



Mr. Peter Groznik, CFO

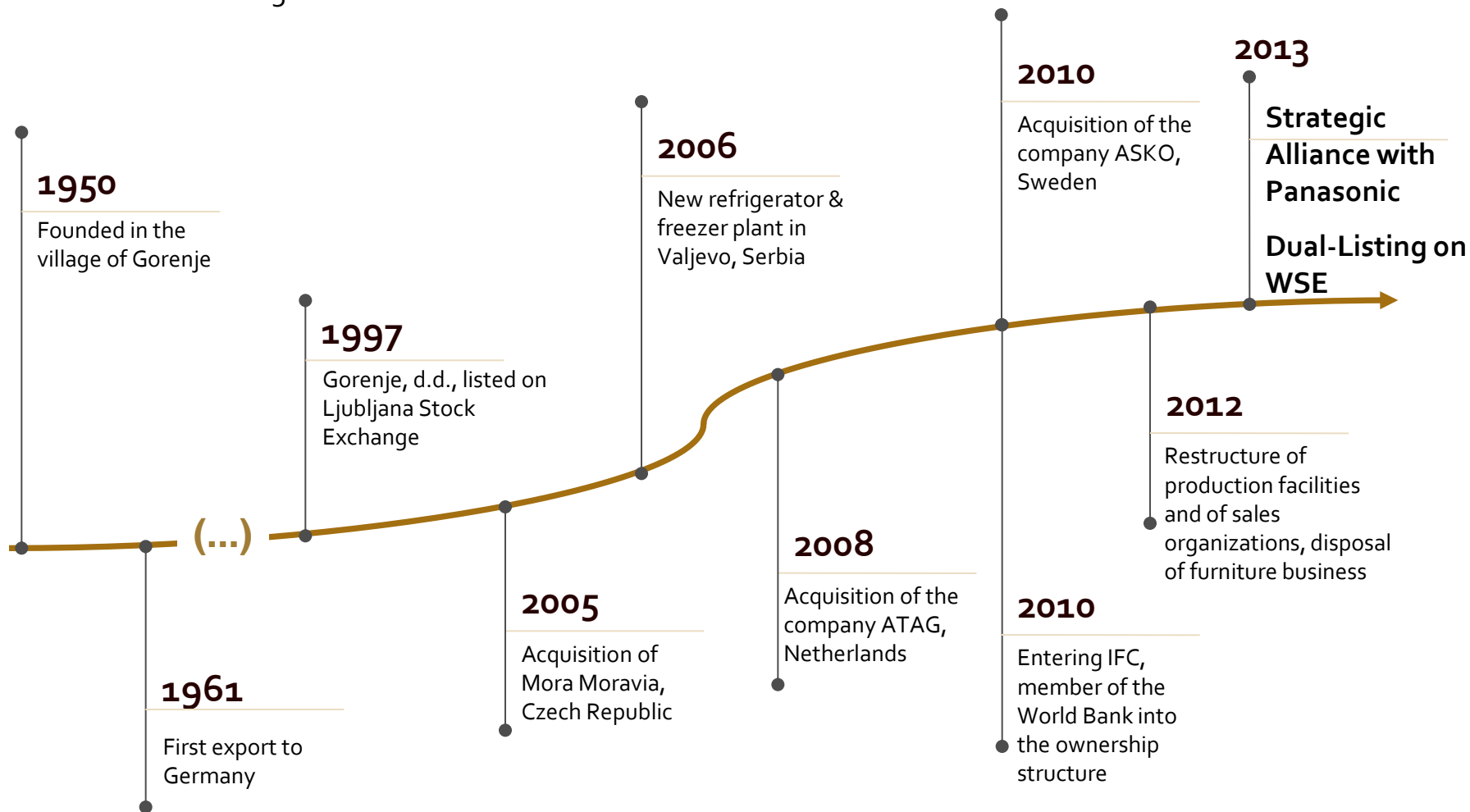
# **gorenje**

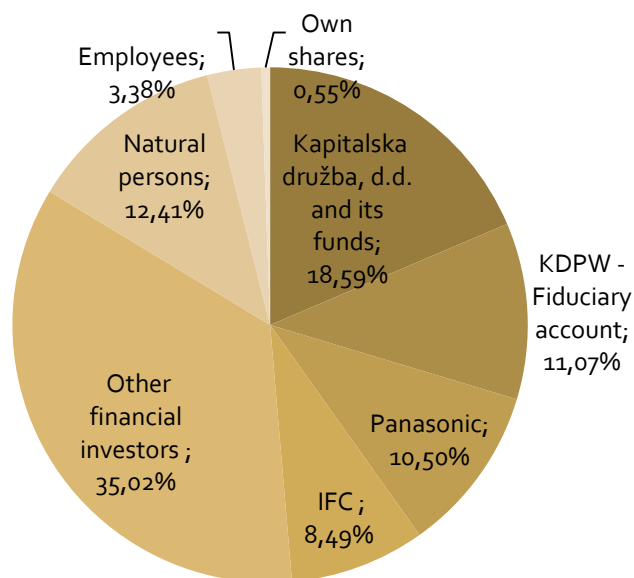
# Presentation of the Gorenje Group

**ALTA** Nova naložbena kultura.  
Webcast organiser

Ljubljana, 2. april 2014

Gorenje Group is one of the leading European home appliance manufacturers with a history spanning more than 60 years. Technologically complete, superiorly designed and energy-efficient home appliances branded Gorenje, Atag, Asko, Pelgrim, Mora, Etna, Körting and Upo enhance the quality of life for the users of our products in ninety countries around the globe.





