gorenje

NON-AUDITED INTERIM REPORT FOR THE PERIOD JANUARY – JUNE 2010

Gorenje Group and the main company Gorenje, d.d., in accordance with the International Financial Accounting Standards (IFRS)

The Management Board of the company Gorenje, d.d.

Velenje, July 2010

60 YEARS OF CREATIVITY

Contents

For any further information, please contact:
Gorenje, d.d.
Investor Relations
Mrs. Bojana Rojc, Head of IR
Partizanska 12
SI–3503 Velenje, Slovenia
Telephone: +386 3 899 1345
Facsimile: +386 3 899 2527

General information

The **Interim report of the non-audited non-consolidated report of Gorenje, d.d., and non-audited consolidated report of the Gorenje Group for the period January-June 2010** is published by corporation Gorenje, d.d., Partizanska 12, Si-3503 Velenje, Slovenia, as provided by the Regulations of the Ljubljana Stock Exchange (Ljubljanska borza vrednostnih papirjev, d.d.), and the Securities Market Act. Major changes of data provided in the stock exchange listing prospectus are duly and regularly published in the Delo newspaper, on the Ljubljana Stock Exchange electronic information system SEOnet, and on the company website at www.gorenje.com. The non-audited report of Gorenje, d.d., and the Gorenje Group for the period January-June 2010 was discussed and adopted by the Supervisory Board at its 2nd meeting on 26th of August 2010. The Report can be viewed at the company headquarters at Partizanska 12, Si-3503 Velenje, Slovenia; as of 26th of August, it has also been available on the Ljubljana Stock Exchange electronic information system and on www.gorenje.com web-site.

Statement of management responsibility

The Management Board of the Company is responsible for the preparation of the annual report of Gorenje, d.d., and the Gorenje Group, as well as the financial statements, in a manner providing the public with a fair presentation of the financial position and the results of operations of Gorenje, d.d. and its subsidiaries in the first half of 2010.

The Management confirms that the accepted accounting policies have been **used in the compilation of financial statements of Gorenje, d.d., and the Gorenje Group, that the accounting estimates have been made in compliance with the principles of prudence and good management, and that the financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the results of its operations in the first half of 2010.**

The Management Board is also responsible for adequate and orderly accounting and the adoption of appropriate measures for safeguarding the Company's property and other assets, and confirms that the **financial statements of Gorenje, d.d. and the Gorenje Group and accompanying notes have been prepared under the assumption of going concern and in compliance with applicable legislation and the International Financial Reporting Standards as adopted by the European Union.**

The Management herewith confirms that, to the best of its knowledge and belief, **the interim financial statements have been prepared in accordance with the adequate reporting framework and that they give a true and fair view of the assets and liabilities, the financial position and the results of operations of the parent company and other companies included in the consolidation of the Gorenje Group. Furthermore, the Management confirms that the interim business report includes a fair presentation of information referring to significant transactions with the related entities, prepared in compliance with the effective legislation and the International Financial Reporting Standards.**

The President and members of the Management Board of Gorenje, d.d. are **familiar with the contents of integral parts of the interim report of Gorenje, d.d., and the Gorenje Group for the first half of 2010, and thus also with the entire interim report. We agree with the interim report and hereby confirm this with our signatures.**

Members of the Management Board

- Mr. Franjo Bobinac, President
- Mrs. Mirjana Dimc Perko, member
- Mr. Branko Apat, member
- Mr. Drago Bahun, member
- Mr. Uroš Marolt, member
- Mr. Franc Košec, member

BUSINESS REPORT

Organizational structure of the Gorenje Group

- **Home appliances division**
  Manufacture and sale of household appliances of own production, sale of products from the complementary programme comprising household appliances of other manufacturers, sale of supplementary programme comprising electronic and small household appliances, as well as the manufacture and sale of heating-thermic appliances, tool making, manufacture of industrial equipment and mechanical components.
- **Home interior division**
  Manufacture and sale of kitchen and bathroom furnishings, sanitary equipment and ceramic tiles.
- **Ecology, energy and services division**
  Energy management and environmental protection, trade, engineering, agency services, restaurant, catering and tourism.

Operating conditions

- In the 1H of the year, **consolidated sales revenue** of the **Gorenje Group** amounted to **EUR 610.1 million**, i.e. 7.4% more than in the first half of the previous year. The sales volume attained in the second quarter amounted to EUR 319.1 million or by 9.7% more than that attained in the first quarter of the year. Therefore, compared to the comparable Q2 of 2009, a 13.4% growth has been recorded.
- The global economy has managed to emerge from the grip of recession; however, predictions regarding the development of the **financial and economic crisis** are very different, predominantly due to the risk of moving the crisis development to the region of China and the Far East. Optimistic estimates are currently prevailing, but despite such predictions, we continue to operate in adverse market conditions that require continued measures which we have adopted in 2009 and the main objectives of which are the following: **(1)** market share growth, **(2)** profitability and generating positive free cash flow and **(3)** preservation of productive workplaces. Despite certain difficulties that have not yet been eliminated (insecurity in the labour market, increasing unemployment and difficult access to bank financing), customers have responded to improved conditions with greater demand for durable goods, which also includes our products. The Group estimates that the positive trend will continue until the end of the year and it will allow us to re-establish qualitative growth of the volume of business activities and to enhance their .
- In April, the **industrial production** in the euro area yielded a positive surprise with a 0.8% growth in the month-to-month comparison, as well as with a record-breaking 9.5% growth in the y-to-y comparison, predominantly on the account of improving global trade flows and low euro value. In May, the industrial production of Slovenia was lower by nearly 3% in the month-to-month comparison, while higher by nearly 10% in the y-to-y comparison.
- In May, **the unemployment rate in the euro area** remained unchanged for the third month in a row, at a seasonally adjusted rate of 10%, which is still lower than the predicted rate of 10.1 %, but higher than the May 2009 rate of 9.4%.
- In April 2010, Slovenia **exported** goods worth EUR 1,451.2 m and **imported** goods worth EUR 1,557.7 m. The import to export ratio was 93.2%. Compared to April 2009, the export in EUR was higher by 11.9% and the import in EUR was higher by 12.2%.
- In April 2010, the **average monthly gross wage** in Slovenia amounted to EUR 1,483.45 and compared to March, it was lower by 1.1%; compared to April 2009, it was higher by 4.2%.
- In March, the **economic climate indicator** in Slovenia amounted to 12 p.p. and increased by 1 p.p. compared to February, resulting primarily from increased value of the confidence indicator in the processing industries.
- In June, the **economic climate indicator** in Slovenia amounted to 6 p.p. and increased by 2 p.p. compared to May 2010 (-8 p.p.), resulting primarily from increased value of the confidence indicator in the processing industries.
- **Slovenian consumer confidence indicator** for June was higher by 2 p.p. in comparison to the preceding month and higher by 3 p.p. in comparison to June 2009. This is also the highest indicator value after September 2009.
- The **economic climate indicator for the euro area** has increased in June to 0.37 (0.34 in May), exceeding expectations (0.32). Confidence in industry remains unchanged (-6) and confidence in the service sector has increased to 4 (3 in May). The **consumer confidence** index has strengthened to the level of -17 (-18 in May).
- In opinion of the investors, the world is currently moving to the second phase of the crisis. Negative outlooks are represented mainly by an unfavourable public financial situation of European countries which will have to take radical measures in the period when the economic situation is weak.
- The characteristics of the operating circumstances of Gorenje in the 1H remain the same as those in 2009; however, with clearly defined trends for improving the efficiency of business operations. In the segment of sales of **home appliances**, there has been a gradual downward trend in the sale of lower-priced products and sale in markets with lower profitability ratios (strengthening of the share of eastern and south-eastern markets).
- **Liquidity** in the area of production, sales and consumption still remains the key problem in the company's operations. It is due to the impaired consumer purchasing capacity, a decreased ability of the entities' cost recovery, lack of eligible financing sources (maturity, structure, price) as well as a very cautious lending attitude of banks.

Business performance of the Gorenje Group

in EUR thousand	1H 2010	Q2 2010	Q1 2010	Plan 2010	1H 2009	Q2 2009	Q1 2009	1H/1H %	Plan track
Consolidated net sales	610,073	319,122	290,951	1,244,037	567,941	281,328	286,613	7.4%	49.0%
Added Value (AV)	156,648	80,372	76,276	325,570	125,182	65,874	59,308	25.1%	48.1%
AV in net sales	25.7%	25.2%	26.2%	26.2%	22.0%	23.4%	20.7%	/	/
Labour costs in AV	71.1%	69.9%	72.4%	70.0%	83.4%	79.4%	88.0%	/	/
EBITDA	45,312	24,229	21,083	97,764	20,728	13,593	7,135	118.6%	46.3%
EBITDA Magin (%)	7.4%	7.6%	7.2%	7.9%	3.6%	4.8%	2.5%	/	/
EBIT	19,699	11,932	7,767	45,005	-7,508	-479	-7,029	362.4%	43.8%
EBIT Margin (%)	3.2%	3.7%	2.7%	3.6%	-1.3%	-0.2%	-2.5%	/	/
Total profit or loss	7,845	5,583	2,262	15,802	-14,727	-1,324	-13,403	153.3%	49.6%
Net profit or loss	4,908	4,391	517	10,086	-17,995	-3,253	-14,742	127.3%	48.7%
ROS (net return on sales)	0.8%	1.4%	0.2%	0.8%	-3.2%	-1.2%	-5.1%	/	/
ROA (net return on assets)	0.8%	1.5%	0.2%	0.9%	-2.9%	-1.1%	-4.8%	/	/
Net sales per employee (in EUR)	57,322	29,827	27,482	118,086	51,725	25,808	25,924	10.8%	48.5%
AV per employee	14,718	7,512	7,205	30,904	11,401	6,043	5,364	29.1%	47.6%
EBITDA per employee (in EUR)	4,257	2,265	1,991	9,280	1,888	1,247	645	125.5%	45.9%
EBIT per employee (in EUR)	1,851	1,115	734	4,272	-684	-44	-636	370.6%	43.3%
Net profit or loss per employee (in EUR)	461	410	49	957	-1,639	-298	-1,333	128.1%	48.2%
Employees / at the end of period	10,805	10,805	10,560	10,206	10,917	10,917	10,950	-1.0%	105.9%
Employees / average	10,643	10,699	10,587	10,535	10,980	10,901	11,056	-3.1%	101.0%
Capex	13,358	8,705	4,653	28,795	12,668	5,459	7,209	5.5%	46.4%
Net current assets	259,117	259,117	231,923	231,036	241,050	241,050	246,662	7.5%	112.2%
ROIC	3.7%	4.5%	3.0%	4.4%	-1.4%	-0.2%	-2.5%	/	/
D/E	1.33	1.33	1.29	1.17	1.35	1.35	1.37	/	/
Net cash flow	30,521	16,688	13,833	62,845	10,241	10,819	-578	198.0%	48.6%
Free cash flow	-48,974	-6,285	-42,689	24,477	-24,803	19,085	-43,888	97.5%	-200.1%
Total financial liabilities	487,778	487,778	471,039	441,685	504,761	504,761	515,825	-3.4%	110.4%
Net financial liabilities	410,118	410,118	399,015	367,330	430,257	430,257	444,252	-4.7%	111.6%

Scope of business activities

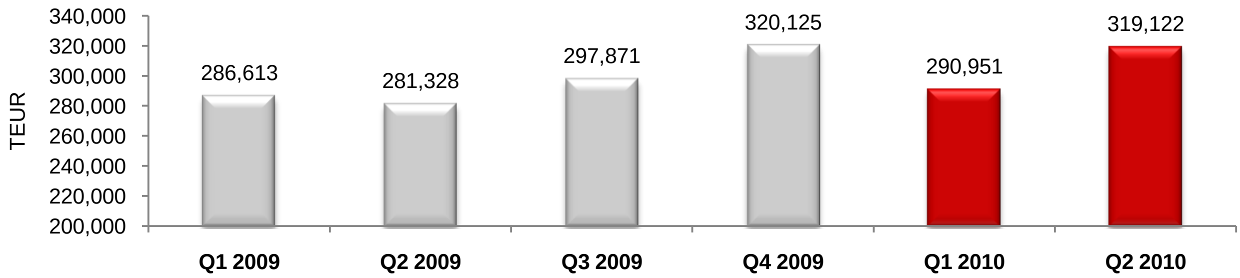
in EUR thousand	1H 2010	Q2 2010	Q1 2010	Plan 2010	1H 2009	Q2 2009	Q1 2009	1H/1H %	Plan track
Home appliances division	454,386	239,509	214,877	968,594	430,698	210,977	219,721	5.5%	46.9%
Home Interior division	18,100	9,952	8,148	43,773	20,885	10,877	10,008	-13.3%	41.3%
Ecology, energy and services division	137,587	69,661	67,926	231,670	116,358	59,474	56,884	18.2%	59.4%
Consolidated Revenue	**610,073**	**319,122**	**290,951**	**1,244,037**	**567,941**	**281,328**	**286,613**	**7.4%**	**49.0%**

Sales structure in terms of divisions	1H 2010	Q2 2010	Q1 2010	Plan 2010	1H 2009	Q2 2009	Q1 2009
Home appliances division	74.5%	75.1%	73.9%	77.9%	75.8%	75.0%	76.7%
Home Interior division	3.0%	3.1%	2.8%	3.5%	3.7%	3.9%	3.5%
Ecology, energy and services division	22.5%	21.8%	23.3%	18.6%	20.5%	21.1%	19.8%
Consolidated Revenue	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

