

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



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

2013 WAS A YEAR OF

→ Restructuring

- Successfully completed strategic relocations of manufacturing operations
 - Sales network restructuring
 - Withdrawal from furniture manufacturing
 - Improved working capital (assets and receivables) management
- Increase of **market share in Europe** from 4.00% to 4.26%
- Forging a **strategic partnership with the Panasonic Corporation** in industrial cooperation, plus a capital alliance
- **Capital increase** and start of **cross listing of Gorenje, d.d., stock** on the Warsaw Stock Exchange
- Numerous **negative non-recurring effects** (impairments of financial investments, currency translation differences etc.)

STRATEGIC PLAN 2014-2018 / STRATEGIC GOALS

Focus on core activity
– Segment Home –
revenue more than
90% of all Group
revenue by 2018

To be the world's
leading design-driven
innovator and
manufacturer of home
appliances

Gradual divestment of
Portfolio Companies

STRATEGIC GOALS

Increase the share of
the premium brand
sales to more than 25%
by 2018

Gradually improve
EBIT margin

Net Debt/EBITDA not
more than 3.0 from
2015 onwards

Increase sales outside
Europe to close to EUR
170 million in 2018

2014 WILL BE A YEAR OF . . .

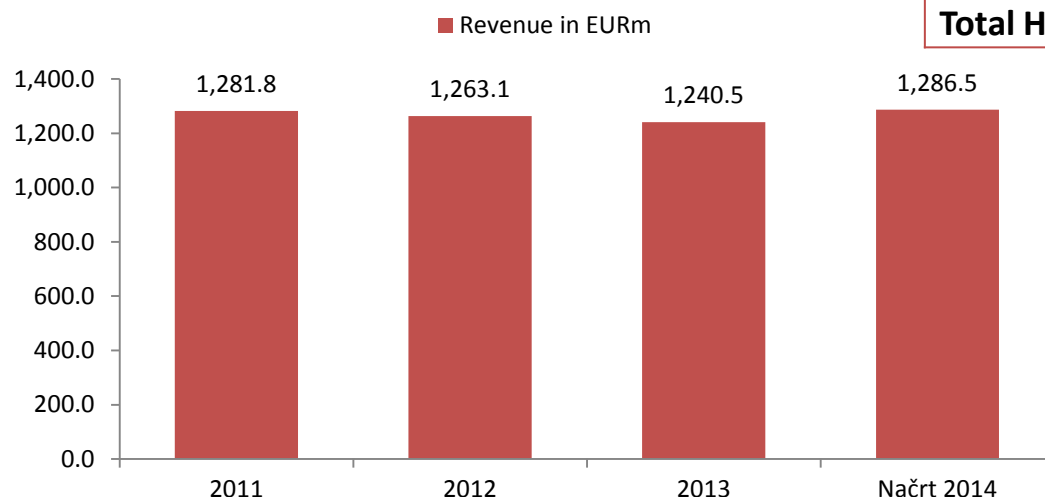
- Improvement in **profitability** of operations resulting from:
 - Improved sales structure (improved geographical and product structure of sales)
 - Cost savings in production, resulting from optimization of sales and other business processes, withdrawal from the furniture segment in 2013
 - Further cost savings
- Improved financial strength and further **deleveraging** (divestment, working capital etc.)
- **The first year of full effects** of strategic manufacturing operations relocations
- Further **internationalization** of operations
- Further **development activities**

1. OVERVIEW AND FORECASTS OF GORENJE'S BUSINESS OPERATIONS

Revenue by geographical segments

EURm	2012	%	2013	%	Change (%)
Western Europe	480.9	38.1	466.7	37.6	-3.0%
Eastern Europe	682.0	54.0	684.5	55.2	+0.4%
Other	100.2	7.9	89.3	7.2	-10.9%
Total Group	1,263.1	100.0	1,240.5	100.0	-1.8%
Western Europe	474.8	44.3	460.9	43.1	-2.9%
Eastern Europe	496.3	46.3	519.6	48.6	+4.7%
Other	100.2	9.4	89.3	8.3	-10.9%
Total Home	1,071.3	100.0	1,069.8	100.0	-0.1%

2013 was a year of restructuring, strategic alliances, capital increase, and a number of negative one-off, predominantly non-cash effects (impairment of financial investments, foreign exchange differences etc.)



After years of negative growth in sales revenues, the Group is planning a 3.7% revenue growth for 2014, along with improvement in sales structure as part of the implementation of brand strategy and policy of the Group to strengthen sales of products with higher added value.

