

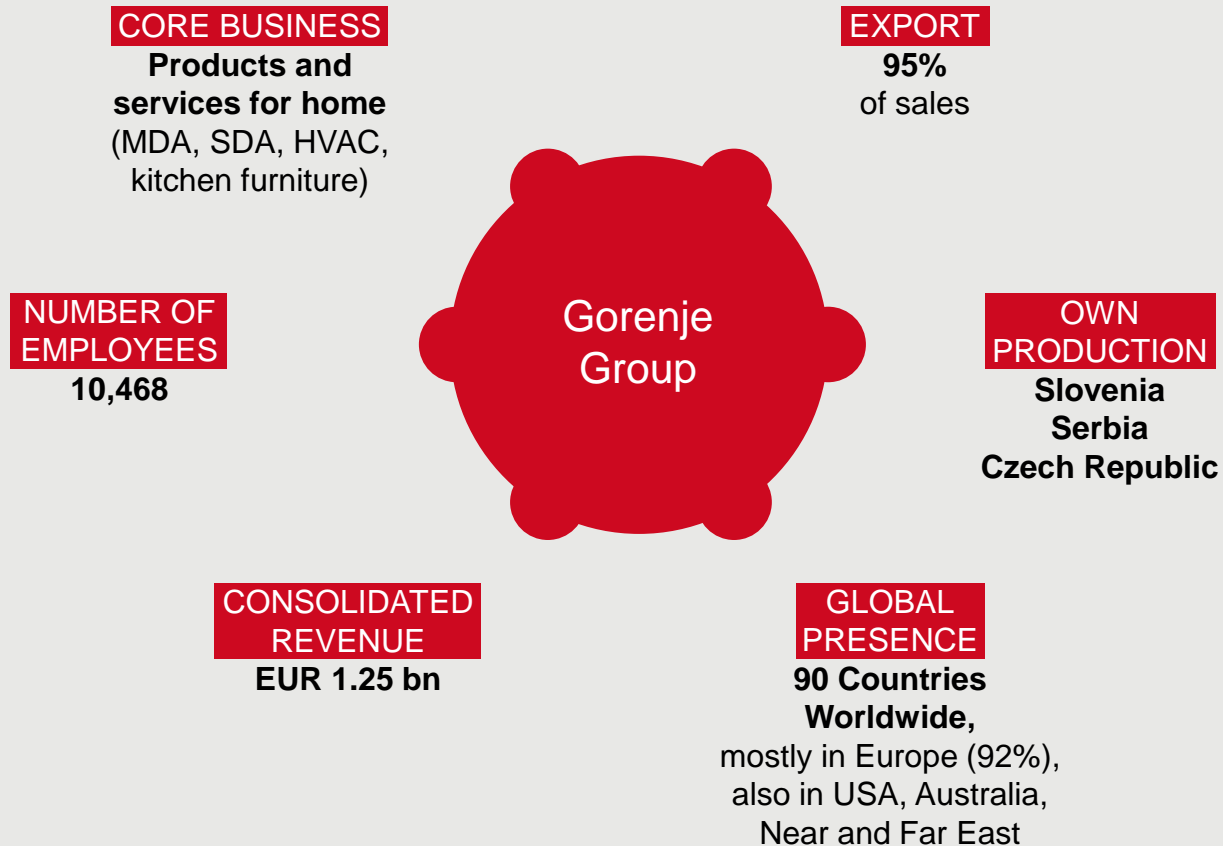
# Presentation of the Gorenje Group for Investors

