



## S U M M A R Y

### of the Business Plan for the Year 2010 (for the Gorenje Group and Gorenje, d.d.)

**The Management Board of Gorenje d.d.**

Velenje, December 2009

## Introduction by the President of the Management Board

In the year 2009, we have been intensively dealing with the **changes** brought to our business, social and political spheres by the global economic crisis. We present you the **business plan for the year 2010** which we have been preparing in the last months of this year.

Due to a decreased volume of orders, the company Gorenje finished the last business year with a lower-than-planned volume of business activities and lower operating results. The new circumstances have demanded from us to direct our energy mainly to **fast and efficient acting** and to **intensive communication** with the employees, business partners, banking environment, company owners and media. At the end of last year, we introduced **economy measures** in optimising costs of material, all kinds of services and work, as well as measures for sale promotion. In order to neutralise the negative impacts of the crisis, all this year's activities have been focused on **three objectives**: to provide free cash flow, to strengthen market shares and to preserve productive workplaces.

Gorenje is one of rare Slovene companies that are **activity-oriented towards the end consumer**. Its reputation and power are therefore of key importance for successful business operations. In a mature branch of industry, where there is no great growth and where economy of scale is necessary for competitiveness, a company needs to be **innovative** and distinguishable from others and it needs to build its **trademark**.

**The range of products**, 85 percent of which are sold by Gorenje under its own trademark, has been adapting to changes in consumers' behaviour in the recession by covering different segments and all price classes. After a successful presentation at the largest international fair of electronics in Berlin in September 2009, we launched to markets a new line of household appliances, Gorenje Simplicity, which responds to the consumers' needs for simple control of appliances perfect both in technology and design. Furthermore, it fulfils their need for lower-price products in the time of crisis. By covering different segments and all price classes, Gorenje has managed to preserve or even strengthen market shares in most markets.

With the help from **national measures** to mitigate the impacts of the crisis, we managed to preserve **productive workplaces** and to start gradual adjustment of the number of employees to the volume of business activities.

We strive to meet all our **obligations to the banks**, we manage to successfully maintain an optimal level of inventories, we actively adapt other categories of **net current assets** to the circumstances of business operations, we direct **investments** only to necessary development activities and improve the current **profitability of operations**; according to estimates, with all these measures we will be able to achieve **free cash flow** of over EUR 25 million by the end of this year. Despite the crisis, we have maintained the vital part of investment activities, focusing on new products and other segments of development. The operating results have reached positive figures in the third quarter, which is very important due to the fact that the crisis has not yet begun to slow down. The estimated operating result for the fourth quarter is also planned to be positive. Market conditions still remain very difficult and the manufacturers of permanent goods are increasingly negatively affected by the increasing **unemployment rate**.

Conditions in the markets that are crucial for us are slowly **stabilising**, which fills us with optimism. We are aware that we need to constantly improve. Therefore, with our activities for effective **management of business processes**, we are setting solid foundations for the future. I am certain that we will manage, with joint efforts and energy, to overcome the obstacles set in our path. It is my great wish to thank you all who have, by participating in the activities to optimise our operations and in the planning processes, supported the guidelines and the development of our company, and contributed to them with your persistent and zealous work, ideas, knowledge and actions.

In globally adverse business conditions, the success of each one of us is even more reciprocal. In this very moment, Gorenje is in a very sensitive situation, but I believe that we will be able to work together to find solutions that will assure a long-term stability of operations of the parent company and the Gorenje Group as a whole.

Mr. Franc Bobinac, MBA  
President of the Management Board

## Planned organisation and composition of the Gorenje Group in the year 2010

In the year 2010, the Gorenje Group will **retain the division organisation** of operations in the manner as established in 2009. However, the **organisation of operations at the micro level** will be changed, i.e. the categorisation of individual companies (organisational units within companies) to individual divisions.

In the year 2010, the **areas of operation** of individual divisions will still be the following:

- **Home Appliances Division**
- **Home Interior Division**
- **Ecology, Energy and Services Division**

## Conceptual and methodological starting points for the planning, presumptions and restrictions

The business plan for the Gorenje Group has been prepared on the basis of individual plans of the parent company and all subsidiary companies. In its preparation, the basic principles of **continuity** ("Going Concern") and **long-term operation** have been taken into account. The **methodological approaches** and the **quality** of financial and economic calculations have been made equal to those usual for the needs of interim and annual balancing.

We did not include in the plan the **divestment** effects of property unnecessary for business operation and any other eventual **activities** to optimise the property, financial and business portfolio of the companies in the Gorenje Group planned for execution in the year 2010.

