A STRATEGY FOR THE FUTURE



2014–2020in accordance with EU directives

Ljubljana, October 2013



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"Optimism is a strategy for making a better future" (Noam Chomsky)



AN OPEN DIALOGUE WITH THE FUTURE

In 2014, the Company will celebrate its 60th anniversary. The thoughts on which route will be taken when running the Company in the future have been gradually developed throughout the year. We are committed to preserving the continuity of our successful performance, its stable development, reputation and our established professionalism. Simultaneously, we are placing a stronger emphasis on currency in the form of new services and incentives for originalality.

We bring a freshness, cross-generational harmony, commitment to environmental awareness, and the co-creation of socially responsible values, into management, thereby, providing a sound basis for sustainable development.

In this respect, the development strategy is not only a document about the Company's economic growth, but about a gradual transition into a new business paradigm. The future focus is on significantly greater creativity, innovation and constructive change. We anticipate that this awareness will lead us to our goal, i.e. an openspace company by 2020.

The rich history of BTC has taught us that continuous changes are a neccesity, and that the Company can maintain it's vitality and growth, only by overcoming ever new demanding business challenges, arising from current social and economic situations.

On the basis of these findings the strategy for 2014–2020 defines the Company's mission: "Creating the conditions for new business opportunities to thrive".

Intensive and in-depth preparations for the strategic plan precipitated the fact that most of the content envisaged in the strategy is already being executed or is incipient. The Company, which so far has had two fundamental revenue pillars: "real estate rental" and "logistics", has expanded by adding two more pillars: "facility management" and the "Mission: Green". Both new activities have already produced results, but we are aware that there exists great potential for further growth.

Past performance and these new developments about future business opportunities. inspire the belief that BTC remain one of the most reputable companies in Slovenia, and that it will create new jobs, thereby contributing to the well-being of society.

Jože Mermal President of BTC

KEY FINDINGS

KEY ORIENTATIONS OF THE COMPANY

- Successful economies have found the answer to global challenges in consolidation of sustainable development elements: innovation and environmental and social responsibility.
- Sustainability is forming the basis of BTC's operations and its main development skills forseeably.
- For 60 years the Company has been increasing its assets by responsible leadership, management and development.
- The continuity of the Management Board in the past twenty years has significantly contributed to the stable development and reputation of the Company.
- The Management Board has become aware that in the future the Company has to look for additional, and different market opportunities, dictated by trends, potentials, and new value creation.
- The corporate experience and investments of the Company, will greatly contribute to the implementation of the strategy for the future.

- Implementation of "An Innovative and Smart City".
- Strengthening logistics through internationalisation, turnkey logistics, and by means of development of the Intermodal Logistics Terminal Ljubljana.
- Proprerty development and management for BTC, and third parties (facility management, asset development, asset and portfolio management).
- Mission: Green New pillar of development.
- Development of virtual space with facilities and tools for visitor and business partner relationship management.
- Capitalisation of the key competencies of the Company and employees for the benefit of individuals, Company and its stakeholders.
- Expansion of operations through innovative services, solutions and partnership networks.
- Active and stable ownership.
- Co-creation of socially responsible values in culture, art, sports, education, science and other areas of wider community.

KEY REVENUE GENERATORS

- BTC Cities,
- Logistic Centre,
- Comprehensive Property and Asset Management (CPAM),
- Mission: Green,
- Strategic projects.

GROWTH BASED ON SUSTAINABILITY

Innovation

"BTC with a vision: employees, business partners, students"

Strategic projects

(investments, Maximo, CRM, portfolio management)

Social responsibility

(sport, culture, art, youth ...)

Cities

- Organic growth (renewals, new bussines partners)
- Connections
 (with the city and PP)
- Partnership "Šmartinska"
- Multichannel shopping experience

(infrastructure for cooperation with bussines partners based on a new sales approach; strengthening virtual presence)

Logistics

- Organic growth
 (expansion in Slovenia and abroad with bus. partners)
- Logistics engineering and turnkey services
- Logistics city

 (introducing new services, creating conditions for developing activities)
- Intermodal

 Logistics Terminal
 Ljubljana (consolidation
 of strategic position,
 partnership network)

CPAM

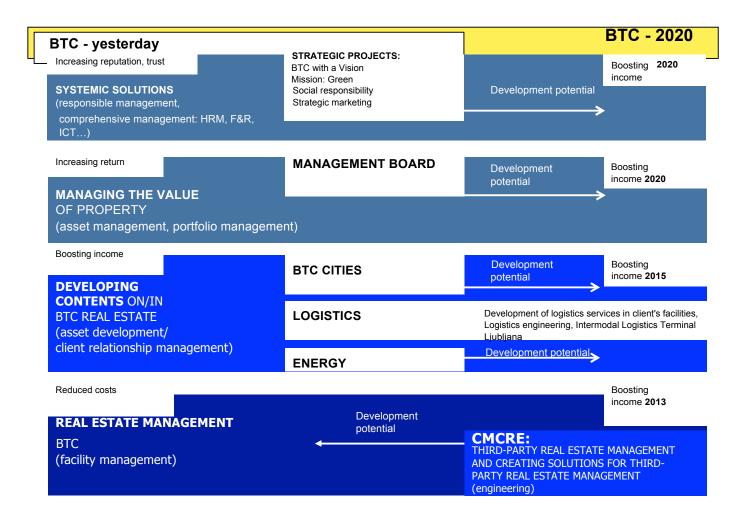
- Organic growth (partnership network, new clients)
- Expansion of facility management (new busssines partners in Slovenia and abroad; upgrade with marketing services)
- Transition to asset development (client-relationship; market relationship management)

MISSION: GREEN

- Energy (using alternative resources for generating energy, new solutions)
- Eco city (pooling the green economy supply)
- Smart city (combining new services in sports, art, culture ...)

GROWTH POTENTIAL OF PRIME ACTIVITIES

Owing to the Company's transparency, innovative environment, and focus on sustainable development, all the prime activities of BTC reflect various development potential.



