Strategic Business Plan

September 18th

2008

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.

1. State of the Document

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2. 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 set a new strategic vision. The new vision 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 new 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.

3. 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 39 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 2008, 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.

3.1 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.

3.2 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 and Montenegro. Locally owned companies increase the service quality, provide valuable market information and increase customer awareness of the Company's presence in the market.

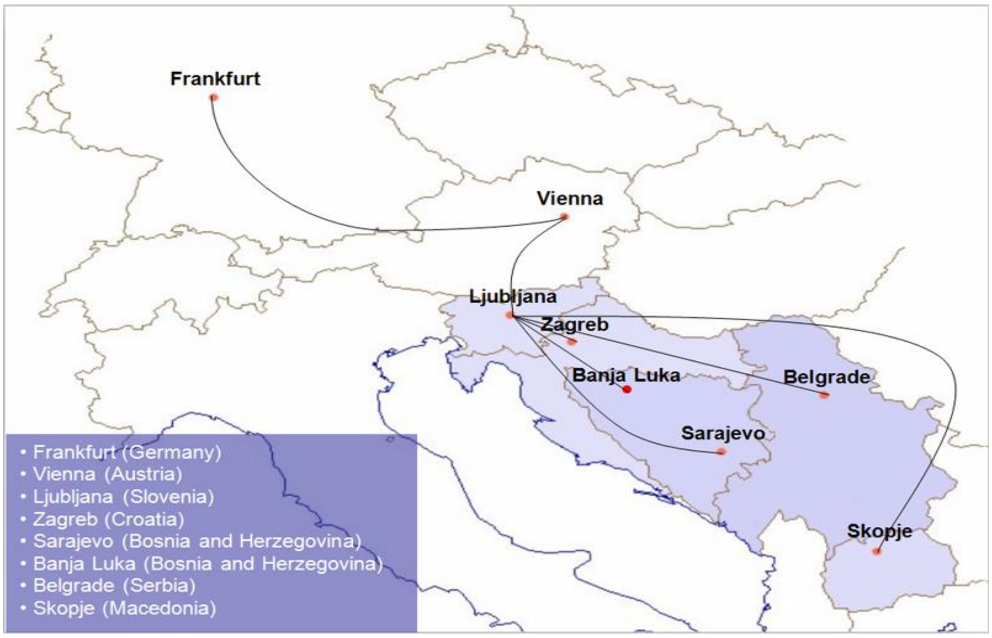

Figure 1: Akton Group International Points of Presence (PoPs)

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.

3.3 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, acquisition of local telecommunication services providers and entering new markets.

Currently, the Company offers services through its own network in five countries of the Adriatic region. The Company operates in the following countries:

Slovenia

Since the beginning of 2007, Akton has offered all services in the portfolio: international voice wholesale, international data wholesale and retail data & voice services.

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. The Company can act as a one-stop shop 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,
- own geographical and non geographical number range,
- own carrier selection code,
- 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. Akton launched a 4 x STM-1 (4 x 155 Mbit/s) backbone in November 2006, and started providing services to operators and business users in Croatia. 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,
- network operator,
- Internet service provider,
- microwave licence.

Bosnia and Herzegovina

Akt.online launched its 4 x STM-1 (4 x 155 Mbit/s) backbone in November 2006, and started providing services to operators and business users in Bosnia and Herzegovina. The sales and technical support team is operating in Sarajevo. The Company also has office in Banja Luka, Republic of Srpska. 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

As the ISP licence is the only licence available in Serbia, Akton d.o.o. is officially an Internet service provider (ISP). It is providing its data services mostly in the area of Novi Beograd from its base in the Ušće Business Centre. There it serves over 50, mostly international companies, such as Nokia, Hypo Group, JITA, EMC, etc. Technically, Akton d.o.o. is already capable of delivering voice and other data services, but has to wait for regulatory changes in Serbia. 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.

Macedonia

In Macedonia, Akton primarily provides voice services. It started its operations in June 2006 and has to date signed agreements with more than 390 companies, thus originating more than 60,000 minutes per month. The Company has just started with data services so it can act as a one-stop shop for potential customers, and offers 24/7 support and managed services.

