



**BUSINESS PLAN 2011**  
(Summary)

Management Board of Gorenje, d.d.

Velenje, December 2010

## Starting points, presumptions and limitations by planning process

- The business plan for the year 2011 for the Gorenje Group has been prepared on the basis of individual plans of the parent company and all subsidiary companies.
- **EUR exchange rate** is in the plan 2011 considered at the level of **1,3 USD for 1 EUR**.
- 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 2011, and their effects were not measurable with the high level of probability within the closing time of the planning process. Due to this we considered the fulfilment of the agreement with the corporation IFC entirely.

## GORENJE GROUP - DIVISIONS

### HOME APPLIANCES / HA

- 1 - COOLING
- 2 - COOKING
- 3 - WASHING & DRYING

- Complementary products
- Supplementary products
- Water heaters, radiators and air conditioners

1.142,4 MEUR, 73,8 % (Plan 2011)

### HOME INTERIOR / HI

- Kitchen
- Other furniture
- Ceramics
- Bathrooms

35,4 MEUR, 2,3 %

### ECOLOGY, ENERGY AND SERVICES / EES

- Ecology
- Energy
- Tools & Ind. Equipment
- Trade, engineering, agency services
- Tourism

370,2 MEUR, 23,9 %




### Changes in 2011:

- Eliminating Tools program from HA division into the EES division,
- Inclusion of the Tools & Ind. Equipment program (including military vehicles) into the EES Division,
- Eliminating HA division part from the company GTI, d.o.o., which is operating as a part of EES division.

in TEUR	B2011	vs. E2010	B2011 wo. Asko	vs. E2010 (wo. A)	E2010	vs. B2010	vs. 2009	E2010 wo. Asko & Merkur	vs. B2010	vs. 2009	B2010	2009
<b>Net sales revenue</b>	<b>1.547.964</b>	<b>113,9</b>	<b>1.368.232</b>	<b>105,8</b>	<b>1.358.494</b>	<b>109,2</b>	<b>114,6</b>	<b>1.292.748</b>	<b>103,9</b>	<b>109,0</b>	<b>1.244.037</b>	<b>1.185.937</b>
<b>EBITDA</b>	<b>107.414</b>	<b>95,4</b>	<b>98.740</b>	<b>106,6</b>	<b>112.613</b>	<b>115,2</b>	<b>165,1</b>	<b>92.614</b>	<b>94,7</b>	<b>135,8</b>	<b>97.764</b>	<b>68.199</b>
EBITDA Margin (%)	6,9%		7,2%		8,3%			7,2%			7,9%	5,8%
<b>EBIT</b>	<b>54.574</b>	<b>91,3</b>	<b>51.837</b>	<b>123,4</b>	<b>59.788</b>	<b>132,8</b>	<b>492,1</b>	<b>41.996</b>	<b>93,3</b>	<b>345,7</b>	<b>45.005</b>	<b>12.149</b>
EBIT Margin (%)	3,5%		3,8%		4,4%			3,2%			3,6%	1,0%
<b>PBT</b>	<b>26.818</b>	<b>106,5</b>	<b>25.073</b>	<b>159,7</b>	<b>25.172</b>	<b>159,3</b>	<b>/</b>	<b>15.704</b>	<b>99,4</b>	<b>/</b>	<b>15.802</b>	<b>-9.308</b>
<b>PAT</b>	<b>21.104</b>	<b>109,4</b>	<b>19.359</b>	<b>185,6</b>	<b>19.287</b>	<b>191,2</b>	<b>/</b>	<b>10.431</b>	<b>103,4</b>	<b>/</b>	<b>10.086</b>	<b>-12.232</b>
ROS (net return on sales)	1,4%		1,4%		1,4%			0,8%			0,8%	-1,0%
ROA (net return on assets)	1,7%		1,6%		1,6%			0,9%			0,9%	-1,0%
ROE (net return on equity)	5,3%		5,0%		5,1%			2,8%			2,7%	-3,2%
<b>Employees / at period-end</b>	<b>11.022</b>	<b>101,2</b>	<b>10.228</b>	<b>101,4</b>	<b>10.888</b>	<b>106,7</b>	<b>102,0</b>	<b>10.082</b>	<b>98,8</b>	<b>94,4</b>	<b>10.206</b>	<b>10.675</b>
<b>Employees / average</b>	<b>11.130</b>	<b>99,1</b>	<b>10.330</b>	<b>99,4</b>	<b>11.228</b>	<b>106,6</b>	<b>102,9</b>	<b>10.395</b>	<b>98,7</b>	<b>95,3</b>	<b>10.535</b>	<b>10.907</b>

