

gorenjegroup

9M 2015 Results and New Strategic Plan 2016-2020

Mr Franjo Bobinac, President and CEO

Mr Peter Groznik, CFO

Tuesday, 17 November 2015



Q3 2015: Performance Highlights

- **Highest quarterly sales** in this year - **EUR 317.4m** (recovery of market share growth)
- Increased share of **sales outside Europe**
- Increased share of **premium brands** (Atag, Asko) and **innovative appliances**
- **Improvement of average prices** on the markets
- **Persistently unstable external business environment effecting profitability:**
 - Macroeconomic and political instability: Russia, Ukraine, Asia
 - Exchange rate volatility: USD/EUR & RUB/EUR (over 20% rouble depreciation in Q3 2015)
- **Net result - EUR 2.5m**
- Adjusting for negative effects of lower sales and currency translation differences in Russia, and for negative effect of USD appreciation relative to EUR **Gorenje would have recorded a positive net result**

9M 2015: Performance Highlights

- **EUR 875.2m revenues** generated in the period (4.3% less than 9M 2014, but **in line with the budgeted dynamics**)
- **Enhancing the strategic partnership with the Panasonic corporation**
- **Enhancing sales under Asko and Atag brand**
- **Cost optimization:** cost of services, material and components..
- **Operating profit (EBIT) in amount of EUR 16.3m**
- **EBITDA generated in amount of EUR 50.8m**
- **Net result – EUR 9.4m**
- Adjusting for negative effects of lower sales and currency translation differences in Russia, and for negative effect of USD appreciation relative to EUR **Gorenje would have recorded a positive net result**
- **Higher seasonal debt but improved maturity profile**

9M 2015

Effect of Russia on Gorenje Group operations and performance

- **Gorenje sales in Russia declined by EUR 26.1m**, mainly in first half of the year
- **Home appliances market in Russia declined by approx 35%:**
 - Concentration of competition in other European markets due to sales decline in Russia and Ukraine (pricing pressure)
- **High volatility of the RUB/EUR exchange rate**
- **Time lag between price adjustment** in the market relative to the RUB / EUR exchange rate
- **Margin shortfall (EBITDA/EBIT) compared to 9M 2014 of EUR -5.4m**
- **Negative currency translation differences**

Effect of USD appreciation relative to EUR

- Negative impact on MDA and SDA margin
- Negative effect on raw and processed materials
- Positive effect on sales on dollar markets
- Total of **EUR -6.3m of net negative effect on EBITDA/EBIT**
- Total of **EUR -4.1m of net negative effect on the Group's net result**
- **The negative impact of the strong USD was partly mitigated through financial hedging**

9M 2015: Key financial indicators

- Group revenue in Q3 2015, reached +18.5% growth relative to Q1 2015; +9.5% growth relative to Q2 2015; and +2.3% growth relative to Q3 2014.
- Group revenue in 9M 2015, consistent with budgeted dynamics

EUR million	Q3 2014	Q3 2015	Index	9M 2014	9M 2015	Index	Plan 2015	Plan track
Revenue	310.3	317.4	102.3	915.0	875.2	95.7	1,224.1	71.5
EBITDA	21.5	17.1	79.8	63.9	50.8	79.5	91.4	55.6
<i>EBITDA Margin (%)</i>	6.9%	5.4%	/	7.0%	5.8%	/	7.5%	/
EBIT	10.5	5.6	53.0	31.6	16.3	51.5	41.7	39.2
<i>EBIT margin (%)</i>	3.4%	1.8%	/	3.5%	1.9%	/	3.4%	/
Profit before taxes	1.9	-1.9	/	6.7	-7.3	/	9.3	/
Profit or loss for the period	0.9	-2.5	/	4.0	-9.4	/	6.1	/
<i>ROS (%)</i>	0.3%	-0.8%	/	0.4%	-1.1%	/	0.5%	/
Net financial debt	387.6	401.4	103.5	387.6	401.4	103.5	321.0	125.0
Net financial debt / EBITDA	4.4	5.5	/	4.4	5.5	/	3.5	/

9M 2015: Business performance

- ➔ **Sales growth:** Czech Republic, Slovakia, Hungary, Slovenia, Macedonia, Montenegro, Bulgaria, Romania, Russia (in Q3 2015), Benelux (mainly Netherlands)
- ➔ **Increase of sales outside Europe** (Australia and North America).
- ➔ **Drop in sales:** Ukraine, Scandinavia, Great Britain and Greece.

9M 2015

- ➔ **Higher share of innovative appliance sales volume in 9M 2015, to: 7.8% (+0.9 p.p.)**
- ➔ **Higher share of premium appliance sales volume in 9M 2015, to: 15.9% (+0.1 p.p.)**

Innovative appliances

... are appliances within individual group of products with the so-called “innovative functionalities”, which are more energy efficient (efficient storage, lower energy and water consumption).

Premium appliances

... are appliances of the brands Atag, Asko, and Gorenje's designer lines (Gorenje Simplicity, Gorenje Ora-Īto, Gorenje Pininfarina, Gorenje Classico, Gorenje One, Gorenje Karim Rashid, Gorenje Color Edition, Gorenje+, Gorenje Retro).

9M 2015: Effects of foreign exchange rate fluctuations on sales

- ▶ Major effect, especially in the markets of Eastern Europe (EUR -28.3m)
- ▶ In addition to currency translation differences in Eastern Europe, effects of higher-than-planned loss of sales in **Russia and Ukraine**
- ▶ Other categories aside (adjustment of prices in the markets, product structure etc.), the changes in exchange rates had the following effect on the Group's organic revenue growth in our key markets:

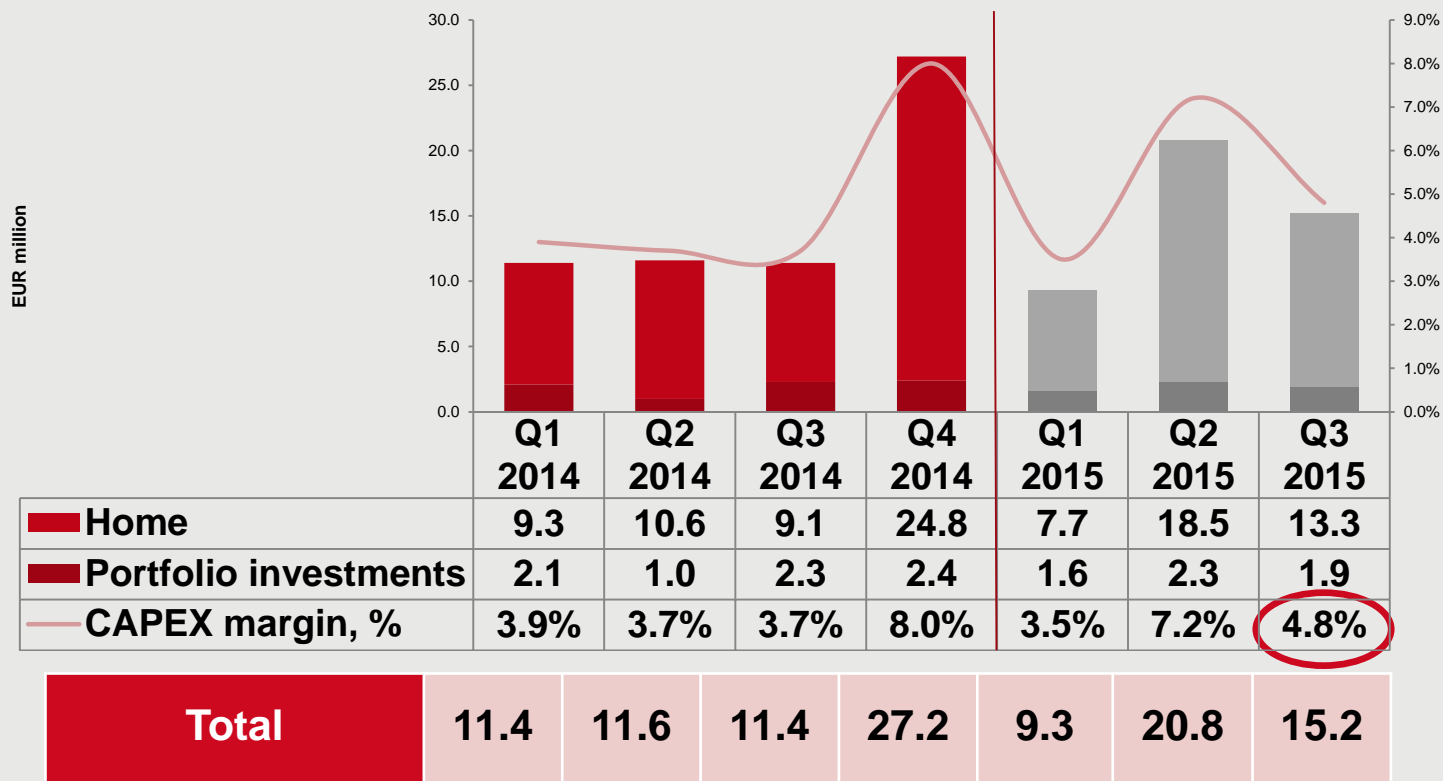
Business Segment Home	Currency effect on revenue	Actual revenue 9M 2015	Actual 9M 2015 revenue at 9M 2014 exchange rates	Actual revenue 9M 2014	Actual growth (%)	Organic growth (%)
EUR million						
West	-0.2	330.1	330.3	340.9	-3.2%	-3.1%
East	-28.3	342.9	<u>EUR-28.3m</u> 371.2	359.5	-4.6%	+3.3%
Other	1.9	83.1	81.2	82.2	+1.1%	-1.2%
TOTAL	-26.6	756.1	782.7	782.6	-3.4%	+0.0%