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

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

3.4 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 team, and the 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.

3.5 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

3.5.1 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 Deutsche Telekom, Telecom Italia, Telekom Austria, Telefonica, Telenor, etc. On the other side, the Company is also interconnected 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 260 million terminated minutes in 2008, The Company is already the largest alternative provider of these services in the region.

3.5.2 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. This is a great achievement compared with previous years. 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 capacity of the Ljubljana-Zagreb-Banja Luka and Sarajevo link is 4 x STM-1 (4 x 155 Mbit/s). Our backbone network is one of the few in the region to offer such high capacity and quality of services. In 2007, we successfully sold almost 50% of the total capacity. Optimisation and international operators' demands are the reason for planned introduction of a new product (VPN/MLPS), which is expected to be implemented by the end of 2008.

At the end of 2007, we successfully implemented a new Frankfurt–Skopje data link, which will strengthen our regional orientation and increase growth. Part of the revenue from this link is expected to be generated by Akton Macedonia, which should ensure continuous development of this subsidiary.

Over the next two financial years, we are planning to establish a new link with Belgrade. However, this is to a large extent conditional upon the liberalisation of trade in Serbia.

Mobile Products

As an associate member of the GSM Association, we are a reliable provider of GRX services (GPRS Roaming Exchange) to two mobile operators in the region. Highly specialised mobile operators' networks require extra attention to the quality of services and The Company has proved itself a reliable partner also in this segment.

In co-operation with the major wholesale and mobile operators, in the period 2008/2009 we intend to expand our supply of services to operators in the region with introduction of new services such as IPX, MMX and SMS hubbing/interworking.

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. 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. In the next financial year, we intend to focus on this particular product.

3.5.3 Retail Data & Voice Services

In the 2007 financial year, our subsidiary in Macedonia became the largest alternative provider of international calls for the business segment, with over 390 clients, and one of the first companies in Macedonia that offer high-quality services at competitive prices. Slovenia and Croatia also launched call origination with current start-up volumes. In the forthcoming year, we intend to introduce call origination services in Bosnia and Herzegovina and Serbia, as an attractive addition to existing data services.

3.6 Customers

Today, Akton is providing telecommunication services for more than 400 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 mainly co-operates with telecoms through voice wholesale services. Through interconnection agreements with the majority of local telecoms, the Company can 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. Besides voice wholesale services, the Company also provides data services primarily for regional telecoms. The Company acts as a sub-contractor for regional telecoms, providing them with high-quality data solutions through its own network.

It is important to understand that Akton provide telecommunication services through telecoms (listed above) to end-user companies, governments and organisations such as:

Alternative Telecoms

Alternative telecoms mainly 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. In Table 5, we listed only the most important customers. The total number of active customers in this segment is 40.

Global/Local Companies

Companies use two groups of services: data services and voice services. Global companies with local presence manly use data services such as Internet providing or lease data capacities (leased lines). Local companies mainly use voice services, where the Company carries out all necessary processes to successfully enable international calls to and from the companies.

4. Definition of Business Opportunity

4.1 Adriatic Market Analyses

4.1.1 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.

4.1.2 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 (f2008)	unit	SLO	CRO	B&H	SRB	MKD	AL
Population	K	2,000	4,480	3,880	9,860	2,000	3,108
Unemployment rate (ILO)	%	5.0	8.9	39.5	18.7	35.0	13.5

Source: Emerging Europe Monitor, SEE August 2008

Table 1: Adriatic Demographic Data 2008 Forecast

Macroeconomic data (f2008)	unit	SLO	CRO	B&H	SRB	MKD	AL
Nominal GDP ()	€M	37,000	39,500	11,750	34,900	6,320	8,900
GGDP per capita	€	18,500	8,817	3,028	3,540	3,160	2,864
Real GDP growth	%	5.0	4.4	5.8	6.5	5.2	6.0
Consumer price inflation	%	5.6	5.1	4.6	9.0	5.5	3.4

Source: Emerging Europe Monitor, SEE August 2008

Table 2: Adriatic Macroeconomic Data 2008 Forecast

4.1.3 Economic Outlook & Risk Analysis

Renewed instability on world financial markets, the accelerated appreciation of the currency, and strongly rising prices for energy, industrial commodities and food hit the economy of the euro area at a time when economic sentiment has been, albeit from quite elevated levels, on a downward trend for over half a year (according to surveys by the European Commission). National accounting data show that the economy has already lost momentum in the final quarter of 2007, with growth falling below its potential.

