2011

Gorenje, d.d. Management Board

ANNUAL REPORT 2011

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

Velenje, Slovenia, April 2012

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1. We are the Gorenje Group

1.1 Performance Highlights

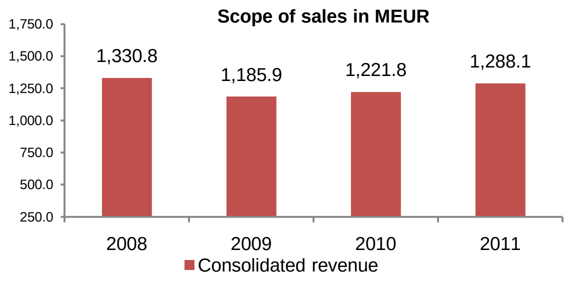
Table 1: Gorenje Group performance highlights

in EUR million	2011	2010	2009	2008	Comparable[1] 2011	Comparable[1] 2010	Comparable[1] Change (%)
Consolidated revenue	1,422.2	1,382.2	1,185.9	1,330.8	1,288.1	1,221.8	5.4%
EBITDA	86.7	108.7	68.2	94.0	85.4	91.4	-6.6%
EBITDA Margin, %	*6.1%*	*7.9%*	*5.8%*	*7.1%*	*6.6%*	*7.5%*	/
EBIT	36.5	56.4	12.1	36.9	41.1	41.9	-1.9%
EBIT Margin, %	*2.6%*	*4.1%*	*1.0%*	*2.8%*	*3.2%*	*3.4%*	/
Profit before tax	11.1	22.5	-9.3	15.5	15.1	8.0	88.8%
Net income	9.1	20.0	-12.2	10.2	11.3	4.9	130.6%
ROS, %	*0.6%*	*1.4%*	*-1.0%*	*0.8%*	*0.9%*	*0.4%*	/
Free cash flow (narrow)*	35.8	17.8	33.0	-45.1	18.4	7.2	154.7%
Net financial debt**	382.5	401.2	425.1	463.7	388.5	377.6	2.9%
Net financial debt / EBITDA	4.4	3.7	6.2	4.9	4.5	4.1	10.1%
Earnings per share (in EUR)	0.57	1.34	-0.83	0.66	0.71	0.32	119.5%

* Net income + depreciation and amortisation expense – CAPEX + divestment –+ change in inventories –+ change in trade receivables –+ change in trade payables
** Non-current financial liabilities + current financial liabilities – cash and cash equivalents

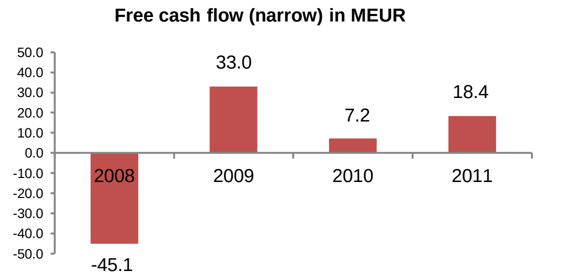
Sales growth

Low sales growth in the Home Appliances Division, significant growth in the Ecology, Energy and Services Division.



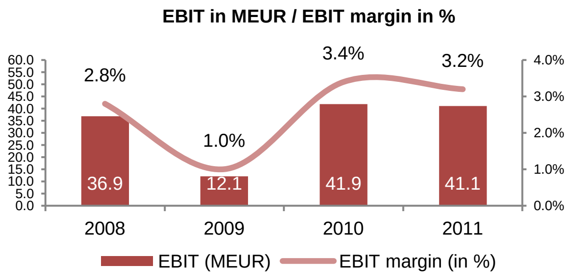
Exceeding the previous year's and planned level of free cash flow

Working capital optimisation and its significant effect, focused investments, disinvestment of the Energy business segment and part of unnecessary property.



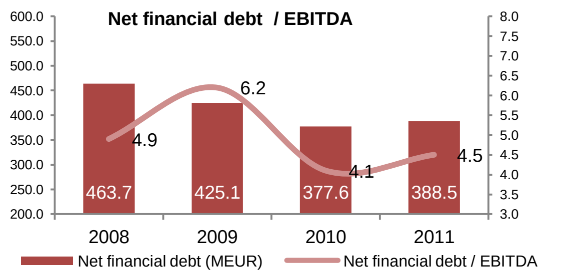
EBIT stayed at the level of 2010

Impairment of the gross margin due to the changed sales structure and strong raw material and material price increases, positive effect of some events independent of current operations. Loss incurred by the Home Interior Division and the Asko Group.



Lowering the net indebtedness level

Implementation of financial covenants, improvement of the Net finance debt to EBITDA ratio.



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[1] The disclosure in paragraph 5.1 of this Report.

1.2 Letter from the President of the Management Board

Dear shareholders,

The Gorenje Group concluded the previous year in better financial condition than at its beginning, which is a very good achievement considering the unfavourable circumstances that are still dominating in financial markets. We have surpassed three key goals in financial operation: our free cash flow in the amount of EUR 35.8 million was 23 percent above the plan, the Group's debt was reduced by 4.7 percent through successful disinvestments, and we also achieved better results than planned in restructuring the maturity of financial liabilities, where we increased the share of non-current borrowings to 62.5 percent in comparison with 53.9 percent in 2010.

Sales growth in very challenging market conditions

The home appliances industry was under even greater pressure last year than in 2010. The European market, where we still generate the majority of our revenue, shrunk by 1.3 percent after having risen 2.1 percent in 2010. We nevertheless managed to increase our sales by almost 2.9 percent to EUR 1.4 billion. The most challenging operating circumstances were in the markets of Eastern and South-Eastern Europe, which are most important from the aspect of strengthening our profitability. We neutralised the smaller volume and change in the product structure of sales in these markets through higher sales in other markets. With the acquisition of the Asko company, we improved our sales opportunities in the USA and Australia, and further strengthened our market shares in Scandinavia.

The profitability of our industry was under the extreme pressures of growing prices of raw materials and materials. Although the raw material shock began to stabilise in the autumn months, the prices of raw materials and materials, which represent the highest expense within the home appliance production, remained high and could not be transferred to product sales prices due to excess capacities in the industry.

The operating profit (EBIT) in the amount of EUR 36.5 million was consequently 35 percent lower over the previous period, but the greater part of the decrease may be attributed to the effects of the Asko acquisition and the sale of the Company's share in Istrabenz Gorenje. Considering the exclusion of these effects, the EBIT lies at EUR 41.4 million and is on the level attained in 2010.

Strong trademarks, development and identification are generators of a stable development

This year is not going to get any easier for home appliance manufacturers. We are facing pressures on sales prices, unpredictable movements in raw material prices, increasing payment indiscipline, declining purchasing power in Europe, and currency fluctuations in non-euro countries. We are witnessing the further consolidation of the industry. Therefore, strong trademarks, the development of new products that are designed to very high quality and offer innovative functions and technical solutions, represent key competences that shall contribute to our uniqueness and trends in the line of business. With the development of the HomeChef oven featuring innovative slide control as can be found in the most popular consumer electronics, we have set a milestone in the advanced control of home appliances. This year, we are launching a new generation of washers and dryers as the result of the work and know-how of our developers and designers in Velenje. It is distinguished by innovative solutions that improve energy efficiency, programmes and management that adapt to the needs of the modern consumer, as well as by superior design. This year these products received one of the most prestigious international awards in the field of design – the Red Dot award. We are also beginning to manufacture an induction cooking hob featuring Gorenje IQcook sensor control of cooking, for which we also received the Red Dot Award. The majority of our investments this year will again be directed towards development and design.

Distinguishability, growth opportunity and higher profitability

2012 was the first year in which we implemented the strategic plan prepared last year in response to the radically changed operating conditions in past years and the internal growth of the Gorenje Group. One of the key changes implemented in our operations and organisation is greater focus on the basic activities of home products that shall be the principal generator for increasing the profitability of our operations. We are keen to increase the sale of products that are below the designer and higher price class, from the present ten to more than 25 percent within the sales structure. This will be achieved by distinguishability and uniqueness and by strengthening sales in prospective international markets, primarily in metropolises, where the purchasing power of consumers is higher. The first successful sales results in the Middle East and in Hong Kong have already been attained after only a few years in these markets. We are continuing with the optimisation of our production locations, which significantly increase Gorenje's competitiveness in an industry where excess capacities are predominant.

We are also creating conditions for improving the implementation of our strategy through the reorganisation and renovation of corporate structure, within the scope of which our Management Board has been functioning as a changed model since 1 January of this year. We have come to the decision that our goals shall be more easily implemented based on the shift from the divisional to the functional organisation of the Management Board, and have for this purpose reassigned the competences of Management Board members accordingly.

I thank all of our stakeholders for their trust and support given to the Management Board in its activities focused on the long-term development and growth of the Gorenje Group. I assure you that again this year I shall, together with the members of the Management Board and more than 10,600 employees in numerous countries across the globe, strive to create permanent value for you, our shareholders, our customers and partners, and, of course, for all the employees of the Gorenje Group.

Franjo Bobinac
President of the Management Board

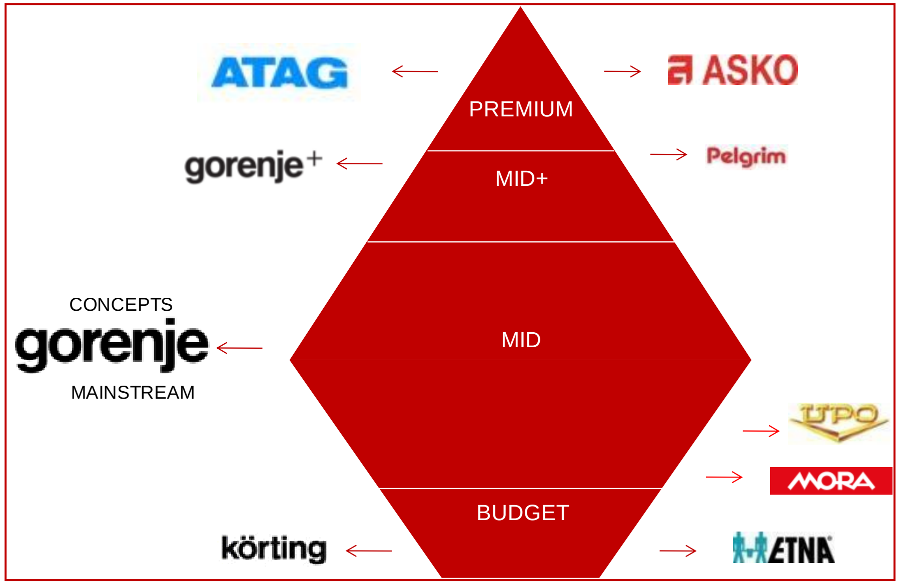
1.3 Presentation of the Gorenje Group

Core business	• **Products and services for home (MDA, SDA, HVAC, kitchens)**
Gorenje Group	• **Holding company Gorenje, d.d., and 102 companies (79 international)**
Number of employees	• **10,932 / 2011**
Consolidated revenue	• **1,4 bn EUR / 2011**
Global presence	• **70 countries worldwide, mostly in Europe, USA, Australia, Near and Far East**
Own production	• **Slovenia, Sweden, Czech Republic, Serbia, Finland**
Export	• **95% of sales**

Legend:
MDA (major domestic appliances)
SDA (small domestic appliances)
HVAC (heating, ventilation, air conditioning)

1.3.1 Trademarks

Picture 1: Multi-brand strategy to cover all price segments



The sale of products of Gorenje's own trademarks accounts for over 90 percent, which is of vital importance since strong trademarks enable stable development in long-term. The Gorenje Group produces household products of eleven trademarks.

Gorenje

The Gorenje trademark accounts for 60 percent of sale and remains our most important Pan-European trademark for the middle price bracket. It has been marketed in all European and numerous overseas markets where it will be developed also in the future. The Gorenje trademark has been focused on the segment of built-in appliances and has selectively introduced designer innovations. Simultaneously, it importantly emphasises concepts, i.e. designer collections and lines associated with various life styles, which is also its key distinctive advantage.

Atag

The sale of the premium Atag trademark is mostly organised in the segment of built-in appliances through kitchen experts who consult customers when buying appliances. Last year innovative products and new concepts became the new characteristics of the trademark.

Asko

The Asko trademark is focused on the premium segment of customers, mostly in the programmes of washing linen and dish washing and products of other product groups will play a supporting role. The trademark will be systematically developed and extended to the new markets in scope of the sales network of the Gorenje Group, mostly in Eastern Europe and in overseas countries.

Gorenje+

Gorenje+ is a trademark of the complete range of built-in appliances of a higher middle price bracket that is exclusively intended for the distribution channel of kitchen experts. In 2011, it was launched in the markets of Germany, Austria, Slovenia, Ukraine, Russia, Scandinavia, and the extension to new markets will be continued also in this year. A representative appliance of the Gorenje+ trademark is the innovative iChef oven with a touch screen offering a new user experience. Several times it was awarded for the revolutionary innovation in touch control and top design.

Regional trademarks

Gorenje has several regionally well-established trademarks that will be developed in relation to their long-term profitability.

Pelgrim is the trademark of the upper-middle price bracket and is considered a local specialist for built-in appliances. The trademarks Körting, Sidex, Mora, Etna and Upo belong to the lower-middle price bracket and the entry segment.

1.3.2 Production and products

Production

The central location for the production of large household appliances of Gorenje is in Velenje (Slovenia). Production facilities are located also elsewhere in Slovenia, in Serbia, Czech Republic, Sweden and Finland.

Strategic policies of the Gorenje management have envisaged relocation of the production of products in lower price brackets to cost-effective countries and maintenance of production of products with higher added value in Slovenia. The activities focused on the achievement of objectives set in the strategic plan for the period 2012-2015 include also relocation of the production of cookers from Lahti in Finland to the factory of cooking appliances Mora Moravia in Mariánské Údolí in the Czech Republic. The relocation that will be completed in September 2012 is a part of a process restructuring production locations by which production costs will be optimised at the level of the Gorenje Group and our competitiveness will go up.

Serbia has become an increasingly important production country. In Valjevo fridge-freezer appliances are produced, in Stara Pazova water heaters, in Zaječar a factory for the production of sanitary equipment and assembly of washing machines was opened in March this year. Since autumn 2011 the factory has successfully operated and employed 96 staff. To the end of this year 70,000 washing machines and 30,000 wash basins will be delivered from this factory to the markets. The Government of the Republic of Serbia has supported the investment of Gorenje by grants amounting to EUR 10,000 per employee.

The production of large household appliances includes also the programmes producing built-in components:

- the programme of Mekom mechanical components in production sites in Velenje, Šoštanj, Bistrica ob Sotli and Rogatec,
- the IPC programme (Disabled Entrepreneurial Centre) with the programmes in Velenje and Šoštanj.

Home Interior Division

The production of Home Interior Division was concentrated on three locations only. They are specialised in separate products, in Velenje, the village Gorenje and Maribor. The Division includes five basic production programmes: kitchens, components, bathrooms, ceramics and furniture. At the end of the year 2011 the plant in Šoštanj was closed and the production of sanitary equipment was relocated to Zaječar in Serbia.

These measures improve exploitation of synergies among the programmes and increase cost-effectiveness.

Quality

Gorenje takes care that production facilities have a quality system that has been certified in accordance with ISO9001 standard. In 2011, this system was introduced also to GAIO d.o.o., the new company in the Group. In 2012, this certificate will be obtained also for the just opened facility in Zaječar in Serbia. An accredited laboratory of analytical chemistry with certificate SIST EN ISO/IEC 17025 has operated in the scope of the production.

Table 2: Own production of home appliances by volume

Programme / Location	2011	2010
Cooking programme / Slovenia	969,367	1,001,244
Cooking programme / The Czech Republic	385,934	378,617
Cooking programme / Finland	48,433	51,718
Cooking programme total	**1,403,734**	**1,431,579**
Wet and dry programme / Slovenia	644,427	700,226
Wet and dry programme / Sweden	101,436	105,894
Wet and dry programme / Serbia	8,577	0
Wet and dry programme total	**754,440**	**806,120**
Cooling programme / Slovenia	484,615	558,944
Cooling programme / Serbia	367,031	438,345
Cooling programme total	**851,646**	**997,289**
Washing and dishwashing programme / Sweden	**131,301**	**124,948**
Own production of large household appliances total	**3,141,121**	**3,359,936**
Own production of large household appliances total / exclusive of Asko	**2,859,951**	**3,077,376**
Irons / Finland	**5,575**	**7,087**
Home interior / Serbia	**6,500**	**0**
Water heaters / Slovenia	0	316,318
Water heaters / Serbia	455,311	206,910
Water heaters	**455,311**	**523,228**
Own production of home appliances total	**3,608,507**	**3,890,251**
Own production of home appliances total / exclusive of Asko	**3,321,762**	**3,600,604**

Product development

Washers –dryers

The development of a new platform of NG PSSP-10 washers/dryers in the medium price grade was the largest project in 2011, which we had been working on since 2009. Within the scope of the project, we developed a new technology of drying clothes using a heat pump, which substantially reduces energy consumption and is equipped with an extremely efficient, in-built processed air filtering system, a fibre levelling technology employing an IonTech air ioniser, and a drying technology employing SteamTech steam. In the area of washers, mention should be made of our user-friendly interfaces, an innovative washer group with an in-built BLDC engine enabling effective washing with high efficiency ratings, and a new door with ergonomic opening. The dryers began to be produced in the autumn, and washers with a wash load capacity of up to 7 kg went into production at the end of the year. In May 2012, we will introduce washers with higher wash load capacities of up to 9 kg.

Cooking appliances

Most of our development resources in 2011 were focused on pre-development activities in a project involving a new platform of compact (height 45 cm) and standard (height 60 cm) built-in BIO 45/60-14 ovens. These will be intended partly for the medium price grade, and above all for the upper medium and high price grades. This technologically highly complex project involves the development of technologies which Gorenje has not been familiar with so far. The products from the first phase of this project will be on the market at the end of 2013, and those of the second phase a year later. We were engaged in the development of an innovative technology, IQook, featuring automatic cooking and roasting. The technology was presented at the IFA fair in Berlin in September 2011, and will be available in induction cookers in the first half of 2012. The development of induction hobs is our permanent task, as this technology is rapidly replacing classical radiant heaters. We worked on the development of a new generation of a base segment of induction hobs – these products will be available in the first half of 2012. The development of a unique electronic timer integrated into the control button of a gas cooker (SimplOff) was a smaller, yet very important project for markets where gas is the main energy source.

Refrigerators / Freezers

In the first half of 2011, we completed the development of and began to produce a new generation of freezers with highly improved energy efficiency as the result of a newly developed cooling system. A great deal of our development activities in the area of refrigerators/freezers were focused on improving energy efficiency and optimising the costs of existing products.

We began to develop a new platform of independent refrigerators/freezers in a width of 60 cm for the medium and higher price grades. Special emphasis was laid on attaining energy efficiency and developing innovative solutions while constantly ensuring the cost-competitiveness of our products. These products will appear in the market in two phases – in the spring of 2013 and the spring of 2014. In the last quarter of 2011, we began to develop a new generation of built-in refrigerators/freezers in a width of 54 cm. The products from the first phase of this project will be on the market at the end of 2013, and those of the second phase at the end of 2014.

Heating systems

In 2011 we completed the majority of our development activities and began the regular production of low-temperature heat pumps. Activities were under way in a project involving high-temperature heat pumps, which will be on the market in the first half of 2012. We were also actively involved in the development of heat pumps for heating sanitary water. The most important project in the area of water heaters was the so-called SLIM water heater (its production is planned at the end of the first half of 2012) and the SMART electronics project, which will enable water heaters to consume substantially less energy.

In future, we see our main opportunities in the development of energy-efficient components, which will be incorporated into our products. New materials are also an area where we see potential for improving the functionality and energy efficiency of our products. The Company in particular sees its opportunity in the development of solutions that simplify the use of its products (user interfaces, connectivity, etc.).

Table 3: Awards to Gorenje in 2011

Date	Awards
15 Mar 2011	Gorenje's iChef control module awarded with the Red Dot Design Award 2011.
23 Mar 2011	Gorenje was awarded with the Trusted Brand 2011.
28 Mar 2011	Gorenje's glass ceramic gas hob of the Atag Magna line and three Asko Classic line dishwashers are the winners of the Red Dot Design Award 2011.
30 Mar 2011	Gorenje's washing machine WA60125 awarded Best Eco Washing Machine by Good Housekeeping magazine.
6 Apr 2011	Dishwasher Gorenje received the sign "VIP test" the Consumers' Association of Slovenia.
12 Apr 2011	Company Gorenje Orodjarna received Gold and Silver Forma Tool Medal.
20 Apr 2011	Gorenje wins the Best Enterprise Award.
11 May 2011	Gorenje's Retro refrigerator collection wins a Get Connected Product of the Award 2011.
13 Jun 2011	Ironing station Gorenje SGT 2400B received VIP sign the Consumers' Association of Slovenia.
21 Jun 2011	Gorenje received 6 innovation awards. Five by the Chamber of Commerce and Industry of the Savinjsko-šaleška region and one by the Štajerska region.
20 Sep 2011	Gorenje wins CCIS golden award for best innovations.
10 Nov 2011	Gorenje annual report 2010 the best in terms of communication.
14 Oct 2011	Gorenje Simple&Logical washing machine was inaugurated in the roster of legendary products of Slovenian design with receiving the Timeless Slovenian Design Award.
14 Oct 2011	Gorenje home appliance control interface wins honourable mention Design of the Year Award for 2011.
17 Nov 2011	Oven iChef+ won the Plus X Award 2011 for innovation, high quality, excellence of design and simplicity of use, as well as product of the year award in the category of ovens.
17 Nov 2011	Gorenje RedSet washing machine won the Plus X Award 2011 for excellence of design, simplicity of use, and environmentally friendly and economical operation.
16 Dec 2011	Gorenje received the Portal 2011 for an open public limited company, granted by the Stock Exchange.

Source: http://www.gorenjegroup.com/en/awards/awarded_corporate_identity_solutions/2011

1.4 Gorenje Shares and Investor Relations

In a time of global financial and economic crisis, the role of capital markets has significantly strengthened even in those economies that traditionally give priority to the banking system. In a credit crunch situation, the diversification of sources is the best way to ensure relatively stable operation and adequate conditions for further development.

Bearing this in mind, we are reflecting on the ways in which to strengthen our presence in capital markets in order to take maximum advantage of the potential brought by the listing of our shares on the stock exchange. Our desire is to provide our shareholders with a potentially profitable and liquid investment, and to improve conditions for receiving fresh daily funds through the capital market. In addition to achieving goals for our successful operation, we are directing more and more energy towards improving the transparency of operations, developing corporate governance, clearly defining and implementing our strategies, and activities focused on relations with investors.

By the dual listing of shares, we are working towards increasing the liquidity of our shares.

We have identified dual listing on an international stock exchange as one of the tools for improving the liquidity of and long-term potential return on shares. Our primary intention is to increase the recognisability of our shares among international investors and analysts. How this will be carried out and which stock exchange will be chosen to list our shares are yet to be decided.

It seems that our primary task in this respect is to provide for a sufficient number of shares in free circulation, which will allow investors to engage in active trading. An important role will also be played by the general atmosphere in capital markets.

At the beginning of 2012, the General Meeting of Shareholders rejected the Management and Supervisory Board's proposal to purchase own shares, which we may have wished to use for listing on an international stock exchange. We shall continue discussing the alternatives with our owners, and are confident that a solution will be found to stimulate Gorenje's growth and development, and at the same time adequately protect the interests of its current owners.

1.4.1 Movements in Share Prices

Table 4: Trading data on Gorenje shares

	2011	2010	2009	2008	2007	2006	2005	2004
Shares outstanding	15,906,876	15,906,876	14,030,000	14,030,000	14,030,000	12,200,000	12,200,000	12,200,000
Number of own shares	121,311	121,311	121,311	121,311	1,183,342	1,183,342	717,192	251,042
Number of shareholders	19,265	20,627	21,623	21,359	19,779	17,168	19,779	17,168
Annual turnover	13,972,282	14,974,483	13,732,616	15,899,680	152,035,954	63,995,302	50,622,953	26,675,752
Average market capitalisation	141,393,532	194,909,228	161,415,150	368,497,950	454,825,150	297,863,000	300,608,000	288,408,000
Value turnover (turnover / average market capitalisation)	0.10	0.08	0.09	0.04	0.33	0.21	0.17	0.09

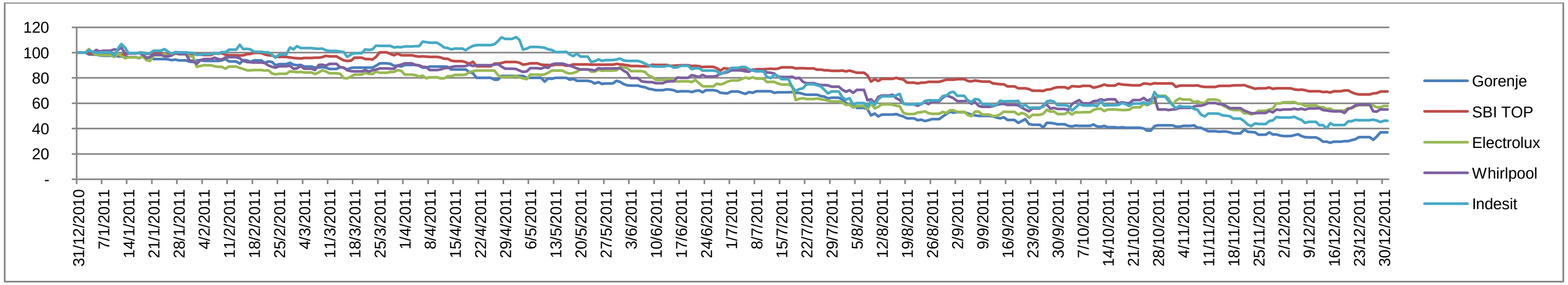
Source: Data from Gorenje Group and Ljubljana Stock Exchange.
Note: All data are for the year end, except the annual turnover and average market capitalisation, which are for the whole year.

Table 5: Indicators of Gorenje shares

	31 Dec 2011	31 Dec 2010	31 Dec 2009	31 Dec 2008	31 Dec 2007	31 Dec 2006	31 Dec 2005	31 Dec 2004
Closing rate	5.00	13.49	12.49	10.52	42.01	26.25	22.58	26.70
Highest value	13.30	14.72	13.98	42.18	49.64	26.71	27.53	29.05
Lowest value	3.90	11.59	7.69	10.50	25.90	21.29	22.12	20.83
Earnings per share	0.46	0.20	-0.44	0.89	1.03	1.08	1.07	0.95
Book value of share (BV)	21.24	21.04	21.87	22.47	24.60	18.99	18.34	18.69
Dividend	NA	-	-	0.45	0.42	0.42	0.42	0.42
P/E (price / earnings per share)	10.87	67.45	-28.39	11.82	40.79	24.31	21.10	28.11
P/B (price / book value of share)	0.24	0.64	0.57	0.47	1.71	1.38	1.23	1.43
Dividend yield	NA	0.00%	0.00%	4.28%	1.00%	1.60%	1.86%	1.57%

Source: Data by Gorenje Group and Ljubljanska borza, d.d.

Chart 1: Movements in Gorenje Share Prices



Trading on the Ljubljana Stock Exchange in 2011 was again marked by falling exchange rates and low liquidity of shares. The Slovenian financial system and the economy are still trying to shake off the effects of the financial and economic crisis, which have significantly reduced the demand for Slovenian shares among domestic and foreign investors. As a result, the SBI TOP index dropped a further 30.7% in 2011.

62.9% decrease in the value of Gorenje shares in 2011. The main reason for this was, according to investors participating in our survey, the low liquidity of the Slovenian capital market.

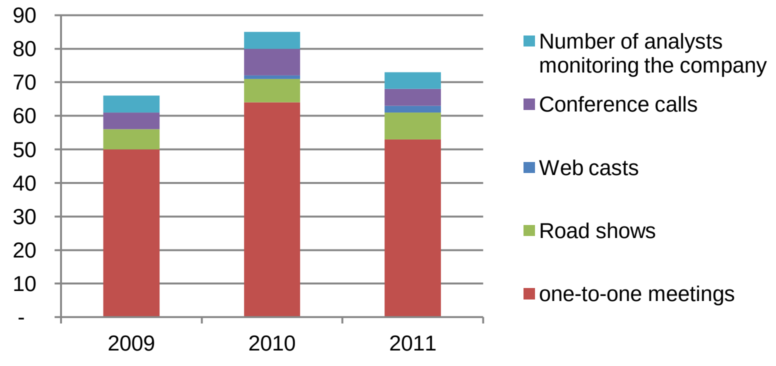
In the past year, the value of Gorenje shares decreased more than the central index, falling 62.9% at a 6.2% lower trading volume. Falling prices were also recorded by the shares of competitors, but these were not as pronounced. Since the beginning of the economic crisis, investors have demonstrated extreme caution towards all types of risks. Each time a dark scenario for a way out of the European debt crisis appears in the market, the shares of companies with slightly higher financial leverage, such as Gorenje, experience a particularly big drop in share prices. Even during smaller pressures on sale, low liquidity in the domestic market can cause huge negative shifts in share prices.

In a survey conducted among investors at the end of November 2011, the majority (60%) expressed the view that the Gorenje share is undervalued. The main reason for this is, according to investors, precisely the low liquidity of the Slovenian capital market.

1.4.2 Investor Relations

In the past year we attended 53 meetings with investors.

Chart 2: IR activities of the Company



The key goal of communications with the financial public is to provide adequately structured, transparent, reliable, and up-to-date information on the business development of the Group and its financial standing. In doing so we treat all existing and potential shareholders on an equal basis, providing them with the best possible foundation for making investment decisions.

In 2011 Gorenje received the PORTAL open public limited company award. We have assessed this to be the result of several years of efforts and pioneering work in the areas of corporate communication and governance in Slovenia.

Public Announcements

Controlled and price-sensitive information is posted on the web pages of the Ljubljana Stock Exchange via the SEOnet system and on our website. Certain other information prescribed by the Articles of Association (e.g. convening of meetings) is also published in the Delo newspaper. In 2011 the Company published a total of 53 public announcements, all of which were simultaneously published in the Slovenian and English languages.

All public announcements in English were sent to international press agencies, media, investors and analysts via an e-mail distribution system that currently includes more than 140 international and 165 domestic recipients. Besides public announcements, E-news are also sent on request to investors.

www.gorenjegroup.com/si/za_medije/sporocila_za_javnost/prijava_na_novice.

Direct Contacts with the Financial Public

After publishing our quarterly results, we organised a meeting with investors, financial analysts and representatives of financial investors (banks). The presentation is posted on our website (http://www.gorenjegroup.com/en/investor_relations/presentations). On 20 December 2011 we organised a meeting with investors upon the announcement of the Company's new strategic plan for the 2012–2015 period

(http://www.gorenjegroup.com/en/investor_relations/strategic_plan). We attended two virtual presentations (webcasts) for investors organised by the Ljubljana Stock Exchange (http://www.gorenjegroup.com/en/investor_relations/webcast).

We communicated with institutional investors at eight conferences, during which we participated at 53 individual and group meetings. We also organised five conference calls (primarily after the publication of periodical results).

Table 6: Analysts that follow Gorenje shares

Company	Name and Surname	Recommendation	Date valuation	Link to the web site
KD Banka d.d.	Bojan Ivanc	Buy	18 Nov 2011	www.kdb.si
ALTA Invest d.d.	Matej Justin	Buy	15 Nov 2011	http://www.alta.si/Analitski_koticek
NLB, d.d.	Jan Grižon	Hold	18 Nov 2011	http://www.nlb.si/borza
Erste Group Bank	Vladimira Urbankova	Buy	22 Dec 2011	www.erstegroup.com
Raiffeisen Centrobank AG	Oleg Galbur	Buy	21 Nov 2011	http://research.rcb.at

We work closely with sell-side analysts and provide them with a maximum amount of information so as to ensure quality monitoring of the Company's operation. We are always at their disposal for commentaries and additional explanations of public announcements, thus contributing to the objectivity of information in their analyses. One of our goals in the area of investor relations is to increase the number of analysts who regularly publish trading recommendations on the Gorenje share. At road show conferences we regularly meet new analysts who are interested in our operations. In our meetings with them, we endeavour to provide as detailed information as possible in order to facilitate the monitoring of our shares.

We have introduced a silent period that begins fifteen days prior to the public announcement of quarterly reports, during which the Company has no organised meetings with representatives of the media, investors or analysts.

Communications with Minor Investors

Communications with minor investors were carried out by phone, e-mail, classic mail, and even in person, particularly in the period of organised collection of authorisations for general meetings of shareholders.

For the fourth consecutive year, we issued a Slovenian magazine for Gorenje shareholders, *Delničar* (Shareholder), which is accessible here:

www.gorenjegroup.com/si/odnosi-z-vlagatelji/revija-za-delnicarje-gorenja.

Financial Calendar for the Year 2012

Table 7: Gorenje's Financial Calendar for the Year 2012

Anticipated release date	Type of Release	Silent period
12 Mar 2012	Unaudited financial statements of Gorenje, d.d., and Gorenje Group for the year 2011	**from** 26 Feb 2012 **to** 11 Mar 2012
19 Apr 2012	Annual Report of Gorenje, d.d., and Gorenje Group for the year 2011 Statement of Compliance with the Corporate Governance Code for Public Joint-Stock Companies	
25 May 2012	Interim Report of Gorenje, d.d., and Gorenje Group for January-March 2012	**from** 10 May 2012 **to** 24 May 2012
5 Jul 2012	Resolution of the 17th Regular General Meeting of Gorenje, d.d.	
24 Aug 2012	Interim Report of Gorenje, d.d., and Gorenje Group for January-June 2012	**from** 9 Aug 2012 **to** 23 Aug 2012
16 Nov 2012	Interim Report of Gorenje, d.d., and Gorenje Group for January-September 2012	**from** 1 Nov 2012 **to** 15 Nov 2012
18 Dec 2012	Summary of business operations assessment 2012 and Business Plan 2013	

The foreseen dates of planned periodical announcements and other price-sensitive information are specified in the table, and may deviate from those of actual announcements. The financial calendar is posted on SEOnet (http://seonet.ljse.si/) and on our web page: http://www.gorenjegroup.com/en/investor_relations/release_schedule. Any changes in the foreseen announcement dates will be posted on the same sites.

If dividends for the 2011 financial year are paid out, the shareholders that are **entered in the share register as at 8 July 2012** will be entitled to dividends. These will be paid within 60 days after the adoption of a relevant resolution at the 17th regular general meeting of shareholders of the Company.

Contact person for the financial public and minor investors

If you wish to receive our public announcements or contact us, please call Ms. Bojana Rojc, who is responsible for Investor Relations, at no. 386 899 1345 or 386 51 351 706 (cell), or send an e-mail to bojana.rojc@gorenje.com.

1.4.3 Ownership Structure

Foreign investors had a 31% ownership share at the end of 2011.

19,265 shareholders were entered in the share register as at 31 December 2011, which is 6.6 percent less than at the end of 2010, when the Company had 20,627 shareholders.

Read more about the changes in ownership structure here:

http://www.gorenjegroup.com/en/investor_relations/ownership_structure

At Gorenje we are endeavouring to increase the share of institutional investors in our ownership structure. Although we have attained a solid and stable core of owners who are following our development, we are lacking more active investors whose trading would improve the Company's liquidity and more swiftly bring the price of the Gorenje share closer to its value in real terms.

Our largest investor at the end of 2011 was, once again, Kapitalska družba, which is owned by the Republic of Slovenia. A significant ownership share was acquired in the past year (5.16%) by NFD1, while KD skladi reduced its share below 5%.

In 2011 the shares held by foreign shareholders increased to approximately 31 percent. These are normally not entered in the share register, as foreign banks and other trustees register on behalf of one or more shareholders (escrow account). We have noted that foreign owners of shares more actively engage in trading than domestic owners, which is why their presence is highly important for the activity of shares.

Own Shares and Voting Rights

The number of Gorenje's own shares remained unchanged in 2011. The Company has 121,311 own shares, which represents a 0.7626-percent shareholding.

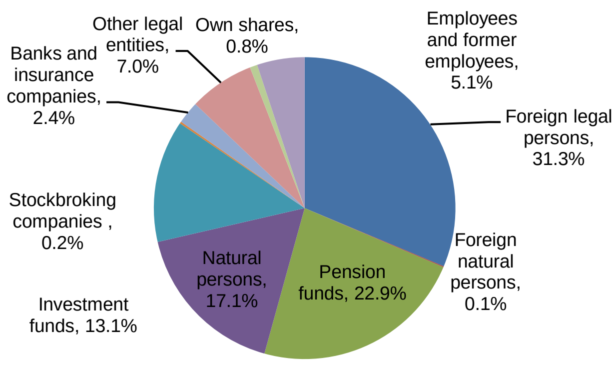
The Company's Articles of Association stipulate that one share entitles its holder to one vote, but own shares do not have voting rights. The Articles of Association do not contain any provisions invalidating the proportionality of rights arising from share ownership, such as the rights of minority shareholders or restrictions of voting rights. At present the General Meeting has not adopted any resolutions on the conditional increase of capital.

Table 8: Gorenje's ten major shareholders

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**	**60.98%**		

Source: Klirinško depotna družba (www.kdd.si)

Chart 3: Ownership Structure as at 31 December 2011



2. New Strategy 2012 - 2015

Reasons for the development of the new strategy after two-year's validity of the previous one

Since the end of 2008 the Gorenje Group has faced important external and internal changes that have had a strong impact on its operation. In 2009, the strategic plan for the period to the year 2013 was completed and confirmed, but only a year later the plan did no longer comply with such great changes that were brought about by the circumstances in the operation in the financial and economic crisis. Therefore, the formulation of the new strategy begun in the second half of the year 2010. This strategywill enable Gorenje business and post-crisis recovery and revitalisation of its operation.

Primary reasons for re-development of the strategy of operation were as follows:

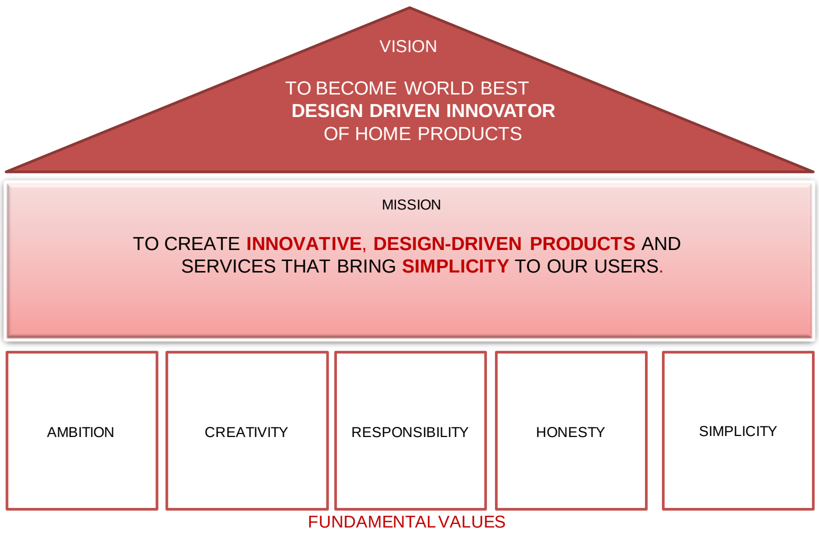
- **Changes in the external development**
  The circumstances of operation significantly changed from the time of preparation of the previous strategic plan (beginning of the year 2010) due to unstable economic environment caused by the world financial and economic crisis.
- **Changes in the Gorenje Group**
  - In August 2010, the Gorenje Group took over the Asko Group, the Swedish producer of household appliances;
  - In 2011, intensive activities of disinvestment of unnecessary property and business activities were performed (the sale of the ownership share in the company Istrabenz Gorenje, disinvestment of real-estate in Serbia and France).
- **Adjustment to the requirements of effective corporate governance**
  Assurance of minimally medium-term impact and insight into successful operation of the Gorenje Group.

Basic changes in the strategy for the period 2012 - 2015

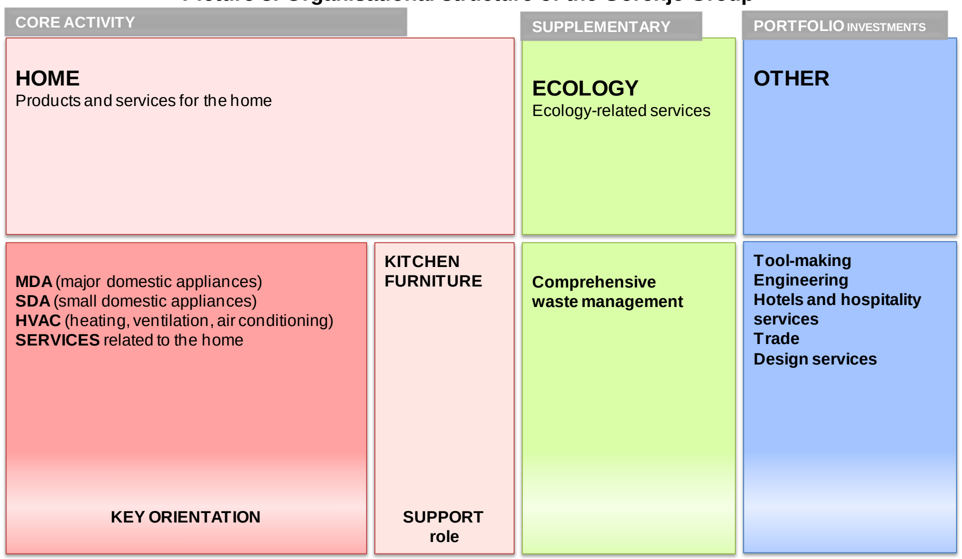
The new strategic plan up to the year 2015 contains very important changes in the organisational structure and the method of operation of the Gorenje Group as a unit:

- it changes the **vision**, **mission** and consolidates the already established **values** of operation of Gorenje,
- it introduces the new **macro- and micro-organisational structure** to Gorenje,
- it changes the **business model** of operation of Gorenje and
- it introduces new **strategic objectives** of operation of Gorenje to the year 2015 that have been adjusted to the changes.

Picture 2: Vision, mission, values

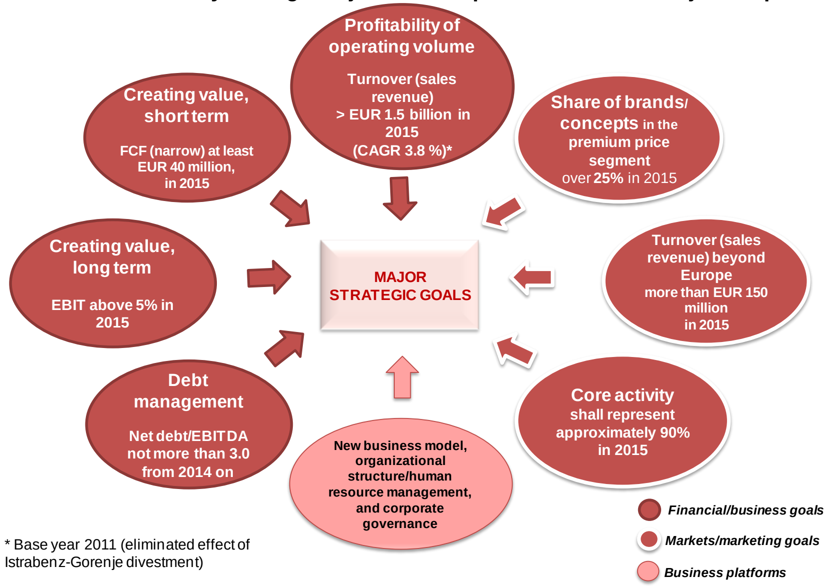


Picture 3: Organisational structure of the Gorenje Group



Picture 4: Business model of operation of the Gorenje Group

Picture 5: Key strategic objectives of operation of the Gorenje Group



* Base year 2011 (eliminated effect of Istrabenz-Gorenje divestment)

2.1 Changes in business environment

2.1.1 EU debt crisis

With its new strategy, the Gorenje Group adjusts to the changed external and internal business conditions.

Since the announcement of the previous strategy in the beginning of 2010, the market conditions changed a lot for the industry of home appliances and have become strained due to unstable economic environment. The previous strategic plan did not include the key internal changes that have a significant impact on the further development of the Gorenje Group, i.e. the acquisition of the Scandinavian Asko Group and the commencement of the disinvestment activity. Within the disinvestment activity, the share in the energy enterprise Istrabenz Gorenje was also disposed in the current year.

When designing the strategy, the consumer megatrends were considered, such as the demographic changes, the growing environmental awareness of consumers, the emphasis on healthy living, the technological trends (smart devices), and the shifts on the scale of expanding economies for the industry of home appliances.

In 2011, Gorenje operated in severe business conditions which will also continue in the upcoming financial year.

Just like the other major competitors in the industry, the Gorenje Group was faced in the current year with extremely challenging business conditions due to the European debt crisis, the negative effects of the currency fluctuation in Serbia, Czech Republic, Poland, Russia and Scandinavia, the increased prices of raw materials and materials that could not be transferred in full to the selling prices, a high unemployment rate, consumer restraint in spending, and payment indiscipline.

The above mentioned business conditions adversely affected the profitability of sales (change in geographic structure and product structure of sales). Worse profitability is also due to the transitional negative effects of the commencement of activities of the restructuring of the Asko Group and the Home Interior Division.

The possible scenarios of the upcoming EU debt crisis movements are seen in association with a closer fiscal union, a gradual reduction of debt of the countries and a recapitalisation of banks, a write-off of debts following the Greece example, and maybe even a withdrawal from the euro zone of a member country.

The impact of the EU debt crisis on the Gorenje Group's operations in the upcoming years is expected to occur in the changed conditions of refinancing loans and reducing indebtedness, in an impaired ability of end buyers and shop chains to finance purchases, and in the value of euro in relation to national currencies, in particular in the area of South-East Europe.

Table 9: Macroeconomic data by key markets of Gorenje

	EU 27	EMU	Netherlands	Germany	Denmark	Slovenia	Croatia	Serbia	Czech Republic	Russia*
GDP growth rate	1.5%	1.4%	1.2%	3.0%	1.0%	-0.2%	0.6%	1.9%	1.8%	4.3%
Unemployment rate	10.0%	10.6%	4.9%	5.7%	7.8%	8.7%	13.1%	23.7%	6.7%	7.3%
Inflation rate	3.1%	2.7%	2.5%	2.5%	2.7%	2.1%	2.2%	7.0%	2.1%	8.9%
Change in exchange rate of national currency	-	-	-	-	0.3%	-	-2.0%	-3.6%	-2.8%	-2.3%

Sources: Eurostat, Bank of Slovenia, the local Bureau of Statistics
Note: * Estimate of the International Monetary Fund

2.1.2 Volatile raw materials market

Chart 4: Share of raw materials in the costs of materials of the HA Division

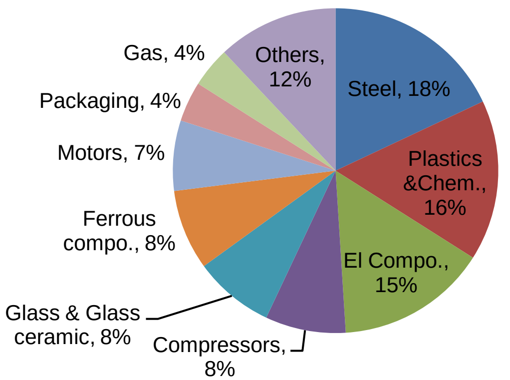
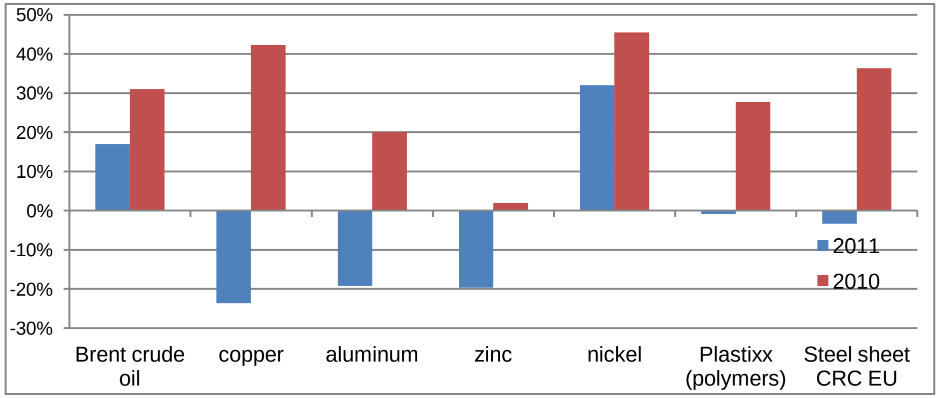


Chart 5: Changes in the prices of major raw materials of the HA Division



The costs of sheet steel, plastics, electronic components, compressors, glass and glass ceramics have the major impact on our operating costs. Different coloured metals (copper, aluminium, nickel) are also extensively used in the production through various electrical components and steel products.

The volatility of raw materials markets has strongly increased after the last crisis due to financial instability and unpredictability of economic circumstances. The price movement of raw materials is affected by numerous factors: macroeconomic environment (the rate of recovery of the global economy, GDP growth, inflation, global trade, etc.), key market factors in raw materials industries (supply, demand, inventories, new projects for exploitation of sources), psychology of stock exchange investors, exchange rate movements (in particular of US dollar), unexpected political and environmental events.

In the climate of high volatility in global markets, we use various methods of protection against adverse effects of the market prices of raw materials. With the help of market analyses and a timely perception of trends, we decide together with our suppliers on the best method of protection from the aspect of the adequate moment of time, costs, risk, and duration of contract / lease. In order to reduce exposure to raw materials pricing risk, various tools and methods are applied, such as forward lease, derivative financial instruments, and cap price contracts.

Numerous market indicators show that the raw materials prices reached their bottom in the last months of 2011. The lower forecasts of world economic growth and the unstable financial conditions will limit demand for raw materials and curb extreme price increases in the near future. In the scenario of a moderate economic recovery, without recession, the prices of raw materials in 2012 should be at the level of the previous period's average prices. Due to the impact of specific market factors, the prices of copper and aluminium will grow faster. There will be also a great uncertainty about the future movement of prices of oil and plastics due to strained and unforeseeable geopolitical events. An important factor influencing raw materials prices is the value of US dollar, since a weaker euro would affect the increase in raw materials prices which, as a rule, are listed in US dollars.

The forecasted price movements of raw materials will reduce further pressure on production costs increase and bring the effects of raw materials near to the previous year's level. The positive effect on the major performance ratios will also be supported by favourable lease of metals and sheet metal for the major portion of annual requirements.

2.1.3 Trends in the line of business

In 2011, the value of sales of household appliances increased over 2 percent. The growth was strongest in Russia, Kazakhstan, Ukraine and Turkey, and also in the Central and Eastern Europe. The market of household appliances dropped most in the PIIGS countries (Portugal, Ireland, Italy, Greece, Spain) and the countries of former Yugoslavia. Germany is still the largest European market for the sale of household appliances, but Russia is the market where growth is fastest. It has thus become the fourth largest European market for the sale of household appliances. Considering the sales channels the sale of household appliances through the Internet has gained importance and it accounts for over 11 percent of sales value. The Internet sales have increased in all the regions, also in Russia. In 2011, Turkish and Asian producers increased their market shares most in the segment of household appliances since they are aggressive with their aggressive prices and innovative products.

The main trend in the field of household appliances is energy efficiency whose meaning was increased by the new energy label. In addition to the energy-efficient appliances the growing segments are also washers with a wash load capacity of up to 7 kg and more and dishwashers with water consumption of 12 litres or less, NoFrost combined refrigerators with a bottom freezer, pyrolytic ovens and induction hobs.

2.2 Measures for the improvement in performance

In its operation Gorenje has faced four different basic problems that partly arise from the characteristics of the business environment and the line of business of their basic operation, namely the production and sale of home appliances and partly from their process structure: **(1)** low profitability, **(2)** poor management of net working capital, **(3)** unforeseeable movement in a free cash flow and **(4)** relatively high indebtedness.

The response to these problems can be directly summarised from the key strategic objectives of the Gorenje Group whose achievement is in scope of groups of measures in the field of

- an increase in the volume of business activities and changes in their structure (geographic and product/services),
- strengthening of capability of generating value,
- strengthening of financial resistance and
- implementation of the strategic plan with functional strategies.

2.2.1 New organisational structure

The new strategic plan changed the previous organisation of the Gorenje Group from divisions to the structure reflecting business segments by their importance and purpose. The basic purpose of the reorganisation is to establish a process (functional) organisation of the Gorenje Group that has adjusted the complete organisational infrastructure of the operation of the Group to the key strategic objective of establishing an **efficient business platform**. The objective of creating an efficient business platform is namely a key tool for the achievement of all other strategic objectives that places three basic elements of value generation in the forefront: **(1)** people, **(2)** processes and (**3)** their management in an excellently operating unit (business model).

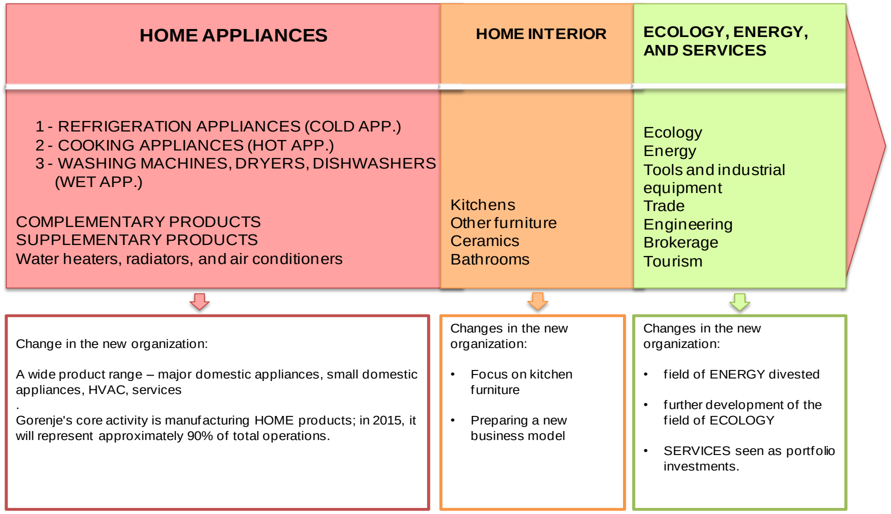
The Home Appliances Division has been restructured into the basic **business segment of Home Appliances**. In addition to production and sale of home products and services it includes also the part of the former Home Interior Division, which integrates the production and sale of kitchen furniture in scope of the Home Appliances segment. Until the year 2013 the Home Interior Division – in its previous form - will be divided into three segments and besides the strategic component of the kitchen furniture it will become a part of other segments of the new organisation, namely of the Ecology and the Portfolio investments.

The field of Ecology with the new organisation structure of the Gorenje Group has become a complementary segment and performs ecology-related services. This is the second strategic component of the operation of Gorenje with the emphasis on the comprehensive waste management which is definitely one of the activities with strong development potential.

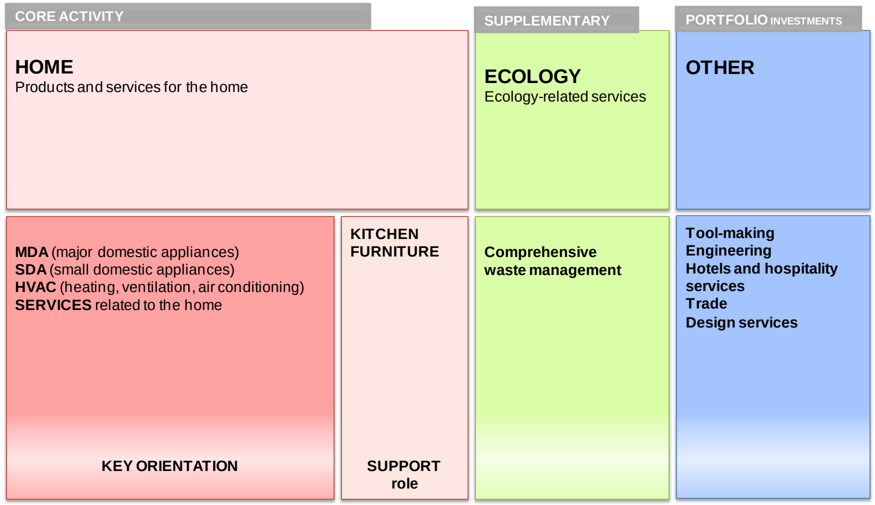
Other companies and activities that do not belong to the above-mentioned segments in accordance with their operation or strategic meaning for Gorenje are classified into the **Portfolio investments segment**. The basic attributes of their inclusion or operation in the Gorenje Group are mostly financial and reflect the capability of value generation (economic profit) and an adequate ratio of net debt to EBITDA. In case of such new investments the main attributes for the inclusion are strategic reasons and adequate net present value of future yields of an investment.

