

gorenje

**PRESENTATION OF
GORENJE, D.D. AND THE
NEW COMMERCIAL PAPER
ISSUE**

ALTA
NOVA NALOŽBENA KULTURA

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- 1. REASONING BEHIND THE COMMERCIAL PAPER ISSUE**
- 2. OVERVIEW AND FORECASTS OF GORENJE GROUP'S BUSINESS OPERATIONS**
- 3. STRATEGIC GUIDELINES OF THE GROUP**
- 4. CHARACTERISTICS OF THE NEW COMMERCIAL PAPER ISSUE**
- 5. COMPARISON OF COMMERCIAL PAPER TO OTHER EUR FINANCIAL INSTRUMENTS**
- 6. COMMERCIAL PAPER BUYING OPTIONS**

1. REASONING BEHIND THE COMMERCIAL PAPER ISSUE

- **Seasonal financing of business operations, coherent with quarterly cash-flow dynamics;**
- **Gorenje d.d. has currently additional cash-flow needs due to one-time costs associated with manufacturing restructuring:**
 - The company is reallocating manufacturing from Finland to Czech Republic, from Sweden to Velenje, Slovenia and part of manufacturing from Velenje, Slovenia to Valjevo, Serbia;
 - Severance fees related to manufacturing restructuring.
- **Manufacturing restructuring may cause production disturbances and reduce revenues. Gorenje, d.d. will in any case need to build additional inventory;**
- **Diversification of short-term debt financing;**
- **Until September 2013 most costs will have been incurred and the positive effects from the restructuring should become evident...**

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2. OVERVIEW AND FORECASTS OF GORENJE'S BUSINESS OPERATIONS

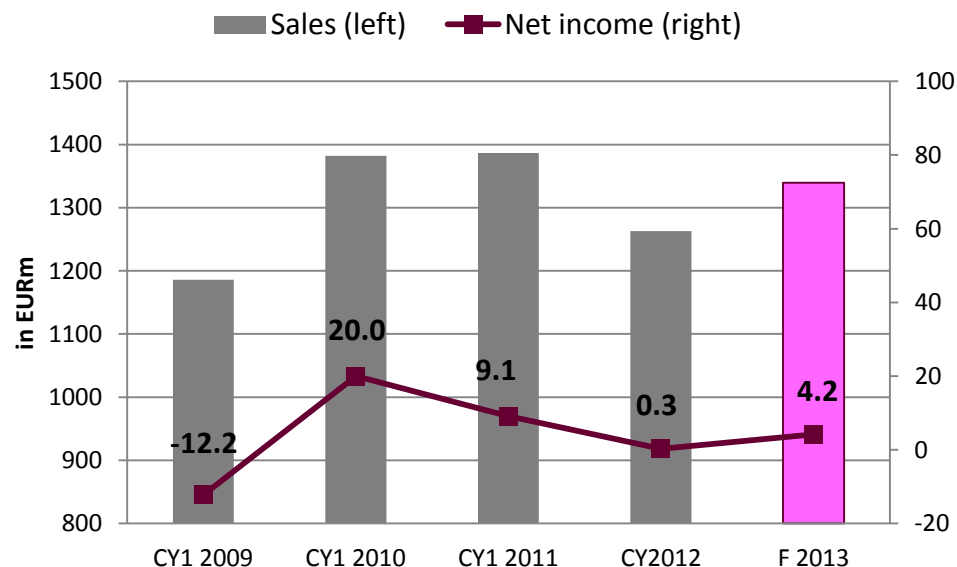
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Gorenje Group's business results were successful in 2012 regardless of the difficult macroeconomic environment. Especially in the last quarter of 2012...

