

Gorenje Group Interim Report 1H 2014

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1H 2014

Performance highlights

- **Revenue growth + 1.8 %**
- **Revenue growth in the core activity Home +0.6% (excl. currency translation differences +4.2%)**
- **Markets with the highest revenue growth: Russia, Germany, Czech Republic, North America, etc.**
- **Strong revenue growth in non-European markets**
- **Increase in premium sales +2.6% (Asko, Atag, designer lines)**
- **Improvement in operating profitability** resulting from restructuring and higher sales
- **Profit of EUR 3.1 million as planned**

1H 2014

Performance highlights

- **Turmoil in Ukraine resulted in a steep decline in sales; however, operations have stabilized and our market position has been retained**
- **More investment in new product development**
- **Launch of new generation ovens and other key development achievements**
- **Negative currency exchange differences: EUR -2.1 million**
- **Improvement in financial stability**

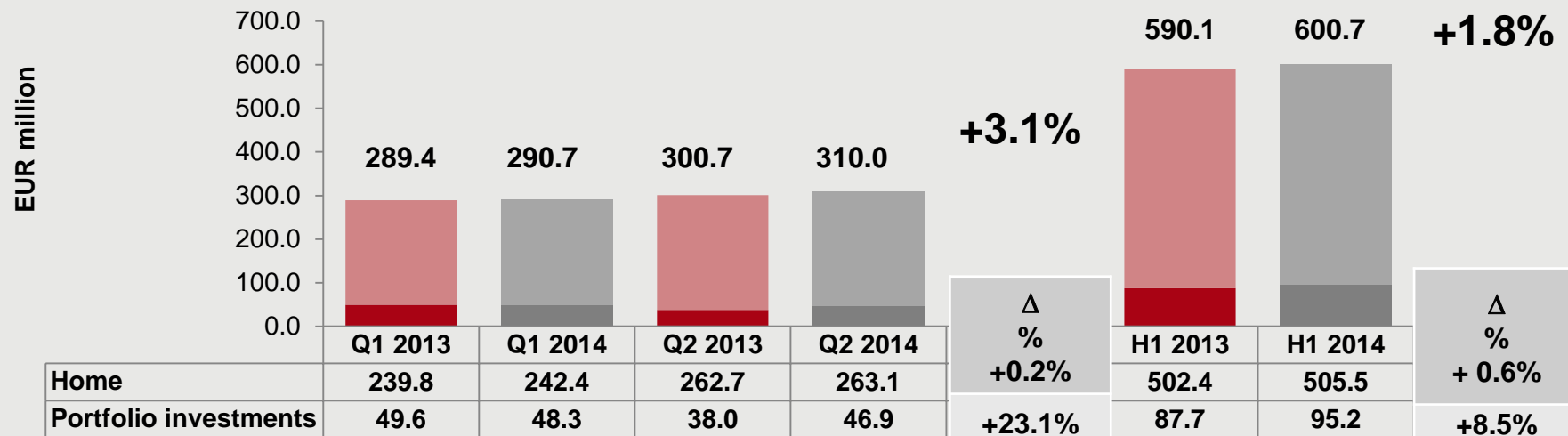
Key financial indicators

EUR million	Q2 2013	Q2 2014	Index	H1 2013	H1 2014	Index	Plan 2014	H1 2014/ Plan 2014
Revenue	300.7	310.0	103.1	590.1	600.7	101.8	1,286.5	46.7
EBITDA	20.7	22.3	108.0	36.8	43.1	117.2	93.7	46.0
<i>EBITDA margin (%)</i>	6.9%	7.2%	/	6.2%	7.2%	/	7.3%	/
EBIT	9.8	11.7	118.9	15.5	21.9	140.8	46.4	47.1
<i>EBIT margin (%)</i>	3.3%	3.8%	/	2.6%	3.6%	/	3.6%	/
Profit before taxes	-2.2	3.0	/	-3.2	5.5	/	16.4	33.6
Results w/o discontinued operations	-2.7	2.4	/	-5.0	3.8	/	13.2	28.8
Results from discontinued operations	-0.9	-0.3	35.5	-2.8	-0.8	27.0	-1.2	64.8
Profit for the period	-3.6	2.1	/	-7.8	3.1	/	12.1	25.3

