

**gorenje**group

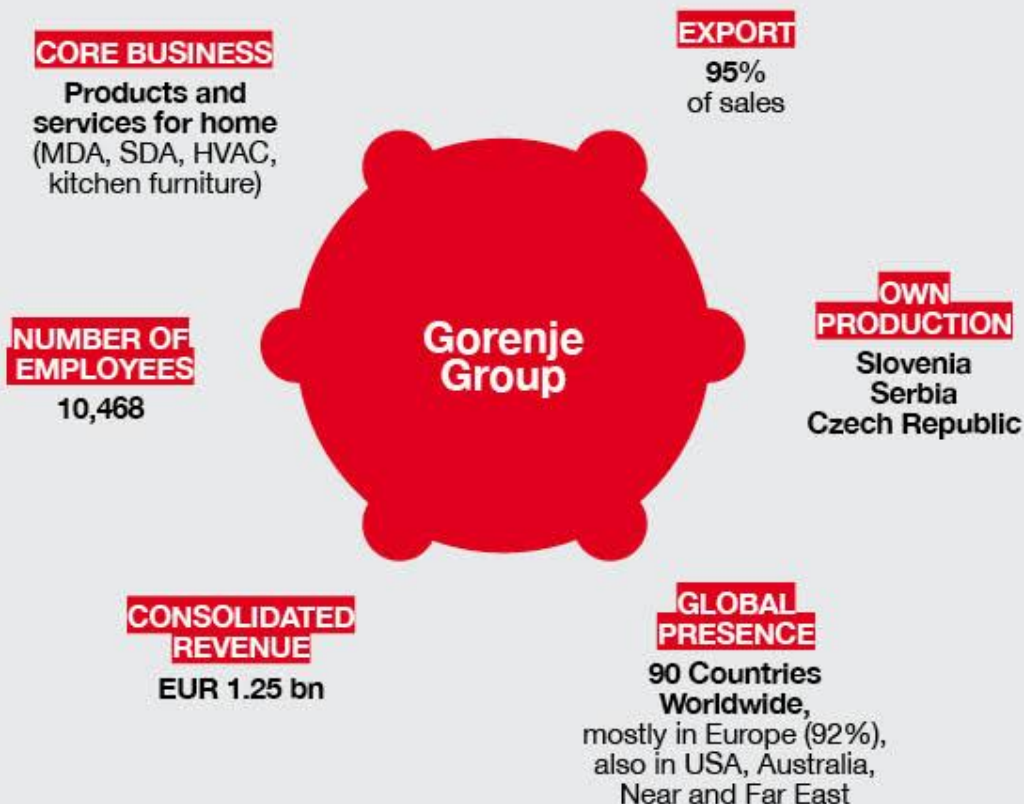
# Gorenje Group

**CC Group: Small & MidCap Conference  
5<sup>th</sup> Edition**

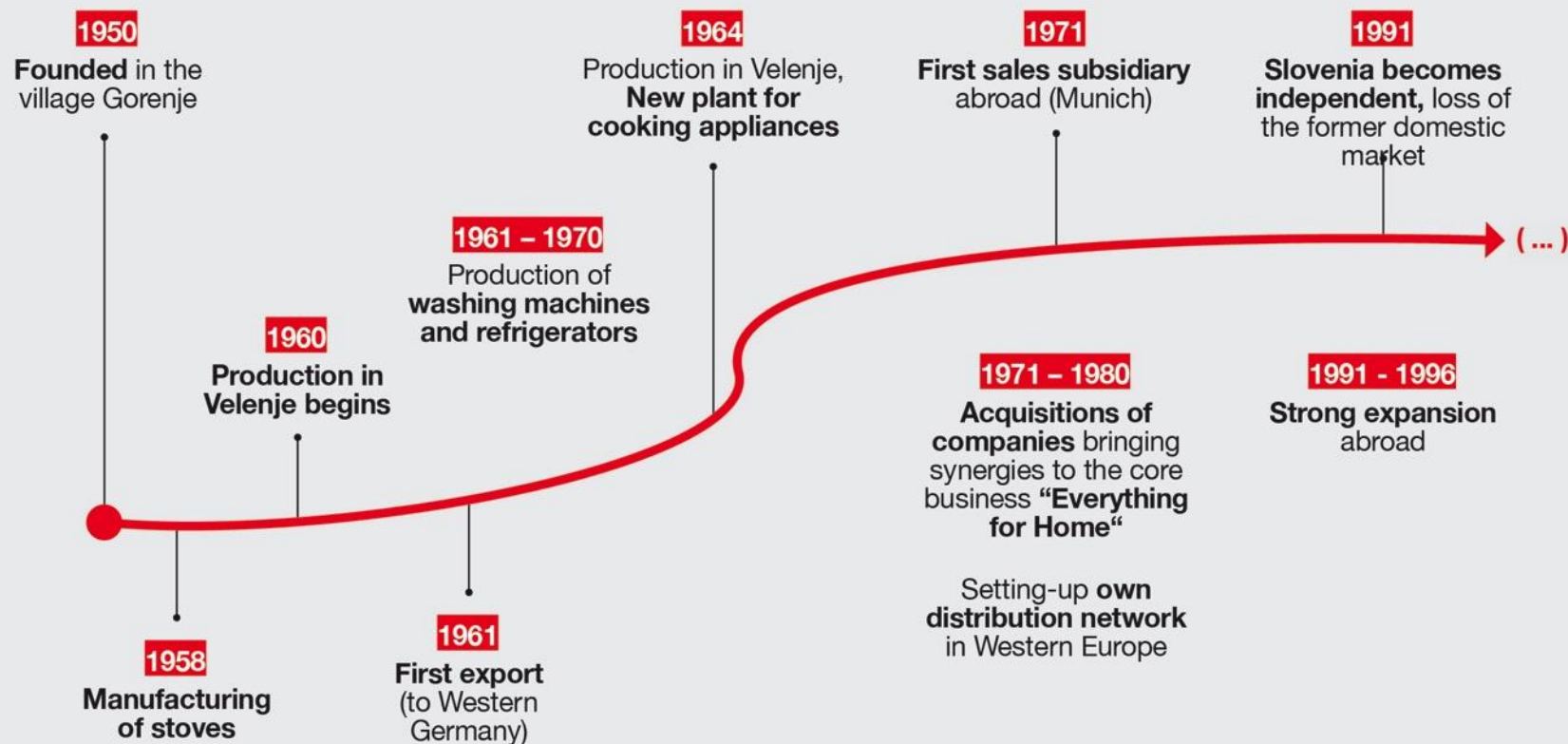
**Warsaw, 26 March 2015**

[www.gorenjegrup.com](http://www.gorenjegrup.com)