- In comparison to the comparable periods of the previous year, the quarterly development of the **volume of business activities** of the Gorenje Group indicates its growth in trends and quality in all three divisions within the Gorenje Group. In the second quarter, the **Home Appliances Division** recorded a growth of 13.5% which meant, in comparison to the 2.2% setback in the first quarter of this year, a significant increase in sales (the six-month growth of 5.5%). The **Ecology, Energy and Services Division** has maintained in both quarters of the year a steady two-digit growth in volume (19.4% in the first quarter and 17.1% in the second quarter of the year, i.e. the six-month growth of 18.2%). The **Home Interior Division** has replaced, in accordance with the estimated dynamics of implementation of the annual plan, the setback of sales compared to those in 2009, but in better business condition, which is reflected in the improvement of profitability of operations (in the first quarter, the setback compared to 2009 amounted to 18.6%, and in the second quarter, it was 8.5%, resulting in the six-month setback of 13.3% sales). This has resulted in the following: in the first half of the year, the volume of business operations has increased by EUR 23.7 million in the Home Appliances Division and by EUR 21.2 million in the Ecology, Energy and Services Division, and it has decreased by EUR 2.8 million in the Home Interior Division. The Gorenje Group has thus achieved growth in the amount of EUR 42.1 million or 7.4%.
- The **volume of industrial production** in Europe has continued the upward trend, which began in the second half of the year 2009. This has resulted in weakening of adverse effects within the financial sector and significantly improved the situation in the consumption segment. The **offer** continued to adapt to changes in consumption behaviour, i.e. by covering various segments and all price classes, however, the large shifts in the market placement of important trademarks that were initiated in the year 2009 levelled off already in the first quarter of this year.
- **Growth in sales volume of the Gorenje Group** in the second quarter, similarly to the first quarter of this year, cannot be considered uniformly for groups of countries of individual geographic areas, as crisis situations have caused great changes on the levels of individual countries and so there are no entirely uniform consequences by geographic units comprised of groups of individual countries. In comparison to the second quarter of the previous year, the largest increase in the sales volume in the second quarter of the year was in some countries of the Eastern Europe and most countries of the South-Eastern Europe, with a beneficial impact on the improvement of sales profitability. In Western Europe, we have transitioned, to a significant extent, into a period of qualitative consolidation of the last year's strong growth of the sales volume, and due to that fact, we have provisionally levelled off the growth.
- In comparison to the second quarter of the year 2009, the **Home Appliances Division** experienced a significant increase in sales volume in the second quarter of the observed period, following a decrease in the first quarter of the year. Compared to the first quarter of the year, the sales volume has increased by EUR 24.6 million or 11.5% mainly in South-Eastern and Eastern European countries (except the Czech Republic, Poland and Serbia), which is of extreme importance for the strengthening of profitability of sales. A decrease in sales volume in the second quarter of the year has been recorded in markets of Northern and North-Western Europe (Scandinavia, Germany, Austria, England), which was expected considering the fact that we are in the phase of qualitative consolidation of the sales portfolio after the last year's strong (and extreme) growth in these markets, and, again, of extreme importance for the strengthening of profitability of the Division's sales. It is therefore important that we have achieved an **improvement of net profitability of sales** due to improved sales structure both from the geographic aspect (market aspect) and the product aspect (product structure by programmes and price placement). Furthermore, the Home

Appliances Division managed, to a significant extent, to maintain or in some cases even increase **market shares** both in the markets of Eastern and South-Eastern Europe as well as in the Western European markets. As for **individual programmes**, the decrease in sale revenue generated by the washing appliance programme was equalised by strong growth in the second quarter of the year, more precisely, by the growth of the freezing appliance programme (on the semi-annual level). On the semi-annual level, the growth of the cooking appliance programme was higher than the equalised growth rates of both remaining programmes, which was a very positive development from the aspect of strengthening the net profitability of sales. After a relatively strong growth in 2009, when the other two programmes reduced their volumes, the sales volume of the washing appliance programme has again achieved stable growth. The specific area of sale i.e. **supplementary programme**, with the company Atag as the main holder, successfully continues with the realisation of planned sale volumes and profitability also in the first half of this year.

- Due to **(1)** the circumstances of the branch business operation and **(2)** the activities of restructuring the production and sales from the product aspect and from the aspect of market structure, the **Home Interior Division** has achieved a significant decrease in the volume business activities again in the second quarter (in the first half) of the year, but at a simultaneous improvement of net profitability. In the year 2010, the Division continues the policy, initiated in the previous year, of consolidating and strengthening its sales position in the markets of Eastern and, primarily, South-Eastern Europe, which will be indicated as a positive effect in business operations in the second half of this year.
- The **hedging in the trade receivables segment** limits the growth of sales volumes, due to the fact that credit insurance companies, due to the worsening of the customers ratings, decreasing the limits for the sales hedging, and the sale above the hedged levels would result in direct risk of non-payment. In addition to that, as is understandable for such market situation, the quality of receivables is decreasing (both in terms of maturity structure and timely payment of receivables). Compared to the year 2009, the trend of decreasing quality of receivables has come to a stop, but this year too, the Company has consistently followed the accounting policies in the segment of formation of value adjustments.
- In the first half of the year, the **level of inventories** of finished products in the home appliances division segment was by 10.2% higher than the comparable period of the year 2009 (at a 5.5% growth of the sales volume), which is the expected result of the organisational changes of the operations and of the volume sales increase in Russia, of the volume sales increase in Ukraine, seasonal impact, the increase of the direct distribution to the customers and of the launching of the new product lines. Inventories in the segment of raw material and materials have also increased due to strategic purchases.
- The companies of the **Ecology, Energy and Services Division** have in the second quarter of the year increased the volume of activities by EUR 10.2 million or by 17.1% (in comparison to the second quarter of the year 2009), and by EUR 21.2 million or 18.2% on the semi-annual level, predominantly due to the improvement of circumstances of business operations in the ecology field (waste management segment, primarily the company Surovina, d.d.) and due to the growth in the volume of activities in the entire energy segment. The quarterly growth in the year 2010 amounts to EUR 1.7 million or 2.6%. Considering the above-stated, the division has, together with the Home Appliances Division, compensated for the decrease in volume of activities of the Home Interior Division.



Quarterly movements in net sales revenues

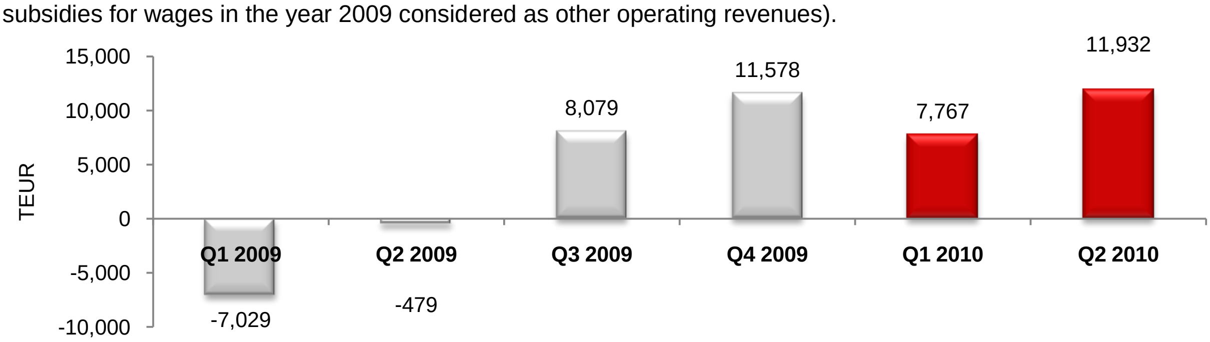
Operating business performance

- Following the first quarter, which was negative from the aspect of growth of sales volume, the second quarter has brought, with the growth of EUR 28.2 million or 9.7 % compared to the first quarter and EUR 37.8 million or 13.4% compared to the comparable period of the year 2009, to the six-month growth in the **volume of sales revenue** of the Gorenje Group in the amount of EUR 42.1 million or 7.4%. Despite the low growth in the volume of sales revenue in the first quarter of the year 2010 as compared to the same period of the year 2009, the second quarter has significantly remedied the situation and additionally improved the **profitability of business operations** in all aspects of its observations. The two main factors of improvement in profitability of business operations both quarters of this year, compared to the comparable period of the previous year, were the product and geographic-market restructuring of the sales and thus an improvement of sales and price structure as described in the previous item of this report. In addition to trends in the quantity of **physical volume of business activities**, **structural changes** on both the **product** level (the segment or product aspect) and the **market** level (geographic aspect) had a key impact on significant increase in the sales volume and growth of its profitability. This effect, in addition to gradual **adaptation of costs to the lower sales volume**, had a key impact on strengthening of the EBIT.

- The **contribution margin** of the second quarter at a level of difference between sales revenues and the cost of goods and materials attained 39.7% and equalised the last year's level by exceeding it by EUR +15 million resulting from growth in volume of business activities. From the aspect of the entire six-month period, we have achieved a positive **quality variance** (improvement of the contribution margin rate), in the amount of 0.7 p.p. or EUR +4.3 million, mainly due to positive effects of sales restructuring and due to retaining the impacts of growth of prices for input raw materials. Thus the higher semi-annual **contribution margin amounting to EUR 20.6 million** compared to the same period in 2009 refers to the **activity variance** (increase in volume of business activities) amounting to EUR +16.3 million and to the **quality variance** (improved profitability of the observed contribution margin level) amounting to EUR +4.3 million.
- In the Home Appliances Division segment, **profitability** was strengthened primarily due to already described regional (market and geographical) and segment (product and programme) structural changes in the sales segment, together with successful retaining of negative price movements in the markets of raw materials and materials, as well as development and technical activities (adaptations of the existing products, introduction of new ones).
- As regards **costs of services**, we achieved on a semi-annual level a reduction of EUR 15.1 million, causing their percentage in the sales revenue to decrease from the last year's 18% to 14.2%, despite an increased sales volume. By optimising the reasons for their occurrence, i.e. processes/activities, we have managed to reduce their level, in comparison to the first half of the year 2009, by EUR 3.6 million, which signifies a 1.6 p.p. lower share in sales revenue or a 4.3% decrease in their volume. The difference up to the full value of the effect of reduction in costs of services is represented by the reduction in costs of services related to the sale of medical equipment which is an extraordinary transaction and not related to the actual optimisation of costs of services. Namely, the sales volume of medical equipment has, compared to the first half of the year 2009, decreased to one third of the volume recorded in the year 2009. It is of key importance that we managed to reduce the costs of services in the first half of the year 2010 regardless of growth in the volume of business activities and that by considering this fact, we actually recorded savings in the amount of EUR 10.0 million without taking into account the transactions regarding medical equipment.
- Compared to the first half of the year 2009, the **labour costs** have **increased by EUR 6.9 million (to EUR 111.3 million**, at a 6.6% growth rate), with a number of employees lower by 112 (on 30th June 2010, the number of employees was 10,805). However, it should be taken into consideration that in the first quarter of the last year, we switched to a 36-hour working week (a 10% decrease in labour costs) and to a limited extent, to a 32-hour working week, and that we began the programme of utilising state subsidies for temporary unemployment. In the first half of this year, labour costs were increased due to **(1)** effects of the agreement concluded with the employees following the work interruption in September 2009 and **(2)** modifications of the Work Code in the segment of the minimum wage level (its rise). The effects of last and this year have had a direct impact on the labour cost growth rate. From the aspect of the labour cost effectiveness, their **share in the added value** has decreased (improved productivity) from 83.4% to 71.1%.

Based on the described circumstances of business operations, the Gorenje Group incurred **an operating profit (EBIT) of EUR 19.7 million** in the first half of this year **at an EBIT margin of 3.2%**, after generating an operating loss of EUR 7.5 million in the same period in 2009. The development of positive impacts is therefore the following:

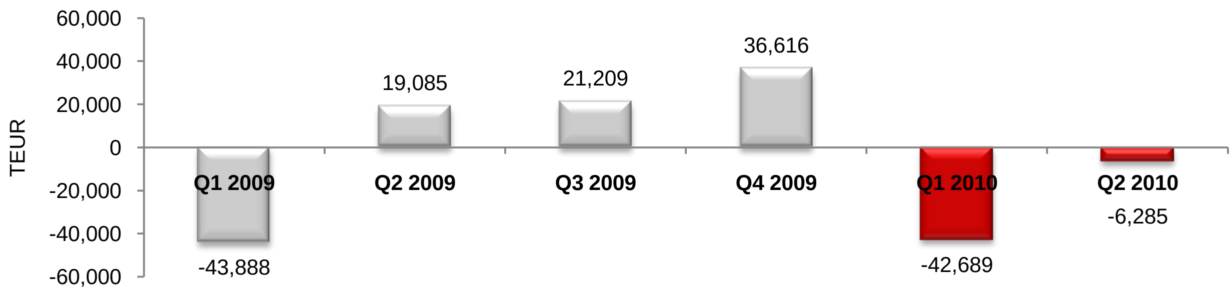
- EUR 20.6 million of increase in the **contribution margin** referring to costs of goods and materials resulting from higher and structurally improved volume of sales (an increase of EUR 16.3 million) and increase in the profitability of sales (an increase of 0.7 p.p., i.e. EUR 4.3 million),
- EUR 15.1 million of increase in the **service cost** segment (the effects of optimisation in the amount of EUR 3.6 million and, to a significant extent, of lower sales volume of medical equipment in the amount of EUR 11.5 million),
- EUR 6.9 million of decrease in the **labour cost** segment, and
- EUR 1.6 million of decrease in the segment of **other operating expenses/revenues** (mainly resulting from state subsidies for wages in the year 2009 considered as other operating revenues).



Quarterly movements in EBIT

Financial performance

	in EUR thousand	1H 2010	Q2 2010	Q1 2010	Plan 2010	1H 2009	Q2 2009	Q1 2009	FY 2009
	Net profit or loss	4,908	4,391	517	10,086	-17,995	-3,253	-14,742	-12,232
+	Amortisation /Depreciation	25,613	12,297	13,316	52,759	28,236	14,072	14,164	56,050
=	**Net cash flow**	**30,521**	**16,688**	**13,833**	**62,845**	**10,241**	**10,819**	**-578**	**43,818**
-	Capex	-13,358	-8,705	-4,653	-28,795	-12,668	-5,459	-7,209	-28,732
-	Investments in net current assets	-66,137	-14,268	-51,869	-9,573	-22,376	13,725	-36,101	17,936
	Changes in inventories	-23,443	-4,002	-19,441	7,407	37,140	23,803	13,337	35,023
	Changes in trade receivables	-25,393	-17,224	-8,169	9,116	10,961	1,387	9,574	10,277
	Changes in trade payables	-17,301	6,958	-24,259	-26,096	-70,477	-11,465	-59,012	-27,364
=	**Free cash flow**	**-48,974**	**-6,285**	**-42,689**	**24,477**	**-24,803**	**19,085**	**-43,888**	**33,022**



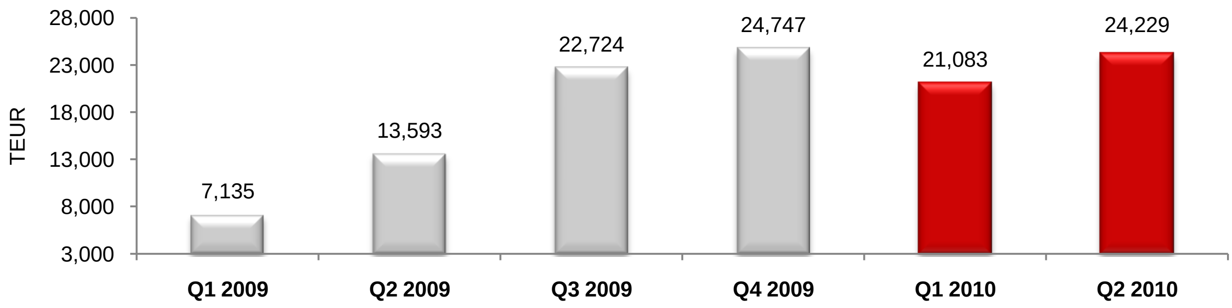
Quarterly movements of free cash flow

As for financial management, the Gorenje Group once again concentrated its endeavours mainly on activities hedging the risks associated with the financial crisis.

