

gorenjegroup

Executive summary of Gorenje Group 2016 performance estimate and 2017 business plan

January 13, 2017



Successful first year of strategy pursuit

- **We achieved the plan for Gorenje Group sales revenue.** Amounting to **EUR 1,257.2 million**, it exceeds the 2015 revenue by **2.6%**.
- In the business segment Home we generated **sales revenue of EUR 1,090.8 million**, which represents **3.3 percent revenue growth**.
- We have **significantly improved** the Gorenje Group **EBITDA** with favourable sales structure and sound cost management. EBITDA is estimated to amount to **EUR 87 million**, which is **8.6%** more than in 2015.
- We have generated profit in every quarter and **exceeded the planned profit by 5%**. In our estimate, **Gorenje Group profit** will amount to **EUR 8 million**, which is an **improvement of EUR 16 million relative to 2015**.
- **We have decreased the relative debt** of Gorenje Group – we have improved the **net debt to EBITDA ratio** from **4.1** in 2015 to **3.9** in 2016.

A year of improved sales structure

- **2016 was a year of successful performance in the Home segment, which was based on:**
 - **Sales growth (+3.3% or EUR +34.8 million)**
 - **favourable geographical structure of sales;** highest sales increase was seen in the markets of
 - Russia, Ukraine, and Eastern Europe,
 - Benelux,
 - Australia, USA, and Asia, under own brands.
- **We increased sales under premium brands Asko and Atag.**
- In the structure of sales in terms of products, the **highest increase** was seen in **kitchen and dishwashing** appliances, and with **small domestic appliances**.
- **We increased the share of premium and innovative appliance sales. Premium products account for 27.4%** of total MDA sales, which is more than planned for this period.

A year of cost efficiency and savings

- Successful **raw and processed material cost** management:
 - by **renegotiation with suppliers**,
 - by **prior favourable forward purchases** for some strategic raw materials (sheet metal, plastics etc.),
 - by **optimized use of material** in direct manufacturing.
- Sound management of **logistics costs**:
 - Activities aimed at **logistics route/path optimization, new logistics models development**,
 - **we have cut logistics costs** despite the growth of Gorenje Group revenue.
- **Revenue growth** in the Home segment was **greater** than **labour cost growth** in the Home segment.
- **Lower quality costs** due to improved appliance quality.

A year of solid financial management

- **We have cut our interest expenses and average finance expenses.**
- With efficient management, we **significantly improved our currency translation differences result** which had a material impact on Gorenje Group performance in 2015.
- With growth of business activities, we **cut our investments into net working capital** and reduced the complexity of our inventory.
- We have generated **positive cash flow in the last quarter** and, as a result, **relatively deleveraged** at the Group level (net financial debt to EBITDA ratio at 3.9).
- We maintain a **favourable maturity profile of our financial liabilities (approximately 75% of long-term sources)** and a low level of required refinancing for 2017.
- **We have increased our liquidity reserve** and thus **improved our financial stability.**

Further growth of revenue and profitability

- **Key categories (EBITDA, EBIT, profit) are consistent with the strategic goals of the 2nd year of the 2016–2020 Strategic Plan.**
- **Further growth of sales revenue planned for:**
 - Gorenje Group (+4.6%)
 - Home segment (+5.0%)
- **Improvement of Gorenje Group profitability:**
 - EBITDA: EUR 97.1 million (+11.6%)
 - EBIT: EUR 39.7 million (+2.6%)
 - Profit: EUR 13.1 million (+62.3%)
- **Managing procurement price risk and currency risk, and the improvement projects at all levels of business.**
- Further **working capital optimization** and **positive cash flow**.
- Further **relative deleveraging** at the Group level (net financial debt to EBITDA ratio of **3.5**).