Picture 6: Transformation from the old to a new organisational structure

Previous Gorenje Group organization: three divisions:



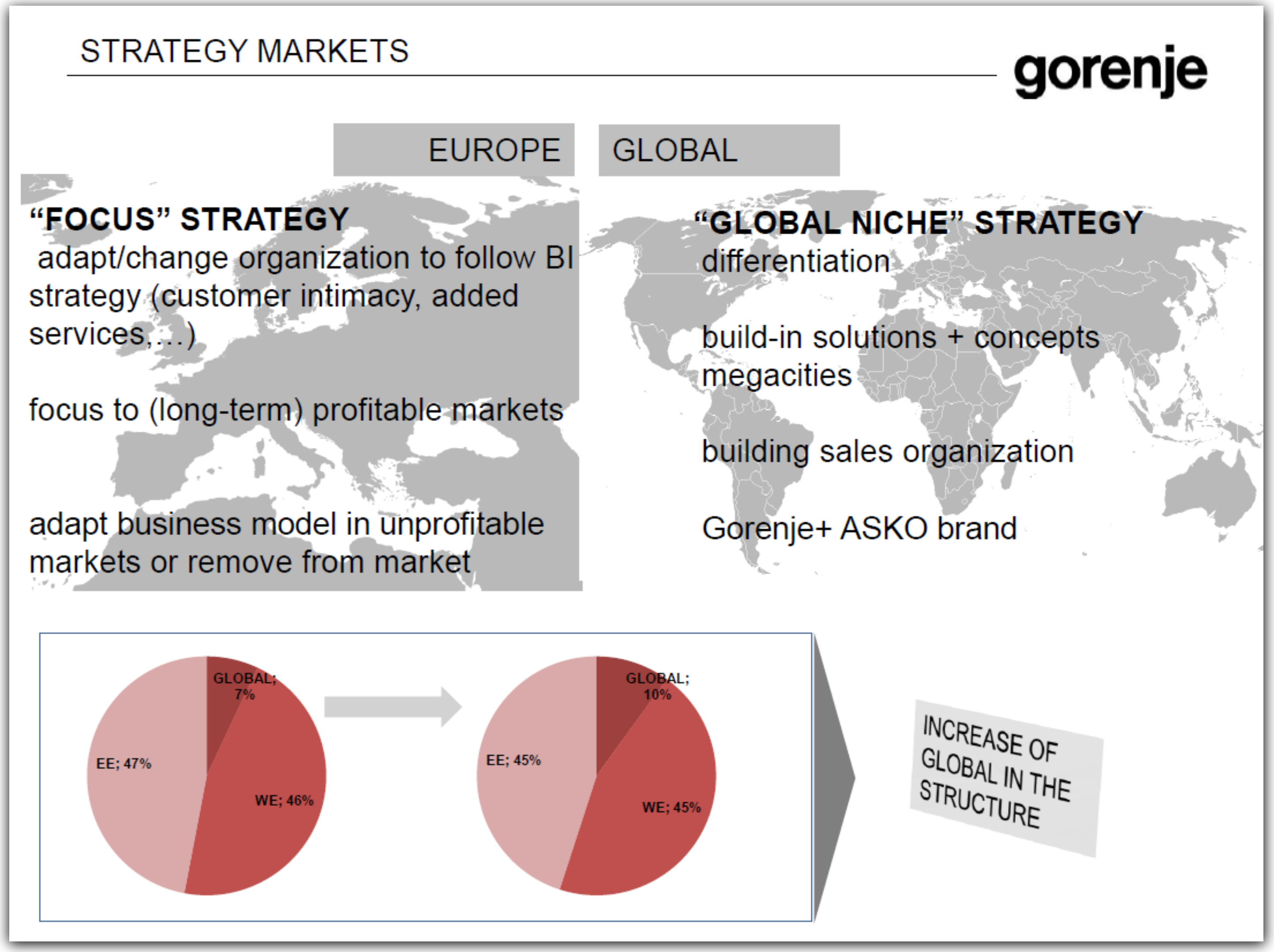
New Gorenje Group organization: three business segments:



The second level of new organisation structure is a micro-organisational structure of the Home Appliances Segment in the context of which the management has also changed its organisation from the previous divisions where individual members of the management board were responsible for separate divisions or their supporting activities to the process (functional) one, where the main process is in the forefront. It is divided into sale and other operations with two responsible members of the management board for both mentioned functional groups of operation. The complete organisational structure at lower levels follows this pattern that has actually achieved the process organisation by this approach and has become a tool of the basic attribute of sustainable improvement in performance, namely the **process excellence**.

2.2.2 Niche orientation of operation

Picture 7: Focus and global niche strategy



Besides the central sales range of products ensuring the volume Gorenje will systematically focus on market niches where higher added value can be achieved.

In Europe it will search for product niches where competition is not so fierce. From the view of products, Gorenje will focus on products that distinguish Gorenje from other competitors outside Europe (mostly on designer lines) and on the segment of built-in appliances. Geographically, the centre of its focus will be only selected markets and in their scope micro markets, such as large towns.

In any case, Gorenje wants to be different from the competition with its products and within this distinctive feature it would like to search for an opportunity of growth and achievement of higher profitability.

2.2.3 Optimisation of operation of performance

Increase in the volume of business activities

Table 10: Key strategic goals of operating volume

Key strategic goals	
Financial / business goals	Revenue > EUR 1.5 billion in 2015 (CAGR 3.8 %)
Markets / marketing goals	Share of brands / concepts in the premium price segment over 25% in 2015
Markets / marketing goals	Revenue outside Europe more than 150 MEUR in 2015
Markets / marketing goals	Core activity shall represent app. 90% in 2015

* Base year 2011 (eliminated effect of Istrabenz-Gorenje divestment)

The key field of improvement in performance is the increase in the volume of business activities along with the constant strengthening of their profitability. It serves as a basis for other activities, also and mostly in the field of process optimisation and thus the increase in cost-effectiveness. On one hand, this simply means an increase in sales volume of those products and services where added value can be increased and on the other one of those products which will help us achieve a reasonable level of the economy of scale.

The new organisation of the Gorenje Group, with the emphasis on the Home Appliances Division (at the beginning of 2012 it was renamed into the Home Appliances Segment) has simplified also the processes of performance of sales activities and thus has increased the efficiency of operation of all the main and supporting sales processes, development and production.

Such an organisation platform represents a starting point focused on **(1)** the search and development of product (built-in appliances, etc.) and geographic niches (emerging markets - BRIC and other overseas countries), **(2)** increased focus on design accomplishment and innovativeness, **(3)** strategy of several trademarks for all price brackets and **(4)** movement from the Pan-European to global presence mostly with niche products.

Creation of value

Table 11: Key strategic goals of creating value

Key strategic goals	
Financial / business goals	Short term creating value: FCF (narrow) at least EUR 40 million in 2015
Financial / business goals	Long term creating value: EBIT above 5 % in 2015

Improvement in profitability and indirectly of a cash flow is directly linked to process improvements, mostly in the field of sales, development and production. It is a segment that represents an increase in economic productivity of operation by the reduction in the share of labour costs in added value. Thus, the share of generated value for the needs of financing of development and deleverage will directly increase.

The introduction and strengthening of the active role of product management and trademark management have improved the process from the market through development and production back to the market which will have an important impact on **(1)** the improvement in the product and geographic structure at rather modest growth in the volume of the business activities and **(2)** possibility of an increase in the volume of activities relating to products with higher added value along with the simultaneous strengthening of the economy of scale in order to be able to improve the yield level of the existing development and production capacities.

This enables also simultaneous process and thus cost-optimisation of all the mentioned and other supporting processes; the most significant effects are expected mainly in relation to the optimisation of production centres and to the search for synergy effects in this section of operation of the Gorenje Group (Home Appliances Segment) that has been strengthened as a focus point of activities of the operation of the Gorenje Group.

In the segment of net working capital the planned process improvements will be additionally supported by up-graded, supplemented activities as well as by new activities that will encouragefaster turnover of operating receivables and inventories along with the optimal turnover of operating liabilities. This is a key field for the achievement of the target level of a free cash flow, also in much shorter periods of time than this will be possible only by the improvement in profitability of operation.

Improvement in financial resistance

Table 12: Key strategic goals of debt management

Key strategic goals	
Financial / business goals	Debt management: net debt/EBITDA not more than 3.0 from 2014 on

An increase in capability of self-financing in scope of **(1)** development financing and **(2)** deleverage will be the resultant of three main elements: **(1)** increase in profitability of operation, **(2)** focused investing and **(3)** management of elements of net working capital.

In recent years, after the first crisis year, the Gorenje Group primarily focused its investment policy on investments with high added value and short repayment periods. In this way, the level of investment financing (Capex) reached the amount ranging from

EUR 45 to 51 mio (the target level in the year 2015), which is sufficient for the financing of key development projects that are components of the strategic plan. In this context, disinvesting procedures were discussed and they will also represent a strong support to the increase in capability of self-financing and deleverage in the period up to the year 2015 and in the period of planned achievement of the 5 % EBIT margin.

The elements of net working capital are the categories that directly depend on the process arrangement and connection of processes in an efficiently operating unit. In accordance with the plans the enumerated process-organisational changes will also shorten the time from an order to a delivery, systemise procedures and make them completely transparent, regardless of the fact how many legal entities are involved from the production centre to the end buyer outside the Gorenje Group. This means an introduction of a pure process principle to the performance of the main activity of Gorenje, the Home Appliances Segment. The most important segment in this context is the optimisation of operation of production centres and their efficient connection to the processes of purchasing and sale (logistics).

Functional strategies and monitoring of the strategic plan implementation

Table 13: Key goals of business platforms

Key strategic goals	
Business platforms	New business model, organizational structure, human resource management, and corporate governance

The measures improving performance are discussed in the strategic plan in a special appendix, where detailed plans by individual processes (functions) of the Group's operation and the schedule of their implementation have been prepared. Their implementation will be systematically monitored and valued. Due to this fact the so-called project office has been established since the beginning of 2012 and it currently monitors, co-ordinates activities for their implementation and regularly reports to the company management. The supervisory board of the company will monitor the implementation of the strategy in every meeting.

The strategic plan has been prepared on a floating annual basis which means that its status will be checked every year and any possible changes in the main strategic policies will be discussed in case of major changes in the environment and in the strategic objectives within the Gorenje system. In case of significant changes the strategic plan will be adjusted accordingly.

2.3 Anticipated profit or loss in the strategic period

- **Strategic time frame to the year 2015**

The main strategic objectives of the Gorenje Group and the implemented strategic and operative objectives of operation at lower levels of operation in the period from the year 2012 to the year 2015 have been based on the key strategic objectives of **(1)** financial-business nature, **(2)** market-marketing nature and **(3)** targets of the so-called business platform.

Objectives of the business platform are the objectives creating conditions for the achievement of both other groups of strategic objectives. They include **(1)** the introduction of the new organisation structure of operation of the Gorenje Group, **(2)** the introduction of the new business model, **(3)** the up-grade of corporate management and **(4)** a new model of human resource management. The importance and urgency of their achievement is very high and without their implementation other objectives would achieve lower levels than planned, which would significantly change the trend of the Gorenje Group as a business system.

Key **market-business strategic objectives** represent a business up-grade of objectives of the business platform that co-create key financial – business objectives of operation of the Gorenje Group. The planned **(1)** focusing of operation of Gorenje on the basic activity of the Home Appliances Segment will increase its share to about 90 % to the year 2015. This is a very important fact that will have an important impact on the level of investing, disinvesting and the capability of achievement of profitability and the capability of cash flow generation in target values of the strategic plan. The increase in **(2)** sales outside Europe exceeding EUR 150 mio to the year 2015 will also have an important impact on profitability besides the moderate influence on the increase in sales volume. Thus, other possibilities will open up and they will result in an increase in added value of products and their new development – innovative cycle. The most important objective of this group of key strategic objectives is certainly **(3)** an increase in the share of trademarks / concepts in high price brackets to a share of more than 25 % from 2015 on. This means a simultaneous increase in the volume of business activities along with the improvement in profitability and services. In addition to all the objectives enumerated, the economy of scale will develop and increase the efficiency in operation of production centres that will be included in the portfolio of the Gorenje Group.

By the achievement of the above-mentioned objectives the Gorenje Group will generate net sales amounting to minimally EUR 1.5 billion to the year 2015 with a 3.8 % average annual growth and 5 % EBIT margin. Such development of profitability and simultaneous investments in fixed assets (Capex) in the amount up to EUR 51 mio annually (the level of the year 2015) and the planned scope of disinvestments of unnecessary property will mean the generated cash flow in the annual amount of EUR 40 mio (year 2015) for Gorenje. Such a cash flow will enable important deleverage of Gorenje to the level of Net finance debt to EBITDA ratio below 3.0-multiplier from the year 2014 on. The achievement of the budgeted key strategic **financial - business objectives** of the operation of the Gorenje Group will lead and consolidate the Gorenje Group in the top section of the average in the line of business in the world.

- **Operative time frame of the strategic plan – year 2012**[2]

The first and the most important year of the strategic period will be the year 2012 that will be at least as demanding as the first crisis year 2009 in accordance with the estimate of the analysts in the line of business. This is also shown in the forecasts of the sales volume for the first quarter of the year that have already showed lagging behind the year 2010, the year of important business recovery of the Gorenje Group.

Table 14: Business objectives for 2012

in MEUR	Plan 2012	2011 comparable	2011	Change Plan 2012 / compa. 2011
Revenue	1,391.4	1,317.4	1,422.2	5.6%
EBITDA	101.3	86.2	86.7	17.6%
Net income	13.4	8.1	9.1	66.3%
CAPEX	47.6	47.5	47.5	0.2%
Free cash flow	28.6	35.8	35.8	-20.1%

Sales

In 2012, revenue amounting to EUR 1,391.4 mio has been budgeted, of which the basic segment of Home Appliances will generate EUR 1,202.4 mio and thus reach a share of 86.4 % in the total sales of the Gorenje Group (comparable year 2011 = 80.1 % share). The Gorenje Group will grow fastest in Eastern Europe since those markets are the most important sales areas of Gorenje from the view of their profitability. The growth in sales in other areas has gained a drive mostly due to the effect of sales in the markets of the USA and Australia, where Gorenje has again started some major operations after the takeover of the Asko Group, the Swedish producer of household appliances.

The Gorenje Group has planned to maintain the position of the leading trademark in the markets of South-Eastern Europe with market shares exceeding 50 % with excellent recognisability and high reputation. In Eastern Europe it will maintain the position of one of the leading trademarks with market shares ranging from 4 % to 30 %. In the area of Western Europe it will keep the position of the trademark that belongs to a group of the best ones in almost all the markets; ranging from 4 % of market share in Germany up to large market shares in the Benelux countries exceeding 10 %.

Table 15: Sales by geographical region

in MEUR	Plan 2012	2011 comparable	2011	Change Plan 2012 / compa. 2011
West Europe	559.8	520.7	530.9	*7.5%*
East Europe	718.2	701.7	796.3	*2.4%*
Other	113.4	95.0	95.0	*19.4%*
Total sales	**1,391.4**	**1,317.4**	**1,422.2**	***5.6%***

Sales profitability

The budgeted sales profitability of Gorenje at the level of a difference between revenue and costs of goods and materials (gross margin) will reach the level of 42.1 % and will be by a 4.5 percentage points higher than the one reached in the year 2011. The improvement in gross margin will improve the quality of profitability by EUR 62.6 mio, and the reduced sales volume will worsen it by EUR 11.2 mio. In total, profitability will improve by EUR 51.4 mio at this level. Quality improvement in gross margin will be achieved in the segments Ecology and Portfolio investments and worsening of the situation will be observed in the Home Appliances segment. Worsening will be a result of the anticipated increase in prices of raw materials and materials by 1.5 % along with the maintenance of the unchanged level of the sales price evaluation. The transfer of a negative effect to sales prices has not been planned, mostly because of the danger of worsening of competitiveness.

Value generation

The budgeted generated added value amounting to EUR 369.5 mio at 4.8 % growth has already improved focusing of its consumption on the development and deleverage and less on consumption (labour costs). This will be achieved by the planned improvement in the economic productivity of work, which means an interim improvement of the ratio of generated added value to labour costs. The highest positive effect relating to value generation is expected in the basic segment of Home Appliances.

Profitability at the level of EBIT and EBITDA

The planned structural changes in the sales segment (geographic and product structures), higher capability of value generation and effects of process optimisations will improve EBIT to the level of EUR 50.0 mio over the year 2011 (36.8 % growth) at 3.6 EBIT margin. EBITDA will reach the level of EUR 101.3 mio at 7.3 % EBITDA margin.

[2] The effects of sale of Istrabenz Gorenje were eliminated in the base year 2011 for the purpose of achieving comparability

Chart 6: EBIT and EBIT margin

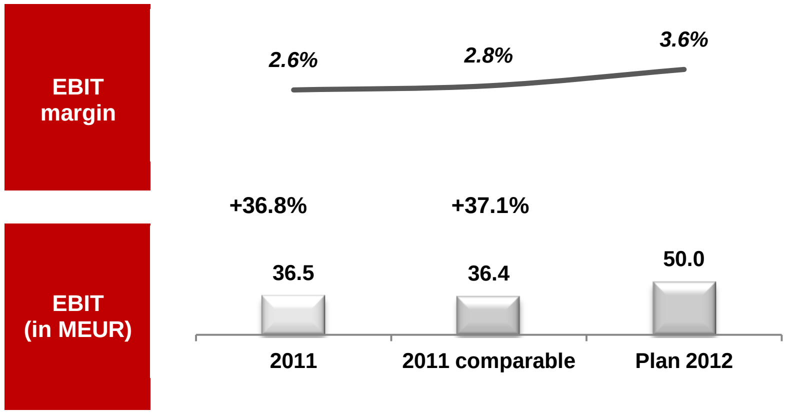
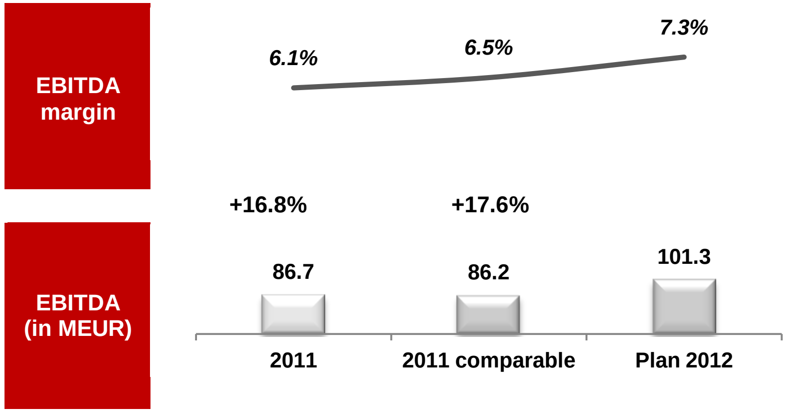


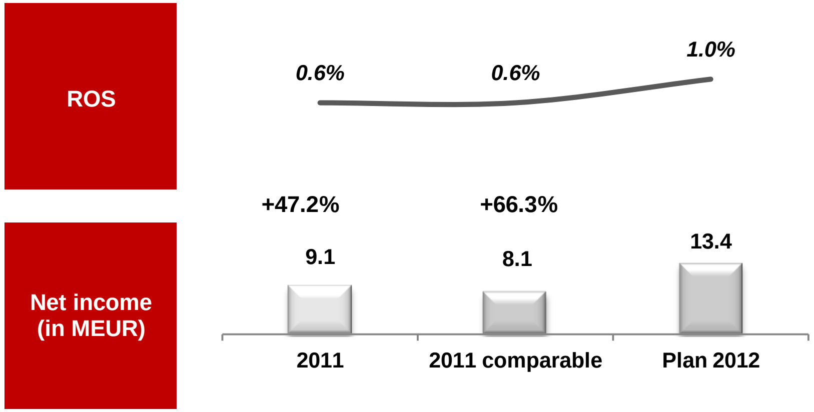
Chart 7: EBITDA and EBITDA margin



Net profitability

The anticipated level of debt and the planned circumstances of financing will increase the negative result of financial movements to EUR 34.0 mio. In spite of that the improvements in the business segment of profitability and to a small extent the more Favourable position in taxation of profit will result in improved profitability at the level of profit to the level of EUR 13.4 mio at 1.0% ROS.

Chart 8: Net income and ROS



Free cash flow

Positive effects related to the improved profitability of operation, maintenance of investments in long-term assets close to the level of the year 2011, large scope of disinvestments of the unnecessary property and improvements in the segment of management of net working capital are anticipated in the segment of a free cash flow. The improvements mentioned will help us achieve a free cash flow amounting to EUR 28.6 mio.

Indebtedness

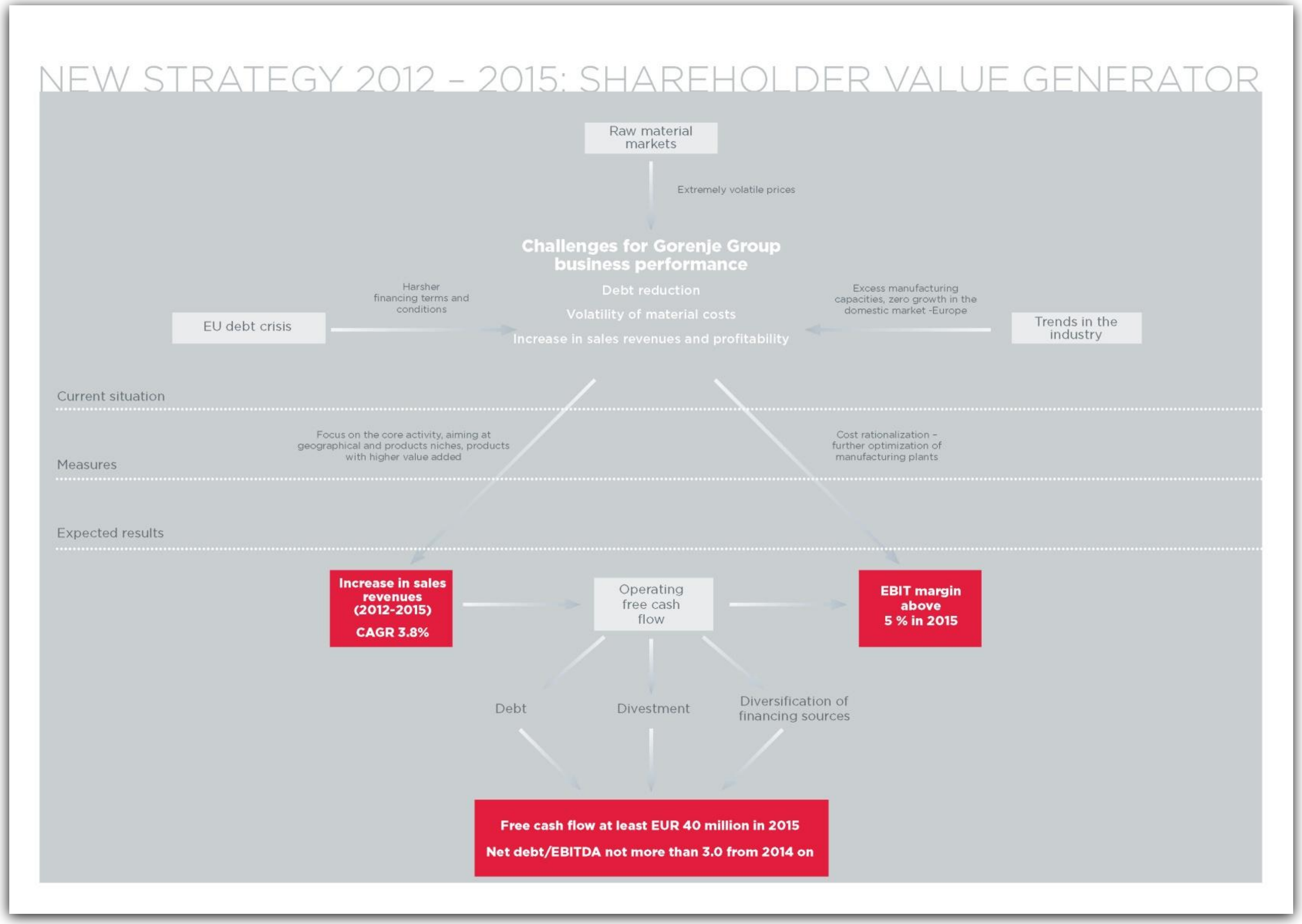
The budgeted level of net debts amounting to EUR 380.3 mio will results in a ratio of net financial debt to EBITDA at the level of 3.8. Thus, it will be maintained within the limits of the financial commitments agreed.

Table 16: Debt and debt ratio

MEUR	Plan 2012	*Change vs. 2011*	2011
Net debt	380.3	-0.6%	382.5
Net debt / EBITDA	3.8	-14.9%	4.4

2.4 Shareholder value generator 2012-2015

Picture 8: Process of Shareholder value generator



3. Corporate Governance Statement

3.1 Management Board

- *Franjo Bobinac, President of the Management Board and CEO, also in charge of the Ecology, Energy and Services Division.*
- *Marko Mrzel, Member of the Management Board and in charge of the Finance. Since 1 January 2012 Member of the Management Board in charge of Sales of Major and Small Appliances and of the Finance up until the appointment of a new Management Board member for the said sector.*
- *Branko Apat, Member of the Management Board in charge of the Home Appliances Division. Since 1 January 2012 Member of the Management Board in charge of Major Appliances Operations and Heating Equipment Operations and Sales.*
- *Uroš Marolt, Member of the Management Board in charge of the Home Interior Division. Since 1 January 2012 Member of the Management Board in charge of Corporate Services and the Kitchen Programme.*
- *Drago Bahun, Member of the Management Board in charge of the Organisation and Human Resources and Labour Director. Since 1 January 2012 Member of the Management Board and Labour Director.*

3.1.1 Statement of Management Responsibility

The Management Board 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 true and fair presentation of the financial position and the results of operations of Gorenje, d.d. and its subsidiaries in 2011.

The Management Board confirms that the financial statements of Gorenje, d.d. and the Gorenje Group have been prepared in conformity with applicable accounting policies, that the accounting estimates have been prepared under the principles of prudence and due diligence, and that the financial statements of the Company and the Group give a true and fair view of their financial position and the results of their operations in 2011.

The Management Board is also responsible for adequate and orderly accounting and the adoption of appropriate measures for safeguarding the property and other assets, and confirms that the financial statements of Gorenje, d.d. and the Gorenje Group, together with the 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 Board confirms that, to the best of its knowledge, the financial report has been prepared in compliance with the accounting reporting framework, and that it gives a true and fair view of the assets and liabilities, financial position, and the profit or loss of the controlling company and other companies included in the consolidation of the Gorenje Group. The Management Board also confirms that the Management Report presents a fair view of the information on relevant transactions with related persons, and is compiled in accordance with applicable legislation and International Financial Reporting Standards.

The Chairman and members of the Management Board are familiar with the contents of integral parts of the Annual Report of Gorenje, d.d. and the Gorenje Group for 2011, and thus also with the entire annual report. We agree with the annual report, and hereby confirm this with our signatures.

Franc Bobinac, President of the Management Board

Marko Mrzel, Member of the Management Board

Branko Apat, Member of the Management Board

Uroš Marolt, Member of the Management Board

Drago Bahun, Member of the Management Board

3.1.2 Members of the Management Board

Franjo Bobinac, President of the Management Board and CEO

- Appointed for a term from 18 July 2008 – 18 July 2013
- Holder of 2,096 Gorenje (GRVG) shares.

Obtained a degree in international economic relations from the Faculty of Economics, University of Ljubljana (1982). He completed his MBA studies at the Ecole Superieure de Commerce in Paris in 1982.

He began his career in Emo Celje, where he worked for three years. In 1986 he was employed by Gorenje Commerce as Assistant Export Director. In 1990 he was appointed Export Director in Gorenje Household Appliances, and one year later took on the position of Marketing Manager in the same company. From 1993 to 1998 he was Managing Director of Gorenje's branch office in Paris. After Gorenje's transformation into a public limited company in 1998, he became member of the temporary Management Board of Gorenje, d.d. in charge of sales and marketing. In 2003 he was appointed President of the Management Board of Gorenje. He began his second term of office as President of the Management Board in 2008.

He has international experience in various business functions, and holds in-depth theoretical and practical knowledge. He occasionally lectures at the IEDC Bled School of Management and at the Faculty of Economics, University of Ljubljana. He is a guest lecturer at the Jožef Stefan International Postgraduate School.

He is member of the Steering Committee of the CECED European Committee of Domestic Equipment Manufacturers, member of the supervisory boards of several reputable companies, member of the Management Board of the IEDC Bled School of Management and of the Jožef Stefan International Postgraduate School, member of the collegiate economic body of the University of Ljubljana, member of the Business Advisory Board at the Faculty of Economics (University of Ljubljana), and President of the Handball Association of Slovenia. He is also Vice-President of the Manager's Association of Slovenia, and previously served a five-year term as President of the Association.

Marko Mrzel, Member of the Management Board in charge of Sales of Major and Small Appliances and of Finance and Economics

- Appointed on 3 March 2011 for a term lasting until 18 July 2013
- Not a holder of GRVG shares.

Graduated from the Technical Faculty of the University of Maribor (1995). Following his university study, he enrolled in MBA postgraduate studies in Radovljica under the patronage of the Faculty of Economics in Ljubljana, and obtained a Master's degree in economics in 1999. After completing his traineeship at the Velenje Coal Mine, he was employed in the Finance Department of the Era trade company, and advanced to the position of Head of Wholesaling. In 2001 he was employed by the Gorenje Group as head of the complementary programme at the parent company. Two years later, he was appointed Director of Gorenje's sales subsidiary in Belgrade. In March 2011 he took on the position of Member of the Management Board in charge of Finance and Economics. As of 1 January 2012, he holds the position of Member of the Management Board in charge of Sales of Major and Small Appliances, as well as of Member of the Management Board in charge of Finance and Economics.

Branko Apat, Member of the Management Board in charge of Major Appliance Operations and Heating Equipment Operations and Sales

- Appointed for a term from 18 July 2008 – 18 July 2013
- Holder of 626 GRVG shares.

Obtained a degree in foreign trade from the Faculty of Economics in Maribor (1984). In 1988 he completed a specialist study programme in marketing at the Chamber of Commerce in the USA. After his traineeship in Gorenje, he was employed as sales specialist for the so-called green programme. He continued his career as Export Director for the Near East. In 1988 he became Assistant Export Director for nonwhite goods, and was also in charge of marketing in South America. In 1990 he was appointed Purchasing Director, and three years later Marketing Director (1993). From 1999 until the end of 2009 he was Managing Director of the Gorenje Tiki company. In 2003 he was appointed Executive Director by the Management Board, responsible for coordinating the activities of companies in the Gorenje Group in the areas of heating systems, toolmaking and the manufacture of industrial equipment; from 2006 onward he was also responsible for Gorenje's supplementary programme. In 2007 he was appointed for the first time to the Company's Management Board. Until March 2009 he was responsible for complementary programmes, purchasing, and logistics, and afterwards for the Home Appliances Division. As of 1 January 2012 he is in charge of major appliances and heating equipment sales.

Uroš Marolt, Member of the Management Board in charge of Corporate Services and Kitchen Programme

- Appointed for a term from 18 July 2008 to 18 July 2013
- Not a holder of GRVG shares.

Obtained a degree in marketing from the Faculty of Economics in Ljubljana (1997). He is completing a Master's programme at the Faculty of Economics and Business Administration in Maribor. In 1996 and 1997 he was employed at MGA Nazarje as Senior Controller in the Controlling Department of MGA Nazarje (today BSH Nazarje). He began to work for Gorenje in 1998 as a sales representative for the Russian market.

In 2001 he took charge of commercial activities in Gorenje's sales company in Poland, and was appointed Managing Director of the company in 2002. Three years later he became Director of Gorenje's sales company in Austria. In 2007 he was appointed Member of the Management Board of Gorenje in charge of marketing and sales. From March 2009 until 1 January 2012 he was Member of the Management Board in charge of the Home Interior Division.

Drago Bahun, Member of the Management Board, Labour Director

- Appointed for a term from 18 July 2008 – 18 July 2013
- Holder of 9,032 GRVG shares.

Completed the study of sociology (majoring in human resources training) at the Faculty of Sociology, Political Sciences and Journalism, University of Ljubljana (1979), followed by postgraduate studies in staffing at the Faculty of Social Sciences in Ljubljana. He began his career at the Mining and Energy Engineering State Combine in Velenje in 1979, where he headed the Department of Business System Organisation until the end of 1984. He is employed at Gorenje since the beginning of 1985, when he was employed as Vice-chairman of the management committee of the composite organisation for the field of socio-economic relations. From 1987 to 1990 he was member of the Management Board of Gorenje Gospodinjski Aparati responsible for staffing, and from 1990 to 1997 held the post of Director of Human Resources and General Affairs. He was then a member of the temporary Management Board after the restructuring of the Company into a public limited company in 1997. The following year he began a five-year term as Labour Director and as Member of the Management Board in charge of Personnel, a position which he held until 1 January 2012.

3.2 Supervisory Board

In addition to its rights and obligations prescribed by applicable law, the Supervisory Board endeavours to conduct its work in a manner that surpasses the prescribed, recommended and agreed standards. It devotes its best efforts to ensuring that the highest standards of corporate governance are implemented in the Gorenje Group. A high degree of transparency of operations and proper communication with shareholders and other stakeholders are also recognised in our environment as values of Gorenje. The international composition of the Supervisory Board in particular carries considerable weight, as its members can directly apply their rich international experience in practice.

In the past year and in part of the present year, the Supervisory Board laid special emphasis on the adoption of a new strategy of the Gorenje Group covering the period up to the end of 2015, as well as to improvements in corporate governance. The strategic plan will be adapted to new realities, and the Supervisory Board will carefully monitor the fulfilment of commitments and the attainment of planned activities, and in this way significantly contribute to the creation of long-term value for all stakeholders.

By adopting the Code of Conduct in December and its posting on the web pages of the Company, the Supervisory Board has strengthened the transparency of the Company's operations, its management, and all other employees. Even in difficult operating conditions, it is therefore devoting adequate attention to corporate governance, which is augmenting the trust of all shareholders in the Company.

In connection with any information received from the public that could have affected the business decisions of investors or the interested public, the Supervisory Board immediately requested explanations from the Management Board and always received them. In order to protect Gorenje's reputation and joint business interests, in some cases the Company duly responded through the media in line with the fundamental principles of corporate management, applicable legislation, and international good practices.

All members of the Supervisory Board meet the independence criterion as defined in the Corporate Governance Code for Public Limited Companies. The competences and obligations of the members of the Supervisory Board are the same, the only difference being that certain members are also members of some of its committees. These committees conduct their activities in accordance with applicable law and the authorisation granted by the Supervisory Board.

The Supervisory Board regularly participates in the development of the corporate governance policy, which is constantly being upgraded and improved also on the basis of proposals submitted by its members. The Supervisory Board operates transparently and efficiently, which is ensured by regular press releases of the summaries of its meetings and resolutions.

3.2.1 Members of the Supervisory Board

At its 14th and 15th meetings, the General Meeting of Shareholders granted a four-year term of office, effective as of 19 July 2010, to the following members of the Supervisory Board:

Representatives of capital:

- Uroš Slavinec, Chairman
- Dr. Maja Makovec Brenčič, Deputy Chairwoman
- Dr. Marcel van Assen, Member
- Dr. Peter Kraljič, Member
- Keith Charles Miles, FCA, Member
- Bernard Pasquier, Member

Representatives of employees:

- Krešimir Martinjak, Deputy Chairman
- Peter Kobal, Member
- Drago Krenker, Member
- Jurij Slemenik, Member

Uroš Slavinec, Chairman of the Supervisory Board

Uroš Slavinec holds a university degree in economics. Since 1 June 1990 he is President of the Management Board of Helios Domžale d.d. He has been employed in the said company from the beginning of his working career, i.e. from 1975 to 1986, at all times in the management team and in other areas (Head of Planning and Analysis, member of the Collegiate Management Committee, and Chairman of the Collegiate Management Committee). From 1986 to 1990 he was member of the Executive Council of the Assembly of the Republic of Slovenia for industry and civil engineering. He is member of the Assembly of the Slovenian Chamber of Commerce and Industry. In 1997 he received the Award of the Slovenian Chamber of Commerce and Industry for exemplary business and entrepreneurial achievements. He was named Manager of the Year in 2006.

- Not a holder of GRVG shares.
- Member of the Remuneration Committee of the Supervisory Board.

Dr. Maja Makovec Brenčič, Deputy Chairwoman of the Supervisory Board

Dr. Maja Makovec Brenčič is Associate Professor of International Business and Marketing, and Deputy Dean of Development at the Faculty of Economics, University of Ljubljana. At this and other universities abroad, she lectures on international business, international marketing, strategic marketing, interorganisational marketing, marketing in sports, and marketing in health care. She is President of the Slovenian Marketing Association and Vice-President of the Advertising Tribunal at the Slovenian Advertising Chamber, President or member of the Programme Council of the Slovenian Marketing Conference, member of the Marketing Council of the Slovenian Olympic Committee, and President of the SPORTO Award Committee. She is a member of several Slovenian and international professional and scientific associations in the area of international business and marketing (AIB, EIBA, AMA), and representative of the Executive Committee of the largest European academic association for marketing (EMAC). Her contributions are published in scientific and professional journals specialising in international business and marketing, both in Slovenia and abroad. She advises internationally oriented Slovenian companies in the areas of internationalisation, marketing development and marketing strategies. She heads the postgraduate international business programme at the Faculty of Economics, and as Deputy Dean is responsible for the development of new products, the strategy of FE, and quality assurance. She is also Vice-President of the University of Ljubljana's Quality Committee, member of the FE Quality Committee, President of the NAKVIS Council, and member of the Council for Higher Education

- Not a holder of GRVG shares.
- Chairwoman of the Benchmark Committee, member of the Remuneration Committee of the Supervisory Board.

Dr. Marcel van Assen, Member of the Supervisory Board

Prof.Dr. Marcel van Assen is a Managing Consultant at Berenschot, a leading Dutch consultancy firm, where he is responsible for all consultancy activities with respect to Operational Excellence practices. He is Full Professor of Operational Excellence at TiasNimbas Business School, the business school of the University of Tilburg, and the Eindhoven University of Technology, where he teaches various courses, workshops and Masters classes. He is co-author of numerous articles and books, including i) Operational Excellence new style: implementation, instruments and models for management excellence; ii) Practices of Supply Chain Management; iii) Key Management Models, and iv) Reconfiguration of Chains and Networks.

He completed Master studies in mechanical engineering at Twente University, Master studies in strategy and organisation at the Open University, and received his PhD in management at Erasmus University in Rotterdam.

- Not a holder of GRVG shares.
- Member of the Benchmark Committee of the Supervisory Board.

Dr. Peter Kraljič, Member of the Supervisory Board

Dr. Peter Kraljič obtained a BSc degree in metallurgy from the University of Ljubljana, his PhD from the Technical University in Hannover, and his MBA from INSEAD, Fontainebleau. From 1970 until his retirement in 2002 he was employed at McKinsey & Co., Inc., acting as Director after 1982. Prior to this, he was employed at La

Continentale Nucleaire, Luxembourg, from 1967 to 1970, at v TH Hannover from 1965 to 1967, and in 1964 he was active in the welding industry in Slovenia. His activities are mainly related to industrial activities, such as the chemical, pharmaceutical, automobile and steel industries, as well as industry service sectors in Germany, Austria, France and in Eastern Europe. He has published numerous scientific and business papers. He has been a speaker at a number of meetings, institutions and forums, where he lectured on topics such industry and company restructuring in Eastern Europe. He is member of the supervisory boards of SID, LEK, and Severstal. In the past he was also President of IEDC Bled School of Management, as well as a member of the McKinsey Global Institute Advisory Council. In 2002 he was member of the Federal Committee for the Restructuring of the German Employment Agency.

- Not a holder of GRVG shares.
- Member of the Benchmark Committee, the Corporate Governance Committee, and the Remuneration Committee.

Keith Charles Miles, FCA, Member of the Supervisory Board

Keith Charles Miles is a fellow of the Institute of Chartered Accountants in England and Wales. He is in retirement. He gained his working experience in various companies and enterprises, primarily in the areas of accounting, treasury, finance, and sales. He was employed as a partner at G.H.Fletcher & Co (accounting) from 1958 to 1970, in the Strategic Accounting Division of the P & O Group (transport activities) from 1970 to 1972, as an Assistant Company Secretary (group accounts) in the Grindlays Bank Group (banking) from 1972 to mid 1973, as Director of the Datnow Group (investments and sales) from mid 1973 to mid 1983, as Director of Finance and Administration at the Greater London Enterprise Board (investments/local administration) from mid 1983 to mid 1985, as Director of Finance and Administration at the Cable Authority (regulatory body) from mid 1985 to 1988, as Director of Finance and Administration at the Institute of Economic Affairs (academic institution) from 1988 to mid 1990, and as Company Secretary and Director of Finance of the Etam Group at ETAM PLC retail company) from mid 1990 to October 1998. He was also a member of a number of supervisory boards, mostly in the UK. He is President of the British-Slovene Society, gives lectures on the topic of sales, finance, economics and business, and contributes articles to various Slovenian newspapers.

- Not a holder of GRVG shares.
- Chairman of the Audit Committee, member of the Remuneration Committee.

Bernard Pasquier, Member of the Supervisory Board

Bernard C. Pasquier obtained a university degree in business administration, majoring in finance and investment analysis) from the Ecole Supérieure de Commerce et d'Administration des Entreprises de Montpellier (France) in 1976. He received a Master's degree in public administration, majoring in business and economic development, from the John F. Kennedy School of Government, Harvard University (USA) in 1984. He has worked as a consultant since 2008. His portfolio of assignments includes advising the parliament of the Principality of Monaco on economic and financial issues, and the World Bank in connection with various projects linked to private sector development. He is also represents the International Finance Corporation (IFC) in the Management Board of Grupo Mundial, Panama. He was Secretary General of Compagnie Monesgasque de Banque in Monaco from 2004 to 2007, and Director of the Latin America and Caribbean Isles Department at IFC in Washington from 2001 to 2004. He also held many other positions at IFC in the period from 1984 to 2001: Investment Officer via the Young Professional Programme (1984-1985), Principal Economist and Country Officer for the Africa region (1985 to 1990), Manager of the Africa Department (1990 to 1995), Senior Advisor in the Office of the President of the World Bank (1998 to 2001), and Director of the South Asia Department (2001 to 2004). He was a founder and Managing Director of the Dream Food International company in San Francisco from 1980 to 1983, an Investment Analyst at the Chase Manhattan Bank in Rio de Janeiro from 1977 to 1980, and an Economic Consultant at the Finance Ministry in Rio de Janeiro in 1976 and 1977. In the period from 1998 to 2004 he was a member of the Management Board of SMBP, a private bank based in Monaco, whose shareholders were the banks Dexia and La Caixa de Barcelona. He is also Secretary General of the Monaco Méditerranée Foundation, Secretary General of the Club of Monaco (Klub Monako), and Secretary General of l'Association des Monégasques de l'Etranger.

- Not a holder of GRVG shares.
- Member of the Benchmark Committee, Corporate Governance Committee, and the Remuneration Committee of the Supervisory Board.

Krešimir Martinjak, Deputy Chairman of the Supervisory Board

Holds a university degree in law, and has worked in Gorenje since 1986. He performed various tasks in the areas of labour, obligational and status or corporate law in the Legal Department of the Company for sixteen years. He was elected to the Supervisory Board of Gorenje for the first time in 2002. In the period from 2002 to 2008 he was Chairman of the SKEI Trade Union of Gorenje, after which he returned to work in the legal office of Gorenje

- Holder of 115 GRVG shares.
- Member of the Remuneration Committee of the Supervisory Board.

Peter Kobal, Member of the Supervisory Board

An electrical engineering technician by profession, he holds the position of Assistant Director of Maintenance at Gorenje. He is employed at Gorenje since 1971, and has held various maintenance positions, from maintenance technician to assistant director. In 1997 he was elected Chairman of the Employee Council of Gorenje for the first time, and now holds this position for the fourth consecutive term. He was appointed member of the Supervisor Board of Gorenje for the first time in 1998. He is successful both in his profession and in the area of employees' co-management.

- Holder of 1,355 GRVG shares.
- Member of the Benchmark Committee of the Supervisory Board.

Drago Krenker, Member of the Supervisory Board

A sales representative by profession, he holds the position of Assistant Director of the Refrigerator-Freezer Programme. He began his career in the field of electronics in 1974. He worked for 14 years in the Procesna Oprema company within the Gorenje system, and two years in Iskra Delta, working primarily on medical electronic equipment. In 1989 he began to work in the refrigerator-freezer programme as Plant Manager, Production Planning Manager, Production Manager, and Head of the General Affairs Department. He was elected member of the Supervisory Board of Gorenje for the first time in 1998. He is presently serving his fourth term in the Employee Council, having served one term as its Vice-Chairman. He is Chairman of the Occupational Health and Safety Committee for the second consecutive term.

- Not a holder of GRVG shares.
- Member of the Audit Committee of the Supervisory Board.

Jurij Slemenik, Member of the Supervisory Board

A mechanical engineering technician by profession, he is currently Head of Production in the washer-dryer programme. He has worked for Gorenje since 1978, holding various jobs in the washer programme. He is a member of the Employee Council since 2002, when he was elected to the Supervisory Board of Gorenje for the first time.

- Holder of 1,738 GRVG shares.
- Member of the Remuneration Committee of the Supervisory Board..

3.2.2 Supervisory Board Committees

Audit Committee

The Audit Committee performs its tasks within the scope of authorisations granted under Article 280 of the Companies Act. The Audit Committee has the following composition: Keith Charles Miles as Chairman, Drago Krenker as member, and Aleksander Igličar, M.Sc., as external member, employed as Senior Lecturer in accounting and auditing at the Faculty of Economics in Ljubljana.

Benchmark Committee

The committee has the following members: Dr. Maja Makovec Brenčič as Chairwoman, and Dr. Marcel van Assen, Dr. Peter Kraljič, Bernard C. Pasquier, and Peter Kobal as members.

The fundamental task of the Benchmark Committee is to determine the companies with which the Gorenje Group will compare its operation. The committee is primarily engaged in methodological issues and setting the basic criteria for comparison. On the basis of a final selection and defined methods and indicators, the committee will define the timeframe of the Company's activities aimed at improving the strategic plan. Some of its members are representatives of the Company's management: Franjo Bobinac, President of the Management Board, Aleksander Uranc, Director of Marketing, and Klemen Prešeren, Director of Gorenje Vertriebs GmbH.

Corporate Governance Committee

The task of the Corporate Governance Committee is to find the best possible way of organising the Gorenje Group given its increasing international recognition and need to adapt in all areas of its business operation.

The members of the committee are: Dr. Peter Kraljič, Bernard C. Pasquier and, representing the Company, Franjo Bobinac, President of the Management Board.

Remuneration Committee

The committee has the following members: Bernard Pasquier as Chairman, Dr. Peter Kraljič as Vice-Chairman, Dr. Maja Makovec Brenčič, Keith Charles Miles, Uroš Slavinec, Krešimir Martinjak, and Jurij Slemenik.

The Committee has the competences specified under item B.2 of Appendix B of the applicable Code of Corporate Governance for Public Limited Companies.

More detailed explanations on the functioning of Supervisory Board committees in 2012 are provided in the Report on the Review of the Annual Report for the Year 2011.

3.2.3 Report of the Supervisory Board on the Review of the Annual Report for the Year 2011

Dear shareholders,

In 2011 the Supervisory Board supervised the business operation of Gorenje, d.d. and the Gorenje Group within the scope of powers and authorisations bestowed by applicable legal regulations, the Articles of Association of the Company and its rules of procedure, and also performed other tasks within its competences.

The Supervisory Board is comprised of the following members: Uroš Slavinec as Chairman, Dr. Maja Makovec Brenčič as Deputy Chairwoman, Dr. Marcel van Assen, Dr. Peter Kraljič, Keith Miles, Bernard Pasquier (representatives of shareholders), Krešimir Martinjak as Deputy Chairman, Peter Kobal, Drago Krenker and Jurij Slemenik (representatives of employees). Immediately after their election, all members of the Supervisory Board signed a statement declaring they had no conflicts of interest and that they were entirely independent in their work.

1. ACTIVITIES OF THE SUPERVISORY BOARD

In 2011 the Supervisory Board had thirteen meetings, of which six were correspondence meetings.

In December 2010 the Supervisory Board approved the business plan for 2011, which embodied the goals whose implementation we had monitored during the year. At the August meeting, we approved the new Strategic Plan for the period up to the end of 2015. The strategy's adjustment was dictated by numerous changes occurring in the environment and the Company as a result of the current economic and financial crisis. The entry of IFC into the share structure of the Company increased its share capital, the Swedish company Asko joined the Gorenje Group together with all its subsidiaries, and in July of last year Gorenje disposed of its share in Istrabenz Gorenje, d.o.o..

The new strategic plan is very ambitiously conceived. In line with this plan, the net sales in 2015 will exceed EUR 1.5 billion, the net profit EUR 40 million, and the EBIT margin 5%. The net debt/EBITDA ratio will be below 3.0 from 2014 onward. The share of trademarks and concepts in the high price class will surpass 25% in 2015, and sales outside Europe will exceed EUR 150 million. As until now, the Supervisory Board will closely monitor the achievement of goals and the implementation of all activities laid down in the strategic plan.

The business environment in 2011 was extremely challenging. It was imperative to ensure the maximally stable business operation of the Company, and to reduce the debt on one side and create value for all stakeholders on the other side. We regularly called on the Management Board to do all in its power to improve the profitability of operations and, by controlling working capital, attain a maximum free cash flow, which may be used to reduce the debt and thereby improve the Company's financial position. Special attention was devoted to restructuring the Home Interior Division, which for the past two years has represented the greatest problem of the Gorenje Group. We are monitoring the report on business operation and steps taken in this area at every meeting.

Through the Audit Committee we devoted adequate attention to the attainment of indicators defined in the loan agreement concluded with IFC. In line with previous practice, the Management Board regularly informed the Supervisory Board on significant business events, comparative analyses with competitors, conditions in sales markets, movements in the prices of materials and raw materials, and risk management. Given the harsh operating conditions, the Supervisory Board has assessed that business operation was good in 2011, which is by all means the result of the work of the Management Board and all employees of the Company.

The Supervisory Board also regularly monitored the implementation of resolutions adopted at its meetings, and has established that the Management Board implemented all of them.

The term of office of Mirjana Dimc Perko, Member of the Management Board in charge of finance and economics, having expired at the beginning of the past year, the Supervisory Board appointed Marko Mrzel to this position at its meeting held in March. Mr. Mrzel had previously successfully managed the company Gorenje d.o.o. in Belgrade for eight years.

On the personal request of Franc Košec, Member of the Management Board co-responsible for the Household Appliances Division and responsible for the areas of toolmaking and industrial equipment manufacture, the Supervisory Board consented to the premature termination of his term of office, and relieved him from his position as Member of the Management Board on 19 April 2011.

In addition to the plan for 2012, we also adopted at the December meeting the Company's Code of Conduct, which is posted on our website. The newly adopted document will contribute to the increased transparency of operations and improve corporate governance in the Gorenje Group.

The Supervisory Board also discussed the earnings of the Management Board, which had been reduced by ten percent upon the introduction of a 36-hour work week in the beginning of 2009. In November 2009 the Supervisory Board repeatedly reduced the earnings of Management Board members (again on the proposal of the Management

Board) on average by an additional 25 percent. Owing to the uncertain conditions, the earnings of the President and members of the Management Board remained on reduced levels throughout the year 2011.

The members of the Management Board renounced their incentive bonuses for the 2008, 2009 and 2010 financial years. In harsh operating conditions, they have significantly contributed to the attainment of a net profit of EUR 9.1 million and a free cash flow of EUR 35.8 million. As in the year 2008, 2099 and 2010, when the Management Board had renounced their incentive bonus, the members of the Management Board are renouncing their incentive bonus also for the business year 2011.

Supervisory Board Committees

The Supervisory Board also evaluated the performance of committees. All of these carried out their work in line with their competences and the resolutions of the Supervisory Board. The Supervisory Board has established that the committees performed their tasks professionally and precisely, and that they provide strong support to the Supervisory Board in its work. The Supervisory Board has also established that no circumstances exist in connection with any members of the Supervisory Board or its committees that could lead to the occurrence of a conflict of interest or dependence, and that the composition of the Supervisory Board is appropriate.

The **Audit Committee**, comprised of the following members: Keith Miles as Chairman, Drago Krenker, and Aleksander Igličar, M.Sc., performed its work in line with the competences bestowed by applicable legislation. With respect to periodical reports, the Audit Committee verified whether the principles of conservativeness and consistency of reporting had been observed. By raising questions prior to the discussion of a particular issue at a meeting of the Supervisory Board, the Committee resolved the majority of obscurities in respective reports.

The Audit Committee had six meetings in 2011. In addition to examining periodical reports, the committee also discussed many other issues related to the operation of the Group, such as the work of Internal Audit, the structure of short-term and long-term loans, employee , promotion and salary system, and the transfer price system.

In line with a resolution of the Supervisory Board, the Audit Committee devoted special attention to the repeated verification of the adequacy of a loan granted to the Inter Solar company. The loan has been disclosed in the approved annual reports of companies; auditing companies and a law office have confirmed its adequacy. Due to certain allusions in the media, the Supervisory Board decided to conduct a new, independent verification of the loan.

The internationally recognised Grant Thornton company examined in detail all the relevant documents, conducted numerous interviews, and acquired a new legal opinion on the loan. Its conclusion was that the Management Board did not act unlawfully by granting the loan, but that the manner employed in granting the loan was not in line with the best principles of corporate governance. The entire documentation of the Grant Thornton company was available to all members of the Audit Committee and the Supervisory Board for inspection. Based on the above-mentioned, the Supervisory Board established that the granting of the loan had not been a violation of applicable law, and concluded the discussion on this topic. The Supervisory Board did, however, recommend to the Management board that certain provisions of the loan agreement be amended. The Management Board has already complied with this request, and supervision of the implementation of the amended loan agreement will be conducted by the Audit Committee.

The **Benchmark Committee** is comprised of Dr. Maja Makovec Brenčič as Chairwoman, Dr. Marcel van Assen, Dr. Peter Kraljič, Bernard Pasquier, and Peter Kobal. In the past year, the committee continued to implement the goals and tasks set in 2010. The Supervisory Board is regularly informed on the work of the committee, and has assessed that it is performing its tasks excellently. The committee has already identified Gorenje's principal competitors, as well as the markets and activities on which the Company will focus. The committee has already determined the frequency of preparing reports in this area, and will regularly inform the Supervisory board thereon.

The **Corporate Governance Committee** is comprised of two members: Dr. Peter Kraljič and Bernard Pasquier. In the past year, the committee significantly contributed to the idea of modifying the organisational structure and corporate governance in line with the Group's increasing international presence and need to adjust in all areas of its operation. The committee proposed three internationally recognised companies for advising the Company in connection with such changes. After several interviews and evaluations of candidates, the Company finally selected Roland Berger. The modifications in the organisation of the Gorenje Group have already begun to be implemented, primarily as regards the competences of members of the Management Board and the organisation of the Sales Department, which will be followed by reorganisation in other areas.

On 1 January 2012 the Supervisory Board entrusted the management of sales of major and small appliances to Marko Mrzel, previously Member of the Management Board in charge of finance and economics. This was followed by the establishment of the **Remuneration Committee** comprised of the following members: Bernard Pasquier as Chairman, Dr. Peter Kraljič as Vice-Chairman, Dr. Maja Makovec Brenčič, Keith Charles Miles, Uroš Slavinec, Krešimir Martinjak, and Jurij Slemenik. The committee was established in conformity with the recommendations of the Corporate Governance Code for Public Limited Companies, and its first task was to prepare for the Supervisory Board a list of candidates for new member of the Management Board responsible for finance and economics.

2. ANNUAL REPORT

On 11 April 2012 the Management Board of the Company presented the audited Annual Report of Gorenje, d.d., and the Gorenje Group for the year 2011 to the Supervisory Board for approval. The Supervisory Board discussed the Annual Report at its meeting held on 19 April 2012.

The Annual Report of Gorenje, d.d. and the Gorenje Group for the year 2011 was audited by the auditing company KPMG Slovenija, d.o.o. The audit was also performed in all subsidiary companies of the Gorenje Group. On 6 April 2012 the auditing company issued an unqualified opinion on the Annual Report of Gorenje, d.d. and the Consolidated Annual Report of the Gorenje Group for the year 2011.

Prior to the meeting of the Supervisory Board, the Audit Committee discussed in detail the 2011 Annual Report together with the Auditor’s Report and the Letter to the Management, and presented its views and opinion, which the Supervisory Board took into consideration.

The Supervisory Board has established that the Company’s operation in 2011 can be assessed as good, but only moderate in the area of free cash flow. The Supervisory Board finds that the Management Board is continuing to control costs well, but will need to devote more attention in future to increasing the margin, market shares and profitability.

The year 2012 will again be challenging and very important for the Gorenje Group. The conditions on financial markets are still very uncertain, an end to the European debt crisis is nowhere in sight, the fate of the euro is just as uncertain, economic growth has slowed down, and unemployment is persisting on a high level. In such circumstances it is hardly possible to expect any substantial increase in the demand for household appliances. Given the high level of uncertainty in the Group’s key markets in 2012, the Management Board will need to further its endeavours for stable operation, reduction of debt, and creation of value for all stakeholders while observing the approved business plan for the year 2012.

The Supervisory Board has established that the Annual Report for 2011, as prepared by the Management Board and reviewed by the auditing company, has been compiled clearly, transparently and in line with the provisions of the Companies Act and applicable International Financial Reporting Standards. The Supervisory Board has also examined and approved the Auditor’s Report, and has no comments in connection therewith. On the basis thereof, the Supervisory Board has assessed that the Annual Report presents a true and fair picture of the assets, liabilities, financial position and operating results, and presents a true view of the development of operations and the financial position of the parent company and the Gorenje Group.

Based on the above-mentioned findings, the Supervisory Board approved, at its meeting held on 19 April 2012, the Annual Report of Gorenje, d.d. and the Consolidated Annual Report of the Gorenje Group for the year 2011 as proposed by the Management Board.

3. DETERMINATION AND PROPOSED APPROPRIATION OF ACCUMULATED PROFIT

Pursuant to the Companies Act and the Articles of Association of Gorenje, d.d., the Management Board decided to appropriate a portion of profit for 2011, which amounted to EUR 7,288,175.94, to statutory reserves in the amount of EUR 728,817.59 and to other revenue reserves in the amount of EUR 3,279,679.17. The Supervisory Board agreed with this decision.

The Supervisory Board has approved the proposal of the Management Board for the creation of accumulated profit of the Company for the year 2011 in the amount of EUR 5,524,499.87.

The Management Board and the Supervisory Board have proposed to the General Meeting of Shareholders that the accumulated profit for the financial year 2011 in the amount of EUR 5,524,499.87 be appropriated for the following purposes:

- part of the accumulated profit in the amount of EUR 2,386,031.40 for the payment of dividends (EUR 0.15 gross per share),
- the remainder of the accumulated profit in the amount of EUR 3,138,468.47 shall remain unappropriated.

In preparing the proposed resolution on the appropriation of profit for the year 2011, the Management Board and the Supervisory Board gave due consideration to the applicable provisions of the Companies Act and the Articles of Association of Gorenje, d.d.

The Supervisory Board further proposes to the General Meeting of Shareholders that the members of the Management Board be discharged of their duties in 2011.

This report was prepared by the Supervisory Board in accordance with the provisions of Article 282 of the Companies Act (ZGD-1), and is addressed to the General Meeting of Shareholders.

