

Gorenje Group Strategic Plan till the year 2010 – Ambitiously in the future

On its 25th meeting held on Dec. 16, 2005 the Supervisory Board of Gorenje, d.d., discussed and approved the Strategic Plan of Gorenje Group for the period until the year 2010. The document was assessed both as realistic and ambitious in view of the expected external and internal circumstances and their forecast until the year 2010.

Vision, mission and values

Vision

We wish to become **the most original, design-oriented trend setter of home appliances** in the world.

Mission

We create original, technically perfect, ultimately designed, and user and environment friendly products for enjoyable home. We are focused into the enhancement of user satisfaction, while creating value for owners, associates, and other partakers of Gorenje Group in a socially responsible manner.

Values

- P**robity.
- O**penness.
- L**oyalty.
- K**ey of Creativeness.
- A**mbition.

Summary of strategic objectives and orientations of Gorenje Group

Summary of planned financial development of Gorenje Group

- **Net revenues from sales in the year 2010:** ¹
EUR 1,250 million / 5.0% average annual growth; 27% growth in comparison with the estimation 2005;
- **Earnings from operations before depreciation and provisions in the year 2010:**
EUR 112 million; 9.0% of net revenues from sales; CAGR = 7.7%; 44% growth in comparison with the estimation 2005;
- **Investments in tangible assets:**
Annual average EUR 40 – 50 million;
- **Labor productivity growth (net revenues from sales / average number of employees):**
Annual average 4.7%;

¹ *Figures denote internal growth of the Group. The Management estimates that it is feasible to attain further increase in operations in the strategic period of EUR 200-300 million by acquisitions, which would raise consolidated net revenues from sales of Gorenje Group to EUR 1,450 to 1,550 till the year 2010.*

- **Productivity growth of engaged capital (EBITDA / average engaged capital)**
Annual average 1.0%.
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Household Appliances Division

- **Quality organic growth of revenues from sales** of household appliances resulting from average sale prices of higher priced products and sales growth in terms of quantity.
- Intensified **search of growth possibilities by acquisitions and other forms of strategic partnerships with perspective household appliance manufacturers** in Europe.
- Increasing **capacity of creating added value** by enhancement of sales network, targeted marketing activities, appropriate research and development, internationalization of manufacture, and increase of productivity and cost optimization.
- **Creation and growth of production capacities** outside Slovenia: in the Czech Republic, in Serbia and Montenegro, and in Russia, with the purpose of maintaining the 3.0 million appliances of own production, with higher added value in Slovenia.
- **In the year 2010** Gorenje Group **will produce 4.3 million** of large household appliances of which 3.0 million in Slovenia and 1.3 million outside Slovenia, and along with the supplementary program sell **4.7–5 million** of large household appliances.

Summary of planned financial development of the Household Appliances Division

- **Net revenues from sales in the year 2010:**
EUR 1,100 million / 5.0% average annual growth / 88% share of Group revenues;
 - **Earnings from operations before depreciation and provisions in the year 2010:**
EUR 103 million; 9.4% of net revenues from sales; CAGR = 9%;
 - **Investments in tangible assets:**
Annual average EUR 35 – 45 million;
 - **Labor productivity growth (net revenues from sales / average number of employees):**
Annual average 4.5%;
 - **Productivity growth of engaged capital (EBITDA / average engaged capital)**
Annual average 1.0%.
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Home Interior Division

- Become **reputable manufacturer** of kitchen and other furniture and ceramic tiles in Europe by the entry to all important markets of Gorenje Group.
- Increase of **recognition of our brand names** on all major key markets.
- **Optimal application of Gorenje business network** for the realization of sales objectives by joint appearance on local markets.
- **Growth of sales on Eastern European markets.**
- **Adjustment of sales organization** to the trends in distribution (concentration, centralization).
- **Organizational and processing consolidation of the Division** with the purpose of increasing the efficiency of business processes.

- **Increase productivity** of employees by constant investments in new technologies and constant improvement of existing technological structure.
- Become **the most important promoter** of sale of integrated Gorenje appliances, and **increase** existing **sale** of integrated Gorenje appliances in Gorenje kitchens.
- **Place primary focus** on Slovenian market and markets of SE Europe, and in case of kitchen appliances concentrate on two additional markets: Austrian and Czech markets, where we have own manufacturing plants.

Summary of planned financial development of the Home Interior Division

- **Net revenues from sales in the year 2010:**
EUR 95 million / 5.0% average annual growth / 7.6% share of Group revenues;
 - **Earnings from operations before depreciation and provisions in the year 2010:**
EUR 6 million; 6.3% of net revenues from sales; CAGR = 9%;
 - **Investments in tangible assets:**
Annual average EUR 3 million;
 - **Labor productivity growth (net revenues from sales / average number of employees):**
Annual average 6%;
 - **Productivity growth of engaged capital (EBITDA / average engaged capital)**
Annual average 1.0%.
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Trade and Services Division

- Division includes energy and environment protection, trading, engineering, consignment sale, catering, and real estate management.
- Due to **high level of dispersed** operations of the Trade and Services Division, the strategic objectives are mostly concentrated to:
 - Development of **strategic markets** (with emphasis on Slovenian market and markets of the SE Europe),
 - Development of **targeted sales routes** (customers) within the entire specter of Division operations; and
 - Development of existing and potential prospective **sales ranges**.
- Focus of the strategic aims of the Division is **in the function of expanding its business potential** and **strengthening the profitability** of its operations.

Summary of planned financial development of the Trade and Services Division

- **Net revenues from sales in the year 2010:**
EUR 55 million / 5.0% average annual growth / 4.4% share of Group revenues;
 - **Earnings from operations before depreciation and provisions in the year 2010:**
EUR 3.0 million; 5.5% of net revenues from sales; CAGR = 15%;
 - **Investments in tangible assets:**
Annual average EUR 2 million;
 - **Labor productivity growth (net revenues from sales / average number of employees):**
Annual average 6%;
 - **Productivity growth of engaged capital (EBITDA / average engaged capital)**
Annual average 1.0%.
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Conclusion

- Strategic Plan of Gorenje Group for the period 2006-2010 is **rather ambitious** given the general economic circumstances, and especially in view of the circumstances in the household appliance industry in Europe.
- By the accomplishment of planned objectives for the following mid-term period Gorenje Group is expected to importantly **increase the competitive level and** consequently provide independent expansion in the future.
- Financial assumptions comprise merely the planned organic growth, deprived of the effects of eventual acquisitions. The Management estimates that it is feasible to attain **further increase in operations** in the strategic period of **EUR 200-300 million by acquisitions**, which would raise consolidated net revenues from sales of Gorenje Group to EUR 1,450 to 1,550 till the year 2010.

**The Management Board of
Gorenje, d.d.**