

# Strategic Business Plan of the Telekom Slovenije Group for the period 2017 to 2021 with highlights from the Annual Business Plan for 2017

## Summary

Ljubljana, December 2016

## Introduction

The Telekom Slovenije Group is a comprehensive communication service providers in South-Eastern Europe. In addition to being the national telecommunications operator in Slovenia, it also operates through its subsidiaries on the markets of South-Eastern Europe in Kosovo, Bosnia and Herzegovina, Croatia, Serbia, Montenegro and Macedonia. The Group's activities include fixed and mobile communications services, digital content and services, multimedia services and digital advertising, system integration and cloud services, construction and maintenance of telecommunications networks, and conservation of natural and cultural heritage in the Sečovelje Salt Pans Regional Park.

The Strategic Business Plan of the Telekom Slovenije Group for the period 2017 to 2021 is a core corporate document in which the future development and strategic policies of the Telekom Slovenije Group are defined through its mission, vision, values, objectives and individual strategies. The document contains future business policy of the Telekom Slovenije Group which consists of the parent company Telekom Slovenije, its subsidiaries in Slovenia and abroad and joint ventures.

The strategic business plan proceeds from the data and forecasts that were available in November 2016 and has been prepared on the basis of the macroeconomic indicators and the forecasts of macroeconomic trends for the region in which the Telekom Slovenije Group operates, while also taking into account the relevant regulation. In the preparation of the Strategic Business Plan we also took into account the business and market share analyses of comparable European operators, competition analyses, development expectations, trend forecasts in the telecommunications industry and analysis of opportunities, as well as the advantages, weakness and perils at each market where Telekom Slovenije Group is present.

The Slovenian telecommunications market is comparable to the developed markets of Western Europe, where analysts are predicting a decline in incumbent operators' revenue and market shares from the core telecommunications business. The Telekom Slovenije Group will counter these trends by expanding its sales range beyond the core business, by accelerating the digitalisation process, by means of fibre-optic access network construction, optimisation of internal processes and the IT infrastructure, as well as through staff restructuring, the result of which will be the transformation of Telekom Slovenije into a lean and agile company that will continue to dynamically adapt to the demands of its users with easy-to-understand and easy-to-use solutions. The company will offer its users the most advanced services and solutions through efficient processes and by supporting open access to the next generations' networks at the level of both fixed and mobile services.

The telecommunications markets of South-Eastern Europe on which Telekom Slovenije Group operates as an alternative operator are also reaching maturity. This will be seen in the coming years as a decline in revenue generated on the market as a whole. The Telekom Slovenije Group will accelerate the consolidation process on the markets of South-Eastern Europe, either by the expansion of operations or the sale of its participating interests.

The superior quality of its services is and will also remain the Telekom Slovenije Group's future competitive advantage. The Group's 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, with whom it creates a society of opportunities.

### **Mission**

The Telekom Slovenije Group inspires its users with innovative technologies. We open up new professional and personal avenues for them, and together cultivate an environment for the development of a community of opportunities. With open, flexible, and scalable products and services, and attractive content, we continuously provide 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 a satisfied customer. We understand and respect their wishes and needs, and provide services that are simple, useful and tailored to those needs. Whenever they need information, advice or assistance, we are there to provide it.

#### **We are reliable and innovative.**

Through quality, reliability, innovation and flexibility, we offer our users the freedom to combine and intertwine our services, packages, content and products.

#### **We act responsibly.**

Our actions are ethical, heartfelt, responsible and sustainable with respect to the society and environment in which we operate. We encourage the development of knowledge, the exchange of experiences, 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 to one another, proactive, experienced and value an entrepreneurial mindset. We respect our agreements and keep our promises.