Despite the economic slowdown in the euro area, the Adriatic countries continue to grow significantly faster than countries in developed World (Table 9).

Real GDP Growth, %	2006	2007	2008f	2009f
Slovenia	5.7	6.1	5.0	4.3
Croatia	4.8	5.6	4.4	4.7
B&H	6.7	6.0	5.8	6.0
Serbia	5.7	7.5	6.5	6.7
Macedonia	3.7	5.1	5.2	6.2
Albania	5.0	6.0	6.0	5.5
Euro area	2.8	2.6	2.1	2,2

Source: National central banks, National statistical offices, IMF, BMI

Table 3: Adriatic Real GDP Growth history & forecast

Inflation, %	2006	2007	2008f	2009f
Slovenia	3.0	5.6	4.5	3.8
Croatia	2.0	5.8	5.1	4.3
B&H	4.6	4.9	4.6	4.2
Serbia	6.6	10.1	9.0	7.5
Macedonia	2.9	6.1	5.5	2,7
Albania	2.5	3.1	3.4	3.5

Source: National central banks, National statistical offices, IMF, BMI

Table 4: Adriatic Inflation History & Forecast

For greater depth of understanding we will analyse the market situation country by country.

4.1.3.1 Slovenia

Economic Outlook

Real GDP growth expanded 5.4% y-o-y in Q108, above market expectations. The outturn was faster than the 4.7% y-o-y measured in Q407, as the anticipated slowdown failed to materialise. The Q1 result was favourable, and was in line with our view that the slowdown in Q4 data was not representative of a trend. However, we retain our expectation of a moderation in economic activity over the course of the year, and leave our 5.0% full-year forecast untouched.

Economic Risk

Slovenia's ballooning trade and current account deficits have been a major source of concern of late. As such, data showing a 20% y-o-y reduction in the trade shortfall for April are most welcome. According to the statistics office, the deficit measured EUR 163.3 million, with exports increasing 18.1% and imports 15.7% (both y-o-y). However, over the first four months of the year, imports still grew faster than exports (12.5% and 9.2%, respectively). We forecast a modest improvement in trade data this year, but still see a current account deficit equal to 4.6% of GDP.

4.1.3.2 Croatia

Economic Outlook

The government is not doing enough to tighten fiscal policy to put the country on a sustainable long-term budgetary path and prevent external imbalances worsening. Extra spending will also put pressure on inflationary dynamics.

Economic Risk

Electricity price hikes of 20% have been scheduled for July 1. This was below the 26.6% requested by state-owned utility HEP, with the government promising to cover the shortfall. This is in line with recently mooted government plans to mitigate the effects of global inflationary pressures on the domestic population. However, pre-tax electricity prices are currently among the cheapest in Europe. Consumers pay EUc7.6 per kWh, which is lower than all but five EU members, and well below the EUc10.19 paid in Hungary, EUc12.54 paid in the UK and EUc16.58 cost in Italy. To maintain investment in domestic capacity, prices will have to rise, or the government will have to accept rising long-term subsidies, which the budget is unlikely to sustain.

4.1.3.3 Bosnia and Herzegovina

Economic Outlook

We believe that Bosnia's signing of the stabilisation and association agreement (SAA) with the EU on June 16th,2008 marks a positive step for the country's future political and economic development. Nevertheless, membership of the organisation remains a long way off, as we expect ethnic tensions to remain a key obstacle to the passage of EU reforms and institutional development.

