

2018 Q2

**Unaudited
Consolidated
Financial Statements**

January-June 2018

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

Management Board of Gorenje, d. d.
Velenje, August 2018

Table of Contents

SUMMARY	3
STATEMENT OF MANAGEMENT'S RESPONSIBILITY	4
MANAGEMENT REPORT	5
SALES AND MARKETS	5
DEVELOPMENT AND NEW PRODUCTS	7
EMPLOYEES	8
GORENJE GROUP'S BUSINESS PERFORMANCE	9
KEY RISKS	11
SIGNIFICANT EVENTS IN 2018	12
FINANCIAL REPORT	17
WORKING CAPITAL MANAGEMENT	17
FINANCIAL LIABILITIES MANAGEMENT	18
FINANCIAL RISK MANAGEMENT	21
OWNERSHIP STRUCTURE AND THE GRVG SHARE	22
ACCOUNTING REPORT	25
ACCOUNTING REPORT AND THE GORENJE GROUP COMPOSITION	25
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE GORENJE GROUP	29
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE GORENJE GROUP	35
UNAUDITED CONDENSED FINANCIAL STATEMENTS OF GORENJE, D. D.	38
NOTES TO THE CONDENSED FINANCIAL STATEMENTS OF GORENJE, D. D.	43
SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE	48
INFORMATION REGARDING THE REPORT AND ITS PUBLIC ANNOUNCEMENT	50

SUMMARY

- **EUR 602.3m of revenue** were generated in the first half-year of 2018, which is **3.5%** less than in the same period last year. Given the shortfall of income from sale of coal due to the divestment of the said activity at the end of 2017, the revenue have, if compared, **remained nearly on the last year's level**. The achieved balance of revenue accounts for **45.4%** of the Group's planned annual revenue.
- Revenue generated by the **Domestic Appliances** activity **achieved EUR 504.5m**, which is **0.6% less than** in the last year's same period and concurrently represents **42.4%** of the annual plan. In addition to competitive circumstances, the sales volume of the Domestic Appliances activity was significantly impacted by the uncertainty regarding the procedure of finding a strategic partner, particularly in the field of co-operation with the industrial (OEM) partners.
- Revenue from **sale of domestic appliances of own brands** grew by **3.2%**, whereby OEM business recorded a decline in revenue by 36.5%.
- Growth in revenue by the Domestic Appliances activity was achieved on the markets of Western Europe, except Germany and the Netherlands, and on the Central European markets. A decline in sales is recorded on certain key markets, in addition to the already mentioned Germany and the Netherlands also in Russia, Serbia and Australia, mostly due to the price repositioning and sharp competition. As for Australia, the depreciation of the local currency is also deemed a significant factor.
- In the **development-related field**, new generations of dryers and washing machines, refrigerators and freezers, dishwashers and cookers were launched, whereas also costs in the development activity were optimised.
- **EBITDA was EUR 39.2m** and shows a decline of **3.5%** over EBITDA in the last year's comparable period. Regardless the lower revenue and consequently lower margin than projected for the first half-year, we have to a large extent compensated for the margin short-fall based on savings and the cost optimisation and accordingly achieved **45.4%** of the planned annual EBITDA, which complies with the planned dynamics.
- **EBIT is recorded at EUR 9.7m** or 33.2% less than in the same period in 2017, which is attributable to the significant increase of **amortisation and depreciation expense** in the amount of **EUR 3.4m**. We achieved **38.5%** of the planned EBIT for 2017, which is in accordance with the planned dynamics.
- Profit of the first half-year of 2018 amounted to **EUR 0.4m**, which represents **9.9%** of the result in the last year's same period and **5.4%** of the annual plan. As of 30 June 2018, net financial liabilities amounted to **EUR 414.4m**, which is practically **on the last year's level**.
- Until the date of public announcement of this Report, the Hisense Group already submitted the takeover bid through the company Hisense Luxembourg Home Appliance Holding and acquired, in addition to the already purchased shares, a total of 95.42% shares of Gorenje.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The Management Board is responsible for the preparation of the half-yearly report of Gorenje, d. d., and the Gorenje Group, as well as the financial statements, in a manner providing the public with a true and fair presentation of the financial position and the results of operations of Gorenje, d. d., and its subsidiaries in the first half-year of 2018.

The Management Board confirms that the financial statements of Gorenje, d. d., and the Gorenje Group have been prepared **in conformity with applicable accounting policies, that the accounting estimates have been prepared under the principles of prudence and due diligence, and that the financial statements of the Company and the Group give a true and fair view of their financial position and the results of their operations in the first half-year of 2018.**

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

The Management Board confirms that, to the best of its knowledge, the **half-yearly accounting report has been prepared in compliance with the accounting reporting framework, and that it gives a true and fair view of the assets and liabilities, financial position, and the profit or loss of the controlling company and other companies included in the consolidation of the Gorenje Group.**

The president and members of the Management Board of Gorenje, d. d., are **familiar with the contents of integral parts of the half-yearly report of Gorenje, d. d., and the Gorenje Group for 2018, and thus also with the entire half-yearly report. We agree with the report hereof, and confirm this with our signatures.**

Members of the Management Board
Franc Bobinac, President of the Management Board



Peter Kukovica, Member of the Management Board



Žiga Debeljak, Member of the Management Board



Branko Apat, Member of the Management Board



Drago Bahun, Member of the Management Board

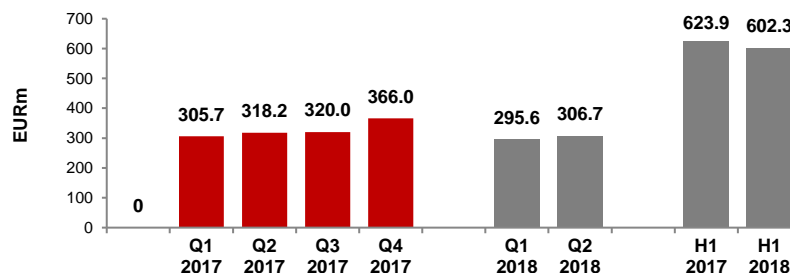


MANAGEMENT REPORT

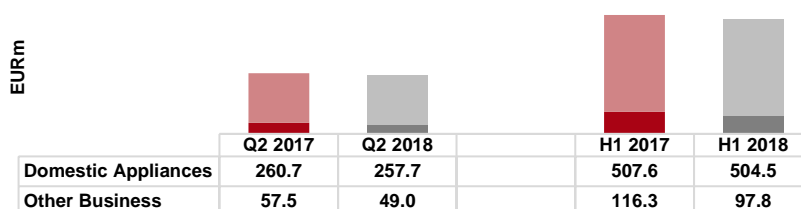
SALES AND MARKETS

The Group generated EUR 602.3m of **revenue**, indicating a decrease of 3.5% over the first half-year in 2017, whereby in terms of comparability (based on eliminating revenue from sale of coal due to the disposal of the said activity in the end of 2017) **revenue** remained nearly on the last year's level.

Revenue of the Gorenje Group



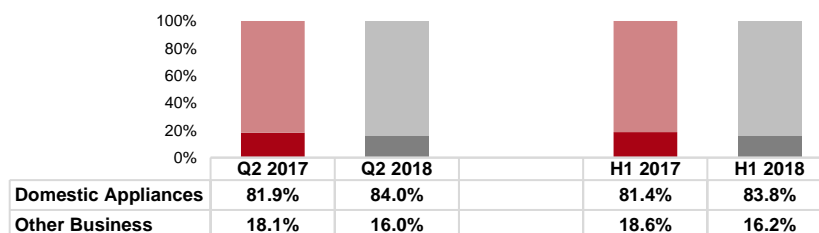
Revenue of the Gorenje Group by activities



Within the Domestic Appliances activity we have generated EUR 504.5m of revenue, which is **0.6% less** than in the first six months of 2017.

Within the Other Business activity, EUR 97.8m of revenue was generated, which is 15.8% less relative to the same period in 2017. The said decline is attributable to the disposal of the coal activity at the year-end of 2017, the decline in revenue from sales of medical equipment after an exceptional growth last year, as well as the loss of income in the field of ecology due to the last year's fire in Kemis. On the comparable level or without considering the sale of coal, the growth in revenue in the Other Business activity was 2.7% relative to the same period in 2017.

Group's revenue structure by activities



The achieved **revenue structure by activities** indicates that the Domestic Appliances activity generated 83.8% of the Group's total revenue (+2.4 p.p.). The share's change is attributable to the decline in revenue incurred by the Other Business activity due to disposed activity of coal sale last year and other already outlined changes in this business segment.

In the January-June 2018 period, the **Group achieved a 3.5% decline in revenue** relative to the balance recorded in the same period in 2017, whereby in terms of comparability revenue remained approximately on the last year's level (**decline by 0.1%**). Higher sales volume by the Domestic Appliances activity was achieved in Eastern Europe, whereby in the segment Other countries revenue slightly declined. Less revenue was also generated in Western Europe.

Revenue by geographical segments

EURm	H1 2017	%	H1 2018	%	Change (%)
Western Europe	223.9	35.9	205.2	34.1	-8.4%
Eastern Europe	336.5	53.9	333.6	55.4	-0.9%
Other	63.5	10.2	63.5	10.5	+0.1%
Total Group	623.9	100.0	602.3	100.0	-3.5%
Western Europe	212.8	41.9	194.0	38.4	-8.9%
Eastern Europe	231.3	45.6	247.5	49.1	+7.0%
Other	63.5	12.5	63.0	12.5	-0.8%
Total Domestic Appliances	507.6	100.0	504.5	100.0	-0.6%

- **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.

The Domestic Appliances activity **achieved 99.4% of revenue** from the first half-year of 2017. In the first half-year, the sales volume of the Domestic Appliances activity was significantly impacted by the uncertainty regarding the procedure of finding a strategic partner, particularly in the field of co-operation with the industrial (OEM) partners.

- As for **Western Europe**, sales growth was recorded practically on all markets except **Germany, Great Britain and the Netherlands**, which is the result of price repositioning on the stated markets and the changed structure of sales channels and the business model.
- In the January-June period, growth in revenue was recorded on following **Eastern Europe** markets: **Montenegro, Czech Republic, Slovakia, Poland, Hungary, Croatia, Romania, Bulgaria, Bosnia and Herzegovina, Ukraine and Kosovo**.
- As for the markets of Other countries, a **material growth was achieved in Brazil, Chile and China. Markets of Other countries account for a 12.5 percent share** (same as in the first six months of 2017).
- **Revenue from sale of domestic appliances under own brands have increased by 3.2%**, while the field of OEM business recorded a 36.5% decline in revenue.

Revenue from the sale of large and small domestic appliances (LSDA) relative to own sales and OEM business

EURk	H1 2017	%	H1 2018	%	Change (%)
Total LSDA	460.3	100.0	460.0	100.0	-0.1
Own brands	422.2	91.7	435.7	94.7	3.2
OEM business	38.2	8.3	24.2	5.3	-36.5

- Based on a **9.4% growth** in revenue from sales of **Asko brand appliances, the sales of the premium segment is increasing. Sales of Asko brand appliances** accounted within the sales revenue structure by the Domestic Appliances activity a **12.6 percent share (+1.1 p.p. over the same period in 2017)**. Higher sales of the Asko brand products were achieved on the markets of Scandinavia, Russia, Asia and through the sale of professional appliances, where sales revenue declined on the markets of Australia due to significant depreciation of the local currency relative to EUR. Excluding the effect of the depreciation of the local AUD currency, the sales growth under the Asko brand would amount to 11.5%.
- Operations in Benelux under the brands **Atag**, Pelgrim and ETNA were impacted by the repositioning of the Pelgrim brand and by adjusting the distribution channels, which resulted in lower revenue by **6.3%** relative to the equivalent period in 2017.
- Revenue in the field of **OEM business** declined in the first half-year. Excluding the effect of the OEM business, the Domestic Appliances activity would achieve 2.3% growth in revenue if compared to the equivalent period in 2017.
- **We have increased the sales of innovative¹ appliances**, whose share within the structure of revenue generated through the sales of large domestic appliance by the Domestic Appliances activity grew to **22.1% (+0.5 p.p.)** relative to the same period last year. The share of **premium² appliances (28.9%)** slightly declined if compared to the same period in 2017.
- **EUR 13.4m was invested into marketing**, which equals a **2.2 percent share in Group's revenue**. The stated share **grew by 0.1 percentage point** relative to the last year's equivalent period.

DEVELOPMENT AND NEW PRODUCTS

- In line with the strategic goal, **3.2% of revenue generated by the Domestic Appliances segment or 2.7% of Group's revenue were invested in the product development**. The relevant share was in both cases increased by 0.2 p.p. relative to the H1 2017 balance.
- As for the **dryer and washing machines**, 80% of the new generation products of Gorenje dryers and washing machines were launched on the market in the first half-year in line with the plan.
- In the field of **refrigerators and freezers**, most of the development-related activities focused on developing the new generation of the 60 cm self-standing appliances, new generation of the 54 cm built-in refrigerators (niche 88 cm, 102 cm, 122 cm, 140 cm) and on optimizing the costs of material.
- As planned, the **dishwasher** segment was in the first half-year added the premium "outdoor" dishwashers of the new generation under the Asko brand for the North American market, as well as the new generation of the semi-professional dishwashers for the Asko brands and the OEM customers.
- The **cooking appliances** segment was in the first half-year of 2018 included the upgraded line of glass ceramic hobs, the new Asko free-standing cookers, while also the offer of premium built-in ovens was upgraded.

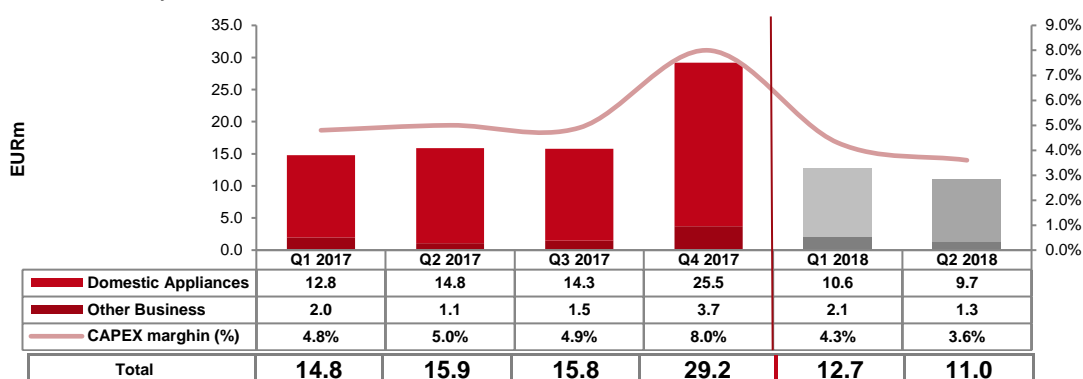
Investments amounted to EUR 23.7m in the first six months of 2018 and show a decline of EUR 7.0m over the last year's equivalent period. Total investments in property, plant and equipment amounted to EUR 11.4m, whereof the largest share (EUR 7.9m) refers to investments in technological equipment, mostly

¹ 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).

