

**g4**

GorenjeGroupGrowsGlobal

STRATEGIC PLAN **SUMMARY**

**2016**  
**2020**

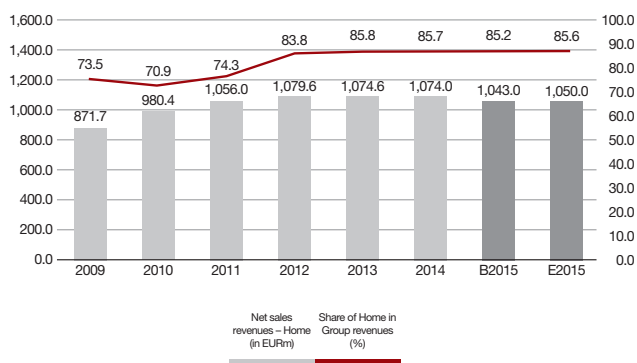


## New Strategy – an Opportunity in the New Business Reality.

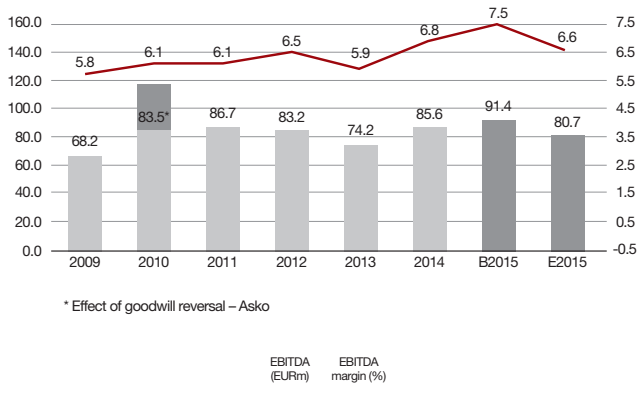
Highly unstable and unpredictable business environment, particularly the situation in Russia and Ukraine, and the important changes within the Gorenje Group, especially divestment of the ecology segment, are the key reasons that led us to develop a new Strategic Plan after less than two years since the adoption of the current 2014-2018 Strategic Plan. The new Strategic Plan better accounts for the current challenges of our time and for the changes within the Gorenje Group and the Group's global environment.

## We are Following Our Strategic Policies 2014-2018

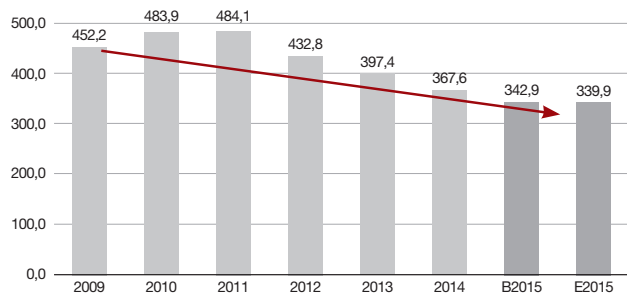
In the business segment Home, Gorenje Group's core segment, growth in the period 2009-2014 was stable – with revenue growing at a rate of nearly 25%. Gorenje Group revenue growth in recent years has been based on revenue growth in Home segment. Thus, we have intensified our focus on the core segment which exceeds 85% of total Group revenue in 2015. Divestment of the Ecology business will additionally increase the focus on the Home segment activity, which will exceed 92% of Group revenue in 2020.



In the period at hand, after 2009, the Group's EBITDA was stable between EUR 80 and 90 million. In 2013, we completed the relocation of manufacturing operations and sales network restructuring. EBITDA margin between 6 and 7% also followed the development of revenue growth and EBITDA.

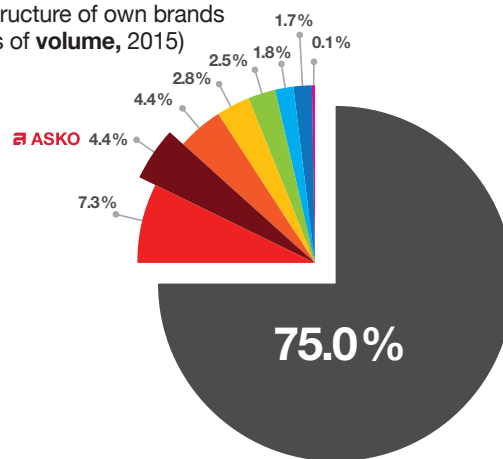


We succeeded in reducing the gross debt by EUR 144 million. Deleveraging is a result of improved working capital management, EBITDA stabilization through shifts of manufacturing processes and sales network reorganization, divestment of non-operating assets, and last but not least, successful capital increases in the last five years, in total value of over EUR 60 million.