1.1 KEY GOAL IN 2014

PROFIT ENHANCEMENT & DELEVERAGING

Key goal in 2014

PROFIT ENHANCEMENT

(via sales growth, structure, and cost reduction)

- **Higher sales volume by dispersed geographical and product structure:** Higher sales volume is anticipated in the markets of Eastern Europe, Central Europe, and in overseas markets. Increase of the share of sales volume of appliances with higher value added (Atag and Asko products, design lines) to 16.1% of sales by volume (2013: 15%);
- **Development of new products:** New generation of built-in ovens (launch in 2014); Upgrade of free-standing refrigerators and freezers 600 mm; Joint development with Panasonic of a new generation of washing machines; Development of premium dryers and washing machines Asko.
- **Cost reduction:** Decrease of material and raw material costs; Labour cost optimisation due to relocation processes;

in EURm	2013	Plan 2014	Change (%)
Sales	1,240.5	1,286.5	+3.7%
EBITDA	78.2	93.7	+19.8%
Margin, %	6.3%	7.2%	+0.9 p.p.
EBIT	36.3	46.4	+27.8%
Margin, %	2.9%	3.6%	+0.7 p.p.
Profit or loss before tax	-18.6	16.4	+188.2%
Profit or loss w/o discounted operation	-14.4	13.2	+191.7%
Profit or loss from discounted operation	-10.6	-1.2	+88.7%
Profit or loss for the period	-25.0	12.1	+148.4%
ROS (%)	-2.0%	0.9%	+2.9 p.p.

DELEVERAGING

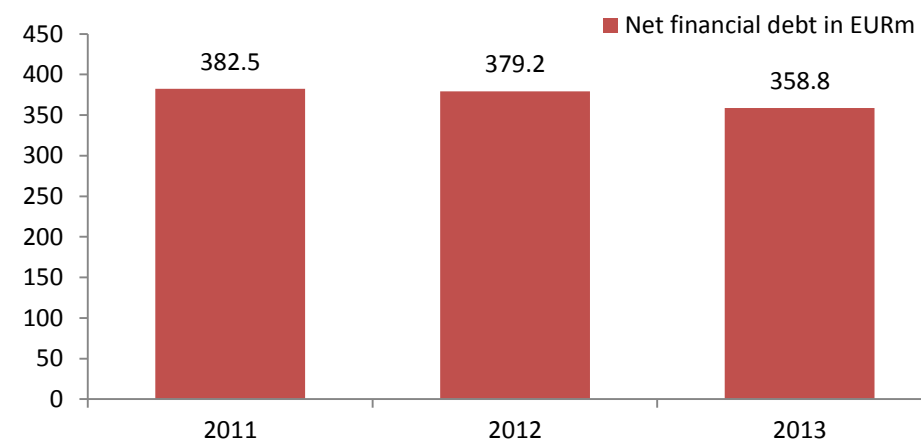
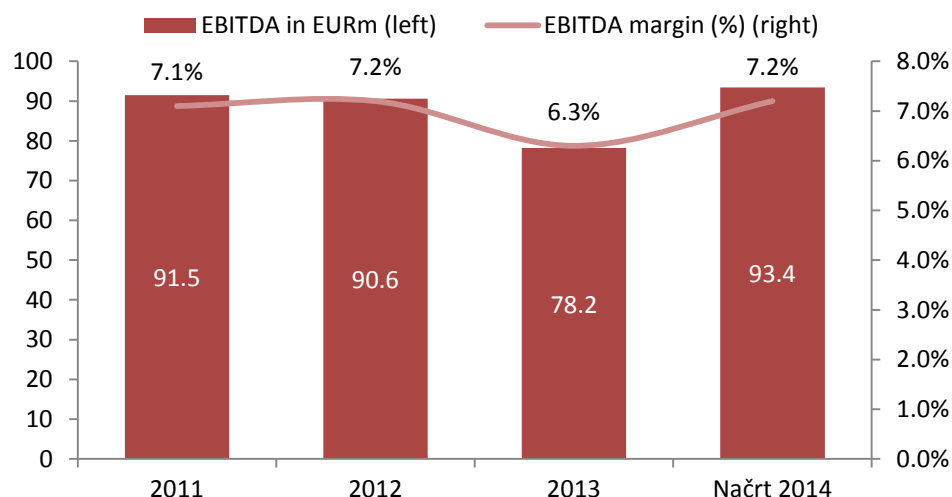
(divestment and optimization of working capital)

- Further divestment of non-operating assets and optional divestment of some portfolio businesses;
- Improved management of inventories;
- Improved management of complexity.
 - **GOAL:** Decrease of gross financial debt by more than EUR 30m

1.2 ACTIVITIES ON IMPROVING FINANCIAL STRENGTH

- Nearly 20% growth of the planned EBITDA for 2014 is the result of intensive restructuring program, which involved strategic relocations of manufacturing operations, restructuring of sales network and cost rationalization.
- The planned growth in EBITDA for 2014 amounts to EUR 93.4m, with EBITDA margin at 7.2%.

