

2019 Q2

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**Unaudited  
Consolidated  
Financial Statements**

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January-June 2019

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

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Management Board of Gorenje, d. o. o.  
Velenje, July 2019

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## GORENJE GROUP'S PERFORMANCE HIGHLIGHTS

The economics of Gorenje Group's business operations in 2019 are still under significant impact of its merger with the Hisense Group. The parent company sold certain companies from non-core business segment, thus the results of **companies from the discontinued operations** (i.e. five companies from the field of Ecology, where Gorenje Surovina, d. o. o., is the umbrella company) and the **sale of coal** are not presented within the comparable results in the management report hereunder. In addition, the comparable results are also exclusive of the impacts of the changed accounting methods and estimates due to harmonisation with the Hisense Group's policies (hereinafter: methodological changes). Accordingly, the management report hereunder discusses comparable categories without these effects, while the accounting report presents the actual results that are not directly comparable in terms of period due to the stated changes in the Group's composition.

### The basic business circumstances in the first half-year of 2019:

- pressure on **prices**, strong **competition** and **concentration** of customers on the key markets,
- poor **sales trends** on the markets of Russia, Germany and the Netherlands,
- reduced **production volume** due to activities of lowering inventories and stricter policy regarding the credit risk management, and consequently lower production productivity,
- pressure on **employee benefits expense**,
- gradual implementation of **savings** in the field of purchase and other segments due to the merger with the Hisense Group,
- additional operating costs as a result of implementing the **activities of integration** and optimisation of business processes and the Group's reorganisation.

### Key business achievements in the first half-year of 2019:

- 1.6% **growth in revenue** recorded at the Group level and 1.5% growth recorded by the Domestic Appliances activity,
- decline in the **net working capital** by mid-year of 2019 during half-year by more than EUR 70 million relative to the previous year's same period,
- improved **net cash flows** from operating and investing activities by EUR 41.8 million over the first half-year of 2018,
- gradual improvement of the **economics of business operations** in the second quarter by generating a profit in June.

### Detailed information:

- We have generated **EUR 567.5 million of revenue**, showing an increase of **1.6%** over the first six months in 2018.
- Revenue generated by the **Domestic Appliances activity** amounted to **EUR 523.4 million**, which is **1.5%** more than in the previous year's same period.
- Growth in revenue was recorded primarily on the **markets of Eastern** and to a lesser extent also Western Europe. The largest decline in sales was recorded on the overseas markets and within the OEM business, which is still quite much related to the change of the Group's ownership. Diverse adjustments of the price repositioning are carried out within the integration into the Hisense Group, in addition to limiting the sale of products with inadequate yields, expanding the range of products manufactured in other Hisense Group companies, pursuing the business integration policy on markets, where both - Gorenje and Hisense - have sales companies, implementing commercial investments for maintaining the position and presence in distribution channels, as well as other integration-related activities. All the aforesaid has an impact on the sales economics.
- **Investments** significantly declined in 2019 (EUR 6.8 million less than in the first half-year of 2018), as we have completed the cycle of major investments mostly in the field of product renewal, whereas we launched also next generations of all product group appliances. We continued also with development-related activities in the field of digitalisation, we develop

interoperable smart appliances under our own brands and test and improve systems for their management.

- The **methodological changes** had a negative impact on the Group's operating result in the amount of EUR 7.4 million in the first half-year of 2019. Within the aforesaid, the net impact of the changes disclosing of leases (IFRS 16) is recorded at barely EUR -0.3 million but differently impacts the amount of EBIT, EBITDA and the operating result (details are provided in the accounting report). Profit of companies from the discontinued operations amounted in the first six months of 2019 to EUR 0.8 million, while in the last year's same period it amounted to EUR 2.3 million and included the sale of coal. Sales of coal were no longer carried out this year.
- **EBITDA amounted at EUR 15.1 million** and shows a decline of EUR 24 million relative to the last year's first six months. The comparable EBITDA, however, amounted to **EUR 12.4 million** and decreased by EUR 22.8 million if compared to the first half-year of 2018.
- **EBIT amounted to EUR -21.6 million** and worsened by EUR 31.4 million relative to the balance recorded in the first six months of 2018; the comparable EBIT was recorded at **EUR -16.1 million** and shows a decline of EUR 23 million relative to the last year's first half-year.
- The actually **loss** for the first half-year of 2019 amounted to **EUR 29.5 million** and worsened by EUR 29.9 million relative to the same period in 2018; the comparable loss amounted to **EUR 22.8 million** and worsened by EUR 20.9 million over the first six months in 2018.
- **Net financial liabilities** (measured as the difference between total financial liabilities and cash and cash equivalents) amounted at the end of June 2019 to **EUR 450.2 million** and were higher by EUR 35.8 million relative to the end of June in 2018. Upon eliminating the impact of the changed disclosing and valuation of leases (hereinafter: IFRS 16) in the amount of EUR 53.4 million, the comparable net financial liabilities amounted at the end of June 2019 to **EUR 396.8 million** or EUR 17.6 million less relative to the last year's same period, when the impact of the IFRS 16 was not yet recorded.
- Lower net financial liabilities are mostly the result of **reduced investments made in the net working capital** that at the end of June 2019 **declined by EUR 74.8 million** over the last year's same period, and the sale of certain investments in companies from non-core activities. The lower level of net working capital is primarily attributable to lower level of inventories and trade receivables, which has much of our attention during the integration process. Nonetheless, the stated activities for reducing the level of inventories and trade receivables, which are in the long term extremely important for improving the business performance, yet in the short term had a negative impact on the production's volume and also the economics of business operations.
- **Business operations started to improve** in the second quarter, which is mostly the result of the start of creating synergies within the Hisense Group (synergy effects are shown in the purchase segment as we have started to sell products manufactured in the Hisense facilities), the adjusted marketing and sales policy, and other activities. We feel also the impact of the strong competition, mostly on the markets of Western Europe, and also the pressure on the employee benefits expense. The economics of business operations in the first half-year of 2019 was due to lower sales also strongly negatively affected by the unchanged volume of fixed costs that in the short term could not be adapted to the lower dynamics in sales and production than planned. The traditionally higher sales in the second half-year will have a positive impact on the economics of business operations.
- Relative to the same period in 2018, the sales started to increase in the **second quarter**, which is attributable to a range of measures adopted in all fields of business. Thus, the comparable revenue is in the second quarter higher by 6.6% relative to the last year's same period; in contrast to the first quarter of 2019, when it was lower by 3.7% from the same period in 2018. The upward trend in the economics of operations is reflected also in the fact that the Group recorded profit in June 2019 after months of negative business operations.

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## STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The Management Board is responsible for the preparation of the half-yearly report of Gorenje, d. o. o., 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. o. o., and its subsidiaries in the first half-year of 2019.

The Management Board confirms that the financial statements of Gorenje, d. o. o., 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 2019.

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. o. o., 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. Company's Management Board also confirms that the management report includes a fair presentation of information on significant transactions with related parties, and is compiled in line with the applicable legislation and the International Financial Reporting Standards.

The Management Board of Gorenje, d. o. o., is familiar with the contents of integral parts of the annual report of Gorenje, d. o. o., and the Gorenje Group for 2019, and thus also with the entire half-yearly report. We agree with the report hereof, and confirm this with our signatures.

Lan Lin, Managing Director



Chao Liu, Managing Director

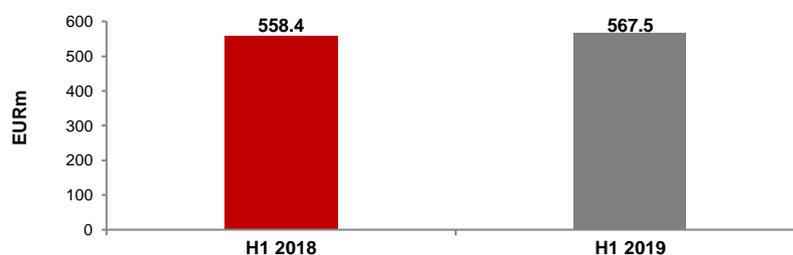


## MANAGEMENT REPORT

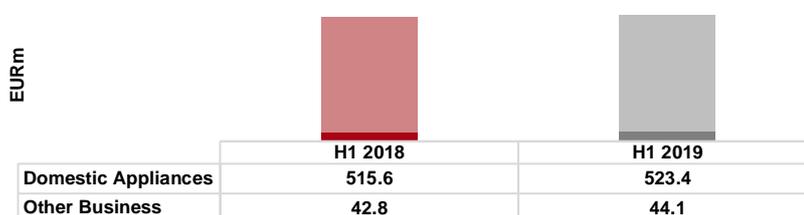
### SALES AND MARKETS

The Group generated **EUR 567.5m of revenue**, indicating an increase of 1.6% over the first half-year of 2018.

*Revenue of the Gorenje Group*



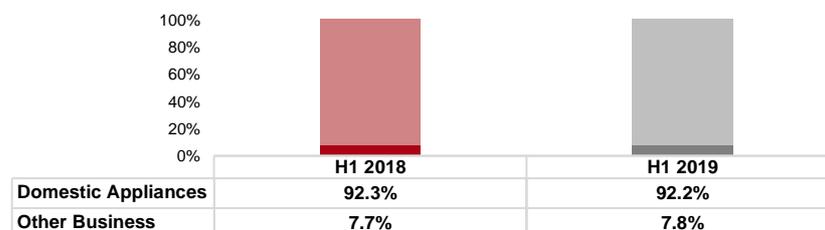
*Revenue of the Gorenje Group by activity*



**Within the Domestic Appliances activity** we have generated EUR 523.4m of revenue, which indicates a 1.5 percent growth over the first six months of 2018.

**Within the Other Business activity**, EUR 44.1m of revenue was generated, which is 3.1% more relative to the same period in 2018.

*Group's revenue structure by activities*



The Domestic Appliances activity generated 92.2% of the Group's total revenue, which equals the level achieved in the first six months of 2018.

In 2019, the Gorenje **Group achieved a 1.6 percent growth in revenue** relative to the balance recorded in the same period in 2018, which is attributable to the growth on markets of Eastern Europe.

