CONTROLLING THE COURSE OF CHANGE

GORENJE GROUP 2013 ANNUAL REPORT

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I. GORENJE GROUP IN 2013 AND ITS OUTLOOK

On the right track

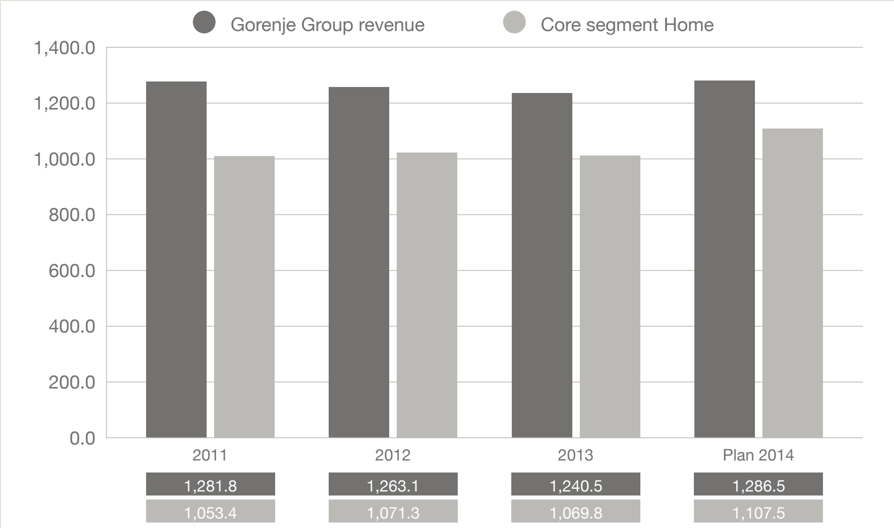
2013 PERFORMANCE HIGHLIGHTS

EURm	2012	2013	Index	Performance highlights
Revenue	**1,263.1**	**1,240.5**	**98.2**	The drop in revenue by 1.8% is a result of lower activities of the companies in the Portfolio Investment segment. Revenue from core activity (Home) amounted to EUR 1,069.8 million, which is on a par with the 2012 figure. Adjusting for currency translation differences, core activity revenue would have been higher by 1.3%.
EBITDA	**90.6**	**78.2**	**86.3**	EBITDA was lower by 13.7% than in 2012. EBITDA margin reached 6.3%, which is 0.9 percentage point lower than in 2012.
EBITDA Margin (%)	7.2%	6.3%	/	
EBIT	**44.9**	**36.3**	**80.9**	The following factors had a notable impact on the actual EBITDA and EBIT: – Reluctance on the part of consumers to purchase durables; – adjustment of pricing to the conditions in particular markets; – sale of buffer inventory built-up as a supply cushion for the period of manufacturing operations relocation process, as a result of the Group's working capital optimization policies; – a drop in other income by EUR 6.4 million; – higher costs of services by 4.2% or EUR 8.8 million (logistics due to relocation of manufacturing operations and change of sales structure by geographical segments); + lower depreciation and amortization expense; + capitalized development costs (EUR 13.9 million; in 2012: EUR 1.9 million); + lower labour costs by EUR 20.7 million.
EBIT margin (%)	3.6%	2.9%	/	
Profit before taxes	**14.8**	**-18.6**	**/**	Negative results from financing activities in the amount of EUR 54.4 million is EUR 24.0 million worse as a result of impairments to financial investments (EUR -13.4 million) and negative currency translation differences (EUR -9.6 million). On the other hand, decrease of interest expense had a positive effect.
Results w/o discontinued operations	**9.2**	**-14.4**	**/**	
Results from discontinued operations	**-8.9**	**-10.6**	**119.0**	Non-recurring effects of discontinued operations, which includes effects related to divestment of furniture manufacturing business (EUR -7.7 million)
Profit for the period	**0.3**	**-25.0**	**/**	Adjusting for all negative effects (impairment of financial investments and receivables, currency translation differences, discontinued operations), and capitalized development costs, the Group's results would have been positive at EUR +1.7 million.
ROS (%)	0.02%	-2.0%	/	
Financial debt	**432.7**	**397.4**	**91.8**	Overall debt[1] was cut by EUR 35.3 million relative to the end of 2012, mostly as a result of lower investment into net working capital, divestment of non-operating assets, positive cash flow in the last quarter of 2013, and the capital increase. The Group's net financial debt[2] was decreased by EUR 20.4 million.
Net financial debt[3]	**379.2**	**358.8**	**94.6**	
Net financial debt / EBITDA	**4.2**	**4.6**	**/**	

[1]Sum of Gorenje Group's current and non-current financial liabilitiesChanges to key financial indicators
[2]Financial debt – cash and cash equivalents
[3]Sum of Gorenje Group's current and non-current financial liabilities, minus cash and cash equivalents at the end of the period at hand

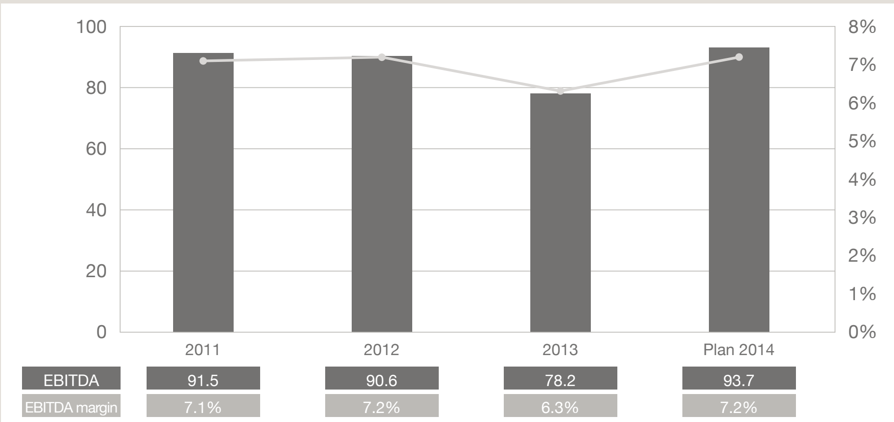
Changes to key financial indicators

Gorenje Group revenue, EURm



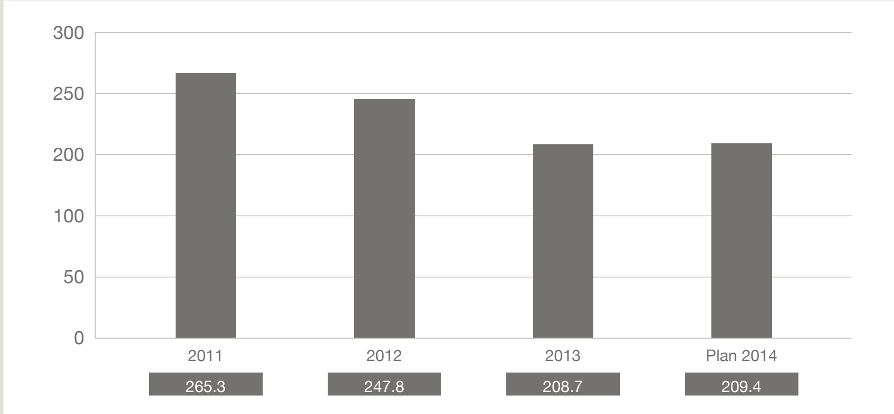
In 2014, we are planning a 3.7-percent growth of revenue and improvement of the sales structure. Revenue growth in the core activity Home is planned at 3.5 percent.

EBITDA, EURm, and EBITDA margin (%)



The planned growth of EBITDA, amounting to nearly 20 percent in 2014 relative to 2013, is based on the effects of strategic shifts of manufacturing operations, restructuring of sales network, and cost rationalization.

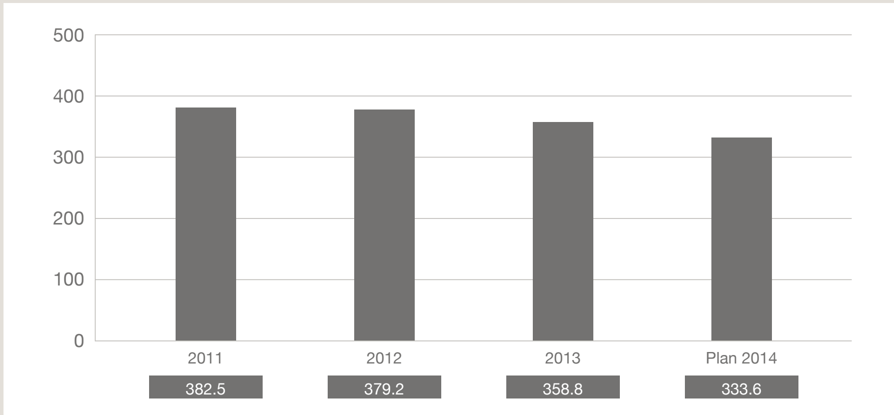
Gorenje Group net working capital*, EURm



*Net working capital = inventory + total short-term trade receivables – total short-term trade payables

Following the completion of manufacturing operations relocations, we continue to decrease our net working capital. The decrease in 2013 relative to 2012 is a result of the decrease of inventory (sale of buffer inventory, lean manufacturing project, and complexity management/reduction), and effective management of receivables. Improved planning process will allow us to further decrease our net working capital in 2014.

Gorenje Group net financial debt, EURm



Major activities are focused in 2014 on improving the Group's financial strength by slashing net debt by at least EUR 25 million, improving the maturity profile of financial liabilities, further diversification of international financing sources, and efficient risk management.

Gorenje Group 2013 calendar

JANUARY

Other Management Board members appointed for the 2013–2018 period

In October 2012, the Supervisory Board appointed Franjo Bobinac as Gorenje President and CEO for the 2013–2018 term. Based on the proposal by Mr Bobinac, the Supervisory Board also confirmed the appointment of other Management Board members, as follows: Marko Mrzel as Chief Sales and Marketing Officer, Peter Groznik as Chief Financial Officer, Branko Apat as Chief Operations Officer (in charge of home appliance operations and heating equipment operations and sales), and Drago Bahun as Labour Director.

FEBRUARY

Launch of refrigerator manufacturing at the new plant in Valjevo, Serbia

Production of free standing fridge freezers, relocated from Velenje, was launched at the new plant in Valjevo. The newly built plant stands next to the plant in which fridge freezers have been manufactured since 2006. Maximum output of both plants combined is up to one million appliances per year. The plant was inaugurated with an opening ceremony held on July 9.

Divestment of furniture manufacturing operations

An agreement with CoBe Capital, a global private investment firm focused on operation of non-core and underperforming business units, was signed on the sale of Gorenje Kuhinje and Gorenje Notranja oprema, thus withdrawing from the furniture manufacturing segment.

APRIL

Successful launch of washing machine and dryer production relocated from Sweden to Velenje

Washing machine and dryer production, relocated from the plant in Vara, Sweden, was successfully launched in Velenje. The completion of the first of the two relocations of manufacturing operations from Sweden to Velenje was celebrated with a special event – a symbolic launch of the automated manufacturing line for washing machine tubs, attended by the employees of the washing machine and dryer plant who had taken part in the process of relocating the production, and members of the Management Board and Supervisory Board.

First offering of commercial paper

In order to diversify the short-term financing sources and to even out the free cash flow fluctuations during the year, we offered our first issue of commercial paper with total nominal value of EUR 24.2 million, interest rate of 4.45%, and 8-month maturity.

MAY

Ion Generation fridge freezers launched

We started to launch our new generation of fridge freezers with IonAir technology which makes sure the food in the refrigerator stays fresh longer. The new generation refrigerators were warmly welcomed by the consumers, with sales peaking in Slovenia, Germany, Serbia, Czech Republic, Croatia, and Scandinavia. Ion Generation refrigerators were the central novelty from the aspect of research and development in the last year.

JUNE

Plus X Award for the innovative IQcook cooking hob

Expert jury of the international Plus X Award awarded the IQcook hob featuring the advanced sensor technology for its innovativeness, high quality, superior design, and user-friendly controls, declaring it the Product of the Year 2013 in the home appliance category. Gorenje Group is a perennial winner of the Plus X award.

JULY

Strategic partnership with the Panasonic Corporation

We forged a strategic partnership with the Panasonic Corporation of Japan. The partnership includes cooperation in manufacturing, development, and sales, and it is supported by Panasonic's investment into Gorenje's equity.

Appointment of a new Supervisory Board member

After Peter Kraljič resigned as Supervisory Board member for personal reasons, the Shareholders Assembly appointed Bachtiar Djalil, Management Board president of Kapitalska družba, d.d., new Supervisory Board member in his place.

Management Board starts new term

On July 19, the Management Board commenced their new five-year term of office. This is the third term for the President and CEO Franjo Bobinac.

AUGUST

Shareholders green-light three capital increases

The shareholders approved three capital increases. The first two offerings were carried out by the end of 2013 while the third offering may be carried out within no more than one year after the changes and amendments to the Articles of Association are duly registered.

SEPTEMBER

Regular dishwasher production launched in Velenje

In summer, we took the last step in the process of restructuring our manufacturing operations and transferred dishwasher production from Sweden to Velenje. Regular production was launched in September. A team of employees in Sweden remains in charge of dishwasher development.

OCTOBER

Panasonic confirms confidence in cooperation by investing in Gorenje equity

The first capital increase was completed, in which the Panasonic Corporation subscribed shares with a total value of EUR 10 million. Panasonic's entry into Gorenje ownership structure is a token of confidence in the business cooperation between the two companies and a sign of commitment to long-term cooperation.

Updated strategic plan

At the end of October, we published an updated strategic plan for the period 2014–2018, which also considers the effects of strategic manufacturing operations relocations, sales network restructuring, and entry of the strategic partner.

NOVEMBER

New investors commit in the second equity offering

From November 11 to December 17, we carried out the second capital increase which took place in Slovenian and Poland. With both offerings carried out in the course of autumn, we raised nearly EUR 27 million of fresh capital which was allocated for deleveraging and investment. Several new investors, mostly international, took part in the offering.

DECEMBER

Cross-listing on the Warsaw Stock Exchange

As of December 30, 2013 Gorenje stock is cross-listed on the Warsaw Stock Exchange.

REPORT BY THE PRESIDENT AND CEO

Dear shareholders,

In 2013, Gorenje Group introduced several major changes and took some big steps to pave the way for its success in the future. We completed the shifts of manufacturing operations; increased market shares; forged a strategic partnership with the Panasonic Corporation; restructured our sales network; raised fresh capital and welcomed new investors in public equity offerings; cross-listed Gorenje stock on the Warsaw Stock Exchange; launched a new generation of fridge freezers and other product novelties; and signed an agreement with American premium appliance maker Sub-Zero Inc. for distribution of Asko washing machines, dryers, and dishwashers in Northern America.

It was a challenging year

Demand for home appliances in Europe remains sluggish, still failing to bounce back to the level seen before the onset of the global financial crisis in 2008. Moreover, bankruptcy of some players in the industry has intensified the consolidation processes, and new players are stepping up their activities in Europe; as a result, the competition is getting harsher by the day.

Although the European home appliance market grew by 0.8 percent in terms of volume in 2013 relative to the year before, sales by value dropped by 0.4% as demand shifted towards cheaper appliances. In Eastern Europe, home appliance sales were stronger than in the West and the Group harnessed this development to its advantage. In Russia, the largest market in this part of Europe and one of our most important markets along with Germany, our revenue in 2013, translated to euros, increased by 7.5%. Our sales also rose in Ukraine, Germany, Slovenia, Austria, and Croatia.

Our core activity revenue remained at roughly the same level as in 2012 (EUR 1.07 billion); yet we succeeded in increasing our market share from 4.00% to 4.26%. This increase was propelled in part by our product novelties such as the new generation of cold appliances, which were warmly welcomed by the consumers.

Total Group revenue of EUR 1.24 billion is 1.8% below the 2012 figure as the business of our portfolio investments slowed down.

Another testing aspect of 2013 was the shift of manufacturing operations, started in 2012. It involved activities, highly intensive in terms of financing and process management, which were successfully completed by September 2013. Full effects of production plant transfers will be manifest in 2014 when we also expect to see the positive impact of sales network restructuring. Major activities in this respect have been conducted in the last two years in the markets of France, Turkey, USA, Croatia, Slovenia, Czech Republic, and Slovakia, and we are pursuing them further in this year.

Performance was also affected by numerous non-recurring negative effects such as impairments to financial investments, divestment of the furniture business, and currency translation losses. Including these negative effects, our EBIT for 2013 stands at EUR 36.3 million while or net result for the year is a net loss of EUR 25 million. Without the said negative effects, we would have wrapped up the year with a net profit of EUR 1.7 million.

A year of notable achievements

Kick-off of our strategic partnership with the Panasonic Corporation is surely one of our major accomplishments in 2013. This is a historical milestone in Gorenje Group's development. Panasonic is a global leader with nearly centennial tradition and a strong commitment to investment into green innovation; Gorenje possesses in-depth knowledge of the European market and its consumers, and fosters a focus on design and innovation. Synergies in development, manufacturing, and sales will yield benefits for both enterprises, which in turn will trickle down to end users and other stakeholders. The partnership is expected to result in additional revenue of EUR 80 million per year until 2018, and improvement in EBITDA by EUR 20 million per year in the same period.

Seasoned equity offerings were an important step as well. In a rather hostile business environment, we succeeded in raising nearly EUR 27 million of fresh capital and welcomed new investors, mostly international, which further internationalized our ownership profile. Successful capital increase is seen as a sign of investor confidence in Gorenje and our development plans.

We carried out a number of measures to boost the Group's financial strength. This included the divestment of some non-operating assets, especially real estate, and optimization of working capital. Thus, we deleveraged by EUR 35.3 million in the course of the year, on top of the decrease in our gross debt by EUR 51.4 million in the year before. A part of the capital raised in the two equity offerings was also allocated to deleveraging.

In 2014, we are planning to further improve our financial position by reducing our debt by another EUR 30 million. With planned EBITDA of EUR 93.7 million, the net financial debt to EBITDA ratio will be cut to 3.6 by the end of 2014.

Strategy adapted to the changes

Changes resulting from the relocation of manufacturing operations, restructuring of sales network, divestment of the two furniture companies, and launch of partnership with Panasonic have changed the playing field for our future operations. Therefore, we decided to revise and refresh our strategic plan for the period 2012–2015. The timeline of the refreshed strategy is somewhat extended, comprising the period from 2014 to 2018.

We remain focused on our core activity in which our tradition spans more than sixty years during which we have amassed a wealth of know-how and experience. It is our goal to see the products and services for the home generate over 90% of Group revenue by the final year of the current strategic outlook. This share has been growing since 2010 and it reached 86% in 2013.

Although we are a European player generating most of our revenue in Germany, Russia, Scandinavia, the Netherlands, and Southeastern Europe, we are looking to expand our operations beyond the continent and generate EUR 170 million of revenue in non-European markets by 2018. In this regard, we are betting on our sales activities in the USA and Australia, where both global brands of our brand portfolio, Asko and Gorenje, are expected to play an important part. Asko is our only premium global brand; combined with the regional premium brand Atag, revenue from upmarket sales is planned to exceed 25% of total revenue by 2018.

The strategy also involves deleveraging to a net financial debt to EBITDA ratio of 3.0, which we expect to attain by the end of 2015, and maintain in the future.

After restructuring, return to profitability

The year 2014 is the first year when we expect to reap the full effects of manufacturing operations shifts, estimated at EUR 20 million per year. Furthermore, performance is also expected to benefit from other activities aimed at its improvement and carried out in the last two years. Thus, net profit is planned again in 2014 after two years of restructuring. With an improved structure of sales, in terms of geographical and product structure, our revenue is planned at EUR 1.29 billion, EBIT at EUR 46.4 million, and net profit at EUR 12.1 million.

On July 19, 2013, I started a new five-year term of office as Gorenje President and CEO, along with Management Board members Branko Apat, Drago Bahun, Peter Groznik and Marko Mrzel. Our team, like all Gorenje employees, is fully committed to the pursuit of strategy and success in generation of sustainable value for you, esteemed shareholders, and all other stakeholders. We are guided in our endeavours by Gorenje Group's fundamental values: responsibility and innovation.

Dear shareholders, I thank you for your confidence in Gorenje.

President and CEO
Franjo Bobinac

SUPERVISORY BOARD REPORT ON THE AUDIT OF THE 2013 ANNUAL REPORT

Dear shareholders,

The year 2013 was one of the most challenging years for Gorenje to date. Despite the persistently harsh economic conditions, however, the Management Board and indeed all employees completed important work that will be positively reflected as early as this year, and even more so in the future. Extensive restructuring of manufacturing operations was completed, including the challenging shifts from Slovenia to Serbia and from Sweden to Slovenia; strategic partnership with the Panasonic Corporation was forged; two equity offerings were successfully carried out; and Gorenje stock was admitted to trading on the Warsaw Stock Exchange at the end of last year.

Supervising the Management of Company Affairs and Management Board Reports to the Supervisory Board

In 2013, the Supervisory Board supervised the operations of the company Gorenje, d.d., and the Gorenje Group within the powers and authorizations specified by the relevant legislation, company Articles of Association, and the Code of Conduct, as well as performed other tasks.

Since the approval of the 2012 annual report, the Supervisory Board has held fifteen sessions, of which seven were correspondence sessions and eight were regular meetings.

The Supervisory Board consists of the following members: chairman Uroš Slavinec, deputy chairwoman Maja Makovec Brenčič, Marcel van Assen, Bachtiar Djalil, Keith Miles, and Bernard Pasquier as shareholder representatives, and deputy chairman Krešimir Martinjak, Peter Kobal, Drago Krenker, and Jurij Slemenik as employee representatives.

Bachtiar Djalil has been a Supervisory Board member since July 5, 2013 when he was appointed in place of Peter Kraljič who resigned as Supervisory Board on August 23, 2012.

Five of six Supervisory Board members representing capital signed a written statement that they are entirely independent in their work and free from any conflict of interest.

As in the previous years, the Management Board regularly informed the Supervisory Board of important events, benchmark analyses, conditions in downstream markets, changes of prices of raw and processed materials, and risk management. The Management Board informed us about their activities in regular sessions, as well as with monthly reports – either as Management Board session reports or President and CEO's reports on current events and developments in the key areas of the business. Information received based on the Supervisory Board resolution or directly from the Management Board as a part of proactive communication with the Supervisory Board was submitted in a timely manner and allowed full transparency of notification.

In 2013, the Supervisory Board monitored in detail the activities of the extensive relocations of manufacturing operations from Slovenia to Serbia and from Sweden to Slovenia. These shifts of production plants required a lot of effort and financial input. The resulting savings were partly seen in 2013, while 2014 will be the first fiscal year when the planned annual savings of approximately EUR 20 million will be fully reaped, mostly on the account of lower labour costs.

The Supervisory Board also believes the strategic partnership with the Panasonic Corporation will have a very positive impact on Gorenje's future. The companies are identifying synergies in joint production, new product development, and home appliance distribution. In addition to business cooperation, Panasonic invested EUR 10 million in Gorenje's equity and became its minority shareholder, thus further strengthening its confidence in Gorenje.

This was followed by the second capital increase in November and December when Gorenje raised EUR 17 million of additional capital. At the end of the year, both the existing and the newly issued stock was admitted to secondary listing on the Warsaw Stock Exchange. This, Gorenje reaffirmed is international orientation and the desire to improve the liquidity of hits stock and welcome new investors.

A special Supervisory Board session held in October was intended in particular to a discussion of the revised strategic plan for the period 2014–2018. The Management Board adopted a revised strategic plan as a result of new facts that were not present during the adoption of the 2012–2015 strategic plan (completed shifts of manufacturing operations, divestment of the furniture business, reorganization and optimization of the sales structure, strategic alliance with Panasonic). Following an extensive presentation of the strategic plan and the methods of its pursuit and monitoring, it was approved by the Supervisory Board. We were also presented detailed strategy of small domestic appliance sales, which is one of the company's strategic policies.

The Supervisory Board noted that the Management Board should be focused even more on working capital management. Moreover, much attention was paid to complexity management and reduction. Expansion to new markets and increase of production output in Velenje with a new product category (dishwashers etc.) and new appliances will require a lot of activity and control in reduction of complexity in a broader sense. In this respect, the Supervisory Board was presented at a session held in November the complexity management report, supply chain, cost cutting, and monitoring of strategic projects.

Early this year, the Supervisory Board adopted the 2014 annual plan which includes 3.5-percent growth of sales in the core business segment Home, and a profit at the Gorenje Group level of EUR 12.1 million. The plan also includes an improvement in profitability (through growth and improvement of the structure of sales, new product development, and cost reduction) and further decrease of debt through divestment and working capital optimization.

The Supervisory Board is pleased about the working capital management results to date. Finished product and merchandise inventory is below the level from before the start of the manufacturing operations relocations and EUR 30 million lower than at the end of the first half of last year. Raw and processed material inventory is also below the pre-production-shift level, and EUR 5 million lower than at the end of the first half of last year.

We were informed about the founding of the Risk Management department. Although various risks had been managed prior to this move, the Supervisory Board welcomes the new formally established department which will now monitor all risks faced by the Gorenje Group, in a single place. As observed last year again, external factors can affect the operations to a great extent and therefore, the company has to be prepared as well as possible for the events that could have a negative impact on the operations and performance.

However, we were displeased about the profit margins attained in appliance sales. In addition, we believe the pace of the expansion of sales to new markets should be higher. According to benchmark analyses that compare Gorenje to the best players in the industry, a lot of effort will be required, especially regarding the net debt to equity ratio to catch up with the competition and relieve its own operations.

We regularly monitored the implementation and fulfilment of the resolutions adopted at our sessions, and we have found that the Management Board observed and implemented all resolutions.

Last year, the Supervisory Board conducted the self-assessment for the third consecutive year. We find that the self-assessment procedure was a good approach to improvement of the Supervisory Board's work. Improvement activities were carried out with regard to the aspects in which the Supervisory Board's performance was found sub-par. Most recent self-assessment results point to higher Supervisory Board satisfaction about their own work.

Continuous improvement of corporate governance standards

Always seeking to improve the corporate governance, the Supervisory Board confirmed the changes to the Code of Conduct and the Corporate Governance Policy. The new wording is consistent with the novel aspects of the Strategic Plan for the period 2014–2018, changes in the company's organization, and other changes that contribute to further improvement of transparency of company affairs.

The Audit Committee was expanded with another member as Bachtiar Djalil joined it in November 2013.

Following the successful implementation of reorganization, developed by the Management Board in cooperation with the consulting company Roland Berger and which mostly concerned the sales function, the Management Board commenced in 2013 the activities for further reorganization in order to find improvement potential in various departments within operations. To keep the Supervisory Board up to date with the progress of the reorganization, the Supervisory Board appointed Krešimir Martinjak and Uroš Slavinec to the Corporate Governance Committee.

Extremely important work of the Supervisory Board committees

All Supervisory Board committees are of great assistance to the Supervisory Board. The committees examine to great detail the received materials. They are meticulous, diligent, and professional; their findings are regularly reported to the Supervisory Board. We find that no circumstances are present with regard to any of the Supervisory Board members or committee, which would lead to a conflict of interest or dependence, and that the composition of the Supervisory Board is appropriate.

The Audit Committee, consisting of the chairman Keith Miles, and Bachtiar Djalil, Drago Krenker, and Aleksander Igličar, acted pursuant to the powers granted to it by the relevant legislation. The Audit Committee reviewed the compliance with the principle of prudence and consistency of reporting in quarterly reports, and resolved most ambiguities in these reports by raising relevant questions before they were discussed at Supervisory Board sessions.

Since the approval of the most recent Annual Report, the Audit Committee held seven sessions. In addition to the discussion of the quarterly reports, the Committee regularly discussed the periodical reports on the work of Internal Audit, as well as many financial, accounting, and other issues related to Gorenje's operations. Thus, the Audit Committee also discussed the reports on productivity, short-term borrowings, inventory valuation system, investment planning policy etc.

Pursuant to the Code of Conduct, the Audit Committee represents – in addition to the Management Board secretary – a body that may be addressed by every employee if she or he has reasonable doubts about the compliance of operations with the legislation and ethical standards. Last year, the Audit Committee discussed several issues raised through such whistle blowing system. We believe such system is suitable for identification of any irregularities.

The Audit Committee is a highly important body of the Supervisory Board. Before their sessions, the Audit Committee members raise questions in order to resolve any ambiguities before the Supervisory Board session, and to obtain additional information. In this respect, we have to praise the responsiveness of the employees who have always prepared written replies to all questions raised in time for the Audit Committee sessions.

Benchmark Committee consists of chairwoman Maja Makovec Brenčič, and members Marcel van Assen, Bernard Pasquier, and Peter Kobal. The Committee regularly monitors the developments in the markets, with particular focus on the results in reduction of complexity, improvement of operational excellence, faster introduction of new appliances, and expansion to new markets. This Committee, too, has received excellent support from Gorenje employees. We believe the Committee and its work contribute notably to the improvement of business decisions, as well as to a faster pace of catching up with the best in the industry.

Corporate Governance Committee did not hold any sessions in 2013. The Committee played its key role in 2011 when it selected the Roland Berger consulting company to work with Gorenje Group on the required changes to its organization. In 2014, the Committee is likely to convene again in order to further pursue the reorganization activities.

Since the approval of the most recent annual report, the **Remuneration Committee**, consisting of Chairman Bernard Pasquier, and members Marcel van Assen, Maja Makovec Brenčič, Keith Miles, Uroš Slavinec, Krešimir Martinjak, and Jurij Slemenik, did not hold any sessions. The Remuneration Committee played an important role in late October of 2012 and January 2013 when it proposed, following the required procedures and due consideration, the appointment of Franjo Bobinac for President and CEO and the Management Board members for the new term lasting from July 19, 2013 to July 19, 2018. The proposal to appoint Franjo Bobinac as President and CEO was confirmed by the Supervisory Board at their session in late October 2012; other Management Board members were appointed at the session held on January 2013.

The Supervisory Board **Nomination Committee** includes six members. After Peter Kraljič's resignation from the Supervisory Board in August 2012, the Nomination Committee carried out in 2013 the new candidate selection procedure in 2013. The Nomination Committee proposed the appointment of Bachtiar Djalil, which was in turn proposed to the Shareholders Assembly. After the completion of equity offerings in 2013 and the resulting changes in the ownership structure, the Supervisory Board decided to adjust the composition of the Nomination Committee accordingly. Two Supervisory Board members remain in the Nomination Committee: Bernard Pasquier as chairman, and Uroš Slavinec. Other members of the Nomination Committee are the representatives of the largest shareholders and a representative of minority shareholders: Tadeja Čelar, Hiroyuki Furumura, Eric Stupp, and Mitja Svoljšak. Considering the fact that the current Supervisory Board's term of office ends on July 19, 2014, the members of the new Nomination Committee have already begun their work to find the candidates for the following term.

ANNUAL REPORT REVIEW AND APPROVAL

On April 16, 2014, the company Management Board presented to the Supervisory Board for adoption the audited Annual Report of Gorenje, d.d., and the Gorenje Group, for the year 2013. The Supervisory Board discussed the Annual Report at the session held on April 24, 2014.

The Annual Report of the company Gorenje, d.d., and the Gorenje Group for the year 2013 was audited by the auditing company Deloitte Revizija, d.o.o. The audit was also conducted at all subsidiaries of the Gorenje Group. On April 11, 2014, the auditing company issued an unqualified opinion on the Annual Report of Gorenje, d.d., and the consolidated Annual Report of the Gorenje Group for 2013.

Pursuant to the sound practice to date, the Audit Committee examined with due diligence before the Supervisory Board session the 2013 Annual Report, complete with Audit Report and Management Letter, to propose amendments and put forth their positions and opinions, which were observed.

In 2013, company operations were challenging due to arduous restructuring activities and market conditions. Non-recurring events had a pronouncedly negative effect on the profit (or loss) for the period; as a result, the company reported a net loss. Adjusting for the non-recurring events, the company would have wrapped up the year with profit. The company did succeed in deleveraging by a considerable amount, as well as successfully completed its restructuring, forged a strategic partnership with the Panasonic Corporation, raise fresh capital, and cross-listed its stock on the Warsaw Stock Exchange. Moreover, the increase of market share in Europe should not be ignored either. The Management Board has to invest further efforts into improvement of profitability, improvement of sales structure, and faster penetration to new markets, which will pave the way for long-term improvement of company performance.

As in the last four years, the Management Board again waived their right to performance bonus, although some highly important activities were completed in last year that will bear a positive effect on performance in the future.

The Supervisory Board confirmed that the 2013 Annual Report prepared by the Management Board and audited by a certified auditor was compiled in a clear and intelligible manner and in compliance with the provisions of the Companies Act and effective International Accounting Standards. The Supervisory Board reviewed and confirmed the Auditor's Report to which no objections were made. Therefore, the Board finds that the Annual Report presents a true and fair account of the property, liabilities, financial position, and income, as well as a fair account of the development of operations and the business position of the parent company and the Gorenje Group.

Based on these findings the Supervisory Board approved on April 24 the Annual Report for the company Gorenje, d.d., and the consolidated Gorenje Group Annual Report for the fiscal year 2013, as presented by the Management Board.

DISTRIBUTABLE PROFIT AND PROPOSAL FOR ITS ALLOCATION

In defining the proposal on the allocation of distributable profit for 2013, the Management Board and Supervisory Board complied with the effective provisions of the Companies Act and the company Articles of Association of Gorenje. Pursuant to the Companies Act and the company Articles of Association, the Management Board found and proposes as follows:

- the parent company net profit for the year 2013, amounting to EUR 2,704,885.80, shall be allocated as follows:
  - EUR 270,488.58 for statutory reserves;
  - EUR 1,217,198.61 for other revenue reserves;
  + EUR 152,123.64 as retained earnings;

so that the company distributable profit as at December 31, 2013 amounts to EUR 1,369,322.25.

The company Management Board and Supervisory Board propose to the Shareholders Assembly that the distributable profit for the 2013 fiscal year, amounting to EUR 1,369,322.25, remain unallocated.

In defining the resolution proposal on covering of loss for the year 2013, the Management Board and Supervisory Board complied with the effective provisions of the Companies Act and the company Articles of Association of Gorenje. Considering the fact that the Gorenje Group ran a net loss in 2013, the Management Board and the Supervisory Board hereby propose that no dividend be paid out in 2014.

Furthermore, the Supervisory Board proposes to the Shareholders Assembly to grant discharge to the Management Board and Supervisory Board for their work in 2013.

The Supervisory Board compiled this report in compliance with the provisions of Article 282 of the Companies Act (ZGD-1); it is intended for the Shareholders Assembly.

Velenje, April 24, 2014

Supervisory Board Chairman
Uroš Slavinec

Gorenje Management Board

Branko Apat
Member

Marko Mrzel
Member

Franjo Bobinac
President and CEO

Peter Groznik
Member

Drago Bahun
Member

STRATEGY FOR GROWTH

A number of profound changes took place at the Gorenje Group in the last two years. We restructured our manufacturing operations, divested our furniture business which was a burden to the Group's performance, reorganized and optimized the sales organization, and forged a strategic partnership with the Panasonic Corporation. Since these activities have a considerable effect on our operations and performance, we decided to update our Strategic Plan. In addition, the updated strategy for the period 2014–2018 addresses the unrelentingly harsh conditions in the markets.

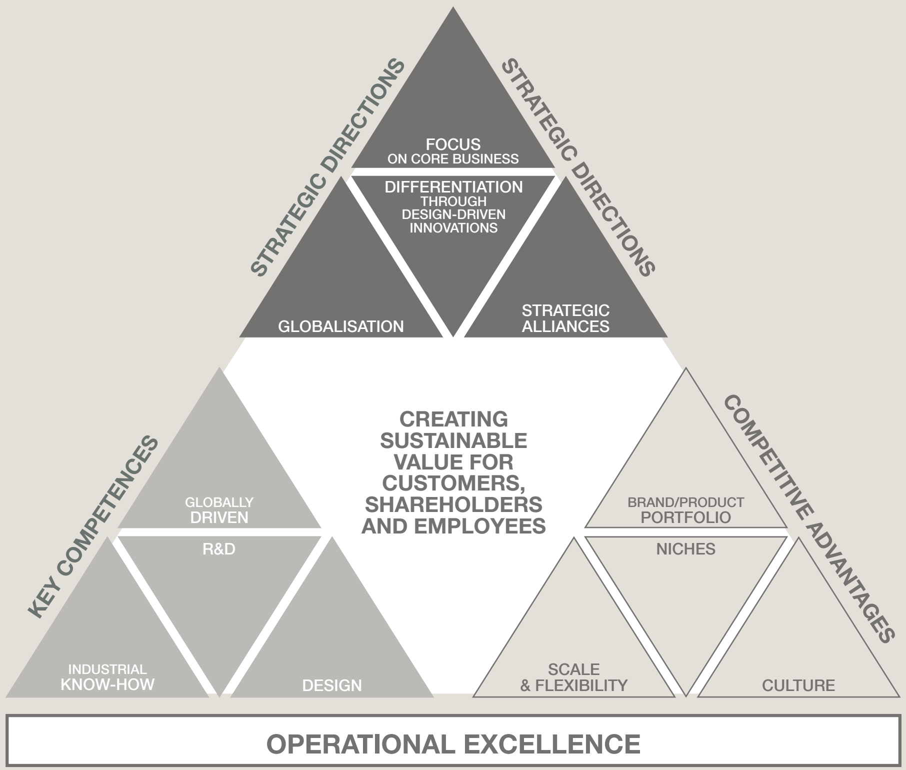
The updated strategy includes three scenarios differing by average annual growth of sales as the key factor.

Key strategic goals for the period 2014–2018

- Average annual growth of revenue of 6% in the optimistic scenario (in the pessimistic scenario, average annual growth is 1%)
- Debt management: net debt/EBITDA no more than 3.0 as of 2015 and beyond
- Long-term generation of value: gradual improvement of EBIT margin
- Short-term generation of value: positive free cash flow in all scenarios
- Increasing the share of premium brands to over 25% in 2018
- Increasing the revenue generated outside Europe to nearly EUR 170 million in 2018
- Core activity (products and services for the home) will account for over 90% of total revenue in 2018 (with lower product complexity)
- Increase of market shares in most of our key markets

Some activities aimed at the attainment of our strategic goals, which improve our profitability and financial stability, have already been carried out (e.g. manufacturing operations relocations); other activities and projects are still in progress in accordance with the business model adopted along with the strategic plan.

Gorenje Group business model geared towards our strategic goals:



Stronger together

Strategic partnership with the Panasonic Corporation is Gorenje Group's first partnership of this kind, and a major step in the pursuit of its strategic goals. Details regarding the partnership were announced at a press conference held on July 5, 2013 in Ljubljana. Gorenje President and CEO Franjo Bobinac and COO Branko Apat were joined by the Vice President of Panasonic Appliances Company Ichiro Kikuchi and Chairman and CEO of Panasonic Europe Laurent Abadie.

Upon adopting the updated strategy we also revised our vision, mission, and values that lead us in the pursuit of our activities and goals.

VISION

We want to become the world's best in design-driven innovations of home products

MISSION STATEMENT

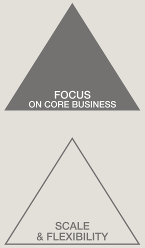
We create innovative, design-driven and technically excellent products and services that bring simplicity to our users

CORPORATE VALUES

RESPONSIBILITY & INNOVATION

OPEN-MINDEDNESS	TEAM SPIRIT	RESPECT	EFFICIENCY	GOAL-ORIENTATION	ENGAGEMENT

Improving our operating profitability



We have restructured our manufacturing plants

In 2012 and 2013, we successfully completed the restructuring of our manufacturing operations which included four extensive shifts of manufacturing plants. First we shifted the production of cooking appliances from Finland to the Czech Republic and closed down the factory in Finland. We moved the production of 60 cm wide free standing refrigeration appliances from Velenje to Serbia and built a new plant in Valjevo (Serbia) to accommodate the increased manufacturing output requirements; production at this plant was launched in February 2013. As a result, all our free standing cold appliances are now made in Valjevo while the built-in refrigerator freezers are still produced in Velenje.

This was followed by two more challenging steps in the restructuring process in 2013. We first relocated the production of premium washing machines and dryers from Sweden to Velenje; this was followed by the transfer of dishwasher production along the same route. The factory in Sweden was closed down. The transferred and newly set-up production of the washing machines and dryers in Velenje was launched in March; the first dishwashers were made in Velenje in September.

Branko Apat,
Management Board member in charge of major appliance operations and heating systems operations and sales (COO)

»We completed extensive shifts of manufacturing operations in a good year and a half. The processes were challenging, but they were necessary for successful development of the Group and for consolidation of our position in the industry. In the coming period, we will focus on consolidation and development of the existing manufacturing plants in Slovenia, Serbia, and Czech Republic.«

The completed shifts of manufacturing operations were the most challenging activities of this kind in Gorenje Group's history; production location was changed for as much as 20% of all appliances produced by the Group. Full effects, manifest as savings of EUR 20 million in production costs annually, will be reaped in 2014.

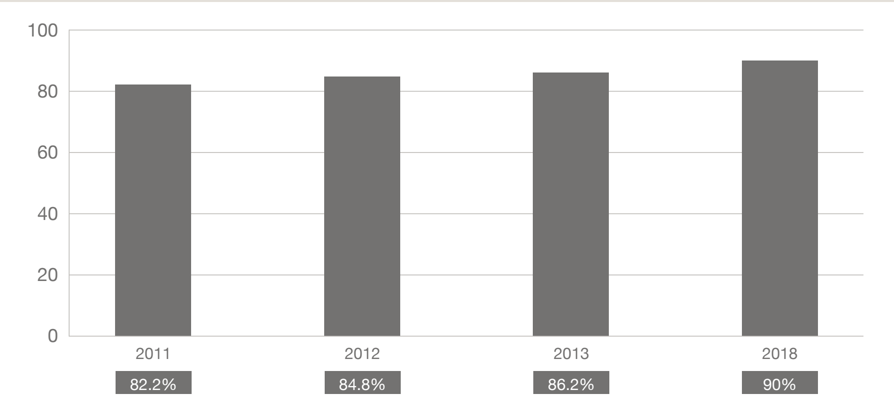
Focusing on the core activity

In addition to the core activity of products and services for the home, we have been active for a number of years in the field of ecology, offering comprehensive waste management service. Moreover, we are also developing the activities of toolmaking, machine building, engineering, renewable energy resources and efficient use of energy, and some other activities.

Pursuant to the updated strategic plan, we are re-focusing on our core activity and the Group's organizational structure has been adjusted accordingly. All segments that are not a part of the core activity are thus treated as portfolio investments for which clear criteria was specified for the decisions on which companies to keep in the Group and which such companies the Group shall invest in. The investments are only approved if a company has a supporting role in the attainment of the strategic goals of the core activity, or when a company has low capital requirements and high profit margins with a potential for high long-term growth while relying on its own cash flow. In 2013, we divested two companies from the segment of kitchen and other furniture manufacturing which had had negative results for a number of years.

As of 2011, we have been increasing the share of our core activity in total Group revenue and we are looking to further boost this share in the future. In 2011, core activity accounted for 82.2% of the Group's total revenue; in 2013, it stood at 86.2%. In the last year of implementation of the updated strategy, revenue generated in the core activity is planned at over 90% of total revenue.

Rising share of core activity in the Group's revenue



Revenue growth beyond Europe and higher sales in the premium segment

The Group generates the majority of its revenue in Europe, particularly in Germany, Russia, Benelux, Scandinavia, and Southeastern Europe. We will continue to strengthen the Group's position in Europe; however, we wish to boost our presence in the markets beyond Europe as well. Our target for revenue in non-European markets in the last year of strategy implementation is EUR 170 million which is nearly twice as much as in 2013.

Key non-European markets also include Australia and USA where we are present with the premium brand Asko.

In Australia, the Asko brand has a history dating back 40 years. It is recognized as a dishwasher and washing machine specialist attaining above-average shares in the premium segment. In 2014, we extended our offer with kitchen appliances as we are intensively working on the development of the so-called Asko Experience which will involve offering the best comprehensive service both at the time of and after the sale. Moreover, we shall introduce the Gorenje brand to this market. Based on these activities, we are planning to boost our sales in Australia in the years ahead.

In the USA, we teamed up with the leading upmarket home appliance manufacturer Sub-Zero Group Inc. Thus, the American company became the exclusive distributor of washing machines, dryers and dishwashers of the Asko brand in Northern America as of April 1, 2014. The cooperation is a part of our strategic activities aimed at boosting sales in markets beyond Europe, including upmarket products. Pursuant to the strategic plan, we are looking to increase the sales under our premium brands Asko and Atag to more than 25% of overall sales by 2018. In 2013, sales under these two brands accounted for 12% of our revenue. *For more information on Gorenje Group brands, please see the section Our Brands. Development of sales, broken down by regions, is described in the section Our Markets.*

Strategic partnership with Panasonic

One important aspect of the business model for the attainment of our strategic goals is strategic partnerships in various fields of operation. We entered the first such long-term strategic partnership with the Panasonic Corporation of Japan. The partnership includes business cooperation and a capital alliance.

The business part of the cooperation is already in progress and it rests on two pillars. The first pillar involves joint activities in development and production; the second pillar involves sales in Europe, including the possibility of joint distribution. As of last summer, we produce refrigerator freezers for Panasonic. Moreover, production of built-in ovens for our partner has been launched recently as well. Development activities for the new generation of washing machines are in progress and they include development teams from both partners. Production of jointly developed washing machines will be launched in 2015.

Marko Mrzel,
Management Board member in charge of sales and marketing (CSMO)

»We have laid down clear goals as to where we want to be in the final year of our current strategy outlook, and we have mapped out the way to these goals. Gorenje remains faithful to its European tradition; however, we will continue to build our global presence in the future with our Gorenje and Asko brands. Cooperation with the Sub-Zero Group Inc. is one step on our way to that goal.«

Business cooperation brings benefits to both companies. They include exchange of know-how and good practice in development, production, and quality management, as well as the possibilities of joint distribution in Europe. Last but not least, the synergies of cooperation will benefit the end users as both companies will offer an improved range of products.

As a sign of confidence in the partnership and commitment to long-term business cooperation, the Panasonic Corporation invested EUR 10 million into Gorenje's share capital, thus acquiring a 10.5 percent minority ownership share. Furthermore, a Standstill Agreement was signed, by which Panasonic Corporation undertook not to increase its ownership share of Gorenje to more than 13% in the period of five years from the day of signing the strategic partnership agreement without prior consent by Gorenje's Management Board and Supervisory Board.

The partnership will continue to develop. In the period until 2018, it will result in extra revenue of EUR 80 million per year for the Gorenje Group, as well as in gradual improvement of EBITDA in the amount of up to EUR 20 million per year.

Investing in new product development

New products are an important motor of growth and Gorenje Group is continuously investing into their development. Approximately 2% of the Group's revenue is invested into development annually.

Optimizing processes for more efficient development

In order to improve the efficiency of development activities, we reorganized in the last two years our development organization and established competence development centers. Previously, some product categories were developed at up to four locations. Now, development of refrigeration appliances, washing machines, dryers, and built-in ovens and cookers is based in Velenje; a competence center for cooking hobs and hoods is based in the Netherlands; and dishwasher development is located in Sweden. Comprehensive overhaul of new product development processes is currently in progress to make these processes uniform throughout the Group.

New products every year

The most significant development achievements introduced in 2013 included the new generation of free standing fridge freezers Gorenje Ion Generation. In addition, we offered our customers the Gorenje Classico kitchen appliances, a revised designer line Gorenje Simplicity, a new generation of gas hobs, and – as the first manufacturer in the world – a laundry dryer in the high A+++ energy class with a capacity of 9 kilograms. Assortment of the Asko brand was extended with a large-capacity washing machine (11 kg for the EU and 10 kg for Australia), and dryers with improved energy efficiency in the A++ energy class and a capacity of 7 kg.

In 2014, we continue to introduce development novelties that improve our competitiveness. The key novelty in this year was the new generation of innovative built-in ovens developed for several of our own brands. In early April, we premièred our line of Asko ProSeries™ kitchen appliances at the Eurocucina tradeshow in Milan. In addition, we are planning to expand the product line-up of free standing fridge freezers with new models, and to introduce a new generation of cookers.

Cost optimization

GLOBALISATION

Restructuring of manufacturing operations and sales network

Operating profitability is also being improved with cost rationalization in various fields. Strategic relocations of manufacturing plants, completed in the last two years, will contribute notably to a decrease in labour costs. Full effects of production relocations are expected in 2014, although they have already cut the labour costs, along with the capitalized development costs, by EUR 20.7 million in 2013 relative to 2012.

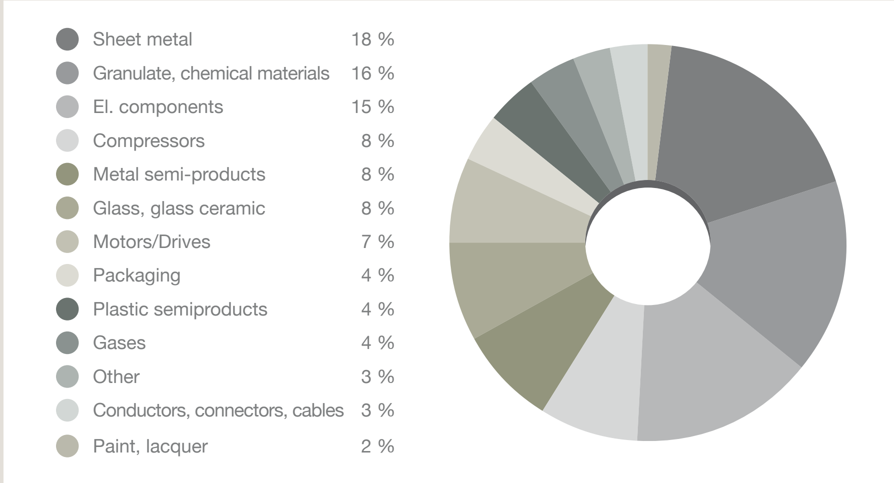
In the last five years, we did not restructure only our production, but also our sales network. The goal of these efforts was to optimize the business models and to adapt to the changes in the market circumstances. Important activities of this kind were carried out in the markets of France, Turkey, USA, Croatia, Slovenia, Czech Republic, and Slovakia; their full effects are expected in 2014. Our restructuring activities continue in this year.

Procurement activities

In our cost optimization efforts, particular attention is paid to costs of raw and processed materials. Their optimization relies on efficient management of the supply base and raw material risks, rationalization of inventory, and close cooperation with production when searching for suitable materials. Moreover, we sought to establish a stable and competitive supplier base in the environments to which our manufacturing operations were transferred in the last two years as plants were shifted from Finland to Czech Republic, Slovenia to Serbia, and Sweden to Slovenia.

Key priorities in the raw and processed material cost management also include effective risk management for volatile raw material prices. In case of base metals, we use futures to hedge the risk of price fluctuations. This allows us to fix the prices through our suppliers according to the listings on the LME futures exchange, while the agreements are based on immediate translation of the LME listings to euros, which also hedges the currency risk. Risk of changes in sheet metal prices is hedged with price index model agreements. In the market for plastics, there are no available tools for long-term hedging as prices are defined on a monthly basis due to numerous unpredictable factors in the petrochemicals supply chain. Therefore, we seek to obtain competitive terms by including larger numbers of suppliers and by tenders.

Raw and processed material in total purchasing costs



Boosting financial strength

A challenging year for corporate finance

FOCUS ON CORE BUSINESS

GLOBALISATION

The year 2013 was very harsh in the financial markets as the effects of the global economic crisis that broke out in 2008 are still felt. It was further aggravated by the problems of some countries of the euro zone and the resulting crisis of the European single currency – the euro, as well as stricter capital adequacy requirements for commercial banks and tighter corporate loan approval criteria or unwillingness of the banks to place their funds on the financial market. Gorenje Group was particularly affected due to Slovenia's country risk. In the course of the year, expectations mounted of Slovenia's request for financial aid from the European single resolution mechanism (or the so-called Troika); these expectations, however, have since been proven unfounded.

Reducing the debt

Gorenje Group financial policy

Financial policy at the Group level is centralized and implemented by the central finance department operating as a part of the parent company. The policy is laid down in the Gorenje Group Corporate Rules and Regulations on Finance and Economics which is a binding document for all Group subsidiaries. Management of financial debt, liquidity, relations with banking partners, and other strategic activities are therefore the responsibility of the central finance department/function.

The fundamental goal of the Group's financial policy is to provide adequate liquidity at the lowest possible cost (i.e. lowest possible finance expenses), in order to be able to settle the liabilities across the Group, as they are due for payment. The main sources of liquidity are sales in the business segments Home and Portfolio Investments; other sources include optimization of our net working capital, divestment of non-operating assets, taking out new long-term loans in order to partially refinance our long-term borrowings upon maturity, as well as to permanent renewal of short-term loans and credit limits on current accounts. Liquidity is planned on recurring monthly, quarterly, and annual bases. Debt management through a period of several years is integrated in such planning.

We are committed to a systematic policy of deleveraging. Thus, we take care not to increase the Group's overall debt with new loans, but merely to secure refinancing of maturing borrowings and to improve the maturity profile of our financial liabilities. Pursuant to our financial policy, all credit lines, globally, and all other banking relations, are managed by the central finance department. We also have in place a policy of day-to-day optimization of cash in our current accounts. In the last two years, this policy has resulted in a permanent decrease of the average balance of cash in the current accounts of Group subsidiaries. Moreover, insurance of our receivables, collection thereof, and some other activities that are also a part of the Group's financial policy are also managed centrally.

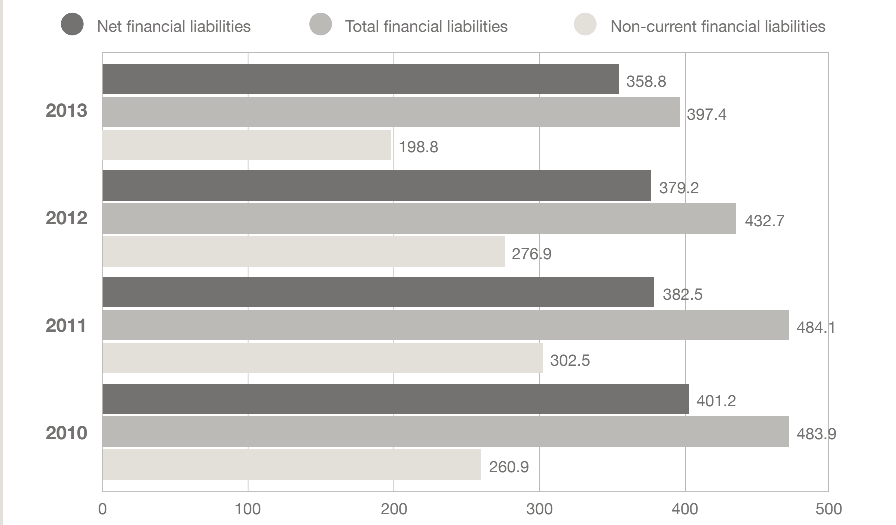
Financial debt cut by EUR 35.3 million

Business and financial plan for 2013, including the deleveraging plan, were developed with full consideration that the 2013 fiscal year would be very challenging due to harsh external conditions in financial markets, as well as conditions in downstream markets, increased investment activity, and other expenses (especially severance payments) mostly related to the manufacturing operations relocation processes. Our proactive approach allowed us to provide as early as at the beginning of the third quarter of 2013 the necessary sources for repayment of current portions of long-term loans maturing by the end of 2013.

We succeeded in cutting our total financial debt by EUR 35.3 million in 2013 to a total of EUR 397.4 million, after we deleveraged by EUR 51.4 million in 2012. Net financial liabilities (measured as the difference between total financial liabilities, and cash and cash equivalents) at the end of 2013 amounted to EUR 358.8 million, which was EUR 20.4 lower than at the end of the year before.

Decrease in total financial liabilities was positively affected by several factors, such as sales in the last quarter of 2013 and related collection of receivables; optimization of working capital, especially inventory, which was also facilitated by the so-called lean manufacturing; and fresh capital raised in two capital increases. It should be noted that the decrease in total financial liabilities exceeds the fresh capital from the two equity offerings by EUR 8.6 million. This is a good result, particularly considering the burden imposed by the expenses related to the extensive manufacturing operations relocations from Scandinavia to Slovenia and from Slovenia to Serbia. Both in terms of financing and process management, restructuring of manufacturing operations was one of the most challenging restructuring projects in the Group's corporate history. *For more information on Gorenje Group financing activities, please see the Business Report.*

Total, net and non-current financial liabilities in the period 2010–2013 (EURm)



Deleveraging by divestment

As early as in 2010, the Group adopted a divestment program for non-operating assets, as well as for some non-strategic activities and activities that have been generating loss and negative cash flow for an extended period of time. In 2013, we successfully carried on the program of non-operating asset divestments which generated proceeds of EUR 23.7 million. We divested, among other property, the business and distribution center in Ljubljana, warehouse center in Prague, manufacturing plant in Vara, Sweden, and two pieces of real estate in Paris.

The Group's performance benefited from the divestment of two furniture manufacturing companies in February 2013. Their negative results were a heavy burden to the results of the entire Group. Divestment of the two companies stopped the negative effect on the Group's current performance. In the previous three years and more, such negative effect amounted to EUR 5 million per year or more.

Divestment of non-operating assets continues in 2014. This year, we plan to generate proceeds of over EUR 14 million by such transactions.

Deleveraging remains a key goal

In 2014, our goal is to cut our net financial debt by no less than further EUR 25 million. To do this, we will improve our operating profitability, decrease the amount of financial assets tied up in net current assets, especially inventory (complexity reduction in all fields, merging of warehouses; further implementation of lean manufacturing etc.), and by divestment. Refinancing of most of the current portion of long-term debt due for repayment in 2014 is in the closing stage. This will considerably improve the maturity profile of our financial liabilities.

Peter Groznik,
Management Board member in charge of finance and economics (CFO)

»In the last two years, our systematic work has resulted in a decrease in gross debt by good EUR 86 million. Considering the fact that deleveraging took place concurrently with strategic relocations of manufacturing operations which involved higher investment and expenses, this is a good result. Improvement in the general condition in finance is further pursued by improving our management of working capital and complexity, and divestment of non-operating assets. The latter also involves the possibility of divesting some of our portfolio businesses.«

Improving our profitability

Our financial strength will also be improved by higher profitability which is expected as a result of relocations of manufacturing operations, higher sales of upmarket products and markets where our profit margin is higher, reorganization of sales network, cost optimization, and other activities. In 2014, EBITDA is planned to improve to EUR 93.7 million, which will decrease the net financial debt to EBITDA ratio at the end of 2014 to 3.6. The ratio between net financial debt and EBITDA is planned at no more than 3.0 at the end of 2015 and beyond.