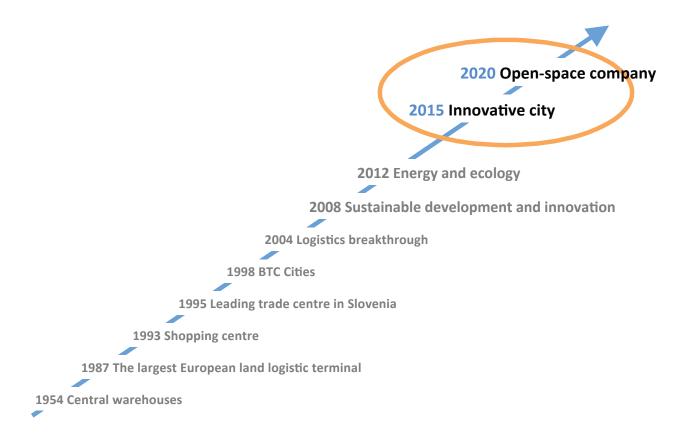
DEVELOPMENT MILESTONES

VISION

BTC – an open dialogue company.

MISSION

Creating the conditions for new business opportunities to thrive.



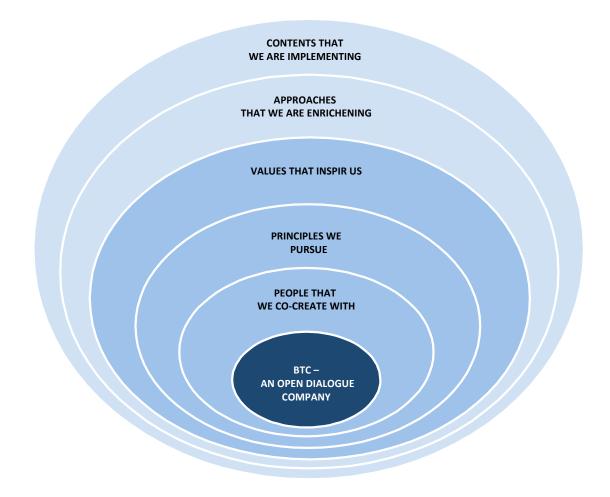
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GROWTH DIRECTIONS

The BTC Company continues developing:

- 1. As a leader in the EU in the creation of Cities' contents, projects and programmes;
- 2. The leading role in land logistics in SE Europe;
- 3. it's recognition in the group of the most respectable companies in Slovenia, within:
 - Economic growth
 - Geographical growth
 - Brand strength
 - Structural and human capital growth
 - integration in European socially-responsible corporate practices

BTC - AN OPEN DIALOGUE COMPANY



CONTENTS THAT WE ARE IMPLEMENTING

APPROACHES THAT WE ARE ENRICHENING

INNOVATIVE BUSINESS SERVICES

Expanding the influence of management to other groups of similar nature (shopping centres, logistics, commercial buildings): facility management, asset development, asset and portfolio management, warehouse management, undertaking demanding logistics services in the client's premises, energy engineering.

SHOPPING CULTURE

Utilising user experience to the needs and behaviour of target segments and niche business partners.

LOCATION DEVELOPMENT

Developing location-based solutions with consideration of modern materials and urban design, co-creating the sub-culture of Ljubljana and other local environments where BTC is actively present.

LOGISTICS

Responding to the demands of logistics services, that consolidate the position of the BTC Logistics Centre as the leading provider in a high-end market, by utilising state-of-the-art information and communication technologies (ICT) and business knowledge.

CULTURE, ART, SPORTS, RECREATION

Encouraging visits to BTC City and increasing visibility within the domestic and international environment, by high-profile sports, cultural and other events that draw huge attendence.

SUSTAINABLE DEVELOPMENT

All the business decisions adopted by the Company reflect its responsible attitude to business partners, visitors, the wider community and environment.

GLOBALISATION

On the basis of global trends, and the impact of the local environment the Company selects international business partners for long-term strategic cooperation and enhancement of its market content.

MULTIDIMENSIONAL GROWTH

BTC has been developing various forms of growth to maintain its dynamic character: innovative services, design, social responsibility, impact, new market segments, new value preposition.

SYSTEM APPROACHES

Through the quality systems, innovation infrastructure development, the Mission: Green and integral employee development the Company provides for long-term balanced development and excellent performance.

MORAL CAPITALISM

Through quality systems, innovation infrastructure development, the "Mission: Green", and integrated employee development, the Company provides for long-term sustainable development and excellent performance.

VALUES THAT INSPIRE US

PRINCIPLES THAT WE PURSUE

INNOVATION

Efforts of committed employees and management in improving and upgrading existing performance and services. Seeking new business opportunities in accordance with the system of continuous improvements and the search for innovative solutions.

ENTERPRISING

Efforts dedicated to successful performance of the Company and efficient service provision. Attention to optimal use of funds, maximising income for stable further growth, the increase in the number of jobs, and continued involvement of BTC in socially-responsible projects.

ADDED VALUE

Efforts devoted by the company to innovation and enterprise that creates added value, ensuring continuous development of the Company, increased salaries and bonuses, and suitable dividend.

OPEN DIALOGUE

Efforts to establish creative business relationships with all stakeholders based on open dialogue, flow of ideas, initiatives, opportunities, synergies, joint action and awareness of social trends.

ECOLOGY

Efforts to reduce the negative impact on the environment through sorting, recycling, efficient use of water, energy and other natural resources, and the promotion of responsible attitudes to the environment. The Company sets an example by generating green energy.

RESPONSIBLE BUSINESS

Responsible attitude and respect for all stakeholders.

CO-CREATING THE WELL-BEING OF SOCIETY

Actively co-creating the well-being of the wider community through positive action.

MORAL AND ETHICAL CONDUCT

Compliance with generally established ethical and moral standards.

