

# Strategic Business Plan of the Telekom Slovenije, d.d., and Telekom Slovenije Group for the period 2022- 2026 and plan for the year 2022 (summary)

Ljubljana, 21 December 2021

## Presentation

Telekom Slovenije, d. d. (hereinafter: Telekom Slovenije) connects users and simplifies their lives, and ensures security through a range of the most advanced ICT services and solutions. As the leading Slovenian provider of the most advanced communication solutions, Telekom Slovenije continuously strives for the development and introduction of new innovative technologies with the aim of providing users a superior network, the most advanced services and an excellent user experience.

Through its subsidiaries, the Telekom Slovenije Group is also present in Kosovo, Croatia, Bosnia and Herzegovina, Serbia, Montenegro and North Macedonia. The Telekom Slovenije Group has the largest, highest-quality and most reliable telecommunications network in Slovenia, and manages a backbone network in South-Eastern Europe.

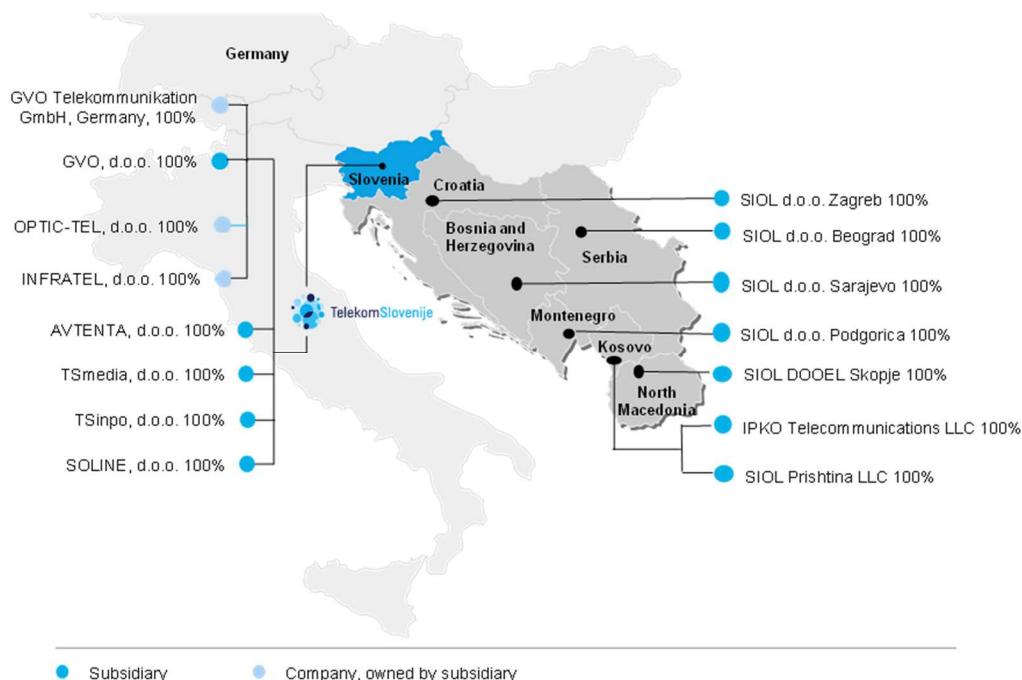
The activities of the Telekom Slovenije Group comprise:

- fixed and mobile communication services, and comprehensive ICT solutions,
- digital and multimedia content and services,
- system integration and cloud computing services,
- the development and implementation of solutions for managing business content, and tools for managing and monitoring operations,
- the construction and maintenance of telecommunication networks,
- other solutions, such as cyber and information security solutions, solutions for smart cities, industry and communities, financial services, eHealth solutions and insurance products, and
- the preservation of natural and cultural heritage in the Sečovlje Salina Nature Park.

## Markets and organisation

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

*Situation as at 1 December 2021*



## **Strategic Business Plan of the Telekom Slovenije Group until 2026, including the plan for 2022**

The Telekom Slovenije Group implements its established strategy in accordance with adopted strategic policies. To that end, the Group updates its strategy and drafts a business plan for the next period every year. The Strategic Business Plan is the Telekom Slovenije Group's core corporate document. Defined in that document through its mission, vision, values, business model, objectives and strategy are the Group's future development and strategic policies.

The document includes the future business strategy of the Telekom Slovenije Group, which comprises the parent company Telekom Slovenije, and its subsidiaries in Slovenia and abroad.

The Strategic Business Plan, business plan for the coming year and projections until 2026 were formulated on the basis of data and forecasts available until November 2021, taking into account the regulatory environment and forecasts of macroeconomic trends for the region in which the Telekom Slovenije Group 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 Telekom Slovenije Group companies.

