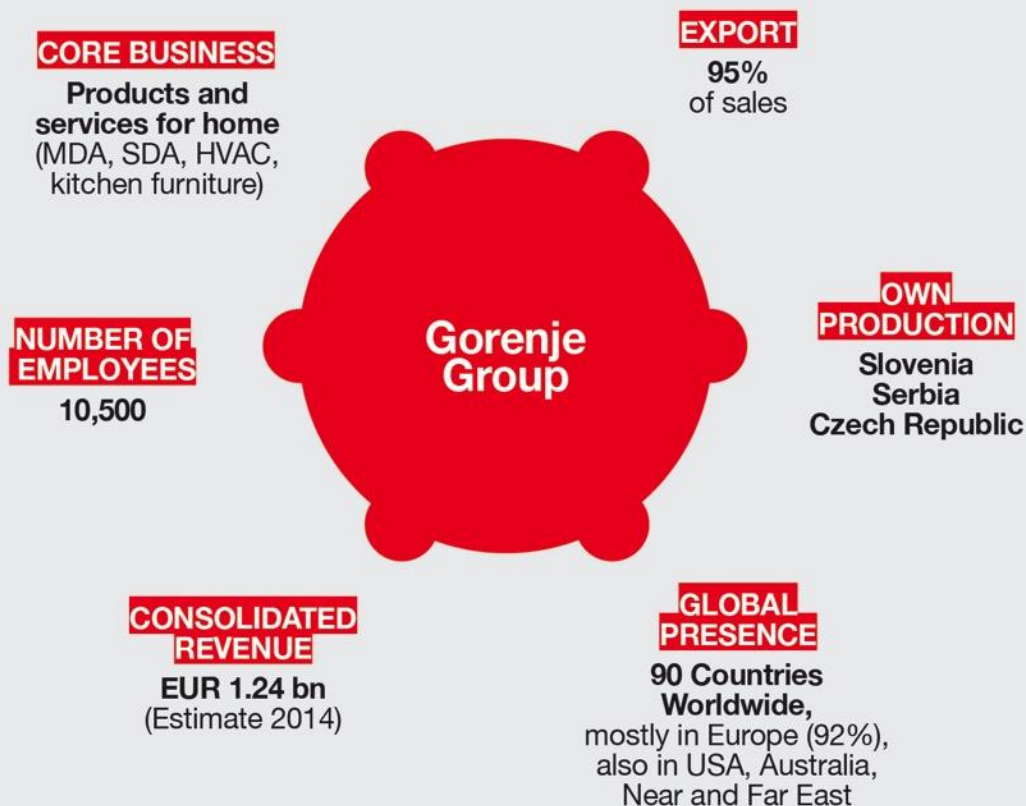


# Gorenje Group

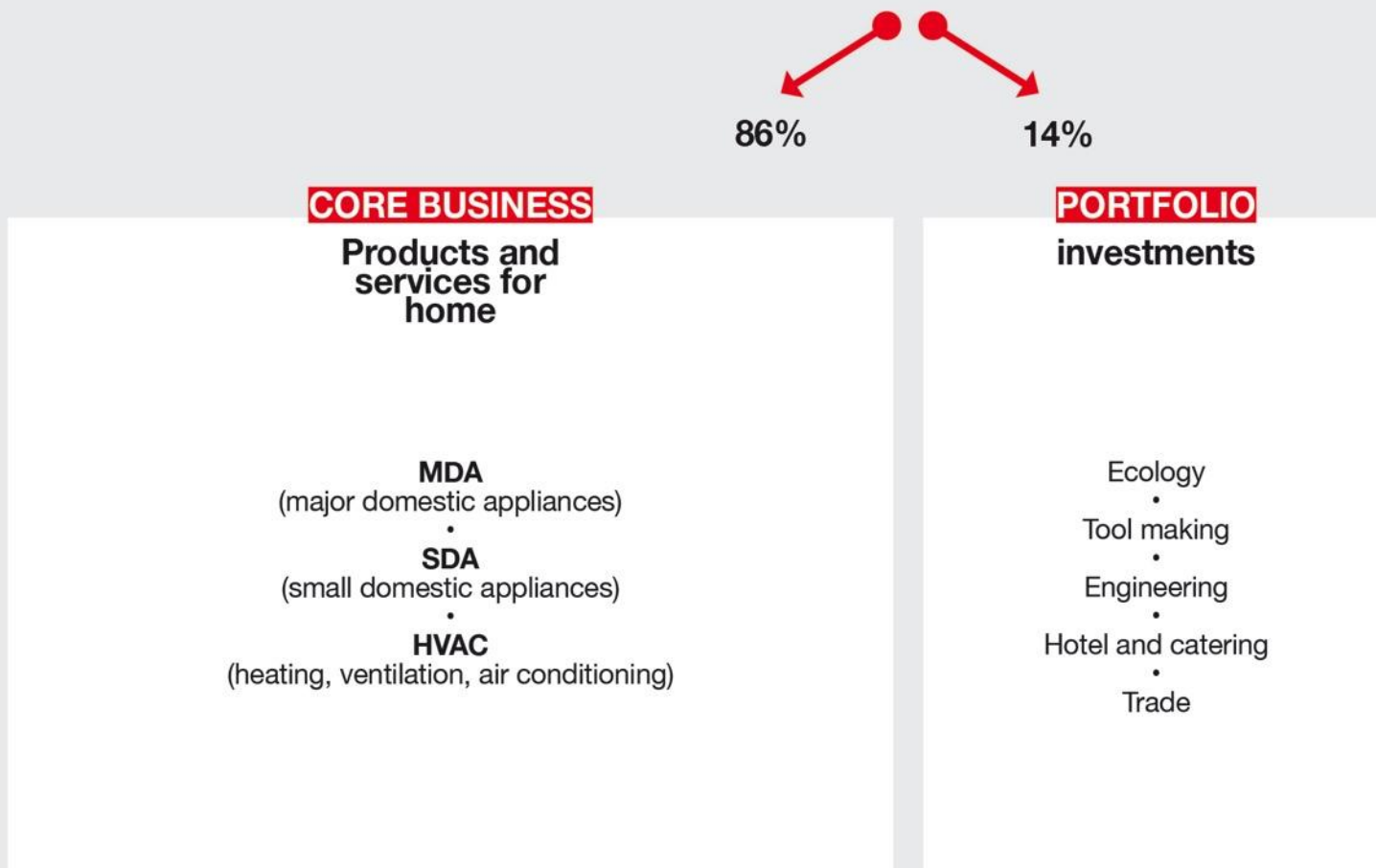
**Presentation of Gorenje, d.d., and  
the new commercial paper issue**

**Ljubljana, 13 February 2015**

# One of Leading European Manufacturers of Products for Home



# Business Segments



## Strategic Goals 2014 - 2018





# Business Model



# Production Re-location

**Positive effects**  
Annual cost savings may amount to **EUR 20 m**

**Labor costs comparison 2012, Direct worker, gross-gross cost (EUR/month):**

- Valjevo (SRB):** EUR 520 (36%)
- Mora (CZ):** EUR 950 (65%)
- Velenje (SLO):** EUR 1,460 (100%)
- Lahti (FIN):** EUR 3,300 (226%)
- Vara (SWE):** EUR 4,250 (291%)



# Production Facilities in 3 countries

## Slovenia

Velenje

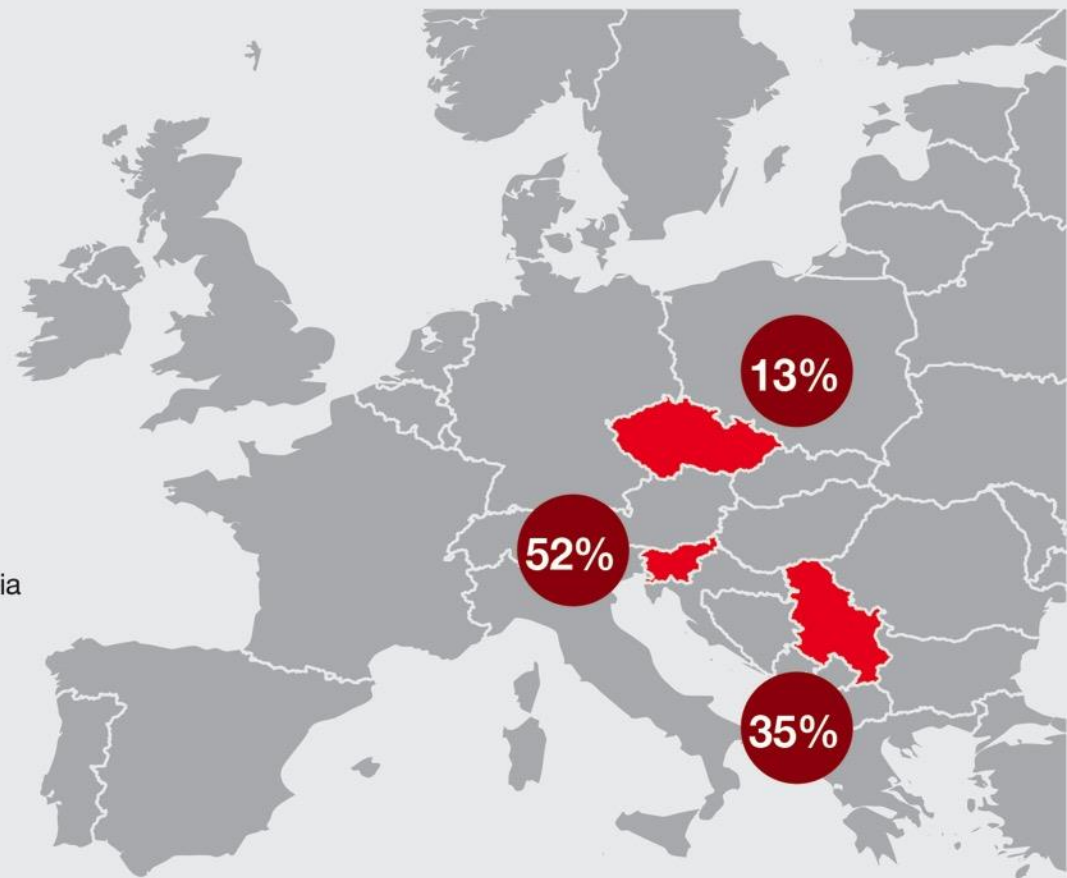
## Czech Republic

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



# Brands

GLOBAL BRANDS

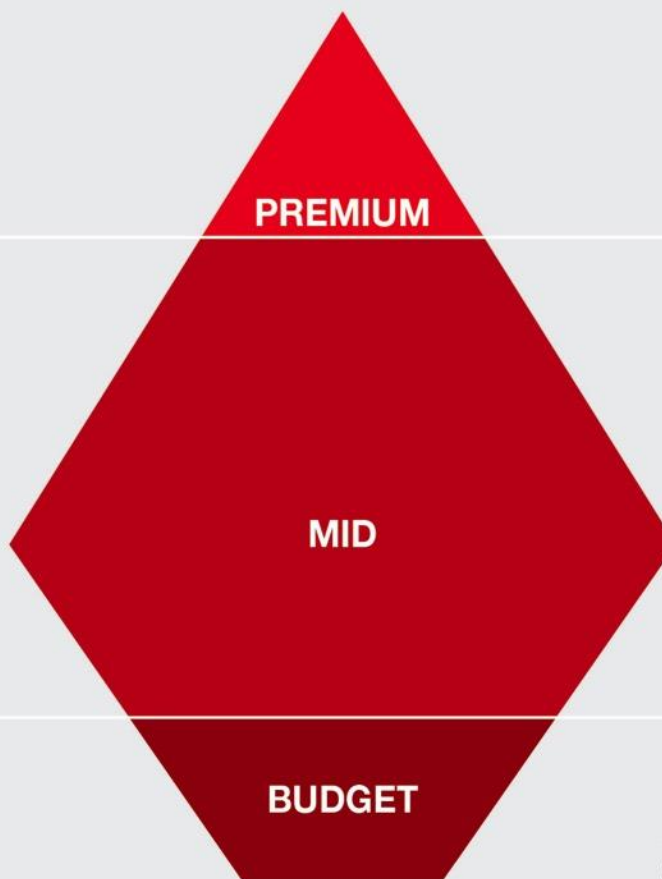
LOCAL BRANDS

**ASKO**

**ATAG**  
(Benelux)

**gorenje**

**Pelgrim**  
(Benelux)



**TPO**  
(Nordic)  
**MORA**  
(E Europe)

**ALTA**  
(Benelux)  
**körting**  
(SE Europe)



# 2014 was the year of

## **improved profitability**

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

## **greater financial strength**

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

## **consolidation of strategic partnership with Panasonic**

## **cooperation with upmarket refrigerator and oven manufacturer SubZero launched**

- distribution of Asko washing machines, dryers, and dishwashers in the USA

# 2014: performance estimate, highlights

- **Higher revenue by 0.3% despite the negative effect of the turmoil in Ukraine (lower revenue by EUR 26.9 million relative to 2013) and Russia**
- **Highest revenue growth: Slovakia, Romania, Bulgaria, Hungary, Far East, Slovenia, USA; growth also in Germany and the Czech Republic**
- **Market share increase in most markets**
- **Positive results in all of the first three quarters (despite the negative impact of Ukraine and Russia); deterioration of conditions in the 4th quarter due to strong rouble depreciation, which affected the profitability**
- **Nevertheless, operating profitability improved relative to 2013:**
  - **EBITDA: +6.6%**
  - **EBIT: +10.2%**
  - **Profit before taxes: EUR 5.1 million (2013: EUR -18.6 million)**
  - **Net profit: EUR 0.1 million (2013: EUR -25 million)**

# 2014: performance estimate, highlights

- **Successful manufacturing operations restructuring in recent years notably improved the profitability in 2014.**
- **Gorenje tackled the sudden deterioration of conditions in Russia and Ukraine in better shape: effect of manufacturing operations restructuring, in particular lower labour costs (EUR -20 million).**
- **Solid management of raw and processed material costs**
- **Improved working capital management**
- **Lower net debt: EUR -26 million and improved maturity profile (including the first issue of bonds)**
- **Successful completion of the last of the 3 capital increases (debt to equity swap in the amount of EUR 10 million)**



# 2014: performance estimate, highlights

- **Consolidation of strategic partnership with Panasonic**
- **As of April 2014, cooperation with upmarket refrigerator and oven manufacturer SubZero in the USA for distribution of Asko washing machines, dryers, and dishwashers.**
- **Launch of new generation of built-in cooking appliances**
- **Expansion of Asko assortment with cooking appliances**

# 2014: performance estimate, highlights

EUR million	2013	Index E14/13	Estimate 2014
<b>Consolidated revenue</b>	<b>1,240.5</b>	<b>100.3</b>	<b>1,244.3</b>
<b>EBITDA</b>	<b>78.2</b>	<b>106.6</b>	<b>83.4</b>
<i><b>EBITDA Margin (%)</b></i>	<i>6.3%</i>	<i>/</i>	<i>6.7%</i>
<b>EBIT</b>	<b>36.3</b>	<b>110.2</b>	<b>40.0</b>
<i><b>EBIT Margin (%)</b></i>	<i>2.9%</i>	<i>/</i>	<i>3.2%</i>
<b>Profit before taxes</b>	<b>-18.6</b>	<i>/</i>	<b>5.1</b>
Results w/o discontinued operations	-14.4	<i>/</i>	1.1
Results from discontinued operations	-10.6	<i>/</i>	-1.0
<b>Profit for the period</b>	<b>-25.0</b>	<i>/</i>	<b>0.1</b>
<i><b>ROS (%)</b></i>	<i><b>-2.0%</b></i>	<i>/</i>	<i><b>0.0%</b></i>
<b>Net financial debt</b>	<b>358.8</b>	<b>92.7</b>	<b>332.7</b>
<b>Net financial debt / EBITDA</b>	<b>4.59</b>	<i>/</i>	<b>3.99</b>

\*Note: Summary of unaudited financial statements of Gorenje, d.d., and Gorenje Group for 2014 will be released for public on March 13, 2015.

# 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

# 2015: Business Plan, highlights









- **Further improvement of operating profitability**
  - **EBITDA: +11.4%**
  - **EBIT: +8%**
  - **Net profit: EUR 6.1 million (2014 estimate: EUR 0.1 million)**
  
- **Revenue: -2.3% (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**



# 2015: Business Plan, highlights

- **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**

# 2015: Business Plan, highlights

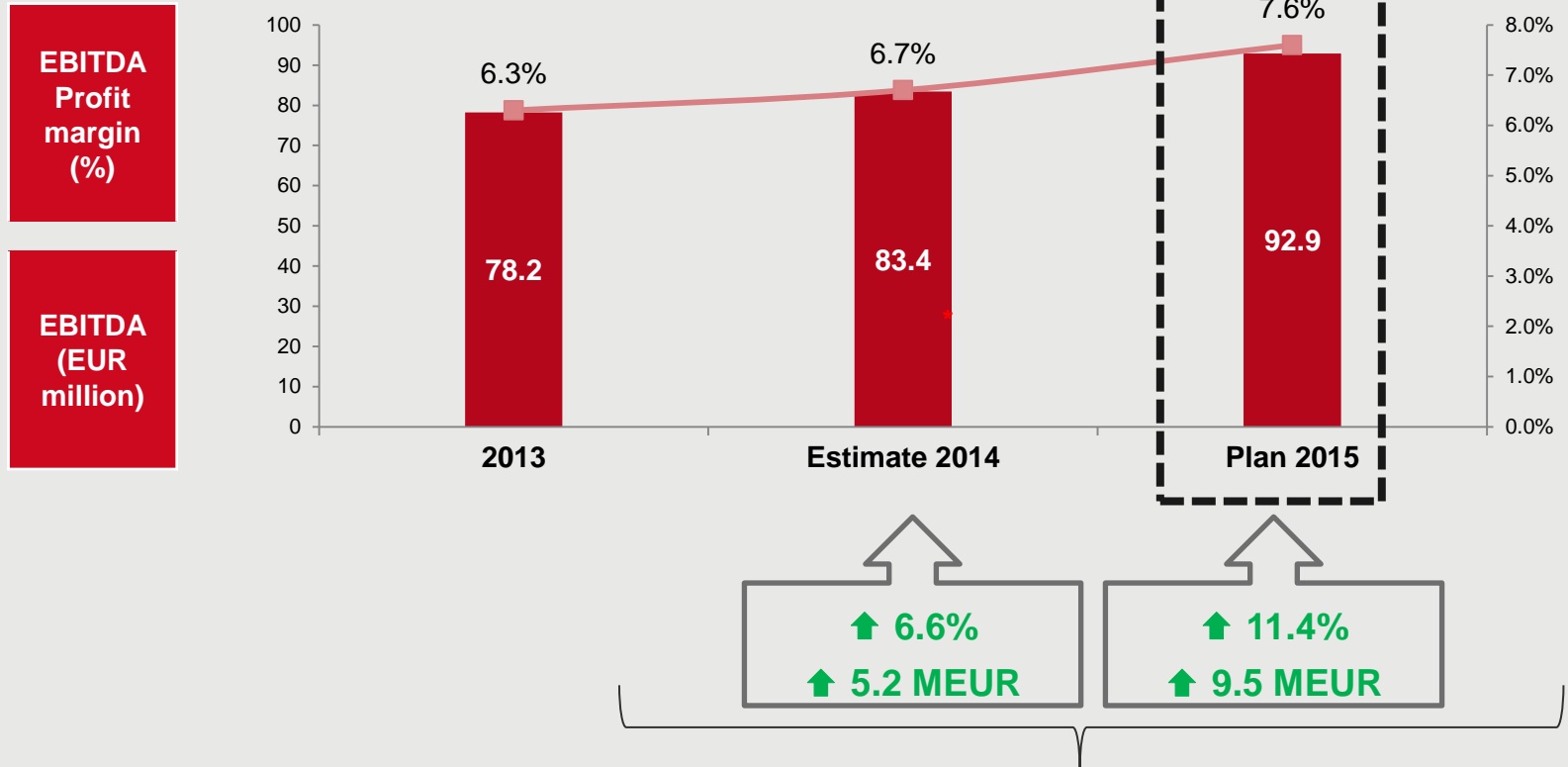
EUR million	2013	Estimate 2014	Plan 2015	Index	
<b>Consolidated revenue</b>	<b>1,240.5</b>	<b>1,244.3</b>	<b>1,216.1</b>	<b>97.7</b>	
<b>EBITDA</b>	<b>78.2</b>	<b>83.4</b>	<b>92.9</b>	<b>111.4</b>	
<i>EBITDA Margin (%)</i>	6.3%	6.7%	7.6%	/	
<b>EBIT</b>	<b>36.3</b>	<b>40.0</b>	<b>43.1</b>	<b>108.0</b>	
<i>EBIT Margin (%)</i>	2.9%	3.2%	3.5%	/	
<b>Profit before taxes</b>	<b>-18.6</b>	<b>5.1</b>	<b>10.8</b>	<b>212.0</b>	
Results w/o discontinued operations	-14.4	1.1	7.6	719.1	
Results from discontinued operations	-10.6	-1.0	-1.5	152.9	
<b>Profit for the period</b>	<b>-25.0</b>	<b>0.1</b>	<b>6.1</b>	<b>/</b>	
<i>ROS (%)</i>	<b>-2.0%</b>	<i>0.01%</i>	<i>0.5%</i>	/	
<b>Net financial debt</b>	<b>358.8</b>	<b>332.7</b>	<b>321.2</b>	<b>96.5</b>	
<b>Net financial debt / EBITDA</b>	<b>4.59</b>	<b>3.99</b>	<b>3.46</b>	/	

# Goal: improvement of profitability

## Based on:

- **Improved product structure of sales:**
  - Increase in sales of premium products to 17.2% in terms of volume (2014 estimate: 16.4%)
  - Increase in sales of innovative products to 7.2% in terms of volume (2014 estimate: 7.1%)
  - Increase in share of HVAC equipment sales to 3.6% (2014 estimate: 3.3%)
  - Increase in share of small domestic appliances sales to 4.1% in terms of volume (2014 estimate: 3.8%)
  
- **Improved geographical structure of sales:**
  - Revenue growth in non-European markets +2.5% (especially Middle and Far East, Australia)
  
- **Adjustment of pricing policy**
  
- **Improved cost efficiency:**
  - Optimization of raw and processed material costs
  - Optimization of logistics costs
  - Optimization of costs of other services
  - Optimization of labour costs
  - Reduction of complexity by improved management of finished product and merchandise IDs (codes)

# EBITDA



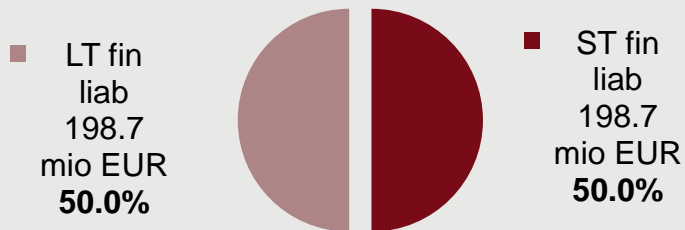
**Improved performance at the level of EBITDA owing to higher planned contribution margin, especially in the Home segment**



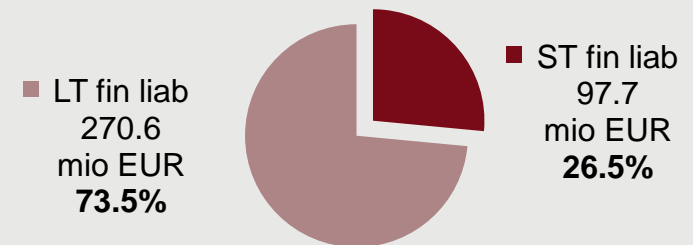
# Goal: deleveraging and maintaining a stable debt maturity profile

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

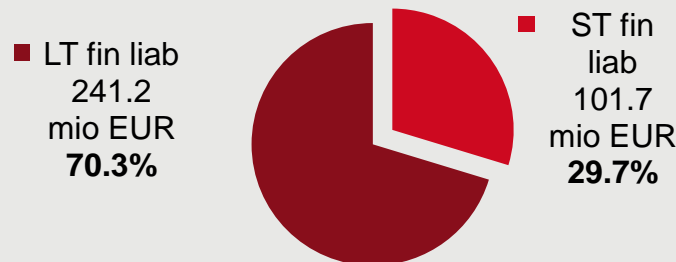
**2013**



**2014 Estimate**

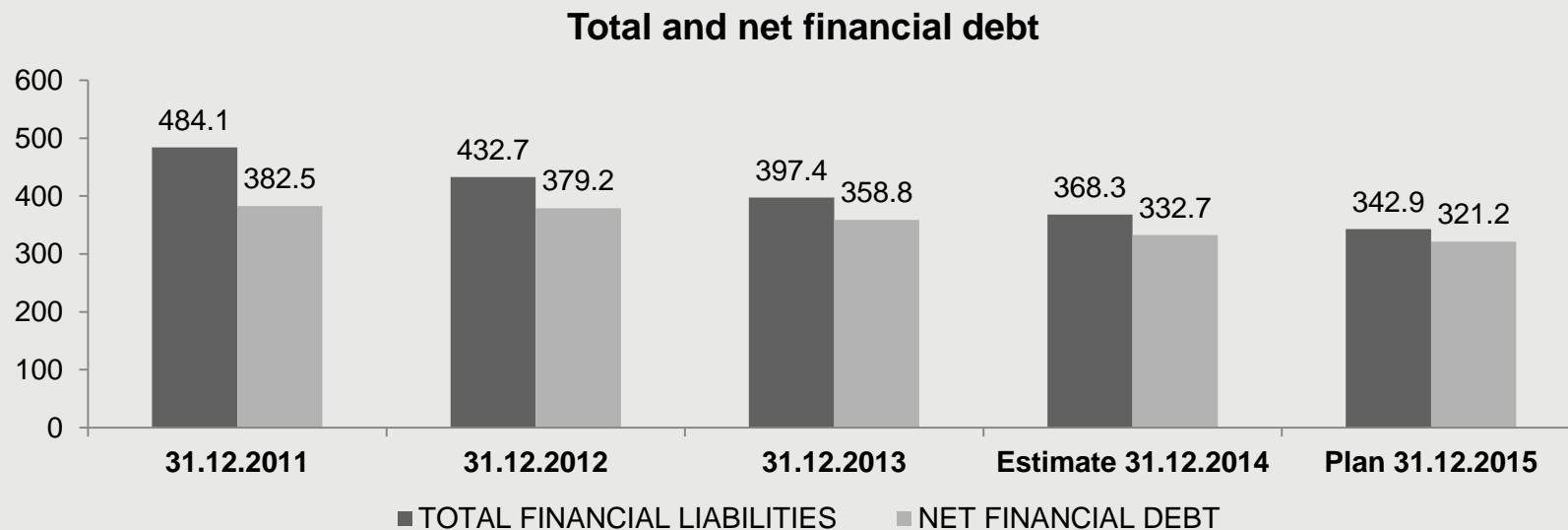


**2015 Plan**



## Goal: deleveraging and maintaining a stable debt maturity profile

- Decrease of gross financial debt by EUR 25.4 million;
- Decrease of net financial debt by EUR 11.5 million;
- Improvement of net financial debt/EBITDA indicator from 3.99 to 3.46



# **Third commercial paper issue, February 2015**

# Financial instrument description

<b>Instrument type</b>	<b>Commercial paper</b>
<b>Issuer</b>	<b>GORENJE, D.D.</b>
<b>Yield to maturity</b>	<b>2.20%</b>
<b>Benchmark</b>	<b>1 year Treasury Bill</b>
<b>Maturity date</b>	<b>18 Dec. 2015</b>
<b>Currency</b>	<b>EUR</b>
<b>Expected issue size</b>	<b>EUR 20,000,000</b>
<b>Par amount</b>	<b>EUR 1,000</b>
<b>Minimal purchase amount</b>	<b>EUR 10,000</b>
<b>Guarantees</b>	<b>Without</b>
<b>Issuance date</b>	<b>20 Feb. 2015</b>
<b>Book runner</b>	<b>ALTA INVEST D.D.</b>

# Use of proceeds

## 1. Seasonal financing of business in accordance with Gorenje's interim cash flow dynamics

- The Group generally has higher needs for cash at the beginning of the year, while in the last quarter the company has a surplus of cash.
- In the first quarter Gorenje usually has a negative cash flow from operating and investing activities due to lower sales volume, repayment of trade payables and inventory build-up as maximum seasonal output takes place in the second half of the year. Moving forward in the year, the cash flow from operations and investments gradually strengthens and peaks along with sales in the fourth quarter.

## 2. Diversification of short-term financing sources

- The Group continues its long-term strategy of diversification of financial sources and partial financing through capital markets.

# Subscription of commercial papers- important dates

The offering of commercial paper GRV03 will take place in two rounds:

- The first round is expected to take place from February 16, 2015 until 12:00 a.m. (noon) CET on February 18, 2015. The allocated commercial paper will have to be paid in by 12:00 a.m. (noon) CET on February 20, 2015;
- The second round is expected to begin on March 2, 2015 and end on December 1, 2015. Terms of the deal will depend on current market conditions and shall be negotiated directly with the issuer.

*The Issuer also provides for the possibility of forming repurchasing agreements with the commercial paper in the first as well as in the second round of the offering. Repurchasing agreements (price, maturity, amount) will be negotiated between the investor and the issuer and formed by Alta Invest d.d. on behalf of Gorenje, d.d.*

**gorenje**group

**ALTA**  
NOVA NALOŽBENA KULTURA



**Thank you  
for your attention.**



## 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.*