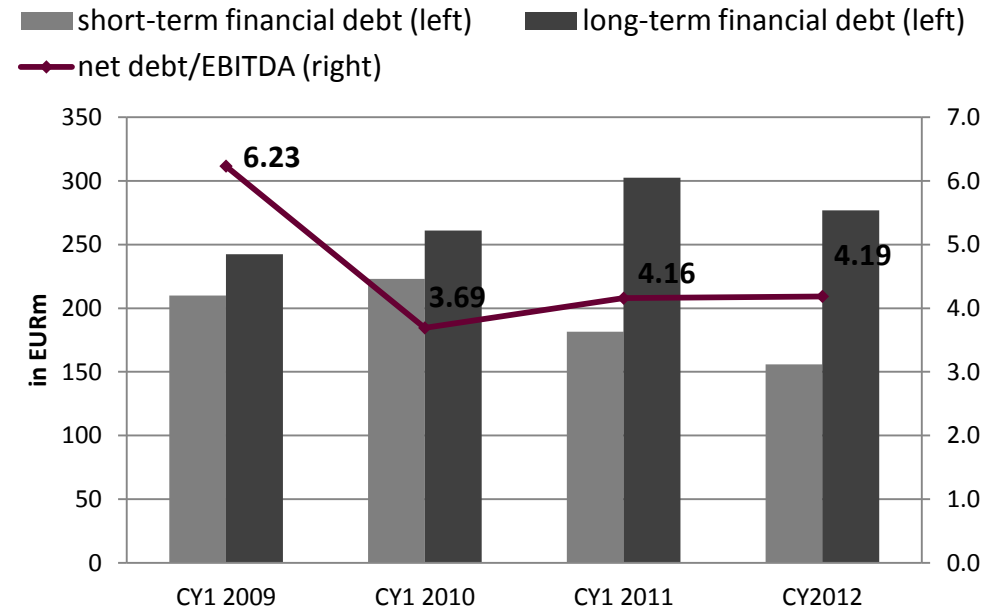
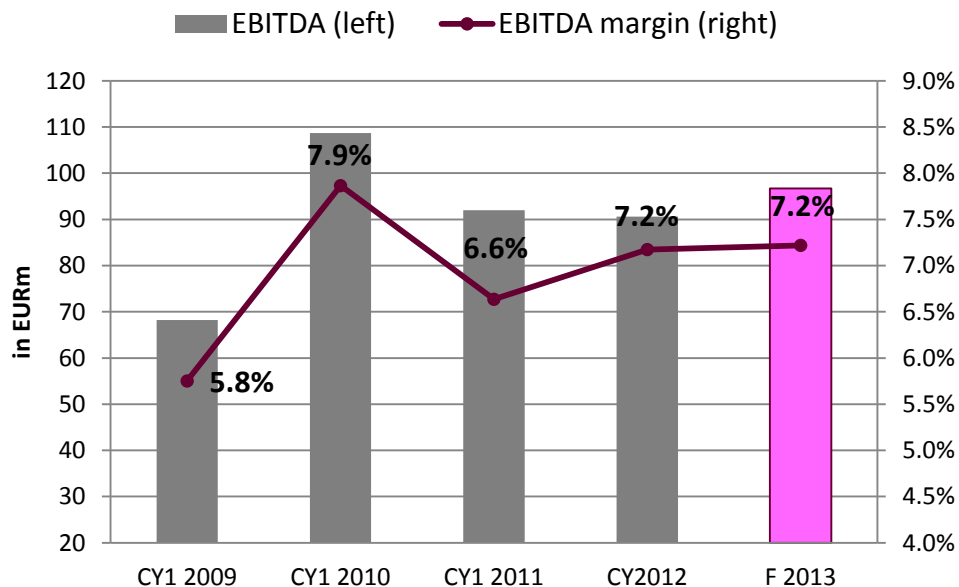
Results (in EURm)	Q411	Q412	Growth
Sales	326.5	333.6	2.2%
EBITDA	29.9	39.5	32.1%
EBIT	20.2	29.7	47.0%
Interest paid	7.5	8.3	11.1%
Net income	1.3	6.7	415.4%
CF from operations	42.4	73.3	73.0%



A 6% growth of revenues and net income in the amount of EUR 4.2m is expected in 2013. Business results in the first half of the year will be influenced by manufacturing restructuring and one-off items.

2.1 OVERVIEW AND FORECASTS OF GORENJE'S BUSINESS OPERATIONS

- Both EBITDA margin and cash-flow from operations increased in 2012. The latter from EUR 22.1m to EUR 49.7m;
- The management plans to increase EBITDA to EUR 96.7m in 2013 and keep EBITDA margin on the same level as in 2012.
- At the end of 2012 financial debt was reduced by 10% to EUR 432.7m;
- **Financial debt of EUR 380m to EUR 400m and net debt/EBITDA between 3.5 and 4.0 is planned for the end of 2013.**



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3. STRATEGIC GUIDELINES OF THE COMPANY