- As regards **financial risks**, special attention has been paid to effective management of **credit risks** due to the increasingly difficult macro-economic situation, i.e. by increased control over credit overdrafts granted by credit insurance companies and an intensified debt collection.
- **Currency risks** to which the Gorenje Group is exposed are hedged and minimised by natural adjustment of cash flows in individual trading currencies, and derivatives are used as an upgrade of this type of hedging, mainly in the markets of Eastern and South-Eastern Europe.
- In the second quarter, the Group generated a negative **free cash flow** in the amount of EUR 6.3 million, resulting mainly from increased receivables due from customers and inventories of products, merchandise and material. Total negative free cash flow generated in the first half of the year 2010 amounts to EUR 49.0 million and has resulted from seasonal factors of production and sales as well as strategic purchases of material and merchandise with the purpose of providing adequate price levels for the second half of the year 2010. Despite the negative cash flow, which is still within planned framework, the **short-term solvency risk** of the Group has been successfully managed by using the granted revolving credit lines. The unutilised part thereof amounted to EUR 105.0 million at the end of the first half of the year.
- On 30th June 2010, **total financial liabilities** amounted to EUR 487.8 million or **EUR 35.5 million more than at the end of the previous year**. The recorded current financial liabilities also include the liability arising from the amount of EUR 25 million for the **capital increase** paid-in by IFC. Namely, in accordance with Article 340 of the Companies Act, the share capital is increased on the date of entry in the registry, which was carried out on 5th July 2010.
- On 30th June 2010, the **balance of borrowings** of the Gorenje Group amounted to EUR 435.3 million, which was by EUR 4.2 million more than at the end of the last year. Compared to the same period of the year 2009, the loans have been reduced by EUR 46.8 million, from this EUR 25 million is the effect of the equity increase.
- The **activities for the restructuring of the maturity of financial liabilities** initiated in the second half of the previous year have been actively carried out in this year as well. At the end of the first half of the year, long-term borrowings of the Gorenje Group represented 50.7% of all borrowings, while their percentage at the end of the year 2009 amounted to 54.4% and in the same period of the year 2009, it was 40.1%.
- In order to attain the target **maturity structure of received financing sources** (60 percent of non-current and 40 percent of current financial liabilities) and to extend their average and final maturity, we have prepared, in cooperation with a member of the World Bank Group, an appropriate basis for further **restructuring of financing sources**. In June 2010,

Gorenje therefore signed a contract for long-term, i.e. 7-year, financing in the amount of EUR 50 million provided by IFC who will additionally provide a long-term syndicated loan amounting to EUR 51.07 million. The utilisation of the above mentioned borowings are planned for the second half of the year 2010 and for the first half of the year 2011 and will be used for the repayment of the existing annual instalments becoming due in the period of the utilisation of the borrowings.

- The **capital increase** of Gorenje in total amount of up to EUR 50 million and the measures for **restructuring of the debt** will significantly contribute to the stability and security of business operations of the Gorenje Group.
- Liquidity has been additionally improved by **appropriate and active relationships** with our bank partners. Hence all short-term credit lines in the Gorenje Group were successfully reprogrammed in this year and additional long-term and short-term borrowings were raised. A **liquidity reserve** comprising unused revolving lines and cash on the accounts of the Group's companies provided adequate short-term regulation of cash flows and reduced short-term liquidity risks.



Quarterly movements of EBITDA

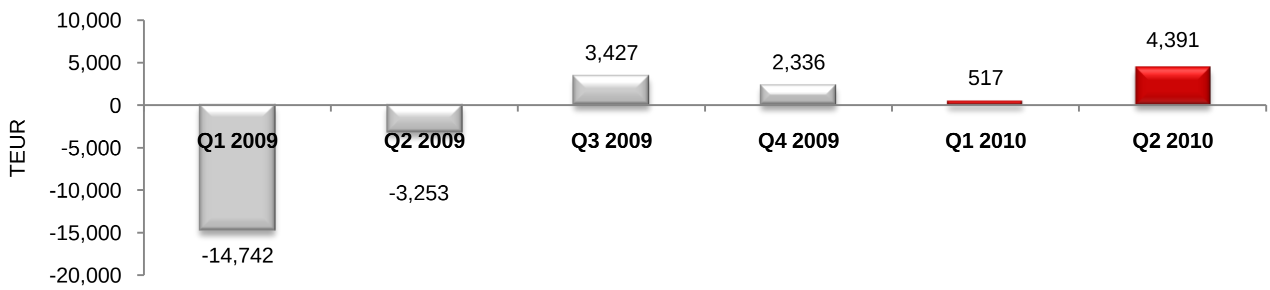
Investments by divisions

in EUR thousand	1H 2010	Q2 2010	Q1 2010	Plan 2010	1H 2009	Q2 2009	Q1 2009	1H/1H %	Plan track
Home appliances division	8,720	5,259	3,461	21,924	9,093	3,291	5,802	-4.1%	39.8%
Home interior division	1,419	1,158	261	2,449	202	77	125	602.5%	57.9%
Ecology, energy and services division	3,219	2,288	931	4,422	3,373	2,091	1,282	-4.6%	72.8%
Total	**13,358**	**8,705**	**4,653**	**28,795**	**12,668**	**5,459**	**7,209**	**5.5%**	**46.4%**

- The majority of the **investments**, i.e. **EUR 8.7 million** corresponding to **39.8% of the total planned investments for the year**, was generated in the Home Appliances Division, the major portion in the amount of EUR 4.6 million thereof was utilised by the parent company for projects of the freezer appliance programme, heat pumps and solar power plants.
- Other investments primarily refer to the company Atag, their major portion referring to the capitalized development costs for new products.
- The **Home Interior** Division has generated investments of **EUR 1.4 million**, thus achieving a **57.9% of annual planned** values.
- The **Ecology, Energy and Services Division** recorded investments of **EUR 3.2 million**, corresponding to **72.8% of the annual plan**. The major portion of these investments was carried out in the company Publicus, d.o.o., for the project of installing the infrastructure for sorting and bio-stabilisation of waste and in Gorenje Surovina, d.o.o., for the equipment for the production of the alternative fuels from the waste oddments.

Performance analysis

- In relation to the comparable period in the previous year, the **profitability of operations at the EBIT level** in the first half of the year was improved by EUR 27.2 million to the level **of EUR 19.7 million of profit**.
- The **surplus of financing expenses (costs)** over financing revenues in the amount of EUR 11.9 million (with EUR 5.5 million in the first quarter) decreased the operating profit of the first half of the year **to the total profit before tax amounting to EUR 7.8 million**.
- In the first half of this year, we generated a negative **result from financial operations** which was, compared to the same period of the previous year, higher by EUR 4.6 million. On the income side, we decreased revenues from interest (EUR 1.8 million), revaluation revenue (EUR 0.5 million) and other financial revenues (mainly effects from sales of investments in the comparable period of the last year), and on the expense side, we decreased interest expenses (EUR 1.8 million), revaluation expenses (EUR 0.3 million) and increased other financial expenses (EUR 2.5 million, to a great extent from the increased volume of value adjustments of receivables).
- **Corporate income tax** was recorded in the amount of EUR 2.9 million (EUR 3.3 million in the first half of 2009), thus decreasing the total operating profit before tax to **EUR 4.9 million of net profit** for the year. Compared to the year 2009, the corporate income tax comprises the current tax in the amount of EUR 2.7 million (EUR 3.1 million last year) and the deferred tax amounting to EUR 0.2 million (EUR 0.2 million last year). Of the total value of the current tax, a significant share refers to the company Atag.



Quarterly movements in net profit/loss

Summary of business performance of Gorenje d.d.

in EUR thousand	1H 2010	Q2 2010	Q1 2010	Plan 2010	1H 2009	Q2 2009	Q1 2009	1H/1H %	Plan track
Net sales	296,597	147,820	148,777	623,059	264,991	119,714	145,277	11.9%	47.6%
Added Value (AV)	69,720	34,026	35,694	143,014	46,475	23,072	23,403	50.0%	48.8%
AV in net sales	23.5%	23.0%	24.0%	23.0%	17.5%	19.3%	16.1%	/	/
Labour costs in AV	73.2%	75.4%	71.2%	72.8%	101.7%	103.2%	100.2%	/	/
EBITDA	18,661	8,382	10,279	38,939	-774	-727	-47	2511.0%	47.9%
EBITDA Magin (%)	*6.29%*	*5.67%*	*6.91%*	*6.25%*	*-0.29%*	*-0.61%*	*-0.03%*	/	/
EBIT	4,818	1,965	2,853	10,866	-17,687	-9,164	-8,523	127.2%	44.3%
EBIT Margin (%)	*1.6%*	*1.3%*	*1.9%*	*1.7%*	*-6.7%*	*-7.7%*	*-5.9%*	/	/
Total profit or loss	1,261	438	823	2,728	-19,702	-7,944	-11,758	106.4%	46.2%
Net profit or loss	1,047	968	79	2,428	-19,913	-7,918	-11,995	105.3%	43.1%
ROS (net return on sales)	*0.4%*	*0.7%*	*0.1%*	*0.4%*	*-7.5%*	*-6.6%*	*-8.3%*	/	/
ROA (net return on assets)	*0.3%*	*0.5%*	*0.04%*	*0.3%*	*-4.7%*	*-3.8%*	*-5.6%*	/	/
Net sales per employee (in EUR)	62,297	31,190	31,105	131,558	52,112	23,839	28,220	19.5%	47.4%
AV per employee	14,644	7,179	7,463	30,197	9,140	4,594	4,546	60.2%	48.5%
EBITDA per employee (in EUR)	3,920	1,769	2,149	8,222	-152	-145	-9	2678.9%	47.7%
EBIT per employee (in EUR)	1,012	415	596	2,294	-3,478	-1,825	-1,656	129.1%	44.1%
Net profit or loss per employee (in EUR)	220	204	17	513	-3,916	-1,577	-2,330	105.6%	42.9%
Employees / at the end of period	4,728	4,728	4,762	4,519	4,954	4,954	5,098	-4.6%	104.6%
Employees / average	4,761	4,739	4,783	4,736	5,085	5,022	5,148	-6.4%	100.5%
Capex	4,572	2,697	1,875	13,397	3,077	1,064	2,013	48.6%	34.1%
Net current assets	104,880	104,880	87,914	91,672	99,098	99,098	117,778	5.8%	114.4%
ROIC	1.3%	1.1%	1.6%	1.6%	-4.2%	-4.4%	-4.0%	/	/
D/E	0.98	0.98	0.93	0.83	1.27	1.27	1.25	/	/
Net cash flow	14,890	7,385	7,505	30,501	-3,000	519	-3,519	596.3%	48.8%
Free cash flow	-29,126	-7,717	-21,409	1,809	-23,879	12,639	-36,518	22.0%	-1610.0%
Total financial liabilities	295,972	295,972	280,435	255,030	371,372	371,372	377,047	-20.3%	116.1%
Net financial liabilities	221,008	221,008	207,257	192,003	283,730	283,730	293,229	-22.1%	115.1%

- In the **Home Appliances Division** segment, the **sales volume** of the parent company in the first half of the year has **increased**, compared to the same period of the year 2009, **by EUR 29.9 million or by 12.3%** (and by EUR 2.5 million or by 1.9% in the second quarter of the year if compared to the first quarter of 2010). In the production and sales **segments other** than those included in the Home Appliances Division, particularly in the ecology and energy field, the sales volume has increased **by EUR 1.7 million or by 8.2%** (with a EUR 3.5 million or 26.4% decrease in the second quarter compared to the first quarter of 2010, due to lower sales of the Energy & Environmental protection programm). The **total**

increase of sales volume of the **parent company** therefore amounted to **EUR 31.6 million or 11.9%** (EUR 1.0 million or 0.6% decrease in the second quarter compared to the first quarter of 2010).