### **Sustainable operations**

When planning the Group's future development, we pursue the Sustainable Development Goals (SDGs) of the United Nations and key content of the latter's 2030 Agenda, as well as the principles of the ESG (environmental, social and governance) model, through which we prevent the risk of greenwashing. We include the principles of sustainability in our operations, products, services and content to the greatest extent possible, while we understand sustainable operations as the responsible management of economic-governance, social and ecosystem impacts of our operations.

Updated material aspects and topics, included in the sustainable aspects of the Telekom Slovenije Group's operations, take into account the expectations of international guidelines for the responsible operations of telecommunication service providers and the other core activities that we perform, and are in line with the priority areas of the sustainability guidelines of the European Telecommunications Network Operators' Association (ETNO). The latter bind us to constructive cooperation in the mitigation of climate change and digitalisation as the EU's priority policies, and to the achievement of the United Nations' global Sustainable Development Goals, to which we can contribute through our activities.

### **Competition and the business environment**

The markets on which the Telekom Slovenije Group operates are characterised by a high level of competition, as users can choose between the competitive portfolios 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. Increasingly stiff competition results in the lowering of prices.

A drop in revenues from basic telecommunication services is expected to continue on the Slovenian telecommunications market, which is developed and already in the phase of saturation. Telekom Slovenije holds the highest market share in terms of mobile and IP TV services, and the second highest market share in terms of broadband, pay TV and IP telephony services. Competitive operators are gaining market share primarily through an aggressive pricing policy that Telekom Slovenije cannot follow due to regulatory limitations. We maintain our market share and position as the leading operator through continuous technological development, through the development of services and the provision of the best mobile and fixed networks, through targeted investments in the expansion and upgrading of the fibre optic

broadband network in combination with the fixed wireless access (FWA) network, through targeted promotional campaigns to attract new and maintain existing subscribers, through the expansion of the portfolio outside the basic telecommunications activity and cross-selling, through the best user experience, and through a comprehensive portfolio of ICT services and solutions. There will be an increasing number of competitors with new services on the ICT solutions market, while operators will consolidate ICT in the scope of their services.

IPKO has been positioned as one of the strongest market brands in Kosovo for a number of years, and is the leading operator in the mobile and fixed segments. IPKO is known on the market as an innovative brand with the fastest mobile internet, the best coverage by the 3G and 4G networks, the best mobile and fixed networks, and the best content. It is also recognised as the most reliable and trustworthy brand, with the best user support. The fixed segment of the market has become exceptionally demanding in recent years, with stiff and aggressive competition. Competitive operators promote their packages using lower prices and higher internet speeds, and focus on improving and upgrading their digital programme schemes with sports and other TV content. Nevertheless, IPKO, as a premium brand, remains the leading provider of fixed services (DTV and internet), and maintains its leading position and premium prices.

The superior quality of its services is and will continue to be the Telekom Slovenije Group's competitive advantage in the future. The Group's development will continue to be based on high standards of social responsibility and sustainable operations.

## **Mission, vision and values of the Telekom Slovenije Group**

### **Mission**

Adding simplicity and security to your lives.

### **Vision**

Digitalising a world of opportunities.

### **Values**

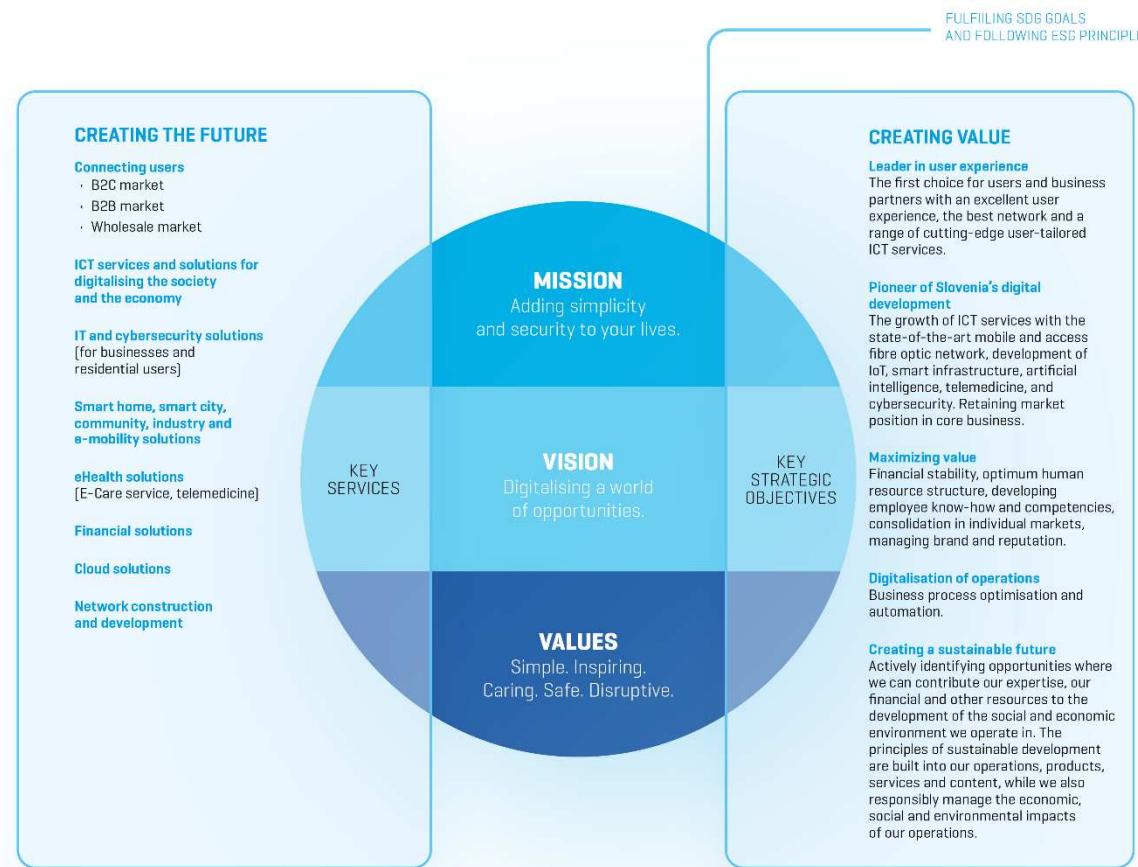
Simple. Inspiring. Caring. Safe. Disruptive.