Revenue by geographical segments

EURm	H1 2018	%	H1 2019	%	Change (%)
Western Europe	205.2	36.7	202.8	35.7	-1.1
Eastern Europe	289.6	51.9	305.2	53.8	+5.4
Other	63.6	11.4	59.5	10.5	-6.4
<b>Total Group</b>	<b>558.4</b>	<b>100.0</b>	<b>567.5</b>	<b>100.0</b>	<b>+1.6</b>
Western Europe	198.9	38.6	201.7	38.5	+1.4
Eastern Europe	253.7	49.2	262.4	50.1	+3.4
Other	63.0	12.2	59.3	11.4	-5.8
<b>Total Domestic Appliances</b>	<b>515.6</b>	<b>100.0</b>	<b>523.4</b>	<b>100.0</b>	<b>+1.5</b>

- **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.
- **Sales in Eastern Europe recorded a 0.9 p.p. growth** within the sales revenue structure of the Domestic Appliances activity, **while sales recorded the highest decline on the markets of other countries (by 0.8 p.p.).**
  - As for the first six months of 2019, the Domestic Appliances activity recorded a significant sales growth mostly on the markets of **Eastern Europe**, such as in **Romania, Hungary** and the **Czech Republic**. A strong sales decline was recorded in **Russia**.
  - As for the markets of **Western Europe**, a minor growth was achieved in Scandinavia, France and Spain, whereby a decline was recorded mostly in **Austria** and **France**, and a decline in sales was recorded also in the countries of **Benelux** and **Germany**.
  - Revenue from sale of household appliances under **own brands** have increased by 0.5%.
  - Sales of Asko brand appliances accounted within the sales revenue structure by the Domestic Appliances activity a 12.1 percent share (-0.7 p.p. relative to 2018). **Lower sales under the Asko brand** is attributable mostly to the lower sales on the overseas markets. Sales of the Asko brand appliances increase, however, on the markets of Europe and Russia.

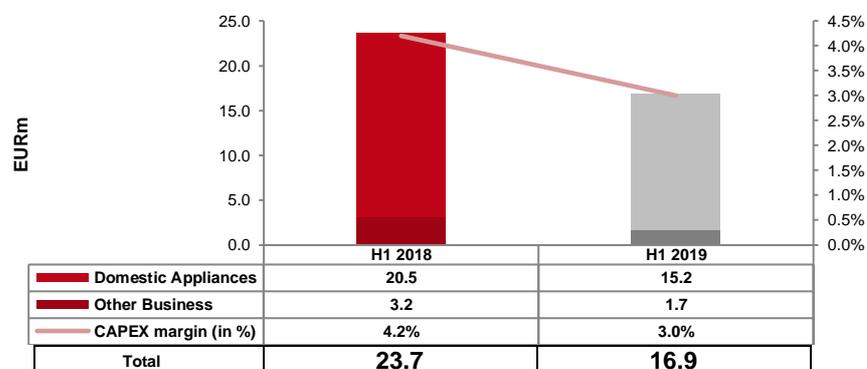
## DEVELOPMENT AND NEW PRODUCTS

- Investments materially declined in 2019 as we completed in the past years the cycle of major investments, particularly in the field of product renewal.
- **Key development novelties of 2019** comprise the new generation of premium driers and washing machines, the new generation of premium washing machines, the new generation of gas cookers, the new generation of built-in refrigerators, the new generation of free-standing freezers, and the new versions of dishwashers for industrial customers. We are intensively testing and improving the systems for connectible appliances developed in-house.
- Investments amounted to **EUR 16.9m** in the first six months of 2019 and show a decline of **EUR 6.8m** over the last year's equivalent period. Total investments in property, plant and equipment amounted to **EUR 9.4m**, whereof the largest share (**EUR 7.2m**) refers to investments in technological equipment, mostly relating to the development of new products. The largest share of investments in the amount of **EUR 15.2m** was made within the

Domestic Appliances activity. As for the structure of total investments, **EUR 7.5m** relates to non-material investments, where most of them were earmarked for the development of new products (capitalised costs for development).

- Investments made within the **Other Business** amounted to **EUR 1.7m**, whereof mostly refers to the restoration of **Kemis Vrhnika** company, which was hit by a fire in May 2017, and to investment in the companies **Gorenje TIKI, in the field of Ecology** and **Gorenje Keramika**.

Investments by activity



## ANALYSIS OF GORENJE GROUP'S BUSINESS PERFORMANCE

EURm	H1 2018*	H1 2019*	Index
Revenue	558.4	567.5	101.6
Gross profit	614.3	586.4	95.5
Value added	154.8	134.8	87.1
VA margin (%)	25.2%	23.0%	/
Employee benefits expense	119.5	122.4	102.4
EBITDA	35.2	12.4	35.2
EBITDA margin (%)	5.7%	2.1%	/
EBIT	6.9	-16.1	/
EBIT margin (%)	1.1%	-2.7%	/
Profit or loss before tax	-0.8	-21.1	/
Profit or loss of discontinued operation and coal-related business and effects of the methodological changes	2.3	-6.6	/
Profit or loss for the period	0.4	-29.5	/
Profit or loss for the period exclusive of effects of the discontinued operations, coal-related business and effects of the methodological changes	-1.9	-22.8	/
ROS (%)**	-0.3%	-4.0%	/

\* Comparable data: effects of business operations of discontinued operations, coal-related business and effects of methodological changes were eliminated. The group of discontinued operations includes following companies from the field of Ecology: Gorenje Surovina, d. o. o., Slovenia, Gorenje Surovina RECE, d. o. o., Slovenia, Kemis BH, d. o. o., Bosnia and Herzegovina, Kemis Valjevo, d. o. o., Serbia and Gorenje Surovina RECE, d. o. o., Croatia.

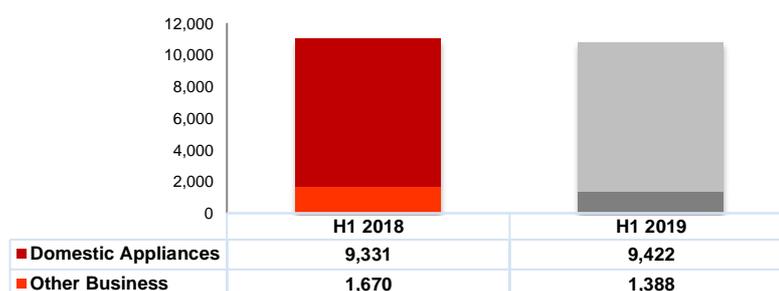
\*\* ROS (profit for the period/revenue)

The recorded negative operating result and the generated **value added in the amount of EUR 134.8m (12.9 percent decline** relative to the same period in 2018) was impacted mostly by following:

- significant lagging of operating results behind the planned dynamics and the return on operations. The economics of business operations was strongly negatively affected by the unchanged volume of fixed costs that in the short term could not be adapted to the lower dynamics of the volume of operations than planned.
- **Employee benefits expense** were recorded at **EUR 122.4m** and show an increase by **EUR 2.9m** relative to the first six months in 2018. The increase of EUR 5.6m is the result of methodological changes due to proportionate interim accounting of labour costs and the changed accounting estimate of capitalising development costs, which had a partial impact on higher employee benefits expense. In comparable terms, the employee benefits expense grew by 2.4% if compared to the first half-year of 2018. Higher employee benefits expense is the result of the interim adjustment of wages and salaries pursuant to the collective agreement and as required under the adopted amendments to the wage systems applicable for companies in Slovenia since 1 June 2018 and 1 September 2018 and agreed with social partners, as well as for other production locations of the Gorenje Group.
- Relative to the first six months in 2018, the **purchase prices of comparable materials decreased by 2.25%** in the first half-year of 2019 due to intensified optimisation of the purchase activity supported by the new owner; this result is, however, still below the projected as the utilisation of new purchase synergies within the integration into the Hisense Group is feasible only gradually.
- The favourable **geographical sales structure** in the Domestic Appliances activity, where the largest growth was achieved on the markets of Eastern Europe (3.4 percent growth) and where highest coverages are recorded.
- The decline in the sale of Asko products by -0.7 p.p. relative to the same period in 2018, particularly as a result of lower sales in the United States of America and the Asian markets.
- Costs of services amounted to EUR 96.7m and show a decrease over the last year's same period by 1.6%.

In the January-June 2019 period, the **Gorenje Group's average number of employees was 10.810** or an average of 191 less than in the same period last year. The average number of staff in the Domestic Appliances activity grew by 91, while in the Other Business activity it decreased by 282. The latter is primarily attributable to the sale of companies from the field of Ecology.

*Average number of employees by activity*



**Total:                    11.001                    10.810**

The Group recorded **earnings before interest, taxes, depreciation and amortisation (EBITDA)** in the amount of **EUR 12.4m** or EUR 22.8m or 64.8% less than the comparable EBITDA in the first six months of 2018. Due to the methodological changes, the EBITDA was by EUR 1m higher in the first six months of 2019 than it would have been without the stated changes.

**Earnings before interest and tax (EBIT):** the EBIT was generated in the amount of **EUR -16.1m**. With respect to the same period in 2018, the achieved EBIT was lower by **EUR 23m**. The decline in the EBIT was mostly impacted by the loss and the **growth in depreciation and amortisation expense** in the amount of **EUR 7.7m** as the result of accelerated cycle of investments into the new generations of products made in the past years and the application of IFRS 16 (operating leases). Due to the methodological changes, EBIT was in the first six months of 2019 lower by EUR 6.6m than it would have been without these changes.

The Group's **result from financing activities** is negative and recorded at EUR 5m, indicating an improvement over the last year's same period by EUR 2.6m. The result from financing activities was favourably impacted by **net interest expenses, which were lower by 22.5% (EUR 1.3m)** over the same period in 2018. The impact of exchange differences was negative (EUR -1.9m) and worsened by EUR 1.6m relative to the first six months in 2018. The result of other financing activities shows improvement over the last year's same period by EUR 2.9m, which is mainly the result of selling equity interests in certain associates and subsidiaries.

**Income tax expense**, amounted to EUR 1.8m and higher by EUR 0.6m in comparison to the same period in 2018, includes current and deferred income tax. Higher income tax is primarily the result of lower formed deferred tax assets than in the same period in 2018, due to the significantly worse operating result.

Gorenje Group's **loss** for the first six months in 2019 amounted to **EUR 29.5m** or EUR 29.9m worse than in the last year's same period. The comparable loss amounted to **EUR 22.8m**, which is worse by EUR 20.9m if compared to the first half-year of 2018. The difference is the result of the negative impact of the methodological changes (EUR 7.4m) and the profit of companies from the discontinued operations in the first half-year of 2019 (EUR 0.8m).

**We have significantly improved the management of net working capital** (by more than EUR 70m) in 2019 if compared to the end of June in 2018 and improved the net cash flows from operating and investing activities **by EUR 41.8m relative to the first six months of 2018**. This is mostly attributable to lowering the net working capital and the result of earnings from divesting the companies.

### Improved business operations in the second quarter of 2019

Relative to the same period of 2018, the sales have started to increase in the second quarter, which is the result of extensive measures that are adopted in all field of business. Thus, the comparable revenue is in the second quarter higher by 6.6% relative to the last year's same period; in contrast to the first quarter of 2019, when it was lower by 3.7% from the same period in 2018. The upward trend in the economics of operations is reflected also in the fact that the Group generated profit in June 2019 after months of negative business operations.