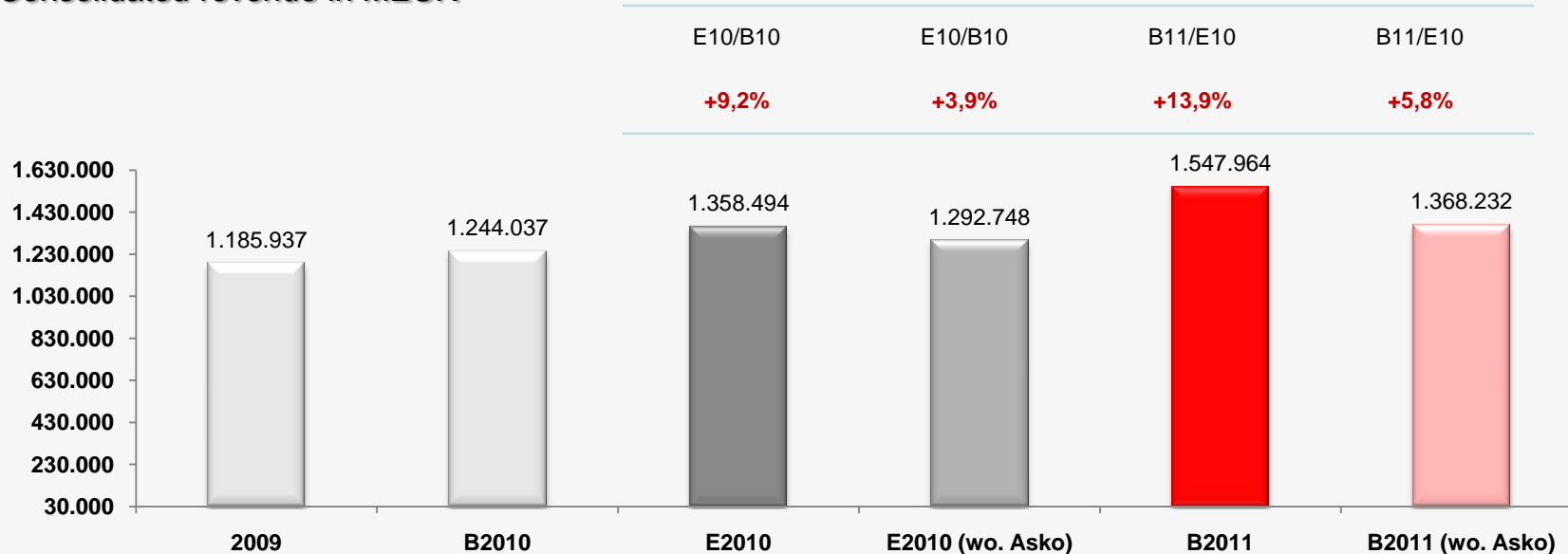
### Highlights of the annual plan 2011 - 1:

- Second year of the **implementation of the strategic plan** – emphasis on brand names management strategy and product management of the Home Appliances division.
- Key challenge: **neutralization of price increase** on the purchase market of raw materials.
- **Profitability of Home Appliances Division** is exceeding the profitability from other two divisions.

 **Highlights of the annual plan 2011 - 2:**

- Humble growth of **sales markets** – high unemployment aret, lack of quality financial sources, high risks.
- **Over-capacities** within the industry).
- **Trends on the area of end consumers** – demographic changes, Lifestyle,...
- Focusing on the sales under **own brand names**, management of the **key accounts / distribution channel** (kitchen studios).
- **Process management** in the function of the cost management optimization and NWC optimization.
- **Innovations** and **design** – key elements of the vision by R&D of the new product generation.
- **Price repositioning** – average price increase in 2010 by 4,4 % and planned for 2011 by 4,0 %.
- **Integration of Asko Group** and performance improvement and operating effectiveness (Scandinavian sales organization, synergies in business processes, expanding brand name Asko on defined markets).
- **Organization** and **supported processes** – sales and marketing organization, further SAP implementation, procedures of operating planning, development of the Corporate Governance.
- Further development of **production sites** in Serbia – Valjevo, Stara Pazova.
- Further activities of **financial restructuring** of the Gorenje Group.
- **Strategic restructuring** of Home Interior division.