Key financial indicators

EUR million	Q2 2013	Q2 2014	Index	H1 2013	H1 2014	Index	Plan 2014	H1 2014/ Plan 2014
ROS (%)	-1.2%	0.7%	/	-1.3%	0.5%	/	0.9%	/
ROA (%)	-1.2%	0.7%	/	-1.3%	0.5%	/	1.0%	/
ROE (%)	-3.7%	2.2%	/	-4.1%	1.6%	/	3.0%	/
Financial debt	456.3	432.1	94.7	456.3	432.1	94.7	362.0	119.4
Net financial debt	431.6	404.6	93.7	431.6	404.6	93.7	333.6	121.3
Net financial debt / EBITDA	5.0	4.8	/	5.0	4.8	/	3.6	/

Revenue by business segment



Organic revenue growth in both business segments

- Home:
 - + EE, overseas, some WE countries
- Portfolio investments

Revenue by geographical segment

EUR million	Q2 2013	%	Q2 2014	%	Δ (%)	H1 2013	%	H1 2014	%	Δ (%)
Western Europe	118.1	39.3	110.3	35.6	-6.6	235.3	39.9	226.2	37.7	-3.9
Eastern Europe	157.6	52.4	166.4	53.7	+5.5	309.2	52.4	317.8	52.9	+2.8
Rest of world	25.0	8.3	33.3	10.7	+33.3	45.6	7.7	56.7	9.4	+24.3
Group	300.7	100.0	310.0	100.0	+3.1	590.1	100.0	600.7	100.0	+1.8
Western Europe	116.5	44.4	108.4	41.2	-7.0	232.9	46.4	222.4	44.0	-4.5
Eastern Europe	121.2	46.1	121.5	46.2	+0.2	223.9	44.5	226.5	44.8	+1.2
Rest of world	25.0	9.5	33.2	12.6	+33.3	45.6	9.1	56.6	11.2	+24.3
Home	262.7	100.0	263.1	100.0	+0.2	502.4	100.0	505.5	100.0	+0.6

Core activity sales development

- **Western Europe -4.5%**

(mostly euro-denominated operations)

+ Germany, Greece, Great Britain

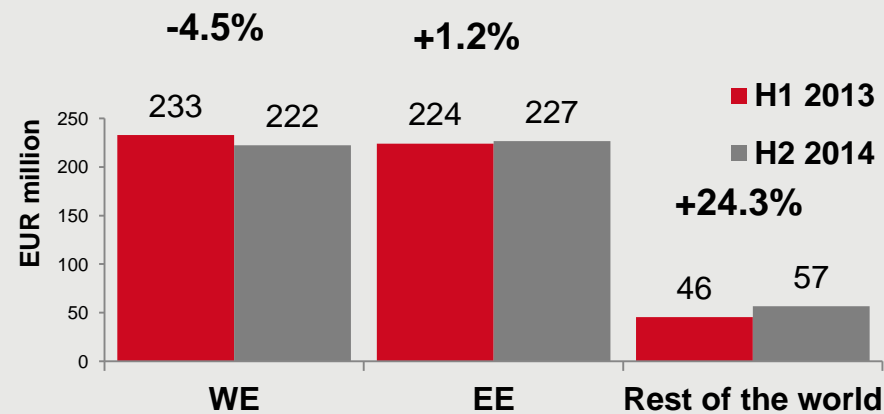
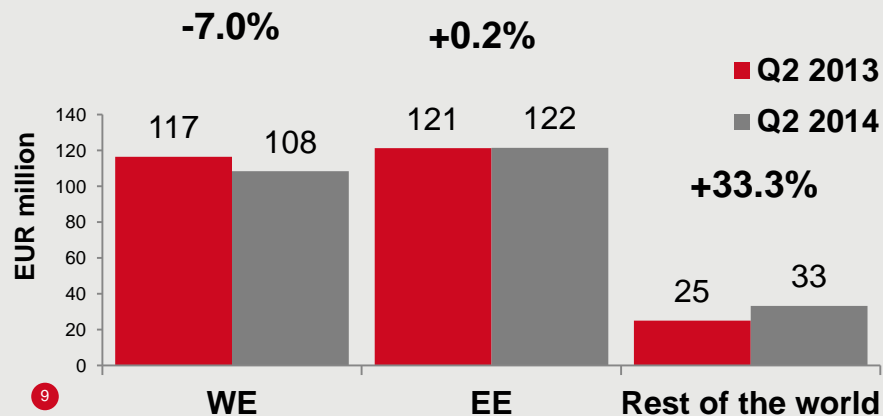
- Scandinavia (improvement forecast for Q3), France (new business model)

