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GORENJE ENDS THE THIRD QUARTER WITH A PROFIT OF EUR 3.4 MILLION

Velenje, Slovenia, 5 November 2009 - At today's meeting, Gorenje Supervisory Board was informed of the performance of Gorenje Group in the third quarter of 2009. After three consecutive quarters of decline, Gorenje's business activity saw rise and expansion in the third quarter. In August, the volume of orders started to increase and this trend is expected to persist and even grow stronger by the end of 2009.

Operations during the great economic crisis effectively pursued the planned guidelines and policies. As a result, the company generated free cash flow, retained market shares, and saw positive effects of cost-cutting measures and process optimization. The development of Gorenje's performance clearly indicates that free cash flow could reach EUR 25 million by the end of the year.

In the first nine months of this year, Gorenje Group's revenues from sales amounted to nearly EUR 866 million, of which EUR 298 million were generated in the last quarter, exceeding the figure for the second quarter by six percent, and the one from the first quarter by nearly four percent.

Gorenje is selling the products under own brand name more than 85 percent and Gorenje continued to adjust the offer of its products to the changes in consumer behaviour during the recession, taking its presence to various market segments and all price ranges. Following a successful and notable presentation in September at the world's largest international consumer electronics fair in Berlin, the new collection of household appliances called Gorenje Simplicity was launched. These appliances are a response to the consumer requirements for simpler operation paired with excellent technology and design. In addition, it also addresses the demand for more affordably priced products, which has been more pronounced during the crisis.

In the third quarter, sales rose most notably in Eastern and South-eastern Europe, which had a positive effect on the returns on sales. In the western part of Europe where, despite the circumstances, sales rose already in the first half of the year, the trend of growth extended into the third quarter. The conditions on those markets are still very difficult and the most negative impact in the consumer goods industry has still upward growing unemployment.

In the third quarter, Gorenje Group generated a positive cash flow of EUR 21.2 million, mostly as a result of positive effects of inventory optimization and adjustment of the purchasing volume to the sales volume. Despite the increase of sales, the level of inventory was successfully cut even below the level seen after the first half of the year.

Net income in the third quarter amounted to EUR 3.4 million. EBIT for this period continued to increase, rising by over EUR 8 million and cumulatively reaching a positive figure of EUR 0.6 million for the first nine months of the year. As previously forecast by the Management Board, the effect of process changes, taking place since April, enhanced the performance and reached a total of EUR 33.6 million. In addition to sales promotion and cost cutting activities, Gorenje also focused on inventory and trade receivables management this year, as well as credit and foreign exchange risk, all of which are considered with extra attention by the Gorenje Group Risk Management Council during the current uncertain times. Credit risk is severest in the markets of Central and Eastern Europe, and Western Balkans, where the customers are often faced with liquidity problems. Foreign exchange risks, on the other hand, are effectively hedged by balancing the cash flows in each currency, as well as derivative financial instruments which are employed as an upgrade to the hedging by cash flow balancing.

Due to the return to the 40-hour working week – a response to new orders placed with our sales department – and the increase in salaries, particularly those at the lowest end, labour costs rose by EUR 2.4 million in the last quarter.

Despite the crisis, Gorenje's activities in research and development and investment remain highly committed and focused on development of new products. Innovation through technological and functional advancement remains the key guideline, with a strong emphasis on environment-friendly solutions upgraded by distinctive design.

Gorenje Supervisory Board deemed the measures introduced by the Management Board following the events that took place in September in order to balance the interests of all stakeholders fast and appropriate. The Supervisory Board supported the management and its activities that generate conditions for a positive development in performance despite the extremely challenging circumstances.

President and CEO **Mr. Franjo Bobinac** is pleased with the performance in the third quarter, given the unfavourable economic conditions, since the effects of the measures introduced have had a positive effect on the results: "Our performance clearly indicates that Gorenje's sales promotion and cost optimization activities have lifted our EBIT to a positive figure, despite the harsh conditions, and we will surely extend this trend into the periods to follow. He further believes that "if we keep up our current pace by the end of the year, we may even exceed the planned free cash flow of EUR 25 million. However, despite the sings of recovery seen in some markets, a lot will depend on the last quarter of the year."

Gorenje, d.d.
The Management Board