## SIGNIFICANT EVENTS IN 2019

### JANUARY

#### Gorenje and Hisense are building the smart home of the future in Las Vegas



This year's CES, the world's largest show of consumer electronics and innovative technologies, taking place in Las Vegas, includes for the first time a presentation of the Gorenje Group, appearing there under the auspices of the Hisense Group. Our central new feature that is already a result of Gorenje's successful

integration into the Hisense Group, is the new ConnectLife platform that will allow seamless communication between connectible products by all Hisense Group companies.

#### Gorenje's WaveActive washing machine and dryer win a Plus X Award and excel in German consumer tests



In its January issue, the German consumer magazine ETM Testmagazin, specialised in independent product testing, released the test results for the new generation of Gorenje WaveActive washing machines and dryers. In the detailed test and evaluation, both appliances exceeded the score of 90%, and the ETM Testmagazin therefore recommends them to consumers as economical and, owing to the use of new ionization technologies, highly efficient appliances.

### FEBRUARY

#### Gorenje's ConnectLife platform co-shapes Future Living

Gorenje is showcasing its ConnectLife platform at the Future Living – an exhibition presenting the achievements of Slovenian smart building and smart home industry, and the forest wood chain. The Future Living exhibition was organized, in partnership with the Slovenian Chamber of Commerce and Industry and was on display at the Dom gospodarstva in



Ljubljana by 11 April. It was organised as an exposition of solutions and products, highlighting Slovenia's innovative achievements and new solutions.

### MARCH

#### Gorenje transformed to a limited liability company

By means of the entry into the Companies' Register as of 11 March 2019, the Company transformed into a limited liability company with following characteristics:

- company name: Gorenje gospodinjski aparati, d. o. o.,
- shortened corporate name: Gorenje, d. o. o.,
- registered office: Velenje,

- company's share capital: EUR 101,415,882.14,
- company's business address: Partizanska cesta 12, 3320 Velenje, Slovenia.

The Company's statutes ceased to apply as of the date of entering its transformation into the Companies' Register, and the Articles of Association became applicable. On the date of Company's transformation into a limited liability company, the sole shareholder became the owner of the sole equity interest in the amount of EUR 101,415,882.14. As of the date of registration of the reorganisation into the court register Lan Lin and Chao Liu were appointed as the Managing Director; Franc Bobinac was appointed as the Managing Director and the Chairman of the Committee of Directors of the company Gorenje; Yeguo Tang, Shaoqian Jia and Žiga Debeljak were appointed as the Managing Director of the company Gorenje and Drago Bahun, was appointed as the Managing Director, who is a workers' representative. Further members of the previous Management Board, i.e. Stanka Pejanović, Tomaž Korošec, Hanson Han, Lu Hou, and Saša Marković will continue to participate in the Company's management, along with Boštjan Pečnik, former executive director for Cooking Program.

#### **In addition to a new plant in Velenje, Hisense is also planning to expand Gorenje's manufacturing operations in Valjevo**

Consistently with the development plans for the Gorenje Group, construction of two new factories are planned for the next two years: one in Velenje and one in Valjevo. In Velenje, a factory will be built for manufacturing Hisense brand TV sets, while Gorenje Valjevo will expand its production capacity and construct additional manufacturing halls to become a centre for Hisense Group's refrigeration technology in Europe.

Preparations for the construction of the new TV set factory in Velenje included archaeological excavations on the 3.5-hectare site within Gorenje's industrial complex, where the building is to be erected. The next step is to file the building permit application; the factory is scheduled for opening at the end of next year. We intended to complete the first stage of construction next autumn and initially make approximately one million TV appliances per year. In the next stage, we are planning to increase the output capacity to 4 million TV sets annually (by 2023). Thus, between 300 and 400 new jobs will be created in the first stage; in the second stage, the factory is expected to employ one thousand people. The investment is valued at several dozen million euros. TV appliances from our factory will be mostly intended for the European market.

Expansion of production is also planned at Gorenje Valjevo where the existing refrigeration appliance factory currently has 1,500 employees, and their last year's output reached 672,000 units. After the relocation of the remaining production line of built-in refrigerators from Velenje to Valjevo, scheduled for completion in April, the output capacity there will increase by 150,000 appliances per year. In the future, we intend to build an additional cold appliance factory that will employ up to 1,000 more employees and increase the output capacity by extra 750,000 units per year already in the first stage. This will include combined fridge freezers and side-by-side appliances. With the expansion, Gorenje Valjevo will become Hisense Group's centre for refrigeration technology in Europe.

#### **Two Red Dot design awards for Gorenje's induction hob and Asko tumble dryer**



reddot award 2019  
winner

Gorenje Group has added to new Red Dots to a series of these awards for superior design. This year, the 40-member international jury presented them to our Simplicity 2.1 induction hob under the Gorenje brand, and a tumble dryer under the Asko brand. Vying for this year's Red Dot awards were no less than 5500 products from 55 countries, competing in three categories. Gorenje Group's design achievements have been among the recipients of these awards for over a decade, which stands witness to the excellence of our design and to the innovativeness of the products marketed under our brands.

## APRIL

### Golden award for Gorenje Orodjarna

At the International Industry Fair in Celje, the company Gorenje Orodjarna, a toolmaking plant, won a golden award for its progressive tool for manufacturing highly advanced sheet metal parts. The technologically highly complex tool is entirely a result of in-house knowledge, and it will be used for mass production of parts for their customer until 2025.

### Gorenje washing machines among the best in the Slovenian Consumers Association test



In an independent comparative consumer test of washing machines by over 50 different brands, released by the Slovenian Consumers Association (SCA), two Gorenje WaveActive washing machine models ranked among the top ten. The rating "Good" means that they are recommended by the Slovenian Consumers Association as a good buy.

### Minister of Economic Development and Technology of the Republic of Slovenia visits Hisense

Minister of Economic Development and Technology of the Republic of Slovenia, Zdravko Počivalšek, together with a Slovenian delegation visited on 24 April 2019 Hisense and took a field visit of Hisense Huangdao production base. They were warmly received by Mr. Yeguo Tang, Vice President of Hisense Group.



### With reorganization, Gorenje is looking to ensure the conditions conducive to long-term growth and development

In early March, Gorenje was transformed from a joint stock company into a limited liability company, in order to simplify its corporate governance and pave the way for more efficient management and decision-making within the Group that will thus be better positioned to respond promptly to the challenges and changes in a demanding business environment, to reap the synergies with Hisense, and to cut its operating expenses. Hence, business transformation will be the priority task in all fields of our operations in the months ahead. Therefore, the company Gorenje d. o. o., started in early April, as a part of a batch of measures for improvement of business efficiency, the procedures for reorganizing the business processes at the level of the entire Group, which also includes new organization and job systematization at the parent company.

### The divestment process of Gorenje Surovina is completed

In line with our strategy of focusing on our core activity of manufacturing and marketing of domestic appliances and divestment of select companies from our non-core business area, Gorenje signed a sale and purchase agreement for the company Gorenje Surovina and its subsidiaries in December last year. By meeting all suspensive conditions and the payment of the purchase price, the

sale and purchase process with the company Eko Surovina was also successfully completed on 26 April 2019.

## **MAY**

### **Gorenje received the Prizma expert communication award**

Within its annual conference, the Slovenian Public Relations Association awarded the national Prizma award. The Goinnovate 2018 project was awarded the best in-house communications programme, which was carried out in Gorenje last spring.

### **Golden, silver, and bronze innovation awards for Gorenje**

Savinja and Šalek Chamber of Commerce ("Savinjsko-šaleška gospodarska zbornica") held a festive event to celebrate its 40th anniversary. At the event, it also presented for the twentieth time the awards for the best innovations in the region. Gorenje's innovators were happy to receive three awards: Gorenje won gold for its new generation of Gorenje WaveActive washing machines and dryers, and silver for the new generation of Asko dishwashers; our colleagues from Gorenje Orodjarna (toolmaking plant) won a bronze award for their complex progressive tool for sheet metal semi-products.



### **Gorenje completed the process of delisting the GV02 bonds from the organised market**

Upon completed market tests and discussions with holders of GV01 and GV02 bonds, the Company continued with the process of delisting the GV02 bonds from the organised market of the Ljubljana Stock Exchange. Conditions for delisting the bonds from the organised market and their buyback were defined in the calling of the general meeting of the owners of the GV02 bond on 28 May 2019 and also endorsed. The issuer authorised the Nova Ljubljanska banka d. d., Ljubljana to organise the delisting and buyback procedures for the GV02 bond. Based on the aforesaid, the GV02 bonds are delisted from the organised market of the Ljubljana Stock Exchange within six months from the public announcement of the notarial record on the general meeting of the bonds' owners. Thereupon, Gorenje shall no longer be a public-interest entity.

## FINANCIAL REPORT

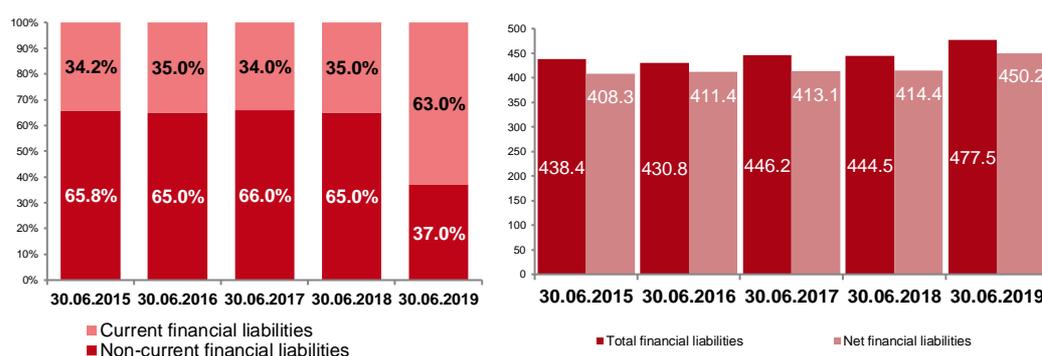
### MANAGEMENT OF FINANCIAL LIABILITIES

The Gorenje Group's financial position significantly improved upon the entry of the strategic and financially very stable owner into the Group's ownership structure. With the support of the owner we have accordingly conducted an essential refinancing of the Group at the year-end of 2018, whereby we have observed the key goal of providing optimum structure of creditors and significantly reduced the costs of financing.

Within the refinancing process, the controlling company of Hisense Luxembourg Home Appliance Holding S.a.r.l. ensured the necessary financial support to the Gorenje Group by means of a subordinated loan in the amount of EUR 120m and thereby provided for the required long-term financial stability. The intra-group loan has a short-term contractual nature, yet the owner shall keep at least EUR 100m of intra-group financing until the Group's net financial liabilities to EBITDA ratio exceeds level 3.

In line with the strategic policy of focusing on the core activity, we have divested in the first half-year of 2019 equity interests in Gorenje Surovina, d. o. o., including its subsidiaries, and in the companies Gorenje Projekt, d. o. o., and GGE Netherlands B.V. We have reduced the Group's financial debt by means of the proceeds from the relevant sale. The Group continues with divestment activities and shall focus on the core activity also in 2019.

