Consolidated annual report **2019**

Akton communications

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1. BUSINESS REPORT

1.1 Performance results of the akton group

The Group revenue

The Akton Group performed well in 2019 as it continued in its role of the key and most reliable regional "hub" in the international telecommunications market for the Adriatic region (international and especially regional Voice, Data, Messaging, Collocation, Managed services, System Administration and others). Akton considers all market factors earnestly to secure its strategic positioning based on the set strategic goals. In all our activities, including business where we trade in services on a daily basis, technology and financial planning, our focus is on our clients. Akton has recorded growth in the Voice and the Messaging segment including the Viber Business Messages, in the international Ethernet point-to-point connections and in API services.

The Group generated €56,460,638.00 of revenues from contracts with international operators and local business users in 2019 (2018: €45,461,942.00). The sale of Voice services, APIs and good performance of companies in Croatia, Bosnia and Herzegovina, Serbia and Northern Macedonia contributed the most to the year-on-year revenue growth.

In 2019, 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 telecommunication services, up 30% compared to €0.00106 applicable in 2018. An announcement of a 0.00227 charge to be imposed for 2020 surprised all the operators. This is an excessive, 66% growth compared to 2019 and a 114% increase compared to 2018, which is neither cost-effective nor justified by the competent agency. Telecommunications operators in Slovenia are forced to pay excessive fees to the Agency. Levies tied exclusively to revenues are too high a financial burden and affect the development of telecommunications, as they are reflected, particularly in investments. Whilst we welcome the introduction of a 50% tax burden on revenues from telecommunications services provided outside Slovenia, these are services over which AKOS has no jurisdiction and therefore, in our opinion, these services should not be subject to any duty at all, as they concern markets and destinations outside Slovenia where Akton performs services including the EU countries and destinations outside Europe such as the USA, Africa, Middle East, and Asia. Telecommunication providers are taxed in Slovenia on services provided in all global destinations, which is, in our opinion, completely wrong. We also feel that the annual fee paid to the State agencies in Bosnia and Herzegovina and Macedonia is too high.

Akton is expanding its geographical coverage, agreeing contracts with new partners, and maintaining its business stability. Our cooperation with the largest global operators of telecommunications services continues to be successful and although we provide telecommunication services in practically every part of the world, we remain anchored in our basic location, i.e. the Adriatic region, where we have all direct interconnections. 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. In 2019, the Group further consolidated its position as "the preferred" contractor in the Adriatic region and Europe as a whole.

In the data services segment, several years of active investment of our work and knowledge in the international market is beginning to pay its dividends. In 2019, the Akton Group completed the process of transferring all connections from SDH (TDM) to the ETH network. We are investing in data capacity expansion, QoS and firewall security and constantly upgrading our own network.

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, whilst investing heavily in its own regional optical metro networks. In Croatia, Serbia and Northern Macedonia, we are building a metro network in all the capitals as a means of connecting business centres and users. The Group provides exceptionally reliable services of international connections for the most demanding users such as foreign embassies, banking systems, some of the most successful multinationals and regional corporations, as well as other international institutions. The Akton Group is one of the largest and most reliable alternative providers of such services in the region.

We expect further growth in the volume of business in 2020, and an increase in revenues by a few percentage points.

The Group expenses

The Group incurred €55,628,355.00 of expenses in 2019 (2018: €44,558,826.00) of which costs of sales of inter-operator telecommunications services (Voice, Data, Messaging services), costs of telecommunications backbones lease, API, and costs of other operational services account for major share. Employee benefit costs increased by 5.8% in 2019 compared to 2018 (a decrease of 8.7% was recorded in 2018 compared to 2017) and account for 4.2% of the Group's total operating expenses. We are actively supporting further development of our talented team and rewarding personal growth and the efforts of all our employees. According to the valuation performed by a certified independent assessor of companies, the Group’s goodwill was not impaired in 2019. The Group strives to keep the operating costs at the level that ensures its long-term financial stability. In addition, we are continually investing in strategic development of all group companies and searching for opportunities for 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 Akton Group successfully continues to pursue its strategic investment 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.

Group employees

At 1 January 2019, the Akton Group employed 61 staff and there were no changes to the Group's organizational structure. The Group is aware of the value of its human resources and has adopted its long-term employment and HR policy. The environments in which we operate, as well as our activities, require high standards also in terms of human resources. Staff turnover is low and is most likely to remain so also in the future. At 31 December 2019, the Akton Group employed 62 staff and further recruitments are planned in 2020 to bring total headcount to 63.

Net profit of the Akton Group

In the financial year under review, the Group generated €1,258,615.00 of net profit (2018: €822,651.00), At the year-end, distributable profit of the Group amounted to €1,751,630.00 (2018: €1,568,015.00).

Year-on-year, the net profit generated in 2019 is up 53%. The growth is mainly due to current operations and compensation received for damages caused as a result of incorrect decisions and interpretations of the Financial Administration of the Republic of Slovenia (FURS), AKOS and BH Telecom. The Group continues to invest heavily in further development and expansion of its business and in 2019, we made major investments in the Messaging and data lines segment.

We take responsible approach to ensuring the Group's stable performance in the future based on large-scale transactions and continuous investments. This means that certain traditional financial indicators do not reflect the actual position of the Group. The Group's objective is to ensure settlement of all of its operating liabilities with its own assets and is making regular repayments of all of its financial liabilities, including interest. Furthermore, the Group is funding all the necessary investments on an ongoing basis, which can only be achieved on an orderly and transparent market and strong confidence and trust in the Group's abilities by the owners, business partners and commercial banks.

In 2019, short-term bridging loans were provided by the following banks: Addiko Bank d.d., NLB d.d. and Sparkasse Bank d.d. The Group continues to forge good business relations with all of the Slovene and foreign banks that are present in the region, to ensure smooth funding of the group companies and the Group operates on the international market with an enviable amount of borrowings raised from banks. The banking system is of key importance as it provides support to fast growing enterprises and corporations such as Akton, and the Group, as a client who has over the years consistently and regularly met all of its obligations, is counting on continued support of banks also in the future.

Although the pressure on prices and, above all, the margin genertaed in the telecommunications sector is, continuing, in the financial year 2020, the Group expects further developments in international markets.

