Gorenje Group and its parent company Gorenje, d.d., pursuant to International Financial Reporting Standards - IFRSs

Management Board of Gorenje, d.d.

Velenje, Slovenia, August 2012

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Performance Highlights of the Gorenje Group

in MEUR	Q2 2012	Q2 2011	Index	Jan-Jun 2012	Jan-Jun 2011	Index	Plan Jan-Jun 2012	Plan realisa.	Plan 2012	Plan realisa.	Comparable					
											Q2 2012	Q2 2011	Index	Jan-Jun 2012	Jan-Jun 2011	Index
Consolidated revenue	**319.5**	**374.4**	**85.3**	**618.6**	**744.6**	**83.1**	**661.4**	**93.5**	**1,391.4**	**44.5**	**319.5**	**322.8**	**99.0**	**618.6**	**639.8**	**96.7**
EBITDA	**19.0**	**21.9**	**86.8**	**40.8**	**43.6**	**93.5**	**47.3**	**86.2**	**101.3**	**40.3**	**19.0**	**22.4**	**84.8**	**40.8**	**43.1**	**94.7**
EBITDA margin (%)	*6.0%*	*5.9%*	*/*	*6.6%*	*5.9%*	*/*	*7.2%*	*/*	*7.3%*	*/*	*6.0%*	*7.0%*	*/*	*6.6%*	*6.7%*	*/*
EBIT	**7.3**	**9.0**	**81.1**	**16.5**	**17.9**	**92.4**	**21.9**	**75.6**	**50.0**	**33.1**	**7.3**	**9.8**	**74.7**	**16.5**	**17.8**	**92.8**
EBIT margin (%)	*2.3%*	*2.4%*	*/*	*2.7%*	*2.4%*	*/*	*3.3%*	*/*	*3.6%*	*/*	*2.3%*	*3.0%*	*/*	*2.7%*	*2.8%*	*/*
Profit before tax	**1.3**	**6.0**	**22.0**	**4.2**	**8.9**	**47.0**	**4.6**	**89.9**	**15.9**	**26.2**	**1.3**	**6.5**	**20.1**	**4.2**	**7.7**	**54.4**
Net income	**0.2**	**4.6**	**4.2**	**2.3**	**6.4**	**36.1**	**4.0**	**58.7**	**13.4**	**17.3**	**0.2**	**5.1**	**3.7**	**2.3**	**5.4**	**43.1**
ROS *(net return on sales)*	***0.1%***	***1.2%***	***/***	***0.4%***	***0.9%***	***/***	*0.6%*	*/*	***1.0%***	***/***	***0.1%***	***1.6%***	***/***	***0.4%***	***0.8%***	***/***
ROA *(net return on assets)*	***0.1%***	***1.4%***	***/***	***0.4%***	***1.0%***	***/***	*0.7%*	*/*	***1.1%***	***/***	***0.1%***	***1.1%***	***/***	***0.4%***	***0.9%***	***/***
ROE *(net return on equity)*	***0.2%***	***4.6%***	***/***	***1.2%***	***3.3%***	***/***	*2.0%*	*/*	***3.3%***	***/***	***0.2%***	***3.3%***	***/***	***1.2%***	***2.8%***	***/***
ROIC *(net return on invested capital)*	***0.6%***	***3.1%***	***/***	***2.2%***	***3.0%***	***/***	*4.5%*	*/*	***5.2%***	***/***	***0.6%***	***1.8%***	***/***	***2.2%***	***3.0%***	***/***
Free cash flow / narrow *	**0.9**	**7.2**	**12.8**	**-33.2**	**-35.5**	**93.7**	**6.5**	**/**	**28.6**	**/**	**0.9**	**9.9**	**9.3**	**-33.2**	**-29.0**	**114.6**
Financial debt	**455.0**	**480.0**	**94.8**	**455.0**	**480.0**	**94.8**	**433.1**	**105.0**	**403.8**	**112.7**	**455.0**	**456.8**	**99.6**	**455.0**	**456.8**	**99.6**
Net financial debt**	**424.4**	**447.8**	**94.8**	**424.4**	**447.8**	**94.8**	**408.5**	**103.9**	**380.3**	**111.6**	**424.4**	**426.8**	**99.4**	**424.4**	**426.8**	**99.4**
Net financial debt /EBITDA***	**5.1**	**4.2**	**/**	**5.1**	**4.2**	**/**	**4.5**	**/**	**3.8**	**/**	**5.1**	**/**	**/**	**5.1**	**/**	**/**

* Net income + amortisation and depreciation expense - Capex + disinvestment -+ change in inventories –+ change in trade receivables –+ change in trade payables
** Financial debt - cash
*** Net financial debt / EBITDA for the last 12 months

- **Revenue** declined in the period January – June 2012 by EUR 126.0 mio or 16.9% as compared to the equivalent period last year; in comparable terms (elimination of the disposed company Istrabenz Gorenje in July 2011 from the comparable period last year), revenue decreased by EUR 21.2 mio or 3.3%. The second quarter of the year shows an increase in sales activities, as the Group has lagged behind the comparable quarter of 2011 by EUR 3.3 mio (1.0%). The aforesaid indicates that most of the comparable lag was incurred in the first quarter of 2012. Such sales dynamics in these first six months already impacts the Group's profitability irrespective of increasing or maintaining its previous year's level in those markets where Gorenje's profitability is the highest. Compared to the equivalent period last year, most of the sales growth in this six-month period was generated in the markets of Russia, Germany, America and Australia.
- As a result of lower sales volumes, the Gorenje Group achieved a lower **profit for the period** compared to the equivalent period last year, and just over half of the planned profits for the period.
- In view of net profitability, operations of the production segment of the **Asko Group** improved over the previous year. Although still negative, operations moved closer to the planned half-year result. Anticipated improvements in production operations shall be implemented through the relocation or shifting of the production, which was started in this year's first quarter. Considering the segment of trade companies, Asko operated successfully in the second quarter of 2012 and exceeded the planned net profit for the six-month period.
- As a result of further declines in business activities, the **Home Interior Division** has not achieved the planned positive effects of restructuring neither in the first, nor in the second quarter. Consequently, the possibility of business restructuring shall be reassessed and the results thereof implemented by year-end.
- By virtually the same scope of sales, the **net profitability** of companies in the Business Segment Home declined under these harsh business circumstances. The same also applies in terms of planned figures for the first six months of 2012. Although the net profitability of companies in the Business Segment Ecology decreased compared to the equivalent period last year, it exceeded the planned half-year figures. Profit for the period recorded by companies of the Business Segment Portfolio Investments exceeded the planned figures and drew closer to the result achieved in the first six months of 2011.
- Compared to the first six-month period of 2011, the Gorenje Group improved **free cash flow** by EUR 2.2 mio. The Gorenje Group achieved positive free cash flow of EUR 0.9 mio in the second quarter and concluded the six-month period at the level achieved in the first quarter of 2012. Nonetheless, free cash flow in the first six months was mostly negative due to seasonal movements in sales and production.
- In 2012 the Gorenje Group shifted from divisional to **functional organisation** by restructuring divisions into Business Segments i.e. Products and Services for the Home (former Home Appliances Division and Home Interior Division), Ecology (former segment of Ecology within the Ecology, Energy and Services Division), and Portfolio Investments (former segment of Services within the Ecology, Energy and Services Division).
- To achieve **comparability of mid-year performance information** for 2012 and 2011, information is presented, for 2011, with and without the effects of the excluded company Istrabenz Gorenje, which was the leading company of the Energy segment within the former Ecology, Energy and Services Division.

Statement of Management Responsibility

The Management Board of the parent company is responsible for the preparation of the management report and financial statements for Gorenje, d.d. (the Company) and the Gorenje Group (the Group) for the six-month period ended 30 June 2012 in a manner providing the public with a true and fair presentation of the financial position and the results of the operations of Gorenje, d.d. and its subsidiaries for the first six months of 2012.

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 the first six months of 2012.**

The Management Board is also responsible for adequate and orderly accounting and the adoption of appropriate measures for safeguarding 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 half-yearly 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 parent company and other companies included in the consolidation of the Gorenje Group**.

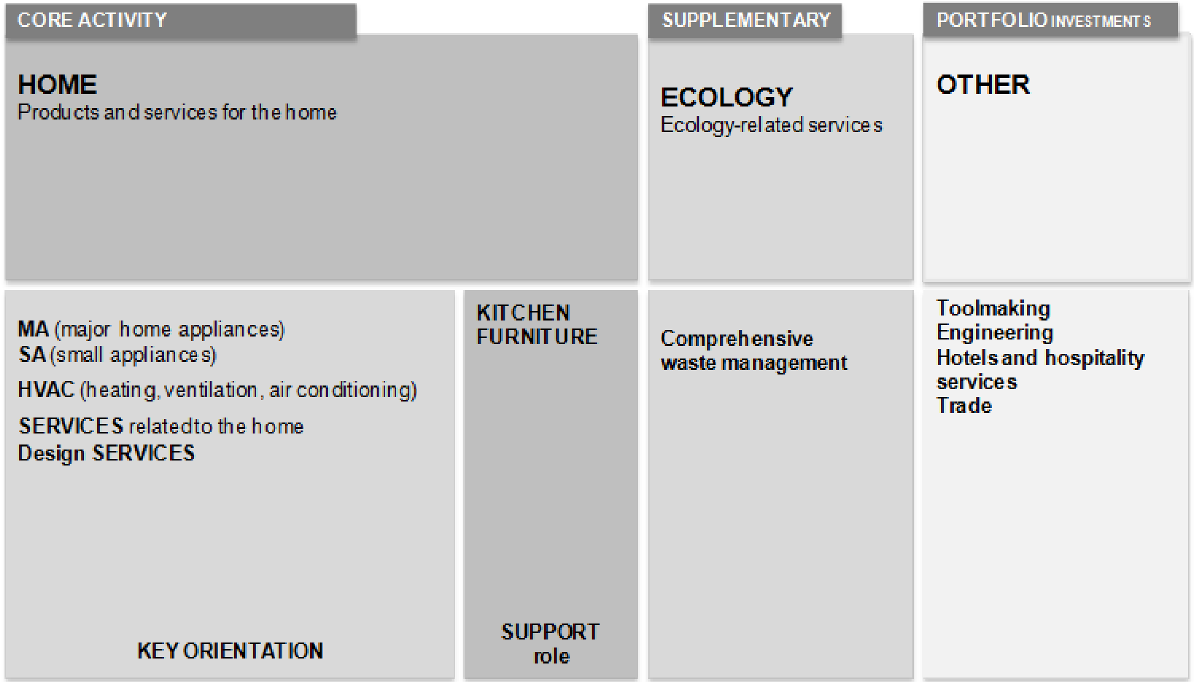
The President and members of the Management Board of Gorenje, d.d. are **familiar with the contents of integral parts of the half-yearly report of Gorenje, d.d. and the Gorenje Group for the year 2012, and thus also with the entire half-yearly report. We agree with the half-yearly report hereof, and hereby confirm this with our signatures.**

Members of the Management Board

- Franc Bobinac, President of the Management Board
- Peter Groznik, Member of the Management Board
- Marko Mrzel, Member of the Management Board
- Branko Apat, Member of the Management Board
- Drago Bahun, Member of the Management Board
- Uroš Marolt, Member of the Management Board

New Organisational Structure of the Gorenje Group

- As of the start of this year, the Gorenje Group began reorganising and reforming divisions into Business Segments, namely:
  - the Home Appliances Division was restructured into the Business Segment Home,
  - the reorganised Home Interior Division was at first included in the Business Segment Home,
  - the Ecology Segment was excluded from the Ecology, Energy and Services Division and established as the Business Segment Ecology,
  - the Services Segment was excluded from the Ecology, Energy and Services Division and established as the Business Segment Portfolio Investments.
- As of 2012 the Home Interior Division has been temporarily reorganised as the **Kitchen Segment**, which became an integral part of Gorenje Group's core operational activity i.e. the Business Segment Home. The Kitchen Segment currently consists of three companies: Gorenje Kuhinje (Gorenje Kitchens), Gorenje Keramika (Gorenje Ceramics) and Gorenje Notranja Oprema (Gorenje Home Interior).
- The composition of the Management Board and the micro-organisation of the Group is structured **in terms of function** and no longer in terms of divisions. Emphasis is placed on the area of sale and with the responsible Management Board member for that area, and on the area of other business operations also with the responsible Management Board member for that area.



Picture 1: **New organisational structure of the Gorenje Group**

Events Impacting Business Performance

- The comparability of individual categories of profitability, financial position and cash flow of the Gorenje Group is affected by **the sale of a participating interest** in the company Istrabenz Gorenje, from the former Ecology, Energy and Services Division (and thus the winding-up of the Energy Business Segment), that occurred in July 2011.

- The report below outlines **(1)** a tabular review / comparison of the actual achieved values of individual categories and their comparable figures, and **(2)** a graphical review of only actually recorded and financially disclosed values of individual categories in the 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 sale of the company Istrabenz Gorenje, and are based on comparable information. Accordingly, comparable information is of key significance and vital in properly defining 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 separately defined within disclosures of stated categories. If information in this report is not separately defined as comparable, it represents data as disclosed and shown in the financial statements.

- Comparability of information from the view of **operational profitability** of the Gorenje Group and its Business Segments (Income Statement) was implemented on the basis of the elimination of effects of the operation of Istrabenz Gorenje and its subsidiaries in 2011.

in MEUR	Q2 2012	Q2 2011	Jan-Jun 2012	Jan-Jun 2011	Comparable Q2 2012	Q2 2011	Jan-Jun 2012	Jan-Jun 2011
Consolidated revenue	**319.5**	**374.4**	**618.6**	**744.6**	**319.5**	**322.8**	**618.6**	**639.8**
= Contribution margin (CM1) / gross margin	137.5	137.5	266.8	271.2	137.5	136.4	266.8	267.5
CM 1	43.0%	36.7%	43.1%	36.4%	43.0%	42.3%	43.1%	41.8%
= Added value / AV	**87.3**	**87.2**	**173.5**	**176.0**	**87.3**	**87.0**	**173.5**	**174.1**
AV in revenue	27.3%	23.3%	28.1%	23.6%	27.3%	27.0%	28.1%	27.2%
= EBITDA	**19.0**	**21.9**	**40.8**	**43.6**	**19.0**	**22.5**	**40.8**	**43.1**
EBITDA margin	6.0%	5.9%	6.6%	5.9%	6.0%	7.0%	6.6%	6.7%
= EBIT	**7.3**	**9.0**	**16.5**	**17.9**	**7.3**	**9.8**	**16.5**	**17.8**
EBIT margin	2.3%	2.4%	2.7%	2.4%	2.3%	3.0%	2.7%	2.8%
= Net income	**0.2**	**4.6**	**2.3**	**6.4**	**0.2**	**5.1**	**2.3**	**5.4**
ROS	0.1%	1.2%	0.4%	0.9%	0.1%	1.6%	0.4%	0.8%

Table 1: Effect of the sale of Istrabenz Gorenje on the profitability of the Gorenje Group

- Comparability of information from the view of the **financial position** of the Gorenje Group and its Business Segments was implemented through a full elimination of all categories of the statement of financial position of the company Istrabenz Gorenje and its subsidiaries in 2011.

in MEUR	Q2 2012	Q2 2011	Comparable Q2 2011
NET ASSETS	**772.3**	**801.7**	**776.4**
Net non-current assets	459.4	481.6	469.0
Net working capital	312.9	320.1	307.4
Working capital	578.4	629.5	594.5
- Current liabilities	-265.5	-309.4	-287.1
NET EQUITY INVESTED	**772.3**	**801.7**	**776.4**
Equity	391.5	398.6	391.1
Net debt equity	380.8	403.1	385.3

Table 2: Impact of the disinvestment of Istrabenz Gorenje on the financial position of the Gorenje Group

- **Details on comparable economic and financial information** in view of the profitability and the financial position of the Gorenje Group and its Business Segments are outlined and discussed in the management report below.

MANAGEMENT REPORT

Changed Business Environment and Its Impact on Gorenje Group Operations

- Just like other major competitors in the industry, the Gorenje Group is coping with challenging business conditions this year due to the continuing European debt crisis, high unemployment rates, consumer restraint in spending, and payment indiscipline. The above-mentioned business conditions strongly impair sales and profitability. Weaker profitability is also the result of transitional negative effects of restructuring activities applying to the Asko Group and the company Gorenje Notranja oprema.

  Future movements in the EU debt crisis are seen as moving towards a closer fiscal union, a gradual reduction in country debt, a recapitalisation of banks, and debt write-offs that follow the Greece example. The impact of the EU debt crisis on the Gorenje Group's operations is expected to occur in changed conditions for refinancing loans and reducing indebtedness, the inability of consumers and shop chains to finance purchases, and the value of the euro in relation to national currencies.

- The demand in home appliances remains under pressure in 2012 since consumer restraint and the sluggish real estate market throughout Europe both hinder sales. As also European manufacturers, the Group has been coping with harsh market conditions since 2008 and the production setback since the period prior to the crisis is still very high. Sharp competition and major pressure on profit margins resulted in moving production to countries with lower cost of employment, in particular lower employee benefits expense. Forecasts for this industry are not good, as slowed growth in private consumption and the real estate market shall keep demand in Europe at moderate levels. In developed countries as well as developing countries, energy efficiency, functionality, and product design remain the driving forces behind growth in premium markets. The environmental aspect remains a growing sales argument.

