

Strategic Business Plan

March

2010

The purpose of this document is to analyse market potential and Akton's current market position in the Adriatic region, and to define Akton's Strategic Business Focus.

AKTON *communications*

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3 Executive Summary

The results of business operations achieved over the last five years have proved that Akton ("the Company") is capable of setting challenging goals and achieving excellent results in very competitive markets. That fact gives us motivation for future success. After reaching almost all strategic goals, Akton's management has decided to update its strategic vision and review its past achievements defined in the strategic plan created in 2009.

Akton Development projects from 2009: CURRENT STATUS (feb.2010)

1. Investment in equipment upgrade – Done
2. Working Capital for Financial Stability and Business Development Projects (Content, Mobile Products, MVNO) – Done
3. Backbone to Serbia: Breaking the monopoly – In process (All required licenses acquired)
4. Increase of Market Share in Bosnia and Herzegovina – Acquisition of local companies were delayed due to the financial crisis
5. Optical Fibre Croatia (Bosnia and Herzegovina) – Finalised (Leased capacity)

The update strategic plan will direct business operations towards defined goals and put the Company on the regional business map as a telecommunications service provider with clear focus on specified services.

Akton's Management recognised an opportunity in creation of an independent regional data network, connecting all Adriatic Countries, Romania and Bulgaria with the global network. The Company is already present with its data network in Slovenia, Germany, Austria, Croatia, Bosnia and Herzegovina and Macedonia. Operating our own network presents major advantages in higher margins and independence from incumbent telecom operators, and represents a basis for further product development.

The challenge for Akton is ***to become the preferred telecommunication services partner*** operating in the Adriatic region. Meaning, we are ***connecting the region with the rest of the world.***

Further in the document, we will define elements of the strategic business focus, based on clear understanding of market trends and customers' needs.

4 Akton Today

The Company was established in 1990 as a System Integrator for wireless DECT systems and through its relationship with Hagenuk it became an important partner of Telekom Slovenije. In the years since, the Company has expanded and developed into a provider of telecommunication services. The Company owns four companies located in countries of Adriatic region and has altogether 38 employees.

Today, Akton is the only supplier of communication services, connecting the entire Adriatic region. We connect Adriatic countries with our own backbone. We are locally present in Adriatic countries, owning all required licences. We offer 24/7 support through highly skilled local technical and commercial staff in each country. We are interconnected with all major international carriers through PoPs in Frankfurt (Ancotel) and Vienna (Interxion).

Our portfolio of services consists of three major service groups: international voice wholesale, international data wholesale and retail voice & data services. The main users of the Company's services are global and regional telcos, regional ISPs, international companies with regional presence, regional companies and international organisations.

In 2009, the Company has strengthened its position as the leading alternative operator in the wholesale segment across the Adriatic region. Our local presence in all targeted countries, with highly motivated personnel, all the necessary licences and permits, flexibility, and our own top quality infrastructure, raises the confidence of our business partners that Akton is a trustworthy and reliable partner.

4.1 Ownership Structure

The Company is organised as a limited liability company, 100% owned by the Dutch company Atel B.V., the major owner of which is Poteza Adriatic Fund B.V., a private equity fund, registered in the Netherlands.

4.2 Business Model

The Company's strategy is based on a model that envisages excellent geographical coverage of the entire Adriatic region, with a carefully selected range of telecommunications services mainly offered to telecom operators and corporate clients. In accordance with this model, the Ljubljana based Company fully owns four companies in Croatia, Bosnia and Herzegovina, Serbia and Macedonia, and is also present with services in Kosovo, Montenegro and Albania. Locally owned companies increase the service quality, provide valuable market information and increase customer awareness of the Company's presence in the market.

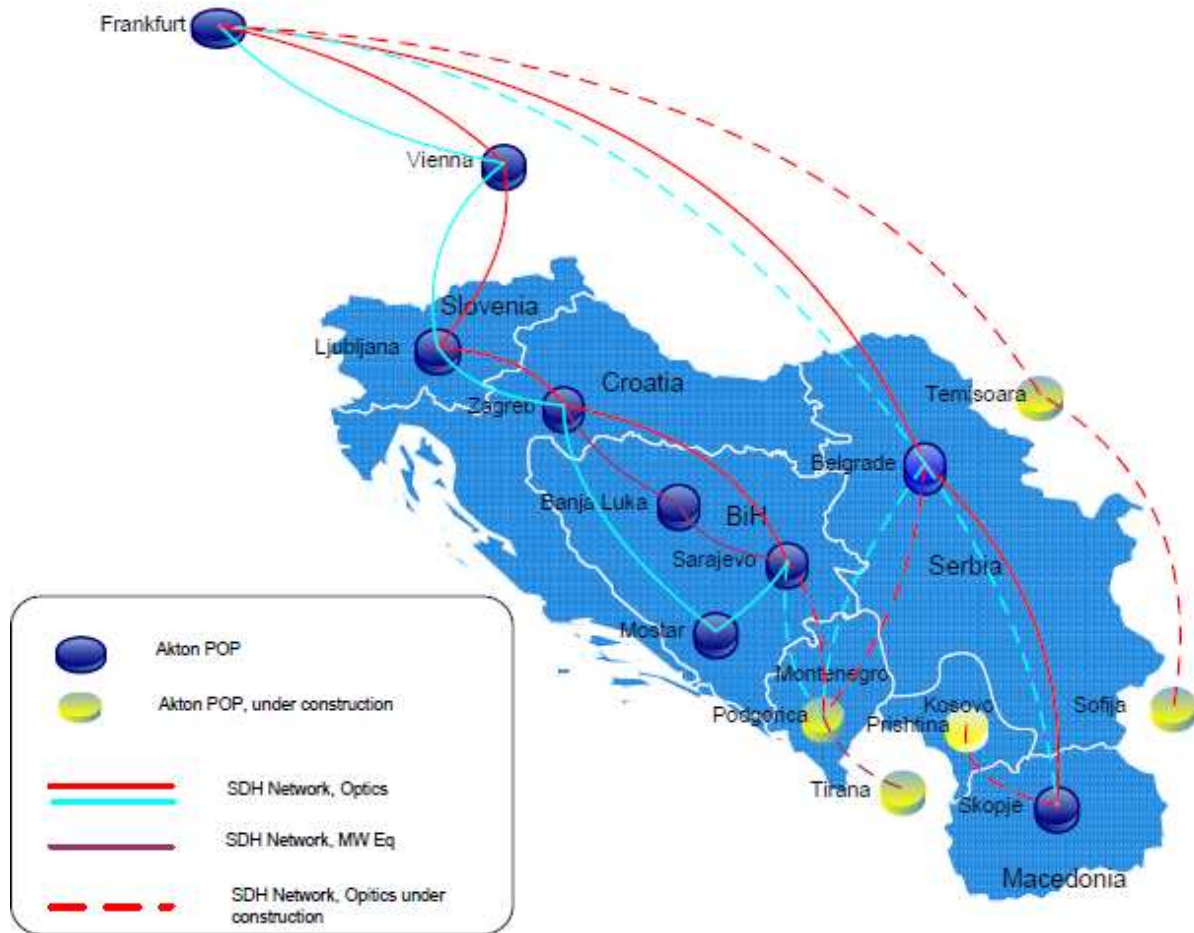


Figure 1: Akton Group International Points of Presence (PoPs)

The wholesale business model enables the Company to target local incumbent and alternative operators (telecom and cable TV) and develop excellent contacts, based on a high level of services. This model allows the Company to use local capabilities to connect almost every single customer with local-tail, although markets in the Adriatic region are fragmented and operators usually cover only a fraction of a city, region or country.

As a result of high flexibility and reliability, the Company is becoming a renowned provider of complete solutions to operators, who are not present in the region, as well as the provider of services for major international companies present in the majority of the countries in the region and who are solving communication routes in each individual country separately. In a way, the Company serves as a "hub" between Europe and the Adriatic region, as well as between individual countries in the region.

4.3 Current Achievements

When Poteza Adriatic Fund took over ownership at the end of 2005, the Company redefined its strategy and developed three business segments:

- international voice wholesale,
- international data wholesale,
- retail data & voice services.

The international voice wholesale sector is currently the main revenue generating sector, but with diminishing significance. The international data and retail data & voice services sectors should gain in importance and significantly increase their share in operating revenues. Expansion plans include product evolution, new network & equipment, acquiring new clients and entering new markets. The Company operates in the following countries:

Slovenia

Akton is offering services from the international voice wholesale, international data wholesale and retail data services portfolio.

Through its good relationship with operators, the Company can deliver competitively priced local tail solutions across the whole country. In Ljubljana, Akton has its main NOC with TDM-based transit switch, VoIP switch and customer support centre.