² Premium appliances: Atag and Asko brands, appliances from the Gorenje design lines (Gorenje Simplicity, Gorenje Ora-Itto, Gorenje Pininfarina, Gorenje Classico, Gorenje One, Gorenje Karim Rashid, Gorenje Color edition, Gorenje +, Gorenje Retro, and Gorenje by Starck).

relating to the development of new products. The largest share of investments in the amount of EUR 20.3m was made within the Domestic Appliances activity. As for the structure of total investments, EUR 12.3m relates to non-material investments, where most of them (EUR 10.1m) were earmarked for the development of new products (capitalised costs for development). With respect to the investments within the Domestic Appliances activity, we are completing the larger volume thereof made in the past years, whereby we are also completing investment in the new platform of self-standing cookers, the built-in cookers and the two new generations of Gorenje and Asko brand washing machines and dryers. Over the years we have accordingly redesigned the platforms and appliances in most of the product groups for all brands in the Domestic Appliances activity. Investments made within the Other Business amounted to EUR 3.4m, whereof mostly refers to ecology (EUR 2m); thereof EUR 1.3m for the site restoration after the fire in Kemis.

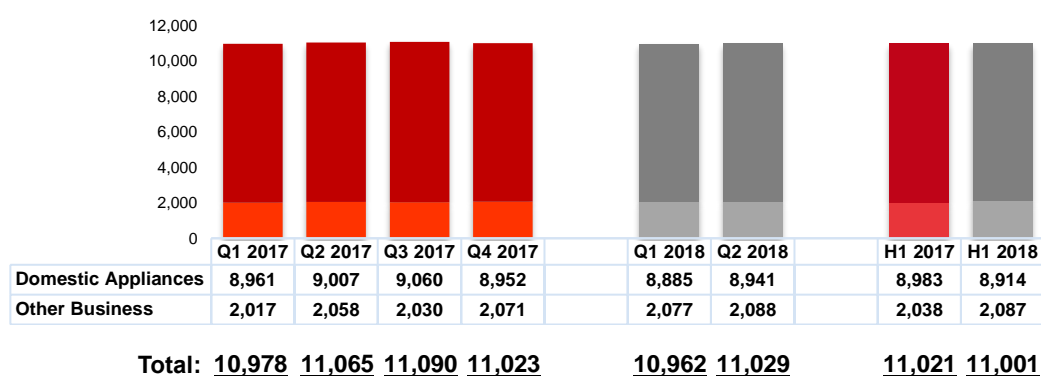
Investments by activities



EMPLOYEES

In the January-June 2018 period, the **Gorenje Group's average number of employees was 11,001** or an average of 20 less than in the same period last year. The average number of staff in the Domestic Appliances activity declined by 70, while in the Other Business activity it increased by 49. The aforesaid decrease in the number of staff in the Domestic Appliances activity is primarily attributable to less employees in Gorenje AD Valjevo, d.o.o. due to less volume produced and improved productivity. Higher number of employees in the Other Business activity is mostly attributable to more staff in the company Gorenje Tiki, d.o.o. due to the changed production structure as a result of shifting the production to more demanding products.

Average number of employees by activities



Employee benefits expense amounted to EUR 124.9m and show an increase of 3.2% or EUR 3.9m relative to the previous year's equivalent period. The relevant increase is attributable to the yearly wage increase due to total years of

service and the years of service in the Company, planned promotions in line with collective agreements and the increase of the lowest wages as required under the adopted amendments to the wage systems applicable for companies in Slovenia since 1 June 2017 and agreed with social partners, as well as for other production facilities of the Gorenje Group. The increase in employee benefits expense was expected with respect to the said facts, hence the realised employee benefits expense are slightly above the dynamics plan (+0.6%).

At the start of the third quarter last year, we have more actively addressed the cost-cutting activities in the field of overheads on the Group level. The set goal was to reduce the employee benefits expenses of the Group's overhead departments by the end of the third quarter of 2018 by 10% in comparison to the 1 June 2017 balance. At the Group's level, the number of staff in the field of overheads already declined by 150 in the first six months of 2018 if compared to the 1 June 2017 balance. By the end of 2018, the number of employees in Group's field of overheads is to be reduced by another 136 or the labour costs would be reduced by a comparative percentage (relative to the 1 June 2017). Employees in the overhead departments are actively encouraged to retire or to wait at home until retirement, whereby they are not being replaced to the largest extent possible. The full effect of these activities shall be visible in 2019.

GORENJE GROUP'S BUSINESS PERFORMANCE

EURm	H1 2017	H1 2018	Index	Plan 2018	H1 2018/ Plan 2018
Revenue	623.9	602.3	96.5	1,328.0	45.4
Revenue (comparative)*	602.0	601.4	99.9	1,328.0	45.3
Gross profit	659.7	658.4	99.8	1,320.1	49.9
Value added	161.5	164.1	101.6	332.2	49.4
VA margin (%)	24.5%	24.9%	/	25.2%	/
EBITDA	40.6	39.2	96.5	86.3	45.4
EBITDA margin (%)	6.2%	5.9%	/	6.5%	/
EBIT	14.6	9.7	66.8	25.3	38.5
EBIT margin (%)	2.2%	1.5%	/	1.9%	/
Profit before tax	6.6	1.9	29.0	12.6	15.2
Profit for the period	4.4	0.4	9.9	8.1	5.4
ROS (%)**	0.7%	0.1%	/	0.6%	/

* Revenue exclusive of income on the disposal of the sale of coal activity

** ROS (profit for the period/revenue)

The generated **value added in the amount of EUR 164.1m (1.6% growth** relative to the comparable value added in the H1 2017 period, annual plan was achieved by **49.4%**) was impacted mostly by following positive elements:

- favourable **sales structure of brands**, where we have enhanced primarily the sale of the **Asko brand (9.4% growth)**,
- favourable **product sales structure**; enhancing the sales of **innovative appliances (2.7% growth in revenue)**, of **dishwashers (1.1% growth in revenue)**, and **small domestic appliances (10.9% growth in revenue)**; the stated product groups of appliances are significant from the viewpoint of achieved contribution margins,
- efficient production due to a high volume of production activities and achieving appropriate productivity levels in the production process,

- growth of other operating income by EUR 1.9m mostly due to the sale of property in Serbia and the draw-down of allowances for receivables in Croatia.

The movement of value added in the field of sales was adversely impacted by the decline in sales, which refers mostly to the Dutch, German, Italian and British market, the decline in revenue generated through OEM business, and the failure to achieve the planned margin for the sale of products.

The share of **cost of goods sold** (generated at EUR 109.6m) in the gross profit decreased by 3.8 p.p. compared to the same period in 2017, which is the result of the disposal of the sale of coal activity.

Costs of material were recorded in the amount of EUR 264.9m (**9.5% growth** relative to the same period in 2017, **53.0% of the planned** annual amount). With respect to the equivalent period in 2017, the share of costs of material in the gross profit **grew by 3.6 p.p.** The relevant increase is primarily attributable to the already planned price increase of basic raw materials such as sheet metal, plastics and polyurethane foam, and the production's product structure.

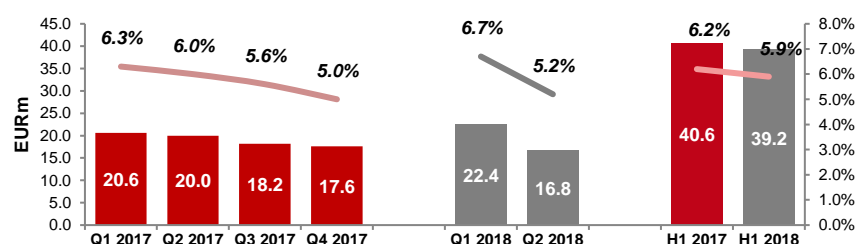
Compared to the last year's same period, the impact of higher purchase prices in the first half-year of 2018 amounted to +1.4% (+ EUR 3.1m), whereby in view of the plan the prices declined by 0.8% (EUR1.9m), which is the result of intensive negotiations held with suppliers, timely lease of raw materials and higher share of supply from the most competitive countries. The said area remains one of the primary challenges for the whole 2018.

With respect to the same period in 2017, **the costs of services** were recorded at **EUR 107.4m** and show a decline of **0.3%** but at the same time they achieved **47.5%** of the annual plan. Costs of services move in line with the plan.

The Group recorded **earnings before interest, taxes, depreciation and amortisation (EBITDA)** in the amount of **EUR 39.2m** or **EUR 1.4m** or **3.5% less** than the comparable EBITDA in the first six months of 2017. Regardless the lower revenue than projected for the first half-year, we have compensated for the margin short-fall based on savings and the cost optimisation and accordingly achieved **45.4%** of the planned annual EBITDA, which complies with the planned dynamics.

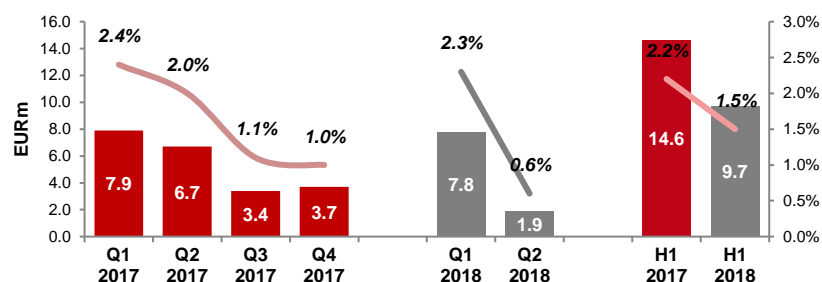
Compared to the first six month of 2017, the increase of employee benefits expense was faster than the growth of the gross yield, hence the **EBITDA margin declined** from the last year's **6.2%** to **5.9%**.

EBITDA and EBITDA margin



Earnings before interest and tax (EBIT): the EBIT was generated in the amount of **EUR 9.7m**. With respect to the same period in 2017, the achieved EBIT was lower by **33.2%**, whereby **38.5%** of the planned annual value was achieved and that is in line with the projected interim dynamics. The movement of EBIT was in view of the last year's same period impacted by the **high growth** of amortisation and depreciation expense in the amount of **EUR 3.4m** due to the dynamics of capitalising costs of development and the accelerated investment cycle in previous periods.

EBIT and EBIT margin

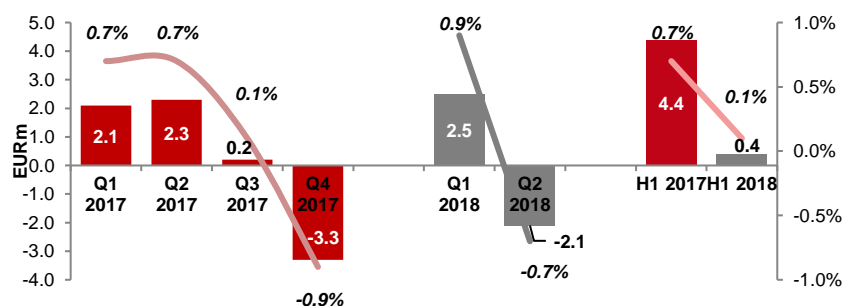


The **result from financing activities** is negative and recorded at EUR 7.7m, thus equaling the level of the last year's same period. The result from financing activities was favourable impacted by **interest expenses, which amounted to EUR 6.1m and show a decline of 6.8% (EUR 0.4m)** over the same period in 2017. The negative impact of exchange differences amounted in the first half-year of 2018 to EUR 0.3m (less by EUR 0.4m relative to the last year's same period). Other finance costs amounted to EUR 2.1m and were higher by EUR 0.2m relative to the first half-year of 2017.

Income tax expense, disclosed at EUR 1.5m and lower by EUR 0.7m in comparison to the same period in 2017, includes current and deferred income tax. The income tax disclosed is in accord with the projected annual dynamics.

- Gorenje Group's **profit for the period** amounted to EUR 0.4m or 9.9% of the profit achieved in last year's equivalent. The decrease in the result relative to the dynamically planned profit for this period (EUR 2.3m) is to a large extent attributable to postponing the divestment of the company Gorenje Surovina to the second half-year of 2018, whereby the related positive effects of the divestment (EUR 7.1m) were in the dynamical plan considered already for the second quarter of 2018. The divestment of the company Surovina was postponed as the Slovenian Competition Protection Agency launched proceedings against Surovina and one of its competitive entities due to alleged violation of provision of the Prevention of Restriction of Competition Act.

Profit for the period and ROS



KEY RISKS

Key risks for the Group's implementation of the plan in 2018:

- ensuring the planned sales volume and structure, in particular on the very competitive Western European markets and the field of OEM business,
- implementing the planned product price increases,
- providing for the planned profitability of sales activities by further focusing on distribution channels on key markets and the harsh competition, which heightens the pressure on the prices for finished products,
- significant price increase of materials and components on the world markets and their volatility even in the light on the current limitation of free trade,

- labour cost pressure, lower availability of suitable workforce in Slovenia, Serbia and the Czech Republic,
- fluctuation of currency parity (i.e. mostly in relation to RUB, USD and AUD) primarily due to the global economic and political situation, particularly in the light of the current limitation of free trade and launch of customs duties,
- implementation of the planned divestment of companies within the Other Business activity and of underperforming assets in line with the expected economic basis.

In order to limit the effects of stated negative elements on the implementation of the Group's planned business results for 2018, following numerous measures are performed:

- target-oriented activities supported by marketing services for ensuring sales growth based on the adequate product and geographical sales structure, and the positioning of our brands aimed at increasing the average achieved prices for our products on the markets,
- continuous activities for ensuring cost efficiency and productivity of our processes aimed at reducing the negative impacts on labour costs, measures for reducing the number of staff in the supporting departments, and cost efficiency on all levels of business operations,
- measures for improving the turnover of working capital by accelerating the financing activities of the supply chain and ensuring a decline of Group's indebtedness,
- managing inventories based on projects and activities that focus on managing the supply chain, complexity and proper production co-ordination,
- focusing on the Domestic Appliances activity as the Group's core business. In the light of the aforesaid, Gorenje started in 2017 with divesting Gorenje Surovina, the largest company within the Other Business activity, and by the year-end also the activity of coal was already sold. The 2018 plan includes the additional divestment of the company and activities within the production and sale of the heaters programme, and further divestment of underperforming assets, mostly real properties in order to lower the Group's net borrowing.

SIGNIFICANT EVENTS IN 2018

JANUARY

25th General Meeting of Shareholders

The 25th Shareholders' Meeting of Gorenje d. d. was held on 9 January 2018 in Velenje. The proposal to replace the Gorenje Supervisory Board members Marko Voljč and Uroš Slavinec was rejected.

HEAD and Gorenje present a new line of appliances supporting a healthier lifestyle



At the ISPO Munich, the world's largest international multi-segment exhibition for the sports industry, Gorenje and HEAD presented a new edition of Nutri Sport blender and connected kitchen scale to support a healthy and active lifestyle. The ISPO Munich takes place from 28 to 31 of January 2018, while the new small domestic appliances line HEAD by

Gorenje will be available in spring 2018.

FEBRUARY

Harmonization of the collective agreement

As of 1 February 2018, Gorenje's Management Board terminated the collective agreement with the purpose to speed up negotiations with the trade union and to adopt as soon as possible a new, advanced collective agreement. Thereupon, the

trade union announced a warning strike and demanded from the Management Board to denounce the intention to terminate the collective agreement. The trade Union and the Management Board reached an agreement on 9 March 2018 and cancelled the strike, whereas the Management Board revoked the decision to terminate the collective agreement.

Sixth issue of GRV06 commercial paper

In order to obtain funds for seasonal financing of its operations, Gorenje, d. d. completed its sixth consecutive issue of commercial paper in the amount of EUR 11,534,000. The commercial paper with the interest bearing starting on 1 February 2018 and the maturity date of 21 December 2018, bears in the first subscription round the interest rate at 1.90% p.a.