- The Group’s operating expenses are mostly affected by the prices of sheet steel, plastics, electronic components, compressors, glass and glass ceramics. Different coloured metals (copper, aluminium, nickel) are also extensively used in production through various electrical components and steel products. Forecasts for slow global economic growth and unstable financial conditions are expected to limit demand for raw materials and slow down extreme price increases in the near future. Prices of raw materials in 2012 should be at the level of the previous period’s average if conditions of a moderate economic recovery will prevail. An important element influencing raw materials prices is the value of the US dollar since a weaker euro affects increases in raw materials prices, which as a rule are listed in US dollars. The aforesaid means that price reductions of significant raw materials were lower for companies operating foremost in the European market than for competitors operating outside the Euro-zone since this price reduction is due to the declining euro value by 2.5 to 3 percentage points lower if calculated in euros.

	EU 27	EMU	Netherlands	Germany	Denmark	Slovenia	Croatia	Serbia	Czech Republic	Russia
GDP growth rate	0.0%	-0.3%	-0.5%	0.6%	0.5%	-1.0%	-0.5%	0.5%	0.1%	4.0%
Unemployment rate	10.0%	10.9%	5.5%	5.6%	5.8%	8.7%	13.5%	23.9%	7.0%	6.0%
Inflation rate	2.3%	2.0%	1.8%	1.9%	2.6%	2.2%	2.2%	4.1%	3.5%	4.8%
Change in exchange rate of national currency (30 June 2012 / 31 December 2011)	-	-	-	-	-0.01%	-	-0.25%	13.40%	-0.57%	-0.95%

Table 3: Macroeconomic forecasts for 2012 by key markets of Gorenje

Sources: International Monetary Fund, “World Economic Outlook”, April 2012: http://www.imf.org; Reports of the European Central Bank: http://sdw.ecb.europa.eu/; Bank of Slovenia (ECB exchange rates): http://www.bsi.si/

Operating Performance of the Gorenje Group

in MEUR	Q2 2012	Q2 2011	Jan-Jun 2012	Jan-Jun 2011	Plan 2012	Comparable Q2 2012	Comparable Q2 2011	Comparable Jan-Jun 2012	Comparable Jan-Jun 2011
Consolidated revenue	319.5	374.4	618.6	744.6	1,391.4	319.5	322.8	618.6	639.8
CM*	137.5	137.5	266.8	271.2	585.6	137.5	136.4	266.8	267.5
CM (in %)	43.0%	36.7%	43.1%	36.4%	42.1%	43.0%	42.3%	43.1%	41.8%
EBIT	7.3	9.0	16.5	17.9	50.0	7.3	9.8	16.5	17.8
EBIT margin (in %)	2.3%	2.4%	2.7%	2.4%	3.6%	2.3%	3.0%	2.7%	2.8%
Net income	0.2	4.6	2.3	6.4	13.4	0.2	5.1	2.3	5.4
ROS (in %)	0.1%	1.2%	0.4%	0.9%	1.0%	0.1%	1.6%	0.4%	0.8%

* Contribution margin on the level of difference between revenue and cost of goods and material

Scope of Business Activities

- In the six months ended 30 June 2012, the **Gorenje Group** generated for EUR 21.2 mio (3.3%) less **revenue** than in the comparable equivalent period last year. The second quarter already points to an improvement (increase) in sales activities, as we lagged behind the comparable quarter in 2011 by EUR 3.3 mio (1.0%), which means that the majority of lag was realised in the first quarter of the year at hand.

  In terms of the result disclosed in the financial statements and by including the effects of operations of the sold company Istrabenz Gorenje and its subsidiaries, the decline in revenue amounted to EUR 126.0 mio or 16.9%.

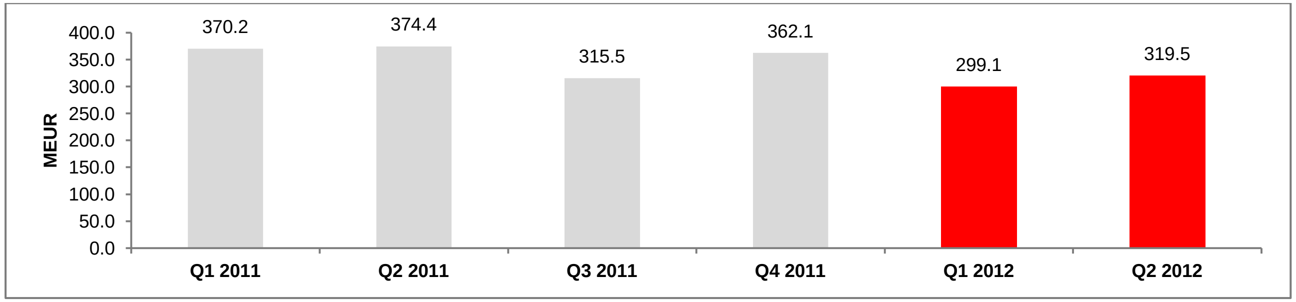
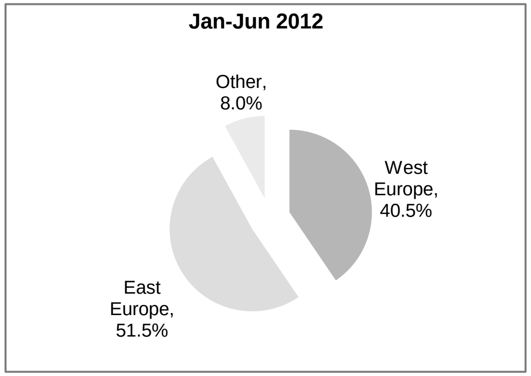
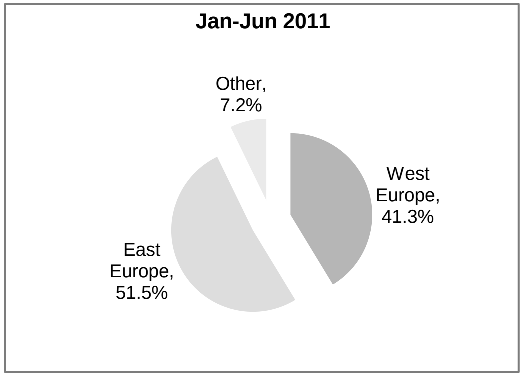


Chart 1: Quarterly movement of consolidated revenue of the Gorenje Group

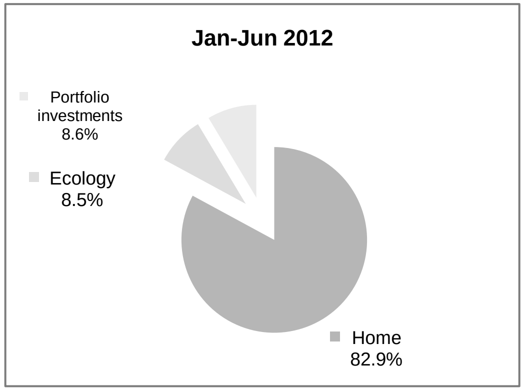
- **Structure** of consolidated revenue of the Gorenje Group **by geographical segments**:

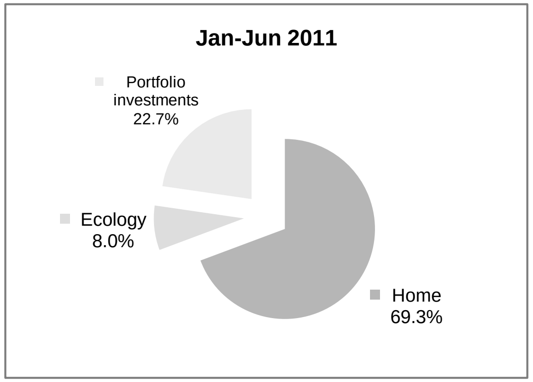




<u>Chart 2:</u> Revenue (comparable) of the Gorenje Group by geographical segments

- **West Europe** includes Austria, Germany, Italy, France, Denmark, Sweden, Belgium, Finland, Great Britain, Greece, Norway, Turkey, the Netherlands, Spain, Switzerland;
- **East Europe** includes Ukraine, Russia, Macedonia, Croatia, Serbia, Montenegro, Albania, Bosnia and Herzegovina, Belarus, Kosovo, Moldova, Kazakhstan, Latvia, Lithuania, Estonia, Slovenia, the Czech Republic, Hungary, Poland, Bulgaria, Romania, Slovakia;
- **Other** refers to all other non-European countries.





<u>Chart 3:</u> Revenue of the Gorenje Group by Business Segments

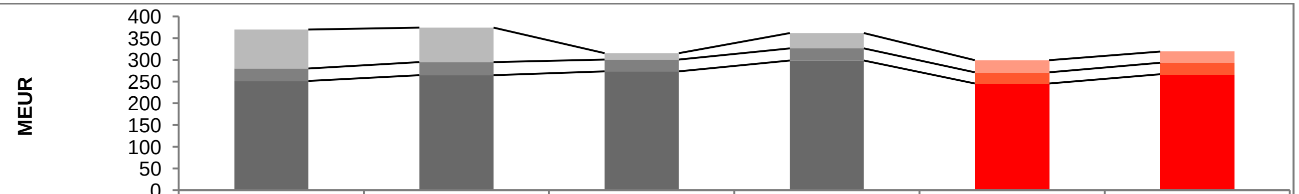
- The **geographic structure** and **business segment** structure of sales for the Gorenje Group indicates that:
  - sales volumes in East Europe decreased (impacted by lower sales relating to the Patria armoured vehicles project and business deals with Alpos) but were successfully restructured to sale segments recording higher profitability,
  - sales volumes decreased in West Europe and increased in other countries worldwide,
  - sales profitability strengthened (due to the nature of the segment's activities, the level of gross margin is lower than that of the Business Segment Home) due to lowering the share of sales by the Business Segment Portfolio Investments (again with the elimination of the Energy Business Segment).

- In the six months ended 30 June 2012, the **Business Segment Home** generated for EUR 3.7 mio (0.7%) less revenue than in the same period last year. Lower sales volumes are a result of decreased scope of activities as a result of low demand and a declining geographic and product structure, particularly in the Netherlands, Slovenia, part of South-East Europe, and fragmented in other countries of West and East Europe. In other markets, among them some of the most significant in view of profitability, the Gorenje Group achieved at least the same or a higher sales growth compared to the first six months of 2011, which partly neutralised the negative effects of the decline in sales volumes in previously stated markets.

- For the six-month period ended 30 June 2012, **the Business Segment Ecology** sales volumes declined by EUR 6.4 mio or 10.8% compared to the same period last year. This decrease was driven by lower exchange prices for secondary raw materials (e.g. the company Gorenje Surovina, Slovenia), and Kosovo due to weather conditions in the first quarter of 2012 that prevented the collection and sale of secondary raw materials.

- The **Business Segment Portfolio Investments** recorded the highest <u>comparable</u> decrease in sales volumes at EUR 11.1 mio or 17.2%. Lower sales volumes are attributed to the Patria project of the company Indop, d.o.o., Slovenia, where the entire production (assembly) of 8x8 armoured vehicles for the Patria programme was sold by 31 December 2011, generating EUR 9.6 mio of revenue in the first six months of 2011; only EUR 0.4 mio of revenue was generated through other business operations. Another reason for the decrease is the elimination of deals with the company Alpos (EUR 7.2 mio).

  The disclosed decrease in sales volume, without the elimination of the sale of Istrabenz Gorenje and its subsidiaries in July 2011, amounted to EUR 115.9 mio or 68.5%.



	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012
Portfolio investments	89.8	79.5	14.9	35.7	27.6	25.8
Ecology	28.7	30.3	26.9	27.5	25.8	26.8
Home	251.7	264.6	273.7	298.9	245.7	266.9

<u>**Chart 4:**</u> **Quarterly movement of revenue by Business Segments**

Operating Profitability at the level of EBIT

in MEUR	Development	Comparable development
EBIT January - June 2011	**17.9**	**17.8**
Contribution margin at the level of cost of goods and material	-4.4	-0.7
Cost of services	-0.1	-1.8
Employee benefits expense	-0.4	-1.7
Amortisation and depreciation expense	1.4	1.0
Other operating expenses	3.0	2.6
Other operating income	-0.9	-0.7
EBIT January - June 2012	**16.5**	**16.5**

Table 4: Development of effects on Gorenje Group profitability at the level of EBIT

- In the first six months of 2012, the Gorenje Group recorded **earnings before interest and taxes** (**EBIT**) of EUR 16.5 mio and an EBIT margin of 2.7% (share in revenue), a decrease EUR 1.4 mio decrease at a 0.3 percentage point higher EBIT margin, compared to the first six months of 2011. Profitability in terms of quality improved, but a lower absolute profit value was achieved in terms of activity due to lower sales volumes.

  In comparable terms, after eliminating the effect of the excluded Energy Business Segment in 2011, the result is lower than the same period last year by EUR 1.3 mio (-7.2%) at virtually the same EBIT margin (lower by 0.1 percentage point). Margin development was, in both quarters, very similar to the one in 2011. Thus, there were virtually no quarterly deviations at the EBIT margin level in comparable periods of both 2011 and 2012. Maintaining its relative value (margin) to the previous year's level despite lower sales is attributable mostly to (1) maintaining gross margin of the Business Segment Home at its 2011 level, which was driven by higher sales in the markets of Russia, the USA, Australia and other countries in East and South-East Europe where the product structure results in a relatively high operational profitability, and (2) due to its improvement in the Business Segment Portfolio Investments.

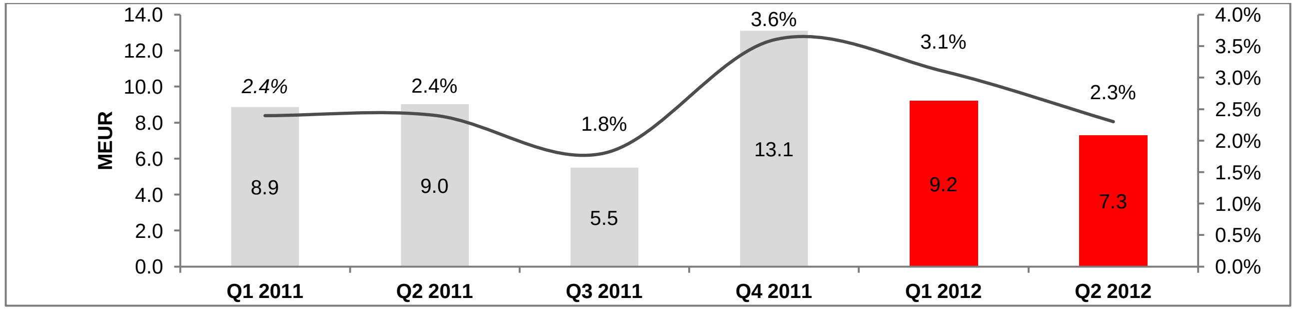


Chart 5: Quarterly movement of EBIT and the EBIT margin

- The **contribution margin** (**gross margin**) grew on the level of cost of goods and material by 6.7 percentage points (from 36.4 % to 43.1 %), improving profitability in terms of quality (not relating to higher volume of activities) by EUR 41.5 mio. This is mostly the result of previously described circumstances and the elimination of the effect of the company Istrabenz Gorenje, which recorded low profitability at the level of gross margin, EBIT and at the level of net income for the period, but recorded relatively high profitability in relation to capital invested.

  Due to lower sales volumes (activity variance), the Gorenje Group recorded a lower gross margin by EUR 45.9 mio, hence the net effect of its decline by considering both effects (in terms of quality and activity) amounted to EUR 4.4 mio.

  In comparable terms, gross margin improved by 1.3% (from 41.8% to 43.1%) and, accordingly, improved by EUR 8.1 mio in quality terms, while lower sales volumes had an adverse impact in the amount of EUR 8.8 mio. Taking into account both effects, the Gorenje Group' gross margin is lower by EUR 0.7 mio compared to the equivalent period in 2011.

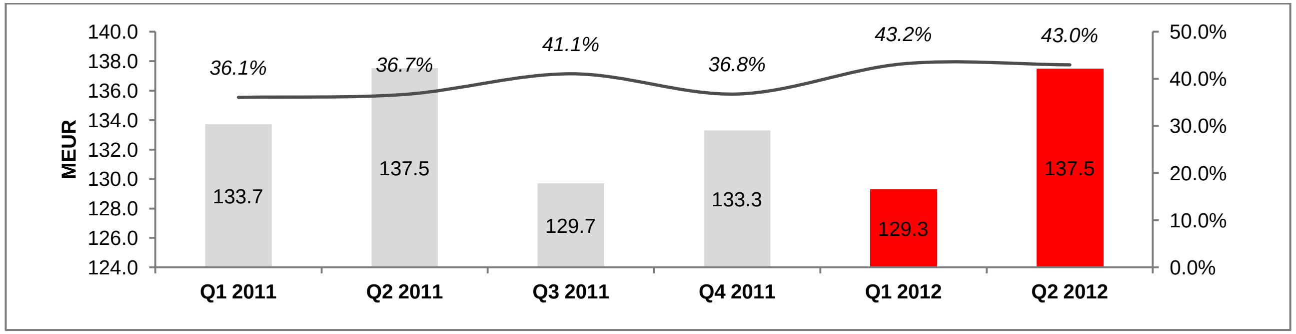


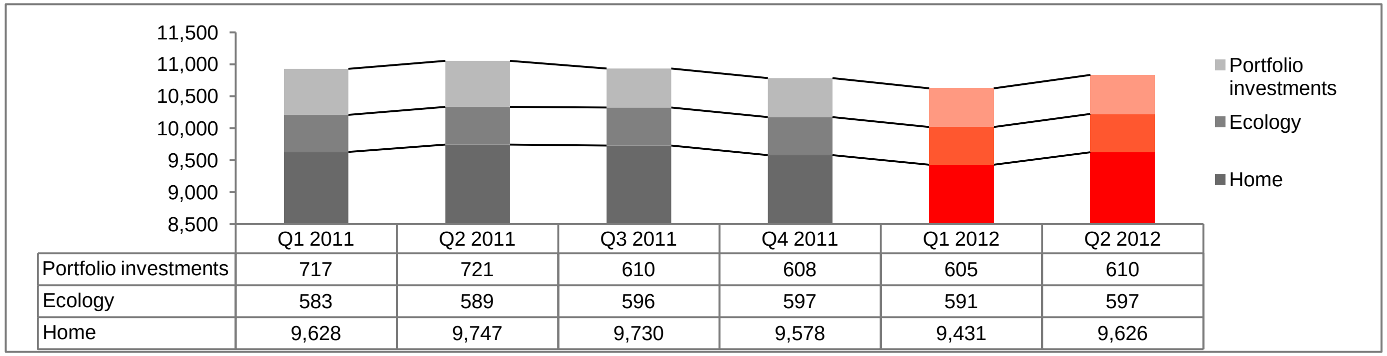
Chart 6: Quarterly movement of gross margin

- Compared to the previous year's results for the same period, **cost of services** remained at the same level, whereas at the comparable level they increased by EUR 1.8 mio, or by 1.8% if considering a lower sales volume of 3.3%. Cost of services remained at the previous year's level and grew in comparable terms due to increases in those segments that depend on previous periods and not on sales volumes in the current period (cost of servicing in the warranty period), as well as cost of logistics mostly referring to the changed geographic structure of sales.

