

# Telekom Slovenije Group

Slovenia and Croatia  
Investor Days

26 and 27 May 2022



# Telekom Slovenije Group

- 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 communication solutions**, Telekom Slovenije continuously strives for the development and introduction of **new innovative technologies**, facilitates the connectivity of users in **the best network** in Slovenia and provides them the **most advanced services** and an **excellent user experience**.
- Telekom Slovenije has the best and fastest network according to users\*

## The activities of the Telekom Slovenije Group comprise:

- fixed and mobile communication services, and ICT solutions,
- digital and multimedia content and services,
- system integration and cloud 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,
- cyber security and the Internet of Things (IoT),
- other services, such as financial services, eCare solutions, insurance, smart home, city, community and industry solutions, and e-mobility, and
- the preservation of natural and cultural heritage in the Sečovlje Salina Nature Park.

## BUSINESS ACTIVITIES OF THE TELEKOM SLOVENIJE GROUP COMPANIES



Fixed and mobile communications



Digital contents and services, multimedia services and digital advertising



System integration and cloud services



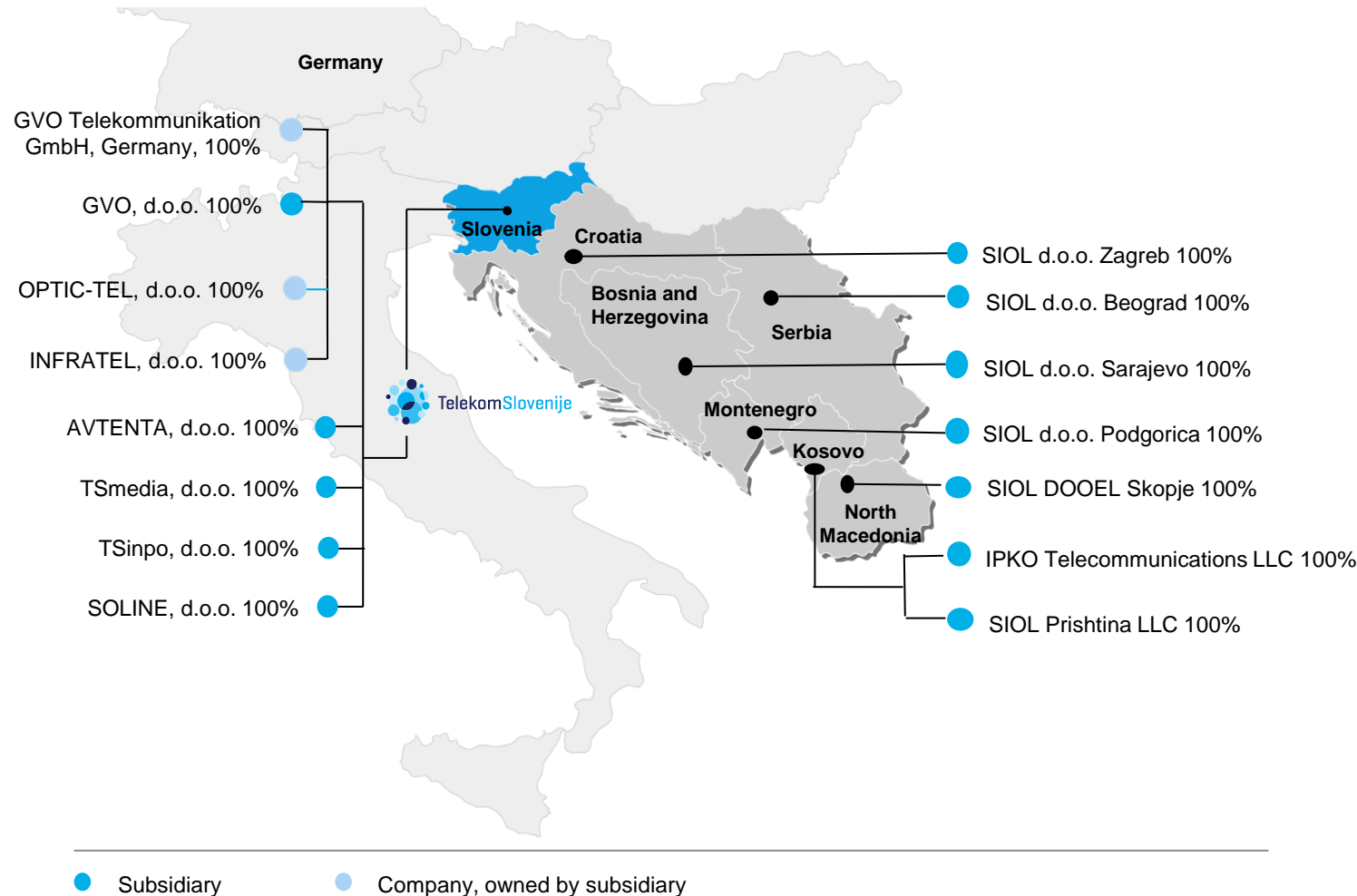
Construction and maintenance of telecommunications networks



Preservation of natural and cultural heritage at the area of Sečovlje Salina Nature Park.

\*Valicon market research, Monitoring of brand strength and image in the mobile and fixed category; October 2021