In 2009 Akton has continued with commercial launch of Multi-Protocol Label Switching (MPLS) to Adriatic Region. New technology helped Akton to improve its backbone in terms of enhanced security, faster routing and better utilization of the resources available.

The Company can act as a one-stop shop provider for potential customers, and offers 24/7 support and managed services.

Akton d.o.o., Ljubljana holds the following licences in Slovenia:

- voice operator,
- network operator,
- Internet service provider,
- Value - added services.

Croatia

Since the beginning of 2007, the Company has offered all services in the portfolio: international voice wholesale, international data wholesale, retail data & voice services and permanent IP access services. From August 2008 connection to Vienna was upgraded with full redundant fibre optic connection.

In 2009 connection to Sarajevo (BiH) was upgraded with fibre optic providing full redundant connection to Bosnia and Herzegovina through two different routes and different technologies, fibre optic and microwave.

Akton Croatia developed its own solution for cable operators for IP and voice services integration. The Company can act as a one-stop shop for potential customers, and offers 24/7 support and managed services.

Akton d.o.o., Zagreb holds the following licenses:

- voice operator,
- VoIP operator,
- network operator,
- Internet service provider,
- microwave licence.

Bosnia and Herzegovina

Akt.online owns 4 x STM-1 (4 x 155 Mbit/s) data backbone and is providing first class services to operators and business users in Bosnia and Herzegovina, from November 2006. In October 2009 Akt.online established additional capacity on optical fibre. The sales and technical support team is stationed in Sarajevo. The Company also has it`s PoP with active services in Banja Luka, Republic of Srpska. One of the goals for 2010 is opening a new PoP in Mostar in order to connect Mostar into Akton`s group backbone.

The Company can act as one-stop shop for potential buyers, and offers 24/7 support and managed services.

Akt.online d.o.o. holds the following licenses:

- voice operator,
- network operator,
- Internet service provider,
- own geographical number range,
- microwave licence.

Serbia

In Serbia, Akton primarily provides Internet, collocation and VoIP services. The Company offers ISP services from December 2006, and VoIP services (origination) from December 2008. Current volume is more than 70 thousand minutes per month and growing rapidly. Akton serves over 60, mostly international companies, such as Hypo Group, Grawe, Emc2, NTT, Bene, King Sturge, Colliers, Risch Lau, Merkur Osiguranje etc. Akton owns licensed infrastructure in the region of Novi Beograd (New Belgrade) which is consisted from fibre optic and licensed PDH links for redundancy. The company can act as a one-stop shop for potential customers, and offers 24/7 support and managed services.

Akton d.o.o. Belgrade holds the following licenses:

- Internet service provider
- VoIP operator
- Network operator
- RNIDS (domain register)

Macedonia

In Macedonia, Akton primarily offers voice services. Voice operations started in June 2006 and have to date signed agreements with more than 400 companies, thus

processing more than 60 thousand minutes per month and growing. The Company is offering data services as well so it can act as a one-stop shop for potential customers. IP services, collocation services, digital leased lines with 24/7 support and managed services. New product introduced in Macedonia is SMS wholesale service.

Akton Macedonia is connected into Akton Group network via redundant optical fibre.

Akton d.o.o.e.l. holds the following licenses:

- voice operator,
- network operator,
- Internet service provider

Akton Group consolidated financial results

In 000 €	2007		2008		2009	
	Actual	YoY (%)	Actual	YoY (%)	Forecast	YoY (%)
Gross income	24,026	200%	37,162	55%	40,336	9%
EBITDA	364	-	1,526	319%	1,409	-8%
EBIT	-1,181	-	574	-	345	-40%
Net Income	-1,617	-	58	-	111	91%
Total Assets	14,052	6%	15,387	9%	13,986	-9%
BV of Equity	3,222	-11%	4,399	37%	4,504	2%
Head Count	34	21%	38	12%	35	-8%

*2007, 2008 and 2009 results are audited by Ernst & Young

Table 1: Key Financials

An extensive investment cycle and organisational restructuring were successfully implemented at the end of 2006. The first positive effects were seen in the second half of 2007, when the Company started to deliver positive results from operations. The Company's 2008 results are to date in accordance with its ambitious plans. Preliminary profitability results for 2009 are slightly worse than comparables in 2008, mainly because of sharp decline in 2009 margins especially in international voice wholesale segment and in data services segment. Akton will be able to maintain stable profitability only with the expansion on the new markets (Albania and Montenegro already operational), introducing new services (additional data services in Serbia) and with higher volume on the voice wholesale market which will partially offset the sharp margin fall in 2009.

4.4 Akton's Market Position

The Company is the only telecommunication provider with a reach over the entire Adriatic region and with services offered to both telecom operators and corporate clients. None of its peers is present in all five countries with its own network, technical, sales and 24/7 support team. Akton's competition can be characterised as follows:

Firstly, in each of the countries in which the Company is operating there is at least one incumbent operator (usually fully or partly state owned) and several alternative operators, who are dealing mostly with end customers (retail and corporate). These operators have a limited reach. They are usually competing at the end-user segment of the market and only have limited sales to operators. There is no carrier's carrier operator in the region.

Secondly, alternative operators in all the countries are eager to work with a carrier's carrier, since it does not interfere in their own end-user business. At the same time, most of them are capable of offering local tail to the Company.

Lastly, as a carrier to carrier and service provider to bigger international companies (local/global telcos and alternative telecommunications operators), the Company holds a very attractive market position. The Company can act as a one-stop shop or a connecting link for local/global subjects with inter or intra-regional business operations.

4.5 Akton's Service Portfolio

The Company generates the majority of its revenues through three main groups of services, which are as follows:

1. international voice wholesale
2. international data wholesale
3. retail data & voice services

International Voice Wholesale

The Company's presence in two major Central European POPs (Interxion Vienna and Ancotel Frankfurt) allows it to establish international interconnections with all of the largest European and global carriers, such as Verizon, AT&T, Deutsche Telekom, Telecom Italia, Telekom Austria, Telefonica, Telenor, etc. On the other side, the Company also has interconnections with all local incumbents, mobile carriers and alternative providers.

The Company specialises in providing high-quality voice services at competitive rates for most destinations in the region. With more 350 million terminated minutes in 2009, The Company is considered as the largest alternative provider of these services in the region.

International Data Services

Data Services and Leased Lines

In 2007, The Company became a recognised participant in the inter-operator business segment as it received the majority of orders for this region. Presently, Akton is able to offer data connections of all capacities, between Europe and five countries where it operates, at competitive prices to both its existing and new partners. As the owner and administrator of the backbone network, The Company is able to guarantee quality to its clients through SLA (Service Level Agreements), managed services, and is hence one of only a few companies that are fully committed to high quality services.

As a one-stop shop service provider, The Company co-operates with most of the operators in each of the five countries in the Adriatic region, allowing its partners to reach the majority of end-user locations.

The original capacity of the Ljubljana-Zagreb-Banja Luka-Sarajevo link was 4 x STM-1 (4 x 155 Mbit/s). In 2009 additional capacity was implemented using optical fibre. Our backbone network is one of the few in the region to offer such high capacity and quality of services. Optimisation and international operators' demands were the reason for new product introduction (VPN/MLPS) at the end of 2008. Current link utilisation is at 75%.

At the end of 2007, we successfully implemented a new Frankfurt–Skopje capacity, which strengthened our regional orientation and increased growth.

At the end of 2009, telecommunications liberalisation process in Serbia allowed Akton to obtain a network operator license and establish new redundant capacity to Belgrade. New link will become commercially operational in 2010 and represents a basis for further service portfolio expansion on Serbian market. Among Company's top priorities in 2010 is also expansion of own network to Albania and Montenegro.

IP Transit

IP transit was successfully marketed in 2007 in all five countries where the Company is present. Our involvement in Points of Presence (PoP–Frankfurt, Vienna) allows us to purchase high quality IP capacities at competitive prices from Tier 1 operators. Using our own infrastructure and a well-organised technical support, we can provide 24/7 monitoring from PoP to end location. This presents a solid basis for a further increase in sales of this particular service to major business users, as well as smaller local operators in the region.

Retail Data & Voice Services

All subsidiaries have stable data business (IP, leased lines, VPN/MPLS, system administration, system integration, web hosting, conferencing, collocation, etc) focusing on corporate/business customers. They support Carrier-Carrier regional needs like last mile, managed services, collocation, VPN/MPLS, etc) with strong SLA.

