

The Telekom Slovenije Annual Business Plan for 2015 with Highlights of its Strategic Business Plan for the 2015–2019 Period

Abstract

Ljubljana, November 2014

SKUPINA TELEKOM SLOVENIJE

Telekom Slovenije

Avtenta

TSmedia

GVO

Soline

Ipko

One

Blicnet

Gibtelecom

Introduction

The Telekom Slovenije Group is among the most comprehensive communication service providers in the region of Southeastern Europe, and in addition to being the national operator in Slovenia, it also operates through its subsidiaries in the markets of Southeastern Europe, namely in Kosovo, Macedonia, Bosnia and Herzegovina, Croatia, and Montenegro. Group activities include fixed and mobile communications services, digital content and services, multimedia services and digital advertising, system integration and cloud computing services, construction and maintenance of telecommunications networks, and conservation of natural and cultural heritage in the Sečovelje Salina Nature Park. The Telekom Slovenije Group (hereinafter: STS) Strategic Business Plan for the 2015–2019 Period is a foundation corporative document in which the future development as well as the strategic guidelines of STS are defined through mission, vision, goals and individual strategies.

The Slovenian telecommunications market is comparable to the developed markets of Western Europe, for which analysts are predicting declining revenues in the following years. We will fight these trends by offering new services, lowering all types of costs, looking for synergies between connected companies, and through activities related with consolidation of the Slovenian market.

At the same time, the telecommunications markets of Southeastern Europe, where the TSG is present as an alternative operator, are reaching maturity, which will in the coming years result in a decline in revenue. TSG will increase the profit in Southeastern Europe also through user growth and consolidation of the individual markets.

In the future the competitive advantage of the TSG will remain top quality of our services, and our further development will continue to be based on high standards of social responsibility and sustainable development.

Mission, Vision, and Values of the Telekom Slovenije Group

Vision

The Telekom Slovenije Group is a trustworthy partner to its users, creating a society of opportunities together with them.

Mission

At the Telekom Slovenije Group we inspire our users with innovative technologies. We open up new professional and personal avenues for them, and together cultivate an environment for a society of opportunities. With open, flexible, and scalable products and services, along with attractive content, we are continuously providing our users with effective, useful, reliable, entertaining, and constantly evolving tools for business and leisure.

Values

We Live with the User.

Our guiding principle is having satisfied users. We understand and respect their wishes and needs, and provide services that are simple, useful, and tailored to their needs. Whenever they need information, advice, or assistance, we're there to provide it.

We Are Reliable and Innovative.

Through quality, reliability, innovation, and flexibility we provide our users with the freedom to combine and interweave our services, price plans, content, and products.

Responsibility.

Our actions are ethical, heartfelt, responsible, and sustainable towards the society and the environment we operate in. We encourage the development of knowledge, the exchange of experience, the creation of innovative solutions, and operations that are people and environmentally friendly.

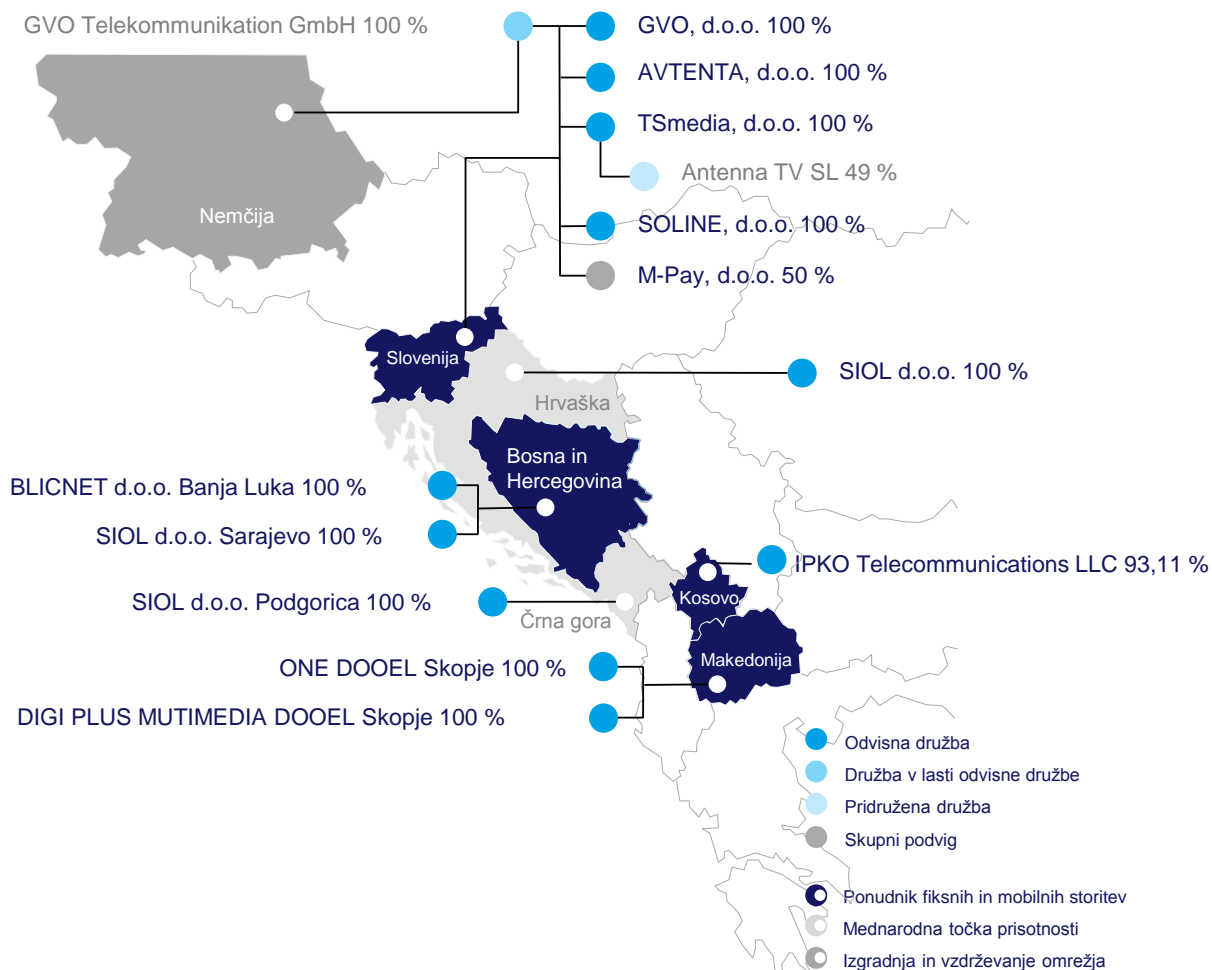
We Create Connections.