Ten major shareholders	No. of shares (31 Dec 2013)	Share in %
KAPITALSKA DRUŽBA, D.D.	3,998,653	18.0898%
KDPW - FIDUCIARY ACCOUNT	2,446,603	11.0684%
PANASONIC CORPORATION	2,320,186	10.4965%
IFC	1,876,876	8.4910%
NFD 1, mešani fleksibilni podsklad - Jug	1,125,802	5.0931%
HOME PRODUCTS EUROPE B.V.	1,070,000	4.8407%
INGOR, d.o.o., & co. k.d.	794,473	3.5942%
CONSEQ INVEST PUBLIC LIMITED COMPANY	464,732	2.1024%
EECF AG	411,727	1.8626%
RAIFFEISEN BANK AUSTRIA D.D. - FIDUCIARY ACCOUNT	325,260	1.4715%
<b>Total major shareholders</b>	<b>14,834,312</b>	<b>67.1101%</b>
Other shareholders	7,270,115	32.8899%
<b>Total</b>	<b>22,104,427</b>	<b>100%</b>

- ➔ Two-tier Corporate Governance System
- ➔ Supervisory Board: 6 Representatives of capital and 4 Representatives of employees
- ➔ Management Board: 5 Members
- ➔ 121,311 Own Shares (0.5488%)
- ➔ Slovenian and Polish Corporate Governance Code

## VISION

TO BECOME WORLD'S BEST

**IN DESIGN-DRIVEN INNOVATIONS**

OF HOME PRODUCTS

## MISSION STATEMENT

TO CREATE **INNOVATIVE, DESIGN-DRIVEN AND  
TECHNICALLY EXCELLENT PRODUCTS AND SERVICES**  
THAT BRING **SIMPLICITY** TO OUR USERS

## CORPORATE VALUES

**RESPONSIBILITY & INNOVATION**

**OPEN-  
MINDEDNESS**

**TEAM SPIRIT**

**RESPECT**

**EFFICIENCY**

**GOAL-  
ORIENTATION**

**ENGAGEMENT**



## Business Segments according to the new strategy

### CORE BUSINESS

#### HOME

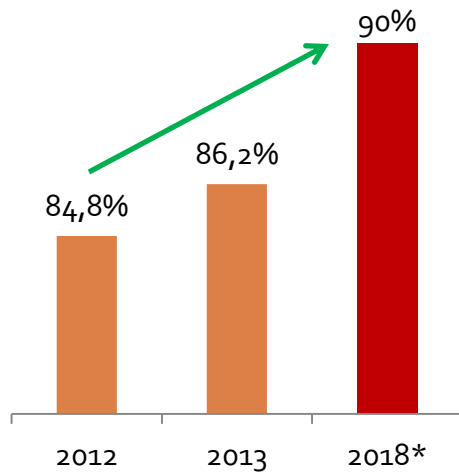
Products and services for home

MDA (major domestic appliances)

SDA (small domestic appliances)

HVAC (heating, ventilation, air conditioning)

% of revenues



\* target level

### NON-CORE BUSINESS

#### PORTFOLIO INVESTMENTS

Ecology

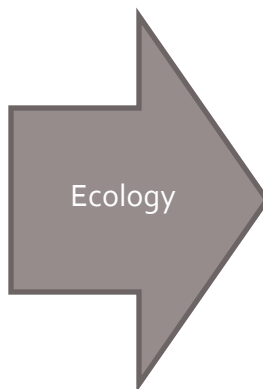
Ecology related services

Tool making

Engineering

Hotels and catering

Trade



- Waste materials/ industrial waste
- Hazardous waste
- Municipal waste
- Project engineering
- Analyses and research

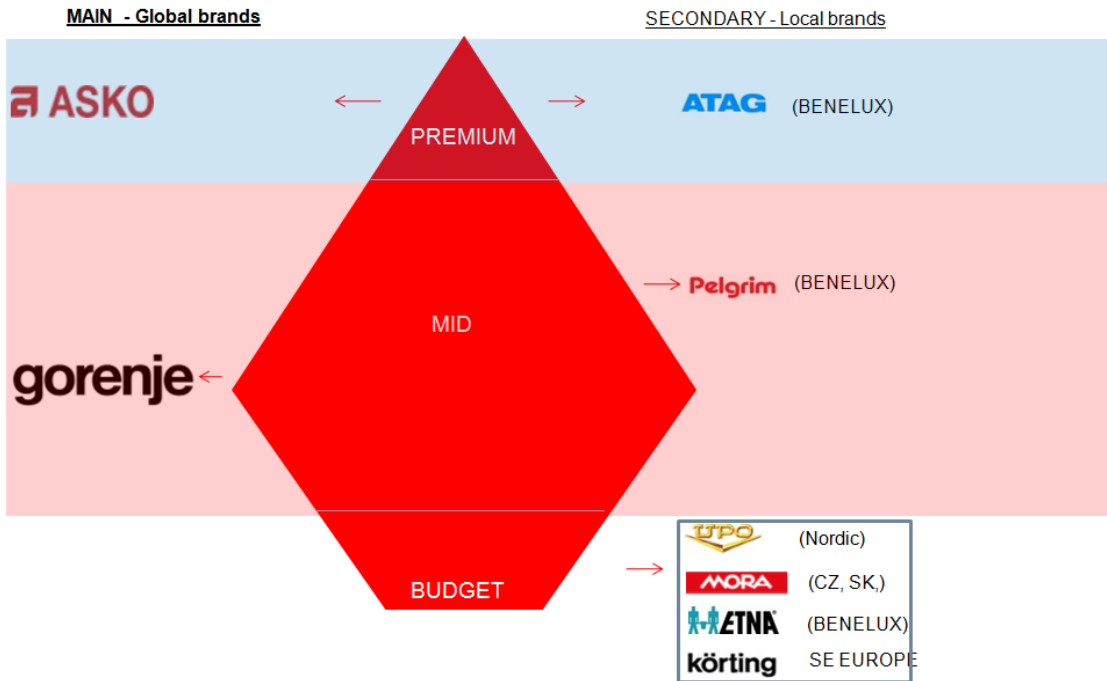


- Sale of coal
- Authorized dealership for: forklifts, agricultural mechanization, medical equipment
- Hotel, restaurants, catering
- Engineering, development and manufacturing tools for household and automotive industry
- Engineering, development and manufacturing gas cogeneration of heat and electricity
- Solar power plants

