

STRATEGIC PLAN OF THE GORENJE GROUP 2012 – 2015

(Summary)

Gorenje, d.d., Management Board

Velenje, December 20th 2011

Changes in the environment

- Due to the unstable economic environment stirred by the global financial crisis, the operating conditions have changed drastically relative to the time of announcement of the previous strategic plan (early 2010).

Changes at the Gorenje Group

- In August 2010, the Group acquired the Asko Group – a Swedish home appliance manufacturer.
- In 2011, intensive activities were launched for divestment of non-core property and activities (disposal of interest in the company Istrabenz-Gorenje, divestments in France, Serbia etc.).

Adjustment to the requirements of effective management

- Taking a medium-term view of the Gorenje Group operating performance

Market uncertainty in 2011

- High volatility in the raw material / commodity markets
- Stringent competition in the industry prevents increasing the downstream prices
- Euro debt crisis
- Problems in the European financial system (high revaluation adjustments, Basel III implementation)
- High unemployment rate



Challenges for the Gorenje Group

- Unpredictable changes in material costs
- Pressure on profit margins
- Conservative stance of the end-buyers as they find it hard to secure a loan
- Possibility of further problems of retail chains due to payment defaults

Possible scenarios:

- A closer fiscal union – gradual decrease of sovereign debt and recapitalization at banks
- Debt write-off following the Greek example
- Abandonment of the Euro zone by any of the member states

Effects on Gorenje Group:

- Terms and conditions of refinancing and debt reduction
- (Weakened) financing power by the end-buyers and retail chains
- Effect on the euro exchange rate relative to local currencies – particularly in the South-eastern European region

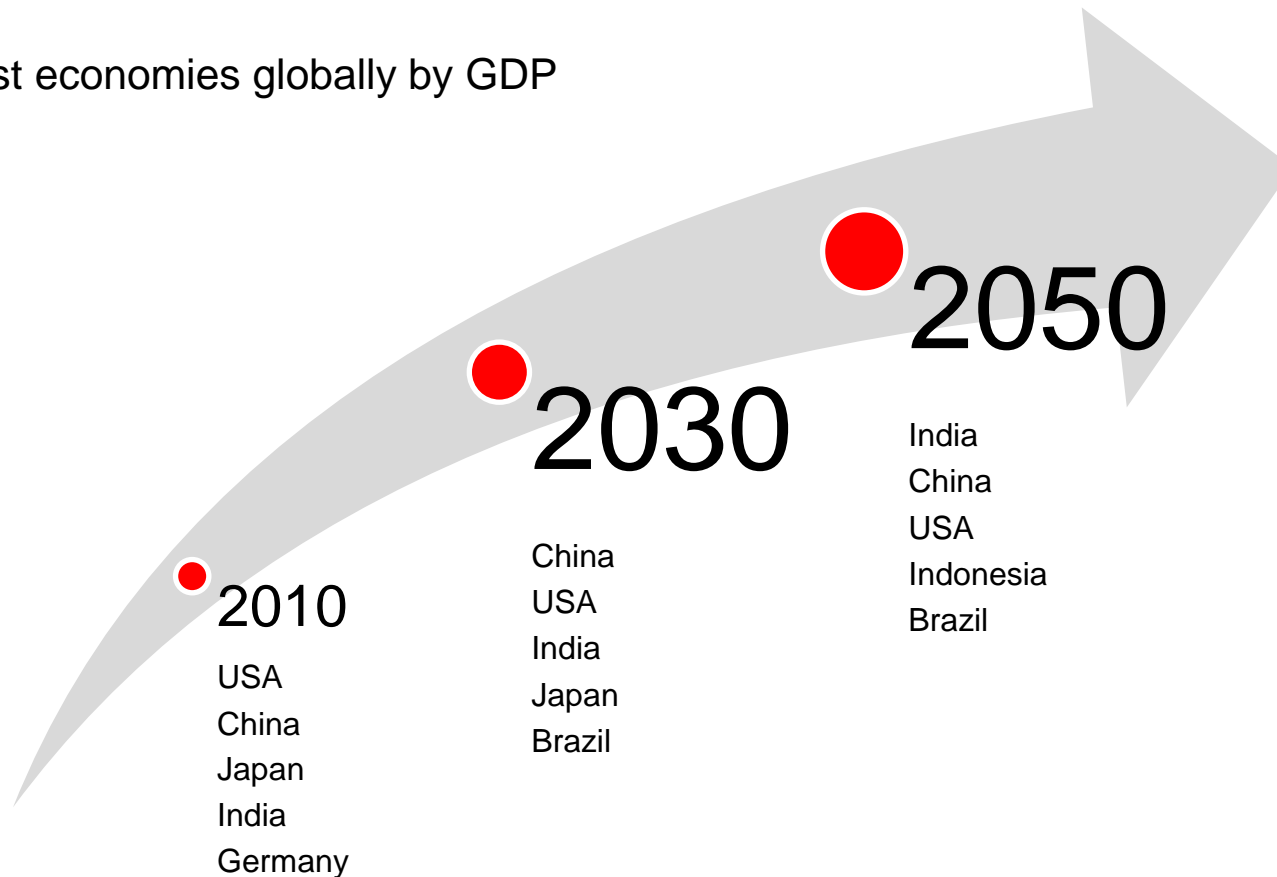
Possible scenarios:

- Goldman Sachs analysts forecast an increase in oil price by 15 percent in 2012, and further growth in 2013.
- Steel sheet prices in 2012 are expected to rise due to low stock in the supply chain, inventory replenishment cycle, downsized production capacity in the steel industry, and pricey supply of raw materials. Annual price increases are expected to be more moderate in the coming years due to lower demand by the real economy.
- Strong dependence of upstream and downstream raw material prices on the global economic growth in emerging or promising markets (China, India, Brazil, Russia).

Effects on Gorenje Group:

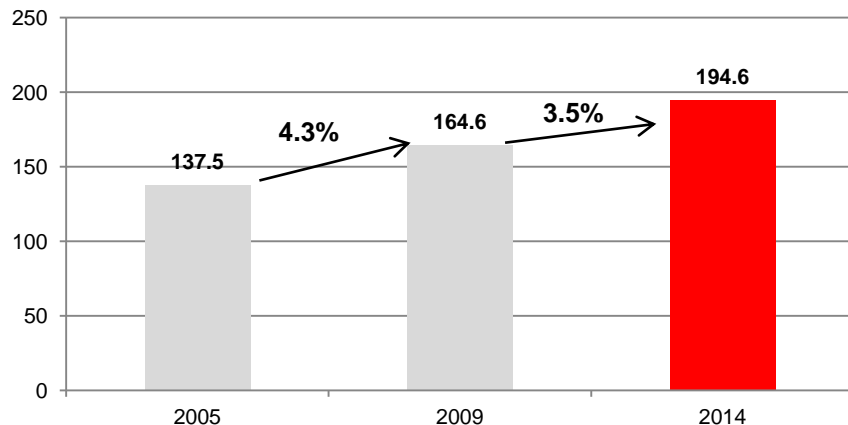
- As a result of harsh competition and excess manufacturing capacities in the industry, high prices of raw and processed material cannot be entirely levied on the downstream (sales) prices.
- This can cause pressure on operating profitability and unstable cash flow.

Five largest economies globally by GDP

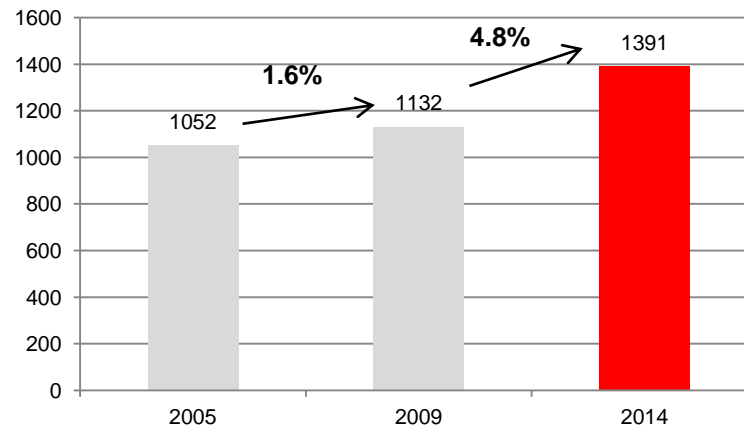


A change in the list of the largest economies requires greater focus of sales on the markets of the future.