Velenje, 19 April 2012

Uroš Slavinec
Chairman of the Supervisory Board

3.3 Payments to Management and Supervisory Board Members

Table 17: Payments to Management and Supervisory Board members, including committees (additional disclosure is shown under Note 39 of the Financial/Accounting Report of Gorenje, d.d.)

in EUR	Gross amount			Net amount		
	2011	2010	2009	2011	2010	2009
Franjo Bobinac	172,035	190,293	249,346	85,467	93,771	120,805
Franc Košec	128,585	174,294	211,079	61,049	85,397	102,215
Branko Apat	159,141	168,469	199,015	79,542	83,743	97,675
Uroš Marolt	167,169	176,919	199,258	83,230	87,625	97,788
Marko Mrzel	132,464	-	-	63,361	-	-
Drago Bahun	160,532	169,972	201,861	78,191	82,473	97,054
Mirjana Dimc Perko	-	171,758	195,985	-	84,232	95,278
Philip Alexander Sluiter	-	-	31,741	-	-	23,806
Total Management Board	**919,926**	**1,051,705**	**1,288,285**	**450,840**	**517,241**	**634,621**
Uroš Slavinec	10,723	1,710	-	8,459	1,325	-
Maja Makovec Brenčič	11,005	2,588	-	8,678	2,006	-
Marcel Van Assen	24,085	9,329	-	18,814	7,231	-
Peter Kraljič	11,736	5,105	-	9,244	3,956	-
Keith Miles, FCA	24,523	7,989	-	19,154	6,192	-
Bernard C. Pasquier	11,969	1,796	-	9,425	1,392	-
Jurij Slemenik	9,940	5,442	4,825	7,852	4,217	3,739
Drago Krenker	11,772	7,896	6,173	9,272	6,119	4,764
Krešimir Martinjak	10,540	4,797	4,825	8,317	3,717	3,739
Peter Kobal	10,610	5,442	4,825	8,372	4,217	3,739
Aleksander Igličar	4,819	1,429	-	3,734	1,107	-
dr. Jože Zagožen	-	5,128	5,930	-	3,975	4,596
Milan Podpečan	-	2,726	6,716	-	2,113	5,204
mag. Peter Ješovnik	-	6,481	7,157	-	5,023	5,547
Andrej Presečnik	-	2,804	4,729	-	2,173	3,664
mag. Gregor Sluga	-	4,990	7,257	-	3,868	5,547
Ivan Atelšek	-	3,443	5,020	-	2,667	3,890
Mateja Vrankar	-	573	-	-	444	-
Bachtiar Djalil	-	1,432	-	-	1,110	-
Andraž Grahek	-	1,432	-	-	1,110	-
Bogomir Kovač	-	573	-	-	444	-
Philip Alexander Sluiter	-	573	-	-	444	-
Total Supervisory Board	**141,722**	**83,678**	**57,457**	**111,321**	**64,850**	**44,429**

On the basis of employment contracts concluded in 2008, the earnings of members of the Management Board are comprised of a fixed and a variable part. For the period from 1 November 2009 to 31 October 2010, all members of the Management Board signed annexes to their employment contracts, in which their salaries were reduced on average by 25 percent. The salary of the President of the Management Board was reduced by 35 percent with respect to the provisions of his employment contract. On 1 January 2011 all members of the Management Board signed new annexes to their employment contracts, in which their salaries were set at the amounts specified in the first annex. Given the considerable reduction, the existing salaries are laid down by the annex in fixed form.

The Company has not adopted a stock option remuneration plan. For their work, the members of the Supervisory board are entitled to meeting attendance fees and the reimbursement of expenses for meeting attendance. So far, the General Meeting of Shareholders has not yet decided on additional payments to members of the Supervisory Board. Should the General Meeting adopt a resolution on additional payment for holding the office of member of the Supervisory Board, the costs thereof would be charged against the current operations of the Company.

3.4 Trading in Shares of Management and Supervisory Board Members

Table 18: Trading in Shares of Management and Supervisory Board Members

	Ownership			Net purchases during period		
	2011	2010	2009	2011	2010	2009
Total Supervisory Board	**3,208**	**3,208**	**4,128**	**-**	**-920**	**-**
Uroš Slavinec	-	-	-	-	-	-
Maja Makovec Brenčič	-	-	-	-	-	-
Keith Charles Miles	-	-	-	-	-	-
Peter Kraljič	-	-	-	-	-	-
Marcel van Assen	-	-	-	-	-	-
Bernard C. Pasquier	-	-	-	-	-	-
Krešimir Martinjak	115	115	115	-	-	-
Drago Krenker	-	-	920	-	-920	-
Jurij Slemenik	1,738	1,738	1,738	-	-	-
Peter Kobal	1,355	1,355	1,355	-	-	-
Total Management Board	**11,754**	**13,230**	**13,230**	**0**	**0**	**0**
Franjo Bobinac	2,096	2,096	2,096	-	-	-
Drago Bahun	9,032	9,032	9,032	-	-	-
Franc Košec	-	1,380	1,380	-	-	-
Mirjana Dimc Perko	-	96	96	-	-	-
Branko Apat	626	626	626	-	-	-
Uroš Marolt	-	-	-	-	-	-

Note: Mandate of SB from 19 July 2010 to 19 July 2014
Source: Data by the Gorenje Group

In comparison with the situation on 31 December 2010, the number of shares owned by members of the Supervisory Board did not change. Due to the withdrawal of two members of the Management Board (Mirjana Dimc Perko and Franc Košec), the number of shares owned by members of the Management board decreased from 13,230 (31 Dec 2010) to 11,754 shares at the end of 2011, which accounts for a 0.0739 percent ownership share in the Company.

In accordance with applicable laws and the Company's rules, all recipients of internal information, i.e. members of the Management Board, Supervisory Board and the Audit Committee, are required to observe special rules for trading in Gorenje shares, which are commonly referred to as „trading windows“. Such persons are not allowed to trade in the Company's shares thirty days prior to the announcement of periodical results or other information that could influence the share price. Regulations governing internal information and informing of persons with respect to the openness of trading windows are kept by the Secretary of the Management Board.

At the end of 2011, the company Ingor, d.o.o.,& co., k.d. was the owner of 794,473 shares accounting for a 4.9945-percent ownership share in Gorenje. The limited partners who invested their own funds in the capital of the Company are members of the narrow and broader management of Gorenje, certain members of the Supervisory board and the SKEI trade union, while the company itself is managed by a general partner – the company Ingor, d.o.o.. This company is not privileged in comparison with other stakeholders. All internal owners who have, or could have, access to internal information are required to consistently observe the so-called trading windows, and are only allowed to trade in Gorenje shares when their information base is balanced with other investors. At Gorenje, we fully observe the principle of equal treatment of all stakeholders.

3.5 Corporate Governance Code Compliance Statement

The Management Board and the Supervisory Board of the Company hereby declare that Gorenje, d.d. observes, in its work and operations, the Corporate Governance Code for Public Limited Companies as adopted on 8 December 2009 by the Ljubljana Stock Exchange, the Association of Supervisory Board Members of Slovenia, and the Managers' Association of Slovenia, and is accessible on the website of the Ljubljana Stock Exchange (http://www.ljse.si) in the Slovenian and English languages, with individual deviations that are disclosed and explained below:

The contents of the statement refer to the period from the adoption of the previous Statement of Compliance with the Corporate Governance Code for Public Limited Companies, i.e. from 20 April 2011 to 19 April 2012, when its contents were jointly formulated and adopted by the Management Board and the Supervisory Board of Gorenje, d.d.

Chapter: Company Management Framework

-Recommendation under 1:

The key goals of the Company are not specifically defined in the Articles of Association, but are included and clearly defined in the mission of the Company: »To create innovative, design-driven products and services that bring simplicity to users.«

Chapter: Relationship between the Company and Shareholders

Recommendation under 5.7:

With respect to the policy of determining the remunerations, compensations and other benefits of the members of the Management Board, the Supervisory Board fully observes the principles and criteria of the Code, as well as the current conditions in the market. In doing so the Supervisory Board assesses the performance of the Management Board as a whole on the basis of the Criteria for the Determination of Corporate Performance of the Gorenje Group, which were adopted for this purpose by the Supervisory Board of the Company. This has proved in practice to be appropriate.

Recommendation under 5.8:

According to the current practice, the General Meeting of Shareholders decides on the granting of discharge to the members of the Management and Supervisory Boards simultaneously. This has proved to be appropriate and in compliance with the method of work employed so far, the high standards of cooperation of both bodies in their joint devising of answers to issues of relevance for the Company and its development, the meaningfully equal treatment of the duties and responsibilities of their members as prescribed by law, and the attained level of trust.

Chapter: Supervisory Board

Recommendation under 8.4:

The Company devotes special care to the protection of business secrets. The documents intended for the members of the Supervisory Board are discussed with absolute confidentiality. Materials and notices of meetings are primarily sent to the members of the Supervisory Board in paper form.

Recommendation under 9:

The Supervisory Board assesses its work and the work of supervisory board committees as a whole, and assesses the work of individual members. The Supervisory Board and its committees generally meet in full composition; all members regularly participate in discussions and with their responsibility, commitment, professional and other experience contribute to the quality of their work. For this reason, the Supervisory Board has assessed that individual assessment is not necessary.

Recommendation under 13 (13.1 – 13.6):

The issue of establishing supervisory board committees is laid down in the Rules of Procedure of the Supervisory Board, which was adopted by the Supervisory Board at its meeting held on 23 November 2010. In line with the mentioned Rules, the Supervisory Board has an audit committee, a corporate governance committee, a benchmark committee, and a remuneration committee. Given the fact that the members of the Supervisory Board took office on 19 July 2010 for a term of four years, the Supervisory Board has not yet appointed a nomination committee.

Chapter: Management Board

Recommendation under 16.1:

The earnings of members of the Management Board are comprised of a fixed and a variable part. Until 31 December 2011 all members of the Management Board signed annexes to their employment contracts, in which their salaries were reduced on average by 25 percent. The salary of the President of the Management Board was reduced by 35 percent with respect to the provisions of his employment contract. As of 1 January 2012, the President and members of the Management Board receive a salary that conforms to their initial employment contracts, and meets the criteria laid down by the Code.

3.6 General Meeting of Shareholders

The General Meeting of Shareholders is the highest body of the Company at which shareholders decide on all issues prescribed by law, the most important being the appropriation of accumulated profit and statutory issues. The General Meeting is generally convened at least once a year by the Management Board. All shareholders have equal rights during voting, as all the Company's shares comprise a single share class, and each share entitles its holder to one vote. Own shares, which under applicable law do not have voting rights, are an exception. Between fifty and sixty percent of the capital is normally represented at general meetings.

Shareholders may participate in general meetings directly or indirectly by selecting one of the proposed proxies, who collect the authorisations of shareholders in accordance with the law. The option of indirect participation in general meetings, which the Company has provided for several years now, is an incentive in particular for small shareholders to exercise their voting rights. On the last day of 2011, the Company had as many as 19,265 shareholders, of which small shareholders owned 39.02% of the capital. Owing to their relatively small investments in shares, direct participation in general meetings is usually not economical for small shareholders (especially for those residing abroad). In addition to voting rights, indirect participation in general meetings also provides for better informing on the convening of general meetings and the contents of resolutions to be adopted.

All information on general meetings of shareholders is provided in a manner ensuring equal informing of shareholders and the interested public via announcements in electronic form on the website of the Ljubljana Stock Exchange (http://seonet.ljse.si/) in accordance with its rules and instructions, and on the Company's website (http://www.gorenje.com), in both Slovenian and English. The Company also publishes information on general meetings in the Delo daily newspaper (http://www.delo.si/).
General meetings are closed to the general public, and the entire content and course of meetings are known only to the shareholders present. However, the Company's resolutions are publicly announced and explained in press releases.

The official language of general meetings is Slovenian, but simultaneous interpreting into English or from English into Slovenian is provided.

In 2011 the Company held its 16th general meeting of shareholders, which took place on 5 July. The shareholders present represented 58.98 % of all voting rights in the capital. At this meeting, the Annual Report for the 2010 financial year and the Report of the Supervisory Board on the review of the said report were presented to shareholders. The General Meeting of Shareholders discharged the Management Board and the Supervisory Board of their duties in the previous financial year.

The shareholders appointed an auditor for the 2011 financial year, supported the proposal of the Management and Supervisory Boards that the accumulated profit in the amount of EUR 2,244,820.69 remain unappropriated, and voted in favour of new, lower meeting attendance fees and the introduction of an annual remuneration to members of the Supervisory Board and its committees. The General Meeting also adopted the proposal of Kapitalska družba (KAD) to finance the training of Supervisory Board members, which is urgently required for the performance of their work and is in the interest of the Company, and to pay their membership fees to the Association of Supervisory Board Members of Slovenia. The General Meeting supported the proposal that Gorenje continue to finance the training of members of the Supervisory Board to the extent necessary for the performance of their work, but not their membership fees in the Association of Supervisory Board Members of Slovenia.

The proposal to authorise the Management Board to acquire and dispose of own shares up to a total amount equal to 10% of the share capital was not adopted at this general meeting.

No challenging actions were announced at the general meetings held on 5 July 2011 and 3 February 2012.

The next general meeting of shareholders will be held on 5 July 2012.

3.7 Audit

The auditing of financial statements of the controlling company and the majority of its subsidiaries is conducted by the KPMG auditing company. The Company observes the recommendations of the Corporate Governance Code for Public Limited Companies regarding the changing of auditors every three years. The proposal for the selection of an auditor for the 2011 financial year was prepared by the Audit Committee, and the Supervisory Board proposed its appointment to the General Meeting of Shareholders.

The external auditor reports on its findings to the Management Board, the Supervisory Board, and the Audit Committee.

The transactions of the parent company and the Gorenje Group with the company KPMG Slovenija, podjetje za revidiranje, d.o.o., and the transactions of the group companies with individual auditing companies are presented in the Notes to the Financial Statements.

In the second half of the year, we initiated procedures for the reorganisation of internal audit, which ensures that company rules and procedures are adhered. The primary goals of the reorganisation are to increase the efficiency of its operation through staff development, increased autonomy of operations, and the attainment of excellence.

4. Social Responsibility

4.1 Employees

Table 19: Data on staff

	2011	2010	2009	2008	2007
Total number of staff	10,932	11,174	10,907	11,432	11,456
Home Appliances	8,907	8,905	8,741	9,153	9,261
Home Interior	749	926	991	1,134	1,155
Ecology, Energy and Services	1,276	1,343	1,175	1,145	1,040
Staff - Slovenia	7,129	7,450	8,104	8,597	8,913
Staff - abroad	3,803	3,724	2,803	2,835	2,543
New employment	270	186	161	489	915
Average employment period total (years)	22.1	21.6	21.8	21.1	20.4
Average employment period in Gorenje (years)	18.3	17.8	17.8	17.2	16.3
Average age (years)	42.8	42.3	42.5	41.9	41.1
Average absence from work (hours)	505	525	592	529	520
Average absence from work - sick leave (hours)	155	140	112	134	126
Average salary (in EUR) - gross	1,362	1,314	1,068	1,093	1,018
Average salary (in EUR) - net	904	874	721	737	681

Note: Data from the row "new employees" are for the Gorenje Group in Slovenia

Number of staff

In comparison with the previous two years the year 2011 was less hectic. The number of employees slightly decreased again, but not as significantly as in the previous two years. We again employed new staff, also in production. Almost half of new employments were related to transfers from subsidiaries, mostly from the Home Interior Division, which had some redundant workers because of the discontinuation of the bathroom programme. In accordance with our needs in the production we mostly employed their workers.

In 2011 the number of employees in the companies of the Home Appliances Division was adapted to the changing demand for our products and the strategy of moving production facilities to markets with low labour costs. The number of employees decreased in the parent company and in Gorenje I.P.C. (disablement company). The company Gorenje Tiki, Ljubljana was finally shut down in the middle of the year, while the number of employees in Gorenje Tiki in Serbia doubled. The number of employees in Gorenje Valjevo and in Mori, Czech Republic also decreased slightly. In September our new production company, Gorenje Home, began to operate in Serbia.

Table 20: Staff structure by gender

Gender / Year	Male	Female	Total
2011	2,244	2,255	4,499
2010	2,276	2,251	4,527
2009	2,361	2,474	4,835
2008	2,560	2,693	5,253
2007	2,673	2,837	5,510
2006	2,715	2,916	5,631
2005	2,710	2,920	5,630
2004	2,727	2,873	5,600
2003	2,743	2,836	5,579
2002	2,649	2,762	5,411
2001	2,468	2,570	5,038
2000	2,414	2,607	5,021

Due to the difficult market conditions, the number of employees in Asko and in the companies of the Home Interior Division decreased. Some employees from the latter were reemployed in the parent company and in Gorenje I.P.C., as the support of our employees is of great significance for the attainment of our business goals. We have assessed that the relatively swift adaptation of the number of employees is crucial in circumstances of rapidly changing demand and the resulting fluctuations in production volume. To ensure high-quality and effective business operation, it is imperative that the Company has a strong core of well-educated, qualified and motivated employees.

The option of adapting the number of employees is feasible primarily in Serbia, because our companies there are young and a considerable number of employees are engaged for a fixed term. The situation is essentially different in production companies in Slovenia, where the majority of our employees have employment contracts for an indefinite period. It is more difficult to adapt the number of employees in periods of reduced demand for our products. We therefore welcome all efforts on the part of the state towards providing adequate legal conditions and changes in the social climate that would allow companies to more swiftly adapt their number of employees, and provide employees with more options for new employment through adequate programmes for acquiring new skills and additional training.

Staff structure by gender

The male-female ratio did not change in the last years and remained almost the same; 51% women and 49% men. In 2011, the situation was similar or the ratio of men to women was equal. In the last years, we paid more attention to the regulation of jobs in the production and we tried to unburden women and allocated men to individual jobs that are physically more demanding. Consequently, we observed lack of men in the years when the employment in the country was high and this is evident even today. Therefore, it will be necessary to devote more attention to this fact in the future years and more men will have to be employed for production work.

Average age and occupational safety

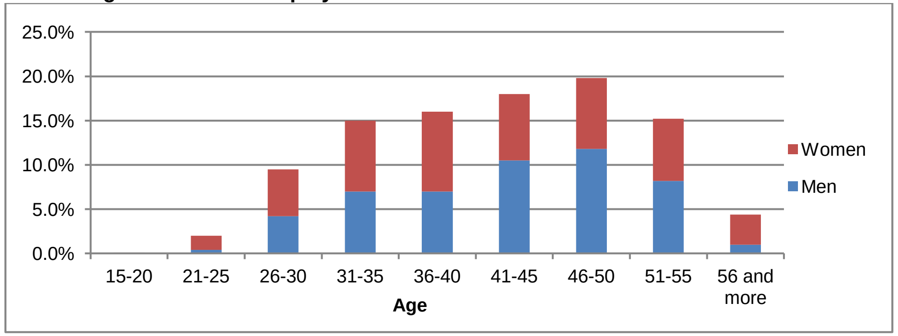
The guide of each successful company is investments in employees, in their health, in their well-being at work and in the provision of social involvement. Although we cannot influence the majority of factors related to health and sickness, we, at Gorenje, have tried hard to create a healthy life style of an individual. In co-operation with the employees in other fields, production programmes and in co-operation with doctors we have performed several activities, preventive and curative ones when problems have already appeared.

Absenteeism due to sick leave increased in the previous year. This trend has been present for a number of years, and is the consequence of the growing average age of employees due to the small percentage of new recruitments in the area of production. And this gives additional significance to the ergonomic designing of workplaces, which ensures that employees are not exposed to inadequate workloads and environmental impacts. Their health is preserved and, among other things, they are able to perform their work on a high quality level in later years as well. Projects for the ergonomic improvement of workplaces and working environments are conducted by interdisciplinary teams in the areas of production programmes, which also participate in the planning and creation of new workplaces and work procedures.

In 2011, the average age of the employees was 42 years and 8 months. Due to the intensive reduction in the number of employees in the last two years when mostly older employees left the company (retirements, waiting for retirement), the trend of a fast increase in the average age stopped in the year 2010, but in 2011 the average age went up again by 5 months. Women are on average even a year older than men. The average age of women is 43 years and 2 months, and of men 41 years and 11 months.

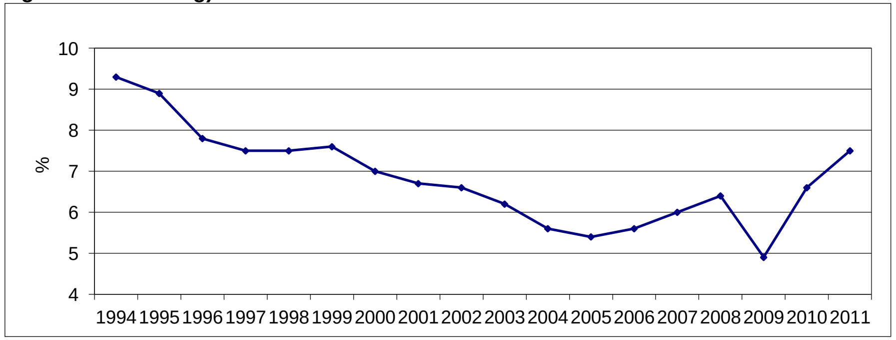
The age structure reflects the employment in the company in the last years. The employment in the company was most intensive 25, 30 years ago and these employees now account for the majority of staff in the company. We should be aware that these are mostly production workers who have performed almost the same monotonous work for over twenty years that is characterised by heavy burdens..

Chart 9: Age structure of employees



Musculoskeletal illnesses prevail when medical reasons for sickness are observed and studied. Respiratory illnesses (these are mostly respiratory infects) are followed by behavioural problems and psychopathology, which is a matter of concern. In spite of constant efforts focused on the health of the employees and the control of absenteeism the objectives set have not been achieved.

Chart 10: Movement of share of sick leave in Gorenje, d.d. by years (% in regular time holding)



The absenteeism control team plays an important role since it co-ordinates work among production programmes, proposes, transfers experience, draws up monthly reports on results and takes care of the motivation of employees, i.e. by the organisation of a trip for the most ambitious employees, visit to a theatre performance, participation in lectures, preventive holidays and similar.
Precisely due to the significance of preserving and strengthening the health of employees, the Company organises preventive-recreational breaks for employees even in less favourable economic conditions. Their purpose is to promote the physical activities of employees, healthy nutrition, and responsibility for one's own health. This is also encouraged in the form of written contributions in the internal newspaper and

leaflets promoting the protection and strengthening of health, methods of work, and similar.

Education

In past years our education structure has changed considerably, as the Company primarily hires employees with a high and medium-level professional education. This is due to the fact that in recent years the Company invested substantially in the modernisation of production processes, which among other things also require higher employee qualifications.

Table 21: Structure of employees by education

Level of education /Year	I.	II.	III.	IV.	V.	VI.	VII.	VIII.
2011	1,274	239	151	1,058	918	292	512	55
2010	1,286	247	158	1,081	956	282	459	58
2009	1,498	269	166	1,158	1,021	267	411	45
2008	1,672	283	178	1,252	1,130	273	415	50
2007	1,817	300	190	1,346	1,177	252	390	38
2006	1,877	337	188	1,407	1,204	236	345	37
2005	1,932	362	183	1,400	1,186	215	313	39
2004	1,945	367	183	1,415	1,181	189	288	32
2003	1,984	393	183	1,395	1,159	169	271	25
2002	1,948	393	180	1,355	1,112	162	241	20
2001	1,879	367	175	1,206	1,024	161	209	19
2000	1,937	377	175	1,198	982	152	185	15

The changing and spiralling demands of markets on one side and the prolonged active life of employees on the other call for the continuous upgrading of knowledge and skills throughout their entire working life. For this reason the permanent education and training of all employees is a necessity. Our employees may choose from various forms of education: off-the-job training for acquiring a higher level of formal professional education, courses, seminars and workshops for acquiring new professional skills, foreign language courses, introductory computer courses, on-the-job training for the purpose of introducing new working procedures, products and devices.

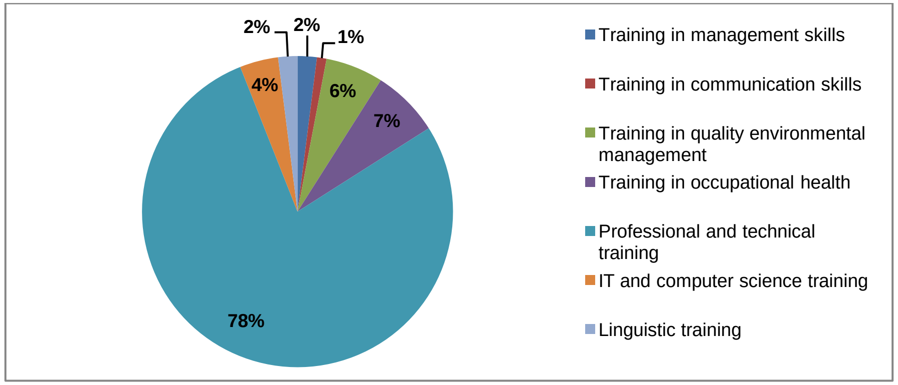
The Company is focusing more and more on training employees for the performance of several different operations or tasks. This will increase the flexibility of employees, accelerate their adaptation to the changing demands of the work process, and have a positive effect on the preservation of their health. Changing work operations reduces the harmful effects of repeated loads. Employees who are trained for several different jobs also have a better understanding of the entire Group's operation and their own role in the Company. And this strengthens their endeavours for higher quality of work and their allegiance to the Company.
In spite of the restrictive conditions the training centre prepared an ambitious plan for the year 2011. Due to cost reduction we adjusted the number and contents of functional training courses. Special attention was paid to the specialist training (the share of hours of specialist training amounted to 78.3%), the programme of human resource management and human resource work. We organised the Gorenje Manager Academy, the Academy for employees posted abroad, My team seminar, and training for mentors and instructors for trainees, students and secondary-school students during their obligatory in-company placement.

In the field of scholarships and off-the job training (calls for applications for scholarships and off-the-job training) the priority was given to the completion of formal education in technical fields (mechanical engineering, electrotechnology, mechatronics, etc.). In 2010, we organised 17 trainee programmes for the newly employed junior experts and trainees who started their first employment and 32 programmes started in the year 2011. Seventeen programmes from the year 2010 and eight programmes from the year 2011 were successfully completed by the defence and presentation of trainee projects.

Due to adequate, cost-efficient organisation of labour, optimisation of required contents, duration of training and participants in training 3301 employees were trained in the year 2011. They underwent a training minimally once a year, which accounts for a 73.37 % share of all employees. A year before, the share of employees who participated in training minimally once a year amounted to 67.95%, and 3076 employees were trained. In 2010, the number of participants was 4891, and 6259 in the year 2011. In accordance with the established practice of many years the major portion of training courses were organised outside working time since the work process does not allow the organisation of seminars and courses during working time.

In 2010, an employee was trained 18.63 hours on average and in the year 2011 27.54 hours. Last year, an employee included in training scheme underwent a training of 27.54 hours, in a year before 27.42 hours. A total of 123,890 hours were devoted to education and training of the employees in 2011 and 84,338 hours in the year 2010.

Chart 11: Review of training and educational content in terms of completed hours



Occupational Safety

ACTIVITIES	GOAL	COMPLETED 2011	PLAN 2012
PROMOTION OF HEALTH	Comprehensive endeavours of employer, employees and society to improve health and well-being in the workplace. • Improving organisation of work in connection with health and the working environment, • Encouraging healthy activities of employees and adequate personal development, etc.	1. Health prevention aimed at preserving psychophysical and health abilities of employees. The programme was attended by 9 % of employees.	1. Health prevention. The programme will be attended by 9 % of employees.
		2. Health care: «Mobile Health Dispensary“ project encouraging concern for employees' health in the form of regular medical examinations (control of blood pressure, blood sugar, eyesight, etc.). The programme was attended by 9 % of employees.	2. Health care: specialist medical examinations, e.g. clinical examination and breast US, clinical examination by physiatrist and soft tissue ultrasound, measurement of bone mineral density, and similar. The programme will be attended by 5 % of employees.
		3. Improving the working environment: ergonomy of work in individual programmes.	3. Improving the working environment: Ergonomy of work.
		4. Physical activity: the Sport and Recreation Society encourages employees to engage in healthy activities (physical exercise programmes, mountaineering club, sports activities, etc.).	4. Physical activity: the Sport and Recreation Society encourages employees to engage in healthy activities (physical exercise programmes, mountaineering club, sports activities, etc.).
			5. Promoting a healthy lifestyle. Lecture of the SVIT programme for the prevention and early detection of colon and rectum cancer; promoting healthy nutrition, an active lifestyle, and similar.
			6. Improving and preserving mental health. Lecture and workshops: controlling stress at work, relaxation course; psychological consulting.
			7. Intranet application: Health Promotion.
			8. Exercise during work.

Precisely due to the significance of preserving and strengthening the health of employees, the Company organises preventive-recreational breaks for employees even in less favourable economic conditions. Their purpose is to promote the physical activities of employees, healthy nutrition, and responsibility for one's own health. This is also encouraged in the form of written contributions in the internal newspaper and leaflets promoting the protection and strengthening of health, methods of work, and similar.

Education

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The changing and spiralling demands of markets on one side and the prolonged active life of employees on the other call for the continuous upgrading of knowledge and skills throughout their entire working life. For this reason the permanent education and training of all employees is a necessity. Our employees may choose from various forms of education: off-the-job training for acquiring a higher level of formal professional education, courses, seminars and workshops for acquiring new professional skills, foreign language courses, introductory computer courses, on-the-job training for the purpose of introducing new working procedures, products and devices.

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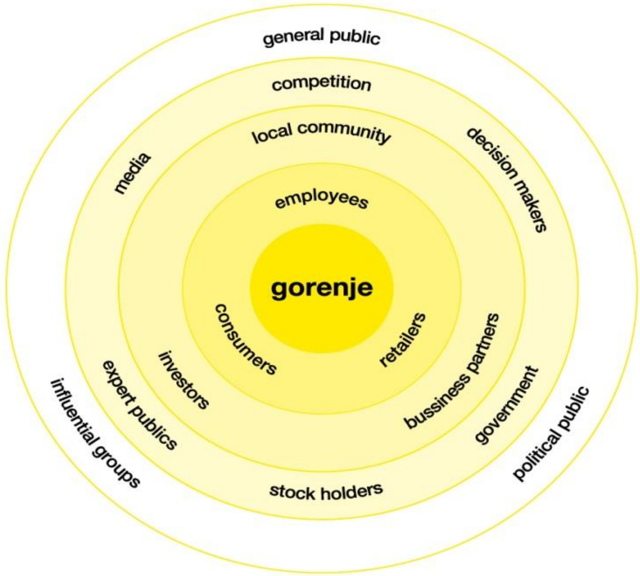
4.2 Social environment

Gorenje comprehends the notion of corporate social responsibility as a virtue and not solely as an institutional principle. Therefore and in view of responsibility towards a wider social environment it should be emphasised that corporate social responsibility interfuses virtually all spheres of Gorenje's corporate relations. Moreover, most of management members and numerous employees are socially responsible and committed to live up to these values.

Although the reputation of managers and managements in the public eye and media is generally rather low, the Management Board and managers of Gorenje enjoy public's acknowledgment and recognition and are valued and treated with respect. This is on one hand attributable to Gorenje's comprehensive and sustainable coping with the crisis, and on the other, to the socially responsible behaviour of individuals. Our managers and employees actively participate in various sports, cultural, humanitarian, interest groups and non-governmental organisations. Acting responsible in the area of civil social initiative, in particular in the local environment, encourages all participants to help enhance and improve the quality of life. With their attitude being under the constant and critical public eye, they contribute to the reputation of Gorenje and its sustainable-oriented performance.

Picture 9: Our Stakeholders



Customers

Implementation of performance goals is threatened if growth in sales is not generated, hence customers are of key importance to the company's business operations. As for the industry of durable goods, customers are classified into following groups:

- direct customers, in particular distributors and wholesalers (B2B);
- end-users (B2C).

Our highly trained professional staff is maintaining constant contact with direct and indirect customers, whether in person or via telephone, e-mail, and video conferences. Various promotional material is published providing information about the products, their innovative user functions, energy efficiency, ergonomics, and ease of use, adjusted to various target groups of customers. Customers are regularly informed about the company's efforts on environment protection throughout the product's lifecycle i.e. from design, production and use, to disposal after the expiry of its useful life.

Values observed in our relations with customers encompass:

- long-term partnerships that ground on customer satisfaction;
- respectful treatment of each partner;
- devoted, flexible and responsible approach to every order;
- constant monitoring of customer needs;
- regular meetings with customers held to exchange experience and obtain feedback;
- customer education.

Suppliers

Gorenje establishes long-term partnerships with its suppliers by applying the principle of constant monitoring of their competitive advantages. Taking account of the dynamic procurement environment, this enables us to provide for safe and reliable sources, adequate prices for products and services supplied, impact on the supplier's quality, improved planning of supplies, and access to the supplier's technology. We are constantly seeking and seizing new opportunities in view of alternative sources and suppliers, whereas provision of proper quality and flexibility of supply is of key significance.

Local and wider community

Gorenje boasts of a many decades-long tradition in the area of corporate social responsibility. At first, activities focused on employees and the local environment but with the years passing they were extended to other participants as well. Today, the philosophy of a socially responsible and sustainable-oriented performance and development is an inseparable part of Gorenje's successful business.

Despite limited funds, numerous significant events were organised throughout the year for employees and the wider community in the field of sports, culture, science, education and health. Considering the difficult situation to which many inhabitants in almost all European countries are exposed to, most of donations were earmarked for charitable purposes and activities that enable young people a high quality education and a quality leisure time. Support and sponsorship to all generations of the Slovenian Nordic teams within the Ski Association of Slovenia and to the teams of the Volleyball Club Gorenje Velenje is traditionally provided by Gorenje.

Special attention was paid to the Gorenje Recreation Association, the Gorenje Pensioners' Club, the Gorenje Cultural Association and to the Gorenje's singing choir that provides for a quality physical and spiritual life and consists of most of Gorenje's employees that live in Velenje, former employees and their family members, whereas it is also local community-oriented.

4.3 Ecology

EMAS Statement

EMAS Amendment to the Environmental Statements of Gorenje, d.d. and Gorenje I.P.C., d.o.o. for the year 2011

1. Statement on the Credibility of Environmental Data

The EMAS Environmental Statement for the period from 1 January 2011 to 31 December 2011 includes the operations of the companies Gorenje, d.d. and Gorenje, IPC, d.o.o., and is an amendment to the EMAS Environmental Statement of the companies Gorenje, d.d. and Gorenje, I.P.C., d.o.o. for the year 2009. All information and facts specified in the EMAS Environmental Statement are authentic and reflect the actual state of the environmental management system in both companies.

In 2003 the parent company, Gorenje, d.d., adapted its operation to EMAS requirements as laid out in EU Regulation No. 761/2006; in 2006 the company Gorenje IPC, d.o.o. also adapted its operation to the system. In 2010 both companies adapted the system to the new EMAS Regulation no. 1221/2009. In March 2011, the Slovenian Institute of Quality and Metrology (SIQ) conducted an audit of the EMAS system, and found that it complies with all the requirements of EU Regulation no. 1221/2009 (EMAS Regulation).

Vilma Fece, M.Sc.

Director of Environmental Protection and Occupational Health and Safety

2. Company Profiles

Activities of Gorenje, d.d.
Company name: **Gorenje gospodinjski aparati, d.d.**
Date of entry in court register: 31 December 1997
Abbreviated company name: Gorenje, d.d.
Registered office: Partizanska 12, Velenje
Activities: Development, production and sales of household appliances, information and industrial equipment
Activity code: 27.510 Production of electric household appliances

Production of Gorenje IPC, d.o.o.
Company name: **Gorenje, I.P.C, invalidsko podjetniški center, d.o.o.**
Date of entry in court register: 25 June 1991
Abbreviated name: Gorenje, I.P.C., d.o.o.
Registered office: Velenje, Partizanska 12
Activities: Development, production and sales of electric components, graphic products, polystyrene packaging, and assembly of component kits for the household appliance industry.

Activity codes: 27.330 Production of power outlets, switches and other wiring; 22.220 Production of packaging made of plastics; 18.120 Other printing services

3. Scope of Companies' Activities

Activities of Gorenje, d.d.

The EMAS system includes the activities of the parent company performed at the following locations:

- Partizanska 12, Velenje
- Primorska cesta 6d, Šoštanj
- Cesta 56, Rogatec.

The activities of Gorenje, d.d. at the Velenje location are performed in a mixed area intended for industrial, repair & maintenance, craftsmen's and service activities; the activities at the Šoštanj and Rogatec locations are performed in areas intended for industrial and craftsmen's activities.

The EMAS system of Gorenje, d.d. does not include the MEKOM Programme at the location at Hrastje 2a, Bistrica ob Sotli. The activities performed at this location are not related to the core activities of the company.

The activities comprise the development, production and sale of household appliances, information and industrial equipment. The production plants within the scope of the parent company are:

- Refrigerator/Freezer Programme: refrigerators, freezers and combined appliances
- Cooking Appliance Programme: electric and gas cookers, ovens, cooking hobs
- Washer/Dryer Programme: washing machines, laundry dryers, pantry kitchens
- MEKOM Programme: metal and plastic components
- Point Programme: development, production and sale of information equipment
- Heating Systems Programme: development and sale of heating systems

In 2011 Gorenje, d.d. had 4500 employees, of whom 4090 were employed at the Velenje location, 100 at the Šoštanj plant, and 210 at the Rogatec plant, while the remainder are employed in Bistrica ob Sotli.

Activities of Gorenje, I.P.C., d.o.o.

The EMAS system includes the activities of the company performed at the following locations:

- Partizanska 12, Velenje
- Primorska cesta 6d, Šoštanj.

Gorenje I.P.C. d.o.o. is a limited liability company that is fully (100%) owned by Gorenje d.d., which is its sole shareholder. It was established on 1 July 1991, and its fundamental mission is to employ and train persons with disabilities. The company's vision is to satisfy the needs of the parent company and other customers by providing quality products and constantly raising production processes to higher levels of development. 96.8% of the production output of Gorenje I.P.C., d.o.o. is intended for the programmes of Gorenje, d.d.. Gorenje I.P.C. is connected to the parent company's production processes via the information system. The quality management, environmental protection, and the occupational health and safety systems are integrated into the mentioned systems of Gorenje, d.d.; the same applies for the areas of maintenance, organisation and IT.

The activities of Gorenje I.P.C. at the Velenje location are performed in an area intended for industrial, repair & maintenance, craftsmen's and service activities. In Šoštanj, the company is located in the industrial zone along Primorska street, which is intended for industry and craft.

The activities of the company comprise the following key processes: development and production of electric components, printing, production of packaging made of expanded polystyrene, and the assembly of subsets for household appliances. Its production comprises:

- Packaging Programme: production of expanded polystyrene packaging
- Services Programme: assembly of subsets for household appliances
- Graphics Programme: preparation of instruction manuals for household appliances
- Electric Components Programme: production of cable sets for household appliances

In 2011 Gorenje, I.P.C. had 720 employees, of whom 305 were persons with disabilities. The Šoštanj location had 310 employees, and the Velenje location had 410 employees.

4. Development

Refrigerators / Freezers

In the first half of 2011, we completed the development of and began to produce a new generation of freezers with highly improved energy efficiency as the result of a newly developed cooling system. We began to develop a new platform of independent refrigerators/freezers in a width of 60 cm for the medium and higher price grades. Special emphasis was laid on attaining energy efficiency and developing innovative solutions while constantly ensuring the cost-competitiveness of our products. These products will appear in the market in two phases – in the spring of 2013 and the spring of 2014. In the last quarter of 2011, we began to develop a new generation of built-in refrigerators/freezers in a width of 54 cm. The products from the first phase of this project will be on the market at the end of 2013, and those of the second phase at the end of 2014. A great deal of our development activities in the area of refrigerators/freezers were focused on improving energy efficiency and optimising the costs of existing products.

Cooking Appliances

Most of our development resources in 2011 were focused on pre-development activities in a project involving a new platform of compact (height 45 cm) and standard (height 60 cm) built-in BIO 45/60-14 ovens. These will be intended partly for the medium price grade, and above all for the upper medium and high price grades. This technologically highly complex project involves the development of technologies which Gorenje has not been familiar with so far. The products from the first phase of this project will be on the market at the end of 2013, and those of the second phase a year later. We were engaged in the development of an innovative technology, IQook, featuring automatic cooking and roasting. The technology was presented at the IFA fair in Berlin in September 2011, and will be available in induction cookers in the first half of 2012. The development of induction hobs is a permanent concern, as this technology is rapidly replacing classical radiant heaters. We worked on the development of a new generation of a base segment of induction hobs – these products will be available in the first half of 2012. The development of a unique electronic timer integrated into the control button of a gas cooker was a smaller, yet very important project for markets where gas is the main energy source.

Washers / Dryers

The development of a new platform of NG PSSP-10 washers/dryers in the medium price grade was the largest project in 2011, which we had been working on since 2009. Within the scope of the project, we developed a new technology of drying linen using a heat pump, which substantially reduces energy consumption and is equipped with an extremely efficient, in-built processed air filtering system, a fibre levelling technology employing an IonTech air ioniser, and a drying technology employing SteamTech steam. In the area of washers, mention should be made of our user-friendly interfaces, an innovative washer group with an in-built BLDC engine enabling effective washing with high efficiency ratings, and a new door with ergonomic opening. The dryers began to be produced in the autumn, and washers with a wash load capacity of up to 7 kg went into production at the end of the year. In May 2012, we will introduce washers with higher wash load capacities of up to 9 kg.

Heating Systems

In 2011 we completed the majority of our development activities and began the serial production of low-temperature heat pumps. Activities were under way in a project involving high-temperature heat pumps, which will be on the market in the first half of 2012. We were also actively involved in the development of heat pumps for heating sanitary water. The most important project in the area of water heaters was the so-called SLIM water heater (its production is planned at the end of the first half of 2012) and the SMART electronics project, which will enable water heaters to consume substantially less energy.

In future, we see our main opportunities in the development of energy-efficient components, which will be incorporated into our products. New materials are also an area where we see potential for improving the functionality and energy efficiency of our products. The Company in particular sees its opportunity in the development of solutions that simplify the use of its products (user interfaces, complementarity/connectivity, etc.).

Gorenje I.P.C., d.o.o.

In the area of development, Gorenje I.P.C., d.o.o. was included in the simultaneous development of household appliances at the parent company. Working together with the cooking appliance development team, we continued to use flat control and power supply cables in cooking appliances. We also finally mastered the entire range of cable circuits for cooking appliances manufactured at our MORA plant in the Czech Republic. In the electric component programme, we introduced again this year a new, high-capacity cutting machine that provides for higher productivity and better quality than we were able to attain in older generations of such machines. In the packaging programme, we completed the development of a new „basiloid“ method of packaging for Combi 750. We actively continued our work in the area of optimisation, with emphasis on the re-verification of test criteria.

Special attention was paid at Gorenje I.P.C., d.o.o. to the further upgrading of workplaces with IT support and the integration of a planning strategy that enables planning from a single place.

5. Environmental Policy Suitability Assessment

A joint environmental protection and occupational health & safety policy for the companies Gorenje, d.d., Gorenje I.P.C., d.o.o. and Gorenje Orodjarna, d.o.o. was laid down in 2007. In 2011, this policy was also adopted by the companies Gorenje Valjevo, d.o.o. and Gorenje GAIO, d.o.o., and its contents were adapted to the activities of the Gorenje Group.

GORENJE, d.d. Gorenje I.P.C., d.o.o. Gorenje Orodjarna, d.o.o. Gorenje d.o.o. Valjevo Gorenje GAIO, d.o.o.	**ENVIRONMENTAL PROTECTION AND OCCUPATIONAL HEALTH & SAFETY POLICY** Velenje, 1 March 2011

Gorenje's strategic plan is based on the pursuit of the Group's vision and mission: to create original, technologically perfect, superiorly designed, user and environment friendly products for a comfortable home. We are focused on increasing customer satisfaction and creating value for our owners, employees and other stakeholders of the Gorenje Group companies in a socially responsible manner.

Owing to its importance, the environmental protection and occupational health & safety policy is an integral part of the corporate governance policy and organisational culture of the Gorenje Group.

Environmental protection and the provision of safe working conditions are among the basic rights, obligations and responsibilities of all employees, and as such are treated as constituent parts of the Group's corporate governance.

We undertake to continue carrying out the following activities in future:

- incorporating the protection of the working and broader environment into our development strategy as well as annual and operational plans via the foreseen measures, assets, responsible persons, service provides and deadlines in order to allow our employees to fulfil their tasks in a safe and health manner, while constantly reducing the risk of injury or illness and continuously reducing negative impacts on the environment;
- monitoring and measuring indicators of the state of the working environment and environmental aspects, including appropriate response measures in case of any deviations;
- improving the condition of the working and broader environment at our company, subject to relevant regulations;
- planning and implementing new technologies and products in line with environmental protection principles, and introducing appropriate, flawless, and ergonomic working equipment while constantly seeking opportunities to improve working conditions;
- using such materials and components that will comply with the highest domestic and foreign environmental standards;
- planning new products in compliance with the requirements of environmental design which includes the entire useful life of a product: from development, through production, to production and waste management after the expiry of its useful life;
- reducing the volume of generated waste and rationalising the use of energy resources,
- implementing measures to protect workers from risks related to occupational exposure to noise,
- educating, training and raising awareness of employees and partners about their responsibility to the working and broader environments,
- cooperating with interested internal and general publics in order to contribute to the success of joint efforts in environmental protection and occupational health & safety,
- informing the public on our achievements in environmental protection and concern for occupational health and safety.

President of the Management Board

Franjo Bobinac

6. Identification of Environmental Aspects and Assessment of Environmental Impacts

Environmental aspects are defined as activities, products and services that interact with and bear an impact on the environment. The analysis of environmental aspects includes all stages of the production process, products and activities, both in normal operation and in operation under extraordinary conditions or states of emergency.

In 2010, all environmental aspect were again fully assessed at Gorenje, d.d. and at Gorenje I.P.C., d.o.o.. Based on amendments to legislation and the requirements of the EMAS Regulation, the register of environmental aspects was amended at the time. For this reason, a re-assessment of these aspects was not necessary in 2011. Therefore, product/service and industrial (technological) waste water have remained significant aspects at Gorenje, d.d., and product/service has been assessed as a major aspect at Gorenje I.P.C., d.o.o.

Special attention was devoted in 2011 to renewable energy sources. Four solar power stations operated in 2011, and jointly (Gorenje, d.d., Gorenje IPC, d.o.o.) generated 233,182 kWh of electric power.

7. Environmental Management Efficiency and Targets for 2012

Meeting Implementation Targets at Gorenje, d.d. and Targets for 2012

Velenje Site

Table 22: Meeting Implementation Targets at Gorenje, d.d. and Targets for 2012 at the Velenje Site

Aspect	Unit	Target 2012	Attained 2011	Target 2011	Attained 2010	Attained 2009	Attained 2008	Attained 2007
Reducing the quantity of - waste, class no. 191212	kg/product	**0.24**	0.25	0.26	0.28	0.30	0.31	0.31
	kg/t*	**4.9**	4.9	5.0	5.4	5.7	5.9	5.8
Rational use of energy sources - water consumption	m^3/product	**0.09**	0.10	0.10	0.11	0.11	0.117	0.112
	m^3/t*	**1.92**	2.00	1.92	2.13	2.12	2.22	2.16
- electric power consumption	kWh/product	**24.50**	25.25	24.50	24.88	25.72	25.02	24.65
	kWh/t*	**471.2**	496.6	471.2	481.8	488.0	472.1	464.2
- compressed air consumption	m^3/product	**12.88**	12.88	15.05	15.05	16.38	15.70	15.44
	m^3/t*	**253.3**	253.3	289.4	291.4	310.8	296.4	290.9
- natural gas consumption	Sm^3/product	**1.30**	1.33	1.30	1.30	1.24	1.23	1.17
	Sm^3/t*	**25.0**	26.3	25.0	25.3	23.5	23.3	22.1

- Measurement unit relevant to a particular aspect per gross weight of appliance produced

The volume of generated waste deposited in landfills in previous years, but are now mostly used as solid fuel (class. no. 19 12 12) is within the planned figures, adjusted for both the number or mass of manufactured appliances, and taking into account a 7.2 % lower production output.

In the area of rational use of energy sources the targets were attained and adjusted for both the number and mass of manufactured appliances. A greater decrease in consumption was registered in compressed air consumption. No corrective measures as a result of deviations from the set targets were required.

Rogatec Site

Table 23: Meeting Implementation Targets at Gorenje, d.d. and Targets for 2012 at the Rogatec Site

Aspect	Unit	Target 2012	Attained 2011	Target 2011	Attained 2010	Attained 2009	Attained 2008	Attained 2007
Reducing the quantity of - hazardous waste	t	**6.0**	7.1	8.0	8.6	9.3	23.8	22.3
- landfill-disposed wastes and waste under class. no. 19 12 12	t	**13.0**	13.6	15.0	19.2	23.8	57.2	65.2

A comparison of the quantity of hazardous wastes point a a decrease with respect to the previous year, and is below the target set at 11.2 %. The total quantity of waste disposed in landfills and waste used as solid fuel was also lower due to the more consistent separation of wastes into individual fractions at the places of their origin in the production plant.

No corrective measures as a result of deviations from the set targets were required.

Šoštanj Site

Table 24: Meeting Implementation Targets at Gorenje, d.d. and Targets for 2012 at the Šoštanj Site

Aspect	Unit	Target 2012	Attained 2011	Target 2011	Attained 2010	Attained 2009	Attained 2008	Attained 2007
Reducing the quantity of - hazardous waste	t	**1.0**	0.49	0.5	5.3	6.3	9.2	0.45
- waste class. no. 19 12 12	t	**9.0**	9.7	10.0	18.4	19.3	35.5	32.2
Rational use of energy sources - water consumption	m^3	**1,100**	1,099	1,550	3,283	3,125	3,419	2,790
- electric power consumption	kWh	**1,520,000**	1,520,768	1,600,000	2,898,124	2,851,166	2,771,067	1,981,574

On 1 January 2011 the INDOP Programme at the Šoštanj site was excluded from Gorenje, d.d. (newly formed company: Gorenje GAIO, d.o.o.). The values in tables referring to the Šoštanj site up to the year 2010 inclusive also include the INDOP Programme. The targets for 2011 were set and monitored only for the MEKOM Programme at the Šoštanj plant.

In 2011 the set targets for reducing the quantity of waste generated at the Šoštanj site were attained. Electric power consumption was also in line with the set target. Water consumption was below the set target of 29.1%.

No corrective measures as a result of deviations from the set targets were adopted.

Meeting Implementation Targets at Gorenje I.P.C., d.o.o. and Targets for 2012

Velenje Site

Table 25: Meeting Implementation Targets at Gorenje I.P.C., d.o.o. and Targets for 2012 at the Velenje Site

Aspect	Unit	Target 2012	Attained 2011	Target 2011	Attained 2010	Attained 2009	Attained 2008	Attained 2007
Reducing the quantity of - waste class. no. 191212	kg	**23,600**	24,310	26,000	26,197	47,420	65,317	64,612
Rational use of energy sources								
- Water consumption	L/€NS*	**3.100**	3.112	3.800	3.864	5.249	3.810	3.381
- Electric power consumption	kWh/€NS*	**0.138**	0.140	0.150	0.137	0.151	0.161	0.148
- Compressed air consumption	m^3/€NS*	**0.152**	0.155	0.160	0.166	0.149	0.152	0.136
- Natural gas consumption	Sm^3/€NS*	**0.195**	0.199	0.210	0.214	0.211	0.192	0.170

**measurement unit per EUR of net savings*

The quantity of generated waste used as solid fuel (class. no. 19 12 12) was 6.5 % below the set target, and is the result of consistent waste separation.

The targets for the rational use of energy sources were fully attained for all energy sources: electric power consumption was 6.6 % below the set target, compressed air consumption was 3.1 % below the set target, natural gas consumption was 5.2 % below the set target, and water consumption was 18.1 % below the set target. The production output at Gorenje, I.P.C., d.o.o. in 2011 was 2.5 % lower than in 2010. No corrective measures as a result of deviations from the set goals were required.

In response to the requirements of the new EMAS Regulation, we set new targets in 2010 based on consumption per €NS, and believe that our consumption of energy sources was rational.

Šoštanj Site

Table 26: Meeting Implementation Targets at Gorenje I.P.C., d.o.o. and Targets for 2012 at the Šoštanj Site

Aspect	Unit	Target 2012	Attained 2011	Target 2011	Attained 2010	Attained 2009	Attained 2008	Attained 2007
Reducing the quantity of								
- waste class. no. 191212	kg	12,400	12,450	13,000	12,896	16,832	37,057	48,718
Rational use of energy sources								
- water consumption	L/€NS*	0.200	0.205	0.240	0.308	0.221	0.289	0.467
- electric power consumption	kWh/€NS*	0.165	0.170	0.170	0.164	0.178	0.174	0.161

**measurement unit per EUR of net savings*

The quantity of generated waste (class. no. 19 12 12) used as solid fuel was 4.2 % below the set target. At the Šoštanj site, this is also the result of improved waste separation, particularly cardboard and plastics.

The target for rational electric power consumption were attained, while water consumption was 14.6 % below the set goal.

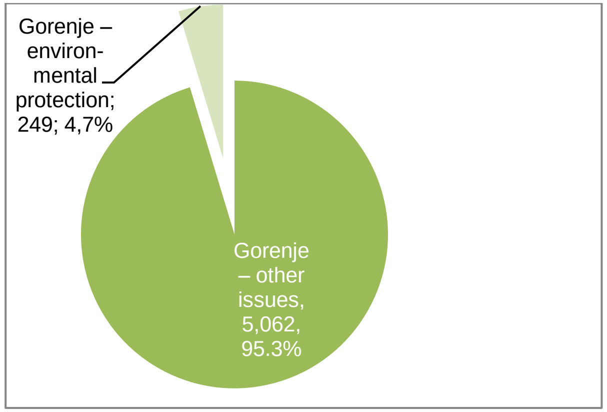
8. Information on Emergency Situations

In 2011 the Gorenje Professional Fire Brigade carried out thirty-three interventions in environment-related accidents at Gorenje d.d. and one intervention at Gorenje I.P.C., d.o.o.. The most frequent occurrences were hydraulic oil spills on fork-lifts, oil spills due to breakdowns of working devices, and fuel spills due to breakdowns of cargo vehicles of external contractors. All of these were minor spills and adequate measures were implemented. There were no negative impacts on the environment in this period as a result of the accidents at Gorenje, d.d. and Gorenje I.P.C., d.o.o..

9. Communication with Interested Parties

In 2011 the Slovenian media published 5311 contributions in which Gorenje was mentioned. Environmental issues were discussed in 249 reports, which accounts for 4.7% of all media reports in the past year.

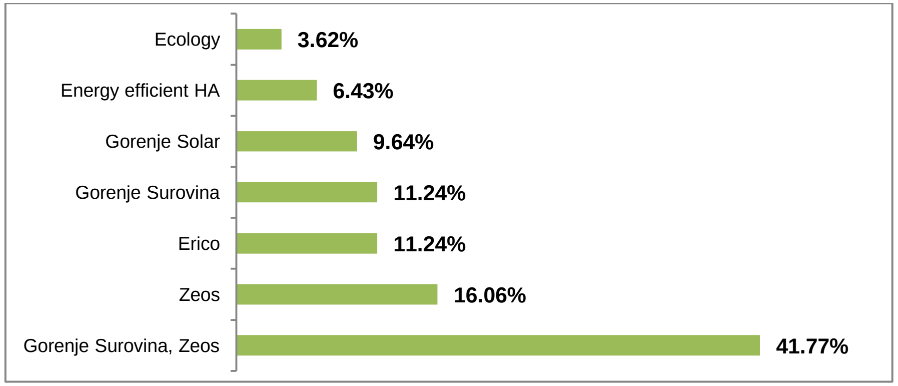
Chart 12: Media report breakdown by percentage



The media reported most frequently on environmental issues in the month of October (122 contributions). In October the media reported extensively on a joint campaign involving the collection of waste white appliances, conducted by Gorenje Surovina and Zeos.

The environmental issues that received the most media attention in 2011 were Gorenje Surovina and Zeos (104 contributions), followed by reports on Zeos (40) and, in third place, reports on the companies Gorenje Surovina and Erico (28 reports).

Chart 13: Distribution of reports on environmental protection issues

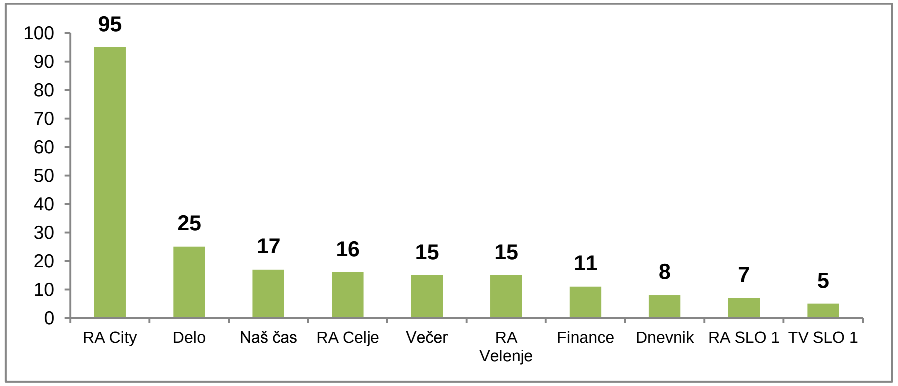


With regard to environmental protection issues, the media's reports on Gorenje were neutral. Some (8) positive reports were devoted to the campaigns of Gorenje's subsidiaries (Erico, Zeos, Gorenje Surovina).

No negative reports were found in 2011.

Listed below are the media that featured the most contributions related to environmental protection.

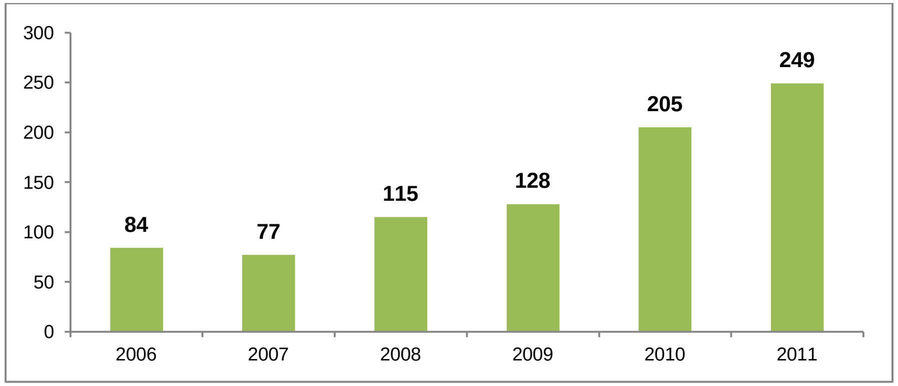
Chart 14: First 10 media establishments by number of reports



86% of all reports were featured by the above-listed media establishments.

In the past 6 years, the numbers of reports on environmental issues were distributed as follows:

Chart 15: Number of reports on environmental issues in the past six years



In 2011, Gorenje, d.d. was addressed by 9 groups or individuals seeking more information on environmental management. Most often they requested answers to various questionnaires and surveys. No complaints were received by Gorenje, d.d. in 2011 from the external public, while Gorenje I.P.C., d.o.o. received one complaint. The subject of the complaint was the disturbing operation of blowers in the Embalaža (packaging) Programme, which has been resolved.

In both companies, internal communication was in line with established good practices (infoG, Bilten, Employee Council, environmental protection portal, etc.). In 2011, periodical training in occupational health & safety, fire protection and environmental protection was conducted according to annual plans.

The Gorenje Professional Fire Brigade took part in a drill organised by the Fire Brigade Command of the Municipality of the City of Velenje, and at a firefighting drill at the factory in Gorenje, d.o.o. Valjevo.

