed at ensuring the Group's financial stability.

Group employees

At 1 January 2017, the Akton Group employed 61 staff. There were no changes in the organizational framework of the Group in 2017 compared to the previous year. Mindul of the value of its human resources, the Group has adopted its long-term employment and HR development policy. The environment in which we operate, as well as our activities, require high standards also in terms of human resources. Therefore, the Group recruits only the best and most talented staff. Akton's organizational climate is positive and the goal of 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 2017, the Akton Group employed 62 staff and no further recruitments are planned in 2018.

Net profit of the Akton Group

In the financial year under review, the Group generated €2,043,783.00 of net profit (2016: €863,042.00). At the year-end, distributable profit of the Group amounted to €1,375,363.00 (2016: €1,441,658.00).

The net profit amounting to €2,043,783.00 accounts for a 137% growth compared to the previous financial year. The Company invests heavily in further development and expansion of its business. Thus, major investments were made in 2017 in the SMS segment, into the expansion of connections for voice services and data lines.

Due to primarily wholesale nature of transactions and current investments, it is absolute, rather than relative numbers that apply to the Akton Group, and therefore, certain traditional performance indicators do not always provide realistic picture of the Group's performance. The ultimate goal of the Group is further growth and expansion, which can only be achieved on a regulated and transparent market, with full support and trust of our owners, business partners and banks.

Thus, 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 Group 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 in the future. In 2017, short-term bridging loans in Ljubljana were provided by the following banks: Addiko Bank d.d., NLB d.d. and Sparkasse Bank d.d.

The Group expects further development trends in 2018 in the markets where it operates.

Financial operations of the Akton Group in 2017 were very successful. Operating and financial liabilities were settled on a regular basis, and the majority of receivables were successfully collected, which resulted in no major outstanding receivables, and this is quite an achievement and a rare occurrence in given circumstances. The Akton Group devotes much attention to collection of receivables and to this aim, we have established an excellent recovery system. Furthermore, in 2018, the parent company Akton Slovenia insured its receivables with an international insurance company. 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 consistently 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

In the year under review, the Group was able to concentrate the bulk of its energy and time on its business and future growth, as can be seen from the results achieved.

In 2016, the Supreme Court decided in favour of Akton regarding regulated prices and the non-existence of Si.mobil's claim in the lawsuit brought against Si.mobil (now A1 Slovenia, d.d.).

This means that during the period at issue, all calls to the Slovenian mobile networks were regulated irrespective of the origin of the call, which confirmed the stand constantly advocated by Akton. In addition to the existing final judgements in favour of Akton, this is final confirmation that Akton's conduct was correct and consistent with the legal framework.

We are always willing to actively approach any unresolved issues and support a compromise as means of an effective resolution. Prolonged court proceedings are detrimental and a burden to all involved.

The State, regulators and courts should take active and impartial approach to healthy, export-oriented companies, supporting them on the road to success, as they are the ones that provide the basis for economic growth and financial stability of an individual country.

Investments

The Akton Group invested mainly in its telecommunications and optical equipment in 2017, while currently the Group is planning its next investment cycle.

> Subsidiaries repaid a total of €98,106.76 (2016: €95,145.00) of loans and the related interest on the account of the parent company Akton d.o.o., Slovenia. All the subsidiaries in which the parent holds a 100% interest are profitable.

The Akton Group further reduced all of its financial liabilities arising from long-term borrowings totalling €150,000.000 in 2017 (2016: €240,000.00) and thus, at the end of 2017, they amounted to €424,500.00 (2016: €574,500.00).

The Akton Group will continue investing in the development of data and voice services, as well as in the provision of high quality services and new solutions. The Group finances its investment activity by its own funds. 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 and the Group possesses no real estate.

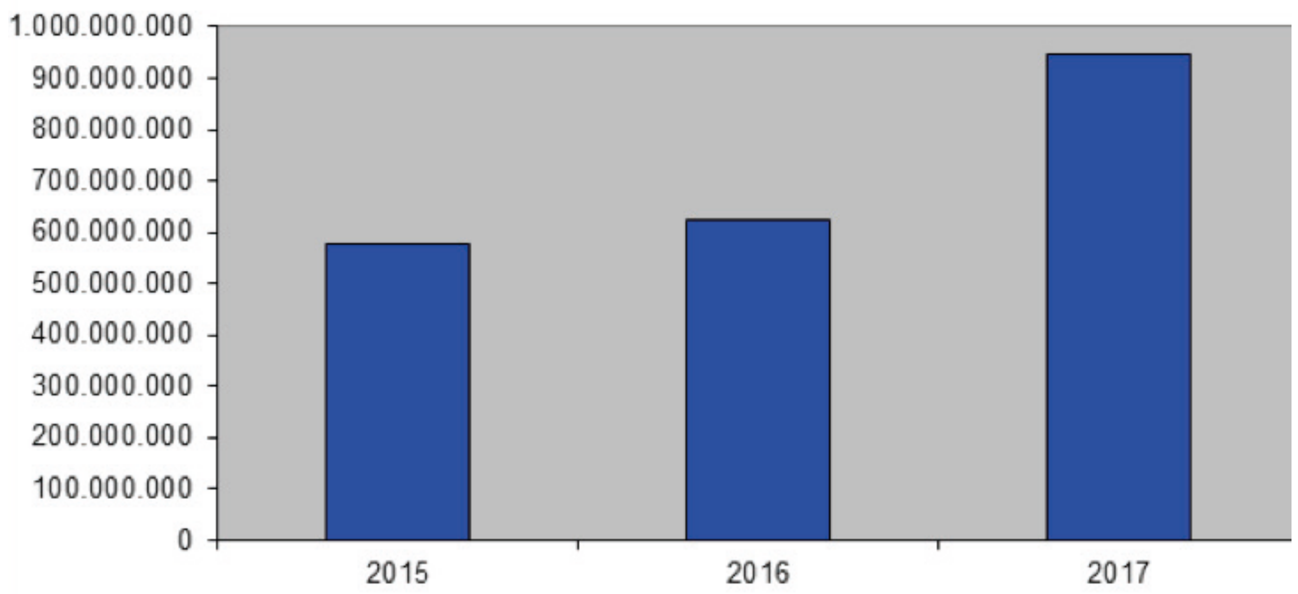
1.2 Products and Services

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 to home, we are linked with national operators of fixed and mobile communications in the Adriatic region though 8 local PoPs (Ljubljana, Zagreb, Sarajevo, Banja Luka, Beograd, Skopje, Podgorica, Priština). The Akton Group has established a process for determining transfer prices for the service of inter-operator sales of voice services charged by all the companies in the Group.

With over 947 million terminated minutes annually (2016: 625 million), the Akton Group is the largest alternative provider of voice services in the region.

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 in Croatia, Bosnia and Herzegovina, Serbia and Macedonia. Operational result in this particular segment was similar to the one achieved in the previous year. The scope of business is within the plan, as the market in Serbia continues to offer the largest potential for growth in the region. The Akton Group has established a process for determining transfer prices for the provision of voice services charged by all the companies in the Group.

1.2.3 SMS

SMS forwarding services recorded the highest growth in 2017. Banks and also companies that invest in this kind of promotional channel are satisfied with the service provided by the Group and this particular segment is growing predominantly in Slovenia, Serbia and Macedonia. In the medium term, the Group is expected to reach 100 million SMSs. The Akton Group has established a process for determining the transfer prices for the SMS services charged by all the companies in the Group.

1.2.4 Data services

In 2017, 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 data links. The Akton Group is continually investing in expansion of our international data capacities, whilst protecting connections with a number of different routes. During the year under review, the Group continued with expansion of its network capacities, while at the same time, it remains loyal to its primary objective: to be the »One-Stop-Shop« service provider for international business partners in the whole of the 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, and other EU member states, as well as Bosnia and Herzegovina, Serbia, Macedonia, Montenegro, Kosovo and Albania. Geographically, this encompasses the entire Adriatic region. The Group also 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. The Akton Group has established a process for determining the transfer prices for data service charged by all the companies in the Group.