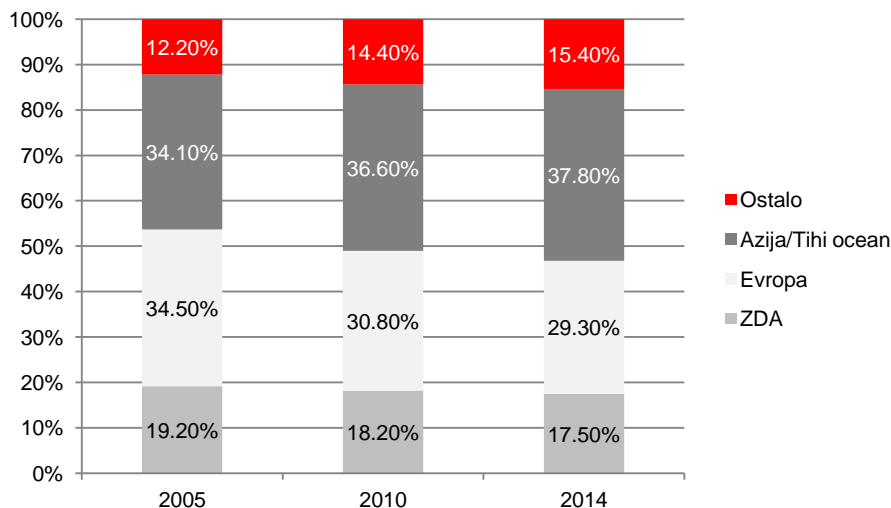
Sales by value (EUR billion)



Sales volume (million units)



Composition of sales by value



Growth of sales value by markets

	2005-2010	2010-2014
USA	3.20%	2.50%
Europe	2.00%	2.10%
Asia/Pacific	5.80%	4.30%
Other markets	7.80%	5.10%

Global growth of major appliance sales is estimated at 3.5%; higher growth is anticipated beyond Europe, growth in Europe expected at 2.1%.

- Individualization of households, smaller families in developed countries
- Demographic changes (ageing population)
- Consumer focus on a healthy lifestyle
- Higher ecological awareness due to climate changes
- Technological trends: smart appliances, advanced technologies, energy efficiency

These changes in lifestyles and consumer behaviour affect the development and design of appliances.

1. Increase robustness to the effects financial crises

- Profitable increase in volume of business operations
- Short-term generation of value: increase in free cash flow
- Long-term generation of value: improvement in economic profit / EVA
- Debt management: improving the capacity of self-financing, divestment of non-core assets and activities, diversification of financing sources → possibility of listing the share in an international stock exchange

2. Seizing the opportunities in the core industry

- Simplifying/streamlining the operations – new organization.
- Looking for market niches (both in terms of geographical distribution and products)
- Even more focus on design and innovation
- Multi-brand strategy to cover all price segments
- A shift from pan-European to global presence, especially with niche products