10. Meeting Legal and other Requirements

Based on continuous following of legal and other requirements (emissions into water, emissions into air, noise, wastes, chemicals, energy sources, building construction, and protection against natural and other disasters) related to environmental protection, careful environmental assessment of company operations, results of environmental monitoring and results of inspections, we have assessed that he operations of the companies Gorenje, d.d. and Gorenje I.P.C., d.o.o. are in compliance with legal and other requirements laid down in the requirements of the ISO 14001 standard and the EMAS Regulation.

We meet the legally prescribed limit values for wastewaters, emissions into air, and noise that are specifically defined for our activities. No limit values are prescribed for the other areas listed above.

Both companies have obtained all the required environmental permits: Gorenje, d.d. has obtained, for the Velenje site, an integrated environmental permit for the operation of machinery that may cause major pollution, activity 2.6; for the operation of equipment for the surface treatment of metals using electrolytic and chemical processes with a total tub volume of 215.4 m^3; the Rogatec plant has obtained an environmental permit for the release of industrial wastewaters and emissions into air; in 2011 its black paint shop obtained an extension of its entry in the register of VOC devices (volatile organic compounds) until 28 October 2016. Gorenje I.P.C., d.o.o., Velenje site, has obtained an environmental permit for the release of industrial wastewaters into the sewage system. The environmental permits specify the measures and requirements for the prevention of emissions into the environment, depending on the permit: measures for reduction of emissions, waste management, efficient use of energy, allowable emission limit values, requirements for operational monitoring and reporting, and the operating conditions to be met by the company in order to protect the environment.

In 2011 the operation of Gorenje, d.d. was verified on two occasions by the environmental inspection authority, which did not find any irregularities, and therefore no measures were required. There were no inspections conducted at Gorenje I.P.C., d.o.o..

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REG.NO. SI - 00002

Environmental Auditor's statement

Slovenski institut za kakovost in meroslovje
Slovenian Institute of Quality and Metrology

Environmental Auditor's Statement on activities of auditing and certifying No O-001 and O-002

Slovenian Institute of Quality and Metrology,
Environmental Auditor's registration number SV-V-0001,
accredited for auditing activities at organizations (NACE: 27.510, 27.330, 22.22, 18.120),
hereby declare that we have audited the organizations

Gorenje d. d.,
Partizanska 12, 3503 Velenje, Ceste 56, 3252 Rogatec in Primorska cesta 6d, 3325 Šoštanj,
registration number SI-00001

Gorenje I.P.C. d. o. o.,
Partizanska 12, 3503 Velenje in Primorska cesta 6d, 3325 Šoštanj,
registration number SI-00002

to find whether the said organizations comply with all requirements of the Regulation (EC) No 1221/2009 of the European Parliament and of the Council of 25 November 2009 on the voluntary participation by organizations in a Community eco-management and audit scheme (EMAS).

By signing this document, we declare the following:

- The audit and certification were conducted in full compliance with the requirements of the EC Regulation No. 1221/2009;
- The results of the audit and certification confirm that there is no proof of non-compliance with the effective legislative requirements relevant to the environment;
- The data and information in the environmental statement "EMAS Amendment of the Environmental Statement of the companies Gorenje, d. d., and Gorenje I.P.C., d. o. o., for the year 2011, issue 2, 03rd April 2012" are a reliable, true, and correct account of all activities at both organizations, in the extent specified in the Environmental Statement.

This document shall not be deemed equivalent to EMAS Registration. EMAS Registration may only be awarded by an authorized body pursuant to the EC Regulation No. 1221/2009. This document shall not be used independently for any public communication.

EMAS

SLOVENSKA AKREDITACIJA
Uredba (ES) št. 1221/2009
SI-V-0001

Igor Likar:

Ljubljana, 2012-04-06

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5. Management Report

5.1 Events that have an impact on the interim comparability of information in the financial statements

Effect of the sale of the company Istrabenz Gorenje of the Ecology Energy and Services Division

The agreement on the sale of the 46.55-percent interest held by Gorenje, d.d., in the company Istrabenz Gorenje, d.o.o. became effective on 29 July 2011. Based on this sale, the Gorenje Group entirely eliminated the Energy business segment from its activities.

The proportional elimination of the company and its subsidiaries from the Gorenje Group had a positive impact on (1) the operating result of the Gorenje Group in the amount of EUR 2.9 mio, and on (2) lowering the indebtedness by EUR 29.6 mio based on the purchase price and the elimination of financial debt of the excluded company and its subsidiaries.

Comparability of information on the performance

The comparability of individual categories of profitability, the financial position and cash flow in 2011 was affected by **two materially very significant events** that have occurred in 2010 and 2011:

(1) **integration of the Asko Group**, the Swedish producer of home appliances, into the Gorenje Group in August 2010, and

(2) **sale of the participating interest** in the company **Istrabenz Gorenje** of the Ecology, Energy and Services Divisions, in July 2011 (and thus the winding-up of the Energy business segment).

The report below outlines **(1)** a tabular review / comparison of both information i.e. the actual achieved values of individual categories and their comparable figures, **(2)** a graphical review of only actually recorded values of individual categories in financial statements.

The performance analysis in the management report focuses on actual reasons for current balances and movements prior to accounting of effects of the Asko Group's integration and the sale of the company Istrabenz Gorenje, thus always based on comparable information.

Accordingly, comparable information are of key significance and vital for a proper definition of reasons and consequences for movements and balances in individual financial-economic categories and not the final information presented in the consolidated financial statements of the Gorenje Group. Comparable information is therefore always separately marked within disclosures of stated categories.

Comparability of information from the **view of profitability** of Gorenje Group's operations and its divisions (Income Statement, Table 1) was implemented on the basis of

(1) a full elimination of Asko Group effects in 2010 and 2011, whereas

(2) effects of operations by the company Istrabenz Gorenje and its subsidiaries was taken into account in both years but only up to the first half-year (equalling the time of company's operating in 2011 up till the month in which it was eliminated or excluded).

Table 27: Impact of the elimination of the Asko Group and the sale of Istrabenz Gorenje on the Gorenje Group's profitability

in MEUR	2011	2010	Q4 2011	Q4 2010	Comparable 2011	Comparable 2010	Comparable Q4 2011	Comparable Q4 2010
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%
= Added value / AV	**352.6**	**353.1**	**92.8**	**94.4**	**309.8**	**316.8**	**85.9**	**80.3**
AV in 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%
= Net income	**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%

Comparability of information **from the view of financial position** of Gorenje Group and its divisions was implemented based on the elimination of the company Istrabenz Gorenje and its subsidiaries in the second half-year of 2010. The data presented in the statement of financial position as at 31 December 2011 and 2010 is already inclusive of the Asko Group (integration in August 2010) and thus fully comparable.

Table 28: Impact of the sale of Istrabenz Gorenje on the financial position of the Gorenje Group

in MEUR	2011	2010	Comparable 2010
NET ASSETS	**735.0**	**740.0**	**718.4**
Net 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 EQUITY INVESTED	**735.0**	**740.0**	**718.4**
Equity	397.8	392.1	385.1
Net debt equity	337.2	347.9	333.3

Details on formation of comparable financial information in view of Gorenje Group's profitability and its financial position are disclosed within individual disclosures of the management report hereof.

5.2 Gorenje Group performance

As a result of very severe conditions that prevailed throughout the year but mostly in the last quarter of 2011, Gorenje Group was forced to cope with lowering the **sales volume** and changing its geographical and product structure which had a negative impact on all levels of profitability.

In addition to volume and structure of sales, the Gorenje Group's profitability was heavily influenced by the **price increase of raw materials and material.** The increase that started in the second half of 2010 has intensified until August 2011 but stabilised during the year on high levels as at the start of September 2011.

Comparability of annual and quarterly **information on the performance** with 2010 is quite curtailed due to the integration of the Asko Group in August 2010 and the exclusion of the company Istrabenz Gorenje in July 2011. For the purpose of achieving comparability, the stated information is always presented without the effects of the integration of the Asko Group and the exclusion of the company Istrabenz Gorenje.

Asko Group was challenged by the same circumstances, considering the historically low sales volume in the first quarter of the year and activities relating to the business integration into the Gorenje Group at the beginning of the year. As a result the Asko Group recorded a net loss in 2011, which shall however achieve a positive level in 2012.

With the disinvestment of the Energy segment of the Ecology, Energy and Services Division (i.e. the company **Istrabenz Gorenje** and its subsidiaries), the Gorenje Group succeeded in achieving a significant positive effect on the cash flow and lowered the indebtedness.

The Home Interior Division concluded in 2011 the preparation activities for the business restructuring that has started at the beginning of 2012. The production of the kitchen furnishings was accordingly transferred to the principal activity of the Home Appliances segment (in 2011 still referred to as the Home Appliances Division), whereas the production of ceramic tiles and other furnishings (including bathroom furnishings) was organised as an independent business segment.

Gorenje Group achieved in 2011 a **positive free cash flow** which is recorded at EUR 35.8 mio, whereas EUR 67.6 was generated in the last quarter of the year. The free cash flow for 2011 significantly exceeded the free cash flow achieved in 2010 as well as the planned and projected for 2011.

5.2.1 Volume of business activities

Table 29: Revenue by divisions

in MEUR	2011	2010	Q4 2011	Q4 2010	Comparable 2011	Comparable 2010	Comparable Q4 2011	Comparable Q4 2010
Home Appliances Division	1,055.8	979.8	291.6	298.7	921.7	913.4	261.4	257.0
Home Interior Division	32.9	34.4	7.2	7.6	32.9	34.4	7.2	7.6
Ecology, Energy and Services Division	333.5	368.0	63.3	110.1	333.5	274.0	63.3	58.6
Gorenje Group	**1,422.2**	**1,382.2**	**362.1**	**416.4**	**1,288.1**	**1.221.8**	**331.9**	**323.2**

With **revenue** amounting to EUR 1,288.1 mio in 2011, Gorenje Group exceeded previous year's results by EUR 66.2 mio or achieved a higher comparable level[3] by 5.4 % over 2010**.** If compared to the comparable quarter of 2010, the sales volume generated in the last quarter of 2011 grew by EUR 8.7 mio or +2.7 %, showing an improved growth dynamics from the third quarter of 2011.

The achieved **geographical** and **divisional** structure of sales indicates that:

- with the integration of the Asko Group, Gorenje Group increased its share of sales in West Europe and the rest of the world (USA, Australia) mostly in sales of higher price segments,
- the Gorenje Group reduced the sales volume on geographic areas with higher returns (South-Eastern Europe and East Europe), which was also affected by the elimination of transactions of the Energy segment, and

[3] **Comparable level** hereinafter represents values prior to effects of the integration of the Asko Group and after eliminating the impact of the excluded (sold) company Istrabenz Gorenje and its subsidiaries in both observed periods (for details refer to Point 5.1 hereunder »Events that have an impact on the interim comparability of information in the financial statements«).

- by lowering the share of sales of the Ecology, Energy and Services Division (again with the elimination of the Energy segment), the Gorenje Group relatively strengthened its sales profitability (due to the nature of the division's activities the level of the gross margin is lower from the one achieved with activities of the Home Appliances Division).

Compared to previous year's results and prior to the Asko Group effect (comparable) the **Home Appliances Divisions** generated EUR 8.2 mio or 0.9 % more revenue than in 2010. The total sales growth, including the Asko Group effect, amounted to EUR 76.0 mio or 7.8 %. The poor comparable sales growth is the result of reducing the scope of activities due to significantly low demand in the third and fourth quarter of 2011, and a declining geographical and product sales structure in particular in South-Eastern Europe, East Europe and Near East. As for other markets, the Gorenje Group achieved at least the same or a higher sales growth compared to 2010, which neutralised the negative effects of the sales volume decline on previously stated markets.

The sales volume recorded in 2011 by **the Home Interior Division** was anew lower over the previous period's result. It should be emphasised that, the growth achieved in the third quarter of 2011 was positive for the first time after two years and a half and the sales volume of the last quarter was practically on the level of the comparable period in 2010. Such movement in annual sales is yet the result of recession-hit business in the production and sale of furnishings, of the production shortfall in the bathroom segment during its movement to Serbia, of production wipe-out in the area of the Czech Republic and Ukraine, and the result of planned lowering of supplies to certain high credit risk consumers. Considering the forecasts and the planned reorganisation in 2012, the division is expected to show first significant improvements within activities and profitability already in the first year of restructuring.

The highest comparable sales growth in 2011 with EUR 59.5 mio or a 21.7 % was recorded by the **Ecology, Energy and Services Division** based on increased operations by the Ecology segment and the sale of coal relating to the parent company.

Chart 16: Revenue per divisions (in MEUR)

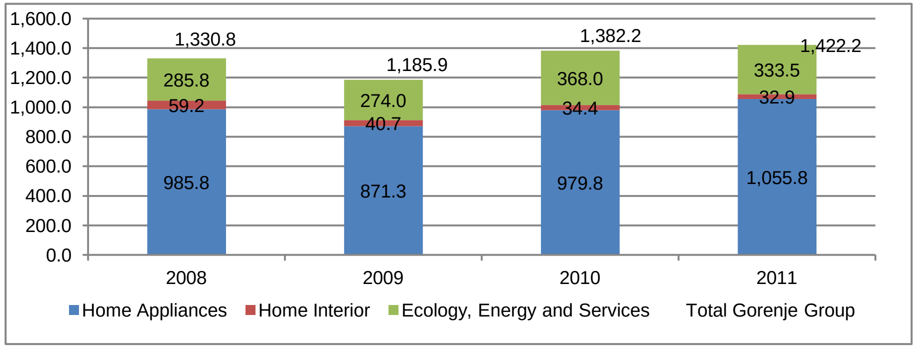


Chart 17: Quarterly movement of revenue generated by the Group (in MEUR)

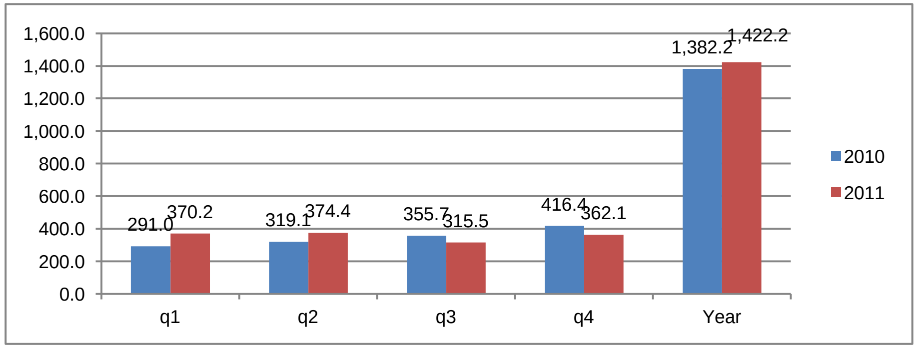
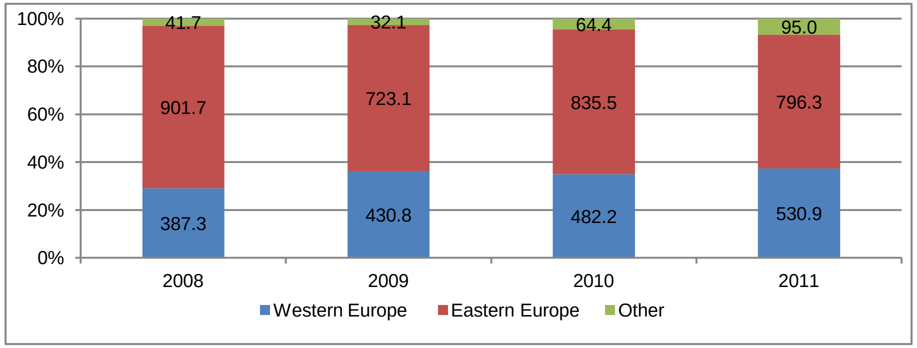


Chart 18: Revenue per key markets (in MEUR)

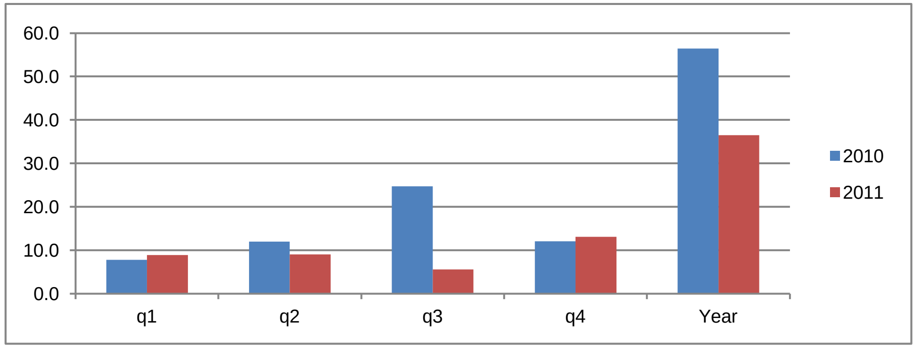


5.2.2 Profitability of operations

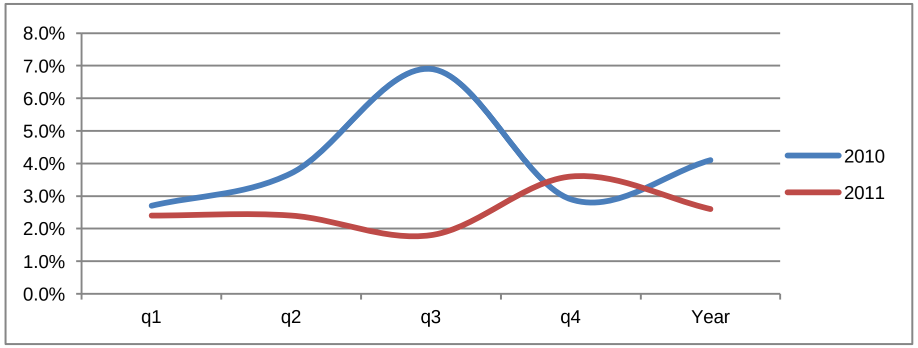
Table 30: EBIT and EBIT margin of Gorenje Group

in MEUR	2011	2010	Q4 2011	Q4 2010	Comparable 2011	Comparable 2010	Comparable Q4 2011	Comparable Q4 2010
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%

Chart 19: Quarterly movement of the Group's EBIT (in MEUR)



Quarterly movement of the Group's EBIT margin



At the level of costs of goods and material the **contribution margin** (**gross margin**) is lower by 0.4-percentage points (from 38.0 % to 37.6 %) if compared to previous year's figures. Thus, the contribution margin declined by EUR 6.4 mio.

Bigger sales volume (activity variance) resulted in a higher gross margin for the Gorenje Group by EUR 15.2 mio, thus the total improvement by considering both effects – in terms of quality and activity – amounted to EUR 8.8 mio.

The comparable gross margin declined to 36.1 % (i.e. by 4.1-percentage points) or by EUR 53.0 mio in quality terms, while it was improved by the sales volume in the amount of EUR 26.6 mio. Compared to 2010, Gorenje Group' gross margin is lower by EUR 26.4 mio. The impaired gross margin is attributable to (1) the movement of cost for material and raw material and its negative impact, (2) worsening of the geographical and product sales structure in the Home Appliances Division, and to (3) the lowering of the gross margin of the Ecology, Energy and Services Division as a result of declining profitability in companies engaged in the industrial and trade part of the Services segment. The margin of the Home Interior Division dropped as well but the effect of its impairment as a result of the low share in Gorenje Group's total sales structure is less significant.

The annual movement of the gross margin was most strongly influenced by the third quarter of 2011, which was in view of volume and structure (geographic, product) of sales, as well as in view of its profitability, lower not only from last year's comparable quarter but also from the second and last quarter of the reporting period.

Cost of services increased over the previous year by EUR 11.3 mio or by 5.7 %, and decreased by EUR 1.1 mio or 0.6 % at comparable level, despite higher sales by 5.4 %. The net decrease is a result of the optimisation process and partly refers also to lower sales of medical equipment; part of sales costs relating to medical equipment was disclosed in the 2010 financial statements as costs of other services.

Added value per employee improved over the previous year from EUR 31,602 to EUR 32,250 or by 2.1 %. As the employee benefits expense growth exceeded the added value growth, the economic labour productivity (change in the ratio of added value to labour cost per employee) dropped by 8.2 % in view of the total generated added value. Accordingly, the share of the employee benefits expense within the added value grew from 69.2 % to 75,4 %.

Comparable i.e. without the effect of events that have an impact on the comparability of information, the added value per employee went down from EUR 30,982 to EUR 30,485 or by 1.6 %. The decline is basically attributable to the total added value generated in 2011, which is lower because of the impaired gross margin. Consequently, the economic labour productivity declined by 1.7 % if compared to the comparable period in 2010. Hence, the share of the employee benefits expense within the added value grew from 71.2 % to 72.4 %.

Lowering the **amortisation and depreciation expense** by EUR 2.0 mio or 3.9 % and by EUR 5.2 mio or 10.4 % at the comparable level is attributable to the minor scope of investments made in the past three years and the extended useful lives (already in 2010) of some property, plant and equipment, referring in particular to the production centres of the Home Appliances Division. The useful lives were extended based on regular assessments of accuracy of valuations made to property, plant and equipment.

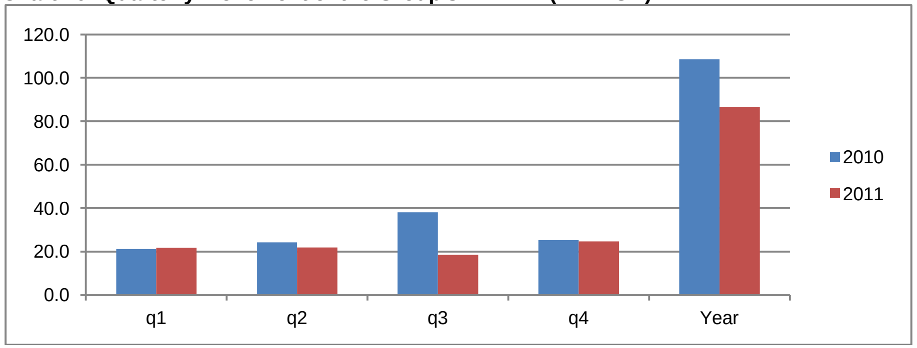
Other operating income in the amount of EUR 41.8 mio (comparable) and compared to 2010 (EUR 26.9 mio) indicates an increase which is attributable to the compensation for damages received in connection with the Patria project (EUR 4.1 mio from the total value of EUR 5.0 mio), to the amount of subsidies and grants received for providing employments on the territory of Republic of Serbia (EUR 2.9 mio), to profits generated on the sale of unnecessary property (EUR 3.6 mio), and to income from reversal of provisions. In terms of consolidated financial statements, other operating income is recorded at EUR 52.5 mio and grew over the previous year, mostly as a result of subsidies received for providing employments in the Republic of Serbia and compensation for damages referring to the Patria project.

Other operating expenses (comparable) in the amount of EUR 15.7 mio decreased over the previous period (2010: EUR 16.3 mio) as a result of lower charges for recycling of household appliances (WEEE Directive). In terms of consolidated financial statements, other operating expenses are recorded at EUR 22.3 mio (2010: EUR 16.9 mio).

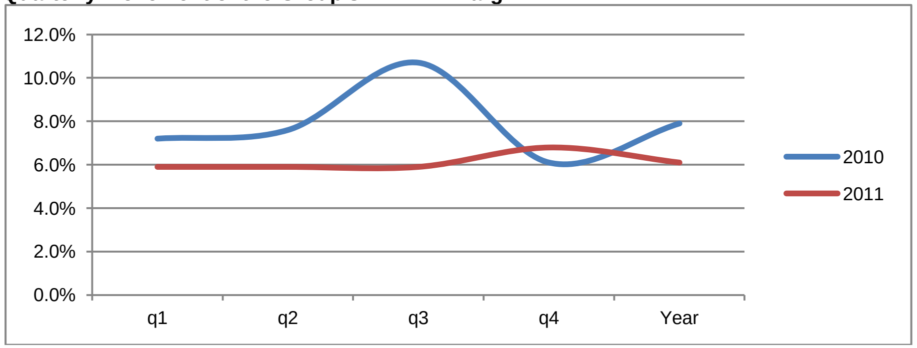
Table 31: EBITDA and EBITDA margin of the Gorenje Group

in MEUR	2011	2010	Q4 2011	Q4 2010	Comparable 2011	Comparable 2010	Comparable Q4 2011	Comparable Q4 2010
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%

Chart 20: Quarterly movement of the Group's EBITDA (in MEUR)



Quarterly movement of the Group's EBITDA margin

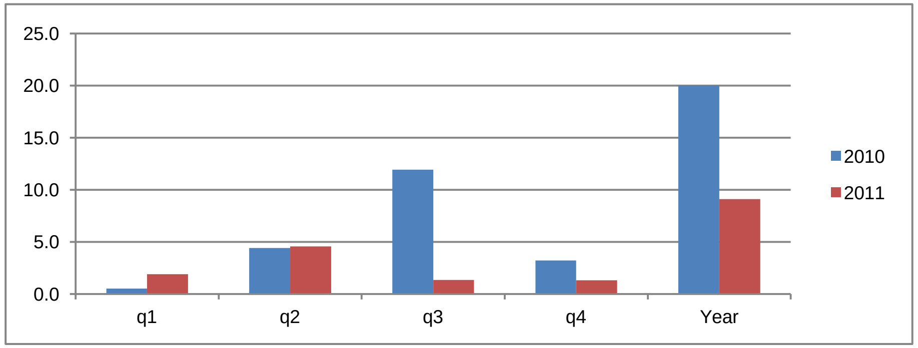


Negative **result from financing activities** in the amount of EUR 25.4 mio was lowered by EUR 8.6 mio or by 25.3 % if compared to 2010. In spite of higher interest expense by EUR 4.4 mio, the said lowering of the negative result is attributable mostly to income from liquidation of the company Gorenje Tiki, Slovenia (EUR 3.7 mio), to profit on sale of the company Istrabenz Gorenje (EUR 2.9 mio), and to allowances (EUR 6.8 mio) formed in a lower amount than in 2010 (last year's negative balance included also allowances for receivables and loans relating to the company Merkur).
At the comparable level, the negative result from financing activities amounts to EUR 26.0 mio.
Income tax expense of EUR 2.0 mio shows a decrease of EUR 0.4 mio if compared to 2010, which is mostly the result of a more favourable tax treatment of Atag-related development costs. Comparable level with EUR 3.8 mio indicates an increase of EUR 0.8 mio over the previous year's result due to the elimination of positive tax effects of the Asko Group.
Net income is recorded at EUR 9.1 mio (ROS of 0.6 %) and lower from previous period's result by 54.5 %.
At the comparable level, the profit for 2011 amounts to EUR 11.3 mio (ROS of 0.9 %) and is higher by EUR 6.3 mio if compared to 2010. Movement of the Net income is outlined in individual categories of profitability, whereas in 2010 it was mostly influenced by the positive effect of negative goodwill relating to the Asko Group takeover (EUR 13.3 mio).

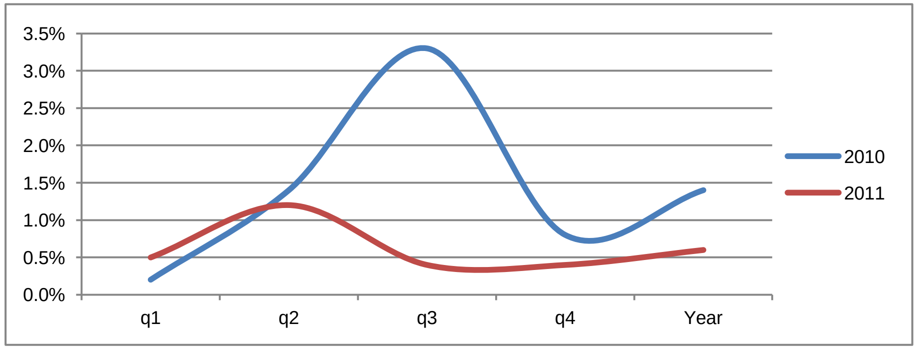
Table 32: Net income and ROS of the Gorenje Group

in MEUR	2011	2010	Q4 2011	Q4 2010	Comparable 2011	Comparable 2010	Comparable Q4 2011	Comparable Q4 2010
Net income	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%

Chart 21: Quarterly movement of the Group's Net income (in MEUR)



Quarterly movement of the Group's ROS



5.3 Performance of the Home Appliances Division

5.3.1 Volume of business activities

Table 33: Revenue, EBIT, EBITDA and Net income of the HA Division

in MEUR	2011	2010	Q4 2011	Q4 2010	Comparable 2011	Comparable 2010	Comparable Q4 2011	Comparable Q4 2010
Revenue	1,055.8	979.8	291.6	298.7	921.7	913.4	261.4	257.0
EBIT	37.8	56.8	15.0	14.6	42.4	41.7	19.9	13.2
EBITDA	80.3	100.9	24.7	25.9	79.0	83.4	28.2	23.1
Net income	13.2	22.6	5.5	7.7	15.4	6.5	7.3	4.5

In 2011, **revenue** of the Home Appliances Division amounting to EUR 921.7 mio achieved a higher comparable level[4] than in the same period last year; it was higher by EUR 8.2 mio or 0.9 %; the achieved total growth in sales with the effect of the Asko Group amounted to EUR 76.0 mio or 7.8 %. The achieved **geographical** and **product** structure of sales indicates that:

[4] **Comparable level** hereinafter represents values prior to effects of the integration of the Asko Group and after eliminating the impact of the excluded (sold) company Istrabenz Gorenje and its subsidiaries in both observed periods (for details refer to hereunder »Events that have an impact on the interim comparability of information in the financial statements«).

- with the integration of the Asko Group, Gorenje Group increased its share of sales in West Europe and the rest of the world (USA, Australia) mostly in sales of higher price segments,
- the Gorenje Group reduced the sales volume on geographic areas with higher returns (South-Eastern Europe and East Europe).

The poor comparable sales growth is the result of reducing the scope of activities due to significantly low demand in the third and fourth quarter of 2011, and a declining geographical and product sales structure in particular in South-Eastern Europe, East Europe and Near East. As for other markets, the Gorenje Group achieved at least the same or a higher sales growth compared to 2010, which neutralised the negative effects of the sales volume decline on previously stated markets.

Chart 22: Quarterly movement of revenue of the HA Division (in MEUR)

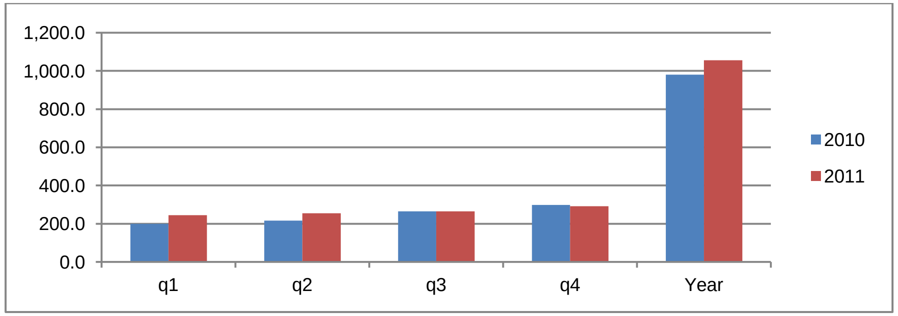


Chart 23: Revenue by programmes of the HA Division (in MEUR)

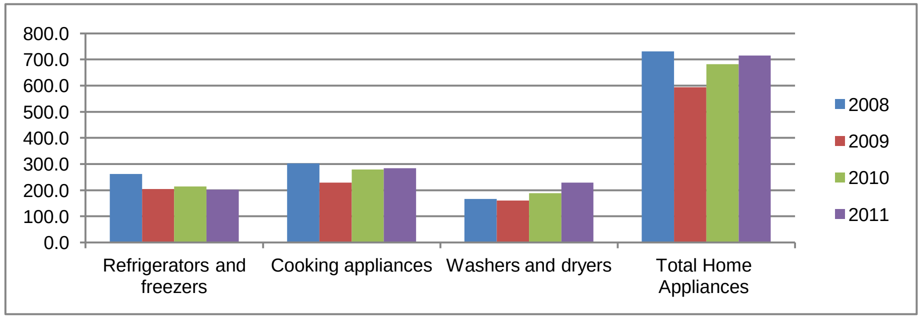
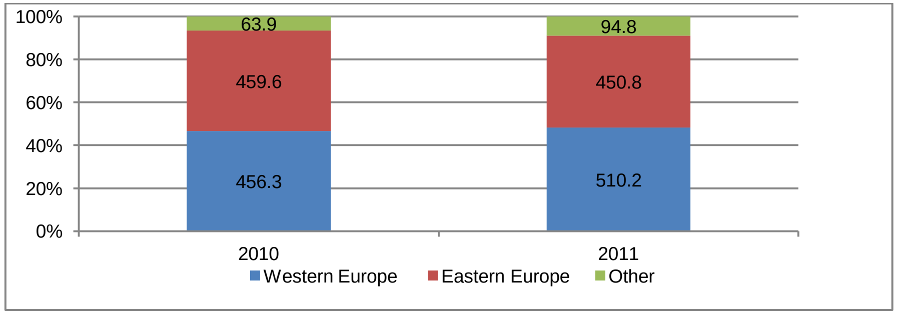


Chart 24: Revenue of the HA Division by key markets (in MEUR)

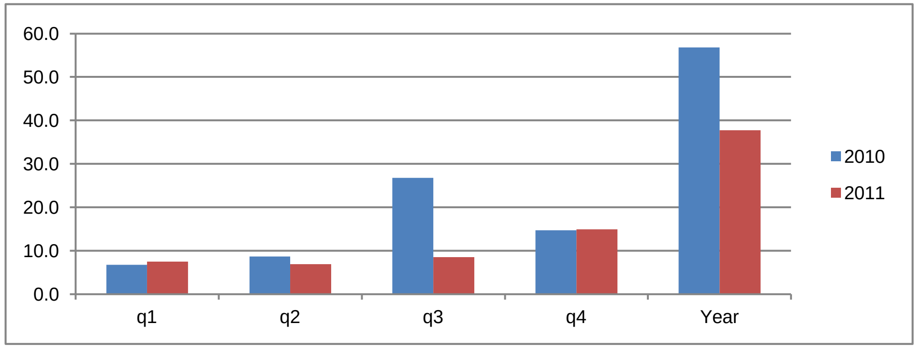


5.3.2 Profitability of operations

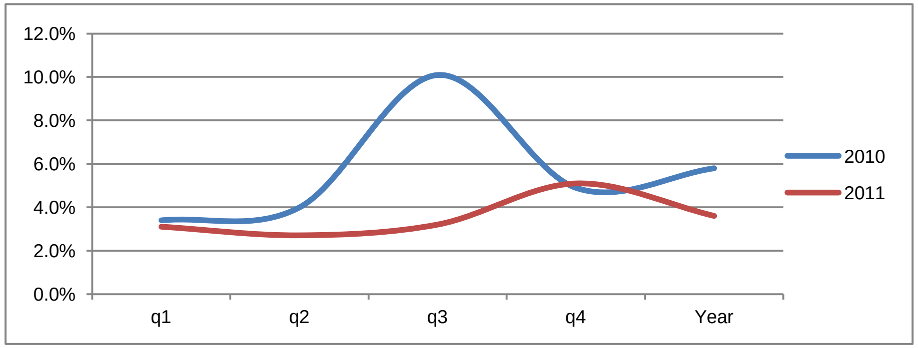
Table 34: EBIT and EBIT margin of the HA Division

in MEUR	2011	2010	Q4 2011	Q4 2010	Comparable			
					2011	2010	Q4 2011	Q4 2010
EBIT	37.8	56.8	15.0	14.6	42.4	41.7	19.9	13.2
EBIT margin	3.6%	5.8%	5.1%	4.9%	4.6%	4.6%	7.6%	5.2%

Chart 25: Quarterly movement of EBIT in the HA Division (in MEUR)



Quarterly movement of the EBIT margin of the HA Division



Contribution margin (**gross margin**) at the level of costs of goods and material worsened by 0.5-percentage points (from 43.4 % to 42.9 %) or quality – amounted to EUR 4.7 mio in comparison with 2010.

Bigger sales volume (activity variance) resulted in a higher gross margin for the Division by EUR 33.0 mio, thus the total improvement by considering both effects – in terms of quality and activity – amounted to EUR 28.3 mio.

The comparable gross margin of the Division declined by 41.7 % (i.e. by 1.7-percentage points) or by EUR 15.5 mio in quality terms, while it was improved by the sales volume in the amount of EUR 3.6 mio. Compared to 2010, the Division's gross margin is lower by EUR 11.9 mio in the reporting period. The impaired gross margin is attributable to (1) the movement of cost for material and raw material and its negative impact, (2) worsening of the geographical and product sales structure of home appliances. The annual movement of the gross margin was most strongly influenced by the third quarter of 2011, which was in view of volume and structure (geographic, product) of sales, as well as in view of its profitability, lower not only from last year's comparable quarter but also from the second and last quarter of the reporting period.

Under consideration of the period January – December in 2010 **costs of services** increased by EUR 20.6 mio or by 13.6 %, at a comparable level by EUR 5.0 mio or 3.6 %. Their increase is mostly a result of higher costs of logistics due to a change in the operational sales model in the Russian market.

Added value per employee improved over the previous year from EUR 33,482 to EUR 33,848 or by 1.1 %. As the employee benefits expense growth exceeded the added value growth, the economic labour productivity (change in the ratio of added value to labour cost per employee) dropped by 9.8 % in view of the total generated added value in the amount of EUR 3.3 mio (to EUR 301.5 mio). Accordingly, the share of the employee benefits expense within the added value grew from 66.2 % to 73.3 %.

Comparable i.e. without the effect of events that have an impact on the comparability of information, the added value per employee went down from EUR 32,615 to EUR 31,794 or by -2.5 %. The decline is basically attributable to the total added value generated in 2011, which is lower because of the impaired gross margin. Consequently, the economic labour productivity declined by 1.6 % if compared to the comparable period in 2010. Hence, the share of the employee benefits expense within the added value grew from 68.3 % to 69.4 %.

Lowering the **amortisation and depreciation expense** by EUR 1.5 mio or 3.3 % and at a comparable level by EUR 5.0 mio or 12.1 % is attributable to the minor scope of investments made in the past three years and the extended useful lives (already in 2010) of some property, plant and equipment, referring in particular to the production centres of the Division. The useful lives were extended based on regular assessments of accuracy of valuations made to property, plant and equipment.

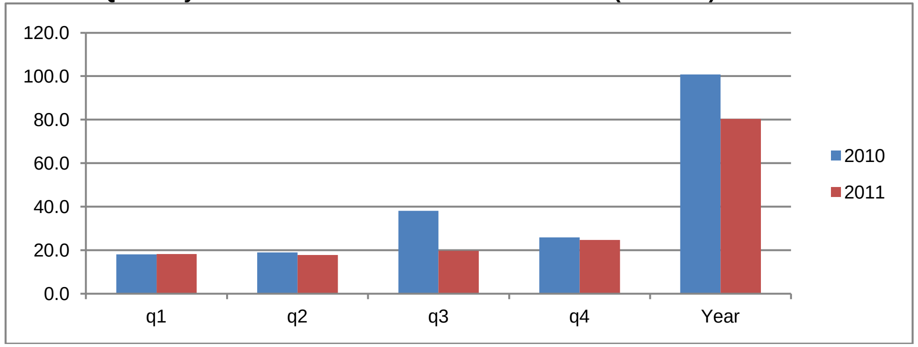
Other operating income in the amount of EUR 33.4 mio (comparable) and in view of 2010 (EUR 23.9 mio) indicates an increase which is attributable to the amount of subsidies and grants received for providing employments on the territory of Republic of Serbia (EUR 2.9 mio), to profits generated on the sale of unnecessary property (EUR 3.0 mio), and to income from reversal of provisions. In terms of the statement of financial position, other operating income is recorded at EUR 44.2 mio, which is practically the same amount as in 2010 (EUR 44.3 mio), when it was increased by the negative goodwill value amounting to EUR 13.3 mio.

Other operating expenses (comparable) in the amount of EUR 13.9 mio decreased over the previous period (2010: EUR 14.7 mio) as a result of lower charges for recycling of household appliances (WEEE Directive). In terms of the statement of financial positions, other operating expenses amounted to EUR 20.5 mio (2010: EUR 14.7 mio).

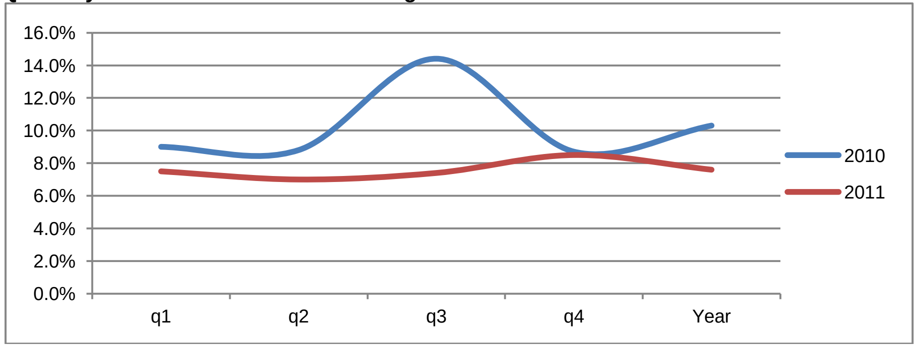
Table 35: EBITDA and EBITDA margin of the HA Division

in MEUR	2011	2010	Q4 2011	Q4 2010	Comparable 2011	Comparable 2010	Comparable Q4 2011	Comparable Q4 2010
EBITDA	80.3	100.9	24.7	25.9	79.0	83.4	28.2	23.1
EBITDA margin	7.6%	10.3%	8.5%	8.7%	8.6%	9.1%	10.8%	9.0%

Chart 26: Quarterly movement of EBITDA in the HA Division (in MEUR)



Quarterly movement of the EBITDA margin of the HA Division



Negative **result from financing activities** in the amount of EUR 23.5 mio was lowered by EUR 9.5 mio or by 28.8 % if compared to 2010. In spite of higher interest expense by EUR 5.2 mio, the the said lowering of the negative result is attributable mostly to income from liquidation of the company Gorenje Tiki, Slovenia (EUR 3.7 mio), to profit on sale of the company Istrabenz Gorenje (EUR 2.9 mio), and to allowances (EUR 6.8 mio) formed in a lower amount than in 2010 (last year's negative balance included also allowances for receivables and loans relating to the company Merkur).

At the comparable level, the negative result from financing activities amounts to EUR 24.1 mio.

Income tax expense maintained its level with EUR 1.1 mio that was reached in the comparable period last year, mostly due to a more favourable tax treatment of Atag-related development costs. With the amount of EUR 2.9 mio at a comparable level it reached the level that is by EUR 0.9 mio higher than the one achieved in the year 2010 due to the elimination of the positive tax effects of the Asko Group.

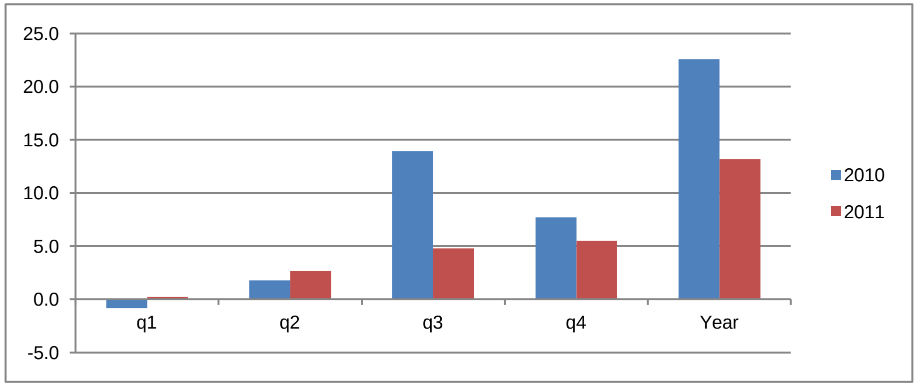
Net income is recorded at EUR 13.2 mio (ROS of 1.2 %) and lower from previous period's result by 41.6 %.

At the comparable level, the profit for 2011 amounts to EUR 15.3 mio (ROS of 1.7 %) and is higher by EUR 8.8 mio if compared to 2010. Movement of the Net income is outlined in individual categories of profitability, whereas in 2010 it was mostly influenced by the positive effect of negative goodwill relating to the Asko Group takeover (EUR 13.3 mio).

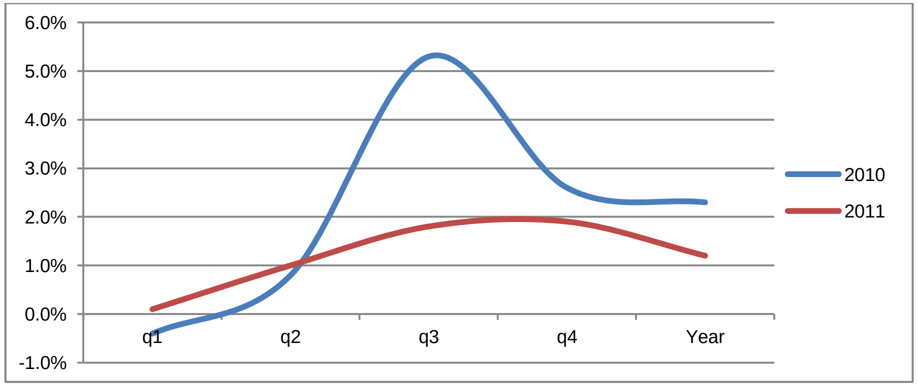
Table 36: Net income and ROS of the HA Division

in MEUR	2011	2010	Q4 2011	Q4 2010	Comparable 2011	Comparable 2010	Comparable Q4 2011	Comparable Q4 2010
Net income	13.2	22.6	5.5	7.7	15.4	6.5	7.3	4.5
ROS	1.2%	2.3%	1.9%	2.6%	1.7%	0.7%	2.8%	1.7%

Chart 27: Quarterly movement of Net income of the HA Division (in MEUR)



Quarterly movement of ROS of the HA Division



5.4 Performance of the Home Interior Division

5.4.1 Volume of business activities

Table 37: Revenue, EBIT, EBITDA and loss for the period of the HI Division

in MEUR	2011	2010	Q4 2011	Q4 2010
Revenue	32.9	34.4	7.2	7.6
EBIT	-6.7	-6.7	-2.4	-2.2
EBITDA	-4.8	-5.0	-2.0	-1.9
Loss for the period	-6.9	-6.3	-2.6	-2.2

Revenue of the Home Interior Division achieved a lower value than in the year 2010; it amounted to EUR 32.9 mio and was by EUR 1.4 mio or by 4.2 % lower. It should be emphasised that, the growth achieved in the third quarter of 2011 was positive for the first time after two years and a half and the sales volume of the last quarter was practically on the level of the comparable period in 2010. Such movement of the sale in the period is yet the result of recession-hit business in the production and sale of home interior furniture and the planned lowering of supplies to certain high credit risk consumers.

Lower sales are attributable to following events: (1) relocation of the production of sanitary equipment to Serbia due to which the production of this programme was partially discontinued in the second half-year of the year 2011 and (2) winding-up of the subsidiaries in the Czech Republic and in Ukraine which results in a significant reduction of sales on the territory of both countries. The Division succeeded in replacing only a part of this reduction by higher sales in the Furniture programme.

Considering the forecasts and the planned reorganisation in 2012, the Division is expected to show first significant improvements within activities and profitability already in the first year of restructuring.

Chart 28: Quarterly movement of revenue of the HI Division (in MEUR)

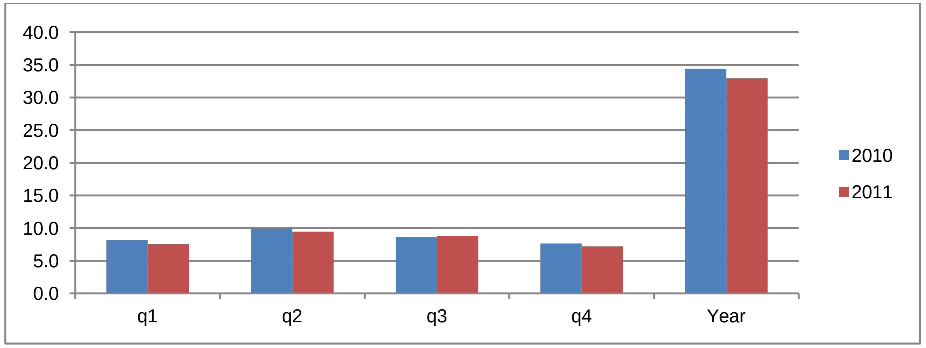


Chart 29: Revenue by HI Division programmes (in MEUR)

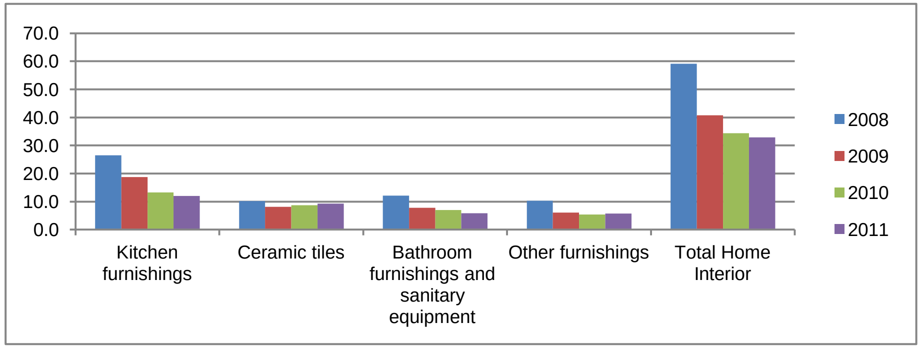
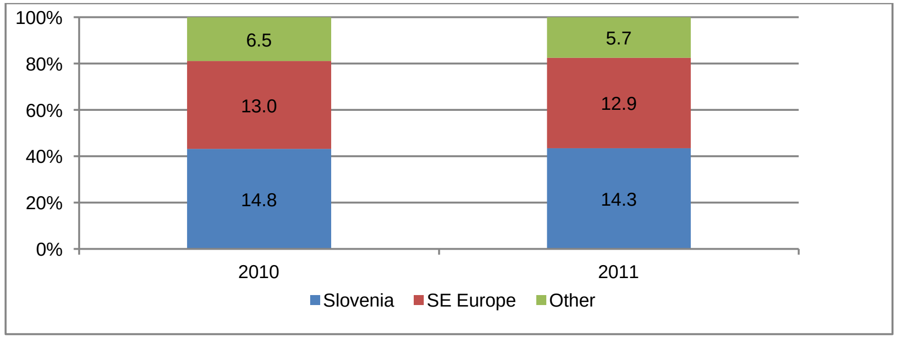


Chart 30: Revenue of the HI Division by key markets (in MEUR)

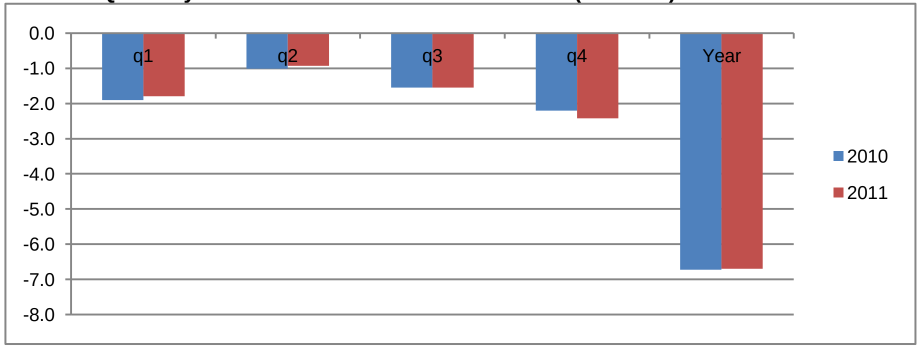


5.4.2 Profitability of operations

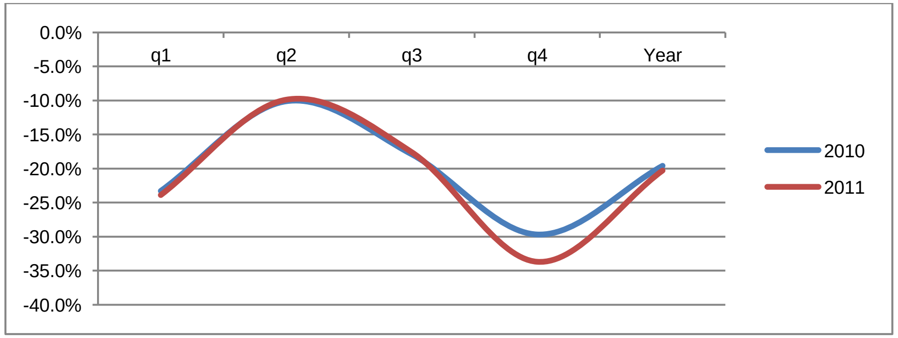
Table 38: EBIT and EBIT margin of the HI Division

in MEUR	2011	2010	Q4 2011	Q4 2010
EBIT	-6.7	-6.7	-2.4	-2.2
EBIT margin	-20.3%	-19.6%	-33.7%	-29.7%

Chart 31: Quarterly movement of EBIT of the HI Division (in MEUR)



Quarterly movement of the EBIT margin of the HI Division



Contribution margin (**gross margin**) at the level of costs of goods and material declined by 2.8-percentage points (from 38.6 % to 35.8 %) or amounted to EUR 0.9 mio if compared to 2010.

Due to the lower sales volume (activity variance) the Division recorded a lower gross margin by EUR 0.6 mio. Under consideration of both effects – in terms of quality and activity - the resulting effect amounted to EUR 1.5 mio.

The impairment of the gross margin is mainly a result of (1) relocation of the production and its structural changes, (2) changes in the product sales structure, and (3) the movement of cost for material and raw material and its negative impact.

Costs of services (EUR 4.0 mio) were maintained at the level of 2010, in spite of lower volume of business activities; this mostly resulted from additional costs of moving part of the production to Serbia and the integrated restructuring of business activities. In the last three years, the division's operations incurred loss which was impossible to neutralise irrespective of cost optimisation and a significant reduction of the sales volume. Consequently, the second half of 2010 saw the start of restructuring preparations, whereas the Division's actual restructuring process started at the beginning of 2012 and shall – according to first estimates – be completed in the first quarter of 2013.

Added value per employee in the amount of EUR 10,178 has not changed significantly over the previous year (2010: EUR 10,247). As the employee benefits expense growth exceeded the added value growth, the economic labour productivity (change in the ratio of added value to labour cost per employee) dropped by 6.5 % in view of the total generated lower added value in the amount of EUR 1.9 mio (to EUR 7.6 mio). Such added value was no longer sufficient for covering the employee benefits expense since their share in added value amounted to 163.4 % (2010: 152.7 %).

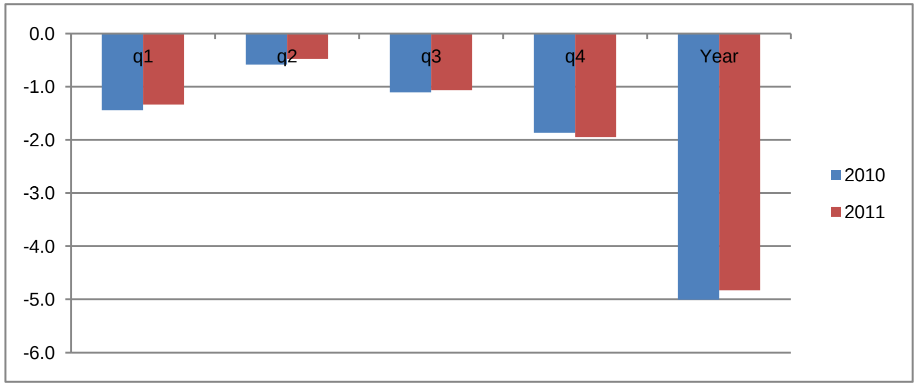
Amortisation and depreciation expense exceeded last year's figures by EUR 0.2 mio or 8.9 % as a result of urgent investments made in the production plant's technical equipment as they are considered a precondition for a successful comprehensive operational restructuring that the Division is engaged in since 2011.

The effects of movement of items of **other operating income and expenses** have a low impact on the movement of profitability, whereas the fall of the **result from financing activities** (from EUR 0.4 mio to EUR -0.2 mio) is mostly attributable to the positive effect of sales of securities in 2010 in spite of the negative effect of creating allowances for receivables due from the company Merkur, d.d., in the process of compulsory composition in the same year. Without the effect mentioned, the Division would achieve a similar result from financing activities as in 2011.

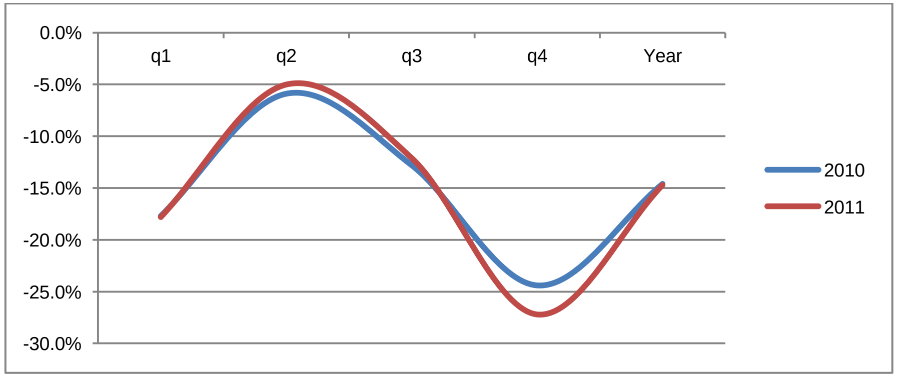
Table 39: EBITDA and EBITDA margin of the HI Division

in MEUR	2011	2010	Q4 2011	Q4 2010
EBITDA	-4.8	-5.0	-2.0	-1.9
EBITDA margin	-14.7%	-14.6%	-27.2%	-24.4%

Chart 32: Quarterly movement of EBITDA of the H Division (in MEUR)



Quarterly movement of the EBITDA margin of the HI Division

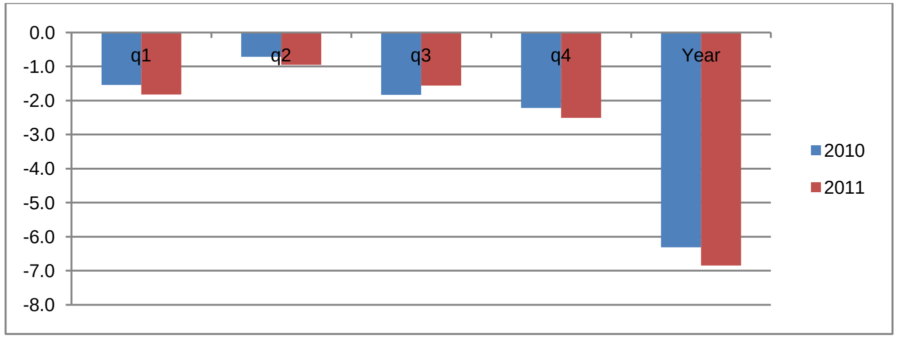


Loss for the period incurred in the amount of EUR 6.9 mio is by EUR 0.6 mio or 9.9 % higher than the loss of the comparable period last year. The primary reasons for increasing the loss is the impaired gross margin, as well as keeping costs of services at the level of 2010 and the increase of amortisation and depreciation expense.

