

gorenjegroup

Executive summary of the Gorenje Group 2016 Business Plan

January 15, 2016



2015 estimate

- **Budgeted 2015 sales revenue was exceeded** for the Home segment, despite the harsh conditions in Russia and Ukraine. Revenue of EUR 1,050 million exceeds the plan by 0.6%.
- **Gorenje Group sales revenue** amounts to EUR 1,217 million, which is 0.6 percent short of the plan as a result of changes in the macroeconomic conditions in our non-core activity (steep drop in the prices of secondary raw materials in the last quarter).
- Sales and market shares have been increasing since the first quarter, particularly in:
 - markets **beyond Europe**
 - **Eastern Europe**
 - Benelux
- We have increased the share of our **sales under the Asko premium brand**.
- Changing the sales structure in terms of regions and products, we have **increased the share of premium and innovative product sales**.

2015 estimate

- Strong effect of the **unstable business environment** (Russia, Ukraine ...).
- **Currency exchange rate volatility** USD/EUR, RUB/EUR.
- Home appliance market **slumped by 35% in Russia**. Despite the 30% lower sales, **Gorenje Group increased its market shares**.
- **Efficient optimization of costs** of raw and processed material (despite dollar appreciation) and costs of services, particularly logistics.
- **Our strategic partnership with Panasonic was strengthened** (EUR 10 million of sales revenue, joint development).
- After a **slow start to the year**, our performance gradually improved and our **EBITDA peaked in the last quarter**, also exceeding the comparable EBITDA for 2014).
- **Gorenje Group 2015 EBITDA** is estimated between **EUR 78 and 80 million**.

2015 estimate

- **We successfully managed our net working capital**, especially receivables, and decreased the complexity of our inventories.
- We have generated **positive cash flow in the last quarter** to **deleverage to a level** comparable to that from the end of 2014.
- **Our net debt to EBITDA ratio at the end of the year is estimated between 4.2 and 4.3.**
- We have notably **improved our debt maturity profile**, with long-term liabilities accounting for 74 percent, and **decreased the amount of required refinancing for 2016.**
- **Net profit was largely affected by considerable exchange rate volatility.** We estimate that the negative currency translation differences will amount to around EUR 12.6 million, or approximately EUR 6 million more than planned.
- **We wrapped up our last quarter with profit.** Net profit for 2015 will be consistent with the estimate made in November.

Business Plan 2016

- **First year of the new 2016–2020 strategic period, consistently with the key strategic goals.**
- **Further growth of sales revenue planned for:**
 - Gorenje Group (+4.6%)
 - Home segment (+5.2%)
- **Increase in Gorenje Group profitability**
 - EBITDA: + 13.8%
 - EBIT: + 24.1%
 - Net profit: EUR 7.6 million
- **Improvement projects at all levels of operations.**
- **Further working capital optimization and positive cash flow.**
- **Focus on the core activity.**
- **Relative deleveraging** (net financial debt to EBITDA ratio).

EUR million	Estimate comparable terms*	Budget*	Index B16/E15
	2015	2016	
Consolidated revenue	1,147.9	1,201.0	104.6
EBITDA	74.6	84.9	113.8
<i>EBITDA Margin (%)</i>	6.5%	7.1%	/
EBIT	30.3	37.6	124.1
<i>EBIT Margin (%)</i>	2.6%	3.1%	/
Profit before taxes	n/a	11.2	/
Profit or loss for the period	n/a	7.6	/
ROS (%)	n/a	0.6%	/

*For comparability between the years 2015 and 2016, the 2015 estimate is provided in comparable terms, excluding the companies from the Ecology segment, which are in the process of divestment.