- **Value added per employee** was recorded at EUR 16,173 and remained virtually unchanged compared to the same period of the previous year (EUR 16,003), despite lower sales volumes. Gross margin improved in terms of quality and added value was maintained by (1) maintaining cost of services at the 2011 level, (2) lowering other operating expenses, and (3) decreasing the number of employee. As the growth rate of employee benefits expense is slightly higher than the growth rate of added value, **economic labour productivity** (change in the ratio of added value to labour cost per employee) declined by 1.7% considering the higher share of employee benefits expense in added value from 75.2% to 76.5%. The aforesaid result is partly the result of decreasing the number of staff (termination benefits).

  In comparable terms (i.e. without the effect of events that have an impact on the comparability of information), value added per employee improved from EUR 15,987 to EUR 16,173, or by 1.2%. As a result, economic labour productivity declined by 1.6% in comparison to the same period last year. Hence, the share of employee benefits expense within added value increased from 75.3% to 76.5%.

- At 30 June 2012, the **number of employee** was 10,953, which is 185 (1.7%) less than the number of employees at the end of 30 June 2011. The majority of staff reductions were a result of agreed layoffs and natural fluctuation. Accordingly, 86 employees (0.9%) in the Business Segment Home and 111 employees (15.4%) in the Business Segment Portfolio Investments were cut. Of these reductions, 108 employees were cut due to the disinvestment of the company Istrabenz Gorenje in 2011. As for the Business Segment Ecology, the number of staff increased by 12 employees (2.0%) as a result of changes to the business structure.



	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012
Total :	10,928	11,057	10,936	10,783	10,627	10,833
Portfolio investments	717	721	610	608	605	610
Ecology	583	589	596	597	591	597
Home	9,628	9,747	9,730	9,578	9,431	9,626

Chart 7: **Quarterly movement of the average number of employees by business segment**

- Depreciation and amortisation was lower in comparable terms by EUR 1.0 mio compared to the equivalent period last year. Contributing to this decrease was the review of the expected useful lives of assets placed in service since 2010, particularly assets at production facilities in the Business Segment Home. Additionally, investments in fixed assets were lower in the past years.
- Compared to the same six-month period last year (EUR 18.3 mio or EUR 18.2 mio in comparable terms), **other operating income** in the amount of EUR 17.5 mio include also revenue from the reversal of provisions for the Asko Group restructuring activities in the amount of EUR 3.9 mio (the last portion of provisions earmarked for the Asko Group restructuring programme, formed in 2010) and a partial amount of subsidies received for financing infrastructure projects and creating new jobs in the Republic of Serbia recorded at EUR 4.6 mio (2011: EUR 2.3 mio). The decline in other operating income was heavily influenced by the lower reversal of provisions for warranty-related repairs. **Other operating expenses,** in the amount of EUR 9.3 mio, compared to the equivalent period last year (EUR 12.2 mio or EUR 11.9 mio in comparable terms) are lower due to lower costs of the Asko Group restructuring activities, which mostly burdened the operations in 2011.
- In the first six months of 2012, **earnings before interest, taxes, depreciation and amortisation (EBITDA)**, representing a rough level of generated cash flows from operating activities, amounted to EUR 40.8 mio and were below the level achieved in the equivalent period in 2011 (EUR 43.6 mio or EUR 43.1 mio in comparable terms). This result represents a 6.6% share in revenue (EBITDA margin) and a 0.7 percentage point improvement compared to the same period in 2011 (0.1 percentage point impairment in comparable terms).

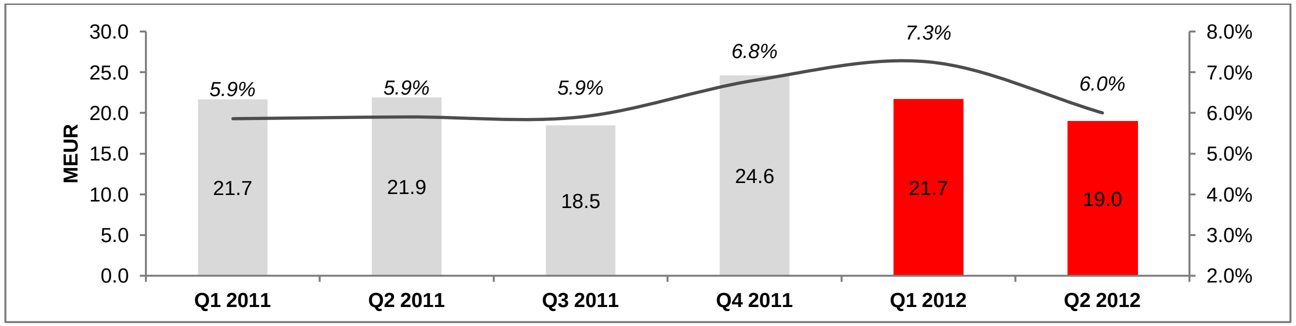


Chart 8: **Quarterly movement of EBITDA and EBITDA margin**

Operating Profitability at the Level of Net Income

- The negative **result from financing activities** in the amount of EUR 12.4 mio represents an increase of EUR 3.4 mio, or 37.6% if compared to the same quarter last year, whereas in comparable terms it improved by EUR 2.3 mio or 22.2%. The increase is mostly a result of the one-time effect of the liquidation of the company Gorenje Tiki, Ljubljana incurred last year in the amount of EUR 3.7 mio.
- **Income tax expense** of EUR 1.9 mio indicates a decline of EUR 0.6 mio or 23.9%, if compared to the same period in 2011. In comparable terms the decrease amounted to EUR 0.4 mio or 18.5% and is the result of tax savings measures and the effects of tax planning conducted in the past few years.
- **Net income** for the six-month period amounted to EUR 2.3 mio (0.4% of ROS) and declined by EUR 4.1 mio or 63.9% compared to same period in 2011, and in comparable terms by EUR 3.1 mio.

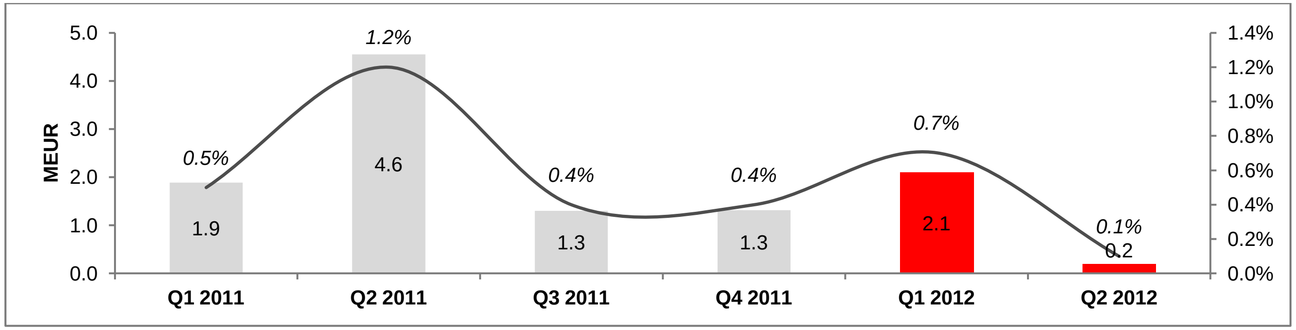


Chart 9: **Quarterly movement of net income**

Operating Performance of the Gorenje Group by Business Segment

Business Segment Home

in MEUR	Q2 2012	Q2 2011	Jan-Jun 2012	Jan-Jun 2011	Plan 2012
Revenue	266.9	264.6	512.6	516.3	1,202.8
CM*	119.3	116.9	228.7	230.9	510.1
CM, %	44.7%	44.2%	44.6%	44.7%	42.4%
EBIT	5.1	5.9	10.6	11.6	44.4
EBIT margin, %	1.9%	2.2%	2.1%	2.2%	3.7%

* Contribution margin at the level of difference between revenue and cost of goods and materials

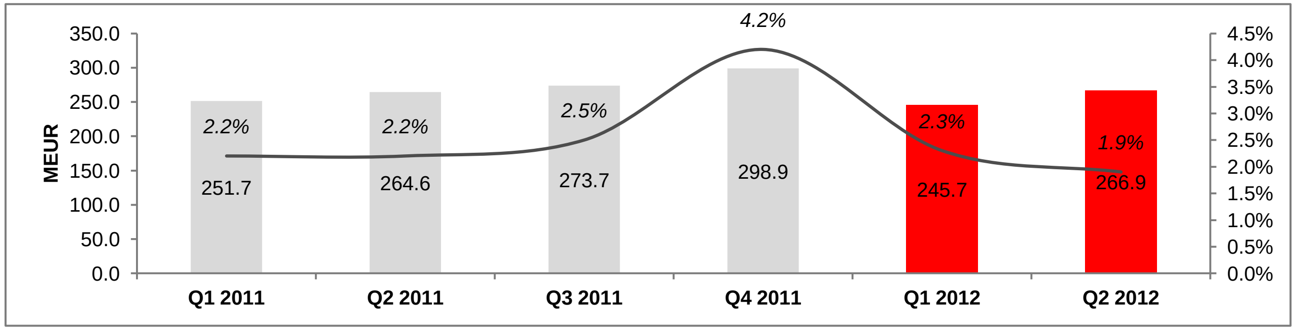


Chart 10: **Quarterly movement of revenue and the EBIT margin of the Business Segment Home**

- In the six-month period ended 30 June 2012, the Business Segment Home recorded a **contribution margin (gross margin)** at the level of difference between revenue and cost of goods and materials in the amount of EUR 228.7 mio, which showed a decline of EUR 2.2 mio or 0.9 % compared to the same period in 2011. In terms of quality (i.e. change of the contribution margin level (quality variance)), gross margin declined by 0.1 percentage point, thus decreasing profitability at this level by EUR 0.5 mio. In terms of lowering the volume of activities (activity variance), the decrease amounted to EUR 1.7 mio, thus totalling EUR 2.2 mio. Maintaining gross margin at the 2011 level is the result of (1) the strong performance of production facilities in Serbia, (2) maintaining the prices for material and raw materials on the level as the first six months of 2011 (i.e. which means a decline if compared to prices in the six-month period in 2011), and (3) the higher sales volume generated in the markets of Russia, the USA, Australia and other East and South-East European countries where the product structure results in a relatively high operational profitability.
- **Cost of services** within the Business Segment Home reached the level of EUR 87.0 mio, which was the level recorded in the equivalent period in 2011. This figure also reflects a lower sales volume of 0.7%. Higher level of costs was recorded in the segment of costs, the movement of which is not the result of the current six-month operating period, but rather a result of the dynamics prevailing in previous periods (cost of services in the warranty period increased by EUR 1.6 mio due to higher sales volumes of the

past two years. In addition, costs of logistics services have increased (EUR 2.3 mio) as a result of changes in the geographic sales structure (sales growth in Russia based on the changed sales and business model since the end of 2010).

- At EUR 21.6 mio, **depreciation and amortisation** declined by EUR 1.0 mio compared to the same period last year. This is a result of lower investments in property, plant and equipment and the extension of the useful lives of property, plant and equipment already at the end in 2010, mostly in the production facilities of the business segment. The useful lives of property, plant and equipment were extended based on findings from regular valuation assessments.
- **Other operating income** in the amount of EUR 16.4 mio decreased compared to the equivalent period in 2011 (EUR 17.5 mio), which is attributable mostly to lower provision reversals for warranty-related repairs irrespective of reversing provisions in the amount of EUR 3.9 mio, which were created for costs of the Asko Group restructuring activities. Other operating income in the six-month period also includes subsidies received for financing infrastructure projects and creating new jobs in the Republic of Serbia, and amounted EUR 4.6 mio (2011: EUR 2.3 mio). **Other operating expenses** amounted to EUR 7.1 mio, a decline compared to the six-month period ended 30 June 2011 (EUR 10.1 mio), which is mostly the result of lower costs of the Asko Group restructuring activities that burdened operations in 2011.
- **Value added per employee** grew from EUR 15,522 to EUR 15,741 or by 1.4%. As the growth rate of employee benefits expense was higher from the growth rate of added value, **economic labour productivity** (change in the ratio of added value to labour cost per employee) declined by 1.5%. The primary reason behind lower economic labour productivity is the relation between the growth of labour employee benefits expense and the growth of revenue, whereby employee benefits expense shall in terms of its structure follows a time-lagged decline in revenue. Consequently, the share of employee benefits expense in added value increased from 77.3% to 78.5% compared to the first six months of 2011.
- **Structure of profitability decline** at the level of EBIT*:*

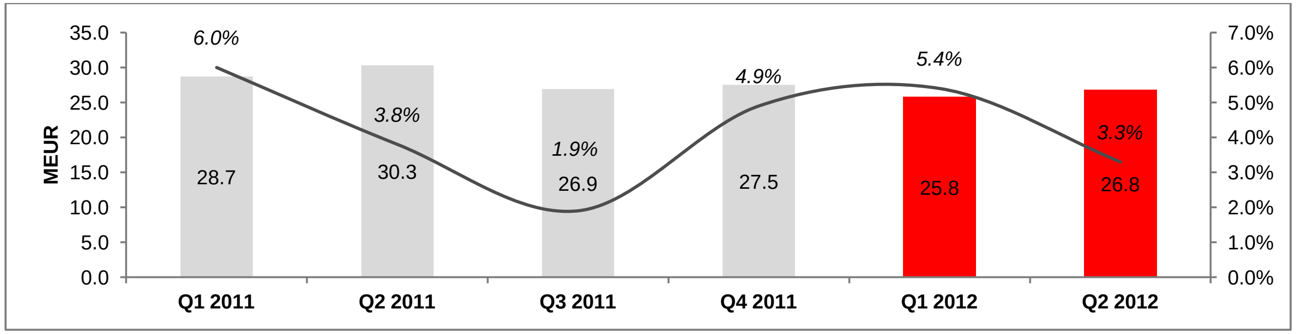
in MEUR	Development
EBIT January – June 2011	**11.6**
Contribution margin at the level of cost of goods and materials	-2.2
Cost of services	0.2
Employee benefits expense	-1.5
Amortisation and depreciation expense	1.0
Other operating expenses	2.6
Other operating income	-1.1
EBIT January - June 2012	**10.6**

Table 5: **Development of effects on profitability of the Business Segment Home at the level of EBIT**

Business Segment Ecology

in MEUR	Q2 2012	Q2 2011	Jan-Jun 2012	Jan-Jun 2011	Plan 2012
Revenue	26.8	30.3	52.6	59.0	101.2
CM*	10.9	11.3	22.0	22.1	43.4
CM, %	40.6%	37.1%	41.8%	37.5%	42.9%
EBIT	0.9	1.2	2.3	2.9	3.1
EBIT margin, %	3.3%	3.8%	4.3%	4.9%	3.0%

* Contribution margin at the level of difference between revenue and cost of goods and materials



<u>Chart 11:</u> Quarterly movement of revenue and EBIT margin of the Business Segment Ecology

- In the first six months of 2012, the Business Segment Ecology recorded a **contribution margin (gross margin)** at the level of cost of goods and materials, in the amount of EUR 22.0 mio at a rate of 41.8% (margin). Compared to the equivalent period in 2011, the result declined by EUR 0.2 mio. In terms of quality, the contribution margin improved by EUR 2.3 mio due to a higher margin rate of 4.3 percentage points, and decreased by EUR 2.5 mio due to lower sales. The improvement of gross margin in terms of quality is attributable to favourable conditions between the average purchase and sales prices of raw materials incurred in 2012.

- **Cost of services** increased compared to the same period last year by EUR 0.7 mio or 7.1%. The increase is the result of a new activity of producing alternative fuels, which began in the second half of 2011.

- **Value added per employee** dropped from EUR 20,695 to EUR 19,722 or by 4.7%. As the growth of employee benefits expense was higher from the growth rate of added value, **economic labour productivity** (change in the ratio of added value to labour cost per employee) decreased by 7.2%. The main reasons for this decline are (1) the impairment of total added value due to lower sales volumes, (2) higher cost of services, and (3) an increase in the average number of employees by 8. Thus, the share of employee benefits expense in added value rose from 60.2% to 64.9%.

