

2011

**Gorenje, d.d.
Management
Board**

**NON-AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR 2011**

**(Gorenje Group and its parent company Gorenje, d.d., pursuant
to the provisions of the International Financial Reporting
Standards – IFRS)**

Gorenje, d.d., Management Board

Velenje, March 2012



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Comments by the President and CEO on the Gorenje Group performance in 2011

The challenges of 2010 grew even tougher last year

Last year was even more challenging than 2010 for the home appliance industry. The volume and structure of sales, and profitability were under immense pressure of raw and processed material price hikes and feeble demand as the financial crisis and high unemployment left the consumers very conservative in their shopping for durables. Nevertheless, Gorenje succeeded in improving its stability and robustness to unpredictable financial circumstances by generating positive cash flow which exceeded the planned figures by 23 percent, reducing net financial debt by 4.7 percent, and shifting the structure of financial liabilities by maturity in favour of long-term liabilities. As a response to the hostile economic environment and major changes in Gorenje Group operations in recent years, we have developed a new strategic plan that we are pursuing with great commitment and intensity in 2012.

Business conditions

Following two years of dealing with the impact of the global economic and financial crisis since its onset in 2008, home appliance manufacturers were faced with additional obstacles last year that strongly affected the circumstances in the market and performance, with rising prices of raw and processed materials which seemed to go hand in hand with the expansion of the EU sovereign debt crisis since the second half of 2010, the Arab Spring that introduced further political and economic instability to the global map, volatile currency exchange rates, fear from another slowdown in the global economy, speculation in commodity markets etc. The price hike persisted and accelerated until August, only to steady at the levels from early September 2011. The rise in the prices of raw and processed materials which represent the highest share of home appliance production costs were, however, not followed by increased demand for home appliances. Quite the contrary, with unemployment at nearly 10-percent in the euro zone alone, and even higher in some other European countries, demand remained weak. To make matters worse, such harsh business conditions were further aggravated by restricted access to financial sources for our business customers and end buyers, volatile exchange rates, and rampant payment delinquency.

Scope and profitability

Thus, last year was even more challenging than 2010. Given the circumstances, Gorenje Group's results are solid with revenue growth at 2.9 percent to reach a total of EUR 1.4 billion. However, due to the change in the composition of sales in terms of product and geographic segments, and higher raw material prices, profitability lagged behind the plan. Another negative impact on profitability was brought about by the poor results of Asko which saw historically low sales in the first quarter last year. This prompted us to approach with great intensity its integration into the Gorenje Group. According to the current business plan, Asko's negative results are expected to be completely balanced out as early as this year. In addition, restructuring of our subsidiary Gorenje Notranja oprema (Home Interior) is also expected to bear a positive effect on our performance in 2012.

Operating profit (EBIT) in the amount of EUR 36.5 million was 35.3 percent lower than last year; however, the results are not comparable due to the effects of Asko and Istrabenz Gorenje. After adjusting for these effects, EBIT in 2011 was at EUR 41.1 million, which is virtually the same as in 2010 (EUR 41.9 million).

Gorenje Group was focused on three key activities to improve our operating and financial condition last year: generating free cash flow, divestment, and reorganization.

Free Cash Flow

Free cash flow of EUR 35.8 million was EUR 6.7 million above the plan and EUR 18.8 million above the 2010 figure. It was improved by optimization of working capital, particularly trade receivables and inventories, and selective investment. Also contributing notably to the higher free cash flow was the divestment of our interest in the company Istrabenz Gorenje, by which we effectively withdrew from the business segment of energy engineering.

Divestment of non-core assets, including some real property and interest in Istrabenz Gorenje allowed us to reduce the Group's net financial debt by 4.7 percent, which is better than planned.

The plans for the year were also exceeded with respect to debt restructuring as we increased the share of long-term financial liabilities. Considering the restricted access to financial sources, this is an important achievement in terms of financial consolidation of our operations.

Reorganisation

Last fall, we launched the activities to revise the organization and corporate governance, which are further pursued in this year. Successful reorganization will lay the foundations for the attainment of our goals as laid down in the strategic plan for the period 2012-2015. Changes in organization include increased focus on the Group's core activity of manufacturing and sale of products and services for the home, which are planned to account for 90 percent of Gorenje Group operations in the last year of the strategic planning period. Accordingly, there will be a shift in the organization structure of the Management Board, from divisional to functional, with new assignment of responsibilities of the Board members.

This year can hardly be expected to afford a breather for the home appliance manufacturers. Downward pressures on retail prices persist, as do the currency swings; volatility of raw material prices has become a given; late payments and delinquency is growing epidemic; and purchasing power in Europe is fading. This makes investment into development of new products and markets even more important for consolidation of our position. The process of developing innovative products and looking for new solutions has not stopped at Gorenje even in these exacting years. Our latest development achievements which are expected to yield solid sales results this year include the new generation washing machines and dryers which were premiered in September 2010 at the IFA tradeshow in Berlin.

Outlook

Responding to the low expected growth in the European markets where the bulk of our sales are now generated, our strategic plan involves a plan to move from pan-European to global presence. In particular, we are looking to reap the potential of megacities which feature a concentration of consumers with higher purchasing power. Thus, we have already found success in the Middle East and Hong Kong after a few year of our presence in these markets.

Generating free cash flow, reducing the debt and restructuring of financial liabilities by maturity, cost optimization, restructuring of manufacturing sites, improvement of the volume and structure of sales, and thereby a boost in profitability of operations remain the our key goals for 2012.

Franjo Bobinac,
President and CEO

Introductory notes

Pursuant to the Financial Instruments Market Act and Rules and Regulations of the Ljubljana Stock Exchange, the company Gorenje, d.d., Partizanska 12, SI-3503 Velenje, hereby announces the **Unaudited Consolidated Business Report of the Gorenje Group** for the Period January – December 2011 and the **Unaudited Non-Consolidated Business Report of the company Gorenje, d.d., for the Period January – December 2011**. Major changes to the information included in the prospectus for stock exchange listing are announced regularly in the Delo daily paper, Ljubljana Stock

Exchange electronic information dissemination system SEOnet, and company website at www.gorenje.com. Unaudited report of the company Gorenje, d.d., and the Gorenje Group for the Period January - December 2011 was already adopted by the company Supervisory Board at their 21st session held on March 9th 2012. The report shall be available at the Gorenje, d.d., company headquarters at Partizanska 12, SI-3503 Velenje. It was also announced in the Ljubljana Stock Exchange electronic information system on March 12th 2012, and published on the issuer's website at www.gorenje.com.

Events affecting the year-on-year comparability of the financial statements

Effects of divestment of the Istrabenz Gorenje company on the division of Ecology, Energy, and Services

- On July 29th 2011, the agreement on disposal of 46.55-percent share that Gorenje, d.d., held in the energy engineering company Istrabenz Gorenje, d.o.o., came into effect. With this divestment, Gorenje Group entirely eliminated its activities of the Energy business segment.
- Elimination of the company, including its subsidiaries, from the Gorenje Group thus had a positive effect on (1) net income of the Gorenje Group, in the amount of EUR 2.9 million; and on (2) decrease in debt in the amount of EUR 29.6 million, resulting from the proceeds received and elimination of the financial debt of the divested company and its subsidiaries.

Comparability of information on business performance

- Comparability of particular categories of profitability, financial position, and cash flow for the year 2011 are affected by **two events of great material relevance** which occurred in 2010 and 2011:
 - integration of the Asko Group**, a Swedish home appliance manufacturer, into the Gorenje Group in august 2010 and
 - disposal of shareholding** in the company Istrabenz Gorenje, previously a part of the Ecology, Energy, and Services Division, in July 2011 (which marked the elimination of operations of the Energy business segment).
- Hereinafter, information is always reported in both amounts: **(1)** in tables/comparisons, both amounts are always presented, i.e. the actually attained value in particular categories, and their corresponding comparable value; **(2)** in graphs, only the actually attained values of particular categories are presented.
- Analysis of operations** in the operating part is focused on the actual reasons for the positions and changes before the inclusion of the Asko Group and disposal of the company Istrabenz Gorenje, i.e. always based on comparable information.

Correct analysis of the causes and effects regarding the changes in and balances of particular financial and economic categories should therefore rely on the comparable information and not the information eventually disclosed in the Gorenje Group financial statements. Therefore, comparable information is always specially indicated in disclosures of such categories in this report.
- Comparability of information** from the aspect of profitability of operations of the Gorenje Group and its divisions (income statement, Table 1) was attained by
 - total elimination of the effects of the Asko Group in the years 2010 and 2011, while
 - the effects of operation of the company Istrabenz Gorenje and its subsidiaries were accounted for only until the end of the first half each year (equivalent to the time the company operated as a part of the Gorenje Group in 2011, up to the month in which it was divested).