INFORMED USE OF NEW TECHNOLOGIES AND MODERN BUSINESS APPROACHES

Active use of modern technology and business models to achieve optimal solutions in various areas (energy, IT, marketing, modern purchases, etc.).

RESPECT FOR THE ENVIRONMENT

Developing and using green business solutions, which reduce environmental impact, and cooperating with specialised institutions.

PROMOTING DEVELOPMENT AND VALUE CREATION

Developing the BTC company to the benefit of all stakeholders and the wider social community.

PEOPLE THAT WE CO-CREATE WITH

BUSINESS CLIENTS

Addressing market and customer needs, behaviours and trends by diversified flexibility.

Key segments:

- 1. Visitors: domestic and foreign visitors from a wider region, tourists, attendants of large events in the country.
- 2. Business partners: existing long-term, domestic and foreign partners with strategic potential.

SUPPLIERS

Co-creating new opportunities by building longterm strategic connections based on the business anchor principle.

COMMUNITIES

Developing loyalty.

Physical communities: market segments, event visitors, Atlantis Water Park, the Millenium Sports

Centre, SiTi Teater, BTC City Market. Virtual communities: information seekers, shoppers, eco-community.

OPEN DIALOGUE

Gaining independent and objective opinions about the current events (by respected figures, youth, business partners, employees, etc.) in various segments of a wider community, so as to enable BTC to respond in a timely way by offereing new services and solutions.

SHAREHOLDERS

Responsible, long-term and stable ownership for a lasting future.

MANAGEMENT AND EMPLOYEES

Continuous and comprehensive growth of employees, promotion of inter-generational harmony: generators of breakthrough ideas, co-creators of advanced concepts, innovators, internal entrepreneurs.



CURRENT AND PROJECTED ECONOMIC ENVIRONMENT

SOCIAL AND ECONOMIC CHARACTERISTICS

Generally it is social and economic factors that significantly influence the operation, goals and performance of most organisations. Besides the demographic trends, which indicate an ageing population, a decline in the proportion of active people, and increasing economic and political migrations, the world is facing an inappropriate distribution of key natural resources; water, energy and food, climate change, escalating prices of raw materials and energy products.

Apart from imposing restrictions, the environment also represents an increasing opportunity for the new development paradigm, seeking synergies among objectives in the economy, society and environment. Especially significant is the ever stronger process of building up social consciousness and freeing individuals in the sense of free will and the assumption of personal responsibility. The latter is especially applicable to a consumer with a greater purchasing power, who is ever more aware of sustainability and willing to adjust their shopping habits accordingly.

The economic environment contains the following elements, which influence the operations of BTC:

- negative macroeconomic projections in all standard industries,
- development of new segments within the economy, which are slowly paving their way into the mainstream (virtual services and solutions, recycled products, energy-efficient products, electric cars ...),
- corporate and social innovations that are gaining ground as the leverage to create value added,
- persistent growth in eco-economy (the highest in the EU in the past five years),
- changing shopping habits (decline in standard consumption, new requirements, mutual impacts of global and local trends),
- pressure on tenants who have not adapted their business models to the new situation to resolve their business problems,
- traditional shopping centres are competing for consumers leading to an increase in the number of discount stores,
- over-saturation with shopping areas in Slovenia.

CHANGED CONSUMER HABITS

At the beginning of the economic crisis, Slovenia faced one of the strongest downturns among EU countries. Deterioration in economic conditions also led to a decline in prosperity of the population, which led to a decrease in general consumption. The conditions on the labour market deteriorated simultaneously.

The economic environment contains the following elements, which influence the operations of the company:

- decline of consumers' confidence in nontransparent suppliers and products whose origin is not traceable,
- decline in consumers' finances,
- prudent and rational shopping,
- increasing impact of global social movements,
- the emergence of a new global civilisation, based on global networks, ecological awareness and it's need for attention.

THE ROLE OF NEW TECHNOLOGIES IN THE OPERATIONS OF BTC

Besides the aforementioned economic and political characteristics, the operation of BTC is strongly affected by use of the latest information and green technologies, as well as state-of-the art communication tools.

The development of communication channels and technologies, especially smartphones, has changed shopping habits. Brand owners increasingly understand and anticipate consumers' behaviour, wishes and needs since collection and analysis of consumer data have become ever more accessible and accurate. The messages to consumers have increasingly been personalised.

Together with IBM Slovenija d.o.o., BTC has introduced a state-of-the-art information system, IBM Maximo, facilitating a comprehensive management of services and assets, real estate, investment projects, space, energy and environment. The use of up-to-date technology is of key importance for the development of logistics activity. Without standardisation of container transport, and of product and shipment labelling, as well as development of the information-communication technologies, logistics would have never developed as fast. In the future, BTC will continue to promptly introduce new technological solutions, as this has been its competitive edge so far.

The technological environment encompasses the following elements which impact the operations of the BTC company:

- use of smartphones in the purchasing process,
- modern digital payment trends,
- mobile and online sales and communication channels,
- new sales promotion models,
- mobile coupons are considered to be the most significant marketing tools,
- holistic business applications enabling comprehensive and responsible supervision over the efficient use of business resources, transactions and assets,
- support of logistics processes with a modern IT aimed at facilitating paperless operations and resource optimisation.

REAL ESTATE MARKET

The real estate market is in the process of restructuring as it has been declining in terms of number of transactions and the value of real estate. Revenues from renting of real estate have been decreasing.

In Slovenia, an intensive investment period was recorded in the time before the economic and financial crisis. At that time many shopping and business premises were built in Ljubljana that were intended for renting. According to estimates there are too many shopping areas in Slovenia bearing in mind the purchasing power of the population. Consequently, changes will occur in the ownership structures of real estate, its management and development.

The BTC company has become aware of the necessity to introduce considerable changes in the current way of conducting business and to design successful business models. The only constant aim is sustainable development.

By introducing the new information system, IBM Maximo, BTC will reduce its costs related to management of services and assets, as well as long-term investment. due to better control and more efficient preventative maintenance, all of which will contribute to a longer working life of assets and fewer system failures.

