

*Press release*

## **GORENJE'S GROWTH TO CONTINUE IN THE UPCOMING YEAR**

***Velenje, December 20<sup>th</sup> 2010*** – Convening for its fifth regular session, Gorenje Supervisory Board was presented the estimated performance for this year and confirmed the Business Plan of the Gorenje Group and its parent company Gorenje, d. d., for the year 2011. This year, Gorenje Group will surpass the targets for key indicators on sales and profitability, and in the year ahead, it will stay on the track of implementing the Strategic Plan. Gorenje will focus on further improvement in profitability, generating positive free cash flow, increasing its market shares, and establishing presence in the highest price segments with in-house brands. Key challenges will include neutralizing the hikes in prices of raw and processed materials. The Management Board shall also devise and submit to the Supervisory Board by the end of January a detailed plan of disinvestment, working capital management, and restructuring of the Home Interior Division.

Gorenje Group's consolidated net sales revenues are planned at EUR 1.5 billion in the following year, which is nearly 14 percent more than estimated for 2010. Eliminating for the effects of the Swedish company Asko acquired this year, Group revenues will rise by close to 6 percent.

Among Gorenje's divisions, Home Appliances are planned to see the highest, 17.4-percent growth in revenues. Sales growth at the Group's core division both in the EU and in Eastern and South-eastern Europe will be balanced, which is essential for stabilization of operations during the crisis and in its aftermath. In terms of value, sales will escalate the most in Germany, Italy, Serbia, Russia, Ukraine, and Denmark; USA sales are planned to be upped notably as well. Activities to boost sales include expansion of the distribution network particularly by entering the kitchen studios, development of new products, and further development of the Group's own brands. Ninety percent of total sales will pertain to home products of in-house brands, the pricing of which is expected to increase by 4 percent on average.

In the Ecology, Energy, and Services Division, sales increase is planned at 5.5 percent, and Home Interior Division revenues are planned to rise by 3 percent relative to the estimate for this year. However, planned revenues do not include the effects of sales restructuring launched in the Home Interior Division in this month, following up on the profound optimization of primarily manufacturing processes and revamping of the product assortment.

EBIT is planned at EUR 54.6 million. Eliminating the effect of Asko on the operations of the entire Group, EBIT will reach EUR 51.8 million, which is 23.4 percent more than estimated for this year, driving the EBIT margin up by 0.6 percentage points relative to this year, to a new level of 3.8 percent.

Gorenje Group shall continue to optimize its financial portfolio in 2011. Planned positive free cash flow in the amount of EUR 29.1 million will be used to reduce the amount of debt.

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EUR 40.4 million will be allocated for investment into property, plant, and equipment, or CAPEX. Major part of this sum will be used to fund technological development of manufacturing facilities and processes, and development of new innovative, superiorly designed, and energy-efficient products that will generate value added and which will reinforce the position of Gorenje's brands in 70 markets across the globe. Gorenje+ will be added to the Group's brand portfolio to reach into the upper price segment. After it is officially unveiled in January at the IMM international fair in Cologne, the brand will see its kick-off in selected markets.

Net income, planned at EUR 21.1 million, will exceed this year's estimate by 9.4 percent. The figure for this year, including the two major extraordinary events (acquisition of Asko and impairment of receivables from the Slovenian home product retailer company Merkur), is estimated at EUR 19.3 million. When the effects of these two events are eliminated, this year's profit is estimated at EUR 10.4 million or just over 3.4 percent above the plan. Compared to this total, Gorenje's net income will be doubled in the forthcoming year.

**Franjo Bobinac**, Gorenje President and CEO: *"Considering the persistently high unemployment level and scarcity of quality financial resources, growth in downstream markets can be expected to remain modest in 2011. Demand for durables, which include home appliances, will depend on the consumers' decisions to replace their current home appliances with new ones, since households are already highly equipped with home products. Neutralizing the surge in prices of raw and processed materials, which started in September this year, will be the key challenge in the coming year. The Business Plan founded upon solid results in this year paves the way to attaining the goals laid down in the Strategy for the period 2010-2013. Controlling the costs at all levels and particularly the expansion of operations and breaking into new markets with new products and services remain the key pillars of our success. Innovation and design will be the main engines as they propel Gorenje on its way to come shoulder to shoulder with the world's most reputable home appliance manufacturers."*

At today's session, the Supervisory Board adopted with regret the consensual termination of office of the Management Board member and CFO Mrs. **Mirjana Dimc-Perko**, effective January 1<sup>st</sup> 2011. Mrs. Mirjana Dimc Perko was appointed as Gorenje Management Board member four years ago and she has made major contributions to professional development of financial and IT functions of which she was in charge, as well as managed and completed several acquisitions including Atag group in 2008, majority shareholding in Surovina, and some minor companies which have since come to play a notable part in the growth of Gorenje Group's revenues and profitability. In the year of financial crisis, Mrs. Dimc Perko managed, along with her colleagues, to retain the trust of financial investors despite the negative result and loss of headway in financial leverage, and improved considerably the composition of debt portfolio by maturity in spite of the harsh conditions in Slovenian financial markets. In 2010, she managed the project of secondary equity offering, or capital increase, and debt restructuring in cooperation with the International Finance Corporation and a syndicate of banks, to improve substantially the financial stability of the Gorenje Group. Moreover, she successfully managed the acquisition of the Swedish company Asko which was voted M&A deal of the year by several internationally acclaimed business magazines. Mrs. Mirjana Dimc Perko remains in the Gorenje Group as an Advisor to the

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President and CEO. Her plans include advancing her knowledge through postgraduate studies and developing her business career.

Pursuant to relevant provision specifying his assignments and responsibilities, President and CEO shall propose by March 1<sup>st</sup> 2011 a new Management Board member and CFO. In the interim period, the tasks performed to date by the incumbent Management Board member in departure will be delegated to other Management Board members and managerial and executive staff in charge of finance and economic performance.