In the international data communications market, the scope of the Group's operations increased compared to the previous year, despite continued trend of falling prices on international markets. Furthermore, the number of active connections has significantly increased even though unlike other operators, the Akton Group is not operating on the market with dumping prices. The Group continues its excellent sales strategy in this particular segment, which is acknowledged by all major international operators. The Group expects further growth in sales in this particular segment also in 2018.

The Group is continually investing in new technologies, allowing it to improve its backbone network and, along with it, increase data security, ensure faster routing and better use of the available capacities. The Group 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 2017, the Group successfully pursued its strategic objectives, and realized its short-term goals. In the next financial year, we intend to further strengthen and improve our existing strategic objectives. The Group is well on its way of achieving its long-term goals and strategic priorities set for the period 2014-2019.

Results achieved in recent years demonstrate without a doubt that the Akton Group is successfully meeting 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. Africa is a continent, which has been the focus of our attention for a number of years. Akton aims to increase its presence on this continent by offering competitive services and solutions. In addition, we are expanding our business to the Middle East.

Key priorities of the Group in the period 2014-2019 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 leading provider of telecommunications services whose objective is to connect the region with the global world of telecommunications. In doing so, Akton is focusing on partnerships, rather than competition!

1.4 Corporate Responsibility

The Akton Group consistently complies with the fundamental principles of corporate responsibility, which we perceive as our commitment to taking 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 high-tech 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 are continually gaining additional knowledge and ensuring 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, such as a picnic, team building, indoor recreational pursuits, etc. Organization of recreational activities is very important for raising employees' awareness of the importance of a healthy living and we are proud to be able to make up at least two good basketball and football 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 a part of their families. 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 value added for them which ensures that both, our partners and ourselves become winners on international markets. In cooperation with each and every business partner we strive to find solutions with a winning balance between quality and price of services. Quality of our services and products is systematically monitored and continually upgraded.

Akton is a full member of the 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

Everyone in the Akton Group is aware of the fact that in statistical terms, every 5 minutes someone in Slovenia needs blood transfusion. Thus, we support the fundamental idea of "Every blood donor is a hero", and encourage and support all who choose to give blood and help their fellow human beings. We are extremely proud of all our employees who are voluntary blood donors.

Sponsorship

Donor and sponsorship funds are awarded to various humanitarian organizations and individuals throughout the year, all within our financial abilities. 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.

In 2017, we donated our sponsorship funds to:

- the Youth Association of Ljubljana – Moste
- the Foundation »Vrabček Upanja«
- the Cultural and artistic association PUP

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 assets 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 US$ on the market whilst constantly monitoring fluctuation of international exchange rate for the currency. Transactions with services denominated in US$ are monitored daily in order to mitigate the risk. Our sales division applies current US$ exchange rate with the relevant discount, which further reduces the risk.

Taking into account the measures carried out in order to mitigate our exposure to currency risk, the Group's exposure to currency risk is assessed as moderate.

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 the Group's assets.
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, where our business partners are informed few days in advance that certain receivables will mature.

Taking into account the measures carried out in order to mitigate our exposure, the Group's exposure to the interest and credit risk is assessed as low.

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 balancing of liquidity risks as we are able to determine monthly outflows associated with interest costs. Similarly, we also monitor other liquidity categories on a daily basis, which allows us to make additional forecasts for the future. Through daily monitoring of liquidity needs, we strive to optimize allocation of funds per individual companies in the Group. An open revolving line provides the Group with sufficient security and assurance that it will meet its needs and therefore, we do not expect any major liquidity risks.

Taking into account the measures carried out in order to mitigate our exposure to liquidity risk, the Group's exposure to liquidity risk is assessed as low.

1.6 Subsequent Events

In 2018, the Group's business operations are proceeding 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 legal transactions carried out or as a result of any actions that were either taken or omitted in given circumstances known at the time those transactions were performed.

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

1.8 2017 Consolidated financial statements

1.9 Consolidated Statement Of Financial Position

as at 31 December 2017

	Notes	31.12.2017	EUR 31.12.2016*
ASSETS		**18,364,939**	**17,315,655**
A. Non-current assets		**9,852,807**	**9,368,946**
I. Intangible assets	1	6,155,403	6,088,649
II. Property, plant and equipment	2	716,749	738,071
III. Non-current investments	3	2,966,441	2,515,732
IV. Deferred tax assets		4,955	0
V. Other assets		7,948	26,494
VI. Non-current operating receivables		1,311	0
B. Current assets		**8,512,132**	**7,946,709**
I. Inventories		9,468	5,245
II. Current investments	4	3,000	1,502,846
III. Current operating receivables	5	8,322,306	6,216,593
IV. Short-term tax credits		8,109	0
V. Other receivables		84,118	72,499
VI. Cash and cash equivalents		85,131	149,526
EQUITY AND LIABILITIES		**18,364,939**	**17,315,655**
A. Equity	**6**	**8,109,212**	**8,168,973**
I. Share capital		4,915,686	4,915,686
II. Reserves		1,818,162	1,811,629
III. Retained earnings		1,375,364	1,441,658
B. Provisions		**50,453**	**21,863**
C. Non-current liabilities		**199,500**	**150,000**
I. Non-current financial liabilities		199,500	0
II. Non-current operating liabilities		0	150,000
D. Short-term liabilities		**10,005,774**	**8,974,819**
I. Short-term financial liabilities	7	870,411	860,164
II. Short-term operating liabilities	8	8,732,715	6,738,184
III. Short-term income tax payable		160,508	8,127
IV. Other liabilities	9	242,140	1,368,344

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 2017

	Notes	I-XII 2017	EUR I-XII 2016
1. Net sales revenue	10	52,456,608	52,453,217
2. Other operating revenue		10,864	42,408
3 Costs of goods, materials and services	11	-47,885,129	-48,684,933
4 Employee benefit costs	11	-2,432,969	-2,397,966
5 Write-downs	11	-302,404	-308,588
6 Other operating expenses	11	-14,983	-16,921
Operating profit or loss		**1,831,987**	**1,087,217**
7. Financial income from loans granted		7,249	1
8. Financial income from operating receivables		141,917	21,769
9. Financial expenses from financial liabilities		-33,459	-44,983
10. Financial expenses from operating liabilities		-27,410	-25,038
Financial profit or loss		**88,297**	**-48,251**
Total profit or loss before tax		**1,920,284**	**1,038,966**
11. Income tax payable		118,907	-175,924
12. Deferred tax		4,592	0
Net profit or loss for the year		**2,043,783**	**863,042**

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 Other Comprehensive Income year ended 31 December 2017

	I-XII 2017	EUR I-XII 2016
Net profit/loss	**2,043,783**	**863,042**
Other comprehensive income that will be reclassified to P&L at a later date	**6,533**	**2,366**
Actuarial gains/losses	-2,120	0
Other comprehensive income – consolidation reserve	8,653	2,366
Total comprehensive income for the year	**2,050,316**	**865,408**
Comprehensive income/loss per share	0.417	0.176

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 2017

		EUR
	2017	2016
A. Cash flows from operating activities		
a) Items derived from the income statement	**2,361,533**	**1,189,778**
Operating revenue (except from revaluation) and financial income from operating receivables	52,598,525	52,490,560
Operating expenses excluding depreciation (except revaluation) and financial expenses from operating liabilities	-50,360,491	-51,124,858
Income tax and other taxes not included in operating expenses	123,499	-175,924
b) Changes in net operating assets	**-1,219,176**	**1,909,405**
Opening less closing operating receivables	-2,114,797	102,106
Opening less closing other receivables	9,705	-32,078
Opening less closing deferred tax assets	-4,955	0
Opening less closing inventories	-4,223	-851
Closing less opening operating liabilities	1,996,912	535,195
Closing less opening other liabilities and provisions	-1,099,734	1,305,033
Other adjustments	-2,084	0
c) Net cash from operating activities (a+b)	**1,142,357**	**3,099,183**
B. Cash flows from investing activities		
a) Cash receipts from investing activities	**1,507,095**	**2,367**
Interest and dividends received from investing activities	7,249	2,367
Cash receipts from disposal of short-term investments	1,499,846	0
b) Cash disbursements from investing activities	**-780,058**	**-4,089,983**
Cash disbursements to acquire intangible assets	-88,725	-53,797
Cash disbursements to acquire property, plant and equipment	-240,624	-217,608
Cash disbursements to acquire short-term investments	0	-1,502,846
Cash disbursements to acquire non-current investments	-450,709	-2,315,732
c) Net cash from investing activities (a+b)	**727,037**	**-4,087,616**
C. Cash flows from financing activity		
a) Cash receipts from financing activities	**209,747**	**618,794**
Cash proceeds from increase in non-current financial liabilities	199,500	0
Cash proceeds from increase in short-term financial liabilities	10,247	618,794
b) Cash disbursements from financing activities	**-2,143,536**	**-619,483**
Interest paid on financing activities	-33,459	-44,983
Cash repayments of non-current financial liabilities	0	-574,500
Cash repayments of short-term financial liabilities	-2,110,077	0
c) Net cash from financing activities (a+b)	**-1,933,789**	**-689**
D. Closing balance of cash and cash equivalents	**85,131**	**149,526**
Net cash inflow or outflow for the period (sum total of Ac, Bc and Cc)	-64,395	-989,122
Opening balance of cash and cash equivalents	149,526	1,138,648