Gorenje supports pattern city

In its almost 70 years since being established, Gorenje has made numerous breakthrough technological innovations in the field of domestic appliance development and received countless international and Slovenian awards and recognitions for excellence in design and innovations, and thus significantly contributed to global promotion of Slovenia and Velenje. Gorenje, which continuously supports development and innovation efforts on local as well as global level, proudly supports the Pattern City project, which will undoubtedly contribute to the promotion of know-how from Slovenia and Velenje.



MARCH

Gorenje invites three potential partners to perform the due diligence

In addition to the four previously disclosed non-binding offers, Gorenje received five non-binding offers in March 2018 by possible strategic partners from Asia and Europe. Following a thorough analysis and review of all five non-binding partnership offers, Gorenje has invited three potential partners into the due diligence phase of the process. All three have submitted offers to acquire a majority stake in the company i.e. at least 50% +1 share of the total equity. The deadline for submitting binding offers expired on 8 May 2018.

Divestment of the company Gorenje Surovina

In-line with its strategic focus on its core business, Gorenje is continuing the process of selling Gorenje Surovina and its affiliated companies. By 16 March 2018, Gorenje received seven non-binding offers from strategic and financial investors. Following the analysis of all offers received, Gorenje invited five potential investors into the due diligence for Gorenje Surovina and its affiliated companies. The divestment of the company Surovina and its subsidiaries was postponed to the second half-year of 2018 as the Slovenian Competition Protection Agency launched proceedings against Surovina and one of its competitive entities due to alleged violation of restraining Article 6, Paragraph 1 of the Prevention of Restriction of Competition Act.

With great pleasure Gorenje enabled holidays to 80 children from families in need

The Pure Pleasure event was held for the third time this year and as always aimed at providing holidays to as many children from socially vulnerable families as possible. The children look very much forward to these opportunities as they are often stigmatized and excluded from the company of their peers due to distress. This time, individuals and companies contributed almost 280 tons of waste material to a total value of over EUR 37,600. With the help of all participants, 80 children from families in need will go on holidays this year under the auspices of the project Sponsorship (Botrstvo) in Slovenia.

APRIL

Gorenje wins 5 Red Dot design awards Gorenje



reddot design award

Velenje based appliance manufacturer Gorenje picked up 5 awards at this year's prestigious Red Dot design awards. The jury awarded the outstanding design of their latest Gorenje brand WaveActive washer and dryer, as well as the built in cooler, freezer and integrated coffee machine by Atag brand. All products were designed by Gorenje's own design team that added 5 more awards to an already long list of accolades for the Velenje based manufacturer.



Gorenje named most energy efficient company by readers of Finance

Gorenje Group received the prestigious "Most energy efficient company of 2017" award at the annual Energy Professionals Conference. Competing against projects from all over Slovenia, readers of Finance who cast their votes online recognized the many projects Gorenje has executed in the past that improved the energy and hence business efficiency of the company.

Energy efficiency is one of the core environmental focuses of the company, that has, since its inception almost 70 years ago, thrived to reduce not only its own but also the impact of its products on the environment. The company regularly undergoes energy reviews and prepares operational plans on how to improve its energy efficiency to the highest possible level.

Gorenje also transfers its energy efficiency policy from the corporate level to its products. All of them fulfil the highest energy efficiency standards. In April the company launched a new generation of WaveActive washing machines that, due to the advanced technologies and innovations included, obtained an energy efficiency rating of A+++ , and driers with an A++ rating.

MAY

Gorenje chooses Hisense as the best bidder

As of 8 May 2018, Gorenje, d. d. received 3 binding offers by the interested strategic partners from Asia and a day later the two best bidders have been requested to improve their offers. The Management Board of Gorenje, d. d. has assessed the received offers as well as the improved offers together with its financial and legal advisor and with the key shareholders, who have actively participated in the process. In the process of selecting the best bidder, the strategic elements have been taken into account, which led to the search of a strategic partner, the feasibility of the transaction, and the price per share offered to the shareholders. Based on these criteria, the Chinese Hisense Group has been selected as the best bidder, which offered EUR 12 per share, provided that it obtains 50% + 1 share of Gorenje during the takeover procedure.

As of 11 May 2018, the Management Board of Gorenje, d. d. received from the authorised member of the acquirer Hisense Luxemburg Home Appliance Holdings S.ar.l., Luxemburg (hereinafter: acquirer) the notification on the intended purchase of shares of Gorenje, d. d. According to its takeover intention, the acquirer is to submit a takeover bid for all shares of Gorenje, d. d. in compliance with the applicable legislation. The takeover intention was made public also in the newspaper Delo on 11 May 2018.



Gorenje wins the Trusted Brand award for the 12th consecutive year

On 22 May 2018, the Cankarjev Dom in Ljubljana hosted the ceremony for the Trusted Brand award presented each year by the Reader's Digest magazine. Gorenje is also this year among the winners, selected by the Slovenian readers of this magazine. In the domestic appliance category,

Gorenje was selected as the most trustworthy brand by more than 56% of survey respondents.

Notification of a change in major shareholdings of the company

As of 24 May 2018, we received from Kristijan Floričič a notification that he has sold his shares of Gorenje d. d. and that thereupon the share of his voting rights in Gorenje d. d. decreased to below 5% of total voting rights in Gorenje d. d.

On 24 May 2018, we received from the company International Finance Corporation (hereinafter: IFC) a notification that the IFC disposed on 22 May 2018 all of its shares of Gorenje d. d. A total of 2,881,896 shares were disposed, representing 11.8% of all Gorenje shares.

Hisense has acquired over 27% of Gorenje shares

As of 24 May 2018, we received from the company Hisense Luxembourg Home Appliance Holding and from the company Hisense Luxembourg Holding a notification that they acquired a 22.56 percent share of all voting rights in Gorenje, d. d. on 22 May 2018. The company Hisense Luxembourg Holding acquired 1,154,977 shares or a 4.73% of all voting shares, while Hisense Luxembourg Home Appliance Holding acquired 4,354,300 shares or a 17.83% share of all voting rights in the company.

Hisense publishes a takeover bid and prospectus for the purchase of Gorenje shares

On 29 May 2018, Gorenje's Management Board has been informed by the agent acting for Hisense Luxembourg Home Appliance Holdings about the publication of the takeover bid and prospectus for the purchase of Gorenje, d. d. shares. The summary of the offer was also published in the newspaper Delo on 29 May 2018. Within the legal deadline from the date of publishing the takeover bid, Gorenje published the opinion of the management of the target company about the content of the takeover bid and prospectus.

JUNE

Gorenje's new collective agreement

The Management Board and employee representatives at Gorenje have aligned and reached an accord on a new collective agreement that maintains the high level of labour rights protection for the employees while allowing the company long-term savings and solid foundations for further development. With the new collective labour agreement, we are replacing a more than a quarter-century-old agreement between the company and its employees, and we bring it up to date to be in tune with not only the new legislation, but also new market conditions.

Information on significant stakes in Gorenje

The takeover bid of the company Hisense Luxembourg Holding were on 8 June 2018 accepted by the company Panasonic Corporation and on 26 June 2018 by Kapitalska družba, d. d. As of 26 June 2018 both aforesaid companies sold their shares of Gorenje, d. d. Along with the information on major shareholdings in the company, Gorenje d.d. also received a notification on transactions conducted by persons performing managerial and executive tasks, and persons closely related to them, pertaining to the acceptance of the takeover bid referred to above. Kapitalska družba d.d. is closely related to Bachtiar Djalil who holds the position of Management Board president at Kapitalska družba d.d., as well as the position of a Supervisory Board member at the issuer company Gorenje gospodinjski aparati d.d.

Gorenje Group wins four regional accolades for the best innovations

The Chamber of Commerce of the Savinja and Šalek Region (SŠGZ) presented for the 19th consecutive year the awards for the best innovations in the SAŠA (Savinja and Šalek) region. This year, the entries included 11 enterprises with 15 innovations by a total of 133 innovators. The jury that rated the innovations for their inventiveness – originality, economic results, sustainability effects, and environmental aspects, presented two silver and two golden awards to the Gorenje Group. Three top-rated innovations include two from Gorenje: the new



generation of Asko premium washing machines and dryers, and the new generation of Gorenje free-standing cookers. With them, Gorenje Group innovators will also vie for the title of the best innovation at the national level.

Gorenje's next Management Board to include six members

Gorenje's Supervisory Board appointed a new Management Board that will manage the company in the next five years. The President and CEO Franjo Bobinac to whom the Supervisory Board entrusted late last year the task of assembling the Management Board, proposed six Management Board members. In addition to Bobinac, it shall include two incumbents – labour director Drago Bahun and Žiga Debeljak – and the three new members in Stanka Pejanović, Tomaž Korošec, and Saša Marković.

The Management Board members will also have new assignments in the new term of office. As the Chief Financial and Digital Officer, Žiga Debeljak will be in charge of finance, digitization, supply chain, and non-core operations. Drago Bahun will be the labour director in charge of social dialogue. Stanka Pejanović will be the Chief HR Officer and she will thus be in charge of human resources, organization, service, and support services. Tomaž Korošec shall be responsible for technology, production, development, supply, and investments. Saša Marković will be appointed Chief Sales and Marketing Officer; thus, he will be the Management Board member in charge of major and small domestic appliance sales under all brands, strategic marketing, and design. President and CEO Franjo Bobinac will, in addition to coordinating and leading the Management Board, directly oversee the work of the office of the Management Board secretary and the fields of corporate communications and corporate security. Moreover, he will focus in his next term of office on the integration with the strategic partner, identification of synergies between the companies, and brand development strategy.

Management Board members shall commence their terms of office on 20 July 2018, except for Saša Marković who will become a Gorenje Management Board member as of 1 September 2018.

The shareholders appoint four Gorenje Supervisory Board members for a new term of office

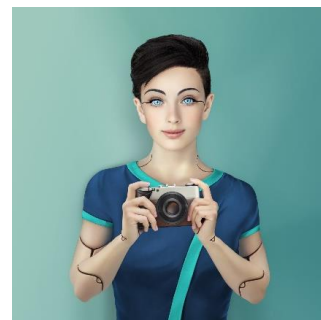
At Gorenje's 26th Shareholders' Meeting, the shareholders granted discharge from liability to the Management Board and the Supervisory Board for the fiscal year 2017, and appointed four Supervisory Board members for a new term of office. Four current Gorenje Supervisory Board members were reappointed to the Supervisory Board for the next term of office, namely Bachtiar Djilil, Corinna Claudia Graf, Miha Košak, and Bernard Charles Pasquier. The new Supervisory Board will commence their four-year term of office on 21 July 2018.

Four employee representatives appointed to Gorenje Supervisory Board

Gorenje Works Council elected at their session held on 22 June 2018, the employee representatives to be appointed by Gorenje Supervisory Board members for the next term of office. Thus, two incumbent Supervisory Board members – employee representatives Krešimir Martinjak and Jurij Slemenik, and the newly appointed member Žan Zeba have become Supervisory Board members for the term of office lasting until 21 July 2022. They are joined by the fourth member – employee representative who is appointed to the Supervisory Board based on his function i.e. the Gorenje Works Council chair Drago Krenker.

The Golden DiggIt Award for Anna, Gorenje's Virtual assistant

At the seventh Slovenian digital communications conference DiggIt, organized by TSmedia and Marketing Magazine, awards were presented for digital solutions that make use of the digital environment in an innovative and creative way. Gorenje received the golden DiggIt award in the sales category for Anna, our online chat bot.



FINANCIAL REPORT

WORKING CAPITAL MANAGEMENT

As at 30 June 2018, Group's investments in the net working capital³, amounted to EUR 207.9m and, compared to the 31 December 2017 balance that was used as the basis for calculating the development of cash flows from operating and investing activities for 2018, show an increase of EUR 64.6m. With respect to the equivalent period in 2017, they decreased by EUR 17.3m or show a decline of 7.7%. As at 30 June 2018, the share of net working capital within revenue in the last twelve months decreased relative to the 30 June 2017 balance by 1.2 percentage points and achieved a rate of 16.1%. Thus, the working capital management improved primarily as a result of using the instruments of financing the supply chain.

We are for some years now applying the system of permanent recourse-free factoring, which is carried out when costs of such activities do not exceed the Group's average costs of financing or when these activities are used to reduce credit and currency risks.

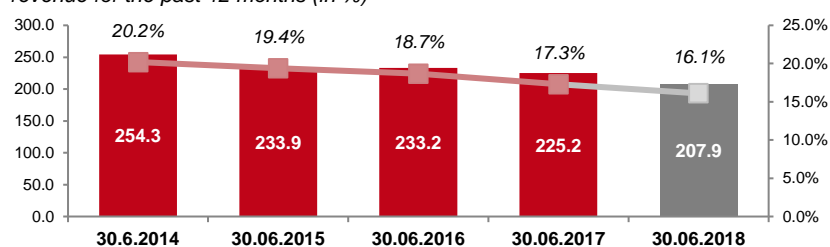
In order to extend the turnover of trade payables, we have introduced a supplier factoring scheme, within which the suppliers are in exchange for significantly prolonging the payment date offered access to the factoring service that is ensured by our bank partners. The latter had a favourable impact on Group's liquidity and indebtedness.

Investments in net working capital

EURm	30 Jun 2014	30 Jun 2015	30 Jun 2016	30 Jun 2017	31 Dec 2017	30 Jun 2018	Difference 30 Jun 2018 / 30 Jun 2017
+ Inventories	256.0	248.8	245.7	264.4	220.6	272.3	7.9
+ Trade receivables	229.1	203.9	192.8	208.4	180.5	203.4	-5.0
+ Other current assets	45.6	45.7	55.7	51.2	61.0	60.1	8.9
- Trade payables	-189.7	-177.6	-171.2	-193.1	-229.4	-218.5	-25.4
- Other current liabilities	-86.7	-86.9	-89.8	-105.7	-89.4	-109.4	-3.7
= Net working capital	254.3	233.9	233.2	225.2	143.3	207.9	-17.3

³ Net working capital = inventories + trade receivables + other current assets – trade payables – other current liabilities

Movement of net working capital in the 2014-2018 period (EURm) and its share in the net revenue for the past 12 months (in %)



As at 30 June 2018, **inventories** amounted to EUR 272.3m and show an increase over the 31 December 2017 balance by EUR 51.7m and by EUR 7.9m if compared to the last year's same period. The turnover of inventories amounted to 71 days or two days longer with respect to the equivalent period in 2017. The largest share (65.7% of total inventories) refers to finished products and merchandise, which increased by EUR 5.2m relative to the same period in 2017 and were fully generated by the Domestic Appliances activity; their days of turnover were longer by one day. The increase is mostly attributable to higher volume of orders in the third quarter relative to the previous year, whereby the products must be to a large extent manufactured prior to the annual vacations.

As at 30 June 2018, **trade receivables** were recorded at EUR 203.4m and show an increase over the 31 December 2017 balance by EUR 22.9m and lower by EUR 5.0m if compared to the equivalent period in 2017. The average turnover of receivables was 57 days or 2 day longer from the average turnover of receivables in the same period last year. The decline in receivables is nearly fully attributable to the Other Business activity, where revenue relative to the last year's same period decreased by 15.8%. The latter is predominantly the result of lower revenue generated in the field of medical equipment and the loss in revenue in the field of ecology due to the last year's fire in Kemis. We continue with the permanent factoring in the Domestic Appliances activity, which maintains a stable balance of receivables.