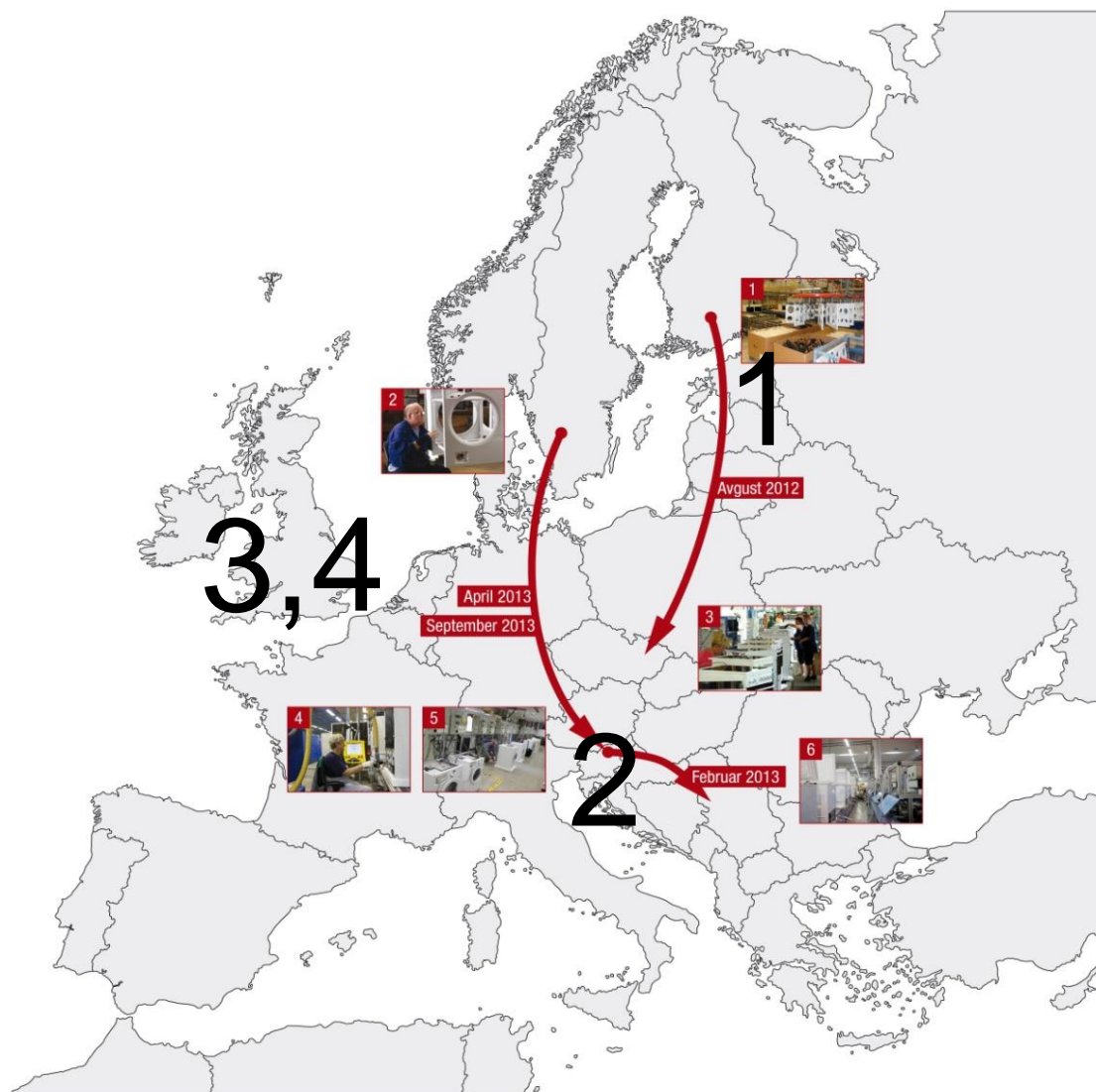
- 1. BY RESTRUCTURING MANUFACTURING A MINIMUM OF EUR 15M SAVINGS PER YEAR ARE TARGETED**
- 2. CONSTANT DEVELOPMENT OF NEW HOME APPLIANCES**
- 3. FOCUS ON REDUCING DEBT AND IMPROVING DEBT STRUCTURE**
- 4. DIVESTMENT OF NONSTRATEGIC ASSETS**
- 5. IMPROVING WORKING CAPITAL MANAGEMENT**

3.1 FOUR STEPS OF PRODUCTION REALLOCATION

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Step 1:

- Transfer of cooking appliance production from Lahti (Finland) to Mora (Czech Republic) and the closing of production in Lahti.
- Transfer completed.

Step 2:

- Transfer of a large part of cooling device production from Velenje to Valjevo (Serbia).
- A new factory built, production established, production at full capacity expected soon.

Step 3:

- Transfer of washer/dryer production from Vara (Sweden) to Velenje.
- Start of trial production at the end of March.

Step 4:

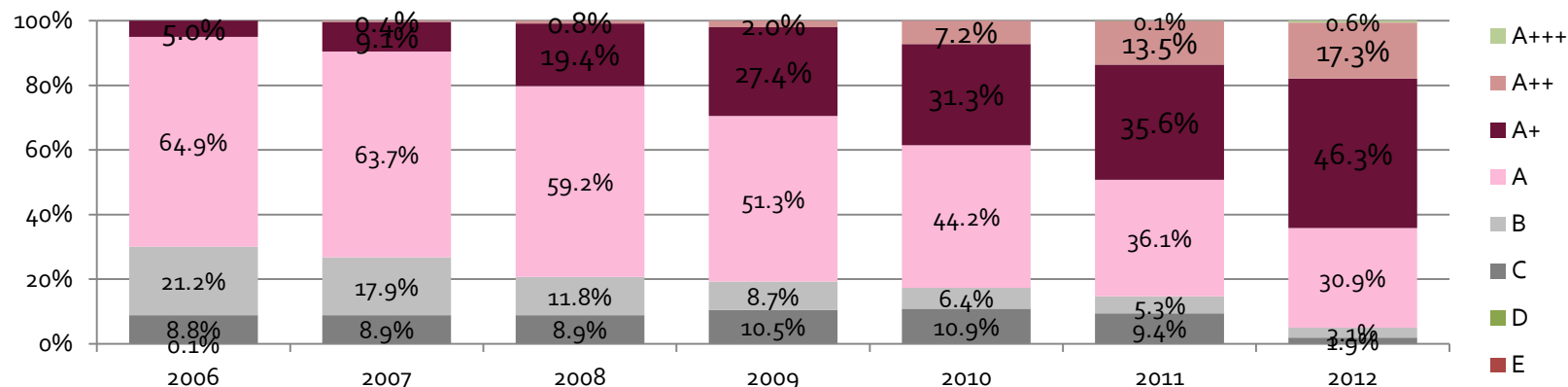
- Transfer of washing machine production from Vara (Sweden) to Velenje.
- End of production in Vara expected on 30th of June 2013 and beginning of production in Velenje expected on 1st of September 2013.