- **Eastern Europe +1.2%**

(adjusting for currency translation differences, +7.5%)

+ Czech Republic, Slovakia, Hungary, Caucasus region, Russia, BiH, Romania, Bulgaria

- Ukraine, Poland, Macedonia



Core activity sales development

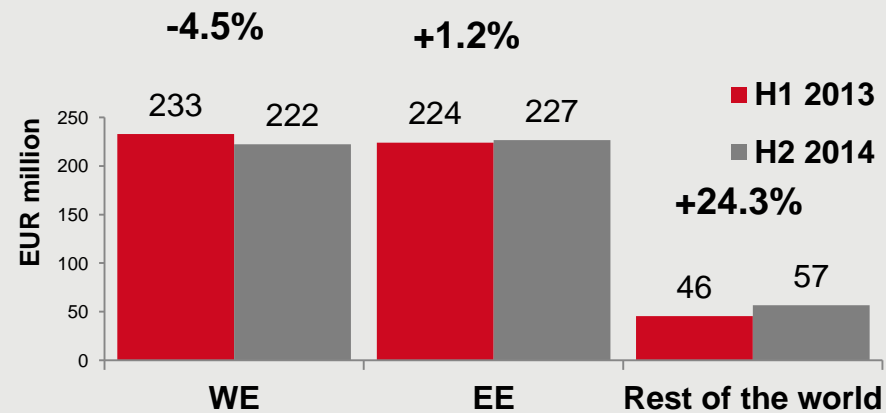
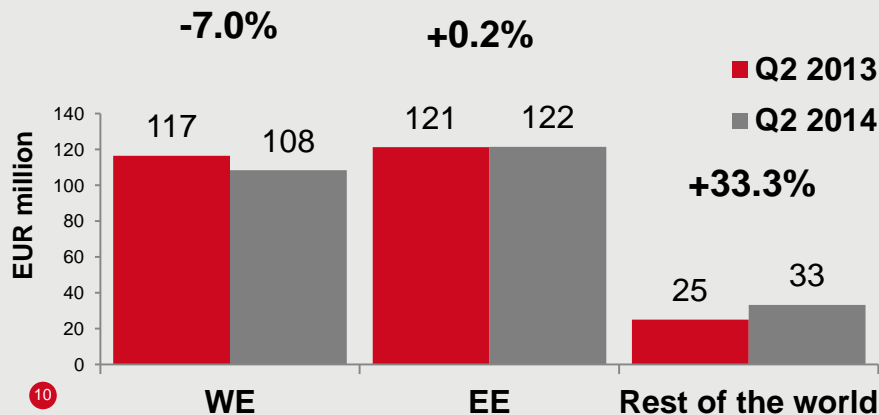
- **Markets beyond Europe +24.3%**

(adjusting for currency translation differences, +30%)

+ North America (as of April 1, Asko distribution through SubZero), Australia (sound Asko major appliance sales development), Far East (property development projects)

- **Growth of premium appliance sales (+2.6%) to 16.9% in total core activity revenue**