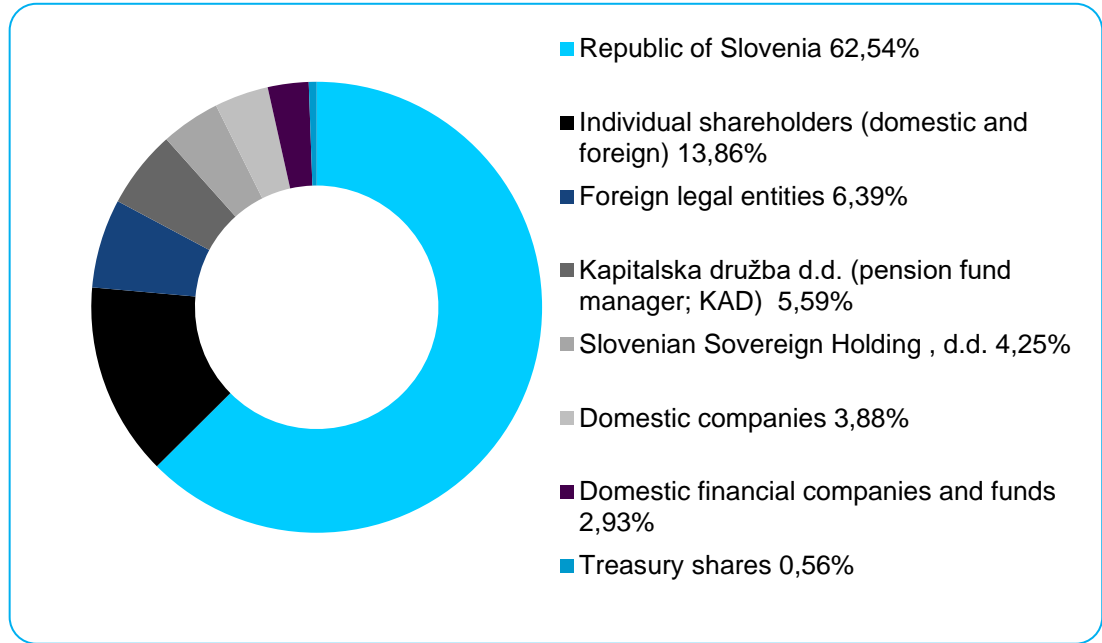
# Presence in the Region



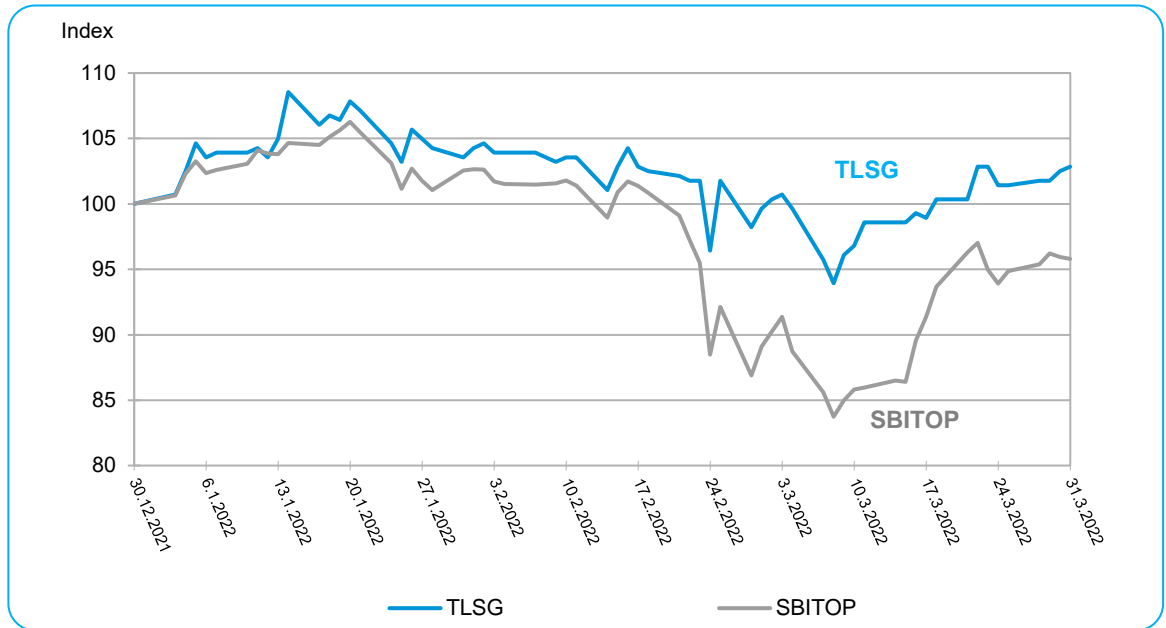
- Telekom Slovenije is a leading provider of the most advanced and comprehensive telecommunications services in Slovenia.
- Through its subsidiaries, the Telekom Slovenije Group is also present in Kosovo, Croatia, Bosnia and Herzegovina, Serbia, Montenegro and North Macedonia.
- Telekom Slovenije Group has the largest, highest-quality and most reliable telecommunications network in Slovenia, and manages one of the most complex backbone networks in South-Eastern Europe.
- Telekom Slovenije is the sole founder of the Heart Foundation (Ustanova Srčni sklad), a non-profit institution (charity) dedicated to helping children of employees of the Slovenian Telekom Slovenije Group companies who have lost their parent or are seriously ill.

# TLSG Shares & Ownership

Ownership structure as at 31 March 2022



Movement in the TLSG share price compared to the SBITOP (Index: 31 December 2021 = 100)



General information regarding Telekom Slovenije shares as at 31 March 2022

Trading Code	TLSG
Listing	Ljubljana Stock Exchange, prime market
Share capital (EUR)	272,720,664.33
Number of shares	6,535,478
Number of shares held in treasury	36,836
Number of shareholders	8,477



# Telecommunications Market Slovenia and Kosovo



# Key Macroeconomic Indicators in Slovenia

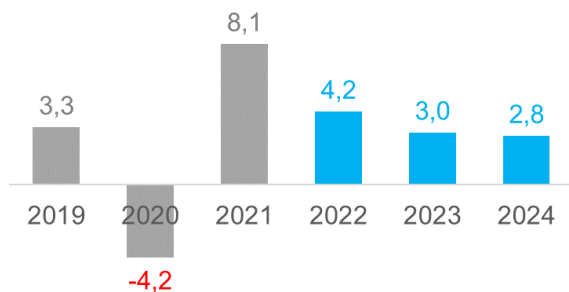
The Spring Forecast of Economic Trends was prepared in a situation of high uncertainty due to the war in Ukraine, the escalation of which could pose a downside risk to the assumptions and outlook of the baseline scenario. Economic growth this year will largely be driven by growth in domestic consumption. Overall private consumption growth will moderate in the face of higher inflation, while consumption of services will increase sharply. Investment growth will remain high. Growth of goods exports will weaken also due to the war in Ukraine and the related sanctions, which will lead to lower trade with Russia and, through our main trading partners, a slowdown in external demand growth.

In the Spring Forecast, IMAD forecasts GDP growth of 4.2% in 2022, slowing to 3.0% next year and to 2.8% in 2024.

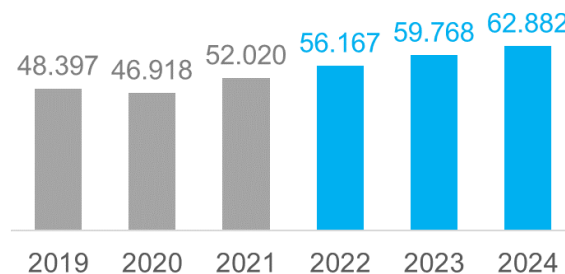
Since the Russian invasion of Ukraine, the greatest risks to the realization of the forecast have been related to the unfolding of the war and energy prices. Downside risk to the realization of the Spring Forecast is still related also to the epidemiological situation and increasingly to supply chain disruptions.