Exchange rate differences

The effect of change in exchange rates on organic sales growth is determined by calculating the value of actual revenue in local currency in 9M 2015, translated into EUR based on average exchange rates for particular currencies effective in 9M 2014. Revenue in EUR calculated in this way is then compared to the actual revenue in EUR in the period at hand.

Q3 2015: Investment activities

- Higher planned capex for 2015 – mainly **development of new products**, supporting the growth in premium and innovative segment
- Actual investment was **consistent with the agreement to adjust CAPEX to actual sales**.



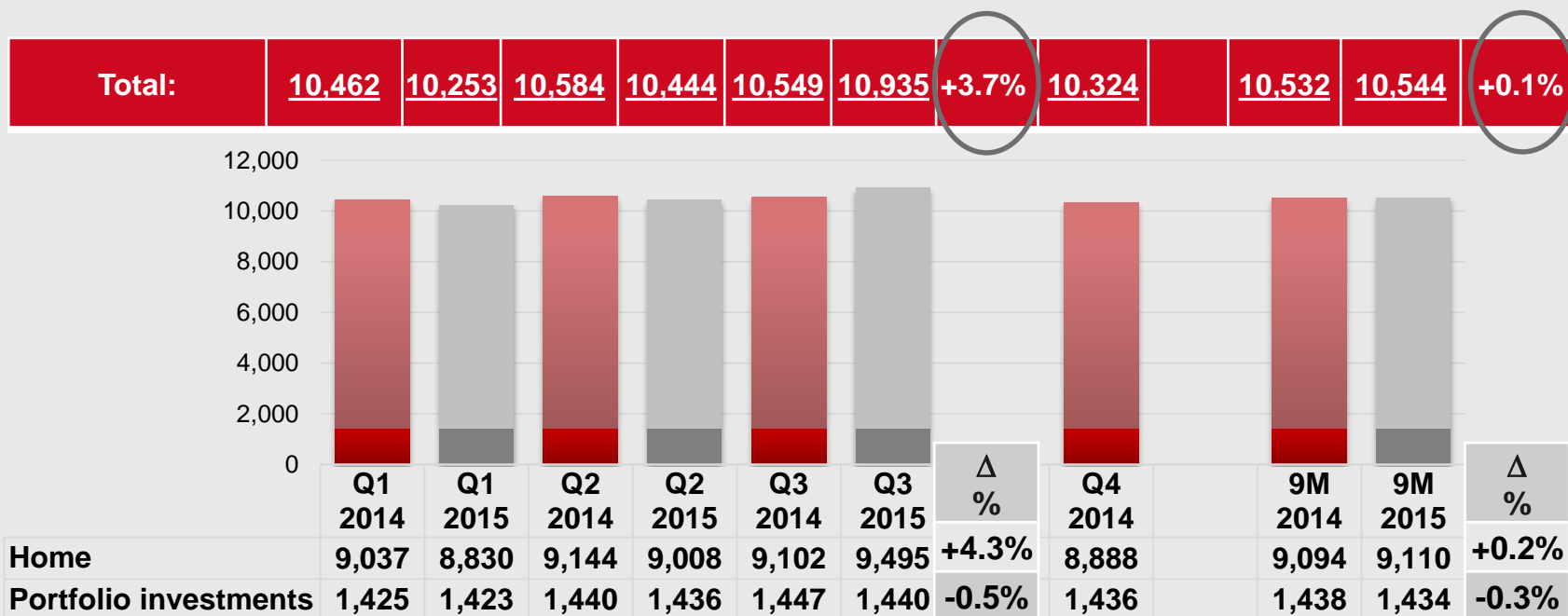
- Key development achievements
 - new generation of built-in ovens under the Gorenje brand offered in majority of our markets
 - new Essential washing machines
 - launch of the new collection of Magna premium cooking appliances
 - launch of the new collection Gorenje by Starck, designed by Philippe Starck, at the largest consumer electronics tradeshow IFA in Berlin
 - launch of the new collection of Gorenje Infinity appliances



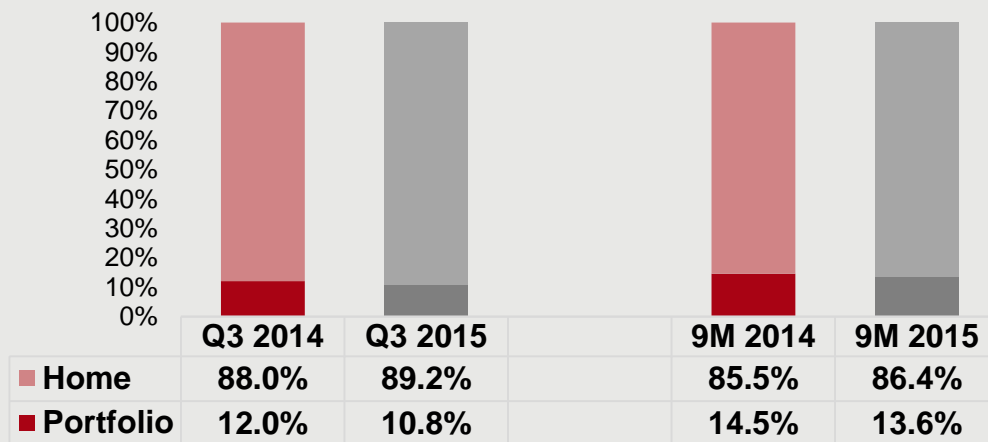
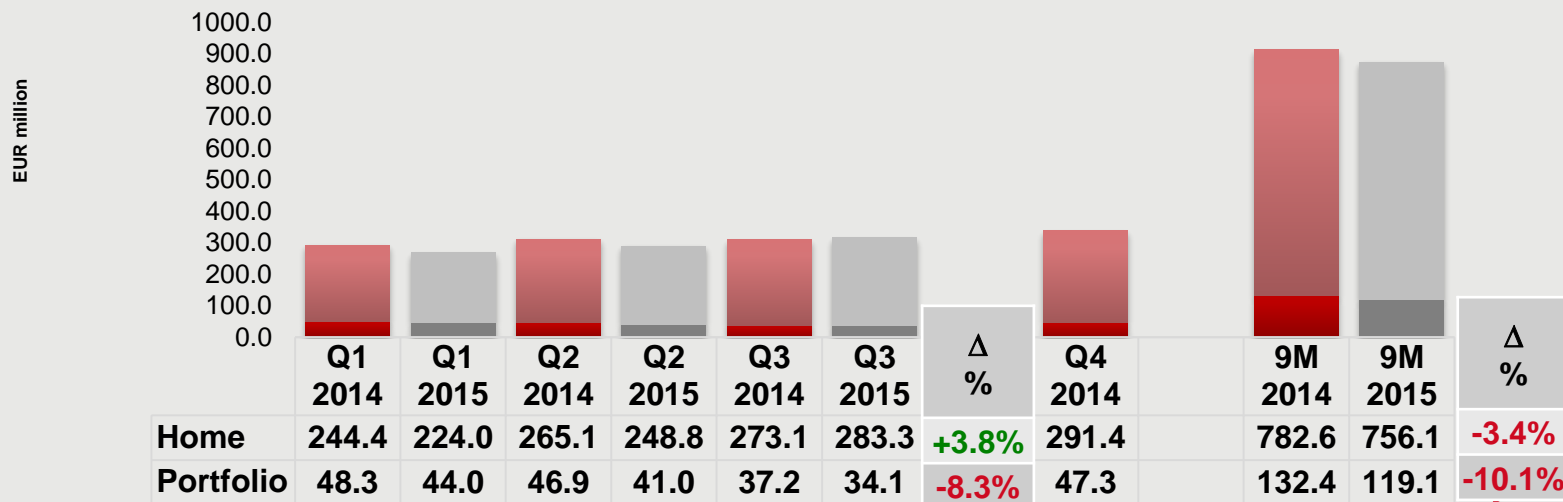
Higher investment into development cost, accounting for 2.8% of total Group revenue (+0.5 p.p.)