Strategic goal: 25% of total sales in 2018



New products and R&D investment



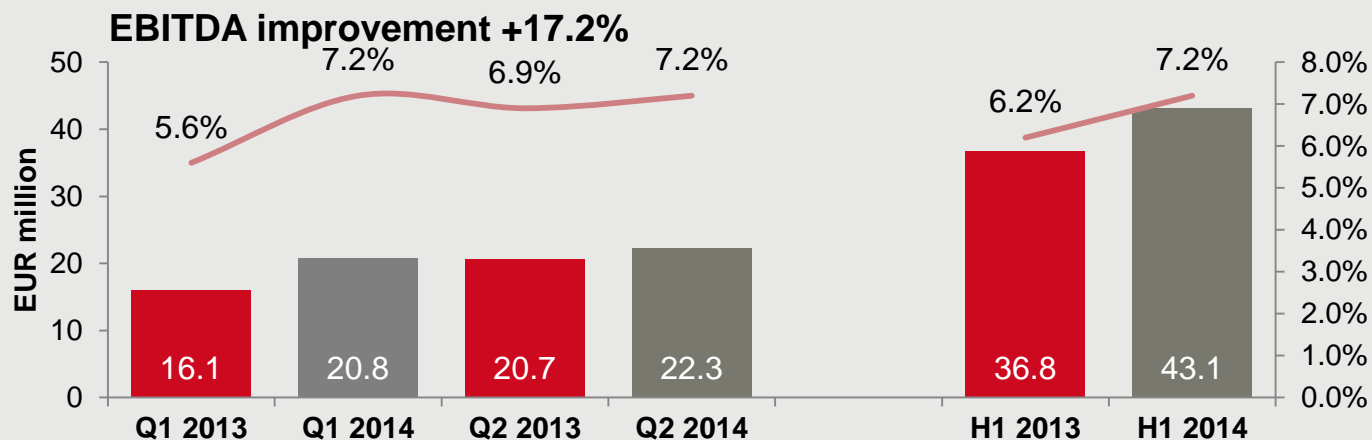
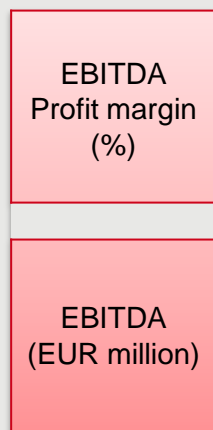
Key development achievements

- **New generation of premium built-in ovens** for several brands (key new launch at the IFA tradeshow in Berlin)
- **Asko ProSeries™ line of kitchen appliances**
- **Asko washing machine with 11-kg capacity**
- **Gorenje laundry dryer, energy class A+++**
- **Free standing fridge freezers, width 600 mm and height 2000 mm.**

R&D investments increased by 0.5 p.p. to 2.9% of total Home revenue

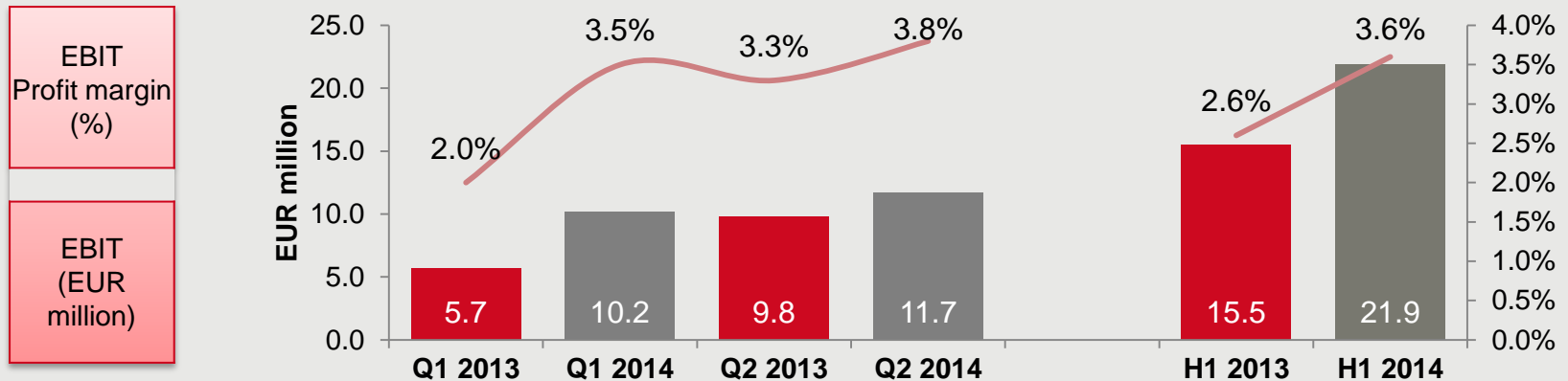
Improvement in profitability

- **Positive effects of strategic relocations and sales network restructuring:**
 - labor costs down by -10.5% (EUR 13.1 million)
 - improved energy cost management
- **Improved structure and volume of sales:**
 - premium sales growth +2.6%
 - sales growth in Russia, Germany, Czech Republic, North America, etc.
- **Successful raw and processed material cost management**

