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# Unaudited Interim Report

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January – September 2014

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Gorenje Group and the parent company Gorenje, d.d., prepared pursuant to International Financial Reporting Standards – IFRSs

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Management Board of Gorenje, d.d.  
Velenje, November 2014

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## Performance Highlights of the Gorenje Group

### CORE FINANCIAL INDICATORS FOR Q3 2014

- The Group generated revenue in the amount of EUR 308.5m or 0.5% more than in the same period of 2013. Both the Business Segment Home and the Business Segment Portfolio Investments generated organic growth in revenue.
- Revenue generated through the Home segment's core activity amounted to EUR 271.3m (0.4% less if compared to the equivalent period in 2013; if the impact of exchange rate fluctuations is not taken into account, the Home segment's organic growth in revenue amounted to 1.6% with respect to Q3 2013).
- EBITDA was recorded at EUR 21.7m (an improvement of 16.9% compared to Q3 2013). The Group EBITDA margin improved to 7.0%, representing a 0.9 p.p. increase compared to Q3 2013.
- EBIT was EUR 10.8m and shows growth of 33 percent. The Group's EBIT margin improved as well to 3.5%, which is 0.9 p.p. higher than the Q3 2013 balance.
- The Group's operations showed positive results in the third quarter as a profit of EUR 0.9m was generated in the relevant period.
- In Q3 2014, the Group reduced its gross indebtedness and net indebtedness by EUR 21.7m and EUR 16.7m, respectively.

### CORE FINANCIAL INDICATORS FOR THE PERIOD JANUARY – SEPTEMBER 2014

- The Group's revenue amounted to EUR 909.2m, a 1.3% growth in revenue over the first nine months in 2013. Both the Business Segment Home and the Business Segment Portfolio Investments generated organic growth in revenue.
- Revenue generated through the Home segment's core activity amounted to EUR 776.8m (0.3% growth compared to the equivalent period in 2013; if the impact of exchange rate fluctuations is not taken into account, the Home segment's organic growth in revenue amounts to 3.3%).
- EBITDA is disclosed at EUR 64.9m (17.1% more than in the first nine months of 2013). The Group EBITDA margin improved to 7.1%, representing a 0.9 p.p. increase compared to the equivalent period in 2013.
- EBIT was recorded at EUR 32.7m and indicates a growth of 38.1% compared to the first nine months of 2013. The Group's EBIT margin improved as well to 3.6%, which is 1.0 p.p. higher than in the equivalent period in 2013.
- The total effect of exchange losses recognised in the financial segment of the income statement as a consequence of impairment of essential currencies against the euro amounted to EUR -3.7m, whereas in the last year's equivalent period the effect of exchange losses recognised in the financial segment amounted to EUR -7.8m.
- Profit generated for the period was EUR 4.0m, which is EUR 22.2m higher than the same period in 2013 when a loss was incurred in the amount of EUR -18.2m.

**Unaudited Interim Report**  
January – September 2014

EURm	Q3 2013	Q3 2014	Index	Jan-Sep 2013	Jan-Sep 2014	Index	Plan 2014	9M 2014/ Plan 2014
Revenue	307.0	308.5	100.5	897.1	909.2	101.3	1.286.5	70.7
EBITDA	18.6	21.7	116.9	55.4	64.9	117.1	93.7	69.2
EBITDA margin (%)	6.1%	7.0%	/	6.2%	7.1%	/	7.3%	/
EBIT	8.1	10.8	133.0	23.6	32.7	138.1	46.4	70.4
EBIT margin (%)	2.6%	3.5%	/	2.6%	3.6%	/	3.6%	/
Profit or loss before tax	-3.6	2.2	/	-6.8	7.7	/	16.4	47.0
Profit or loss without discontinued operation	-4.3	1.2	/	-9.3	5.0	/	13.2	38.0
Profit or loss of discontinued operation	-6.1	-0.3	4.3	-8.9	-1.0	11.4	-1.2	87.6
Profit or loss for the period	-10.4	0.9	/	-18.2	4.0	/	12.1	33.3
ROS (%)	-3.4%	0.3%	/	-2.0%	0.4%	/	0.9%	/
ROA (%)	-3.5%	0.3%	/	-2.0%	0.5%	/	1.0%	/
ROE (%)	-11.1%	1.0%	/	-6.4%	1.4%	/	3.0%	/
Financial debt	475.2	410.4	86.4	475.2	410.4	86.4	362.0	113.4
Net financial debt <sup>1</sup>	447.5	387.9	86.7	447.5	387.9	86.7	333.6	116.3
Net financial debt / EBITDA	4.6	4.4	/	4.6	4.4	/	3.6	/

#### MARKETS

- Sales growth within the Business Segment Home was achieved in the markets of Germany, the Czech Republic, Slovakia, Hungary, Bosnia and Herzegovina, Romania, Bulgaria, Caucasus, Great Britain, and North America compared to the first nine months of 2013.
- Slight sales volume was generated in the markets of Ukraine, Scandinavia, Kazakhstan, France, and Russia compared to the first nine months of 2013.
- In the markets outside Europe, the Business Segment Home achieved sales growth of 14.9%, which is in accordance with key strategic goals. Within the Home segment's sales structure, sales made outside European markets account for 10.6% of total sales growth and an increase of 1.4 p.p. over the previous year's equivalent period.
- The Group improved its sales structure as a result of higher sales of premium appliances<sup>2</sup>. In view of the sales volume of large household appliances, this accounted for a 16.7 percent share (2.4 p.p. more than the equivalent period in 2013).
- Sales of small household appliances under our own brands reached sales growth of 4.5 percent.

#### COST MANAGEMENT

- Given the same period in 2013, employee benefits expense declined by 6.1% or EUR 11.0m, which is attributable to both the successful completion of production relocation and the restructuring process of the sales network in 2013. We shall continue restructuring the sales network also in 2014.
- The successful implementation of production relocation also improved fuel cost management.
- Costs of logistic services increased primarily due to changes in transportation routes after relocation (which was planned under the project

<sup>1</sup> Financial debt - cash

<sup>2</sup> Premium appliances: Atag and Asko brands, appliances from the Gorenje Design lines (Gorenje Simplicity, Gorenje Ora Ito, Gorenje Pininfarina, Gorenje Classico, Gorenje One, Gorenje Karim Rashid, Gorenje Color edition, Gorenje +, Gorenje Retro).

relocation), as well as due to increase in sales, partially costs of logistic services increased due to changes in parities and warehousing and distribution models.

- The Group effectively managed the purchase prices of material and raw materials.

#### **INDEBTEDNESS**

- Compared to the 30 September 2013 balance, the Group reduced gross indebtedness<sup>3</sup> by EUR 54.8m<sup>4</sup>. This decline is attributable to improved cash flows from operating activities, lower volumes of investments, and the lower level of working capital if compared to the same period last year. Net financial debt<sup>5</sup> decreased by EUR 49.6m<sup>6</sup>, thus resulting in a financial debt/EBIDTA ratio of 4.4 and showing a 0.2 improvement over the previous year's equivalent period.
- The Group generated EUR -33.2m of cash flows from operating and investment activities representing an improvement of EUR 32.8m over the first nine months in 2013. Q3 2014 reflects positive cash flows from operating and investment activities in the amount of EUR 6.6m.
- Negative cash flows are primarily the result of seasonal dynamics, namely the manufacture of additional inventories of finished products in anticipation of increased sales in October and November, the strongest months in terms of sales.
- Lower indebtedness is also attributable to the successful completion of a share capital increase in the total amount of EUR 36.7m that the Group conducted from last September to August of this year. The last phase of the capital increase in the form of a debt-to-equity conversion was carried out in Q3 2014 in the amount of EUR 10.0m and equals the amount allowed pursuant to the resolution adopted by the Shareholders' Meeting on 23 August 2013.

#### **DEVELOPMENT AND NEW PRODUCTS**

- In accordance with set strategic goals, we have increased investments in development costs accounting for 2.4% in the Home segment's revenue structure (0.4 p.p. more than in the same period in 2013).
- Key innovations that were launched in the first nine months include:
  - a new generation of premium built-in ovens that were developed for various own brands;
  - expansions to the Asko product range with the Asko ProSeries™ cooking line that premiered during the Eurocucina Milan design week at the beginning of April; in addition, Asko washing machines with capacities of 11 kg were launched for sale in markets;
  - an innovative A+++ class dryer under the Gorenje brand;
  - freestanding fridge-freezers (600mm/2000mm) that were introduced at the largest fair of consumer electronics and household appliances in Berlin IFA (Internationale Funkausstellung). Additionally, we also presented novelties in the collection of Retro freezers (the line was expanded by a model in a new colour) and the upgraded oven designed by Karim Rashid.
  - the new Magna premium collection of household appliance, which was exhibited at the household fair hosted by our subsidiary ATAG in Duiven in Q3 2014. Sales of the appliances are to be launched in the beginning of 2015.

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<sup>3</sup> Sum of the Group's current and non-current financial liabilities.

<sup>4</sup> Account balances of current financial liabilities are exclusive of the share capital increase by Panasonic in the amount of EUR 10m, which increases the balances of current financial liabilities as at 30 September 2013.

<sup>5</sup> Sum of the Group's current and non-current financial liabilities less cash and cash equivalents as at the end of the reporting period.

<sup>6</sup> Account balances of current financial liabilities are exclusive of the share capital increase by Panasonic in the amount of EUR 10m, which increases the balances of current financial liabilities as at 30 September 2013.

## MANAGEMENT REPORT

### Operating Performance of the Gorenje Group

EURm	Q3 2013	Q3 2014	Index	Jan-Sep 2013	Jan-Sep 2014	Index	Plan 2014	9M 2014/ Plan 2014
Revenue	307.0	308.5	100.5	897.1	909.2	101.3	1,286.5	70.7
CM <sup>7</sup>	129.6	128.4	99.1	388.0	385.8	99.4	563.6	68.5
CM (%)	42.2%	41.6%	/	43.2%	42.4%	/	43.8%	/
EBIT	8.1	10.8	133.0	23.6	32.7	138.1	46.4	70.4
EBIT margin (%)	2.6%	3.5%	/	2.6%	3.6%	/	3.6%	/
Profit or loss for the period	-10.4	0.9	/	-18.2	4.0	/	12.1	33.3
ROS (%)	-3.4%	0.3%	/	-2.0%	0.4%	/	0.9%	/

We generated EUR 909.2m of **revenue** at the Group level indicating an increase of 1.3% over the 30 September 2013 balance. The Portfolio Investments segment recorded the largest share of growth (+8.2%). Despite fierce circumstances in European markets, the Home segment achieved and recorded 0.3 percent growth in revenue. If the impact of exchange rate fluctuations is not taken into account, the Home segment's organic growth amounts to 3.3%. Regardless of the exchange rate fluctuations' negative impact on the contribution margin, we have maintained the same level of contribution margin by means of an improved sales structure.

Foreign currency fluctuations significantly impacted sales mostly in the markets of Eastern Europe and the markets outside of Europe. Without considering other categories (i.e. adjusting prices to markets, product structure, etc.), the impact of foreign currency fluctuations<sup>8</sup> on the Group's organic growth in revenue in key markets was as follows:

HOME	Currency impact on revenue	Actual revenue Jan-Sep 2014	Actual revenue Jan-Sep 2014 valued at exchange rate Jan-Sep 2013	Actual revenue Jan-Sep 2013	Actual growth	Organic growth
EURm						
West	-0.9	335.2	336.1	341.9	-2.0%	-1.7%
East	-19.5	359.4	378.9	361.3	-0.5%	4.9%
Other	-2.9	82.2	85.1	71.5	14.9%	18.9%
<b>TOTAL</b>	<b>-23.3</b>	<b>776.8</b>	<b>800.1</b>	<b>774.7</b>	<b>0.3%</b>	<b>3.3%</b>

Sales growth within the Home segment was generated in the markets of Germany, the Czech Republic, Slovakia, Hungary, Bosnia and Herzegovina, Romania, Bulgaria, Caucasus, Great Britain, and North America.

Lower sales volume was recorded in the markets of Ukraine, Scandinavia, Kazakhstan, France, and in Q3 2014 also in Russia. Sales in Ukraine declined due to the political situation. We have maintained our market position in Ukraine and simultaneously limit operating expenses and reduce the

<sup>7</sup> Contribution margin at the level of difference between revenue and cost of goods and material.

<sup>8</sup> While calculating the impacts of foreign currency fluctuations on the sale's organic growth, we take into account revenue generated in the local currency in the period Jan-Sep 2014, which are evaluated with the achieved average exchange rates in each currency in the period Jan-Sep 2013. The calculated revenue in EUR is thereupon compared with the actual generated revenue in EUR recorded in the observed period.

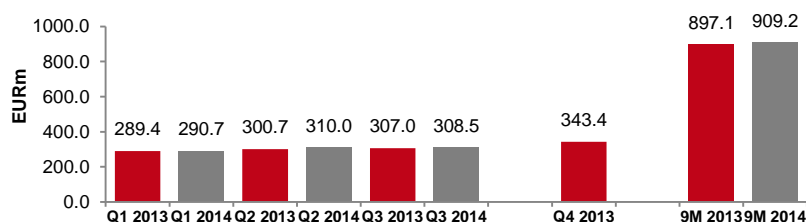
volume of operating receivables; all this shall provide a good platform for the future when the market recovers.

With respect to Scandinavia, we have lost 0.3% of the market share in Denmark and Sweden due to distribution concentration in the market and related competition pressure. Operating expenses were adjusted to lower sales volumes. Sales generated in August and mostly September indicate a significant improvement.

The macroeconomic cool down and political risks in Russia also affect Gorenje's sales activities in that market. The expansion of the sales programme (i.e. sale of all product groups) enabled growth in sales volumes and revenue increases in local currency. The pressure on sales prices and the devaluation of the Russian rouble, though, have resulted in lower sales in EUR value.

As for the markets outside Europe, we have generated 14.9 percent growth in sales, which is also one of the Group's key strategic goals. The largest growth was achieved in the markets of North America, Australia (sale of appliances under the own Asko premium trademark), and Caucasus.