The new IBM Maximo information system will also have a strong impact on income, as it will enable the expansion of the services of real estate management on behalf of third parties.

1. DIRECTION: THE "INNOVATIVE AND SMART CITY"

1.1 EXPANSION OF THE SERVICES OF CITIES

The BTC company has a well diversified portfolio of programmes and services, encompassing business, shopping, recreational-entertainment and cultural activities. The implementation of the strategy for development of new and additional services and programmes in the future will reduce the business risk. Therefore, the Company follows the path to new, modern and attractive programmes, services and brands so as to consolidate the relations with its key business partners, visitors, and shoppers, and to attract the newly-identified target niches.

The Company will continue to revitalise and strengthen street shopping, and will place the leading brands at key locations. A comprehensive renovation of the shopping centres in Murska Sobota and Novo mesto is nearing completion. Together with the long-term stable business partners and renowned brands, these two modern and attractive centres have become main regional shopping centres.

New innovative sales methods have been introduced such as the Energy Solutions Centre (CER) in BTC City in Ljubljana.

Moreover, the number of visitors to shopping centres generally is increasing thanks to new sales methods enabled by advanced technology (multichannel shopping experience). Areas will be designed in accordance with the guidelines and requirements of modern urban planning and innovative architectural solutions.

The Company co-creates a highly renowned global trend "From Green to Smart". Accordingly, waste management is planned carefully at all levels

based on the principles of the "Cradle to Cradle" European project. Material resources are to be used that will be returned at the end of their life cycle to one of the recycling loops: ecological and/or technological. Energy used at BTC is moving from non-renewable to renewable sources.

An interesting business partner that will have a tremendous impact on further development of BTC is the IKEA Group. Negotiations about the construction of a large shopping centre such as the existing two in Klagenfurt and Graz, have already started.

INTERTWINING AND SUPPLEMENTING OF ACTIVITIES, PROGRAMMES AND CONTENTS IN ALL BTC CITIES



1.2 ŠMARTINSKA PARTNERSHIP

The future development of BTC City in Ljubljana will be influenced by a large urban planning project which was designed on the initiative of BTC in conjunction with City Municipality of Ljubljana, namely the "Šmartinska Partnership" project, which strategically defines and develops an area of 230 hectares located between BTC City, the Šmartinska Road and the main railway station in Ljubljana. This is the largest public-private partnership project in the framework of

which an international contest for urban planning of the area was organised which also included BTC City. Two projects in the BTC City, falling within the scope of the Šmartinska Partnership, have already been implemented, namely the Crystal Palace office tower and the Plaza Hotel. The development of urban planning, socialisation and 'citysation' which is also envisaged by the Šmartinska Partnership project will continue to be BTC's future targets.



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1.3 MULTICHANNEL SHOPPING EXPERIENCE

BTC City multichannel shopping experience is a technological solution consisting of two phases. The first, is the distribution of coupons via a mobile application, website, Facebook, and self-service terminals. The second, is the multi-partner loyalty programme which is based on the success of the first phase and enables the users to collect points through the mobile infrastructure, supported by modern technology,

as well as using classical cards. The sales effects of the BTC City multichannel policy give the facility managers a greater negotiating power with the tenants. The multichannel shopping experience is a technological innovation enabling interconnection with other loyalty schemes and/ or payment instruments. This will facilitate the establishment of an advanced infrastructure that will boost sales in all BTC shopping centres.

FROM TRADITIONAL LOYALTY SCHEMES TO AN INNOVATIVE SHOPPING EXPERIENCE FOR CONSUMERS; MULTICHANNEL SHOPPING EXPERIENCE.





The proposed design of the multichannel shopping experience which was created and based on the couponing concept, and supported with the state-of-the-art technology in the multi-partner loyalty scheme is the answer to a number of contemporary technological challenges in the following areas:

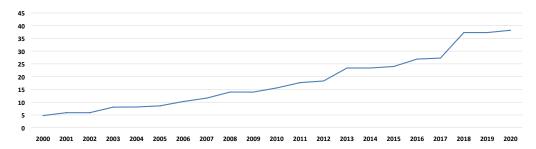
- payment methods
- sales promotion
- sales of gift coupons
- rewarding buyers' loyalty

DIRECTION: STRENGTHENING LOGISTICS THROUGH INTERNATIONALISATION, TURNKEY LOGISTICS AND DEVELOPMENT OF INTERMODAL LOGISTICS TERMINAL IN LJUBLJANA

The BTC company has developed an advanced and adjustable information support service to business processes in logistics, which has brought it a competitive advantage. Steady growth over the last decade, comes as a result of exemplary business processes and technological support.

The logistics centre performs services for reputable Slovenian and foreign companies such as Spar Slovenija, Petrol, Atlantic Trade, Revoz, Beiersdorf, DM, Pernod Ricard Slovenija, Wrigley, etc.

Net income from logistics in EUR million



CONTINUOUS GROWTH AND EXPANSION IN THE LOGISTICS ACTIVITY IN SLOVENIA AND ABROAD

LOGISTICS CITY

(networkin)

- business club
- events
- education
- · expert meetings

INTERMODAL LOGISTICS TERMINAL LJUBLJANA

(new business opportunities)

 public-private partnership for the sale of top-ranking, comprehensive and globallyoriented logistics



LOGISTICS SERVICES

- warehousing and distribution of urgent shipments
- · expansion of distribution to SE Europe
- management of turnkey warehouses (takeover of logistics activity from large clients)

LOGISTICS SOLUTIONS

(from an idea to handover and acceptance)

- optimisation of logistics for the benefit of business partners
- drawing up of a proposal for logistics solutions
- introduction of logistics solutions
- · management of logistics solutions
- · green logistics

2020

THE PRINCIPAL DIRECTION OF BTC



LOGISTICS CITY

Together with its business partners, professional institutes and educational bodies (Faculty of Economics of the University of Ljubljana), the Logistics Centre has established the "Logistics City", the centre of experties. It also hosts the head office of the Slovenian Logistics Association. Within the Logistics City various new services are being developed, complementing the logistics aspect of the entire supply chain.