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 2017:

EUR

	Notes	Share capital	Share premium	Profit reserves – Legal reserves	Fair value reserve	Translation reserves	Retained earnings	Total capital
At 1 Jan 2017		**4,915,686**	**1,834,224**	**6,621**	**0**	**-29,216**	**1,441,658**	**8,168,973**
Profit/loss for the period		0	0	0	-2,120	0	2,043,783	2,041,663
Consolidation reserve		0	0	0	0	8,653	0	8,653
Total comprehensive income/loss for the period		**0**	**0**	**0**	**-2,120**	**8,653**	**2,043,783**	**2,050,316**
Pay-out		0	0	0	0	0	-2,110,077	-2,110,077
At 31 Dec 2017	4	**4,915,686**	**1,834,224**	**6,621**	**-2,120**	**-20,563**	**1,375,364**	**8,109,212**
Distributable profit at 31 Dec 2017	4	**0**	**0**	**0**	**0**	**0**	**1,375,364**	**1,375,364**

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 the previous financial year (2016):

EUR

	Notes	Share capital	Share premium	Profit reserves – Legal reserves	Translation reserves	Retained earnings	Total capital
At 1 Jan 2016		**4,915,686**	**1,834,224**	**6,621**	**-31,582**	**578,616**	**7,303,565**
Profit/loss for the period		0	0	0	0	863,042	863,042
Consolidation reserve		0	0	0	2,366	0	2,366
Total comprehensive income/loss for the period		**0**	**0**	**0**	**2,366**	**863,042**	**865,408**
Increase in investments		0	0	0	0	0	0
At 31 Dec 2016	4	**4,915,686**	**1,834,224**	**6,621**	**-29,216**	**1,441,658**	**8,168,973**
Distributable profit at 31 Dec 2016	4	**0**	**0**	**0**	**0**	**1,441,658**	**1,441,658**

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

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, entry No. 1/06892/00
Principal activity of the Company:	Activity code 61.900; Other telecommunications
Share capital:	€4,915,685.55
Owner:	ATEL EUROPE B.V., Jan van Goyenkade 8, 1075 HP Amsterdam, the Netherlands, is the sole owner of the Company
Management Board:	Igor Košir, Director Miha Novak, Holder of procuration
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 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 2017 Annual Report for publication on 13 April 2018. The consolidated annual report is available at the headquarters of the Company.

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

Company name	Registered office	The parent company's holding in 2017	The parent company's holding in 2016
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	2017	2016
V.	24	27
VI.	10	9
VII.	25	24
VIII.	1	1
Total	60	61

2.2 Summary Accounting Policies and Assumptions

In accordance with the criteria prescribed in the Companies Act (ZGD-1), the parent company is classified as a medium-sized company, and as such is obliged to ensure statutory audit of its financial statements. However, the Company is not required to prepare consolidated financial statements of the Group. The parent company voluntarily adopted a decision to compile its annual reports and financial statements in accordance with the International Financial Reporting Standards (hereinafter: IFRS) as from 1 January 2016.

Declaration of compliance

The enclosed financial statements of the Akton Group have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB), and interpretations adopted by the IFRS Interpretations Committee, as endorsed by the European Union.

Basis of preparation

The financial statements are prepared under the historical cost convention.

Functional and reporting currency

The financial statements are expressed in the Euro currency. All amounts are rounded up to the nearest Euro without cents, except in cases where specified otherwise.

Significant accounting judgements

The financial statement preparation requires the management to make certain estimates and assumptions that affect the carrying amounts of assets and liabilities of the Group, and disclosure of potential liabilities on the reporting date, as well as the amounts of revenues and expenses recorded over the period ending on the reporting date.

The management estimates include, among others, the following items: the carrying amount of intangible assets (Note 1), adjustments of doubtful receivables (Note 3), and provisions for jubilee awards and termination benefits on retirement, which are estimated based on an actuarial calculation. Future events and their effects cannot be determined with certainty. Accordingly, the accounting estimates made require the exercise of judgement and those used in the preparation of the financial statements will change as new events occur, as more experience is acquired, as additional information is obtained and as the Group's operating environment changes. Hence, actual results may differ from those estimates. The differences between the estimated and actual amounts are recorded in the financial statements at the time when the actual data are known.

Significant management estimates

In the process of applying the accounting policies, in addition to estimations, which have the most significant impact on the amounts recognized in the financial statements, management had to assess the fair value of goodwill.

Basis of consolidation

The consolidated financial statements are comprised of the separate financial statements of the parent Akton d.o.o. and its subsidiaries as at 31 December of each year. The financial statements of subsidiaries were prepared for the same financial year as the financial statements of the parent company with the application of uniform accounting policies. In the event of inconsistent use of accounting policies, appropriate adjustments are made in the consolidated financial statements.

All intragroup balances and transactions, including unrealized profits arising from those balances and transactions, are fully eliminated in the process of consolidation. Consolidation of subsidiaries begins on the day the control is transferred to the Group; an individual subsidiary is excluded from the consolidation when the control over the subsidiary is transferred from the Group. If the Group loses control of a subsidiary during the year, the subsidiary's results are included in the consolidated financial statements up to the day the control of the subsidiary existed.

In the consolidated statement of financial position, minority interests are disclosed separately from the equity interests of the parent. In the consolidated income statement, minority interests are reported separately from the profit of the Group.

The Group recognizes any transactions with minority owners as transactions with non-related parties. Acquisition of interests in a subsidiary from minority owners are reflected in goodwill (surplus) as the difference between the cash or other consideration paid and the corresponding share of the net book value of the acquired assets of the subsidiary. Sale of of interests in a subsidiary to minority owners is recognized by the Group in profit or loss as revenue or expense. Minority interests are reported as a separate item of the Group's equity. Net profit or net loss is attributed to the net profit or loss of the majority owner and the net profit or loss of the minority interests.

Intangible assets

An item of intangible assets is recognized if it is probable that the future economic benefits associated with the assets will flow to the entity and its cost can be measured reliably.

Intangible assets are disclosed at cost less any accumulated amortization and accumulated impairment losses. Depreciation of the items of property, plant and equipment is accounted for using straight-line depreciation method. Amortization is accounted for individually using amortization rates based on the estimated expected functional life periods of individual intangible assets.

Amortization methods applied, useful lives of intangible assets and any signs of impairment of the assets are checked at least annually. Impairment loss is recognized as an item of revaluation operating expenses in the profit or loss. All intangible assets of the Group have limited useful lives. Amortization of the items of intangible assets is accounted for using the following amortization rates (in %):

	2017	2016
Software applications	10.00-50.00	10.00-50.00

Property, plant and equipment

An item of property, plant and equipment is recognized if it is probable that the future economic benefits associated with the asset will flow to the entity and its cost can be measured reliably. The cost of the asset comprises its purchase price, import duty and non-refundable purchase taxes, as well as costs attributed to making the asset ready for its intended use. Any trade discounts are deducted from the cost of the asset.

The items of property, plant and equipment are disclosed at cost less any accumulated depreciation and accumulated impairment losses. Depreciation of the items of property, plant and equipment is accounted for using straight-line depreciation method. Depreciation of an item of property, plant and equipment is accounted for individually using depreciation rates based on the estimated expected functional life periods of individual assets.