#### Revenue of the Gorenje Group



#### Revenue by geographical segments

EURm	Q3 2013	%	Q3 2014	%	Change (%)	Jan-Sep 2013	%	Jan-Sep 2014	%	Change (%)
Western Europe	110.6	36.0	115.3	37.4	+4.3	345.9	38.5	341.5	37.6	-1.3
Eastern Europe	172.3	56.1	169.8	55.0	-1.4	479.7	53.5	485.5	53.4	+1.2
Other	24.1	7.9	23.4	7.6	-3.1	71.5	8.0	82.2	9.0	+14.9
<b>Total Group</b>	<b>307.0</b>	<b>100.0</b>	<b>308.5</b>	<b>100.0</b>	<b>+0.5</b>	<b>897.1</b>	<b>100.0</b>	<b>909.2</b>	<b>100.0</b>	<b>+1.3</b>
Western Europe	109.0	40.0	112.8	41.6	+3.4	341.9	44.2	335.2	43.1	-2.0
Eastern Europe	139.1	51.1	135.1	49.8	-2.9	361.3	46.6	359.4	46.3	-0.5
Other	24.2	8.9	23.4	8.6	-3.1	71.5	9.2	82.2	10.6	+14.9
<b>Total Home</b>	<b>272.3</b>	<b>100.0</b>	<b>271.3</b>	<b>100.0</b>	<b>-0.4</b>	<b>774.7</b>	<b>100.0</b>	<b>776.8</b>	<b>100.0</b>	<b>+0.3</b>

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

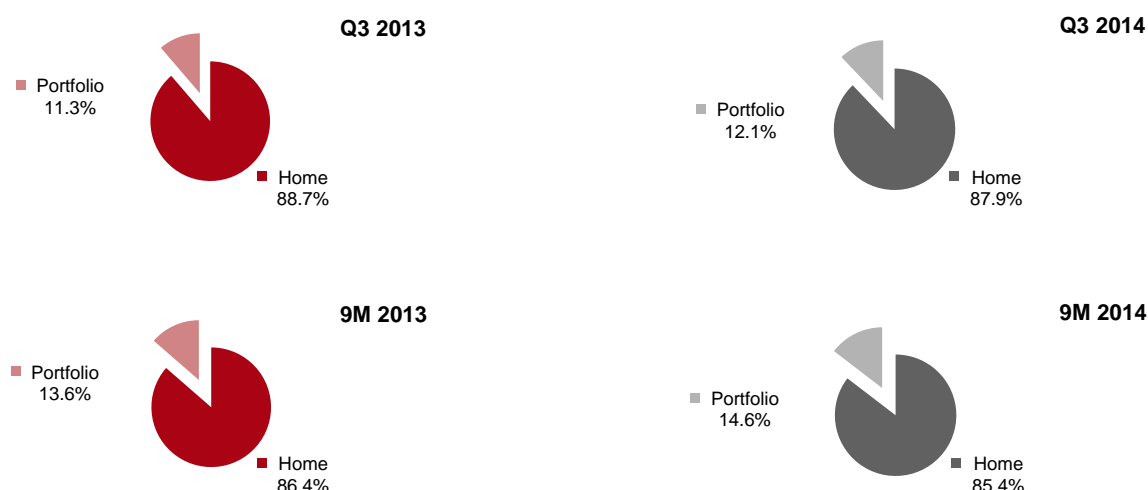
**Geographical sales structure** of the Business Segment Home shows that:

- our sales in markets of Western Europe declined by 2.0% compared to the previous year's equivalent period. Less revenue was generated in Scandinavia, France, and Belgium, whereas in Germany and Great Britain an increase in revenue was recorded. It is significant that we achieved 3.4 percent growth in Western European markets in Q3 2014, which is mostly attributable to sales in Germany and improved sales volume in Scandinavia;

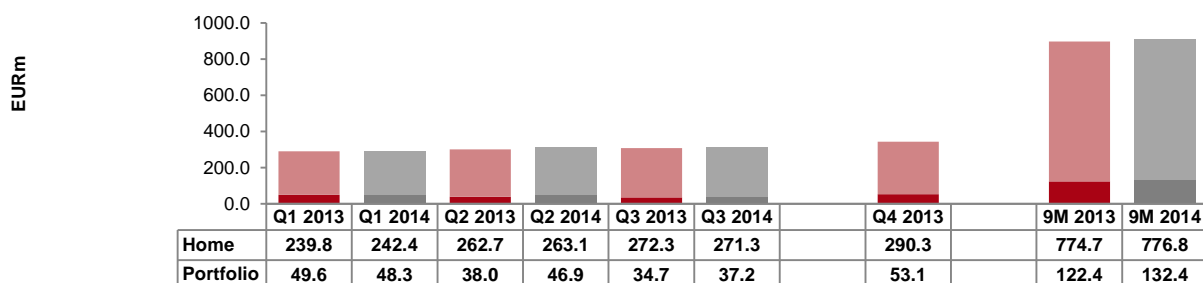
- revenue from sales in EUR generated in 9M 2014 in Eastern Europe equals the figures recorded in the same period last year. If the impact of exchange rate fluctuations is not taken into account, our organic growth in revenue amounts to 4.9%. Sales growth was generated in the markets of the Czech Republic, Slovakia, Hungary, Bosnia and Herzegovina, Romania, Bulgaria, and Caucasus; lower sales volume was noted in Ukraine, Macedonia, and Poland, and in Q3 2014 also in Russia. Lower sales in Russia resulted in lower sales volume recorded in Q3 2014 compared to the same period in 2013;
- an essential 14.9 percent sales growth was generated outside of Europe in pursuance of strategic goals compared to 9M 2013. If the impact of the exchange rate fluctuations is not taken into account, our organic growth in sales almost achieved a 19%. Most of the relevant growth was recorded in the markets of North America. An increase in sales of large household appliances under own brands was achieved in Australia. Our sales volume has also grown in markets of the Far East. Sales declined in Q3 2014 compared to the same quarter in 2013. Sales declined in July and August (North America), but in September increased again as did sales in the equivalent period in 2013.

The recorded **revenue structure by business segment** indicates that our Home segment generated 85.4% of the Group's total revenue (1.0 p.p. less than in the first nine months in 2013, which is attributable to higher growth in the revenue generated through portfolio-related activities).

**Group's revenue structure by business segment**



**Revenue by business segment**





EUR 776.8m of revenue was generated in 9M 2014 within the **Business Segment Home** and shows a 0.3 percent growth compared to 9M 2013.

We generated EUR 132.4m of revenue in the **Business Segment Portfolio Investments**, showing an increase of 8.2% or EUR 10.0m compared to the first nine months in 2013. The increase in revenue is attributable to higher sales of medical equipment and metallurgic products. Larger sales volume was also noted in machine and tool manufacturing and ecology.

**Movement of profitability at the EBIT level:**

EURm	Development
<b>EBIT January - September 2013</b>	<b>23.6</b>
Contribution margin at the level of cost of goods and material	-2.1
Cost of services	3.7
Employee benefits expense	11.0
Amortisation and depreciation expense	-0.4
Other operating expenses	0.1
Other operating income	-3.2
<b>EBIT January - September 2014</b>	<b>32.7</b>

**Earnings before interest and taxes (EBIT):** we have achieved positive EBIT in the amount of EUR 32.7m. Compared to the January – September 2013 balance, EBIT grew by EUR 9.1m or 38.1%. Improved EBIT is the result of:

- successful management of purchase costs of material and raw materials,
- successful management of fuel costs (also as a result of relocating production processes), and
- reduced employee benefits expense, which declined by EUR 11.0m over the same period in 2013.

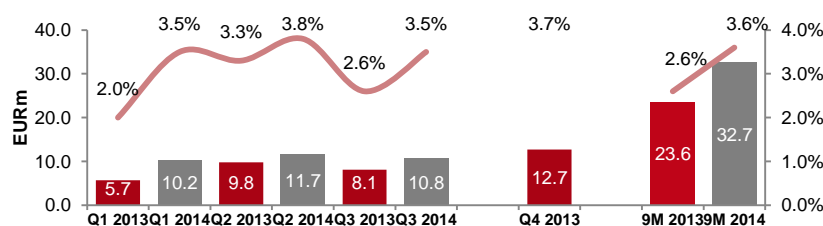
Positive impact on EBIT also had costs of services which declined by EUR 3.7m over the same period in 2013. EBIT was negatively impacted also by a lower contribution margin, which was in addition to price pressures in markets affected also by exchange rate fluctuations. The aforesaid effects were mitigated by means of selective price increases and an improved appliances-related sales structure as well as regional sales structure. We have improved our sales structure by increasing the sales of premium appliances<sup>9</sup>, which in view of the sales volume of large appliances accounted for a 16.7 percent share (2.4. p.p. more than last year's equivalent period). The regional structure was improved by means of a higher sales share recorded outside of Europe, where primarily premium appliances and premium trademarks are being sold.

Other operating income in 2013 was higher due to profit generated through the disposal of non-operating and unnecessary assets (properties), and subsidies received.

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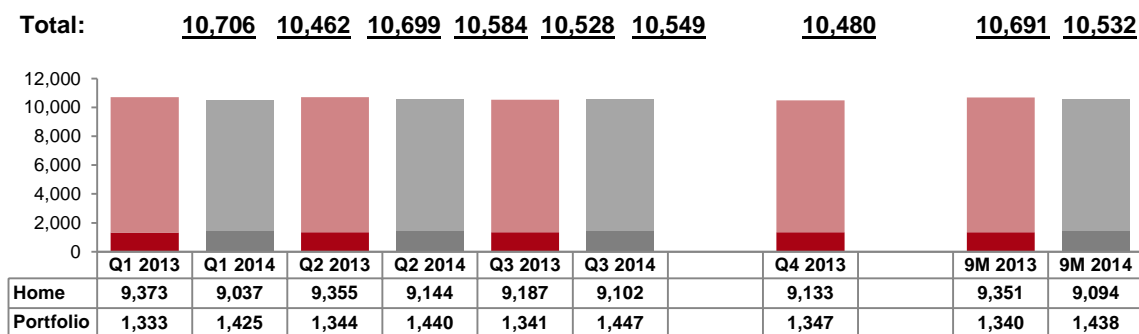
<sup>9</sup> Premium appliances: Atag and Asko brands, appliances from the Gorenje Design lines (Gorenje Simplicity, Gorenje Ora Ito, Gorenje Pininfarina, Gorenje Classico, Gorenje One, Gorenje Karim Rashid, Gorenje Color edition, Gorenje +, Gorenje Retro).

**EBIT and EBIT margin**



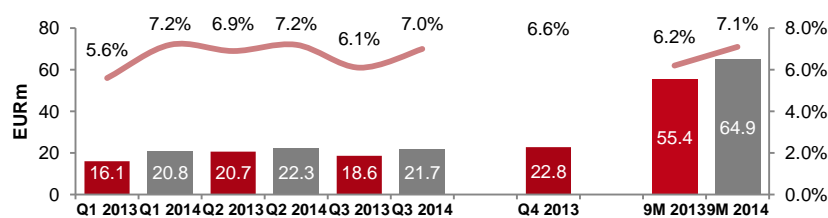
**Our average number of employees at the Group level in the first nine months** was 10,532 and 159 employees less than in the same period in 2013. Most of the decline is attributable to the company Asko Appliances AB Sweden (production relocation from Sweden to Slovenia) and partly also to Gorenje, d.d. However, the number of employees grew at the facility in Valjevo (Serbia) as a result of a higher volume of production since the freestanding refrigerator production was relocated. The sales network restructuring activities in 2013 resulted in reducing the number of employees in the sales network (Turkey, France, Slovakia, the Czech Republic, Scandinavia, and North America). The number of employees in the Business Segment Portfolio Investments increased as business activities of ecology and tool manufacture were expanded to new markets (Serbia).

**Average number of employees by business segment**



In the period January – September 2014, the Group generated **earnings before interest, taxes, depreciation and amortisation (EBITDA)** in the amount of EUR 64.9m, which is EUR 9.5m or 17.1% more than in the previous year's same period.

**EBITDA and EBITDA margin**

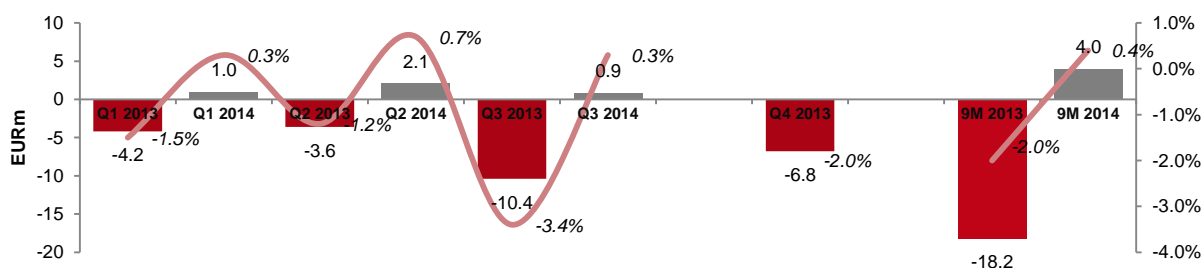


**In the period January – September 2014, we have recorded a negative result from financing activities** in the amount of EUR 24.8m. The aforesaid result signifies an improvement of EUR 5.7m if compared to the figures recorded as at 30 September 2013. The favourable impact (EUR 4.4m) on the result from financing activities was caused by the less negative result on exchange differences reflected in the financial segment of the income statement (EUR 4.1m) and lower interest expense (EUR 0.3m).

**Income tax expense** disclosed at EUR 2.7m includes current and deferred income tax. Current tax refers to the tax that will be paid on profit for the period per individual Group companies. Deferred tax is disclosed upon accounting of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts for tax reporting purposes. Temporary differences, which generally have the biggest impact on deferred taxes, are tax relief amounts in connection with investments, investments relating to research and development, and amounts of tax losses from previous periods, which to a large extent refer to the parent company.

The Group's **profit for the period** January – September 2014 amounted to EUR 4.0m and thus improved the profitability by EUR 22.2m. The Group records positive figures also in the third quarter as a profit of EUR 0.9m was disclosed for Q3 2014.

**Profit for the period and ROS**

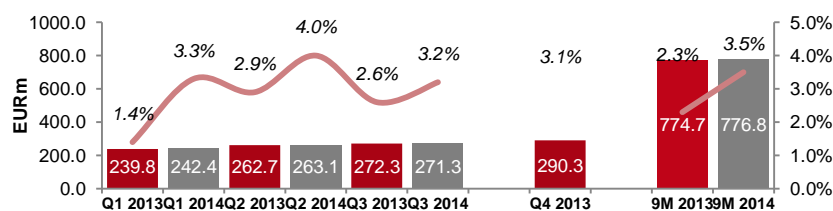


**Operating Performance by Business Segment**

**Home**

EURm	Q3 2013	Q3 2014	Index	Jan-Sep 2013	Jan-Sep 2014	Index	Plan 2014	9M 2014/ Plan 2014
Revenue	272.3	271.3	99.6	774.7	776.8	100.3	1,102	70.5
CM <sup>10</sup>	110.4	107.9	97.7	330.7	324.3	98.1	477.3	67.9
CM (%)	40.6%	39.8%	/	42.7%	41.7%	/	43.3%	/
EBIT	7.0	8.6	121.8	18.2	27.3	150.1	39.6	68.8
EBIT margin (%)	2.6%	3.2%	/	2.3%	3.5%	/	3.6%	/

**Revenue and the EBIT margin of the Business Segment Home**



The Home segment's movement of revenue growth by individual markets is presented on page 7 and 8 of the report hereof.

Our Home segment generated positive **EBIT** in the amount of EUR 27.3m. Compared to the equivalent period in 2013, EBIT increased by EUR 9.1m and is primarily the result of:

<sup>10</sup> Contribution margin at the level of difference between revenue and cost of goods and material.

- lower **employee benefits expense** by 7.8% or EUR 12.2m; the decrease is attributable largely to the relocation of production from Sweden to Slovenia, and partly to the restructured sales business units.

We have succeeded in curbing the negative impacts on the contribution margin of the Business Segment Home primarily by means of:

- **improved sales structure** (increased sales of premium household appliances, increased sales in markets outside Europe, and increased sales of small appliances under own brands),
- **larger sales volume** in the Home segment, and
- successful **management of purchase prices for material, raw materials, and fuel costs.**

In countries, where exchange rate fluctuations were the most unfavourable, we have conducted **gradual partial price increases in local currencies** to further ease pressure on the contribution margin in Q4 2014.