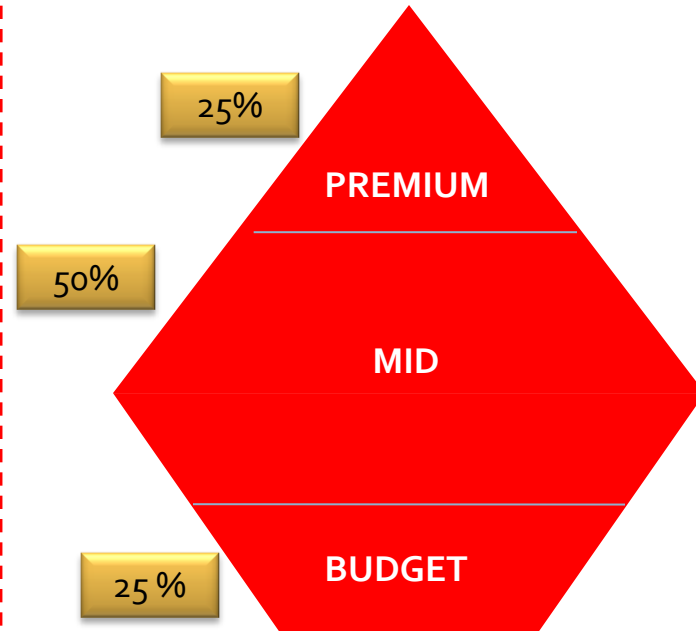
\* target level

## Multi –Brand Strategy For Different Price Segments

GORENJE BRANDS BY PRICE CLASSES



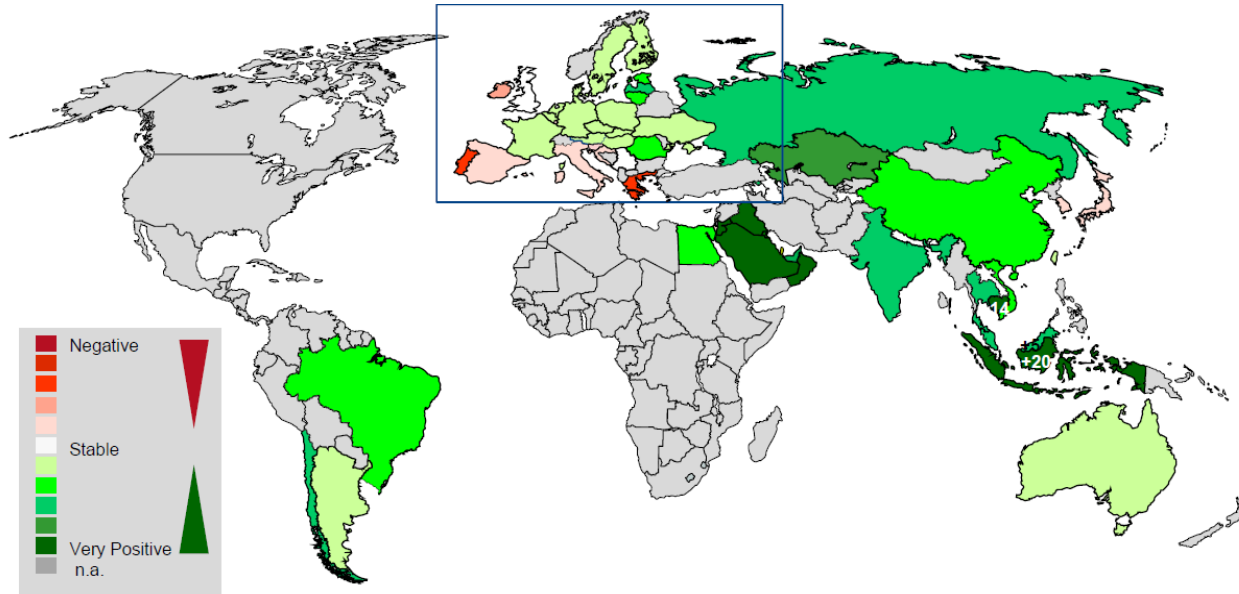
## Target Market Structure By Price Classes





- ➔ In 2014, the GfK world MDA market growth forecast is 5%.
- ➔ For 2014 the highest growth is forecasted for South America, Asia and Russia.
- ➔ **Central, Western and Northern Europe** are expected to grow moderately.
- ➔ **Central European** markets are expected to grow at a faster rate relative to Western Europe.
- ➔ The European MDA market represents around 30% of the world market in value terms, worth EUR 30.5bn in 2013
- ➔ **Germany** is the largest MDA market in the entire Europe, accounting for 18% of all MDA sales in the latter with EUR 8.1bn in sales in 2013.
- ➔ The region of **Eastern Europe** includes 10 countries spanning most of the territory of the former Soviet Union (Russia is the largest one). Its MDA market grew by 3.9% in 2013, making it one of the fastest growing MDA markets in the world.