Fresh capital was raised

Two capital increases were carried out in 2013, raising a total of EUR 26.7 million. We used the proceeds to fund the planned development and investment activities and to partly repay its financial debt.

In the first capital increase, the Panasonic Corporation subscribed EUR 10 million worth of shares. In the second offering, taking place in Slovenia and Poland, existing shareholders employees, and new investors were offered the shares at the same terms as Panasonic in the first one. The proceeds from this offering amounted to EUR 16.7 million. Of this sum, EUR 6.2 million was subscribed in Slovenia, while EUR 10.5 million was subscribed by new investors in Poland. The existing shareholders subscribed EUR 5.5 million; new shareholders acquired shares with a combined total value of EUR 11.2 million. With the new shareholders, Gorenje's ownership structured changed and became even more international. *Information on the ownership structure can be found in the section Creating Value for the Shareholders.*

Completion of the second offering was followed by admission of the shares to secondary listing on the Warsaw Stock Exchange, allowing Gorenje direct access to investors at one of the largest stock exchanges in Central Europe, as well as improves Gorenje Group's recognition in the international business arena.

Diversification of financial sources

Considering the risks to which the Slovenian banking sector was exposed in 2013, it is very important that the share of the banks with parent companies headquartered in Slovenia, most of which were or will be included in the processes of government capital increase, was kept to no more than 11.7% of the Group's overall borrowings portfolio. This does not include the borrowings from the SID bank which has the characteristics of a development bank.

In order to further diversify our financing sources and to even out the seasonal cash flow fluctuations, we carried out our first offering of commercial paper. The notes were issued on April 25, 2013 with a nominal total value of EUR 24.2 million and maturity on December 20, 2013. This is a form of short-term financing that we employed for the first time in 2013, and which is a part of our long-term strategy of diversifying our sources of finance.

On March 25, 2014 we issued commercial paper with a maturity of 9 months and a total nominal value of EUR 35 million, which is 40% more than initially planned. This was our second offering of commercial paper.

Novelties in manufacturing

Following the restructuring, appliances are manufactured in Slovenia, Serbia, and the Czech Republic. Manufacturing location was changed for 20% of all appliances produced by the Group. Since 2011, we have been implementing the so-called lean manufacturing system which reduces lead time and inventories, increases utilization of the machinery and improves the shop floor order and tidiness.

OUR MARKETS

Western Europe and Scandinavia

Gorenje has a strong position in the Western European markets, particularly in Scandinavia, Austria, and Germany. This is a mature market that saw further decline in demand for major appliances in 2013. The main reasons behind such development are the negative expectations of the consumers regarding their personal income and the resulting reluctance to purchase durables. As European households are already fitted with home appliances, replacement purchases are the most robust component of the market. The need for replacement appliances is, in addition to energy savings, an important impetus of purchase decisions.

Online sales are becoming an increasingly important channel which has grown gain in 2013. This has resulted in restructuring in traditional sales channels. Numerous retail companies have developed multi-channel sales strategies or restructured their geographical presence and local strategies.

We introduced a new generation of fridge freezers Ion Generation, the Gorenje Classico collection, and the new Gorenje Simplicity line. We intensified the story of our colour appliances and the retro refrigerator line and thus consolidated our leading position in this segment of the market.

The decline in demand for home appliances in the region was also reflected in Gorenje Group revenue which was 1.4% lower than in 2012. On the other hand, our sales volume rose in Germany, Austria, Great Britain, and Greece. A good share of positive development was propelled by growth in online sales. As we expect further growth of this sales channel, we have adjusted our sales and marketing strategies accordingly.

In France, we restructured our operations, downsized and cut fixed costs, and introduced an optimized business model. In 2014, we are introducing the Asko brand to this market. The reputable French company Eberhardt Frères, specializing in distribution of premium home appliances, was entrusted with the distribution of this brand which rounds out their offer. We have also started the restructuring in Scandinavia. Our sales activities are focused predominantly on our two global brands – Asko and Gorenje.

Benelux

In 2013, operations in Netherlands and Belgium were under strong pressure of weakened demand for durables. Consumer confidence and their willingness for purchases were pronouncedly negative, although improvement could be observed in the last quarter of the year. Real estate market continues to stagnate in all aspects: sales, rental of existing property, and new residential property development. According to the forecasts, further decline in residential construction can be expected by the end of 2014. New residential development has dropped by more than 50% since 2009. This is particularly relevant as construction of new homes and the need for replacement or first purchase of home appliances are the key motors of demand for appliances and kitchens. As new residential property development is in decline, sales in 2013 depended mostly on refurbishments of existing homes for the purpose of lease.

Competition in the industry has grown even harsher as players in brick-and-mortar stores embraced a highly aggressive pricing policy while online sales allow comparing the prices. All this has resulted in a drop of our sales.

Operations in the kitchen retail channel which represents a considerable share of our revenue in the Netherlands were also difficult. This market is expected to recover somewhat in 2014; better results are expected also from the introduction of the new generation of built-in ovens in this year.

We have increased our sales in the sales channel of consumer electronics and technical consumer goods stores where we reaped the benefits of our sound management of business processes such as effective after-sales services and reliable and fast delivery of products.

Responding to the changes in the customer journey, we will place more emphasis in 2014 on marketing and presentation of our brands to end users in retail.

Eastern Europe

The region includes the following countries: Czech Republic, Slovakia, Poland, Hungary, Slovenia, Croatia, Serbia, Bosnia and Herzegovina, Montenegro, Albania, Macedonia, Romania, Bulgaria, and Kosovo. Relative to 2012, our sales rose by 5% in 2013. Our revenue is the highest in Serbia, Czech Republic, and Croatia.

The trend of decreasing prices has persisted in all countries of the region. Thus, appliances with more and better features now appear in lower price segments. In 2013, we succeeded in maintaining our market shares in the region; they rose by 0.5% in the Czech Republic and by 0.3% in Poland. The customers were offered the new generation of Ion Generation fridge freezers and the designer lines Gorenje Classico and Gorenje Simplicity.

Online sales in the region rose by 14% in 2013 in terms of value, reaching 15.2% of total major appliance sales. Customers shop online especially for washing machines and refrigeration appliances. The popularity of online commerce is the highest in the Czech Republic where it already represents 31% of total home appliance sales. In Slovakia, the web accounts for 17.5% of total appliance sales and in Poland this figure is at 16%. Gorenje Group's market share online is higher than in conventional sales channels.

In 2013, we rationalized our operations in the Czech Republic and Slovakia where we merged two business units into a single one to create a leaner sales organization, cut logistics cots, and stop the decline of sales in Slovakia. Full effects of this integration will be manifest in 2014. We have also started in integrate our business units in Slovenia and Croatia.

Commonwealth of Independent States (CIS)

The Commonwealth of Independent States includes Russia, Belarus, Kazakhstan, Kyrgyzstan, and the countries of the Caucasus region: Armenia, Georgia, Azerbaijan, Turkmenistan, Tajikistan, and Uzbekistan. In 2013, our sales by value rose 8% in the region.

Characteristic challenges of the region include political instability, currency fluctuations, import customs duties and other charges, requirement for special appliance certificates, and particularly strong competition as some major Western players manufacture their products locally in this region.

Russia

The majority of our revenue in this region, as much as 90%, is generated Russia which is Gorenje Group's largest and most important market, next to Germany. In 2013, fluctuation of the rouble exchange rate was a major risk for our performance. Despite the 2.1% decline in GDP relative to 2012 and a drop in the market for free standing cookers, our revenue in Russia rose by 7.5% (translated to EUR), leading to an increase in our market share in all key product categories (cold and hot appliances and washing machines).

We are mostly present with our Gorenje brand which is perceived by the customers as an upper mid segment brand. In 2013, we successfully introduced the designer lines Gorenje Classico and Gorenje Simplicity, and the new generation of fridge freezers Ion Generation. Our product novelties have intensified our presence in traditional retail and increased our market shares within this channel. We have also consolidated our presence in the online channel which already accounts for 14% of total appliance sales in Russia. In the composition of Gorenje Group's Russian sales, this rapidly developing distribution channel currently represents 10% to 12%. In the kitchen studio channel, our sales rose by 18.2% in terms of value relative to 2012.

In Russia, we are also marketing our appliances under the premium brand Asko, and the brands Mora and Körting.

In 2014, customers will again be offered several product novelties. Our offer will be expanded with new 2-metre cold appliances and a new generation of built-in ovens, cookers, and kitchen hoods; moreover, the Gorenje Classico and Gorenje Simplicity lines will be upgraded with microwave ovens. Upgrade of offer is also planned for the Asko brand with a new line of exclusive kitchen appliances and small domestic appliances. Thus, Asko will become a comprehensive provider of home appliances in Russia.

Kazakhstan and Kyrgyzstan

Both countries combined account for 4% of our revenue in this region.

In 2013, we faced a fluctuating local currency (the Kazakhstani tenge); other negative factors affecting our performance included a decline in the market for free standing cookers in Kazakhstan. Decline in sales in this segment was compensated for with sales of built-in cooking appliances which are in increasing demand, and thus our market share in built-in ovens segment reached 10%. In 2014, we are planning to boost our market shares in the segments of fridge freezers and washing machines, and we continue to introduce designer lines Gorenje Simplicity and Gorenje Classico.

In both markets, we are present with the Gorenje brand which is positioned in the mid and premium price segment, and the Mora brand under which we are marketing free standing cookers in the budget price segment. Last year, our revenue in both markets increased by 20% relative to 2012.

In Kazakhstan, home appliances are mostly sold in local retail stores. In 2014, we will continue to strengthen our cooperation with all existing buyers. We shall particularly focus on smaller local customers, online sales, and local wholesalers.

Caucasus countries

This region includes Azerbaijan, Armenia, Georgia, Tajikistan, Turkmenistan, and Uzbekistan. These countries combined account for 5% of our revenue in this region.

In Georgia, our performance was solid despite the economic stagnation and we boosted our revenue by 26.5% relative to 2012. Our activities were focused predominantly on the increase of recognition and reputation of the Gorenje brand and promotion of sales under this brand. Our brand Körting is also marketed in this country based on an exclusive agreement.

Azerbaijan is one of the more promising markets for home appliance sales. Most of the business is conducted in the capital city. In 2013, we were focused on establishing marketing processes, selecting and introducing the right assortment, pricing, improving Gorenje brand recognition and reputation, and promotion of sales. Compared to 2012, our revenue soared by 90%.

Our sales also rose by 20.6% in Tajikistan where the Gorenje brand is one of the most widely recognized and most reputable brands in the markets, and in Armenia (by 16.7%) where the economy has been in a standstill for two years. In Uzbekistan where hardly any home appliance imports were possible from May to August 2013 due to the local legislation, revenue dropped by 53% relative to 2012.

Overseas countries

This region includes North and South America, the Pacific region, Middle East, Africa, and Asia. Our revenue in this region in 2013 was at 88% of the figure from the year before (in EUR terms). Revenue in EUR was lower especially due to depreciation of local currencies in Australia and the USA. Moreover, performance was negatively affected by the turmoil in the Middle East and in North Africa.

North America

USA is our most important market in North America. Our Asko brand has been present there since 1987. Major appliance market in the USA rose by 9% in 2013 relative to 2012; however, the US dollar depreciated by 7% relative to EUR. In the USA, our sales by volume rose by 3%; however, revenue in EUR is lower by 2.2% compared to 2012 because of the dollar depreciation. One important motor of our further development in this market is our cooperation with the home appliance maker Sub-Zero Inc. which will push our Asko brand into a much broader distribution network.

Pacific region

In the Pacific region, our most important market is Australia where we are renowned for our Asko brand. The major appliance market in Australia rose by 1.3% in 2013 relative to 2012. However, as in the USA, depreciation of local currency (the Australian dollar) had a strong negative impact on the Group revenue which are lower by 1.8% than in 2012 despite the fact that our sales targets were reached.

In Australia, we are revising the business model and our sales strategies. We centralized warehousing and logistics, closed down many warehouses across the continent, and thus cut the operating costs. Our offer under the Asko brand, which initially only included washing machines and dryers, is being expanded with cooking and refrigeration appliances. In the third quarter of 2014, we will start introducing the Gorenje brand to the market.

Middle East and Africa

Due to highly unstable political and, as a result, business environment both in the Middle East (Iran, Iraq) and in North Africa (Egypt, Libya, Tunisia), our sales were below the 2012 figure. Our most important markets in this region are Iraq, Saudi Arabia, United Arab Emirates, Iran, and Egypt. Our performance was also negatively affected by the depreciation of local currencies and the still effective embargo for Iran which renders any sales in this market impossible.

Asia

Our operations in Asia or the Far East are focused on sales in the segments of contractual supplies and property development in which we have succeeded in gaining the status of a premium European home appliance manufacturer. In the last five years, we have been expanding our sales network and establishing the infrastructure required for the attainment of our growth targets. To this end, we changed the status of our representative office in Shanghai to a sales company.

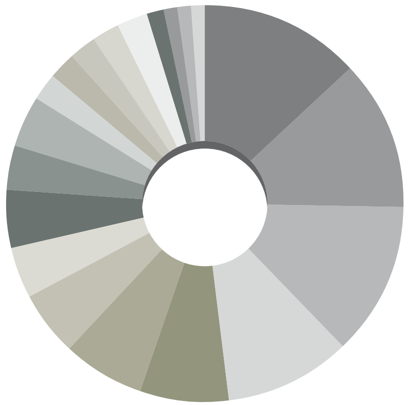
Hong Kong is one of our most important markets in the region. In this country, we are present in the channel of real estate development projects. To date, we have won several deals for equipping new residential developments with our appliances. In Singapore and Taiwan, our operations are also developed primarily by competing for property development deals. Sales in 2013 were doubled compared to 2012; however, development of operations is still in an early stage as the volumes are mostly low.

South America

In South America, we are only present in Brazil where our operations are in an early development stage. In a market that saw 1.8% growth of major appliance sales in 2013 relative to the year before, our appliances are positioned in the premium segment. In 2013, we took over our operations from a distributor and started to expand our distribution network there. We are currently negotiating with select partners to enter the distribution channel of technical consumer goods or consumer electronics retail.

Sales by value under own brands, by countries in 2012

Russia	13.1%
Germany	12.4%
Scandinavia	12.5%
Netherlands	10.1%
Rest of the World	7.3%
Serbia	6.6%
Ukraine	5.3%
Croatia	4.2%
Czech Republic	4.7%
Slovenia	3.6%
Australia	4.1%
USA	2.4%
Poland	2.1%
Austria	2.4%
BiH	2.2%
Belgium	2.3%
Hungary	1.4%
Great Britain	1.2%
Slovakia	1.1%
UAE	1.0%



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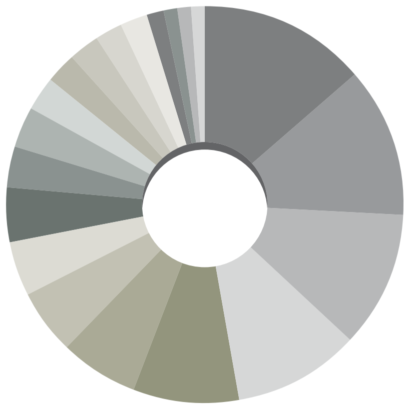
Hungary	1.4%
Romania	1.2%
Great Britain	1.1%
Slovakia	0.9%



NEW PRODUCT DEVELOPMENT

The key goal in the development of every new appliance is a happy user. Therefore, we seek to understand the habits and the needs of our customers in a number of markets, and to anticipate the trends affecting their purchase decisions. In this pursuit, we are focusing on the areas that improve the competitiveness of our products and services, as follows:

- development of technological innovation that brings added value to the users and simplifies their lives;
- simplicity of use of our products,
- carefully thought-out and advanced design that receive our full attention and commitment already in the early stages of development,
- energy efficiency which requires permanent care, both because of consumer expectations and because of regulations in this field; this is a key area that we will remain focused on in the future;
- new materials that will improve the functionality of the products while reducing the burden to the environment;
- platform-oriented thinking and a quest for solutions that allow better management of complexity.

Development activities in 2013 and plans for 2014

In 2013, we completed the development of a new generation of free standing fridge freezers with a width of 60 cm and height of 1.85 metre, which were well-received by the customers. In 2014, our offer will be extended with free standing refrigerators and freezers with a height of 1.85 metres, and combined fridge freezers with a height of 2 metres.

The majority of development activities in cooking appliances was devoted to the development of the new generation of premium built-in ovens. Two versions, differing by height (45 and 60 cm), three levels of control interfaces, steam, microwave, and convection cooking technology, and large oven capacity are the basic characteristics of the new innovative platform. Our latest built-in ovens, the design of which already won the prestigious Red Dot award in 2014, will be included in our sales assortment in 2014.

We also developed in 2013 a new platform for washing machines and dryers with large capacity for the household and professional market (WMD80). One special feature of these appliances is their compact design: despite the smaller outside dimensions, their capacity is on a part with that of their competition. Another highly challenging project in 2013 was the development of the second generation of heat pump technology for the A+++ energy class dryers.

Energy-efficient laundry dryers

We were the first manufacturer in the world to present an A+++ energy class dryer with a large capacity of 9 kilograms.

Our development efforts were also focused on improvements in the field of energy efficiency and on the development of a new generation of professional dishwashers.

The low-temperature version of the heat pump allows capturing the air outside the building as the heat pump can operate at temperatures as low as -7°C.

In heating systems, the key development challenge was energy efficiency. In 2013, we also completed the development of the new generation of medium capacity domestic hot water heat pumps.

In 2014, we continue to develop our brand new modular dishwasher platform, and to work with our strategic partner Panasonic to develop a new generation of washing machine scheduled for launch in 2015.

Energy efficiency and water conservation trend at the Gorenje Group

Two key trends in the home appliance industry, which steer the development activities at the Gorenje Group, are efficient use of energy and water. In Western Europe, as much as 52% of all washing machines, 30% of dishwashers, and 21% of fridge freezers already boast A++ or A+++ energy efficiency. Germany stands out in particular with every other refrigerator sold in 2013 complied with the A++ or A+++ rating. In terms of the share of appliances in the A++ energy class and above, Gorenje Group is ahead of the market with 62% of washing machines and 33% refrigeration appliances sold in these classes.

Efficient use of energy is also important in laundry dryers as models with a heat pump (reaching the energy class A and above) are the only growing segment within this category. With 46% of all laundry dryers sold being energy-efficient, Germany is again by far the most important market for this type of appliances. The Group is keeping the pace with the trend of increasingly popular laundry dryers with a heat pump. The buyers are offered a wide range of dryer models with a heat pump and in 2013, these accounted for 55% of total laundry dryer sales.

Water conservation is particularly important in dishwashers. In particular, demand for dishwashers using 10 litres of water or less per cycle is increasing. To put this feature into perspective: washing the same amount of dishes manually would require from 40 to 80 litres of water. In 2013, dishwashers with water consumption of 10 litres or less accounted for 36% of total sales.

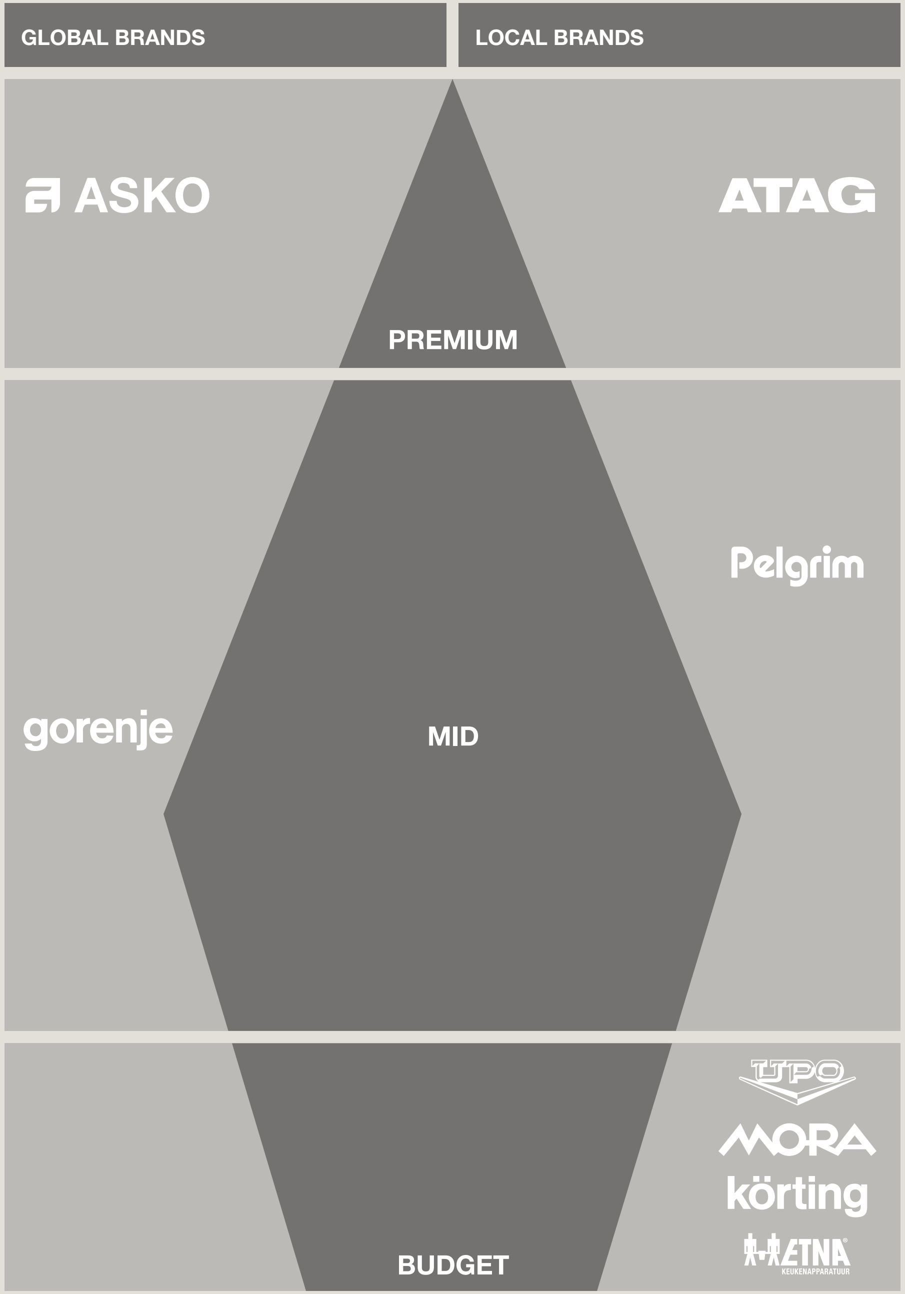
Smart refrigerators

In 2013, we introduced a new generation of fridge freezers called Ion Generation. IonAir technology which can eliminate up to 95% of all microorganisms from the refrigerator, combined with the advanced air circulation system MultiFlow 360° and the NoFrost Plus function that prevents accumulation of frost on the food and ice in the refrigerator interior, provides the ideal microclimate for food refrigeration.

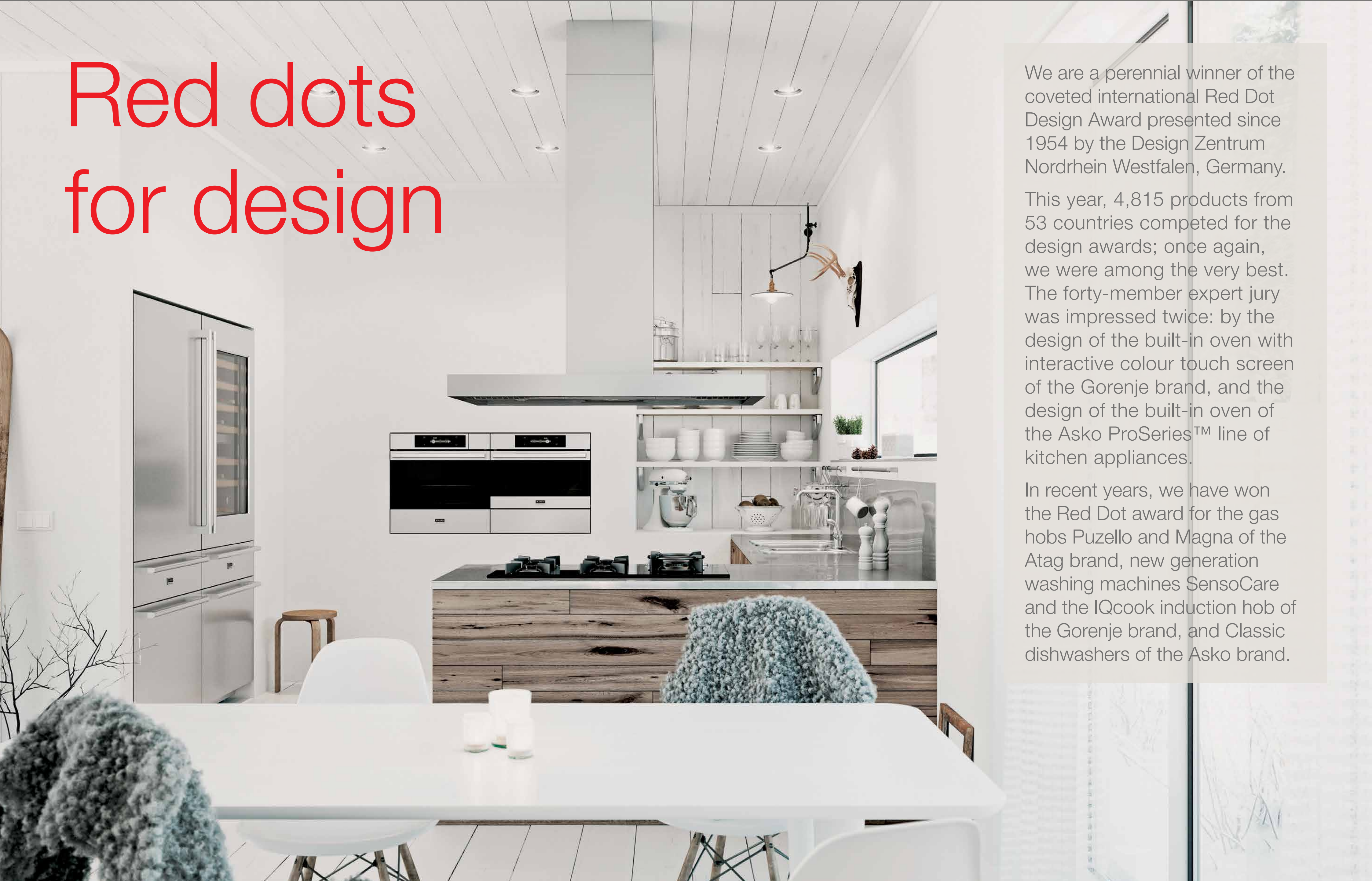
OUR BRANDS

The importance of Gorenje Group's own brands has been rising steeply in recent years. In 2004, the Group's in-house brands accounted for 72% of total revenue; in 2013, this share was at 95%. In addition to sales under own brands, we also expanded our brand portfolio. Good ten years ago, the Group was recognized for its Gorenje brand; today, its appliances are marketed under eight brands. These include brands that were acquired through mergers and acquisitions: Asko, Atag, Pelgrim, Mora, Etna, and Upo. Such extended brand portfolio allows us to cover all price segments.

Pursuant to the adopted strategy, we are focusing on the development of two global brands and several regional or local ones. Gorenje, focusing on the mid price range, and Asko in the premium segment, are our two global brands. Also positioned upmarket is the Atag brand which will continue to play an important role in the Benelux countries where we are also present with two local brands, Pelgrim and Etna. Local brands also include Mora which is particularly strong in the Czech Republic and Slovakia, Upo in Finland, and Körting which is present in Slovenia, Austria, Greece, Russia, Georgia, and Croatia.



Red dots for design



We are a perennial winner of the coveted international Red Dot Design Award presented since 1954 by the Design Zentrum Nordrhein Westfalen, Germany.

This year, 4,815 products from 53 countries competed for the design awards; once again, we were among the very best. The forty-member expert jury was impressed twice: by the design of the built-in oven with interactive colour touch screen of the Gorenje brand, and the design of the built-in oven of the Asko ProSeries™ line of kitchen appliances.

In recent years, we have won the Red Dot award for the gas hobs Puzello and Magna of the Atag brand, new generation washing machines SensoCare and the IQcook induction hob of the Gorenje brand, and Classic dishwashers of the Asko brand.

Majority of revenue under the Gorenje brand

In the composition of major appliance sales, Gorenje brand accounted for 71% of total revenue in 2013. It is followed by Atag with 7 percent share and Asko with 5 percent share. According to our strategic plan, sales under the upmarket Asko and Atag brands will account for 25% of total revenue in 2018.

Gorenje

Gorenje brand was developed successfully in 2013. In comparison to 2012, major appliance sales under this brand rose by 3.1%, expanding its market share in most European countries and beyond. Gorenje brand sales are the highest in Germany, Russia, Scandinavia, Serbia, and Ukraine.

Key product novelties in 2013 included the new generation of smart refrigerators Gorenje Ion Generation which has improved our market position in the cold appliance segment; in addition, we also offered a new generation of refrigerators in various colours. New generation of SensoCare dryers, first launched in 2012, propelled the brand towards the top where it has joined the leaders in the segment of heat pump dryers with highly energy-efficiency. We were the first manufacturer in the world to present an A+++ class dryer with a large capacity of 9 kilograms. Another novelty in 2013 was the new generation of gas hobs with improved design and new highly efficient burners. Moreover, our strategic focus on design is manifest in the Gorenje Classico collection, initially developed for the Russian and Ukrainian market but now also introduced elsewhere, and the updated Gorenje Simplicity line which was designed as a response to the trends in modern living.

Asko

Asko's top markets are Scandinavia, Northern America, Australia, and Russia. The brand is renowned for superior dishwashers, washing machines, and dryers. Its product assortment is being expanded with kitchen appliances and some small domestic appliances which will boost our sales under this brand.

Further growth will also rely on cooperation agreements signed in 2013. In France, the company Eberhardt Frères which markets premium home appliances became the exclusive distributor for the Asko brand in this market. In 2014, the customers will first be offered Asko kitchen appliances, followed by washing machines and laundry dryers in 2015. Strategic activities of boosting sales outside Europe involved signing an exclusive distribution partnership for Asko washing machines, dryers, and dishwashers in the Northern American region with the leading American upmarket home appliance manufacturer Sub-Zero Group Inc. We have also introduced Asko to India where several showrooms have been opened for the Gorenje brand. The company Häfele was entrusted with the distribution of the Asko brand in this market.

Moreover, we refreshed the brand's story and profile in 2013, and presented it for the first time at the world's European consumer electronics tradeshow IFA in Berlin. The customers were offered a new large-capacity washing machine (11 kg for EU and 10 kg for Australia); washing machine energy and water efficiency was improved to five stars in Australia; and dryers with improved energy efficiency in the A++ energy class and a capacity of 7 kg were introduced to the markets of the European Union.

In 2014, we are planning to introduce a washing machine and dryer with a larger capacity (8 kg) for semi-professional use, and to further extend the range of semi-professional appliances. During the Eurocucina tradeshow in Milan, our ProSeries™ range of kitchen appliances was also premièred.

Atag

Although market conditions in the segments where the Atag brand was present were highly challenging, we succeeded in maintaining our sales under this brand and additionally boosting its market position, mainly by more aggressive approach in the rapidly growing channels like online sales and by entering the distribution channels in which this brand had been under-represented. In order to improve the brand's recognition among end users, its appearance and communication were revised in 2013.

Etna and Pelgrim

Etna and Pelgrim are local brands with high recognition in the Benelux countries. Sales under the Etna brand decline somewhat in 2013, mostly because of aggressive pricing policy of the competition. We succeeded in increasing sales under the Pelgrim brand which now includes a revised line of built-in ovens.

Mora

Sales under this brand were increased considerably in 2013 especially in the Czech Republic, Slovakia, and Hungary. In Czech Republic, our market share rose by nearly one percentage point, to over 10% (by volume). In 2014, we are planning to completely revise the kitchen hoods program and to introduce some novelties in our assortment of free standing appliances.

Körting

In 2013, we revised the entire assortment of built-in ovens and free standing cookers, and introduced a new line of energy-efficient refrigerators and dishwashers. Our market share in Slovenia and Croatia rose by more than 5%.

Upo

Upo is a Finnish brand with exceptionally high local recognition. In 2013, the offer of built-in ovens, free standing cookers, fridge freezers, washing machines, and dryers was revised. In the second half of the year, we carried out an extensive marketing campaign by which we sought to bring the Upo brand closer to our younger customers.

CORPORATE GOVERNANCE STATEMENT

Management Board

On July 19, 2013 the Management Board, consisting of President and CEO Franjo Bobinac, and members Peter Groznik, Marko Mrzel, Branko Apat, and Drago Bahun, started their new five-year term. In the previous term which ended on July 18, 2013, the Management Board also included Uroš Marolt, who was appointed head of the Group's sales company in Bosnia and Herzegovina after the expiry of his term of office.

Management Board members

Franjo Bobinac, President and CEO

Franjo Bobinac graduated in international economic relations at the Faculty of Economics, University of Ljubljana, in 1982. He completed his MBA studies at the École Supérieure de Commerce in Paris in 1997. He has international experience in various business fields, and he holds in-depth theoretical and practical knowledge.

He started his career with a three-year stint at Emo Celje. In 1986, he joined Gorenje Commerce as assistant director of exports. In 1990, he was appointed director of exports at Gorenje Gospodinjski aparati ("Gorenje Home Appliances"); a year later, he took over as head of marketing. From 1993 to 1998 he was the managing director at Gorenje's sales subsidiary in Paris. After Gorenje's transformation into a public limited company in 1997, he became a member of the temporary Management Board; in 1998, he was appointed Management Board member in charge of sales and marketing. In 2003, he was started his first term as the President and CEO. On July 19, 2013, he commenced his third term as Gorenje President and CEO.

He is a member of the General Assembly of CECED (European Committee of Domestic Equipment Manufacturers); Management Board member at the Slovenian Chamber of Commerce and Industry; Supervisory Board member at the IEDC Bled School of Management; member of the Governing Boards of the University of Ljubljana; member of the Board of Governors at the Research Institute Jožef Štefan; member of the Advisory Board at the Faculty of Economics, University of Ljubljana; and President of the Handball Association of Slovenia. He is also vice president of the Managers' Association of Slovenia, and he previously served a five-year term as the president of this Association. He is a Management Board member of the Summit of 100 business leaders of Southeastern Europe.

He occasionally lectures at the IEDC – Bled School of Management and at the Faculty of Economics of the University of Ljubljana. He is a visiting professor at the International Postgraduate School of the Jožef Štefan Institute.

He was awarded the decoration of Knight of the National Order of Merit of the Republic of France; he received the award of the Slovenian Chamber of Commerce and Industry for exceptional economic achievements in 2007; and the Janez Vajkard Valvasor medal for businessmen, presented by the Jožef Štefan International Postgraduate School.

- He holds 4,096 Gorenje shares (GRVG).

Peter Groznik, PhD, Chief Finance Officer / Management Board member in charge of finance and economics

After graduating in economics at the Faculty of Economics in Ljubljana in 1996, he further pursued his academic career with a master's degree in the same discipline. He completed his master's studies at the Kelley School of Business, Indiana University, USA, and received his PhD in finance in 2003.

After completing his PhD, he launched his professional career as a consultant on financial regulation for the company Mobitel, followed by employment at various companies of KD skladi, where he was in charge of fund management from 2005 to 2009. In March 2009, he was appointed CEO of KD skladi, a position he held until September 2010. He is currently the Supervisory Board Chairman at Pivovarna Laško and a Supervisory Board member at Pivovarna Union; for two years, he was also a Supervisory Board member at Telekom Slovenije. He is the founder of the investment consultancy firm NorthGrant Consulting.

Since 1996, he has taught several courses at the Faculty of Economics in Ljubljana. He was also a lecturer and visiting professor at the Kelley School of Business and the International Graduate Business School in Zagreb. Since 2005, he has held several positions in expert and strategic bodies of the Government of the Republic of Slovenia, including that of Chairman of the Strategic Council of Economic Development from 2007 to 2009; he is still a member of the financial markets council at the Ministry of Finance.

He has received several academic awards, participated in many seminars and conferences at home and abroad, and has published several articles in Slovenian and international expert journals.

His cooperation with Gorenje dates back to September 2011 when he was hired as an independent consultant for financial issues. He was first appointed CFO (Management Board member in charge of finance and economics) on April 19, 2012.

- He holds 7,140 Gorenje shares (GRVG).

Marko Mrzel, Chief Sales and Marketing Officer / Management Board member in charge of sales and marketing

Marko Mrzel graduated in 1995 at the Technical Faculty of the University of Maribor, majoring in automation. He followed up his university studies with the MBA post-graduate program in Radovljica under the auspices of the Faculty of Economics in Ljubljana, and obtained his Master's degree in economics in 1999.

He started out his professional career at the Velenje Coal Mine, and then continued in the finance department of the Era trade company where he was soon promoted to head of wholesale. In 2001, he was hired by the Gorenje Group as head of complementary program at the parent company. Two years later he was assigned managing director of Gorenje's sales subsidiary in Belgrade.

He was first appointed Management Board member in March 2011 when he took over the position of CFO, i.e. Management Board member in charge of finance. On January 1, he was assigned to the position of CSMO, i.e. Management Board member in charge of Sales and Marketing. He continues to be in charge of this field in the Management Board's new term of office.

- He holds 450 Gorenje shares (GRVG).

Branko Apat, Chief Operations Officer / Management Board member in charge of major appliance operations and heating equipment operations and sales

Branko Apat graduated at the Faculty of Economics in Maribor in 1984, majoring in international trade. In 1988 he completed his specialist studies at the Cleveland State University, Ohio, USA.

At Gorenje, he started out as a sales manager for products sourced from outside Gorenje's parent company. His next assignment was the head of exports to Middle East. In 1988, he became assistant director of exports for products other than white goods; moreover, he was in charge of marketing Gorenje products in South America. In 1990 he was appointed purchasing director; three years later, he was the marketing director. From 1999 until the end of 2009, he was managing director of Gorenje Tiki, a water heater manufacturing company. In 2003, he took over as executive director the coordination of Gorenje Group companies dealing with heating equipment, toolmaking, and machine building; as of 2006, he was also in charge of the complementary program.

In 2007 he was first appointed to the company Management Board in charge of complementary programmes, purchasing and logistics. As a Management Board member, his responsibilities as of 2009 included the entire Home Appliance Division, including sales. On January 1, 2012 he was appointed Management Board member in charge of major appliance operations and heating systems operations and sales. He continues to hold this position to this day.

- He holds 626 Gorenje shares (GRVG).

Drago Bahun, Management Board member – labour director

Drago Bahun completed his studies of sociology (majoring in human resources) at the Faculty of Sociology, Political Sciences, and Journalism of the University in Ljubljana in 1979. This was followed by postgraduate studies of human resource management at the same school.

He started his career at the Mining and Energy Engineering State Combine in Velenje in 1979, where he headed the department of business system organisation until the end 1984. He has been employed at Gorenje since 1985 when he was hired as deputy chairman of the management committee of the composite organisation for the field of socio-economic relations. From 1987 to 1990 he was a Management Board member of Gorenje Gospodinjski aparati in charge of human resources; from 1990 to 1997, he was the director of human resources and general affairs.

After the company was restructured to a public limited company in 1997, he became a member of the temporary Management Board. In 1998, he was appointed Management Board member in charge of human resource management, and labour director. From 2003 to the end of 2011 he was the Management Board member in charge of human resources and organisation, and the labour director. Since January 1, 2012, he has been a Management Board member – Labour Director.

He has been active in various institutions and professional organisations (Slovenian Chamber of Commerce and Industry, Ministry of Labour, Employers' Association). He is a Supervisory Board member at the Credy bank, deputy chairman of the executive committee of the Skiing Association of Slovenia, and President of the organizational committee of the Planica ski jumping event.

- He holds 9,032 Gorenje shares (GRVG).

Statement of Management Responsibility

The Management Board is responsible for the development and compilation of the Annual Report of Gorenje, d.d., and the Gorenje Group, as well as the financial statements, in a manner that provides to the interested public a true and accurate account of the financial position and performance of the company and its subsidiaries in 2013.

The Management Board hereby confirms that the financial statements of Gorenje, d.d., and the Gorenje Group have been prepared pursuant to the relevant accounting policies; that the accounting estimates have been developed according to the principles of prudence and diligence of a good manager; and that the financial statements of the Company and the Group give a true and fair account of their financial position and performance in 2013.

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

The Management Board confirms that, to the best of its knowledge, the financial report has been prepared in compliance with the accounting reporting framework, and that it provides a true and fair account of the assets and liabilities, financial position, and profit or loss of the parent company and other companies included in the consolidation of the Gorenje Group. The Management Board also confirms that the Business Report delivers a fair account of the information on relevant transactions with related persons or parties, and that it complies with relevant legislation and International Financial Reporting Standards.

The President and CEO, and Management Board members are familiar with the contents of integral parts of the Annual Report of Gorenje, d.d., and the Gorenje Group for 2013, and thus also with their entire Annual Report. We approve the report and confirm such approval with our respective signatures.

Franc Bobinac, President and CEO

Peter Groznik, Management Board member

Marko Mrzel, Management Board member

Branko Apat, Management Board member

Drago Bahun, Management Board member

Supervisory Board

In addition to its rights and obligations specified by the relevant law, the Supervisory Board endeavours to conduct its work in a manner that surpasses the prescribed, recommended and agreed standards. It devotes its best efforts to ensuring that the highest standards of corporate governance are implemented at the Gorenje Group. A high degree of transparency of operations and proper communication with shareholders and other stakeholders are also recognised in our environment as being Gorenje's values. International composition of the Supervisory Board is particularly important in this respect as its members are able to directly apply their rich international experience in practice.

In view of the fact that the Management Board term expired on July 18, 2013, the Supervisory Board appointed still in 2012, after careful consideration, Franjo Bobinac as the President and CEO for the 2013–2018 term. Upon Mr Bobinac's proposal, the Supervisory Board confirmed in January 2013 the appointment of other Management Board members for the new term of office.

In 2012 as well as this year, the Supervisory Board devoted much attention to solutions for improving the operations of Gorenje Group's furniture segment. Divestment of the companies Gorenje Kuhinje, d.o.o., and Gorenje Notranja oprema, d.o.o., by selling them to the investment company Cobe Capital is a good solution for the employees, the Gorenje Group, and all its stakeholders.

The Supervisory Board is closely monitoring the relocations of manufacturing operations. This is the most extensive process of manufacturing operations restructuring in Gorenje's corporate history and therefore, the Supervisory Board devoted much of its time to this issue.

The Supervisory Board aims at constantly improving the corporate governance and welcomes the implementation of the Code of Conduct that was adopted at the end of 2011. This document is an important step in the improvement of the transparency of operations and governance. It allows every employee who has any doubts as to the compliance of operations with legislation of ethical standards to address either directly the Audit Committee or the secretary to the Management Board. The Supervisory Board requested from the Management Board explanations regarding some media reports which could affect the price of the share or the business decisions of the investors and the interested public. The Management Board always replied in the shortest possible time and provided adequate and relevant explanations. In order to protect Gorenje's reputation and joint business interests, the Company duly responded in the press in line with the fundamental principles of corporate governance, relevant legislation, and good practices applied worldwide.

All Supervisory Board members meet the independence criterion as defined in the Corporate Governance Code for Public Limited Companies. The powers and obligations of the Supervisory Board members are the same for each member, the only difference being that some members are also members of respective Supervisory Board committees. These committees conduct their activities in accordance with the relevant law and the authorizations granted by the Supervisory Board.

The Supervisory Board is regularly involved in the development of the corporate governance policy which is constantly being upgraded and improved, also based on proposals submitted by its members. The Supervisory Board works transparently and efficiently.

Supervisory Board members

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

- Uroš Slavinec, chairman,
- Maja Makovec Brenčič, deputy chairwoman,
- Marcel van Assen, member,
- Keith Miles, FCA, member,
- Bernard Pasquier, member.

On July 5, 2013 Bachtiar Djalil was appointed Supervisory Board member representing the interest of capital, to replace Peter Kraljič who had resigned as Supervisory Board member for personal reasons on August 24, 2012.

The interests of the employees in the Supervisory Board are represented by the following members whose four-year term of office starting on July 19, 2010 was confirmed by the Works Council:

- Krešimir Martinjak, deputy chairman,
- Peter Kobal, member,
- Drago Krenker, member
- Jurij Slemenik, member.

Uroš Slavinec, Supervisory Board chairman

Uroš Slavinec holds a university degree in economics. He was the President and CEO of the company Helios Domžale, d.d., from June 1, 1990 to April 7, 2013 when he retired. He worked at Helios from the very beginning of his professional career. From 1975 to 1986, he held various top management positions, such as the head of planning and analyses department, management council member, and management council president. From 1986 to 1990 he was member of the Executive Council of the Assembly of the Republic of Slovenia for Industry and Civil Engineering.

He is a member of the Assembly of the Slovenian Chamber of Commerce and Industry. In 1997, he received the Slovenian Chamber of Commerce and Industry Award for outstanding business achievements and in 2006, he was named Manager of the Year.

- He does not hold any Gorenje (GRVG) shares.
- He is a member of the Remuneration Committee, Nomination Committee, and the Corporate Governance Committee.

Maja Makovec Brenčič, PhD, Supervisory Board deputy chairwoman

Prof. dr. Maja Makovec Brenčič, is a Full Professor of International Business at the Faculty of Economics, University of Ljubljana (UL EF). Her main research areas are internationalization of firms, international marketing, B2B and relationship marketing. She published in Journal of International Marketing, International Marketing Review, European Journal of Marketing, Industrial Marketing Management and other international journals. She contributed to different international monographs and conference proceedings and served as a reviewer for international conferences or academic journals in her research areas. She is involved with various professional and academic associations (EMAC etc.). In 2011 she chaired the Ljubljana EMAC congress which was organized by FELu. She is also a president of the Slovenian Marketing Association and vice-chair of the Slovenian Advertising Arbitration Board. She also runs UL EF International Business graduate programme and often consults to Slovenian international companies. Till April 2013 she was also the president of the council of Quality Assurance Agency for Higher Education of Slovenia. In June 2013 she was appointed president of EMAC (European Marketing Academy), the largest academic marketing organization in Europe. She was appointed Vice- Rector by the University of Ljubljana Senate upon proposal of the Rector prof. dr. Ivan Svetlik in September 2013.

- She does not hold any Gorenje (GRVG) shares.
- She is the chairwoman of the Benchmark Committee, and a member of the Remuneration Committee of the Supervisory Board.

Marcel van Assen, PhD, Supervisory Board member

Prof Marcel Van Assen is the owner and director of the OpXConsultants consulting firm and full professor of operational excellence at the TiasNimbas Business School in Tilburg, and the Eindhoven University of Technology where he teaches various courses, workshops and masters classes. His consultancy experience includes numerous topics in production management and innovation management, such as operational excellence, lean manufacturing, six sigma method, valuation of innovation based on strategic interviews, road-mapping, and foresight, for both manufacturing and service organizations.

He completed his master studies in mechanical engineering at the Twente University, master studies in strategy and organisation at the Open University, and received his PhD in management at the Erasmus University in Rotterdam. He is an ambassador of the University of Twente. He co-authored numerous articles and books, including Operational Excellence New Style (in Dutch); Supply Chain Management Practices (in Dutch); Key Management Models; and Reconfiguration of Chains and Networks.

- He does not hold any Gorenje (GRVG) shares.
- He is a member of the Benchmark Committee and the Remuneration Committee of the Supervisory Board.

Keith Miles, FCA, Supervisory Board member

Keith Miles is a Fellow of the Institute of Chartered Accountants in England and Wales. He is in retirement. He gained his working experience in various companies and enterprises, primarily in the areas of accounting, treasury, finance, and retail.

He was employed as a partner at G. H. Fletcher & Co (Chartered Accountants) from 1958 to 1970, in the Group Accounting Division of the P & O Group (transport activities) from 1970 to 1972, as an Assistant Company Secretary (group accounts) in the Grindlays Bank Group (banking) from 1972 to mid-1973, as Director of the Datnow Group (investments and retail) from mid-1973 to mid-1983, as Director of Finance and Administration at the Greater London Enterprise Board (investments/local administration) from mid-1983 to mid-1985, as Director of Finance and Administration at the Cable Authority (regulatory body) from mid-1985 to 1988, as Director of Finance and Administration at the Institute of Economic Affairs (academic institution) from 1988 to mid-1990, and as Company Secretary and Director of Finance of the Etam Group at ETAM PLC (a retail company) from mid-1990 to October 1998. He was also a non-executive director of a number of companies in England.

He has been a Supervisory Board member at the NKBM since 2012. He is a trustee of the British-Slovene Society and gives lectures on the topics of retail, finance, economics and business, and contributes articles to various Slovenian newspapers.

- He does not hold any Gorenje (GRVG) shares.
- He is the chairman of the Audit Committee and a member of the Remuneration Committee of the Supervisory Board.

Bernard Pasquier, Supervisory Board member

Bernard C. Pasquier has worked as a consultant since 2008. His portfolio of assignments includes advising the parliament of the Principality of Monaco on economic and financial issues, and the World Bank in connection with various projects linked to private sector development. He also represents the International Finance Corporation (IFC) in the Management Board of Grupo Mundial, Panama. In February 2013 he was elected Member of the National Council of the Principality of Monaco. He is also Secretary General of the Monaco Méditerranée Foundation, Secretary General of the Club of Monaco, and Secretary General of l'Association des Monégasques de l'Etranger.

Bernard C. Pasquier obtained a university degree in business administration, majoring in finance and investment analysis at the École Supérieure de Commerce et d'Administration des Entreprises de Montpellier (France) in 1976. He received a Master's degree in public administration, majoring in business and economic development, from the John F. Kennedy School of Government, Harvard University (USA) in 1984.

From 2004 to 2007, he was the secretary general at the Compagnie Monégasque de Banque in Monaco. From 2001 to 2004, he was the director of the Latin America and Caribbean Isles Department at IFC in Washington. He also held many other positions at IFC in the period from 1984 to 2001: Investment Officer via the Young Professional Programme (1984-1985), Principal Economist and Country Officer for the Africa region (1985 to 1990), Manager of the Africa Department (1990 to 1995), Senior Advisor in the Office of the President of the World Bank (1998 to 2001), and Director of the South Asia Department (2001 to 2004). He was a founder and Managing Director of the Dream Food International Company in San Francisco from 1980 to 1983, an Investment Analyst at the Chase Manhattan Bank in Rio de Janeiro from 1977 to 1980, and an Economic Consultant at the Finance Ministry in Rio de Janeiro in 1976 and 1977. In the period from 1998 to 2004 he was a member of the Management Board of SMBP, a private bank based in Monaco, whose shareholders were the banks Dexia and La Caixa de Barcelona.

- He does not hold any Gorenje (GRVG) shares.
- He is a member of the Benchmark Committee and the Corporate Governance Committee, and the chairman of the Remuneration Committee and the Nomination Board of the Supervisory Board.

Bachtiar Djalil, Supervisory Board member

Bachtiar Djalil is the President of the Management Board at Kapitalska družba, d.d.

After completing his undergraduate studies at the Faculty of Law in Ljubljana, he continued his academic pursuits with the postgraduate program on European law at the University of Groningen, the Netherlands, where he was awarded the title Master of Laws in European Law.

His firs employment was at NLB, working in capital investment management. After completing his Master's studies, he was hired by the Competition Protection Office (CPO) of the Republic of Slovenia where he was also a CPO representative in the European Commission's Merger Task Force. In July 2002, he returned to NLB where he worked in the Capital Investment Management and Supervision Sector. He participated in the founding of the company NLB Skladi, d.o.o.; in January 2004, he was appointed head of legal affairs office at this company.

From July 2007 to his employment at the Kapitalska družba, he was a Management Board member at NLB Skladi, d.o.o. He took part in task forces for development of or changes to the rules and regulations on mergers and acquisitions, competition protection, investment funds, and investment fund management companies.

Bachtiar Djalil is a Supervisory Board member at Loterija Slovenije, d.d.

- He does not hold any Gorenje (GRVG) shares.
- He is a member of the Audit Committee.

Krešimir Martinjak, deputy chairman of the Supervisory Board

He holds a university degree in law, and he is employed in Gorenje since 1986. He was first appointed Supervisory Board member in 2002.

He performed various tasks in the areas of labour, obligation and status or corporate law at the Legal Department of the Company for sixteen years. He was first elected to the Gorenje Supervisory Board in 2002. From 2002 to 2008, he was the chairman of the SKEI trade union of Gorenje, after which he returned to work at Gorenje's legal affairs office.

- He holds 115 Gorenje shares (GRVG).
- He is a member of the Remuneration Committee and the Corporate Governance Committee.

Peter Kobal, Supervisory Board member

An electrical engineering technician by profession, he holds the position of assistant director of maintenance at Gorenje.

He has been employed at Gorenje since 1971, and has held various maintenance positions, from maintenance technician to assistant director.

In 1997 he was first elected chairman of the Gorenje Works Council, and he has held the position ever since, currently serving his fourth term. He was appointed member of the Supervisor Board of Gorenje for the first time in 1998. He is successful both in his profession and in the area of worker participation in management.

- He holds 1,355 Gorenje (GRVG) shares.
- He is a member of the Benchmark Committee of the Supervisory Board.

Drago Krenker, Supervisory Board member

He is the deputy director at Gorenje's cold and dishwashing appliance program. By vocation, he is a sales manager.

He began his career in the field of electronics in 1974. He worked for 14 years at the company Procesna Oprema within the Gorenje system, and two years at Iskra Delta, working primarily with medical electronic equipment. In 1989 he was hired at the refrigerator-freezer program where he worked as plant manager, production planning manager, production manager, and head of the general affairs department.

He was first elected Gorenje Supervisory Board member in 1998. He is presently serving his fourth term in the Works Council, having served one term as its deputy chairman. He is the chairman of the Occupational Health and Safety Committee, currently in his second consecutive term.

- He does not hold any Gorenje (GRVG) shares.
- He is a member of the Audit Committee of the Supervisory Board.

Jurij Slemenik, Member of the Supervisory Board

A mechanical engineering technician by profession, he is currently head of production at the washing machine and dryer program. He has worked for Gorenje since 1978, holding various jobs at the washing machine and dryer program.

He has been a member of the Employee Council since 2002, when he was first elected to the Gorenje Supervisory Board.

- He holds 2,038 Gorenje (GRVG) shares.
- He is a Member of the Supervisory Board Remuneration Committee.

Supervisory Board committees

Audit Committee

The Audit Committee operates according to the authorizations specified by Article 280 of the Companies Act. The Audit Committee includes Keith Miles as chairman, members Bachtiar Djalil and Drago Krenker, and Aleksander Igličar as a third-party member. Mr Igličar is a senior lecturer of accounting and auditing at the Faculty of Economics in Ljubljana.

Benchmark Committee

The committee has the following members: Maja Makovec Brenčič as chairwoman, and Marcel van Assen, Bernard C. Pasquier, and Peter Kobal as members. The Committee also includes representatives of the company management: President and CEO Franjo Bobinac, CSMO Marko Mrzel, advisor to the President and CEO Peter Kukovica, Executive Director of Brand Management Aleksander Uranc, and Regional Executive Director Klemen Prešeren.

The basic task of the Benchmark Committee is to identify the companies to which Gorenje Group will be compared, or against which it will be benchmarked. The Committee deals primarily with methodological issues and specifying the basic benchmarking criteria. When the selection is complete and methods and indicators are specified, the timeline of company activities will be defined to improve the strategic plan.

Corporate Governance Committee

Supervisory Board members on the Committee are Bernard C. Pasquier, Uroš Slavinec, and Krešimir Martinjak. The company Gorenje is represented as a Committee member by the President and CEO Franjo Bobinac.

The task of the Corporate Governance Committee is to find the best possible way of organizing the Gorenje Group given its increasing international recognition and the need to adjust all areas of its business operations accordingly. On January 1, 2012 the new organization was implemented at the Gorenje Group. The Committee did not hold any sessions last year; rather, the Supervisory Board kept track of the implementation of organization in particular fields based on regular reports by the Management Board.

Remuneration Committee

The committee has the following members: Chairman Bernard Pasquier, and members Marcel van Assen, Maja Makovec Brenčič, Keith Miles, Uroš Slavinec, Krešimir Martinjak, and Jurij Slemenik.

Powers of the Committee are specified in Appendix B.2 of the currently effective Corporate Governance Code (the LJSE Code).

Nomination Committee

The Committee consists of Bernard Pasquier as chairman, and members Uroš Slavinec, Tadeja Čelar, Hiroyuki Furumura, Eric Stupp, and Mitja Svoljšak.

The nomination committee will carry out all procedures necessary for the selection of candidates for the appointment of a substitute member of the Supervisory Board as well as Supervisory Board members for the following term of office.

More detailed explanations on the functioning of the committees of the Supervisory Board in the year are provided in the Supervisory Board Report on the Audit of the 2013 Annual Report.

Management Board and Supervisory Board compensation and rewards

The President and CEO and Management Board members signed new employment contracts for the period from July 19, 2013 to July 19, 2018. Their reward consists of a fixed and a variable part. The fixed part of their net salary is approximately 10% higher than the net salary they had been receiving from July 2008 on.

The Supervisory Board adopted the Management Board performance criteria at the 37th session held on June 25, 2013. The criteria pertain to the variable part of the reward, and they include both quantitative and qualitative criteria. Performance criteria include sustainable development and non-financial criteria of relevance for generating long-term company value. Variable part of the reward may amount to no more than two thirds of the annual compensation of the President and CEO or respective Management Board member. In case of satisfactory results, the President and CEO and Management Board members shall be entitled to reward amounting to base salary multiplied by up to one; in case of successful results, salary bonus multiplier shall be one to three; in case of very successful results, it shall be four to eight. The quantitative part of the criteria pertains to new product development and innovation, business criteria, financial criteria, and criteria regarding the organization and human resource management. Quantitative criteria are defined by specific quantitative goals.