In the 2007 financial year, our subsidiary in Macedonia became the largest alternative provider of international calls for the business segment, with over 430 clients, and one of the first companies in Macedonia that offer high-quality services at competitive prices. Croatia and Serbia also launched call origination with excellent volumes. The Company intends to introduce call origination services in Bosnia and Herzegovina, as an attractive addition to existing data services.

4.6 Customers

Today, Akton is providing telecommunication services for more than 1,000 active customers across the region. The Company's customers are divided into three major groups according to their scope of business and services they use.

Global/Local Telecommunications Operators

The Company co-operates with telecoms through voice & data wholesale services. Established interconnection agreements with the majority of local telecoms enable the Company to effectively terminate international voice calls to the region. The Company also actively provides transit for local telecoms, helping them to provide high-quality services for their users. The Company acts as a sub-contractor for regional telecoms, providing them with high-quality data solutions through its own network.

Alternative Telecoms

Alternative telecoms use data services. Through the Company's network, alternative telecoms can reach their Internet-providers directly. By doing so, alternative telecoms can avoid the inflexibility of local incumbents and obtain a better service at lower cost.

Global/Local Companies

Companies use two groups of services: data services and voice services. Global companies with local presence use data all retail services such as IP, lease data capacities (leased lines, VPM/MPLS), web hosting, collocation, etc. Local companies mainly use services like IP system administration, web hosting and voice origination where the Company carries out all necessary processes to successfully enable international calls to and from the companies.

5 Definition of Business Opportunity

5.1 Adriatic Market Analyses

Adriatic Region Background

Today, the Adriatic region is assuming its rightful position in Europe and the world. Frequent glossy adverts in global media outlets show to what extent the countries in the region have become serious about attracting investors. All of the Adriatic countries – Albania, Bosnia and Herzegovina, Croatia, Macedonia, Montenegro, Serbia and Slovenia – are shaking off the vestiges of their difficult, and sometimes isolationist, past. They are moving ahead towards integration into the European Union, NATO, other international bodies and the global economy. While problems remain, today a degree of optimism prevails across Adriatic countries – they are committed to democracy, their civil societies continue to strengthen and they enjoy good economic prospects. If sustained and consolidated, such developments in the Adriatic countries also allow a move towards a reassertion of a genuine European space.

Demographic and Macroeconomic data

The Adriatic region is extremely diverse. It includes 6 Balkan countries where more than 20 nationalities live. Several major religions are present – Catholics mainly in Slovenia and Croatia, Muslims in Bosnia and Albania, Orthodox in Serbia & Montenegro and Macedonia. There are eight languages in use today, six of them official.

Demographic data (f2009)	unit	SLO	CRO	B&H	SRB	MKD	AL
Population	mio	2.0	4.4	3.9	7.4	2.1	3.2
Unemployment rate	%	5.8	10.0	41.5	18.5	37.4	16.0

Sources: Unicredit; IMF; D&B; ReportBuyer

Table 2: Adriatic Demographic Data 2009 Forecast

Macroeconomic data (f2009)	unit	SLO	CRO	B&H	SRB	MKD	AL
Nominal GDP	€M	34,600	45,000	12,200	31,000	6,076	8,947
GGDP per capita	€	16,950	10,144	3,176	4,230	2,893	2,796
Real GDP growth	%	-7.8	-6.0	-3.0	-3.2	-3.0	0.7
Consumer price inflation	%	1.0	2.5	-0.2	8.3	-0.8	1.7
FDI	€B	-0.6	1.2	0.3	1.5	0.4	n/a

Sources: Unicredit; D&B; IMF; ReportBuyer

Table 3: Adriatic Macroeconomic Data 2009 Forecast

Economic Outlook & Risk Analysis

In our opinion the global economic recovery is now solidly underway, and is sustainable – but its initial pace is not. We believe a healthy measure of optimism is warranted, as we expect the gradual consolidation of the global recovery and a progressive further normalization in financial markets, however 2010 will be plagued with the challenges for both policymakers and investors.

Recovery in the Adriatic region is underway, but with lower pace than in Euro zone, for which we forecast growth of approximately 1% in 2010. This reflects both the less dynamic global growth environment and the fact that the credit boost of the pre-crisis years is unlikely to be repeated. Private domestic consumption remains the weak point of the Adriatic country and it is feared that it will be further constrained by a sluggish market performance.

Despite the economic slowdown in the euro area and less optimistic forecast for 2010 we believe that the Adriatic countries has an upside potential coming from the relatively underdeveloped telecommunication market, which will be additionally boosted by higher medium-term GDP growth rates in the region (Table 9).

Real GDP Growth, %	2007	2008	2009f	2010f	2011f
Slovenia	6.8	3.5	-7.8	0.6	1.5
Croatia	5.5	2.4	-6.0	-1.0	1.3
B&H	6.8	5.4	-3.0	-1.0	0.8
Serbia	6.9	5.5	-3.2	-0.5	1.3
Macedonia	5.9	5.0	-3.0	0.0	n/a

Albania	6.3	6.8	0.7	2.2	n/a
Euro area	2.7	0.6	-3.9	0.9	1.3

Sources: Unicredit; D&B; IMF; ReportBuyer

Table 4: Adriatic Real GDP Growth history & forecast

Inflation, %	2007	2008	2009f	2010f	2011f
Slovenia	3.6	5.7	1.0	1.6	2.0
Croatia	2.9	6.1	2.5	3.2	3.1
B&H	1.5	7.4	-0.2	1.1	1.8
Serbia	6.5	11.7	8.3	6.3	5.7
Macedonia	2.3	8.3	-0.8	1.0	n/a
Albania	2.9	3.4	1.7	2.0	n/a

Sources: : Unicredit; D&B; IMF; ReportBuyer

Table 5: Adriatic Inflation History & Forecast

For greater depth of understanding we will evaluate the market situation country by country with the help of Unicredit macro economic analysis.

Slovenia

Economic Outlook

The most recent data points to acceleration in the Slovenian economy, despite the base effect of a 7.8% contraction in 2009. In 3Q09 GDP fell 8.3% yoy, led by a 23.8% yoy drop in gross fixed capital expenditure; even though the headline GDP figures in Slovenia seem unattractive, the seasonally adjusted qoq data point to an expansion of 1.0%, one of the first confirmations of recovery. Confidence in the manufacturing sector in November is at its highest level since October 2008, while orders in industry were up 8.3% in 3Q compared to 2Q (largely on the back of a large increase in domestic orders in September of 30.6% mom).

Economic Risk

While we certainly detect some encouraging signs in the Slovenian economy, we wouldn't overplay the extent of the recovery either. One reason is rising unemployment, which hit 6.2% in 3Q09 and may rise further. And while recent data on the Euro zone have been encouraging, the recovery there will be mild. Meanwhile, we forecast another year of recession in Southeast Europe, important as an export destination for Slovenia. Weak economy also leaves a mark on fiscal policy. The authorities have revised up their budget deficit forecast for 2009 to 5.9% of GDP as tax revenues have underperformed. Heading into 2010 the main policy debate locally centres on initiatives to increase the minimum wage. On one side, this would certainly prove popular with employees and be supportive for some low income earners; on the other, there is a possible risk that any increase in the minimum wages would to some extent damage Slovenia's price competitiveness, thus dampening the contribution of exports to the economic recovery.

Croatia

Economic Outlook

Economic growth in 2009 is likely to be around -6%. The Croatian economy contracted 5.7% yoy in 3Q 2009 with investment activity contracting 10.5% yoy and private consumption still weak. Seasonally adjusted industrial production data for November showed a 0.4% mom decrease, suggesting industrial production should have contracted by 8.8% yoy in 2009. Also, inflationary pressures are waning, the November headline CPI figure coming in at only 1.8%.

Economic Risk

We expect the Croatian economy to contract by around 1.0% in 2010. Coming into 2010 we continue to see headwinds for the private sector – rising unemployment and minimal wage growth is limiting scope for private consumption growth, while payment arrears further undermine business sentiment.

Bosnia and Herzegovina**Economic Outlook**

Domestic demand, which is taking the brunt of adjustment in 2009-10 given the limited scope for monetary policy under the currency board agreement, remains weak. The unemployment rate is rising (42.2% in September) and with the IMF seeking additional austerity measures before approving the second tranche of money from the stand-by agreement, the outlook for private consumption is weak. Although gross wages were growing over 8% yoy during 2009, pay cuts in the public sector in 2009 have sharply altered wage dynamics.

Economic Risk

A complicated political scene and still weak domestic demand are the two main leitmotifs for 2010. Fractious political environment persists, EU accession path remains stalled: the October 2010 general elections could further complicate the political scene and progress on EU accession could suffer. However, the reliance on the IMF will see most budget reforms take place (the IMF is seeking additional austerity measures before approving the second tranche of the stand-by agreement).

