gorenjegroup annual report 2015

gorenje **g**roup **g**rows **g**lobal

Gorenje Group is looking for new opportunities
in a volatile and unpredictable business environment.
Our strategic orientation is global growth.

gorenjegroup


gorenje

Gorenje Group is focusing
on its core activity Home
which will account for 92%
of all sales revenue by 2020.


group

Our operations are based on strategic partnerships and business combination by which we will continue to generate synergies in the future as a **Group**.


grows

We shall attain stable **growth** of operating profit
which will exceed EUR 70 million in 2020.
In 2020, our sales revenue will amount
to EUR 1.56 billion.


global

We are growing **global**:
expansion to markets outside Europe
will double our sales in the highest price segments.
In 2020, our sales revenue in overseas markets
will amount to EUR 196 million.

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Gorenje Group

Gorenje Group is a leading
European home product manufacturer.

gorenjegroup

-91% or **-99.6%**

REDUCTION IN THE AMOUNT OF WASTE

Reduction in the amount of waste, hazardous (-91%) and disposed (-99.6%), relative to the base year of 1997.

1.225 EURbn

SALES REVENUE OF THE GORENJE GROUP

10,617

AVERAGE NUMBER OF EMPLOYEES AT GORENJE GROUP

2015 Performance Highlights

1.225 EURbn

Sales revenue: EUR 1.225 billion which is 2.3% less than in 2014, but consistent with the Gorenje Group sales plans.

+3.4% growth

Our revenue in **markets outside Europe** amounted to EUR 111 million in 2015, at an annual growth of 3.4%. **Thus we are mitigating our reliance on European markets and improving profitability.**

86.2% of total revenue

Focus on the core activity – Home (86.2% of total revenue, 0.5 p.p. more than in 2014).

1.2% more than planned

Revenue in our core activity – Home: EUR 1.056 billion which is 1.7% less than in 2014 and 1.2% more than planned for the Home segment. Adjusting for the effect of exchange rates, the organic growth of core activity revenue in 2015 would have reached 1.7% relative to the year before.

Asko & Atag

We have **increased** the sales of **Asko and Atag premium brands, and the share of innovative appliances** in our overall sales.

80.1 EURm

EBITDA: EUR 80.1 million, EBITDA margin: 6.5%.

34.4 EURm

EBIT: EUR 34.4 million, EBIT margin: 2.8%.

1.4 EURm

Following a **slow start to the year**, performance picked up in the second half. **While we wrapped up the last quarter with a profit of EUR 1.4 million**, we fell short of making up for the gap from the first half of the year. **We ended the year with a loss of EUR 8 million. ROS is at -0.7%.**

-5.6 EURm

By lowering our **working capital**, we **cut our total financial liabilities** (by EUR -5.6 million) and our net financial liabilities (EUR -1.1 million).

The economic crisis in Russia and USD > EUR

Negative effect of EUR depreciation relative to USD:

- Negative effect on profit margin (EBITDA/EBIT): EUR 6.1 million and
- Negative effect on the net income (profit): EUR 3.9 million.

Adjusting for the negative effects of USD appreciation relative to EUR and effects of Russia, the result for 2015 would have been positive and the profitability targets would have been reached.

Gorenje by Starck

At the IFA tradeshow in Berlin we unveiled the Gorenje by Starck line created in cooperation with the globally renowned designer Philippe Starck.

3.2%

Our investment into **new appliance development** was increased **to 3.2% of total core activity revenue**. We also increased our marketing and sales promotion investments to **2% of Gorenje Group revenue.**

-91or -99.6%

Environment protection policy: inclusion of new Gorenje Group companies into the EMAS scheme and certification pursuant to ISO 14001 and OHSAS 18001.

Reduction in the amount of waste, hazardous (-91%) and disposed (-99.6%), relative to the base year of 1997.

Decrease in the use of resources, energy and fuels in manufacturing processes, especially water (-85%), compressed air (-40%) and natural gas (-34%). Increase in the use of electric energy (+12%). All information relative to the base year of 1997.

Carbon footprint: 11.88 kg CO2/product (-5.56% decrease compared to 2010).

104 scholarship recipients

Average number of employees: 10.617

Education and training of employees: over 300,000 hours of education and training in the Gorenje Group, averaging over 30 hours per employee.

Numerous education and training courses and events within the **Corporate University of Gorenje**, including the first new product development academy.

Number of scholarship recipients: 104; **number of part-time students:** 119.

Key Events in 2015


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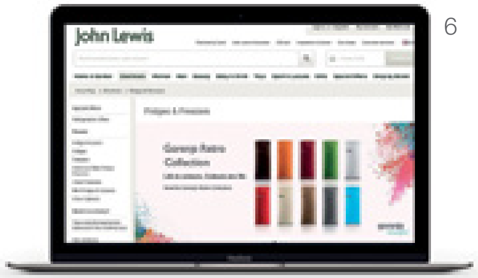

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JANUARY

- At the LivingKitchen tradeshow in Cologne, we unveiled **a new generation of energy-efficient built-in appliances and other** advanced solutions for more cooking pleasure. / 1 /

FEBRUARY

- We issued **10-month commercial paper with total nominal amount of EUR 27 million**, which is 35% more than the initially planned issue amount.

MARCH

- At the Dom (»Home«) fair in Ljubljana and the ISH fair in Frankfurt, we presented our new launches of **heating and sanitary equipment.** / 2 /

APRIL

- We started negotiations with the Polish company Elemental Holding S.A. on the **options to divest our majority shareholding in our subsidiary Gorenje Surovina** and some of Gorenje Surovina's subsidiaries.
- At the Forma Tool tradeshow, Gorenje orodjarna (toolmaking plant) received the **silver medal for the development and manufacturing of a tool making the outer part of Panasonic washing machines.** / 3 /
- Gorenje Surovina took place in the campaign Pure Pleasure. By collecting waste raw materials, they collected over EUR 58,000, which will be spent on **vacations for children with emotional and behavioural disorders** and on **covering the expenses for extra teachers** at the adapted program. / 4 /

MAY

- In the Trusted Brand consumer survey, Gorenje was voted **the most trusted brand in Slovenia in the global competition of home appliance brands** for the ninth consecutive year. / 5 /
- John Lewis, a major retail chain in the UK, chose Gorenje as one of the **brands** offered in their **online store at www.JohnLewis.com.** / 6 /


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- In Sarajevo, we opened a new Gorenje Studio and organized a Family Day to **present a donation to the Vladimir Nazor Centre of Education, Upbringing, and Recovery.** / 7 /

JUNE

- The company Gorenje and its President and CEO Franjo Bobinac **ranked at the top in the Slovenia in the Reputation 2015 survey.**
- Gorenje won an **exclusive project in Malaysia, OPUS Kuala Lumpur**, which involves equipping 357 luxury apartments. / 8 /
- In the survey The Best from Serbia, consumers and expert jury voted **Gorenje as the best foreign brand manufacturing in Serbia.** / 9 /
- We launched a **new educational program Gorenje Create Academy** in which we work with the University of Ljubljana and universities from the Netherlands and Sweden. The program's international attendance includes key Gorenje Group employees who take part in the creation of new products.

JULY

- **Panasonic and Gorenje have expanded their strategic business cooperation** to the business segments of material and component sourcing, product innovation, after-sales services, logistics, quality assurance, and distribution of major and small domestic appliances in select markets.
- **With the Polish company Tesla Recycling S.K.A.**, Gorenje **signed an agreement on the divestment of its majority shareholding in the company Gorenje Surovina**, complete with the latter's subsidiaries Kemis Valjevo, d.o.o., Kemis BH, d.o.o., and Cleaning System S, d.o.o., Šabac.
- At the Architect Expo tradeshow in Bangkok, Thailand, our distributor Hafele officially unveiled the **new Gorenje line of HomeMade built-in cooking appliances.** / 10 /
- We opened a **new exhibition room in Israel** and introduced the Asko brand. / 11 /
- We received the prestigious **RedDot award for eight home appliances** made by the Gorenje Group. / 12 /

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AUGUST

- With the company HIS gradbeništvo in inženiring, which holds a 49-percent stake in the company Publicus, Gorenje, d.d. and Gorenje Surovina, d.o.o. signed **an agreement to divest their majority shareholding in their subsidiary Publicus, d.o.o., Ljubljana**, complete with the subsidiary Ekogor, d.o.o., Jesenice.

- A Gorenje Group subsidiary, Atag Nederland of Duiven, the Netherlands, received the **Netherlands' top business award, the Business Success Award in the kitchen appliance category.** / 13 /

- Our cooking hob Asko Duo Fusion won the **Good Design Award®**, Australia's most prestigious award for excellence in design and innovation. / 14 /

SEPTEMBER

- At the leading consumer electronics and home appliance fair IFA in Berlin we **unveiled Gorenje's designer line of kitchen appliances Gorenje by Starck** designed by the globally renowned Philippe Starck, the Infinity lifestyle line, and Gorenje's latest other home appliances.
At the fair, we also presented our **new Gorenje brand identity.** / 15 /

- At the **prestigious London design fair, called 100% Design**, Gorenje was among the nine exhibitors to present the products by Slovenian designers. / 16 /

- Slovenian Chamber of Commerce and Industry (GZS) presented Gorenje with the **Golden National Award for the most innovative enterprises and innovators** at enterprises and public research institutes for its new generation of built-in ovens. / 17 /


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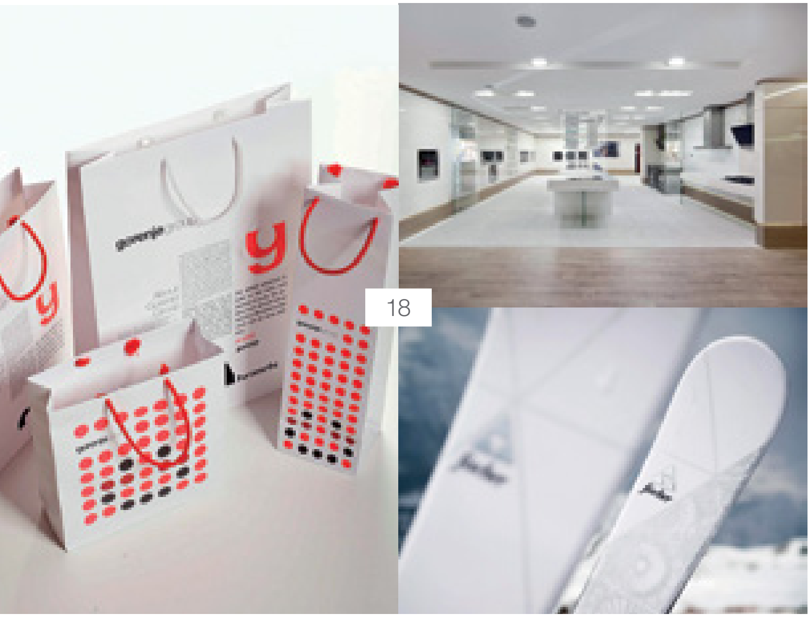

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OCTOBER

- At the 7th Biennial of Visible Communication of Slovenia, **Gorenje Group gift bags** designed by Marko Marinšek, the **IFA 2015 tradeshow exhibition area**, and the **women's alpine ski collection Fischer Alpine** designed by Gorenje Design Studio were ranked among the finalists. / 18 /

- **The Gorenje brand was launched in Vietnam**, and we opened the first Gorenje exhibition room in the country, in Hanoi. / 19 /

NOVEMBER

- For the third year in a row, Gorenje Group's **financial report won the competition held by the Finance Business Academy and the Finance daily paper.**

- We presented **New Strategic Plan of the Gorenje Group for the period to 2020**, which is based on global growth. Sales will be doubled in upmarket segments, with premium and innovative products, and in overseas countries. / 20 /

DECEMBER

- Gorenje repaid the **10-month commercial paper GRV03** with the total nominal value of EUR 29.1 million and an interest rate of 2.20%.

- The company **Panasonic Corporation increased its shareholding in Gorenje** to 10.742%.

- The **Hungarian agency E.ON** which selects and awards the most energy-efficient home appliances in their market every year, presented **two awards to Gorenje: the most energy-efficient vacuum cleaner and a special award for the most energy-efficient brand.** / 21 /

Defying an unstable and unpredictable business environment, we have built solid foundations for Gorenje Group's global growth.

Early in 2015, our plans took into account the anticipated effects of the turmoil in Russia and Ukraine. Activities in all fields mitigated the negative effects of the business environment rather successfully: New products were offered to the customers; we boosted our appliance sales under the Asko and Atag premium brands; we optimized our supply chain, working capital, and complexity; we improved our process efficiency; and we developed sales in select markets outside Europe to gradually decrease our reliance on Russia and the European markets. We have developed a new Gorenje Group Strategic Plan for the period 2016–2020 and consolidated the foundations for further development and increase in profitability.

Economic crisis in Russia and volatile currencies affected our results.

Following a slow start to the year, performance gradually picked up pace every quarter. Sales and profitability peaked in the last quarter; however, we fell short of balancing out the gap from the first half. High growth levels relative to the first three quarters were seen both in Group sales revenue and in revenue in the core activity of home appliances. We wrapped up the year with sales revenue of EUR 1.225 million, which is 2.3 percent less than in 2014, but consistent with the plan.

The business segment Home, representing our core activity and comprising major and small domestic appliances, and HVAC equipment, accounted for 86.2 percent of the Group's revenue last year, or 0.5 percentage points more than in the previous year, which is consistent with our strategic policies. Revenue in the Home segment, just exceeding one billion euros, topped the plans by 1.2 percent.

Gorenje Group EBITDA stands at over EUR 80 million, which is 6.4 percent less than in 2014 and 12.4 percent short of the plan. The Russian home appliance market shrunk by 35 percent as a result of the economic crisis; after a decade of continuous growth, our revenue in Russia, one of our largest and most profitable markets to date, declined relative to the year before. The drop in our sales, however, was considerably lower than the overall market decline, which means that Gorenje Group increased its market shares there. To a lesser extent, and especially the time lag in market price adjustment to the rouble/euro exchange rate, resulted in significant loss of profit margin. The Gorenje Group's bottom line 2015 was a loss of EUR 8 million. Negative currency translation differences totalled at EUR 12.6 million. Adjusting for these negative effects, the Gorenje Group's result for 2015 would have been positive and the profitability targets would have been met.

We have boosted our sales in the premium segment and outside Europe.

Efficiency and success of activities conducted in 2015 are reflected in the improvement of sales structure (by markets, products, and brands). This, in turn, will lead to higher profitability in the years ahead.

Higher investments into marketing and development reinforced our positions and market shares in our traditional markets. At the same time, sales outside Europe, totalling at EUR 11 million or 3.4 percent more than in the previous year, have started to alleviate our reliance on Russia and the European markets.

We have increased the share of premium and innovative appliance sales.

Our investment into new appliance development was increased to 3.2 percent of total core activity revenue. We also stepped up our marketing and sales promotion investments to 2 percent of Gorenje Group revenue. At the IFA tradeshow in Berlin, we unveiled the Gorenje by Starck line created in cooperation with the globally renowned designer Philippe Starck.

At the same time, we reinforced the foundations for marketing in the premium segments. We have gradually developed and added – and we will continue to do so in the future – new product platforms in all product categories of major domestic appliances in which, having added dishwashers manufactured in-house to the range, we have become a comprehensive provider of the entire range of products. In the structure of sales, we increased the share of Asko and Atag premium brands– the former globally, and the latter in the Benelux companies – and the share of innovative appliances.

Particular emphasis was placed on cooperation with industrial strategic partners, especially the Panasonic Corporation.

We carefully optimized our working capital.

In addition to the strategy of growth and differentiation through innovative solutions, cost management is of key importance in a mature industry with excess capacities, such as the home appliance industry.

In the last two years, successful relocation and restructuring of manufacturing operations in Slovenia, Serbia, and the Czech Republic has set up solid foundations allowing us to continue to compete in the global home appliance markets, as well as leaving us with planned annual savings of EUR 20 million.

Diligent cost adjustments and lower working capital also allowed us to deleverage considerably in 2015. We improved the maturity profile of our financial liabilities in which long-term sources now account for nearly 75 percent. Thus we have laid down strong foundations for further decrease of finance expenses.

Gorenje Group Grows Global

In 2015, the Gorenje Group devoted a great deal of effort to the development of a new Strategic Plan 2016–2020, following significant changes in our business environment, unpredictable political and economic situations, particularly in Russia, internal changes within the Group, especially the start of divestment of the Ecology business, and requests by investors to present a more long-term outlook. These are the three key reasons that led us to develop a new strategy after less than two years since the adoption of the current strategic plan. The new strategy better reflects the current challenges of our time and the changes.

The new strategy was drawn up from April to October 2015 and it included all Gorenje Group companies, fields, and business functions. The preparation involved around one hundred employees from across the world. The key role was played by the Strategic Business Council, comprising the Management Board members and 20 to 25 to executives.

The new strategic policies were summed up under the slogan G4: Gorenje Group Grows Global, and the 2015 Annual Report before you already follows this motto.

Particular attention was paid to the reflection on and discussion about the culture, values, norms, and principles of conduct at the Gorenje Group. Even more than for the process of writing the strategy, strong corporate culture is essential for its implementation. Therefore, entrepreneurship was added to innovation and responsibility as a key value.

Dear shareholders,

Creating value for the shareholders, employees, business partners, and the environment remains at the heart of our mission. In the coming years, the process of transforming the Gorenje Group into a global and sustainably competitive creator of products and services for the home will be of key importance. The key element to successful transformation will be superior leaders and committed employees. All of us, numbering over 10,600, have to be ready for changes. To make sure they are trained and prepared for the challenges arising in new conditions, we have invested nearly EUR 2 million into training and education of our employees in 2015.

The incredible development of digitization, out vulnerable environment, and shifting consumer behaviour are the motors of changes leading us in creating sustainable innovative products and services that make every day easier and improve the quality of our lives. Successful transformation will be of key importance for further development of the Gorenje Group.

Franjo Bobinac
President and CEO

Report by the Supervisory Board Chairman

Report by the Supervisory Board chairman on the audit of the Annual Report of the company Gorenje, d.d., and the Gorenje Group for the year 2015

Introduction

In 2015, the Supervisory Board supervised the operations of the company Gorenje, d.d., and the Gorenje Group within the powers and authorizations specified by the relevant legislation, the company's Articles of Association, and the Code of Conduct, and also performed other tasks. The Board received regular reports on the company's operations, performance, and key activities, and to this end adopted the relevant resolutions, monitored their implementation, and determined that the Management Board had implemented every resolution adopted by the Supervisory Board.

General information

Since the approval of the 2014 Annual Report, the Supervisory Board has held thirteen sessions, of which six were regular meetings and seven were correspondence sessions.

The company Supervisory Board consists of eleven members, of which seven represent shareholder interests and four are employee representatives. Shareholder representatives are Marko Voljč, chairman; Bernard Pasquier, deputy chairman; Uroš Slavinec, deputy chairman; Bachtiar Djalil, Corinna Graf, Keith Charles Miles, Toshibumi Tanimoto and employee representatives are Krešimir Martinjak, deputy chairman; Peter Kobal, Drago Krenker and Jurij Slemenik.

Supervisory Board members are appointed for a term of four years, and their current term expires on July 19, 2018.

All Supervisory Board members representing capital signed a written statement that they are entirely independent in their work and free from any conflict of interest, which the company has publicly announced on its website.

Supervisory Board Activities

Keeping track of various aspects of operations and performance

The Supervisory Board received regular reports on a number of aspects of operations and performance. In addition to the periodic quarterly business reports, the Management Board informed the Supervisory Board on a monthly basis about the key activities and business events, benchmarks against the competition, sales conditions in the markets, changes in raw and processed material prices, and risk management, especially management of currency risk. The Management Board responded to all Supervisory Board questions or inquiries in reasonable time. Thus, the Supervisory Board was kept up to date with the most important activities at the Group, which in turn allowed it to perform the function assigned by the shareholders and the employees in the best way possible.

Other issues addressed by the Supervisory Board

The Management Board presented to the Supervisory Board in detail the progress of the divestment of some of the non-core companies and non-operating assets. While the divestment is not fully complete, it should be noted that the company is paying particular attention to deleveraging and that the divestment of non-core and non-operating assets is a constituent part of such efforts.

The Supervisory Board was also kept up to date regarding the cooperation with the Panasonic Corporation. Strategic partnership with this company is definitely of immense importance for the future of the Group. It is important for the scope of cooperation between the two companies to double each year. Our targets for the future are based on such a growth rate. Last year, another major step forward was taken in this strategic partnership as it was extended to new business fields: sourcing of materials and components, product innovation, after-sales services, logistics, quality assurance, and distribution of major and small domestic appliances in select markets).

Pursuant to the changes in the Companies Act (ZGD-1) od the Republic of Slovenia, we approved the contents and the signing of an agreement with an independent auditor, for the audit of the parent company and our subsidiaries.

Approval of the Strategic Plan for the 2016–2020 period

The Supervisory Board approved the Strategic Plan for the 2016–2020 period. The plan is based on global growth. Sales will be doubled in upmarket segments, with premium and innovative products, and in overseas countries. Profitable growth remains our overall goal as we look to reach EUR 1.56 billion of revenue in 2020, with an EBITDA margin of 9%. Ambitious activities in all fields of business will lead to stable growth of operating profit (EBIT), which is expected to exceed EUR 70 million in 2020 (with a 4.5 percent EBIT margin). In the following five years, we are planning to increase Gorenje Group overall revenue by over EUR 400 million, or over 35 percent. On an annual basis, this means average growth of around 6.2 percent, which is a steeper growth than that of the global white goods market.

Approving our business plans

At the January session early this year, we approved the Business plan for the company Gorenje, d.d, and the Gorenje Group for the year 2016. This year is the first year of the new strategic period. Gorenje Group revenue growth is planned at 4.6 percent; Home segment growth is planned at 5.2 percent; EBITDA growth is planned at 13.8 percent. The net result, according to the 2016 plan, is at EUR 7.6 million. Based on the activities presented in detail in all fields of operation, both in terms of revenue and expenses, we determined that the Business Plan as presented by the Management Board was realistic and we approved it.

Supervisory Board self-assessment – an important indicator of the Supervisory Board's work

With assistance from the Supervisory Board secretary, the Supervisory Board conducted its self-assessment using the questionnaire from the Slovenian Director's Association. Based on the analysis, the Supervisory Board committed to accepting measures for the fields with the lowest scores. At the next Supervisory Board session, activities will be launched to improve the Supervisory Board's work, which will result in even better efficiency.

Early in February 2016, we received a letter of resignation from the Chief Sales Officer Marko Mrzel; we accepted his resignation. We were informed that the management of this field would temporarily be taken over by Suad Hadžić, executive director of the Eastern Europe region. Moreover, we set a deadline by which the Supervisory Board will appoint a new Management Board member in charge of sales.

Supervisory Board committees are an inherent part of the Board, and they have an important function. Specific issues were previously discussed by committees. Based on their findings and judgement, the Supervisory Board adopted relevant measures. In order to extend the sound practice of Supervisory Board committees, the Supervisory Board approved the issues to be addressed by respective committees.

Supervisory Board committees

Audit Committee

Since November Audit Committee session, the committee consisted of four members, including Bachtiar Djalil as chairman and members Keith Charles Miles, Drago Krenker, and Aleksander Igličar. At the November session, Keith Charles Miles. Since then, the committee has had three members.

The Audit Committee operated consistently with the relevant powers and authorizations specified by the effective legislation. The Audit Committee reviewed the compliance with the principle of prudence and consistency of reporting in quarterly reports, and resolved most ambiguities in these reports by raising relevant questions before they were discussed at a Supervisory Board session. Management and members of the Audit Committee have established a good practice prior written coordination unresolved issues.

Since the approval of the most recent annual report, the Audit Committee has held eight sessions, of which one was a correspondence session. In addition to reviewing the periodic or interim reports, the Committee regularly reviewed the compliance with the covenants laid down in the loan agreements signed with banks, periodic reports on the work of the Internal Audit, and other financial and accounting issues related to Gorenje Group's operations. The Committee proposed a candidate for the company auditor for the 2015 fiscal year to the Supervisory Board.

Last year, the committee members conducted the self-assessment procedure and, based on the results, adopted measures to improve their performance where necessary.

The Audit Committee also discussed the following issues:

- reward system for expatriate managers,
- competition protection,
- risk management,
- Gorenje Group human resource management strategy,
- performance and execution of agreements signed with the Government of the Republic of Serbia, and
- repayment of the loan by the company Intersolar.

Benchmark Committee

The Benchmark Committee consists of chairman Keith Charles Miles, and members Corinna Graf, Bernard Pasquier, Toshibumi Tanimoto, and Peter Kobal. The Benchmark Committee held six sessions. It is the goal of the Committee to be informed about benchmarks against the competition in as many fields as possible. Results of analyses are the basis for improvement of operations and performance in virtually all aspects of business. The Committee addressed benchmarks in the following fields:

- production statistics,
- market share statistics,
- quality assurance,
- cost efficiency, complexity,
- digitization,
- labour costs,
- pricing strategy and price ranges, and
- benchmark of other fields against the best in the industry.

Remuneration Committee

The Remuneration Committee consists of chairman Bernard Pasquier, and members Keith Charles Miles, Uroš Slavinec, Marko Voljč, Drago Krenker, and Jurij Slemenik. In the last year, this Committee has held one session to evaluate the Management Board performance in 2015. Based on the Management Board Performance Criteria, the Committee reviewed in detail the goals attained by the Management Board and compared them against the adopted criteria for determining the variable reward to the Management Board members. The Committee found that the Management Board has achieved major positive developments in virtually all fields, based on which they could be rewarded with a bonus for the 2015 fiscal year.

However, since Gorenje Group ended the year with a loss, the Committee proposed to the Supervisory Board not to pay out the performance bonus to the Management Board. Both the Management Board and the Supervisory Board agreed with this proposal.

Corporate Governance Committee

The Corporate Governance Committee consists of chairman Bernard Pasquier and members Marko Voljč, Peter Kobal, and Krešimir Martinjak. The Committee did not hold any sessions last year. In the period ahead, the Committee will hold sessions in case of any major changes in corporate governance, either within the parent company or the entire Group.

Nomination Committee

The Supervisory Board Nomination Committee is currently not active, as the current Supervisory Board members commenced their terms of office on July 19, 2014.

Annual Report review and approval

On April 13, 2016, the company Management Board presented to the Supervisory Board for adoption the audited Annual Report of Gorenje, d.d., and the Gorenje Group, for 2015, which was prepared for the first time in accordance with international guidelines for sustainability reporting GRI (Global Reporting Initiative), version G4.

The Supervisory Board reviewed and discussed the Annual Report at the meeting held on April 21, 2016.

The Annual Report of the company Gorenje, d.d., and the Gorenje Group for 2015 was audited by the auditing company Deloitte Revizija, d.o.o. The audit was also conducted at all materially relevant subsidiaries of the Gorenje Group, and has previously coordinated with the audit company Deloitte Audit, d.o.o. On April 8, 2016, the auditing company issued an unqualified opinion on the Annual Report of Gorenje, d.d., and the consolidated Annual Report of the Gorenje Group for 2015.

Pursuant to the sound practice to date, the Audit Committee examined with due diligence before the Supervisory Board session the 2015 Annual Report, complete with Audit Report and Management Letter, to propose amendments and put forth their positions and opinions, which were observed.

Business in 2015 was affected heavily by macroeconomic and political instability, especially in Russia and Ukraine. As a result, the Gorenje Group ended the year with a loss and fell short of the result laid down in the annual plan.

In our view, the Management Board successfully compensated for the loss of sales in Russia and Ukraine. We were dissatisfied about market share development in Western Europe, particularly in Germany and Scandinavia. In contrast, performance and market share development was much better in Eastern Europe. Major progress was also seen in reductions of complexity while a major breakthrough has yet to be seen with regard to cutting the inventory levels.

The Supervisory Board finds that the 2015 Annual Report prepared by the Management Board and audited by a certified auditor was compiled in a clear and intelligible manner and in compliance with the provisions of the Companies Act and effective International Accounting Standards. The Supervisory Board reviewed and confirmed the Auditor's Report to which no objections were made. Therefore, the Board finds that the Annual Report presents a true and fair account of the property, liabilities, financial position, and income, as well as a fair account of the development of operations and the business position of the parent company and the Gorenje Group.

Based on these findings, at the session held on April 21, 2016, the Supervisory Board approved the Annual Report for the company Gorenje, d.d., and the consolidated Gorenje Group Annual Report for the fiscal year 2015, as presented by the Management Board.

Distributable profit and proposal for its allocation

In defining the resolution on offsetting of the loss for 2015, the Management Board and Supervisory Board complied with the effective provisions of the Companies Act and the company Articles of Association of Gorenje. Based on the Companies Act and company Articles of Association, the company Management Board found and decided that the loss of the company Gorenje, d.d., for the 2015 fiscal year, amounting to EUR 4,000,572, shall be offset from the following components of equity: retained earnings from previous years in the amount of EUR 2,804,549.53, and a part of the share premium from general revaluation adjustment to equity in the amount of EUR 1,196,023.42. The Supervisory Board approved this proposal.

Group distributable profit as at December 31, 2015, amounts to EUR 0.00.

The Supervisory Board proposes to the Shareholders Assembly to grant discharge from liability to the Management Board and Supervisory Board for their work in 2015.

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

Velenje, April 21, 2016

Marko Voljč
Supervisory Board Chairman

Presentation of the Gorenje Group

About the Gorenje Group and the Company Gorenje, d. d.

Gorenje Profile

Gorenje Group is a leading home product manufacturer.

CORE BUSINESS
products and services for home
(VGA, MGA, HVAC, kitchen furniture)

R&D COMPETENCE CENTRES
Slovenia, Czech Republic, Sweden, Netherlands

EMPLOYEES
10,617

gorenjegroup

OWN PRODUCTION
Slovenia, Serbia, Czech Republic

CONSOLIDATED REVENUE
EUR 1.225 billion

GLOBAL PRESENCE
90 countries worldwide, mostly in Europe (92%), also in USA, Australia, Near and Far East

EXPORT
95% of sales

Gorenje Group History

MORE THAN 60 YEARS OF TRADITION

1950 – **Founded** in the village Gorenje

1958 – **Manufacturing of stoves**

1960 – **Production in Velenje begins**

1961 – **First export** to Western Germany

1961-1970 – Production of **washing machines and refrigerators**

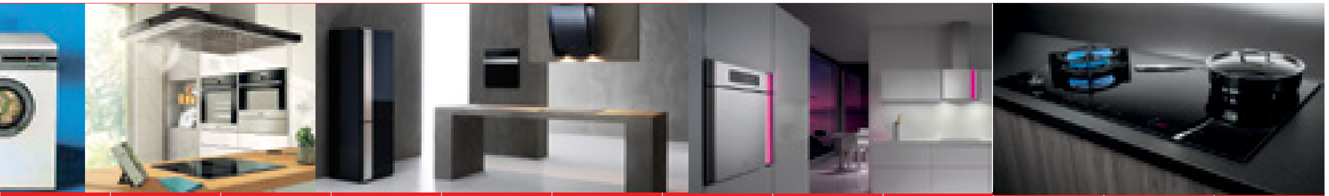
1964 – Production in Velenje, **New plant for cooking appliances**

1961-1970 – **Acquisitions of companies** bringing synergies to the core Business **»Everything for Home«**

Setting-up **own distribution network** in Western Europe

1971 – **First sales subsidiary** abroad (Munich)

1991 – **Slovenia becomes independent,** loss of the former domestic market



- **1991-1996** – **Strong expansion** abroad
- **1998** – Gorenje, d.d., becomes a **public company**, listed on the Ljubljana Stock Exchange
- **2005** – **Acquisition** of the Czech cooking appliances manufacturer Mora Moravia
- **2006** – **New refrigerator & freezer plant** in Valjevo, Serbia
- **2008** – **Acquisition** of the company Atag, the Netherlands
- **2010** – **Acquisition** of the company Asko, Sweden
- **2010** – **IFC,** a member of the World Bank, enters the ownership structure
- **2012** – **Restructuring** of production facilities and sales organization begins, disposal of furniture manufacturing business
- **2013** – **Strategic Alliance** with Panasonic; **Listing on WSE**
- **2014** – **Positive effects of restructuring**
- **2015** – **Strengthening Strategic Alliance** with Panasonic; **New Strategy 2020**

Vision, Mission, Values

Vision is the fundamental orientation of our operation. It is the inspiration leading us to the accomplishment of **ambitiously set goals.** The basic elements of our vision are **innovation and design** in which we have strong competencies. They are the source of our key competitive advantages.

VISION

We aim to become the most design-driven innovator of home appliances in the world.

MISSION

We create innovative, design-driven and technically excellent products and services for home that simplify user's life.

CORPORATE VALUES

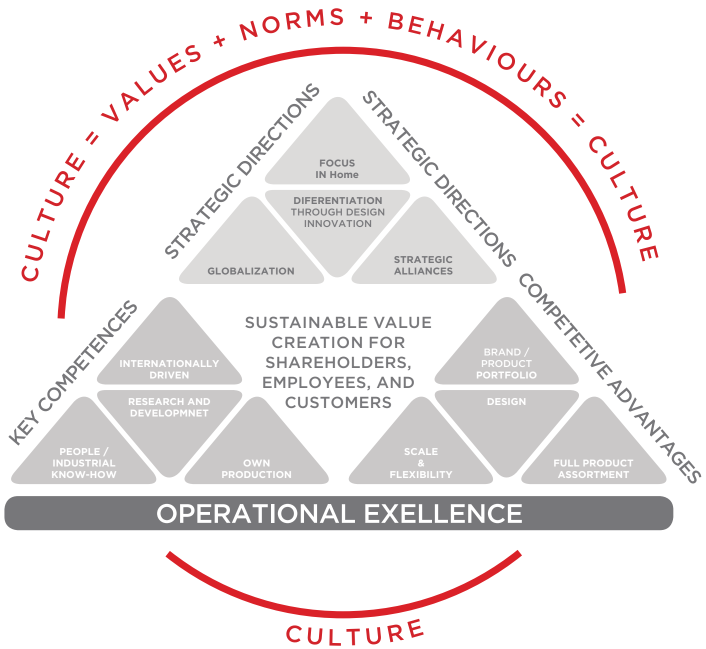
Responsibility. Innovation. Entrepreneurship.

OPEN-MINDEDNESS | TEAM SPIRIT | RESPECT | EFFICIENCY | GOAL ORIENTATION | ENGAGEMENT

Business Model

The Gorenje Group's business model is based on business excellence. It is interwoven with our corporate culture reflected in our values, rules, and conduct.

Our fundamental **mission** is the sustainable creation of value for our shareholders, employees, and customers.



In pursuit of our mission, we pursue our **strategic policies**. We are focused on the core activity of home products for which our distinctiveness is based on design-driven innovation: aesthetics, ergonomics, and user-friendly controls.

Growth will mainly be generated in markets outside Europe. We shall enter **strategic partnerships** in order to reap synergies; we shall use our competitive advantages and create positive effects for all Gorenje Group stakeholders.

We are aware that **employees** with a wealth of knowledge and experience in the home appliance industry and strong competencies in research and development are our major asset. By managing our own production capacities, we control an important link in our value chain. We have been expanding our sales network across the world, and closely following the trends of the global economy for over 50 years.

Based on our **competencies**, our competitive advantages are our superiorly designed products in all home appliance product categories, and our smart portfolio of brands and products across a varied range of market segments. It is also important that our size allows flexibility and responsiveness on the one hand, and economies of scale on the other.

In a mature industry with excess capacity, **managing the costs** of material, labour, and services is of key importance. We strive for **operational excellence** with improvements in process management and key projects.

Responsibility and Sustainability: Development of the 2016–2020 Strategic Plan

Responsibility is understood as **responsible conduct** and attitudes towards fellow employees, partners, users, shareholders, society, the environment, and oneself.

We honour committed effectiveness and goal-orientation. We strive for **sustainable development** by **balancing our business excellence, environment responsibility and social responsibility.**

In 2015, the Gorenje Group developed a new strategy that better reflects the current challenges and the changes taking place at the Gorenje Group and in the environment in which we operate: **2016–2020 Strategic Plan** under the slogan **Gorenje Group Grows Global**. The reasons for developing a new strategy only two years after adopting the previous one are in particular:

- highly **unstable and unpredictable business environment**, especially the conditions in Russia and Ukraine;
- major **changes within the Gorenje Group**, such as the divestment of the Ecology division.

DEVELOPMENT TIMELINE OF THE STRATEGIC PLAN:
April to October 2015

APPROACH TO DOCUMENT DEVELOPMENT AND INVOLVEMENT OF GORENJE GROUP COMPANIES:
top-down and bottom-up; all Gorenje Group companies, segments, and business functions were involved

EMPLOYEE INVOLVEMENT:
Strategy development involved several hundred Gorenje Group employees from across the globe. The key role was played by the Strategic Business Council consisting of Management Board members and around 20 top managers and executives from both the parent company and our international subsidiaries, depending on the topics addressed.

HIGHLIGHTS:
In creating the document, particular attention was paid to the reflection on and discussion about culture, values, norms, and principles of conduct at the Gorenje Group. Entrepreneurship was added to the key values that had already included innovation and responsibility. Even more than for the development of the strategy, a strong corporate culture will be essential for its implementation.

The Strategic Plan for the period from 2016 to 2020 pursues the strategic policies laid down for the period from 2014 to 2018 and it is based on the **results and other achievements from the period until 2014.** These include, in particular:

- **Stable, nearly 25 percent Gorenje Group revenue growth** in the previous five years, deriving mostly from the revenue of the Home segment;
- **Intensified our focus on the core activity** which exceeds 85% of total Group revenue in 2015;
- **Stable EBITDA** between EUR 80 and 90 million in the period 2009 to 2014, and EBITDA margin between 6 and 7%, which followed the development of revenue and EBITDA growth;
- **Deleveraging** as a result of better working capital management, EBITDA stabilization after relocation of production processes, sales network reorganization, and other measures that have resulted in cutting the gross debt by EUR 144 million and a successful capital increase in an amount in excess of EUR 60 million;
- **directing our operations to markets outside Europe** to relieve the Group of the reliance on the mature European markets.

The core orientation of the 2016–2020 Strategic Plan is the **overall goal of profitable growth** as the Group is looking to generate EUR 1.56 billion of revenue in 2020 at an EBITDA margin of 9%.

Our key goals will be attained:

- by focusing on the core activity (Home), which shall generate 92% of all Group revenue by 2020;
- by doubling our upmarket sales and sales in overseas countries;
- by marketing our premium brand Asko, which shall double its revenue by 2020, to a total of EUR 206 million in that year;
- by expanding sales to markets outside Europe, where we shall generate revenue of EUR 196 million in 2020;
- by focusing on the premium segment, which shall account for 30% of total sales in 2020;
- by improving the net debt-to-EBITDA ratio to no more than 2.5 in 2020;
- by generating free cash flow in the amount of EUR 20 million in 2019.

All activities specified in the Strategic Plan for the period from 2016 to 2020 shall result in stable growth of operating profit. Thus, EBIT will exceed EUR 70 million in 2020, while the EBIT margin will reach 4.5%.

Evaluation System for Goal Accomplishment

Strategic Plan development also included establishing a system of consistent monitoring of the accomplishment of the goals specified in the Strategic Plan, by years. Moreover, we are monitoring our response to the changes in the environment and the needs of our customers. We are focused on the reasons for discrepancies and measures for improvement. We are using a balanced scorecard system to provide a comprehensive overview of the efficiency of our operations, which goes beyond financial indicators.

Brands

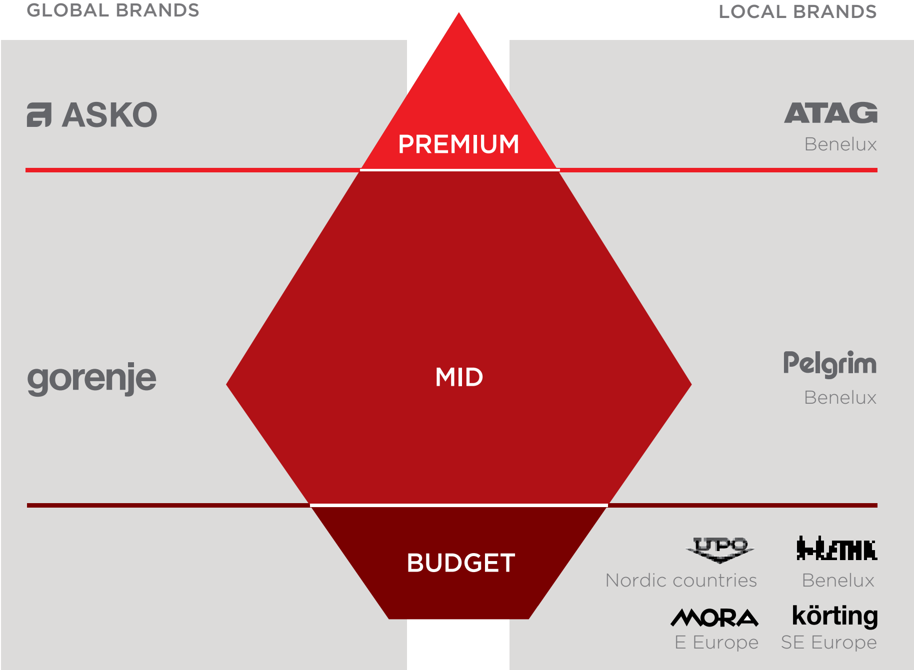
The Gorenje Group has **two global brands:** Gorenje and Asko. Under these two brands, we offer an all-around range of home appliances: cookers, ovens, cooking hobs, kitchen hoods, refrigerators, freezers, washing machines, dryers, dishwashers, small domestic appliances, water heaters, heat pumps, and air conditioners.

Gorenje is the core global brand positioned in the **upper-mid price range.**

Asko is positioned as the global premium brand.

There are also **six local brands** covering all price segments.

Consistent with the goals laid down in the 2016–2020 Strategic Plan, we are planning to introduce a **multi-brand strategy** with extra attention to the **upper-mid and premium** segment, and to **decrease our brand complexity**.



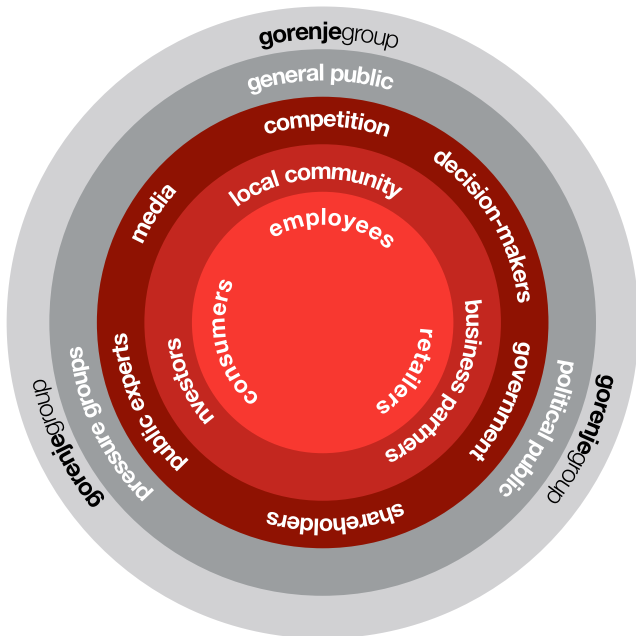
Key Stakeholders

Owners, shareholders, investors:
Generating value for the shareholders is the fundamental mission of each joint stock company and the most important management objective. Successful performance and sustainable growth generate long-term value for our shareholders' investment.

Employees:
We are aware that motivated employees are the key to Gorenje's success. Together, we are building a culture of mutual trust, respect, continuous learning, and responsible and efficient work. The recruitment, promotion and compensation policy is based on merit (performance) with equal opportunity for all.

Business partners:
Our long-term relations with business partners (buyers, suppliers, contractors, partners in joint ventures) are based on respect, confidence, honesty, integrity and fairness.

Consumers, users:
Customer and user satisfaction is of key importance for company operations and performance as stagnation in sales will threaten the pursuit of all the other objectives we have laid down. Our work is determined by the continuous monitoring



of needs and desires of our buyers, and a quest for safe and high-quality products and services, fair prices, quality and rapid service, and appropriate after-sales services.

The media:
The media, or the press, is a key link between Gorenje and the general public. Therefore, we maintain regular and proactive relations with them in order to provide timely and quality information.

Government institutions:
We consistently observe and regularly fulfil our obligations to the government or the state. We comply with all relevant regulations, including non-binding and non-mandatory codes and guidelines. Compliance with standards, recommendations, and sound practices is ensured via transfer of knowledge, specifying the frameworks for our work, and detailed targeted reviews in select fields.

Participation and Membership in Associations

Participation and membership in organizations

The membership and participation of executives and other Gorenje Group employees in professional, educational, research, and business organizations and associations build our opportunities for development, exchange of knowledge and experience, and establishment of professional and business ties with key stakeholders.

At some of the listed organizations, our employees are active members of committees, professional and strategic councils, and other key bodies.

Foreign and international organizations:

- AHAM – Association of Home Appliance Manufacturers for USA and Canada,
- American Chamber of Commerce, Ljubljana,
- CECED – European Committee of Domestic Equipment Manufacturers,
- EFFRA – European Factories of the Future Research Association,
- HKI Industrieverband E.V., Frankfurt/Main,
- ISLA E.V., Munich,
- Slovenian Business and Research Association, Brussels,
- Summit 100 – Association of Business Leaders of Southeastern Europe.

Slovenian organizations:

- Creditreform, d.o.o.,
- Librarian Society,
- Society of HR workers,
- Slovenian Marketing Association,
- Society of Slovenian and Croatian friendship,
- Slovenian Maintenance Society,
- Faculty of Economics, University of Ljubljana,
- FIT media,
- Slovenian Chamber of Commerce and Industry,
- GS1 – Identification and Electronic Data Exchange Institute,
- ICS Institute of Corporate Security Studies,
- Commercial Law Institute,
- Slovenian Chamber of Engineers,
- IUS Software,
- IZUM,
- Planica Organizational Committee,
- Bled School of Management – IEDC,
- Jožef Stefan Institute,
- Handball Association of Slovenia,
- Satena – Slovenian Academic Technical and Natural Science Society,
- SIQ – Slovenian Institute of Quality and Metrology,
- Institute of Slovenian Auditors,
- Slovenian Institute of Standardization,
- Slovenian Acoustics Association,
- Slovenian PR Association,
- Slovenian Innovation Hub,
- Slovenian Quality Association,
- Ski Association of Slovenia,
- Chamber of Commerce and Industry of the Savinja and Šalek region,
- Study Centre for Industrial Democracy,
- TECES –Technological Centre for Electrical Machinery,
- TECOS – Toolmaking Development Centre of Slovenia,
- University of Ljubljana,
- Occupational Safety and Health Chamber,
- Employer's Association of Slovenia,
- Managers' Association of Slovenia,
- Purchasing Association of Slovenia,
- Corporate Finance Association of Slovenia,
- Chamber of Slovenian Tax Consultants,
- Association of Slovenian Photovoltaics.

Awards received in 2015

The Gorenje Group again received many awards for its contributions in many fields in 2015. These awards are important in confirming that our approach to planning and managing our relations with key stakeholders, especially buyers and users, business partners, and employees.

Trusted brand 2015:
In the Trusted Brand consumer survey, Gorenje was voted the most trusted brand in Slovenia in the global competition of home appliance brands for the ninth consecutive year.

Red dot design awards:
Eight home appliances offered by the Gorenje Group received this international product design award.

Forma tool:
Gorenje received the Silver medal for design and production of a tool for the exterior part of the front wall of Panasonic washing machines, by completing four forming operations. The award is presented by the Slovenian Chamber of Commerce and Industry.

Energy saving award:
Gorenje won a special award for the most energy-efficient brand in the Hungarian market, and the award for the most energy-efficient vacuum cleaner. The award is presented by the Hungarian agency E.ON in cooperation with the renowned German consumer agency TÜV Rheinland InterCert.

Good design award:
The Asko Duo Fusion cooking hob won the Good Design Award®, Australia's oldest and most prestigious award for excellence in design and innovation.

Business Success Award:
Gorenje Group subsidiary Atag Nederland of Duiven is the winner of this award in the kitchen appliance category. The award is presented by the Dutch National Business Success Awards Institute.

Slovenian Chamber of Commerce and Industry award for the best innovation in 2015:
The Golden award was won by the new generation of built-in ovens.

The Best from Serbia:
Gorenje was voted the best foreign brand made in Serbia. The award is presented by the Serbian chamber of commerce, Ministry of Commerce, Tourism, and Telecommunication, and the business daily Privredni pregled.

The best Annual Report Contest:
Gorenje won the award in the financial report category for the third year in a row. The contest is held by the Business Academy of the business daily Finance.

FEIEA diploma of honor:
Honorary award to Vesna Petkovšek for her contribution to the development and promotion of the profession of internal communication. The prize is awarded by the European Association of internal communications.

Organizational Structure and Geographical Presence

Organization Chart

Gorenje Group organizational structure is presented in more detail in the Financial Report (Chapter 8, Gorenje Group Structure, and Appendix 1: information about the Gorenje Group companies).

MACRO ORGANIZATION (HOME)*

Gorenje, d.d. — PARENT COMPANY

6 — PRODUCTION COMPANIES

2 — HOLDING COMPANIES

44 — SALES BUSINESS UNITS***

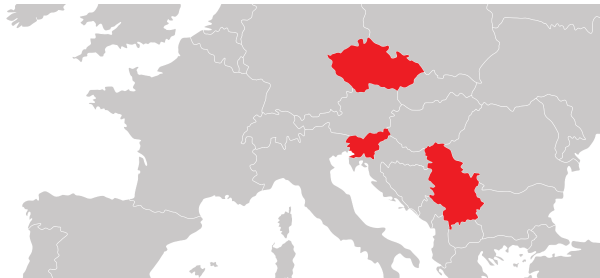
* Copenhagen is the regional hub for Scandinavia (Gorenje Group Nordic)

** Prague (Gorenje Spol) is the regional hub for the Czech Republic and Slovakia

*** incl.representative offices

Manufacturing Operations Map

Our products are made in Slovenia, the Czech Republic, and Serbia.



Key Market Map

Our key markets include:

Germany
Russia
the Netherlands

Serbia
Slovenia
Czech Republic
Croatia
Denmark

Australia	Poland	Slovakia
USA	Belgium	Sweden
	Hungary	Bulgaria
Ukraine	Finland	Great Britain
BiH	Norway	France
Austria	Rumania	Montenegro

Value structure of sales under own brand names.

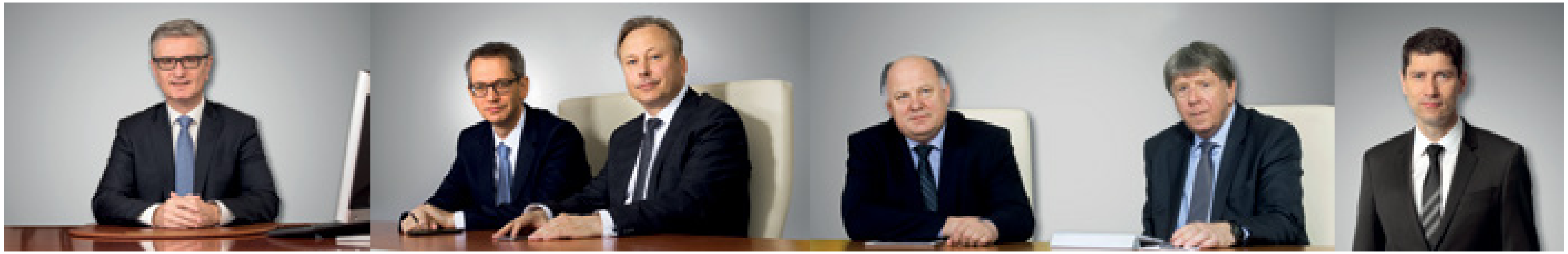
Corporate Governance Statement

Management Board

Management Board composition and appointment

The Management Board consists of the President and CEO, and at least two Management Board members, of which one is a labour director. The number of Management Board members is specified by the Supervisory Board. The term of office of a Management Board lasts five years, after which period the Management Board may be reappointed. The current Management Board started their term of office on July 19, 2013. Their term expires on July 19, 2018. The Supervisory Board appoints the Management Board members based on their expertise, work experience, and abilities to manage and coordinate different aspects and fields of operations. Until February 29, 2016, the Management Board had six members. Since March 1, 2016, the Management Board has had five members.

Presentation of the Management Board members



Franjo Bobinac
President and CEO

Peter Groznik
Chief Financial Officer (Management Board Member in charge of finance and economics)

Peter Kukovica
Management Board member in charge of supply chain management/logistics, quality, organization, and IT

Branko Apat
Management Board member in charge of major appliance operations and operations and sales of heating systems

Drago Bahun
Management Board member, labour directorr

Marko Mrzel
Chief Sales Officer (until February 29, 2016)

Management Board member name	**Franjo Bobinac**	**Peter Groznik**	**Peter Kukovica**
Field of responsibility	President and CEO	Chief Financial Officer (Management Board Member in charge of finance and economics)	Management Board member in charge of supply chain management/logistics, quality, organization, and IT
Education	BA Economics, Faculty of Economics, University of Ljubljana MBA, École Supérieure de Commerce, Paris	BA Economics, Faculty of Economics, University of Ljubljana MA Economics, Kelley School of Business, University of Indiana, USA PhD Finance, Kelley School of Business, University of Indiana, USA	BS Mechanical Engineering, Faculty of Mechanical Engineering, University of Ljubljana Specialist in Management, Faculty of Economics, University of Ljubljana MA Business Policy and Organization, Faculty of Economics, University of Ljubljana PhD, Business Administration and Organization, Faculty of Economics, University of Ljubljana
Career path	1983 Emo Celje 1986 Gorenje, assistant director of exports 1990 Gorenje, director of exports 1991 Gorenje, director of marketing 1993–1998 Gorenje sales subsidiary in Paris, managing director 1997 Gorenje, d.d., member of the temporary Management Board 1998 Gorenje, d.d., Management Board member in charge of sales and marketing 2003 Gorenje, d.d., President and CEO	2003 Mobitel, financial regulation adviser 2005–2009 KD skladi, head of asset management 2009–2010 KD skladi, Management Board president 2010 founder and owner of the investment consultancy NorthGrant Consulting 2011 founder and partner in the personal finance company BTP Indegra 2011 Gorenje, d.d., independent finance expert 2012 Gorenje, d.d., Chief Financial Officer	1990 Iskra Zorin/Mike software d.o.o., system analyst 1991–1994 Nissan Adria, director of sector 1994 Suzuki, Wolf and Partners, assistant director 1994–2001 Pan Adria Tires 2001–2007 ACH, assistant to general manager for strategic development and marketing 2007–2009 AMZS, d.d., deputy director and Management Board member 2009–2012 Iskra MIS, d.d., Management Board member, Management Board president 2012 Iskra sistemi, d.d., Management Board president 2013 Gorenje, d.d., advisor to President and CEO 2014 Gorenje, d.d., Management Board member in charge of supply chain management
Number of Gorenje shares held	4,096	7,140	/
Membership in Supervisory Boards of other companies outside the Gorenje Group	/	Nova Ljubljanska banka (NLB), d.d., Supervisory Board member (until July 31, 2015) Pivovarna Laško, d.d., Supervisory Board member (until October 15, 2015)	Nova Kreditna banka Maribor (NKBM), Supervisory Board chairman

Ime člana uprave	Branko Apat	Drago Bahun	Marko Mrzel
Pristojnost	Management Board member in charge of major appliance operations and operations and sales of heating systems	Management Board member, labour director	Chief Sales Officer (until February 29, 2016)
Izobrazba	BA Economics Faculty of Economics, University of Maribor Specialist in Marketing, Cleveland State University, Ohio, USA	BA Sociology – Specialist, Faculty of Sociology, Political Science, and Journalism, University of Ljubljana	BS Electrical Engineering; Technical Faculty of the University of Maribor MA Economics, Faculty of Economics, University of Ljubljana
Poklicna pot	1988 Gorenje, assistant director of exports for non-white goods programs 1990 Gorenje, director of purchasing 1993 Gorenje, director of marketing 1999-2009 Gorenje Tiki, managing director 2003 Gorenje, executive director of Gorenje Group companies dealing with heating equipment, toolmaking, and machine building 2006 Gorenje, executive director of complementary program 2007 Gorenje, Management Board member in charge of complementary programs, purchasing, and logistics 2009 Gorenje, Management Board member in charge of the Home Appliance Division 2012 Gorenje, d.d., Management Board member in charge of major appliance operations and heating systems operations and sales	1979–1984 Rudarsko-elektroenergetski kombinat Velenje (Mining and Electrical Engineering Combine), head of business system organization department 1985 Gorenje, vice president of business administration committee of the composite organization for the field of socio-economic relations 1987 Gorenje, member of the Gorenje Home Appliance business administration committee, in charge of HRM 1990 Gorenje, director of HRM and general affairs 1997 Gorenje d.d., member of the temporary Management Board 1998 Gorenje, d.d., Chief Human Resources Officer, labour director 2003–2011 Gorenje, d.d., Management Board member in charge of HRM and organization, labour director 2012 Gorenje, d.d., Management Board member, labour director	1995–1996 Lignite mine, Velenje 1997–2001 Era, d.d., head of wholesale 2001 Gorenje, d.d., director of complementary program 2003 Gorenje Group, managing director of Gorenje's sales subsidiary in Belgrade 2011 Gorenje, d.d., Chief Financial Officer 2012 Gorenje, d.d., Chief Sales and Marketing Officer 2013–2016 Gorenje, d.d., Chief Sales Officer
Št. delnic Gorenja v lasti	626	9,082	450
Članstvo v nadzornih svetih drugih družb zunaj Skupine Gorenje	/	KBM Banka AD Kragujevac, Supervisory Board member	/

Statement of Management Responsibility

The Management Board is responsible for the development and compilation of the Annual Report of Gorenje, d.d., and the Gorenje Group, as well as the financial statements, in a manner that provides to the interested public a true and accurate account of the financial position and performance of the company and its subsidiaries in 2015.

The Management Board hereby confirms that the financial statements of Gorenje, d.d., and the Gorenje Group have been prepared pursuant to the relevant accounting policies; that the accounting estimates have been developed according to the principles of prudence and diligence of a good manager; and that the financial statements of the Company and the Group give a true and fair account of their financial position and performance in 2015.

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

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

The President and CEO, and Management Board members are familiar with the contents of the integral parts of the Annual Report of Gorenje, d.d., and the Gorenje Group for 2015, and thus also with their entire Annual Report. We approve the report and confirm such approval with our respective signatures.

Franc Bobinac,
President and CEO

Peter Groznik,
Management Board member

Marko Mrzel,
Management Board member

Branko Apat,
Management Board member

Peter Kukovica,
Management Board member

Drago Bahun,
Management Board member

Supervisory Board

Supervisory Board powers and authorizations

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

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

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

Supervisory Board composition

The Supervisory Board consists of seven capital representatives elected by the shareholders, and four employee representatives elected by the Gorenje, d.d., Works Council. On July 20, 2014, the Supervisory Board commenced a new four-year term of office.

The following are the Supervisory Board members representing **the interests of capital:**

- Marko Voljč, Chairman,
- Bernard C. Pasquier, Deputy Chairman,
- Uroš Slavinec, Deputy Chairman,
- Bachtiar Djalil, Member,
- Keith Charles Miles, FCA, Member,
- Toshibumi Tanimoto, Member,
- Corinna Claudia Graf, Member.

The interests of the employees are represented by:

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

Presentation of the Supervisory Board Members

Shareholder representatives

First and last name	**Marko Voljč** Chairman	**Bernard C. Pasquier** Deputy Chairman	**Uroš Slavinec** Deputy Chairman	**Bachtiar Djalil** Member
Education	MA Economics, Faculty of Economics, University of Belgrade	MA Public Administration – business and economic development, John F. Kennedy School of Government, Harvard University, USA	BA Economics	Bachelor of Laws, Faculty of Law, University of Ljubljana, LL.M.
Employment	retired	retired	retired	Kapitalska družba, d.d. (Slovenian Pension Fund Management Company)
Number of Gorenje shares held	/	/	/	/
Membership in supervisory boards of other companies	/	International Finance Corporation (IFC) representative in the Board of Directors at Davivienda, Colombia and Sogebank, Haiti	/	Loterija Slovenije, d.d. (Lottery of Slovenia)

First and last name	**Keith Charles Miles** Member	**Toshibumi Tanimoto** Member	**Corinna Claudia Graf** Member
Education	FCA, Institute of Chartered Accountants in England and Wales	BA Business Administration – International Trade, Doshisha University, Kyoto, Japan	BS Business Administration, FHS, Hochschule für Wirtschaft, Technik und Soziale Arbeit, St. Gallen, Switzerland
Employment	retired	retired	Puerto Punta Portals, S.A., Mallorca, Spain
Number of Gorenje shares held	/	/	/
Membership in supervisory boards of other companies	/	/	/

Employee representatives

First and last name	**Krešimir Martinjak** Deputy Chairman	**Peter Kobal** Member
Education	LL.B., Faculty of Law, University of Maribor	Electrical Engineering (high school); Technical Business Vocational School, Maribor
Employment	Gorenje, d. d.	Gorenje, d. d.
Number of Gorenje shares held	115	1,355
Membership in supervisory boards of other companies	/	/

First and last name	**Drago Krenker** Member	**Jurij Slemenik** Member
Education	Commerce (high school), School of Business and Commerce, Celje	Mechanical Engineering (high school); Velenje High School, School of Metalworking and Computer Science
Employment	Gorenje, d. d.	Gorenje, d. d.
Number of Gorenje shares held	/	2,038
Membership in supervisory boards of other companies	/	/

Supervisory Board committees

Audit Committee

The Audit Committee operates according to the authorizations specified by Article 280 of the Companies Act. The Audit Committee includes Bachtiar Djalil as chairman, members Keith Charles Miles (member until November 3, 2015) and Drago Krenker, and Aleksander Igličar as an independent member. Mr Igličar is a senior lecturer of accounting and auditing at the Faculty of Economics in Ljubljana.

Benchmark Committee

The committee has the following members: Chairman Keith Charles Miles, members Bernard C. Pasquier, Corinna Claudia Graf, Toshibumi Tanimoto, and Peter Kobal, as well as Maja Makovec Brenčič as an independent member. Ms Makovec Brenčič is the vice chancellor and a full professor of international economics and business at the Faculty of Economics in Ljubljana (member until June 13, 2015).

The basic task of the Benchmark Committee is to identify the companies to which Gorenje Group will be compared, or against which it will be benchmarked. The Committee deals primarily with methodological issues and specifying the basic benchmarking criteria. Also involved in the work of the Committee are the representatives of company management: Franjo Bobinac, President and CEO; Peter Kukovica, Management Board Member; Peter Groznik, Management Board Member; Marko Mrzel, Management Board Member (until February 29, 2016); Aleksander Uranc, Executive Director of Brand Management (until the end of 2015); Klemen Prešeren, Executive Regional Director (until the end of 2015); Mario Vogl, Senior Vice President of Corporate Marketing (since November 4, 2015).

Corporate Governance Committee

The Committee consists of Chairman Bernard C. Pasquier and Members Marko Voljč, Krešimir Martinjak, and Peter Kobal.

The task of the Corporate Governance Committee is to find the best possible way of organizing the Gorenje Group, given its increasing international recognition and the need for flexibility in all areas of its business operations.

Human Resource/Remuneration Committee

The Committee consists of Chairman Bernard C. Pasquier and Members Uroš Slavinec, Keith Charles Miles, Marko Voljč, Jurij Slemenik, and Drago Krenker.

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

Management Board and Supervisory Board compensation and rewards

The President and CEO, and Management Board members signed new employment contracts for the new term lasting from July 19, 2013, to July 19, 2018. Their reward consists of a fixed and a variable part.

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

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

Pursuant to the Supervisory Board resolution dated August 29, 2013 the President and CEO, and the Management Board members shall be entitled to the payment of session fees for the supervision of the companies Gorenje Beteiligungs GmbH and Gorenje Nederland B.V.

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

The Company has not adopted a stock option remuneration plan.

For their work, the Supervisory board members are entitled to regular monthly payments, session attendance fees, training and the reimbursement of expenses for meeting attendance. These expenses are funded from the company's current operations. At the 22nd Shareholders Assembly held on July 3, 2015, the Shareholders Assembly adopted the resolution on the payments to the Supervisory Board members, which brings the payments into line with the provisions of the Corporate Governance Code for Companies with State Capital Investments, as adopted on December 19, 2014, by Slovenski državni holding, d.d. (Slovenian Government Holding Company). Payments to the Supervisory Board members are presented in the Financial Report in the section Notes – Transactions with Related Parties.

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

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

As at December 31, 2015, Supervisory Board members held a total of 3,508 Gorenje, d.d., shares. Compared to the situation as at December 31, 2014, the number of shares did not change.

As at December 31, 2015, Management Board members held a total of 21,394 Gorenje, d.d., shares. Compared to the situation as at December 31, 2014, the number of shares did not change.