- Compared to the equivalent period of 2011, the dynamics in changes of other categories of **operating expenses** or **income** had no material impact on the profitability decline at the level of EBIT from the aspect of the Gorenje Group.

- **Structure of profitability decline** at the level of EBIT:

in MEUR	Development
EBIT January - June 2011	**2.9**
Contribution margin at the level of cost of goods and material	-0.2
Cost of services	-0.7
Employee benefits expense	-0.3
Amortisation and depreciation expense	0.1
Other operating expenses	0.3
Other operating income	0.2
EBIT January - June 2012	**2.3**

Table 6: **Development of effects on the profitability of the Business Segment Ecology at the level of EBIT**

Business Segment Portfolio Investments

in MEUR	Q2 2012	Q2 2011	Jan-Jun 2012	Jan-Jun 2011	Plan 2012	Comparable Q2 2012	Comparable Q2 2011	Comparable Jan-Jun 2012	Comparable Jan-Jun 2011
Revenue	25.8	79.5	53.4	169.3	87.4	25.8	27.9	53.4	64.5
CM*	7.4	9.4	16.1	18.2	32.1	7.4	8.3	16.1	14.4
CM, %	28.6%	11.8%	30.1%	10.7%	36.7%	28.6%	29.6%	30.1%	22.4%
EBIT	1.4	1.9	3.6	3.4	2.5	1.4	2.5	3.6	3.4
EBIT margin, %	5.4%	2.4%	6.8%	2.0%	2.9%	5.4%	8.9%	6.8%	5.2%

* Contribution margin at the level of difference between revenue and cost of goods and materials

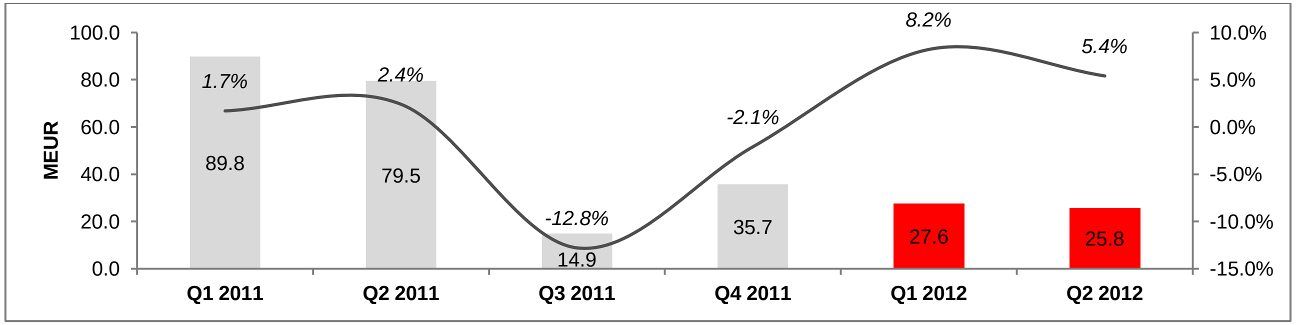


Chart 12: Quarterly movement of revenue and EBIT margin of the Business Segment Portfolio Investments

- Due to the July 2011 disinvestment of a key company in this segment, Istrabenz Gorenje, the entire energy engineering segment was eliminated from the Portfolio Investments segment. Due to the nature of the business (commissions in trading with electric power), this business segment generated low profitability but higher return on invested capital than in the Business Segment Home. As a result of this, total **EBIT margin** of this business segment is also lower than that of the Business Segment Home and contributed to a decrease in the total margin recorded by the Gorenje Group.
- Profitability at the level of **contribution margin (gross margin)** based on the difference between revenue and cost of goods and materials was in comparable terms improved by EUR 1.6 mio or by 11.2%, at a higher gross margin by 7.7 percentage points (to 30.1%). This resulted in both an improved margin in terms of quality by EUR 4.1 mio and a weakened margin due to lower sales volumes in the amount of EUR 2.5 mio.

  The improvement of the gross margin rate is mostly attributable to the revenue generated with the Patria project, which in the first six months of 2011 amounted to EUR 9.6 mio. The entire production within the Patria project was implemented in terms of sales by the end of 2011, while no production and sales were recorded this year, which significantly improved the margin in quality terms in the first six months of 2012 (the project had no material effect on the operational profitability in 2011). Another reason for the improved absolute value of gross margin and its relative level (rate) lies in the changed structure of this sales segment within the parent company in 2011, which is disclosed in the amount of EUR 1.6 mio in the Business Segment Home, whereas since the first six months of 2011 it was disclosed within the Business Segment Portfolio Investments.

  In considering the effects of the company Istrabenz Gorenje in 2011, the segment lowered gross margin by EUR 2.1 mio at a higher margin rate by 19.4 percentage points.

- In comparable terms, **value added per employee** increased in the first six months of 2012 from EUR 18,869 to EUR 19,462 or by 3.1%, which is mostly the result of a stronger gross margin and its impact on total added value by lowering the number of staff by 2 employees. As the growth of employee benefits expense was lower from the growth rate of added value, **economic labour productivity** (change in the ratio of added value to labour cost per employee) improved by 3.2%. The share of employee benefits expense in added value decreased from 65.0% to 62.8%.

  This segment actually increased the value added per employee from EUR 18,675 to EUR 19,462, or by 4.2%, at the lower achieved total added value of EUR 1.6 mio compared to the same six-month period of 2011. Economic labour productivity improved by 4.6% and lowered the share of employee benefits expenses in added value from 65.9% to 62.8%.

- In comparable terms, **cost of services** in this segment increased by EUR 1.3 mio, or by 39.9%, and refers to an increased scope of engineering activities of the company Gorenje GTI, d.o.o., and partly to production corporate business deals of the segment's production companies.

  In terms of the financial statements, cost of services amounted to EUR 4.7 mio in 2012 and was lower by EUR 0.3 mio compared to the equivalent period in 2011.

- Compared to the equivalent period of 2011, the dynamics in changes of other categories of **operating expenses** or **income** had no material impact on the profitability improvement at the level of EBIT from the aspect of the Gorenje Group.

- **Structure of profitability improvement** at the level of EBIT:

in MEUR	Development	Comparable development
EBIT January - June 2011	**3.4**	**3.4**
Contribution margin at the level of cost of goods and material	-2.1	1.6
Cost of services	0.3	-1.3
Employee benefits expense	1.4	0.0
Amortisation and depreciation expense	0.4	-0.1
Other operating expenses	0.1	-0.2
Other operating income	0.1	0.2
EBIT January - June 2012	**3.6**	**3.6**

Table 7: Development of effects on the profitability of the Business Segment Portfolio Investments at the level of EBIT

Financial performance of the Gorenje Group

Free Cash Flow Management

	in MEUR	Q2 2012	Q2 2011	Jan-Jun 2012	Jan-Jun 2011	Plan 2012	comparable Q2 2012	comparable Q2 2011	comparable Jan-Jun 2012	comparable Jan-Jun 2011
	Net income	0.2	4.6	2.3	6.4	13.4	0.2	5.1	2.3	5.4
+	Amortisation and depreciation expense	11.7	12.9	24.2	25.7	51.3	11.7	12.6	24.2	25.2
=	Net cash flow	**11.9**	**17.5**	**26.5**	**32.1**	**64.7**	**11.9**	**17.7**	**26.5**	**30.6**
-	Capex	-8.6	-14.2	-13.8	-23.8	-47.6	-8.6	-13.1	-13.8	-22.2
+	Disinvestment	2.2	0.2	3.0	0.4	19.7	2.2	0.2	3.0	0.4
-	Investments in net current assets	-4.6	3.7	-48.9	-44.2	-8.2	-4.6	5.0	-48.9	-37.8
	• change in inventories	-8.9	-13.4	-9.4	-23.4	8.6	-8.9	-12.9	-9.4	-22.6
	• change in trade receivables	-13.0	-0.7	-16.5	13.8	-11.8	-13.0	-3.0	-16.5	10.4
	• change in trade payables	17.3	17.8	-23.0	-34.6	-5.0	17.3	20.9	-23.0	-25.6
=	**Free cash flow / narrow**	**0.9**	**7.2**	**-33.2**	**-35.5**	**28.6**	**0.9**	**9.8**	**-33.2**	**-29.0**

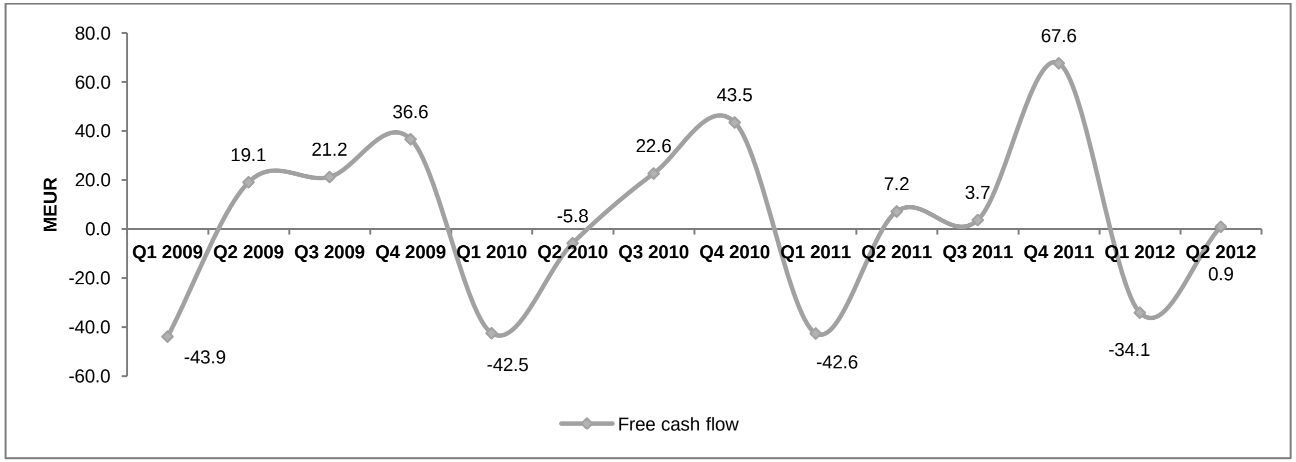
Table 8: Movement of free cash flow

- In the first six months of 2012, negative free cash flow was recorded in the amount of EUR 33.2 mio, which indicates an improvement of EUR 2.3 mio over the same period last year. In contract to the first quarter, which is usually negative from the view of free cash flow, **positive free cash flow** of EUR 0.9 mio was recorded in the second quarter. The movements recorded are basically in line with the nature and dynamics of Gorenje Group operations. Sales and revenue movement in the production and sales of home appliances, where the share of business activities is the highest, are seasonally conditioned. For the entire year of 2012, Gorenje estimates to achieve positive free cash flow as planned (EUR 28.6 mio).

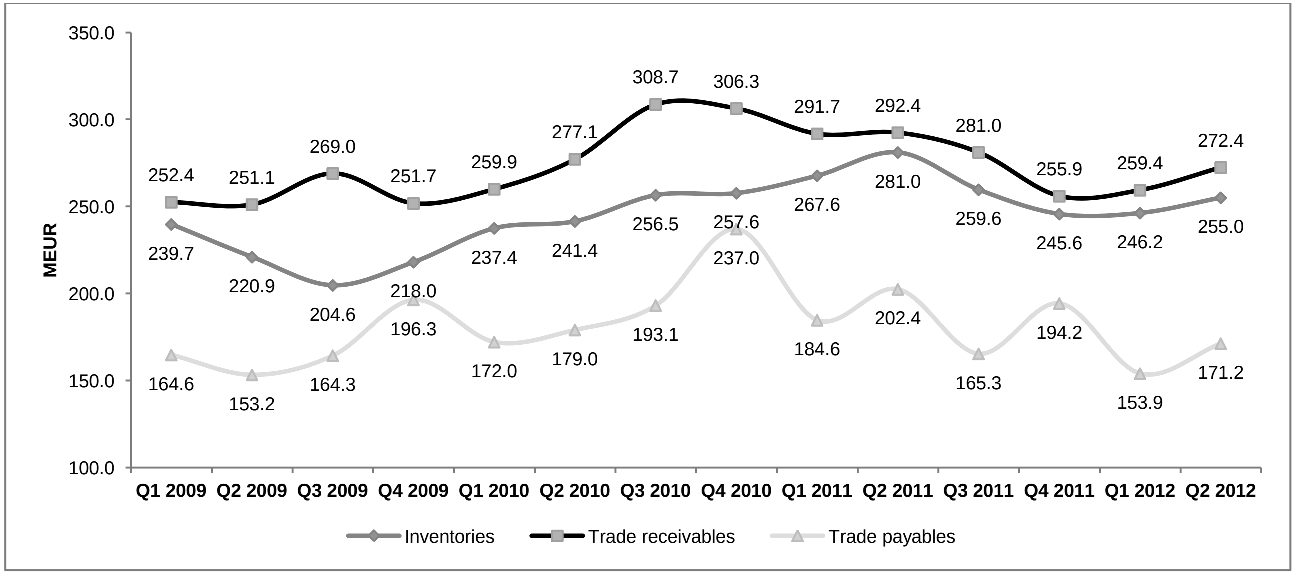
- **Disinvestment** of disposable assets is in progress and conducted according to plans, whereby such dynamics of achieving the planned scope of disinvestment shall be according to current estimates observed in the remaining months this year. In the first six months of 2012, real properties were sold in the areas of Bosnia and Herzegovina, the Czech Republic, Russia and Slovenia and the total carrying value of the properties was EUR 3.0 mio.

- At 30 June 2012, the balance of **net current assets** is recorded at EUR 356.2 mio and is EUR 48.9 mio higher than the 30 June 2011 balance. However, compared to the same period last year, the balance of net current assets is lower by EUR 14.8 mio. The negative free cash flow in this six-month period is mostly attributable to higher investments made in net current assets. Most of thereof in the amount of EUR 23.0 mio refers to lower **trade payables**, which favourably impacts the stability of Gorenje Group's operations and simultaneously has an unfavourable impact on the amount of free cash flow. Notwithstanding, the value of trade payables is lower by EUR 31.2 mio compared to the equivalent period in 2011.

- **Trade receivables** had a negative impact on free cash flow in the period at hand due to a EUR 16.5 mio increase. However, the balance is EUR 20.0 mio lower than the equivalent period of the previous year. The increase in the balance of trade receivables is predominantly the result of changed trading terms for sales promotions and a fierce financial position in the markets. **Inventories** increased by EUR 9.4 mio in the first six months, but the balance is still EUR 26.0 mio lower than the balance in the equivalent period last year. The increase in inventories is attributable to the seasonal increase of inventories of products at half-year, which is intended to bridge the lower scope of production due to the collective vacation in Gorenje's production centres.



<u>Chart 13:</u> Quarterly movement of free cash flow in the period 2009 - 2012



<u>Chart 14:</u> Quarterly movement of investments in net current assets in the period 2009 – 2012

Other Financial Management Activities

- With regard to **financial risks**, the severe macroeconomic situation led the Gorenje Group to pay particular attention to efficient **credit risk** management, which included stricter controls of credit limits approved by credit insurance companies and more intensive collection of receivables.
- **Foreign exchange risks (currency risks)** to which the Gorenje Group is exposed are hedged and minimized by natural cash flow balancing/hedging for each currency. Natural hedging is upgraded particularly in East and South-East Europe by means of derivative financial instruments.
- **Risk of short-term liquidity** of the Group is managed by revolving credit lines approved for Gorenje Group companies and cash deposits in bank accounts. The undrawn part of current and non-current credit lines at the end of the second quarter amounted to EUR 101.2 mio and bank balances amounted to an additional EUR 30.6 mio.
- **Total financial liabilities** at 30 June 2012 amounted to EUR 455.0 mio, which is EUR 29.1 mio less than the balance at the end of 2011. Compared to the equivalent period last year, total financial liabilities decreased by EUR 25.0 mio. The upward trend over the previous period is also the result of optimal balancing of cash flows and liquidity on the level of the Gorenje Group as a whole.
- **Net financial liabilities** (measured as the difference between financial liabilities and cash and cash equivalents) amounted to EUR 424.4 mio at 30 June 2012, or EUR 41.9 mio more than at the end of last year, but were EUR 23.4 lower compared to the same period last year. These are usual yearly movements as most of free cash flow is generated by the Gorenje Group in the second six months of the year.
- **Maturity structure of financial liabilities** for the period at hand declined a bit compared to the balance at 31 December 2011. Non-current financial liabilities represent 58.9% of total financial liabilities, while the share at the end of last year amounted to 62.5%. Not all of the approved non-current borrowings were utilised by 30 June 2012. Non-current borrowing in the amount of EUR 28.2 mio was also obtained in these first six months from the SID bank, but was not utilised. With its utilisation this year and next year, Gorenje plans to improve the maturity structure of financial liabilities.
- The share of **non-current borrowings** is maintained at the level of 31 December 2011. Non-current borrowings that become due are continually replaced by borrowings with longer repayment periods. At the same time, activities are carried out based on which existing non-current borrowings are replaced by borrowings with longer repayment periods that shall preserve or even improve the financial maturity structure.