Serbia**Economic Outlook**

While the economy contracted 3.5% yoy in 9M 2009 the in seasonally adjusted qoq terms it returned to growth during 3Q 09. The fall in industrial production has slowed, recording a contraction of 10.6% yoy in 3Q09 and only 5.8% and 4.2% yoy in October and November respectively. This was influenced largely by a resumption of steel production at the end of 2Q. In late October however, US Steel, the largest producer and exporter, announced it would slash output by the end of 2009. Unfreezing of EU accession talks welcome boost to sentiment. On 7 December the EU agreed to unfreeze the application of the interim agreement between Serbia and itself, essentially unblocking Serbia's EU accession process, while Serbia submitted its request for EU membership in late December.

Economic Risk

In 2010 we expect the economy to contract further. Even though the authorities have put together a budget based on a 1.5% expansion of GDP in 2010, we still believe a mild contraction of 0.5% yoy is the likelier outcome – with the risks to the downside. Domestic demand will remain weak as unemployment rises while planned public sector investment projects will take time to get off the ground and their impact on growth will be felt over a number of years. Nor will the contribution of net exports in 2010 to growth be anywhere near as large as in 2009.

Macedonia**Economic Outlook**

We do not expect the economic expansion seen in 2008 (fuelled by higher wages and pensions) to continue; real GDP will contract in 2009 and probably stagnate in 2010. Domestically, already-high rates of unemployment will rise further, investment will fall sharply and the number of bankruptcies will climb. Positively, despite the steep fall in inflation rates over the past 12 months, we believe that the risk of a harmful deflationary spiral of falling prices and demand (the main danger once prices begin to decrease) is minimal.

Economic Risk

Tensions within the ethnic-Albanian minority could threaten the governing coalition or spark public unrest. Meanwhile, the government's main foreign policy goals of EU and NATO entry appear to be several years away, as Greece continues to block accession until the naming issue of Macedonia is resolved. Credit risk is rising as banks tighten lending criteria, companies struggle to obtain working capital financing and the economic slowdown increases the potential for payment delays or bankruptcy.

Albania**Economic Outlook**

Tirana's recent accession into NATO and a broad cross-party consensus in favor of EU membership should act as a policy anchor through the medium term, we caution that 2009's recession (we forecast real GDP growth of 0.7%) poses a considerable risk to economic policy formation, particularly as unemployment could spike to a multi-year high of 16.0% at the end of the 2009.

Economic Risk

While the risks of a financial crisis emanating from the domestic banking sector remain low, we caution that a marked deterioration in asset quality through 2010 will inevitably lead to a further slowdown in loan growth, which will ensure that Albania's economic recovery through 2013 takes place at a lower trajectory than pre-crisis levels.

Adriatic ICT Market Data

The Adriatic region is one of the Eastern Europe's most promising markets. Telecom sector liberalisation and privatisation, together with the regulatory measures are the key factors, which affect competition and level of investment. The market for electronic communications in the Western Balkans in 2008 continued to show the signs of strong and positive growth, despite the economic crisis. The forecasts for 2009, however, look far less optimistic as overall economic downturn, falling sources of finance and declining foreign investment are likely to negatively affect the growth of the sector. Though we believe that market growth will be positive, but at lower pace.

As the countries struggle with growing budget deficits, the electronic communications sector could also be affected by some of the measures introduced by national governments to combat the crisis. One such example is a temporary additional 10% tax on mobile communications recently introduced in Serbia. However, according to the European Central Bank and the International Monetary Fund, the overall economic growth in the Western Balkans will resume already by 2011 and in the medium term period again outpasted the growth in the Euro zone.

We need to take into consideration that the telecom business in former Yugoslavia was monopolised by governments. Outside of Slovenia, privatisation and market liberalisation processes started only after war was ended, at the beginning of the millennium. These processes are still ongoing and they run at different speed in each country. The speed of change depends on the political and economic situation in each country. Table 11 shows us the current status of telecom market liberalisation in the region.

Sector structure	SLO	CRO	B&H	SRB	MKD	AL	High-income group
Separate telecommunications regulator	Yes	Yes	Yes	Yes	Yes	Yes	
Status of main fixed-line telephone operator	Mixed	Mixed	Mixed	State	Mixed	Mixed	
Level of competition							
International long-distance service	P	C	M	P	M	P	C
Mobile telephone service	C	C	C	P	C	P	C
Internet service	C	C	C	P	C	C	C
Government prioritisation of sector (1-7)	5.10	4.40	4.50	4.30	3.90	3.90	5.10

Sources: UIS and World Bank;

C = competition, M = monopoly, P = partial competition

Table 6: Adriatic Telco Sector Structure

Economic development is transforming telecoms markets within this region as international investment drives infrastructure deployments and service rollouts. Numerous fixed-line networks in the region are undergoing modernisation at a fortunate time, with NGNs and advanced wireless broadband technologies such as WiMAX widely available. Low broadband penetration levels are rising at extraordinary rates, mirroring growth rates recorded in Central Eastern Europe during that region's initial broadband growth period in 2004/05. Future fixed-line broadband growth may be constrained by the falling number of fixed lines in service, given that

numerous countries in the region had low fixed-line penetration levels to begin with. Mobile penetration growth is levelling off in some countries, indicative of mature markets. Service providers in such markets are focused on increasing ARPU levels through promoting 3G/HSDPA mobile broadband services and higher-spending post-paid plans to prepaid users.

Table 12 shows us telecom sector performance by country compared with performance of the high-income group of countries with average GNI per capita \$36 K.

Telecom Sector Performance	ADR	SLO	CRO	SRB	BIH	FYRM	AL	High-income group
Access								
Telephone mainlines (per 100 people) - 2008		50.0	42.5	41.8	27.4	22.4	9.9	40
Mobile telephone subscribers (per 100 people) - 2008		101.7	133.0	130.4	84.3	122.6	98.2	119
Broadband internet subscribers (per 100 people) - 2008		21.1	11.9	6.3	5.0	8.9	1.4	22.9
Affordability (\$ a month)								
Price basket for residential fixed line - 2007		19.5	13.1	2.6	6.3	10.5	5.5	26.6
Price basket for mobile telephone service - 2007		10.1	14.5	5.8	6.6	14.8	20.9	13
Price basket for Internet service - 2007		18.8	16.5	8.9	7.6	33.8	16.3	22.8
Institutional efficiency and sustainability								
Telecommunications revenue (% of GDP) - 2007		3.2	5.3	5.0	5.7	6.8	6	3.1
Telephone subscribers per employee - 2007		587	778	787	657	1,065	710	747
Telecommunications investment (% of revenue) - 2007		29.5	12.3	31.2	13.6	42.5	10.4	14.3
Applications								
Sector expenditure (% of GDP) - 2007		4.7	N/A	N/A	N/A	N/A	N/A	6.7
E-government readiness index (0-1) - 2007		0.5	0.34	0.35	0.29	0.36	0.39	0.6
Secure Internet servers (per million. People) - 2007		170.1	92	2.4	7.4	11.8	4.7	662.6

Sources: Global Insight/WITSA, ITU, Netcraft, UNDESA, UNPAN, World Bank and Cullen International
Data collected in 2007 and 2008

Table 7: Adriatic Telecom Sector Performance

Short-term Market Development Forecast

The telecom sector in former Yugoslavia was well developed. Even today, after the entire region's problems, in some aspects the Adriatic countries are in line with the developed world (Table 12). With this in mind, and the fact that the level of investments in the telecom sector across the region is very high, we can expect almost all Adriatic countries to reach developed world status within the next five to seven years. Based on that assumption, we have calculated the market potential of Adriatic market. From table 13, we can see that market size has a potential to almost double its size in the near future.

5.2 Business Opportunity Definition

Assumptions

The definition of business opportunity for Akton's further growth is based on the following assumptions:

- The Adriatic telecom market will sustain high growth for the next seven years.
- All Adriatic countries will join the European Union before the end of the next decade. Local legislation will be aligned with European, and administrative obstacles will disappear.
- European Union will continue with liberalisation of the telecommunication sector.
- The political situation in Adriatic region will become stable and predictable, which will increase the already high level of foreign investments in the next seven years.
- All international institutions and global corporations will be present in the region.
- As a result of the EU accession process and intensive investments, demand for international connections will increase significantly in all Adriatic countries.

Definition of Market Potential

Market potential is estimated using two approaches: price basket comparison and telecommunications market revenue per inhabitant. Both methods distinctly shows that Adriatic region has a significant growth potentials. Detailed explanation and projections can be seen in the further text.