*Movement of total and net financial liabilities in the 2015-2019 period (EURm) and movement of the maturity structure of financial liabilities*



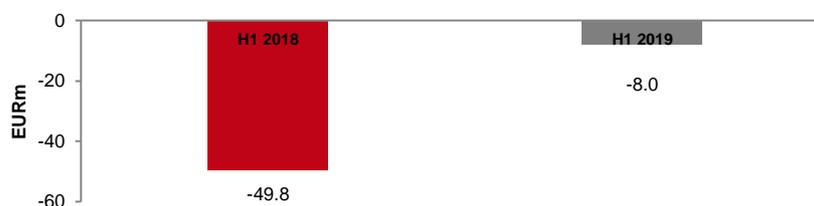
As at 30 June 2019, total financial liabilities amounted to EUR 477.5m, which is EUR 33m more if compared to the 30 June 2018 balance. It should take into account that by disclosing the leases among financial liabilities in 2019 (IFRS 16), non-current financial liabilities increased by EUR 39.6m, while current financial liabilities by EUR 13.8m or EUR 53.4m in total. Exclusive of the latter impact, the total financial liabilities that are comparable with the balance at 30 June 2018 thus amount to EUR 424.1m and indicate a decline at the end of June 2019 by 20.4m.

Net financial liabilities (measured as the difference between total financial liabilities and cash and cash equivalents) amounted at the end of June 2019 to EUR 450.2m and were higher by EUR 35.8m relative to the end of June in 2018. Upon eliminating the impact of the changed disclosing and valuation of leases (hereinafter: IFRS 16) in the amount of EUR 53.4m, the comparable net financial liabilities amounted at the end of June 2019 to EUR 396.8m or EUR 17.6m less relative to the last year's same period, when the impact of the IFRS 16 was not yet recorded.

- As for the maturity structure of financial liabilities, 37% refer to non-current sources, whereby the remaining stake represents current sources.

- Gorenje, d. o. o., continued with the process of delisting the GV02 bonds from the organised market of the Ljubljana Stock Exchange. Conditions for delisting the bonds from the organised market and their buyback were defined in the calling of the general meeting of the owners of the GV02 bond on 28 May 2019 and also endorsed. Gorenje, d. o. o., enabled all the GV02 owners to sell the bonds in the period from 29 May 2019 to 13 June 2019 to the issuer at 102.50% of its initial value or at EUR 1,025.00 for each GV02 bond plus accompanying interest. During this period 15,221 of bonds were repurchased, whereof 19,456 were listed during that time. GV01 bonds in the amount of EUR 14.6m are still listed on the organised market of the Ljubljana Stock Exchange and will be repaid upon their maturity in October 2019.
- The maturity structure of financial liabilities shifted in favour of current sources that, however, does not represent a refinancing risk in view of the significant support of the controlling company; the Hisense Group will also in future provide the Gorenje Group an appropriate support in a manner that it will be able to settle its liabilities at any time.
- As at 30 June 2019, the Group had a liquidity reserve at its disposal in the amount of EUR 102.1m 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.
- None of Group's borrowings are insured, whereas most contracts concluded with bank partners are subject to agreed-upon financial indicators. For most of its loan contracts, the Group applies standard financial ratios that in addition to the debt ratio – pursuant to which the net financial liabilities to EBITDA must be below level 4 – includes also following financial covenants: interest ratio (EBITDA/net interest expenses) is to exceed level 4, with the difference between total and minority equity interest being higher than EUR 220m, and the rate between the net financial debt and the difference between the total and equity holders of the parent must be below 1.2.
- We have confirmed with all our financial partners the above-stated uniform financial covenants within the refinancing of the Group that was performed in the last quarter of 2018; these covenants will be verified on an annual level and based on the Group's consolidated financial statements.

Cash flows from operating and investing activities<sup>1</sup>



In 2019, the Group recorded negative cash flow from operating and investing activities in the amount of EUR 8.0m, which shows an **improvement of EUR 41.8m over the first half-year of 2018** and is mostly attributable to lower net working capital and the earnings from divesting the companies.

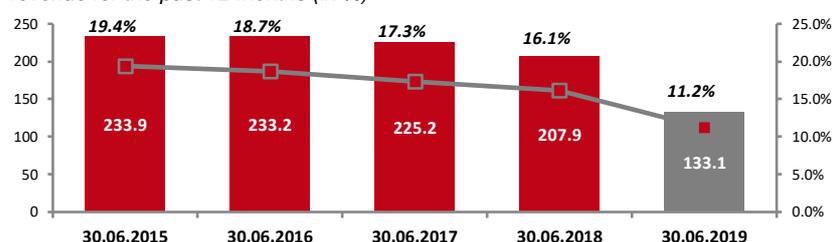
<sup>1</sup> For the purpose of comparability with the year-end balance of 2018, the cash flows from operating and investing activities are exclusive of disposed and divested companies, while the cash flows from investing activities include the cash proceeds from the sale of companies.

## WORKING CAPITAL MANAGEMENT

### Investments in net working capital

EURm	30 Jun 2015	30 Jun 2016	30 Jun 2017	30 Jun 2018	31 Dec 2018	30 June 2019	Difference 30 Jun 2019 / 30 Jun 2018
+ Inventories	248.8	245.7	264.4	272.3	219.2	215.1	-57.2
+ Trade receivables	203.9	192.8	208.4	203.4	136.4	173.3	-30.1
+ Other current assets	45.7	55.7	51.2	60.1	64.9	63.5	3.4
- Trade payables	-177.6	-171.2	-193.1	-218.5	-218.2	-214.2	4.3
- Other current liabilities	-86.9	-89.8	-105.7	-109.4	-91.1	-104.6	4.8
<b>= Net working capital</b>	<b>233.9</b>	<b>233.2</b>	<b>225.2</b>	<b>207.9</b>	<b>111.2</b>	<b>133.1</b>	<b>-74.8</b>

Movement of net working capital in the 2015-2019 period (EURm) and its share in the net revenue for the past 12 months (in %)



As at 30 June 2019, the Group's investments in net working capital<sup>2</sup> amounted to EUR 133.1m and declined over the 30 June 2018 balance by EUR 74.8m. Lower investments in net working capital are mostly the result of lower level of inventories and trade receivables. This had also a material impact on improving the share of investments in net working capital within Group's revenue – the latter continued to decline in 2019 and achieved the level of 11.2%, which is the lowest share in long-term observed comparable periods.

- As at 30 June 2019, inventories amounted to EUR 215.1m and show a decrease over the 30 June 2018 balance by EUR 57.2m. The turnover of inventories amounted to 45 days or 14 days shorter than in the last year's comparable period.
- Trade receivables amounted as at 30 June 2019 to EUR 173.3m and indicate a decrease over the 30 June 2018 balance by EUR 30.1m. The average turnover of trade receivables was 48 days or 3 days less than on 30 June 2018.
- Trade payables amounted to EUR 214.2m as at 30 June 2019 and declined by EUR 4.3m over the same period in 2018. Turnover of liabilities was 79 days, thus remaining on the same level as on 30 June 2018.

Special attention was in 2019 earmarked to an efficient working capital management, while focus was paid to the successful collection of trade receivables and the provision of adequate tools and procedures for managing the supply chain in compliance with processes and methodology applied by the Hisense Group. Thus, we assess that the assets tied to the Group's inventories will in future periods remain on significant lower levels than in the past. Within the effective working capital management, we also apply the instruments of the recourse-free factoring of receivables and the financing of the supply chain in form of the reverse supplier factoring. By using the supplier factoring, we have since its launch in the mid 2017 extended the contractual payment terms for our suppliers by 30 days in average.

<sup>2</sup> Net working capital = inventories + trade receivables + other current assets – trade payables – other current liabilities

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## ACCOUNTING REPORT

### ACCOUNTING GUIDELINES AND THE GORENJE GROUP COMPOSITION

#### Reporting entity

Gorenje, d. o. o., 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. o. o., for the period January-June, that ended 30 June 2019, 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 of Gorenje, d. o. o., confirmed these interim financial statements on 17 July 2019.

##### (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 2018.

Given the Hisense Group integration process in 2018 and the adjustment to its business strategies, working plans, assumptions and valuation methods, the Gorenje Group changed certain accounting estimates that impacted also certain items in 2019. The impact of significantly changed valuation methods applied in the January-June 2019 period, was reflected in following:

- based on the changed accounting estimates on capitalising development costs, the negative impact on the profit or loss of the Group and Gorenje, d. o. o., before tax is recorded at EUR 2,976k;
- based on the changed accounting estimate on capitalising costs of spare parts for equipment, the negative impact on the profit or loss of the Group and Gorenje, d. o. o., before tax is recorded at EUR 511k;
- based on the changed accounting estimates at the monthly accounting of costs, the negative impact on the profit or loss of the Group and Gorenje, d. o. o., before tax is recorded at EUR 3,633k.

In addition to the stated changes of the valuation methods, the launch of IFRS16 had an impact of EUR 319k on the Group's negative profit or loss and EUR 18k

on Gorenje, d. o. o., Details of the launch of IFRS 16 are outlined in the following section.

### **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 2018.

As at 1 January 2019, the Group started to apply IFRS 16 - Leases, where during their initial recognition the liabilities equal the right to use the assets. The Group applied exceptions allowed under the standard and excluded short-term leases and leases, where the assets subject to the lease are of low value.

In the January-June 2019 period, the launch of IFRS 16 impacted the Group's financial statements in terms of following items:

- increase in Group's assets by EUR 53,669k;
- increase in Group's non-current financial liabilities by EUR 39,639k;
- increase in Group's current financial liabilities by EUR 13,797k;
- higher amortisation and depreciation expense by EUR 7,651k;
- higher interest costs by EUR 811k;
- lower rental costs by EUR 8,143k.

The impact on the Group's profit or loss for the period arising from applying the IFRS 16 was in the January-June 2019 negative in the amount of EUR 319k.

In the January-June 2019 period, the launch of IFRS 16 impacted the financial statements of Gorenje, d. o. o., in terms of following items:

- increase in assets by EUR 2,748k;
- increase in non-current financial liabilities by EUR 1,727k;
- increase in current financial liabilities by EUR 1,167k;
- higher amortisation and depreciation expense by EUR 542k;
- higher interest costs by EUR 40k;
- lower rental costs by EUR 564k.

The impact on the profit or loss of Gorenje, d. o. o., arising from applying IFRS 16 was in the January-June 2019 negative in the amount of EUR 18k.