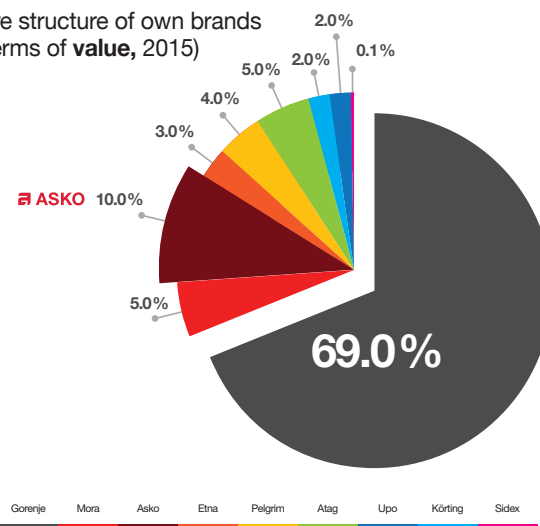


Gorenje Group has been expanding and continues to expand its operations in markets outside Europe. Thus, we are alleviating our reliance on the mature European markets. Outside Europe, we generate revenue mostly with our premium brands. Higher revenue results from higher sales of premium brands Asko and Atag, and sales of special Gorenje product lines.

Share structure of own brands (in terms of volume, 2015)

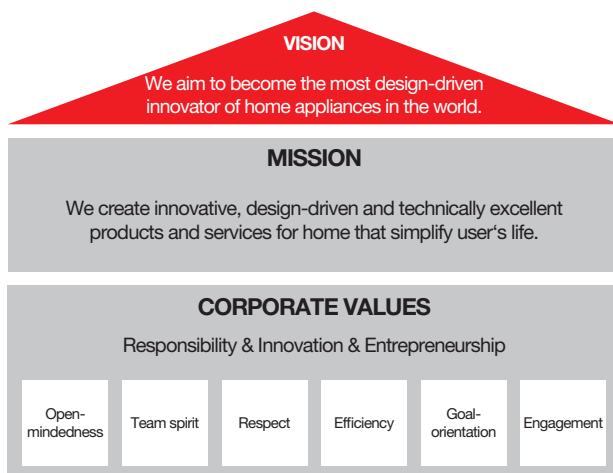


Share structure of own brands (in terms of value, 2015)



## Vision, Mission, Corporate Values

Our vision is a basic foundation of the company. It is our inspiration that leads us to our final goals. Two basic elements of our vision are based on innovation and design where we have strong competencies. In these two elements lie our key competitive advantages, and this is why our vision inspires and motivates us in achieving our ambitious goals.



## Business Model

Gorenje Group Business model is based on business excellence. It is interwoven with our corporate culture and reflected in our values, norms and behaviours.

Our fundamental mission is sustainable creation of value for our shareholders, employees, and customers.

In pursuit of our mission, we follow our strategic directions. We are focused on the core segment of home products where our distinctiveness is based on design-driven innovation: aesthetics, ergonomics, and user-friendly controls.

Growth will mainly be generated in markets outside Europe. We intend to enter strategic partnerships in order to exploit the synergies and competitive advantages and create positive effects for all Gorenje Group stakeholders.

We are aware that employees with a wealth of knowledge and experience in the home appliance industry and strong compe-

