CONSOLIDATED ANNUAL REPORT

2018

AKTON GROUP

CONTENTS:

1. BUSINESS REPORT

1.1 PERFORMANCE RESULTS OF THE AKTON GROUP

The revenue

Considering prevailing market conditions, the Akton Group performed very successfully in the year under review as it remains the key and most reliable regional hub in the international telecommunications market. The Group strives to mitigate all unfavourable market influences with increased efforts and working closely with its customers to meet their wishes and demands. Thus, we are successfully overcoming rather chalenging situation in the market of international voice services, recording growth in the segments of international ETH data connections, A2P SMS and collocation services, and investing in new projects to ensure future growth.

The Akton Group achieved net sales revenues of €45,461,942.00 in 2018 from contracts with customers, compared to €52,456,608.00 generated in 2017. Like other providers of telecommunication services, Akton recorded a drop in the revenue from contracts with customers in the wholesale of voice services. Due to the OTT services - applications through smart phones, pressure remains high on the volume of international calls (minutes) and in terms of regulation, it is proving to be an unstoppable process. This is resulting in price frictions between EU and non-EU providers of services which, in our opinion, is a completely wrong response to market changes. Traditional international phone calls that are payable, regulated and duly taxed cannot compete with virtually free, unregulated and completely tax-free calls made through applications. In all likelihood, it is due to these changes that the state telecom in Bosnia and Herzegovina, i.e. BH Telecom, decided to again "monopolize" the market of termination of international calls to its network, leaving the RAK regulator without any power to prevent it.

In 2018, the charge imposed by the Agency for Communication Networks and Services of the Republic of Slovenia (AKOS) amounted to €0.00137 for each €1 of revenue generated from the sale of telecommunications services, which is a 30% increase compared to €0.00106 applicable in 2017. However, we welcome the introduction of a "half" fee for telecommunications services beyond the Slovenian borders. Nevertheless, we strongly believe that telecommunications operators are paying extremely high taxes to regulators and state agencies, who fail to regulate competitive traditional voice services, which are virtually free. Charges that are linked solely to revenues are proving to be much too heavy a burden for the operators. On average, the telecommunications operator's EBITDA has fallen over the years and will obviously continue to decline further. We also feel that the annual fee paid to the state agencies in Bosnia and Herzegovina and Macedonia is too high.

According to the volume of transactions, Akton Group recorded high growth in the ETH connections, in Internet sales to businesses, A2P SMS, collocations and other telecommunications services in 2018.

Compared to the financial year 2017, all regional companies recorded an increase in net revenues from the sale of services on the domestic market and, given the current economic situation and the Group's strategic orientation, we expect further regional growth in the coming years.

Major contribution to the volume of sales was provided by the wholesale telecommunications services in the inter-operator segment rendered by the parent company in Ljubljana, which is engaged in the provision of voice services, data services, collocations, A2P SMSs and other telecommunications services. In 2018, the group companies further strengthened their cooperation with regional operators providing alternative services. Thus, the Group is successfully expanding its international telecommunications services from the region into the global sphere. Our cooperation with the largest global operators of telecommunications services continues to be successful and the Akton Group regards this as an exceptional success and recognition by international market players of the Akton's high evel of knowledge and confidence in its expertise. During the year, the Group continued to increase the number of network interconnections with existing partners, most of whom are the most important regional and global operators for whom Akton provides telecommunications services. The world's largest operators, banks and major international corporations need a reliable partner in the region and in 2018, the Group further consolidated its position as "the preferred" contractor in the region and Europe as a whole.

In the segment of data services, the Akton Group also achieved rather good results in 2018. Several years of active investment of our efforts and knowledge in international markets has proven 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 are looking for a reliable regional partner. The challenges the Group is facing in this particular wholesale segment of data services are above all further decline in prices on international markets, continued pressure on margin, and high fixed costs of local "last mile" connections in the region. The latter is true in particular in Slovenia, Bosnia and Herzegovina and partly also in Serbia. In spite of many challenges, 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. At the same time, it continues to invest in its own network through its subsidiaries located in the region. This is particularly true for Croatia, Serbia and Northern Macedonia where we are expanding optical metro networks to the end users wherever this is possible. The Company provides highly reliable services of international connections for the most demanding users such as foreign embassies, banking systems, some of the most successful international and regional corporations, as well as other international institutions. The Akton Group is one of the largest and most reliable alternative provider of such services in the region.

The Akton Group anticipates further growth in the volume of transactions also in 2019. The trend in sales revenue is, however, largely dependent on the movement of the international telephone call market.

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

The expenses

The Group's operating expenses reached €44,558,826.00 in 2018 (2017: €50,635,485.00), where costs of inter-operator telecommunications services, costs of leased telecommunications lines, and costs of other services, account for the bulk of the costs. Year-over-year, employee benefit costs declined by 8.7% in 2018 (2017: an increase of 1.5% compared to the previous year) and account for 5% of total expenses incurred by the Group. According to the valuation performed by an independent certified assessor of companies, goodwill was not impaired in 2018. The Group strives to keep the operating costs at the level that ensures long-term financial stability. In addition, we are continually investing in the Company's strategic development and search for opportunities for its further growth in the future.

The Akton Group is continuing its investments in acquisition of new contracts at home and abroad by regular participation at telecommunications conferences, strengthening its relations with business partners and telecommunications experts through personal meetings, and investing in training and development of its employees. Furthermore, the Group successfully continues to pursue its strategic cycle. Generally, the operating model of group companies is relatively flexible, which means that they can quickly adapt to ever changing market circumstances. In the next financial year, the Group will continue to ensure operating costs optimization in line with the realized returns and the plan.

The employees

At 1 January 2018, the Akton Group employed 60 staff. There were no changes in the Group's organizational framework in 2018 compared to the previous year. The Group is aware of the value of its human resources and has adopted its long-term recruitment and HR development policy. The environments 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 each and every member of staff is to achieve common objectives set by the Group through pursuing his or her own personal goals. Staff turnover is at its minimum. At 31 December 2018, the Akton Group employed 61 staff and further recruitments are planned in 2019 to bring total headcount to 62.

Net profit of the Akton Group

In the financial year under review, the Group generated €822,651.00 of net profit (2017: €2,043,783.00). At the year-end, distributable profit of the Group amounted to €1,568,015.00 (2017: €1,375,364.00).

The net profit generated in 2018 represents a slight decrease compared to the previous year's profit. The Group invests heavily in further development and expansion of its business and in 2018, we made major investments in the A2P SMS data services segment.

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 the owners, business partners and banks.