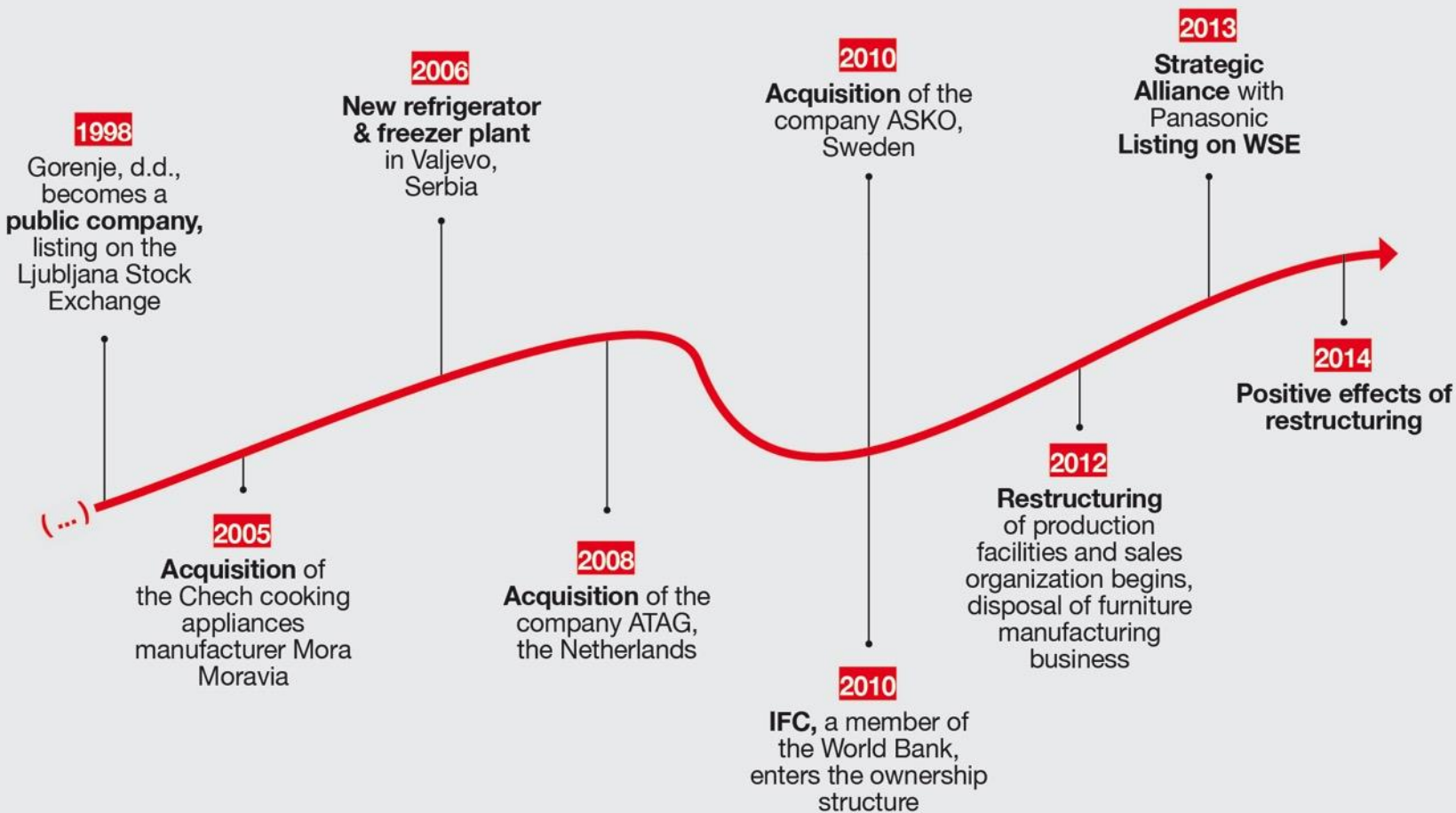
# One of Leading European Manufacturers of Products for Home