Depreciation methods applied, useful lives of the assets and any signs of their impairment are checked at least annually. Impairment loss is recognized as an item of revaluation operating expenses in the profit or loss. Carrying amount of an individual item of property, plant and equipment is derecognized on the asset's disposal or when no future economic benefits are expected from the asset's continued use or subsequent disposal.

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

	2017	2016
Computer hardware	5.00-50.00	5.00-50.00
Office machinery	7.0-25.00	7.50-25.00
Telecommunications equipment	4.00-25.00	4.00-25.00
Other equipment	8.00-25.00	8.00-25.00

Recoverable amounts of non-current assets

The Group assess on each reporting date whether there are any indications of the non-current asset's impairment. If there exist indications of an individual asset's impairment, its recoverable amount is estimated. When the carrying amount of an asset exceeds its recoverable amount, the asset's value is impaired to the recoverable amount of the asset or its cash-generating unit. The asset's recoverable amount is its fair value reduced by the higher of the costs to sell or value in use. The value in use is assessed by discounting expected future cash flows to the net present value using the appropriate discount rate (before tax) that reflects current market assessment of the time value of money and the risks specific to the asset. For an asset. whose future cash flows depend on other assets in a cash-generating unit, the value in use is determined based on future cash flows of the relevant cash-generating unit. Losses arising from impairment are recognized as revaluation operating expenses.

Financial assets

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, available-for-sale financial assets, loans, and receivables. The classification is based on the purpose of their acquisition.

Available-for-sale financial assets

Financial assets available for sale comprise mainly investments in non-trading securities and other investments not quoted on an active market, and whose fair value cannot be determined reliably. After initial recognition, all available-for-sale financial assets are measured at cost. Gains or losses on available-for-sale financial assets are recognized in the comprehensive income as net unrealized gains on financial assets available for sale, until the asset is sold or disposed of in some other manner. Any impairment loss is recognized in the profit or loss. Purchase and disposal of individual available-for-sale financial assets is recognized on the trade date.

The Group assesses on the reporting date whether there is any impartial evidence of impairment of available-for-sale financial assets, such as significant or prolonged decline in the asset's fair value. If such an indication exists, the asset is impaired.

Financial assets at fair value through profit or loss

An asset is classified into the fair value through profit or loss category if it is held for trading or is classified as such upon its initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value and in accordance with its investment strategy. After initial recognition, attributable transaction costs are recognized in profit or loss when they are incurred. Financial instruments at fair value through profit or loss are measured at fair value, while changes therein are recognized in profit or loss.

Fair value hierarchy

Financial assets at fair value through profit or loss are classified into the following three levels:

- Level 1 includes assets whose fair value is determined based on published prices achieved on an active market.
- Level 2 includes investments whose fair value is determined using valuation technique models, taking into account variables, gained on available market data such as market interest rates.
- Level 3 includes investments whose fair value is determined using valuation technique models, taking into account subjective variables not publicly available on the market.

Inventory of merchandise

Inventory of merchandise is measured at cost, while inventory consumption is accounted for under the FIFO method. Net realizable value of inventory of merchandise, its movements, and use is reviewed by the Group annually.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an organized market. This category includes loans and receivables acquired by the company as well as loans and receivables originating from the company. On initial recognition, loans and receivables are measured at fair value less transaction costs; after initial recognition, they are measured at amortized cost using the effective interest method.

Derecognition of financial assets

A financial asset is derecognized, when the risks and rewards, as well as the control over contractual rights related to the financial instrument are transferred. A financial liability is derecognized when settled, abolished or becomes obsolete.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and in hand, and cash equivalents. Cash equivalents comprise short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (deposits maturing within 90 days or less).

Cash and cash equivalents are reported at fair value. Cash equivalents comprise short-term bank deposits with maturity of up to three months. On the reporting date, cash denominated in foreign currency is translated into the Euro currency at the mean exchange rate of the Bank of Slovenia.

Equity

Total equity of the Group is its liability to owners which falls due if the Group ceases to operate, whereby the amount of equity is adjusted to the then attainable price of the Group's net assets. It is determined by the amounts invested by owners and the amounts generated in the course of operation that belong to the owners.

Total equity comprises called-up capital, capital surplus, profit reserves, retained earnings, and transitionally undistributed net profit or unsettled losses for the year.

Financial liabilities

Financial liabilities are initially recognized at amounts recorded in the relevant documents under the assumption that an outflow of resources embodying economic benefits will result from their settlement. Based on their maturity, financial liabilities are classified into non-current and current liabilities. After initial recognition they are carried at amortized cost using the effective interest rate method.

Trade payables

Operating liabilities are initially recognized at amounts recorded in the relevant documents under the assumption that an outflow of resources embodying economic benefits will result from their settlement. Based on their maturity, operating liabilities are classified into non-current and current liabilities.

Fair value of operating liabilities is verified at least once a year. If their carrying amounts fall below their fair value, an increase in the value of operating liabilities is recognized in profit or loss as an item of revaluation operating expense. Operating liabilities are not restated to account for their impairment.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not restated.

Provisions for termination benefits on retirement and jubilee awards are discounted using a 3.15-percent annual discount rate. Provision calculation is based on the number of permanent employees, considering Slovenian mortality rates for the period 2000-2002 separately by gender.

Depending on the staff turnover, actuarial calculations are made every five years.

Revenue

Revenues are recognized if during the accounting period the increase in economic benefits is related to the increase of an asset or decrease of a liability and if the relevant increase can be reliably measured.

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.

Financial income is the revenue generated by investing activities. Financial income arises in relation to non-current and current investments, as well as in association with receivables. Financial income is recognized upon statements of accounts, irrespective of receipts, unless there is a justified doubt about their amount, maturity or settlement. Financial income comprises revaluation revenue, revenue from the sale of financial assets and dividend income.

Income from shares in the profit is recognized upon exercising the right to dividends, unless there is a justified doubt about their amount, maturity or settlement.

Short-term accrued income arises when payments have not been received and invoices could not have been issued, but the entity has good reasons to include the revenue in its profit or loss.

Deferred revenueis recognized when services to be rendered in the future have been invoiced.

Costs and 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.

Employee benefits

Employee benefit costs are recognized on the basis of documents that evidence the work performed and other basis for payroll calculation in the gross amount.

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 Group companies, and employment contracts. Costs of labour are equal to the associated liabilities until they are settled. Short-term employee benefits are recognized as an item of short-term liabilities. In addition, the Group recognizes provisions for non-current employee benefits.

Depreciation

An amortizable amount of an individual item of intangible assets or plant, property and equipment is consistently allocated over the asset's useful life period as its amortizable/depreciable amount of individual accounting period.

Depreciation or amortization is the amount by which the net carrying amount of an item of intangible assets or plant, property and equipment is reduced. The net carrying amount of an assets is either lower or equal to its recoverable amount in the asset's residual life period. Amortization and depreciation of an individual accounting period are recognized in profit or loss as items of operating expenses or operating costs. Amortization and depreciation rates of individual items of intangible assets and property, plant, and equipment are based on their assessed useful lives.

Borrowing costs are recognized as expenses when they are incurred.

Financial expenses include financing expenses and investment expenses. The former comprise mainly interest expense, while the latter include losses on the sale of securities and revaluation financial expense.

The revaluation financial expenses arise in association with the impairment of long-term and short-term investments unless the decrease in their value is covered by the revaluation surplus.

Short-term deferred costs or short-term deferred expenses are amounts incurred but not yet charged against an entity's activities and they do not yet affect profit or loss; instead, they will subsequently be calculated as costs and allocated to the relevant costs or expenses.

Accrued costs or accrued expenses are recognized based on allocating expected amount of costs or expenses of the period, which have not yet been invoiced to the entity's activity or its profit or loss.

Tax

Current tax

A liability or asset for current taxes for the current and previous periods is calculated in the amount the Group expects to pay to or be reimbursed from the tax administration. Current tax assets or liabilities are measured using tax rates effective on the reporting date.

Deferred tax

Deferred tax assets and liabilities are provided using the balance sheet liability method. Only deferred tax assets and liabilities arising from temporary differences are recognized.