Considering the fact that Gorenje Group is organized as a corporate group and that Management Board members are also tasked with supervising the operations of Gorenje Group subsidiaries through their formal membership in the Supervisory Board of the holding company Gorenje Beteiligungs GmbH, Vienna, Gorenje Supervisory Board agreed that a part of their total compensation be paid out in the form of reward for their supervisory work at this holding company. President and CEO, and Management Board members, except for labour director Drago Bahun who is not involved in the supervision of subsidiaries, have been receiving since the start of their current term compensation for their work in the Supervisory Board of the company Gorenje Beteiligungs GmbH, Vienna. All taxes and contributions related to this compensation are duly paid, as disclosed in the Annual Report.

Compensation and rewards paid out to Management Board members are fully detailed in the financial report, in the section Notes – Transactions with Related Parties.

The Company has not adopted a stock option remuneration plan.

For their work, the Supervisory board members are entitled to regular monthly payments, session attendance fees, training and the reimbursement of expenses for meeting attendance. These expenses are funded from the company's current operations. Payments to the Supervisory Board members are presented in the Financial Report in the section Notes – Transactions with Related Parties.

Transactions with Gorenje (GRVG) shares conducted by Management Board and Supervisory Board members

Relative to December 31, 2012, the number of shares held by the Supervisory Board members has changed and it now amounts to 3,508. The number of shares held by Management Board members has also changed (to 18,894) as some Management Board and Supervisory Board members took part in the second round of the second equity offering, in which the shares were offered to the Gorenje Group employees. On December 3, 2012, Supervisory Board member Jurij Slemenik subscribed 300 new shares; on December 5, 2013, new shares were subscribed by President and CEO Franc Bobinac (2,000 shares), and Management Board members Drago Bahun (50 shares), Peter Groznik (4,640 shares), and Marko Mrzel (450 shares). Management Board member Peter Groznik acquired additional 2,500 GRVG shares on March 17, 2014, during an open trading window.

GRVG share transactions by Management and Supervisory Board Members

	Ownership		Net acquisition in the year	
	2012	2013	2012	2013
Supervisory Board total	**3,208**	**3,508**	**-**	**300**
Uroš Slavinec	-	-	-	-
Maja Makovec Brenčič	-	-	-	-
Keith Miles	-	-	-	-
Peter Kraljič*	-	-	-	-
Bachtiar Djalil	-	-	-	-
Marcel van Assen	-	-	-	-
Bernard C. Pasquier	-	-	-	-
Krešimir Martinjak	115	115	-	-
Drago Krenker	-	-	-	-
Jurij Slemenik	1,738	2,038	-	300
Peter Kobal	1,355	1,355	-	-
Management Board total	**11,754**	**18,894**	**-**	**7,140**
Franjo Bobinac	2,096	4,096	-	2,000
Drago Bahun	9,032	9,082	-	50
Peter Groznik	-	4,640	-	4,640
Marko Mrzel	-	450	-	450
Branko Apat	626	626	-	-
Uroš Marolt**	-	-	-	-

*Peter Kraljič was Supervisory Board member until August 23, 2012.
**Uroš Marolt was Management Board member until July 18, 2013.

Pursuant to relevant laws and the Company rules and regulations, all recipients of internal information, i.e. members of the Management Board, Supervisory Board and the Audit Committee, are required to observe special rules for trading in Gorenje shares, which are commonly referred to as “trading windows”. Such persons are not allowed to trade company shares thirty days prior to the announcement of periodical results or other information that could affect the price per share. In case of any other information that may influence the price per share, the restriction of trading shall be valid for the entire duration until such information has been made public. Secretary to the Management Board shall be responsible for compliance with the Rules and Regulations on Insider Information and for informing the relevant persons with regard to trading windows and trading restrictions.

Audit

External audit

The financial statements of the parent company and most subsidiaries for the 2013 fiscal years were audited by the auditing company Deloitte Revizija, d.o.o. Third-party (external) auditors report their findings to the Management Board, Supervisory Board, and the Audit Committee of the Supervisory Board.

Gorenje, d.d., complies with the recommendations of the Corporate Governance Code (the LJSE Code) according to which the auditing partner is to be changed every three years. After the Shareholders Assembly rejected at their 19th session on July 5, 2013 the Audit Committee and Supervisory Board proposal to appoint KPMG Slovenia as the company auditor for 2013, the Supervisory Board's Audit Committee re-evaluated the candidates for the company auditor. At the 20th Shareholders Assembly on August 23, 2013, the Audit Committee and Supervisory Board proposal to appoint the company Deloitte Revizija, d.o.o., as company auditor was confirmed.

The transactions of the parent company and the Gorenje Group with the company Deloitte Revizija, d.o.o., and the transactions of the Group companies with individual audit companies are presented in the Notes to the Financial Statements.

Internal audit

In 2013, various activities were conducted to recover the quality of internal auditing at the Gorenje Group. Cooperation with the Supervisory Board's Audit Committee, external auditor, and the supervisory functions within the Gorenje Group was strengthened; Internal Audit Charter and Internal Audit Rules and Regulations were updated and both documents were confirmed by the Management Board and the Audit Committee. Moreover, we expanded our internal audit team, adding the fifth employee to the department. Pursuant to the Internal Auditing Standard 1110, organizational independence of the internal audit department is periodically reviewed and confirmed.

Internal audits in 2013 were conducted as scheduled. They included two primary fields, or aspects. The first aspect involved ensuring compliance with internal and external rules and regulations; the second aspect stressed the focus on strategic fields and business processes with the highest rate of exposure to risk.

The internal audit department generated value added by providing recommendations in audit reports, and by consulting services. In most cases, the control system is in place and operating in a satisfactory manner; in case of identified deficiencies, improvements were proposed which are implemented according to the agreed schedules.

Internal and external audits are carried out regularly as per the program of internal audit quality improvement. Annual internal audit included self-assessment and analysis of feedback received from the Management Board, the Audit Committee, and heads of audited units. Based on the information received, we adopted measures aimed at further improvement of internal audit operations, and further increase of compliance of internal audit performance with the expectations of the Management Board and the Audit Committee.

External audit of internal audit activities at the Gorenje Group was conducted early in 2013. External auditors gave a positive assessment of the compliance of internal audit with the professional rules of the Institute of Auditors, as witnessed by the inclusion in the list of Internal Auditing Excellence. Pursuant to the Internal Auditing Standard 1321, we can also confirm compliance with the International Standards for the Professional Practice of Internal Auditing.

In the future, internal audit department will conduct the following key activities in order to attain the goals laid down:

1. Continuous auditing and monitoring of key controls
2. Management consulting
3. Risk management consulting
    a. Cooperation with the risk management department
    b. Proactive identification of risks and trends
    c. Providing proposals for response to the perceived risks
    d. Decreasing risk exposure to an acceptable level

The most headway is planned in the consulting area. To date, consulting services were mostly provided for the upper management. We are now looking to improve the quality and scope of consulting directly to the Management Board. Moreover, we have made it our long-term strategic goal to establish comprehensive auditing service and to generate high value added of the internal auditing at the Gorenje Group.

Statement of Compliance with the Corporate Governance Code

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

The statement pertains to the period from the adoption of the previous Statement of Compliance with the Corporate Governance Code (for Public Limited Companies), i.e. from April 19, 2013 to April 24, 2014 when the Statement was jointly formulated and adopted by the Management Board and the Supervisory Board of Gorenje, d.d.

Chapter: Company Management Framework

Recommendation 1:

The fundamental goals of the company are not specified in the Articles of Association; however, they are clearly specified in the company mission: "We create innovative, design-driven and technically excellent products and services that bring simplicity to our users."

Chapter: Relations with shareholders

Recommendation 5.8:

According to the current practice, the General Meeting of Shareholders votes on the discharge to the members of the Management Board and Supervisory Board simultaneously. This has been proven appropriate and consistent with the method of work employed so far, the high standards of cooperation of the two bodies in their joint response to issues of relevance for the Company and its development, the reasonable equal treatment of the duties and responsibilities of their members as stipulated by law, and the attained level of trust.

Chapter: Supervisory Board

Recommendation 8.4:

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

Recommendation 9:

The Supervisory Board assesses its work and the work of its committees as a whole; in addition, it assesses the work of individual members. The Supervisory Board and its committees are generally in full attendance in their meetings; all members regularly participate in discussions and their responsibility, enthusiasm, and professional and other experience contribute to the quality of their work. Thus, the Supervisory Board finds that individual evaluation is not necessary.

Chapter: Management Board

Recommendation 16.3:

Recommendation on severance payments to the Management Board shall be observed and implemented to the greatest extent possible, except for the case of dismissal pursuant to Article 268, Paragraph 2, Section 4 of the Companies Act.

Corporate Governance Rules for Companies listed on the Warsaw Stock Exchange

Best Practices for WSE Listed Companies are a set of corporate governance rules that apply to companies listed on the Warsaw Stock Exchange. The purpose of the Best Practices for WSE Listed Companies is to improve transparency of WSE-listed companies, to improve communication between companies and investors, and to protect the rights of shareholders, including the rights not regulated by law, without imposing unnecessary burden on the WSE-listed companies to an extent when such burden would exceed the benefits resulting from market requirements.

The Management Board and the Supervisory Board hereby declare that Gorenje, d.d., complies with the Best Practices for WSE Listed Companies in its work and operations, with particular discrepancies or deviations disclosed and explained hereinafter:

The statement pertains to the period from the adoption of the previous Statement of Compliance with the Best Practices for WSE Listed Companies, i.e. from December 30, 2013 when Gorenje shares were admitted to listing on the Warsaw Stock Exchange, to April 24, 2014 when the Statement was jointly formulated and adopted by the Management Board and the Supervisory Board of Gorenje, d.d.

Recommendation 5: in part which refers to the Company adopting rules defining the remuneration policy for the Supervisory Board members:

The Company has not adopted rules for defining the remuneration of the members of the Supervisory Board. According to the Articles of Association and the Shareholders Assembly Rules or Procedure, the Shareholders Assembly shall be entitled to set forth the remuneration of the members of the Supervisory Board upon their sole discretion. The Management Board does not have any influence on the decisions of the Shareholders Assembly regarding the remuneration of the Supervisory Board members.

Recommendation 9: in part which refers to the Company ensuring that there is a balanced proportion of women and men holding managerial and supervisory positions.

The Company has not adopted any document that would formally ensure a balanced proportion of men and women in the Management Board and Supervisory Board. The Management Board consists of five members, all of whom are men. The ten-member Supervisory Board includes one woman, Maja Makovec Brenčič. The Management Board does not have any influence on the decisions on the bodies of the company adopting the decision on the composition of the Management Board and the Supervisory Board.

Best practice II.1, item 9a) stating that a public company should publish, on its website, a recording of the Shareholders Assembly in audio or video format.

Record of the Shareholders Assembly is available in writing and it is published on the Company website in accordance with the requirements of the Slovenian Companies Act. Neither of the above mentioned acts nor the Corporate Governance Code (the LJSE Code) or the Rules of Procedure of the Shareholders Assembly require the Company to record the Shareholders Meeting in any other form than in writing; therefore, the company does not publish such recordings in audio and/or video format.

Best practice IV.1: allowing the presence of the members of the press (media representatives) at Shareholders Assemblies.

According to the Shareholders Assembly Rules of Procedure, only shareholders (and their representatives or proxies) and members of the Management Board and Supervisory Board may be present at the Shareholders Assemblies. This is due to the fact that during the Shareholders Assembly sessions, discussions on matters that are classified as company's business or professional secret may take place, which the company is not willing to share with the general public.

Best practice IV. 7 regarding the conditional dividend payment does not apply to the company due to the fact that under the Slovenian Companies Act, the Shareholders Assembly may not vote on or adopt decisions on conditional dividend payment.

Best practice IV. 8 regarding the minimum possible nominal value of the shares following the share split does not apply to the company due to the fact that company shares are no par value shares.

Shareholders Assembly

General information on the Shareholders Assembly

The Shareholders Assembly is the highest body of corporate governance at the company. It consists of shareholders who vote and adopt resolutions on all issues specified by law, the most important being the appropriation of accumulated profit (allocation of distributable profit) and statutory issues. The Management Board convenes the Shareholders Assembly at least once per year. The Assembly session takes place in Velenje at the company headquarters. All shareholders have equal voting rights as all shares of the company are of the same class and each share bears the right to one vote. Treasury shares (or own shares) are an exception in this respect as they do not bear voting rights pursuant to the relevant law. Fifty to sixty percent of the capital is usually normally represented at Shareholders Assembly sessions.

Shareholders may participate in the Shareholders Assembly sessions directly or indirectly by selecting one of the proposed proxies who collect shareholder authorizations in accordance with the law. The option of indirect participation in Shareholders Assemblies, which the Company has been providing for several years now, is in particular to encourage minority shareholders to exercise their voting rights. Due to relatively low equity interest, direct attendance is usually not economically viable for them (especially for those living abroad). Indirect participation at the Shareholders Assembly provides them, in addition to the option to vote, improved access to information about the convocation of the Assembly and the decisions or resolutions to be adopted there. As at the last day of 2013, the Company had 17,438 shareholders, of which small/minority shareholders held 32% of share capital.

Proposed resolutions and explanations thereof, as well as information on the resolutions adopted by the Shareholders Assembly, are announced pursuant to the rules of the Ljubljana Stock Exchange on the LJSE website (http:// seonet.ljse.si/) and, simultaneously, on the Gorenje Group website at (http://www.gorenjegroup.com). In 2014, the information will also be announced for the first time on the Warsaw Stock Exchange website. Moreover, information on Shareholders Assembly convocation and resolutions is announced in the Delo daily newspaper (http://www.delo.si/). Such communication ensures equal treatment and information to all shareholders and the interested public.

Official language of the Shareholders Assembly is Slovenian. Simultaneous translation into English and from English to Slovenian is also provided to allow international shareholders who do not speak Slovenian to take part in and follow the Shareholders Assembly sessions.

Shareholders Assembly sessions are closed to the public and only the shareholders present are aware of the entire contents and the course of the meetings. After the Assembly session, the adopted resolutions are publicly announced and any other events at the session are explained as required in a press release.

Two Shareholders Assembly sessions held in 2013

Two Shareholders Assembly sessions were held in 2013. At the 19th Shareholders Assembly held on July 5, 2013, a total of 61.84% of all shares bearing voting right were represented. The shareholders were presented the Management Board's Annual Report for the 2012 fiscal year, including the remuneration of Management Board and Supervisory Board members, and the Supervisory Board Report on the Results of the Audit and Confirmation of the 2012 Annual Report; and they granted discharge from liability to the Management Board and Supervisory Board for the fiscal year 2012. Moreover, they confirmed the Management Board and Supervisory Board proposal to leave the distributable profit for 2012 unallocated, and appointed Bachtiar Djalil as new Supervisory Board representing the interests of the shareholders.

On August 23, 2013 the 20th Shareholders Assembly took place with 56.26% of total voting rights represented. The shareholders green-lighted with nearly 100-percent support the three increases of share capital – two equity offerings in exchange for cash contributions, and one capital increase for non-cash contributions – with emission price of EUR 4.31 per share. The shareholders also authorized the Management Board to cross-list, subject to Supervisory Board consent, the Gorenje, d.d., stock on the Warsaw Stock Exchange.

The first two capital increases were completed by the end of 2013; they are described in more detail in the sections Strategy for Growth and Creating Value for the Shareholders. The third capital increase may be carried out by the Management Board, subject to Supervisory Board consent, within one year after the changes to the Articles of Association as adopted at the 20th Shareholders Assembly, are duly entered. If the Management Board proceeds with this capital increase, the share capital of Gorenje, d.d., will be increased with non-cash contributions in the form of debt to equity conversion pertaining to the borrowings and interest payable to the financial institutions.

The shareholders appointed the company Deloitte Revizija, d.o.o., headquartered at Dunajska cesta 156, Ljubljana, as the company auditor for the 2013 fiscal year.

No challenging actions were announced at the Shareholders Assemblies held in 2013.

The next Shareholders Assembly will be held on July 4, 2014.

CREATING VALUE FOR THE SHAREHOLDERS

Communication with shareholders

It is our goal to provide to our shareholders and the financial community suitably structured reliable and relevant information about the Gorenje Group through clear, regular, and proactive communication. We treat all existing and prospective shareholders equally, providing them the best possible foundation for their investment decisions.

All regulated and price-sensitive information is announced in Slovenian and English in the Ljubljana Stock Exchange electronic information dissemination system SEOnet (www.ljse.si), on our corporate website at www.gorenjegroup.com, and – since the secondary listing of Gorenje stock on the Warsaw Stock Exchange at the end of last year – in the ESPI system (www.gpw.pl). Some information like convocation of the Shareholders Assembly and announcement of the Shareholders Assembly resolutions are, pursuant to Gorenje, d.d., Articles of Association and Rules of Procedure for the Shareholders Assembly, also announced in the Slovenian daily paper Delo.

Public announcements are sent to international press agencies, the media, investors, and analysts via electronic mail distribution system which currently includes over 140 international and 165 domestic recipients. Investors and other representatives of the financial community may subscribe to our electronic news feed (e news) which includes news on products, tradeshow appearances, corporate social responsibility etc.

In 2013, we ran a total of 90 public announcements in both languages. In addition to quarterly reports and the annual report, these also included announcements on the strategic partnership with the Panasonic Corporation, restructuring of manufacturing operations, deleveraging activities, and updated strategic plan for the period for the period 2013–2018. Particular attention was paid to communication regarding activities of capital increase through public offering of new stock. Public announcements were made and a press conference was held in Warsaw, among other activities, to keep the shareholders and the interested public informed and up to date with regard to the progress of the second offering that took place in Slovenia and in Poland and to which the existing and new shareholders, and Gorenje employees were invited.

We also take part in investor meetings which we find the most important for us. Thus, we held meetings in Ljubljana, Warsaw, London, and Stegersbach last year. We addressed nearly 200 institutional investors at ten conferences. We also held ten conference calls (especially after announcements of interim, or quarterly, results). In March 2014, we held investor meetings in Warsaw.

The Delničar.g (“Shareholder.g”) newsletter is another source of information for the shareholders, which is published once per year, before the Shareholders Assembly. Last year, the shareholders received this newsletter for the sixth time. The newsletter is printed in Slovenian.

In 2013, we also carried on our silent period policy. Thus, we do not organize any meetings with members of the press, investors, or pundits, and we do not disclose any information that could hint at our results in the period of fifteen days prior to public announcement of quarterly reports.

We are available by e-mail and telephone for any questions of investors, analysts, and other members of the financial community. All questions are accepted by Mrs Bojana Rojc who is responsible for investor relations. Her contact information can be found on the corporate website at www.gorenjegroup.com.

Two capital increases completed

At the Shareholders Assembly on August 23, 2013 the shareholders approved three capital increases. In the first capital increase, new shares were offered at EUR 4.31 per share to our strategic partner, the Panasonic Corporation, which subscribed 2,320,186 newly issued shares with a total value of EUR 10 million.

This was followed by the second equity offering from November 20 to December 17, 2013 when the shares were offered, at the same terms as to Panasonic, first to existing shareholders, then to employees, and finally to new investors in Slovenia and Poland. The right to subscribe the newly issued shares was exercised by 291 existing shareholders who subscribed a total of 1,284,541 shares with a combined total value of EUR 5.5 million. The employees subscribed 17,512 shares with total value of EUR 75,476; this included some Management Board and Supervisory Board members. Gorenje also attracted some new investors in Slovenia and in Poland to take part in the second offering; they subscribed a total of 2,575,688 new shares with a total value of EUR 11.2 million. Thus, a total of 3,877,365 shares were subscribed and paid in in the second offering.

A total of EUR 26.7 million of fresh capital was raised in both equity offerings combined, and share capital was increased by 38.69% from EUR 76,060,181.93 to EUR 92,240,139.36. After the two offerings, the number of Gorenje shares increased from 18,227,062 to 22,104,427. We received the decision of the District Court of Celje (No. Srg 2013/54315, dated December 23, 2013) on the changes to the share capital, number of shares, and changes to the Articles of Association, on December 23, 2013.

Pursuant to the Shareholders Assembly resolution, the Management Board may, subject to consent by the Supervisory Board, carry out another (third) capital increase no later than within one year from the entry or registration of the changes to the Articles of Association as adopted by the Shareholders Assembly on August 23, 2013. Share capital may be increased by up to EUR 9,681,964.61 from approved capital by issue of 2,320,186 new ordinary freely transferable registered no par value shares, in exchange for non-cash contributions (debt-to-equity conversion). The new shares will be of the same class as the company’s existing shares, and they will be issued in exchange for non-cash contributions (at EUR 4.31 per share). As of the day of this announcement, Gorenje, d.d, share capital has not yet been increased by such capital increase.

Admission to trading on the Warsaw Stock Exchange

Successful completion of both offerings was followed by admission of the shares to secondary listing on the Warsaw Stock Exchange. The first day of trading with Gorenje shares on this stock exchange was December 30, 2013; all 22,104,427 ordinary Gorenje shares that are also listed in the Ljubljana Stock Exchange, were admitted to trading. Gorenje chose the list its stock on the Warsaw Stock Exchange as it is one of Europe's most dynamic capital markets. Warsaw Stock Exchange is also the largest stock exchange in Central and Eastern Europe, and it has been Europe's leading stock exchange in terms of the number of IPOs for several years. Gorenje, d.d., is the 450th company to be listed there.

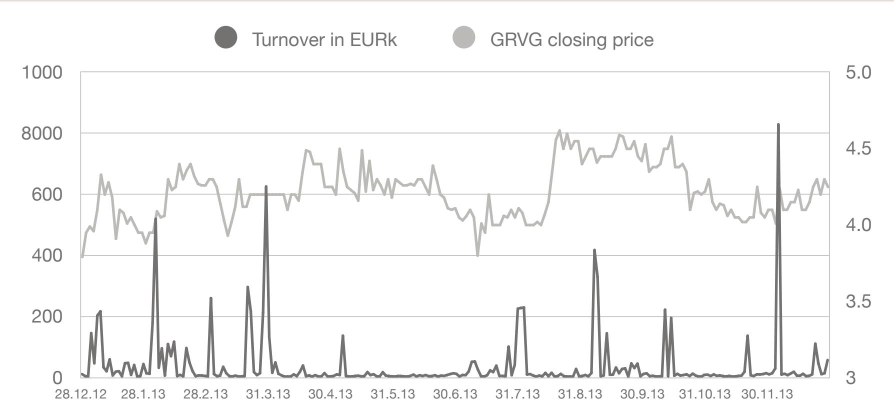
Gorenje share (GRVG) in 2013

Trading on the Ljubljana Stock Exchange as the primary market for Gorenje stock saw moderate growth in 2013. Stock index SBI TOP, which also includes the price per Gorenje share, ended the year with positive growth; moreover, market capitalization of stock and market liquidity improved as the trading volume rose by 8.7% relative to 2012. Six new bonds were admitted to the Ljubljana Stock Exchange; five capital increases were carried out; and six issues of commercial paper were offered.

Total trading volume of Gorenje stock in the Ljubljana Stock Exchange and the Warsaw Stock Exchange combined in 2013 amounted to 2,012 thousand shares, which means that the average daily trading volume was 8,246 shares per day. Relative to 2012, Gorenje stock trading volume increased by 62.9% or by 3,183 shares per day on average.

Closing price per Gorenje share on the last trading day of December 2013 at the Ljubljana Stock Exchange was EUR 4.20, which is 10.8% more than as at the last trading day of 2012 when it amounted to EUR 3.79. The SBI TOP stock market index rose by 3.2% in the same period.

Closing price per GRVG share and daily trading volume for the period January – December 2013



Basic and diluted earnings per share calculated as the ratio between profit or loss of the parent company in 2013 and the number of shares outstanding minus the average number of treasury shares held by the company (16,688,725 shares) amounted to EUR -1.51 (EUR 0.003 in 2012).

Book value of Gorenje share as at December 31, 2013 amounted to EUR 17.32 (EUR 24.51 as at December 31, 2012). It is calculated as the ratio between book value of the Group's ordinary share capital and the number of shares issued minus the number of treasury shares as at December 31, 2013 (21,983,116 shares).

The ratio between market and book value per GRVG share amounts to 0.24 (0.15 as at December 31, 2012).

Gorenje share (GRVG) indicators

	Dec 31, 2012	Dec 31, 2013
Closing price per share	3.79	4.20
Maximum price per share in the course of the year	6.10	4.62
Minimum price per share in the course of the year	3.78	3.80
Basic and diluted earnings per share	0.003	-1.51
Share book value	24.51	17.32
Dividend	0	NA
P/E ratio	1,263.33	-2.78
P/B ratio	0.15	0.24
Dividend yield	/	NA

GRVG trading information

	2012	2013
Number of shares issued	15,906,876	22,104,427
Number of treasury shares	121,311	121,311
Number of shareholders	18,261	17,438
Annual value of stock traded (EUR)	5,927,555	8,716,644
Average market capitalization (EUR)	73,540,338	67,252,797
Turnover (value of stock traded/average market capitalization)	0.08	0.13

Dividend policy

In the period 2014–2018, the dividend policy of the Gorenje Group and its parent company Gorenje, d.d., remains the same as before the strategic plan update. The goal is to allocate up to one third of Gorenje Group's profit for dividend each year. Due to the onset of the economic crisis which has had a strong impact on our operations and performance since the last quarter of 2008, no dividend was paid out for the years, 2008, 2009, and 2010. In 2011, dividend amounted to EUR 0.15 gross per share. Dividend for the 2012 fiscal year was not paid out, pursuant to the proposal put forward by the Management Board and the Supervisory Board and confirmed by the Shareholders Assembly on July 5, 2013.

Ownership Structure

As at December 31, 2013, there were 17,438 shareholders registered in the Gorenje share register. Compared to the end of 2012 when 18,261 shareholders were registered, the number of shareholders declined by 4.5%.

As laid down by the company Articles of Association, one share bears the right to one vote; treasury shares do not bear voting rights.

Changes in the ownership structure following the capital increase

In 2013, ownership structure changed considerably as some new international investors took part in the equity offerings. The share of stock held by international (foreign) investors rose to approximately 50%, making Gorenje's ownership even more international. Since international shareholders trade stock more actively than Slovenian ones, their presence is very beneficial for the liquidity of the Group's stock. International shareholders are often not entered in the share register as international banks and other fiduciaries are registered for one or several shareholders (fiduciary account).

The largest new shareholder is the Panasonic Corporation, headquartered in Japan, with which we forged a strategic partnership that involves cooperation in development, manufacturing, and sales. After the completion of both offerings, Panasonic holds a 10.50-percent share which makes it the third largest Gorenje shareholder. New shareholders also include the company Universal Investment Capital S.L. This is an international private investor of Spanish and German origin, investing in several sectors, including fast-moving consumer goods. Universal Investment Capital S.L. subscribed the 1,856,148 shares with a total value of EUR 8 million during the offering in Poland, thus acquiring an 8.40 percent stake in Gorenje. All shares subscribed and paid in by new investors as a part of capital increase activities in Poland, including the shares of Universal Investment Capital S.L., are reported on the fiduciary account KDPW. Combined, they represent an 11.07-percent ownership share.

Moreover, the share of institutional investors in our ownership structure has increased, which has led to the formation of a solid and stable core of owners who follow our development. Also present are the more active investors whose trading transactions improve our liquidity.

Treasury shares

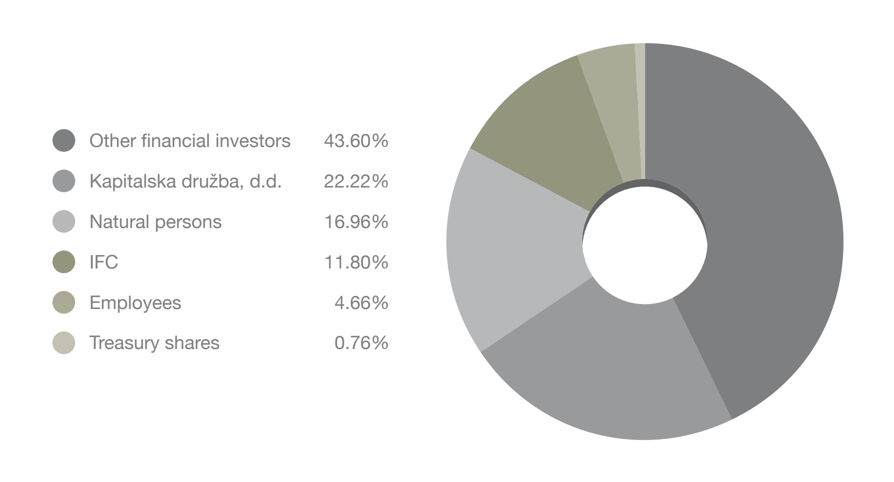
Relative to 2012, the number of treasury shares (at 121.311) remained the same. Treasury shares account for 0.5488 percent of the share capital; in 2012, they represented a 0.7626-percent share.

Ten largest Gorenje shareholders

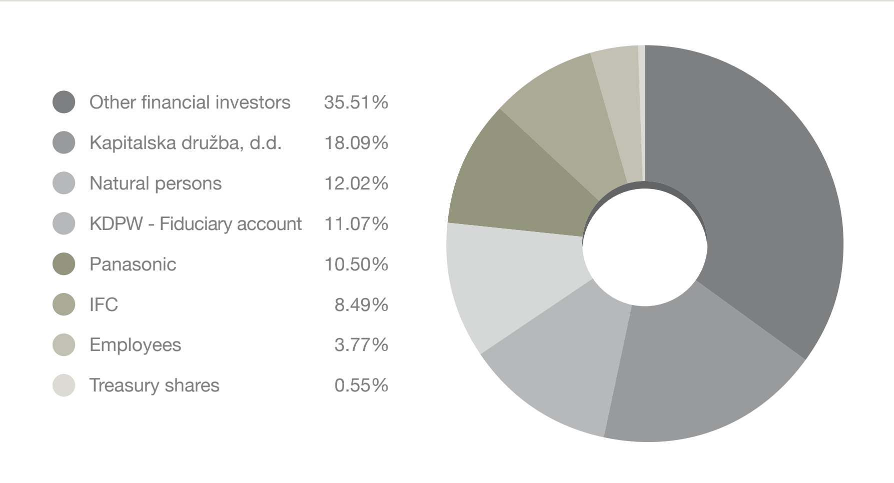
Ten largest shareholders	Number of shares: (Dec 31, 2012)	Share in %	Number of shares: (Dec 31, 2013)	Share in %
KAPITALSKA DRUŽBA, D. D.	3,534,615	22.22%	3,998,653	18.09%
KDPW – FIDUCIARY ACCOUNT	/	/	2,446,603	11.07%
PANASONIC CORPORATION	/	/	2,320,186	10.50%
IFC	1,876,876	11.80%	1,876,876	8.49%
NFD 1, mešani fleksibilni podsklad – Jug	996,388	6.26%	1,125,802	5.09%
HOME PRODUCTS EUROPE B.V.	1,070,000	6.73%	1,070,000	4.84%
INGOR, d. o. o., & co. k. d.	794,473	4.99%	794,473	3.59%
CONSEQ INVEST PUBLIC LIMITED COMPANY	/	/	464,732	2.10%
EECF AG	411,727	2.59%	411,727	1.86%
RAIFFEISEN BANK AUSTRIA, D. D. – FIDUCIARY ACCOUNT	550,587	3.46%	325,260	1.47%
PROBANKA, d. d.	297,061	1.87%	/	/
ERSTE GROUP BANK AG – FIDUCIARY ACCOUNT	216,197	1.36%	/	/
TRIGLAV VZAJEMNI SKLADI – DELNIŠKI TRIGLAV	257,628	1.62%	/	/
Total major shareholders	**10,005,552**	**62.90%**	**14,834,312**	**67.11%**
Other shareholders	5,901,324	37.10%	7,270,115	32.89%
Total	**15,906,876**	**100%**	**22,104,427**	**100%**

[1]The KDPW fiduciary account includes shares that were subscribed and paid up in Poland in the second round of the equity offering

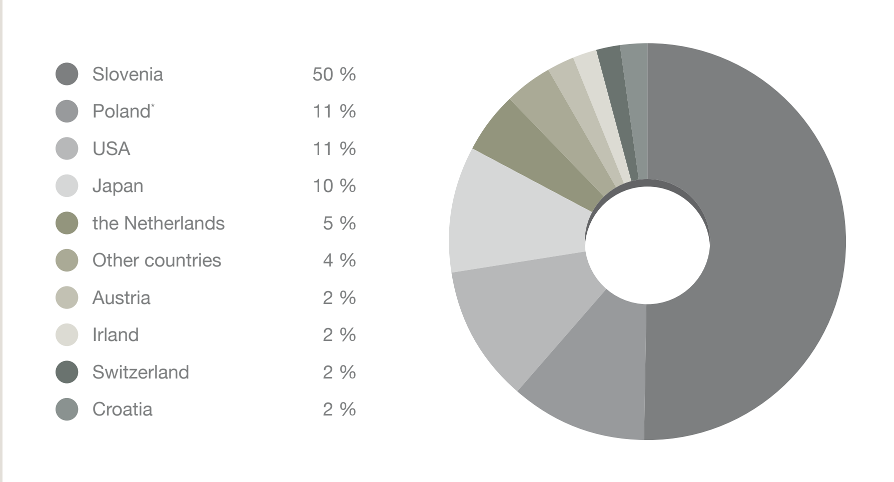
Ownership structure as at Dec 31, 2012



Ownership structure as at Dec 31, 2013



Ownership structure by countries as at Dec 31, 2013



*Shares subscribed in the public offering in Poland.

SUSTAINABLE DEVELOPMENT

Responsibility towards the employees

Committed employees contribute an above-average effort, which is a key element for corporate success. Therefore, it is of key importance that planning and introduction of new human resource management systems increase employee commitment.

Employee monitoring

We have revised the employee performance management process to support the cascading goals, making sure they reach every employee. This promotes the responsibility and commitment of the employees to the attainment of the goals laid down, and to their personal development. A fundamental competence profile of a Gorenje Group employee and leader competence profile have already been made for all Gorenje Group employees, based on the performance evaluation process already in place.

Analyzing employee competences, evaluating goal accomplishment, setting new goals, and continuous monitoring and support by the leader in the pursuit of the activities laid down for each employee are the cornerstones of performance management process at the Gorenje Group. Thus, we extended and upgraded accordingly the contents of the annual interviews and started to inform the leaders in the second half of 2013 about the revised performance evaluation process and to train them for conducting the annual interviews. The goal is to see all employees at the parent company sit for an annual interview with their direct superior in 2014.

Annual interview is an in-depth and systematically managed discussion of a leader with a subordinate employee. Through the interview, the leader evaluates the extent to which the employee attained her or his goals in the relevant period of time, his or her competence in the workplace, and the entire work performance. In addition, the leader inquires about the employee's ambition for further personal and professional development. They then work together to specify the activities and goals for the coming period.

Employee training programs at all levels

The employees are encouraged to acquire and transfer knowledge within the company, to develop skills and competencies, and to acquire experience in order to be able to adapt more quickly to the changes within the company and in the business environment.

Corporate University Gorenje

Corporate University Gorenje is a new way of acquiring and pooling knowledge, connecting different business cultures, and consolidating the common corporate identity. It is intended to advance intellectual capital, productivity, competitiveness, and business excellence of the Group and it is a key generator of employee development.

The Corporate University consists of training programs at three levels. Executive Business Academy Gorenje is intended for the Group's top management; talented and key employees are included in the Management Academy Gorenje which has a tradition dating back over 20 years; and in 2013, the first generation graduated from the new training program called International Business Academy Gorenje, intended for employees at associated companies and subsidiaries both abroad and in Slovenia and focused on international business. All three programs involve cooperation with lecturers and international experts on particular business fields, with the business school IEDC Bled, and with the Faculty of Economics in Ljubljana.

Management Academy Gorenje

In 2013, the Management Academy Gorenje saw its 24th generation of graduates. The result of tradition spanning over twenty years is the development of internal entrepreneurship and creativity, which in turn has led to higher employee commitment, development of capacity and skills for teamwork on complex projects, and expansion of the possibilities of individual professional development of individuals. The academy is also important from the aspect of identifying work and creative potential of its participants.

Furthermore, the participants of the training program have the opportunity to establish contacts, which leads to an invaluable network of acquaintances for life and strengthens the social capital of each individual. Moreover, they work in an interdisciplinary manner with experts on various fields, who are involved in the development of business plans as mentors or consultants; last but not least, they learn about the Group's strategy and vision in particular fields or segments.

A total of 464 employees have taken part in this form of training since 1991. Today, the graduates hold the top positions involving the highest responsibility (76 participants), middle management (131 participants), or leading expert positions (80 participants), while approximately one fifth of the participants holds expert positions in various fields. Breaking down by level of completed education, 288 training participants have university degree, 84 have higher professional degree, and 59 have completed a master's or PhD postgraduate program. Only 33 participants did not have a college degree. Average age of participants at the start of the training was 33 years; the most participants were aged below 30 years.

In the course of the academy program, the participants develop business plans. In the last ten years alone, 881 business ideas were contributed. These ideas were structured as 107 submitted business plan proposals, of which the program council of the Gorenje Management Academy selected and confirmed 49 such ideas developed by the teams into business plans. Thus, the academy is advancing innovativeness of processes and products in the Group.

International Business Academy Gorenje

This program saw its first generation of participants in 2013. The prevailing form of work is practical training in interactive workshops, and teamwork on business case studies. The program involves three main modules: (1) Gorenje strategy and leadership; (2) sales and marketing; and (3) business processes and people at the Gorenje Group.

By taking part in the program of this academy, the employees develop their competencies of strategic thinking and pursuit of corporate vision, innovation, and entrepreneurship, which represent the foundation of change management. Adding value to this kind of training is the reinforcement of cooperation and social networking among the training participants and in a broader context.

Expert and professional training

In 2013, particular attention was paid to expert and professional training which accounts for as much as 85% of all training hours. We held practical on-the-job training that trained the employees for work to accommodate the changes in requirements following the relocation of manufacturing operations, and carried out a number of training projects for development and implementation of the so-called lean manufacturing system. Manufacturing operations relocations also required hiring and training more experts in development, technology, and other support expert services.

We also held internal training on quality, occupational health and safety, IT and computer science, and language training. Moreover, we held a top management seminar, the master assembler school, and the mentor training program.

Various forms of training involved 3,715, or 90% of all employees at the parent company. In 2012, 54% of employees took part in training programs.

On average, employees had 36 hours of training and education in 2013; in 2012, this figure was at 34. In total, 144,312 training hours were held in 2013, compared to 148,385 in 2012.

Our manufacturing company in the Czech Republic holds mandatory training and education programs intended to improve certain aspects of knowledge, and training required in some professions as a result of changes in the legislation. Students of technical high schools are admitted for internship, which also allows us to meet them and hire the best of them later on.

Plans for the future

In the last quarter of 2013, we started to intensively develop training programs for leadership skill development at all levels of the hierarchy. In the development of the programs, particular attention is paid to development of leadership skills, use of leadership tools such as the annual interview and employee performance evaluation, role of leaders for corporate performance, and development of communication and motivational skills and start and systemic thinking skills.

We shall also upgrade the school of successful leadership for master assemblers and introduce its advanced version. In the so-called expatriate academy we will hold training for the second generation of employees who will or could be assigned to international positions in the future. In 2014, the Gorenje Academy of Management will see its 25th generation of graduates. Moreover, the second generation of the International Business Academy Gorenje will start its training. We are currently revising the induction seminar for the employees with 5th to 7th level of expert education. The new program will emphasize all relevant information to allow a new employee to integrate sooner into the new working environment.

Long standing tradition of scholarships

Our scholarships tradition ensures a supply of human resources, especially of technical background, which have been in the highest demand in recent years. In 2013, the parent company granted 23 scholarships, of which 15 were scholarships to new recipients and 8 were scholarships to existing recipients who continue their studies at the 2nd stage of the Bologna system (master's degree). There are a total of 114 scholarship recipients at the company, of which over 94% are educated in technical programs.

Hiring

We continued to pursue the policy of selective hiring of employees with specific knowledge and skills at the parent company. The emphasis remains on employees with technical skills as they have been in high demand in the market for a number of years. Their inflow is secured with scholarships, internships or practical work for students, and a range of intriguing topics for graduation papers.

We also hired employees in other fields. Candidates were primarily sought within the company and among the scholarship recipients. Candidates with specific skills not available within the Group were also sought beyond the Group.

In November 2013, we temporarily hired a large number of employees (on fixed-term employment contracts) for the period of higher production output.

Number of employees

In 2013, the number of employees at the Group decreased relative to 2012, especially due to restructuring of manufacturing operations and the related shifts of production, as well as due to divestment of two companies of the furniture manufacturing segment.

Most employees (60.4%) are still employed at companies in Slovenia. The greatest number of employees in markets outside Slovenia is seen in Serbia and the Czech Republic where we operate both sales and manufacturing companies.

Number of employees at the Gorenje Group

	December 31, 2012		December 31, 2013	
	number	share	number	share
Gorenje Group	**10,730**	**100.0%**	**10,388**	**100.0%**
Home	9,507	88.6%	9,144	88.0%
Portfolio Investment	1,223	11.4%	1,244	12.0%
Employees in Slovenia	6,716	62.6%	6,279	60.4%
Employees abroad	4,014	37.4%	4,109	39.6%
Per states:				
Slovenia	6,716	62.6%	6,279	60.4%
Serbia	1,329	12.4%	2,006	19.3%
Czech Republic	716	6.7%	694	6.7%
Sweden	581	5.4%	74	0.7%
The Netherlands	383	3.6%	371	3.6%
Croatia	158	1.5%	159	1.5%
Russia	108	1.0%	116	1.1%
Other companies (28 states)	739	6.9%	689	6.6%
EU companies	9,013	84.0%	7,973	76.8%
Ex-Yugoslavia companies	1,619	15.1%	2,298	22.1%
Average number of employees	**10,895**		**10,639**	

In Valjevo where we built a new plant, the number of shop floor workers was doubled in 2013. In addition, several new employees were hired in operational development and other expert services in 2012. We also increased the number of employees at the plants in Stara Pazova and Zaječar. The number of employees is continuously adjusted to the production output.

Compared to 2012, the number of employees in our manufacturing company in the Czech Republic decline; the same applies to Velenje. We continued to employ the so-called soft methods of downsizing and human resource optimization, which mostly involve retirement and "furlough to retirement".

In the period before production of washing machines, dryers and dishwashers was transferred from Sweden to Velenje, there were 300 excess employees at Velenje for a good half of the year. Pursuant to the agreement on job preservation during the strategic relocations, signed in 2012 by the Management Board and the trade union, all employees kept their jobs even after the relocation of 60-centimeter free standing fridge freezer production from Velenje to Valjevo, despite the lower requirement for labour. After the production of washing machines and dryers, relocated from Sweden, was launched in the spring of 2013, and the launch of dishwasher production in September, there virtually were not any more excess or redundant employees.

In Sweden, we kept a total of 74 employees in development, marketing, and sales.

At most sales companies, the number of employees did not change considerably. In Russia and Ukraine where our operations are expanding, the number of employees was increased; in the Czech Republic, Slovakia, Croatia, and France, revision of business models and reorganization of sales units have resulted in a decline in the number of employees.

Average age

Average age of employees at manufacturing companies in Slovenia is still increasing and this trend is expected to be extended in the coming years, especially due to less favourable retirement conditions and higher retirement age. Higher retirement age is also related to higher absenteeism due to health issues, and higher share of employees with the status of a person with disabilities. In order to improve the work conditions and reduce the possibility of illness or disorders, we launched several years ago a project of providing ergonomic workplaces. Teams in this field have been active for several years in Velenje and in the Czech Republic.

Care for occupational health and safety

The parent company's business system meets the requirements of the ISO 14001 standard, the EMAS Regulation, and the OHSAS 18001 standard. We have adopted the Rules of Procedure for Environment Management and Occupational Health and Safety which is binding for all employees. The duties and responsibilities of responsible persons and employees in occupational safety and health are laid down in the Rules and Regulations on Obligations and Responsibilities for Provision of Safe and Healthy Work.

Although the Health and Safety at Work Act stipulates employer responsibility for this field, good results are only possible through close cooperation between the employer, the employees, and employee representatives.

The Group provides regular theoretical and practical training that reduce the possibility of injury among the employees and improves workplace awareness, periodical and preventive medical examinations, working equipment checks and tests, and measurements of microclimate work conditions, and any harmful effects in the workplace. We also regularly conduct training for preventive measures in fire safety, fire extinguishing, rescue, and evacuation.

Regular check-ups of workplaces, control of use of the mandatory personal protective equipment, and danger notifications in the workplace also play an important role in prevention of work accidents. Most work accidents and incidents are still related to cuts and piercing wounds to the hands caused by sheet metal. Therefore, we seek to implement better and safer personal protective equipment pursuant to the relevant standards and legislation.

Also contributing to better workplace safety and improvement of working conditions are the employees as their practical proposals put forward within the "Iskrice" ("Sparks") system often pertain to this field.

The employees are informed about the importance of health with various activities of the projects geared towards designing ergonomic workplaces and reduction of sick leaves. In 2013, we also conducted the "Health(y) is Success" ("Zdrav(je) je uspeh") which highlights the importance of health for both personal and corporate success. As a part of these projects, we hold practical lectures and workshops to motivate the employees to take care of their health, to encourage preventive measures for the most common diseases and disorders, to show them ways for better management of workplace stress etc. Special lectures are also held for leader training to promote health as a value and to spread the awareness of the importance of health for the success of our employees.

The Health Promotion project offers many beneficial preventive activities such as the health promotion project that seeks to maintain the psychophysical and health abilities of our employees, workshop to aid those seeking to quit smoking, safe driving course, cardiovascular examinations etc.

Our employees can stay in shape with our sports society which provides options for regular exercise as well as various courses and lessons, while the hiking society organizes hiking trips.

Social dialogue

Social dialogue is a continuous process of cooperation, agreements for changes, and establishment of trust between the trade union, the employees, and the employer. Major steps have been taken in the past in the field of social dialogue; in 2013, the negotiations were intensified. We appointed a social dialogue team which holds regular meetings to exchange and compare positions and opinions, arguments, and expectations of both sides – the employer's and that of the employees. Social dialogue in 2013 included the signing of a social agreement and the launch of negotiations on the revision of the collective labour agreement dating back more than 20 years; these negotiations continue in 2014.

Drago Bahun,
Management Board member
– labour director

»Gorenje has been nurturing the tradition of social dialogue for a long time. In 2013 it was taken a step further as we strengthened our communication with the employees through regular workers assemblies. Social dialogue takes place regularly and correctly; it is the common goal of everyone taking part in it to attain good performance and adequate standard for the employees and workplaces for the generations to come.«

Responsibility to natural environment

Home appliance manufacturing

Pursuit of the environment protection policy has resulted in a decrease of our effects on the environment and in a certified environmental management system pursuant to the ISO 14001 standard in all locations where home appliances are manufactured. Manufacturing plants in Slovenia are included in the EMAS system which represents an even higher level of corporate responsibility to the environment. In 2015, we are planning to introduce the EMAS system to our manufacturing plant in Valjevo, Serbia.

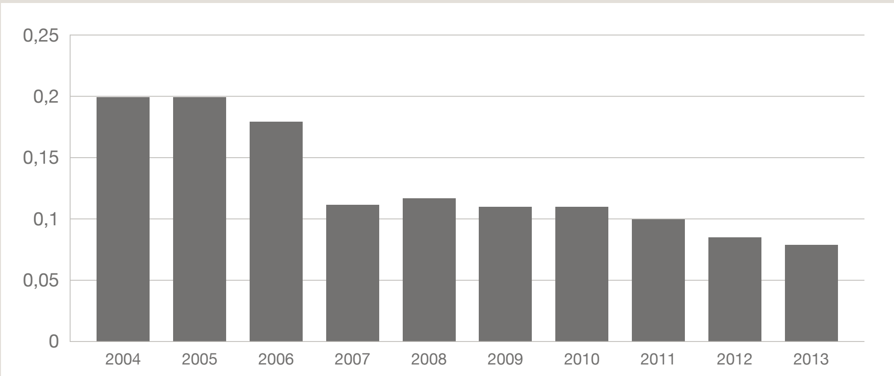
Pursuant to our environment protection policy, long-term and annual goals are specified for each manufacturing plant, which mostly pertain to reduction of waste generation, and consumption of water and energy. Group companies have all required environmental permits. They are regularly controlled by the national inspectorates and their operations are compliant with the environmental legislation.

Water consumption is being reduced by implementation of technological lines and water-saving rinsing, keeping water consumption records, systematic water consumption monitoring within the 20 keys system, and employee training and awareness promotion. Water consumption is monitored with counters located at the entry to the company and at particular manufacturing lines.

Following is the information on water consumption, calculated per product unit in each manufacturing plants; these, however, may differ from each other due to different technological procedures.

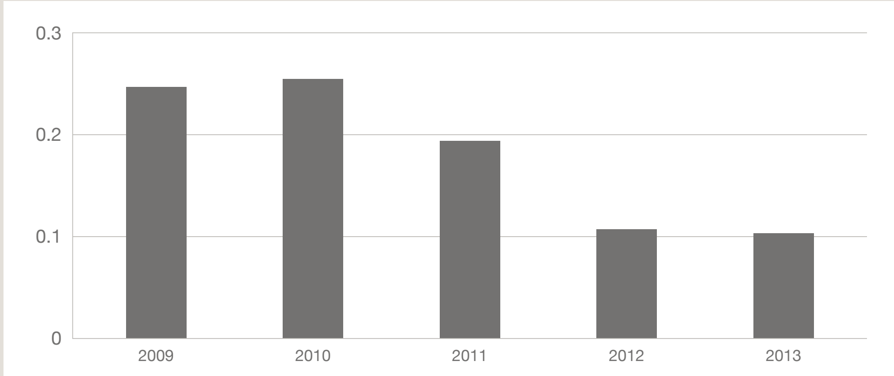
Water consumption at Gorenje, d.d. (Velenje)

		Year									
	Unit	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Water consumption per product	m3/unit	0.20	0.20	0.18	0.112	0.117	0.11	0.11	0.10	0.085	0.079



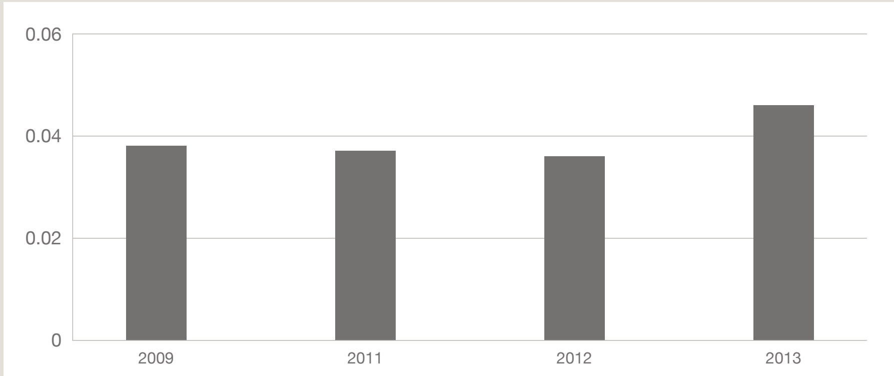
Water consumption at the manufacturing plant in the Czech Republic

		Year				
	Unit	2009	2010	2011	2012	2013
Water consumption per product	m3/unit	0.247	0.255	0.194	0.107	0.103



Water consumption at the manufacturing plant in Valjevo, Serbia

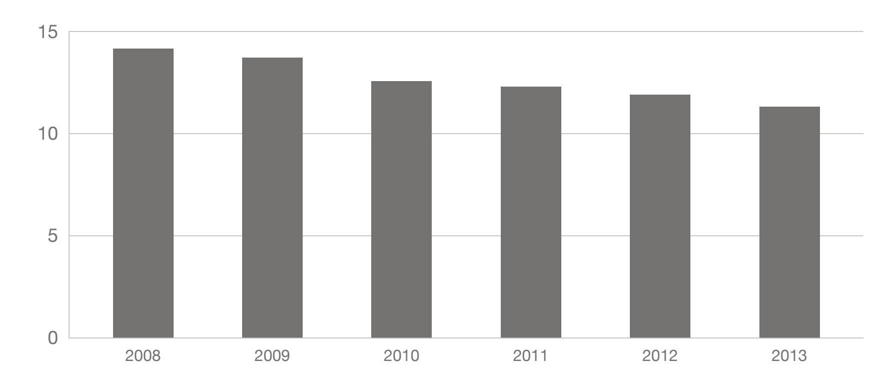
		Year			
	Unit	2010	2011	2012	2013
Water consumption per product	m3/unit	0.038	0.037	0.036	0.046*



*Since early 2013, there are two plants in Valjevo and the increase in water consumption relative to 2012 is a result of higher production capacity/output for fridge freezers.

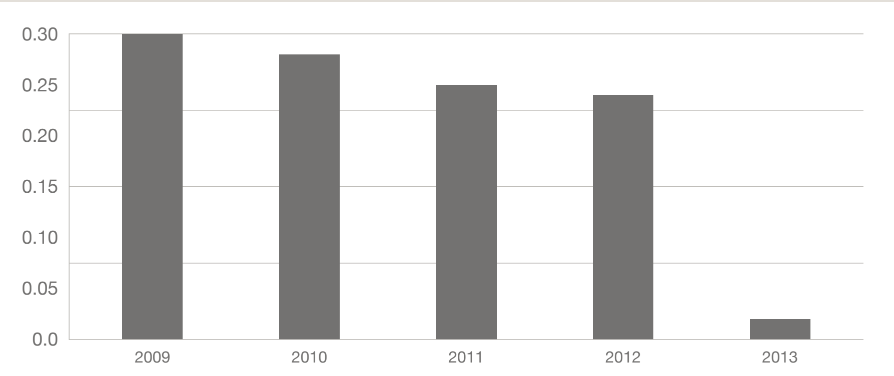
Power consumption at the manufacturing company in the Czech Republic

Power consumption/unit	2008	2009	2010	2011	2012	2013
kWh/unit	14.16	13.73	12.58	12.30	11.91	11.33



Amount of waste disposed of per product at Gorenje, d.d., Velenje

	2009	2010	2011	2012	2013
Waste (kilograms per unit)	0.30	0.28	0.25	0.24	0.02

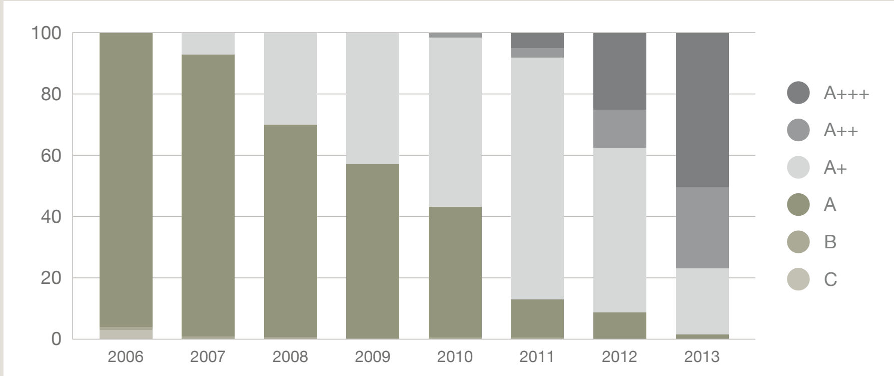


Home appliance development

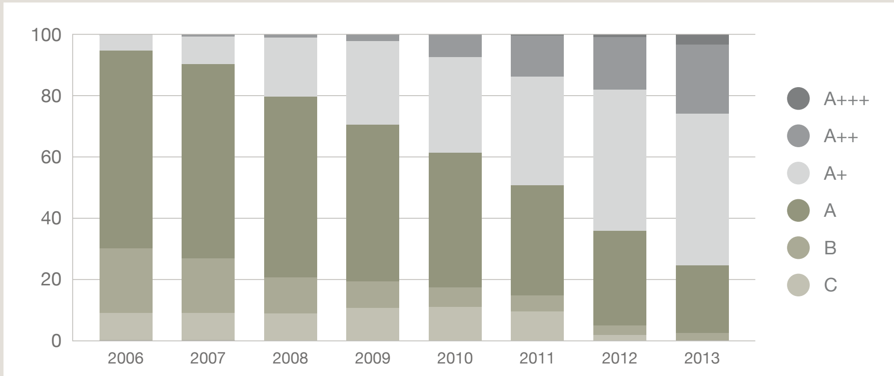
A key trend in the home appliance industry, which also steers the development activities at the Gorenje Group, is efficient use of power. In terms of the share of appliances in the A++ energy class and above, Gorenje Group is ahead of the market with 62% of washing machines and 33% refrigeration appliances of these energy classes sold. We are a leading provider of laundry dryers with a heat pump and high energy efficiency; these already represent 55% of our offer.

For more information on the energy efficiency trend, please see section New Product Development.

Increasing share of energy-efficient washing machines in the structure of sales



Increasing share of energy-efficient refrigeration appliances in the structure of sales



Activities of companies in the Portfolio Investments segment

Products and services in the field of renewable energy sources and efficient use of energy

Our subsidiaries in the Portfolio Investments segment also offer services and products in the field of renewable energy resources and efficient use of energy. Gorenje Solar is one of the leading providers of solar systems in Slovenia. GGE, co-founded with Geoplin and Elektro Ljubljana, offers advanced energy engineering solutions according to the principle of energy contracting; and the company Indop is the first Slovenian company to develop units for combined heat and power generation, or co-generation.

Comprehensive waste management services

Gorenje Surovina is our central company in the field of comprehensive waste management. It covers the entire process from collection of waste to its transformation to the RDF (refuse-derived fuel), two thirds of which are exported. It is the leading company in Slovenia; its operations are also being developed in Southeastern Europe.

In 2013, the company collected and processed 281,366 tons of metal and non-metal waste material (steel, coloured metals, non-metals, waste electric and electronic equipment, waste suitable for processing into solid fuel, and municipal waste), which is 9 percent more than in 2012.