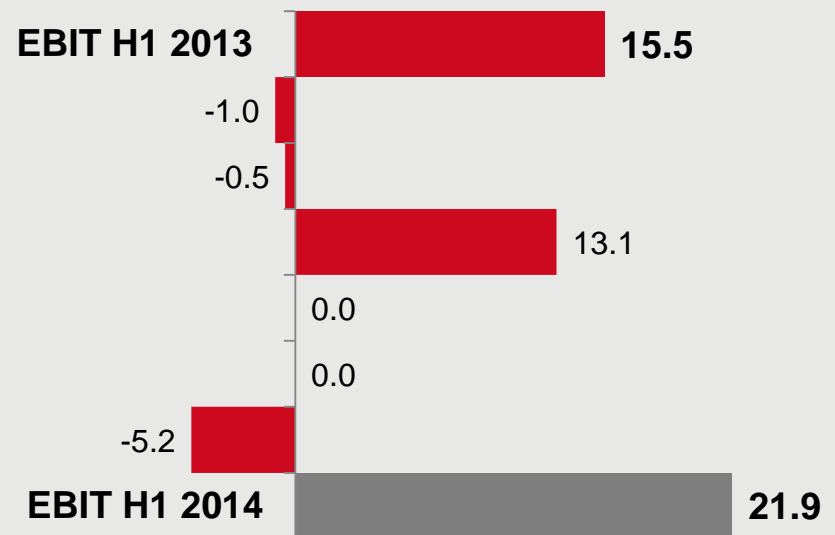


Improvement in profitability

EBIT improvement +40.8%

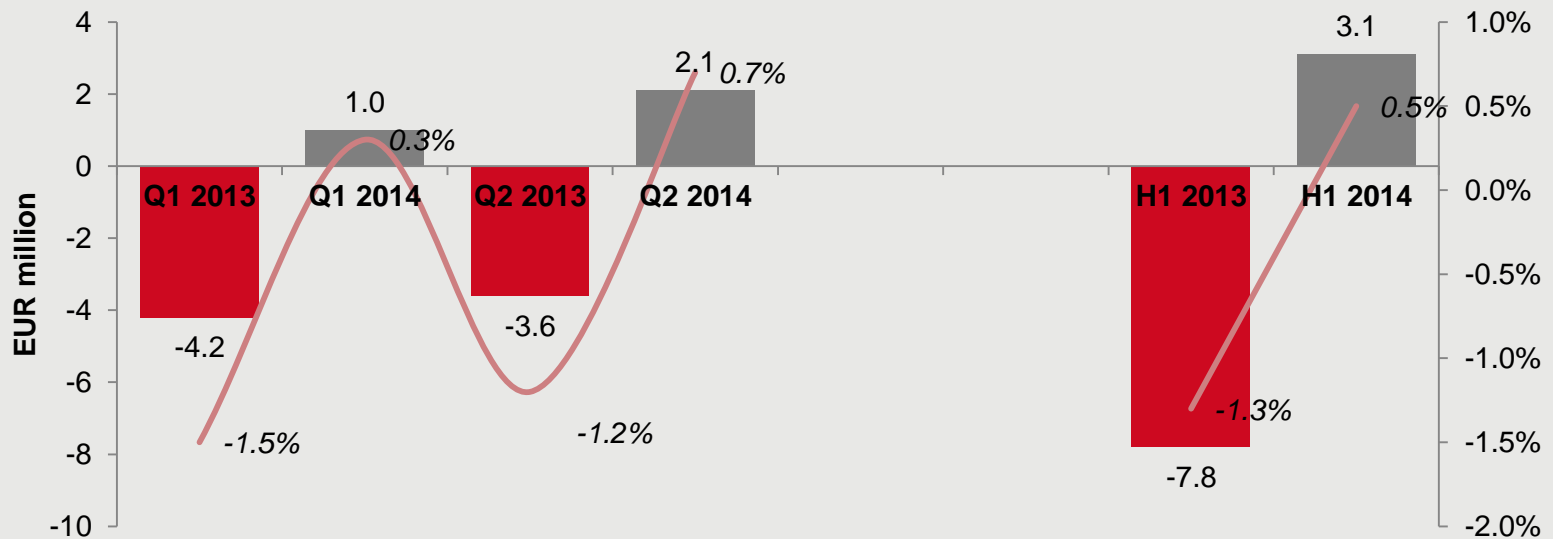


Contribution margin at the level of costs of goods and material
Costs of services
Labor costs / Employee benefit expenses
Depreciation and amortization expense
Other operating expenses
Other income