Price Basket Comparison

Table 13 represents the market potential for specific telecommunication segments in the Adriatic region. Market size value of the specific market segment is calculated based on the price basket and not on the actual consumption of the users. Market growth potential is based on the implementation of the high income countries price baskets and market penetrations to the Adriatic region demographic. Market values and potential market values do not represent actual values of the markets, but merely represents growth potential, when compared.

	ADR	SLO	CRO	SRB	BIH	FYRM	AL
Access							
Telephone mainlines (000) - 2008	7,777.7	1,009.8	1,878.1	3,084.9	1,031.4	457.1	316.4
Mobile telephone subscriptions (000) - 2008	26,376.0	2,055.0	5,880.0	9,619.0	3,179.0	2,502.0	3,141.0
Broadband Internet connections (000) - 2008	1,831.1	426.6	524.7	464.5	188.5	180.8	45.9
Quality							
Broadband subscribers (000) - 2008	1,831.2	426.6	524.7	464.5	188.5	181.0	45.9
International Internet bandwidth (bits / internet user) - 2008	N/A	12,658.0	8,900.0	10,037.0	1,683.0	N/A	1,461.0
Market size (000 \$ a year)							
Market size for residential fixed line	784,230	236,293	295,237	96,249	77,974	57,595	20,882
Market size for mobile telephone service	3,425,563	249,066	1,023,120	669,482	251,777	444,355	787,763
Market size for broadband Internet service	349,264	96,252	103,887	49,612	17,188	73,347	8,979

Total Annual market spend (mio \$)	4,559	582	1,422	815	347	575	818
Market potential (000 \$ a year)							
Market potential for residential fixed line	2,914,807	257,914	564,346	942,151	481,354	260,467	408,576
Growth potential for residential fixed line (%)	272%	9%	91%	879%	517%	352%	1857%
Market potential for mobile telephone service	4,332,652	374,993	915,205	1,369,838	699,863	378,706	594,048
Growth potential for mobile telephone service	26%	51%	-11%	105%	178%	-15%	-25%
Market potential for broadband Internet service	1,430,337	126,562	276,932	462,327	236,207	127,815	200,494
Growth potential for broadband Internet service	310%	31%	167%	832%	1274%	74%	2133%
Total Annual market spend potential (mio \$)	8,678	759	1,756	2,774	1,417	767	1,203
Total growth potential (%)	90%	30.6%	23.5%	240.3%	308.6%	33.3%	47.1%
Total Annual growth potential (mio \$)	4,119	178	334	1,959	1,070	192	385

*Market potential calculation is based on 2008 and 2007 data

Table 8: Adriatic Market Potential

The market potential estimate is created in line with the considerations of the assumptions listed in chapter 5.2.1. As it can be seen in Table 13, Adriatic market telecommunications market potential is estimated at 90% growth in the future. According to the Table 13 the biggest growth potential is present in Bosnia and Herzegovina and Serbia.

Revenue per Inhabitant

Table 14 represent the market potential for telecommunications sector in the selected markets. Potential market size is estimated with the application of the telecommunication market revenue per inhabitant in EU 25 countries to the demographic picture of the Adriatic countries. Growth potential is represented as the difference between existing market size and potential market size. The market potential estimate is created in line with the considerations of the assumptions listed in chapter 5.2.1.

Adriatic market potential		ADR	SLO	CRO	BIH	SRB	FYROM	AL	EU 25
Population	mio	22.8	2.02	4.42	3.77	7.379	2.04	3.2	472.2
Market size	mio (€)	5,630	1,101	1,741	558	1,359	380	490	305,000
Revenue per Inhabitant	(€)	246.6	545	394	148	184	186	153	645.9
Potential market size	mio (€)	14,745	1,305	2,855	2,435	4,766	1,318	2,067	305,000
Growth potential	mio (€)	9,115	204	1,113	1,877	3,407	937	1,577	-
Growth potential	%	161.9%	18.5%	63.9%	336.2%	250.6%	246.4%	321.6%	-

Source: Cullen International, Statistični Urad RS
Data Collected in 2007

Table 9: Market Size and Market Potential

According to the Table 14 representation, it can be seen that Adriatic Telecommunication market has to grown another 9.1 billion € in order to reach the same telecommunications consumption level as the EU 25 countries average.

Definition of Target Market

Geographically, over the next five years, Akton's main target will be the Adriatic region, including six countries: Slovenia, Croatia, Serbia, Bosnia and Herzegovina,

Macedonia and Albania. The two new countries, Montenegro and Kosovo, which were established in 2008, are still politically and economically relatively unstable, but are considered as the next potential countries to be included with the Akton network in the near future. Both countries will be closely monitored and accordingly added to the list when the situation will be appropriate.

From the business point of view, Akton is mainly a wholesaler, but also offers services directly to large enterprises across the region. Concerning wholesaling, Akton is targeting local telecoms and local ISPs offering international connections. In the retail sector, which is present in all targeted countries, Akton offers connections to enterprises which are internationally based and need connections between branches and headquarters.

Competition Analysis

Akton offers its products on markets which are currently still relatively rigid and under heavy influence from local incumbents. But with the significantly pro-European direction of the newly elected governments, there are positive expectations of stricter and faster implementation of deregulation concerning telecommunications markets. Positive prospects for the future can be seen in the increasing number of competitors trying to take their share of the profits on these newly deregulated telecommunications markets.

Slovenia

The Slovenian telecommunications market was the first in the region to begin deregulation processes. Today, the level of development of the Slovenian telco market and the range of services it offers to the users are comparable to the European Union average. Incumbent telecom (Telekom Slovenije), with the biggest mobile telephony provider (Mobitel) and the biggest internet service provider (SIOL) in its structure, is still predominantly in the state ownership.

Akton's main competitors in the Slovenian telecommunications market are:

TELEKOM SLOVENIJE

The local incumbent still represents the biggest force in the Slovenian telecommunications market, though it is slowly but persistently losing its market share to more flexible and customer-oriented alternative telecommunications providers. Although Telekom Slovenije may be regarded as Akton's competitor in some business segment, it is also Akton's established business partner. Telekom Slovenije become active also in the other republics of the Former Yugoslavia (Bosnia and Herzegovina, Macedonia, Kosovo)

T2

T2's main project in the past two years was construction of its own optical network in all major Slovenian cities. Because of intensive fibre network construction the Company has financial problems. In 2008 T2 entered on the mobile phone services market. Besides mobile telephone services the Company offers internet access, VoIP, payable TV.

TUŠMOBIL

Tuš Telekom was created when Slovenian entrepreneur Mirko Tuš bought Voljatelj, an alternative provider of telecommunication services. Tuš Telekom offers telephone services, Internet access and data services. In 2007, Tuš expanded its product

portfolio to mobile telephone services. TušMobil had more than 100,000 users at the end of 2008.

AMIS

Amis is one of the biggest alternative telecommunications services providers. It offers Internet access, voice services and data services. In 2008, current owners KBC Private Equity and Iris Capital, have carried out recapitalisation of EUR 5.9 million. At the end of 2008 the Company had approximately 12% market share in the xDSL market in Slovenia.

UPC TELEMACH

Telemach was created with the consolidation of a number of small cable TV companies. In 2004, Telemach was acquired by American company Liberty Bell and in sold to the Mid Europa in 2009. Today, UPC Telemach has approximately 150,000 users of its data and voice services.

OTHER COMPETITORS IN THE SLOVENIAN MARKET ARE:

- In.life
- IT Tel
- Stelkom
- Softnet

Croatia

Since the deregulation of telecommunications, the Croatian telecommunications market has become highly competitive and dynamic, though it is still largely dominated by the incumbent, Hrvatski Telekom (HT). Following the adoption of the Electronic Communications Act of 2008, based on the principles of the EU 2003 regulatory framework, most of the required implementing legislation has been either adopted or is in the process of public consultation. The main priorities of the regulator remain carrying out the market analyses under the new framework and developing methodologies for regulatory cost accounting to ensure effective wholesale price control mechanisms for fixed and mobile networks. The main competitors in the Croatian telecommunications market are:

HRVATSKI TELEKOM

The Croatian incumbent remains the main provider of public fixed telephony networks and services. In May 2006, HT acquired Iskon, the leading alternative Internet provider on the market at that time.

OPTIMA

Optimum is focused on fixed voice services to the residential and business market segment, offering primarily CPS services. The company originally built its customer base by offering CPS (Carrier Pre-Selection) services from June 2005, and so far attracted approximately 266,000 CPS customers and 52,000 internet users. Optima offers voice services, Internet access and data transmission to residential and business customers. Optima has built its own fibre optic networks in the largest Croatian cities and has more than 2,200 km of fibre optic available.