Economic Risk

The IMF has warned that Bosnia needs to tighten its fiscal policy and accelerate its progress with reforms to ensure macroeconomic stability and promote growth. In particular, the Fund has warned that the government's proposed loosening of fiscal policy, which could result in a budget deficit of 2.0% of GDP (up from 1.2% in 2007), combined with a planned public sector wage hike, would exacerbate inflationary pressures. Indeed, we forecast that inflation will come in at a high 4.6% and 4.2% at the end of2008 and 2009 respectively.

4.1.3.4 Serbia

Economic Outlook

We view the Socialist Party of Serbia (SPS)'s announcement that it will join the pro-Western 'For a European Serbia' (FESA) coalition and form a government as a positive development for Serbia's future institutional and economic development. That said, we caution that policy-formation will remain contentious, ensuring that the reform process, while likely to be re-invigorated, will be slow.

Economic Risk

We believe that the SPS decision to form a governing coalition with the pro-European 'For a European Serbia' coalition is the best possible scenario for Serbia's long-term economic outlook. That said, we are concerned that the welfare spending promised by the SPS will elevate the risks to the budget balance, which we forecast to come in at 2.1% of GDP at end-2008. For example, the SPS wishes to increase expenditure on pensions by EUR400mn annually. The finance ministry is currently considering borrowing US$678mn in local markets to finance the budget gap. However, we believe that the key to Serbia eventually achieving a balanced budget will be reining in politically motivated public expenditures.

4.1.3.5 Macedonia

<u>Economic Outlook</u>

Despite revising down our economic growth forecast for 2008, following Q1 developments in the external sector and domestic political scene, we maintain our view that Macedonian growth will increase over the medium term. A broad consensus among political parties and the electorate over the need for convergence and further integration with the EU will ensure that economic policy remains geared to EU-oriented reforms.

<u>Economic Risk</u>

Having climbed successively over the nine months from July 2007, Macedonian inflation has started to show signs of moderating. Indeed, following the slowdown to 10.1% y-o-y on April (from 10.2% the previous month), growth of the consumer price index slowed further to 9.5% in May, according to data published by the State Statistical Office. We believe that this likely signifies the end of the food-price driven surge in consumer price inflation, which has dogged domestic price stability over the previous three quarters. Indeed, it is likely that aggregate price growth will continue to stabilise throughout H208 towards our end year inflation forecast of 5.5%.

4.1.3.6 Albania

<u>Economic Outlook</u>

We believe that in line with slowing growth in the Eurozone and elevated global energy prices, Albania's external position will look distinctly unfavourable in 2008. That said, the expected economic recovery of the Eurozone in 2009 will likely provide a boost to exporters, and potentially improve headline trade and current account figures.

<u>Economic Risk</u>

In a sign that the Albanian government is committed to economic liberalisation, Prime Minister Sali Berisha announced that it will likely remove at least 103 permits and licences in July. This would mean that Albania will have in total 62 licences (down from around 160 four years ago) in addition to a one-stop shop for permits and licences. Not only will this improve the efficiency of resource allocation, but will also help to combat corruption in the issuing of licences. This will also help improve the transparency and efficiency of Albania's business environment, and attract foreign investment.