Improvement in profitability

- Positive results in the 1st and 2nd quarter
- **EUR 3.1 million of 2014 first half profit consistent with the plan** (improvement of profit/loss by EUR 10.9 million)

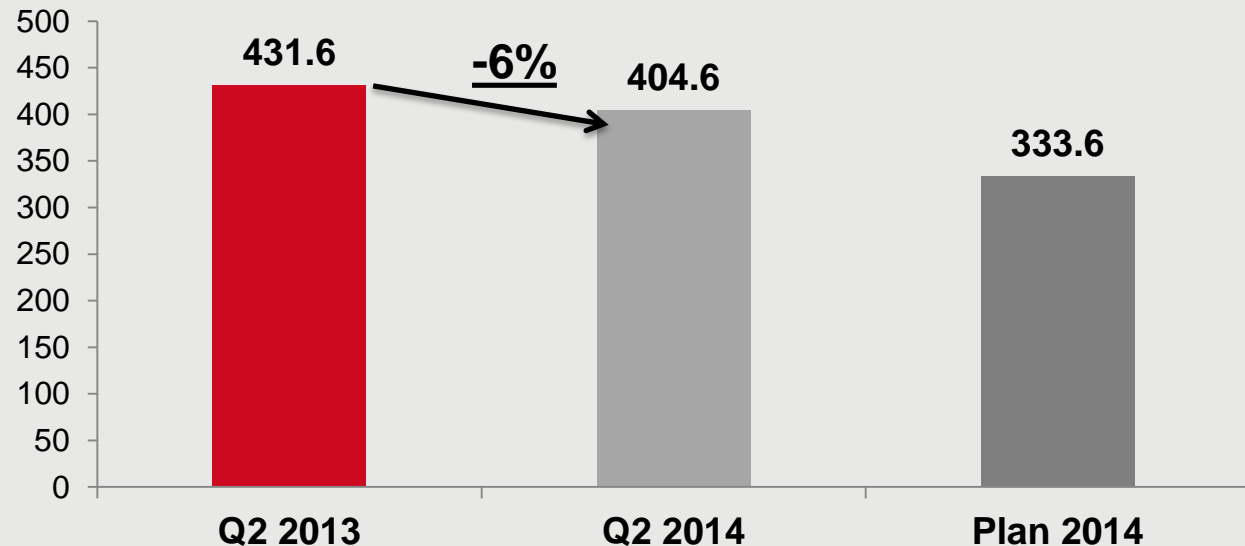


Improvement in financial stability

Deleveraging

- Gross debt: EUR -24.2 million
- Net debt: EUR -27.0 million
- Net debt/EBITDA: 4.8, or 0.2 better than in the first half of 2013 (target for 2014: 3.6)