### **Changes in the composition of the Gorenje Group**

Changes in the composition of the Gorenje Group up until the end of June 2019 were as follows:

- The liquidation of the companies Gorenje Körting Italia S.r.l., Italy and Gorenje North America, Inc., United States of America began in early January.
- As at 19 March 2019 Gorenje, d. o. o., sold an equity interest in the associated company GGE NETHERLANDS B.V.
- As at 28 March 2019, Gorenje, d. o. o., sold an equity interest in the associated company GORENJE PROJEKT, inženiring, d. o. o.
- As at 26 April 2019, Gorenje, d. o. o., sold the 100 percent equity interest in the company Gorenje Surovina, d. o. o., and its subsidiaries (Gorenje Surovina RECE, d. o. o., Slovenia, Kemis-BH, d. o. o., Bosnia and Herzegovina, Kemis Valjevo, d. o. o., Serbia and Gorenje Surovina RECE, d. o. o., Croatia).

In addition to the parent company Gorenje, d. o. o., the following companies were included in the consolidated financial statements of the Gorenje Group as at 30 June 2019:

**Unaudited Consolidated Financial Statements**  
January-June 2019

<b>Companies operating in Slovenia</b>		<b>Equity interest in %</b>	<b>Business segment</b>
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	DA
7.	ZEOS, d. o. o., Slovenia	55.42	OB
8.	Indop, d. o. o., Slovenia	100.00	DA
9.	Gorenje GAIO, d. o. o., Slovenia	100.00	DA
10.	Gorenje GSI, d. o. o., Slovenia	100.00	DA
11.	Gorenje Keramika, d. o. o., Slovenia	100.00	OB
12.	Gorenje EKOINVEST, d. o. o., Slovenia	100.00	OB
13.	MAHS, d. o. o., Slovenia	65.00	OB
14.	TERMOCLEAN S, d. o. o., Slovenia	100.00	OB
15.	Gorenje HVAC, d. o. o., Slovenia	100.00	OB

<b>Companies operating abroad</b>		<b>Equity interest in %</b>	<b>Business segment</b>
1.	Gorenje Beteiligungs GmbH, Austria	100.00	DA
2.	Gorenje Austria Handels GmbH, Austria	100.00	DA
3.	Gorenje Vertriebs GmbH, Germany	100.00	DA
4.	Gorenje France S.A.S., France	100.00	DA
5.	Gorenje Espana, S.L., Spain	100.00	DA
6.	Gorenje UK Ltd., Great Britain	100.00	DA
7.	Gorenje Group Nordic A/S, Denmark	100.00	DA
8.	Gorenje spol. s r.o., Czech Republic	100.00	DA
9.	Gorenje real spol. s r.o., Czech Republic	100.00	DA
10.	Gorenje Slovakia s.r.o., Slovakia	100.00	DA
11.	Gorenje Magyarország Kft., Hungary	100.00	DA
12.	Gorenje Polska Sp. z o.o., Poland	100.00	DA
13.	Gorenje Bulgaria EOOD, Bulgaria	100.00	DA
14.	Gorenje Zagreb, d. o. o., Croatia	100.00	DA
15.	Gorenje Skopje, d. o. o., Macedonia	100.00	DA
16.	Gorenje Commerce, d. o. o., Bosnia and Herzegovina	100.00	DA
17.	Gorenje, d. o. o., Serbia	100.00	DA
18.	Gorenje Podgorica, d. o. o., Montenegro	99.975	DA
19.	Gorenje Romania S.r.l., Romania	100.00	DA
20.	Gorenje aparati za domačinstvo, d. o. o., Serbia	100.00	DA
21.	Mora Moravia, s r.o., Czech Republic	100.00	DA
22.	Gorenje - kuchyně spol. s r.o., Czech Republic	100.00	DA
23.	KEMIS-Termoclean, d. o. o., Croatia	100.00	OB

**Unaudited Consolidated Financial Statements**  
January-June 2019

24.	Gorenje Gulf FZE, United Arab Emirates	100.00	DA
25.	Gorenje Tiki, d. o. o., Serbia	100.00	OB
26.	Gorenje Istanbul Ltd., Turkey	100.00	DA
27.	Gorenje TOV, Ukraine	100.00	DA
28.	ST Bana Nekretnine, d. o. o., Serbia	100.00	OB
29.	ATAG Nederland BV, the Netherlands	100.00	DA
30.	ATAG België NV, Belgium	100.00	DA
31.	Intell Properties BV, the Netherlands	100.00	DA
32.	Gorenje Nederland BV, the Netherlands	100.00	DA
33.	Gorenje Kazakhstan, TOO, Kazakhstan	100.00	DA
34.	OOO Gorenje BT, Russia	100.00	DA
35.	Gorenje GTI, d. o. o., Serbia	100.00	OB
36.	Asko Appliances AB, Sweden	100.00	DA
37.	Asko Appliances Pty, Australia	100.00	DA
38.	Asko Appliances OOO, Russia	100.00	DA
39.	»Gorenje Albania« SHPK, Albania	100.00	DA
40.	Gorenje Home, d. o. o., Serbia	100.00	DA
41.	Gorenje Ekologija, d. o. o., Serbia	100.00	OB
42.	Gorenje Corporate GmbH, Austria	100.00	DA
43.	ZEOS eko-sistem d. o. o., Bosnia and Herzegovina	53.64	OB
44.	Gorenje do Brasil Ltda., Brasil	100.00	DA
45.	Gorenje Asia Ltd., China	100.00	DA
46.	Gorenje MDM d. o. o., Serbia	100.00	DA
47.	Gorenje Chile SpA, Chile	100.00	DA
48.	Gorenje AEC, LLC, Thailand	100.00	DA
49.	Indop Gorenje GmbH, Germany	100.00	DA

DA – Domestic Appliances  
OB – Other Business

Associated companies:

- EKON ELEKTRON, d. o. o., Macedonia

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

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

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

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

EURk	Balance at 30 June 2018	%	Balance at 31 Dec 2018	%	Balance at 30 June 2019	%
<b>ASSETS</b>	<b>1,209,414</b>	<b>100.0%</b>	<b>1,060,882</b>	<b>100.0%</b>	<b>1,094,076</b>	<b>100.0%</b>
<b>Non-current assets</b>	<b>635,689</b>	<b>52.6%</b>	<b>573,400</b>	<b>54.0%</b>	<b>611,981</b>	<b>55.9%</b>
Intangible assets	230,127	19.0%	200,919	18.9%	199,494	18.2%
Property, plant and equipment	356,625	29.5%	322,528	30.4%	362,865	33.2%
Investment property	11,178	0.9%	9,453	0.9%	9,453	0.9%
Non-current investments	3,561	0.3%	2,110	0.2%	2,004	0.2%
Investments in associates	4,212	0.4%	44	0.0%	41	0.0%
Non-current trade receivables	3,268	0.3%	3,760	0.4%	2,090	0.2%
Deferred tax assets	26,718	2.2%	34,586	3.3%	36,034	3.3%
<b>Current assets</b>	<b>573,725</b>	<b>47.4%</b>	<b>487,482</b>	<b>46.0%</b>	<b>482,095</b>	<b>44.1%</b>
Non-current assets held for sale	305	0.0%	453	0.0%	453	0.0%
Inventories	272,266	22.5%	219,226	20.7%	215,147	19.7%
Current investments	7,841	0.6%	7,008	0.7%	2,890	0.3%
Trade receivables	203,357	16.8%	136,428	12.9%	173,334	15.8%
Other current assets	59,911	5.0%	64,403	6.1%	62,980	5.8%
Cash and cash equivalents	30,045	2.5%	18,053	1.7%	27,291	2.5%
Assets including disposal groups	0	0.0%	41,911	4.0%	0	0.0%
<b>EQUITY AND LIABILITIES</b>	<b>1,209,414</b>	<b>100.0%</b>	<b>1,060,882</b>	<b>100.0%</b>	<b>1,094,076</b>	<b>100.0%</b>
<b>Equity</b>	<b>365,506</b>	<b>30.2%</b>	<b>244,700</b>	<b>23.1%</b>	<b>213,380</b>	<b>19.5%</b>
Share capital	101,922	8.4%	101,416	9.6%	101,416	9.3%
Share premium	174,502	14.4%	115,908	10.9%	115,908	10.6%
Revenue reserves	33,131	2.8%	29,961	2.8%	29,961	2.7%
Treasury shares	-3,170	-0.3%	0	0.0%	0	0.0%
Retained earnings	74,793	6.2%	17,672	1.7%	-13,422	-1.2%
Translation reserve	-16,156	-1.3%	-14,763	-1.4%	-11,836	-1.1%
Fair value reserve	-1,293	-0.1%	-7,335	-0.7%	-10,639	-1.0%
<b>Equity of holders of the parent</b>	<b>363,729</b>	<b>30.1%</b>	<b>242,859</b>	<b>22.9%</b>	<b>211,388</b>	<b>19.3%</b>
<b>Equity of non-controlling interests</b>	<b>1,777</b>	<b>0.1%</b>	<b>1,841</b>	<b>0.2%</b>	<b>1,992</b>	<b>0.2%</b>
<b>Non-current liabilities</b>	<b>360,645</b>	<b>29.8%</b>	<b>235,134</b>	<b>22.1%</b>	<b>260,877</b>	<b>23.8%</b>
Provisions	59,349	4.9%	73,428	6.9%	71,241	6.5%
Deferred income	7,475	0.6%	9,465	0.9%	9,416	0.9%
Non-current operating liabilities	2,619	0.2%	2,444	0.2%	2,066	0.2%
Deferred tax liabilities	2,080	0.2%	1,746	0.1%	1,706	0.2%
Non-current financial liabilities	289,122	23.9%	148,051	14.0%	176,448	16.1%
<b>Current liabilities</b>	<b>483,263</b>	<b>40.0%</b>	<b>581,048</b>	<b>54.8%</b>	<b>619,819</b>	<b>56.7%</b>
Current financial liabilities	155,361	12.9%	249,607	23.5%	301,042	27.5%
Trade payables	218,528	18.1%	218,199	20.6%	214,169	19.6%
Other current liabilities	109,374	9.0%	91,150	8.6%	104,608	9.6%
Liabilities including disposal groups	0	0.0%	22,092	2.1%	0	0.0%