## Planned business performance of the Gorenje Group

in TEUR	Plan 2010	Estimate 2009	2008	10 / 09 %	09 / 08 %
Sales revenues	1,244,037	1,161,067	1,330,753	7.1%	-12.8%
EBITDA	97,764	69,115	94,014	41.5%	-26.5%
EBITDA Margin (%)	7.9%	6.0%	7.1%	/	/
EBIT	45,005	12,434	36,893	262.0%	-66.3%
EBIT Margin (%)	3.6%	1.1%	2.8%	/	/
Net profit or loss	10,086	-13,180	10,181	176.5%	-229.5%
Number of employees / final	10,206	10,580	11,323	-3.5%	-6.6%
Number of employees / average	10,535	10,833	11,432	-2.8%	-5.2%
CAPEX	28,795	26,484	76,807	8.7%	-65.5%
Net current assets	231,036	204,062	222,097	13.2%	-8.1%
Net cash flow	62,845	43,501	67,302	44.5%	-35.4%
Free cash flow	24,477	30,191	-45,121	-18.9%	166.9%
Gross borrowing	441,685	458,491	487,795	-3.7%	-6.0%
Net borrowing	367,330	374,726	399,210	-2.0%	-6.1%

## Planned volumes of business activities

in TEUR	Plan 2010	Estimate 2009	2008	10 / 09 %	09 / 08 %
Home Appliances Division	968,594	908,215	1,050,125	6.6%	-13.5%
Home Interior Division	43,773	41,610	59,133	5.2%	-29.6%
Ecology, Energy and Services Division	231,670	211,242	221,495	9.7%	-4.6%
<b>Total</b>	<b>1,244,037</b>	<b>1,161,067</b>	<b>1,330,753</b>	<b>7.1%</b>	<b>-12.8%*</b>

\* To achieve the comparability between the years 2009 and 2008, the revenues of the company Atag for the period January-June 2009 in the amount of TEUR 73,331 should be excluded; the revenues thus calculated are lower by 18.3 percent compared to the year 2008.

- According to expectations for the year 2010, the growth dynamics of the **Home Appliances Division** will be EUR 60.4 million or 6.6 percent. As for **individual programmes**, certain growth is planned for the programme of cooking appliances as well as refrigerating and freezing appliances. The sales volume of washing machines and dishwashers remains at the 2009 level. For the specific sales area, **supplementary programme**, with the company Atag as the main holder, a successful continuation of the realisation of planned sale volumes and profitability from the year 2009 is planned for the year 2010 as well.
- **The Home Interior Division** is increasing the **volume of business activities** by EUR 2.2 million or 5.2 percent, which has, beside the optimisation of

operating costs, a significant effect on the improvement of the Division's profitability. With the growth in volume of business activities, the Division is starting to focus on the markets of the Southeast and Eastern Europe where it will be possible to use **the power of trademarks** Gorenje and Marles to the greatest possible extent and to comprehensively optimise the Division's companies in terms of processes and technology.

- The companies of the **Ecology, Energy and Services Division** are planning an increase in the **volume of business activities** by EUR 20.4 million or 9.7 percent, with the strongest growth dynamics in the energy segment.

### Planned net operating profitability

- According to the plans for the year 2010, the **operating profit (EBIT)** will increase to the level of + EUR 45.0 million (from the estimated level for the year 2009 amounting to EUR 12.4 million).
- Compared to the year 2009, the **planned financial expenses** are lower by EUR 1.8 million, achieving the level of EUR 35.7 million. The decrease is predominantly related to other financial expenditures of

the Ecology, Energy and Services Division (effects of forward agreements). The **planned financial revenues** are lower than those estimated for the year 2009 (EUR -10.8 million), mostly due to lower planned values of selling financial investment.

- **The planned net operating result after tax amounts to EUR 10,086.**

### Planned financial performance of operations

	in TEUR	Plan 2010	Estimate 2009	Achieved 2008	10/09 %	09/08 %
=	<b>Net cash flow</b>	62,845	43,501	67,302	44.5%	-35.4%
-	Capex	-28,795	-26,484	-76,807	8.7%	-65.5%
-	Investments in net working capital	-9,573	13,174	-35,616	-172.7%	-137.0%
	Changes in inventories	7,407	37,882	-35,533	-80.4%	206.6%
	Changes in receivables	9,116	-13,294	-3,482	168.6%	281.8%
	Changes in liabilities	-26,096	-11,414	3,399	128.6%	-435.8%
=	<b>Free cash flow</b>	<b>24,477</b>	<b>30,191</b>	<b>-45,121</b>	<b>-18.9%</b>	<b>-166.9%</b>

In the year 2010, the Gorenje Group will, similarly to the year 2009, concentrate its operations of financial management mainly on activities hedging the risks associated with the financial crisis.