Net debt, EUR million

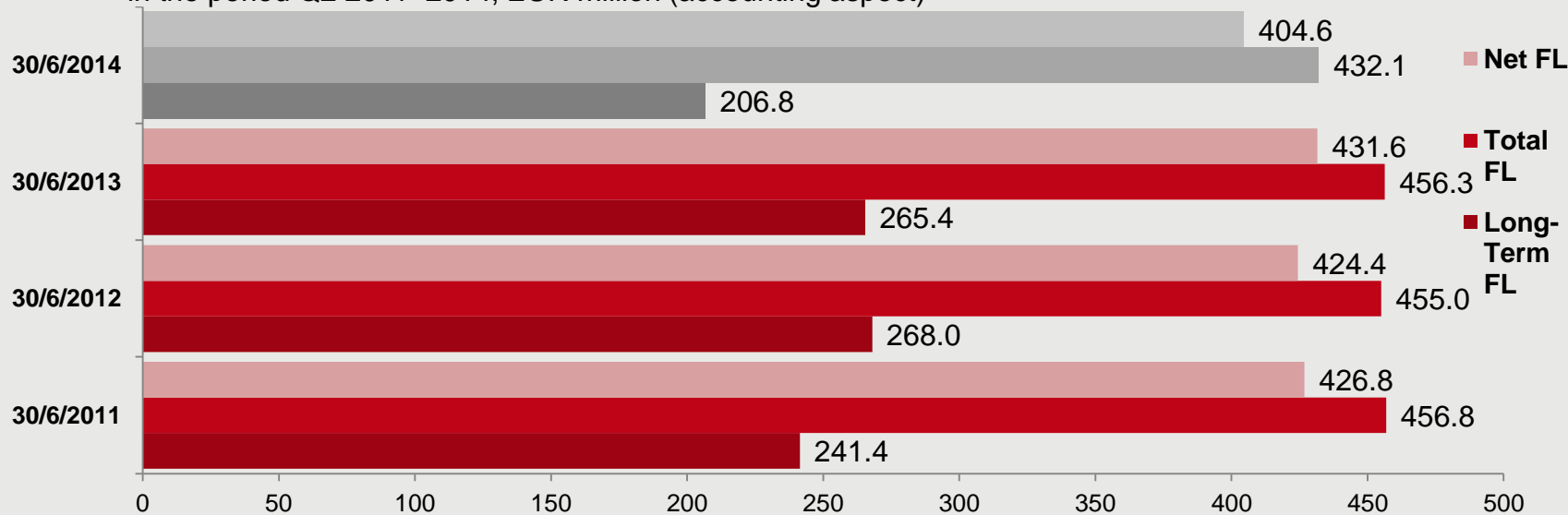


Improvement in financial stability

Debt repayment

- EUR 101.7 million of long-term borrowings repaid by July 15 (EUR 99.7 million substituted with new long-term loans)
- New loans do not increase overall debt
- In July 2014, the share of non-current financial liabilities at the July 2013 level

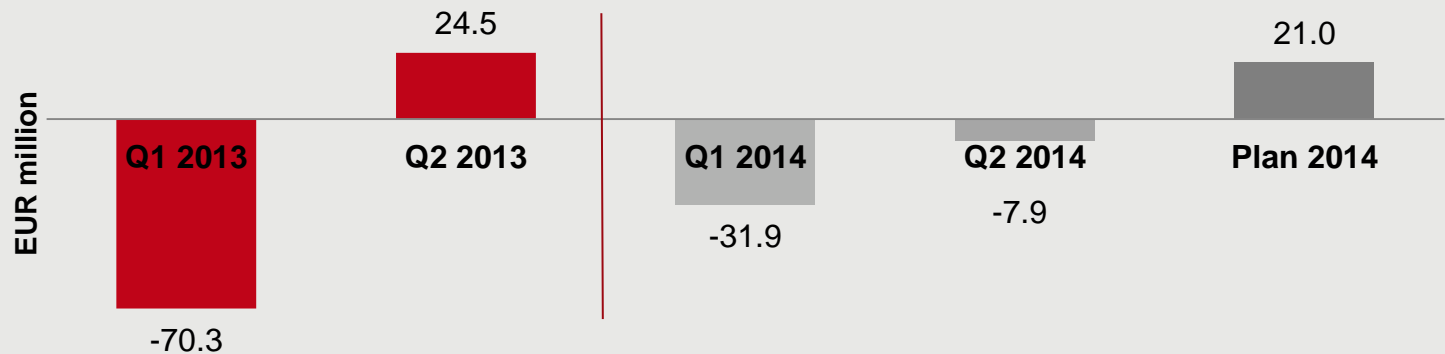
Changes in total, long-term, and net financial liabilities in the period Q2 2011–2014, EUR million (accounting aspect)



