

# Strategy and plan of the Telekom Slovenije Group for 2018 with projections for the period 2019–2022

## Summary

Ljubljana, 6 December 2017

## Introduction

The Telekom Slovenije Group (hereinafter: the TSG) is among the most comprehensive communication service providers in South-Eastern Europe. In addition to being the national provider of services and content 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. Its activities include fixed and mobile communications services, digital content and services, multimedia services and digital advertising, system integration and cloud services, the construction and maintenance of telecommunication networks, and the conservation of natural and cultural heritage in the Sečovelje Saltpans Regional Park.

The TSG's strategy and plan for the period 2018 with projections for the period 2019–2022 is a core corporate document in which the future development and strategic policies of the TSG are defined through its mission, vision, values, objectives and strategy. The document includes the future business strategy of the TSG, which comprises the parent company Telekom Slovenije, its subsidiaries in Slovenia and abroad, as well as a joint venture.

The strategy, plan and projections were formulated on the basis of data and forecasts available until November 2017, taking into account the regulatory environment and forecasts of macroeconomic trends for the region in which the TSG operates. During preparations, we took into account analyses of the operations and market shares of comparable European operators, analyses of the competition, development expectations and trends in the telecommunications sector, as well as a SWOT analysis for TSG companies.

A drop in revenues from basic telecommunication services is expected on the Slovenian telecommunications market, which is developed and already in the phase of saturation. Telekom Slovenije maintains the highest market share in all segments in which it operates. Alternative operators are gaining market share primarily through an aggressive pricing policy that Telekom Slovenije cannot follow due to the limitations imposed by the regulatory body and the principles of good management. We will counter this trend by investing in the expansion and upgrading of the fibre optic broadband network, through a portfolio of convergent packages, by expanding the portfolio of services outside the basic telecommunications activity, through the best user experience and through a comprehensive portfolio of ICT services. In the future, we will continue to fast-track digitalisation, and through the optimisation of processes and the IT infrastructure, together with personnel restructuring activities, we will transform Telekom Slovenije into a lean and agile company that will adapt dynamically to the demands of its users.

The markets on which the TSG operates are characterised by a high level of competition, as users can choose from the competitive offers of various operators. Users demand high-quality services at low prices. At the same time, markets are becoming increasingly saturated. Thus, the ability to attract new users is constantly diminishing.

The superior quality of its services is and will continue to be the TSG's competitive advantage in the future, while our 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

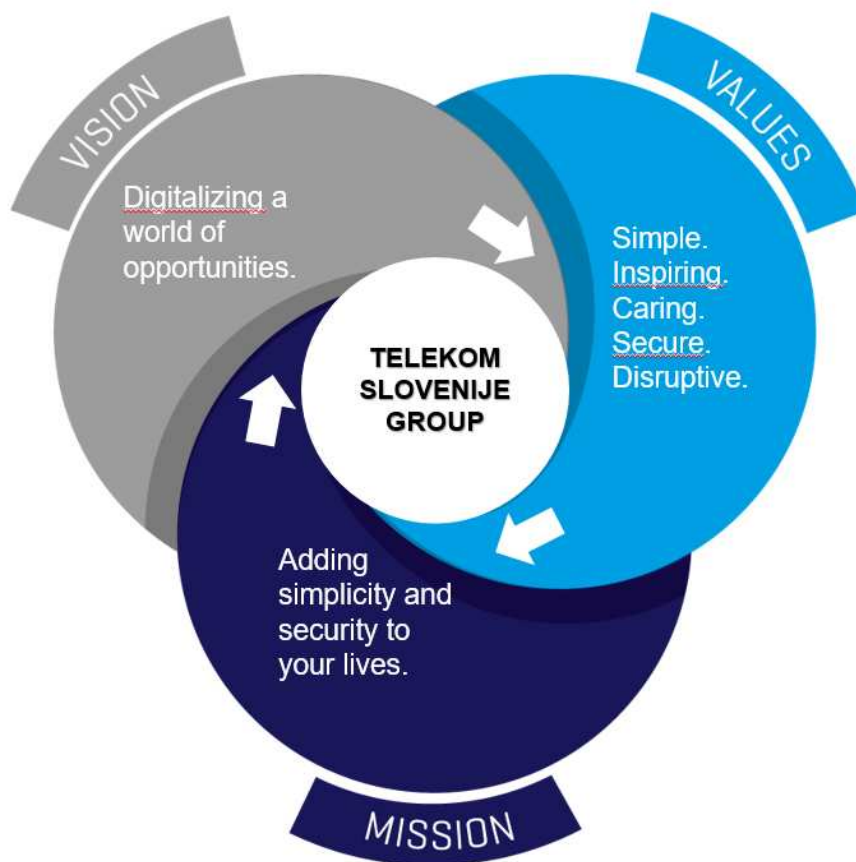
Digitalising a world of opportunities.

### Mission

Adding simplicity and security to your lives.