Telekom Slovenije Group employees work in a creative environment. We achieve excellent results because we are connected with one another, proactive, experienced, and value an entrepreneurial mindset. We respect our agreements and hold to our promises.

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The Markets of the Telekom Slovenije Group



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Key Strategic Objectives of the Telekom Slovenije Group

Consolidation on individual markets: the TSG's strategy is to be the first operator on the Slovenian market, and the second most profitable operator by market share on markets outside of Slovenia, which we will achieve through consolidation activities on the Macedonian market, through the sale of 50% company share in Gibtelecom Limited, and we will also look out for further consolidation opportunities.

Maintaining the Number of Users in in Telekom Slovenije: Telekom Slovenije has been facing a decline in the number of its users for a while now, as is the case with nearly all incumbents in Europe, as the result of tougher competition and, above all, regulation. Telekom Slovenije's primary objective is to maintain the number of its users, along with an appropriate level of profitability. We aim to achieve this by cross-selling services, since Telekom Slovenije is still the only major integrated service operator in Slovenia, by developing new services and new subscription models, through differentiation, and by providing exclusive services, by improving user experience (most advanced TV, contents any time or place or device), and providing standardized cloud computing services. We will also offer end-to-end ICT services to business customers, which will be focused on the individual verticals.

New sources of revenues in Telekom Slovenije - Telekom Slovenije will look for new opportunities for revenue growth particularly in the following areas: mobility; connected home; security; financial services; energy sector and healthcare.

User growth in Southeastern Europe: in Bosnia and Herzegovina we plan a minor increase the number of users through organic growth. Ipko in Kosovo will increase the number of mobile users and its market share by taking advantage of the possibilities provided by the 3G network, by expanding the coverage of the territory and the range of services, which will remain the best on the market.

Growth of EBITDA on the markets in Southeastern Europe: we continue with cost optimization across all of our subsidiaries, which has a positive impact on the EBITDA; however, growth of EBITDA on SEE markets will have to the result from the increase in the scope of the operations, thus increasing the profit margin and the economy of scale.

Financial stability: we will achieve financial stability at the Telekom Slovenije Group level by ensuring a long-term sustainable financing structure, by fulfilling financial obligations from loan agreements, through the efficient management of working capital, investing our finances in accordance with criteria for risk investment, and by maintaining appropriate liquidity reserves.

Personnel restructuring: we will optimize labour costs, ensuring that we have the optimum number of employees for the requirements of the work process in individual companies.

Quality: quality must remain the comparable advantage of all services that companies within the Telekom Slovenije Group offer their users. We will enhance quality through further research and development, making sure to provide users with cutting edge solutions and services.

Social responsibility: in the Telekom Slovenije Group we actively recognise the opportunities, where we can contribute with our knowledge, financial and other resources to the development of the social and economic environment in which we operate. As the leading national operator and a company focused on future, evaluating our achievements through customer satisfaction, we are well aware of our social responsibility. Therefore we have integrated the principles of sustainable development in the operations, products, services and contents of the Telekom Slovenije Group companies, while we also responsibly manage the economic, social and environmental impacts of our activities.

Key Objectives of the Telekom Slovenije Group for 2015

- Investments: up to € 107 million
- EBITDA: € 198 million
- Net profit: € 66 million

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