In 2018, short-term financial bridging resources were provided through the parent company Akton in Ljubljana by the Addiko bank d.d., the NLB Skupina and Sparkasse bank d.d. 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 available resources approved by the banks. The banking system is of key importance as it provides support to fast growing enterprises and corporations such as Akton, and we are counting on continued support of banks for our business operations also in the future.

Although the pressure on prices and, above all, the generated margin (RVC) in the telecommunications sector is, unfortunately, proving to be a rather fast and unstoppable process, in the financial year 2019, the Company expects further developments of international markets.

Financial operations of the Akton Group in 2018 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, which 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 it has established an excellent recovery system. **In addition, in 2018, Akton Ljubljana insured trade receivables due from foreign customers with Acredia Versicherung AG, 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 again and again to be a reliable partner and the best among the middle-sized operators in the region.

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

In 2018, the Group was able to concentrate the bulk of its energy and time on its daily business and future growth. Judicial proceedings, which have dragged on in Slovenia and Bosnia and Herzegovina for 10 years, shine a rather poor light on the judicial system of both countries and the two major telecommunications operators.

1.
On 27 January 2010, Akton Ljubljana filed a lawsuit no. XII Pg 353/2010 against Si.mobil (now A1 Slovenija, d.d.) at the District Court of Ljubljana, claiming damages of €1,882,278.52 due to the delay in establishing the interconnection and for preventing capacity expansion. The proceedings have been in progress for 10 years, which is unacceptable as economic issues should be considered priority. Moreover, this is an indication of the current state and efficiency of the Slovenian judiciary.

It has been proven and confirmed by the Court that during the period at issue, all calls to the Slovenian mobile networks were regulated irrespective of the calls origin, which supports the stand that has been constantly advocated by Akton. In addition to the existing final judgements in favour of Akton, this is ultimately another confirmation that Akton's conduct was correct and consistent with the legal framework, in contrast with the conduct of the A1 Slovenia operator.

Currently, Akton Ljubljana is focussing its efforts in the proceedings to prove the amount of damages and continues to alert the Court of procedural irregularities. Due to slow proceedings, deliberate delay on the part of A1 Slovenia and indecisiveness of those responsible at A1 Slovenia, in addition to the principal amount of damages of €1,882,278.52, Akton is also claiming statutory default interest, which at 31 December 2018 stands at no less than €1,418,460.60, bringing total damages claimed to €3,300,739.12. In our opinion, the conduct of the party who will have to pay the damage is highly irresponsible.

2.
On 8 April 2010, Akton filed a lawsuit no. 65 0 PS 134963 10 PS against BH Telecom at the Municipal Court in Sarajevo, claiming damages of KM1,126,673.35 or €576,056.82 due to the delay in establishing interconnection with the subsidiary Akt.online in Sarajevo. The proceedings have been in progress for the past 10 years.

The Courts of first and second instance in Sarajevo ruled that Akton Ljubljana allegedly failed to prove its standing to sue and in their ruling both courts incorrectly relied on the lack of an active contractual relationship and consequential contractual liability rather than on the responsibility under the law obligation. Therefore, the Company applied for a review of the disputed judgements of the two courts at the Supreme Court of Bosnia and Herzegovina.

3.
The subsidiary Akt.online in BiH was successful in the renewed proceedings at the court of first instance (the Municipal Court in Sarajevo) regarding legal action filed against BH Telecom claiming KM275,000 of damages caused by the delay in establishing the interconnection. Unlike Slovenian courts, after the appeal, the case was retried at the Court of first instance who rendered its judgement, which testifies (at least in this case) to the greater efficiency of the Bosnian courts compared to the Slovene ones.

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 an active and impartial approach to prosperous and export-oriented companies, supporting them on their 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 network in 2018, and is currently planning its investment cycle for the financial year 2019.

All companies in the Akton Group are performing well and have not raised any borrowings from other companies in the Group.

In 2018, the Akton Group reduced all of its financial liabilities arising from long-term borrowings by additional €225,000.00 (2017: €150,000.00) and thus, at the end of 2018 both, long-term and short-term amounts of borrowings totalled €199,500.00 (2017: €424,500.00).

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

In the financial year under review, none of the Group's companies raised additional capital and the Group possesses no real estate.

1.2 SERVICES RENDERED BY THE GROUP

1.2.1 Inter-operator sale of voice services

The Akton Group is present on the four largest Central European intersections: PoP Vienna and PoP Frankfurt (both twice), which allows us to set up international network connections (TDM, IP) with the major European and global operators. Closer at home, we are linked with national operators of fixed and mobile communications in the Adriatic region though 8 local PoPs (Ljubljana, Zagreb, Sarajevo, Banja Luka, Beograd, Skopje, Podgorica and 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 and is the largest alternative provider of voice services in the region with over 947 million terminated minutes annually.

1.2.2 Data services

In 2018, 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. In addition, we established a new Pop Telepoint in Sofia, Bulgaria. The Akton Group is continually investing in expansion of its international data capacities, whilst protecting connections with a number of different routes. Thus, in 2018, we continued with expansion of our network capacities, while at the same time, the Group remains loyal to its primary objective: to be the »One-Stop-Shop« service provider for international business partners in the entire region. Akton successfully strengthened its cooperation with local operators to allow its customers access to all locations in the region.

In recent years, the Group has developed into the preferred provider of IPLC services in the Adriatic region of a large number of operators and business users. The list of countries where the Group provides data services includes Slovenia, Croatia, and other EU member states, as well as Bosnia and Herzegovina, Serbia, Northern 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 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 reached the target set for 2018, 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 has been acknowledged by all major international operators. Thus, the Group expects further growth in sales in this particular segment also in 2019.
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.