GfK forecast for MDA in 2014 (sales units)



➔ Focus on innovative and design driven products

➔ Product range:

- ➔ Refrigerators
- ➔ Washing machines
- ➔ Dishwashers
- ➔ Dryers
- ➔ Cookers
- ➔ Ovens
- ➔ Hobs
- ➔ Hoods
- ➔ Water heaters
- ➔ Sanitary heat pumps
- ➔ Heat pumps

Expected production capacities as of 31 December 2013 and onwards

	<b>31.12.2013</b>
	<i>(units)</i>
Cooking	2,079,160
Washing/drying	1,368,800
Cooling	1,217,760
<b>Major domestic appliances</b>	<b>4,665,720</b>
Water heating	800,000
<b>Total</b>	<b>5,465,720</b>

Source: Company

➔ Numerous awards for i.a. design and quality





Chic



Vintage



Funky



## → 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.)



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

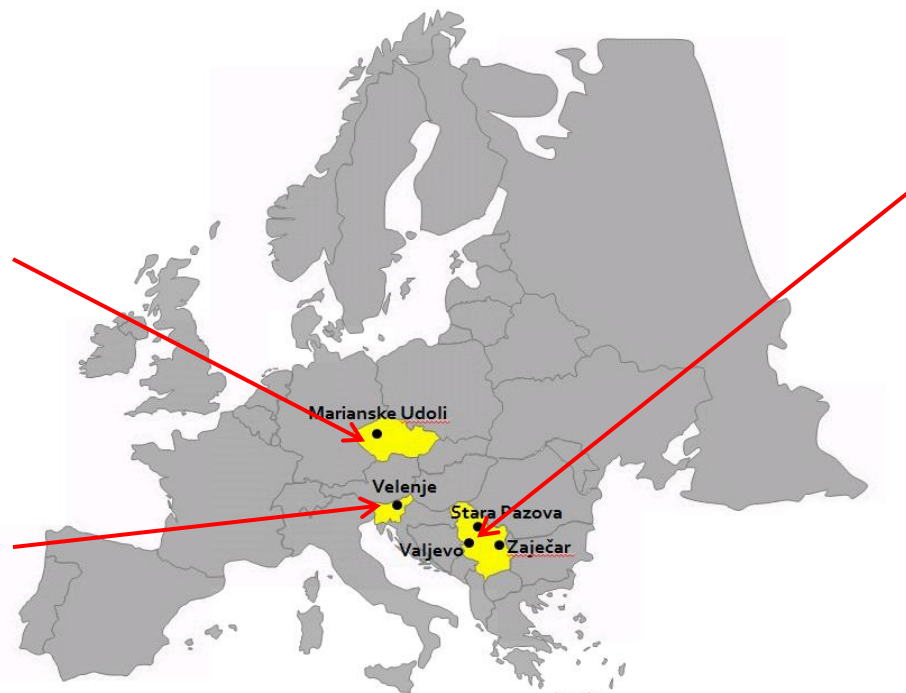
## POSITIVE EFFECTS

- ➔ Annual cost savings may amount to EUR 20m (labour costs savings: EUR 23m, logistic costs & amortization increase: EUR 3m)

➔ Total production capacity of 18,780 units per day

**Czech Republic**  
(Mariánské Údolí)

**Slovenia**  
(Velenje)



## Serbia

(Valjevo, Stara Pazova, Zaječar)

- ➔ Lowest labour costs among the Group Companies
- ➔ Favourable customs conditions in export to Russia, one of the most dynamic MDA market
- ➔ Favourable logistic and transport conditions
- ➔ Government subsidies supporting employment

Changes in production output volume after the completion restructuring activities

Changes in production value after the completion restructuring activities

Location	2012	2014	Location	2012	2014
Velenje, Slovenia	65%	62%	Velenje, Slovenia	65%	69%
Valjevo, Serbia	13%	23%	Valjevo, Serbia	10%	20%
Mariánské Údolí, Czech Republic	13%	15%	Mariánské Údolí, Czech Republic	9%	11%
Vara, Sweden	8%	-	Vara, Sweden	15%	-
Lahti, Finland	1%	-	Lahti, Finland	1%	-

Source: Company

## Gorenje & Panasonic long term strategic alliance

### Business alliance

- ➔ Mutually developed **products**
- ➔ Exchange of manufacturing **know-how**
- ➔ Joint use of **sales networks**

### Capital alliance

- ➔ **Panasonic - a minority shareholder** in Gorenje
- ➔ **Standstill agreement.** Panasonic not to increase its stake in share capital above 13% over 5 years

### Areas of cooperation

- ➔ **R & D** - joint development projects of new products
- ➔ **Production**
  - increased production capacity utilization
  - joint investment in new production facility for washing machines
- ➔ **Sales** – joint sales-distribution channels

### Gorenje benefits from the strategic alliance

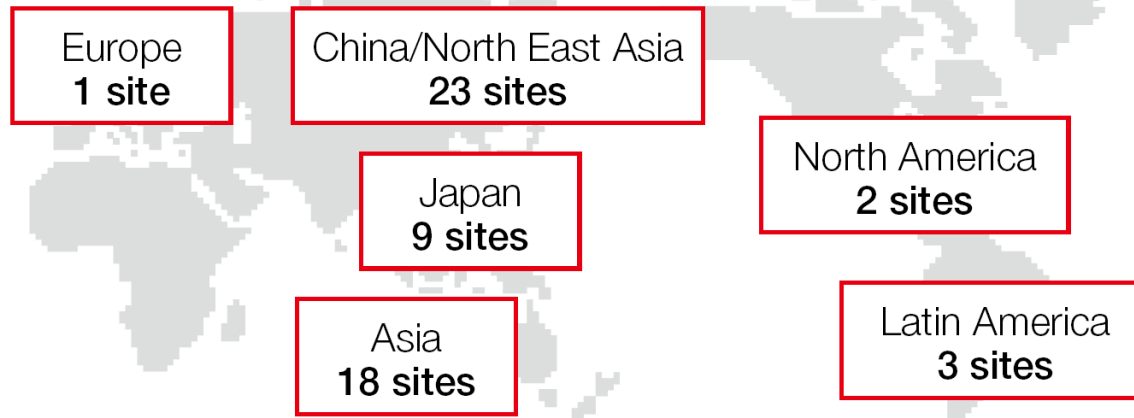
- ➔ Better absorption of fixed costs
- ➔ Improved capital structure
- ➔ Accelerated investment and R&D activities
- ➔ Better access to new financial sources
- ➔ **Additional annual revenues of up to EUR 80,000 thousand by 2018**
- ➔ **Gradual improvement of EBITDA of up to EUR 20,000 thousand on a yearly basis by 2018**