METRONET

Metronet is currently one of the leading alternative telecommunications service provider on the Croatian telecommunications market. Initially, Metronet was focused

mainly on the business market segment, but in 2007 also entered the residential market. In 2007, Metronet increased its optical fibre network with the acquisition of Vodatel and Chaos net. Metronet operates with approximately 2,000 km of its own optical network and offers voice services, Internet access, data services, IT services and contact centre services. It is estimated that Metronet has approximately 3,000 business clients and 20,000 residential clients.

H1 TELEKOM

H1 Telekom is the third-largest alternative operator but is mainly active in its home region of Dalmatia and the city and county of Zagreb. Portus primarily uses the HT network and provides voice services (mainly CPS) under the H1 brand name, and was estimated to have around 100,000 users at end of the 2008 year. The company also provides dial-up and broadband Internet access.

AMIS

B.NET

OTHER COMPETITORS IN THE CROATIAN MARKET ARE:

- B.NET
- Iskon
- VoxMundi
- AMIS

Bosnia and Herzegovina

The liberalisation of the telecommunications sector was finalised on January 1, 2006 with the opening for competition of international voice telephone services (termination of international traffic is not completely regulated). Though deregulation processes are in progress, the main market position is still reserved for three major incumbent telecoms in the country – BH Telekom, Telekom Srpske, HT Mostar. Among the key priorities for the sector remain the complete regulation of market for all services, implementation of number portability and LLU, tariff rebalancing, adoption of the universal service framework, licensing of 3.5 GHz spectrum band for fixed wireless access.

BH TELECOM

BH Telecom is the biggest of the three incumbents in Bosnia and Herzegovina. It is located in Sarajevo. It offers voice services (fixed and mobile), data services and Internet access. At the end of 2008, it had approximately 1.2 million users of mobile voice services. BH Telekom is a majority state-owned entity.

TELEKOM SRPSKE

Telekom Srpske is the second-largest incumbent telecom in the country. It is located in Banja Luka and its majority stake is owned by Telekom Srbije. Its operations are mainly focused on the Serbian entity in Bosnia and Herzegovina. At the end of 2008, it had approximately 1.5 million users in all business segments.

HT MOSTAR/HT ERONET

HT Mostar is located in Mostar, the part of Bosnia and Herzegovina under Croatian influence. The owners of the company include the Federation of Bosnia and Herzegovina, Croatian telecom (T-Hrvatski Telekom) and the Croatian post (Hrvatska

Pošta). Its service portfolio is focused mainly on voice services (fixed and mobile), data services and Internet access. It has approximately 700,000 users.

LOGOSOFT

One of the first alternative telecommunications operators established on the Bosnian and Herzegovinian Market, Logosoft runs its business through its own network (fibre optic). Logosoft offers voice and data services together with system integration.

DASTO SEMTEL

One of the biggest alternative internet service providers, with established wireless data network which covers and connect the biggest cities in the Bosnia and Herzegovina.

ANEKS/BLIC.NET/NETKOM

All three alternative telecommunications services providers were acquired by Telekom Slovenije. All three companies were merged under the name Aneks. Aneks is fairly strong in the voice services sector, internet providing services and data services especially in the Republika Srpska. The company is expanding existing business to the whole Bosnian market.

OTHER COMPETITORS IN B&H MARKET ARE:

- T3
- Global Net
- HS Kablovska
- Airaba
- Elob
- Lanaco
- Europronet

Serbia

The Serbian telecommunications market is relatively deregulated in those areas where foreign competition exists (mobile telephony), while other sectors remain relatively constrained. In the 2009 it was become possible for alternative operators to obtain licence for network operator which enables the owner to own and operate own data networks. In 2010 Telenor obtained fixed telephony license, proving that telecommunication liberalisation process albeit slowly is making some progress. With the new pro-European government, it is expected that further deregulation activity will adjust current legislation to the new European standards.

TELEKOM SRBIJE

The biggest telecommunications service-provider in the country, Telekom Srbije is still state controlled and can be viewed as the monopolistic company in the areas of fixed telephone services and data services (it controls almost all infrastructure and access to international Internet providers. Telekom Srbije is also a major stakeholder in Telekom Srpske, a Bosnian-based incumbent.

SBB

SBB is one of the biggest cable TV providers in Serbia. The company was created with the consolidation of smaller cable services providers in the 2002-2003 periods. It is owned by Mid Europe which is also sole owner of the Slovenian company Telemach and has ownership share in Invitel Hungary. Through its infrastructure

network, SBB offers Internet access and cable TV. It has more than 650,000 users of its services.

EUNET

Eunet currently provides services in 11 major cities in Serbia. The company has more than 300,000 residential users and more than 25,000 business clients using mainly dial-up service.

VERAT

Veratnet is strong ISP in Serbia. The company constructed the first wireless link to Hungary (capacity of 3xSTM-1) and focuses on internet the services providing (more than 100 thousand users).

BEOTELNET

Beotelnet is considered as one of the first ISP providers with metropolitan network in Belgrade. The company is present in several Serbian cities using last mile from the local providers. The Company's main focus is on internet access services, web-mail hosting and real streaming services.

MEDIAWORKS

Mediaworks is strong ISP provider in the country with local infrastructure, possessing the VoIP licence. Lately they increased the market share by acquiring two local companies (SezamPro Net, Neobee Net).

OTHER COMPETITORS IN SERBIAN MARKET ARE:

- YUBC net
- Radius Vektor
- Sattrak
- Absolutok

Macedonia

Though Macedonia has already adopted deregulation measures in telecommunications, practical implementation still lags. The telecommunications sector in Macedonia is regulated by the new Law on Electronic Communications, which was adopted in 2005. The government controls a 34.8% stake plus one "golden share" in the Incumbent operator.

MAKEDONSKI TELECOM

The incumbent operator Makedonski Telekom is the main provider of public fixed telephony networks and services. AD Makedonski Telekom has a concession, on the basis of which fixed telephony services may be provided until 31 December 2018. Since 2001, the Company, as a member of the Magyar Telekom Group, has been part of the international Deutsche Telekom Group.

ONE

In 2006, company On.net was acquired by the Slovenian incumbent, Telekom Slovenije. Telekom Slovenije also acquired Cosmofon (mobile telephony services provider) and merged it with the On.net, to create new company ONE. The company offers fixed telephony services, broadband Internet access, digital television and

GSM mobile services. ONE is currently constructing its own data backbone network in Macedonia. The company is considered as second biggest broadband internet provider and second biggest Mobile services operator at the end of 2009.

TELEKABEL

Telekabel is considered as the third largest provider of the broadband internet services in Macedonia, with approximately 17% market share in 2008.

NEOTEL

The Company is one of the biggest alternative telecommunications operators in Macedonian market. In 2008, the company started to build a public fixed network, based on a Wi-Max technology and optical fibre. They started to work as a provider of fixed telephony services.

OTHER COMPETITORS IN MACEDONIAN MARKET ARE:

- Cabletel
- Infel

Albania

The incumbent operator Albtelecom remains the dominant player in the provision of fixed telephony services. In the provision of international services, its market share by minutes of traffic is currently 96%, while in the provision of national services, where it faces some competition from the regional operators its market share is about 72%. Among the outstanding issues is the full implementation of the Law on Electronic Communications and adoption of the required secondary legislation under the new law. Competitive safeguards, such as number portability, CS/CPS, local loop unbundling and cost accounting models for the introduction of costbased tariffs remain to be introduced. AKEP needs to strengthen and deepen its expertise. Available spectrum needs to be assigned to operators and the legislation must be aligned closer with the EU framework.

ALBTELECOM

On June 19, 2007, after a two-year period of negotiations over the privatisation of Albtelecom, the incumbent operator, Calik Enerji and the Albanian Ministry of Economy, Trade and Energy, signed an agreement for the sale of a 76% stake to a joint venture of Calik Enerji and Türk Telekom. At the beginning of 2009 the company had 270,000 clients.

OTHER COMPETITORS IN ALBANIAN MARKET ARE:

- San Ltd
- ABCom
- Albania Online
- ADANet
- Abissnet
- TCN Systronic

5.3 Akton's Market Position

Akton's main advantages are the ability to connect the region with the global network through its own network infrastructure and excellent market knowledge. Akton is providing a full range of services, which are covering all current customer needs (voice, data). The opportunity for growth is coming from the fact that Adriatic telecommunication market has a potential to double its size in the near future (table 13). The main threat for Akton is a price war or other forms of significant market power abuse by local incumbents.

5.4 Akton's Business Opportunity Definition

Albeit current unfavourable economic situation the Akton's management believes that the Adriatic Telecommunication market will continue to grow in the next five to seven years. Since the market is not yet completely liberalised, the portfolio of telecommunication services is relatively poor and prices are significantly higher than on developed markets. At the same time, we are confident that we are well positioned to address the market opportunities.