- Major activities in 2014 will be focused on improving the financial strength by lowering net financial debt by EUR 20m - 25 m, by diversifying international financing sources and by efficient risk management;
- **Net debt/EBITDA of 3.6 is planned for the end of 2014.**



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2. STRATEGIC GUIDELINES OF THE GROUP

3. REASONING BEHIND THE COMMERCIAL PAPER ISSUE

4. CHARACTERISTICS OF THE NEW COMMERCIAL PAPER ISSUE

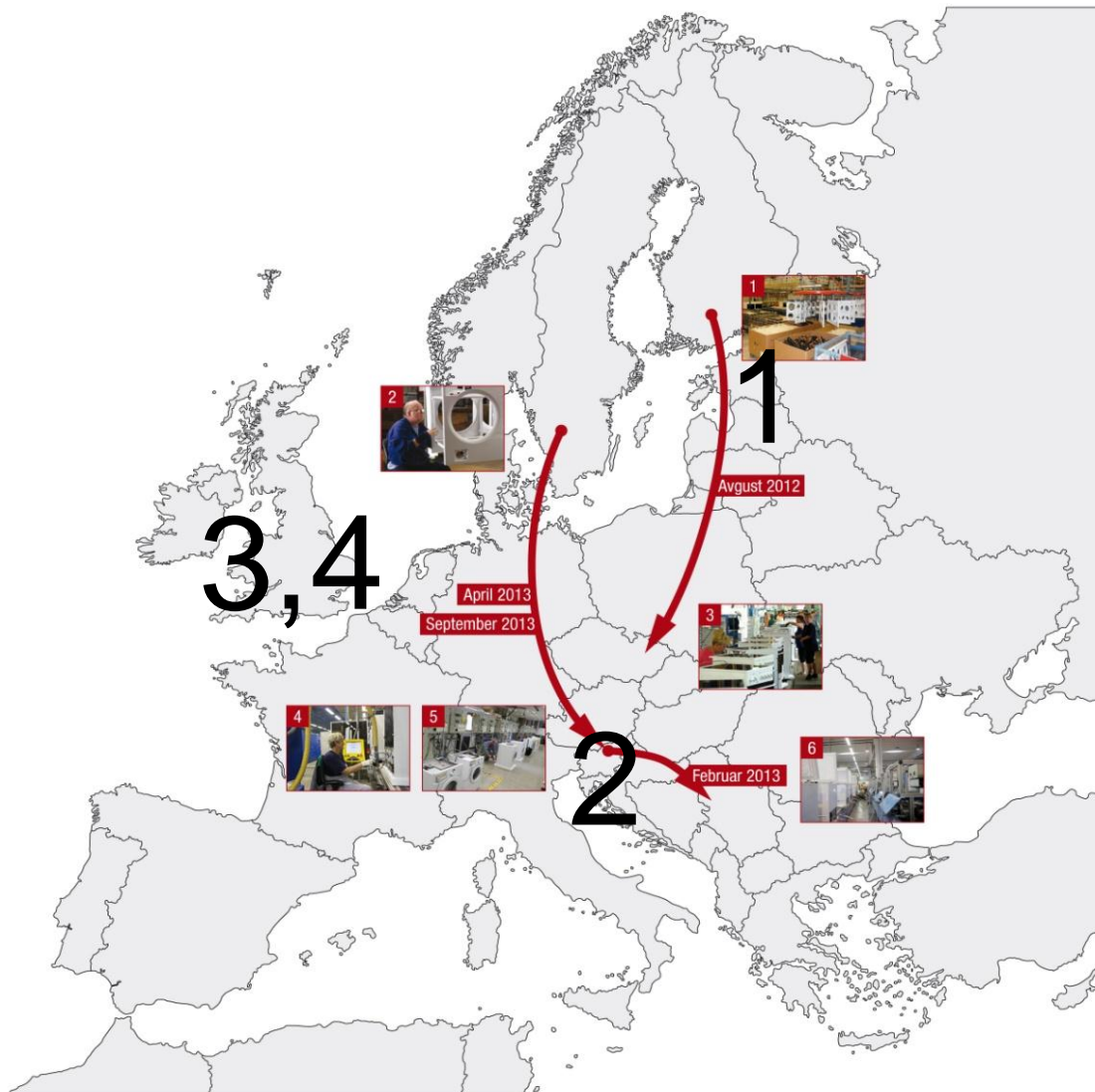
5. COMPARISON OF COMMERCIAL PAPER TO OTHER EUR FINANCIAL INSTRUMENTS

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2. STRATEGIC GUIDELINES OF THE COMPANY