GRVG share transactions by Management and Supervisory Board Members

	Ownership		Net acquisition in the year	
	2014	2015	2014	2015
Supervisory Board total	**3,508**	**3,508**	**-**	**-**
Marko Voljč[1]	-	-	-	-
Uroš Slavinec[1,2]	-	-	-	-
Bernard C. Pasquier[1,2]	-	-	-	-
Corinna Claudia Graf[1]	-	-	-	-
Keith C. Miles[1,2]	-	-	-	-
Toshibumi Tanimoto[1]	-	-	-	-
Bachtiar Djalil [1,2]	-	-	-	-
Krešimir Martinjak[1,2]	115	115	-	-
Drago Krenker[1,2]	-	-	-	-
Jurij Slemenik[1,2]	2,038	2,038	-	-
Peter Kobal[1,2]	1,355	1,355	-	-
Maja Makovec Brenčič[2]	-	-	-	-
Marcel van Assen[2]	-	-	-	-

	Ownership		Net acquisition in the year	
	2014	2015	2014	2015
Management Board total	**21,394**	**21,394**	**2,500**	**-**
Franjo Bobinac	4,096	4,096	-	-
Drago Bahun	9,082	9,082	-	-
Peter Groznik	7,140	7,140	2,500	-
Branko Apat	626	626	-	-
Marko Mrzel	450	450	-	-

1 Supervisory Board in the term from July 19, 2014, to July 19, 2018.
2 Supervisory Board in the term from July 18, 2010, to July 18, 2014.

Audit

External audit

Pursuant to the Companies Act, auditing of financial statements is mandatory for Gorenje Group companies. Auditing has been conducted at the Gorenje Group since 1994. The purpose of auditing is to increase the level of confidence among the users of financial information. The auditor employs relevant auditing procedures and methods to review the financial statements of the controlling company and the Group, and provides opinions on whether such statements comply in all material aspects with the International Financial Reporting Standards (IFRS), as adopted by the European Union, and with the provisions and requirements of the Companies Act.

The financial statements of the parent company and most subsidiaries for the 2015 fiscal year were audited by the auditing company Deloitte Revizija, d.o.o., which was appointed as the company auditor at the Gorenje Shareholders Assembly held on July 3, 2015. Third-party (external) auditors report their findings to the Management Board, Supervisory Board, and the Audit Committee of the Supervisory Board. The transactions of the parent company and the Gorenje Group with the company Deloitte Revizija, d.o.o., and the transactions of the Group companies with individual audit companies are presented in the Notes to the Financial Statements.

Internal audit

Also active at the company is the **Internal Audit department** which organizationally reports directly to the President and CEO, and functionally to the Audit Committee. Internal Audit is in charge of suitable implementation and operation of the internal control system and the mitigation of risks to an acceptable level. Audits include business fields and units in Slovenia and abroad, as well as business process audits throughout the Gorenje Group. In addition to regular audits, the department also conducts extraordinary and unannounced audits, and renders a variety of consulting services. Pursuant to the Internal Auditing Standard 1110, the organizational independence of the internal audit department is periodically reviewed and confirmed.

In 2015 we have seen great **progress with respect to the quality of internal auditing** at the Gorenje Group, which is evident from the quality improvement program and the attainment of strategic goals specified in the Internal Audit Strategy.

The program for the improvement of internal audit involves **regular internal and external audits/reviews** as we look to make sure the operations of internal audit meets the expectations of the Management Board and the Audit Committee. The most recent external audit took place in 2013, when the compliance of internal auditing at the Group was found to be compliance with the professional rules of the Institute of Slovenian Auditors, which is also evident from the entry on the list of Excellence in Internal Auditing Pursuant to the Internal Auditing Standard 1321. We can confirm compliance with the International Standards for the Professional Practice of Internal Auditing.

Value added was generated with proposed and implemented recommendations, and with a greater number of consulting assignments. By **setting up and improving the internal controls system**, we have improved transparency, traceability, and responsibility in many fields, which in turn has improved the entire operation. Working with the IT department, a tool was established that allows continuous auditing. Added value is also contributed by constructive cooperation with the Audit Committee, external auditors, and internal functions at the Gorenje Group, which conduct a preventive and supervisory role.

In 2015, there were **major changes in the International Standards for the Professional Practice of Internal Auditing.** In addition, the revised Companies Act came into effect in 2015, which includes an additional Article 281.a pertaining exclusively to Internal Auditing. Pursuant to these changes, the Supervisory Board approved the Internal Audit Plan for 2016, and we have updated the fundamental internal auditing document. Pursuant to the new Companies Act Article, the Internal Audit Report was also presented to the Supervisory Board and the independent auditor.

Based on the findings from individual audits, we launched a **business process evaluation** in 2015, which will allow a comprehensive picture of operations in the periods ahead. Moreover, we shall further step up our activities in consulting, continuous auditing, and key control monitoring. In addition to the auditing tools, we completed the testing stage in 2015 for the department activity management program, which will automate the numerous auxiliary activities of the department, and, as a result, allow us to devote more time to auditing. In the periods ahead, we shall work with the Organization Department and the Risk Management Department to align and harmonize the internal control systems, which will lead to their comprehensiveness and simplify monitoring and control testing.

In the Internal Audit department, we also took part in setting up a relevant **fraud detection system** as specified in the Code of Conduct. In addition to defining the whistleblowing procedure, we also defined the protection for the whistleblowers and their potential rewards, as well as sanctions for the offenders.

Statement of Compliance with the Corporate Governance Code

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

The contents of the statement pertain to the period from the adoption of the previous Statement on the compliance with the Corporate Governance Code, i.e. from April 22, 2015, to April 21, 2016, when its contents were jointly drawn up and adopted by the Gorenje, d.d., Management Board and Supervisory Board.

Chapter: Company Management Framework

Recommendation 1:

The fundamental goals of the company are not specified in the Articles of Association; however, they are clearly specified in the company mission: »We create innovative, technologically superior products and services inspired by design, which bring simplicity to the lives of our users.«

Chapter: Relations with shareholders

Recommendation 5.8:

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

Chapter: Supervisory Board

Recommendation 8.4:

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

Recommendation 9:

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

Recommendation 13 (13.1–13.6):

The issue of the founding of Supervisory Board committees is regulated in the Supervisory Board Rules of Procedure. The Supervisory Board has an Audit Committee, a Corporate Governance Committee, a Benchmark Committee, and a Human Resource/ Remuneration Committee. The Supervisory Board members assumed their terms of office on July 20, 2014, for a period of four years, and the term of the previous Nomination Committee expired on July 19, 2014; a new Nomination Committee has not yet been appointed by the Supervisory Board.

Chapter: Management Board

Recommendation 16.3:

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

Corporate Governance Rules for Companies Listed on the Warsaw Stock Exchange

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

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

The contents of the statement pertain to the period from the adoption of the previous Statement on the Compliance with the Best Practices for WSE-Listed Companies, i.e. from April 22, 2015, to April 21, 2016, when its contents were jointly drawn up and adopted by the Gorenje, d.d., Management Board and Supervisory Board.

Best Practices for WSE-Listed Companies – effective until December 31, 2015

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

The Company has not adopted rules for defining the remuneration of the members of the Supervisory Board. According to the Articles of Association and the Shareholders Assembly Rules or Procedure, the

Shareholders Assembly shall be entitled to set forth the remuneration of the members of the Supervisory Board at their sole discretion. The Management Board does not have any influence on the decisions of the Shareholders Assembly regarding the remuneration of the Supervisory Board members.

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

The Company has not adopted any document that would formally ensure a balanced proportion of men and women in the Management Board and Supervisory Board. The Management Board consists of members all of whom are men. In the eleven-member Supervisory Board, Corinna Claudia Graf is the only woman. The Management Board does not have any influence on the decisions of the bodies of the company adopting the decision on the composition of the Supervisory Board.

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

Neither the Companies Act nor the Corporate Governance Code (the LJSE Code) or the Rules of Procedure of the Shareholders Assembly require the Company to record the Shareholders Meeting in any other form than in writing; therefore, the company does not publish such recordings in audio and/or video format.

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

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

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

Best practice IV. 9 regarding the minimum possible nominal value of the shares following the share split does not apply to the company due to the fact that company shares are no par value shares.

Best Practices for WSE-Listed Companies, 2016 – effective as of January 1, 2016

***Detailed principle I.Z.1.15:* announcement of information on the company website about the diversity in the managerial and supervisory bodies, and in key positions:**

The company has not adopted any document specifying or providing a policy of diversity in the managerial or supervisory bodies and key positions.

***Detailed principle I.Z.1.16:* announcement of information on the company website regarding the planned broadcast of the Shareholders Assembly:**

The company does not offer a Shareholders Assembly broadcast; therefore, such information is not provided.

***Detailed principle I.Z.1.20:* release of audio or video recording of the Shareholders Assembly on the company website.**

Neither the Companies Act nor the Corporate Governance Code (the LJSE Code) or the Rules of Procedure of the Shareholders Assembly require the Company to record the Shareholders Meeting in any other form than in writing; therefore, the company does not publish such recordings in audio and/or video format.

***Recommendation IV.R.2:* regarding the provision of possibilities to the shareholders to attend the Shareholders Assembly by means of a live broadcast of the Shareholders Assembly and the possibility of direct communication during the Shareholders Assembly, despite the fact that the shareholder is at location, other than that of the assembly.**

The Company does not offer such options to its shareholders.

***Detailed principle IV.Z.2:* regarding provision of a publicly available broadcast of the Shareholders Assembly:**

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

***Detailed principle IV.Z.3:* allowing the presence of the press (media representatives) at the Shareholders Assembly:**

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

Detailed principle IV.Z.17 regarding the conditional dividend payment does not apply to the Company due to the fact that under the Slovenian Companies Act, the Shareholders Assembly may not vote on or adopt decisions on conditional dividend payment.

Detailed principle IV.Z.18 regarding the minimum possible nominal value of the shares following the share split does not apply to the company due to the fact that company shares are no par value shares.

***Recommendation VI.R.1:* in the part that refers to the Company adopting rules defining the remuneration policy for the Supervisory Board members:**

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

Recommendation VI.Z.2, pertaining to the options and other instruments related to company shares

is not in use since the company has not adopted a plan for rewarding the Management Board with options.

Shareholders Assembly

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

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

Proposed resolutions and explanations thereof, as well as information on the resolutions adopted by the Shareholders Assembly, are announced, pursuant to the Rules and Regulations of the Ljubljana Stock Exchange, on the LJSE website (seonet.ljse.si/), at the Warsaw Stock Exchange website (www.gpw.pl), and on the Gorenje Group corporate website (www.gorenjegroup.com). Moreover, information on Shareholders Assembly convocation and resolutions are announced in the Delo daily newspaper (www.delo.si/). Such communication ensures equal treatment and information to all shareholders and the interested public.

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

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

Shareholders Assembly in 2015

At the 22nd Shareholders Assembly, which took place on July 3, 2015, the shareholders were presented the 2014 Annual Report, receipts by the Management Board and Supervisory Board members, the Auditor's Report, and the Supervisory Board Report on the results of the Annual Report audit for the year 2014, and its approval. Deciding about the use of distributable profit, the shareholders adopted the resolution to use the distributable profit for the 2014 fiscal year, amounting to EUR 4,219,490.55, as follows: a part of the 2014 distributable profit in the amount of EUR 1,458,198.12 would be used for dividend payment (EUR 0.06 per share, gross), while the rest of the distributable profit for the 2014 fiscal year in the amount of EUR 2,761,292.43 would remain unallocated. Shareholders who registered in the share register as at July 8, 2015, shall be entitled to dividend payment. Dividend shall be paid out in 45 business days after the adoption of this resolution.

The shareholders granted discharge to the company Management Board and Supervisory Board for the 2014 fiscal year. The shareholders appointed the company Deloitte Revizija, d.o.o., Dunajska cesta 165, Ljubljana, as the company auditor for the 2015 fiscal year. The shareholders discussed and adopted the resolution regarding the compensation and reward to the Supervisory Board members.

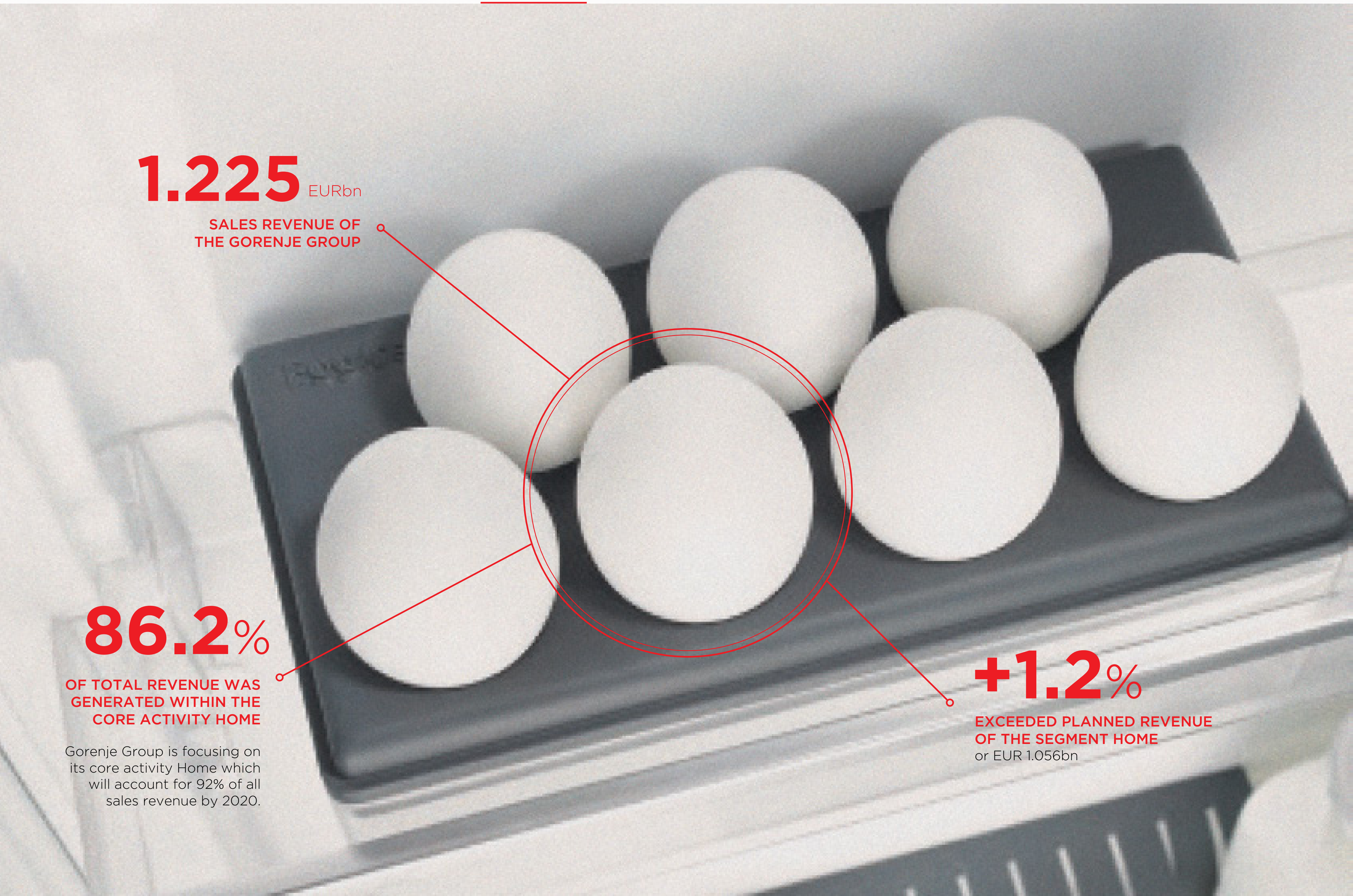
No challenging action was announced at the Assembly.

The next, 23rd Shareholders Assembly will take place on July 8, 2016.

2

Business Report

We are pursuing business excellence by looking for new opportunities and managing our risks. At the same time, we meet the highest standards of corporate environmental and social responsibility.



1.225 EURbn

SALES REVENUE OF THE GORENJE GROUP

86.2%

OF TOTAL REVENUE WAS GENERATED WITHIN THE CORE ACTIVITY HOME

Gorenje Group is focusing on its core activity Home which will account for 92% of all sales revenue by 2020.

+1.2%

EXCEEDED PLANNED REVENUE OF THE SEGMENT HOME
or EUR 1.056bn

Business Excellence

Stable revenue growth of nearly 25% was seen in recent years in the business segment Home, Gorenje Group's core activity. Thus, we intensified our focus on the core activity which exceeded 85% of the Group's total revenue in 2015. Divestment of the Ecology business has further strengthened the focus on the Home segment activity, which will exceed 92% of Gorenje Group total revenue in 2020.

Development of Key Segments

Operations by Regions

Focus 2015

Operations and performance were negatively affected by increasingly harsher economic conditions in Russia and the persistence of Ukrainian political turmoil. At the same time, our revenue rose in many Eastern European markets, in Benelux, and in markets outside Europe.

Moreover, we also succeeded, despite the decrease in revenue, in retaining or to some extent even increasing our market share in the CIS region as we successfully launched new products there to consolidate our market position.

In Western Europe, we conducted a pricing repositioning policy and improved our sales profile both by introducing new products and by improving our brand structure.

Following is a summary of our core activity operations and performance in 2015 according to regions.

Region definition:

The region of Western Europe and Scandinavia includes the following countries: Austria, Germany, Italy, Spain, Portugal, France, Great Britain, Ireland, Lithuania, Latvia, Estonia, Sweden, Norway, Finland, Denmark, Iceland, Belgium, Switzerland, and Greece.

WESTERN EUROPE AND SCANDINAVIA

Operations and performance in 2015

Core economic indicators improved for the Western European markets in 2015, which has led to higher demand for home appliances. However, due to increasingly strong competition and excess supply in the industry and in retail, average price continued to decline. The general decrease in prices the home appliances became increasingly advanced was the most pronounced in the largest markets such as Germany, Austria, Sweden, and France.

Focus 2015

In our key markets of Western Europe and Scandinavia, we conducted our **pricing repositioning program** in 2015 to increase the actual sales price by 3 index points. In contrast, we have suffered a decrease in market share by 0.2 percentage points.

As in previous years, we continue to observe an **increase in online home appliance sales**, which now account for one fifth of the total technical consumer goods spending in Europe. We further explored this channel and provided promotion of our innovative and designer appliance lines in all product categories. As we expect further growth in online sales, we adjusted our sales and marketing strategies to enable the boosting of our market position in this dynamic segment.

Sales within construction projects and at kitchen studios still accounts for only a small part of our overall sales structure; however, these two channels remain in the centre of our attention in terms of the development of our further business activities. Thus, in 2015, we considerably upgraded the line of built-in cooking appliances and launched the Gorenje by Starck line in the online channels.

Our position in these markets was still affected by the process of **sales structure optimization**, improvement of support to sales teams by the introduction of a uniform and advanced customer relationship management system, and systematic **brand and sales channel management.** In Scandinavian countries, we are pursuing our business restructuring path, which involves re-focusing our sales activities to our global brands Asko and Gorenje. By launching the Asko brand in the markets of France and Italy, sales of this premium brand in Europe increased as planned.

Targets for 2016

We expect the demand for our products to increase in Western Europe; Germany will remain our top market in terms of sales. As European households are already highly equipped with home appliances, replacement purchases will be the most robust source of demand in the market. We are aware that, along with energy savings, this continues to drive most purchase decisions of consumers.

BENELUX

Operations and performance in 2015

In 2015, growth of the Dutch and Belgian economies was pronouncedly positive. Home appliance demand in the Netherlands thus rose by over 7%. The following information pertains to sales under the local brands Atag, Pelgrim, and Etna.

Region definition:

The region consists of the Netherlands, Belgium, and Luxembourg.

Focus 2015

New line of Pelgrim built-in ovens included in the offer in 2014 was extended in 2015 with **new lines of premium Magna and Matrix built-in ovens** under the Atag brand. This has resulted in recovery of **sales growth in the kitchen retail channel** which accounts for a considerable part of our operations.

In the electronic retail channel, our **sales increased** relative to the previous year despite the aggressive competition. In this channel, excellence of our operating processes, such as reliable and rapid product delivery and efficient after-sales services, is also of key importance. In the construction project channel, development was stable. In general, customers within property development projects are becoming more demanding regarding supply and after-sales services.

Targets for 2016

Considering the positive changes and the introduction of advanced product lines, we expect our position to improve further in 2016. Taking into account the changes in the customer journey, we are adapting our marketing efforts to build our brands with top-class digital presence.

Region definition:

The region of Eastern Europe extends from Poland to the Mediterranean. It includes Poland, the Czech Republic, Slovakia, Hungary, Slovenia, Croatia, Serbia, Bosnia and Herzegovina, Montenegro, Macedonia, Kosovo, Albania, Bulgaria, and Romania.

EASTERN EUROPE

Operations and performance in 2015

Operations and performance in 2015: Countries of the Eastern European region vary considerably in terms of the level of economic development. On the one hand, there are highly developed economies strongly integrated into international trade (Czech Republic, Slovakia, Poland, Hungary, Slovenia); on the other, there are countries with feeble economies (Albania, Montenegro, Macedonia). In addition to economic development, these countries differ considerably in terms of the general population's purchasing power. The household appliances sales trend was positive as sales volume rose considerably in virtually every country of the region.

Focus 2015

Compared to 2014, our sales in the region increase in terms of both value and volume. We attained a higher profit margin and regained our market shares where we had lost them the year before.

Our position in the region differs from country to country:

- There are markets where our market share greatly exceeds 30% despite harsh competition (Slovenia, Serbia, Croatia, Bosnia and Herzegovina);
- In contrast, there are some countries where market shares are between 10% and 20% (Czech Republic, Hungary, Slovakia, Macedonia);
- in other countries, market shares are below 10% and in these markets we see the potential for growth in the years ahead.

In 2015, we continued the process of **sales structure optimization**, improvement of support to sales teams with the introduction of a uniform and advanced customer relationship management system, and **systematic brand and sales channel management.**

We successfully launched a new line of built-in and free standing cooking appliances. We marketed our main Gorenje brand in all countries of the region. A uniform product range was specified for this region in order to both cut complexity while increasing the range of appliances available in each country.

In the markets of Czech Republic, Slovakia, and Hungary, we also market the Mora brand, which is considered a domestic brand in the former two. In 2015, sales of these appliances were reasonably solid, and we attained high market shares. In Croatia and Slovenia, we also offered appliances of the entry-level brand Körting, in addition to the Gorenje brand.

Targets for 2016

We expect further **moderate growth of sales volume** in these markets. We continue with the **reorganization processes** to adjust the operating costs and improve our services for our customers.

Relying on marketing support, we are planning to boost our sales in Poland and Romania which we see as promising markets on account of their sheer size, although they are also highly challenging markets with formidable domestic competition.

COMMONWEALTH OF INDEPENDENT STATES (CIS)

Operations and performance in 2015

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

Performance in this region was strongly challenged by external circumstances in 2015. Political and economic conditions in Ukraine continued to worsen, which added to the negative effect on demand for home appliances in the country. As the GDP continued to decline, the major appliance market has plummeted in value terms by approximately 35%. Many of our business customers went bankrupt, or supply to the areas of crisis was cut. Pressure on reduction of prices mounted and we also faced currency risks and risks of default. As in 2014, we saw further decrease in sales volume in Ukraine.

Focus 2015

Despite the uncertain conditions, Russia was a key market for the Gorenje Group. There, we were mostly present with our brands Gorenje and Mora, while a smaller portion of our revenue was generated with the Asko and Körting brands. In 2015, we continued to use a variety of sales channels: retail stores, major retailers, kitchen studios, and online sales, which accounted for over 20% of our sales in the CIS region last year and for 10% of all major appliances in Russia.

In 2015, we faced currency risks throughout the year, which presented an additional challenge for us, compared to some of our competitors who manufacture their products locally. Nevertheless, we succeeded in retaining or increasing our market shares and competitive position in both Russia and Ukraine.

Currency depreciation was also seen in Kazakhstan, and competition, especially from China and South Korea, exerted additional pressure. As a result, our revenue in this market was somewhat lower in 2015 than it had been in the year before. Similar developments were also seen in the Caucasus area where our revenue in 2015 was also lower than in 2014 as the purchasing power in these markets depends heavily on the economic conditions in Russia.

The Gorenje brand is positioned in the mid or upper-mid price segment in all markets of this region. In 2015, we successfully launched a new generation of built-in and free-standing cooking appliances, the Infinity line, and the Gorenje by Starck designer line.

Targets for 2016

Throughout the region, 2016 remains a highly unpredictable year, which has had further negative effect on purchasing power and home appliance sales. We will be focused on slight improvements of our market position and business process optimization.

Region definition:

The region of the Commonwealth of Independent States (CIS) includes the following countries: Russia, Belarus, Ukraine, Moldavia, Kazakhstan, Kyrgyzstan, and the countries of the Caucasus region (Armenia, Georgia, Azerbaijan, Tajikistan, Turkmenistan, and Uzbekistan).

OVERSEAS COUNTRIES

Focus 2015

Compared to 2014, revenue in non-European markets rose by 3% in 2015. In the Middle East and North Africa, our revenue rose by as much as 30 percent. We specified our key markets (Saudi Arabia, United Arab Emirates, Iran, Iraq, and Egypt) and we worked with our business partners in charge of our distribution in these markets to revise our sales strategy to pave the way for further growth in these markets.

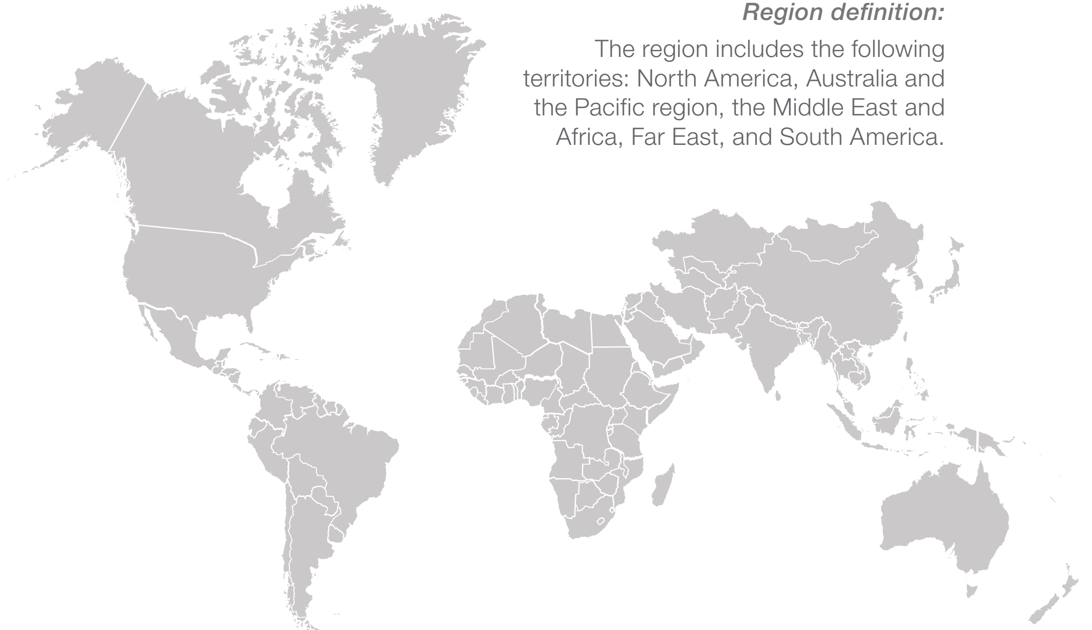
Our sales company in Dubai, in charge of sales in the Middle East and North Africa, has built its own infrastructure to support our sales plans.

In increasing our sales outside Europe, we are also focused on Australia, where our range of products has been expanded with Asko cooking and refrigeration appliances, and appliances under the Gorenje brand. In Australia, our revenue in 2015 was higher than in 2014.

The USA remains one of the most important markets in the region. In this market, we are present with our own Asko brand, and through strong OEM deals. While we saw a considerable decrease in sales of Asko appliances via our partner and prestigious refrigerator and oven maker the SubZero Group Inc. in the first half of 2015 due to optimization of inventory and supply chain, which we did not succeed in offsetting in the second half, our sales to other OEM partners in the country increased considerably.

In the Far East, our activities are focused on sales in the sector of contractual supplies and construction projects, where we have the status of a European premium home appliance provider. Our key markets in this region are Hong Kong, Singapore, China, Vietnam, and Taiwan. We also operate our own sales company in Shanghai. In 2015, our revenue rose by 50% relative to the year before. However, the biggest challenge for us in the near future is the slowdown in property development.

In South America, we operate a representative office in Brazil. Due to the arduous import and certification procedures, we only entered the Brazilian market with the strategy of focusing exclusively on the premium segment. This is a market where we have only been present for a short while and where our revenue is low. Nevertheless, through cooperation with a strong business partner, our sales rose successfully. Also in progress is our expansion to other markets, such as Chile and the markets of Central America.



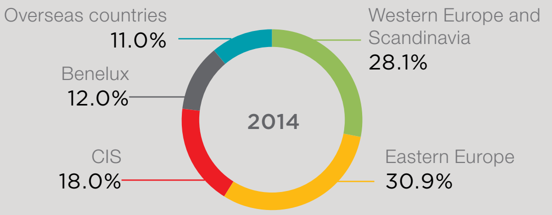
Region definition:

The region includes the following territories: North America, Australia and the Pacific region, the Middle East and Africa, Far East, and South America.

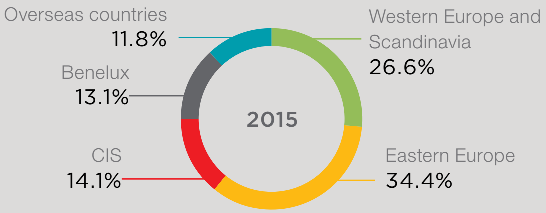
Targets for 2016

Consistent with our strategic goals, we are looking to boost our sales in these markets. In 2016, we are planning a more pronounced revenue growth relative to 2015, in particular in the Middle and Far East, Australia, and the USA.

Structure of core activity sales revenue in 2014



Structure of core activity sales revenue by regions in 2015



General Industry Overview by Regions in 2015

WESTERN EUROPE, SCANDINAVIA, AND BENELUX

Focus 2015

In 2015, home appliance sales were up by 5% relative to the year before. Growth of sales volume was the highest in Great Britain, Germany, the Netherlands, Spain, and Sweden. Thus, growth was seen in key and major markets of Western Europe.

General description of the region

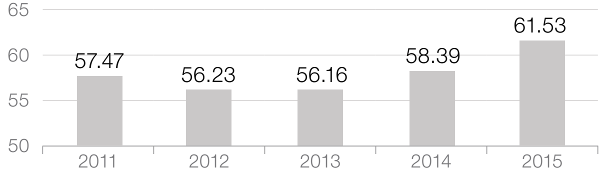
Characteristic features of the Western European and Scandinavian region continue to include the presence of many home appliance brands, excess manufacturing capacity, and strong pressure on downstream pricing. Highly energy-efficient and user-friendly appliances with quality design are in highest demand by users.

Basic characteristics of the region*

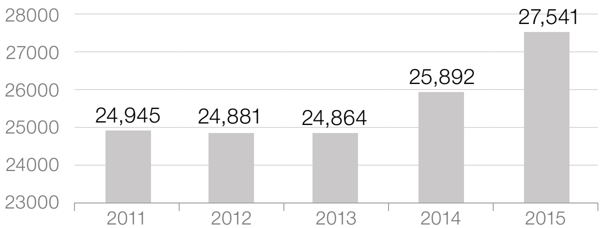
Population (in millions) **357**	Average number of persons per household **2.3**
Share of urban population **78%**	GDP growth in 2015 (estimate) **1.5%**

* *Information for Western Europe, Scandinavia, and Benelux combined*

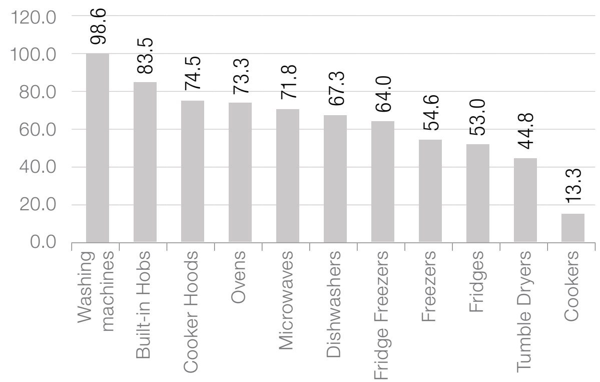
Number of major home appliances sold (in millions)



Value of major home appliances sold (in EUR million)



Major appliance market penetration in Germany in 2015 in %



EASTERN EUROPE AND COMMONWEALTH OF INDEPENDENT STATES

Focus 2015

In Eastern Europe, the major appliance market grew in 2015 by 7.6% by volume. The growth was mostly fuelled by the exceptional sales increase in Romania and Hungary, while positive growth was also seen in Poland, Slovakia, and the Czech Republic. Demand in the markets of Slovenia and Croatia was stable; Serbia was the only market where sales by volume dropped in 2015.

In the region of the Commonwealth of Independent States, major appliance sales decreased by as much as 35% in volume terms, especially due to the economic and political turmoil in Russia and Ukraine.

Basic characteristics of the region*

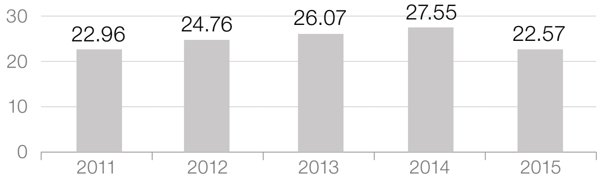
Population (in millions)	Average number of persons per household
391	2.9
Share of urban population	**GDP growth in 2015 (estimate)**
63%	1.2%

* *Information for Eastern Europe and Commonwealth of Independent States combined*

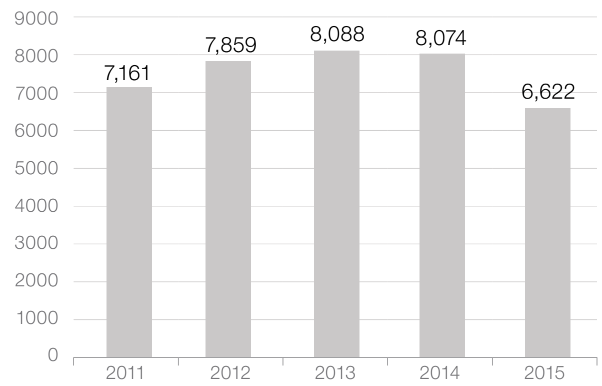
General description of the region

In terms of purchasing power and major appliance market development, this is a highly diverse region. Moreover, some countries in the region are also very politically unstable.

Number of major home appliances sold (in millions)

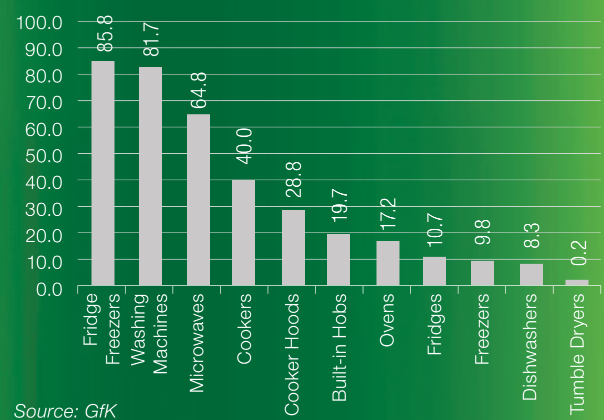


Value of major home appliances sold MDA 8 (in EUR million)



Source: GfK

Major appliance market penetration in Russia MDA 8 in 2015 in %



Source: GfK

OVERSEAS COUNTRIES

Focus 2015

In 2015, home appliance sales volume in Eastern and Southeastern Asia increased, especially on account of its largest markets. In China, major appliance sales volume was up nearly 3% relative to 2014 while in India, sales by volume rose by as much as 10%.

Also in Australia, where the home appliances demand trend had been negative only a year earlier, i.e. in 2014, demand in 2015 rose by 4%. A drop of demand for home appliances was seen in South America, especially due to the markets of Brazil and Chile. In contrast, growth was seen in Africa, both North and South: as much as 14% in Egypt, and nearly 5% in the Republic of South Africa.

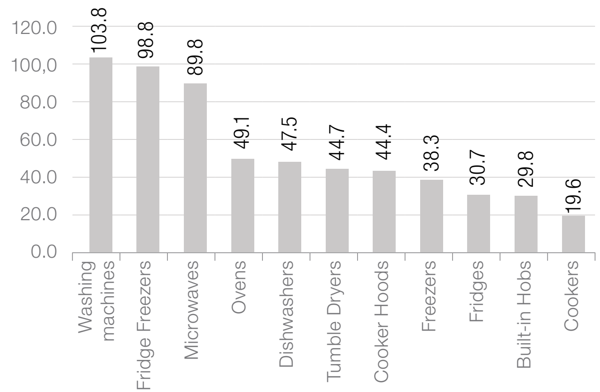
Basic characteristics of the region*

Population (in millions) **3,307**	Average number of persons per household **3.5**
Share of urban population **52%**	GDP growth in 2015 (estimate) **3.8%**

General description of the region

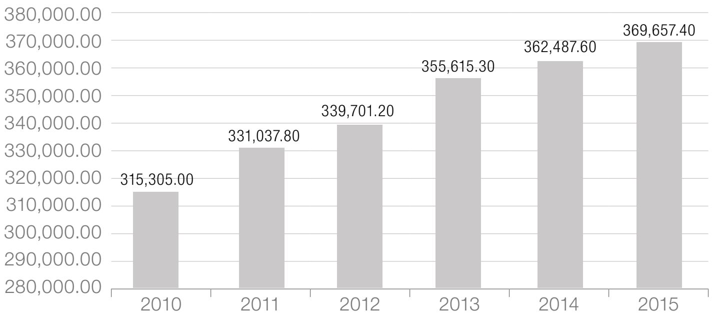
This is an extensive and diverse region consisting of highly developed economies like the USA and Australia, underdeveloped countries, and developing countries and emerging markets (like China and India) characterized by a rapid pace of urbanization. Just as the regions and segments differ, so do the trends in home appliance demand.

Major appliance market penetration MDA 8 in Australia in 2015 in %

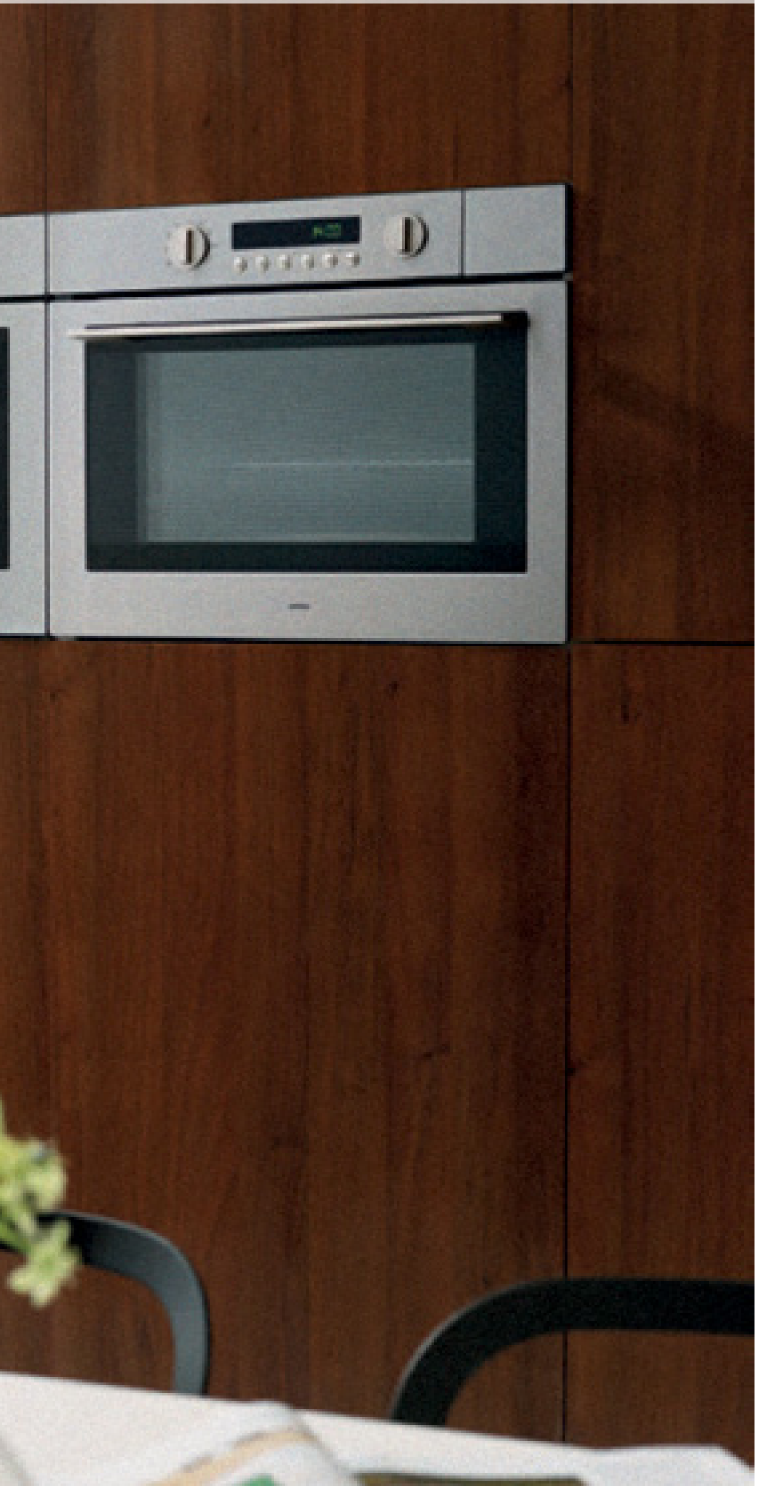


Data source: GfK and Gorenje Group company estimates

Number of major home appliances MDA 8 sold outside Europe (in 1,000)



Source: Gfk



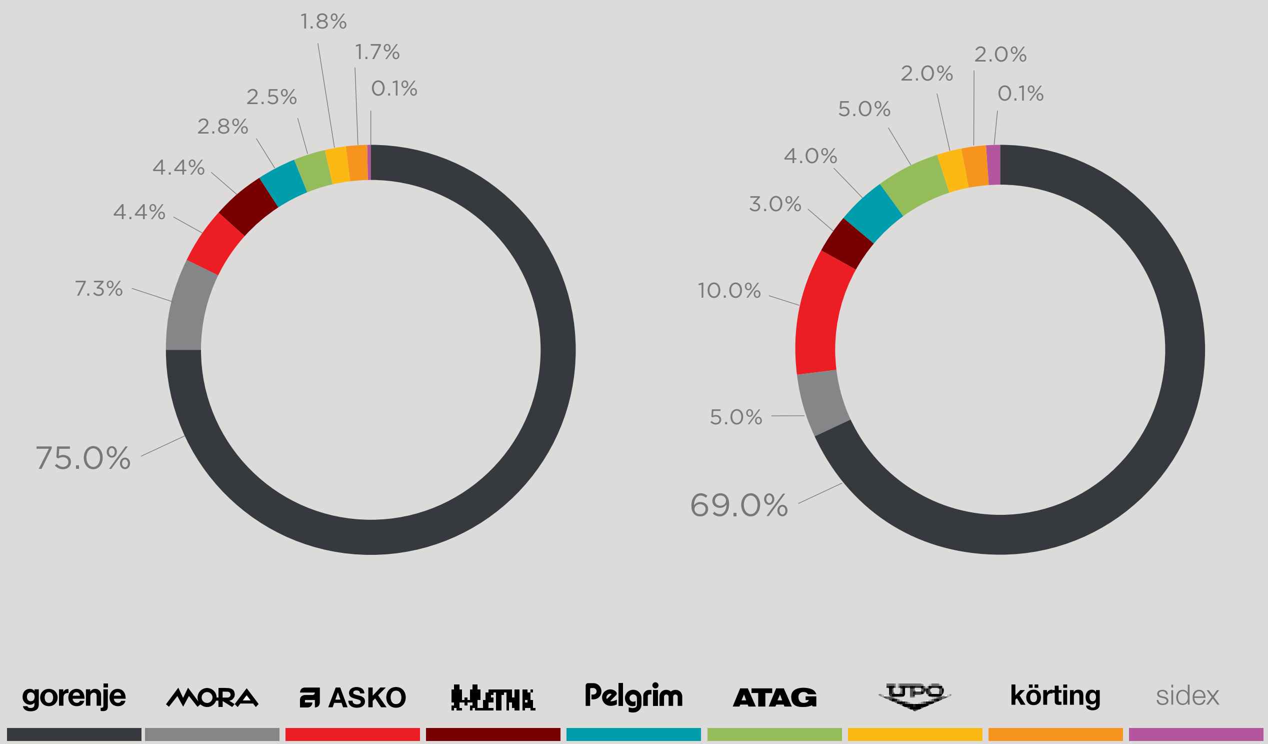
Brand Development

Focus 2015:

As much as 95% of our revenue was generated under our own brands, of which the Gorenje brand accounts for the greatest share, while the premium brand Asko also contributed significant value.

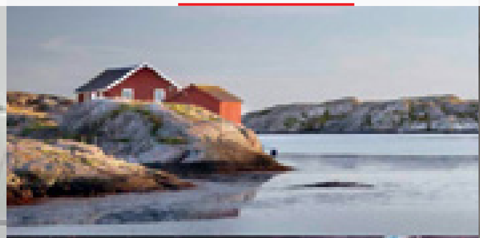
Shares of in-house (own) brands (by volume, 2015)

Shares of in-house (own) brands (by value, 2015)



reddot design award

*** The following appliances of the Elements by Asko line are winners of the Red Dot Design Award:** steam oven, kitchen hood, oven drawer, and the Duo Fusion cooking hob. The Duo Fusion cooking hob also won the Good Design Award.



ASKO

Key activities:

Major appliances of the Asko brand are premium, or upmarket appliances. The brand has a strong position in Scandinavia, Australia, and the USA. It is also expanding in mature markets, such as Italy and France, as well as in the emerging markets of Asia, the Middle East, Africa, and South America. It is distinctive for specializing in premium dishwashers and laundry care appliances. Since 2014, Asko brand has also been expanding its range of cooking appliances to successfully develop into a provider of a comprehensive range of upmarket laundry and kitchen appliances.

In 2015, the line »Elements by Asko« was successfully introduced at the IFA tradeshow in Berlin. This award-winning collection of cooking appliances boosted the brand's position in the upmarket segment of the kitchen appliance market.

The drivers of Asko brand success include intensive cooperation with other reputable companies and brands. In recent years, for example, Asko brand has established partnerships with the SubZero Group, Reckitt Benckiser, and Orrefors.

Goals:

In 2016, we are focused on our première at the EuroCucina exhibition in Milan. The brand will continue to expand its cooperation with opinion makers in architecture, cooking, and fashion. In the second half of 2016, the Asko brand will be focused on presenting its digitally connected home appliances.

gorenje

Key activities:

Gorenje is the main brand of the Gorenje Group, which accounts for 70% of the Group's core activity revenue. It has the highest recognition in Central and Eastern Europe, including Russia, and it has been expanding its presence in non-European markets, especially the Middle and Far East. In 2015, it was also launched in the Australian market.

The brand includes a comprehensive range of home products – major and small domestic appliances, HVAC equipment, and kitchen furniture. Through cooperation with renowned designers and care for its own design team, the Gorenje brand has earned the reputation of a design-minded home appliance manufacturer.

The most recent designer line under the brand is Gorenje by Starck, signed by the French star designer Philippe Starck. Stainless steel and highly reflective glass allow the oven, the cooking hob, the kitchen hood, and the refrigerator to fully blend in with the environment in which they are installed and reflect the user's lifestyle.

This line of appliances was introduced to the global public in 2015 at Europe's largest consumer electronics and home appliance tradeshow IFA in Berlin. Major new launches in 2015 also include the appliance collection Gorenje Infinity, which addresses in particular fans of timeless design.

In 2015, the Gorenje brand presented to the global public its revised identity. Since its founding 66 years ago, it has gradually developed from a brand focused on manufacturing into a brand that listens to its users and makes their wishes come true by offering convenient and reliable solutions that make everyday chores easier and life simpler – consistent with the slogan »Life Simplified«.

Goals:

In 2016, the Group will continue to introduce its Gorenje by Starck line to new markets, thus boosting its reputation as a design-minded brand.

The Gorenje brand will continue to provide practical and reliable solutions with the new generation of washing machines, built-in refrigerators, free-standing cookers, and gas and induction hobs that will be available to customers around the globe in 2016.

Product Development and Design

Focus 2015

Consistent with our vision, we are looking to become the best design-driven home appliance innovator in the world. Therefore, we devote particular attention to new product development and design. This is also reflected in the increase of our R&D investment, which accounted for 3.2% of the core activity revenue in 2015. In 2016, we are planning to further increase the investments into new product development. Innovation is also among the fundamental values encouraged among our employees.

Goals

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

- superior product design, starting with the earliest development stages, with the final user actively involved in the development of solutions,
- development of innovation that brings added value to users and simplifies their lives,
- energy efficiency of products and environment responsibility with constant care for their functionality,
- quest for solutions that allow better management of complexity,
- providing product quality by continuous improvement of product optimization methods and procedures.

Key activities:

- In the refrigeration appliance segment, we have developed a new platform of built-in combined refrigerator-freezers to be launched in 2017. We have also developed highly energy-efficient free-standing fridge-freezers with a width of 60 cm.
- We have launched the second stage of new built-in oven platform development for our premium brands Asko and Atag.
- In the dishwasher segment, we have developed an entirely new modular dishwasher platform to be launched in 2016 and 2017.
- In the segment of washing machines and dryers, we have been developing a new premium washing machine platform with excellent functionality, high energy efficiency, and a long useful life. Working with our strategic partner Panasonic, we have completed the second stage of our joint project: developing washing machines with extra-large load capacity.
- Working with Philippe Starck, we have developed a new line of superiorly designed Gorenje by Starck kitchen appliances.
- We actively developed digital solutions, including connectible appliances.

Design competencies:

- Development of various product categories is the responsibility of our design teams at development competence centres in Slovenia, the Netherlands, Sweden, and the Czech Republic, while design is the task of the designers at our design studio based in Slovenia. The in-house design studio boasts a tradition of over 50 years.
- In Sweden, we operate a design team specializing in Asko brand products.
- In 2015, we also worked with the globally renowned designer Philippe Starck.

Production

Focus 2015

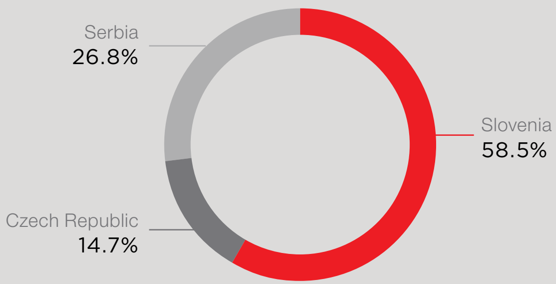
We have improved our operational excellence in the following fields:

- supply accuracy and reliability,
- reduction of inventory,
- occupational safety in production procedures, and
- attainment of cost efficiency.

Key activities:

- We continued to implement the lean manufacturing principles at all plants. These principles are aimed at cutting the days in inventory and the average inventory levels, and improving the usage of machinery and the organization of manufacturing facilities.
- At the Velenje manufacturing plant, individual factories were rounded off as separate plants within the SAP information system to improve the transparency of operations.

Structure of the major domestic appliance production by plants in 2015



Purchasing

Focus 2015

In raw and processed material sourcing, particular attention was paid to the improvements in the segment of strategic supply, risk management to hedge from raw material price volatility, optimization of inventory and material, and, as a result, to improvement of cost efficiency of purchasing. These activities continue in 2016.

Key activities:

- We have continued to development our network of stable and competitive suppliers that meet our criteria regarding quality, capacity to follow and support our development projects, flexibility, and costs. The number of suppliers was cut by 14% to reduce the complexity in this area; at the same time, our cost efficiency was improved. The lower number of suppliers is consistent with our established goals, and this activity continues in 2016.
- We have developed the required tools and applied the methods for managing the risks related to raw and processed material purchasing. In this respect, particular attention in 2015 was paid to:
  - **Managing the raw material price volatility**, which plays an important role in managing the purchasing expenses.
  - **Hedging with base metal forward contracts**, which involved fixing the prices, based on our target values and supply deadlines, according to the listings on the London Metal Exchange. Since the agreements were based on immediate translation of the listings to euros, we also hedged any currency risks.
  - **Hedging the risk of changes in steel sheet metal prices** with price index model agreements that include the clauses for adapting to market conditions and clauses restricting price escalation.
  - Efforts to **obtain offers with competitive terms** by including a larger share of suppliers and by calls for bids. In the market for plastics, there are no available tools for long-term hedging as prices are defined on a monthly basis due to numerous unpredictable factors in the petrochemicals supply chain.

Situation in the raw material market in 2015

Price drop

Commodity prices declined in 2015 for the fourth consecutive year. This includes the prices of oil, energy, base metals, iron ore, steel and stainless steel sheet, and other raw materials.

Major information on the price drops in euro terms relative to December 2014 (data as of December 2015):

- Brent Crude: 28%
- Copper: 17%
- Aluminium: 8%
- Nickel: 35%
- Steel sheet (CRU euro zone average): 21%

Prices of key polymers (polystyrenes) dropped by 7 to 13%.

Most commodities are traded in US dollars, which appreciated by 16% relative to the euro in 2015 (year-on-year average). As a result, the decline in prices in euro terms was not as pronounced.

The central factors and aspects of the raw material markets

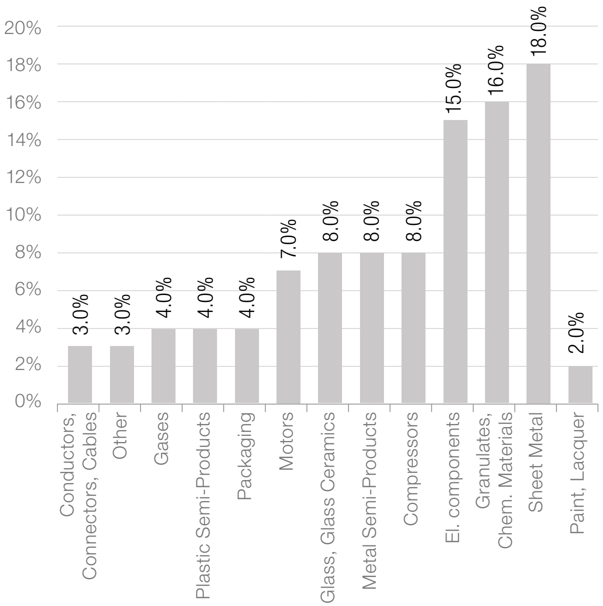
The following were the central factors and aspects of the raw material markets in 2015:

- Feeble global economic growth recovery; slowdown of the Chinese economy and, as a result, trading of export-oriented economies and natural resource-rich emerging countries,
- Drastic drop in oil prices (OPEC member oil producing quotas were not changed despite the considerable excess in supply; fight for market shares globally),
- Dollar appreciation resulting in increases of commodity prices in other currency terms; expected interest rate hike in the USA; and further dollar appreciation trend,
- Increased production capacity, considerable supply excess, built-up (accumulated) stock,
- Continuous downward adjustments of macroeconomic and raw material forecasts by analysts, retained purchases of raw materials, and withdrawal of financial funds from the commodity markets,
- Geopolitical turmoil (Syria, ISI, Ukraine etc.), migrant crisis.

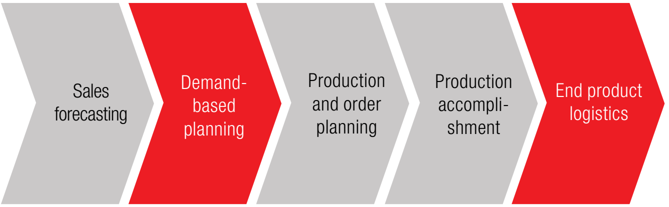
Effects of commodity prices on expenses

Negative trends in raw and processed material prices had a favourable impact on our raw and processed material costs. Moreover, our costs in this respect were cut by sound management of our supply chain, all of which led to the attainment of our goals. Our cost efficiency was also improved by cutting the days in inventory for raw and processed material inventories by 3.6 days.

Share of raw and processed materials in the Group's purchasing



Supply Chain Management



Focus 2015

We have improved the operation of our supply chain which is now more flexible, more customer-oriented, and responsive to sales requirements. Our goal regarding the improvement of the supply chain operation is to elevate the level of service and improve the response to our customers. We sought to optimally use our fixed assets and working capital, and optimize costs in 2015 to deliver the best results for the customers.

Key activities

In 2015, we were focused on the following:

- timely information flow with better cooperation between the departments,
- responsible planning,
- stable plan with the fewest possible critical and non-critical interventions,
- monitoring the specified supply chain indicators; and
- cutting inventories.

We revised our planning process by defining and monitoring the key performance indicators, improving our inventory turnover, and reducing complexity.

We continued to conduct activities to optimize the logistics organization. We sought alternative logistics solutions to reduce logistics expenses throughout the supply chain process. In Latin America, we started to develop our logistics model.

Complexity Management

Focus 2015

We paid particular care to the management of product, process, and organizational complexity. Special tools were developed to this end. Regarding product complexity, we specified our internal criteria for improving component complexity management, for cutting the number of finished product codes/IDs for products under our in-house brands marketed in Europe, and for cutting the number of product types.

Key activities

- In terms of component complexity, we succeeded in reducing the volume of components by 10% relative to the year before.
- Our internal goal was also accomplished with regard to finished product codes under our own brands: the number of codes was cut by 13% in 2015. We were also successful in reducing the number of product types and in abandoning old platforms. Further reduction in the number of finished product codes/IDs and appliance types will also be aided by a modular approach to introduction of new appliance platforms or new generations of appliances in the production process.

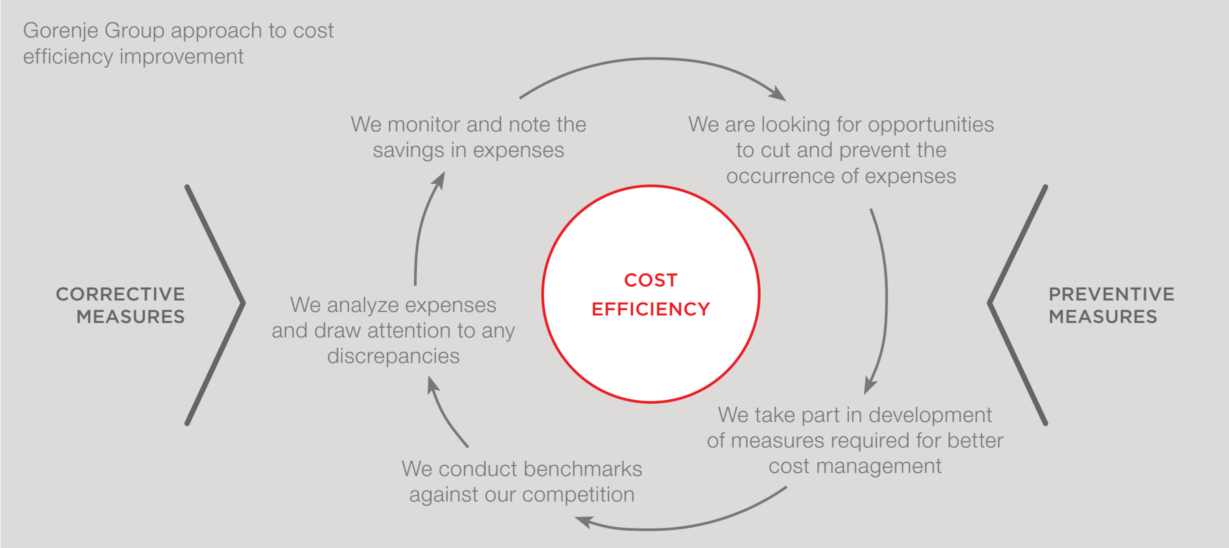
Inventory Management

Focus 2015

We were devoted to the optimization of working capital, especially inventory. This involved monitoring and controlling the finished product and material inventory. We also carefully monitored and introduced measures regarding the appliances with slower-than-planned sales. Thus, the inventories at the end of the year were close to the planned levels.

Key activities

We have developed a strategy for better inventory management during seasons and peaks for product categories. We strove to improve the sales forecasting system and to reduce the process from order to product delivery.



Improved Cost Efficiency

Focus 2015

Regarding cost efficiency, we continuously monitored our costs and the process of coordinating the activities for cost optimization, and took part in the development of a program of preventive measures for the attainment of long-term cost efficiency. Costs were monitored by natural categories and by functions.

Key activities

Particular attention was paid to the continuous adjustment of expenses to the volume of operations. We set and accomplished the goal to manage the costs at the Gorenje Group and to be on a part with our competition in this respect.

Monitoring the Accomplishment of Strategic Goals and Organization of Operations

Focus 2015

Changes in business processes, organization, and IT systems are managed with a uniform change management system. By defining the process architecture, process owners, process efficiency indicators, and RACI matrices, we have extended and upgraded our business process management system.

Key activities

In 2015, we established a comprehensive supply chain planning and management system and revised the new product development and launch process. In order to accomplish the corporate and sales business goals, we strove to maintain a lean and efficient organizational structure:

- with clearly defined responsibilities,
- based on a process approach,
- supported by standard IT and digital solutions.

Our activities were directed towards support to operational excellence and pursuit of the Gorenje Group strategy in the period 2016–2020 as adopted at the end of the year. Our balanced scorecard system allows us to pursue our vision and implement the strategies to accomplish our goals.

Fundamental goals of investor relations

1. Competent share valuation
2. Improvement in corporate disclosures
3. Adequate coverage of analysts and pundits
4. Improving the recognition of the Management Board
5. Development of suitable ownership structure
6. Improving the coverage of financial media/press
7. Correct display of company/ Group information in professional databases

Creating Value for the Shareholders

Strategic Goals

Our fundamental principle is the equal treatment of all existing shareholders and prospective investors. We look to provide all relevant information about the Gorenje Group to all shareholders, prospective investors, and the financial community in a timely manner.

The New Gorenje Group strategy by 2020 is, together with the dividend policy, a generator of added value for all stakeholders:

> We generate value for all stakeholders. Based on the results, we deliver dividend returns for the shareholders (dividend in the amount up to one third of the net profit). We care for our employees. We pursue sustainable corporate development.

Transparency of Operations and Equal Treatment

Communication between the company Gorenje, d.d., and the shareholders, financial analysts, institutions, the press, and the general public is based on transparent operations. The central goal of communication with the financial community is the provision of suitably structured, transparent, reliable and relevant up-to-date information about the business development of the Group and its financial position. We treat all existing and prospective shareholders equally, providing them the best possible foundation for their investment decisions.

All regulated and price-sensitive information is announced in Slovenian and English in the Ljubljana Stock Exchange electronic information dissemination system SEOnet (www.ljse.si), the ESPI system of the Warsaw Stock Exchange (www.gpw.pl), and on our corporate website at www.gorenjegroup.com. Since autumn 2014, our public announcements have occasionally also been provided in Polish in order to facilitate communication with the public in Poland. Some information, such as the convocation of the Shareholders Assembly and announcement of the Shareholders Assembly resolutions, is, pursuant to Gorenje, d.d., Articles of Association and Rules of Procedure for the Shareholders Assembly, also announced in the Slovenian daily paper Delo.

Public announcements are sent to international press agencies, the media, investors, and analysts via electronic mail. Investors and other representatives of the financial community may subscribe to our electronic news feed (e-bulletin) (http://www.gorenjegroup.com/en/media).

Investor Relations

Relations with domestic investors are maintained on a daily basis. We are available every day to all investors (major and minor, domestic and international), and we regularly respond to all of their queries. We encourage meetings with potential investors. We advise and assist regarding inheritance procedures, Shareholders Assembly, dividend payment etc. We communicate with the investors via conferences, individual or group meetings and conference calls (especially following the announcement of results), as well as channels such as our website at www.gorenjegroup.com, e-distribution channel, and other electronic channels.

We mostly communicate with our **minority shareholders** via telephone and e-mail. We actively work with a number of Slovenian associations of minority shareholders, which are involved as proxies in the organized collection of proxy authorizations and which take part in the resolution of any problems regarding minority shareholders.

Our strategic goal in investor relations is to increase coverage by **analysts**. Therefore, we encourage them to work with us more actively. We are available to them for comments, replies to their questions, and additional explanations of our public announcements, in order to make sure the information in their analyses is objective.

We communicate with **international investors** at meetings abroad to which we are invited by investment banks, Ljubljana Stock Exchange, Warsaw Stock Exchange, and other organizers. Presentations held at the meetings with investors are available at the following link: http://www.gorenjegroup.com/en/investors/19077.