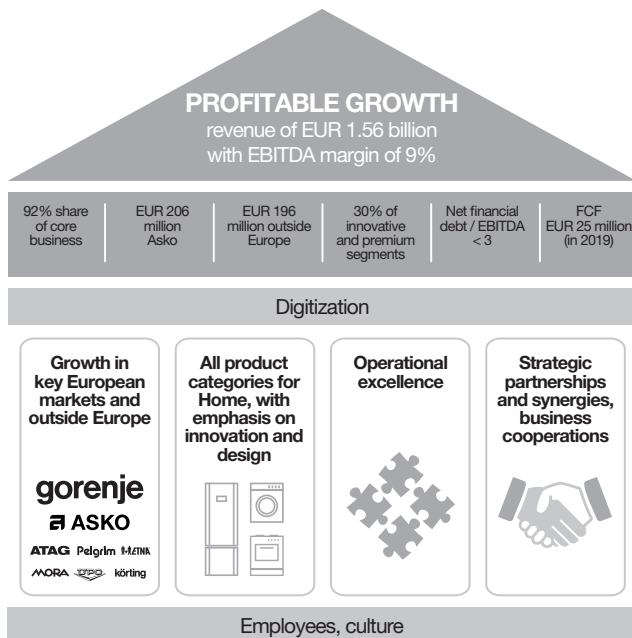
tencies in research and development are our major asset. By managing our own productive capacities, we control an important link in our value chain. We have been expanding our sales network across the world, and closely following the trends of the global economy for over 50 years.

Based on our competencies, our competitive advantages are our superiorly designed products in all home appliance product categories, and the smart portfolio of brands and products across a varied range of market segments. It is also important that our size allows flexibility and responsiveness on the one hand, and economies of scale on the other.

In the mature home appliance industry with superfluous capacities cost management in materials, but also in cost of labour and services, is essential. We strive to achieve operative excellence with improvements in process management and key projects.



## Strategic Plan 2014-2020



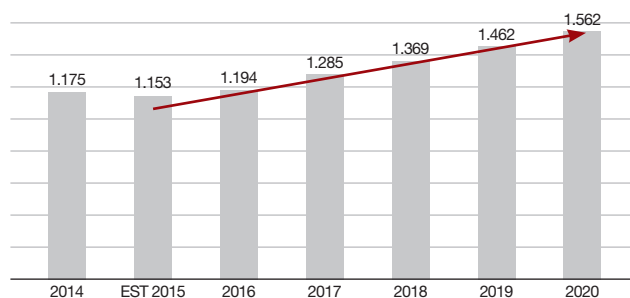
Our overall goal is profitable growth to reach EUR 1.56 billion of revenue in 2020, with EBITDA margin of 9%, as follows:

- by focusing on core segment (Home) which is to generate 92% of all Group revenue by 2020,
- by doubling the sales in the highest price ranges outside Europe,
- by marketing our premium brand Asko which is to double its revenue by 2020, to a total of EUR 206 million in that year,
- by expanding our sales to markets outside Europe will result in revenue of EUR 196 million in 2020,
- by focusing on the premium segment which is to account for 30% of total sales in 2020,
- at the same time, the net debt to EBITDA ratio is to improve and stand at no more than 2.5 in 2020,
- free cash flow will amount to EUR 20 million in 2019,
- with the activities defined in strategic plan we will achieve stable growth in operating profit, which will exceed 70 million by 2020 (4.5% EBIT margin).

## Key Goals

### Revenue of EUR 1.56 billion by 2020

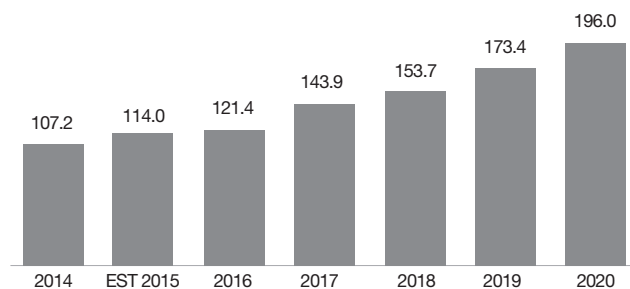
By 2020, we expect Gorenje Group revenue to amount to EUR 1.562 billion. Relative to the estimated revenue for 2015, this means increase of revenue by over 35% (CAGR of 2020 / EST2015: +6.2%).



Gorenje Group net sales revenue (excluding divested Ecology) in EUR billion

### Doubled revenue of EUR 196 million generated outside Europe

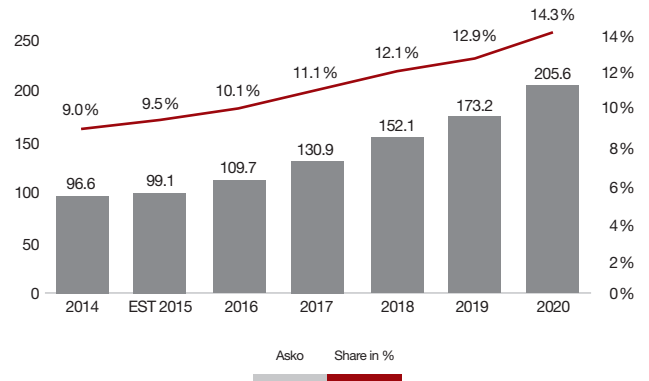
The share of sales outside Europe is to approach 14% of total Home segment sales, which is important to alleviate reliance on the European markets.



