



Gorenje, d.d.

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Gorenje tops 2010 plan for profit in the first nine months

***Velenje, November 23^d 2010* – At its fourth regular meeting held today, Gorenje Supervisory Board discussed and confirmed the unaudited Gorenje Group Business Report for the first three quarters of this year. In the first nine months, Gorenje Group generated just under EUR 966 million of consolidated sales revenues, which is 11.6 percent more than in the corresponding period last year, and considerably boosted its operating profit (EBIT) which reached EUR 44.4 million. Net income amounted to EUR 16.8 million, beating the annual plans for this figure by almost 66 percent in the first nine months alone. In light of these results, the company management estimates that key goals laid down in this year's Business Plan will be accomplished.**

In the first nine months of this year, sales in the Home Appliance Division totalled just over EUR 700 million, which is 9.3 percent more than in the corresponding period last year. The increase in revenue is a result of higher rate of business activity and improvement of composition of sales by products and by regions as they rose particularly in Russia, Ukraine, Germany, Turkey, Greece, and the Scandinavian countries. In France, Bulgaria, Slovakia, Czech Republic, Poland, and the Netherlands, sales dropped slightly, partly offsetting the increase in former markets. Eliminating the effect of the acquisition of Asko, a Swedish manufacturer of high-end home appliances which has been merged with the Gorenje Group as of August 1st this year, the increase in sales would have amounted to 5.5 percent.

The Division of Ecology, Energy, and Services saw the highest rate of growth at almost 23 percent, beating last year's sales by over EUR 44 million. On the other hand, Home Interior Division suffered a 13.5 percent slump in their sales revenues which totalled just under EUR 27 million. Lower business activity is the result of persistently harsh conditions in the industry, as well as deliberate cutbacks in supplies to some partners whose financial condition is particularly poor and where, as a result, we can no longer rely on credit insurance.

In the first nine months of this year, Gorenje Group's earnings before interest and taxes (EBIT) reached EUR 44.4 million, with an EBIT margin (share of EBIT in sales revenues) of 4.6 percent. This result presents an improvement of EUR 43.8 million over the figure from the first nine months of last year when loss from the first half kept it at EUR 571 thousand. Hence, Gorenje had fulfilled almost 99 percent of the annual plan in this category by the end of September. Considerable improvement is a result of qualitative aspects of revenue growth, i.e. improved composition of sales by products and markets, and the acquisition of the company Asko, as well as improved efficiency of production processes, lower prices of raw and processed materials negotiated for the first half of the year, lower service costs, and improved labour productivity. Accordingly, net return on sales (net income per sales) in the period is almost one percentage point higher than planned, having reached 1.7 percent. Eliminating for the effect of Asko acquisition on the operations, EBIT would have amounted to EUR 30.7 million, which would mean a 3.3 percent EBIT margin.

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In the first nine months, Gorenje generated almost EUR 56 million of net cash flow, which is considerably more than last year when it amounted to good EUR 28 million. In order to attain the planned figure for free cash flow by the end of the year, Gorenje will carry on its activities to improve profitability as well as to manage the net working capital (inventory, receivables, and payables).

Net profit for the period January – September 2010, amounting to EUR 16.8 million, exceeds the annual plan by almost 67 percent. Eliminating for the effects of Asko and impairment to the receivables and loans of Slovenia's largest home product retailer Merkur, d. d., payable to Gorenje, net profit in the period would have amounted to EUR 10.7 million, or 6 percent more than planned for the entire year.

In the third quarter, Gorenje Group successfully completed a seasoned equity offering as the International Finance Corporation (IFC) paid in a total of EUR 25 million. By becoming a Gorenje shareholder, the IFC sent a clear message to the shareholders and other Group stakeholders that it has full confidence in Gorenje's strategy and goals. Gorenje allocated a part of the funds thus obtained for acquiring the company Asko, while the rest will be distributed to development projects, restructuring of manufacturing process, and consolidation of the brand. Profitable operations and generation of free cash flow, combined with some disinvestment activities, will allow Gorenje to retain its financial stability and to complete the planned projects despite the unsuccessful autumn stage of the public equity offering.

The Supervisory Board took also note of the second capital increase results in autumn. The Supervisory Board estimates that despite the unsuccessful result of this capital increase all business targets for 2010 will be met. The Supervisory Board has full confidence in the Gorenje Management Board. With respect to the letter from an individual shareholder published widely by the Slovenian press, the Supervisory Board believes that making public issues of such matter is not in accordance with the corporate governance rules. Any comments on strategy are welcome if they are constructive and bring added value. The Supervisory Board thinks that actual financial results are proving that the strategy is going into the right direction. One important body of the Supervisory Board is auditing committee run by Keith Miles. This committee has been conducting his work consistently and has no reason to believe in any wrongdoings in the company. However allegations which put in question transparency and moral integrity have to be taken seriously as Gorenje prides itself of being a company of the highest ethical standards. This kind of allegations has to be either concretised or withdrawn as they can damage the company's reputation. The nine months results are according to the plan and even beyond. They are proving that Gorenje is increasing its market shares, that the profitability is beyond the plan and that some of the most important strategic steps are being implemented.

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Management Board
Supervisory Board