Deferred tax is debited or credited directly in equity, if the tax relates to items that are recognized directly in equity. 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 the unused tax losses and unused tax credits can be utilized.

On the reporting date, deferred tax assets are revised and impaired on account of those tax assets for which it is no longer probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized.

Deferred tax assets and liabilities are recognized using the tax rate applicable when the asset is expected to be realized or liabilities settled. Tax rates that have been enacted or substantially enacted by the reporting date are taken into account.

Foreign currency translation

The consolidated financial statements are presented in Euro (EUR), which is the functional and reporting currency of the Group. Transactions in a foreign currency are initially recognized in the functional currency and converted at the exchange rate of the European Central Bank (ECB) on the transaction date. Monetary assets and liabilities in foreign currency are translated at the exchange rate of the functional currency prevailing at the reporting date. Any resulting difference is recognized in profit or loss. Non-monetary assets and liabilities recognized in original amounts in foreign currency, are translated at the ECB exchange rate prevailing on transaction date; any differences arising on translation are recognized in other comprehensive income. Non-monetary assets and liabilities measured at fair value in a foreign currency are converted at the exchange rate applied when fair value was established.

Cash flow statement

The cash flow statement discloses cash flows for the period arising from operations, investments and financing. The Group applied the indirect method in the preparation of its cash flow statement. Individual cash flow items are reported in gross amounts with exception of cash flows resulting from acquisition and sale of financial assets. The latter comprise items, which are characterized by high turnover ratio, significant amounts and short maturity. As such, they are recognized in net amounts. On the reporting date, cash denominated in foreign currency is translated into the Euro currency at the mean exchange rate of the Bank of Slovenia. Data reported in the cash flow statement are derived primarily from the general ledger, and from analytical records. Cash flows from intragroup transactions are eliminated from the consolidated cash flow statement.

Future changes in certain accounting policies

The accounting policies applied are consistent with those of the previous financial year except for the following newly adopted standards and interpretations adopted in 2017 by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC), as endorsed by the European Union.

New standards and interpretations not yet effective

The Group has not early adopted any standard or interpretation issued but not yet effective. The Group does not expect new standards, interpretations or amendments to have any significant impact on its consolidated financial statements.

First adoption of new amendments to existing standards that apply in the current reporting period

In the period under review, the following amendments to the existing standards and interpretations issued by the International Accounting Standards Board (IASB) were applicable as endorsed by the EU:

- **Amendments to IAS 7 'Statement of Cash Flows'** - Disclosure Initiative were adopted by the EU on 6 November 2017 and apply for annual periods beginning on or after 1 January 2017,
- **Amendments to IAS 12 'Income Taxes**' - Recognition of deferred tax assets arising from unrealized losses were adopted by the EU on 6 November 2017 and apply for annual periods beginning on or after 1 January 2017.

Standards and amendments to existing standards issued by the International Accounting Standards Board (IASB), which have been endorsed by the EU, but are not yet effective

As at the date of the financial statements approval, the following new standards issued by the International Accounting Standards Board (IASB) were endorsed by the EU but have not yet come into effect:

- IFRS 9 "Financial instruments" adopted by the EU on 22 November 2016, are effective for annual periods beginning on or after 1 January 2018),
- **IFRS 15 'Revenue from Contracts with Customers'** and amendments to IFRS 15 'Effective Date of IFRS 15', adopted by the EU on 22 September 2016, are effective for annual periods beginning on or after 1 January 2018,
- **Amendments to IFRS 15 'Revenue from Contracts with Customers'** - Interpretations to IFRS 15 Revenue from Contracts With Customers, adopted by the EU on 31 October 2017, are effective for annual periods beginning on or after 1 January 2018.
- **IFRS 16 'Leases',** adopted by the EU on 31 October 2017, are effective for annual periods beginning on or after 1 January 2019,
- **Amendments to IFRS 4 'Insurance Contracts'** - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts, adopted by the EU on 3 November 2017, are effective for annual periods beginning on or after 1 January 2018 or upon first application of IFRS 9 Financial Instruments,

Standards and amendments to existing standards issued by the International Accounting Standards Board (IASB), which have so far not been endorsed by the EU

- Currently, the IFRS as endorsed by the European Union do not considerably differ from those adopted by the International Accounting Standards Board (IASB), with the exception of the following standards, amendments to the existing standards and interpretations which were not endorsed for use by the EU as of 5.6.2018 (the following effective dates apply to all IFRS).
- **IFRS 14 'Regulatory Deferral Accounts'** (effective for annual periods beginning on or after 1 January 2016) - The European Commission has decided not to start the process of approving this interim standard and to wait until its final version is issued
- **IFRS 17 'Insurance Contracts'** (effective for annual periods beginning on or after 1 January 2021)**,**

- **Amendments to IFRS 2 'Share-based Payment'** - Classification and measurement of share-based payment transactions (effective for annual periods beginning on or after 1 January 2018)
- **Amendments to IFRS 9 'Financial Instruments'** - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019)
- **Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures'** - Sale or Contribution of Assets between an Investor and its Associate and Joint Ventures, and subsequent amendments (the effective date has been postponed indefinitely until the completion of the research project relating to the equity method)
- **Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Long-term Interests in Associates and Joint Ventures** (effective for annual periods beginning on or after 1 January 2019)
- **Amendments to IAS 40 'Investment Property'** - Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018)
- **Amendments to a number of standards "IFRS Improvements 2014 to 2016 cycle",** according to the annual IFRS improvement project encompassing IFRS 1, IFRS 12 and IAS 28, which is aimed primarily at elimination of discrepancies and clarification of wording. The amendments to IFRS 12 standard are effective for periods beginning on or after 1 January 2017, while amendments to IFRS 1 and IAS 28 are effective for periods beginning on 1 January 2018.
- **Amendments to a number of standards "IFRS Improvements 2015 to 2017 cycle",** according to the annual IFRS improvement project encompassing IFRS 3, IFRS 11, IAS 12 and IAS 23, which is aimed primarily at elimination of discrepancies and clarification of wording. The amendments are effective for periods beginning on or after 1 January 2019
- **IFRIC 22 'Foreign Currency Transactions and Advance Considerations in a Foreign Currency'** (effective for annual periods beginning on or after 1 January 2018)
- **IFRIC 23 'Uncertainty over Income Tax Treatment'** (effective for annual periods beginning on or after 1 January 2019).

The Group estimates that the adoption of these standards, amendments and interpretations will not have a significant impact on the Company's financial statements during the period of their initial application.

2.3 Notes to the Financial Statements

	31.12.2017	EUR 31.12.2016
1. Intangible assets	**6,155,403**	**6,088,649**
Concessions, trademarks and licences	199,403	132,649
Goodwill	5,956,000	5,956,000

Movements in intangible assets in 2017 are presented below (in EUR):

	Concessions, patents	Goodwill	Total
1. Cost			
At 1 Jan 2017	268,332	5,956,000	6,224,332
Currency fluctuations	34,965	0	34,965
Increase	88,725	0	88,725
Decrease	0	0	0
At 31 Dec 2017	392,022	5,956,000	6,348,022
2. Accumulated amdepreciation amortization			
At 1 Jan 2017	-135,683	0	-135,683
Currency fluctuations	-22,581	0	-22,581
Increase	-34,355	0	-34,355
Decrease	0	0	0
At 31 Dec 2017	-192,619	0	-192,619
3. Carrying amount			
At 1 Jan 2017	132,649	5,956,000	6,088,649
At 31 Dec 2017	199,403	5,956,000	6,155,403

The items of concessions, patents and trademarks amounting to €199,403 include licences for the use of telecommunications equipment.

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

Goodwill amounting to €5,956,000 is the difference that arose on merger by acquisition of Modra investicija d.o.o. on 28 June 2006. Goodwill is measured at cost less accumulated impairment losses. At the end of each financial year, the parent company obtains assessment of the fair value of goodwill from a certified appraiser of companies. If an estimated recoverable amount of goodwill on the valuation date is below its recoverable amount on the acquisition date, goodwill is reduced by the amount of impairment loss. Recoverable amount of goodwill is assessed based on value in use, determined as the present value of expected free cash flows, while considering relevant assumptions of future business operations of the company.