Revenue from sales outside Europe (EUR million)

## Increase in sales of the Asko premium brand

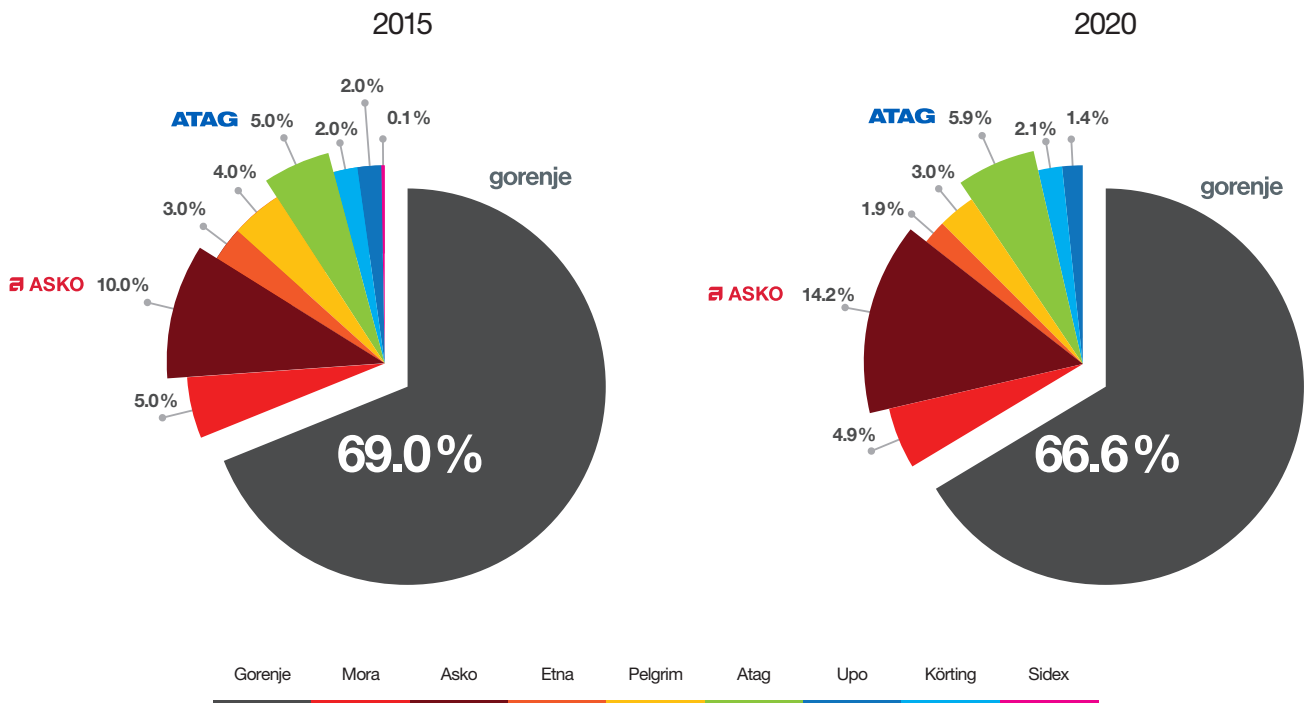
We will double the sales of the Asko premium brand. The highest growth rates are anticipated in the following markets: Australia, USA, Scandinavia, Russia and on selected markets in Asia in the Middle East. Asko growth has an important effect on Gorenje Group profitability improvement.



Net revenue from Asko sales (EUR million) and share in total core activity (Home) sales (%)

## Doubled sales in innovative and premium segment which will amount to 30% of total sales in 2020

In the innovative and premium segment we are present with the brands Asko and Atag and with the Gorenje designer lines.



## Firm Foundations for Future Development of the Gorenje Group

In Gorenje Group we have the know-how, competencies and experience in the home appliances industry.

Our competitive advantage is design.

We offer a complete range of home appliances in all price ranges.

We have our own manufacturing facilities in Europe.