Investments by Business Segment

in MEUR	Q2 2012	Q2 2011	Jan-Jun 2012	Jan-Jun 2011	Plan 2012
Business Segment Home	7.2	11.9	10.9	20.3	41.1
Business Segment Ecology	1.2	0.6	2.0	1.0	4.0
Business Segment Portfolio Investments	0.2	1.7	0.9	2.5	2.5
Total	**8.6**	**14.2**	**13.8**	**23.8**	**47.6**

- The biggest volume of investments in the amount of EUR 10.9 mio (i.e. 26.5%) of the segment's annual plan was implemented within the Business Segment Home. Investments made to the parent company amount to EUR 3.0 mio and denote the completion of projects from 2011 mostly for the purchase and the reconstruction of tools and machines of other existing production programmes, and the purchase of the software and equipment for the informatics department. Other investments of up to EUR 4.8 mio by manufacturing companies are mostly investments in technological equipment and tools of the company Gorenje AD Valjevo, investments made in the Swedish company Asko Appliances AB, and in the infrastructure objects of Gorenje Home Zaječar. Trade companies of the Business Segment Home generated EUR 2.7 mio of investments mostly referring to the ATAG Group. Investments in technological equipment within the Kitchen segment achieved EUR 0.3 mio.
- With the achieved investments of EUR 2.0 mio, the Business Segment Ecology meets the projections of the annual plan by 48.2%. A major part of these investments includes technological equipment and were made in the companies of Gorenje Surovina, Kemis Valjevo and Publicus.
- The Business Segment Portfolio Investments implemented investments in the amount of EUR 0.9 mio, which represents 37.5% of the annual plan. Most of these investments were made in the companies Gorenje GTI Beograd, Gorenje GTI Velenje and Gorenje Gostinstvo Velenje, and all other investments were made for the purpose of conducting core activities.

Summary of the Operating Performance of Gorenje, d.d.

in MEUR	Q2 2012	Q2 2011	Jan-Jun 2012	Jan-Jun 2011	Plan 2012
Revenue	**164.9**	**154.2**	**316.3**	**318.4**	**693.6**
CM*	49.5	51.0	96.9	102.2	234.3
CM, %	*30.0%*	*33.1%*	*30.6%*	*32.1%*	*33.8%*
EBITDA	**2.7**	**7.8**	**8.2**	**15.5**	**33.5**
EBITDA margin (%)	*1.6%*	*5.0%*	*2.6%*	*4.9%*	*4.8%*
EBIT	**-2.4**	**2.3**	**-2.4**	**4.6**	**10.9**
EBIT margin (%)	*-1.5%*	*1.5%*	*-0.8%*	*1.4%*	*1.6%*
Profit or loss before tax	**-5.2**	**1.2**	**-5.1**	**0.9**	**3.1**
Net income	**-5.4**	**1.0**	**-5.3**	**1.2**	**4.1**
ROS (net return on sales)	*-3.3%*	*0.7%*	*-1.7%*	*0.4%*	*0.6%*
ROA (net return on assets)	*-2.6%*	*0.5%*	*-1.2%*	*0.3%*	*0.5%*
ROE (net return on equity)	*-6.5%*	*1.2%*	*-3.2%*	*0.7%*	*1.2%*
Employee / end of period	**4,418**	**4,519**	**4,418**	**4,519**	**4,425**
Employee / average	**4,429**	**4,519**	**4,446**	**4,486**	**4,466**

* Contribution margin at the level of difference between revenue and cost of goods and materials

- In the six-month period ended 30 June 2012, **revenue** of the parent company compared to the equivalent period last year amounted **(1)** to EUR 281.9 mio in the segment of sale of products and services of the Business Segment Home, which is a decline of EUR 6.1 mio or 2.1%; and **(2)** to EUR 34.4 mio in the segment of sale beyond the Business Segment Home (activities of Ecology and Business Segment Portfolio Investments at the parent company), which is an increase of EUR 3.9 mio or 12.7%. With total revenue of EUR 316.3 mio, the achieved result is lower than the result of previous year's comparable period by EUR 2.1 mio or 0.7%. The parent company generated the largest share of growth with the Business Segment Ecology and the Business Segment Portfolio Investments through the sale of coal, the dynamics of which were quite different in 2012 than those attained in the corresponding period of 2011. The scope of sales in the second quarter of 2012 was significantly improved in relation to the same period last year and compared to the first quarter of 2012.
- Compared to the previous year, the rate of **contribution margin (gross margin)** at the level of difference between revenue and cost of goods and materials, decreased by 1.5 percentage points or EUR 4.7 mio, whereas the lower sales volumes decreased the margin additionally by EUR 0.7 mio. In total, gross margin declined by EUR 5.4 mio irrespective of the favourable price movements of materials and raw materials. Lower gross margin is predominantly the result of (1) the changed product and partly also the geographical sales structure, and (2) the management of intercompany relations between the parent company as the producer or manufacturer and other production/sales companies of the Business Segment Home.

- The parent company implemented important changes compared to the first six months of 2011 also in the segment of **other costs of raw materials and materials** (decrease of EUR 0.7 mio to EUR 7.3 mio) and in the segment of **cost of services** (decline of EUR 2.8 mio to EUR 33.5 mio).
- With a considerable decrease in gross margin, also **added value** lowered and this resulted in lower **economic labour efficiency** by 11.7%. Because of such impaired gross margin, neither lower other costs of raw materials and materials, nor lower cost of services could positively affect or improve the result. Hence, the share of employee benefits expense within added value has increased from 75.9% to 85.9%.
- Last year's **negative result from financing activities** was improved by EUR 0.9 mio up to the negative level in the amount of EUR 2.7 mio, which is mostly attributable to dividends received at higher interest rate expenses and expenses referring to interest rate hedging and foreign exchange differences.
- **Structure of profitability decline** at the level of net income:

in MEUR	Development
Profit the period January - June 2011	**1.2**
Contribution margin at the level of cost of goods and material	-4.7
Cost of services	2.8
Employee benefits expense	-1.5
Amortisation and depreciation expense	0.3
Other operating expenses	-3.5
Other operating income	-0.3
Financial result	0.9
Income tax expense and deferred taxes	-0.5
Profit for the period January - June 2012	**-5.3**

Table 9: Development of effects on the parent company's profitability up to the level of net income

Ownership Structure and the GRVG Share

- The Articles of Association of Gorenje, d.d. 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, and has not adopted any resolutions on the conditional increase of capital.
- As of 30 June 2012, 18,582 shareholders were entered in the share register, which is 3.5 percent less than at the end of 2011 (19,265).

Gorenje's ten major shareholders	No. of shares (30 Jun 2012)	Share in %	No. of shares (31 Dec 2011)	Share in %
KAPITALSKA DRUŽBA, D.D.	3,534,615	22.2207%	3,534,615	22.2207%
IFC	1,876,876	11.7991%	1,876,876	11.7991%
HOME PRODUCTS EUROPE B.V.	1,070,000	6.7267%	1,070,000	6.7267%
NFD 1, equity sub-fund	953,554	5.9946%	820,045	5.1553%
INGOR, d.o.o., & co. k.d.	794,473	4.9945%	794,473	4.9945%
EECF AG	411,727	2.5884%	411,727	2.5884%
RAIFFEISEN BANK AUSTRIA D.D. – FIDUCIARY ACCOUNT	411,516	2.5870%	375,889	2.3631%
PROBANKA, d.d.	297,061	1.8675%	297,061	1.8675%
TRIGLAV VZAJEMNI SKLADI - DELNIŠKI TRIGLAV	261,090	1.6414%	297,090	1.8677%
KD GALILEO, FLEXIBLE INVESTMENT STRUCTURE	209,138	1.3148%	/	/
ERSTE GROUP BANK AG - FIDUCIARY ACCOUNT	/	/	222,204	1.3969%
Total major shareholder	**9,820,050**	**61.7346%**	**9,699,980**	**60.9798%**
Other shareholders	6,086,826	38.2654%	6,206,896	39.0202%
Total	**15,906,876**	**100%**	**15,906,876**	**100%**

Table 10: Gorenje's ten major shareholders and owners

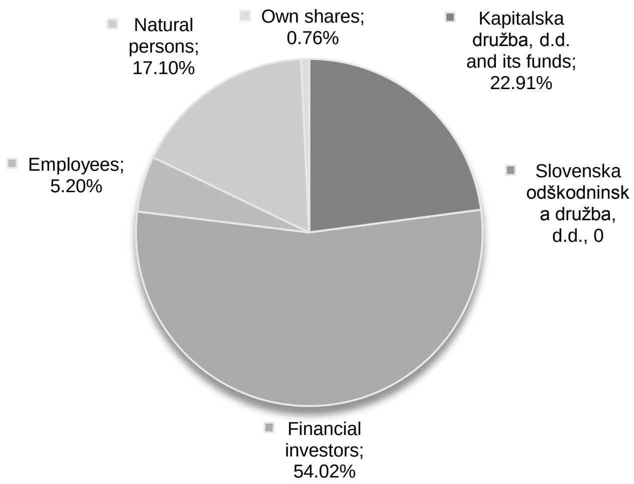
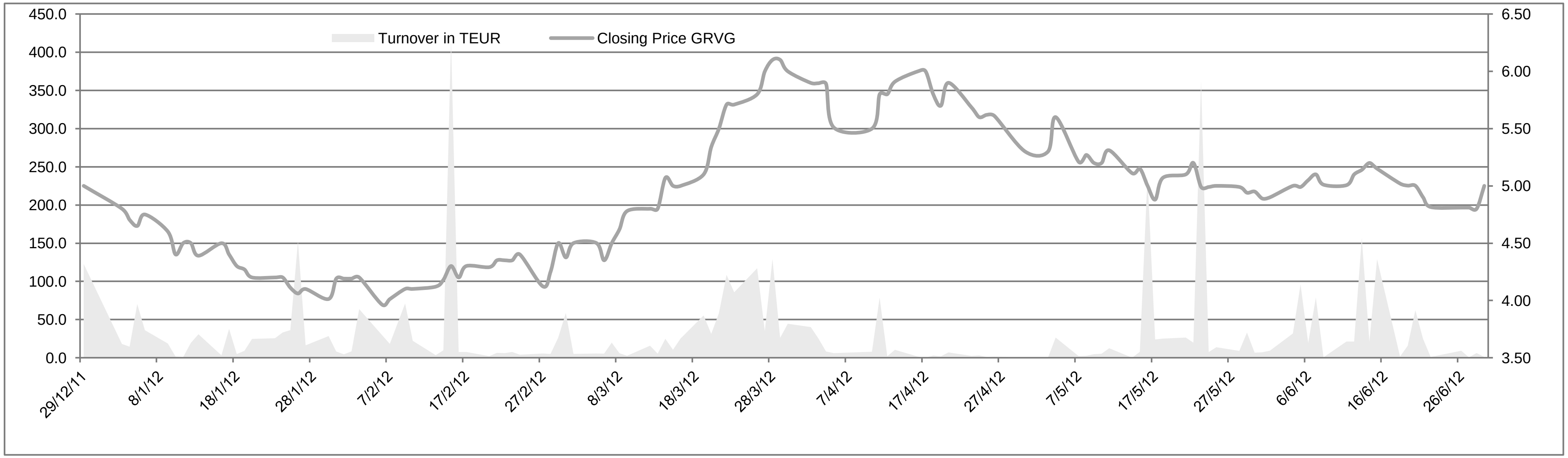


Chart 15: Ownership structure as at 30 June 2012

- The number of **own shares or treasury shares** as at 30 June 2012 remains unchanged compared to the year-end balance of 2011 i.e. at 121,311 shares, which is 0.7626 percent of total share capital.
- The number of shares held by **Supervisory Board members (3,208)** did not change compared to 31 December 2011 and the same applies for the number of shares held by **Management Board members (11,754)**.
- The **closing price per share** as at the last trading day in June 2012 was recorded at EUR 5.00 and equals the one recorded on the last trading day in 2011 (EUR 5.00). The prime market index SBITOP declined in the same period by 11.8%.
- **Net earnings per share** calculated as the ratio between the Group's net profit / loss (annually) and the number of shares issued, less average number of treasury shares held by the company (15,785,565 shares) amounts to EUR 0.29 (2011: EUR 0.46).
- **Carrying value of the GRVG share** as at 30 June 2012 amounts to EUR 24.80 (EUR 25.20 as at 31 December 2011). It is calculated as the ratio between carrying amount of ordinary share capital of the Group and the number of shares issued less the number of treasury shares as at 30 June 2012 (15,785,565 shares).

- **The ratio between the market value and the carrying amount per GRVG share** amounts to 0.20 (0.20 as at 31 December 2011).

The dividend policy of the Gorenje Group and its parent company shall in the strategic period 2012 - 2015 follow the policy that applied prior to 2009. Thus, up to one-third of the Gorenje Group's net income shall be allocated for dividend payout each year. Due to the onset of the economic crisis, which has had a strong impact on Gorenje's operations since the last quarter of 2008, no dividends were paid out for the years 2008, 2009, and 2010. The Management Board and the Supervisory Board proposed to the Shareholders' Meeting a dividend payout in the amount of EUR 0.15 gross per share for the financial year 2011, which was also adopted during the annual general Shareholders' Meeting held on 5 July 2012.



<u>Chart 166:</u> Movement of the closing price for GRVG and daily turnover for the period January – June 2012

Significant Events after the Date of the Statement of Financial Position

Franjo Bobinac, President of the Management Board, and Sibil Svilan, Chairman of the Management Board of the SID Bank, signed a contract on 4 July 2012 based on which the SID Bank extended Gorenje a non-current loan for the period of 10 years in the amount of EUR 28 mio for financing four development projects.

Gorenje, d.d. carried out the 18th Shareholders' Meeting on 5 July 2012.

The Management Board of Gorenje's subsidiary Asko adopted a resolution on 6 July 2012 pursuant to which the entire production is moved to Gorenje's production facilities in Velenje. The production relocation shall be carried out in the following year.

No other significant events occurred after the date preparing the statement of financial position as of 30 June 2012.

Significant Business Events

Awards

Two washing machines of the Asko brand, manufactured by Gorenje in Sweden, ranked first and second in the test of washing machines in the category of 6- and 7-kilogram load. The test was conducted by the Australian consumer organization Choice.

The refrigerator with freezer Gorenje Retro RF 603010 OCH won the Plus X Award for high quality, superior design, and environmentally friendly operation. The remarkable characteristics and economy of this legendary refrigerator of the Gorenje Retro collection in a dark chocolate colour was spotted and awarded by the keen eye of the Plus X Award international expert jury consisting of 130 industry and media representatives from as many as 32 countries.

According to the Trusted Brand Survey, Gorenje is also this year the most trusted brand among home appliances in Slovenia. In this year's survey, as many as 71 percent of 1,168 correspondents chose BZ Gorenje as the leading brand for the sixth consecutive year in the category of home appliances.

A 30-member jury that consists of eminent designers and design experts evaluated 4,515 entries by 1,800 companies from 58 countries and voted to award the perfection and innovative design of the Gorenje SensoCARE washing machine, and the advanced sensor controlled induction hob Gorenje IQcook. Both appliances were designed by the Gorenje Design Studio.

Optimisation of the Production Locations

In early March, the Gorenje Group opened a new plant for sanitary equipment production and washing machine assembly in Zaječar. The plant has successfully operated since autumn 2011 and 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.

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 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.

On 26 April 2012, Gorenje and the Serbian government signed an agreement on the extension of the refrigeration appliance plant in Valjevo. For extending the existing factory in Valjevo and creating 400 additional jobs by the end of 2015, the Serbian government will provide Gorenje with a grant of EUR 10,000 per employee and commit to build the required infrastructure. Furthermore, the Municipality of Valjevo will grant a waiver to Gorenje for all contributions payable to the local community. The investment is valued at approximately EUR 20 mio.

The relocation or shifting of the production of the Swedish subsidiary Asko will be carried out in two steps next year. The production of washing machines and tumble dryers would be terminated in Sweden on 31 January 2013 and resumed in Velenje in April of the same year, whereas the dishwasher production shall be stopped in Sweden on 30 June 2013 and resumed in Velenje in September 2013.

ACCOUNTING REPORT

Fundamental Accounting Policies and Significant Notes to the Financial Statements

- Unaudited consolidated financial statements of the Gorenje Group for the period January-June 2012 have been prepared in accordance with provisions of the Companies Act, the International Financial Reporting Standards (also in compliance with the International Accounting Standard 34 *Interim Financial Reporting*) as announced by the International Accounting Standards Boards, interpreted by the International Financial Reporting Interpretations Committee (IFRIC), and adopted by the European Union.
- Unaudited financial statements of Gorenje, d.d. for the period January-June 2012 have been prepared in accordance with provisions of the Companies Act and the International Financial Reporting Standards (IFRSs). Transition to and implementation of IFRSs was confirmed by Gorenje's Shareholders' Meeting at its 9th regular session held on 29 June 2006.
- In accordance with accounting policies, Gorenje, d.d. does not report by Business Segments as these are outlined and reported in the consolidated report of the Gorenje Group.
- Comparable information is in a material scope harmonised with the presentation of information during the current year. Where necessary, comparable information was adjusted in such a way that it matched the presentation of information for the current year.

In the period January-June 2012, the Gorenje Group comprised the parent company Gorenje, d.d., and 79 subsidiaries operating in Slovenia and abroad.