VISION

TO BECOME WORLD BEST
DESIGN DRIVEN INNOVATOR
OF HOME PRODUCTS

MISSION

TO CREATE INNOVATIVE, **DESIGN-DRIVEN PRODUCTS**
AND SERVICES THAT BRING SIMPLICITY TO OUR USERS

AMBITION

CREATIVITY

RESPONSIBILITY

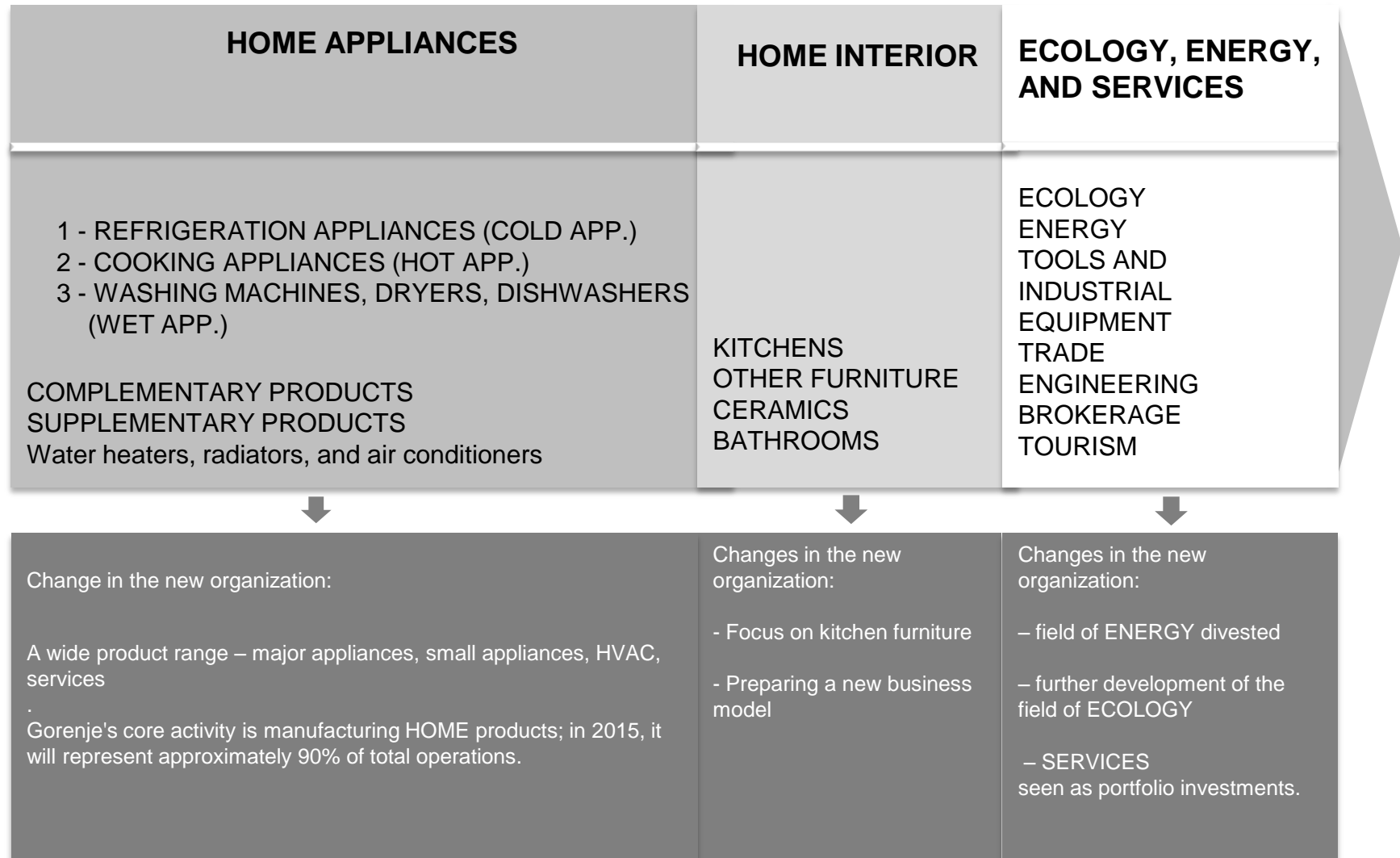
HONESTY

SIMPLICITY

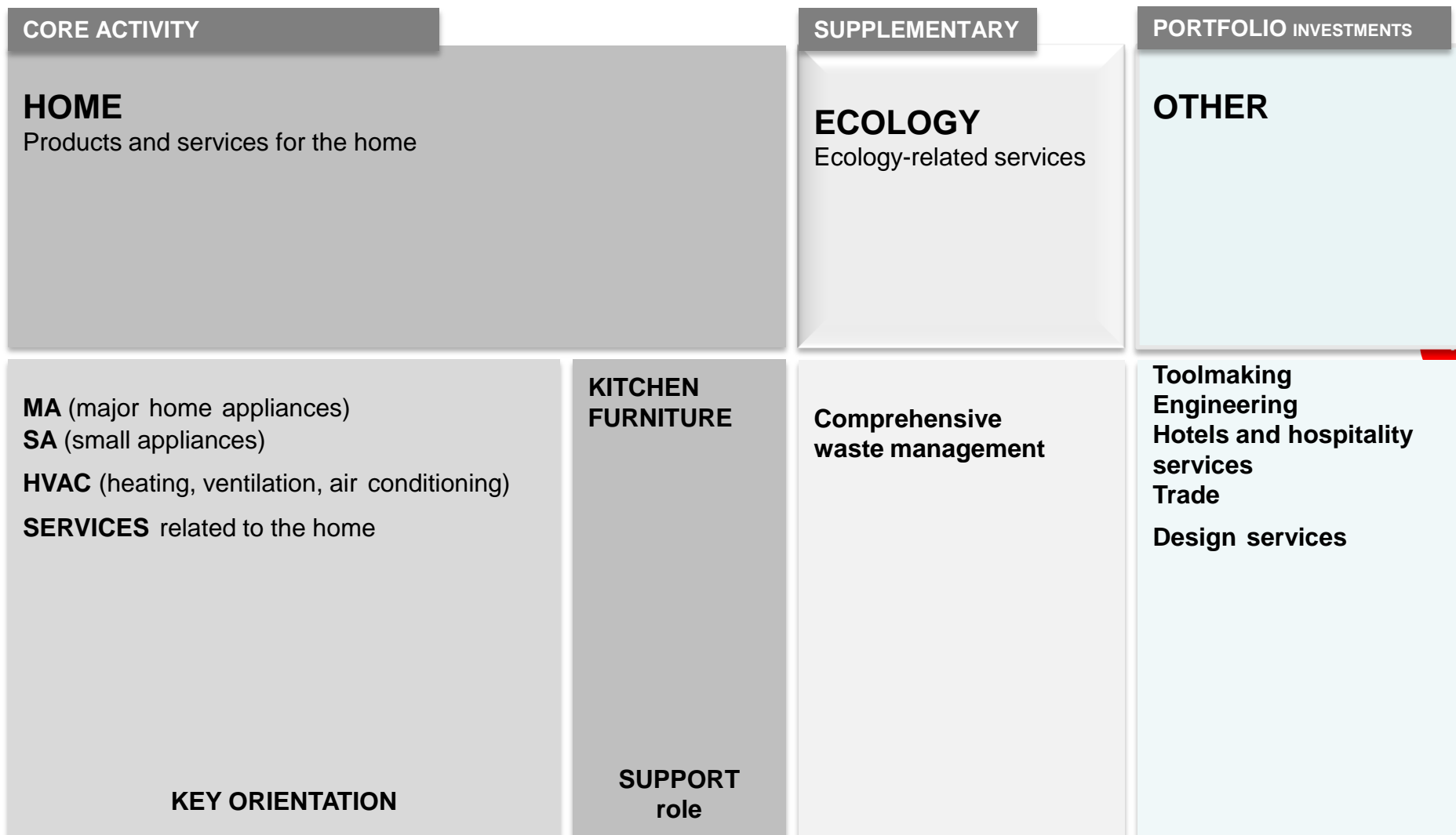
FUNDAMENTAL VALUES

www.gorenje.com