In line with the Company's business orientation, logistics activity has been following the path of sustainable development. These efforts were rewarded with the 2013 Green Logistician award.

IMPLEMENTATION OF THE INTERMODAL LOGISTICS TERMINAL IN LJUBLJANA, THE LEADING PROVIDER OF LAND LOGISTICS IN SE EUROPE

In the framework of a partnership, a large Intermodal Logistics Terminal Ljubljana ("ILTL") is planned to be constructed along the railway line on Letališka Road. The project is a joint venture of the Ministry of Economic Development and Technology, the Ministry of Infrastructure and Spatial Planning, the City Municipality of Ljubljana, the Slovenian railway company Slovenske železnice d.o.o. and the BTC company. The terminal will incour new business challenges and opportunities for the development of the economy in the Ljubljana region and across Slovenia.



- The new "ILTL" will feature indoor warehouses covering an area of 161,000 m².
- The existing capacities include 79,000 m² of logistics areas with the container terminal. A further, 82,000 m² dedicated to logistics are planned to be constructed in the "ILTL".
- The total area of the "ILTL" will cover 474,000 m².
- When the "ILTL" project is completed, it will create 890 new jobs.
- The value of investments of the "ILTL" in infrastructure and facilities, based on the principle of the public-private partnership, is estimated to reach EUR 138.9 million.

The goals of the co-partnership of SŽ d.o.o. and BTC d.d. Intermodal Logistics Terminal Ljubljana are:

- The establishment of the public-private partnership between SŽ and BTC with the aim of jointly managing the entire "ILTL" area, the harmonisation of spatial planning development for activities in this area, and the division of work between partners.
- Optimal use of the available area, harmonised development of activities in the "ILTL" area and optimal exploitation of existing capacities.
- 3. Ensuring conditions for consistent performance of logistics and other services.

- 4. The offer of comprehensive logistics services, aquisition of new trade routes, and interconnection of domestic and foreign business partners carriers, operators, ports, forwarding agencies and users of logistics services.
- Aquisition of European funds for the development of transport & logistics infrastructure.
- 6. Positioning of the "ILTL" in the European transport corridors, in co-operation with the Ministry of Economic Development and Technology, the Ministry of Infrastructure and Spatial Planning and the City Municipality of Ljubljana.

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3. DIRECTION: PROPERTY AND ASSET MANAGEMENT AND DEVELOPMENT FOR THE COMPANY AND THIRD PARTIES (CPAM)

FACILITY MANAGEMENT

ASSET DEVELOPMENT

ASSET AND PORTFOLIO MANAGEMENT

The Company successfully markets its knowledge and experience in property management. Property which is taken into management requires no investments. This type of service will entail lower risks for BTC. Hence, allowing the property owners to focus on their core business. By taking over property management, the Company develops its professional experties in this sphere, and thus improving the quality and the value of it's overall services and the property itself.

FACILITY MANAGEMENT ASSET DEVELOPMENT SOLUTION DEVELOPMENT (consulting engineering)

- The Company will manage it's own and third parties' property based on the principles
 of business efficiency and sustainable development, and will strive to continuously
 increase value based on it's own innovative approach.
- In the field of facility management, the Company has been progressivly introducing advanced information and communication technologies.

Cost cutting in the Increase in income **MANAGEMENT OF** 2014-2020 period in the 2013-2020 period **BTC'S PROPERTY** DEVELOPMENT CPAM: (facility management) POTENTIAL: Management of third parties' - Takeover of real property estate management in Design of solutions for the Logistics Centre managing third parties' and other BTC units property (engineering)

TREND FORECAST IN THE PROPERTY MARKET

- The prices of property in Slovenia will continue to fall.
- The banks will increasingly seize property due to this fall.
- Owing to the rehabilitation of the Slovenian banking sector, property currently owned by the banks will be transferred to the "Bad Bank", which will manage them or sell them to foreign investors.
- A proportion of the property portfolio will remain under the management of the banks.
- Low probability of the appearance of a large number of property buyers.
- Because of low prices, those owners who will not sell, will want to keep their property into the medium and long term.
- Due to the abovementioned trends, the owners of property in Slovenia will be mostly (domestic and foreign) financial investors who will not seek to manage the property themselves.

OPPORTUNITIES FOR THE PROPERTY MARKET

- Over several years property owners will be mainly financial institutions (banks or foreign financial investors) and this will provide a number of opportunities for property managing (facility management).
- Moreover, there will be an abundance of property on the market in individual subcategories (shopping centres, business premises, warehouses, etc.), therebay creating a change of use and new development of such property (asset development).
- The high quality and innovative services of the Company will attract domestic and foreign owners. Due to the lack of financial resources and a small number of investors there will be many business opportunities for buying property in the period of between two and five years.

4. DIRECTION: "MISSION: GREEN" - A NEW PILLAR OF DEVELOPMENT

As a result of the current global situation an excessive use of resources in the current way of living for both individuals and companies, calls for change. Therefore, successful and responsible companies should pursue a philosophy of sustainable development which is environment-friendly. Such a development requires new solutions, constant innovation and continual co-operation. Moreover, the new green ethos of BTC offers new business opportunities which is reflected in both income and expense.

An important innovative strategic project which has already been launched, and is considered to be one of the Company's basic pillars of operations, is "Mission: Green". This encompasses a number of projects, approaches and principles reflecting a responsible attitude towards the environment:

solar and wind power plants, responsible waste, water and energy management, the eco index business model, sustainable use of new technologies, etc. "Mission: Green" also includes investments into 'green life' in BTC City and its broader environment, promoting green products and services, as well as raising awareness among the public about green values and activities. In the framework of "Mission: Green", the Company has been rapidly and successfully adapting to the changes in the behaviour of the target market segments and business practices.

