

Gorenje group performance in the first half of 2014

Gorenje Group wraps up the first half with higher revenue and profit of EUR 3.1 million

Profit, improved as a result of restructuring and better sales, is consistent with the plan.

Velenje, August 21, 2014 — Following the positive first quarter of the year when Gorenje Group profit reached EUR 1 million, the second quarter bottom line is a further notch higher at EUR 2.1 million. Thus, the profit for the first half totals at EUR 3.1 million, which is consistent with the plan for the year. Improvement over the first half of the year earlier is a result of successful restructuring and better sales. Revenue reached EUR 600.7 million, up 1.8% from the first half of 2013. The steepest revenue growth was seen in Germany, Russia, Bulgaria, Romania, Great Britain, North America, Czech Republic, and Slovakia.

Gorenje sales up in Germany, Russia, Czech Republic, and North America

Gorenje Group home appliance sales rose in the first half of the year in Germany, Russia, Bulgaria, Great Britain, Czech Republic, Slovakia, and Hungary. At 24.3 percent, growth was particularly solid in markets beyond Europe, which include North America where as of April 1 this year Asko appliances are distributed by the high-end refrigerator and cooking appliance manufacturer SubZero, Australia with sales of Asko appliances, and the Far East.

Moreover, the structure of sales in terms of products was improved as premium appliance sales were up 2.6%, reaching 16.9% of total core business revenue. The Group's strategic goal is to increase the share of these appliances to 25% in total sales by the year 2018.

Home appliance sales in the first half of the year totalled at EUR 505.5 million, which is 0.6% more than in the equivalent period of the year before. Adjusting for currency translation differences, revenue growth in the core activity would have been 4.2 percent. To alleviate the pressure on the contribution margin in the third quarter, the Group selectively increased the prices, as denominated in local currencies, in the markets with the highest currency depreciation.

Due to political turmoil and its effect on the economy, sales in Ukraine decreased in the first half of the year. Nevertheless, the Group succeeded in adapting to the market and retaining its market position. Sales were also down in Scandinavia where distribution is currently in the process of consolidation which has exerted a downward pressure on the prices, as well as in France, and Kazakhstan. Drop in sales in these markets has mostly been offset with higher sales elsewhere.

Group revenue also increased in Portfolio Investments (+8.5%), reaching EUR 95.2 million or 15.8% of the Group's total revenue for the first half of the year, owing to better sales in the segments of medical equipment, metallurgy, machine building, toolmaking, and ecology.

Restructuring and higher sales improve earnings

Gorenje Group profitability in the first half of this year has shown improvement over the same period a year ago, especially owing to restructuring, improved sales structure, and higher revenue. Relocation of entire washing machine, dryer, and dishwasher manufacturing operations from Sweden to Slovenia, free standing fridge freezer production from Slovenia to Serbia, and the cooking appliance plant from Finland to the Czech Republic, as well as restructuring of the sales network, resulted in a decrease in labour costs by 10.5% or EUR 13.1 million relative to the comparable period of last year. Moreover, Gorenje's management of the cost of raw and processed material in the first half of the year was better than a year earlier.

This has contributed to higher operating profit (EBIT) which totalled at EUR 21.9 million, or 40.8% more than in the first half of the year. EBITDA at EUR 43.1 million is a 17.2% improvement over the last year's figure.

Gorenje wrapped up the first half of the year with a profit of EUR 3.1 million, which is consistent with the plan. Relative to the first half of 2013 when the Group reported a loss of EUR 7.8 million, net result was improved by EUR 10.9 million.

Gorenje President and CEO **Franjo Bobinac**: *"Performance development in the first half of the year clearly reflects Gorenje's focus on profitability. Our revenue grew and our premium sales were stepped up, despite the persistently tough market conditions which were, due to some extraordinary and unforeseeable events, even more hostile than anticipated. We shall carry on our sales promotion activities, introduce new innovative products, further develop our premium brand Asko into a global brand, and improve our financial stability. We are also*

closely monitoring the developments in Russia and Ukraine which are two highly important markets for Gorenje Group."

Closing the half with lower debt

In the first half of the year, Gorenje Group cut its gross debt by EUR 24.2 million to a total of EUR 432.1 million, while net debt was reduced by EUR 27 million to an amount of EUR 404.6 million.

Looking ahead

Business environment in Europe remains harsh in the second half of the year, with any further aggravation of the Ukrainian crisis and a slowdown of the Russian economy posing the biggest threat to Gorenje Group performance. At the moment, circumstances are highly unpredictable in both markets.

The Group continues to pursue its activities to increase the volume and improve the structure of sales, to develop the premium brand Asko, to optimize the costs, which also involves reduction of complexity and introduction of lean organization, and to deleverage.

New generation ovens the development highlight of this year

In the first half of the year, Gorenje Group further extended its offer of appliances with new products, and increased R&D investment by 0.5 p.p. to 2.9% of total core business revenue. The Group's overall investment in the first half of the year totalled at EUR 23 million.

This year's key new launch by the Gorenje Group is the new generation of high-end ovens which have already been introduced to some markets. In addition, the Group introduced in the first half of the year the exclusive line of kitchen appliances Pro Series™ which extend the offer of the Asko brand – previously known especially for washing machines, dryers, and dishwashers – and the free standing refrigerator freezers with a width of 60 cm and height of 200 cm.