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

EURk	Jan-Jun 2018	Structure %	Jan-Jun 2019	Structure %
<b>Revenue</b>	<b>602,343</b>	<b>91.5%</b>	<b>589,681</b>	<b>96.9%</b>
Change in inventories	40,364	6.1%	8,963	1.5%
Other operating income	15,701	2.4%	10,060	1.7%
<b>Gross profit</b>	<b>658,408</b>	<b>100.0%</b>	<b>608,704</b>	<b>100.0%</b>
Costs of goods, materials and services	-481,873	-73.2%	-452,111	-74.3%
Costs of goods sold	-109,566	-16.6%	-114,787	-18.9%
Costs of materials	-264,869	-40.2%	-243,191	-40.0%
Costs of services	-107,438	-16.3%	-94,133	-15.5%
Other operating expenses	-12,481	-1.9%	-10,825	-1.8%
<b>Added value/AV</b>	<b>164,054</b>	<b>24.9%</b>	<b>145,768</b>	<b>23.9%</b>
Employee benefits expense	-124,886	-19.0%	-130,633	-21.5%
<b>EBITDA</b>	<b>39,168</b>	<b>5.9%</b>	<b>15,135</b>	<b>2.5%</b>
Amortisation and depreciation expense	-29,441	-4.5%	-36,766	-6.0%
<b>EBIT</b>	<b>9,727</b>	<b>1.5%</b>	<b>-21,631</b>	<b>-3.6%</b>
Result of financing activities	-7,714	-1.2%	-5,855	-1.0%
Interest result	-5,713	-0.9%	-5,201	-0.9%
Revaluations result	-319	0.0%	-1,910	-0.3%
Result of other financing movements	-1,682	-0.3%	1,256	0.2%
Share in profits or loss of associates	-97	0.0%	-17	0.0%
<b>Profit or loss before tax</b>	<b>1,916</b>	<b>0.3%</b>	<b>-27,503</b>	<b>-4.5%</b>
Income tax expense	-1,480	-0.2%	-1,949	-0.3%
<b>Profit or loss for the period</b>	<b>436</b>	<b>0.1%</b>	<b>-29,452</b>	<b>-4.8%</b>
<b>Attributable to non-controlling interests</b>	<b>162</b>	<b>0.0%</b>	<b>151</b>	<b>0.0%</b>
<b>Attributable to equity holders of the parent</b>	<b>274</b>	<b>0.0%</b>	<b>-29,603</b>	<b>-4.8%</b>

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

EURk	Jan-Jun 2018	Jan-Jun 2019
<b>Profit or loss for the period</b>	<b>436</b>	<b>-29,452</b>
<b>Other comprehensive income</b>		
<b>Items that will subsequently not be reclassified to profit or loss</b>	<b>0</b>	<b>283</b>
Net change in the fair value of investments in equity instruments	1	14
Actuarial gains or losses	0	271
Income tax on other comprehensive income	-1	-2
<b>Items that may be reclassified subsequently to profit or loss</b>	<b>-3,272</b>	<b>-660</b>
Effective portion of changes in gains and losses from hedging instruments in cash flow hedges	-1,427	-3,379
Effective portion of changes in gains and losses from hedging instruments on cash flow hedges, reclassified to profit or loss	360	-912
Income tax on other comprehensive income	228	704
Translation reserve	-2,433	2,927
<b>Other comprehensive income for the period</b>	<b>-3,272</b>	<b>-377</b>
<b>Total comprehensive income for the period</b>	<b>-2,836</b>	<b>-29,829</b>
Attributable to equity holders of the parent	-2,998	-29,980
Attributable to non-controlling interests	162	151

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

EURk	Jan-Jun 2018	Jan-Jun 2019
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit or loss for the period</b>	<b>436</b>	<b>-29,452</b>
Adjustments for:		
-Depreciation of property, plant and equipment	22,865	29,826
-Amortisation of intangible assets	6,576	6,940
-Net exchange differences	319	1,910
-Dividends received	97	17
-Interest income	-337	-127
-Interest expenses	6,050	5,328
-gains/losses on sale of property, plant and equipment	-3,482	8
-income tax expenses	1,480	1,949
<b>Cash flow from operating activities before changes in net operating current assets and provisions</b>	<b>34,004</b>	<b>16,399</b>
Change in trade and other receivables	-21,209	-34,053
Change in inventories	-51,647	4,086
Change in provisions	-625	-2,007
Change in trade and other payables	4,981	-8,307
<b>Change in net current operating assets and provisions</b>	<b>-68,500</b>	<b>-40,281</b>
Interest paid	-152	-36
Income tax paid	-1,579	-1,807
<b>Net cash from operating activities</b>	<b>-36,227</b>	<b>-25,725</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of property, plant and equipment	7,266	1,284
Proceeds from sale of investment property	2,371	0
Interest received	337	127
Dividends received	-97	-17
Sale of subsidiary, exclusive of disposed cash	0	24,816
Acquisition of property, plant and equipment	-11,359	-9,400
Sale of associate, exclusive of obtained financial assets	0	3,186
Other investments	237	5,185
Acquisition of intangible assets	-12,354	-7,486
<b>Net cash used in investing activities</b>	<b>-13,599</b>	<b>17,695</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings/Repayment of borrowings	60,732	23,319
Interest paid	-5,898	-5,292
<b>Net cash used in financing activities</b>	<b>54,834</b>	<b>18,027</b>
Net change in cash and cash equivalents	5,008	9,997
Cash and cash equivalents at beginning of period	25,037	17,294
Cash and cash equivalents at end of period	30,045	27,291

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					
<b>Adjusted opening balance as at 1 Jan 2018</b>	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
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>274</b>	<b>-2,433</b>	<b>-839</b>	<b>-2,998</b>	<b>162</b>	<b>-2,836</b>
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
<b>Total contributions by owners and distributions to owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>922</b>	<b>-922</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Change in equity interests in subsidiaries that do not result in a loss of control														
Change in equity interests												0	-2	-2
<b>Total changes in equity interests in subsidiaries</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-2</b>	<b>-2</b>
<b>Total transactions with owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>922</b>	<b>-922</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-2</b>	<b>-2</b>
<b>Closing balance at 30 Jun 2018</b>	<b>101,922</b>	<b>174,502</b>	<b>12,896</b>	<b>7,966</b>	<b>3,170</b>	<b>9,099</b>	<b>-3,170</b>	<b>74,519</b>	<b>274</b>	<b>-16,156</b>	<b>-1,293</b>	<b>363,729</b>	<b>1,777</b>	<b>365,506</b>

**Unaudited Consolidated Financial Statements**  
January-June 2019

EURk	Share capital	Share premium	Revenue reserves			Retained earnings		Translation reserve	Fair value reserve	Equity holders of the parent	Non-controlling interests	Total
			Legal reserves	Statutory reserves	Other revenue reserves	Profit or loss from previous periods	Profit or loss for the period					
<b>Opening balance at 1 Jan 2019</b>	<b>101,416</b>	<b>115,908</b>	<b>12,896</b>	<b>4,796</b>	<b>12,269</b>	<b>2,243</b>	<b>15,429</b>	<b>-14,763</b>	<b>-7,335</b>	<b>242,859</b>	<b>1,841</b>	<b>244,700</b>
Charge off the impairment of inventories						218				218		218
<b>Adjusted opening balance at 1 Jan 2019</b>	<b>101,416</b>	<b>115,908</b>	<b>12,896</b>	<b>4,796</b>	<b>12,269</b>	<b>2,461</b>	<b>15,429</b>	<b>-14,763</b>	<b>-7,335</b>	<b>243,077</b>	<b>1,841</b>	<b>244,918</b>
Total comprehensive income for the period												
Profit for the period							-29,603			-29,603	151	-29,452
Total other comprehensive income								2,927	-3,304	-377		-377
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-29,603</b>	<b>2,927</b>	<b>-3,304</b>	<b>-29,980</b>	<b>151</b>	<b>-29,829</b>
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						15,429	-15,429			0		0
Formation of allowances for receivables						-1,709				-1,709		-1,709
<b>Total contributions by owners and distributions to owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>13,720</b>	<b>-15,429</b>	<b>0</b>	<b>0</b>	<b>-1,709</b>	<b>0</b>	<b>-1,709</b>
Change in equity interests in subsidiaries that do not result in a loss of control												
Change in equity interests										0		0
<b>Total changes in equity interests in subsidiaries</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total transactions with owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>13,720</b>	<b>-15,429</b>	<b>0</b>	<b>0</b>	<b>-1,709</b>	<b>0</b>	<b>-1,709</b>
<b>Closing balance at 30 Jun 2019</b>	<b>101,416</b>	<b>115,908</b>	<b>12,896</b>	<b>4,796</b>	<b>12,269</b>	<b>16,181</b>	<b>-29,603</b>	<b>-11,836</b>	<b>-10,639</b>	<b>211,388</b>	<b>1,992</b>	<b>213,380</b>

## 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 2018	31 Dec 2018	30 June 2019	30 June 2019
Investments in equity instruments	1,608	1,608	2,264	2,264
Investment property	9,453	9,453	9,453	9,453
Non-current loans and deposits	1,232	1,232	1,128	1,128
Non-current trade receivables	3,760	3,760	2,090	2,090
Current loans and deposits	533	533	502	502
Derivatives	-4,278	-4,278	-8,881	-8,881
Trade receivables	136,428	136,428	173,334	173,334
Other current assets	50,554	50,554	52,305	52,305
Cash and cash equivalents	18,053	18,053	27,291	27,291
Non-current financial liabilities	-128,558	-128,558	-157,074	-157,074
Non-current financial liabilities (fixed interest rate)	-19,493	-19,508	-19,374	-18,832
Non-current operating liabilities	-2,444	-2,444	-2,066	-2,066
Current financial liabilities	-244,949	-244,949	-292,161	-292,161
Trade payables	-218,199	-218,199	-214,169	-214,169
Other current payables	-41,568	-41,568	-49,522	-49,522
<b>Total</b>	<b>-437,868</b>	<b>-437,883</b>	<b>-474,880</b>	<b>-474,338</b>

### Fair value scale

#### 31 December 2018

EURk	Level 1 <sup>3</sup>	Level 2 <sup>4</sup>	Level 3 <sup>5</sup>	Total
Investments in equity instruments	297	-	1,311	1,608
Derivatives – assets	-	380	-	380
Derivatives – liabilities	-	-4,658	-	-4,658
Investment property	-	-	9,453	9,453

#### 30 June 2019

EURk	Level 1	Level 2	Level 3	Total
Investments in equity instruments	315	-	1,949	2,264
Derivatives – assets	-	-	-	-
Derivatives – liabilities	-	-8,881	-	-8,881
Investment property	-	-	9,453	9,453

#### Gorenje Group companies recorded following related party transactions:

EURk	Transaction value		Balance at	
	Jan-Jun	Jan-Jun	30 June 2018	30 June 2019
	2018	2019		
Income	58	0	522	0
Costs	676	0	547	0

<sup>3</sup> Level 1: stock price (unadjusted) on the active market of identical assets and liabilities,

<sup>4</sup> Level 2: data differing from stock price data, these are included in Level 1, monitored with the intention of direct or indirect valuation of assets and liabilities,

<sup>5</sup> Level 3: data on the value of assets or 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
	2018	2019	2018	2019	2018	2019
Revenue from sales to third parties	515,628	523,397	86,715	66,284	602,343	589,681
Inter-division sale	4,181	2,740	12,472	11,233	16,653	13,973
Interest income	305	104	32	23	337	127
Interest expenses	-5,912	-5,175	-138	-153	-6,050	-5,328
Amortisation and depreciation expense	-25,882	-32,744	-3,559	-4,022	-29,441	-36,766
Operating profit or loss before tax	-4,267	-31,941	6,183	4,438	1,916	-27,503
Income tax expense	-1,034	-1,595	-446	-354	-1,480	-1,949
Profit or loss for the period	-5,301	-33,536	5,737	4,084	436	-29,452
Total assets *	925,650	1,007,606	135,232	86,470	1,060,882	1,094,076
Total liabilities *	764,461	850,262	51,721	30,434	816,182	880,696