The "BTC with a Vision" project has been launched to systematically and comprehensively develop the innovation culture and it has gradually been converted into an open innovation system, connecting together different stakeholders.



Not only products, but also services, are becoming ever more environment-friendly. Due to the lack of material resources, the attitudes to water, energy production and other raw materials have been changing. Green energy is a very appealing field for business, offering additional business opportunities with heavy investments.

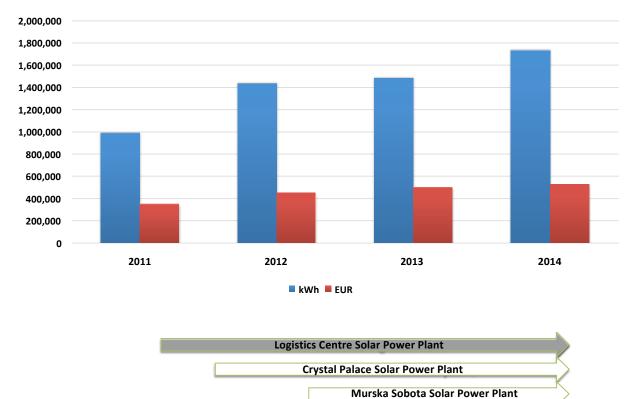
Within so-called "green energy", the energy pillar has become well established in the Company, bringing income from solar power plants. Its activity has a significant impact on reduction of it's energy consumption and CO₂ emissions.

Energy management represents a new business opportunity with the potential to set up a new energy-specific business segment that will be able to independently generate income on the market. It also brings considerable added value to property management.

The Company has gained extensive experiences in water saving, recycling and energy management. All these activities are also performed for other business partners, thus creating the possibility of growth in added value.

Wind Power Plant

IN-HOUSE GENERATION OF GREEN ENERGY OF THE BTC COMPANY

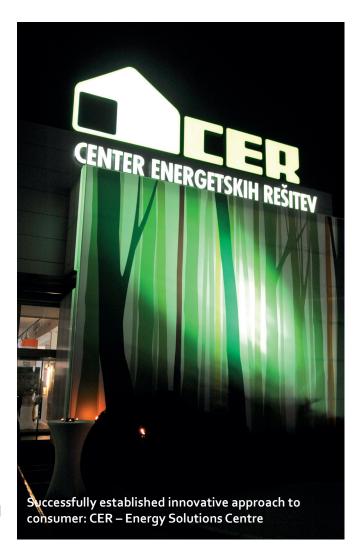


A good example of new "green" opportunities is the CER (Energy Solutions Centre), operating in the BTC area. Through this Centre, several companies offer their energy solutions. Thanks to it's successful performance these companies are about to organise an formal association of interested parties, and expand to Zagreb and the rest of Europe. In a single year, the CER implemented projects that created savings of 720 megawatt hours of energy, which equals 180 tonnes of CO₂.

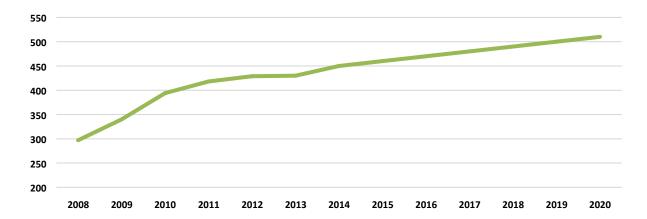
ECO INDEX

The Company has formulated and integrated into it's business an innovative business model called Eco Index. This index evaluates the impact of its actions on reducing the negative effects and increasing the positive influences on the environment and society in general.

The perameters are measured in: energy, water, waste, transport, safety, area arrangement, social responsibility.

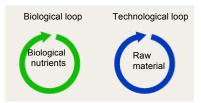


ECO INDEX BYYEAR



WASTE MANAGEMENT ON THE BASIS OF THE EUROPEAN-BASED "CRADLE TO CRADLE" PRINCIPLE

The Company produces about 3,500 tonnes of waste annually, of which 60 percent is separated in the in-house eco station. Waste can be a major expense, but also a source of income. We have been carefully following the development of recycling technologies. When the right solution is available, the Company professionally incorporates it into its business practice.



"Mission: Green" represents a competitive advantage for the brand, and thus increases the Company's value. At the same time it offers numerous possibilities of cooperation with business partners in various areas, such as art, culture, sports, entertainment, education and ecology.

Within the scope of "Mission: Green", the "green eco service range" has been increasing, aimed at BTC City establishing itself as one of the main "ECO cities/geographical locations" in the EU. This service range is promoted and sold through BTC's channels.

As the Company was once an incubator of new selling methods at shops, it now creates new methods and examples of sale and cooperation in the innovative city, such as, the Energy Solutions Centre.

Focus on an open-space company will bring numerous new business opportunities, of which the most successful will develop into activities that will be appealing to the market.

"Cradle to Cradle" is a global model encouraging the corporate sector to plan all products and solutions in such a way that when their life cycle expires, they are returned to the technological loop, either as raw material or to the biological loop, as biological nutrients. This is called the zero growth rate. The EU included ten countries in the test period, among them Slovenia. On the basis of the test results it will design guidelines for all EU member states.

The Company has been monitoring the results created in this test period and tries to incorporate them in its business practice as efficiently as possible.



DIRECTION: DEVELOPMENT OF VIRTUAL SPACE, TOOLS FOR CUSTOMER RELATIONS

NEW TOOLS IN THE CITY

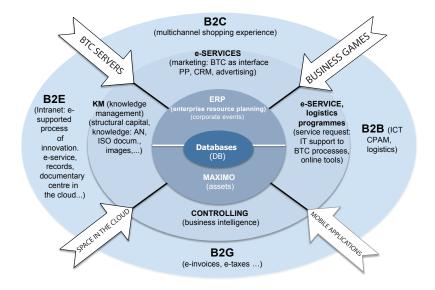
Consumers' distrust, declining purchasing power, the inception of wise shopping and buying less, have resulted in lower retail income. The financial indiscipline of traders caused by the private consumption crisis, has given rise to the desire, and need for closer cooperation between the Company and leaseholders and traders, in the form of joint involvement and mutual assistance in marketing communications and sales.