EUR million	2011	2010	Q4 2011	Q4 2010	Comparable			
					2011	2010	Q4 2011	Q4 2010
Sales revenue	1,422.2	1,382.2	362.1	416.4	1,288.1	1,221.8	331.9	323.2
= Contribution margin (CM1) / gross margin	534.2	525.4	133.3	144.0	464.7	491.1	118.2	122.9
CM 1	37.6%	38.0%	36.8%	34.6%	36.1%	40.2%	35.6%	38.0%
= Value added / VA	352.6	353.1	92.8	94.4	309.8	316.8	85.9	80.3
VA in sales revenue	24.8%	25.5%	25.6%	22.7%	24.1%	25.9%	25.9%	24.8%
= EBITDA	86.7	108.7	24.6	25.3	85.4	91.4	28.1	22.5
EBITDA Margin	6.1%	7.9%	6.8%	6.1%	6.6%	7.5%	8.5%	7.0%
= EBIT	36.5	56.4	13.1	12.0	41.1	41.9	18.0	10.9
EBIT Margin	2.6%	4.1%	3.6%	2.9%	3.2%	3.4%	5.4%	3.4%
= Profit after taxes (net income) / distributable	9.1	20.0	1.3	3.2	11.3	4.9	3.1	1.5
ROS	0.6%	1.4%	0.4%	0.8%	0.9%	0.4%	0.9%	0.5%

Table 1: Effect of the elimination of the Asko Group and divestment of the company Istrabenz Gorenje on Gorenje Group profitability

EUR million	2011	2010	Comparable
			2010
NET ASSETS	735.0	740.0	718.4
Net non-current assets	470.5	463.0	451.6
Net working capital	264.5	277.0	266.8
Working capital	551.4	623.6	590.8
- Current liabilities	-286.9	-346.6	-324.0
NET INVESTED CAPITAL	735.0	740.0	718.4
Equity	397.8	392.1	385.1
Net debt capital	337.2	347.9	333.3

Table 2: Effect of the divestment of the company Istrabenz Gorenje on the financial position of the Gorenje Group

- **Comparability of information** from the aspect of financial position of the Gorenje Group and its divisions was attained by elimination of the company **Istrabenz Gorenje**, complete with its subsidiaries, for the second half of 2010.
- As at December 31st 2011 and 2010, **Asko Group** (merged in August 2010) was already included in the actual data in the statement of financial position. Hence, the data is fully comparable.
- Details of how comparable financial information regarding profitability and financial position of the Gorenje Group is obtained are disclosed in the context of particular disclosures in this report.

Gorenje Group performance highlights

EUR million	2011	2010	Change (%)	Plan 2011	Q4 2011	Q4 2010	Change (%)
Consolidated sales revenue	1,422.2	1,382.2	2.9%	1,548.0	362.1	416.4	-13.0%
EBITDA	86.7	108.7	-20.2%	107.4	24.6	25.3	-2.8%
EBITDA Margin, %	6.1%	7.9%	/	6.9%	6.8%	6.1%	/
EBIT	36.5	56.4	-35.3%	54.6	13.1	12.0	9.2%
EBIT Margin, %	2.6%	4.1%	/	3.5%	3.6%	2.9%	/
Profit before taxes	11.1	22.5	-50.7%	26.8	1.0	2.6	-61.5%
Profit after taxes (net income)	9.1	20.0	-54.5%	21.1	1.3	3.2	-59.4%
ROS, %	0.6%	1.4%	/	1.4%	0.4%	0.8%	/
Free cash flow (narrow)*	35.8	17.8	101.0%	29.1	67.6	43.5	55.5%
Net financial debt**	382.5	401.2	-4.7%	418.7	382.5	401.2	-4.7%
Net financial debt / EBITDA	4.4	3.7	18.9%	3.9	4.4	3.7	18.9%
Earnings per share (in EUR)	0.57	1.34	-57.5%	/	0.33	0.20	65.0%

* Profit after tax + depreciation and amortization expense – CAPEX + divestment → change in inventories → allowances for trade receivables → change in trade payables

** Long-term financial liabilities + short-term financial liabilities – cash and cash equivalents

- Gorenje Group is due to the very harsh conditions for the entire year 2011, especially in its last quarter, faced with decreasing **sales volume** and changes in terms of its geographical and product structure, which resulted in a negative effect on all levels of profitability.
- In addition to the volume and composition, or structure, of sales, Gorenje Group profitability was strongly affected by the **rising prices of raw and processed materials**. Growth from the second half of 2010 persisted and accelerated until August 2011, and steadied at the levels from early September 2011.
- **Comparability** of annual and quarterly **information on performance** relative to the year 2010 is strongly affected by the integration of the Asko Group in August 2010, and the divestment and elimination of the company Istrabenz Gorenje in July 2011. In order to provide comparable information, the said categories are always additionally reported without the effects of the inclusion of Asko Group and exclusion of Istrabenz Gorenje.
- **Asko Group** faced the same challenges presented by the economic environment, in addition to historically low sales in the first quarter of the year and the activities of business integration into the Gorenje Group commenced early in the year. As a result, its results for 2011 were negative. However, considering the plans for 2012,

these negative results will have been completely balanced out as early as the end of 2012.

- Divestment of the segment of Energy within the Ecology, Energy, and Services Division, i.e. the company **Istrabenz Gorenje** and its subsidiaries, bore a notable positive effect on Gorenje Group's cash flow and decrease in debt.
- **Home Interior Division** completed in 2011 the activities of preparing for the business restructuring which shall be commenced early in 2012. The restructuring includes transferring the activities of kitchen furniture manufacture to the core activity of the Home segment (previously Home Appliance Division), and the activities of manufacturing ceramic products and other furniture (including bathrooms) shall be formed as independent business segments.
- In 2011, Gorenje Group **free cash flow** was **positive** at EUR 35.8 million, of which last quarter contributed EUR 67.6 million. Free cash flow in 2011, significantly exceeding that of 2010 and from planned for 2011.

Gorenje Group profitability

Sales revenue

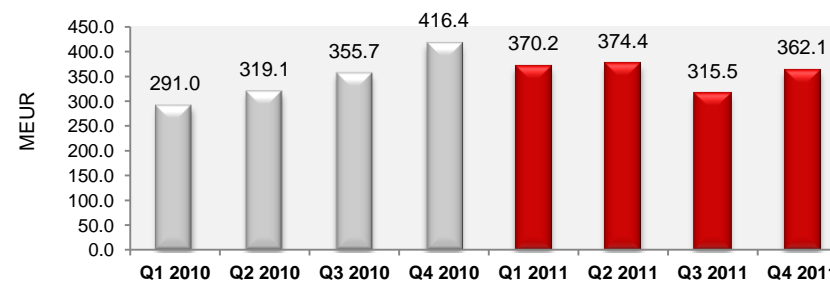
EUR million	2011	2010	Q4 2011	Q4 2010
HA Division	1,055.8	979.8	291.6	298.7
HI Division	32.9	34.4	7.2	7.6
EES Division	333.5	368.0	63.3	110.1
Gorenje Group	1,422.2	1,382.2	362.1	416.4

Comparable			
2011	2010	Q4 2011	Q4 2010
921.7	913.4	261.4	257.0
32.9	34.4	7.2	7.6
333.5	274.0	63.3	58.6
1,288.1	1,221.8	331.9	323.2

- **Gorenje Group sales revenue** in 2011 of reached a figure of EUR 1,288.1 million, which is EUR 66.2 million, or 5.4%, higher than the comparable level¹ in the corresponding period last year. In the last quarter, sales rose by EUR 8.7 million or by +2.7% relative to the comparable quarter of 2010, which is an improvement over the dynamics of growth over the third quarter of the current year.
- A closer look at the composition of Gorenje Group sales by **geographical** segments and by **divisions** reveals the following:
 - integration of the Asko Group increased the share of sales in Western Europe and rest of the world (USA, Australia), particularly in upmarket segments;
 - Gorenje Group sales in geographical segments with higher yield (Southeastern and Eastern Europe) dropped, which is partly a result of the elimination of energy engineering field and
 - lower share of sales generated by the EES Divisions (again after eliminating for energy engineering business field) resulted in relatively higher returns on sales (the level of gross margin in this division is, due to the nature of the activities at the division, lower than the margin at the HA Division).
- Sales revenue at the **Home Appliance Division (HA)** in 2011 was EUR 8.2 million, or 0.9%, higher than in the year before, adjusted for the effect of the Asko Group (in comparable terms). Total increase in sales, including the effect of the Asko Group, amounted to EUR 76.0 million, or 7.8%. Feeble comparable increase in sales is a result of decreasing operations due to notably lower demand in the third and fourth quarter of the year, and less favourable composition of sales by products and territory, mostly in Southeastern Europe, Eastern Europe and the Middle East. In the markets of other countries of Gorenje Group operations, sales growth was

predominantly equal to or higher than that in 2010, which partly balanced out the effects of dropping sales in the markets referred to above.