Changes in the Composition of the Gorenje Group

Changes that occurred in the composition of the Gorenje Group up to and including the last day of June were as follows:

- As of 22 March 2012, the District Court in Celje issued a decision on entering shareholder-related changes in the Articles of Association of the company Gorenje Notranja oprema, d.o.o. Accordingly, the company Gorenje gospodinjski aparati, d.d. became the sole owner (100%) of the company Gorenje Notranja oprema, d.o.o.
- As of 20 February 2012, the company Gorenje Corporate GmbH was established with its registered seat in Vienna. The company Gorenje Beteiligungsgesellschaft mbH is the sole owner (100%) of this company.
- As of 29 May 2012, the District Court in Celje issued a decision on entering the spin-off of the company Gorenje Notranja oprema, d.o.o. and registering the newly founded companies Gorenje Kuhinje, d.o.o. and Gorenje Keramika, d.o.o. The sole owner of both companies is Gorenje, d.d.
- As of 30 May 2012, the District Court in Celje issued a decision on entering the spin-off of the company Gorenje GTI, d.o.o. and the registration of the newly founded company Gorenje GSI, trgovina na debelo in drobno, d.o.o. The sole owner of the company is Gorenje d.d.

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

Companies, operating in Slovenia		Equity interest in %	Business Segment
1.	Gorenje I.P.C., d.o.o., Velenje	100.00	BSH
2.	Gorenje GTI, d.o.o., Velenje	100.00	BSPI
3.	Gorenje Notranja oprema, d.o.o., Velenje	100.00	BSH
4.	Gorenje Gostinstvo, d.o.o., Velenje	100.00	BSPI
5.	ENERGYGOR, d.o.o., Velenje	100.00	BSPI
6.	KEMIS, d.o.o., Vrhnika	99.984	BSE
7.	Gorenje Orodjarna, d.o.o., Velenje	100.00	BSPI
8.	ZEOS, d.o.o., Ljubljana	51.00	BSE
9.	Gorenje Surovina, d.o.o., Maribor	99.984	BSE
10.	Indop, d.o.o., Šoštanj	100.00	BSPI
11.	ERICo, d.o.o., Velenje	51.00	BSE
12.	Gorenje design studio, d.o.o., Velenje	52.00	BSH
13.	PUBLICUS, d.o.o., Ljubljana	50.992	BSE
14.	EKOGOR, d.o.o., Jesenice	46.00	BSE
15.	Gorenje GAIO, d.o.o, Šoštanj	100.00	BSPI
16.	Gorenje GSI, d.o.o., Ljubljana	100.00	BSH
17.	Gorenje Kuhinje, d.o.o., Velenje	100.00	BSH
18.	Gorenje Keramika, d.o.o., Velenje	100.00	BSH

Foreign operations		Equity interest in %	Business Segment
1.	Gorenje Beteiligungsgesellschaft m.b.H., Austria	100.00	BSH
2.	Gorenje Austria Handelsgesellchaft m.b.H., Austria	100.00	BSH
3.	Gorenje Vertriebsgesellschaft m.b.H., Germany	100.00	BSH
4.	Gorenje Körting Italia S.r.l., Italy	100.00	BSH
5.	Gorenje France S.A.S., France	100.00	BSH
6.	Gorenje BELUX S.a.r.l., Belgium	100.00	BSH
7.	Gorenje Espana, S.L., Spain	100.00	BSH
8.	Gorenje UK Ltd., Great Britain	100.00	BSH
9.	Gorenje Group Nordic A/S, Denmark	100.00	BSH
10.	Gorenje AB, Sweden	100.00	BSH
11.	Gorenje OY, Finland	100.00	BSH
12.	Gorenje AS, Norway	100.00	BSH
13.	Gorenje spol. s r.o., Czech Republic	100.00	BSH
14.	Gorenje real spol. s r.o., Czech Republic	100.00	BSH
15.	Gorenje Slovakia s.r.o., Slovakia	100.00	BSH
16.	Gorenje Budapest Kft., Hungary	100.00	BSH
17.	Gorenje Polska Sp. z o.o., Poland	100.00	BSH
18.	Gorenje Bulgaria EOOD, Bulgaria	100.00	BSH
19.	Gorenje Zagreb, d.o.o., Croatia	100.00	BSH
20.	Gorenje Skopje, d.o.o., Macedonia	100.00	BSH
21.	Gorenje Commerce, d.o.o., Bosnia and Herzegovina	100.00	BSH
22.	Gorenje, d.o.o., Serbia	100.00	BSH
23.	Gorenje Podgorica , d.o.o., Montenegro	99.972	BSH
24.	Gorenje Romania S.R.L., Romania	100.00	BSH
25.	Gorenje aparati za domaćinstvo, d.o.o., Serbia	100.00	BSH
26.	Mora Moravia s r.o., Czech Republic	100.00	BSH
27.	Gorenje - kuchyně spol. s r.o., Czech Republic	100.00	BSH
28.	Kemis-Termoclean, d.o.o., Croatia	99.984	BSE
29.	Kemis - BH, d.o.o., Bosnia and Herzegovina	99.984	BSE
30.	Gorenje Studio, d.o.o., Serbia	100.00	BSH
31.	Gorenje Gulf FZE, United Arab Emirates	100.00	BSH
32.	Gorenje Tiki, d.o.o., Serbia	100.00	BSH
33.	Gorenje Istanbul Ltd., Turkey	100.00	BSH
34.	Gorenje TOV, Ukraine	100.00	BSH
35.	ST Bana Nekretnine, d.o.o., Serbia	100.00	BSPI
36.	Kemis Valjevo, d.o.o, Serbia	99.984	BSE
37.	Kemis – SRS d.o.o., Bosnia and Herzegovina	99.984	BSE
38.	ATAG Europe BV, The Netherlands	100.00	BSH
39.	ATAG Nederland BV, The Netherlands	100.00	BSH
40.	ATAG België NV, Belgium	100.00	BSH
41.	ATAG Financiele Diensten BV, The Netherlands	100.00	BSH
42.	ATAG Financial Solutions BV, The Netherlands	100.00	BSH
43.	ATAG Special Product BV, The Netherlands	100.00	BSH
44.	Intell Properties BV, The Netherlands	100.00	BSH
45.	Gorenje Nederland BV, The Netherlands	100.00	BSH
46.	Gorenje Kazakhstan, TOO, Kazakhstan	100.00	BSH
47.	Gorenje kuhinje, d.o.o., Ukraine	70.00	BSH

48.	»Euro Lumi & Surovina« SH.P.K., Kosovo	50.992	BSE
49.	OOO Gorenje BT, Russia	100.00	BSH
50.	Gorenje GTI, d.o.o., Belgrade, Serbia	100.00	BSPI
51.	Asko Appliances AB, Sweden	100.00	BSH
52.	Asko Hvitevarer AS, Norway	100.00	BSH
53.	AM Hvidevarer A/S, Denmark	100.00	BSH
54.	Asko Appliances Inc, USA	100.00	BSH
55.	Asko Appliances Pty, Australia	100.00	BSH
56.	Asko Appliances OOO, Russia	100.00	BSH
57.	»Gorenje – Albania« SH.P.K, Albania	100.00	BSH
58.	GORENJE HOME DOO Zaječar, Serbia	100.00	BSH
59.	ORSES DOO Belgrade, Serbia	100.00	BSE
60.	Gorenje Ekologija, d.o.o., Stara Pazova, Serbia	99.992	BSE
61.	Gorenje Corporate GmbH, Austria	100.00	BSH

BSH – Business Segment Home
BSE – Business Segment Ecology
BSPI – Business Segment Portfolio Investments

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
- ENVITECH D.O.O., Belgrade

Representative offices 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).

Unaudited Consolidated Financial Statements of the Gorenje Group

Consolidated Statement of Financial Position of the Gorenje Group

in TEUR	Balance at 30 Jun 2012	%	Balance at 31 Dec 2011	%	Balance at 30 Jun 2011	%
ASSETS	**1,188,908**	**100.00%**	**1,251,658**	**100.0%**	**1,277,283**	**100.0%**
Non-current assets	**551,287**	**46.4%**	**556,345**	**44.4%**	**576,129**	**45.1%**
Intangible assets	158,945	13.4%	158,620	12.7%	161,050	12.6%
Property, plant and equipment	343,821	28.9%	358,840	28.7%	377,598	29.6%
Investment property	13,242	1.1%	15,219	1.2%	14,303	1.1%
Non-current investments	13,865	1.2%	1,973	0.1%	5,166	0.4%
Investments in associates	1,047	0.1%	996	0.1%	0	0.0%
Deferred tax assets	20,367	1.7%	20,697	1.6%	18,012	1.4%
Current assets	**637,621**	**53.6%**	**695,313**	**55.6%**	**701,154**	**54.9%**
Non-current assets held for sale	51	0.0%	1	0.0%	177	0.0%
Inventories	255,033	21.4%	245,608	19.6%	281,016	22.0%
Current investments	28,591	2.4%	42,317	3.4%	39,504	3.1%
Trade receivables	272,392	22.9%	255,911	20.5%	292,401	22.9%
Other current assets	50,915	4.3%	49,856	4.0%	55,877	4.4%
Cash and cash equivalents	30,639	2.6%	101,620	8.1%	32,179	2.5%
EQUITY AND LIABILITIES	**1,188,908**	**100.0%**	**1,251,658**	**100.0%**	**1,277,283**	**100.0%**
Equity	**391,464**	**32.9%**	**397,819**	**31.8%**	**398,603**	**31.2%**
Share capital	66,378	5.6%	66,378	5.4%	66,378	5.2%
Share premium	175,575	14.8%	175,575	14.0%	175,575	13.8%
Legal and statutory reserves	22,719	1.9%	22,719	1.8%	21,990	1.7%
Retained earnings	117,994	9.9%	115,618	9.3%	113,737	8.9%
Own shares	-3,170	-0.3%	-3,170	-0.3%	-3,170	-0.2%
Translation reserve	1,301	0.1%	9,990	0.8%	11,739	0.9%
Fair value reserve	8,748	0.7%	8,886	0.7%	10,482	0.8%
Equity of holders of the parent	**389,545**	**32.7%**	**395,996**	**31.7%**	**396,731**	**31.1%**
Equity of non-controlling interests	**1,919**	**0.2%**	**1,823**	**0.1%**	**1,872**	**0.1%**
Non-current liabilities	**345,004**	**29.0%**	**385,330**	**30.8%**	**340,603**	**26.7%**
Provisions	71,230	6.0%	76,321	6.1%	83,712	6.5%
Deferred revenue	652	0.1%	617	0.0%	778	0.1%
Deferred tax liabilities	5,080	0.4%	5,933	0.5%	4,835	0.4%
Non-current financial liabilities	268,042	22.5%	302,459	24.2%	251,278	19.7%
Current liabilities	**452,440**	**38.1%**	**468,509**	**37.4%**	**538,077**	**42.1%**
Current financial liabilities	186,957	15.8%	181,649	14.5%	228,692	17.9%
Trade payables	171,189	14.4%	194,248	15.5%	202,392	15.8%
Other current liabilities	94,294	7.9%	92,612	7.4%	106,993	8.4%

Consolidated Income Statement of the Gorenje Group

in TEUR	Jan-Jun 2012	%	Q2 2012	%	Plan 2012	%	Jan-Jun 2011	%	Q2 2011	%	12/11	Plan realisation
Revenue	**618,612**	**94.7%**	**319,488**	**95.6%**	**1,391,408**	**99.1%**	**744,624**	**94.5%**	**374,406**	**95.3%**	83.1	44.5
Change in inventories	17,204	2.6%	8,181	2.4%	-4,071	-0.3%	25,239	3.2%	8,111	2.0%	68.2	/
Other operating income	17,468	2.7%	6,649	2.0%	17,475	1.2%	18,320	2.3%	10,473	2.7%	95.3	100.0
Gross profit	**653,284**	**100.0%**	**334,318**	**100.0%**	**1,404,812**	**100.0%**	**788,183**	**100.0%**	**392,990**	**100.0%**	**82.9**	**46.5**
Cost of goods, materials and services	-470,500	-72.0%	-242,475	-72.5%	-1,014,819	-72.2%	-599,977	-76.1%	-297,870	-75.8%	78.4	46.4
Other operating expenses	-9,253	-1.4%	-4,590	-1.4%	-20,465	-1.5%	-12,220	-1.6%	-7,920	-2.0%	75.7	45.2
ADDED VALUE	**173,531**	**26.6%**	**87,253**	**26.1%**	**369,528**	**26.3%**	**175,986**	**22.3%**	**87,200**	**22.2%**	**98.6**	**47.0**
Employee benefits expense	-132,756	-20.4%	-68,225	-20.4%	-268,231	-19.1%	-132,389	-16.8%	-65,286	-16.6%	100.3	49.5
EBITDA	**40,775**	**6.2%**	**19,028**	**5.7%**	**101,297**	**7.2%**	**43,597**	**5.5%**	**21,914**	**5.6%**	**93.5**	**40.3**
Amortisation and depreciation expense	-24,228	-3.7%	-11,698	-3.5%	-51,344	-3.7%	-25,694	-3.3%	-12,879	-3.3%	94.3	47.2
EBIT	**16,547**	**2.5%**	**7,330**	**2.2%**	**49,953**	**3.5%**	**17,903**	**2.2%**	**9,035**	**2.3%**	**92.4**	**33.1**
Finance income	6,092	0.9%	3,307	1.0%	4,729	0.3%	10,235	1.3%	4,936	1.3%	59.5	128.8
Finance expenses	-18,515	-2.8%	-9,406	-2.8%	-38,747	-2.7%	-19,264	-2.4%	-7,971	-2.0%	96.1	47.8
Finance income in associates	50	0.0%	86	0.0%		0.0%		0.0%		0.0%	/	/
Profit before tax	**4,174**	**0.6%**	**1,317**	**0.4%**	**15,935**	**1.1%**	**8,874**	**1.1%**	**6,000**	**1.6%**	**47.0**	**26.2**
Income tax expense	-1,850	-0.2%	-1,128	-0.3%	-2,534	-0.2%	-2,430	-0.3%	-1,447	-0.4%	76.1	73.0
Profit for the period	**2,324**	**0.4%**	**189**	**0.1%**	**13,401**	**0.9%**	**6,444**	**0.8%**	**4,553**	**1.2%**	**36.1**	**17.3**
Attributable to non-controlling interests	**100**	**0.0%**	**75**	**0.0%**	**474**	**0.0%**	**89**	**0.0%**	**29**	**0.0%**	**112.4**	**21.1**
Attributable to equity holders of the parent	**2,224**	**0.4%**	**114**	**0.1%**	**12,927**	**0.9%**	**6,355**	**0.8%**	**4,524**	**1.2%**	**35.0**	**17.2**
Basic and diluted earnings per share (in EUR)	**0.28**		**0.03**		**0.82**		**0.81**		**1.15**		**34.6**	**34.2**

Consolidated Statement of Comprehensive Income of the Gorenje Group

in TEUR	Jan-Jun 2012	Jan-Jun 2011
Profit for the period	**2,324**	**6,444**
Other comprehensive income		
Net change in fair value of available-for-sale financial assets	-11	-97
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge	-1,218	-4,054
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge, transferred to profit or loss	1,017	636
Income tax on other comprehensive income	74	703
Translation reserve	-8,689	2,897
Other comprehensive income for the period	**-8,827**	**85**
Total comprehensive income for the period	**-6,503**	**6,529**
Attributable to equity holders of the parent	-6,603	6,440
Attributable to non-controlling interests	100	89

- **Significant items in the consolidated statement of comprehensive income are outlined in the accompanying notes to the accounting report of the Gorenje Group.**

Consolidated Statement of Cash Flows of the Gorenje Group

in TEUR	Jan-Jun 2012	Jan-Jun 2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	**2,324**	**6,444**
Adjustments for:		
Depreciation of property, plant and equipment	20,992	22,530
Amortisation of intangible assets	3,236	3,164
Investment income	-6,092	-10,235
Finance expenses	18,529	19,264
Gain on sale of property, plant and equipment	-903	-363
Income tax expense	1,850	2,430
Operating profit before changes in net operating current assets and provisions	**39,936**	**43,234**
Change in trade and other receivables	-19,995	7,954
Change in inventories	-9,425	-23,423
Change in provisions	-5,056	-4,543
Change in trade and other liabilities	-22,230	-38,458
Cash generated from operations	**-56,706**	**-58,470**
Interest paid	-12,842	-11,671
Taxes paid	-1,850	-3,240
Net cash from operating activities	**-31,462**	**-30,147**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	1,819	399
Interest received	1,023	1,221
Dividends received	0	29
Liquidation of subsidiary	0	10,727
Acquisition of property, plant and equipment	-12,238	-20,156
Acquisition of investment property	0	-9,819
Other investments	505	7,905
Acquisition of intangible assets	-1,519	-3,670
Net cash used in investing activities	**-10,410**	**-13,364**
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of borrowings	-29,109	-7,038
Net cash used in financing activities	**-29,109**	**-7,038**
Net change in cash and cash equivalents	-70,981	-50,549
Cash and cash equivalents at beginning of period	101,620	82,728
Cash and cash equivalents at end of period	30,639	32,179

Consolidated 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 2012	**66,378**	**175,575**	**22,719**	**115,618**	**-3,170**	**9,990**	**8,886**	**395,996**	**1,823**	**397,819**
Total comprehensive income for the period										
Profit for the period				2,224				**2,224**	**100**	**2,324**
Total other comprehensive income						-8,689	-138	**-8,827**		**-8,827**
Total comprehensive income for the period	**0**	**0**	**0**	**2,224**	**0**	**-8,689**	**-138**	**-6,603**	**100**	**-6,503**
Transactions with owners (when acting as owners) recognised directly in equity										
Contributions by owners and distribution to owners										
Equity increase								**0**		**0**
Dividends								**0**	**0**	**0**
Unpaid dividends				152				**152**		**152**
Total contributions by owners and distribution to owners	**0**	**0**	**0**	**152**	**0**	**0**	**0**	**152**	**0**	**152**
Changes in ownership interests in subsidiaries that do not result in a loss of control										
Change in ownership interests								**0**	**-4**	**-4**
Total changes in ownership interests in subsidiaries	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-4**	**-4**
Total transactions with owners	**0**	**0**	**0**	**152**	**0**	**0**	**0**	**152**	**-4**	**148**
Closing balance at 30 Jun 2012	**66,378**	**175,575**	**22,719**	**117,994**	**-3,170**	**1,301**	**8,748**	**389,545**	**1,919**	**391,464**

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				6,355				**6,355**	**89**	**6,444**
Total other comprehensive income						2,897	-2,812	**85**		**85**
Total comprehensive income for the period	**0**	**0**	**0**	**6,355**	**0**	**2,897**	**-2,812**	**6,440**	**89**	**6,529**
Transactions with owners (when acting as owners) recognised directly in equity										
Contributions by owners and distribution to owners										
Equity increase										
Dividends										
Total contributions by owners and distribution to owners	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Changes in ownership interests in subsidiaries that do not result in a loss of control										
Change in ownership interests									**-22**	**-22**
Total changes in ownership interests in subsidiaries	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-22**	**-22**
Total transactions with owners	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-22**	**-22**
Closing balance at 30 Jun 2011	**66,378**	**175,575**	**21,990**	**113,737**	**-3,170**	**11,739**	**10,482**	**396,731**	**1,872**	**398,603**

Notes to the Consolidated Financial Statements of the Gorenje Group

Consolidated Income Statement

- **Revenue** declined in the period January – June 2012 by TEUR 126,012 or 16.9% as compared to the equivalent period last year; in comparable terms (elimination of the disposed company Istrabenz Gorenje in July 2011 from the comparable period last year), revenue decreased by TEUR 21,193 or 3.3%. The second quarter of the year shows an increase in sales activities, as the Group has lagged behind the comparable quarter of 2011 by EUR 3.3 mio (1.0%). The aforesaid indicates that most of the comparable lag was incurred in the first quarter of 2012. Lower revenue was recorded by all Business Segments i.e. in the Business Segment Home by 0.7 %, while in in the Business Segment Ecology revenue was lower by 10.8% and by 68.5% (comparable 17.2%) in the Business Segment Portfolio Investments.

