

MANAGEMENT BOARD COMMENT TO GORENJE GROUP 2015 PERFORMANCE, HIGHLIGHTING THE FOURTH QUARTER

Sales and profits peak in the last quarter of 2015. Annual revenue at EUR 1,225 million, annual EBITDA at EUR 80 million.

Results in 2015 affected by lower sales and profit margins due to the economic crisis in Russia, as well as currency fluctuations.

Velenje, March 11, 2016 – At yesterday's session, the Supervisory Board of Gorenje, d.d., was presented the unaudited financial statements of the Gorenje Group and its parent company for the year 2015. Following a slow start to the year, sales and performance gradually picked up pace every quarter. Last quarter of 2015 topped all previous quarters in terms of sales and profitability as Group sales revenue reached EUR 350 million and profit reached EUR 1.4 million.

High growth levels relative to the first three quarters were seen both in Group sales revenue and in revenue in the core activity of home appliances. In comparison to the last quarter of 2014, the highest sales growth was generated beyond Europe with Asko premium brand appliances.

At the same time, quarterly EBITDA peaked in the last quarter at good EUR 29 million, and EBIT peaked at EUR 18 million, which is more than in the last quarter of 2014. The Group generated a profit of EUR 1.4 million.

Our cash flow in the last quarter was positive at EUR 64.7 million, which allowed us to deleverage to a net debt level comparable to that from the end of 2014.

The year 2015 impacted by turbulent conditions in Russia

Early last year, our plans were adapted based on the anticipated effects of the turmoil in Russia. Activities in all fields mitigated the negative effects of the business environment rather successfully. New products were offered to the customers; we boosted our appliance sales under the premium brands Asko and Atag to strengthen sales in the premium and innovative segment; we optimized our supply chain, working capital, and complexity; we improved process efficiency; and we developed sales in select markets outside Europe to gradually decrease our reliance on Russia and the European markets. Simultaneously, higher

investments into marketing and development reinforced our positions and market shares in our traditional markets.

Our last year's sales revenue amounted to EUR 1,225 million, which is 2.3% less than in 2014, but consistent with the Gorenje Group plan. Sales revenue in the core activity Home, just exceeding one billion euros, exceeded the plans by 1.2%.

EBITDA stands at good EUR 80 million, which is 6.4% less than in 2014 and 12.4% short of the plan. Negative effect of USD appreciation relative to the EUR on Gorenje Group profit margin (both EBITDA and EBIT) totalled at over EUR 6 million, and the effect on the Group's net result amounted to just below EUR 4 million. Gorenje Group's bottom line for 2015 is a loss of EUR 8 million. In total, foreign exchange losses amounted to EUR 13 million.

After a decade of continuous growth, our revenue in Russia, one of our largest and more profitable markets to date, decreased compared to the year before. Home appliance market in Russia shrank by 35 percent as a result of the economic crisis. The drop in our sales, however, was considerably below this figure, which means that Gorenje Group increased its market shares there. Lesser extent, and especially the time lag in market price adjustment to the RUB/EUR exchange rate, resulted in significant loss of profit margin. Adjusting for these negative effects, Gorenje Group's result for 2015 would have been positive and the profitability targets would have been met.

Gorenje Group annual report for 2015 will be released on April 22, 2016.

Solid sales at the start of 2016

Gorenje Group sales in the early months of this year are better than in last year's comparable period, and on track with the planned annual dynamics. In our estimate, performance in this year's first quarter will be an improvement over 2015.