**Cost of services** in Segment Home declined by EUR 7.6m over the same period in 2013, due to optimised management costs relating to leases, business trips, advisory services, and more selective investments made in the market communication. Cost of logistics services were higher due to changes in logistical journey through the relocation of production and higher sales, changes in parities and warehousing and distribution models, but they are managed by optimizing the pricing of logistics services, storage locations and other logistics solutions. Regardless of higher logistics-related costs, total cost of services by the Home segment declined due to optimised management costs relating to leases, business trips, advisory services, and more selective investments made in market communication.

**Movement of profitability** at the EBIT level:

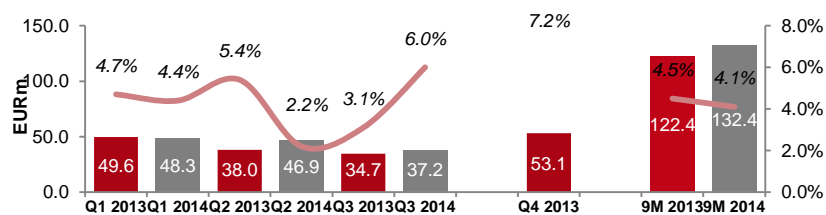
EURm	Development
<b>EBIT January - September 2013</b>	<b>18.2</b>
Contribution margin at the level of cost of goods and material	-6.4
Cost of services	7.6
Employee benefits expense	12.2
Amortisation and depreciation expense	-0.7
Other operating expenses	-0.4
Other operating income	-3.2
<b>EBIT January - September 2014</b>	<b>27.3</b>

## Portfolio Investments

EURm	Q3 2013	Q3 2014	Index	Jan-Sep 2013	Jan-Sep 2014	Index	Plan 2014	9M 2014/ Plan 2014
Revenue	34.7	37.2	107.4	122.4	132.4	108.2	184.5	71.8
CM <sup>11</sup>	19.2	20.5	106.9	57.3	61.6	107.4	86.2	71.4
CM (%)	55.3%	55.1%	/	46.9%	46.5%	/	46.7%	/
EBIT	1.1	2.2	205.8	5.5	5.4	98.2	6.8	79.4
EBIT margin (%)	3.1%	6.0%	/	4.5%	4.1%	/	3.7%	/

<sup>11</sup> Contribution margin at the level of difference between revenue and cost of goods and material.

**Revenue and the EBIT margin of the Business Segment Portfolio investments**



Our Portfolio Investments segment recorded an 8.2 percent increase in revenue. Regardless of the segment's revenue growth, we achieved **EBIT** of EUR 5.4m, which is EUR 0.1m less than in the previous year's same period. The primary reasons behind the decline in EBIT are:

- **higher employee benefits expense** as a result of expanding activities in the ecology segment in Slovenia and tool manufacturing segment in Serbia (by EUR 1.2m over the comparable period in 2013);
- higher **cost of services**; costs refer to the implementation of medical-related projects, which showed different dynamics from those recorded in the same period in 2013; however, revenue was higher due to implemented business deals; furthermore, logistics costs relating to ecology activity increased as a result of new projects that generate additional income, which is reflected in a higher contribution margin at the level of cost of goods and material; whereas
- other categories of **operating expenses** or **income** had no material impact on profitability at the level of EBIT.

**Movement of profitability** at the EBIT level:

EURm	Development
<b>EBIT January - September 2013</b>	<b>5.5</b>
Contribution margin at the level of cost of goods and material	4.2
Cost of services	-3.9
Employee benefits expense	-1.2
Amortisation and depreciation expense	0.2
Other operating expenses	0.6
Other operating income	0.0
<b>EBIT January - September 2014</b>	<b>5.4</b>

## Financial Performance of the Gorenje Group

### Group's financial operations

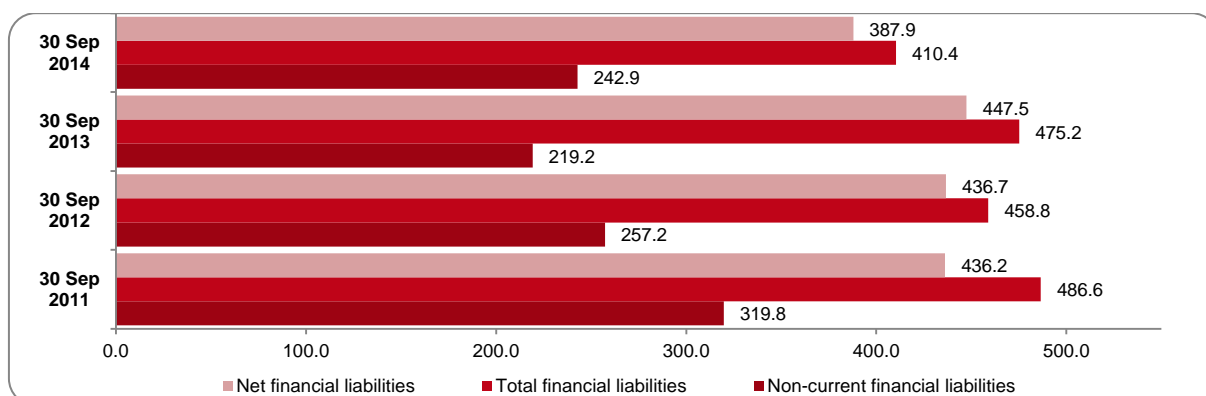
The primary sources of liquidity are provided through operative sales activities in the segments Home and Portfolio Investments, and within these also the optimisation of net working capital. Additional sources of financing include inflows from divestment and non-current borrowings for partly refinancing existing long-term borrowings and permanently renewing current borrowings, revolving loans, and bank overdrafts. In pursuance of the plan for settling financial liabilities in 2014, most of our activities focused on refinancing currently due long-term financial liabilities and renewing current credit lines. Non-current borrowings are thereby repaid on a regular basis and are in part also refinanced, whereas current borrowings are renewed continuously.

By the end of Q3 2014, we have repaid EUR 124.6m of currently due long-term borrowings that were financed by means of newly raised long-term borrowings in the amount of EUR 119.7m. Most of these borrowings were approved and utilised at the end of Q2 or the beginning of Q3 2014 and include:

1. a non-current syndicated borrowing in the amount of EUR 55m and approved by the syndicate of six banks i.e. NLB, SID Banka, Banka Koper, Nova KBM, Abanka Vipava, and Gorenjska banka. The syndicated loan matures in seven years and is earmarked for financing working capital, expanding the Group's operations in international markets, and developing new products. The borrowing was partially drawn in the second and third quarters;
2. a non-current borrowing extended to Gorenje, d.d. by the Austrian branch of the Russian VTB Bank Group. The loan in the total amount of EUR 72m<sup>12</sup> and extended by the "VTB Bank (Austria) AG" matures in 5 years. The relevant borrowing was earmarked for refinancing the due loan (Schuldschein) in July in the amount of EUR 50m, and for restructuring the loan (Schuldschein) that matures in July 2016 i.e. from a lump-sum payment loan to an instalment loan;
3. other smaller non-current borrowings.

New non-current borrowings do not increase the Group's indebtedness, but significantly improve the maturity structure of the existing sources of financing. We shall continue with activities to further improve the relevant maturity structure.

**Movement of total, non-current, and net financial liabilities in Q3 of the period 2011-2014 (EURm)<sup>13,14</sup>**



<sup>12</sup> Part of this loan (EUR 8m) is a dual currency loan (RUB/EUR).

<sup>13</sup> Data as at 30 September 2011 are shown at comparable levels, without the companies of Istrabenz Gorenje Group, which was sold in H1 2011.

<sup>14</sup> Accounting aspect

At the end of Q3 or at the start of October, Gorenje, d.d. issued 5-year bonds in the total value of EUR 73m, and the considerable interest of investors exceeded our expectations. Financial assets obtained therefrom will serve the purpose to additionally bolster the debt maturity structure and disperse long-term sources of financing that are currently limited to banks.

**Total financial liabilities** (as the sum of current and non-current financial liabilities) amounted as at 30 September 2014 to EUR 410.4m and indicate a decline by EUR<sup>15</sup> 54.8m if compared to the equivalent period in 2013. Movements in financial liabilities comply with interim seasonal dynamics, which in 2014 is more favourable than in previous years.

As for the **maturity structure of financial liabilities**, 59.2% refer to non-current sources whereby the remaining share denotes current sources. Compared to the 30 September 2013 balance, the maturity structure improved by 12.1 p.p.<sup>16</sup> The reason for this is that nearly all currently due long-term loans, which were recorded among current sources, were replaced by new non-current sources.

By the end of Q3 2014, **net financial liabilities** (measured as the difference between total financial liabilities and cash and cash equivalents) amounted to EUR 387.9m and declined by EUR<sup>17</sup> 49.6m compared to Q3 2013.

EUR 25.7m of the Group's long-term borrowings are yet to be settled by the end of 2014; positive cash flows from operating activities shall be used for the relevant repayment, as most of this cash flow is generated by the Group in the last quarter of the year. For the purpose of repaying due liabilities this year and next, we can also use the financial assets acquired through the sale of bonds and the higher liquidity reserves (undrawn borrowings and bank overdrafts, bank balances) as a result of the improved maturity structure of financial sources. We are simultaneously conducting permanent activities with existing and new bank partners aimed at optimising costs of financing, further improving the debt maturity structure, and optimising the liquidity reserve. The stated activities are to a great extent already providing sources for servicing the current maturity of non-current borrowings, mostly through both current operations and the significantly lower level of required replacement indebtedness for refinancing in 2015. It is important that the Group recorded a liquidity reserve of EUR 74.4m as at 30 September 2014 in the form of undrawn current and non-current borrowings and bank balances, which can be used to bridge payments on currently due liabilities.

### **Cash flows of the Gorenje Group**

In the first nine months of 2014, the Group recorded negative cash flows from operating and investing activities in the amount of EUR 33.2m, which indicates an improvement of EUR 32.8m over the equivalent period in 2013. This is a typical interim dynamic, as the Group generates a steady volume of positive cash flows in the second half of the year with most of the volume in the last quarter.

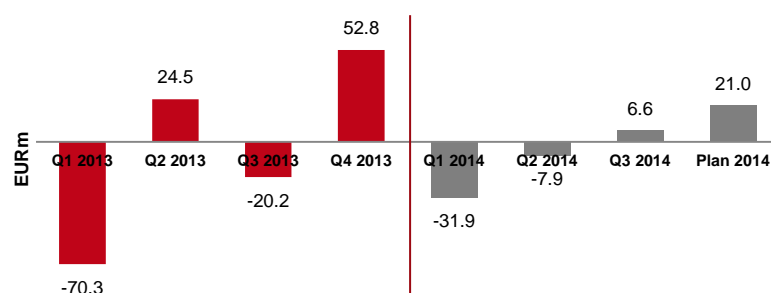
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<sup>15</sup> Account balances of current financial liabilities are exclusive of the share capital increase by Panasonic in the amount of EUR 10m, which increases the balances of current financial liabilities as at 30 September 2013.

<sup>16</sup> Account balances of current financial liabilities are exclusive of the share capital increase by Panasonic in the amount of EUR 10m, which increases the balances of current financial liabilities as at 30 September 2013.

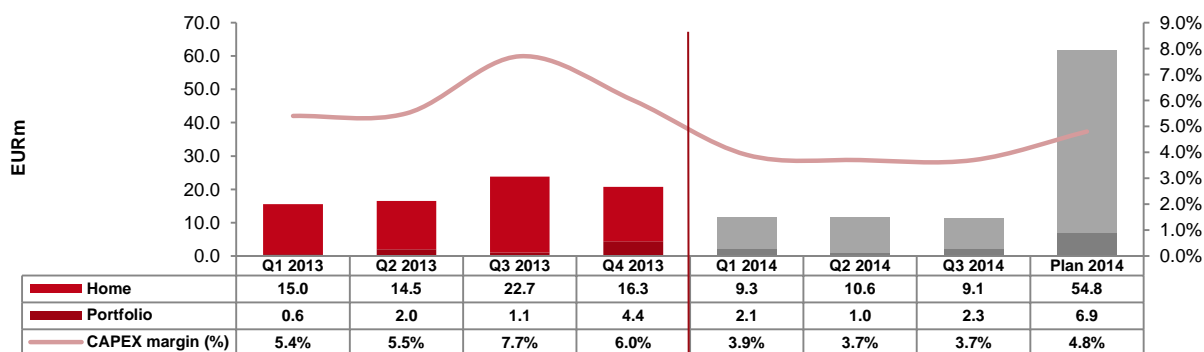
<sup>17</sup> Account balances of current financial liabilities are exclusive of the share capital increase by Panasonic in the amount of EUR 10m, which increases the balances of current financial liabilities as at 30 September 2013.

**Cash flows from operating and investing activities**



**Investments** amounted to EUR 34.4m in the first nine months of 2014 and declined by EUR 21.5m over the equal period in 2013. Investments in Q3 2014 were recorded at EUR 11.4m and show a decrease of EUR 12.3m compared to the same period of the previous. Most investments refer to the completion of projects underway and the development of new products. The largest portion (EUR 9.1m) relates to the Home segment. Major ongoing projects are, in view of the time schedule, planned to be completed by year-end. Investments recorded by the segment Portfolio Investments amounted to EUR 2.3m. The largest portion thereof was invested in ecology and tool manufacturing.

**Investments by business segment**



The total value of implemented divestment of unnecessary and non-operating assets was recorded at a book value of EUR 3.1m and shows a decline of EUR 14.4m compared to the divestment activity in last year's same period.

As at 30 September 2014, the Group's investments in net working capital amounted to EUR 249.2m and signify a decrease over the previous year's same period by EUR 33.5m. The amount of investments made in net working capital was partly impacted by changes in other current assets and liabilities. Net operating assets (inventories, trade receivables, and trade payables) have dropped by EUR 16.8m compared to the equivalent period in 2013.

**Trade receivables** amounted to EUR 226.2m as at 30 September 2014 and were EUR 11.0m lower compared to the equivalent period in 2013. The movement in receivables is the result of implementing management rules for receivables and the amount of sales volume. The average turnover of receivables was 64 days. It was shortened by 5 days over the equivalent period in 2013.

**Inventories** were recorded at EUR 249.1m and indicate a decrease over the same period in 2013 by EUR 0.9m, whereby inventory turnover dropped from 75 to 72 days, which is not entirely in accordance with the annual plan.

**Trade payables** amounted to EUR 182.7m and indicate an increase of EUR 4.8m over the equivalent period in 2013. The balance is in accordance with ordinary annual dynamics.



**Certain financial risks have a significant impact on the Group's cash flow management**

With regard to **financial risks**, the severe macroeconomic situation and political risks in certain markets led the Group to pay special attention to efficient **credit risk** management. Credit risk is balanced through the on-going control of credit limits approved by credit insurance companies, intensified collection of receivables, and regular communication with credit insurance companies and business partners. The balance of bad debts is reviewed and analysed on an on-going basis and proper measures are implemented (e.g. collection, mortgage collections, suspension of supplies to problematic customers, etc.). We have a strict set of rules on both what is deemed suitable collateral for the sale of goods and the maximum exposure allowed by individual companies, customers, etc.

**Currency risks** are hedged and minimised predominantly by natural cash flow balancing for each currency that, mostly in the case of sales companies, cannot be fully implemented. The Group selectively applies forward exchange contracts, mostly in countries that are not part of the euro area. The scope of forward exchange contracts significantly grew in the first nine months of 2014, and will enhance the stability of operations over the rest of the year. We are seeking additional possibilities for increasing the scope of natural hedging, which is to a great extent applied in hedging against the US dollar. Exchange losses were recorded in the first nine months of 2014 as a result of the devalued Ukrainian hryvnia and the Russian rouble. In the medium term, we hedge against currency risk by adjusting sales prices on an on-going basis, by applying cost optimisation and by means of increasing natural hedging on the purchase/sale side.