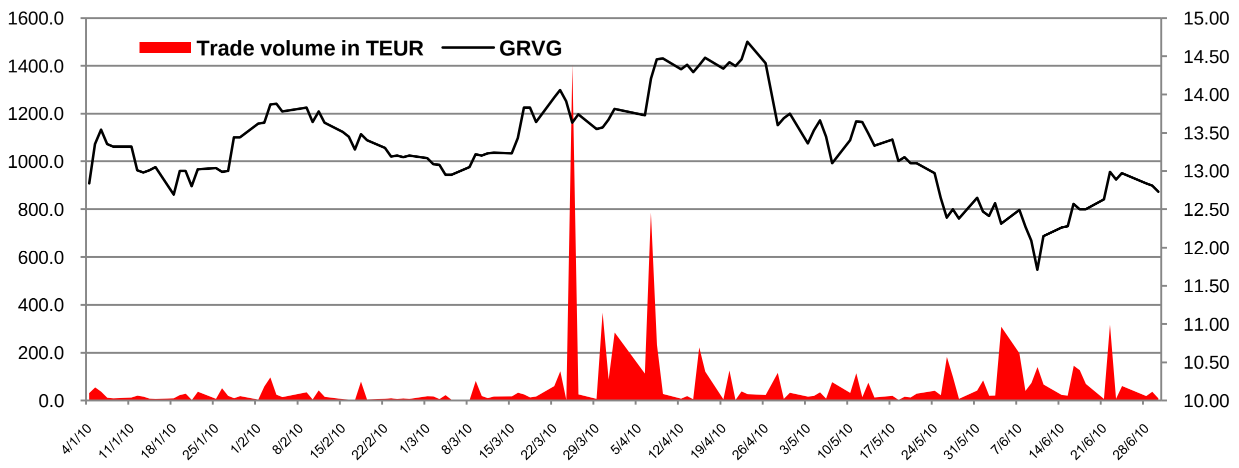
- Due to a **significant improvement of the contribution margin (profitability)** referring to the costs of goods and materials resulting from the improvement of the sales structure from the market aspect (enhancement of the sales share in South-Eastern and Eastern European markets) and from the product aspect (improvement of the structure for the benefit of higher profitability of programmes and introduction of new products), the **Home Appliances Division** at the parent company generated, in the first half of the year, **EUR 6.7 million of positive effects** (EUR 1.9 million of negative effects in comparison to the first quarter of the year due to lower sales structure and volume in April and May), i.e. a contribution margin **improvement by 2.4 p.p.** (a 1.4 p.p. decrease in the second quarter of 2010 in comparison to the first quarter). It is a **quality variance** representing an **increase** in the contribution margin rate; the total growth of contribution margin, resulting also from the increased sales volume, amounted to EUR 17.1 million (EUR 0.9 million of decrease in the second quarter of 2010 in comparison to the first quarter).
- Due to a **significant improvement in the contribution margin** in the sale of **products other than those included in the Home Appliances Division**, the company generated **EUR 1.3 million** of qualitative profit (increased contribution margin rate) signifying an **improvement** of the contribution margin **rate by 6 p.p**. in comparison to the first half of the last year, and a total of EUR 1.6 million (a decreased volume of sales of coal, which has low profitability and by increasing the volume of other sales segments). Hence the qualitative quarterly growth in the first half of the year 2010 amounted, due to improved contribution margin rate, to EUR 0.5 million or 2.4 p.p. of growth; and the total growth was EUR 2.4 million.
- It follows from the above description that the parent company has, in the first half of this year, compared to the same period of the last year, **increased the contribution margin by EUR 18.7% million** (21.2%), with a qualitative **improvement of contribution margin by EUR 8.0 million** or **2.8 p.p**. From the aspect of quarterly development of the contribution margin, we attained in the second quarter of the year a EUR 0.7 million lower level as in the first quarter of the year or by 0.4 p.p. lower contribution margin (decrease from 36.3% to 35.9%).
- **Other costs of raw materials and materials** (decreased by EUR 0.4 million or -4.3%), costs of **services** remaining at the same level as in the year 2009, and **other operating expenses** (increased by EUR 0.4 million or +42.5% resulting from higher environmental expenses) have been maintained at the level of the year 2010, which means a very favourable trend of such costs compared to the dynamics of the trend in volume of business activities.
- Compared to the first half of the year 2009, **labour costs** are **higher by EUR 3.8 million or 8.1%**; by taking into account the state subsidies for salaries, which were received in the first half of the year 2009 and accounted for under other operating revenue, they are higher by EUR 5.8 million or 12.8%. In the first half of the year 2010, the number of employees was lowered by 226 persons compared to the first half of the year 2009 (to the number of 4,728 employees). The reasons for the achieved increase of labour costs have been explained in the chapter on the operating business performance of the Gorenje Group.
  From the aspect of effectiveness of labour costs, their share in the added value has decreased (= improved productivity) from 101.7% to 73.2%.
- **Increase** in the volume of all business activities (EUR +31.8 million or +11.8%) and the lower dynamic of the increase of all operating expenses/costs (EUR +9.3 million or +3.3%) has caused an increase of EBIT by EUR 22.5 million compared to the first half of the year 2009, resulting in a profit of EUR 4.8 million.
- Compared to 2009, the **result from financial operations** on the income side has declined mostly in the segment of interests, revaluation and due to positive effects from sales of investments in the year 2009; on the expense side it has improved mainly in the segments of interests, effects from hedging and value adjustments of receivables. The **total difference in comparison to first half of the year 2009 is negative, in the amount of EUR 1.5 million**, and with EUR 3.6 million of actual negative result from financial operations, it decreases the total profit before tax to EUR 1.2 million.
- Considering the deferred tax liabilities in the amount of EUR 0.2 million, **net operating profit (EBIT)** is recorded at **EUR 1.0 million**.

Ownership and GRVG Share

- There are no provisions in the Articles of Incorporation of Gorenje, d.d., that would invalidate the proportionality of rights arising from share ownership, such as the rights of minority shareholders or restrictions of voting rights.
- As of 30 June 2010 the number of recorded shareholders amounted to 21,328 which is a decrease of 1.4% when compared to 31 December 2009 (21,623).

Ten major shareholders as of 30 June 2010	No. of shares	%
KAPITALSKA DRUŽBA, D.D.	3,534,615	25.1933
HOME PRODUCTS EUROPE B.V.	1,070,000	7.6265
INGOR, d.o.o., & co. k.d.	794,473	5.6627
KD GALILEO	564,984	4.0270
RAIFFEISEN ZENTRALBANK AG	443,566	3.1616
PROBANKA, d.d.	412,276	2.9385
EECF AG	411,727	2.9346
KD ID, delniška ID, d.d.	333,957	2.3803
TRIGLAV VZAJEMNI SKLADI - DELNIŠKI TRIGLAV STEBER I	322,090	2.2957
KD RASTKO	232,593	1.6578
TOTAL TEN MAJOR SHAREHOLDERS:	**8,120,281**	**57.8780**
OTHER SHAREHOLDERS:	5,909,719	42.1220
TOTAL:	**14,030,000**	**100**

- The number of own shares is as of 30 June 2010 unchanged compared to the year end 2009, namely 121,311 **own shares**, which accounts for 0.8647% in share capital.
- No. of shares owned by the members of the supervisory and the management boards has not been changed, as of 31 December 2009.
- A uniform price of a GRVG share amounted to EUR 12.73 on 30 June 2010 and was higher by 2.6% when compared to the last trading day in the year 2009 (EUR 12.41); The LJSEX stock exchange index decreased by 3.7% in the same period.
- **EPS** calculated as the ratio between the net profit (12-months level) and the number of shares issued minus the average number of own shares (13,908,689), amounted to EUR 0.15 (EUR -0.44 in 2009).
- **The book value of a share** is calculated as the ratio between the total company equity at 30 June 2010, and the number of shares issued minus the number of own shares (13,908,689) as 30 June 2010 amounted to EUR 21.61 (EUR 21.87 at 31 December 2009).
- **Market to book value ratio** is 0.59 (0.57 at 31 December 2009).
- **Dividend policy** of the Gorenje Group for the period 2010-2013 is defining, that up to one third of Gorenje Group net income (profit) for each year will be allocated for dividend payment. The shareholders have at the 15th AGM passed the resolution, based on the Supervisory and the Management Board, that no dividend payments be made for 2009.



Movement of the uniform price of the GRVG share and daily turnover in the period January-June 2010

Major events following the statement of financial position date

- On 5 July 2010 has Gorenje, d.d., based on the finished procedure of subscribed and paid new shares of Gorenje, d.d., received the resolution of the court register, Celje, No. Srg 2010/23517, dated on 5 July 2010. This resolution is relating to the registration of share capital changes from EUR 58,546,152.56 to EUR 66,378,217.32, No. of shares from 14,030,000 to 15,906,876 and changes of statute, related to above quoted changes.
- On 8 July 2010 has been in central register of dematerialised securities of the company KDD, d.d., subscribed the additional 1,876,876 shares with no par value of the issurer GORENJE gospodinjski aparati, d.d., with the symbol GRVG. In the central register is now 15,906,876 shates with the symbol GRVG.
- Ljubljanska borza, d.d. (Ljubljana Stock Exchange), has on 9 July 2010 announced the additional listing of GRVG shares of the issurer Gorenje, d.d., in the Prime Market segment for additional 1,876,876 shares to the new number of shares of 15,906,876.
- The Supervisory Board has on the 15th of July 2010 at the 44th Board Meeting, discussed and adopted the Management Board proposal of the company's share equity increase in accordance with the shareholders' resolution, passed at the Annual General Meeting on the 28th of May 2010. With this, the formal procedure of increase of the registered share capital maximum to EUR 7,832,064.76 by issuing maximum 1,876,876 ordinary transferable registered shares with no par value, has started and the shares will be classified in the same class as the existing regular shares of this issuing entity. To the share equity increase from the pre-emption rights all the shareholders' will be invited to inscribe, who will be on the day of the announcement of the Prospectus, registered in shareholders' ledger of the company Gorenje, d.d. It is foreseeing, that the Management and the Supervisory Board will the excess shares, which the existent shareholders' will not inscribe, offer to the third persons.
- On 12 July 2010, Gorenje, d.d., purchased from Probanka, d.d., a 21.44% stake in the company Gorenje Surovina, d.o.o., Maribor, that effectively translates into 72.44% of total stake in Gorenje Surovina. Gorenje, d.d., by the consideration of the fact, that Gorenje Surovina, d.o.o., holds 27.29% of the own stake, thus holds 99.73% stake of the Gorenje Surovina, d.o.o.
- On 19 July 2010 the constitutive meeting of the new Supervisory Board of Gorenje, d.d., was held and started its four year mandate. Mr. Uroš Slavinec was elected as chairman of the Supervisory Board, deputy chairmen became Mrs. Dr. Maja Makovec Brenčič and Mr. Krešimir Martinjak. The Audit Committee was appointed as follows: Keith Miles, president, Drago Krenker, member, and Mag. Sc. Aleksander Igličar, expert in auditing and member. Mandate of an audit committee is to be till the end of the term of office of the Supervisory Board of the Company, i.e. on the 19 July 2014.
- Gorenje has on 27 July 2010 in Rome, based on a binding offer made in May 2010 and approved by the previous Supervisory Board, signed a contract on the acquisition of a 100 percent ownership stake in Sweden based company Asko Appliances Group, a company with manufacturing and sales of dishwashers, washing machines and tumble dryers produced in Sweden, and cookers, ovens and cold irons produced in Lahti, Finland. Asko is also an owner of two brand names, which are very known in Scandinavia, Australia and USA. Brands are Asko, positioned in the high-end segment, and Upo in the mid-end. The Asko brand also comprises a niche range of professional products for the semi commercial market, which is a growing business area with high potentials.
- The court register from Ljubljana has with the resolution No. Srg 2010/27477 dated on 4th of August 2010 decided that the company Gorenje Tiki, d.o.o., is starting with the procedure of liquidation or to shut down the company. The name of the company is now Gorenje Tiki, Elektrostrojno podjetje, d.o.o. – in liquidation, short name Gorenje Tiki, d.o.o. – in liquidation. The liquidation manager will be Mr. Dušan Goršek, previous director.
- Gorenje and International Financial Corporation IFC have on 4th of August 2010, together with three commercial banks, with signing the agreement, assured Gorenje additional loans for the purpose of debt maturity restructuring. IFC is providing a EUR 50 m direct loan to Gorenje and with three commercial banks participation also mobilized additional EUR 51.7 m loans. Purpose of the loans is the repayment of the present loans, maturing in 2010 – 2011. With these loans, being mature between 5 to 7 years, Gorenje is strengthening its financial stability.

There were no other major events following the statement of financial position date on the 30th of June 2010.

Important business events

- CEO and President of Gorenje Mr. Franjo Bobinac was elected to the Steering Committee of the European Committee of the Domestic Equipment Manufacturers (CECED) at CECED's General Assembly Meeting.

Related party transactions

The related party transactions recorded by the Group companies were consummated based on the sale/purchase contracts concluded with related parties on terms equivalent to those prevailing in the arm's-length transactions.

Business outlook for 2010

In the first half of this year, the Gorenje Group achieved in its business operations a significant degree of expected operational ranges and performance, so by the end of the financial year, we can expect to reach the goals planned for the year 2010. A precondition for the attainment of planned objectives is the realisation of business circumstances as predicted by analysts for the regions of our operations and for the segment of manufacture and sales of household appliances.

ACCOUNTING REPORT

Applied accounting principles and important notes to financial statements

- The non-audited consolidated financial statements of the Gorenje Group for the period January-June 2010 have been prepared in accordance with the provisions of the Corporations Act and the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB), and the interpretations of the International Financial Reports Interpretation Committee (IFRIC) as adopted by the European Union.
- The non-audited financial statements of Gorenje, d.d., for the period January-June 2010 have been prepared in accordance with the provisions of the Corporations Act and the IFRS. The transition to IFRS was approved by the AGM of Gorenje, d.d., at its 9th Meeting held on 29 June 2006.
- In compliance with the accounting principles, Gorenje, d.d., is not subject to segment reporting as the latter is included in consolidated financial statements of the Gorenje Group.
- Comparative information has been mainly harmonised with the presentation of information in the current year. Where required, adjustment of comparative data was carried out in order to comply with the presentation of information in the current year.

Gorenje Group has been from the period January-June 2010 consists of the main company Gorenje, d.d., and 67 subsidiaries, operating in Slovenia and abroad and 21 Joint Venture companies.

Changes of the Gorenje Group structure

The changes of the Gorenje Group structure till the 30 June 2010 were as follows:

- At the end of January the company EKOGOR družba za predelavo in obdelavo odpadkov, d.o.o., Jesenice in Slovenia has been established. The company is in the 51% stake of the company Publicus, d.o.o., Ljubljana, Slovenia.
- The company Istrabenz Gorenje has been on 1 April 2010 signed the sales contract of the stake in the subsidiary Istrabenz Gorenje Projekt, d.o.o.
- On 26 April 2010 the representative office in Moldova with the head office in the capital city Chisinau has been established.
- On 29 June 2010 has the company Surovina d.d., transformed into Gorenje Surovina d.o.o.