Trade payables amounted to EUR 218.5m as at 30 June 2018 and indicate a decline of EUR 10.9m over the 31 December 2017 balance. If compared to the same period in 2017, trade payables increased by EUR 25.4m. Turnover of liabilities was 74 days or 6 days more than in the same period in 2017. This is primarily the result of launching the current factoring for suppliers, within which payment terms were significantly changed for suppliers and in return they were enabled to collect receivables due from Gorenje much faster. The total effect was recorded in the field of Domestic Appliances, mostly relating to the parent company. The payment terms, agreed with suppliers of material and components within the Domestic Appliances activity that accounts for the Group's largest purchase field, were in comparative terms extended for 22 days since the launch of the supplier factoring (August 2017) until the end of June 2018.

Other current liabilities amounted as at 30 June 2018 to EUR 109.4m and increased over the 31 December 2017 balance by EUR 20.0m. With respect to the equivalent period in 2017, they indicate an increase of EUR 3.7m. The respective growth is the result of higher calculated operating expenses of business operations during the year.

FINANCIAL LIABILITIES MANAGEMENT

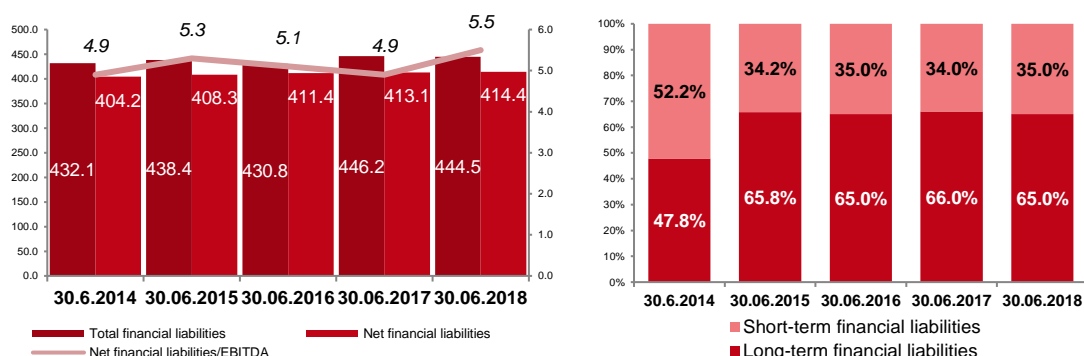
The core goal of the Group's financial function is ensuring short-term and long-term financial stability with minimum possible costs and risks, as well as reducing the relative borrowing rate. Relative to the previous year's same period, interest expenses were reduced by 6.8% or by EUR 0.4m and the maturity structure of financial liabilities was maintained at 65% of non-current sources.

Repayment of current due liabilities is ensured based on the generated free cash flow from operating and investing activities conducted by the Domestic Appliances and Other Business sales activities, as well as based on the timely provision of substitute financing. The Group thereby endeavours for constant

optimisation of the net working capital by applying diverse financial instruments for the supply chain (i.e. factoring, supplier factoring). The Group observes the policy of replacing currently due long-term financial sources by raising new long-term financial sources and spreading to bank and non-bank sources, whereby we focus on maintaining the quality of the maturity structure. In addition, we are constantly renewing current loans.

EUR 9.6m of currently due long-term financial liabilities were repaid in the first six months of 2018, in addition to EUR 18.0m on the first working day in July as the contractually set maturity date was shifted from end of June to the beginning of July since the last June day was a non-working day. Together with existing and new financial partners, the Group is engaged in activities to further servicing currently maturing financial liabilities, optimising the costs of financing, maintaining the maturity structure of sources of financing, and balancing the amount of the liquidity reserve.

Movement of total and net financial liabilities in the 2014-2018 period (EURm), movement of the net financial liabilities/EBITDA ratio, and movements of the maturity structure of financial liabilities⁴



As at 30 June 2018, **total financial liabilities** amounted to EUR 444.5m, showing a decrease of **EUR 1.7m** relative to the same period in 2017. As for the **maturity structure of financial liabilities**, 65.0% refer to non-current sources, whereby the remaining stake represents current sources. The maturity structure thus worsened by 1.0 p.p. if compared to the same period in 2017.

As at 30 June 2018, **net financial liabilities** (measured as the difference between total financial liabilities and cash and cash equivalents) amounted to EUR 414.4m and indicate an increase by EUR 1.3m over the same period in 2017.

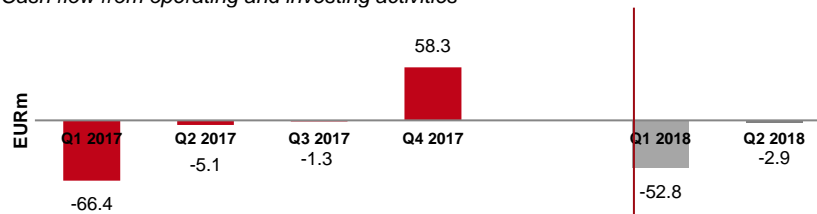
Movement of financial liabilities is **in accord with the interim seasonal dynamics**, where most of Group's negative cash flows from operating and investing activities is generated in the first half-year of a fiscal year, whereas a high positive cash flow in the last quarter.

As at 30 June 2018, the Group had a **liquidity reserve** at its disposal in the amount of EUR 77.9m in form of approved but undrawn current and non-current borrowings in addition to bank balances, which may also be used to bridge payments on currently due liabilities. The liquidity reserve was reduced on the first working day in July by EUR 18.0m due to the repayment of financial liabilities, whose contractually set maturity date was shifted from end of June to the beginning of July since the last June day was a non-working day.

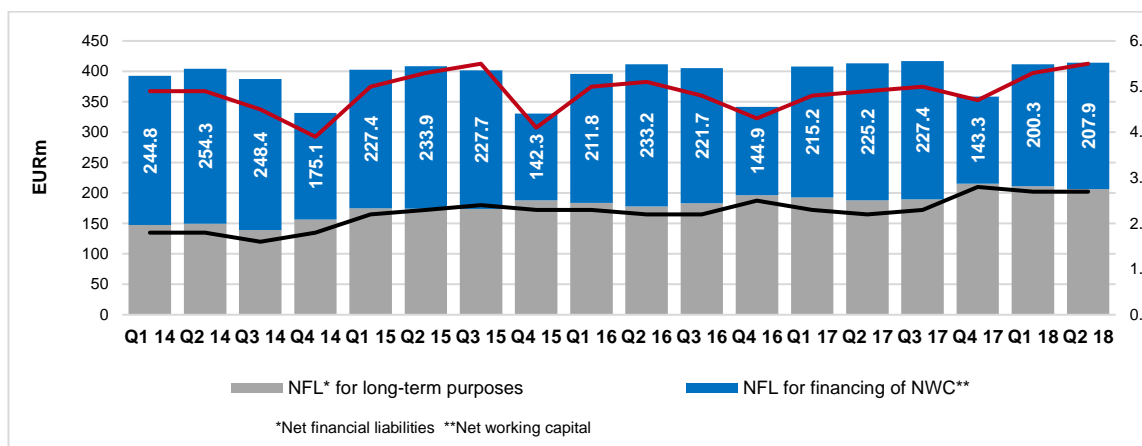
In the first six months of 2018, we recorded EUR 55.7m of negative cash flow from operating and investing activities, which shows an improvement of EUR 15.8m relative to the equivalent period in 2017. The improvement is primarily the result of the improved development of the net working capital as a result of the extended repayment deadlines to suppliers when applying the supplier factoring.

⁴ The net financial liabilities/EBITDA ratio outlined in the graph is not comparable for years 2014 and 2015 due to reclassifying recognised allowances for receivables from the financial to the operating part.

Cash flow from operating and investing activities



Structure of Group's net financial liabilities⁵



Movement of Group's total and net financial liabilities during the year is primarily related to the movement of the net working capital. As at 30 June 2018, EUR 207.9m or 50.2% of net financial liabilities refers to financing of the Group's net working capital, while EUR 206.5m of net financial liabilities to financing of non-current assets. The interim high level of net working capital remained in the last two quarters on the same level and is significantly higher than in Q4 2017, when the net working capital is released and significantly decreased, as inventories are sold and a large portion of receivables collected. Thus, the net working capital represents assets, which increase during the year through higher generated revenue and have concurrently a short period of transforming into cash. Thus, the level of net working capital is significantly reduced in the last quarter and accordingly also net financial liabilities.

The short transformation cycle is also shown in the average turnover of individual items of net working capital: inventories at 71 days, receivables at 57 days and trade payables at 74 days, which is comparable to the last year's same period. By launching the supplier factoring scheme and the related extension of payment deadlines, we succeeded in prolonging the turnover days of trade payables by 6 days, which materially contributed to lowering the amount of net working capital.

The ratio between net financial liabilities – solely for financing non-current assets – as at 30 June 2018 and EBITDA for the last four quarters amounted to only 2.7, while the ratio between the total net financial liabilities and EBITDA in the same period was 5.5. The lower EBITDA has a quite negative impact on the last ratio in the past two quarters of 2017, as the calculation takes into account the EBITDA disclosed in the last four consecutive quarters.

⁵ The net financial liabilities/EBITDA ratio outlined in the graph is not comparable for years 2014 and 2015 due to reclassifying recognised allowances for receivables from the financial to the operating part.

FINANCIAL RISK MANAGEMENT

The Group pays special attention to managing financial risks, in particular an efficient **credit risk** management. They are balanced through regular control of required and approved credit limits approved by credit insurance companies, the appropriate collection of receivables, and regular communication with credit insurance companies and business partners. The share of receivables, insured with qualitative insurance instruments, is growing in the past years and by the end of June 2018 accounted for 76.2% or 2.8 p.p. more than at the end of the same period last year. For some time, the Group applies also the permanent recourse-free factoring, which is generally carried out when costs of such activities do not exceed the Group's average costs of financing or when these activities are used to reduce credit and currency risks (primarily in Russia). The balance of bad debts is reviewed and analysed on an on-going basis, and proper measures are implemented (e.g. collection, collection of insurances, adjustment of supplies to the approved credit limits and credit ratings of customers). We have a strict set of rules about credit risk management, including the defined acceptable instruments of insurance, levels of acceptable exposure to individual customers and markets. The rules of credit risk management are upgraded in a manner to ensure the highest possible stability of Group's business operations.

The Group applies a centralised 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 Group's cash flows planned in the annual period. The fundamental goal of currency risk management lies in hedging against the business plan's exposure by reducing the adverse impact of exchange rate fluctuations on the Group's cash flows and consequently the operating profit or loss.

Currency risks are to the greatest extent possible minimised through natural cash flow balancing for each currency that, mostly in case of companies is impossible to be fully implemented. The Group systematically applies short-term forward exchange contracts for most of the currencies that are not part of the euro zone in order to hedge transactions against currency risk. In addition, we are seeking additional possibilities for increasing the scope of natural hedging. In the medium term, we hedge against currency risk by adjusting sales prices on an on-going basis, by applying cost optimisation and by means of increasing natural hedging on the purchase/sale side.

The Group actively manages **interest rate risks**, which refer to the raised funds bearing the Euribor variable interest rate, in smaller part also local variable interest rates. As at 30 June 2018, the Group disclosed 34.9% of contractually interest-bearing financial liabilities⁶ with a contractually agreed fixed interest rate and 65.1% of financial liabilities with a contractually agreed variable interest rate. The latter represent the risk of change of interest rate. With the purpose to hedge against interest rate risk, the Group applies derivatives by means of which it ensures long-term stability of the reference interest rate. When deciding on hedging, the Group takes into account the forecasts for interest rate fluctuations and the efficiency of the hedging instruments. Based on concluding EUR 290m worth of interest rate swaps (IRS) in Q3 2017 for the period of the instruments' effect from early 2019 to the end of 2022, the Group ensured for a long-term limiting of interest rate risks for the larger part of the Group's credit portfolio until the end of 2022.

We are managing the **risk of short-term liquidity** by means of approved revolving credit lines per Group companies, approved bank account overdrafts, and bank balances. As at the end of June 2018, the undrawn part of current and non-current credit lines amounted to EUR 47.9m and bank balances to an

⁶ Contractually interest-bearing financial liabilities are total financial liabilities less other financial liabilities and increased by the amount of deferred costs of financing.

additional EUR 30.0m; the total liquidity reserve accordingly amounted to EUR 77.9m as at 30 June 2018; it was reduced on the first working day in July by EUR 18.0m due to the repayment of financial liabilities. The risk of short-term liquidity is limited based on communication held with all financial partners that support Gorenje Group's business operations, namely by means of regular quarterly meetings with bank partners as well as bilateral talks. The support of financial partners is, in addition to successful implementation of the set business goals, of key significance to provide for the adequate level of liquidity. Special attention is drawn to the centralised balancing and controlling of Group's cash flows and liquidity so that it is at any moment capable to settle all its due liabilities.

OWNERSHIP STRUCTURE AND THE GRVG SHARE

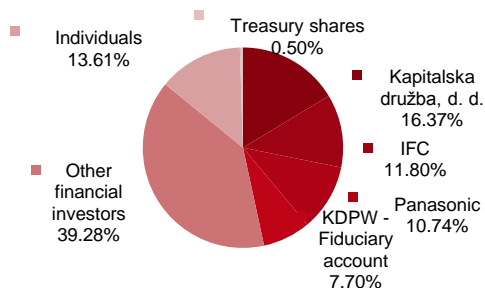
Ownership structure

As at 30 June 2018, 10,440 shareholders were entered in the share register, indicating that the number of shareholders declined by 14.8% over the year-end balance of 2017 (12,247).

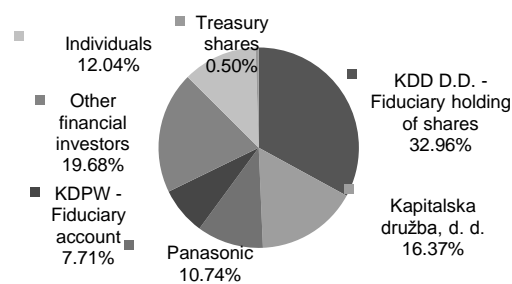
Gorenje's ten major shareholders and owners

Ten major shareholders	No. of shares (30 Jun 2018)	Share (in %)
KDD D.D. – FIDUCIARY HOLDING OF SHARES	8,050,014	32.96%
KAPITALSKA DRUŽBA, D.D.	3,998,653	16.37%
PANASONIC CORPORATION	2,623,664	10.74%
KDPW – FIDUCIARY ACCOUNT	1,882,644	7.71%
BNP PARIBAS SECURITIES SERVICES S.C.A.	1,000,150	4.09%
CLEARSTREAM BANKING SA – FIDUCIARY ACCOUNT	721,838	2.96%
ADDIKO BANK D.D. – FIDUCIARY ACCOUNT	535,963	2.19%
Flexible mixed sub-fund	452,087	1.85%
ZAGREBAČKA BANKA D.D. – FIDUCIARY ACCOUNT	387,575	1.59%
HRVATSKA POŠTANSKA BANKA D.D. – FIDUCIARY ACCOUNT	354,000	1.45%
Total major shareholders	20,006,588	81.91%
Treasury shares	121,311	0.50%
Other shareholders	4,296,714	17.59%
Total	24,424,613	100%

Ownership structure as at 31 December 2017



Ownership structure as at 30 June 2018



The number of own shares or treasury shares equals the 2017 year-end balance i.e. at 121,311 treasury shares, which accounts for 0.4967% of total share capital.