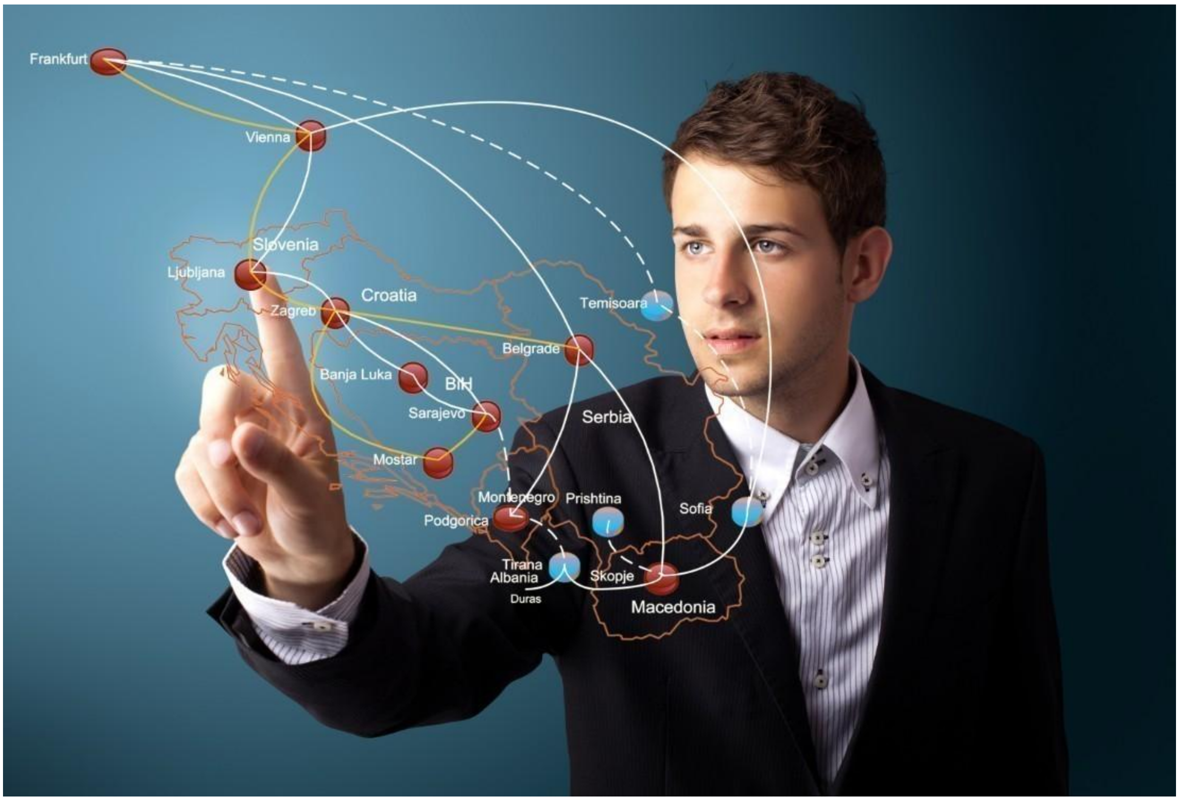

Figure 1: The Akton Group Backbone network in the region

1.2.3 Origin of calls

Services of international calls origin are provided by the Group in Croatia, Bosnia and Herzegovina, Serbia and Northern Macedonia. Operational result in this particular segment was similar to the one achieved in the previous financial year. The scope of business is within the plan, and 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.

1.2.4 A2P SMS

Record growth was noted by Akton in the provision of SMS forwarding services in 2018. Banks and also companies that invest in this kind of promotional channel are happy with the service provided by the Group and this particular segment is growing particularly in Slovenia, Serbia and Northern Macedonia. In the medium term, the Group is expected to reach 100 million SMSs per annum. The Akton Group has established a process for determining transfer prices for the SMS services charged by all the companies in the Group.

1.3 STRATEGY

In the financial year 2018, 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 as the Group is well on its way of achieving its long-term goals and strategic priorities set for the 2014-2019 period.

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 realize some key projects to ensure its future growth and development. One of major opportunities could be the African continent where the demand for data services is on the rise. In addition, we are expanding our business to the Middle East.

Key priorities of the Group in the 2014-2019 period 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 strong spirit and high social standards.

Care for employees

We operate in a highly technological industry where advancement is ensured only by having highly motivated and dedicated professionals who through their knowledge and experience achieve success on a daily basis in their own individual field of expertise. 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 responsible and efficient 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 and every individual.

We are a united team, which is demonstrated by our formal and informal socializing events including regular celebration of each individual's life achievements. Every year employees participate in a variety of activities financed by the Company or individual employees, such as 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 organize annual 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 them. 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 value added that are tailored to individual client's needs. A long time ago we realized that the key prerequisite for business success is strong 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, we and our partners are triumphant on international markets. In cooperation with each and every business partner we strive to find solutions based on a winning balance between quality and price. Quality of our services and products is systematically monitored and continually improved.

Akton is a fully-pledged 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 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 society. All the employees in all departments recycle waste and use reusable packaging.

In addition, 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 to 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 2018 we allocated our sponsorship funds to:

- the Youth Association of Ljubljana – Moste
- the Foundation »Vrabček Upanja«
- the Olimpija Swimming Club
- Štefan Hadalin, one of the Slovenian national ski team members

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 a 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 a 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 trade receivables and trade payables 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 rate risk is the risk of a negative impact of changes in market interest rates on the value of the Group's assets.

Credit risk is the risk that a 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 of the fact that certain receivables are about to 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 supports the 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 and projections. 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 2019, the Group's business operations are progressing 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.

1.8 CONSOLIDATED FINANCIAL STATEMENTS 2018

1.8.1 CONSOLIDATED STATEMENT OF FINANCIAL POSITION at 31 December 2018

EUR	*Notes*	31.12.2018	31.12.2017
Assets		**16,575,903**	**18,364,939**
A. Non-current assets		**10,059,450**	**9,852,807**
I. Intangible assets	1	6,253,009	6,155,403
II. Property, plant and equipment	2	823,086	716,749
III. Non-current investments	3	2,974,691	2,966,441
IV. Deferred tax assets		4,417	4,955
V. Other assets		2,931	7,948
VI. Non-current trade receivables		1,316	1,311
B. Current assets		**6,516,453**	**8,512,132**
I. Inventories		8,390	9,468
II. Current investments		0	3,000
III. Current trade receivables	4	6,131,637	8,322,306
IV. Short-term tax credits		59,198	8,109
V. Other receivables		55,130	84,118
VI. Cash and cash equivalents		262,098	85,131
Equity and liabilities		**16,575,903**	**18,364,939**
A. Equity	5	**8,302,607**	**8,109,212**
I. Share capital		4,915,686	4,915,686
II. Reserves		1,818,906	1,818,162
III. Retained earnings		1,568,015	1,375,364
B. Provisions		**48,613**	**50,453**
C. Non-current liabilities		**22,250**	**199,500**
I. Non-current financial liabilities		22,250	199,500
D. Short-term liabilities		**8,202,433**	**10,005,774**
I. Short-term financial liabilities	6	881,583	870,411
II. Trade payables	7	7,092,805	8,732,715
III. Short-term income tax payable		0	160,508
IV. Current contract liabilities	8	106,589	0
V. Other payables	8	121,456	242,140