\*Notes:

- data for total assets and total liabilities for 2018 are presented as at 31 December 2018

- 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
	2018	2019	2018	2019	2018	2019	2018	2019
Revenue from sales to third parties	205,186	202,822	333,583	327,353	63,574	59,506	602,343	589,681

## 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 2018	Jan-Jun 2019
<b>INDICATORS OF PROFITABILITY</b>		
Net return on sales (ROS)	0.1%	-5.0%
Return on assets (ROA)	1.4%	-11.0%
Net return on equity (ROE)	-0.7%	-60.3%
<b>ASSET INDICATORS</b>		
Asset turnover ratio	1.09	1.14
Inventory turnover ratio	5.12	5.52
Current trade receivables turnover ratio	6.39	7.20
<b>INVESTMENT INDICATORS</b>		
Fixed assets (PPE) to total assets	0.49	0.51
Current assets to total assets	0.53	0.56
<b>INDICATORS OF FINANCIAL COMPOSITION</b>		
Long-term coverage of non-current assets	1.14	0.77
Equity to total liabilities	0.30	0.20
Long-term to total liabilities	0.60	0.43
Equity to fixed assets (carrying value)	0.62	0.38
Quick ratio (liquid assets to current liabilities)	0.08	0.05
(Liquid assets + current receivables) to current liabilities	0.62	0.43
Current ratio	1.19	0.78
Net financial liabilities to equity	1.11	2.10
<b>OPERATING PERFORMANCE INDICATORS</b>		
Operating income to operating expenses	1.01	0.97
Revenue per employee (EUR)	54,753	54,551
Value added per employee (EUR)	14,913	13,485

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

**Condensed Balance Sheet of Gorenje, d. o. o.**

EURk	Balance at 30 June 2018	Structure (%)	Balance at 31 Dec 2018	Structure (%)	Balance at 30 June 2019	Structure (%)
<b>ASSETS</b>	<b>1,060,780</b>	<b>100.0%</b>	<b>936,818</b>	<b>100.0%</b>	<b>934,726</b>	<b>100.0%</b>
<b>Non-current assets</b>	<b>710,643</b>	<b>67.0%</b>	<b>661,548</b>	<b>70.6%</b>	<b>646,437</b>	<b>69.1%</b>
Intangible assets	79,897	7.5%	56,607	6.0%	50,764	5.4%
Property, plant and equipment	193,473	18.2%	179,520	19.2%	165,772	17.7%
Investment property	10,219	1.0%	9,217	1.0%	9,217	1.0%
Investments in subsidiaries	294,986	27.8%	280,568	29.9%	280,568	30.0%
Investments in associates	3,186	0.3%	0	0.0%	0	0.0%
Other non-current investments	107,800	10.2%	107,828	11.5%	107,826	11.5%
Trade receivables	1,539	0.2%	1,564	0.2%	5,612	0.6%
Deferred tax assets	19,543	1.8%	26,244	2.8%	26,678	2.9%
<b>Current assets</b>	<b>350,137</b>	<b>33.0%</b>	<b>275,270</b>	<b>29.4%</b>	<b>288,289</b>	<b>30.9%</b>
Inventories	103,669	9.8%	89,700	9.6%	72,297	7.7%
Current investments	32,216	3.0%	33,352	3.6%	19,229	2.1%
Trade receivables	190,331	17.9%	138,131	14.7%	180,328	19.3%
Other current assets	14,792	1.4%	10,893	1.2%	10,802	1.2%
Cash and cash equivalents	9,129	0.9%	3,194	0.3%	5,633	0.6%
<b>EQUITY AND LIABILITIES</b>	<b>1,060,780</b>	<b>100.0%</b>	<b>936,818</b>	<b>100.0%</b>	<b>934,726</b>	<b>100.0%</b>
<b>Equity</b>	<b>350,506</b>	<b>33.0%</b>	<b>223,223</b>	<b>23.8%</b>	<b>205,542</b>	<b>22.0%</b>
Share capital	101,922	9.6%	101,416	10.8%	101,416	10.8%
Share premium	156,639	14.8%	98,045	10.5%	98,045	10.5%
Revenue reserves	33,131	3.1%	29,961	3.2%	29,961	3.2%
Treasury shares	-3,170	-0.3%	0	0.0%	0	0.0%
Retained earnings	65,176	6.1%	0	0.0%	-14,687	-1.5%
Fair value reserve	-3,192	-0.3%	-6,199	-0.7%	-9,193	-1.0%
<b>Non-current liabilities</b>	<b>288,372</b>	<b>27.2%</b>	<b>174,138</b>	<b>18.6%</b>	<b>164,137</b>	<b>17.5%</b>
Provisions	17,731	1.7%	27,198	2.9%	26,520	2.8%
Non-current financial liabilities	270,641	25.5%	146,940	15.7%	137,617	14.7%
<b>Current liabilities</b>	<b>421,902</b>	<b>39.8%</b>	<b>539,457</b>	<b>57.6%</b>	<b>565,047</b>	<b>60.5%</b>
Current financial liabilities	183,561	17.3%	303,067	32.3%	349,895	37.4%
Trade payables	209,626	19.8%	213,276	22.8%	186,382	20.0%
Other current liabilities	28,715	2.7%	23,114	2.5%	28,770	3.1%

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

EURk	Jan-Jun 2018	Structure (%)	Jan-Jun 2019	Structure (%)
<b>Revenue</b>	<b>420,517</b>	<b>97.5%</b>	<b>403,498</b>	<b>98.5%</b>
Change in inventories of products and work in progress	7,149	1.7%	2,072	0.5%
Other operating income	3,637	0.8%	4,244	1.0%
<b>Gross profit</b>	<b>431,303</b>	<b>100.0%</b>	<b>409,814</b>	<b>100.0%</b>
Costs of goods, materials and services	-361,657	-83.9%	-355,045	-86.6%
Costs of goods sold	-168,560	-39.1%	-169,931	-41.4%
Costs of materials	-151,344	-35.1%	-147,054	-35.9%
Costs of services	-41,753	-9.7%	-38,060	-9.3%
Other operating expenses	-3,002	-0.7%	-1,935	-0.5%
<b>Added value / AV</b>	<b>66,644</b>	<b>15.4%</b>	<b>52,834</b>	<b>12.9%</b>
Employee benefits expense	-52,984	-12.3%	-58,053	-14.2%
<b>EBITDA</b>	<b>13,660</b>	<b>3.1%</b>	<b>-5,219</b>	<b>-1.3%</b>
Amortisation and depreciation expense	-16,717	-3.9%	-18,101	-4.4%
<b>EBIT</b>	<b>-3,057</b>	<b>-0.8%</b>	<b>-23,320</b>	<b>-5.7%</b>
Result of financing activities	1,488	0.4%	8,986	2.2%
Revaluations result	394	0.1%	-126	0.0%
Result of other financing movements	1,094	0.3%	9,112	2.2%
<b>Profit or loss before tax</b>	<b>-1,569</b>	<b>-0.4%</b>	<b>-14,334</b>	<b>-3.5%</b>
Income tax expense	-1,040	-0.2%	-353	-0.1%
<b>Profit or loss for the period</b>	<b>-2,609</b>	<b>-0.6%</b>	<b>-14,687</b>	<b>-3.6%</b>

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

EURk	Jan-Jun 2018	Jan-Jun 2019
<b>Profit or loss for the period</b>	<b>-2,609</b>	<b>-14,687</b>
<b>Other comprehensive income</b>		
<b>Items that will subsequently not be reclassified to profit or loss</b>	<b>0</b>	<b>11</b>
Net change in the fair value of investments in equity instruments	1	13
Income tax on other comprehensive income	-1	-2
<b>Items that may be reclassified subsequently to profit or loss</b>	<b>-966</b>	<b>-3,005</b>
Effective portion of changes in gains and losses from hedging instruments in cash flow hedges	-1,536	-2,810
Effective portion of changes in gains and losses from hedging instruments on cash flow hedges, reclassified to profit or loss	342	-898
Income tax on other comprehensive income	227	703
<b>Other comprehensive income for the period</b>	<b>-966</b>	<b>-2,994</b>
<b>Total comprehensive income for the period</b>	<b>-3,575</b>	<b>-17,681</b>

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

EURk	Jan-Jun 2018	Jan-Jun 2019
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit or loss for the period	-2,609	-14,687
Adjustments for:		
-Depreciation of property, plant and equipment	12,523	13,207
-Amortisation of intangible assets	4,194	4,894
-Net exchange differences	-394	126
-Dividends received	-5,591	0
-Interest income	-2,256	-2,084
-Interest expenses	5,943	4,819
-Gains/losses on sale of property, plant and equipment	-84	-314
-Income tax expense	1,039	353
<b>Cash flow from operating activities before changes in net current operating assets</b>	<b>12,765</b>	<b>6,314</b>
Change in trade and other receivables	-32,667	-46,586
Change in inventories	-18,331	17,403
Change in provisions	223	-678
Change in trade and other payables	4,719	-26,858
<b>Change in net current operating assets and provisions</b>	<b>-46,056</b>	<b>-56,719</b>
Interest paid	-5,943	-4,819
Income tax paid	-143	0
<b>Net cash from operating activities</b>	<b>-39,377</b>	<b>-55,224</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of property, plant and equipment	46	2,564
Proceeds from sale of investment property	2,371	0
Interest received	2,256	2,084
Dividends received	5,591	0
Sale of subsidiary	0	24,816
Sale of associates	0	3,186
Acquisition of property, plant and equipment	-6,071	-2,213
Other investments	7,906	-2,272
Acquisition of intangible assets	-10,381	-5,112
<b>Net cash used in investing activities</b>	<b>1,718</b>	<b>23,053</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowing / Repayment of borrowings	43,304	34,610
<b>Net cash used in financing activities</b>	<b>43,304</b>	<b>34,610</b>
Net change in cash and cash equivalents	5,645	2,439
Cash and cash equivalents at beginning of period	3,484	3,194
Cash and cash equivalents at end of the period	9,129	5,633

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

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		
<b>Opening balance at 1 Jan 2018</b>	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 or loss for the period										-2,609	-2,609
Total other comprehensive income										-966	-966
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-2,609</b>	<b>-966</b>	<b>-3,575</b>
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
<b>Total contributions by owners and distribution to owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>426</b>	<b>-426</b>	<b>0</b>	<b>0</b>
<b>Total transactions with owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>426</b>	<b>-426</b>	<b>0</b>	<b>0</b>
<b>Closing balance at 30 Jun 2018</b>	<b>101,922</b>	<b>156,639</b>	<b>12,896</b>	<b>7,966</b>	<b>3,170</b>	<b>9,099</b>	<b>-3,170</b>	<b>67,785</b>	<b>-2,609</b>	<b>-3,192</b>	<b>350,506</b>