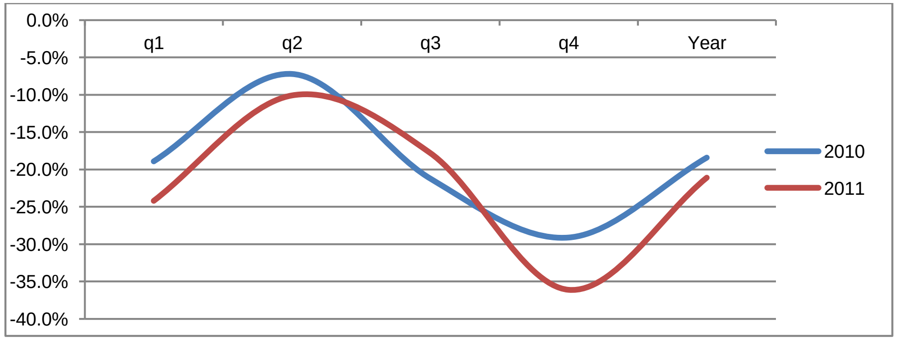
Table 40: Loss for the period and ROS of the HI Division

in MEUR	2011	2010	Q4 2011	Q4 2010
Loss for the period	-6.9	-6.3	-2.6	-2.2
ROS	-21.1%	-18.4%	-36.1%	-29.1%

Chart 33: Quarterly movement of loss of the HI Division (in MEUR)



Quarterly movement of ROS of the HI Division



5.5 Performance of the Ecology, Energy and Services Division

5.5.1 Volume of business activities

Table 41: Revenue, EBIT, EBITDA and Net income of the EES

in MEUR	2011	2010	Q4 2011	Q4 2010	Comparable 2011	Comparable 2010	Comparable Q4 2011	Comparable Q4 2010
Revenue	333.5	368.0	63.3	110.1	333.5	274.0	63.3	58.6
EBIT	5.4	6.3	0.5	-0.4	5.4	6.9	0.5	-0.1
EBITDA	11.2	12.8	1.9	1.3	11.2	13.0	1.9	1.3
Net income	2.8	3.7	-1.6	-2.3	2.8	4.7	-1.6	-0.8

The highest comparable growth of **revenue** in 2011 was achieved by the Ecology, Energy and Services Division with EUR 59.5 mio or 21.7 %. This growth is a result of higher volume of operations of the Ecology segment, higher service fees and sale of coal at the holding company. Thus, the Division generated sales amounting to EUR 333.5 mio, while in terms of the statement of financial position (before the elimination of the Istrabenz Gorenje effects) its sales volume was by EUR 34.5 mio lower over the previous year's result.

Chart 34: Quarterly movement of revenue of the EES Division (in MEUR)

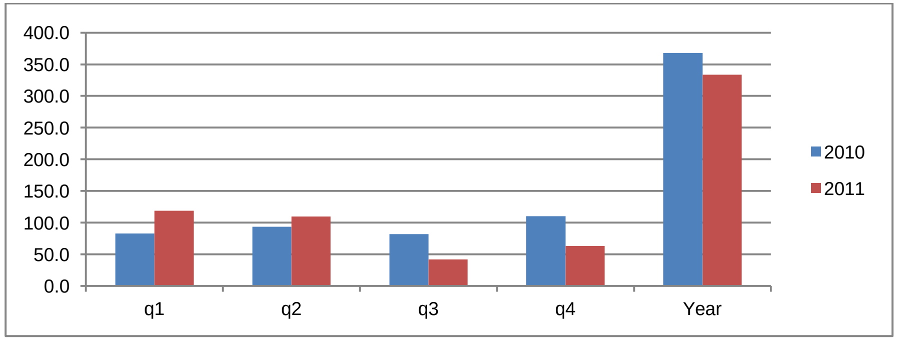
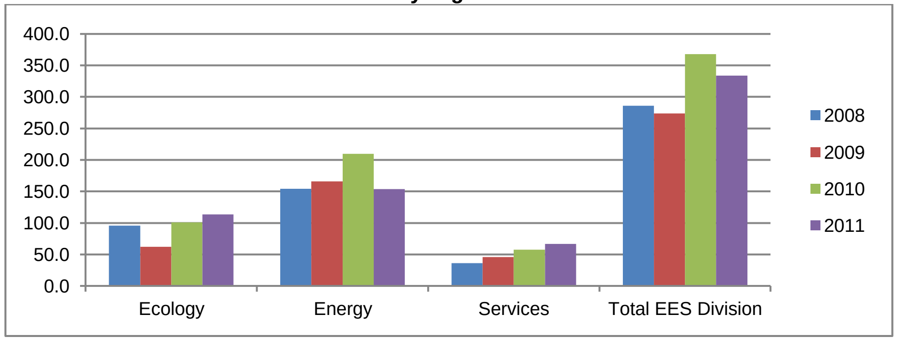


Chart 35: Revenue of the EES Division by segments

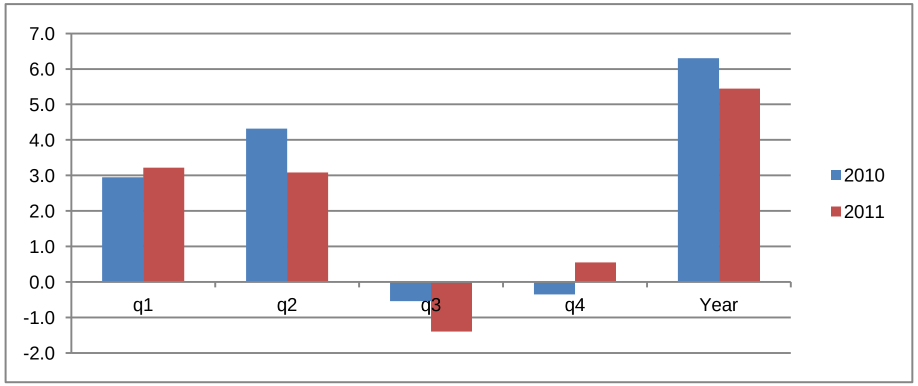


5.5.2 Profitability of operations

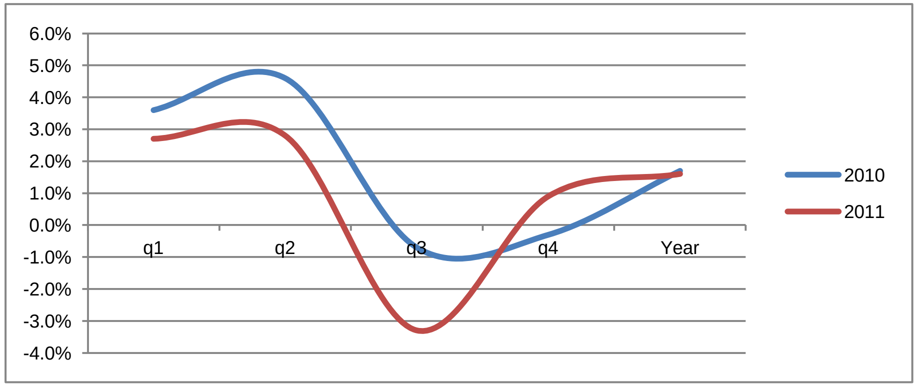
Table 42: EBIT and EBIT margin of the EES Division

in MEUR	2011	2010	Q4 2011	Q4 2010	Comparable 2011	Comparable 2010	Comparable Q4 2011	Comparable Q4 2010
EBIT	5.4	6.3	0.5	-0.4	5.4	6.9	0.5	-0.1
EBIT margin	1.6%	1.7%	0.9%	-0.3%	1.6%	2.5%	0.9%	-0.1%

Chart 36: Quarterly movement of EBIT of the EES Division (in MEUR)



Quarterly movement of the EBIT margin of the EES Division



With the sale of the main company Istrabenz Gorenje in July 2011 the complete Energy segment was eliminated from the Division. The nature of company's operations (commissions earned in trading with electricity) caused a relatively low profitability, but higher yield of the invested capital than those achieved in the Home Appliances Division. As a result also the total **EBIT margin** of this division was lower than in the Home Appliances Division and it thus reduced the total **gross margin** of the Gorenje Group.

Profitability of the Division at the level of **contribution margin (gross margin)** relating to the difference between revenue and costs of goods and material decreased by EUR 18.0 mio or by 20.7 % (to EUR 69.1 mio) at a 3.0-percent reduction of the gross margin's level (to 20.7 %). This resulted in impairment of the margin by EUR 9.8 mio and its decline due to lower sales volume amounting to 8.2 mio EUR.

The impairment of the gross margin at an observed level in the Energy segment results from the general situation in markets of electricity, whose common characteristic in 2011 was a significant reduction of sales commissions over the year 2010. Due to the transition from the period of the high price increase for secondary raw materials to the period of modest growth in comparison to 2010 the Ecology segment achieved margins at the same level or at a lower level of up to 4–percentage points. As for the services segment and from the view of the Division the movement of margins in the production of tools and machine and tools manufacture had the strongest negative impact, where lower profitability of transactions was the result of a very low potential of investing in technical and technological equipment of industrial producers.

<u>At a comparable level</u> the Division's gross margin dropped by EUR 13.0 mio or 15.8 % (from EUR 82.0 mio to EUR 69.1 mio), its quality reduction amounted to EUR 30.8 mio (at 9.2-percent margin reduction) and its growth due to higher sales amounted to EUR 17.8 mio.

In 2011, the division increased the **added value per employee** from EUR 33,856 to EUR 34,052 or by 0.6 % in spite of a significant reduction in gross margin which had an impact on the total amount of added value. As the employee benefits expense growth exceeded the added value growth, the **economic labour productivity** (change in the ratio of added value to labour cost per employee) dropped by 3.3 %. The share of employee benefits expense within the added value increased from 71.8 % to 74.3 %.

<u>At a comparable level</u> the Division reduced added value per employee from EUR 35,883 to EUR 34,052 or by 5.1 %. The elimination of the Energy segment in the second half-

year of 2010 (for the sake of comparison of information) significantly reduced the number of employees in the year 2010 and thus increased the economic labour productivity per employee. Due to this fact and due to additional employments in the Ecology segment as a result of increasing the volume of operations in 2011, the productivity decreased by 4.9 % with increasing the share of employee benefits expense in the added value from 70.6 % to 74.3 %.

A decrease in **costs of services** amounting to EUR 9.3 mio or by 22.6 % is related to the reduction in sales of medical equipment where a part of related sales costs in the comparable period of 2010 was accounted for within costs of other operating services.

At a comparable level costs of services were by EUR 6.1 mio or 16.1 % lower than in the previous year.

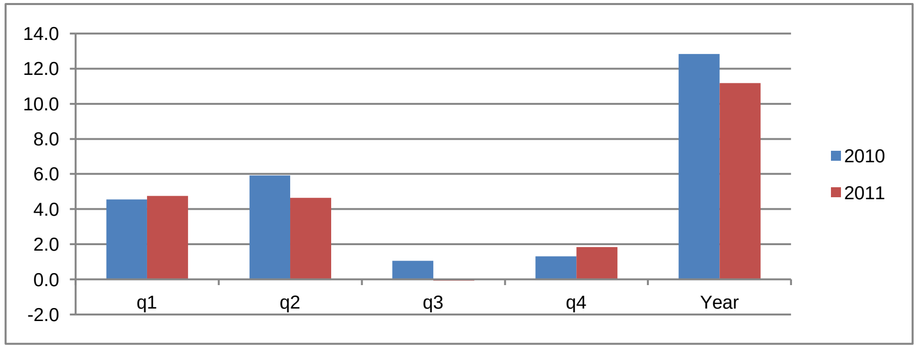
Other operating income increased by EUR 5.2 mio (at comparable level by EUR 5.4 mio), **other operating expenses** decreased by EUR 0.2 mio (they increased at comparable level by EUR 0.4 mio). The increase in other operating revenue mostly refers to compensation for damages received in connection with the Patria project.

The movement of other categories of **operating and finance income** or **expenses** over the year 2010 had no material impact on the reduction in profitability at the level of EBIT and profit of the Division. The Division generated a profit amounting to EUR 2.9 mio (ROS of 0.9 %), which indicates a decrease over the previous year in the amount of EUR 0.9 mio or 23.9 %, or at a comparable level is lower by EUR 1.8 mio if compared to 2010.

Table 43: EBITDA and EBITDA margin of the EES Division

in MEUR	2011	2010	Q4 2011	Q4 2010	Comparable 2011	Comparable 2010	Comparable Q4 2011	Comparable Q4 2010
EBITDA	11.2	12.8	1.9	1.3	11.2	13	1.9	1.3
EBITDA margin	3.4%	3.5%	2.9%	1.2%	3.4%	4.7%	2.9%	2.3%

Chart 37: Quarterly movement EBITDA of the EES Division (in MEUR)



Quarterly movement of the EBITDA margin of the EES Division

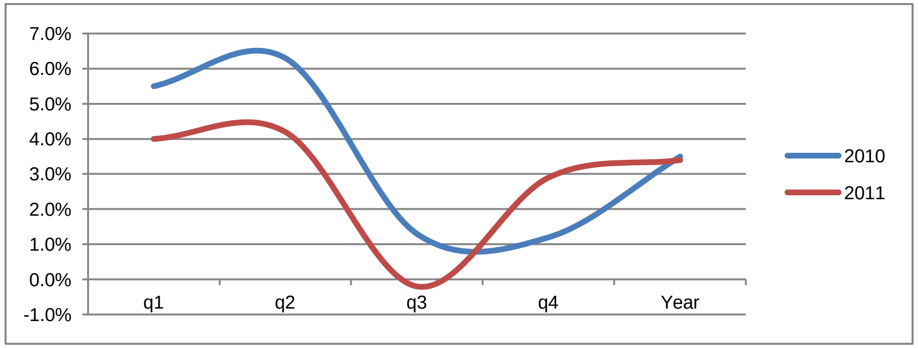
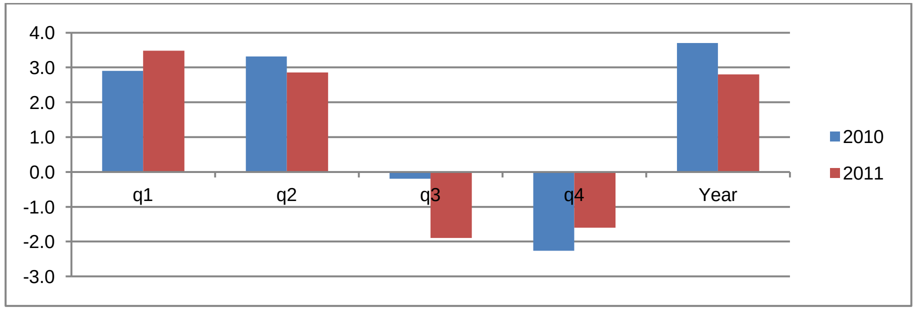


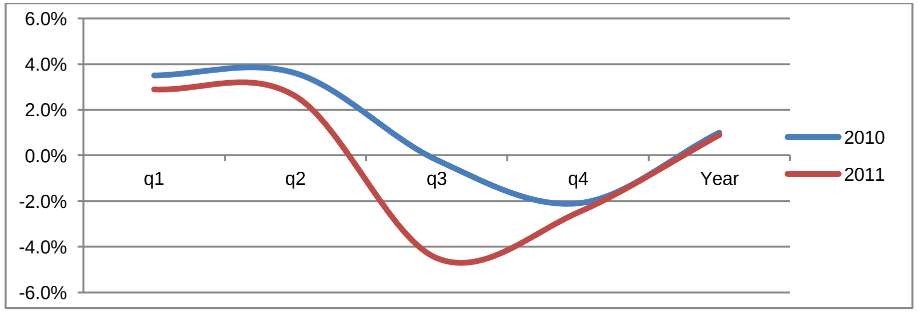
Table 44: Net income and ROS of the EES Division

in MEUR	2011	2010	Q4 2011	Q4 2010	Comparable 2011	Comparable 2010	Comparable Q4 2011	Comparable Q4 2010
Net income	2.8	3.7	-1.6	-2.3	2.8	4.7	-1.6	-0.8
ROS	0.9%	1.0%	-2.5%	-2.1%	0.9%	1.7%	-2.5%	-1.3%

Chart 38: Quarterly movement of Net income of the EES Division (in MEUR)



Quarterly movement of ROS of the EES Division



5.6 Financial Position and Liquidity

Reduction of net financial debt by EUR 18.7 million.

Table 45: Financial soundness of the Gorenje Group

in MEUR	2011	2010
Financial debt	**484.1**	**483.9**
- Current	181.6	223.0
- Non-current	302.5	260.9
- In EUR	468.1	448.3
- In other currencies	16.0	35.6
- With fixed interest rate	222.0	72.4
- With variable interest rate	262.1	411.5
Total liabilities	**1251.7**	**1317.8**

Financial liabilities increased by EUR 161 thousand (0.03 percent) in 2011. At the same time, the funds on the account increased by EUR 18.9 million, thus reducing the **net financial debt** by EUR 18.7 million (4.7 percent). We managed to achieve this result by implementing measures for improving management of liabilities and inventories, and through disinvestments.

In the structure of sources of financing, the share of trade liabilities decreased by EUR 42.8 million in 2011. This was due to the optimisation of the purchasing process in the goods and material stocks segment and the sale of the Istrabenz Gorenje company. On the other side, the share of equity increased to 31.8 percent and financial liabilities increased by two percentage points to 38.7 percent.

Table 46: Financial soundness ratios of the Gorenje Group

Ratios	2011	2010
Equity / Total assets	0.32	0.30
Financial debt / EBITDA	5.58	4.45
Net financial debt / EBITDA	4.41	3.69
Current ratio	1.44	1.30
Quick ratio	0.31	0.23

The value of the net financial debt / EBITDA ratio worsened in the past year, despite the decrease in net financial debt, due to the lower level attained by EBITDA. The main reason for the lower EBITDA is primarily in the one-off effect of the acquisition of the Asko Group in 2010 and the negative operation of the Home Interior Division. In 2010, Asko had a significant positive effect on the Group's profitability due to its negative goodwill.

5.6.1 Cash Flow Management and Investments

We improved our free cash flow by EUR 18.0 million through measures for the regulation of net current assets.

Table 47: Free cash flow of the Gorenje Group

in MEUR	2011	2010	Change
Net income	9.1	20.0	-10.9
Amortisation and depreciation expense	50.2	52.2	-2.0
Net cash flow	**59.3**	**72.2**	**-12.9**
Capex	-47.5	-44.7	-2.8
Disinvestment	4.4	4.5	-0.1
Investments in net current assets	19.6	-14.2	33.8
• change in inventories	12.0	-6.0	18.0
• change in trade receivables	50.4	-25.3	75.7
• change in trade payables	-42.8	17.1	-59.9
Free cash flow	**35.8**	**17.8**	**18.0**

In 2011 we created free cash flow in the amount of EUR 35.8 million. The lower net cash flow was due to the worsening of profitability, but on the other hand investments in net current assets decreased, thus significantly increasing the free cash flow.

Investments

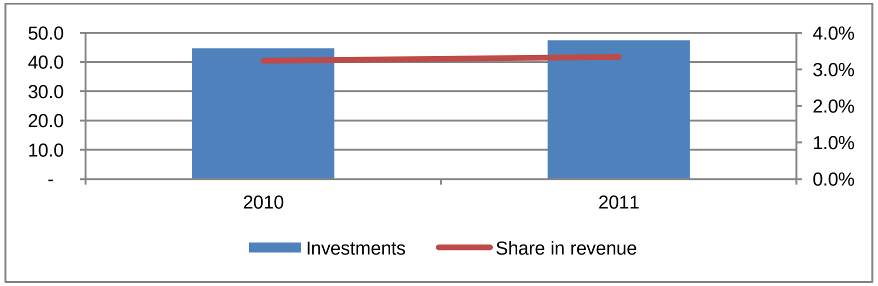
In the area of investments, we continued to implement our policy of focusing on the development of home appliances, within the scope of which we developed a new generation of washers and dryers. We also invested in the relocation of thermal and heating systems from Slovenia to Stara Pazova in Serbia, and setting up a new production location in Zaječar, Serbia. Part of the funds were also allocated for coordinating the business integration of Asko into the Gorenje Group.

The greater part of the funds was allocated to investments in technical equipment (EUR 25.7 million), buildings (EUR 8.8 million) and intangible assets (EUR 6.4 million).

The investments in 2011 were still significantly lower than those in the pre-crisis year of 2008, which amounted to EUR 76.8 million, but increased by EUR 2.8 million in comparison with 2010.

The movement of investments in net current assets in 2011 points to significant structural changes in the management of inventories and receivables, while the movement of trade payables had a negative impact on free cash flow due to the different structure of purchasing sources as well as the time/quantity schedule of purchasing.

Chart 39: Investments and share in the revenue of the Gorenje Group (in MEUR)

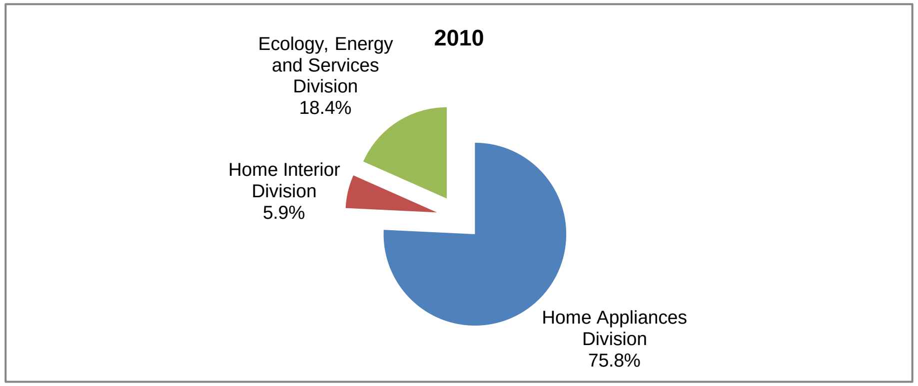


Investments by Division

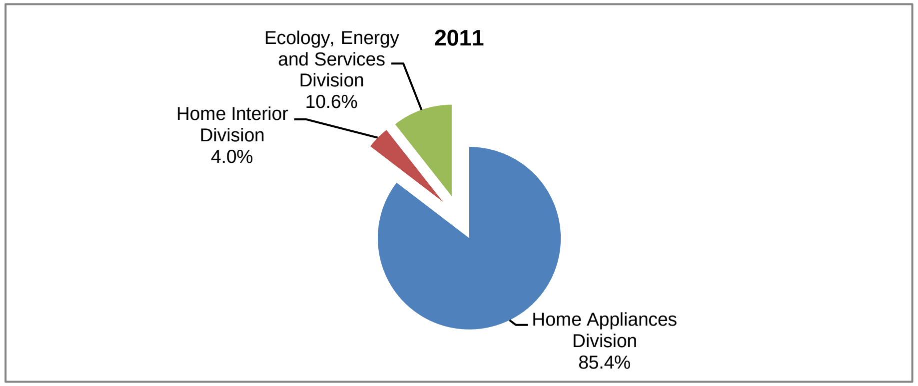
In line with the strategic directive of focusing on our basic activity, 85.4 percent of all investments (EUR 40.5 million) in the past year were made within the Home Appliances Division. The structure of these investments was similar to that of the entire Group: technical equipment (EUR 22.5 million), buildings (EUR 6.6 million) and intangible assets (EUR 6.2 million).

The remainder of investments were divided among the Ecology, Energy and Services Division (EUR 5.1 million) and the Home Interior Division (EUR 1.9 million). Investments in technical equipment were predominant in both divisions.

Chart 40: Division Structure of Investments in 2010



Division Structure of Investments in 2011



5.6.2 Debt Restructuring

In 2011 the share of non-current financial assets increased by 8.6 percentage points.

In 2012 we shall continue to implement projects focused on the diversification of sources of financing. More attention will be devoted to alternative sources, which are particularly suitable in times of crisis. In searching for sources of financing, we shall therefore make more use of factoring and support suppliers in searching for sources of financing in order to shorten the terms of payment to Gorenje. We shall also continue to improve free cash flow through measures for optimising inventories and receivables, and disinvestment activities.

In 2011 we successfully restructured part of the borrowing portfolio in line with the plan. Non-current borrowings therefore increased and current borrowings decreased by 8.6 percentage points, which is highly important for attaining financial stability.

This also led to the improvement of liquidity ratios. Current assets exceeded current liabilities by as much as 48.4 percent. In other words, 32.6 percent of current assets are financed by long-term sources of financing.

Table 48: Change in net financial debt

in MEUR	2011	2010
Current financial liabilities	181.6	223.0
Non-current financial liabilities	302.5	260.9
Total financial liabilities	**484.1**	**483.9**
Cash and cash equivalents	101.6	82.7
Net financial debt	**382.5**	**401.2**

Chart 41: Maturity Structure of Financial Liabilities (1)

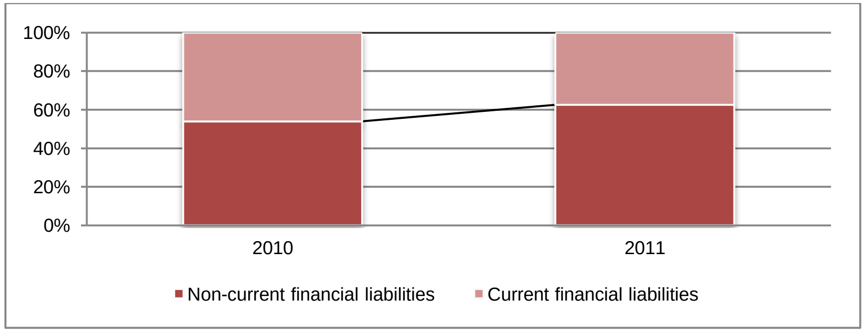
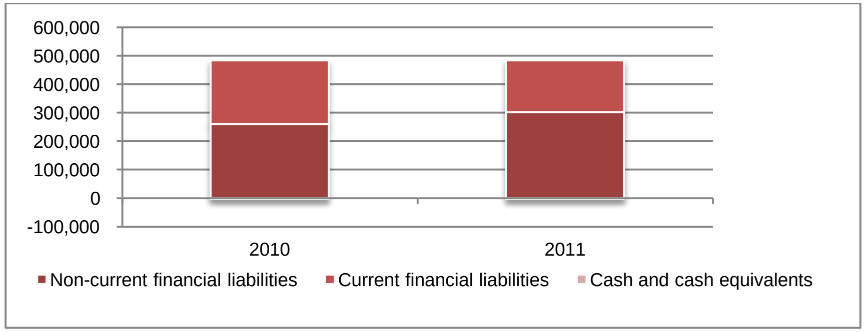


Chart 42: Maturity Structure of Financial Liabilities (2)



The restructuring of financial liabilities was carried out in agreement with all banks with which the Company cooperates. The strongest impact on the attained result was due to long-term borrowings in the form of notes granted from the German Deutsche Bank in the amount of EUR 100 million, and the utilisation of borrowings in the amount of EUR 41.7 granted to the Company in 2010 by IFC together with a syndicate of banks.

The liquid assets available at the end of 2011 amounted to EUR 206.3 million. Slightly more than half of this amount is represented by unutilised borrowings, and the remainder by cash and cash equivalents. Available liquid assets decreased in the past year, primarily on account of the conversion of short-term borrowings into long-term borrowings. In our opinion, we have thus minimised the short-term liquidity risk of the Gorenje Group.

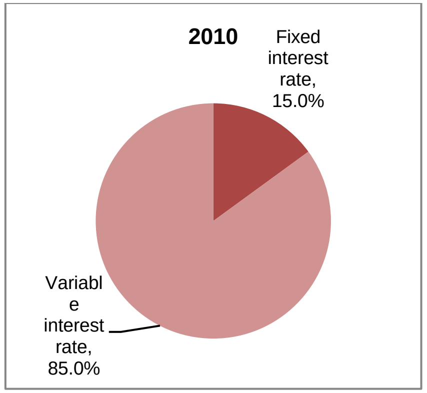
Table 49: Available liquid assets of the Gorenje Group

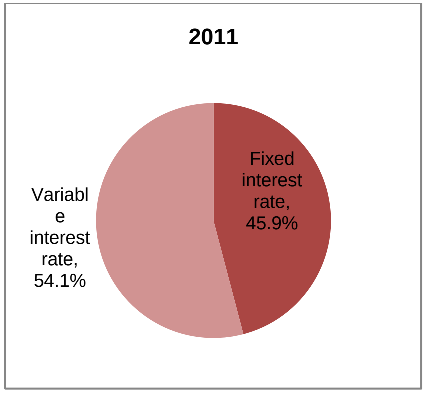
in MEUR	2011	2010
Unutilised loans	104.7	149.1
Cash and cash equivalents	101.6	82.7
Available liquid assets	**206.3**	**231.8**

Variability of Interest Rates

At the beginning of 2011, we increased the share of borrowings with fixed interest rates due to the macroeconomic situation and anticipated changes in variable interest rates.

Chart 43: Financial Liabilities with respect to Variable Interest Rates





In 2012 we shall devote more attention to managing liquidity on the level of the Group as a whole. In addition to reducing the joint debt, an important goal will also be to optimise the ratios between current and non-current financial liabilities and available cash, which will reduce the financing costs of the Group.

In 2012 we shall additionally improve the maturity structure of financial liabilities in the following ways:

- by replacing overdue non-current financial liabilities with long-term sources,
- by further disinvestment,
- by placing greater emphasis on the project financing of long-term investments in research and development,
- by optimisation of production locations, and
- by further optimisation of investments in net current assets and similar measures.

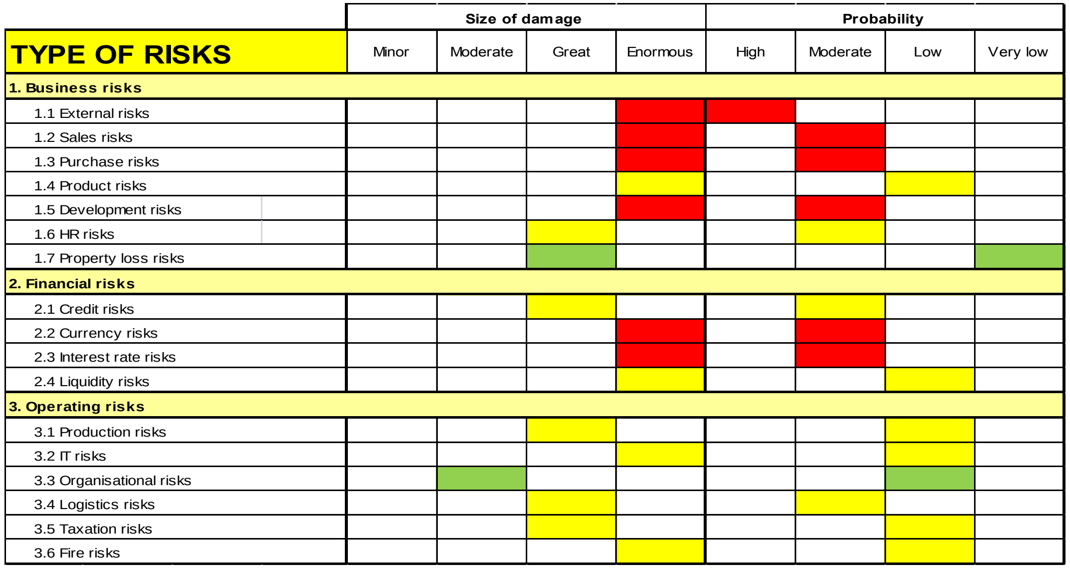
5.7 Risks

Risk management in the Gorenje Group

- In 2011, the Gorenje Group continued risk management per individual division: Home Appliances Division, Home Interior Division and Ecology, Energy and Services Division.
- Each division consists of three boards: board of business risks, board of financial risks and board of operating risks. The risk management council of the Group thus consists of nine boards.
- In 2012, the formation of the risk management council will be adjusted to the new organisational structure of the Gorenje Group in accordance with its strategy to the year 2015.
- At the level of individual boards activities for the detection and assessment of individual risks the Gorenje Group is exposed to have been performed.
- The risks detected were valued by the size of impact on the budgeted result and the estimate of frequency or probability of the impact.
- Risk assessment enabled the preparation of measures assuring that the achievement of the budgeted result in the year 2012 is exposed maximum to the acceptable level of risk.
- The complexity of individual risks and their mutual effects were analysed in the final meeting of the risk management council.
- The last stage of risk management is marked by the confirmation of measures for their control on the basis of the assessed effects and estimated costs of measures.
- The risk management council directed and co-ordinated the activities of risk protection and risk reduction to an acceptable level.
- Individual risks were joined in groups and put on the strategic map relating to the potential size and probability of damage.
- The assessed risks represented the basis for the plan of audit reviews and the audit of the internal control system.
- The efficiency of the adopted risk control plan will be analysed at the end of each quarter in the year 2012.

Risk management in the Home Appliances Division (HA)

Picture 10: Strategic map of risks



Business risk management – Home Appliances Division

Business risks are classified as risks associated with the ability or provision of generating short-term and long-term operating revenue, control of business processes and maintenance of asset value.

The following **important kinds** of business risks were defined in the Gorenje Group: external risks, sales risks, purchase risks, product risks, development risks, human resources risks, property loss risks.

- **External risks are** mainly associated with the changes in macroeconomic conditions of operation in individual key markets. Due to the current global financial crisis, and consequently increasing unemployment, increases in the prices of basic raw materials and intermediate goods, and the versatility and complexity of business activities the exposure to the risks mentioned is still substantially increasing. **The management of the Gorenje Group has assessed that that the exposure to such risks is very high in individual markets.**
- **Sales risks** are associated with the competition in the sale of products and services in individual markets and include risks of appropriate marketing strategy (brand name, price and functional competition of products, design etc.), risk of increasing negotiating power of major industrial customers and trade chains, and risk of quality of after-sales services. **The Management Board of the Gorenje Group has assessed that the exposure to such risks is very high.**
- Unpredictability in the raw materials markets and the movement of the US dollar exchange rates still represent the main impact on **purchasing risks**. Additionally to the extraordinary events (weather catastrophes, the Arab uprising, the catastrophic earthquake in Japan), restrictive conditions of the debt crisis in the EU countries, unstable financial markets and the fear of the new recession have significantly increased risks of the unpredictable movements in the raw materials markets. By means of market analyses and trends the purchasing department decides in co-operation with the suppliers on the best starting points for forward purchases of stock-exchange metals for adequate periods. In the field of sheet steel that is not traded on the Stock Exchange we take advantage of the possibility of agreements reached with strategic partners in long-term (up to one year, by price indexing models). In conditions of increased volatility and risks such activities reduced the exposure of Gorenje to raw materials markets. Long-term partnerships have remained the strategic advantage of purchasing, but exclusively on competitive bases. The development of supply sources in the LCC markets has continued and these are mostly US dollar areas by which natural hedging of sales in US dollars has been provided. In spite of the expected growth in the global economy and prices of raw materials in the world stock exchanges **the Management Board of the Gorenje Group has assessed that the exposure to purchase risks has increased.**
- **Product risks** have been focused on the control of risks that may lead to incorrect operation of appliances in the market and finally to a mass failure or product liability of the producer. Risks are limited by suitable development systems and quality assurance in scope of production, sales and after-sales processes and additionally by the insurance of product liability. A quality management system in accordance with the requirements of SIST EN ISO 9001/2000 and the system of accredited methods under ISO 17025 and the six sigma quality management system have been established. By the use of Businesses Intelligence information tools the time to the detection of any possible complete break-downs has been shortened and thus costs arising from serial failures have been limited. A set of tests in the development and production process was extended also by HALT /HASS tests and new capacities in test laboratories. **The Management Board of the Gorenje Group has assessed that the exposure to product risks is moderate with respect to the measures for risks protection.**
- Risks associated with the achievement of the planned economics of investments, successful activation of investments in the development of new product generations, and successful introduction of new technologies are of key importance among **investment and development risks.** Thereby appropriate planning and control of investment effects is relevant. Risks related to the introduction of new generations and new technologies have been reduced by the exact preparation of business plans, by systematic, active project approach where the achievement of objectives set has been regularly monitored as well as the definition of the corrective activities in case of deviations or quick changes in the market. In spite of all activities reducing the exposure to risk, **the Management Board of the Gorenje Group has assessed that the exposure to investment and development risks is high due to numerous new projects and unforeseeable changes in the business environment influencing the reliability of planning.**
- The production volume stabilised and thus there is no need for further reduction in the number of employees. In spite of that the optimisation of labour costs must be continued in order to be able to achieve strategic objectives and therefore special attention has been devoted to a social dialogue. The reduction in **human resources risks** requires adequate and timely information of the employees, response to their questions and explanation of any lack of clarity, especially in the field of salaries and healthy workplace. Continuation of the dialogue about the salary policy and establishment of suitable ratios among salary brackets based on the complexity of work and achievement of performance of an individual are of key importance for the reduction in human resources risks. In order to be able to provide appropriate human resources on key positions we will continue the policy of granting scholarships, off-the-job-training and motivation for the assumption of new challenges and the possibility of variable remuneration. **The management of the Gorenje Group has assessed that the exposure to human resources risks is moderate due to the activities mentioned**.
- **Property loss risks** include property and transport risks. The companies of the Group systematically transfer key property loss risks to insurance companies or business partners and thus the exposure to such risks has been reduced. **The Management Board of the Gorenje Group has assessed that the exposure to such property loss risks is low.**

Financial risk management

In 2011, internal financial policies were followed in the field of financial risk management. The policies include starting points for their efficient and systematic management. Objectives of the process of financial risk management are:

- achievement of stability in operation and reduction in exposure to individual risks to an acceptable level,
- increase in value of the companies and improvement of their credit standing,
- increase in financial revenue or reduction in financial expenses, and
- elimination or reduction in the effect of unforeseeable loss events.

In the Gorenje Group we defined the following key financial risks: credit risks, currency risks, interest rate risks, liquidity risks.

Exposure to individual kinds of financial risks and measures for the protection against them have been carried out and audited on the basis of effects on cash flows. In scope of regular activities adequate protective activities (hedging) have been performed in the business, investment, and financial fields for the protection against financial risks.

Due to the difficult macro-economic situation in the year 2011, special attention was paid to **credit risks** that include all risks where economic benefits of the Group are reduced because of the non-fulfilment of contractual obligations of business partners (buyers). They were controlled by:

- protection of the major portion of operating receivables at Slovene Export Company - Slovenska izvozna družba – Prva kreditna zavarovalnica, d.d. - and other insurance companies,
- additional insurance of risky receivables due from customers by bank guarantees and other insurance facilities,
- regular supervision of operation and limitation of exposure to new and existing business partners,
- joint and chain off-setting operations with buyers,
- systematic and active processes controlling credit limits and recovery of receivables.

The Management Board of the Gorenje Group has assessed that the exposure to credit risks is increased, but it is moderate due to the measures mentioned v.s. hedging instruments.

With respect to the geographic diversification of operations the Gorenje Group is fully exposed to **foreign exchange risks,** where the economic benefits of the company may decrease due to changes in the exchange rate of an individual currency. The exposure of the balance sheet has been considered in risk assessment. Among foreign exchange risks those risks prevail that arise from business activities in the markets of Serbia, Great Britain, the Czech Republic, Slovakia, Poland, Hungary, Croatia, Turkey, and in all US dollar markets. Special attention has been paid to the natural reconciliation of foreign exchange risks and adjustment of operation that offer the company long-term reduction in exposure to fluctuations in foreign exchange risks – i.e. by balancing sales and purchasing. Additionally, futures contracts and short-term borrowings in local currencies have been used as protection against short-term currency fluctuations. **Irrespective of the measures taken against foreign exchange risks and due to important macro-economic changes and fluctuations mostly in Eastern European currencies, the Management Board of the Gorenje Group has assessed that the exposure to foreign-exchange risks is increased.**

At the end of the year 2011, the share of loans with a fixed interest rate in the Gorenje Group amounted to 45.9 percent. Due to the expected increases in variable interest rates starting points were prepared in 2011 in order to increase the share of loans with a fixed interest rate and of derivative financial instruments in order to improve the protection against **interest risks**. **The Management Board of the Gorenje Group has assessed that the exposure to interest risks is increased.**

Liquidity risk includes risks associated with the lack of financial resources available and consequently the inability of the Group to settle its liabilities within the time limits agreed.

In 2012, loans granted to the Gorenje Group in the amount of TEUR 205,891 will fall due and discussions with banks concerning their refinancing are already held. As of the 31 December 2011 the liquidity reserve amounted to TEUR 231,812 and consisted of non-utilised revolving facilities, non-utilised long-term credit lines, fixed short-term deposits in banks and funds in the accounts of the Gorenje Group. It provides adequate short-term balancing of cash flows and decreased short-term liquidity risk.

The risk of short-term liquidity of the Gorenje Group has been assessed as moderate due to efficient management of cash, suitable and available credit lines for short-term balancing of cash flow, high rate of financial flexibility and a favourable approach to financial markets and sources.

The risk of long-term liquidity has been as a result of successful operations assessed as moderate due to efficient asset management, sustained ability of generating cash flows from operating activities and suitable equity structure. The Gorenje Group has prepared a plan of long-term loan servicing, arising from the Gorenje Group's strategic plan to the year 2013 that defines exact the amount of debt maturity per year and sources for its refinancing.

The Management Board of the Gorenje Group has assessed that the Gorenje Group's exposure to the liquidity risk is moderate.

Operating risk management

Operating risks include a reduction in economic benefits of the Group arising from the ability of unsuitable planning, performance and control of business processes and activities: production risks, information system risks, organisational risks, logistic risks, tax risks, and fire risks.

Production risk management refers to:

- operation of key equipment: key machines, tools, production lines and and basic processing units,
- operation of infrastructure including smooth supply with energy products, providing infrastructural basis for adequate management of hazardous waste and operation of the central wastewater treatment plant,
- availability of production capacities, and
- inappropriate direct management of dangerous substances,
- the production risk is greater in line production and it is controlled by qualifications of employees and regular maintenance of production lines.

The Management Board of the Gorenje Group has assessed that the exposure to production risks is moderate.

The most important risks among the **information system risks** are related to the assurance of availability and response of the information system services depending on hardware and software. The exposure to these risks has been reduced by:

- the complete update of the SAP system environment based on the open-code operating system and high availability of installation of hardware and software,
- operation of the centre for continuous operation or safe secondary locations (i.e. Disaster Recovery Centre – DRC),
- changes in the architecture of server systems (server virtualisation),
- BCM (business continuity management) process control and the related measures,
- preliminary prepared measures for individual types of disturbances in the operation of the local computer network, supporting servers, global communications and network connections in the system,
- regular maintenance of hardware and software, communications and network connections,
- control of changes in the development of information systems,
- suitable training of employees and other measures.

The Management Board of the Gorenje Group has assessed that the exposure to information system risks is moderate.

- **Organisational risks** are associated with the non-observance of rules and regulations. Managers or department heads play the key role in the control of these risks since they are required to encourage the implementation of adequate procedures and provide for compliance of authorisation and responsibilities of individual employees. Simultaneously the need for creativity and innovative spirit of separate working units must be taken into account while introducing rules and regulations. The Gorenje Group namely disapproves of processes that are too automated since the innovative spirit of the employees can thus be limited. In some cases violation of rules and regulations can cause serious damage, although these cases have already been assessed within individual risks. Such a risk may also include mismatched operation of functional organisational units due to which some urgently needed activities have already been eliminated. Such risks have been controlled by a complete process approach. **The Management Board of the Gorenje Group has assessed that exposure to organisational risks is low.**

- **Logistic risks** are associated with the increase in transport costs of products. Risks are assessed with respect to assumptions of movements in oil prices and prices of sea transport. Supply and demand are the most important factors influencing prices of sea transport, but oil prices influence the road transport. The market of sea transport is undergoing a consolidation of lines in the northern Adriatic this year which resulted in a lower supply and expected higher prices. Contracts concluded with transport companies include the option of modifying the price of transport if oil prices change which actually represents the biggest risk element. A characteristic of the entire European territory is the lack of trucks in the markets that additionally contributed to the instability of the market and thus to increased risks in the last year. Lack of trucks is the result of high indebtedness of transport operators trying to restructure debts by disinvestments. **The Management Board of the Gorenje Group has assessed that the exposure to the logistic risk is moderate**.

- **Tax risks are associated** with a correct interpretation of tax legislation and thus the related correct and timely accounting and payment of levies, possible changes in tax legislation and its implementation in daily business processes, provision of adequate documents, and others. The basic control measure is a consistent following of regulations of tax legislation. The said measure is implemented by monitoring of tax and legal practice, establishment of internal control mechanisms and intensive co-operation among the departments and companies, co-operation in all stages of business activities, preparation of adequate documents for the support of adopted solutions, and similar. The reorganisation of the sale procedure among the Group companies (intragroup operations) increased the complexity of the risk management in the area of value added tax which is managed with a broader standardisation of the tax treatment of transactions. As for operating with subsidiaries, risks are controlled by the implementation of a co-ordinated policy of transfer prices and the preparation of suitable documents. **The Management Board of the Gorenje Group has assessed that the exposure to tax risks is high due to complexity of operation, large volume of international transactions, complexity of tax legislation, but probability of occurrence of risky events is low**.

- **Fire risks** have been limited by regular assessment of fire danger on the basis of which all facilities have been equipped with active fire protection systems. The supervision over the performance of fire protection measures has been intensified,

and the employees have been additionally trained in the area of fire protection. Lowering of fire risks is our permanent concern. In 2011, premises of the purchase department, tools department and the environmental safety department were additionally equipped with fire-detection systems. For the purpose of increasing the safety of staff and lowering fire risks, workplace evacuation exercises are conducted on a regular basis. In 2011 a tactical firefighting exercise was carried out at two locations, whereas a workplace evacuation exercise at four locations.
The Management Board of the Gorenje Group has assessed that the exposure to fire risks is moderate.

Risk management in the Ecology, Energy and Services Division (EES)

Risk management in the Ecology, Energy and Services Division has been presented in detail in annual reports of individual Group companies that belong to the EES Division.

Risk management in the Home Interior Division (HI)

Risk management in the Home Interior division mentioned has been presented in detail in the annual report of the company Gorenje Notranja Oprema, d.o.o. Only the most important risks to which the Home Interior Division is exposed will be presented as well as the risks that have an impact on the holding company or the Gorenje Group.

Business risks

As for the business risks, full attention was directed to **purchase risks** in the Home Interior Division. The global and financial crisis increase unpredictability and fluctuations in prices of input materials. Costs of materials of the Division are chipboards of all types that have a major impact on all important production factors (costs, quality, smooth course of the production and others).

Suppliers of chipboards operate as they were a cartel and carry out a harmonised price policy. Price competitiveness is also limited in space and time since the materials cannot be exposed to long transport. Risks are controlled by the involvement of all suitable suppliers in our purchase chains, which results in the achievement of optimal prices and smooth deliveries. **The Management Board of the Gorenje Group has assessed that the exposure to purchase risks is moderate.**

An important field in scope of business risks is also **human resources risks**. The volume of orders stabilised in the previous year but cost optimisation still dictates certain reduction of employees. This requires continuation of the social dialogue in increases the risks mentioned. For the purpose of decreasing the **human resources risks** increased emphasis is put on a proper and due informing of the employees.

The Management Board of the Gorenje Group has assessed that the exposure to human resource risks is moderate.

Financial risks

Due to the serious macro-economic conditions undivided attention was directed to **credit risks** that include all risks where economic benefits of the company may decrease due to non-fulfilment of contractual obligations of business partners. The exposure to credit risks is controlled by the same measures as in the holding company.

The Management Board of the Gorenje Group has assessed that the exposure to credit risks is moderate.

Liquidity risk is mostly associated with the negative profit or loss of the Home Interior Division. To a great extent, this risk is eased by optimal current asset management. Current operation of the Home Interior Division has been financed also by the holding company Gorenje d.d., which means that the liquidity risk is transferred also to it.

The Management Board of the Gorenje Group has assessed that the exposure to the liquidity risk is moderate.

Operating risk

Within the **production risks** a lot of attention was devoted to the operation of key equipment, operation of infrastructure including smooth supply with energy products, and provision of infrastructural adequacy of hazardous waste management.

Production risks are higher for production lines, which in our case this refers to in the ceramics production. It has been controlled by good qualification for work of the employees and regular maintenance of production lines. Risks in the field of hazardous waste management have been limited by constant control, prevention and employee training. **The Management Board of the Gorenje Group has assessed that the exposure to production risks is moderate.**

Risks associated with the provision of availability and responsiveness of the IT system, depending on hardware and software are relevant among **information systems risks.** Exposure to these risks has been controlled by:

- gradual introduction of uniform information system for all programmes,
- preliminary prepared measures for individual types of disturbances in the operation of the local computer network, supporting servers, global communications and network connections in the system,
- planning of procedures viz. actions at the time of failure of the information support,
- regular archiving of data,
- regular maintenance of software and hardware and communication and network connections,
- control of changes in the development of information systems,
- suitable training of employees and other measures.

The Management Board of the Gorenje Group has assessed that the exposure to the information system risk is moderate.

5.8 Events after the end of the financial year

The 17th Shareholders' Meeting of Gorenje, d.d. was held on 3 February 2012. The key item of the Agenda was the proposal of the Management Board and the Supervisory Board that an authorisation be granted to the Management Board to acquire and dispose of treasury shares up to a total of 10% of the Company's share capital. Kapitalska družba, d.d., the major shareholder of Gorenje, proposed a counterproposal to this item, which differed from the proposal made by the Management Board and the Supervisory Board in that the pre-emptive right of the existing shareholders should not be omitted in case of disposal of treasury shares. The Management Board and the Supervisory Board agreed with the counterproposal made by Kapitalska družba. The Capital Assets Management Agency of the Republic of Slovenia, which exercised voting rights on behalf of Kapitalska družba, voted against the counterproposal. The proposal was thus rejected with 50.7 percent majority of all present at the Shareholders' Meeting.

On 14 February 2012, Gorenje signed in Valjevo a Memorandum of Understanding that lays down the starting points for cooperation and the obligations to be assumed by the Republic of Serbia and Gorenje in case of a decision to expand the Valjevo refrigerator freezer manufacturing plant, as currently deliberated by Gorenje. 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 in expansion of the Valjevo manufacturing plant is estimated at approximately EUR 20 million.

By September 2012, the Gorenje Group plans to move its cooker manufacturing facilities from Lahti, Finland, to Mora Moravia, Czech Republic, where its cooking appliances are manufactured. The Finnish production plant, which is scheduled to discontinue its operations by July 2012, was acquired by the Gorenje Group upon its acquisition of the Scandinavian Asko Group. Moving the production from Finland to the Czech Republic is part of the production restructuring process of the Gorenje Group, which aims at implementing the goals set in the 2012-2015 strategic plan. The previous year's volume of production of the plant lied at 53,000 cookers. The plant currently employs 106 staff. The production relocation process is to be completed by September 2012, when the production of cookers will be continued in the Gorenje's plant in Mora Moravia. Based on this measure, Gorenje will optimise its production costs at the Group's level and enhance its competitiveness.

The Gorenje Group festively opened a new plant for sanitary equipment production and washing machine assembly in Zaječar on 5 March 2012. The plant has successfully operated since autumn 2011. It employs 96 staff. By the end of the current year, 70,000 washing machines and 30,000 wash basins from this plant will be put on the market. The Government of the Republic of Serbia will support Gorenje's investment with a subsidy intended to fund new job places. Gorenje also has a plant in Valjevo manufacturing refrigerators and freezers, a plant in Stara Pazova manufacturing water heaters, a selling company in Belgrade, and a network of own exhibition of sale centres employing more than 1,100 persons.

6. Accounting Report under IFRS as adopted by the EU

6.1 Accounting Report of the Gorenje Group

6.1.1 Consolidated Financial Statements of the Gorenje Group

Consolidated Income Statement of the Gorenje Group

in TEUR	Note	**2011**	**2010**
Revenue	12	**1,422,229**	**1,382,185**
Change in inventories		8,383	-13,510
Other operating income	13	52,522	47,554
Gross profit		**1,483,134**	**1,416,229**
Cost of goods, materials and services	14	-1,105,001	-1,040,509
Employee benefits expense	15	-265,850	-244,442
Amortisation and depreciation expense	16	-50,198	-52,237
Other operating expenses	17	-25,576	-22,603
Results from operating activities		**36,509**	**56,438**
Finance income	18	15,199	12,485
Finance expenses	18	-40,587	-46,451
Net finance expense	18	-25,388	-33,966
Finance expenses in associates		**-9**	**0**
Profit before tax		**11,112**	**22,472**
Income tax expense	19	-2,006	-2,448
Profit for the period		**9,106**	**20,024**
Attributable to non-controlling interests		141	101
Attributable to equity holders of the parent		8,965	19,923
Basic and diluted earnings per share (in EUR)	32	0.57	1.34

Statement of Comprehensive Income of the Gorenje Group

in TEUR	Note	2011	2010
Profit for the period		**9,106**	**20,024**
Other comprehensive income			
Change in fair value of land	21	-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	18	0	145
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge		-7,499	317
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge, transferred to profit or loss	18	2,154	0
Income tax on other comprehensive income	25	1,073	91
Translation reserve		1,148	-8,563
Other comprehensive income for the period		**-3,260**	**-15,737**
Total comprehensive income for the period		**5,846**	**4,287**
Attributable to equity holders of the parent		5,705	4,186
Attributable to non-controlling interests		141	101

Consolidated Statement of Financial Position of the Gorenje Group

in TEUR	Note	2011	2010
ASSETS		**1,251,658**	**1,317,754**
Non-current assets		**556,345**	**563,435**
Intangible assets	20	158,620	160,161
Property, plant and equipment	21	358,840	375,400
Investment property	22	15,219	4,518
Non-current investments	23	1,973	5,313
Investments in associates	24	996	0
Deferred tax assets	25	20,697	18,043
Current assets		**695,313**	**754,319**
Non-current assets held for sale		1	1,066
Inventories	26	245,608	257,593
Current investments	27	42,317	48,002
Trade receivables	28	255,911	306,284
Other current assets	29	48,746	55,438
Current tax receivables		1,110	3,208
Cash and cash equivalents	30	101,620	82,728
EQUITY AND LIABILITIES		**1,251,658**	**1,317,754**
Equity	31	**397,819**	**392,096**
Share capital		66,378	66,378
Share premium		175,575	175,575
Legal reserves and statutory reserves		22,719	21,990
Retained earnings		115,618	107,382
Own shares		-3,170	-3,170
Translation reserve		9,990	8,842
Fair value reserve		8,886	13,294
Equity of holders of the parent		**395,996**	**390,291**
Equity of non-controlling interests		**1,823**	**1,805**
Non-current liabilities		**385,330**	**356,027**
Provisions	33	76,321	88,167
Deferred revenue	34	617	866
Deferred tax liabilities	25	5,933	6,062
Non-current financial liabilities	35	302,459	260,932
Current liabilities		**468,509**	**569,631**
Current financial liabilities	36	181,649	223,015
Trade payables	37	194,248	237,020
Other current liabilities	38	90,806	106,698
Current tax liabilities		1,806	2,898

Consolidated Statement of Cash Flows of the Gorenje Group

	in TEUR	Note	2011	2010
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**			
	Profit for the period		**9,106**	**20,024**
	Adjustments for:			
	- depreciation of property, plant and equipment	21	43,767	46,227
	- amortisation of intangible assets	20	6,431	6,010
	- investment income	18	-15,199	-12,485
	- finance expenses	18	40,587	46,451
	- gain on sale of property, plant and equipment	13	-3,644	-2,321
	- negative goodwill	13	0	-13,337
	- revaluation operating income	13	-3,563	0
	- income tax expense	19	2,006	2,448
	Operating profit before changes in net operating current assets and provisions		**79,491**	**93,017**
	Change in trade and other receivables		10,297	-80,635
	Change in inventories		11,344	-39,612
	Change in provisions		-12,021	25,664
	Change in trade and other liabilities		-38,265	60,162
	Cash generated from operations		**-28,645**	**-34,421**
	Interest paid		-24,194	-23,607
	Taxes paid		-4,595	-7,272
	Net cash from operating activities		**22,057**	**27,717**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
	Proceeds from sale of property, plant and equipment		7,302	6,775
	Proceeds from sale of financial assets available for sale		0	5,621
	Interest received		3,678	3,046
	Dividends received		118	305
	Liquidation of subsidiary		10,747	0
	Disposal of subsidiary		7,143	0
	Acquisition of subsidiary		0	1,144
	Acquisition of property, plant and equipment		-41,089	-39,358
	Acquisition of investment property		-9,819	0
	Available-for-sale investments		-33	-1,695
	Loans		9,325	-2,564
	Acquisition of other investments		-14,246	14,341
	Acquisition of intangible assets		-6,379	-5,310
	Net cash used in investing activities		**-33,253**	**-17,695**
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
	Repurchase of non-controlling interest		0	-6,902
	Capital increase		0	24,920
	Borrowings / Repayment of borrowings		30,088	27,558
	Net cash used in financing activities		**30,088**	**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

Statement of Changes in Equity of the Gorenje Group

in TEUR	Share capital	Share premium	Legal and statutory reserves	Retained earnings	Own shares	Translation reserve	Fair value reserve	Equity holders of the parent	Non-controlling interests	Total
Opening balance at 1 Jan 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										
Profit for the period				8,965				8,965	141	9,106
Total other comprehensive income						1,148	-4,408	-3,260		-3,260
Total comprehensive income for the period	**0**	**0**	**0**	**8,965**	**0**	**1,148**	**-4,408**	**5,705**	**141**	**5,846**
Transactions with owners (when acting as owners) recognised directly in equity										
Contributions by owners and distributions to owners										
Equity increase								0		0
Dividends								0		0
Creation of statutory reserves			729	-729				0		0
Total contributions by owners and distributions to owners			**729**	**-729**				**0**	**0**	**0**
Changes in ownership interests in subsidiaries that do not result in a loss of control										
Change in ownership interests								0	-123	-123
Total changes in ownership interests in subsidiaries								**0**	**-123**	**-123**
Total transactions with owners	**0**	**0**	**729**	**-729**	**0**	**0**	**0**	**0**	**-123**	**-123**
Closing balance at 31 Dec 2011	**66,378**	**175,575**	**22,719**	**115,618**	**-3, 170**	**9,990**	**8,886**	**395,996**	**1,823**	**397,819**
in TEUR	**Share capital**	**Share premium**	**Legal and statutory reserves**	**Retained earnings**	**Own shares**	**Translation reserve**	**Fair value reserve**	**Equity holders of the parent**	**Non-controlling interests**	**Total**

Management Board of Gorenje, d.d.