The volume of Group's transactions conducted in volatile currencies is materially significant; foundations for introducing hedge accounting are therefore being prepared in addition to an in-house developed methodology for valuating foreign currency hedging instruments.

We are managing the **risk of short-term liquidity** by means of approved revolving credit lines per Group companies, approved bank account overdrafts, and bank balances. By the end of Q3 2014, the undrawn part of current and non-current credit lines amounted to EUR 51.9m, and bank balances amounted to an additional EUR 22.5m. With the issue of bonds at the beginning of October in the amount of EUR 73m, the Group additionally lowered the risk of short-term as well as long-term liquidity.

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

### Operating performance of Gorenje, d.d.

EURm	Q3 2013	Q3 2014	Index	Jan-Sep 2013	Jan-Sep 2014	Index	Plan 2014	9M 2014/ Plan 2014
<b>Revenue</b>	<b>153.9</b>	<b>155.4</b>	<b>101.0</b>	<b>471.8</b>	<b>504.7</b>	<b>107.0</b>	<b>761.1</b>	<b>66.3</b>
<b>CM<sup>18</sup></b>	48.7	52.9	108.6	148.5	163.2	109.9	243.5	67.0
CM (%)	31.6%	34.0%	/	31.5%	32.3%	/	32.0%	/
<b>EBITDA</b>	<b>5.5</b>	<b>7.6</b>	<b>138.2</b>	<b>18.6</b>	<b>29.4</b>	<b>158.1</b>	<b>44.3</b>	<b>66.4</b>
EBITDA margin (%)	3.6%	4.9%	/	3.9%	5.8%	/	5.8%	/
<b>EBIT</b>	<b>1.0</b>	<b>2.1</b>	<b>210.0</b>	<b>5.2</b>	<b>13.5</b>	<b>259.6</b>	<b>20.6</b>	<b>65.4</b>
EBIT margin (%)	0.6%	1.4%	/	1.1%	2.7%	/	2.7%	/
<b>Profit or loss before tax</b>	<b>-5.3</b>	<b>-0.4</b>	<b>7.5</b>	<b>-4.4</b>	<b>5.3</b>	<b>/</b>	<b>8.0</b>	<b>65.9</b>
<b>Profit or loss for the period</b>	<b>-4.8</b>	<b>-0.4</b>	<b>8.3</b>	<b>-4.0</b>	<b>5.6</b>	<b>/</b>	<b>7.6</b>	<b>73.3</b>
ROS (%)	-3.1%	-0.3%	/	-0.8%	1.1%	/	1.0%	/
ROA (%)	-2.2%	-0.2%	/	-0.6%	0.8%	/	0.9%	/
ROE (%)	-6.0%	-0.5%	/	-1.7%	2.1%	/	2.1%	/
<b>Employee / end of period</b>	<b>4,182</b>	<b>4,086</b>	<b>97.7</b>	<b>4,182</b>	<b>4,086</b>	<b>97.7</b>	<b>4,037</b>	<b>101.2</b>
<b>Employee / average</b>	<b>4,174</b>	<b>4,177</b>	<b>100.1</b>	<b>4,182</b>	<b>4,154</b>	<b>99.3</b>	<b>4,040</b>	<b>102.8</b>

**Revenue** recorded by the parent company in the first nine months of 2014 amounted to EUR 504.7m, which shows a growth of EUR 32.9m or 7.0% compared to the equivalent period in 2013.

The Business Segment Home recorded revenue in the amount of EUR 475.0m, which is 7.3% more than in the previous year's same period and is primarily the result of:

- higher revenue from the sale of products manufactured in-house by 12.1% due to an increase in orders placed for in-house production (in-house production increased in terms of volume by 9.9%), and
- higher revenue from the sale of household appliances via dealers by 3.0% i.e. primarily household appliances from the Valjevo programme (by 22.7%), the supplementary programme (by 8.4%), and the complementary programme (by 3.7%).

Revenue generated in sales beyond the Business Segment Home amounted to EUR 25.4m and denote a growth over the comparable period in 2013 by 0.4%, which is attributable mostly to higher revenue generated through the Solar, Mekom, and Point programmes. Moreover, revenue from sales of kitchens grew by 14.4% over the equivalent period in 2013.

The contribution margin (gross margin) at the level of the difference between revenue, cost of raw materials, material, and purchase cost of goods sold, including related change in inventories, increased by EUR 14.7m over the previous year. This result is attributable primarily to the dynamics of revenue from sales, which is faster than their direct costs of material and goods.

Employee benefits expense increased by 2.4% compared to the same period last year. The parent company's employee benefits expense for 2013 and 2014 cannot be compared as a result of a different dynamics in capitalising the employee benefits expense arising in connection with the development of new products and the capitalisation of the relevant expense referring to the relocation and launch of new production processes.

<sup>18</sup> Contribution margin at the level of difference between revenue and cost of goods and material.

In respect to the previous year's equivalent period, amortisation and depreciation expenses increased by 18.2% as a result of relocating the equipment for manufacturing dishwashers and dryers (Asko) that was activated partially in July and October 2013.

Compared to the same period in 2013, the parent company's result from financing activities improved by 14.4% or by EUR 1,383k, which is mostly attributable to lower impairment costs for investments.

The improvement in **EBIT** is attributable largely to:

- improved utilisation of production capacities, higher business activities, and additional production that was transferred from Sweden;
- improved product and geographical structure of sales;
- successful management of purchase prices of material and raw materials; and
- slower growth of operating expenses than the growth of gross profit or loss by 1.7 p.p.

**Movement of the parent company's profitability** at the level of profit or loss for the period:

<b>EURm</b>	<b>Development</b>
<b>Loss for the period January - September 2013</b>	<b>-4.0</b>
Contribution margin at the level of cost of goods and material	15.1
Cost of services	-5.4
Employee benefits expense	-1.7
Amortisation and depreciation expense	-2.4
Other operating expenses	2.8
Other operating income	-0.1
Financial result	1.4
Income tax expense and deferred taxes	-0.1
<b>Profit for the period January - September 2014</b>	<b>5.6</b>

## **Ownership Structure and GRVG Shares**

### **Third round of share capital increase was completed**

In accordance with the resolution adopted by the 20<sup>th</sup> Shareholders' Meeting on 23 August 2013 regarding the issue of a maximum 2,320,186 ordinary, freely transferable, no par value shares for non-cash contributions, we successfully completed the third stage of the share capital increase at the end of July 2014. Financial institutions that also acted as Gorenje's creditors on the date of the 20<sup>th</sup> Shareholders' Meeting were entitled to participate in the relevant capital increase. Two institutions decided to participate, namely the International Financial Corporation (IFC), which paid in 1,005,020 new shares, and Gorenjska banka, which paid in 1,315,166 new shares. The price per share was EUR 4.31, thus equalling the share price in the first two capital increases that were carried out in 2013. Gorenjska banka offered the acquired shares for further sale to investors.

Upon completing both stages of the third increase, the share capital of Gorenje, d.d. was fully increased, and as at the date of this report amounts to EUR 101,922,103.97 and is divided into 24,424,613 ordinary, freely transferable, registered shares.

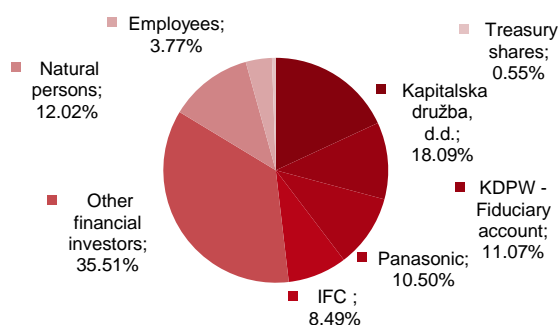
### **Ownership structure**

As of **30 September 2014**, **17,130 shareholders** were entered in the share register indicating that the number of shareholders declined by 1.8% over the year-end balance of 2013 (17,438).

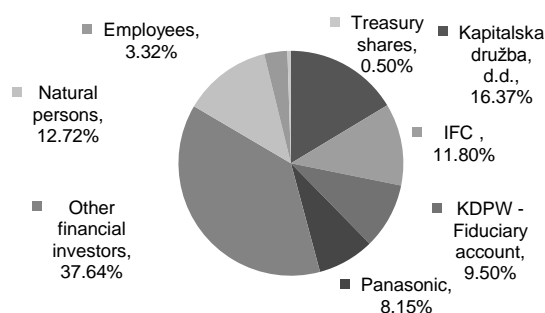
**Gorenje's ten major shareholders and owners**

Ten major shareholders	No. of shares (31 Dec 2013)	Equity interest in %	No. of shares (30 Sep 2014)	Equity interest in %
KAPITALSKA DRUŽBA, D.D.	3,998,653	18.09%	3,998,653	16.37%
KDPW – FIDUCIARY ACCOUNT <sup>19</sup>	2,446,603	11.07%	1,991,247	8.15%
PANASONIC CORPORATION	2,320,186	10.50%	2,320,186	9.50%
IFC	1,876,876	8.49%	2,881,896	11.80%
NFD 1, mixed flexible subfund – South / Alpen.SI, mixed flexible subfund	1,125,802	5.09%	1,180,180	4.83%
HOME PRODUCTS EUROPE B.V.	1,070,000	4.84%	1,070,000	4.38%
ZAGREBAČKA BANKA D.D. – FIDUCIARY ACCOUNT	/	/	479,941	1.96%
INGOR, d.o.o., & co. k.d.	794,473	3.59%	/	/
SOP Ljubljana	/	/	401,201	1.64%
CONSEQ INVEST PUBLIC LIMITED COMPANY	464,732	2.10%	464,732	1.90%
EECF AG	411,727	1.86%	411,727	1.69%
RAIFFEISEN BANK AUSTRIA D.D. – FIDUCIARY ACCOUNT	325,260	1.47%	/	/
AKTSIASELTS TRIGON FUNDS	/	/	318,676	1.44%
<b>Total major shareholders</b>	<b>14,834,312</b>	<b>67.11%</b>	<b>15,199,763</b>	<b>62.23%</b>
Other shareholders	7,270,115	32.89%	9,224,850	37.77%
<b>Total</b>	<b>22,104,427</b>	<b>100%</b>	<b>24,424,613</b>	<b>100%</b>

**Ownership structure as at 31 December 2013**



**Ownership structure as at 30 September 2014**



The number of own shares or treasury shares as at 30 September 2014 equals the 2013 year-end balance i.e. at **121,311 treasury shares**, which as at 30 September 2014 accounted for **0.4967%** of total share capital.

**The number of shares held by Supervisory Board and Management Board members**

Supervisory Board	31 Dec 2013	30 Sep 2014	
<b>Total:</b>	<b>0.0159%</b>	<b>3,508</b>	<b>0.0144%</b>
Peter Kobal	0.0061%	1,355	0.0055%
Krešimir Martinjak	0.0005%	115	0.0005%
Jurij Slemenik	0.0092%	2,038	0.0083%

<sup>19</sup> The KDPW fiduciary account includes shares, which were registered and paid in Poland during the second share capital increase.

Management Board	31 Dec 2013		30 Sep 2014	
<b>Total:</b>	<b>18,894</b>	<b>0.0855%</b>	<b>21,394</b>	<b>0.0876%</b>
<b>Franc Bobinac</b>	4,096	0.0185%	4,096	0.0168%
<b>Branko Apat</b>	626	0.0028%	626	0.0026%
<b>Drago Bahun</b>	9,082	0.0411%	9,082	0.0372%
<b>Marko Mrzel</b>	450	0.0020%	450	0.0018%
<b>Peter Groznik</b>	4,640	0.0210%	7,140	0.0292%

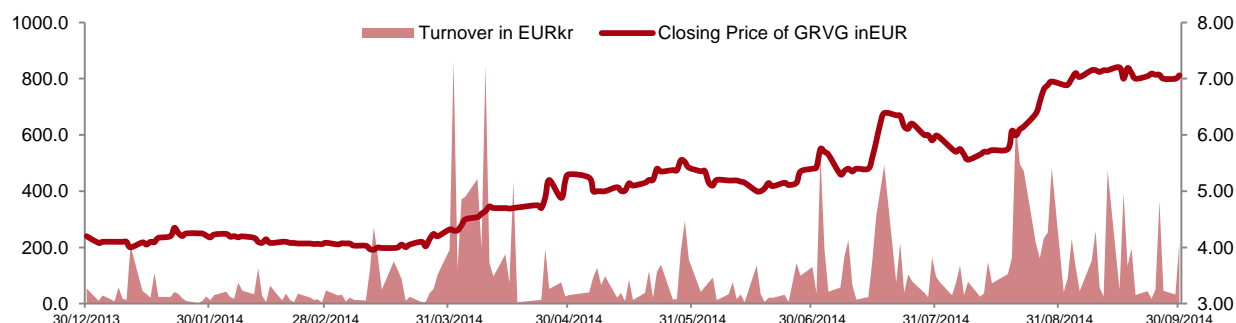
Mr. Peter Groznik, a Management Board member, acquired 2,500 shares of Gorenje, d.d. (GRVG) on 17 March 2014 at the Ljubljana Stock Exchange through a business deal worth EUR 9,999.25. Upon the conclusion of the respective deal, the total number of shares is 7,140 whereby the share of his voting rights upon the share capital increase conducted in July is recorded at 0.0294%.

The number of company's shares held by Supervisory Board and Management Board members has not changed in the period from 30 September 2014 to the date of this public announcement.

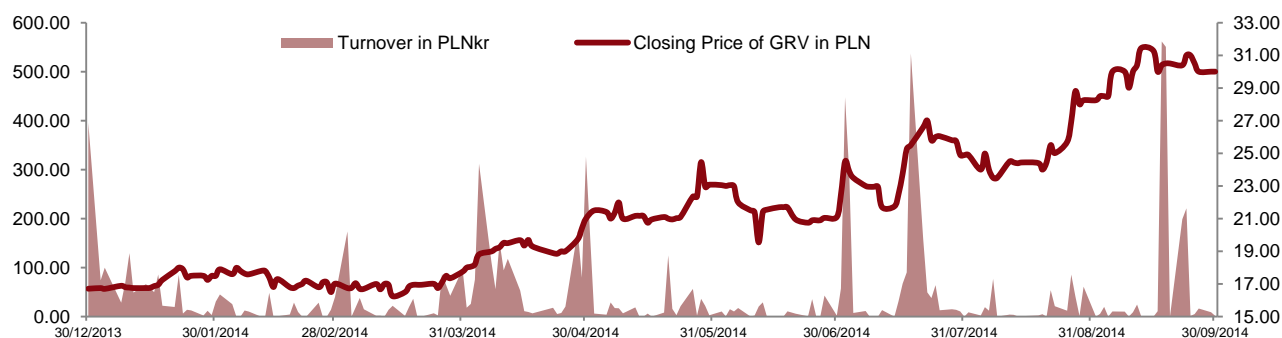
#### GRVG share

As at the last trading day in September 2014, the **closing price per share** on the Ljubljana Stock Exchange as the primary market was recorded at EUR 7.06 and shows an increase of 68.1% if compared to the last trading day in 2013 (EUR 4.20). The prime market index SBITOP increased in the same period by 27.8%. As at 30 September 2014, total turnover on the Ljubljana and Warsaw Stock Exchange was recorded at 4,313,514 shares, indicating that the average daily turnover on the Ljubljana Stock Exchange was 20,963 shares (GRVG) and 1,981 shares on the Warsaw Stock Exchange. Compared to the year-end balance of 2013 when shares were merely listed, the closing price per share grew by 79.5% (from PLN 16.71 to PLN 30.00).