In addition to the main company, the Gorenje Group was comprised of the following subsidiary and jointly controlled companies:

Companies operating in Slovenia		Ownership share (%)	Division
1.	Gorenje I.P.C., d.o.o., Velenje	100.00	HA
2.	Gorenje Tiki, d.o.o., Ljubljana	99.982	HA
3.	Gorenje GTI, d.o.o., Velenje	100.00	EES
4.	Gorenje Notranja oprema, d.o.o., Velenje	99.98	HI
5.	Gorenje Gostinstvo, d.o.o., Velenje	100.00	EES
6.	ENERGYGOR, d.o.o., Velenje	100.00	EES
7.	KEMIS, d.o.o., Vrhnika	100.00	EES
8.	Gorenje Orodjarna, d.o.o., Velenje	100.00	HA
9.	ZEOS, d.o.o., Ljubljana	51.00	EES
10.	ISTRABENZ GORENJE, d.o.o., Nova Gorica	49.344	EES
11.	GEN-I, d.o.o., Krško	24.67	EES
12.	Istrabenz investicijski inženiring, d.o.o., Nova Gorica	49.344	EES
13.	Gorenje Surovina, d.o.o., Maribor	78.29	EES
14.	Indop, d.o.o., Šoštanj	100.00	EES
15.	ERICo, d.o.o., Velenje	51.00	EES
16.	Istrabenz Gorenje inženiring, d.o.o., Ljubljana	49.344	EES
17.	Gorenje Projekt, d.o.o., Ljubljana	100.00	EES
18.	Gorenje design studio, d.o.o., Velenje	52.00	HA
19.	Vitales Nova Gorica, d.o.o., Nova Gorica	49.344	EES
20.	PUBLICUS, d.o.o., Ljubljana	51.00	EES
21.	IG AP, d.o.o., Kisovec	49.344	EES
22.	EKOGOR, d.o.o., Jesenice	26.00	EES

Companies operating abroad		Ownership share (%)	Division
23.	Gorenje Beteiligungsgesellschaft m.b.H., Austria	100.00	HA
24.	Gorenje Austria Handelsgesellchaft m.b.H., Austria	100.00	HA
25.	Gorenje Vertriebsgesellschaft m.b.H., Germany	100.00	HA
26.	Gorenje Körting Italia S.r.l., Italy	100.00	HA
27.	Gorenje France S.A.S., France	100.00	HA
28.	Gorenje BELUX S.a.r.l., Belgium	100.00	HA
29.	Gorenje Espana, S.L., Spain	100.00	HA
30.	Gorenje UK Ltd., Great Britain	100.00	HA
31.	Gorenje Skandinavien A/S, Denmark	100.00	HA
32.	Gorenje AB, Sweden	100.00	HA
33.	Gorenje OY, Finland	100.00	HA
34.	Gorenje AS, Norway	100.00	HA
35.	Gorenje spol. s r.o., Czech Republic	100.00	HA
36.	Gorenje real spol. s r.o., Czech Republic	100.00	HA
37.	Gorenje Slovakia s.r.o., Slovakia	100.00	HA
38.	Gorenje Budapest Kft., Hungary	100.00	HA
39.	Gorenje Polska Sp. z o.o., Poland	100.00	HA
40.	Gorenje Bulgaria EOOD, Bulgaria	100.00	HA
41.	Gorenje Zagreb, d.o.o., Croatia	100.00	HA
42.	Gorenje Skopje, d.o.o., Macedonia	100.00	HA
43.	Gorenje Commerce, d.o.o., Bosnia and Herzegovina	100.00	HA
44.	Gorenje, d.o.o., Serbia	100.00	HA
45.	Gorenje Podgorica , d.o.o., Montenegro	99.972	HA
46.	Gorenje Romania S.R.L., Romania	100.00	HA
47.	Gorenje aparati za domaćinstvo, d.o.o., Serbia	100.00	HA
48.	Mora Moravia s r.o., Czech Republic	100.00	HA
49.	Gorenje - kuchyně spol. s r.o., Czech Republic	99.98	HI
50.	Kemis-Termoclean, d.o.o., Croatia	100.00	EES
51.	Kemis - BH, d.o.o., Bosnia and Herzegovina	100.00	EES
52.	Gorenje Invest, d.o.o., Serbia	100.00	HA
53.	Gorenje Gulf FZE, United Arab Emirates	100.00	HA
54.	Gorenje Tiki, d.o.o., Serbia	99.982	HA
55.	GEN-I Zagreb, d.o.o., Croatia	24.67	EES
56.	Intrade energija, d.o.o., Bosnia and Herzegovina	25.17	EES
57.	Vitales, d.o.o., Nova Bila, Bosnia and Herzegovina	49.344	EES
58.	Gorenje Istanbul Ltd., Turkey	100.00	HA
59.	Sirovina d.o.o., Bačka Palanka u likvidaciji, Serbia	78.29	EES
60.	Gorenje TOV, Ukraine	100.00	HA
61.	Vitales, d.o.o., Bihać, Bosnia and Herzegovina	49.344	EES
62.	GEN-I, d.o.o, Serbia	24.67	EES
63.	Vitales, d.o.o., Sokolac, Bosnia and Herzegovina	24.67	EES
64.	ST Bana Nekretnine, d.o.o., Serbia	100.00	EES
65.	GEN-I Budapest, Kft., Hungary	24.67	EES
66.	Kemis d.o.o. Valjevo, Serbia	100.00	EES
67.	Kemis – SRS d.o.o., Bosnia and Herzegovina	100.00	EES
68.	ATAG Europe BV, the Netherlands	100.00	HA

69.	ATAG Nederland BV, the Netherlands	100.00	HA
70.	ATAG België NV, Belgium	100.00	HA
71.	ATAG Financiele Diensten BV, the Netherlands	100.00	HA
72.	ATAG Financial Solutions BV, the Netherlands	100.00	HA
73.	Intell Properties BV, the Netherlands	100.00	HA
74.	ATAG Special Product BV, the Netherlands	100.00	HA
75.	Gorenje Nederland B.V., the Netherlands	100.00	HA
76.	Gorenje Kazakhstan, TOO, Kazakhstan	100.00	HA
77.	Gorenje kuhinje, d.o.o., Ukraine	69.986	HI
78.	Vitales Energie Biomasse S.R.L., Italy	25.17	EES
79.	Vitales Čakovec d.o.o., Croatia	49.344	EES
80.	»Euro Lumi & Surovina« SH.P.K., Kosovo	39.93	EES
81.	GEN-I d.o.o., Sarajevo, Bosnia and Herzegovina	24.67	EES
82.	GEN-I DOOEL Skopje, Macedonia	24.67	EES
83.	GEN-I Athens, Greece	24.67	EES
84.	GEN-I Tirana, Albania	24.67	EES
85.	OOO Gorenje BT, Russia	100.00	HA
86.	Vitales inženjering, d.o.o., Prijedor, Bosnia and Herzegovina	24.67	EES
87.	GEN-I Bucharest, Romania	24.67	EES
88.	Gorenje GTI, d.o.o., Serbia	100.00	EES

HA - home appliances
HI - home interior
EES - ecology, energy and services

Representatives offices of Gorenje, d.d. abroad:

- Moscow (Russian Federation),
- Krasnoyarsk (Russian Federation),
- Kiev (Ukraine),
- Athens (Greece),
- Shanghai (China),
- Almaty (Kazakhstan) and
- Chisinau (Moldova)

Non-audited consolidated financial statements of the Gorenje Group

Consolidated statement of financial position of the Gorenje Group

in EUR thousand	30 Jun 2010	%	31 Mar 2010	%	31 Dec 2009	%	30 Jun 2009	%	31 Mar 2009	%
ASSETS	**1,201,893**	**100.0%**	**1,174,848**	**100.0%**	**1,178,677**	**100.0%**	**1,182,321**	**100.0%**	**1,201,751**	**100.0%**
Non-current assets	**558,569**	**46.5%**	**565,530**	**48.1%**	**574,307**	**48.7%**	**586,143**	**49.6%**	**592,987**	**49.3%**
Intangible assets	160,187	13.4%	160,523	13.6%	161,560	13.7%	161,346	13.6%	161,881	13.5%
Property, plant and equipment	368,936	30.7%	375,797	32.0%	382,801	32.5%	392,558	33.2%	399,185	33.2%
Investment property	7,517	0.6%	7,848	0.7%	7,802	0.7%	9,997	0.9%	9,742	0.8%
Other non-current investments	5,979	0.5%	6,495	0.5%	6,614	0.5%	12,642	1.1%	12,622	1.0%
Deferred tax assets	15,950	1.3%	14,867	1.3%	15,530	1.3%	9,600	0.8%	9,557	0.8%
Current assets	**643,324**	**53.5%**	**609,318**	**51.9%**	**604,370**	**51.3%**	**596,178**	**50.4%**	**608,764**	**50.7%**
Non-current assets for sale	1,462	0.1%	1,099	0.1%	1,137	0.1%	954	0.1%	954	0.1%
Inventories	241,424	20.1%	237,422	20.2%	217,981	18.5%	220,864	18.7%	239,667	19.9%
Current investments	52,641	4.4%	53,999	4.6%	68,218	5.8%	60,472	5.1%	61,974	5.2%
Trade receivables	277,133	23.0%	259,909	22.1%	251,740	21.4%	251,056	21.2%	252,443	21.0%
Other current assets	45,645	3.8%	38,864	3.3%	38,164	3.2%	48,800	4.1%	44,127	3.7%
Cash and cash equivalents	25,019	2.1%	18,025	1.6%	27,130	2.3%	14,032	1.2%	9,599	0.8%

in EUR thousand	30 Jun 2010	%	31 Mar 2010	%	31 Dec 2009	%	30 Jun 2009	%	31 Mar 2009	%
EQUITY AND LIABILITIES	**1,201,893**	**100.0%**	**1,174,848**	**100.0%**	**1,178,677**	**100.0%**	**1,182,321**	**100.0%**	**1,201,751**	**100.0%**
Equity	**366,599**	**30.5%**	**365,546**	**31.1%**	**369,644**	**31.4%**	**373,304**	**31.6%**	**376,241**	**31.3%**
Share capital	58,546	4.9%	58,546	5.0%	58,546	5.0%	58,546	5.0%	58,546	4.9%
Capital surplus (share premium)	158,487	13.2%	158,487	13.5%	158,487	13.5%	158,487	13.4%	158,487	13.2%
Legal and statutory reserves	21,697	1.8%	21,697	1.8%	21,697	1.8%	21,697	1.9%	21,697	1.8%
Retained earnings	102,129	8.5%	98,202	8.4%	97,788	8.3%	93,297	7.9%	96,131	8.0%
Own shares	-3,170	-0.3%	-3,170	-0.3%	-3,170	-0.3%	-3,170	-0.3%	-3,170	-0.3%
Translation reserve	14,051	1.1%	15,432	1.3%	17,405	1.5%	18,168	1.5%	15,943	1.3%
Fair value reserve	8,130	0.7%	10,168	0.9%	12,822	1.1%	14,139	1.2%	16,024	1.4%
Equity attributable to equity holders of the parent	**359,870**	**29.9%**	**359,362**	**30.6%**	**363,575**	**30.9%**	**361,164**	**30.6%**	**363,658**	**30.3%**
Minority interest	**6,729**	**0.6%**	**6,184**	**0.5%**	**6,069**	**0.5%**	**12,140**	**1.0%**	**12,583**	**1.0%**
Non-current liabilities	**302,522**	**25.2%**	**326,118**	**27.8%**	**311,313**	**26.4%**	**268,348**	**22.7%**	**296,117**	**24.6%**
Provisions	65,894	5.5%	64,801	5.5%	62,158	5.3%	55,997	4.7%	55,003	4.6%
Provisions from government grant	932	0.1%	1,195	0.1%	1,211	0.1%	5,265	0.5%	8,761	0.7%
Deferred tax liabilities	5,297	0.4%	5,269	0.5%	5,585	0.5%	6,266	0.5%	6,162	0.5%
Non-current borrowings	230,399	19.2%	254,853	21.7%	242,359	20.5%	200,820	17.0%	226,191	18.8%
Current liabilities	**532,772**	**44.3%**	**483,184**	**41.1%**	**497,720**	**42.2%**	**540,669**	**45.7%**	**529,393**	**44.1%**
Current borrowings	257,379	21.4%	216,186	18.4%	209,883	17.8%	303,941	25.7%	289,634	24.1%
Trade payables	178,995	14.9%	172,037	14.6%	196,296	16.6%	153,183	12.9%	164,648	13.7%
Other liabilities	96,398	8.0%	94,961	8.1%	91,541	7.8%	83,545	7.1%	75,111	6.3%