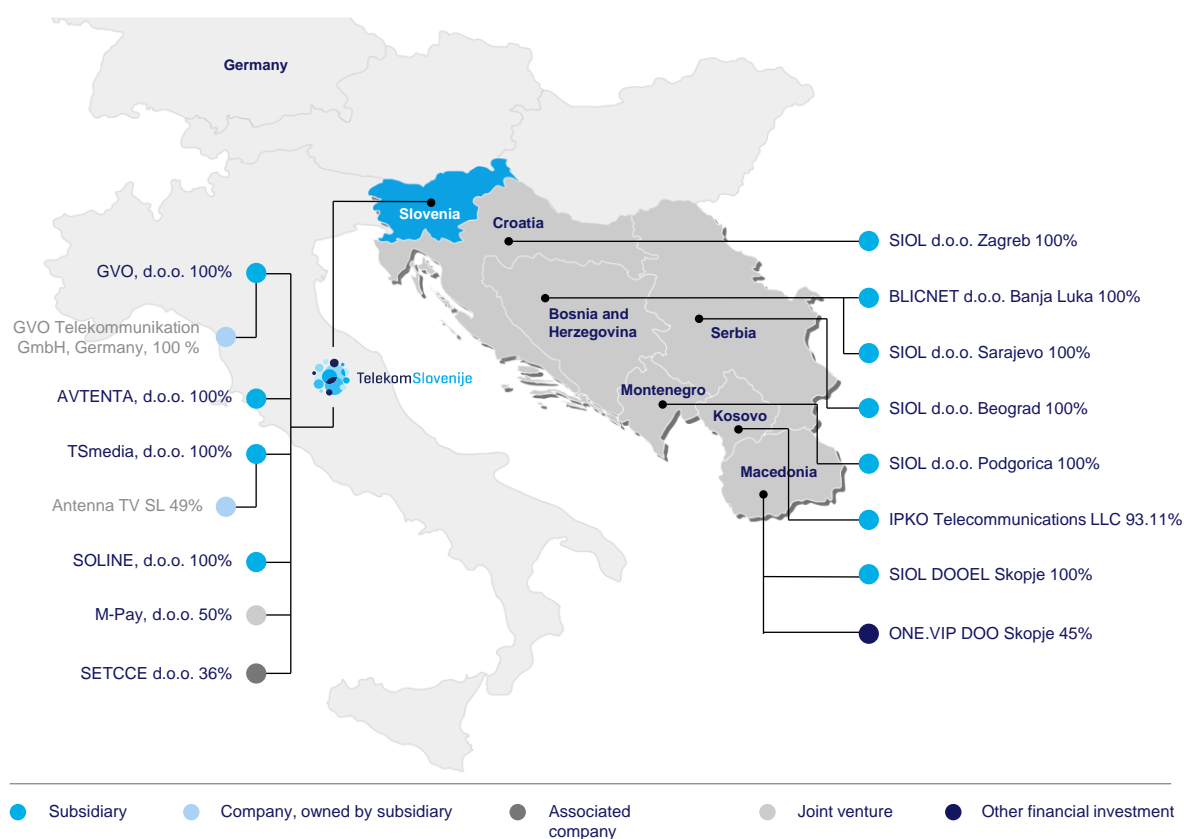
## Markets of the Telekom Slovenije Group

In addition to being the national telecommunications operator in Slovenia, the Telekom Slovenije Group also operates through its subsidiaries on the markets of South-Eastern Europe in Kosovo, Bosnia and Herzegovina, Croatia, Serbia, Montenegro and Macedonia.

The activities of the Telekom Slovenije Group companies include:

- fixed and mobile communications,
- digital content and services, multimedia services and digital advertising,
- system integration and cloud services,
- the construction and maintenance of telecommunication networks, and
- the preservation of natural and cultural heritage in the Sečovelje Salt pans Regional Park.