6 Strategic Business Focus

The strategic business focus can be determined by defining seven factors. The order of defining is also important, as we must start from core ideology, vision, long-term goals, key success factors, business development architecture, company organisation and strategy.

For the purpose of common understanding, we have included a description of the terms at the beginning of each chapter.

6.1 The Core Ideology

The core ideology defines the lasting company character. It is the glue that holds the company together in the course of growth, organisational changes, expansion and entering new markets. The core ideology consists of the *company's values* and the *definition of the company's purpose* or its mission.

Akton's Values:

- **Trustworthiness and integrity**
In good times and bad times, we behave according to our core values and ethical principles.
- **Quality oriented**
We deliver high quality; we are raising quality standards higher and higher.
- **Results driven**
We are focused on achieving positive, concrete results. We are always looking for ways to improve long-term results.
- **Persistence**
We continually maintain action and are able to press on to achieve the big goals.

- **Respect**
We know our own value and we honour the value of others.
- **Creativity**
Only sky is the limit. We regularly think outside the given parameters to find a better, more effective solution.

Akton's Purpose (Mission):

- **Connecting the region with the rest of the world**

6.2 Vision

Forecasting the future is the contradiction between what we see and feel, and something we believe. A vision must be clearly defined and comprehensible. The vision consists of a *challenge* that is five to seven years away and a *vivid description of the future*.

In practice, we often equate challenges and goals, but in reality there is a world of difference between the two. A real challenge is clearly defined; it represents a commitment and is used as a universal reason for efforts and concrete actions. It is used as a stimulation, to motivate employees and to maintain team spirit.

Akton's Challenge:

- *To become a preferred telecommunication services partner!*

Akton's Vivid Description of the Future:

The harmonisation of regulations and alignment with the EU will be taking place on a market with over 20 million inhabitants. State operators will be majority privatised. International operators will apply for majority shareholdings at public invitations to tender. There will only be a handful of serious alternative providers with their own infrastructure around the region. Local alternatives will become part of larger international providers. The local infrastructure and services in built-up areas will become comparable with the infrastructure and services seen in Western Europe. Operators which will be able to provide international links and consolidate their presence with their own infrastructure will enjoy an advantage. Local providers will require to have unhindered access to international links, while regional providers will be able to expand only locally. Business mergers will take place. End-users in the region will be able to access international links through a single provider.

Over the next 10 years, Akton Communications will become a recognised trademark for telecommunications services in the Adriatic region. It will be present in all countries of the region, providing the best sales, technical and round-the-clock service. The group will provide high-yield services for business users. In terms of ownership, there will be a strategic investment for the region within one of the larger international operators. Alongside this, Akton will work with large and small providers in the region in the wholesale of telecommunications services. With its wholesale services, Akton will be the best alternative and exceed all expectations, which will provide a good basis for reaching out to end-users.

6.3 Key Success Factors (KSF)

The key success factors represent the collective conscience of a company about the organisation and co-ordination of knowledge, skills and experience that are required to develop, manufacture and integrate the core products or business processes.

KSF are linked to the company’s vision through long-term goals. When achieving short-term goals it is necessary to monitor the attributes of business success (price of products, costs, quality). In order to realise our challenges, or meet our long-term goals, it is necessary to focus on our *ability* to deliver our services better, faster and cheaper than our competitors. The real source of competitive advantage is the management’s ability to consolidate the knowledge, skills and experience of the entire company into the company’s KSF and individual competencies, enabling the company to rapidly respond to market conditions.

Akton’s Key Success Factors

Financial stability	Relationship with incumbents	Know how	Customer focus	Organisation	Continuous development
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6.4 Business Development Architecture

Business development architecture is a table view of KSF with pertinent core business areas, which must be developed in order to ensure the ability of the company to reach its Challenge from the Vision statement. The Company’s management can establish several development projects from a single business area.

Table 18 shows Akton’s development architecture.

Financial stability	Relationship with incumbents	Know how	Customer focus	Organisation	Continuous development
Enabling financial resources	Fair /good relationship	Market regulation knowledge	Market intelligence	Internal communication	Global perspective
Planning & controlling	Swap deals	Technology knowledge	Opportunity management	People management	Clear business focus
Risk management	Long-term contracts	Personal development process	Customer care	Business processes	Business growth
WC optimisation	High volume deals	Internal knowledge management	Customer loyalty	Internal knowledge	New technologies

Table 10: Akton’s Development Architecture

The purpose of the development architecture is to keep the management focused on key success factors and core business areas during business development. The

development architecture provides the Company with the conditions to meet the challenge.

6.5 Organisation

The word organisation is Greek in origin and means a device, tool or instrument. In the business arena, we can find various definitions of the word in different sources. For us, the following definition is relevant:

Organisation is a three-dimensional shape consisting of:

- 1D Organisation** as a company structure.
- 2D Organisation** as a tool which enables us to achieve goals.
- 3D Organisation** as the process of execution of activities, e.g. the work management process, the project management process.

In the context of this document, we are most interested in the first definition of the word organisation i.e. the organisation as a structure. In the later stages of business development, Akton’s management will focus on the other two dimensions.

Akton’s Organisation Structure

In view of Akton’s strategic focus of ensuring company growth by creating a set of customer-oriented services, Akton’s management decided to deploy a **functional organisation with two-level management**.

A functional organisation is a combination of different business functions, such as sales & marketing, technical, and finance & control. The advantage of a functional organisation is the clear focus of each division. A concentration on the same kind of tasks and no alternation of work inside a division makes people more effective.

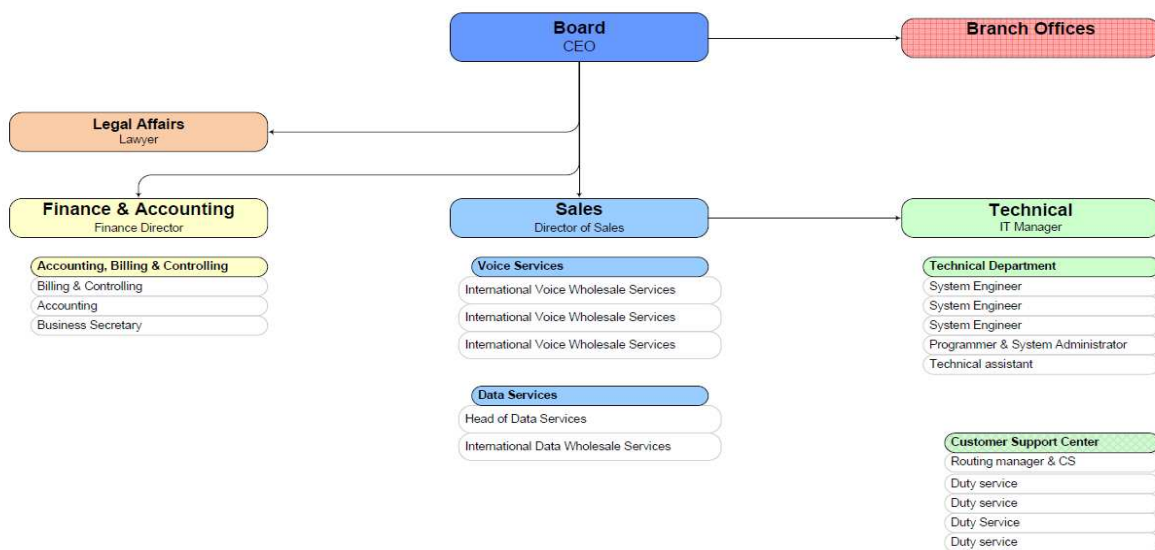
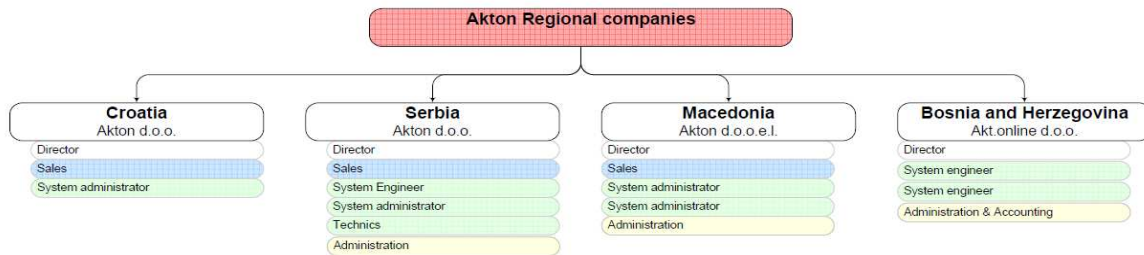


Figure 2: Akton’s Organisation Structure

The key focus of the proposed organisation is the co-ordination between the sales and the technical departments as two of the most important divisions of organisational structure. The sales manager oversees the market, creating demand for products and services, and managing opportunities, while the technical manager is responsible for the execution of services and customer care. Balancing between demand generation and the ability to execute is the key role of general manager.