Consolidated income statement of the Gorenje Group

in EUR thousand	1H 2010	%	Q2 2010	%	Q1 2010	%	Plan 2010	%	1H 2009	%	Q2 2009	%	Q1 2009	%	1H/1H %	Plan track
Revenue	610,073	97.9%	319,122	102.9%	290,951	93.0%	1,244,037	99.5%	567,941	100.2%	281,328	99.3%	286,613	101.0%	7.4%	49.0%
Changes in inventories	3,472	0.6%	-14,536	-4.7%	18,008	5.7%	-9,211	-0.7%	-14,586	-2.6%	-7,478	-2.7%	-7,108	-2.5%	123.8%	/
Other operating income	9,410	1.5%	5,423	1.8%	3,987	1.3%	14,454	1.2%	13,720	2.4%	9,539	3.4%	4,181	1.5%	-31.4%	65.1%
Gross revenue	**622,955**	**100.0%**	**310,009**	**100.0%**	**312,946**	**100.0%**	**1,249,280**	**100.0%**	**567,075**	**100.0%**	**283,389**	**100.0%**	**283,686**	**100.0%**	**9.9%**	**49.9%**
Cost of goods, materials and services	-456,593	-73.3%	-223,613	-72.1%	-232,980	-74.4%	-908,807	-72.8%	-434,334	-76.6%	-213,258	-75.3%	-221,076	-77.9%	5.1%	50.2%
Other operating expenses	-9,714	-1.5%	-6,024	-2.0%	-3,690	-1.2%	-14,903	-1.2%	-7,559	-1.3%	-4,257	-1.5%	-3,302	-1.2%	28.5%	65.2%
ADDED VALUE	**156,648**	**25.2%**	**80,372**	**25.9%**	**76,276**	**24.4%**	**325,570**	**26.0%**	**125,182**	**22.1%**	**65,874**	**23.2%**	**59,308**	**20.9%**	**25.1%**	**48.1%**
Employee benefits expense	-111,336	-17.9%	-56,143	-18.1%	-55,193	-17.6%	-227,806	-18.2%	-104,454	-18.4%	-52,281	-18.4%	-52,173	-18.4%	6.6%	48.9%
EBITDA	**45,312**	**7.3%**	**24,229**	**7.8%**	**21,083**	**6.8%**	**97,764**	**7.8%**	**20,728**	**3.7%**	**13,593**	**4.8%**	**7,135**	**2.5%**	**118.6%**	**46.3%**
Amortisation and depreciation expense	-25,613	-4.1%	-12,297	-4.0%	-13,316	-4.3%	-52,759	-4.2%	-28,236	-5.0%	-14,072	-5.0%	-14,164	-5.0%	-9.3%	48.5%
EBIT	**19,699**	**3.2%**	**11,932**	**3.8%**	**7,767**	**2.5%**	**45,005**	**3.6%**	**-7,508**	**-1.3%**	**-479**	**-0.2%**	**-7,029**	**-2.5%**	**362.4%**	**43.8%**
Finance income	6,057	1.0%	1,794	0.6%	4,263	1.3%	6,514	0.5%	10,276	1.8%	7,924	2.8%	2,352	0.9%	-41.1%	93.0%
Finance expenses	-17,911	-2.9%	-8,143	-2.6%	-9,768	-3.1%	-35,717	-2.8%	-17,495	-3.1%	-8,769	-3.1%	-8,726	-3.1%	2.4%	50.1%
Profit before tax	**7,845**	**1.3%**	**5,583**	**1.8%**	**2,262**	**0.7%**	**15,802**	**1.3%**	**-14,727**	**-2.6%**	**-1,324**	**-0.5%**	**-13,403**	**-4.7%**	**153.3%**	**49.6%**
Income tax expense	-2,937	-0.5%	-1,192	-0.4%	-1,745	-0.5%	-5,716	-0.5%	-3,268	-0.5%	-1,929	-0.6%	-1,339	-0.5%	-10.1%	51.4%
Profit for the period	**4,908**	**0.8%**	**4,391**	**1.4%**	**517**	**0.2%**	**10,086**	**0.8%**	**-17,995**	**-3.1%**	**-3,253**	**-1.1%**	**-14,742**	**-5.2%**	**127.3%**	**48.7%**
Attributable to minority interest	**567**	**0.1%**	**464**	**0.1%**	**103**	**0.0%**	**302**	**0.0%**	**-968**	**-0.1%**	**-419**	**-0.1%**	**-549**	**-0.2%**	**158.6%**	**187.7%**
Attributable to equity holders of the parent	**4,341**	**0.7%**	**3,927**	**1.3%**	**414**	**0.2%**	**9,784**	**0.8%**	**-17,027**	**-3.0%**	**-2,834**	**-1.0%**	**-14,193**	**-5.0%**	**125.5%**	**44.4%**
Basic and diluted earnings per share (in EUR)	**0.62**		**1.13**		**0.12**		**0.70**		**-2.45**		**-0.82**		**-4.08**		**125.3%**	**88.6%**

Statement of comprehensive income of Gorenje Group

in EUR thousand	1H 2010	1H 2009
Net profit for the period	**4,908**	**-17,995**
Other comprehensive income		
Change in fair value of lands	0	0
Net change in fair value of available-for-sales financial instruments	-446	259
Net change in fair value of available-for-sales financial instruments, transferred in profit	0	-1,703
Effective portion of changes in profit/loss on cash flow hedge	-5,880	1,153
Effective portion of changes in profit/loss on cash flow hedge, transferred in profit	495	-731
Income tax on other comprehensive income	1,139	74
Translation reserve	-3,354	-2,140
Other comprehensive profit for the period	**-8,046**	**-3,088**
Total comprehensive profit for the period	**-3,138**	**-21,083**
Attributable to equity holders of the parent	-3,705	-20,115
Attributable to minority interest	567	-968

- **An explanation of significant items of the statement of comprehensive income is provided in the explanatory notes to the Accounting Report of the Gorenje Group.**

Consolidated cash flows statement of the Gorenje Group

in EUR thousand	1H 2010	1H 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	**4,908**	**-17,995**
Adjustments for:		
Depreciation of property, plant and equipment	22,525	25,051
Amortisation of intangible assets	3,088	3,185
Investment income	-6,057	-10,276
Finance expenses	17,911	17,495
Gain on sale of property, plant and equipment	-565	-230
Outcome tax expense	2,937	3,268
Operating profit before changes in net operating current assets and provisions	**44,747**	**20,498**
Change in trade and other receivables	-38,213	9,983
Change in inventories	-23,443	32,140
Change in provisions	3,457	-3,040
Change in trade and other liabilities	-12,444	-67,358
Cash generated from operations	**-70,643**	**-28,275**
Interest paid	-9,159	-9,469
Income taxes paid	-2,937	-3,268
Net cash from operating activities	**-37,992**	**-20,514**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	678	368
Proceeds from sale of investments	1,261	0
Interest received	1,372	3,124
Dividends received	11	8
Acquisition of property, plant and equipment	-11,527	-11,289
Other investments	10,381	2,633
Acquisition of intangible assets	-1,831	-1,379
Net cash used in investing activities	**345**	**-6,535**
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings / Repayment of borrowings	35,536	16,966
Net cash used in financing activities	**35,536**	**16,966**
CASH AND CASH EQUIVALENTS		
Net increase/decrease in cash and cash equivalents	-2,111	-10,083
Cash and cash equivalents at beginning of period	27,130	24,115
Cash and cash equivalents at end of period	25,019	14,032

Consolidated statement of changes in equity of the Gorenje Group

in EUR thousand	Share capital	Capital surplus (share premium)	Legal and statutory reserves	Retained earnings	Own shares	Translation reserve	Fair value reserve	Equity attributable to equity holders of the parent	Minority interest	Total
Opening balance at 1 Jan 2010	**58,546**	**158,487**	**21,697**	**97,788**	**-3,170**	**17,405**	**12,822**	**363,575**	**6,069**	**369,644**
Total comprehensive income for the period										
Net profit or loss for the period				4,341				**4,341**	**567**	**4,908**
Total other comprehensive income						-3,354	-4,692	**-8,046**		**-8,046**
Total comprehensive income for the period	**0**	**0**	**0**	**4,341**	**0**	**-3,354**	**-4,692**	**-3,705**	**567**	**-3,138**
Transactions with owners (when acting as owners) recognised directly in equity										
Contributions by owners and distributions to owners										
Payment of dividends										
Total contributions by owners and distributions to owners	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Changes in ownership interests in subsidiaries that do not result in a loss of control									**93**	**93**
Acquisition of non-controlling interests										
Total changes in ownership interests in subsidiaries	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**93**	**93**
Total transactions with owners	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**93**	**93**
Closing balance at 30 Jun 2010	**58,546**	**158,487**	**21,697**	**102,129**	**-3,170**	**14,051**	**8,130**	**359,870**	**6,729**	**366,599**

in EUR thousand	Share capital	Capital surplus (share premium)	Legal and statutory reserves	Retained earnings	Own shares	Translation reserve	Fair value reserve	Equity attributable to equity holders of the parent	Minority interest	Total
Opening balance at 1 Jan 2009	**58,546**	**158,487**	**21,697**	**110,324**	**-3,170**	**20,308**	**15,087**	**381,279**	**13,243**	**394,522**
Total comprehensive income for the period										
Net profit or loss for the period				-17,027				**-17,027**	**-968**	**-17,995**
Total other comprehensive income						-2,140	-948	**-3,088**		**-3,088**
Total comprehensive income for the period	**0**	**0**	**0**	**-17,027**	**0**	**-2,140**	**-948**	**-20,115**	**-968**	**-21,083**
Transactions with owners (when acting as owners) recognised directly in equity										
Contributions by owners and distributions to owners										
Payment of dividends										
Total contributions by owners and distributions to owners	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Changes in ownership interests in subsidiaries that do not result in a loss of control									**-135**	**-135**
Acquisition of non-controlling interests										
Total changes in ownership interests in subsidiaries	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-135**	**-135**
Total transactions with owners	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-135**	**-135**
Closing balance at 30 Jun 2009	**58,546**	**158,487**	**21,697**	**93,297**	**-3,170**	**18,168**	**14,139**	**361,164**	**12,140**	**373,304**

Notes to the financial statements of the Gorenje Group

Income statement

- **Sales revenue** in the period January-June 2010 were higher by EUR 42,132 thousand or by 7.4% compared to that generated in the same period of the previous year. The increase has resulted from strong growth (18.2%) in revenue of the Ecology, Energy and Services Division and the Home Appliances Division's increase in revenue of 5.5 %, while the revenue volume of the Home Interior Division recorded a significant setback in comparison to the revenue generated in the comparable period of the last year (by 13.3%).
- **Other operating revenues** in the amount of EUR 9,410 thousand are related to revenue from utilisation of provisions (EUR 2,370 thousand), revenue from subsidies (EUR 1,761 thousand), rental income (EUR 586 thousand), revenue from compensations (EUR 752 thousand), revenue related to the Directive on Waste Electrical and Electronic Equipment (EUR 646 thousand), revenue from disposal of fixed assets (EUR 565 thousand) and other operating revenue (EUR 2,730 thousand).
- The trend dynamics of **costs of goods, materials and services** was slower than the increase of gross operating yield (total operating revenue), which has mainly resulted from the continuation of activities initiated in 2009 for the optimisation of sales (structural changes from the product aspect and the market aspect), the supply chain and costs of services. Despite the increase in volume of operating activities, the costs of services have, in comparison to the same period of the last year, decreased by EUR 15,122 thousand or by 14.8%, while the costs of materials and the costs of merchandise sold have increased with a bit higher dynamics of growth as the volume of business activities.
- Despite lower average number of employees (337 employees or 3.1% less) compared to the same period of the last year, the **labour costs** were higher by EUR 6,882 thousand or 6.6%. Such increase has resulted from the transition to a 40-hour work week in the last quarter of the year 2009, modifications of the Work Code in the segment of the minimum wage level and from effects of the employees' demands following the work interruption in September 2009. Labour costs per employee are higher by 10.0% compared to the comparable period of the previous year.
- The majority of **other operating expenses** refer to costs related to the Directive on Waste Electrical and Electronic Equipment (EUR 3,636 thousand); on taxes, unrelated to the profit and loss account (EUR 1,710 thousand) and value adjustments of inventories (EUR 1,076 thousand).
- **Added value per employee** is recorded at EUR 14,718 i.e. 29.1% more than in the same period of the previous year.
- Compared to the comparable period of the previous year, the **negative financial result** is less favourable mainly due to higher attained values of the negative result in other financial movements. It was unfavourably affected by higher attained values of receivables adjustments and lower attained values of revenues from sales of investments.

in EUR thousand	1H 2010	1H 2009	Change %
Dividend income	11	8	37.5%
Interest income *	1,514	3,288	-54.0%
Income from revaluation due to value maintenance (exchange gains) **	1,954	2,503	-21.9%
Other finance income	2,578	4,477	-42.4%
Total finance income	**6,057**	**10,276**	**-41.1%**
Interest expense *	9,988	11,836	-15.6%
Expense from revaluation due to value maintenance (exchange losses) **	1,253	1,537	-18.5%
Other finance expense	6,670	4,122	61.8%
Total finance expense	**17,911**	**17,495**	**2.4%**
Profit margin - dividends	11	8	37.5%
Profit margin - interest	-8,474	-8,548	-0.9%
Profit margin - revaluation	701	966	-27.4%
Profit margin - other financial trends	-4,092	355	/
Total financial trends	**-11,854**	**-7,219**	**64.2%**

**** inclusive of income (expenses) from interest rate hedges***
***** inclusive of income (expenses) from currency hedges***

- **Income tax** was accounted in the amount for EUR 2,937 and was by 10.1% lower compared to the same period of the previous year.

Statement of comprehensive income

- The statement of comprehensive income records the net effect of impairments and enhancements of financial investments to be sold in the amount of EUR 446 thousand, the negative effect of interest hedging (the effect of interest rate swaps) in the amount of EUR 5,880 thousand and a part of interest hedging costs (interest rate swaps) in the amount of EUR 495 thousand, which is already a part of the profit and loss of the first half of the year, but is recorded separately in the statement of comprehensive income and therefore with a positive sign.

Statement of financial position

- Compared to the end of the year 2009, **fixed assets** have decreased mainly due to a lower volume of investing activities, while the current assets have increased mainly in the segment of operating assets. In the structure of assets, the share of fixed assets amounted to 46.5% and has decreased by 2.2 p.p. compared to the end of the year 2009.
- Compared to the balance as at the end of December 2009, **total inventories** have increased by EUR 23,443 thousand or 10.8%. The increase refers to inventories of finished products (as the result of the organizational changes of the operations and of the volume sales increase in Russia and in Ukraine, seasonal impact, the increase of the direct distribution to the customers and of the launching of the new product lines) and to some extent to inventories of material (resulting from strategic purchases of sheet metal and compressors). Compared to the balance as at the end of the same previous period, the inventories have increased by EUR 20,560 thousand or 9.3%.

in EUR thousand	30 June 2010	31 Dec 2009	30 June 2009	30 Jun 2010/ 30 Jun 2009	30 Jun 2010/ 31 Dec 2009
Materials	77,201	64,098	69,218	11.5%	20.4%
Work in progress	18,344	30,484	24,675	-25.7%	-39.8%
Products	109,323	93,711	97,281	12.4%	16.7%
Merchandise	34,863	28,390	28,493	22.4%	22.8%
Advances	1,693	1,298	1,197	41.4%	30.4%
Total	**241,424**	**217,981**	**220,864**	**9.3%**	**10.8%**

Compared to the entire year 2009, the lock-up period of inventories of products has decreased by two days and by four days if considering the comparable period of 2009.