**Movement of the GRVG share and daily turnover on the Ljubljana Stock Exchange for the period January – September 2014**



**Movement of the GRV share and daily turnover on the Warsaw Stock Exchange for the period January – September 2014**



**Basic and diluted earnings per share** are calculated as the ratio between the profit or loss of the parent company's owners in the first nine months of 2014 and the average number of shares issued, less the average balance of treasury shares (22,498,713 shares) amounts to EUR 0.17 (2013: EUR - 1.51).

**Book value of the GRVG share** as at 30 September 2014 amounted to EUR 16.07 (EUR 17.32 as at 31 December 2013). It is calculated as the ratio between the book value of the Group's ordinary share capital and the number of issued shares, less the number of treasury shares as at 30 September 2014 (24,303,302 shares).

**The ratio between the market value and the book value of the GRVG share** is recorded at 0.44 (0.24 as at 31 December 2013).

#### **Dividend policy**

Due to the onset of the economic crisis that had a major impact on Gorenje's operations since the last quarter of 2008, no dividends were paid out for the years 2008, 2009, 2010, and 2012. A dividend payout in the amount of EUR 0.15 gross per share was carried out for the financial year 2011. With respect to the loss that was recorded by the Group in 2013, the Management and the Supervisory Board have proposed at the Shareholders' Meeting not to pay out dividends in 2014 for 2013. During the Shareholders' Meeting held on 4 July 2014, the stakeholders have also endorsed the relevant proposal of the Management and Supervisory Board. The Management Board is of the opinion that a dividend payout is not suitable until proper deleveraging is achieved.

#### **Significant Events after the Balance Sheet Date**

As at 10 October 2014, Gorenje, d.d. successfully issued 5-year bonds with the symbol GV01 in the total par value of EUR 73m. Financial assets acquired through the sale of bonds are earmarked for improving the loan maturity structure and also in part for the partial repayment of existing borrowings. It is Gorenje's first issue of bonds since it became a joint-stock company. The bonds are listed on the Ljubljana Stock Exchange.

No other significant events occurred after the date of compiling the balance sheet as of 30 September 2014.

#### **Major Business Events in the Period January - September 2014**

##### JANUARY

##### **Symbolic launch of dishwasher production in Velenje**

With the symbolic launch of a five-station sheet metal processing conveyor line, we have celebrated the transfer of the production programme from Sweden to Velenje. The dishwasher production programme was relocated as a part of the large-scale strategic production restructuring programme.

##### FEBRUARY

##### **Gorenje Group and the American manufacturer of premium home appliances Sub-Zero Group Inc. sign a distribution agreement**

We have concluded with the Sub-Zero Group Inc., as a leading American manufacturer of premium home appliances, a long-term agreement for the distribution of 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 our strategic activities aimed at boosting Gorenje's presence beyond Europe and promoting the sale of its premium products

#### **Superbrand for Gorenje kitchens in the Czech Republic**



Gorenje Kitchens brand received the prestigious Superbrand 2014 award and thereby officially joined the club of excellent brands in the Czech Republic.

#### **Gorenje Orodjarna also in Serbia**

The subsidiary Gorenje Orodjarna d.o.o., as a producer of industrial tools for metal and plastics processing for the automotive and major appliance industry, is expanding its operations also in Serbia. Hence, its first international subsidiary Gorenje MDM, d.o.o. was established for this purpose in Kragujevac, Serbia.

### **MARCH**

#### **»Red Dots« for the Gorenje Group**



reddot award 2014  
winner

Gorenje design was also awarded the international Red Dot award this year for best product design. The 40-member expert jury was impressed by two of Gorenje Group's designs, namely the built-in oven with interactive colour touch display of the Gorenje brand, and the built-in oven of the Pro Series™ line of the Asko brand. The awards ceremony was held on 7 July 2014.

#### **Successful issue of commercial papers in the total par value of EUR 35m**

On 25 March 2014 we successfully issued 9-month commercial papers in the total par value of EUR 35m bearing an interest rate of 4%.

### **APRIL**

#### **Premier of Asko Pro Series™ products at the Design Week in Milan**



The Asko Pro Series™ was launched as the new line of kitchen products during the Design Week in Milan from 8 through 13 April 2014. We expanded our existing Asko brand offer that is recognisable primarily by washing machines, dishwashers, and dryers.

### **MAY**

#### **Gorenje among the most trustworthy brands for the 8th consecutive year**

Gorenje is the most trustworthy brand in the category of home appliances in Slovenia. Subscribers to Reader's Digest magazine in Slovenia have chosen Gorenje for the eighth consecutive year. Reader's Digest magazine has conducted their Trust Brand survey in various categories throughout the world for 14 years and for 8 years in Slovenia.

## JUNE

### **Gorenje wins the Plus X Award for the 11<sup>th</sup> consecutive year**



The former German parliamentary building in Bonn hosted the festive Plus X Award ceremony on 5 June 2014. Gorenje was among the award winners for the eleventh consecutive year. The expert jury, consisting of representatives from 25 different industries, was impressed by the latest combined steam oven of the Gorenje<sup>+</sup> line,

which won awards in the categories of quality, design, user-friendliness, and functionality.

## JULY

### **Completion of the third stage of share capital increase**

The last stage of the share capital increase was conducted in July. The contract on converting debt into 1,005,020 of newly issued shares was concluded with the International Financial Corporation - IFC. Prior to this event, Gorenjska banka converted its receivables into 1,315,166 shares.

### **Cooking appliances facility celebrates 50 years**

On 3 July 1964, Gorenje opened an existing production facility for cooking appliance in Velenje. The first production of cooking appliances was otherwise recorded in 1958 in the village Gorenje, and after 1960, the production continued in the rented premises in Velenje.

### **Asko's 2nd place at dishwasher testing in Australia and a French award for innovation**

The Asko D5894 dishwasher came in second during the latest testing carried out by the Choice independent institution in Australia.

The Asko brand also received a French award for its Asko IQ Cook in the category innovation. The prize was awarded at the Foire de Paris fair.

### **Simplicity collection premièred in Asia**



In addition to the already well-established Ora-Ito line in Asia, our Thai partner Hafele premiered the new Simplicity line during the 28<sup>th</sup> Architect Exhibition in Bangkok. The fair attracted more than 173,000 visitors.

## AUGUST

### **Gorenje's appliances make ethical best buy**

Gorenje has taken home three Best Buy recommendations from the leading environmental advice provider Ethical Consumer in the United Kingdom. Gorenje's fridge-freezers, microwaves, ovens, and washing machines have all been tipped as top ethical buys in the recently published home appliances guide.



## SEPTEMBER

### **IFA – opportunity to showcase novelties from around the world**



Gorenje showcased this year at the IFA tradeshow, the largest international event dedicated to consumer electronics and home appliances in Berlin celebrating its 90<sup>th</sup> anniversary. Exhibitors use the fair, which takes place prior to the start of the sales' strongest quarter for our industry as well as the consumer electronics industry, to debut novelties. According to the fair's organisers, a record number of products were premiered this year. Gorenje presented visitors and business partners its new generation of HomeMade personal kitchen assistants that simplify cooking, and also showcased the new generation of Asko high-performance kitchen appliances and other novelties.

### **New generation of fridges awarded for innovativeness**

The Slovenian Chamber of Commerce and Industry (SCCI) conferred on 17 September 2014 national awards for the 12<sup>th</sup> year running for the most innovative companies and innovators at enterprises and public research institutes. Gorenje innovators received a golden award for its new generation of fridge-freezers.

### **European Works Council established**

Gorenje Group is the first international enterprise headquartered in Slovenia to have established a European Works Council consisting of employees working in European Union member states. The Gorenje European Works Council consists of 17 employees working at Gorenje's major companies in Slovenia, other European Union member states (Germany, Austria, the Czech Republic, the Netherlands, Denmark, Sweden, and Croatia), and one employee from Serbia. The constitutional session of the European Council of Gorenje's workers took place on 25 September in Velenje.

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## ACCOUNTING REPORT

### Reporting Entity

Gorenje, d.d., is a company headquartered in Slovenia. The address of the registered head office is at Partizanska 12, 3320 Velenje.

Consolidated financial statements of Gorenje, d.d. for the 9-month period that ended 30 September 2014 include the parent company and its subsidiaries (hereinafter jointly referred to as 'the Group'), equity interests in jointly controlled companies, and equity interests in associated companies. The Group's core activity is manufacturing and sale of home appliances.

### Basis of preparation

#### (a) Statement of compliance

Consolidated interim financial statements are compiled pursuant to IAS 34 – Interim Financial Reporting, and pursuant to provisions of the Companies Act. The financial statements do not include all information required by the entire IFRSs. The selected explanatory information is included in the report in order to clarify the business events and transactions material for the understanding of the changes in the financial position and income or results of the Gorenje Group in the period since the compilation of the latest consolidated financial statements.

The Management Board of Gorenje, d.d., confirmed these financial statements on 20 October 2014.

#### (b) Use of estimates and judgements

In the course of drawing up these interim financial statements, the company management made judgements, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue, and expenses. Actual results may differ from these estimates.

Material estimates of uncertainty and critical judgements or evaluations made by the management in the process of pursuing the accounting policies, which have the strongest effect on the amounts in the financial statements are similar to those used by the management when drawing up the consolidated financial statements as at 31 December 2013.

### Fundamental Accounting Policies and Significant Notes to the Financial Statements

Accounting policies applied in these interim financial statements are identical to those used in the consolidated financial statements compiled as at 31 December 2013.

Comparable information is in a material scope harmonised with the presentation of information during the current year. Where necessary, comparable information was adjusted in such a way that it matched the presentation of information for the current year.

## Changes in the Composition of the Gorenje Group

Changes that occurred in the composition of the Gorenje Group up to and including 30 September 2014 were as follows:

- Pursuant to the consolidation policy for companies in the ecology segment, the parent company Gorenje, d.d. sold its equity interests in the companies Erico, d.o.o. and Econo, d.o.o. to the company Gorenje Surovina d.o.o. in February.
- As of 27 March 2014, a contract on assigning total interest (100%) in the company GORENJE – kuchyne spol. s.r.o. was concluded in Olomouc (Czech Republic) in the form of a notarial record between the assignor VARIO 2000, proizvodnja pohištva, d.o.o. – in liquidation and Gorenje gospodinjski aparati, d.d., Velenje as the assignee.
- Pursuant to the entry in the register of companies dated 8 April 2014, the company Gorenje projekt, d.o.o., which is classified as an associate and where the parent company holds a 50% equity interest, has acquired a 51.17% interest in the company Tosidos d.o.o.
- By means of a decision adopted by the municipal council in March, the Municipality Šentjur, as the owner of a 0.0155% equity interest in Gorenje Surovina d.o.o., confirmed the sale of its non-controlling interest in Gorenje Surovina, d.o.o., to Gorenje, d.d. The transfer of the equity interest to Gorenje, d.d. was carried out in April, with the relevant agreement being signed on 16 April 2014. Hence, Gorenje, d.d. became the owner of an 85.80% interest in Gorenje Surovina, whereas the residual interest of 14.20% shall remain as treasury shares owned by Gorenje Surovina. Gorenje, d.d. is thereby indirectly becoming the sole owner (100%) of Gorenje Surovina.
- As of 14 April 2014, Gorenje d.d. sold its equity interest in the company Gorenje kuhinje, d.o.o., Kiev.
- As of 25 June 2014, Atag Nederland BV merged with ATAG Special Products BV and with Atag Europe BV on 26 June 2014.
- The company Atag Financiële Diensten BV changed its corporate name to Supportive Retail Services BV and was liquidated on 27 June 2014.
- As of 30 June 2014, the company Asko Appliances, Inc. changed its corporate name to Gorenje North America, Inc.
- As of 9 September 2014, the company Cleaning System S acquired a 24% equity interest from Mikica Vasić.
- As of 18 July 2014, the share capital increase of Gorenje, d.d. was entered into the Companies' Register. Thus, the share capital of Gorenje, d.d. is recorded at EUR 101,922,103.97.

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

Companies operating in Slovenia		Equity interest in %	Business segment
1.	Gorenje I.P.C., d.o.o., Velenje	100.00	BSH
2.	Gorenje GTI, d.o.o., Velenje	100.00	BSPI
3.	Gorenje Gostinstvo, d.o.o., Velenje	100.00	BSPI
4.	Energygor, d.o.o., Velenje	100.00	BSPI
5.	Kemis, d.o.o., Vrhnika	100.00	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	100.00	BSPI

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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	51.00	BSPI
13.	EKOGOR, d.o.o., Jesenice	75.01	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	BSPI
17.	Gorenje Surovina Fotoreciklaža, d.o.o., Maribor	51.00	BSPI
18.	Gorenje Studio, d.o.o., Ljubljana	100.00	BSH

<b>Foreign operations</b>		<b>Equity interest in %</b>	<b>Business segment</b>
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 domačinstvo, 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	100.00	BSPI
29.	Kemis - BH, d.o.o., Bosnia and Herzegovina	100.00	BSPI
30.	Gorenje Studio, d.o.o., Serbia	100.00	BSH
31.	Gorenje Gulf FZE, United Arab Emirates	100.00	BSH

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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	100.00	BSPI
37.	Kemis – SRS, d.o.o., Bosnia and Herzegovina	100.00	BSPI
38.	ATAG Nederland BV, the Netherlands	100.00	BSH
39.	ATAG België NV, Belgium	100.00	BSH
40.	Intell Properties BV, the Netherlands	100.00	BSH
41.	Gorenje Nederland BV, the Netherlands	100.00	BSH
42.	Gorenje Kazakhstan, TOO, Kazakhstan	100.00	BSH
43.	»Euro Lumi & Surovina« SH.P.K., Kosovo	51.00	BSPI
44.	OOO Gorenje BT, Russia	100.00	BSH
45.	Gorenje GTI, d.o.o., Beograd, Serbia	100.00	BSPI
46.	Asko Appliances AB, Sweden	100.00	BSH
47.	Gorenje North America, Inc., USA	100.00	BSH
48.	Asko Appliances Pty, Australia	100.00	BSH
49.	Asko Appliances OOO, Russia	100.00	BSH
50.	»Gorenje Albania« SHPK, Albania	100.00	BSH
51.	Gorenje Home d.o.o., Zaječar, Serbia	100.00	BSH
52.	ORSES d.o.o., Beograd, Serbia	100.00	BSPI
53.	Gorenje Ekologija, d.o.o., Stara Pazova, Serbia	100.00	BSPI
54.	Gorenje Corporate GmbH, Austria	100.00	BSH
55.	Cleaning system S, d.o.o., Serbia	100.00	BSPI
56.	ZEOS eko-sistem d.o.o., Bosnia and Herzegovina	49.45	BSPI
57.	Gorenje Solarna energija Solago, d.o.o., Serbia	100.00	BSPI
58.	Gorenje Sola - Home, d.o.o., Serbia	100.00	BSPI
59.	Gorenje do Brasil Ltda., Brasil	100.00	BSH
60.	Gorenje Asia Ltd., China	100.00	BSH
61.	Gorenje MDM d.o.o. Kragujevac, Serbia	100.00	BSPI