4.1.4 Adriatic ICT Market Data

The Adriatic region is one of 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. 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	
Status of main fixed-line telephone operator	Mixed	Mixed	Mixed		Mixed	Mixed	
Level of competition							
International long-distance service	P	C	M	M	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 5: 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	SLO	CRO	B&H	SRB	FYRM	AL	High-income group
Access							
Telephone mainlines (per 100 people)	41.70	41.30	25.20	36.00	24.10	11.20	52.70
International voice traffic (minutes per person)	..		208.00		63.00	160.00	204.00
Mobile telephone subscribers (per 100 people)	90.70	100.60	48.10	70.30	69.60	48.50	90.10
Population covered by mobile telephony (%)	99.00	100.00	97.00	99.00	99.00	97.00	99.00
Internet users (per 100 people)	62.30	35.50	24.20	20.30	13.20	14.90	59.30
Personal computers (per 100 people)	40.40	19.90	5.40	5.20	22.20	1.70	56.70
Households with a television set (%)	96.00	98.00	87.00	96.00	98.00	90.00	98.00
Quality							
Telephone faults (per 100 mainlines)	13.40	12.00	n/a	n/a	9.00		5.80
Broadband subscribers (per 100 people)	13.14	3.57	1.02	n/a	1.79	0.01	19.20
International Internet bandwidth (bits / person)	1.255	1.074	40	95	17	4	4.346
Affordability ($ a month)							
Price basket for residential fixed line	17.60	13.10	6.30	10.50	10.50	5.10	26.60
Price basket for mobile telephone service	10.10	10.90	6.60	5.80	14.80	22.10	17.00
Price basket for Internet service	18.80	11.70	7.60	6.90	10.00	16.30	13.70
Price of call to United States ($ for 3 minutes)	0.65	1.06	3.62	n/a	3.95	1.34	0.77
Institutional efficiency and sustainability							
Telecommunications revenue (% of GDP)	3.50	5.50	5.50	n/a	7.10	6.00	4.40
Telephone subscribers per employee	1.225	540	366	605	n/a	623	641
Telecommunications investment (% of revenue)	20.20	14.50	36.50	52.30	11.30	19.00	16.10
Applications							
Sector expenditure (% of GDP)	3.10	5.20	n/a	n/a	n/a		7.20
E-government readiness index (0-1)	0.67	0.54	0.45	n/a	0.45	0.47	0.74
Secure Internet servers (per million people)	140.20	75.30	5.90	5.10	5.90	2.50	569.40

Sources: Global Insight/WITSA, ITU, Netcraft, UNDESA, UNPAN, and World Bank; Data collected in 2006

Table 6: Adriatic Telecom Sector Performance

4.1.5 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 8, we can see that market spend will be almost doubled within the next five years.

4.2 Business Opportunity Definition

4.2.1 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.
- 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.

4.2.2 Definition of Market Potential

Adriatic Market Potential	ADR	SLO	CRO	B&H	SRB	FYRM	AL
Access							
Telephone mainlines (000)	8,041.7	834.0	1,850.2	977.8	3,549.6	482.0	348.1
Mobile telephone subscribers (000)	18,018.1	1,814.0	4,506.9	1,866.3	6,931.6	1,392.0	1,507.4
Internet users (000)	6,504.0	1,246.0	1,590.4	939.0	2,001.6	264.0	463.1
Personal computers (per 100 people)	2,918.6	808.0	891.5	209.5	512.7	444.0	52.8
Quality							
Broadband subscribers (000)	498.4	262.8	159.9	39.6	0.0	35.8	0.3
International Internet bandwidth (bits / person)	N/A	1,255.0	1,074.0	40.0	95.0	17.0	4.0
Annual Market spend (000 €)							
Market spend for residential fixed line	1,070,202	176,141	290,858	73,919	447,250	60,732	21,303
Market spend for mobile telephone service	2,086,580	219,857	589,500	147,809	482,438	247,219	399,757
Market spend for Internet service	878,015	281,098	223,292	85,633	165,731	31,680	90,581
Total Annual market spend (000 €)	**4,034,797**	**677,095**	**1,103,650**	**307,361**	**1,095,418**	**339,631**	**511,641**
Market potential (Annual revenue in 000 €)							
Market potential for residential fixed line	1.845.293	222.605	371.143	257.640	654.724	132.804	206.377
Growth potential for residential fixed line	42/0%	21%	22%	71%	32%	54%	90%
Market potential for mobile telephone service	3,816,768	360,000	752,640	465,600	1,183,200	384,000	671,328
Growth potential for mobile telephone service	45,3%	39%	22%	68%	59%	36%	40%
Market potential for Internet service	2,025,798	293,280	372,992	276,101	631,474	142,320	309,631
Growth potential for Internet service	56.7%	4%	40%	69%	74%	78%	71%
Total Annual revenue market potential (000 €)	**7,687,859**	**875,885**	**1,496,775**	**999,341**	**2,469,398**	**659,124**	**1,187,337**
Total Growth potential (%)	91%	29%	36%	225%	125%	94%	132%
Total Growth potential (000 €)	**3,653,062**	**198,790**	**393,125**	**691,979**	**1,373,979**	**319,493**	**675,695**

Table 7: Adriatic Market Potential

In Table 13, we can see current annual market spend, and estimated market potential for the telecom sector. The estimates of market potential have been created based on very good market knowledge and the assumptions listed in chapter 5.2.1.