## The main macroeconomic indicators in Slovenia

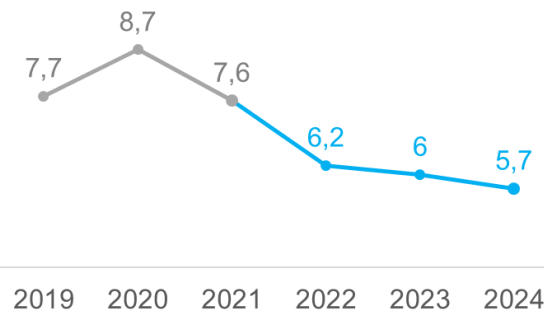
GDP, real growth in %



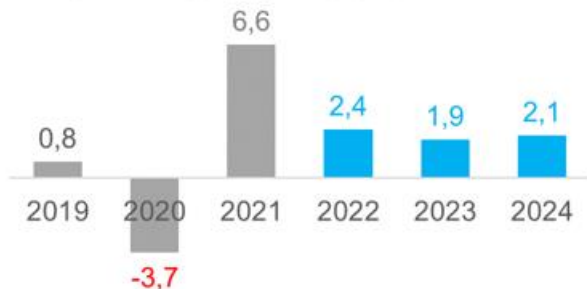
GDP in EUR million (current prices)



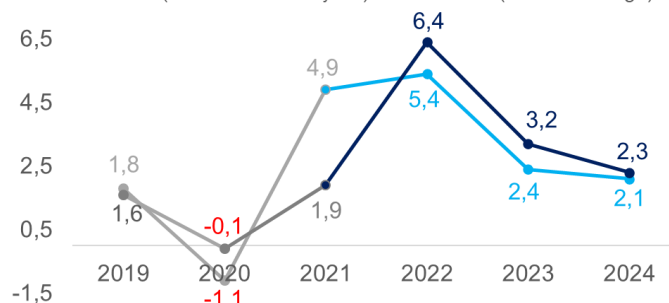
Registered unemployment level %



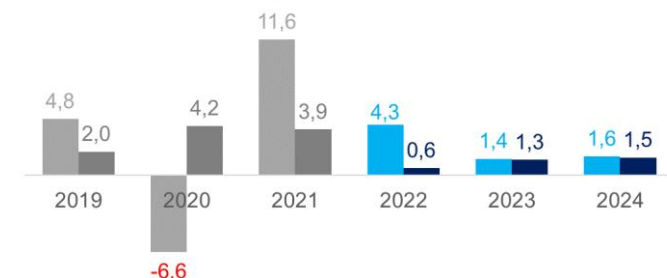
Labour productivity (GDP per employee), real growth in %



Inflation (at the end of the year) - Inflation (annual average)



Private consumption (real growth %) - State consumption (real growth %)



# Communications Market in Slovenia / 1

- The share of **IP telephony** is constantly **increasing**. At the end of the 4th quarter of 2021 the market share of IP connections was already 89%. The share of classical telephony connections continued to decline (11%).
- **Fixed access penetration** in Slovenia is above the European average (EU 77.8 % of households; June 2021). The penetration rate will **continue to grow**. In the 4th quarter of 2021 Slovenia had 86.7 % fixed access penetration.
- **Fast internet** (at least 30 Mbps) in the 4th quarter of 2021 reached **76.7%** (EU 73.9%, June 2021). The highest growth is recorded by high-speed internet at least 100 Mb/s.
- **IPTV** represents 58 % (4th quarter 2021) of all TV connections in Slovenia and **continues to grow**, although more slowly.
- In the 4th quarter of 2021 Slovenia had **123.6% penetration of active mobile telephony users**.
- **Mobile internet** represents a **fast-growing segment** of the broadband market. With its 91.2 % penetration rate (4th quarter 2021) Slovenia's penetration rate is below the EU average (108.4 % June 2021); however, it is on the increase.

## Telecommunications services penetration rate in Slovenia in Q4 2021

Fixed telephony	80 %	households	↓
Fixed access	86.7 %	households	↑
Pay TV	82.6 %	households	↑
Mobile services*	123.6 %	population	↑
Mobile internet**	91.2 %	population	↑

\*Includes mobile voice and data connections (except M2M)

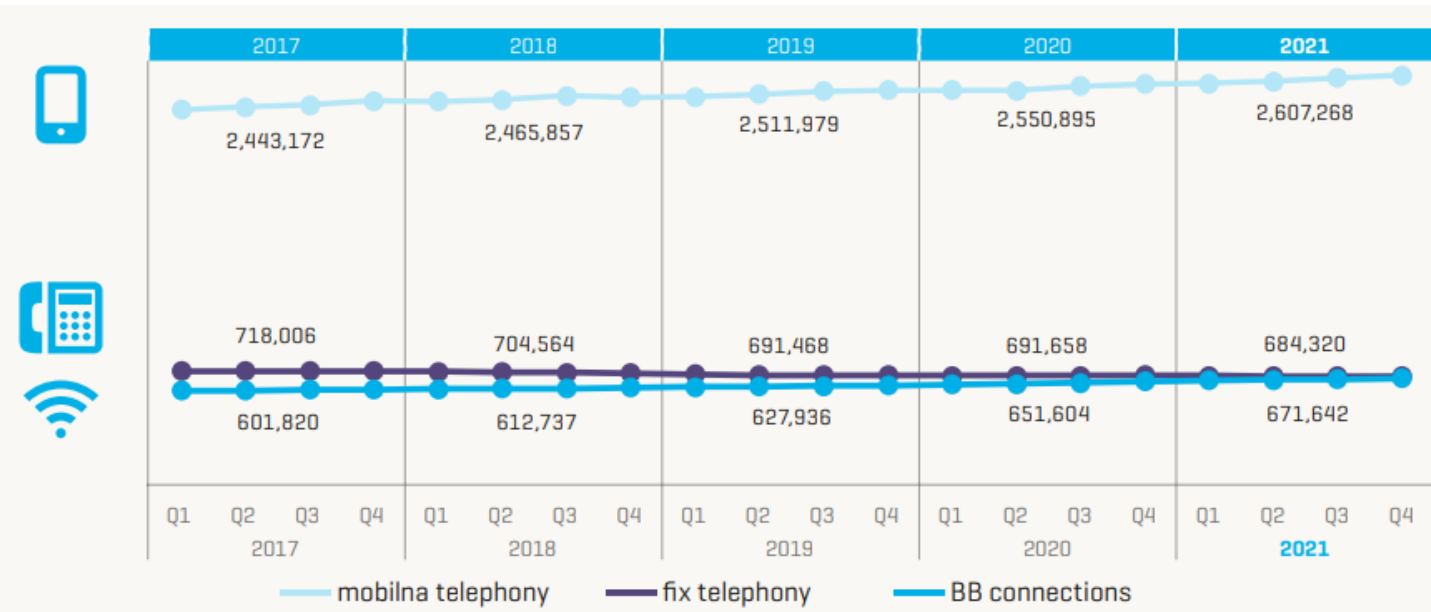
\*\*Mobile Broadband penetration is defined as the number of active mobile broadband SIM cards per 100 people