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										
Profit for the period				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										
Equity increase	7,832	17,088						24,920		24,920
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 a loss of control										
Acquisition of non-controlling interests				-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 at 31 Dec 2010	**66,378**	**175,575**	**21,990**	**107,382**	**-3,170**	**8,842**	**13,294**	**390,291**	**1,805**	**392,096**

6.1.2 Notes to the consolidated financial statements

1. Reporting entity

Gorenje, d.d. (the “Company”) is the Gorenje Group’s controlling company domiciled in Slovenia. The address of the Company’s registered office is Partizanska 12, 3503 Velenje.

The consolidated financial statements of Gorenje, d.d. at and for the year ended 31 December 2011 comprise the parent company and its subsidiaries (together referred to as the “Group”), the Group’s interests in jointly controlled entities and the Group’s interests in associates. The Group is engaged mainly in the production and sale of household appliances.

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted in the European Union and with the provisions of the Companies act.
The financial statements were approved by the Management Board on 28 February 2012.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following items which are measured at fair value:

- derivative financial instruments,
- available-for-sale financial assets,
- land,
- investment property.

The methods used to measure fair values are discussed further in Note 4.

(c) Functional and presentation currency

The consolidated financial statements are presented in euro, which is the Company’s functional currency. All financial information presented in euro has been rounded to the nearest thousand, except when otherwise indicated.

(d) Use of estimated and judgements

The preparation of financial statements in conformity with IFRSs, as adopted by the EU, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant estimation of uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

Note 33 and accounting policy 3(l)(iv) - measurement of liabilities for retirement benefits and jubilee premiums
Note 33 – provisions for litigations
Note 33 and accounting policy 3(l)(i) – provisions for warranties
Note 40 and accounting policy 3 (i)(i) – valuation of financial instruments, including receivables

(e) Changes in accounting policies

The Group has not changed its accounting policies.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group companies, except as explained in note 2(e).

(a) Basis for consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

(ii) Acquisition of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(iv) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Investments in associates and jointly controlled entities (equity-accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Investments in associates and jointly controlled entities are accounted for using the equity method and are recognised initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group companies at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in the income statement, except for differences arising on the retranslation of:

- available-for-sale equity investments,
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective, or
- qualifying cash flow hedges to the extent that the hedge is effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to euro at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to euro at exchange rates applicable at the date of translation.

Foreign currency differences arising from translation are recognised directly in other comprehensive income. From the date of transfer to IFRSs, these differences are recognised in translation reserve in equity. When a foreign operation is disposed of (partly or wholly), the relevant amount in the translation reserve related to that foreign operation is reclassified to profit or loss.

(c) Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial assets of the Group comprise: loans and receivables, available-for-sale financial assets, and cash and cash equivalents.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand are a part of current financial liabilities.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Subsequent to initial recognition they are measured at fair value plus any directly attributable transaction costs.

Impairment losses (see note 3(i)(i)) and foreign currency differences on available-for-sale debt instruments (see note 3(b)(i)), are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss. Available-for-sale financial assets comprise equity securities and debt securities.

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

(iii) Share capital

Ordinary shares

Ordinary shares are a constituent part of share capital. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Repurchase of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own shares. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

Dividends are recognised as a liability in the period in which a resolution on dividend payment is adopted by the Shareholders' Meeting.

(iv) Derivative financial instruments, including hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be “highly effective” in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80 – 125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

When the hedged item is a non-financial asset, the amount accumulated in equity is included in the carrying amount of the asset when the asset is recognised. In other cases the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified in profit or loss.

Other derivative financial instruments

When a non-trading derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in profit or loss.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs.

Borrowing costs directly attributable to the construction or production of a qualifying item of property, plant and equipment were capitalised subject to the following conditions: if the value of qualifying asset in total sales exceeded 5%, and if the duration of construction exceeded 6 months.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Fair value model or revaluation model is applied to land. The effect of revaluation is recorded in other comprehensive income. Impairment of land previously increased in value results in a decrease in revaluation surplus in other comprehensive income; otherwise, it is recognised in the income statement.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognised net within other income/other expenses in profit or loss.

(ii) Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the fair value reserve in equity.

(iii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. All other costs, such as day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iv) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative years are as follows:

• buildings	20 - 50 years
• plant and equipment	5 - 20 years
• computer equipment	2 - 5 years
• transportation vehicles	3 - 14 years
• office equipment	3 - 10 years
• tools	3 - 10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate.

(e) Intangible assets

(i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see note 2(e)(i).

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Other intangible assets

Intangible assets with infinite useful lives (trademarks) are tested once a year whether the need for impairment has occurred. Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

(iv) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(v) Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative years are as follows:

•	patents and trademarks	5 - 10 years
•	capitalised development costs	5 - 10 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(f) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at fair value (see note 4(iii)) with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(g) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the Group's statement of financial position.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average price method and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on term that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant prolonged decline in its fair value below its cost is objective evidence of impairment.

Financial assets measured at amortised cost

The Group considers evidence of impairment for financial assets measured at amortised cost (loans and receivables and held-to-maturity investment securities) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired asset continues to be recognised. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

In line with the Accounting Manual, the Group considers evidence of impairment for receivables based on the observance of criteria pertaining to the maturity and collateralisation of receivables. Thereafter, it is corrected by an individual estimate.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity, to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in impairment provisions attributable to application of the effective interest method are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite-lived intangible assets are tested annually for impairment prior to preparing the financial statements. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Non-current assets held for sale or distribution

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale or distribution. Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains and losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Once classified as held for sale or distribution, intangible assets and property, plant and equipment are not amortised or depreciated and any equity-accounted investees is no longer equity accounted.

(k) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance expenses.

(i) Warranties for products and services

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(ii) Restructuring

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating expense is not provided for.

(iii) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

(iv) Provisions for retirement benefits and jubilee premiums

In accordance with the statutory requirements, the collective agreement, and the internal regulations, the Group is liable to pay jubilee premiums and retirement benefits to its employees. For these obligations, provisions are created.

Provisions are created by discounting, at the reporting date, the estimated future payments of retirement benefits and jubilee premiums. The obligation is calculated separately for each employee by estimating the costs of retirement benefits and the costs of all expected jubilee premiums until retirement. The selected annual discount rate is 5.10%, which is the rate of return on long-term entrepreneurial bonds in euro area. The calculation has been made by a certified actuary using the projected unit method.

(v) Site restoration

In accordance with the Group's published environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land, and the related expense, is recognised when the land is contaminated.

(m) Revenue

(i) Revenue from the sale of products, goods and materials

Revenue from the sale of products, goods and materials in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement. For sales of goods, usually transfer occurs when the goods are received at the customer's warehouse; however, for some international shipments transfer occurs upon loading the goods onto the relevant carrier at the port. Generally for such products the customer has no right of return.

(ii) Revenue from services rendered

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

When the services under a single arrangement are rendered in different reporting periods, the consideration is allocated on a relative fair value basis between the services.

(iii) Commission

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group.

(iv) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as other income.

(n) Government grants

Government grants are recognised initially as deferred income when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant and are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

(o) Finance income and finance expenses

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets, fair value gains on financial assets at fair value through profit or loss, exchange gains, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

Finance expenses comprise interest expense on borrowings (a portion of borrowing costs may be capitalised within property, plant and equipment), foreign exchange losses, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in the income statement using the effective interest method, except for borrowing costs related to qualifying assets which are recognised as part of the cost of such assets.

(p) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(r) Basic earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares, which is equivalent to diluted earnings per share data, as the Group has not issued any preference shares or convertible bonds. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

(s) Comparative information

Comparative information has been harmonised with the presentation of information in the current year. Where required, adjustment of comparative information has been carried out in order to comply with the presentation of information in the current year.

(t) Segment reporting

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Group's headquarters), head office expenses, and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

(u) New standards and interpretations not yet adopted

New standards and interpretations not yet adopted

The following Amendment becomes effective for the financial year beginning on or after 1 January 2012 and has not been applied in preparing these financial statements. The Amendment is not expected to have any impact on the consolidated financial statements of the Group.

- Amendment to IFRS 7 Disclosures – Transfers of Financial Assets (Effective for annual periods beginning on or after 1 July 2011; to be applied prospectively. Earlier application is permitted.)

The Amendments require disclosure of information that enables users of financial statements:

- to understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities; and
- to evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognised financial assets.

The Amendments define "continuing involvement" for the purposes of applying the disclosure requirements.

The Group does not expect the amendments to IFRS 7 to have material impact on the financial statements, because of the nature of its operations and the types of financial assets that it holds.

4. Determination of fair value

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

A revaluation of land is based on the independent valuer's report and is carried out every five to eight years. The Group examines, on an annual basis, if revaluation of land is required.

(ii) Intangible assets

The fair value of patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the patent or trademark being owned. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(iii) Investment property

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio every five years. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

In the absence of current prices in an active market, the valuations are prepared by considering the estimated rental value of the property. A market yield is applied to the estimated rental value to arrive at the gross property valuation. When actual rents differ materially from the estimated rental value, adjustments are made to reflect actual rents.

Valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the Group and the lessee, and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time.

(iv) Investments in debt and equity securities

The fair value of equity and debt securities is determined by reference to their quoted closing bid price at the reporting date, or if unquoted, determined using a valuation technique. Valuation techniques employed include market multiples and discounted cash flow analysis using expected future cash flows and a market-related discount rate.

(v) Trade and other receivables

The fair value of non-current trade and other receivables is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Trade and other receivables are not discounted due to short-term maturity. However, impairment to fair value is considered.

(vi) Forward exchange contracts and interest rate swaps

The fair value of forward exchange contracts is based on their quoted price, if available. If a quoted price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a credit-adjusted risk-free interest rate (based on government bonds).

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group and counterparty when appropriate.

(vii) Other non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

5. Financial risk management

In respect of financial risk management, the internal financial policies comprising the bases for efficient and systematic risk management were observed in 2011. The objectives of risk management are:

- to achieve stability of operations and to reduce risk exposure to an acceptable level,
- to increase the value of companies and the impact on their financial standing,
- to increase financial income and/or to decrease financial expenses, and
- to nullify and/or decrease the effects of exceptionally damaging events.

In the Gorenje Group, the following key financial risks have been defined:

Financial risks	• Credit risk
	• Currency risk
	• Interest rate risk
	• Liquidity risk

The exposure to each of the above risks and the hedge measures to be applied are judged and implemented on the basis of their effects on the cash flows. To hedge against financial risks in the course of ordinary business activities, relevant hedging activities have been conducted in the area of operating, investing and financing activities.

In the light of the strained macroeconomic situation, more attention was paid in 2011 to the credit risk which includes all risks where the failure of a party (a buyer) to discharge contractual obligations results in a decrease in economic benefits of the Group. The credit risk was managed by application of the following sets of measures:

- insurance of a major portion of operating receivables against credit risk with Slovenska izvozna družba – Prva kreditna zavarovalnica d.d., and other insurance company;
- additional collateralisation of more risky trade receivables by bank guarantees and other security instruments;
- regular monitoring of operation and financial standing of new and existing business partners, and limitation of exposure to certain business partners;
- implementation of mutual and chain compensation with buyers;
- systematic and active control of credit limits and collection of receivables.

Due to the macroeconomic situation, the Group's management estimates that the exposure to credit risk has increased.

With regard to the geographic diversification of its operations, the Gorenje Group is strongly exposed to currency risk, which is the risk that the economic benefits of an entity may be decreased due to changes in foreign exchange rates. When assessing currency risk, the statement of financial position exposure was taken into consideration. The currency risk results mainly from the performance of business activities in the markets of Serbia, Great Britain, Czech Republic, Slovak Republic, Poland, Hungary, Croatia, Turkey and all US dollar markets. Therefore, a great attention was paid to natural hedging of currency risks and harmonisation of business operations to ensure long-term decrease in currency fluctuation exposure by matching or netting sales and purchases. Additional short-term hedging is carried out by currency future contracts and short-term borrowings in local currencies. Irrespective of measures taken to hedge against currency risk, the Gorenje Group’s management estimates that, due to significant macroeconomic changes and oscillations particularly in the East European countries, the exposure to currency risk has increased.

The share of loans with fixed interest rate in the Gorenje Group was 46% at end of 2011. In the light of the expected changes in variable interest rates in the markets, bases and starting points were prepared at the start of 2011 for an increase in the share of loans with fixed interest rates, both in the form of loans with fixed interest rates and in the form of derivative financial instruments, in order to increase hedging against interest rate risk. The Group’s management estimates that the exposure to interest rate risk is moderate.

Liquidity risk is the risk that the Group will fail to meet commitments in stipulated period of time due to the lack of available funds.
Borrowings in the amount of TEUR 168,602 mature in 2011. For this reason, debt refinancing has been negotiated with banks in order to decrease refinancing risk. The liquidity reserve as at 31 December 2011 in the amount of TEUR 206,318, which consists of unused revolving credit lines, long-term credit lines, short-term deposits with banks, and cash in banks, is used to assure adequate short-term control of cash flows and to decrease short-term liquidity risk.

Short-term liquidity risk is estimated as moderate due to efficient cash management, adequate available credit lines for short-term control of cash flows, a high degree of financial flexibility, and a good access to financial markets and sources.

Long-term liquidity risk is estimated as moderate due to effective performance of the Group, effective cash management, sustainable ability to generate cash flows from operating activities, improved maturity structure of financial liabilities, and an adequate capital structure. Gorenje Group updates at least annually the long-term debt service plant, with a special emphasis on the activities required to implement the refinancing within a period of one year.

The Gorenje Group's management estimates that the exposure to liquidity risk is moderate.

Capital management

The Management Board decided to maintain a strong capital base in order to secure confidence of all stakeholders and to sustain future development of the Gorenje Group. As one of the strategic ratios, the Group defined the return on equity as profit for the period attributable to owners of the parent company divided by the average value of equity attributable to owners. The Group seeks to maintain a balance between the higher returns, which are rendered possible by a higher level of borrowings, and the advantages and security assured by a strong capital structure.

The dividend policy is based on the investment plans, optimum capital structure policy, and shareholders' expectations and interests. The amount of dividend per share is proposed by the Management Board and the Supervisory Board of the controlling company. Dividends are paid from the accumulated profit of the controlling company determined in accordance with the relevant current regulations in Slovenia. The resolution on the appropriation of accumulated profit is adopted by the Shareholders' Meeting.

The Gorenje Group has no employee share-owning scheme and no share option programme. There were no changes in the approach to capital management in 2011. Neither the controlling company nor its subsidiaries were subject to capital requirements determined by the regulatory authorities.

There are no provisions in the Articles of Incorporation that would invalidate the proportionality of rights arising from shares, such as the rights of minority shareholders or the limitation of voting rights, and there are no resolutions adopted on conditionally increased capital.

6. Segment reporting

Business segments

The Group comprises the following key business segments:

(i) Household Appliances business segment

Household Appliances: the manufacture and sale of household appliances of own manufacture, the sale of household appliance of other producers (supplementary programme), the sale of products from the complementary programme outside of the three main programmes of large household appliances, the manufacture and sale of heating appliances of own manufacture and manufacture of mechanical components.

(ii) Home interior business segment

Home interior: the manufacture and sale of kitchen furniture, bathroom furniture, sanitary fixtures and fittings, and ceramic tiles.

(iii) Ecology, energy and services business segment

Ecology, energy and services: Ecology and energy, trade, tool manufacture, machine construction, engineering, representation, catering, tourism, and real estate management.

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

The Group comprises the following main geographical segments:

West: Austria, Germany, Italy, France, Denmark, Sweden, Belgium, Finland, Great Britain, Greece, Norway, Turkey, The Netherlands, Spain, Switzerland.

East: Ukraine, Russia, Macedonia, Croatia, Serbia, Montenegro, Albania, Bosnia and Herzegovina, Belarus, Kosovo, Moldova, Kazakhstan, Latvia, Lithuania, Estonia, Slovenia, Czech Republic, Hungary, Poland, Bulgaria, Romania, Slovak Republic.

Other: other countries.

7. Statement of cash flows

The statement of cash flows has been compiled under the indirect method on the basis of the items in the statement of financial position at 31 December 2011, the statement of financial position at 31 December 2010, the income statement for the year ended 31 December 2011, and the additional information required for the adjustment of inflows and outflows.

8. Composition of the Gorenje Group

Pursuant to International Financial Reporting Standards (IFRSs) as adopted by EU, the consolidated financial statements of the Gorenje Group comprise the financial statements of the holding company Gorenje, d.d. and the financial statements of 75 subsidiaries:

Companies operating in Slovenia		**Equity interest in %**	
		31 Dec	**31 Dec**
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	99.984	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	99.984	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., Velenje	/	50.00
17.	Gorenje design studio, d.o.o., Velenje	52.00	52.00
18.	Istrabenz Gorenje energetsko svetovanje, d.o.o., Nova Gorica	/	48.686
19.	PUBLICUS, d.o.o., Ljubljana	50.992	51.00
20.	IG AP, d.o.o., Kisovec	/	48.686
21.	EKOGOR, d.o.o., Jesenice	46.00	26.00
22.	Gorenje GAIO, d.o.o., Šoštanj	100.00	100.00
23.	Vitales RTH, d.o.o., Trbovlje	/	24.343

Foreign operations		**Equity interest in %**	
		31 Dec	**31 Dec**
24.	Gorenje Beteiligungsgesellschaft m.b.H., Austria	100.00	100.00
25.	Gorenje Austria Handelsgesellchaft 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., Slovak Republic	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 domaćinstvo, 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	99.984	100.00
52.	Kemis - BH, d.o.o., Bosnia and Herzegovina	99.984	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	99.984	100.00
68.	Kemis – SRS, d.o.o., Bosnia and Herzegovina	99.984	100.00
69.	ATAG Europe BV, The Netherlands	100.00	100.00
70.	ATAG Nederland BV, The Netherlands	100.00	100.00
71.	ATAG België NV, Belgium	100.00	100.00
72.	ATAG Financiele Diensten BV, The Netherlands	100.00	100.00
73.	ATAG Financial Solutions BV, The Netherlands	100.00	100.00
74.	Intell Properties BV, The Netherlands	100.00	100.00
75.	ATAG Special Products BV, The Netherlands	100.00	100.00
76.	Gorenje Nederland BV, The 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	50.992	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 Hvitevarer AS, Norway	100.00	100.00
92.	Asko Hvidevarer A/S, Denmark	100.00	100.00
93.	Asko Appliances Inc, USA	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 DOO Beograd, Serbia	100.00	/
102.	Gorenje Ekologija, d.o.o., Stara Pazova, Serbia	99.992	/

Associates:

- Gorenje Projekt, d.o.o., Velenje
- GGE družba za izvajanje energetskih storitev, d.o.o. (GGE d.o.o.), Ljubljana
- RCE – Razvojni center energija d.o.o. (RCE d.o.o.), Velenje
- Econo Projektiranje d.o.o., Ljubljana
- ENVI-TECH DOO., Belgrade

Representative office of Gorenje, d.d., abroad:

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

9. Non-controlling interests

Non-controlling interests as at 31 December 2011:

	2011			2010		
	Equity interest in %	Non-controlling interest in TEUR	Share in profit or loss in TEUR	Equity interest in %	Non-controlling interest in TEUR	Share in profit or loss in TEUR
Gorenje Podgorica, d.o.o., Montenegro	0.028	1	0	0.028	1	0
Gorenje Notranja oprema, d.o.o., Velenje	0.020	2	-1	0.020	3	-1
Gorenje-kuchyne spol. s r.o., Czech Republic	0.020	0	0	0.020	0	0
ZEOS, d.o.o., Ljubljana	49.00	379	21	49.00	356	14
Gorenje Surovina, d.o.o., Maribor	0.016	3	0	0.25	57	4
»Euro Lumi & Surovina« SH.P.K., Kosovo	49.008	335	62	60.07	335	95
Sirovina, DOO, Bačka Palanka, Serbia	/	/	/	0.25	0	0

ERICo, d.o.o., Velenje	49.00	621	17	49.00	604	52
Gorenje kuhinje, d.o.o., Ukraine	30.014	-11	-33	30.014	24	-86
PUBLICUS, d.o.o., Ljubljana	49.008	339	138	49.00	201	21
Gorenje design studio, d.o.o., Velenje	48.00	162	-30	48.00	191	6
EKOGOR, d.o.o., Jesenice	54.00	-9	-33	74.00	33	-4
Kemis, d.o.o., Vrhnika	0.016	1	0	/	/	/
Kemis-Termoclean, d.o.o., Zagreb	0.016	0	0	/	/	/
Kemis-BH, d.o.o., Lukavac	0.016	0	0	/	/	/
Kemis-SRS, d.o.o., Doboj	0.016	0	0	/	/	/
Kemis Valjevo, d.o.o., Valjevo	0.016	0	0	/	/	/
Gorenje Ekologija, d.o.o., Stara Pazova	0.008	0	0	/	/	/
Total	**/**	**1,823**	**141**	**/**	**1,805**	**101**

The ownership transfer between the Gorenje Group had no impact on the consolidated financial statements of the Gorenje Group, because the intra-group transactions were eliminated in the consolidation process.

10. Disposal of company

On 29 July 2011 the contract on the sale of the 46.5507-percent share that Gorenje, d.d. held in the company Istrabenz Gorenje, d.o.o. entered into force. The impact of the respective disposal of Istrabenz Gorenje, d.o.o. on Group's individual assets and liabilities was as follows:

In TEUR	**2011**
Property, plant and equipment	11,097
Intangible assets	203
Investment property	0
Investments	3,234
Inventories	618
Trade receivables	32,384
Cash	3,412
Financial liabilities	-21,269
Trade payables	-22,641
Provisions	-74
Net difference assets and liabilities	**6,964**
Contractual value of consideration paid	10,555
Cash	-3,412
Net inflow	**7,143**

11. Associates

The Group's share in profits or losses of associates was in the reporting period recorded at TEUR – 9 (2010: 0).

Assets, liabilities, revenue and expenses of subsidiaries in 2011 are outlined below:

Company / in TEUR	**Non-current assets**	**Current assets**	**Non-current liabilities**	**Current liabilities**	**Revenue**	**Expenses**	**Income tax**	**Profit or loss**
Econo, Projektiranje, d.o.o.	60	474	6	365	780	-776	-1	3

GGE, d.o.o.	1,282	20	0	1,256	1	-106	0	-105
RCE, d.o.o.	725	6,275	354	4,075	504	-446	-12	46
ENVI-TECH DOO, Belgrade	11	97	0	45	188	-187	0	1
Gorenje Projekt , d.o.o.	1	5,011	0	4,680	2,014	-1,987	0	27

Note 12 – Revenue **TEUR 1,422,229**

In TEUR	2011	2010
Revenue from the sale of products and goods	1,342,877	1,301,536
Revenue from the sale of services	79,352	80,649
Total	**1,422,229**	**1,382,185**

Note 13 – Other operating income **TEUR 52,522**

in TEUR	2011	2010
Income from subsidies and donations	6,813	4,883
Rental income	1,200	1,206
Income from use and reversal of provisions	17,328	5,557
Income from use of deferred revenue relating to government grants	3,816	3,755
Gain on disposal of property, plant and equipment	3,644	2,321
Goodwill	0	13,337
Other operating income	19,721	16,495
Total	**52,522**	**47,554**

Income from use of deferred revenue relating to government grants in the amount of TEUR 3,816 relates to Gorenje IPC, d.o.o., a company employing disabled persons, in which government grants were used in line with the Vocational Rehabilitation and Employment of Disabled Persons Act.

Other operating income includes mainly income from compensation for damages, income arising from the implementation of the Directive on Waste Electrical and Electronic Equipment, income from write-off of debts, and other operating income.

Rental income

in TEUR	2011	2010
Rental income – up to 1 year	522	470
Total	**522**	**470**

Note 14 – Cost of goods, materials and services **TEUR 1,105,001**

in TEUR	2011	2010
Cost of goods sold	344,749	366,075
Cost of materials	551,660	477,178
Cost of services	208,592	197,256
Total	**1,105,001**	**1,040,509**

Cost of services includes cost of provisions for warranties in the amount of TEUR 19,776 (2010: TEUR 23,834) and cost of rentals in the amount of TEUR 16,241 (2010: TEUR 15,011).

Note 15 – Employee benefits expense **TEUR 265,850**

in TEUR	2011	2010
Wages and salaries	202.759	181.343

Social security costs	37.066	35.374
Other employee benefits expense	26.025	27.725
Total	**265.850**	**244.442**

Other employee benefits expense include cost of creation of provisions for retirement benefits and jubilee premiums in the amount of TEUR 2,869 (2010: TEUR 2,939).

A portion of employee benefits expense (TEUR 3,567) was used to create provisions from government grants in Gorenje I.P.C., d.o.o., which has the status of a company employing disabled persons.

Other employee benefits expense includes mainly annual leave bonuses, meal allowances, commuting allowances, retirement benefits and jubilee premiums in compliance with the national labour legislation and the companies' internal regulations.

Number of employees by division	**As at 31 December**		**Average**	
	2011	**2010**	**2011**	**2010**
Home Appliances division	8,850	8,577	8,907	8,905
Home interior division	644	825	749	926
Ecology, energy and services division	1,226	1,319	1,276	1,343
Total	**10,720**	**10,721**	**10,932**	**11,174**

Note 16 – Amortisation and depreciation expense — TEUR 50,198

in TEUR	**2011**	**2010**
Amortisation expense of intangible assets	6,431	6,010
Depreciation expense of property, plant and equipment	43,767	46,227
Total	**50,198**	**52,237**

A lower amortisation and depreciation expense in 2011 is due to a lower scope of investments made in the past three years, as well the extension of the service life of some of the major items of plant and equipment in 2010 and 2011, mostly in the production centres of the Home Appliances Division.

The service life of these items was extended based on estimations made during the regular valuation assessments.

Note 17 – Other operating expenses — TEUR 25,576

in TEUR	**2011**	**2010**
Write-off of inventories to net realisable value	2,631	2,202
Disposal, impairment of assets	607	3,483
Other taxes and charges	3,724	3,557
Other operating expenses	18,614	13,361
Total	**25,576**	**22,603**

Other taxes and charges include charges for the use of building plot, water charge, environmental taxes, membership fees in mandatory associations, and other mandatory taxes and charges.

Other expenses include mostly expenditure on ecology, of which the majority under the Directive on Waste Electrical and Electronic Equipment, costs of restructuring the Asko Group, scholarships expense, and compensation in damages.

Note 18 – Net finance expense — TEUR 25,388

Finance income — TEUR 15,199

in TEUR	**2011**	**2010**
Dividend income from available-for-sale investments	127	305
Interest income	3,016	3,333
Change in fair value of interest rate swaps	0	199
Income from net exchange differences	0	921

Gain on disposal of subsidiaries	3,591	0
Gain on liquidation of subsidiary	3,747	0
Income from forward exchange transactions	246	175
Other finance income	4,472	7,552
Total	**15,199**	**12,485**

Finance expenses **TEUR 40,587**

in TEUR	**2011**	**2010**
Interest expenses	23,425	19,438
Expenses on interest rate swap transactions	2,155	1,696
Expenses on net exchange differences	1,222	0
Expenses on forward exchange transactions	0	2,625
Change in fair value of forward exchange transactions	373	4,197
Loss on disposal of available-for-trade investments	0	792
Impairment loss on available-for-sale investments	1,373	699
Impairment loss on trade receivables	6,794	8,317
Impairment loss on loans	91	5,332
Other finance expenses	5,154	3,355
Total	**40,587**	**46,451**

By the impairment of receivables and loans in the amount of TEUR 6,885 (2010: TEUR 13,649), the fair value of trade receivables and loans is secured.

Impairment loss on investments in the amount of TEUR 1.373 (2010: TEUR 699) relates to available-for-sale financial assets that were revalued to market value.

Finance income and expenses recognised directly in other comprehensive income (net)

in TEUR	**2011**	**2010**
Net change in effective portion of gains and losses on hedging instruments in a cash flow hedge	-6,484	300
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge transferred to profit or loss	2,154	0
Net change in fair value of available-for-sale financial assets	-108	33
Net change in fair value of available-for-sale financial assets transferred to profit or loss	0	112
Foreign currency translation differences for foreign operations	1,148	-8,563
Finance expenses recognised in other comprehensive income	**-3,290**	**-8,118**
Finance expenses recognised in other comprehensive income attributable to equity holders of the parent	**-3,290**	**-8,118**
Finance expenses recognised in other comprehensive income attributable to non-controlling interests	**0**	**0**

Note 19 – Income tax expense **TEUR 2,006**

Income tax expense is recorded by taking into account current tax liabilities, deferred tax assets, and deferred tax liabilities.

in TEUR	**2011**	**2010**
Current tax expense	5,600	5,049
Deferred tax expense	-3,594	-2,601
Total	**2,006**	**2,448**

Effective income tax rates:

in TEUR	2011	2011	2010	2010
Profit before tax		**11,112**		**22,472**
Income tax using the domestic tax rate	20.0 %	2,222	20.0 %	4,494
Effect of tax rates in foreign jurisdictions	-9.0 %	-1,000	6.8 %	1,534
Non-deductible expenses	29.1 %	3,233	-16.5 %	-3,703
Tax exempt income	-16.4 %	-1,820	8.3 %	1,862
Tax reliefs	-13.1 %	-1,459	-6.6 %	-1,486
Tax losses	17.3 %	1,926	0.1 %	28
Other differences	-9.9 %	-1,096	-1.3 %	-281
Income tax expense	**18.1 %**	**2,006**	**10.9 %**	**2,448**

The following deferred tax amounts were recognised in other comprehensive income:

in TEUR	2011		
	Pre-tax amount	**Tax**	**After-tax amount**
Change in fair value of available-for-sale financial assets	-135	27	-108
Change in fair value of available-for-sale financial assets transferred to profit or loss	0	0	0
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge	-7,499	1,015	-6,484
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge transferred to profit or loss	2,154	0	2,154
Change in fair value of land	-1	31	30
Foreign currency translation differences for foreign operations	1,148	0	1,148
Other comprehensive income	**-4,333**	**1,073**	**-3,260**

in TEUR	2010		
	Pre-tax amount	**Tax**	**After-tax amount**
Change in fair value of available-for-sale financial assets	50	-17	33
Change in fair value of available-for-sale financial assets transferred to profit or loss	145	-33	112
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge	317	-17	300
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge transferred to profit or loss	0	0	0
Change in fair value of land	-7,777	158	-7,619
Foreign currency translation differences for foreign operations	-8,563	0	-8,563
Other comprehensive income	**-15,828**	**91**	**-15,737**

Note 20 – Intangible assets — TEUR 158,620

in TEUR	2011	2010
Development costs	11,768	12,096
Industrial property rights	14,712	15,373
Trademark	61,964	61,964
Goodwill	68,653	69,358
Intangible assets under construction	1,523	1,370
Total	**158,620**	**160,161**

Intangible assets include mainly trademarks (Atag, Etna and Pelgrim), deferred development costs, and software.

Goodwill in the amount of TEUR 62,130 and fair value of trademarks Atag, Etna and Pelgrim in the amount of TEUR 61,964 were established in 2008 at the acquisition of the company ATAG Europe BV. In addition, goodwill was established in 2008 in the amount of TEUR 1,617 at the acquisition of the majority interest in PUBLICUS, d.o.o. Goodwill in the amount of TEUR 2,030 was established in 2007 at the acquisition of the majority interest in Gorenje Surovina, d.d.. Goodwill in the amount of TEUR 2,875 was established in 2005 at the acquisition of Mora Moravia, s r. o. in the Czech Republic and Gorenje Studio, d.o.o. in Serbia.

Impairment testing of goodwill and trademarks

Impairment testing of goodwill and trademarks Atag, Etna and Pelgrim arising from the acquisition of ATAG Europe BV was carried out. The calculations are based on cash flow projections for ATAG, which have been prepared on the basis of the adopted business plan for 2012 and strategic business plan for the period from 2013 to 2015. The main underlying assumptions used to calculate the value in use are: the revenue growth rate of 3.0% (2010: 3.0%) and the discount rate of 13.31% (2010: 12.31%).
The recoverable value of the cash-generating unit exceeds its carrying amount, including that of goodwill and trademarks Atag, Etna and Pelgrim. Therefore there was no need for impairment.

Impairment testing of goodwill arising from the acquisition of Publicus, d.o.o. was carried out. The calculations are based on cash flow projections for Publicus, d.o.o., which have been prepared on the basis of the adopted business plan for 2012 and strategic business plan for the period from 2013 to 2015. The main underlying assumptions used to calculate the value in use are: the revenue growth rate of 3.5% (2010: 3.0%) and the discount rate of 10.5% (2010: 9.5%).
The recoverable value of the cash-generating unit was determined to be not significantly lower from its carrying amount, including that of goodwill. Therefore there was no need for impairment of goodwill.

Impairment testing of goodwill arising from the acquisition of Mora Moravia, s r.o. was carried out. The calculations are based on cash flow projections for Mora Moravia, s r.o., which have been prepared on the basis of the adopted business plan for 2012 and strategic business plan for the period from 2013 to 2015. The main underlying assumptions used to calculate the value in use are: the revenue growth rate of 4.5% (2010: 2.0%) and the discount rate of 10.5% (2010: 9.5%).
The recoverable value of the cash-generating unit exceeds its carrying amount, including that of goodwill. Therefore there was no need for impairment of goodwill.

Impairment testing of goodwill arising from the acquisition of Gorenje Studio, d.o.o. was carried out. The calculations are based on cash flow projections for Gorenje Studio, d.o.o., which have been prepared on the basis of the adopted business plan for 2012 and strategic business plan for the period from 2013 to 2015. The main underlying assumptions used to calculate the value in use are: the revenue growth rate of 0.0% (2010: 2.0%) and the discount rate of 10.5% (2010: 9.5%).
The recoverable value of the cash-generating unit was determined to be higher than its carrying amount, including that of goodwill. Therefore there was no need for impairment of goodwill.

Impairment testing of goodwill arising from the acquisition of Gorenje Surovina, d.o.o. was carried out. The calculations are based on cash flow projections for Gorenje Surovina, d.o.o., which have been prepared on the basis of the adopted business plan for 2012 and strategic business plan for the period from 2013 to 2015. The main underlying assumptions used to calculate the value in use are: the revenue growth rate of 5.0% (2010: 3.0%) and the discount rate of 10.5% (2010: 9.5%).
The recoverable value of the cash-generating unit was determined to be higher than its carrying amount, including that of goodwill. Therefore there was no need for impairment of goodwill.

Goodwill in the amount of TEUR 705 referring to the company IG AP, d.o.o. was written down and charged against the profit for the period.

Movements of intangible assets in 2011

in TEUR	Development costs	Industrial property rights	Trademark	Goodwill	Intangible assets under construction	Total
Cost at 1 Jan 2011	28,430	31,646	61,964	69,358	1,370	192,768
Acquisitions	2,115	1,446			2,818	6,379
Disposal of Group companies	-58	-399		-705	-16	-1,178
Disposals, write-offs	-331	-1,068				-1,399
Other transfers	1,545	1,039			-2,644	-60
Exchange differences	-39	-138			-5	-182
Cost at 31 Dec 2011	31,662	32,526	61,964	68,653	1,523	196,328
Accumulated amortisation at 1 Jan 2011	16,334	16,273	0	0	0	32,607
Disposal of Group companies	-58	-212				-270
Disposals, write-offs	-257	-598				-855
Amortisation	3,921	2,510				6,431
Other transfer						
Exchange differences	-46	-159				-205
Accumulated amortisation at 31 Dec 2011	19,894	17,814				37,708
Carrying amount at 1 Jan 2011	12,096	15,373	61,964	69,358	1,370	160,161
Carrying amount at 31 Dec 2011	11,768	14,712	61,964	68,653	1,523	158,620

Movements of intangible assets in 2010

in TEUR	Development costs	Industrial property rights	Trademark	Goodwill	Intangible assets under construction	Total
Cost at 1 Jan 2010	27,379	34,113	61,964	69,358	856	193,670
Acquisitions	1,910	1,194			2,206	5,310
Disposal of Group companies		-1,333				-1,333
Acquisition through business combinations		380				380
Disposal, write-offs	-1,775	-3,488				-5,263
Other transfers	851	676			-1,685	-158
Exchange differences	66	106			-7	165
Ownership change in joint ventures	-1	-2				-3
Cost At 31 Dec 2010	28,430	31,646	61,964	69,358	1,370	192,768

Accumulated amortisation at 1 Jan 2010	14,887	17,223	0	0	0	32,110
Disposal of Group companies		-618				-618
Disposal, write-offs	-2,096	-3,074				-5,170
Amortisation	3,320	2,690				6,010
Other transfers	94	-190				-96
Exchange differences	130	243				373
Ownership change in joint ventures	-1	-1				-2
Accumulated amortisation at 31 Dec 2010	16,334	16,273	0	0	0	32,607
Carrying amount at 1 Jan 2010	12,492	16,890	61,964	69,358	856	161,560
Carrying amount at 31 Dec 2010	12,096	15,373	61,964	69,358	1,370	160,161

Note 21 – Property, plant and equipment (PPE) **TEUR 358,840**

in TEUR	2011	2010
Land	49,405	50,391
Buildings	165,814	166,489
Manufacturing and other equipment	133,190	141,197
Property, plant and equipment under construction	10,431	17,323
Total	358,840	375,400

Movements of property, plant and equipment in 2011

in TEUR	Land	Buildings	Production and other equipment	PPE under construction	Total
Cost at 1 Jan 2011	50,391	321,964	574,377	17,323	964,055
Acquisition	533	6,528	15,767	18,261	41,089
Disposal of Group companies	-649	-4,357	-7,015	-1,086	-13,107
Disposal, write-offs	-194	-4,419	-14,107	-92	-18,812
Elimination of impairment			2,000		2,000
Transfer to investment property	-858	-7,506			-8,364
Other transfers	304	9,330	8,837	-24,289	-5,818
Exchange differences	-122	-1,019	359	314	-468
Cost at 31 Dec 2011	49,405	320,521	580,218	10,431	960,575
Accumulated depreciation at 1 Jan 2011	0	155,475	433,180	0	588,655
Revaluation			333		333
Disposal of Group companies		-502	-1,507		-2,009
Disposal, write-offs		-1,545	-13,117		-14,662
Depreciation		8,642	35,125		43,767
Transfer to investment property		-7,072			-7,072
Other transfers		53	-6,741		-6,688
Exchange differences		-344	-245		-589

Accumulated depreciation at 31 Dec 2011		154,707	447,028		601,735
Carrying amount at 1 Jan 2011	50,391	166,489	141,197	17,323	375,400
Carrying amount at 31 Dec 2011	49,405	165,814	133,190	10,431	358,840

Investments in the amount of TEUR 41,089 relate mainly to the continuation of the policy of focused investment in the development of Home Appliances, the restructuring of production activities (transfer of production of hot-water and heating systems from Ljubljana to Stara Pazova, Serbia), and partly the integration activities related to the Asko Group acquired in July 2010, as well as the opening of the plant in Zaječar, Serbia.

Disposal of property, plant and equipment relates to the sale of non-operating assets.

The Group's land was valued as at 31 December 2008 by an independent certified valuer. Additional valuation in coming years showed that no conditions for revaluation of land and impairment of other items of property, plant and equipment exist. If land would be disclosed at cost, its carrying amount would be TEUR 37,145.

As at the reporting date, no financial liabilities were secured by mortgage on real property.

No borrowing costs were attributed to the items of property, plant and equipment in 2011.

Transfers include transfers from real property to investment property, transfers from intangible assets to property, plant and equipment, and transfers between individual items.

Movements of property, plant and equipment in 2010

in TEUR	Land	Buildings	Production and other equipment	PPE under construction	Total
Cost at 1 Jan 2010	60,033	322,957	571,831	6,489	961,310
Acquisition	240	2,787	10,573	25,758	39,358
Acquisition through business combinations	346	5,007	12,145	2,605	20,103
Disposal of Group companies	-10,100	-6,051	-14,441	-87	-30,679
Ownership change in joint ventures	95	370	698	72	1,235
Disposal, write-offs	-1,227	-3,907	-19,910	-506	-25,550
Revaluation					
Transfer from investment property	1,200	123			1,323
Other transfers	150	1,979	14,576	-16,904	-199
Exchange differences	-346	-1,301	-1,095	-104	-2,846
Cost at 31 Dec 2010	50,391	321,964	574,377	17,323	964,055
Accumulated depreciation 1 Jan 2010	0	152,340	426,169	0	578,509
Disposal of Group companies		-3,718	-11,341		-15,059
Disposal, write-offs		-1,975	-18,146		-20,121
Ownership change in joint ventures		21	68		89
Depreciation		9,328	36,899		46,227
Transfer from investment property		16			16
Other transfers		-324			-324
Exchange differences		-213	-469		-682
Accumulated depreciation at 31 Dec 2010	0	155,475	433,180	0	588,655

Carrying amount at 1 Jan 2010	60,033	170,617	145,662	6,489	382,801
Carrying amount at 31 Dec 2010	50,391	166,489	141,197	17,323	375,400

Note 22 – Investment property **TEUR 15,219**

in TEUR	2011	2010
Land	8,218	1,598
Buildings	7,001	2,920
Total	15,219	4,518

Investment property includes land and buildings acquired for resale or increase in investments. Investment property is measured using the fair value model. Acquisition refers to to the purchase of land and buildings from Gorenje Tiki, d.o.o. (company in liquidation).

Movements of investment property

in TEUR	2011	2010
Opening balance at 1 January	4,518	7,802
Increase	9,722	0
Revaluation	0	-1,493
Decrease	-312	-481
Disposal of Group companies	0	-3
Transfer from property, plant and equipment	1,292	0
Transfer to property, plant and equipment	-1	-1,307
Closing balance at 31 December	15,219	4,518

Note 23 – Non-current investments **TEUR 1,973**

in TEUR	2011	2010
Loans (1 to 5 years)	1,056	4,269
Deposits	74	129
Other investments	843	915
Total	1,973	5,313

Movements in loans

in TEUR	2011	2010
Opening balance at 1 January	4,269	5,290
Increase	11	88
Decrease	-103	-673
Disposal of IG Group	-2,755	0
Transfer to current investments	-366	-436
Closing balance at 31 December	1,056	4,269

The item of loans includes loans extended by the parent company and its subsidiaries to non-group companies. The interest rate, which depends on the currency in which the loan is denominated, ranged from 3.947 percent to 7.0 percent.

Note 24 – Investments in associates **TEUR 996**

in TEUR	Equity share	2011	2010
Gorenje Projekt, d.o.o., Velenje	50.00 %	154	0
GGE, d.o.o., Ljubljana	33.33 %	165	0
RCE, d.o.o., Velenje	24.00 %	611	0
Econo Projektiranje, d.o.o., Ljubljana	26.00 %	36	0

ENVI-TECH DOO, Belgrade	25.935 %	30	0
Total		996	0

Note 25 – Deferred tax assets and liabilities

Deferred taxes are recognised using the statement of financial position liability method based on temporary differences. The applied tax rate is the current tax rate applicable in the country in which the respective Group company is domiciled.

in TEUR	Deferred tax assets		Deferred tax liabilities		Tax assets – tax liabilities	
	2011	2010	2011	2010	2011	2010
Property, plant and equipment	33	934	5,152	4,708	-5,119	-3,774
Investments	1,425	1,812	-46	-19	1,471	1,831
Receivables	2,104	1,523	68	85	2,036	1,438
Inventories	184	258	-104	-106	288	364
Liabilities from litigations						
Provisions in lines with local standards and tax laws	471	1,632	150	1,308	321	324
Provisions for retirement benefits and jubilee premiums	2,870	3,110			2,870	3,110
Provisions for warranties	2,246	2,466	-22	-43	2,268	2,509
Unused tax losses	7,880	5,117	704	196	7,176	4,921
Unused tax incentives	2,457	1,191	81		2,376	1,191
Interest rate swaps – cash flow hedge	1,027			-12	1,027	12
Changes in the Group	0		-50	-55	50	55
Total	20,697	18,043	5,933	6,062	14,764	11,981

In TEUR	Tax assets – tax liabilities		Through profit or loss		Through other comprehensive income	
	2011	2010	2011	2010	2011	2010
Property, plant and equipment	-5,119	-3,774	-20	159	31	158
Investments	1,471	1,831	-601	124	27	-50
Receivables	2,036	1,438	523	239		
Inventories	288	364	-30	-23		
Liabilities from litigations						
Provisions in lines with local standards and tax laws	321	324	-4	1,054		
Provisions for retirement benefits and jubilee premiums	2,870	3,110	-74	-209		
Provisions for warranties	2,268	2,509	-179	-81		
Unused tax losses	7,176	4,921	2,168	95		2,033
Unused tax incentives	2,376	1,191	595			
Interest rate swaps – cash flow hedge	1,027	12			1,015	-2,050
Changes in the Group	50	55	1,216	1,243		
Total	14,764	11,981	3,594	2,601	1,073	91

Both deferred tax assets and deferred tax liabilities were recognised by the Group companies in 2011. Creation of deferred tax liabilities (through profit or loss) is based on the amounts of a decrease in the tax base of the Group companies in 2011 with regard to the determined profit or loss before taxes. Creation of deferred tax assets, however, is based on an increase in the tax base of the Group companies in 2011 with regard to the determined profit or loss before tax and the determined tax losses.

Note 26 – Inventories TEUR 245,608

In TEUR			2011				2010	
	Home Appliances	Home interior	Ecology, energy and services	Total	Home Appliances	Home interior	Ecology, energy and services	Total
Materials	62,733	2,249	5,422	70,404	69,759	3,013	6,608	79,380
Work in progress	11,966	832	2,682	15,480	12,161	1,188	5,611	18,960
Products	119,674	3,383	1,576	124,633	109,314	3,436	20	112,770
Merchandise	30,154	206	2,380	32,740	42,216	267	2,362	44,845
Advances	2,110	56	185	2,351	1,510	20	108	1,638
Total	226,637	6,726	12,245	245,608	234,960	7,924	14,709	257,593

In 2011, allowances for inventories and inventory write-offs amounted to TEUR 2,631 (2010: TEUR 2,202). Allowances for inventories and inventory write-offs were recorded under other operating expenses.

Advances for inventories include advances for inventories of raw materials and materials.

The carrying amount of inventories of products, of which production costs were adjusted to net realisable value, amounted to TEUR 28,478.

Note 27 – Current investments TEUR 42,317

In TEUR	2011	2010
Available-for-sale investments	16,692	11,940
Short-term deposits	2,916	1,055
Loans	21,883	31,525
Transfer from non-current loans	366	436
Interest receivable	344	760
Other current financial receivables	116	2,286
Total	42,317	48,002

Loans include cash surplus deposited in short-term time deposits with banks and entities. The interest rate for bank deposits and loans ranges from 2.00 percent to 9.75 percent.

Movements of available-for-sale investments

In TEUR	2011	2010
Opening balance at 1 January	11,940	15,248
Increase	6,033	1,695
New Group companies	0	413
Decrease	-126	-4,311
Change in fair value	-1,155	-1,105
Transfers	0	0
Closing balance at 31 December	16,692	11,940

Impairment loss in the amount of TEUR 1,042 is recorded among finance expense, whereas impairment in the amount of TEUR 114 in the statement of comprehensive income as change in fair value.
The increase mainly relates to the increase of shares of Merkur, d.d., in compulsory composition.

Note 28 – Trade receivables TEUR 255,911

In 2011, write-off and impairment of trade receivables amounted to TEUR 6,794 (2010: TEUR 8,317).

As at 31 December 2011, allowances for receivables amounted to TEUR 22,981 (2010: TEUR 23,142). The changes in allowances for trade receivables are discussed in Note 40 (Financial instruments).

Note 29 – Other current assets TEUR 48,746

In TEUR	2011	2010
Other short-term receivables	24,751	35,367
Short-term advances and collaterals given	2,304	6,788
Short-term deferred costs	18,858	11,270
Other current assets	2,833	2,013
Total	48,746	55,438

The item of other short-term receivables includes an important part of the Group's input VAT receivable, which by the end of 2011 amounted to TEUR 15,523 (2010: TEUR 19,425).
Major part of other current assets includes accrued receivables, whereas short-term deferred costs include costs of services billed but not yet provided.

Note 30 – Cash and cash equivalents TEUR 101,620

In TEUR	2011	2010
Cash in hand	457	403
Cash balances in banks and other financial institutions	101,163	82,325
Total	101,620	82,728

Note 31 – Equity TEUR 397,819

As at 31 December 2011, the share capital of Gorenje, d.d. amounted to EUR 66,378,217.32 (31 December 2010: EUR 66,378.217.32) and was divided into 15,906,876 ordinary, freely transferable, registered, no par value shares.

Capital surplus (share premium) in the amount of TEUR 175,575 includes paid-in capital in excess of par value of shares in the amount of TEUR 64,352, surplus in excess of book value of disposed own shares in the amount of TEUR 15,313 (1,070,000 own shares were disposed in 2008 in order to acquire the ATAG company), and general equity revaluation adjustment in the amount of TEUR 78,048 transferred upon the transition to IFRSs.

Legal and statutory reserves in the amount of TEUR 22,719 include legal reserves in the amount of TEUR 12,895 (31 December 2010: TEUR 12,895), reserves for own shares in the amount of TEUR 3,170 (31 December 2010: TEUR 3,170), and statutory reserves in the amount of TEUR 6,654 (31 December 2010: TEUR 5,925).

Compared to 2010, the translation reserve grew by TEUR 1,148 and as at the reporting date amounted to TEUR 9,990. The increase is due to exchange differences arising from the translation of individual items in the financial statements of foreign operations from the national currencies to the reporting currency.

Own shares in the amount of TEUR 3,170 are stated as a deductible item of equity and recorded at cost.

Changes in fair value reserve are shown in the table below:

In TEUR	Reserve for fair value of land	Reserve for fair value of available-for-sale financial assets	Reserve for fair value of derivatives	Total
Balance at 1 Jan 2011	**9,842**	**3,500**	**-48**	**13,294**
Revaluation of land				
Disposal of land	-1			-1
Change in fair value of cash flow hedge			-7,499	-7,499
Change in fair value of cash flow hedge, transferred to profit or loss			2,154	2,154
Change in fair value of available-for-sale financial assets		-135		-135
Disposal of available-for-sale financial assets				

Impairment of available-for-sale financial assets				
Disposal of a subsidiary				
Acquisition of non-controlling interests				
Deferred taxes	31	27	1,015	1,073
Balance at 31 Dec 2011	**9,872**	**3,392**	**-4,378**	**8,886**

In TEUR	Reserve for fair value of land	Reserve for fair value of available-for-sale financial assets	Reserve for fair value of derivatives	Total
Balance at 1 Jan 2010	**17,461**	**3,117**	**-7,756**	**12,822**
Revaluation of land	0	0	0	0
Disposal of land	0	0	0	0
Change in fair value of cash flow hedge	0	0	9,758	9,758
Change in fair value of available-for-sale financial assets	0	288	0	288
Disposal of available-for-sale financial assets	0	145	0	145
Impairment of available-for-sale financial assets	0	0	0	0
Disposal of a subsidiary	-7,777	0	0	-7,777
Acquisition of non-controlling interests		0	0	0
Deferred taxes	158	-50	-2,050	-1,942
Balance at 31 Dec 2010	**9,842**	**3,500**	**-48**	**13,294**

Note 32 – Earnings per share

Earnings per share amounted in 2011 to EUR 0.57 (2010: EUR 1.34). No preference shares have been issued by the Group, hence basic and diluted earnings per share are equal.

To determine earnings per share, the following data on the Group's profit for the period and the weighted average number of ordinary shares was used:

2011	(In TEUR)
Profit for the period	8,965
Weighted average number of ordinary shares	15,785,565
Basic / Diluted earnings per share (in EUR)	0.57
2010	(In TEUR)
Profit for the period	19,923
Weighted average number of ordinary shares	14,847,127
Basic / Diluted earnings per share (in EUR)	1.34

All issued shares are of the same class and give their owner the right to participate in the management of the company. Each share gives one vote and a right to dividend.

Dividends were not paid in 2011.

Note 33 – Provisions TEUR 76,321

In TEUR	2011	2010
Provisions for warranties	43,837	50,261
Provisions for retirement benefits and jubilee premiums	23,990	22,687
Other provisions	8,494	15,219
Total	**76,321**	**88,167**

Provisions for warranties were created on the basis of estimated costs of warranties calculated by taking into account the past known data on the quality level of products and the costs of repairs under warranties. Reversal of provisions for warranties has been carried out in 2011 as a result of a better quality level and due to a lower scope of operations in the past three years.

Provisions for retirement benefits and jubilee premiums were created on the basis of the actuarial calculation of estimated future payments of retirement benefits and jubilee premiums, which was made as at 31 December 2011. The actuarial calculation was based on the following assumptions:

- a discount rate of 5.10 % in December 2011 representing the rate of return on 10-year entrepreneurial bonds with high credit rating in the euro area;
- current retirement benefits and jubilee premiums as defined in the internal acts of individual companies or in the national regulations;
- an employee turnover depending in particular on the employee's age;
- a mortality rate stated in the latest available mortality tables of the local population;
- an increase in wages and salaries due to adjustment for inflation and career promotion.

Actuarial deficits or surpluses occurring in connection with retirement benefits and jubilee premiums are recognised in the income statement as expense (income).

A significant portion of other long-term provisions includes provisions for corporate restructuring and anticipated losses, which were created in 2010 in line with the anticipated costs of post-acquisition activities for the Asko Group (whereas they were partly already used or reversed in 2011 for the stated purposes), provisions for costs in connection with the Directive on Waste Electrical and Electronic Equipment recorded by ZEOS, d.o.o., and provisions for compensation claims arising from legal actions brought against Gorenje, d.d.

Movements of provisions in 2011

In TEUR	Balance 1 Jan 2011	Use	Exchange differences	Reversal	Creation	Disposal of companies	Acquisition of companies	Balance 31 Dec 2011
Provisions for warranties	50,261	-16,395	176	-9,981	19,776	0	0	43,837
Provisions for retirement benefits and jubilee premiums	22,687	-1,192	42	-342	2,869	-74	0	23,990
Other provisions	15,219	-6,384	23	-2,755	2,391	0	0	8,494
Total	**88,167**	**-23,971**	**241**	**-13,078**	**25,036**	**-74**	**0**	**76,321**

Movements of provisions in 2010

In TEUR	Balance 1 Jan 2010	Use	Exchange differences	Reversal	Creation	Disposal of companies	Acquisition of companies	Balance 31 Dec 2010
Provisions for warranties	38,000	-17,923	-733	-5,280	23,834	-516	12,879	50,261
Provisions for retirement benefits and jubilee premiums	19,623	-1,842	-11	-91	2,939	-1,450	3,519	22,687
Other provisions	4,535	-1,112	12	-186	2,247	-77	9,800	15,219
Total	**62,158**	**-20,877**	**-732**	**-5,557**	**29,020**	**-2,043**	**26,198**	**88,167**

Note 34 – Deferred revenue **TEUR 617**

In TEUR	Balance 1 Jan 2011	Depreciation	Creation	Balance 31 Dec 2011
Deferred revenue - government grants	866	-3,816	3,567	617
Total	**866**	**-3,816**	**3,567**	**617**

In TEUR	Balance 1 Jan 2010	Depreciation	Creation	Balance 31 Dec 2010
Deferred revenue - government grants	1,211	-3,755	3,410	866
Total	**1,211**	**-3,755**	**3,410**	**866**

Note 35 – Non-current financial liabilities **TEUR 302,459**

In TEUR	2011	2010
Non-current borrowings from banks	303,476	294,405
Transfer to current borrowings from banks	-85,078	-102,542
Non-current borrowings from third parties	103,035	62,044
Transfer to current borrowings from third parties	-20,657	-143
Other financial liabilities	1,683	7,168
Total	**302,459**	**260,932**

Borrowings by maturity	**in TEUR**
Maturity from 1 to 2 years	83,693
Maturity from 2 to 4 years	142,692
Maturity from 4 to 6 years	72,970
Maturity from 6 to 9 years	1,421
Total	**300,776**

Non-current borrowings

Currency		Amount in TEUR	Interest rate	
			from	to
EUR		300,776	2.20%	7.00%
Total		**300,776**		

The effective interest rate does not deviater essentially from the contractual interest rate.

Collateralisation	**In TEUR**
Bills	103,006
Financial covenants	296,704
Guarantees	74,452

Some non-current borrowings are simultaneously secured by several forms of collateralisation. Guarantees include guarantees and sureties issued by Gorenje, d.d. and Gorenje BeteiligungsGmbH to the commercial banks to secure liabilities of the Group companies.

Note 36 – Current financial liabilities **TEUR 181,649**

In TEUR	2011	2010
Borrowings from banks	62,866	103,207
Transfer from non-current borrowings from banks	85,078	102,542
Current borrowings from third parties	1,187	1,803

Transfer from non-current borrowings from third parties	20,658	143
Current interest payable	461	805
Current dividends payable	184	184
Derivatives	5,527	14,185
Other financial liabilities	5,688	146
Total	**181,649**	**223,015**

As at the reporting date, forward exchange contracts were concluded by Gorenje, d.d. in the value of hedged items totalling TEUR 7,600. The forward exchange contracts were used in the financial year 2011 to hedge against a change in the foreign exchange rates: EUR/PLN, EUR/USD and EUR/HUF. At the year end, hedging of the EUR/USD exchange rate was recorded. Maturities of the forward exchange contracts are short-term (up to one year).

The total value of hedged items recorded by Gorenje, d.d. as at 31 December 2011, for which interest rate swap contracts were concluded, amounted to TEUR 157,066. The interest rate swap contracts are used to hedge against the fluctuation of the variable EURIBOR interest rate. Maturities of the interest rate swap contracts are long-term, i.e. progressively until 15 June 2016.

Other financial liabilities mostly include liabilities referring to the purchase of receivables by the parent company in the amount of TEUR 3,434.

Current borrowings from banks			Interest rate	
Currency	Amount in currency (in 000)	Amount in TEUR	from	to
EUR	131,934	131,934	1.77%	12.00%
CZK	215,197	8,345	1.70%	2.34%
HUF	85,702	272	8.03%	8.03%
TRY	8,874	3,632	10.50%	17.00%
RSD	6,609	64	13.75%	13.75%
DKK	27,140	3,651	3.87%	5.20%
UAH	490	46	12.70%	12.70%
Total		**147,944**		

Current borrowings from third parties			Interest rate	
Currency	Amount in currency (in 000)	Amount in TEUR	from	to
EUR		21,845	2.36%	5.95%
Total		**21,845**		

The effective interest rate does not deviate essentially from the contractual interest rate.

Collateralisation	in **TEUR**
Bills	98,208
Financial covenants	92,672
Guarantees	69,383

Some non-current borrowings are simultaneously secured by several forms of collateralisation. Guarantees include guarantees and sureties issued by Gorenje, d.d. and Gorenje BeteiligungsGmbH to the commercial banks to secure liabilities of the Group companies.

The loan contracts concluded between the Gorenje, d.d. and banks include financial covenants that are expected to be fully met in the financial year. The covenants are reviewed on the basis of the audited consolidated financial statements for the respective financial year. A portion of financial covenants relating to borrowings from International Finance Corporation (IFC) are reviewed on a three-month basis.