- Throughout 2011, **Home Interior Division (HI)** again saw lower sales than in the year before. It should be noted that the growth in the third quarter was positive for the first time in two and a half years, and that the growth in the fourth quarter is virtually at the comparable level of sales in the corresponding period of 2010. Such changes in sales by periods is still a result of recessionary circumstances of operations in the furniture manufacturing and sales industry and the planned decrease of supplies to some customers with a high credit risk. According to the forecast, will Division with the reorganisation, from the beginning of 2012 achieved significant improvements in the scope of activity and profitability in the first year of restructuring.
- With sales of EUR 59.5 million, which means growth of 21.7%, the highest comparable growth in the period was attained by the **Ecology, Energy, and Services Division (EES)**, mostly due to increase in operating volume of Ecology segment and sale of coal by the parent company.



Graph 1: Quarterly changes in Gorenje Group consolidated sales revenue

¹ **Comparable level**, hereinafter, shall mean the value before the inclusion of the Asko Group and after the elimination of the eliminated (divested) company Istrabenz Gorenje and its subsidiaries in both observed years (for details, see the chapter "Events affecting the year-on-year comparability of the financial statements").

Operating profit (EBIT, EBITDA)

EBIT and EBIT Margin

EUR million	2011	2010	Q4 2011	Q4 2010
HA Division	37.8 (3.6%)	56.8 (5.8%)	15.0 (5.1%)	14.6 (4.9%)
HI Division	-6.7 (-20.3%)	-6.7 (-19.6%)	-2.4 (-33.7%)	-2.2 (-29.7%)
EES Division	5.4 (1.6%)	6.3 (1.7%)	0.5 (0.9%)	-0.4 (-0.3%)
Gorenje Group	36.5 (2.6%)	56.4 (4.1%)	13.1 (3.6%)	12.0 (2.9%)

Comparable			
2011	2010	Q4 2011	Q4 2010
42.4 (4.6%)	41.7 (4.6%)	19.9 (7.6%)	13.2 (5.2%)
-6.7 (-20.3%)	-6.7 (-19.6%)	-2.4 (-33.7%)	-2.2 (-29.7%)
5.4 (1.6%)	6.9 (2.5%)	0.5 (0.9%)	-0.1 (-0.1%)
41.1 (3.2%)	41.9 (3.4%)	18.0 (5.4%)	10.9 (3.4%)

- **Contribution margin (gross margin)** at the level of costs of goods and material is lower by 0.4 percentage point (a drop from 38.0% to 37.6%), which resulted in lower profitability due to qualitative changes by EUR 6.4 million.

Higher sales (change in terms of activity) resulted in a higher gross margin for Gorenje Group by EUR 15.2 million. Thus, net improvement effect, accounting for both the qualitative change and change in terms of activity, amounted to EUR 8.8 million.

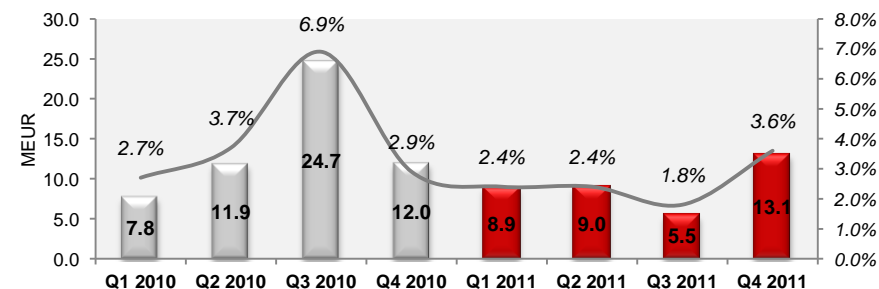
In comparable terms, gross margin dropped to 36.1% (i.e. by 4.1 percentage points), or by EUR 53.0 million in quality terms, while the increase in sales improved it by EUR 26.6 million. Comparably, Gorenje Group thus attained a gross margin that is EUR 26.4 million lower than in 2010. The drop in margin is a result of (1) negative effect of the raw and processed material price hikes; (2) less favourable structure of sales of Home Appliance Division (HA) in terms of geographic and product structure; and (3) lower margin of the EES Division due to lower profitability of the companies in the industrial and trade part of the Services segment. Margin at the HI Division, too, dropped to a lower level; however, the effect of this decrease is materially less significant as its share in the composition of Gorenje Group total sales is rather low.

The most material effect on annual changes of the gross margin was brought about by the third quarter of 2011 which was less favourable from the aspect of both the volume and composition (by territory, by products) of sales, and the profitability thereof, relative to the corresponding quarter last year and the second and last quarter of this year.

- **Costs of services** were, relative to the period January – December last year, increased by EUR 11.3 million or by 5.7%; in comparable terms, they were decreased by EUR 1.1 million or 0.6% despite the increase in the volume of sales by 5.4%. The decrease is a result of process optimization, as well as of lower sales of medical equipment for which a part of cost of sales related thereto was recognized in the financial statements for 2010 as costs of other business services.

- **Value added per employee** improved from EUR 31,602 to EUR 32,250, or by 2.1% relative to the year 2010. Since the rate of increase in labour costs is higher than the growth rate of value added, economic labour productivity (change in the ratio of value added to labour costs per employee between the two periods) dropped by -8.2%, with total value added virtually the same in both periods. Share of labour costs in value added thus rose from 69.2% to 75.4%.

In comparable terms, i.e. eliminating for the effect of the events that affect the comparability of information, value added per employee dropped from EUR 30,982 to EUR 30,485, or by -1.6%. The key reason for such negative development is the decrease in the total generated value added in the period, mostly due to lower gross margin. This resulted in a decrease in the economic productivity of labour, relative to the same period last year, by -1.7%. Share of labour costs in value added thus rose from 71.2% to 72.4%.



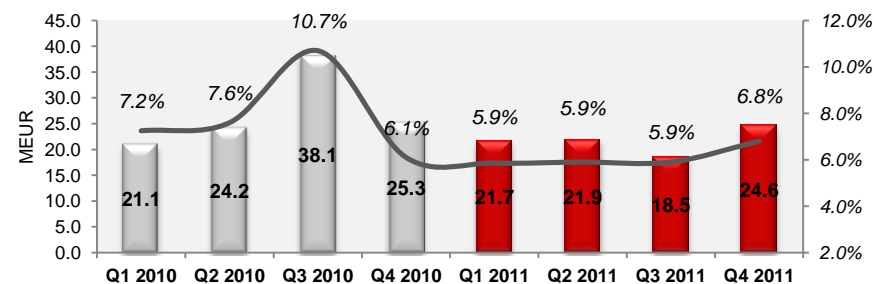
Graph 2: Quarterly dynamics of changes in EBIT and EBIT margin

EBITDA and EBITDA Margin

EUR million	2011	2010	Q4 2011	Q4 2010
HA Division	80.3 (7.6%)	100.9 (10.3%)	24.7 (8.5%)	25.9 (8.7%)
HI Division	-4.8 (-14.7%)	-5.0 (-14.6%)	-2.0 (-27.2%)	-1.9 (-24.4%)
EES Division	11.2 (3.4%)	12.8 (3.5%)	1.9 (2.9%)	1.3 (1.2%)
Gorenje Group	86.7 (6.1%)	108.7 (7.9%)	24.6 (6.8%)	25.3 (6.1%)

Comparable			
2011	2010	Q4 2011	Q4 2010
79.0 (8.6%)	83.4 (9.1%)	28.2 (10.8%)	23.1 (9.0%)
-4.8 (-14.7%)	-5.0 (-14.6%)	-2.0 (-27.2%)	-1.9 (-24.4%)
11.2 (3.4%)	13.0 (4.7%)	1.9 (2.9%)	1.3 (2.3%)
85.4 (6.6%)	91.4 (7.5%)	28.1 (8.5%)	22.5 (7.0%)

- Decrease in **depreciation and amortization expense** by EUR 2.0 million or -3.9%, and by EUR 5.2 million or 10.4% in comparable terms, is mostly a result of lower investment in the last three years and prolonged useful life of some fixed assets, established already in 2010, predominantly at manufacturing centers of the Home Appliance Division. Useful life of these assets was extended based on the findings in regular audits of property, plant, and equipment (fixed asset) valuation.
- **Other operating income** amounting to EUR 41.8 million (comparably) are higher than in the corresponding period last year (EUR 26.9 million) due to a part of the effect of compensation regarding the Patria project (EUR 4.1 million out of a total sum of EUR 5.0 million), the amount of received government subsidies and grants for new jobs and hirings in Republic of Serbia in the amount of EUR 2.9 million, gains from divestment of non-core assets in the amount of EUR 3.3 million, and revenue from reversal of provisions. Other operating income in the income statement reached the sum of EUR 52.5 million, which is higher than in the year before, mostly on the account of received subsidies for hirings in Republic of Serbia, and compensation for the Patria project.
- **Other operating expenses** (in comparable terms), amounting to EUR 15.7 million, in comparison with the last year (EUR 16.3 million) is lower due to predominantly lower costs of home appliance recycling fees (WEEE Directive). In the relevant financial statements, other operating expenses reached EUR 22.3 million (EUR 16.9 million in the year before).