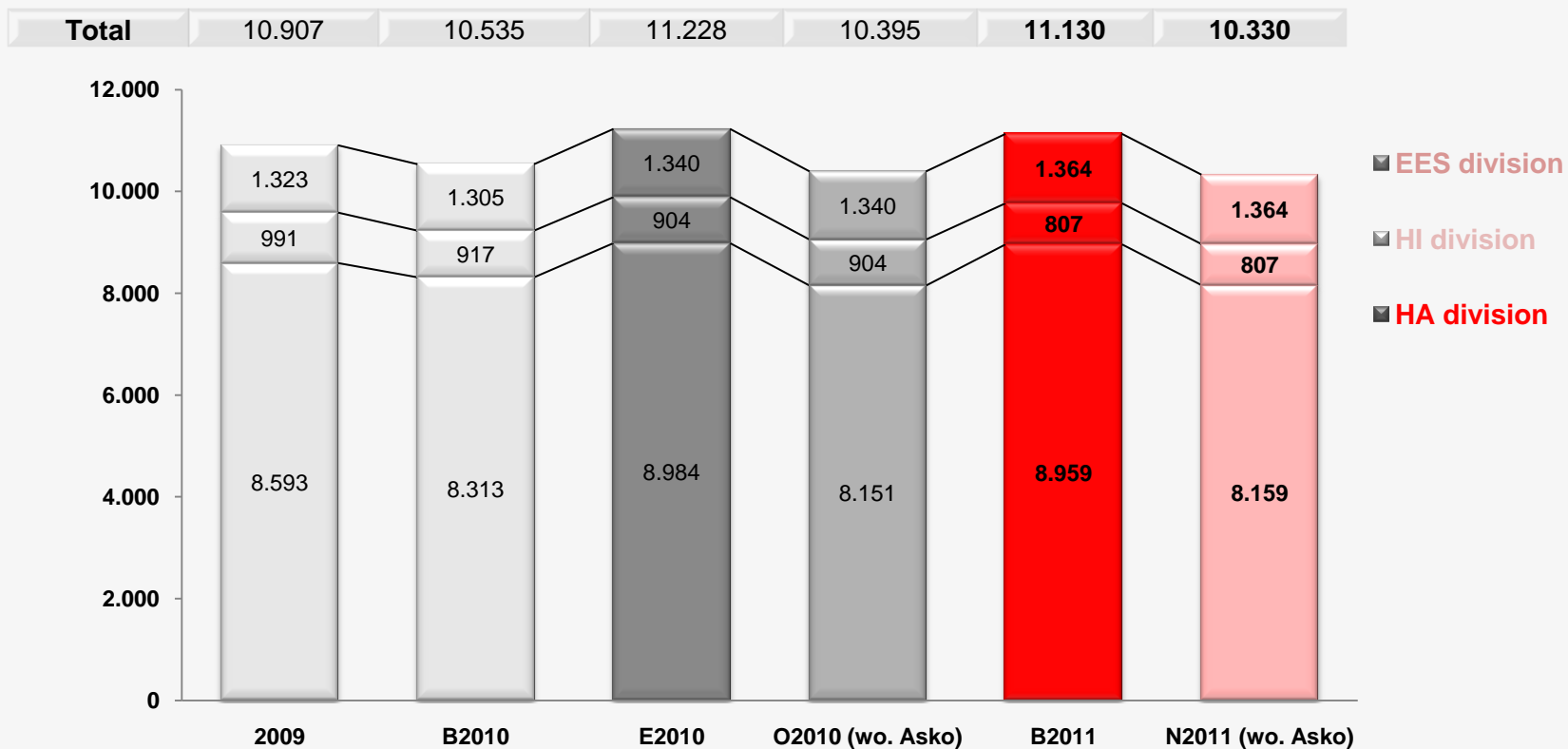
## Consolidated revenue in MEUR



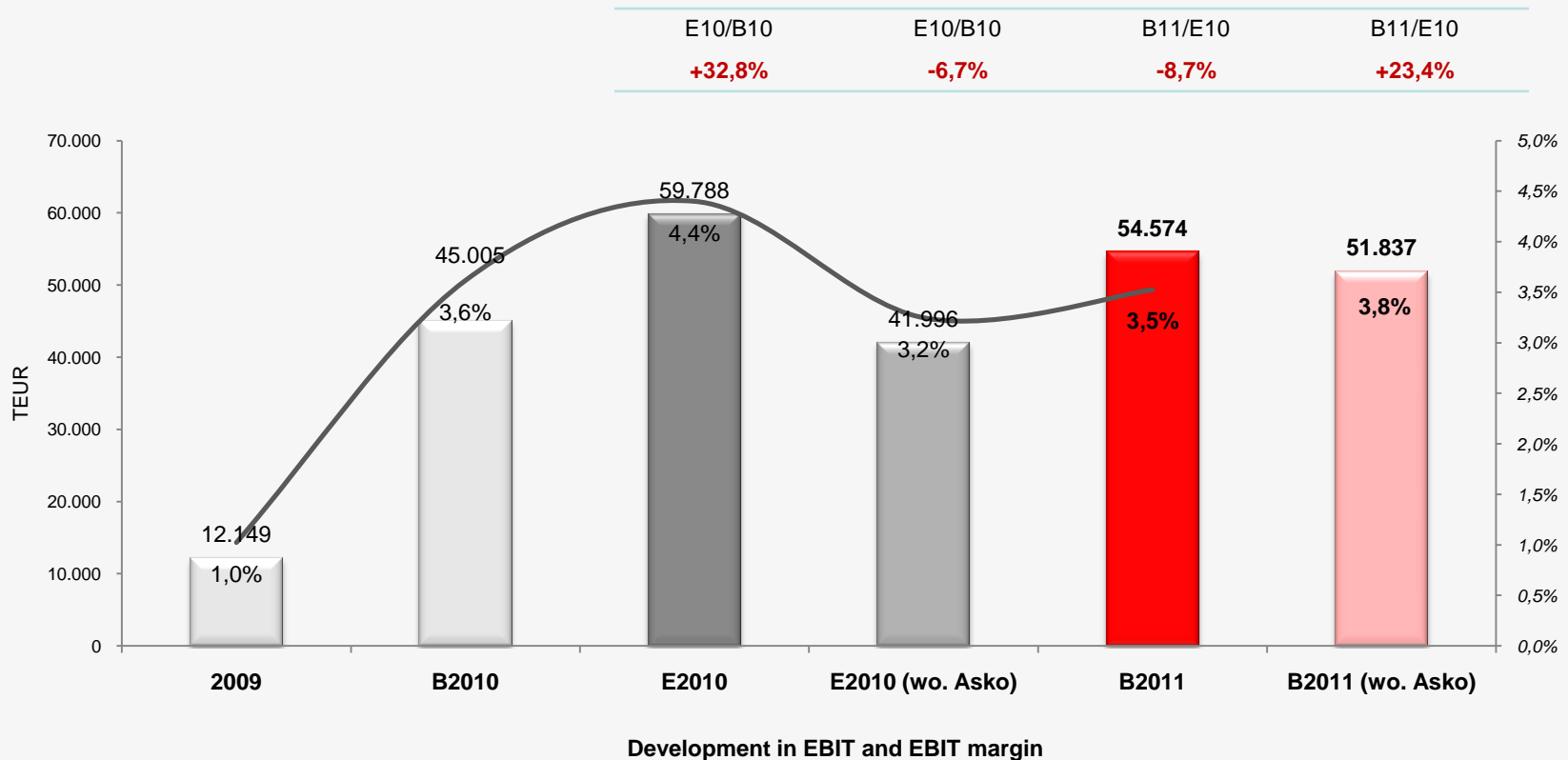
Development of consolidated revenue

- Gorenje Group is planning the **Net Sales Revenue growth** in the amount of 189.470 TEUR (+13,9 %) or without including the Asko Group, acquired in 2010, in the amount of 75.484 TEUR (+5,8 %).
- Planned **dynamics of the sales growth** is the fastest by the HA division companies, where we reached 169.131 TEUR or +17,4 % growth (excluding Asko Group effects 55.145 TEUR or 6,1 % growth), followed by EES division by 19.313 TEUR or +5,5 % growth, while HI division is growing by the dynamics of 1.026 TEUR or +3,0 %. The growth of the scope of operating activities is due to the restructuring of the business activities and performance below the break-even point, very important.
- From the **geographic point of view** we are planning the balanced sales growth in the area of Eastern and SE Europe outside EU, what is from the viewpoint the stabilization in times of crises and after, very important.