Because of the expected breach of financial covenants, the Company applied at the year end 2011 to its bank partners (except International Finance Corporation IFC) for waiver of financial covenants requiring financial statements for 2011. The waiver was approved by all bank partners for all credit lines and guarantee transactions secured by financial covenants. The waiver of financial covenants applies to the financial year 2011.

Financial covenants relating to borrowings from International Finance Corporation (IFC) were met in full at the year end 2011.

Note 37 – Trade payables **TEUR 194,248**

As at 31 December 2011, the item of trade payables in the amount of TEUR 194,248 does not include any payables to the members of the Management Board and Supervisory Board and the internal owners.

Note 38 – Other current liabilities **TEUR 90,806**

In TEUR	2011	2010
Payables to employees	17,701	18,955
Payables to state	13,604	14,135
Accrued costs and expenses	39,365	40,872
Other current liabilities	20,136	32,736
Total	**90,806**	**106,698**

Payables to employees and contributions and taxes payable to state institutions relate to wages and salaries for December paid in January 2012.

Accrued costs and expenses were created for accrued costs of discounts, accrued interest expense, and other accrued costs of services.

Note 39 – Contingent liabilities

The Group's contingent liabilities from guarantees and collaterals given to financial institutions and companies outside Gorenje Group amounted to TEUR 31,101 as at the reporting date.

In accordance with the ordinary business practice, the ATAG company is not liable to publish its annual results of operation in the country, where its corporate seat is, if the shareholder, in a special statement, assumes liability to pay any outstanding obligations of the Company. The respective statement shall remain in effect until rescinded by the shareholder.

Note 40 – Financial instruments

Credit risk

The carrying amount of financial assets represents the maximum credit risk exposure. The maximum credit risk exposure at the reporting date:

In TEUR	2011	2010
Available-for-sale financial assets	16,692	11,940
Loans	23,306	36,229
Trade and other receivables	285,799	350,452
Deposits	2,990	1,185
Other receivables from financing activities	1,302	3,961
Cash and cash equivalents	101,620	82,728
Total	**431,709**	**486,495**

The maximum credit risk exposure of trade receivables at the reporting date by geographic region:

In TEUR	2011	2010
West	93,889	95,553
East	158,947	205,116

Other	3,075	5,615
Total	**255,911**	**306,284**

The maximum credit risk exposure of trade receivables at the reporting date by type of customer:

In TEUR	2011	2010
Wholesale customers	191,163	220,572
Retail customers	56,170	78,626
Other customers	8,578	7,086
Total	**255,911**	**306,284**

Maturity of trade receivables at the reporting date:

In TEUR	Gross amount	Allowance	Gross amount	Allowance
	2011	**2011**	**2010**	**2010**
Not past due	201,056		237,229	
Past due 1 to 45 days	21,609		33,647	
Past due 46 to 90 days	7,997		8,063	
Past due 91 to 180 days	6,024		8,407	
Past due over 180 days	42,206	22,981	42,080	23,142
Total	**278,892**	**22,981**	**329,426**	**23,142**

Movements in allowances for trade receivables:

In TEUR	2011	2010
Opening balance at 1 January	23,142	20,406
Exchange differences	-185	-57
Impairment loss	6,794	8,317
Recovered bad debts	-2,786	-1,868
Write-offs of receivables	-3,540	-3,836
Changes in the Group	-444	180
Closing balance at 31 December	**22,981**	**23,142**

Liquidity risk

Financial liabilities by maturity:

31 December 2011

In TEUR	Carrying amount	Contractual cash flow	1 year or less	1–2 years	2–5 years	More than 5 years
Non-derivative financial liabilities						
Bank borrowings	366,342	404,296	165,466	72,757	165,627	446
Borrowings from other entities	104,223	119,172	27,150	24,710	66,230	1,082
Other financial liabilities	8,016	8,379	6,829	416	619	515
Trade and other payables	245,689	245,689	245,689			
Total	**724,270**	**777,536**	**445,134**	**97,883**	**232,476**	**2,043**
Derivative financial liabilities						
Interest rate swaps	-5,134	-4,508	-1,896	-1,196	-1,416	
Forward exchange contracts used for hedging	-393	-393	-393			
Outflow	-393	-393	-393			
Inflow						
Other forwards exchange contracts						

Outflow						
Inflow						
Total	**-5,527**	**-4,901**	**-2,289**	**-1,196**	**-1,416**	

31 December 2010

In TEUR	**Carrying amount**	**Contractual cash flow**	**1 year or less**	**1–2 years**	**2–5 years**	**More than 5 years**
Non-derivative financial liabilities						
Bank borrowings	459,513	496,294	225,736	105,381	158,796	6,382
Borrowings from other entities	1,946	2,102	2,102			
Other financial liabilities	8,303	10,448	2,434	2,434	4,090	1,490
Trade and other payables	302,846	302,846	302,846			
Total	**772,608**	**811,690**	**533,118**	**107,815**	**162,886**	**7,872**
Derivative financial liabilities						
Interest rate swaps	-58	-68	-51	-17		
Forward exchange contracts used for hedging	-20	-20	-20			
Outflow	-20	-20	-20			
Inflow						
Other forwards exchange contracts	-14,107	-14,107	-14,107			
Outflow	-14,107	-14,107	-14,107			
Inflow						
Total	**-14,185**	**-14,195**	**-14,178**	**-17**		

Currency risk

Group's exposure to currency risk:

31 December 2011

In TEUR	**EUR**	**HRK**	**DKK**	**PLN**	**RSD**	**CZK**	**Other**
Trade receivables	142,638	28,698	8,074	6,212	13,724	8,529	48,036
Financial liabilities (borrowings)	-454,555		-3,651		-64	-8,345	-3,950
Trade payables	-164,447	-1,665	-2,036	-1,565	-5,009	-4,597	-14,929
Financial position exposure	**-476,364**	**27,033**	**2,387**	**4,647**	**8,651**	**-4,413**	**29,157**
Forward exchange contracts							7,600
Net exposure	**-476,364**	**27,033**	**2,387**	**4,647**	**8,651**	**-4,413**	**36,757**

31 December 2010

In TEUR	**EUR**	**HRK**	**DKK**	**PLN**	**RSD**	**CZK**	**Other**
Trade receivables	189,874	31,762	4,490	6,682	13,919	7,446	52,111
Financial liabilities (borrowings)	-423,861	-601	-684	-101	-939	-14,506	-18,821
Trade payables	-201,795	-1,850	-1,491	-1,638	-6,799	-5,354	-18,093
Financial position exposure	**-435,782**	**29,311**	**2,315**	**4,943**	**6,181**	**-12,414**	**15,197**
Forward exchange contracts							-8,295
Net exposure	**-435,782**	**29,311**	**2,315**	**4,943**	**6,181**	**-12,414**	**6,902**

The following significant exchange rates were applied during the year:

	Average rate		Reporting date spot rate	
	2011	**2010**	**2011**	**2010**
HRK	7.438	7.289	7.537	7.383
CZK	24.589	25.294	25.787	25.061
DKK	7.451	7.447	7.434	7.454
RSD	101.910	102.762	103.630	107.470
PLN	4.119	3.995	4.458	3.975

Sensitivity analysis

A 5 percent increase in the euro's value against the above stated currencies as at 31 December would have resulted in an increase (decrease) in profit or loss for the period by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain unchanged. The analysis has been performed on the same basis as for 2010.

31 December 2011	**in TEUR**
	Profit or loss for the period
HRK	-1,352
DKK	-119
PLN	-232
RSD	-433
CZK	221
Other currencies	-779

31 December 2010	**in TEUR**
	Profit or loss for the period
HRK	-1,466
DKK	-116
PLN	-247
RSD	-309
CZK	621
Other currencies	-345

A 5 percent decrease in the euro's value against the above stated currencies as at 31 December would have had equal yet opposite effect, provided that all other variables remain unchanged.

Interest rate risk

Group's exposure to interest rate risk:

In TEUR	**2011**	**2010**
Fixed rate financial instruments		
Financial assets	6,472	11,271
Financial liabilities	64,892	96,273
Variable rate financial instruments		
Financial assets	16,833	24,959
Financial liabilities	405,673	363,240

Fair value sensitivity analysis for fixed rate instruments
No fixed rate financial instruments at fair value through profit or loss and no derivatives designated as fair value hedge are recorded by the Group. Therefore a change in the interest rate at the reporting date would not have any impact on profit or loss for the period.

Fair value sensitivity analysis for variable rate instruments
A change in the interest rate by 50 basis points (bp) at the reporting date would have increased (decreased) profit or loss for the period by the amounts shown below. This analysis assumes that all other variables, in

particular foreign exchange rates, remain unchanged. The analysis has been performed on the same basis as for 2010.

In TEUR	Profit or loss for the period		Other comprehensive income	
	Increase by 50 bp	Decrease by 50 bp	Increase by 50 bp	Decrease by 50 bp
31 December 2011				
Variable rate instruments	-4,707	4,707		
Interest rate swap contracts	526	-526	1,499	-1,499
Cash flow variability (net)	**-4,181**	**4, 181**	**1,499**	**-1,499**
31 December 2010				
Variable rate instruments	-4,122	4,122		
Interest rate swap contracts				
Cash flow variability (net)	**-4,122**	**4,122**		

Note 41 – Fair value

The fair value and carrying amount of assets and liabilities:

In TEUR	Carrying amount	Fair value	Carrying amount	Fair value
	2011	**2011**	**2010**	**2010**
Available-for-sale investments	16,692	16,692	11,940	11,940
Non-current loans and deposits	1,130	1,130	4,398	4,398
Current loans and deposits	25,509	25,509	33,776	33,776
Derivatives	-5,527	-5,527	-14,185	-14,185
Trade receivables	255,911	255,911	306,284	306,284
Other current assets	29,888	29,888	44,168	44,168
Cash and cash equivalents	101,620	101,620	82,728	82,728
Non-current financial liabilities	-270,792	-270,792	-188,463	-188,463
Non-current financial liabilities (fixed interest rate)	-31,667	-27,176	-72,469	-64,003
Current financial liabilities	-176,122	-176,122	-208,830	-208,830
Trade payables	-194,248	-194,248	-237,020	-237,020
Other payables	-51,441	-51,441	-65,826	-65,826
Total	**-299,047**	**-294,556**	**-303,499**	**-295,033**

Available-for-sale investments are valued at fair value on the basis of market prices.

Fair value scale

The table shows method of valuing financial assets recorded at fair value:
- Level 1: stock price (unadjusted) in the active market of identical assets and liabilities
- Level 2: data differing from stock price data (these are included in Level 1) monitored with the intention of direct or indirect valuation of assets and liabilities
- Level 3: data on the value of assets and liabilities not based on the active market.

Year 2011

(In TEUR)	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	810	-	15,882	16,692
Derivatives - assets	-	-	-	-
Derivatives - liabilities	-	-5,527	-	-5,527

Year 2010

(In TEUR)	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	2,551	-	9,389	11,940
Derivatives - assets	-	-	-	-
Derivatives - liabilities	-	-14,185	-	-14,185

Forward exchange contracts

The total fair value of forward exchange contracts amounted to TEUR -393 as at 31 December 2011 and was recorded under other financial liabilities.

Interest rate swaps

The total fair value of interest rate swaps as at 31 December 2011 amounted to TEUR -5,134 and was recorded under other financial liabilities.

Interest rate swap hedges, which relate to hedged items in the statement of financial position, are recorded in equity in the fair value reserve.

Note 42 – Commitments relating to investments

Contractually agreed investments in intangible assets and property, plant and equipment not yet recognised in the consolidated statement of financial position at the reporting date amounted to TEUR 3,568.

Note 43 – Related party transactions

The transactions with related parties were conducted by the Group companies on the basis of sale/purchase contracts. The prices used in these related party transactions were the market prices of products and services.

Information on earnings

In **2011**, the Gorenje Group companies paid to the groups of persons stated below the following gross personal earnings:

In TEUR	Management Board	Supervisory Board	Employees under individual employment agreements
Salaries	7,911		8,509
Benefits and other earnings	895	142	850
Total	**8,806**	**142**	**9,359**

No non-current and current loans were granted by the Group companies to the Management Board and Supervisory Board members and internal owners.

In **2010**, the Gorenje Group companies paid to the groups of persons stated below the following gross personal earnings:

In TEUR	Management Board	Supervisory Board	Employees under individual employment agreements
Salaries	6,985		8,488
Benefits and other earnings	1,076	84	805
Total	**8,061**	**84**	**9,293**

Note 44 – Events after the date of the statement of financial position

- The 17th Shareholders' Meeting of Gorenje, d.d. was held on 3 February 2012. The key item of the Agenda was the proposal of the Management Board and the Supervisory Board that an authorisation be granted to the Management Board to acquire and dispose of treasury shares up to a total of 10% of the Company's share capital. Kapitalska družba, d.d., the major shareholder of Gorenje, proposed a counterproposal to this item, which differed from the proposal made by the Management Board and the Supervisory Board in that the pre-emptive right of the existing shareholders should not be omitted in case of disposal of treasury shares. The Management Board and the Supervisory Board agreed with the counterproposal made by Kapitalska družba. The Capital Assets Management Agency of the Republic of Slovenia, which exercised voting rights on behalf of Kapitalska družba, voted against the counterproposal. The proposal was thus rejected with 50.7 percent majority of all present at the Shareholders' Meeting.

- On 14 February 2012, Gorenje signed in Valjevo a Memorandum of Understanding that lays down the starting points for cooperation and the obligations to be assumed by the Republic of Serbia and Gorenje in case of a decision to expand the Valjevo refrigerator freezer manufacturing plant, as currently deliberated by Gorenje. 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 in expansion of the Valjevo manufacturing plant is estimated at approximately EUR 20 million.

- By September 2012, the Gorenje Group plans to move its cooker manufacturing facilities from Lahti, Finland, to Mora Moravia, Czech Republic, where its cooking appliances are manufactured. The Finnish production plant, which is scheduled to discontinue its operations by July 2012, was acquired by the Gorenje Group upon its acquisition of the Scandinavian Asko Group. Moving the production from Finland to the Czech Republic is part of the production restructuring process of the Gorenje Group, which aims at implementing the goals set in the 2012-2015 strategic plan. The previous year's volume of production of the plant lied at 53,000 cookers. The plant currently employs 106 staff. The production relocation process is to be completed by September 2012, when the production of cookers will be continued in the Gorenje's plant in Mora Moravia. Based on this measure, Gorenje will optimise its production costs at the Group's level and enhance its competitiveness.

- The Gorenje Group festively opened a new plant for sanitary equipment production and washing machine assembly in Zaječar on 5 March 2012. The plant has successfully operated since autumn 2011. It employs 96 staff. By the end of the current year, 70,000 washing machines and 30,000 wash basins from this plant will be put on the market. The Government of the Republic of Serbia will support Gorenje's investment with a subsidy intended to fund new job places. Gorenje also has a plant in Valjevo manufacturing refrigerators and freezers, a plant in Stara Pazova manufacturing water heaters, a selling company in Belgrade, and a network of own exhibition of sale centres employing more than 1,100 persons.

Note 45 – Transactions with the audit company

The costs of the audit of the financial statements of the Gorenje Group companies and the consolidated financial statements of the Gorenje Group amounted to TEUR 940 in 2011. The auditors of all entities of the Gorenje Group did not provide any other services for Group companies.

Note 46 – Business segments

In TEUR	Home Appliances		Home Interior		Ecology, energy and services		Group	
	2011	2010	2011	2010	2011	2010	2011	2010
Revenue from the sale to third parties	1,055,782	979,767	32,930	34,376	333,517	368,042	1,422,229	1,382,185
Inter-Division sales	5,467	5,846	9,520	11,031	11,632	10,564	26,619	27,441
Interest income	2,704	3,115	2	27	310	390	3,016	3,532
Interest expenses	24,312	19,002	12	113	1,256	2,020	25,580	21,135
Amortisation and depreciation expense	42,594	44,063	1,869	1,717	5,735	6,457	50,198	52,237
Profit before taxes	14,275	23,791	-6,851	-6,357	3,688	5,038	11,112	22,472
Income tax expense							2,006	2,448
Profit for the period	13,182	22,581	-6,934	-6,312	2,858	3,755	9,106	20,024
Total assets	1,099,747	1,107,776	28,776	32,336	123,135	177,642	1,251,658	1,317,754
Total liabilities	783,703	793,293	13,680	12,286	56,456	120,079	853,839	925,658
Investments	40,533	33,840	1,900	2,630	5,035	8,198	47,468	44,668
Impairment loss on investments	1,312	1,428	12	0	49	63	1,373	1,491

Note 47 – Geographical segments

In TEUR	West		East		Other		Group	
	2011	2010	2011	2010	2011	2010	2011	2010
Revenue from the sale to third parties	530,932	482,238	796,317	835,531	94,980	64,416	1,422,229	1,382,185
Total assets	400,111	447,472	780,841	775,393	70,706	94,889	1,251,658	1,317,754
Investments	8,372	9,084	36,857	33,530	2,239	2,054	47,468	44,668

6.1.3 Independent Auditor's Report

KPMG

Independent Auditor's Report

To the Shareholders of Gorenje, d.d., Velenje

We have audited the accompanying consolidated financial statements of Gorenje, d.d. and its subsidiaries (Gorenje Group), which comprise the consolidated statement of financial position as at 31 December 2011, the consolidated income statement and the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Gorenje Group as at 31 December 2011, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Other matters

As required by the Slovenian Companies Act we herewith confirm that the information in the management report is in conformity with the accompanying consolidated financial statements.

KPMG SLOVENIJA,
podjetje za revidiranje, d.o.o.

Danilo Bukovec, B.Sc.Ec.
Certified Auditor

Jason Stachurski, B.Sc.Ec.
Certified Auditor
Partner

Ljubljana, 6 April 2012

KPMG Slovenija, d.o.o.
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Appendix 1: Information on the Gorenje Group companies

Group companies	Share capital (in TEUR)	Number of employees
Gorenje, d.d., Slovenia	66,378	4,499
Gorenje I.P.C., d.o.o., Slovenia	93	745
Gorenje GTI, d.o.o., Slovenia	8,426	134
Gorenje Notranja oprema, d.o.o., Slovenia	3,835	627
Gorenje Gostinstvo, d.o.o., Slovenia	3,790	178
Energygor, d.o.o., Slovenia	9	0
Kemis, d.o.o., Slovenia	2,650	29
Gorenje Orodjarna, d.o.o., Slovenia	927	219
Indop, d.o.o., Slovenia	1,000	10
ZEOS, d.o.o., Slovenia	477	4
Gorenje Surovina, d.o.o., Slovenia	9,402	320
ERICo, d.o.o., Slovenia	278	53
Gorenje design studio, d.o.o., Slovenia	500	20
PUBLICUS, d.o.o., Slovenia	897	102
EKOGOR, d.o.o., Slovenia	50	0
Gorenje GAIO, d.o.o., Slovenia	1,000	86
Gorenje Beteiligungs GmbH, Austria	26,600	4
Gorenje Austria Handels GmbH, Austria	3,275	52
Gorenje Vertriebs GmbH, Germany	5,700	66
Gorenje Körting Italia S.r.l., Italy	90	9
Gorenje France S.A.S., France	3,225	28
Gorenje Belux S.a.r.l., Belgium	19	5
Gorenje UK Ltd., Great Britain	120	15
Gorenje Group Nordic A/S, Denmark	2,397	75
Gorenje AB, Sweden	224	8
Gorenje spol. s r.o., Czech Republic	4,757	39
Gorenje real spol. s r.o., Czech Republic	10,083	26
Gorenje Slovakia s.r.o., Slovak Republic	1,892	39
Gorenje Budapest Kft., Hungary	2,273	27
Gorenje Polska Sp. z o.o., Poland	7,794	39
Gorenje Bulgaria EOOD, Bulgaria	3,175	20
Gorenje Zagreb, d.o.o., Croatia	14,998	102
Gorenje Skopje, d.o.o., Macedonia	246	18
Gorenje Commerce, d.o.o., Bosnia and Herzegovina	1	68
Gorenje, d.o.o., Serbia	3,730	69
Gorenje Studio, d.o.o., Serbia	975	0
Gorenje Podgorica, d.o.o., Montenegro	2,800	15
Gorenje OY, Finland	115	23
Gorenje AS, Norway	284	10
Gorenje Romania S.r.l., Romania	378	13
Gorenje aparati za domaćinstvo, d.o.o., Serbia	24,283	486
Mora Moravia s r.o., Czech Republic	10,614	584
Gorenje – kuchyně spol. s r.o., Czech Republic	1,629	5
ST Bana Nekretnine, d.o.o., Serbia	2,299	0
KEMIS - Termoclean, d.o.o., Croatia	754	57
Kemis - BH, d.o.o., Bosnia and Herzegovina	210	10
Gorenje Gulf FZE, United Arab Emirates	203	6
Gorenje Espana S.L., Spain	3	0
Gorenje Tiki, d.o.o., Serbia	14,863	385
Gorenje Istanbul Ltd., Turkey	4,047	13

Gorenje TOV, Ukraine	64	6
Gorenje kuhinje, d.o.o., Ukraine	913	12
Kemis - SRS, d.o.o., Bosnia and Herzegovina	72	2
ATAG Nederland BV, The Netherlands	16	379
ATAG België NV, Belgium	248	48
ATAG Financiele Diensten BV, The Netherlands	200	0
ATAG Financial Solutions BV, The Netherlands	18	0
Intell Properties BV, The Netherlands	45	0
ATAG Europe BV, The Netherlands	18	0
ATAG Special Products BV, The Netherlands	18	0
Gorenje Nederland BV, The Netherlands	20,796	1
Gorenje Kazakhstan, TOO, Kazakhstan	1,192	3
OOO Gorenje BT, Russia	694	78
»Euro Lumi & Surovina« SH.P.K., Kosovo	431	13
Kemis Valjevo d.o.o., Serbia	472	6
Gorenje GTI d.o.o., Beograd, Serbia	1	20
Asko Appliances AB, Sweden	48,249	576
Asko Hvitevarer AS, Norway	1,934	0
AM Hvidevarer A/S, Denmark	538	0
Asko Appliances Inc, USA	1	31
Asko Appliances Pty, Australia	7,860	76
Asko Appliances OOO, Russia	10	13
»Gorenje Albania« SHPK, Albania	1	4
Gorenje Home d.o.o. Zaječar, Serbia	2,975	95
Gorenje Ekologija, d.o.o., Stara Pazova, Serbia	10	0
ORSES d.o.o., Beograd, Serbia	10	0

Appendix 2: Managing Directors

In 2011, the Group companies were managed by following managing directors:

Company	Managing Director
Gorenje, d.d., Slovenia	Franc Bobinac, President of the Management Board
	Franc Košec, Member of the Management Board (until 19 April 2011)
	Mirjana Dimc Perko (until 1 January 2011) Marko Mrzel (since 3 March 2011), Member of the Management Board
	Uroš Marolt, Member of the Management Board
	Branko Apat, Member of the Management Board
	Drago Bahun, Member of the Management Board
Gorenje, I.P.C., d.o.o., Slovenia	Mirko Rožanc
Gorenje GTI, d.o.o., Slovenia	Cita Špital-Meh
Gorenje Notranja oprema, d.o.o., Slovenia	Uroš Marolt
Gorenje Gostinstvo, d.o.o., Slovenia	Stanko Brunšek
Energygor, d.o.o., Slovenia	Marijan Penšek
Kemis, d.o.o., Slovenia	Emil Nanut
Gorenje Orodjarna, d.o.o., Slovenia	Blaž Nardin Ph.D.
Indop, d.o.o., Slovenia	Matej Sevčnikar
ZEOS, d.o.o., Slovenia	Emil Šehič
Gorenje Surovina, d.o.o., Slovenia	Jure Fišer
ERICo, d.o.o., Slovenia	Marko Mavec
Gorenje design studio, d.o.o., Slovenia	Jasna Petan
PUBLICUS, d.o.o., Slovenia	Slavko Hrženjak
EKOGOR d.o.o., Slovenia	Ivan Hrženjak (until 2 June 2011) Dušan Marc (since 3 June 2011)
Gorenje GAIO, d.o.o., Slovenia	Andrej Koželj
Gorenje Beteiligungs GmbH, Austria	Marko Šefer
Gorenje Austria Handels GmbH, Austria	Sandra Lubej
Gorenje Vertriebs GmbH, Germany	Klemen Prešeren
Gorenje Körting Italia S.r.l., Italy	Matjaž Geratič
Gorenje France S.A.S., France	Matej Čufer (until 11 March 2012) Xavier Vuillaume (since 12 March 2012)
Gorenje Belux S.a.r.l., Belgium	Matej Čufer
Gorenje UK Ltd., Great Britain	Jernej Hren
Gorenje Group Nordic A/S, Denmark	Kristian Hansen
Gorenje AB, Sweden	Kristian Hansen
Gorenje spol. s r.o., Czech Republic	Suad Hadžić
Gorenje real spol. s r.o., Czech Republic	Suad Hadžić
Gorenje Slovakia s.r.o., Slovak Republic	Bogdan Urh
Gorenje Budapest Kft., Hungary	Bogdan Urh
Gorenje Polska Sp. z o.o., Poland	Franc Rogan
Gorenje Bulgaria EOOD, Bulgaria	Gregor Gržina
Gorenje Zagreb, d.o.o., Croatia	Jan Štern
Gorenje Skopje, d.o.o., Macedonia	Nenad Jovanović
Gorenje Commerce, d.o.o., Bosnia and Herzegovina	Robert Polšak
Gorenje, d.o.o., Serbia	Marko Mrzel

Gorenje Studio, d.o.o., Serbia	Marko Mrzel
Gorenje Podgorica, d.o.o., Montenegro	Darko Vukčević
Gorenje OY, Finland	Kristian Hansen
Gorenje AS, Norway	Kristian Hansen
Gorenje Romania S.r.l., Romania	Anton Prislan
Gorenje aparati za domaćinstvo, d.o.o., Serbia	Mirko Meža
Mora Moravia s r.o., Czech Republic	Vitezslav Ružička Simon Kumer
Gorenje – kuchyně spol. s r.o., Czech Republic	Viktor Faktor
ST Bana Nekretnine, d.o.o., Serbia	Rudolf Krebl
KEMIS – Termoclean, d.o.o., Croatia	Zoran Matić
Kemis – BH, d.o.o., Bosnia and Herzegovina	Maid Hadžimujić
Gorenje Gulf FZE, United Arab Emirates	Nermin Salman
Gorenje Espana, S.L., Spain	Jernej Hren
Gorenje Tiki, d.o.o., Serbia	Branko Apat
Gorenje Istanbul Ltd., Turkey	Doga Yarman (until 31 August 2011) Doga Yarman and Boštjan Vodeb (from 1 September 2011 to 30 December 2011) Boštjan Vodeb (since 31 December 2011)
Gorenje TOV, Ukraine	Matjaž Podlogar
Gorenje kuhinje, d.o.o., Ukraine	Beryei Yozikov
Kemis – SRS, d.o.o., Bosnia and Herzegovina	Slobodan Sjenčić
ATAG Nederland BV, The Netherlands	Berend Johannes Hofenk
ATAG België NV, Belgium	Robert Meenink
ATAG Financiele Diensten BV, The Netherlands	Berend Johannes Hofenk
ATAG Financial Solutions BV, The Netherlands	Berend Johannes Hofenk
Intell Properties BV, The Netherlands	Berend Johannes Hofenk
ATAG Europe BV, The Netherlands	Berend Johannes Hofenk
ATAG Special Products BV, The Netherlands	Berend Johannes Hofenk
Gorenje Nederland BV, The Netherlands	Marko Šefer
Gorenje Kazakhstan, TOO, Kazakhstan	Igor Gobec
OOO Gorenje BT, Russia	Marko Špan
»Euro Lumi & Surovina« SH.P.K., Kosovo	Amir Pira
Kemis Valjevo d.o.o., Serbia	Zoran Milovanović
Gorenje GTI d.o.o., Beograd, Serbia	Miloš Leković
Asko Appliances AB, Sweden	Staffan Billinger (until 31 March 2011) Berend Johannes Hofenk (since 1 April 2011)
Asko Hvitevarer AS, Norway	Staffan Billinger (until 31 March 2011) Henning Meier (since 1 April 2011)
AM Hvidevarer A/S, Denmark	Michael Bilde Jensen
Asko Appliances Inc, USA	Stevo Piro (until 25 May 2011) Berend Johannes Hofenk (from 26 May 2011 to 31 December 2011) Maya Chowdhury (since 1 January 2012)
Asko Appliances Pty, Australia	Richard Sim
Asko Appliances OOO, Russia	Dime Rangelov
»Gorenje Albania« SHPK, Albania	Gregor Verbič
Gorenje Home d.o.o., Zaječar, Serbia	Mirko Meža (until 6 October 2011) Vlado Krebs (since 7 October 2011)
ORSES d.o.o., Beograd, Serbia	Mirko Meža
Gorenje Ekologija d.o.o., Stara Pazova, Serbia	Jure Fišer

Appendix 3: Foreign exchange rates

			2011		2010	
Country	Currency	Unit	Final exchange rate in EUR	Average exchange rate in EUR	Final exchange rate in EUR	Average exchange rate in EUR
Australia	AUD	1	1.272	1.348	1.314	1.444
Czech Republic	CZK	1	25.787	24.589	25.061	25.294
Denmark	DKK	1	7.434	7.451	7.454	7.447
Great Britain	GBP	1	0.835	0.868	0.861	0.858
Croatia	HRK	1	7.537	7.438	7.383	7.289
Hungary	HUF	1	314.580	279.310	277.950	275.354
Norway	NOK	1	7.754	7.793	7.800	8.006
Poland	PLN	1	4.458	4.119	3.975	3.995
Sweden	SEK	1	8.912	9.028	8.966	9.547
USA	USD	1	1.294	1.392	1.336	1.327
Turkey	TRY	1	2.443	2.335	2.069	1.997
Bosnia and Herzegovina	BAM	1	1.956	1.956	1.956	1.956
Bulgaria	BGN	1	1.956	1.956	1.956	1.956
Macedonia	MKD	1	62.060	61.772	60.977	61.453
Switzerland	CHF	1	1.216	1.234	1.250	1.382
Romania	RON	1	4.323	4.239	4.262	4.211
Serbia	RSD	1	103.630	101.910	107.470	102.762
Ukraine	UAH	1	10.755	11.211	10.361	10.565
Latvia	LVL	1	0.700	0.706	0.709	0.709
United Arab Emirates	AED	1	4.928	5.160	4.774	4.883
Kazakhstan	KZT	1	198.200	205.969	191.980	196.012
Russia	RUB	1	41.765	40.880	40.820	40.278
Albania	ALL	1	140.840	140.733	138.790	137.981

6.2 Accounting Report of Gorenje, d.d.

6.2.1 Financial Statements of Gorenje, d.d.

Income Statement of Gorenje, d.d.

In thousands of euro	Note	2011	2010
Revenue	8	**655,274**	**648,386**
Change in inventories		2,026	-279
Other income	9	16,517	11,969
Gross profit		**673,817**	**660,076**
Cost of goods, materials and services	10	-540,293	-513,289
Employee benefits expense	11	-100,158	-102,401
Amortisation and depreciation expense	12	-21,835	-26,856
Other expenses	13	-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 expense	14	-603	-9,922
Profit before tax		**6,635**	**1,917**
Income tax expense	15	653	1,008
Profit for the period		**7,288**	**2,925**
Basic and diluted earnings per share (in euro)		0.46	0.20

Statement of Comprehensive Income of Gorenje, d.d.

In thousands of euro	**Note**	**2011**	**2010**
Profit for the period		**7,288**	**2,925**
Other comprehensive income			
Net change in fair value of available-for-sale financial assets	24	-114	-126
Net change in fair value of available-for-sale financial assets transferred to profit or loss	14	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	14	2,155	0
Income tax on other comprehensive income	22	1,038	49
Other comprehensive income for the period		**-4,151**	**148**
Total comprehensive income for the period		**3,137**	**3,073**

Statement of Financial Position of Gorenje, d.d.

In thousands of euro	Note	**2011**	**2010**
ASSETS		**881,299**	**851,648**
Non-current assets		**438,428**	**425,215**
Intangible assets	16	15,455	15,428
Property, plant and equipment	17	152,758	157,864
Investment property	18	15,217	1,695
Investments in subsidiaries	19	240,672	238,096
Investments in associates	20	976	0
Other non-current investments	21	703	1,165
Deferred tax assets	22	12,647	10,967
Current assets		**442,871**	**426,433**
Inventories	23	81,118	93,660
Current investments	24	94,789	76,472
Trade receivables	25	187,903	183,967
Other current assets	26	20,971	22,656
Cash and cash equivalents	27	58,090	49,678
EQUITY AND LIABILITIES		**881,299**	**851,648**
Equity	28	**335,326**	**332,189**
Share capital		66,378	66,378
Share premium		157,712	157,712
Legal reserves and statutory reserves		22,719	21,990
Retained earnings		89,521	82,962
Fair value reserve		2,166	6,317
Own shares		-3,170	-3,170
Non-current liabilities		**253,694**	**205,739**
Provisions	30	26,227	27,397
Deferred tax liabilities	22	1,391	1,402
Non-current financial liabilities	31	226,076	176,940
Current liabilities		**292,279**	**313,720**
Current financial liabilities	32	133,254	137,176
Trade payables	33	142,027	154,803
Other current liabilities	34	16,998	21,741

Statement of Cash Flows of Gorenje, d.d.

	In thousands of euro	Note	2011	2010
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**			
	Profit for the period		**7,288**	**2,925**
	Adjustments for:			
	- Depreciation of property, plant and equipment	12,17	19,268	24,362
	- Amortisation of intangible assets	12,16	2,567	2,494
	- Investment income	14	-22,928	-17,114
	- Finance expenses	14	23,531	27,036
	- Gain on sale of property, plant and equipment		-96	-299
	- Loss on revaluation of investment property	13	0	1,528
	- Revaluation operating income		-2,468	0
	- Income tax expense	15	-653	-1,008
	Operating profit before changes in net operating current assets and provisions		**26,509**	**39,924**
	Change in trade and other receivables		-12,635	-28,746
	Change in inventories	23	12,542	-18,445
	Change in provisions	30	-1,170	1,285
	Change in trade and other liabilities		-21,057	13,495
	Cash generated from operations		**-22,320**	**-32,411**
	Interest paid		-19,276	-12,040
	Net cash from operating activities		**-15,087**	**-4,527**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
	Proceeds from sale of property, plant and equipment		919	1,307
	Interest received		6,561	2,577
	Dividends received		9,985	9,305
	Proceeds from sale of available-for-sale investments		0	5,621
	Proceeds from sale of investment property		0	1,260
	Liquidation of subsidiary		10,747	0
	Disposal of subsidiary		15,108	0
	Acquisition of subsidiary		-13,600	-12,722
	Acquisition of property, plant and equipment		-14,548	-10,986
	Acquisition of investment property		-13,522	0
	Loans		-17,298	4,848
	Other investments		-9,374	-1,358
	Acquisition of intangible assets		-2,595	-1,923
	Net cash used in investing activities		**-27,617**	**-2,071**
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
	Equity 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

Statement of Changes in Equity of Gorenje, d.d.

In thousands of euro	Share capital	Share premium	Legal and statutory reserves	Retained earnings	Own shares	Fair value reserve	Total
Opening balance at 1 Jan 2011	**66,378**	**157,712**	**21,990**	**82,962**	**-3,170**	**6,317**	**332,189**
Total comprehensive income for the period							
Profit for the period				7,288			7,288
Total other comprehensive income						-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							
Equity 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 at 31 Dec 2011	**66,378**	**157,712**	**22,719**	**89,521**	**-3,170**	**2,166**	**335,326**

In thousands of euro	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							
Profit for the period				2,925			2,925
Total other comprehensive income				-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							
Equity 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 at 31 Dec 2010	**66,378**	**157,712**	**21,990**	**82,962**	**-3,170**	**6,317**	**332,189**

6.2.2 Notes to the Financial Statements

1. Reporting entity

Gorenje, d.d. (the "Company") is the Gorenje Group's controlling company domiciled in Slovenia. The address of the Company's registered office is Partizanska 12, 3503 Velenje.

The financial statements of the Company have been prepared as at and for the year ended 31 December 2011. The Company is primarily involved in the production and sale of household appliances.

2. Basis of preparation

a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted in the European Union and with the provisions of the Companies act. The financial statements were approved by the Management Board on 28 February 2012.

b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for the following items which are measured at fair value:

- derivative financial instruments,
- available-for-sale financial assets,
- land,
- investment property.

The methods used to measure fair values are discussed further in Note 4.

c) Functional and presentation currency

These financial statements are presented in euro, which is the Company's functional currency. All financial information presented in euro has been rounded to the nearest thousand, except when otherwise indicated.

d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs, as adopted by the EU, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant estimation of uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

Note 19 and 20 and accounting policy 3(c) and 3(d) - acquisition and disposal of companies
Note 30 and accounting policy 3(m)(ii) - measurement of liabilities for retirement benefits and jubilee premiums
Note 30 - provisions for litigations
Note 30 and accounting policy 3(m)(i) - provisions for warranties
Note 24 - valuation of investments
Accounting policy 3(j)(i) - impairment of financial assets, including receivables

e) Changes in accounting policies

The Company has not changed its accounting policies.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

a) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to euro (the functional currency of the Company) at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain and loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to euro at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of:

- available-for-sale equity instruments,
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective, or
- qualifying cash flow hedges to the extent that the hedge is effective.

b) Financial instruments

(i) Non-derivative financial assets

The Company initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company classifies non-derivative financial instruments into the following categories: liabilities and receivables, available-for-sale financial assets, cash and cash equivalents.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits that are subject to a risk of changes in their fair value, and are used by the Company in the management of its short-term commitments. Bank overdrafts that are repayable on demand form an integral part of the Company's current financial liabilities.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Subsequent to initial recognition, they are measured at fair value plus any directly attributable transaction costs.

Impairment losses (see note 3(j)(i)) and foreign currency differences on available-for-sale equity instruments (see note 3(a)) are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss. Available-for-sale financial assets comprise equity securities and debt securities.

(ii) Non-derivative financial liabilities
The Company initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.
The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

(iii) Share capital
Ordinary shares
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Repurchase of share capital (treasury shares)
When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own shares. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

Dividends are recognised as a liability in the period in which a resolution on dividend payment is adopted by the Shareholders' Meeting.

(iv) Derivative financial instruments, including hedge accounting
The Company holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

On initial designation of the derivative as the hedging instrument, the Company formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at the inception of the hedging relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges
When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

When the hedged item is a non-financial asset, the amount accumulated in equity is included in the carrying amount of the asset when the asset is recognised. In other cases the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognised immediately in profit or loss.

Other derivative financial instruments
When a non-trading derivative financial instrument is not designated in a hedge relationship that qualifies for

hedge accounting, all changes in its fair value are recognised immediately in profit or loss.

c) Subsidiaries

Investments in subsidiaries are valued at cost. Incremental costs directly attributable to the acquisition of a subsidiary are recognised as an increase in the cost of equity investment. Share of profit is recognized as income when a resolution on payment is adopted by the Shareholders' Meeting.

d) Associates

Investments in associates are valued at cost. Incremental costs directly attributable to the acquisition of an associate company are recognised as an increase in the cost of equity investment.

e) Property, plant and equipment

(i) Recognition and measurement
Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowings costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying item of property, plant and equipment were capitalised subject to the following conditions: if the value of individual asset under construction in total sales exceeded 5%, and if the duration of assets under construction exceeded 6 months.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Fair value model or revaluation model is applied to land. The effect of revaluation is recorded in other comprehensive income. Impairment of land previously increased in value results in a decrease in revaluation surplus in other comprehensive income; otherwise, it is recognised in the income statement.

Any gain or loss on disposal of an item of property, plant and equipment is calculated as the difference between the net proceeds from disposal and the carrying amount of the item of property, plant and equipment, and is recognised in profit or loss.

(ii) Reclassification to investment property
When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the fair value reserve in equity.

(iii) Subsequent costs
The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and if its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All others costs, such as day-to-day servicing of property, plant and equipment, are recognised in profit or loss as incurred.

(iv) Depreciation
Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment; this method most accurately reflects the expected pattern of the use of the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative years are as follows:

Buildings	34–50 years
Plant and equipment	5–20 years
Computer equipment	2–5 years
Transportation means	5–14 years
Office equipment	5–10 years
Tools	5–7 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate.

f) Intangible assets

(i) Research and development
Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

(ii) Other intangible assets
Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Subsequent expenditure
Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iv) Amortisation
Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

Patents and trademarks	10 years
Capitalised development costs	10 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

g) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use, and capitalised borrowing costs.

Property rented to a subsidiary and associate with the conduct of the Company's business activities, is accounted for as an item of property, plant and equipment. Investment property also includes property, of which more than 50% of the available surface area is leased out.
Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds

from disposal and the carrying amount of the item) is recognised in profit or loss. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting of depreciation.

h) Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the Company's statement of financial position.

i) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories of materials and merchandise is based on the weighted average price method and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

j) Impairment

(i) Non-derivative financial assets
A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on term that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Company, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant prolonged decline in its fair value below its cost is objective evidence of impairment.

Financial assets measured at amortised cost
The Company considers evidence of impairment for financial assets measured at amortised cost (loans and receivables and held-to-maturity investment securities) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired asset continues to be recognised. When a subsequent event (e.g. repayment of debt by the debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

In line with the Accounting Manual, the Company considers evidence of impairment for receivables based on the observance of criteria pertaining to the maturity and collateralisation of receivables. Thereafter, it is corrected by an individual estimate.

Available-for-sale financial assets
Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity, to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in impairment provisions attributable to application of the effective interest method are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(ii) Non-financial assets
The carrying amounts of the Company's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite-lived intangible assets are tested annually. An impairment loss is recognised if the carrying amount of a cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

k) Non-current assets held for sale or distribution

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale or distribution. Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are remeasured in accordance with the Company's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property, which continue to be measured in accordance with the Company's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains and losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Once classified as held for sale or distribution, intangible assets and property, plant and equipment are not amortised or depreciated. In addition, equity accounting of equity-accounted investees ceases once classified as held for sale or distribution.

l) Employee benefits

Short-term employee benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

m) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance expenses.

(i) Warranties for products and services
A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(ii) Provisions for retirement benefits and jubilee premiums
In accordance with the statutory requirements, the collective agreement, and the internal regulations, the Company is liable to pay jubilee premiums and retirement benefits to its employees. For these obligations, long-term provisions are created. Other retirement obligations do not exist.

Provisions are created by discounting, at the reporting date, the estimated future payments of retirement benefits and jubilee premiums. The obligation is calculated separately for each employee by estimating the costs of retirement benefits and the costs of all expected jubilee premiums until retirement. The selected annual discount rate is 5.10%, which is the rate of return on long-term entrepreneurial bonds in euro area. The calculation has been made by a certified actuary using the projected unit method.

(iii) Restructuring
A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating expense is not provided for.

(iv) Site restoration
In accordance with the Company's published environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land, and the related expense, is recognised when the land is contaminated.

(v) Onerous contracts
A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

n) Revenue

(i) Revenue from the sale of products
Revenue from the sale of products in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, resale rebates, and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement. For sales of goods, usually transfer occurs when the product is received at the customer's warehouse; however, for some international shipments transfer occurs upon loading the goods onto the relevant carrier at the port. Generally for such products the customer has no right of return.

(ii) Revenue from services rendered
Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

When the services under a single arrangement are rendered in different reporting periods, the consideration is allocated on a relative fair value basis between the services.

(iii) Commission
When the Company acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Company.

(iv) Rental income
Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as other income.

o) Government grants

Government grants are recognised initially as deferred income when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant and are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Company for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

p) Finance income and finance expenses

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, gains on the remeasurement to fair value of any pre-existing interest in an acquiree, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions and contingent consideration, losses on disposal of available-for-sale financial assets, dividends on preference shares classified as liabilities, fair value losses on financial assets at fair value through profit or loss, losses on hedging instruments that are recognised in profit or loss, and reclassifications of amounts previously recognised in other comprehensive income.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance expenses.

r) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

s) Basic earnings per share

The Company presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

t) Comparative information

Comparative information has been harmonised with the presentation of information in the current year. Where required, adjustment of comparative information has been carried out in order to comply with the presentation of information in the current year.

u) New standards and interpretations not yet adopted

The following Amendment becomes effective for the financial year beginning on or after 1 January 2012 and has not been applied in preparing these financial statements. The Amendment is not expected to have any impact on the financial statements of the Company.

- Amendment to IFRS 7 Disclosures – Transfers of Financial Assets (Effective for annual periods beginning on or after 1 July 2011; to be applied prospectively. Earlier application is permitted.)

The Amendments require disclosure of information that enables users of financial statements:

- to understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities; and
- to evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognised financial assets.

The Amendments define "continuing involvement" for the purposes of applying the disclosure requirements.
The Company does not expect the amendments to IFRS 7 to have material impact on the financial statements, because of the nature of the Company's operations and the types of financial assets that it holds.

4. Determination of fair value

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Property, plant and equipment
The fair value of property, plant and equipment recognised as a result of a business combination is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably. The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate. Depreciated replacement cost estimates reflect adjustments for physical deterioration as well as functional and economic obsolescence.

A revaluation of land is based on the independent valuer's report and is carried out every five to eight years. The Company examines, on an annual basis, if revaluation of land is required.

(ii) Intangible assets
The fair value of patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the patent or trademark being owned. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(iii) Investment property
An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Company's investment property portfolio every five years. Assessments are carried out in the intermediate period to determine whether any revaluations are required to be made. The fair values are based on market values, being the estimated

amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

In the absence of current prices in an active market, the valuations are prepared by considering the estimated rental value of the property. A market yield is applied to the estimated rental value to arrive at the gross property valuation. When actual rents differ materially from the estimated rental value, adjustments are made to reflect actual rents.

Valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the Company and the lessee, and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time.

(iv) Investments in equity and debt securities
The fair value of equity and debt securities is determined by reference to their quoted closing bid price at the reporting date, or if unquoted, determined using a valuation technique. Valuation techniques employed include market multiples and discounted cash flow analysis using expected future cash flows and a market-related discount rate. The fair value of held-to-maturity investments is determined for disclosure purposes only.

(v) Trade and other receivables
The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes or when acquired in a business combination.

(vi) Forward exchange contracts and interest rate swaps
The fair value of forward exchange contracts is based on their quoted price, if available. If a quoted price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a credit-adjusted risk-free interest rate (based on government bonds).

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Company and counterparty when appropriate.

(vii) Other non-derivative financial liabilities
Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

5. Financial risk management

In respect of financial risk management, the internal financial policies comprising the bases for efficient and systematic risk management were observed in 2011. The objectives of financial risk management are:

- to achieve stability of operations and to reduce risk exposure to an acceptable level,
-
- to increase the value of companies and the impact on their financial standing,
- to increase financial income and/or to decrease financial expenses, and
- to nullify and/or decrease the effects of exceptionally damaging events.

In the Company, the following key financial risks have been defined:

Financial risks	Credit risk
	Currency risk
	Interest rate risk
	Liquidity risk

The exposure to each of the above risks and the hedge measures to be applied are judged and implemented on the basis of their effects on the cash flows. To hedge against financial risks in the course of ordinary business activities, relevant hedging activities have been conducted in the area of operating, investing and financing activities.

In the light of the strained macroeconomic situation, more attention was paid in 2011 to the credit risk which includes all risks where the failure of a party (a buyer) to discharge contractual obligations results in a decrease in economic benefits of the Company. The credit risk was managed by application of the following sets of measures:

- insurance of a major portion of operating receivables against credit risk with Slovenska izvozna družba – Prva kreditna zavarovalnica d.d.;
- additional collateralisation of more risky trade receivables by bank guarantees and other security instruments;
- regular monitoring of operation and financial standing of new and existing business partners, and limitation of exposure to certain business partners;
- implementation of mutual and chain compensation with buyers;
- systematic and active control of credit limits and collection of receivables.

Due to the macroeconomic situation, the Company's management estimates that the exposure to credit risk has significantly increased. It is, however, adequately reduced by the applied hedge measures.

In 2010, currency risk was transferred by the holding company to its subsidiaries. Consequently, the Company is no longer exposed to currency risk, which is the risk that the economic benefits of the Company may be decreased due to changes in foreign exchange rates. The same business policy was continued in 2011. In 2011, the currency risk mainly originated from the performance of business activities in the US dollar markets, while the exposure to other currencies was lower than in the previous years. When managing currency risk, particularly in the US dollar markets, a greater attention was paid to natural hedging of currency risk and harmonisation of business operations to ensure long-term decrease in currency fluctuation exposure by matching or netting sales and purchases.

Additional short-term hedging is carried out by currency future contracts and short-term borrowings in currencies, to which the Company is exposed.

In the light of the expected changes in variable interest rates in the markets, the share of loans with fixed interest rates was increased in the beginning of 2011, both in the form of loans with fixed interest rates and the derivative financial instruments, in order to increase hedging against interest rate risk in 2011. The share of loans with fixed interest rates amounted to 49.3 % at the end of 2011. The Company’s management estimates that the exposure to interest rate risk is moderate.

Liquidity risk is the risk that the Company will fail to meet commitments in stipulated period of time due to the lack of available funds.

Credit lines in the amount of TEUR 92,250 mature in 2012. The refinancing of the existing financial liabilities has been negotiated with the banks in order to reduce the risk of refinancing. The liquidity reserve as at 31 December 2011 in the amount of TEUR 102,795, consisting of unused revolving credit lines, short-term deposits with banks, and cash in banks, is used to secure adequate short-term control of cash flows and to decrease short-term liquidity risk.

Short-term liquidity risk is estimated to be moderate due to efficient cash management, adequate available credit lines for short-term control of cash flows, a high degree of financial flexibility, and a good access to financial markets and funds.

Long-term liquidity risk is estimated as moderate due to effective performance of the Company, effective cash management, sustainable ability to generate cash flows from operating activities, and an adequate capital structure. Gorenje, d.d. and the Gorenje Group update at least annually the long-term debt service plant, with a special emphasis on the activities required to implement the refinancing within a period of one year.

The Company's management estimates that the exposure to liquidity risk is moderate.

Capital management

The Company's policy is to maintain a strong capital base so as to maintain confidence of all stakeholders and to sustain future development of Gorenje. As one of the strategic ratios, the Company defined the return on equity as profit attributable to majority shareholders divided by the average value of equity attributable to majority shareholders. The Company seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The dividend policy is based on the investment plans, optimum capital structure policy, and shareholders' expectations and interests. The amount of dividend per share is proposed by the Management Board and the Supervisory Board of the controlling company. Dividends are paid from the accumulated profit of the controlling company determined in accordance with the relevant current regulations in Slovenia. The resolution on the appropriation of accumulated profit is adopted by the Shareholders' Meeting.

The Company has no employee share-owning scheme and no share option programme. There were no changes in the approach to capital management in 2011. Neither the controlling company nor its subsidiaries were subject to capital requirements determined by the regulatory authorities.

There are no provisions in the Articles of Incorporation that would invalidate the proportionality of rights arising from shares, such as the rights of minority shareholders or the limitation of voting rights, and there are no resolutions adopted on conditionally increased capital.

6. Segment reporting

The Company has no reportable segment. Segment information is presented in the consolidated financial statements of the Gorenje Group.

7. Statement of cash flows

The statement of cash flows has been compiled under the indirect method on the basis of the items in the statement of financial position at 31 December 2011, the statement of financial position at 31 December 2010, the income statement for the year ended 31 December 2011, and the additional information required for the adjustment of inflows and outflows.

Notes to the Income Statement

Note 8 – Revenue	TEUR 655,274

In thousands of euro	2011	2010
Revenue from the sale of products – domestic market	20,745	23,203
Revenue from the sale of products – foreign market	401,924	421,040
Revenue from the sale of merchandise – domestic market	44,907	38,021
Revenue from the sale of merchandise – foreign market	122,972	110,427
Revenue from the sale of services – domestic market	14,579	9,525
Revenue from the sale of services – foreign market	7,791	6,143
Revenue from the sale of materials and semi-finished products – domestic market	13,537	14,493
Revenue from the sale of materials and semi-finished products – foreign market	28,819	25,534
Total	**655,274**	**648,386**

Revenue from the sale to subsidiaries in the Gorenje Group amounts to TEUR 431,384 (2010: TEUR 425,609), showing a 1.4 percent increase over 2010.

Note 9 – Other income	TEUR 16,517

In thousands of euro	2011	2010
Income from subsidies and donations	2,268	2,661
Income from license fees	2,174	1,723
Rental income	1,830	1,571
Income from compensation in damages	1,222	4,689
Income from reversal of long-term provisions	5,187	979
Gain on disposal of investment property	0	22
Gain on disposal of property, plant and equipment	96	289
Other income	3,740	35
Total	**16,517**	**11,969**

Income from license fees includes fees for the use of the Gorenje trademark rights and fees for the use of the software licence. Income from compensation in damages includes compensation in damages charged to suppliers.

Rental income

In thousands of euro	2011	2010
Rentals - up to 1 year (companies in the Gorenje Group)	1,696	1,440
Rentals - up to 1 year (other companies)	134	131
Total	**1,830**	**1,571**

Rental income relates mainly to real property which is partly used by the Company and partly leased out to subsidiaries.

Note 10 – Cost of goods, materials and services	TEUR 540,293

In thousands of euro	2011	2010
Cost of goods sold	168,476	147,369
Cost of materials	290,442	287,518
Cost of services	81,375	78,402
Total	**540,293**	**513,289**

Cost of services includes cost of provisions for warranties in the amount of TEUR 11,689 (2010: TEUR 10,453).

Cost of services includes cost of rentals in the amount of TEUR 2,241 (2010: TEUR 2,111).

Note 11 – Employee benefits expense — TEUR 100,158

In thousands of euro	2011	2010
Wages and salaries	70,765	73,231
Social security costs	15,054	15,090
Provisions for retirement benefits and jubilee premiums	790	1,211
Provisions for restructuring	0	0
Other employee benefits expense	13,549	12,869
Total	**100,158**	**102,401**

Social security costs include costs of voluntary, additional, collective pension insurance in the amount of TEUR 3,080 (2010: TEUR 3,012).

Other employee benefits expense includes costs of annual leave bonus, meals allowance, commuting allowance, and other work-related payments to employees.

Note 12 – Amortisation and depreciation expense — TEUR 21,835

In thousands of euro	2011	2010
Amortisation expense of intangible assets	2,567	2,494
Depreciation expense of property, plant and equipment	19,268	24,362
Total	**21,835**	**26,856**

A lower amortisation and depreciation expense in 2011 is due to a full write-off of plant and equipment, the sale of plant and equipment, and a decrease in investments in intangible assets and property, plant and equipment. On the basis of the estimation of service life of some of the major items of plant and equipment, the service life was extended and the resulting effects amounted to approximately EUR 2.4 million.

Note 13 – Other expenses — TEUR 4,293

In thousands of euro	2011	2010
Impairment of items of property, plant and equipment	28	178
Write-down of inventories to net realisable value	1,210	1,322
Other taxes and charges	1,292	1,203
Environmental levies	825	823
Scholarships	180	131
Creation of provisions for litigations	315	85
Other expenses	443	1,949
Total	**4,293**	**5,691**

Other taxes and charges include charges for the use of building plot, water charge, environmental taxes, and other mandatory taxes and charges. Other expenses mainly include compensation for occupational accidents in the amount of TEUR 320 (2010: TEUR 209).

Note 14 – Net finance expense — TEUR 603

Finance income — TEUR 22,928

In thousand of euro	2011	2010
Dividend income and income from other profit shares	9,985	9,305
Interest income on transactions with Group companies	4,142	2,556
Interest income on transactions with other companies	750	1,439
Change in fair value of interest rate swaps	0	199
Income from forward exchange transactions	246	175
Income from net exchange differences	305	332
Gain on disposal of subsidiaries	3,306	0
Gain on disposal of available-for-sale investments	0	72
Gain on liquidation of subsidiaries	3,747	0

Other finance income	447	3,036
Total	**22,928**	**17,114**

Other finance income mostly includes income from commissions on loan guarantees issued to subsidiaries and third parties.

Finance expenses **TEUR 23,531**

In thousands of euro	2011	2010
Interest expenses on transactions with Group companies	1,525	1,448
Interest expenses on transactions with other companies	13,442	8,440
Expenses on interest rate swap transactions	2,155	1,696
Change in fair value of interest rate swaps	0	0
Expenses on forward exchange transactions	0	2,625
Change in fair value of interest rate swaps	373	4,197
Loss on disposal of available-for-sale investments	0	865
Impairment loss on investments	1,242	523
Impairment loss on trade receivables	3,259	1,961
Impairment loss on loans	91	4,332
Other finance expenses	1,444	949
Total	**23,531**	**27,036**

The fair value of trade receivables and loans was provided by impairment of trade receivables and loans in the amount of TEUR 3,350 (2010: TEUR 6,293). Impairment loss on investments in the amount of TEUR 1,242 (2010: TEUR 523) relates to available-for-sale financial assets that were revalued to market value, and to impairment of the associate company Gorenje Projekt, d.o.o.

Finance income and expenses recognised directly in other comprehensive income (net)

In thousands of euro	2011	2010
Net change in fair value of available-for-sale financial assets	-91	-101
Net change in fair value of available-for-sale financial assets transferred to profit or loss	0	112
Net change in effective portion of gains and losses on hedging instruments in a cash flow hedge	-6,215	63
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge, transferred to profit or loss	2,155	0
Finance income / expense recognised in other comprehensive income	**-4,151**	**74**

Net effect from the statement of comprehensive income is shown in the above table; it does not, however, include a change in fair value of land.

Note 15 – Income tax expense **TEUR -653**

Due to a tax loss in the amount of TEUR 2,463, income tax expense is recorded based on deferred tax assets and deferred tax liabilities.

In thousands of euro	2011	2010
Current tax expense	0	0
Deferred tax assets through the income statement	653	1,008
Deferred tax liabilities through the income statement	0	0
Total	**653**	**1,008**

Effective income tax rates calculated on the basis of the commercial statement of financial position:

In thousand of euro	2011	2011	2010	2010
Profit before tax		**6,635**		**1,917**
Income tax using the domestic tax rate	20.00%	1,327	20.00%	383
Non-deductible expenses	33.44%	2,219	86.12%	1,651

Tax exempt income	-57.54%	-3,818	-132.00%	-2,530
Tax incentives	-5.75%	-381	-26.71%	-512
Income tax expense	**-9.85%**	**-653**	**-52.59%**	**-1,008**

The following deferred tax amounts were recognised in other comprehensive income:

In thousands of euro	2011		
	Pre-tax amount	Tax	After-tax amount
Change in fair value of available-for-sale financial assets	-114	23	-91
Change in fair value of available-for-sale financial assets transferred to profit or loss	0	0	0
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge	-7,230	1,015	-6,215
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge transferred to profit or loss	2,155	0	2,155
Change in fair value of land	0	0	0
Total	**-5,189**	**1,038**	**-4,151**

In thousands of euro	2010		
	Pre-tax amount	Tax	After-tax amount
Change in fair value of available-for-sale financial assets	-126	25	-101
Change in fair value of available-for-sale financial assets transferred to profit or loss	145	-33	112
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge	80	-17	63
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge transferred to profit or loss	0	0	0
Change in fair value of land	0	74	74
Total	**99**	**49**	**148**

Notes to the Statement of Financial Position

Note 16 – Intangible assets — TEUR 15,455

In thousands of euro	2011	2010
Long-term deferred development costs	8,978	9,222
Long-term industrial property rights	5,149	5,087
Intangible assets under construction	1,328	1,119
Total	**15,455**	**15,428**

Movements in intangible assets in 2011

In thousands of euro	Development costs	Industrial property rights	Intangible assets under construction	Total
Cost at 1 January 2011	**19,308**	**14,008**	**1,118**	**34,434**
Acquisition			2,595	**2,595**
Disposal, write-down	-46			**-46**
Transfer	1,604	781	-2,385	**0**
Cost at 31 December 2011	**20,866**	**14,789**	**1,328**	**36,983**
Accumulated amortisation at 1 Jan 2011	**10,086**	**8,921**	**0**	**19,007**
Disposal, write-down	-46			**-46**

Amortisation expense	1,848	719		**2,567**
Accumulated amortisation at 31 Dec 2011	**11,888**	**9,640**	**0**	**21,528**
Carrying amount at 1 January 2011	**9,222**	**5,087**	**1,118**	**15,427**
Carrying amount at 31 December 2011	**8,978**	**5,149**	**1,328**	**15,455**

An increase in long-term development costs is largely due to the development of combined refrigerators, width 750, for the US market in the amount of TEUR 767 and the development of packaging in the amount of TEUR 266. Long-term industrial property rights include investments in the software in the amount of TEUR 407 and the upgrade of the information systems in the amount of TEUR 123.

Intangible assets under construction mainly relate to the property rights, the development of induction cooking ranges, and the development of a new generation of 10 kg washing machines and dryers.

Movements in intangible assets in 2010

In thousands of euro	Development costs	Industrial property rights	Intangible assets under construction	**Total**
Cost at 1 January 2010	**20,343**	**16,712**	**563**	**37,618**
Acquisition			1,923	**1,923**
Disposal, write-down	-1,704	-3,402		**-5,106**
Transfer	669	698	-1,367	**0**
Cost at 31 December 2010	**19,308**	**14,008**	**1,119**	**34,435**
Accumulated amortisation at 1 Jan 2010	**10,733**	**10,886**	**0**	**21,619**
Disposal, write-down	-2,118	-2,988		**-5,106**
Amortisation expense	1,471	1,023		**2,494**
Accumulated amortisation at 31 Dec 2010	**10,086**	**8,921**	**0**	**19,007**
Carrying amount at 1 January 2010	**9,610**	**5,826**	**563**	**15,999**
Carrying amount at 31 December 2010	**9,222**	**5,087**	**1,119**	**15,428**

Note 17 – Property, plant and equipment (PPE) **TEUR 152,758**

In thousands of euro	**2011**	**2010**
Land	20,365	20,365
Buildings	55,330	57,843
Production and other equipment	73,000	77,844
Property, plant and equipment under construction	4,063	1,812
Total	**152,758**	**157,864**

Movements in property, plant and equipment in 2011

In thousands of euro	Land	Buildings	Production and other equipment	PPE under construction	**Total**
Cost at 1 January 2011	**20,365**	**152,255**	**415,888**	**1,812**	**590,320**
Acquisition				14,548	**14,548**
Disposal, write-down			-8,538		**-8,538**
Transfer		964	11,333	-12,297	**0**
Cost at 31 December 2011	**20,365**	**153,219**	**418,683**	**4,063**	**596,330**
Accumulated depreciation at 1 Jan 2011	**0**	**94,412**	**338,044**	**0**	**432,456**
Disposal, write-down			-8,152		**-8,152**
Reposting to investment property					
Depreciation expense		3,477	15,791		**19,268**

Accumulated depreciation at 31 Dec 2011	**0**	**97,889**	**345,683**	**0**	**443,572**
Carrying amount at 1 Jan 2011	**20,365**	**57,843**	**77,844**	**1,812**	**157,864**
Carrying amount at 31 Dec 2011	**20,365**	**55,330**	**73,000**	**4,063**	**152,758**

Movements in property, plant and equipment in 2010

In thousands of euro	Land	Buildings	Production and other equipment	PPE under construction	**Total**
Cost at 1 January 2010	**20,118**	**150,295**	**418,873**	**2,030**	**591,316**
Acquisition				10,986	**10,986**
Disposal, write-down	-8	-121	-11,853		**-11,982**
Transfer	255	2,081	8,868	-11,204	**0**
Cost at 31 December 2010	**20,365**	**152,255**	**415,888**	**1,812**	**590,320**
Accumulated depreciation at 1 Jan 2010	**0**	**90,913**	**328,136**	**0**	**419,049**
Disposal, write-down		-6	-10,949		**-10,955**
Reposting to investment property					**0**
Depreciation expense		3,505	20,857		**24,362**
Accumulated depreciation at 31 Dec 2010	**0**	**94,412**	**338,044**	**0**	**432,456**
Carrying amount at 1 Jan 2011	**20,118**	**59,382**	**90,737**	**2,030**	**172,267**
Carrying amount at 31 Dec 2011	**20,365**	**57,843**	**77,844**	**1,812**	**157,864**

Land **TEUR 20,365**

In 2008, land was appraised on the basis of the fair value determined by an independent certified appraiser of real property. The effect of revaluation to fair value amounted to TEUR 7,455. The conditions leading to impairment were not established. In the following periods, assessments were carried out which showed that there was no need for a repeated revaluation. If land was measured at fair value, the book value would amount to TEUR 12,910.

Buildings **TEUR 55,330**

An increase in the value of buildings in the amount of TEUR 964 is mainly due to the renovation of office and production buildings in the amount of TEUR 472, the installation of energy saving lighting in the amount of TEUR 175, and the landscaping around the warehouse for finished products in the amount of TEUR 135.

A decrease in the value of buildings is due to depreciation expense.

No real property has been pledged as security for liabilities from borrowings.

Production and other equipment **TEUR 73,000**

The increase in the value of equipment is due to capitalised technological equipment acquired and commissioned in 2011.

In 2011, the reconstruction and upgrade of the production equipment were carried out in the amount of EUR 2.8 million, and of the test equipment in the amount of TEUR 629. Investments made in new tools amounted to EUR 5.5 million, in computed equipment to TEUR 288, and in servers for the SAP information system to TEUR 754. The modernisation of transport means was carried out in the amount of TEUR 683.

The decrease in the value of equipment is due to the sale of equipment, the disposal of obsolete equipment, and depreciation expense.

In 2009, the appraisal of plant and equipment was carried out to determine their recoverable value. No conditions leading to impairment were established.

Property, plant and equipment under construction	**TEUR 4,063**

Property, plant and equipment under construction relate mainly to the equipment for production of the new generation of 10 kg washing machines and dryers.

Note 18 – Investment property	**TEUR 15,217**

In thousands of euro	**2011**	**2010**
Land	10,209	1,151
Buildings	5,008	544
Total	**15,217**	**1,695**

Investment property includes land and buildings intended for resale or increase of investment property. In association with investment property, rental income in the amount of TEUR 66 was recognised in the income statement.

Movements in investment property

In thousands of euro	**2011**	**2010**
Balance at 1 January	1,695	4,462
Acquisition	13,522	0
Impairment	0	-1,528
Disposal	0	-1,239
Balance at 31 December	**15,217**	**1,695**

Investment property is measured using the fair value model. In 2011, investment property was acquired for resale and marketing of rental property. Acquisitions include the acquisition of the land and building of Gorenje Tiki, d.o.o., in liquidation, and the acquisition of the land and building of the subsidiary Gorenje Notranja oprema, d.o.o.

Note 19 – Investments in subsidiaries	**TEUR 240,672**

In thousands of euro	**Equity share**	**Investment at 31 Dec 2011**	**Investment at 31 Dec 2010**
Gorenje I.P.C., d.o.o., Velenje	100.00 %	377	377
Gorenje design studio, d.o.o., Velenje	52.00 %	260	260
ERICo, d.o.o., Velenje	51.00 %	256	256
Energygor, d.o.o., Velenje	100.00 %	58	58
Gorenje Notranja oprema, d.o.o., Velenje	99.89 %	18,215	18,215
Gorenje GTI, d.o.o., Velenje	100.00 %	8,795	8,795
Gorenje Gostinstvo, d.o.o., Velenje	100.00 %	5,958	5,958
Gorenje Orodjarna, d.o.o., Velenje	100.00 %	3,038	3,038
Indop, d.o.o., Šoštanj	100.00 %	1,000	1,000
Gorenje GAIO, d.o.o., Šoštanj	100.00 %	1,000	1,000
Kemis, d.o.o., Radomlje	0.00 %	0	2,553
Gorenje Surovina, d.o.o, Maribor	85.79 %	23,490	18,938
ZEOS, d.o.o., Ljubljana	51.00 %	242	242
Istrabenz Gorenje inženiring, d.o.o., Ljubljana	0.00 %	0	7,249
Gorenje Projekt, d.o.o., Velenje	0.00 %	0	463
Publicus, d.o.o., Ljubljana	0.00 %	0	2,000
Gorenje Zagreb, d.o.o., Croatia	100.00 %	17,230	14,553
ST Bana Nekretnine, d.o.o., Serbia	1.61 %	50	50
Gorenje Tiki, d.o.o., Serbia	100.00 %	17,306	12,697
Gorenje Ekologija, d.o.o., Serbia	16.00 %	2	0
Gorenje Home, d.o.o., Serbia	100.00 %	3,001	0
Gorenje Skopje, d.o.o., Macedonia	100.00 %	538	538
Mora Moravia s r.o., Czech Republic	67.95 %	8,750	8,750
Gorenje Nederland BV, the Netherlands	100.00 %	131,106	131,106
Total		**240,672**	**238,096**

Movements in investments in subsidiaries in 2011

In thousands of euro	Investments in subsidiaries
Balance at 1 January 2011	**238,096**
Increase	14,841
Transfer	-463
Decrease	-11,802
Balance at 31 December 2011	**240,672**

The increase in investments in subsidiaries in the Gorenje Group includes:

- a capital increase in the subsidiary Gorenje Surovina, d.o.o., Maribor in the amount of TEUR 4,552,
- a capital increase in the subsidiary Gorenje Zagreb, d.o.o. in the amount of TEUR 2,677,
- a capital increase in the subsidiary Gorenje Tiki, d.o.o., Serbia in the amount of TEUR 4,609,
- the establishment of the subsidiary Gorenje Home, d.o.o., Serbia in the amount of TEUR 3,001,
- the establishment of the subsidiary Gorenje Ekologija, d.o.o., Serbia in the amount of TEUR 2.

The subsidiary Gorenje Projekt, d.o.o., Velenje was transferred to the associates in the amount of TEUR 463 due to proportionate ownership.

The decrease in investments in subsidiaries in the Gorenje Group is due to the sale of the subsidiaries Istrabenz Gorenje inženiring, d.o.o., Ljubljana, Publicus, d.o.o., Ljubljana, and Kemis, d.o.o., Radomlje. Gain on disposal of subsidiaries amounted to TEUR 3,306 and was recorded under finance income from disposal of subsidiaries.

Note 20 – Investments in associates TEUR 976

In thousands of euro	Equity share	Investment at 31 Dec 2011	Investment at 31 Dec 2010
GGE, d.o.o., Ljubljana	33.33 %	200	0
Econa, d.o.o., Ljubljana	26.00 %	35	0
RCE, d.o.o., Velenje	24.00 %	600	0
Gorenje Projekt, d.o.o., Velenje	50.00 %	141	0
Total		**976**	**0**

Movements in investments in associates in 2011

In thousands of euro	Investments in associates
Balance at 1 January 2011	**0**
Increase	835
Transfer	463
Impairment	-322
Balance at 31 December 2011	**976**

The impairment relates to investments in the associate Gorenje Projekt, d.o.o., Ljubljana.

Note 21 – Other non-current investments TEUR 703

Other non-current investments include non-current loans in the amount of TEUR 84 (31 Dec 2010: TEUR 489) and other non-current investments in the amount of TEUR 619 (31 Dec 2010: TEUR 676).

Regarding non-current investments, the Company is not exposed to higher financial risks as most of these investments are made in subsidiaries.

Movements in other non-current investments

In thousands of euro	2011	2010
Opening balance at 1 January	676	690
Increase	0	28
Decrease	-22	-42
Transfer to associates	-35	0
Closing balance at 31 December	**619**	**676**

Movements in loans

In thousands of euro	2011	2010
Opening balance at 1 January	489	1,083
Increase	0	0
Decrease	-388	-353
Transfer to current investments	-17	-241
Closing balance at 31 December	**84**	**489**

Loans by maturity

In thousands of euro	2011	2010
Maturity from 1 to 2 years	84	367
Maturity from 2 to 3 years	0	0
Maturity from 3 to 4 years	0	0
Maturity from 4 to 5 years	0	0
Maturity over 5 years	0	122
Total	**84**	**489**

At the year-end 2011, no non-current loans were recorded, except housing loans under the Housing Act of 1991.

Breakdown of non-current loans to specific groups of persons

No non-current loans were granted to the Management Board members, the Supervisory Board members, and internal owners.

Note 22 – Deferred tax assets and liabilities

	Tax assets		Tax liabilities		Tax assets – Tax liabilities	
In thousands of euro	2011	2010	2011	2010	2011	2010
PPE	75	91	1,491	1,491	-1,416	-1,400
Investments	1,167	1,777	-100	-77	1,267	1,854
Receivables	1,210	683			1,210	683
Provisions for retirement benefits and jubilee premiums	2,020	2,098			2,020	2,098
Provisions for warranties	1,317	1,360			1,317	1,360
Unused tax losses	4,249	3,767			4,249	3,767
Unused tax incentives	1,582	1,191			1,582	1,191
Cash flow hedge – interest rate swaps	1,027			-12	1,027	12
Total	**12,647**	**10,967**	**1,391**	**1,402**	**11,256**	**9,565**

	Tax assets – Tax liabilities		Through profit or loss		Through other comprehensive income	
In thousands of euro	2011	2010	2011	2010	2011	2010
PPE	-1,416	-1,400	-16	3		75
Investments	1,267	1,854	-611	327	23	-8
Receivables	1,210	683	528	21		
Provisions for retirement benefits and jubilee premiums	2,020	2,098	-78	-122		
Provisions for warranties	1,317	1,360	-43	-121		
Unused tax losses	4,249	3,767	481	553		2,032
Unused tax incentives	1,582	1,191	392	347		
Cash flow hedge – interest rate swaps	1,027	12	0		1,015	-2,050
Total	**11,256**	**9,565**	**653**	**1,008**	**1,038**	**49**

Note 23 – Inventories **TEUR 81,118**

In thousands of euro	2011	2010
Materials	43,371	52,389
Work in progress	8,530	9,085
Products	18,699	16,118
Merchandise	9,165	15,434
Advances	1,353	634
Total	**81,118**	**93,660**

The book value of inventories of products, for which corrections were made from production cost to net realisable value, amounts to TEUR 1,544 (2010: TEUR 2,351).

Note 24 – Current investments **TEUR 94,789**

In thousands of euro	2011	2010
Available-for-sale financial assets	14,031	9,035
Loans	79,851	64,128
Interest receivable	791	1,023
Other current receivables from financing activities	116	2,286
Total	**94,789**	**76,472**

Other current receivables from financing activities include receivables transferred from non-current to current receivables due to their maturity, less payments received. They relate to non-operating assets disposed in 2008.

Movements in available-for-sale shares and interests

In thousands of euro	2011	2010
Opening balance at 1 January	9,035	12,175
Acquisition	6,030	1,358
Sale	0	-3,243
Impairment	-1,034	-1,255
Closing balance at 31 December	**14,031**	**9,035**

Impairment loss in the amount of TEUR 920 was recorded under finance expenses; impairment loss in the amount of TEUR 114 was recorded under net change in fair value in the statement of comprehensive income.

The acquisition mainly relates to the acquisition of shares of Merkur, d.d., in compulsory composition.

Current loans

In thousand of euro	2011	2010
Current loans to companies in the Gorenje Group	71,604	46,852
Current portion of non-current loans to other companies	367	388
Current loans to other companies	7,880	16,850
Current deposits with banks	0	38
Total	**79,851**	**64,128**

In 2011, current deposits with banks with maturity up to 30 days were recorded under cash and cash equivalents in the amount of TEUR 57,375.

Current loans to companies in the Gorenje Group operating in Slovenia

In thousands of euro	2011	2010
Kemis, d.o.o., Radomlje	211	0
Publicus, d.o.o., Ljubljana	460	500
Gorenje Surovina, d.o.o., Maribor	11,406	2,630
Gorenje Notranja oprema, d.o.o., Velenje	13,623	9,827
Gorenje Orodjarna, d.o.o., Velenje	1,084	0

Indop, d.o.o., Šoštanj	0	5,410
Total	**26,784**	**18,367**

Current loans to companies in the Gorenje Group operating abroad

In thousands of euro	2011	2010
KEMIS-Termoclean, d.o.o., Croatia	0	770
Gorenje Beteiligungs GmbH, Austria	16,265	17,075
Asko Appliances AB, Sweden	28,400	9,500
Gorenje Nederland BV, the Netherlands	0	1,140
Gorenje Istanbul Ltd., Turkey	155	0
Total	**44,820**	**28,485**

Short-term loans bear interest at a nominal interest rate ranging from 4.8 % to 7.5 %.

Regarding current loans, the Company is not exposed to higher financial risks as most of these loans were extended to its subsidiaries.

Current loans to specific groups of persons

No current loans were granted to the Management Board members, the Supervisory Board members, and internal owners.

Note 25 – Trade receivables **TEUR 187,903**

In thousands of euro	2011	2010
Trade receivables – companies in the Gorenje Group	148,567	131,873
Trade receivables – other companies	39,336	52,094
Total	**187,903**	**183,967**

Current trade receivables due from companies in the Gorenje Group

In thousands of euro	2011	2010
Trade receivables – domestic operations	11,280	9,923
Trade receivables – foreign operations	137,287	121,950
Total	**148,567**	**131,873**

Current trade receivables due from companies in the Gorenje Group operating in Slovenia

In thousands of euro	2011	2010
Energygor, d.o.o., Ljubljana	1	1
ZEOS, d.o.o., Ljubljana	11	27
PUBLICUS, d.o.o., Ljubljana	11	6
Kemis, d.o.o., Radomlje	14	253
GEN–I, d.o.o., Krško	0	1
Gorenje Surovina, d.o.o., Maribor	263	612
Gorenje Notranja oprema, d.o.o., Velenje	11	222
Gorenje I.P.C., d.o.o., Velenje	2,139	1,186
Gorenje GTI, d.o.o., Velenje	6,506	1,525
Gorenje Gostinstvo, d.o.o., Velenje	14	23
Gorenje Orodjarna, d.o.o., Velenje	323	134
ERICo, d.o.o., Velenje	7	7

Gorenje design studio, d.o.o., Velenje	23	10
Gorenje Projekt, d.o.o., Velenje	0	67
Indop, d.o.o., Šoštanj	1,781	5,849
Gorenje GAIO, d.o.o., Šoštanj	176	0
Total	**11,280**	**9,923**

Current trade receivables due from companies in the Gorenje Group operating abroad

In thousands of euro	2011	2010
Gorenje Zagreb, d.o.o., Croatia	24,703	27,924
KEMIS-Termoclean, d.o.o., Croatia	3	2
Gorenje, d.o.o., Serbia	6,005	8,928
Gorenje aparati za domaćinstvo, d.o.o., Serbia	3,004	817
Gorenje Tiki, d.o.o., Serbia	4,615	1,268
Gorenje Home, d.o.o., Serbia	1,401	0
Gorenje Commerce, d.o.o., Bosnia and Herzegovina	355	1,021
Kemis - SRS, d.o.o., Bosnia and Herzegovina	0	1
Gorenje Skopje, d.o.o., Macedonia	1,519	1,777
Gorenje Podgorica, d.o.o., Montenegro	3,763	5,096
Gorenje Vertriebs GmbH, Germany	25,804	20,318
Gorenje Austria Handels GmbH, Austria	2,877	2,514
Gorenje Beteiligungs GmbH, Austria	5	1
Asko Appliances AB, Sweden	4	307
Asko Appliances Holding AB, Finland	47	0
Asko Kodinkone, Finland	73	0
Gorenje AB, Sweden	0	2
Gorenje Group Nordic A/S, Denmark	19,000	10,622
ATAG Nederland BV, the Netherlands	283	442
ATAG Europe BV, the Netherlands	0	1
Gorenje Nederland BV, the Netherlands	436	893
Gorenje UK Ltd., Great Britain	1,151	744
Gorenje Belux S.a.r.l., Belgium	1,298	1,370
Gorenje France S.A.S., France	2,400	5,569
Gorenje Körting Italia S.r.l., Italy	4,467	4,034
Gorenje Espana, S.L., Spain	-20	403
OOO Gorenje BT, Russia	13,806	6,389
Gorenje TOV, Ukraine	39	30
Gorenje Kazakhstan, TOO, Kazakhstan	55	4
Gorenje Slovakia s.r.o., Slovak Republic	424	2,018
Gorenje spol s.r.o., Czech Republic	1,920	252
Gorenje - real spol s.r.o., Czech Republic	1	1
Gorenje - kuchyne spol, s.r.o., Czech Republic	0	2
Mora Moravia, a.s., Czech Republic	1,508	724
Gorenje Budapest Kft., Hungary	2,884	4,414
Gorenje Polska Sp.z.o.o., Poland	6,200	7,145

Gorenje Bulgaria EOOD, Bulgaria	161	737
Gorenje Romania S.r.L., Romania	1,351	1
Gorenje Istanbul Ltd., Turkey	4,560	5,105
Gorenje Albania SHPK, Albania	175	0
Gorenje Gulf FZE, United Arab Emirates	964	1,082
Revaluation	46	-8
Total	**137,287**	**121,950**

Note 26 – Other current assets **TEUR 20,971**

In thousands of euro	2011	2010
Advances for services	237	1,687
Other current assets	10,052	18,649
Short-term deferred costs and expenses	10,682	2,320
Total	**20,971**	**22,656**

Advances for services mainly include collaterals received in the amount of TEUR 222 (2010: TEUR 222).

Other current assets include input VAT receivable in the Republic of Slovenia in the amount of TEUR 6,550 (31 Dec 2010: TEUR 8,006), VAT receivable in foreign countries in the amount of TEUR 750 (31 Dec 2010: TEUR 996), and receivables not yet charged in the amount of TEUR 1,938 from uncompleted projects in the INDOP programme (31 Dec 2010: TEUR 758).

Other current assets include an investment in the subsidiary Gorenje Tiki, d.o.o., Ljubljana, which was transferred to other current assets in the amount of TEUR 7,001. The subsidiary has been in liquidation since 1 August 2010.

Short-term deferred costs include deferred costs relating to subsequent periods.

Note 27 – Cash and cash equivalents **TEUR 58,090**

In thousands of euro	2011	2010
Cash in hand and readily liquid securities	28	27
Cash in banks	58,062	49,651
Total	**58,090**	**49,678**

Cash in banks also includes deposits with maturity up to 30 days, which amounted to TEUR 57,375 in 2011.

Note 28 – Equity **TEUR 335,326**

As at 31 December 2011, the share capital of Gorenje, d.d. amounted to EUR 66,378,217.32 (31 December 2010: EUR 66,378.217.32) and was divided into 15,906,876 ordinary, freely transferable, registered, no par value shares.

Capital surplus (share premium) in the amount of TEUR 157,712 includes paid-in capital in excess of par value of shares in the amount of TEUR 64,352, surplus in excess of book value of disposed own shares in the amount of TEUR 15,313, and general equity revaluation adjustment in the amount of TEUR 78,047 transferred upon the transition to IFRSs.

Legal and statutory reserves in the amount of TEUR 22,719 include legal reserves in the amount of TEUR 12,895 (31 December 2010: TEUR 12,895), reserves for own shares in the amount of TEUR 3,170 (31 December 2010: TEUR 3,170), and statutory reserves in the amount of TEUR 6,654 (31 December 2010: TEUR 5,925).

Pursuant to the Companies Act, retained earnings in the amount of TEUR 89,521 consist of other revenue reserves in the amount of TEUR 83,997 (31 Dec 2010: TEUR 80,717) that were created on the basis of resolutions on the appropriation of profit for the period adopted by the Management Board and the Supervisory Board and resolutions of the Shareholders' Meeting on the appropriation of accumulated profit and determined accumulated profit in the amount of TEUR 5,524 (2010: TEUR 2,245).

Fair value reserve amounting to TEUR 2,166 as at 31 December 2011 includes a surplus from revaluation of land which is valued using the revaluation model, a change in fair value of available-for-sale investments, and a change in value of cash flow hedge.

Own shares in the amount of TEUR -3,170 are stated as a deductible item of equity and recorded at cost.

Changes in fair value reserve are shown in the table below:

In thousands of euro	Reserve for fair value of land	Reserve for fair value of available-for-sale financial assets	Reserve for fair value of derivatives	Reserve for fair value of investments in subsidiaries	Total
Balance at 1 Jan 2011	**5,962**	**-310**	**-48**	**713**	**6,317**
Revaluation of land	0	0	0	0	**0**
Disposal of land	0	0	0	0	**0**
Change in fair value of cash flow hedge	0	0	-7,230	0	**-7,230**
Change in fair value of cash flow hedge, transferred to profit or loss	0	0	2,155	0	**2,155**
Change in fair value of available-for-sale financial assets	0	-114	0	0	**-114**
Disposal of available-for-sale financial assets	0	0	0	0	**0**
Impairment of available-for-sale financial assets	0	0	0	0	**0**
Disposal of subsidiaries	0	0	0	0	**0**
Deferred taxes	0	23	1,015	0	**1,038**
Balance at 31 Dec 2011	**5,962**	**-401**	**-4,108**	**713**	**2,166**

In thousands of euro	Reserve for fair value of land	Reserve for fair value of available-for-sale financial assets	Reserve for fair value of derivatives	Reserve for fair value of investments in subsidiaries	**Total**
Balance at 1 Jan 2010	**5,888**	**-321**	**-7,756**	**713**	**-1,476**
Revaluation of land	0	0	0	0	**0**
Disposal of land	0	0	0	0	**0**
Change in fair value of cash flow hedge	0	0	9,649	0	**9,649**
Change in fair value of cash flow hedge, transferred to profit or loss	0	0	109	0	**109**
Change in fair value of available-for-sale financial assets	0	-126	0	0	**-126**
Disposal of available-for-sale financial assets	0	145	0	0	**145**
Impairment of available-for-sale financial assets	0	0	0	0	**0**
Disposal of subsidiaries	0	0	0	0	**0**
Deferred taxes	74	-8	-2,050	0	**-1,984**
Balance at 31 Dec 2010	**5,962**	**-310**	**-48**	**713**	**6,317**

Own shares

Number of shares	**1 Jan 2011**	**Purchase**	**Sale**	**31 Dec 2011**
Repurchased own shares	121,311	0	0	121,311

Earnings per share amounted to EUR 0.46 (2010: EUR 0.20).

To determine earnings per share, the following data on the profit or loss and the average number of shares was used:

In thousands of euro	2011	2010
Profit for the period	7,288	2,925
Weighted average number of ordinary shares	15,785,565	14,847,127
Earnings per share (in euro)	**0.46**	**0.20**

No preference shares have been issued, therefore basic and diluted earnings per share are equal.

No dividends were paid in 2011 (in 2008: EUR 0.45 gross per share).

Note 29 - Determination of accumulated profit and proposal for its appropriation in line with the Companies Act

Pursuant to the Companies Act and the Articles of Association of Gorenje, d.d., the Management Board decided to appropriate a portion of profit for 2011, which amounted to EUR 7,288,175.94, to statutory reserves in the amount of EUR 728,817.59 and to other revenue reserves in the amount of EUR 3,279,679.17. The Supervisory Board agreed with this decision.

Determination of accumulated profit as at 31 December 2011 is shown below:

in EUR

Profit for the period	7,288,175.94
- creation of statutory reserves	-728,817.59
- creation of other revenue reserves in line with the resolution of MB	-3,279,679.17
+ retained earnings	2,244,820.69
= accumulated profit	**5,524,499.87**

The Management Board and the Supervisory Board have proposed to the General Meeting of Shareholders that the accumulated profit for the 2011 financial year in the amount of EUR 5,524,499.87 be appropriated for the following purposes:

- part of the accumulated profit in the amount of EUR 2,386,031.40 for the payment of dividends (EUR 0.15 gross per share),
- the remainder of the accumulated profit in the amount of EUR 3,138,468.47 shall remain unappropriated.

Note 30 – Provisions TEUR 26,227

In thousands of euro	2011	2010
Provisions for warranties	13,170	13,603
Provisions for retirement benefits and jubilee premiums	11,899	11,894
Other provisions	1,158	1,900
Total	**26,227**	**27,397**

Movements in provisions in 2011

In thousands of euro	Balance 1 Jan 2011	Use	Reversal	Creation	Balance 31 Dec 2011
Provisions for warranties	13,603	-8,013	-4,109	11,689	13,170
Provisions for retirement benefits and jubilee premiums	11,894	-704	-81	790	11,899
Other provisions	1,900	-60	-997	315	1,158
Total	**27,397**	**-8,777**	**-5,187**	**12,794**	**26,227**

Movements in provisions in 2010

In thousands of euro	Balance 1 Jan 2010	Use	Reversal	Creation	Balance 31 Dec 2010
Provisions for warranties	12,707	-8,688	-869	10,453	13,603
Provisions for retirement benefits	11,458	-775	0	1,211	11,894

and jubilee premiums					
Other provisions	1,948	-112	-110	174	1,900
Total	**26,113**	**-9,575**	**-979**	**11,838**	**27,397**

Non-current provisions for warranties were created on the basis of estimated costs of warranties calculated by considering the historical data on the quality level of products and the costs of repairs under warranties. The actuarial calculation of estimated future payments of retirement benefits and jubilee premiums was made as at 31 December 2011. In 2011, provisions were created in the amount of TEUR 790 (2010: TEUR 1,211) and charged against current profit or loss. The amount of provisions results from a higher discount rate applied in the calculation of provisions (in 2011: 5.10%, in 2010: 4.9%) and a yearly increase in provisions for the existing employees. Other provisions include provisions for claims filed with the court.

Note 31 – Non-current financial liabilities **TEUR 226,076**

In thousands of euro	2011	2010
Non-current financial liabilities to banks	216,541	190,062
Non-current financial liabilities to other companies	87,741	53,333
Current portion of non-current financial liabilities	-78,250	-66,550
Non-current finance lease	44	95
Total	**226,076**	**176,940**

Non-current financial liabilities are denominated in euro. At the year end 2011, borrowings bore interest at the variable interest rate ranging from 2.24 % to 5.667 %.

Non-current financial liabilities to other companies include liabilities from borrowings from International Finance Corporation (IFC).

Financial liabilities by maturity

In thousands of euro	2011	2010
Maturity from 1 to 2 years	51,161	70,482
Maturity from 2 to 3 years	82,457	47,087
Maturity from 3 to 4 years	23,924	33,998
Maturity from 4 to 5 years	62,701	14,779
Maturity over 5 years	5,833	10,594
Total	**226,076**	**176,940**

Collateralisation of financial liabilities

In thousands of euro	2011	2010
Bills	56,099	123,512
Pari-Passu Clause, Negative Pledge Clause	221,832	175,946
Financial covenants (ratios)	221,832	155,646
Guarantee Scheme of the Republic of Slovenia	0	32,216

The major portion of borrowings is collateralised by blank bills, financial covenants, and the Pari-Passu and Negative Pledge clauses, as stipulated in individual contracts. Some borrowings are simultaneously secured by several types of collaterals.

Note 32 – Current financial liabilities **TEUR 133,254**

In thousands of euro	2011	2010
Current borrowings from banks	14,000	29,150
Current borrowings from related companies	30,375	25,799
Current borrowings from third parties	805	0
Current interest payable	688	664
Current dividends payable	175	175
Current portion of non-current financial liabilities	78,250	66,550
Other current financial liabilities	8,961	14,838
Total	**133,254**	**137,176**

Other current financial liabilities include liabilities from hedges by derivatives in the amount of TEUR 5,527 (2010: TEUR 14,185) and liabilities from purchase of receivables in the amount of TEUR 3,434.

Collateralisation of current financial liabilities

In thousands of euro	2011	2010
Bills	74,442	95,700
Pari-Passu Clause, Negative Pledge Clause	90,150	86,633
Financial covenants (ratios)	75,050	58,583
Guarantee Scheme of the Republic of Slovenia	0	8,040

A significant portion of borrowings is collateralised by blank bills and the Pari-Passu and Negative Pledge clauses, as stipulated in individual contracts, and partly also by financial covenants. Some borrowings are simultaneously secured by several types of collaterals.

The loan contracts concluded with banks include financial covenants that are expected to be fully met in the financial year. The covenants are reviewed on the basis of the audited consolidated financial statements for the respective financial year. A portion of financial covenants relating to borrowings from International Finance Corporation (IFC) are reviewed on a three-month basis.

Because of the expected breach of financial covenants, the Company applied at the year end 2011 to its bank partners (except International Finance Corporation IFC) for waiver of financial covenants requiring financial statements for 2011. The waiver was approved by all bank partners for all credit lines and guarantee transactions secured by financial covenants. The waiver of financial covenants applies to the financial year 2011.

Financial covenants relating to borrowings from International Finance Corporation (IFC) were met in full at the year end 2011.

Current borrowings

Currency	Amount in currency	Amount in TEUR	Interest rate	
			from	to
EUR	123,430	123,430	2.82%	6.55%
Total		**123,430**		

Note 33 – Trade payables — TEUR 142,027

In thousands of euro	2011	2010
Trade payables to suppliers in the Gorenje Group	26,132	25,903
Trade payables to other suppliers	115,895	128,900
Total	**142,027**	**154,803**

Trade payables to suppliers in the Gorenje Group

In thousands of euro	2011	2010
Trade payables to suppliers in the Gorenje Group – domestic operations	5,887	8,956
Trade payables to suppliers in the Gorenje Group – foreign operations	20,245	16,947
Total	**26,132**	**25,903**

Trade payables to suppliers in the Gorenje Group – domestic operations

In thousands of euro	2011	2010
Kemis, d.o.o., Radomlje	42	34
GEN-I, d.o.o., Krško	0	1,024
Gorenje Surovina, d.o.o., Maribor	77	102
Gorenje Notranja oprema, d.o.o, Velenje	719	358
Gorenje I.P.C., d.o.o., Velenje	3,500	4,370
Gorenje GTI, d.o.o., Velenje	220	193

Gorenje Gostinstvo, d.o.o., Velenje	163	180
Gorenje Orodjarna, d.o.o., Velenje	635	1,943
ERICo, d.o.o., Velenje	2	6
Gorenje design studio, d.o.o., Velenje	224	269
Gorenje Projekt, d.o.o., Velenje	0	47
Gorenje GAIO, d.o.o., Šoštanj	304	0
Indop, d.o.o, Šoštanj	1	430
Total	**5,887**	**8,956**

Trade payables to suppliers in the Gorenje Group – foreign operations

In thousands of euro	2011	2010
Gorenje Zagreb, d.o.o., Croatia	2	-25
Gorenje, d.o.o., Serbia	21	13
Gorenje aparati za domaćinstvo, d.o.o., Serbia	7,823	4,788
Gorenje Tiki, d.o.o., Serbia	4,096	0
Gorenje Vertriebs GmbH, Germany	38	222
Gorenje Austria Handels GmbH, Austria	36	35
Gorenje Beteiligungs GmbH, Austria	206	278
Asko Appliances AB, Sweden	36	1
Gorenje Group Nordic A/S, Denmark	-11	3
ATAG Nederland BV, the Netherlands	40	15
Gorenje Nederland BV, the Netherlands	120	13
Gorenje UK Ltd., Great Britain	0	44
Gorenje Belux S.a.r.l., Belgium	8	5
Gorenje France S.A.S., France	13	129
Gorenje Körting Italia S.r.l., Italy	22	135
Gorenje Espana, S.L., Spain	-20	-20
Gorenje Slovakia s.r.o., Slovak Republic	40	59
Gorenje spol, s r.o., Czech Republic	1	0
Mora Moravia s r.o., Czech Republic	7,300	11,040
Gorenje Budapest Kft., Hungary	103	117
Gorenje Polska Sp.z.o.o., Poland	0	5
Gorenje Romania S.r.l., Romania	1	45
Gorenje Bulgaria EOOD, Bulgaria	24	0
OOO Gorenje BT, Russia	5	0
Gorenje Gulf FZE, United Arab Emirates	291	44
Gorenje Istanbul Ltd., Turkey	51	0
Revaluation	-1	1
Total	**20,245**	**16,947**

Trade payables to other suppliers

In thousands of euro	2011	2010
Trade payables to other suppliers – domestic market	45,773	52,508
Trade payables to other suppliers – foreign market	70,122	76,392
Total	**115,895**	**128,900**

Note 34 – Other current liabilities **TEUR 16,998**

In thousands of euro	2011	2010

Payables to employees	8,127	9,227
Payables to state and other institutions	1,048	1,082
Payables for advances received	251	5,802
Other payables	1,373	171
Accrued costs and expenses	6,199	5,459
Total	**16,998**	**21,741**

As at 31 December 2011, payables to employees include:

In thousands of euro	2011	2010
Wages and salaries, continued pay	4,755	5,880
Payroll contributions	1,367	1,389
Payroll taxes	732	748
Other work-related earnings	159	155
Deductions from wages and salaries	1,029	1,009
Other payables	85	46
Total	**8,127**	**9,227**

Accrued costs and expenses were created for accrued costs of services in the amount of TEUR 3,024 (2010: TEUR 3,425), accrued interest expenses on borrowings in the amount of TEUR 3,147 (2010: TEUR 624), and accrued costs of commercial discounts in the amount of TEUR 28.

Note 35 – Contingent liabilities

Contingent liabilities from loan guarantees given to financial institutions for financial burdens of its subsidiaries in the amount of TEUR 189,162 (2010: TEUR 184,208), to third parties in the amount of TEUR 4,454 (2010: TEUR 1,100), and to the subsidiary Gorenje Beteiligungs in the amount of TEUR 13,000 (2010: TEUR 14,000) are recorded in a separate account. In addition, contingent liabilities from performance bonds and payment guarantees in the amount of TEUR 7,772 (2010: TEUR 7,053) are also recorded in a separate account.

In accordance with the ordinary business practice, the ATAG company is not liable to publish its annual results of operation in the country, where its corporate seat is, if the shareholder, in a special statement, assumes liability to pay any outstanding obligations of the Company. The respective statement shall remain in effect until rescinded by the shareholder.

Note 36 – Financial instruments

Credit risk

The carrying amount of financial assets represents the maximum credit risk exposure. The maximum credit risk exposure at the reporting date:

In thousands of euro	2011	2010
Available-for-sale financial assets	14,031	9,035
Loans	79,935	64,617
Trade and other receivables	198,191	204,303
Cash and cash equivalents	58,090	49,678
Other receivables from financing activities	2,501	4,985
Total	**352,748**	**332,618**

The maximum credit risk exposure of trade receivables at the reporting date by geographic region:

In thousands of euro	2011	2010
West European countries	69,305	63,993
East European countries	106,240	94,615
Other countries	12,358	25,359
Total	**187,903**	**183,967**

The maximum credit risk exposure of trade receivables at the reporting date by type of customer:

In thousands of euro	2011	2010
Wholesale customers	187,607	183,705
Other customers	296	262
Total	**187,903**	**183,967**

	Gross amount	Allowance	Gross amount	Allowance
In thousands of euro	2011	2011	2010	2010
Not past due	145,424	0	141,535	0
Past due 1 to 45 days	10,269	0	10,847	0
Past due 46 to 90 days	10,279	0	10,924	0
Past due 91 to 180 days	9,316	0	10,036	0
Past due over 180 days	21,109	-8,494	16,644	-6,019
Total	**196,397**	**-8,494**	**189,986**	**-6,019**

Movements in allowances for trade receivables due to impairment:

In thousands of euro	2011	2010
Balance at 1 January	6,019	5,496
Impairment loss	3,259	1,961
Payments	-414	-570
Write-down of receivables	-453	-868
Acceptance of allowance	83	0
Balance at 31 December	**8,494**	**6,019**

Liquidity risk

Financial liabilities by maturity:

31 December 2011

In thousands of euro	Carrying amount	Contractual cash flows	1 year or less	1 – 2 years	2 – 5 years	More than 5 year
Non-derivative financial liabilities						
Bank borrowings	318,282	356,272	105,824	61,565	182,878	6,005
Other financial liabilities	35,521	35,521	35,521			
Trade payables	142,027	142,027	142,027			
Other payables	10,799	10,799	10,799			
Total	**506,629**	**544,619**	**294,171**	**61,565**	**182,878**	**6,005**
Derivative financial receivables and liabilities						
Interest rate swaps	-5,134	-4,508	-1,896	-1,196	-1,416	
Forward exchange contracts used for hedging	-393	-393	-393			
Outflow	-393	-393	-393			
Inflow						
Other forward exchange contracts						
Outflow						
Inflow						
Total	**-5,527**	**-4,901**	**-2,289**	**-1,196**	**-1,416**	**0**

31 December 2010

In thousands of euro	Carrying amount	Contractual cash flows	1 year or less	1 – 2 years	2 – 5 years	More than 5 year
Non-derivative financial liabilities						
Bank borrowings	272,545	296,164	105,281	76,999	102,823	11,061
Other financial liabilities	27,387	27,387	27,387			
Trade payables	154,803	154,803	154,803			
Other payables	16,282	16,282	16,282			
Total	**471,017**	**494,636**	**303,753**	**76,999**	**102,823**	**11,061**

Derivative financial receivables and liabilities						
Interest rate swaps	-58	-68	-51	-17		
Forward exchange contracts used for hedging	-20	-20	-20			
Outflow	-20	-20	-20			
Inflow						
Other forward exchange contracts	-14,106	-14,106	-14,106			
Outflow	-14,106	-14,106	-14,106			
Inflow						
Total	**-14,184**	**-14,194**	**-14,177**	**-17**	**0**	**0**

Currency risk

Exposure to currency risk:

31 December 2011

In thousands of euro	EUR	HRK	DKK	PLN	USD	HUF	Other currencies
Trade receivables	181,274				6,505		124
Financial liabilities	-353,803						
Trade payables	-136,687				-4,859	-87	-394
Financial position exposure	**-309,216**	**0**	**0**	**0**	**1,646**	**-87**	**-270**
Forward exchange contracts					7,600		
Net exposure	**-309,216**	**0**	**0**	**0**	**9,246**	**-87**	**-270**

31 December 2010

In thousands of euro	EUR	HRK	DKK	PLN	USD	HUF	Other currencies
Trade receivables	177,817	2,501			3,585	2	62
Financial liabilities	-299,931						
Trade payables	-152,786				-1,450	-117	-450
Financial position exposure	**-274,900**	**2,501**	**0**	**0**	**2,135**	**-115**	**-388**
Forward exchange contracts					5,810		-14,106
Net exposure	**-274,900**	**2,501**	**0**	**0**	**7,945**	**-115**	**-14,494**

The following significant exchange rates were applied during the year:

	Average rate		**Reporting date spot rate**	
	2011	**2010**	**2011**	**2010**
HRK	7.438	7.289	7.537	7.383
DKK	7.451	7.447	7.434	7.454
PLN	4.119	3.995	4.458	3.975
USD	1.392	1.327	1.294	1.336
HUF	279.310	275.354	314.580	277.950

Sensitivity analysis

A 5 percent increase in the euro's value against the above stated currencies as at 31 December would have resulted in an increase (decrease) in profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain unchanged. The analysis has been performed on the same basis as for 2010.

31 December 2011

In thousands of euro	Profit or loss
HRK	0
DKK	0
PLN	0
USD	-462
HUF	-4
Other currencies	-13

31 December 2010

In thousands of euro	Profit or loss
HRK	-125
DKK	0
PLN	0
USD	-397
HUF	-6
Other currencies	-725

A 5 percent decrease in the euro's value against the above stated currencies as at 31 December would have had equal yet opposite effect, provided that all other variables remain unchanged.

Interest rate risk

Exposure to interest rate risk:

In thousands of euro	2011	2010
Fixed rate financial instruments		
Financial assets	35,027	17,243
Financial liabilities	0	0
Variable rate financial instruments		
Financial assets	44,824	47,374
Financial liabilities	-353,803	-299,931

Fair value sensitivity analysis for fixed rate instruments

No fixed rate financial instruments at fair value through profit or loss and derivatives designated as fair value hedge are recorded. Therefore a change in the interest rate at the reporting date would not have any impact on profit or loss.

Fair value sensitivity analysis for variable rate instruments

A change in the interest rate by 50 basis points (bp) at the reporting date would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign exchange rates, remain unchanged. The analysis has been performed on the same basis as for 2010.

In thousands of euro	Profit or loss		Other comprehensive income	
	Increase by 50 bp	Decrease by 50 bp	Increase by 50 bp	Decrease by 50 bp
31 December 2011				
Variable rate instruments	-3,670	3,670	0	0
Interest rate swap contracts	526	-526	1,499	-1,499
Cash flow variability (net)	**-3,144**	**3,144**	**1,499**	**-1,499**
31 December 2010				
Variable rate instruments	-2,748	2,748	0	0
Interest rate swap contracts	0	0	0	0
Cash flow variability (net)	**-2,748**	**2,748**	**0**	**0**

Note 37 – Fair value

The fair value and carrying amount of financial assets and financial liabilities:

In thousands of euro	Carrying amount	Fair value	Carrying amount	Fair value
	2011	**2011**	**2010**	**2010**
Available-for-sale investments	14,031	14,031	9,035	9,035
Non-current loans	84	84	489	489
Current loans	79,851	79,851	64,128	64,128
Derivatives	-5,527	-5,527	-14,184	-14,184
Trade receivables	187,903	187,903	183,967	183,967
Other current assets	10,288	10,288	20,336	20,336
Cash and cash equivalents	58,090	58,090	49,678	49,678
Non-current financial liabilities	-226,076	-226,076	-176,940	-176,940
Current financial liabilities	-127,727	-127,727	-122,992	-122,992
Trade payables	-142,027	-142,027	-154,803	-154,803
Other payables	-10,799	-10,799	-16,282	-16,282
Total	**-161,909**	**-161,909**	**-157,568**	**-157,568**

Available-for-sale investments are valued at fair value on the basis of market prices.

Fair value scale

The table shows method of valuing financial assets recorded at fair value. The levels are as follows:

- Level 1: stock price (unadjusted) in the active market of identical assets and liabilities
- Level 2: data differing from stock price data (these are included in Level 1) monitored with the intention of direct or indirect valuation of assets and liabilities
- Level 3: data on the value of assets and liabilities not based on the active market

Year 2011

In thousands of euro	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	468	-	13,563	14,031
Derivatives – assets	-	-	-	-
Derivatives – liabilities	-	-5,527	-	-5,527

Year 2010

In thousands of euro	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	1,242	-	7,793	9,035
Derivatives – assets	-	-	-	-
Derivatives – liabilities	-	-14,184	-	-14,184

Forward exchange contracts

The total fair value of forward exchange contracts amounted to TEUR -393 as at 31 December 2011 (2010: TEUR -14,126) and was recorded under other financial liabilities.

Interest rate swaps

The total fair value of interest rate swaps as at 31 December 2011 amounted to TEUR -5,134 (2010: TEUR -58) and was recorded under other financial liabilities.

Interest rate swap hedges, which relate to hedged items in the statement of financial position, are recorded in equity in the fair value reserve.

Note 38 - Commitments relating to investments

Contractually agreed investments in intangible assets and property, plant and equipment not yet recognised in the statement of financial position at the reporting date amounted to TEUR 2,011 (2010: TEUR 7,651).

Note 39 – Related party transactions

The transactions with related parties were conducted on the basis of sale/purchase contracts. The prices used in these contracts were the market prices of products and services equivalent to those prevailing in the arm's length transactions. The transactions with related parties were disclosed under the respective items in the statement of financial position.

Information on earnings

In 2011, the following personal earnings were paid to the groups of persons stated below:

Gross earnings in 2011

In thousands of euro	Management Board	Supervisory Board	Employees under individual employment agreements
- salaries	775	0	5,219
- incentive bonuses	0	0	476
- other income	145	0	537
- attendance fees	0	99	0
- refund of work-related expenses	0	43	0
Total	**920**	**142**	**6,232**

Net earnings in 2011

In thousands of euro	Management Board	Supervisory Board	Employees under individual employment agreements
- salaries	347	0	2,606
- incentive bonuses	0	0	226
- other income	103	0	416
- attendance fees	0	77	0
- refund of work-related expenses	0	34	0
Total	**450**	**111**	**3,248**

Gross earnings in 2010

In thousands of euro	Management Board	Supervisory Board	Employees under individual employment agreements
- salaries	952	0	5,047
- incentive bonuses	0	0	0
- other income	100	0	303
- attendance fees	0	64	0
- refund of work-related expenses	0	20	0
Total	**1,052**	**84**	**5,350**

Net earnings in 2010

In thousands of euro	Management Board	Supervisory Board	Employees under individual employment agreements
- salaries	420	0	2,551

- incentive bonuses	0	0	0
- other income	98	0	283
- attendance fees	0	49	0
- refund of work-related expenses	0	16	0
Total	**518**	**65**	**2,834**

Pursuant to the Companies Act, total payments, reimbursements, and other benefits to the Management Board members, the Supervisory Board members, and the members of the audit committee are shown below:

Management Board members

Gross earnings in 2011

In euro	Salaries	Incentive bonuses	Other income	**Total**
Franc Bobinac	154,800	0	17,235	172,035
Franc Košec	49,600	0	78,985	128,585
Branko Apat	148,800	0	10,341	159,141
Uroš Marolt	148,800	0	18,369	167,169
Marko Mrzel	124,000	0	8,464	132,464
Drago Bahun	148,800	0	11,732	160,532
Total	**774,800**	**0**	**145,126**	**919,926**

Net earnings in 2011

In euro	Salaries	Incentive bonuses	Other income	**Total**
Franc Bobinac	68,564	0	16,903	85,467
Franc Košec	22,058	0	38,991	61,049
Branko Apat	69,532	0	10,010	79,542
Uroš Marolt	65,193	0	18,037	83,230
Marko Mrzel	55,226	0	8,135	63,361
Drago Bahun	66,791	0	11,400	78,191
Total	**347,364**	**0**	**103,476**	**450,840**

Gross earnings in 2010

In euro	Salaries	Incentive bonuses	Other income	**Total**
Franc Bobinac	169,554	0	20,739	190,293
Franc Košec	158,054	0	16,240	174,294
Branko Apat	157,268	0	11,201	168,469
Uroš Marolt	154,555	0	22,364	176,919
Mirjana Dimc Perko	155,555	0	16,203	171,758
Drago Bahun	156,983	0	12,989	169,972
Total	**951,969**	**0**	**99,736**	**1,051,705**

Net earnings in 2010

In euro	Salaries	Incentive bonuses	Other income	**Total**
Franc Bobinac	73,384	0	20,387	93,771
Franc Košec	69,508	0	15,889	85,397
Branko Apat	72,892	0	10,851	83,743
Uroš Marolt	65,612	0	22,013	87,625

Mirjana Dimc Perko	68,380	0	15,852	84,232
Drago Bahun	69,835	0	12,638	82,473
Total	**419,611**	**0**	**97,630**	**517,241**

Supervisory Board members and the members of the Audit Committee

Gross earnings in 2011

In euro	Meeting attendance fees	Incentive bonuses	Refund of work-related expenses	**Total**
Uroš Slavinec	9,646	0	1,077	10,723
Maja Makovec Brenčič	9,702	0	1,303	11,005
Marcel Van Assen	9,246	0	14,839	24,085
Peter Kraljič	8,264	0	3,472	11,736
Keith Miles	10,742	0	13,781	24,523
Bernard C. Pasquier	10,011	0	1,958	11,969
Jure Slemenik	8,576	0	1,364	9,940
Drago Krenker	10,298	0	1,474	11,772
Krešimir Martinjak	9,176	0	1,364	10,540
Peter Kobal	9,246	0	1,364	10,610
Aleksander Igličar	4,282	0	537	4,819
Total	**99,189**	**0**	**42,533**	**141,722**

Net earnings in 2011

In euro	Meeting attendance fees	Incentive bonuses	Refund of work-related expenses	**Total**
Uroš Slavinec	7,476	0	983	8,459
Maja Makovec Brenčič	7,519	0	1,159	8,678
Marcel Van Assen	7,166	0	11,648	18,814
Peter Kraljič	6,405	0	2,839	9,244
Keith Miles	8,325	0	10,829	19,154
Bernard C. Pasquier	7,759	0	1,666	9,425
Jure Slemenik	6,646	0	1,206	7,852
Drago Krenker	7,981	0	1,291	9,272
Krešimir Martinjak	7,111	0	1,206	8,317
Peter Kobal	7,166	0	1,206	8,372
Aleksander Igličar	3,318	0	416	3,734
Total	**76,872**	**0**	**34,449**	**111,321**

Gross earnings in the period January-July 2010

In euro	Meeting attendance fees	Incentive bonuses	Refund of work-related expenses	**Total**
Jože Zagožen	4,725	0	403	5,128
Milan Podpečan	2,577	0	149	2,726
Peter Ješovnik	5,943	0	538	6,481
Andrej Presečnik	2,649	0	155	2,804
Gregor Sluga	4,511	0	479	4,990
Ivan Atelšek	3,294	0	149	3,443
Jure Slemenik	3,652	0	0	3,652
Drago Krenker	4,797	0	0	4,797
Krešimir Martinjak	3,007	0	0	3,007
Peter Kobal	3,652	0	0	3,652
Mateja Vrankar	573	0	0	573
Bachtiar Djalil	1,432	0	0	1,432

Andraž Grahek	1,432	0	0	1,432
Bogomir Kovač	573	0	0	573
Philip Alexander Sluiter	573	0	0	573
Total	**43,390**	**0**	**1,873**	**45,263**

Net earnings in the period January-July 2010

In euro	Meeting attendance fees	Incentive bonuses	Refund of work-related expenses	**Total**
Jože Zagožen	3,662	0	313	3,975
Milan Podpečan	1,998	0	115	2,113
Peter Ješovnik	4,606	0	417	5,023
Andrej Presečnik	2,053	0	120	2,173
Gregor Sluga	3,496	0	372	3,868
Ivan Atelšek	2,552	0	115	2,667
Jure Slemenik	2,830	0	0	2,830
Drago Krenker	3,718	0	0	3,718
Krešimir Martinjak	2,330	0	0	2,330
Peter Kobal	2,830	0	0	2,830
Mateja Vrankar	444	0	0	444
Bachtiar Djalil	1,110	0	0	1,110
Andraž Grahek	1,110	0	0	1,110
Bogomir Kovač	444	0	0	444
Philip Alexander Sluiter	444	0	0	444
Total	**33,627**	**0**	**1,452**	**35,079**

Gross earnings in the period August-December 2010

In euro	Meeting attendance fees	Incentive bonuses	Refund of work-related expenses	**Total**
Uroš Slavinec	1,432	0	278	1,710
Maja Makovec Brenčič	2,076	0	512	2,588
Marcel Van Assen	1,432	0	7,897	9,329
Peter Kraljič	1,432	0	3,673	5,105
Keith Miles	2,578	0	5,411	7,989
Bernard C. Pasquier	1,718	0	78	1,796
Jure Slemenik	1,790	0	0	1,790
Drago Krenker	2,936	0	163	3,099
Krešimir Martinjak	1,790	0	0	1,790
Peter Kobal	1,790	0	0	1,790
Aleksander Igličar	1,146	0	283	1,429
Total	**20,120**	**0**	**18,295**	**38,415**

Net earnings in the period August-December 2010

In euro	Meeting attendance fees	Incentive bonuses	Refund of work-related expenses	**Total**
Uroš Slavinec	1,110	0	215	1,325
Maja Makovec Brenčič	1,609	0	397	2,006
Marcel Van Assen	1,110	0	6,121	7,231
Peter Kraljič	1,110	0	2,846	3,956
Keith Miles	1,998	0	4,194	6,192
Bernard C. Pasquier	1,332	0	60	1,392
Jure Slemenik	1,387	0	0	1,387
Drago Krenker	2,275	0	126	2,401
Krešimir Martinjak	1,387	0	0	1,387

Peter Kobal	1,387	0	0	1,387
Aleksander Igličar	888	0	219	1,107
Total	**15,593**	**0**	**14,178**	**29,771**

No non-current and current loans were extended to the Management Board members, the Supervisory Board members, and internal owners.

Note 40 – Events after the date of the statement of financial position

- The 17th Shareholders' Meeting of Gorenje, d.d. was held on 3 February 2012. The key item of the Agenda was the proposal of the Management Board and the Supervisory Board that an authorisation be granted to the Management Board to acquire and dispose of treasury shares up to a total of 10% of the Company's share capital. Kapitalska družba, d.d., the major shareholder of Gorenje, proposed a counterproposal to this item, which differed from the proposal made by the Management Board and the Supervisory Board in that the pre-emptive right of the existing shareholders should not be omitted in case of disposal of treasury shares. The Management Board and the Supervisory Board agreed with the counterproposal made by Kapitalska družba. The Capital Assets Management Agency of the Republic of Slovenia, which exercised voting rights on behalf of Kapitalska družba, voted against the counterproposal. The proposal was thus rejected with 50.7 percent majority of all present at the Shareholders' Meeting.

Note 41 – Transactions with the audit company

Pursuant to Article 57 of the Companies Act, the audit of Gorenje, d.d. was conducted by the audit company KPMG Slovenija and the auditor's report was issued on 6 April 2012. In 2012, the cost of audit of the annual report was recorded in the amount of TEUR 59 (2010: TEUR 58).

6.2.3 Independent Auditor's Report

Independent Auditor's Report

To the Shareholders of Gorenje, d.d., Velenje

We have audited the accompanying financial statements of Gorenje, d.d., which comprise the statement of financial position as at 31 December 2011, the income statement and the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Gorenje, d.d., as at 31 December 2011, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Other matters

As required by the Slovenian Companies Act we herewith confirm that the information in the management report is in conformity with the accompanying financial statements.

KPMG SLOVENIJA,
podjetje za revidiranje, d.o.o.

Danilo Bukovec, B.Sc.Ec.
Certified Auditor

Jason Stachurski, B.Sc.Ec.
Certified Auditor
Partner

Ljubljana, 6 April 2012

KPMG Slovenija, d.o.o.
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