- **Other operating revenue** in the amount of TEUR 17,468 includes revenue from subsidies (TEUR 5,544), income from the reversal of provisions (TEUR 6,500 of which TEUR 3,897 includes the utilisation and reversal of provisions for the Asko Group restructuring), rental income (TEUR 761), income from compensation for damages (TEUR 979), income relating to the Directive on Waste Electrical and Electronic Equipment (TEUR 316), gain on disposal of property, plant and equipment (TEUR 903), and other operating income (TEUR 2,465).
- The growth dynamics in **cost of goods and materials** was lower from the growth of gross profit (total operating income) and revenue, which is mostly attributable to lower prices of materials and raw materials (coloured metals, oil) and sales structure reforms in the Business Segment Home in view of its products and markets.
- Taking into account comparable figures, **cost of services** increased by TEUR 1,786 or 1.8% compared to the equivalent period last year, mostly as the result of cost of logistics, rentals, and servicing in the warranty period. Conversely, cost of materials and cost of goods sold declined more than the volume of business activities.
- Considering comparable data, **employee benefits expense** increased over the last year's same period by TEUR 1,728 or 1.3%. The share in gross profit structure grew from 19.2% to 20.3% in comparable terms. Employee benefits expense per employee rose over last year's equivalent period by 2.8%.
- **Amortisation and depreciation expense** decreased by TEUR 1,002 if compared to last year's comparable period, which is mainly the result of lower investments made in the first quarter of 2012 and extended useful lives.
- Most of **other operating expenses** refer to costs that were incurred in connection with the Directive on Waste Electrical and Electronic Equipment (TEUR 3,926), charges independent of the result for the period (TEUR 1,739), and expenses referring to write-offs of inventories (TEUR 1,015).
- **Value added per employee** increased by 1.2% in comparable terms and amounted to EUR 16.173.
- Compared to the previous year's equivalent period and considering comparable figures (after the effects of the elimination of the company Istrabenz Gorenje), the **negative result from financing activities** is higher by TEUR 2,261. This figure was negatively affected by a poor result relating to interest and other financing activities, in particular higher write-offs of receivables and last year's positive effect of the winding-up of Gorenje Tiki, d.o.o. – in liquidation, and positively affected by a higher result from exchange differences.

in TEUR	Jan-Jun 2012	Jan-Jun 2011	12/11
Dividend income	0	29	0,0
Interest income	1,383	1,526	90.6
Income from revaluation due to value maintenance (foreign exchange gains) *	3,021	137	/
Other finance income **	1,688	8,543	19.8
Total finance income	**6,092**	**10,235**	**59.5**
Interest expenses	12,182	10,916	111.6
Expenses from revaluation due to value maintenance (foreign exchange losses) *	389	2,690	14.5
Other finance expenses **	5,944	5,658	105.1
Total finance expenses	**18,515**	**19,264**	**96.1**
Dividend result	0	29	0.0
Interest result	-10,799	-9,390	115.0
Revaluation result	2,632	-2,553	/
Result from other financing activities	-4,256	2,885	/
Total financial result	**-12,423**	**-9,029**	**137.6**

*** including income (expenses) on foreign currency hedging***
***** including income (expenses) on interest rate hedging***

- **Income tax expense** is recorded at TEUR 1,850 and is lower by EUR 0.4 mio or 18.5% if compared to last year's equivalent period. The aforesaid result is mostly due to the changed structure of generating profit before tax per companies and the effects of tax optimising that was carried out in the past few years.

Consolidated Statement of Comprehensive Income

- The consolidated statement of comprehensive income includes the negative effect of impairments of available-for-sale financial assets in the amount of TEUR 11, and the negative impact of interest rate hedging in the amount of TEUR 1,218 (effect of interest rate swaps), whereas a part of the implemented interest rate hedging (interest rate swaps) in the amount of TEUR 1,017 that has already been included in the first six months of 2012, pursuant to provisions of IAS 1 required to be recorded separately in the statement of comprehensive income, and thus creating a positive value.

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Consolidated Statement of Financial Position

- **Statement of financial position total** amounted to TEUR 1,188,908 at the end of June and indicated a decline over the balance at the end of 2011, as well as over the equivalent period last year. Data in the statement of the financial position cannot be compared to the previous year's equivalent period due to the sale of the company Istrabenz Gorenje, d.o.o. in July 2011.
- As of the end of June, the share of non-current assets within the asset structure was 46.4% and shows an increase of 2.0 percentage points compared to the balance recorded at 31 December 2011.
- Compared to the balance at the end of December, **total inventories** grew by TEUR 9,425 or 3.8%. Inventories of products and work in progress increased in the Business Segment Home due to the year-on-year dynamics in production and sales activities, while inventories of materials and merchandise decreased. Compared to the previous year's comparable period, inventories declined by TEUR 25.983 or 9.2%.

in TEUR	30 Jun 2012	31 Dec 2011	30 Jun 2011	30 Jun 2012 / 30 Jun 2011	30 Jun 2012 / 31 Dec 2011
Materials	63,187	70,404	86,071	73.4	89.7
Work in progress	16,140	15,480	15,241	105.9	104.3
Products	141,177	124,633	141,728	99.6	113.3
Merchandise	32,458	32,740	35,382	91.7	99.1
Advances	2,071	2,351	2,594	79.8	88.1
Total	**255,033**	**245,608**	**281,016**	**90.8**	**103.8**

- Turnover of inventories of products is nine days longer compared to the entire year 2011 and eight days longer compared to the equivalent period last year.

	Jan-Jun 2012	Jan-Dec 2011	Jan-Jun 2011
Turnover of products	39	30	31
Turnover of trade receivables	77	71	72
Turnover of trade payables	70	70	66

- The major portion of decreases in **current investments** refers to the decline in current loans as a result of the transfer to non-current loans at the company Gorenje Beteiligungs GmbH.
- Considering the year-end balance of 2011, **trade receivables** increased by TEUR 16,481, but were lower by TEUR 20,009 in terms of last year's comparable period; this is mostly attributable to the sale of the company Istrabenz Gorenje, d.o.o.

  Turnover of trade receivables indicates an increase from 72 to 77 days compared to the equivalent period last year; the turnover grew by six days compared to 2011.
- **Other current assets** grew by TEUR 1,059 compared to the year-end balance of 2011, which is mostly due to higher transitionally accrued revenue and advances given, whereas input VAT receivables and deferred costs of operations decreased.
- **Equity** was nominally increased by the amount of the generated profit for the period and the amount of increase in the fair value reserves from accounted deferred tax liabilities. Equity was nominally decreased by the change in the

value of cash flow hedge, the change in the fair value of available-for-sale financial assets, and the decrease of the translation reserve.

- **Provisions** decreased by TEUR 5,056 compared to the year-end of 2011; this is mostly the result of reversal of provisions relating to the integration activities of the Asko Group.
- Considering the figures at the end of 2011, **financial liabilities** declined by TEUR 29,109 or 6.0%, which is attributable to the repayment of borrowings. As at 30 June 2012, financial liabilities represented 38.3% of total liabilities, which is 0.4 percentage points less than at the year-end of 2011.
- **Trade payables** decreased by TEUR 23,059 compared to figures at the end of 2011; this is mostly the result of adjusting the purchase volume to the production requirements, and higher costs of suppliers accounted for but not yet charged and disclosed among other current liabilities.

  Turnover of trade payables remained on the same level compared to the entire year 2011 and increased by four days in terms of last year's comparable period.
- **Other current liabilities**, including mostly payables to employees and payables to state and other institutions, payables for advances received and accrued costs and expenses, increased by TEUR 1,682 or 1.8% compared to the year-end of 2011.

Consolidated Statement of Cash Flows

- **Cash flows from operating activities** were negative. They were positively affected by amortisation and depreciation expense and the generated profit for the period, whereas the increase in net current assets had a negative impact.
- **Cash flows from investing activities** were negative mostly as a result of acquiring property, plant and equipment and intangible assets.
- **Cash flows from financing activities** were negative due to the repayment of borrowings.

Business and Geographical Segments of the Gorenje Group

in TEUR	Business Segment Home		Business Segment Ecology		Business Segment Portfolio Investments		Group	
	Jan-Jun 2012	Jan-Jun 2011	Jan-Jun 2012	Jan-Jun 2011	Jan-Jun 2012	Jan-Jun 2011	Jan-Jun 2012	Jan-Jun 2011
Revenue from sales to third parties	512,609	516,336	52,608	59,005	53,395	169,283	618,612	744,624
Inter-segment sales	1,465	2,428	598	667	4,068	5,897	6,131	8,992
Interest income	1,319	1,314	52	37	12	175	1,383	1,526
Interest expenses	11,846	10,071	258	381	78	464	12,182	10,916
Amortisation and depreciation expense	21,629	22,614	1,849	1,938	750	1,142	24,228	25,694
Profit or loss before tax	-1,065	1,749	2,062	2,481	3,177	4,644	4,174	8,874
Income tax expense							1,850	2,430
Profit for the period							2,324	6,444

in TEUR	West		East		Other		Group	
	Jan-Jun 2012	Jan-Jun 2011	Jan-Jun 2012	Jan-Jun 2011	Jan-Jun 2012	Jan-Jun 2011	Jan-Jun 2012	Jan-Jun 2011
Revenue from sales to third parties	250,649	274,205	318,608	423,962	49,355	46,457	618,612	744,624

Financial Indicators

	Jan-Jun 2012	Plan 2012	Jan-Jun 2011
INDICATORS OF PROFITABILITY			
Net return on sales (ROS)	0.4%	1.0%	0.9%
Net return on assets (ROA)	0.4%	1.1%	1.0%
Net return on equity (ROE)	1.2%	3.3%	3.3%
ASSET INDICATORS			
Asset turnover ratio	1.01	1.19	1.15
Inventory turnover ratio	4.94	5.69	5.53
Current trade receivables turnover ratio	4.68	5.06	4.98
INVESTMENT INDICATORS			
Fixed assets (PPE) to total assets	0.42	0.43	0.42
Current assets to total assets	0.46	0.46	0.45
INDICATORS OF FINANCIAL COMPOSITION			
Long-term coverage of non-current assets	1.34	1.41	1.28
Equity to total liabilities	0.33	0.36	0.31
Long-term to total liabilities	0.62	0.65	0.58
Equity to fixed assets (carrying value)	0.78	0.82	0.74
Quick ratio (liquid assets to current liabilities)	0.13	0.16	0.13
(Liquid assets + current receivables) to current liabilities	0.85	0.94	0.78
Current ratio	1.41	1.53	1.30
Net financial liabilities to equity	1.01	0.83	1.02
OPERATING PERFORMANCE INDICATORS			
Operating income to operating expenses	1.03	1.04	1.02
Revenue per employee (EUR)	57,653	128,075	67,712
Value added per employee (EUR)	16,173	34,014	16,003

Unaudited Financial Statements of Gorenje, d.d.

Statement of Financial Position of Gorenje, d.d.

in TEUR	Balance at 30 Jun 2012	%	Balance at 31 Dec 2011	%	Balance at 30 Jun 2011	%
ASSETS	**835,927**	**100.0%**	**881,299**	**100.0%**	**822,565**	**100.0%**
Non-current assets	**434,475**	**52.0%**	**438,428**	**49.7%**	**438,707**	**53.3%**
Intangible assets	14,503	1.8%	15,455	1.8%	15,570	1.9%
Property, plant and equipment	145,722	17.4%	152,758	17.3%	154,207	18.7%
Investment property	13,451	1.6%	15,217	1.7%	11,411	1.4%
Investments in subsidiaries	246,685	29.5%	240,672	27.3%	245,275	29.8%
Investments in associates	976	0.1%	976	0.1%	0	0.0%
Other non-current investments	686	0.1%	703	0.1%	944	0.1%
Deferred tax assets	12,452	1.5%	12,647	1.4%	11,300	1.4%
Current assets	**401,452**	**48.0%**	**442,871**	**50.3%**	**383,858**	**46.7%**
Inventories	81,766	9.8%	81,118	9.2%	100,771	12.2%
Current investments	104,056	12.4%	94,789	10.8%	88,006	10.7%
Trade receivables	195,070	23.3%	187,903	21.3%	180,954	22.0%
Other current assets	17,427	2.1%	20,971	2.4%	13,622	1.7%
Cash and cash equivalents	3,133	0.4%	58,090	6.6%	505	0.1%
EQUITY AND LIABILITIES	**835,927**	**100.0%**	**881,299**	**100.0%**	**822,565**	**100.0%**
Equity	**330,075**	**39.5%**	**335,326**	**38.0%**	**330,610**	**40.2%**
Share capital	66,378	7.9%	66,378	7.5%	66,378	8.1%
Share premium	157,712	18.9%	157,712	17.9%	157,712	19.2%
Legal and statutory reserves	22,719	2.7%	22,719	2.6%	21,990	2.7%
Retained earnings	84,408	10.1%	89,521	10.2%	84,195	10.2%
Own shares	-3,170	-0.4%	-3,170	-0.4%	-3,170	-0.4%
Fair value reserve	2,028	0.3%	2,166	0.2%	3,505	0.4%
Non-current liabilities	**230,510**	**27.6%**	**253,694**	**28.9%**	**200,522**	**24.4%**
Provisions	25,672	3.1%	26,227	3.0%	26,605	3.2%
Deferred tax liabilities	1,249	0.1%	1,391	0.2%	699	0.1%
Non-current financial liabilities	203,589	24.4%	226,076	25.7%	173,218	21.1%
Current liabilities	**275,342**	**32.9%**	**292,279**	**33.1%**	**291,433**	**35.4%**
Current financial liabilities	127,885	15.3%	133,254	15.1%	133,899	16.3%
Trade payables	126,325	15.1%	142,027	16.1%	137,937	16.8%
Other current liabilities	21,132	2.5%	16,998	1.9%	19,597	2.3%

Income Statement of Gorenje, d.d.