As at 2 July 2018, Gorenje received from the Securities Market Agency (ATVP) the decision on the successful takeover bid for GRVG shares announced by the company Hisense Luxembourg Home Appliance Holding on 29 May 2018 that lasted until 26 June 2018.

On 28 May 2018, the Securities Market Agency (ATVP) issued to the company Hisense Luxembourg Home Appliance Holding the permit for a takeover bid for 24,424,613 GRVG shares, less the 8,050,014 shares that the acquiring party already held i.e. accordingly a total of 16,374,599 shares of the target company

Unaudited Consolidated Financial Statements
January-June 2018

Gorenje. Hisense Luxembourg Home Appliance Holding informed the Agency that 5,165 shareholders accepted the takeover bid in the period between 29 May 2018 and 26 June 2018, who owned a total of 15,254,871 GRVG shares, which represents 62.46% of all Gorenje shares. Consequently, the ownership structure of Gorenje, d. d. significantly changed upon registering the shares, which the company Hisense Luxembourg Home Appliance Holding acquired during the takeover bid; thus, 5,301 shareholders were entered in the share register as at 3 July 2018:

Shareholders' structure upon the completion of the takeover bid	No. Of shares (3 Jul 2018)	Owner-ship share (in %)
Hisense Luxembourg Home Appliance Holding	23,304,885	95.42%
Other shareholders	988,417	4.08%
Treasury shares	121,311	0.50%
Total	24,424,613	100%

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

Supervisory Board	31 Dec 2017		30 Jun 2018		3 Jul 2018	
	Shares	%	Shares	%	Shares	%
Total:	37,136	0.1520%	37,136	0.1520%	300	0.0013%
Peter Kobal	1,355	0.0055%	1,355	0.0055%	0	0%
Krešimir Martinjak	115	0.0005%	115	0.0005%	0	0%
Jurij Slemenik	2,038	0.0083%	2,038	0.0083%	238	0.0010%
Miha Košak	62	0.0003%	62	0.0003%	62	0.0003%
Karlo Kardov	33,566	0.1374%	33,566	0.1374%	0	0%

Management Board	31 Dec 2017		30 Jun 2018		3 Jul 2018	
	Shares	%	Shares	%	Shares	%
Total :	22,848	0.0936%	22,848	0.0936%	0	0%
Franc Bobinac	4,096	0.0168%	4,096	0.0168%	0	0%
Branko Apat	626	0.0026%	626	0.0026%	0	0%
Drago Bahun	9,082	0.0372%	9,082	0.0372%	0	0%
Žiga Debeljak	9,044	0.0370%	9,044	0.0370%	0	0%

Gorenje, d. d. received notifications from persons engaged in managerial responsibilities and persons closely related to them, regarding following transactions: Franc Bobinac, President of the Management Board of Gorenje, d. d. divested 4,096 shares on 3 July 2018 on his behalf and outside the trading venue on the basis of the accepted takeover bid by the company Hisense Luxembourg Holding S.a r.l. In addition and on the same date, GRVG shares were on the basis of the accepted Hisense's takeover bid divested on their behalf and outside the trading venue by following Management Board members: Branko Apat (626 shares), Drago Bahun (9,082 shares), and Žiga Debeljak (9,044 shares). The number of shares owned by Management Board members (22,848) has changed since 30 June 2018 and up until the date of this public announcement. Management Board members do not own shares of Gorenje, d. d.

On the basis of the accepted takeover bid by the company Hisense, following Supervisory Board member have on their behalf and outside the trading venue divested GRVG shares on 3 July 2018: Jurij Slemenik (1,800 shares), Krešimir Martinjak (115 shares), Peter Kobal (1,355 shares), and Karlo Kardov, (33,566 shares). The number of shares owned by Supervisory Board members (37,136) has decreased to 300 shares since 30 June 2018 and up until the date of this public announcement.

Gorenje's GRVG share in the period January-June 2018

The closing price of the share at the Ljubljana Stock Exchange as the prime market (GRVG) amounted to EUR 11.50 on the last trading day in June 2018 and

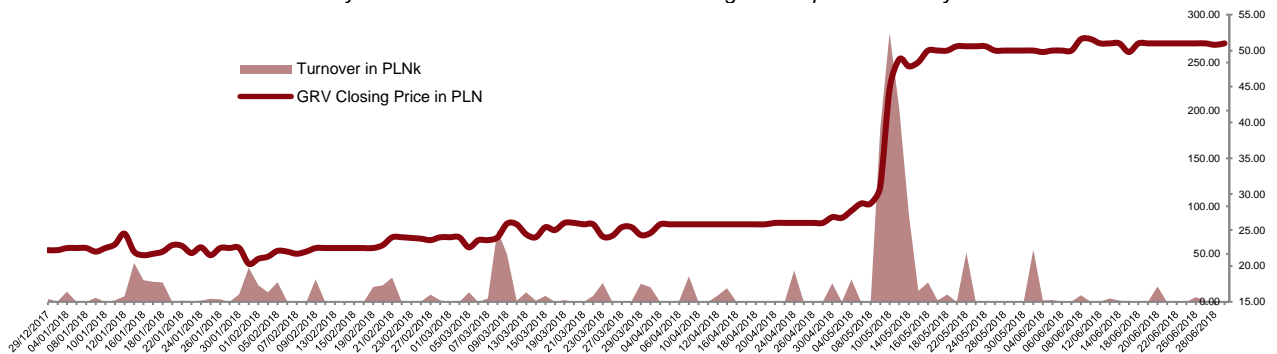
Unaudited Consolidated Financial Statements
January-June 2018

shows an increase of +125.5% over the last trading day in 2017 (EUR 5.10). The SBITOP prime market index increased in the same period by 10%. The total turnover of shares at the Ljubljana and Warsaw Stock Exchange amounted to 2,665,106 shares, whereby the average daily turnover at the Ljubljana Stock Exchange amounted to 21,775 shares and at the Warsaw Stock Exchange to 424 shares per day. The closing price of the share at the Warsaw Stock Exchange increased by 129.7% (from PLN 22.20 or EUR 5.32 to PLN 51 or EUR 11.80) over the year-end balance of 2017.

Movement of the GRVG share and daily turnover on the Ljubljana Stock Exchange in the period Januar-June 2018



Movement of the GRV share and daily turnover on the Warsaw Stock Exchange in the period January-June 2018



Basic and diluted earnings per share are calculated as the ratio between the profit or loss of the parent company's owners in the past 12 months and the average number of shares issued, less the average balance of treasury shares (24,303,302 shares), amounts to EUR -0.12 (2017: EUR 0.04).

The book value of the GRVG share as at 30 June 2018 amounted to EUR 15.04 (EUR 15.16 as at 31 December 2017). It is calculated as the ratio between the book value of capital of Gorenje, d. d., and the number of issued shares, exclusive of the number of treasury shares as at 30 June 2018 (24,303,302 shares).

The ratio between the market value and the book value of the GRVG share is recorded at 0.76 (0.34 as at 31 December 2017).

ACCOUNTING REPORT

ACCOUNTING REPORT AND THE GORENJE GROUP COMPOSITION

Reporting entity

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

Consolidated financial statements of Gorenje, d. d., for the period January-June that ended 30 June 2018 include the parent company and its subsidiaries (hereinafter jointly referred to as 'the Group'), equity interests in jointly controlled companies, and equity interests in associated companies. The Group's core activity is manufacturing and sale of home appliances.

Basis of preparation

(a) Statement of compliance

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

The Management Board of Gorenje, d. d., confirmed these interim financial statements on 17 July 2018.

(b) Use of estimates and judgements

In the course of drawing up these interim financial statements, the company management made estimates, judgements, 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.

Material estimates of uncertainty and critical judgements or evaluations made by the management in the process of pursuing the accounting policies, which have the strongest effect on the amounts in the financial statements are similar to those used by the management when drawing up the consolidated financial statements as at 31 December 2017.

Fundamental Accounting Policies and Significant Notes to the Financial Statements

Accounting policies applied in these interim financial statements are in material aspects identical to those used in the consolidated financial statements compiled as at 31 December 2017.

Changes in the composition of the Gorenje Group

Changes in the composition of the Gorenje Group up until the end of June 2018 were as follows:

- As at 15 May 2018, the company Gorenje HVAC, razvoj, proizvodnja, prodaja in montaža naprav za ogrevanje, prezračevanje in hlajenje, d.o.o. was established with its head office in Velenje. The sole (100%) owner of the

Unaudited Consolidated Financial Statements
January-June 2018

company is Gorenje Tiki proizvodnja električnih aparata za domačinstvo d.o.o., Serbia.

- As at 18 June 2018, the contract on transferring an equity interest in the company GOR Kolesa d.o.o. was signed, based on which the company BTC, d. d. ceased to act as the shareholder of the said company. With the entry of the relevant change in the companies' register, Gorenje, d. d. became accordingly the sole (100%) owner of GOR Kolesa d.o.o.

In addition to the parent company Gorenje, d. d., the following companies were included in the consolidated financial statements of the Gorenje Group as at 30 June 2018:

Companies operating in Slovenia		Equity interest in %	Business segment
1.	Gorenje I.P.C., d.o.o., Slovenia	100.00	DA
2.	Gorenje GTI, d.o.o., Slovenia	100.00	OB
3.	Gorenje Gostinstvo, d.o.o., Slovenia	100.00	OB
4.	Energygor, d.o.o., Slovenia	100.00	OB
5.	Kemis, d.o.o., Slovenia	100.00	OB
6.	Gorenje Orodjarna, d.o.o., Slovenia	100.00	OB
7.	ZEOS, d.o.o., Slovenia	55.42	OB
8.	Gorenje Surovina, d.o.o., Slovenia	100.00	OB
9.	Indop, d.o.o., Slovenia	100.00	OB
10.	Gorenje GAIO, d.o.o., Slovenia	100.00	OB
11.	Gorenje GSI, d.o.o., Slovenia	100.00	DA
12.	Gorenje Keramika, d.o.o., Slovenia	100.00	OB
13.	Gorenje EKOINVEST, d.o.o., Slovenia	100.00	OB
14.	Gorenje HS, d.o.o., Slovenia	65.00	OB
15.	Gorenje Surovina RECE, d.o.o., Slovenia	100.00	OB
16.	TERMOCLEAN S, d.o.o., Slovenia	100.00	OB
17.	Gorenje HVAC, d.o.o., Slovenia	100.00	OB
18.	GOR Kolesa, d.o.o., Slovenia	100.00	OB

Foreign operations		Equity interest in %	Business segment
1.	Gorenje Beteiligungs GmbH, Austria	100.00	DA
2.	Gorenje Austria HandelsGmbH, Austria	100.00	DA
3.	Gorenje Vertriebs GmbH, Germany	100.00	DA
4.	Gorenje Körting Italia S.r.l., Italy	100.00	DA
5.	Gorenje France S.A.S., France	100.00	DA
6.	Gorenje Espana, S.L., Spain	100.00	DA
7.	Gorenje UK Ltd., Great Britain	100.00	DA
8.	Gorenje Group Nordic A/S, Denmark	100.00	DA
9.	Gorenje spol. s r.o., Czech Republic	100.00	DA
10.	Gorenje real spol. s r.o., Czech Republic	100.00	DA
11.	Gorenje Slovakia s.r.o., Slovakia	100.00	DA
12.	Gorenje Magyarország Kft., Hungary	100.00	DA
13.	Gorenje Polska Sp. z o.o., Poland	100.00	DA

Unaudited Consolidated Financial Statements
January-June 2018

14.	Gorenje Bulgaria EOOD, Bulgaria	100.00	DA
15.	Gorenje Zagreb, d.o.o., Croatia	100.00	DA
16.	Gorenje Skopje, d.o.o., Macedonia	100.00	DA
17.	Gorenje Commerce, d.o.o., Bosnia and Herzegovina	100.00	DA
18.	Gorenje, d.o.o., Serbia	100.00	DA
19.	Gorenje Podgorica, d.o.o., Montenegro	99.975	DA
20.	Gorenje Romania S.r.l., Romania	100.00	DA
21.	Gorenje aparati za domaćinstvo, d.o.o., Serbia	100.00	DA
22.	Mora Moravia s r.o., Czech Republic	100.00	DA
23.	Gorenje - kuchyně spol. s r.o., Czech Republic	100.00	DA
24.	KEMIS-Termoclean, d.o.o., Croatia	100.00	OB
25.	Kemis - BH, d.o.o., Bosnia and Herzegovina	100.00	OB
26.	Gorenje Gulf FZE, United Arab Emirates	100.00	DA
27.	Gorenje Tiki, d.o.o., Serbia	100.00	OB
28.	Gorenje Istanbul Ltd., Turkey	100.00	DA
29.	Gorenje TOV, Ukraine	100.00	DA
30.	ST Bana Nekretnine, d.o.o., Serbia	100.00	OB
31.	Kemis Valjevo, d.o.o, Serbia	100.00	OB
32.	ATAG Nederland BV, the Netherlands	100.00	DA
33.	ATAG Belgie NV, Belgium	100.00	DA
34.	Intell Properties BV, the Netherlands	100.00	DA
35.	Gorenje Nederland BV, the Netherlands	100.00	DA
36.	Gorenje Kazakhstan, TOO, Kazakhstan	100.00	DA
37.	OOO Gorenje BT, Russia	100.00	DA
38.	Gorenje GTI, d. o. o., Serbia	100.00	OB
39.	Asko Appliances AB, Sweden	100.00	DA
40.	Gorenje North America, Inc., USA	100.00	DA
41.	Asko Appliances Pty, Australia	100.00	DA
42.	Asko Appliances OOO, Russia	100.00	DA
43.	»Gorenje Albania« SHPK, Albania	100.00	DA
44.	Gorenje Home, d. o. o., Serbia	100.00	DA
45.	Gorenje Ekologija, d. o. o., Serbia	100.00	OB
46.	Gorenje Corporate GmbH, Austria	100.00	DA
47.	ZEOS eko-sistem d. o. o., Bosnia and Herzegovina	53.64	OB
48.	Gorenje do Brasil Ltda., Brazil	100.00	DA
49.	Gorenje Asia Ltd., China	100.00	DA
50.	Gorenje MDM d. o. o., Serbia	100.00	OB
51.	Gorenje Chile SpA, Chile	100.00	DA
52.	Gorenje AEC, LLC, Thailand	100.00	DA
53.	Indop Gorenje GmbH, Germany	100.00	OB
54.	Gorenje Surovina RECE d.o.o., Croatia	100.00	OB

DA – Domestic Appliances
OB – Other Business

Associated entities:

- Gorenje Projekt, d. o. o., Slovenia,
- Resalta, d. o. o., Slovenia⁷,
- Gorenje Projekt, d. o. o., Serbia,
- EKON ELEKTRON, d. o. o., Macedonia,
- K.Tivoli, d. o. o., Slovenia,
- Resalta EOL, d. o. o., Slovenia (inactive),
- Resalta, d. o. o., Croatia,
- Resalta Montenegro, d. o. o., Montenegro,
- Resalta Bulgaria OOD, Bulgaria,
- GGE Netherlands B.V., the Netherlands,
- Resalta, d. o. o., Serbia,
- Gorenje Projekt RU, d. o. o., Russia.

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

- in Kiev (Ukraine),
- in Almaty (Kazakhstan), and
- in Chisinau (Moldova).

⁷ The management of the GGE company decided to change the company name to the GGE Group due to growing business internationalisation and increasing the recognisability in comparison to the competition. The name of the parent company GGE Netherlands B.V. was not changed as it is a holding company.