1H 2014

Improvement in financial stability

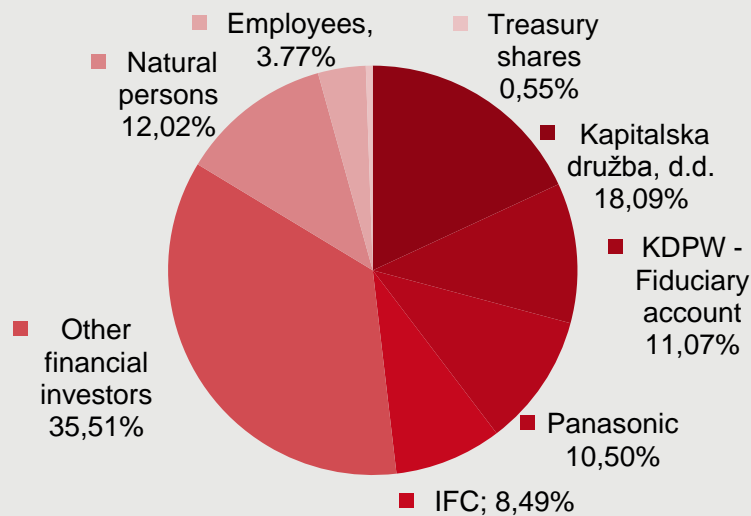
- **Cash flow from operating and investing activities improved by EUR 6 million**
- Negative cash flow seasonally dependent



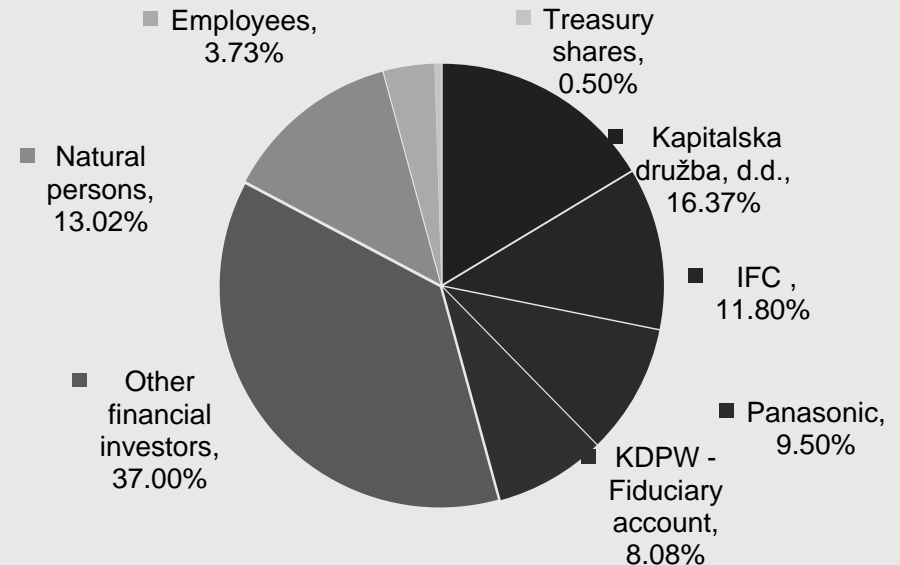
Improvement in financial stability

- **Successful completion of the third capital increase**
(debt to equity conversion)
- IFC converted EUR 4.02 million of debt
- Gorenjska banka converted EUR 5.67 million of debt (sale of shares acquired by third parties)

Ownership structure as at December 31, 2013



Ownership structure as at August 13, 2014



2H 2014

Market development

- **Persistently harsh conditions in Europe**
- **Highly unpredictable and volatile environment in Russia and Ukraine**

2H 2014

Key activities

- **Sales & Marketing**
 - ✓ Introduction of new generation ovens and other products
 - ✓ Improvement of sales structure
 - ✓ Effect of selective price increase (in markets with highly negative currency translation differences)
 - ✓ Development of premium brand Asko
- **Cost optimization**
 - ✓ Optimizing the costs of material, labour, services, etc.
 - ✓ Decreasing complexity
 - ✓ Lean organization development
- **Debt reduction**
 - ✓ Further divestment
 - ✓ Working capital optimization
- **Strategic partnership with Panasonic**
 - ✓ Joint washing machine development
 - ✓ Refrigerator and oven manufacturing for Panasonic

Forward-looking statements

This presentation includes forward-looking information and forecasts – i.e. statements regarding the future, rather than the past, and statements 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, without prejudice to any not mentioned herein, the following: Consumer demand and market conditions in geographical segments or regions and in the industries in which Gorenje Group is conducting its operating activities; effects of changes in exchange rates; competitive downward pressure on downstream prices; major loss of business with a major account/customer; the possibility of overdue or late payment on the part of the customers; decrease in prices as a result of persistently harsh market conditions, in an extent much higher than currently expected by the Gorenje Management Board; success of development of new products and 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 does not intend to assume and will not allow for any liability to update or revise these forecasts in light of development differing from the expected events.