# More than 60 Years of Tradition



# Fast Development in the Last Decade



## Significant Revenue Growth



# Ownership Structure

More than 50% of foreign shareholders



KAD  
16.37%



IFC  
11.80%



Panasonic  
9.50%



KDPW  
Fiduciary  
account  
8.05%



Other  
financial  
investors  
37.52%



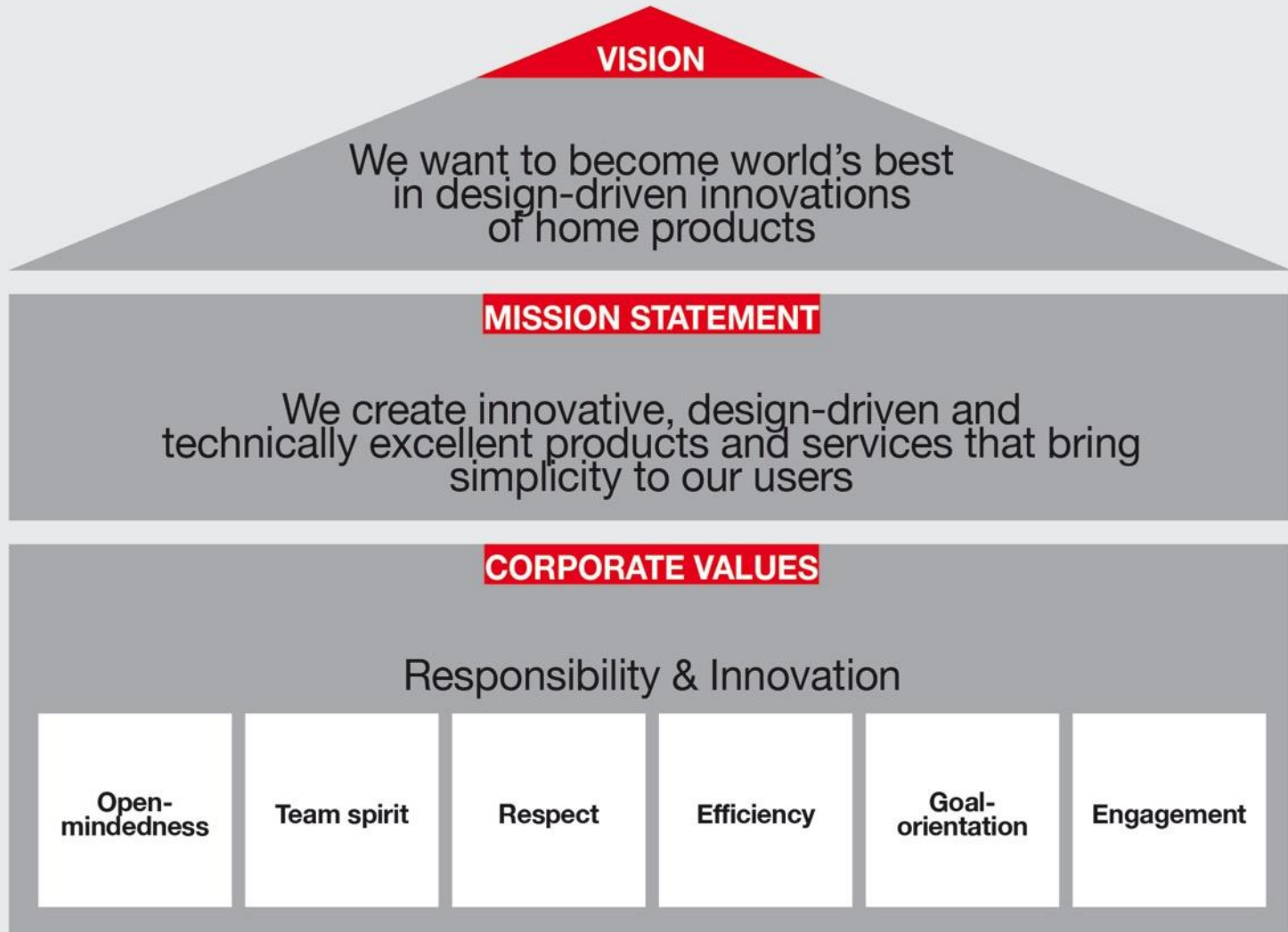
Natural  
persons  
12.98%



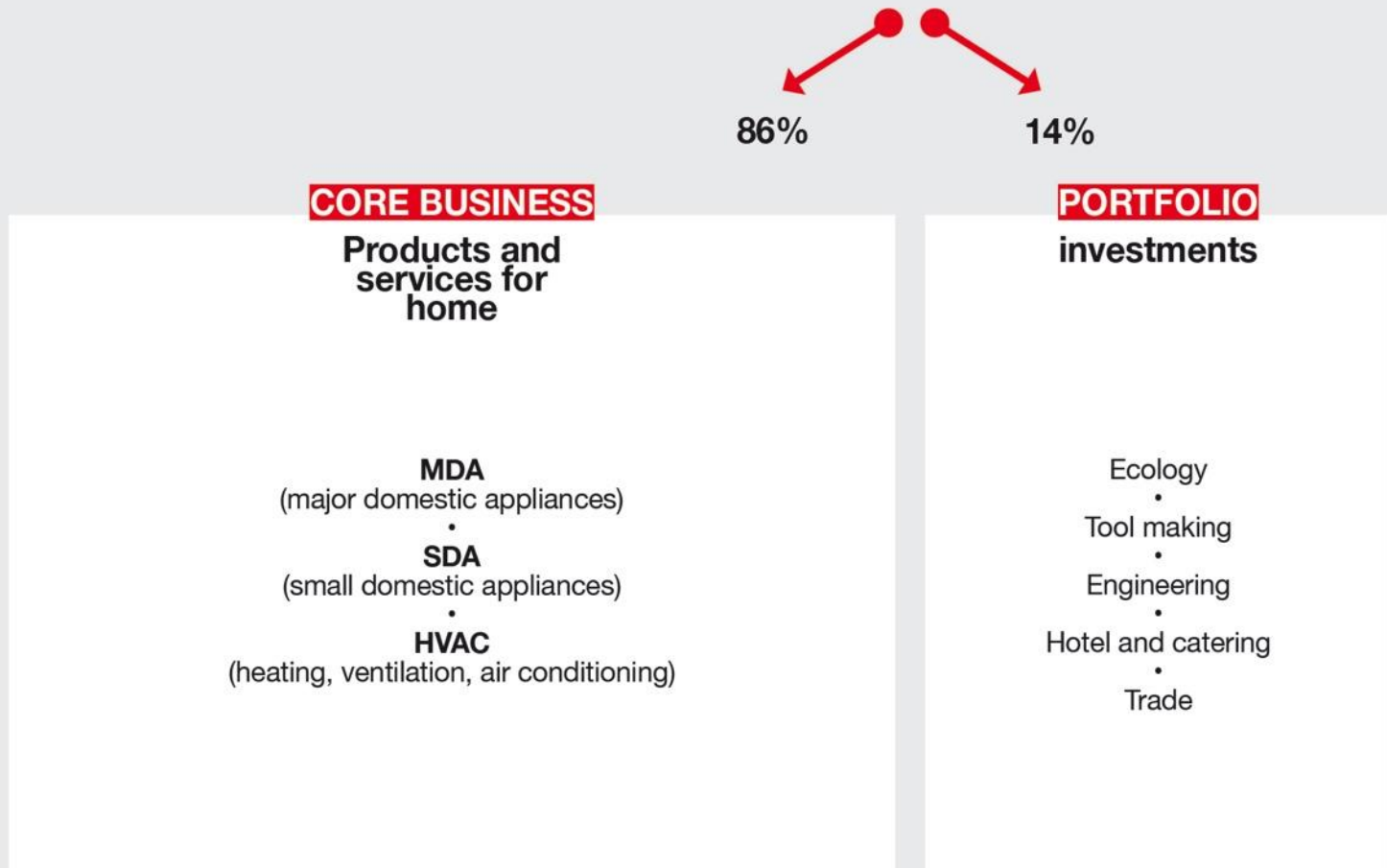
Employees  
3.28%



Treasury  
shares  
0.50%

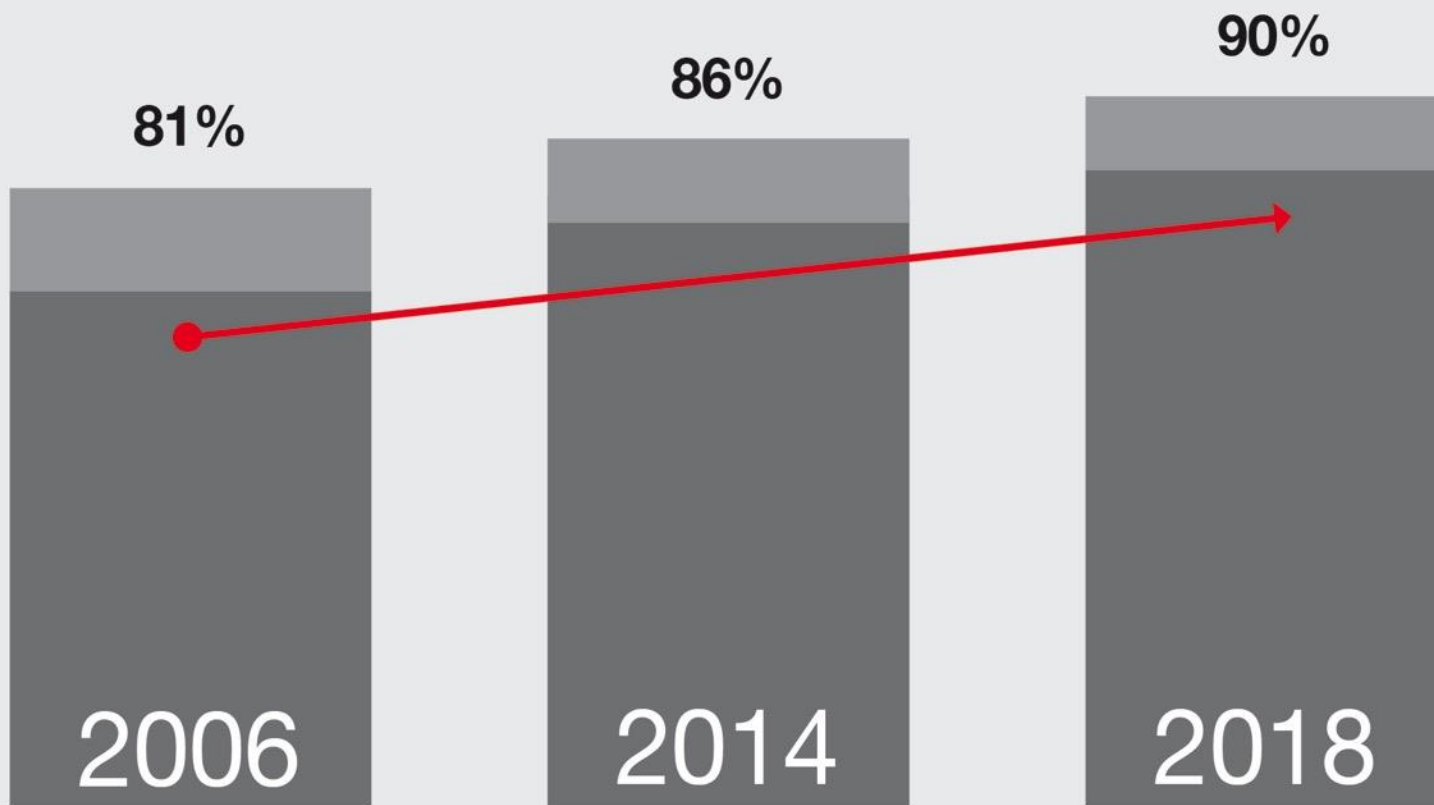


# Business Segments





## Growth of Core Activity in Group Revenue



# Business Model



# Brands

GLOBAL BRANDS

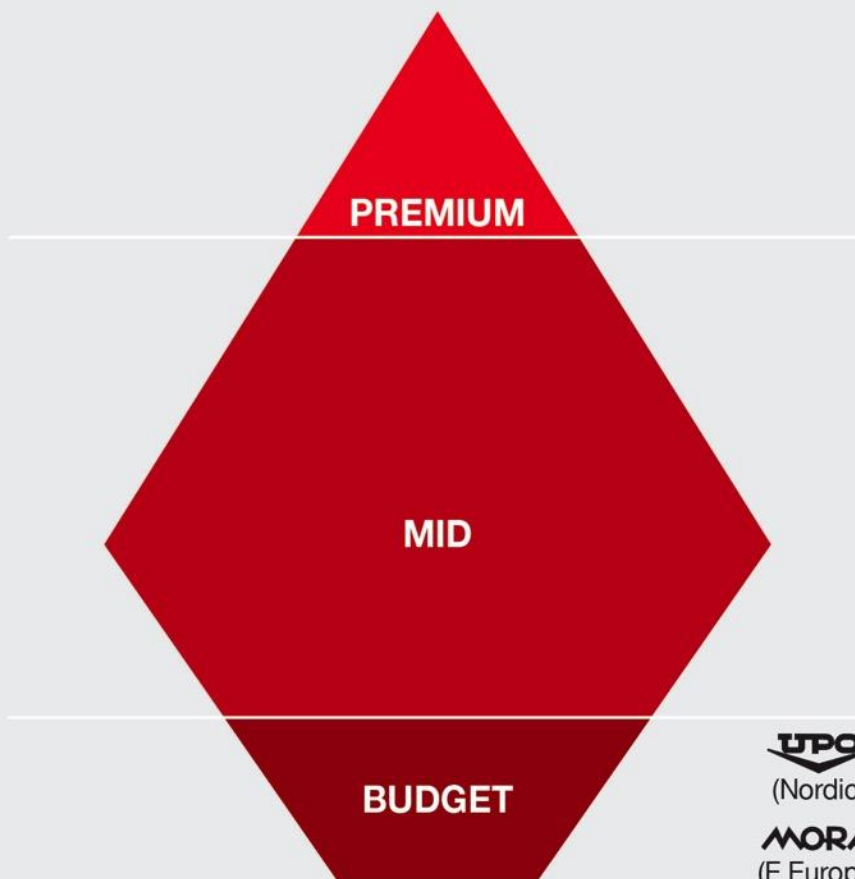
LOCAL BRANDS

**ASKO**

**ATAG**  
(Benelux)

**gorenje**

**Pelgrim**  
(Benelux)



**UPO**  
(Nordic)

**MORA**  
(E Europe)

**ÆTNA**  
(Benelux)

**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**

**ASKO**

**Inspired by  
Scandinavia**

**From a wet premium specialist to  
a premium specialist offering the  
whole MDA range**

**Built like professional  
Scandinavian design**

## Production Facilities in 3 countries

### **Slovenia**

Velenje