Graph 3: Quarterly dynamics of changes in EBITDA and EBITDA margin

Finance income and expenses, profit after taxes

Profit after taxes (net income) and ROS

EUR million	2011	2010	Q4 2011	Q4 2010
HA Division	13.2 (1.2%)	22.6 (2.3%)	5.5 (1.9%)	7.7 (2.6%)
HI Division	-6.9 (-21.1%)	-6.3 (-18.4%)	-2.6 (-36.1%)	-2.2 (-29.1%)
EES Division	2.8 (0.9%)	3.7 (1.0%)	-1.6 (-2.5%)	-2.3 (-2.1%)
Gorenje Group	9.1 (0.6%)	20.0 (1.4%)	1.3 (0.4%)	3.2 (0.8%)

Comparable			
2011	2010	Q4 2011	Q4 2010
15.4 (1.7%)	6.5 (0.7%)	7.3 (2.8%)	4.5 (1.7%)
-6.9 (-21.1%)	-6.3 (-18.4%)	-2.6 (-36.1%)	-2.2 (-29.1%)
2.8 (0.9%)	4.7 (1.7%)	-1.6 (-2.5%)	-0.8 (-1.3%)
11.3 (0.9%)	4.9 (0.4%)	3.1 (0.9%)	1.5 (0.5%)

- Negative result from **financing operations** in the amount of EUR 25.4 million is lower by EUR 8.6 million or 25.3% relative to 2010. Lower negative result was an effect of proceeds generated by the liquidation of the company Gorenje Tiki, Slovenia, in the amount of EUR 3.7 million; by proceeds from divestment of the company Istrabenz Gorenje in the amount of EUR 2.9 million; and lower revaluation adjustments compared to last year by EUR 6.4 million (last year, the negative balance also included the revaluation adjustment to receivables from and loans to the company Merkur), despite the increase in interest expense by EUR 4.4 million.

In comparable terms, result from financial operations is negative at EUR 26.0 million.

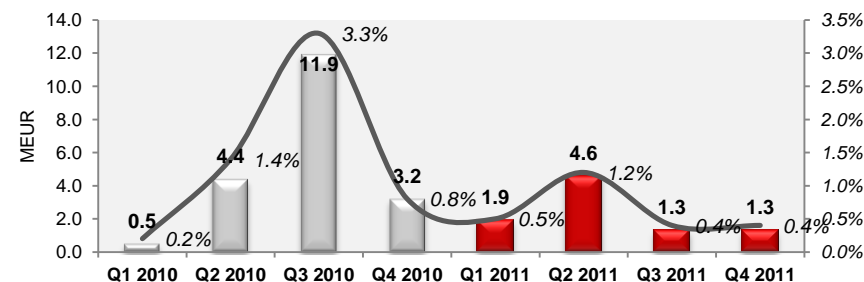
- Corporate income tax** at EUR 2.0 million is EUR 0.4 million lower than in the equivalent period of 2010, mostly as a result of more favourable taxation of development costs at the company Atag.

In comparable terms, corporate income tax at EUR 3.8 million was EUR 0.8 million higher than in the period January – December 2010, due to the elimination of positive tax effects of the Asko Group.

- Profit after taxes (net income)** amounting to EUR 9.1 million (ROS of 0.6%) is lower than in the equivalent period of the year before by 54.5%.

In comparable terms, profit after taxes (net income) amounts to EUR 11.3 million in 2011 (ROS at 0.9%), which is EUR 6.3 million higher than in the year before. The reasons for such changes in profit after taxes were stated in the context of particular categories of profitability. The most significant influence in this regard in 2010 was

that of the negative goodwill from the acquisition of the Asko Group, amounting to EUR 13.3 million.



Graph 4: Profit after taxes (net income) – quarterly dynamics

Gorenje Group cash flow

(EUR million)	2011	2010	Q4 2011	Q4 2010	Plan 2011
Net profit or loss for the period	9.1	20.0	1.3	3.2	21.1
+ Depreciation and amortization	50.2	52.2	11.6	13.3	52.8
= Net cash flow	59.3	72.2	12.9	16.5	73.9
- CAPEX	-47.5	-44.7	-15.4	-21.6	-40.4
+ Divestment	4.4	4.5	2.0	3.5	0.0
- + Investment into net current assets	19.6	-14.2	68.1	45.1	-4.4
Change in inventories	12.0	-6.0	14.0	-1.2	-4.5
Change in trade receivables	50.4	-25.3	25.1	2.4	-8.4
Change in trade payables	-42.8	17.1	29.0	43.9	8.5
= Free cash flow (narrow)	35.8	17.8	67.6	43.5	29.1

- From the narrow aspect of free cash flow generation, Gorenje Group's notably lower net profitability (the most significant effect on decrease is the impact of negative goodwill of Asko Group in 2010, amounting to EUR 13.3 million, which is not a generator of cash flow) and lower depreciation and amortisation resulted in **net cash flow** that is EUR 13.0 million lower (or EUR 1.2 million higher in comparable terms) than in 2010.
- Investment** policy (**CAPEX**) remained focused on development of home appliances, restructuring or manufacturing activities (relocation of heating equipment manufacturing facility from Ljubljana to Stara Pazova, Serbia), partially on integration activities for the Asko Group acquired in July 2010, and on the launch of the new manufacturing plant in Zaječar, Serbia.
- The dynamics of **net working capital** already shows some structural (permanent) improvement in controlling its level, particularly with regard to the segment of **inventories** (the process from order to delivery). The biggest challenge of working capital optimization was the management of **trade receivables** due to persistently high credit risks and poor liquidity of consumers and, consequently, our direct customers. In this segment, the positive effect of divestment of the company Istrabenz Gorenje amounted to EUR 22.2 million.

A similar observation applies to the optimization of the level of **trade payables** which is currently very difficult to align with other elements of working capital and profitability, due to highly exacting circumstances in the upstream markets. EUR 19.7 million of decrease in trade payables pertains to the elimination of the company Istrabenz Gorenje, and the difference to whole negative effect on cash flow pertains especially to the decrease in the volume of manufacturing activities at Gorenje Group production centers.

Gorenje Group Financial Position

(EUR million)	2011	2010	Plan 2011
Net non-current assets	470.5	463.0	455.2
Inventories	245.6	257.6	261.2
as % of sales	17.3%	18.6%	16.9%
Trade receivables	255.9	306.3	321.3
as % of sales	18.0%	22.2%	20.8%
Trade payables	-194.2	-237.0	-222.5
as % of sales	13.7%	17.1%	14.4%
Net working capital	307.3	326.9	360.0
as % of sales	21.6%	23.6%	23.3%
Other working assets / liabilities	-42.8	-49.9	-48.7
NET ASSETS	735.0	740.0	766.5

(EUR million)	2011	2010	Plan 2011
Equity	397.8	392.1	411.0
Non-current financial liabilities	302.5	260.9	235.0
Short-term financial liabilities	181.6	223.0	204.5
Cash and cash equivalents	-101.6	-82.7	-20.8
Net debt capital	382.5	401.2	418.7
Financial investments	-45.3	-53.3	-63.2
NET INVESTED CAPITAL	735.0	740.0	766.5

- Gorenje Group cut its **net debt**, measured as the balance of non-current and current financial debt minus cash and cash equivalents, by EUR 18.7 million or by 4.7 percent. The decrease is a result of several activities, of which the divestment of the company Istrabenz Gorenje with EUR 29.6 million of elimination and cash flow from proceeds has the strongest effect.
- The share of **long-term borrowings** increased compared to the end of last year, which is a result of active approach to the improvement of the composition of financial liabilities by maturity. In early July 2011, Gorenje signed two long-term loan

agreements with the Deutsche Bank as the agent, in the total amount of EUR 100,00 million, in order to restructure the maturity of Gorenje Group's debt. Furthermore, new long-term loans were signed from other commercial banks; these, too, were intended for restructuring the maturity of our debt portfolio. Activities in this field will be carried out in the future as well.