(European Commission)

Sources: AKOS, 2021 and European Commission, 2021

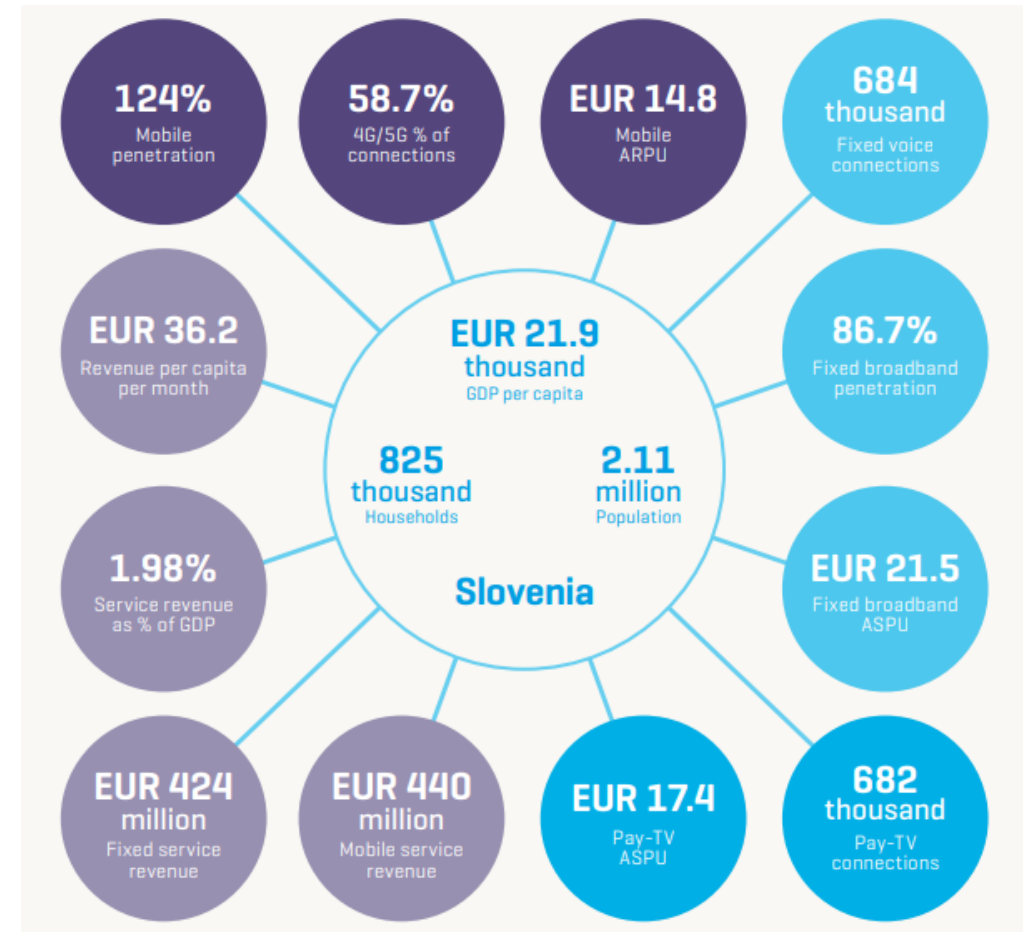
# Communications Market in Slovenia / 2

Changes in the number of connections on the electronic communications market in Slovenia



Source: Statistical Office of the Republic of Slovenia, fourth quarter of 2021

Key indicators of the market



Source: Analysys Mason, Slovenia telecoms market report 2021 (data to 1Q 2021); AKOS, SURS (fourth quarter of 2021; last updated)



# Operators and market shares in the Slovenian Communications Market

## Leading operators on the Slovenian communications market

OPERATOR	TELEKOM SLOVENIJE	A1 SLOVENIJA	TELEMACH	T2
FIXED TELEPHONY	PSTN, ISDN, VoIP	VoIP	VoIP	VoIP
FIXED INTERNET	ADSL, VDSL, FTTH	ADSL, VDSL, FTTH, CABLE	VDSL, CABLE, FTTH	VDSL, FTTH
PAY-TV	IPTV, CABLE, OTT	IPTV, OTT	CABLE, DTH, IPTV, OTT	IPTV, OTT
MOBILE SERVICES	✓	✓	✓	✓
INTEGRATED IT SERVICES	✓	✓	✗	✗

Sources: Analysys Mason, Companies websites, 2021

## Market shares of leading operators in key segments, in %

OPERATER	TELEKOM SLOVENIJE	T-2	TELEMACH	A1 SLOVENIJA
FIXED BB ACCESS	28	21	32	15
IP TV	42	32	4	21
VOIP	32	22	35	8
MOBILE TELEPHONY	37	7	24	27
MOBILE INTERNET	32	6	27	29