## Markets and organisation of the Telekom Slovenije Group as at 1 December 2016



## Key strategic policies of the Telekom Slovenije Group

The Slovenian telecommunications market is comparable to the developed markets of Western Europe, where analysts are predicting a decline in incumbent operators' revenue and market shares from the core telecommunications business. The telecommunications markets of South-Eastern Europe operator are also reaching maturity, which is already seen as a decline in revenue on the market as a whole. The Telekom Slovenije Group operates on markets where accelerated consolidation is taking place within and between the countries, which is additionally intensifying the competition. The company will counter these trends by focusing on strategic guidelines explained hereinafter.

### Consolidation on individual markets

In the past years Telekom Slovenije Group has already carried out consolidation on the Macedonian market and by purchasing Debitel also on the Slovenian market. In addition, the company has sold its share in the operator Gibtelecom. The consolidation activities will continue in the future on individual markets either by expansion or through disinvestment.

### Expansion of the fibre-optic access network

Telekom Slovenije's fibre-optic access network provides its users high-speed internet access, the most advanced broadband contents, and a superior user experience in terms of broadband content. Telekom Slovenije will continue investing in the extension, and upgrade of its fibre-optic broadband network in 2017. The modernisation of the Telekom Slovenije fibre-optic access network will mainly be carried out where the highest penetration along with the highest revenues are expected. The company will also fulfil the commitments deriving from the exhibited market interest in the construction of electronic communications broadband networks in the Republic of Slovenia, for which Telekom Slovenije has expressed the intention of building the connections in the period of the next three years based on a tender by the Information society Directorate in the year 2016.

### Growth in the number of broadband in IPTV connections

We will achieve growth in the number of Telekom Slovenije's IPTV connections by an accelerated expansion of the fibre-optic access network, offering a range of convergent price plans, expanding the sales range outside the core telecommunications business, and in particular by offering the best user experience.

### New revenue sources

By expanding its operations to new businesses and services that are relevant to its users, also outside its core telecommunications business, Telekom Slovenije will strengthen its core business on the one hand, and increase its share in the household and enterprise budgets on the other. Telekom Slovenije will offer its users a broad selection of telecommunications services and solutions in one place and, accompanied by an increase in revenue from ICT services, the company will also expand its business to new areas, such as insurance, financial services, smart home, e-m-health, e-m-citizen, e-m-security and e-m-mobility services, big data, etc.

### Optimisation of processes and the IT infrastructure

Through optimisation of business processes and IT infrastructure, Telekom Slovenije will transform itself into a lean and agile company that will continue to dynamically adapt to the demands of its users with simple, easy-to-understand and easy-to-use solutions.

### HR restructuring

Telekom Slovenije Group will continue to optimise labour costs and ensure the optimal number of employees considering the needs of the work process at individual companies as well as to develop the competences of the employees.

### Financial stability

The financial stability of the Telekom Slovenije Group will be achieved by the following: a suitable structure of its sources of financing, maintenance of sufficient liquidity reserve including long-term reserve credit lines, the fulfilment of its financial commitments, improvement of financial indicators required to increase the company's credit rating, monitoring and study of trends on financial markets, improved control of the Telekom Slovenije Group's cash flow for better management of liquidity, maintaining effective corporate governance mechanisms, study and use of alternative sources of financing, and by improved working capital management in all companies of the Group.

## Quality

Quality is and will remain the comparative advantage of services offered by Telekom Slovenije Group companies. We will continue to offer our users a comprehensive range of cutting-edge services and solutions, while maintaining and improving our quality management systems and proven models of business excellence.

### **Social responsibility**

The Telekom Slovenije Group actively identifies opportunities where it can contribute to the development of the social and economic environment in which it operates, with its expertise, and financial and other resources. As the leading national operator in Slovenia and a development and future oriented company, Telekom Slovenije is well aware of its social responsibility. The principles of sustainable development are therefore built into the operations, products, services and content of all Telekom Slovenije Group companies, while we responsibly manage the economic, social and environmental impacts of our operations.

### **Key business objectives of the Telekom Slovenije Group for 2017**

- Operating revenues: EUR 717.8 million
- EBITDA: EUR 206.8 million
- Net profit: EUR 41.3 million