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS OF THE GORENJE GROUP**

Condensed Consolidated Balance Sheet of the Gorenje Group

EURk	Balance at 30 Jun 2017	%	Balance at 31 Dec 2017	%	Balance at 30 Jun 2018	%
ASSETS	1,191,661	100.0%	1,143,116	100.0%	1,209,414	100.0%
Non-current assets	624,528	52.4%	647,977	56.7%	635,689	52.6%
Intangible assets	214,385	18.0%	223,575	19.6%	230,127	19.0%
Property, plant and equipment	365,014	30.6%	371,835	32.5%	356,625	29.5%
Investment property	10,112	0.9%	9,849	0.9%	11,178	0.9%
Non-current investments	3,373	0.3%	3,483	0.3%	3,561	0.3%
Investments in associates	2,671	0.2%	4,309	0.4%	4,212	0.4%
Non-current operating receivables	2,384	0.2%	7,375	0.6%	3,268	0.3%
Deferred tax assets	26,589	2.2%	27,551	2.4%	26,718	2.2%
Current assets	567,133	47.6%	495,139	43.3%	573,725	47.4%
Non-current assets held for sale	314	0.0%	305	0.0%	305	0.0%
Inventories	264,442	22.2%	220,619	19.3%	272,266	22.5%
Current investments	10,036	0.8%	8,059	0.7%	7,841	0.6%
Trade receivables	208,409	17.5%	180,517	15.8%	203,357	16.8%
Other current assets	50,860	4.3%	60,602	5.3%	59,911	5.0%
Cash and cash equivalents	33,072	2.8%	25,037	2.2%	30,045	2.5%
EQUITY AND LIABILITIES	1,191,661	100.0%	1,143,116	100.0%	1,209,414	100.0%
Equity	372,821	31.3%	368,344	32.2%	365,506	30.2%
Share capital	101,922	8.6%	101,922	8.9%	101,922	8.4%
Share premium	174,502	14.6%	174,502	15.3%	174,502	14.4%
Revenue reserves	46,015	3.9%	33,131	2.9%	33,131	2.8%
Treasury shares	-3,170	-0.3%	-3,170	-0.3%	-3,170	-0.3%
Retained earnings	67,428	5.7%	74,519	6.5%	74,793	6.2%
Translation reserve	-14,855	-1.3%	-13,723	-1.2%	-16,156	-1.3%
Fair value reserve	-889	-0.1%	-454	0.0%	-1,293	-0.1%
Equity of holders of the parent	370,953	31.1%	366,727	32.1%	363,729	30.1%
Equity of non-controlling interests	1,868	0.2%	1,617	0.1%	1,777	0.1%
Non-current liabilities	368,296	30.9%	365,278	32.0%	360,645	29.8%
Provisions	62,419	5.3%	59,886	5.2%	59,349	4.9%
Deferred income	5,171	0.4%	7,563	0.7%	7,475	0.6%
Non-current operating liabilities	4,013	0.3%	2,807	0.3%	2,619	0.2%
Deferred tax liabilities	2,247	0.2%	2,002	0.2%	2,080	0.2%
Non-current financial liabilities	294,446	24.7%	293,020	25.6%	289,122	23.9%
Current liabilities	450,544	37.8%	409,494	35.8%	483,263	40.0%
Current financial liabilities	151,735	12.7%	90,731	7.9%	155,361	12.9%
Trade payables	193,080	16.2%	229,402	20.1%	218,528	18.1%
Other current liabilities	105,729	8.9%	89,361	7.8%	109,374	9.0%

Condensed Consolidated Income Statement of the Gorenje Group

EURk	Jan-Jun 2017	Structure (%)	Jan-Jun 2018	Structure (%)
Revenue	623,875	94.6%	602,343	91.5%
Change in inventories	22,063	3.3%	40,364	6.1%
Other operating income	13,793	2.1%	15,701	2.4%
Gross profit	659,731	100.0%	658,408	100.0%
Costs of goods, materials and services	-484,118	-73.4%	-481,873	-73.2%
Costs of goods sold	-134,571	-20.4%	-109,566	-16.7%
Costs of materials	-241,824	-36.7%	-264,869	-40.2%
Costs of services	-107,723	-16.3%	-107,438	-16.3%
Other operating expenses	-14,066	-2.1%	-12,481	-1.9%
Added value/AV	161,547	24.5%	164,054	24.9%
Employee benefits expense	-120,966	-18.3%	-124,886	-19.0%
EBITDA	40,581	6.2%	39,168	5.9%
Amortisation and depreciation expense	-26,018	-4.0%	-29,441	-4.4%
EBIT	14,563	2.2%	9,727	1.5%
Result of financing activities	-7,684	-1.2%	-7,714	-1.2%
Result of revaluations	42	0.0%	-319	-0.1%
Result of other financing movements	-7,726	-1.2%	-7,395	-1.1%
Share in profits/losses of associates	-274	0.0%	-97	0.0%
Profit before tax	6,605	1.0%	1,916	0.3%
Income tax expense	-2,180	-0.3%	-1,480	-0.2%
Profit for the period	4,425	0.7%	436	0.1%
Attributable to non-controlling interests	149	0.0%	162	0.0%
Attributable to equity holders of the parent	4,276	0.7%	274	0.0%
Basic and diluted earnings per share (in EUR) ⁸	0.43		-0.12	

⁸ **Basic and diluted earnings per share**, calculated as the rate between the profit attributable to equity holders of the parent in the past 12 months and the average number of shares issued, less the average balance of own shares.

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

EURK	Jan-Jun 2017	Jan-Jun 2018
Profit for the period	4,425	436
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss	2,300	-3,272
Net change in fair value of available-for-sale financial instruments	5	1
Effective portion of changes in gains and losses from hedging instruments in cash flow hedges	-496	-1,427
Effective portion of changes in gains and losses from hedging instruments on cash flow hedges, reclassified to profit or loss	396	360
Income tax on other comprehensive income	-61	227
Translation reserve	2,456	-2,433
Other comprehensive income for the period	2,300	-3,272
Total comprehensive income for the period	6,725	-2,836
Attributable to equity holders of the parent	6,576	-2,998
Attributable to non-controlling interests	149	162

Condensed Consolidated Statement of Cash Flows of the Gorenje Group

EURk	Jan-Jun 2017	Jan-Jun 2018
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit or loss for the period	4,425	436
Adjustments for:		
-Depreciation of property, plant and equipment	20,774	22,865
-Amortisation of intangible assets	5,244	6,576
-Net exchange differences	-42	319
-Dividends received	216	97
-Interest income	-334	-337
-Interest expenses	6,488	6,050
-Gains/losses on sale of property, plant and equipment	-478	-3,482
-Income tax expense	2,180	1,480
Cash flow from operating activities before changes in net operating current assets and provisions	38,473	34,004
Change in trade and other receivables	-34,208	-21,209
Change in inventories	-38,488	-51,647
Change in provisions	-1,590	-625
Change in trade and other payables	-2,809	4,981
Change in net current operating assets and provisions	-77,095	-68,500
Interest paid	-6,488	-6,050
Income tax paid	-1,789	-1,579
Net cash from operating activities	-46,899	-42,125
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	3,737	7,266
Proceeds from sale of investment property	0	2,371
Interest received	334	337
Dividends received	-216	-97
Acquisition of property, plant and equipment	-20,065	-11,359
Other investments	2,249	237
Acquisition of intangible assets	-10,649	-12,354
Net cash used in investing activities	-24,610	-13,599
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings/Repayment of borrowings	69,339	60,732
Net cash used in financing activities	69,339	60,732
Net change in cash and cash equivalents	-2,170	5,008
Cash and cash equivalents at beginning of period	35,242	25,037
Cash and cash equivalents at end of period	33,072	30,045

Condensed Consolidated Statement of Change in Equity of the Gorenje Group

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 2017	101,922	174,502	12,896	7,919	3,170	22,030	-3,170	55,592	7,560	-17,311	-733	364,377	2,164	366,541
Total comprehensive income for the period														
Profit for the period									4,276			4,276	149	4,425
Total other comprehensive income										2,456	-156	2,300	0	2,300
Total comprehensive income for the period	0	0	0	0	0	0	0	0	4,276	2,456	-156	6,576	149	6,725
Transactions with owners (when acting as owners) recognised directly in equity														
Contributions by owners and distribution to owners														
Transfer of profit or loss from previous period to retained earnings or losses								7,560	-7,560			0		0
Total contributions by owners and distributions to owners	0	0	0	0	0	0	0	7,560	-7,560	0	0	0	0	0
Change in equity interests in subsidiaries that do not result in a loss of control														
Change in equity interests												0	-445	-445
Total changes in equity interests in subsidiaries	0	0	0	0	0	0	0	0	0	0	0	0	-445	-445
Total transactions with owners	0	0	0	0	0	0	0	7,560	-7,560	0	0	0	-445	-445
Closing balance at 30 Jun 2017	101,922	174,502	12,896	7,919	3,170	22,030	-3,170	63,152	4,276	-14,855	-889	370,953	1,868	372,821

Unaudited Consolidated Financial Statements
January-June 2018

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 2018	101,922	174,502	12,896	7,966	3,170	9,099	-3,170	73,597	922	-13,723	-454	366,727	1,617	368,344
Total comprehensive income for the period														
Profit for the period									274			274	162	436
Total other comprehensive income										-2,433	-839	-3,272	0	-3,272
Total comprehensive income for the period	0	0	0	0	0	0	0	0	274	-2,433	-839	-2,998	162	-2,836
Transactions with owners (when acting as owners) recognised directly in equity														
Contributions by owners and distribution to owners														
Transfer of profit or loss from previous period to retained earnings or losses								922	-922			0		0
Total contributions by owners and distributions to owners	0	0	0	0	0	0	0	922	-922	0	0	0	0	0
Change in equity interests in subsidiaries that do not result in a loss of control														
Change in equity interests												0	-2	-2
Total changes in equity interests in subsidiaries	0	0	0	0	0	0	0	0	0	0	0	0	-2	-2
Total transactions with owners	0	0	0	0	0	0	0	922	-922	0	0	0	-2	-2
Closing balance at 30 Jun 2018	101,922	174,502	12,896	7,966	3,170	9,099	-3,170	74,519	274	-16,156	-1,293	363,729	1,777	365,506

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE GORENJE GROUP

Fair Value

Fair values and book values of assets and liabilities

EURk	Book value	Fair value	Book value	Fair value
	31 Dec 2017	31 Dec 2017	30 Jun 2018	30 Jun 2018
Available-for-sale investments	1,743	1,743	1,747	1,747
Investment property	9,849	9,849	11,178	11,178
Non-current loans and deposits	2,515	2,515	2,591	2,591
Non-current trade receivables	7,375	7,375	3,268	3,268
Current loans and deposits	6,119	6,119	5,005	5,005
Derivatives	-961	-961	-2,067	-2,067
Trade receivables	180,517	180,517	203,357	203,357
Other current assets	50,009	50,009	45,691	45,691
Cash and cash equivalents	25,037	25,037	30,045	30,045
Non-current financial liabilities	-204,913	-204,913	-205,306	-205,306
Non-current financial liabilities (fixed interest rate)	-88,107	-81,979	-83,816	-78,782
Non-current operating liabilities	-2,807	-2,807	-2,619	-2,619
Current financial liabilities	-89,625	-89,625	-152,295	-152,295
Trade payables	-229,402	-229,402	-218,528	-218,528
Other current payables	-45,816	-45,816	-52,986	-52,986
Total	-378,467	-372,339	-414,735	-409,701

Fair value scale

31 December 2017

EURk	Level 1 ⁹	Level 2 ¹⁰	Level 3 ¹¹	Total
Available-for-sale financial assets	371	83	1,289	1,743
Derivatives – assets	-	145	-	145
Derivatives – liabilities	-	-1,106	-	-1,106
Investment property	-	-	9,849	9,849

30 June 2018

EURk	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	362	79	1,306	1,747
Derivatives – assets	-	999	-	999
Derivatives – liabilities	-	-3,066	-	-3,066
Investment property	-	-	11,178	11,178

Gorenje Group companies recorded following related party transactions:

EURk	Transaction value		Balance at	
	Jan-Jun 2017	Jan-Jun 2018	30 Jun 2017	30 Jun 2018
Income				
Gorenje Group companies	268	58	524	522
Costs				
Gorenje Group companies	808	676	720	547

⁹ Level 1: stock price (unadjusted) on the active market of identical assets and liabilities,

¹⁰ 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,

¹¹ Level 3: data on the value of assets and liabilities not based on the active market.

Business and Geographical Segments of the Gorenje Group

EURk	Domestic Appliances		Other Business		Group	
	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun
	2017	2018	2017	2018	2017	2018
Revenue from sales to third parties	507,590	504,470	116,285	97,873	623,875	602,343
Inter-division sale	4,644	6,294	14,104	14,627	18,748	20,921
Interest income	229	303	105	34	334	337
Interest expenses	-6,337	-5,905	-151	-145	-6,488	-6,050
Amortisation and depreciation expense	-21,981	-25,324	-4,037	-4,117	-26,018	-29,441
Operating profit or loss before tax	468	-4,798	6,137	6,714	6,605	1,916
Income tax expense	-1,764	-1,034	-416	-446	-2,180	-1,480
Profit or loss for the period	-1,296	-5,832	5,721	6,268	4,425	436
Total assets *	999,362	1,066,722	143,754	142,692	1,143,116	1,209,414
Total liabilities *	712,022	782,705	62,750	61,203	774,772	843,908

*Notes:

- data for total assets and total liabilities for 2017 are presented as at 31 December 2017,

- profitability-related data for Other business are exclusive of accompanying costs of general administrative functions, which the parent company performs for the overall Group.

EURk	Western Europe		Eastern Europe		Other		Group	
	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun
	2017	2018	2017	2018	2017	2018	2017	2018
Revenue from sales to third parties	223,885	205,186	336,487	333,583	63,503	63,574	623,875	602,343

Financial indicators

Following methodology is applied when calculating these ratios and indicators:

- indicators referring to individual average categories of the balance sheet are calculated on the basis of the average balances of the reporting period and previous three quarters,
- indicators referring to the income statement are categories disclosed on the annual level and taken into account the operations in the reporting period and the previous three quarters.

	Jan-Jun 2017	Jan-Jun 2018
INDICATORS OF PROFITABILITY		
Net return on sales (ROS)	0.7%	0.1%
Return on assets (ROA)	3.3%	1.4%
Net return on equity (ROE)	2.9%	-0.7%
ASSET INDICATORS		
Asset turnover ratio	1.12	1.09
Inventory turnover ratio	5.26	5.12
Current trade receivables turnover ratio	6.69	6.39
INVESTMENT INDICATORS		
Fixed assets (PPE) to total assets	0.49	0.49
Current assets to total assets	0.52	0.53
INDICATORS OF FINANCIAL COMPOSITION		
Long-term coverage of non-current assets	1.19	1.14
Equity to total liabilities	0.31	0.30
Long-term to total liabilities	0.62	0.60
Equity to fixed assets (carrying value)	0.64	0.62
Quick ratio (liquid assets to current liabilities)	0.10	0.08
(Liquid assets + current receivables) to current liabilities	0.67	0.62
Current ratio	1.26	1.19
Net financial liabilities to equity	1.08	1.11
OPERATING PERFORMANCE INDICATORS		
Operating income to operating expenses	1.02	1.01
Revenue per employee (EUR)	56,608	54,753
Value added per employee (EUR)	14,658	14,913

**UNAUDITED CONDENSED FINANCIAL STATEMENTS OF
GORENJE, D. D.**

Condensed Balance Sheet of Gorenje, d. d.