Expected savings over EUR 15m annually after 2014

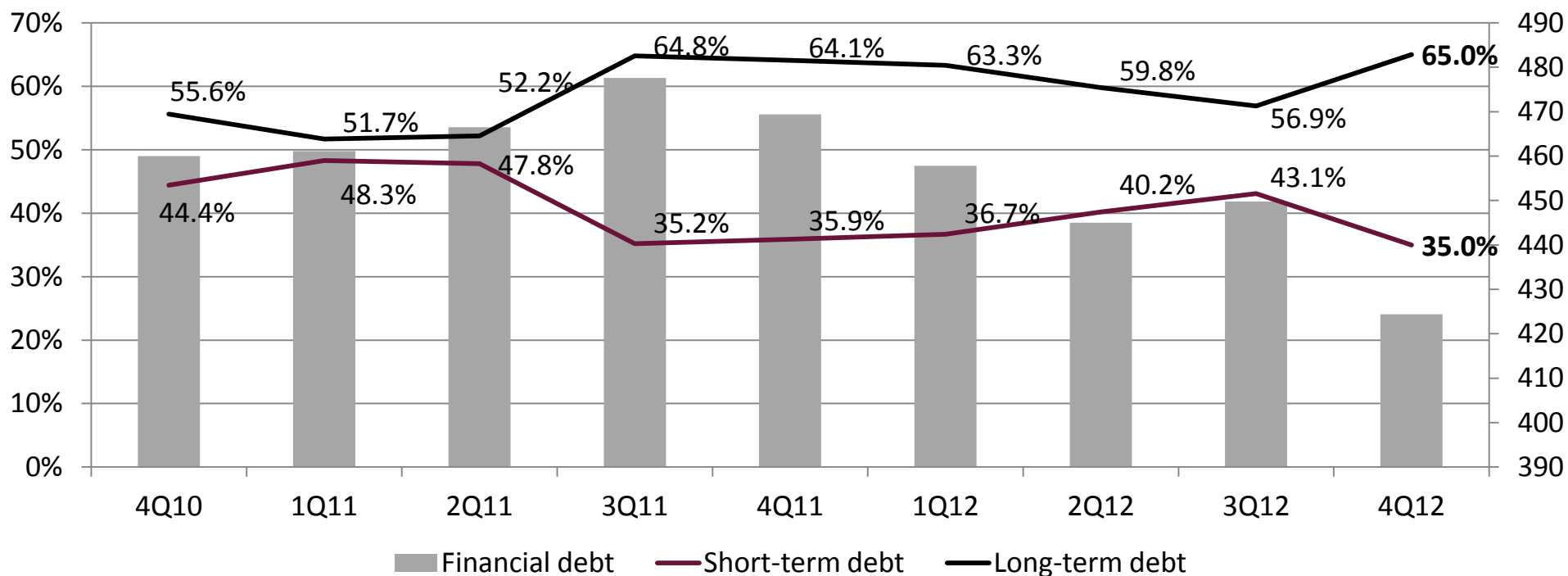
3.2 CONSTANT DEVELOPMENT OF NEW APPLIANCES

- We take care of constant development of new home appliances that are characterized by innovative functions and exceptional design;
- In 2012 we have developed and started selling:
 - **Innovative stove iqcook** (unique on the market: automatic steam cooking, lower energy consumption, versatile use);
 - **a new generation of washing and drying machines** (higher energy efficiency, larger intake, improved laundry care);
 - **a new generation of high-temperature heating pumps, smart water heaters exc. ;**
- we have developed new platforms of self-standing cooling devices that are 60cm wide (presented on IFA fair in Berlin, production and sale beginning this year). New products are energy efficient, have customer friendly solutions, modern design);
- We are developing a new generation of built-in stoves which will be introduced to the market in 2013.