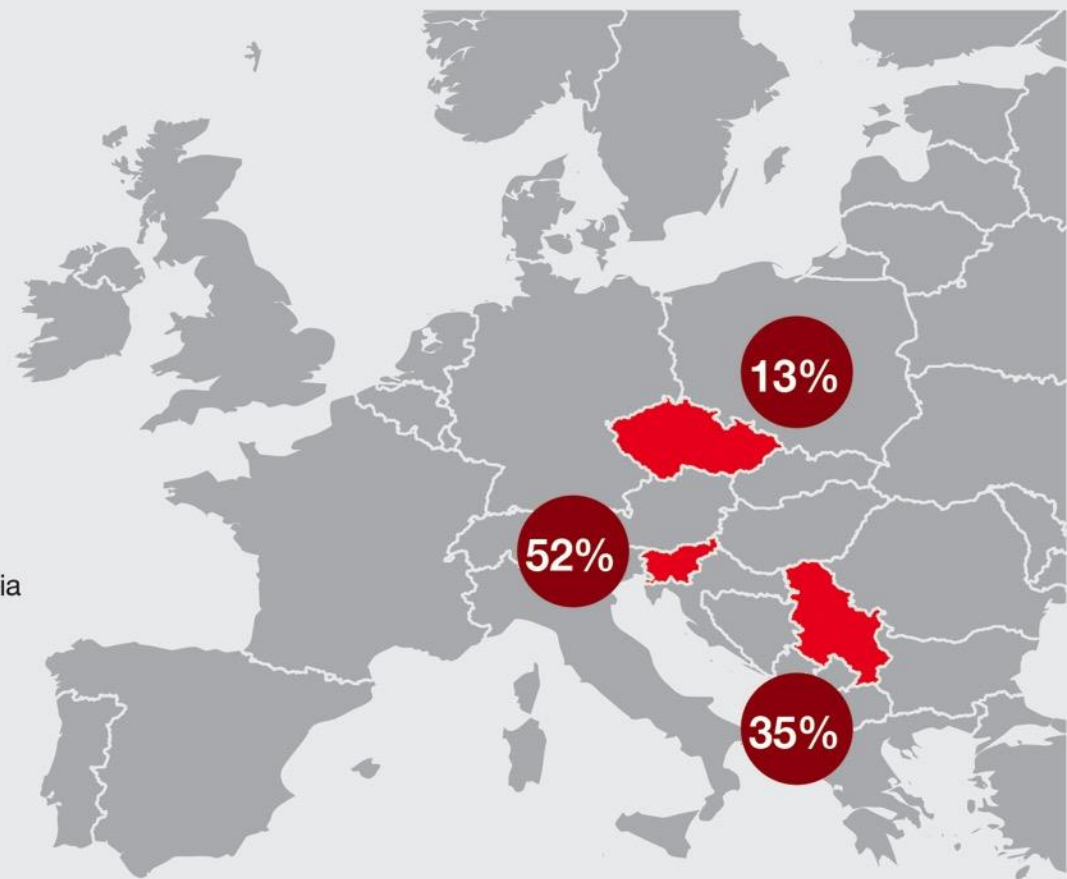
### **Czech Republic**

Mariánské údolí

### **Serbia**

Valjevo, Stara Pazova, Zaječar

- Lowest labour costs
- Favourable customs conditions to Russia



# Most Important Markets: Germany, Russia and the Netherlands

**RUSSIA  
GERMANY  
THE NETHERLANDS**

**SERBIA  
SLOVENIA  
CZECH REPUBLIC  
CROATIA  
DENMARK**

**AUSTRALIA  
USA**

**UKRAINE  
BIH  
AUSTRIA  
POLAND  
BELGIUM  
HUNGARY  
FINLAND  
NORWAY  
RUMANIA  
SLOVAKIA  
SWEDEN  
BULGARIA  
GREAT BRITAIN  
FRANCE  
MONTENEGRO**



Sales by value under own brands



# 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

### **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**

## Strategic Goals 2014 - 2018



# 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. consolidation of strategic partnership with Panasonic

### 5. development of new markets and business cooperations

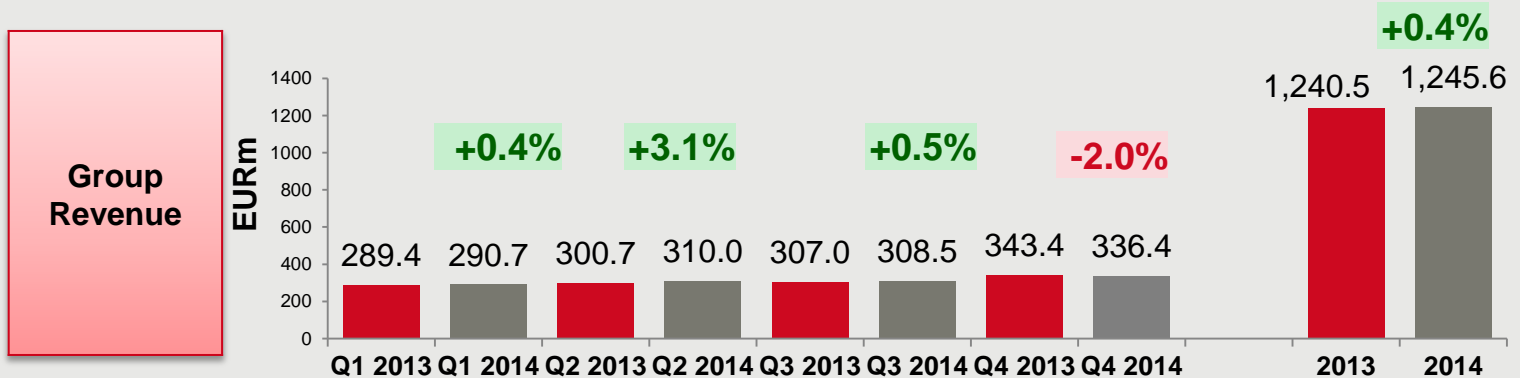
- cooperation with the company SubZero in the US
- development of the Asko brand
- development of innovative appliances for own brands
- faster growth in overseas markets