BSH – Business Segment Home

BSPI – Business Segment Portfolio Investments

**Associates:**

- Gorenje Projekt, d.o.o., Velenje
- GGE družba za izvajanje energetskih storitev, d.o.o. (GGE d.o.o.), Ljubljana
- RCE – Razvojni center energija d.o.o. (RCE d.o.o.), Velenje
- Econo Projektiranje d.o.o., Ljubljana
- ENVITECH D.O.O., Beograd
- Gorenje Electronics Trading LLC, Dubai

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

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

**Unaudited Condensed Consolidated Financial Statements of the  
Gorenje Group**

**Condensed Consolidated Balance Sheet of the Gorenje Group**

EURk	Balance at 30 Sep 2013	%	Balance at 31 Dec 2013	%	Balance at 30 Sep 2014	%
<b>ASSETS</b>	<b>1,197,990</b>	<b>100.0%</b>	<b>1,149,702</b>	<b>100.0%</b>	<b>1,159,428</b>	<b>100.0%</b>
<b>Non-current assets</b>	<b>583,175</b>	<b>48.7%</b>	<b>595,512</b>	<b>51.8%</b>	<b>588,627</b>	<b>50.8%</b>
Intangible assets	163,851	13.7%	167,882	14.6%	175,741	15.2%
Property, plant and equipment	354,903	29.6%	356,552	31.0%	346,602	29.9%
Investment property	21,421	1.8%	28,129	2.4%	24,912	2.1%
Non-current investments	8,170	0.7%	5,527	0.5%	3,988	0.3%
Investments in associates	1,360	0.1%	711	0.1%	758	0.1%
Non-current trade receivables	14,245	1.2%	10,559	0.9%	10,363	0.9%
Deferred tax assets	19,225	1.6%	26,152	2.3%	26,263	2.3%
<b>Current assets</b>	<b>614,815</b>	<b>51.3%</b>	<b>554,190</b>	<b>48.2%</b>	<b>570,801</b>	<b>49.2%</b>
Non-current assets held for sale	996	0.1%	1,655	0.1%	1,461	0.1%
Inventories	250,004	20.9%	235,767	20.5%	249,080	21.5%
Current investments	30,236	2.5%	17,202	1.5%	20,035	1.7%
Trade receivables	237,231	19.8%	205,581	17.9%	226,192	19.5%
Other current assets	62,408	5.2%	48,615	4.2%	46,519	4.0%
Cash and cash equivalents	27,736	2.3%	38,589	3.4%	22,503	2.0%
Assets held for sale	6,204	0.5%	6,781	0.6%	5,011	0.4%
<b>EQUITY AND LIABILITIES</b>	<b>1,197,990</b>	<b>100.0%</b>	<b>1,149,702</b>	<b>100.0%</b>	<b>1,159,428</b>	<b>100.0%</b>
<b>Equity</b>	<b>367,937</b>	<b>30.7%</b>	<b>380,670</b>	<b>33.1%</b>	<b>390,155</b>	<b>33.7%</b>
Share capital	66,378	5.5%	92,240	8.0%	101,922	8.8%
Share premium	175,575	14.7%	175,568	15.3%	175,714	15.2%
Revenue reserves	94,331	7.9%	95,818	8.3%	95,818	8.3%
Treasury shares	-3,170	-0.3%	-3,170	-0.2%	-3,170	-0.3%
Retained earnings	21,187	1.8%	12,829	1.1%	16,621	1.4%
Translation reserve	483	0.0%	-4,435	-0.4%	-8,135	-0.7%
Fair value reserve	10,478	0.9%	9,007	0.8%	8,597	0.7%
<b>Equity of holders of the parent</b>	<b>365,262</b>	<b>30.5%</b>	<b>377,857</b>	<b>32.9%</b>	<b>387,367</b>	<b>33.4%</b>
<b>Equity of non-controlling interests</b>	<b>2,675</b>	<b>0.2%</b>	<b>2,813</b>	<b>0.2%</b>	<b>2,788</b>	<b>0.3%</b>
<b>Non-current liabilities</b>	<b>299,991</b>	<b>25.0%</b>	<b>280,595</b>	<b>24.4%</b>	<b>322,728</b>	<b>27.8%</b>
Provisions	65,025	5.4%	66,671	5.8%	64,144	5.5%
Deferred income	4,998	0.4%	5,081	0.4%	5,304	0.5%
Non-current trade payables	6,261	0.5%	5,773	0.5%	6,197	0.5%
Deferred tax liabilities	4,501	0.4%	4,316	0.4%	4,226	0.4%
Non-current financial liabilities	219,206	18.3%	198,754	17.3%	242,857	20.9%
<b>Current liabilities</b>	<b>530,062</b>	<b>44.3%</b>	<b>488,437</b>	<b>42.5%</b>	<b>446,545</b>	<b>38.5%</b>
Current financial liabilities	255,995	21.4%	198,659	17.3%	167,531	14.4%
Trade payables	177,902	14.9%	213,820	18.6%	182,718	15.8%
Other current liabilities	92,454	7.7%	72,244	6.3%	93,844	8.1%
Liabilities held for sale	3,711	0.3%	3,714	0.3%	2,452	0.2%

Condensed Consolidated Income Statement of the Gorenje Group

EURk	Q3 2013	%	Q3 2014	%	Jan-Sep 2013	%	Jan-Sep 2014	%	Plan 2014	%	2014/2013	9M 2014/ Plan 2014
<b>Revenue</b>	<b>307,022</b>	<b>104.4%</b>	<b>308,544</b>	<b>102.9%</b>	<b>897,120</b>	<b>98.2%</b>	<b>909,213</b>	<b>97.3%</b>	<b>1,286,489</b>	<b>98.9%</b>	<b>101.3</b>	<b>70.7</b>
Change in inventories	-17,487	-6.0%	-15,191	-5.1%	-1,998	-0.2%	10,636	1.1%	1,367	0.1%	/	778.1
Other operating income	4,595	1.6%	6,617	2.2%	17,969	2.0%	14,784	1.6%	12,753	1.0%	82.3	115.9
<b>Gross profit</b>	<b>294,130</b>	<b>100.0%</b>	<b>299,970</b>	<b>100.0%</b>	<b>913,091</b>	<b>100.0%</b>	<b>934,633</b>	<b>100.0%</b>	<b>1,300,609</b>	<b>100.0%</b>	<b>102.4</b>	<b>71.9</b>
Cost of goods, materials and services	-214,787	-73.0%	-215,563	-71.9%	-662,405	-72.5%	-685,600	-73.4%	-948,227	-72.9%	103.5	72.3
Employee benefits expense	-55,550	-18.9%	-57,671	-19.2%	-180,521	-19.8%	-169,510	-18.1%	-240,568	-18.5%	93.9	70.5
Amortisation and depreciation expense	-10,486	-3.5%	-10,947	-3.6%	-31,740	-3.5%	-32,201	-3.4%	-47,296	-3.6%	101.5	68.1
Other operating expenses	-5,193	-1.8%	-4,997	-1.7%	-14,781	-1.6%	-14,671	-1.6%	-18,115	-1.4%	99.3	81.0
<b>Operating profit</b>	<b>8,114</b>	<b>2.8%</b>	<b>10,792</b>	<b>3.6%</b>	<b>23,644</b>	<b>2.6%</b>	<b>32,651</b>	<b>3.5%</b>	<b>46,403</b>	<b>3.6%</b>	<b>138.1</b>	<b>70.4</b>
Finance income	1,359	0.5%	2,273	0.7%	3,915	0.4%	4,294	0.4%	2,366	0.2%	109.7	181.5
Finance expenses	-13,191	-4.5%	-10,774	-3.6%	-34,459	-3.7%	-29,119	-3.1%	-33,329	-2.6%	84.5	87.4
<b>Net finance expenses</b>	<b>-11,832</b>	<b>-4.0%</b>	<b>-8,501</b>	<b>-2.9%</b>	<b>-30,544</b>	<b>-3.3%</b>	<b>-24,825</b>	<b>-2.7%</b>	<b>-30,963</b>	<b>-2.4%</b>	<b>81.3</b>	<b>80.2</b>
Share in profits or losses in associates	104	0.0%	-100	0.0%	62	0.0%	-132	0.0%	946	0.1%	/	/
<b>Profit or loss before tax</b>	<b>-3,614</b>	<b>-1.2%</b>	<b>2,191</b>	<b>0.7%</b>	<b>-6,838</b>	<b>-0.7%</b>	<b>7,694</b>	<b>0.8%</b>	<b>16,386</b>	<b>1.3%</b>	<b>/</b>	<b>47.0</b>
Income tax expense	-658	-0.3%	-970	-0.3%	-2,470	-0.3%	-2,666	-0.3%	-3,160	-0.3%	107.9	84.4
<b>Profit or loss without discontinued operation</b>	<b>-4,272</b>	<b>-1.5%</b>	<b>1,221</b>	<b>0.4%</b>	<b>-9,308</b>	<b>-1.0%</b>	<b>5,028</b>	<b>0.5%</b>	<b>13,226</b>	<b>1.0%</b>	<b>/</b>	<b>38.0</b>
<b>Profit or loss from discontinued operation</b>	<b>-6,088</b>	<b>-2.0%</b>	<b>-264</b>	<b>-0.1%</b>	<b>-8,873</b>	<b>-1.0%</b>	<b>-1,015</b>	<b>-0.1%</b>	<b>-1,159</b>	<b>-0.1%</b>	<b>11.4</b>	<b>87.6</b>
<b>Profit or loss for the period</b>	<b>-10,360</b>	<b>-3.5%</b>	<b>957</b>	<b>0.3%</b>	<b>-18,181</b>	<b>-2.0%</b>	<b>4,013</b>	<b>0.4%</b>	<b>12,067</b>	<b>0.9%</b>	<b>/</b>	<b>33.3</b>
<b>Attributable to non-controlling interests</b>	<b>48</b>	<b>0.0%</b>	<b>154</b>	<b>0.0%</b>	<b>172</b>	<b>0.0%</b>	<b>221</b>	<b>0.0%</b>	<b>479,0</b>	<b>0.0%</b>	<b>128.5</b>	<b>46.1</b>
<b>Attributable to equity holders of the parent</b>	<b>-10,408</b>	<b>-3.5%</b>	<b>803</b>	<b>0.3%</b>	<b>-18,353</b>	<b>-2.0%</b>	<b>3,792</b>	<b>0.4%</b>	<b>11,588</b>	<b>0.9%</b>	<b>/</b>	<b>32.7</b>
Basic and diluted earnings per share without discontinued operation (in EUR)	-0.27	/	0.05	/	-0.60	/	0.21	/	/	/	/	/
Basic and diluted earnings per share (in EUR)	-0.66	/	0.04	/	-1.16	/	0.17	/	/	/	/	/

**Condensed Consolidated Statement of Comprehensive Income  
of the Gorenje Group**

EURk	Jan-Sep 2013	Jan-Sep 2014
<b>Profit or loss for the period</b>	<b>-18,181</b>	<b>4,013</b>
<b>Other comprehensive income</b>		
<b>Items that will not be reclassified subsequently to profit or loss</b>	<b>0</b>	<b>0</b>
Change in fair value of land		
<b>Items that may be reclassified subsequently to profit or loss</b>	<b>-3,876</b>	<b>-4,110</b>
Net change in fair value of available-for-sale financial assets	12	-25
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge	71	-1,559
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge, reclassified to profit or loss	1,727	1,369
Income tax on other comprehensive income	-308	-195
Translation reserve	-5,378	-3,700
<b>Other comprehensive income for the period</b>	<b>-3,876</b>	<b>-4,110</b>
<b>Total comprehensive income for the period</b>	<b>-22,057</b>	<b>-97</b>
Attributable to equity holders of the parent	-22,229	-318
Attributable to non-controlling interests	172	221



**Condensed Consolidated Statement of Cash Flows of the  
Gorenje Group**

EURk	Jan-Sep 2013	Jan-Sep 2014
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit or loss for the period</b>	<b>-18,181</b>	<b>4,013</b>
Adjustments for:		
-Depreciation of property, plant and equipment	26,873	27,274
-Amortisation of intangible assets	5,128	4,951
-Investment income	-3,915	-4,307
-Finance expenses	39,819	29,286
-Gain on sale of property, plant and equipment	-4,782	-48
-Income tax expense	2,470	2,666
<b>Operating profit before changes in net operating current assets and provisions</b>	<b>47,412</b>	<b>63,835</b>
Change in trade and other receivables	-36,584	-21,758
Change in inventories	-1,852	-13,429
Change in provisions	2,197	-2,540
Change in trade and other payables	-16,713	-13,752
<b>Cash generated from operations</b>	<b>-52,952</b>	<b>-51,479</b>
Interest paid	-16,459	-15,474
Income tax paid	-2,894	-3,265
<b>Net cash from operating activities</b>	<b>-24,893</b>	<b>-6,383</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of property, plant and equipment	21,902	3,170
Interest received	1,692	1,354
Dividends received	0	-132
Acquisition of property, plant and equipment	-46,091	-22,839
Acquisition of investment property	-7,298	0
Other investments	-6,360	-1,784
Acquisition of intangible assets	-9,820	-11,539
<b>Net cash used in investing activities</b>	<b>-45,975</b>	<b>-31,770</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Capital increase	0	9,828
Borrowings / Repayment of borrowings	44,304	11,608
<b>Net cash used in financing activities</b>	<b>44,304</b>	<b>21,436</b>
Net change in cash and cash equivalents	-26,564	-16,717
Cash and cash equivalents at beginning of period	54,588	39,500
Cash and cash equivalents at end of period	28,024	22,783

Condensed Consolidated Statement of Changes in Equity of the Gorenje Group

EURk	Share capital	Share premium	Revenue reserves				Treasury shares	Retained earnings			Fair value reserve	Equity holders of the parent	Non-controlling interests	Total
			Legal reserves	Statutory reserves	Treasury share reserve	Other revenue reserves		Profit or loss from previous periods	Profit or loss for the period	Translation reserve				
<b>Opening balance at 1 Jan 2013</b>	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														
Total other comprehensive income														
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-18,353</b>	<b>-5,378</b>	<b>1,502</b>	<b>-22,229</b>	<b>172</b>	<b>-22,057</b>
Transactions with owners (when acting as owners) recognised directly in equity														
Contributions by owners and distribution to owners														
Capital increase												0		0
Transfer of profit or loss from previous period to retained earnings or losses												0		0
<b>Total contributions by owners and distributions to owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>14,145</b>	<b>-14,145</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Change in equity interests in subsidiaries that do not result in a loss of control														
Change in equity interests												0	151	151
<b>Total changes in equity interests in subsidiaries</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>151</b>	<b>151</b>
<b>Total transactions with owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>14,145</b>	<b>-14,145</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>151</b>	<b>151</b>
<b>Closing balance at 30 Sep 2013 at 30 Sep 2013</b>	<b>66,378</b>	<b>175,575</b>	<b>12,896</b>	<b>6,653</b>	<b>3,170</b>	<b>71,612</b>	<b>-3,170</b>	<b>39,540</b>	<b>-18,353</b>	<b>483</b>	<b>10,478</b>	<b>365,262</b>	<b>2,675</b>	<b>367,937</b>

