

Strategic Business Plan of the Telekom Slovenije Group for the period 2019 to 2023

Summary

Introduction

Presentation of the Telekom Slovenije Group

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.

Strategy for the period 2019 to 2023 and plan for 2019

The TSG is implementing its established strategy in 2018 in accordance with adopted strategic policies. The TSG updates that strategy and drafts a business plan for the next period every year. The TSG's strategy and plan for 2019 with projections for the period 2020 to 2023 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. Those strategic policies pursue the objectives of the UN's declaration on sustainable development (2030 Agenda for Sustainable Development). The document includes the future business strategy of the TSG, which comprises the parent company Telekom Slovenije, and its subsidiaries in Slovenia and abroad.

The strategy, plan and projections were formulated on the basis of data and forecasts available until November 2018, taking into account the regulatory environment and forecasts of macroeconomic trends for the region in which the TSG operates. Taken into account during preparations were 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.

Competition and the business environment

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.

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 a high 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 (and does not wish to) follow due to the limitations imposed by the regulatory body and the principles of good management. The Group's higher price positioning is justified by a range of high-quality services tailored to the needs of users (a unique user experience, the best sales and after-sales care for users, the most advanced and reliable network, convergent packages, an offer outside of the core telecommunications activity, and a comprehensive range of ICT solutions and information security services). Investments in the expansion and upgrading of technologies, accelerated digitalisation, the further optimisation of processes and the empowerment of employees are required to adapt dynamically to the needs of users.

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

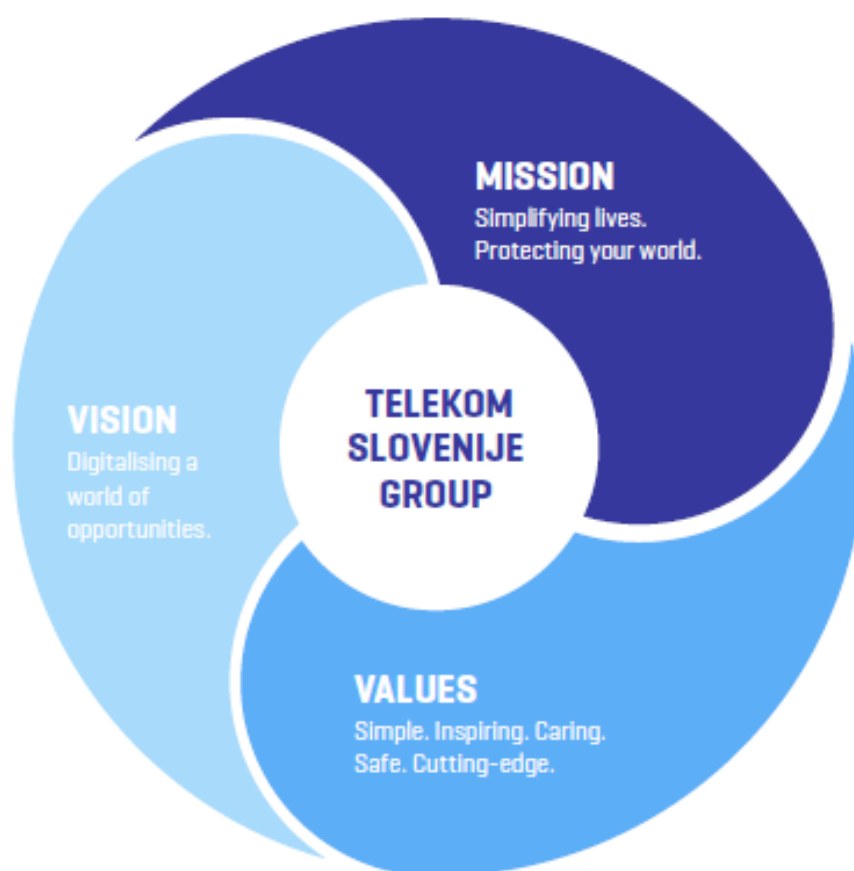
Digitalising a world of opportunities.

Mission

Simplifying lives. Protecting your world.