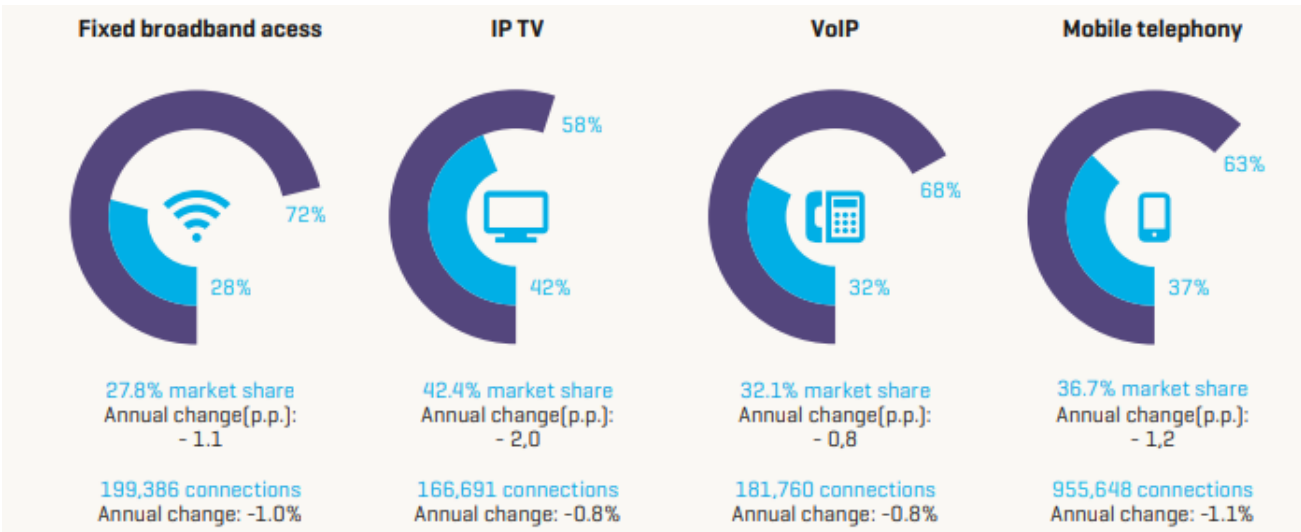
Source: AKOS, Q4 2021

The Slovenian communications market is consolidated and dominated by four convergent operators.

Telekom Slovenije, Telekom Austria Group (A1 Slovenija), United Group (Telemach) and T-2 dominate the fixed and mobile market and compete amongst each other with a range of package services. Competition is stiff, while the purchase of smaller operators by larger ones is common.

# Market situation in Slovenia and Kosovo

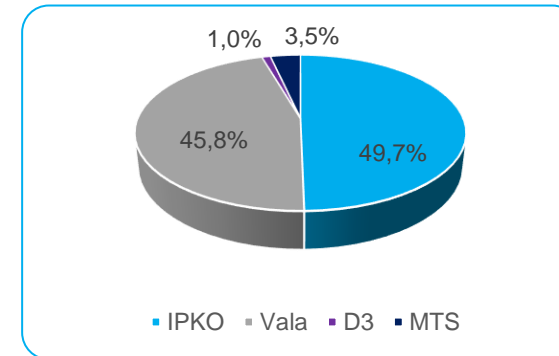
## Telekom Slovenije's market shares in key segments



Sources: Report on the development of the electronic communications market for the fourth quarter of 2021, AKOS; internal Telekom Slovenije figures.

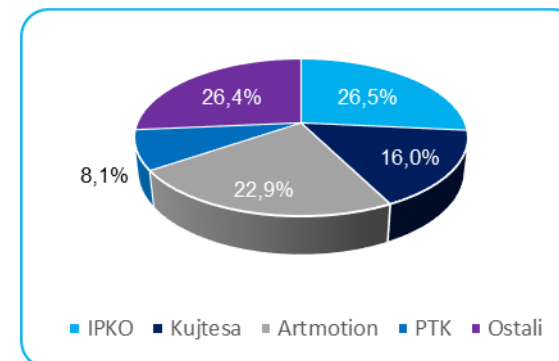
**IPKO** is one of the strongest market brands in Kosovo and is the leading operator in the fixed segment and the second largest operator in the mobile segment, where it enjoys a continuous growth trend. IPKO is known on the market as an **innovative brand** with the **fastest mobile internet**, the **best coverage** by the 3G/4G network, the **best mobile and fixed network**, and the **best content**. It is also known as the most reliable and trustworthy brand, with the best user support.

## Kosovo - Mobile segment market shares



- The household penetration rate of active mobile telephony users has reached 97.9%, which translates to 1.8 million users
- According to the latest RAEPC report, the fixed broadband connection penetration rate reached 129.2% in Kosovo in the 4th quarter of 2021, with 383.8 thousand household connections.

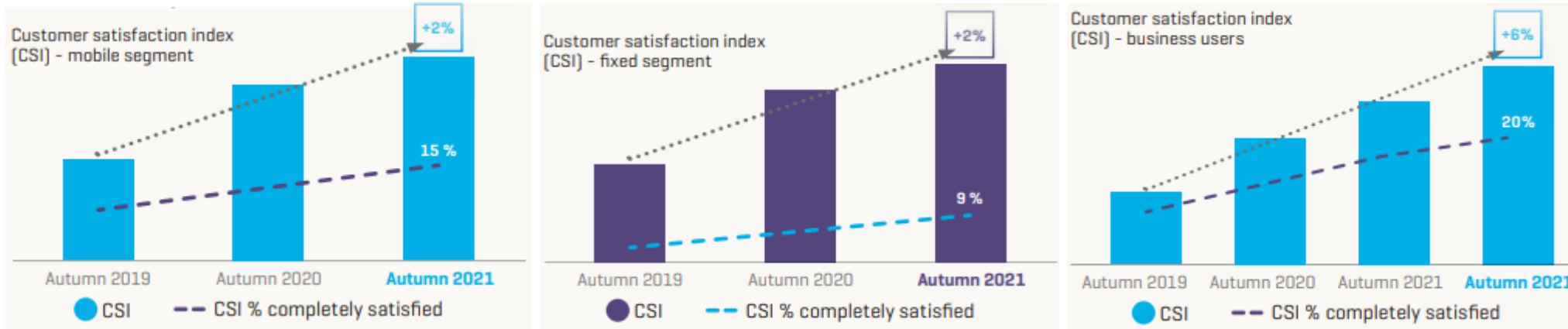
## Kosovo - Fixed broadband segment



Source: Kosovo regulatory authority (ARKEP) 4Q 2021 report (by revenues per operator)

# Customer satisfaction with Telekom Slovenije's services

## Satisfaction index for Telekom Slovenije's users



### The core of Telekom Slovenije's satisfaction and its advantages derive from:

- provider reliability (mobile and fixed),
- internet stability (mobile and fixed: network, internet, TV, mobile internet),
- customer service (fault clearance and complications solving - fixed)

### Importance of the stability and functioning of the network

According to consumers, **Telekom Slovenije** is the operator with the **best and fastest mobile and fixed network**. The best and fastest mobile network is one of the top five elements for Telekom Slovenije, while the proportions of other Slovenian operators are nearly one half lower. The best fixed network is one of the top three elements, while the fastest network falls somewhere in the middle, but still ranks better than the competition (source: Valicon, Monitoring of brand strength and image; September 2021).