Business Plan 2016

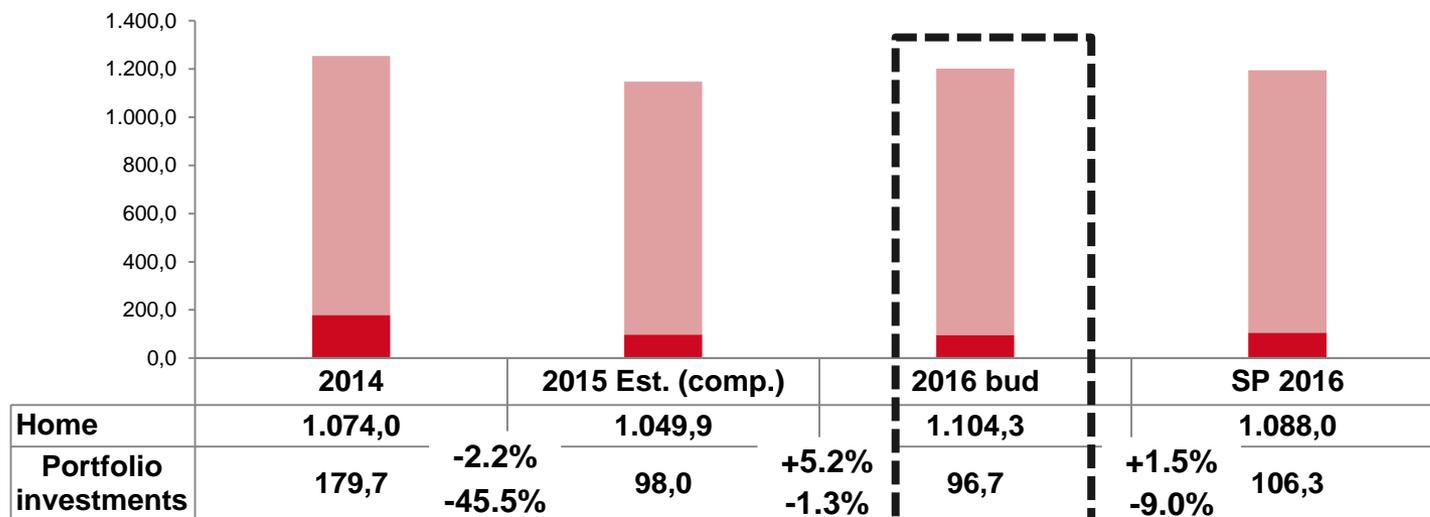
- Revenue growth and profitability shall be based on:
 - **Improved regional structure of sales:** further growth in the markets **beyond Europe** and in **Benelux**,
 - **Improved sales structure in terms products:** growth of sales under the **Asko** and **Atag** brands; increase in the share of sales of **innovative and premium products**.
- As a result, an **increase in the average downstream prices**
 - **More even dynamics of sales and production**,
 - **Cost optimization** (costs of material, services, and labour).
- To support the growth of sales in the premium and innovative segment, we are **stepping up our investment into marketing and development**.
- **In 2016, we are completing a major investment cycle involving investments into technology and new products.**

gorenjegrup 2016 Business Plan: Revenue, EUR million

Further growth of sales revenue planned for:

- Gorenje Group (+4.6%)
- Home segment (+5.2%)

Revenue
Business
segments
(EUR
million)



Revenue Structure	2014	Estimate 2015 (comp. terms)	Plan 2016	SP 2016
Home	85.7%	91.5%	92.0%	91.1%
Portfolio investments	14.3%	8.5%	8.0%	8.9%

Business Plan 2016

Development and New launches

- Innovations in all product groups
- Innovative features, simplicity, user-friendly management
- New platform for high-end appliances brand Asko
- Development of the connectivity platform
- Joint development with Panasonic