Financial operations of the Akton Group in 2019 were extraordinarily successful. Operating and financial liabilities were settled on a regular basis, and most receivables were successfully collected, resulting in no major outstanding receivables, which is quite an achievement and a rare occurrence in given circumstances. The Akton Group devotes much attention to collection of receivables, and we believe we have a well established and one of the best debt collection systems. In addition, in 2019, Akton Ljubljana insured trade receivables from foreign customers with the international insurance company Acredia Versicherung AG. The Group trades with reputable, first-rate business partners who are aware that strict financial discipline is a prerequisite for a long-term and successful business relationship. Over the years the Group has proven to be a reliable business partner and the best operator among middle and large size operators in the region.

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

In 2019, the Group was able to concentrate most of its energy and time on its daily business and future growth. The pending court proceedings filed by Akton Ljubljana in Slovenia in 2010, cast a rather poor light on the judicial system and especially on A1 Slovenija, d.d., one of the telecommunications operators.

1. On 27 January 2010, Akton Ljubljana filed lawsuit no. XII Pg 353/2010 against the former 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 the expansion of capacities). The proceedings have been in progress for 11 years. This is unacceptable as economic issues should be considered priority and serves as an indicator of the current state and (in)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 origin of the call, which confirmed the stand that has been constantly advocated by Akton. In addition to the existing final judgements in favour of Akton, this is final confirmation that Akton's conduct was correct and consistent with the legal framework, in contrast with that of the A1 Slovenia operator.

Currently, Akton Ljubljana is focussing its efforts on justifying the amount of damages claimed 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 2019 stands at no less than €1,571,827.63 bringing total damages claimed to €3,454,106.15. In our opinion, the conduct of the party who will ultimately have to pay the damages is highly irresponsible.

We are always willing to actively approach any unresolved issues and support compromise. However, in this case, the counterparty is unwilling to take responsibility and make the right decision, although prolonged legal cases are a burden for everyone involved.

The State, regulators and courts should actively and impartially approach healthy, export-oriented companies and support them in their quest for success, as they are the ones that provide the basis for economic growth and financial stability of an individual country, i.e. Slovenia.

Investments

The Akton Group invested mainly in its telecommunications and optical network in 2019, to ensure top-notch services and comply with the highest quality standards. In 2020, the Group's ongoing investment cycle is expected to focus on strengthening the firewall of the Group's own IP network, building an optical network and increasing the ETH capacity.

All the group companies operate in accordance with the planned goals and most of them even exceed them on account of their strong strategic position in the market, excellent team of professionals, good sale efforts, high-quality services and customer focus.

The Akton Group further reduced its financial liabilities arising from long-term borrowings by €180,000.000 in 2019 (2018: €225,000.00) and thus, at the end of 2019, they amounted to €19,500.00 (2018: €199,500.00).

The Akton Group will continue investing in the development of data, Messaging 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 13 local PoPs (Ljubljana, Zagreb, Sarajevo, Banja Luka, Beograd, Skopje, Podgorica and Priština). The Group has established a system 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 (MPLS, ETH, IP VPN, Internet access, DIA)

In 2019, the Group consolidated its position as the leading integrator of technologically most advanced connections and applications in the Adriatic region and recorded additional growth in the number of orders for international data links. The Akton Group is continually investing in expansion of its international data capacities, whilst protecting connections with several different routes. Thus, in 2019, we continued with expansion of our network capacities, while remaining loyal to our primary objective: to be the »One-Stop-Shop« service provider for international business partners in the entire region. In cooperation with local operators, Akton provides access to all locations in Slovenia, Croatia, Bosnia and Herzegovina, Serbia, Northern Macedonia, Bulgaria, Montenegro, Kosovo and Albania through its own network.

Recently, we have noted an increase in sales in the Dedicated Internet Access (DIA) segment. As security is one of our main priorities, we provide DDoS protection to all our users.

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 high 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.