Previous Gorenje Group organization: three divisions

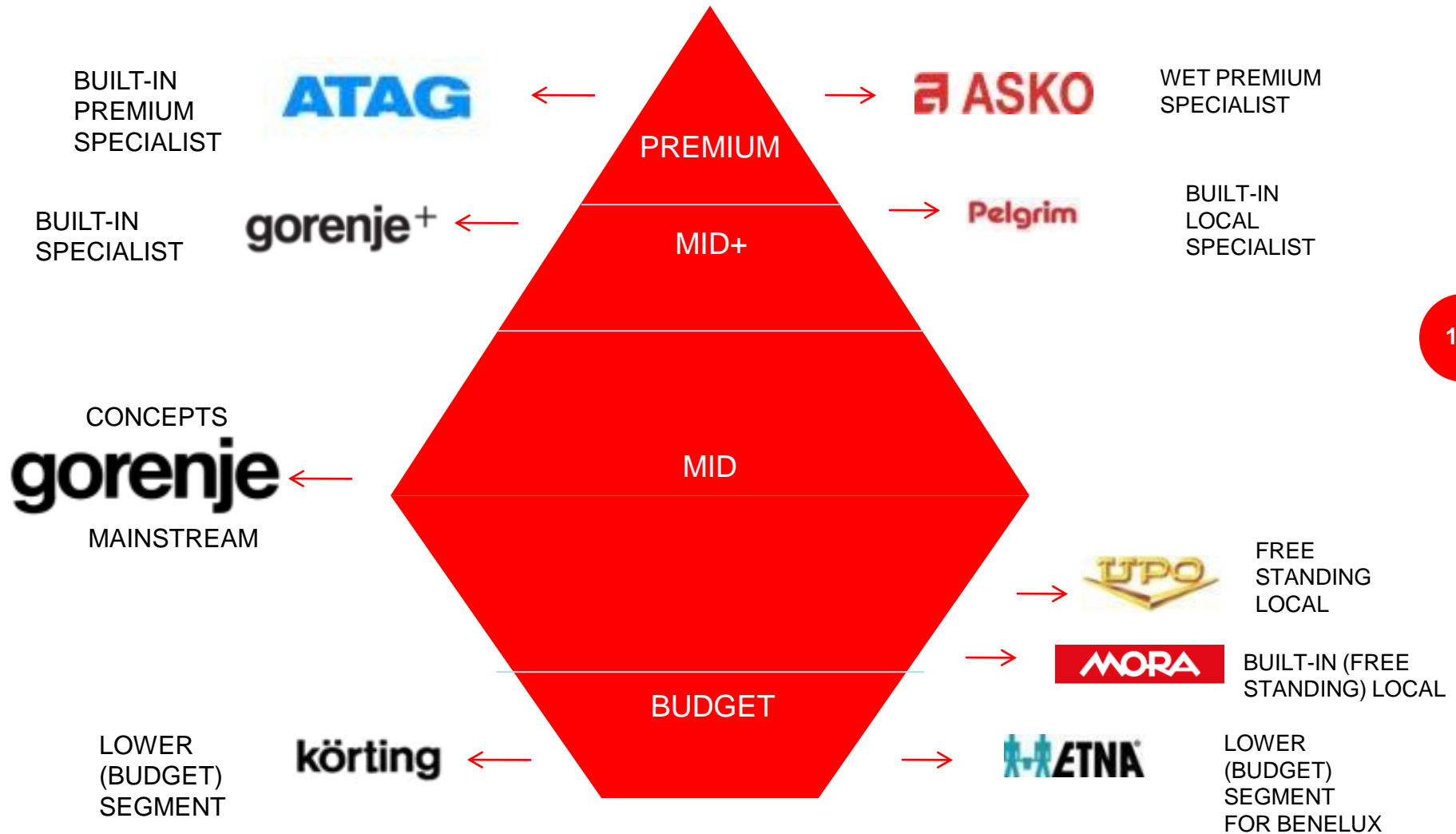


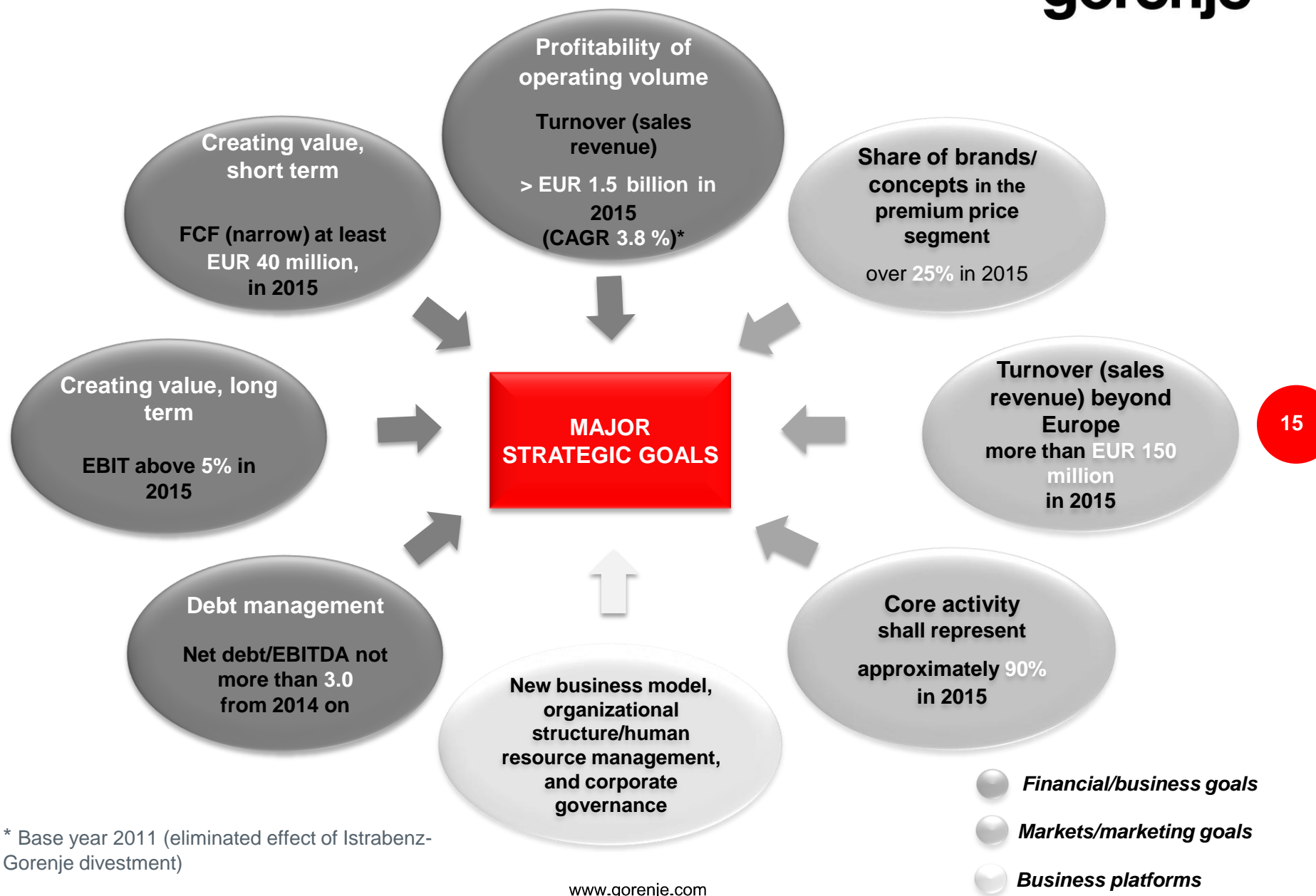
Organization of Gorenje Group by new business fields:





Multi-brand strategy to cover all price segments



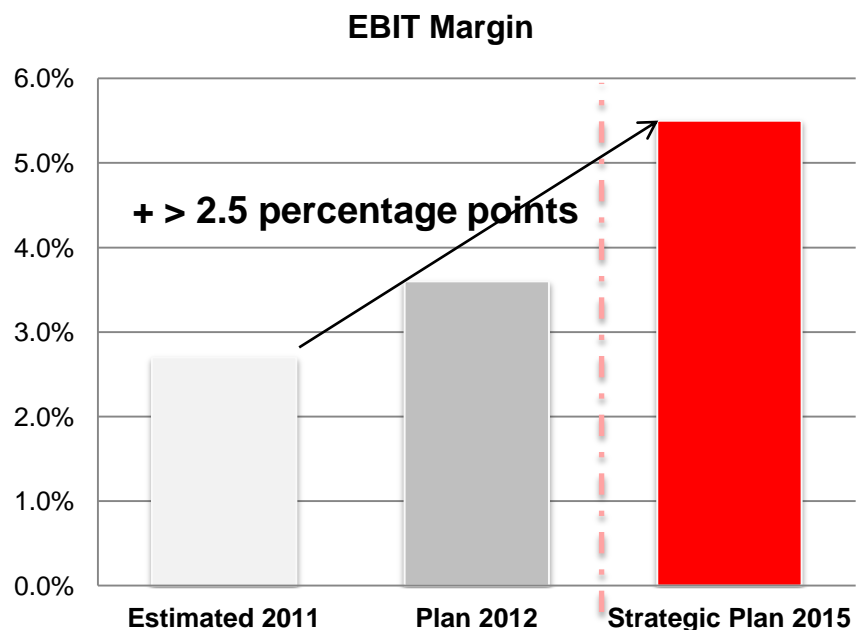




Planned activities:

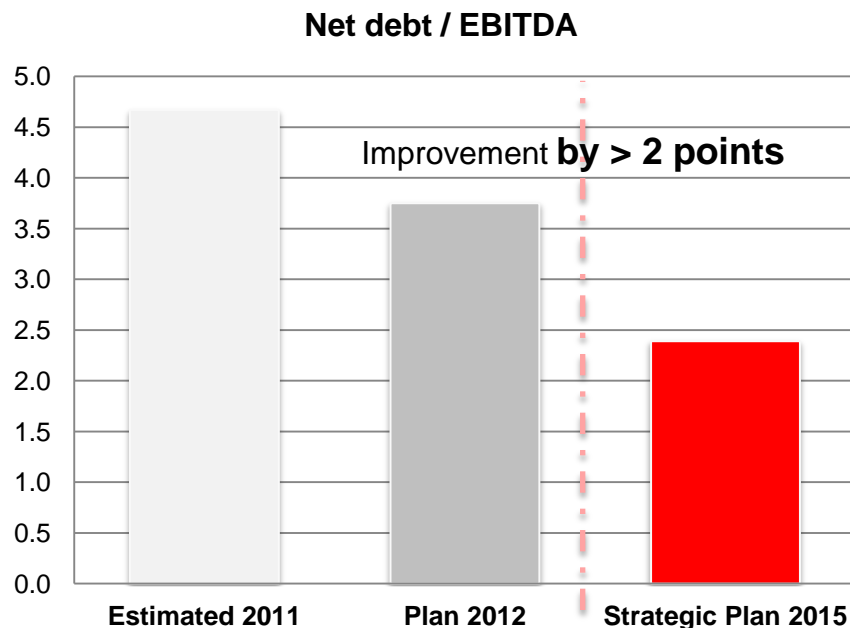
- ▶ Expansion to the emerging BRIC markets and other overseas countries
- ▶ Focus on product niches (e.g. built-in appliances)
- ▶ Focus on profitable growth of sales volume