We are available by e-mail and telephone for any questions of investors, analysts, and other members of the financial community. Contact person for investor relations: Bojana Rojc, telephone: +386 3 899 1345, e mail: bojana.rojc@gorenje.com (her contact information is also listed at http://www.gorenjegroup.com/en/investors/contact-for-investors).

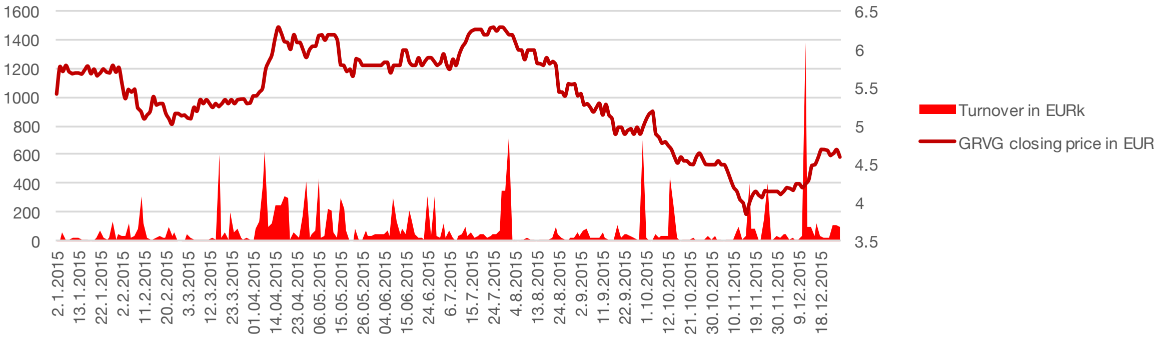
Gorenje Shares in 2015

Focus 2015

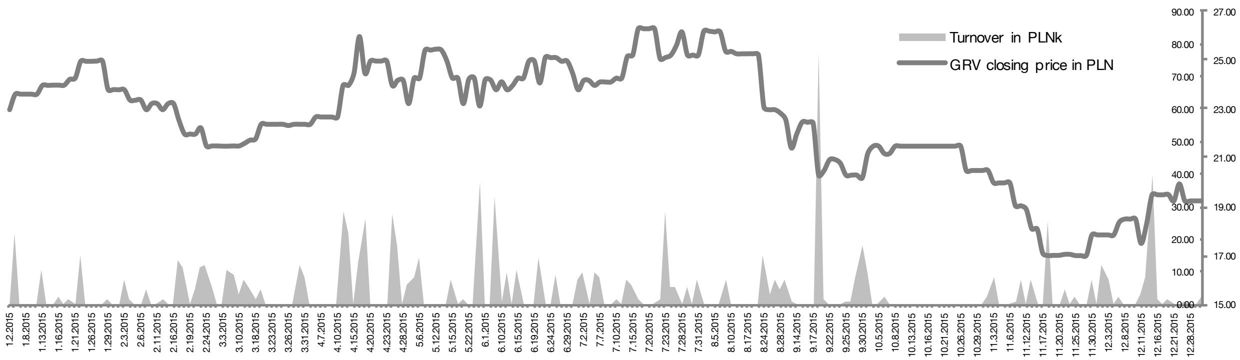
Gorenje shares at the Ljubljana and Warsaw Stock Exchange: At the Ljubljana Stock Exchange*, the year 2015 was a year of decline; however, some of the figures still look encouraging. The SBI TOP index, which also includes Gorenje shares, declined in 2015 after three positive years. Moreover, trading volume and market capitalization also decreased relative to 2014. However, 2015 was one of the most successful years in terms of the issue of shares and commercial paper.

- **The closing price per Gorenje share** at the Ljubljana Stock Exchange as the exchange of its primary listing (code GRVG) on the last trading day in December 2015 was EUR 4.60, which is 18.1% below the price as at the last trading day in 2014 (EUR 5.62). The SBI TOP stock market index declined by 11.2% in the same period. At the Warsaw Stock Exchange, the closing price per share fell by 19.2% relative to the end of 2014 (from PLN 23.82 or EUR 5.58 to PLN 19.25 or EUR 4.51).
- **The total combined trading volume** with Gorenje shares at the Ljubljana and Warsaw Stock Exchange was 2,470,289 shares. The average daily trading volume at the Ljubljana Stock Exchange was 9,642 shares, while at the Warsaw Stock Exchange it was 162 shares daily.
- **Earnings per share**
  Osnovni in prilagojeni donos na delnico, izračunan kot razmerje med poslovnim izidom lastnikov matične družbe in povprečnim številom izdanih delnic, zmanjšanim za povprečno stanje lastnih delnic (24.303.302 delnic), znaša -0,34 evra (0,04 evra za leto 2014).
- **Share book value**
  The book value of the GRVG share as at December 31, 2015, amounted to EUR 15.14 (EUR 15.65 as at December 31, 2014). It is calculated as the ratio between the book value of the Group's ordinary share capital and the number of shares issued minus the number of treasury shares as at the last day of the year (24,303,302 shares).
  The ratio between market and book value per GRVG share amounts to 0.30 (0.36 as at December 31, 2014).
- **Dividend policy**
  In 2014, the dividend amounted to EUR 0.06 gross per share. Due to the economic crisis, which has had a strong impact on our operations and performance since the last quarter of 2008, no dividend was paid out for the years 2008, 2009, 2010, 2012, and 2013. In 2011, the dividend amounted to EUR 0.15 gross per share.

GRVG price per share and daily trading volume at the Ljubljana Stock Exchange in 2015



GRV price per share and daily trading volume at the Warsaw Stock Exchange in 2015



* Source: Ljubljana Stock Exchange, d.d.

Trading with GRVG share and its yield

	2015	2014	2013	2012	2011
Number of shares issued	24,424,613	24,424,613	22,104,427	15,906,876	15,906,876
Number of treasury shares	121,311	121,311	121,311	121,311	121,311
Number of shareholders	16,248	17,000	17,438	18,261	19,265
Annual value of stock traded (EUR)	12,433,014	27,269,030	8,716,644	5,927,555	13,972,282
Average market capitalization (EUR)	130,914,600	133,101,585	67,252,797	73,540,338	141,393,532
Turnover (value of stock traded/average market capitalization)	0.10	0.20	0.13	0.08	0.1

Gorenje share indicators

	Dec 31, 2015	Dec 31, 2014	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Closing price per share (EUR)	4.60	5.62	4.20	3.79	5.00
Maximum price per share in the course of the year (EUR)	6.30	7.20	4.62	6.10	13.30
Minimum price per share in the course of the year (EUR)	3.85	3.96	3.80	3.78	3.90
Basic and diluted earnings per share (in EUR)	-0.34	0.04	-1.51	0.003	0.46
Share book value (in EUR)	15.14	15.65	17.32	24.51	21.24
Dividend (EUR)	n/a	0.06	-	-	0.15
P/E (price to earnings)	-	-	-2.78	6.65	10.87
P/B (price to book)	0.30	0.36	0.24	0.15	0.24
Dividend yield, %	n/a	1.07%	-	-	3.00%

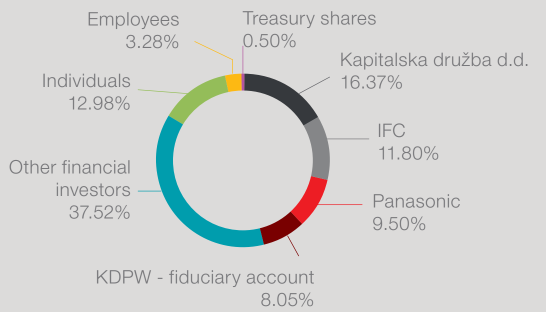
Ownership Structure

As at December 31, 2015, there were 16,248 shareholders entered in the share register, which is 4.4 percent less than at the end of 2014 (when there were 17,000).

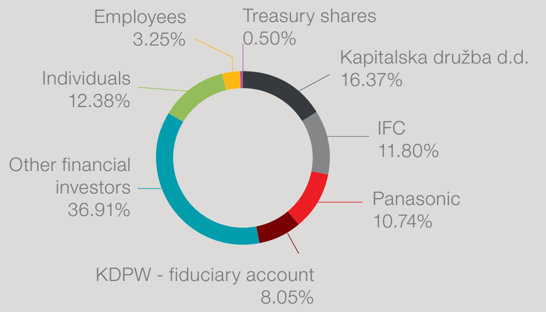
As laid down by the company Articles of Association, one share bears the right to one vote; treasury shares do not bear voting rights.

- **Treasury shares:** The number of treasury shares relative to the last day of 2014 remains the same at 121,311 shares, which is 0.4967 percent of total share capital.

Ownership structure as at Dec 31, 2014



Ownership structure as at Dec 31, 2015

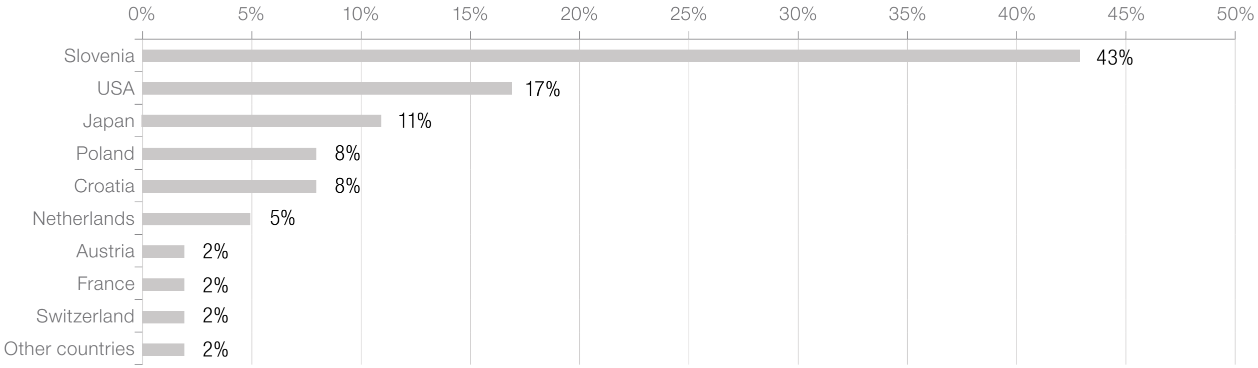


Ten largest Gorenje shareholders

	Number of shares (Dec 31, 2015)	Share in %
KAPITALSKA DRUŽBA, D. D.	3,998,653	16.37%
IFC	2,881,896	11.80%
PANASONIC CORPORATION	2,623,664	10.74%
KDPW – FIDUCIARY ACCOUNT	1,966,735	8.05%
HOME PRODUCTS EUROPE B.V.	1,069,450	4.38%
Alpen.SI, multi-asset flexible sub-fund	981,188	4.02%
ZAGREBAČKA BANKA, D.D. – FIDUCIARY ACCOUNT	717,413	2.94%
AUERBACH GRAYSON & COMPANY LLC	647,165	2.65%
RAIFFEISEN BANK AUSTRIA D.D. – FIDUCIARY ACCOUNT	629,805	2.58%
KD BALKAN, DELNIŠKI (SHARE FUND)	615,955	2.52%
Total major shareholders	**16,131,924**	**66.05%**
Other shareholders	8,292,689	33.95%
Total	**24,424,613**	**100%**

* *The KDPW fiduciary account includes shares of the equity offering (2013) that were subscribed and paid up in Poland.*

Ownership structure by countries as at Dec 31, 2015



Major Events Following the Balance Sheet Date

On July 24, 2015, Gorenje, d.d., and Tesla Recycling spolka z organiczona odpowiedzialnoscia spolka komandytowa entered into a Share Sale and Purchase Agreement for the shareholding the company Gorenje Surovina d.o.o., by which the parties to the Agreement agreed to close the transaction not later than by March, 31, 2016 (Longstop Date). As the procedures with respect to the fulfilment of agreed conditions precedent are taking longer than expected as of the date of signing the Agreement, Gorenje and Tesla mutually agreed on March 4, 2016, to postpone the Longstop Date to May 31, 2016. All other elements of the Share Sale and Purchase Agreement for the shareholding in Gorenje Surovina, d.o.o., remain unchanged.

At the 17th correspondence session, the Supervisory Board of Gorenje, d.d., was informed about the statement of resignation handed in by the Management Board member and Chief Sales Officer Marko Mrzel. The Supervisory Board accepted his resignation on February 12, 2016. He held his position until February 29, 2016. The Management Board will, for the time being, continue to work with five members. Until the appointment of a new Chief Sales Officer, sales will be managed by Suad Hadžić, executive director of the Eastern European region.

In order to raise funds for seasonal financing of its operations, Gorenje, d.d., successfully completed its fourth consecutive issue of commercial paper (GRV04) in the planned amount of EUR 28.9 million. Commercial paper with the start of interest accrual period on February 3, 2016, and due date on December 22, 2016, has the lowest interest rate to date at 2.00 percent p.a.

On January 15, 2016, the company Gorenje, d.d., publicly announced its business plan for 2016, which is the first year of the new strategic period.

There were no other major events after the balance sheet reporting date, i.e. December 31, 2015.

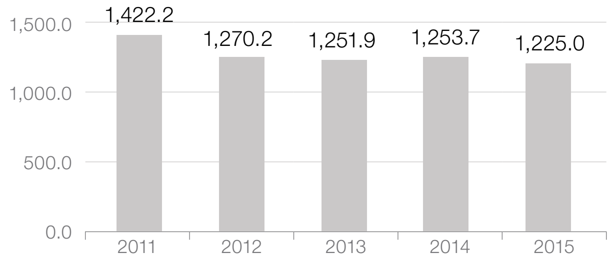
Performance Analysis

Performance Highlights of the Gorenje Group

Core Financial indicators for 2015

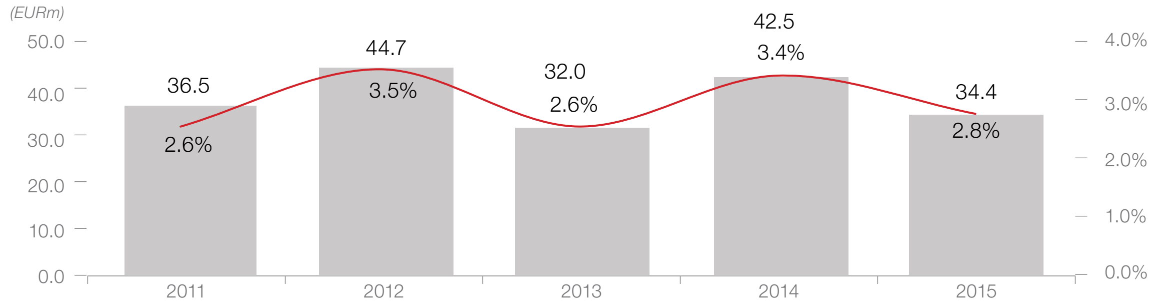
- We have generated **EUR 1.225 billion of revenue** or 2.3% less than in 2014.
- The lower balance of revenue is **in accordance with the planned sales** of the Gorenje Group.
- Revenue recorded and made through the **Home** segment's core activity amounted to **EUR 1.056 billion** (1.7% less than in 2014) and **1.2% more than planned** for this segment.
- **Without the impact of exchange rate fluctuations*** in 2015, the Home segment's balance of revenue exceeds the figures recorded in 2014 by 1.7%.
- **EBITDA amounted to EUR 80.1 million** and indicates a decline of 6.4% over the 2014 balance and 12.4% if compared to the planned amounts. The EBITDA margin of 6.5% was lower by 0.3 p.p. in comparison to 2014 and 1.0 p.p. below plans.

Revenue of the Gorenje Group (in EURm)



- **EBIT was EUR 34.4 million** and shows a 19 percent decline and a 17.3% less than planned. The EBIT margin dropped to 2.8%, which is below the 2014 balance by 0.6 p.p. and 0.6 p.p. below plans.

EBIT and EBIT margin of the Gorenje Group



* *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 2015, which is evaluated with the average exchange rates achieved in each currency in 2014. The calculated revenue in euros is the compared with the actual generated revenue in euros recorded in the observed period.*

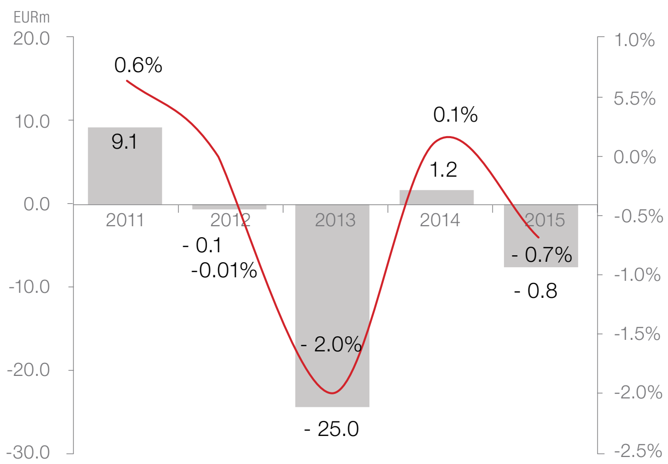
- 2015 was marked by the **negative impact of the USD strengthening over the EUR. The negative impact on the Gorenje Group's margin (EBITDA/ EBIT)** was recorded at **EUR 6.1 million** and **EUR 3.9 million on the Group's net profit or loss.**
- Due to the **economic crisis in Russia**, the Group's revenue declined by **EUR 33.8 million relative to the 2014 balance.** With respect to the previous period, we recorded a **margin shortfall (EBITDA/ EBIT) of EUR 5.0 million** (EUR -3.6 million less was generated with respect to the 2015 business plan), which is attributable to the lower volume of sales but mostly also the **time gap between adjusting the prices to the market and the RUB/EUR movement.** The impact of lower sales and the time gap additionally worsened the **effect of exchange losses related to the Russian rouble by EUR 12.7 million.** Conducting business operations in Ukraine remained difficult and revenue was slightly lower from the planned balance.
- **Without the stated negative effects of the USD strengthening over the EUR and the negative impact caused by the crisis in Russia, the Gorenje Group would have recorded a positive balance in 2015 and the targeted profitability for 2015.** The worsening of EBITDA and EBIT is also mostly the result of the negative effects of the USD/EUR (EUR 6.1 million) and RUB/EUR (EUR 3.6 million) fluctuations.
- In 2015, the Group **invested an additional EUR 8 million in marketing and development** in comparison to the previous year. **Without these additional investments, the Group would already in 2015 record positive results.**
- Negative macroeconomic impacts on the Group's operations were mitigated by means of activities that increase the sales under our premium Asko and Atag brands and thereby raise the sales share in the premium and innovative segment. By increasing the sales on markets outside Europe, we diminish our dependency from Russian and European markets and simultaneously increase our investments in marketing and development, thereby enhancing the Group's positions on its traditional markets.
- **In terms of sales and profitability, Q4 2015 was the best quarter of the year.** The Group generated EUR 349.8 million of revenue while EUR 299.9 million of revenue was recorded by the core activity Home. **The high growth rates over the first three quarters** were achieved and recorded in terms of revenue at the Group level, in terms of revenue generated by the core activity Home, partly in terms of revenue outside the European markets, and revenue generated through the sale of premium Asko brand products. All these segments also recorded **growth relative to the Q4 2014 balance.**

EURm

	2014	2015	Index	Plan 2015	2015/Plan 2015
Revenue	1,253.7	1,225.0	97.7	1,224.1	100.1
EBITDA	85.6	80.1	93.6	91.4	87.6
EBITDA margin (%)	*6.8%*	*6.5%*	*/*	*7.5%*	*/*
EBIT	42.5	34.4	81.0	41.7	82.7
EBIT margin (%)	*3.4%*	*2.8%*	*/*	*3.4%*	*/*
Profit or loss before tax	3.9	-4.0	/	9.3	/
Profit or loss for the period	1.2	-8.0	/	6.1	/
ROS (%)	*0.1%*	*-0.7%*	*/*	*0.5%*	*/*
Net financial debt*	331.5	330.4	99.7	321.0	102.9
Net financial debt / EBITDA	3.8	4.1	/	3.5	/

** Financial debt - cash*

Profit or loss for the period and ROS of the Gorenje Group



Operating Performance of the Gorenje Group

The Group generated EUR 1.225 billion of **revenue**, indicating a decline of 2.3% over the 2014 balance. The Home segment recorded a 1.7 percent fall in revenue. **Without the impact of exchange rate fluctuations**, the **Home segment would have exceeded the revenue balance of 2014** by **1.7%**.

We **succeeded to increase the relative contribution margin** by means of an **improved sales structure** and **partial price increases** in individual markets. The absolute amount of the generated contribution margin has decreased mostly due to the **decline in revenue in Russia, Ukraine, and Scandinavia.**

The **strengthening of the USD against EUR** also had an adverse effect on the contribution margin. The previously mentioned strengthening had a **negative impact on the profitability of the small household appliances programme**, which is predominantly purchased in USD. A similar trend also prevails in the **purchase of large household appliances that are not manufactured in-house.** The strengthening of the USD compared to EUR also **adversely affected the input prices of material and raw materials** purchased in USD. The negative effects of the strengthening of the USD/EUR ratio were mitigated by means of **accelerating sales in USD, in particular on the North American markets** (increase in sales by more than 50%). Nonetheless, the said currency ratio had a **negative impact on the margin (EBITDA/EBIT) in the amount of EUR 6.1 million.** The negative effects were additionally mitigated by **purchasing forward contracts that were earmarked for hedging against USD exchange rate fluctuations (EUR 2.2 million of positive effects)**, which failed, however, to neutralize the aforementioned margin shortfall in full.

Foreign currency fluctuations significantly affected sales revenue, mostly in Eastern Europe. Without considering other categories (i.e. exchange rate hedging, adjusting prices to markets, product structure, etc.), the impact of foreign currency fluctuations on the Business Segments Home's organic growth in revenue in key markets.

Operating Performance of the Gorenje Group

in EURm

	2014	2015	Index
Revenue	1.253.7	1.225.0	97.7
Contribution margin	521.3	510.6	97.9
Contribution margin (%)	*41.6*	*41.7*	/
EBIT	42.5	34.4	81.0
EBIT margin (%)	*3.4*	*2.8*	/
Profit or loss for the period	1.2	-8.0	/
ROS (%)	*0.1%*	*-0.7%*	/

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

Foreign currency fluctuations and impacts on the Home's organic growth in revenue

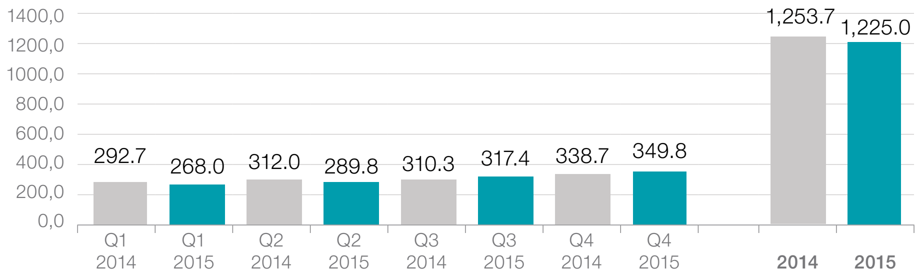
in EURm

Business Segment Home	Actual revenue 2015	Actual revenue 2015 valued at exchange rate 2014	Currency impact on revenue	Actual revenue 2014	Actual growth (%)	Organic growth (%)
West	452.7	452.7	0.0	457.7	-1.1%	-1.1%
East	492.8	531.2	-38.4	507.3	-2.9%	+4.7%
Other	110.5	108.5	2.1	109.0	+1.4%	-0.5%
TOTAL	1.056.0	1,092.4	-36.3	1,074.0	-1.7%	+1.7%

The Group applies a centralized policy of exchange rate hedging within the policy of its **currency risk management**. The Group is exposed to changes in local currencies against the euro, which is the Group's main functional currency. This exposure is measured and managed in connection with cash flows planned in the annual period, and the revaluation of balance sheet items expressed in local currencies. The fundamental goal of currency risk management lies in hedging against the business plan's exposure by minimising the adverse impact of exchange rate fluctuations on the Group's net profit or loss and cash flows. In order to hedge against currency risks, we primarily apply the balancing of cash flows and the balance sheet items and entering into derivatives (particularly forward exchange contracts) for the currencies to which the Group is exposed.

Sales

Revenue of the Gorenje Group (in EURm)



Revenue by geographical segment

in EURm

	2014	%	2015	%	Change (%)
Western Europe	467.2	37.3	464.3	37.9	-0.6%
Eastern Europe	677.5	54.0	650.2	53.1	-4.0%
Other	109.0	8.7	110.5	9.0	+1.4%
Total Group	**1,253.7**	**100.0**	**1,225.0**	**100.0**	**-2.3%**
Western Europe	457.7	42.6	452.7	42.9	-1.1%
Eastern Europe	507.3	47.2	492.8	46.7	-2.9%
Other	109.0	10.2	110.5	10.4	+1.4%
Total Home	**1,074.0**	**100.0**	**1,056.0**	**100.0**	**-1.7%**

- ***Western Europe*** *includes Austria, Germany, Italy, France, Denmark, Sweden, Belgium, Finland, Great Britain, Greece, Norway, the Netherlands, Spain, Switzerland, Ireland, Luxembourg, Malta, Portugal;*
- ***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.*

Development and New Products

- Pursuant to the Group's strategic goal, we have **increased investments in product development costs to 2.7% in the Group's revenue structure** in 2015 (0.3 p.p. more than in 2014).
- Key innovations that were launched in 2015 encompass:
  - **a new generation of built-in ovens under the Gorenje brand** that were launched on most markets,
  - the new **Essential washing machine**,
  - the new **Magna** and **Matrix** premium collection of cooking appliances **for the Atag brand**,
  - the new **Gorenje by Starck** appliances designed by Philippe Starck and showcased at the IFA fair in Berlin,
  - the new collection of the **Gorenje Infinity** line appliances,
  - the upgraded **built-in under-counter refrigerators**.

Markets of the Business Segment Home

- Sales growth was recorded on individual **Eastern European** markets, i.e. the Czech Republic, Slovakia, Poland, Hungary, Slovenia, Bosnia and Herzegovina, Macedonia, Montenegro, Bulgaria and Romania. The lower sales in 2015 in Eastern Europe were primarily the result of lower sales made in Russia (mostly in the first half-year).
- As for **Western Europe**, sales growth was recorded on the **markets of Benelux**, mostly in **the Netherlands**, where our market shares are growing. In comparison to 2014, **growth was again recorded** in **Germany** and **Great Britain** in Q4 2015, regardless of the lower annual sales in 2015. Sales continue to decline in Scandinavia and Greece.

- By **increasing the sales outside Europe, we diminish the dependency on European markets and improve our sales structure** (increasing the share of premium appliances). Significant growth, with respect to markets outside Europe, was recorded in **Australia, the Near and Far East, and Asia. Sales to industrial partners** also strengthened. The Home segment's sales structure recorded **outside Europe represents a share of 10.4%** (0.2 p.p. more than in 2014).
- Regardless of the unstable macroeconomic circumstances and the distinctive Russian rouble fluctuation, **the last quarter of 2015 recorded the highest revenue balance. No signs of improvement were recorded by operations in Ukraine**, although we are maintaining our market shares. As no improvement is expected shortly in this market, we are implementing measures based on which costs of the sales organization were adjusted to harsh market conditions in a scope that enables the retaining of market shares in this demanding market.
- Higher sales in the premium segment are generated by means of sales under the **Asko premium brand products.** Sales of Asko premium appliances recorded within the Home's sales structure a 9.4-percent share (0.4 p.p. more than in 2014).
- As for the sales of **small household appliances**, the **sales** in 2015 recorded a 5.6 percent growth in revenue. The sale of small household appliances accounts within the Home's sales structure have **a share of 4.1% (0.3 p.p. more than in 2014).** Growth was recorded in Russia and Ukraine, as well as in Western Europe.
- **Sales of innovative* appliances increased;** consequently, the share of these appliances within the total sales structure rose to 9.9% (2.5 p.p. more than in 2014). Regardless of lower sales, the share of **premium** ** **appliances** within the overall sales increased to 16.7% (0.3 p.p. more than in 2014).

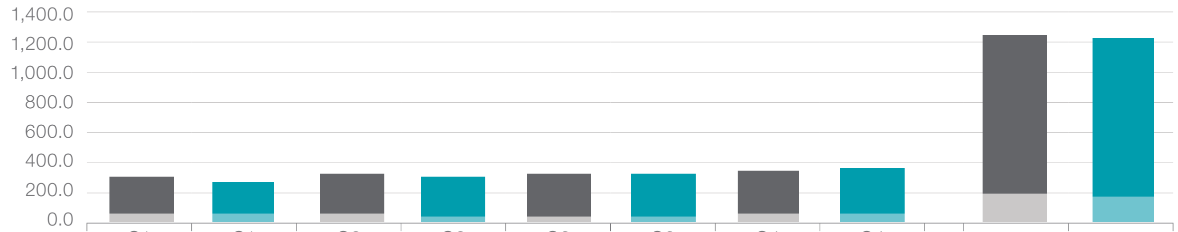
Sales by the Group's Business Segments

A total of EUR 1.056 billion of revenue was generated within the **Home Business Segment**, showing a 1.7 percent decline compared to the 2014 balance. The planned revenue of the Segment Home was exceeded by 1.2%.

If the **impact of exchange rate fluctuations** is not taken into account, the **Home segment would generate an organic growth in revenue of 1.7% over the 2014 balance.**

EUR 169.0 million of revenue was generated in the **Portfolio Investments Business Segment**, which is 5.9% or EUR 10.7 million less if compared to 2014. The decline in revenue is the result of lower sales of coal, machine and tool manufacture, and ecology. Revenue growth in Q4 2015 was recorded at 5.6% or EUR 2.6 million more in comparison to the 2014 balance.

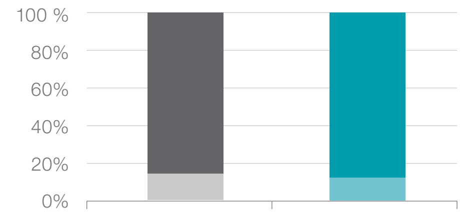
Revenue by Business Segments (in EURm)



	Q1 2014	Q1 2015	Q2 2014	Q2 2015	Q3 2014	Q3 2015	Q4 2014	Q4 2015	2014	2015
Home	244.4	244.0	265.1	248.8	273.1	283.3	291.4	299.9	1,074.0	1,056.0
Portfolio investments	48.3	44.0	46.9	41.0	37.2	34.1	47.3	49.9	179.7	169.0

The achieved **revenue structure by business segments** indicates that the Home segment generated 86.2% of the Group's total revenue (an increase of 0.5 p.p. if compared to 2014). The share's change is attributable to lower revenue generated through the sale of coal (by 9.2%) within portfolio-related activities, and lower revenue from machine and tool manufacture (by 5.1%), and lower revenue generated by the ecology segment (by 8.2%).

Group's revenue structure by business segment



	2014	2015
Home	85.7%	86.2%
Portfolio investments	14.3%	13.8%

* *Innovative appliances: appliances within individual group of products with the so-called "innovative functionalities" are more energy efficient (efficient storage, lower energy and water consumption).*

** *Premium appliances or higher class appliances: Atag and Asko brands, appliances from the Gorenje Design lines (Gorenje Simplicity, Gorenje Ora-Ïto, Gorenje Pininfarina, Gorenje Classico, Gorenje One, Gorenje Karim Rashid, Gorenje Color edition, Gorenje +, Gorenje Retro).*

Profitability of the Gorenje Group

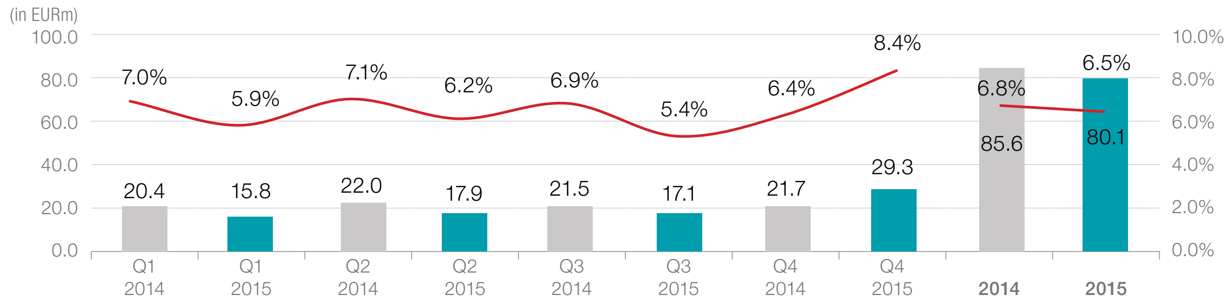
Movement of profitability of the Group at the EBIT level:

in EURm

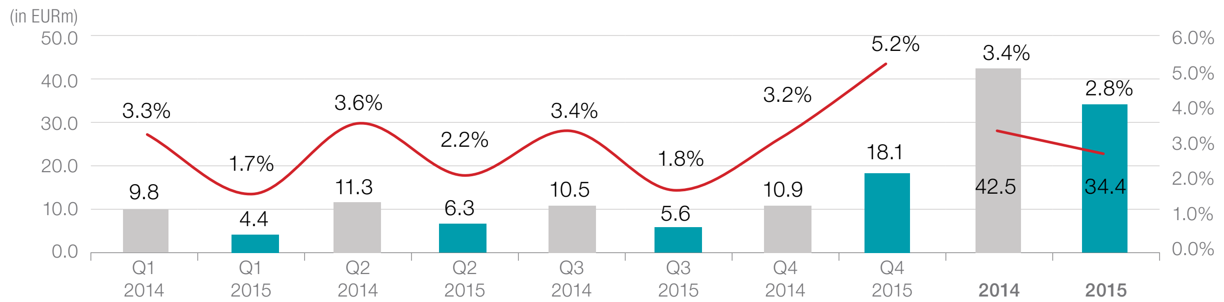
	Development
EBIT 2014	**42.5**
Contribution margin at the level of cost of goods and material	-10.7
Cost of services	-2.1
Employee benefits expenses	-2.9
Amortization and depreciation expenses	-2.6
Other operating expenses	0
Other operating income	10.2
EBIT 2015	**34.4**

- The Group recorded **earnings before interest, taxes, depreciation and amortization (EBITDA)** of EUR 80.1 million, which is EUR 5.5 million or 6.4% less than in 2014. **The EBITDA was EUR 29.3 million in Q4 2015, or 35.0% more than in 2014.**
- **Earnings before interest and taxes (EBIT):** we achieved an EBIT of EUR 34.4 million. With respect to 2014, the EBIT was lower by EUR 8.1 million or 19.0%, which is primarily attributable to the lower contribution margin at the level of cost of goods and material due to:
  - **lower sales, mostly in Russia**, where the margin shortfall (EBITDA / EBIT) amounted to EUR 5.0 million in comparison to 2014,
  - **strengthening of the USD against EUR** that adversely affected the profitability of the programme of small and large household appliances not manufactured in-house and mostly purchased in USD (the estimated margin shortfall (EBITDA / EBIT) exceeds EUR 5.5 million), and
  - **strengthening of the USD** compared to EUR that **negatively impacted the input prices of material and raw materials**, which are purchased in USD (estimated effect exceeds EUR 4.0 million).

EBITDA and EBITDA margin



EBIT and EBIT margin



Cost Management

- By means of successful work in the field of supply and production based on:
  - **managing the purchase prices of global material and raw materials** and activities for **optimising costs of transportation**,
  - **activities related to optimising the use of material** in direct production, and
  - **supply of components** from the most competitive countries,

  we have **adjusted the costs of material and raw materials** with respect to lower sales and production. The latter is attributable also to activities related to optimizing the supply. The effects of lower purchase prices would have been even higher if the USD had not strengthened against the EUR.
- **The strengthening of the USD against the EUR adversely affected the increased purchase values of appliances that are not manufactured in-house** (small household appliances and appliances of the supplementary programme). The effect was partly mitigated by higher sales on the dollar-denominated markets and price increases on the market.
- **The negative impact of the strong USD on the purchase prices was partly mitigated** through forward contracts used to hedge against exchange rate fluctuations.
- **Costs of services increased by 1.0% or EUR 2.1m in comparison to 2014.** The reason behind the slower adjustment of costs of services to revenue movement lies in **higher investments referring to sales acceleration**, where the increase was planned in comparison to 2014. The decrease in costs of **logistics (e.g. optimization of logistics line and lower retail fuel prices)** and costs related to **quality management failed to fully compensate for higher marketing costs.**
- **Employee benefits expenses increased by 1.3% or EUR 2.9 million.** As the volume of production increased in Q4 2015, the employee benefits expenses increased at the production facilities. Due to a higher volume of orders, the number of employees has increased in October and November 2015. Employee benefits expense were additionally impacted by **provisions created for retirement benefits and jubilee premiums in the amount of EUR 2.4 million.** The actuary conducts a calculation of provisions required for retirement benefits and jubilee premiums on a three-year basis. The decline in interest rates resulted in lower discount rates, which are taken into account when calculating provisions and consequently higher provisions for retirement benefits and jubilee premiums.

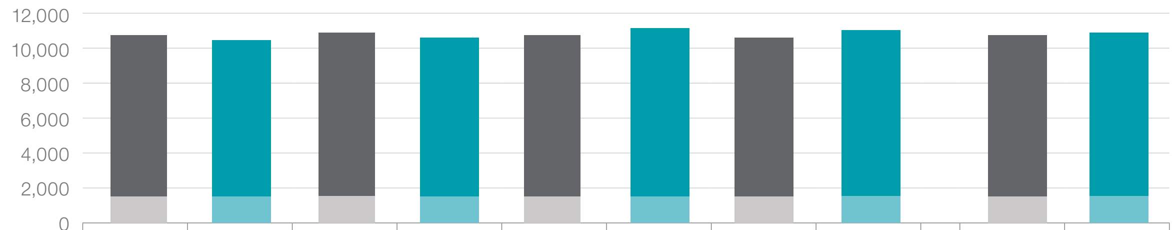
The Gorenje Group's average number of employees was 10,617 or 149 more than in 2014. The average number of employees in the manufacturing companies grew by 133, while the number of staff declined by seven in individual companies of the Home segment, partly as a result of adjusting to the lower volume of sales activities. The number of staff in the Business Segment Portfolio Investments increased by eight employees.

The Group's result from financing activities was negative in the amount of EUR 38.8 million, which indicates a decline over the 2014 balance by EUR 0.1 million. The negative result from financing activities was primarily impacted by interest expenses that amounted in 2015 to EUR 18.0 million and shows a decline by 7.9% over 2014, and the negative balance of exchange losses in the amount of EUR 13.0 million, which is EUR 11.4 million worse than in 2014 and also worse than planned by EUR 6.2 million.

Income tax expense, disclosed at EUR 4.0 million and higher by EUR 1.4 million in comparison to 2014, includes current and deferred income tax. The increase is mostly the result of the higher withholding tax and higher sales, and thereby profitability in companies, which are net contributors of income tax. The amount of income tax is also impacted by the parent company's lower formation of deferred tax assets as the result of high tax incentives from previous years, which can be used by the company in future periods.

Current tax refers to the tax that will be paid on profit for the period per individual Group companies. Deferred tax is disclosed upon the accounting of temporary differences between the carrying amount of assets and liabilities for business reporting purposes and the amounts for tax reporting purposes. Temporary differences, which generally have through deferred tax assets and liabilities the biggest impact on deferred taxes, are tax relief amounts that are disclosed in connection with investments, investments relating to research and development, and amounts of tax losses from previous periods, which largely refer to the parent company.

Average number of employees by business segment

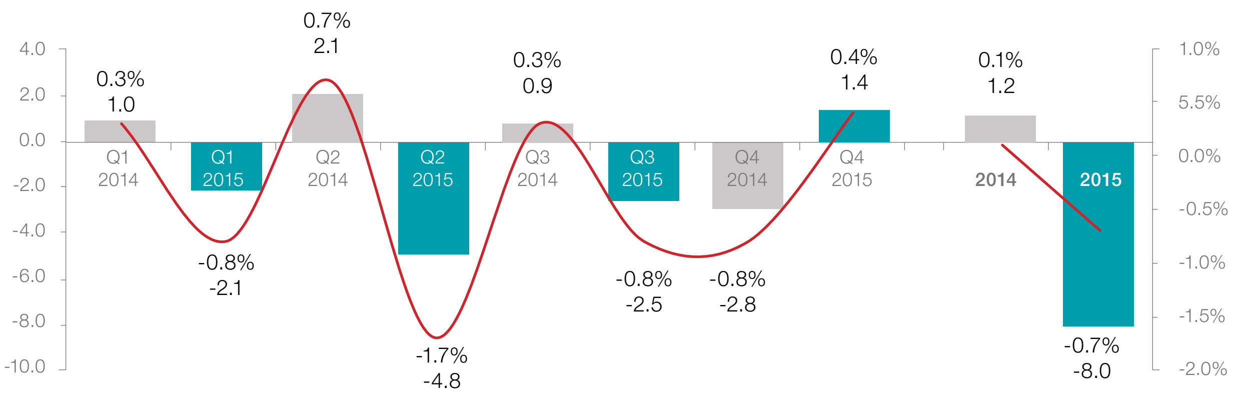


	Q1 2014	Q1 2015	Q2 2014	Q2 2015	Q3 2014	Q3 2015	Q4 2014	Q4 2015	2014	2015
Skupaj	10,462	10,253	10,584	10,444	10,549	10,935	10,324	10,857	10,468	10,617
Home	9,037	8,830	9,44	9,008	9,102	9,495	8,888	9,416	9,041	9,182
Portfolio investments	1,425	1,423	1,440	1,436	1,447	1,440	1,436	1,441	1,427	1,435

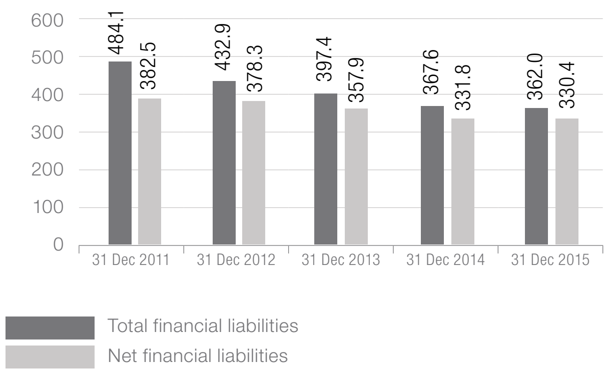
Profit or Loss for the Period

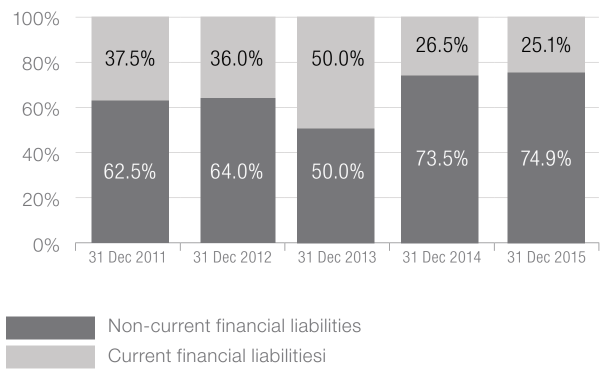
The Gorenje Group's **loss for the period** amounted to EUR -8.0 million. **The Group generated profit in Q4 2015 in the amount of EUR 1.4 million.**

Profit or loss for the period and ROS



Total and net financial liabilities in the years 2011–2015, in EUR million, and changes in the maturity profile of financial liabilities





Financial Performance

Focus 2015

The fundamental goal of the Group's financial function is to provide short-term and long-term financial stability with the lowest possible expenses and risks. The basic source of liquidity that allows repayment of the currently due liabilities at the Group level is the inflows from sales activities in the business segments Home and Portfolio Investments, and the resulting free cash flow.

In this respect, optimization of net working capital is particularly important. Proceeds from divestments represent an additional source.

Pursuant to the 2015 financial plan, particular attention was paid to refinancing of the maturing current portions of long-term financial liabilities and to the renewal of short-term credit facilities. Our long-term borrowings are regularly repaid and partly refinanced, while short-term borrowings are regularly renewed.

Key activities

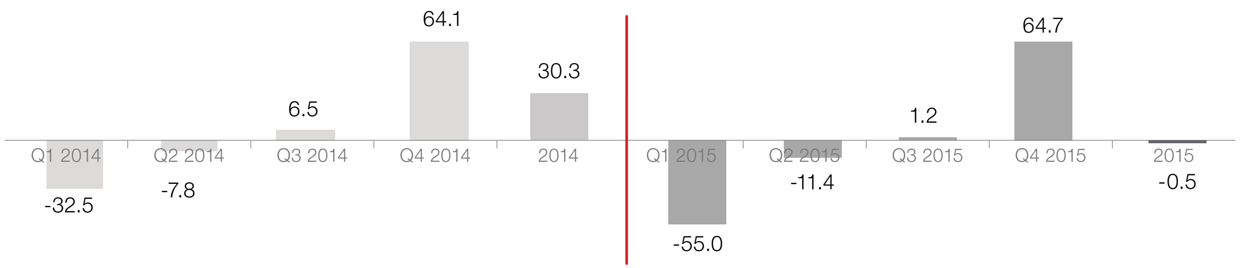
In 2015, we repaid a total of EUR 99.8 million of long-term borrowings. The financial debt restructuring activities towards a longer average maturity and increasing the share of capital market debt to more than one quarter have resulted in a significantly lower rate of required replacement borrowing for repayment of the current portions of long-term financial liabilities in 2016, which amount to EUR 81.5 million; this is less than in previous years. In 2015, we additionally improved the maturity profile of financial liabilities and laid the foundations for further decreases of finance expenses.

- As at December 31, 2015, **total financial liabilities** amounted to EUR 362.0 million, which is EUR 5.6 million less than as at the end of 2014. Changes in financial liabilities are consistent with the annual seasonal dynamics as the Group generates most of its positive cash flow from operating and investing activities in the last quarter of each fiscal year. The dynamics in this regard were more favourable in the last quarter of 2015 than in the equivalent period of the previous year.
- In the **maturity profile of our financial liabilities**, long-term financing sources account for 74.9%; the rest are short-term sources. Relative to December 31, 2015, the maturity profile was improved by 1.4 percentage points.
- **Net financial liabilities** (measured as the difference between total financial liabilities, and cash and cash equivalents) at the end of 2015 amounted to EUR 330.4 million, which was EUR 1.1 lower than at the end of 2014. As at December 31, 2015, the Group's liquidity reserve amounted to EUR 115.9 million and it included approved yet unused long-term and short-term credit facilities and cash in bank accounts, which can also be used to bridge any payments of the maturing liabilities.

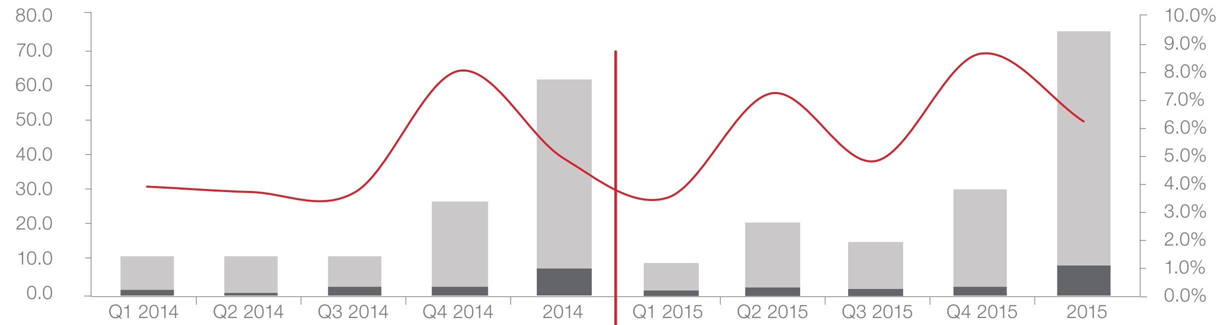
  We are working with the existing and new banking and other partners to repay or refinance our maturing liabilities, to optimize our finance expenses, maintain our maturity profile, and regulate the amount of our liquidity reserve. We have succeeded in negotiating a margin grid clause in most of the newly signed long-term borrowing agreements (based on the improvement of the net debt-to-EBITDA ratio), which will, given the planned relative deleveraging of the Gorenje Group, directly lead to further decreases of finance expenses without having to amend the borrowing agreements signed. These activities have already provided a considerable share of funding for servicing our currently maturing portions of long-term debt for the whole of 2016, and for current cash flow requirements.

  None of the Group's borrowings are secured by any collateral; therefore, most borrowings include an obligation to meet certain covenants. In 2015, we violated a financial indicator specifying the net debt-to-EBITDA ratio (which amounted to 4.1); however, all banks approved a covenant waiver for 2015.
- **Cash flows**
  In the 2015 fiscal year, our free cash flow from operating and investing activities was negative at EUR 0.5 million, which is EUR 30.8 million worse than in 2014. This is mostly a result of worse performance (net result) and higher investment than in the year before.
- **Investment** in 2015 amounted to EUR 75.5 million, which is EUR 13.9 million more than in the preceding year. Investment into property, plant, and equipment amounted to EUR 52.6 million, of which a major part of EUR 34.7 million accounted for investment into technological equipment, mostly in the process of new product development. The

Cash flow from operating and investing activities (in EURm)



Investment by business segments (in EURm)



	Q1 2014	Q2 2014	Q3 2014	Q4 2014	2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	2015
Home	9.3	10.6	9.1	24.8	53.8	7.7	18.5	13.3	27.7	67.2
Portfolio investments	2.1	1.0	2.3	2.4	7.8	1.6	2.3	1.9	2.5	8.3
CAPEX margin %	3.9%	3.7%	3.7%	8.0%	4.9%	3.5%	7.2%	4.8%	8.6%	6.2%
Total	11.4	11.6	11.4	27.2	61.6	9.3	20.8	15.2	30.2	75.5

largest share of investment was made in the core segment Home, in which investment totalled at EUR 67.2 million. Among total investments, EUR 20.1 million pertains to non-material investments which also include capitalized costs of new product development. Within the business segment Portfolio Investments, investment in 2015 reached EUR 8.3 million, of which the highest share was invested in the ecology segment (EUR 5.9 million).

In 2015, divestment as measured by the book value of the non-current assets divested, amounted to EUR 8.9 million, which is on par with the 2014 figure.

As at December 31, 2015, the Group's investments into net working capital stood at EUR 142.3 million. Relative to the end of 2014, investment into net working capital was lower by EUR 32.8 million. The narrowly defined net current assets (inventory, trade receivables, and trade payables) amounted to EUR 165.9 million, which is EUR 33.9 million less relative to the equivalent period of the preceding year.

- **Trade receivables** as at the end of 2015 were at EUR 161.0 million. Relative to 2014, the trade receivables were lower by EUR 21.6 million. Average days sales outstanding were at 50, which is 6 days less than at the end of 2014. The decrease in trade receivables is a result of normal annual dynamics, higher amount of permanent non-recourse factoring mostly employed in some markets when total expenses do not exceed the average Group finance expenses, and suitable management of credit risks.
- **Inventories** at the end of 2015 amounted to EUR 225.9 million. Compared to the end of 2014, they are higher by EUR 6.1 million. Days in inventory remained the same as at the end of the previous year: at 65. Relative to the end of 2014, the highest increase was seen in inventories of finished products and merchandise, by EUR 9.3 million; other days in inventory remained largely the same as at the end of 2014. Inventory of raw and processed materials decreased by EUR 2.2 million relative to the end of the previous year; days in inventory are shorted by 2 days relative to the end of 2014.
- **Trade payables** amounted to EUR 221.0 million at the end of 2015, which is EUR 18.4 million more than at the end of 2014. This is a result of higher volumes of production and orders in the last period of the year relative to the comparable period of the year before. Days payables outstanding remained the same as at the end of the preceding year. The figure is consistent with the normal annual dynamics

Objectives

- In 2016, we shall continue our activities to **decrease our financial debt and relative net debt of the Group** while maintaining the maturity profile of our financing sources at the level from the end of 2015. In 2016, we shall repay a total of EUR 81.5 million of long-term debt, while our short-term sources will be renewed, as usual. In this respect, we shall continue our activities to obtain financing sources for replacement borrowing. Consistent with our policy of partial financial sourcing from the capital market, early in February we issued short-term commercial paper with a total nominal value of EUR 28.9 million, to accommodate the cash flow dynamics within each year (in the first quarter of each year, cash flow is always negative). According to our plans, replacement financing activities, which are in the closing stage will largely be completed by the end of the first half of the year, which is also important from the aspect of repayment of maturing long-term borrowings, most of which (EUR 50.2 million) are due in the second half of the year.
- In our plans, **total financial liabilities** at the end of 2016 will amount to **EUR 333.4 million; net financial liabilities** will amount to **EUR 319.0 million**; and the **net financial debt-to-EBITDA will amount to 3.8.** Considering the interest rates specified in the loan agreements and the planned borrowing in 2016, we are planning to decrease our interest expense to EUR 13.8 million.
- In 2016, we are planning to generate **EUR 2.3 million of free cash flow from operating and investing activities.** The cash flow will be considerably affected by investment planned at EUR 85.0 million, or roughly EUR 10 million more than planned on average for the 2016–2020 strategic period. In 2016, our investment will be above-average in new product development and technology, which will support the growth of our sales in the current strategic period.
- We shall continue the process of divesting non-core or non-operating assets to optimize our operations. Our **divestments are planned at EUR 8.7 million** with a neutral effect on the Group's net income.
- We shall continue to **optimize our net working capital.** The plans include 66 days in inventory, 49 days sales outstanding, and 87 days payable outstanding by the end of the year. The most attention will be paid to better management of finished products and merchandise (decrease of complexity, improved forecasting, decrease of dead inventory etc.).

Business Plan for the Year 2016

Focus 2016

The business plan for 2016 is based on the assumptions of the first year from the 2016–2020 Strategic Plan. In the development of the Strategic Plan, several scenarios were developed based on the anticipated events. In addition, the following was taken into account in the development of the 2016 Business Plan:

- most recent estimate of the effect of EUR/USD exchange rate on sales and purchasing,
- most recently estimated effect of oil price on the costs of raw and processed materials and logistics,
- further cost savings (cost of material, logistics, other services etc.).

The 2016 business plan does not include the operations and performance of the companies that are in the process of divestment (Gorenje Surovina, d.o.o.; Kemis Valjevo, d.o.o.; Kemis BH, d.o.o.; Cleaning System S, d.o.o.; Publicus, d.o.o.; and Ekogor). The following comparison of respective categories between the years 2015 and 2016 is thus developed on comparable basis.

In 2016, we are planning an increase in sales. Gorenje Group revenue will reach EUR 1.201 billion, which is **4.0% more than in 2015.** Revenue growth is based on the **business segment Home, for which our revenue is planned at EUR 1.104 billion, for a growth rate of 4.6%** relative to 2015. The growth is higher than specified for the first year of the Strategic Plan, and it is based on sales growth:

- **of the ASKO brand,** whose revenue is planned at **EUR 110 million** (+11.1% more than in 2015),
- in **markets outside Europe**, where our revenue is planned at **EUR 121 million** (+9.2% more than in 2015),
- in **Benelux markets** where our revenue is planned at **EUR 132 million** (+7.3% more than in 2015).

We are planning further **improvement in product sales structure** by increasing the share of **innovative product sales by 18%. The share of innovative products** in the sales profile shall **increase by 1.3 percentage points to 11.0 percent** of total major appliance sales by volume. With **premium appliances, we are planning to increase our sales by 13.2%. The share of premium products** in the sales profile shall **increase by 1.6 percentage points to 18.6 percent** of total major appliance sales by volume. More emphasis will also be placed on the **sales of premium products** whose share in the sales profile shall **increase by 2.2 percentage points to 49.0 percent** of total major appliance sales by volume.

Moreover, we **continue to improve our financial position** in this year. We are looking to cut our total debt by a further EUR 11.4 million. This will be achieved by better management of working capital and complexity of finished products and merchandise. Moreover, proceeds from divestment of non-operating assets will also be used for deleveraging. With the EBITDA planned at EUR 85 million, the net financial debt-to-EBITDA ratio will decrease to 3.8 in 2016.

Objectives

Gorenje Group's main operating objectives for the year 2016 include the following:

- **Net sales revenue of EUR 1.201 billion (+4.0% growth** of revenue relative to the comparable actual revenue in 2015),
- **EBITDA of EUR 85 million (+11.6% growth** relative to the comparable actual EBITDA in 2015),
- **EBITDA margin at 7.1% (0.5 percentage points more** than the comparable actual margin in 2015: 6.6%),
- **EBIT of EUR 37.6 million (+14.9% growth** relative to the comparable actual EBIT in 2015),
- **Net income of EUR 7.6 million, and**
- **Net debt/EBITDA ratio: 3.8** (actual comparable figure: 4.2).


+12%
INCREASE IN THE USE OF ELECTRIC ENERGY
in kWh/unit, relative to 1997, for the company Gorenje, d.d., Velenje plant
-91%
REDUCING THE AMOUNT OF HAZARDOUS WASTE
in kg/unit, relative to 1997, for the company Gorenje, d.d., Velenje plant
-85%
DECREASE IN WATER CONSUMPTION
in m³/unit, relative to 1997, for the company Gorenje, d.d., Velenje plant

Environmental Responsibility

Environment protection is a constituent part of the Gorenje Group's corporate management policy and organizational culture. The two key values of **responsibility and innovation** that lead us, consistently with the new strategic policies, in our pursuit of the corporate vision and mission and in our day-to-day actions, are strongly **embedded in the very core of the environment protection policy.**

In environment protection, they are asserted through openness of thinking, team spirit, respect, efficiency, goal-orientation, and commitment.

Quick overview – 2015 results

EMAS

Inclusion in the EMAS scheme:
Kemis, d.o.o., Vrhnika

ISO and OHSAS

Certification pursuant to ISO 14001 and OHSAS 18001:
Gorenje HOME, d.o.o., Zaječar INDOP, d.o.o.

-91% and -99.6%

Reducing the amount of waste* (in kg/unit, relative to 1997): **hazardous waste -91%, waste to be disposed -99.6%.**

-85%

Decrease in water consumption* (in m³/unit, relative to 1997): **-85%**

+12%

Increase in the use of electric energy* (in kWh/unit, relative to 1997): **+12%**

-40%

Decrease of the use of compressed air* (in m³/unit, relative to 1997): **-40%**

-34%

Decrease in natural gas consumption (excluding combined heat and power/co-generation)*
(in Sm³/unit, relative to 1997): **-34%**

carbon footprint

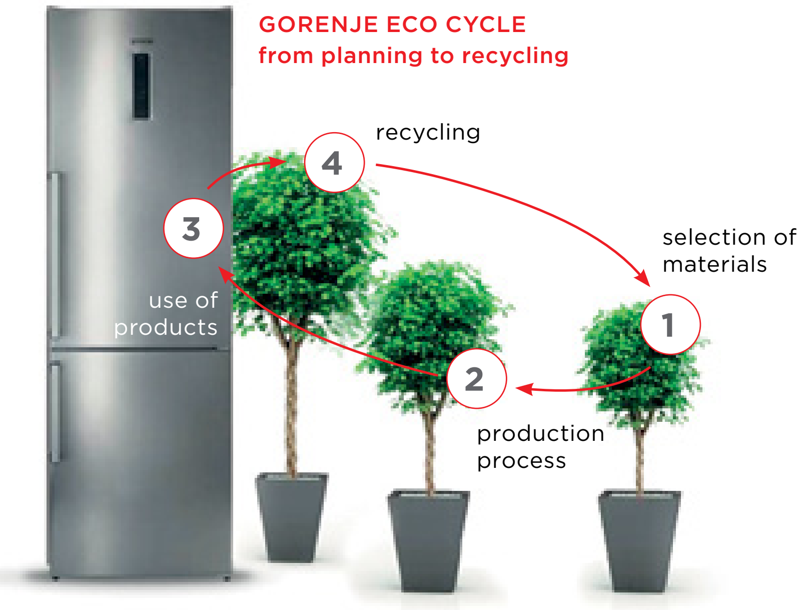
Carbon footprint*: 11,88 kg CO_2/product (-5.56% decrease compared to 2010)

**All information pertains to the company Gorenje, d.d., Velenje plant.*

Gorenje's Eco Cycle

Environmental aspects of our operations are identified, monitored, and continuously improved throughout the **entire life cycle of our products.** This is referred to as the **Gorenje eco cycle**, which can be divided into four main stages:

- input material stage,
- production stage,
- product use stage,
- recycling stage.



Choice of Input Materials

Starting from the very beginnings, each Gorenje product is developed to comply with all legal and environmental requirements. Therefore, the product planning stage is very important, as up to 80 percent of all environmental impact of a product is determined then. The composition of our products differs in terms of the materials used, depending on the type of home appliance. However, all are made of superior and environmentally sound and degradable materials, which ensures they are easy to disassemble and recycle at the end of their useful life.

Production

Or products are made of environmentally friendly and recyclable materials, and with environmentally friendly technological procedures. Investment into updates to technological processes and equipment has translated into a positive environmental trend. In the period of 19 years (from 1997 to 2015), this is seen in the following results at the Gorenje, d.d., Velenje plant:

- decrease of the amount of hazardous waste by 91% per product,
- lowering the amount of disposed waste by 99.6% per product,
- decrease of water consumption by 85% per product, and
- lowering the use of natural gas by 34% per product.

Detailed information for 2015 for the companies entered in the EMAS register is provided below.

Use of Products

Gorenje home appliances are designed to meet the varying needs of users with varying lifestyles. From a broader environmental aspect, these appliances have the following advantages:

- they include components that are harmless to the environment and health, which are almost completely recyclable,
- their operation requires less power, water, and detergent than the comparable products of our competitors,
- they rank among the most economical home appliances in the market as they meet and exceed the criteria for the highest energy classes, as specified by the relevant European standards,
- noise during operation is at the lowest possible level and
- the entire technological development and improvements are adapted to the requirements of environmental protection and respect for the general social interests.

Following is the general information that applies to the Gorenje Group. Detailed information for the companies entered into the EMAS register is provided below.

Recycling

As early as in the stage of product planning, we consider the very last stage of its life cycle when it is no longer in use. Therefore, the very first steps in Gorenje product development also include a consideration of the requirements of product handling after the end of its useful life, when it is discarded as waste. Our products are planned and produced to allow simple disassembly and recycling in the last stage of their life cycle. We seek to incorporate in the products as few versions of the same material as possible, thus reducing the need for waste separation in the recycling process. The products are made of materials and components that are at least 80 percent recyclable.

Recycling of materials allows us to reduce the amounts of waste and the need for production of base materials (such as metals), which requires much energy and results in emissions of harmful substances. Recycling procedures can reduce the use of natural resources as waste plastics and metal can be reused in a variety of production processes.

The above-described characteristics of Gorenje product eco cycle pertain to all Gorenje Group companies. The environmental aspects and impact identified and presented below only pertain to the two companies that are entered into the EMAS register.

Environmental Management Quality Assurance Policy

The environmental management quality assurance policy is based on the Gorenje Group vision and mission. It is consistent with the sustainable policies of our operations, which are strongly reflected in our environmental responsibility.

Effort for environmental responsibility is at the core of our sustainable conduct at all levels:

- in pursuit of **responsible attitudes to the population and the environment** in which we operate,
- in caring for **occupational health and safety** at production units and in the offices, and
- in attaining **production efficiency**.

For years, Gorenje Group companies have held the ISO 14001 environmental management system certificate. Moreover, most companies also hold the OHSAS 18001 occupational health and safety certificate.

Two Gorenje Group companies, Gorenje, d.d. (since 2004), and Gorenje I.P.C., d.o.o. (since 2007), have been included in the Eco-Management and Audit Scheme (EMAS) intended to encourage a more suitable environmental management and communication with the public about the effects of their operations on the environment. It is an upgrade to the ISO 14001 system.

Focus 2015

In 2015, the company Kemis, d.o.o., Vrhnika, was included in the EMAS while the companies Gorenje Home, d.o.o., Zaječar, and Indop, d.o.o., certified their management systems according to ISO 14001 and OHSAS 18001.