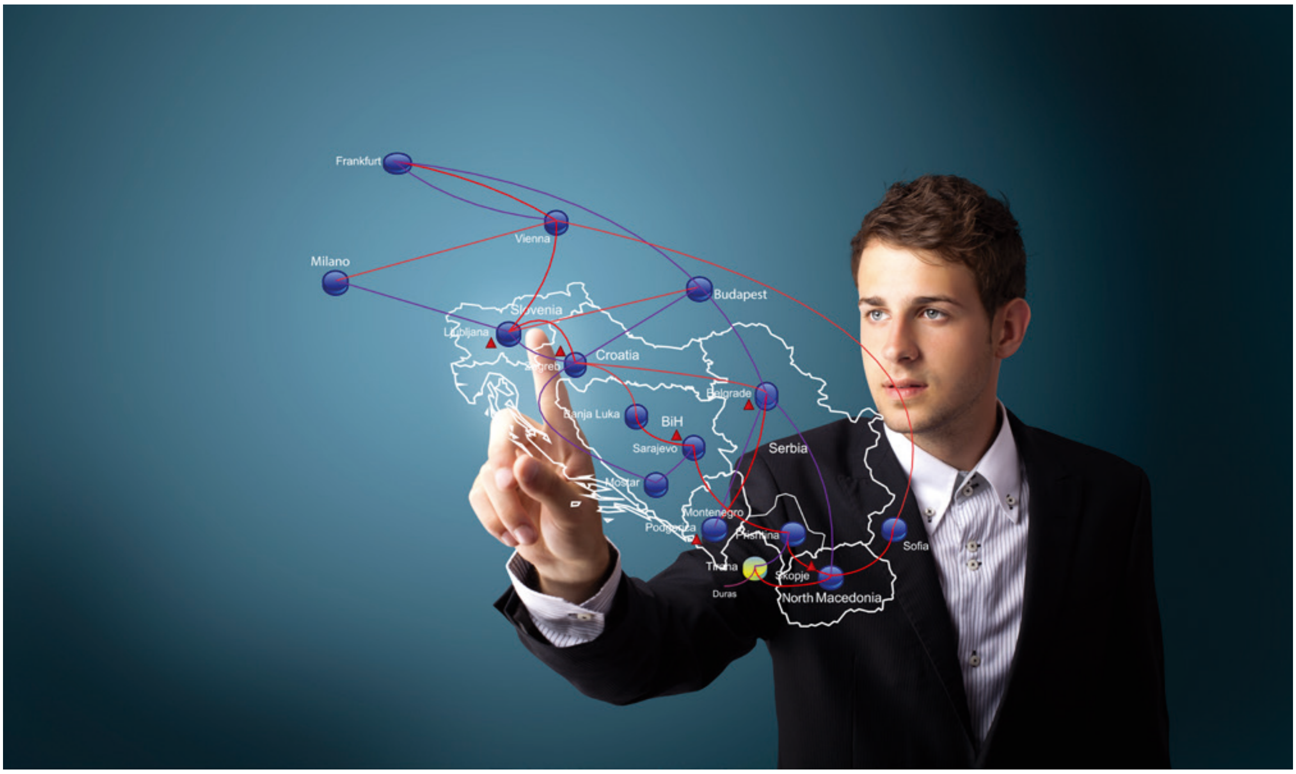

Figure 1: The Akton Group backbone network in the Adriatic region

1.2.3 Messaging services

Vključujejo posredovanje klasičnih A2P SMS sporočil in sporočil preko aplikacij za komuniciranje kot so Viber, WhatsApp , Skype in drugi.

1.2.3.1 A2P SMSs

A growth was noted in the provision of A2P SMSs in 2019 and we are happy to report that users at home and abroad are very satisfied with the service. Akton provides all types of SMSs to all global destinations and for a variety of segments (transactions/banking, promotional, OTP/OTT). The Group is expecting further growth in the number of business partners of both, application companies or so-called OTT/OTP message originators (Google, Viber, Facebook, WhatsApp, Airbnb, Booking, Instagram, etc.), as well as Corporate Retail Customers in the region and in the global arena. The Group uses a professional Messaging platform for A2P SMSs, which enables it and its customers a daily insight into the traffic quality statistics and the entire billing of the service. We further provide connectivity to the platform via SMPP/HTTP interconnection, using either the application programming interface (API) or direct access to the platform using username and password. For SMPP and API connections, the platform is suitable mainly for the large customers.

1.2.3.2 Viber Business Messages

Akton Ljubljana is the only Slovenian contractual partner of Viber Rakuten providing Viber business messaging using the Viber application. We have noted an increased user interest and are very satisfied with the market response. Viber BM is used primarily in digital marketing as it contains large quantity of information and is particularly suitable for business users. Due to an increased number of characters, images and buttons, it allows transfer of more information to the user. In addition, Viber BM is more interesting because of the content of the message, which can include a company logo, brief description and basic information of the company and a link to its website. In the future, we shall offer transfer of files such as invoices, pictures, sound, video, bar codes and QR codes, using Viber. The Group has developed its own user-friendly Viber platform, which allows users to send all elements of the message in the simplest and fastest way.

1.2.3.3 Premium SMSs

The Group is planning to enter the Premium SMS market.

1.2.4 Origin of calls

Services of international calls origin are provided by the Group to business users in Croatia, Bosnia and Herzegovina, Serbia and Northern Macedonia. Operational result in this 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 international calls origin charged by all the companies in the Group.

1.2.5 Information society

A novelty in the market that has been introduced in recent years is transfer of messages between applications, which shows strong demand in foreign and domestic markets. Akton provides connectivity using the application programming interface (API), which is most suitable for use by large and small business users.

1.3 STRATEGY

In the financial year 2019, 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 the existing strategic objectives, as we are well on our way of achieving the Group's long-term goals and strategic priorities set for the 2018-2022 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 are target groups that are already beginning to emerge as users of our services.

Future investments 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 our major opportunities may 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 Akton Group in the period 2018-2022:

- 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 our high 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 daily in their own individual field. To Akton, every single employee is important as together we are building a culture of mutual trust, respect, efficient cooperation and teamwork. We are continually gaining additional knowledge and ensuring 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 everyone.

We are a united team, which we demonstrate by our formal and informal socializing events including regular celebration of 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 particularly 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 everyone.

Business partners

Satisfied business partners are a key factor in today's competitive environment as is reflected in our motto: "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 added value for them which ensures that both, our partners and ourselves are triumphant on international markets. In cooperation with our business partners we strive to find solutions based on a winning balance between quality and price of services. Quality of our services and products is systematically monitored and continually upgraded.

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 their quality.

Environment

Our activities and business operations are directed not only at providing the best quality solutions, but also solutions that are friendly to the environment and the 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 printing ink. 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 business partners who can take part in such cooperation.

Solidarity

Everyone in the Akton Group recognizes 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 2019 we allocated our sponsorship funds to:

- the Olimpija Swimming Club
- Ljubljana Gymnastics Association
- "Mali vitez" Institute
- Štefan Hadalin, member of the Slovenian national ski team

1.5 EXPOSURE TO RISK AND RISK MANAGEMENT

Risk management

We are aware of several risks that are present in the business environment and 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 risk 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.

Considering 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 entity.

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 daily monitoring of receivable maturity and our business partners are informed few days in advance that certain receivables are about to mature.

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

Considering 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

After the reporting date, the WHO declared the global Covid-19 coronavirus pandemic. We believe that the pandemic will have a strong impact on the global economy in the financial year 2020. While certain businesses may register growth in their activities, most enterprises will unfortunately face a decline. In the markets where the Group operates, we expect a reduction in the volume of international voice services, in the segments of data and Messaging service while in the API we expect to achieve the goal set for 2020, i.e. a moderate growth. As early as at the end of February 2020, the Group implemented measures to prevent spread of the virus among the employees. All international business trips and international conferences were cancelled, although some are expected to take place in autumn 2020. We are in daily contact with our customers and suppliers regarding current transactions and payments to secure a positive cash flow. In these difficult times, receivable insurance is one of the key instruments of risk mitigation. The Group will make any revisions to the 2020 plan in the autumn.

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 the circumstances known at the time those transactions were performed.