Responsibility to users of our products

After-sales services are an important element of a purchase decision. In order to improve their efficiency, we integrated the servicing for the Asko and Upo brand with the Gorenje Group in 2013 and established single stock of spare parts for the brands Gorenje, Asko, Mora, Upo, and Körting, with spare part supply and distribution for all service technicians across the globe. Thus, we optimized the stock and the supply chain for spare part operations. Moreover, we standardized technical support and service technician training for the said brands, and established single technical support for sales units and other partners providing servicing of the above brands.

Responsibility to the local and broader environment

We have supported of various institutions in the local environment for a number of years. We are a co-founder of the Velenje Gallery, which is the first example of a private-public partnership in culture in Slovenia, and one of the most important cultural institutions in the Savinjsko-Šaleška Valley. We are the proud sponsor of the Gorenje Velenje team handball club and the Slovenian Nordic national team. We also support the Gorenje mixed choir whose members include our employees, and the Gorenje retiree society whose activities spread the Gorenje culture and tradition in the local environment.

Home appliances that adapt to the user

The popular home appliance collection Gorenje Simplicity, a true sales hit, was launched in 2010 as a response to the new living trends and the changes in consumer behaviour. In 2013, the line was reintroduced with updated technology and refreshed design. The appliances boast minimalist design, simple controls, and the AdapTech adaptive technology that allows the appliances to memorize the users' choices and program settings and propose them the next time the appliance is used.

II. BUSINESS REPORT

On the right course

Events affecting the comparability of information on operating performance

Gorenje Group is in the process of discontinuing divesting or reorganizing some of its activities in the business segment Home (furniture operations, sales organizations or units) which have had a negative impact on the Group profitability and cash flow in the past. In accordance with this Gorenje, d.d., sold Gorenje Kuhinje, d.o.o., and Gorenje Notranja oprema, d.o.o., to the investment firm CoBe Capital in February 2013.

Classification of activities among discontinued operations is regulated by IFRS 5. To allow comparability of information, we grouped the effects of operations classified as discontinued operations on the Group income statement for the period January–December 2013 and 2012 and presented them on a separate item called profit or loss from discontinued operations. In a similar manner, we had to redistribute the assets and liabilities of the companies classified as discontinued operations to assets/liabilities held for sale included in disposal groups in the Gorenje Group balance sheet as at December 31, 2012 and December 31, 2013.

The 2013 plan does not include the redistributed planned items in the income statements and the balance sheets for companies classified as discontinued operations. The planned figures for the Group are presented as confirmed by the company Supervisory Board and announced in December 2012.

GORENJE GROUP PERFORMANCE

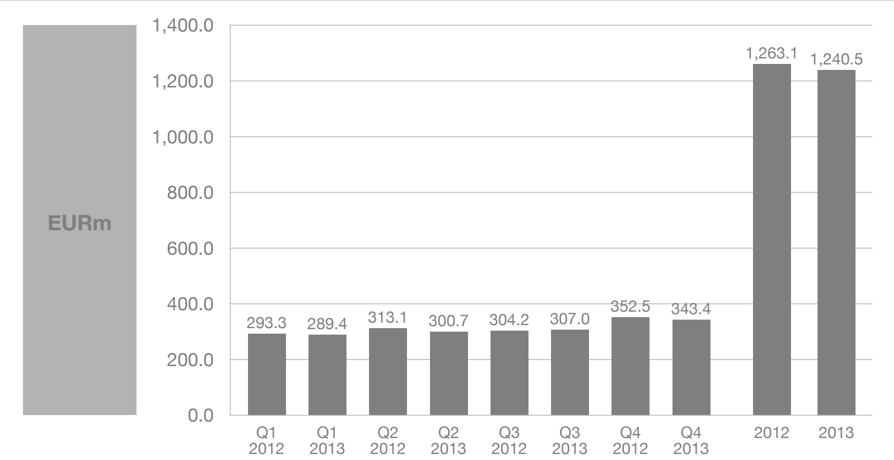
EURm	2012	2013	Index	Plan 2013	Plan realisation
Revenue	1,263.1	1,240.5	98.2	1,339.6	92.6
CM[1]	536.7	520.7	97.0	577.6	90.1
CM (%)	42.5%	42.0%	/	43.1%	/
EBIT	44.9	36.3	80.9	48.9	74.3
EBIT margin (%)	3.6%	2.9%	/	3.7%	/
Profit for the period	0.3	-25.0	/	4.2	/
ROS (%)	0.02%	-2.0%	/	0.3%	/

[1]Contribution margin at the level of difference between sales revenue and costs of goods and material

The Group's **sales revenue** in 2013 amounted to EUR 1,240.5 million, which is 1.8% less than in 2012. Lower sales are a result of lower operating volume of the segment Portfolio Investments (-11.0%). Despite the unpredictable conditions in the European markets, revenue in the core segment Home was on a part with the figure from the year before (the same sales by volume in Europe; the Group's market share rose from 4.00 to 4.26% in 2013). Adjusting for the effect of the changes in exchange rates, organic growth in the segment Home would have amounted to +1.3%.

Operating volume was increased in most downstream markets, particularly in Russia, Germany, UK, Slovenia, Croatia, Ukraine, Bulgaria, Romania, and Poland. There were fewer markets where sales were lower: France, the Netherlands, Scandinavia, Serbia, and the Czech Republic.

Gorenje Group revenue



Revenue by geographical segments

EURm	2012	%	2013	%	Change (%)
Western Europe	480.9	38.1	466.7	37.6	-3.0
Eastern Europe	682.0	54.0	684.5	55.2	0.4
Rest of world	100.2	7.9	89.3	7.2	-10.9
Group Total	**1,263.1**	**100.0**	**1,240.5**	**100.0**	**-1.8**
Western Europe	474.8	44.3	460.9	43.1	-2.9
Eastern Europe	496.3	46.3	519.6	48.6	4.7
Rest of world	100.2	9.4	89.3	8.3	-10.9
Home total	**1,071.3**	**100.0**	**1,069.8**	**100.0**	**-0.1**

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

Revenue of the **business segment Home** amounted to EUR 1,069.8 million in 2013, which is on a par with the 2012 figure. Adjusting for the negative currency translation differences, the growth in terms of value amounted to 1.3%. Sales growth was the highest in Eastern Europe (+6.9% organic growth after adjustment for currency translation differences; +4.7% growth including the currency translation losses). In Western Europe, sales in the business segment Home were 2.9% below the 2012 figure in terms of value. In the "Rest of World" region, our sales dropped by 10.9% in 2013. Adjusting for the currency translation differences, the drop in sales in 2013 amounted to 6.4% relative to the year before.

Taking a closer look at the **sales structure by geographical segments of the business segment Home**, we find the following:

- In Western Europe, our sales were lower predominantly due to lower sales in the Netherlands, Belgium, Turkey, and Scandinavia. In Germany, Austria, and Great Britain, our sales were higher than in 2012. According to CECED data, sales in the markets of Western Europe did not change in terms of volume. However, pressure on pricing resulted in a drop of sales by value, despite the fact that sales by volume remain the same as in 2012.
- In Eastern Europe, our sales rose in Russia, Ukraine, Croatia, Slovenia, Bosnia and Herzegovina, Bulgaria, and Romania; on the other hand, sales were lower in this region in the markets of the Czech Republic, Serbia, and Slovakia.

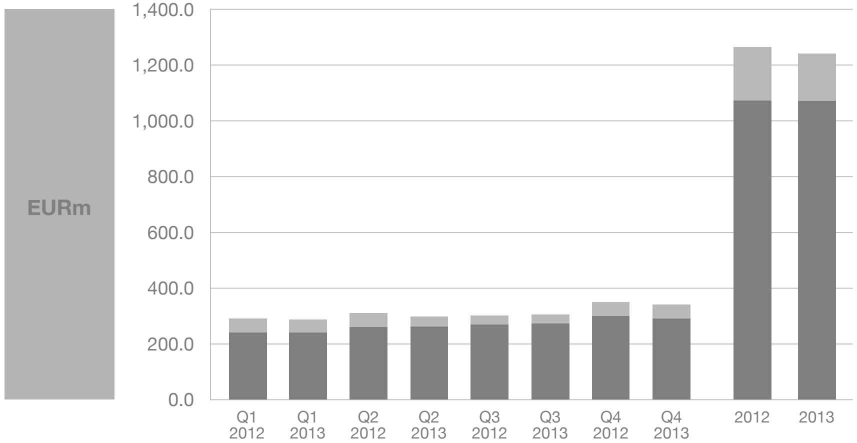
- Or sales dropped beyond Europe (in the so-called Rest of World region), especially as a result of lower OEM sales within the business field Home in the USA, as well as a decrease in sales of small domestic appliances in Australia. Moreover, currency translation differences had a negative impact on sales.

Revenue of the **business segment Portfolio Investments** amounted to EUR 170.7 million in 2013, which is 11.0%, or EUR 21.1 million less than in 2012. The drop in the sales of coal was the most prominent factor in this decrease. Moreover, termination of our cooperation with a Slovenian business partner in the field of waste collection also resulted in a decrease of sales. On the other hand, operations were expanded and revenue was increased in toolmaking and machine building.

The **structure of revenue by business segments** reveals the following:

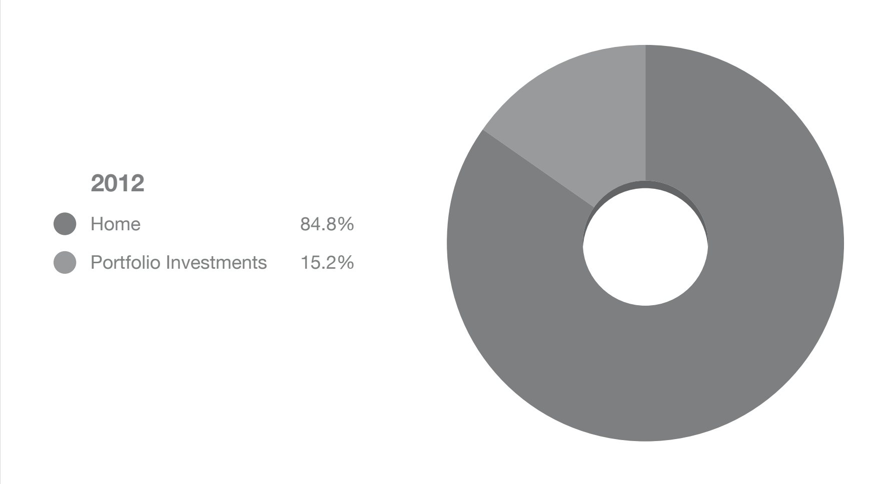
- Decrease of the share of sales within the segment Portfolio Investments has led to increased importance of the core activity (Home) in the composition of the Group's revenue. Thus, the business segment Home accounted for 86.2% of total Group sales in 2013. Relative to 2012, the share of the business segment Home rose by 1.4 percentage points.

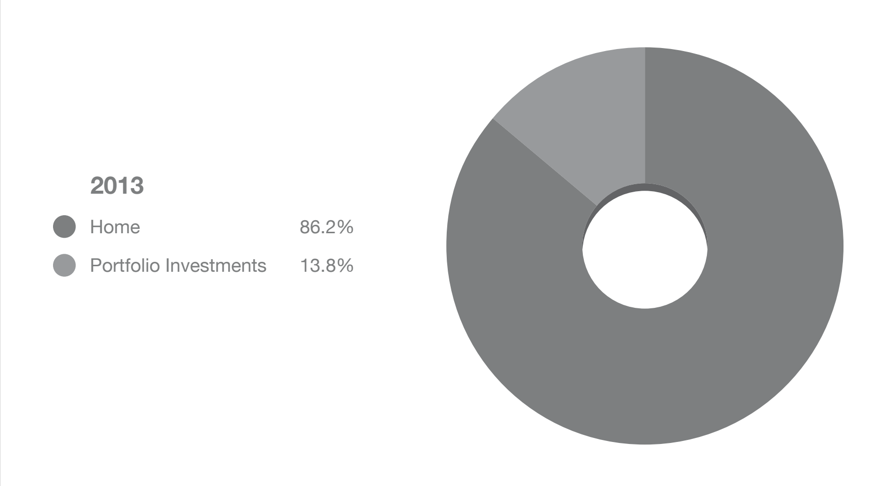
Group revenue by business segments



	Q1 2012	Q1 2013	Q2 2012	Q2 2013	Q3 2012	Q3 2013	Q4 2012	Q4 2013	2012	2013
Home	239.9	241.0	260.5	263.9	270.5	273.7	300.4	291.2	1,071.3	1,069.8
Portfolio Investments	53.4	48.4	52.6	36.8	33.7	33.3	52.2	52.2	191.8	170.7

Revenue by business segments





The following table breaks down the change in profitability at the EBIT level:

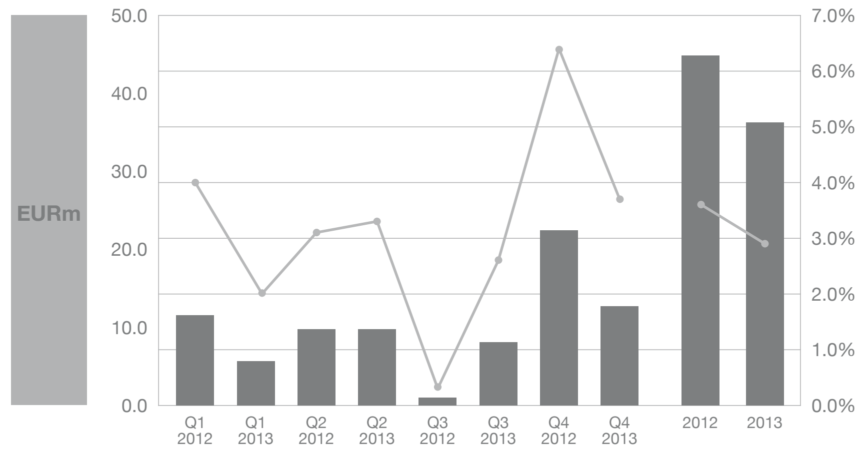
EURm	Development
EBIT 2012	**44.9**
Contribution margin at the level of costs of goods and material	-16.1
Costs of services	-8.8
Employee benefit expenses	20.7
Depreciation and amortization	3.8
Other operating expenses	-1.8
Other operating income	-6.4
EBIT 2013	**36.3**

Operating profit **(EBIT)**: in 2013, our EBIT was positive at EUR 36.3 million. Relative to 2012, EBIT was lower by EUR 8.6 million, or 19.1%. The following factors had a considerable impact on the attained EBIT:

- adjustment of pricing to the conditions in particular markets, and sale of buffer inventory built-up as a supply cushion for the period of manufacturing operations relocation process;
- other income was lower by EUR 6.4 million (in 2012, higher revenue was generated by drawing/reversal of provisions for the restructuring of the Asko manufacturing plant in Sweden, and by job creation grants and subsidies received in Serbia);
- composition of services rose by EUR 8.8 million or 4.2%; logistics costs had the strongest impact in this respect (change of transport routes resulting from the relocation of manufacturing operations and change in the geographical structure of sales); rental expenses and contractor costs were also higher; to some extent, costs of services were also affected by additional recognition of provisions for warranty repairs;
- lower costs of depreciation and amortisation resulting from lower investment in the last two years, divestment of non-operating assets, and extended useful lives of some property plant and equipment as of 2010. The cost of depreciation within the segment Home will increase in 2014 due to new investment related to the relocation of manufacturing operations.
- In 2013 Gorenje Group standardized and unified its development cost records. The standardization has resulted in capitalization of development costs in 2013 relative to the year before. As in the past, only costs pertaining to new product development are capitalized. The capitalized costs are amortized throughout the anticipated product life cycle. In 2013, capitalized development costs amounted to EUR 13.9 million (in 2012: EUR 1.9 million).
- Labour costs decreased relative to 2012 by EUR 20.7 million. The decrease was a result of the relocation of manufacturing operations and lower number of employees in the second half of the year; also bearing a positive impact in terms of labour costs were the capitalized development costs discussed above.
- Lower return on sales in some markets was a result of adjustment to local conditions in terms of pricing and structure of sales.

It should be noted that some of the expected effects of manufacturing operations relocations are already manifest. Full effects will be seen in 2014 as the strategic shifts will have a positive impact on EBIT in that year and beyond.

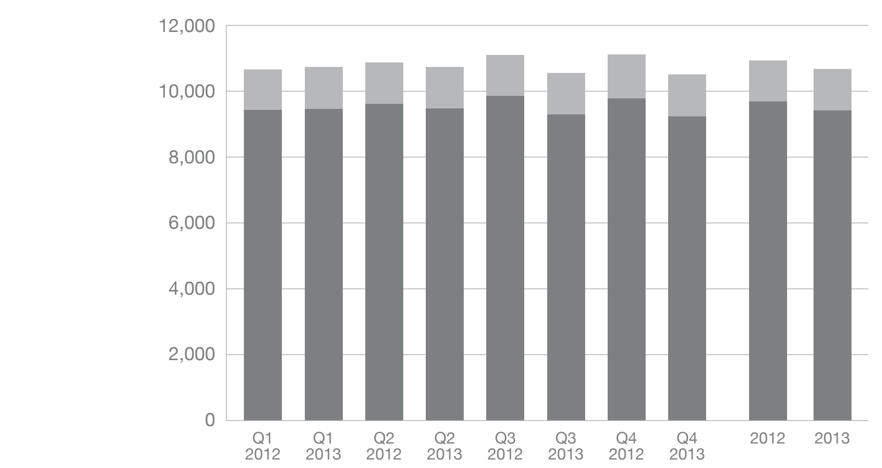
EBIT and EBIT margin



	Q1 2012	Q1 2013	Q2 2012	Q2 2013	Q3 2012	Q3 2013	Q4 2012	Q4 2013	2012	2013
EBIT	11.6	5.7	9.8	9.8	1.0	8.1	22.5	12.7	44.9	36.3
EBIT margin	4.0	2.0	3.1	3.3	0.3	2.6	6.4	3.7	3.6	2.9

Average number of employees in 2013 was 10,639 which is 256 fewer than in 2012. Most of the decrease pertains to the company Asko Appliances AB Sweden (transfer of manufacturing operations), while some of it also pertains to the company Gorenje, d.d.; the number of employees was increased at the manufacturing plants in Valjevo, Serbia, and Mora Moravia, Czech Republic, as a result of higher production output after the shift of manufacturing processes within the business segment Home. In the business segment Portfolio Investments, the number of employees rose due to the expansion of activities in new markets (ecology and toolmaking in Serbia).

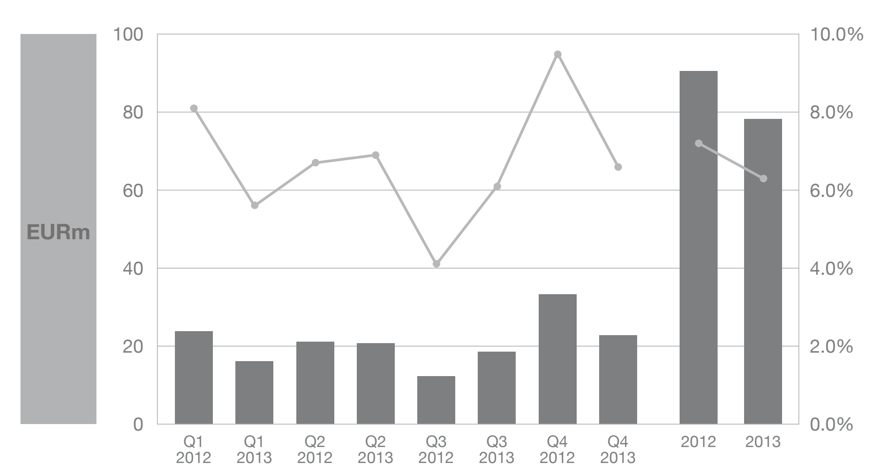
Average number of employees by business segments



	Q1 2012	Q1 2013	Q2 2012	Q2 2013	Q3 2012	Q3 2013	Q4 2012	Q4 2013	2012	2013
Home	9,431	9,478	9,626	9,462	9,853	9,294	9,781	9,242	9,672	9,403
Portfolio Investments	1,196	1,228	1,207	1,237	1,208	1,234	1,228	1,238	1,223	1,236
Total	10,627	10,706	10,833	10,699	11,061	10,528	11,009	10,480	10,895	10,639

The Group's **EBITDA** (profit from operating activities before rental depreciation and amortization) amounted to EUR 78.2 million which is EUR 12.4 million or 13.7% less than in 2012. The reasons for such development were already explained in the section on EBIT.

EBITDA and EBITDA margin



	Q1 2012	Q1 2013	Q2 2012	Q2 2013	Q3 2012	Q3 2013	Q4 2012	Q4 2013	2012	2013
EBITDA	23.8	16.1	21.1	20.7	12.3	18.6	33.4	22.8	90.6	78.2
EBITDA margin	8.1	5.6	6.7	6.9	4.1	6.1	9.5	6.6	7.2	6.3

Negative result from financing in the amount of EUR 54.4 million is EUR 24.0 million worse than in 2012. Poorer results from financing are the effect of the following:

- impairment of financial investments (EUR -13.4 million);
- overall effect of negative currency translation differences recognized in the results from financing (EUR -9.6 million).

On the other hand, lower net interest expense had a positive effect on results from financing activities.

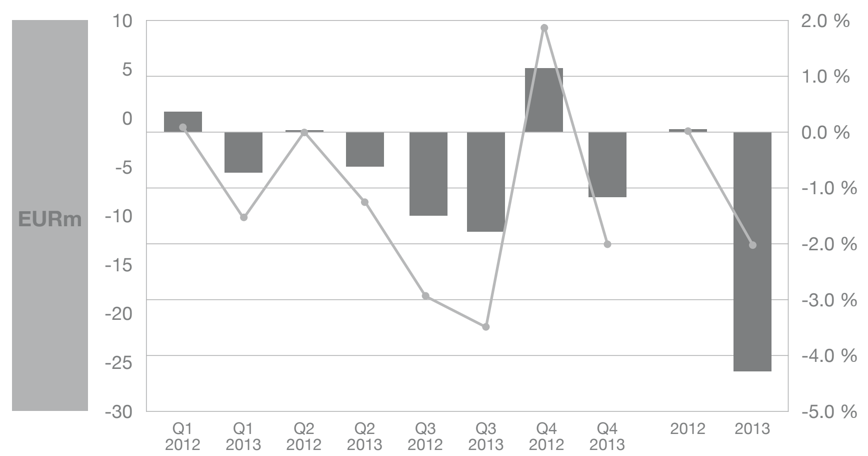
Income tax expense, recognized in the amount of EUR 4.2 million, includes the levied corporate income tax and the deferred tax assets. The levied tax is the tax payable on taxable income of each Group company for the fiscal year ; deferred tax is determined based on the temporary differences between the carrying amount of assets/liabilities as reported in financial statements, and the amounts relevant for tax reporting. The amounts of temporary differences, which are usually the predominant determinants of the deferred tax, pertain to tax reliefs for investment, research and development, and tax losses. Within the Group, the parent company had the greatest amount of these. Tax loss in 2013 was higher by the amount of impairments to financial investments recognized in previous years, and which financial investments were divested in 2013 or eliminated from the ledgers/records (bank shares).

Consistently with the revised Strategic Plan, the Group shall generate profit in the years ahead and report a taxable base that will be higher than the current tax reliefs and decrease or increase of the taxable base. Thus, most Group companies submitting individual tax reports will report corporate income tax payables. Such companies will use the tax reliefs from previous years, for which carry-overs are allowed and for which deferred tax assets were recognized in previous years. Decrease of taxable base will also be possible due to tax losses in the past; for these, deferred tax assets were also recognized, as they may be carried over without time restriction (this only applies to Slovenian companies).

Gorenje Group net profit or loss in 2013 was affected by numerous negative factors. Total value of these effects amounted to EUR -23.8 million. Taking these effects into account, Gorenje Group's **total net loss amounted to EUR 25.0 million.**

If negative effects (impairments of financial investments and receivables, currency translation differences), discontinued operations, and capitalized development costs are eliminated, the Group result is positive at EUR 1.7 million.

Profit or loss for the period and ROS



	Q1 2012	Q1 2013	Q2 2012	Q2 2013	Q3 2012	Q3 2013	Q4 2012	Q4 2013	2012	2013
Profit or loss	2.1	-4.2	0.2	-3.6	-8.7	-10.4	6.7	-6.8	0.3	-25.0
ROS	0.7	-1.5	0.1	-1.2	-2.9	-3.4	1.9	-2.0	0.02	-2.0

GORENJE GROUP FINANCIAL PERFORMANCE

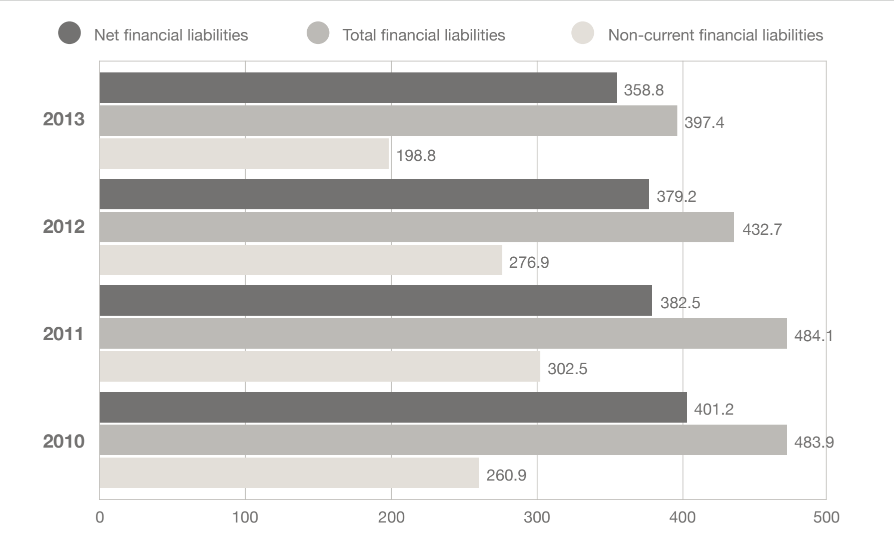
Gorenje Group financing activities

Financial policy at the Group level is centralized and implemented by the central finance department operating as a part of the parent company. The policy is laid down in the Gorenje Group Corporate Rules and Regulations on Finance and Economics which is a binding document for all Group subsidiaries. Management of financial debt, liquidity, relations with banking partners, and other strategic activities are therefore the responsibility of the central finance department/function. The fundamental goal of the Group's financial policy is to provide adequate liquidity at the lowest possible cost (i.e. lowest possible finance expenses), in order to be able to settle the liabilities across the Group, as they are due for payment. The main sources of liquidity are sales operations in the business segments Home and Portfolio Investments. Within these, we are looking to optimize our net working capital, divest non-core assets and underperforming assets, and take out new long-term loans in order to partially refinance our long-term borrowings upon maturity, as well as to permanently renew the short-term loans and credit limits on current accounts. Liquidity is planned on recurring monthly, quarterly, and annual bases. Debt management through a period of several years is integrated in such planning. The Group has in place a systematic and permanent policy of reducing its financial debt. Therefore, overall debt is not increased by new loans taken out as these are only intended for refinancing of the existing borrowings reaching maturity, and for improvement of maturity profile of our financial liabilities. Pursuant to our financial policy, all credit lines, globally, and all other banking relations, are directly or indirectly managed by the central finance department/function. We also have in place a policy of day-to-day optimization of cash in current accounts. In the last two years, this policy has resulted in a permanent decrease of the average balance of cash in the current accounts of Group subsidiaries. Moreover, insurance of our receivables, collection thereof, and some other activities that are also a part of the Group's financial policy are also managed centrally.

Business and financial plan for 2013, including the deleveraging plan, were developed with full awareness that 2013 fiscal year would be very challenging due to harsh market conditions, increased investment activity, and other expenses mostly related to the manufacturing operations relocation processes. Our proactive approach allowed us to provide as early as at the beginning of the third quarter the necessary sources for repayment of current portions of long-term loans maturing by the end of the year. Our long-term loans are repaid upon maturity; short-term loans are regularly renewed. In 2013, we repaid EUR 111.4 million worth of current portions of long-term borrowings. This amount was largely financed with proceeds from divestment, and with EUR 77.6 million of new long-term borrowings taken out (mostly with maturity of 5 years). It is important to note that our total financial debt was cut by EUR 35.3 million in 2013.

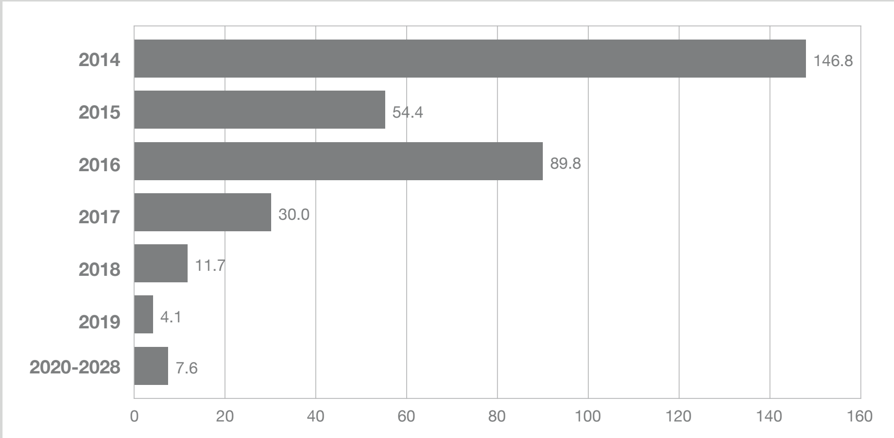
In order to diversify our financing sources and to accommodate the seasonal fluctuations in cash flows, we conducted our first commercial paper offering early in the second quarter of 2013. The total amount raised was EUR 24.2 million, due for repayment on December 20, 2013. Nearly the entire issue was subscribed by domestic investors. This is a form of short-term financing that we employed for the first time in 2013, and which shall be a part of our long-term strategy of increasing the share of long-term financing. On March 25, 2014 was the subscription deadline and issue date for our second offering of commercial paper. This time, a total of EUR 35 million was subscribed.

Total, net and non-current financial liabilities in the period 2010–2013 (EURm)



Total financial liabilities (as the sum of current and non-current financial liabilities) amounted to EUR 397.4 million as at December 31, 2013 which is EUR 35.3 million less than as at December 31, 2012 and EUR 77.8 million less than as at the third quarter of 2013. Positive development in the last quarter is largely a result of strong sales and related collection of trade receivables, as well as the optimization of working capital, especially inventory. Moreover, the capital subscribed and paid up in the process of equity offering in the fourth quarter, amounting to EUR 16.7 million, and the EUR 10 million invested by Panasonic in the third quarter of 2013 also had a positive deleveraging effect. It should be noted that the decrease in total financial liabilities exceeds the additional capital subscribed and paid in by EUR 8.6 million. This result is all the more significant as it points out our ability to deleverage even in 2013, i.e. a year of high disbursements and costs related to the extensive transfer of manufacturing operations from Scandinavia to Slovenia and from Slovenia to Serbia, which was certainly one of the most challenging restructuring projects in Gorenje's corporate history, both in terms of financing and in terms of process management. Considering the risks to which the Slovenian banking sector was expose, it was very important to keep the share of the banks with parent companies headquartered in Slovenia, most of which were or will be included in the processes of government capital increase, to no more than 11.7% of the Group's overall borrowings portfolio. This does not include the data on borrowings from the SID bank which is a development bank. We expect this share to increase after the capital increase.

Repayment of principal amounts of non-current borrowings as at 31 December, 2013 in the coming years, in EURm



Pursuant to the corporate policy of continuous liquidity and financial debt management, we are continuously conducting activities to repay our due debt in 2014. The current portion of Gorenje Group's long-term borrowings due for payment in 2014 amounts to EUR 146.8 million (information as at December 31, 2013). A part of the borrowings will be repaid with cash flows from current operating activities and divestment; the rest will be repaid with new long-term borrowings. The largest share of the borrowings due for repayment in 2014 will reach maturity in the third quarter of the year. This share amounts to EUR 76.5 million, which means that the Group has to secure new long-term borrowings for at least partial refinancing of the long-term borrowings due for repayment. To this end, intensive activities are in progress with our current and new banking partners, which will contribute to the stabilization of the maturity profile of our debt and of the scope of annual maturity of long-term borrowings in a longer period of time. The Group's liquidity reserve as at December 31, 2013 amounted to EUR 119.0 million; this could also be used for settling the liabilities due for repayment.

Net financial liabilities (measured as the difference between total financial liabilities, and cash and cash equivalents) at the end of 2013 amounted to EUR 358.8 million, which was EUR 20.4 million lower than at the end of the year before.

In the **maturity profile of our financial liabilities**, long-term and short-term financing sources account for one half each. Relative to December 31, 2012 the profile worsened by 14.0 percentage points; however, it is still 2.9 percentage points better than in the previous quarter. The maturity profile deteriorated notably at the start of the third quarter of 2013 when the assignable loan (Schuldschein) the principal of which is repayable in a single amount, maturing in July 2014, was transferred to current portion of long-term debt.

Gorenje Group cash flows in 2013

Consolidated Statement of Cash Flows of the Gorenje Group

	2012	2013	Plan 2013 (total)
Profit or loss for the period	290	-24,999	4,210
Amortization and depreciation expense	46,986	41,875	47,762
Cash flow from operating activities	**47,276**	**16,876**	**51,972**
CAPEX	-60,744	-76,606	-69,841
Divestment	11,408	18,954	13,500
Change in deferred tax assets/liabilities, non-current operating trade receivables/ payables, provisions, fixed assets	-17,992	-11,583	-5,519
Cash flow from investing activities	**-67,328**	**-69,235**	**-61,860**
Change in inventories	-8,060	11,598	6,825
Change in trade receivables	31,757	12,935	17,770
Change in other receivables	-6,238	21,994	1,116
Change in trade payables	22,077	1,390	-9,289
Change in other current liabilities	-10,013	-8,790	-10,664
Changes in working capital	**29,523**	**39,127**	**5,758**
Cash flow from operating and investing activities	**9,471**	**-13,232**	**-4,130**
Changes in investments (non-current and current)	2,982	17,820	13,114
Changes in financial liabilities (non-current and current)	-51,219	-35,313	-46,799
Cash flow from financing activities	**-48,237**	**-17,493**	**-33,685**
Cash flow from net financial liabilities	**-38,766**	**-30,725**	**-37,815**
Change in equity (excluding profit or loss for the period)	-8,266	15,826	40,284
Net cash flow for the period	**-47,032**	**-14,899**	**2,469**
Cash and cash equivalents as at beginning of period	101,620	53,488	28,955
Cash and cash equivalents as at end of period	54,588	38,589	31,424

In 2013, the Group's cash flow from operating activities amounted to EUR 16.9 million, which is EUR 30.4 million less than in the year before. This is mostly a result of the net loss in 2013. Net cash flows from investing activities, calculated as the difference between capital expenditure (investment into property plant and equipment, and divestment thereof and changes in deferred tax assets and liabilities, provisions, and other long-term trade receivables and payables, amount to EUR -69.2 million, which is EUR 1.9 million worse than in the preceding before.

Cash flow from operating and investing activities in 2013 amounted to EUR -13.2 million in 2013, which is EUR 22.7 less than in the year before. In 2013, the Group's cash flow from financing activities stood at EUR -17.5 million. Financial investments were lower by EUR 17.8 million (mostly as a result of impairments regarding Merkur, Probanka, Cimos etc. which are explained above which did not take the form of negative cash flow in 2013, and the effects of divestment of the company Notranja oprema) while financial liabilities were lower by EUR 35.3 million. Net cash flow, including the negative cash flow from financing activities, amounted to EUR -30.7 million in 2013. As at December 31, 2013 share capital amounted to EUR 380.7 million. In 2013, it was increased by EUR 15.8 million (not accounting for the current result for the year, which has already been included in net cash flow from operating activities). Including this effect, net cash flow for 2013 is EUR -14.9 million, which is EUR 32.1 million more than in the year before.

Investment in 2013 amounted to EUR 76.6 million, which is EUR 15.9 million more than in the preceding year. This is mostly an effect of intensive activities of relocation of especially refrigeration appliance manufacturing operations from Slovenia to Serbia and the related investment into a new manufacturing hall and new production lines for free standing refrigerator freezers. Moreover, production of laundry care appliances and dishwashers has been relocated from Sweden to Slovenia. The manufacturing operations relocation processes accounted for EUR 29.6 million of investment in 2013. In addition, we kept up our continuous investment into new product development.

Investment by business segments

EURm	2012	2013	Index	Plan 2013	Plan realisation
Home	54.5	68.7	125.9	64.5	106.5
Portfolio Investments	6.2	7.9	128.3	5.3	148.8
Total	**60.7**	**76.6**	**126.1**	**69.8**	**109.7**

By December 31, 2013 a total of EUR 76.6 million was allocated for **investments**. The largest share of this amount pertains to business segment Home: EUR 68.7 million. Most investment expenses are related to the new manufacturing plant in Valjevo and the related equipment for the transferred manufacturing of free standing 600-cm-wide fridge freezers; acquisition of the required equipment and machinery for the manufacturing of refrigeration products; and relocation of manufacturing of Asko dryers, washing machines, and dishwashers from Sweden to Slovenia. We also invested into new assembly lines for production of built-in ovens at the cooking appliance program. Other investment pertains to new product development, acquisition of technological equipment, logistics equipment, and acquisition of hardware and software for the field of IT.

Investment in the business segment Portfolio Investments amounted to EUR 7.9 million. The largest share pertains to the field of Ecology (EUR 5.6 million) and within this field especially the waste collection center in Jesenice; equipment and machinery for waste raw material processing; and boosting our presence in the waste raw material market in Serbia. The remaining sum of investment in the amount of EUR 2.3 million pertains to the investment into technological equipment of Gorenje, d.d., subsidiaries in Slovenia, dealing with toolmaking and development and assembly of industrial equipment.

As early as in 2010, the Group adopted a divestment program for non-core and underperforming assets, as well as for some non-strategic activities and activities that have been generating loss and negative cash flow for an extended period of time. In 2013, our divestment program was successfully pursued further with divestment of non-core assets with a total carrying value of EUR 19.0 million. The largest share thereof pertains to the sale of our business and distribution center in Ljubljana, warehouse center in Prague, manufacturing plant in Vara, Sweden, and two pieces of property in Paris. Current liquidity and the financial debt during the year were positively affected by the fact that most proceeds from these divestments were received in the first half of the year. We are happy to report that we succeeded at the end of February 2013 in divesting our shareholdings in the companies Gorenje Notranja oprema, d.o.o., and Gorenje Kuhinje, d.o.o., especially because this divestment eliminated their negative effect on the current results of the Group. In the last three years, and even before that, this negative effect amounted to EUR 5 million or more each year. After the divestment, the Group's financial debt will no longer increase for this reason. Despite the divestment, we have maintained cooperation with the divested company Gorenje Kuhinje, which was renamed to Arosa Mobilia, d.o.o., and which is now our strategic supplier of kitchen furniture which we are now selling without integral loss.

As a result of the activities described above, net long-term assets as at December 31, 2013 amounted to EUR 507.4 million, which is EUR 27.4 million more than at the end of the year before.

As at December 31, 2013 the Group's investment into net working capital amounts to EUR 208.6 million. In 2013, the figure declined by EUR 39.1 million relative to the year before. In this respect, narrowly defined net current assets (inventory, trade receivables, and trade payables) decreased by EUR 25.9 million. The difference in the decrease of working capital in the amount of EUR 13.2 million pertains to the decrease of other short-term receivables in the amount of EUR 22.0 million. This is mostly a result of a decrease in the assets included in disposal groups (EUR 20.4 million) resulting from the divestment of the companies Gorenje Kuhinje and Gorenje Notranja oprema. Working capital was negatively affected by the decrease in other current liabilities, especially liabilities included in disposal groups (EUR 4.6 million) and other current liabilities (EUR 4.2 million).

Trade receivables amounted to EUR 205.6 million at the end of 2013, which was EUR 12.9 million less than as at the end of 2012. The decrease of the annual level of trade receivables is a result of stricter management thereof (stopping supplies in case of receivables without insurance or payment delinquency, and more consistent collection). The group has been employing non-recourse factoring for an extended period of tie at two sales companies in Western Europe since the cost of financing through this type of transaction is lower than the average financing costs at the Group. Moreover, non-recourse factoring is also selectively employed in Russia, mostly as a tool for short-term foreign exchange hedging of open cash positions. Days sales outstanding decreased from 67 to 62 days relative to the equivalent period of the year before.

Inventory at the end of 2013 amounted to EUR 235.8 million, which is EUR 11.6 million less than in the year before. Total inventory is higher by EUR 9.7 million as it includes the inventory of coal in transit (ship transport), which was not included in inventory on any of the quarter-ends of 2013, nor at 2013 year-end. Coal trade is one of the trade activities of Gorenje, d.d. At the very start of January 2014, this inventory was sold. In comparable terms, inventory is lower by EUR 21.3 million than at the 2012 year-end. Throughout 2013, our inventory was sub-optimal, which was largely a result of the shift of manufacturing operations from Sweden to Slovenia and the transfer of cold program from Slovenia to Serbia as these processes involved building up a buffer inventory of finished products. Needless to say, the production was halted during the transfer and any failure in supply to our customers in that interim period would be unacceptable and highly detrimental to our market position. In the last quarter of 2013, the buffer inventory was almost entirely sold. At the annual level, the inventory of finished products and merchandise saw the steepest decline, by EUR 18.4 million. This is also a result of fewer manufacturing plants as the increase of inventories in the newly established plants in Slovenia and Serbia is only a half of the decrease of the original inventory at the end of 2012 in Sweden. At the same time, additional attention was paid in the second half of the year to inventories of merchandise (trade goods) in warehouses of our sales units. As a result, they were decreased in year-on-year terms by EUR 15.8 million. Further improvement of total inventory is expected with the implementation of the complexity management project which involves decreasing the number of product IDs (codes) for which sales and margins were low, or sub-par. Introduction of lean manufacturing, resulting in a decline of inventory between individual stages of production, has also had a positive effect particularly on the inventory of raw and processed material. Days in inventory for finished products thus decreased from 37 to 36 days relative to the equivalent period of the year before.

Trade payables as at December 31, 2013 amounted to EUR 213.8 million, which is nearly the same as on December 31, 2012. Changes of this figure in the last quarter of 2013 are consistent with the normal development in the course of the year, as well as with higher purchases of raw and processed materials and small domestic appliances. In case of raw and processed materials, the reason is higher volume of orders for major appliances produced at our manufacturing plants; in case of small domestic appliances, it is the permanent growth of sales and resulting supply requirements, mostly from the Far East. Lower trade payables relative to 2012 are also a result of increasing production volume in Serbia and, consequently, increasing supplies from local suppliers, because Serbia has set a mandatory maximum payment terms of 60 days. Days payable outstanding increased from 76 to 84 days relative to the equivalent period of the year before.

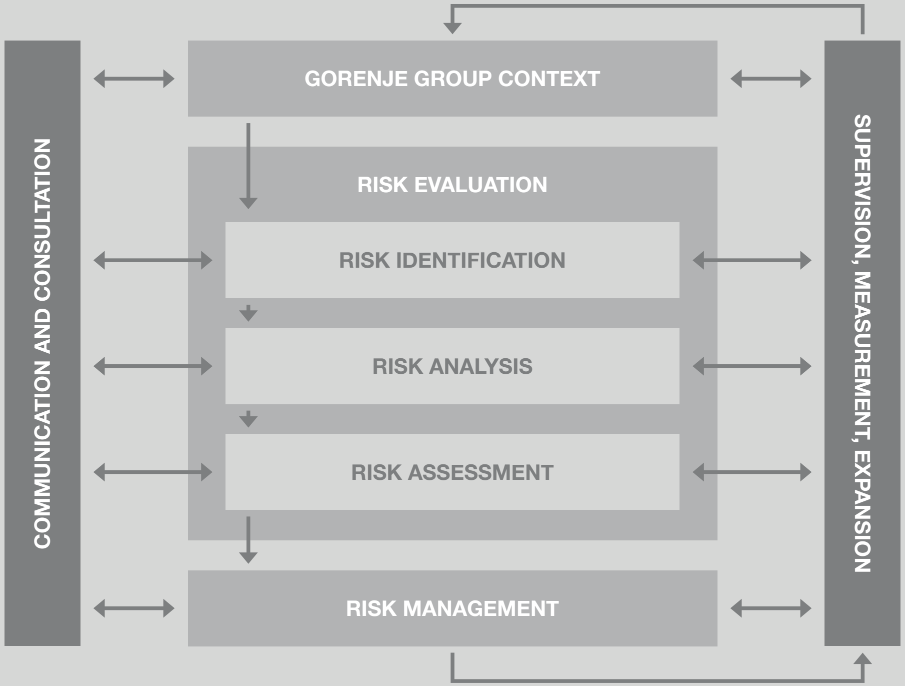
RISKS

Risk management at the Gorenje Group

As all business entities, Gorenje Group is faced on a daily basis with risks and opportunities that can negatively or positively affect the Group's financial position and results, continuity of its operations, employees, reputation of the Group or its brands, and the pursuit of the Group's goals and strategy. Risks faced by the Group are affected by both internal and external factors which can bear a negative impact on the Group's performance and the attainment of its financial targets.

A Risk Management Council is active within the Group, which regularly examines and analyzes the risks to which the Group is exposed, and introduces measures to hedge those risks and alleviate the exposure to an acceptable level. Considering the macroeconomic situation, particular attention is paid to effective management of risks stemming from the changes in the macroeconomic environment. Thus, we were focused even more in 2013 on the management of financial risks, especially credit, currency, and liquidity risk. Extra attention was also paid to other risks that are significantly affected by the changes in the macroeconomic environment, especially procurement risks and risks related to the competitiveness of our products.

In 2014, our risk management process is undergoing revision as we look to fully integrate risk management into the Group's business processes at all levels of operations in order to attain the functional goals of respective business segments, and key strategic goals laid down by the Group in its updated strategic plan. To this end, we have founded the risk management department which will coordinate the risk management process between particular process and risk owners (members of the operational Risk Management Council), and specify the framework for the revised management methodology and reporting. The key foundations of risk management are specified in the following key Gorenje Group documents: (i) Gorenje Group Rules of Procedure; (ii) updated Gorenje Group Strategic Plan; (iii) the Group's business plans for respective years; and (iv) the Group's balanced scorecard system and key functional targets of each of the areas:



In 2013, the Group defined the key risks to which the Group is exposed, and classified them into three basic risk categories: (i) business risks, (ii) financial risks, and (iii) operational risks. The impact of the identified risks on the Group's income was evaluated, and the frequency or rather the probability of particular risk events was assessed. Evaluation of particular risks is the basis for individual measures or activities intended to manage the risks and alleviate exposure to an acceptable level.

Overview of risks faced by the Gorenje Group

RISK CATEGORY (GROUP OF RISKS)	PROBABILITY				EXTENT OF LOSS/DAMAGE			
	VERY LOW	LOW	MEDIUM	HIGH	LOW	MODERATE	LARGE	VERY HIGH
1. BUSINESS RISKS								
1.1. External risks								
1.2. Sales risks								
1.3. Procurement risks								
1.4. Product risks								
1.5. Development risks								
1.6. Human resource risks								
1.7. Risk of loss of property								
2. FINANCIAL RISKS								
2.1. Credit risks								
2.2. Currency risks								
2.3. Interest rate risks								
2.4. Liquidity risks								
3. OPERATIONAL RISKS								
3.1. Production risks								
3.2. IT risks								
3.3. Organizational risks								
3.4. Logistics risks								
3.5. Tax risks								
3.6. Environmental risks								

1. BUSINESS RISKS

Business risks involve the risks related to the short-term and long-term capacity to generate revenue, to the management of the business processes, and to the ability to maintain the value of assets. The following material types of business risks have been identified for the Group: external risks, sales risks, procurement risks, product risks, development risks, human resource risks, and the risk of loss of property.

1.1 External risks

Group results depend to a considerable extent on the macroeconomic situation in the key markets of the Group's operations, as well as on the macroeconomic position of the EU and the global economy. Group performance is especially affected by factors like the GDP in individual markets and fluctuations thereof, inflation rate, exchange rates, interest rates, transport costs, fuel prices, unemployment rate, changes in financial situation or purchasing power of consumers, and the fiscal and monetary policy in the country. Unfavourable changes of the general macroeconomic situation in the EU or globally can result in a drop of demand for the Group's products and services, which in turn can cause a decrease in the Group's revenue and have a negative impact on its financial position. Moreover, instability or disturbances in the financial markets, which may in particular stem from the euro area crisis, can restrict the Group's access to external (debt) financing. Restrictions of access to external financing or increase of the costs thereof may affect the Group's ability to efficiently carry out its investment projects and strategies. Macroeconomic situation can also increase the risk of insolvency of the Group's customers, which may lead to problems in collection of receivables or debt, and loss of the Group's key customers. Such negative circumstances can have materially negative effects on the Group's business, results of operations, financial condition or development prospects. **Gorenje Group management finds the exposure to this type of risks very high in particular markets.**

1.2 Sales risks

Sales risks are related to competitiveness in sale of products and services in particular markets. Efficiency of the Group's sales strategies depends on numerous factors, most importantly the implementation of appropriate and effective marketing strategies. These include in particular the right choice of brands for the Group's products and services, pricing mechanisms, and competitiveness with regard to product functionality and design. The Group's competitiveness is affected by the negotiation leverage of OEM customers and retail chains the Group is working with, and the quality of the Group's after-sales services. Moreover, Group operations are particularly sensitive to the moves of its competitors who may seek to increase their market shares by cutting their prices and/or offering additional incentives for the customers to buy their products. As a result, the Group – in order to remain competitive and to retain its market share – could be compelled to increase its expenses and expand its marketing activities and/or change the pricing of its products. Although the Group believes it is currently competitive, it cannot guarantee that the sale of its products and services will remain competitive in the future. **Gorenje Group management estimates that the exposure to this type of risks is very high.**

1.3 Procurement risks

The industry in which the Group is active is exposed to instability of raw material prices and changes in the US dollar exchange rate, which is the chief factor in the Group's procurement/sourcing risks. In addition to extraordinary events, increased risks in raw material markets were a result of the escalation of the sovereign debt crisis in the EU, instability of the financial markets, and fear from recurrence of recession. As much as possible, the Group is employing appropriate instruments to reduce the risks and to decrease its exposure to the volatility of markets for tradable commodities/raw materials. This is done either by signing futures or forward contracts or by developing contractual supply relationships based on a price index model (e.g. for sheet metal). In addition, the Group is constantly monitoring the relevant trends and conducting market analyses in order to attain the best possible position for sourcing the strategic processed and raw materials. The Group employs such activities in conditions of increased volatility and risk in order to mitigate its exposure to the raw material/commodity markets. Long-term partnerships remain the procurement/sourcing department's strategic policy, but only at competitive terms. The Group continues to develop supply sources in LCC markets, which are mostly dollar-denominated areas. This simultaneously provides natural hedging for sales in dollars.

In procurement, the Group is pursuing the policy of two or more alternative suppliers for each component or material, thus reducing the risk of a halt or delay resulting from restricted access to raw or processed materials, which is particularly important in light of the current macroeconomic conditions that have a negative impact on the Group's suppliers as well. In the conditions of unstable financial markets, uncertain economic recovery, and volatile prices of raw materials, **Gorenje Group management believes the exposure to procurement risks is high.**

1.4 Product risks

Although the Group is continuously improving its production practices and although the Group employs appropriate product testing protocols, the possibility of faults or operation failures of the Group's products cannot be entirely eliminated. Product risks stemming from faults and operation failures in the market pertain to the claims by end-users regarding the manufacturer's liability, which may in the extreme case lead to mass failure or a recall of the products from the market. The risks are mitigated with appropriate development and quality assurance systems as a part of the production, sales, and after-sales processes. A quality management system according to the requirements of SIST EN ISO 9001/2000 has been implemented, as well as a system of accredited methods pursuant to ISO 17025, and the Six Sigma system. The use of Business Intelligence IT tools allows the Group to minimize the time required to perceive and identify and extensive failures and thus to limit the costs that would be incurred in case of an epidemic defect. The Group has also expanded the set of tests in the development and production process with the HALT/HASS tests and new capacities in test laboratories. In addition to the internal product risk hedging measures, the Group has also obtained insurance coverage from an international insurance company, which also includes coverage for manufacturer's liability for damage resulting from any faults or operation failures, in the amount which the Group deems sufficient to provide adequate coverage of any loss events.

Some systems are certified and accredited (SIST EN ISO 9001/2000, ISO 17025) while others have been implemented in accordance with sound practice (6 sigma, LEAN). The components are tested in state-of-the-art HALT/HASS chambers, which leads to early identification of unstable or permanently problematic components. The use of special-purpose IT tools based on the SAP system allows the Group to cut the time required to identify any extensive failures and thus to limit the costs that would be incurred in case of an epidemic defect. Acquisition of ASKO Sweden also involved taking on greater risk stemming from potential faults in the past, which has resulted in higher exposure in this segment of the risk. In 2013, the Group completed its manufacturing operations relocation project, which can temporarily increase the product risks. **The Group management estimates that the exposure to product risks is high.**

1.5 Development risks

Among the investment and development risks, the risks related to the attainment of the planned investment performance, successful activation of investments into development of new generation of products, and successful implementation of new technologies are of key importance. Due to the macroeconomic factors that are beyond the Group's reasonable influence, it is not certain that the investments will perform as planned, despite appropriate planning and supervision of the implementation of individual investments. The risks are mitigated by accurate development of business plans. With regard to execution, the risks are alleviated by systematic and proactive project-based approach that involves regular monitoring of the goals laid down and by defining the corrective activities in cases of deviations or any rapid changes in the market. Despite all activities that alleviate the exposure to the risk, **Gorenje Group management believes that due to numerous new projects in progress and unpredictable changes in the business environment, which can affect the reliability of planning, exposure to investment and development risks is increased.**

1.6 Human resource risks

The Group's success depends to a considerable extent on its ability to continue to retain, motivate and attract qualified and experienced personnel or staff for both production and management, as well as for the senior management team. The Group's ability to remain competitive and to efficiently pursue its business strategy and expansion plan largely depends on the level of services of its management and other key personnel.

The Group continues to optimize labour costs, while stressing the importance of social dialogue. In order to mitigate the human resource risks, particular care is paid to suitable and timely provision of information, response to any questions or ambiguities raised or occurring among the employees, with regard to wages, healthy working environment, and other conditions and rights of the employees. In order to provide suitable human resources for key positions, the policy of scholarships, part-time studies and on-the-job training, and motivation of employees by adopting new challenges and the possibility of variable compensation has to be pursued further. **Gorenje Group management believes that considering all activities listed above, the exposure to human resource risks is moderate.**

1.7 Risk of loss of property

The Group is exposed to the risk of loss of property which pertains to unpredictable events like fire, earthquake, and other natural disasters and events that may lead to, in addition to loss of property, to a temporary production halt at the Group. The Group is mitigating such risks internally with appropriate processes and safety mechanisms, and technical protection equipment. At the same time, the Group seeks to systematically shift such risks to insurance companies or business partners in order to alleviate the exposure to such risks.

Fire risks are hedged by regular estimation or evaluation of the fire hazard, based on which the facilities are equipped with active fire control systems. Control over the implementation of fire safety measures has been tightened, and additional employee training on fire safety has been provided. Mitigating the fire risk is a continuous task for the Group. In order to improve employee safety and to reduce the fire risks. Evacuation drills are regularly carried out. **The Group management estimates that the exposure to this type of property loss risk is low.**

2. FINANCIAL RISKS

With respect to financial risk management, the internal financial policies comprising the bases for efficient and systematic risk management were observed in 2013. The objectives of risk management are:

- to achieve stability of operations and to reduce risk exposure to an acceptable level,
- to increase the value of the company and improve its financial standing and rating,
- to increase finance income and/or to decrease finance expenses, and
- to nullify and/or decrease the effects of exceptionally damaging events.

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

Financial risks	Credit risks
	Currency risks
	Interest rate risks
	Liquidity risks

Measures to alleviate the exposure to each of the above financial risks and to effectively hedge them are being implemented and evaluated based on their effects on the cash flows. To hedge against financial risks in the course of ordinary business activities, relevant hedging activities have been conducted in the area of operating, investing and financing activities.

2.1 Credit risk

In the light of the strained macroeconomic situation, more attention was paid in 2013 to the credit risk which includes all risks where the failure of a party (a buyer) to discharge contractual obligations results in a decrease in economic benefits of the Group. Therefore, the Group monitored even more closely and regularly its trade receivables and tightened the terms and conditions for approving sale on credit. In order to systematically manage its credit risks, the Group intensified the implementation of the credit risk management software solution within the SAP IT system at Gorenje Group sales companies. The Group is managing its credit risks by means of the following measures:

- insurance of a major portion of trade receivables against credit risk with Slovenska izvozna družba – Prva kreditna zavarovalnica, d.d., and other insurance companies;
- additional insurance (collateralization) of trade receivables with a higher risk level by bank guarantees and other security instruments:;
- regular monitoring of operation and financial standing of new and existing business partners, and limitation of exposure to individual business partners;
- implementation of bilateral and multilateral netting (netting by novation, or compensation) with buyers;
- establishing the forfeiting system for the sale of receivables (factoring) in some countries;
- systematic and active control of credit limits and collection of receivables (upgrade of credit management).

Due to the aggravation of the global macroeconomic situation, the bank crisis and the resulting tight liquidity situation, the **Group's management estimates that the exposure to credit risk** has significantly increased; however, it is being kept in check with the said risk management/hedging measures. Taking into account the implemented measures, exposure to credit risk is deemed **high**.

2.2 Currency risk

Due to the geographic diversification of its operations, the Gorenje Group is strongly exposed to currency risk, which is the risk that the economic benefits of an entity may be decreased due to changes in foreign exchange rates. When assessing currency risk, the balance sheet exposure was taken into consideration. The currency risk results mainly from the performance of business activities in the markets of Russia, Serbia, Australia, Scandinavia, Great Britain, Czech Republic, Poland, Hungary, Croatia, Turkey and all US dollar markets. Therefore, more attention was paid to natural hedging of currency risks and harmonisation of business operations to ensure long-term decrease in currency fluctuation exposure by matching or netting sales and purchases. Additional short-term hedging is carried out by forward exchange contracts and short-term borrowings in local currencies. The Group is keeping track of the macroeconomic trends, factors, and the environment, which affect or could affect particular exchange rates. In 2013, the Group centralized to an even greater extent than before its currency risk management. The parent company offers its subsidiaries adequate support, provides credit limits for taking out currency risk hedging instruments, or takes out such instruments on behalf of other Group companies; in this latter case, such instruments are contractually transferred to the companies that are locally exposed to the relevant risk. By employing the centralized approach to currency risk management the Group can come closer to optimum effects of currency risk hedging.