Gorenje Group's environmental management and occupational health and safety systems (for 2015)

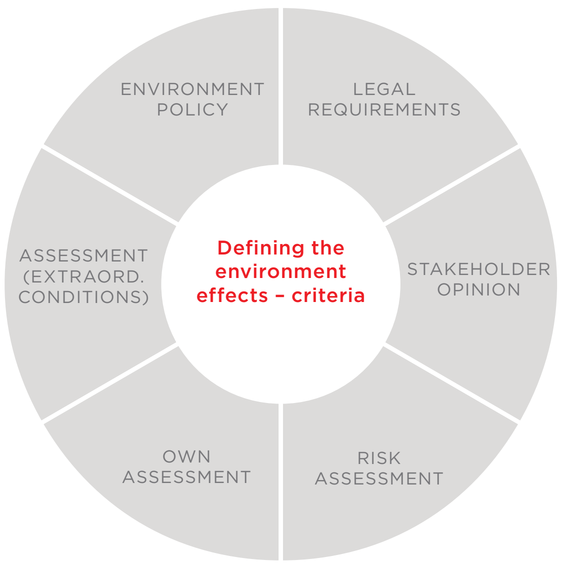
	ISO 14001	EMAS	OHSAS 18001
Gorenje, d.d. Velenje site	yes	yes	yes
Gorenje, d.d. Šoštanj plant	yes	yes	yes
Gorenje, d.d. Rogatec site	yes	yes	yes
Gorenje IPC, d.o.o. Velenje site	yes	yes	yes
Gorenje IPC, d.o.o. Šoštanj plant	yes	yes	yes
Gorenje Orodjarna, d.o.o.	yes	no	yes
Gorenje GAIO, d.o.o.	yes	no	yes
Gorenje, d.o.o., Valjevo	yes	no	yes
Gorenje Surovina, d.o.o.	yes	no	no
Kemis, d.o.o.	yes	yes	yes
Mora Moravia, Czech Republic	yes	no	no
Asko, Vara, Sweden	yes	no	no
Gorenje Gostinstvo, d.o.o.	yes	no	no
Indop, d.o.o.	yes	no	yes
Gorenje Home, d.o.o., Zaječar	yes	no	yes

Environmental Aspects of our Operations

At most Gorenje Group companies (especially those with the ISO 14001 certificate or those included in the EMAS), elements of activities, products, and services interacting with the environment are called **environmental aspects**. The analysis of environmental aspects includes all stages of the production process, products, and activities, both in normal operation and in operation under extraordinary conditions or states of emergency. The following criteria are applied to identify a particular aspect:

- environment policy and legislative requirements,
- opinion of interested parties and stakeholders,
- risk assessment,
- own assessments, and
- assessments pertaining to extraordinary conditions and states of emergency.

Criteria to define environmental aspects at the Gorenje Group



In assessing the environmental impacts, which include every change to the environment, favourable or detrimental, resulting in part or entirely from the activities, products, and services being produced or taking place at the Gorenje Group, the following was considered:

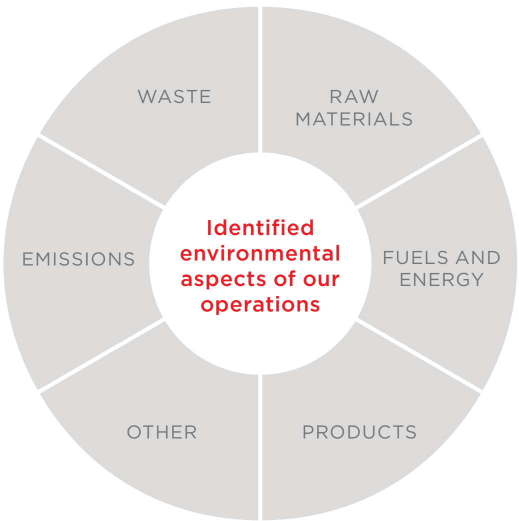
- **direct impact**, i.e. direct results of our own activities and operations over which we have direct control, and
- **indirect impact**, i.e. the effects caused directly by other parties, the occurrence, scope, and the nature of pollution which, however, may be affected by our activities (e.g. use of our products, logistics, power production, etc.).

Frameworks and operative environmental targets and programs have been defined for major environmental aspects, and the identified environmental aspects are being adapted in compliance with the legislation (raw materials, emissions into air, water, and ground, noise, waste etc.) and environmental policy. At the Gorenje Group level, we are also monitoring the use of energy resources that represent a vital part of environment protection for the holders of the Integrated Pollution Prevention and Control Permit (who are liable to comply with the relevant requirements).

In 2013, the Gorenje Group completely evaluated the environmental aspects of its operations (based on the standard, such assessment has to be conducted every three years or in case of any changes). Following the changes to the legislation and organizational changes in the company, they were reassessed; however, no changes were required to the Environmental Inventory or Environment Effect Register.

The chart specifies a comprehensive range of environmental effects. The set of specific environment effects monitored at respective companies is specific to their activity and their interaction with the environment.

Identified environmental aspects of Gorenje Group operations



Detailed overview of identified and estimated environmental aspects of the operation of Gorenje Group companies

IDENTIFIED ENVIRONMENTAL ASPECTS AT GORENJE GROUP COMPANIES

INPUT ENVIRONMENTAL ASPECTS

1. RAW MATERIALS

- sheet metal
- components of non-metal and metal origin
- chemicals
- thermal and sound insulation
- rubber and plastic semi-products
- packaging

2. ENERGY RESOURCES

- electricity
- heat
- natural gas
- compressed air
- water

3. OTHER

- stationery
- auxiliary material

OUTPUT ENVIRONMENTAL ASPECTS

4. EMISSIONS

- emissions into air
- emissions into ground
- noise emissions
- emissions into water
  - *industrial wastewater*
  - *cooling wastewater*
  - *communal wastewater*
  - *sewage system*
- light pollution
- odours

5. WASTE

- hazardous waste
- waste packaging
- municipal waste
- other non-hazardous waste

6. PRODUCTS

- product/service
- own parts

MISCELLAN

7. MISCELLANEOUS

Special area properties, such as:

- natural heritage, biotic diversity, Natura 2000;
- cultural heritage.

Efficient Resource Management

At Gorenje Group, a number of measures, especially changes in technological processes, organization of operations, and responsible management of hazardous chemicals and packaging, have resulted in notable improvement of environmental aspects of our operations in the period from 1997 to 2015. In some fields, the results are optimal and can no longer be significantly improved. As seen from the chart, the amount of hazardous waste has been reduced by 91% and water consumption by 85%.

Regardless of the excellent results to date, which are difficult to further improve, we continue to lay down the goals regarding reduction of our environmental impact. Thus, we are planning to decrease the consumption of electric energy in the next two years by investments into technological processes, updating the lighting fixtures, and implementing combined heat and power generation (which will, however, increase the consumption of natural gas). With some other sources of energy, we will seek to maintain our current level of consumption which has already been attained. Regarding the decrease of the amount of waste, we no longer set any goals; however, we diligently and continuously monitor the amounts.

Consistent with the environmental protection policy, at all its manufacturing plants the Gorenje Group has defined its long-term and annual goals that also pertain to management of environment aspects of our operations.

The key environment aspects presented in more detail by respective companies hereinafter, are the following:

- reducing the amount of waste,
- reducing water consumption, and
- efficient use of fuels and energy (data is provided on the use of electric energy as the main source of energy for product manufacturing).

Group companies have all required environmental permits. They are regularly monitored by the national inspectorates and their operations are compliant with the environmental legislation.

Reducing the Amount of Waste

Focus 2015

In 2015, the company Gorenje, d.d., Velenje plant, reduced the amount of disposed waste to 8.91 tons. At Gorenje I.P.C., d.o.o., the amount of disposed waste generated last year was also reduced considerably relative to the years before.

Reducing the amount of waste and use of fuel and energy at Gorenje, d.d., Velenje plant

Aspect	Unit	1997	2015	Ratio 1997 / 2015	Target 2016
Reducing the quantity of					**We do not set any goals; but we do monitor the amounts.**
hazardous waste	kg/unit	0.55	0.05	-91%	
disposed waste	kg/unit	1.14	0.005	-99.6%	
Rational use of energy					
water consumption	m³/unit	0.56	0.083	-85%	**0.080**
power consumption	kWh/unit	21.41	23.98	+12%	**23.00**
consumption of compressed air	m³/unit	21.37	12.87	-40%	**12.50**
natural gas consumption (excluding combined heat and power/co-generation)	Sm³/unit	1.93	1.28	-34%	**1.25**

Disposed waste at Gorenje, d.d., Velenje plant

(t)

2012	2013	2014	2015
511.6	41.6	11.3	8.91

Disposed waste at Gorenje I.P.C., d.o.o.

(t)

2012	2013	2014	2015
35.5	1.85	0.36	0.71

Activities 2015

As in previous years, the amount of disposed waste was reduced in 2015 on account of consistent waste sorting, and as a result of changes in the legislation related to waste, especially municipal waste.

Water Consumption

Focus 2015

At Gorenje, d.d., water consumption was reduced from 174,667 m^3 in 2014 to 161,888 m^3 in 2015. At Gorenje I.P.C., d.o.o., the amount of water used per unit of aspect per 1 EUR of net revenue was reduced from 1.942 l/EUR NR in 2010 to 1.423 l/EUR NR in 2013.

Water consumption at Gorenje, d.d., Velenje plant

(m^3/unit)

2012	2013	2014	2015	Target 2016
0.085	0.079	0.084	0.083	**0.080**

Water consumption at Gorenje I.P.C., d.o.o.

(l/€ NR*)

2012	2013	2014	2015	Target 2016
1.463	1.423	1.480	1.551	**1.500**

** measurement unit for the aspect per EUR of net revenue*

Water consumption at the Mora Moravia production company in the Czech Republic

(m^3/unit)

2012	2013	2014	2015	Target 2016
0.107	0.103	0.085	0.066	**0.064**

Water consumption at the manufacturing plant in Valjevo, Serbia

(m^3/unit)

2012	2013	2014	2015	Target 2016
0.036	0.046	0.035	0.037	**0.035**

Water consumption at the manufacturing plant in Zaječar, Serbia

(m^3/unit)

2013	2014	2015	Target 2016
0.05419	0.00500	0.00655	**0.00495**

Activities 2015

As in previous years, water consumption was reduced via the introduction of technological lines with water-efficient rinsing processes, keeping records of water consumption, systematic monitoring of water consumption, and education and awareness campaigns among the employees. Water consumption was monitored with meters located at the entry to the company and at particular manufacturing lines.

Electricity Consumption

Focus 2015

At the company Gorenje, d.d., Velenje plant, the use of electric energy increased from 23.09 kWh/unit (in 2014) to 23.98 kWh/unit (in 2015). The use of electric energy was also higher at the company Gorenje I.P.C., d.o.o., and at our companies in Valjevo and Zaječar, Serbia.

Electric energy consumption at Gorenje, d.d., Velenje plant

(kWh/unit)

2012	2013	2014	2015	Target 2016
24.98	24.03	23.09	23.98	**23.00**

Electric energy consumption at Gorenje I.P.C., d.o.o.

(kWh/€ NR* · compressed air)

2012	2013	2014	2015	Target 2016
1.463	0.138	0.134	0.150	**0.153**

** measurement unit for the aspect per EUR of net revenue*

Electric energy consumption at the manufacturing company in the Czech Republic

(kWh/unit)

2012	2013	2014	2015	Target 2016
11.91	11.33	11.00	10.83	**10.80**

Electric energy consumption at the manufacturing plant in Valjevo, Serbia

(kWh/unit)

2012	2013	2014	2015	Target 2016
15.92	24.3	21.00	21.45	**21.0**

Water consumption at the manufacturing plant in Zaječar, Serbia, **at production of sanitary equipment**

(kWh/unit)

2013	2014	2015	Target 2016
45.70	29.5	33.13	**25.0**

Water consumption at the manufacturing plant in Zaječar, Serbia, **at production of washing machines**

(kWh/unit)

2013	2014	2015	Target 2016
0.48	0.40	0.49	**0.35**

Activities 2015

Increase of electric energy consumption in 2015 was an effect of ergonomic update to workplaces, introduction of air conditioning, and volatile production output.

Carbon Footprint

Climate change has been identified as a major threat to human-kind. It is at least partially caused by greenhouse gas emissions into the atmosphere. Despite the numerous adopted international agreements, these emissions are not decreasing. Globally, the largest share of CO_2 emissions is generated in the production of electric energy, in manufacturing, agriculture, transport, and as a result of deforestation.

Although the CO_2 emissions resulting from activities of Gorenje Group companies are not considerable, we carefully monitor them in keeping with our sustainable attitude to environmental responsibility, and seek to reduce them.

Emissions of CO_2 into the atmosphere are monitored at the parent company Gorenje, d.d., at the Velenje, Valjevo, and Stara Pazova plants.

Focus 2015

Carbon footprint, measured in kg of CO_2 emissions per product, was somewhat larger in 2015 than in the year before, at 11.88 kg/product.

Information on CO_2 emissions for the Velenje plant

(kg/product)

2010	2011	2012	2013	2014	2015	**Target 2016**
12.58	12.50	12.33	12.26	11.83	11.88	**11.8**

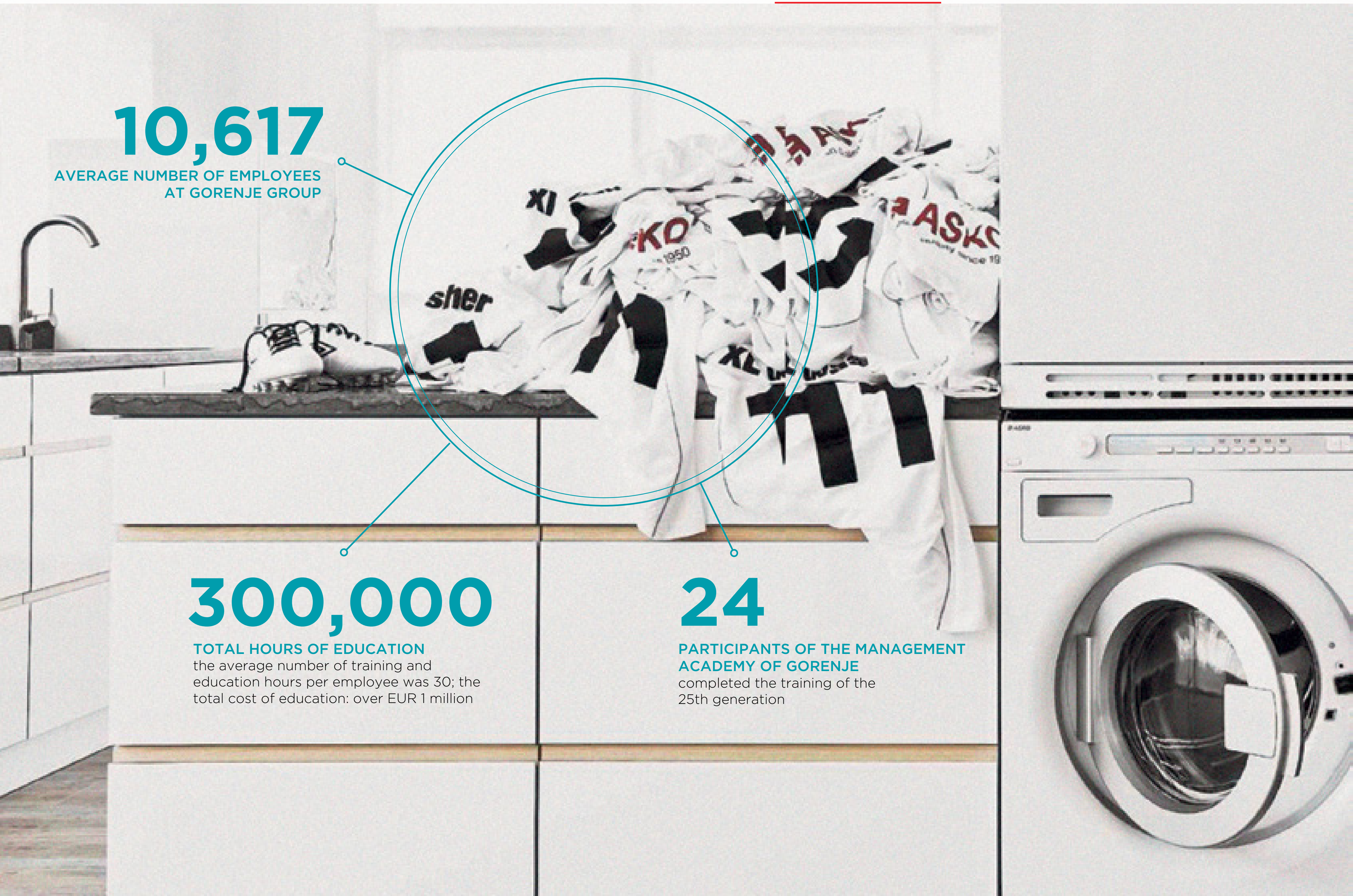
Activities 2015:

CO_2 emissions from our production activities are largely affected by the consumption of electric energy and natural gas. Total use of these fuels or forms of energy has been declining in recent years. Specific power consumption rose in 2015, while the specific use of natural gas remained the same as in 2014 (detailed information about electric energy consumption is available in this chapter).

Pursuit of Environment Responsibility – our Goals

Improvement of production processes and diligent management of natural resources contribute notably towards decreasing the impact of our companies on the environment. In addition, our costs are optimized in the process, which leads to greater value for the shareholders. Therefore, we shall continue to:

- monitor and measure the environment aspects and introduce relevant measures in case of any discrepancies,
- plan and introduce new technologies and products in compliance with the principles of environment protection,
- use materials and components that will comply with the strictest of domestic and foreign environment standards,
- plan new products in compliance with the requirements of environmental design that includes the entire life cycle of the product from development, through manufacturing and use, to processing after the end of useful life,
- reduce the volume of waste generated and rationalize the use of energy resources,
- educate, train, and raise awareness of our employees and partners about the responsibility to the working and broad environment,
- cooperate with interested internal and general public to contribute to the success of common environment protection efforts, and
- inform the public of our achievements in environment protection.



10,617

AVERAGE NUMBER OF EMPLOYEES AT GORENJE GROUP

300,000

TOTAL HOURS OF EDUCATION

the average number of training and education hours per employee was 30; the total cost of education: over EUR 1 million

24

PARTICIPANTS OF THE MANAGEMENT ACADEMY OF GORENJE

completed the training of the 25th generation

Corporate Social Responsibility

Motivated employees are the key to **success**. Together, we are building a culture of mutual trust, respect, continuous learning, and responsible and efficient work.

We are aware of the importance of each individual and atmosphere in our daily verve. Therefore, encouraging creativity, improving interpersonal relationships, and staying up to date with what is new in leadership are a constituent part of the **Gorenje Group's corporate culture.**

Quick overview – 2015 results

10,617

Average number of employees: 10,617

complaints resolved positively

Complaints regarding interpersonal relationships: all cases resolved positively

33 hours of training

Scope of education and training:

83% of employees involved in the processes

33 hours of training and education per employee (Gorenje Group) or nearly 56 hours per employee (Gorenje, d.d.)

81 and 119

Number of scholarship holders: 81
Number of part-time students: 119

safety and health in the workplace

Occupational safety and health: The year 2015 was a year of Occupational Safety and Health: lectures, presentations, announcements, measurements, and OSH improvements

topics in training and education

Key topics in training and education: development, quality, environment, technology, work processes, lean manufacturing, occupational health and safety, health promotion

Gorenje Corporate University

Gorenje Corporate University:

- 25th generation of Gorenje Academy of Management completed their program
- 2nd generation of International Business Academy of Gorenje started their training
- The first GCA – New Product Development Academy
- Seminar for top management within the Gorenje Group Business Academy for the management

product quality

Product quality: no recalls or disputes regarding our products

upgrade to quality

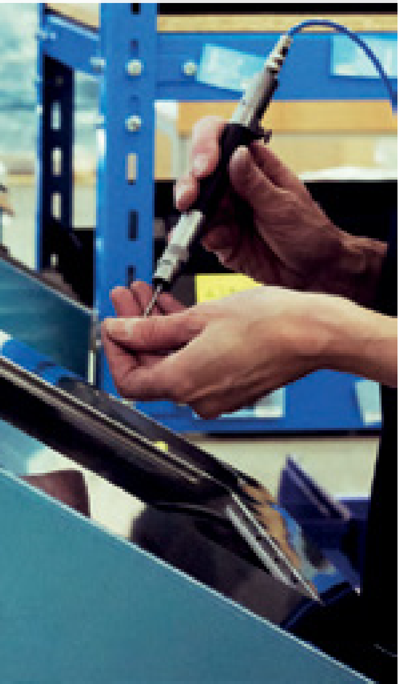
Upgrade to quality: introducing a uniform quality cost reporting system

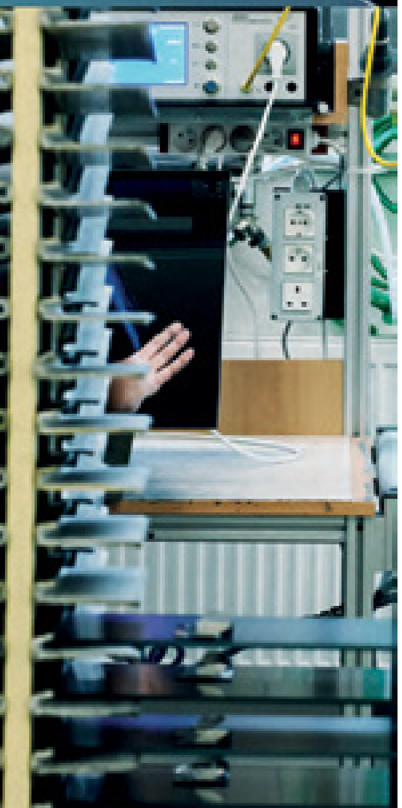
after-sales services

After-sales services: introducing functional management of after-sales services via regional coordinators; supply chain optimization for spare parts

public-private partnership

Public-private partnership (Velenje Gallery project): revision of the building and the program starting points in the field of creative industries based on closer cooperation between business, art, and science





Relations between Employees

We are active in a mature industry where one can only win with knowledge, innovation, and committed employees. Every employee matters to Gorenje. Our fundamental principle in care for employees is their fair and equal treatment.

Number of Employees

Focus 2015

Our operations, and consequently the number of employees in the last year, were strongly affected by the unstable political situation in Russia and Ukraine which are among the Gorenje Group's most important markets. In the course of the year, there was considerable fluctuation in the number of employees as we adjusted to the needs of manufacturing companies.

In the first part of the year, there were fewer employees; later, their number began to increase. The changes also depended on the seasons in which demand for certain home appliances is greater.

At most sales companies, the number of employees did not change considerably in 2015. The majority of employees, just under 60%, were employed at companies in Slovenia. Internationally, the greatest share of employees worked in Serbia and the Czech Republic, especially at the production companies Gorenje Valjevo and Mora Moravia.

Key activities

In order to maintain the flexibility of the number of employees, we hired workers – especially in manufacturing companies – on fixed-term employment contracts, i.e. for the periods of higher production output. In 2015, there were 1,410 new entries at manufacturing companies, of which most hirings were on fixed-term employment contracts. The company Mora Moravia was the only one where we used the services of a temporary employment agency, in addition to fixed-term hiring.

Similar to the hirings, the greatest number of departures was related to the expiry of employment on fixed-term contracts; at manufacturing companies, such departures accounted for 719 out of a total of 1,147 departures.

Number of employees at Gorenje Group in 2015 (relative to 2014)

	Dec 31, 2014		Dec 31, 2015	
	Number	Share	Number	Share
Gorenje Group (end of period)	**10,242**	**100.0%**	**10,602**	**100.0%**
Home	8,815	86.1%	9,165	86.4%
Portfolio investments	1,427	13.9%	1,437	13.6%
Employees in Slovenia	6,244	61.0%	6,339	59.8%
Employees abroad	3,998	39.0%	4,263	40.2%
By countries				
Slovenia	6,244	61.0%	6,339	59.8%
Serbia	1,952	19.1%	2,213	20.9%
Czech Republic	668	6.5%	668	6.3%
Sweden	65	0.6%	59	0.6%
Netherlands	376	3.7%	387	3.7%
Croatia	142	1.4%	133	1.3%
Russia	112	1.1%	112	1.1%
Other countries (28 countries)	683	6.7%	691	6.5%
EU countries	7,871	76.9%	7,978	75.2%
Former Yugoslav countries	2,232	21.8%	2,486	23.4%
Other countries	139	1.4%	138	1.3%
Average number of employees	**10,468**		**10,617**	

Skills-based Hiring and Recruitment

Focus 2015

Consistent with our development policies, we continued to pursue the policy of the selective hiring of employees with specific knowledge and skill sets at the parent company. The strongest emphasis was placed on the recruitment of technical personnel. Consistent with our requirements, we also hired employees with other areas of education and expertise.

Key activities

Candidates were recruited primarily from our internal Gorenje Group market and among our scholarship holders. Candidates with specific skills not available within the Group were also sought beyond the Group.

Employees by Age

Focus 2015

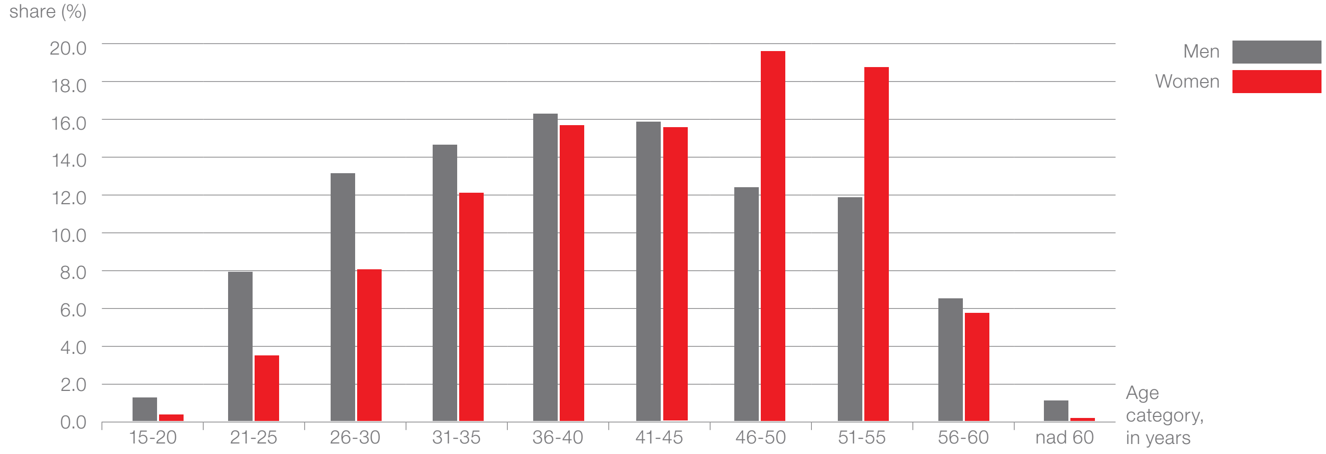
The average age of employees, both at the level of the parent company and the entire Gorenje Group, remained the same as last year. At the Gorenje Group level, it was at just over 42 years. The greatest portion of employees (61%) was in the age category from 30 to 50 years.

The average age of employees at manufacturing companies was 41 years and 10 months, which is two months less than in 2014. The reason is the hiring of a large number of younger workers for production work at virtually all manufacturing companies.

Key activities

Higher average age is a challenge especially for manufacturing companies as it is related to higher absenteeism due to health issues, and a higher share of employees with the status of a person with disabilities. In order to improve the work methods and conditions, and thus to decrease the possibility of illness and other medical conditions, several years ago Gorenje, d.d., introduced the Ergonomics project which continued to include the independent Ergonomics Teams that contributed ergonomic designs of workplaces in 2015.

Composition of Gorenje Group manufacturing company employees by age



Employees by Gender

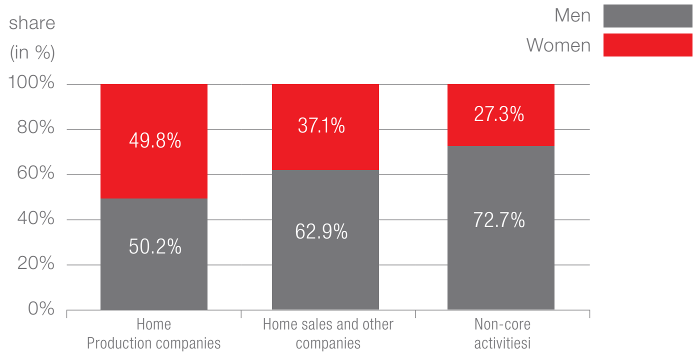
Focus 2015

Employee structure by gender was the most balanced in Gorenje Group manufacturing companies, while in other segments the share of men exceeded the share of women.

Work in **mass production** includes simpler manual tasks. Those that require finger and hand dexterity are more easily performed by women. Needless to say, there are also some physically more demanding tasks at manufacturing companies, as well as tasks involving technical education which is more commonly the choice of men.

Within the **sales network** companies, the majority of jobs are found in warehouses, logistics, and after-sales service. These are jobs whose physical requirements and need for technical knowledge are more suited to or more frequently opted for by men.

Structure of Gorenje Group employees by gender



In portfolio investment companies, the nature of work is such that it is most commonly the choice of men, as companies operate in the fields, respectively, of toolmaking, development, engineering, machine building, production of machinery and equipment, and comprehensive waste management.

The share of women in 2015 was higher in older age groups while the share of men was higher in younger age groups. Due to technology updates in production processes in recent years, we recruited more personnel with technical education, which is more commonly the choice of men.

Regardless of gender, all employees are granted **equal pay for work in jobs with equal complexity or difficulty.**

Protection of Employee Rights

Focus 2015

As an international corporation, the Gorenje Group is committed to respect for human rights and fundamental freedoms. In 2015, we continued to manifest this commitment in our communication with the employees and with our business and social partners.

Care for human rights is evident throughout the supply chain. We only work with business partners who comply with lawful, moral, and fair business practices in relation to their stakeholders.

Key activities

At the parent company, we regularly held interviews with employees in cases when the workers expressed the need to **resolve problems identified in the course of performing their work.** In 2012, the Management Board appointed an authorized officer and a committee to address any complaints involving alleged violence, mobbing, harassment, and other forms of psychophysical risk in the workplace. In 2015, there were a few cases of complaints mostly related to interpersonal relationships. All cases were successfully resolved with the authorized officer following discussions between the applicant and the counterpart.

In cases of **prolonged absence from work**, such as extended medical leave, maternity or paternity leave, or child care leave, workers returned to their previous jobs. The exception to this rule are cases where this is not possible due to health restrictions. In these cases, workers are offered work at a suitable workplace based on their limitations. In 2015, 77 employees were absent from the parent company due to maternity or paternity leave, or childcare leave, of which 3 were men and others were women. For all of them, job was or will be guaranteed upon their return.

Occupational Safety and Health

Focus 2015

The Gorenje Group does not merely comply with the legal requirements, but also strives to raise the bar in terms of safe and healthy work (occupational health and safety, OHS). Over the decades, we have put into place many mechanisms and conducted numerous activities in the field of OHS. There are many more opportunities ahead in the field as both the working environment and the broad social conditions are constantly changing, which results in pressures and challenges to be dealt with. This is the task of our expert services and interdisciplinary teams.

We declared 2015 to be a Year of Occupational Safety and Health. We conducted many activities to reaffirm among our employees the belief that health is a basic human value and responsibility of all of us, toward which we should all strive. It is our commitment to do all we can to prevent work accidents both by creating safe working conditions and by the responsible conduct of every individual.

Following were the **goals** of the Year of Occupational Safety and Health 2015:

- decrease the number of work-related accidents and dangerous incidents,
- cut costs of health-related absenteeism,
- improve organization of work from the aspect of OHS, and improve the safety of working environment,
- raise awareness about responsibilities for OHS among employees,
- promote a healthy lifestyle and educate about OHS.

Key activities

Lectures, presentations, measurements, publications, announcements, releases, improvements, and OHS system upgrades took place throughout the year. Review of key highlights by month:

Monthly key highlights in 2015	
January	Why a year of occupational safety and health?
February	Ergonomic measures in the workplace
March	Preventing work-related accidents
April	Importance of risk assessment
May	Promotion of health at work
June	Personal protective equipment
July	Preventing the use of psychoactive substances at work
August	Safe driving
September	Are we aware of the responsibilities regarding OHS?
October	Stress management for a healthy workplace
November	Care for healthy nutrition
December	Completion of the year occupational safety and health

We also organized an Occupational Safety and Health conference at which we presented in more detail the sound practices and results in OHS to the broad expert community. The topics addressed were presented in conference proceedings.

Education and Training

Focus 2015

The strategy of training and education at Gorenje Group is based on our corporate business strategy. Consistent with the strategic policies and goals of respective companies and the entire Gorenje Group, we hold a variety of training and education programs for employees while pursuing a fundamental goal: to support the professional development of our employees.

The contents of training and education, as well as further human resource development, were being upgraded throughout 2015 in all fields of our operations in order to pursue the Gorenje Group strategic policies. Carefully prepared and executed training and education contents for employees certainly support the Gorenje Group efforts for business excellence, corporate social responsibility, and environmental responsibility. Responsiveness, openness to change, and ability to adapt in the field of training and education allow further growth, competitiveness, and sustainable development.

Key activities in 2015

Scope of education and training: At the Gorenje Group, 65 to 93 percent of all employees take part in training and education every year. Last year, 83 percent of all employees were involved. Annually, we dedicated around 300,000 hours to training and education. In 2015, the number of training and education hours per employee was 30.

At the Gorenje Group level, we dedicate over EUR 1 million to the training and education of our employees.

Annual interviews and competence assessment: The contents and methods of training and education were adapted to specific business needs and key development advancements at companies, based on the development plans specified after the annual interviews by the heads of organizational units. Last year, 700 annual interviews were held at the parent company. Annual competence assessment was made for 3,723 employees.

Lifelong learning: Most training and education programs in 2015 also included content for acquiring lifelong learning skills, which allow the employees to quickly adapt to a new environment even after the termination or expiry of employment.

Transfer of knowledge to the team: We strove to ensure that the employees integrate their newly acquired knowledge and skills into the structure of the organization. We held courses and seminars for all groups of employees, attended by 8,245 employees. In acquiring knowledge and skills, we also sought the contents and fields that the employees can use best in their work and in their private life.

Annual plan of training and education plan: The annual training and education plan is adapted to the corporate strategic policies and directions. We have introduced an internal standard, *Measuring effectiveness of training and education*, aimed at assuring quality educational programs. Many seminars and courses are organized within the company, with guest lecturers, while our employees also take part in other seminars abroad and in Slovenia. The share of training and education courses held within the company with internal resources, or internal transfer of knowledge, was 14 percent.

Key topics in training and education: In recent years, many new projects have been in progress in the field of development, quality assurance, environmental management, technology, and work procedures. The highlights of training and education contents follow this orientation. As much as 85 percent of all training hours pertain to carefully specified expert training.

The challenge of adapting the volume and flexibility of production remains an important topic in the Gorenje Group's development strategy. Therefore, we intensively conduct training programs for implementation of lean manufacturing and other programs to improve the quality and to optimize our processes, products, and services.

In occupational health and safety, we provide all mandatory training. In health promotion, we hold many seminars delivering interesting, vivid, and especially useful contributions on healthy lifestyles.

Development of leadership skills – Corporate University of Gorenje: Every year, more employees take part in training and education with emphasis on leadership and leadership skill development. Particular attention is paid to the development of promising or talented young employees who hone their skills within special educational programs within the Corporate University of Gorenje to eventually take over the more challenging positions.

The Corporate University of Gorenje is devoted to acquiring and pooling knowledge, transferring best practices, connecting different business cultures, and consolidating the common corporate identity. Within the Corporate University of Gorenje, we are planning and conducting four core training programs.

In 2015, we completed the training of the 25th generation of the **Management Academy of Gorenje** (MAG). Upon completion of their training, 24 participants presented their business plans to Gorenje Group management.

Moreover, in 2015, we trained the second generation of participants at the **International Business Academy of Gorenje** (IBAG). Working through three sets of topics, the participants acquired knowledge in business strategy, international marketing and sales, and policies of various business functions. The program involved employees from Slovenia and abroad, who mostly work in an international environment. With the International Business Academy of Gorenje, we are developing Gorenje's corporate culture and employee loyalty, thus boosting our social capital embedded in our individuals and teams. Furthermore, we are acquiring, developing, and transferring new knowledge and sound practices among Gorenje Group companies, and reinforcing the Gorenje Group strategy as we roll it out to particular companies, fields, groups, and individuals. Training was attended by 25 participants from the entire Gorenje Group.

In 2015, we held the first **New Product Development Academy**. The program includes employees from development, design, product management, category management, sales, purchasing, quality, production, and others involved in the process of new product creation at the Gorenje Group. The contents of the new training program are divided into four subsets, following the needs of the participants to acquire the latest knowledge on successful new product development and launch in the market. Presenting such knowledge to the participants were reputable experts from Universities in Slovenia, Sweden, and the Netherlands, as well as Gorenje Group employees.

Another part of the Corporate University of Gorenje is the **Executive Business Academy of Gorenje**, which develops and conducts a variety of training programs in strategic management, business systems and corporate governance, business excellence and business processes, leadership, and development of people or interpersonal skills. This academy combines the existing programs of acquiring and transferring knowledge with programs of individual training and education, and introduces new systemic forms of education based on the field and structure of participants. As in every year, a seminar for the Gorenje Group top management was organized in 2015. It involved two brief lectures on economic and socio-political conditions, and on trends shaping the world and notably affecting our operations and performance.

Foreign language courses and other shorter programs: We held language courses, IT and computer science courses, programs on quality assurance for products, processes, and services, communication training, efficiency training, etc. In 2015, more than 36,000 hours were dedicated to such forms of training and education.

Online learning: At Gorenje, online education has been offered for 10 years. It involves carefully developed educational content. The number of participants on the e-training web portal has been increasing each year as the content is available to all users of the Gorenje IT system. Since the number of users from Gorenje's international operations is increasing, content is also created in English and Serbian. Online learning is often combined with other forms and methods of conventional training and education. In 2015, we carried out 54 programs of training and education online, of which 10 percent were in combination with other educational events.

Work induction programs: Work induction programs are our way of taking care of the employees hired for more complex jobs or positions. During the induction, they are mentored by our experts to acquire the relevant information which allows them to integrate more quickly into the new working environment. In 2015, we held induction programs for 59 new employees.

Scholarships and part-time studies: With regard to scholarships and part-time studies, priority is given to acquiring formal education in technical programs. Our scholarships policy ensures a supply of human resources, especially of technical background, which have been in the highest demand in recent years. There are currently 104 Group scholarship recipients.

The share of scholarship recipients in technical programs is nearly 95 percent. We actively work with our scholarship recipients during their studies. They are included in development projects taking place at the company, and offered opportunities for practical work and the possibility to examine aspects of Gorenje operations in their graduation or Master's theses. After the completion of their studies, all scholarship recipients are hired for the period of induction into independent work. After a successfully completed induction period, they are usually hired for an indefinite period of time (i.e. on permanent employment contracts).

The share of employees studying part time is 0.8 percent of all Gorenje Group employees and 2 percent of parent company employees. The majority of part-time students are enrolled in undergraduate programs. There is also a considerable share of part-time students in post-graduate programs. Several study programs are represented, but the majority are mechanical engineering programs.

Cooperation with universities or faculties and other schools: Gorenje Group companies work closely with academic institutions. Through a number of development projects, work with career centres of the University of Ljubljana and University of Maribor, and as experts in practical aspects of business, we strive to keep study programs for shortage occupations and to prepare the programs for mandatory practical work.

We worked with the Scholarship Committee with the Development Agency of the Savinjska Region to actively take part in the development of the proposal for amendments in the new Scholarship Act.

In 2015, we provide practical training to over 200 high school students and around 100 college students of colleges and higher vocational schools.

Promotion of shortage occupations: We work with third-party organizations to promote shortage occupations. Upon initiative by the Slovenian Chamber of Commerce and Industry, the Employment Service of Slovenia, and the National Education Institute, we opened the door to elementary school ninth-graders and their parents in the last two years. At the toolmaking plant, maintenance, and the refrigeration appliance and dishwasher program, we showed them how technological development has changed the processes and conditions of work and how workplaces change. This was one of the major and wide-reaching campaigns by which Gorenje has been promoting the shortage occupations in several ways for a number of years.

Quality for our Users

The key goal in the development of every new appliance is a happy user. Therefore, the Gorenje Group seeks to understand the habits and the needs of end users in a number of markets, and to anticipate the trends affecting their purchase decisions.

In this pursuit, we are focusing on the areas that improve the competitiveness of our products and services, as follows:

- technological innovation that simplifies the user's life,
- carefully thought-out and advanced design,
- energy efficiency of our products,
- new materials that both improve the functionality of our products and reduce the burden to the environment.

Assuring the Quality of our Products

Focus 2015

In 2015, the quality and reliability of our products continued to be based on a well thought-out system that starts years before our products are actually offered at the stores. Development of new technologies, materials, and technical solutions are lengthy processes involving the work of engineers and specialists in our industry from across the globe. In 2015, they contributed their latest achievements for components of our products.

Last year, there were no recalls of our products from the market, nor any disputes regarding our products.

Key activities

Concept, construction, and exhaustive testing led to products made in 2015 in tried and tested assembly processes. Quality was assured with standard control procedures that were constantly reviewed and audited by independent institutions from our target countries.

A wide range of certificates awarded by national certification bodies from many countries around the world gives our products internationally approved technical and product credibility.

Continuous Quality Upgrade Process

Focus 2015

By requesting commitment to continuous improvement of quality, we ensured that the process owners (production, development, purchasing, and service) remain committed to activities for improvement of the quality of our products.

Key activities

We strove to improve the quality of our appliances, which had a positive effect on customer satisfaction and reduced our quality-related costs. We started to introduce a new uniform system for reporting the costs of poor quality at the Gorenje Group.

Responsible Marketing and Market Communication

Focus 2015

At the central market communication department, we have developed all-around support for all new product launches in 2015 (both online and offline solutions). Communication campaigns involving media lease and catalogue printing, and their preceding adjustments were, as before, the responsibility of respective markets. Their tasks also involved specifying the goals and monitoring the results, taking into account the brand position and recognition in the relevant market.

Market communication tools developed at the central Market Communication Department were prepared consistently with the Gorenje brand and visual identity manual. The developed tools were reviewed in cooperation with the artistic director for each brand.

Key activities

Market communication support to new generation of built-in cooking appliances and the launch of the new generation of the Gorenje by Starck designer line was the focus of our attention.

In 2015, we did not identify any cases of non-compliance of our marketing and market communication approaches with the legislation or specific codes of conduct. As to date, the design of solutions involved checking and reviewing any problematic or disputable communication elements. Solutions submitted from the central Market Communication Department to particular markets were additionally checked locally and adjusted as necessary to local requirements or expectations.

After-sales Services

Focus 2015

After-sales services are an important element of the purchase decision. Therefore, we did our best to make them as efficient as possible in 2015.

Key activities

We started to implement functional management of after-sales services via regional coordinators of after-sales services. We continued to optimize our supply chain for spare part operations. We introduced modern methods of e-training for service partners. Thus, we improved the level of knowledge in the service network.

Cooperation with Local Communities

Since Gorenje's founding, we have been closely intertwined with the environment in which we operate. Establishment, maintenance, and reinforcement of sound relationships with the local communities in which we operate or impact with our operations has always been important to us. Therefore, we are extending the practice of excellent relationships with the local communities to all local environments in which Gorenje Group companies are active. The emphasis in this respect is, of course, on our key manufacturing plants.

We seek to build good relationships with the local environments in which we operate and live. Within our possibilities, we also invest in them by supporting a variety of institutions and societies in the local environment. We seek to co-create a pleasant living environment, as most of our employees come from it.

Corporate social responsibility permeates every pore of Gorenje Group operations and a large part of the management and employees act in this spirit in their free time as well.

Creative Industries, Culture, and Tradition

Focus 2015

As Slovenia's most internationalized enterprise, the Gorenje Group is integrated into the flows of the global economy. It is a hub of a number of cultures and knowledge. In 2015, the **Gorenje Society of Culture** sought to enrich them with lectures and discussions on economic and socio-political issues and trends shaping the world and notably affecting our operations.

We are the co-founder of the **Velenje Gallery** which is the first case of private-public partnership in culture in Slovenia.

We also find it important to maintain ties with our former employees. Therefore, we support the **Society of Gorenje Retirees**, whose work contributes to the promotion and propagation of Gorenje's corporate culture and tradition in the local environment.

Key activities

In 2015, the building of the **Velenje Gallery** was fully refurbished. Moreover, its program was thoroughly revised to move towards creative industries based on even closer ties between business, arts, and sciences.

The Gorenje Society of Culture held eight exhibitions in each of our exhibition areas, and organized a fine arts colony, two trips to see cultural or historical sites in the neighbouring countries, and quarterly lectures.

In addition to the regular rehearsals and traditional concerts, the Gorenje **Mixed Choir** also performed at the Slovenian Pavilion at the EXPO in Milan, Italy, in 2015.

The Society of Gorenje Retirees held their traditional varied activities for former employees. In 2015, these included recreational and social activities such as regular sports activities, field trips, and visits to older members on their birthdays.

Partnership in Sports

Focus 2015

For more than a quarter of a century, Gorenje has been forging its partnership with Slovenian Nordic ski teams and the Gorenje Velenje team handball club. Over 7,000 members, both our employees and external members, take part in the activities of the Gorenje Society of Sports and Recreation.

Key activities

In September 2015, new management was appointed at the **team handball club Gorenje Velenje**, taking the team on a fresh path. The new approaches also involve many changes in marketing and public relations, and establishing bonds with the stakeholders in the local community. This has had a positive result on the reinforcement of the club's brand.

Cooperation with Slovenian Nordic ski teams involved a part of the 2014/15 season in the first quarter of the year, and the 2015/16 season which started in November. After the final weekend of the Ski Jumping World Cup in Planica, ski jumpers visited Gorenje and spent some time with the employees. The start to the new season was a harbinger of superior results of Slovenian competitors and remarkable media coverage of Gorenje whose logo is a key graphic element on the teams' head wear.

An outstanding season of the ski jumping team and remarkable success of Peter Prevc this year led to record-breaking media coverage. Ski jumping is a very popular sport in Germany, Austria, Scandinavia, and Poland, to mention but a few of our major markets, in addition to Slovenia. In this season, we have prepared several activities related to Slovenian ski jumpers and to the ski jumping sport, which took place in all of the above countries and beyond. The activities presented the new Gorenje brand visual identity and sought to bring it closer to our younger target groups.

In 2015, the Year of Occupational Safety and Health at the Group, the **Gorenje Sports and Recreation Society** further boosted its activities to support a healthy lifestyle with regular exercise. More than ten sections were active, taking part in three league competitions. Moreover, the Society organized a number of hiking tours, courses, and trips to sport events.

Humanitarian Activities

Focus 2015

At the Gorenje Group, in 2015we continued to promote the awareness of the importance of establishing sound relations with the local communities. Therefore, our companies observed such guidelines in the local environments in which they operate and live.

Key activities

With support for and engagement in humanitarian activities, we contributed to alleviation of the catastrophic flooding in the Balkans and to co-creating an opportunity for quality education and leisure time of the youth.




Risk Management

Decision-making and entrepreneurial processes involve risks which are a part of the business processes. The Gorenje Group has in place an appropriately documented risk management process by which we define the risk levels that we assume and the risks that we systematically manage, pursuant to the defined methodology.

It is the purpose of the process to make sure the business decisions and the risks related to them are identified in a controlled and balanced manner, and that they are measured and monitored at the strategic, operational, and project level. The systematic approach to risk management ensures adequate bases for long-term stability of operations, long-term growth, and generation of value for all stakeholders.

Risk Management Process and Organization

The risk management process is established with the purpose of continuous monitoring and proactive response to risks that could negatively affect the operations of the entire Group, particular business processes, and the attainment of their goals. The risks are assessed based on the assessment of probability of a certain risk to be realized, and based on the effect that realization of a particular risk would have for the assessed process. Given the level of assessed effects and the probability, the risk level is specified as the basis for assigning priorities in the field of risk management. The risk management process is established at all levels of business management and decision-making through risk management councils.

The process of risk assessment and management takes place at the level where specific risks are actually present. This allows expert analysis of a particular risk and the development of appropriate and adequate expertly selected controls and measures to attain an acceptable level of risk. Establishment of the operational part of risk management ensures the execution of risk management at the level of a process, as a constituent part of process management.

The Gorenje Group has in place an **appropriate and adequate organization** for effective risk management. The process of risk assessment and management is carried out by employees at the risk management department who offer the risk management councils expert support in the use of tools and methodology from the field of risk management.

The following are the goals of the risk management department and councils:

- reducing the risks of business goal attainment to acceptable levels,
- providing up-to-date review of the most critical risks, complete with prepared and implemented controls and the measures for their mitigation and maintenance of acceptable levels thereof,
- maintaining steady and uninterrupted operation and reducing the element of unforeseen events and related costs, interruptions, and failures,
- development, establishment, and adjustment of the risk management model that is the best match for the Group›s business needs and goals,
- monitoring risk management and comparing select risks to the competitors within the industry,
- improvement of capital and asset allocation to decrease their overall exposure in comparison to the preceding period, and
- promoting employee awareness that risk management is a constituent part of any process and making sure the employees understand and do the work and the tasks consistently with the risk management guidelines.

Risk Management in 2015

Key changes affecting the accomplishment of Goals in 2015

External factors and changing environment in which Gorenje Group is operating affect the progress of planned activities and attainment of operational, functional, and strategic goals. Effects on goal attainment in 2015 were both negative and positive.

The following are the key changes that affected the accomplishment of goals:

- changes in the social environment,
- changes in the cultural environment,
- changes in the political environment,
- changes in legislation and regulation,
- changes in external requirements (business partners, sound practice),
- changes in the economic environment,
- changes in the natural environment,
- changes in the competitive environment.

Focus 2015:

	Trend in 2015	2016 estimate
Changes in the social environment [changes in labour legislation in Slovenia and beyond; trade unions; changes in shopping behaviour of end customers]	↓↑REMAINS	↓↑REMAINS
Changes in the cultural environment [multiculturalism of Gorenje Group; digitization]	↓↑REMAINS	↑INCREASING
Changes in the political environment [with globalization, Gorenje Group is entering regions of higher political risk; refugee and migrant crisis]	↓↑REMAINS	↑INCREASING
Changes in legislation and regulation [with the Group's globalization, legal complexity is rising as well; trends of regulatory oversight are increasing; protection of personal information; transfer pricing]	↓↑REMAINS	↑INCREASING
Changes in external requirements (business partners, sound practice) [business partner requirements; stricter standards, recommendations, and practices in the industry]	↓↑REMAINS	↓↑REMAINS
Changes in the economic environment [currency risks; raw material prices volatility; economic environment in China and Russia; lower growth in emerging markets]	↑INCREASING	↑INCREASING
Changes in the natural environment [natural disasters and unexpected situations in terms of natural unpredictability]	↓↑REMAINS	↓↑REMAINS
Changes in the competitive environment [brand power; consolidation in the industry; consolidation of distribution; changes in supply chains; competition activities]	↑INCREASING	↑INCREASING

External and Internal Events

Focus 2015

External events

- Key external circumstances affecting the operations and performance in 2015 continued to include the **political and macroeconomic instability in Russia and Ukraine** and the resulting drop of consumption in these two markets. Current conditions, especially in Russia, had a material effect on the Group's operations and performance in 2015, which was reflected in lower sales and profitability in the market. Our ability to adjust the prices of our products to the highly volatile Russian rouble was limited by response of our competitors and the resulting competitiveness of our products; by contractual clauses negotiated with our customers; and purchasing power in the Russian market.

  Sale of home appliances in Russia in 2015 shrunk by as much as 35% and as a result, excess capacity in the home appliance industry was placed in other markets, which in turn affected the prices there. We sought to curb the negative effects by adjusting our product structure and pricing, and by expanding our sales to markets outside Europe, which we specified as a key strategic goal.

  The pronounced **volatility of the Russian rouble** had a direct effect on the negative currency translation differences and, in turn, on the Group's net income. In addition to the effect of Russian rouble volatility, appreciation of the US dollar also had a material effect on the Group's performance. This effect was negative in the small domestic appliance program. Moreover, dollar appreciation resulted in an increase of upstream prices of raw and processed materials, as well as some end products that we source from the USA.

  The Group has in place a systematic currency risk management model that includes all currencies with which the Group operates. While these allow us to mitigate the negative effects of exchange rate volatility, its effect cannot be systemically neutralized. Within the possibilities offered by the market, we seek to mitigate the negative effects of exchange rate volatility with natural hedging methods, i.e. by increasing the purchases or sale in currencies to which we are exposed.

- Operations and performance in 2015 were also affected by the **refugee and migrant** crisis which was manifest more intensively in the EU than in preceding years. As a result of the migrations, borders between the Republic of Serbia and the European Union were shut down. However, with the successfully prepared business continuity plan in place for such situations (risk of lack of service of customs officials), the issue in the period was resolved with virtually negligible effects on operations and performance. A partly related risk involves terrorist attacks in the regions where they traditionally have not occurred (France).

- In the **business segment Home**, our **sales volume in 2015 fluctuated** more than in previous periods. Sales lagged behind especially in the first half, which affected the attainment of adequate contribution margin for fixed costs and the planned profitability. Cost categories were adjusted as much as possible to the lower sales, which, however, is restricted especially in the part pertaining to labour costs due to the rigid labour legislation in Slovenia. Higher sales in the second half and higher sales in the premium and innovative segment alleviated the negative effects from the first half; however, these effects could not be entirely offset.

Risk	Trend in 2015	2016 estimate
Political and macroeconomic stability in Russia and Ukraine [political situation is stabilizing; the market has not yet recovered]	⇵REMAINS	⇵REMAINS
Uneven dynamics of sales and production [low sales in the first half, fixed costs]	⇵REMAINS	↓DECREASING
Exchange rate volatility [presence in global markets]	⇵REMAINS	⇵REMAINS
Credit risks [overall credit exposure]	⇵REMAINS	↓DECREASING
Refugee and migrant crisis in the European Union [migrations are threatening freight traffic; terrorist attacks]	↑INCREASING	↑INCREASING

Internal events

- In 2015, the risk management department carried out the required **training and raising of awareness in the processes of the company Gorenje, d.d., at the Group's manufacturing companies**, and in the business segments Home and Portfolio Investments. Operation of the risk management department was particularly intensive as the execution of risk assessment was expanded from the process level to the project level; for the purpose of strategic plan development, risk assessment was also carried out at the strategic level. We have carried out the risk assessment at all three levels, using a standardized risk assessment method that allows simple understanding of the completed risk assessments for everyone involved at all levels of business leadership and decision-making.

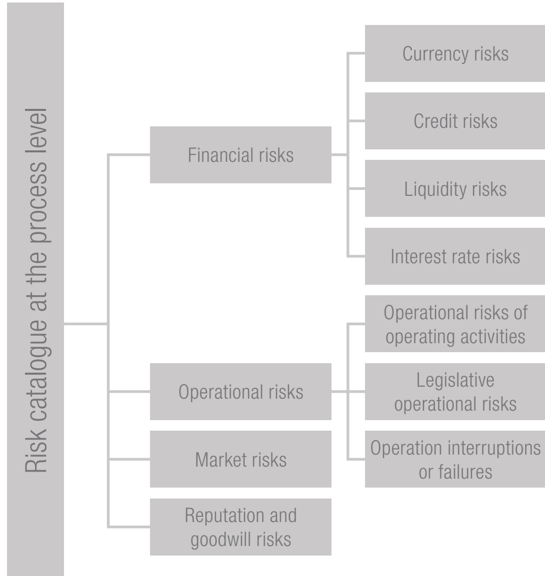
Key activities in 2015

- The project of **determining the legal compliance of Gorenje's IT system operation** was carried out with an emphasis on reviews of the condition of our software. The project continues in 2016 with an emphasis on provision of adequate protection of personal information and processing thereof. Legislation was reviewed especially as a result of even more intensive globalization of the Gorenje Group. A centralized IT system storing and processing a variety of types of (also) personal information is the foundation of such process. In 2015, we established connections with the regional office of the Information Commissioner of the Republic of Slovenia.
- In 2015, the planned **reviews and amendments of the risk catalogues** were carried out as a part of the regular annual meetings of risk management councils. Risk catalogue reviews are thus becoming a constituent part of the risk management process and represent a goal that is permanently accomplished as it becomes a constituent part of the risk management process.
- At the level of manufacturing companies, we have accomplished the goal of **expanding the risk management process.** It was extended with the goals laid down for 2016, when we placed the marketing and sales process at all levels in the Group at the centre of such expansion.
- **Business continuity process** was extended with identified risks of appropriate levels.
- We have carried out **minor amendments to the methodology of the risk management process**, especially regarding the specification of scales for assessing the financial effects. In this regard, the scale was extended for the purpose of project management with specification of classes, or categories, of the share of the anticipated planned investment.

Risk Catalogue

The risk catalogue is a comprehensive collection of the risks at hand at the process level at the Gorenje Group. In the catalogue, the risks are broken down into the following categories:

- financial risks,
- operational risks,
- market risks, and
- reputation and goodwill risks.



Based on the risk being assessed, **four basic risk management scenarios** are used:

- accept the risk,
- accept and manage the risk,
- accept and transfer the risk,
- eliminate the risk.

A particular measure can also involve a combination of the four scenarios.

Catastrophic	Effect/ impact	BCP	Manage			Eliminate
Major risk				or		
Moderate risk			Accept		transfer	
Minor risk				and	manage	
Insignificant risk		Accept				Controls
Management scenario		Probability				
		Rarely	Not very likely	Possible	Probable	Almost certain

We added the **scenario of risk occurrence/ appearance** to the four basic scenarios. The latter appears at the highest risk of effect and the lowest risk of probability, and vice versa. Considering the method of calculation, the assessed risk is within the acceptable ranges, but it has to be addressed separately due to its contents.

Scenario in a situation of risk with the lowest assessed probability and the highest rate of impact is called **BCP – Business continuity process**, which means that such risks are involved in the business continuity plan.

The scenario in case of risks with the highest assessed probability and the lowest assessed impact is called **Controls**. This means the risk should be managed by control mechanisms integrated into the process.

By transferring the risk management methodology to the strategic and project level, our joint risk catalogue was extended with strategic and project risks.

Strategic Risks

Strategic risks are risks at the highest level of the Group. Their realization has a direct effect on the value of the entire Group.

Focus 2015

In development of the Gorenje Group Strategic Plan for the period 2016–2020, particular attention was paid to the **risk assessment regarding the accomplishment of the strategic goals laid down.** These goals involve profitable growth of the Group, with emphasis on growth in markets outside Europe, growth of sales under the Asko brand, and growth of sales in the premium and innovative segment.

In assessing the strategic risks, we took into account both external factors that could negatively affect the accomplishment of the specified goals and the internal activities and measures to mitigate the effects of such external factors. Thus, particular attention was paid to the goals and projects at all levels of respective business processes, which support the pursuit of the strategic start and mitigate the strategic risks and thereby the probability of failure to accomplish the adopted strategic plan.

In order to attain the goals specified in the strategy, we have developed a **set of measures combined in the strategic and functional projects**, specified at the level of all individual processes ensuring joint and integrated operations of the Gorenje Group. Through evaluation of the execution of such measures and their effects, we shall reassess in the course of the strategic period the risks at the strategic level.

Project Risks

Major project management risks involve the risks of project performance, risks related to project work methods (project delays and exceeding other needs for planned resources – human, material, and others), risks of technological procedures, production and development risks, and risks of ensuring the competitiveness of end products as a result of respective projects.

Focus 2015

In 2015, our **risk assessment methodology was expanded from the process level to the project management level.** Risk assessment according to the standardized approach is now a constituent part of project management. This means that at the project team level, as a part of project preparation, we also prepare an assessment of project risks, which becomes a part of the project after it is confirmed (the assessment is reviewed at least on a monthly level). After re-assessment of risks during the project progress we monitor the trends of the risks at hand, and specify the required controls and measures.

Process / Operational Risks

Key process or operational risks include financial risks, operational risks, market risks, and reputation and goodwill risks. Financial and operation risks in particular are further broken down into several types of risks as presented below.

Focus 2015

(1)

We are exposed to many **financial risks** that include especially the following: credit risk, liquidity risk, currency risk, risk of change in interest rates, and other risks related to changes in market terms and conditions. Following is an account of the key financial risks and the measures for their management taken in 2015. For more explanations regarding financial risks, please see the Financial Report part of the Annual Report, chapter Financial Instruments and Financial Risks.

Currency Risks

As our operations are broadly internationalized, we are exposed to the risk of changes in exchange rates. Namely, a change in the exchange rate between a particular currency and the Group's functional value (the euro) could result in a decrease of economic benefits for the Group. The currency risk pertains mainly to our business activities in the markets of Russia, Serbia, Australia, Great Britain, the Czech Republic, Poland, Hungary, Croatia, Ukraine, and all US dollar markets.

In these currencies, the Group balance sheet reports an excess of assets over liabilities, which is treated as a long currency position. Key accounting categories constituting a currency position include trade receivables (from end users) and trade payables (to suppliers). The exception is the US dollar for which we have an excess of liabilities over assets as the purchases from the dollar markets exceed our sales in this currency. To a lesser extent, the exposure of financial position is related to our debt in local currencies.

In 2014, the Group adopted its Currency Risk Management Policy; in 2015, its methodology was further upgraded and adjusted to the macroeconomic conditions. This methodology specifies, inter alia:

- currency risk exposure measurement,
- powers and responsibilities in currency risk management;
- methods and required scope of currency risk management hedging;
- acceptable currency risk hedging instruments;
- acceptable currency risk hedging partners; and
- method for evaluating the performance of currency risk management.

In addition to natural currency risk hedging with internal techniques (which involves involve adjusting the purchasing and sales in respective currencies, taking out loans in the currencies with asset exposure, and other internal mechanisms), we also actively hedge our currency risks. Thus, we regularly take out acceptable currency hedging instruments. The level of such hedging normally includes 60 to 80 percent of the planned cash flow. Currency risk management is centralized. A currency risk management council was also appointed. By employing the centralized approach to currency risk management we can come closer to optimum effects of currency risk hedging.

Credit Risks

Our operations extend over a number of geographical regions and as a result, the Group has many customers from around the globe. While they are mostly legal persons, our customers also include natural persons in the retail segment. In principle, we only work with customers with adequate credit rating, and this applies to 2015 as well. Customer credit rating is regularly monitored and we have also defined clear rules regarding approval of credit limits for each customer. We adopted the revised receivables management policy which defines the receivables management processes, responsible persons, and acceptable credit risk management or insurance instruments. This policy, adopted at the Group level, also provides a mandatory framework for the receivables management rules and policies adopted and integrated into their processes by our subsidiaries.

The changing macroeconomic environment affects our business partners as it can cause instant changes in their credit rating, liquidity or solvency. Therefore, there is still some probability of payment delinquency on the part of our customers or even default, despite the receivables management process in place at the Group. Considering the fact that our Group involves a highly diversified sales model with little concentration of receivables on individual customers or a group of customers related through mutual equity ownership, we find the Group's credit risk moderate. No single customer or a group of customers related through mutual equity ownership represents 10 percent or more of the Group's total sales, and exposure to a particular customer or group of customers does not represent 10 percent of the Group's total receivables.

All customers are included in the credit rating control process that also includes insuring the receivables with acceptable insurance instruments. At the end of 2015, 62.9% of total Group trade receivables were insured with acceptable insurance instruments, which is 1.3 percentage points better than at the end of the preceding period. Most trade receivables are insured by SID – Prva kreditna zavarovalnica. A part of the receivables is also insured by credit insurance companies in respective local markets, and by other acceptable insurance instruments. Credit risk is carefully monitored in all segments of our operations. Short-term surplus of funds and cash in commercial bank accounts is allocated in compliance with our corporate policies that also include the methodology of determining acceptable financial partners or parties. These policies also specify the methodology of determining the acceptable financial partners in signing derivative financial instruments.

Liquidity Risks

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

Liquidity depends on efficient cash management and investment dynamics. At the Gorenje Group, we actively manage the liquidity risk by centralized monitoring and balancing the liquidity of our assets (especially receivables and inventories), liabilities, and cash flows from operating and investing activities. Cash management for the entire Group is centralized and supported by cash flow planning and daily monitoring software. Much attention is paid to the drawing up and monitoring of the cash flow plan. Successful liquidity planning allows us optimum management of any short-term surpluses or deficits of liquid assets.

In order to diversify the financing sources, we successfully issued in 2015 for the third time short-term commercial paper in total nominal amount of EUR 29,100 thousand. Short-term cash flow disbalance was additionally managed by taking out short-term revolving loans and credit limits on current accounts with commercial banks in Slovenia and abroad. At the end of the year, the liquidity reserve, consisting of unused approved credit lines, available cash and cash equivalents in accounts, and fixed-term deposits with commercial banks amounted to EUR 115,960 thousand. Liquidity reserve is intended for short-term cash flow management and it considerably mitigates the Group's short-term liquidity risk.

The Group has in place a long-term plan for servicing its financial liabilities which is regularly updated. In 2015, we continued the process of restructuring the maturity profile of our debt while lowering our finance expenses. This included replacing the Group's borrowings gradually maturing in 2015 with long-term financing sources.

None of the Group's borrowings are secured by any collateral; however, the majority of our loan agreements includes an obligation to meet certain covenants / financial indicators. In 2015, we have violated one of the financial indicators: the net debt-to-EBITDA ratio amounted to 4.1, which exceeds level specified in the agreement. However, all banks approved a covenant waiver for this breach in 2015.

Interest Rate Risks

Financing of the Group's current operations and its investment activities involves interest rate risk, since a good part of the loans taken out depends on the variable interest rate Euribor or other local variable reference interest rates. Interest rate risk exposure thus includes especially changes (increase) in the Euribor that are unfavourable for the Group's financial liabilities. A large part of financial liabilities involves a variable interest rate that depends on the 3-month or 6-month Euribor.