- Cash and cash equivalents in accounts also include short-term sight deposits for daily fixed deposits of cash surpluses (by the main company EUR 57.4 million).

Gorenje, d.d., performance highlights

EUR million	2011	2010	Change (%)	Plan 2011	Q4 2011	Q4 2010	Change (%)
Sales revenue	655.3	648.4	1.1%	685.0	186.8	188.2	-0.7%
EBITDA	29.1	38.7	-24.8%	39.2	11.5	10.9	5.5%
EBITDA margin, %	4.4%	6.0%	/	5.7%	6.1%	5.8%	/
EBIT	7.2	11.8	-39.0%	16.4	6.0	4.6	30.4%
EBIT margin, %	1.1%	1.8%	/	2.4%	3.2%	2.4%	/
Profit before taxes	6.6	1.9	247.4%	12.1	4.7	0.7	571.4%
Net profit or loss for the period	7.3	2.9	151.7%	11.6	4.8	0.8	500.0%
ROS, %	1.1%	0.5%	/	1.7%	2.6%	0.4%	/
Free cash flow (narrow)*	8.6	-8.5	201.2%	1.7	35.9	22.4	60.3%
Net financial debt**	301.2	264.4	13.9%	250.6	301.2	264.4	13.9%
Net financial debt / EBITDA	10.4	6.8	52.9%	6.4	6.6	6.1	8.2%
Earnings per share (in EUR)	0.46	0.20	130.0%	0.73	1.20	0.23	421.7%

* Profit after tax + depreciation and amortization expense – CAPEX + divestment → change in inventories → allowances for trade receivables → change in trade payables

** Long-term financial liabilities + short-term financial liabilities – cash and cash equivalents

Ownership structure as at December 31st 2011

- The number of shares held by ten largest shareholders as at December 31st 2011 increased from EUR 9,644,308 to EUR 9,699,980, relative to December 31st 2010.

Shareholder	Number of shares	%	Place	Country
KAPITALSKA DRUŽBA, D.D.	3,534,615	22.22%	Ljubljana	Slovenia
IFC	1,876,876	11.80%	Washington, DC	USA
HOME PRODUCTS EUROPE B.V.	1,070,000	6.73%	Velp	Netherlands
NFD 1, equity sub-fund	820,045	5.16%	Ljubljana	Slovenia
INGOR, d.o.o., & co. k.d.	794,473	4.99%	Ljubljana - Črnuče	Slovenia
EECF AG	411,727	2.59%	Zurich	Switzerland
RAIFFEISEN BANK AUSTRIA D.D. - FIDUCIARY ACCOUNT	375,889	2.36%	Zagreb	Croatia
TRIGLAV VZAJEMNI SKLADI - DELNIŠKI TRIGLAV	297,090	1.87%	Ljubljana	Slovenia
PROBANKA, d.d.	297,061	1.87%	Maribor	Slovenia
ERSTE GROUP BANK AG - FIDUCIARY ACCOUNT	222,204	1.40%	Vienna	Austria
Ten largest shareholders combined	9,699,980	60.9798%		
Other shareholders	6,206,896	39.0202%		
TOTAL:	15,906,876	100%		

- The number of treasury shares relative to the last day of 2010 remains the same at 121,311 shares, which is 0.7626 percent of total share capital.
- Trading on the Ljubljana Stock Exchange was still affected by the debt crisis, low market liquidity, dropping prices of securities, and resulting decrease in market capitalization. Investors on the Ljubljana Stock Exchange are still conservative. The SBI TOP index lost 30-7% in 2011, dropping to 589.58 points on the last trading day of the year. Closing price per GRVG share dropped by 62.9% (to EUR 5); with turnover lower by 6.2%, the average market capitalization was lower by 27.5%. In addition to the strong drop in price per share, Gorenje stock was also low liquid.
- Book value of the share, amounting to EUR 21.24, is calculated as the ratio between total company equity as at December 31st 2011 and the number of shares issued minus the number of treasury shares (15,785,565).
- Net earnings per share calculated as the ratio between net profit for the period and the number of shares outstanding, i.e. total number of shares minus the treasury shares (15,785,565) amounts to EUR 0.46 in 2011.
- The number of shares held by Supervisory Board members (3,208) did not change relative to December 31st 2010. The number of shares held by Management Board members, however, did change as a result of resignation of Management Board member Mrs. Mirjana Dimc Perko as of January 1st 2011, and resignation of Management Board member Mr. Franc Košec as of April 19th 2011, from 13,230 (December 31st 2010) to 11,754 shares (0.0739%). Number and share of company shares held by Supervisory Board members did not change from December 31st 2011 to the day of this announcement.

Events after the reporting period

- In February 3rd 2012, the 17th Shareholders Assembly of Gorenje, d.d., was held. The key item of the agenda was the proposal by the Management Board and the Supervisory Board to approve an authorization for acquisition and disposal of treasury shares up to a total of 10% of the company share capital. Gorenje's largest shareholder Kapitalska družba, d.d., submitted a counter-proposal to this item, which only differed from the proposal by the Management Board and Supervisory Board in that it did not include an authorization to omit the pre-emptive right of the existing shareholders in case of disposal of treasury shares. The Management Board and Supervisory Board of Gorenje agreed with the counter-proposal by Kapitalska družba. The Capital Assets Management Agency of the Republic of Slovenia, however, which voted on behalf of Kapitalska družba, voted against the proposal. Hence, the proposal was rejected by a majority of 50.7 percent of the vote present at the Assembly.
- On February 14th 2012, Gorenje signed in Valjevo a memorandum which lays down the starting points of cooperation and obligations of the Republic of Serbia and Gorenje in case of expansion of the manufacturing facilities for refrigerator freezers in Valjevo, which Gorenje is currently examining and deliberating. The Memorandum is not a legally binding document and the decision to proceed with the investment project is yet to be confirmed by the corporate bodies of Gorenje and relevant bodies of the Republic of Serbia. Pursuant to the starting points specified in the Memorandum, Serbia would support Gorenje's new investment in Valjevo by grants and subsidies in the total amount of EUR 5 to 7 million; Gorenje would, in turn, create 400 new jobs at the extended Valjevo plant by the end of 2015. The value of the investment of expanding the manufacturing capacity in Valjevo is estimated at approximately EUR 20 million.

Fundamental accounting policies and notes to financial statements

- Unaudited consolidated financial statements of the Gorenje Group for the period January – December 2011 were compiled in compliance with the Companies Act, International Financial Reporting Standards (IFRS) as announced by the International Accounting Standards Boards, interpreted by the International Financial Reporting Interpretations Committee (IFRIC), and adopted by the European Union.
- Unaudited financial statements of the company Gorenje, d.d., for the period January - December 2011 were compiled in compliance with the Companies Act and the International Financial Reporting Standards (IFRS). Transition to and implementation of IFRS was confirmed by the Gorenje, d.d., Shareholders Assembly at their 9th meeting held on June 29th 2006.
- Pursuant to the accounting policies, the company Gorenje, d.d., does not report by business segments as these are reported by in the consolidated report of the Gorenje Group.
- Comparable information is materially harmonized with the presentation of information during the year. Where necessary, comparable information was adjusted in such way that they matched the presentation of information for the current year.

