

MANAGEMENT BOARD COMMENT TO THE NEW GORENJE GROUP STRATEGIC PLAN
2016–2020 AND PERFORMANCE IN 2015

Gorenje's new Strategic Plan until 2020 based on global growth. Budgeted revenue for 2015 to be exceeded

Third quarter the best in terms of sales this year. Profit expected as fourth quarter bottom line. End-of-year results mainly to depend on exchange rates, especially the Russian rouble and the US dollar relative to the euro

Velenje, November 6, 2015 – Looking for new opportunities in a changed and unpredictable environment, Gorenje has developed a new Gorenje Group Strategic Plan 2016–2020, based on global growth. Sales will be doubled in upmarket segments, with premium and innovative products, and in overseas countries.

Gorenje is constantly adapting to the unstable circumstances in the markets, and in terms of sales the third quarter was the best quarter of the year to date with EUR 317.4 million. Additional workers were hired to accommodate the higher sales orders. For the first time this year, quarterly revenue did not decline due to the effect of Russia. However, with more than 20-percent rouble depreciation, our downstream prices could only be adjusted subject to previous announcements.

Third-quarter EBITDA for 2015 amounts to good EUR 17 million, while EBIT stands at EUR 5.6 million. Gorenje Group's loss of EUR -2.5 million in the third quarter of the year is mostly a result of negative effects of the rouble/euro and dollar/euro exchange rates. Adjusting for these effects, Gorenje Group's result for the first nine months would have been positive.

BUDGETED REVENUE FOR 2015 WILL BE ATTAINED

Based on incoming orders, we expect our fourth-quarter sales to be the highest quarterly sales in this year. We anticipate the highest revenue in the markets of Benelux; sustained second-quarter dynamics in Germany, Scandinavia, and Eastern European countries; and growth particularly in Russia.

Last-quarter forecasts are also strong for markets beyond Europe. Annual budgeted revenue will be exceeded, with growth based on both the premium Asko brand and the Gorenje brand.

We believe Gorenje Group will attain the planned revenue by the end of the year 2015. EBITDA is estimated at EUR 80 million, while the Group's net result will be – in addition to sales volume and structure – largely affected by currency translation differences, especially regarding the Russian rouble and the US dollar relative to the euro. We shall generate positive cash flow. By the end of the year, we plan to deleverage further to reach the net financial debt to EBITDA ratio of 3.9.

NEW STRATEGY – OPPORTUNITIES IN THE NEW BUSINESS REALITY

Highly unstable and unpredictable business environment, in particular the conditions in Russia and Ukraine, and the major changes within the Gorenje Group, such as the divestment of the ecology business, led us to develop a new strategy that better reflects the challenges of our time and the changes in our business environment.

By focusing on our core activity and sales to markets beyond Europe, especially in upmarket segments, we are pursuing our strategic policies. The key goal in the new strategic plan remains profitable growth to a revenue of EUR 1.56 billion in 2020, with a 9-percent EBITDA margin. We shall reach it by doubling our upmarket sales and sales in the overseas countries. Ambitious activities in all fields of business will lead to stable growth of operating profit (EBIT) which is expected to exceed EUR 70 million in 2020 (with 4.5-percent EBIT margin).

In the following five years, we expect overall Gorenje Group revenue to increase by over EUR 400 million, or good 35 percent. On an annual basis, this means average growth of around 6.2 percent, which is a steeper growth than that of the global white goods market.

Consistently with Gorenje Group's key strategic policies, special emphasis is placed on cooperation with industrial strategic partners, especially the Panasonic Corporation.

In addition to growth and differentiation through innovative solutions, cost management is of key importance in a mature industry with excess capacities, such as the home appliance industry. As our revenue grows in the period until 2020, labour productivity will gradually improve as well, and the ratio of labour costs to total revenue will decrease by two percentage points to good 17 percent.

We are aware that execution of the 2020 Strategy is even more important than quality strategic planning. Specific activities are already in place to accomplish our goals. This does not involve only management of development and technological processes, knowledge of the end user, organization of sales and after-sales network etc., but also an appropriate organizational structure and a strong corporate culture.

The employees – the Gorenje people – are ready for changes and risks, committed and goal-oriented, and confident of our success in reaching the goals set forth.