EURk	Balance at 30 Jun 2017	Structure (%)	Balance at 31 Dec 2017	Structure (%)	Balance at 30 Jun 2018	Structure (%)
ASSETS	1,057,590	100.0%	1,015,425	100.0%	1,060,780	100.0%
Non-current assets	719,795	68.1%	730,862	72.0%	710,643	67.0%
Intangible assets	65,441	6.2%	73,710	7.2%	79,897	7.5%
Property, plant and equipment	205,852	19.5%	200,576	19.7%	193,473	18.2%
Investment property	8,676	0.8%	8,685	0.9%	10,219	1.0%
Investments in subsidiaries	295,786	28.0%	294,986	29.1%	294,986	27.8%
Investments in associates	2,064	0.2%	3,186	0.3%	3,186	0.3%
Other non-current investments	123,955	11.7%	123,882	12.2%	107,800	10.2%
Non-current operating receivables	0	0.0%	5,625	0.6%	1,539	0.2%
Deferred tax assets	18,021	1.7%	20,212	2.0%	19,543	1.8%
Current assets	337,795	31.9%	284,563	28.0%	350,137	33.0%
Inventories	101,015	9.5%	85,338	8.4%	103,669	9.8%
Current investments	28,573	2.7%	24,041	2.4%	32,216	3.0%
Trade receivables	180,256	17.0%	158,631	15.6%	190,331	17.9%
Other current assets	16,464	1.6%	13,069	1.3%	14,792	1.4%
Cash and cash equivalents	11,487	1.1%	3,484	0.3%	9,129	0.9%
EQUITY AND LIABILITIES	1,057,590	100.0%	1,015,425	100.0%	1,060,780	100.0%
Equity	364,312	34.4%	354,081	34.9%	350,506	33.0%
Share capital	101,922	9.6%	101,922	10.0%	101,922	9.6%
Share premium	156,639	14.8%	156,639	15.4%	156,639	14.8%
Revenue reserves	46,015	4.4%	33,131	3.3%	33,131	3.1%
Treasury shares	-3,170	-0.3%	-3,170	-0.3%	-3,170	-0.3%
Retained earnings	59,412	5.6%	67,785	6.7%	65,176	6.1%
Fair value reserve	3,494	0.3%	-2,226	-0.2%	-3,192	-0.3%
Non-current liabilities	291,712	27.6%	287,370	28.3%	288,372	27.2%
Provisions	18,729	1.8%	17,508	1.7%	17,731	1.7%
Non-current financial liabilities	272,983	25.8%	269,862	26.6%	270,641	25.5%
Current liabilities	401,566	38.0%	373,974	36.8%	421,902	39.8%
Current financial liabilities	213,911	20.2%	141,036	13.9%	183,561	17.3%
Trade payables	154,822	14.7%	212,614	20.9%	209,626	19.8%
Other current liabilities	32,833	3.1%	20,324	2.0%	28,715	2.7%

Condensed Income Statement of Gorenje, d. d.

EURk	Jan-Jun 2017	Structure (%)	Jan-Jun 2018	Structure (%)
Revenue	364,102	97.1%	420,517	97.5%
Change in inventories of products and work in progress	4,810	1.3%	7,149	1.7%
Other operating income	5,866	1.6%	3,637	0.8%
Gross profit	374,778	100.0%	431,303	100.0%
Costs of goods, materials and services	-298,718	-79.7%	-361,657	-83.9%
Costs of goods sold	-118,238	-31.6%	-168,560	-39.1%
Costs of materials	-140,675	-37.5%	-151,344	-35.1%
Costs of services	-39,805	-10.6%	-41,753	-9.7%
Other operating expenses	-3,749	-1.0%	-3,002	-0.7%
Added value / AV	72,311	19.3%	66,644	15.4%
Employee benefits expense	-51,828	-13.8%	-52,984	-12.3%
EBITDA	20,483	5.5%	13,660	3.1%
Amortisation and depreciation expense	-13,839	-3.7%	-16,717	-3.9%
EBIT	6,644	1.8%	-3,057	-0.8%
Result of financing activities	-3,548	-0.9%	1,488	0.4%
Result of revaluations	-318	-0.1%	394	0.1%
Result of other financing movements	-3,230	-0.8%	1,094	0.3%
Profit or loss before tax	3,096	0.9%	-1,569	-0.4%
Income tax expense	-598	-0.2%	-1,040	-0.2%
Profit or loss for the period	2,498	0.7%	-2,609	-0.6%
Basic and diluted earnings per share (in EUR)	0.10		-0.11	

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

EURk	Jan-Jun 2017	Jan-Jun 2018
Profit or loss for the period	2,498	-2,609
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss	260	-966
Net change in fair value of available-for-sale financial instruments	5	1
Change in effective portion of gains and losses from hedging instruments in cash flow hedges	-80	-1,536
Change in effective portion of gains and losses from hedging instruments on cash flow hedges, reclassified to profit or loss	396	342
Income tax on other comprehensive income	-61	227
Other comprehensive income for the period	260	-966
Total comprehensive income for the period	2,758	-3,575

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

EURk	Jan-Jun 2017	Jan-Jun 2018
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit or loss for the period	2,498	-2,609
Adjustments for:		
-Depreciation of property, plant and equipment	11,065	12,523
-Amortisation of intangible assets	2,774	4,194
-Net exchange differences	318	-394
-Dividends received	-1,893	-5,591
-Interest income	-2,328	-2,256
-Interest expenses	6,687	5,943
-Gains/losses on sale of property, plant and equipment	394	-84
-Income tax expense	598	1,039
Cash flow from operating activities before changes in net current operating assets	20,113	12,765
Change in trade and other receivables	-50,302	-32,667
Change in inventories	-12,451	-18,331
Change in provisions	-2,211	223
Change in trade and other payables	-7,729	4,719
Change in net current operating assets and provisions	-72,693	-46,056
Interest paid	-6,687	-5,943
Income tax paid	0	-143
Net cash from operating activities	-59,267	-39,377
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	456	46
Proceeds from sale of investment property	0	2,371
Interest received	2,328	2,256
Dividends received	1,893	5,591
Purchase of subsidiary	-40	0
Acquisition of property, plant and equipment	-11,897	-6,071
Other investments	-9,340	7,906
Acquisition of intangible assets	-8,832	-10,381
Net cash used in investing activities	-25,432	1,718
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowing / Repayment of borrowings	81,443	43,304
Net cash used in financing activities	81,443	43,304
Net change in cash and cash equivalents	-3,256	5,645
Cash and cash equivalents at beginning of period	14,743	3,484
Cash and cash equivalents at end of period	11,487	9,129

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

EURk	Share capital	Share premium	Revenue reserves				Treasury shares	Retained earnings		Fair value reserve	Total
			Legal reserves	Statutory reserves	Treasury share reserve	Other revenue reserves		Profit or loss from previous periods	Profit or loss for the period		
Opening balance at 1 Jan 2017	101,922	156,639	12,896	7,919	3,170	22,030	-3,170	56,914	0	3,234	361,554
Total comprehensive income for the period											
Profit for the period									2,498		2,498
Total other comprehensive income										260	260
Total comprehensive income for the period	0	0	0	0	0	0	0	0	2,498	260	2,758
Transactions with owners (when acting as owners) recognised directly in equity											0
Contributions by owners and distribution to owners											0
Total contributions by owners and distribution to owners	0	0	0	0	0	0	0	0	0	0	0
Total transactions with owners	0	0	0	0	0	0	0	0	0	0	0
Closing balance at 30 Jun 2017	101,922	156,639	12,896	7,919	3,170	22,030	-3,170	56,914	2,498	3,494	364,312

Unaudited Consolidated Financial Statements
January-June 2018

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 2018	101,922	156,639	12,896	7,966	3,170	9,099	-3,170	67,359	426	-2,226	354,081
Total comprehensive income for the period											
Profit for the period									-2,609		-2,609
Total other comprehensive income										-966	-966
Total comprehensive income for the period	0	0	0	0	0	0	0	0	-2,609	-966	-3,575
Transactions with owners (when acting as owners) recognised directly in equity											0
Contributions by owners and distribution to owners											0
Transfer of profit from previous year to retained earnings								426	-426		0
Total contributions by owners and distribution to owners	0	0	0	0	0	0	0	426	-426	0	0
Total transactions with owners	0	0	0	0	0	0	0	426	-426	0	0
Closing balance at 30 Jun 2018	101,922	156,639	12,896	7,966	3,170	9,099	-3,170	67,785	-2,609	-3,192	350,506

Profit from previous periods in the amount of EUR 67,785k is not available for distribution to owners. The company is namely obliged to observe the Slovenian legislation and thus provisions of Article 66 of the Companies Act, which defines the category of accumulated profit. Non-current deferred costs of development are in the accumulated profit for 2017 considered as a deductible item, which as at 31 December 2017 amounted to EUR 67,785k. The accumulated profit for 2017 amounts to 0.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS OF
GORENJE, D. D.**

Fair values and book values of assets and liabilities

EURk	Book value	Fair value	Book value	Fair value
	31 Dec 2017	31 Dec 2017	30 Jun 2018	30 Jun 2018
Available-for-sale investments	1,321	1,321	1,328	1,328
Investment property	8,685	8,685	10,219	10,219
Non-current loans	123,210	123,210	107,126	107,126
Current loans	16,431	16,431	22,813	22,813
Derivatives	-944	-944	-2,284	-2,284
Trade receivables	158,631	158,631	190,331	190,331
Other current assets	9,804	9,804	8,516	8,516
Cash and cash equivalents	3,484	3,484	9,129	9,129
Non-current financial liabilities	-181,839	-181,839	-186,908	-186,908
Non-current financial liabilities (fixed interest rate)	-88,023	-81,908	-83,733	-78,711
Current financial liabilities	-139,906	-139,906	-180,406	-180,406
Trade payables	-212,614	-212,614	-209,626	-209,626
Other current liabilities	-13,653	-13,653	-14,167	-14,167
Total	-315,413	-309,298	-327,662	-322,640

Fair value scale

31 December 2017

EURk	Level 1 ¹²	Level 2 ¹³	Level 3 ¹⁴	Total
Available-for-sale financial assets	144	-	1,177	1,321
Derivatives - assets	-	185	-	185
Derivatives - liabilities	-	-1,129	-	-1,129
Investment property	-	-	8,685	8,685

30 June 2018

EURk	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	145	-	1,183	1,328
Derivatives - assets	-	871	-	871
Derivatives - liabilities	-	-3,155	-	-3,155
Investment property	-	-	10,219	10,219

Related party transactions

EURk	Transaction value		Balance at	
	Jan-Jun 2017	Jan-Jun 2018	30 Jun 2017	30 Jun 2018
Revenue	249,118	321,731		
Trade receivables			124,082	134,419
Trade payables			42,016	73,743
Loans granted			142,349	125,841
Borrowings raised			79,236	57,095

¹² Level 1: stock price (unadjusted) on the active market of identical assets and liabilities.

¹³ 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.

¹⁴ Level 3: data on the value of assets and liabilities not based on the active market.

Unaudited Consolidated Financial Statements
January-June 2018

Company Gorenje, d.d., conducted transactions with related parties based on concluded sale/purchase contracts, where market prices were applied for products and services.

Transactions with persons related to the Supervisory Board included in the first half-year of 2018 following:

- entry of 4,603 commercial papers in the par value of EUR 4,603k,
- HR advisory services in the amount of EUR 103k, and
- payment of compulsory contribution for voluntary health insurance on employees' account and participation in contributions of voluntary health insurance premiums in the amount of EUR 65k.

Trade receivables due from Group companies

EURk	Balance at	Balance at
	30 Jun 2017	30 Jun 2018
Energygor, d.o.o., Slovenia	1	1
ZEOS, d.o.o., Slovenia	4	4
Kemis, d.o.o., Slovenia	2	2
Gorenje Surovina, d.o.o., Slovenia	721	910
Gorenje I.P.C., d.o.o., Slovenia	3,734	1,091
Gorenje GTI, d.o.o., Slovenia	585	1,001
Gorenje Gostinstvo, d.o.o., Slovenia	103	117
Gorenje Orodjarna, d.o.o., Slovenia	196	150
ERICo, d.o.o., Slovenia	1	0
Indop, d.o.o., Slovenia	48	124
Gorenje GAIO, d.o.o., Slovenia	51	60
Gorenje GSI, d.o.o., Slovenia	8,705	6,094
Gorenje Keramika, d.o.o., Slovenia	56	49
Gorenje HS, d.o.o., Slovenia	197	19
Gorenje EKOINVEST, d.o.o., Slovenia	0	1
GOR Kolesa, d.o.o., Slovenia	65	109
Gorenje Zagreb, d.o.o., Croatia	7,255	8,672
Gorenje, d.o.o., Serbia	16,128	14,458
Gorenje aparati za domačinstvo, d.o.o., Serbia	10,819	14,230
Gorenje Tiki, d.o.o., Serbia	742	1,702
Gorenje Home, d.o.o., Serbia	5,317	6,024
Gorenje Commerce, d.o.o., Bosnia and Herzegovina	2,178	2,040
Gorenje Skopje, d.o.o., Macedonia	1,372	1,384
Gorenje Podgorica, d.o.o., Montenegro	1,224	1,897
Gorenje Vertriebs GmbH, Germany	10,461	12,936
Gorenje Austria Handels GmbH, Austria	95	510
Gorenje Beteiligungs GmbH, Austria	2,561	467
Asko Appliances AB, Sweden	47	32
Gorenje Group Nordic A/S, Denmark	7,270	6,472
ATAG Nederland BV, The Netherlands	1,863	1,811
Gorenje Nederland BV, The Netherlands	1	9
Gorenje UK Ltd., Great Britain	1,882	1,546
Gorenje France S.A.S., France	565	620
Gorenje Körting Italia S.r.l., Italy	2,907	2,584
OOO Gorenje BT, Russia	2,300	3,608
Gorenje TOV, Ukraine	1	127
Gorenje Kazakhstan, TOO, Kazakhstan	2	27
Gorenje Slovakia s.r.o., Slovakia	142	201
Gorenje spol. s.r.o., Czech Republic	4,096	3,711
Gorenje real spol s.r.o., Czech Republic	1	0
Mora Moravia, s.r.o., Czech Republic	305	1,787
Gorenje Magyarország Kft., Hungary	2,184	2,563

Unaudited Consolidated Financial Statements
January-June 2018

Gorenje Polska Sp. z o.o., Poland	4,513	7,651
Gorenje Bulgaria EOOD, Bulgaria	2,405	2,925
Gorenje Romania S.r.l., Romania	4,517	249
»Gorenje Albania« SHPK, Albania	455	375
Gorenje Gulf FZE, United Arab Emirates	4,434	4,010
Gorenje North America, Inc., USA	94	1
Asko Appliances Pty, Australia	9,471	16,311
Gorenje do Brasil Ltda., Brazil	351	306
Asko Appliances OOO, Russia	915	1,223
Gorenje MDM, d.o.o., Serbia	1	4
Gorenje GTI, d.o.o., Serbia	1	1
Gorenje ATAG Belgie NV, Belgium	1	1
Gorenje Asia Ltd., China	6	1
KEMIS Termoclean d.o.o., Croatia	2	1
Gorenje Corporate GmbH, Austria	0	1
Gorenje Chile SpA, Chile	738	1,869
ST Bana Nekretnine, d.o.o., Serbia	1	1
Gorenje AEC, LLC, Thailand	4	335
Revaluation	-14	4
Total	124,082	134,419