The interest structure of financial assets and liabilities is not balanced as the Group has considerably more financial liabilities than interest-earning financial assets.

In 2015, we increased the amount of financial liabilities with a fixed interest rate as we took out additional interest rate risk hedging instruments (interest rate swaps) to replace our maturing fixed interest rate liabilities or financial liabilities with interest rate swaps. The share of financial liabilities with fixed interest rates as at December 31, 2015, was 35.2 percent of all financial liabilities on which interest is charged. Taking into account the interest rate swaps, the effect of which is negotiated to take effect as of June 2016 and beyond due to the nature of the deal, the share of financial liabilities with fixed interest rates is already at 49.7 percent.

(2)

Operational risks include the following: operational risks of operating activities, purchasing risks, IT system risks, manufacturing risks, product quality assurance risks, development, HR, and logistics risks, and risks of legislation and regulation.

Operational Risks of Operating Activities

Operational risks of operating activities involve risks related to the operation of the basic processes and to the provision of resources required for their uninterrupted operation.

Procurement Risks

In addition to price and currency risks which are affected especially by external factors, the efficient and successful operation of the purchasing function also requires effective supply chain organization. In 2015, we continued to source our raw materials, components, and goods from a large number of third-party suppliers. In doing so, we are always exposed to the risk that expected deliveries will not be made within the agreed standards, pertaining to both suitable quantities and quality, and to supply.

This risk was managed by systematically observing the rule of two or more alternative suppliers, except for some strategic suppliers who are involved as early as in the pre-development activities. The risk of continuous, or uninterrupted, availability of raw and processed material and components was managed by continuous implementation of new suppliers and by keeping an adequate safety stock for uninterrupted production processes. The Gorenje Group has in place a supplier evaluation model which evaluates the suppliers based on a number of aspects and criteria.

Effective supply chain management and the level of reliability of production planning and product sales have a major impact on the Group's operations. Therefore, we revised our supply chain management process to further optimize our purchasing costs, ensure an adequate level of inventory in the supply chain and increase the throughput of related business processes.

Since the quality of supplied components matters for the assurance of final product quality, we have defined a supplier evaluation process which specifies the quality control procedures for input materials and products, and the frequency of follow-up controls.

IT Risks

The risks of IT system operation stem from the risks related to operational aspects of the IT system (system infrastructure), support at the level of services, and development of solutions that comprise the IT system.

Due to system architecture and the rate of IT implementation in business processes, the risk of Gorenje IT system operation pertains especially to the risks related to operational and system risks. In 2015, we continued to manage the operational risks by providing an IT structure set and operating in a system of high availability. In architectural terms, the Gorenje IT system was developed in such way that it includes, in addition to the primary location, a secondary off-site computer centre.

Risks of IT system operation were further managed by signing maintenance contracts with business partners, in which we specified the parameters of service quality and availability.

The Gorenje IT system is thus available within the availability parameters as defined by the business needs and business processes. With the centralization of the IT system at the Gorenje Group level, the availability of services for Gorenje Group subsidiaries is managed in a centralized manner. System availability was adjusted to the business needs of the companies within the Group, with whom we collaborate to manage the risks related to IT system operation and support service availability. Contracts are signed with our subsidiaries to specify the level of availability and quality of IT system services, as required by the subsidiaries based on their business needs and the needs of their business processes. Based on the requirements and needs specified, we have adapted and we continue to adapt both the architecture and the methods and regimes of our work.

As our operations are globalized on the one hand and as the Gorenje IT system operation and support are centralized on the other, we continued to provide 24/7 support to IT system service users from different time zones.

Integrity risks, which pertain to the risks of data and information being unreliable or non-comprehensive because they would be incomplete, outdated or illegal, partially as a result of the non-homogeneous IT systems of subsidiaries, continued to decrease in 2015 as we carried out integration projects. Standardization decreased the complexity of IT system operation and contributed to cost efficiency.

In operation, support, and development we are constantly focused on cost efficiency, which represents a part of quality and especially effective operation of the IT system.

In IT risk management, we addressed a new field of risks in 2015, brought about by new technologies and architectures. Infrastructure risk pertaining to the suitability and effectiveness of the IT system infrastructure was somewhat higher. Therefore, we started to prepare a project of infrastructure upgrade and preparation thereof for integration with cloud services. Thus, we shall keep the existing system robust, and at the same time, we will be ready for use of new technologies in a compatible and controllable way.

Production Risks

Group production processes depend on timely and adequate availability of resources, which are the precondition for the operation of the production process. Although the production processes are generally modern and well maintained, there can be no full assurance that there will not be faults in technological processes or breakdowns in machinery and equipment used in the production process.

In 2015, particular attention was paid to the Group's production plants that represent a very important group, or category, of risks as most of the Group products sold are made at our own manufacturing facilities. At all three production plants where the majority of the Group products are made, we held training and education courses and assessed the risks with the risk management councils. Based on the assessments, production risks were further broken down into the following:

- risks related to availability of human resources,
- risks related to materials and supply,
- risks related to technological equipment, and
- risks related to work procedure methods.

Risks related to the availability of human resources are a result of both the nature of processes and project work. At the process level, risks related to human resource availability are related to the fluctuations in the required or planned production volume; however, they may be a result of human resource shortage due to force majeure (natural disaster, disrupted traffic connections etc.). Such risks are managed by reallocation of human resources between production programs located at the same manufacturing site. At the same time, constant training and education of employees that results in greater flexibility of our workforce plays a very important role.

Risks related to materials and supply are divided into risks related to supply timing (delivery delays) and supply volume and quality. Through the optimization of our production processes, we established a system of minimum inventory. Therefore, there is a possibility that untimely or inadequate supply will result in interruptions in production. Related risks are managed by clearly specified contractual relationships with our suppliers. Untimely supply may occur due to incapacity of the supplier, as well as disturbances in logistics between the supplier and Gorenje. Such risks are managed by a well-managed process of purchasing and logistics with systems of both alternative supplies and suppliers, and alternative logistics routes are in place.

Risks related to technological equipment include risks stemming directly from the technological processes. Among these risks, we address those pertaining to machinery failures that are of key importance for uninterrupted operation of production processes managed through regular preventive examinations and repairs or adjustments; risks of failure in delivery of key fuels or energy (gas, electricity, heat), managed by contractual relations with the suppliers; and risks related to the provision of compliance with the effective technical and legislative standards, which we ensure with regular examinations and audits of compliance (internal and external control) and immediate response to any discrepancies identified.

Risks related to the work procedure methods are a very important segment of risks related to the production process. Work methods and procedures have a strong effect on the quality of the final product. Therefore, quality management is involved in all production stages of a product. Required quality levels are attained with tried and tested work procedures that are regularly monitored, reviewed and revised as necessary. Technological procedures have a major impact on the quality of the final product, and quality product allows us to retain our current customers and inspire and convince new ones. Changes in work procedures affecting the quality of the business process, its cost efficiency and provision of safe and worker-friendly environment are monitored through indicators of production process quality, which are also constituent parts of the quality management system.

Product Quality Risks

Appliances manufactured at the Gorenje Group are subject to quality standards and regulations. Standards in some segments ensure that an adequate level of quality and safety for the user is attained and maintained; in other segments, changes in the existing standards and regulations introduce a constant need for changes to the production process or changes in the components or materials managed. Therefore, we continue to improve our production practices and observe the relevant protocols and standards in quality assurance. Consistently with the established model of systematic monitoring of poor product quality costs and the rates and causes of product failure, we manage the risks of inadequate product operation during the production process. It is the purpose of such monitoring that the risks of inadequate product operation are perceived and eliminated within all processes that affect the quality of the final product. The risks are mitigated with appropriate development and quality assurance systems as a part of the production, sales, and after-sales processes.

As an additional mechanism for discovering any faults in appliance operation, we have put into place at all process levels a quality management system compliant with the requirements of the ISO 9001 standard, system of certified methods according to ISO 17025, and the Six Sigma system. The use of IT tools allowed us in 2015 to cut the time required to identify any extensive failures and thus to limit the costs that would be incurred in case of serial errors. At the same time, we were constantly expanding the set of tests in the purchasing, development, and production process.

In addition to the internal product risk mitigation measures, we have also obtained in 2015 insurance coverage from an international insurance company, which also includes coverage for manufacturer's liability for damage resulting from any faults or operation failures, in the amount which we deem sufficient to provide adequate coverage for any loss events.

In addition to the direct financial effect, product failures and potential loss events pertaining thereto also have a significant negative impact on the reputation of the Gorenje Group, our brands, and the relations with our customers in the wholesale and retail process.

Development Risks

Development risks are broken down into **risks related to compliance** and **risks related to new product development.** With regard to the provision of compliance, the most important risks include those that affect product development or which are related to attainment and provision of security and technical standards stipulated by the field of activity. In 2015, we continued to mitigate the risks with continuous training and education, and cooperation with renowned international institutions and development centres.

As our presence in the global markets, which we also pursued in 2015, increases, so increases the complexity of managing the locally effective legislation and the regulations related thereto, specifying the legislative provisions on product specifications for target markets, which have to be complied with and observed in the development stage of the final product. An important set of risks representing a part of legislative compliance pertains to observing intellectual and patent protection. Major emphasis is placed on attaining and exceeding the security standards to ensure the safe use of our products for our customers. Failure in terms of any aspect of compliance may have a major impact on our operations and performance, and on the reputation of the Group and its brands.

Product development process is designed to include checkpoints. By working in compliance with such process, discrepancies between the planned goals and actual results of a particular product are controlled. We also included in the development procedures the required measurements and monitoring of product development in its respective stages. Scenarios have been laid down for cases of discrepancies, which involve – in addition to development activities – the measure of potential replacement of a non-compliant or unsuitable component.

In order to obtain feedback regarding the quality and usefulness of our products, in addition to our measurements, the product testing stage also includes independent consumer organizations and individual final product users. Tests are planned in the annual development plans and they involve relevant sets of products.

Risks directly affecting the new product development process involve the risk of availability of the development department which may be restricted due to lack of key personnel, inclusion of unplanned development projects, expressed or identified additional requirements in the course of the development project, or even a finding that the development concept is inappropriate. Risks pertaining to the product development process are managed by careful project planning during the annual planning which in turn is a part of the medium-term new product development planning.

The risk with the greatest potential effect occurring in the development process and that cannot be managed with internal controls is the **risk of an unsuccessful product concept.** In product development, the Group therefore has no assurance that the product we develop will find commercial success or that the consumers will recognize the useful value of the product features we develop. The effect of this risk is all the greater if we observe it from the aspect of new product categories and platforms. These risks are managed by monitoring consumer habits, needs, and trends, by conducting market analyses, and by monitoring the trends in the industry.

Human Resource Risks

Quality human resources are especially important at the Gorenje Group as they represent an important asset that makes our operations possible.

In 2015, we continued the succession planning project that is to assure uninterrupted operations despite any losses of key personnel. Particular attention was paid to training and education, and to maintaining and developing the competencies of our employees. A pool of new human resources was expanded by scholarships. Training and education and human resource development is carefully planned and regularly monitored. This includes the annual interview model that we have in place. At the same time, we encourage our employees to pursue the Group's fundamental values of responsibility, innovation, and entrepreneurship at all levels of operations.

In the field of occupational safety and health, we used our own methodology to assess the probability of occurrence of a particular accident and the probability of occurrence of health-related problems in each workplace. Based on the findings, we adopted relevant measures intended to decrease the probability of damaging effects on our employees, from the aspect of precisely directed investment into workplace improvement and adjustment of work processes, and from the aspect of training and education of employees, preventive examinations, and sports activities.

Logistics Risks

Logistics risks are related to ensuring the operation of the logistics process, to changes in logistics operations and services of contractual carriers (or logistics service providers), and to the operation of logistics infrastructure. In dealing with the risks of logistics process operation, we address disturbances and operations of logistics systems and logistics centres.

In 2015, logistics risks were managed by regular inspections of internal logistics systems, preventive and maintenance works, and regular upgrades to the systems in charge of logistics process operations. Risks of service delivery by contractors involve risks of our business partners who provide logistics services, or transport, between our logistics centres or to the warehouses of our business partners.

The effectiveness of logistics support was also materially affected by external factors over which Gorenje Group has no direct influence. These include changes in the price of fuel, road tolls and other fees related to the operation of the logistics process. Risks related to inadequate provision of services by contractors were managed with the regular implementation of alternative suppliers and assessment of the current logistics partners.

Risks of logistics infrastructure operation include changes in road, railway, or ship infrastructure and events related thereto, as well as changes in customs procedures, their operation, and their availability. In this respect, the risk level increased in 2015 with regard to control and uninterrupted operation of logistics routes as logistics between the Republic of Serbia and Republic of Slovenia was interrupted for a period due to the stoppage of freight transport along the said route. The risk was alleviated by activating the alternative logistics routes scenarios. This meant that there were no logistics failures or stoppages for the needs of the Gorenje Group as a result of the stoppage of freight traffic on the border crossings between the Republic of Croatia and the Republic of Serbia.

The field of logistics is focused on logistics activities directly related to the logistics of products and materials needed required for the operation of production capacities and for timely and adequate delivery of end products to business partners. Risks of faulty deliveries and transport damage at the level of internal logistics or logistics provided by partners or contractors are managed with operational risk management controls.

Legislative and Regulatory Risks

Legislative and regulatory risks include those related to any breaches of the relevant local legislation, regulations, or operating standards. These risks may affect the ability to successfully carry out the Group's business activities.

Due to our powerful international presence (in 90 countries of the world) and relatively high market shares in some countries, in 2015 we were exposed to the risk of compliance with the competition law and regulations. We observed closer control by the national competition protection offices. Any unwanted final result of such control could have a material effect on our operations and performance. Therefore, the Group adopted a policy and instructions for conduct in compliance with the provisions of the competition law, which pertain to the entire Group and which we also observed in 2015.

The Group's global presence is also a challenge in terms of compliance of operations with all required local legislation and regulations. In addition to our own legal experts, we hired the services of third-party legal consultants for specific purposes or markets. A special set of legislative risks and risks of regulation includes locally addressed risks managed at the level of each process. This segment also involves compliance with the tax legislation and regulations, compliance with environment requirements, compliance with safety standards from the aspect of product, working environment, and business processes, protection of (personal) information, and other issues whose framework is defined by the regulations and legislation. Non-compliance with the effective regulations and legislation is a risk which the Group has to manage and hedge according to the risk management methodology. Therefore, the only acceptable measure is the prevention of non-compliance and the introduction of activities to ensure compliance with all regulations and legislation.

(3)

Sales risks are related to competitiveness in the sale of products and services in particular markets. The efficiency of the Group's sales strategies depends on numerous factors, most importantly the implementation of appropriate and effective marketing strategies. These include in particular the right choice of brands for our products and services, pricing mechanisms, and competitiveness with regard to product functionality and design.

Competitiveness of sales was also affected in 2015 by the negotiating power of the industrial (OEM) customers and retail chains we work with, the quality of our products, recognition and power of the brands in markets, and the scope and quality of our after-sales activities.

We are facing powerful competition in all markets of our operations. In the last year, we have observed increased ownership concentration of our competitors, which has increased their competitive ability in the markets and boosted their negotiating power relative to the customers. Some of our competitors have more recognizable brands, broader consumer bases, and ampler financial and other sources they can use to improve their recognition in the markets, for marketing activities, and for launches of new and more competitive products in the markets. The risks related to competitors' activities aimed at increasing their market shares directly affect our operations and performance.

To support the Group in the pursuit of the annual business goals and strategic targets by the year 2020, the Corporate Marketing team revised the organizational structure and redefined the responsibilities within the Group. Key tasks were defined: targeted marketing investment and other goal-oriented marketing activities, using modern methods such as support to attainment of the planned sales targets and market shares, expansion to markets outside Europe, and sale in the premium and innovative segment.

In the new Strategic Plan for the period 2016–2020, developed in 2015, we specified as a key strategic goal to double our sales in markets outside Europe, i.e. in markets with higher growth of demand for home appliances. Gradual growth of the share of our sales in these markets, which we have also attained last year, mitigates our dependence on the highly competitive European environment.

(4)

Risks of reputation and goodwill: Our competitiveness and performance also depends on our recognition and reputation, which pertains to our brands and to compliance at all levels of our operations. Decrease in the value of our brands due to product recalls, customer complaints, negative publicity, legal or court proceedings, or other factors may have major negative effects on our operations. Moreover, reputation and goodwill are indirectly and directly affected by most of the risks specified in this section.

Therefore, particular attention was paid also in 2015 to compliance of our operations at all levels, suitable and proactive communication with all stakeholders of the Group, and transparent communication with the general public regarding the results of our operations, and significant events that affect our operations and performance.

Targets for 2016

We have specified a range of activities to improve our risk management process:

- review and, if necessary, amendment of the risk catalogue (register), especially in the following fields:
  - risks of disclosure of or security threats to information and the IT system, and the related legislation and regulations,
  - risks in marketing and sales.
- review and potential amendments with regard to project leadership and management,
- taking part in exchange of sound practices in risk management with peer companies,
- providing awareness and risk management training.

3

Accounting Report

In a mature home appliance industry with excess capacity, the keys to success, in addition to innovation-based growth, are especially cost management, sound financial management, capital management, and the resulting creation of value for the shareholders and other stakeholders, consistently with the principles of sustainable development.

Accounting Report of the Gorenje Group

Accounting Report pursuant to IFRS as adopted by the EU.

Consolidated Financial Statements of the Gorenje Group

Consolidated Income Statement of the Gorenje Group

EURk		Note	2014	2015
Revenue	ON THE NOTE ›	**11**	**1,253,717**	**1,225,029**
Change in inventories of products and work in progress			-12,042	13,370
Other operating income	ON THE NOTE ›	12	21,694	31,866
Gross profit			**1,263,369**	**1,270,265**
Cost of goods, materials and services	ON THE NOTE ›	13	-927,686	-937,245
Employee benefits expense	ON THE NOTE ›	14	-228,479	-231,362
Amortisation and depreciation expense	ON THE NOTE ›	15	-43,019	-45,644
Other operating expenses	ON THE NOTE ›	16	-21,650	-21,570
Operating profit			**42,535**	**34,444**
Finance income	ON THE NOTE ›	17	8,685	7,396
Finance expenses	ON THE NOTE ›	17	-47,422	-46,188
Net finance expenses	ON THE NOTE ›	**17**	**-38,737**	**-38,792**
Share in profits or losses of associates			65	360
Profit or loss before tax			**3,863**	**-3,988**
Income tax expense	ON THE NOTE ›	18	-2,624	-4,000
Profit or loss for the period			**1,239**	**-7,988**
Attributable to non-controlling interests			**220**	**215**
Attributable to equity holders of the parent			**1,019**	**-8,203**
Basic and diluted earnings per share (in EUR)	ON THE NOTE ›	32	0.04	-0.34

Consolidated Statement of Other Comprehensive Income of the Gorenje Group

EURk		Note	2014	2015
Profit or loss for the period			**1,239**	**-7,988**
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss			**0**	**-1,793**
Change in fair value of land			0	628
Actuarial gains or losses			0	-2,590
Income tax on other comprehensive income	ON THE NOTE ›	25	0	169
Items that may be reclassified subsequently to profit or loss			**-11,260**	**-1,083**
Net change in fair value of available-for-sale financial assets			-41	13
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge			-145	-527
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge, reclassified to profit or loss	ON THE NOTE ›	17	2,472	867
Income tax on other comprehensive income	ON THE NOTE ›	25	-381	13
Translation reserve			-13,165	-1,449
Other comprehensive income for the period			**-11,260**	**-2,876**
Total comprehensive income for the period			**-10,021**	**-10,864**
Attributable to equity holders of the parent			-10,241	-11,079
Attributable to non-controlling interests			220	215

Consolidated Balance Sheet of the Gorenje Group

EURk		Note	2014	2015
ASSETS			**1,102,398**	**1,101,274**
Non-current assets			**594,578**	**614,125**
Intangible assets	ON THE NOTE ›	19	181,600	196,032
Property, plant and equipment	ON THE NOTE ›	20	356,089	366,210
Investment property	ON THE NOTE ›	21	18,931	17,148
Non-current investments	ON THE NOTE ›	22	5,125	2,942
Investments in associates	ON THE NOTE ›	23	1,122	1,570
Non-current operating receivables	ON THE NOTE ›	24	6,988	5,743
Deferred tax assets	ON THE NOTE ›	25	24,723	24,480
Current assets			**507,820**	**487,149**
Non-current assets held for sale			1,648	309
Inventories	ON THE NOTE ›	26	219,799	225,906
Current investments	ON THE NOTE ›	27	20,481	16,370
Trade receivables	ON THE NOTE ›	28	182,589	161,020
Other current assets	ON THE NOTE ›	29	44,207	49,017
Income tax receivable			3,034	2,917
Cash and cash equivalents	ON THE NOTE ›	30	36,062	31,610

EURk		Note	2014	2015
EQUITY AND LIABILITIES			**1,102,398**	**1,101,274**
Equity	ON THE NOTE ›	31	**380,267**	**368,062**
Share capital			101,922	101,922
Share premium			175,698	174,502
Revenue reserves			99,301	99,301
Treasury shares			-3,170	-3,170
Profit or loss for the period			-2,464	-4,202
Profit or loss from previous years			12,829	6,145
Translation reserve			-17,600	-19,049
Fair value reserve			10,912	9,485
Equity of holders of the parent			**377,428**	**364,934**
Equity of non-controlling interests			**2,839**	**3,128**
Non-current liabilities			**348,390**	**345,298**
Provisions	ON THE NOTE ›	33	64,125	62,269
Deferred income	ON THE NOTE ›	34	5,270	5,350
Non-current operating liabilities	ON THE NOTE ›	35	5,937	4,178
Deferred tax liabilities	ON THE NOTE ›	25	2,988	2,515
Non-current financial liabilities	ON THE NOTE ›	36	270,070	270,986
Current liabilities			**373,741**	**387,914**
Current financial liabilities	ON THE NOTE ›	37	97,536	91,038
Trade payables	ON THE NOTE ›	38	202,615	221,027
Other current liabilities	ON THE NOTE ›	39	71,901	73,807
Income tax liabilities			1,689	2,042

Consolidated Statement of Cash Flows of the Gorenje Group

	EURk		Note	2014	2015
A.	CASH FLOWS FROM OPERATING ACTIVITIES				
	Profit or loss for the period			**1,239**	**-7,988**
	Adjustments for:				
	- depreciation of property, plant and equipment	ON THE NOTE ›	20	35,950	36,776
	- amortisation of intangible assets	ON THE NOTE ›	19	7,069	8,868
	- investment income	ON THE NOTE ›	17	-8,750	-7,396
	- finance expenses	ON THE NOTE ›	17	47,422	46,188
	- gain on sale of property, plant and equipment	ON THE NOTE ›	12	-288	-2,671
	- gain on sale of investment property			-83	0
	- tax expenses	ON THE NOTE ›	18	2,624	4,000
	Operating profit before changes in net operating current assets and provisions			**85,183**	**77,777**
	Change in trade and other receivables			20,196	12,493
	Change in inventories			16,552	-6,107
	Change in provisions			-4,452	-1,776
	Change in trade and other payables			-19,483	5,588
	Cash generated from operations			**12,813**	**10,198**
	Interest paid			-21,526	-18,868
	Income tax paid			-4,048	-5,137
	Net cash from operating activities			**72,422**	**63,970**

	EURk	Note	2014	2015
B.	CASH FLOWS FROM INVESTING ACTIVITIES			
	Proceeds from sale of property, plant and equipment		5,477	10,131
	Proceeds from sale of investment property		3,274	1,448
	Interest received		1,793	1,877
	Dividends received		120	52
	Disposal of subsidiary		10	0
	Acquisition of property, plant and equipment		-40,371	-52,375
	Acquisition of investment property		-9	-37
	Other investments		-3,258	1,885
	Acquisition of intangible assets		-21,264	-23,084
	Net cash used in investing activities		**-54,228**	**-60,103**
C.	CASH FLOWS FROM FINANCING ACTIVITIES			
	Capital increase		9,812	0
	Interest-bearing borrowings		168,496	196,402
	Repayment of borrowings		-272,940	-188,663
	Bonds issued		73,000	-14,600
	Dividend payout		0	-1,458
	Net cash used in financing activities		**-21,632**	**-8,319**
	Net change in cash and cash equivalents		-3,438	-4,452
	Cash and cash equivalents at beginning of period		39,500	36,062
	Cash and cash equivalents at end of period		36,062	31,610

Consolidated Statement of Changes in Equity of the Gorenje Group

EURk	Share capital	Share premium	Revenue reserves				Treasury shares	Retained earnings		Trans-lation reserve	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					
Opening balance at 1 Jan 2014	**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									1,019			1,019	220	1,239
Total other comprehensive income										-13,165	1,905	-11,260	0	-11,260
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1,019**	**-13,165**	**1,905**	**-10,241**	**220**	**-10,021**
Transactions with owners (when acting as owners) recognised directly in equity														
Contributions by owners and distribution to owners														
Capital increase	9,682	318										10,000		10,000
Costs of capital increase		-188										-188		-188
Transfer of previous period's profit to retained earnings								-26,711	26,711			0		0
Transfer of part of profit for 2014 to other reserves						2,850			-2,850			0		0
Creation of statutory reserves				633					-633			0		0
Total contributions by owners and distributions to owners	**9,682**	**130**	**0**	**633**	**0**	**2,850**	**0**	**-26,711**	**23,228**	**0**	**0**	**9,812**	**0**	**9,812**
Change in equity interests in subsidiaries that do not result in a loss of control														
Change in equity interests												0	-194	-194
Total changes in equity interests in subsidiaries	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-194**	**-194**
Total transactions with owners	**9,682**	**130**	**0**	**633**	**0**	**2,850**	**0**	**-26,711**	**23,228**	**0**	**0**	**9,812**	**-194**	**9,618**
Closing balance at 31 Dec 2014	**101,922**	**175,698**	**12,896**	**7,556**	**3,170**	**75,679**	**-3,170**	**12,829**	**-2,464**	**-17,600**	**10,912**	**377,428**	**2,839**	**380,267**

EURk	Share capital	Share premium	Revenue reserves				Treasury shares	Retained earnings		Translation reserve	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					
Opening balance at 1 Jan 2015	**101,922**	**175,698**	**12,896**	**7,556**	**3,170**	**75,679**	**-3,170**	**12,829**	**-2,464**	**-17,600**	**10,912**	**377,428**	**2,839**	**380,267**
Total comprehensive income for the period														
Profit or loss for the period									-8,203			-8,203	215	-7,988
Total other comprehensive income										-1,449	-1,427	-2,876	0	-2,876
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-8,203**	**-1,449**	**-1,427**	**-11,079**	**215**	**-10,864**
Transactions with owners (when acting as owners) recognised directly in equity														
Contributions by owners and distribution to owners														
Capital increase												0		0
Costs of capital increase												0		0
Transfer of previous period's profit or loss to retained earnings								-2,464	2,464			0		0
Dividend payout								-1,458				-1,458		-1,458
Transfer of fair value reserve of land to retained earnings or losses								43				43		43
Coverage of loss for 2015 based on the Management Board's decision		-1,196						-2,805	4,001			0		0
Total contributions by owners and distributions to owners	**0**	**-1,196**	**0**	**0**	**0**	**0**	**0**	**-6,684**	**6,465**	**0**	**0**	**-1,415**	**0**	**-1,415**
Change in equity interests in subsidiaries that do not result in a loss of control														
Change in equity interests												0	74	74
Total changes in equity interests in subsidiaries	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**74**	**74**
Total transactions with owners	**0**	**-1,196**	**0**	**0**	**0**	**0**	**0**	**-6,684**	**6,465**	**0**	**0**	**-1,415**	**74**	**-1,341**
Closing balance at 31 Dec 2015	**101,922**	**174,502**	**12,896**	**7,556**	**3,170**	**75,679**	**-3,170**	**6,145**	**-4,202**	**-19,049**	**9,485**	**364,934**	**3,128**	**368,062**

Notes to the Consolidated Financial Statements

1. Reporting entity

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

The consolidated financial statements of Gorenje, d.d., at and for the year ended 31 December 2015 comprise the controlling company and its subsidiaries (together referred to as the "Group"), the Group's interests in jointly controlled entities and the Group's interests in associates. The Group is primarily engaged in the production and sale of household appliances.

2. Basis of preparation

(a) Statement of compliance

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

The Management Board of Gorenje, d.d., approved the financial statements on 7 March 2016.

(b) Basis of measurement

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

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

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

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

- Note 18 and 25 – deferred taxes;
- Note 20 and 21 and accounting policies 3(d) and 3(f) – valuation of property, plant and equipment and investment property;
- Note 33 and accounting policy 3(l)(iv) – measurement of provisions for retirement benefits and jubilee Premiums;
- Note 33 and accounting policy 3(l)(iii) – provisions for onerous contracts and litigations;
- Note 33 and accounting policy 3(l)(i) – provisions for warranties;
- Note 41 and accounting policy 3(i)(i) – valuation of investments;
- Note 19 and accounting policy 3(e)(i) – goodwill;
- Accounting policy 3(i)(i) - impairment of financial assets, including receivables.

(e) Changes in accounting policies

The Group has not changed its accounting policies in 2015, except where necessary due to the amendments to IFRSs.

3. Significant accounting policies

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

(a) Basis for consolidation

(i) Business combinations

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

The Group measures goodwill at the acquisition date as:

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

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

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

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

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

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

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

(ii) Acquisition of non-controlling interests

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

(iii) Subsidiaries

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

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

(iv) Loss of control

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

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

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

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

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

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

(vi) Transactions eliminated on consolidation

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

(b) Foreign currency

(i) Foreign currency transactions

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

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

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

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

(ii) Foreign operations

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

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

(c) Financial instruments

(i) Non-derivative financial assets

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

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

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

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

Liabilities and receivables

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

Cash and cash equivalents

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

Available-for-sale financial assets

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

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

(ii) Non-derivative financial liabilities

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

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

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

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

(iii) Share capital

Ordinary shares

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

Repurchase of share capital (treasury shares)

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

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

(iv) Derivative financial instruments, including hedge accounting

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

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

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

Cash flow hedges

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

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

Other derivative financial instruments

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

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

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

(ii) Reclassification to investment property

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

(iii) Subsequent costs

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

(iv) Depreciation

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

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

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

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

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

(e) Intangible assets

(i) Goodwill

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

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

(ii) Research and development

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

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

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

(iii) Other intangible assets

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

(iv) Subsequent expenditure

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

(v) Amortisation

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

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

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

(f) Investment property

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

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

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

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

(g) Leased assets

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

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

(h) Inventories

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

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

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

(i) Impairment

(i) Non-derivative financial assets

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

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

Financial assets measured at amortised cost

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

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

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

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

Available-for-sale financial assets

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

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

(ii) Non-financial assets

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

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

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

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

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

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

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

(k) Employee benefits

(i) Short-term employee benefits

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

(l) Provisions

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

(i) Warranties for products and services

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

(ii) Restructuring

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

(iii) Onerous contracts

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

(iv) Provisions for retirement benefits and jubilee premiums

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

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

Actuarial gains and losses arising on provisions for retirement benefits and jubilee premiums are recognised in other comprehensive income since 1 January 2013 as required under the revised IAS 19. Group's accounting policy was changed according to the aforesaid standard.

(v) Site restoration

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

(m) Revenue

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

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

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

(ii) Revenue from services rendered

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

(iii) Commission

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

(iv) Rental income

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

(n) Government grants

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

(o) Finance income and finance expenses

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

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

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

(p) Income tax

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

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

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

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

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

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

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

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

(r) Basic earnings per share

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

(s) Comparative information

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

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

(i) Discontinued operations

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

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

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

(u) Segment reporting

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

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

(v) New accounting standards and interpretations applicable in the current period

Following accounting standards, amendments to existing standards and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the EU apply in the current reporting period:

- A collection of amendments to various IFRSs 'Annual Improvements to IFRSs 2011-2013 Cycle' (IFRS 3, IFRS 13, and IAS 40), in response to eliminate inconsistency and provide clarification of wording in IFRSs, which were adopted by the EU on 18 December 2014 (effective for annual periods beginning on or after 1 January 2015),
- IFRIC 21 'Levies', adopted by the EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014).

Adoption of the relevant amendments to the existing standards and interpretations did not result in any material change of the Group's financial statements.

(z) New accounting standards and interpretations not yet adopted

The following new accounting standards and interpretations are not yet effective for the annual period ended 31 December 2015 and have not been applied in preparing the financial statements hereunder:

- Amendments to IFRS 11 'Joint Arrangements' - Accounting for Acquisitions of Interests in Joint Operations, adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 1 'Presentation of Financial Statements' – Disclosure Initiative, adopted by the EUR on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 16 'Property, Plant and Equipment and IAS 38' – Intangible assets - Clarification of Acceptable Methods of Depreciation and Amortisation, adopted by the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 16 'Property, Plant and Equipment' and IAS 41 'Agriculture' – Agriculture: Bearer Plants, as adopted by the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 19 'Employee Benefits' - Defined Benefit Plans: Employee Contributions, adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),
- Amendments to IAS 27 'Separate Financial Statements' – Equity method in the separate financial statements, adopted by 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),

A collection of amendments to various IFRSs 'Annual Improvements to IFRSs 2010-2012 Cycle' (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38), in response to eliminate inconsistency and provide clarification of wording in IFRSs, which were adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),

A collection of amendments to various IFRSs 'Annual Improvements to IFRSs 2012-2014 Cycle' (IFRS 5, IFRS 7, IFRS 19 and MRS 34), in response to eliminate inconsistency and provide clarification of wording in IFRSs, adopted by the EU on 15 December 2015 (effective for annual periods beginning on or after 1 January 2016).

Accounting standards and interpretations issued by the IASB but not yet adopted by the EU

At present the IFRSs, as adopted by the EU, do not significantly differ from regulations adopted by IASB, except for following standards, amendments to existing standards and interpretations, which as of the date of approval of financial statements were not yet effective in EU:

- IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 1 January 2018),
- IFRS 14 'Regulatory Deferral Accounts' (effective for annual periods beginning on or after 1 January 2016) - The European Commission will not propose IFRS 14 for endorsement and consider any future standard on rate regulated activities for endorsement in the EU under its normal process,
- IFRS 15 'Revenue from Contracts with Customers' and further amendments (effective for annual periods beginning on or after 1 January 2018),
- IFRS 16 'Leases' (effective for annual periods beginning on or after 1 January 2019).
- Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 12 ' Disclosure of Interests in Other Entities ' and IAS 28 'Investments in Associates and Joint Ventures' – Investment Entities: consolidation exceptions (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and subsequent amendments (the applicability of amendments was deferred indefinitely until the research project on the equity method has been concluded),
- Amendments to IAS 12 'Income Taxes' – Recognition of Deferred Tax Assets for Unrealised Losses (Effective for annual periods beginning on or after 1 January 2017).

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

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

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

4. Determination of fair value

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

(i) Property, plant and equipment

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

A revaluation of land is based on the independent valuer's report. The Group examines, on an annual basis, if revaluation of land is required.

(ii) Intangible assets

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

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

(iii) Investment property

Fair value or possible changes to fair value of investment property is subject to valuation on an annual basis. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

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

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

(iv) Investments in debt and equity securities

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

(v) Trade and other receivables

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

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

(vi) Forward exchange contracts and interest rate swaps

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

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group and counterparty when appropriate.

(vii) Other non-derivative financial liabilities

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

5. Capital management

The basic purpose of capital management is ensuring the Gorenje Group's capital adequacy, long-term liquidity for financing the Group's business operations and development, and for its high financial stability. In doing so, Gorenje creates the highest possible value for its shareholders and other stakeholders of the company.

The strategic policy of reducing the financial debt and ensure its stable maturity was pursued also in 2015. The debt's maturity structure, whose non-current sources account for 74.9% of total financial liabilities, enables the coverage of non-current investments by means of non-current sources. As the result of demanding macroeconomic situation, which led to a loss, the Group worsened the ROE ratio, calculated as the parent company's profit or loss to the average value of its equity.

EURk	Note	2014	2015
Non-current financial liabilities	36	270,070	270,986
Current financial liabilities	37	97,536	91,038
Total financial liabilities		367,606	362,024
Total equity	31	380,267	368,062
Debt / equity		**0.97**	**0.98**
Cash and cash equivalents	30	36,062	31,610
Total net financial liabilities		331,544	330,414
Net debt / equity		**0.87**	**0.90**
Profit or loss		1,239	-7,988
ROE (%)		**0.3%**	**-2.2%**

6. Segment reporting

Business segments

The Group consists in 2015 of two key business segments i.e. Home and Portfolio Investments.

(i) Business Segment Home

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

(ii) Business Segment Portfolio Investments

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

Geographical segments

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

The Group comprises the following main geographical segments:

West: Austria, Germany, Italy, France, Denmark, Sweden, Belgium, Finland, Great Britain, Greece, Norway, the Netherlands, Spain, Switzerland, Ireland, Luxembourg, Malta, Portugal, and Cyprus.

East: 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: other countries.

7. Statement of cash flows

The statement of cash flows has been compiled under the indirect method on the basis of the items in the balance sheet at 31 December 2015, the balance sheet at 31 December 2014, the income statement for the year ended 31 December 2015, and the additional information required for the adjustment of income and expenses.

8. Composition of Gorenje Group

Pursuant to International Financial Reporting Standards (IFRSs) as adopted by EU, the consolidated financial statements of the Gorenje Group comprise the financial statements of the parent company Gorenje, d.d., and the financial statements of 76 subsidiaries:

	Companies operating in Slovenia	Equity interest (%)	Business segment
1.	Gorenje I.P.C., d.o.o., Velenje	100.00	BSH
2.	Gorenje GTI, d.o.o., Velenje	100.00	BSPI
3.	Gorenje Gostinstvo, d.o.o., Velenje	100.00	BSPI
4.	Energygor, d.o.o., Velenje	100.00	BSPI
5.	Kemis, d.o.o., Vrhnika	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
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	64.99	BSPI
13.	EKOGOR, d.o.o., Jesenice	64.99	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
19.	Gorenje EKOINVEST, d.o.o., Velenje	100.00	BSPI

	Companies operating abroad	Equity interest (%)	Business segment
1.	Gorenje Beteiligungs GmbH, Austria	100.00	BSH
2.	Gorenje Austria Handels GmbH, Austria	100.00	BSH
3.	Gorenje Vertriebs GmbH, Germany	100.00	BSH
4.	Gorenje Körting Italia S.r.l., Italy	100.00	BSH
5.	Gorenje France S.A.S., France	100.00	BSH
6.	Gorenje Espana, S.L., Spain	100.00	BSH
7.	Gorenje UK Ltd., Great Britain	100.00	BSH
8.	Gorenje Group Nordic A/S, Denmark	100.00	BSH
9.	Gorenje OY, Finland	100.00	BSH
10.	Gorenje spol. s r.o., Czech Republic	100.00	BSH
11.	Gorenje real spol. s r.o., Czech Republic	100.00	BSH
12.	Gorenje Slovakia s.r.o., Slovak Republic	100.00	BSH
13.	Gorenje Magyarország Kft., Hungary	100.00	BSH
14.	Gorenje Polska Sp. z o.o., Poland	100.00	BSH
15.	Gorenje Bulgaria EOOD, Bulgaria	100.00	BSH
16.	Gorenje Zagreb, d.o.o., Croatia	100.00	BSH
17.	Gorenje Skopje, d.o.o., Macedonia	100.00	BSH
18.	Gorenje Commerce, d.o.o., Bosnia and Herzegovina	100.00	BSH
19.	Gorenje, d.o.o., Serbia	100.00	BSH
20.	Gorenje Podgorica , d.o.o., Montenegro	99.975	BSH
21.	Gorenje Romania S.r.l., Romania	100.00	BSH
22.	Gorenje aparati za domaćinstvo, d.o.o., Serbia	100.00	BSH
23.	Mora Moravia s r.o., Czech Republic	100.00	BSH
24.	Gorenje - kuchyně spol. s r.o., Czech Republic	100.00	BSH
25.	KEMIS-Termoclean, d.o.o., Croatia	100.00	BSPI
26.	Kemis - BH, d.o.o., Bosnia and Herzegovina	100.00	BSPI
27.	Gorenje Studio, d.o.o., Serbia	100.00	BSH
28.	Gorenje Gulf FZE, United Arab Emirates	100.00	BSH
29.	Gorenje Tiki, d.o.o., Serbia	100.00	BSH

	Companies operating abroad	Equity interest (%)	Business segment
30.	Gorenje Istanbul Ltd., Turkey	100.00	BSH
31.	Gorenje TOV, Ukraine	100.00	BSH
32.	ST Bana Nekretnine, d.o.o., Serbia	100.00	BSPI
33.	Kemis Valjevo, d.o.o, Serbia	100.00	BSPI
34.	Kemis – SRS, d.o.o., Bosnia and Herzegovina	100.00	BSPI
35.	ATAG Nederland BV, the Netherlands	100.00	BSH
36.	ATAG België NV, Belgium	100.00	BSH
37.	Intell Properties BV, the Netherlands	100.00	BSH
38.	Gorenje Nederland BV, the Netherlands	100.00	BSH
39.	Gorenje Kazakhstan, TOO, Kazakhstan	100.00	BSH
40.	»Euro Lumi & Surovina« SH.P.K., Kosovo	51.00	BSPI
41.	OOO Gorenje BT, Russia	100.00	BSH
42.	Gorenje GTI, d.o.o., Beograd, Serbia	100.00	BSPI
43.	Asko Appliances AB, Sweden	100.00	BSH
44.	Gorenje North America,Inc., USA	100.00	BSH
45.	Asko Appliances Pty, Australia	100.00	BSH
46.	Asko Appliances OOO, Russia	100.00	BSH
47.	»Gorenje Albania« SHPK, Albania	100.00	BSH
48.	Gorenje Home d.o.o., Zaječar, Serbia	100.00	BSH
49.	ORSES d.o.o., Beograd, Serbia	100.00	BSPI
50.	Gorenje Ekologija, d.o.o., Stara Pazova, Serbia	100.00	BSPI
51.	Gorenje Corporate GmbH, Austria	100.00	BSH
52.	Cleaning System S, d.o.o., Serbia	100.00	BSPI
53.	ZEOS eko-sistem d.o.o., Bosnia and Herzegovina	49.45	BSPI
54.	Gorenje do Brasil Ltda., Brasil	100.00	BSH
55.	Gorenje Asia Ltd., China	100.00	BSH
56.	Gorenje MDM, d.o.o. Kragujevac, Serbia	100.00	BSPI
57.	Gorenje Chile SpA, Chile	100.00	BSH

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
- Econo Projektiranje d.o.o., Ljubljana
- ENVITECH D.O.O., Belgrade, Serbia
- Gorenje Electronics Trading LLC, Dubai, United Arab Emirates
- Gorenje Projekt, d.o.o., Belgrade, Serbia
- Tosidos, d.o.o., Ljubljana

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

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

Planned changes in the Gorenje Group composition

As of 24 July 2015, Gorenje, d.d., signed with the company Tesla Recycling, spolka z organiczona odpowiedzialnoscia spolka komandytowa, a contract on selling an equity interest in the company Gorenje Surovina, d.o.o., including the subsidiaries Kemis Valjevo, d.o.o., Kemis BH, d.o.o., and Cleaning System S, d.o.o., Šabac. The contracting parties have undertaken to complete the relevant transaction not later than by 31 March 2016 (transaction's deadline). The procedures on meeting the preconditions take longer than expected during the contract's signing, therefore Gorenje and Tesla agreed on 4 March 2016 to extend the deadline for completing the transaction i.e. by 31 May 2016. Any other elements of the respective contract on selling the equity interest in Gorenje Surovina, d.o.o., and its subsidiaries, remain unaffected.

Signing the contract on the disposal of the majority holding in Gorenje Surovina and its subsidiaries is the next step to enhancing the core activity, whereby the sale will also have a material impact on Group's further deleveraging and its financial stability. Once the transaction is completed, the stated companies will become Gorenje Group's associated companies. In the period since the contract's signing, we are engaged in implementing activities related to contractual provisions, whose realisations is required by the completion of the transaction. Preconditions for implementing the contract were not entirely met as at 31 December 2015 and also remain so at the date of the annual report's publishing.

In August 2015, Gorenje, d.d., and Gorenje Surovina, d.o.o., signed an agreement with the company HIS gradbeništvo in inženiring, d.o.o., which holds a 49-percent stake in the company Publicus, d.o.o., to divest their majority holding in their subsidiary Publicus, d.o.o., Ljubljana, including the subsidiary Ekogor, d.o.o., Jesenice. The relevant agreement is the first step of signing a contract on selling an equity interest, which the new company, within the framework of Gorenje Group and the company HIS, d.o.o., will conclude should the agreed preconditions be met. Key preconditions are bound by the withdrawal of own shares in Gorenje Surovina, the change of legal form of the company Gorenje Surovina, within which Gorenje Surovina's investments will be split off, including the investment in Publicus, to the new company, and the assurance of refinancing the existing financial liabilities of Publicus and Ekogor, which are supported by Gorenje Group's guarantees. Since the agreement's signing, both Gorenje and HIS are engaged in activities that are required for meeting the preconditions as defined. As the relevant and agreed-upon preconditions were not entirely met, the contracting parties have not yet signed the agreement on divesting the majority holding. Once the respective sale is complete, the companies Publicus, d.o.o., and Ekogor, d.o.o., will no longer be part of the Gorenje Group.

Within the process of meeting the preconditions set in both afore-mentioned transactions, the legal form of Gorenje Surovina, d.o.o., was changed and thereupon the company Gorenje EKOINVEST ekološke naložbe, d.o.o., established. This new company was established on 29 December 2015 based on a spin-off from the transferring company Gorenje Surovina, d.o.o., with Gorenje, d.d., being the sole owner of the new company.

9. Non-controlling equity interests

Non-controlling interests as at 31 December 2015:

EURk	2014		2015	
	Non-controlling interest	Share in profit or loss	Non-controlling interest	Share in profit or loss
Gorenje Podgorica, d.o.o., Montenegro	1	0	1	0
ZEOS, d.o.o., Ljubljana	546	80	624	80
»Euro Lumi & Surovina« SH.P.K., Kosovo	242	-36	211	-30
ERICo, d.o.o., Velenje	677	25	679	5
PUBLICUS, d.o.o., Ljubljana	904	185	922	151
Gorenje design studio, d.o.o., Velenje	152	1	128	-24
EKOGOR, d.o.o., Jesenice	67	1	282	3
ZEOS eko-sistem, d.o.o., Bosnia and Herzegovina	244	12	317	73
Gorenje Surovina Fotoreciklaža, d.o.o., Maribor	6	-48	-36	-43
Total	**2,839**	**220**	**3,128**	**215**

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

10. Associates

Group's share in profits or losses of associates amounted to EUR 360k in 2015 (2014: EUR 65k).

Assets, liabilities, revenue and expenses of associates in 2014 are outlined below (overview of equity interests and shares is provided in Note 23):

Company / EURk	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenue	Expenses	Income tax expense	Profit or loss for the period
Econo Projektiranje, d.o.o., Ljubljana	75	618	9	498	922	-916	-1	5
GGE, d.o.o., Ljubljana	2,560	1,722	1,332	1,985	5,109	-4,859	0	250
RCE, d.o.o., Velenje	5,601	2,223	13	10,601	2,668	-4,856	0	-2,188
ENVITECH D.O.O., Beograd	3	77	0	77	33	-32	0	1
Gorenje Projekt, d.o.o., Velenje	656	7,674	29	7,363	26,081	-26,075	0	6
Gorenje Projekt d.o.o., Beograd	23	9	0	1	19	-19	0	0
Gorenje Electronics Trading LLC, Dubai	32	35	206	23	41	-143	0	-102
Tosidos, d.o.o., Ljubljana	197	3,374	59	3,298	9,439	-9,308	-24	107

Assets, liabilities, revenue and expenses of associates in 2015 are outlined below:

Company / EURk	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenue	Expenses	Income tax expense	Profit or loss for the period
Econo Projektiranje, d.o.o., Ljubljana	67	414	1	452	586	-743	0	-157
GGE, d.o.o., Ljubljana	2,626	1,907	1,486	1,667	6,574	-6,049	-89	436
ENVITECH D.O.O., Beograd	0	25	0	66	4	-31	0	-27
Gorenje Projekt, d.o.o., Velenje	501	8,370	61	7,595	21,672	-21,344	-35	293
Gorenje Projekt d.o.o., Beograd	28	3	0	3	4	-8	0	-4
Gorenje Electronics Trading LLC, Dubai	30	70	269	4	174	-156	0	18
Tosidos, d.o.o., Ljubljana	396	2,907	29	2,922	14,634	-14,496	1	139

Note 11 – Revenue EUR 1,225,029k

EURk	2014	2015
Revenue from the sale of products and goods	1,195,201	1,168,205
Revenue from the sale of services	58,516	56,824
Total	**1,253,717**	**1,225,029**

Note 12 – Other operating income EUR 31,866k

EURk	2014	2015
Income from subsidies, grants and compensations	1,948	604
Rental income	1,664	1,993
Income from use and reversal of provisions	3,073	8,792
Income from use of deferred income relating to government grants	3,774	4,074
Gain on disposal of property, plant and equipment	691	2,772
Gain on disposal of investment property	83	0
Other operating income	10,461	13,631
Total	**21,694**	**31,866**

Income arising from subsidies declined by EUR 1,344k if compared to 2014, which is largely attributable to lower subsidies received by the parent company and the company ZEOS, d.o.o.

Major part of income from use of deferred income relating to government grants in the amount of EUR 3,894k refers to Gorenje IPC, d.o.o., a company employing disabled persons, in which government grants were used in line with the Vocational Rehabilitation and Employment of Disabled Persons Act.

In 2015, EUR 2,622k of profits on sale of property, plant and equipment were generated by the Business Segment Home, most thereof in the amount of EUR 1,217k refers to the sale of the building at the company Atag Belgie NV and EUR 656k to the sale of buildings recorded by companies in the Czech Republic.

Other operating income includes primarily income from compensation for damages (EUR 3,090k), income arising from the implementation of the Directive on Waste Electrical and Electronic Equipment (EUR 638k), income from write-off of debts (EUR 103k), and other operating income (EUR 9,800k).

Rental income

EURk	2014	2015
Rental income - up to 1 year	478	633
Total	**478**	**633**

Note 13 – Costs of goods, materials and services EUR 937,245k

EURk	2014	2015
Cost of goods sold	228,938	238,939
Cost of materials	491,470	488,899
Cost of services	207,278	209,407
Total	**927,686**	**937,245**

Cost of services includes cost of provisions for warranties in the amount of EUR 31,717k (2014: EUR 29,472k) and cost of rentals in the amount of EUR 19,213k (2014: EUR 20,709k).

Note 14 – Employee benefits expense EUR 231,362k

EURk	2014	2015
Wages and salaries	165,112	165,559
Social security costs	37,758	36,007
Other employee benefits expense	25,609	29,796
Total	**228,479**	**231,362**

The item of other employee benefits expense includes cost of provisions formed for retirement benefits and jubilee premiums in the amount of EUR 2,420k (2014: EUR 733k) and disclosed on the basis of the actuarial calculation. The balance of these provisions was mostly impacted by the lower discount rate as the result of changed macroeconomic circumstances.

Part of employee benefits expense (EUR 4,008k) was used to create provisions from government grants in Gorenje I.P.C., d.o.o., which has the status of a company employing disabled persons.

Other employee benefits expense includes mainly annual leave bonuses, meal allowances, commuting allowances, retirement benefits and jubilee premiums, in compliance with the national labour legislation and the companies' internal regulations.

Number of employees by business segment	As at 31 Dec		Average	
	2014	2015	2014	2015
Business Segment Home	8,815	9,165	9,041	9,182
Business Segment Portfolio Investments	1,427	1,437	1,427	1,435
Total	**10,242**	**10,602**	**10,468**	**10,617**

Note 15 – Amortisation and depreciation expense EUR 45,644k

EURk	2014	2015
Amortisation expense of intangible assets	7,069	8,868
Depreciation expense of property, plant and equipment	35,950	36,776
Total	**43,019**	**45,644**

Note 16 – Other operating expenses EUR 21,570k

EURk	2014	2015
Write-off of inventories to net realisable value	2,809	3,594
Disposal and impairment of assets	846	612
Other taxes and charges	3,322	3,378
Other operating expenses	14,673	13,986
Total	**21,650**	**21,570**

The item of other taxes and charges comprises charges for the use of building plot, water charge, environmental taxes, membership fees in mandatory associations, and other mandatory taxes and charges.

Other expenses include mostly expenditure relating to environmental protection, whereof a large part under the Directive on Waste Electrical and Electronic Equipment (EUR 8,283k) and compensation in damages (EUR 1,062k).

Note 17 – Net finance expenses EUR 38,792k

Finance income EUR 7,396k

EURk	2014	2015
Dividend income from available-for-sale investments	54	52
Interest income	1,794	1,877
Change in fair value of interest rate swaps	0	428
Change in fair value forward exchange contracts	4,025	392
Income from net exchange differences	0	365
Gain on disposal of available-for-sale financial assets	0	18
Income from forward exchange contracts	388	1,700
Other finance income	2,424	2,564
Total	**8,685**	**7,396**

Finance expenses EUR 46,188k

EURk	2014	2015
Interest expenses	19,550	18,002
Expenses on interest rate swaps	1,902	866
Change in fair value of interest rate swaps	570	0
Expenses on net exchange differences	5,544	0
Expenses on forward exchange contracts	250	11,598
Change in fair value of forward exchange contracts	190	3,830
Interest expenses arising under provisions for retirement benefits and jubilee premiums	0	630
Impairment loss on available-for-sale investments	96	40
Impairment loss on trade receivables	5,167	4,178
Impairment loss on non-current and other receivables	4,233	703
Impairment loss on loans	762	448
Impairment loss on investments in associates	600	135
Other finance expenses	8,558	5,758
Total	**47,422**	**46,188**

Fair value of trade receivables, investments and loans given is secured through the impairment of receivables, investments and loans given in the amount of EUR 5,504k (2014: EUR 10,858k). The impairment of loans refers fully to Gorenje, d.d., and its loan to the company Arosa Mobilia, d.o.o.

A large portion of other finance income includes mostly costs of loans, letters of credit provided, guarantees and debt factoring.

Finance income and expenses recognised directly in other comprehensive income (net)

EURk	2014	2015
Net change in effective portion of gains and losses on hedging instruments in a cash flow hedge	-533	-512
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge, reclassified to profit or loss	2,472	867
Net change in fair value of available-for-sale financial assets	-34	11
Net change in fair value of available-for-sale financial assets, reclassified to profit or loss	0	0
Net change in exchange differences of subsidiaries, reclassified to profit or loss	0	0
Finance expenses recognised in other comprehensive income	**1,905**	**366**
Finance expenses recognised in other comprehensive income attributable to equity holders of the parent	**1,905**	**366**
Finance expenses recognised in other comprehensive income attributable to non-controlling interests	**0**	**0**

Note 18 – Income tax expense EUR 4,000k

The disclosure of income tax expense encompasses current tax liabilities, deferred tax assets, and deferred tax liabilities.

EURk	2014	2015
Current tax expense	4,216	5,607
Deferred tax expense	-1,592	-1,607
Total	**2,624**	**4,000**

In 2015, the Group did not recognised deferred tax assets in the amount of EUR 17,045 referring largely to unused tax incentives for research and development, investments and tax losses.

Effective income tax rates:

EURk	2014	2014	2015	2015
Profit or loss before tax		**3,863**		**-3,988**
Income tax using the domestic tax rate	17.0%	657	17.0%	-678
Effect of tax rates in foreign jurisdictions	-17.0%	-657	11.8%	-469
Non-deductible expenses	36.6%	1,415	-99.3%	3,961
Tax exempt income	-0.6%	-23	-0.1%	3
Tax reliefs	-76.9%	-2,972	4.0%	-158
Tax losses of the current year for which deferred tax assets are not recognised	123.5%	4,772	-20.0%	798
Other differences	-14.7%	-568	-13.6%	543
Income tax expense	**67.9%**	**2,624**	**-100.3%**	**4,000**

Following deferred tax amounts were recognised in other comprehensive income:

EURk	2014		
	Pre-tax amount	Tax	After-tax amount
Change in fair value of available-for-sale financial assets	-41	7	-34
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge	-145	-388	-533
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge, reclassified to profit or loss	2,472	0	2,472
Foreign currency translation differences for foreign operations	-13,165	0	-13,165
Other comprehensive income	**-10,879**	**-381**	**-11,260**

EURk	2015		
	Pre-tax amount	Tax	After-tax amount
Change in fair value of available-for-sale financial assets	13	-2	11
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge	-527	15	-512
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge, reclassified to profit or loss	867	0	867
Foreign currency translation differences for foreign operations	-1,449	0	-1,449
Other comprehensive income	**-1,096**	**13**	**-1,083**

Note 19 – Intangible assets (IA) EUR 196,032k

EURk	2014	2015
Development costs	26,924	27,696
Industrial property rights	12,296	12,231
Trademark	61,964	61,964
Goodwill	68,653	68,653
Intangible assets under construction	11,763	25,488
Total	**181,600**	**196,032**

The item of intangible assets includes mostly trademarks Atag, Etna and Pelgrim, goodwill, deferred development costs, and computer software.

Goodwill in the amount of EUR 62,130k and fair value of trademarks Atag, Etna and Pelgrim in the amount of EUR 61,964k were established in 2008 at the acquisition of the company Atag Europe BV. In addition, goodwill was established in 2008 in the amount of EUR 1,617k at the acquisition of the majority interest in PUBLICUS, d.o.o. Goodwill in the amount of EUR 2,030k was established in 2007 at the acquisition of the majority interest in Gorenje Surovina, d.d. Goodwill in the amount of EUR 2,875k was established in 2005 at the acquisition of Mora Moravia, s r. o. in the Czech Republic and Gorenje Studio, d.o.o., in Serbia.

Impairment testing of goodwill and trademark

Impairment testing of goodwill and trademarks Atag, Etna and Pelgrim arising from the acquisition of Atag Europe BV was carried out. The calculations are based on cash flow projections for the ATAG Group, which have been prepared on the basis of the adopted business plan for 2016 and the strategic business plan for the period 2017-2020. The main underlying assumptions used to calculate the value in use are: the revenue growth rate of 2.5% (2014: 3.0%) and the discount rate of 7.28% (2014: 8.70%).

The recoverable value of the cash-generating unit exceeds its carrying amount, including that of goodwill and trademarks Atag, Etna and Pelgrim. Hence, there was no need for impairment to be carried out.

Impairment testing of goodwill arising on the acquisition of PUBLICUS, d.o.o., was carried out. The calculations are based on cash flow projections for PUBLICUS, d.o.o., which have been compiled on the basis of the adopted business plan for 2016 and the strategic business plan for the period 2017-2020. The main underlying assumptions used to calculate the value in use are: the revenue growth rate of 2.0% (2014: 2.0%) and the discount rate of 7.1% (2014: 7.79%).

According to findings made, the recoverable value of the cash-generating unit exceeds its carrying amount, including that of goodwill. Consequently, no need for impairment of goodwill exists.

Impairment testing of goodwill arising from the acquisition of Mora Moravia, s r.o. was carried out. The calculations are based on cash flow projections for Mora Moravia, s r.o., which have been prepared on the basis of the adopted business plan for 2016 and the strategic business plan for the period 2017-2020. The main underlying assumptions used to calculate the value in use are: the revenue growth rate of 2.0% (2014: 2.0%) and the discount rate of 7.30% (2014: 6.80%).

The recoverable value of the cash-generating unit exceeds its carrying amount, including that of goodwill. No need for impairment accordingly exists.

Impairment testing of goodwill arising from the acquisition of Gorenje Studio, d.o.o., was carried out. The calculations are based on cash flow projections for Gorenje Studio, d.o.o., that have been compiled on the basis of the adopted business plan for 2016 and the strategic business plan for the period 2017-2020. The main underlying assumptions used to calculate the value in use are: the revenue growth rate of 2.0% (2014: 2.0%) and the discount rate of 11.6% (2014: 11.53%).

The recoverable value of the cash-generating unit was determined to be higher than its carrying amount, including that of goodwill. Therefore there was no need for impairment of goodwill.

Impairment testing of goodwill arising from the acquisition of Gorenje Surovina, d.o.o., was carried out. The calculations are based on the cash flow projections for Gorenje Surovina, d.o.o., which have been prepared on the basis of the adopted business plan for 2016 and the strategic business plan for the period 2017-2020. The main underlying assumptions used to calculate the value in use are: the revenue growth rate of 2.0% (2014: 3.0%) and the discount rate of 7.3% (2014: 8.6%).

The recoverable value of the cash-generating unit was determined to be higher than its carrying amount, including that of goodwill. Therefore there was no need for impairment of goodwill.

Increase in intangible assets primarily relates to capitalised costs of developing new advanced products (new built-in ovens, upgraded gas cookers, upgraded Gorenje washing machines and dryer, redesigned freestanding cookers) that are developed by competence centres of parent company's individual programmes.

Movements in intangible assets in 2014

EURk	Development costs	Industrial property rights	Trademark	Goodwill	Intangible assets under construction	Total
Cost at 1 Jan 2014	**39,500**	**33,691**	**61,964**	**68,653**	**10,021**	**213,829**
Acquisition	2,631	1,368			17,265	**21,264**
Disposals, write-offs	-8,074	-8,302				**-16,376**
Sale of companies		-160				**-160**
Other transfers	15,031	564			-15,490	**105**
Exchange differences	-135	-407			-33	**-575**
Cost at 31 Dec 2014	**48,953**	**26,754**	**61,964**	**68,653**	**11,763**	**218,087**
Accumulated amortisation at 1 Jan 2014	**25,782**	**20,157**				**45,939**
Disposals, write-offs	-8,076	-8,277				**-16,353**
Amortisation	4,351	2,718				**7,069**
Other transfers		71				**71**
Exchange differences	-28	-211				**-239**
Accumulated amortisation at 31 Dec 2014	**22,029**	**14,458**				**36,487**
Carrying amount at 1 Jan 2014	**13,718**	**13,534**	**61,964**	**68,653**	**10,021**	**167,890**
Carrying amount at 31 Dec 2014	**26,924**	**12,296**	**61,964**	**68,653**	**11,763**	**181,600**

Movements in intangible assets in 2015

EURk	Development costs	Industrial property rights	Trademark	Goodwill	Intangible assets under construction	Total
Cost at 1 Jan 2015	**48,953**	**26,754**	**61,964**	**68,653**	**11,763**	**218,087**
Acquisition	2,630	2,125			18,329	**23,084**
Disposals, write-offs	-1,427	-1,071				**-2,498**
Other transfers	4,228	1,201			-4,599	**830**
Exchange differences	26	672			-5	**693**
Cost at 31 Dec 2015	**54,410**	**29,681**	**61,964**	**68,653**	**25,488**	**240,196**
Accumulated amortisation at 1 Jan 2015	**22,029**	**14,458**				**36,487**
Disposals, write-offs	-1,427	-1,046				**-2,473**
Amortisation	6,075	2,793				**8,868**
Other transfers		598				**598**
Exchange differences	37	647				**684**
Accumulated amortisation at 31 Dec 2015	**26,714**	**17,450**				**44,164**
Carrying amount at 1 Jan 2015	**26,924**	**12,296**	**61,964**	**68,653**	**11,763**	**181,600**
Carrying amount at 31 Dec 2015	**27,696**	**12,231**	**61,964**	**68,653**	**25,488**	**196,032**

Note 20 – Property, plant and equipment (PPE) EUR 366,210k

EURk	2014	2015
Land	41,836	42,270
Buildings	146,924	145,131
Production and other equipment	141,931	145,452
Property, plant and equipment under construction	25,398	33,357
Total	**356,089**	**366,210**

Movements in property, plant and equipment in 2014

EURk	Land	Buildings	Production and other equipment	PPE under construction	Total
Cost at 1 Jan 2014	**40,646**	**295,531**	**506,321**	**13,867**	**856,365**
Acquisition	665	2,017	6,264	31,425	**40,371**
Disposals, write-offs	-13	-15,006	-43,116	-75	**-58,210**
Disposal of companies	-52		-139		**-191**
Transfer from investment property	930	4,867			**5,797**
Other transfers	-3	2,626	9,850	-19,714	**-7,241**
Exchange differences	-337	-3,733	-3,479	-105	**-7,654**
Cost at 31 Dec 2014	**41,836**	**286,302**	**475,701**	**25,398**	**829,237**
Accumulated depreciation at 1 Jan 2014	**0**	**143,119**	**356,582**	**0**	**499,701**
Disposals, write-offs		-10,262	-42,489		**-52,751**
Depreciation		7,419	28,531		**35,950**
Disposal of companies			-56		**-56**
Transfer from investment property		-1			**-1**
Other transfers		-85	-6,931		**-7,016**
Exchange differences		-812	-1,867		**-2,679**
Accumulated depreciation at 31 Dec 2014	**0**	**139,378**	**333,770**	**0**	**473,148**
Carrying amount at 1 Jan 2014	**40,646**	**152,412**	**149,739**	**13,867**	**356,664**
Carrying amount at 31 Dec 2014	**41,836**	**146,924**	**141,931**	**25,398**	**356,089**

Movements in property, plant and equipment in 2015

EURk	Land	Buildings	Production and other equipment	PPE under construct-ion	Total
Cost at 1 Jan 2015	**41,836**	**286,302**	**475,701**	**25,398**	**829,237**
Acquisition	220	773	9,486	41,896	**52,375**
Revaluation	790	-181			**609**
Disposals, write-offs	-1,577	-9,067	-15,023	-86	**-25,753**
Transfer from investment property		603			**603**
Transfer to investment property		-334			**-334**
Other transfers	1,008	10,049	18,979	-33,862	**-3,826**
Exchange differences	-7	44	263	11	**311**
Carrying amount at 31 Dec 2015	**42,270**	**288,189**	**489,406**	**33,357**	**853,222**
Accumulated depreciation at 1 Jan 2015	**0**	**139,378**	**333,770**	**0**	**473,148**
Revaluation			26		**26**
Disposals, write-offs		-3,991	-14,522		**-18,513**
Depreciation		7,466	29,310		**36,776**
Transfer from investment property		148			**148**
Transfer to investment property		-63			**-63**
Other transfers			-4,943		**-4,943**
Exchange differences		120	313		**433**
Accumulated depreciation at 31 Dec 2015	**0**	**143,058**	**343,954**	**0**	**487,012**
Carrying amount at 1 Jan 2015	**41,836**	**146,924**	**141,931**	**25,398**	**356,089**
Carrying amount at 31 Dec 2015	**42,270**	**145,131**	**145,452**	**33,357**	**366,210**

Most of investments in the amount of EUR 44,310k were carried out within the central Business Segment Home, where a significant portion thereof was invested into technological equipment (e.g. replacing the equipment, reconstruction and upgrade of manufacturing equipment, purchase of new and upgrade of old tools). Investments recorded in 2015 by the segment Portfolio Investments amounted to EUR 8,065k and to a large extent refer to ecology (EUR 5,855k).