**Erste Group Investor  
Conference 2015**

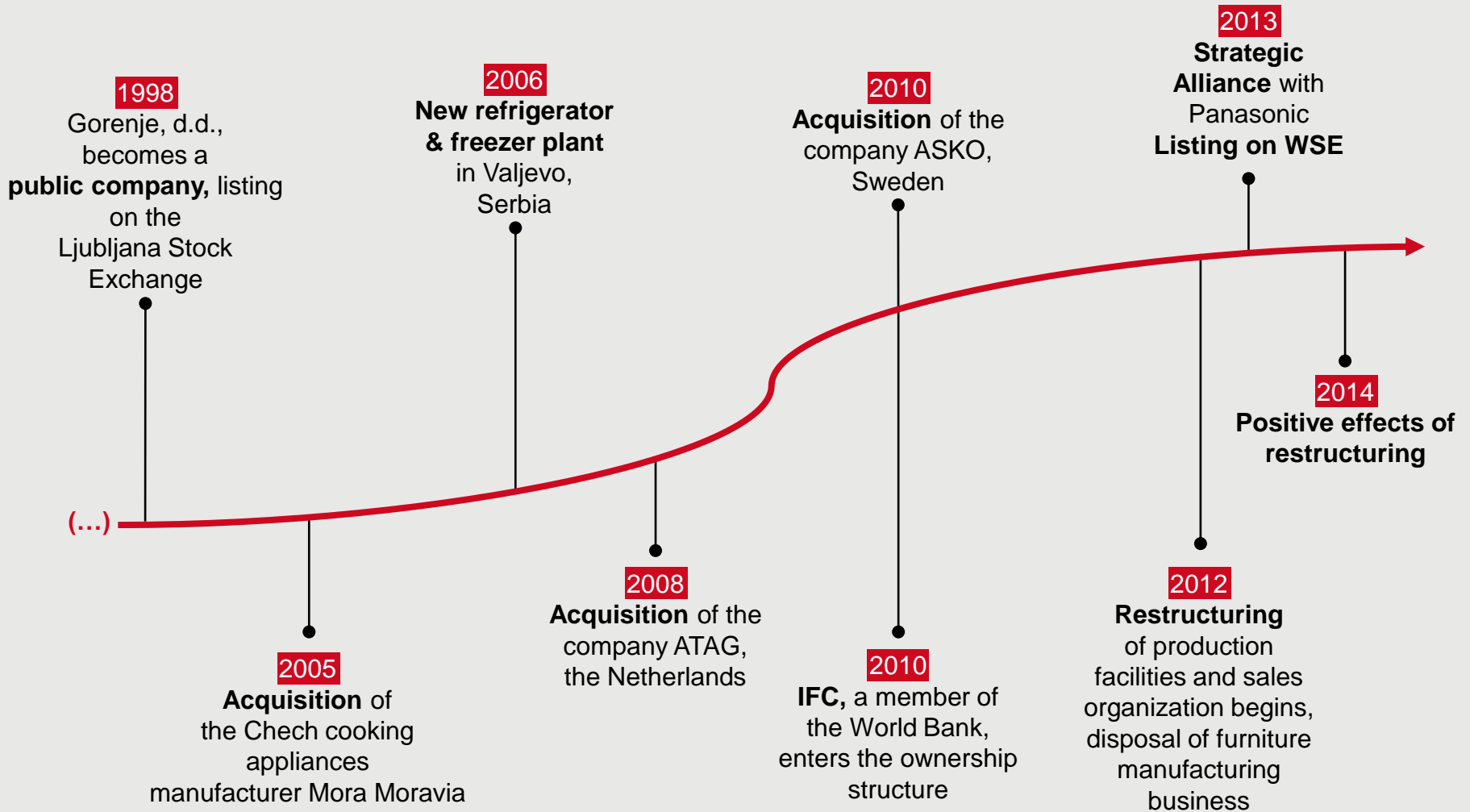
**Stegersbach, 6 October, 2015**



# One of Leading European Manufacturers of Products for Home

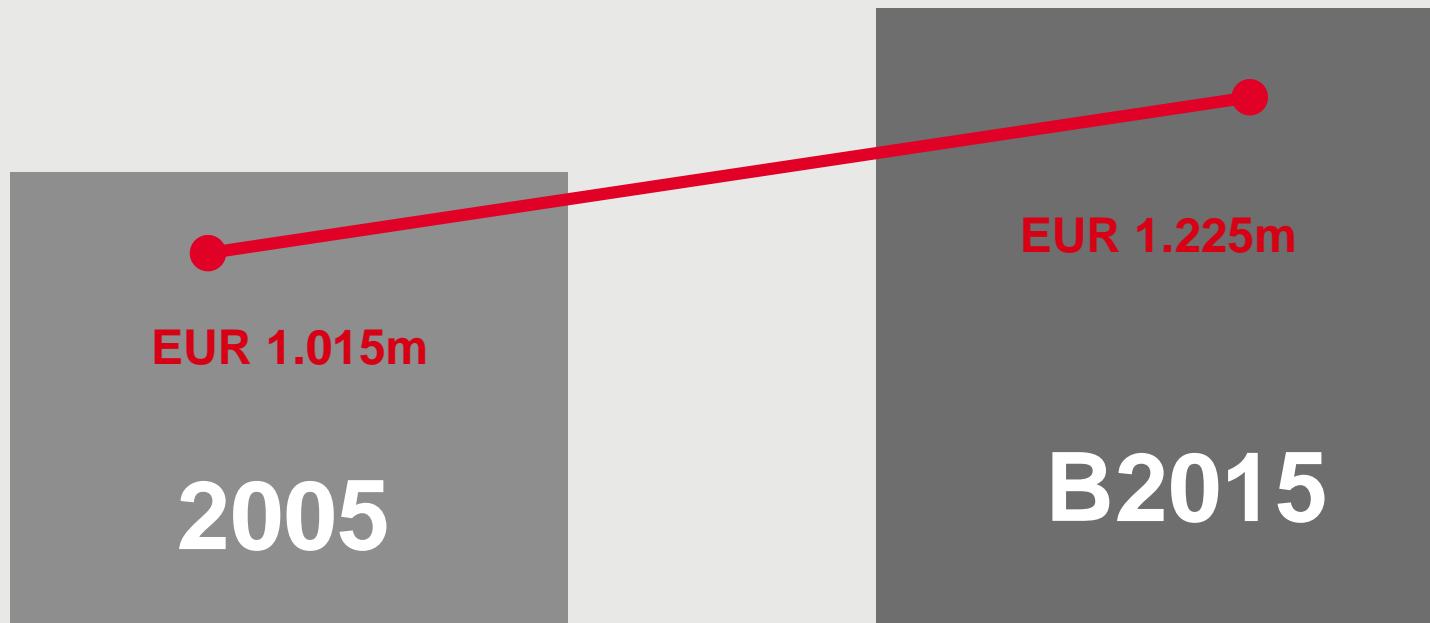


# Fast Development in the Last Decade

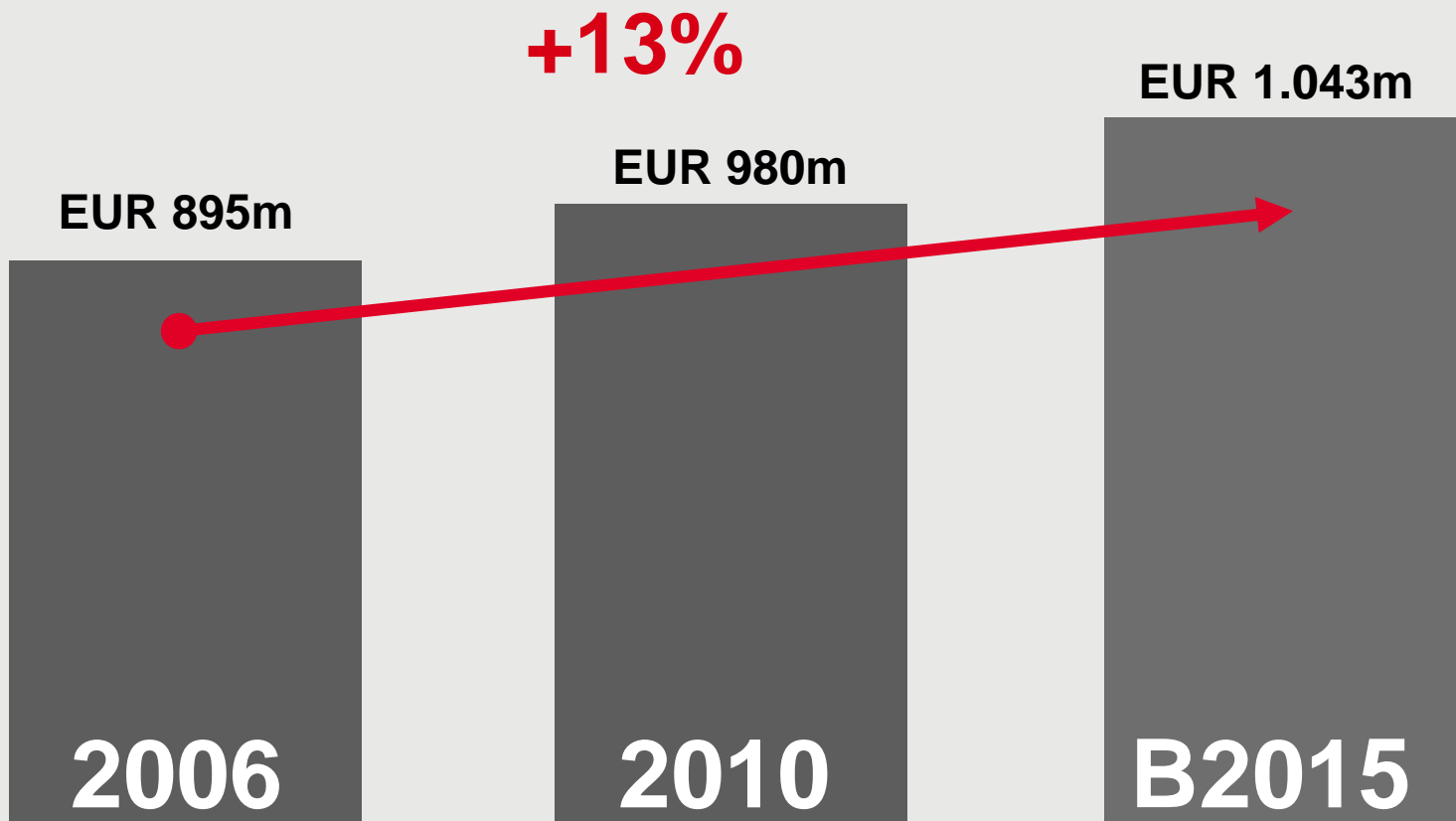


# Significant Group Revenue Growth

**+21%**

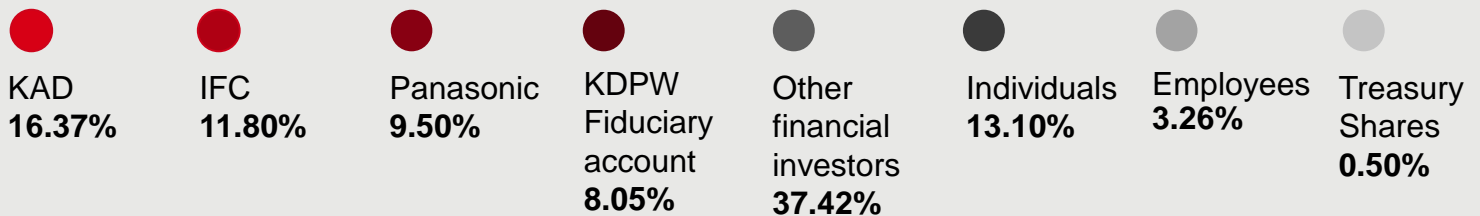


# Revenue Growth also in Home Business Segment



# Ownership Structure

More than 50% of foreign shareholders



# Business Model



# Brands

GLOBAL BRANDS

LOCAL BRANDS

**ASKO**

**ATAG**  
(Benelux)

PREMIUM

**Pelgrim**  
(Benelux)

**gorenje**

MID

BUDGET

**UPO**  
(Nordic)

**ETNA**  
(Benelux)

**MORA**  
(E Europe)

**körting**  
(SE Europe)



**gorenje**group



**gorenje**

**Global brand  
(mid and high-mid price segment, design  
lines)**

MDA and SDA brand

70 % of MDA revenue

Majority of revenue: Germany, Russia, SEE, Scandinavia

**gorenje**group



**ASKO**

**Global premium brand**

**Sales: EUR 100 m**

**Main markets: USA, Australia, Scandinavia,  
Russia, Asia (selected markets)**

**Short-term: extend product portfolio and  
strengthen position on key markets**

**Mid-term: expand to new markets**

# Business Segments

% in revenue 2014:

86%

14%

## CORE BUSINESS

Products and services for home

### MDA

(major domestic appliances)

### SDA

(small domestic appliances)