## Business model

Our business model, through which we generate value for our stakeholders and respond to changes in the environment, includes:

- Technological development: the latest ICT trends, the development of services and solutions for users, and the provision of cyber and information security;
- Economic conditions: macroeconomic conditions and market competition;
- Social conditions: demographic changes, legislation, the protection of privacy and data, and changing user habits; and
- Environmental impacts: climate change and the preservation of natural resources.



## Strategic objectives of the Telekom Slovenije Group

### Leader in user experience



The leading user experience is based on the best, most reliable and largest network, while we create that user experience in accordance with the latest trends and changing user habits. Through a superior user experience, we achieve short-term business objectives and strengthen our long-term strategic position to remain the first choice of users. Crucial in that regard are digital excellence, ensuring security, contactless operations and the dynamic adaptation to the needs and habits of the users of communication services.

### Digitalisation of operations



We will improve the efficiency of operations through accelerated digitalisation. In the digital transformation process, we will digitalise key business processes involving users. This, in turn, will significantly improve the speed and efficiency of the Telekom Slovenije Group's operations, and also facilitate the improved competitiveness of the Group in the future.

### Growth in ICT services



Growth in ICT services and solutions will be based on the existing superior LTE/4G network, and the opportunities offered by fifth generation (5G) mobile networks. 5G technology will facilitate the development of smart industry and smart cities, as well as the introduction of virtual campus networks, which in turn will enable the continued digitalisation of various verticals, such as energy, transportation, logistics, industry, smart cities, healthcare, and protection and rescue (public safety). The Telekom Slovenije Group will ensure the digitalisation of society as a whole on that basis. We will achieve overall growth through organic growth and the consolidation of the Slovenian ICT market.

### Stabilisation of the level of revenues from the core activity in Slovenia



The basic telecommunications market is stagnating in Slovenia, while Telekom Slovenije is under additional pressure from regulatory bodies. We will preserve revenues through accelerated digitalisation and the development of digital services, the further development of the network, the development of services based on 5G technology, successful cooperation with regulators, and above all the best user experience.

### Consolidation on individual markets



The European telecommunications market is experiencing the consolidation of the sector and the merging of operators. The portfolio of services is changing, while new competitors are entering the ICT market, which will further impact the operations of operators. The Telekom Slovenije Group is actively involved in consolidation processes on the markets where it operates.

### Optimal employee structure



The Telekom Slovenije Group will continue to ensure the optimal employee structure, taking into account the needs of work processes at individual companies. We are optimising the employee structure through the strategic planning of needs for staff, and the appropriate organisational structure and job classification. We are building the employer brand through an effective remuneration system, and the development of knowledge and competences.

### **Financial stability and the optimisation of all types of costs**



We are implementing activities that facilitate the effective management of liquidity, and ensure a high level of financial stability and the optimal level of borrowing. We continuously optimise all types of costs in connection with the performance of individual processes and the provision of services.

### **Creating a sustainable future**



The Group 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. The principles of sustainable development are built into our operations, products, services and content, while we also responsibly manage the economic, social and environmental impacts of our operations.

### **Key financial objectives of the Telekom Slovenije Group for 2022**

Operating revenues	EUR 660.6 million
EBITDA	EUR 211.2 million
Net profit	EUR 27.9 million
Investments	EUR 203.1 million