Irrespective of measures taken to hedge against currency risk, the **Gorenje Group's management estimates that**, due to significant macroeconomic changes and oscillations particularly in the Eastern European countries, **the exposure to currency risk is high.**

2.3 Interest rate risk

Financing of the Group's current operations and its investment activities involves interest rate risk as most loans are taken out on a variable interest rate depending on EURIBOR or other local variable reference interest rates. With regard to the harsh global macroeconomic situation and consequently lower variable interest rates on financial markets, no new loans with fixed interest rates were raised in 2013 and no new derivative financial instruments created with the purpose to hedge against the risk of higher variable interest rates. The share of loans for which fixed interest rates were agreed or hedging instruments created, declined to 35.6% in 2013. The Group did not take out interest rate risk hedging instruments in 2013. Financial markets are continuously monitored to allow timely measures in case of macroeconomic changes.

The Group's management estimates that the considering the above, exposure to interest rate risk is moderate.

2.4 Liquidity risk

Liquidity risk is the risk that the Group will fail to meet commitments in stipulated period of time due to the lack of available funds.

The Group is managing its liquidity risk by the following key risk management methods:

- operating a centralized cash management system,
- systematic approach to cash flow planning;
- single, centralized approach to key banking partners at home and abroad;
- adequate scope of available short-term unused credit lines for current liquidity management;
- suitable maturity profile of the credit portfolio;
- alternative financing sources.

Thus, the parent company successfully issued in 2013 short-term commercial paper with a nominal value of EUR 24.2 million. Successful issue of commercial paper was a clear sign that other financial investors, apart from the Group's banking partners, have confidence in the Group. Therefore, the parent company is planning further issues of this instrument in 2014.

In 2013, the parent company issued new stock with a total nominal value of EUR 26.7 million in the seasoned equity offering process, thus improving the Group's financial standing and stability.

Despite the harsh macroeconomic conditions, the Group reduced in 2013 its nominal debt and successfully substituted a major part of repaid long-term financial liabilities with new long-term debt. Nevertheless, the maturity profile has deteriorated somewhat as a result of maturity of a portion of long-term borrowings in 2014, and accounting treatment of such pending maturity. In 2014, EUR 194,315 thousand of the Group's borrowings will be due for repayment, of which EUR 146,764 thousand pertains to current portion of long-term debt. The Group is negotiating with banks and other creditors, pursuant to the long-term debt service plan, with regard to refinancing of its outstanding financial liabilities, thus considerably alleviating the refinancing risk. The Group's reserve of short-term sources, which amounts to EUR 118,997 thousand as at December 31, 2013 and consists of unused revolving lines and current account withdrawal/credit limits, short-term bank deposits, and cash in current accounts, is adequate for short-term management of cash flows and allows the Group to hedge its short-term liquidity risk. The Group has implemented the forfeiting model for the sale of first-class receivables to provide an additional liquidity reserve and to simultaneously relieve the dependency from banking institutions.

With efficient cash management, adequate available credit lines for short-term cash flow management, a high degree of financial flexibility, and good access to financial markets and funds, the **Gorenje Group's short-term liquidity risk is seen as moderate.**

Long-term liquidity risk is estimated as moderate due to effective performance of the Group, effective cash management, sustainable ability to generate cash flows from operating activities, improved maturity structure of financial liabilities, and an adequate capital structure. Gorenje Group has a long-term debt service plan in place, which is based on its strategic plan that involves deleveraging and improving the Group's maturity profile.

The Gorenje Group management believes that in light of the harsh macroeconomic situation and required scope of financing, the effect of this type of risks on Gorenje Group operations is very high; as a result of the activities implemented by the Group in order to hedge this risk, the probability of occurrence is very low. **The Gorenje Group's management estimates the Group's exposure to liquidity risk as increased.**

3. OPERATIONAL RISKS

Operational risks pertain to the decrease of the Group's economic benefits, as a result of the possibility of unsuitable planning, execution, and supervision of business processes and activities: production risks, IT system risks, organizational risks, logistics risks, tax risks, and fire risks, and environmental risks.

3.1 Production risks

The Group's production processes depend on certain critical machinery and equipment. Although the Group's production assets are generally modern and well maintained, there can be no assurance that there will not be failures or breakdowns in machinery and equipment used in the Group's production processes.

Production risk management includes the following:

- operation of key equipment: key machinery, tools, production lines, and material processing units;
- operation of infrastructure that includes continuous supply of energy, provision of infrastructural suitability regarding the handling of substances hazardous for the environment, operation of the central waste water treatment plant;
- availability of production capacity; and
- unsuitable direct handling of hazardous substances.

In 2013, the Group completed its manufacturing operations relocation project, which can temporarily increase the risks pertaining to the operation of critical machinery and equipment. **The Group management estimates that the exposure to production risks is increased.**

3.2 IT risks

Key IT risks pertain to the provision of availability and responsiveness of the IT system services which depend on the computer hardware and software. The Group is mitigating the exposure to the risks with the following measures:

- comprehensive revision of the SAP system environment which is based on an open-source operating system, and highly available layout of computer hardware and software;
- operation of a disaster recovery center (DRC);
- changes in the server system architecture (server virtualization);
- management of the business continuity management process and the measures related thereto;
- previously planned measures for particular types of disturbances in the operation of the local computer network, support servers, global communication, and network connections in the system;
- regular maintenance of software, hardware, and communication and network connections;
- management of IT system development changes;
- appropriate employee training; and other measures.

The Group management estimates that the exposure to IT risks is moderate.

3.3 Organizational risks

Organizational risks are related above all to the failure to comply with the rules and regulations. The key role in this regard is played by directors or leaders who have to encourage suitable management and execution of procedures, and to provide compliance of powers and responsibilities of individual employees. In implementing its rules, the Group also takes into account the need for creativity and innovativeness of particular jobs or positions. Breach of or non-compliance with the relevant rules and regulations may in some cases result in major damage; however, such cases are already covered in the consideration of other distinct risks. Another risk is uncoordinated operation of functional organizational units, which may result in failure to carry out some necessary activities. Such risks are managed by the Group by placing emphasis on a comprehensive process approach. **The Group management estimates that the exposure to organizational risks is low.**

3.4 Logistics risks

Logistics risks are related to the changes in the costs of transport services and provision of efficient logistics support to the Group's sales and sourcing process. With regard to sea transport, supply and demand are the most important factors affecting the prices. The market for sea transport services has stabilized after last year's price hike. However, major fluctuations of prices in the future are still possible. The crucial factor regarding road transport are oil prices and, as seen recently, increase of road tolls across Europe. Also contributing to the instability of the market and higher risks is the lack of trucks in the market, which is characteristic of the entire European area. The Group is mitigating the logistics risks by managing the logistics processes and by employing a wider base of logistics service providers. In 2013, the Group completed its manufacturing operations relocation project, which has also resulted in changes to logistics routes and at least temporarily increases the risks related to logistics processes. **The Group management estimates that the exposure to logistics risks is moderate.**

3.5 Tax risks

Tax risks are related to correct interpretation of the tax legislation and the related correct and timely accounting and payment of charges; to potential changes in the tax legislation; implementation of tax legislation in day-to-day business processes; provision of relevant documentation etc. The fundamental measure for management of tax risks is consistent compliance with the provisions of the tax legislation. This measure is being implemented by monitoring the tax legislation and legal practice related to taxation; establishing adequate internal control mechanisms; regular cooperation between distinct departments and companies; cooperation in all stages of business activities; development of relevant documentation to support the adopted solutions etc. Reorganization of sales between the Gorenje Group companies (inter-company operations) has increased the complexity of risk management with regard to value-added tax. This is managed by the Group by increased standardization of tax treatment of its transactions. In transactions with our subsidiaries, risks are managed by implementing a coordinated transfer pricing policy and development of relevant documentation. **Gorenje Group management believes that due to complexity of operations, large volume of international transactions, complexity of tax legislation, and potential changes thereto, the exposure to tax risks is high; however, the probability of occurrence of risk events is low.**

3.6 Environmental risks

The Group's business activity has an impact on the environment, both in the course of its production processes and through the impact of its final products. All of the Group's facilities hold the necessary environmental permits, depending on the type and scale of their operations, pollution and/or other environmental considerations. The Group performs all periodic environmental, health, and safety measurements, including monitoring of effluence, air emissions and noise levels, checking of waste production and hazardous substance storage, as well as legal regulation of working conditions etc. In addition, lowering of environmental, health and safety risks is a component of the Company's environmental, health and safety risk management systems, which are in compliance with the ISO 14001 standard, the European regulation EMAS, as well as the OHSAS 18001 standard.

The Group's operations are also subject to numerous environmental, health and safety laws and regulations, including those that pertain to the storage, handling, treatment, transportation and disposal of hazardous materials, the construction and operation of the Group's plants, as well as the discharge of contaminants into the air, soil and water. The Group's operations are in compliance with the currently effective environmental, health and safety laws and regulations (including fire safety). However, in the years ahead the Group should expect a continued move towards more stringent environmental requirements, as determined by local and/or international regulations with which respective Group companies have to comply with. **The Group management believes the exposure to environmental risks is moderate.**

3.7 Political risks

Due to geographical diversification of sales and the current macroeconomic and political events in some countries beyond EU, the Group is exposed to political risks that could have a negative impact on the Group's sales and profitability, and the value of its assets. In the markets with increased political risk, the Group is monitoring even more closely the operations of its companies and adjusting its business activities to the given level of risk. **Despite these efforts, the Group management finds the political risks increased, in part due to the current political turmoil in Ukraine in some other countries.**

MAJOR EVENTS FOLLOWING THE BALANCE SHEET DATE

Gorenje Group and leading US premium home appliance manufacturer Sub-Zero Group Inc. signed a long-term distribution agreement for Gorenje's upmarket brand Asko. Thus, Sub-Zero Group Inc. became as of April 1, 2014 the exclusive distributor for Asko washing machines, dryers and dishwashers in North America. The partnership is a part of Gorenje's strategic activities aimed at boosting the Group's presence beyond Europe and promoting the sales of its upmarket products.

On March 17, 2014 Gorenje Management Board member (CFO) acquired 2,500 Gorenje, d.d., shares, code GRVG, in a transaction worth EUR 9,999.25, on the Ljubljana Stock Exchange. After this transaction, Mr Groznik holds a total of 7,140 shares bearing 0.0325% of total voting rights.

On March 25, 2014 the company Gorenje, d.d., successfully issued 9-month commercial paper with a total face value of EUR 35 million and interest rate of 4 percent.Interest in Gorenje's commercial paper was higher than expected, indicating investor confidence enjoyed by Gorenje.By issuing the commercial paper, Gorenje is diversifying its short-term debt and managing the interim oscillations in free cash flow generation.

There were no other major events after the reporting date for the statement of financial position, i.e. December 31, 2013.

III. ACCOUNTING REPORT

INDEX OF NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE GORENJE GROUP

ACCOUNTING REPORT OF THE GORENJE GROUP

CONSOLIDATED FINANCIAL STATEMENTS OF THE GORENJE GROUP

Consolidated Income Statement of the Gorenje Group

EURk	Note	2013	2012
Revenue	ON THE NOTE **12**	**1,240,482**	**1,263,082**
Change in inventories		-26,122	11,881
Other operating income	ON THE NOTE 13	34,517	40,929
Gross profit		**1,248,877**	**1,315,892**
Cost of goods, materials and services	ON THE NOTE 14	-910,516	-946,215
Employee benefits expense	ON THE NOTE 15	-237,914	-258,680
Amortisation and depreciation expense	ON THE NOTE 16	-41,875	-45,665
Other operating expenses	ON THE NOTE 17	-22,242	-20,411
Operating profit		**36,330**	**44,921**
Finance income	ON THE NOTE 18	7,547	6,805
Finance expenses	ON THE NOTE 18	-61,929	-37,221
Net finance expenses	ON THE NOTE **18**	**-54,382**	**-30,416**
Share in profits or losses of associates		-592	301
Profit or loss before tax		**-18,644**	**14,806**
Income tax expense	ON THE NOTE 19	4,219	-5,633
Profit or loss without discounted operation		**-14,425**	**9,173**
Profit or loss of discounted operation	ON THE NOTE **10**	**-10,574**	**-8,883**
Profit or loss for the period		**-24,999**	**290**
Attributable to non-controlling interests		**225**	**238**
Attributable to equity holders of the parent		**-25,224**	**52**
Basic or diluted earnings per share without discounted operation (in EUR)		-0.88	0.57
Basic or diluted earnings per share (in EUR)	ON THE NOTE 33	-1.51	0.00

Consolidated Statement of Other Comprehensive Income of the Gorenje Group

EURk	Note	2013	2012
Profit or loss for the period		**-24,999**	**290**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss		**-1,262**	**-995**
Change in fair value of land	ON THE NOTE 21	-1,262	-995
Items that may be reclassified subsequently to profit or loss		**-9,003**	**-3,044**
Net change in fair value of available-for-sale financial assets		-153	-27
Net change in fair value of available-for-sale financial assets, reclassified to profit or loss	ON THE NOTE 18	0	626
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge		-72	-2,220
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge, reclassified to profit or loss	ON THE NOTE 18	2,465	2,182
Net change in exchange differences from investments in subsidiaries, reclassified to profit or loss		-711	0
Income tax on other comprehensive income	ON THE NOTE 26	-236	524
Translation reserve		-10,296	-4,129
Other comprehensive income for the period		**-10,265**	**-4,039**
Total comprehensive income for the period		**-35,264**	**-3,749**
Attributable to equity holders of the parent		-35,489	-3,987
Attributable to non-controlling interests		225	238

Consolidated Balance Sheet of the Gorenje Group

EURk	Note	2013	2012
ASSETS		**1,149,702**	**1,197,324**
Non-current assets		**595,512**	**566,141**
Intangible assets	ON THE NOTE 20	167,882	159,607
Property, plant and equipment	ON THE NOTE 21	356,552	341,171
Investment property	ON THE NOTE 22	28,129	23,276
Non-current investments	ON THE NOTE 23	5,527	7,193
Investments in associates	ON THE NOTE 24	711	1,298
Non-current trade receivables	ON THE NOTE 25	10,559	15,176
Deferred tax assets	ON THE NOTE 26	26,152	18,420
Current assets		**554,190**	**631,183**
Non-current assets held for sale		1,655	893
Inventories	ON THE NOTE 27	235,767	247,365
Current investments	ON THE NOTE 28	17,202	32,769
Trade receivables	ON THE NOTE 29	205,581	218,516
Other current assets	ON THE NOTE 30	45,859	48,098
Income tax receivable		2,756	2,833
Cash and cash equivalents	ON THE NOTE 31	38,589	53,488
Assets included in disposal groups	ON THE NOTE 10	6,781	27,221
EQUITY AND LIABILITIES		**1,149,702**	**1,197,324**
Equity	ON THE NOTE **32**	**380,670**	**389,843**
Share capital		92,240	66,378
Share premium		175,568	175,575
Revenue reserves		95,818	94,331
Treasury shares		-3,170	-3,170
Retained earnings		12,829	39,540
Translation reserve		-4,435	5,861
Fair value reserve		9,007	8,976
Equity of holders of the parent		**377,857**	**387,491**
Equity of non-controlling interests		**2,813**	**2,352**

Non-current liabilities		**280,595**	**354,457**
Provisions	ON THE NOTE 34	66,671	65,020
Deferred income	ON THE NOTE 35	5,081	3,145
Non-current operating liabilities	ON THE NOTE 36	5,773	5,046
Deferred tax liabilities	ON THE NOTE 26	4,316	4,366
Non-current financial liabilities	ON THE NOTE 37	198,754	276,880
Current liabilities		**488,437**	**453,024**
Current financial liabilities	ON THE NOTE 38	198,659	155,846
Trade payables	ON THE NOTE 39	213,820	212,430
Other current liabilities	ON THE NOTE 40	71,001	75,218
Deferred tax liabilities		1,243	1,208
Liabilities included in disposal groups	ON THE NOTE 10	3,714	8,322

Consolidated Statement of Cash Flows of the Gorenje Group

EURk		Note	2013	2012
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**			
	Profit for the period		**-24,998**	**290**
	Adjustments for:			
	- depreciation of property, plant and equipment	ON THE NOTE 21, 10	35,436	40,433
	- amortisation of intangible assets	ON THE NOTE 20, 10	6,705	6,553
	- investment income	ON THE NOTE 18, 10	-7,571	-6,871
	- finance expenses	ON THE NOTE 18, 10	68,832	37,474
	- gain on sale of property, plant and equipment	ON THE NOTE 13, 10	-4,859	-1,486
	- revenue from sale of investment property	ON THE NOTE 13, 10	-51	-365
	- revaluation operating income	ON THE NOTE 13, 10	-6,851	-3,387
	- income tax expense	ON THE NOTE 19, 10	-4,219	5,644
	Operating profit before changes in net operating current assets and provisions		**62,424**	**78,285**
	Change in trade and other receivables		5,620	6,752
	Change in inventories		12,642	-8,060
	Change in provisions		3,786	-7,243
	Change in trade and other payables		-8,716	12,064
	Cash generated from operations		**13,332**	**3,513**
	Interest paid		-21,574	-25,593
	Income tax paid		-3,437	-6,544
	Net cash from operating activities		**50,745**	**49,661**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
	Proceeds from sale of property, plant and equipment		14,482	11,095
	Proceeds from sale of investment property		9,250	2,161
	Interest received		2,547	2,688
	Dividends received		-495	417
	Acquisition of property, plant and equipment		-60,928	-53,527
	Acquisition of investment property		-7,304	0
	Loans		-1,150	2,073
	Other investments		718	-1,235
	Acquisition of intangible assets		-15,678	-7,217
	Net cash used in investing activities		**-58,558**	**-43,545**

C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
	Capital increase		25,855	0
	Interest-bearing borrowings		90,954	110,656
	Repayment of borrowings		-124,084	-161,537
	Dividends paid		0	-2,267
	Net cash used in financing activities		**-7,275**	**-53,148**
	Net change in cash and cash equivalents		-15,088	-47,032
	Cash and cash equivalents at beginning of period		54,588	101,620
	Cash and cash equivalents at end of period		39,500	54,588

Consolidated Statement of Changes in Equity of the Gorenje Group

			Revenue reserves					Retained earnings						
EURk	Share capital	Share premium	Legal reserves	Statutory reserves	Treasury share reserve	Other revenue reserves	Treasury shares	Profit or loss from previous periods	Profit or loss for the period	Translation reserve	Fair value reserve	Equity holders of the parent	Non cotrolling interests	Total
Opening balance at 1 Jan 2013	**66,378**	**175,575**	**12,896**	**6,653**	**3,170**	**71,612**	**-3,170**	**25,395**	**14,145**	**5,861**	**8,976**	**387,491**	**2,352**	**389,843**
Total comprehensive income for the period														
Profit or loss for the period									-25,224			-25,224	225	-24,999
Total other comprehensive income										-10,296	31	-10,265		-10,265
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-25,224**	**-10,296**	**31**	**-35,489**	**225**	**-35,264**
Transactions with owners (when acting as owners) recognised directly in equity														
Contributions by owners and distribution to owners														
Capital increase	25,862	849										26,711		26,711
Costs of capital increase		-856										-856		-856
Transfer of previous period's profit to retained earnings								14,145	-14,145			0		0
Transfer of part of profit for 2013 to other reserves						1,217			-1,217			0		0
Creation of statutory reserves				270					-270			0		0
Total contributions by owners and distributions to owners	**25,862**	**-7**	**0**	**270**	**0**	**1,217**	**0**	**14,145**	**-15,632**	**0**	**0**	**25,855**	**0**	**25,855**
Change in equity interests in subsidiaries that do not result in a loss of control														
Change in equity interests												0	236	236
Total changes in equity interests in subsidiaries	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**236**	**236**
Total transactions with owners	**25,862**	**-7**	**0**	**270**	**0**	**1,217**	**0**	**14,145**	**-15,632**	**0**	**0**	**25,855**	**236**	**26,091**
Closing balance at 31 Dec 2013	**92,240**	**175,568**	**12,896**	**6,923**	**3,170**	**72,829**	**-3,170**	**39,540**	**-26,711**	**-4,435**	**9,007**	**377,857**	**2,813**	**380,670**

EURk	Share capital	Share premium	Revenue reserves: Legal reserves	Revenue reserves: Statutory reserves	Revenue reserves: Treasury share reserve	Revenue reserves: Other revenue reserves	Treasury shares	Retained earnings: Profit or loss from previous periods	Retained earnings: Profit or loss for the period	Translation reserve	Fair value reserve	Equity holders of the parent	Non cotrolling interests	Total
Opening balance at 1 Jan 2012	**66,378**	**175,575**	**12,896**	**6,653**	**3,170**	**83,997**	**-3,170**	**23,385**	**8,236**	**9,990**	**8,886**	**395,996**	**1,823**	**397,819**
Formation of short-term accruals referring to unused vacation days						-1,449		-853				-2,302		-2,302
Adjusted opening balance at 1 Jan 2012	**66,378**	**175,575**	**12,896**	**6,653**	**3,170**	**82,548**	**-3,170**	**22,532**	**8,236**	**9,990**	**8,886**	**393,694**	**1,823**	**395,517**
Total comprehensive income for the period														
Profit or loss for the period									52			52	238	290
Total other comprehensive income										-4,129	90	-4,039		-4,039
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**52**	**-4,129**	**90**	**-3,987**	**238**	**-3,749**
Transactions with owners (when acting as owners) recognised directly in equity														
Contributions by owners and distribution to owners														
Capital increase												0		0
Transfer of previous period's profit to retained earnings								8,236	-8,236			0		0
Coverage of loss for the period						-10,936		-3,157	14,093			0		0
Dividends paid								-2,367				-2,367		-2,367
Unpaid dividends								151				151		151
Total contributions by owners and distributions to owners	**0**	**0**	**0**	**0**	**0**	**-10,936**	**0**	**2,863**	**5,857**	**0**	**0**	**-2,216**	**0**	**-2,216**
Change in equity interests in subsidiaries that do not result in a loss of control														
Change in equity interests												0	291	291
Total changes in equity interests in subsidiaries	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**291**	**291**
Total transactions with owners	**0**	**0**	**0**	**0**	**0**	**-10,936**	**0**	**2,863**	**5,857**	**0**	**0**	**-2,216**	**291**	**-1,925**
Closing balance at 31 Dec 2012	**66,378**	**175,575**	**12,896**	**6,653**	**3,170**	**71,612**	**-3,170**	**25,395**	**14,145**	**5,861**	**8,976**	**387,491**	**2,352**	**389,843**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Reporting entity

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

The consolidated financial statements of Gorenje, d.d., at and for the year ended 31 December 2013 comprise the controlling company and its subsidiaries (together referred to as the "Group"), the Group's interests in jointly controlled entities and the Group's interests in associates. The Group is primarily engaged in the production and sale of household appliances.

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and with provisions of the Companies act.

The financial statements were approved by the Management Board on 10 March 2014.

(b) Basis of measurement

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

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

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

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

- Note 19 and 26 – deferred taxes;
- Note 21 and 22 and accounting policies 3(d) and 3(f) – valuation of property, plant and equipment and investment property;
- Note 34 and accounting policy 3(l) (iv) - measurement of liabilities for retirement benefits and jubilee premiums;Note 34 and accounting policy 3(l) (iii) – provisions for onerous contracts;
- Note 34 and accounting policy 3(l) (i) – provisions for warranties;
- Note 42 and accounting policy 3 (i) (i) – valuation of investments;
- Note 20 and accounting policy 3 (e) (i) – goodwill;
- Accounting policy 3(i) (i) - impairment of financial assets, including receivables.

(e) Changes in accounting policies

The Group has not changed its accounting policies in 2013, except where necessary due to the amendments to IFRSs.

3. Significant accounting policies

The accounting policies set out below have been applied consistently by Group companies to all periods presented in these consolidated financial statements.

(a) Basis for consolidation

(i) Business combinations

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

The Group measures goodwill at the acquisition date as:

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

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

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

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

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

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

Recognised value of the non-controlling interest can initially be measured at fair value or at the proportionate share of assumed assets and liabilities as at the date of the transfer. At each transfer, the Group decides which possibility is to be used.

(ii) Acquisition of non-controlling interests

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

(iii) Subsidiaries

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

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

(iv) Loss of control

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

(v) Investments in associates and joint ventures (equity-accounted investees)

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

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

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

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

(vi) Transactions eliminated on consolidation

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

(b) Foreign currency

(i) Foreign currency transactions

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

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

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

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

(ii) Foreign operations

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

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

(c) Financial instruments

(i) Non-derivative financial assets

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

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

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

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

Loans and receivables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and an investment (deposit) with maturity (of three months or less). Bank overdrafts that are repayable on demand form an integral part of the current financial liabilities.

Available-for-sale financial assets

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

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

(ii) Non-derivative financial liabilities

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

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

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

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

(iii) Share capital

Ordinary shares

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

Repurchase of share capital (treasury shares)

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

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

(iv) Derivative financial instruments, including hedge accounting

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

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

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

Cash flow hedges

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

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

Other derivative financial instruments

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

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

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

(ii) Reclassification to investment property

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

(iii) Subsequent costs

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

(iv) Depreciation

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

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

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

- buildings: 20 - 50 years
- plant and equipment: 5 - 20 years
- computer equipment: 2 - 5 years
- transportation vehicles (assets): 3 - 20 years
- office equipment: 3 - 10 years
- tools: 3 - 10 years

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

(e) Intangible assets

(i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see Note 3(a)(i).

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

(ii) Research and development

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

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

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

(iii) Other intangible assets

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

(iv) Subsequent expenditure

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

(v) Amortisation

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

- capitalised development costs: 5 - 10 years
- long-term property rights: 5 - 10 years

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

(f) Investment property

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

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

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

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

(g) Leased assets

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

Other leases are operating leases and are not recognised in the Group's balance sheet.

(h) Inventories

Inventories measured at the lower of historical cost and net realisable value. The cost of inventories is based on the weighted average price method and includes expenditure incurred in acquiring the inventories, dependent costs and other costs incurred in bringing them to their existing location and condition.

Inventories of products and work in progress are valued at production costs (in broader sense), which in addition to direct costs of material, labour, services, depreciation and part of production overhead, include also costs of production overheads, acquisition costs, costs of maintenance and quality assurance overheads, and total costs of research and development.

Inventories of work in progress and products are not revalued due to value increase. Their write-off is mandatory if the carrying amount exceeds their market value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Decline in value of inventories of work in progress and products due to write-off, is credited against change in inventories.

(i) Impairment

(i) Non-derivative financial assets

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

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

Financial assets measured at amortised cost

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

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

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

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

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity, to profit or loss.

The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in impairment provisions attributable to application of the effective interest method are reflected as a component of interest income.

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

(ii) Non-financial assets

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

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

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

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

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

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

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

(k) Employee benefits

(i) Short-term employee benefits

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

(l) Provisions

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

(i) Warranties for products and services

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

(ii) Restructuring

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

(iii) Onerous contracts

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

As from 1 January 2013, actuarial gains and losses arising on provisions for retirement benefits and jubilee premiums are recognised in other comprehensive income in compliance with the amended IAS 19. Company's accounting policy was changed as required under the stated amendments to IAS 19. Management assesses that the relevant change has no significant impact on the company's financial statements for the current and previous period, hence no retrospective restatement is required.

(iv) Provisions for retirement benefits and jubilee premiums

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

Provisions are created by discounting, at the reporting date, the estimated future payments of retirement benefits and jubilee premiums. The obligation is calculated separately for each employee by estimating the costs of retirement benefits and the costs of all expected jubilee premiums until retirement. The balance of provisions is verified every three years on the basis of the calculation prepared by a certified appraiser.

(v) Site restoration

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

(m) Revenue

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

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

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

(ii) Revenue from services rendered

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

(iii) Commission

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

(iv) Rental income

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

(n) Government grants

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

(o) Finance income and finance expenses

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

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

Foreign currency gains and losses are reported on a net basis as either finance income or finance expenses.

(p) Income tax

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

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

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

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

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted.

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

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

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

(r) Basic earnings per share

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

(s) Comparative information

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

(t) Assets held for sale or held for distribution, and discontinued operations

(i) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held-for-sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

(u) Segment reporting

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

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

(v) Standards and interpretations applicable in the current period

Following standards and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the EU are applicable in the current period:

- IFRS 13 »Fair Value Measurement«, adopted by the EU as at 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IFRS 1 »First-time Adoption of International Financial Reporting Standards« – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters, adopted by the EU as at 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IFRS 1 »First-time Adoption of International Financial Reporting Standards« – Government Loans, adopted by the EU as at 4 March 2013 (effective for annual periods beginning on or after 1 January 2013),

- Amendments to IFRS 7 »Financial Instruments: Disclosures« - Offsetting Financial Assets and Financial Liabilities, adopted by the EU as at 13 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IAS 1 »Presentation of Financial Statements« – Presentation of Items of Other Comprehensive Income, adopted by the EU as at 5 June 2012 (effective for annual periods beginning on or after 1 July 2012),
- Amendments to IAS 12 »Income Tax« -Deferred Tax: Recovery of Underlying Assets, adopted by the EU as at 11 December 2012 (effective for annual periods beginning on or after 1 January 2013).
- Amendments IAS 19 »Employee Benefits« - Improvements to the Accounting for Post-Employment Benefits, adopted by the EU as at 5 June 2012 (effective for annual periods beginning on or after 1 January 2013),
- A collection of amendments to various IFRSs »Annual Improvements to IFRSs 2009-2011 Cycle« (IFRS1, IAS 1, IAS 16, IAS 32 and IAS 34), in response to eliminate inconsistency and provide clarification of wording in IFRSs, adopted by the EU as at 27 March 2013 (effective for annual periods beginning on or after 1 January 2013),
- IFRIC 20 »Stripping Costs in the Production Phase of a Surface Mine«, adopted by the EU as at 11 December 2012 (effective for annual periods beginning on or after 1 January 2013).

Adoption of the relevant amendments to the existing standards did not result in any change of the Company's accounting policies.

(z) New standards and interpretations not yet effective

The following new Standards and Interpretations are not yet effective for the annual period ended 31 December 2013 and have not been applied in preparing these financial statements.

- IFRS 10 »Consolidated Financial Statements« adopted by the EU as at 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 11 »Joint Arrangements« adopted by the EU as at 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 12 »Disclosure of Interests in Other Entities« adopted by the EU as at 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IAS 27 (amended in 2011) »Separate Financial Statements« adopted by the EU as at 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IAS 28 (amended in 011) »Investments in Associates and Joint Ventures« adopted by the EU as at 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IFRS 10 »Consolidated Financial Statements«, IFRS 11 »Joint Arrangements« and IFRS 12 »Disclosure of Interests in Other Entities« - Transition Guidance, adopted by the EU as at 4 April 2013 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IFRS 10 »Consolidated Financial Statements«, IFRS 12 »Disclosure of Interests in Other Entities« and IAS 27 (amended in 2011) »Separate Financial Statements« - Investment Entities, adopted by the EU as at 20 November 2013 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 32 »Financial Instruments: Presentation« – Offsetting Financial Assets and Financial Liabilities, adopted by the EU as at 13 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 36 »Impairment of Assets«– Recoverable Amount Disclosures for Non-Financial Assets, adopted by the EU as at 19 December 2013 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 39 »Financial Instruments: Recognition and Measurement« – Novation of Derivatives and Continuation of Hedge Accounting, adopted by the EU as at 19 December 2013 (effective for annual periods beginning on or after 1 January 2014).

Standards and interpretations issued by IFRIC but not yet adopted by the EU

At present, the IFRSs as adopted by the EU do not essentially differ from regulations, which were adopted by the International Accounting Standards Board (IASB), except for following standards, amendments to existing standards and interpretations that were not yet effective in the EU as at the date of the approval of these financial statements:

- IFRS 9 »Financial Instruments« and further amendments (effective date not yet determined),
- Amendments to IAS 19 »Employee Benefits« - Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 January 2014),
- A collection of amendments to various IFRSs »Annual Improvements to IFRSs 2010-2012 Cycle« (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38), in response to eliminate inconsistency and provide clarification of wording in IFRSs (effective for annual periods beginning on or after 1 July 2014),
- A collection of amendments to various IFRSs »Annual Improvements to IFRSs 2011-2013 Cycle« (IFRS 1, IFRS 3, IFRS 13 and IAS 40), in response to eliminate inconsistency and provide clarification of wording in IFRSs (effective for annual periods beginning on or after 1 July 2014),
- IFRIC 21 »Levies« (effective for annual periods beginning on or after 1 January 2014).

The Group does not expect the new standards, the amendments to existing standards and interpretations to have a material impact on the financial statements during the early application.

In addition, hedge accounting in connection with financial assets and liabilities that was not adopted by the EU yet, remains non-regulated.

The Group assesses that hedge accounting in connection with financial assets and liabilities pursuant to provisions of IAS 39: »Financial Instruments: Recognition and Measurement« would not significantly impact the Group's financial statements if applied as at the balance sheet date.

4. Determination of fair value

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

(i) Property, plant and equipment

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

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

(ii) Intangible assets

The fair value of patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the patent or trademark being owned.

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(iii) Investment property

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

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

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

(iv) Investments in debt and equity securities

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

(v) Trade and other receivables

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

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

(vi) Forward exchange contracts and interest rate swaps

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

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

(vii) Other non-derivative financial liabilities

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

5. Financial risk management

In respect of financial risk management, the internal financial policies comprising the bases for efficient and systematic risk management were observed in 2013. The objectives of risk management are:

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

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

Financial risks	Credit risk
	Currency risk
	Interest rate risk
	Liquidity risk

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

5.1 Credit (default) risk

In the light of the fierce macroeconomic situation, more attention was paid in 2013 to the credit risk which includes all risks where the failure of a party (a buyer) to discharge contractual obligations results in a decrease in economic benefits of the Group. Consequently, the balance of trade receivables is monitored regular, whereby terms and conditions for approving open account sales have tightened. With the aim to systemise credit risk management, the Group launched the credit risk management software module within the SAP information system. The credit risk is managed by the use of following measures:

- insurance of a major portion of trade receivables against credit risk with Slovenska izvozna družba – Prva kreditna zavarovalnica d.d. and other insurance companies;
- additional collateralisation of more risky trade receivables by bank guarantees and other high-quality security instruments;
- regular monitoring of operation and financial standing of new and existing business partners, and limitation of exposure to certain business partners;
- implementation of mutual and chain compensation with buyers;
- launch of the forfeiting model for the sale of receivables in certain countries,
- systematic and active control of credit limits and collection of receivables (introduction of the credit management).

Due to the deteriorated global macroeconomic situation, the bank crisis and consequently severe liquidity situation, the **Group's management estimates that the exposure to credit risk** has significantly increased but is properly diminished by the use of stated measures. By taking into account the implemented hedge measures, the exposure to credit risk is **high**.

5.2 Currency risk

With regard to the geographic diversification of its operations, the Gorenje Group is strongly exposed to currency risk, which is the risk that the economic benefits of an entity may be decreased due to changes in foreign exchange rates. When assessing currency risk, the balance sheet exposure was taken into consideration. The currency risk results mainly from the performance of business activities in the markets of Russia, Serbia, Australia, Scandinavia, Great Britain, Czech Republic, Poland, Hungary, Croatia, Turkey and all US dollar markets. Thus, a greater attention was paid to natural hedging of currency risk and harmonisation of business operations to ensure long-term decline in currency fluctuation exposure by matching or netting sales and purchases. Additional short-term hedging is carried out by concluding forward exchange contracts and short-term borrowings in local currencies. The Group verifies on an ongoing basis the macroeconomic trends, the environment and factors that impact or could result in a change of individual currency ratio. The centralised currency risk management was therefore intensified by the Group in 2013, whereby the Company offers other Group companies also adequate support, suitable credit lines for creating hedging instruments or concluding the latter on behalf of other Group companies, but simultaneously transfers them contractually to companies that are locally exposed to them. The centralised approach to credit risk management has shown optimum hedging results on the Group level.

Irrespective of measures taken to hedge against currency risk, the **Gorenje Group's management estimates that**, due to significant macroeconomic changes and oscillations particularly in the Eastern European countries, **the exposure to currency risk is high.**

5.3 Interest rate risk

Group copes with interest rate risk in view of financing its current operations and investments since most of borrowings raised bear the Euribor variable interest rate or other locally variable reference interest rates. Given the harsh global macroeconomic situation and consequently lower variable interest rates on financial markets, no new loans with fixed interest rates were raised and derivatives created in 2013 with the purpose to hedge against the risk of higher variable interest rates. The share of loans for which fixed interest rates were agreed or hedging instruments created, declined to 35.6 % in 2013. Although no new instruments were created in 2013 for hedging against the increase of interest rates, the financial markets were closely monitored to provide for timely hedging.

Given the aforesaid fact the Company's management estimates that the exposure to interest rate risk is moderate.

5.4 Liquidity risk

Liquidity risk is the risk that the Company will fail to meet commitments in stipulated period of time due to the lack of available funds.

Liquidity risk is managed by the Group by the use of following key instruments:

- centralised cash management system,
- systemised approach to cash flow planning,
- unified, centralised approach to key bank partners on the local and foreign market,
- adequate level of available short-term unused lines for balancing short-term liquidity,
- adequate maturity structure of the credit portfolio,
- alternative sources of financing.

In 2013, the parent company issued short-term commercial papers for the first time at par value of EUR 24.2m. The issue of the said papers was successful indicating that banks and other investors have confidence in the Gorenje Group, hence another issue of these instruments is planned for 2014.

In the process of capital increase, the parent company in 2013 also issued new shares at the total par value of EUR 26.7m and thereby consolidated the financial position of the Group.

Regardless of the grave macroeconomic situation, the Group succeeded in reducing the gross indebtedness in 2013 by EUR 35.3m and successfully replaced a major part of repaid non-current financial liabilities by means of new non-current financial liabilities. The maturity structure of the loan portfolio, however, slightly worsened due to the part of non-current borrowings that mature in 2014 and the accounting treatment of this maturity. In 2014, EUR 194,315k of borrowings mature, whereof EUR 146,764k refers to the short-term portion of non-current borrowings. The Group holds pre-set talks with banks and other creditors on refinancing the existing financial liabilities in line with the long-term plan on servicing the debt and thereby significantly reduces the refinancing risk. The liquidity reserve which amounted to EUR 118.997k as at 31 December 2013 and comprised unused revolving credit lines, short-term deposits with banks, and bank balances, is used to secure adequate short-term cash flow balancing and to reduce short-term liquidity risk. The Group ensures additional liquidity by the implemented forfeiting model for the sale of first-class receivables, and thereby simultaneously lowers the dependency from bank institutions.

Group's short-term liquidity risk is estimated to be **moderate** due to efficient cash management, adequate available credit lines for short-term control of cash flows, a high degree of financial flexibility, and a good access to financial markets and funds.

Long-term liquidity risk is estimated as **moderate** due to effective performance of the Group, effective cash management, sustainable ability to generate cash flows from operating activities, improved maturity structure of financial liabilities, and an adequate capital structure. Gorenje Group applies a long-term debt service plan that grounds on the Gorenje Group's strategic plan and results in lowering the Group's total indebtedness as well as improves the debt maturity structure.

The Gorenje Group management believes that in light of the harsh macroeconomic situation and required scope of financing, the effect of this type of risks on Gorenje Group operations is very high; as a result of the activities implemented by the Group in order to hedge this risk, the probability of occurrence is very low. **The Gorenje Group's management estimates the Group's exposure to liquidity risk as increased**.

Capital management

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

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

The Gorenje Group has no employee share-owning scheme and no share option programme. There were no changes in the approach to capital management in 2013. Neither the controlling company nor its subsidiaries were subject to capital requirements determined by the regulatory authorities.

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

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6. Segment reporting

Business segments

The Group consists in 2013 of two key business segments i.e. Home and Portfolio Investments, which includes in 2012 also the separately disclosed business segment Ecology in compliance with the updated Strategic Plan for the period until 2018. The new classification of business segments, which was adopted upon the updated strategic plan (Home and Portfolio Investments) reflects strategic decisions pursuant to which Gorenje shall in future focus more on the core business activity.

(i) Business Segment Home

Business Segment Home: the manufacture and sale of household appliances of own manufacture, the sale of household appliances of other producers (supplementary programme), the sale of products from the complementary programme outside of the three main programmes of large household appliances, the manufacture and sale of heating appliances of own manufacture, the manufacture of mechanical components, the manufacture and sale of sanitary fixtures and ceramic tiles, and the sale of kitchen and bathroom furniture.

(ii) Business Segment Portfolio Investments

Business Segment Portfolio Investments: the overall waste management, tool manufacture, trade, engineering, representation, catering and tourism.

Geographical segments

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

The Group comprises the following main geographical segments:

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

Eastern Europe: Ukraine, Russia, Macedonia, Croatia, Serbia, Montenegro, Albania, Bosnia and Herzegovina, Belarus, Kosovo, Moldova, Kazakhstan, Latvia, Lithuania, Estonia, Slovenia, Czech Republic, Hungary, Poland, Bulgaria, Romania, Slovakia.

Rest of the world: other countries.

7. Statement of cash flows

The statement of cash flows has been compiled under the indirect method on the basis of the items in the balance sheet at 31 December 2013, the balance sheet at 31 December 2012, the income statement for the year ended 31 December 2013, and the additional information required for the adjustment of inflows and outflows. The statement of cash flows is inclusive of discontinued and continued operations.

8. Composition of Gorenje Group

Pursuant to International Financial Reporting Standards (IFRSs) as adopted by EU, the consolidated financial statements of the Gorenje Group comprise the financial statements of the parent company Gorenje, d.d. and the financial statements of 84 subsidiaries:

	Companies operating in Slovenia	Equity interest (%)	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 Gostinstvo, d.o.o., Velenje	100.00	BSPI
4.	Energygor, d.o.o., Velenje	100.00	BSPI
5.	Kemis, d.o.o., Vrhnika	99.984	BSPI
6.	Gorenje Orodjarna, d.o.o., Velenje	100.00	BSPI
7.	ZEOS, d.o.o., Ljubljana	51.00	BSPI
8.	Gorenje Surovina, d.o.o., Maribor	99.984	BSPI
9.	Indop, d.o.o., Šoštanj	100.00	BSPI
10.	ERICo, d.o.o., Velenje	51.00	BSPI
11.	Gorenje design studio, d.o.o., Velenje	52.00	BSH
12.	PUBLICUS, d.o.o., Ljubljana	50.992	BSPI
13.	EKOGOR, d.o.o., Jesenice	74.998	BSPI
14.	Gorenje GAIO, d.o.o, Šoštanj	100.00	BSPI
15.	Gorenje GSI, d.o.o., Ljubljana	100.00	BSH
16.	Gorenje Keramika, d.o.o., Velenje	100.00	BSH
17.	Gorenje Surovina Fotoreciklaža, d.o.o., Maribor	50.992	BSPI
18.	Gorenje Studio, d.o.o., Ljubljana	100.00	BSH

	Companies operating abroad	Equity interest (%)	Business segment
1.	Gorenje Beteiligungs GmbH, Austria	100.00	BSH
2.	Gorenje Austria Handels GmbH, Austria	100.00	BSH
3.	Gorenje Vertriebs GmbH, 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 Magyarország 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	99.975	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	BSPI
29.	Kemis - BH, d.o.o., Bosnia and Herzegovina	99.984	BSPI
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	BSPI
37.	Kemis – SRS, d.o.o., Bosnia and Herzegovina	99.984	BSPI
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 Special Product BV, the Netherlands	100.00	BSH
43.	Intell Properties BV, the Netherlands	100.00	BSH
44.	Gorenje Nederland BV, the Netherlands	100.00	BSH
45.	Gorenje Kazakhstan, TOO, Kazakhstan	100.00	BSH
46.	Gorenje kuhinje, d.o.o., Ukraine	70.00	BSH
47.	»Euro Lumi & Surovina« SH.P.K., Kosovo	50.992	BSPI
48.	OOO Gorenje BT, Russia	100.00	BSH
49.	Gorenje GTI, d.o.o., Belgrade, Serbia	100.00	BSPI
50.	Asko Appliances AB, Sweden	100.00	BSH
51.	Asko Hvitevarer AS, Norway	100.00	BSH
52.	Asko Appliances Inc, USA	100.00	BSH
53.	Asko Appliances Pty, Australia	100.00	BSH
54.	Asko Appliances OOO, Russia	100.00	BSH
55.	»Gorenje Albania« SHPK, Albania	100.00	BSH
56.	Gorenje Home d.o.o., Zaječar, Serbia	100.00	BSH
57.	ORSES d.o.o., Belgrade, Serbia	100.00	BSPI

58.	Gorenje Ekologija, d.o.o., Stara Pazova, Serbia	99.984	BSPI
59.	Gorenje Corporate GmbH, Austria	100.00	BSH
60.	Cleaning system S, d.o.o., Serbia	75.989	BSPI
61.	ZEOS eko-sistem d.o.o., Bosnia and Herzegovina	49.45	BSPI
62.	Solarna energija Solago, d.o.o., Serbia	100.00	BSPI
63.	Gorenje Sola - Home, d.o.o., Serbia	100.00	BSPI
64.	Gorenje do Brasil Ltda., Brasil	100.00	BSH
65.	Gorenje Asia Ltd., China	100.00	BSH
66.	Gorenje MDM d.o.o. Kragujevac, Serbia	100.00	BSPI

BSH – Business Segment Home
BSPI – Business Segment Portfolio Investments
*Gorenje signed a management services agreement with the company Targos S.A.S. for the management of its distribution subsidiary Gorenje France S.A.S. This company also has the optional right to acquire a 100-percent ownership stake of the company Gorenje France S.A.S., subject to certain conditions. Targos S.A.S. may call the acquisition option in May 2015. The acquisition price shall equal the book value of the company's equity as at December 31, 2014, within a certain interval. Economic parameters of the transaction are consistent with the appraised value of the company.

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
- Gorenje Electronics Trading LLC, Dubai
- Gorenje Projekt, d.o.o., Belgrade

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

- in Kiev (Ukraine),
- in Athens (Greece),
- in Shanghai (China),
- in Almaty (Kazakhstan) and
- in Kishinev (Moldova).

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9. Non-controlling equity interests

Non-controlling interests as at 31 December 2013:

	2013		2012	
	Non controlling interest (in EURk)	**Share in profit or loss (in EURk)**	**Non controlling interest (in EURk)**	**Share in profit or loss (in EURk)**
Gorenje Podgorica, d.o.o., Montenegro	1	0	1	0
ZEOS, d.o.o., Ljubljana	462	67	391	11
Gorenje Surovina, d.o.o., Maribor	4	0	4	0
»Euro Lumi & Surovina« SH.P.K., Kosovo	278	-55	334	-2
ERICo, d.o.o., Velenje	652	9	642	21
Gorenje kuhinje, d.o.o., Ukraine	-49	-12	-39	-28
PUBLICUS, d.o.o., Ljubljana	797	232	565	227
Gorenje design studio, d.o.o., Velenje	151	-3	162	1
EKOGOR, d.o.o., Jesenice	34	0	0	0
Kemis, d.o.o., Vrhnika	1	0	1	0
KEMIS-Termoclean, d.o.o., Croatia	0	0	0	0
Kemis-BH, d.o.o., Bosnia and Herzegovina	0	0	0	0
Kemis-SRS, d.o.o., Bosnia and Herzegovina	0	0	0	0
Kemis Valjevo, d.o.o., Serbia	0	0	0	0
Gorenje Ekologija, d.o.o., Stara Pazova, Serbia	0	0	0	0
Cleaning system S, d.o.o., Serbia	284	5	287	8
ZEOS eko-sistem, d.o.o., Bosnia and Herzegovina	218	6	4	0
Gorenje Surovina Fotoreciklaža, d.o.o., Maribor	-20	-24	0	0
Total	**2,813**	**225**	**2,352**	**238**

The transfer of ownership between companies of the Gorenje Group had no impact on the consolidated financial statements as the intra-group transactions were eliminated in the consolidation process.

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10. Discontinued operations

Gorenje is in the process of discontinuing/disposing/restructuring its activities in business segment Home (furniture programme, sales organisations), which has had a negative impact on the Group's profitability and the cash flow in the past. Accordingly, Gorenje, d.d., sold Gorenje Kuhinje, d.o.o., and Gorenje Notranja oprema, d.o.o., to the investment firm CoBe Capital in February 2013.

The classification of activities among discontinued operations is stipulated and defined by IFRS 5. Comparability of information was maintained by reclassifying the effects of the operation of companies, which are classified as discontinued operations within the Consolidated Income Statement for the period January – December 2013 and 2012, to a separate item i.e. Profit or loss from discontinued operation. In addition, assets and liabilities of companies classified as discontinued operations were reclassified among assets/liabilities held for sale in the Group's Consolidated Balance Sheet as at 31 December 2012 and 31 December 2013.

The income statement, the balance sheet and the statement of cash flows of discontinued operation are outlined below.

Income statement – discontinued operations

EURk	2013	2012
Revenue	**11,449**	**25,896**
Change in inventories	337	-638
Other operating income	1,449	1,180
Gross profit	**13,235**	**26,438**
Cost of goods, materials and services	-12,348	-22,865
Employee benefits expense	-3,914	-10,196
Amortisation and depreciation expense	-266	-1,321
Other operating expenses	-993	-741
Operating loss	**-4,286**	**-8,685**
Finance income	24	66
Finance expenses	-6,312	-253
Net finance expenses	**-6,288**	**-187**
Total loss	-10,574	-8,872
Income tax expenses	0	-11
Loss for the period	**-10,574**	**-8,883**

Balance sheet – discontinued operations

EURk	2013	2012
Assets included in disposal groups	**6,781**	**27,221**
Intangible assets	8	130
Property ,plant and equipment	112	10,840
Investment property	0	689
Non-current investments	962	966
Deferred tax assets	15	135
Non-current trade receivables	38	40
Inventories	584	6,303
Current investments	20	78
Trade receivables	3,062	5,638
Other current assets	1,069	1,302
Cash and cash equivalents	911	1,100
Liabilities included in disposal groups	**3,714**	**8,322**
Provisions	947	1,530
Non-current trade receivables	25	26
Deferred tax liabilities	15	253
Non-current financial liabilities	0	150
Current financial liabilities	0	13
Trade payables	168	3,895
Other current liabilities	2,559	2,455

Statement of Cash Flows - discontinued operations

EURk	2013	2012
Net cash flow from operating activities	-2,286	-8,155
Net cash used in investing activities	2,412	-99
Net cash used in financing activities	-4	-898
Net cash flows of discontinued operation	**122**	**-9,152**

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11. Associates

In 2013, the Group's share in profits or losses of associates amounted to EUR -592k (2012: EUR 301k).

Assets, liabilities, revenue and expenses of associates in 2013 are outlined below (overview of equity interests and shares is provided in Note 24):

Company / EURk	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenue	Expenses	Income tax expense	Profit or loss for the period
Econo Projektiranje, d.o.o.	83	850	22	457	1,205	-922	0	283
GGE, d.o.o.	2,703	1,624	1,321	2,287	3,700	-3,584	0	116
RCE, d.o.o.	5,361	2,476	14,631	8,403	2,247	-5,824	0	-3,577
ENVI-TECH DOO, Belgrade	7	63	0	68	11	-67	0	-56
Gorenje Projekt, d.o.o.	116	9,218	72	8,318	14,075	-13,727	-62	286
Gorenje Projekt d.o.o., Belgrade	31	3	0	1	2	-19	0	-17
Gorenje Electronics Trading LLC	58	11	0	0	121	-50	0	71

Assets, liabilities, revenue and expenses of associates in 2012 are outlined below:

Company / EURk	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenue	Expenses	Income tax expense	Profit or loss for the period
Econo Projektiranje, d.o.o.	54	640	1	522	876	-862	-5	9
GGE, d.o.o.	1,699	1,859	1,213	1,736	2,117	-2,113	0	4
RCE, d.o.o.	4,158	5,338	1,718	4,723	4,087	-3,615	0	472
ENVI-TECH DOO, Belgrade	9	111	0	61	174	-172	-1	1
Gorenje Projekt, d.o.o.	40	5,639	70	4,908	17,956	-17,548	-38	370

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Note 12 – Revenue EUR 1,240,482k

EURk	2013	2012
Revenue from the sale of products and goods	1,182,286	1,202,688
Revenue from the sale of services	58,196	60,394
Total	**1,240,482**	**1,263,082**

Note 13 – Other operating income EUR 34,517k

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EURk	2013	2012
Income from subsidies, donations and compensations	4,597	9,686
Rental income	1,851	1,513
Income from use and reversal of provisions	4,153	12,042
Income from use of deferred income relating to government grants	3,625	3,393
Gain on disposal of property, plant and equipment	3,878	1,654
Gain on disposal of investment property	51	365
Income from revaluation of investment property	6,851	2,984
Other operating income	9,511	9,292
Total	**34,517**	**40,929**

Major part of income from subsidies refers to the company Gorenje AD Valjevo, d.o.o. in connection with subsidies granted by the Serbian government for creating additional jobs, and to the subsidized development projects of the parent company.

Most of income from use of deferred income relating to government grants in the amount of EUR 3,625k relates to Gorenje IPC, d.o.o., a company employing disabled persons, in which government grants were used in line with the Vocational Rehabilitation and Employment of Disabled Persons Act.

Other operating income includes primarily income from compensation for damages (EUR 4,343k), income arising from the implementation of the Directive on Waste Electrical and Electronic Equipment (EUR 376k), income from write-off of debts (EUR 46k), and other operating income (EUR 4,746k).

Rental income

EURk	2013	2012
Rental income – up to 1 year	1,008	560
Total	**1,008**	**560**

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Note 14 – Cost of goods, materials and services EUR 910,516k

EURk	2013	2012
Cost of goods sold	215,851	230,046
Cost of materials	477,833	508,167
Cost of services	216,832	208,002
Total	**910,516**	**946,215**

Cost of services includes cost of provisions for warranties in the amount of EUR 30,528k (2012: EUR 22,682k) and cost of rentals in the amount of EUR 21,165k (2012: EUR 17,507k).

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Note 15 – Employee benefits expense EUR 237,914k

EURk	2013	2012
Wages and salaries	179,696	197,109
Social security costs	35,070	34,749
Other employee benefits expense	23,148	26,822
Total	**237,914**	**258,680**

Other employee benefits expense includes cost of creation of provisions for retirement benefits and jubilee premiums in the amount of EUR 1,133k (2012: EUR 1,751k).

A portion of employee benefits expense (EUR 3,795k) was used to create provisions from government grants in Gorenje I.P.C., d.o.o., which has the status of a company employing disabled persons.

Other employee benefits expense includes mainly annual leave bonuses, meal allowances, commuting allowances, retirement benefits and jubilee premiums in compliance with the national labour legislation and the companies' internal regulations.

Number of employees by business segment	As at 31 Dec		Average	
	2013	2012	2013	2012
Business Segment Home	9,144	9,507	9,403	9,672
Business Segment Portfolio Investments	1,244	1,223	1,236	1,223
Total	**10,388**	**10,730**	**10,639**	**10,895**

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Note 16 – Amortisation and depreciation expense EUR 41,875k

EURk	2013	2012
Amortisation expense of intangible assets	6,678	6,479
Depreciation expense of property, plant and equipment	35,197	39,186
Total	**41,875**	**45,665**

A lower amortisation and depreciation expense in 2013 is due to a lower scope of investments made in the past two years, as well the disposal of non-operating assets, and the extension of service life of certain fixed assets from 2010 onwards. The service life of these items was extended based on findings and estimates made during the regular valuation assessments.

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Note 17 – Other operating expenses EUR 22,242k

EURk	2013	2012
Write-off of inventories to net realisable value	2,174	3,678
Disposal and impairment of assets	1,788	394
Other taxes and charges	3,454	3,099
Other operating expenses	14,826	13,240
Total	**22,242**	**20,411**

Other taxes and charges include charges for the use of building plot, water charge, environmental taxes, membership fees in mandatory associations, and other mandatory taxes and charges.

Other expenses include mostly expenditure relating to environmental protection, whereof a large part under the Directive on Waste Electrical and Electronic Equipment (EUR 7,810k) and compensation in damages (EUR 329k).

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Note 18 – Net finance expenses EUR 54,382k

Finance income EUR 7,547k

EURk	2013	2012
Dividend income from available-for-sale investments	97	116
Interest income	2,326	2,700
Change in fair value of interest rate swaps	0	357
Income from net exchange differences	0	1,149
Income from forward exchange contracts	0	39
Other finance income	5,124	2,445
Total	**7,547**	**6,806**

Finance expenses EUR 61,929k

EURk	2013	2012
Interest expenses	19,931	22,163
Expenses on interest rate swap transactions	2,465	2,182
Expenses on net exchange differences	9,384	0
Expenses on forward exchange contracts	26	0
Change in fair value of forward exchange contracts	209	0
Impairment loss on available-for-sale investments	10,675	2,472
Impairment loss on trade receivables	9,482	7,610
Impairment loss on non-current and other receivables	3,442	0
Impairment loss on loans	2,705	0
Other finance expenses	3,610	2,795
Total	**61,929**	**37,222**

By the impairment of receivables and loans in the amount of EUR 15,629k (2012: EUR 7,610k), the fair value of trade receivables and loans is secured.

Impairment loss on investments in the amount of EUR 10,675k (2012: EUR 2,472k) relates to available-for-sale financial assets that were revalued to market value.

Finance income and expenses recognised directly in other comprehensive income (net)

EURk	2013	2012
Net change in effective portion of gains and losses on hedging instruments in a cash flow hedge	-489	-2,349
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge, reclassified to profit or loss	2,465	2,182
Net change in fair value of available-for-sale financial assets	-109	-139
Net change in fair value of available-for-sale financial assets, reclassified to profit or loss	0	626
Net change in exchange differences of subsidiaries, reclassified to profit or loss	-711	0
Finance expenses recognised in other comprehensive income	**1,156**	**320**
Finance expenses recognised in other comprehensive income attributable to equity holders of the parent	**1,156**	**320**
Finance expenses recognised in other comprehensive income attributable to non-controlling interests	**0**	**0**

Note 19 – Income tax expense EUR -4,219k

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Income tax expense is recorded by taking into account current tax liabilities, deferred tax assets, and deferred tax liabilities.