Average number of employees in terms of divisions

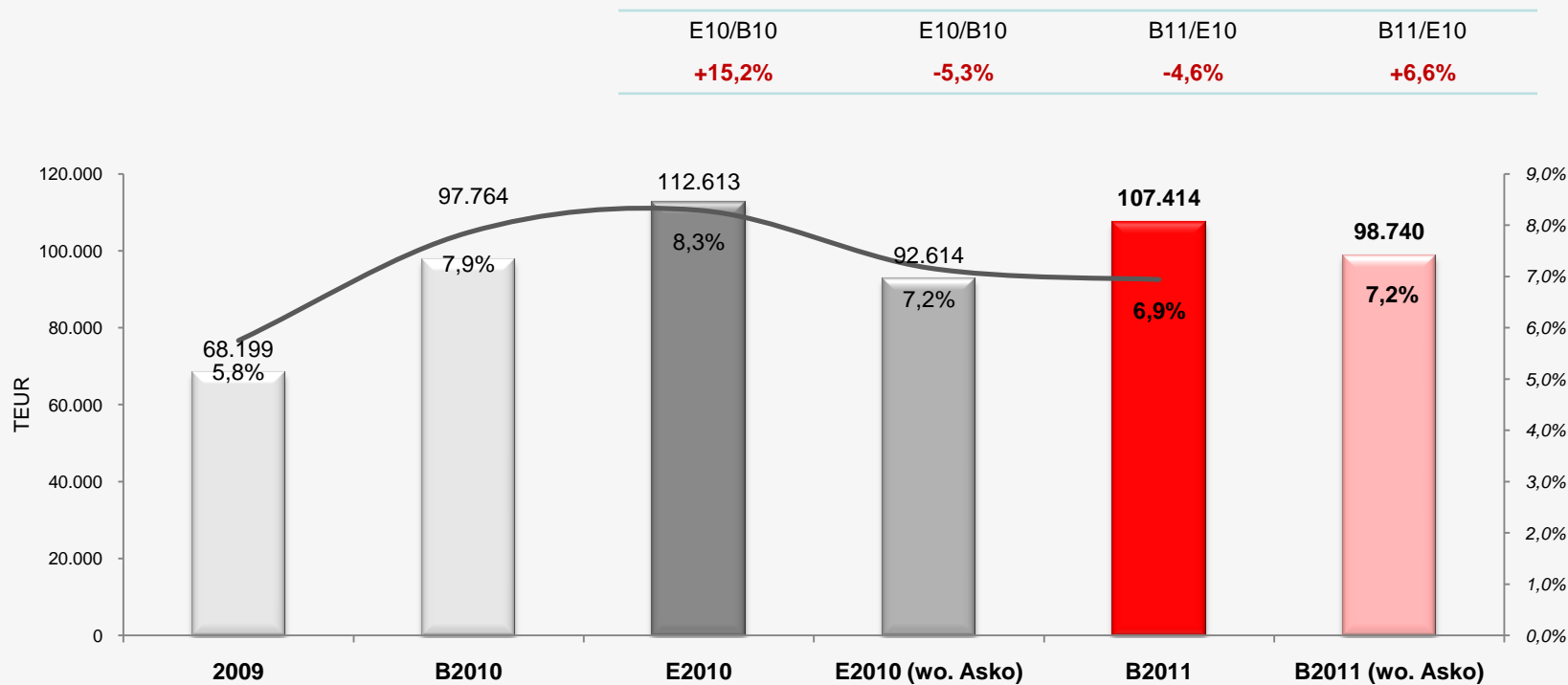


- Planned growth of **EBIT** has to be observed only on the comparable level, thus after excluding effects of the acquired Asko Group. Such data gives us the real picture of the profitability development at this level, which is improving by 0,6-p.p. (improvement of EBIT margin) due to higher planned growth dynamics of gross margin from growth dynamics of operative costs and from amortisation (reason: lower investment range in the last two years and restructuring of the infrastructure at profit centres = longer lifetime of the equipment).