INCREASING SHARE OF GORENJE'S COOLING DEVICES IN THE HIGHEST ENERGY EFFICIENT GRADES



3.3 FOCUS ON REDUCING DEBT AND IMPROVING DEBT STRUCTURE



- The company **reduced financial debt by EUR 51.4m** in 2012.
- **The structure of debt is improving** (65% is long-term debt – the most convenient structure since the start of the financial crisis);
- **further debt reduction planned for 2013;**
- **a secondary equity offering of EUR 40m expected.**

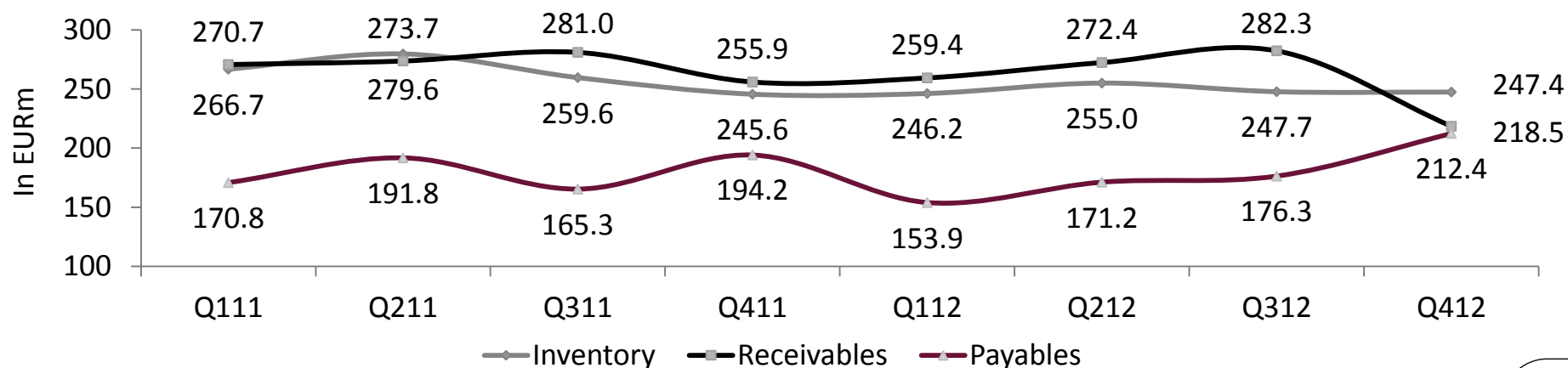
3.4 DIVESTMENT OF NONSTRATEGIC ASSETS

- Sale in cooperation with one of the world-renowned commercial real-estate companies. **Proceeds will be used to reduce debt;**
- Gorenje d.d. already **sold-off EUR 13.1m of assets** (mostly real-estate) in 2012 and realized a gross profit of EUR 1.7m;
- Further divestments of non-strategic assets expected for **2013 in 2014** - **estimated proceeds over EUR 35m;**
- **In 2013 the divestment process is going according to plan and is expected that the targets will soon be reached and exceeded.**

3.5 IMPROVING WORKING CAPITAL MANAGEMENT

- **Reducing inventory**, foremost materials and commodities by implementing Lean production.
- **Lowering receivables** by better credit management and sale of receivables:
 - Costs of receivables sales are lower than average financing costs in Gorenje Group, less dependence on bank-financing;
- **Increasing payables** by prolonging payment dates, implementing Supply Chain Financing.