### Satisfaction of business users

The overall satisfaction of Telekom Slovenije' users is high, and continues to improve over time (Valicon, autumn 2021).

### Most important to business users are:

- the quality and functioning of services,
- reliability,
- responsiveness,
- fault clearance speed and
- availability.



# Strategy

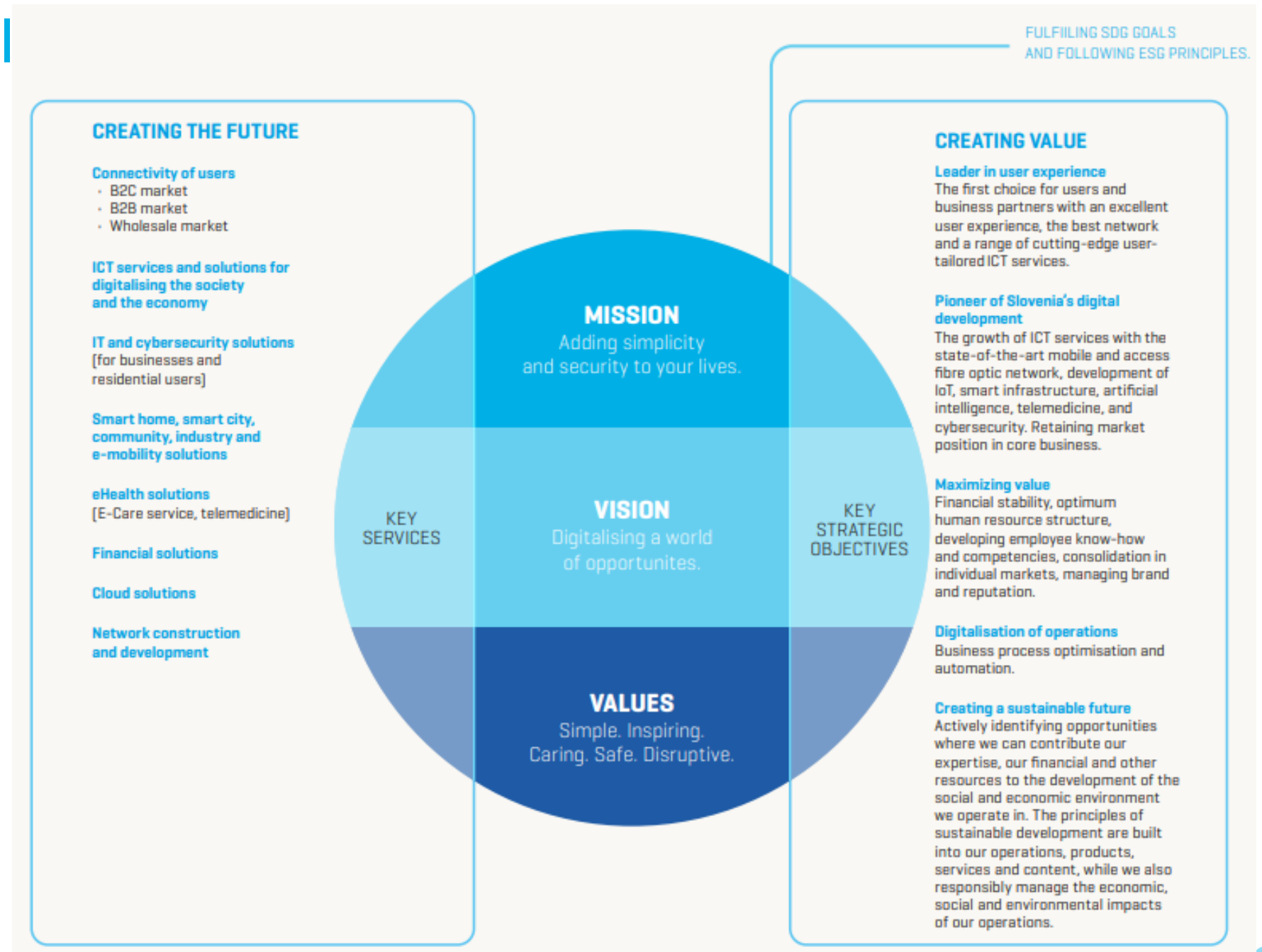




# A Business Model

We proactively adapt the business model with which we generate value for our stakeholders, and respond to changes in the environment:

- Technological development: the latest ICT trends, the development of services and solutions for users, and the provision of cyber 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.



# Key strategic objectives of the Telekom Slovenije Group / 1



## 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 facilitate the improved competitiveness of the Group in the future.



## Growth of 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

# Key strategic objectives of the Telekom Slovenije Group / 2



## 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.



Telekom Slovenije has  
always moved frontiers





# Slovenia's first 5G Network

- 5G is an important foundation of the modern digital society, which Telekom Slovenije is actively helping to establish.
- Telekom Slovenije was the **first in Slovenia** to **launch 5G** in October 2020 by upgrading the existing LTE/4G network, utilising frequencies it already uses.
- Population coverage is more than 39%.
- At the **public auction** for awarding radio frequencies Telekom Slovenije in 2021 obtained all needed and planned frequency spectrum, which allows company to upgrade 5G network.

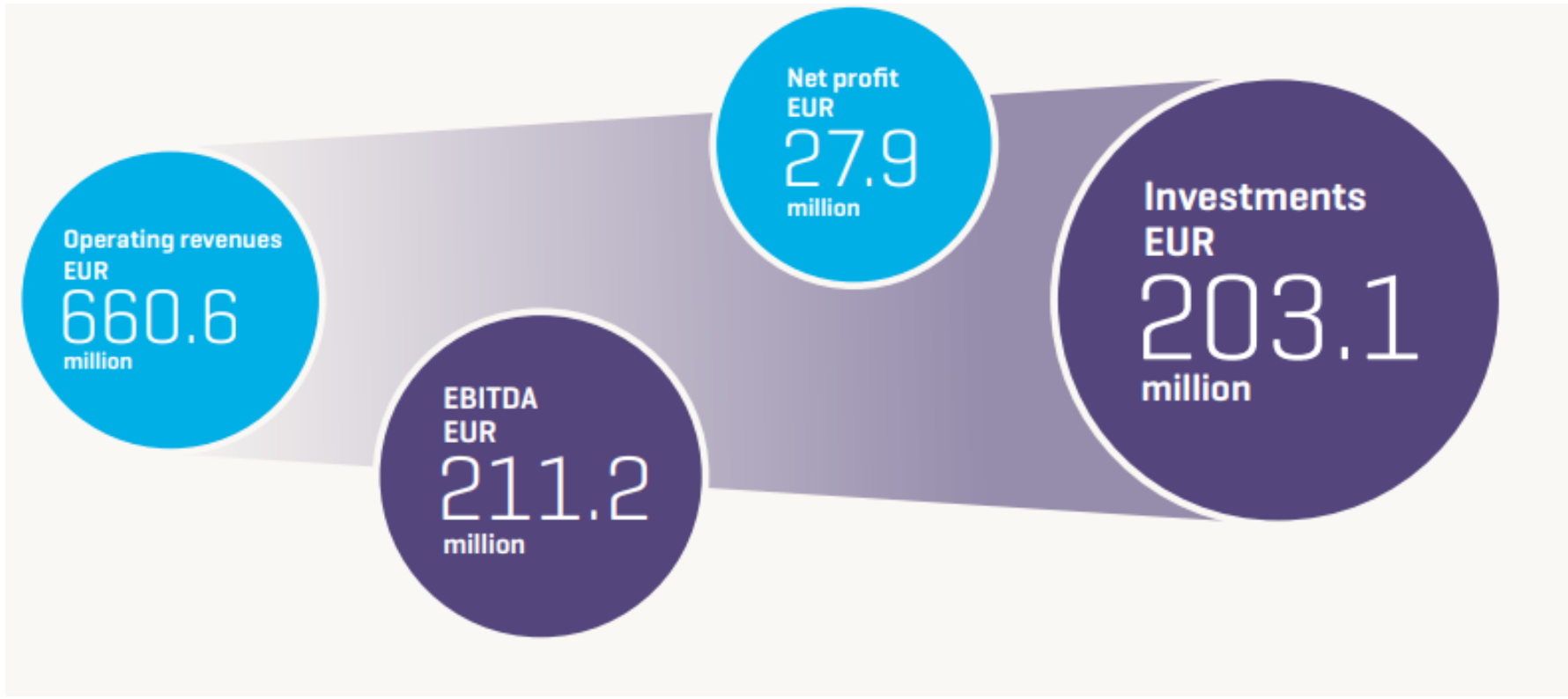




# Operating highlights Jan-March 2022



# Key financial objectives of the Telekom Slovenije Group for 2022



# Highlights 2022 / 1

- In accordance with the treasury share repurchase programme adopted on 4 November 2021, Telekom Slovenije repurchased 6,836 treasury shares with a total value of EUR 393,415,20 in the period January – March 2022.
- Top Employers Institute named Telekom Slovenije Top Employer for 2022. Companies that receive the title of Top Employer are considered the most desirable employers and demonstrate their commitment to create the best possible work environment through excellent HR practices and employee development programs.
- Telekom Slovenije concluded an agreement with stock market member Ilirika borzno posredniška hiša to provide services in connection with maintaining the liquidity of the Company's shares (designated TLSG).
- Users of the VALÚ Smart Wallet executed more than 2 million transactions in 2021, with the number of VALÚ users rising by more than 40%. There were thus more than 100,000 VALÚ Smart Wallet users at the end of the year.
- Based on a public tender for the selection of a 'Home eCare' operator, which was drawn up with the support of the Government Office of the Republic of Slovenia for Development and European Cohesion Policy, the Ministry of Health selected Telekom Slovenije as the provider of eCare services, together with the Slovene Federation of Pensioners' Associations as consortium partner. Slovenia received funding from the European Social Fund and REACT-EU sources. Accordingly, the use of eCare services will be free-of-charge for first 5,000 eligible persons until 30 September 2023.
- The liquidation of GVO Telekommunikation GmbH, which is owned by GVO, began on 23 March 2022. The completion of liquidation proceedings and the deletion of the company from the German register is expected during the second half of 2022.
- On 28 March 2022, Telekom Slovenije, as the buyer, and DBA informacijske tehnologije and DBA Group S.p.A., as the sellers, signed an agreement on the purchase of 2,040,275 shares of the company ACTUAL I.T., representing a 100% participating interest in that company. The aforementioned agreement was concluded under several conditions precedent that must be met prior to the conclusion of the transaction. Completion of the transaction is expected within six months following the signing of the agreement. The agreed enterprise value of ACTUAL (as per 31 Dec 2021) amounted to EUR 30,000,000. Considering the purchase price formulae, the purchase price for 100% shares of ACTUAL would, if the completion of the transaction would have occurred on 31 Dec 2021, amount to EUR 20,627,000.



# Highlights 2022 / 2

- As part of the continued development of its mobile network, Telekom Slovenije will gradually halt the use of the third generation (3G) mobile network by 30 September 2022. The Company began using 3G or UMTS technology for voice communication and data transfer nearly 20 years ago. Today, the data transfer speeds facilitated by that technology are significantly slower than those facilitated by more advanced and energy and technologically efficient fourth (LTE/4G) and fifth (5G) generation mobile technologies, which are used for 99% of mobile traffic in Telekom Slovenije's network. For this reason, the gradual halting of the use of 3G technology is an integral element of the Company's sustainable operations, and the technological and developmental optimisation of its mobile network.
- Telekom Slovenije received a counterclaim that was lodged against Telekom Slovenije, d.d., by POP TV d.o.o. Ljubljana and Kanal A d.o.o. for the payment of damages in the amount of EUR 58,154,012.16 with interest and other charges. The claim is said to represent the damage that the plaintiffs have said to have suffered as a result of insufficient payments for the distribution fee for TV channels in the period from 16 February 2017 to 31 March 2022. The received counterclaim was lodged as a response to the lawsuit that Telekom Slovenije, d.d., lodged against POP TV d.o.o. Ljubljana and Kanal A d.o.o. on 29 December 2021 for nullifying parts of the agreement and overpaid distribution fee for TV channels of the two companies (the value of the dispute: EUR 12,346,337.52). Telekom Slovenije, d.d., shall respond to the counterclaim within the legal deadline.