Disposal of property, plant and equipment relates to the sale of non-operating assets.

Group's land was appraised at the year-end of 2013 by an independent certified appraiser of real property. If land was disclosed at original cost, the book value of land would amount to EUR 31,639k. According to Management's assessment, the assumptions applied have not changed materially and the fair value of land does not significantly deviate from its carrying amount.

As at 31 December 2015, no financial liabilities were secured by mortgage on real property.

No borrowing costs were attributed to the items of property, plant and equipment in 2015.

Transfers include transfers from investment property to property, transfers from property, plant and equipment to intangible assets and to investment property, and transfers between individual items.

Note 21 – Investment property EUR 17,148k

EURk	2014	2015
Land with buildings	18,931	17,148
Total	**18,931**	**17,148**

The item of investment property includes land and buildings acquired for resale or increase in investments. Investment property is measured by using the fair value model. Group's investment property was appraised by an independent certified appraiser at the year-end of 2013. According to Management's assessment, the assumptions applied have not changed materially and the fair value of land does not significantly deviate from its carrying amount.

Rental income generated on investment property is recognised in the income statement for 2015 and amounted to EUR 63k. Costs occurring in connection with investment property amounted to EUR 300k in the reporting period.

Movements in investment property

EURk	2014	2015
Opening balance at 1 January	**28,129**	**18,931**
Increase	9	37
Revaluation	0	0
Decrease	-3,409	-1,636
Transfer from PPE	0	271
Transfer to PPE	-5,798	-455
Closing balance at 31 December	**18,931**	**17,148**

Note 22 – Non-current investments EUR 2,94k

EURk	2014	2015
Loans (1 to 5 years)	4,168	2,031
Deposits	37	32
Other investments	920	879
Total	**5,125**	**2,942**

Movements in loans

EURk	2014	2015
Opening balance at 1 January	**5,582**	**4,168**
Exchange differences	-1	0
Increase	0	1,000
Decrease	-12	-17
Transfers to current investments	-1,401	-3,120
Closing balance at 31 December	**4,168**	**2,031**

The item of loans includes loans extended by the parent company and its subsidiaries to non-Group companies. The interest rate, which depends on the currency in which the loan is denominated, ranged from 2.0 percent to 4.5 percent.

Note 23 – Investments in associates EUR 1,570k

EURk	Equity interest	2014	2015
Gorenje Projekt, d.o.o., Velenje	50.00%	513	693
GGE, d.o.o., Ljubljana	50.00%	288	675
Econo Projektiranje, d.o.o., Ljubljana	26.00%	113	72
Gorenje Electronics Trading LLC, Dubai	49.00%	191	120
ENVITECH D.O.O., Belgrade	26.00%	17	10
Total		**1,122**	**1,570**

Note 24 – Non-current trade receivables EUR 5,743k

Most of non-current trade receivables in the amount of EUR 4,195k (31 December 2014: EUR 4,084k) comprise rescheduled trade receivables in Gorenje Zagreb, d.o.o.

Note 25 – Deferred tax assets and liabilities

Deferred taxes are calculated based on temporary differences by using the liability method and the tax rate, applicable in the country in which the respective Group company is domiciled.

EURk	Tax assets		Tax liabilities		Tax assets – tax liabilities	
	2014	2015	2014	2015	2014	2015
PPE	-227	321	3,596	3,302	-3,823	-2,981
Investments	1,462	1,460	21	21	1,441	1,439
Receivables	1,165	1,115	37	14	1,128	1,101
Inventories	49	46	-32	-34	81	80
Liabilities from litigations	1	2	0	1	1	1
Provisions in line with local standards and tax laws	356	684	100	6	256	678
Provisions for retirement benefits and jubilee premiums	2,002	2,351	0	0	2,002	2,351
Provisions for warranties	1,999	1,940	-57	-78	2,056	2,018
Unused tax losses	12,146	11,796	-59	-59	12,205	11,855
Unused tax incentives	7,553	6,787	197	200	7,356	6,587
Cash flow hedge – foreign currency contracts	0	0	0	52	0	-52
Cash flow hedge – interest rate swap	92	160	156	60	-64	100
Changes within Group	0	-382	904	830	-904	-1,212
Total	**26,598**	**26,280**	**4,863**	**4,315**	**21,735**	**21,965**

EURk	Tax assets – tax liabilities		Through profit or loss		Through other comprehensive income	
	2014	2015	2014	2015	2014	2015
PPE	-3,823	-2,981	-17	342	0	8
Investments	1,441	1,439	36	0	7	-2
Receivables	1,128	1,101	-87	-56	0	0
Inventories	81	80	-14	1	0	0
Liabilities from litigations	1	1	2	1	0	0
Provisions in line with local standards and tax laws	256	678	1,388	335	0	0
Provisions for retirement benefits and jubilee premiums	2,002	2,351	-43	24	0	161
Provisions for warranties	2,056	2,018	108	-52	0	0
Unused tax losses	12,205	11,855	-421	335	0	0
Unused tax incentives	7,356	6,587	-332	-763	0	0
Cash flow hedge – foreign currency contracts	0	-52	0	0	0	15
Cash flow hedge – interest rate swap	-64	100	0	97	-388	0
Changes within Group	-904	-1,212	972	1,343	0	0
Total	**21,735**	**21,965**	**1,592**	**1,607**	**-381**	**182**

Group companies recognised deferred tax assets and deferred tax liabilities in 2015.

Note 26 – Inventories EUR 225,906k

EURk	2014			2015		
	Home	Portfolio Inve-stments	Total	Home	Portfolio Inve-stments	Total
Materials	58,565	3,320	61,885	56,695	3,039	59,734
Work in progress	9,128	2,876	12,004	7,318	3,903	11,221
Products	100,067	1,458	101,525	113,952	1,726	115,678
Merchandise	28,436	13,444	41,880	33,162	3,864	37,026
Advances	2,419	86	2,505	2,166	81	2,247
Total	**198,615**	**21,184**	**219,799**	**213,293**	**12,613**	**225,906**

Allowances for inventories and inventory write-offs amounted to EUR 3,594k in 2015 (2014: EUR 2,809k). Allowances for inventories and write-offs of inventories to net realisable value were recorded under other operating expenses.

Advances refer to inventories of raw materials, materials and merchandise.

The carrying amount of inventories of products, where production costs were adjusted to net realisable value, amounted to EUR 7,428k.

Note 27 – Current investments EUR 16,370k

EURk	2014	2015
Available-for-sale investments	3,646	3,700
Short-term deposits	1,547	1,723
Loans	10,021	6,845
Transfer from non-current loans	1,401	3,120
Interest receivables	166	65
Other current receivables from financing activities	3,700	917
Total	**20,481**	**16,370**

Loans include cash surplus deposited in short-term time deposits with banks and entities. The interest rate for bank deposits and loans ranges from 1.32 percent to 13.0 percent.

The Group concluded forward exchange contracts for 2016 in order to hedge against exchange rate fluctuations. Fair value of forward exchange contracts is recognised partly in the income statement and partly in the statement of other comprehensive income. The recognition through comprehensive income aims at hedging effects to be recognised in the income statement in the same period in which the hedged item impacted the profit or loss.

In 2015, the Group recorded settlements arising on derivatives used as hedging instruments in the amount of EUR -9,898k and in the same amount increased its finance income or finance expenses. In addition, finance income increased by EUR 392k and finance expenses by EUR -3,830k as a result of Group's adjustment of forward exchange contracts to fair value.

Movements in available-for-sale shares and interests

EURk	2014	2015
Opening balance at 1 January	**4,006**	**3,646**
Exchange differences	-7	0
Increase	158	169
Decrease	-374	-88
Change in fair value	-137	-27
Closing balance at 31 December	**3,646**	**3,700**

The change in fair value amounting to EUR 27k (31 December 2014: EUR 137k) is disclosed among finance expenses in the amount of EUR 40k, whereas EUR 13k is recorded among increasing the fair value reserve for available-for-sale financial assets.

Note 28 – Trade receivables EUR 161,020k

In view of the 31 December 2014 balance (EUR 182,589k), trade receivables show a decline of 11.8%.

In 2015, write-offs and impairment of trade receivables amounted to EUR 4,178k (2014: EUR 5,167k).

Allowances for receivables amounted to EUR 28,401k as at the balance sheet date (2014: EUR 27,401k). Movement in allowances for trade receivables is discussed in Note 41 (Financial risks and financial instruments).

Group's trade receivables are adequately and well insured in the amount of EUR 101,306k.

Note 29 – Other current assets EUR 49,017k

EURk	2014	2015
Other current receivables	34,118	41,426
Short-term deferred costs	6,561	6,538
Other current assets	3,528	1,053
Total	**44,207**	**49,017**

Other current receivables comprise a significant portion of the Group's input VAT receivable, which by the end of 2015 amounted to EUR 12,599k (2014: EUR 12,309k).

Large part of other current assets includes accrued receivables, whereas short-term deferred costs include costs of services billed but not yet rendered.

Note 30 – Cash and cash equivalents EUR 31,610k

EURk	2014	2015
Cash in hand	812	1,229
Bank balances and cash held in other financial institutions	35,250	30,381
Total	**36,062**	**31,610**

Note 31 – Equity EUR 368,062k

As at 31 December 2015, the share capital of Gorenje, d.d., amounted to EUR 101,922,103.97 (31 December 2014: EUR 101,922,103.97) and was divided into 24,424,613 ordinary, freely transferable, registered, no par value shares.

Group's reserves consist of share premium, revenue reserves, treasury share reserve and translation reserve.

Capital surplus (share premium) in the amount of EUR 174,502k (31 December 2014: EUR 175,698k) includes paid-in capital in excess of par value of shares in the amount of EUR 64,475k (31 December 2014: EUR 64,475k), surplus in excess of book value of disposed own shares (treasury shares) in the amount of EUR 15,313k (31 December 2014: EUR 15,313k), and general equity revaluation adjustment in the amount of EUR 76,851k (31 December 2014: EUR 78,047k), and other effects of transition to IFRSs. Part of general equity revaluation adjustment in the amount of EUR 1,196k was in 2015 used for covering the parent company’s loss for 2015.

Revenue reserves recorded as at the balance sheet date in the amount of EUR 99,301k (31 December 2014: EUR 99,301k) consist of legal reserves, statutory reserves, treasury share reserve and other revenue reserves.

As at 31 December 2015, Group’s legal reserves amounted to EUR 12,896k (31 December 2014: EUR 12,896k). In accordance with provisions of the Companies Act, share premium (capital surplus) and legal reserves can in their excess amount, be used for share capital increase, for coverage of loss for the period and retained loss if revenue reserves are not simultaneously used for dividend payout.

As at the balance sheet date, statutory reserves amounted to EUR 7,556k (31 December 2014: EUR 7,556k). Statutory reserves can according to Company's Articles of Association be used for a share capital increase; for coverage of loss for the period and retained loss should no other sources be available; for share withdrawal in case of a compulsory transfer of shares, and for share withdrawal by Company's acquisition; for share withdrawal under the simplified procedure of share capital decrease; for creation of treasury shares if no other sources are available, and for balancing the dividend policy.

Treasury shares (own shares) in the amount of EUR 3,170k (31 December 2014: EUR 3,170k) are disclosed as a deductible item of equity and at cost.

As at 31 December 2015, Group’s other revenue reserves amounted to EUR 75,679k (31 December 2014: EUR 75,679k) and were created on the basis of resolutions on the allocation of profit for the period adopted by the Management Board and the Supervisory Board of Gorenje, d.d., and resolutions of the General Meeting of Shareholders on the allocation of the accumulated profit.

Retained earnings in the amount of EUR 1,943k (31 December 2014: EUR 10,365k) comprise profit or loss from previous periods and profit or loss for 2015 upon covering the parent company’s loss for 2015 in the amount of EUR 4,001k, which was partly settled through retained earnings in the amount of EUR 2,805k and partly through capital surplus in the amount of EUR 1,196k.

Translation reserve declined by EUR 1,449k over the 2014 balance and amounted as at 31 December 2015 to EUR -19,049k. The decrease is attributable to exchange differences that arise on the restatement of subsidiaries' assets and liabilities from national currencies to the Group’s reporting currency.

Fair value reserve amounting to EUR 9,485k as at 31 December 2015 (31 December 2014: EUR 10,912k) includes a surplus from revaluation of land which is valued using the revaluation model, a change in fair value of available-for-sale investments, a change in value of the cash flow hedge, and the change in the value of retirement benefits pursuant to the actuarial calculation.

Changes in fair value reserve are shown in the table below:

EURk	Fair value reserve for land	Fair value reserve for available-for-sale financial assets	Fair value reserve for derivatives	Actuarial gains/losses	Total
Balance at 1 January 2014	**8,517**	**3,059**	**-2,569**	**0**	**9,007**
Revaluation of land					0
Transfer of land					0
Change in fair value of cash flow hedge			-145		-145
Change in fair value of cash flow hedge, transferred to profit or loss			2,472		2,472
Change in fair value of available-for-sale financial assets		-41			-41
Disposal of available-for-sale financial assets					0
Impairment of available-for-sale financial assets					0
Disposal of subsidiary					0
Acquisition of non-controlling interest					0
Deferred taxes		7	-388		-381
Balance at 31 December 2014	**8,517**	**3,025**	**-630**	**0**	**10,912**
Balance at 1 January 2015	**8,517**	**3,025**	**-630**	**0**	**10,912**
Revaluation of land	676				676
Disposal of land	-48				-48
Actuarial gains or losses				-2,590	-2,590
Change in fair value of cash flow hedge			-527		-527
Change in fair value of cash flow hedge, reclassified to profit or loss			867		867
Change in fair value of available-for-sale financial assets		13			13
Disposal of available-for-sale financial assets					0
Impairment of available-for-sale financial assets					0
Disposal of subsidiary					0
Acquisition of non-controlling interest					0
Deferred taxes	8	-2	15	161	182
Balance at 31 December 2015	**9,153**	**3,036**	**-275**	**-2,429**	**9,485**

Note 32 – Earnings per share

In 2015, earnings per share were recorded at EUR -0.34 (2014: EUR 0.04). No preference shares have been issued, hence basic and diluted earnings per share are equal.

Earnings per share were computer on the basis of following data on the Group's profit for the period and the weighted average number of ordinary shares in the period:

EURk	2014	2015
Profit or loss for the period	1,019	-8,203
Weighted average number of ordinary shares	22,949,860	24,303,302
Basic / Diluted earnings per share (in EUR)	0.04	-0.34

All shares issued are of the same class and give their owner the right to participate in managing the company. Each share gives one vote and a right to dividend.

In 2015, dividends were paid out in the amount of EUR 0.06 gross per share. In 2014, no dividends were paid out.

Note 33 – Provisions EUR 62,269k

EURk	2014	2015
Provisions for warranties	38,757	35,598
Provisions for retirement benefits and jubilee premiums	18,501	21,684
Other provisions	6,867	4,987
Total	**64,125**	**62,269**

Provisions for warranties were created on the basis of estimated costs of warranties calculated by taking into account the past known data on the quality level of products and the costs of repairs under warranties.

The Group conducted an actuarial calculation in 2015. The change in provisions for retirement benefits and jubilee premiums is mostly attributable to the additional formation of such provisions based on an actuarial calculation. Employee benefits expense and interest expense are recognised in profit or loss in the amount of EUR 3,050k and actuarial deficit or surplus within the comprehensive income at EUR 2,590k. Provisions for retirement benefits and jubilee premiums were created based on the actuarial calculation of estimated future payments of retirement benefits and jubilee premiums that was made as at 31 December 2015.

The actuarial calculation took into account following assumptions:

- a discount rate of 4.00% in December 2015 representing the 10-year corporate bonds of comparable companies in the euro area;
- last applicable amount of retirement benefits and jubilee premiums as defined in the internal acts of individual companies or in the national regulations;
- an employee turnover depending in particular on the employee's age;
- a mortality rate stated in the latest available mortality tables of the local population;
- an increase in wages and salaries due to adjustment for inflation and career promotion.

Other provisions comprise mostly provisions for costs in connection with the Directive on Waste Electrical and Electronic Equipment recorded by ZEOS, d.o.o., and funds reserved for claims filed with the court against Gorenje, d.d.

Movements in provisions in 2014

EURk	Balance at 1 Jan 2014	Use	Exchange differences	Reversal	Creation	Transfers	Balance at 31 Dec 2014
Provisions for warranties	41,605	-29,247	-750	-2,323	29,472	0	38,757
Provisions for retirement benefits and jubilee premiums	19,183	-1,420	-7	-17	733	29	18,501
Other provisions	6,830	-1,588	-49	-707	2,381	0	6,867
Total	**67,618**	**-32,255**	**-806**	**-3,047**	**32,586**	**29**	**64,125**

Movements in provisions in 2015

EURk	Balance at 1 Jan 2015	Use	Exchange differences	Reversal	Creation	Transfers	Balance at 31 Dec 2015
Provisions for warranties	38,757	-27,909	-60	-7,585	31,717	678	35,598
Provisions for retirement benefits and jubilee premiums	18,501	-1,798	11	-709	5,679	0	21,684
Other provisions	6,867	-2,449	17	-527	1,098	-19	4,987
Total	**64,125**	**-32,156**	**-32**	**-8,821**	**38,494**	**659**	**62,269**

Note 34 – Deferred income EUR 5,350k

EURk	Balance at 1 Jan 2014	Depreciation	Use	Exchange differences	Creation	Balance at 31 Dec 2014
Deferred income - government grants	5,081	-3,773	-4	-217	4,183	5,270
Total	**5,081**	**-3,773**	**-4**	**-217**	**4,183**	**5,270**

EURk	Balance at 1 Jan 2015	Depreciation	Use	Exchange differences	Creation	Balance at 31 Dec 2015
Deferred income - government grants	5,270	-4,074	0	-20	4,174	5,350
Total	**5,270**	**-4,074**	**0**	**-20**	**4,174**	**5,350**

Note 35 – Non-current trade payables EUR 4,178k

Non-current trade payables in the amount of EUR 3,715k largely refer to the long-term maintenance contract concluded in connection with costs of repairs and product swap in the company Atag Nederland BV.

Note 36 – Non-current financial liabilities EUR 270,986k

EURk	2014	2015
Borrowings from banks	248,280	279,623
Transfer to current borrowings from banks	-50,140	-59,608
Borrowings from third parties	22,736	13,772
Transfer to current borrowings from third parties	-9,544	-7,257
Liabilities from bonds issued	72,643	58,118
Transfer to current liabilities from bonds issued	-14,600	-14,600
Other financial liabilities	695	938
Total	**270,070**	**270,986**

Non-current financial liabilities are denominated in EUR and recorded at amortised cost i.e. restated under the effective interest method and inclusive of costs of granting the borrowing.

As of 10 October 2014, Gorenje, d.d., issued bonds in the total amount of EUR 73m bearing a fixed interest rate of 3.85% and recording maturity on 10 October 2019. In accordance with the amortisation schedule, we have repaid in 2015 one fifth of liabilities arising from bonds. The par value of the unpaid balance of bonds is recorded at EUR 58.4m as of the balance sheet date.

Maturity of borrowings and liabilities from bonds issued	EURk
Maturity from 1 to 2 years	78,689
Maturity from 2 to 4 years	127,153
Maturity from 4 to 6 years	45,613
Maturity exceeding 6 to - years	18,593
Total	**270,048**

Interest-bearing borrowings and bonds issued

Currency	Value in EURk	Interest rate	
		from	to
EUR	259,474	0.87%	6.46%
Other currencies	10,574	5.20%	12.50%
Total	**270,048**		

The effective interest rate does not deviate essentially from the contractual interest rate.

Collateralisation	EURk
Bills	164,028
Financial covenants	208,793
Guarantees	12,756

Guarantees refer to guarantees or sureties issued by Gorenje, d.d., Gorenje Nederland BV, Gorenje Beteiligungs GmbH and Gorenje Surovina, d.o.o., to commercial banks to secure liabilities of Group companies.

Note 37 – Current financial liabilities EUR 91,038k

EURk	2014	2015
Borrowings from banks	17,399	1,876
Transfer from non-current financial liabilities to banks	50,140	59,608
Borrowings from third parties	2,014	4,584
Transfer from non-current financial liabilities to third parties	9,544	7,257
Interest payable	2,473	1,799
Liabilities from bonds issued	14,600	14,600
Dividends payable	59	101
Derivatives	1,307	1,213
Total	**97,536**	**91,038**

Current borrowings from banks and liabilities from bonds issued		Interest rate	
Currency	Value in EURk	from	to
EUR	72,550	1.79%	6.46%
Other currencies	3,534	3.50%	12.50%
Total	**76,084**		

Current borrowings from other companies		Interest rate	
Currency	Value in EURk	from	to
EUR	11,841	0.87%	4.00%
Total	**11,841**		

The effective interest rate does not significantly deviate from the contractual interest rate.

Collateralisation	EURk
Bills	40,461
Financial covenants	57,742
Guarantees	10,249

Collateralisation of non-current and current financial liabilities

None of the Group's current or non-current financial liabilities is collateralised by mortgage or any other type of collateral. A significant portion of Group companies' borrowings is collateralised by bills and the Pari-Passu and Negative Pledge clauses in compliance with individual contracts. Non-current borrowings, in particular, are frequently supported by financial covenants as defined in individual loan contracts.

The item of guarantees refers to guarantees or collaterals issued to banks by Gorenje, d.d., Gorenje Beteiligungs GmbH, Gorenje Nederland BV and Gorenje Surovina, d.o.o., in connection with liabilities of individual Group companies.

Certain loan contracts concluded between individual Group companies and bank partners, mostly in case of non-current borrowings, include financial covenants that are in the vast majority checked and verified once a year on the basis of audited consolidated financial statements for individual fiscal year.

We have exceeded in 2015 the contractually agreed financial ratio defining the relation between the net financial debt and EBITDA (it was 4.13) for which waivers were approved for 2015 by all bank partners.

Given the anticipated breach of some financial covenants for the fiscal year 2015, the Group companies applied already before the year-end to its bank partners for waiver of financial covenants requiring consolidated financial statements for 2015.

Note 38 – Trade payables EUR 221,027k

As at 31 December 2015, the total trade payables recorded by the Group in the amount of EUR 221,027k (2014: EUR 202,615k) do not include any payables to the members of the Management Board and Supervisory Board and the internal owners.

Note 39 – Other current liabilities EUR 73,807k

EURk	2014	2015
Payables to employees	13,529	13,929
Payables to state	14,837	13,885
Accrued costs and expenses	34,088	32,080
Other current liabilities	9,447	13,913
Total	**71,901**	**73,807**

Payables to employees and contributions and taxes payable to state institutions apply to wages and salaries for December paid in January next year.

Accrued costs and expenses were created for accrued costs of discounts to customers, accrued interest expense, and other accrued costs of services.

Note 40 – Contingent liabilities

The Group's contingent liabilities from guarantees and collaterals given to financial institutions and companies outside Gorenje Group amounted to EUR 52,404k as at the 31 December 2015.

In conformity with the ordinary business practice, the Atag company is not liable to publish its annual results of operation in the country, where its corporate seat is, if the shareholder, in a special statement, assumes liability to pay any outstanding obligations of the Company. The respective statement shall remain in effect until rescinded by the shareholder.

Note 41 – Financial risks and financial instruments

Gorenje Group is exposed to numerous financial risks, in particular to credit risk, liquidity risk, currency risk, interest rate risk and other risks arising on changed market conditions.

With respect to financial risk management, several new internal policies and rules were adopted and the existing ones modified in order to achieve a more efficient and centralised financial risk management. The objectives of the financial risk management are:

- to achieve stability of operations and to reduce exposure to individual risks to an acceptable level,
- to increase the value of the Group,
- to improve the credit rating of the Group,
- to reduce net finance expenses of the Group, and
- to minimise the impacts of the implemented critical risks.

The exposure to each individual type of financial risk and the effective hedge measures are judged and applied respectively on the basis of their effects on Group's cash flows and net finance expenses. The risk management principles and methodologies applied are in detail outlined in the annual report's business report under 'Risk management'. Essential financial risks that are regularly assessed and the adequacy of implemented measures tested are clarified in detail below.

Credit risk

The carrying amount of financial assets represents the maximum credit risk exposure. The maximum credit risk exposure at the reporting date:

EURk	2014	2015
Available-for-sale financial assets	3,646	3,700
Loans	15,590	11,996
Trade and other receivables	220,235	203,499
Deposits	1,584	1,755
Other financial receivables	4,786	1,861
Cash and cash equivalents	36,062	31,610
Total	**281,903**	**254,421**

Trade receivables form the Group's most significant portion of credit risks or risk of default by the counterparty. As at the year-end of 2015, trade receivables amounted to EUR 161,020k and indicate a decline over 2014 by EUR 21,569k. The decrease in trade receivables is mostly the result of a more active receivables management, which includes an intensified collection and precise rules for defining credit limits for each individual customer. The lower volume of receivables is partly also attributable to activities of permanent non-recourse factoring, which is performed in cases where costs of such activities do not exceed the finance expenses.

The maximum credit risk exposure of trade receivables at the reporting date by geographic region:

EURk	2014	2015
Western Europe	42,564	39,234
Eastern Europe	126,152	103,798
Other countries	13,873	17,988
Total	**182,589**	**161,020**

The maximum credit risk exposure of trade receivables at the reporting date by type of customer:

EURk	2014	2015
Wholesale customers	149,303	124,196
Retail customers	26,943	29,214
Other customers	6,343	7,610
Total	**182,589**	**161,020**

In the wake of geographic diversity, a large number of Group's customers are primarily legal entities from worldwide, and to lesser extent, in the retail segment, also individuals. In general, business is carried out solely with buyers that boast of a proper credit rating, which is monitored on a regular basis, whereby we have also defined clear rules in 2015 on approving overdrafts for individual customer and managing receivables on the Group level. For this purpose, a renewed Accounts Receivable Management Policy was adopted which defines the relevant management processes, persons in charge, and instruments allowed for hedging against credit risks. The respective policy was adopted on the Gorenje Group level and provides a compulsory framework for rules and policies on accounts receivable management that were adopted and integrated by subsidiaries.

Maturity of trade receivables as at the balance sheet date:

EURk	2014		2015	
	Gross value	Allowance	Gross value	Allowance
Not past due	144,358		133,576	
Past due 1 to 5o days	21,401		17,519	
Past due 51 to 100 days	3,885		2,963	
Past due 101 to 180 days	3,540		2,657	
Past due 181 to 270 days	4,919		2,335	
Past due 271 to 360 days	4,066		2,670	
Past due 361 to 720 days	4,357		4,835	
Past due 721 to 1081 days	3,760		1,236	
Past due over 1081 days	19,704		21,630	
Allowances for receivables		27,401		28,401
Total	**209,990**	**27,401**	**189,421**	**28,401**

Movements in allowances for trade receivables

EURk	2014	2015
Opening balance at 1 January	**25,170**	**27,401**
Exchange differences	-264	-239
Impairment loss	5,167	4,178
Decrease in allowances	-885	-1,237
Final write-off of receivables	-1,787	-1,702
Closing balance at 31 December	**27,401**	**28,401**

Group's partners are impacted by the ever-changing macroeconomic environment that can also result in a swift turn-around of the credit rating and liquidity of the individual Group's business partner. Regardless of implementing the receivables management process within the Group, default on the side of customers or even their inability to settle their payments exists. With respect to the Group's dispersed sales model that is not subject to high concentration of receivables per individual customer or customers related through mutual ownership, we assess that the Group's exposure to credit risk is moderate. None of the customer or customers related through mutual ownership exceed 10% or more in the Group's total sales generated, whereby also the exposure to an individual customer or groups of customers does not exceed 10% of Group's receivables.

All customers are included into the credit control process, which covers also collateralization of receivables with acceptable hedging instruments. Following hedging instruments are considered as acceptable according to the accounts receivable management policy:

- collateralisation through credit insurance companies,
- collateralization of receivables through bank guarantees and letters of credit,
- sale of receivables without recourse, and
- in exceptional circumstances and upon receiving special approval, also pledges or first class mortgages.

By the end of 2015, Group's total trade receivables secured with acceptable hedging instruments accounted for 62.9%, which indicates an improvement of 1.3 p.p. Most of receivables are secured by the SID - Prva kreditna zavarovalnica, a smaller part with credit insurance companies on individual local markets, and other acceptable hedging instruments. It should be noted that a minor portion of customers, approved under a special procedure, is unsecured as these customers have an excellent credit rating that is monitored on an ongoing basis. We apply counter-trade (primarily servicers) with most of the unsecured receivables, whereby there are also numerous smaller customers that are dispersed and therefore the credit risk with an individual customer is low.

The Group carefully monitors the credit risk also in other business segments. Current surplus of assets and balances on bank accounts are placed in compliance with corporate policies, which includes the methodology for selecting acceptable counterparties on the financial area. These policies determine also the methodology for selecting acceptable clients when entering into derivative financial instruments.

As a result of the launched receivables management procedures, the credit risk is assessed as moderate. The highest risk exposure arises in connection with the value of trade receivables and other receivables.

Liquidity risk

Liquidity risk includes risks denoting the lack of available funds and consequently risk that the Group will fail to meet commitments in stipulated period of time.

Liquidity depends on effective cash management and investment dynamics. Liquidity risk is actively monitored within the Group by means of a centralised balancing of assets' liquidity (primarily receivables and inventories), of liabilities and cash flows from operating and investment activities. Cash management is centralised and supported by a software solution for planning and daily monitoring of cash flows on the Group level. Considerable attention is accorded to the compilation of the cash flow plan and its monitoring. A successful liquidity planning is also provided through an optimum management of possible current surpluses or deficits in available assets.

The Group applies a uniform and centralised approach to bank partners in Slovenia and abroad and accordingly provides for the optimum indebtedness of the entire Group in view of scope, costs and maturity and in the light of the Group's currency balance.

In order to disperse the sources of financing, we already for the third time successfully issued commercial papers in 2015 in the total par value of EUR 29,100k. The respective issues of commercial papers that will continue also in 2016 (the fourth issue of short-term commercial papers in the par value of EUR 28,908k was conducted in February 2016), are earmarked for balancing the seasonal dynamics of cash flows from operating and investing activities, which as a rule is negative in the first half-year but gradually improves by the end of the calendar year. The short-term imbalance of cash flows is additionally balanced by revolving loans and overdrafts on bank accounts in Slovenia and abroad. Company's liquidity reserve that consists of undrawn but approved credit lines, available bank balances and deposits with banks, amounted as at the year-end of 2015 to EUR 115,960k. The liquidity reserve is earmarked for short-term balancing of cash flows and significantly reduces the Group's exposure to liquidity risk.

Liquidity reserve as at 31 December:

EURk	2014	2015
Undrawn and approved current and non-current borrowings	73,786	84,350
Cash and cash equivalents	36,062	31,610
Total	**109,848**	**115,960**

The Group has a long-term servicing plan for financial liabilities that is being regularly updated. A restructuring of the debt's average maturity was continued in 2015 in addition to reducing the costs of financing, by means of which all Group's borrowings, which gradually matured in 2015, were replaced by non-current sources. We have within this process:

- additionally improved the maturity structure of financial liabilities by 1.4 p.p. – non-current financial liabilities accounted for 74.9% within total financial liabilities by the end of 2015;
- reduced the Group's total financial debt by EUR 5,582k;
- reduced the average costs of financing and upgraded the new non-current loan contracts with provisions on further reducing the interest rates by improving the net debt/EBITDA ratio (margin grid);
- essentially lowered the scope of required refinancing in 2015.

The Group has a long-term servicing plan for financial liabilities which is being regularly updated.

Group's financial liabilities by maturity is compiled based on contractual cash flows:

31 December 2014 EURk	Carrying amount	Contract-ual cash flows	1 year or less	1 – 2 years	2 – 5 years	More than 5 years
Non-derivative financial liabilities						
Bank borrowings	265,679	298,479	78,038	61,032	131,707	27,702
Borrowings from others	24,750	26,141	12,153	7,562	5,139	1,287
Liabilities arising from bonds issued	72,643	80,025	17,129	16,567	46,329	
Other financial liabilities	3,227	3,227	3,227			
Trade and other payables	246,365	246,365	246,365			
Total	**612,664**	**654,237**	**356,912**	**85,161**	**183,175**	**28,989**
Derivative financial liabilities						
Interest rate swaps	-1,110	-1,109	-853	-256		
Forward exchange contracts used for hedging	3,503	3,503	3,503			
Outflow	-197	-197	-197			
Inflow	3,700	3,700	3,700			
Other forward exchange contracts						
Outflow						
Inflow						
Total	**2,393**	**2,394**	**2,650**	**-256**		

31 December 2014 EURk	Carrying amount	Contract-ual cash flows	1 year or less	1 – 2 years	2 – 5 years	More than 5 years
Non-derivative financial liabilities						
Bank borrowings	281,499	311,082	71,470	68,712	133,097	37,803
Borrowings from others	18,356	19,169	12,326	4,175	1,828	840
Liabilities arising from bonds issued	58,118	62,993	16,624	16,045	30,324	
Other financial liabilities	2,838	2,838	2,838			
Trade and other payables	266,932	266,932	266,932			
Total	**627,743**	**663,014**	**370,190**	**88,932**	**165,249**	**38,643**
Derivative financial liabilities						
Interest rate swaps	-1,079	-1,411	-557	-349	-482	-23
Forward exchange contracts used for hedging	783	783	783			
Outflow	-134	-134	-134			
Inflow	917	917	917			
Other forward exchange contracts						
Outflow						
Inflow						
Total	**-296**	**-628**	**226**	**-349**	**-482**	**-23**

Contractual cash flows arising on Group's non-derivative financial liabilities, which fall due in one year or less, amounted as at the year-end of 2015 to EUR 370,190k and indicate an increase of EUR 13,278k over the equivalent ones as at the end of 2014. The relevant increase in contractual cash flows, which mature in a year or less, is attributable to higher trade and other payables (EUR +20,567k) due to Group's higher volume of operations in Q4 2015 and consequently higher purchases of materials and raw materials for the production. The contractual cash flows referring to financial liabilities that mature in a year or less, have declined as the result of reducing the debt and improving the maturity structure of financial liabilities.

Group's liquidity risk is assessed as moderate in view of measures implemented within restructuring the debt maturity structure, the centralised planning of short-term and long-term cash flows, and access to a wide range of financial and bank partners.

Currency risk

With regard to diversification of its international business operations, the Gorenje Group is strongly exposed to currency risk, which is the risk that the economic benefits of the Group may be decreased due to changes in foreign exchange rates against its functional currency (EUR). The largest currency risk arises from Gorenje's business operations in markets of Russia, Serbia, Australia, Great Britain, the Czech Republic, Poland, Hungary, Croatia, Ukraine and all US dollar markets.

Group's balance sheet discloses a surplus of assets over liabilities in the stated currencies, which is treated as a long-term currency position. Receivables due from end buyers and payables to suppliers are key accounting categories that form the currency position. The US dollar, where a surplus of liabilities over assets is recorded, is an exception since the volume of purchase that bound by US dollar markets exceeds our sales volume in this currency. The exposure of the financial position is in a smaller part also the result of borrowing in local currencies.

31 December 2014 EURk	EUR	RUB	USD	HRK	RSD	CZK	Other
Trade receivables	93,713	20,016	4,144	13,140	16,408	7,551	27,617
Financial liabilities	-357,954				-4,550	-57	-511
Trade payables	-168,749	-484	-13,098	-1,392	-10,296	-3,527	-5,069
Financial position exposure	**-432,990**	**19,532**	**-8,954**	**11,748**	**1,562**	**3,967**	**22,037**

31 December 2015 EURk	EUR	RUB	USD	HRK	RSD	CZK	Other
Trade receivables	88,755	12,014	4,259	12,224	17,406	5,717	20,645
Financial liabilities	-351,865				-5,861		-247
Trade payables	-187,939	-801	-8,178	-1,277	-12,624	-4,008	-6,200
Financial position exposure	**-451,049**	**11,213**	**-3,919**	**10,947**	**-1,079**	**1,709**	**14,198**

**EUR is the Group's functional currency and as such not subject to currency risk*

Significant exchange rates applied during the year comprise:

	Average rate		Reporting date spot rate	
	2014	2015	2014	2015
HRK	7.635	7.614	7.658	7.638
CZK	27.536	27.285	27.735	27.023
DKK	7.455	7.45865	7.445	7.4626
RSD	116.863	120.55667	120.600	121.23
PLN	4.184	4.18278	4.273	4.2639
RUB	51.011	68.00684	72.337	80.6736
USD	1.329	1.10963	1.214	1.0887

In 2014, the Currency Risk Management Policy was adopted on the Group level, which was additionally upgraded in 2015 and customized to the macroeconomic circumstance and among others defines:

- the methodology for measuring currency risk exposure,
- competencies and responsibilities within currency risk management,
- manners and required scope of hedging against currency risk,
- instruments acceptable for hedging against currency risk,
- acceptable partners for implementing currency-risk hedges and
- the method of measuring the effectiveness of currency risk management.

The Group is engaged in active hedging against currency risks, whereby also natural balancing of currency risks is carried out by means of internal techniques that include customising the purchase/sale segment in individual currency, and the foreign currency borrowing, where assets and other internal mechanisms are exposed. Hedges against currency fluctuations are entered into on a regular and continuous basis by applying acceptable hedging instruments, whereby the hedge level is set between 60% and 80% of planned cash flows. The methodology clearly determines the required time of currency hedging, which depends upon the volatility of each individual currency. The planned cash flows in individual currency are used as the basis for hedging with short-term forward exchange contracts. The required level of hedge is determined on the basis of the ratio between the individual currency's impact on Group's performance (volume of business operations) and the probability of currency fluctuation (currency volatility).

Currency risk management is carried out on a centralised basis and a committee for managing currency risks was appointed as well. The parent company enters into hedging instruments on its own behalf and on behalf of other Group companies, and transfers these instruments on a contract basis to companies that are locally exposed to such risk. Subsidiaries also enter into hedging instruments on local markets but in limited scope, whereby the parent company provides adequate support and credit limits with acceptable partners. The centralised approach to credit risk management has shown more optimum hedging results.

Sensitivity analysis

A 5-percent increase (decrease) in the euro's value against the above stated currencies as at 31 December would have resulted in an increase (decrease) in profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates remain unchanged. The analysis has been performed on the same basis as for 2014.

31 December 2014 EURk	Profit or loss for the period
HRK	-977
DKK	448
PLN	-587
RSD	-78
CZK	-198
Other currencies	-1,102

31 December 2015 EURk	Profit or loss for the period
RUB	-561
USD	196
HRK	-547
RSD	54
CZK	-85
Other currencies	-710

A 5-percent decrease in the euro's value against the above stated currencies as at 31 December would have had equal yet opposite effect, provided that all other variables remain unchanged.

Regardless of hedging measures implemented, the exposure to currency risks is assessed as high in the light of essential currency fluctuations on the world markets.

Interest rate risk

Financing of Group's current operations and their investment activities is subject to interest rate risk as most of borrowings raised bear the Euribor variable interest rate, in lesser extent also other local variable reference interest rates. Thus, exposure to interest rate risk represents primarily the unfavourable movement (increase) of the Euribor variable interest rate that applies to Group's financial liabilities. Major portion of financial liabilities are subject to a variable interest rate that is bound by the 3-month or 6-month Euribor.

Group's exposure to interest rate risk:

EURk	2014	2015
Fixed-rate financial instruments		
Financial assets	7,587	4,437
Financial liabilities	101,706	76,811
Variable-rate financial instruments		
Financial assets	8,000	7,559
Financial liabilities	261,366	281,162

Table is exclusive of non-interest bearing financial assets and non-interest bearing financial liabilities.

Interest structure of financial assets and financial liabilities is not customised as the Group records considerably more received financial liabilities than interest-bearing assets. The volume of financial liabilities bearing a fixed interest rate has significantly declined in 2015, which is mostly the result of repaying one fifth of liabilities arising from the GV01 bond issued in 2014 that bears a nominal interest rate of 3.85%, as well as repaying other loans bearing a fixed interest rate. New loan contracts were concluded in 2015 at a fixed interest rate in the total amount of EUR 5.5m. The share of non-derivative financial liabilities bearing a fixed interest rate consequently declined by 6.5 p.p. and accounted as at the balance sheet date for 21.5 percent among total interest-bearing financial liabilities.

As at 31 December 2015, the Group recorded also interest rate swaps in the amount of EUR 53,171k, whose effects were already evident in 2015. Furthermore, EUR 52,000k of additional interest rate swaps were entered into, whose impact was due to the nature of transactions agreed for the period from June 2016 onwards.

As for interest rate swaps, the Group enters into derivatives in the same manner as in the case of currency financial derivatives i.e. with acceptable partners only. We therefore asses that the risk of default on the side of the contracting party is minimal. The purpose of hedging by means of entering into embedded derivatives, is fixing of the interest rate that results in a stable cash flow. While entering into interest rate swaps, the Group observes the requirement that characteristics of relevant swaps equal (i.e. maturity, amount, type of interest rate and its alignment) a borrowing that is hedged by the interest rate swap. Consequently, the valuation of a hedging instrument defined as successful hedge, is recognised directly in equity.

Cash flow sensitivity analysis for variable interest rate instruments

A change in the interest rate by 50 basis points (bp) at the reporting date would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign exchange rates remain unchanged. The analysis has been performed on the same basis as for 2014.

31 December 2014	Profit or loss for the period		Other comprehensive income	
EURk	increase by 50 bp	decrease by 50 bp	increase by 50 bp	decrease by 50 bp
Variable rate instruments	-1,266	1,266		
Interest rate swap contract	450	-450	89	-89
Cash flow variability (net)	**-816**	**816**	**89**	**-89**

31 December 2015	Profit or loss for the period		Other comprehensive income	
EURk	increase by 50 bp	decrease by 50 bp	increase by 50 bp	decrease by 50 bp
Variable rate instruments	-1,332	398		
Interest rate swap contract	124	-124	1,034	-1,034
Cash flow variability (net)	**-1,208**	**274**	**1,034**	**-1,034**

The volume of financial liabilities bearing a fixed interest rate was increased in 2015 as additional instruments for hedging against interest rate fluctuations were concluded (interest rate swaps), which partly replaced the existing due financial liabilities bearing a fixed interest rate and supported with interest rate swaps. As at 31 December 2015, the share of financial liabilities bearing a fixed interest rate accounted for 35.2% among total interest-bearing financial liabilities; in view of interest rate swaps, whose impact was due to the nature of transactions agreed for the period from June 2016 onwards, the share of financial liabilities bearing a fixed interest rate amounted to 49.7%. The share of financial liabilities bearing a fixed interest rate was increased after the end of 2015 by entering into additional interest rate swaps.

Group's exposure to interest rate risk is assessed as moderate.

Note 42 – Fair value

The fair values and book values of financial assets and financial liabilities:

EURk	2014		2015	
	Book value	Fair value	Book value	Fair value
Available-for-sale investments	3,646	3,646	3,700	3,700
Land and investment property	60,767	60,767	59,418	59,418
Non-current loans and deposits	4,205	4,205	2,063	2,063
Non-current trade receivables	6,988	6,988	5,743	5,743
Current loans and deposits	12,969	12,969	11,688	11,688
Derivatives	2,393	2,393	-296	-296
Trade receivables	182,589	182,589	161,020	161,020
Other current assets	37,646	37,646	42,479	42,479
Cash and cash equivalents	36,062	36,062	31,610	31,610
Non-current financial liabilities	-203,672	-203,672	-216,983	-216,983
Non-current financial liabilities (fixed interest rate)	-66,398	-55,298	-54,003	-46,998
Non-current operating liabilities	-5,937	-5,937	-4,178	-4,178
Current financial liabilities	-96,229	-96,229	-89,825	-89,825
Trade payables	-202,615	-202,615	-221,027	-221,027
Other non-current payables	-37,813	-37,813	-41,727	-41,727
Total	**-265,399**	**-254,299**	**-310,318**	**-303,313**

The estimated fair value of current assets and liabilities nearly equals their book value. The fair value of non-current financial liabilities is calculated on the basis of market interest rates and classified among Level 2 fair values.

Fair value scale

The table shows method of valuing assets and liabilities recorded at fair value:

Level 1: stock price (unadjusted) in the active market of identical assets and liabilities,

Level 2: data differing from stock price data (these are included in Level 1) monitored with the intention of direct or indirect valuation of assets and liabilities,

Level 3: data on the value of assets and liabilities not based on the active market.

EURk	Level 1	Level 2	Level 3	Total
Year 2014				
Available-for-sale financial assets	675	88	2,883	3,646
Derivatives – assets	-	3,700	-	3,700
Derivatives – liabilities	-	-1,307	-	-1,307
Land and investment properties	-	-	60,767	60,767
Year 2015				
Available-for-sale financial assets	663	88	2,949	3,700
Derivatives – assets		917		917
Derivatives – liabilities		-1,213		-1,213
Land and investment properties			59,418	59,418

Land was valued on the basis of comparable sales with adjustments made in view of time and location of the sale, the size of the property and other physical and functional characteristics. Fair value of investment property was assessed by applying the direct capitalisation method. Land and investment properties were appraised by an independent certified appraiser of real property at the end of 2013.

Forward exchange contracts

The total fair value of forward exchange contracts amounted to EUR 783k as at 31 December 2015 and was recorded under other financial receivables and other financial liabilities.

Interest rate swaps

As at 31 December 2015, the total fair value of interest rate swaps amounted to EUR -1,079k and was recorded under other financial liabilities.

Interest rate swap hedges, which relate to hedged balance sheet items, are disclosed within equity under the fair value reserve.

Note 43 – Convenants relating to investments

Contractually agreed investments in intangible assets and property, plant and equipment not yet recognised in the Group's financial statements at the reporting date amounted to EUR 17,505k (2014: EUR 8,380k).

Note 44 – Related party transactions

The transactions with related parties were conducted by the Group companies on the basis of sale/purchase contracts. The prices used in these related party transactions were the market prices of products and services.

Transactions with persons related to the Supervisory Board included in 2015:

- the sale of commercial papers (EUR 6,999k),
- services of HR advisory (EUR 194k), and
- participation in the payments of compulsory and optional pension insurance for employees (EUR 93k).

Information on earnings

In **2014**, the Gorenje Group companies paid to the groups of persons stated below the following gross personal earnings:

EURk	Management Boards of Group companies	Supervisory Board	Employees under individual employment agreements
Salaries	7,379		9,107
Benefits and other earnings	1,927	210	538
Total	**9,306**	**210**	**9,645**

In order to ensure comparability with 2015 data, the data for 2014 was adjusted accordingly.

No non-current and current loans were granted by the Group companies to the Management Board and Supervisory Board members and internal owners.

In **2015**, the Gorenje Group companies paid to the groups of persons stated below the following gross personal earnings:

EURk	Management Boards of Group companies	Supervisory Board	Employees under individual employment agreements
Salaries	8,239		9,803
Benefits and other earnings	1,990	358	618
Total	**10,229**	**358**	**10,421**

Gorenje Group companies recorded following transactions with associates:

EURk	Value of transaction		Balance	
	2014	2015	2014	2015
Revenue	506	2,750	367	840
Expenses	693	409	616	83

Note 45 – Events after the balance sheet date

As of 24 July 2015, Gorenje, d.d., signed with the company Tesla Recycling, spolka z organiczona odpowiedzialnoscia spolka komandytowa, a contract on selling an equity interest in the company Gorenje Surovina, d.o.o. The contracting parties have undertaken to complete the relevant transaction not later than by 31 March 2016 (transaction's deadline). The procedures on meeting the preconditions take longer than expected during the contract's signing, therefore Gorenje and Tesla agreed on 4 March 2016 to extend the deadline for completing the transaction i.e. by 31 May 2016. Any other elements of the respective contract on selling the equity interest in Gorenje Surovina, d.o.o., remain unaffected.

At the 17th correspondence session on 12 February 2016, the Supervisory Board of Gorenje, d.d., was informed about and also accepted the statement of resignation handed in by the Management Board member and Chief Sales Officer Marko Mrzel. He performed his duties until 29 February 2016. The Management Board will temporarily continue to work with five members. Until the appointment of a new Chief Sales Officer, sales will be managed by Suad Hadžić, Executive Director of the Eastern European region.

In order to obtain funds for seasonal financing of its operations, Gorenje, d.d., has as at 3 February 2016 successfully completed its fourth consecutive issue of commercial paper (GRV04) in the amount of EUR 28.9m. The commercial paper, with the start of its interest accrual period on 3 February 2016, and date of maturity on 22 December 2016, has the lowest interest rate to date i.e. at 2.00 percent p.a.

Gorenje, d.d., published on 15 January 2016 the Gorenje Group's business plan for 2016, the first year of the new strategic period.

No other significant events occurred upon compiling the balance sheet as of 31 December 2015.

Note 46 – Transactions with the audit company

In 2015, the contractual value of auditing the financial statements of Gorenje Group companies and the consolidated financial statements of the Gorenje Group amounted to EUR 695k (2014: EUR 729k). No other significant services were rendered for Gorenje Group companies by its auditors.

Note 47 – Business segments

EURk	Home		Portfolio Investments		Group	
	2014	2015	2014	2015	2014	2015
Revenue from sale to third parties	1,074,030	1,056,005	179,687	169,024	1,253,717	1,225,029
Inter-segment sale	6,201	6,310	11,342	11,181	17,543	17,491
Interest income	1,629	1,691	165	186	1,794	1,877
Interest expenses	-19,050	-17,372	-500	-630	-19,550	-18,002
Amortisation and depreciation expense	-37,868	-40,443	-5,151	-5,201	-43,019	-45,644
Operating profit or loss before tax	-1,002	-8,683	4,865	4,695	3,863	-3,988
Income tax expense	-2,076	-3,705	-548	-295	-2,624	-4,000
Profit or loss for the period	-3,078	-12,388	4,317	4,400	1,239	-7,988
Total assets	991,668	991,142	110,730	110,132	1,102,398	1,101,274
Total liabilities	669,453	676,533	52,678	56,679	722,131	733,212
Investments	53,885	67,160	7,759	8,336	61,644	75,496
Impairment of financial assets	-1,458	-623	0	0	-1,458	-623
Impairment of property, plant and equipment	-306	-458	-138	-53	-444	-511

Note 48 – Geographical segments

EURk	West		East		Other		Group	
	2014	2015	2014	2015	2014	2015	2014	2015
Revenue from sale to third parties	467,238	464,326	677,451	650,182	109,028	110,521	1,253,717	1,225,029
Total assets	337,648	341,242	604,326	580,176	160,424	179,856	1,102,398	1,101,274
Investments	11,967	15,039	36,186	39,969	13,491	20,488	61,644	75,496

Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT
to the owners of GORENJE, d.d.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the company GORENJE, d.d. and its subsidiaries (» the Group«), which comprise the statement of financial position as at December 31, 2015, and the income statement, statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by EU and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects the financial position of the GORENJE Group as at December 31, 2015, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements:

The management is also responsible for the preparation of the business report in accordance with the requirements of the Companies Act (ZGD-1). Our responsibility is to provide an assessment of whether the business report is consistent with the audited financial statements. Our procedures have been conducted in accordance with the International Standard on Auditing 720 and are limited solely to assessing of whether the business report is consistent with the audited financial statements. In our opinion, the business report is consistent with the audited financial statements.

DELOITTE REVIZIJA d.o.o.

Tina Kolenc Praznik
Certified Auditor

For signature please refer to the original Slovenian version.

Ljubljana, 8 April 2016

Deloitte.
DELOITTE REVIZIJA D.O.O.
Ljubljana, Slovenija 3

TRANSLATION ONLY – SLOVENIAN ORIGINAL PREVAILS

Appendix 1: Information on the Gorenje Group companies

Company	Share capital (EURk)	Number of employees
Gorenje, d.d., Slovenia	101,922	4,138
Gorenje I.P.C., d.o.o., Slovenia	93	858
Gorenje GTI, d.o.o., Slovenia	3,769	43
Gorenje Gostinstvo, d.o.o., Slovenia	3,790	169
Energygor, d.o.o., Slovenia	9	0
Kemis, d.o.o., Slovenia	2,650	38
Gorenje Orodjarna, d.o.o., Slovenia	927	219
Indop, d.o.o., Slovenia	1,000	20
ZEOS, d.o.o., Slovenia	477	5
Gorenje Surovina, d.o.o., Slovenia	8,067	324
ERICo, d.o.o., Slovenia	278	48
Gorenje design studio, d.o.o., Slovenia	500	24
PUBLICUS, d.o.o., Slovenia	1,255	100
EKOGOR, d.o.o., Slovenia	860	2
Gorenje GAIO, d.o.o., Slovenia	1,800	85
Gorenje GSI, d.o.o., Slovenia	4,657	108
Gorenje Keramika, d.o.o., Slovenia	3,069	108
Gorenje Surovina Fotoreciklaža, d.o.o., Slovenia	160	0
Gorenje Studio, d.o.o., Slovenia	308	50
Gorenje EKOINVEST, d.o.o.	1,000	0
Gorenje Beteiligungs GmbH, Austria	26,600	10
Gorenje Austria Handels GmbH, Austria	3,275	49
Gorenje Vertriebs GmbH, Germany	5,700	76
Gorenje Körting Italia S.r.l., Italy	90	5
Gorenje France S.A.S., France	100	13
Gorenje UK Ltd., Great Britain	409	15
Gorenje Group Nordic A/S, Denmark	268	77
Gorenje spol. S r.o., Czech Republic	4,540	47
Gorenje real spol. S r.o., Czech Republic	9,622	18

Company	Share capital (EURk)	Number of employees
Gorenje Slovakia s.r.o., Slovak Republic	892	10
Gorenje Magyarország Kft., Hungary	2,263	17
Gorenje Polska Sp. Z o.o., Poland	8,149	38
Gorenje Bulgaria EOOD, Bulgaria	3,175	20
Gorenje Zagreb, d.o.o., Croatia	27,770	72
Gorenje Skopje, d.o.o., Macedonia	248	22
Gorenje Commerce, d.o.o., Bosnia and Herzegovina	1	84
Gorenje, d.o.o., Serbia	3,031	82
Gorenje Studio, d.o.o., Serbia	833	4
Gorenje Podgorica, d.o.o., Montenegro	2,800	14
Gorenje OY, Finland	115	0
Gorenje Romania S.r.l., Romania	361	11
Gorenje aparati za domaćinstvo, d.o.o., Serbia	25,157	1,416
Mora Moravia s r.o., Czech Republic	10,129	603
Gorenje – kuchyně spol. S r.o., Czech Republic	1,554	0
ST Bana Nekretnine, d.o.o., Serbia	1,965	0
KEMIS – Termoclean, d.o.o., Croatia	809	61
Kemis – BH, d.o.o., Bosnia and Herzegovina	210	10
Gorenje Gulf FZE, United Arab Emirates	257	12
Gorenje Espana S.L., Spain	3	0
Gorenje Tiki, d.o.o., Serbia	17,885	418
Gorenje Istanbul Ltd., Turkey	5,946	0
Gorenje TOV, Ukraine	109	11
Kemis – SRS, d.o.o., Bosnia and Herzegovina	172	1
ATAG Nederland BV, the Netherlands	16	387
ATAG België NV, Belgium	372	51
Intell Properties BV, the Netherlands	45	0
Gorenje Nederland BV, the Netherlands	20,796	0
Gorenje Kazakhstan, TOO, Kazakhstan	725	11

Company	Share capital (EURk)	Number of employees
OOO Gorenje BT, Russia	28,373	98
»Euro Lumi & Surovina« SH.P.K., Kosovo	431	5
Kemis Valjevo, d.o.o., Serbia	1,154	45
Gorenje GTI, d.o.o., Beograd, Serbia	1	20
Asko Appliances AB, Sweden	5,441	59
Gorenje North America, Inc., USA	1	4
Asko Appliances Pty, Australia	6,713	78
Asko Appliances OOO, Russia	270	14
»Gorenje Albania« SHPK, Albania	1	5
Gorenje Home d.o.o. Zaječar, Serbia	2,684	123
Gorenje Ekologija, d.o.o., Stara Pazova, Serbia	1,239	0
ORSES d.o.o., Beograd, Serbia	466	1
Gorenje Corporate GmbH, Austria	35	0
ZEOS eko-sistem d.o.o., Bosnia and Herzegovina	420	4
Cleaning System S, d.o.o., Serbia	870	18
Gorenje Asia Ltd., China	434	33
Gorenje do Brasil Ltda., Brasil	142	5
Gorenje MDM, d.o.o., Kragujevac, Serbia	1,029	86
Gorenje Chile, SpA, Chile	1	0

Appendix 2: Managing Directors

In 2015, the Group companies were managed by following managing directors:

Company	Managing Director
Gorenje, d.d., Slovenia	Franc Bobinac, President of the Management Board Marko Mrzel, Member of the Management Board (until 29 February 2016) Peter Kukovica, Member of the Management Board Branko Apat, Member of the Management Board Peter Groznik, Member of the Management Board Drago Bahun, Member of the Management Board
Gorenje, I.P.C., d.o.o., Slovenia	Mirko Rožanc
Gorenje GTI, d.o.o., Slovenia	Cita Špital-Meh
Gorenje Gostinstvo, d.o.o., Slovenia	Stanko Brunšek
Energygor, d.o.o., Slovenia	Marijan Penšek
Kemis, d.o.o., Slovenia	Emil Nanut
Gorenje Orodjarna, d.o.o., Slovenia	dr. Blaž Nardin
Indop, d.o.o., Slovenia	Matej Sevčnikar
ZEOS, d.o.o., Slovenia	Emil Šehič
Gorenje Surovina, d.o.o., Slovenia	Jure Fišer
ERICo, d.o.o., Slovenia	Marko Mavec
Gorenje design studio, d.o.o., Slovenia	Jasna Petan
PUBLICUS, d.o.o., Slovenia	Slavko Hrženjak
EKOGOR d.o.o., Slovenia	Ivan Hrženjak
Gorenje GAIO, d.o.o., Slovenia	Andrej Koželj
Gorenje GSI, d.o.o., Slovenia	Miro Košutnik
Gorenje Keramika, d.o.o., Slovenia	Boris Laubič

Company	Managing Director
Gorenje Surovina Fotoreciklaža d.o.o., Slovenia	Jure Fišer
Gorenje Studio, d.o.o., Slovenia	Marina Borkovič (until 29 February 2016); Miro Košutnik (since 1 March 2016)
Gorenje EKOINVEST, d.o.o. Slovenia	Marijan Penšek
Gorenje Beteiligungs GmbH, Austria	Žiga Debeljak; Tomaž Kuntarič
Gorenje Austria Handels GmbH, Austria	Sandra Lubej
Gorenje Vertriebs GmbH, Germany	Thomas Wittling
Gorenje Körting Italia S.r.l., Italy	Matjaž Geratič
Gorenje France S.A.S., France	Renaud de Barry
Gorenje UK Ltd., Great Britain	Jernej Hren
Gorenje Group Nordic A/S, Denmark	Jan Štern; Jaka Slavinec (since 1 March 2016)
Gorenje spol. s r.o., Czech Republic	Suad Hadžić; Stanko Romih
Gorenje real spol. s r.o., Czech Republic	Suad Hadžić; Stanko Romih
Gorenje Slovakia s.r.o., Slovak Republic	Stanko Romih
Gorenje Magyarország Kft., Hungary	Norbert Fülle
Gorenje Polska Sp. z o.o., Poland	Simon Kumer
Gorenje Bulgaria EOOD, Bulgaria	Bojan Bratkovič
Gorenje Zagreb, d.o.o., Croatia	Robert Polšak
Gorenje Skopje, d.o.o., Macedonia	Nenad Jovanović
Gorenje Commerce, d.o.o., Bosnia and Herzegovina	Uroš Marolt
Gorenje, d.o.o., Serbia	Stanka Pejanović
Gorenje Studio, d.o.o., Serbia	Alenka Mrzel (until 29 February 2016); Stanka Pejanović (since 1 March 2016)
Gorenje Podgorica, d.o.o., Montenegro	Darko Vukčević

Company	Managing Director
Gorenje OY, Finland	Jan Štern
Gorenje Romania S.r.l., Romania	Damir Dražetić
Gorenje aparati za domaćinstvo, d.o.o., Serbia	Mirko Meža (until 31 December 2015); Boris Pavčnik (since 1 January 2016)
Mora Moravia s r.o., Czech Republic	Vitezslav Ružička; Matija Zupanc
Gorenje – kuchyně spol. s r.o., Czech Republic	Viktor Faktor (until 8 October 2015); Dragutin Špiranec (since 9 October 2015)
ST Bana Nekretnine, d.o.o., Serbia	Štefan Kuhar (until 31 January 2016); Bogdan Urh (since 1 February 2016)
KEMIS – Termoclean, d.o.o., Croatia	Zoran Matić
Kemis – BH, d.o.o., Bosnia and Herzegovina	Maid Hadžimujić
Gorenje Gulf FZE, United Arab Emirates	Branko Podpečan (until 30 June 2015); Marko Porčnik (since 1 July 2015); Matjaž Podlogar (since 1 October 2015)
Gorenje Espana, S.L., Spain	Jernej Hren
Gorenje Tiki, d.o.o., Serbia	Branko Apat
Gorenje Istanbul Ltd., Turkey	Nedim Hadžibegić
Gorenje TOV, Ukraine	Gregor Gržina
Kemis – SRS, d.o.o., Bosnia and Herzegovina	Slobodan Sjenčić
ATAG Nederland BV, the Netherlands	Robert Meenink; Darko Janjič (until 30 June 2015); Marko Šefer (since 1 July 2015); Jeoren van Benthem; Robert Kapteijn (since 1 February 2015)
ATAG België NV, Belgija	Marc Jozef Wynant
Intell Properties BV, the Netherlands	Darko Janjič (until 30 June 2015); Marko Šefer (since 1 July 2015)

Company	Managing Director
Gorenje Nederland BV, the Netherlands	Žiga Debeljak (until 30 June 2015); Marko Šefer (since 1 July 2015)
Gorenje Kazakhstan, TOO, Kazakhstan	Bratislav Krunić
OOO Gorenje BT, Russia	Marko Špan
»Euro Lumi & Surovina« SH.P.K., Kosovo	Amir Pira
Kemis Valjevo d.o.o., Serbia	Zoran Milovanović
Gorenje GTI d.o.o., Beograd, Serbia	Miloš Leković
Asko Appliances AB, Sweden	Jonas Lidberg (until 29 February 2016); Matej Čufer (since 1 March 2016)
Gorenje North America, Inc, USA	Marko Šefer
Asko Appliances Pty, Australia	Črt Prašnikar
Asko Appliances OOO, Russia	Dime Rangelov
»Gorenje Albania« SHPK, Albania	Gregor Verbič
Gorenje Home d.o.o., Zaječar, Serbia	Vlado Krebs
ORSES d.o.o., Beograd, Serbia	Mirko Meža
Gorenje Ekologija d.o.o., Stara Pazova, Serbia	Tadej Krošlin (until 31 January 2015); Zoran Milovanović (since 1 February 2015)
Gorenje Corporate GmbH, Austria	Žiga Debeljak
Cleaning System S, d.o.o., Serbia	Zoran Milovanović
ZEOS eko-sistem d.o.o., Bosnia and Herzegovina	Emil Šehič
Gorenje Asia Ltd., China	Kristian Hansen
Gorenje do Brasil Ltda., Brasil	Tatjana Močenik
Gorenje MDM, d.o.o., Kragujevac, Serbia	Marko Klinc
Gorenje Chile, SpA, Chile	Felipe Hormaechea Calderón

Appendix 3: Foreign exchange rates

Country	Currency	Unit	2014		2015	
			Closing exchange rate (in EUR)	Average exchange rate (in EUR)	Closing exchange rate (in EUR)	Average exchange rate (in EUR)
Australia	AUD	1	1.483	1.472	1.490	1.476
Czech Republic	CZK	1	27.735	27.536	27.023	27.285
Denmark	DKK	1	7.445	7.455	7.463	7.459
Great Britain	GBP	1	0.779	0.806	0.734	0.726
Croatia	HRK	1	7.658	7.635	7.638	7.614
Hungary	HUF	1	315.540	308.707	315.980	309.898
Norway	NOK	1	9.042	8.355	9.603	8.942
Poland	PLN	1	4.273	4.184	4.264	4.183
Sweden	SEK	1	9.393	9.097	9.190	9.354
USA	USD	1	1.214	1.329	1.089	1.110
Turkey	TRY	1	2.832	2.907	3.177	3.022
Bosnia and Herzegovina	BAM	1	1.956	1.956	1.956	1.956
Bulgaria	BGN	1	1.956	1.956	1.956	1.956
Macedonia	MKD	1	61.695	61.553	61.555	61.510
Switzerland	CHF	1	1.202	1.215	1.084	1.068
Romania	RON	1	4.483	4.444	4.524	4.445
Serbia	RSD	1	120.600	116.863	121.230	120.557
Ukraine	UAH	1	18.736	15.513	25.390	23.811
Japan	JPY	1	145.230	140.226	131.070	134.288
United Arab Emirates	AED	1	4.585	4.907	3.886	4.095
Kazakhstan	KZT	1	226.650	237.619	325.730	239.471
Russia	RUB	1	72.337	51.011	80.674	68.007
Albania	ALL	1	140.220	139.876	138.110	139.752
Brasil	BRL	1	3.221	3.123	4.312	3.692
China	CNY	1	7.536	8.188	7.061	6.973
New Zealand	NZD	1	1.553	1.600	1.592	1.591
Chile	CLP	1			752.990	745.250

Accounting Report of Gorenje, d.d.