	1H 2010	FY 2009	1H 2009
Lock-up period of products	30	32	34
Lock-up period of trade receivables	78	78	81
Lock-up period of trade payables	74	84	76

- Most of decreases within **current investments** relate to the decrease of short-term deposits with the banks of the parent company.
- **Current trade receivables** have increased, both in comparison to the balance as at the end of the year 2009 and if compared to the same period of the previous year, which has resulted partly from the larger volume of business activities and partly from a less favourable liquidity position of customers in all markets.
- The lock-up period of trade receivables has decreased, compared to the same period of the previous year, from 81 to 78 days, and it has remained unchanged in comparison to the year 2009.
- **Equity** has nominally increased by generated net profit and by amount of fair value reserve formed for deferred tax liabilities; while it has decreased based on decreased fair value reserve formed for revaluation of investments available for sale, on change in value of cash flow hedging and on decrease of translation reserve.
- **Long-term provisions** have increased, compared to the balance as at the end of the year 2009, mainly in the segment of provisions for sales warranties.
- Compared to the end of the year 2009, non-current **financial liabilities** have decreased by EUR 11.960 thousand or 4.9%, while current financial liabilities have increased by EUR 47.496 thousand or 22.6%. The increase is related partly to the investment in the equity capital of Gorenje in the amount of EUR 25 million paid-in by the International Financial Corporation, IFC, and partly it is a result of the increase in net operating current assets. In the structure of liabilities, financial liabilities at the end of the first half of the year 2009 represented 40.6%, i.e. 2.3 p.p. more than at the end of the year 2009.
- Compared to the balance as at the end of the year 2009, **current operating liabilities** have decreased mainly in the parent company due to lowering the interim purchase dynamics, due to adjusting the volume of purchases to the

production requirements, and due to higher accounted but not yet charged costs of suppliers which are recorded among other current liabilities.
The lock-up period of trade payables has decreased by 10 days if compared to the entire year 2009 and by 2 days if compared to the same period of the previous year.

- **Other current liabilities** which include mostly payables to employees and payables to the state and other institutions, liabilities for advances given, and short-term accrued costs and expenses, record an increase if compared to the year-end 2009; this is mostly a result of higher accounting of operating expenses while preparing the interim statement of financial position.

Cash flows statement

- The recorded **cash flows from operating activities** were negative. They were positively influenced by depreciation and net profit and loss generated, whereas on the other hand, the increase of net operating current assets had a significant negative influence on them.
- **Cash flows from investing activities** were positive predominantly resulting from the recall of deposits from the banks, and on the other hand, they were significantly negatively influenced by the acquisition of property, plant and equipment as well as intangible assets.
- **Cash flows from financing activities** were positive due to an increase of current financial liabilities.

Business and geographical segments of Gorenje Group

in EUR thousand	Home appliances		Home interior		Ecology, Energy and Services		Group	
	1H 2010	1H 2009	1H 2010	1H 2009	1H 2010	1H 2009	1H 2010	1H 2009
Revenue from the sale to third parties	454,386	430,698	18,100	20,885	137,587	116,358	610,073	567,941
Inter-segment revenue	1,756	3,817	5,810	8,273	2,477	3,505	10,043	15,595
Interest income	1,260	2,997	18	16	236	275	1,514	3,288
Interest expenses	-8,958	-10,876	-62	-34	-968	-926	-9,988	-11,836
Amortisation and depreciation expense	-21,991	-24,701	-880	-1,055	-2,742	-2,480	-25,613	-28,236
Operating profit or loss	17,900	-6,216	-2,690	-2,098	4,489	806	19,699	-7,508
Income tax							-2,937	-3,268
Net profit or loss for the period							4,908	-17,995

in EUR thousand	West		East		Rest of the World		Group	
	1H 2010	1H 2009	1H 2010	1H 2009	1H 2010	1H 2009	1H 2010	1H 2009
Revenue from the sale to third parties	217,190	217,112	367,120	332,188	25,763	18,641	610,073	567,941

Accounting ratios

	1H 2010	Plan 2010	1H 2009
BASIC PROFITABILITY RATIOS			
Net return on revenue	0.8%	0.8 %	-3.2%
Net return on assets	0.8%	0.9 %	-2.9%
Net return on equity	2.7%	2.7 %	-9.4%
TURNOVER RATIOS			
Assets turnover ratio	1.03	1.07	0.93
Inventory turnover ratio	5.31	5.80	4.79
Trade receivables turnover ratio	4.61	4.59	4.43
BASIC FINANCING STATE RATIOS			
Operating fixed assets rate	0.44	0.46	0.47
Long-term assets rate	0.46	0.48	0.50
BASIC HORIZONTAL FINANCIAL STRUCTURE RATIOS			
Long-term financing to long-term assets ratio	1.20	1.27	1.09
Equity financing rate	0.31	0.33	0.32
Long-term financing rate	0.56	0.61	0.54
Equity to fixed assets ratio	0.69	0.73	0.67
Immediate solvency ratio	0.15	0.17	0.14
Quick ratio	0.75	0.85	0.69
Current ratio	1.21	1.33	1.10
Net financial liabilities / equity	1.12	0.97	1.15
BASIC EFFICIENCY RATIO			
Operating efficiency ratio	1.03	1.04	0.99
Revenue from sale per employee (in EUR)	57,322	118,086	51,725
Added value per employee (in EUR)	14,718	30,904	11,401

Non-audited unconsolidated financial statements of Gorenje, d.d.

Statement of financial position of Gorenje, d.d.

in EUR thousand	30 Jun 2010	%	31 Mar 2010	%	31 Dec 2009	%	30 Jun 2009	%	31 Mar 2009	%
ASSETS	**786,538**	**100.0%**	**766,412**	**100.0%**	**775,820**	**100.0%**	**820,917**	**100.0%**	**833,984**	**100.0%**
Non-current assets	**427,718**	**54.4%**	**430,886**	**56.2%**	**436,865**	**56.3%**	**481,939**	**58.7%**	**482,159**	**57.8%**
Intangible assets	15,295	1.9%	15,385	2.0%	15,999	2.1%	16,102	2.0%	16,748	2.0%
Property, plant and equipment	162,947	20.8%	167,271	21.8%	172,267	22.2%	182,910	22.3%	189,753	22.8%
Investment property	4,198	0.5%	4,462	0.6%	4,462	0.5%	4,462	0.5%	4,462	0.5%
Investments in subsidiaries	232,985	29.6%	232,375	30.3%	232,375	30.0%	266,124	32.4%	258,830	31.0%
Other non-current investments	1,540	0.2%	1,607	0.2%	1,773	0.2%	7,281	0.9%	7,332	0.9%
Deferred tax assets	10,753	1.4%	9,786	1.3%	9,989	1.3%	5,060	0.6%	5,034	0.6%
Current assets	**358,820**	**45.6%**	**335,526**	**43.8%**	**338,955**	**43.7%**	**338,978**	**41.3%**	**351,825**	**42.2%**
Inventories	101,456	12.9%	87,772	11.5%	75,215	9.7%	82,491	10.0%	95,386	11.5%
Current investments	74,678	9.5%	73,042	9.5%	87,684	11.3%	87,100	10.6%	83,651	10.0%
Trade receivables	167,850	21.3%	161,801	21.1%	165,181	21.3%	156,017	19.0%	158,336	19.0%
Other current assets	14,550	1.8%	12,775	1.6%	10,789	1.3%	12,828	1.6%	14,285	1.7%
Cash and cash equivalents	286	0.1%	136	0.1%	86	0.1%	542	0.1%	167	0.0%

in EUR thousand	30 Jun 2010	%	31 Mar 2010	%	31 Dec 2009	%	30 Jun 2009	%	31 Mar 2009	%
EQUITY AND LIABILITIES	**786,538**	**100.0%**	**766,412**	**100.0%**	**775,820**	**100.0%**	**820,917**	**100.0%**	**833,984**	**100.0%**
Equity	**300,551**	**38.2%**	**301,621**	**39.4%**	**304,196**	**39.2%**	**291,705**	**35.5%**	**301,507**	**36.1%**
Share capital	58,546	7.4%	58,546	7.6%	58,546	7.5%	58,546	7.2%	58,546	7.0%
Share premium	140,624	17.9%	140,624	18.3%	140,624	18.1%	140,624	17.1%	140,624	16.9%
Legal reserves and statutory reserves	21,697	2.8%	21,697	2.8%	21,697	2.8%	21,697	2.6%	21,697	2.6%
Retained earnings	89,022	11.3%	88,054	11.6%	87,975	11.4%	74,146	9.0%	82,064	9.8%
Own shares	-3,170	-0.4%	-3,170	-0.4%	-3,170	-0.4%	-3,170	-0.4%	-3,170	-0.4%
Fair value reserve	-6,168	-0.8%	-4,130	-0.5%	-1,476	-0.2%	-138	0.0%	1,746	0.2%
Non-current liabilities	**165,143**	**21.0%**	**185,534**	**24.2%**	**171,783**	**22.2%**	**195,749**	**23.9%**	**218,199**	**26.2%**
Provisions	27,021	3.4%	26,961	3.5%	26,113	3.4%	23,860	2.9%	23,940	2.9%
Deferred tax liabilities	1,320	0.2%	1,393	0.2%	1,480	0.2%	2,012	0.3%	1,958	0.2%
Non-current financial liabilities	136,802	17.4%	157,180	20.5%	144,190	18.6%	169,877	20.7%	192,301	23.1%
Current liabilities	**320,844**	**40.8%**	**279,257**	**36.4%**	**299,841**	**38.6%**	**333,463**	**40.6%**	**314,278**	**37.7%**
Current financial liabilities	159,170	20.2%	123,255	16.1%	136,792	17.6%	201,495	24.5%	184,746	22.2%
Trade payables	133,384	17.0%	126,056	16.4%	143,918	18.6%	103,123	12.6%	105,153	12.6%
Other current liabilities	28,290	3.6%	29,946	3.9%	19,131	2.4%	28,845	3.5%	24,379	2.9%

Income statement of Gorenje, d.d.

in EUR thousand	1H 2010	%	Q2 2010	%	Q1 2010	%	Plan 2010	%	1H 2009	%	Q2 2009	%	Q1 2009	%	1H/1H	Plan track
Revenue	296,597	95.6%	147,820	**96.3%**	148,777	94.9%	623,059	99.0%	264,991	101.3%	119,714	101.0%	145,277	101.6%	11,9%	47.6%
Changes in inventories	9,904	3.2%	3,508	2.3%	6,396	4.1%	0	0.0%	-8,974	-3.4%	-4,446	-3.7%	-4,528	-3.2%	210,4%	
Other operating income	3,730	1.2%	2,123	1.4%	1,607	1.0%	6,327	1.0%	5,474	2.1%	3,301	2.7%	2,173	1.6%	-31,9%	59.0%
Gross revenue	**310,231**	**100.0%**	**153,451**	**100.0%**	**156,780**	**100.0%**	**629,386**	**100.0%**	**261,491**	**100.0%**	**118,569**	**100.0%**	**142,922**	**100.0%**	**18,6%**	**49.3%**
Cost of goods, materials and services	-238,347	-76.8%	-117,902	-76.8%	-120,445	-76.8%	-483,093	-76.8%	-213,254	-81.6%	-94,440	-79.6%	-118,814	-83.1%	11,8%	49.3%
Other operating expenses	-2,164	-0.7%	-1,523	-1.0%	-641	-0.4%	-3,279	-0.5%	-1,762	-0.7%	-1,057	-0.9%	-705	-0.5%	22,8%	66.0%
ADDED VALUE	**69,720**	**22.5%**	**34,026**	**22.2%**	**35,694**	**22.8%**	**143,014**	**22.7%**	**46,475**	**17.7%**	**23,072**	**19.5%**	**23,403**	**16.4%**	**50,0%**	**48.8%**
Employee benefits expense	-51,059	-16.5%	-25,644	-16.7%	-25,415	-16.2%	-104,075	-16.5%	-47,249	-18.1%	-23,799	-20.1%	-23,450	-16.4%	8,1%	49.1%
EBITDA	**18,661**	**6.0%**	**8,382**	**5.5%**	**10,279**	**6.6%**	**38,939**	**6.2%**	**-774**	**0.4%**	**-727**	**-0.6%**	**-47**	**0.0%**	**2511,0%**	**47.9%**
Amortisation and depreciation expense	-13,843	-4.5%	-6,417	-4.2%	-7,426	-4.7%	-28,073	-4.5%	-16,913	-6.5%	-8,437	-7.1%	-8,476	-6.0%	-18,2%	49.3%
EBIT	**4,818**	**1.5%**	**1,965**	**1.3%**	**2,853**	**1.9%**	**10,866**	**1.7%**	**-17,687**	**-6.9%**	**-9,164**	**-7.7%**	**-8,523**	**-6.0%**	**127,2%**	**44.3%**
Finance income	4,533	1.5%	2,672	1.7%	1,861	1.2%	11,400	1.8%	10,338	4.0%	7,862	6.6%	2,476	1.7%	-56,2%	39.8%
Finance expenses	-8,090	-2.6%	-4,199	-2.7%	-3,891	-2.5%	-19,538	-3.1%	-12,353	-4.7%	-6,642	-5.6%	-5,711	-3.9%	-34,5%	41.4%
Profit before tax	**1,261**	**0.4%**	**438**	**0.3%**	**823**	**0.6%**	**2,728**	**0.4%**	**-19,702**	**-7.6%**	**-7,944**	**-6.7%**	**-11,758**	**-8.2%**	**106,4%**	**46.2%**
Income tax expense	-214	-0.1%	530	0.3%	-744	-0.5%	-300	0.0%	-211	-0.1%	26	0.0%	-237	-0.2%	1,4%	71.3%
Profit for the period	**1,047**	**0.3%**	**968**	**0.6%**	**79**	**0.1%**	**2,428**	**0.4%**	**-19,913**	**-7.7%**	**-7,918**	**-6.7%**	**-11,995**	**-8.4%**	**105,3%**	**43.1%**
Basic and diluted earnings per share (in EUR)	**0.15**		**0.28**		**0.02**		**0.17**		**-2.86**		**-2.28**		**-3.45**			

Statement of comprehensive income of Gorenje, d.d.

in EUR thousand	1H 2010	1H 2009
Net profit or loss	**1,047**	**-19,913**
Other comprehensive income		
Net change in fair value of available-for-sale financial assets	-446	259
Net change in fair value of available-for-sales financial instruments, transferred in profit	0	-1,703
Effective portion of changes in profit/loss on cash flow hedge	-5,880	1,153
Effective portion of changes in profit/loss on cash flow hedge, transferred in profit	495	-731
Income tax on other comprehensive income	1,139	74
Other comprehensive income	**-4,692**	**-948**
Total comprehensive income	**-3,645**	**-20,861**

