

## **Gorenje far above expectations in the first half**

**Velenje, August 26<sup>th</sup> 2010 – At their second meeting held today, Gorenje Supervisory Board discussed the Group's performance in the first half of 2010, finding it highly successful relative to both the corresponding period last year and the 2010 plans. Improved composition of sales and product offer in particular markets bore a positive effect on the Group's profitability. Operating profit (EBIT) in the first half amounted to EUR 19.7 million while net income reached EUR 4.9 million. The results are consistent with the planned dynamics of operations, and they considerably exceed the figures forecast by the analysts and pundits.**

In the first six months of the year, Gorenje Group generated EUR 610 million of consolidated sales revenues, exceeding the figure from last year's first half by 7.4 percent. Breaking down by quarters, revenues in the second three months stand at EUR 319 million or 9.7 percent above those from the first three. The Group generated three quarters of its total consolidated revenues by home appliance sales. After declining by 2.2 percent in the first quarter, Home Appliance Division sales bounced back to rise by 13.5 percent in the second, leading eventually to an overall 5.5 percent growth for the entire first half. The Ecology, Energy, and Service Division upped its sales by 18.2 percent, while Home Interior Division's sales dropped by 13.3 percent. The second quarter brought notable improvement to the company performance, improving returns at all levels of earnings.

Economic circumstances have remained similar to those last year, albeit with pronouncedly clearer trends of improvement in performance. Covering various segments and all price ranges, Gorenje continued to adapt the offer to the changes in consumption. The Group gradually increased the share of upmarket products and consolidated its presence in the eastern and south-eastern markets where returns have been higher. Gorenje succeeded in retaining and in some cases even boosting its market shares in Eastern and South-Eastern, as well as Western Europe. The growth in cooking appliance program exceeded that of other product categories in the first half of the year, which was beneficial for the overall profitability.

Gorenje Group's operating profit (EBIT) in the first half reached EUR 19.7 million, with an EBIT margin of 3.2 percent. In the corresponding period last year, EBIT were negative at EUR – 7.5 million. In addition to structural improvement of sales by EUR 16.3 million and the rise in profitability by 0.7 percentage point or EUR 4.3 million, this positive development was fuelled by a reduction in costs (EUR 20.6 million in costs of goods and material and good EUR 15 million in service costs), while labour costs escalated by nearly EUR 7 million.

President and CEO, Mr. **Franjo Bobinac**: "It is important that we have grown faster than the market on average, and that the improvement in the composition of sales both in terms of geographical segments and product categories, i.e. composition by product programs and pricing, resulted in higher net return on sales."

In the second half of the 2010, stability and security of Gorenje Group operations will be notably supported by the effects of IFC's contribution in the secondary equity offering (capital increase) and restructuring of the Group's debt. Furthermore, secondary equity offering open to all current shareholders, planned for this fall, and integration of Asko, the Swedish company acquired this summer, are also expected to have an upbeat influence the operations. Growing unemployment in the European countries is dampening incoming purchase orders, and government budget problems in some countries of the Eastern and South-Eastern Europe sow the fear of further currency depreciation there. Rising costs of material, an aspect the manufacturers have no influence over, poses the greatest challenge. Responding to the introduction of additional excise duties and increased labour costs, Gorenje is providing operating efficiency by implementing all measures planned to mitigate the adverse trends, and by developing new products and markets where positioning higher up the market paves the way to greater value added.

President and CEO, Mr. Franjo Bobinac, explains: "Given the uncertain conditions and prevalently poor shape of public finance in European countries which have recently, one after the other, resorted to shrinking the public administration and trimming their government budgets, thus introducing consumer pessimism, we also fear an eventual drop in consumption in the European Union. The circumstances are anything but favourable; however, the strategic moves we took in the past, including the acquisition of Mora and Atag, development of designer lines, and erection of factories in Serbia, paired with the measures introduced in 2009, have had a positive effect on our performance. We believe this provides a firm foundation upon which quality expansion of operations, boost in returns, and attainment of planned goals will rest both this year and in the long run.

Gorenje, d.d.

The Management Board

Velenje, Slovenia, 26 August 2010