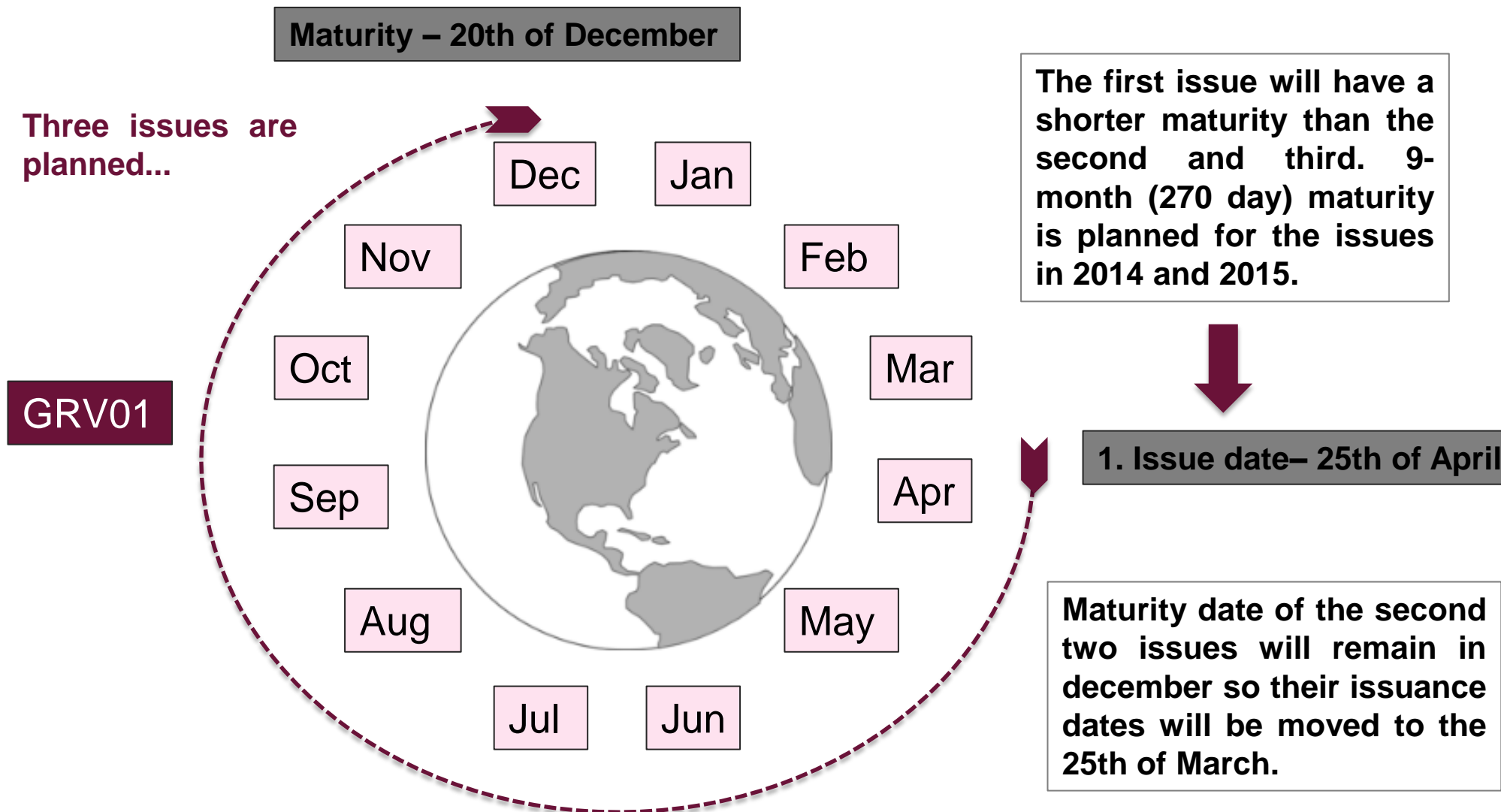
WORKING CAPITAL INVESTMENTS



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4. TIMELINE OF THE NEW COMMERCIAL PAPER ISSUES



4.1 COMMERCIAL PAPER CHARACTERISTICS

- ALTA Invest d.d. is organizing the issuance and sale of Gorenje's commercial paper.
- Commercial paper will have the following **characteristics**:

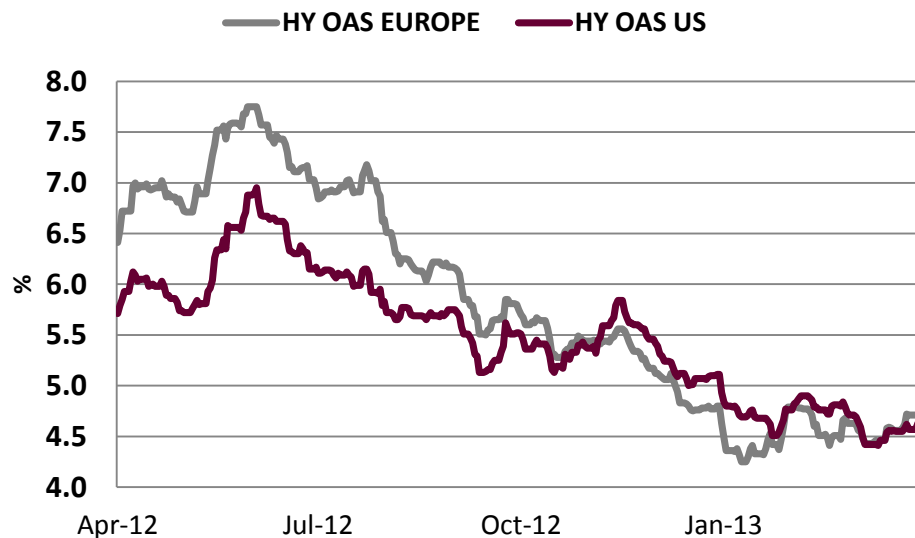
Instrument type	MONEY MARKET INSTRUMENT - COMMERCIAL PAPER
Issuer	GORENJE D.D.
Indicative price*	SET AT THE POINT OF SALE
Yield to maturity	445 b.t.
Duration	8 MONTHS
Coupon type	DISCOUNT
Currency	EUR
Expected issue size	20-30 MIO EUR
Nominal value	1.000 EUR
Minimum purchase amount	10.000 EUR
Guarantees	NONE
Issuance date	4/25/2013
Maturity date	12/20/2013
Days to maturity	239