EUR million	Estimate 2016	Plan 2017	Index P 17 / E 16
Consolidated revenue	1,257.2	1,315.3	104.6
EBITDA	87.0	97.1	111.6
<i>EBITDA Margin (%)</i>	6.9%	7.4%	/
EBIT	38.7	39.7	102.6
<i>EBIT Margin (%)</i>	3.1%	3.0%	/
Profit before taxes	11.6	19.5	167.8
Profit or loss for the period	8.0	13.1	162.3
<i>ROS (%)</i>	0.6%	1.0%	/
Net financial debt / EBITDA	3.9	3.5	/

Solid sales structure by territories and products

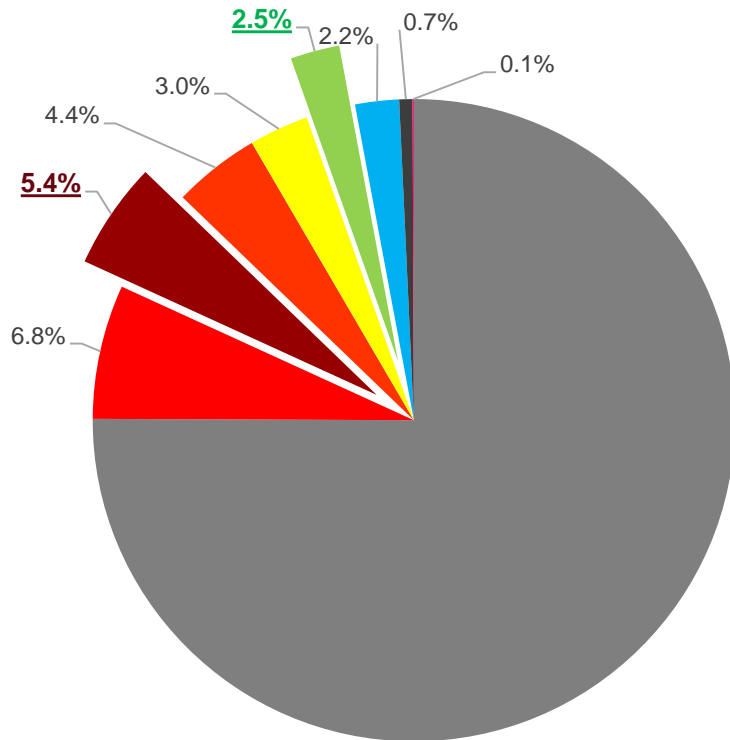
- Revenue growth and profitability shall be based on:
 - **Improved geographical structure of sales:** further growth in the markets of **Benelux, Eastern Europe, and CIS;**
 - **improved sales structure by brands:** increase of sales under the **Asko** and **Atag** brands
 - **Improved sales structure in terms of products:** growth of sales for products with higher value added

As a result:

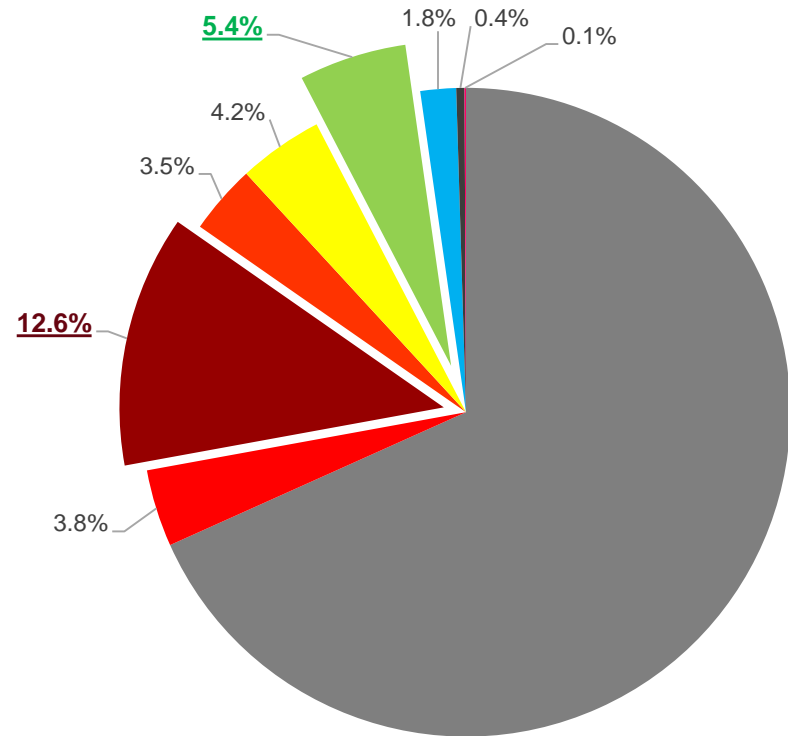
- further **growth of share of innovative and premium products**
 - **higher average sales prices**
 - **improved utilization of production capacities**
- To support the growth of sales in the premium and innovative segment, we are **stepping up our investment into marketing and development.**

