

MANAGEMENT BOARD COMMENT ON GORENJE GROUP SECOND QUARTER PERFORMANCE AND OUTLOOK FOR THE SECOND HALF OF 2015

After a tough start to the year, upward sales trend since May, and July sales above the last year's figure

Solid sales anticipated in the second half of the year; full-year revenue expected as budgeted. Results heavily affected by currency exchange rates and conditions in Russia and Ukraine. Gorenje by Starck collection unveiled at the IFA tradeshow.

Velenje, August 20, 2015 – After a very challenging start of the year, Gorenje Group generated revenue just short of EUR 290 million in the second quarter, a good 8% increase over the first quarter of the year. Owing to prompt response to the deterioration of macroeconomic conditions in Russia and Ukraine and intensive marketing activities in other markets, sales bounced back in May and June. In July, sales exceeded the last year's figure, and according to the current revenue estimate for the second half, revenue for the entire 2015 will be consistent with the plan.

Sales trending upward since May

Revenue in the core Home segment amounted to EUR 248.8 million in the second quarter of the year, which is 11% more than in the first quarter. In Western Europe, sales were up in Benelux, particularly in the Netherlands, while they dropped in Germany, Scandinavia (under the Gorenje brand) and Great Britain. In addition to repositioning in terms of pricing, a more pronounced promotional campaign was launched in Germany in May. In June, sales recovered in the Scandinavian markets as well, especially for the Asko premium brand.

Sales were also up in the Eastern European markets: the Czech Republic, Slovakia, Poland, Hungary, Slovenia, Bosnia and Herzegovina, Macedonia, Bulgaria, and Romania. The key reason for lower revenue relative to the last year's second quarter was the decline in sales in Russia and Ukraine. Responding to the worsened macroeconomic conditions and volatility of the rouble exchange rate, we introduced activities in the second quarter of the year, which have resulted in sales recovery in May and June. This recovery is expected to be even more pronounced in the second half of the year. Economic and political turmoil in Ukraine in the first half had a negative effect on Gorenje's business activity in this market. As we do not

anticipate a recovery in the short run, we have adopted measures to adjust the cost of our sales organization to the harsh conditions, cutting them to a level that still allows us to maintain our share of this testing market.

We have seen significant growth in Australia where we have expanded our offer of Asko premium brand with Gorenje brand appliances. We have also increased Asko brand sales in Asia and sales to OEM partners.

Growing share of innovative and premium appliances in total sales

Focus on sales of innovative and premium appliances has resulted in an improved sales profile in the Home segment. Share of innovative and premium appliances rose to 7.8 and 16.6 percent, respectively, to combine for over a quarter of total Gorenje Group sales.

We have also continued our intensive activities in home appliance development. In the first half, our investment into development was stepped up to 2.9 percent of overall Group revenue. We launched our new generation of ovens under the Gorenje brand in most markets, while the launch of the new collection of high-end cooking appliances Magna and the new Gorenje Infinity line is scheduled for autumn.

At IFA, the largest consumer electronics and home appliance tradeshow taking place early in September, we will unveil the latest appliances under the Gorenje and Asko brand, which stand out with smart technology and carefully thought-out design. The culmination of our exhibition in Berlin, however, will be the global première of the new designer collection of appliances Gorenje by Starck, created in cooperation with the globally renowned designer Philippe Starck.

Performance under pressure from situation in Russia and Ukraine

EBITDA in the second quarter of 2015 was just short of EUR 18 million, or 13.4-percent more than in the first quarter, and EBIT at EUR 6.4 million was 41 percent above the figure for the first three months of the year. Gorenje Group second-quarter loss of EUR 4.8 million is largely the effect of lower sales and loss of profit margin in Russia and Ukraine, and negative currency translation differences related to the Russian rouble.

Cost of material and services was cut by material cost optimization in direct manufacturing and LCC component sourcing. Savings in this area would have been even greater had it not been for the depreciation of the euro relative to the dollar. Costs of services were lower by 7.1 percent or EUR 7.3 million, while labour costs were reduced by 0.8 percent or around EUR

0.9 million. Working with our social partners, we sought to adjust the number of employees in manufacturing operations in Slovenia to the actual needs. However, rigid labour legislation and effective social agreement in Slovenia prevented us from fully adjusting to the lower revenue in such short period of time. The temporary furlough measure, introduced at the start of the second quarter, was abandoned towards the end of the half. In order to meet the higher demand in the third quarter, additional workers were hired in the third quarter.

Due to challenging conditions in Russia and Ukraine, as well as the typical seasonal component, our cash flow was negative in the second quarter. Considering the optimistic forecasts, positive cash flow is expected for the second half, which will also allow us to deleverage. Active working capital management allowed us to decrease our investment into net working capital by EUR 20.4 million by the end of the half relative to the equivalent period of the year before, while a further decline of our inventories and lower complexity of our product range will allow us to further decrease the Group's net debt.

Optimistic sales forecast for the second half of the year

Intensive marketing activities have been reflected in our sales since May. In July, sales exceeded the last year's figure for the first time. In the third quarter, we are planning an improvement in our sales in Western Europe, especially in Germany and Scandinavia. Significant growth is anticipated in Russia where current sales forecasts are nearly at the level of the third quarter of 2014. Other Eastern European markets, except for Ukraine, will retain the solid growth dynamics from the first half of the year. Growth is also expected in markets beyond Europe for both Asko premium brand and Gorenje brand, as well as in OEM sales.

Considering the orders received to date, our third quarter revenue is estimated to grow by more than three percent relative to the corresponding period of the year before, and by more than ten percent over the second quarter of this year. We also expect further improvement of our sales profile and sales of the Asko premium brand in the third quarter. Higher sales orders translate into higher production capacity utilization which shall have a positive effect on the development of the Group's EBITDA and EBIT.

In our estimate based on the sales forecasts for the third quarter, sales in the first nine months of this year will be consistent with the planned dynamics, and revenue at the end of 2015 will be on a par with the budgeted figure. Gorenje Group net profit for the year will continue to be affected especially by the conditions in Russia and Ukraine and the related currency effects.