EURk	2013	2012
Current tax expense	3,581	4,223
Deferred tax expense	-7,800	1,410
Total	**-4,219**	**5,633**

Major part of changes in deferred tax are attributable to the parent company and its change in deferred tax assets primarily referring to unused tax losses and R&D and investment-related tax reliefs for 2013. Gorenje, d.d., formed deferred tax assets also in connection with unutilised tax incentives from 2011 and 2012 as it expects a positive impact in mid-term on the basis of the restructuring and production relocation from Sweden to Slovenia and from Velenje to Serbia, and thereby also the possibility of utilising deferred tax assets.

Effective income tax rates:

EURk	2013	2013	2012	2012
Profit or loss before tax		**-18,644**		**14,806**
Income tax using the domestic tax rate	17.0 %	-3,169	18.0 %	2,665
Effect of tax rates in foreign jurisdictions	3.8 %	-713	-5.3 %	-788
Non-deductible expenses	6.6 %	-1,229	4.2 %	624
Tax exempt income	0.9 %	-170	-2.4 %	-349
Tax reliefs	4.8 %	-904	-5.3 %	-780
Tax losses of the current year for which deferred tax assets are not recognised	-14.1 %	2,632	30.2 %	4,465
Other differences	3.6 %	-666	-1.4 %	-204
Income tax expense	**22.6 %**	**-4,219**	**38.0 %**	**5,633**

The following deferred tax amounts were recognised in other comprehensive income:

	2013		
EURk	Pre-tax amount	Tax	After-tax amount
Change in fair value of available-for-sale financial assets	-153	44	-109
Change in fair value of available-for-sale financial assets, reclassified to profit or loss	0	0	0
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge	-72	-417	-489
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge, reclassified to profit or loss	2,465	0	2,465
Net change in exchange differences of subsidiaries, reclassified to profit or loss	-711	0	-711
Change in fair value of land	-1,262	137	-1,125
Foreign currency translation differences for foreign operations	-10,296	0	-10,296
Other comprehensive income	**-10,029**	**-236**	**-10,265**

	2012		
EURk	Pre-tax amount	Tax	After-tax amount
Change in fair value of available-for-sale financial assets	-27	-112	-139
Change in fair value of available-for-sale financial assets, reclassified to profit or loss	626	0	626
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge	-2,220	-129	-2,349
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge, reclassified to profit or loss	2,182	0	2,182
Change in fair value of land	-995	765	-230
Foreign currency translation differences for foreign operations	-4,129	0	-4,129
Other comprehensive income	**-4,563**	**524**	**-4,039**

Note 20 – Intangible assets EUR 167,882k

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EURk	2013	2012
Development costs	13,718	10,568
Industrial property rights	13,526	17,244
Trademark	61,964	61,964
Goodwill	68,653	68,653
Intangible assets under construction	10,021	1,178
Total	**167,882**	**159,607**

Intangible assets include mainly trademarks Atag, Etna and Pelgrim, goodwill, deferred development costs, and software.

Goodwill in the amount of EUR 62,130k and fair value of trademarks Atag, Etna and Pelgrim in the amount of EUR 61,964k were established in 2008 at the acquisition of the company Atag Europe BV. In addition, goodwill was established in 2008 in the amount of EUR 1,617k at the acquisition of the majority interest in PUBLICUS, d.o.o. Goodwill in the amount of EUR 2,030k was established in 2007 at the acquisition of the majority interest in Gorenje Surovina, d.o.o. Goodwill in the amount of EUR 2,875k was established in 2005 at the acquisition of Mora Moravia, s r. o. in the Czech Republic and Gorenje Studio, d.o.o., in Serbia.

Impairment testing of goodwill and trademark

Impairment testing of goodwill and trademarks Atag, Etna and Pelgrim arising from the acquisition of Atag Europe BV was carried out. The calculations are based on cash flow projections for the Atag Group, which have been prepared on the basis of the adopted business plan for 2014 and the strategic business plan for the period 2015-2018. The main underlying assumptions used to calculate the value in use are: the revenue growth rate of 3.5% (2012: 3.0%) and the discount rate of 11.27% (2012: 10.72%). The recoverable value of the cash-generating unit exceeds its carrying amount, including that of goodwill and trademarks Atag, Etna and Pelgrim. Therefore there was no need for impairment.

Impairment testing of goodwill arising from the acquisition of PUBLICUS, d.o.o. was carried out. The calculations are based on cash flow projections for PUBLICUS, d.o.o., which have been prepared on the basis of the adopted business plan for 2014 and the strategic business plan for the period 2015-2018. The main underlying assumptions used to calculate the value in use are: the revenue growth rate of 1.0% (2012: 1.0%) and the discount rate of 8.6% (2012: 11.4%).
According to findings, the recoverable value of the cash-generating unit exceeds its carrying amount, including that of goodwill. Therefore there was no need for impairment of goodwill.

Impairment testing of goodwill arising from the acquisition of Mora Moravia, s r.o. was carried out. The calculations are based on cash flow projections for Mora Moravia, s r.o., which have been prepared on the basis of the adopted business plan for 2014 and the strategic business plan for the period 2015-2018. The main underlying assumptions used to calculate the value in use are: the revenue growth rate of 2.0% (2012: 1.0%) and the discount rate of 8.21% (2012: 11.4%).
The recoverable value of the cash-generating unit exceeds its carrying amount, including that of goodwill. Therefore there was no need for impairment of goodwill.

Impairment testing of goodwill arising from the acquisition of Gorenje Studio, d.o.o., was carried out. The calculations are based on cash flow projections for Gorenje Studio, d.o.o., which have been prepared on the basis of the adopted business plan for 2014 and the strategic business plan for the period 2015-2018. The main underlying assumptions used to calculate the value in use are: the revenue growth rate of 2.5% (2012: 1.0%) and the discount rate of 14.69% (2012: 11.4%).
The recoverable value of the cash-generating unit was determined to be higher than its carrying amount, including that of goodwill. Therefore there was no need for impairment of goodwill.

Impairment testing of goodwill arising from the acquisition of Gorenje Surovina, d.o.o., was carried out. The calculations are based on cash flow projections for Gorenje Surovina, d.o.o., which have been prepared on the basis of the adopted business plan for 2014 and the strategic business plan for the period 2015-2018. The main underlying assumptions used to calculate the value in use are: the revenue growth rate of 3.0% (2012: 1.0%) and the discount rate of 8.6% (2012: 11.4%).
The recoverable value of the cash-generating unit was determined to be higher than its carrying amount, including that of goodwill. Therefore there was no need for impairment of goodwill.

Increase in intangible assets largely refers to the development of new advanced products, developed by competence centres in Gorenje, d.d., to the relocated dishwasher production in Velenje, which is developed in ASKO Sweden, and to the development of new products in the company Atag Nederland BV, the Netherlands.

Movements in intangible assets in 2013

EURk	Development costs	Industrial property rights	Trademark	Goodwill	Intangible assets under construction	Total
Cost at 1 Jan 2013	**33,664**	**34,825**	**61,964**	**68,653**	**1,178**	**200,284**
Acquisition	1,925	323			13,430	15,678
Disposal, write-offs	-382	-1,235				-1,617
Other transfers	4,419	276			-4,586	109
Exchange differences	-126	-784			-1	-911
Cost at 31 Dec 2013	**39,500**	**33,405**	**61,964**	**68,653**	**10,021**	**213,543**
Accumulated amortisation at 1 Jan 2013	**23,096**	**17,581**	**0**	**0**	**0**	**40,677**
Disposal, write-offs	-382	-621				-1,003
Amortisation	3,766	2,912				6,678
Other transfers	-552	480				-72
Exchange differences	-146	-473				-619
Accumulated amortisation at 31 Dec 2013	**25,782**	**19,879**	**0**	**0**	**0**	**45,661**
Carrying amount at 1 Jan 2013	**10,568**	**17,244**	**61,964**	**68,653**	**1,178**	**159,607**
Carrying amount at 31 Dec 2013	**13,718**	**13,526**	**61,964**	**68,653**	**10,021**	**167,882**

Movements in intangible assets in 2012

EURk	Development costs	Industrial property rights	Trademark	Goodwill	Intangible assets under construction	Total
Cost at 1 Jan 2012	**31,662**	**32,526**	**61,964**	**68,653**	**1,523**	**196,328**
Acquisition	1,740	3,612			1,865	7,217
Discontinued operation		-1,441				-1,441
Disposal, write-offs	-694	-1,826				-2,520
Other transfers	920	1,172			-2,214	-122
Exchange differences	36	782			4	822
Cost at 31 Dec 2012	**33,664**	**34,825**	**61,964**	**68,653**	**1,178**	**200,284**
Accumulated amortisation at 1 Jan 2012	**19,894**	**17,814**	**0**	**0**	**0**	**37,708**
Discontinued operation		-1,311				-1,311
Disposal, write-offs	-666	-1,806				-2,472
Amortisation	3,834	2,719				6,553
Other transfers		-41				-41
Exchange differences	34	206				240
Accumulated amortisation at 31 Dec 2012	**23,096**	**17,581**	**0**	**0**	**0**	**40,677**
Carrying amount at 1 Jan 2012	**11,768**	**14,712**	**61,964**	**68,653**	**1,523**	**158,620**
Carrying amount at 31 Dec 2012	**10,568**	**17,244**	**61,964**	**68,653**	**1,178**	**159,607**

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Note 21 – Property, plant and equipment (PPE) EUR 356,552k

EURk	2013	2012
Land	40,607	40,879
Buildings	152,372	144,625
Production and other equipment	149,706	118,341
Property, plant and equipment under construction	13,867	37,326
Total	**356,552**	**341,171**

Movements in property, plant and equipment in 2013

EURk	Land	Buildings	Production and other equipment	PPE under construction	Total
Cost at 1 Jan 2013	**40,879**	**290,402**	**524,798**	**37,326**	**893,405**
Acquisition	846	1,689	7,577	50,816	60,928
Merger of companies	242	328			570
Disposals, write-offs	-1,128	-15,244	-20,797	-177	-37,346
Transfer to investment property	-85	-641			-726
Other transfers	51	22,217	877	-73,889	-50,744
Exchange differences	-198	-3,487	-6,601	-209	-10,495
Cost at 31 Dec 2013	**40,607**	**295,264**	**505,854**	**13,867**	**855,592**
Accumulated depreciation at 1 Jan 2013	**0**	**145,777**	**406,457**	**0**	**552,234**
Disposals, write-offs		-9,148	-18,861		-28,009
Depreciation		7,717	27,480		35,197
Transfer to investment property		-143			-143
Other transfers		-13	-54,223		-54,236
Exchange differences		-1,298	-4,705		-6,003
Accumulated depreciation at 31 Dec 2013	**0**	**142,892**	**356,148**	**0**	**499,040**
Carrying amount at 1 Jan 2013	**40,879**	**144,625**	**118,341**	**37,326**	**341,171**
Carrying amount at 31 Dec 2013	**40,607**	**152,372**	**149,706**	**13,867**	**356,552**

Most of investments in the amount of EUR 53,114k were carried out within the central Business Segment Home. They refer to the new production facility in Valjevo and the related equipment for the transferred production of the new refrigerator-freezer line (600 mm width) and the acquisition of the required technological equipment for the refrigerator-freezer production, and to the relocation of the Asko dryers, washing machine and dishwasher production from Sweden to Slovenia. Investments were also made in the new assembly line and the line for manufacturing built-in steam ovens for the cooking appliance programme.

Disposal of property, plant and equipment relates to the sale of non-operating assets.

Group's land was appraised as at 31 December 2013 by an independent certified appraiser of real property. Assessment indicated that terms and conditions for value increase pursuant to Group's accounting manual have not been met. If land was disclosed at cost, the book value of land would amount to EUR 30,603k.

As at the reporting date, no financial liabilities were secured by mortgage on real property.

No borrowing costs were attributed to the items of property, plant and equipment in 2013.

Transfers include transfers from real property to investment property, transfers from intangible assets to property, plant and equipment, and transfers between individual items.

Movements in property, plant and equipment in 2012

EURk	Land	Buildings	Production and other equipment	PPE under construction	Total
Cost at 1 Jan 2012	**49,405**	**320,521**	**580,218**	**10,431**	**960,575**
Acquisition	24	2,354	13,459	37,690	53,527
Discontinued operations	-3,070	-10,182	-24,851		-38,103
Disposals, write-offs	-1,731	-11,890	-13,559	-111	-27,291
Transfer to investment property	-3,550	-11,680	-137		-15,367
Other transfers		2,047	-31,534	-10,762	-40,249
Exchange differences	-199	-768	1,202	78	313
Cost at 31 Dec 2012	**40,879**	**290,402**	**524,798**	**37,326**	**893,405**
Accumulated depreciation at 1 Jan 2012	**0**	**154,707**	**447,028**	**0**	**601,735**
Discontinued operations		-5,671	-21,592		-27,263
Disposals, write-offs		-4,507	-12,917		-17,424
Depreciation		8,570	31,863		40,433
Transfer to investment property		-7,707	-115		-7,822
Other transfers		39	-39,543		-39,504
Exchange differences		346	1,733		2,079
Accumulated depreciation at 31 Dec 2012	**0**	**145,777**	**406,457**	**0**	**552,234**
Carrying amount at 1 Jan 2012	**49,405**	**165,814**	**133,190**	**10,431**	**358,840**
Carrying amount at 31 Dec 2012	**40,879**	**144,625**	**118,341**	**37,326**	**341,171**

Note 22 – Investment property EUR 28,129k

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EURk	2013	2012
Land and buildings	28,129	23,276
Total	**28,129**	**23,276**

Investment property includes land and buildings acquired for resale or increase in investments. Investment property is measured using the fair value model, which has in view of the valuation by an independent certified appraiser in 2013 increased by EUR 6,851k. The relevant increase refers to investment properties acquired for resale and marketing of rental property in Gorenje, d.d. The major part of the decrease relates to the sale of investment properties in Gorenje GSI, d.o.o.
Rental income generated on investment property is recognised in the income statement and amounted to EUR 313k in 2013.

Movements in investment property

EURk	2013	2012
Opening balance at 1 January	**23,276**	**15,219**
Increase	7,304	0
Revaluation	6,851	3,387
Decrease	-9,885	-2,186
Discontinued operation	0	-689
Transfer from property, plant and equipment	583	7,545
Closing balance at 31 December	**28,129**	**23,276**

Note 23 – Non-current investments EUR 5,527k

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EURk	2013	2012
Loans (1 to 5 years)	4,622	6,354
Deposits	23	14
Other investments	882	825
Total	**5,527**	**7,193**

Movements in loans

EURk	2013	2012
Opening balance at 1 January	**6,354**	**1,056**
Exchange differences	0	3
Increase	0	6,287
Decrease	-15	-32
Discontinued operations	0	-960
Transfer to current investments	-1,717	0
Closing balance at 31 December	**4,622**	**6,354**

The item of loans includes loans extended by the parent company and its subsidiaries to non-group companies. The interest rate, which depends on the currency in which the loan is denominated, ranged from 3.887 percent to 13.0 percent.

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Note 24 – Investments in associates EUR 711k

EURk	Equity interest	2013	2012
Gorenje Projekt, d.o.o., Velenje	50.00%	474	339
GGE, d.o.o., Ljubljana	33.33%	205	167
RCE, d.o.o., Velenje	24.00%	-134	724
Econo Projektiranje, d.o.o., Ljubljana	26.00%	111	38
Gorenje Electronics Trading LLC, Dubai	49.00%	39	0
ENVI-TECH DOO, Belgrade	25.995%	16	30
Total		**711**	**1,298**

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Note 25 – Non-current trade receivables EUR 10,559k

Major part of non-current trade receivables in the amount of EUR 7,880k comprises rescheduled trade receivables in Gorenje Zagreb, d.o.o.

Note 26 – Deferred tax assets and liabilities

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Deferred taxes are recognised using the liability method at the balance sheet and the tax rate, applicable in the country in which the respective Group company is domiciled.

	Tax assets		Tax liabilities		Tax assets – tax liabilities	
EURk	2013	2012	2013	2012	2013	2012
PPE	-243	235	4,397	4,773	-4,640	-4,538
Investments	1,428	1,925	40	76	1,388	1,849
Receivables	1,130	1,208	24	36	1,106	1,172
Inventories	51	69	-46	-71	97	140
Liabilities from litigations	0	0	0	0	0	0
Provisions in line with local standards and tax laws	927	631	28	68	899	563
Provisions for retirement benefits and jubilee premiums	2,275	2,571	0	0	2,275	2,571
Provisions for warranties	1,814	1,439	-81	-123	1,895	1,562
Unused tax losses	11,062	7,160	-59	-176	11,121	7,336
Unused tax incentives	7,229	2,405	71	94	7,158	2,311
Cash flow hedge - interest rate swaps	479	912	0	0	479	912
Changes within Group	0	0	-58	-58	58	58
Discontinued operations	0	-135	0	-253	0	118
Total	**26,152**	**18,420**	**4,316**	**4,366**	**21,836**	**14,054**

EURk	Tax assets – tax liabilities		Through profit or loss		Through comprehensive income	
	2013	2012	2013	2012	2013	2012
PPE	-4,640	-4,538	303	247	137	765
Investments	1,388	1,849	-495	490	45	-112
Receivables	1,106	1,172	86	-493	0	0
Inventories	97	140	-9	-61	0	0
Liabilities from litigations	0	0	0	0	0	0
Provisions in line with local standards and tax laws	899	563	589	140	0	0
Provisions for retirement benefits and jubilee premiums	2,275	2,571	18	-712	0	0
Provisions for warranties	1,895	1,562	83	-624	0	0
Unused tax losses	11,121	7,336	2,784	-425	0	0
Unused tax incentives	7,158	2,311	4,441	-15	0	0
Cash flow hedge - interest rate swaps	479	912	0	0	-418	-129
Changes within Group	58	58	0	0	0	0
Discontinued operations	0	118	0	43	0	0
Total	**21,836**	**14,054**	**7,800**	**-1,410**	**-236**	**524**

In 2013, Group companies recognised deferred tax assets and deferred tax liabilities.

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Note 27 – Inventories EUR 235,767k

EURk	2013			2012		
	Home	Portfolio investments	Total	Home	Portfolio investments	Total
Materials	62,821	2,295	65,116	57,683	2,125	59,808
Work in progress	8,881	3,287	12,168	11,073	2,513	13,586
Products	112,403	420	112,823	134,295	124	134,419
Merchandise	38,427	2,883	41,310	35,674	2,394	38,068
Advances	4,174	176	4,350	1,405	79	1,484
Total	**226,706**	**9,061**	**235,767**	**240,130**	**7,235**	**247,365**

In 2013, allowances for inventories and inventory write-offs amounted to EUR 2,174k (2012: EUR 3,678k). Allowances for inventories and write-off of inventories to net realisable value were recorded under other operating expenses.

Advances include advances for inventories of raw materials, materials and merchandise.

The carrying amount of inventories of products, where production costs were adjusted to net realisable value, amounted to EUR 3,723k.

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Note 28 – Current investments EUR 17,202k

EURk	2013	2012
Available-for-sale investments	3,986	15,065
Short-term deposits	1,506	3,427
Loans	11,571	13,918
Transfer from non-current loans	0	0
Interest receivables	139	359
Other current receivables from financing activities	0	0
Total	**17,202**	**32,769**

Loans include cash surplus deposited in short-term time deposits with banks and entities. The interest rate for bank deposits and loans ranges from 1.33 percent to 6.0 percent.

Movements in available-for-sale shares and interests

EURk	2013	2012
Opening balance at 1 January	**15,065**	**16,692**
Exchange differences	-19	29
Increase	180	337
Decrease	-718	-10
Change in fair value	-10,522	-1,824
Discontinued operation	0	-159
Closing balance at 31 December	**3,986**	**15,065**

Impairment in the amount of EUR 10,675k is recorded among finance expenses and refers to impairment of available-for-sale investments; value increase in the amount of EUR 153k is disclosed among other finance income.

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Note 29 – Trade receivables EUR 205,581k

Write-off and impairment of trade receivables amounted in 2013 to EUR 9,482k (2012: EUR 7,610k).

As at 31 December 2013, allowances for receivables amounted to EUR 25,078k (2012: EUR 24,682k). Movement in allowances for trade receivables is discussed in Note 42 (Financial instruments).

Group's trade receivables are adequately and well insured in the amount of EUR 113,682k.

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Note 30 – Other current assets EUR 45,859k

EURk	2013	2012
Other short-term receivables	33,359	30,340
Short-term advances and collaterals given	2,889	1,800
Short-term deferred costs	7,791	11,857
Other current assets	1,820	4,101
Total	**45,859**	**48,098**

Other current receivables include an essential part of the Group's input VAT receivable, which by the end of 2013 amounted to EUR 13,844k (2012: EUR 15,096k). This result is attributable also to the retained part of the payment referring to repurchased receivables in Gorenje Vertriebs GmbH (EUR 4,392k).

Major part of other current assets includes accrued receivables, whereas short-term deferred costs include costs of services billed but not yet rendered.

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Note 31 – Cash and cash equivalents EUR 38,589k

EURk	2013	2012
Cash in hand	1,766	436
Bank balances and cash held in other financial institutions	36,823	53,052
Total	**38,589**	**53,488**

Note 32 – Equity EUR 380,670k

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As at 31 December 2013, the share capital of Gorenje, d.d. amounted to EUR 92,240,139.36 (31 December 2012: EUR 66,378,217.32) and was divided into 22,104,427 ordinary, freely transferable, registered, no par value shares. The share capital was in 2013 increased by the strategic partner Panasonic in the amount of EUR 10,000,001.66. (i.e. an increase of EUR 9,681,964.61) and by domestic and foreign investors in the amount of EUR 16,711,443.15. Of total EUR 26,711,444.81 in fresh capital raised, EUR 25,861,922.04 was allocated to share capital increase and the residual amount of EUR 849,522.77 to capital surplus.

Group's reserves consist of share premium, revenue reserves, treasury share reserve and translation reserve.

Capital surplus (share premium) in the amount of EUR 175,568k includes the excess of par value of shares in the amount of EUR 64.344k, surplus in excess of book value of disposed treasury shares in the amount of EUR 15,313k (1,070,000 treasury shares were disposed in 2008 in order to acquire the ATAG company), and general equity revaluation adjustment in the amount of EUR 78,048k, as well as other effects of the transition to IFRSs. Capital surplus relating to the excess of par value of shares grew by EUR 849k over the 2012 balance due to the relevant capital increase and declined by EUR 856k due to costs of capital increase.

Revenue reserves recorded as at the balance sheet date in the amount of EUR 95,818k (31 December 2012: EUR 94,331k) consist of legal reserves, statutory reserves, treasury share reserve and other revenue reserves.

As at 31 December 2013, the Group's legal reserves amounted to EUR 12,896k (31 December 2012: EUR 12,896k). In accordance with provisions of the Companies Act, share premium (capital surplus) and legal reserves can in their excess amount be used for share capital increase, for coverage of loss for the period and retained loss if revenue reserves are not simultaneously used for dividend payout.

In compliance with the Company's Articles of Association, statutory reserves were created in the amount of EUR 270k i.e. 10% of net profit, and as at the balance sheet date amounted to EUR 6,923k (31 December 2012: EUR 6,653k). Statutory reserves can according to Company's Articles of Association be used for a share capital increase; for coverage of loss for the period and retained loss should no other sources be available; for share withdrawal in case of a compulsory transfer of shares, and for share withdrawal by Company's acquisition; for share withdrawal under the simplified procedure of share capital decrease; for creation of treasury shares if no other sources are available, and for balancing the dividend policy.

Treasury shares (own shares) in the amount of EUR 3,170k (31 December 2012: EUR 3,170k) are disclosed as a deductible item of equity and at cost.

As at 31 December 2013, Group's other revenue reserves amounted to EUR 72,829k (31 December 2012: EUR 71,612k) and were created on the basis of resolutions on the appropriation of profit for the period adopted by the Management Board and the Supervisory Board and resolutions of the General Meeting of Shareholders on the appropriation of the accumulated profit. Pursuant to the resolution of the Management Board and provisions of the Companies Act, the Company reallocated part of the net profit for the period in the amount of EUR 1,217k to other revenue reserves. Other revenue reserves can be used for any purpose whatsoever, except for the legally defined formation of the treasury share reserve.

Retained earnings in the amount of EUR 12,829k (31 December 2012: EUR 39,540k) comprise retained earnings or losses from previous periods and the profit for the period, which remained upon the allocation of net profit for 2013. Liabilities relating to unused vacation days were charged against other reserves of 2012 and results brought forward.

Translation reserve declined by EUR 10,296k over the 2012 balance and amounted as at 31 December 2013 to EUR -4,435k. The decrease is attributable to exchange differences that arise on the restatement of subsidiaries' assets and liabilities from national currencies to the Group's reporting currency.

Fair value reserve amounting to EUR 9,007k as at 31 December 2013 (31 December 2012: EUR 8,976k) includes a surplus from revaluation of land which is valued using the revaluation model, a change in fair value of available-for-sale investments, and a change in value of the cash flow hedge.

Changes in fair value reserve are shown in the table below:

EURk	Fair value reserve for land	Fair value reserve for available-for-sale financial assets	Fair value reserve for derivatives	Total
Balance at 1 January 2013	**9,642**	**3,879**	**-4,545**	**8,976**
Revaluation of land				
Transfer of land				
Change in fair value of cash flow hedge			-67	-67
Change in fair value of cash flow hedge, reclassified to profit or loss			2,465	2,465
Change in fair value of available-for-sale financial assets		-153	-5	-158
Disposal of available-for-sale financial assets				
Impairment of available-for-sale financial assets				
Change in exchange differences from subsidiaries		-711		-711
Disposal of subsidiary	-1,262			-1,262
Acquisition of non-controlling interest				
Deferred taxes	137	44	-417	-236
Balance at 31 Dec 2013	**8,517**	**3,059**	**-2,569**	**9,007**

EURk	Fair value reserve for land	Fair value reserve for available-for-sale financial assets	Fair value reserve for derivatives	Total
Balance at 1 January 2012	**9,872**	**3,392**	**-4,378**	**8,886**
Revaluation of land				
Transfer of land	-995			-995
Change in fair value of cash flow hedge			-2,220	-2,220
Change in fair value of cash flow hedge, transferred to profit or loss			2,182	2,182
Change in fair value of available-for-sale financial assets		-27		-27
Disposal of available-for-sale financial assets		626		626
Impairment of available-for-sale financial assets				
Disposal of subsidiary				
Acquisition of non-controlling interest				
Deferred taxes	765	-112	-129	524
Balance at 31 Dec 2012	**9,642**	**3,879**	**-4,545**	**8,976**

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Note 33 – Earnings per share

Earnings per share amounted to EUR -1.51 in 2013 (2012: EUR 0.00). No preference shares have been issued, hence basic and diluted earnings per share are equal.

To determine earnings per share, the following data on the Group's profit for the period and the weighted average number of ordinary shares was used:

2013	(EURk)
Loss for the period	-25,224
Weighted average number of ordinary shares	16,688,725
Basic / Diluted earnings per share (in EUR)	-1,51

2012	(EURk)
Profit for the period	52
Weighted average number of ordinary shares	15,785,565
Basic / Diluted earnings per share (in EUR)	0.00

All issued shares are of the same class and give their owner the right to participate in the management of the company. Each share gives one vote and a right to dividend.

No dividends were paid out to shareholders in 2013, whereas in 2012 dividends were paid in the amount of EUR 0.15 gross per share.

Note 34 – Provisions EUR 66,671k

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EURk	2013	2012
Provisions for warranties	41,127	38,645
Provisions for retirement benefits and jubilee premiums	18,714	21,749
Other provisions	6,830	4,626
Total	**66,671**	**65,020**

Provisions for warranties were created on the basis of estimated costs of warranties calculated by taking into account the past known data on the quality level of products and the costs of repairs under warranties.

No actuarial calculation was performed by the Group in 2013. Provisions for retirement benefits and jubilee premiums were created on the basis of the actuarial calculation of estimated future payments of retirement benefits and jubilee premiums, which was made as at 31 December 2012. The actuarial calculation was based on the following assumptions:

- a discount rate of 4.60% in December 2012 representing the 10-year corporate high-yield bonds from an euro area issuer;
- last applicable amount of retirement benefits and jubilee premiums as defined in the internal acts of individual companies or in the national regulations;
- an employee turnover depending in particular on the employee's age;
- a mortality rate stated in the latest available mortality tables of the local population;
- an increase in wages and salaries due to adjustment for inflation and career promotion.

Other provisions include primarily provisions for costs in connection with the Directive on Waste Electrical and Electronic Equipment recorded by ZEOS, d.o.o., and provisions for compensation claims arising from legal actions brought against Gorenje, d.d.

Movements in provisions in 2013

EURk	Balance 1 Jan 2013	Use	Exchange differences	Reversal	Creation	Transfers	Balance at 31 Dec 2013
Provisions for warranties	38,645	-25,012	-470	-3,577	30,528	1,013	41,127
Provisions for retirement benefits and jubilee premiums	21,749	-3,561	-243	-292	1,338	-277	18,714
Other provisions	4,626	-931	-9	-273	2,819	598	6,830
Total	**65,020**	**-29,504**	**-722**	**-4,142**	**34,685**	**1,334**	**66,671**

Movements in provisions in 2012

EURk	Balance 1 Jan 2012	Use	Exchange differences	Reversal	Creation	Discontinued operation	Balance at 31 Dec 2012
Provisions for warranties	43,837	-20,458	-81	-6,830	22,682	-505	38,645
Provisions for retirement benefits and jubilee premiums	23,990	-1,964	119	-1,287	1,751	-860	21,749
Other provisions	8,494	-1,694	27	-4,157	2,121	-165	4,626
Total	**76,321**	**-24,116**	**65**	**-12,274**	**26,554**	**-1,530**	**65,020**

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Note 35 – Deferred income EUR 5,081k

EURk	Balance 1 Jan 2013	Depreciation	Exchange differences	Creation	Balance 31 Dec 2013
Deferred income - government grants	3,145	-3,625	-15	5,576	5,081
Total	**3,145**	**-3,625**	**-15**	**5,576**	**5,081**

EURk	Balance 1 Jan 2012	Depreciation	Creation	Balance 31 Dec 2012
Deferred income - government grants	617	-3,393	5,921	3,145
Total	**617**	**-3,393**	**5,921**	**3,145**

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Note 36 – Non-current trade payables EUR 5,773k

Non-current trade payables in the amount of EUR 5,595k largely refer to the long-term maintenance contract concluded in connection with costs of repairs and product swap in the company Atag Nederland BV.

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Note 37 – Non-current financial liabilities EUR 198,754k

EURk	2013	2012
Borrowings from banks	281,738	299,017
Transfer to current borrowings from banks	-124,396	-85,145
Borrowings from third parties	62,853	82,370
Transfer to current borrowings from third parties	-22,368	-20,667
Other financial liabilities	927	1,305
Total	**198,754**	**276,880**

Financial liabilities by maturity	EURk
Maturity from 1 to 2 years	54,372
Maturity from 2 to 4 years	119,917
Maturity from 4 to 6 years	15,937
Maturity from 6 to - years	7,601
Total	**197,827**

Interest-bearing borrowings

		Interest rate	
Currency	Value in EURk	from	to
EUR	197,734	1.29%	7.00%
CHF	93	12.5%	12.5%
Total	**197,827**		

The effective interest rate does not deviate essentially from the contractual interest rate.

Collateralisation	EURk
Bills	99,077
Financial covenants	189,042
Guarantees	46,832

Note 38 – Current financial liabilities EUR 198,659k

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EURk	2013	2012
Borrowings from banks	44,686	42,917
Transfer from non-current financial liabilities to banks	124,396	85,145
Borrowings from third parties	2,865	1,372
Transfer from non-current financial liabilities to third parties	22,368	20,667
Interest payable	1,133	281
Dividends payable	84	149
Derivatives	3,112	5,315
Other financial liabilities	15	0
Total	**198,659**	**155,846**

As at 31 December 2013, forward exchange contracts were concluded by Gorenje, d.d., in the value of hedged items totalling EUR 21,406k. The forward exchange contracts were used in the financial year 2013 to hedge against a change in the foreign exchange rate of EUR/USD. At the year end, hedging of the EUR/USD and the EUR/AUD exchange rate was recorded. Maturities of the forward exchange contracts are short-term (up to one year).

The total value of hedged items recorded by Gorenje, d.d. as at 31 December 2013, for which interest rate swap contracts were concluded, amounted to EUR 93,196k. The interest rate swap contracts are used to hedge against the fluctuation of the variable EURIBOR interest rate. Maturities of the interest rate swap contracts are long-term, i.e. progressively until 15 June 2016; each individual contract documents the relation between the derivative and the hedged category. Fair value of concluded interest rate swap contracts is directly recognised in the fair value reserve of the derivative in the comprehensive income. In 2013, the Group realised settlements relating to derivatives of interest rate swaps in the amount of EUR -2,465k and by this amount reduced the profit or loss and increased the fair value reserve of derivatives in equity.

Effects of derivatives used to hedge against currency risk, which are classified as instruments for fair value hedge and not as hedging instruments in a cash flow hedge, are recognised in the income statement at fair value or in the fair value reserve of the derivative in the comprehensive income.

As a result of the adjustment, the fair value reserve of the derivative was reduced in the comprehensive income by EUR -72k.

The total value of current financial liabilities relating to valuation of derivatives at fair value amounted to EUR 3,112k as at the year-end 2013. The fair value of interest rate swaps amounted to EUR 2,820k, whereas the residual amount of EUR 292k includes the current financial liability from forward exchange transactions revalued at fair value.

	Current borrowings from banks		Interest rate	
Currency	Value in currency (in 000)	Value in EURk	from	to
EUR	157,986	157,986	0.89%	7.00%
CZK	238,104	8,681	1.35%	1.69%
PLN	6,941	1,671	3.86%	3.86%
RSD	68,416	599	13.50%	13.50%
HRK	1,050	138	6.15%	6.15%
CHF	8	7	12.50%	12.50%
Total		**169,082**		

	Current borrowings from banks		Interest rate	
Currency	Value in currency (in 000)	Value in EURk	from	to
EUR	25,233	25,233	1.29%	4.99%
Total		**25,233**		

The effective interest rate does not significantly deviate from the contractual interest rate.

Collateralisation	EURk
Bills	54,107
Financial covenants	138,527
Guarantees	92,504

Collateralisation of non-current and current financial liabilities

No short-term or long-term financial liability of Gorenje Group is backed by mortgage or any other pledged asset. An important share of the Gorenje Group borrowings is secured with bills of exchange and the "pari passu" and "negative pledge" clauses as specified in respective agreements. Long-term loans in particular are often additionally secured by financial covenants specified in the relevant loan agreements.

Guarantees pertain to the guarantees provided by the companies Gorenje, d.d., Gorenje Beteiligungs GmbH, Gorenje Nederland B.V., and Gorenje Surovina, d.o.o., for the liabilities of particular Gorenje Group companies, payable to commercial banks.

Some loan contracts concluded with banks include financial covenants that are expected to be fully met in the financial year. The covenants are reviewed on the basis of the audited consolidated financial statements for the respective financial year. A portion of financial covenants relating to the borrowing from the International Finance Corporation (IFC) and partner banks are reviewed on a three-month basis.

Because of the expected breach of financial covenants, the Group companies applied at the year end 2013 to their bank partners for waiver of financial covenants requiring consolidated financial statements for 2013. Waivers were approved by all bank partners for all credit lines, guarantee transactions and other deals secured by financial covenants. The waiver of financial covenants applies to the financial year 2013.

In 2013, the parent company also applied to the International Financial Corporation IFC for waiver of financial covenants requiring quarterly interim reports for 2013, and the waiver for the borrowing was approved by the IFC.

Note 39 – Trade payables — EUR 213,820k

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As at 31 December 2013, the item of trade payables recorded by the Group in the amount of EUR 213,820k does not include any payables to the members of the Management Board and Supervisory Board and the internal owners.

Note 40 – Other current liabilities — EUR 71,001k

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EURk	2013	2012
Payables to employees	14,043	15,058
Payables to state	12,898	10,795
Accrued costs and expenses	32,908	37,227
Other current liabilities	11,152	12,138
Total	**71,001**	**75,218**

Payables to employees and contributions and taxes payable to state institutions relate to wages and salaries for December paid in January 2014.

Accrued costs and expenses were created for accrued costs of discounts, accrued interest expense, and other accrued costs of services.

Note 41 – Contingent liabilities

The Group's contingent liabilities from guarantees and collaterals given to financial institutions and companies outside Gorenje Group amounted to EUR 48,626k as at the reporting date.

In accordance with the ordinary business practice, the ATAG company is not liable to publish its annual results of operation in the country, where its corporate seat is, if the shareholder, in a special statement, assumes liability to pay any outstanding obligations of the Company. The respective statement shall remain in effect until rescinded by the shareholder.

Note 42 – Financial instruments

Credit risk

The carrying amount of financial assets represents the maximum credit risk exposure. The maximum credit risk exposure at the reporting date:

EURk	2013	2012
Available-for-sale financial assets	3,986	15,065
Loans	16,193	20,272
Trade and other receivables	243,649	254,757
Deposits	1,529	3,441
Other receivables from financing activities	1,021	1,184
Cash and cash equivalents	38,589	53,488
Total	**304,967**	**348,207**

The maximum credit risk exposure of trade receivables at the reporting date by geographic region:

EURk	2013	2012
Western Europe	44,585	58,321
Eastern Europe	156,816	154,827
Other countries	4,180	5,368
Total	**205,581**	**218,516**

The maximum credit risk exposure of trade receivables at the reporting date by type of customer:

EURk	2013	2012
Wholesale customers	163,846	189,435
Retail customers	30,829	22,380
Other customers	10,906	6,701
Total	**205,581**	**218,516**

Maturity of trade receivables as at the reporting date:

	Gross value	Allowance	Gross value	Allowance
EURk	2013	2013	2012	2012
Not past due	159,918		164,282	
Past due 1 to 5o days	33,526		41,403	
Past due 51 to 100 days	5,464		5,565	
Past due 101 to 180 days	2,903		2,950	
Past due 181 to 270 days	4,110		2,718	
Past due 271 to 360 days	1,126		1,505	
Past due 361 to 720 days	4,144		4,254	
Past due 721 to 1081 days	4,114		8,405	
Past due over 1081 days	15,354		12,115	
Allowances for receivables		25,078		24,682
Total	**230,659**	**25,078**	**243,197**	**24,682**

Movements in allowances for trade receivables:

EURk	2013	2012
Opening balance at 1 January	**24,682**	**22,981**
Exchange differences	-786	-86
Impairment loss	9,482	7,610
Decrease in allowances	-3,938	-859
Final write-off of receivables	-4,362	-4,277
Discontinued operation	0	-687
Closing balance of 31 December	**25,078**	**24,682**

Liquidity risk

Financial liabilities by maturity:

31 December 2013

EURk	Book value	Contrac-tual cash flow	1 year or less	1–2 years	2–5 years	More than 5 years
Non-derivative financial liabilities						
Bank borrowings	326,424	348,935	178,849	43,356	116,071	10,659
Borrowings from third parties	65,718	70,761	27,675	19,361	22,170	1,556
Other financial liabilities	2,159	2,296	1,448	317	240	290
Trade and other payables	257,686	257,686	257,686			
Total	**651,987**	**679,678**	**465,658**	**63,034**	**138,481**	**12,505**
Derivative financial liabilities						
Interest rate swaps	-2,820	-3,310	-2,108	-925	-277	
Forward exchange contracts used for hedging	-292	-292	-292			
Outflow	-292	-292	-292			
Inflow						
Other forwards exchange contracts						
Outflow						
Inflow						
Total	**-3,112**	**-3,602**	**-2,400**	**-925**	**-277**	

31 December 2012

EURk	Book value	Contrac-tual cash flow	1 year or less	1–2 years	2–5 years	More than 5 years
Non-derivative financial liabilities						
Bank borrowings	341,934	370,950	142,543	113,949	106,825	7,633
Borrowings from third parties	83,742	91,003	25,182	24,493	40,286	1,042
Other financial liabilities	1,735	1,917	994	254	319	350
Trade and other payables	255,467	255,467	255,467			
Total	**682,878**	**719,337**	**424,186**	**138,696**	**147,430**	**9,025**
Derivative financial liabilities						
Interest rate swaps	-5,279	-5,467	-2,465	-1,939	-1,063	
Forward exchange contracts used for hedging	-36	-36	-36			
Outflow	-36	-36	-36			
Inflow						
Other forwards exchange contracts						
Outflow						
Inflow						
Total	**-5,315**	**-5,503**	**-2,501**	**-1,939**	**-1,063**	

Currency risk

Group's exposure to currency risk:

As at 31 December 2013, the Group concluded no forward exchange contracts for hedging the balance sheet against the currency risk.

31 December 2013

EURk	EUR	HRK	DKK	PLN	RSD	CZK	Other
Trade receivables	110,976	13,752	3,722	6,350	15,784	7,812	47,185
Financial liabilities (borrowings)	-380,953	-138		-1,671	-599	-8,681	-100
Trade payables	-174,986	-1,851	-909	-1,431	-7,905	-4,023	-22,715
Financial position exposure	**-444,963**	**11,764**	**2,813**	**3,249**	**7,279**	**-4,892**	**24,370**

31 December 2012

EURk	EUR	HRK	DKK	PLN	RSD	CZK	Other
Trade receivables	111,767	17,481	6,232	6,917	13,094	8,624	54,401
Financial liabilities (borrowings)	-421,489				-568	-3,493	-126
Trade payables	-176,115	-2,177	-1,953	-1,384	-8,896	-5,085	-16,820
Financial position exposure	**-485,837**	**15,304**	**4,279**	**5,533**	**3,630**	**46**	**37,455**
Forward exchange contracts							6,026
Net exposure	**-485,837**	**15,304**	**4,279**	**5,533**	**3,630**	**46**	**43,481**

The following significant exchange rates were applied during the year:

	Average rate		Reporting date spot rate	
	2013	2012	2013	2012
HRK	7.579	7.521	7.627	7.558
CZK	25.987	25.146	27.427	25.151
DKK	7.458	7.444	7.459	7.461
RSD	112.944	112.996	114.140	113.390
PLN	4.197	4.184	4.154	4.074

Sensitivity analysis

A 5 percent increase in the euro's value against the above stated currencies as at 31 December would have resulted in an increase (decrease) in profit or loss for the period by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain unchanged. The analysis has been performed on the same basis as for 2012.

31 December 2013

EURk	Profit or loss for the period
HRK	-588
DKK	-141
PLN	-162
RSD	-364
CZK	245
Other currencies	-1,218

31 December 2012

EURk	Profit or loss for the period
HRK	-765
DKK	-214
PLN	-277
RSD	-182
CZK	-2
Other currencies	-3,856

A 5 percent decrease in the euro's value against the above stated currencies as at 31 December would have had equal yet opposite effect, provided that all other variables remain unchanged.

Interest-rate risk

Group's exposure to interest rate risk:

EURk	2013	2012
Fixed rate financial instruments		
Financial assets	7,688	6,168
Financial liabilities	31,183	50,250
Variable rate financial instruments		
Financial assets	9,464	15,064
Financial liabilities	360,959	375,427

Fair value sensitivity analysis for fixed rate instruments

No fixed rate financial instruments at fair value through profit or loss and no derivatives designated as fair value hedge are recorded by the Group. Therefore a change in the interest rate at the reporting date would not have any impact on profit or loss for the period.

Fair value sensitivity analysis for variable rate instruments

A change in the interest rate by 50 basis points (bp) at the reporting date would have increased (decreased) profit or loss for the period by the amounts shown below. This analysis assumes that all other variables, in particular foreign exchange rates, remain unchanged. The analysis has been performed on the same basis as for 2012.

EURk	Profit or loss for the period		Other comprehensive income	
	Increase by 50 bp	Decrease by 50 bp	Increase by 50 bp	Decrease by 50 bp
31 December 2013				
Variable rate instruments	-2,964	2,964		
Interest rate swap contracts	557	-557	376	-376
Cash flow variability (net)	**-2,407**	**2,407**	**376**	**-376**
31 December 2012				
Variable rate instruments	-3,997	3,997	-	-
Interest rate swap contracts	712	-712	728	-728
Cash flow variability (net)	**-3,285**	**3,285**	**728**	**-728**

Note 43 – Fair value

Fair values and book values of assets and liabilities

EURk	Book value 2013	Fair value 2013	Book value 2012	Fair value 2012
Available-for-sale investments	3,986	3,986	15,065	15,065
Non-current loans and deposits	4,645	4,645	6,368	6,368
Non-current trade receivables	10,559	10,559	15,176	15,176
Current loans and deposits	13,216	13,216	17,704	17,704
Derivatives	-3,112	-3,112	-5,315	-5,315
Trade receivables	205,581	205,581	218,516	218,516
Other current assets	38,068	38,068	36,241	36,241
Cash and cash equivalents	38,589	38,589	53,488	53,488
Non-current financial liabilities	-198,654	-198,654	-260,882	-260,882
Non-current financial liabilities (fixed interest rate)	-100	-15	-15,998	-10,453
Non-current trade payables	-5,773	-5,773	-5,046	-5,046
Current financial liabilities	-195,532	-195,532	-150,531	-150,531
Trade payables	-213,820	-213,820	-212,430	-212,430
Other payables	-38,093	-38,093	-37,991	-37,991
Total	**-340,440**	**-340,355**	**-325,635**	**-320,090**

Fair value scale

The table shows method of valuing assets and liabilities recorded at fair value:

- **Level 1:** stock price (unadjusted) in the active market of identical assets and liabilities
- **Level 2:** data differing from stock price data (these are included in Level 1) monitored with the intention of direct or indirect valuation of assets and liabilities
- **Level 3:** data on the value of assets and liabilities not based on the active market.

Year 2013

EURk	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	782	91	3,113	3,986
Derivatives – assets	-	-	-	-
Derivatives – liabilities	-	-3,112	-	-3,112
Land and investment properties	-	-	68,736	68,736

Year 2012

EURk	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	994	92	13,979	15,065
Derivatives – assets	-	-	-	-
Derivatives – liabilities	-	-5,315	-	-5,315
Land and investment properties	-	-	64,155	64,155

Land was valued on the basis of comparable sales with adjustments made in view of time and location of the sale, the size of the property and other physical and functional characteristics. Fair value of investment property was assessed by applying the direct capitalisation method. Land and investment properties were appraised by an independent certified appraiser of real property.

Forward exchange contracts

The total fair value of forward exchange contracts amounted to EUR -292k as at 31 December 2013 and was recorded under other financial liabilities.

Interest rate swaps

The total fair value of interest rate swaps as at 31 December 2013 amounted to EUR -2,820k and was recorded under other financial liabilities.

Interest rate swap hedges, which relate to hedged balance sheet items, are recorded in equity in the fair value reserve.

Note 44 – Commitments relating to investments

Contractually agreed investments in intangible assets and property, plant and equipment not yet recognised in the financial statements at the reporting date amounted to EUR 9,765k (2012: EUR 7,996k).

Note 45 – Related party transactions

The transactions with related parties were conducted by the Group companies on the basis of sale/purchase contracts. The prices used in these related party transactions were the market prices of products and services.

Information on earnings

In **2013**, the Gorenje Group companies paid to the groups of persons stated below the following gross personal earnings:

EURk	Management Boards of Group companies	Supervisory Board	Employees under individual employment agreements
Salaries	6,212		7,740
Benefits and other earnings	1,300	160	529
Total	**7,512**	**160**	**8,269**

No non-current and current loans were granted by the Group companies to the Management Board and Supervisory Board members and internal owners.

In **2012**, the Gorenje Group companies paid to the groups of persons stated below the following gross personal earnings:

EURk	Management Boards of Group companies	Supervisory Board	Employees under individual employment agreements
Salaries	7,794	-	8,597
Benefits and other earnings	651	179	1,009
Total	**8,445**	**179**	**9,606**

Gorenje Group companies recorded following transactions with associates:

EURk	Value of transaction		Balance	
	2013	2012	2013	2012
Revenue				
Gorenje Group companies	1,096	2,536	824	748
Expenses				
Gorenje Group companies	995	731	312	449

Note 46 – Events after the balance sheet date

- Gorenje Group and Sub-Zero Group Inc. as the American leading manufacturer of premium home appliances, signed a long-term agreement on distributing Gorenje's premium brand Asko. Accordingly, Sub-Zero Group Inc. will as of 1 April, 2014 act as the exclusive distributor of Asko washing machines, dryers, and dishwashers in North America. This partnership constitutes a part of Gorenje's strategic activities aimed at boosting the Group's presence beyond Europe and promoting the sale of its premium products.
- On March 25, 2014 the company Gorenje, d.d., successfully issued 9-month commercial paper with a total face value of EUR 35 million and interest rate of 4 percent. Interest in Gorenje's commercial paper was higher than expected, indicating investor confidence enjoyed by Gorenje. By issuing the commercial paper, Gorenje is diversifying its short-term debt and managing the interim oscillations in free cash flow generation.
- As of March 27, 2014, a contract on assigning the sole interest (100%) in the company Gorenje – kuchyne spol. S r.o., was concluded in Olomouc (Czech Republic) in form of a notarial record between the assignor Vario 2000, d.o.o., – in liquidation and Gorenje, d.d., Velenje as the assignee.
- No other significant events occurred after the date of compiling the balance sheet date as of 31 December 2013.

Note 47 – Transactions with the audit company

In year 2013 the contractual value for costs of auditing the financial statements of Gorenje Group companies and the consolidated financial statements of the Gorenje Group amounted to EUR 791k (2012: EUR 786k). The auditors of all Gorenje Group companies did not render any other significant services for Group companies.

Note 48 – Business segments

	Home		Portfolio Investments		Group	
EURk	2013	2012	2013	2012	2013	2012
Revenue from sale to third parties	1,069,814	1,071,279	170,668	191,803	1,240,482	1,263,082
Inter-segment sale	4,667	3,492	12,209	8,785	16,876	12,277
Interest income	2,104	2,494	222	206	2,326	2,700
Interest expenses	-19,586	-21,584	-345	-579	-19,931	-22,163
Amortisation and depreciation expense	-36,602	-40,369	-5,273	-5,296	-41,875	-45,665
Operating profit or loss before tax	-26,765	6,704	8,121	8,102	-18,644	14,806
Income tax expense	4,855	-4,719	-636	-914	4,219	-5,633
Profit or loss without discontinued operation	-21,910	1,985	7,485	7,188	-14,425	9,173
Profit or loss of discontinued operation	-10,574	-8,883	0	0	-10,574	-8,883
Profit or loss for the period	-32,484	-6,898	7,485	7,188	-24,999	290
Total assets	1,040,749	1,094,573	108,953	102,751	1,149,702	1,197,324
Total liabilities	721,406	764,033	47,626	43,448	769,032	807,481
Investments	68,654	54,573	7,952	6,171	76,606	60,744
Impairment of financial assets	-12,398	-2,461	-982	-11	-13,380	-2,472
Impairment of property, plant and equipment	-764	-140	-934	-76	-1,698	-216

Note 49 – Geographical segments

	Western Europe		Eastern Europe		Other		Group	
EURk	2013	2012	2013	2012	2013	2012	2013	2012
Revenue from sale to third parties	466,686	480,919	684,512	681,945	89,284	100,218	1,240,482	1,263,082
Total assets	360,089	397,860	691,138	709,921	98,475	89,543	1,149,702	1,197,324
Investments	11,298	9,628	57,337	47,904	7,971	3,212	76,606	60,744

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT
to the owners of GORENJE, d.d.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the company GORENJE, d.d. and its subsidiaries (» the Group«), which comprise the statement of financial position as at December 31, 2013, and the income statement, statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by EU and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects the financial position of the GORENJE Group as at December 31, 2013, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements:

The management is also responsible for the preparation of the business report in accordance with the requirements of the Companies Act (ZGD-1). Our responsibility is to provide an assessment of whether the business report is consistent with the audited financial statements. Our procedures have been conducted in accordance with the International Standard on Auditing 720 and are limited solely to assessing of whether the business report is consistent with the audited financial statements. In our opinion, the business report is consistent with the audited financial statements.

DELOITTE REVIZIJA d.o.o.

Tina Kolenc Praznik Certified Auditor	Yuri Sidorovich President of the Board

For signature please refer to the original Slovenian version.

Ljubljana, 11 April 2014

Deloitte.
DELOITTE REVIZIJA D.O.O.
Ljubljana, Slovenija 3

TRANSLATION ONLY – SLOVENIAN ORIGINAL PREVAILS

Appendix 1: Information on the Gorenje Group companies

Companies	Share capital (EURk)	Number of employees
Gorenje, d.d., Slovenia	92,240	4,112
Gorenje I.P.C., d.o.o., Slovenia	93	806
Gorenje GTI, d.o.o., Slovenia	3,769	43
Gorenje Gostinstvo, d.o.o., Slovenia	3,790	166
Energygor, d.o.o., Slovenia	9	0
Kemis, d.o.o., Slovenia	2,650	34
Gorenje Orodjarna, d.o.o., Slovenia	927	216
Indop, d.o.o., Slovenia	1,000	12
ZEOS, d.o.o., Slovenia	477	4
Gorenje Surovina, d.o.o., Slovenia	9,402	327
ERICo, d.o.o., Slovenia	278	52
Gorenje design studio, d.o.o., Slovenia	500	21
PUBLICUS, d.o.o., Slovenia	897	100
EKOGOR, d.o.o., Slovenia	200	1
Gorenje GAIO, d.o.o., Slovenia	1,800	85
Gorenje GSI, d.o.o., Slovenia	4,657	119
Gorenje Keramika, d.o.o., Slovenia	3,069	112
Gorenje Surovina Fotoreciklaža, d.o.o., Slovenia	8	1
Gorenje Studio, d.o.o., Slovenia	8	54
Gorenje Beteiligungs GmbH, Austria	26,600	4
Gorenje Austria Handels GmbH, Austria	3,275	55
Gorenje Vertriebs GmbH, Germany	5,700	67
Gorenje Körting Italia S.r.l., Italy	90	6
Gorenje France S.A.S., France	5,225	14
Gorenje Belux S.a.r.l., Belgium	19	5
Gorenje UK Ltd., Great Britain	360	16
Gorenje Group Nordic A/S, Denmark	2,389	60
Gorenje AB, Sweden	226	5
Gorenje spol. S r.o., Czech Republic	4,472	42
Gorenje real spol. S r.o., Czech Republic	9,480	27
Gorenje Slovakia s.r.o., Slovakia	1,892	20
Gorenje Magyarország Kft., Hungary	2,407	17
Gorenje Polska Sp. Z o.o., Poland	8,364	36
Gorenje Bulgaria EOOD, Bulgaria	3,175	20
Gorenje Zagreb, d.o.o., Croatia	14,822	97
Gorenje Skopje, d.o.o., Macedonia	247	19
Gorenje Commerce, d.o.o., Bosnia and Herzegovina	1	75
Gorenje, d.o.o., Serbia	3,386	57
Gorenje Studio, d.o.o., Serbia	885	0
Gorenje Podgorica, d.o.o., Montenegro	2,800	16
Gorenje OY, Finland	115	15
Gorenje AS, Norway	263	6
Gorenje Romania S.r.l., Romania	365	11
Gorenje aparati za domaćinstvo, d.o.o., Serbia	26,948	1,318
Mora Moravia s r.o., Czech Republic	9,980	623
Gorenje – kuchyně spol. S r.o., Czech Republic	1,531	2
ST Bana Nekretnine, d.o.o., Serbia	2,087	0
KEMIS – Termoclean, d.o.o., Croatia	810	62
Kemis – BH, d.o.o., Bosnia and Herzegovina	210	11
Gorenje Gulf FZE, United Arab Emirates	200	10
Gorenje Espana S.L., Spain	3	0
Gorenje Tiki, d.o.o., Serbia	18,995	429
Gorenje Istanbul Ltd., Turkey	6,380	1
Gorenje TOV, Ukraine	247	20
Gorenje kuhinje, d.o.o., Ukraine	877	0
Kemis – SRS, d.o.o., Bosnia and Herzegovina	72	3
ATAG Nederland BV, the Netherlands	16	370
ATAG België NV, Belgium	248	48
ATAG Financiele Diensten BV, the Netherlands	200	0
Intell Properties BV, the Netherlands	45	0

ATAG Europe BV, the Netherlands	18	0
ATAG Special Products BV, the Netherlands	18	0
Gorenje Nederland BV, the Netherlands	20,796	1
Gorenje Kazakhstan, TOO, Kazakhstan	1,125	12
OOO Gorenje BT, Russia	640	103
»Euro Lumi & Surovina« SH.P.K., Kosovo	431	7
Kemis Valjevo, d.o.o., Serbia	1,225	34
Gorenje GTI, d.o.o., Belgrade, Serbia	1	19
Asko Appliances AB, Sweden	24,269	69
Asko Appliances Inc, USA	1	31
Asko Appliances Pty, Australia	6,484	73
Asko Appliances OOO, Russia	194	13
»Gorenje Albania« SHPK, Albania	1	4
Gorenje Home d.o.o. Zaječar, Serbia	2,812	120
Gorenje Ekologija, d.o.o., Stara Pazova, Serbia	1,315	0
ORSES d.o.o., Belgrade, Serbia	495	1
Gorenje Corporate GmbH, Austria	35	1
ZEOS eko-sistem d.o.o., Bosnia and Herzegovina	420	2
Cleaning sistem S, d.o.o. , Serbia	924	16
Gorenje Solarna energija Solago, d.o.o., Valjevo, Serbia	0	0
Gorenje Sola-Home, d.o.o., Valjevo, Serbia	0	0
Gorenje Asia Ltd., China	193	0
Gorenje do Brasil Ltda., Brasil	188	4
Gorenje MDM d.o.o., Kragujevac, Serbia	101	12

Appendix 2: Managing Directors

In 2013, the Group companies were managed by following managing directors:

Company	Managing Director
Gorenje, d.d., Slovenia	Franc Bobinac, President of the Management Board; Marko Mrzel, Member of the Management Board; Uroš Marolt, Member of the Management Board (until 18 July 2013); Branko Apat, Member of the Management Board; Peter Groznik, Member of the Management Board; Drago Bahun, Member of the Management Board
Gorenje, I.P.C., d.o.o., Slovenia	Mirko Rožanc
Gorenje GTI, d.o.o., Slovenia	Cita Špital-Meh
Gorenje Gostinstvo, d.o.o., Slovenia	Stanko Brunšek
Energygor, d.o.o., Slovenia	Marijan Penšek
Kemis, d.o.o., Slovenia	Emil Nanut
Gorenje Orodjarna, d.o.o., Slovenia	Blaž Nardin
Indop, d.o.o., Slovenia	Matej Sevčnikar
ZEOS, d.o.o., Slovenia	Emil Šehič
Gorenje Surovina, d.o.o., Slovenia	Jure Fišer
ERICo, d.o.o., Slovenia	Marko Mavec
Gorenje design studio, d.o.o., Slovenia	Jasna Petan
PUBLICUS, d.o.o., Slovenia	Slavko Hrženjak
EKOGOR d.o.o., Slovenia	Dušan Marc
Gorenje GAIO, d.o.o., Slovenia	Andrej Koželj
Gorenje GSI, d.o.o., Slovenia	Marina Borkovič (until 31 March 2013); Jan Štern (from 1 April 2013 to 31 October 2013); Robert Polšak (since 1 November 2013)
Gorenje Keramika, d.o.o., Slovenia	Boris Laubič
Gorenje Surovina Fotoreciklaža d.o.o., Slovenia	Zoran Paunović
Gorenje Studio, d.o.o., Slovenia	Marina Borkovič
Gorenje Beteiligungs GmbH, Austria	Marko Šefer; Žiga Debeljak
Gorenje Austria Handels GmbH, Austria	Sandra Lubej
Gorenje Vertriebs GmbH, Germany	Thomas Wittling
Gorenje Körting Italia S.r.l., Italy	Matjaž Geratič
Gorenje France S.A.S., France	Xavier Vuillaume (until 11 February 2013); Matjaž Geratič (from 12 February 2013 to 25 September 2013); Renaud de Barry (since 26 September 2013)
Gorenje Belux S.a.r.l., Belgium	Andre Genevrois (until 9 February 2014); Darko Janjič (since 10 February 2014)
Gorenje UK Ltd., Great Britain	Jernej Hren
Gorenje Group Nordic A/S, Denmark	Kristian Hansen (until 31 October 2013); Jan Štern (since 1 November 2013)
Gorenje AB, Sweden	Kristian Hansen (until 31 October 2013); Jan Štern (since 1 November 2013)
Gorenje spol. s r.o., Czech Republic	Suad Hadžić
Gorenje real spol. s r.o., Czech Republic	Suad Hadžić
Gorenje Slovakia s.r.o., Slovakia	Bogdan Urh (until 13 February 2013); Suad Hadžić (from 14 February 2013 to 12 September 2013); Dragutin Špiranec (since 13 September 2013)
Gorenje Magyarország Kft., Hungary	Bogdan Urh (until 13 February 2013); Suad Hadžić (from 14 February 2013 to 27 March 2013); Norbert Fülle (since 28 March 2013)
Gorenje Polska Sp. z o.o., Poland	Franc Rogan (until 31 December 2013); Simon Kumer (since 1 January 2014)
Gorenje Bulgaria EOOD, Bulgaria	Bojan Bratkovič
Gorenje Zagreb, d.o.o., Croatia	Jan Štern (until 31 October 2013); Robert Polšak (since 1 November 2013)
Gorenje Skopje, d.o.o., Macedonia	Nenad Jovanović
Gorenje Commerce, d.o.o., Bosnia and Herzegovina	Robert Polšak (until 31 October 2013); Uroš Marolt (since 1 November 2013)
Gorenje, d.o.o., Serbia	Goran Lukić
Gorenje Studio, d.o.o., Serbia	Alenka Mrzel
Gorenje Podgorica, d.o.o., Montenegro	Darko Vukčević
Gorenje OY, Finland	Kristian Hansen (until 31 October 2013); Jan Štern (since 1 November 2013)

Gorenje AS, Norway	Kristian Hansen (until 31 October 2013); Jan Štern (since 1 November 2013)
Gorenje Romania S.r.l., Romania	Damir Dražetić
Gorenje aparati za domaćinstvo, d.o.o., Serbia	Mirko Meža
Mora Moravia s r.o., Czech Republic	Vitezslav Ružička; Matija Zupanc
Gorenje – kuchyně spol. s r.o., Czech Republic	Viktor Faktor
ST Bana Nekretnine, d.o.o., Serbia	Štefan Kuhar
KEMIS – Termoclean, d.o.o., Croatia	Zoran Matić
Kemis – BH, d.o.o., Bosnia and Herzegovina	Maid Hadžimujić
Gorenje Gulf FZE, United Arab Emirates	Nermin Salman
Gorenje Espana, S.L., Spain	Jernej Hren
Gorenje Tiki, d.o.o., Serbia	Branko Apat
Gorenje Istanbul Ltd., Turkey	Nermin Salman; Nedim Hadžibegić (since 5 February 2014)
Gorenje TOV, Ukraine	Gregor Gržina
Gorenje kuhinje, d.o.o., Ukraine	Tetiana Chorna
Kemis – SRS, d.o.o., Bosnia and Herzegovina	Slobodan Sjenčić
ATAG Nederland BV, the Netherlands	ATAG Europe BV
ATAG België NV, Belgium	Robert Meenink (until March 1 2013); Marc Jozef Wynant (since 2 March 2013)
ATAG Financiele Diensten BV, the Netherlands	ATAG Europe BV
Intell Properties BV, the Netherlands	ATAG Europe BV
ATAG Europe BV, the Netherlands	Berend Johannes Hofenk (until 28 January 2013); Robert Meenink (since 11 January 2013) and Darko Janjič (since 11 January 2013)
ATAG Special Products BV, the Netherlands	ATAG Europe BV
Gorenje Nederland BV, the Netherlands	Marko Šefer (until 29 November 2013); Žiga Debeljak (since 30 November 2013); Darko Janjič
Gorenje Kazakhstan, TOO, Kazakhstan	Bratislav Krunić
OOO Gorenje BT, Russia	Marko Špan
»Euro Lumi & Surovina« SH.P.K., Kosovo	Amir Pira
Kemis Valjevo d.o.o., Serbia	Zoran Milovanović
Gorenje GTI d.o.o., Belgrade, Serbia	Miloš Leković
Asko Appliances AB, Sweden	Simon Kumer (until 30 September 2013); Jonas Lindberg (since 1 October 2013)
Asko Hvitevarer AS, Norway	Henning Meier
Asko Appliances Inc, USA	Maya Chowdhury (until 30 November 2013); Marko Šefer (since 1 December 2013)
Asko Appliances Pty, Australia	Črt Prašnikar
Asko Appliances OOO, Russia	Dime Rangelov
»Gorenje Albania« SHPK, Albania	Gregor Verbič
Gorenje Home d.o.o., Zaječar, Serbia	Vlado Krebs
ORSES d.o.o., Belgrade, Serbia	Mirko Meža
Gorenje Ekologija d.o.o., Stara Pazova, Serbia	Jure Fišer (until 30 September 2013); Tadej Krošlin (since 1 October 2013)
Gorenje Corporate GmbH, Austria	Marko Šefer (until 17 December 2013); Žiga Debeljak (since 18 December 2013)
Cleaning sistem S, d.o.o., Serbia	Zoran Milovanović; Mikica Vasić
ZEOS eko-sistem d.o.o., Bosnia and Herzegovina	Emil Šehić
Gorenje Asia Ltd., China	Andy Miklav (until 31 December 2013); Urška Kupec (since 1 January 2014)
Gorenje do Brasil Ltda., Brasil	Tatjana Močenik
Gorenje Solarna energija Solago d.o.o., Serbia	Mirko Meža
Gorenje Sola Home d.o.o., Serbia	Mirko Meža
Gorenje MDM d.o.o., Serbia	Marko Klinc

Appendix 3: Foreign exchange rates

			2013		2012	
	Currency	Unit	Closing exchange rate (in EUR)	Average exchange rate (in EUR)	Closing exchange rate (in EUR)	Average exchange rate (in EUR)
Australia	AUD	1	1.542	1.377	1.271	1.241
Czech Republic	CZK	1	27.427	25.987	25.151	25.146
Denmark	DKK	1	7.459	7.458	7.461	7.444
Great Britain	GBP	1	0.834	0.849	0.816	0.811
Croatia	HRK	1	7.627	7.579	7.558	7.521
Hungary	HUF	1	297.040	296.941	292.300	289.324
Norway	NOK	1	8.363	7.805	7.348	7.475
Poland	PLN	1	4.154	4.197	4.074	4.184
Sweden	SEK	1	8.859	8.650	8.582	8.707
USA	USD	1	1.379	1.328	1.319	1.286
Turkey	TRY	1	2.961	2.533	2.355	2.315
Bosnia and Herzegovina	BAM	1	1.956	1.956	1.956	1.956
Bulgaria	BGN	1	1.956	1.956	1.956	1.956
Macedonia	MKD	1	61.936	61.932	61.487	61.626
Switzerland	CHF	1	1.228	1.232	1.207	1.205
Romania	RON	1	4.471	4.419	4.445	4.458
Serbia	RSD	1	114.140	112.944	113.390	112.996
Ukraine	UAH	1	11.202	10.808	10.636	10.437
Latvia	LVL	1	0.703	0.701	0.698	0.697
United Arab Emirates	AED	1	4.999	4.873	4.770	4.741
Kazakhstan	KZT	1	210.000	201.943	195.540	192.380
Russia	RUB	1	45.325	42.390	40.330	39.924
Albania	ALL	1	140.700	140.331	139.830	139.275
Brasil	BRL	1	3.258	2.956		
China	CNY	1	8.349	8.297		

INDEX OF NOTES TO THE FINANCIAL STATEMENTS OF GORENJE, D.D.

ACCOUNTING REPORT OF GORENJE, D.D.

FINANCIAL STATEMENTS OF GORENJE, D.D.

Income Statement of Gorenje, d.d.

EURk	Note	2013	2012
Revenue	ON THE NOTE 8	**664,644**	**675,896**
Change in inventories		-7,296	2,583
Other operating income	ON THE NOTE 9	17,219	14,140
Gross profit		**674,567**	**692,619**
Cost of goods, materials and services	ON THE NOTE 10	-542,718	-547,499
Employee benefits expense	ON THE NOTE 11	-92,675	-105,068
Amortisation and depreciation expense	ON THE NOTE 12	-18,335	-20,235
Other operating expenses	ON THE NOTE 13	-5,793	-5,810
Operating profit		**15,046**	**14,007**
Finance income	ON THE NOTE 14	18,290	15,846
Finance expenses	ON THE NOTE 14	-38,657	-42,451
Net finance expenses	ON THE NOTE **14**	**-20,367**	**-26,605**
Profit or loss before tax		**-5,321**	**-12,598**
Income tax expense	ON THE NOTE 15	8,026	-1,495
Profit or loss for the period		**2,705**	**-14,093**
Basic and diluted earnings per share (in EUR)	ON THE NOTE 28	0.16	-0.89

Statement of Other Comprehensive Income of Gorenje, d.d.

EURk	Note	2013	2012
Profit or loss for the period		**2,705**	**-14,093**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss		**0**	**0**
Change in fair value of land		0	0
Items that may be reclassified subsequently to profit or loss		**1,330**	**449**
Net change in fair value of available-for-sale financial assets	ON THE NOTE 24, 28	-1	-6
Net change in fair value of available-for-sale financial assets, reclassified to profit or loss	ON THE NOTE 14	0	626
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge	ON THE NOTE 28	-5	-2,327
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge, reclassified to profit or loss	ON THE NOTE 14	2,466	2,182
Net change in exchange differences from investments in subsidiaries, reclassified to profit or loss	ON THE NOTE 14, 28	-713	0
Income tax on other comprehensive income	ON THE NOTE 22	-417	-26
Other comprehensive income for the period		**1,330**	**449**
Total comprehensive income for the period		**4,035**	**-13,644**

Balance Sheet of Gorenje, d.d.

EURk	Note	2013	2012
ASSETS		**886,876**	**847,894**
Non-current assets		**474,223**	**422,272**
Intangible assets	ON THE NOTE 16	21,651	14,270
Property, plant and equipment	ON THE NOTE 17	170,668	146,748
Investment property	ON THE NOTE 18	25,361	16,147
Investments in subsidiaries	ON THE NOTE 19	236,245	232,447
Investments in associates	ON THE NOTE 20	976	976
Other non-current investments	ON THE NOTE 21	690	661
Deferred tax assets	ON THE NOTE 22	18,632	11,023
Current assets		**412,653**	**425,622**
Inventories	ON THE NOTE 23	95,811	84,217
Current investments	ON THE NOTE 24	90,626	110,083
Trade receivables	ON THE NOTE 25	195,935	194,043
Other current assets	ON THE NOTE 26	15,377	18,307
Cash and cash equivalents	ON THE NOTE 27	14,904	18,972
EQUITY AND LIABILITIES		**886,876**	**847,894**
Equity	ON THE NOTE 28	**347,907**	**318,017**
Share capital		92,240	66,378
Share premium		157,705	157,712
Revenue reserves		95,818	94,331
Treasury shares		-3,170	-3,170
Retained earnings		1,369	151
Fair value reserve		3,945	2,615
Non-current liabilities		**194,889**	**250,247**
Provisions	ON THE NOTE 30	23,185	21,632
Deferred tax liabilities	ON THE NOTE 22	1,288	1,288
Non-current financial liabilities	ON THE NOTE 31	170,416	227,327
Current liabilities		**344,080**	**279,630**
Current financial liabilities	ON THE NOTE 32	157,461	108,349
Trade payables	ON THE NOTE 33	169,476	152,164
Other current liabilities	ON THE NOTE 34	17,143	19,117

Statement of Cash Flows of Gorenje, d.d.

EURk	Note	2013	2012
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit or loss for the period		**2,705**	**-14,093**
Adjustments for:			
- depreciation of property, plant and equipment	ON THE NOTE 12,17	15,411	17,450
- amortisation of intangible assets	ON THE NOTE 12,16	2,924	2,785
- investment income	ON THE NOTE 14	-18,290	-15,846
- finance expenses	ON THE NOTE 14	38,657	42,451
- gain on sale of property, plant and equipment		-506	-907
- revenue from sale of investment property		0	-365
- revaluation operating income		-2,416	0
- income tax expense	ON THE NOTE 15	-8,026	1,495
Operating profit before changes in net operating current assets and provisions		**30,459**	**32,970**
Change in trade and other receivables		-2,273	-3,663
Change in inventories	ON THE NOTE 23	-11,594	-3,099
Change in provisions	ON THE NOTE 30	1,553	-4,594
Change in trade and other payables		12,467	9,116
Cash generated from operations		**153**	**-2,240**
Interest paid		-17,656	-20,729
Net cash from operating activities		**12,956**	**10,001**
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		7,418	2,790
Interest received		6,034	5,864
Dividends received		9,837	5,188
Disposal of investment property		453	2,161
Acquisition of subsidiary		-6,600	-6,013
Acquisition of property, plant and equipment		-40,731	-16,713
Acquisition of investment property		-7,304	-2,726
Loans		-79,950	-99,422

	Repayment of loans		83,959	86,740
	Other investments		-143	-3,505
	Acquisition of intangible assets		-10,903	-1,605
	Net cash used in investing activities		**-37,930**	**-27,241**
C. CASH FLOWS FROM FINANCING ACTIVITIES				
	Capital increase		25,856	0
	Interest-bearing borrowings		117,336	150,614
	Repayment of borrowings		-122,286	-170,225
	Dividends paid		0	-2,267
	Net cash used in financing activities		**20,906**	**-21,878**
	Net change in cash and cash equivalents		-4,068	-39,118
	Cash and cash equivalents at beginning of period		18,972	58,090
	Cash and cash equivalents at end of period		14,904	18,972

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

			Revenue reserves					Retained earnings			
EURk	Share capital	Share premium	Legal reserves	Statutory reserves	Treasury share reserve	Other revenue reserves	Treasury shares	Profit or loss from previous periods	Profit or loss for the period	Fair value reserve	Total
Opening balance at 1 Jan 2013	**66,378**	**157,712**	**12,896**	**6,653**	**3,170**	**71,612**	**-3,170**	**151**	**0**	**2,615**	**318,017**
Total comprehensive income for the period											
Profit or loss for the period									2,705		2,705
Total other comprehensive income										1,330	1,330
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**2,705**	**1,330**	**4,035**
Transactions with owners (when acting as owners) recognised directly in equity											0
Contributions by owners and distributions to owners											0
Capital increase	25,862	849									26,711
Costs of capital increase		-856									-856
Creation of statutory reserves				270					-270		0
Transfer of part of profit for 2013 to other reserves						1,217			-1,217		0
Total contributions by owners and distributions to owners	**25,862**	**-7**	**0**	**270**	**0**	**1,217**	**0**	**0**	**-1,487**	**0**	**25,855**
Total transactions with owners	**25,862**	**-7**	**0**	**270**	**0**	**1,217**	**0**	**0**	**-1,487**	**0**	**25,855**
Closing balance at 31 Dec 2013	**92,240**	**157,705**	**12,896**	**6,923**	**3,170**	**72,829**	**-3,170**	**151**	**1,218**	**3,945**	**347,907**

			Revenue reserves					Retained earnings			
EURk	Share capital	Share premium	Legal reserves	Statutory reserves	Treasury share reserve	Other revenue reserves	Treasury shares	Profit or loss from previ-ous periods	Profit or loss for the period	Fair value reserve	Total
Opening balance at 1 Jan 2012	**66,378**	**157,712**	**12,896**	**6,653**	**3,170**	**83,997**	**-3,170**	**5,524**	**0**	**2,166**	**335,326**
Formation of short-term accruals referring to unused vacation days						-1,449					-1,449
Adjusted opening balance at 1 Jan 2012	**66,378**	**157,712**	**12,896**	**6,653**	**3,170**	**82,548**	**-3,170**	**5,524**	**0**	**2,166**	**333,877**
Total comprehensive income for the period											
Profit or loss for the period									-14,093		-14,093
Total other comprehensive income										449	449
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-14,093**	**449**	**-13,644**
Transactions with owners (when acting as owners) recognised directly in equity											0
Contributions by owners and distribution to owners											0
Coverage of loss for the period						-10,936		-3,157	14,093		0
Dividends paid								-2,367			-2,367
Unpaid dividends								151			151
Total contributions by owners and distributions to owners	**0**	**0**	**0**	**0**	**0**	**-10,936**	**0**	**-5,373**	**14,093**	**0**	**-2,216**
Total transactions with owners	**0**	**0**	**0**	**0**	**0**	**-10,936**	**0**	**-5,373**	**14,093**	**0**	**-2,216**
Closing balance at 31 Dec 2012	**66,378**	**157,712**	**12,896**	**6,653**	**3,170**	**71,612**	**-3,170**	**151**	**0**	**2,615**	**318,017**

NOTES TO THE FINANCIAL STATEMENTS

1. Reporting entity

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

The financial statements of the Company have been prepared as at and for the year ended 31 December 2013. The Company is primarily involved in the production and sale of household appliances.

2. Basis of preparation

a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted in the European Union and with the provisions of the Companies act. The financial statements were approved by the Management Board on 10 March 2014.

b) Basis of measurement

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

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

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

c) Functional and presentation currency

These financial statements are presented in EUR, which is the Company's functional currency. All financial information presented in EUR has been rounded to the nearest thousand, except when otherwise indicated.

d) Use of estimates and judgements

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

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

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

- Note 15 and 22 – deferred taxes;
- Notes 17 and 18 and accounting policies 3(e) and 3(g) – valuation of property, plant and equipment and investment Property;
- Note 19 and 20 and accounting policies 3(c) and 3(d) – acquisition and disposal of companies;
- Note 30 and the accounting policy (m)(ii) - measurement of liabilities for retirement benefits and jubilee premiums;
- Note 30 – provisions for onerous contracts 3(m) (v);
- Note 30 and the accounting policy 3(m)(i) - provisions for warranties;
- Note 24 - valuation of investments;
- Accounting policy 3(j)(i) - impairment of financial assets, including receivables.

e) Change in accounting policies

The Company has not changed its accounting policies, except where necessary due to the amendments to IFRSs.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

a) Foreign currency

(i) Foreign currency transactions

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

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

Foreign currency differences arising on retranslation are recognised in the profit or loss, except for differences arising on the retranslation of:

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

b) Financial instruments

(i) Non-derivative financial assets

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

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

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company classifies non-derivative financial instruments into the following categories: liabilities and receivables, available-for-sale financial assets, cash and cash equivalents.

Loans and receivables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and an investment (deposit) with maturity (of three months or less). Bank overdrafts that are repayable on demand form an integral part of the Company's current financial liabilities.

Available-for-sale financial assets

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

Fair value changes (see note 3(j)(i)) and foreign currency differences on available-for-sale equity instruments (see note 3(a)) are recognised in other comprehensive income and disclosed in equity or fair value reserves. When available-for-sale financial assets are derecognised or permanently impaired , the gain or loss accumulated in equity is reclassified to profit or loss. Available-for-sale financial assets comprise equity securities and debt securities.

(ii) Non-derivative financial liabilities

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

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

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

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

(iii) Share capital

Ordinary shares

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

Repurchase of share capital (treasury shares)

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

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

(iv) Derivative financial instruments, including hedge accounting

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

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

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

Cash flow hedge

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

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

Other derivative financial instruments

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

c) Subsidiaries

Investments in subsidiaries are valued at cost. Incremental costs directly attributable to the acquisition of a subsidiary are recognised as an increase in the cost of equity investment. Share of profit is recognized as income when a resolution on payment is adopted by the General Meeting of Shareholders.

d) Associates

Investments in associates are valued at cost. Incremental costs directly attributable to the acquisition of an associate company are recognised as an increase in the cost of equity investment.

e) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

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

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

(ii) Reclassification to investment property

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

(iii) Subsequent expenditure

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

(iv) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment; this method most accurately reflects the expected pattern of the use of the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

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

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

buildings	20–50 years
plant and equipment	5–20 years
computer equipment	2–5 years
transportation means	5–20 years
office equipment	5–10 years
tools	5–10 years

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

f) Intangible assets

(i) Research and development

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

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

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

(ii) Other intangible assets

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Subsequent expenditure

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

(iv) Amortisation

Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

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

patents and trademarks	10 years
capitalised development costs	7-10 years

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

g) Investment property

Investment property is property held either to earn rental income or to increase the value of non-current investment or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is recognised at fair value with any change therein recognised in the income statement.

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

Property rented to a subsidiary and associate with the conduct of the Company's business activities, is accounted for as an item of property, plant and equipment. Investment property also includes property, of which more than 50% of the available surface area is leased out.

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

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

h) Leased assets

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

Other leases are operating leases and are not recognised in the Company's balance sheet.

i) Inventories

Inventories of merchandise and goods are measured at the lower of cost and net realisable value. The cost of inventories of materials and merchandise is based on the weighted average price method and includes expenditure incurred in acquiring the inventories, dependent costs and other costs incurred in bringing them to their existing location and condition.

Inventories of products and work in progress are valued at production costs (in broader sense), which in addition to direct costs of material, labour, services, depreciation and part of production costs, include also costs of production overheads, acquisition costs, costs of maintenance and quality assurance overheads, and total costs of research and development.

The standard price method is applied when disclosing inventories of products. Deviations from input (charged) and standard prices are established and accounted on a monthly basis.

Inventories of work in progress and products are not revalued due to value increase. Their write-off is mandatory if the carrying amount exceeds their market value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Decline in value of inventories of work in progress and products due to write-off is credited against change in inventories.

Write-off of obsolete inventories of products and semi-finished products in carried out in compliance with Group's policies.

j) Impairment of assets

(i) Non derivative financial assets

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

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

Financial assets measured at amortised cost

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

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

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

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

Available-for-sale financial assets

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

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

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite-lived intangible assets that are not yet available for use are tested annually prior to the preparation of financial statements. An impairment loss is recognised if the carrying amount of a cash-generating unit (CGU) exceeds its recoverable amount.

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

Impairment losses are recognised in the income statement. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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

k) Non-current assets classified as held for sale

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

Once classified as held for sale, intangible assets and property, plant and equipment are not amortised or depreciated. In addition, equity accounting of equity-accounted investees ceases once classified as held for sale.

l) Employee benefits

Short-term employee benefits

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

m) Provisions

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

(i) Warranties for products and services

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

(ii) Provisions for retirement benefits and jubilee premiums

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

Provisions are created by discounting, at the reporting date, the estimated future payments of retirement benefits and jubilee premiums. The obligation is calculated separately for each employee by estimating the costs of retirement benefits and the costs of all expected jubilee premiums until retirement. The balance of provisions is verified on a three-year basis based on a calculation that has been made by a certified actuary.

As from 1 January 2013, actuarial gains and losses arising on provisions for retirement benefits and jubilee premiums are recognised in other comprehensive income in compliance with the amended IAS 19. Company's accounting policy was changed as required under the stated amendments to IAS 19. Company's management assesses that the relevant change has no significant impact on the company's financial statements for the current and previous period, hence no retrospective restatement is required.

(iii) Restructuring

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

(iv) Site restoration

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

(v) Onerous contracts

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

n) Revenue

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

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

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

(ii) Revenue from services rendered

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

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

(iii) Commission

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

(iv) Rental income

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

o) Government grants

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

p) Finance income and finance expenses

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

Finance expenses comprise borrowing costs (part of borrowing costs can be capitalised within property, plant and equipment), exchange losses, impairment losses on financial assets, and losses on hedging instruments that are recognised in income statement. Borrowing costs that are not directly attributable to the acquisition of a qualifying asset in construction or production are recognised in income statement using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance expenses.

r) Income tax

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

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

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

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

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted.

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

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

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

s) Basic earnings per share

The Company presents basic earnings per share that equals the diluted earnings per share since the Company has not issued preference shares or floating-rate bonds. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

t) Comparable information

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

u) Standards and interpretations applicable in the current period

Following standards and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the EU are applicable in the current period:

- IFRS 13 »Fair Value Measurement«, adopted by the EU as at 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IFRS 1 »First-time Adoption of International Financial Reporting Standards« – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters, adopted by the EU as at 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IFRS 1 »First-time Adoption of International Financial Reporting Standards« – Government Loans, adopted by the EU as at 4 March 2013 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IFRS 7 »Financial Instruments: Disclosures« - Offsetting Financial Assets and Financial Liabilities, adopted by the EU as at 13 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IAS 1 »Presentation of Financial Statements« – Presentation of Items of Other Comprehensive Income, adopted by the EU as at 5 June 2012 (effective for annual periods beginning on or after 1 July 2012),
- Amendments to IAS 12 »Income Tax« -Deferred Tax: Recovery of Underlying Assets, adopted by the EU as at 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments IAS 19 »Employee Benefits« - Improvements to the Accounting for Post-Employment Benefits, adopted by the EU as at 5 June 2012 (effective for annual periods beginning on or after 1 January 2013),
- A collection of amendments to various IFRSs »Annual Improvements to IFRSs 2009-2011 Cycle« (IFRS1, IAS 1, IAS 16, IAS 32 and IAS 34), in response to eliminate inconsistency and provide clarification of wording in IFRSs, adopted by the EU as at 27 March 2013 (effective for annual periods beginning on or after 1 January 2013),
- IFRIC 20 »Stripping Costs in the Production Phase of a Surface Mine«, adopted by the EU as at 11 December 2012 (effective for annual periods beginning on or after 1 January 2013).

Adoption of the relevant amendments to the existing standards did not result in any change of the Company's accounting policies.

v) New standards and interpretations not yet adopted

The following new Standards and Interpretations are not yet effective for the annual period ended 31 December 2013 and have not been applied in preparing these financial statements:

- IFRS 10 »Consolidated Financial Statements« adopted by the EU as at 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),

- IFRS 11 »Joint Arrangements« adopted by the EU as at 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 12 »Disclosure of Interests in Other Entities« adopted by the EU as at 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IAS 27 (amended in 2011) »Separate Financial Statements« adopted by the EU as at 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IAS 28 (amended in 2011) »Investments in Associates and Joint Ventures« adopted by the EU as at 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IFRS 10 »Consolidated Financial Statements«, IFRS 11 »Joint Arrangements« and IFRS 12 »Disclosure of Interests in Other Entities« - Transition Guidance, adopted by the EU as at 4 April 2013 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IFRS 10 »Consolidated Financial Statements«, IFRS 12 »Disclosure of Interests in Other Entities« and IAS 27 (amended in 2011) »Separate Financial Statements« - Investment Entities, adopted by the EU as at 20 November 2013 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 32 »Financial Instruments: Presentation« – Offsetting Financial Assets and Financial Liabilities, adopted by the EU as at 13 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 36 »Impairment of Assets«- Recoverable Amount Disclosures for Non-Financial Assets, adopted by the EU as at 19 December 2013 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 39 »Financial Instruments: Recognition and Measurement« – Novation of Derivatives and Continuation of Hedge Accounting, adopted by the EU as at 19 December 2013 (effective for annual periods beginning on or after 1 January 2014).

Standards and interpretations issued by IFRIC but not yet adopted by the EU

At present, the IFRSs as adopted by the EU do not essentially differ from regulations, which were adopted by the International Accounting Standards Board (IASB), except for following standards, amendments to existing standards and interpretations that were not yet effective in the EU as at the date of the approval of these financial statements:

- IFRS 9 »Financial Instruments« and further amendments (effective date not yet determined),
- Amendments to IAS 19 »Employee Benefits« - Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 January 2014),
- A collection of amendments to various IFRSs »Annual Improvements to IFRSs 2010-2012 Cycle« (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38), in response to eliminate inconsistency and provide clarification of wording in IFRSs (effective for annual periods beginning on or after 1 July 2014),
- A collection of amendments to various IFRSs »Annual Improvements to IFRSs 2011-2013 Cycle« (IFRS 1, IFRS 3, IFRS 13 and IAS 40), in response to eliminate inconsistency and provide clarification of wording in IFRSs (effective for annual periods beginning on or after 1 July 2014),
- IFRIC 21 »Levies« (effective for annual periods beginning on or after 1 January 2014).

The Company does not expect the new standards, the amendments to existing standards and interpretations to have a material impact on the financial statements during the early application.

In addition, hedge accounting in connection with financial assets and liabilities that was not adopted by the EU yet, remains non-regulated.

The Company assesses that hedge accounting in connection with financial assets and liabilities pursuant to provisions of IAS 39: »Financial Instruments: Recognition and Measurement« would not significantly impact the Company's financial statements if applied as at the balance sheet date.

4. Determination of fair value

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

(i) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably. The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate. Depreciated replacement cost estimates reflect adjustments for physical deterioration as well as functional and economic obsolescence.

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

(ii) Intangible assets

The fair value of patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the patent or trademark being owned.

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(iii) Investment property

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

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

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

(iv) Investments in debt and equity securities

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

(v) Trade and other receivables

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

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

(vi) Forward exchange contracts and interest rate swaps

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

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group and counterparty when appropriate.

(vii) Other non-derivative financial liabilities

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

5. Financial risk management

In respect of financial risk management, the internal financial policies comprising the bases for efficient and systematic risk management were observed in 2013. The objectives of financial risk management are:

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

In the Company, the following key financial risks have been defined:

Financial risks	Credit risk Currency risk Interest rate risk Liquidity risk

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

5.1 Credit (default) risk

In the light of the fierce macroeconomic situation, more attention was paid in 2013 to the credit risk which includes all risks where the failure of a party (a buyer) to discharge contractual obligations results in a decrease in economic benefits of the Company. Consequently, the balance of trade receivables is monitored regular, whereby terms and conditions for approving open account sales have tightened. With the aim to systemise credit risk management, the Company launched the credit risk management software module within the SAP information system. The credit risk is managed by the use of following measures:

- insurance of a major portion of operating receivables against credit risk with Slovenska izvozna družba – Prva kreditna zavarovalnica d.d.;
- additional collateralisation of more risky trade receivables by bank guarantees and other high-quality security instruments;

- regular monitoring of operation and financial standing of new and existing business partners, and limitation of exposure to certain business partners;
- implementation of mutual and chain compensation with buyers;
- systematic and active control of credit limits and collection of receivables.

Due to the deteriorated global macroeconomic situation, the bank crisis and consequently severe liquidity situation, the **Company's management estimates that the exposure to credit risk** has significantly increased but is properly diminished by the use of stated measures. By taking into account the implemented hedge measures, the exposure to credit risk has, however, **increased**.

5.2 Currency risk

Considering the sales model applied within the Gorenje Group and under which the holding company transfers the currency risk to its subsidiaries, the Company is not significantly exposed to currency risk, which is the risk that the economic benefits of an entity may be decreased due to changes in foreign exchange rates. In 2013, the currency risk accordingly originated mostly from the performance of business activities in the US dollar markets, while the exposure to other currencies is insignificant. When managing currency risk, particularly in the US dollar markets, a greater attention was paid to natural hedging of currency risk and harmonisation of business operations to ensure long-term decline in currency fluctuation exposure by matching or netting sales and purchases.

Additional short-term hedging against EUR/USD currency fluctuations on the level of net exposure is carried out by forward exchange contracts and by raising of US dollar short-term borrowings.

The Company verifies on an ongoing basis the macroeconomic trends, the environment and factors that impact or could result in a change of individual currency ratio. The centralised currency risk management was therefore intensified by the Group in 2013, whereby the Company offers other Group companies also adequate support, suitable credit lines for creating hedging instruments or concluding the latter on behalf of other Group companies, but simultaneously transfers them contractually to companies that are locally exposed to them. The centralised approach to credit risk management has shown improved hedging results on the Group and the Company level.

Company's management estimates that Company's exposure to currency risk is moderate.

5.3 Interest rate risk

Company copes with interest rate risk in view of financing its current operations and investments since most of borrowings raised bear the Euribor variable interest rate. Given the harsh global macroeconomic situation and consequently lower variable interest rates on financial markets, no new loans with fixed interest rates were raised in 2013 with the purpose to hedge against the risk of higher variable interest rates. The share of loans for which fixed interest rates were agreed or hedging instruments created, declined to 34.0% or 31.6% in 2013 provided that only loans raised by the Company from partners outside the Group are considered. Although no new instruments were created in 2013 for hedging against the increase of interest rates, the financial markets were closely monitored to provide for timely hedging.

Given the aforesaid fact the Company's management estimates that the exposure to interest rate risk is moderate.

5.4 Liquidity risk

Liquidity risk is the risk that the Company will fail to meet commitments in stipulated period of time due to the lack of available funds.

Liquidity risk is managed by the Company by the use of following key instruments:

- centralised cash management system,
- systemised approach to cash flow planning,
- unified, centralised approach to key bank partners on the local and foreign market,
- adequate level of available short-term unused lines for balancing short-term liquidity,
- adequate maturity structure of the credit portfolio,
- alternative sources of financing.

In 2013, the Company issued short-term commercial papers for the first time at par value of EUR 24.2m. The issue of the said papers was successful indicating that banks and other investors have confidence in the Company, hence another issue of these instruments is planned for 2014.

Irrespective of the grave macroeconomic situation, the Company successfully replaced a major part of repaid non-current financial liabilities by means of new non-current financial liabilities. The maturity structure of the loan portfolio, however, slightly worsened due to the part of non-current borrowings that mature in 2014 and the accounting treatment of this maturity. Credit lines in the amount of EUR 152,910k mature in 2014, whereof EUR 114,817k refers to borrowings raised from banks, financial institutions and other unrelated entities. In compliance with the plan on long-term servicing of loans, the Company holds pre-set talks with banks and other creditors on refinancing existing financial liabilities and thus reduces the related risk. The liquidity reserve as at 31 December 2013 in the amount of EUR 37,213k consisting of unused revolving credit lines, short-term deposits with banks, and bank balances, is used to secure adequate short-term control of cash flows and to decrease short-term liquidity risk.

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

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

The Company management believes that in light of the harsh macroeconomic situation and required scope of financing, the effect of this type of risks on company operations is very high; as a result of the activities implemented by the Company in order to hedge this risk, the probability of occurrence is very low. **Nevertheless, the Company management believes the company's exposure to liquidity risk is increased.**

Capital management

The Company's policy is to maintain a strong capital base so as to maintain confidence of all stakeholders and to sustain future development of Gorenje. As one of the strategic ratios, the Company defined the return on equity as profit attributable to majority shareholders divided by the average value of equity attributable to majority shareholders. The Company seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

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

The Company has no employee share-owning scheme and no share option programme. There were no changes in the approach to capital management in 2013. Neither the controlling company nor its subsidiaries were subject to capital requirements determined by the regulatory authorities.

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

6. Segment reporting

The Company has no reportable segment. Segment information is presented in the consolidated financial statements of the Gorenje Group.

7. Statement of cash flows

The statement of cash flows has been compiled under the indirect method on the basis of items in the balance sheet at 31 December 2013, the balance sheet at 31 December 2012, the income statement for the year ended 31 December 2013, and the additional information required for the adjustment of inflows and outflows.

Note 8 – Revenue EUR 664,644k

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EURk	2013	2012
Revenue from the sale of products – domestic market	15,609	19,990
Revenue from the sale of products – foreign market	386,796	389,009
Revenue from the sale of merchandise – domestic market	43,258	56,597
Revenue from the sale of merchandise – foreign market	147,337	127,748
Revenue from the sale of services – domestic market	5,379	11,218
Revenue from the sale of services – foreign market	18,358	18,497
Revenue from the sale of materials and semi-finished products – domestic market	12,368	14,251
Revenue from the sale of materials and semi-finished products – foreign market	35,539	38,586
Total	**664,644**	**675,896**

Revenue from the sale to subsidiaries in the Gorenje Group amounts to EUR 498,148k (2012: EUR 471,865k), showing a 5.6 percent increase over the 2012 balance.

Note 9 – Other operating income EUR 17,219k

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EURk	2013	2012
Income from subsidies and donations	1,192	1,479
Income from license fees	3,902	2,888
Rental income	2,705	2,110
Income from compensation in damages	4,153	1,731
Income from reversal of non-current provisions	2,087	3,865
Gain on disposal of property, plant and equipment	506	907
Gain on revaluation of investment property and art works	2,416	375
Other operating income	258	785
Total	**17,219**	**14,140**

Other operating income in the amount of EUR 6,628k refers to subsidiaries (2012: EUR 5,709k). Income from license fees includes fees for the use of the Gorenje trademark rights and fees for the use of the software licences. Income from compensation in damages refers to charged and accrued damages under contractual relationships.

Rental income

EURk	2013	2012
Rentals - up to 1 year (Gorenje Group companies)	2,097	1,913
Rentals - up to 1 year (other companies)	608	197
Total	**2,705**	**2,110**

Rental income relates primarily to real property which is partly used by the Company and partly leased out to subsidiaries.

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Note 10 – Cost of goods, materials and services EUR 542,718k

EURk	2013	2012
Cost of goods sold	194,323	183,619
Cost of materials	269,665	287,978
Cost of services	78,730	75,902
Total	**542,718**	**547,499**

Cost of services that occurred upon transactions with subsidiaries in the Group are recorded at EUR 23,998k (2012: EUR 21,230k).Cost of services includes cost of provisions for warranties in the amount of EUR 11,268k (2012: EUR 7,635k).

Cost of services includes cost of rentals in the amount of EUR 3,100k (2012: EUR 2,375k).

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Note 11 – Employee benefits expense EUR 92,675k

EURk	2013	2012
Wages and salaries	66,569	73,697
Social security costs	12,920	14,453
Provisions for retirement benefits and jubilee premiums	147	594
Other employee benefits expense	13,039	16,324
Total	**92,675**	**105,068**

Social security costs include costs of voluntary, additional, collective pension insurance in the amount of EUR 2,254k (2012: EUR 2,214k). In 2013, the average number of employees calculated based on working hours was 4,169.26 (2012: 4,417.14).

Other employee benefits expense includes costs of annual leave bonus, meals allowance, commuting allowance, and other work-related payments to employees. These expenses have declined over the previous year, primarily as a result of lower amount of retirement benefits.

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Note 12 – Amortisation and depreciation expense EUR 18,335k

EURk	2013	2012
Amortisation expense of intangible assets	2,924	2,785
Depreciation expense of property, plant and equipment	15,411	17,450
Total	**18,335**	**20,235**

Lower amortisation and depreciation expense in 2013 is the result of extended useful lives of plant and equipment in the previous year and of the capitalisation of equipment relating to the dryer production transferred in Q4 2013.

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Note 13 – Other operating expenses EUR 5,793k

EURk	2013	2012
Write-off of plant and equipment	651	40
Write-down of inventories to net realisable value	1,526	2,242
Other taxes and charges	1,443	1,411
Environmental levies	742	834
Scholarships	210	151
Creation of provisions for litigations	839	477
Other expenses	382	655
Total	**5,793**	**5,810**

Other taxes and charges include charges for the use of building plot, water charge, environmental taxes, and other mandatory taxes and charges. Other expenses mainly include compensations relating to operations.

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Note 14 – Net finance expenses EUR 20,367k

Finance income EUR 18,290k

EURk	2013	2012
Dividend income and income from other profit shares	8,197	6,827
Interest income on transactions with Group companies	5,500	4,909
Interest income on transactions with other companies	628	924
Change in fair value of forward exchange contracts	0	358
Income from forward exchange contracts	0	39
Other finance income	3,965	2,789
Total	**18,290**	**15,846**

Dividend income and income on other profit sharing in the amount of EUR 8,143k refer to dividends paid by subsidiaries to the parent.

Other finance income includes income from commissions on loan guarantees issued to subsidiaries and third parties and elimination of allowances for receivables from previous periods, which were paid or reversed.

Finance expenses EUR 38,657k

EURk	2013	2012
Interest expenses on transactions with Group companies	1,634	1,568
Interest expenses on transactions with other companies	13,237	13,912
Expenses on interest rate swaps	2,466	2,182
Change in fair value of forward exchange contracts	209	0
Expenses on forward exchange contracts	26	0
Expenses on net exchange differences	629	551
Impairment loss on investments in subsidiaries	2,800	14,238
Impairment loss on available-for-sale financial assets	9,695	2,422
Impairment loss on trade receivables	669	1,292
Impairment loss on loans	5,934	2,421
Other finance expenses	1,358	3,865
Total	**38,657**	**42,451**

The fair value of trade receivables and loans is provided by impairment of trade receivables and loans in the amount of EUR 6,603k (2012: EUR 3,713k). Impairment loss on loans refers to the company Vario 2000, d.o.o. – in liquidation, and the loan to Merkur, d. d.

Impairment loss on investments amounting to EUR 9,695k (2012: EUR 2,422k) includes shares and investments in other companies (EUR 6,027k) and investments in banks (EUR 3,668k).

Finance income and expenses recognised directly in other comprehensive income (net)

EURk	2013	2012
Net change in fair value of available-for-sale financial assets	-1	-127
Net change in fair value of available-for-sale financial assets, reclassified to profit or loss	0	626
Net change in effective portion of gains and losses on hedging instruments in a cash flow hedge	-422	-2,456
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge, reclassified to profit or loss	2,466	2,182
Net change in fair value of investments in subsidiaries, reclassified to profit or loss	-713	0
Finance income / expense recognised in other comprehensive income	**1,330**	**225**

Net effect from the statement of comprehensive income is shown in the above table; it does not, however, include a change in fair value of land.

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Note 15 – Income tax expense EUR 8,026k

Income tax expense in the amount of EUR 8,026k refers solely to the effect of the changed value of deferred tax assets, as the income tax calculation discloses a negative tax base. Changes in deferred tax are attributable primarily to unused tax losses and R&D and investment-related tax reliefs for 2013. Deferred tax assets were formed also in connection with unutilised incentives from 2011 and 2012, since the production relocation from Sweden to Slovenia and from Velenje to Serbia is expected to have a positive impact in the next mid-term period and thereby provide also the possibility of utilising deferred tax assets.

In 2013, no deferred tax assets were formed in connection with tax incentives for research and development in the amount of EUR 1,907k (2012: EUR 1,588k) that are to be utilised by 2018.

EURk	2013	2012
Current tax expense	0	0
Deferred tax	8,026	-1,495
Total	**8,026**	**-1,495**

Effective income tax rates calculated on the basis of the commercial balance sheet:

EURk	2013	2013	2012	2012
Profit or loss before tax		**-5,321**		**-12,598**
Income tax using the domestic tax rate	17.00%	-905	18.00%	-2,268
Non-deductible expenses	-4.03%	214	-40.36%	5,084
Tax exempt income	53.14%	-2,828	14.22%	-1,792
Unused tax losses and tax incentives relating to deferred tax	84.72%	-4,507	-3.74%	471
Income tax expense	**150.83%**	**-8,026**	**-11.88%**	**1,495**

The following deferred tax amounts were recognised in other comprehensive income:

	2013		
EURk	Pre-tax amount	Tax	After-tax amount
Change in fair value of available-for-sale financial assets	-1	0	-1
Change in fair value of available-for-sale financial assets, reclassified to profit or loss	0	0	0
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge	-5	-417	-422
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge, reclassified to profit or loss	2,466	0	2,466
Net change in fair value of investments in subsidiaries, reclassified to profit or loss	-713	0	-713
Total	**1,747**	**-417**	**1,330**

	2012		
EURk	Pre-tax amount	Tax	After-tax amount
Change in fair value of available-for-sale financial assets	-6	-121	-127
Change in fair value of available-for-sale financial assets, reclassified to profit or loss	626	0	626
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge	-2,327	-129	-2,456
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge, reclassified to profit or loss	2,182	0	2,182
Change in fair value of land	0	224	224
Total	**475**	**-26**	**449**

Note 16 – Intangible assets (IA) EUR 21,651k

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EURk	2013	2012
Development costs	7,908	7,947
Industrial property rights	4,319	5,395
Intangible assets under construction	9,424	928
Total	**21,651**	**14,270**

Movements in intangible assets in 2013

EURk	Development costs	Industrial property rights	Intangible assets under construction	Total
Cost at 1 Jan 2013	**21,097**	**14,584**	**928**	**36,609**
Acquisition			10,903	10,903
Disposal, write-down		-1,047		-1,047
Transfer	2,034	373	-2,407	0
Cost at 31 Dec 2013	**23,131**	**13,910**	**9,424**	**46,465**
Accumulated amortisation at 1 Jan 2013	**13,150**	**9,189**	**0**	**22,339**
Disposal, write-down		-449		-449
Amortisation	2,073	851		2,924
Accumulated amortisation at 31 Dec 2013	**15,223**	**9,591**	**0**	**24,814**
Carrying amount at 1 Jan 2013	**7,947**	**5,395**	**928**	**14,270**
Carrying amount at 31 Dec 2013	**7,908**	**4,319**	**9,424**	**21,651**

The increase in development costs primarily refers to the new advanced products which are developed by competence centres of individual programmes (EUR 1,708k), to the development of packaging (EUR 282k) and to the information system development (EUR 44k). Costs of services referring to development and recognised in the income statement amounted to EUR 2,209k. As for the item of industrial property rights, additions refer mostly to new software and the information system upgrade (EUR 373k).

Intangible assets under construction to a large extent refer to the development of new advanced products, developed by competence centres in Velenje (EUR 6,304k) and to the relocated dishwasher production (EUR 2,253k) which is developed in Asko Sweden.

Movements in intangible assets in 2012

EURk	Development costs	Industrial property rights	Intangible assets under construction	Total
Cost at 1 Jan 2012	**20,866**	**14,789**	**1,328**	**36,983**
Acquisition			1,605	1,605
Disposal, write-down	-689	-1,290		-1,979
Transfer	920	1,085	-2,005	0
Cost at 31 Dec 2012	**21,097**	**14,584**	**928**	**36,609**
Accumulated amortisation at 1 Jan 2012	**11,888**	**9,640**	**0**	**21,528**
Disposal, write-down	-685	-1,289		-1,974
Amortisation	1,947	838		2,785
Accumulated amortisation at 31 Dec 2012	**13,150**	**9,189**	**0**	**22,339**
Carrying amount at 1 Jan 2012	**8,978**	**5,149**	**1,328**	**15,455**
Carrying amount at 31 Dec 2012	**7,947**	**5,395**	**928**	**14,270**

Note 17 – Property, plant and equipment (PPE) EUR 170,668k

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EURk	2013	2012
Land	20,365	20,365
Buildings	51,746	52,335
Production and other equipment	90,792	61,628
Property, plant and equipment under construction	7,765	12,420
Total	**170,668**	**146,748**

Movements in property, plant and equipment in 2013

EURk	Land	Buildings	Production and other equipment	PPE under con-struc-tion	Total
Cost at 1 January 2013	**20,365**	**153,157**	**388,674**	**12,420**	**574,616**
Acquisition				40,732	40,732
Disposal, write-down		-36	-17,516		-17,552
Transfer		2,599	42,788	-45,387	0
Cost at 31 December 2013	**20,365**	**155,720**	**413,946**	**7,765**	**597,796**
Accumulated depreciation at 1 Jan 2013	**0**	**100,822**	**327,046**	**0**	**427,868**
Disposal, write-down		-9	-16,142		-16,151
Reposting to investment property					0
Depreciation		3,161	12,250		15,411
Accumulated depreciation at 31 Dec 2013	**0**	**103,974**	**323,154**	**0**	**427,128**
Carrying amount at 1 Jan 2013	**20,365**	**52,335**	**61,628**	**12,420**	**146,748**
Carrying amount at 31 Dec 2013	**20,365**	**51,746**	**90,792**	**7,765**	**170,668**

Movements in property, plant and equipment in 2012

EURk	Land	Buildings	Production and other equipment	PPE under con-struc-tion	Total
Cost at 1 January 2012	**20,365**	**153,219**	**418,683**	**4,063**	**596,330**
Acquisition				16,713	16,713
Disposal, write-down		-587	-37,840		-38,427
Transfer		525	7,831	-8,356	0
Cost at 31 December 2012	**20,365**	**153,157**	**388,674**	**12,420**	**574,616**
Accumulated depreciation at 1 Jan 2012	**0**	**97,889**	**345,683**	**0**	**443,572**
Disposal, write-down		-254	-32,900		-33,154
Reposting to investment property					0
Depreciation		3,187	14,263		17,450
Accumulated depreciation at 31 Dec 2012	**0**	**100,822**	**327,046**	**0**	**427,868**
Carrying amount at 1 Jan 2012	**20,365**	**55,330**	**73,000**	**4,063**	**152,758**
Carrying amount at 31 Dec 2012	**20,365**	**52,335**	**61,628**	**12,420**	**146,748**

Land EUR 20,365k

Land was appraised in 2013 by an independent certified appraiser of real property. The valuation effect was recorded at EUR 1,623k, which does not meet terms and conditions for value increase pursuant to accounting policies. If land was disclosed at cost, the book value would amount to EUR 12,910k.

Land is not pledged as collateral for outstanding loan liabilities.

Buildings EUR 51,746k

An increase in the value of buildings in the amount of EUR 2,599k is mostly the result of renovation of business and production premises.

A decrease in the value of land is the result of depreciation accounted. Buildings were appraised in 2013 by an independent certified appraiser of real property. The valuation effect under the stated method amounted to EUR -1,230k, which does not meet terms and conditions for value increase pursuant to accounting policies.

Buildings are not pledged as collateral for outstanding loan liabilities.

Production and other equipment EUR 90,792k

The increase in the value of equipment is due to capitalised technological equipment acquired and commissioned in 2013.

In 2013, investments in new equipment and upgrade of the production equipment were carried out in the amount of EUR 24,327k, and of the mechanical hardware in the amount of EUR 285k. Investments made in new tools amounted to EUR 15,380k, in computer equipment to EUR 371k. The modernisation of transport means was carried out in the amount of EUR 1,796k.

The decrease in the value of equipment is due to sale of equipment, the disposal of obsolete equipment, and depreciation expense. The sale of equipment relates to shifting of the production of the new refrigerator-freezer line (600 mm) to the new plant in Valjevo.

In 2013, the appraisal of plant and equipment was carried out and no conditions leading to impairment were established.

Property, plant and equipment under construction EUR 7,765k

Property, plant and equipment under construction relate primarily to equipment relocated from ASKO Sweden, to the new equipment acquired for the production of dryers, and to tools.

Note 18 – Investment property EUR 25,361k

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EURk	2013	2012
Land and buildings	25,361	16,147
Total	**25,361**	**16,147**

Investment property includes land and buildings intended for resale or increase of investment property. In association with investment property, rental income in the amount of EUR 225k (2012: EUR 374k) was recognised in the income statement.

Movements in investment property

EURk	2013	2012
Balance at 1 January	**16,147**	**15,217**
Acquisition	7,303	2,726
Revaluation	2,364	0
Disposal	-453	-1,796
Balance at 31 December	**25,361**	**16,147**

Investment property is measured using the fair value model, which has in view of the valuation by an independent certified appraiser in 2013 increased by EUR 2,364k. In 2013, investment property was acquired for resale and marketing of rental property. Acquisitions include the acquisition of land and building from the company Gorenje Notranja oprema, d.o.o. and the subsidiary Gorenje Kuhinje, d.o.o. Disposals refer to the sale of investment properties, acquired in 2013 from Gorenje Notranja oprema, d.o.o.

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Note 19 – Investments in subsidiaries

EUR 236,245k

EURk	Equity interest	Equity of company 2013	Profit or loss of company 2013	Investment at 31 Dec 2013	Investment at 31 Dec 2012
Gorenje I.P.C., d.o.o., Velenje	100.00%	5,903	354	377	377
Gorenje design studio, d.o.o., Velenje	52.00%	315	-6	260	260
ERICo, d.o.o., Velenje	51.00%	1,331	20	256	256
ENERGYGOR, d.o.o.,Velenje	100.00%	177	5	58	58
Gorenje Notranja oprema, d.o.o., Velenje	0.00%	0	0	0	0
Gorenje Keramika, d.o.o., Velenje	100.00%	2,869	-815	7,990	4,990
Gorenje Kuhinje, d.o.o., Velenje	0.00%	0	0	0	0
Gorenje GTI, d.o.o., Velenje	100.00%	5,403	53	3,934	3,934
Gorenje GSI, d.o.o., Ljubljana	100.00%	6,329	1,373	4,861	4,861
Gorenje Gostinstvo, d.o.o., Velenje	100.00%	6,590	553	5,958	5,958
Gorenje Orodjarna, d.o.o., Velenje	100.00%	3,574	339	3,038	3,038
Indop, d.o.o., Šoštanj	100.00%	549	293	1,000	1,000
Gorenje GAIO, d.o.o., Šoštanj	100.00%	444	8	800	0
Gorenje Surovina, d.o.o., Maribor	85.78%	22,357	1,473	23,489	23,490
ZEOS, d.o.o., Ljubljana	51.00%	942	144	243	242
Gorenje Zagreb, d.o.o., Croatia	100.00%	7,633	-7,486	17,230	17,230
ST Bana Nekretnine, d.o.o., Serbia	1.61%	2,687	-153	50	50
Gorenje Tiki, d.o.o., Serbia	100.00%	25,903	1,269	23,306	23,306
Gorenje Ekologija, d.o.o., Serbia	99.98%	1,317	1	0	2
Gorenje Home, d.o.o., Serbia	100.00%	5,073	116	3,001	3,001
Gorenje Skopje, d.o.o., Macedonia	100.00%	1,430	33	538	538
Mora Moravia s r.o., Czech Republic	67.95%	18,974	3,341	8,750	8,750
Gorenje Nederland BV, the Netherlands	100.00%	131,897	2,855	131,106	131,106
Total		**251,697**	**3,770**	**236,245**	**232,447**

Movements in investment property in 2013

EURk	Investments in subsidiaries
Balance at 1 January 2013	**232,447**
Increase	6,600
Decrease	-2
Impairment	-2,800
Balance at 31 December 2013	**236,245**

Increase in investments in Gorenje Group's subsidiaries includes:

- share capital increase in Gorenje Keramika, d.o.o., Velenje in the amount of EUR 3,000k,
- share capital increase in Gorenje GAIO, d.o.o., Šoštanj in the amount of EUR 800k.

In addition to the capital increase the Company impaired also investments in Gorenje Notranja oprema, d.o.o. in the amount of EUR 2,800k, which has been sold in February 2013 together with the subsidiary Gorenje Kuhinje, d.o.o. Impairments of investments in companies disposed in February 2013 were carried out in 2012 in the amount of EUR 13,238k.

Decrease refers to the disposal of the subsidiary Gorenje Ekologija, d.o.o., Serbia to the subsidiary Gorenje Surovina, d.o.o., Maribor.

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Note 20 – Investments in associates EUR 976k

EURk	Equity interest	Equity of company 2013	Profit or loss of company 2013	Investment at 31 Dec 2013	Investment at 31 Dec 2012
GGE, d.o.o., Ljubljana	33.33%	719	116	200	200
ECONO projektiranje, d.o.o., Ljubljana	26.00%	454	283	35	35
RCE, d.o.o., Velenje	24.00%	-580	-3,577	600	600
Gorenje Projekt, d.o.o., Velenje	50.00%	944	286	141	141
Total		**1,537**	**-2,892**	**976**	**976**

Movements in associates in 2013

EURk	Investments in associates
Balance at 1 January 2013	**976**
Increase	0
Transfer	0
Impairment	0
Balance at 31 December 2013	**976**

List of Group companies which are not directly owned by Gorenje, d.d.
Group companies are owners up to a certain percentage as disclosed in the table below:

EURk	Equity interest	Equity of company 2013	Profit or loss of company 2013
KEMIS, d.o.o., Vrhnika	99.98%	6,335	627
PUBLICUS, d.o.o., Ljubljana	50.99%	1,627	473
EKOGOR, d.o.o., Jesenice	74.99%	135	1
Gorenje Beteiligungs GmbH, Austria	100.00%	45,855	155
Gorenje Austria Handels GmbH, Austria	100.00%	3,952	-930
Gorenje Vertriebs GmbH, Germany	100.00%	8,541	143
Gorenje Körting Italia S.r.l., Italy	100.00%	939	-673
Gorenje France S.A.S., France	100.00%	594	-2,436
Gorenje Belux S.a.r.l., Belgium	100.00%	-242	-40
Gorenje Espana S.L., Spain	100.00%	-168	49
Gorenje UK Ltd., Great Britain	100.00%	67	0
Gorenje Group Nordic A/S, Denmark	100.00%	372	-4,062
Gorenje AB, Sweden	100.00%	250	9
Gorenje OY, Finland	100.00%	348	119
Gorenje AS, Norway	100.00%	164	50
Gorenje spol. s r.o., Czech Republic	100.00%	8,112	195
Gorenje real spol. s r.o., Czech Republic	100.00%	9,819	-477
Gorenje Slovakia s.r.o., Slovakia	100.00%	2,110	-682
Gorenje Budapest Kft., Hungary	100.00%	811	-742
Gorenje Polska Sp. z o.o., Poland	100.00%	6,821	31

Gorenje Bulgaria EOOD, Bulgaria	100.00%	4,432	82
Gorenje Commerce, d.o.o., Bosnia and Herzegovina	100.00%	3,666	299
Gorenje, d.o.o., Serbia	100.00%	10,009	226
Gorenje Podgorica , d.o.o., Montenegro	99.97%	3,014	8
Gorenje Romania S.r.l., Romania	100.00%	670	4
Gorenje aparati za domaćinstvo, d.o.o., Serbia	100.00%	45,847	2,376
Gorenje - kuchyně spol. s r.o., Czech Republic	100.00%	-315	-292
KEMIS-Termoclean, d.o.o., Croatia	99.98%	2,273	1
Kemis - BH, d.o.o., Bosnia and Herzegovina	99.98%	502	52
Gorenje Studio, d.o.o., Serbia	100.00%	2,350	21
Gorenje Gulf FZE, United Arab Emirates	100.00%	386	-28
Gorenje Istanbul Ltd., Turkey	100.00%	714	-3,327
Gorenje TOV, Ukraine	100.00%	175	-74
Kemis Valjevo, d.o.o, Serbia	99.98%	1,457	206
Kemis – SRS, d.o.o., Bosnia and Herzegovina	99.98%	125	1
ATAG Europe BV, the Netherlands	100.00%	32,584	7,957
ATAG Nederland BV, the Netherlands	100.00%	28,266	8,216
ATAG België NV, Belgium	100.00%	980	-104
ATAG Financiele Diensten BV, the Netherlands	100.00%	-437	0
ATAG Financial Solutions BV, the Netherlands	100.00%	0	0
ATAG Special Product BV, the Netherlands	100.00%	-1,517	0
Intell Properties BV, the Netherlands	100.00%	1,687	-24
Gorenje Kazakhstan, TOO, Kazakhstan	100.00%	765	-31
Gorenje kuhinje, d.o.o., Ukraine	70.00%	-163	-41
»Euro Lumi & Surovina« SH.P.K., Kosovo	50.99%	567	-113
OOO Gorenje BT, Russia	100.00%	733	36
Gorenje GTI, d.o.o., Beograd, Serbia	100.00%	271	60
Asko Appliances AB, Sweden	100.00%	12,204	-4,192
Asko Hvitevarer AS, Norway	100.00%	141	151
AM Hvidevarer A/S, Denmark	100.00%	0	0
Asko Appliances Inc, USA	100.00%	833	957
Asko Appliances Pty, Australia	100.00%	5,220	-1,330
Asko Appliances OOO, Russia	100.00%	4	3
»Gorenje Albania« SHPK, Albania	100.00%	85	46
ORSES d.o.o. Beograd, Serbia	100.00%	509	15
Gorenje Corporate GmbH, Austria	100.00%	36	0
Cleaning sistem S, d.o.o., Serbia	75.99%	1,182	19
Zeos eko-sistem d.o.o., Bosnia and Herzegovina	49.45%	554	150
Gorenje Studio d.o.o., Ljubljana	100.00%	3,300	-2
Gorenje Asia Ltd. ,China	100.00%	193	0
Gorenje MDM, D.O.O. Kragujevac, Serbia	100.00%	5	-96
Gorenje Surovina Fotoreciklaža, d.o.o., Maribor	50.99%	-41	-49
Gorenje do Brasil Ltda., Brasil	100.00%	-95	-308
Solarna energija Solago, d.o.o., Serbia	100.00%	-3	-4
Gorenje Sola-Home, d.o.o., Serbia	100.00%	-1	-2
Total		**259,609**	**2,679**

Note 21 – Other non-current investments EUR 690k

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Other non-current investments include non-current loans in the amount of EUR 19k (2012: EUR 42k) and other non-current investments in the amount of EUR 671k (2012: EUR 619k). The increase refers to revaluation of art works.

As for the structure of total non-current investments, the Company is not exposed to higher financial risks since most of these investments refer to subsidiaries.

Movements in other non-current investments

EURk	2013	2012
Opening balance at 1 January	**619**	**619**
Increase	52	0
Decrease	0	0
Closing balance at 31 December	**671**	**619**

Movements in loans

EURk	2013	2012
Opening balance at 1 January	**42**	**84**
Increase	0	0
Decrease	-23	-42
Reposting to non-current investments	0	0
Closing balance at 31 December	**19**	**42**

Loans by maturity

EURk	2013	2012
Maturity from 1 to 2 years	19	42
Maturity from 2 to 3 years	0	0
Maturity from 3 to 4 years	0	0
Maturity from 4 to 5 years	0	0
Maturity over 5 years	0	0
Total	**19**	**42**

No non-current loans were recorded as at the year-end of 2013, except housing loans under the Housing Act of 1991.

Breakdown of non-current loans to specific groups of persons

No non-current loans were granted to Management Board members, Supervisory Board members, and internal owners.

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Note 22 – Deferred tax assets and liabilities

	Tax assets		Tax liabilities		Tax assets – Tax liabilities	
EURk	2013	2012	2013	2012	2013	2012
PPE	36	50	1,268	1,268	-1,232	-1,218
Investments	1,406	1,403	20	20	1,386	1,383
Tax differences on taxed profit shares	0	265	0	0	0	265
Receivables	723	832	0	0	723	832
Provisions for retirement benefits and jubilee premiums	1,327	1,431	0	0	1,327	1,431
Provisions for warranties	938	800	0	0	938	800
Unused tax losses	7,480	3,612	0	0	7,480	3,612
Unused tax incentives	6,241	1,732	0	0	6,241	1,732
Cash flow hedge – interest rate swaps	481	898	0	0	481	898
Total	**18,632**	**11,023**	**1,288**	**1,288**	**17,344**	**9,735**

	Tax assets – Tax liabilities		Through profit or loss		Through other comprehensive income	
EURk	2013	2012	2013	2012	2013	2012
PPE	-1,232	-1,218	-14	-24	0	224
Investments	1,386	1,383	3	236	0	-121
Tax differences on taxed profit shares	0	265	-265	265	0	0
Receivables	723	832	-109	-378	0	0
Provisions for retirement benefits and jubilee premiums	1,327	1,431	-104	-589	0	0
Provisions for warranties	938	800	138	-518	0	0
Unused tax losses	7,480	3,612	3,868	-637	0	0
Unused tax incentives	6,241	1,732	4,509	150	0	0
Cash flow hedge – interest rate swaps	481	898	0	0	-417	-129
Total	**17,344**	**9,735**	**8,026**	**-1,495**	**-417**	**-26**

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Note 23 – Inventories EUR 95,811k

EURk	2013	2012
Materials	43,917	39,433
Work in progress	7,044	7,622
Products	15,472	22,190
Merchandise	25,492	14,498
Advances	3,886	474
Total	**95,811**	**84,217**

In 2013, inventories increase by 13.8% over the previous year's balance due to higher inventories of merchandise, which is attributable to the inclusion of goods in transit (coal) that are already owned by the Company in view of the parity.

As at the balance sheet date, the Company records no inventories as pledge. The book value of inventories does not exceed their net realisable value. The book value of inventories of products, for which corrections were made from production cost to net realisable value, amounts to EUR 1,591k (2012: EUR 4,459k).

In 2013, value adjustments of inventories amounted to EUR 1,701k (2012: EUR 2,034k) and resulted from write-off of obsolete inventories.

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Note 24 – Current investments EUR 90,626k

EURk	2013	2012
Available-for-sale shares and interests	2,758	12,310
Loans	87,395	94,708
Interest receivable	473	1,426
Other current receivables from financing activities	0	1,639
Total	**90,626**	**110,083**

Available-for-sale financial assets include shares and interests in banks worth EUR 102k (2012: EUR 4,083k) and in other entities worth EUR 2,656k (2012: EUR 8,227k).

Movements in available-for-sale shares and interests

EURk	2013	2012
Opening balance at 1 January	**12,310**	**14,031**
Increase	169	80
Sale	0	-4
Impairment	-26	0
Change in fair value	-9,695	-1,797
Closing balance at 31 December	**2,758**	**12,310**

Change in fair value amounting to EUR 9,695k is disclosed among finance expenses and refers to impairment of shares and interests in other entities (EUR 6,027k) and to impairment of investments in banks (EUR 3,668k).

Current loans

EURk	2013	2012
Current loans to Group companies	79,719	87,133
Current loans to other companies	7,676	7,575
Total	**87,395**	**94,708**

Current deposits with banks with maturity up to 30 days are recorded under cash and cash equivalents in the amount of EUR 604k.

The Company impaired the loan extended to the company Vario 2000, d.o.o. – in the process of liquidation, in the amount of (EUR 4,208k, and impaired the loan to Merkur, d.d. in the amount of EUR 1,516k.

Current loans extended to Group companies operating in Slovenia

Company / EURk	2013	2012
KEMIS, d.o.o., Vrhnika	1,070	790
PUBLICUS, d.o.o., Ljubljana	0	380
Gorenje Surovina, d.o.o., Maribor	7,815	9,580
Gorenje Notranja oprema, d.o.o., Velenje	0	3,565
Gorenje Orodjarna, d.o.o., Velenje	2,406	1,458
Gorenje Kuhinje, d.o.o., Velenje	0	7,095
Gorenje Keramika, d.o.o., Velenje	1,095	3,759
Gorenje GAIO, d.o.o., Šoštanj	0	782
Gorenje GTI, d.o.o., Velenje	3,696	1,069
Total	**16,082**	**28,478**

Current loans extended to Group companies operating abroad

Company / EURk	2013	2012
KEMIS-Termoclean, d.o.o., Croatia	510	1,550
Gorenje Beteiligungs GmbH, Austria	20,811	0
Asko Appliances AB, Sweden	0	23,900
Gorenje Nederland BV, the Netherlands	38,598	30,605
Gorenje Istanbul Ltd., Turkey	0	300
Gorenje Körting Italia, S.r.l., Italy	0	300
Gorenje Magyarorszag, Hungary	2,376	1,250
Gorenje Polska Sp. z o.o., Poland	137	750
Gorenje- kuchyne spol.s.r.o., Czech Republic	1,205	0
Total	**63,637**	**58,655**

Short-term loans bear interest at a nominal interest rate ranging from 1.33% to 6.033%. In view of current loans, the Company is not exposed to higher financial risks as most of these loans were extended to its subsidiaries. The loan extended to Arosa Mobilie, d.o.o. in the amount of EUR 2,791k is secured with a lien on property.

Current loans to specific groups of persons

No current loans were granted to Management Board members, Supervisory Board members, and internal owners.

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Note 25 – Trade receivable EUR 195,935k

EURk	2013	2012
Trade receivables – Group companies	158,498	149,636
Trade receivables – other companies	37,437	44,407
Total	**195,935**	**194,043**

Collateralisation of receivables

The Company records trade receivables due from other companies, which are adequately and well secured in the amount of EUR 22,223k.

Current trade receivables due from Group companies

EURk	2013	2012
Trade receivables due from customers in Slovenia	11,498	13,760
Trade receivables due from customers abroad	147,000	135,876
Total	**158,498**	**149,636**

Current trade receivables due from customers (Group companies) operating in Slovenia

Company / EURk	2013	2012
ENERGYGOR, d.o.o., Ljubljana	1	1
ZEOS, d.o.o., Ljubljana	9	11
PUBLICUS, d.o.o., Ljubljana	1	9
KEMIS, d.o.o., Vrhnika	8	12
Gorenje Surovina, d.o.o., Maribor	322	624
Gorenje Notranja oprema, d.o.o., Velenje	0	465
Gorenje I.P.C., d.o.o.,Velenje	1,534	1,697
Gorenje GTI, d.o.o., Velenje	30	81
Gorenje Gostinstvo, d.o.o., Velenje	66	63
Gorenje Orodjarna, d.o.o., Velenje	152	227
ERICo, d.o.o., Velenje	1	6
Gorenje design studio, d.o.o., Velenje	13	13
Indop, d.o.o., Šoštanj	107	116
Gorenje GAIO, d.o.o., Šoštanj	998	83
Gorenje GSI, d.o.o., Ljubljana	7,914	10,198
Gorenje Kuhinje, d.o.o., Velenje	0	104
Gorenje Keramika, d.o.o., Velenje	27	50
Gorenje Studio, d.o.o., Ljubljana	315	0
Total	**11,498**	**13,760**

Current trade receivables due from customers (Group companies) operating abroad

Company / EURk	2013	2012
Gorenje Zagreb, d.o.o., Croatia	16,788	16,055
KEMIS-Termoclean, d.o.o., Croatia	0	1
Gorenje, d.o.o., Serbia	6,683	7,047
Gorenje aparati za domaćinstvo, d.o.o., Serbia	27,656	13,479
Gorenje Tiki, d.o.o., Serbia	962	3,782
Gorenje Home, d.o.o., Serbia	7,515	6,775
Gorenje Commerce, d.o.o., Bosnia and Herzegovina	210	681
Gorenje Skopje, d.o.o., Macedonia	2,142	2,245
Gorenje Podgorica, d.o.o., Montenegro	4,044	4,237
Gorenje Vertriebs GmbH, Germany	10,340	13,787
Gorenje Austria Handels GmbH, Austria	1,859	3,386
Gorenje Beteiligungs GmbH, Austria	4,836	3,893
Asko Appliances AB, Sweden	2,976	45
Asko Kodinkone, Finnland	3	0
Gorenje Group Nordic A/S, Denmark	11,628	16,991
ATAG Nederland BV, the Netherlands	594	182
Gorenje Nederland BV, the Netherlands	68	339
Gorenje UK Ltd., Great Britain	4,312	1,502
Gorenje Belux S.a.r.l., Belgium	1,486	1,822
Gorenje France S.A.S., France	886	3,487
Gorenje Körting Italia S.r.l., Italy	4,522	4,554
Gorenje Espana S.L., Spain	-20	-20
OOO Gorenje BT, Russia	11,678	7,944
Gorenje TOV, Ukraine	6,101	4,166
Gorenje Kazakhstan, TOO, Kazakhstan	42	45
Gorenje Slovakia s.r.o., Slovakia	-3	945
Gorenje spol. s r.o., Czech Republic	501	4,523
Gorenje - real spol s r.o., Czech Republic	95	1
Mora Moravia, a.s., Czech Republic	1,487	1,483
Gorenje Magyarorszag Kft. Torokbalint, Hungary	1,669	1,844
Gorenje Polska Sp. z o.o., Poland	2,348	5,688
Gorenje Bulgaria EOOD, Bulgaria	53	1,193
Gorenje Romania S.r.l., Romania	3,003	2,050
Gorenje Istanbul Ltd., Turkey	0	1
»Gorenje Albania« SHPK, Albania	249	287
Gorenje Gulf FZE, United Arab Emirates	1,128	1,432
Asko Appliances Inc, USA	3,214	4
Asko Appliances Pty., Australia	4,935	0
Gorenje do Brasil Ltda, Brasil	237	0
Asko Appliances OOO, Russia	740	0
Solarna energija Solago d.o.o., Serbia	165	0
Gorenje Sola-Home, d.o.o., Serbia	121	0
Gorenje MDM d.o.o. Kragujevac, Serbia	11	0
Revaluation	-264	0
Total	**147,000**	**135,876**

Note 26 – Other current assets EUR 15,377k

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EURk	2013	2012
Advance for services	352	249
Short-term deferred costs and expenses	1,974	5,080
Other current assets	13,051	12,978
Total	**15,377**	**18,307**

Advances for services mainly include collaterals received in the amount of EUR 227k (2012: EUR 222k).

Other current assets include to a large extent input VAT receivables in the Republic of Slovenia in the amount of EUR 7,592k (2012: EUR 7,205k), unpaid VAT receivables relating to foreign countries in the amount of EUR 508k (2012: EUR 675k), current receivables from tax deductions in the amount of EUR 495k (2012: EUR 280k), and receivables not yet charged in the amount of EUR 3,295k (2012: EUR 3,654k).

Short-term deferred costs include deferred costs relating to subsequent periods. Compared to 2012, short-term deferred costs and expenses declined by 61.1% primarily as a result of reclassifying costs of non-current loans to non-current financial liabilities since they were disclosed at amortised cost.

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Note 27 – Cash and cash equivalents EUR 14,904k

EURk	2013	2012
Cash in hand and cash in transit	1,105	33
Bank balances and cash held in other financial institutions	13,799	18,939
Total	**14,904**	**18,972**

Bank balances also include deposits with maturity up to 30 days, which amounted to EUR 604k in 2013 (2012: EUR 918k).

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Note 28 – Equity EUR 347,907k

As at 31 December 2013, the share capital of Gorenje, d.d. amounted to EUR 92,240,139.36 (31 December 2012: EUR 66,378,217.32) and was divided into 22,104,427 ordinary, freely transferable, registered, no par value shares. The share capital was in 2013 increased by the strategic partner Panasonic in the amount of EUR 10,000,001.66 (i.e. an increase of EUR 9,681,964.61) and by domestic and foreign investors in the amount of EUR 16,711,443.15. Of total EUR 26,711,444.81 in fresh capital raised, EUR 25,861,922.04 were allocated to share capital increase and the residual amount of EUR 849,522.77 to capital surplus.

Capital surplus (share premium) in the amount of EUR 157,705k (2012: EUR 157,712k) includes paid-in capital in excess of par value of shares in the amount of EUR 64,345k (2012: EUR 64,351k), surplus in excess of book value of disposed own shares (treasury shares) in the amount of EUR 15,313k (2012: EUR 15,313k) and general equity revaluation adjustment in the amount of EUR 78,047k (2012: EUR 78,047k) transferred upon the transition to IFRSs. Capital surplus relating to excess of par value of shares grew by EUR 849k over the 2012 balance due to the relevant capital increase and declined by EUR 856k due to costs of capital increase.

Revenue reserves recorded as at the balance sheet date in the amount of EUR 95,818k (31 December 2012: EUR 94,331k) consist of legal reserves, statutory reserves, treasury share reserve and other revenue reserves.

As at 31 December 2013, legal reserves amounted to EUR 12,896k (31 December 2012: EUR 12,896k). In accordance with provisions of the Companies Act, share premium (capital surplus) and legal reserves can in their excess amount be used for share capital increase, for coverage of loss for the period and retained loss if revenue reserves are not simultaneously used for dividend payout.

In compliance with the Company's Articles of Association, statutory reserves were created in the amount of EUR 270k i.e. 10% of net profit, and as at the balance sheet date amounted to EUR 6,923k (31 December 2012: EUR 6,653k). Statutory reserves can according to Company's Articles of Association be used for a share capital increase; for coverage of loss for the period and retained loss should no other sources be available; for share withdrawal in case of a compulsory transfer of shares, and for share withdrawal by Company's acquisition; for share withdrawal under the simplified procedure of share capital decrease; for creation of treasury shares if no other sources are available, and for balancing the dividend policy.

The number of treasury shares (own shares) did not change in 2013. As at 31 December 2013, the Company recorded 121,311 treasury shares at a cost of EUR 3,170k.

As at 31 December 2013, Company's other revenue reserves amounted to EUR 72,829k (31 December 2012: EUR 71,612k) and were created on the basis of resolutions on the appropriation of profit for the period adopted by the Management Board and the Supervisory Board and resolutions of the General Meeting of Shareholders on the appropriation of the accumulated profit. Pursuant to the resolution of the Management Board and provisions of the Companies Act, the Company reallocated part of the net profit for the period in the amount of EUR 1,217k to other revenue reserves. Other revenue reserves can be used for any purpose whatsoever, except for the legally defined formation of the treasury share reserve.

Retained earnings in the amount of EUR 1,369k (31 December 2012: EUR 151k) comprise retained earnings or losses from previous periods (EUR 151k) and the profit for the period (EUR 1,218k), which remained upon the allocation of net profit for the period for statutory reserves in the amount of EUR 270k and for other reserves EUR 1,217k.

Liabilities relating to unused vacation days were charged against other reserves in 2012.

Fair value reserve amounting to EUR 3,945k as at 31 December 2013 (31 December 2012: EUR 2,615k) includes a surplus from revaluation of land which is valued using the revaluation model, a change in fair value of available-for-sale investments, and a change in value of the cash flow hedge.

Changes in fair value reserve are shown in the table below:

EURk	Fair value reserve for land	Fair value reserve for available-for-sale financial assets	Fair value reserve for derivatives	Fair value reserve for investments in subsidiaries	Total
Balance at 1 Jan 2013	**6,186**	**98**	**-4,382**	**713**	**2,615**
Revaluation of land	0	0	0	0	0
Disposal of land	0	0	0	0	0
Change in fair value of cash flow hedge	0	0	-5	0	-5
Change in fair value of cash flow hedge, reclassified to profit or loss	0	0	2,466	0	2,466
Change in fair value of available-for-sale financial assets	0	-1	0	0	-1
Disposal of available-for-sale financial assets	0	0	0	0	0
Impairment of available-for-sale financial assets	0	0	0	0	0
Subsidiary-related exchange differences	0	0	0	-713	-713
Deferred taxes	0	0	-417	0	-417
Balance at 31 Dec 2013	**6,186**	**97**	**-2,338**	**0**	**3,945**

EURk	Fair value reserve for land	Fair value reserve for available-for-sale financial assets	Fair value reserve for derivatives	Fair value reserve for investments in subsidiaries	Total
Balance at 1 Jan 2012	**5,962**	**-401**	**-4,108**	**713**	**2,166**
Revaluation of land	0	0	0	0	0
Disposal of land	0	0	0	0	0
Change in fair value of cash flow hedge	0	0	-2,327	0	-2,327
Change in fair value of cash flow hedge, reclassified to profit or loss	0	0	2,182	0	2,182
Change in fair value of available-for-sale financial assets	0	-6	0	0	-6
Disposal of available-for-sale financial assets	0	0	0	0	0
Impairment of available-for-sale financial assets	0	626	0	0	626
Subsidiary-related exchange differences	0	0	0	0	0
Deferred taxes	224	-121	-129	0	-26
Balance at 31 Dec 2012	**6,186**	**98**	**-4,382**	**713**	**2,615**

Own shares (treasury shares)

Number of own shares	1 Jan 2013	Purchase	Sale	31 Dec 2013
Repurchased own shares	121,311	0	0	121,311

Earnings per share amounted to EUR 0.16 (2012: EUR -0.89).

To determine earnings per share, the following data on the profit or loss and the average number of shares was used:

	2013	2012
Profit or loss for the period (EURk)	2,705	-14,093
Weighted average number of ordinary shares	16,688,725	15,785,565
Earnings per share (in EUR)	**0.16**	**-0.89**

No preference shares have been issued by Gorenje, d.d., hence basic and diluted earnings per share are equal.

In 2013, no dividends were paid out (dividends were paid out in 2012 in the amount of EUR 0.15 gross per share).

Note 29 - Determination of accumulated profit and proposal for its appropriation in line with the Companies Act

Pursuant to the Companies Act and the Articles of Association of Gorenje, d.d., the Management Board decided that part of the profit for 2013 (EUR 2,704,885.80) is in the amount of EUR 270,488.58 allocated to statutory reserves and in the amount of EUR 1,217,198.61 to other revenue reserves. The Supervisory Board endorsed the decision.

	in EUR
Profit for the period	2,704,885.80
- formation of statutory reserves	-270,488.58
- formation of other revenue reserves pursuant to Management Board's resolution	-1,217,198.61
+ retained earnings	152,123.64
= accumulated profit as at 31 December 3013	**1,369,322.25**

The Management Board and the Supervisory Board have proposed to the General Meeting of Shareholders that the accumulated profit for 2013 in the amount of EUR 1,369,322.25 remains unappropriated.

Note 30 – Provisions EUR 23,185k

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EURk	2013	2012
Provisions for warranties	11,035	9,408
Provisions for retirement benefits and jubilee premiums	10,235	10,772
Other provisions	1,915	1,452
Total	**23,185**	**21,632**

Movements in provisions in 2013

EURk	Balance 1 Jan 2013	Use	Reversal	Creation	Balance 31 Dec 2013
Provisions for warranties	9,408	-7,998	-1,643	11,268	11,035
Provisions for retirement benefits and jubilee premiums	10,772	-449	-235	147	10,235
Other provisions	1,452	-168	-208	839	1,915
Total	**21,632**	**-8,615**	**-2,086**	**12,254**	**23,185**

Movements in provisions in 2012

EURk	Balance 1 Jan 2012	Use	Reversal	Creation	Balance 31 Dec 2012
Provisions for warranties	13,170	-8,551	-2,846	7,635	9,408
Provisions for retirement benefits and jubilee premiums	11,899	-885	-836	594	10,772
Other provisions	1,158	0	-183	477	1,452
Total	**26,227**	**-9,436**	**-3,865**	**8,706**	**21,632**

Non-current provisions for warranties were created on the basis of estimated costs of warranties calculated by considering the historical data on the quality level of products and the costs of repairs under warranties. The changed level of provisions for warranties was primarily influenced by the relocation of the dishwasher and dryer production from the subsidiary ASKO Sweden and the related initial risk, and the bigger cancellation exposure relating to these products.

No actuarial calculation was performed by the Company in 2013. Provisions for retirement benefits and jubilee premiums were formed and charged against the current profit or loss in the amount of EUR 147k (2012: EUR 594k); they relate to new permanent employments and were calculated on the basis of the actuarial calculation

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in 2012. Reversal of provisions for retirement benefits and jubilee premiums refer to the transfer of 88 service engineers from the parent company to Gorenje GSI, d.o.o.

The actuarial calculation from 2012 is founded on the 4.60% discount rate, which reflects the rate of return on 10-year entrepreneurial high-credit bonds in the euro zone in 2012.

Other provisions include provisions for claims filed with the court.

Note 31 – Non-current financial liabilities EUR 170,416k

EURk	2013	2012
Non-current financial liabilities to banks	221,966	218,008
Non-current financial liabilities to other companies	52,125	69,933
Current portion of non-current liabilities	-102,092	-60,627
Adjustment of non-current financial liabilities at amortised cost	-1,583	0
Non-current finance lease	0	13
Total	**170,416**	**227,327**

Non-current financial liabilities are denominated in EUR and recorded at amortised cost i.e. restated under the effective interest method and inclusive of costs of granting the borrowing. At the end of 2013, borrowings bore interest at the variable interest rate ranging from 0.842% to 4.837%.

Non-current financial liabilities to other companies include liabilities from borrowings from International Finance Corporation (IFC).

Financial liabilities by maturity

EURk	2013	2012
Maturity from 1 to 2 years	43,412	93,765
Maturity from 2 to 3 years	82,314	34,916
Maturity from 3 to 4 years	25,276	74,159
Maturity from 4 to 5 years	9,572	17,892
Maturity over 5 years	9,842	6,595
Total	**170,416**	**227,327**

Collateralisation of financial liabilities

EURk	2013	2012
Bills	89,158	42,389
Pari-Passu Clause, Negative Pledge Clause	171,999	194,513
Financial covenants (ratios)	170,599	191,713
Guarantees	32,841	0

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Note 32 – Current financial liabilities EUR 157,461k

EURk	2013	2012
Borrowings from banks	11,500	16,500
Borrowings from related companies	38,093	24,401
Borrowings from third parties	1,216	1,008
Interest payable	1,421	351
Dividends payable	59	147
Current portion of non-current financial liabilities	102,092	60,627
Other current financial liabilities	3,080	5,315
Total	**157,461**	**108,349**

Other current financial liabilities include liabilities from hedges by derivatives in the amount of EUR 3,065k (2012: EUR 5,315k) and liabilities from the purchase of available-for-sale investments in the amount of EUR 15k.

In order to hedge against the cash flow fluctuations, the Company concluded interest rate swap contracts which mature by 15 June 2016; each individual contract documents the relation between the derivative and the hedged category. Fair value of concluded interest rate swap contracts is directly recognised in the fair value reserve of the derivative in the comprehensive income. In 2013, the Company realised settlements relating to derivatives of interest rate swaps in the amount of EUR -2,464,755.21 and by this amount reduced the profit or loss and increased the fair value reserve of derivatives in equity. In addition, the fair value reserve of derivatives was reduced in the comprehensive income by EUR 5,512.62 as a result of adjusting interest rate swaps to fair value.

Effects of derivatives used to hedge against currency risk, which are classified as instruments for fair value hedge and not as hedging instruments in a cash flow hedge, are recognised in the income statement at fair value.

Borrowings received from Group companies operating in Slovenia

Company / EURk	2013	2012
Gorenje Gostinstvo, d.o.o., Velenje	2,615	2,303
Gorenje I.P.C., d.o.o., Velenje	5,160	4,959
Gorenje GAIO, d.o.o., Šoštanj	12	0
Gorenje GSI, d.o.o., Ljubljana	5,840	630
Gorenje Orodjarna, d.o.o., Velenje	0	158
Gorenje design studio, d.o.o., Velenje	173	99
ENERGYGOR, d.o.o., Velenje	164	164
ERICo, d.o.o., Velenje	195	185
Indop, d.o.o., Šoštanj	584	1,101
ZEOS, d.o.o., Ljubljana	1,767	1,302
Gorenje Studio, d.o.o., Ljubljana	1,083	0
Total	**17,593**	**10,901**

Borrowings received from Group companies operating abroad

Company / EURk	2013	2012
ATAG Europe BV, the Netherlands	17,400	11,000
Gorenje real spol.s.r.o., Czech Republic	3,100	0
Gorenje Commerce, d.o.o., Bosnia and Herzegovina	0	2,500
Total	**20,500**	**13,500**

Collateralisation of current financial liabilities

EURk	2013	2012
Bills	44,308	59,318
Pari-Passu Clause, Negative Pledge Clause	108,092	66,627
Financial covenants (ratios)	100,692	59,227
Guarantees	19,284	17,808

Interest-bearing borrowings

			Interest rate	
Currency	Value in currency	Value in EURk	from	to
EURk	152,901	152,901	0.842%	4.990%
Total		**152,901**		

Collateralisation of non-current and current financial liabilities

Neither Company's current or non-current financial liabilities are collateralised by mortgage or any other form of real assets. A significant portion of Company's borrowings is collateralised by bills of exchange, Pari-Passu and Negative Pledge clauses pursuant to individual contracts. Non-current borrowings in particular are frequently additionally secured by financial covenants as defined in relevant loan contracts.

Guarantees refer to the collateral issued to International Finance Corporation (IFC) by the company Gorenje Nederland B.V. in connection with liabilities of Gorenje, d. d.

Some loan contracts concluded with banks include financial covenants that are expected to be fully met in the financial year. The covenants are reviewed on the basis of the audited consolidated financial statements for the respective financial year. A portion of financial covenants relating to the borrowing from the International Finance Corporation (IFC) are reviewed on a three-month basis.

Because of the expected breach of financial covenants, the Company applied at the year end 2013 to its bank partners for waiver of financial covenants requiring consolidated financial statements for 2013. Waivers were approved by all bank partners for all credit lines, guarantee transactions and other deals secured by financial covenants. The waiver of financial covenants applies to the financial year 2013.

In 2013, the Company also applied to the International Financial Corporation IFC for waiver of financial covenants requiring quarterly interim reports for 2013, and the waiver for the borrowing was approved by the IFC.

Note 33 – Trade payables EUR 169,476k

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EURk	2013	2012
Trade payables to suppliers in the Gorenje Group	34,725	25,387
Trade payables to other suppliers	134,751	126,777
Total	**169,476**	**152,164**

Trade payables to suppliers in the Gorenje Group

EURk	2013	2012
Trade payables to suppliers in Slovenia	6,560	6,402
Trade payables to suppliers abroad	28,165	18,985
Total	**34,725**	**25,387**

Trade payables to suppliers in the Gorenje Group – Slovenia

Company / EURk	2013	2012
Kemis, d.o.o., Radomlje	32	43
Gorenje Surovina, d.o.o., Maribor	86	97
Gorenje Notranja oprema, d.o.o, Velenje	0	60
Gorenje I.P.C., d.o.o., Velenje	4,477	4,040
Gorenje GTI, d.o.o., Velenje	162	149
Gorenje Gostinstvo, d.o.o., Velenje	129	155
Gorenje Orodjarna, d.o.o., Velenje	916	917
ERICo, d.o.o., Velenje	14	50
Gorenje design studio, d.o.o., Velenje	184	240
Gorenje GAIO, d.o.o., Šoštanj	238	508
Indop, d.o.o, Šoštanj	0	86
Gorenje GSI, d.o.o., Ljubljana	310	55
Gorenje Kuhinje, d.o.o., Velenje	0	2
ZEOS, d.o.o., Ljubljana	1	0
Gorenje Keramika, d.o.o., Velenje	10	0
Gorenje Studio, d.o.o., Ljubljana	1	0
Total	**6,560**	**6,402**

Trade payables to suppliers in the Gorenje Group – foreign countries

Company / EURk	2013	2012
Gorenje Zagreb, d.o.o., Croatia	8	12
Gorenje, d.o.o., Serbia	162	12
Gorenje aparati za domaćinstvo, d.o.o., Serbia	12,064	9,096
Gorenje Tiki, d.o.o., Serbia	2,236	6,169
Gorenje Vertriebs GmbH, Germany	315	118
Gorenje Austria Handels GmbH, Austria	51	216
Gorenje Beteiligungs GmbH, Austria	250	149
Asko Appliances AB, Sweden	5,711	271
Gorenje Group Nordic A/S, Denmark	335	48
ATAG Nederland BV, the Netherlands	71	269
Gorenje Nederland BV, the Netherlands	64	95
Gorenje UK Ltd., Great Britain	27	13
Gorenje Belux S.a.r.l., Belgium	0	19
Gorenje France S.A.S., France	2	17
Gorenje Körting Italia S.r.l., Italy	71	53
Gorenje Espana S.L., Spain	-20	-20
Gorenje Slovakia s.r.o., Slovakia	65	0
Gorenje spol. s r.o., Czech Republic	156	5
Mora Moravia s r.o., Czech Republic	5,977	1,843
Gorenje Budapest Kft., Hungary	57	94
Gorenje Polska Sp. z o.o., Poland	0	100
Gorenje Romania S.r.l., Romania	46	3
Gorenje Gulf FZE, United Arab Emirates	147	202
Gorenje Istanbul Ltd., Turkey	17	15
Gorenje Commerce, d.o.o., Bosnia and Herzegovina	121	17
Gorenje Corporate GmbH, Austria	0	31
Asko Appliances Inc., USA	0	2
Gorenje Home, d.o.o., Serbia	171	135
Gorenje real spol .s.r.o., Czech Republic	2	0
Gorenje TOV, Ukraine	60	0
Revaluation	-1	1
Total	**28,165**	**18,985**

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Trade payables to other suppliers

EURk	2013	2012
Trade payables to other suppliers in Slovenia	45,733	46,360
Trade payables to other suppliers abroad	89,018	80,417
Total	**134,751**	**126,777**

Note 34 – Other current liabilities EUR 17,143k

EURk	2013	2012
Payables to employees	7,056	7,973
Payables to state and other institutions	1,024	1,086
Payables for advances received	680	151
Other payables	1,653	1,519
Accrued costs and expenses	6,730	8,388
Total	**17,143**	**19,117**

As at 31 December, payables to employees include:

EURk	2013	2012
Wages and salaries, continued pay	3,797	4,590
Payroll contributions	1,372	1,425
Payroll taxes	765	742
Other work-related earnings	151	150
Deductions from wages and salaries	918	949
Other payables	53	117
Total	**7,056**	**7,973**

Accrued costs and expenses were created for accrued costs of services in the amount of EUR 1,855k (2012: EUR 1,970k), accrued interest expenses on borrowings in the amount of EUR 2,307k (2012: EUR 2,810k), accrued costs for employee benefits expense in the amount of EUR 985k, accrued costs for work-related costs in the amount of EUR 1,452k, and accrued costs for development-related liabilities charged by the subsidiary Asko in the amount of EUR 131k.

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Note 35 – Contingent liabilities

Contingent liabilities from loan guarantees given to financial institutions for financial burdens of its subsidiaries in the amount of EUR 123,833k (2012: EUR 159,339k) and its associates in the amount of EUR 5,305k (2012: EUR 3,189k), to third parties in the amount of EUR 9,571k (2012: EUR 960k), and to the subsidiary Gorenje Beteiligungs in the amount of EUR 7,363k (2012: EUR 11,000k) are recorded in a separate account. The guarantee to third parties in the amount of EUR 8,701k refers to the shipping transport of coal. In addition, contingent liabilities from performance bonds and payment guarantees in the amount of EUR 3,977k (2012: EUR 3,908k) are also recorded in a separate account.

In accordance with the ordinary business practice, the ATAG company is not liable to publish its annual results of operation in the country, where its corporate seat is, if the shareholder, in a special statement, assumes liability to pay any outstanding obligations of the company. The respective statement shall remain in effect until rescinded by the shareholder.

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Note 36 – Financial instruments

Credit risk

The carrying amount of financial assets represents the maximum credit risk exposure. The maximum credit risk exposure at the reporting date:

EURk	2013	2012
Available-for-sale financial assets	2,758	12,310
Loans	87,414	94,750
Trade and other receivables	209,337	207,270
Cash and cash equivalents	14,904	18,972
Other receivables from financing activities	2,120	4,660
Total	**316,533**	**337,962**

The maximum credit risk exposure of trade receivables at the reporting date by geographic region:

EURk	2013	2012
Western Europe	52,551	58,179
Eastern Europe	122,362	118,242
Other countries	21,022	17,622
Total	**195,935**	**194,043**

The maximum credit risk exposure of trade receivables at the reporting date by type of customer:

EURk	2013	2012
Wholesale customers	195,500	193,656
Other customers	435	387
Total	**195,935**	**194,043**

	Gross value	Allowance	Gross value	Allowance
EURk	2013	2013	2012	2012
Not past due	160,172	0	157,843	0
Past due 1 to 5o days	14,781	0	23,723	0
Past due 51 to 100 days	14,774	0	8,818	0
Past due 101 to 180 days	4,627	0	2,427	0
Past due 181 to 270 days	262	0	441	0
Past due 271 to 360 days	165	0	481	0
Past due 361 to 720 days	568	0	375	0
Past due 721 to 1080 days	1,420	0	2,294	0
Past due over 1081 days	6,874	0	4,890	0
Allowances for receivables	0	-7,708	0	-7,249
Total	**203,643**	**-7,708**	**201,292**	**-7,249**

Movements in allowances for trade receivables due to:

EURk	2013	2012
Balance at 1 January	**7,249**	**8,494**
Impairment loss	669	1,292
Payments	-123	-463
Write-off of receivables	-244	-2,074
Acceptance of allowance	1,126	0
Reversal of allowance	-969	0
Balance at 31 December	**7,708**	**7,249**

Liquidity risk

Financial liabilities by maturity:

31 December 2013

EURk	Carrying amount	Contractual cash flows	1 year or less	1 – 2 years	2 – 5 years	More than 5 year
Non-derivative financial liabilities						
Bank borrowings	284,008	307,782	123,492	50,980	123,037	10,273
Borrowings from related entities and third parties	39,309	41,229	41,229			
Other financial liabilities	1,495	1,495	1,495			
Trade payables	169,476	169,476	169,476			
Other current liabilities	10,413	10,413	10,413			
Total	**504,701**	**530,395**	**346,105**	**50,980**	**123,037**	**10,273**
Derivative financial receivables and liabilities						
Interest rate swaps	-2,820	-3,310	-2,108	-925	-277	
Forward exchange contracts used for hedging	-245	-245	-245			
Outflow	-245	-245	-245			
Inflow						
Other forward exchange contracts						
Outflow						
Inflow						
Total	**-3,065**	**-3,555**	**-2,353**	**-925**	**-277**	**0**

31 December 2012

EURk	Carrying amount	Contractual cash flows	1 year or less	1 – 2 years	2 – 5 years	More than 5 year
Non-derivative financial liabilities						
Bank borrowings	304,441	332,756	88,793	101,547	135,313	7,103
Borrowings from related entities and third parties	25,409	26,450	26,450			
Other financial liabilities	511	511	511			
Trade payables	152,164	152,164	152,164			
Other current liabilities	10,729	10,729	10,729			
Total	**493,254**	**522,610**	**278,647**	**101,547**	**135,313**	**7,103**
Derivative financial receivables and liabilities						
Interest rate swaps	-5,279	-5,467	-2,465	-1,939	-1,063	
Forward exchange contracts used for hedging	-36	-36	-36			
Outflow	-36	-36	-36			
Inflow						
Other forward exchange contracts						
Outflow						
Inflow						
Total	**-5,315**	**-5,503**	**-2,501**	**-1,939**	**-1,063**	**0**

Currency risk

Company's exposure to currency risk:

31 December 2013

EURk	EUR	HRK	DKK	PLN	USD	HUF	Other currencies
Trade receivables	184,071				7,546		4,318
Financial liabilities	-324,812						
Trade payables	-154,486	-8	-6	-270	-13,692	-3	-1,011
Financial position exposure	**-295,227**	**-8**	**-6**	**-270**	**-6,146**	**-3**	**3,307**
Forward exchange contracts					17,454		-3,972
Net exposure	**-295,227**	**-8**	**-6**	**-270**	**11,308**	**-3**	**-665**

31 December 2012

EURk	EUR	HRK	DKK	PLN	USD	HUF	Other currencies
Trade receivables	190,699				3,331		13
Financial liabilities	-330,361						
Trade payables	-146,927			-100	-4,583	-81	-473
Financial position exposure	**-286,589**	**0**	**0**	**-100**	**-1,252**	**-81**	**-460**
Forward exchange contracts					6,026		
Net exposure	**-286,589**	**0**	**0**	**-100**	**4,774**	**-81**	**-460**

Significant exchange rates applied during the year comprise:

	Average rate		Reporting date spot rate	
	2013	2012	2013	2012
HRK	7.5791	7.521	7.6265	7.556
DKK	7.4579	7.444	7.4593	7.461
PLN	4.1971	4.184	4.1543	4.074
USD	1.3282	1.286	1.3791	1.319
HUF	296.94	289.324	297.04	292.3

Sensitivity analysis

A 5 percent increase in the euro's value against the above stated currencies as at 31 December would have resulted in an increase (decrease) in profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain unchanged. The analysis has been performed on the same basis as for 2012.

31 December 2013

EURk	Profit or loss for the period
HRK	0
DKK	0
PLN	13
USD	-577
HUF	0
Other currencies	32

31 December 2012

EURk	Profit or loss for the period
HRK	0
DKK	0
PLN	5
USD	-239
HUF	4
Other currencies	23

A 5 percent decrease in the euro's value against the above stated currencies as at 31 December would have had equal yet opposite effect, provided that all other variables remain unchanged.

Interest rate risk

Exposure to interest rate risk:

EURk	2013	2012
Fixed rate financial instruments		
Financial assets	8,177	33,555
Financial liabilities	-8,500	-10,000
Variable rate financial instruments		
Financial assets	79,217	61,195
Financial liabilities	-314.817	-319,850
Derivative financial liabilities	-3,065	-5,315

Fair value sensitivity analysis for fixed rate instruments

No fixed rate financial instruments at fair value through profit or loss and derivatives designated as fair value hedge are recorded. Therefore a change in the interest rate at the reporting date would not have any impact on profit or loss.

Fair value sensitivity analysis for variable rate instruments

A change in the interest rate by 50 basis points (bp) at the reporting date would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign exchange rates, remain unchanged. The analysis has been performed on the same basis as for 2012.

	Profit or loss for the period		Other comprehensive income	
EURk	Increase by 50 bp	Decrease by 50 bp	Increase by 50 bp	Decrease by 50 bp
31 December 2013				
Variable rate instruments	-2,222	2,222	0	0
Interest rate swap contracts	557	-557	376	-376
Cash flow variability (net)	**-1,665**	**1,665**	**376**	**-376**
31 December 2012				
Variable rate instruments	-3,298	3,298	0	0
Interest rate swap contracts	712	-712	728	-728
Cash flow variability (net)	**-2,586**	**2,586**	**728**	**-728**

Note 37 – Fair value

The fair values and book values of financial assets and financial liabilities

EURk	Book value 2013	Fair value 2013	Book value 2012	Fair value 2012
Available-for-sale investments	2,758	2,758	12,310	12,310
Non-current loans	19	19	42	42
Current loans	87,395	87,395	94,708	94,708
Derivatives	-3,065	-3,065	-5,315	-5,315
Trade receivables	195,935	195,935	194,043	194,043
Other current assets	13,402	13,402	13,227	13,227
Cash and cash equivalents	14,904	14,904	18,972	18,972
Non-current financial liabilities	-170,416	-170,416	-227,327	-227,327
Current financial liabilities	-154,396	-154,396	-103,034	-103,034
Trade payables	-169,476	-169,476	-152,164	-152,164
Other payables	-10,413	-10,413	-10,729	-10,729
Total	**-193,353**	**-193,353**	**-165,267**	**-165,267**

Available-for-sale investments are valued at fair value on the basis of officially published prices on the active market in the amount of EUR 155k and assumptions about significant impact on the fair value that are inconsistent with observable current market transactions using the same instruments and investments, valued at cost and totalling to EUR 2,603k.

Fair value scale

The table shows method of valuing financial assets recorded at fair value. The levels are as follows:

Level 1: stock price (unadjusted) in the active market of identical assets and liabilities,

Level 2: data differing from stock price data (these are included in Level 1) monitored with the intention of direct or indirect valuation of assets and liabilities,

Level 3: data on the value of assets and liabilities not based on the active market.

Financial year 2013

EURk	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	155	-	2,603	2,758
Derivatives – assets	-	-	-	-
Derivatives – liabilities	-	-3,065	-	-3,065
Land and investment properties	-	-	45,727	45,727

Financial year 2012

EURk	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	266	-	12,044	12,310
Derivatives – assets	-	-	-	-
Derivatives – liabilities	-	-5,315	-	-5,315
Land and investment properties	-	-	36,512	36,512

Land was valued on the basis of comparable sales with adjustments made in view of time and location of the sale, the size of the property and other physical and functional characteristics. Fair value of investment property was assessed by applying the direct capitalisation method. Land and investment properties were appraised by an independent certified appraiser of real property.

Forward exchange contracts

The total fair value of forward exchange contracts amounted to EUR -245k as at 31 December 2013 (2012: EUR -36k) and was recorded under other financial liabilities.

Interest rate swaps

The total fair value of interest rate swaps as at 31 December 2013 amounted to EUR -2,820k (2012: EUR -5,279k) and was recorded under other financial liabilities.

Interest rate swap hedges, which relate to hedged items in the balance sheet, are recorded in equity under the fair value reserve.

Note 38 – Commitments relating to investments

Contractually agreed investments in intangible assets and property, plant and equipment not yet recognised as at the balance sheet date amounted at the reporting date to EUR 3,742k (2012: EUR 20,343k). The biggest portion refers to the investment in the built-in microwave and steam oven (EUR 1,064k), to the investment in the dryer production which was transferred from the subsidiary Asko Sweden (EUR 671k), and the investment in the newly designed Red Bull refrigerator (EUR 693k).

Note 39 – Related party transactions

The transactions with related parties were conducted on the basis of sale/purchase contracts, where market prices of products and services have been applied. Individual transactions with related parties were disclosed within respective balance sheet items.

Information on earnings

In 2013, following personal earnings were paid to the groups of persons stated below:

Gross earnings in 2013

EURk	Management Board	Supervisory Board	Employees under individual employment agreements
- salaries	1,090	0	4,990
- incentive bonuses	0	0	196
- premiums	90	0	246
- other income	89	0	90
- attendance fees	0	37	0
- function-related allowance	0	105	0
- refund of work-related expenses	0	18	0
Total	**1,269**	**160**	**5,522**

Other income of Management Board members includes vacation bonus and Supervisory Board membership allowance in the company Gorenje Beteiligungs. The item of premiums comprises bonuses relating to private use of the company car and insurance premiums.

Net earnings in 2013

EURk	Management Board	Supervisory Board	Employees under individual employment agreements
- salaries	449	0	2,551
- incentive bonuses	0	0	89
- premiums	39	0	123
- other income	70	0	52
- attendance fees	0	29	0
- function-related allowance	0	81	0
- refund of work-related expenses	0	14	0
Total	**558**	**124**	**2,815**

Gross earnings in 2012

EURk	Management Board	Supervisory Board	Employees under individual employment agreements
- salaries	1,087	0	5,181
- incentive bonuses	0	0	625
- premiums	78	0	275
- other income	5	0	477
- attendance fees	0	35	0
- function-related allowance	0	106	0
- refund of work-related expenses	0	38	0
Total	**1,170**	**179**	**6,558**

Net earnings in 2012

EURk	Management Board	Supervisory Board	Employees under individual employment agreements
- salaries	492	0	2,642
- incentive bonuses	0	0	300
- premiums	37	0	139
- other income	3	0	278
- attendance fees	0	27	0
- function-related allowance	0	83	0
- refund of work-related expenses	0	30	0
Total	**532**	**140**	**3,359**

Pursuant to the Companies Act, total payments, reimbursements, and other benefits to the Management Board members, the Supervisory Board members, and the members of the audit committee are disclosed below:

Management Board members

Gross earnings in 2013

EUR	Salaries	Incentive bonuses	Premiums	Other income	Total
Franc Bobinac	233,541	0	25,750	23,591	282,882
Marko Mrzel	177,705	0	14,645	21,315	213,665
Branko Apat	191,119	0	15,748	21,315	228,182
Peter Groznik	201,753	0	12,304	21,315	235,372
Uroš Marolt	95,741	0	8,865	410	105,016
Drago Bahun	189,886	0	12,388	830	203,104
Total	**1,089,745**	**0**	**89,700**	**88,776**	**1,268,221**

Net earnings in 2013

EUR	Salaries	Incentive bonuses	Premiums	Other income	Total
Franc Bobinac	89,356	0	11,057	18,669	119,082
Marko Mrzel	79,692	0	6,569	16,869	103,130
Branko Apat	78,940	0	6,930	16,860	102,730
Peter Groznik	82,641	0	5,374	16,860	104,875
Uroš Marolt	40,111	0	3,975	235	44,321
Drago Bahun	77,967	0	5,446	470	83,883
Total	**448,707**	**0**	**39,351**	**69,963**	**558,021**

Gross earnings in 2012

EUR	Salaries	Incentive bonuses	Premiums	Other in-come	Total
Franc Bobinac	234,866	0	24,971	860	260,697
Marko Mrzel	178,705	0	9,286	860	188,851
Branko Apat	192,469	0	9,286	860	202,615
Peter Groznik	112,940	0	8,235	860	122,035
Uroš Marolt	176,916	0	15,786	860	193,562
Drago Bahun	191,251	0	10,034	860	202,145
Total	**1,087,147**	**0**	**77,598**	**5,160**	**1,169,905**

Net earnings in 2012

EUR	Salaries	Incentive bonuses	Premiums	Other in-come	Total
Franc Bobinac	100,040	0	11,699	520	112,259
Marko Mrzel	87,482	0	4,423	527	92,432
Branko Apat	89,392	0	4,393	524	94,309
Peter Groznik	49,932	0	3,895	580	54,407
Uroš Marolt	78,786	0	7,484	525	86,795
Drago Bahun	86,353	0	4,741	524	91,618
Total	**491,985**	**0**	**36,635**	**3,200**	**531,820**

Supervisory Board members and members of the Audit Committee

Gross earnings in 2013

EUR	Meeting attendance fees	Function -related allowance	Incentive bonuses	Refund of work-related expenses	Total
Uroš Slavinec	4,104	12,000	0	208	16,312
Maja Makovec Brenčič	3,936	10,800	0	896	15,632
Marcel Van Assen	2,928	9,600	0	7,271	19,799
Bachtiar Djalil	1,440	4,671	0	32	6,143
Keith Miles	4,416	10,200	0	8,418	23,034
Bernard C. Pasquier	4,272	10,200	0	848	15,320
Jure Slemenik	3,216	9,600	0	0	12,816
Drago Krenker	4,416	9,600	0	0	14,016
Krešimir Martinjak	3,456	10,800	0	0	14,256
Peter Kobal	4,032	9,600	0	0	13,632
Aleksander Igličar	960	7,680	0	485	9,125
Total	**37,176**	**104,751**	**0**	**18,158**	**160,085**

Net earnings in 2013

EUR	Meeting attendance fees	Function -related allowance	Incentive bonuses	Refund of work-related expenses	Total
Uroš Slavinec	3,181	9,300	0	160	12,641
Maja Makovec Brenčič	3,050	8,370	0	694	12,114
Marcel Van Assen	2,269	7,440	0	5,635	15,344
Bachtiar Djalil	1,116	3,620	0	25	4,761
Keith Miles	3,422	7,905	0	6,524	17,851
Bernard C. Pasquier	3,310	7,905	0	657	11,872
Jure Slemenik	2,492	7,440	0	0	9,932
Drago Krenker	3,422	7,440	0	0	10,862
Krešimir Martinjak	2,678	8,370	0	0	11,048
Peter Kobal	3,124	7,440	0	0	10,564
Aleksander Igličar	744	5,952	0	376	7,072
Total	**28,808**	**81,182**	**0**	**14,071**	**124,061**

Gross earnings in 2012

EUR	Meeting attendance fees	Function -related allowance	Incentive bonuses	Refund of work-related expenses	Total
Uroš Slavinec	3,297	12,000	0	1,187	16,484
Maja Makovec Brenčič	3,658	10,800	0	1,928	16,386
Marcel Van Assen	1,920	9,600	0	10,811	22,331
Peter Kraljič	2,073	6,194	0	3,387	11,654
Keith Miles	5,050	10,200	0	13,679	28,929
Bernard C. Pasquier	4,186	10,150	0	732	15,068
Jure Slemenik	3,370	9,600	0	1,210	14,180
Drago Krenker	3,840	9,600	0	1,210	14,650
Krešimir Martinjak	3,609	10,800	0	1,210	15,619
Peter Kobal	3,072	9,600	0	1,210	13,882
Aleksander Igličar	1,152	7,680	0	991	9,823
Total	**35,227**	**106,224**	**0**	**37,555**	**179,006**

Net earnings in 2012

EUR	Meeting attendance fees	Function -related allowance	Incentive bonuses	Refund of work-related expenses	Total
Uroš Slavinec	2,556	9,300	0	1,043	12,899
Maja Makovec Brenčič	2,835	8,370	0	1,618	12,823
Marcel Van Assen	1,488	7,440	0	8,502	17,430
Peter Kraljič	1,607	4,800	0	2,748	9,155
Keith Miles	3,913	7,905	0	10,725	22,543
Bernard C. Pasquier	3,244	7,866	0	691	11,801
Jure Slemenik	2,611	7,440	0	1,062	11,113
Drago Krenker	2,976	7,440	0	1,062	11,478
Krešimir Martinjak	2,797	8,370	0	1,062	12,229
Peter Kobal	2,381	7,440	0	1,062	10,883
Aleksander Igličar	893	5,952	0	768	7,613
Total	**27,301**	**82,323**	**0**	**30,343**	**139,967**

No non-current and current loans were extended to the Management Board members, the Supervisory Board members, and internal owners.

Note 40 – Events after the balance sheet date

Gorenje Group and Sub-Zero Group Inc. as the American leading manufacturer of premium home appliances, signed a long-term agreement on distributing Gorenje's premium brand Asko. Accordingly, Sub-Zero Group Inc. will as of 1 April, 2014 act as the exclusive distributor of Asko washing machines, dryers, and dishwashers in North America. This partnership constitutes a part of Gorenje's strategic activities aimed at boosting the Group's presence beyond Europe and promoting the sale of its premium products.

On March 25, 2014 the company Gorenje, d.d., successfully issued 9-month commercial paper with a total face value of EUR 35 million and interest rate of 4 percent. Interest in Gorenje's commercial paper was higher than expected, indicating investor confidence enjoyed by Gorenje. By issuing the commercial paper, Gorenje is diversifying its short-term debt and managing the interim oscillations in free cash flow generation.

As of 27 March, 2014, a contract on assigning the sole interest (100%) in the company Gorenje – kuchyne spol. S.r.o., was concluded in Olomoucu (Czech Republic) in form of a notarial record between the assignor Vario 2000, d.o.o. – in liquidation and Gorenje, d.d., Velenje as the assignee.

No other significant events occurred after the date of compiling the balance sheet date as of 31 December 2013.

Note 41 – Transactions with the audit company

Pursuant to Article 57 of the Companies Act, the audit of Gorenje, d.d. was conducted by the audit company Deloitte Slovenia and the independent auditor's report was issued on 11 April 2014. In year 2013 the contractual value for costs of auditing the financial statements of Gorenje, d.d. amounted to EUR 88k (2012: EUR 56k).

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT
to the owners of GORENJE, d.d.

Report on the Financial Statements

We have audited the accompanying unconsolidated financial statements of the company GORENJE, d.d., which comprise the statement of financial position as at December 31, 2013, and the income statement, statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these unconsolidated financial statements in accordance with International Financial Reporting Standards as adopted by EU and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these unconsolidated financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the unconsolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the unconsolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the unconsolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the unconsolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the unconsolidated financial statements present fairly, in all material respects the financial position of GORENJE, d.d. as at December 31, 2013, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by EU.

Emphasis of Matter

The company GORENJE, d.d. is the controlling company in the GORENJE Group. The consolidated financial statements of the GORENJE Group, prepared in accordance with the International Financial Reporting Standards as adopted by the EU, are presented separately. We have audited the consolidated financial statements of the Group and issued an unqualified opinion on 11 April 2014.

Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements:

The management is also responsible for the preparation of the business report in accordance with the requirements of the Companies Act (ZGD-1). Our responsibility is to provide an assessment of whether the business report is consistent with the audited financial statements. Our procedures have been conducted in accordance with the International Standard on Auditing 720 and are limited solely to assessing of whether the business report is consistent with the audited financial statements. In our opinion, the business report is consistent with the audited financial statements.

DELOITTE REVIZIJA d.o.o.

Tina Kolenc Praznik Certified Auditor	Yuri Sidorovich President of the Board

For signature please refer to the original Slovenian version.

Ljubljana, 11 April 2014

Deloitte.
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Ljubljana, Slovenija 3

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