The main valuation assumptions:

- WACC: 9.32%
- Cash flow forecast period: 2018-2022
- Average nominal annual growth rate in gross cash flow: 1.5%.

Goodwill impairment test of the parent Akton d.o.o. was made in accordance with IAS 36. Goodwill impairment test showed that the recoverable amount of goodwill is in excess of the value of non-current assets (i.e. total equity) of the cash-generating unit and thus, no goodwill impairment is necessary.

Goodwill sensitivity analysis (in EUR thousand):

	Value	Difference
Change in discount rate		
Increase by 0.50%	9,224.9	-6%
Decrease by 0.50%	10,473.1	7%
Change in long-term growth rate		
Increase by 0.50%	10,010.3	2%
Decrease by 0.50%	9,632.4	-2%
Change in return		
NOPLAT increase by 5.00%	10,371.6	6%
NOPLAT decrease by 5.00%	9,246.9	-6%
Investment change		
CAPEX increase by 5.00%	9,557.5	-3%
CAPEX decrease by 5.00%	10,061.0	3%
Ceiling	**10,229**	**4.3%**
Minimum threshold	**9,415**	**-4.0%**

Recoverable amount of non-current assets (total equity) of Akton d.o.o. as the cash generating unit is based on the value in use, estimated at €9,809,000,000 as at 31 December 2017.

The Company reports no financial commitments for acquisition of intangible assets.

Movements in intangible assets in 2016 are presented below (in EUR):

	Concessions, patents	Goodwill	Total
1. Cost			
At 1 Jan 2016	214,595	5,956,000	6,170,595
Currency fluctuations	53,737	0	53,737
Increase	0	0	0
Decrease	0	0	0
At 31 Dec 2016	268,332	5,956,000	6,224,332
2. Accumulated depreciation amortization			
At 1 Jan 2016	-110,405	0	-110,405
Currency fluctuations	60	0	60
Increase	-25,338	0	-25,338
Decrease	0	0	0
At 31 Dec 2016	-135,683	0	-135,683
3. Carrying amount			
At 1 Jan 2016	104,190	5,956,000	6,060,190
At 31 Dec 2016	132,649	5,956,000	6,088,649

		EUR
	31.12.2017	31.12.2016
2. Property, plant and equipment	**716,749**	**738,071**

Movements in property, plant and equipment in 2017 (in EUR):

	Other plant and equipment	Property, plant and equipment under construction	Total
1. Cost			
At 1 Jan 2017	3,257,836	3,110	3,260,946
Currency fluctuation and reconciliation	-3,723	0	-3,723
Increase	224,412	16,212	240,624
Decrease	-7,436	0	-7,436
At 31 Dec 2017	3,471,089	19,322	3,490,411
2. Accumulated depreciation depreciation			
At 1 Jan 2017	-2,522,875	0	-2,522,875
Currency fluctuation and reconciliation	-702	0	-702
Increase	-257,381	0	-257,381
Decrease	7,296	0	7,296
At 31 Dec 2017	-2,773,662	0	-2,773,662
3. Carrying amount			
At 1 Jan 2017	734,961	3,110	738,071
At 31 Dec 2017	697,427	19,322	716,749

Movements in property, plant and equipment in 2016 (in EUR):

	Other plant and equipment	Property, plant and equipment under construction	Total
1. Cost			
At 1 Jan 2016	2,684,164	1,880	2,686,044
Currency fluctuation and reconciliation	394,179	0	394,179
Increase	216,712	1,230	217,942
Decrease	-37,219	0	-37,219
At 31 Dec 2016	3,257,836	3,110	3,260,946
2. Accumulated depreciation depreciation			
At 1 Jan 2016	-1,882,627	0	-1,882,627
Currency fluctuation and reconciliation	-390,927	0	-390,927
Increase	-279,533	0	-279,533
Decrease	30,212	0	30,212
At 31 Dec 2016	-2,522,875	0	-2,522,875
3 Carrying amount			
At 1 Jan 2016	801,537	1,880	803,417
At 31 Dec 2016	734,961	3,110	738,071

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

No items of property, plant and equipment were acquired under finance lease, and none were pledged as collateral for liabilities.

The negative difference between the opening and closing balance of €-21,322 is due to the following:
- additions in 2017: + €240,624
- FX differences in 2017: €-4,425
- depreciation in 2017: €-257,381
- disposals in 2017: 0
- write-off in 2017: €-140 (carrying amount).

The Group reports no financial commitments for acquisition of property, plant and equipment

	31.12.2017	31.12.2016
		EUR
3. Non-current investments	**2,966,441**	**2,515,732**
Other shares and stakes	2,966,441	2,514,441
Other non-current investments	0	1,291

Other shares and interests comprise an 84.95% stake in ATEL EUROPE BV (€2,964,441) and a 40% stake in AKTON GAMBIA LTD. (€2,000).

	31.12.2017	31.12.2016
		EUR
4. Current investments	**3,000**	**1,502,846**
Short-term loans to others	3,000	1,502,846

A deposit of €3,000 was placed with a domestic bank. Borrowings raised from the owner of the parent company of €1,502,846 was repaid in full in 2017.

	31.12.2017	31.12.2016
		EUR
5. Current operating receivables	**8,322,306**	**6,216,593**
Trade receivables	7,568,847	5,388,113
Other short-term operating receivables	753,459	828,480
Trade receivables	**7,568,847**	**5,388,113**
Receivables not past due	4,911,516	4,050,984
Past due up to 60 days – not impaired	2,493,764	1,092,686
Past due more than 60 days – not impaired	163,567	244,443
Past due more than 60 days - impaired	4,492	0
Receivable impairment	-4,492	0
Impairment and write-off of receivables past due	10,528	8,208

In 2017, the parent company wrote-off €787 of trade receivables, while Akton Croatia wrote-off trade receivables of total €4,392 and Akton Serbia €5,349 of trade receivables.

Other short-term operating receivables	**753,459**	**828,480**
Due from the state – not past due	652,999	645,348
Other receivables – not past due	100,460	183,132

6. Equity	31.12.2017	31.12.2016
		EUR
6. Equity	**8,109,212**	**8,168,973**
Share capital	4,915,686	4,915,686
Capital surplus	1,834,224	1,834,224
Profit reserves	6,621	6,621
Fair value reserve	-2,120	0
Translation reserves	-20,563-	29,216
Retained earnings	1,375,364	1,441,658

Capital surplus of €1,834,224 is the surplus of paid-in capital, to be used under the terms and purposes as defined by the applicable regulation.

Profit reserves are legal reserves.

Retained earnings increased on account of €2,043,783 of profit generated in 2017.

Distributable profit/Accumulated loss

Distributable profit at year-end	1,375,364	1,441,658

	31.12.2017	31.12.2016
		EUR
7. Short-term financial liabilities	**870,411**	**860,164**

Short-term financial liabilities comprise payables to banks and include:

- €225,000 as the current amount of long-term borrowings, agreed at the market interest rate; final instalment is due in 2020 (total amount of borrowings equals €424,500),
- utilized amount of framework borrowings raised from a local bank, which bear interest at the market rate. Borrowings are collateralized with the receivables;
- withdrawn overdraft agreed with a domestic bank and collateralized with bills of exchange (€33,504),
- accrued interest on borrowings raised of total €1,907.

As at 31 December 2017, the Company reports approved but not as yet utilized framework borrowings of €1,400,000 from a Slovene bank, which bear interest at the market rates. The borrowings are collateralized with the Company’s receivables. In addition, the Company reports approved but not yet utilized overdraft facility agreed with a local bank of total €756,496. The overdraft facility bears interest at the market rates and is collateralized with the receivables.

Movements in monetary and non-monetary assets:

Item in EUR	At 31 Dec 2016	Monetary changes	Non-monetary changes	At 31 Dec 2017
Non-current financial liabilities	0	199,500	0	199,500
Short-term financial liabilities	860,164	-23,212	33,459	870,411
Total financial liabilities	**860,164**	**176,288**	**33,459**	**1,069,911**

	31.12.2017	31.12.2016
		EUR
8. Short-term operating liabilities	**8,732,715**	**6,738,184**
Supplier payables	8,130,353	5,958,120
Short-term operating liabilities from advances	517	487
Other short-term operating liabilities	601,845	779,577

Other short-term operating liabilities include €232,618 payable to the State, €253,099 payable to employees and other liabilities amounting to €16,128.