## 2014: Core Financial Indicators

Q4 2014	2014
<ul style="list-style-type: none"> <li>➔ <b>Group's revenue:</b> EUR 336.4m (-2.0%)</li> <li>➔ <b>Home revenue:</b> EUR 289.1m (-0.4%); organic growth +5.2%</li> <li>➔ <b>EBITDA:</b> EUR 21.7m (-5.2%); <b>EBITDA margin:</b> 6.4% (-0.2 p.p.)</li> <li>➔ <b>EBIT:</b> EUR 10.8m (-14.4%); <b>EBIT margin:</b> 3.2% (-0.5 p.p.)</li> <li>➔ <b>Profit for the period:</b> EUR -2.8m; Q4 2013 loss: EUR -6.8m</li> </ul>	<ul style="list-style-type: none"> <li>➔ <b>Group's revenue:</b> EUR 1,245.6m (+0.4%)</li> <li>➔ <b>Home revenue:</b> EUR 1,065.9m (+0.1%); organic growth +3.8%</li> <li>➔ <b>EBITDA:</b> EUR 86.5m (+10.6%); <b>EBITDA margin:</b> 6.9% (+0.6 p.p.)</li> <li>➔ <b>EBIT:</b> EUR 43.5m (+19.8%); <b>EBIT margin:</b> 3.5% (+0.6 p.p.)</li> <li>➔ <b>Profit for the period:</b> EUR 1.2m (EUR +26.2m); 2013 loss: EUR -25.0m</li> </ul>

EURm	Q4 2013	Q4 2014	Index	2013	2014	Index
Revenue	343.4	336.4	98.0	1,240.5	1,245.6	100.4
EBITDA	22.8	21.7	94.8	78.2	86.5	110.6
<i>EBITDA margin (%)</i>	6.6%	6.4%	/	6.3%	6.9%	/
EBIT	12.7	10.8	85.6	36.3	43.5	119.8
<i>EBIT margin (%)</i>	3.7%	3.2%	/	2.9%	3.5%	/
Profit or loss before tax	-11.8	-2.8	24.0	-18.6	4.9	/
Profit or loss without discontinued operation	-5.1	-2.8	54.6	-14.4	2.2	/
Profit or loss of discontinued operation	-1.7	0.0	/	-10.6	-1.0	9.4
Profit or loss for the period	-6.8	-2.8	40.7	-25.0	1.2	/

# gorenje group 2014: Business Performance



- ➔ **Sales growth:** Germany, Austria, Slovakia, Hungary, Slovenia, Bosnia and Herzegovina, Romania, Bulgaria, Caucasus, Australia and North America
- ➔ **Drop in sales:** Ukraine, Scandinavia, Greece, Belgium, France, Kazakhstan
- ➔ **Growth in markets beyond Europe: +10.7%**
- ➔ **Higher sales of premium appliances: +16.4%**
- ➔ **Growth of SDA sales under own brands: +4.3%**

# gorenje group 2014: Effects of changes in foreign exchange rates

- **Negative effect** especially from depreciation of Eastern European and non-European currencies
- **Effect on organic revenue growth** in key markets (excluding other categories – adjustment of prices to the market, product structure etc.):

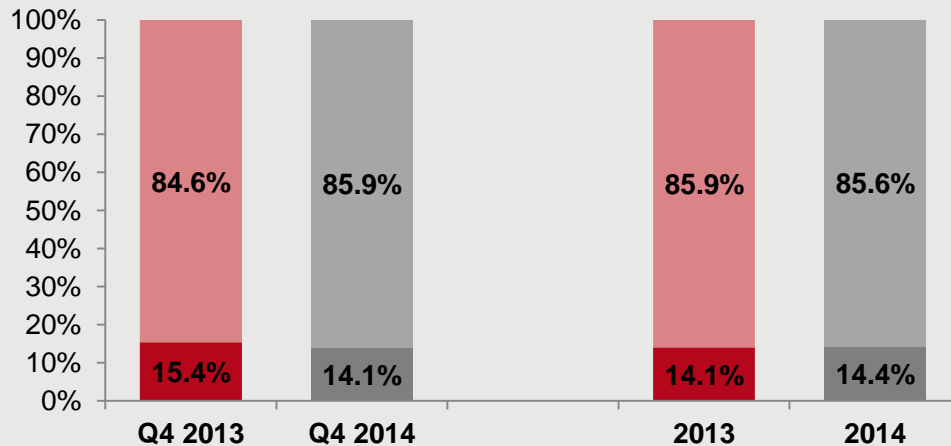
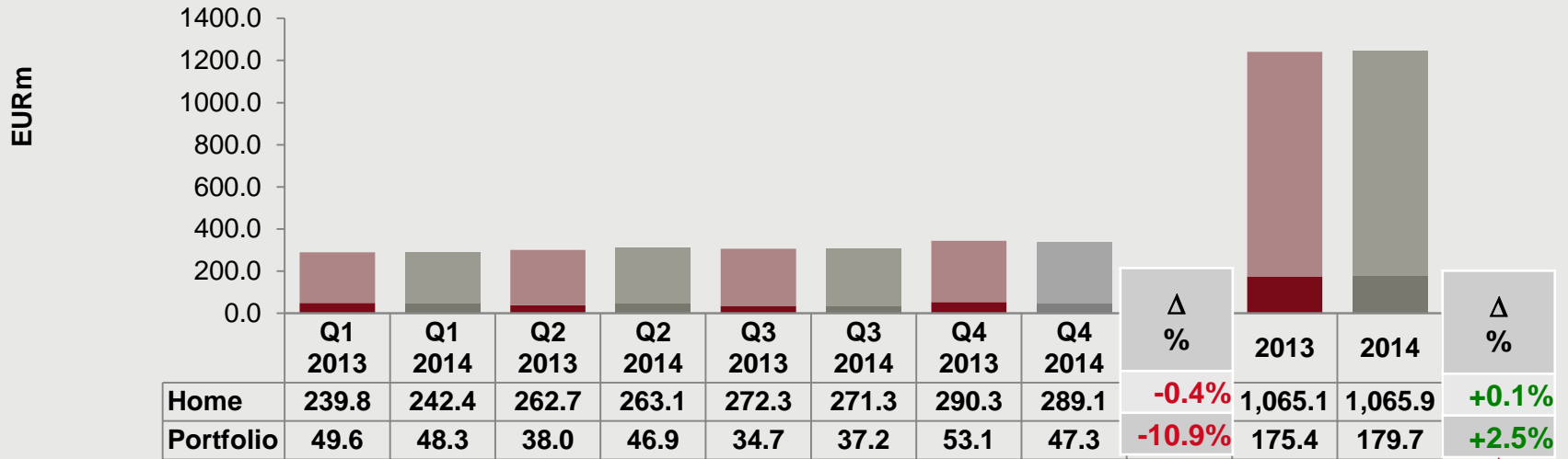
HOME EURm	Currency impact on revenue	Actual revenue 2014	Actual revenue 2014 valued at exchange rate 2013	Actual revenue 2013	Actual growth %	Organic Growth %
West	-1.0	449.6	450.5	459.9	-2.3%	-2.0%
East	-36.1	507.3	543.4	506.7	+0.1%	+7.2%
Other	-2.5	109.0	111.5	98.5	+10.7%	+13.2%
<b>TOTAL</b>	<b>-39.6</b>	<b>1,065.9</b>	<b>1,105.4</b>	<b>1,065.1</b>	<b>+0.1%</b>	<b>+3.8%</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 the period 2014, which are evaluated with the achieved average exchange rates in each currency in the period 2013. The calculated revenue in EUR is thereupon compared with the actual generated revenue in EUR recorded in the observed period.*