9M 2015: Average number of employees by business segments

- Average number of employees in 9M 2015, higher than in 9M 2014, by 12 employees
- Higher number of employees in Q3 2015, driven by higher production and sales



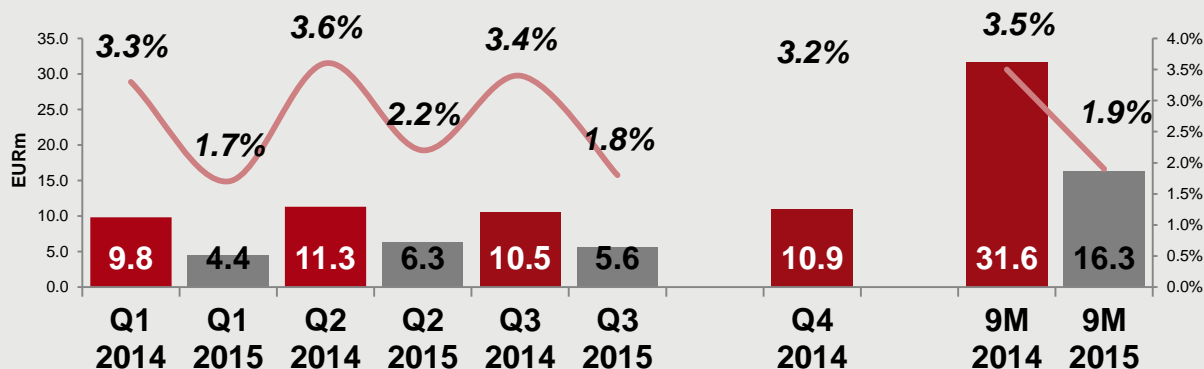
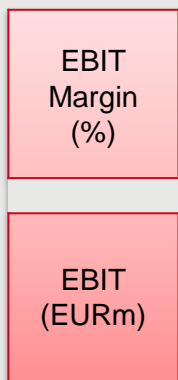
9M 2015: Revenue by business segments



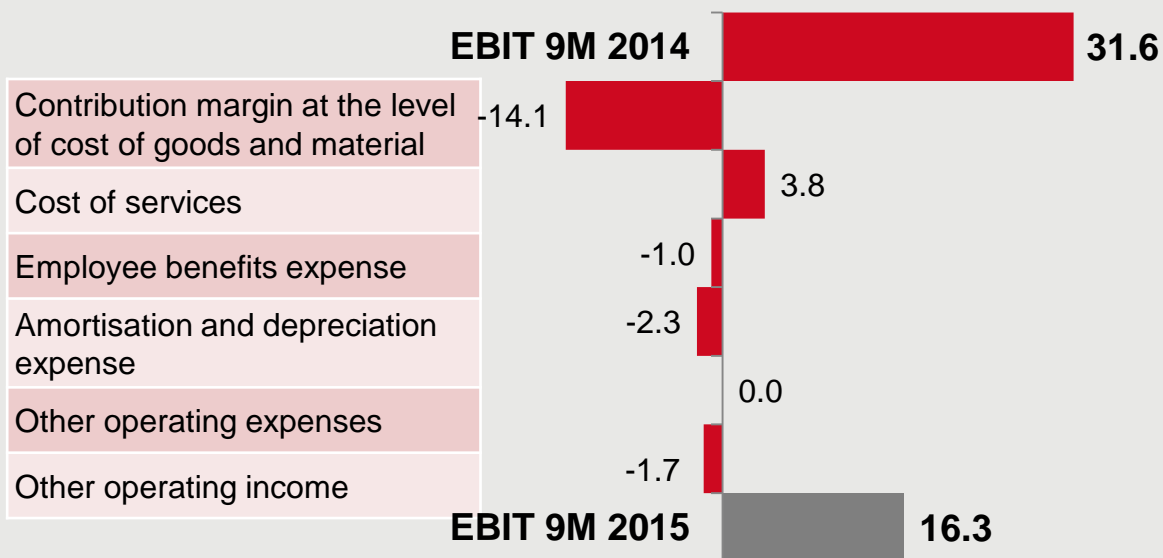
Lower revenue from sales of:

- coal
- medical equipment
- machine building and toolmaking
- ecology.

9M 2015: EBIT / ↓ EUR 15.3m or -48.5%



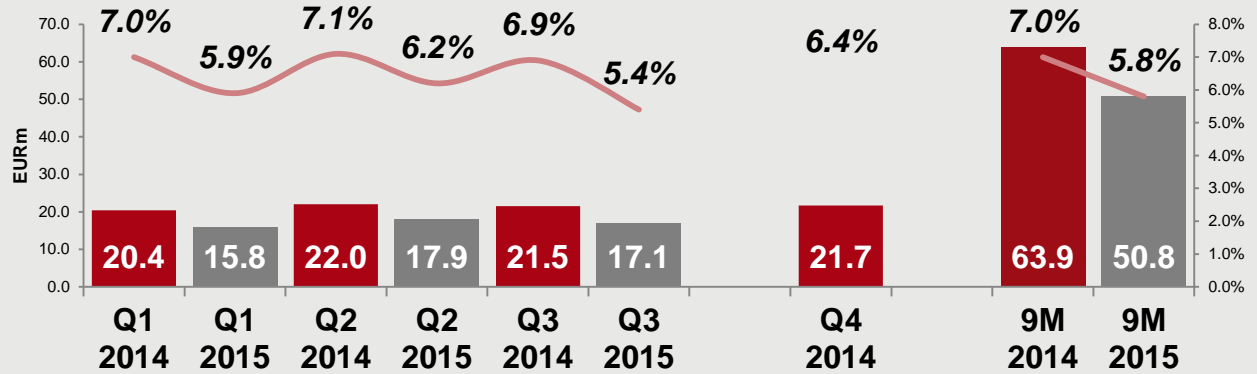
- ➔ **Contribution margin: EUR -14.1m** ➔ **Impact of Russia (EUR -5.4m), Impact of USD/EUR on margin (EUR -6.3m)**
- ➔ **Cost of services: -2.5%** (EUR -3.8m) ➔ adjustment of logistics costs in relation to the lower volume.
- ➔ **Employee benefits expense: EUR +1.0m** ➔ a larger volume of orders in Q3 2015.
- ➔ **Other operating income: Decreased** due to lower amount of subsidies received, and lower income generated on reversal of provisions.



9M 2015: EBITDA / ↓ EUR 13.1m or -20.5%

EBITDA Margin (%)

EBITDA (EURm)

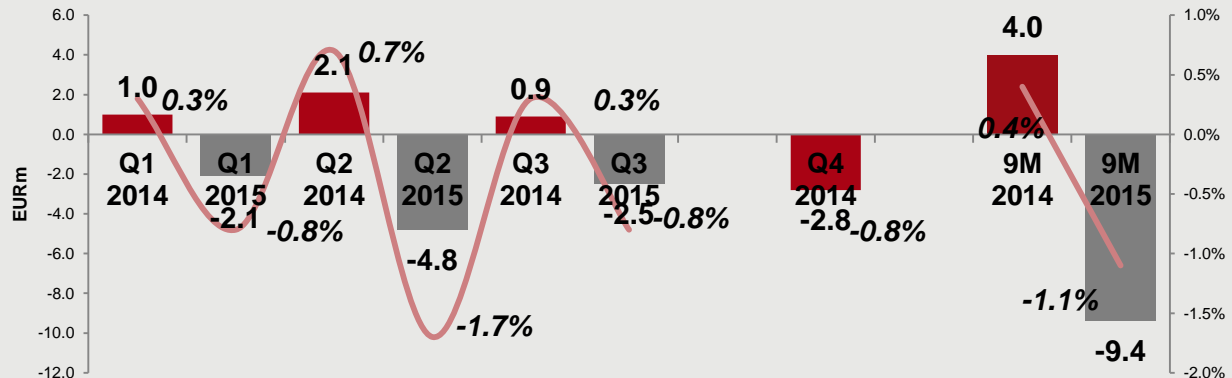


9M 2015: Net Result Performance

- ➔ Negative result from financing activities: EUR 23.7m
- ➔ Income tax expense: EUR 2.1m (current and deferred income tax).

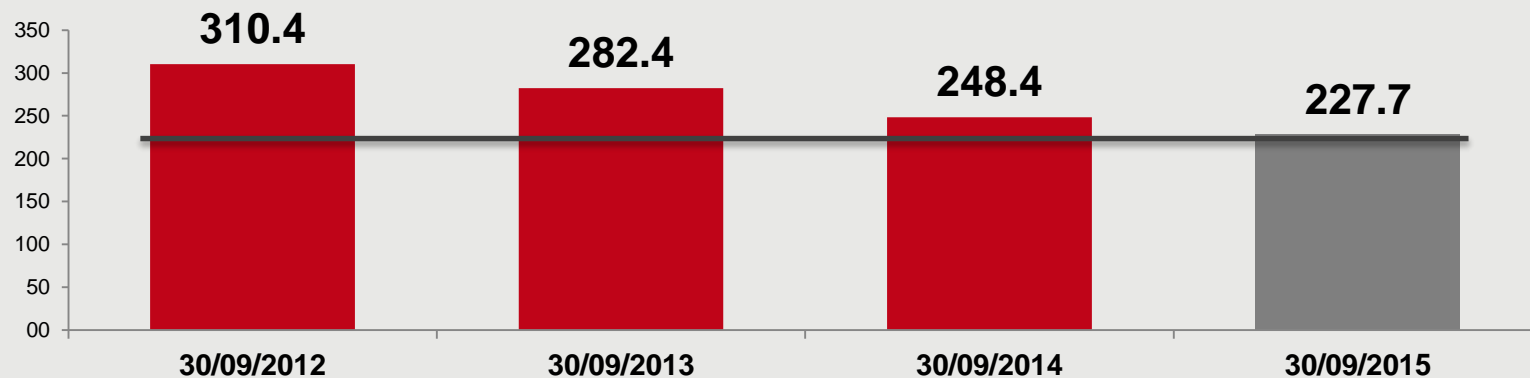
ROS (%)

PAT (EURm)



Investments in net working capital

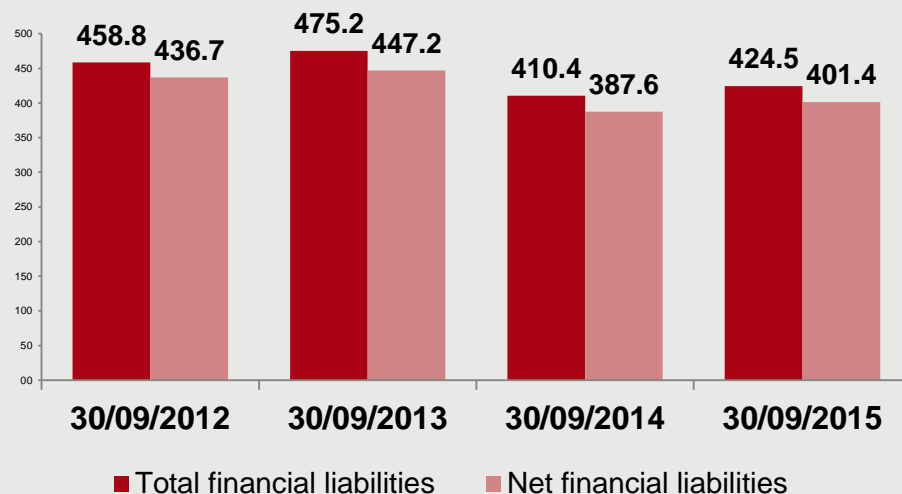
EURm	Sep 30, 2012	Sep 30, 2013	Sep 30, 2014	Sep 30, 2015
+ Inventories	247.7	250.8	249.8	249.7
+ Trade receivables	282.3	240.2	228.0	220.5
+ Other current assets	53.2	64.3	48.9	50.0
- Trade payables	-176.3	-178.0	-182.8	-191.2
- Other current liabilities	-96.5	-94.9	-95.5	-101.3
= Net working capital	310.4	282.4	248.4	227.7

Positive development in net working capital in 2012-2015 period (EURm)

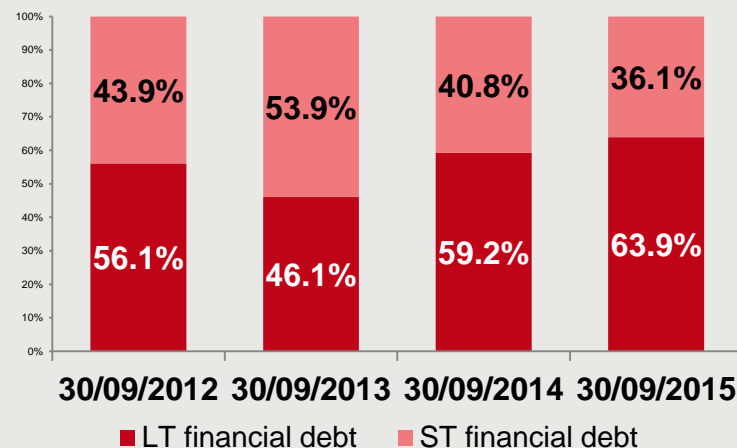
9M 2015: Financial performance / indebtedness

- ➔ **Gross debt:** EUR 424.5m (EUR +14.1m) ➔ interim seasonal dynamics
- ➔ **Net financial debt:** EUR 401.4m (EUR +13.8m).
- ➔ **Net financial debt / EBITDA:** 5.5 (worsen by 1.1).
- ➔ **Significant improvement of debt maturity.**

Movement of total and net financial liabilities



The maturity structure of financial liabilities



** Accounting aspect*

Forecast for Q4 2015

- **Further sales growth planned for Q4 – planned revenue will be attained:** Q4 2015 / Q3 2015: Revenue growth +3%
- **Expected improvement in regional and product structure of sales**
 - Further **growth of Asko brand** sales relative to Q4 2014 (on par with Q3 2015)
 - Further **growth of sales outside Europe** relative to Q4 2014 by +30%; estimated share of total Home segment revenue 11%)
 - Sales of small domestic appliances comparable to the figure for Q4 2014; further growth relative to preceding quarters of 2015
 - Focus on innovative and premium appliances
 - Expected higher sales in the markets Netherlands – **Atag premium brand +7%**

2015 Forecast

- **Planned revenue** of EUR 1,224 million **will be exceeded** (EUR 1,227 million).
- We are devoted to **cost and process management and control**.
- **In the last quarter** we will **generate profit**.
- We estimate **EBITDA** on the level of **EUR 80.7 million**.
- Net result for the year will largely depend on **exchange rates**. Our **estimate is at EUR -7.8 million**.
- In 2015, we will **generate positive cash flow** and **deleverage to the planned level**.
- We shall cut the **net debt / EBITDA** ratio to **3.9**.



GorenjeGroupGrowsGlobal

STRATEGIC PLAN **SUMMARY**

2016

2020

WHY A NEW STRATEGIC PLAN?

New Strategy – an Opportunity in the New Business Reality

- **Unstable and unpredictable** business **environment**, especially in Russia and Ukraine
- **Changes** within the Gorenje Group
(divestment of Ecology)
- Requests by investors for a **long-term development perspective** of Gorenje Group

TWO KEY STRATEGIC DIRECTIONS

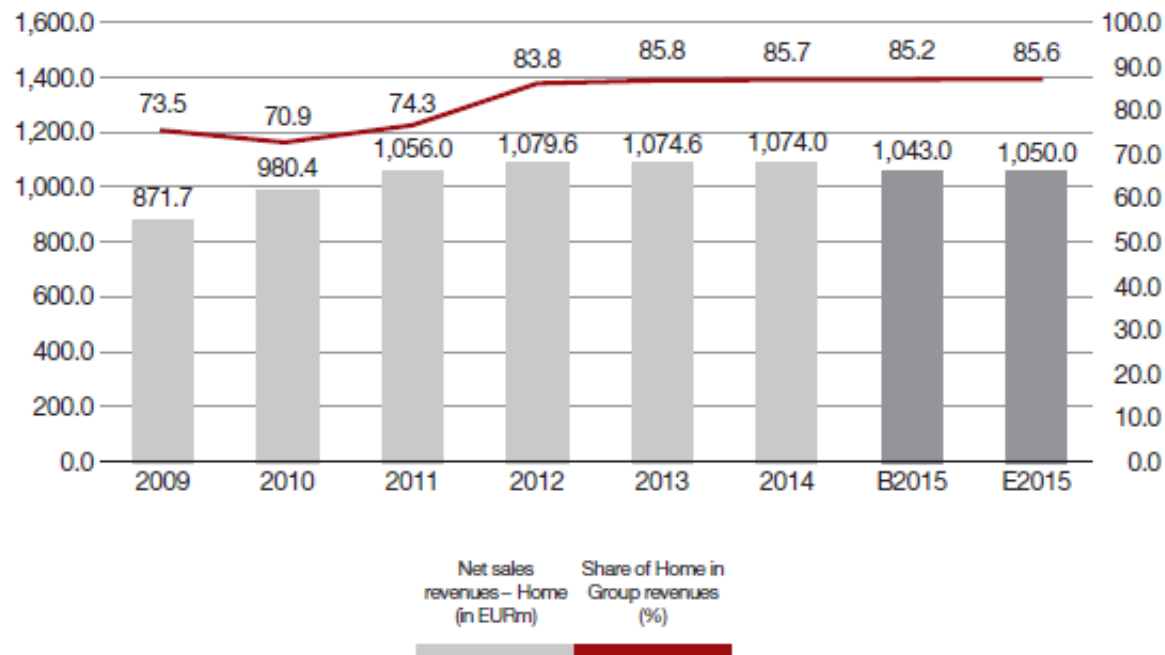
- Profitable growth
- Global presence



GorenjeGroupGrowsGlobal

CORE BUSINESS (HOME) REVENUES AND SHARE IN GROUP REVENUES, 2009-2015

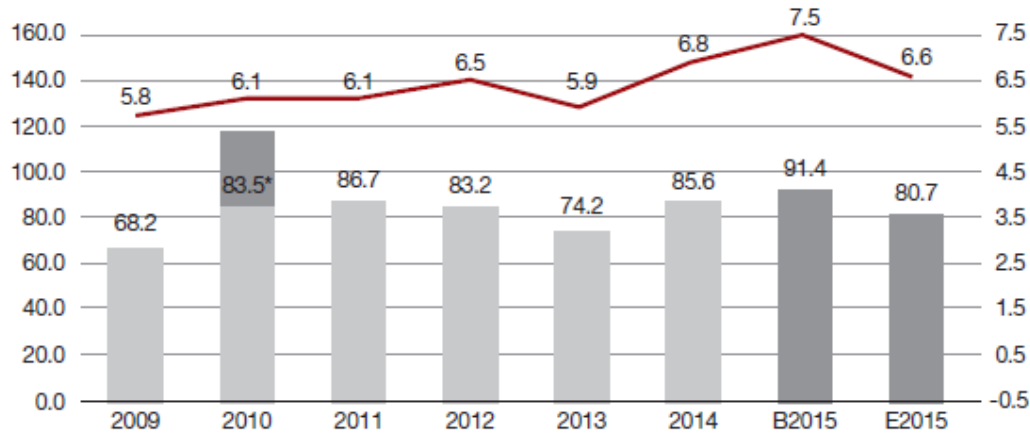
We are Following Our Strategic Policies 2014 – 2018.



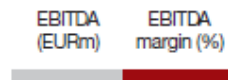
Gorenje Group revenue growth was based on the core segment Home.

GORENJE GROUP EBITDA AND EBITDA MARGIN, 2009-2015

We are Following Our Strategic Policies 2014 – 2018.



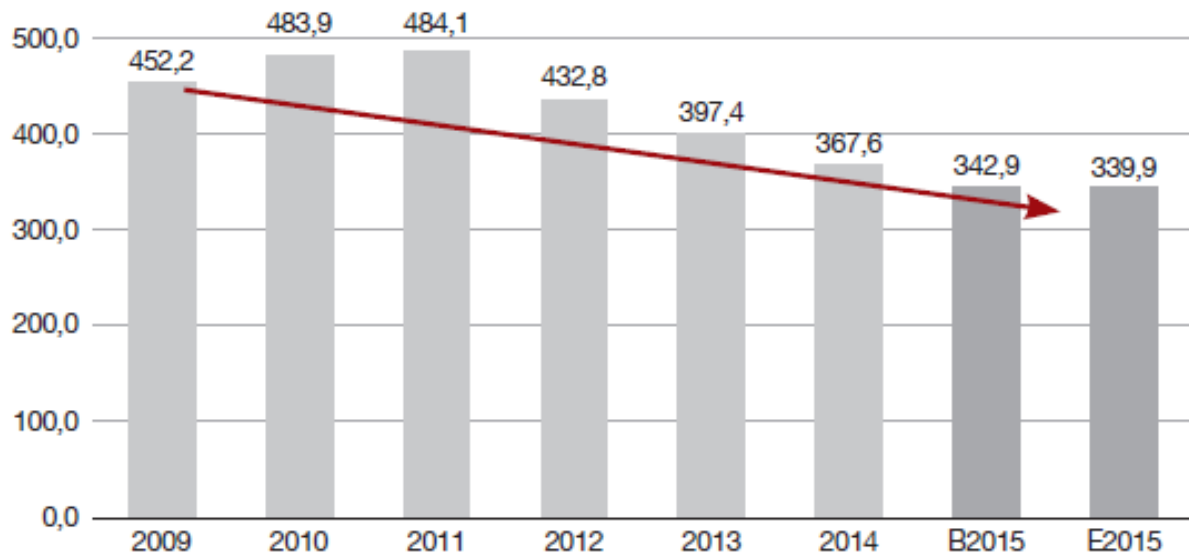
* Effect of goodwill reversal – Asko



Stable EBITDA development with further improvement potential.

GORENJE GROUP GROSS DEBT DEVELOPMENT, 2009-2015

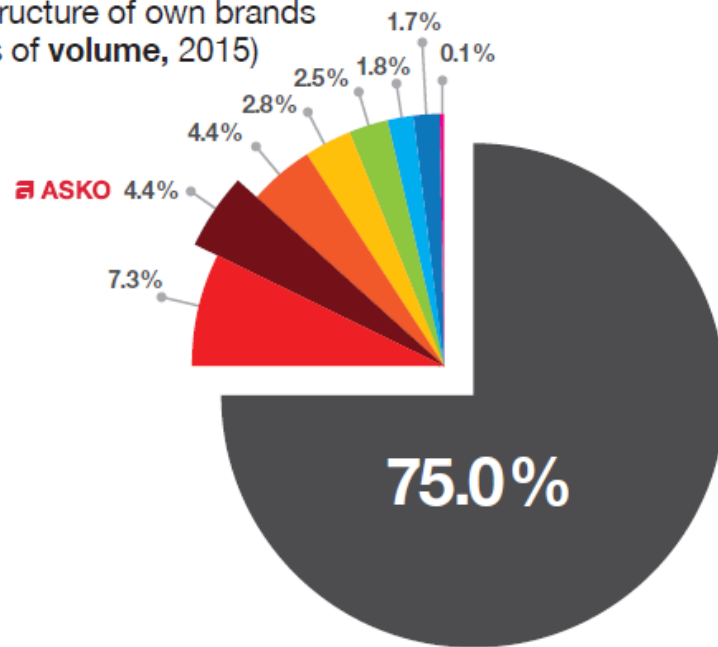
We are Following Our Strategic Policies 2014 – 2018.



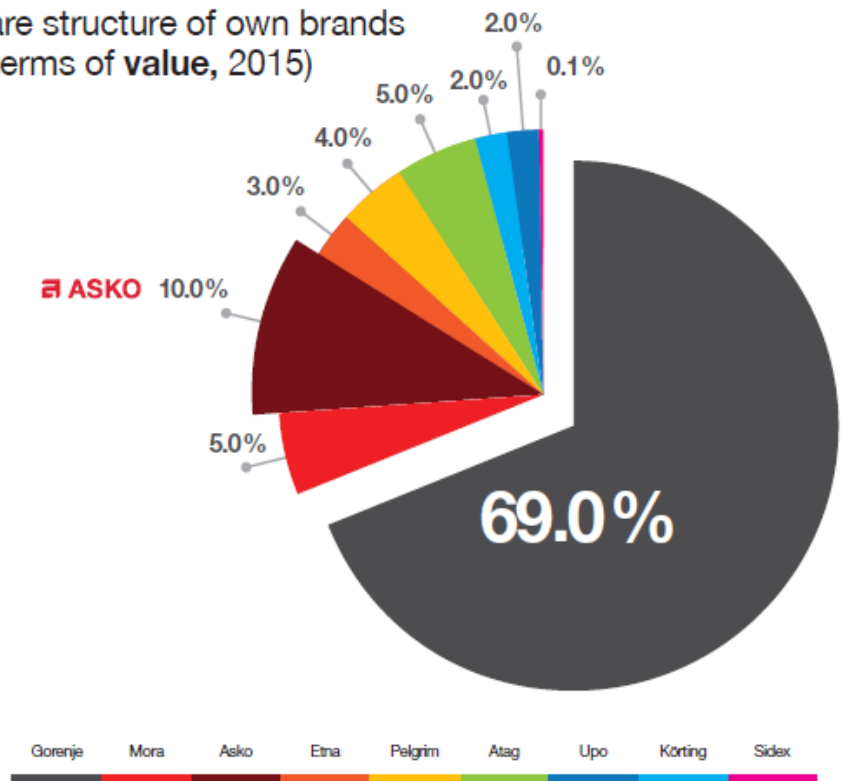
We have succeeded in reducing our gross debt by more than EUR 144 million.

SHARE STRUCTURE OF SALES BY BRANDS in 2015

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



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



Asko appliances represent only **4%** of our appliances **produced**. However, because of higher pricing Asko appliances represent **10% in our revenues**.

VISION, MISSION, CORPORATE VALUES

VISION

We aim to become the most design-driven innovator of home appliances in the world.

MISSION

We create innovative, design-driven and technically excellent products and services for home that simplify user's life.

CORPORATE VALUES

Responsibility & Innovation & Entrepreneurship

Open-
mindedness

Team spirit

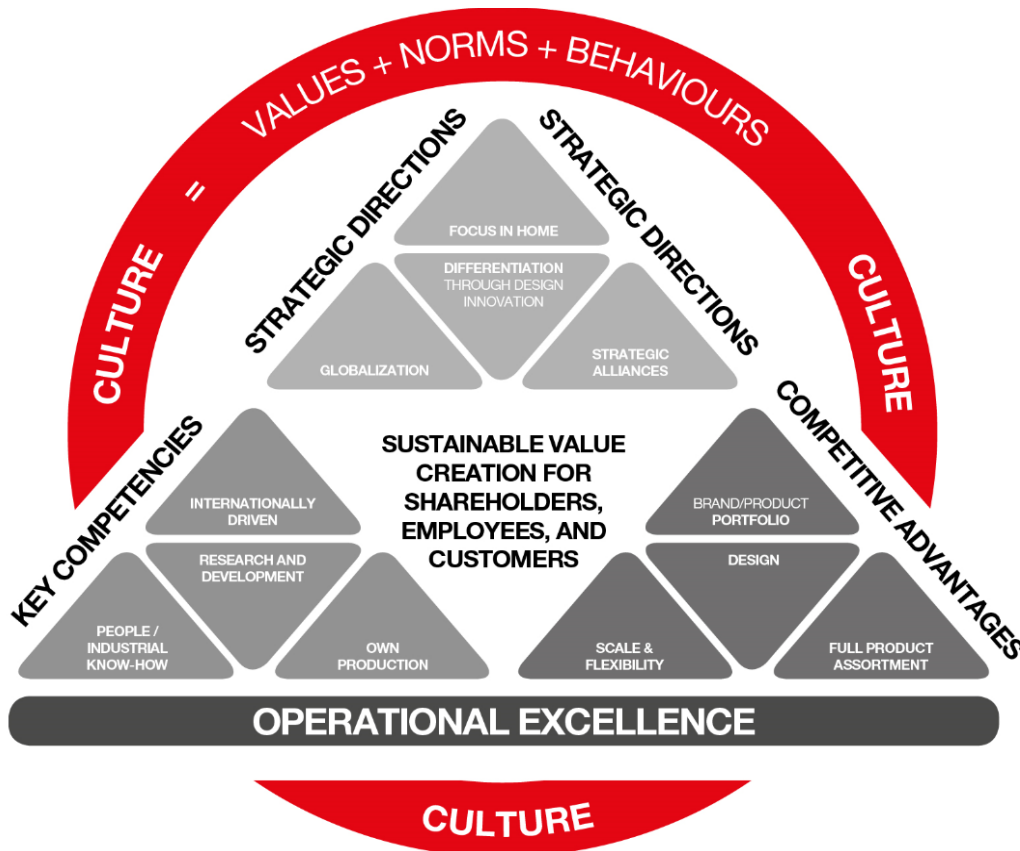
Respect

Efficiency

Goal-
orientation

Engagement

BUSINESS MODEL AND THE IMPORTANCE OF CORPORATE CULTURE



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 PILLARS 2020

PROFITABLE GROWTH:

revenue of EUR 1.56 billion
with EBITDA margin of 9%

92% share
of core
segment

ASKO:
EUR 206 million

EUR 196
million outside
Europe

30% of
innovative
and premium
segments

Net financial
debt / EBITDA
< 2.5

FCF
EUR 25 million
(in 2019)*

Digitization

**Growth in
key European
markets and
outside Europe**

gorenje
ASKO

ATAG Pelgrim MÄNNIK
MORA EFFO körting

**All product
categories for
Home, with
emphasis on
innovation and
design**



**Operational
excellence**



**Strategic
partnerships
and synergies,
business
cooperations**



Employees, culture

* In 2020, cash flow is planned to be negative due to an investment into a new plant.

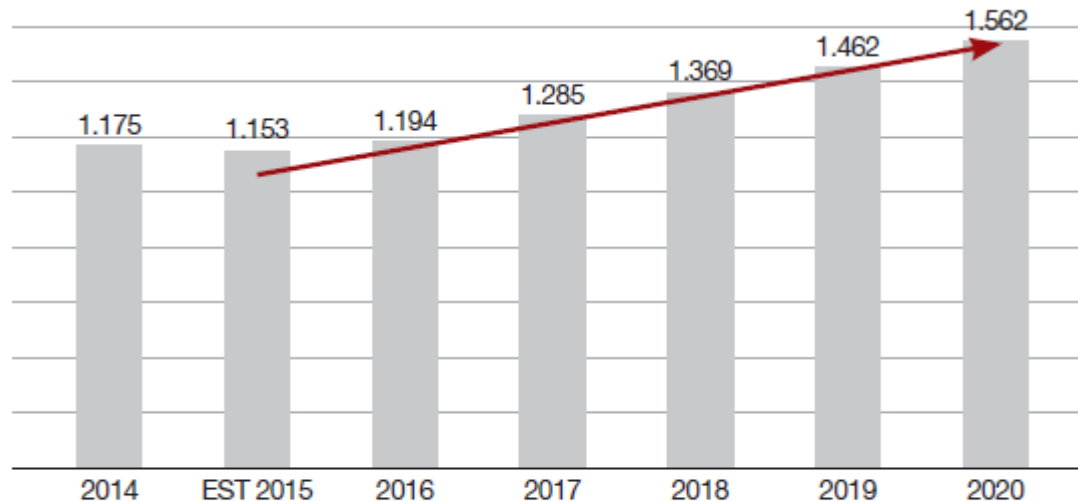
CORPORATE GOALS OF GORENJE GROUP 2020

Revenue of EUR 1.56bn by 2020; increase of revenue by over 35% (CAGR of 2020 / EST2015: + 6.2%).



Corporate goal 2020: REVENUE OF EUR 1.56 BILLION

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



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

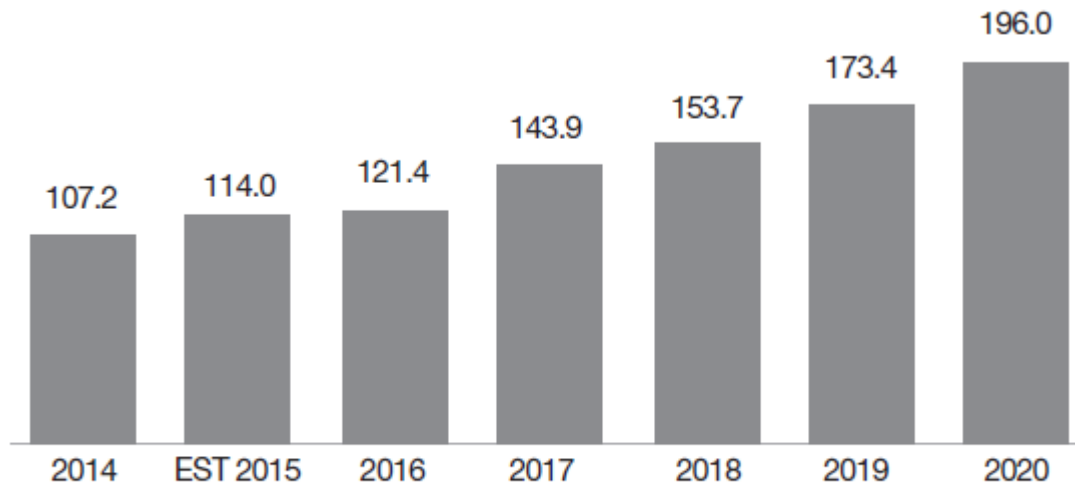
CORPORATE GOALS OF GORENJE GROUP 2020

Doubled revenue of EUR 196m generated outside Europe; 14% of total Home segment sales.