# Panasonic – Global Player On The MDA Market

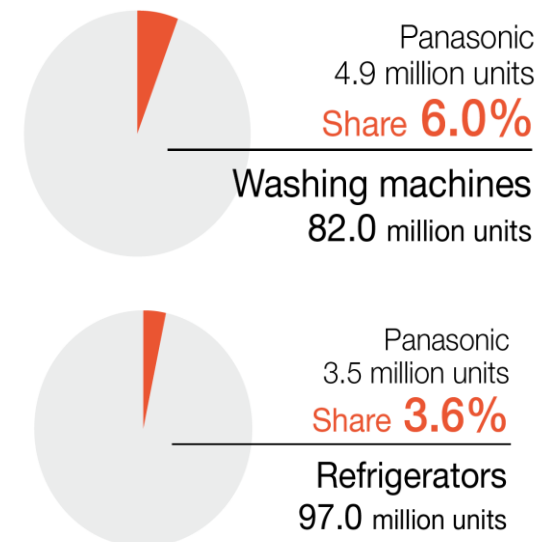
- ➔ Panasonic is significant producer of home appliances with global presence
- ➔ It has numerous production sites mostly located in Asia and Japan which are its main markets
- ➔ Relatively low presence in Europe shows potential of growth
- ➔ Alliance with Gorenje should be effective way to strengthening Panasonic position in Europe
- ➔ Strong position of Panasonic in Asia should give positive boost for Gorenje expansion on Asian market

## Global presence of Panasonic – MDA production facilities

### Global sites



## Panasonic market share in global market (selected products )



Source: Panasonic Corporation Annual Report 2013

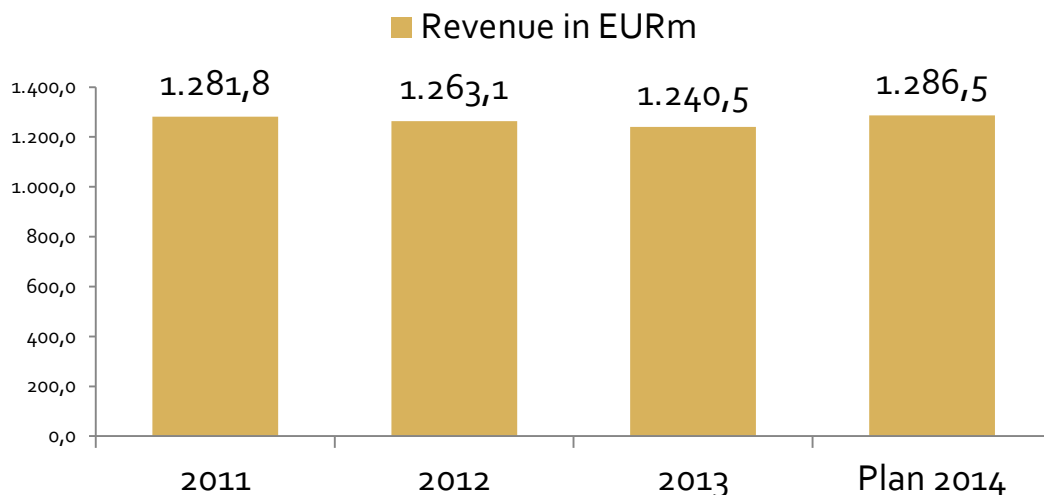


- ✓ 10 million EUR paid by Panasonic, to be used to support business alliance with Panasonic
  
- ✓ 16.7 million EUR paid by recent and new investors in Q4 2013
  - ➔ repayment of existing financial debt
  - ➔ R&D and new projects, including:
    - (i) a new generation of dishwashers;
    - (ii) a new generation of ASKO washing and drying appliances;
    - (iii) increased production capacities at Gorenje Valjevo,
    - (iv) other research and development and investment projects for the development and production of new major domestic appliances

- ➔ 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** of the Group (divestment, working capital etc.)
- ➔ **The first year of full effects** of strategic manufacturing operations relocations
- ➔ Further **internationalization** of operations
- ➔ Further **development activities**

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.)

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%
<b>Total Group</b>	<b>1,263.1</b>	<b>100.0</b>	<b>1,240.5</b>	<b>100.0</b>	<b>-1.8%</b>
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%
<b>Total Home</b>	<b>1,071.3</b>	<b>100.0</b>	<b>1,069.8</b>	<b>100.0</b>	<b>-0.1%</b>



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.