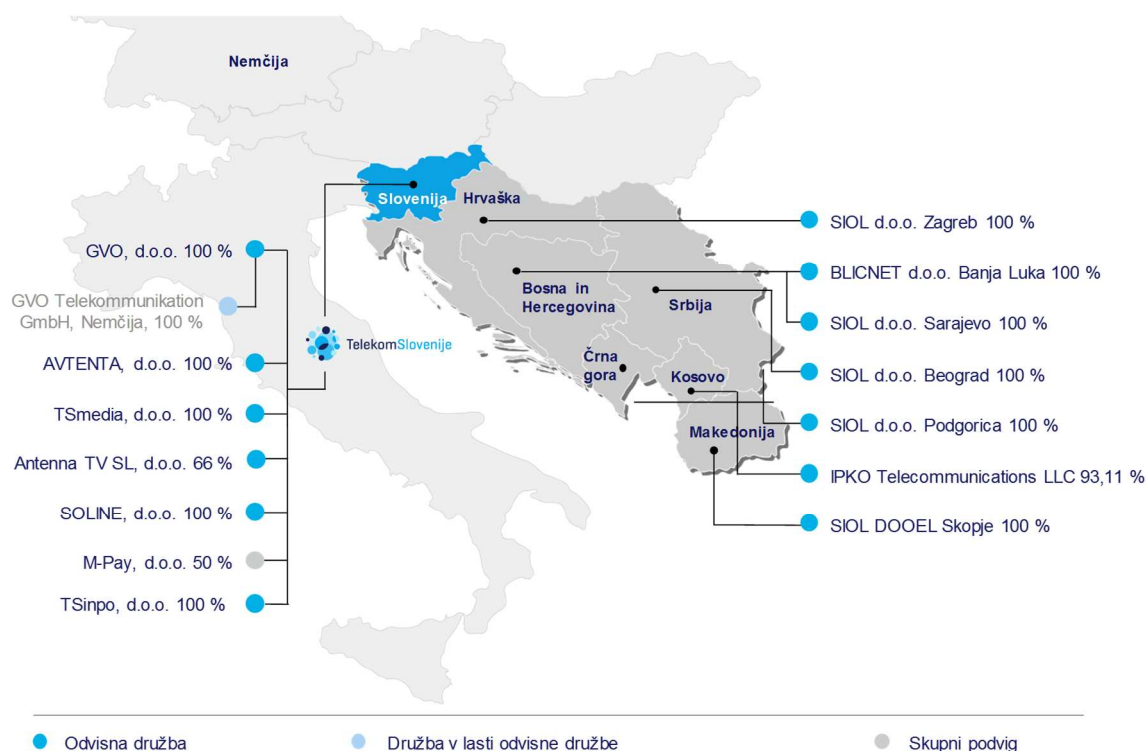
### Values

Simple. Inspiring. Caring. Secure. Disruptive.



## Markets and organisation of Telekom Slovenije Group

Telekom Slovenije manages the operations of subsidiaries by defining their strategic policies and operational objectives, and by monitoring the achievement of established objectives. The TSG's operational strategy also includes uniform corporate governance within the TSG, as this optimises the operations of companies, improves the flow of information and creates synergies at the TSG level.



## Key strategic policies of the Telekom Slovenije Group

The TSG operates on markets subject to accelerated consolidation within specific countries and between them, making competition even fiercer. We will counter this trend by focusing on the key strategic policies of the TSG detailed below.

### 1. Maintaining our market position on the mobile services market and increasing our market share on the fixed services market

We will achieve growth in the number of Telekom Slovenije's IPTV connections by further expanding fibre optic access networks, through a portfolio of convergent packages, by expanding the portfolio of services outside the basic telecommunications activity, and primarily through the development of a superior user experience.

### 2. New revenue sources

By expanding its portfolio to services outside the core telecommunications activity that are important to users, Telekom Slovenije will strengthen its core activity on the one hand, and increase its share of household and corporate budgets on the other.

### 3. Maintaining a superior network

Through planned investments in a reliable, secure and high-quality network, we will ensure that Telekom Slovenije maintains its position as the leading provider of the most advanced technologies and telecommunication services. We will provide our users the most state-of-the-art solutions and a superior user experience.

#### **4. Consolidation on individual markets**

In accordance with its strategic business plan for the period 2016–2020, the Telekom Slovenije Group has already carried out consolidation activities on the Macedonian market (which it has exited) and taken over the users of Izimobil's mobile services on the Slovenian market. The strategy envisages the possibility of further consolidation, either through expansion or divestment on the markets where the Telekom Slovenije Group operates.

#### **5. Simplification of processes and the IT infrastructure**

Through the optimisation of internal business processes and the IT infrastructure, together with personnel restructuring activities, Telekom Slovenije will transform itself into a lean and agile company that will adapt dynamically to the demands of its users through simple, understandable and user-friendly solutions offered through effective processes and the support of open access to next-generation fixed and mobile networks.

#### **6. Restructuring of personnel**

The implementation of the TSG's strategic business plan is only possible by ensuring the optimal number of employees and the competence thereof, taking into account the needs of the work processes of individual Group companies, and by ensuring the development of competent employees.

#### **7. Financial stability**

Telekom Slovenije will implement activities that will facilitate the effective management of liquidity and a high level of financial security within the Telekom Slovenije Group. We will ensure the optimal level of debt over the long term, where the value of an individual company is highest.

#### **8. Quality**

Quality is and will remain the primary comparative advantage of the services provided to users by Telekom Slovenije Group companies. We will continue to provide our users state-of-the-art, high-quality ICT solutions and services. The key tools to ensuring consistent quality are well-maintained quality management systems, verified business excellence models and the consistent implementation of initiatives to ensure an excellent user experience.

#### **9. 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 as 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 objectives of the Telekom Slovenije Group for 2018**

Operating revenues	EUR 755.3 million
EBITDA	EUR 209.8 million
Net operating profit	EUR 40.9 million
Investments	EUR 158.0 million

The achievement of objectives depends on specific consolidation activities on the Slovenian and foreign markets.