- As regards **financial risks**, special attention will be paid to effective management of **credit risks**, i.e. by increased control over credit overdrafts granted by credit insurance companies and an intensified debt collection. We plan to approach even more intensively to acquiring material guarantees to cover claims.
- We will endeavour to hedge and minimise the **currency risks** by natural adjustment of cash flows in individual trading currencies and use derivatives as an upgrade of this type of hedging.
- The generation of **free cash flow** remains one of the main objectives of the Gorenje Group in the year 2010 as well. Considering the objectives regarding the generation of free cash flow and with the liquidity reserve comprising unused revolving lines and cash on the accounts of the Group's companies, as well as with appropriate communication with our bank partners, we intend to successfully manage the **liquidity risks**. We estimate that in the business year 2010, the Gorenje Group will generate positive cash flow in the amount of EUR 24.5 million.
- The downward trend of financing liabilities will continue in the year 2010. At the end of the business year, we therefore plan **total financing liabilities** to be **lower** by EUR 16.8 million compared to the year 2009, which will result from the positive free cash flow generated from the Group's regular transactions.
- We will continue restructuring the received financing sources according to their maturity. We plan to at least **maintain** the **structure of received financing sources**. At the end of the year 2010, the share of long-term financing sources will amount to 54.7 percent.

- In the area of **investing**, we maintain the policy of limited, selective, development-oriented investing. With EUR 28.8 million of the Group's planned investment potential, we plan to strengthen the investments in the technology and product development of the **Home Appliances Division** (a 76.1-percent share of the Group's total potential).

### Summary of planned business performance of the company Gorenje, d.d.

in TEUR	Plan 2010	Estimate 2009	2008	10 / 09 %	09 / 08 %
Sales revenues	623,059	585,477	764,106	6.4%	-23.4%
EBITDA	38,939	24,649	49,699	58.0%	-50.4%
EBITDA Margin (%)	6.2%	4.2%	6.5%	/	/
EBIT	10,866	-8,040	14,094	235.1%	-157.0%
EBIT Margin (%)	1.7%	-1.4%	1.8%	/	/
Net profit or loss	2,428	-5,928	11,972	141.0%	-149.5%
Number of employees / final	4,519	4,836	5,253	-6.6%	-7.9%
Number of employees / average	4,736	4,980	5,421	-4.9%	-8.1%
CAPEX	13,397	7,489	36,480	78.9%	-79.5%
Net current assets	91,672	75,972	100,324	20.7%	-24.3%
Net cash flow	30,502	26,761	47,577	14.0%	-43.8%
Free cash flow	1,810	35,607	10,789	-94.9%	230.0%
Gross borrowing	255,030	266,296	358,443	-4.2%	-25.7%
Net borrowing	192,003	194,086	271,552	-1.1%	-28.5%

- In the **Home Appliances Division** segment, the planned growth in **sales volume** of the parent company amounts to EUR 37.5 million or 6.9 percent.
- The planned higher dynamics of **growth in volume of all business activities** (+6.2 percent or EUR 36.5 million) compared to the dynamics of **growth in operating costs** (+2.9 percent or EUR 17.6 million) has improved the **EBIT**, in comparison to the estimate for the year 2009, by EUR 18.9 million to a profit of EUR 10.9 million.
- The estimated **financial result** for the year 2009 also includes the realised sales of financial investments with the effect amounting to EUR 8.5 million. The comparable sum of the financial result for the year 2009 without above mentioned extraordinary effects therefore amounts to EUR -6.1 million of financial expenses exceeding the financial revenues. The planned **negative financial result** amounting to EUR -8.1 million decreases the total operating result before tax to the level of profit of EUR 2.7 million. Its comparable level with the 2009 estimate is higher due to lower financing revenues (lower by EUR 18.1 million; lower planned interest amounts, effects from sales of financial investments in the year 2009, lower revenues compared to exchange rate differences and lower volume of received dividends) and due to a disproportional decrease of financial expenses in the amount of EUR 7.7 million (lower interest expenses and exchange rate difference expenses).
- Considering the deferred tax liabilities in the amount of EUR 0.3 million, **net operating profit** is recorded at **EUR 2.4 million**.