Changes in the composition of the Gorenje Group

The following changes occurred in the composition of the Gorenje Group up to and including the last day of December 2010:

- As of January 10th 2011, the company Gorenje Gospodinjski aparati, d.d., is the sole partner and 100% owner of the company Gorenje Tiki, d.o.o., Stara Pazova.
- The companies GORENJE HOME, D.O.O., Zaječar (HA and HI Division), and ORSES, D.O.O., Belgrade (EES Division), were founded on February 16th and 17th, respectively.
- On April 20th 2011, the company Sirovina, d.o.o., Bačka Palanka, Serbia, was merged with the company Kemis Valjevo, d.o.o.
- On May 16th 2011, the company Gorenje Surovina, d.o.o., purchased a 20-percent stake in the company EKOGOR from the company JEKO-IN. Total shareholding of the company EKOGOR now amounts to 45.89%.
- On June 16th 2011, company Gorenje Ekologija, d.o.o., Stara Pazova, was founded in Serbia.
- On July 6th 2011, the company RCE, d.o.o., was founded in Velenje. Gorenje, d.d., holds a 24-percent interest.
- As of July 11th 2011, Gorenje is no longer a partner or shareholder in the company PUBLICUS, d.o.o., and Kemis, d.o.o. Instead, the company Gorenje Surovina, d.o.o., became a partner/shareholder in the said companies.
- On July 29th 2011, the agreement on disposal of 46.55-percent share that Gorenje, d.d., held in the energy engineering company Istrabenz Gorenje, d.o.o., came into effect.
- The company Gorenje Skandinavien A/S was renamed to Gorenje Group Nordic A/S.
- On July 18th 2011, the company GGE, d.o.o., was founded in Ljubljana. Gorenje, d.d., owns 50% of the newly founded company. By entry of a new partner into the company GGE, d.o.o., Ljubljana, on December 13th 2011, the ownership interest of Gorenje, d.d., in this company dropped to 1/3 of the share capital.

Overview of Gorenje Group companies

In addition to the parent company Gorenje, d.d., the following companies were included in the consolidated financial statements of the Gorenje Group:

Companies operating in Slovenia	Shareholding in %	
	Dec 31st 2011	Dec 31st 2010
1. Gorenje I.P.C., d.o.o., Velenje	100.00	100.00
2. Gorenje GTI, d.o.o., Velenje	100.00	100.00
3. Gorenje Notranja oprema, d.o.o., Velenje	99.98	99.98
4. Gorenje Gostinstvo, d.o.o., Velenje	100.00	100.00
5. ENERGYGOR, d.o.o., Velenje	100.00	100.00
6. KEMIS, d.o.o., Vrhnika	99.75	100.00
7. Gorenje Orodjarna, d.o.o., Velenje	100.00	100.00
8. ZEOS, d.o.o., Ljubljana	51.00	51.00
9. ISTRABENZ GORENJE, d.o.o., Nova Gorica	/	48.686
10. GEN-I, d.o.o., Krško	/	24.343
11. Istrabenz investicijski inženiring, d.o.o., Nova Gorica	/	48.686
12. Gorenje Surovina, d.o.o., Maribor	99.75	99.75
13. Indop, d.o.o., Šoštanj	100.00	100.00
14. ERICo, d.o.o., Velenje	51.00	51.00
15. Istrabenz Gorenje inženiring, d.o.o., Ljubljana	/	48.686
16. Gorenje Projekt, d.o.o., Ljubljana	/	50.00
17. Gorenje design studio, d.o.o., Velenje	52.00	52.00
18. Istrabenz Gorenje energetska svetovanje, d.o.o., Nova Gorica	/	48.686
19. PUBLICUS, d.o.o., Ljubljana	50.87	51.00
20. IG AP, d.o.o., Kisovec	/	48.686
21. EKOGOR, d.o.o., Jesenice	45.89	26.00
22. Gorenje Avtomatizacija in industrijska oprema, d.o.o.	100.00	100.00
23. Vitales RTH, d.o.o., Trbovlje	/	24.343

Companies operating abroad		Shareholding in %	
		Dec 31st 2011	Dec 31st 2010
24.	Gorenje Beteiligungsgesellschaft m.b.H., Austria	100.00	100.00
25.	Gorenje Austria Handelsgesellschaft m.b.H., Austria	100.00	100.00
26.	Gorenje Vertriebsgesellschaft m.b.H., Germany	100.00	100.00
27.	Gorenje Körting Italia S.r.l., Italy	100.00	100.00
28.	Gorenje France S.A.S., France	100.00	100.00
29.	Gorenje BELUX S.a.r.l., Belgium	100.00	100.00
30.	Gorenje Espana, S.L., Spain	100.00	100.00
31.	Gorenje UK Ltd., Great Britain	100.00	100.00
32.	Gorenje Group Nordic A/S, Denmark	100.00	100.00
33.	Gorenje AB, Sweden	100.00	100.00
34.	Gorenje OY, Finland	100.00	100.00
35.	Gorenje AS, Norway	100.00	100.00
36.	Gorenje spol. s r.o., Czech Republic	100.00	100.00
37.	Gorenje real spol. s r.o., Czech Republic	100.00	100.00
38.	Gorenje Slovakia s.r.o., Slovakia	100.00	100.00
39.	Gorenje Budapest Kft., Hungary	100.00	100.00
40.	Gorenje Polska Sp. z o.o., Poland	100.00	100.00
41.	Gorenje Bulgaria EOOD, Bulgaria	100.00	100.00
42.	Gorenje Zagreb, d.o.o., Croatia	100.00	100.00
43.	Gorenje Skopje, d.o.o., Macedonia	100.00	100.00
44.	Gorenje Commerce, d.o.o., Bosnia and Herzegovina	100.00	100.00
45.	Gorenje, d.o.o., Serbia	100.00	100.00
46.	Gorenje Podgorica, d.o.o., Montenegro	99.972	99.972
47.	Gorenje Romania S.R.L., Romania	100.00	100.00
48.	Gorenje aparati za domačinstvo, d.o.o., Serbia	100.00	100.00
49.	Mora Moravia s r.o., Czech Republic	100.00	100.00
50.	Gorenje - kuchyně spol. s r.o., Czech Republic	99.98	99.98
51.	Kemis -Termoclean, d.o.o., Croatia	99.75	100.00
52.	Kemis - BH, d.o.o., Bosnia and Herzegovina	99.75	100.00
53.	Gorenje Studio, d.o.o., Serbia	100.00	100.00
54.	Gorenje Gulf FZE, United Arab Emirates	100.00	100.00
55.	Gorenje Tiki, d.o.o., Serbia	100.00	100.00
56.	GEN-I Zagreb, d.o.o., Croatia	/	24.343
57.	Intrade energija, d.o.o., Bosnia and Herzegovina	/	24.83
58.	Vitales, d.o.o., Nova Bila, Bosnia and Herzegovina	/	48.686
59.	Gorenje Istanbul Ltd., Turkey	100.00	100.00
60.	Sirovina, DOO, Bačka Palanka, Serbia	/	99.75
61.	Gorenje TOV, Ukraine	100.00	100.00
62.	Vitales, d.o.o., Bihać, Bosnia and Herzegovina	/	48.686
63.	Vitales, d.o.o., Sokolac, Bosnia and Herzegovina	/	24.343
64.	GEN-I, d.o.o, Serbia	/	24.343
65.	ST Bana Nekretnine, d.o.o., Serbia	100.00	100.00
66.	GEN-I Budapest, Kft., Hungary	/	24.343
67.	Kemis Valjevo, d.o.o, Serbia	99.75	100.00
68.	Kemis – SRS, d.o.o., Bosnia and Herzegovina	99.75	100.00

69.	ATAG Europe BV, Netherlands	100.00	100.00
70.	ATAG Nederland BV, Netherlands	100.00	100.00
71.	ATAG België NV, Belgium	100.00	100.00
72.	ATAG Financiële Diensten BV, Netherlands	100.00	100.00
73.	ATAG Financial Solutions BV, Netherlands	100.00	100.00
74.	Intell Properties BV, Netherlands	100.00	100.00
75.	ATAG Special Product BV, Netherlands	100.00	100.00
76.	Gorenje Nederland BV, Netherlands	100.00	100.00
77.	Gorenje Kazakhstan, TOO, Kazakhstan	100.00	100.00
78.	Gorenje kuhinje, d.o.o., Ukraine	69.986	69.986
79.	Vitales Energie Biomasse S.R.L., Italy	/	32.78
80.	Vitales Čakovec, d.o.o., Croatia	/	48.686
81.	» Euro Lumi & Surovina » SH.P.K., Kosovo	39.93	39.93
82.	GEN-I d.o.o. Sarajevo, Bosnia and Herzegovina	/	24.343
83.	GEN-I DOOEL Skopje, Macedonia	/	24.343
84.	GEN-I Athens SMLLC, Greece	/	24.343
85.	GEN-I Tirana Sh.p.k., Albania	/	24.343
86.	OOO Gorenje BT, Russia	100.00	100.00
87.	Vitales inženjering d.o.o., Prijedor, Bosnia and Herzegovina	/	24.343
88.	S.C. GEN-I Bucharest, Romania	/	24.343
89.	Gorenje GTI, d.o.o. Serbia	100.00	100.00
90.	Asko Appliances AB, Sweden	100.00	100.00
91.	Asko Hvitvarer AS, Norway	100.00	100.00
92.	AM Hvidevarer A/S, Denmark	100.00	100.00
93.	Asko Appliances Inc, United States of America	100.00	100.00
94.	Asko Appliances Pty, Australia	100.00	100.00
95.	Asko Appliances OOO, Russia	100.00	/
96.	»Gorenje – Albania« SH.P.K., Albania	100.00	/
97.	GEN-I Sofia SpLLC, Bulgaria	/	24.343
98.	GEN-I Milano S.r.l., Italy	/	24.343
99.	GEN-I Vienna GmbH, Austria	/	24.343
100.	GORENJE HOME DOO Zaječar, Serbia	100.00	/
101.	ORSES, d.o.o., Belgrade, Serbia	100.00	/
102.	Gorenje Ekologija, d.o.o. Stara Pazova, Serbia	99.87	/