Accounting Report pursuant to IFRS as adopted by the EU.

Financial Statements of Gorenje, d.d.

Income Statement of Gorenje, d.d.

EURk		Note	2014	2015
Revenue	ON THE NOTE ›	**8**	**687,210**	**683,408**
Change in inventories of products and work in progress			-95	4,522
Other operating income	ON THE NOTE ›	9	10,252	16,876
Gross profit			**697,367**	**704,806**
Cost of goods, materials and services	ON THE NOTE ›	10	-555,271	-559,895
Employee benefits expense	ON THE NOTE ›	11	-96,898	-99,791
Amortisation and depreciation expense	ON THE NOTE ›	12	-21,618	-23,960
Other operating expenses	ON THE NOTE ›	13	-5,631	-5,700
Operating profit			**17,949**	**15,460**
Finance income	ON THE NOTE ›	14	16,578	14,546
Finance expenses	ON THE NOTE ›	14	-28,585	-33,063
Net finance expenses	ON THE NOTE ›	**14**	**-12,007**	**-18,517**
Profit or loss before tax			**5,942**	**-3,057**
Income tax expense	ON THE NOTE ›	15	392	-944
Profit or loss for the period			**6,334**	**-4,001**
Basic and diluted earnings per share (in EUR)	ON THE NOTE ›	28	0.28	-0.16

Statement of Other Comprehensive Income of Gorenje, d.d.

EURk	Note	2014	2015
Profit of loss for the period		**6,334**	**-4,001**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss		**0**	**-1,516**
Change in fair value of land	ON THE NOTE › 17 ON THE NOTE › 28	0	-43
Actuarial gains or losses		0	-1,617
Income tax on other comprehensive income	ON THE NOTE › 22	0	144
Items that may be reclassified subsequently to profit or loss		**1,857**	**-64**
Net change in fair value of available-for-sale financial assets	ON THE NOTE › 24 ON THE NOTE › 28	-41	13
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge	ON THE NOTE › 28	-192	-958
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge, reclassified to profit or loss	ON THE NOTE › 14 ON THE NOTE › 28	2,472	867
Income tax on other comprehensive income	ON THE NOTE › 22	-382	14
Other comprehensive income for the period		**1,857**	**-1,580**
Total comprehensive income for the period		**8,191**	**-5,581**

Balance Sheet of Gorenje, d.d.

EURk		Note	2014	2015
ASSETS			**910,137**	**959,570**
Non-current assets			**487,383**	**520,038**
Intangible assets	ON THE NOTE ›	16	33,247	44,509
Property, plant and equipment	ON THE NOTE ›	17	180,660	193,572
Investment property	ON THE NOTE ›	18	16,729	15,276
Investments in subsidiaries	ON THE NOTE ›	19	238,363	246,863
Investments in associates	ON THE NOTE ›	20	341	509
Other non-current investments	ON THE NOTE ›	21	689	1,690
Deferred tax assets	ON THE NOTE ›	22	17,354	17,619
Current assets			**422,754**	**439,532**
Inventories	ON THE NOTE ›	23	96,138	91,986
Current investments	ON THE NOTE ›	24	137,280	182,911
Trade receivables	ON THE NOTE ›	25	167,714	145,322
Other current assets	ON THE NOTE ›	26	11,368	11,714
Cash and cash equivalents	ON THE NOTE ›	27	10,254	7,599

EURk		Note	2014	2015
EQUITY AND LIABILITIES			**910,137**	**959,570**
Equity	ON THE NOTE ›	28	**365,910**	**358,914**
Share capital			101,922	101,922
Share premium			157,835	156,639
Revenue reserves			99,301	99,301
Treasury shares			-3,170	-3,170
Retained earnings			4,220	0
Fair value reserve			5,802	4,222
Non-current liabilities			**256,032**	**271,101**
Provisions	ON THE NOTE ›	30	21,929	21,418
Non-current financial liabilities	ON THE NOTE ›	31	234,103	249,683
Current liabilities			**288,195**	**329,555**
Current financial liabilities	ON THE NOTE ›	32	113,990	144,470
Trade payables	ON THE NOTE ›	33	154,786	167,363
Other current liabilities	ON THE NOTE ›	34	19,419	17,722

Statement of Cash Flows of Gorenje, d.d.

	EURk	Note		2014	2015
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**				
	Profit for the period			**6,334**	**-4,001**
	Adjustments for:				
	- depreciation of property, plant and equipment	ON THE NOTE ›	12, 17	18,446	19,488
	- amortisation of intangible assets	ON THE NOTE ›	12, 16	3,172	4,472
	- investment income	ON THE NOTE ›	14	-16,578	-14,546
	- finance expenses	ON THE NOTE ›	14	28,585	33,063
	- gain on sale of property, plant and equipment			-36	-225
	- gain on sale of investment property			-83	0
	- tax expenses	ON THE NOTE ›	15	-392	944
	Operating profit before changes in net operating current assets and provisions			**39,448**	**39,195**
	Change in trade and other receivables			25,219	21,448
	Change in inventories	ON THE NOTE ›	23	-327	4,152
	Change in provisions	ON THE NOTE ›	30	-2,404	-511
	Change in trade and other payables			-16,471	1,369
	Cash generation from operations			**6,017**	**26,458**
	Interest paid			-17,054	-18,510
	Income tax paid	ON THE NOTE ›	15	0	-1,050
	Net cash from operating activities			**28,411**	**46,093**

	EURk	Note	2014	2015
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
	Proceeds from sale of property, plant and equipment		7,391	1,964
	Proceeds from sale of investment property		3,274	1,448
	Interest received		6,731	6,403
	Dividends received		5,349	4,026
	Disposal of subsidiary		266	0
	Acquisition of subsidiary		-4,506	-8,500
	Acquisition of associate		0	-168
	Acquisition of property, plant and equipment		-23,385	-34,324
	Acquisition of investment property		-9	-37
	Loans approved		-120,923	-253,964
	Repayment of loans given		76,202	205,961
	Other investments		-111	-127
	Acquisition of intangible assets		-14,767	-15,738
	Net cash used in investing activities		**-64,488**	**-93,056**
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
	Capital increase		9,812	0
	Interest-bearing borrowings		213,962	264,040
	Repayment of borrowings		-265,347	-203,674
	Bonds issued		73,000	-14,600
	Dividend payout		0	-1,458
	Net cash used in financing activities		**31,427**	**44,308**
	Net change in cash and cash equivalents		-4,650	-2,655
	Cash and cash equivalents at beginning of period		14,904	10,254
	Cash and cash equivalents at end of period		10,254	7,599

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 revenue reserves		Profit or loss from previous periods	Profit or loss for the period		
Opening balance at 1 Jan 2014	**92,240**	**157,705**	**12,896**	**6,923**	**3,170**	**72,829**	**-3,170**	**151**	**1,218**	**3,945**	**347,907**
Total comprehensive income for the period											
Profit for the period									6,334		6,334
Total other comprehensive income										1,857	1,857
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**6,334**	**1,857**	**8,191**
Transactions with owners (when acting as owners) recognised directly in equity											0
Contributions by owners and distributions to owners											0
Capital increase	9,682	318									10,000
Costs of capital increase		-188									-188
Creation of statutory reserves				633					-633		0
Transfer of profit of the previous year to retained earnings or losses								1,218	-1,218		0
Transfer of part of profit for 2014 to other reserves						2,850			-2,850		0
Total contributions by owners and distribution to owners	**9,682**	**130**	**0**	**633**	**0**	**2,850**	**0**	**1,218**	**-4,701**	**0**	**9,812**
Total transactions with owners	**9,682**	**130**	**0**	**633**	**0**	**2,850**	**0**	**1,218**	**-4,701**	**0**	**9,812**
Closing balance at 31 Dec 2014	**101,922**	**157,835**	**12,896**	**7,556**	**3,170**	**75,679**	**-3,170**	**1,369**	**2,851**	**5,802**	**365,910**

EURk	Share capital	Share premium	Revenue reserves				Treasury shares	Retained earnings		Fair value reserve	Total
			Legal reserves	Statutory reserves	Treasury share reserve	Other revenue reserves		Profit or loss from previous periods	Profit or loss for the period		
Opening balance at 1 Jan 2015	**101,922**	**157,835**	**12,896**	**7,556**	**3,170**	**75,679**	**-3,170**	**1,369**	**2,851**	**5,802**	**365,910**
Total comprehensive income for the period											
Profit or loss for the period									-4,001		-4,001
Total other comprehensive income										-1,580	-1,580
Total comprehensive income for the period	0	0	0	0	0	0	0	0	**-4,001**	**-1,580**	**-5,581**
Transactions with owners (when acting as owners) recognised directly in equity											0
Contributions by owners and distributions to owners											0
Transfer of profit for the previous year to retained earnings or losses								2,851	-2,851		0
Dividend payout								-1,458			-1,458
Transfer of fair value reserve of land to retained earnings or losses								43			43
Coverage of loss for 2015 based on the Management Board's decision		-1,196						-2,805	4,001		0
Total contributions by owners and distributions to owners	0	**-1,196**	0	0	0	0	0	**-1,369**	**1,150**	0	**-1,415**
Total transactions with owners	0	**-1,196**	0	0	0	0	0	**-1,369**	**1,150**	0	**-1,415**
Closing balance at 31 Dec 2015	**101,922**	**156,639**	**12,896**	**7,556**	**3,170**	**75,679**	**-3,170**	0	0	**4,222**	**358,914**

Notes to the Financial Statements

1. Reporting entity

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

The financial statements of the Company have been prepared as at and for the year ended 31 December 2015. The Company is primarily involved in the production and sale of household appliances.

2. Basis of preparation

a) Statement of compliance

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

The Management Board approved the financial statements on 7 March 2016.

b) Basis of measurement

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

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

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

c) Functional and presentation currency

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

d) Use of estimates and judgements

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

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

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

- Note 15 and 22 – deferred taxes;
- Notes 17 and 18 and accounting policies 3(e) and 3(g) – valuation of property, plant and equipment and investment property;
- Note 19 and 20 and accounting policies 3(c) and 3(d) – acquisition and disposal of companies;
- Note 30 and the accounting policy (m)(ii) - provisions for retirement benefits and jubilee premiums;
- Note 30 and the accounting policy 3(m)(v) – provisions for onerous contracts and litigations;
- Note 30 and the accounting policy 3(m)(i) – provisions for warranties;
- Note 24 – valuation of investments;
- Accounting policy 3(j)(i) – impairment of financial assets, including receivables.

e) Change in accounting policies

The Company has not changed its accounting policies, except where required by the amended IFRSs.

3. Significant accounting policies

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

a) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to EUR (the functional currency of the Company) at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated as of the balance sheet date to the functional currency at the exchange rate at that date. The foreign currency gain and loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

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

Foreign currency differences arising on retranslation are recognised in the profit or loss, except for differences arising on the retranslation of:

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

b) Financial instruments

(i) Non-derivative financial assets

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

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

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

The Company classifies non-derivative financial instruments into the following categories: liabilities and receivables, available-for-sale financial assets, cash and cash equivalents.

Liabilities and receivables

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

Cash and cash equivalents

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

Available-for-sale financial assets

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

Fair value changes (see note 3(j)(i)) and foreign currency differences on available-for-sale equity instruments (see note 3(a)) are recognised in other comprehensive income and disclosed in equity or fair value reserves. When available-for-sale financial assets are derecognised or permanently impaired, the gain or loss accumulated in equity is reclassified to profit or loss. Available-for-sale financial assets comprise equity securities and debt securities.

(ii) Non-derivative financial liabilities

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

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

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

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

(iii) Share capital

Ordinary shares

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

Repurchase of share capital (treasury shares)

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

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

(iv) Derivative financial instruments, including hedge accounting

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

On initial designation of the derivative as the hedging instrument, the Company formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship.

The Company makes an assessment, both at the inception of the hedging relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

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

Cash flow hedge

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

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

Other derivative financial instruments

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

c) Subsidiaries

Investments in the equity of subsidiaries are valued at cost less possible amount of impairment. Incremental costs directly attributable to the acquisition of a subsidiary are recognised as an increase in the cost of equity investment. Share of profit is recognized as income when a resolution on payment is adopted by the General Meeting of Shareholders.

d) Associates

Investments in the equity of associates are valued at cost less possible amount of impairment. Incremental costs directly attributable to the acquisition of an associate company are recognised as an increase in the cost of equity investment.

e) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

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

Any gain or loss on disposal of an item of property, plant and equipment is calculated as the difference between the net proceeds from disposal of the asset and its carrying amount and disclosed in the income statement among other operating income or other operating expenses.

(ii) Reclassification to investment property

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

(iii) Subsequent expenditure

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

(iv) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment; this method most accurately reflects the expected pattern of the use of the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

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

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

buildings	20–50 years
plant and equipment	5–20 years
computer equipment	2–5 years
transportation means	5–20 years
office equipment	5–10 years
tools	5–10 years

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

f) Intangible assets

(i) Research and development

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

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

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

(ii) Other intangible assets

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Subsequent expenditure

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

(iv) Amortisation

Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

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

patents and trademarks	10 years
capitalised development costs	7 - 10 years

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

g) Investment property

Investment property is property held either to earn rental income or to increase the value of non-current investment or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is recognised at fair value with any change therein recognised in the income statement.

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

Property rented to a subsidiary and associate with the conduct of the Company's business activities, is accounted for as an item of property, plant and equipment. Investment property also includes property, of which more than 50% of the available surface area is leased out.

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

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

h) Leased assets

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

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

i) Inventories

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

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

The standard price method is applied when disclosing inventories of products. Deviations from input (charged) and standard prices are established and accounted on a monthly basis.

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

Write-off of obsolete inventories of products and semi-finished products is carried out in compliance with Group's policies.

j) Impairment of assets

(i) Non-derivative financial assets

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

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

Financial assets measured at amortised cost

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

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

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

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

Available-for-sale financial assets

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

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

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite-lived intangible assets that are not yet available for use are tested annually prior to the preparation of financial statements. An impairment loss is recognised if the carrying amount of a cash-generating unit (CGU) exceeds its recoverable amount.

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

Impairment losses are recognised in the income statement. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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

k) Non-current assets classified as held for sale

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

Once classified as held for sale, intangible assets and property, plant and equipment are not amortised or depreciated. In addition, equity accounting of equity-accounted investees ceases once classified as held for sale.

l) Employee benefits

(i) Short-term employee benefits

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

m) Provisions

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

(i) Warranties for products and services

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

(ii) Provisions for retirement benefits and jubilee premiums

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

Provisions are created by discounting, at the reporting date, the estimated future payments of retirement benefits and jubilee premiums. The obligation is calculated separately for each employee by estimating the costs of retirement benefits and the costs of all expected jubilee premiums until retirement. The balance of provisions is verified on a three-year basis based on a calculation that has been made by a certified actuary.

Actuarial gains and losses arising on provisions for retirement benefits and jubilee premiums are recognised in other comprehensive income since 1 January 2013 as required under the revised IAS 19. Company's accounting policy was changed as required under the IAS 19.

(iii) Restructuring

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

(iv) Site restoration

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

(v) Onerous contracts

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

n) Revenue

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

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

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

(ii) Revenue from services rendered

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

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

(iii) Commission

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

(iv) Rental income

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

o) Government grants

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

p) Finance income and finance expenses

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

Finance expenses comprise borrowing costs (part of borrowing costs can be capitalised within property, plant and equipment), impairment losses on financial assets, and losses on hedging instruments that are recognised in income statement, and interest expenses arising from provisions for retirement benefits and jubilee premiums. Borrowing costs that are recognised in income statement using the effective interest method, except for borrowing costs related to qualifying assets in construction or production.

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

r) Income tax

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

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

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

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

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

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

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

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

s) Basic earnings per share

The Company presents basic earnings per share that equals the diluted earnings per share since the Company has not issued preference shares or floating-rate bonds. Basic earnings per share is calculated by dividing the profit or loss for the reporting period attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

t) Comparable information

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

u) Accounting standards and interpretations applicable in the current period

Following standards, amendments to existing standards and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the EU apply in the current reporting period:

- A collection of amendments to various IFRSs ‘Annual Improvements to IFRSs 2011-2013 Cycle’ (IFRS 3, IFRS 13, and IAS 40), in response to eliminate inconsistency and provide clarification of wording in IFRSs, which were adopted by the EU on 18 December 2014 (effective for annual periods beginning on or after 1 January 2015),
- IFRIC 21 'Levies', adopted by the EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014).

Adoption of the relevant amendments to the existing standards and interpretations did not result in any material change of the Company's financial statements.

v) New accounting standards and interpretations not yet adopted

The following new accounting standards and interpretations are not yet effective for the annual period ended 31 December 2015 and have not been applied in preparing the financial statements hereunder:

- Amendments to IFRS 11 'Joint Arrangements' – Accounting for Acquisitions of Interests in Joint Operations, adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 1 'Presentation of Financial Statements' – Disclosure Initiative, adopted by the EUR on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 16 'Property, Plant and Equipment and IAS 38' – Intangible assets - Clarification of Acceptable Methods of Depreciation and Amortisation, adopted by the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016),

- Amendments to IAS 16 'Property, Plant and Equipment' and IAS 41 'Agriculture' – Agriculture: Bearer Plants, as adopted by the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 19 'Employee Benefits' – Defined Benefit Plans: Employee Contributions, adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),
- Amendments to IAS 27 'Separate Financial Statements' – Equity method in the separate financial statements, adopted by 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- A collection of amendments to various IFRSs 'Annual Improvements to IFRSs 2010-2012 Cycle' (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38), in response to eliminate inconsistency and provide clarification of wording in IFRSs, which were adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),
- A collection of amendments to various IFRSs 'Annual Improvements to IFRSs 2012-2014 Cycle' (IFRS 5, IFRS 7, IAS 19 and MRS 34), in response to eliminate inconsistency and provide clarification of wording in IFRSs, adopted by the EU on 15 December 2015 (effective for annual periods beginning on or after 1 January 2016).

Accounting standards and interpretations issued by the IASB but not yet adopted by the EU

At present the IFRSs, as adopted by the EU, do not significantly differ from regulations adopted by IASB, except for following standards, amendments to existing standards and interpretations, which as of the date of approval of financial statements were not yet effective in EU:

- IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 1 January 2018),
- IFRS 14 'Regulatory Deferral Accounts' (effective for annual periods beginning on or after 1 January 2016) - The European Commission will not propose IFRS 14 for endorsement and consider any future standard on rate regulated activities for endorsement in the EU under its normal process,
- IFRS 15 'Revenue from Contracts with Customers' and further amendments (effective for annual periods beginning on or after 1 January 2018),
- IFRS 16 'Leases' (effective for annual periods beginning on or after 1 January 2019).
- Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 12 ' Disclosure of Interests in Other Entities ' and IAS 28 'Investments in Associates and Joint Ventures' – Investment Entities: consolidation exceptions (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and subsequent amendments (the applicability of amendments was deferred indefinitely until the research project on the equity method has been concluded),
- Amendments to IAS 12 'Income Taxes' – Recognition of Deferred Tax Assets for Unrealised Losses (Effective for annual periods beginning on or after 1 January 2017).

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

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

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

4. Determination of fair value

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

(i) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably. The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate. Depreciated replacement cost estimates reflect adjustments for physical deterioration as well as functional and economic obsolescence.

A revaluation of land is based on the independent valuer's report. The Company examines, on an annual basis, if revaluation of land is required.

(ii) Intangible assets

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

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

(iii) Investment property

Investment properties are subject to an annual assessment of their fair value of possible changes to the fair value. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

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

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

(iv) Investments in debt and equity securities

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

(v) Trade and other receivables

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

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

(vi) Forward exchange contracts and interest rate swaps

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

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group and counterparty when appropriate.

(vii) Other non-derivative financial liabilities

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

5. Capital management

Capital management is outlined in the financial statements of the Group.

6. Segment reporting

The Company has no reportable segments. Segment information is presented in the consolidated financial statements of the Gorenje Group.

7. Statement of cash flows

The statement of cash flows has been compiled under the indirect method on the basis of items in the balance sheet at 31 December 2015, the balance sheet at 31 December 2014, the income statement for the year ended 31 December 2015, and additional information required for the adjustment of inflows and outflows.

Note 8 – Revenue EUR 683,408k

EURk	2014	2015
Revenue from sale of products – domestic market	15,828	18,436
Revenue from sale of products – foreign market	410,989	402,319
Revenue from sale of merchandise – domestic market	39,419	38,262
Revenue from sale of merchandise – foreign market	151,574	159,652
Revenue from sale of services – domestic market	4,575	3,187
Revenue from sale of services – foreign market	22,060	20,639
Revenue from sale of materials and semi-finished products – domestic market	14,936	14,611
Revenue from sale of materials and semi-finished products – foreign market	27,829	26,302
Total	**687,210**	**683,408**

Revenue from sale to subsidiaries in the Gorenje Group amounted to EUR 524,170k (2014: EUR 528,839k) showing a decline of 0.9% over the 2014 balance.

Note 9 – Other operating income EUR 16,876k

EURk	2014	2015
Income from subsidies and donations	997	259
Income from license fees	4,403	9,165
Rental income	2,357	2,394
Income from compensation in damages	687	975
Income from reversal of long-term provisions	1,109	3,544
Gain on sale of property, plant and equipment	37	225
Gain on sale of investment property	83	0
Other operating income	579	314
Total	**10,252**	**16,876**

Other operating income recorded at EUR 6,332k relates to subsidiaries (2014: EUR 6,449k). Income from license fees includes income arising from intellectual property. Revenue from reversal of non-current provisions largely refers to sales guarantees, which is outlined in Note 30. Income from compensations in damages refers to charged damages under contractual relationships.

Rental income

EURk	2014	2015
Rentals - up to one year (Group companies)	1,879	1,830
Rentals - up to one year (other companies)	478	502
Rentals – one to five years (Group companies)	0	52
Rentals – one to five years (other companies)	0	10
Total	**2,357**	**2,394**

Rental income relates primarily to real property, which is partly used by the Company and in part leased out to subsidiaries.

Note 10 – Costs of goods, materials and services EUR 559,895k

EURk	2014	2015
Cost of goods sold	189,094	194,430
Cost of materials	290,609	283,943
Cost of services	75,568	81,522
Total	**555,271**	**559,895**

Cost of services that arises on transactions with subsidiaries in the Group are recorded at EUR 29,333k (2014: EUR 26,404k). The item of cost of services comprises cost of provisions for warranties in the amount of EUR 10,950k (2014: EUR 7,512k).

Cost of services includes cost of rentals in the amount of EUR 2,715k (2014: EUR 3,256k).

The table below shows the minimum rental payments under operating lease (Company as lessee) as at the year-end.

EURk	2014	2015
Up to one year	1,966	1,217
One to five years	1,798	1,581
More than five years	518	449
Total	**4,282**	**3,247**

Note 11 – Employee benefits expense EUR 99,791k

EURk	2014	2015
Wages and salaries	68,206	67,740
Social security costs	13,659	13,912
Provisions for retirement benefits and jubilee premiums	43	1,141
Other employee benefits expense	14,990	16,998
Total	**96,898**	**99,791**

The item of social security costs comprises costs of voluntary, additional, collective pension insurance in the amount of EUR 2,430k (2014: EUR 2,383k). In the reporting period, the average number of employees calculated based on working hours was 4,146.28 (2014: 4,121.33 employees).

Employee benefits expense grew by 3.0% relative to 2014 and is the result of higher provisions for termination benefits and jubilee premiums, which were created on the basis of an actuarial calculation. The largest impact on the balance of these provisions was the lower discount rate as the result of changed macroeconomic circumstances. Costs of termination benefits within other employee benefits expense increased as well.

Note 12 – Amortisation and depreciation expense EUR 23,960k

EURk	2014	2015
Amortisation expense of intangible assets	3,172	4,472
Depreciation expense of property, plant and equipment	18,446	19,488
Total	**21,618**	**23,960**

In respect to 2014, amortisation and depreciation expenses increased by 10.8% primarily as a result of completing the projects that were activated in the second half-year of 2014, and activated lines in the washing-dryer programme in the first months of 2015.

Note 13 – Other operating expenses EUR 5,700k

EURk	2014	2015
Write-off of plant and equipment	32	107
Write-down of inventories to net realisable value	2,002	2,415
Other taxes and charges	1,662	1,622
Environmental levies	734	699
Scholarships	298	287
Creation of provisions for litigations	200	15
Other expenses	703	555
Total	**5,631**	**5,700**

Other taxes and charges largely include charges for the use of the building plot, water charge and other mandatory taxes and charges. Other operating expenses primarily comprise compensations relating to operations.

Note 14 – Net finance expenses EUR 18,517k

Finance income EUR 14,546k

EURk	2014	2015
Dividend income and income from other profit shares	5,349	4,026
Interest income on transactions with Group companies	6,878	6,446
Interest income on transactions with other companies	479	749
Change in fair value of interest rate swaps	0	428
Change in fair value of forward exchange contracts	2,096	0
Net exchange gains	1,258	1,110
Gain on disposal of available-for-sale financial assets	10	18
Other finance income	508	1,769
Total	**16,578**	**14,546**

Dividend income and income from other profit shares recorded at EUR 3,976k refer to dividends paid by subsidiaries.

Other finance income in the amount of EUR 1,148k comprises receivables arising from a bank guarantee collection for the associate RCE d.o.o. – in bankruptcy. Other items under other finance income refer mostly to reversal of allowances for receivables from previous periods that were paid or reversed, and income from commissions on loan guarantees issued to subsidiaries and third parties.

Finance expenses EUR 33,063k

EURk	2014	2015
Interest expenses on transactions with Group companies	2,305	2,663
Interest expenses on transactions with other companies	14,135	13,825
Change in fair value of interest rate swaps	570	0
Expenses on realised interest rate swaps	1,902	867
Change in fair value of forward exchange contracts	0	1,978
Expenses on realised forward exchange contracts	75	10,461
Interest expenses arising under provisions for retirement benefits and jubilee premiums	0	405
Impairment of investments in subsidiaries	2,132	0
Impairment of investments in associates	600	0
Impairment loss on available-for-sale financial assets	1	15
Impairment loss on trade receivables	327	598
Impairment loss on loans	762	448
Other finance expenses	5,776	1,803
Total	**28,585**	**33,063**

In 2015, finance expenses increased if compared to the previous year, which is attributable to the negative impact of realised derivatives used for hedging against currency risks.

Fair value of trade receivables and loans granted is ensured by impairment of receivables and loans in the amount of EUR 1,046k (2014: EUR 1,089k). Impairment of receivables largely relates to receivables due from the associate RCE d.o.o. – in bankruptcy. Impairment of loans refers in its full amount to the impairment of the loan extended to Arosa Mobilia, d.o.o.

Other finance expenses include mostly costs for loans, letters of credit provided, and guarantees.

Finance income and expenses recognised directly in other comprehensive income (net)

EURk	2014	2015
Net change in fair value of available-for-sale financial assets	-35	11
Net change in effective portion of gains and losses on hedging instruments in a cash flow hedge	-580	-942
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge, reclassified to profit or loss	2,472	867
Finance income / expense recognised in other comprehensive income	**1,857**	**-64**

Net effect from the statement of comprehensive income is shown in the table above and is exclusive of the change in the fair value of land and actuarial gains or losses.

Note 15 – Income tax expense EUR -944k

Income tax expense comprises other taxes, which are not disclosed in other items, and amounted to EUR -1,050k and the effect of the changed value of deferred tax assets in the amount of EUR 106k. The income tax calculation discloses a negative tax base in the amount of EUR 4.8m for which deferred tax assets were recognised.

As at 31 December 2015, deferred tax assets referring to incentives for research and development and investments in the total amount of EUR 8,208k were not recognised by the Company.

EURk	2014	2015
Current tax expense	0	0
Deferred tax	392	106
Other taxes	0	-1,050
Total	**392**	**-944**

Effective income tax rates calculated based on the commercial balance sheet:

EURk	2014	2014	2015	2015
Profit or loss before tax		**5,942**		**-3.057**
Income tax using the general tax rate	17.00%	1,010	17.00%	-520
Non-deductible expenses	22.87%	1,359	-9.76%	298
Tax exempt income	-17.60%	-1,046	21.24%	-649
Unused tax losses and tax incentives relating to deferred tax	-28.87%	-1,715	-25.02%	765
Other taxes	0%	0	-34.31%	1.050
Income tax expense	**-6.60%**	**-392**	**-30.85%**	**944**

The following deferred tax amounts were recognised in other comprehensive income:

EURk	2014		
	Pre-tax amount	Tax	After-tax amount
Change in fair value of available-for-sale financial assets	-41	6	-35
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge	-192	-388	-580
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge, reclassified to profit or loss	2,472	0	2,472
Total	**2,239**	**-382**	**1,857**

EURk	2015		
	Pre-tax amount	Tax	After-tax amount
Change in fair value of available-for-sale financial assets	13	-2	11
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge	-958	16	-942
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge, reclassified to profit or loss	867	0	867
Total	**-78**	**14**	**-64**

Note 16 – Intangible assets (IA) EUR 44,509k

EURk	2014	2015
Development costs	18,627	18,147
Industrial property rights	3,891	3,348
Intangible assets under construction	10,729	23,014
Total	**33,247**	**44,509**

The relevant increase in development costs mostly refers to new advanced products (e,g, new built-in ovens, upgrades of Gorenje washing and dryer appliances, redesigned cookers) that are developed by competence centres of individual programmes, Costs for services arising in connection with development are recognised in the income statement in the amount of EUR 2,295k.

As for the item of industrial property rights, EUR 53k were invested into purchasing new and upgrading the existing licences, EUR 261k were invested in upgrading the software, and EUR 57k were invested into new software.

The item of intangible assets under construction primarily refers to capitalised costs of developing new advanced products (e,g, new versions of the H-BIO oven, an upgrade of gas cookers and new dishwashers and washing machines) developed by competence centres in Velenje and in ASKO Sweden (EUR 20,736k).

Movements in intangible assets in 2014

EURk	Development costs	Industrial property rights	Intangible assets under construction	Total
Cost at 1 Jan 2014	**23,131**	**13,910**	**9,424**	**46,465**
Acquisition			14,768	14,768
Disposal, write-down		-14		-14
Transfer from assets under construction	13,018	445	-13,463	0
Cost at 31 Dec 2014	**36,149**	**14,341**	**10,729**	**61,219**
Accumulated amortisation at 1 Jan 2014	**15,223**	**9,591**	**0**	**24,814**
Disposal, write-down		-14		-14
Amortisation	2,299	873		3,172
Accumulated amortisation at 31 Dec 2014	**17,522**	**10,450**	**0**	**27,972**
Carrying amount at 1 Jan 2014	**7,908**	**4,319**	**9,424**	**21,651**
Carrying amount at 31 Dec 2014	**18,627**	**3,891**	**10,729**	**33,247**

Movements in intangible assets in 2015

EURk	Development costs	Industrial property rights	Intangible assets under construction	Total
Cost at 1 Jan 2015	**36,149**	**14,341**	**10,729**	**61,219**
Acquisition			15,738	15,738
Disposal, write-down		-20		-20
Transfer from assets under construction	3,082	371	-3,453	0
Cost at 31 Dec 2015	**39,231**	**14,692**	**23,014**	**76,937**
Accumulated amortisation at 1 Jan 2015	**17,522**	**10,450**	**0**	**27,972**
Disposal, write-down		-16		-16
Amortisation	3,562	910		4,472
Accumulated amortisation at 31 Dec 2015	**21,084**	**11,344**	**0**	**32,428**
Carrying amount at 1 Jan 2015	**18,627**	**3,891**	**10,729**	**33,247**
Carrying amount at 31 Dec 2015	**18,147**	**3,348**	**23,014**	**44,509**

Note 17 – Property, plant and equipment (PPE) EUR 193,572k

EURk	2014	2015
Land	21,294	21,802
Buildings	54,068	57,139
Production and other equipment	90,035	91,914
Property, plant and equipment under construction	15,263	22,717
Total	**180,660**	**193,572**

Movements in property, plant and equipment in 2014

EURk	Land	Buildings	Production and other equipment	PPE under construction	Total
Cost at 1 Jan 2014	20,365	155,720	413,946	7,765	597,796
Acquisition				28,820	28,820
Disposal, write-down		-2	-11,915		-11,917
Transfer from investment property	929	4,506		-5,435	0
Transfers from assets under construction		1,015	14,872	-15,887	0
Cost at 31 Dec 2014	21,294	161,239	416,903	15,263	614,699
Accumulated depreciation at 1 Jan 2014	0	103,974	323,154	0	427,128
Disposal, write-down		-1	-11,534		-11,535
Depreciation		3,198	15,248		18,446
Accumulated depreciation at 31 Dec 2014	0	107,171	326,868	0	434,039
Carrying amount at 1 Jan 2014	20,365	51,746	90,792	7,765	170,668
Carrying amount at 31 Dec 2014	21,294	54,068	90,035	15,263	180,660

Movements in property, plant and equipment in 2015

EURk	Land	Buildings	Production and other equipment	PPE under construction	Total
Cost at 1 Jan 2015	21,294	161,239	416,903	15,263	614,699
Acquisition				34,324	34,324
Disposal, write-down	-500	-1,312	-12,500		-14,312
Transfer from investment property					0
Transfers from assets under construction	1,008	7,720	18,142	-26,870	0
Cost at 31 Dec 2015	21,802	167,647	422,545	22,717	634,711
Accumulated depreciation at 1 Jan 2015	0	107,171	326,868	0	434,039
Disposal, write-down		-33	-12,355		-12,388
Depreciation		3,370	16,118		19,488
Accumulated depreciation at 31 Dec 2015	0	110,508	330,631	0	441,139
Carrying amount at 1 Jan 2015	21,294	54,068	90,035	15,263	180,660
Carrying amount at 31 Dec 2015	21,802	57,139	91,914	22,717	193,572

Land EUR 21,802k

Land was appraised in 2013 by an independent certified appraiser of real property. The valuation effect was recorded at EUR 1,623k. If land was disclosed at original cost, the book value would amount to EUR 14,392k.

Decrease in the amount of EUR 500k relates to the land in Šoštanj and the company Turna, d.o.o., whereby the increase of EUR 1,008k refers to the acquisition of land in Velenje from the company Turna, d.o.o.

Land is not pledged as collateral for outstanding loan liabilities.

Buildings EUR 57,139k

A growth in the value of buildings in the amount of EUR 7,720k is mostly attributable to the purchase of production facilities that were acquired from the company Turna, d.o.o. (EUR 6,142k). The residual amount refers to the renovation of business premises and production facilities.

A decrease in the value of buildings is primarily the consequence of the accounted depreciation. The relevant decline was also impacted by the sale of the production facility in Šoštanj to the company Turna, d.o.o.

Buildings were appraised in 2013 by an independent certified appraiser of real property. The valuation amounted to EUR -1,230k.

Buildings are not pledged as collateral for outstanding loan liabilities.

Production and other equipment EUR 91,914k

The increase in value of equipment is attributable to capitalised technological equipment acquired and commissioned in 2015.

In 2015, investments in new equipment, reconstruction and upgrade of the production equipment were made in the amount of EUR 11,402k, and of the mechanical hardware in the amount of EUR 629k. Investments made in new tools and upgrades of the old tools amounted to EUR 4,976k, and in computer equipment to EUR 231k. Investments in modernising transport means were recorded at EUR 424k.

The decrease in value of equipment refers to sale of equipment, the disposal of obsolete equipment, and depreciation expense.

In 2013, the appraisal of plant and equipment was carried out and no conditions leading to impairment were established. Possible indication of impairment is assessed by the Company's management on an annual basis.

Property, plant and equipment under construction EUR 22,717k

The item of property, plant and equipment under construction relates to the equipment that shall be activated in the first half-year of 2016 and includes certain development projects in progress, as well as tools. It refers largely to the equipment for the new dishwashers (EUR 6,741k), the equipment for the Panasonic project of washing machines and dryers (EUR 2,597k), the new generation of Asko washing and dryer appliances (EUR 1,083k), the new generation of Gorenje washing and dryer appliances (EUR 1,047k), the new generation of integrated cooler-freezer appliances (EUR 773k), and the freestanding 600 mm cookers (EUR 468k).

Note 18 – Investment property EUR 15,276k

EURk	2014	2015
Land with buildings	16,729	15,276
Total	**16,729**	**15,276**

Investment property includes land and buildings intended for resale or increase of investment property. In association with investment property, rental income in the amount of EUR 81k (2014: EUR 121k) was recognised in the income statement. Costs relating to investment property, which include current costs, repairs and maintenance amounted in 2015 to EUR 212k (2014: EUR 377k).

Movements in investment property

EURk	2014	2015
Balance at 1 January	**25,361**	**16,729**
Acquisition	9	37
Transfer to land and buildings	-5,435	0
Disposal	-3,206	-1,490
Balance at 31 December	**16,729**	**15,276**

Investment property is measured using the fair value model. Investment property was appraised by an independent certified appraiser in 2013 and showed an increase in value in the amount of EUR 2,364k. Increase in investment property refers to the purchase of an apartment in Velenje. Decrease represents the sale of two apartments (EUR 105k) and the sale of an investment property in Šoštanj to the company Turna, d.o.o. (EUR 1,385k).

Note 19 – Investment in subsidiaries

EUR 246,863k

EURk	Equity interest	Equity of company 2015	Profit or loss of company 2015	Investment at 31 Dec 2014	Investment at 31 Dec 2015
Gorenje I.P.C., d.o.o., Velenje	100.00%	6,329	193	377	377
Gorenje design studio, d.o.o., Velenje	52.00%	268	-49	260	260
ENERGYGOR, d.o.o.,Velenje	100.00%	186	5	58	58
Gorenje Keramika, d.o.o., Velenje	100.00%	242	-1,201	6,858	6,858
Gorenje GTI, d.o.o., Velenje	100.00%	5,762	279	3,934	3,934
Gorenje GSI, d.o.o., Ljubljana	100.00%	5,945	732	4,861	4,861
Gorenje Gostinstvo, d.o.o., Velenje	100.00%	7,066	728	5,958	5,958
Gorenje Orodjarna, d.o.o., Velenje	100.00%	4,224	511	3,038	3,038
Indop, d.o.o., Šoštanj	100.00%	358	-245	0	0
Gorenje GAIO, d.o.o., Šoštanj	100.00%	262	-169	800	800
Gorenje EKOINVEST, d.o.o., Velenje	100.00%	10,534	1	0	10,286
Gorenje Surovina, d.o.o., Maribor	100.00%	13,113	74	23,495	13,209
ZEOS, d.o.o., Ljubljana	51.00%	1,274	163	243	243
Gorenje Zagreb, d.o.o., Croatia	100.00%	14,057	-343	21,730	30,230
ST Bana Nekretnine, d.o.o., Serbia	1.61%	2,513	-124	50	50
Gorenje Tiki, d.o.o., Serbia	100.00%	28,867	1,026	23,306	23,306
Gorenje Home, d.o.o., Serbia	100.00%	6,387	485	3,001	3,001
Gorenje Skopje, d.o.o., Macedonia	100.00%	1,648	250	538	538
Mora Moravia s r.o., Czech Republic	67.95%	19,532	3,424	8,750	8,750
Gorenje Nederland BV, the Netherlands	100.00%	132,177	141	131,106	131,106
Gorenje - kuchyně spol. s r.o., Czech Republic	100.00%	157	1	0	0
Total		**260,901**	**5,882**	**238,363**	**246,863**

Movement of investments in subsidiaries

EURk	2014	2015
Balance at 1 January	**236,245**	**238,363**
Increase	4,506	8,500
Decrease	-256	0
Impairment	-2,132	0
Balance at 31 December	**238,363**	**246,863**

Increase in investments in Gorenje Group's subsidiaries includes the share capital increase in Gorenje Zagreb, d.o.o. in the amount of EUR 8,500k.

The company Gorenje EKOINVEST, d.o.o. was established through the split-off from the company Gorenje Surovina, d.o.o., Maribor.

Note 20 – Investments in associates EUR 509k

EURk	Equity interest	Equity of company 2015	Profit or loss of company 2015	Investment at 31 Dec 2014	Investment at 31 Dec 2015
GGE, d.o.o., Ljubljana	50.00%	1,381	436	200	368
RCE d.o.o. – in liquidation, Velenje	24.00%	-	-	0	0
Gorenje Projekt, d.o.o., Velenje	50.00%	1,216	293	141	141
Total		**2,597**	**729**	**341**	**509**

Movement of investments in associates

EURk	2014	2015
Balance at 1 January	**976**	**341**
Increase	0	168
Decrease	-35	0
Impairment	-600	0
Balance at 31 December	**341**	**509**

The increase in investments relates to the acquisition of the equity interest in the company GGE, d.o.o., Ljubljana.

List of Group companies that are not directly owned by Gorenje, d.d. Group companies are owners up to a certain percentage as disclosed in the table below:

EURk	Equity interest	Equity of company 2015	Profit or loss of company 2015
KEMIS, d.o.o., Vrhnika	100.00%	7,173	478
PUBLICUS, d.o.o., Ljubljana	64.99%	2,472	433
EKOGOR, d.o.o., Jesenice	64.99%	805	7
ERICo, d.o.o., Velenje	51.00%	1,385	9
Gorenje Beteiligungs GmbH, Austria	100.00%	34,144	-1,350
Gorenje Austria Handels GmbH, Austria	100.00%	3,792	-163
Gorenje Vertriebs GmbH, Germany	100.00%	7,926	-628
Gorenje Körting Italia S.r.l., Italy	100.00%	90	-78
Gorenje France S.A.S., France	100.00%	-1,531	-1,128
Gorenje Espana S.L., Spain	100.00%	-196	-14
Gorenje UK Ltd., Great Britain	100.00%	-3,410	-2,176
Gorenje Group Nordic A/S, Denmark	100.00%	-1,237	-3,476
Gorenje OY, Finland	100.00%	311	4
Gorenje spol. s r.o., Czech Republic	100.00%	7,532	745
Gorenje real spol. s r.o., Czech Republic	100.00%	9,219	-462
Gorenje Slovak Republic s.r.o., Slovak Republic	100.00%	1,380	186
Gorenje Magyarország Kft., Hungary	100.00%	3,255	-457
Gorenje Polska Sp. z o.o., Poland	100.00%	5,667	-348
Gorenje Bulgaria EOOD, Bulgaria	100.00%	3,868	72
Gorenje Commerce, d.o.o., Bosnia and Herzegovina	100.00%	3,834	619
Gorenje, d.o.o., Serbia	100.00%	7,327	-237
Gorenje Podgorica , d.o.o., Montenegro	99.97%	2,283	-584
Gorenje Romania S.r.l., Romania	100.00%	691	239
Gorenje aparati za domaćinstvo, d.o.o., Serbia	100.00%	39,631	2,940
KEMIS-Termoclean, d.o.o., Croatia	100.00%	1,768	183
Kemis - BH, d.o.o., Bosnia and Hercegovina	100.00%	532	28
Gorenje Studio, d.o.o., Serbia	100.00%	1,384	-485

EURk	Equity interest	Equity of company 2015	Profit or loss of company 2015
Gorenje Gulf FZE, United Arab Emirates	100.00%	13	-290
Gorenje Istanbul Ltd., Turkey	100.00%	337	-15
Gorenje TOV, Ukraine	100.00%	-1,127	-550
Kemis Valjevo, d.o.o, Serbia	100.00%	1,461	45
Kemis – SRS, d.o.o., Bosnia and Hercegovina	100.00%	0	-136
ATAG Nederland BV, the Netherlands	100.00%	39,798	8,171
ATAG België NV, Belgium	100.00%	1,625	379
Intell Properties BV, the Netherlands	100.00%	1,626	-29
Gorenje Kazakhstan, TOO, Kazakhstan	100.00%	502	12
»Euro Lumi & Surovina« SH.P.K., Kosovo	51.00%	431	-62
OOO Gorenje BT, Russia	100.00%	23,295	-1,935
Gorenje GTI, d.o.o., Serbia	100.00%	125	16
Asko Appliances AB, Sweden	100.00%	6,355	-232
Gorenje North America, Inc., USA	100.00%	1,280	333
Asko Appliances Pty, Australia	100.00%	6,360	536
Asko Appliances OOO, Russia	100.00%	-733	-462
»Gorenje Albania« SHPK, Albania	100.00%	172	38
ORSES, d.o.o., Serbia	100.00%	483	-1
Gorenje Corporate GmbH, Austria	100.00%	37	0
Cleaning System S, d.o.o., Serbia	100.00%	931	15
Zeos eko-sistem d.o.o., Bosnia and Hercegovina	49.45%	627	144
Gorenje Studio d.o.o., Ljubljana	100.00%	229	-97
Gorenje Asia Ltd., China	100.00%	851	73
Gorenje MDM, d.o.o., Serbia	100.00%	981	29
Gorenje Surovina Fotoreciklaža, d.o.o., Maribor	51.00%	-74	-87
Gorenje do Brasil Ltda., Brasil	100.00%	-1,218	-903
Gorenje Ekologija, d.o.o., Serbia	100.00%	1,191	-49
Total		**225,653**	**-700**

Note 21 – Other non-current investments EUR 1,690k

Other non-current investments include non-current loans extended in the amount of EUR 1,018k (2014: EUR 17k) and other non-current investments in the amount of EUR 672k (2014: EUR 672k). The increase is largely (EUR 1,000k) attributable to the reclassification of the current loan into a non-current loan granted to the company Arosa Mobilia, d.o.o.

As for the structure of total non-current investments, the Company is not exposed to higher financial risks since most of these investments refer to subsidiaries.

Movements in other non-current investments

EURk	2014	2015
Opening balance at 1 January	**671**	**672**
Increase	1	0
Decrease	0	0
Closing balance at 31 December	**672**	**672**

Movements in loans

EURk	2014	2015
Opening balance at 1 January	**19**	**17**
Increase	0	1,003
Decrease	-2	-2
Closing balance at 31 December	**17**	**1,018**

Loans by maturity

EURk	2014	2015
Maturity from 1 to 2 years	17	18
Maturity from 2 to 3 years	0	0
Maturity from 3 to 4 years	0	1,000
Maturity from 4 to 5 years	0	0
Maturity over 5 years	0	0
Total	**17**	**1,018**

Breakdown of non-current loans to specific groups of persons

No non-current loans were granted to Management Board members, Supervisory Board members, and internal owners.

Note 22 – Deferred tax assets and deferred tax liabilities

EURk	Tax assets		Tax liabilities		Tax assets - Tax liabilities	
	2014	2015	2014	2015	2014	2015
PPE	52	160	1,268	1,260	-1,216	-1,100
Investments	1,406	1,403	14	15	1,392	1,388
Receivables	738	767	0	0	738	767
Provisions for retirement benefits and jubilee premiums	1,259	1,458	0	0	1,259	1,458
Provisions for warranties	893	744	0	0	893	744
Unused tax losses	7,480	8,305	0	0	7,480	8,305
Unused tax incentives	6,715	5,950	0	0	6,715	5,950
Cash flow hedge – foreign currency contracts	0	0	0	52	0	-52
Cash flow hedge – interest rate swaps	93	159	0	0	93	159
Total	**18,636**	**18,946**	**1,282**	**1,327**	**17,354**	**17,619**

EURk	Tax assets - Tax liabilities		Through profit or loss		Through other comprehensive income	
	2014	2015	2014	2015	2014	2015
PPE	-1,216	-1,100	16	107	0	7
Investments	1,392	1,388	0	-2	6	-2
Receivables	738	767	15	28	0	0
Provisions for retirement benefits and jubilee premiums	1,259	1,458	-68	62	0	137
Provisions for warranties	893	744	-45	-149	0	0
Unused tax losses	7,480	8,305	0	825	0	0
Unused tax incentives	6,715	5,950	474	-765	0	0
Cash flow hedge – foreign currency contracts	0	-52	0	0	0	-52
Cash flow hedge – interest rate swaps	93	159	0	0	-388	68
Total	**17,354**	**17,619**	**392**	**106**	**-382**	**158**

Note 23 – Inventories EUR 91,986k

EURk	2014	2015
Materials	43,058	38,261
Work in progress	6,954	5,851
Products	15,468	21,092
Merchandise	28,531	24,784
Advances	2,127	1,998
Total	**96,138**	**91,986**

Inventories decreased by 4.32% over the previous year's balance primarily as a result of lower inventories of material and merchandise. In 2014, the higher balance of inventories of merchandise was attributable to the value of goods in transit (coal) that were already owned by the Company in view of the parity.

As at the balance sheet date, the Company records no inventories as pledge. The book value of inventories does not exceed their net realisable value. The book value of inventories of products, for which value adjustments were made from production cost to net realisable value, is recorded at EUR 5,113k (2014: EUR 3,049k).

In 2015, value adjustments of inventories amounted to EUR 2,265k (2014: EUR 1,918k) and resulted from the write-off of obsolete inventories.

Note 24 – Current investments EUR 182,911k

EURk	2014	2015
Available-for-sale investments	2,847	2,927
Loans	131,357	178,361
Interest receivable	852	605
Derivatives	1,851	791
Other current investments	373	227
Total	**137,280**	**182,911**

Available-for-sale financial assets include shares and interests in banks worth EUR 60k (2014: EUR 60k) and in other entities worth EUR 2,867k (2014: EUR 2,787k).

The Company concluded forward exchange contracts for 2016 in order to hedge against exchange rate fluctuations. Fair value of forward exchange contracts is recognised partly in the income statement and partly in the statement of other comprehensive income. The recognition through comprehensive income aims at hedging effects to be recognised in the income statement in the same period in which the hedged item impacted the profit or loss.

The Company concludes hedging instrument to hedge against currency fluctuations in its own name and the name of other Group companies, and transfers them to companies that are locally exposed to such risk.

As at 31 December 2015, the Company records a receivable relating to the fair value of derivatives used for currency risks in relation to bank institutions in the amount of EUR 784k (EUR 306k in its own name and EUR 478k in the name of Group companies) and to Group companies in the amount of EUR 7k.

Movements in shares and interests available for sale

EURk	2014	2015
Opening balance at 1 January	**2,758**	**2,847**
Increase	157	169
Decrease	-26	-42
Change in fair value	-42	-2
Transfers	0	-45
Closing balance at 31 December	**2,847**	**2,927**

The change in fair value amounting to EUR 2k (2014: EUR 42k) is disclosed among finance expenses in the amount of EUR 15k, whereas EUR 13k is recorded among the increase of the fair value reserve for available-for-sale financial assets. Transfers include donations, which are deemed as Company's costs and not actual investments in interests and shares.

Current loans

EURk	2014	2015
Current loans to Group companies	124,028	174,565
Current loans to other companies	7,329	3,796
Total	**131,357**	**178,361**

Current loans given to Group companies operating in Slovenia

Company / EURk	2014	2015
KEMIS, d.o.o., Vrhnika	445	0
Gorenje Surovina, d.o.o., Maribor	831	0
Gorenje Orodjarna, d.o.o., Velenje	2,988	1,436
Gorenje Keramika, d.o.o., Velenje	2,911	4,639
Gorenje GAIO, d.o.o., Šoštanj	1,140	0
Gorenje GTI, d.o.o., Velenje	1,057	0
Indop, d.o.o., Šoštanj	0	852
Total	**9,372**	**6,927**

Current loans given to Group companies operating abroad

Company / EURk	2014	2015
KEMIS-Termoclean, d.o.o., Croatia	0	0
Gorenje Beteiligungs GmbH, Austria	38,722	83,857
Gorenje Nederland BV, the Netherlands	71,831	81,962
Gorenje Magyarország Kft., Hungary	877	0
Gorenje Polska Sp, Z o.o., Poland	1,500	0
Gorenje – kuchyně spol, s r.o., Czech Republic	1,726	1,819
Total	**114,656**	**167,638**

Short-term loans bear interest at the nominal interest rate ranging from 4.0% to 5.0%. In view of current loans, the Company is not exposed to higher financial risks as most of these loans were extended to its subsidiaries.

The loan extended to Arosa Mobilia, d.o.o. is secured with a lien on property in the amount of EUR 1,895k.

Current loans to specific groups of persons

No current loans were granted to members of the Management Board, the Supervisory Board, and internal owners.

Note 25 – Trade receivables EUR 145,322k

EURk	2014	2015
Trade receivables – Group companies	137,882	112,909
Trade receivables – other companies	29,832	32,413
Total	**167,714**	**145,322**

Collateralisation of receivables

The Company records trade receivables due from other companies, which are well secured in the amount of EUR 15,913k (2014: EUR 17,568k).

Current trade receivables due from Group companies

EURk	2014	2015
Trade receivables due from customers in Slovenia	11,920	13,101
Trade receivables due from customers abroad	125,962	99,808
Total	**137,882**	**112,909**

Current trade receivables due from customers (Group companies) operating in Slovenia

Company / EURk	2014	2015
ENERGYGOR, d.o.o., Velenje	1	1
ZEOS, d.o.o., Ljubljana	10	6
PUBLICUS, d.o.o., Ljubljana	1	0
KEMIS, d.o.o., Vrhnika	2	3
Gorenje Surovina, d.o.o., Maribor	213	374
Gorenje I.P.C., d.o.o., Velenje	1,454	1,254
Gorenje GTI, d.o.o., Velenje	515	582
Gorenje Gostinstvo, d.o.o., Velenje	57	100
Gorenje Orodjarna, d.o.o., Velenje	349	405
ERICo, d.o.o., Velenje	1	1
Gorenje design studio, d.o.o., Velenje	11	15
Indop, d.o.o., Šoštanj	83	101
Gorenje GAIO, d.o.o., Šoštanj	60	63
Gorenje GSI, d.o.o., Ljubljana	8,625	9,308

Company / EURk	2014	2015
Gorenje Keramika, d.o.o., Velenje	32	119
Gorenje Studio, d.o.o., Ljubljana	505	768
EKOGOR d.o.o., Jesenice	1	1
Total	**11,920**	**13,101**

Current trade receivables due from customers (Group companies) operating abroad

Company / EURk	2014	2015
Gorenje Zagreb, d.o.o., Croatia	12,964	3,533
Gorenje, d.o.o., Serbia	7,159	5,458
Gorenje aparati za domaćinstvo, d.o.o., Serbia	18,490	16,019
Gorenje Tiki, d.o.o., Serbia	784	681
Gorenje Home, d.o.o., Serbia	5,932	5,111
Gorenje Commerce, d.o.o., Bosnia and Herzegovina	11	422
Gorenje Skopje, d.o.o., Macedonia	1,197	542
Gorenje Podgorica, d.o.o., Montenegro	2,327	308
Gorenje Vertriebs GmbH, Germany	9,931	9,124
Gorenje Austria Handels GmbH, Austria	-228	445
Gorenje Beteiligungs GmbH, Austria	3,097	1,575
Asko Appliances AB, Sweden	3,837	4,855
Gorenje Group Nordic A/S, Denmark	5,792	9,372
ATAG Nederland BV, the Netherlands	1,446	2,723
Gorenje Nederland BV, the Netherlands	7	5
Gorenje UK Ltd., Great Britain	3,459	4,868
Gorenje Belux S.a.r.l., Belgium	740	0
Gorenje France S.A.S., France	981	2,315
Gorenje Körting Italia S.r.l., Italy	3,895	4,358
Gorenje Espana S.L., Spain	-20	0
OOO Gorenje BT, Russia	13,810	-21
Gorenje TOV, Ukraine	1,526	1,325
Gorenje Kazakhstan, TOO, Kazakhstan	32	28
Gorenje Slovak Republic s.r.o., Slovak Republic	6	3
Gorenje spol. s r.o., Czech Republic	3,480	2,759
Gorenje real spol s r.o., Czech Republic	86	91
Mora Moravia s r.o., Czech Republic	1,501	954
Gorenje Magyarország Kft., Hungary	3,462	-55
Gorenje Polska Sp. z o.o., Poland	2,099	2,136
Gorenje Bulgaria EOOD, Bulgaria	-11	88
Gorenje Romania S.r.l., Romania	3,515	3,985
Gorenje Istanbul Ltd., Turkey	-8	-13
»Gorenje Albania« SHPK, Albania	384	345
Gorenje Gulf FZE, United Arab Emirates	2,945	5,618
Gorenje North America, Inc., USA	1,322	-1
Asko Appliances Pty, Australia	8,126	7,174
Gorenje do Brasil Ltda., Brasil	504	1,131
Asko Appliances OOO, Russia	1,046	2,060
Gorenje Solarna energija Solago, d.o.o., Serbia	168	0
Gorenje Sola – Home, d.o.o., Serbia	121	0
Gorenje MDM, d.o.o., Serbia	2	6
Gorenje Studio, d.o.o., Serbia	1	73
Gorenje GTI, d.o.o., Serbia	1	1
Gorenje ATAG Belgie NV, Belgium	0	399
Gorenje Asia Ltd., China	0	6
KEMIS Termoclean d.o.o., Croatia	0	1
Revaluation	43	1
Total	**125,962**	**99,808**

Note 26 – Other current assets EUR 11,714k

EURk	2014	2015
Advance for services	339	284
Short-term deferred costs and expenses	1,880	1,851
Other current assets	9,149	9,579
Total	**11,368**	**11,714**

Advances for services mainly include advances to other companies in Slovenia in the amount of EUR 276k.

The item of short-term deferred costs and expenses comprises deferred costs that refer to subsequent periods and indicate a decline by 1.5% if compared to 2014.

Other current assets include to a large extent input VAT receivables in the Republic of Slovenia in the amount of EUR 6,529k (2014: EUR 6,298k), unpaid VAT receivables relating to foreign countries in the amount of EUR 353k (2014: EUR 378k), current receivables from tax deductions in the amount of EUR 522k (2014: EUR 337k), and receivables not yet charged in the amount of EUR 1,023 (2014: EUR 1,075k).

Note 27 – Cash and cash equivalents EUR 7,599k

EURk	2014	2015
Cash in hand and cash in transit	200	44
Bank balances and cash held in other financial institutions	10,054	7,555
Total	**10,254**	**7,599**

Note 28 – Equity EUR 358,914k

As at 31 December 2015, the share capital of Gorenje, d.d. amounted to EUR 101,922,103.97 (31 December 2014: EUR 101,922,103.97) and was divided into 24,424,613 ordinary, freely transferable, registered, no par value shares.

Capital surplus (share premium) in the amount of EUR 156,639k (2014: EUR 157,835k) includes paid-in capital in excess of par value of shares in the amount of EUR 64,475k (2014: EUR 64,475k), surplus in excess of book value of disposed own shares (treasury shares) in the amount of EUR 15,313k (2014: EUR 15,313k), and general equity revaluation adjustment in the amount of EUR 76,851k (2014: EUR 78,047k) transferred upon the transition to IFRSs. Part of general equity revaluation adjustment in the amount of EUR 1,196k was in 2015 used for covering the loss for 2015.

Revenue reserves recorded as at the balance sheet date in the amount of EUR 99,301k (31 December 2014: EUR 99,301k) consist of legal reserves, statutory reserves, treasury share reserve and other revenue reserves.

As at 31 December 2015, legal reserves amounted to EUR 12,896k (31 December 2014: EUR 12,896k). In accordance with provisions of the Companies Act, share premium (capital surplus) and legal reserves can in their excess amount, be used for share capital increase, for coverage of loss for the period and retained loss if revenue reserves are not simultaneously used for dividend payout.

As at the balance sheet date, statutory reserves amounted to EUR 7,556k (31 December 2014: EUR 7,556k). Statutory reserves can according to Company's Articles of Association be used for a share capital increase; for coverage of loss for the period and retained loss should no other sources be available; for share withdrawal in case of a compulsory transfer of shares, and for share withdrawal by Company's acquisition; for share withdrawal under the simplified procedure of share capital decrease; for creation of treasury shares if no other sources are available, and for balancing the dividend policy.

The number of treasury shares (own shares) did not change in the reporting period. As at 31 December 2015, the Company recorded 121,311 treasury shares at a cost of EUR 3,170k.

As at 31 December 2015, Company's other revenue reserves amounted to EUR 75,679k (31 December 2014: EUR 75,679k) and were created in the past on the basis of resolutions on the allocation of profit for the period adopted by the Management Board and the Supervisory Board and resolutions of the General Meeting of Shareholders on the allocation of the accumulated profit.

The Company covered its loss for 2015 in the amount of EUR 4,001k partly through retained earnings (profits from previous periods) in the amount of EUR 2,805k and partly through capital surplus in the amount of EUR 1,196k.

Fair value reserve amounting to EUR 4,222k as at 31 December 2015 (2014: EUR 5,802k) includes a surplus from revaluation of land which is valued using the revaluation model, a change in fair value of available-for-sale investments, a change in value of the cash flow hedge, and the change in the value of retirement benefits pursuant to the actuarial calculation.

Changes in fair value reserve are shown in the table below:

EURk	Fair value reserve for land	Fair value reserve for available-for-sale financial assets	Fair value reserve for derivatives	Actuarial gains or losses	Total
Balance at 1 Jan 2014	**6,186**	**97**	**-2,338**	**0**	**3,945**
Revaluation of land	0	0	0	0	0
Disposal of land	0	0	0	0	0
Change in fair value of cash flow hedge	0	0	-192	0	-192
Change in fair value of cash flow hedge, reclassified to profit or loss	0	0	2,472	0	2,472
Change in fair value of available-for-sale financial assets	0	-41	0	0	-41
Disposal of available-for-sale financial assets	0	0	0	0	0
Impairment of available-for-sale financial assets	0	0	0	0	0
Subsidiary-related exchange differences	0	0	0	0	0
Deferred taxes	0	6	-388	0	-382
Balance at 31 Dec 2014	**6,186**	**62**	**-446**	**0**	**5,802**
Balance at 1 Jan 2015	**6,186**	**62**	**-446**	**0**	**5,802**
Revaluation of land	0	0	0	0	0
Disposal of land	-43	0	0	0	-43
Actuarial gains or losses	0	0	0	-1,617	-1,617
Change in fair value of cash flow hedge	0	0	-958	0	-958
Change in fair value of cash flow hedge, reclassified to profit or loss	0	0	867	0	867
Change in fair value of available-for-sale financial assets	0	13	0	0	13
Disposal of available-for-sale financial assets	0	0	0	0	0
Impairment of available-for-sale financial assets	0	0	0	0	0
Subsidiary-related exchange differences	0	0	0	0	0
Deferred taxes	7	-2	16	137	158
Balance at 31 Dec 2015	**6,150**	**73**	**-521**	**-1,480**	**4,222**

Own shares (treasury shares)

Number of own shares	1 Jan 2015	Purchase	Sale	31 Dec 2015
Repurchased own shares	121.311	0	0	121,311

In 2015, earnings per share amounted to EUR -0.16 (2014: EUR 0.28).