4.2.3 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 potentially Albania. The two new countries, Montenegro and Kosovo, which were established in 2008, are politically and economically unstable. The risk of entering these markets is currently too high. Both countries will be closely monitored and accordingly added to the list when the situation improves.

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.

4.2.4 Competition Analysis

Akton offers its products on markets which are currently still very much 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.

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).

Bosnia and Herzegovina

The Bosnian and Herzegovinian telecommunications regulatory agency (RAK) reports a constant increase of Internet penetration among the population (according to RAK, the penetration rate has reached 27.25%, compared to a 24.5% penetration rate in 2006). Positive momentum indicates increased competition, which is usually implied by deregulation of market processes. 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.

Serbia

The Serbian telecommunications market is relatively deregulated in those areas where foreign competition exists (mobile telephony), while other sectors remain relatively constrained. For example, alternative telecommunications services providers cannot own an international data link. Currently, alternative telecommunication services providers can obtain only ISP licences. With the new pro-European government, it is expected that further deregulation activity will adjust current legislation to the new European standards.

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.

4.3 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 spend will double during the next five to seven years. The main threat to Akton is an entrance by a world-leading operator, which will drop prices in order to gain market share.

4.4 Akton's Business Opportunity Definition

Akton's management believes that the Adriatic Telecommunication market will grow enormously in next five years. Since the market is not yet completely liberalised, the portfolio of telecommunication services is quite 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.

5. 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.

5.1 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***

5.2 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 20 million inhabitants. State operators will be 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.

5.3 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

Customer Focus	Organisation	Know-how	Financial Stability	Continuous Development

5.4 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.

Customer focus	Organization	Know how	Financial stability	Continuous development
Market intelligence	Internal Communication	Competence Model	Risk Management	Global Perspective
Opportunity mnagement	People management	Technology Knowhow	WC Optimization	Clear Business Focus
Customer Loyalty	Business Processes	Personal Development Process	Financial sources	Business Growth
Customer Care	Business Inteligence	Internal Knowledge Management	Planning & Controling	New Technologies

Table 8: 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.

5.5 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.

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.

5.5.1 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.

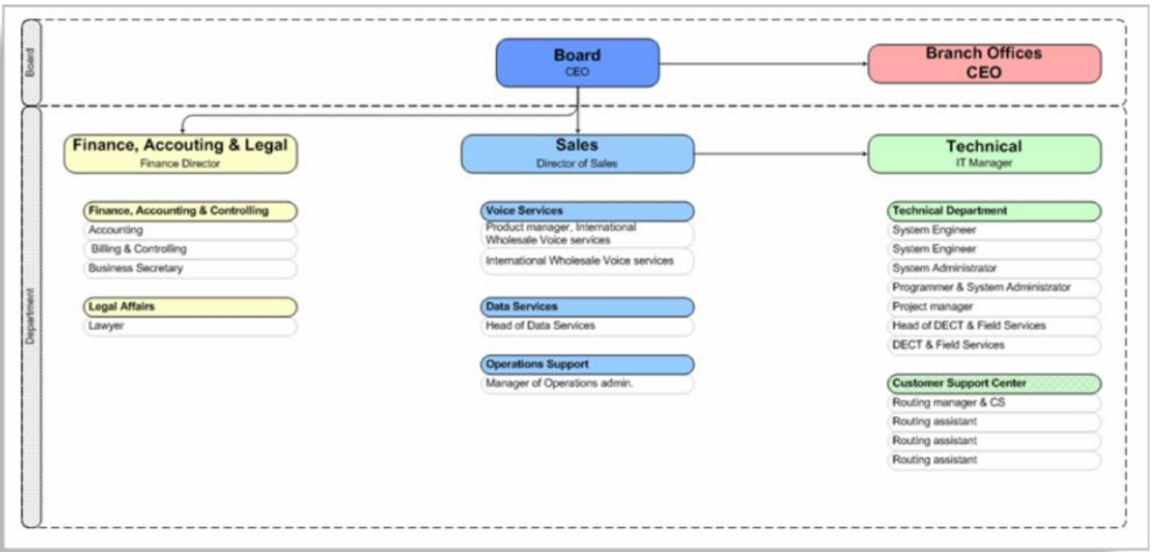

Figure 2: Akton's Organisation Structure

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 the and ability to execute is the key role of general manager.