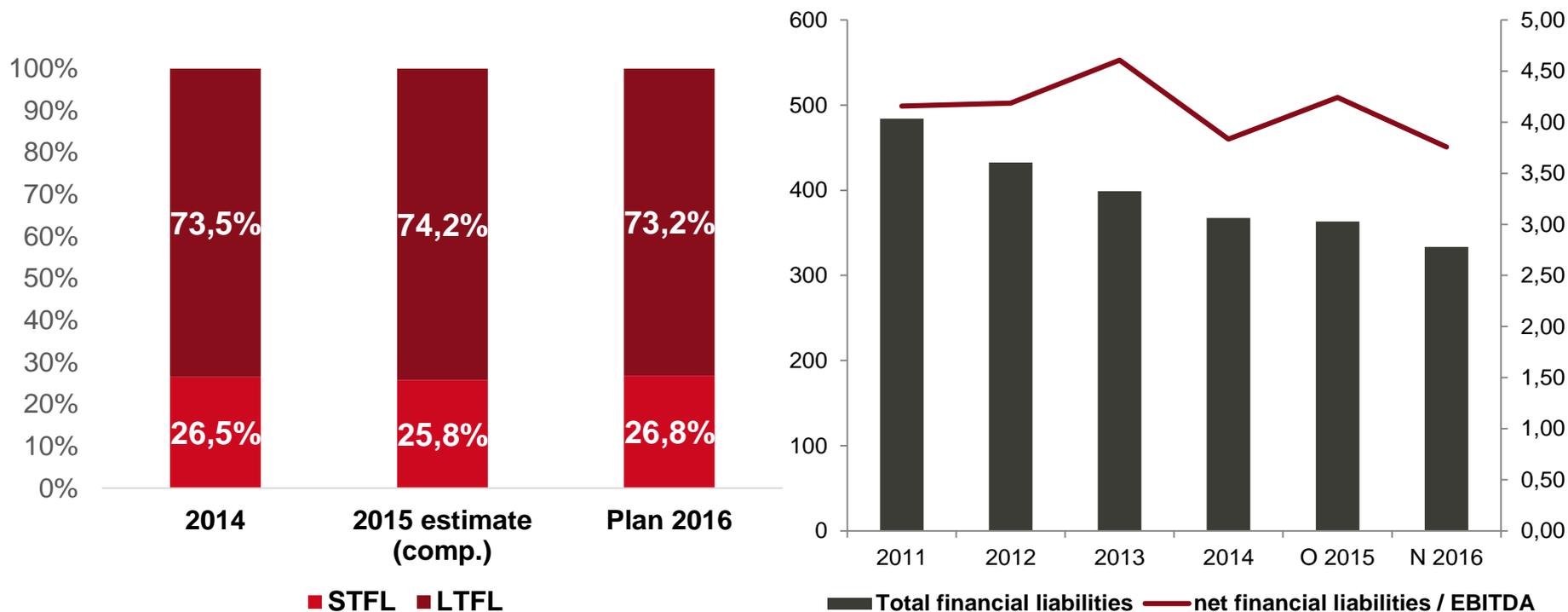


Business Plan 2016

Debt management

- Relative deleveraging (net financial debt to EBITDA ratio).
- Maintaining a stable debt maturity profile in 2016 (>70% of long-term liabilities) and improvement in the average debt maturity.
- More even required refinancing dynamics (~ EUR 80 million per year).
- Further refinancing in order to decrease the average finance expenses.

- Maintaining a stable maturity profile of our financial liabilities in 2016 (over 70% of long-term liabilities).
- Relative deleveraging (net financial debt to EBITDA ratio).



Forward-looking statements

This presentation includes forward-looking information and forecasts – i.e. statements regarding the future, rather than the past, and 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 but are not necessarily limited to following: consumer demand and market conditions in geographical segments or regions and in industries in which the Gorenje Group is conducting its operating activities; effects of exchange rate fluctuations; competitive downward pressure on downstream prices; major loss of business with a major account/customer; the possibility of late payment on the part of customers; decrease in prices as a result of persistently harsh market conditions, in an extent much higher than currently expected by Gorenje's Management Board; success of development of new products and their 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 allows any update or revision of these forecasts in light of development differing from the expected events.