Representative offices of the company Gorenje, d.d., abroad:

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

Unaudited consolidated financial statements of the Gorenje Group

Unaudited consolidated statement of financial position for the Gorenje Group

EUR thousand	2011	2010
ASSETS	1,251,658	1,317,754
Non-current assets	556,345	563,435
Intangible assets	158,620	160,161
Property, plant, and equipment	358,840	375,400
Investment property	15,219	4,518
Non-current financial investments	1,973	5,313
Investments into associates	996	0
Deferred tax assets	20,697	18,043
Current assets	695,313	754,319
Assets classified as held-for-sale	1	1,066
Inventories	245,608	257,593
Short-term financial investments	42,317	48,002
Trade receivables	255,911	306,284
Other current assets	48,746	55,438
Current tax assets	1,110	3,208
Cash and cash equivalents	101,620	82,728
EQUITY AND LIABILITIES	1,251,658	1,317,754
Equity	397,819	392,096
Share capital	66,378	66,378
Share premium	175,575	175,575
Legal and statutory reserves	22,719	21,990
Retained earnings	115,602	107,382
Treasury shares	-3,170	-3,170
Translation reserve	9,860	8,842
Fair value reserve	8,886	13,294
Equity attributable to equity holders of the parent	395,850	390,291
Minority interest	1,969	1,805
Non-current liabilities	385,330	356,027
Provisions	76,538	88,167
Deferred income	400	866
Deferred tax liabilities	5,933	6,062
Non-current financial liabilities	302,459	260,932
Current liabilities	468,509	569,631
Short-term financial liabilities	181,649	223,015
Trade payables	194,248	237,020
Other current liabilities	90,806	106,698
Current tax liabilities	1,806	2,898

Non-audited consolidated income statement of the Gorenje Group

EUR thousand	2011	2010
Revenue	1,422,229	1,382,185
Changes in inventories	8,383	-13,510
Other operating income	52,522	47,554
Gross profit	1,483,134	1,416,229
Costs of goods, material, and services	-1,105,001	-1,040,509
Employee benefit expense	-265,850	-244,442
Depreciation and amortization expense	-50,198	-52,237
Other operating expenses	-25,576	-22,603
Results from operating activities	36,509	56,438
Finance income	15,199	12,485
Finance expenses	-40,587	-46,451
Net finance expenses	-25,388	-33,966
Finance expenses at associated companies	-9	0
Profit before taxes	11,112	22,472
Income tax expense	-2,006	-2,448
Net profit or loss for the period	9,106	20,024
Attributable to minority interest	157	101
Attributable to equity holders of the parent	8,949	19,923
Basic and diluted earnings per share (in EUR)	0.57	1.34

Non-audited consolidated statement of comprehensive income of the Gorenje Group

EUR thousand	2011	2010
Net profit or loss for the period	9,106	20,024
Other comprehensive income		
Change in fair value of land	-1	-7,777
Net change in fair value of available-for-sale financial assets	-135	50
Net change in fair value of available-for-sale financial assets transferred to profit or loss	0	145
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge	-7,499	317
Change in the effective part of gains and losses on hedging instruments in a cash flow hedge transferred to net profit	2,154	0
Income tax on other comprehensive income	1,073	91
Translation reserve	1,018	-8,563
Other comprehensive income for the period	-3,390	-15,737
Total comprehensive income for the period	5,716	4,287
Attributable to equity holders of the parent	5,559	4,186
Attributable to minority interest	157	101

Non-audited consolidated statement of cash flows of the Gorenje Group

EUR thousand	2011	2010
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	9,106	20,024
Adjustments for:		
Depreciation of property, plant and equipment	43,767	46,227
Amortization of intangible assets	6,431	6,010
Investment income	-15,199	-12,485
Finance expenses	40,587	46,451
Gain on sale of property, plant and equipment	-3,644	-2,321
Negative goodwill	0	-13,337
Tax expenses	2,006	2,448
Operating profit before changes in net current assets and provisions	83,054	93,017
Change in trade and other receivables	53,243	-80,635
Change in inventories	11,985	-39,612
Change in provisions	-12,095	25,664
Change in trade and other liabilities	-58,664	60,162
Cash generated from operating activities	-5,531	-34,421
Interest paid	-25,924	-23,607
Paid income tax expenses	-4,595	-7,272
Net cash flow from operating activities	47,004	27,717
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	7,909	6,775
Proceeds from sale of available-for-sale investments	0	5,621
Interest received	3,678	3,046
Dividend received	118	305
Liquidation of subsidiary, net of cash disposed	10,747	0
Divestment of subsidiary, net of cash disposed	8,307	0
Acquisition of subsidiary, net of cash acquired	0	1,144
Acquisition of property, plant and equipment	-41,089	-39,358
Acquisition of investment property	-9,819	0
Acquisition of other investments	6,787	10,082
Acquisition of intangible assets	-6,379	-5,310
Net cash used in investing activities	-19,741	-17,695
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Repurchase of minority interest	0	-6,902
Capital increase	0	24,920
Borrowings/repayment of borrowings	-8,371	27,558
Net cash flow used in financing activities	-8,371	45,576
Net increase in cash and cash equivalents	18,892	55,598
Cash and cash equivalents at beginning of period	82,728	27,130
Cash and cash equivalents at end of period	101,620	82,728

Non-audited statement of changes in equity of the Gorenje Group

EUR thousand	Share capital	Capital surplus (share premium)	Legal and statutory reserves	Retained earnings	Treasury shares	Translation reserve	Fair value reserve	Equity attributable to equity holders of the parent	Minority interest	Total
Opening balance as at January 1st 2011	66,378	175,575	21,990	107,382	-3,170	8,842	13,294	390,291	1,805	392,096
Total comprehensive income for the period										
Net profit or loss for the period				8,949				8,949	157	9,106
Total other comprehensive income						1,018	-4,408	-3,390		-3,390
Total comprehensive income for the period	0	0	0	8,949	0	1,018	-4,408	5,559	157	5,716
Transactions with owners (when acting as owners) recognized directly in equity										
Contributions by owners and distributions to owners										
Capital increase								0		0
Payment of dividends								0		0
Creation of statutory reserves			729	-729				0		0
Total contributions by owners and distributions to owners	0	0	729	-729	0	0	0	0	0	0
Changes in ownership interests in subsidiaries that do not result in loss of control										
Change in ownership interests								0	7	7
Total changes in ownership interests in subsidiaries								0	7	7
Total transactions with owners	0	0	729	-729	0	0	0	0	7	7
Closing balance as at December 31st 2011	66,378	175,575	22,719	115,602	-3,710	9,860	8,886	395,850	1,969	397,819

EUR thousand	Share capital	Capital surplus (share premium)	Legal and statutory reserves	Retained earnings	Treasury shares	Translation reserve	Fair value reserve	Equity attributable to equity holders of the parent	Minority interest	Total
Opening balance as at January 1st 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 income/profit for the year				19,923				19,923	101	20,024
Total other comprehensive income				-7,646		-8,563	472	-15,737		-15,737
Total comprehensive income for the period	0	0	0	12,277	0	-8,563	472	4,186	101	4,287
Transactions with owners (when acting as owners) recognised directly in equity										
Contributions by owners and distributions to owners										
Capital increase	7,832	17,088						24,920		24,920
Payment of dividends								0		0
Creation of statutory reserves			293	-293				0		0
Total contributions by owners and distributions to owners	7,832	17,088	293	-293	0	0	0	24,920	0	24,920
Changes in ownership interests in subsidiaries that do not result in loss of control										
Acquisition of non-controlling interest				-2,390				-2,390	-4,365	-6,755
Total changes in ownership interests in subsidiaries				-2,390				-2,390	-4,365	-6,755
Total transactions with owners	7,832	17,088	293	-2,683	0	0	0	22,530	-4,365	18,165
Closing balance as at December 31st 2011	66,378	175,575	21,990	107,382	-3,170	8,842	13,294	390,291	1,805	392,096

Non-audited financial statements of the company Gorenje, d.d.

Non-audited statement of financial position of the company Gorenje, d.d.

EUR thousand	2011	2010
ASSETS	881,299	851,648
Non-current assets	438,428	425,215
Intangible assets	15,455	15,428
Property, plant, and equipment	152,758	157,864
Investment property	15,217	1,695
Investment into subsidiaries	240,672	238,096
Investments into associates	976	0
Other non-current investments	703	1,165
Deferred tax assets	12,647	10,967
Current assets	442,871	426,433
Inventories	81,118	93,660
Current investments	94,789	76,472
Trade receivables	187,903	183,967
Other current assets	20,971	22,656
Cash and cash equivalents	58,090	49,678
EQUITY AND LIABILITIES	881,299	851,648
Equity	335,326	332,189
Share capital	66,378	66,378
Share premium	157,712	157,712
Legal and statutory reserves	22,719	21,990
Retained earnings	89,521	82,962
Treasury shares	-3,170	-3,170
Fair value reserve	2,166	6,317
Non-current liabilities	253,694	205,739
Provisions	26,227	27,397
Deferred tax liabilities	1,391	1,402
Non-current financial liabilities	226,076	176,940
Current liabilities	292,279	313,720
Short-term financial liabilities	133,254	137,176
Trade payables	142,027	154,803
Other current liabilities	16,998	21,741

Non-audited income statement of the company Gorenje, d.d.

EUR thousand	2011	2010
Sales revenue	655,274	648,386
Changes in inventories	2,026	-279
Other operating income	16,517	11,969
Gross profit	673,817	660,076
Costs of goods, material, and services	-540,293	-513,289
Employee benefit expense	-100,158	-102,401
Depreciation and amortization expense	-21,835	-26,856
Other operating expenses	-4,293	-5,691
Results from operating activities	7,238	11,839
Finance income	22,928	17,114
Finance expenses	-23,531	-27,036
Net finance income	-603	-9,922
Profit before taxes	6,635	1,917
Income tax expense	653	1,008
Net profit or loss for the period	7,288	2,925
Basic and diluted earnings per share (in EUR)	0.46	0.20

Non-audited statement of comprehensive income of the company Gorenje, d.d.

EUR thousand	2011	2010
Net income/profit for the year	7,288	2,925
Other comprehensive income		
Net change in fair value of available-for-sale financial assets	-114	-126
Net change in fair value of available-for-sale financial assets transferred to profit or loss	0	145
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge	-7,230	80
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge, transferred to profit or loss	2,155	0
Income tax on other comprehensive income	1,038	49
Other comprehensive income for the period	-4,151	148
Total comprehensive income for the period	3,137	3,073

Non-audited statement of cash flows of the company Gorenje, d.d.

EUR thousand	2011	2010
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	7,288	2,925
Adjustments for:		
Depreciation of property, plant and equipment	19,268	24,362
Amortization of intangible non-current assets	2,567	2,494
Investment income	-22,928	-17,114
Finance expenses	23,531	27,036
Gain on sale of property, plant and equipment	-96	-299
Losses from investment property revaluation adjustments	0	1,528
Income tax expense	-653	-1,008
Operating profit before changes in net operating current assets and provisions	28,977	39,924
Change in trade and other receivables	-11,851	-28,746
Change in inventories	12,542	-18,445
Change in provisions	-1,170	1,285
Change in trade and other liabilities	-21,793	13,495
Cash generated from operations	-22,272	-32,411
Interest paid	-18,316	-12,040
Net cash flow from operating activities	-11,611	-4,527
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	919	1,307
Proceeds from sale of investment property	0	1,260
Proceeds from sale of available-for-sale investments	0	5,621
Interest received	6,561	2,577
Dividend received	9,985	9,305
Liquidation of subsidiary, net of cash disposed	10,747	0
Acquisition of subsidiary, net of cash acquired	-13,600	-12,722
Sales of subsidiary, net of cash disposed	15,108	0
Acquisition of property, plant and equipment	-14,548	-10,986
Acquisition of investment property	-13,697	0
Other investment	-29,973	3,490
Acquisition of intangible assets	-2,595	-1,923
Net cash used in investing activities	-31,093	-2,071
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Capital increase	0	24,920
Borrowings/repayment of borrowings	51,116	31,270
Net cash used in financing activities	51,116	56,190
Net increase in cash and cash equivalents	8,412	49,592
Cash and cash equivalents at beginning of period	49,678	86
Cash and cash equivalents at end of period	58,090	49,678

Non-audited statement of changes in equity of the company Gorenje, d.d.

EUR thousand	Share capital	Capital surplus (share premium)	Legal and statutory reserves	Retained earnings	Treasury shares	Fair value reserve	Total
Opening balance as at January 1st 2011	66,378	157,712	21,990	82,962	-3,170	6,317	332,189
Total comprehensive income for the period							
Net income/profit for the year				7,288			7,288
Total other comprehensive income for the period						-4,151	-4,151
Total comprehensive income for the period	0	0	0	7,288	0	-4,151	3,137
Transactions with owners (when acting as owners) recognised directly in equity							
Contributions by owners and distributions to owners							
Capital increase							
Creation of statutory reserves			729	-729			0
Total contributions by owners and distributions to owners	0	0	729	-729	0	0	0
Total transactions with owners	0	0	729	-729	0	0	0
Closing balance as at December 31st 2011	66,378	157,712	22,719	89,521	-3,170	2,166	335,326

EUR thousand	Share capital	Capital surplus (share premium)	Legal and statutory reserves	Retained earnings	Treasury shares	Fair value reserve	Total
Opening balance as at January 1st 2010	58,546	140,624	21,697	87,975	-3,170	-1,476	304,196
Total comprehensive income for the period							
Net income/profit for the year				2,925			2,925
Total other comprehensive income for the period				-7,645		7,793	148
Total comprehensive income for the period	0	0	0	-4,720	0	7,793	3,073
Transactions with owners (when acting as owners) recognised directly in equity							
Contributions by owners and distributions to owners							
Capital increase	7,832	17,088					24,920
Creation of statutory reserves			293	-293			0
Total contributions by owners and distributions to owners	7,832	17,088	293	-293	0	0	24,920
Total transactions with owners	7,832	17,088	293	-293	0	0	24,920
Closing balance as at December 31st 2010	66,378	157,712	21,990	82,962	-3,170	6,317	332,189

Forward-looking statements

This announcement of the Non-audited Business Report for the Period January – December 2011 includes forward-looking information and forecasts – i.e. statements regarding the future, rather than the past, and statements regarding events within the framework and in relation to the currently effective legislation on publicly traded companies and securities and pursuant to the Rules and Regulations of the Ljubljana Stock Exchange (Ljubljanska borza, d.d.). These statements can be identified by the words such as "expected", "anticipated", "forecast", "intended", "planned or budgeted", "probable or likely", "strive/invest effort to", "estimated", "will", "projected", or similar expressions. These statements include, among others, financial goals and targets of the parent company Gorenje, d.d., and the Gorenje Group for the upcoming periods, planned or budgeted operations, and financial plans. These statements are based on current expectations and forecasts and are subject to risk and uncertainty which may affect the actual results which may in turn differ from the information stated herein for various reasons. Various factors, many of which are beyond reasonable control by Gorenje, affect the operations, performance, business strategy, and results of Gorenje. As a result of these factors, actual results, performance, or achievements of Gorenje may differ materially from the expected results, performance, or achievements as stated in these forward-looking statements. These factors include, without prejudice to any not mentioned herein, the following: Consumer demand and market conditions in geographical segments or regions and in the industries in which Gorenje Group is conducting its operating activities; effects of changes in exchange rates; competitive downward pressure on downstream prices; major loss of business with a major account/customer; the possibility of overdue or late payment on the part of the customers; decrease in prices as a result of persistently harsh market conditions, in an extent much higher than currently expected by the Gorenje Management Board; success of development of new products and implementation in the market; development of manufacturer's liability for the product; progress of attainment of operative and strategic goals regarding efficiency; successful identification of opportunities for growth and mergers and acquisitions, and integration of such opportunities into the existing operations; further volatility and aggravation of circumstances in capital markets; progress in attainment of goals regarding structural reorganization and reorganization in purchasing. If one or more risks or uncertainties are in fact materialized or if the said assumptions are proven wrong, actual results may deviate materially from those stated as expected, hoped for, forecast, projected, planned, probable, estimated, or anticipated in this announcement.