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# Key operating indicators of Telekom Slovenije Group

EUR thousand / %	Telekom Slovenije Group		
	I - III 2022/ 31 Mar 2022	I - III 2021 / 31 Dec 2021	Index 22/21
Revenue	151,162	156,768	96
Other operating income	1,350	725	186
Total operating revenue	152,512	157,493	97
EBITDA	56,735	55,707	102
EBITDA margin = EBITDA / Revenue	37.5%	35.5%	106
EBIT	16,110	13,993	115
Return on sales: ROS (EBIT/ sales revenue)	10.7%	8.9%	119
Net profit	11,984	9,717	123
Assets	1,240,931	1,250,339	99
Equity	612,215	600,431	102
Equity ratio	49.3%	48.0%	103
Net financial debt	399,917	399,009	100

# TSG Revenue

## Operating revenues by company and market:

EUR thousand	I - III 2022	I - III 2021	Ind. 22/21
Telekom Slovenije	135,269	142,529	95
Other companies in Slovenia	15,819	18,668	85
IPKO - Kosovo	17,509	15,160	115
Other companies abroad	989	978	101
Eliminations and adjustments	-17,074	-19,842	-
<b>Telekom Slovenije Group</b>	<b>152,512</b>	<b>157,493</b>	<b>97</b>

## Revenue by segment

EUR thousand	Telekom Slovenije Group	
	I – III 2022	I – III 2021
Mobile services on end-user market	59,540	61,731
Fixed-line telephone services on end-user market	51,064	52,519
Additional services	900	1,880
Wholesale market	34,218	35,981
Other revenues and merchandise	5,440	4,657
<b>Total revenue</b>	<b>151,162</b>	<b>156,768</b>

# TSG EBITDA and Investments by company and key market

## EBITDA

EUR thousand	I - III 2022	I - III 2021	Ind. 22/21
Telekom Slovenije	46,553	46,465	100
Other companies in Slovenia	966	1,876	51
IPKO – Kosovo	9,313	8,363	111
Other companies abroad	755	643	117
Eliminations and adjustments	-852	-1,640	-
<b>Telekom Slovenije Group</b>	<b>56,735</b>	<b>55,707</b>	<b>102</b>

## Investments

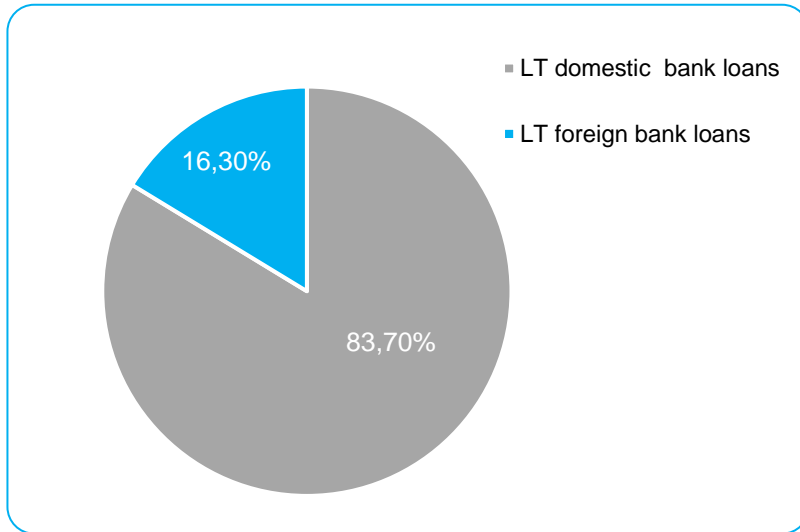
EUR thousand	I - III 2022	I - III 2021	Ind. 22/21
Telekom Slovenije	25,227	39,962	63
Other companies in Slovenia	1,875	361	519
IPKO – Kosovo	2,416	2,119	114
Other companies abroad	187	698	27
Eliminations and adjustments	-2,626	18	-14,589
<b>Telekom Slovenije Group</b>	<b>27,079</b>	<b>43,158</b>	<b>63</b>



# Maintaining Financial stability

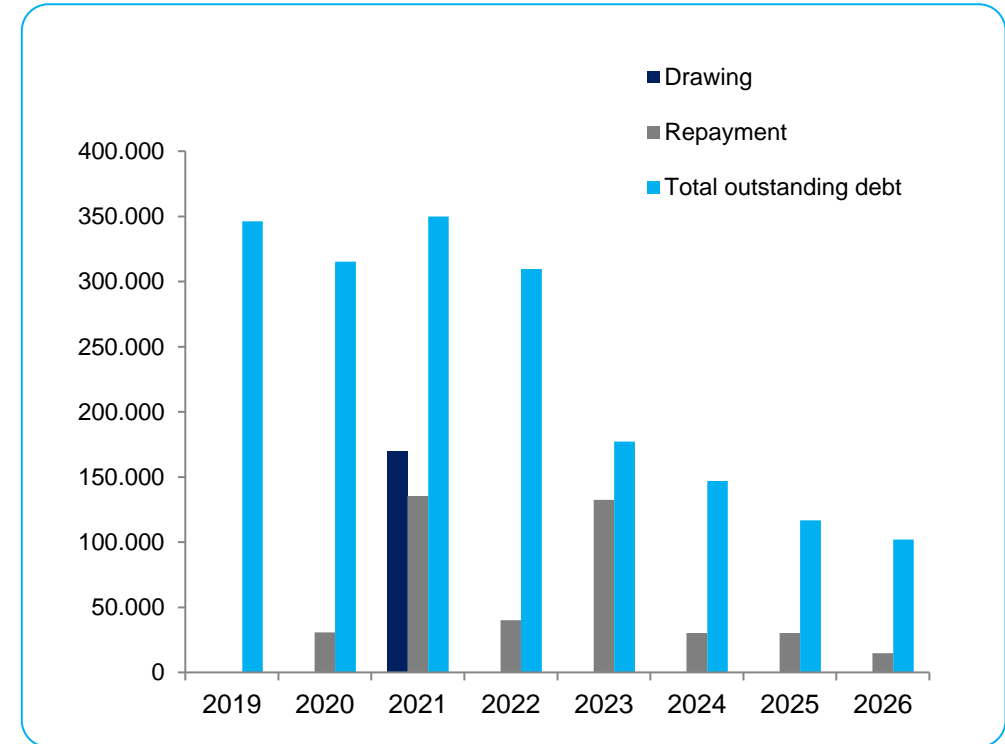
- Regular debt repayment
- Net financial debt to EBITDA LTM: 1.80 (31. 3. 2022)

Funding sources structure:



- Undrawn short term committed credit lines amounting of EUR 74 million (end of March 2022).
- Undrawn EUR 60 million in 2020 signed EIB facility (total EUR 100 million)
- Centralized planning and monitoring of cash flows.
- Uniform financial policy to provide consistency of financial performance of all group companies.
- Financing within the group and the use of "cash pooling,,

Repayment schedule of long-term of existing debt for the next 5 years



# LET'S STAY #CONNECTED

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