- 1. RESTRUCTURING OF MANUFACTURING OPERATIONS EXPECTED TO YIELD SAVINGS OF AT LEAST EUR 20M PER YEAR**
- 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**

2.1. FOUR STEPS OF PRODUCTION REALLOCATION



- ➔ **Step 1 (2012): COMPLETED**
Re-location of cookers production from Lahti (FIN) to Mariánské Údolí (CZ), closing of the Lahti plant.
- ➔ **Step 2 (2013): COMPLETED**
Re-location of FS 600 mm refrigeration appliances from Velenje (SLO) to Valjevo (SRB)
- ➔ **Step 3 (2013): COMPLETED**
Re-location of WM and TD production from Vara (SWE) to Velenje (SLO)
- ➔ **Step 4 (2013): COMPLETED**
Re-location of DW production from Vara (SWE) to Velenje (SLO), closing Vara plant.

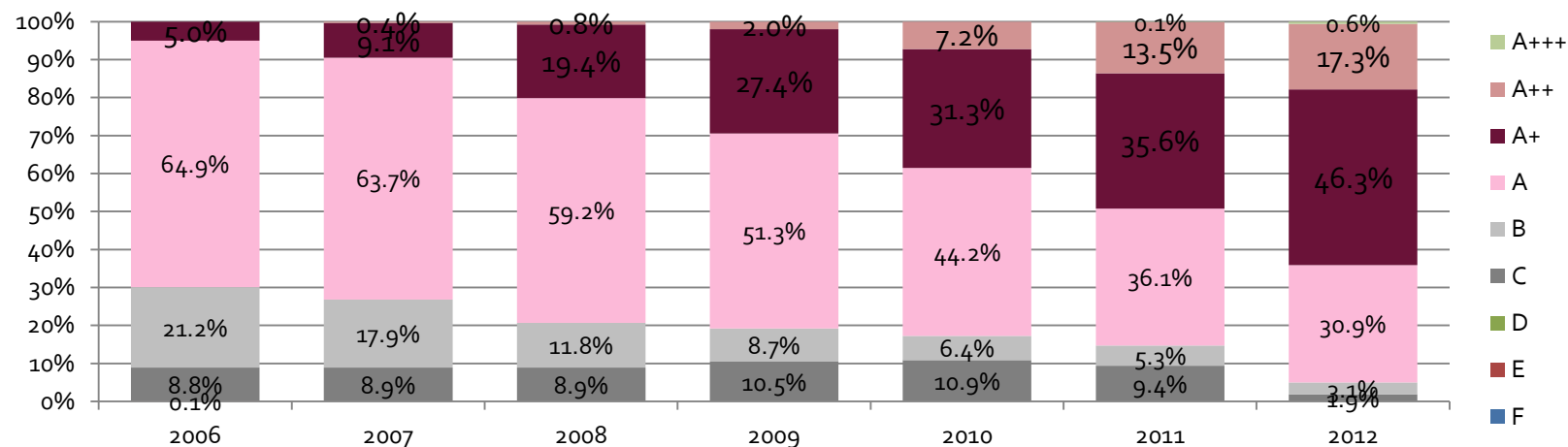
**Annual cost savings expected at EUR 20m
(labour costs savings: EUR 23m, logistic costs
& depreciation increase: EUR 3m)**