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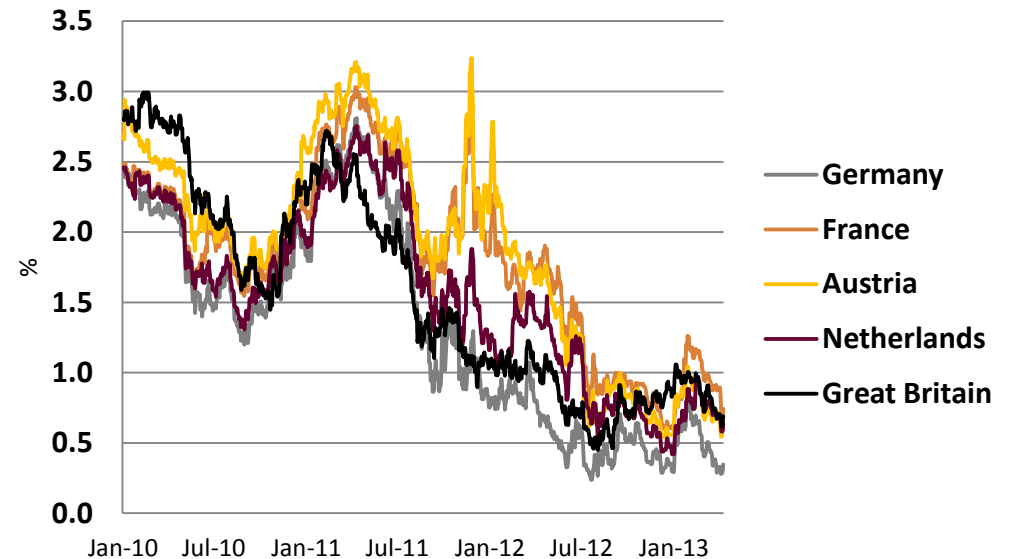
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5. INTEREST RATE DYNAMICS IN EUROPE

- The measures of central banks have reduced interest rates to record lows, which enabled several European companies to issue new or refinance their existing debt.



5-year bonds

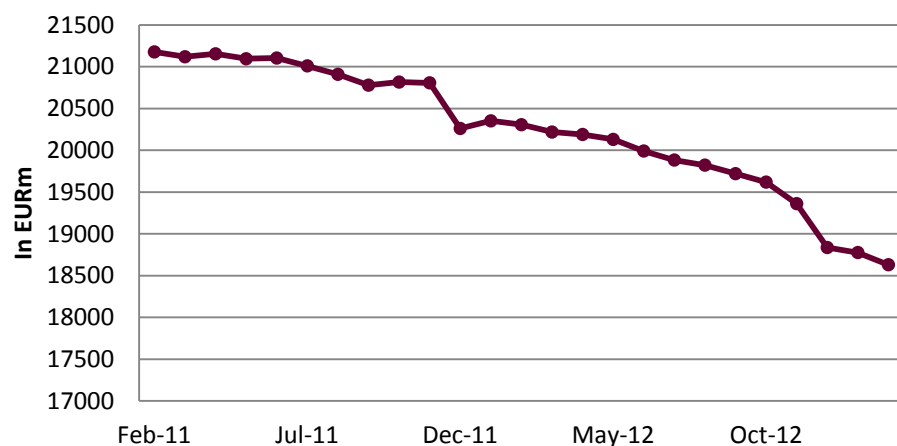


- This also holds for companies that are regarded as high-yield issuers.

5.1 IN SLOVENIA INTEREST RATES REMAIN HIGH

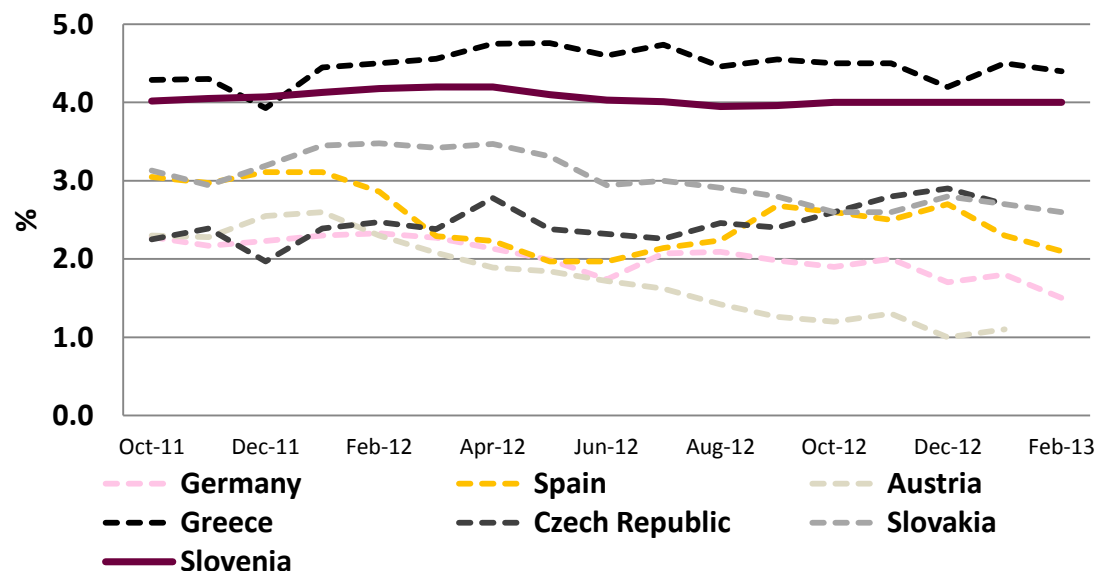
- Limited lending activity by banks...