	31.12.2017	31.12.2016
		EUR
Supplier payables	**8,130,353**	**5,958,120**
Not past due	6,272,661	5,361,000
Past due up to 60 days	1,650,385	393,175
Past due in excess of 60 days	207,307	203,945

	31.12.2017	31.12.2016
		EUR
9. Other liabilities	**242,140**	**1,368,344**
Accrued costs and expenses	139,534	245,361
Short-term deferred revenue	102,606	1,122,983

	31.12.2017		31.12.2016
			EUR
10. Net sales revenue	**52,456,608**	**100.00%**	**52,453,217**
Sales on the local market	13,498,108	25.73 %	13,550,395
Sales on foreign markets	38,958,500	74.27%	38,902,822

Table below is presentation of expected rental income from future payments of irrevocable leases.

	31.12.2017	31.12.2016
		EUR
Expected rental income	**210,850**	**1,127,669**
Up to 1 year	150,850	1,127,669
More than 1 and less than 5 years	60,000	0
More than 5 years	0	0

	31.12.2017		EUR 31.12.2016
11. Costs	**50,635,485**	**100.00%**	**51.408.408**
Cost of goods and materials sold and cost of materials consumed	76,032	0.15%	123,067
Cost of services	47,809,097	94,42%	48,561,866
Employee benefits	2,432,969	4.80%	2,397,966
Write-downs	302,404	0.60%	308,588
Other operating expenses	14,983	0.03%	16,921

	31.12.2017		EUR 31.12.2016
Cost of services	**47,809,097**	**100.00%**	**48,561,866**
Telecommunications services	41,656,901	87.13%	42,199,909
Rent	4,841,894	10.13%	5,237,192
Costs of other services	1,310,302	2.74%	1,124,765

Minimum rent payments on operating lease (the Company as the lessee) at the year-end.

	31.12.2017	EUR 31.12.2016
Expected operating lease liabilities	**437,394**	**496,750**
Up to 1 year	334,847	390,996
More than 1 and less than 5 years	102,547	105,754
More than 5 years	0	0

	31.12.2017	EUR 31.12.2016
Employee benefits	**2,432,969**	**2,397,966**
Payroll costs	1,821,984	1,776,586
Pension insurance costs	267,196	253,916
Other social insurance costs	205,291	218,323
Other costs of labour	138,498	149,141

At the end of the year, the Akton Group employed 60 staff.

	31.12.2017	EUR 31.12.2016
Total remuneration of the Management Board and Managers with individual contracts of employment:	**650,421**	**568,173**
Members of the Management Board/Company directors	493,061	428,504
Managers with individual contract of employment	157,360	139,669

	31.12.2017	EUR 31.12.2016
Write-downs	**302,404**	**308,588**
Amortization and depreciation	291,736	304,871
Revaluation operating expenses from fixed assets	140	3,421
- write-off of FA (Note 2)	140	3,421
- write-off of goodwill	0	0
Revaluation operating expenses from current assets	10,528	296
- receivable allowances	10,528	276
- write-off of unusable/damaged inventory of materials	0	19

	31.12.2017	EUR 31.12.2016
12. Contingent assets and liabilities and other off balance sheet items	**2,716,307**	**3,237,164**
Bank guarantees issued	763,098	1,092,626
Contingencies	1,953,209	2,144,538

Bank guarantees in total €763,098 were issued as collateral for supplier payables. These relate exclusively to transactions in the region where market rules require a bank guarantee as collateral, and are largely a requirement in order to gain access to the inter-operator segment available only to serious and solvent operators.

Contingent receivables due from a local supplier A1 Slovenija, d.d. (former Si.mobil, d.d.) of €1,882,278 originated in 2009 when the supplier issued invoices in contravention of the AKOS regulations and Slovene legislation, purposely delayed the setting up of internet connections and expansion of internet capacities and by doing so, caused commercial harm to Akton. Management of Akton has appropriate basis to claim damages inclusive of default interest. In a partial judgement of one of the legal actions made in 2016, the Supreme Court ruled in favour of Akton, which provides an additional and direct basis for other pending legal actions involving Akton.

The potential claim against the FURS of €70,931 relates to overstated amount of current tax due to the non-recognition of expenses resulting from impairment of goodwill in the period 2007-2010.

13. Adjustments to the statement of financial position on transition to IFRS and error correction

According to the criteria of the relevant International Accounting Standard, the following are considered related parties of the AKTON Group:

- ATEL EUROPE B.V., Amsterdam,
- AKTON GAMBIA LTD., Gambia,
- Director of the parent company: Igor Košir, Directors of subsidiaries: Željko Beker, Mladen Rifelj, Veselin Zuković, Viktor Risteski,
- Holder of procuration: Miha Novak,
- and their immediate family members.

Balance of intercompany receivables and liabilities as at 31 Dec 2017 (EUR):

Related persons	Operating receivables	Operating liabilities	Loans	Borrowings
Members of the management and their related parties	7	108,797	0	0

Balance of intercompany receivables and liabilities as at 31 Dec 2016 (EUR):

Related persons	Operating receivables	Operating liabilities	Loans	Borrowings
ATEL EUROPE B.V., Amsterdam	0	0	1,502,846	0
Members of the management and their related parties	0	124,410	0	0

Transactions concluded between related parties in 2017 (EUR):

Related persons	Operating revenue	Operating expenses	Financial income	Financial expenses
ATEL EUROPE B.V., Amsterdam	0	0	7,232	0
Members of the management and their related parties	97	721,200	0	0

The parent paid €2,110,077 to its related party ATEL EUROPE B.V. in 2017.

Transactions concluded between related parties in 2016 (EUR):

Related persons	Operating revenue	Operating expenses	Financial income	Financial expenses
ATEL EUROPE B.V., Amsterdam	0	0	2,846	0
Members of the management and their related par-ties	0	653,996	0	0

14. Notes to the risk management

CURRENCY RISK

The following amounts were denominated in foreign currencies in 2017:

Currency FY 2017	USD	GBP	HRK	RSD
Invoices issued	631,923	0	3,458,346	0
Invoices received	1,041,799	9,800	17,044,757	31,741

The Group purchases US$ on the market whilst constantly monitoring fluctuation of international exchange rate for the currency. Transactions with services denominated in US$ are monitored daily in order to mitigate the risk. Our sales division applies current US$ exchange rate with the relevant discount, which further reduces the risk. Croatian kuna (HRK) is used mostly in transactions with the company in Croatia, while transactions with the subsidiary in Serbia are agreed in Serbian dinar (RSD).

Exposure to the risk of foreign exchange rate fluctuations:

(EUR) 2017	EUR*	USD	GBP	HRK	BAM
Loans issued	3,000	0	0	0	0
Trade receivables	7,437,626	26,010	0	91,238	13,973
Payables to suppliers	7,291,469	99,068	394	321,454	417,968
Borrowings	1,069,911	0	0	0	0
Financial position exposure (net)	**-920,754**	**-73,058**	**-394**	**-230,216**	**-403,995**

* EUR is the functional currency and does not represent exposure to foreign currency risk.

(EUR) 2016	EUR*	USD	GBP	HRK
Loans issued	1,502,846	0	0	0
Trade receivables	5,178,688	209,425	0	0
Payables to suppliers	5,760,464	196,772	526	358
Borrowings	860,164	0	0	0
Financial position exposure (net)	**60,906**	**12,653**	**-526**	**-358**

* EUR is the functional currency and does not represent exposure to foreign currency risk.

Exchange rates used in conversion of the financial statement items:

for 1 EUR	31.12.2017	31.12.2016
USD	1.1993	1.0541
GBP	0.88723	0.85618
HRK	7.44	7.5597
BAM	1.95583	1.95583

The above exchange rates used in the conversion of the financial statement items as at 31 December are equal to the ECB exchange rates of those currencies on the last day of the year.