2.2 CONSTANT DEVELOPMENT OF NEW APPLIANCES

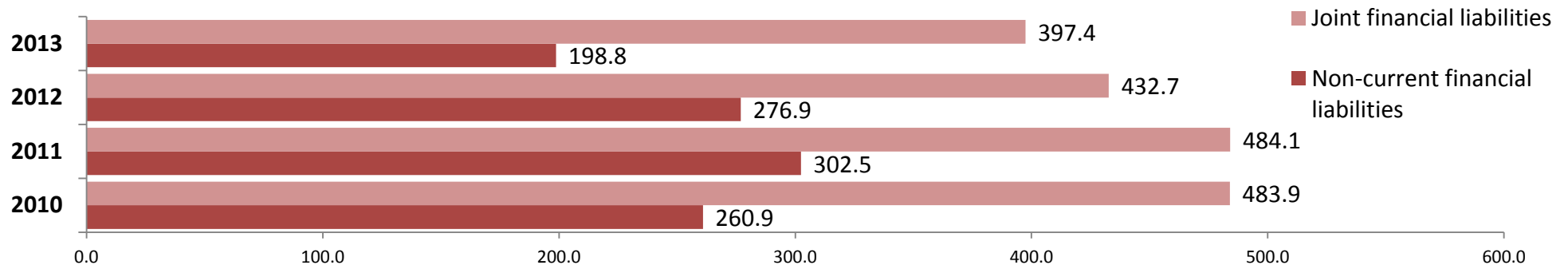
- We foster constant development of new home appliances with innovative functions and exceptional design;
- New products were launched in the markets, such as:
 - **ION refrigerator-freezer generation,**
 - Gorenje **dryers with a heat pump** in the energy class **A++, A+++,**
 - new **Asko** washing machines and dryers for households and semi-professional use,
 - **Gorenje ONE** concept line intended for online sale,
 - new **Classico designer line** intended predominantly for markets of Russia and Ukraine.
 - The production of the upgraded **Simplicity II** designer line was launched in Q3 2013.

Positive sales effects were recorded already in Q4 2013, but their significant impact on the sales structure improvement will be visible in 2014.

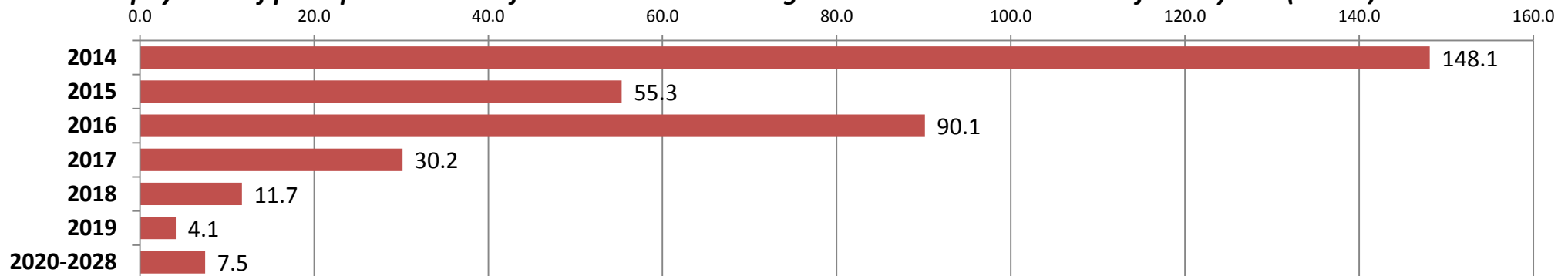
INCREASING SHARE OF GORENJE'S COOLING APPLIANCES IN THE HIGHEST ENERGY EFFICIENCY CLASSES



2.3 FOCUS ON REDUCING DEBT AND IMPROVING DEBT STRUCTURE



Repayment of principal amounts of non-current borrowings as at 31 December 2013 in future years (EURm)



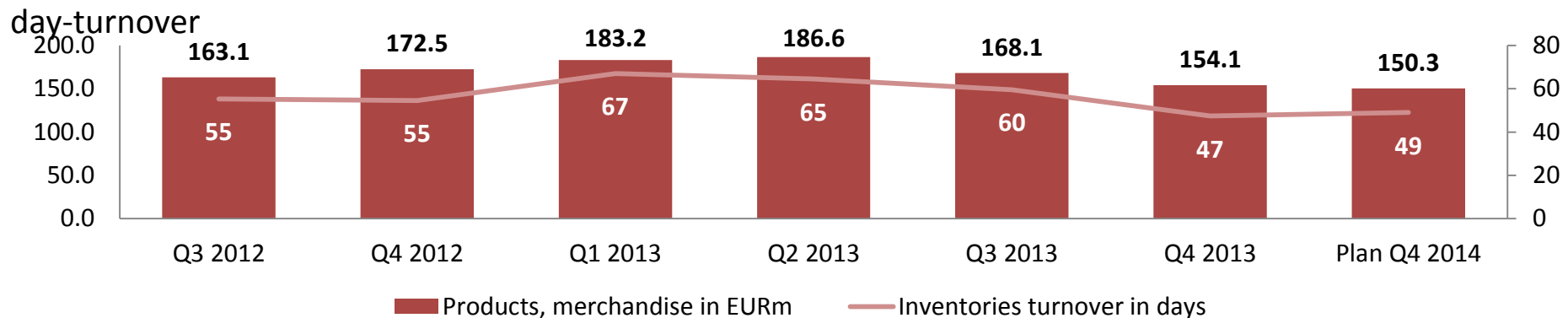
- In 2013 the **total financial debt was reduced by EUR 35.3m, and net financial debt by EUR 20.4m**;
- **The structure of debt worsened by 14 p.p. to 50%** (at the beginning of Q3 2013, when the loan, payable in one lump sum and due in July 2014 (Schuldschein), was transferred to the current portion of non-current borrowings);
- **Refinancing of a part of long-term loans maturing in 2014 is in progress**; significant liquidity reserve available (more than EUR 100m as at 31 Dec. 2013)
- **further debt reduction planned for 2014.**