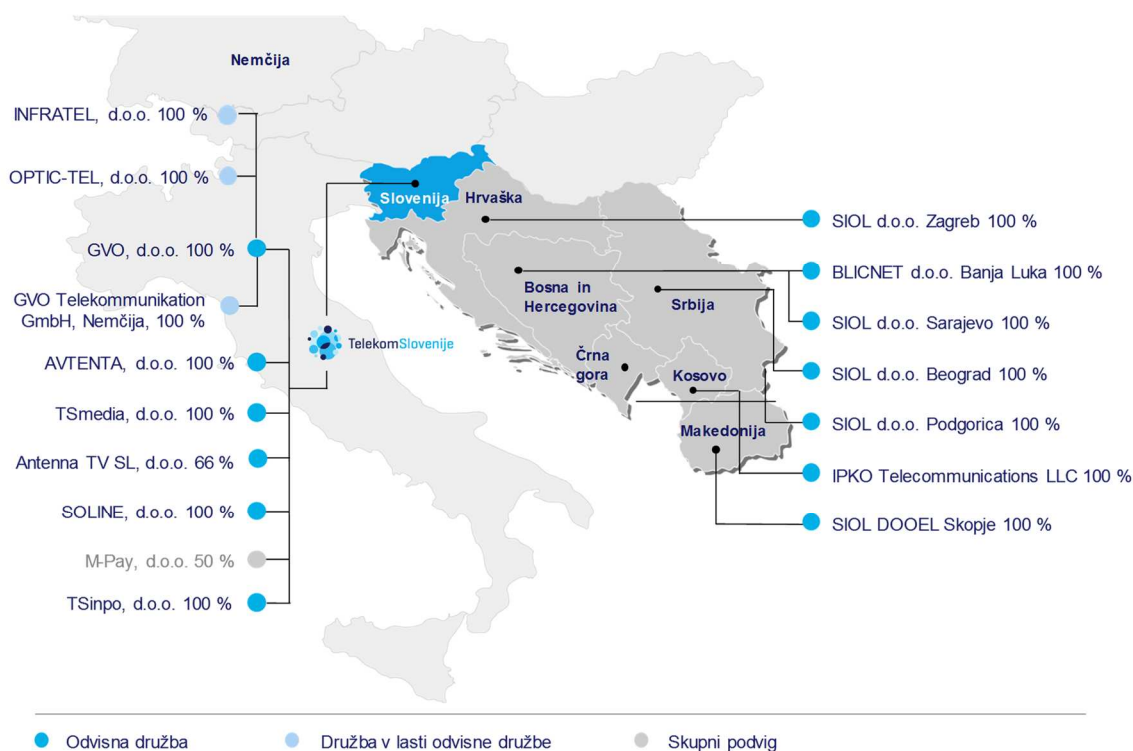
Values

Simple. Inspiring. Caring. Safe. Cutting-edge.



Markets and organisation of the 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.



The key strategic policies of the Telekom Slovenije Group remain unchanged in the period 2019 to 2023.

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 presented below.

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

The TSG will maintain its share of the mobile services market and achieve growth in the number of fixed broadband and TV connections through a portfolio of comprehensive services for smart living, and through the development of a unique experience tailored to the user, which will be based on a simple user experience and superior network, inspiring services, cutting-edge solutions and a caring approach to users.

2. New revenue sources

The TSG will strengthen its core activity on the one hand, and increase its share of household and corporate budgets and enhance user loyalty on the other hand by expanding to areas that are important to users.

3. Maintaining a superior network

Through planned investments in reliable, secure and high-quality technologies, the TSG will maintain its position as the leading provider of the most advanced technologies and next-generation networks, and communication, security, information, multimedia and advertising services.

4. Consolidation on individual markets

The TSG is carrying out consolidation activities where this is in line with its established strategic objectives. The TSG's strategy for the period 2019 to 2023 envisages the possibility of further consolidation, either through expansion or divestment on the markets where the TSG operates.

5. Simplification of processes, products and platforms

The TSG continues to optimise business processes, and restructure its products, portfolio and information systems with the aim of enhancing its ability to adapt dynamically to the demands of users through understandable and simple-to-use solutions.

6. Optimal staffing structure

Activities to implement the objectives set out in the Strategic Business Plan are only possible by ensuring the optimal number of employees, taking into account the needs of the work processes of individual Group companies, and by ensuring the development of employees' competences.

7. Financial stability

Telekom Slovenije will implement activities that will allow the TSG to effectively manage liquidity and ensure a high level of financial security. 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 by TSG companies. We will continue to provide our users the most advanced and highest-quality ICT solutions and other 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 TSG actively identifies opportunities where it can contribute to the development of the social and economic environment in which it operates, through 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 TSG companies, while we also responsibly manage the economic, social and environmental impacts of our operations.

Key objectives of the Telekom Slovenije Group for 2019¹

Operating revenues	EUR 711.9 million
EBITDA	EUR 216.0 million
Net operating profit	EUR 30.3 million
Investments	EUR 211.9 million

¹ In accordance with IFRS 15 and IFRS 16.