in TEUR	Jan-Jun 2012	%	Q2 2012	%	Plan 2012	%	Jan-Jun 2011	%	Q2 2011	%	12/11	Plan realisation
Revenue	316,251	98.2%	164,901	99.1%	693,620	99.0%	318,445	95.9%	154,227	96.9%	99.3	45.6
Change in inventories	736	0.2%	-1,910	-1.1%	0	0.0%	8,060	2.4%	1,835	1.1%	9.1	/
Other operating income	5,075	1.6%	3,345	2.0%	6,786	1.0%	5,403	1.7%	3,154	2.0%	93.9	74.8
Gross profit	**322,062**	**100.0%**	**166,336**	**100.0%**	**700,406**	**100.0%**	**331,908**	**100.0%**	**159,216**	**100.0%**	97.0	46.0
Cost of goods, materials and services	-260,897	-81.0%	-135,923	-81.7%	-557,076	-79.5%	-265,856	-80.1%	-127,158	-79.9%	98.1	46.8
Other operating expenses	-2,884	-0.9%	-1,794	-1.1%	-5,652	-0.8%	-2,043	-0.6%	-996	-0.6%	141.2	51.0
ADDED VALUE	**58,281**	**18.1%**	**28,619**	**17.2%**	**137,678**	**19.7%**	**64,009**	**19.3%**	**31,062**	**19.5%**	91.1	42.3
Employee benefits expense	-50,093	-15.6%	-25,956	-15.6%	-104,150	-14.9%	-48,558	-14.6%	-23,309	-14.6%	103.2	48.1
EBITDA	**8,188**	**2.5%**	**2,663**	**1.6%**	**33,528**	**4.8%**	**15,451**	**4.7%**	**7,753**	**4.9%**	53.0	24.4
Amortisation and depreciation expense	-10,600	-3.3%	-5,085	-3.1%	-22,675	-3.2%	-10,901	-3.3%	-5,432	-3.4%	97.2	46.7
EBIT	**-2,412**	**-0.8%**	**-2,422**	**-1.5%**	**10,853**	**1.6%**	**4,550**	**1.4%**	**2,321**	**1.5%**	/	/
Finance income	9,797	3.1%	3,750	2.3%	15,395	2.2%	7,341	2.2%	4,958	3.1%	133.5	63.6
Finance expenses	-12,521	-3.9%	-6,564	-3.9%	-23,145	-3.3%	-10,991	-3.3%	-6,124	-3.8%	113.9	54.1
Profit or loss before tax	**-5,136**	**-1.6%**	**-5,236**	**-3.1%**	**3,103**	**0.5%**	**900**	**0.3%**	**1,155**	**0.8%**	/	/
Income tax expense	-129	0.0%	-160	-0.1%	992	0.1%	333	0.1%	-123	-0.1%	/	/
Profit for the period	**-5,265**	**-1.6%**	**-5,396**	**-3.2%**	**4,095**	**0.6%**	**1,233**	**0.4%**	**1,032**	**0.7%**	/	/
Basic and diluted earnings per share (in EUR)	**-0.67**		**-1.37**		**0.26**		**0.16**		**0.26**			

Statement of Comprehensive Income of Gorenje, d.d.

in TEUR	Jan-Jun 2012	Jan-Jun 2011
Profit for the period	**-5,265**	**1,233**
Other comprehensive income		
Net change in fair value of available-for-sale financial assets	-11	-97
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge	-1,218	-4,054
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge, transferred to profit or loss	1,017	636
Income tax on other comprehensive income	74	703
Other comprehensive income for the period	**-138**	**-2,812**
Total comprehensive income for the period	**-5,403**	**-1,579**

- **Significant items in the statement of comprehensive income are outlined and explained in the accompanying notes to the accounting report of the Gorenje Group (page 41 of the report).**

Statement of Cash Flows of Gorenje, d.d.

in TEUR	Jan-Jun 2012	Jan-Jun 2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	**-5,265**	**1,233**
Adjustments for:		
Depreciation of property, plant and equipment	9,240	9,636
Amortisation of intangible assets	1,360	1,265
Investment income	-9,797	-7,341
Finance expenses	12,521	10,991
Gain on sale of property, plant and equipment	-597	-22
Income tax expense	129	-333
Operating profit before changes in net operating current assets and provisions	**7,591**	**15,429**
Change in trade and other receivables	-3,156	5,981
Change in inventories	-648	-7,111
Change in provisions	-555	-792
Change in trade and other liabilities	-11,555	-22,270
Cash generated from operations	**-15,914**	**-24,192**
Interest paid	-10,901	-8,213
Net cash from operating activities	**-19,224**	**-16,976**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	959	273
Dividends received	0	938
Interest received	2,954	1,926
Liquidation of subsidiary	0	10,727
Acquisition of subsidiary	-6,013	-7,179
Acquisition of property, plant and equipment	-2,603	-6,268
Acquisition of investment property	0	-9,819
Other investments	-6,833	-25,971
Acquisition of intangible assets	-413	-1,346
Net cash used in investing activities	**-11,949**	**-36,719**
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of borrowings	-23,784	4,522
Net cash used in financing activities	**-23,784**	**4,522**
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS		
Net increase or decrease in cash and cash equivalents	-54,957	-49,173
Cash and cash equivalents at beginning of period	58,090	49,678
Cash and cash equivalents at end of period	3,133	505

Statement of Changes in Equity in Gorenje, d.d.

in TEUR	Share capital	Share premium	Legal and statutory reserves	Retained earnings	Own shares	Fair value reserve	Total
Opening balance at 1 Jan 2012	**66,378**	**157,712**	**22,719**	**89,521**	**-3,170**	**2,166**	**335,326**
Total comprehensive income for the period							
Profit for the period				-5,265			-5,265
Total other comprehensive income						-138	-138
Total comprehensive income for the period	**0**	**0**	**0**	**-5,265**	**0**	**-138**	**-5,403**
Transactions with owners (when acting as owners) recognised directly in equity							0
Contributions by owners and distribution to owners							0
Equity increase							0
Dividends							0
Unpaid dividends				152			152
Total contributions by owners and distribution to owners	**0**	**0**	**0**	**152**	**0**	**0**	**152**
Total transactions with owners	**0**	**0**	**0**	**152**	**0**	**0**	**152**
Closing balance at 30 Jun 2012	**66,378**	**157,712**	**22,719**	**84,408**	**-3,170**	**2,028**	**330,075**

in TEUR	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							0
Profit for the period				1,233			1,233
Total other comprehensive income						-2,812	-2,812
Total comprehensive income for the period	**0**	**0**	**0**	**1,233**	**0**	**-2,812**	**-1,579**
Transactions with owners (when acting as owners) recognised directly in equity							0
Contributions by owners and distribution to owners							0
Equity increase							0
Dividends							0
Total contributions by owners and distribution to owners	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total transactions with owners	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Closing balance at 30 Jun 2011	**66,378**	**157,712**	**21,990**	**84,195**	**-3,170**	**3,505**	**330,610**

Notes to the Financial Statement of Gorenje, d.d.

Income Statement

- As for the total sales structure, **sales of home products produced in-house** amounted to TEUR 184,213 and recorded a share of 58.2%; compared to the previous year's result for the equivalent period, the figure **declined by 7.4%.**

  Other sales were recorded at TEUR 132,038 and show an increase of 10.5% over the previous year's equivalent period. The result was positively affected by higher revenue from sales of home products via dealers (sales of home products outside own production) by 5.5% and by sales of other home products by 20.6% (sales of the Services programme, marketing of materials, work in progress and services) compared to the same period last year.

  Revenue generated by the Business Segment Portfolio Investments, which includes the Point programme, the Ecology, energy and environment programme, and the Solar programme, grew by 12.7% compared to the equivalent period in 2011.

  For the equivalent period last year, **other operating income** is lower by 6.1% as a result of lower subsidies and lower reversal of long-term provisions.

- **Cost of goods, materials and services** decreased by 1.9%, relative to the equivalent period last year as a result of lower volumes of business activities relating to home products produced in-house. **Cost of goods and materials sold increased** by 7.1% over the last year's same period as a result of the increase in other sales. Considering the same period in 2011, **cost of raw materials and material dropped** by 5.7% as a result of lower volumes of products produced in-house and lower prices of coloured metal and oil. **Cost of services** decreased by 8.8 % as compared to the equivalent period last year.

in TEUR	Jan-Jun 2012	Jan-Jun 2011	12/11
Cost of goods, materials and services	260,897	265,856	98.1
- cost of goods and materials sold	94,703	88,447	107.1
- cost of materials	131,878	139,802	94.3
- cost of services	34,316	37,607	91.2
Employee benefits expense	50,093	48,558	103.2
Amortisation and depreciation expense	10,600	10,901	97.2
Other operating expenses	2,884	2,043	141.2
Total operating expenses	**324,474**	**327,358**	**99.1**

- **Employee benefits expense** increased by 3.2%, compared to the same period of 2011.
- Considering last year's equivalent period, **amortisation and depreciation expense** declined by 2.8%, which is mostly the result of lower investments made in property, plant and equipment.
- **Other operating expenses** increased by 41.2%, compared to the equivalent period last year, as a result of accounting for obsolete material and recording provisions for claims or lawsuits.
- **Value added per employee** was EUR 13,109, which is 8.1% lower than the same period last year.
- **Financing activities** are more favourable compared to the previous year's equivalent period mostly due to higher dividends.

in TEUR	Jan-Jun 2012	Jan-Jun 2011	12/11
Interest income	2,921	2,107	138.6
Income from revaluation due to value maintenance *	398	137	290.5
Other finance income **	6,478	5,097	127.1
Total finance income	**9,797**	**7,341**	**133.5**
Interest expenses	-8,225	-6,594	124.7
Expenses from revaluation due to value maintenance *	-463	-58	798.3
Other finance expenses **	-3,833	-4,339	88.3
Total finance expenses	**-12,521**	**-10,991**	**113.9**
Interest result	-5,304	-4,487	118.2
Revaluation result	-65	79	/
Result from other financing activities	2,645	758	348.9
Total financial result	**-2,724**	**-3,650**	**74.6**

*** including income (expenses) on foreign currency hedging***
***** including income (expenses) on interest rate hedging***

- **Income tax expense** includes deferred taxes in the amount of TEUR 129 that lowers the operating result due to the restated tax rate from 20% to 18%.

Statement of comprehensive income

- Disclosures of items in the parent company's statement of comprehensive income already form a constituent part of notes to the statement of comprehensive income of the Gorenje Group.

Statement of Financial Position

- As at 30 June 2012**, the statement of financial position total** amounted to TEUR 835,927 and is lower by 5.1% compared to the year-end result of 2011; the decrease is attributable to the lower balance in cash.
- Compared to the year-end of 2011, the **asset** structure indicates a shift towards non-current assets, which account for 52.0% among total assets; their share was at 49.7% at the end of 2011.
- **The value of investment in subsidiaries** grew compared to figures at the end of 2011, which is the result of the capital increase in the company Gorenje Tiki, d.o.o., Stara Pazova amounting to TEUR 6,000.
- **Value of investment property** declined by 11.6% compared to the previous year's equivalent period and is attributable to the partial sale of land in Ljubljana.
- Considering the previous year's results, **inventories of materials** declined by 4.2% as a result of adjusting the purchase volume to the production requirements; the average inventory turnover of material is shorter by 5 days from the average recorded in 2011 (taking account of the first half-year of 2011, the average inventory turnover of material is shorter by 6 days). **Inventories of products** declined by 0.3% compared to the year-end balance of 2011, which is the result of achieved interim dynamics in production and sales activities; average inventory turnover of products was recorded at 24 days and is longer by 1 day from the average reported in 2011 (the average inventory turnover of products is equal if taking account of the first half-year of 2011). **Inventories of merchandise** in the amount of TEUR 11,202 grew by 22.2% compared to the year-end balance of 2011.
- Considering the year-end balance of 2011, **current investments** are higher by 9.8% as a result of loans extended to subsidiaries and receivables disclosed in connection with unpaid dividends.

- The balance of **trade receivables** are higher by 3.8% compared to the result recorded at the end of 2011. The average turnover of receivables increased by 4 days over the average recorded in 2011 (the average turnover of receivables is longer by 3 days if compared to the equivalent period in 2011).
- Compared to the average of 2011, the **turnover of trade payables** dropped by 5 days in the first half-year of 2012 (the average turnover of trade payables is shorter by 8 days if compared to the first half-year of 2011).
- **Other current assets** record a decline of 16.9% if compared to the year-end result of 2011, which is mostly due to lower input VAT receivables and lower deferred costs of operations.
- As for the total **liabilities** structure, the non-current liabilities exceed the coverage of non-current assets by 29.0% as at 30 June 2012. Equity (share capital and long-term provisions) accounts for 42.6% of total liabilities, which still provides for a conservative equity composition.
- Compared to the end of 2011, changes in the company's **equity** refer to following:
  - decrease due to the loss for the period in the amount of TEUR 5,265,
  - lower fair value reserve by the revaluation of available-for-sale financial assets to the market value in the amount of TEUR 11,
  - lower fair value reserve by changes in the cash flow hedge in the amount of TEUR 201, and
  - higher fair value reserve by liabilities referring to deferred taxes in the amount of TEUR 74.
- **Provisions** are below the level recorded at the end of 2011 by 2.1%.
- **Non-current financial liabilities** decreased over the previous year as a result of repaying past due borrowings.
- **Current financial liabilities** dropped compared to the previous year's results, which is mostly due to the repayment of current borrowings.
- **Trade payables** are lower by 11.1% compared to the year-end result of 2011, which is mostly attributable to interim dynamics and adjusting the purchase volume to production and sales requirements.
- **Other current liabilities** include mostly payables to employees and payables to state and other institutions, payables for advances received in connection with services, and accrued costs and expenses. They increased by 24.3% compared to the year-end balance of 2011, which is the result of higher accrual level of operating expenses or costs during interim financial reporting.

Statement of Cash Flows

- **Cash flows from operating activities** were negative predominantly as a result of the loss for the period and lower trade payables. Conversely, they was positively affected by amortisation and depreciation expense.
- **Cash flows from investing activities** were negative mostly as a result of extending loans to subsidiaries and increasing the equity of a subsidiary.
- **Cash flows from financing activities** were negative due to the repayment of borrowings.
- **Negative cash flows** are entirely covered by or offset with cash available at the end of 2011.

Financial Indicators

	Jan-Jun 2012	Plan 2012	Jan-Jun 2011
INDICATORS OF PROFITABILITY			
Net return on sales (ROS)	-1.66%	0.60%	0.39%
Net return on assets (ROA)	-1.23%	0.50%	0.29%
Net return on equity (ROE)	-3.16%	1.20%	0.74%
ASSET INDICATORS			
Asset turnover ratio	0.74	0.81	0.76
Inventory turnover ratio	7.77	7.31	6.55
Current trade receivables turnover ratio	3.30	3.65	3.49
INVESTMENT INDICATORS			
Fixed assets (PPE) to total assets	0.21	0.21	0.22
Current assets to total assets	0.52	0.51	0.53
INDICATORS OF FINANCIAL COMPOSITION			
Long-term coverage of non-current assets	1.29	1.33	1.21
Equity to total liabilities	0.39	0.41	0.40
Long-term to total liabilities	0.67	0.68	0.65
Equity to fixed assets (carrying value)	1.90	1.96	1.82
Quick ratio (liquid assets to current liabilities)	0.39	0.36	0.30
(Liquid assets + current receivables) to current liabilities	1.16	1.12	0.97
Current ratio	1.46	1.52	1.32
Net financial liabilities to equity	0.68	0.65	0.66
OPERATING PERFORMANCE INDICATORS			
Operating income to operating expenses	0.99	1.02	1.01
Revenue per employee (EUR)	71,132	155,311	70,986
Value added per employee (EUR)	13,109	30,828	14,269

Information Regarding the Report and its Public Announcement

Pursuant to provisions of the Financial Instruments Market Act and Rules and Regulations of the Ljubljana Stock Exchange, the company Gorenje, d.d., Partizanska 12, SI-3503 Velenje, hereby announces the **Unaudited Non-consolidated Business Report of Gorenje, d.d., for the Period January-June 2012** and the **Unaudited Consolidated Business Report of the Gorenje Group for the Period January-June 2012**. Major changes to the information included in the prospectus for stock exchange listing are announced regularly in the Delo daily newspaper, Ljubljana Stock Exchange electronic information dissemination system SEOnet, and the company website at www.gorenje.com. The unaudited report of Gorenje, d.d., and the Gorenje Group was adopted by its Supervisory Board at their **27th regular session** held on **23 August 2012**. The report shall be available at the headquarters of Gorenje, d.d., at Partizanska 12, SI-3503 Velenje. Further, the report hereunder was also announced in the Ljubljana Stock Exchange electronic info system on **24 August 2012**, and published on the issuer's web site at www.gorenje.com

Forward-looking Statements

This announcement of the Unaudited Business Report for the Period January-June 2012 includes forward-looking information and forecasts – i.e. statements regarding the future, rather than the past, and regarding events within the framework and in relation to the currently effective legislation on publicly traded companies and securities and pursuant to the Rules and Regulations of the Ljubljana Stock Exchange. These statements can be identified by the words such as "expected", "anticipated", "forecast", "intended", "planned or budgeted", "probable or likely", "strive/invest effort to", "estimated", "will", "projected", or similar expressions. These statements include, among others, financial goals and targets of the parent company Gorenje, d.d., and the Gorenje Group for the upcoming periods, planned or budgeted operations, and financial plans. These statements are based on current expectations and forecasts and are subject to risk and uncertainty which may affect the actual results which may in turn differ from the information stated herein for various reasons. Various factors, many of which are beyond reasonable control by Gorenje, affect the operations, performance, business strategy, and results of Gorenje. Thus actual results, performance, or achievements of Gorenje may differ materially from the expected results, performance, or achievements as stated in these forward-looking statements. These factors include, without prejudice to any not mentioned herein, the following: consumer demand and market conditions in geographical segments or regions and in industries in which the Gorenje Group is conducting its operating activities; effects of changes in exchange rates; competitive downward pressure on downstream prices; major loss of business with a major account/customer; the possibility of overdue or late payment on the part of customers; decrease in prices as a result of persistently harsh market conditions, in an extent much higher than currently expected by Gorenje's Management Board; success of development of new products and implementation in the market; development of manufacturer's liability for the product; progress of attainment of operative and strategic goals regarding efficiency; successful identification of opportunities for growth and mergers and acquisitions, and integration of such opportunities into the existing operations; further volatility and aggravation of circumstances in capital markets; progress in attainment of goals regarding structural reorganization and reorganization in purchasing. If one more risks or uncertainties are in fact materialized or if the said assumptions are proven wrong, actual results may deviate materially from those stated as expected, hoped for, forecast, projected, planned, probable, estimated, or anticipated in this announcement. Gorenje does not intend to assume and will not allow for any liability to update or revise these forecasts in light of development differing from the expected events.