2.4 DIVESTMENT OF NONSTRATEGIC ASSETS

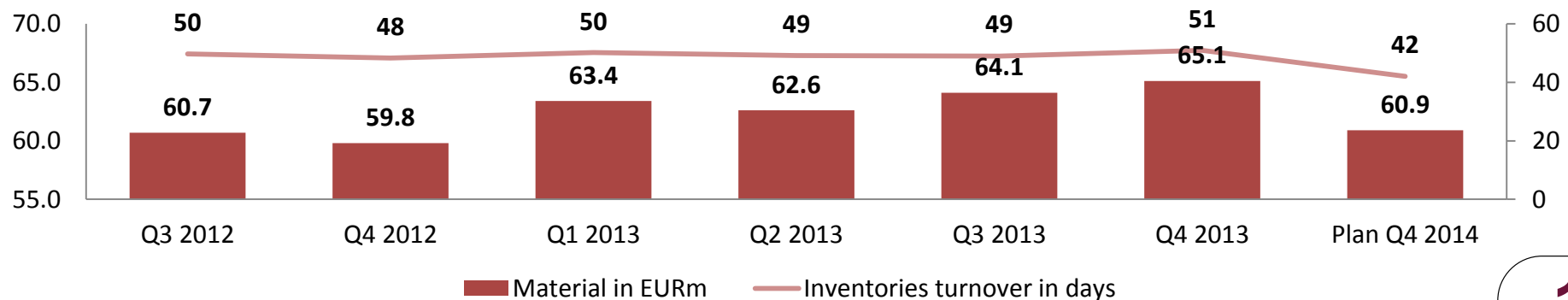
- Accelerated sale of underperforming assets. **Proceeds will be used to reduce debt;**
- Gorenje Group received in 2013 to **EUR 23.7m proceeds from divestment of underperforming assets** (mainly real estate),
- Further divestment of non-strategic assets expected for **2014 - estimated proceeds of EUR 14.6m**
- **Possible sale of shareholdings** in certain companies from portfolio investments

2.5 IMPROVING WORKING CAPITAL MANAGEMENT

- Improved management of complexity of **products** and **merchandise**.
- ➔ **GOAL: 49 day-turnover** of inventories of products and merchandise within the Business segment Home (2013: 47 day-turnover)



- Improved management of inventories of **material** and **raw materials**
- ➔ **GOAL: lowering the number of codes** of products and merchandise (major appliances) that account for less than 5% of total gross sales, by 50%
- boljše obvladovanje **zalog materiala in surovin**
- ➔ **GOAL: 42 day-turnover** of inventories of material and raw materials, including inventories of spare parts and servicing in the warranty period, and materials used for investment maintenance (2013: 51 day-turnover)



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3. REASONING BEHIND THE COMMERCIAL PAPER ISSUE

- **Seasonal financing of business operations, coherent with quarterly cash-flow dynamics;**
- Gorenje has higher needs for cash flow in the beginning of financial year, while in the last quarter of financial year, the company has excess cash flow.
- **Diversification of short-term debt financing;** reduce dependence on banks.

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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**:

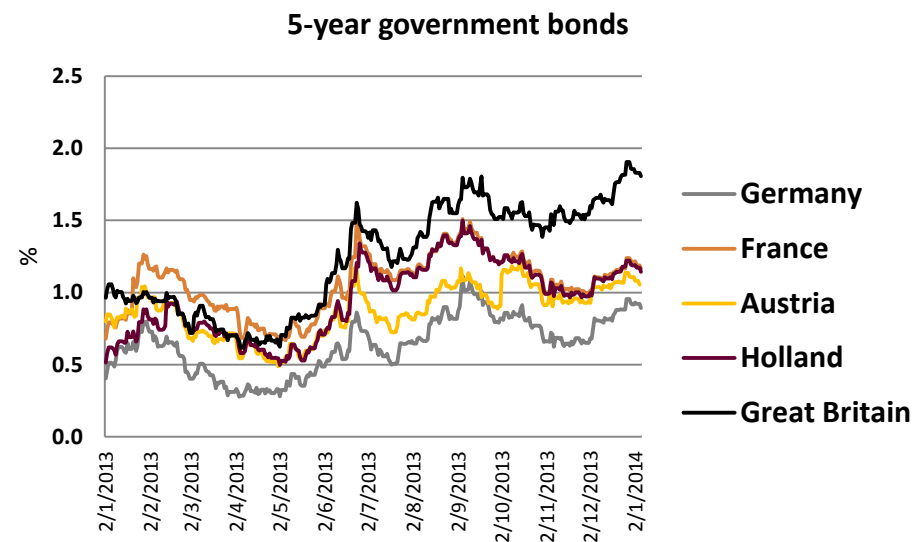
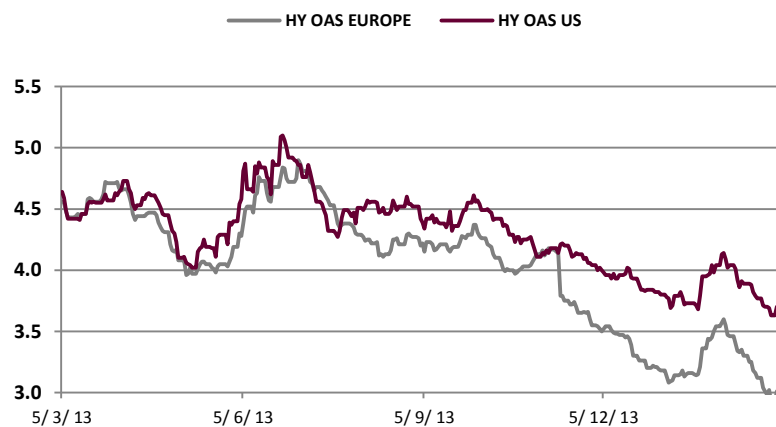
Instrument type	MONEY MARKET INSTRUMENT - COMMERCIAL PAPER
Issuer	GORENJE D.D.
Indicative price	97,0978
Yield to maturity	4,00%
Duration	9 MONTHS
Coupon type	DISCOUNT INSTRUMENT
Currency	EUR
Expected issue size	EUR 20m TO EUR 25m
Nominal value	EUR 1.000
Minimal purchase amount	EUR 10.000
Guarantees	WITHOUT
Issuance date	25.3.2014
Maturity date	19.12.2014
Days to maturity	269

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5. INTEREST RATE DYNAMICS IN EUROPE

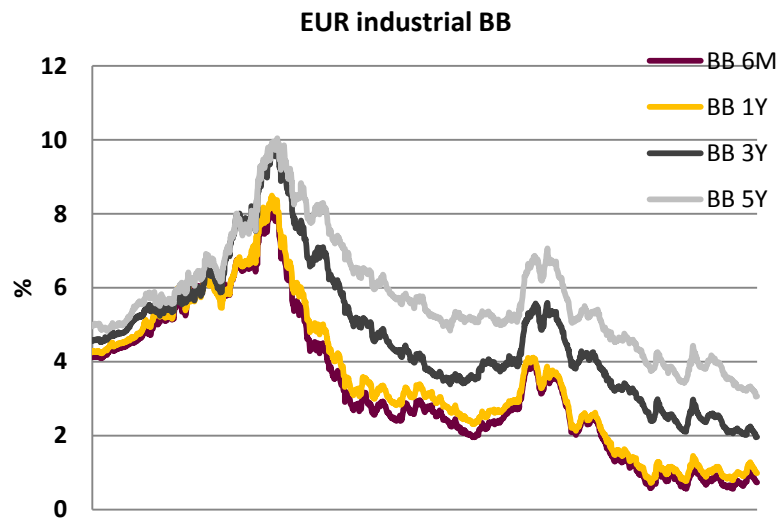
- The measures of central banks have reduced interest rates to record lows, which enabled several European companies to issue new debt or refinance their existing debt.