Slovenia – loans to nonfinancial companies



- High interest rates on deposits...

Depozit interest rates 1-2 yrs



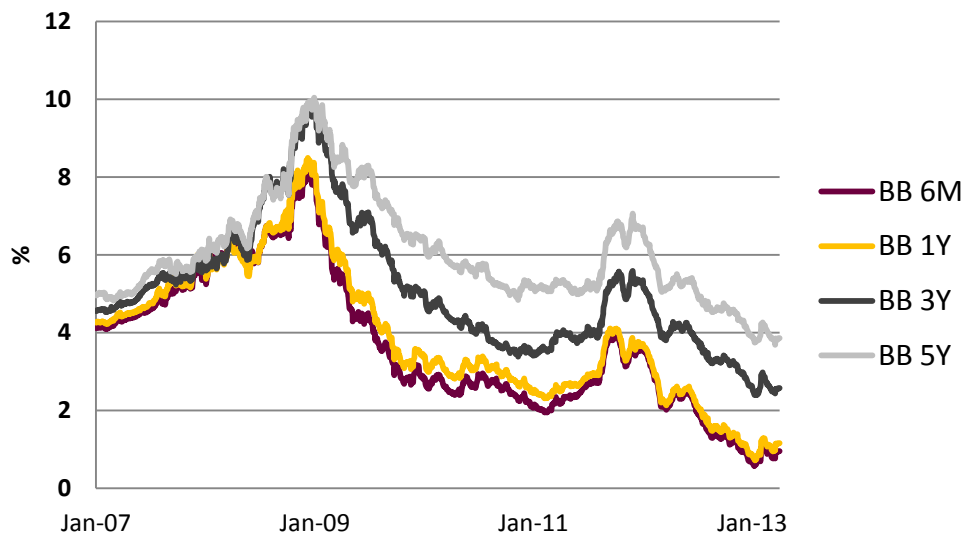
- Underdeveloped alternative sources of financing...

• Lower interest rates are not present in **Slovenia**, as companies, looking for debt financing in Slovenia still need to pay high interest rates.

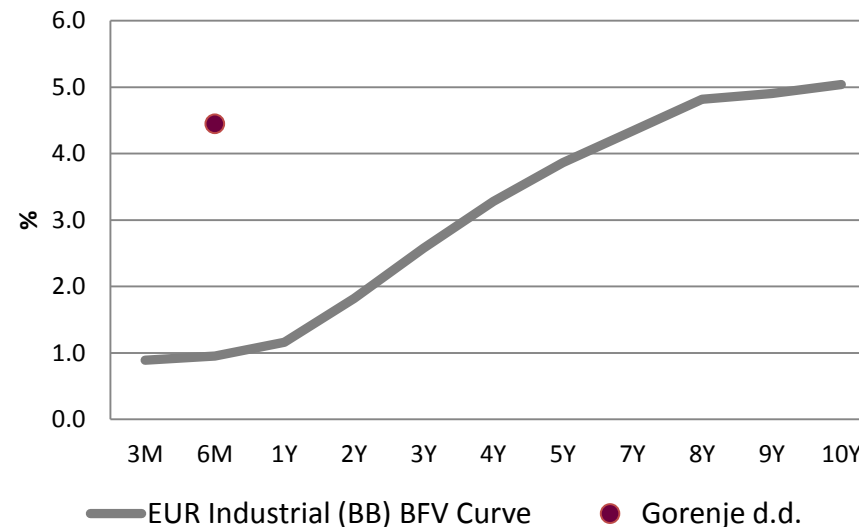
5.2 YIELD COMPARISON

- Gorenje’s 8-month commercial paper offers a yield of **445 b.p.**
- Issuers which comprise EUR industrial BB benchmark offer such a high yield at a maturity beyond 6 years.

Yield of EUR Industrial BB at different maturities



Yield comparison to EUR Industrial BB



- On the other hand the yield of 12-month instruments of these issuers amounts to 1.1%. It amounted over 4% in the beginning of 2007.

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- **ALTA INVEST d.d. and GORENJE d.d. OFFER FLEXIBILITY TO POTENTIAL BUYERS OF COMMERCIAL PAPER**
 - 1. IN THE FIRST PHASE THE PURCHASE OF COMMERCIAL PAPER WILL BE POSSIBLE ON THE ISSUE DATE**
 - 4/25/2013.
 - 2. IN THE SECOND PHASE PURCHASE WILL BE POSSIBLE IN 5. MONTHS AFTER 4/25/2013**
 - The price of commercial paper will be adjusted accordingly.
- **IN BOTH PHASES INVESTORS WILL BE ABLE TO FORM REPURCHASING AGREEMENTS WITH THE ISSUER**
 - Repurchasing agreements enable investors to shorten their investing time horizon!
 - The contents of the repurchasing agreement will be negotiated between the investor and issuer.
 - Repurchasing agreements will be on behalf of Gorenje d.d. formed by Alta Invest d.d.

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