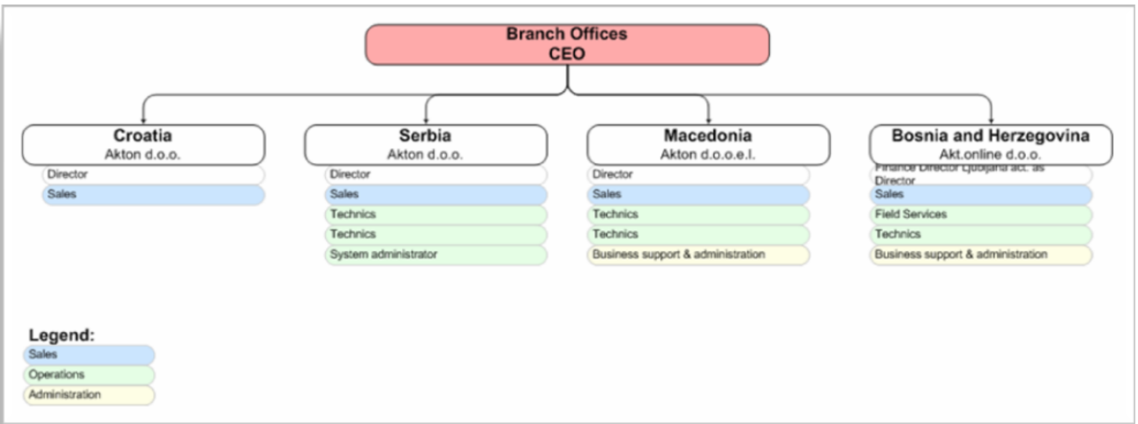

Figure 3: Akton's Development Architecture

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.

5.6 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 new 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.

5.6.1 Akton's Top Priorities 2009–2013

Akton's strategy is set by definition of top priorities for each fiscal year from 2009 until 2013. 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 2009 –2013

1. **Increase reliability of services**

   Akton must provide the highest level of services reliability on the market in order to develop customers' loyalty.

2. **Customer focus**

   Providing managed services tailored to the particular customer need.

3. **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.

4. **One-stop shop**

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

5. **Increase synergy between regional subsidiaries**

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

6. **Increase ability to execute**

   Develop sales and technical competences to the next level, and establish a knowledge-management process through the whole region.

7. **Ensure financial stability**
   Achieve planned revenue growth targets in all countries while keeping cost within budget.