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EURk	Share capital	Share premium	Revenue reserves				Treasury shares	Retained earnings			Fair value reserve	Equity holders of the parent	Non-controlling interests	Total
			Legal reserves	Statutory reserves	Treasury share reserve	Other revenue reserves		Profit or loss from previous periods	Profit or loss for the period	Translation reserve				
<b>Opening balance at 1 Jan 2014</b>	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
Total comprehensive income for the period														
Profit or loss for the period									3,792			3,792	221	4,013
Total other comprehensive income										-3,700	-410	-4,110	0	-4,110
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,792</b>	<b>-3,700</b>	<b>-410</b>	<b>-318</b>	<b>221</b>	<b>-97</b>
Transactions with owners (when acting as owners) recognised directly in equity														
Contributions by owners and distribution to owners														
Capital increase	9,682	146										9,828		9,828
Transfer of profit or loss from previous period to retained earnings or losses								-26,711	26,711					
<b>Total contributions by owners and distributions to owners</b>	<b>9,682</b>	<b>146</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-26,711</b>	<b>26,711</b>	<b>0</b>	<b>0</b>	<b>9,828</b>	<b>0</b>	<b>9,828</b>
Change in equity interests in subsidiaries that do not result in a loss of control														
Change in equity interests												0	-246	-246
<b>Total changes in equity interests in subsidiaries</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-246</b>	<b>-246</b>
<b>Total transactions with owners</b>	<b>9,682</b>	<b>146</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-26,711</b>	<b>26,711</b>	<b>0</b>	<b>0</b>	<b>9,828</b>	<b>-246</b>	<b>9,582</b>
<b>Closing balance at 30 Sep 2014</b>	<b>101,922</b>	<b>175,714</b>	<b>12,896</b>	<b>6,923</b>	<b>3,170</b>	<b>72,829</b>	<b>-3,170</b>	<b>12,829</b>	<b>3,792</b>	<b>-8,135</b>	<b>8,597</b>	<b>387,367</b>	<b>2,788</b>	<b>390,155</b>

## Notes to the Condensed Consolidated Financial Statements of the Gorenje Group

### Discontinued Operations

Gorenje is in the process of discontinuing/disposing/restructuring its activities in the business segment Home (furniture programme, sales organisations), which have had a negative impact on the Group's profitability and cash flows 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 at the end of February 2013. The company Gorenje France S.A.S. was classified as a discontinued operation as well. Gorenje concluded a management contract with the company Targos S.A.S. on managing the distribution subsidiary Gorenje France S.A.S. In case of meeting certain terms and conditions, the company Targos S.A.S. has the option to purchase the 100% equity interest in Gorenje France S.A.S. Targos S.A.S. can implement the option in May 2015.

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 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.

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

### Balance sheet – discontinued operations

EURk	Balance at 30 Sep 2013	Balance at 30 Sep 2014
<b>Assets included in disposal groups</b>	<b>6,204</b>	<b>5,011</b>
Intangible assets	12	4
Property, plant and equipment	122	132
Investment property	0	0
Non-current investments	962	980
Non-current trade receivables	6	187
Deferred tax assets	32	0
Inventories	841	700
Current investments	20	20
Trade receivables	3,029	1,829
Other current assets	892	879
Cash and cash equivalents	288	280
<b>Liabilities included in disposal groups</b>	<b>3,711</b>	<b>2,452</b>
Provisions	1,087	711
Non-current trade receivables	25	25
Deferred tax liabilities	0	0
Non-current financial liabilities	0	0
Current financial liabilities	0	0
Trade payables	140	67
Other current liabilities	2,459	1,649

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EURk	Jan-Sep	Jan-Sep
	2013	2014
<b>Revenue</b>	<b>8,835</b>	<b>5,750</b>
Change in inventories	337	0
Other operating income	1,431	188
<b>Gross profit</b>	<b>10,603</b>	<b>5,938</b>
Cost of goods, materials and services	-9,309	-6,030
Employee benefits expense	-3,807	-661
Amortisation and depreciation expense	-261	-24
Other operating expenses	-739	-216
<b>Operating loss</b>	<b>-3,513</b>	<b>-993</b>
Finance income	0	13
Finance expenses	-5,360	-35
<b>Net finance expenses</b>	<b>-5,360</b>	<b>-22</b>
<b>Loss before tax</b>	<b>-8,873</b>	<b>-1,015</b>
Income tax expense	0	0
<b>Loss for the period</b>	<b>-8,873</b>	<b>-1,015</b>

EURk	Jan-Sep 2013	Jan-Sep 2014
Net cash flow from operating activities	-1,766	-230
Net cash used in investing activities	2,443	-66
Net cash used in financing activities	-4	0
<b>Net cash flows of discontinued operation</b>	<b>673</b>	<b>-296</b>

**Fair value**

**Fair values and book values of assets and liabilities**

EURk	Book value	Fair value	Book value	Fair value
	31 Dec 2013	31 Dec 2013	30 Sep 2014	30 Sep 2014
Available-for-sale investments	3,986	3,986	3,894	3,894
Non-current loans and deposits	4,645	4,645	3,116	3,116
Non-current trade receivables	10,559	10,559	10,363	10,363
Current loans and deposits	13,216	13,216	14,555	14,555
Derivatives	-3,112	-3,112	-1,792	-1,792
Trade receivables	205,581	205,581	226,192	226,192
Other current assets	38,068	38,068	37,846	37,846
Cash and cash equivalents	38,589	38,589	22,503	22,503
Non-current financial liabilities (variable interest rate)	-198,654	-198,654	-233,887	-233,887
Non-current financial liabilities (fixed interest rate)	-100	-15	-8,970	-4,266
Non-current trade payables	-5,773	-5,773	-6,197	-6,197
Current financial liabilities	-195,532	-195,532	-167,531	-167,531
Trade payables	-213,820	-213,820	-182,718	-182,718
Other payables	-38,093	-38,093	-42,212	-42,212
<b>Total</b>	<b>-340,440</b>	<b>-340,355</b>	<b>-324,838</b>	<b>-320,134</b>

### Fair value scale

#### 31 December 2013

EURk	Level 1 <sup>20</sup>	Level 2 <sup>21</sup>	Level 3 <sup>22</sup>	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

#### 30 September 2014

EURk	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	764	90	3,040	3,894
Derivatives – assets	-	1,253	-	1,253
Derivatives – liabilities	-	-3,045	-	-3,045
Land and investment properties	-	-	65,622	65,622

### Related party transactions

EURk	Value of transaction			Balance
	Jan-Sep 2013	Jan-Sep 2014	30 Sep 2013	30 Sep 2014
Revenue Gorenje Group companies	513	989	770	546
Costs Gorenje Group companies	469	497	76	597

### Significant events after the balance sheet date

As at 10 October 2014, Gorenje, d.d. successfully issued 5-year bonds with the symbol GV01 in the total par value of EUR 73m. Financial assets acquired through the sale of bonds are earmarked for improvements to the loan maturity structure and partial repayments of existing borrowings. It is Gorenje's first issue of bonds since it became a joint-stock company. The bonds are listed on the Ljubljana Stock Exchange.

No other significant events occurred after the date of compiling the balance sheet as of 30 September 2014.

<sup>20</sup> Level 1: stock price (unadjusted) on the active market of identical assets and liabilities

<sup>21</sup> 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

<sup>22</sup> Level 3: data on the value of assets and liabilities not based on the active market

### Business and Geographical Segments of the Gorenje Group

EURk	Business Segment Home		Business Segment Portfolio Investments		Group	
	Jan-Sep 2013	Jan-Sep 2014	Jan-Sep 2013	Jan-Sep 2014	Jan-Sep 2013	Jan-Sep 2014
Revenue from sales to third parties	774,747	776,815	122,373	132,398	897,120	909,213
Inter-segment sale	3,149	4,713	8,442	8,576	11,591	13,289
Interest income	1,554	1,222	138	132	1,692	1,354
Interest expenses	14,483	13,718	246	387	14,729	14,105
Amortisation and depreciation expense	27,662	28,329	4,078	3,872	31,740	32,201
Operating profit or loss before tax	-11,760	2,839	4,922	4,855	-6,838	7,694
Income tax expense	2,033	1,965	437	701	2,470	2,666
Profit or loss without discontinued operation	-13,793	874	4,485	4,154	-9,308	5,028
Profit or loss from discontinued operation	-8,873	-1,015	0	0	-8,873	-1,015
Profit or loss for the period	-22,666	-141	4,485	4,154	-18,181	4,013
Total assets *	1,035,420	1,031,760	114,282	127,668	1,149,702	1,159,428
Total liabilities *	719,791	712,194	49,241	57,079	769,032	769,273

\* Note: data as at 31 December 2013 were used for the year 2013

EURk	Western Europe		Eastern Europe		Other		Group	
	Jan-Sep 2013	Jan-Sep 2014	Jan-Sep 2013	Jan-Sep 2014	Jan-Sep 2013	Jan-Sep 2014	Jan-Sep 2013	Jan-Sep 2014
Revenue from sales to third parties	345,864	341,491	479,714	485,541	71,542	82,181	897,120	909,213

## Financial Indicators

	Jan-Sep 2013	Jan-Sep 2014	Plan 2014
<b>INDICATORS OF PROFITABILITY</b>			
Net return on sales (ROS)	-2.0%	0.4%	0.9%
Net return on assets (ROA)	-2.0%	0.5%	1.0%
Net return on equity (ROE)	-6.4%	1.4%	3.0%
<b>ASSET INDICATORS</b>			
Asset turnover ratio	1.00	1.05	1.11
Inventory turnover ratio	4.81	5.00	5.67
Current trade receivables turnover ratio	5.25	5.62	5.88
<b>INVESTMENT INDICATORS</b>			
Fixed assets (PPE) to total assets	0.43	0.45	0.47
Current assets to total assets	0.49	0.51	0.52
<b>INDICATORS OF FINANCIAL COMPOSITION</b>			
Long-term coverage of non-current assets	1.15	1.21	1.18
Equity to total liabilities	0.31	0.34	0.36
Long-term to total liabilities	0.56	0.61	0.62
Equity to fixed assets (carrying value)	0.71	0.75	0.77
Quick ratio (liquid assets to current liabilities)	0.11	0.10	0.12
(Liquid assets + current receivables) to current liabilities	0.67	0.71	0.74
Current ratio	1.16	1.28	1.25
Net financial liabilities to equity	1.13	0.94	0.75
<b>OPERATING PERFORMANCE INDICATORS</b>			
Operating income to operating expenses	1.03	1.04	1.04
Revenue per employee (EUR)	84,794	86,444	122,476
Value added per employee (EUR)	22,297	22,282	31,823



Unaudited Condensed Financial Statements of Gorenje, d.d.

Condensed Balance Sheet of Gorenje, d.d.

EURk	Balance at 30 Sep 2013	%	Balance at 31 Dec 2013	%	Balance at 30 Sep 2014	%
<b>ASSETS</b>	<b>890,238</b>	<b>100.0%</b>	<b>886,876</b>	<b>100.0%</b>	<b>903,301</b>	<b>100.0%</b>
<b>Non-current assets</b>	<b>454,101</b>	<b>51.0%</b>	<b>474,223</b>	<b>53.5%</b>	<b>478,884</b>	<b>53.0%</b>
Intangible assets	17,610	2.0%	21,651	2.4%	28,890	3.2%
Property, plant and equipment	167,813	18.9%	170,668	19.2%	169,344	18.7%
Investment property	23,445	2.6%	25,361	2.9%	22,476	2.5%
Investments in subsidiaries	232,447	26.1%	236,245	26.6%	237,836	26.3%
Investments in associates	976	0.1%	976	0.1%	941	0.1%
Other non-current investments	694	0.1%	690	0.1%	689	0.1%
Deferred tax assets	11,116	1.2%	18,632	2.2%	18,708	2.1%
<b>Current assets</b>	<b>436,137</b>	<b>49.0%</b>	<b>412,653</b>	<b>46.5%</b>	<b>424,417</b>	<b>47.0%</b>
Inventories	89,255	10.0%	95,811	10.8%	102,646	11.4%
Current investments	113,335	12.8%	90,626	10.2%	127,895	14.2%
Trade receivables	199,453	22.4%	195,935	22.1%	173,657	19.2%
Other current assets	24,041	2.7%	15,377	1.7%	18,047	2.0%
Cash and cash equivalents	10,053	1.1%	14,904	1.7%	2,172	0.2%
<b>EQUITY AND LIABILITIES</b>	<b>890,238</b>	<b>100.0%</b>	<b>886,876</b>	<b>100.0%</b>	<b>903,301</b>	<b>100.0%</b>
<b>Equity</b>	<b>316,989</b>	<b>35.6%</b>	<b>347,907</b>	<b>39.2%</b>	<b>364,256</b>	<b>40.3%</b>
Share capital	66,378	7.5%	92,240	10.4%	101,922	11.3%
Share premium	157,712	17.7%	157,705	17.8%	157,851	17.5%
Revenue reserves	95,780	10.7%	95,818	10.8%	95,818	10.6%
Treasury shares	-3,170	-0.4%	-3,170	-0.4%	-3,170	-0.4%
Retained earnings	-3,828	-0.4%	1,369	0.2%	6,933	0.8%
Fair value reserve	4,117	0.5%	3,945	0.4%	4,902	0.5%
<b>Non-current liabilities</b>	<b>209,891</b>	<b>23.6%</b>	<b>194,889</b>	<b>22.0%</b>	<b>222,973</b>	<b>24.7%</b>
Provisions	21,191	2.4%	23,185	2.6%	22,224	2.5%
Deferred tax liabilities	1,289	0.1%	1,288	0.2%	1,283	0.1%
Non-current financial liabilities	187,411	21.1%	170,416	19.2%	199,466	22.1%
<b>Current liabilities</b>	<b>363,358</b>	<b>40.8%</b>	<b>344,080</b>	<b>38.8%</b>	<b>316,072</b>	<b>35.0%</b>
Current financial liabilities	186,619	21.0%	157,461	17.7%	147,699	16.4%
Trade payables	148,515	16.7%	169,476	19.1%	140,274	15.5%
Other current liabilities	28,224	3.1%	17,143	2.0%	28,099	3.1%

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Condensed Income Statement of Gorenje, d.d.