### HVAC

(heating, ventilation, air conditioning)

## PORTFOLIO

investments

Ecology

•  
Tool making

•  
Engineering

•  
Hotel and catering

•  
Trade

# Production Facilities in 3 countries

## **Slovenia**

Velenje

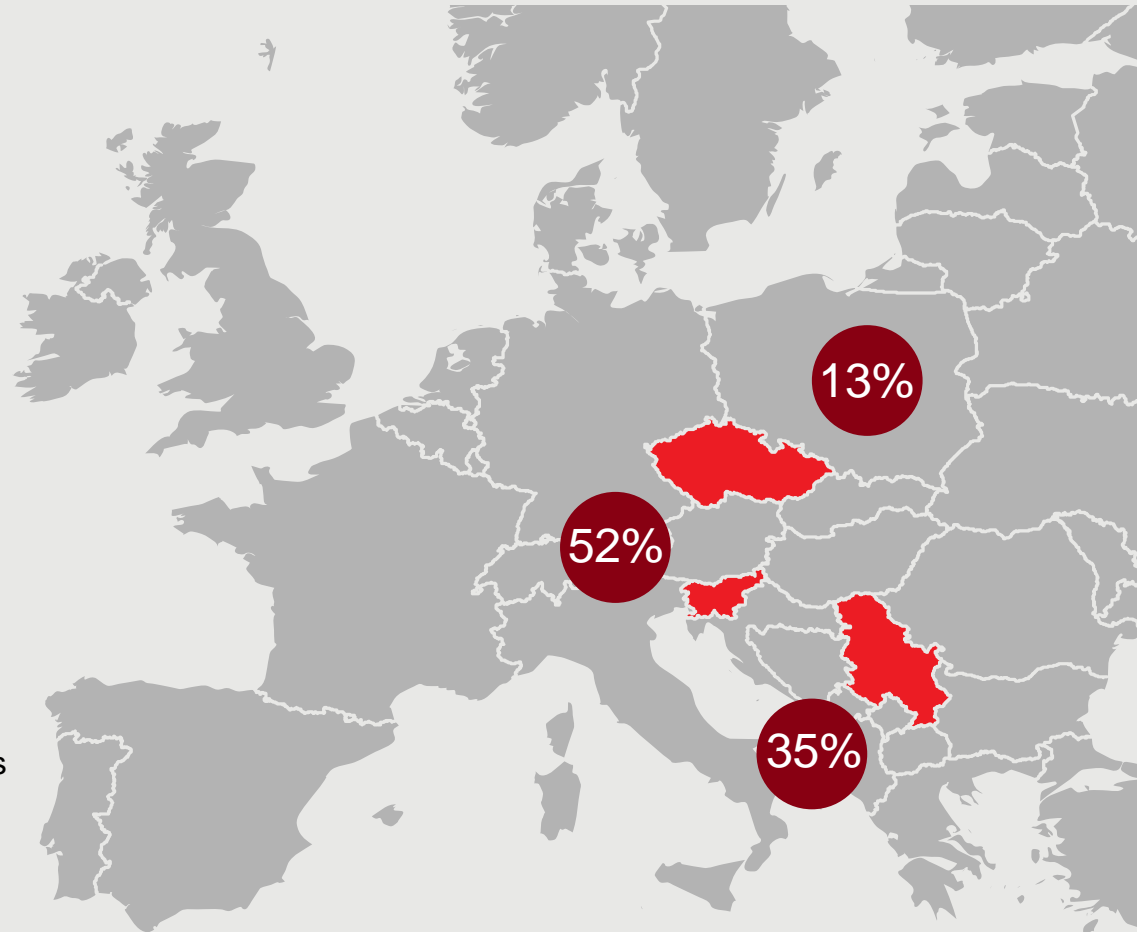
## **Czech Republic**

Mariánské údolí

## **Serbia**

Valjevo, Stara Pazova, Zaječar

- Lowest labour costs
- Favourable customs conditions to Russia



# Most Important Markets: Germany, the Netherlands and Russia

**GERMANY**  
**RUSSIA**  
**THE NETHERLANDS**

**CZECH REPUBLIC**  
**SERBIA**  
**SCANDINAVIA**  
(DK, FI, NO, SE)

**SLOVENIA**  
**CROATIA**

**AUSTRALIA**  
**USA**

UKRAINE  
BIH  
AUSTRIA  
HUNGARY  
POLAND  
BELGIUM  
BIH  
ROMANIA  
SLOVAKIA  
BULGARIA  
MENA REGION  
GREAT BRITAIN  
MONTENEGRO



# Strategic Alliance with **Panasonic**

## LONG-TERM STRATEGIC ALLIANCE

### BUSINESS ALLIANCE

**R&D – joint development projects:** (new washing machines)

**Production:** Increased production capacity utilization;  
Exchange of manufacturing know-how

**Sales:** Possibility of joint sales-distribution channels

**Strategic cooperation expanded to new business**

**segments:** (a) procurement of materials & components, (b) manufacturing innovation, (c) consumer (aftersales) services, (d) logistics, (e) quality assurance, (f) distribution of major and small domestic appliances on selected markets