- **An explanation of significant items of the statement of comprehensive income is provided in the explanatory notes to the Accounting Report of the parent company.**

Cash flows statement of Gorenje, d.d.

in EUR thousand	1H 2010	1H 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	**1,047**	**-19,913**
Adjustments for:		
Depreciation of property, plant and equipment	12,587	15,242
Amortisation of intangible assets	1,256	1,671
Investment income	-4,533	-7,170
Finance expenses	8,090	10,409
Gain on sale of property, plant and equipment	-48	-16
Income tax expense	214	211
Operating profit before changes in net operating current assets and provisions	**18,613**	**434**
Change in trade and other receivables	-7,690	28,019
Change in inventories	-26,241	23,457
Change in provisions	908	-327
Change in trade and other liabilities	-1,374	-45,857
Cash generated from operations	**-34,397**	**5,292**
Interest paid	-4,861	-9,128
Income taxes paid	0	-418
Net cash from operating activities	**-20,645**	**-3,820**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	510	218
Dividends received	618	7
Proceeds from sale of investments	1,261	0
Acquisition of subsidiary, net of cash disposed	-610	-2,294
Interest received	1,441	1,419
Acquisition of property, plant and equipment	-4,012	-2,742
Other investments	12,358	-1,546
Acquisition of intangible assets	-560	-335
Net cash used in investing activities	**11,006**	**-5,273**
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings / Repayment of borrowings	9,839	9,561
Net cash used in financing activities	**9,839**	**9,561**
CASH AND CASH EQUIVALENTS		
Net increase in cash and cash equivalents	200	468
Cash and cash equivalents at beginning of period	86	74
Cash and cash equivalents at end of period	286	542

Statement of changes in equity of Gorenje, d.d.

in EUR thousand	Share capital	Share premium	Legal and statutory reserves	Retained earnings	Own shares	Fair value reserve	Total
Opening balance at 1 Jan 2010	**58,546**	**140,624**	**21,697**	**87,975**	**-3,170**	**-1,476**	**304,196**
Total comprehensive income for the period							**0**
Net profit or loss for the accounting period				1047			1,047
Total other comprehensive income						-4,692	-4,692
Total comprehensive income for the period	**0**	**0**	**0**	**1047**	**0**	**-4,692**	**-3,645**
Transactions with owners (when acting as owners) recognised directly in equity							**0**
Contributions by owners and distributions to owners							**0**
Payment of dividends							0
Total contributions by owners and distributions to owners	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total transactions with owners	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Closing balance at 30 Jun 2010	**58,546**	**140,624**	**21,697**	**89,022**	**-3,170**	**-6,168**	**300,551**

in EUR thousand	Share capital	Share premium	Legal and statutory reserves	Retained earnings	Own shares	Fair value reserve	Total
Opening balance at 1 Jan 2009	**58,546**	**140,624**	**21,697**	**94,059**	**-3,170**	**810**	**312,566**
Total comprehensive income for the period							**0**
Net profit or loss for the accounting period				-19,913			-19,913
Total other comprehensive income						-948	-948
Total comprehensive income for the period	**0**	**0**	**0**	**-19,913**	**0**	**-948**	**-20,861**
Transactions with owners (when acting as owners) recognised directly in equity							**0**
Contributions by owners and distributions to owners							**0**
Payment of dividends							0
Total contributions by owners and distributions to owners	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total transactions with owners	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Closing balance at 30 Jun 2009	**58,546**	**140,624**	**21,697**	**74,146**	**-3,170**	**-138**	**291,705**

Notes to the financial statements of the Gorenje, d.d.

Income statement

Revenue

- Within the total sales structure, the **sale of own production home appliances** generated **EUR 198,794 thousand, i.e. a share of 67.0%**; if compared to the same period of the previous year, the sale was higher by 9.4%.

  Remaining part of sale was recorded at EUR 97,803 thousand and indicates an **increase of 17.5%** if compared to the first half of the year 2009. The favourable impact was caused by higher revenue from home appliances sales via agents (sale of products outside own production) by 20.3%, higher revenue from the remaining sale of products of the Home Appliances Division by 29.7% (sales of the programme "Servis", marketing of materials, semi-finished products and services) if compared to the same period of the previous year.

  Revenue from sale outside the Home Appliances Division has increased by 8.2% in comparison to the first half of the previous year. The increase has resulted from stronger growth in revenue of the Point programme by 17.0% and from an increase in revenue of the ecology, energy and environment programme by 10.8%; the growth of these revenues was negatively influenced by decrease of revenues from sale of the Indop programme by 38.2%.

  Other operating revenues show a **decrease of 31.9%** compared to the same period of the previous year, resulting from the transition to a 40-hour work week (already in October 2009) and thus termination of state subsidies used for partial financing of full working hours and salary compensations for employees temporarily put on leave. Other operating revenues also include rental income, compensations for damage, grants, and income from trademark fees.

Costs and expenses

- **Costs of goods, materials and services have increased** by 11.8% if compared to the same period of the previous year as a result of larger volume of business activities, which due to the structural changes in sales (on the level of products and markets) and due to the positive effects of the supply chain optimization, have a positive influence on lower share of costs of goods, materials and services in the structure of gross operating yield. Higher **acquisition costs of merchandise and material sold** by 18.3% if compared to the first half of the year 2009 are a result of higher revenue from sale via agents. **Higher costs of raw materials and materials** by 15.0% compared to the same period in 2009 are a result of an increased production of household appliances by 16.1%. **Costs of services** record a decrease of 8.4% compared to the comparable period on 2009, which is a result of activities for optimisation of business activities and a lower volume of sales of services in the field of ecology, energy and environment.

in EUR thousand	1H 2010	1H 2009	Change %	Q1 2010	Q1 2009	Change %
Costs of goods, materials and services	238,347	213,254	11.8%	120,445	118,814	1.4%
- costs of merchandise and material Sold	69,535	58,772	18.3%	35,260	34,617	1.9%
- cost of materials	134,353	116,859	15.0%	67,543	63,118	7.0%
- cost of services	34,459	37,623	-8.4%	17,642	21,079	-16.3%
Employee benefits expense	51,059	47,249	8.1%	25,415	23,450	8.4%
Amortisation and depreciation expense	13,843	16,913	-18.2%	7,426	8,476	-12.4%
Other operating expenses	2,164	1,762	22.8%	641	705	-9.1%
Total operating expenses	**305,413**	**279,178**	**9.4%**	**153,927**	**151,445**	**1.6%**

- **Employee benefits expense** have increased by 8.1% compared to the comparable period of the previous year, resulting from the agreement with the employees following the work interruption in September 2009, transition to higher minimum wage in the last four months of the year 2009 and transition to a 36/32-hour work week in the first or in the second quarter of the year 2009 (this effect is no longer present in 2010).
- Compared to the same period of the last year, **other operating expenses** are higher by 22.8%, predominantly due to higher expenses for environmental protection.
- **Added value per employee** is recorded at EUR 14.644 i.e. 60.2% more than attained value in the same period in 2009.
- **Financial trends** have decreased the operating profit by EUR 3.557 thousand, mainly due to less favourable results of exchange rates from operations and due to realised currency forward agreements and interest rate swaps. It was favourably influenced by lower interest expenses.

in EUR thousand	1H 2010	1H 2009	Change %	Q1 2010	Q1 2009	Change %
Interest income*	1,979	3,485	-43.2%	1,112	1,365	-18.5%
Income from revaluation due to value maintenance**	874	3,540	-75.3%	645	1,076	-40.1%
Other finance income	1,680	3,313	-49.3%	104	35	197.1%
Total finance income	**4,533**	**10,338**	**-56.2%**	**1,861**	**2,476**	**-24.8%**
Interest expense *	-5,211	-8,481	-38.6%	-2,917	-4,287	-32.0%
Expense from revaluation due to value maintenance**	-1,253	-1,536	-18.4%	-554	-423	31.0%
Other finance expense	-1,626	-2,336	-30.4%	-420	-1,001	-58.0%
Total finance expense	**-8,090**	**-12,353**	**-34.5%**	**-3,891**	**-5,711**	**-31.9%**
Profit margin – interest	-3,232	-4,996	-35.3%	-1,805	-2,922	-38.2%
Profit margin – revaluation**	-379	2,004	-118.9%	91	653	-86.1%
Profit margin - other financial trends	54	977	-94.5%	-316	-966	-67.3%
Total financial trends	**-3,557**	**-2,015**	**76.5%**	**-2,030**	**-3,235**	**-37.2%**

***** inclusive of income/expenses from interest rate hedges*
*** inclusive of income/expenses from currency hedges*

- **Income tax** includes deferred taxes in the amount of EUR 214 thousand which refer mostly to the recalculation of the tax rate from 21% to 20% and to partial elimination or utilisation of unused tax reliefs.

Statement of comprehensive income

- The disclosure of the contents of the items of the parent company's comprehensive income is already included in the explanatory notes to the statement of comprehensive income of the Gorenje Group.

Statement of financial position

- As at 30th June 2010, the **total in the statement of financial position** amounted to EUR 786,538 thousand and shows an increase of 1.4% compared to the end of the year 2009, resulting from an increase in net operating current assets.
- As for the **assets** side of the statement of financial position, the structure changed in favour of current assets in comparison to the end of the year 2009. Fixed assets represent 54.4% of total assets, whereas at the end of the year 2009, they amounted to a share of 56.3%.
- **Inventories of material** have increased by 12.7% compared to previous year as a result of strategic purchases of sheet metal and compressors, with the purpose of ensuring price optimisation for the necessary raw materials and materials for the third quarter of the current year; the average lock-up period of inventories of material has decreased from the 2009 average by 11 days. In relation to the end of the year 2009, **inventories of work in progress** have increased by 8.5 %. **Inventories of products** have increased by 55.7% compared to the end of the previous year, as a result of the attained annual dynamics of production and sales activities prior to the annual leave period; the average lock-up period of inventories of products has reached 23 days or by 2 days lesse as from the year 2009 average. **Inventories of merchandise** in the amount of EUR 11.135 thousand have increased by 74.1% compared to the end of the year 2009, due to the increase of the inventories of the supplementary and complementary program (significant higher sales volume and the seasonal impact of the dynamic) and transitional increase of the coal inventories.
- Compared to the end of the year 2009, **short-term financial investments** have decreased by 14.8% due to the recall of deposits from the banks.
- The balance of **short-term trade receivables** is by 1.6% higher than the balance recorded as at 31 December 2009; this is a result of larger volume of business activities since the fourth quarter of the year 2009. The average lock-up period of trade receivables has decreased by 2 days compared to the 2009 average.
- Compared to the 2009 average, the **lock-up period of trade payables has** increased by 6 days in the first six months of 2010.
- Compared to the balance as at the end of the year 2009, **other current assets** have increased by 34.9% due to short-term deferred costs/expenses and provisionally uncharged revenues.
- In the **structure of liabilities** as at 30th June 2010, non-current liabilities exceed non-current assets by 9.0%. Equity and long-term provisions account for a 41.6% share in the said structure, which still provides a moderate equity structure.

- If compared to the end of the year 2009, changes in the Company's **equity** refer to the following:
  - increase due to net operating profit amounting to EUR 1,047 thousand,
  - decrease in fair value reserves formed for revaluation of investments available for sale to the market value of EUR 446 thousand,
  - decrease in fair value reserves formed for cash flow hedge amounting to EUR 5.385 thousand, and
  - increase in fair value reserves formed for deferred tax liabilities in the amount of EUR 495 thousand.
- **Long-term provisions** have increased due to provisions for sales warranties in the amount of EUR 4,429 thousand.
- **Non-current financial liabilities** are lower than in 2009 due to repayments of due borrowings exceeding the amounts of new borrowings.
- Compared to the previous year, **current financial liabilities** have increased as a result of the amount of EUR 25 million for the capital increase paid-in by IFC. In accordance with Article 340 of the Companies Act, the share capital is increased on the date of entry in the registry.
- **Trade payables** are lower if compared to the end of the year 2009 which is mostly due to interim purchase dynamics and adjusting the volume of purchases to the production requirements, and due to a larger volume of accounted but not yet charged costs of suppliers which are recorded among other current liabilities.
- **Other current liabilities** include mostly payables to employees and payables to the state and other institutions, liabilities for advances given, and short-term accrued costs and expenses. They have increase if compared to the end of the previous year; this is mostly a result of higher accounting of operating costs/expenses while preparing the interim statement of financial position.

Cash flow statement

- **Cash flows from operating activities** were negative due to an increase in inventories, operating and other receivables and due to a decrease in liabilities to suppliers, and on the other hand, they were positively influenced by depreciation and operating profit generated in the accounting period.
- **Cash flows from investment activities** were positive mainly as a result of the recall of deposits deposited in banks at the end of the year.
- **Cash flows from financing activities** were positive due to the amount for the capital increase paid-in by IFC which was accounted for as a financial liability in accordance with Article 340 of the Companies Act.

Accounting ratios

	1H 2010	Plan 2010	1H 2009
BASIC PROFITABILITY RATIOS			
Net return on revenue	0.35%	0.39%	-7.51%
Net return on assets	0.27%	0.32%	-4.70%
Net return on equity	0.69%	0.80%	-13.18%
TURNOVER RATIOS			
Assets turnover ratio	0.76	0.82	0.63
Inventory turnover ratio	6.72	7.51	5.62
Trade receivables turnover ratio	3.56	3.70	3.23
BASIC FINANCING STATE RATIOS			
Operating fixed assets rate	0.23	0.24	0.25
Long-term assets rate	0.54	0.55	0.59
BASIC HORIZONTAL FINANCIAL STRUCTURE RATIOS			
Long-term financing to long-term assets ratio	1.09	1.17	1.01
Equity financing rate	0.38	0.41	0.36
Long-term financing rate	0.59	0.64	0.59
Equity to fixed assets ratio	1.65	1.72	1.43
Immediate solvency ratio	0.23	0.24	0.26
Quick ratio	0.80	0.92	0.77
Current ratio	1.12	1.26	1.02
Net financial liabilities / equity	0.74	0.63	0.97
BASIC EFFICIENCY RATIO			
Operating efficiency ratio	1.02	1.02	0.94
Revenue from sale per employee (in EUR)	62,297	131,558	52,112
Added value per employee (in EUR)	14,644	30,197	9,140