### Research and development in Gorenje Group

In 2015 we set up R&D competence centres for each product category. In R&D we have 360 employees from various countries who take part in multifunctional and multicultural teams.

All R&D centres cooperate with international institutions, knowledge and excellence centres and other educational and research institutions.



### Production of home appliances in Gorenje Group

**g4** Following the completion of the 2012 and 2013 strategic manufacturing operations relocations from Sweden to Slovenia, from Finland to the Czech Republic, and from Slovenia to Serbia. 2014 was a year of consolidation of our manufacturing plants.

In Slovenia we will mostly be developing products with high added value, especially cooking appliances, dishwashers and complex

washing machines and dryers. In the Czech Republic we will mostly manufacture self-standing cookers. In Serbia we will continue developing fridge freezers, water heaters, washing machines and dryers in the lower price range. In 2020 half of the Gorenje Group's production should still take place in the Slovenian plant.



### Wide sales network

Gorenje Group has a thoughtfully constructed sales network which it will be expanding outside Europe in the future, with emphasis on the markets with high growth potential.

The most important markets in this region will be Australia, USA, Asia, Middle East and Latin America. We will continue to increase our market shares in Germany, Scandinavia and other Western European countries, but also in Eastern and Central Europe.

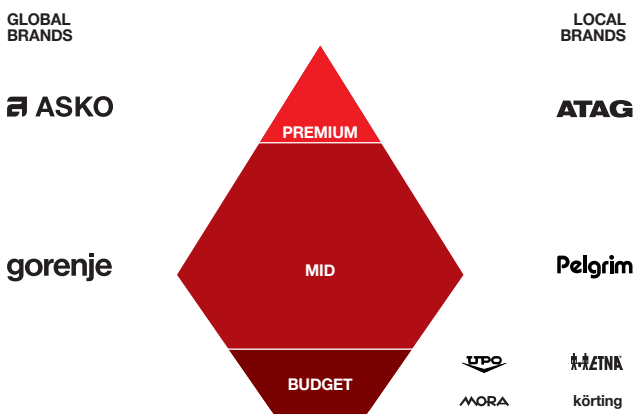


## Gorenje Group brands

Gorenje Group has two global brands. The central brand is Gorenje which includes the entire range of home products (cookers, ovens, cooktops, fridges, freezers, washing machines and dryers, dishwashers, small kitchen appliances, kitchen hoods, water heaters, heat pumps and air conditioners) and it is focused on the upper-mid price range. Asko brand is positioned as the global premium brand. In addition to these two, we have six local brands that cover all price ranges.

With the development of a strong central function of marketing we will increase investments in promotional activities and at the same time intensify marketing and consumer research.

We will strengthen the area of digital marketing and all digital transformation projects.



## Employees and corporate culture

We build our corporate culture with everyday life and work in accordance with our values. By example, from top to bottom, expanding culture among all employees. By deliberately introducing a culture in employee trainings in the international business environment (CUG – Corporate university Gorenje, MAG – Manager Academy Gorenje, IBAG – International Business Academy Gorenje, CREATE Academy), human resources and management development and internal communication programs, we expand our awareness and beliefs about what we recognize and reward in Gorenje.

Furthermore, also standards and rules that we set and respect support our values and culture.

Culture is the connective tissue of the Gorenje Group, which determines our relationship to one another, to our customers, shareholders, business partners, and to wider society and the environment.

We are **responsible** to the people, customers, partners, employees, shareholders, society and the environment. We respect the commitment to efficiency and goal orientation.

We operate in a spirit of continuous **improvement**. Therefore, we support innovation, bringing up new ideas in all fields, open-mindedness and encourage **entrepreneurial thinking**.

We remain loyal to the key goal of our corporation: creation of value for the shareholders, employees, business partners, and the environment.

## Strategic partnerships

Openness to strategic alliances has been a part of the Gorenje Group strategy for years, either in the form of industrial partnerships or capital alliances with international corporations from the home appliance industry. In an industry with strong economies of scale, both in development and in operations and other business functions, strategic, alliances in a number of forms can generate business benefits for all partners and improve Gorenje Group's long-term international competitiveness.

We cooperate with many reputable home appliances manufacturers, but the long-term strategic alliance with the Panasonic Corporation is of special importance. It represents a capital integration as well as cooperation at joint projects and a business cooperation in which Gorenje doubles its revenue each year.