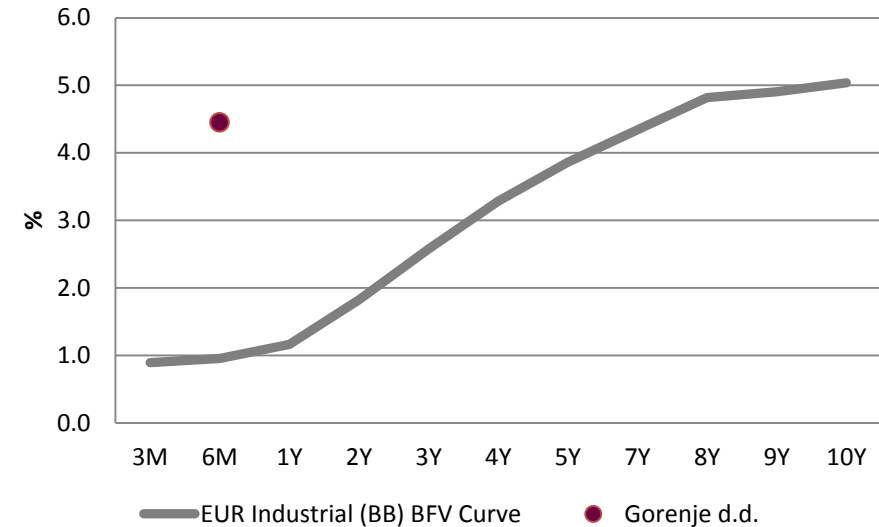
- This also holds for companies that are regarded as high-yield issuers.

5.1 YIELD COMPARISON

- Gorenje's 9-month commercial paper offers a yield of **400 b.p.**
- Issuers which comprise EUR industrial BB benchmark offer such high yield at maturities beyond 6 years.



Yield comparison with EUR industrial BB



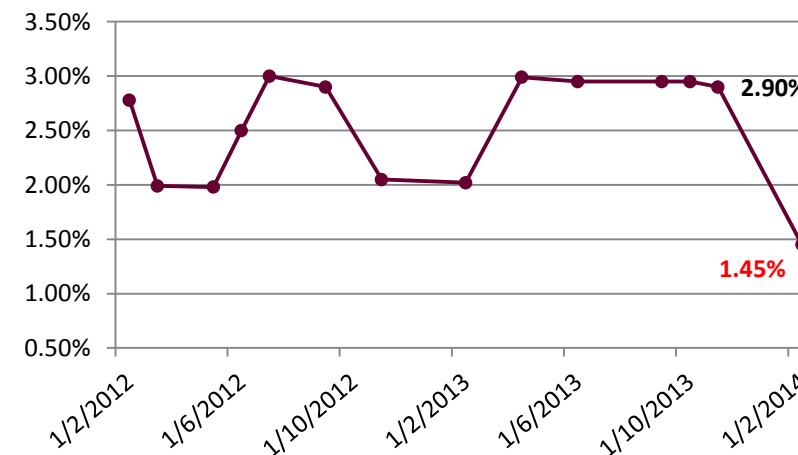
- On the other hand the yield of 12-month instruments of these issuers amounts to 1.1%. It amounted over 4% in the beginning of 2007.

5.2 YIELDS ON T-BILLS AND SLOVENIAN COMMERCIAL PAPERS

- In the primary market, 12-month, 6-month and 3-month treasury bills yields declined significantly! In November last year, the return on 12-month treasury bills in the primary market was 2.90%, while at the latest auction (2/11/2014), the yield was only 1.45%.

Date	Issuer	Maturity	Yield	Yield on treasury bills	Spread
15.2.2013	GEN-I	12M	4,30%	2,78%	1,52%
27.3.2013	Petrol	6M	3,80%	1,60%	2,20%
25.4.2013	Gorenje	8M	4,45%	1,99%	2,46%
23.9.2013	Petrol	6M	3,40%	1,45%	1,95%
10.2.2014	GEN-I	12M	3,80%	2,90%	0,90%
10.3.2014	Telekom	6M	3,00%	0,75%	2,25%
24.3.2014	Petrol	6M	2,75%	0,75%	2,05%
25.3.2014	Gorenje	9M	4,00%	1,45%	2,55%

Yield on 12-month Treasury bills



- Yield on Slovenian commercial paper has been constantly dropping from the year 2013 onwards, however it still remains high compared to European commercial paper from other countries, mainly due to country risk of Slovenia.

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- **ALTA INVEST, d.d., and GORENJE, d.d., OFFER FLEXIBILITY TO POTENTIAL BUYERS OF COMMERCIAL PAPER**
- 1. IN THE FIRST STAGE THE PURCHASE OF COMMERCIAL PAPER WILL BE POSSIBLE ON THE ISSUE DATE**
 - Binding offers should be sent no later than by 14.00 CET on 21 March 2014
 - ALTA will inform the investors whether binding offers have been accepted on 24 March 2014
 - Payment should be received no later than by noon on 25 March 2014
 - 2. IN THE SECOND STAGE PURCHASE WILL BE POSSIBLE AFTER 3/25/2014**
 - The price of commercial paper will be adjusted accordingly.
- **IN BOTH STAGES 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 negotiated by Alta Invest, d.d., on behalf of Gorenje, d.d.

gorenje

ALTA

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