Trade payables due from Group companies

EURk	Balance at	Balance at
	30 Jun 2017	30 Jun 2018
ZEOS, d.o.o., Slovenia	47	78
Kemis, d.o.o., Slovenia	10	14
Gorenje Surovina, d.o.o., Slovenia	39	49
Gorenje I.P.C., d.o.o., Slovenia	4,658	6,145
Gorenje GTI, d.o.o., Slovenia	160	239
Gorenje Gostinstvo, d.o.o., Slovenia	291	160
Gorenje Orodjarna, d.o.o., Slovenia	551	326
ERICo, d.o.o., Slovenia	2	0
Indop, d.o.o., Slovenia	0	2
Gorenje GAIO, d.o.o., Slovenia	531	77
Gorenje GSI, d.o.o., Slovenia	3	3
Gorenje Keramika, d.o.o., Slovenia	10	4
Gorenje HS, d.o.o., Slovenia	2	-63
Gorenje Zagreb, d.o.o., Croatia	32	0
Gorenje, d.o.o., Serbia	60	111
Gorenje aparati za domaćinstvo, d.o.o., Serbia	20,582	32,134
Gorenje Tiki, d.o.o., Serbia	2,570	1,468
Gorenje Home, d.o.o., Serbia	334	183
Gorenje Vertriebs GmbH, Germany	140	78
Gorenje Beteiligungs GmbH, Austria	3,349	2,545
Asko Appliances AB, Sweden	1,275	1,621
Gorenje Group Nordic A/S, Denmark	60	45
ATAG Nederland BV, the Netherlands	0	1,315
Gorenje Nederland BV, the Netherlands	737	0
Gorenje UK Ltd., Great Britain	7	4
Gorenje France S.A.S., France	1	2
Gorenje Körting Italia S.r.l., Italy	311	10
OOO Gorenje BT, Russia	50	11
Gorenje TOV, Ukraine	0	24
Gorenje Kazakhstan, TOO, Kazakhstan	33	66
Gorenje Slovakia s.r.o., Slovakia	1	1
Gorenje spol. s.r.o., Czech Republic	162	104
Mora Moravia, s.r.o., Czech Republic	5,640	25,924

Unaudited Consolidated Financial Statements
January-June 2018

Gorenje Magyarország Kft., Hungary	1	1
Gorenje Polska Sp. z o.o., Poland	0	1
Gorenje Bulgaria EOOD, Bulgaria	9	15
Gorenje Romania S.r.l., Romania	16	0
»Gorenje Albania« SHPK, Albania	1	1
Gorenje Gulf FZE, United Arab Emirates	123	1
Gorenje North America, Inc., USA	2	4
Asko Appliances Pty, Australia	39	0
Gorenje MDM, d.o.o., Serbia	1	0
Gorenje ATAG Belgie NV, Belgium	0	37
Gorenje Asia Ltd., China	176	999
Gorenje AEC, LLC, Thailand	0	3
Gorenje Istanbul, Ltd., Turkey	0	1
Total	42,016	73,743

Loans to Group companies

EURk	Balance at	Balance at
	30 Jun 2017	30 Jun 2018
Gorenje Orodjarna, d.o.o., Slovenia	2,042	1,278
Indop, d.o.o., Slovenia	1,630	1,532
Gorenje GAIO, d.o.o., Slovenia	1,697	1,878
Gorenje Keramika, d.o.o., Slovenia	4,114	4,706
GOR Kolesa, d.o.o., Slovenia	0	1,277
Gorenje Beteiligungs GmbH, Austria	46,724	41,740
ATAG Nederland BV, the Netherlands	0	5,000
Gorenje Nederland BV, the Netherlands	84,261	66,405
Gorenje-kuchyně spol. s.r.o., Czech Republic	1,881	1,780
Gorenje AEC, LLC, Thailand	0	245
Total	142,349	125,841

Borrowings from Group companies

EURk	Balance at	Balance at
	30 Jun 2017	30 Jun 2018
Energygor, d.o.o., Slovenia	178	76
ZEOS, d.o.o., Slovenia	4,222	4,240
Kemis, d.o.o., Slovenia	3,070	3,280
Gorenje Surovina, d.o.o., Slovenia	0	143
Gorenje I.P.C., d.o.o., Slovenia	6,570	4,872
Gorenje GTI, d.o.o., Slovenia	2,127	1,207
Gorenje Gostinstvo, d.o.o., Slovenia	3,179	2,809
Gorenje Orodjarna, d.o.o., Slovenia	0	565
Gorenje GSI, d.o.o., Slovenia	7,737	4,596
Gorenje EKOINVEST, d.o.o., Slovenia	4,094	3,130
Gorenje Vertriebs GmbH, Germany	0	9,000
Gorenje Austria Handels GmbH, Austria	789	2,000
Asko Appliances AB, Sweden	1,234	1,234
ATAG Nederland BV, the Netherlands	20,697	0
Gorenje France S.A.S., France	1,100	1,100
Gorenje Commerce, d.o.o., Bosnia and Herzegovina	1,800	800
OOO Gorenje BT, Russia	10,000	8,400
Gorenje Slovakia s.r.o., Slovakia	3,781	2,196
Gorenje spol. s.r.o., Czech Republic	0	5,000
Mora Moravia, s.r.o., Czech Republic	5,917	0
Gorenje Magyarország Kft., Hungary	1,962	1,482
Gorenje North America, Inc., USA	779	965
Total	79,236	57,095

Financial indicators

Following methodology is applied when calculating these ratios and indicators:

- indicators referring to individual average categories of the balance sheet are calculated on the basis of the average balances of the previous 12 months,
- indicators referring to the income statement are categories disclosed on the annual level and taken into account the operations in the reporting period and the previous three quarters.

	Jan-Jun 2017	Jan-Jun 2018
INDICATORS OF PROFITABILITY		
Net return on sales (ROS)	0.69%	-0.62%
Return on assets (ROA)	0.81%	-1.16%
Net return on equity (ROE)	1.46%	-1.31%
ASSET INDICATORS		
Asset turnover ratio	0.73	0.81
Inventory turnover ratio	7.48	8.57
Current trade receivables turnover ratio	4.75	4.47
INVESTMENT INDICATORS		
Fixed assets (PPE) to total assets	0.26	0.27
Current assets to total assets	0.68	0.67
INDICATORS OF FINANCIAL COMPOSITION		
Long-term coverage of non-current assets	0.91	0.90
Equity to total liabilities	0.34	0.33
Long-term to total liabilities	0.62	0.60
Equity to fixed assets (carrying value)	1.30	1.28
Quick ratio (liquid assets to current liabilities)	0.10	0.10
(Liquid assets + current receivables) to current liabilities	0.59	0.58
Current ratio	0.84	0.83
Net financial liabilities to equity	1.23	1.18
OPERATING PERFORMANCE INDICATORS		
Operating income to operating expenses	1.02	0.99
Revenue per employee (EUR)	82,845	96,052
Value added per employee (EUR)	16,453	15,222

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

As at 2 July 2018, Gorenje received from the Securities Market Agency (ATVP) the decision on the successful takeover bid for GRVG shares announced by the company Hisense Luxembourg Home Appliance Holding on 29 May 2018 that lasted until 26 June 2018. On 28 May 2018, the Securities Market Agency (ATVP) issued to the company Hisense Luxembourg Home Appliance Holding the permit for a takeover bid for 24,424,613 GRVG shares, less the 8,050,014 shares that the acquiring party already held i.e. accordingly a total of 16,374,599 shares of the target company Gorenje. Hisense Luxembourg Home Appliance Holding informed the Agency that 5,165 shareholders accepted the takeover bid in the period between 29 May 2018 and 26 June 2018, who owned a total of 15,254,871 GRVG shares, which represents 62.46% of all Gorenje shares. Thus, the Securities Market Agency established that the takeover bid succeeded.

As at 4 July 2018, Gorenje, d. d. received from the company Universal Investment Capital, S.L. the information that Universal Investment Capital accepted the takeover bid by the company Hisense Luxembourg Holding S.a r.l. and on this basis disposed of all its shares of Gorenje, d. d.

Gorenje, d. d. received notifications from persons engaged in managerial responsibilities and persons closely related to them, regarding following transactions: Franc Bobinac, President of the Management Board of Gorenje, d. d. divested 4,096 shares on 3 July 2018 on his behalf and outside the trading venue on the basis of the accepted takeover bid by the company Hisense. In addition and on the same date, GRVG shares were on the basis of the accepted Hisense's takeover bid divested on their behalf and outside the trading venue by following Management Board members: Branko Apat (626 shares), Drago Bahun (9,082 shares), Žiga Debeljak (9,044 shares); and following Supervisory Board members: Jurij Slemenik (1,800 shares), Peter Kobal (1,355 shares), and Karlo Kardov (33,566 shares). In addition to the Management and Supervisory Board members, also individuals from the Group's wider management accepted the take-over bid: Tomaž Korošec, Executive Vice President in charge of Corporate Procurement at Gorenje, d. d. (696 shares), Tomaž Kuntarič, Executive Vice President in charge of Corporate Support Functions (460 shares), Mirko Meža, Executive Vice President in charge of Washing Machine and Dryer Programme (1,333 shares), Štefan Kuhar, Executive Director of Finance and Taxes for the Gorenje Group (2,000 shares), Matjaž Geratič, Executive Director of OEM Deals and Special Projects (1,932), and the company Universal Investment Capital (1,856,148 shares). The notification pertains to a person closely associated with a person discharging managerial responsibilities. Universal Investment Capital is an entity closely associated with Corinna Claudia Graf who is the director of Universal Investment Capital, as well as a Supervisory Board member. Milena Pirnat Bahun also divested 1,846 GRVG shares, the notification refers to a person closely associated with a person engaged in managerial responsibilities i.e. Drago Bahun, Management Board member.

As at 9 July 2018, Gorenje, d. d. received from the company Conseq Investment Management the notification that the investment funds, which are under its management, accepted the takeover bid by the company Hisense Luxembourg Holding, and has on such basis divested all their shares of Gorenje, d. d.

The European Commission has announced, that it has on August 6, 2018, issued a decision regarding the proposed concentration between Hisense Group and Gorenje Group based on Article 6(1)(b) of The European Council Merger Regulation. From the decision it follows, that the European Commission established, that the proposed concentration is in line with the joint market and will not be objected.

The Management Board of Gorenje, d. d., convenes the 27th General Assembly of Gorenje, d. d., which will be held on 17 September 2018, at 11:00 at the Hotel Paka Conference Hall in Velenje, Slovenia, with the

following agenda: Reduction of the Share Capital by Withdrawing of Treasury Shares; Transfer of GRVG Shares of remaining shareholders to the main shareholder; Delisting of GRVG shares; Termination of Office of the Present Supervisory Board Members and appointment of new supervisory board members and Appointment of auditor for the financial year 2018; revocation of appointment of the auditor on 12 June 2018.

The Supervisory Board of Gorenje has on 16 August 2018, following a proposal by the President of the Management Board of Gorenje Franjo Bobinac, expanded the management board to 12 members. Franjo Bobinac is the President of the Management Board, while Dr. Lan Lin serves as the Vice President of the Management Board. Žiga Debeljak is responsible for strategic finance, controlling, accounting, digital business coordination, IT and non-core businesses. Changchun Sun covers operational finance, risk management and internal audit. Saša Markovič, that assumes his term 1 September 2018, will be responsible for sales and marketing in Eastern Europe and CIS countries, while Management Board Member Lu Hou is responsible for sales and marketing in Western Europe. Chao Liu is responsible for strategic purchasing, logistics, supply chain and product planning. Tomaž Korošec is responsible for production, R&D and investments and maintenance. Anguo Yan is responsible for production systems and improvements, technical support functions and quality. Stanka Pejanović, member of the Management Board covers HR, organization, after sales and corporate support, and Jianmin Han is co-responsible for HR. Drago Bahun, that was named Labor Director by the Labor Council, is responsible for social dialogue.

Gorenje, d. d., has on 16 August 2018 received resignation letters from Supervisory Board members Bernard C. Pasquier, Bachtiar Djailil, Corinna Claudia Graf and Miha Košak. Their resignations are effective from the date of the next Shareholders Assembly Meeting of the company (17 September 2018).

No other significant events occurred after the date of compiling the balance sheet (30 June 2018).

INFORMATION REGARDING THE REPORT AND ITS PUBLIC ANNOUNCEMENT

Pursuant to provisions of the Code of Warsaw Stock Exchange, Rules and Regulations of the Ljubljana Stock Exchange and the applicable legislation, the company Gorenje, d. d., Partizanska 12, SI-3320 Velenje, hereby announces the **unaudited non-consolidated financial statements of Gorenje, d. d., and unaudited consolidated financial statements of the Gorenje Group for the period January–June 2018**. The unaudited financial statements of Gorenje, d. d., and the Gorenje Group were presented to the Supervisory Board at its 2nd **regular session** held on **23 August 2018**. The financial statements are available for review at the headquarters of Gorenje, d. d., at Partizanska 12, SI-3320 Velenje, whereas announcements are available in the Ljubljana Stock Exchange electronic info system, the SEOnet (www.ljse.si), the Warsaw Stock Exchange via the ESPI system (www.gpw.pl), and the company's web site at www.gorenjegroup.com, on **24 August 2018**.

Forward-looking Statements

This announcement includes forward-looking information and forecasts – i.e. statements regarding the future, rather than the past, and regarding events within the framework and in relation to the currently effective legislation on publicly traded companies and securities and pursuant to the Rules and Regulations of the Ljubljana and Warsaw Stock Exchange. These statements can be identified by the words such as "expected", "anticipated", "forecast", "intended", "planned or budgeted", "probable or likely", "strive/invest effort to", "estimated", "will", "projected", or similar expressions. These statements include, among others, financial goals and targets of the parent company Gorenje, d. d., and the Gorenje Group for the upcoming periods, planned or budgeted operations, and financial plans. These statements are based on current expectations and forecasts and are subject to risk and uncertainty, which may affect the actual results, which may in turn differ from the information stated herein for various reasons. Various factors, many of which are beyond reasonable control by Gorenje, affect the operations, performance, business strategy, and results of Gorenje. Thus actual results, performance, or achievements of Gorenje may differ materially from the expected results, performance, or achievements as stated in these forward-looking statements. These factors include but are not necessarily limited to following: consumer demand and market conditions in geographical segments or regions and in industries in which the Gorenje Group is conducting its operating activities; effects of exchange rate fluctuations; competitive downward pressure on downstream prices; major loss of business with a major account/customer; the possibility of late payment on the part of customers; decrease in prices as a result of persistently harsh market conditions, in an extent much higher than currently expected by Gorenje's Management Board; success of development of new products and their implementation in the market; development of manufacturer's liability for the product; progress of attainment of operative and strategic goals regarding efficiency; successful identification of opportunities for growth and mergers and acquisitions, and integration of such opportunities into the existing operations; further volatility and aggravation of circumstances in capital markets; progress in attainment of goals regarding structural reorganisation and reorganisation in purchasing. If one or more risks or uncertainties are in fact materialised or if the said assumptions are proven wrong, actual results may deviate materially from those stated as expected, hoped for, forecast, projected, planned, probable, estimated, or anticipated in this announcement. Gorenje allows any update or revision of these forecasts in light of development differing from the expected events.