## 2014: Sales by geographical segments

EURm	Q4 2013	%	Q4 2014	%	Change (%)	2013	%	2014	%	Change (%)
<b>Western Europe</b>	120.0	34.9	117.6	34.9	-2.0%	465.9	37.6	459.1	36.9	-1.5%
<b>Eastern Europe</b>	196.4	57.2	191.9	57.1	-2.3%	676.1	54.5	677.5	54.4	+0.2%
<i>Eastern Europe (w.o. Russia and Ukraine)</i>	139.0	40.5	137.9	41.0	-0.8%	491.3	39.6	515.2	41.4	+4.9%
<b>Other</b>	27.0	7.9	26.9	8.0	-0.4%	98.5	7.9	109.0	8.7	+10.7%
<b>Total Group</b>	<b>343.4</b>	<b>100</b>	<b>336.4</b>	<b>100</b>	<b>-2.0%</b>	<b>1,240.5</b>	<b>100</b>	<b>1,245.6</b>	<b>100</b>	<b>+0.4%</b>
<b>Western Europe</b>	118.0	40.6	114.4	39.6	-3.1%	459.9	43.2	449.6	42.2	-2.3%
<b>Eastern Europe</b>	145.4	50.1	147.8	51.1	+1.7%	506.7	47.6	507.3	47.6	+0.1%
<i>Eastern Europe (w.o. Russia and Ukraine)</i>	88.0	30.3	93.8	32.4	+6.6%	321.9	30.2	345.0	32.4	+7.2%
<b>Other</b>	26.9	9.3	26.9	9.3	-0.4%	98.5	9.2	109.0	10.2	+10.7%
<b>Total Home</b>	<b>290.3</b>	<b>100</b>	<b>289.1</b>	<b>100</b>	<b>-0.4%</b>	<b>1,065.1</b>	<b>100</b>	<b>1,065.9</b>	<b>100</b>	<b>+0.1%</b>

# 2014: Revenue by business segment

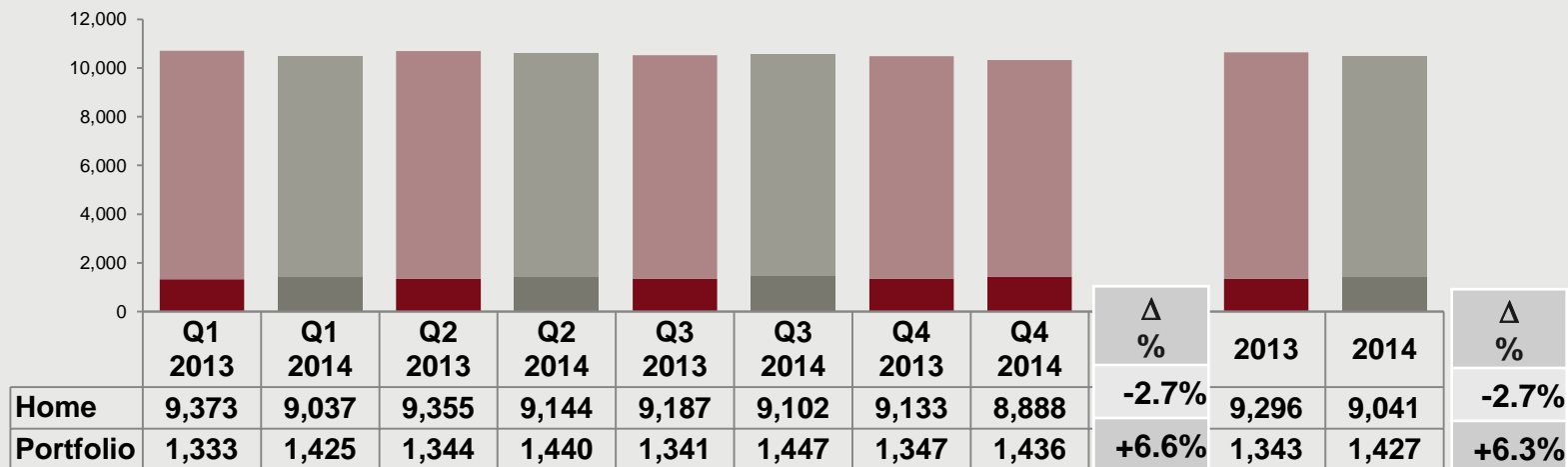


- ➔ Higher sales:
- medical equipment,
  - metallurgic products,
  - machine and tool manufacturing and
  - Ecology.



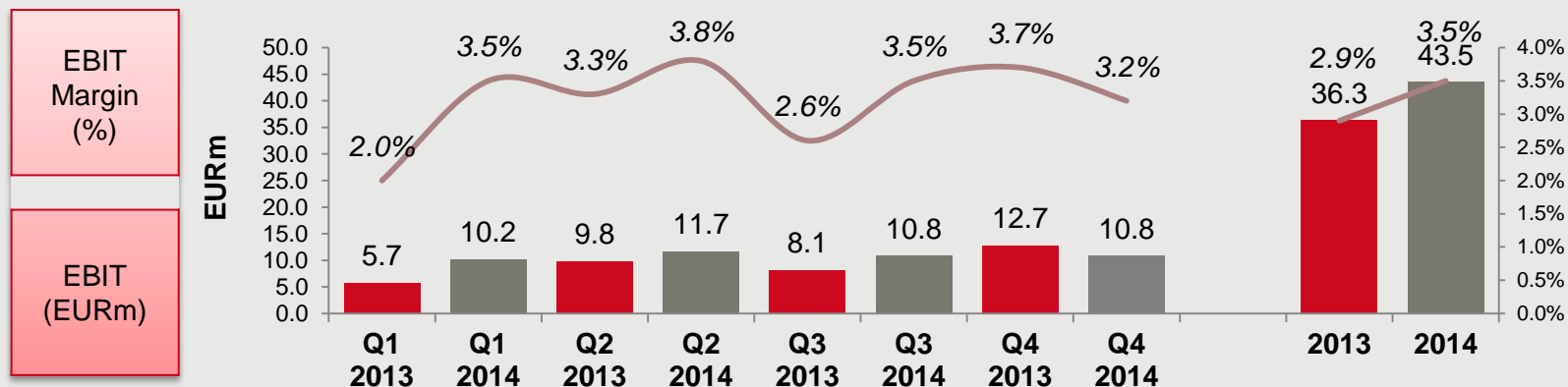
## 2014: Average number of employees

<b>Total:</b>	<b>10,706</b>	<b>10,462</b>	<b>10,699</b>	<b>10,584</b>	<b>10,528</b>	<b>10,549</b>	<b>10,480</b>	<b>10,324</b>	<b>-1.5%</b>	<b>10,639</b>	<b>10,468</b>	<b>-1.6%</b>
---------------	---------------	---------------	---------------	---------------	---------------	---------------	---------------	---------------	--------------	---------------	---------------	--------------



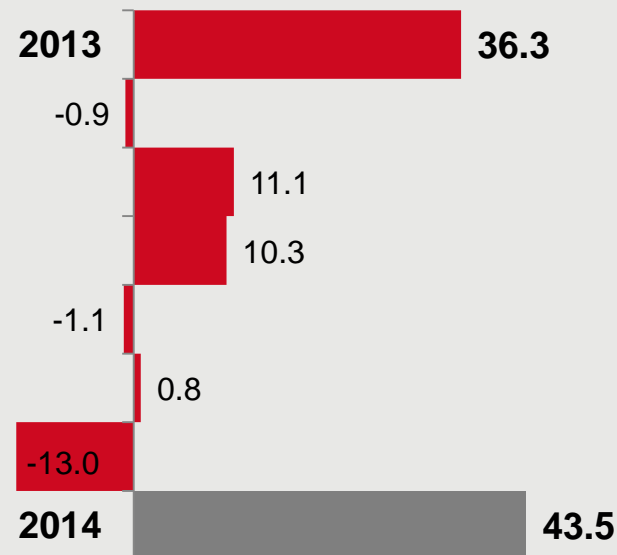
- **2014: 10,468 employees (-171) :**
  - Asko Appliances AB Sweden (production relocation from Sweden to Slovenia) and partly also Gorenje, d.d.;
  - The number grew at the facility in Valjevo, Serbia (as a result of higher volume of production since the freestanding refrigerator production was relocated)
  - The sales network restructuring activities in reducing the number of employees in the sales network (Turkey, France, Slovakia, Czech Republic, Scandinavia, USA).
- Portfolio investments: The number increased as business activities of ecology and tool manufacture were expanded to new markets (Serbia)

## 2014: EBIT / ↑ EUR 7.2m or +19.8%



- ➔ **Costs of services:** -5.1% (EUR - 11.1m) ➔ systematic implementation and monitoring of preventive and curative measures to achieve cost-efficiency
- ➔ **Labour costs:** -4.3% (EUR - 10.3m) ➔ successfully completed production relocation in 2013 and the sales network restructuring process also in 2014

