

MANAGEMENT BOARD COMMENT ON THE 2016 PERFORMANCE ESTIMATE, AND FORECAST FOR 2017

Following the successful pursuit of our strategic plan in its first year, our profit planned for 2016 will be exceeded. Further growth of revenue and profitability in 2017.

In the first year of pursuit of the 2016–2020 Strategic Plan, Gorenje Group achieved the goals set forth as it increased its revenue to EUR 1.257 billion and considerably improved its financial performance indicators.

Velenje, January 13, 2017 – Gorenje Group has been improving its performance since the start of 2016. Thus, our revenue for the year is estimated at EUR 1.257 billion (2.6 percent more than in 2015); operating profit is estimated at EUR 38.7 million; and net profit is estimated at EUR 8 million. Core activity Home significantly better than last year, fuelled by growth of sales and improvement in their geographical and product structure. Consistently with our strategy, we boosted sales of premium and innovative appliances, as well as small domestic appliances. Sound financial management has resulted in relative deleveraging at the Gorenje Group level. Revenue growth and profitability will continue in 2017.

After a solid last quarter of 2015, Gorenje Group performance steadily improved throughout 2016 as each quarter of the year was wrapped up with a profit. In the business segment Home, we generated good EUR 1.091 billion of revenue, which is 3.3 percent more than in 2015.

Consistently with the strategic plan, we improved our sales structure in terms of target markets and products in 2016

We increased our sales of innovative and premium appliances which now account for 27.4 percent of total major domestic appliance sales. Our sales were the highest with cooking appliances; our dishwasher sales were up 20 percent; and our small domestic appliance sales were increased by almost 33 percent.

We have consolidated our position and sales in the markets of Russia, Ukraine, and Eastern Europe, as well as Benelux, Australia, USA, and Asia. We also increased our sales under our premium brands Asko and Atag.

In 2016, we again increased our investment into marketing and development in order to support growth and improvement of sales structure. We allocated good EUR 32 million for development in 2016, which is 2.6 percent of total Group revenue.

2016 was a year of cost efficiency and savings

In 2016, renegotiation with our suppliers, forward contracts for some strategic raw materials (sheet metal, plastics etc.) and optimization of the use of material in direct manufacturing resulted in efficient management of raw and processed materials. At the same time, activities aimed at logistics route optimization and new logistics model development allowed us to cut logistic costs despite the increase of revenue.

We have significantly improved the Gorenje Group EBITDA with favourable sales structure and sound cost management. EBITDA is estimated to amount to EUR 87 million, which is 8.6 percent more than in 2015.

Gorenje Group continues to deleverage in relative terms. In 2016, our net debt to EBITDA ratio was cut to 3.9 (in 2015, it was at 4.1).

Consistently with the strategy of focusing on our core activity, we divested in 2016 our shareholding in the companies Publicus and Ekogor from the non-core segment of Ecology.

Unaudited financial statements for 2016 will be released on March 10, 2017.

REVENUE GROWTH AND IMPROVED PROFITABILITY IN 2017

In the second year of the new strategic period, Gorenje Group sales revenue is planned to growth further, by 4.6 percent. In the Home segment, the planned 5-percent revenue growth will be based on higher sales under the premium brand Asko and sales growth in Russia, Ukraine, Eastern Europe, Benelux, Germany, Scandinavia, Middle East, Asia, USA, and Australia. With concurrent improvement of sales structure, we are thus planning to increase our average major home appliance downstream prices by 4 percent.

To support the improvement of profitability, we shall ensure adequate investment into marketing and development, and improve cost efficiency regarding raw and processed materials, logistics, and labour. We will continue to generate free cash flow, optimize net working capital, and reduce complexity at all levels. Consistently with our strategy, we will, in the second year of its pursuit, further cut our relative debt and drive down the net financial debt to EBITDA ratio to 3.5. Our operating profit before depreciation and amortization will rise by good 11 percent. Net profit is planned at over EUR 13 million.

Changes in the Gorenje Group organization

At today's session, the Supervisory Board was also presented the changes to Gorenje Group organization, as planned by the Management Board for 2017, consistently with the strategic policy of operational excellence. Gorenje Group will transform its conventional functional organizational structure to divisional ("business-product") organizational structure focused on brands and product programs. This will allow even more room for an entrepreneurial approach and focus on further improvement of performance. Details will be announced in early February upon the implementation of the new organizational structure.

We believe that with the right activities and different organization, Gorenje Group will successfully continue its pursuit of ambitious strategic goals of global growth, as laid down for the period through 2020.