1.8 CONSOLIDATED FINANCIAL STATEMENTS 2019

1.8.1 CONSOLIDATED STATEMENT OF FINANCIAL POSITION at 31 December 2019

	Notes	31.12.2019	in EUR 31.12.2018
ASSETS		**24,641,662**	**16,575,903**
A. Non-current assets		**10,549,211**	**10,059,450**
I. Intangible assets	1	6,304,119	6,253,009
II. Property, plant and equipment	2	1,265,207	823,086
III. Non-current investments	3	2,972,691	2,974,691
IV. Deferred tax assets		4,417	4,417
V. Other assets		1,466	2,931
VI. Non-current operating receivables		1,311	1,316
B. Current assets		**14,092,451**	**6,516,453**
I. Inventories		15,912	8,390
II. Trade and other receivables	4	13,565,128	6,131,637
III. Income tax credits	0	59,198	
IV. Other receivables		52,788	55,130
V. Cash and cash equivalents		458,623	262,098
Equity and liabilities		**24,641,662**	**16,575,903**
A. Equity	**5**	**8,489,095**	**8,302,607**
I. Share capital		4,915,686	4,915,686
II. Reserves		1,821,779	1,818,906
III. Retained earnings		1,751,630	1,568,015
B. Provisions		**48,613**	**48,613**
C. Non-current liabilities		**180,335**	**22,250**
I. Non-current financial liabilities	6	149,988	22,250
II. Deferred tax liabilities		30,347	0
D. Short-term liabilities		**15,923,619**	**8,202,433**
I. Short-term financial liabilities	7	719,585	881,583
II. Trade and other payables	8	14,887,321	7,092,805
III. Income tax payable		32,422	0
IV. Current contract liabilities	9	188,577	106,589
V. Other payables	9	95,714	121,456

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 2019

	Notes	31.12.2019	in EUR 31.12.2018
1. Revenue from contracts with customers	10	56,460,638	45,461,942
2. Other operating revenue		312,718	130,759
3. Cost of goods, materials and services	11	-52,863,216	-42,009,828
4. Employee benefit costs	11	-2,350,918	-2,221,793
5. Write-downs	11	-397,615	-307,747
- of which receivable impairment and write-down	11	-3,093	-42,428
6. Other operating expenses	11	-16,606	-19,458
8. Financial income from trade receivables		507,448	11,596
9. Financial expenses from financial liabilities		-128,933	-26,415
10. Financial expenses from trade payables		-15,795	-15,214
Financial profit or loss		**362,720**	**-30,022**
Total profit or loss before tax		**1,507,721**	**1,003,853**
11. Income tax		-249,106	-181,027
12. Deferred tax		0	-175
Net profit for the year		**1,258,615**	**822,651**

1.8.3 CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME for the year ended 31 December 2019

	Notes	31.12.2019	in EUR 31.12.2018
Net profit/loss		**1,258,615**	**822,651**
Other comprehensive income that will be reclassified to P&L at a later date		**2,873**	**744**
Actuarial gains/losses		0	0
Other comprehensive income – consolidation reserve		2,873	744
Total comprehensive income for the year		**1,261,488**	**823,395**

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 for the year ended 31 December 2019

	Notes	31.12.2019	in EUR 31.12.2018
A. Cash flows from operating activities			
a) Items derived from the income statement		**1,538,488**	**1,131,471**
Operating revenue (except from revaluation) and financial income from trade receivables		57,034,129	45,578,966
Operating expenses excluding depreciation (except revaluation) and financial expenses from trade payables		-55,246,535	-44,266,293
Income tax and other taxes not included in operating expenses		-249,106	-181,202
b) Changes in net operating assets		**777,955**	**338,738**
Opening less closing trade receivables		-7,123,139	2,114,911
Opening less closing other receivables		3,807	31,227
Opening less closing deferred tax assets		0	538
Opening less closing inventories		-7,522	1,078
Closing less opening trade payables		7,819,371	-1,792,851
Closing less opening other payables and provisions		56,246	-15,935
Closing less opening deferred tax liabilities		30,347	0
Other adjustments		-1,156	-230
c) Net cash from operating activities (a+b)		**2,316,443**	**1,470,209**
B. Cash flows from investing activities			
a) Cash receipts from investing activities		**2,000**	**3,011**
Interest and dividends received from investing activities		0	11
Cash receipts from disposal of short-term investments		2,000	3,000
b) Cash disbursements from investing activities		**-883,725**	**-473,760**
Cash disbursements to acquire intangible assets		-115,503	-142,221
Cash disbursements to acquire property, plant and equipment		-768,222	-323,289
Acquisition of non-current investments		0	-8,250
c) Net cash from investing activities (a+b)		**-881,725**	**-470,749**
C. Cash flows from financing activities			
a) Cash proceeds from financing activities		**127,738**	**11,172**
Cash proceeds from increase in non-current financial liabilities		127,738	0
Proceeds from increase in short-term financial liabilities		0	11,172
b) Cash disbursements for financing activities		**-1,365,931**	**-833,665**
Interest paid on financing activities		-128,933	-26,415
Cash repayments of non-current financial liabilities		-161,998	-177,250
Repayments of short-term financial liabilities		-1,075,000	-630,000
c) Net cash from financing activities (a+b)		**-1,238,193**	**-822,493**
D. Closing balance of cash and cash equivalents		**458,623**	**262,098**
Net cash inflow or outflow for the period (sum total of Ac, Bc and Cc)		**196,525**	**176,967**
Opening balance of cash and cash equivalents		**262,098**	**85,131**

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 2019

in EUR

	Notes	Share capital	Share premium	Profit reserve	Fair value reserve	Translation reserves	Retained earnings	Total capital
				Legal reserves				
At 1 Jan 2019		**4,915,686**	**1,834,224**	**6,621**	**-2,120**	**-19,819**	**1,568,015**	**8,302,607**
Profit for the period		**0**	**0**	**0**	**0**	**0**	**1,258,615**	**1,258,615**
Consolidation reserve		0	0	0	0	2,873	0	2,873
Total comprehensive income of the period		**0**	**0**	**0**	**0**	**2,873**	**1,258,615**	**1,261,488**
Pay-out		0	0	0	0	0	-1,075,000	-1,075,000
Transactions with owners		**0**	**0**	**0**	**0**	**0**	**-1,075,000**	**-1,075,000**
At 31 Dec 2019	5	**4,915,686**	**1,834,224**	**6,621**	**-2,120**	**-16,946**	**1,751,630**	**8,489,095**
Profit available for distribution at 31 Dec 2019	5	**0**	**0**	**0**	**0**	**0**	**1,751,630**	**1,751,630**

Statement of changes in equity in 2018

in EUR

	Notes	Share capital	Share premium	Profit reserve	Fair value reserve	Translation reserves	Retained earnings	Total capital
				Legal reserves				
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 compre-hensive 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.

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 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 2019 Consolidated Annual Report for publication on 28 August 2020. The consolidated annual report is available at the headquarters of the Company.

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

Company name	Registered office	The parent's holding in 2019	The parent's holding in 2018
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 level of education:

Year	Educational level				
	V.	VI.	VII.	VIII.	Total
2019	28	10	23	1	62
2018	26	9	25	1	61

2.2 Summary accounting policies and assumptions

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

Declaration of conformity

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

Basis of preparation

The consolidated financial statements are prepared under the historical cost convention, with exception of financial assets, which are 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 potential liabilities on the reporting date, as well as the amounts of revenues and expenses recorded over the period ending on the reporting date.

The management estimates include, among others, the following items: the carrying amount of intangible assets (Note 1); allowances for doubtful receivables (Note 3); determination of performance obligation and financial component on recognition of revenue (Note 9), provisions for jubilee awards and termination benefits on retirement, which are estimated based on an actuarial calculation; identification of lease contracts, lease terms and determination of a discount rate (refer to accounting policies relating to leases on page 17-18); and assessment of the goodwill impairment test (Note 1). 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 becomes available.

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 with the application of uniform accounting policies. In the event of inconsistent use of accounting policies, appropriate adjustments are made in the consolidated financial statements.

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

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

The Group recognizes any transactions with minority owners as transactions with non-related parties. Acquisition of interests in a subsidiary from minority owners are reflected in goodwill (surplus) as the difference between the cash or other consideration paid and the corresponding share of the net book value of the acquired assets of the subsidiary. Sale of 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 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 2019 and are identical to those used in 2018. Amortization of the items of intangible assets is accounted for using the following amortization rates (in %):

	2019	2018
Software applications	10,00 - 50,00	10,00 - 50,00

The Group recognizes software development costs as an item of intangible assets if it can 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, including the existence of a market for the output of the project or the project itself or, if the project is to be used internally the usefulness of the project; 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 includes 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.

Borrowing costs that are directly attributable to the acquisition or production of a qualifying asset are recognized as part of the cost of the asset.

Subsequent expenditures on an item of property, plant and equipment are added to the carrying amount of the asset if it is reasonable to believe that the future economic benefits from the asset will flow to the Group and if its costs can be reliably measured. All other expenditure (e.g. regular maintenance) is recognized in profit or loss when incurred.

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 %):

	2019	2018
• Computer hardware	5.00-50.00	5.00-50.00
• Office machinery	7.50-25.00	7.50-25.00
• Telecommunications equipment	4.00-50.00	4.00-25.00
• Other equipment	8.00-33.33	8.00-25.00

Leases (right-of-use assets)

The Group recognizes right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use).

Right-of use assets are measured at cost less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

The right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated lease term or the estimated useful lives of the assets, as follows:

• Manufacturing plant and machinery	3 to 15 years
• Motor vehicles and other equipment	3 - 5 years
• Land and buildings	30 years

If ownership of the leased asset transfers to the entity at the end of the lease term or the entity exercises a purchase option, the depreciation is calculated based on the estimated useful life of the asset. The right-of-use assets are revalued to account for any impairment.

Lease liabilities

At the date of commencement of the lease, the Group recognizes the lease liabilities measured at the present value of all lease payments to be made over the lease term.

The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid by the lessee under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the entity and payments of penalties for terminating the lease, if the lease term reflects the entity exercising the option to terminate.

Variable lease payments that do not depend on an index or rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate as the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. The carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have with a lease term of 12 months or less and do not include an option to purchase). It also applies the lease of low-value assets recognition exemption to leases of low value assets in connection with the lease of assets considered to be of low value. Lease payments on short-term leases and leases of low-value assets, are recognized as expense on a straight-line basis over the lease term.

Company as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership risks are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

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

Financial assets

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 amortized 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 short-term financial assets that mature within a period of 12 months after the reporting date, and into long-term 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, 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 an impairment. 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 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. The 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 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. On the reporting date, cash denominated in foreign currency is translated into the Euro currency at the mean exchange rate of the Bank of Slovenia.

Equity

Total equity of the Group is its liability to owners which falls due if the Group ceases to operate, whereby the amount of equity is adjusted to the then attainable price of the Group's net assets. It is determined by the amounts invested by owners and the amounts generated during 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 loss 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, they are classified into non-current and current liabilities.

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

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group 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, considering Slovenian mortality rates for the period 2000-2002 separately by gender.

Depending on the employee 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 entity 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 in IAS 11 Construction Contracts and IAS 18 Revenue. The Group has applied the IFRS 15 standard since 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 customer 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 goods or services to the customer and when the customer pays for those goods or services will be one year or less. Variable compensation is not included in contracts with customers.

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 benefits

Employee benefit costs are recognized on the basis of documents that evidence the work performed and other basis used 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 comprises 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 2019 and 2018 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 directly in equity. A deferred tax asset is also recognized on account of unused tax losses and unused tax credits carried forward to the next period, if it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized.

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

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

Cash flow statement

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

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 2019, as described below:

- **IFRS 16: Leases**

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 lessees 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. The Management has assessed and disclosed the effect of the standard in Notes 2 and 7 to the financial statements.

- **IFRS 9: Prepayment Features with Negative Consideration (Amendment)**

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. The Management has assessed the impact of the amended standard and believes it will have no significant impact on the financial statements upon first adoption of the standard.

- **IAS 28: Investments in Associates and Joint Ventures (Amendments)**

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 Management has assessed the impact of the amended standard and believes it will have no significant impact on the financial statements upon first adoption of the standard.

- **IFRIC 23: Uncertainty over Income Tax Treatments**

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. The Management has assessed the impact of the amended standard and believes it will have no significant impact on the financial statements upon first adoption of the standard.

- **IAS 19: Plan Amendment, Curtailment or Settlement (Amendments)**

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 the impact of the plan amendment, curtailment or settlement on the ceiling requirements. The Management has assessed the impact of the amended standard and believes it will have no significant impact on the financial statements upon first adoption of the standard.

- **The IASB has issued the Annual Improvements to IFRSs 2015 – 2017 Cycle, which is a collection of amendments to IFRSs. The Management has assessed the impact of the amended standard and believes it will have no significant impact on the financial statements upon first adoption of the standard.**

    - IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: The amendments to IFRS 3 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. The amendments to IFRS 11 clarify that when the 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 taxes: The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits have been recognised.
    - IAS 23 Borrowing Costs: The amendments 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 following standards have not come into effect and have not been applied early by the Group

- **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 Customer Contracts and IFRS 9 Financial Instruments. IFRS 17 Insurance Contracts thus provides guidelines for the recognition, measurement, presentation and disclosure of insurance contracts. 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 statements 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 so far not been endorsed by the EU. The Management has assessed the impact of the standard and believes it will have no significant impact on the financial statements upon first adoption of the standard.

- **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 recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015, the IASB 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. The Management has assessed the impact of the amended standard and believes it will have no significant impact on the financial statements upon first adoption of the standard.

- **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. The 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. The Management has assessed the impact of the amended standard and believes it will have no significant impact on the financial statements upon first adoption of the standard.

- **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 reasonable 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 Management has assessed the impact of the amended standard and believes it will have no significant impact on the financial statements upon first adoption of the standard.

- **Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform**

The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Early adoption is permitted. In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. Phase two will focus on issues that may affect financial reporting when an existing interest rate benchmark is replaced with a risk-free interest rate. The amendments published, deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The amendments provide temporary relief, applicable to all hedging relationships that are directly affected by the interest rate benchmark reform, which enables hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. Amendments to IFRS 7 Financial Instruments: Disclosures address additional disclosures in terms of uncertainties arising from the interest rate benchmark reform. The Management has assessed the impact of the amended standard and believes it will have no significant impact on the financial statements upon first adoption of the standard.

- **Amendments to IAS 1 – Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current**

The amendments are effective for annual periods beginning on or after 1 January 2022. Early adoption is permitted. The amendments aim to promote consistency in applying the requirements by helping entities determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by an entity issuing own equity instruments. The amendments have so far not been endorsed by the EU. The Management has assessed the impact of the amended standard and believes it will have no significant impact on the financial statements upon first adoption of the standard.

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 in Notes to the financial statement items.

Trade and other receivables

Trade receivables are not discounted due to their short-term nature, however fair value impairments have been considered.

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

	31.12.2019	31.12.2018
		in EUR
1. Intangible assets	**6,304,119**	**6,253,009**
Concessions, trademarks and licences	348,119	297,009
Goodwill	5,956,000	5,956,000

Movements in intangible assets in 2019 are presented below (in EUR):

	Concessions trademarks and licences	Goodwill	Total
1. Cost			
At 1 Jan 2019	**505,316**	**5,956,000**	**6,461,316**
Currency fluctuations	-517	0	-517
Additions	115,503	0	115,503
Disposals	-32,606	0	-32,606
At 31 Dec 2019	**587,696**	**5,956,000**	**6,543,696**
2. Accumulated aamamortization			
At 1 Jan 2019	-208,307	0	-208,307
Currency fluctuations	-127	0	-127
Additions	-63,749	0	-63,749
Disposals	32,606	0	32,606
At 31 Dec 2019	**-239,577**	**0**	**-239,577**
3. Carrying amount			
At 1 Jan 2019	297,009	5,956,000	6,253,009
At 31 Dec 2019	**348,119**	**5,956,000**	**6,304,119**

The items of concessions, patents and trademarks in the amount of €348,119 comprise licences for the use of telecommunications equipment.

In 2019, the Group capitalized €59,172 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 recoverable amount 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 following main valuation assumptions were applied:

- WACC: 8.52%
- Cash flow forecast period: 2020- 2024
- Average nominal annual growth rate in gross cash flow: 1.0%.

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%	8,924	-6%
Decrease by	0.50%	10,221	7%
Change in long-term growth rate			
Increase by	0.50%	10,044	5%
Decrease by	0.50%	9,078	-5%%
Change in return			
NOPLAT increase by	5.00%	10,029	5%
NOPLAT decrease by	5.00%	9,029	-5%
Investment change			
CAPEX increase by	5.00%	9,322	-2%.
CAPEX decrease by	5.00%	9,736	2%
Ceiling		**10,007**	**5.0%**
Minimum threshold		**9,088**	**-5.0%**

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 €9,529,000,000 at 31 December 2019.

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

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

	Concessions, patents and trademarks	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**

		in EUR
	31.12.2019	31.12.2018
2. Property, plant and equipment	**1,265,207**	**823,086**
Buildings	150,229	0
Other plant and equipment	1,114,978	823,086

Movements in property, plant and equipment in 2019 (in EUR):

	Buildings	Other plant and equipment	Property, plant and equipment under construction	Total
1. Cost				
At 1 Jan 2019	**0**	**2,866,642**	**6,204**	**2,872,846**
Currency fluctuations and reconciliation	0	15,378	0	15,378
Additions	232,173	483,899	0	716,072
Disposals	0	-685,370	52,150	-633,220
At 31 Dec 2019	**232,173**	**2,680,549**	**58,354**	**2,971,076**
2. Accumulated depreciation				
At 1 Jan 2019	0	-2,049,760	0	-2,049,760
Currency fluctuations and reconciliation	0	-12,596	0	-12,596
Additions	-81,943	-244,906	0	-326,849
Disposals	0	683,337	0	683,337
At 31 Dec 2019	**-81,943**	**-1,623,925**	**0**	**-1,705,868**
3. Carrying amount				
At 1 Jan 2019	0	816,882	6,204	823,086
At 31 Dec 2019	**150,229**	**1,056,624**	**58,354**	**1,265,207**

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

	Other plant and equipment	Property, plant and equipment under construction	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 depreciation			
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**

In 2019, the Group capitalized €24,223 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 €442,121 is due to the following:

- Additions in 2019: + €368,133
- Right-of-use assets in 2019: + €375,866
- Cost capitalization in 2019: + €24,223
- FX differences in 2019: + €2,782
- Depreciation in 2019: - €326,849
- Disposals in 2019: + €1,891
- Write-off in 2019: - €3,924

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

	31.12.2019	31.12.2018
		in EUR
3. Non-current investments	**2,972,691**	**2,974,691**
Other shares and stakes	2,972,691	2,974,691

Other shares and stakes of €2,972,691 refer to the 85% holding in ATEL EUROPE B.V. Investment in a 40% stake in AKTON GAMBIA LTD. of €2,000) was written off in 2019.

	31.12.2019	31.12.2018
		in EUR
4. Trade and other receivables	**13,565,128**	**6,131,637**
Trade receivables	12,988,553	5,502,554
Other trade receivables	576,575	629,083

Other shares and stakes of €2,972,691 refer to the 85% holding in ATEL EUROPE B.V. Investment in a 40% stake in AKTON GAMBIA LTD. of €2,000) was written off in 2019.

	31.12.2019	31.12.2018
		in EUR
Trade receivables	**12,988,553**	**5,502,554**
Not past due	8,232,446	4,182,563
Past due up to 60 days – not impaired	4,574,694	1,088,108
Past due more than 60 days – not impaired	181,413	231,883
Past due more than 60 days - impaired	42,508	3,232
Receivable impairment	-42,508	-3,232
Impairment and write-off of receivables past due	3,093	41,928

In 2019, the parent company wrote-off €853 of trade receivables, while Akton Croatia wrote-off €920 of trade receivables and Akton Serbia €1,320.

	31.12.2019	31.12.2018
		in EUR
Trade receivables	**12,988,553**	**5,502,554**
Gross	13,031,061	5,546,619
Allowance	-42,508	-44,065

	31.12.2019	31.12.2018
		in EUR
Other receivables	**576,575**	**629,083**
Due from the State – not past due	491,214	596,197
Other receivables – not past due	85,361	32,886

	31.12.2019	31.12.2018
		in EUR
5. Equity	**8,489,095**	**8,302,607**
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	-16,946	-19,819
Retained earnings	1,751,630	1,568,015

Share premium of €1,834,224 refers to the surplus capital paid-in, which is 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 €1,258,615 of profit generated in 2019.

		in EUR
Distributable profit	31.12.2019	31.12.2018
Distributable profit at year-end	**1,751,630**	**1,568,015**

		in EUR
	31.12.2019	31.12.2018
6. Non-current liabilities	**149,989**	**22,250**
Non-current financial liabilities	149,989	22,250

Non-current financial liabilities of €149,989 refer to long-term lease liabilities.

Movements in the carrying amount of lease liabilities recognized in non-current and current liabilities in the accounting period (in EUR):

	2019
At 1 Jan 2019	**292,926**
Increase	99,171
Interest	4,803
Lease payments	128,323
At 31 Dec 2019	**268,577**
NON-CURRENT LEASE LIABILITIES	**149,989**
SHORT-TERM LEASE LIABILITIES	**118,588**

		in EUR
	31.12.2019	31.12.2018
7. Short-term financial liabilities	**719,585**	**881,583**

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

- €100,364 as the current amount of long-term borrowings agreed at the market interest rate; final instalment is due in 2020
- €500,494 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
- €118,588 of the current amount of financial lease liabilities
- €138 of other interest.

As at 31 December 2019, the Group reports approved but not yet utilized framework borrowings of €1,170,000 from a Slovene bank, which bear interest at the market rates. The borrowings are collateralized with bills of exchange and tacit receivable assignment. At 31 December 2019, 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 bills of exchange and tacit receivable assignment.

Movements in monetary and non-monetary assets:

Item in EUR	At 31 Dec 2018	Monetary changes	Non-monetary changes	At 31 Dec 2019
Non-current financial liabilities	22,250	127,738	0	149,988
Short-term financial liabilities	881,583	-191,219	29,221	719,585
Total financial liabilities	903,833	-63,481	29,221	869,573

		in EUR
	31.12.2019	31.12.2018
8. Trade and other payables	**14,887,321**	**7,092,805**
Supplier payables	14,117,589	6,555,458
Payables for advances	2,345	1,158
Other payables	767,387	536,189

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

			in EUR
	31.12.2019		31.12.2018
Supplier payables	**14,117,589**		**6,555,458**
Not past due	12,232,263		5,498,274
Past due up to 60 days	1,469,171		726,932
Past due in excess of 60 days	416,154		330,252

		in EUR
	31.12.2019	31.12.2018
9. Other payables	**284,291**	**228,045**
Accrued costs and expenses	95,714	121,457
Deferred revenue	188,577	106,588

			in EUR
	31.12.2019		31.12.2018
10. Revenue from contracts with customers	**56,460,638**	**100%**	**45,461,942**
Sales on the local market	3,620,691	6.41%	13,960,373
Sales on foreign markets	52,839,947	93.59%	31,501,569

Revenue from the sale of products and services on the local and foreign markets was earned on the rendering of telecommunications services.

A performance obligation arises when the goods are dispatched or accepted by the customer or the service is rendered.

			in EUR
	31.12.2019		31.12.2018
11. Costs	**55,628,355**	**100.00%**	**44,558,826**
Cost of goods and materials sold, and cost of materials consumed	91,671	0.16%	96,650
Cost of services	52,771,545	94.86%	41,913,178
Employee benefit costs	2,350,918	4.23%	2,221,793
Write-downs	397,615	0.71%	307,747
Other operating expenses	16,606	0.03%	19,458

			in EUR
	31.12.2019		31.12.2018
Cost of services	**52,771,545**	**100.00%**	**41,913,178**
Telecommunications services	49,190,226	93.21%	37,133,323
Lease payments	2,521,410	4.78%	3,847,283
Cost of other services	1,059,909	2.01%	932,572

		in EUR
	31.12.2019	31.12.2018
Employee benefit costs	**2,350,918**	**2,221,793**
Payroll costs	1,739,096	1,658,744
Pension insurance costs	269,072	253,691
Other social insurance costs	209,989	205,413
Other costs of labour	132,761	103,945

At the end of the year, the Akton Group employed a total of 62 staff.

		in EUR
	31.12.2019	31.12.2018
Total remuneration of the Management Board and Managers with individual contracts of employment:	**520,268**	**562,469**
Members of the Management Board/Company directors	415,352	444,852
Managers with individual contract of employment	104,916	117,617

		in EUR
	31.12.2019	31.12.2018
Write-downs	**397,615**	**307,747**
Amortization and depreciation	390,598	265,319
Revaluation operating expenses from fixed assets	3,924	0
- write-off of FA (Note 2)	3,924	0
- write-off of goodwill	0	0
Revaluation operating expenses associated with current assets	3,093	42,428
- receivable allowances	3,093	42,428
- write-off of unusable/damaged inventory of materials	0	0

		31.12.2019	31.12.2018
			in EUR
12. Contingent assets and liabilities and other off-balance sheet items		**2,345,571**	**2,530,091**
Bank guarantees issued		463,292	576,882
Contingencies		1,882,279	1,953,209

Bank guarantees in total €463,292 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 sincere and solvent operators.