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

1.8.2 CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 December 2018

EUR	*Notes*	**I-XII 2018**	**I-XII 2017**
1. Revenue from contracts with customers	9	45,461,942	52,456,608
2. Other operating revenue		130,759	10,864
3. Cost of goods, materials and services	10	-42,009,828	-47,885,129
4. Employee benefit costs	10	-2,221,793	-2,432,969
5. Write-downs	10	-307,747	-302,404
- of that receivable impairment and write-down	*10*	*-42,428*	*-10,528*
6. Other operating expenses	10	-19,458	-14,983
Operating profit or loss		**1,033,875**	**1,831,987**
7. Financial income from loans issued		11	7,249
8. Financial income from trade receivables		11,596	141,917
9. Financial expenses from financial liabilities		-26,415	-33,459
10. Financial expenses from trade payables		-15,214	-27,410
Financial profit or loss		**-30,022**	**88,297**
Total profit or loss before tax		**1,003,853**	**1,920,284**
11. Income tax		-181,027	118,907
12. Deferred tax		-175	4,592
Net profit for the year		**822,651**	**2,043,783**

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

1.8.3 CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME year ended 31 December 2018

EUR	**I-XII 2018**	**I-XII 2017**
Net profit/loss	**822,651**	**2,043,783**
Other comprehensive income that will be reclassified to P&L at a later date	**744**	**6,533**
Actuarial gains/losses	0	-2,120
Other comprehensive income – consolidation reserve	744	8,653
Total comprehensive income for the year	**823,395**	**2,050,316**

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

1.8.4 CONSOLIDATED CASH FLOW STATEMENT year ended 31 December 2018

EUR

EUR	2018	2017
A. Cash flows from operating activities		
a) Items derived from the income statement	**1,131,471**	**2,361,533**
Operating revenue (except from revaluation) and financial income from trade receivables	45,578,966	52,598,525
Operating expenses excluding depreciation (except revaluation) and financial expenses from trade payables	-44,266,293	-50,360,491
Income tax and other taxes not included in operating expenses	-181,202	123,499
b) Changes in net operating assets	**338,738**	**-1,219,176**
Opening less closing trade receivables	2,114,911	-2,114,797
Opening less closing other receivables	31,227	9,705
Opening less closing deferred tax assets	538	-4,955
Opening less closing inventories	1,078	-4,223
Closing less opening operating liabilities	-1,792,851	1,996,912
Closing less opening other liabilities and provisions	-15,935	-1,099,734
Other adjustments	-230	-2,084
c) Net cash from operating activities (a+b)	**1,470,209**	**1,142,357**
B. Cash flows from investing activities		
a) Cash receipts from investing activities	**3,011**	**1,507,095**
Interest and dividends received from investing activities	11	7,249
Cash receipts from disposal of short-term investments	3,000	1,499,846
b) Cash disbursements from investing activities	**-473,760**	**-780,058**
Cash disbursements to acquire intangible assets	-142,221	-88,725
Cash disbursements to acquire property, plant and equipment	-323,289	-240,624
Acquisition of non-current investments	-8,250	-450,709
c) Net cash from investing activities (a+b)	**-470,749**	**727,037**
C. Cash flows from financing activities		
a) Cash proceeds from financing activities	**11,172**	**209,747**
Cash proceeds from increase in non-current financial liabilities	0	199,500
Proceeds from increase in short-term financial liabilities	11,172	10,247
b) Cash disbursements for financing activities	**-833,665**	**-2,143,536**
Interest paid on financing activities	-26,415	-33,459
Cash repayments of non-current financial liabilities	-177,250	0
Repayments of short-term financial liabilities	-630,000	-2,110,077
c) Net cash from financing activities (a+b)	**-822,493**	**-1,933,789**
D. Closing balance of cash and cash equivalents	**262,098**	**85,131**
Net cash inflow or outflow for the period (sum total of Ac, Bc and Cc)	**176,967**	**-64,395**
Opening balance of cash and cash equivalents	**85,131**	**149,526**

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

1.8.5 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY IN 2018:

EUR	Notes	Share capital	Share premium	Profit reserves Legal reserves	Fair value reserve	Translation reserves	Retained earnings	Total capital
At 1 Jan 2018		**4,915,686**	**1,834,224**	**6,621**	**-2,120**	**-20,563**	**1,375,364**	**8,109,212**
Profit for the period		0	0	0	0	0	822,651	822,651
Consolidation reserve		0	0	0	0	744	0	744
Total comprehensive income of the period		**0**	**0**	**0**	**0**	**744**	**822,651**	**823,395**
Pay-out		0	0	0	0	0	-630,000	-630,000
Transactions with owners		**0**	**0**	**0**	**0**	**0**	**-630,000**	**-630,000**
At 31 Dec 2018	5	**4,915,686**	**1,834,224**	**6,621**	**-2,120**	**-19,819**	**1,568,015**	**8,302,607**
Profit available for distribution at 31 Dec 2018	5	**0**	**0**	**0**	**0**	**0**	**1,568,015**	**1,568,015**

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 (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 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 of 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
Transactions with owners		**0**	**0**	**0**	**0**	**0**	**-2,110,077**	**-2,110,077**
At 31 Dec 2017	5	**4,915,686**	**1,834,224**	**6,621**	**-2,120**	**-20,563**	**1,375,364**	**8,109,212**
Profit available for distribution at 31 Dec 2017	5	**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.

2 APPENDIX TO CONSOLIDATED FINANCIAL STATEMENTS

2.1 PROFILE OF THE GROUP

The parent company:	Akton Telekomunikacijski inženiring d.o.o.
Short name:	Akton d.o.o.
Registered office:	Dunajska cesta 9, Ljubljana
Legal form:	limited liability company (d.o.o.)
Registration:	on 22 May, 1990, entry No. 1/06892/00
Primary activity:	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. Northern Macedonia, whose principal activity is the sale of telecommunications services.

Financial year: Financial year covers the same period as the calendar year. The Management Board adopted and approved the consolidated 2018 Annual Report (vailable at the headquarters of the Company) for publication on 19 June 2019.

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

Company	Registered office	The parent company's share in 2018	The parent company's share in 2017
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.	23 Oktomvri 11A, Skopje, Northern Macedonia	100%	100%

Average number of employees by educational level:

Educational level / year	2018	2017
Level 5	26	24
Level 6	9	10
Level 7	25	25
Level 8	1	1
Total	61	60

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 conformity

The enclosed consolidated 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 consolidated financial statements are prepared under the historical cost convention, with exception of financial assets measured at fair value.

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 contingencies at 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), allowances of doubtful receivables (Note 3), determination of performance obligation and financial component on recognition of revenue (Note 9) 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 (Note 1).

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 by 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 looses 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. Derecognition of interests in a subsidiary to minority owners is recognized by the Group in profit or loss either 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. Amortization of the items of intangible assets is accounted for using straight-line amortization 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. The amortization rates did not change in 2018 and are identical to those used in 2017. Amortization of the items of intangible assets is accounted for using the following amortization rates (in %):

	2018	2017
Software applications	10.00- 50.00	10.00- 50.00

The Group recognizes software development costs as an item of intangible assets if the entity can measure the costs reliably and demonstrate the following: the technical feasibility of completing the project so that it will be available for use or sale; its intention to complete the project and use or sell it; its ability to use or sell the project; how the project will generate probable future economic benefits; the availability of adequate technical, financial and other resources to complete the development and to use or sell the asset.

The cost of software solutions include direct costs of labour and other costs that can be directly attributed to making the asset ready for its intended use. Persons responsible for individual project ensure that only the costs that qualify for recognition based on the set criteria are capitalized.

Goodwill arising from business combinations is recognised at fair value at the date of the merger as the excess of the consideration over the net fair value of the net identifiable assets and liabilities and contingent liabilities of the acquired company.

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 %):

	2018	2017
Computer hardware	5.00-50.00	5.00-50.00
Office machinery	7.50-25.00	7.50-25.00
Telecommunications equipment	4.00-25.00	4.00-25.00
Other equipment	8.00-25.00	8.00-25.00

Recoverable amounts of non-financial assets

The Group assess on each reporting date whether there are any indications of the non-current asset's impairment. If yes, the asset's recoverable amount is formally 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

According to IFRS 9, the classification of financial assets at initial recognition depends on the financial assets's contractual cash flow characteristics and the Group's business model for managing them. This unified approach replaces existing rules based on requirements of IAS 39. The new model also introduces a uniform method for impairment of all financial instruments. The classification and measurement requirements of IFRS 9 did not have a significant impact on the financial statements of the Group. The Group made the following changes to the classification of its financial assets in 2018:

- Non-listed equity investments previously classified as available-for-sale financial assets are classified and measured as Financial assets at fair value through other comprehensive income.
- Loans issued and trade receivables previously classified as loans and receivables are classified and measured as Financial assets at amortized cost.

In accordance with requirements of IFRS 9, the Group classifies its investments into the following groups: financial assets at amortized cost; financial assets at fair value through OCI; and financial assets at fair value through profit or loss. The classification is based on two criteria: the entity's business model for managing the assets; and whether the instrument's contractual cash flows represent solely "payments of principal and interest" on the principal amount outstanding.

The Group's financial assets at cost include financial assets held to acquire contractual cash flows providing cash flows represent solely payments of principal and interest on the principal amount outstanding. Financial assets at amortized cost comprise loans issued and receivables. In terms of their maturity, they are classified into current financial assets that mature within a period of 12 months after the reporting date, and into non-current financial assets that mature within a period of more than one year of the reporting date.

Financial assets at fair value through OCI (equity instruments) are financial assets designated as strategic investments upon their acquisition and held by the Group over a prolonged period of time, but which are not held for trading purposes. Gains and losses on these financial assets are never recycled to profit or loss. Dividends on equity investments are recognized as financial income in the statement of profit or loss when the right of payment has been established.

Impairment of financial assets

Adjustments for expected credit losses in respect of financial assets measured at amortized cost and debt financial instruments classified at fair value through other comprehensive income are recognized as impairments. The Group measures at each reporting date an allowance for the expected credit losses (ECLs) as the amount equal to expected credit losses over the entire duration of the financial asset if the credit risk associated with the financial instrument has increased significantly since the initial recognition. ECLs are based on the present value of the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive.

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.

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

- Level 1 contains quoted prices on active markets for identical assets and liabilities,
- Level 2 - values other than quoted prices from Level 1, but which can be obtained directly from the market (prices for identical or similar assets or liabilities in a less active or inactive markets) or indirectly (eg. values derived from quoted prices in an active market based on interest rates and yield curves, implied volatilities and credit spreads),
- Level 3 - inputs that are not based on observable market data, however unobserved data must reflect the assumptions that market participants would use in pricing the asset or liability, including risk assumptions (fair value is determined based on valuation models taking into account subjective variables not 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 movement, and use is reviewed by the Group annually.

Contract assets
A contract asset is the right to an amount of consideration in exchange for goods or services transferred to the customer. Contract assets of the Group include accrued revenues for the goods and services supplied to customers.

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. At 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, share premium, 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
Trade payables 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, trade payables are classified into non-current and current.

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

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration from the customer. The Group includes in contract liabilities amounts payable for collateral and advances received and liabilities arising from approved discounts and accrued revenues. Contract

liabilities are recognized as revenue when the Group performs under the contract.

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 as at the reporting date, considering Slovenian mortality rates for the 2000-2002 period separately by gender.

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

Revenues
In accordance with IFRS 15, the Group applies the five-step model to revenue earned from contracts with customers. The Standard requires the entity to recognize revenue at the amount of consideration that the company is reasonably expected to collect in exchange for the transfer of goods or services to the customer. The IFRS 15 standard replaces International Accounting Standards IAS 11 Construction Contracts and IAS 18 Revenue. The Group has applied the IFRS 15 standard as from 1 January 2018 and has found no impact on retained earnings.

Sales revenue from contracts with customers 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. A performance obligation arises when the goods are dispatched or accepted by the buyer or the service is rendered. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. The Group expects, at contract inception, that the period between the transfer of the promised services to the customer and when the customer pays for those services will be one year or less.

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.

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 benefit costs
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.

Amortization and 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.

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, i.e. 19% applicable to 2018 and 2017 financial years.

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 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 and tax legislation 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 also from analytical records. Cash flows from intragroup transactions are eliminated from the consolidated cash flow statement.

Changes to accounting policies and disclosures

The accounting policies applied by the Group in the preparation of its consolidated financial statements are the same as those used in the previous financial year, except for the newly adopted or amended standards and interpretations that were adopted by the Group for annual periods beginning on or after 1 January 2018, as described below:

· IFRS 9 Financial Instruments

The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. In accordance with this standard, the Company allocated trade receivables and other receivables that were measured under IAS 39 to the category Financial instruments at amortized cost; and investments in the equity of other non-listed companies to the category of financial assets at fair value through other comprehensive income.

· IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a five-step model that will apply to revenue earned from contracts with customers (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sale of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations relating to the sale of assets or services; changes in contract asset and liability account balances between periods and key management judgements and estimates. The Group applied the simplified method of transition and did not restate the opening balances. Deferred revenue is disclosed as a contract liability.

· IFRS 15: Revenue from Contracts with Customers (Clarifications)

The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 Revenue from Contracts with Customers, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach.

· IFRS 2: Classification and Measurement of Share-based Payment Transactions (amendments)

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payments that changes the classification of the transaction from cash-settled to equity-settled. The Group does not expect the amendment will have a significant impact on its consolidated financial statements.

· IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments)

The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the new insurance contracts standard that the Board is developing to replace IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach, which would permit entities that issue contracts within the scope of IFRS 4 to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets. The Group does not expect the amendment will have a significant impact on its consolidated financial statements.

· IAS 40: Transfers to Investment Property (amendments)

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The Amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The Group does not expect the amendment will have a significant impact on its consolidated financial statements.

· IFRIC Interpretation 22: Foreign Currency Transactions and Advance Consideration

The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The Group does not expect the amendment will have a significant impact on its consolidated financial statements.

- The IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle, which is a collection of amendments to IFRSs.
  - Ø The improvement to IFRS 1 - First-time Adoption of International Financial Reporting Standards deletes the short-term exemptions regarding disclosures about financial instruments, employee benefits and investment entities, applicable for first time adopters. The Group does not expect the amendment will have a significant impact on its consolidated financial statements.
  - Ø IAS 28: Investments in Associates and Joint Ventures Amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition. The Group does not expect the amendment will have a significant impact on its consolidated financial statements.

The following standards have not come into effect and have not been applied early by the Group

- IFRS 16: Leases
  The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lesees to recognize most leases in their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. In its separate financial statements, the parent company recognized €225,103 of non-current liabilities from lease agreements and rights to use assets as at 1 January 2019.
- IFRS 17: Insurance Contracts
  The Standard applies for annual periods beginning on or after 1 January 2021. Early adoption is permitted, provided that the Company also reports in accordance with IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments. IFRS 17 Insurance Contracts thus provides guidelines for the recognition, measurement, presentation and disclosure of insurance contracts agreed by an insurance company. The Standard also requires the application of similar principles also in reinsurance and investment contracts with potential discretionary participation. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statement to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity. The standard has not yet been endorsed by the EU.
- 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 or Joint Venture
  The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The IASB has postponed the effective date of this standard indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have so far not been endorsed by the EU.
- IFRS 9: Amendments to IFRS 9 - Prepayment Features with Negative Consideration
  These amendments are effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted. The amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be "negative compensation"), to be measured at amortized cost or at fair value through OCI.
- IAS 28: Investments in Associates and Joint Ventures (Amendment)
  These amendments are effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted. The Amendments address the issue of whether the measurement, in particular impairment requirements, of long term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 - Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from

applying IAS 28. The amendments have so far not been endorsed by the EU.

- IFRIC Interpretation 23: IFRIC Interpretation 23 - Uncertainty over Income Tax Treatments
The clarifications are effective for annual periods beginning on or after 1 January 2019. Early adoption is allowed. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances.
- IAS 19: Plan Amendment, Curtailment or Settlement (Amendments)
These amendments are effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted. The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements. The amendments have so far not been endorsed by the EU.
- Conceptual Framework in IFRS standards
The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.
- IFRS 3: Business Combinations (Amendments)
The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period. Early adoption is permitted. The amendments have so far not been endorsed by the EU.
- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of "material"(Amendments)
These amendments are effective for annual periods beginning on or after 1 January 2020. Early adoption is permitted. The amendments clarify the definition of material and how it should be applied. The new definition states that, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. In addition, the explanations accompanying the definition have been improved. The amendments also ensure that the definition of material is consistent across all IFRS Standards. The amendments have so far not been endorsed by the EU.

- The IASB has issued the Annual Improvements to IFRSs 2015 – 2017 Cycle, which is a collection of amendments to IFRSs. These amendments are effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted. The improvements have so far not been endorsed by the EU.

  - *IFRS 3 Business Combinations and IFRS 11 Joint Arrangements.* The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
  - *IAS 12 - Income Tax The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits have been recognised.*
  - *The amendments to IAS 23* Borrowing Costs clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

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.

Determination of fair value

Fair values of financial and non-financial assets and liabilities have been determined for measurement and/or disclosure purposes based on the methods presented below and explained further in notes to the financial statements.

Trade and other receivables
Trade receivables are not discounted due to their short-term nature, however fair value impairments have been taken into account.

Financial liabilities
Fair value is determined based on the present value of future principal and interest payments discounted at the market rate of interest prevailing at the reporting date.

2.3 NOTES TO THE FINANCIAL STATEMENTS

	31.12.2018	EUR 31.12.2017
1. Intangible assets	**6,253,009**	**6,155,403**
Concessions, trademarks and licences	297,009	199,403
Goodwill	5,956,000	5,956,000

Movements in intangible assets in 2018 are presented below (in EUR):

	Concessions, patents	Goodwill	Total
1. Cost			
At 1 Jan 2018	392,022	5,956,000	6,348,022
Currency fluctuations	308	0	308
Additions	142,221	0	142,221
Disposals	-29,235	0	-29,235
At 31 Dec 2018	505,316	5,956,000	6,461,316
2. Accumulated amortization			
At 1 Jan 2018	-192,619	0	-192,619
Currency fluctuations	-97	0	-97
Additions	-44,825	0	-44,825
Disposals	29,234	0	29,234
At 31 Dec 2018	-208,307	0	-208,307
3. Carrying amount			
At 1 Jan 2018	199,403	5,956,000	6,155,403
At 31 Dec 2018	297,009	5,956,000	6,253,009

The items of concessions, patents and trademarks in the amount of €297,009 include licences for the use of telecommunications equipment.

In 2018, the Group capitalized €71,774 of direct costs relating to software developed in-house.

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

Goodwill in the amount of €5,956,000 is the difference arising on merger by acquisition of Modra investicija d.o.o. on 28 June 2006. 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: 9.47%
- Cash flow forecast period: 2019-2023
- average nominal annual growth rate in gross cash flow: 0.9%

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%	8,823	-5%
Decrease by	0.50%	9,898	6%
Change in long-term growth rate			
Increase by	0.50%	9,729	4%
Decrease by	0.50%	8,974	-4%
Change in return			
NOPLAT increase by	5.00%	9,815	5%
NOPLAT decrease by	5.00%	8,843	-5%
Investment change			
CAPEX increase by	5.00%	9,147	-2%
CAPEX decrease by	5.00%	9,511	2%
Ceiling		**9,738**	**4.0%**
Minimum threshold		**8,947**	**-4.0%**

Recoverable amount of non-current assets (total equity) of Akton d.o.o. as the cash generating unit is based on its value in use, estimated at €9,329,000,000 as at 31 December 2018.

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

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
Additions	88,725	0	88,725
Disposals	0	0	0
At 31 Dec 2017	392,022	5,956,000	6,348,022
2. Accumulated amortization			
At 1 Jan 2017	-135,683	0	-135,683
Currency fluctuations	-22,581	0	-22,581
Additions	-34,355	0	-34,355
Disposals	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

	31.12.2018	EUR 31.12.2017
2. Property, plant and equipment	**823,086**	**716,749**

Movements in property, plant and equipment in 2018 (in EUR):

	Other plant and equipment	Property, plant and equipment under	Total
1. Cost			
At 1 Jan 2018	3,471,089	19,322	3,490,411
Currency fluctuations and reconciliation	-9,452	0	-9,452
Additions	323,289	0	323,289
Disposals	-918,284	-13,118	-931,402
At 31 Dec 2018	2,866,642	6,204	2,872,846
2. Accumulated			
At 1 Jan 2018	-2,773,662	0	-2,773,662
Currency fluctuations and reconciliation	26,260	0	26,260
Additions	-220,494	0	-220,494
Disposals	918,136	0	918,136
At 31 Dec 2018	-2,049,760	0	-2,049,760
3. Carrying amount			
At 1 Jan 2018	697,427	19,322	716,749
At 31 Dec 2018	816,882	6,204	823,086

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

	Other plant and equipment	Property, plant and equipment under	Total
1. Cost			
At 1 Jan 2017	3,257,836	3,110	3,260,946
Currency fluctuations	-3,723	0	-3,723
Additions	224,412	16,212	240,624
Disposals	-7,436	0	-7,436
At 31 Dec 2017	3,471,089	19,322	3,490,411
2. Accumulated			
At 1 Jan 2017	-2,522,875	0	-2,522,875
Currency fluctuations	-702	0	-702
Additions	-257,381	0	-257,381
Disposals	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

In 2018, the Group incurred €33,654 of costs relating directly to making the items of property, plant and equipment ready for their intended use.

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 difference between the opening and closing balance in the amount of €119,455 is due to the following:

- Additions in 2018: + €323,289
- FX differences in 2018: €16,808
- Depreciation in 2018: €-220,494
- Disposals in 2018: -148
- Write-off in 2018:

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

	31.12.2018	EUR 31.12.2017
3. Non-current investments	**2,974,691**	**2,966,441**
Other shares and stakes	2,974,691	2,966,441

Other shares and interests comprise an 85% stake in ATEL EUROPE B.V. (€2,972,691) and a 40% stake in AKTON GAMBIA LTD. (€2,000).

	31.12.2018	EUR 31.12.2017
4. Trade receivables	**6,131,637**	**8,322,306**
Trade receivables	5,502,554	7,568,847
Other trade receivables	629,083	753,459

	31.12.2018	EUR 31.12.2017
Trade receivables	**5,502,554**	**7,568,847**
Not past due	4,182,563	4,911,516
Past due up to 60 days – not impaired	1,088,108	2,493,764
Past due more than 60 days – not impaired	231,883	163,567
Past due more than 60 days - impaired	3,232	4,492
Receivable impairment	-3,232	-4,492
Impairment and write-off of receivables past due	41,928	10,528

In 2018, the parent company wrote-off €37,051 of trade receivables, while Akton Croatia wrote-off trade receivables of total €607 and Akton Serbia €4,270 of trade receivables.

	31.12.2018	EUR 31.12.2017
Trade receivables	**5,502,554**	**7,568,847**
Gross	5,546,619	7,577,329
Allowance	-44,065	-8,482

	31,12,2018	EUR 31,12,2017
Other receivables	**629,083**	**753,459**
Due from the State – not past due	596,197	652,999
Other receivables – not past due	32,886	100,460

		EUR
	31.12.2018	31.12.2017
5. Equity	**8,302,607**	**8.109.212**
Share capital	4.915.686	4.915.686
Share premium	1.834.224	1.834.224
Profit reserves	6.621	6.621
Fair value reserve	-2.120	-2.120
Translation reserves	-19.819	-20.563
Retained earnings	1,568,015	1.375.364

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 €822,651 of profit generated in 2018.

		EUR
Distributable profit	31.12.2018	31.12.2017
Distributable profit at year-end	**1,568,015**	**1,375,364**

		EUR
	31.12.2018	31.12.2017
6. Short-term financial liabilities	**881,583**	**870,411**

Short-term financial liabilities comprise payables to banks and include:
- €180,000 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 €199,500),
- €700,000 of the utilized amount of framework borrowings raised from a local bank, which bear interest at the market rate. Borrowings are collateralized with the receivables;
- Accrued interest on borrowings raised of total €1,583.

As at 31 December 2018, the Group reports approved but not yet utilized framework borrowings of €1,050,000 from a Slovene bank, which bear interest at the market rates. The borrowings are collateralized with the Company's receivables. As at 31 December 2018, the Group reports approved but not yet utilized overdraft facilities of €600,000, which bear interest at the market rates. The overdraft facilities are collateralized with the Company's bills of exchange.

Movements in monetary and non-monetary assets:

Item in EUR	At 31 Dec 2017	Monetary changes	Non-monetary changes	At 31 Dec 2018
Non-current financial liabilities	199,500	-177,250	0	22,250
Short-term financial liabilities	870,411	-15,243	26,415	881,583
Total financial liabilities	**1,069,911**	**-192,493**	**26,415**	**903,833**

		EUR
	31.12.2018	31.12.2017
7. Trade payables	**7,092,805**	**8,732,715**
Supplier payables	6,555,458	8,130,353
Payables for advances	1,158	517
Other payables	536,189	601,845

Other payables include €255,803 due to the State, €229,971 payable to employees and other liabilities amounting to €16,174.

		EUR
	31.12.2018	31.12.2017
Supplier payables	**6,555,458**	**8,130,353**
Not past due	5,498,274	6,272,661
Past due up to 60 days	726,932	1,650,385
Past due in excess of 60 days	330,252	207,307

		EUR
	31.12.2018	31.12.2017
8. Other liabilities	**228,045**	**242,140**
Accrued costs and expenses	121,457	139,534
Deferred revenue	106,588	102,606

			EUR
	31.12.2018		31.12.2017
9. Revenue from contracts with customers	**45,461,942**	**100%**	**52,456,608**
Sales on the local market	13,960,373	30.71%	13,498,108
Sales on foreign markets	31,501,569	69.29%	38,958,500

Revenue from the sale of products and services on foreign market was earned on the rendering of telecommunications services.
A performance obligation arises when the goods are dispatched or accepted by the buyer or the service is rendered.