The growth period of technological innovations is characterised by numerous loyalty schemes, purchase promotions, sharing economy and innovations in payment methods. Digital communication has numerous advantages and as digital literacy in Slovenia progresses, these advantages will become even more understandable and utilised by a wider circle of

Slovenian companies and providers.

Consumers using mobile devices are a great challenge for traders. Buyers' habits are changing ever more quickly for example, making purchases using mobile devices has started a consumer revolution. Today the consumer has the power and clearly makes demands, while traders who are not able to fulfil them are lagging behind more and more. Consumers want mobile interaction to be a part of the general shopping experience and they would like personalised service, to be recognised when they enter a store. These processes create greater pressure on brands wherein consumers expect increasing business excellence. Consequently, the Company will provide state-ofthe-art technology in new communications and develop strong strategic marketing.

INFORMATION-COMMUNICATION INFRASTRUCTURE OF BTC



DEVELOPMENT OF STRATEGIC CORPORATE MARKETING, AND ACTIVITY-BASED MARKETING



NEW TOOLS IN LOGISTIC

The Company has long-term experience with using information-communication technology in logistics. These investments have brought competitive advantage to logistics, enabling continuous growth and expansion. Products and shipment labelling is standardised using the EAN barcode.

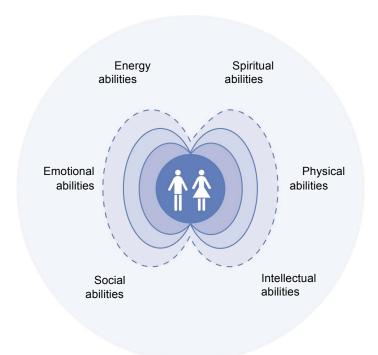
The advanced IT system connects all supply chain participants: suppliers, partners, carriers, distributors, and buyers. The employees of the

Logistics Centre are provided with a complete overview of warehouse operations, movement of goods, commissioning and shipment of goods. The programmes supporting distribution allow for a direct connection with the warehouse to check if goods are ready for shipment, and enable optimisation of transport routes as well as best use of transport space. The direct connection of the Logistics Centre's IT system with various IT systems employed by traders and owners enables the inspection of inventories, movement of goods and ordering at any time.

6. DIRECTION: CAPITALISATION ON CORE COMPETENCIES OF THE COMPANY AND EMPLOYEES FOR THE BENEFIT OF INDIVIDUALS, THE COMPANY AND ITS STAKEHOLDERS

The Company provides its employees with a safe and reliable future, continuous training and promotion and mutual cooperation. This is reflected in employee high loyalty, and their productive performance.

COMPREHENSIVE EMPLOYEE DEVELOPMENT MOTIVATION FOR INNOVATIVE WORK

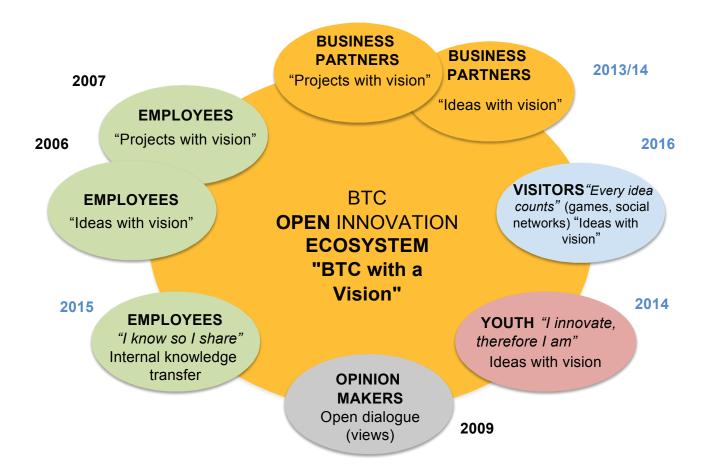


Successful future performance of the Company depends on an innovative business culture.

The Company has been systematically promoting comprehensive employee development in line with social and economic trends. In early years, the Company promoted the development of corporate and intellectual capital, which laid solid foundations for managing productivity and quality.

Today, at the time of global integration and the increasing need for understanding trends, behaviour, and needs of the market, the Company promotes comprehensive development of employees, comprising also emotional, spiritual, energy and social capital. This creates the conditions for flourishing creativity, innovation and successful intercultural cooperation, which again and again pushes the boundaries of the possible.

INNOVATIVE CULTURE



In the scope of the innovation strategy, the Company encourages and rewards employees, stimulating them to translate their knowledge and experience into "Ideas and Projects with a vision". The employees have adopted this fresh approach as their own, which is proved by successful results in the implementation of their innovative solutions into business practice. In the coming years, innovative business culture is planning to be expanded to business partners, first-time job seekers and visitors based on good experience and practice.

The Company's has also been adapting to change in the business culture which pursues innovation, social responsibility and sustainable development. The volume of project work and process-oriented organisational structures has grown, increasing the adaptability and responsiveness of the Company to the challenges arising from the business environment.

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DYNAMIC AND EFFICIENT ORGANISATION ON THREE LEVELS: MANAGEMENT BOARD, INDIVIDUAL ACTIVITIES AND COMPETENCE CENTRES

Income generators Cities Logistics CPAM Mission: Green

Specialised knowledge and contents supporting the development of the income generators, the market and wider community

Strategic projects

Sustainable development (innovation, social responsibility)
State-of-the-art information-communication technological projects

Competence centres (specialised knowledge)

(finance, accounting, IT, controlling, HR, law, investments, marketing ...)