Contingent receivables due from a local supplier A1 Slovenija, d.d. (former Si.mobil, d.d.) of €1,882,279 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 justified arguments for claiming 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.

13. Related party transactions

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

- ATEL EUROPE B.V., Amsterdam,
- 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 2019 (EUR):

Related persons	Trade receivables	Trade payables	Loans issued	Borrowings
Members of the management and their related parties	3	82,144	0	0

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	96,925	0	0

Transactions concluded between related parties in 2019 (EUR):

Related persons	Operating revenue	Operating costs	Financial income	Financial expenses
Members of the management and their related parties	38	597,274	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

14. Notes to the risk management

Currency risk

The following invoices were issued and received in foreign currencies in 2019:

Currency/FY 2019	USD	GBP	HRK
Invoices issued	639,814	0	5,415,744
Invoices received	593,981	4,810	13,719,075

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

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

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 subsidiary 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) 2019	EUR*	USD	GBP	HRK	BAM
Loans issued	0	0	0	0	0
Trade receivables	12,816,296	42,039	0	118,886	11,332
Payables to suppliers	13,583,691	98,971	0	196,867	238,060
Borrowings	600,997	0	0	0	0
Financial position exposure (net)	**-1,368,392**	**-56,932**	**0**	**-77,981**	**-226,728**

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

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
Payables to suppliers	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.*

Exchange rates used in conversion of the financial statement items:

For 1 EUR	31.12.2019	31.12.2018
USD	1.1234	1.145
GBP	0.8508	0.89453
HRK	7.4395	7.4125
BAM	1.95583	1.95583

Sensitivity analysis:

Currency fluctuations	Impact on profit before tax			
	2019		2018	
	+1%	-1%	+1%	-1%
USD	-569	569	-316	316
GBP	0	0	-9	9
HRK	-780	780	-1,104	1,104
BAM	-2,267	2,267	-1,220	1,220

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 counter-party's default risk, whereby the maximum exposure is equal to the carrying amount of these financial instruments. Trade receivables are collateralized.

Receivable allowances	**2019**	**2018**
Opening balance at 1 Jan 2019	44,065	0
Allowances recognized during the year	0	44,065
Allowance reversal during the year	-1,557	0
Closing balance at 31 Dec 2019	**42,508**	**44,065**

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 individual group companies. 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) 2019	**No maturity**	**On demand**	**Less than 3 months**	**3-12 months**	**1-5 years**	**More than 5 years**	**Total**
Cash and cash equivalents	458,623	0	0	0	0	0	458,623
Current loans issued	0	0	0	0	0	0	0
Other shares and stakes	2,972,691						2,972,691
Total	**3,431,314**	**0**	**0**	**0**	**0**	**0**	**3,431,314**
Borrowings and other interest-bearing debt	0	0	1,497	599,500	0	0	600,997
Leases			30,498	84,258	153,820	0	268,576
Trade payables	0	0	14,919,743	0	0	0	14,919,743
Total	**0**	**0**	**14,951,738**	**683,758**	**153,820**	**0**	**15,789,316**

(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 loans issued	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**

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 borrowings from local banks in 2019 and its exposure to interest rate risk as at 31 December 2019 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:

(in EUR)	31.12.2019	31.12.2018
Financial instruments at variable rate of interest	**869,573**	**903,833**
Financial assets	0	0
Financial liabilities	869,573	903,833
Financial instruments at fixed rate of interest	**0**	**0**
Financial assets	0	0
Financial liabilities	0	0

Interest rate exposure of financial instruments at variable interest rate:

(in EUR)	Interest rate increase/de-crease	Impact on profit before tax
2019		
EUR	+ 100 bp	-8,696
EUR	- 100 bp	8,696
2018		
EUR	+ 100 bp	-9,038
EUR	- 100 bp	9,038

15. Subsequent events

After the reporting date, the WHO declared the global Covid-19 coronavirus pandemic. We believe that the pandemic will have a strong impact on the global economy in the financial year 2020. While certain business may register growth in their activities, most enterprises will unfortunately face a decline. In the markets where the Group operates, we expect a reduction in the volume of international voice services, and in the segments of data services, SMS, while in API we expect to achieve the goal planned for 2020, i.e. a moderate growth. As early as at the end of February 2020, the Group implemented measures to prevent spread of the virus among employees. All international business trips have been cancelled, as have all international conferences, some of which have been postponed to autumn 2020. We are in daily contact with our customers and suppliers regarding current transactions and payments to secure a positive cash flow. In these difficult times, receivable insurance is one of the key instruments of risk mitigation. The Group will make any revisions to the 2020 plan in the autumn.

2.4 Statement of the management's responsibility

The financial statements were approved by the Management Board on 31 August 2020.

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 2019.

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.

CEO:
Igor Košir

Holder of procuration:
Miha Novak

Ljubljana, 31 August 2020

Akton
communications

3. INDEPENDENT AUDITOR'S REPORT

This is a translation of the original report in Slovene language

Building a better working world

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 2019, 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 2019 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 Company in accordance with the International Ethics Standards Board of Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (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.

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.

Building a better working world

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.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ljubljana, 31 August 2020

Sanja Košir Nikašinović
Director; Certified auditor
Ernst & Young d.o.o.
Dunajska 111, Ljubljana

Lidija Šinkovec
Certified auditor

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