### CAPITAL ALLIANCE

**Panasonic - a minority shareholder** in Gorenje

**Standstill agreement** - Panasonic not to increase its stake in share capital above 13% till 2018

## GORENJE BENEFITS FROM THE STRATEGIC ALLIANCE

Better absorption of fixed costs

Improved capital structure

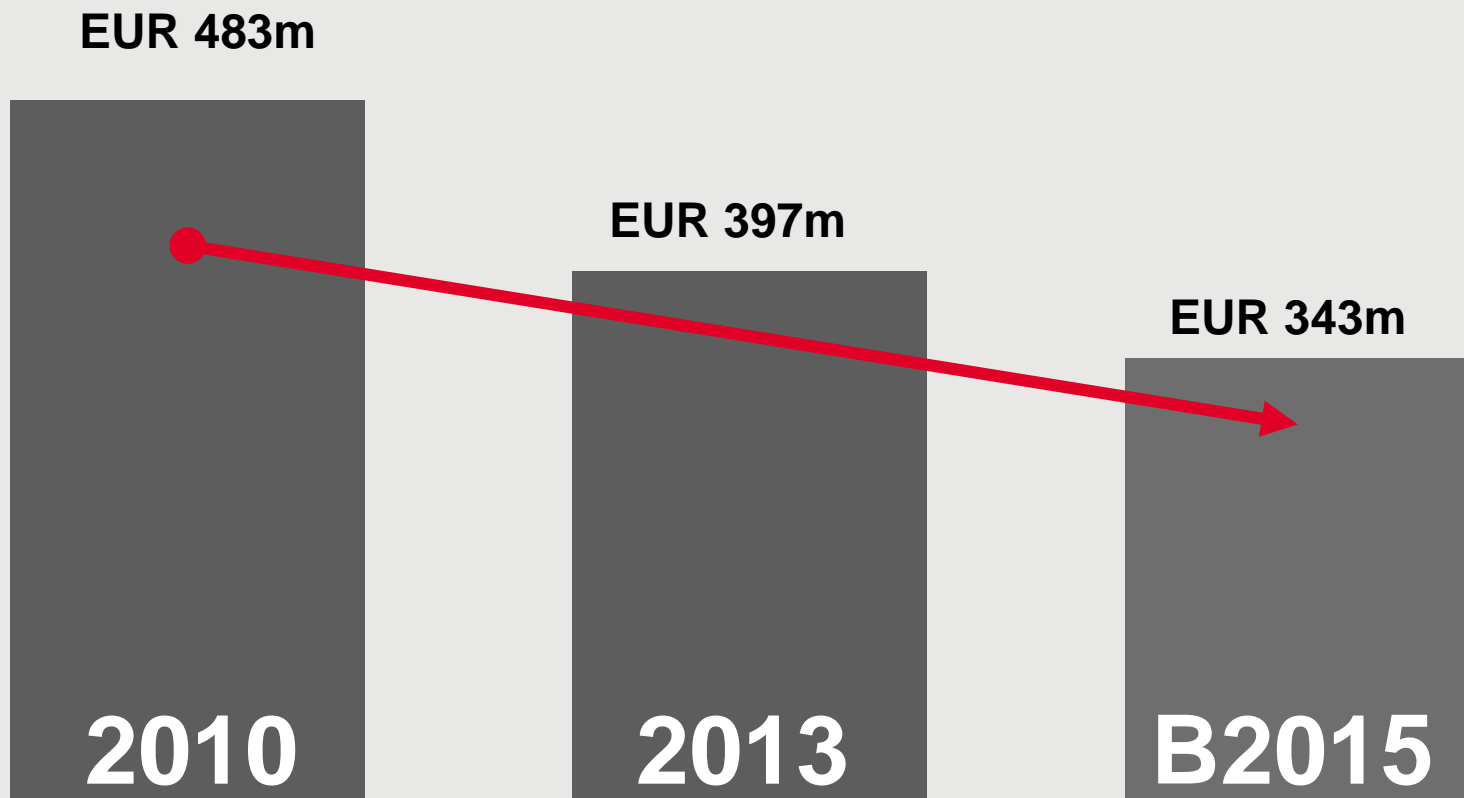
Accelerated investment and R&D activities

Better access to new financial sources

**Additional annual revenues of up to EUR 80 m by 2018**

**Gradual improvement of EBITDA of up to EUR 20 m on a yearly basis by 2018**

## Lowering of gross financial debt



Optimization of net working capital  
Divesting activities  
Business performance (EBITDA)

# 2014

## was the year of

### **1. unstable business environment**

- Ukrainian and Russian crisis
- exchange rates volatility
- unstable environment in Asia

### **2. improved profitability**

- revenue growth
- positive effects of manufacturing restructuring in 2012-2013
- better management of raw and processed material costs

### **3. greater financial strength**

- better working capital management
- lower net debt
- improved maturity profile

### **4. strategic partnership with Panasonic**

### **5. development of new markets and business cooperation**

- cooperation with the company SubZero in the US
- development of the Asko brand
- development of innovative appliances for own brands
- faster growth in overseas markets



## 2014: Core Financial Indicators

2014

- ➔ **Group's revenue:** EUR 1,245.6m (+0.4%)
- ➔ **Home revenue:** EUR 1,065.9m (+0.1%); organic growth +3.8%
- ➔ **EBITDA:** EUR 86.5m (+10.6%); **EBITDA margin:** 6.9% (+0.6 p.p.)
- ➔ **EBIT:** EUR 43.5m (+19.8%); **EBIT margin:** 3.5% (+0.6 p.p.)
- ➔ **Profit for the period:** EUR 1.2m (EUR +26.2m); 2013 loss: EUR -25.0m

EURm	2013	2014	Index
Revenue	1,240.5	1,245.6	100.4
EBITDA	78.2	86.5	110.6
<i>EBITDA margin (%)</i>	6.3%	6.9%	/
EBIT	36.3	43.5	119.8
<i>EBIT margin (%)</i>	2.9%	3.5%	/
Profit or loss before tax	-18.6	4.9	/
Profit or loss without discontinued operation	-14.4	2.2	/
Profit or loss of discontinued operation	-10.6	-1.0	9.4
Profit or loss for the period	-25.0	1.2	/

# H1 2015

- 1. Further unstable business environment**
  - Macroeconomic and political instability: Russia, Ukraine, Asia.
  - Political and economic events and developments around Greek debt crisis.
  - Exchange rate fluctuations USD / EUR / RUB.
- 2. Concentration of competition in other European markets due to loss of sales in Russia and Ukraine (price pressure) - however, Gorenje managed to increase average prices by +1%.**
- 3. Q2 saw a significant improvement in operating activities in the Home segment:**
  - +11% (EUR +25m) Q2 2015 / Q1 2015 revenue growth
  - June was the strongest month in 2015
  - Good sales structure in June (ASKO, East Europe, CIS)
  - Sales volume in H1 is in line with expected annual dynamics.
- 4. Without Russia and Ukraine, revenues equal H1 2014 (and in line with the business plan).**
- 5. Enhancing the strategic partnership with Panasonic corporation.**

# H1 2015

- 6. Development of innovative appliances and business partnerships:** SZW, GE, Felix Storch, Franke; development of the Asko brand; development of innovative products for own brands.
- 7. Cost and process optimization:**
  - Timely purchase of material and raw materials on global markets;
  - Higher supply of components from low-price countries;
  - Optimizing costs of material in production;
  - Lower costs of services (mostly logistics);
  - Limited adjustment of employee benefits expense (lower average number of employees);
  - Projects related to improving business process productivity.
- 8. Group loss of EUR -6.9m.**
- 9. Higher seasonal debt:** management of working capital; planned growth of indebtedness, comparable with H2 2014; improved maturity structure of sources of financing.

# H1 2015: Core Financial Indicators

- Revenue in Q2 2015 achieved an 11% growth compared to Q1 2015.
- Revenue in H1 2015 comply with the planned dynamics.
- Major impact of USD strengthening on the Group's margin (EUR -4.8m).

EURm	Q2 2014	Q2 2015	Index	H1 2014	H1 2015	Index	Plan 2015	Plan track
Revenue	312.0	289.8	92.9	604.7	557.8	92.2	1.224.1	45.6
EBITDA	22.0	17.9	81.3	42.4	33.7	79.4	91.4	36.8
<i>EBITDA margin (%)</i>	7.1%	6.2%	/	7.0%	6.0%	/	7.5%	/
EBIT	11.3	6.3	55.4	21.1	10.7	50.8	41.7	25.8
<i>EBIT margin (%)</i>	3.6%	2.2%	/	3.5%	1.9%	/	3.4%	/
Profit or loss before tax	2.7	-4.6	/	4.8	-5.3	/	9.3	/
Profit or loss for the period	2.1	-4.8	/	3.1	-6.9	/	6.1	/
ROS (%)	0.7%	-1.7%	/	0.5%	-1.2%	/	0.5%	/
Net financial debt	404.2	408.3	101.0	404.2	408.3	101.0	321.0	127.2
Net financial debt / EBITDA	4.9	5.3	/	4.9	5.3	/	3.5	/

# H1 2015: Business Performance

- ➔ **Sales growth:** Czech Republic, Slovakia, Poland, Hungary, Slovenia, Bosnia and Herzegovina, Macedonia, Bulgaria, Romania, the Netherlands, Australia
- ➔ **Drop in sales:** Russia, Ukraine, Germany, Scandinavia, Great Britain, North America (SZW)

# H1 2015: Business Performance

- ➔ **Growth of sales volume innovative appliances within the sales structure to: 7.8% (+1.1 p.p.)**
- ➔ **Increased share of sales volume premium appliances in the sales structure to: 16.6% (+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 Atag and Asko brands, appliances from the Gorenje Design lines (Gorenje Simplicity, Gorenje Ora Ito, Gorenje Pininfarina, Gorenje Classico, Gorenje One, Gorenje Karim Rashid, Gorenje Color edition, Gorenje +, Gorenje Retro).

## H1 2015: Effects of foreign exchange rate fluctuations

- ▶ The impact of exchange differences in Eastern Europe was accompanied by the higher than planned loss of sales due to **Russia (EUR -28m partly also due to the exchange rate)**
- ▶ Without considering other categories (i.e. exchange rate hedging, adjusting prices to markets, product structure, etc.), the impact of foreign currency fluctuations on the Group's organic growth in revenue in key markets was as follows:

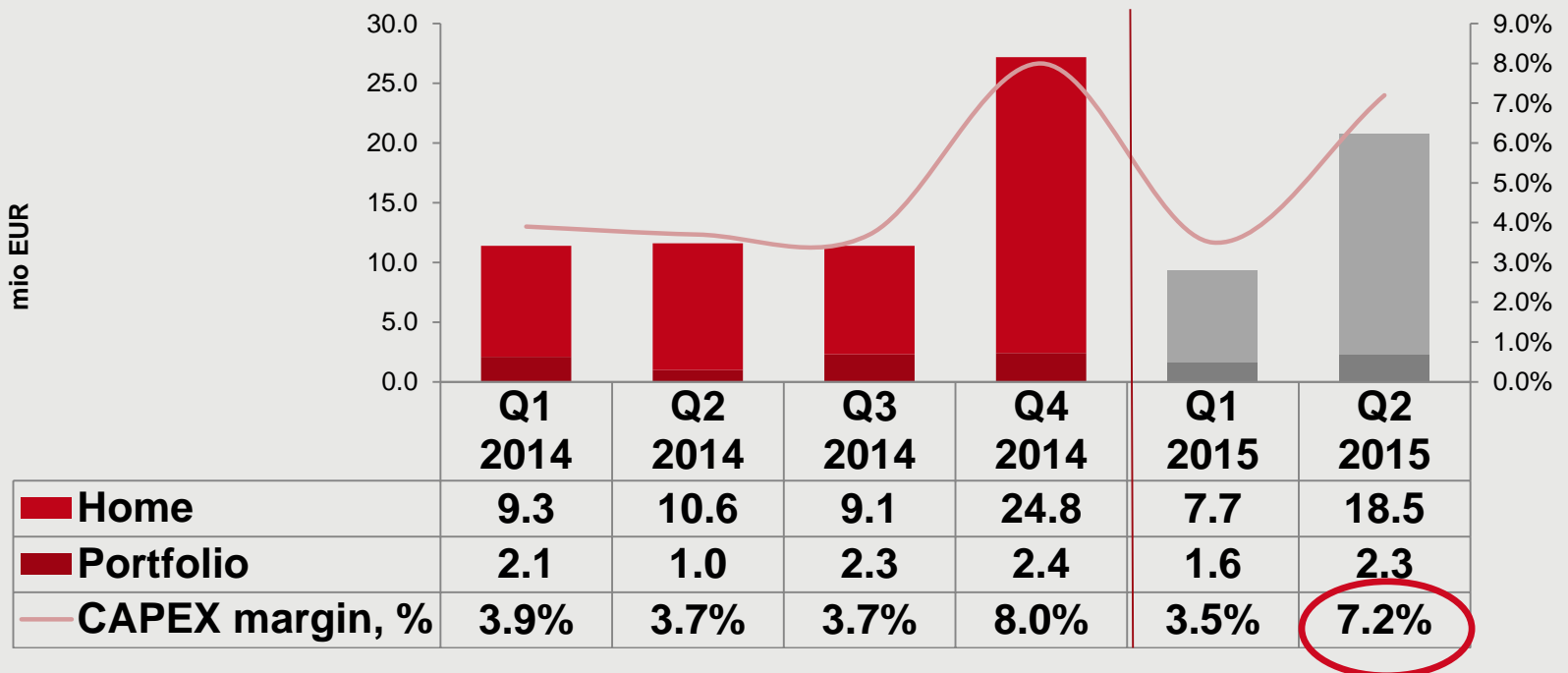
**Exchange rate differences**

Home in EURm	Currency impact on revenue	Actual revenue H1 2015	Actual revenue H1 2015 valued at exchange rate H1 2014	Actual revenue H1 2014	Actual growth (%)	Organic growth (%)
West	-0.3	219.5	219.8	226.3	-3.0%	-2.9%
East	-13.1	201.7	214.8	224.1	-10.0%	-4.1%
Other	2.0	51.6	49.7	59.1	-12.6%	-15.9%
<b>TOTAL</b>	<b>-11.4</b>	<b>472.8</b>	<b>484.3</b>	<b>509.5</b>	<b>-7.2%</b>	<b>-5.0%</b>

While calculating the impacts of foreign currency fluctuations on the sale's organic growth, we take into account revenue generated in the local currency in H1 2015, which are evaluated with the average exchange rates achieved in each currency in H1 2014. The calculated revenue in EUR is thereupon compared with the actual generated revenue in EUR recorded in the observed period

## Q2 2015: Investment-related activities

- In the adopted 2015 business plan, **Gorenje Group investments were for Q2 2015 budgeted at EUR 23.9m; actual investments amounted to EUR 20.8m**, which is EUR 3.1m less than planned.
- Investments were **consistent with the agreement on adjustment of CAPEX to actual sales**.





## **H1 2015: Development & new products**

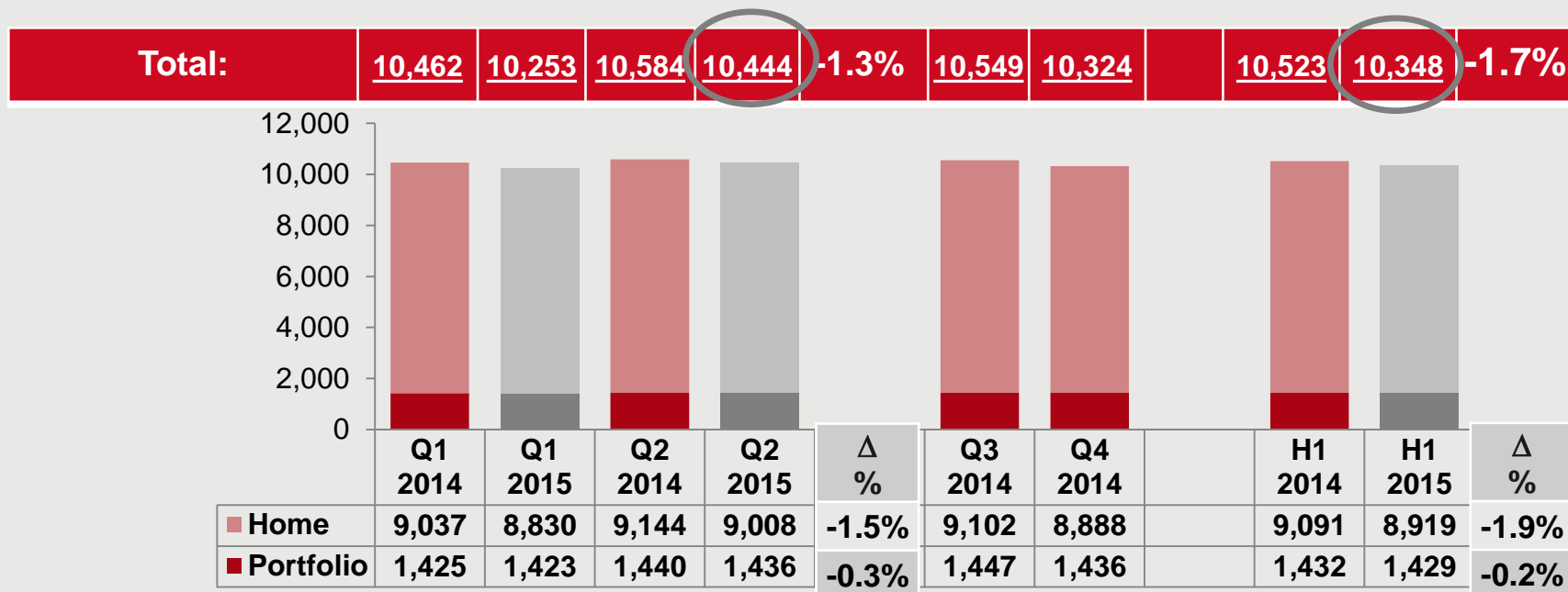


- Key innovations:
  - a new generation of built-in ovens under the Gorenje brand that were launched on most of the markets,
  - the new Essential washing machine,
  - preparation for launching the new Magna premium collection of cooking appliances,
  - preparation for launching the new collection of appliances Gorenje by Starck, designed by Philippe Starck,
  - preparation for launching the new collection of appliances Gorenje Infinity

**Increased investments in R&D, which account for 2.9% in the Group's revenue structure (+0.6 p.p.).**

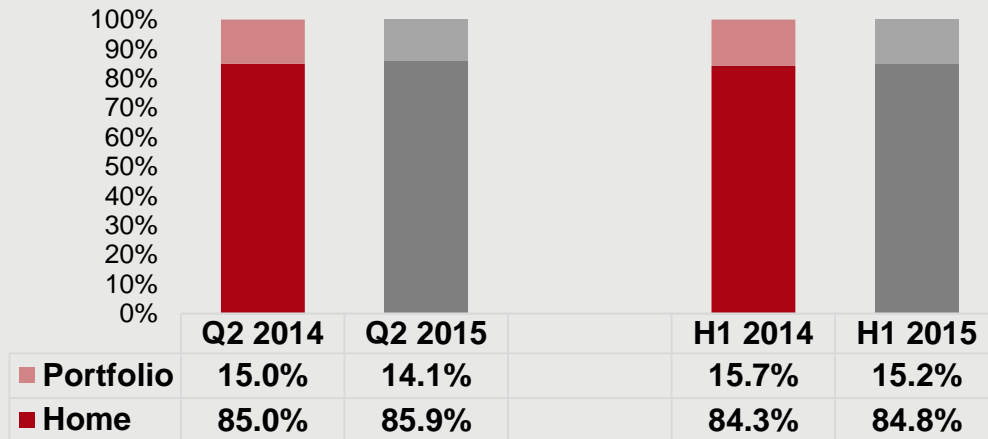
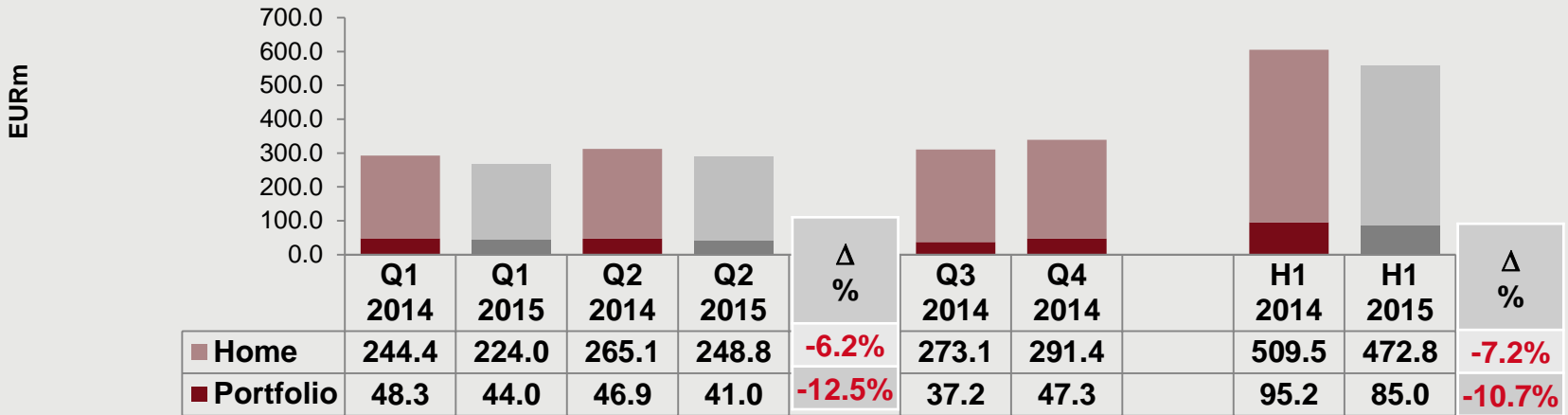
## H1 2015: Average number of employees

- The average number of employees in H1 2015 was by 175 lower than in H1 2014



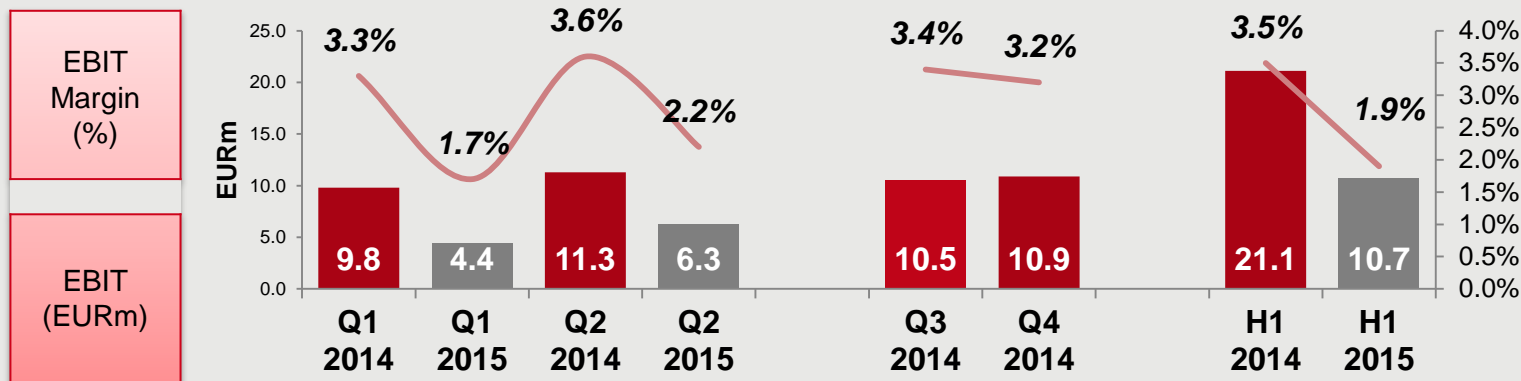
- H1 2015: 10,348 employees (-175) :**
  - The number of employees was partly adjusted to the lower sales volume in production companies (in the parent company, in Mora and in Valjevo, Serbia) and also in individual companies within the Home segment (Scandinavia, Russia, Croatia, and Ukraine).
  - Portfolio investments: The number of employees was kept on the same level.

# H1 2015: Revenue by business segment



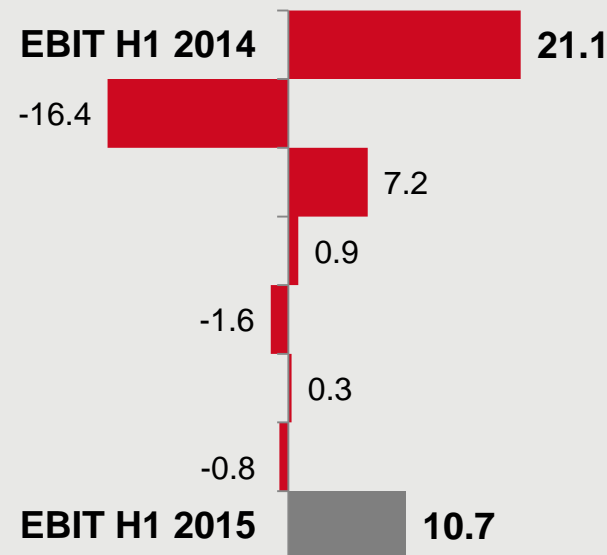
➔ Lower revenue generated through the sale of coal and the changed dynamics in the medical-related field of business and from machine and tool manufacture.

# H1 2015: EBIT / ↓ EUR 10.4m or -49.2%



- ➔ **Contribution margin: EUR-16.4m** ➔ **Impact of Russia (EUR -4.7m), Impact of USD/EUR on margin (EUR -4.8m)**
- ➔ **Cost of services: -7.1% (EUR -7.3m)** ➔ adjustment of logistics costs in relation to the lower volume.
- ➔ **Employee benefits expense: EUR -0.9m** ➔ Rigid labour legislation in Slovenia - partial adjustment to lower revenue
- ➔ **Other operating income: Decreased** due to lower amount of subsidies received, and lower income generated on reversal of provisions.

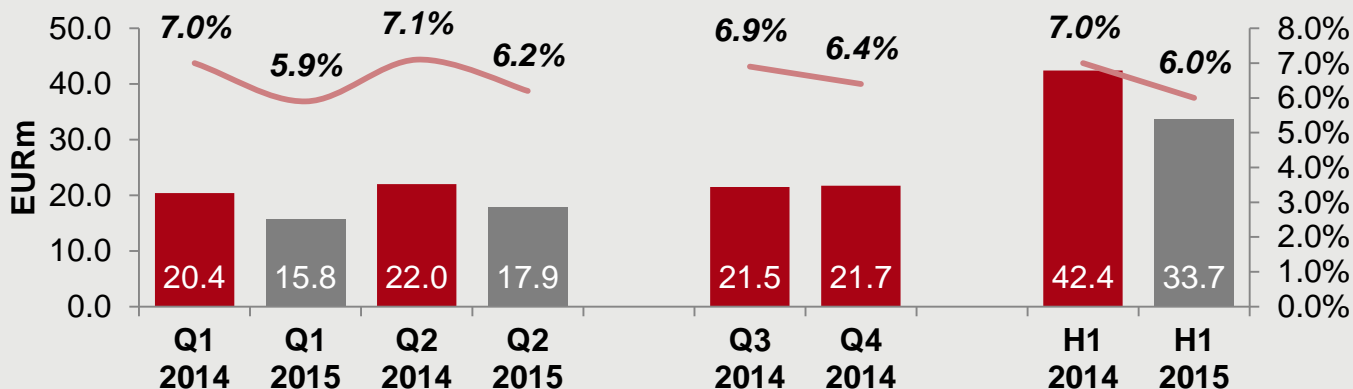
Contribution margin at the level of cost of goods and material	-16.4
Cost of services	7.2
Employee benefits expense	0.9
Amortisation and depreciation expense	-1.6
Other operating expenses	0.3
Other operating income	-0.8



# H1 2015: EBITDA / ↓ EUR 8.7m or -20.6%

EBITDA Margin (%)

EBITDA (EURm)

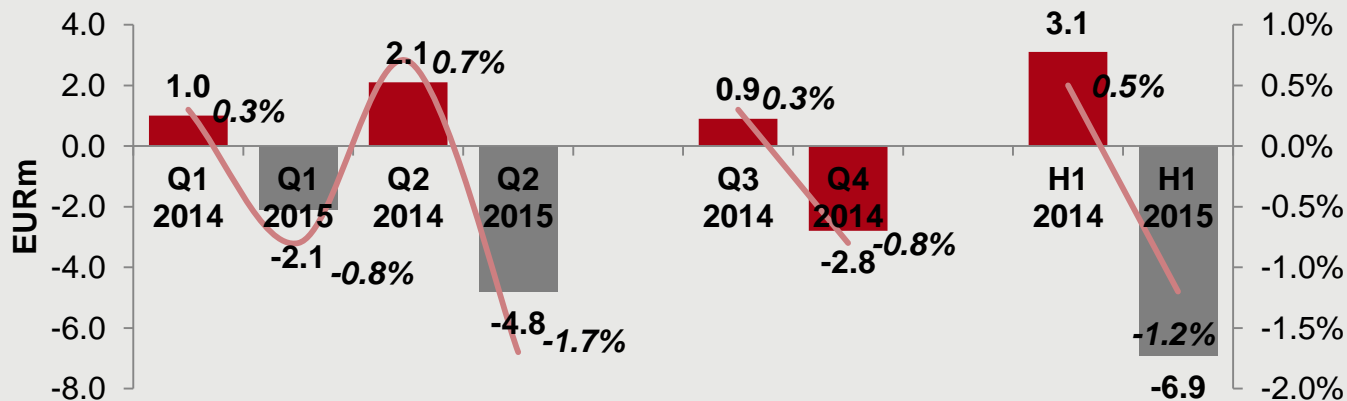


## H1 2015: Net Result Performance

- ➔ Negative result from financing activities: EUR 16.0m
- ➔ Income tax expense: EUR 1.6m (current and deferred income tax).

ROS (%)

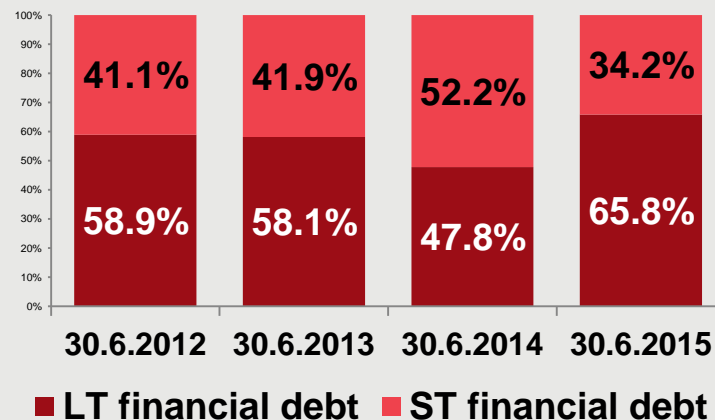
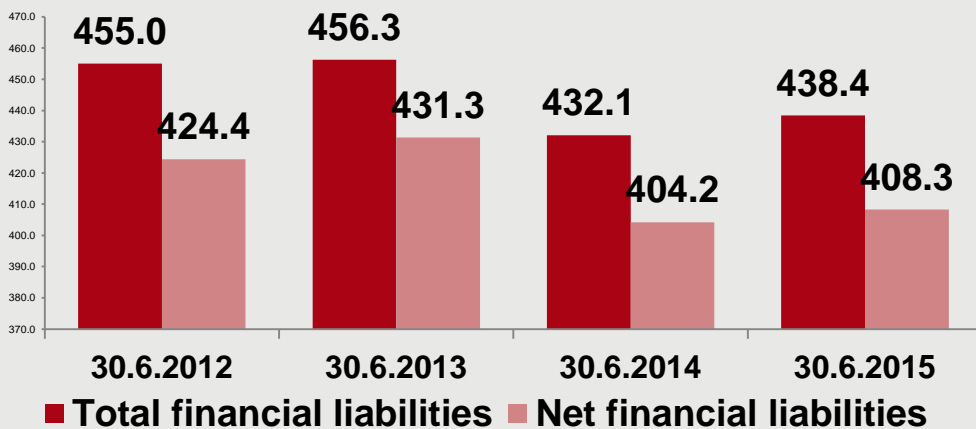
PAT (EURm)



## H1 2015: Financial performance / indebtedness

- ➔ **Gross debt:** EUR 438.4m (EUR +6.3m) ➔ result complies with interim seasonal dynamics.
- ➔ **Net financial debt:** EUR 408.3m (EUR +4.1m)
- ➔ **Net financial debt / EBITDA:** 5.3 (worsen by 0.4)
- ➔ **Cash flows from operating and investing activities:** EUR -66.4m; EUR -40.3m in H1 2014
- ➔ **Important improvement of debt maturity.**

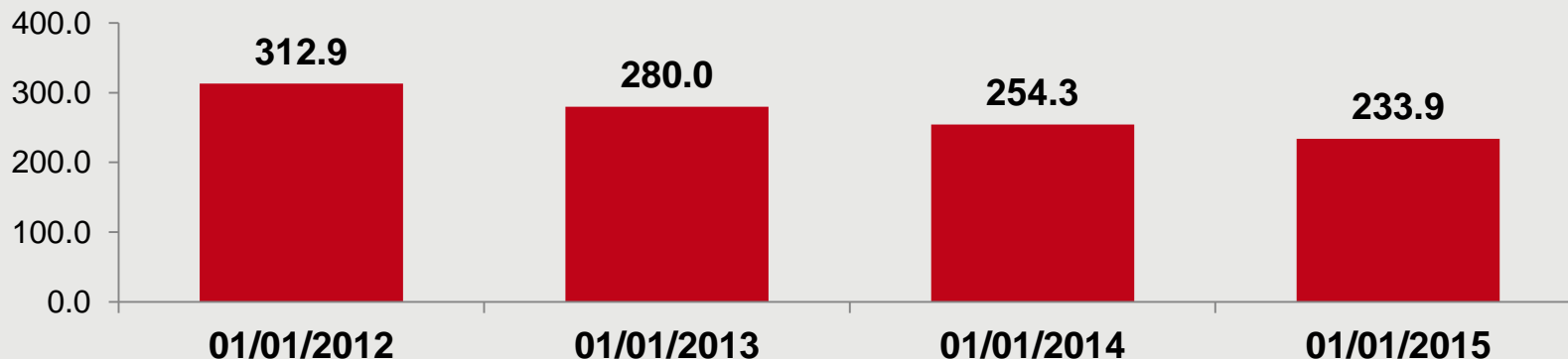
*Movement of total and net financial liabilities in Q2 for the period 2012-2015\* (EURm) and the maturity structure of financial liabilities*



\* Accounting aspect

***Investments in net working capital***

EURm	30 Jun 2012	30 Jun 2013	30 Jun 2014	30 June 2015
+ Inventories	255.0	267.5	256.0	248.8
+ Trade receivables	272.4	228.2	229.1	203.9
+ Other current assets	51.0	58.1	45.5	45.7
- Trade payables	-171.2	-183.3	-189.7	-177.6
- Other current liabilities	-94.3	-90.5	-86.6	-86.9
<b>= Net working capital</b>	<b>312.9</b>	<b>280.0</b>	<b>254.3</b>	<b>233.9</b>

***Movement of net working capital in Q2 in the 2012-2015 period (EURm)***

Net working capital = inventories + trade receivables + other current assets – trade payables – other current liabilities

# Key managerial actions in **2015**

## **Sales**

- growth
- improved sales structure

## **Cost cutting**

- services
- labour
- material

## **Deleveraging**

- divestments
- improved working capital management

## **R&D**

- new products development & innovation

## **Processes**

- SCM
- Complexity

## **Projects**

- Lean, TQM, forecasting

**Asko premium brand development**

**Strategic partnership with  
Panasonic**

**Risk Management**

**Organizational structure and  
corporate governance**

**Preparation of the 2020 Strategy**



**Thank you  
for your attention.**

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## 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 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.*