**Corporate goal 2020: REVENUE OF EUR 196 MILLION
GENERATED OUTSIDE EUROPE**

Revenue from sales outside Europe (EUR million)



Revenue from sales outside Europe (EUR million)

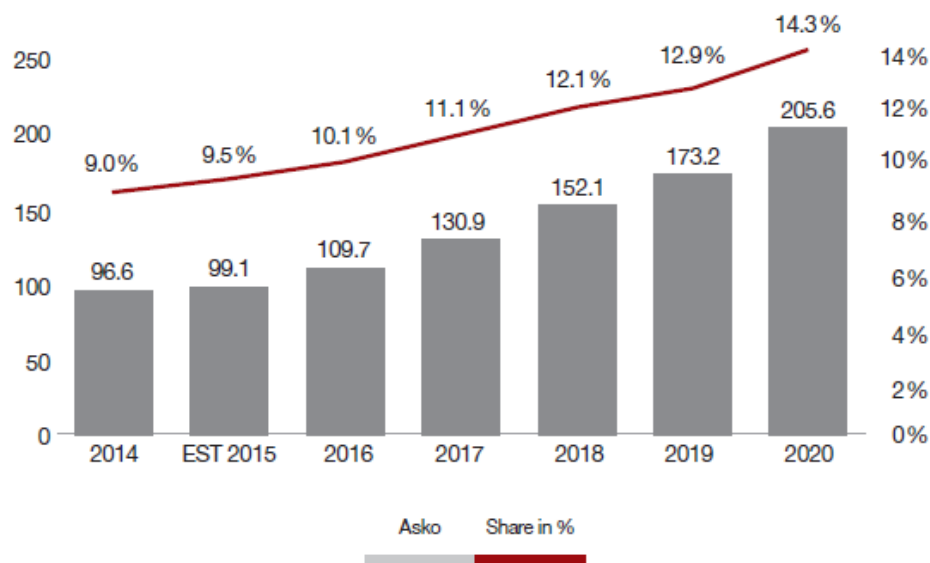
CORPORATE GOALS OF GORENJE GROUP 2020

Increase in sales of the Asko premium brand



Corporate goal 2020: **ASKO REVENUE OF EUR 206 MILLION**

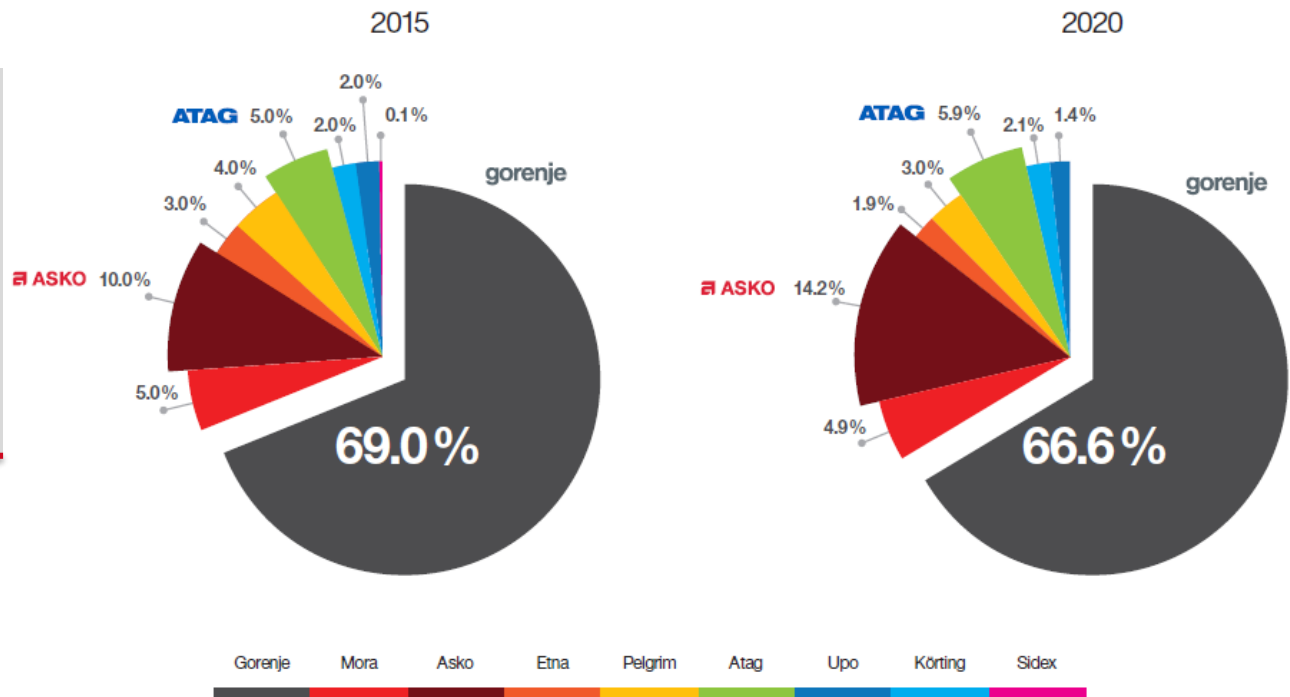
Net revenue from Asko sales (EUR million) and share in total core activity (Home) sales, in %



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

SHARE STRUCTURE OF SALES BY BRANDS in VALUE – 2015 & 2020

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



Asko appliances represent **10% in our revenues in 2015**, in **2020** will represent **14.2%** in value due to extension of product portfolio and expansion on new markets and strengthening the position on the existing markets.

R&D COMPETENCE CENTRES

Firm Foundations for
Future Development of
the Gorenje Group

360 employees in R&D, working
in multicultural and multifunctional
teams.

Cooperation with international
institutions, knowledge and
excellence centres



PRODUCTION LOCATIONS OF HOME APPLIANCES

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.

CURRENT PRODUCTION LOCATIONS FOR MAJOR DOMESTIC APPLIANCES*:

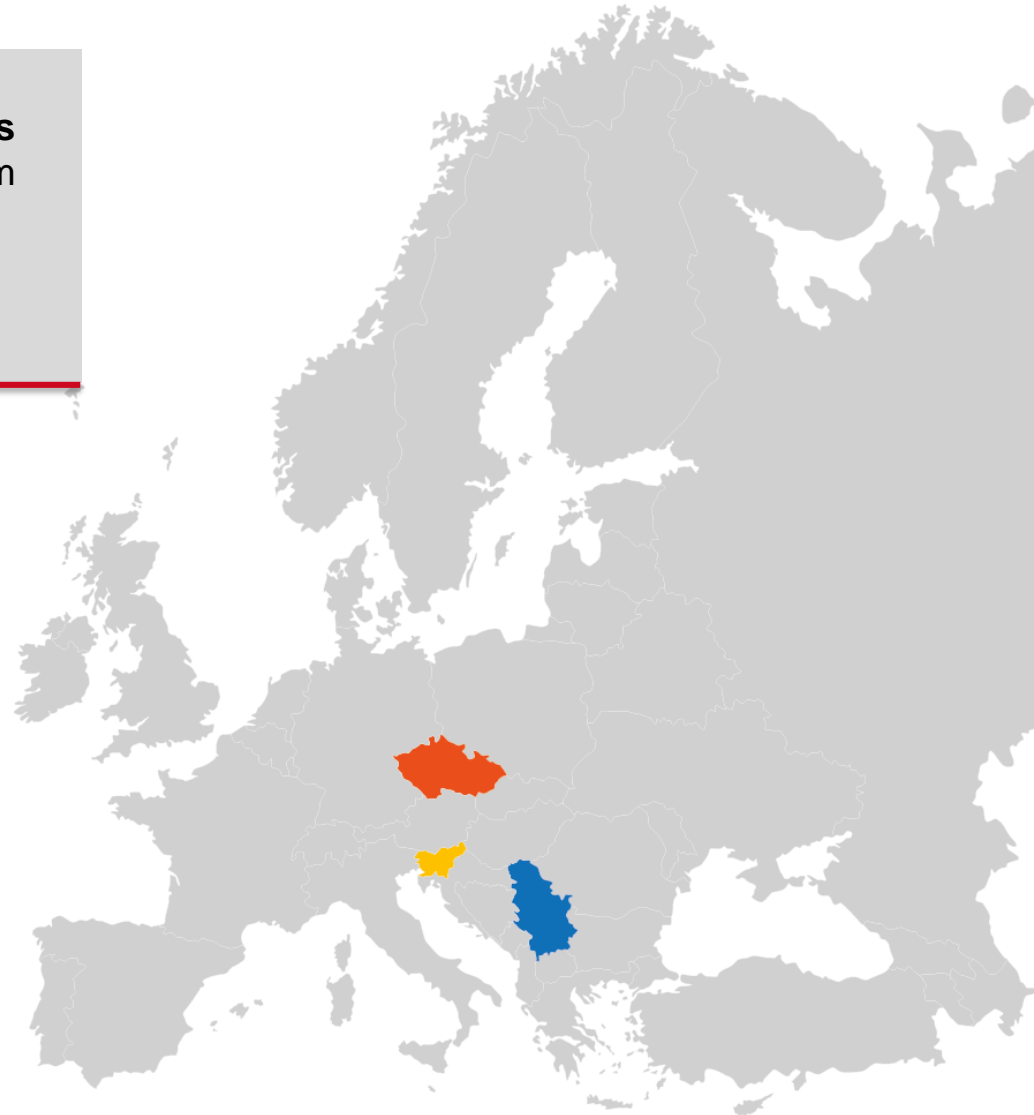
Gorenje Velenje, Slovenia

Mora Moravia, Czech Republic

Aparati za domaćinstvo – Valjevo, Serbia

Gorenje Home – Zaječar, Serbia

In 2020 half of production should take place in Slovenian plants.



GORENJE GROUP MACRO-ORGANIZATION AND LOCATIONS



Thoughtfully constructed sales network, which will be expanding outside Europe

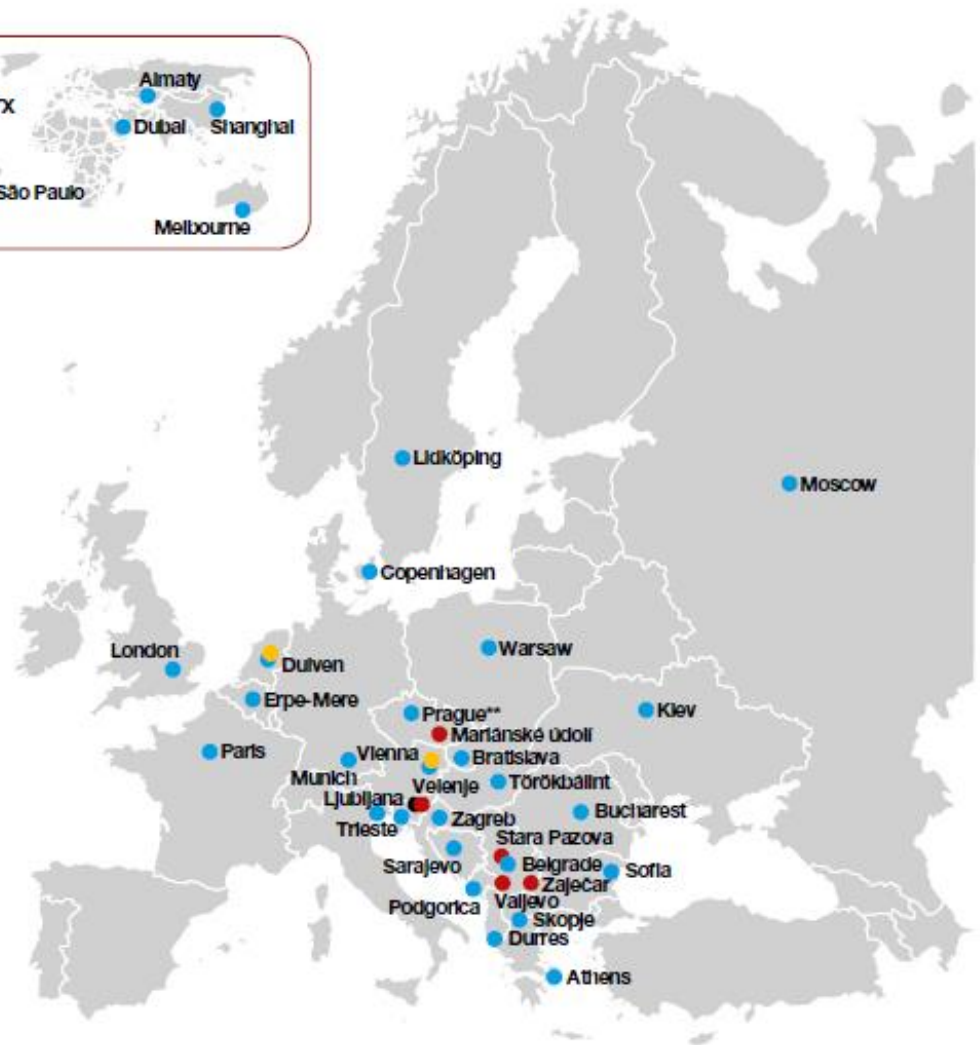
CURRENT MACRO ORGANIZATION (HOME)*

PARENT COMPANY	Gorenje d.d.
HOLDING COMPANIES	3
SALES BUSINESS UNITS	44 (incl. representative offices)
PRODUCTION COMPANIES	6

Note:

* Copenhagen is the regional hub for Scandinavia (Gorenje Group Nordic)

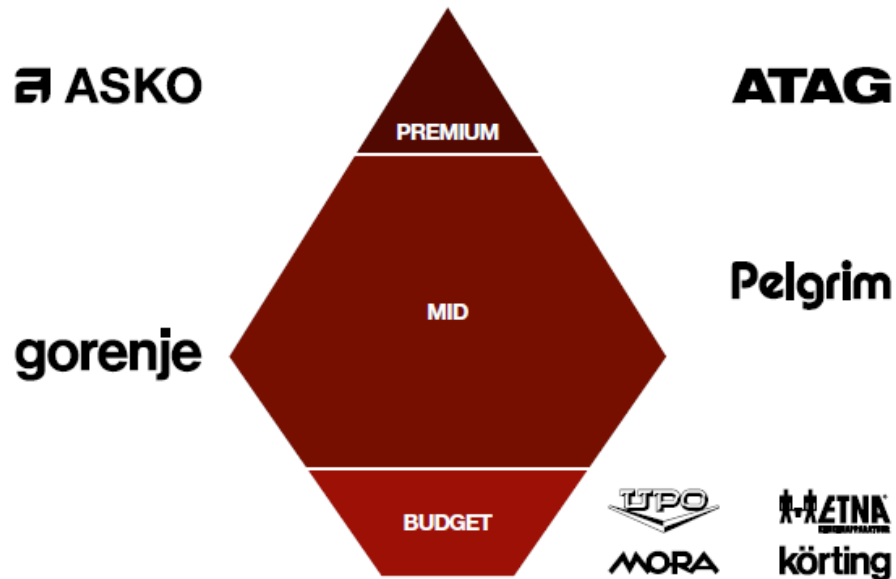
** Prague (Gorenje Spol) is the regional hub for the Czech Republic and Slovakia



GORENJE GROUP BRAND PORTFOLIO

GLOBAL
BRANDS

LOCAL
BRANDS



Implementing a multi-brand strategy with attention on the upper-mid and premium price segment.

g4

GORENJE **G**ROUP

FROM

GOOD TO **G**REAT

Q & A

Forward-looking statements

This presentation includes forward-looking information and forecasts – i.e. statements regarding the future, rather than the past, and 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 and Warsaw Stock Exchange. 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 but are not necessarily limited to following: consumer demand and market conditions in geographical segments or regions and in industries in which the Gorenje Group is conducting its operating activities; effects of exchange rate fluctuations; competitive downward pressure on downstream prices; major loss of business with a major account/customer; the possibility of late payment on the part of customers; decrease in prices as a result of persistently harsh market conditions, in an extent much higher than currently expected by Gorenje's Management Board; success of development of new products and their 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 allows any update or revision of these forecasts in light of development differing from the expected events.