## 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.

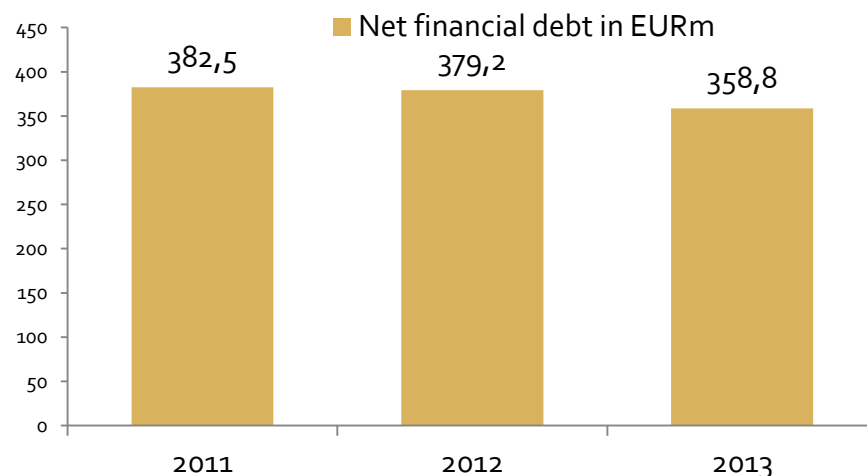
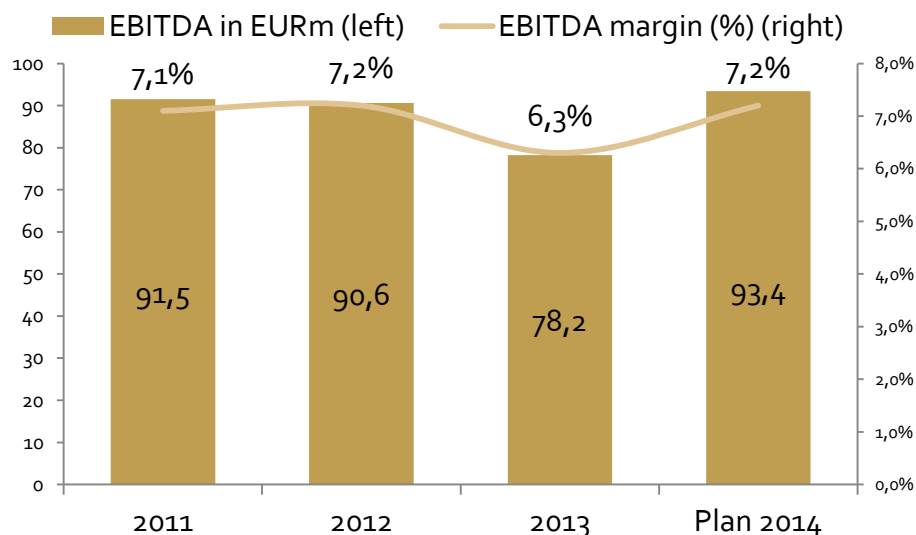
### DELEVERAGING

(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

- 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%.

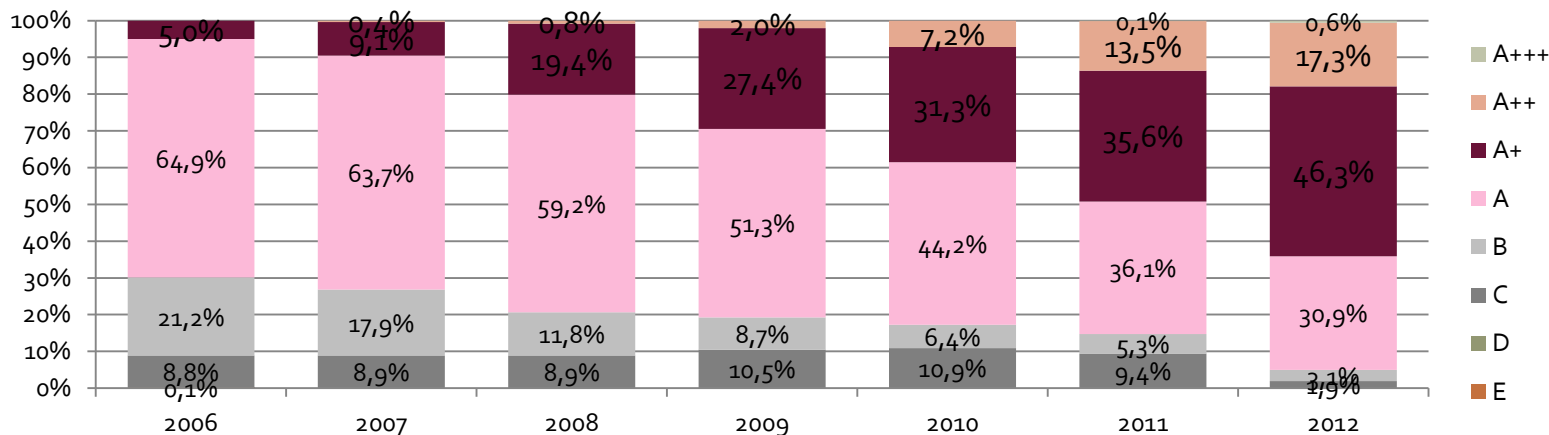
- Major activities in 2014 will be focused on improving the financial strength by lowering net financial debt by EUR 20m -25 m, by diversifying international financing sources and by efficient risk management;
- **Net debt/EBITDA of 3.6 is planned for the end of 2014.**

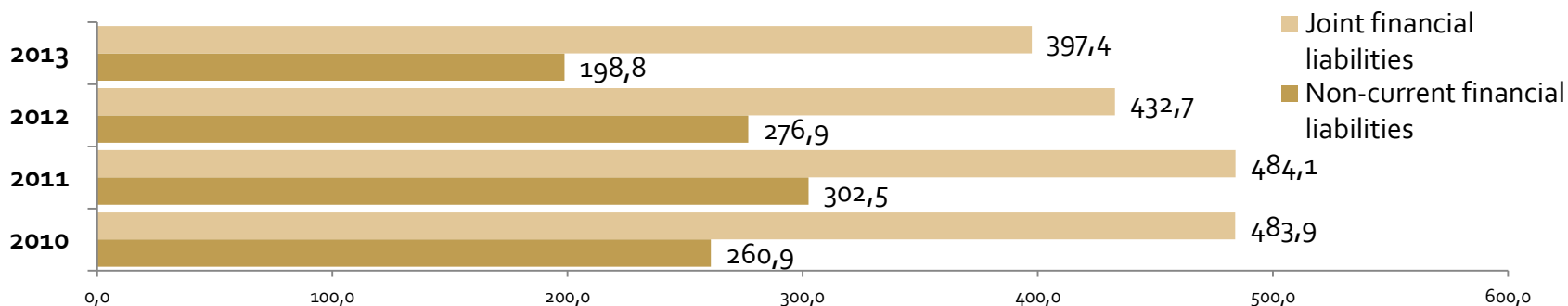


- We foster constant development of new home appliances with innovative functions and exceptional design;
- New products were launched in the markets, such as:
  - **ION refrigerator-freezer generation,**
  - Gorenje **dryers with a heat pump** in the energy class **A++, A+++,**
  - new **Asko** washing 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.

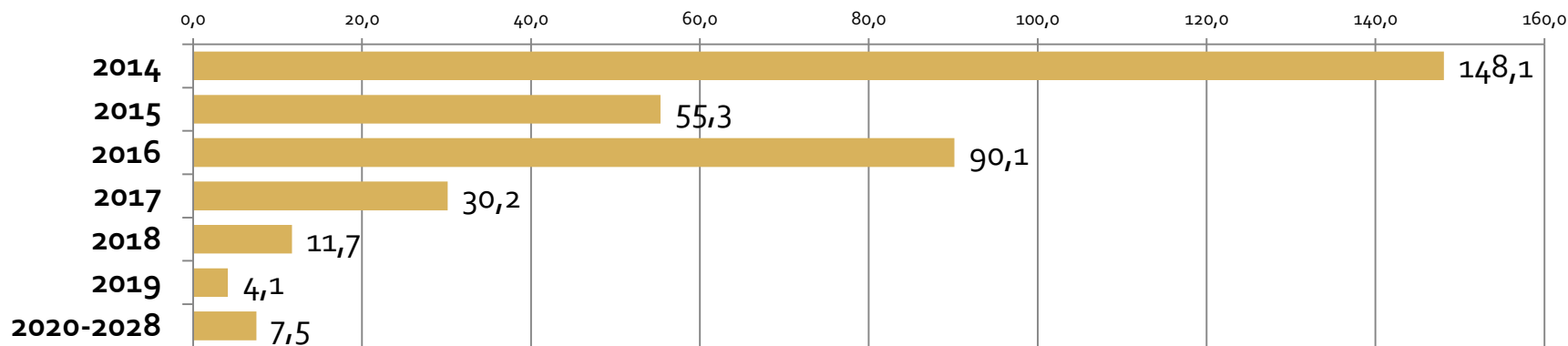
Positive sales effects were recorded already in Q4 2013, but their significant impact on the sales structure improvement will be visible in 2014.

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





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

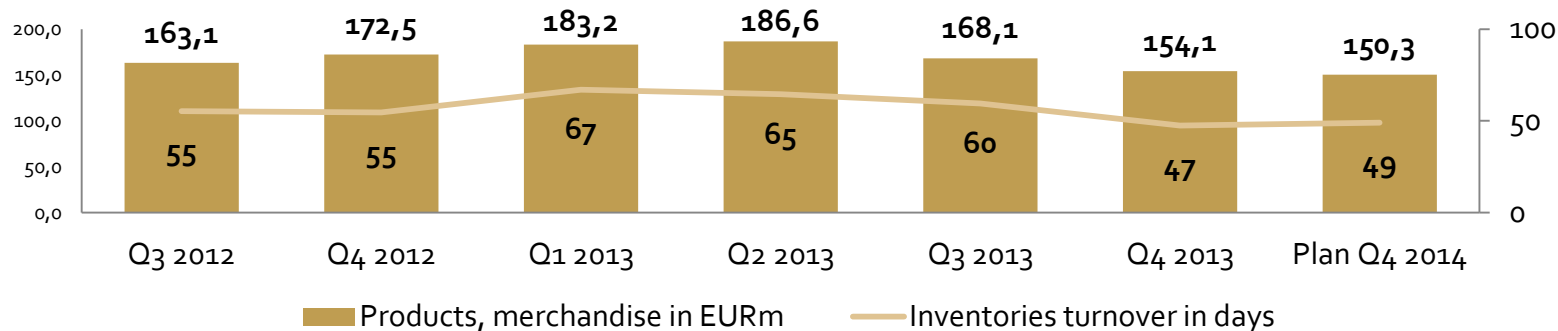


- In 2013 the **total financial debt was reduced by EUR 35.3m, and net financial debt by EUR 20.4m;**
- **The structure of debt worsened by 14 p.p. to 50%** (at the beginning of Q3 2013, when the loan, payable in one lump sum and due in July 2014 (Schuldschein), was transferred to the current portion 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.**

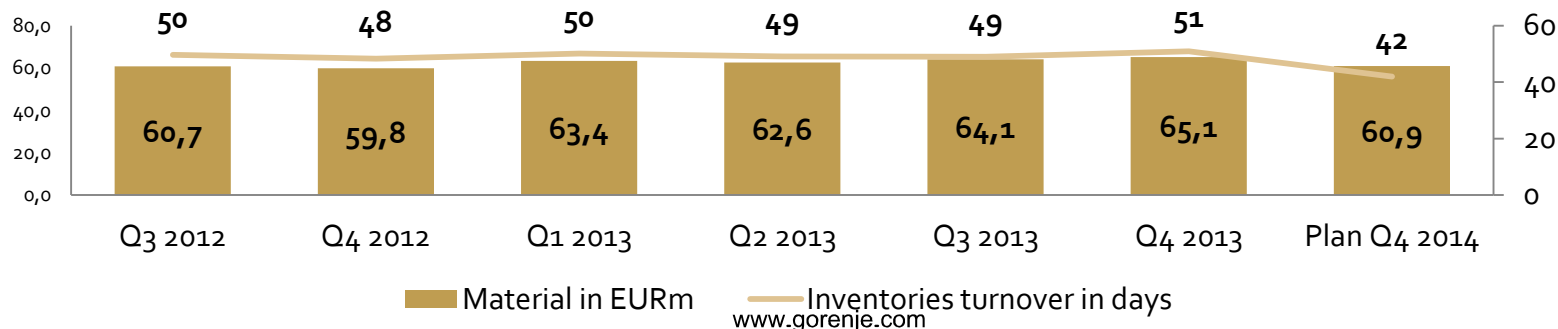
- Accelerated sale of underperforming assets. **Proceeds will be used to reduce debt**
- Gorenje Group received in 2013 to **EUR 23.7m proceeds from divestment of underperforming assets** (mainly real estate)
- Further divestment of non-strategic assets expected for **2014 - estimated proceeds of EUR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