Akton's Top Priorities 2009–2013 by Fiscal Year

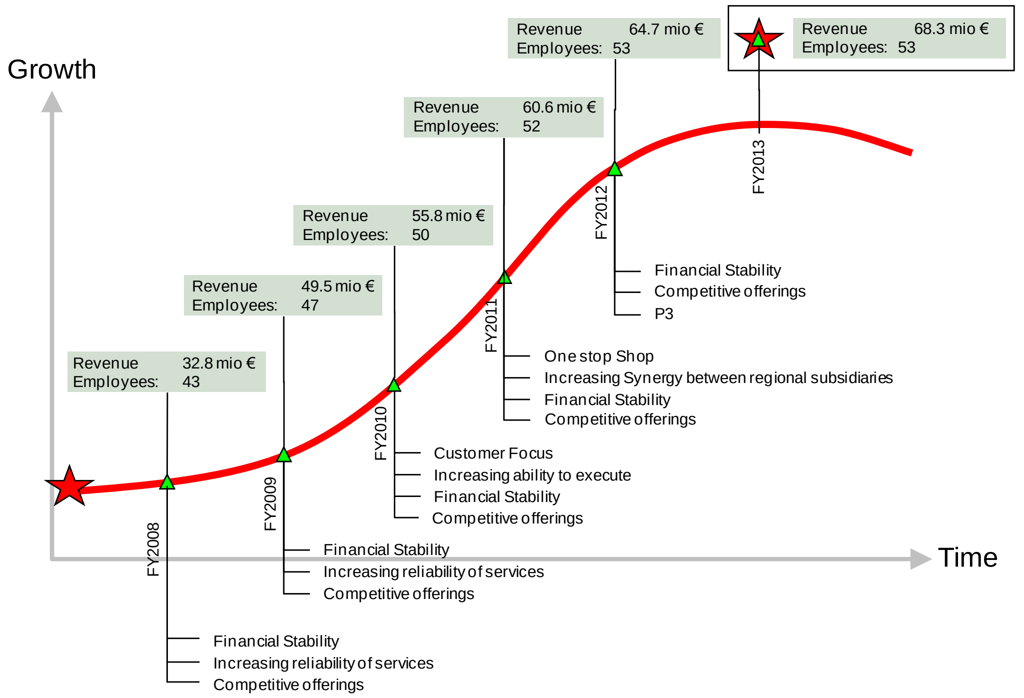

Figure 4: Akton's Top Priorities 2009–2013 by Fiscal Year

Top Priorities and Business Goals

1. **Increase reliability of services**
   a. Complete all planned telecommunication equipment and communication network upgrades (Serbia by end of FY09, Macedonia & B&H by end of FY10)
   b. Provide competent technical staff in each Network segment by end of FY09 (seven to ten people)
   c. Implement a key account management process for all operators in the region by end of FY09
   d. Increase the number of local partners in the region for LL by end of FY10 (at least 3 in each country)
   e. Ensure ten new voice interconnections by end of FY09
2. **Customer Focus**
   a. Increase number of partners' visits by end of FY09 (at least 2 per partner)
   b. Establish customer care process by end of FY10
   c. Employ and train three sales support engineers (Data 1x2009, 1x2010; Voice 1x2009)
   d. Implement ad hoc solution development process by end of FY09

3. **Competitive offerings**
    a. Implement new software for services monitoring and billing by end of FY08 (origination in termination)
    b. Implement software solution for providing error alerts for 2nd level technical support staff by end of FY08 (between 0:00 and 8:00 hours)
    c. Decrease purchase cost of services by 5% per year in both voice and data segments (beginning in FY08 till FY12)
    d. Introduce new products and sales models FY09 (1), FY10 (2), FY11 (2), YF12 (3)
4. **One-stop-shop**
    a. Sign at least one new partner contract in area of OSS (beginning in FY09 till FY12)
    b. Become preferred HUB for international and local operators for voice services 2009 (one operator), 2010/2011 (five operators), 2012 (seven operators)
    c. By end of FY09, employ one person for OSS activities in sales department.
5. **Increasing Synergy between regional subsidiaries**
    a. Implement new business process in the sales and technical department of Akton Group by end of FY10
    b. Provide IT support for new business process by end of FY10 (Database, SW, user support)
    c. Introduce regular regional sales staff meetings by end of FY10 (at least two per year)
    d. Ensure optimisation of all resources by end of FY10 (people, technical, equipment, etc.)
6. **Increase ability to execute**
    a. Ensure sales and technical training for new products and services (beginning FY09 till FY12)
    b. Ensure minimum stock of technical resources by end of FY09
    c. Employ a regional business development manager by end of FY11
    d. Assign one person for technical presales support by end of FY09
7. **Ensure financial stability**
    a. Ensure planned revenue and gross margin growth in FY08 and FY09
    b. Ensure Akton Group's EBITDA; FY08 1,4 million €; FY09 1,7 million €
    c. Ensure zero bad debt in voice and data segments
    d. Ensure assets for regular investments and current debt payments
    e. By end of March 2009, ensure positive EBITDA in all subsidiaries
    f. Ensure that annual fixed costs average of regular business operation is lower than inflation rate
    g. Provide at least two internal financial reviews in regional subsidiaries

6. 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.