To determine earnings per share, the following data on the profit or loss and the average number of shares was used:

	2014	2015
Profit or loss for the period (EURk)	6,334	-4,001
Weighted average number of ordinary shares	22,949,860	24,303,302
Earnings per share (in EUR)	**0.28**	**-0.16**

No preference shares have been issued by Gorenje, d.d., hence basic and diluted earnings per share are equal.

In 2015, dividends were paid out in the amount of EUR 0.06 gross per share. In 2014, no dividends were paid out. As for previous periods, dividends were paid out in 2012 in the amount of EUR 0.15 gross per share.

Note 29 - Accumulated profit and proposal for its appropriation in line with the Companies Act

Pursuant to the Companies Act and the Articles of Association of Gorenje, d.d., the Management Board decided that the loss for 2015 in the amount of EUR 4,000,572.95 is covered in 2015 by means of following equity components:

EUR	
Loss for the period	-4,000,572.95
Coverage of loss through:	
+ retained earnings or losses from previous period	2,804,549.13
+ part of capital surplus from general equity revaluation adjustment	1,196,023.82
= accumulated profit or loss as at 31 December 2015	**0.00**

As regards the coverage of loss, the Management Board obtained an approval from the Supervisory Board.

Note 30 – Provisions EUR 21,418k

EURk	2014	2015
Provisions for warranties	10,504	8,757
Provisions for retirement benefits and jubilee premiums	9,814	12,405
Other provisions	1,611	256
Total	**21,929**	**21,418**

Movements in provisions in 2014

EURk	Balance at 1 Jan 2014	Use	Reversal	Creation	Balance at 31 Dec 2014
Provisions for warranties	11,035	-7,581	-462	7,512	10,504
Provisions for retirement benefits and jubilee premiums	10,235	-464	0	43	9,814
Other provisions	1,915	-1,005	-647	1,348	1,611
Total	**23,185**	**-9,050**	**-1,109**	**8,903**	**21,929**

Movements in provisions in 2015

EURk	Balance at 1 Jan 2015	Use	Reversal	Creation	Balance at 31 Dec 2015
Provisions for warranties	10,504	-9,327	-3,370	10,950	8,757
Provisions for retirement benefits and jubilee premiums	9,814	-572	0	3,163	12,405
Other provisions	1,611	-1,327	-174	146	256
Total	**21,929**	**-11,226**	**-3,544**	**14,259**	**21,418**

Non-current provisions for warranties were created based on estimated costs of warranties calculated by considering the historical data on the quality level of products and the costs of repairs under warranties.

The Company conducted an actuarial calculation in 2015. The change in provisions for retirement benefits and jubilee premiums is mostly attributable to the additional formation of such provisions based on an actuarial calculation. Employee benefits expense and interest expense are recognised in the income statement in the amount of EUR 1,546k and actuarial deficit within the comprehensive income at EUR 1,617k. The actuarial calculation is based on the 4 percent discount rate, which reflects the rate of return on 10-year and 15-year bonds of comparable companies in the Eurozone at the end of November 2015.

Other provisions include provisions for claims filed with the court.

Note 31 – Non-current financial liabilities EUR 249,683k

EURk	2014	2015
Non-current financial liabilities to banks	204,519	256,489
Short-term portion of non-current liabilities to banks	-34,093	-51,061
Adjustment of non-current financial liabilities to banks at amortised cost	-1,410	-1,533
Non-current financial liabilities from bonds issued	73,000	58,400
Short-term of non-current liabilities from bonds issued	-14,600	-14,600
Adjustment of non-current financial liabilities from bonds issued at amortised cost	-357	-282
Non-current financial liabilities to other companies	14,230	7,401
Short-term portion of non-current liabilities to other companies	-6,829	-4,922
Adjustment of non-current financial liabilities to other companies at amortised cost	-398	-235
Non-current finance lease	41	26
Total	**234,103**	**249,683**

Non-current financial liabilities are denominated in EUR and recorded at amortised cost i.e. restated under the effective interest method and inclusive of costs of granting the borrowing.

As of 10 October 2014, Gorenje, d.d. issued bonds in the total amount of EUR 73m bearing a fixed interest rate of 3.85% and recording maturity on 10 October 2019.

Non-current financial liabilities to other companies include liabilities from borrowings from International Finance Corporation (IFC).

Financial liabilities by maturity

EURk	2014	2015
Maturity from 1 to 2 years	58,902	69,660
Maturity from 2 to 3 years	57,875	58,867
Maturity from 3 to 4 years	45,484	61,954
Maturity from 4 to 5 years	47,563	24,569
Maturity over 5 years	24,279	34,633
Total	**234,103**	**249,683**

Collateralisation of financial liabilities

EURk	2014	2015
Bills	113,426	164,028
Pari-Passu Clause, Negative Pledge Clause	177,827	207,907
Financial covenants (ratios)	177,827	207,907
Guarantees	7,400	2,479

Interest-bearing borrowings

Currency	Amount in EURk	Interest rate	
		from	to
EUR	241,657	1.989%	4.200%
Other currencies	8,000	12.250%	12.250%
Total	**249,657**		

Note 32 – Current financial liabilities EUR 144,470k

EURk	2014	2015
Borrowings from related companies	53,291	65,671
Borrowings from third parties	1,474	4,320
Interest payable	2,532	1,907
Dividends payable	58	99
Short-term portion of non-current liabilities to banks	34,093	51,061
Short-term portion of non-current liabilities from bonds issued	14,600	14,600
Short-term portion of non-current liabilities to other companies	6,829	4,922
Derivatives	1,110	1,691
Other current financial liabilities	3	199
Total	**113,990**	**144,470**

Derivatives refer to liabilities arising from the fair value of interest rate hedging in the amount of EUR 1,080k (2014: EUR 1,110k) and liabilities from unrealized forward exchange contracts in the amount of EUR 611k.

In order to hedge cash flows against interest rate fluctuations, the Company concluded interest rate swap contracts that mature by 26 June 2021; each individual contract documents the relation between the derivative and the hedged category. Fair value of concluded interest rate swap contracts, which refers to cash flow hedging, is recognised directly in the fair value reserve of the derivative in the comprehensive income and amounts to EUR -938k. The fair value of interest rate swap contracts relating to repaid borrowings is recognised as a non-hedged item directly in the income statement and amounts to EUR -142k.

As at 31 December 2015, the Company records a liability relating to the fair value of derivatives used for currency risks in relation to bank institutions in the amount of EUR 134k (EUR 127k in its own name and EUR 7k in the name of Group companies) and to Group companies in the amount of EUR 477k.

Borrowings received from Group companies operating in Slovenia

Company / EURk	2014	2015
Gorenje Gostinstvo, d.o.o., Velenje	2,868	3,573
Gorenje I.P.C., d.o.o., Velenje	6,795	6,289
Gorenje GAIO, d.o.o., Šoštanj	0	1,395
Gorenje GSI, d.o.o., Ljubljana	7,340	12,060
Gorenje design studio, d.o.o., Velenje	171	116
ENERGYGOR, d.o.o., Velenje	164	181
ERICo, d.o.o., Velenje	255	400
Indop, d.o.o., Šoštanj	227	0
ZEOS, d.o.o., Ljubljana	2,292	2,655
Gorenje Studio, d.o.o., Ljubljana	180	615
Gorenje GTI, d.o.o., Velenje	0	991
Total	**20,292**	**28,275**

Borrowings received from Group companies operating abroad

Company / EURk	2014	2015
ATAG Nederland BV, the Netherlands	21,745	19,245
Gorenje real spol. s r.o., Czech Republic	3,100	0
Asko Appliances AB, Sweden	7,375	4,802
Gorenje North America, Inc., USA	779	617
Gorenje spol. s r.o., Czech Republic	0	3,500
Gorenje Commerce, d.o.o., Bosnia and Hercegovina	0	1,500
Gorenje Magyarország Kft., Hungary	0	1,962
Gorenje Austria Handels GmbH, Austria	0	500
OOO Gorenje BT, Russia	0	5,270
Total	**32,999**	**37,396**

Collateralisation of current financial liabilities

EURk	2014	2015
Bills	34,093	40,461
Pari-Passu Clause, Negative Pledge Clause	40,922	55,982
Financial covenants (ratios)	40,922	55,982
Guarantees	6,829	4,922

Interest-bearing borrowings

Currency	Amount in EURk	Interest rate	
		from	to
EUR	139,956	1.9890%	4.2000%
Other currencies	618	3.2291%	3.2291%
Total	**140,574**		

Collateralisation of non-current and current financial liabilities

None of current or non-current financial liabilities recorded by companies of Gorenje, d.d. is collateralised by mortgage or any other type of collateral. A significant portion of Company's borrowings is collateralised by bills and the Pari-Passu and Negative Pledge clauses in compliance with individual contracts. Non-current borrowings, in particular, are frequently supported by financial covenants as defined in individual loan contracts.

Guarantees refer to the collateral issued to the International Finance Corporation (IFC) by the company Gorenje Nederland B.V. in connection with liabilities of the company Gorenje, d. d.

Certain Company's loan contracts concluded with bank partners, mostly in case of non-current borrowings, include financial covenants that are in the vast majority chec-ked and verified once a year on the basis of Gorenje Group's audited consolidated financial statements for individual fiscal year.

Given the anticipated breach of some financial covenants for the fiscal year 2015, the Group companies applied already before the year-end to its bank partners for waiver of financial covenants requiring consolidated financial statements for 2015. Waivers were approved by all bank partners for all credit lines and guarantee transactions, which are secured by financial covenants that were breached. The waiver of financial covenants applies to the fiscal year 2015.

Note 33 – Trade payables EUR 167,363k

EURk	2014	2015
Trade payables to suppliers in the Gorenje Group	23,972	30,436
Trade payables to other suppliers	130,814	136,927
Total	**154,786**	**167,363**

Trade payables to suppliers in the Gorenje Group

EURk	2014	2015
Trade payables to suppliers in Slovenia	5,761	6,992
Trade payables to suppliers abroad	18,211	23,444
Total	**23,972**	**30,436**

Trade payables to suppliers in the Gorenje Group – Slovenia

Company / EURk	2014	2015
Kemis, d.o.o., Vrhnika	21	26
Gorenje Surovina, d.o.o., Maribor	71	50
Gorenje I.P.C., d.o.o., Velenje	3,362	4,183
Gorenje GTI, d.o.o., Velenje	144	159
Gorenje Gostinstvo, d.o.o., Velenje	141	160
Gorenje Orodjarna, d.o.o., Velenje	1,142	1,634
ERICo, d.o.o., Velenje	8	24
Gorenje design studio, d.o.o., Velenje	207	260
Gorenje GAIO, d.o.o., Šoštanj	313	348
Gorenje GSI, d.o.o., Ljubljana	343	122
ZEOS, d.o.o., Ljubljana	0	2
Gorenje Keramika, d.o.o., Velenje	7	17
Gorenje Studio, d.o.o., Ljubljana	2	0
Indop, d.o.o., Šoštanj	0	7
Total	**5,761**	**6,992**

Trade payables to suppliers in the Gorenje Group – foreign countries

Company / EURk	2014	2015
Gorenje Zagreb, d.o.o., Croatia	23	2
Gorenje, d.o.o., Serbia	322	365
Gorenje aparati za domaćinstvo, d.o.o., Serbia	5,637	9,688
Gorenje Tiki, d.o.o., Serbia	2,937	2,720
Gorenje Vertriebs GmbH, Germany	81	174
Gorenje Austria Handels GmbH, Austria	16	21
Gorenje Beteiligungs GmbH, Austria	250	2,581
Asko Appliances AB, Sweden	5,184	936
Gorenje Group Nordic A/S, Denmark	301	711
ATAG Nederland BV, the Netherlands	280	667
Gorenje Nederland BV, the Netherlands	33	8
Gorenje UK Ltd., Great Britain	113	0
Gorenje France S.A.S., France	2	60
Gorenje Körting Italia S.r.l., Italy	192	93
Gorenje Espana S.L., Spain	-20	0
Gorenje Slovak Republic s.r.o., Slovak Republic	2	6
Gorenje spol. s r.o., Czech Republic	298	461
Mora Moravia s r.o., Czech Republic	1,636	1,573
Gorenje Magyarország Kft., Hungary	35	159
Gorenje Polska Sp. z o.o., Poland	60	83
Gorenje Romania S.r.l., Romania	5	1
Gorenje Gulf FZE, United Arab Emirates	16	55
Gorenje Istanbul Ltd., Turkey	37	38
Gorenje Commerce, d.o.o., Bosnia and Hercegovina	22	0
Gorenje Home, d.o.o., Serbia	393	2,370
Gorenje real spol s r.o., Czech Republic	2	5
Gorenje TOV, Ukraine	31	31
Gorenje Asia Ltd., China	160	177
Asko Appliances Pty, Australia	19	287
Gorenje North America, Inc., USA	124	47
OOO Gorenje BT, Russia	15	16
Gorenje Kazakhstan, TOO, Kazakhstan	4	13
Gorenje Podgorica, d.o.o., Montenegro	5	0
Gorenje Bulgaria EOOD, Bulgaria	1	18
Gorenje MDM, d.o.o., Serbia	0	1
Gorenje Studio, d.o.o., Serbia	0	78
Revaluation	-5	-1
Total	**18,211**	**23,444**

Trade payables to other suppliers

EURk	2014	2015
Trade payables to other suppliers in Slovenia	38,027	42,758
Trade payables to other suppliers abroad	92,787	94,169
Total	**130,814**	**136,927**

Note 34 – Other current liabilities EUR 17,722k

EURk	2014	2015
Payables to employees	7,083	7,426
Payables to state and other institutions	1,030	1,055
Payables for advances received	347	858
Other payables	1,912	3,084
Accrued costs and expenses	9,047	5,299
Total	**19,419**	**17,722**

As at 31 December, current payables to employees include:

EURk	2014	2015
Wages and salaries, continued pay	3,781	3,684
Payroll contributions	1,381	1,401
Payroll taxes	783	803
Other work-related earnings	157	601
Deductions from wages and salaries	914	854
Other payables	67	83
Total	**7,083**	**7,426**

Accrued costs and expenses were created for accrued costs of services in the amount of EUR 1,375k (2014: EUR 3,508k), accrued interest expenses on borrowings taken in the amount of EUR 1,750k (2014: EUR 2,586k), accrued costs for customer bonuses in the amount of EUR 415k (2014: EUR 1,061k), and accrued costs for work-related costs in the amount of EUR 1,759k (2014: EUR 1,892k).

Note 35 – Contingent liabilities

Contingent liabilities from loan guarantees given to financial institutions for financial burdens of its subsidiaries in the amount of EUR 51,126k (2014: EUR 89,186k) and its associates in the amount of EUR 3,645k (2014: EUR 3,619k), to third parties in the amount of EUR 11,022k (2014: EUR 10,675k), and to the subsidiary Gorenje Beteiligungs in the amount of EUR 5,599k (2014: EUR 5,999k) are recorded in a separate account. The overall guarantee to third parties in the amount of EUR 11,022k refers to the shipping transport of coal. In addition, contingent liabilities from performance bonds and payment guarantees in the amount of EUR 2,122k (2014: EUR 2,285k) are also recorded in a separate account.

In accordance with the ordinary business practice, the Atag company is not liable to publish its annual results of operation in the country, where its corporate seat is, if the shareholder, in a special statement, assumes liability to pay any outstanding obligations of the company. The respective statement shall remain in effect until rescinded by the shareholder.

Note 36 – Financial risks and financial instruments

The Company is exposed to numerous financial risks, in particular to credit risk, liquidity risk, currency risk, interest rate risk and other risks arising on changed market conditions.

With respect to financial risk management, several new internal policies and rules were adopted in 2014 and the existing ones modified in order to achieve a more efficient and centralised financial risk management. The Company pursues a centralised financial policy within the framework of corporate rules and conducts the financial risk management on the Company and Group level. While managing financial risks, following objectives are observed:

- to achieve stability of operations and to reduce exposure to individual risks to an acceptable level,
- to increase the value of Company and Group,
- to improve the credit rating of Company and Group,
- to reduce financial expenses of Company and Group, and
- to minimise the impacts of the materialised critical risks.

The exposure to each individual type of financial risk and the effective hedge measures are judged and applied respectively on the basis of their effects on Company's and Group's cash flows and net finance expenses. The risk principles and methodologies applied are in detail outlined in the annual report's business report under 'Risk management'. Essential financial risks that are regularly assessed and the adequacy of implemented measures tested are clarified in detail below.

Credit risk

The carrying amount of financial assets represents the maximum credit risk exposure. The maximum credit risk exposure at the reporting date:

EURk	2014	2015
Available-for-sale financial assets	2,847	2,927
Loans	131,374	179,379
Trade and other receivables	177,202	155,185
Cash and cash equivalents	10,254	7,599
Other receivables from financing activities	4,089	2,804
Total	**325,766**	**347,894**

Trade receivables form the Company's most significant portion of credit risks or risk of default by the counterparty. As at the year-end of 2015, these trade receivables amounted to EUR 145,322k and indicate a decline over the previous period by EUR 22,392k. The decrease in trade receivables is mostly the result of a more active receivables management, which includes an intensified collection and precise rules for defining credit limits for individual buyers. The lower volume of receivables is partly also attributable to activities of permanent non-recourse factoring, which is performed in cases where costs of such activities do not exceed the finance expenses.

The maximum credit risk exposure of trade receivables at the reporting date by geographic region:

EURk	2014	2015
Western Europe	38,316	44,025
Eastern Europe	104,684	72,347
Other countries	24,714	28,950
Total	**167,714**	**145,322**

The maximum credit risk exposure of trade receivables at the reporting date by type of customer:

EURk	2014	2015
Wholesale customers	167,312	144,984
Other customers	402	338
Total	**167,714**	**145,322**

The substantial part of revenue is generated on transactions with Group companies, hence most of trade receivables (77.7%) refers to subsidiaries. The default risk on the side of the counterparty under these receivables is thereby minimal. In view of third parties, the Company conducts business solely with buyers that boast of a proper credit rating, which is monitored on a regular basis. In addition, we have in 2015 also defined clear rules on approving overdrafts for individual buyers and on managing receivables on the Group level. For this purpose, the Company adopted a renewed Accounts Receivable Management Policy that defines the relevant management processes, persons in charge, and admissible instruments for credit risk hedging. The Accounts Receivable Management Policy is applied on the Company and Group level.

Maturity of trade receivables as at the balance sheet date:

2014 EURk	Gross value (Group companies)	Gross value (other companies)	Total gross value	Total allowance
Not past due	118,110	24,135	142,245	0
Past due 1 to 5o days	8,684	3,132	11,816	0
Past due 51 to 100 days	6,540	510	7,050	0
Past due 101 to 180 days	1,155	504	1,659	0
Past due 181 to 270 days	889	449	1,338	0
Past due 271 to 360 days	1,300	134	1,434	0
Past due 361 to 720 days	894	319	1,213	0
Past due 721 to 1080 days	156	396	552	0
Past due over 1081 days	1,704	6,467	8,171	0
Allowances for receivables	0	0	0	-7,764
Total	**139,432**	**36,046**	**175,478**	**-7,764**

2015 EURk	Gross value (Group companies)	Gross value (other companies)	Total gross value	Total allowance
Not past due	98,458	28,525	126,983	0
Past due 1 to 5o days	5,955	2,868	8,823	0
Past due 51 to 100 days	2,440	177	2,617	0
Past due 101 to 180 days	1,933	200	2,133	0
Past due 181 to 270 days	312	81	393	0
Past due 271 to 360 days	1,428	286	1,714	0
Past due 361 to 720 days	2,183	456	2,639	0
Past due 721 to 1080 days	193	158	351	0
Past due over 1081 days	1,556	5,547	7,103	0
Allowances for receivables	0	0	0	-7,434
Total	**114,458**	**38,298**	**152,756**	**-7,434**

Movements in allowances for trade receivables:

EURk	2014	2015
Balance at 1 January	**7,708**	**7,764**
Impairment loss	327	119
Payments	-145	-379
Write-off of receivables	-78	-70
Acceptance of allowance	0	0
Reversal of allowance	-48	0
Balance at 31 December	**7,764**	**7,434**

Company's partners are impacted by the ever-changing macroeconomic environment that can also result in a swift turn-around of the credit rating and liquidity of the individual business partner. Regardless of implementing the receivables management process, default on the side of unrelated entities or even their inability to settle their payments exists. With respect to the Company's and Group's dispersed sales model that is not subject to high concentration of receivables per individual customer or customers related through mutual ownership, we assess that the exposure to credit risk is moderate. All customers are included into the credit control process, which covers also collateralization of receivables with acceptable hedging instruments.

Following hedging instruments are considered as acceptable according to the accounts receivable management policy:

- collateralisation through credit insurance companies,
- collateralization of receivables through bank guarantees and letters of credit,
- sale of receivables without recourse, and
- in exceptional circumstances and upon receiving special approval, also pledges or first class mortgages.

By the end of 2015, Company's total receivables due from independent buyers and secured with acceptable hedging instruments accounted for 49.1%. Receivables are secured by the SID - Prva kreditna zavarovalnica d.d., while a smaller part also with other acceptable hedging instruments. Part of Company's receivables is hedged naturally with counter-trade, thus the risk of default in this part is minimal and hedging with acceptable instruments unnecessary.

In compliance with the financing policy, the Company primarily finances its subsidiaries. Loans recorded as at 31 December 2015 (EUR 179,379k) largely include loans extended to subsidiaries (EUR 174,565k) and as such do not cause essential risks. Loans given to entities outside the Group are reduced from year to year and in part secured with acceptable hedging instruments. The value of these loans amounted as at the end of 2015 to EUR 4,814k and shows a decline by 34.5% relative to 2014.

The Company carefully monitors the credit risk also in other business segments. Current surplus of assets and balances on bank accounts are placed in compliance with corporate policies, which include the methodology for selecting acceptable counterparties on the financial area. These policies determine also the methodology for selecting acceptable clients when entering into derivative financial instruments.

As a result of the launched receivables management procedures, the credit risk is assessed as moderate. The highest risk exposure arises in connection with the value of trade receivables and other receivables.

Liquidity risk

Liquidity risk includes risks denoting the lack of available funds and consequently risk that the Company and Group will fail to meet commitments in stipulated period of time.

Liquidity depends on effective cash management and investment dynamics. Providing for Company’s and Group’s liquidity is inseparable due to the Group's sales model. Liquidity risk is actively monitored on the Company and Group level by means of a centralised balancing of assets' liquidity (primarily receivables and inventories), of liabilities and cash flows from operating and investment activities. The Company applies a centralised cash management, supported by a software solution for planning and daily monitoring of cash flows on the Group level. Considerable attention is accorded to the compilation of the cash flow plan and its monitoring. A successful liquidity planning is also provided through an optimum management of possible current surpluses or deficits in available funds.

The Company applies a uniform and centralised approach to bank partners in Slovenia and abroad, and on its basis provides for the optimum indebtedness of the entire Group not only in view of scope, costs and maturity, but also in the light of the Group's currency balance.

In order to disperse the sources of financing, Gorenje already for the third time successfully issued commercial papers in 2015 in the total par value of EUR 29,105k. The respective issues of commercial papers that will continue also in 2016 (the fourth issue of short-term commercial papers in the par value of EUR 28,908k was conducted in February 2016), are earmarked for balancing the seasonal dynamics of cash flows from operating and investing activities, which as a rule is negative in the first half-year but gradually improves by the end of the calendar year. The short-term imbalance of cash flows is additionally balanced by revolving loans and overdrafts on bank accounts in Slovenia and abroad. Company's liquidity reserve that consists of undrawn but approved credit lines, available bank balances and deposits with banks, amounted as at the year-end of 2015 to EUR 36,290k. The liquidity reserve is earmarked for short-term balancing of cash flows and significantly reduces the Company's exposure to liquidity risk.

Liquidity reserve as at 31 December:

EURk	2014	2015
Undrawn and approved current and non-current borrowings	24,883	28,691
Cash and cash equivalents	10,254	7,599
Total	**35,137**	**36,290**

The Company provides for debt financing and servicing the entire Gorenje Group. A restructuring of the debt's average maturity was continued in 2015 in addition to reducing the costs of financing, by means of which all Company's and Group's borrowings, which gradually matured in 2015, were replaced by non-current sources. We have within this process:

- additionally improved the maturity structure of Group's financial liabilities by 1.4 p.p. – Group's non-current financial liabilities accounted for a 74.9% share within total financial liabilities by the end of 2015. Company's maturity structure of financial liabilities worsened by 3.9 p.p. – Company's non-current financial liabilities accounted for 63.4% among total financial liabilities by the year-end of 2015; the lower share of Company's non-current financial liabilities is the result of centralising the Group's financing activities and the management of Group's liquidity;
- reduced the Group's total financial debt by EUR 6,489k, whereby Company's total financial debt increased by EUR 46,060k as the result of centralising the finance activities and managing the Group's liquidity; and
- reduced the average costs of financing;
- essentially lowered the scope of required refinancing in 2015.

The Company and the Group have a long-term servicing plan for financial liabilities which is being regularly updated.

Financial liabilities by maturity:

31 December 2014 EURk	Carrying amount	Contractual cash flows	1 year or less	1 – 2 years	2 – 5 years	More than 5 year
Non-derivative financial liabilities						
Bank borrowings	203,109	232,157	42,776	47,501	116,517	25,363
Liabilities arising from bonds issued	72,643	80,026	17,129	16,567	46,330	
Borrowings from related entities and third parties	68,598	71,935	64,277	5,127	2,531	
Other financial liabilities	2,634	2,634	2,634			
Trade payables	154,786	154,786	154,786			
Other current liabilities	10,372	10,372	10,372			
Total	**512,142**	**551,910**	**291,974**	**69,195**	**165,378**	**25,363**

31 December 2014 EURk	Carrying amount	Contractual cash flows	1 year or less	1 – 2 years	2 – 5 years	More than 5 year
Derivative financial receivables and liabilities						
Interest rate swaps	-1,110	-1,109	-853	-256		
Forward exchange contracts used for hedging	1,851	1,851	1,851			
Outflow						
Inflow	1,851	1,851	1,851			
Other forward exchange contracts						
Outflow						
Inflow						
Total	**741**	**742**	**998**	**-256**	**0**	**0**

31 December 2015 EURk	Carrying amount	Contractual cash flows	1 year or less	1 – 2 years	2 – 5 years	More than 5 year
Non-derivative financial liabilities						
Bank borrowings	254,956	281,126	59,394	60,090	125,870	35,772
Liabilities arising from bonds issued	58,118	62,897	16,568	16,005	30,324	
Borrowings from related entities and third parties	77,157	80,431	77,903	2,528		
Other financial liabilities	2,232	2,232	2,232			
Trade payables	167,363	167,363	167,363			
Other current liabilities	12,423	12,423	12,423			
Total	**572,249**	**606,472**	**335,883**	**78,623**	**156,194**	**35,772**

31 December 2015 EURk	Carrying amount	Contractual cash flows	1 year or less	1 – 2 years	2 – 5 years	More than 5 year
Derivative financial receivables and liabilities						
Interest rate swaps	-1,080	-1,412	-557	-349	-483	-23
Forward exchange contracts used for hedging	180	180	180			
Outflow	-611	-611	-611			
Inflow	791	791	791			
Other forward exchange contracts						
Outflow						
Inflow						
Total	**-900**	**-1,232**	**-377**	**-349**	**-483**	**-23**

Contractual cash flows arising on Company's non-derivative financial liabilities, which fall due in one year or less, amounted as at the year-end of 2015 to EUR 335,883k and indicate an increase of EUR 43,909k over the 31 December 2014 balance. Most of the relevant increase in contractual cash flows is attributable to the already stated centralisation financing activity and management of the Group's liquidity and thereby higher volume of Company's borrowings from related entities and third parties than the level of trade payables.

Company's liquidity risk is assessed as moderate in view of measures implemented within restructuring the debt maturity structure, the centralised planning of short-term and long-term cash flows, and access to a wide range of financial and bank partners.

Currency risk

Due to the Group's sales model, where the currency risks are transferred to subsidiaries, the Company is basically not in a material scope directly exposed to the currency risk, where the entity's economic benefits can decline due to certain currency fluctuations. In the event of a certain market situation that has an exceptionally negative impact on the sales in the domestic market and consequently also on Company's sales, and which is related to a strong devaluation of the local currency, the Company agrees with subsidiaries to divide the currency risks depending on their ability to shift higher purchase prices in the local currency over to the market. Consequently, the Company recorded exchange losses in 2015 that resulted from concluded hedging instruments to hedge against currency risks. In this relations, the Company incurred EUR 13,856k of exchange losses in 2015.

In 2015, the currency risks accordingly originated mostly from the performance of business activities in the US dollar markets, whereas the exposure to other currencies is insignificant. When managing the currency risk, particularly in the US dollar markets, greater attention was paid to natural hedging of currency risk and the harmonisation of business operations to ensure long-term decline in currency fluctuation exposure by matching or netting sales and purchases.

Additional short-term hedging against EUR/USD currency fluctuations on the level of net exposure is carried out by forward exchange contracts and by raising of US dollar short-term borrowings.

Company's exposure to currency risk:

31 December 2014 EURk	EUR	HRK	DKK	PLN	USD	HUF	Other currencies
Trade receivables	162,983				4,787		-56
Financial liabilities	-343,571				-779		
Trade payables	-141,513	-24		-1	-12,545	-1	-702
Financial position exposure	**-322,101**	**-24**	**0**	**-1**	**-8,537**	**-1**	**-758**

31 December 2015 EURk	EUR	SEK	DKK	RUB	USD	CHF	Other currencies
Trade receivables	141,419		12		3,886		5
Financial liabilities	-389,613				-618		
Trade payables	-159,809	-316	-19	-16	-7,126	-42	-35
Financial position exposure	**-408,003**	**-316**	**-7**	**-16**	**-3,858**	**-42**	**-30**

Significant exchange rates applied during the year comprise:

	Average rate		Reporting date spot rate	
	2014	2015	2014	2015
HRK	7.6346	7.6140	7.6580	7.6380
DKK	7.4549	7.4587	7.4453	7.4626
PLN	4.1845	4.1828	4.2732	4.2639
USD	1.3288	1.1096	1.2141	1.0887
HUF	308.7067	309.8975	315.5400	315.9800
SEK	9.0969	9.3545	9.3930	9.1895
RUB	51.0113	68.0068	72.3370	80.6736
CHF	1.2146	1.0676	1.2024	1.0835

In 2014, the Currency Risk Management Policy was adopted on the Company and Group level, which was additionally upgraded in 2015 and customising to the macroeconomic circumstance and among others defines:

- the methodology for measuring currency risk exposure,
- competencies and responsibilities within currency risk management,
- manners and required scope of hedging against currency risk,
- instruments acceptable for hedging against currency risk,
- acceptable partners for implementing currency-risk hedges,
- the method of measuring the effectiveness of currency risk management.

The Company is engaged in active hedging against currency risks, whereby also natural balancing of currency risks is carried out by means of internal techniques that include customising the purchase/sale segment in individual currency, and the foreign currency borrowing, where assets and other internal mechanisms are exposed. Hedges against currency fluctuations are entered into on a regular and continuous basis by applying acceptable hedging instruments, whereby the hedge level is set between 60% and 80% of planned cash flows. The methodology clearly determines the required time of currency hedging, which depends upon the volatility of each individual currency. The required level of hedge is determined on the basis of the ratio between the individual currency's impact on Group's performance (volume of business operations) and the probability of currency fluctuation (currency volatility).

Currency risk management is carried out on a centralised basis and a committee for managing currency risks was appointed as well. The Company enters into hedging instruments on its own behalf and on behalf of other Group companies, and transfers these instruments on a contract basis to companies that are locally exposed to such risk. Subsidiaries also enter into hedging instruments on local markets but in limited scope, whereby they are provided by the parent company adequate support and credit lines with acceptable partners. The centralised approach to credit risk management has shown optimum effects of hedging against currency risk.

Sensitivity analysis

A 5 percent increase (decrease) in the euro's value against the above stated currencies as at 31 December would have resulted in an increase (decrease) in profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates remain unchanged. The analysis for 2015 has been performed on the same basis as for 2014.

31 December 2014	Profit or loss for the period EURk
HRK	0
DKK	0
PLN	1
USD	-625
HUF	1
Other currencies	38

31 December 2015	Profit or loss for the period EURk
SEK	16
DKK	1
RUB	1
USD	193
CHF	2
Other currencies	2

A 5 percent decrease in the euro's value against the above stated currencies as at 31 December would have had equal yet opposite effect, provided that all other variables remain unchanged.

Company's exposure to currency risk is generally low but due to Russia's specific situation in 2015, as described above, in 2015 the relevant exposure was high.

Interest rate risk

Financing of Company's and Group's current operations and their investment activities is subject to interest rate risk as most of borrowings raised bear the Euribor variable interest rate, in lesser extent also the reference interest rate. Thus, exposure to interest rate risk represents primarily the unfavourable movement (increase) of the Euribor interest rate that applies to Group's financial liabilities. Major portion of financial liabilities is subject to a variable interest rate that is bound by the 3-month or 6-month Euribor.

Company's exposure to interest rate risk:

EURk	2014	2015
Fixed-rate financial instruments		
Financial assets	131,357	178,361
Financial liabilities	-135,327	136,021
Variable-rate financial instruments		
Financial assets	0	1,000
Financial liabilities	-209,023	254,210
Derivative financial assets/liabilities	741	-900

Table is exclusive of non-interest bearing financial assets and non-interest bearing financial liabilities.

Interest structure of financial assets and financial liabilities is not customized as the Company records considerably more received financial liabilities than interest-bearing assets. We have kept in 2015 the volume of financial liabilities bearing a fixed interest rate, as additional instruments were entered into for hedging against interest rate fluctuations (interest rate swaps). In doing so, the Company partly replaced existing due financial liabilities with fixed interest rate or financial liabilities supported by interest rate swaps. As at the balance sheet, a portion of financial liabilities bearing a fixed interest rate accounted for 34.9% among total interest-bearing financial liabilities, whereby the share of financial liabilities bearing a fixed interest rate and relating to borrowings from third parties accounted for 45%. Upon the end of 2015, we increased the share of financial liabilities bearing a fixed interest rate by additionally concluding interest rate swaps.

Subsidiaries are being since 2014 extended loans with fixed interest rates that are, however, gradually adjusted with the average costs of Gorenje Group's financing. The value of financial assets accordingly grew primarily due to higher funding of subsidiaries in compliance with the policy of centralising the finance activities and managing the Group's liquidity.

As at 31 December 2015, the Company recorded also interest rate swaps in the amount of EUR 53,171k, whose effects were already evident in 2015. Furthermore, EUR 52,000k of additional interest rate swaps were entered into, whose impact was due to the nature of transactions agreed for the period from June 2016 onwards. As for interest rate swaps, the Company enters into derivatives in the same manner as in the case of currency financial derivatives i.e. with acceptable partners only. We therefore asses that the risk of default on the side of the contracting party is minimal. The purpose of hedging by means of entering into embedded derivatives, is fixing of the interest rate that results in a stable cash flow. While entering into interest rate swaps, the Company observes the requirement that characteristics of relevant swaps equal (i.e. maturity, amount, type of interest rate and its alignment) a borrowing that is hedged by the interest rate swap. Consequently, the valuation of a hedging instrument defined as successful hedge, is recognised directly in equity.

Cash flow sensitivity analysis for financial instruments with a variable rate

A change in the interest rate by 50 basis points (bp) at the reporting date would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign exchange rates remain unchanged.

The analysis for 2014 has been performed on the same basis as for 2015.

31 December 2014	Profit or loss for the period		Other comprehensive income	
EURk	Increase by 50 bp	Decrease by 50 bp	Increase by 50 bp	Decrease by 50 bp
Variable rate instruments	-1,054	1,054	0	0
Interest rate swap contracts	450	-450	89	-89
Cash flow variability (net)	**-604**	**604**	**89**	**-89**

31 December 2015	Profit or loss for the period		Other comprehensive income	
EURk	Increase by 50 bp	Decrease by 50 bp	Increase by 50 bp	Decrease by 50 bp
Variable rate instruments	-1,199	271	0	0
Interest rate swap contracts	124	-124	1,034	-1,034
Cash flow variability (net)	**-1,075**	**147**	**1,034**	**-1,034**

Variable interest rates recorded in 2015 primarily a downward trend. We have assessed that the level of interest rates is sufficiently low for entering into derivatives, which are to hedge against a higher variable interest rate, and prove to be economically justified. In 2015, the Company accordingly concluded interest rate swaps in the amount of EUR 90,571k and shall do so also in 2016. The share of interest-bearing financial liabilities that are subject to a fixed interest rate or hedged by instruments against rising interest rates, accounted for 48.3% as at the end of 2015.

Company's exposure to interest rate risk is assessed as moderate.

Note 37 – Fair value

The fair values and book values of financial assets and financial liabilities

EURk	2014		2015	
	Book value	Fair value	Book value	Fair value
Available-for-sale investments	2,847	2,847	2,927	2,927
Land and investment property	38,023	38,023	37,078	37,078
Non-current loans	17	17	1,018	1,018
Current loans	131,357	131,357	178,361	178,361
Derivatives	741	741	-900	-900
Trade receivables	167,714	167,714	145,322	145,322
Other current assets	9,488	9,488	9,863	9,863
Cash and cash equivalents	10,254	10,254	7,599	7,599
Non-current financial liabilities	-168,141	-168,141	-198,254	-198,254
Non-current financial liabilities (fixed interest rate)	-65,962	-54,478	-51,429	-44,604
Current financial liabilities	-112,880	-112,880	-142,779	-142,779
Trade payables	-154,786	-154,786	-167,363	-167,363
Other current payables	-10,372	-10,372	-12,423	-12,423
Total	**-151,700**	**-140,216**	**-190,980**	**-184,155**

Available-for-sale investments are valued at fair value based on officially published prices on the active market in the amount of EUR 168k and assumptions about significant impact on the fair value that are inconsistent with observable current market transactions using the same instruments and investments, valued at cost and totalling to EUR 2,759k.

The estimated fair value of current assets and liabilities nearly equals their book value. The fair value of non-current financial liabilities is calculated on the basis of market interest rates and classified among Level 2 fair values.

Fair value scale

The table shows method of valuing financial assets recorded at fair value. The levels are as follows:

Level 1: stock price (unadjusted) in the active market of identical assets and liabilities,

Level 2: data differing from stock price data (these are included in Level 1) monitored with the intention of direct or indirect valuation of assets and liabilities,

Level 3: data on the value of assets and liabilities not based on the active market.

EURk	Level 1	Level 2	Level 3	Total
Financial year 2014				
Available-for-sale financial assets	155	-	2,692	2,847
Derivatives – assets	-	1,851	-	1,851
Derivatives – liabilities	-	-1,110	-	-1,110
Land and investment property	-	-	38,023	38,023
Financial year 2015				
Available-for-sale financial assets	168	-	2,759	2,927
Derivatives – assets	-	791	-	791
Derivatives – liabilities	-	-1,691	-	-1,691
Land and investment property	-	-	37,078	37,078

Land was valued based on comparable sales with adjustments made in view of time and location of the sale, the size of the property and other physical and functional characteristics. Fair value of investment property was assessed by applying the direct capitalisation method. Land and investment properties were appraised in 2013 by an independent certified appraiser of real property.

Forward exchange contracts

The total fair value of forward exchange contracts amounted to EUR 180k as at 31 December 2015 (2014: EUR 1,851k) and was recorded within the item of other current financial receivables at EUR 791k and within the item of other financial liabilities at EUR 611k.

Interest rate swaps

The total fair value of interest rate swaps as at 31 December 2015 amounted to EUR-1,080k (2014: EUR -1,110k) and is recorded under other current financial liabilities.

Note 38 – Commitments relating to investments

Contractually agreed investments in intangible assets and property, plant and equipment, which are not yet recognised in financial statements as at the balance sheet date amounted to EUR 11,669k (2014: EUR 5,625k). The largest portion worth EUR 3,403k refers to the new integrated refrigerator-freezer appliances, followed by investments made in the new generation of the Asko washing machines and dryers in the amount of EUR 3,254k, further investments in the new freestanding 600 mm cookers in the amount of EUR 1,150k, and investments made in the new generation of Gorenje washing machines and dryers at EUR 542k.

Note 39 – Related party transactions

The transactions with related parties were conducted based on sale/purchase contracts. The prices used in these contracts were the market prices of products and services equivalent to those prevailing in the arm's length transactions. The transactions with related parties were disclosed under the respective balance sheet items.

Transactions with persons related to the Supervisory Board included in 2015:

- the sale of commercial papers (EUR 6,999k),
- services of HR advisory (EUR 194k), and
- participation in the payments of compulsory and optional pension insurance for employees (EUR 93k).

Information on earnings

Following personal earnings were paid to the groups of persons stated below:

Gross earnings in 2014

EURk	Management Board	Supervisory Board	Employees under individual employment agreements
salaries	1,224	0	5,800
incentive bonuses	0	0	643
bonuses	98	3	284
other income	307	0	61
attendance fees	0	31	0
function-related attendance	0	114	0
refund of work-related expenses	0	62	0
Total	**1,629**	**210**	**6,788**

Net earnings in 2014

EURk	Management Board	Supervisory Board	Employees under individual employment agreements
salaries	497	0	2,912
incentive bonuses	0	0	285
other income	243	0	39
attendance fees	0	23	0
function-related attendance	0	83	0
refund of work-related expenses	0	45	0
Total	**740**	**151**	**3,236**

Gross earnings in 2015

EURk	Management Board	Supervisory Board	Employees under individual employment agreements
salaries	1,296	0	6,441
incentive bonuses	305	0	772
bonuses	99	0	321
other income	410	0	108
attendance fees	0	47	0
function-related attendance	0	183	0
refund of work-related expenses	0	128	0
Total	**2,110**	**358**	**7,642**

Other income paid out to Management Board members comprises the annual vacation bonus, the end-of-year bonus and the allowance for membership in the Supervisory Board of Gorenje Beteiligungs. The performance or incentive bonus was paid in accordance with the resolution adopted in April 2015 by the Supervisory Board. Bonuses comprise benefits relating to the private use of the company car and to insurance premiums.

Net earnings in 2015

EURk	Management Board	Supervisory Board	Employees under individual employment agreements
salaries	528	0	3,246
incentive bonuses	126	0	337
other income	325	0	65
attendance fees	0	34	0
function-related attendance	0	134	0
refund of work-related expenses	0	94	0
Total	**979**	**262**	**3,648**

Pursuant to the Companies Act, total payments, reimbursements, and other benefits to the Management Board members, the Supervisory Board members, and the members of the Audit Committee are outlined below:

Management Board members

Gross earnings in 2014

in EUR	Salaries	Incentive bonuses	Benefits	Other income	Total
Franc Bobinac	251,682	0	27,333	71,044	350,059
Marko Mrzel	191,501	0	21,332	64,053	276,886
Branko Apat	205,853	0	24,643	64,062	294,558
Peter Groznik	233,040	0	10,630	64,176	307,846
Peter Kukovica	137,594	0	394	42,484	180,472
Drago Bahun	204,563	0	13,455	1,589	219,607
Total	**1,224,233**	**0**	**97,787**	**307,408**	**1,629,428**

Net earnings in 2014

in EUR	Salaries	Incentive bonuses	Other income	Total
Franc Bobinac	95,456	0	56,397	151,853
Marko Mrzel	80,982	0	50,840	131,822
Branko Apat	79,248	0	50,833	130,081
Peter Groznik	95,849	0	50,876	146,725
Peter Kukovica	62,791	0	33,725	96,516
Drago Bahun	83,033	0	795	83,828
Total	**497,359**	**0**	**243,466**	**740,825**

Gross earnings in 2015

in EUR	Salaries	Incentive bonuses	Benefits	Other income	Total
Franc Bobinac	252,750	61,809	25,253	88,469	428,281
Marko Mrzel	192,358	47,028	18,487	80,614	338,487
Branko Apat	206,710	50,670	20,957	79,646	357,983
Peter Groznik	234,021	46,812	8,471	79,865	369,169
Peter Kukovica	205,005	48,072	3,556	79,834	336,467
Drago Bahun	205,419	50,454	22,728	1,595	280,196
Total	**1,296,263**	**304,845**	**99,452**	**410,023**	**2,110,583**

Net earnings in 2015

in EUR	Salaries	Incentive bonuses	Other income	Total
Franc Bobinac	97,159	25,271	70,300	192,730
Marko Mrzel	83,070	19,554	64,107	166,731
Branko Apat	80,745	20,922	63,294	164,961
Peter Groznik	97,566	19,325	63,387	180,278
Peter Kukovica	91,808	19,946	63,379	175,133
Drago Bahun	77,722	20,825	761	99,308
Total	**528,070**	**125,843**	**325,228**	**979,141**

Members of the Supervisory Board and the Audit Committee

Gross earnings in 2014

in EUR	Attendance fees	Function-related allowance	Incentive bonuses	Refund of work-related expenses	Bonuses	Total
Uroš Slavinec	3,084	11,400	0	344	330	15,158
Maja Makovec Brenčič	2,208	5,952	0	287	165	8,612
Marcel Van Assen	1,680	5,290	0	5,894	165	13,029
Bachtiar Djalil	3,418	9,800	0	226	330	13,774
Keith Miles	4,032	10,150	0	10,119	330	24,631
Bernard C. Pasquier	3,264	10,350	0	875	330	14,819
Corinna Claudia Graf	432	4,310	0	645	55	5,442
Toshibumi Tanimoto	864	4,310	0	42,539	55	47,768
Marko Voljč	600	5,110	0	147	55	5,912
Jure Slemenik	2,256	9,600	0	61	330	12,247
Drago Krenker	3,370	9,600	0	148	330	13,448
Krešimir Martinjak	2,448	10,700	0	61	330	13,539
Peter Kobal	2,784	9,600	0	61	330	12,775
Aleksander Igličar	922	7,680	0	363	0	8,965
Total	**31,362**	**113,852**	**0**	**61,770**	**3,135**	**210,119**

Net earnings in 2014

in EUR	Attendance fees	Function-related allowance	Incentive bonuses	Refund of work-related expenses	Total
Uroš Slavinec	2,243	8,291	0	249	10,783
Maja Makovec Brenčič	1,605	4,329	0	209	6,143
Marcel Van Assen	1,222	3,848	0	4,287	9,357
Bachtiar Djalil	2,485	7,128	0	164	9,777
Keith Miles	3,102	7,826	0	7,795	18,723
Bernard C. Pasquier	2,373	7,528	0	636	10,537
Corinna Claudia Graf	315	3,134	0	469	3,918
Toshibumi Tanimoto	629	3,134	0	30,938	34,701
Marko Voljč	437	3,716	0	107	4,260
Jure Slemenik	1,641	6,982	0	44	8,667
Drago Krenker	2,451	6,982	0	108	9,541
Krešimir Martinjak	1,781	7,782	0	44	9,607
Peter Kobal	2,025	6,982	0	44	9,051
Aleksander Igličar	671	5,585	0	264	6,520
Total	**22,980**	**83,247**	**0**	**45,358**	**151,585**

Gross earnings in 2015

in EUR	Attendance fees	Function-related allowance	Incentive bonuses	Refund of work-related expenses	Total
Uroš Slavinec	2,802	15,449	0	1,168	19,419
Maja Makovec Brenčič	576	2,808	0	183	3,567
Bachtiar Djalil	4,858	16,251	0	543	21,652
Keith Miles	6,450	16,251	0	9,874	32,575
Bernard C. Pasquier	4,297	17,294	0	12,347	33,938
Corinna Claudia Graf	3,338	14,101	0	8,129	25,568
Toshibumi Tanimoto	4,250	14,101	0	92,456	110,807
Marko Voljč	3,582	19,010	0	2,910	25,502
Jure Slemenik	3,234	14,101	0	0	17,335

in EUR	Attendance fees	Function-related allowance	Incentive bonuses	Refund of work-related expenses	Total
Drago Krenker	4,810	14,101	0	0	18,911
Krešimir Martinjak	3,042	15,449	0	0	18,491
Peter Kobal	4,442	14,101	0	0	18,543
Aleksander Igličar	1,384	9,805	0	517	11,706
Total	**47,065**	**182,822**	**0**	**128,127**	**358,014**

Net earnings in 2015

in EUR	Attendance fees	Function-related allowance	Incentive bonuses	Refund of work-related expenses	Total
Uroš Slavinec	2,038	11,236	0	849	14,123
Maja Makovec Brenčič	419	2,042	0	133	2,594
Bachtiar Djalil	3,533	11,819	0	395	15,747
Keith Miles	4,999	12,594	0	7,653	25,246
Bernard C. Pasquier	3,125	12,578	0	8,980	24,683
Corinna Claudia Graf	2,427	10,256	0	5,912	18,595
Toshibumi Tanimoto	3,091	10,256	0	67,243	80,590
Marko Voljč	2,605	13,826	0	2,117	18,548
Jure Slemenik	2,352	10,256	0	0	12,608
Drago Krenker	3,498	10,256	0	0	13,754
Krešimir Martinjak	2,212	11,236	0	0	13,448
Peter Kobal	3,230	10,256	0	0	13,486
Aleksander Igličar	1,007	7,131	0	376	8,514
Total	**34,536**	**133,742**	**0**	**93,658**	**261,936**

No non-current and current loans were extended to members of the Management Board, the Supervisory Board, and to internal owners.

Note 40 – Events after the balance sheet date

As of 24 July 2015, Gorenje, d.d. signed with the company Tesla Recycling, spolka z organiczona odpowiedzialnoscia spolka komandytowa, a contract on selling an equity interest in the company Gorenje Surovina, d.o.o. The contracting parties have undertaken to complete the relevant transaction not later than by 31 March 2016 (transaction's deadline). The procedures on meeting the preconditions take longer than expected during the contract's signing, therefore Gorenje and Tesla agreed on 4 March 2016 to extend the deadline for completing the transaction i.e. by 31 May 2016. Any other elements of the respective contract on selling the equity interest Gorenje Surovina, d.o.o., remain unaffected.

At the 17th correspondence session on 12 February 2016, the Supervisory Board of Gorenje, d.d., was informed about and also accepted the statement of resignation handed in by the Management Board member and Chief Sales Officer Marko Mrzel. He performed his duties until 29 February 2016. The Management Board will temporarily continue to work with five members. Until the appointment of a new Chief Sales Officer, sales will be managed by Suad Hadžić, Executive Director of the Eastern European region.

In order to obtain funds for seasonal financing of its operations, Gorenje, d. d. has as at 3 February 2016 successfully completed its fourth consecutive issue of commercial paper (GRV04) in the amount of EUR 28.9m. The commercial paper, with the start of its interest accrual period on 3 February 2016, and date of maturity on 22 December 2016, has the lowest interest rate to date i.e. at 2.00 percent p.a.

Gorenje, d.d. published on 15 January 2016 the Gorenje Group's business plan for 2016, the first year of the new strategic period.

No other significant events occurred upon compiling the balance sheet as of 31 December 2015.

Note 41 – Transaction with the audit company

Pursuant to Article 57 of the Companies Act, the audit of Gorenje, d.d. was conducted by the audit company Deloitte Slovenia and the independent auditor's report was issued on 8 April 2016. In 2015, the cost of the annual report's audit was recorded at EUR 93k (2014: EUR 94k).

Independent Auditor's Report

Deloitte.

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INDEPENDENT AUDITOR'S REPORT
to the owners of GORENJE, d.d.

Report on the Financial Statements

We have audited the accompanying unconsolidated financial statements of the company GORENJE, d.d., which comprise the statement of financial position as at December 31, 2015, and the income statement, statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these unconsolidated financial statements in accordance with International Financial Reporting Standards as adopted by EU and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these unconsolidated financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the unconsolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the unconsolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the unconsolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the unconsolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the unconsolidated financial statements present fairly, in all material respects the financial position of GORENJE, d.d. as at December 31, 2015, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by EU.

Emphasis of Matter

The company GORENJE, d.d. is the controlling company in the GORENJE Group. The consolidated financial statements of the GORENJE Group, prepared in accordance with the International Financial Reporting Standards as adopted by the EU, are presented separately. We have audited the consolidated financial statements of the Group for the year ended December 31, 2015, and issued an unqualified opinion on 8 April 2016.

Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements:

The management is also responsible for the preparation of the business report in accordance with the requirements of the Companies Act (ZGD-1). Our responsibility is to provide an assessment of whether the business report is consistent with the audited financial statements. Our procedures have been conducted in accordance with the International Standard on Auditing 720 and are limited solely to assessing of whether the business report is consistent with the audited financial statements. In our opinion, the business report is consistent with the audited financial statements.

DELOITTE REVIZIJA d.o.o.

Tina Kolenc Praznik
Certified Auditor

For signature please refer to the original Slovenian version.

Ljubljana, 8 April 2016

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DELOITTE REVIZIJA D.O.O.
Ljubljana, Slovenija 3

TRANSLATION ONLY – SLOVENIAN ORIGINAL PREVAILS

4

Compliance with the GRI Sustainability Reporting Guidelines

Gorenje Group 2015 Annual Report: Implemented Changes and Plans for the Future

Reporting on Gorenje Group operations and performance complies with the international guidelines on sustainability reporting. In 2016, we drew up a comprehensive report on operations and performance in the year 2015, in which we detail the economic, environmental, and social aspects of our operations. In doing so, we comply with the Global Reporting Initiative (GRI) guidelines, version G4.

In the future, we shall continue to present in our reports the links between financial and non-financial information on our operations. Thus, we shall provide transparent information on our operations, past performance, and future goals. We are planning to implement a review or audit of our sustainable reporting by an independent organization.

In particular, improvement in the comprehensiveness or completeness of data and sustainability reporting is planned in the following fields:

- identification of material aspects and boundaries of relevance to the Gorenje Group operations and performance, and as a result to our reporting (in this year's Annual Report the material aspects and boundaries are derived from the contents laid down in the Gorenje Group Strategic Plan for the period 2016–2020, developed in cooperation with around 100 Gorenje Group employees from across the world);
- defining the supply chain and approaches to assessment of suppliers and business partners regarding their environmental responsibility, work practices, and other material aspects of their operations,
- identification of relationships with key stakeholders, including surveys of customer satisfaction with our products.

Moreover, we shall gradually adjust or upgrade the preparation of some information on the economic, environmental, and social aspects of our operations to attain a higher rate of compliance with the GRI indicators.

For all and any questions regarding the Annual Report and its compliance with the sustainability reporting guidelines, please write to: bojana.rojc@gorenje.com.

GRI G4 Content Index
for »In Accordance« - Core

General standard disclosures

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* *The table (GRI G4 Content Index) presents the Annual Report contents with detailed numbering of chapters or sections as presented hereinafter in the section 'Numbered table of contents for the entire Gorenje Group 2015 Annual Report'. Actual numbering of the Annual Report contents is actually not in use in the document. It was added here for easier orientation of readers reviewing Annual Report compliance with the GRI G4 sustainability reporting indicators.*

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G4-26	Organization's approach to stakeholder engagement, including frequency of engagement by stakeholder group	1.5.6	30
		2.1.2	66
		We do not report specific approaches and frequency; improvement in reporting is in progress.	

Indicator	Disclosure	Section*	Page
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns through its reporting	1.5.4	28
		1.5.6	30
		2.1.2	66
		A system for detailed monitoring of key topics and concerns, and response thereto, is currently being developed..	
Report Profile			
G4-28	Reporting period	4.	224
G4-29	Date of most recent previous report	*Audited Annual Report of the Gorenje Group for 2014 was released on April 25, 2015: Audited consolidated and non-consolidated annual report for 2014.*	
G4-30	Reporting cycle	4.	224
G4-31	Contact point for questions regarding the report	4.	224
G4-32	GRI content index	4.	224
G4-33	External assurance for the report according to GRI guidelines	*External assurance for the report according to GRI guidelines is planned for the future.*	
Governance			
G4-34	Governance structure of the organization, including committees of the highest governance body	1.5.8	34
G4-38	Composition of the highest governance body and its committees	1.5.8	34
G4-39	Role of the chair of the highest governance body	1.5.8	34
G4-51	Remuneration policies for the highest governance body and senior executives	1.5.8	34
		3.1.2 *(Note/explanation 44)*	166
		3.2.2 *(Note/explanation 39)*	166
Ethics and Integrity			
G4-56	Description of organization's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics	1.5.2	27
		1.5.3	28
		1.5.4	28
		1.5.8	34
		2.1.2	66

Specific standard disclosures

Material aspects	Disclosures on management approach (DMA) and indicators	Section	Page	Comment on content omission
ECONOMIC IMPACT	**DMA**	**2.1** **1.5.4** **2.4.2**	**51** **28** **101**	
Economic performance				
	G4-EC1 Direct economic value generated and distributed on an accruals basis (revenue, operating costs, employee wages and benefits, payments to providers of capital, payments to government (taxes), donations and other community investments)	1.1 2.1.2 2.1.3 3.1.1 3.2.1	15 66 70 113 167	
	G4-EC2 Financial implications and other risks and opportunities for the organization's activities due to climate change	2.2.5 2.4.2 *(changes in natural environment)*	89 101	
	G4-EC3 Retirement plan liabilities and obligations	3.1.1 in 3.1.2 3.2.1 in 3.2.2	160, 119 167, 173	
Procurement practice	G4-EC9 Proportion of spending on local suppliers at significant locations of operation	2.1.1 *(Purchasing)*	51	*Information on the share of spending is not prepared at this point. This is planned for the future.*
ENVIRONMENTAL IMPACT	**DMA**	**2.2** **1.5.4** **2.4.2**	**83** **28** **101**	
Energy	G4-EN3 Energy consumption within the organization	2.2.1 2.2.4 *(Electricity consumption)*	84 87	
	G4-EN6 Reduction of energy consumption	2.2.4 *(Electricity consumption)*	87	

Material aspects	Disclosures on management approach (DMA) and indicators	Section	Page	Comment on content omission
Water	G4-EN8 Total water withdrawal	2.2.4 *(Water consumption)*	87	
Emissions	G4-EN15, G4-EN17 Direct and indirect greenhouse gas emissions	2.2.1 2.2.5	84 89	
	G4-EN16 Energy indirect greenhouse gas (GHG) emissions	2.2.5	89	*In estimating our impact on the environment, we also take into account the indirect impact related to generation of electricity. We do not yet have detailed data on indirect GHG; this is a plan for the future.*
Effluents and Waste	G4-EN23 Total weight of waste by type and disposal method	2.2.1 2.2.4 *(Reducing the amount of waste)*	84 87	
Products and Services	G4-EN27 Extent of impact mitigation of environmental impacts of products and services	2.2.1 2.2.3 2.2.4 2.2.6	84 85 87 89	
Compliance	G4-EN29 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	2.2.2 2.2.3	85 85	*As there was no non-compliance, there were no sanctions or fines against us.*
Transport	G4-EN30 Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	2.2.3	85	*In estimating our impact on the environment, we also take into account the indirect impact related to logistics. Detailed information on environmental impact of transport will be compiled in the future.*
Supplier Environmental Assessment	G4-EN32 Percentage of new suppliers that were screened using environmental criteria	2.1.1 (*Purchasing)* 2.2.1	51 84	*We report on the development of a network of stable and competitive suppliers who also meet the requirements regarding quality. We do not yet report the share of new suppliers.*
SOCIAL IMPACT				
Labour practices and decent work	**DMA**	**2.3, 1** **5.4** **2.4.2**	**91, 13** **101**	
Hiring	G4-LA1 Total number and rates of new employee hires and employee turnover	2.3.1 *(Number of employees; Skills-based hiring and recruitment)*	92	

Material aspects	Disclosures on management approach (DMA) and indicators	Section	Page	Comment on content omission
	G4-LA2 Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	2.3.1 *(Protection of employee rights, Occupational safety and health)*	92	
	G4-LA3 Return to work and retention rates after parental leave, by gender	2.3.1 *(Protection of employee rights)*	92	
Occupational health and safety	G4-LA6 Rates of work-related injury	2.3.1 *(Occupational safety and health)*	92	*We do not report the rate of injuries. Activities and goals for occupational safety and health are specified.*
Training and education	G4-LA9 Average hours of training per year per employee by gender, and by employee category	2.3.1 *(Training and education)*	92	*We do not report separately by gender and employee category; emphasis is on the scope and contents of training and education.*
	G4-LA10 Programs for skills management and lifelong learning	2.3.1 *(Training and education)*	92	
	G4-LA11 Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	2.3.1 *(Training and education)*	92	*We do not report separately by gender and employee category; emphasis is on the reporting on annual interviews and competence assessment.*
Diversity and Equal Opportunity	G4-LA12 Composition of governance bodies and breakdown of employees per employee category (according to gender, age group – below 30 years, 30–50 years, over 50 years – minority group membership, and other relevant indicators of diversity)	1.5.8 *(Management Board, Supervisory Board)* 2.3.1 *(Skills-based hiring and recruitment; Employees by age; Employees by gender)*	34	
Equal Remuneration for Women and Men	G4-LA13 Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	2.3.1 *(Employees by gender)*	92	*We report that regardless of gender, all employees are granted equal remuneration for work in jobs with equal complexity or difficulty. We do not report ratio in terms of figures.*
Supplier Assessment for Labour Practices	G4-LA14 Percentage of new suppliers that were screened using labour practices criteria	2.1.1 *(Purchasing; Supply chain management)* 2.3.1 *(Protection of employee rights, Occupational safety and health)*	51 92	*We do not yet report the share; supplier assessment is included in the supply chain management activities.*

Material aspects	Disclosures on management approach (DMA) and indicators	Section	Page	Comment on content omission
Labour Practices Grievance Mechanisms	G4-LA16 Number of grievances about labour practices filed, addressed, and resolved through formal grievance mechanisms	2.3.1 *(Protection of employee rights)*	92	*We report about our organization (appointed representative and grievance committee) and the results for 2015: all grievances resolved successfully. We do not report the number of grievances.*
Human rights	**DMA**	**2.3.1** **1.5.4** **2.4.2**	**92** **28** **101**	
Investment	G4-HR2 Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	2.3.1 *(Training and education)*	92	*Human rights-related content is included in training and education in work procedures, occupational health and safety, and health promotion. We do not report the number and share of hours.*
Non-discrimination	G4-HR3 Total number of incidents of discrimination and corrective actions taken	2.3.1 *(Protection of employee rights)*	92	*We report about our organization (appointed representative and grievance committee) and the results for 2015. We do not report the number of discrimination cases.*
Supplier Human Rights Assessment	G4-HR10 Percentage of new suppliers that were screened using human rights criteria	2.1.1 *(Purchasing; Supply chain management)* 2.3.1 *(Protection of employee rights, Occupational safety and health)*	51 92	*We do not yet report the share; supplier assessment is included in the supply chain management activities.*
Human Rights Grievance Mechanisms	G4-HR12 Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	2.3.1 *(Protection of employee rights)*	92	*We report about our organization (appointed representative and grievance committee) and the results for 2015: all grievances resolved successfully. We do not report the number of grievances related to human rights.*
Society	**DMA**	**2** **1.5.4** **2.4.2**	**48** **28** **101**	
Local communities	G4-SO1 Percentage of operations with implemented local community engagement, impact assessments, and development programs	2.3.3 *(Creative industries, culture, tradition; Partnership in sports; Humanitarian activities)*	98	*We do not report the share. Rather, the emphasis is on the contents of cooperation/engagement and activities.*
Anti-corruption	G4-SO3 Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	1.5.8 *(Audit)*	34	*We report about the establishment of a control system for fraud detection as specified in the Code of Conduct. We do not yet report the number and share of activities.*

Material aspects	Disclosures on management approach (DMA) and indicators	Section	Page	Comment on content omission
	G4-SO5 Confirmed incidents of corruption and actions taken	1.5.8 *(Audit)*	34	*We report about the establishment of a control system for fraud detection as specified in the Code of Conduct. We do not yet report the number and share of activities.*
Anti-Competitive Behaviour / Protection of competition	G4-SO7 Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes in the reporting year	2.4.3 *(Legislative and regulatory risks)*	103	*We report on our exposure to the risk of compliance with the competition law, due to our strong international presence (in 90 countries of the world). We do not report the number of legal actions.*
Product responsibility	**DMA**	**2.3.2** **1.5.4** **2.4.2**	**97** **28** **101**	
Product and service labelling	G4-PR3 Type of product and service information required	2.3.2 *(Assuring the quality of our products)*	97	*We report about our quality assurance system and product reliability. Compilation of detailed information about the required product information is in progress.*
	G4-PR4 Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling	2.3.2 *(Assuring the quality of our products, Responsible marketing and market communication)*	97	*We report that we did not have any of our products recalled from the market, and no case of non-compliance of our marketing and market communication approaches with the legislation or local codes.*
Marketing Communications	G4-PR7 Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications	2.3.2 *(Responsible marketing and market communication)*	97	*We report that we did not have any case of non-compliance of our marketing and market communication approaches with the legislation or local codes.*

Numbered Table of Contents of the entire Gorenje Group Annual Report for the Year 2015

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