Own brand portfolio for all market segments

*MDA structure: Own brands
(2017 plan; volume terms)*



*MDA structure: Own brands
(2017 plan; value terms)*



Targeted investment into new product Development (1/2)

New product development and launch

- Consistently with the strategic policies, we support sales growth with **targeted investment into new product development; 2.7% of Gorenje Group revenue to be allocated to investments into development.**
- New launches in all product categories.
- Innovative functions, simplicity, user-friendly controls.
- New platforms for high-end appliances under the Asko brand.



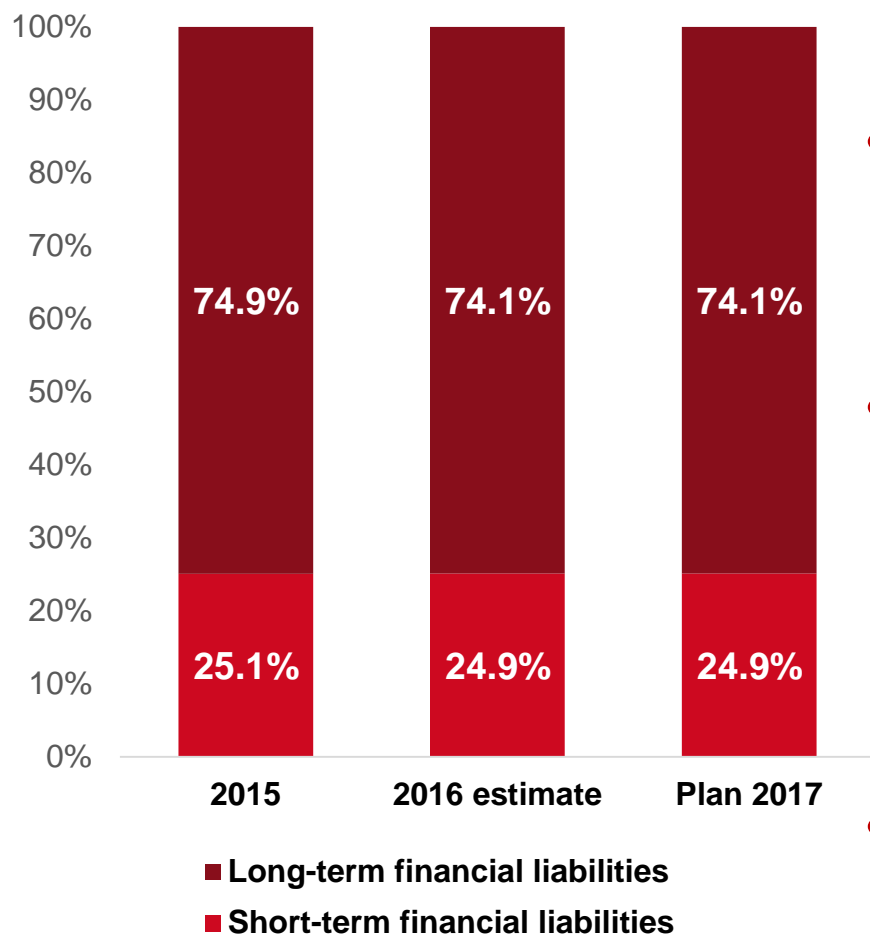
Targeted investment into new product Development (2/2)

- New premium dishwasher platform and additional dishwasher models in the mid-price segment.
- Development of a platform for connectible appliances.
- New generation of free standing cookers and gas hobs.
- New generation of built-in refrigerators.
- New collections and products of small domestic appliances.