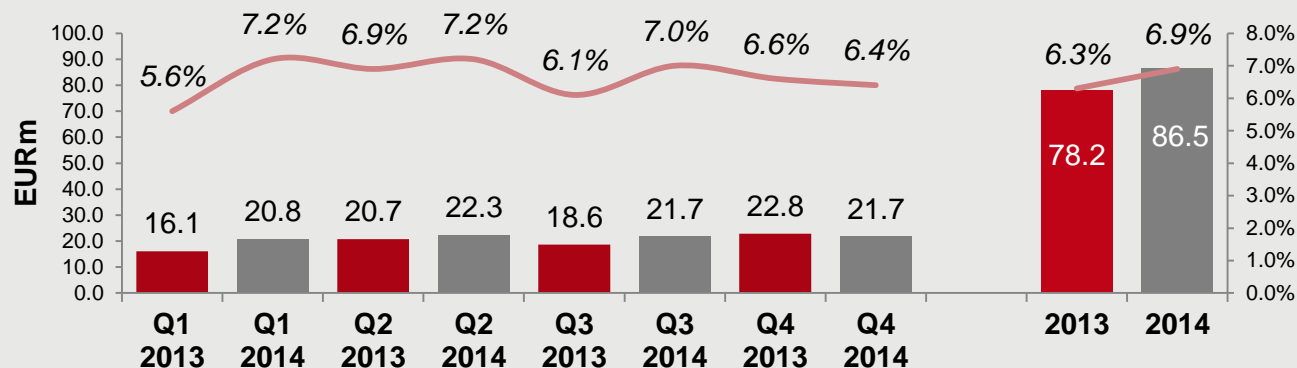
Contribution margin at the level of cost of goods and material
Cost of services
Employee benefits expense
Amortisation and depreciation expense
Other operating expenses
Other operating income



## 2014: EBITDA / ↑ EUR 8.3m or +10.6%

EBITDA Margin (%)

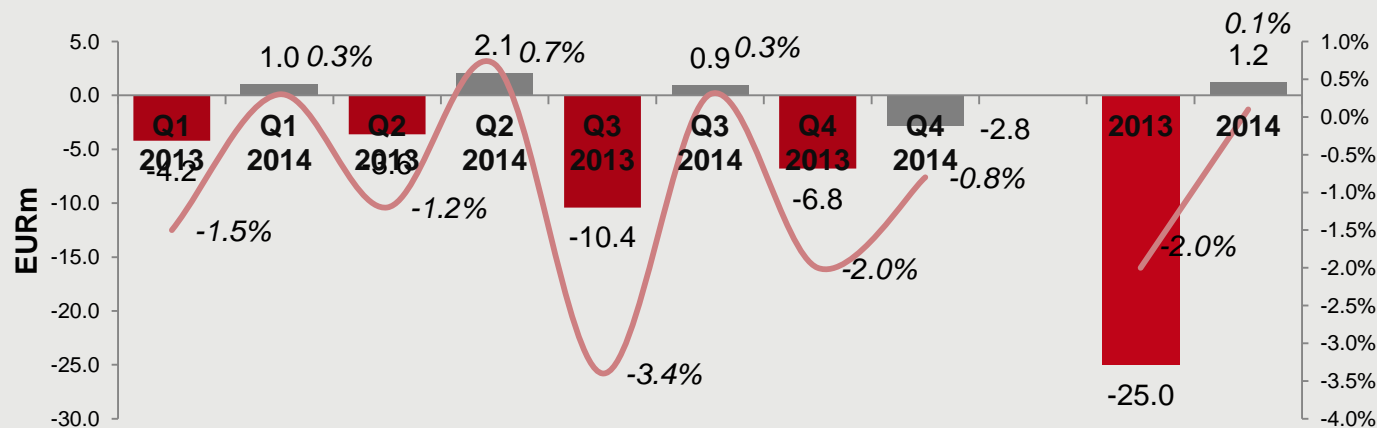
EBITDA (EURm)



## 2014: Net Profit Performance

ROS (%)

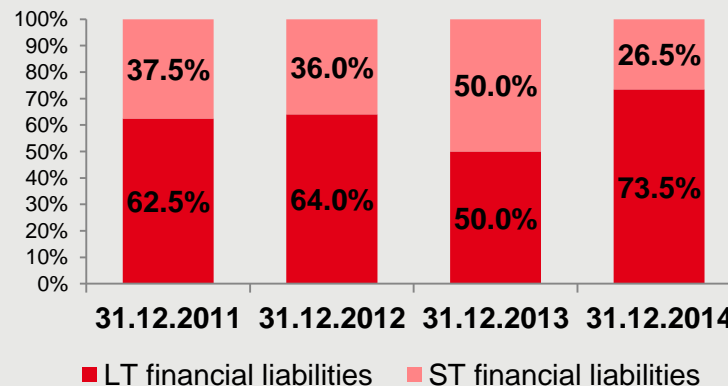
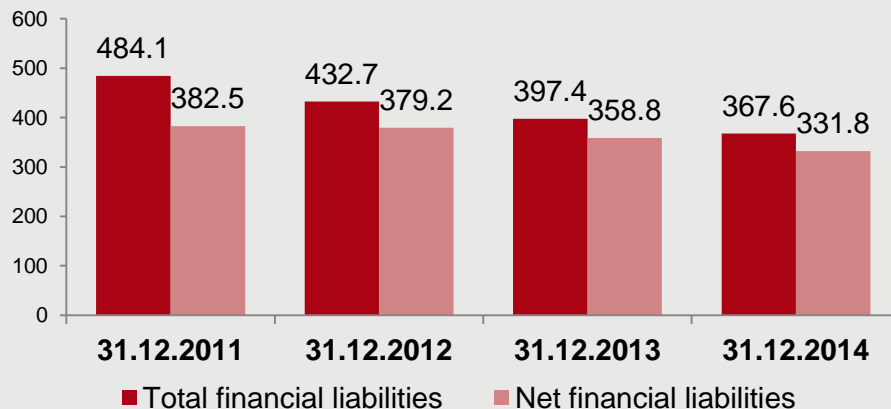
PAT (EURm)



## 2014: Financial Performance / Indebtedness

- ➔ **Gross debt:** EUR 367.6m (EUR -29.8m) ➔ improved cash flows from operating activities, lower volume of investments, and the lower level of working capital
- ➔ **Net financial debt:** EUR 331.8m (EUR -27.1m)
- ➔ **Net financial debt / EBITDA:** 3.8 (improvement by 0.8)
- ➔ **Cash flows from operating and investing activities:** EUR +29.4m; EUR 26.6m in Q4 2014
- ➔ **Successfully completed share capital increases** (Sep. 2013-Aug. 2014): EUR 36.7m
- ➔ **The last phase of the capital increase** in form of debt-to-equity conversion (in Q3 2014): EUR 10.0m (equals the amount allowed pursuant to the resolution adopted by the AGM on 23 August 2013)

### *Development of total and net financial liabilities over the period of 2011-2014 in EURm and debt maturity profile*



## 2014: New products & Development



- New generation of high-end built-in ovens (Gorenje, Asko)
- Asko line of kitchen appliances
- Asko washing machine (11-kg capacity)
- Gorenje laundry dryer, energy class A+++
- Free standing fridge freezers, width 600 mm and height 2000 mm
- Extended line of Retro refrigerators
- Updated oven Gorenje by Karim Rashid
- New collection of premium Atag cooking appliances (Magna series)
- New generation of refurbished range of cookers 600 mm, and a new range of induction and hi-light built-in hobs

In accordance with the set strategic goals we have increased investments in R&D Home: 2.9% (+0.4 p.p.)