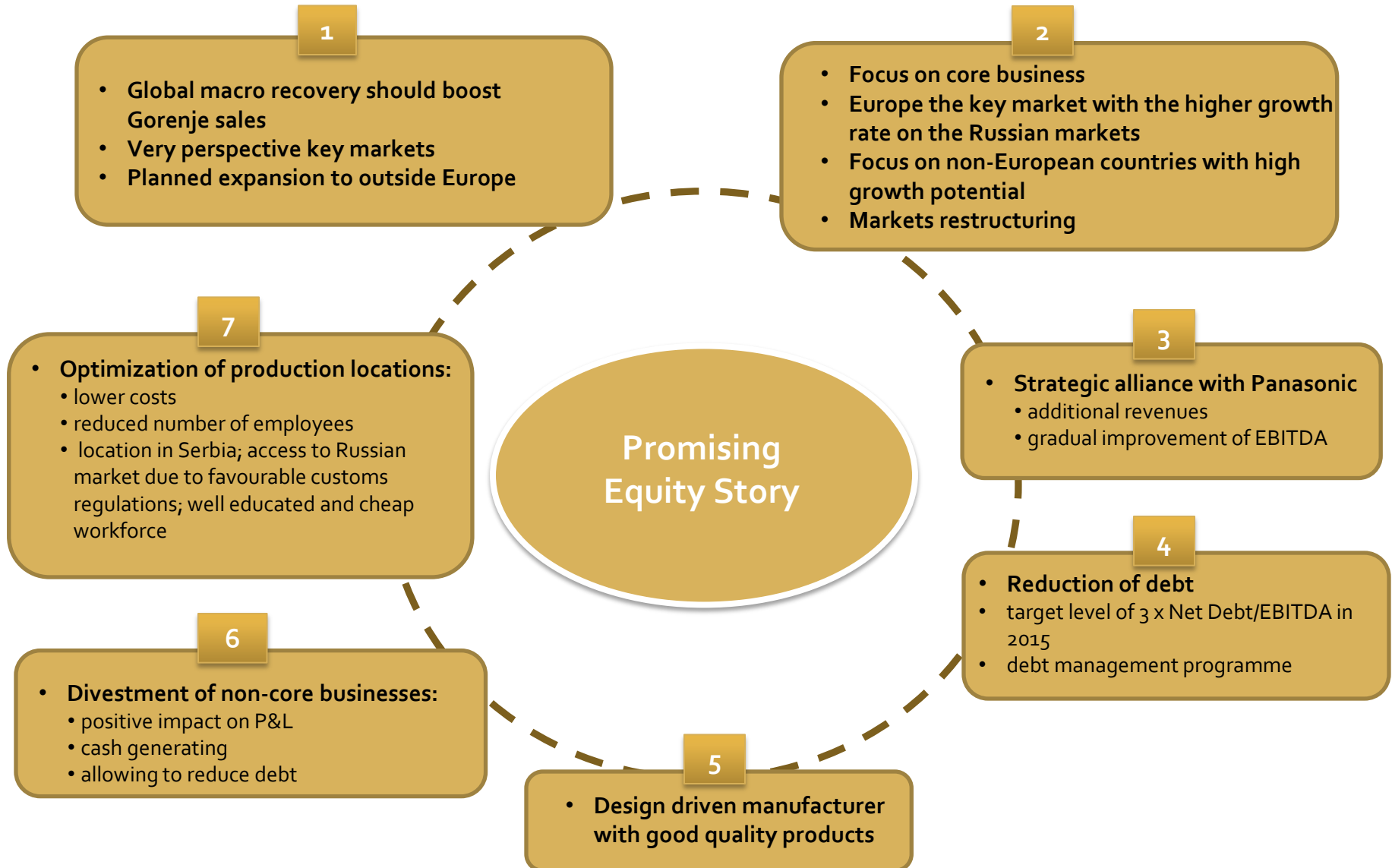


- Improved management of complexity of **products** and **merchandise**.  
**→ GOAL: 49 day-turnover** of inventories of products and merchandise within the Business segment Home (2013: 47 day-turnover)



- 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)





*This Presentation contains "forward-looking" statements and information – that is, statements related to future, not past, events, within the meaning of the Securities Market Act and the Rules and Regulations of the Ljubljana and Warsaw Stock Exchange. These statements may be identified by words such as "expects," "looks forward to," "anticipates," "intends," "plans," "believes," "seeks," "estimates," "will," "project" or words of similar meaning. Such statements include, among others, the financial goals and targets of parent company Gorenje, d.d., and Gorenje Group for future periods and future business and financial plans. These statements are based on current expectations and are subject to risks and uncertainties that could cause actual results to differ materially due to a variety of factors. A variety of factors, many of which are beyond Gorenje's control, affect Gorenje's operations, performance, business strategy and results and could cause the actual results, performance or achievements of Gorenje to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. These factors include, but may not be limited to the following: consumer demand and market conditions in the geographical areas and industries in which Gorenje Group operates, effects of currency fluctuations, competitive pressures to reduce prices, significant loss of business from major retailers, the possibility that customers may delay the conversion of booked orders into revenue or that prices will decline as a result of continued adverse market conditions to a greater extent than currently anticipated by Gorenje's management, the success in developing new products and marketing initiatives, developments in product liability litigation, progress in achieving operational and capital efficiency goals, the success in identifying growth opportunities and acquisition candidates and the integration of these opportunities with existing businesses, continued volatility and a further deterioration of the capital markets, progress in achieving structural and supply-chain reorganization goals. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the relevant forward-looking statement as expected, anticipated, intended, planned, believed, sought, estimated or projected. Gorenje does not intend or assume any obligation to update or revise these forward-looking statements in light of developments which differ from those anticipated.*