Business Plan 2017

Stable financial structure



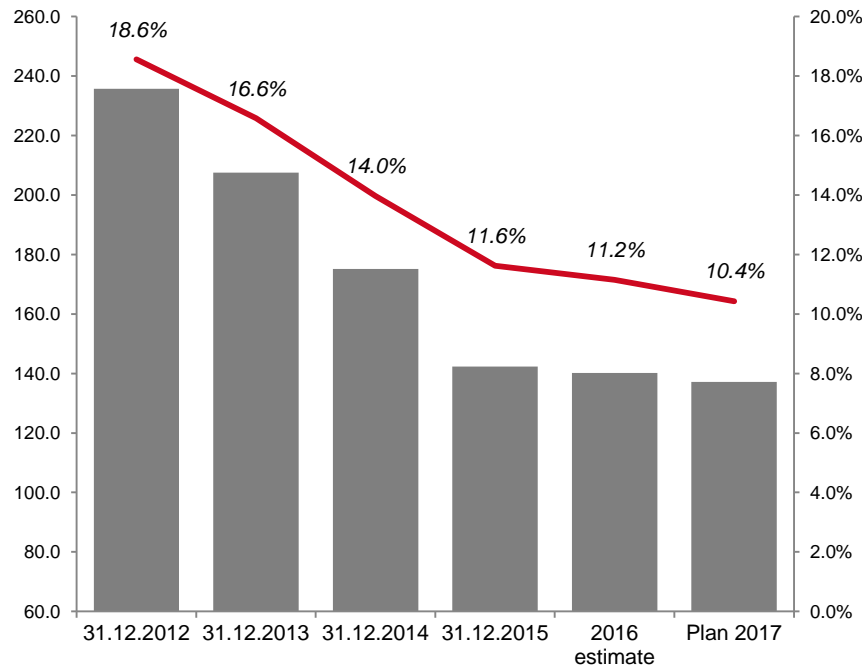
- **Further relative deleveraging** planned (net financial debt to EBITDA ratio at **3.5**)
- **We maintain a stable maturity profile** of our financial liabilities (approximately 75% of long-term sources), and the average maturity of our debt.
- **Dynamics of required refinancing** for maturing/current portions of long-term borrowings (approximately EUR 90 million per year) **consistent with cash flow generation within each year**, and **high liquidity reserve**, alleviate our refinancing risk.
- Refinancing in order to further **cut average finance expenses**

Business Plan 2017

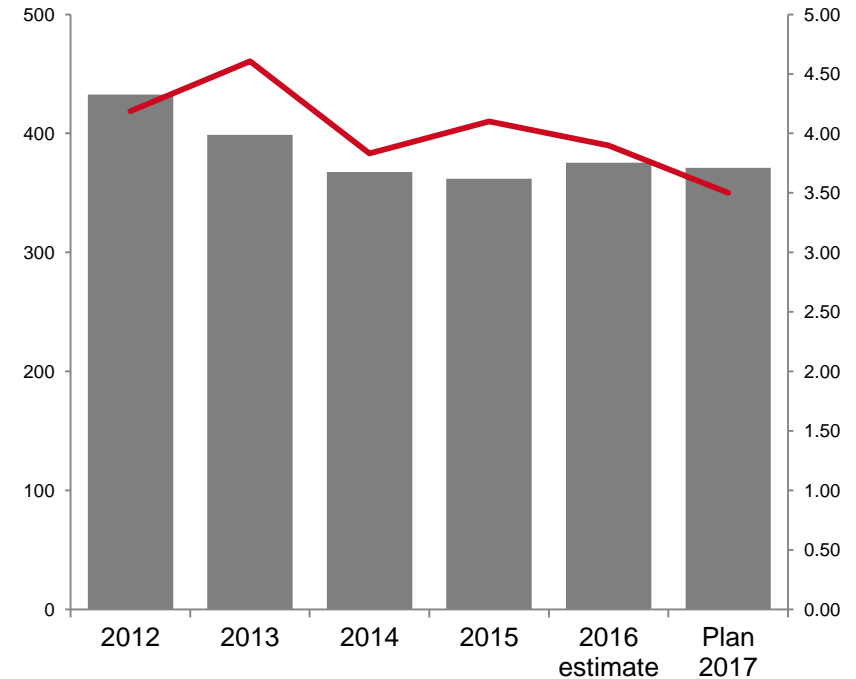
Relative deleveraging

Relative deleveraging (net financial debt to EBITDA ratio)

- Including with better **net working capital management** (inventory optimization, receivables management, reverse factoring for suppliers, extension of payment terms).



■ Net working capital (EURm)
 — Share of NWC in revenue (%)



■ Total financial liabilities (EURm)
 — Net financial liabilities / EBITDA

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.