# In 2015 we focus on

## **profitability**

- better sales structure
- improved cost efficiency
- effects of reducing complexity

## **deleveraging**

- divestments
- improved working capital management

## **responsibility**

- towards all shareholders
- personal responsibility
- for the future of Gorenje Group

## Plan 2015: Highlights

EUR million	2013	2014	Plan 2015	Change	
Consolidated revenue	1,240.5	1,245.6	1,216.1	-2.4%	↓
EBITDA	78.2	86.5	92.9	+7.4%	↑
<i>EBITDA Margin (%)</i>	6.3%	6.9%	7.6%	+0.7 p.p.	
EBIT	36.3	43.5	43.1	-0.9%	↓
EBIT Margin (%)	2.9%	3.5%	3.5%	/	
Profit before taxes	-18.6	4.9	10.8	+120.4%	↑
Results w/o discontinued operations	-14.4	2.2	7.6	/	
Results from discontinued operations	-10.6	-1.0	-1.5	/	
Profit for the period	-25.0	1.2	6.1	/	↑
<i>ROS (%)</i>	-2.0%	0.1%	0.5%	+0.4 p.p.	↑
Net financial debt	358.8	331.8	321.2	-3.2%	↓
Net financial debt / EBITDA	4.6	3.8	3.5	/	↓

## **Plan 2015: Highlights**

- **Revenue:** -2.4% (lower especially due to uncertain conditions in Russia where lower revenue is expected after a decade of growth)
- Intensified adjustment of the business model for **higher competitiveness** (lower complexity, better efficiency)
- **Improved efficiency** and performance of support processes
- **Further working capital optimization and net deleveraging**
- **Increasing our business volume** with our strategic partner Panasonic



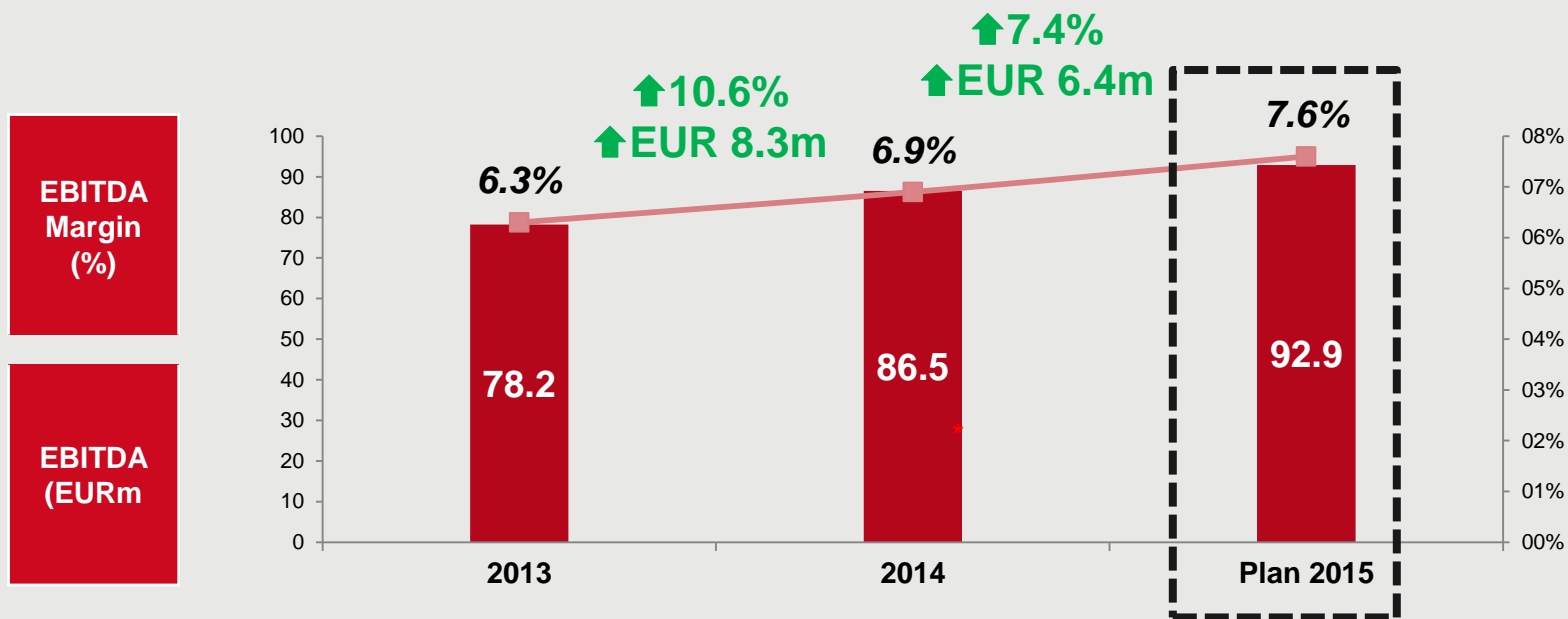


▪ **New launches:**

- New generation of Gorenje cooking appliances
- New Asko dishwashers
- New line of Asko cooking appliances
- New line of Magna cooking appliances by Atag
- New Matrix cooking hobs by Atag

▪ **Development of new premium and innovative products to support the growth of sales in upmarket segments**

## Plan 2015: Improved EBITDA Performance

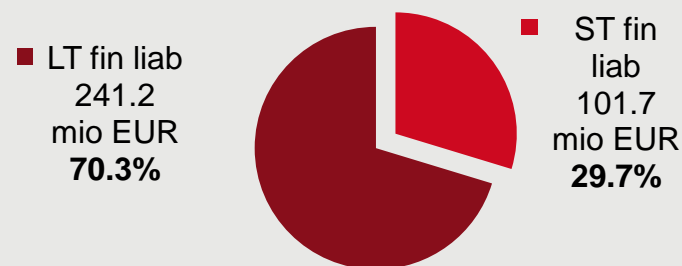


Higher planned contribution margin, especially in the Home segment

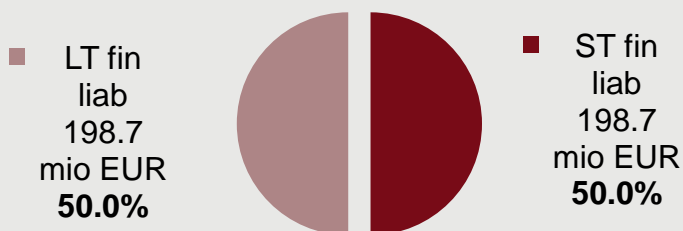
## **Plan 2015:** Goal - Deleveraging and maintaining a stable debt maturity profile

- **Further net deleveraging** (improved working capital management, divestment)
- **Improvement of net financial debt / EBITDA indicator** to 3.46
- **Maintaining a stable** debt maturity profile

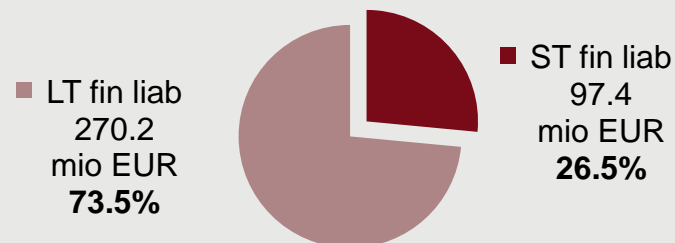
**2015 Plan**



**2013**



**2014**



**gorenje**group



**Thank you  
for your attention.**

# Gorenje Representatives

**Mrs. Bojana Rojc**

Head of IR

**gorenje**group

T +386 3 899 1345

M +386 51351706

E [bojana.rojc@gorenje.com](mailto:bojana.rojc@gorenje.com)

Gorenje, d.d.

Partizanska cesta 12, SI-3320 Velenje, Slovenia

Slovenia

[www.gorenjegoup.com](http://www.gorenjegoup.com)

**Mrs. Elizabeta Biluš**

Head of External Communication

**gorenje**group

T +386 3 899 7381

M +386 31540601

E [elizabeta.bilus@gorenje.com](mailto:elizabeta.bilus@gorenje.com)

Gorenje, d.d.

Partizanska cesta 12, SI-3320 Velenje, Slovenia

Slovenia

[www.gorenjegoup.com](http://www.gorenjegoup.com)

## 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.*