* Comparable base 2011 without revenue from the energy segment (elimination in July 2011)



Planned activities:

- ▶ Improvement of composition of sales by products and geographical distribution, with moderate volume growth
- ▶ Cost rationalization – further optimization of manufacturing sites
- ▶ Focus on products with higher value added
- ▶ Focus on core activity: HOME



Planned activities:

- ▶ The goal will be accomplished by 2014.
- ▶ Increase in the self-financing capacity in the function of financing development and reducing the debt
- ▶ Optimization of key elements of debt reduction: increase in profitability of operations, focused investment, and net working capital management

The dividend policy of the Gorenje Group and its parent company in the strategic period shall remain consistent with the policy effective before 2009. Thus, up to one third of Gorenje Group net profit (profit after taxes) shall be allocated for dividend payment every year.

- ▶ Annual update of the strategy.
- ▶ The Management Board shall monitor strategy implementation on a monthly basis:
 - ▶ KPI, key strategic goals
 - ▶ Key implementation projects
- ▶ The Management Board shall report **at each Supervisory Board session** about the strategy implementation activities.
- ▶ **Annual review and adjustment** of strategy – once per year, to be performed by the Strategic Business Council.



DISCLOSURE: Forward-looking statements

This document includes forward-looking forecasts and information, i.e. statements regarding the future, rather than the past, and statements regarding events within the framework and in relation to the currently effective legislation on publicly traded companies and securities and pursuant to the Rules and Regulations of the Ljubljana Stock Exchange (Ljubljanska borza, d.d.). These statements can be identified by the words such as "expected", "anticipated", "forecast", "intended", "planned or budgeted", "probable or likely", "strive/invest effort to", "estimated", "will", "projected", or similar expressions. These statements include, among others, financial goals and targets of the parent company Gorenje, d.d., and the Gorenje Group for the upcoming periods, planned or budgeted operations, and financial plans. These statements are based on current expectations and forecasts and are subject to risk and uncertainty which may affect the actual results which may in turn differ from the information stated herein for various reasons. Various factors, many of which are beyond reasonable control by Gorenje, affect the operations, performance, business strategy, and results of Gorenje. As a result of these factors, actual results, performance, or achievements of Gorenje may differ materially from the expected results, performance, or achievements as stated in these forward-looking statements. These factors include, without prejudice to any not mentioned herein, the following: Consumer demand and market conditions in geographical segments or regions and in the industries in which Gorenje Group is conducting its operating activities; effects of changes in exchange rates; competitive downward pressure on downstream prices; major loss of business with a major account/customer; the possibility of overdue or late payment on the part of the customers; decrease in prices as a result of persistently harsh market conditions, in an extent much higher than currently expected by the Gorenje Management Board; success of development of new products and implementation in the market; development of manufacturer's liability for the product; progress of attainment of operative and strategic goals regarding efficiency; successful identification of opportunities for growth and mergers and acquisitions, and integration of such opportunities into the existing operations; further volatility and aggravation of circumstances in capital markets; progress in attainment of goals regarding structural reorganization and reorganization in purchasing. If one or more risks or uncertainties are in fact materialized or if the said assumptions are proven wrong, actual results may deviate materially from those stated as expected, hoped for, forecast, projected, planned, probable, estimated, or anticipated in this announcement. Gorenje does not intend to assume and will not allow for any liability to update or revise these forecasts in light of development differing from the expected events.