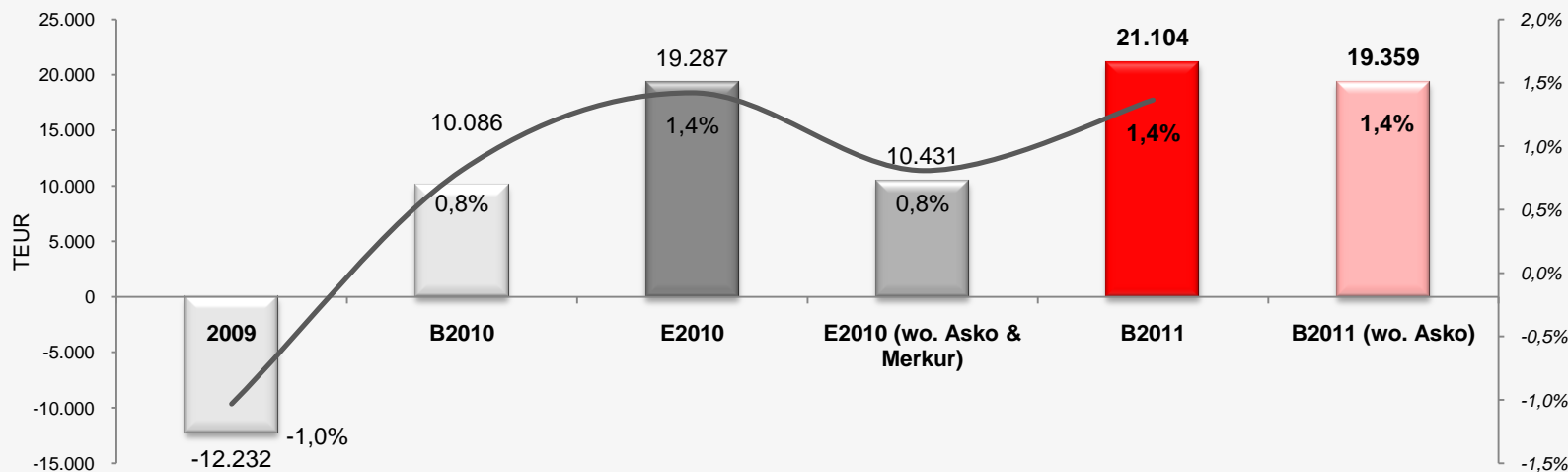
- Planned comparable **EBITDA** level is keeping the same margin as by the estimated in 2010 and the increase in value with the higher dynamic as from the revenue growth (+0,8 % higher growth).



Development of the EBITDA and EBITDA margin

- Planned **financial income** and **expenses** are staying in the major part at the 2010 estimated level, both, with and without Asko Group effects. For comparison, from E2010 we are excluding the negative **effect of provisions for receivables** of Merkur, d.d., in the amount of 6.704 TEUR. **Taxation** of PBT is due to the effects of the Netherlands tax group also at the level of E2010. Comparable **PAT** is planned on the level, higher by 8.928 TEUR from E2010.

E10/B10	E10/B10	B11/E10	B11/E10
+91,2%	+3,4%	+9,4%	+85,6%



Developments of the PAT and ROS

## FCF / Narrow of the Gorenje Group

<b>Gorenje Group FCF Narrow (TEUR)</b>	<b>B2011</b>	<b>B2011 (wo. Asko)</b>	<b>E2010</b>	<b>E2010 (wo. Asko)</b>	<b>B2010</b>	<b>2009</b>
PAT	21.104	19.359	19.287	10.431	10.086	-12.232
Amortization	52.840	46.903	52.825	50.618	52.759	56.050
<b>= NCF</b>	<b>73.944</b>	<b>66.262</b>	<b>72.112</b>	<b>61.049</b>	<b>62.845</b>	<b>43.818</b>
Capex	-40.433	-36.333	-33.639	-30.966	-28.795	-28.732
NWC	-4.377	-2.631	-42.982	-38.085	-9.573	17.936
* Inventories	-4.531	-3.962	-5.119	-3.802	7.407	35.023
* Trade receivables	-8.443	-6.705	-31.845	-37.292	9.116	10.277
* Trade payables	8.597	8.036	-6.018	3.009	-26.096	-27.364
<b>= FCF</b>	<b>29.134</b>	<b>27.298</b>	<b>-4.509</b>	<b>-8.002</b>	<b>24.477</b>	<b>33.022</b>