Expected rental income from future payments based on irrevocable leases is presented in the following table.

		EUR
	31.12.2018	31.12.2017
Expected rental income	**167,355**	**210,850**
Up to 1 year	167,355	150,850
More than 1 and less than 5 years	0	60,000
More than 5 years	0	0

			EUR
	31.12.2018		31.12.2017
10. Costs	**44,558,826**	**100.00%**	**50,635,485**
Cost of goods and materials sold and cost of materials consumed	96,650	0.22%	76,032
Cost of services	41,913,178	94.06%	47,809,097
Employee benefit costs	2,221,793	4.99%	2,432,969
Write-downs	307,747	0.69%	302,404
Other operating expenses	19,458	0.04%	14,983

			EUR
	31.12.2018		31.12.2017
Cost of services	**41,913,178**	**100.00%**	**47,809,097**
Telecommunications services	37,133,323	88.60%	41,656,901

Rent	3,847,283	9.18%	4,841,894
Cost of other services	932,572	2.23%	1,310,302

Minimum operating lease payments (the Group as the lessee) at the year end

EUR

	31.12.2018	31.12.2017
Expected operating lease liabilities	**401,089**	**437,394**
Up to 1 year	346,017	334,847
More than 1 and less than 5 years	55,072	102,547
More than 5 years	0	0

EUR

	31.12.2018	31.12.2017
Employee benefit costs	**2,221,793**	**2,432,969**
Payroll costs	1,658,744	1,821,984
Pension insurance costs	253,691	267,196
Other social insurance costs	205,413	205,291
Other costs of labour	103,945	138,498

At the end of the year, the Akton Group employed a total of 61 staff.

EUR

	31.12.2018	31.12.2017
Total remuneration of the Management Board and Managers with individual contracts of employment:	562,469	650,421
Members of the Management Board/Company directors	444,852	493,061
Managers with individual contract of employment	117,617	157,360

EUR

	31.12.2018	31.12.2017
Write-downs	**307,747**	**302,404**
Amortization and depreciation	265,319	291,736
Revaluation operating expenses from fixed assets	0	140
- write-off of FA (Note 2)	0	140
- write-off of goodwill	0	0
Revaluation operating expenses associated with current assets	42,428	10,528
- receivable allowances	42,428	10,528
- write-off of unusable/damaged inventory of materials	0	0

EUR

	31.12.2018	31.12.2017
11. Contingent assets and liabilities and other off balance sheet items	**2,530,091**	**2,716,307**
Bank guarantees issued	576,882	763,098
Contingencies	1,953,209	1,953,209

Bank guarantees in total €576,882 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 to a large extent 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 delaying 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 income tax imposed due to

the non-recognition of expenses resulting from impairment of goodwill over the 2007-2010 period.

12. Related party transactions

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 2018 (EUR):

Related persons	Trade receivables	Trade payables	Loans issued	Borrowings
Members of the management and their related parties	0	96,25	0	0

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

Related persons	Trade receivables	Trade payables	Loans issued	Borrowings
Members of the management and their related parties	7	108,797	0	0

Transactions concluded between related parties in 2018 (EUR):

Related persons	Operating revenue	Operating costs	Financial income	Financial expenses
Members of the management and their related parties	35	632,997	0	0

Transactions concluded between related parties in 2017 (EUR):

Related persons	Operating revenue	Operating costs	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.

13. Notes to the risk management

Currency risk

The following invoices were issued and received in foreign currencies in 2018:

Currency FY 2018	USD	GBP	HRK	RSD
Invoices issued	476,810	0	4,393,850	0
Invoices received	277,519	13,176	13,506,096	0

The following invoices were issued and received 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) 2018	EUR*	USD	GBP	HRK	BAM
Loans issued	0	0	0	0	0
Trade receivables	5,288,881	102,153	0	98,770	12,750
Trade payables	6,076,977	133,733	875	209,137	134,736
Borrowings	903,833	0	0	0	0
Financial position exposure (net)	**-1,691,929**	**-31,580**	**-875**	**-110,367**	**-121,986**

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

(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 any exposure to foreign currency risk.

Exchange rates used in conversion of the financial statement items:

for 1 EUR	31.12.2018	31.12.2017
USD	1.145	1.1993
GBP	0.89453	0.88723
HRK	7.4125	7.44
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 reference 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, 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. Trade receivables are collateralized.

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 it 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 individualcompany 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) 2018	No maturity	On demand	Less than 3 months	3-12 months	1-5 years	More than 5 years	Total
Cash and cash equivalents	262,098	0	0	0	0	0	262,098
Current borrowings	0	0	0	0	0	0	0
Other shares and stakes	2,974,691	0	0	0	0	0	2,974,691
Total	**3,236,789**	**0**	**0**	**0**	**0**	**0**	**3,236,789**
Borrowings and other interest bearing debt	0	0	49,333	835,000	19,500	0	903,833
Trade payables	0	0	7,100,372	0	0	0	7,100,372
Total	**0**	**0**	**7,149,705**	**835,000**	**19,500**	**0**	**8,004,205**

(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
Current borrowings	0	0	0	3,000	0	0	3,000
Other shares and stakes	2,966,441	0	0	0	0	0	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**

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 raised short-term and long-term borrowings from local banks in 2018 and its exposure to interest rate risk as at 31 December 2018 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	31.12.2018	31.12.2017
Financial instruments at variable rate of interest	**-903,833**	**-1,069,911**
Financial assets	0	0
Financial liabilities	903,833	1,069,911
Financial instruments at fixed rate of interest	**0**	**3,000**
Financial assets	0	3,000
Financial liabilities	0	0

Interest rate exposure of financial instruments at variable interest rate:

EUR	Interest rate increase/decrease	Impact on profit before tax
2018		
EUR	+ 100 bp	-9,038
EUR	- 100 bp	9,038
2017		
EUR	+ 100 bp	-10,699
EUR	- 100 bp	10,699

15. Subsequent events

No events occurred after the balance sheet date that could have any impact on the financial statements and as a result of which additional procedures should be performed to determine they are presented accurately in the consolidated financial statements.

2.4 STATEMENT OF THE MANAGEMENT'S RESPONSIBILITY

The financial statements were approved by the Management Board on 19 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 2018.

The Management Board confirms that the appropriate accounting policies were consistently applied, and that the accounting estimates were made under the principle of prudence and due diligence of a good manager. The Management Board also confirms that the consolidated financial statements and notes thereof have been compiled under the assumption of a going concern, and in accordance with the 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, 19 June 2019

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 2018, 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 2018 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.

Building a better working world

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, 20 June 2019

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