7. DIRECTION: EXPANSION OF OPERATIONS THROUGH INNOVATIVE SERVICES, SOLUTIONS AND PARTNERSHIP NETWORKS

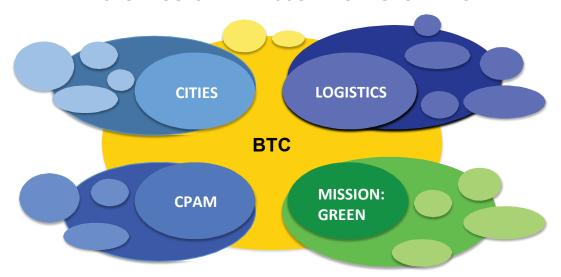
Before 2020 the key emphasis is on organic growth, partnership networks and service development. Investments will be primarily intended for renovation and adjustment of infrastructure to principal activities and modern technology.

The Company responds to the opportunities arising from principal activities: Cities' management,

Logistics, CPAM, "Mission: Green". Owing to constant investments into knowledge and technology, and innovative business culture, the Company has been experiencing continuous organic growth.

This growth will continue thanks to the outlined strategy aimed at boosting innovation and investments in advanced ITC solutions.

ORGANIC GROWTH THROUGH EXISTING ACTIVITIES



8. DIRECTION: ACTIVE AND STABLE OWNERSHIP

An important role in the Company's development is played by its owners, who:

- want the Company to operate successfully and share profits that will allow further development and investments,
- support constant generation of new business opportunities,
- · have concern for employees and management,
- follow global and local trends and evaluate results through long-term sustainable business decisions,
- understand the laws of innovation, sustainable development and social responsibility.

 DIRECTION: CO-CREATION OF SOCIALLY RESPONSIBLE VALUES IN CULTURE, ART, SPORTS, EDUCATION, SCIENCE AND OTHER AREAS OF THE WIDER COMMUNITY

The Company's focus on sustainable development is translated into a considerate attitude to the environment and the wider social community. The Company is deeply involved in art, sports, culture, science, education, charity, etc.



SOCIAL RESPONSIBILITY



EXCEPTIONAL SOCIAL PROJECTS AT HOME AND ABROAD



- Increasing the number of visitors
- Growing reputation and visibility of BTC City in the domestic and international arena

Marathon Franja BTC City: more than 7,000 cyclists every year In 2014, BTC City will host the World Amateur Cycling Championship.



Ljubno in Ljubljana: innovative linking of low-profile sport and well-known BTC City brand

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The Company's efforts devoted to sustainable development have brought it a series of important awards and recognitions, including the European Corporate Social Responsibility (CSR) Award in Slovenia in the category of large business for the project "BTC City and ski jumping for women".

In the framework of this strategy, the Company remains committed to organising important social projects in the future. Exceptional social projects dramatically enhance the reputation of the Company's brand in Slovenia and abroad.

OPEN DIALOGUE COUNCIL

Years ago, the Management Board set up the Open Dialogue Council with the aim of confronting eminent figures, experts from various fields.

In the Open Dialogue Council the Management Board presents all strategic issues once a year. The Council exchanges opinions, experience and stances with the Management Board, participates in the planning and formulating strategic guidelines of the Company, since the mixture of corporate and wider social contexts as expressed by the Council members, contributes to dimension, potential and perspective. The Open Dialogue Council provides to the Management Board even greater support and is convinced that its numerous decisions are the right ones.

There is no question that the Open Dialogue Council supports the concept of an open company. Its members are:

- Prof. Dr. Andreja Kocijančič, MD, internist, professor at the Medical Faculty and Chancellor of the University of Ljubljana (2005 - 2009),
- France Arhar, PhD, Director of the Bank Association of Slovenia,
- Miro Cerar, lawyer and Slovenian Olympic medal winner,
- Prof. Azra Kristančič, specialised clinical psychologist, BSc in psychotherapy and communicology,
- Prof. Peter Gabrijelčič, MSc, Dean of Faculty of Architecture,
- Prof. Janez Hočevar, professor of drama acting at the AGRFT (Academy of Theatre, Radio, Film and Television) and actor,
- Mojca Rode, candidate for graduation at the Faculty of Education field of study: school teacher, top Slovenian rhythmic gymnast,
- Žiga Vavpotič, Technical Director, ZavodYpsilon,
- Violeta Bulc, MSc, Director, Vibacom d.o.o.,
- Jože Mermal, President of the Management Board and CEO of BTC d.d.,
- Marko Žehelj, CTO, Member of the Management Board of BTC d.d.,
- Helena Petrin, General Secretary, Member of the Management Board of BTC d.d.,
- Andrej Repina, CFO, Member of the Management Board of BTC d.d.,
- Damjan Kralj, MSc, Director of Business Unit Ljubljana BTC d.d.,
- Miha Zupanc, Managing Director of BTC d.d.,
- Vincencij Kocjančič, Chairman of the Supervisory Board of BTC d.d.

CONCLUSION

The Company's strategy for 2014 - 2020 has crystallised and been upgraded throughout 2013. In formulating it, the Company considered diversed factors in conjunction with various partners, experts and institutions:

- The Management Board of BTC and executives,
- Administrative and technical personnel,
- Employees that partook in strategic workshops,
- Violeta Bulc, MSc, Vibacom d.o.o.,
- Dean Mikulič, P&S d.o.o.,
- Prof. Peter Gabrijelčič, MSc, Dean of Faculty of Architecture,
- Vanesa Čanji, MSc, Fitmedia d.o.o.,
- The Administration of the Municipality of Ljubljana,
- Management of Slovenske železnice,
- IBM Slovenija d.o.o.,
- Microsoft d.o.o.

A broad-spectrum approach was taken to obtain a more extensive view of the current situation, and to define clearly a strategy for the years ahead. Several initiatives and findings, involving interdisciplinary co-operation, sustainability, ethical social responsibility and innovation, have led to a clear strategy of a more open company that the management and owners stand firmly behind, believing that the company is already an integral part of the future.