CREDIT RISK

Credit risk is the risk that a party to a financial instrument will fail to meet its obligations thus causing the Group to incur a financial loss. With respect to other financial assets, such as cash and financial assets classified as available-for-sale, the Group's exposure to credit risk arises mainly from the counterparty's default risk, whereby the maximum exposure is equal to the carrying amount of these financial instruments.

The Group's exposure to credit risk is insignificant.

LIQUIDITY RISK

Liquidity risk is the risk of the Group having difficulties in raising sufficient funds required for the settlement of its financial obligations.

The Group manages its liquidity risk by monitoring the liquidity of assets and liabilities and by regular planning of its cash flows, whereby the Group considers maturity of its financial assets and investments together with the planned outflows from its business operations. Through daily monitoring of liquidity needs we try to optimize allocation of funds per individual company in the Group. An open revolving line provides the Group with sufficient security and assurance that it will meet its needs and therefore, we do not expect any major liquidity risks.

(EUR) 2017	No maturity	On demand	Less than 3 months	3-12 months	1-5 years	More than 5 years	Total
Cash and cash equivalents	85,131	0	0	0	0	0	85,131
Short-term loans issued	0	0	0	3,000	0	0	3,000
Other shares and stakes	2,966,441						2,966,441
Total	**3,051,572**	**0**	**0**	**3,000**	**0**	**0**	**3,054,572**
Borrowings and other interest bearing debt	0	0	110,411	760,000	199,500	0	1,069,911
Trade payables	0	0	8,893,223	0	0	0	8,893,223
Total	**0**	**0**	**9,003,634**	**760,000**	**199,500**	**0**	**9,963,134**

(EUR) 2016	No maturity	On demand	Less than 3 months	3-12 months	1-5 years	More than 5 years	Total
Cash and cash equivalents	149,526	0	0	0	0	0	149,526
Short-term loans issued	0	0	0	1,502,846	0	0	1,502,846
Other shares and stakes	2,514,441						2,514,441
Other investments	0	0	0	0	1,291	0	1,291
Total	**2,663,967**	**0**	**0**	**1,502,846**	**1,291**	**0**	**4,168,104**
Borrowings and other interest bearing debt	0	0	285,664	574,500	0	0	860,164
Trade payables	0	0	6,746,311	150,000	0	0	6,896,311
Total	**0**	**0**	**7,031,975**	**724,500**	**0**	**0**	**7,756,475**

INTEREST RATE RISK

Interest rate risk is the risk of the fluctuating value of financial instruments and cash flows as a result of changes in market interest rates. The Group placed a short-term deposit with a local bank and raised short-term and long-term borrowings from local banks in 2017. The Group's exposure to interest rate risk as of 31 December 2017 arises from a potential increase in the EURIBOR reference interest rate on borrowings agreed at a variable interest rate.

Exposure to the interest rate risk:

EUR	31.12.2017	31.12.2016
Financial instruments at variable rate of interest	**-1,069,911**	**-860,164**
Financial assets	0	0
Financial liabilities	1,069,911	860,164
Financial instruments at fixed rate of interest	**3,000**	**1,502,846**
Financial assets	3,000	1,502,846
Financial liabilities	0	0

Interest rate exposure of financial instruments at variable interest rate:

EUR	31.12.2017	31.12.2016
2017		
EUR	+ 100 bp	-10,699
EUR	- 100 bp	10,699
2016		
EUR	+ 100 bp	-8,602
EUR	- 100 bp	8,602

15. Subsequent events

No events have occurred after reporting date that could affect these financial statements and as a result of which additional procedures would have to be performed to determine whether those events were accurately presented in the financial statements.

2.4 Statement of the Management's Responsibility

The financial statements were approved by the Management Board on 5 June 2018.

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 2017.

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 International Financial Reporting 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 duties. 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

Holder of procuration:
Miha Novak

Ljubljana, 5 June 2018

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 Owners of Akton Group

Opinion

We have audited the consolidated financial statements of Akton Group (the Group), which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Akton Group as at 31 December 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those rules are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Other information

Other information comprises the information included in the Annual Report other than the consolidated financial statements and auditor's report thereon. Management is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the consolidated financial statements is, in all material respects, consistent with the consolidated financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Group obtained in the audit, on whether the other information contains any material misstatement of fact. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement of fact.

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Responsibilities of management for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with audit rules, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

• identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

• obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

• evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

• conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

• evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

• obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Ljubljana, 5 June 2018

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

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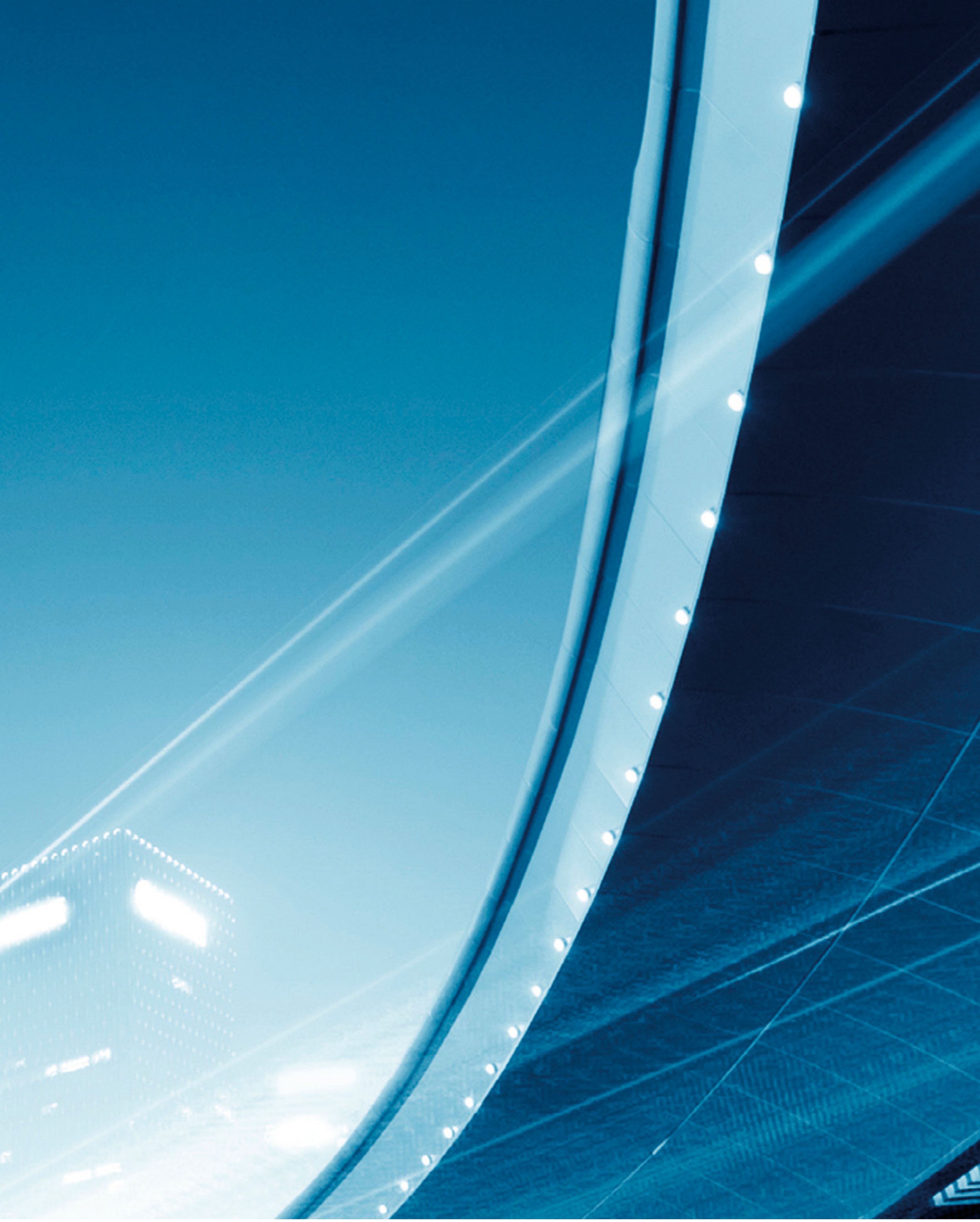
Družba je članica Ernst & Young Global Limited.



Akton communications