Legend:
 Sales
 Operations
 Administration

Figure 3: Akton’s Development Architecture

Branch offices are organised in the same way as the mother company. The only difference is that the business operation function is mainly provided by headquarters. Figure 3 shows the organisation structure of current branch offices.

6.6 Strategy

In simple terms, strategy is a set of activities, put in order according to priorities, to achieve a goal. Strategy is the path between the present and the vision. Good strategy provides differentiation between an organisation and its competitors.

A vision for the Company, as mentioned in the Executive Summary of this document (page 4), is to delight customers in order to gain their loyalty. That means we need to develop a range of services (managed services) which will be customer focused and which will 100% fit customer expectation related to specific market needs.

Akton’s Top Priorities 2010–2014

Akton’s strategy is set by definition of top priorities for each fiscal year from 2010 until 2014. In the next step, three to five goals for each priority have been set. Top priorities and belonging goals are reviewed, and if needed redefined, during the annual planning process.

Definition of Akton's Top Priorities 2010 –2014**1. Penetrating new markets**

Akton has to expand its business on new markets in order to maintain stable gross margins. It has to widen its network with higher capacities and establish subsidiaries in other regional countries.

2. Competitive offerings

In order to outdo the competition, Akton must offer interesting services with the best available price/performance ratio. Services tailored according to customer requirements will provide performance, while increasing internal productivity will ensure an appropriate price.

3. Ensure financial stability

Achieve planned revenue growth targets in all countries and maintain costs on the levels they do not limit the company's growth.

4. Customer focus

Providing managed services tailored to the particular customer need.

5. One-stop-shop

Partnering to provide an end-to-end solution for a particular customer need.

6. Searching for new niche

New services with higher add ons for customers and end users.

7. Increase synergy between regional subsidiaries

Define and develop common business processes and establish standardised communication channel for all companies in the Akton Group.

Akton's Top Priorities 2010–2014 by Fiscal Year

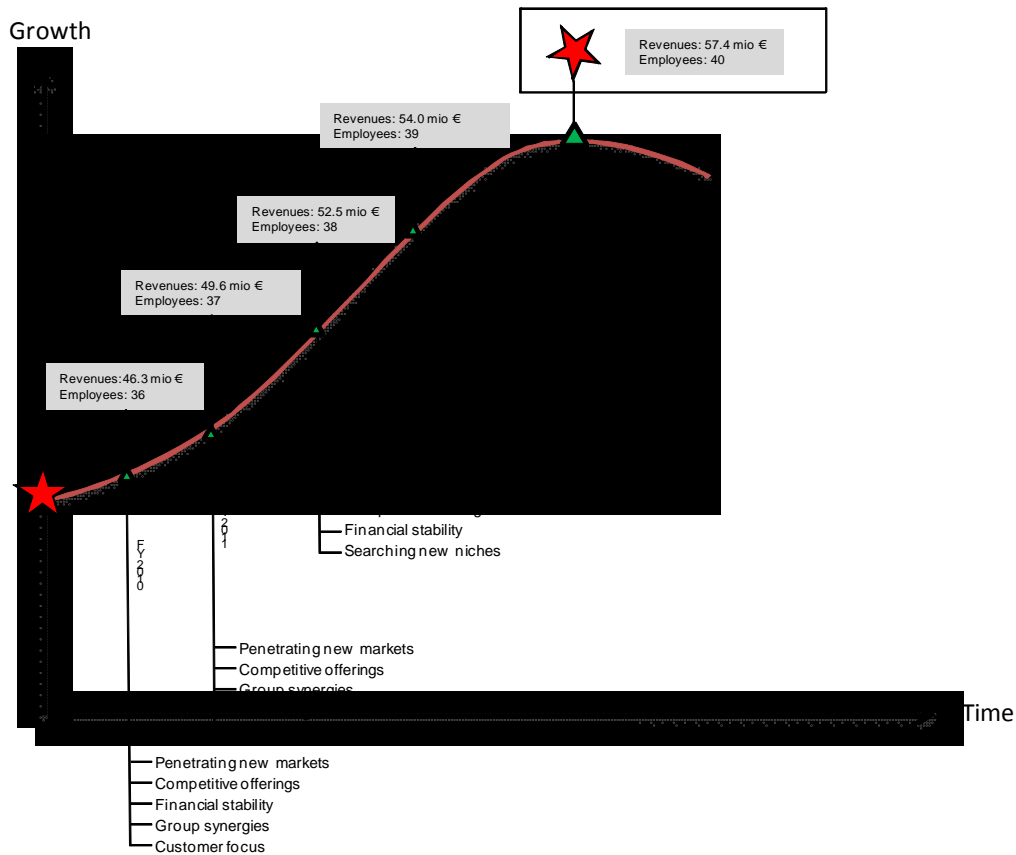


Figure 4: Akton's Top Priorities 2010–2014 by Fiscal Year

Top Priorities and Business Goals

1. Penetrating new markets

- a. Finalizing backbone to Serbia (FY10)
- b. Analyse new market potential for Montenegro, Albania, Bulgaria and Kosovo (FY10)
- c. Open new destination Mostar (Bosnia and Herzegovina) in Akton network (FY10)
- d. Entering Montenegro, Albania, Bulgaria and Kosovo with voice services - local Interconnection (FY11-FY13)
- e. Open new PoP in Tirana (Albania) and Podgorica (Montenegro) (FY11)
- f. Open new PoP in Tirana (Albania) and Podgorica (Montenegro) (FY11)

2. Competitive offerings

- a. Software upgrade for service monitoring and billing - origination & termination (FY10)
- b. Offering A-Z pricelists on voice wholesale market (FY10)
- c. Decrease purchase cost of services by 10% per year in both voice and data segments (FY10 - FY12)
- d. Increase capacities in PoP Vienna and PoP Frankfurt (FY10-FY11)
- e. Introduce new products and sales models FY10 (2), FY11 (2), YF12 (3)

3. Ensure financial stability

- a. Ensure financial assets for regular investments and current debt payments (FY10-FY12)
- b. Support planned revenue and gross margin growth (FY10 – FY14)
- c. Maximize Akton Group's EBITDA (FY10 – FY14)
- d. Ensure zero bad debt in voice and data segments (FY10-FY14)
- e. Positive net income for all subsidiaries (FY10-FY12)
- f. Ensure that annual fixed costs average of regular business operation is lower than inflation rate (FY10-FY14)
- g. Provide at least two internal financial reviews in regional subsidiaries per year (FY10-FY12)

4. Customer focus

- a. New major customers - European data wholesalers & alternative providers for voice wholesale termination in the region (FY10-FY14)
- b. Win a tender for collocation for one of major international incumbent in countries of Akton presence (FY10-FY11)
- c. Testing equipment for quality check of voice services (FY10)
- d. Attendance at major Telco meetings (FY10-FY14)
- e. Increase number of partner visits, 2-3 per partner per year (FY10-FY11)

5. One-Stop-Shop (OSS)

- a. Sign 2 new partner contracts per year in area of OSS (FY10 - FY12)
- b. Become preferred HUB for international and local operators for voice services FY10-FY11 (five operators), FY12 (seven operators)
- c. Continuously integrate regional companies in OSS process (services and prices) (FY10-FY14)

6. Searching for new niches

- a. Increase sales of collocation, signalling circuits (GRX, SMS, MMS), hosting & server housing in the region (FY10-FY14)
- b. Sales growth of MPLS services (FY10-FY12)

- c. Content (FY11-FY13)
- d. Implementation and commercial startup of Value Added Services –VAS (FY11-FY13)
- e. Opening new PoP in Asia or Africa (FY11-FY12)

7. Increasing synergy between regional companies

- a. Sell & use all available resources for voice & data services - capacities, infrastructure, equipment on stock, human resources, etc. (FY10-FY11)
- b. Implement new business process in sales and technical department of Akton Group by end of FY10
- c. Provide IT support for new business process by end of FY10 (Database, SW, user support)
- d. Introduce regular regional sales staff meetings by end of FY10 (at least two per year)
- e. Ensure optimisation of all resources by end of FY10 (people, technical, equipment, etc.)

7 Summary

In this document, the new strategic business focus of the Company has been defined, with all related components. We should now have a clear understanding of **who** we are, what our **mission** is, **where** we are going, and **how** and **when** we are going to get there.