

MANAGEMENT BOARD COMMENT TO ESTIMATION OF GORENJE GROUP 2015 PERFORMANCE AND 2016 OUTLOOK

Home appliance sales exceed plans in 2015. Increase in profitability planned for 2016.

Last quarter in 2015 wrapped up with profit. The result for the year will largely depend on currency exchange rates.

Velenje, January 15, 2016 – After a slow start to 2015, Gorenje Group successfully adapted to the unstable macroeconomic and political conditions, and stepped up its sales and market shares to see its sales peak and generate profit in the last quarter. Reaching just over one billion euros, revenue in the core activity of home appliances exceeded the figure planned for 2015. The result, which will be consistent with the estimate from November, will largely depend on the negative currency translation differences. We estimate that negative currency translation differences will amount to EUR 12.6 million, or approximately EUR 6 million more than planned.

Business in 2015 was affected heavily by macroeconomic and political instability, especially in Russia and Ukraine. Home appliance market in Russia, one of Gorenje's largest and most profitable markets, shrunk by 35 percent. Despite the 30-percent slump in sales, Gorenje Group succeeded in increasing its market shares there.

After a weak start to the year, Gorenje Group performance took an upward track and sales in the core activity of home appliances peaked in the last quarter, despite the harsh conditions in Russia and Ukraine. Consistently with the forecasts, the figure planned for 2015 Home segment revenue was exceeded by 0.6 percent to reach just over a billion euros (EUR 1,050 million).

EBITDA also hit the highest mark in the last quarter, topping the result for the last year's equivalent quarter. Gorenje Group 2015 EBITDA is estimated between EUR 78 and 80 million.

The success of continuous adjustment to the unstable conditions and compensating for the shrinking Russian market is evident in the rise of sales and market shares since the end of the first quarter. Sales and market shares grew especially in markets beyond Europe, in Eastern Europe, and in Benelux. We also boosted sales of products under our premium brand Asko to increase the share of premium and innovative appliance sales in total sales, and we saw our average price in the markets rise by more than 1 percentage point.

Estimated revenue for the entire Group in 2015 amounts to EUR 1,217 million, which is 0.6 percent short of the plan as a result of changes in the macroeconomic conditions in our non-

core activity, in particular the steep drop in the prices of secondary raw materials in the last quarter.

Our cash flow in the last quarter was positive, which allowed us to deleverage to a level comparable to that from the end of 2014. Our net debt to EBITDA ratio at the end of the year is estimated between 4.2 and 4.3. It should be noted that we have improved our debt maturity profile, with long-term liabilities accounting for 74 percent, and decreased the amount of required refinancing for 2016.

Consistently with our strategic policies, we commenced the divestment process for some of our non-core companies.

Unaudited financial statements for 2015 will be published on 11 March 2016.

THE FIRST YEAR OF THE NEW STRATEGIC PERIOD – 2016

Consistently with our strategic goal, we will focus on our core activity. Thus, Gorenje Group revenue is planned to rise by 4.6 percent, Home segment revenue will rise by 5.2 percent, and EBITDA will be higher by 13.8 percent. We plan a net profit of EUR 7.6 million.

We shall continue to improve at all levels of our operations as we optimize our costs of material, services, and labour, optimize our working capital, and generate positive cash flow.

Growth of revenue and profitability is based on improved sales structure in terms of regions and products, which will translate into higher average downstream prices. To support these two policies, we are investing in marketing and development. Geographically, we will seek to boost sales in the more profitable markets, particularly outside Europe and in the Benelux countries. In terms of products sold, we will promote our sales under our premium brands Asko and Atag, and increase the share of innovative and premium products under the Gorenje brand in total sales.

We shall continue to deleverage (in terms of the net financial debt to EBITDA ratio), maintain a stable maturity profile with over 70 percent of long-term liabilities, and improve the average maturity of our debt.

We are entering the first year of our new strategic period. Although the circumstances are not anticipated to improve in 2016 and the home appliance market is not expected to recover, we believe Gorenje has laid down the right strategies and activities for further growth, increase of market shares, and significant improvement in profitability and financial strength.