EURk	Q3 2013	%	Q3 2014	%	Jan-Sep 2013	%	Jan-Sep 2014	%	Plan 2014	%	2014/ 2013	9M 2014/ Plan 2014
<b>Revenue</b>	<b>153,943</b>	<b>97.0%</b>	<b>155,422</b>	<b>98.1%</b>	<b>471,802</b>	<b>98.9%</b>	<b>504,749</b>	<b>97.6%</b>	<b>761,056</b>	<b>98.9%</b>	<b>107.0</b>	<b>66.3</b>
Change in inventories	2,710	1.7%	762	0.5%	-1,683	-0.4%	5,558	1.1%	0	0.0%	/	/
Other operating income	2,107	1.3%	2,278	1.4%	6,972	1.5%	6,891	1.3%	8,313	1.1%	98.8	82.9
<b>Gross profit</b>	<b>158,760</b>	<b>100.0%</b>	<b>158,462</b>	<b>100.0%</b>	<b>477,091</b>	<b>100.0%</b>	<b>517,198</b>	<b>100.0%</b>	<b>769,369</b>	<b>100.0%</b>	<b>108.4</b>	<b>67.2</b>
Cost of goods, materials and services	-128,225	-80.8%	-124,897	-78.8%	-384,282	-80.5%	-412,237	-79.7%	-619,737	-80.6%	107.3	66.5
Employee benefits expense	-23,743	-14.9%	-24,935	-15.7%	-70,286	-14.7%	-71,993	-13.9%	-100,827	-13.1%	102.4	71.4
Amortisation and depreciation expense	-4,567	-2.9%	-5,479	-3.5%	-13,440	-2.9%	-15,882	-3.1%	-23,699	-3.1%	118.2	67.0
Other operating expenses	-1,270	-0.8%	-1,035	-0.7%	-3,887	-0.8%	-3,610	-0.7%	-4,503	-0.6%	92.9	80.2
<b>Operating profit</b>	<b>955</b>	<b>0.6%</b>	<b>2,116</b>	<b>1.3%</b>	<b>5,196</b>	<b>1.1%</b>	<b>13,476</b>	<b>2.6%</b>	<b>20,603</b>	<b>2.6%</b>	<b>259.4</b>	<b>65.4</b>
Finance income	4,630	2.9%	6,446	4.1%	15,225	3.2%	13,145	2.5%	13,500	1.8%	86.3	97.4
Finance expenses	-10,851	-6.8%	-8,946	-5.6%	-24,798	-5.2%	-21,335	-4.1%	-26,081	-3.4%	86.0	81.8
<b>Net finance expenses</b>	<b>-6,221</b>	<b>-3.9%</b>	<b>-2,500</b>	<b>-1.5%</b>	<b>-9,573</b>	<b>-2.0%</b>	<b>-8,190</b>	<b>-1.6%</b>	<b>-12,581</b>	<b>-1.6%</b>	<b>85.6</b>	<b>65.1</b>
<b>Profit or loss before tax</b>	<b>-5,266</b>	<b>-3.3%</b>	<b>-384</b>	<b>-0.2%</b>	<b>-4,377</b>	<b>-0.9%</b>	<b>5,286</b>	<b>1.0%</b>	<b>8,022</b>	<b>1.0%</b>	<b>/</b>	<b>65.9</b>
Income tax expense	479	0.3%	-17	-0.1%	398	0.1%	278	0.1%	-427	-0.1%	69.8	/
<b>Profit or loss for the period</b>	<b>-4,787</b>	<b>-3.0%</b>	<b>-401</b>	<b>-0.3%</b>	<b>-3,979</b>	<b>-0.8%</b>	<b>5,564</b>	<b>1.1%</b>	<b>7,595</b>	<b>0.9%</b>	<b>/</b>	<b>73.3</b>
Basic and diluted earnings per share (in EUR)	-0.30		-0.02		-0.25		0.25		0.35		/	/

**Condensed Statement of Comprehensive Income of Gorenje, d.d.**

<b>EURk</b>	<b>Jan-Sep 2013</b>	<b>Jan-Sep 2014</b>
<b>Profit or loss for the period</b>	<b>-3,979</b>	<b>5,564</b>
<b>Other comprehensive income</b>		
<b>Items that will not be reclassified subsequently to profit or loss</b>	<b>0</b>	<b>0</b>
Change in fair value of land		
<b>Items that may be reclassified subsequently to profit or loss</b>	<b>1,502</b>	<b>957</b>
Net change in fair value of available-for-sale financial assets	12	-25
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge	71	-192
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge, reclassified to profit or loss	1,727	1,369
Income tax on other comprehensive income	-308	-195
<b>Other comprehensive income for the period</b>	<b>1,502</b>	<b>957</b>
<b>Total comprehensive income for the period</b>	<b>-2,477</b>	<b>6,521</b>

Condensed Statement of Cash Flows of Gorenje, d.d.

EURk	Jan-Sep 2013	Jan-Sep 2014
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit or loss for the period</b>	<b>-3,979</b>	<b>5,564</b>
Adjustments for:		
-Depreciation of property, plant and equipment	11,249	13,753
-Amortisation of intangible assets	2,191	2,129
-Investment income	-15,225	-13,145
-Finance expenses	24,798	21,335
-Gain on sale of property, plant and equipment	-522	-30
-Income tax expense	-398	-278
<b>Operating profit before changes in net operating assets and provisions</b>	<b>18,114</b>	<b>29,328</b>
Change in trade and other receivables	-15,888	15,978
Change in inventories	-5,038	-6,835
Change in provisions	-441	-961
Change in trade and other payables	7,346	-20,138
<b>Cash generated from operations</b>	<b>-14,021</b>	<b>-11,956</b>
Interest paid	-13,180	-14,356
<b>Net cash from operating activities</b>	<b>-9,087</b>	<b>3,016</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of property, plant and equipment	5,466	3,052
Proceeds from sale of investment property	0	474
Interest received	4,735	2,305
Dividends received	4,050	4,193
Sale of subsidiary	0	256
Acquisition of subsidiary	-2,800	-4,506
Acquisition of property, plant and equipment	-32,691	-10,313
Acquisition of investment property	-7,298	-9
Loans granted	0	-32,878
Other investments	-4,726	-121
Acquisition of intangible assets	-6,109	-9,368
<b>Net cash used in investing activities</b>	<b>-39,373</b>	<b>-46,915</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Capital increase	0	9,828
Borrowings / Repayment of borrowings	39,541	21,339
<b>Net cash used in financing activities</b>	<b>39,541</b>	<b>31,167</b>
Net change in cash and cash equivalents	-8,919	-12,732
Cash and cash equivalents at beginning of period	18,972	14,904
Cash and cash equivalents at end of period	10,053	2,172

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

EURk	Share capital	Share premium	Revenue reserves				Treasury shares	Retained earnings		Fair value reserve	Total
			Legal reserves	Statutory reserves	Treasury share reserve	Other re-venue reserves		Profit or loss from previous periods	Profit or loss for the period		
<b>Opening balance at 1 Jan 2013</b>	66,378	157,712	12,896	6,653	3,170	73,061	-3,170	151	0	2,615	319,466
Total comprehensive income for the period											
Profit for the period									-3,979		-3,979
Total other comprehensive income										1,502	1,502
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-3,979</b>	<b>1,502</b>	<b>-2,477</b>
Transactions with owners (when acting as owners) recognised directly in equity											0
Contributions by owners and distribution to owners											0
Capital increase											0
<b>Total contributions by owners and distribution to owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total transactions with owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Closing balance at 30 Sep 2013</b>	<b>66,378</b>	<b>157,712</b>	<b>12,896</b>	<b>6,653</b>	<b>3,170</b>	<b>73,061</b>	<b>-3,170</b>	<b>151</b>	<b>-3,979</b>	<b>4,117</b>	<b>316,989</b>

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EURk	Share capital	Share premium	Revenue reserves				Treasury shares	Retained earnings		Fair value reserve	Total
			Legal reserves	Statutory reserves	Treasury share reserve	Other re-venue reserves		Profit or loss from previous periods	Profit or loss for the period		
<b>Opening balance at 1 Jan 2014</b>	<b>92,240</b>	<b>157,705</b>	<b>12,896</b>	<b>6,923</b>	<b>3,170</b>	<b>72,829</b>	<b>-3,170</b>	<b>151</b>	<b>1,218</b>	<b>3,945</b>	<b>347,907</b>
Total comprehensive income for the period											
Profit for the period									5,564		5,564
Total other comprehensive income										957	957
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,564</b>	<b>957</b>	<b>6,521</b>
Transactions with owners (when acting as owners) recognised directly in equity											0
Contributions by owners and distribution to owners											0
Transfer of profit or loss from previous periods to retained earnings or losses								1,218	-1,218		0
Capital increase	9,682	146									9,828
<b>Total contributions by owners and distribution to owners</b>	<b>9,682</b>	<b>146</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,218</b>	<b>-1,218</b>	<b>0</b>	<b>9,828</b>
<b>Total transactions with owners</b>	<b>9,682</b>	<b>146</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,218</b>	<b>-1,218</b>	<b>0</b>	<b>9,828</b>
<b>Closing balance at 30 Sep 2014</b>	<b>101,922</b>	<b>157,851</b>	<b>12,896</b>	<b>6,923</b>	<b>3,170</b>	<b>72,829</b>	<b>-3,170</b>	<b>1,369</b>	<b>5,564</b>	<b>4,902</b>	<b>364,256</b>

## Notes to the Condensed Financial Statements of Gorenje, d.d.

### Fair values and book values of assets and liabilities

EURk	Book value	Fair value	Book value	Fair value
	31 Dec 2013	31 Dec 2013	30 Sep 2014	30 Sep 2014
Available -for-sale investments	2,758	2,758	2,874	2,874
Non-current loans and deposits	19	19	18	18
Current loans and deposits	87,395	87,395	120,273	120,273
Derivatives	-3,065	-3,065	-390	-390
Trade receivables	195,935	195,935	173,657	173,657
Other current assets	13,402	13,402	15,176	15,176
Cash and cash equivalents	14,904	14,904	2,172	2,172
Non-current financial liabilities	-170,416	-170,416	-199,466	-199,466
Current financial liabilities	-154,396	-154,396	-147,309	-147,309
Trade payables	-169,476	-169,476	-140,274	-140,274
Other current liabilities	-10,413	-10,413	-11,421	-11,421
<b>Total</b>	<b>-193,353</b>	<b>-193,353</b>	<b>-184,690</b>	<b>-184,690</b>

### Fair value scale

#### 31 December 2013

EURk	Level 1 <sup>23</sup>	Level 2 <sup>24</sup>	Level 3 <sup>25</sup>	Total
Available-for-sale financial assets	155	-	2,603	2,758
Derivatives - assets	-	-	-	-
Derivatives - liabilities	-	-3,065	-	-3,065
Land and investment property	-	-	45,727	45,727

#### 30 September 2014

EURk	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	171	-	2,703	2,874
Derivatives - assets	-	1,253	-	1,253
Derivatives - liabilities	-	-1,643	-	-1,643
Land and investment property	-	-	42,840	42,840

### Related party transactions

EURk	Value of transaction		Balance	
	Jan-Sep 2013	Jan-Sep 2014	30 Sep 2013	30 Sep 2014
Revenue	355,760	388,365		
Trade receivables			164,569	140,039
Trade payables			43,067	33,519
Loans granted			88,032	111,434
Borrowings raised			30,886	39,381

<sup>23</sup> Level 1: stock price (unadjusted) on the active market of identical assets and liabilities

<sup>24</sup> 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

<sup>25</sup> Level 3: data on the value of assets and liabilities not based on the active market

## Financial Indicators

	Jan-Sep 2013	Jan-Sep 2014	Plan 2014
<b>INDICATORS OF PROFITABILITY</b>			
Net return on sales (ROS)	-0.84%	1.10%	1.00%
Net return on assets (ROA)	-0.61%	0.83%	0.88%
Net return on equity (ROE)	-1.67%	2.08%	2.10%
<b>ASSET INDICATORS</b>			
Asset turnover ratio	0.72	0.75	0.88
Inventory turnover ratio	7.25	6.78	8.40
Current trade receivables turnover ratio	3.20	3.64	3.61
<b>INVESTMENT INDICATORS</b>			
Fixed assets (PPE) to total assets	0.23	0.24	0.25
Current assets to total assets	0.51	0.53	0.52
<b>INDICATORS OF FINANCIAL COMPOSITION</b>			
Long-term coverage of non-current assets	1.16	1.23	1.28
Equity to total liabilities	0.36	0.40	0.41
Long-term to total liabilities	0.59	0.65	0.67
Equity to fixed assets (carrying value)	1.52	1.65	1.62
Quick ratio (liquid assets to current liabilities)	0.34	0.41	0.32
(Liquid assets + current receivables) to current liabilities	0.95	1.02	1.12
Current ratio	1.20	1.34	1.44
Net financial liabilities to equity	0.79	0.60	0.69
<b>OPERATING PERFORMANCE INDICATORS</b>			
Operating income to operating expenses	1.01	1.03	1.03
Revenue per employee (EUR)	112,817	121,509	188,380
Value added per employee (EUR)	21,263	24,398	35,923



## Information Regarding the Report and its Public

### Announcement

Pursuant to provisions of the Code of Warsaw Stock Exchange, Rules and Regulations of the Ljubljana Stock Exchange and the applicable legislation, the company Gorenje, d.d., Partizanska 12, SI-3320 Velenje, hereby announces the **Unaudited Non-consolidated Business Report of Gorenje, d.d., for the period January – September 2014** and the **Unaudited Consolidated Business Report of the Gorenje Group for the Period January – September 2014**. The unaudited report of Gorenje, d.d., and the Gorenje Group was presented by its Supervisory Board at their 2<sup>nd</sup> **regular session** held on **13 November 2014**. The report shall be available for review at the headquarters of Gorenje, d.d., at Partizanska 12, SI-3320 Velenje, whereas announcements are available in the Ljubljana Stock Exchange electronic info system, the SEOnet ([www.ljse.si](http://www.ljse.si)), the Warsaw Stock Exchange via the ESPI system ([www.gpw.pl](http://www.gpw.pl)), and the company's web site at [www.gorenjegroup.com](http://www.gorenjegroup.com), **on 14 November 2014**.

### Forward-looking Statements

*This announcement of the Unaudited Business Report for the Period January - September 2014 includes forward-looking information and forecasts – i.e. statements regarding the future, rather than the past, and regarding events within the framework and in relation to the currently effective legislation on publicly traded companies and securities and pursuant to the Rules and Regulations of the Ljubljana and Warsaw Stock Exchange. These statements can be identified by the words such as "expected", "anticipated", "forecast", "intended", "planned or budgeted", "probable or likely", "strive/invest effort to", "estimated", "will", "projected", or similar expressions. These statements include, among others, financial goals and targets of the parent company Gorenje, d.d., and the Gorenje Group for the upcoming periods, planned or budgeted operations, and financial plans. These statements are based on current expectations and forecasts and are subject to risk and uncertainty which may affect the actual results which may in turn differ from the information stated herein for various reasons. Various factors, many of which are beyond reasonable control by Gorenje, affect the operations, performance, business strategy, and results of Gorenje. Thus actual results, performance, or achievements of Gorenje may differ materially from the expected results, performance, or achievements as stated in these forward-looking statements. These factors include, without prejudice to any not mentioned herein, the following: consumer demand and market conditions in geographical segments or regions and in industries in which the Gorenje Group is conducting its operating activities; effects of exchange rate fluctuations; competitive downward pressure on downstream prices; major loss of business with a major account/customer; the possibility of overdue or late payment on the part of customers; decrease in prices as a result of persistently harsh market conditions, in an extent much higher than currently expected by Gorenje's Management Board; success of development of new products and implementation in the market; development of manufacturer's liability for the product; progress of attainment of operative and strategic goals regarding efficiency; successful identification of opportunities for growth and mergers and acquisitions, and integration of such opportunities into the existing operations; further volatility and aggravation of circumstances in capital markets; progress in attainment of goals regarding structural reorganization and reorganization in purchasing. If one more risks or uncertainties are in fact materialized or if the said assumptions are proven wrong, actual results may deviate materially from those stated as expected, hoped for, forecast, projected, planned, probable, estimated, or anticipated in this announcement. Gorenje does not intend to assume and will not allow for any liability to update or revise these forecasts in light of development differing from the expected events.*

## Appendix: Change in the Organisation of the Gorenje Group

Since 2011, the Gorenje Group has been increasing its core business share (products and services for home) within the total revenue structure. Revenue generated through core activities should represent more than 90% of total revenue by the final year of the updated strategy. In 2011, the revenue generated through core activities represented 82% of total revenue. To focus more on developing core activities, the Group adjusted its organisational structure. All business areas that are not part of the core business are treated as portfolio investments.

### Gorenje Group's organisation developed over the past years:

