

Strategic Business Plan of the Telekom Slovenije Group for the 2020–2023 period

Summary

Ljubljana, 10 December 2019

About the Telekom Slovenije Group

Telekom Slovenije is the leading Slovenian provider of cutting-edge ICT solutions. It is recognizable for its focus on development and constant introduction of new features in connecting new generations of mobile and fixed communications, system integration, multimedia and advanced ICT services. These solutions simplify users' lives and provide security.

Telekom Slovenije and its subsidiaries that operate in the scope of the Telekom Slovenije Group (hereinafter also: TSG) are providers of comprehensive communications services. TSG is present on the Kosovo market through the operator IPKO, and also operates in Croatia, Bosnia and Herzegovina, Serbia, Montenegro and Northern Macedonia. TSG has the biggest, highest-quality and most reliably telecommunications network in Slovenia and operates one of the most complex backbone networks in South-Eastern Europe.

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 telecommunications networks, and the conservation of natural and cultural heritage in the Sečovelje Salina Regional Park.

Strategic business plan for the 2020–2023 period

In 2019 TSG implemented its established strategy in accordance with adopted strategic policies. The TSG updates that strategy and drafts a business plan for the next period every year. The TSG Strategic Business Plan for the 2020–2023 period is the 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 December 2019, 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 in which Telekom Slovenia Group 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. Consequently the ability to attract new users is constantly diminishing.

A decline in revenue from basic telecommunication services is expected on the Slovenian telecommunications market, as it is developed and already in the phase of saturation. Telekom Slovenije maintains a high market share across all the segments in which it operates. Alternative operators are gaining market share primarily through an aggressive pricing policy that Telekom Slovenije cannot (and refuses 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 plans, additional services beyond the core telecommunications activities, and a comprehensive range of ICT solutions and information security services). Investments in the expansion and upgrade 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 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

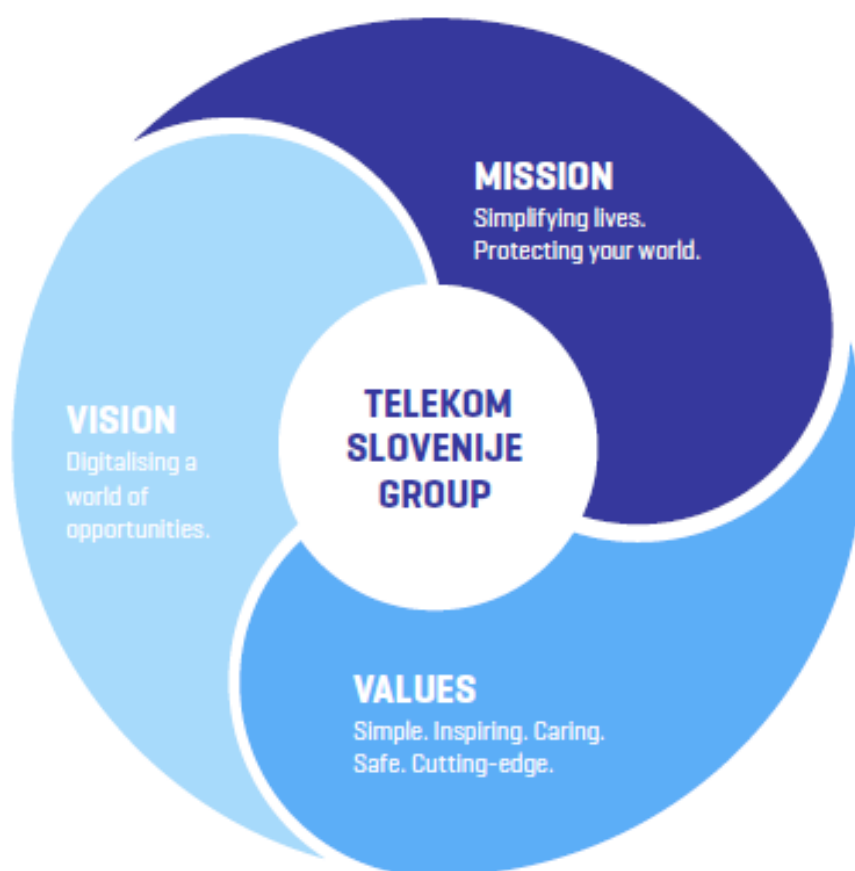
Digitalising a world of opportunities.

Mission

Simplifying lives. Protecting your world.

Values

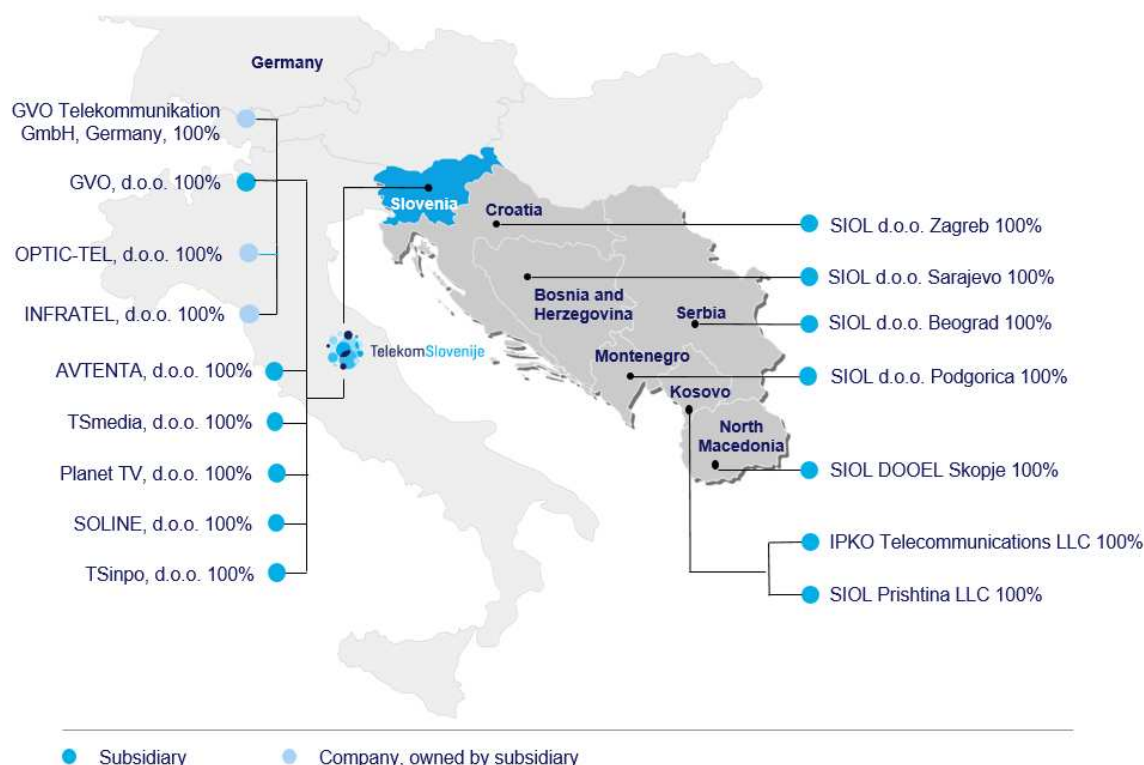
Simple. Inspiring. Caring. Secure. Cutting-edge.



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.

Telekom Slovenije Group's chart as at 10 December 2019



The key strategic policies of the Telekom Slovenije Group

The TSG operates in markets that are subject to accelerated consolidation within specific countries and beyond their borders, making competition even fiercer. We will counter this trend by focusing on the key strategic policies presented below.

1. Retaining revenue levels from core activity in Slovenia

We will retain its number of fixed and mobile users in Slovenia through a portfolio of comprehensive services for smart living, and through the development of a unique, user-tailored experience, which will be based on a straightforward user experience and superior network, inspiring services, breakthrough solutions and a caring approach to users.

2. New revenue sources

We will strengthen our core activity, while also increase our share of household and corporate spending and enhance user loyalty by expanding to areas that are important to users.

3. Maintaining a superior network

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

4. Simplification of processes, products and platforms

We will continue to optimise business processes, and restructure our products, portfolio and information systems with the aim of enhancing our ability to adapt dynamically to the demands of users through understandable and easy-to-use solutions.

5. Consolidation on individual markets

In the future we will continue with consolidation activities in line with our strategic goals, either through expansion or through divestment in the markets where we operate.

6. Optimal staffing structure

Achieving 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

We will implement activities that will allow us to effectively manage liquidity and ensure a high level of financial security. We will ensure the optimal level of debt for the long term, where the value of an individual company is highest.

8. Quality

Quality is and will remain the primary comparative advantage of our services. We will continue to provide our users with 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

We actively identify opportunities where we can contribute to the development of the social and economic environment in which we operate, through our expertise, and financial and other resources. As the leading national operator, and as a company focused on development and the future, we are well aware of our social responsibility. The principles of sustainable development are therefore built into our operations, products, services and content, while we also responsibly manage the economic, social and environmental impacts of our operations.

Key objectives of the Telekom Slovenije Group for 2020

Operating revenues	EUR 676.0 million
EBITDA	EUR 210.6 million
Net operating profit	EUR 27.5 million
Investments	EUR 209.7 million