- Planned **Free cash flow** is focused in Gorenje Group debt decreasing in the amount of 27.102 TEUR. In spite of important growth of the volume of the business activities are investment in NWC at the level, comparable with the year 2010, what is resulted in shorter **working capital turnover**. **Capex** for the year 2011 is planned to be at the level, lower from amortisation.

## Activities of the decreasing and restructuring of the debt

- We are continuing the **activities aimed at debt restructuring through maturity extension** also in 2011. As at end of 2011, the share of long-term liabilities amounted to 53,5 %, which are the same as by the end of 2010 (54,3 %). Beside the loans, approved by IFC corporation, are the activities of the debt restructuring planned also with the other financial institutions.
- On 25 June 2010, **IFC** paid in 1,876,876 new shares at EUR 13.32 per share, i.e. **EUR 24,999,988.32** and became the owner of a stake representing 11.7991 % of Gorenje. The additional equity is intended mainly for the growth of the Home Appliances and Energy, Ecology and Services divisions, for financing of takeovers, for new development projects and for production restructuring.
- In addition to bringing fresh capital, IFC also signed in June 2010 a 7-year loan contract of 50.000,0 TEUR and organised a syndicated bank loan of 51.074 TEUR (5 - 7 year). The total amount resulted to 101.074 TEUR and will be used **of re-financing of LT loans**.
- **Total financial liabilities** for the year 2010 amounted to 466.632 TEUR, and for 2011 we are planning their decrease of 27.102 TEUR at the level of 439.530 TEUR.

## Other activities of the financial management

- Due to the difficult macroeconomic situation, special attention will be paid to **financial risks** and **credit risk** in particular control will be strengthened over credit limits granted by credit insurance companies, and trade receivables will be collected with even greater intensity.
- **Short-term liquidity risk** will be well managed using the revolving credit lines, with the unused credit lines of 75 and 100 MEUR in average.
- **Long-term liquidity risk** is minimal, as with the activities, linked to the debt restructuring through maturity extension, we have managed to re-finance the LT- debt way before their maturity. .
- **Currency risk** is managed and will be minimised by natural hedging, i.e. matching of cash flows in each of the currencies used, as well as – mainly in Eastern and South-Eastern Europe – by using derivative financial instruments.

## FACTORS AFFECTING FORWARD-LOOKING STATEMENTS

*This Presentation contains “forward-looking” statements and information – that is, statements related to future, not past, events, within the meaning of the Securities Market Act and the Rules and Regulations of the Ljubljana Stock Exchange. These statements may be identified by words such as “expects,” “looks forward to,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “estimates,” “will,” “project” or words of similar meaning. Such statements include, among others, the financial goals and targets of parent company Gorenje, d.d., and Gorenje Group for future periods and future business and financial plans. These statements are based on current expectations and are subject to risks and uncertainties that could cause actual results to differ materially due to a variety of factors. A variety of factors, many of which are beyond Gorenje's control, affect Gorenje's operations, performance, business strategy and results and could cause the actual results, performance or achievements of Gorenje to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. These factors include, but may not be limited to the following: consumer demand and market conditions in the geographical areas and industries in which Gorenje Group operates, effects of currency fluctuations, competitive pressures to reduce prices, significant loss of business from major retailers, the possibility that customers may delay the conversion of booked orders into revenue or that prices will decline as a result of continued adverse market conditions to a greater extent than currently anticipated by Gorenje's management, the success in developing new products and marketing initiatives, developments in product liability litigation, progress in achieving operational and capital efficiency goals, the success in identifying growth opportunities and acquisition candidates and the integration of these opportunities with existing businesses, continued volatility and a further deterioration of the capital markets, progress in achieving structural and supply-chain reorganization goals. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the relevant forward-looking statement as expected, anticipated, intended, planned, believed, sought, estimated or projected. Gorenje does not intend or assume any obligation to update or revise these forward-looking statements in light of developments which differ from those anticipated.*