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EURk	Share capital	Share premium	Revenue reserves			Retained earnings		Fair value reserve	Total
			Legal reserves	Statutory reserves	Other revenue reserves	Profit or loss from previous periods	Profit or loss for the period		
<b>Opening balance at 1 Jan 2019</b>	101,416	98,045	12,896	4,796	12,269	0	0	-6,199	223,223
Total comprehensive income for the period									
Profit for the period							-14,687		-14,687
Total other comprehensive income								-2,994	-2,994
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-14,687</b>	<b>-2,994</b>	<b>-17,681</b>
Transactions with owners (when acting as owners) recognised directly in equity									0
Contributions by owners and distribution to owners									0
<b>Total contributions by owners and distribution to owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total transactions with owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Closing balance at 30 Jun 2019</b>	<b>101,416</b>	<b>98,045</b>	<b>12,896</b>	<b>4,796</b>	<b>12,269</b>	<b>0</b>	<b>-14,687</b>	<b>-9,193</b>	<b>205,542</b>

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

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

EURk	Book value	Fair value	Book value	Fair value
	31 Dec 2018	31 Dec 2018	30 June 2019	30 June 2019
Investments in equity instruments	1,287	1,287	1,290	1,290
Investments in subsidiaries and associates held for sale	16,585	16,585	150	150
Investment property	9,217	9,217	9,217	9,217
Non-current loans and deposits	107,155	107,155	107,154	107,154
Non-current operating receivables	0	0	5,612	5,612
Current loans and deposits	13,552	13,552	16,129	16,129
Derivatives	-4,532	-4,532	-8,432	-8,432
Trade receivables	138,131	138,131	180,328	180,328
Other current assets	9,002	9,002	8,911	8,911
Cash and cash equivalents	3,194	3,194	5,633	5,633
Non-current financial liabilities	-127,447	-127,447	-118,243	-118,243
Non-current financial liabilities (fixed interest rate)	-19,493	-19,508	-19,374	-18,832
Current financial liabilities	-298,155	-298,155	-341,105	-341,105
Trade payables	-213,276	-213,276	-186,382	-186,382
Other current liabilities	-14,000	-14,000	-12,384	-12,384
<b>Total</b>	<b>-378,780</b>	<b>-378,795</b>	<b>-351,496</b>	<b>-350,954</b>

**Fair value scale  
31 December 2018**

EURk	Level 1 <sup>6</sup>	Level 2 <sup>7</sup>	Level 3 <sup>8</sup>	Total
Investments in equity instruments	145	-	1,142	1,287
Derivatives - assets	-	380	-	380
Derivatives - liabilities	-	-4,912	-	-4,912
Investment property	-	-	9,217	9,217

**30 June 2019**

EURk	Level 1	Level 2	Level 3	Total
Investments in equity instruments	157	-	1,133	1,290
Derivatives - assets	-	358	-	358
Derivatives - liabilities	-	-8,790	-	-8,790
Investment property	-	-	9,217	9,217

**Related party transactions**

EURk	Transaction value		Balance at	
	Jan-Jun 2018	Jan-Jun 2019	30 June 2018	30 June 2019
Revenue	321,731	307,526		
Trade receivables			134,419	130,078
Trade payables			73,743	56,558
Loans granted			125,841	15,829
Borrowings raised			57,095	67,220

Gorenje, d. o. o., conducted business transaction with related entities on the basis of signed sale and purchase contracts, whereby market prices for products and services were taken into account.

<sup>6</sup> Level 1: stock price (unadjusted) on the active market of identical assets and liabilities,

<sup>7</sup> Level 2: data differing from stock price data, these are included in Level 1, monitored with the intention of direct or indirect valuation of assets and liabilities,

<sup>8</sup> Level 3: data on the value of assets or liabilities not based on the active market.

**Operating receivables due from Group companies**

EURK	Balance at	Balance at
	30 June 2018	30 June 2019
Energygor, d. o. o., Slovenia	1	1
ZEOS, d. o. o., Slovenia	4	4
Kemis, d. o. o., Slovenia	2	1
Gorenje Surovina, d. o. o., Slovenia	910	0
Gorenje I.P.C., d. o. o., Slovenia	1,091	707
Gorenje GTI, d. o. o., Slovenia	1,001	969
Gorenje Gostinstvo, d. o. o., Slovenia	117	101
Gorenje Orodjarna, d. o. o., Slovenia	150	330
Indop, d. o. o., Slovenia	124	378
Gorenje GAIO, d. o. o., Slovenia	60	114
Gorenje GSI, d. o. o., Slovenia	6,094	5,586
Gorenje Keramika, d. o. o., Slovenia	49	56
MAHS, d. o. o., Slovenia	19	2
Gorenje EKOINVEST, d. o. o., Slovenia	1	1
GOR Kolesa, d. o. o., Slovenia	109	0
Gorenje HVAC, d. o. o., Slovenia	0	1,599
Gorenje Zagreb, d. o. o., Croatia	8,672	4,544
Gorenje, d. o. o., Serbia	14,458	6,948
Gorenje aparati za domačinstvo, d. o. o., Serbia	14,230	18,589
Gorenje Tiki, d. o. o., Serbia	1,702	75
Gorenje Home, d. o. o., Serbia	6,024	4,142
Gorenje Commerce, d. o. o., Bosnia and Herzegovina	2,040	2,178
Gorenje Skopje, d. o. o., Macedonia	1,384	21
Gorenje Podgorica, d. o. o., Montenegro	1,897	1,421
Gorenje Vertriebs GmbH, Germany	12,936	21,037
Gorenje Austria Handels GmbH, Austria	510	3,201
Gorenje Beteiligungs GmbH, Austria	467	1
Asko Appliances AB, Sweden	32	37
Gorenje Group Nordic A/S, Denmark	6,472	3,618
ATAG Nederland BV, the Netherlands	1,811	1,046
Gorenje Nederland BV, the Netherlands	9	8
Gorenje UK Ltd., Great Britain	1,546	1,067
Gorenje France S.A.S., France	620	476
Gorenje Körting Italia S.r.l., Italy	2,584	0
OOO Gorenje BT, Russia	3,608	16,171
Gorenje TOV, Ukraine	127	8
Gorenje Kazakhstan, TOO, Kazakhstan	27	26
Gorenje Slovakia s.r.o., Slovakia	201	320
Gorenje spol. s.r.o., Czech Republic	3,711	3,993
Mora Moravia, s.r.o., Czech Republic	1,787	950
Gorenje Magyarország Kft., Hungary	2,563	2,315
Gorenje Polska Sp. z o.o., Poland	7,651	7,229
Gorenje Bulgaria EOOD, Bulgaria	2,925	1,522
Gorenje Romania S.r.l., Romania	249	-6
»Gorenje Albania« SHPK, Albania	375	154
Gorenje Gulf FZE, United Arab Emirates	4,010	3,568
Gorenje North America, Inc., USA	1	0
Asko Appliances Pty, Australia	16,311	7,965
Gorenje do Brasil Ltda., Brasil	306	236
Asko Appliances OOO, Russia	1,223	835
Gorenje MDM, d. o. o., Serbia	4	3
Gorenje GTI, d. o. o., Serbia	1	0
Gorenje ATAG Belgie NV, Belgium	1	-175
Gorenje Asia Ltd., China	1	2,861

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KEMIS Termoclean d. o. o., Croatia	1	1
Gorenje Corporate GmbH, Austria	1	0
Gorenje Chile SpA, Chile	1,869	3,433
ST Bana Nekretnine, d. o. o., Serbia	1	0
Gorenje AEC, LLC, Thailand	335	562
Revaluation	4	-151
<b>Total</b>	<b>134,419</b>	<b>130,078</b>

**Operating liabilities to Group companies**

EURK	Balance at	Balance at
	30 June 2018	30 June 2019
ZEOS, d. o. o., Slovenia	78	118
Kemis, d. o. o., Slovenia	14	12
Gorenje Surovina, d. o. o., Slovenia	49	0
Gorenje I.P.C., d. o. o., Slovenia	6,145	5,576
Gorenje GTI, d. o. o., Slovenia	239	129
Gorenje Gostinstvo, d. o. o., Slovenia	160	159
Gorenje Orodjarna, d. o. o., Slovenia	326	250
Indop, d. o. o., Slovenia	2	17
Gorenje GAIO, d. o. o., Slovenia	77	21
Gorenje GSI, d. o. o., Slovenia	3	9
Gorenje Keramika, d. o. o., Slovenia	4	13
MAHS, d. o. o., Slovenia	-63	1
Gorenje Zagreb, d. o. o., Croatia	0	39
Gorenje, d. o. o., Serbia	111	3
Gorenje aparati za domaćinstvo, d. o. o., Serbia	32,134	22,634
Gorenje Tiki, d. o. o., Serbia	1,468	1,010
Gorenje Home, d. o. o., Serbia	183	255
Gorenje Vertriebs GmbH, Germany	78	71
Gorenje Beteiligungs GmbH, Austria	2,545	499
Asko Appliances AB, Sweden	1,621	3,198
Gorenje Group Nordic A/S, Denmark	45	42
ATAG Nederland BV, the Netherlands	1,315	0
Gorenje Nederland BV, the Netherlands	0	346
Gorenje UK Ltd., Great Britain	4	1
Gorenje France S.A.S., France	2	0
Gorenje Körting Italia S.r.l., Italy	10	0
OOO Gorenje BT, Russia	11	42
Gorenje TOV, Ukraine	24	35
Gorenje Kazakhstan, TOO, Kazakhstan	66	50
Gorenje Slovakia s.r.o., Slovakia	1	0
Gorenje spol. s.r.o., Czech Republic	104	80
Mora Moravia, s.r.o., Czech Republic	25,924	21,573
Gorenje Magyarország Kft., Hungary	1	6
Gorenje Polska Sp. z o.o., Poland	1	4
Gorenje Bulgaria EOOD, Bulgaria	15	5
Gorenje Romania S.r.l., Romania	0	107
»Gorenje Albania« SHPK, Albania	1	1
Gorenje Gulf FZE, United Arab Emirates	1	122
Gorenje North America, Inc., USA	4	0
Gorenje ATAG Belgie NV, Belgium	37	0
Gorenje Asia Ltd., China	999	1
Gorenje AEC, LLC, Thailand	3	57
Gorenje Istanbul, Ltd., Turkey	1	0
Gorenje Podgorica, d. o. o., Montenegro	0	26
Revaluation	0	46
<b>Total</b>	<b>73,743</b>	<b>56,558</b>

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**Loans to Group companies**

EURk	Balance at	Balance at
	30 June 2018	30 June 2019
Gorenje Orodjarna, d. o. o., Slovenia	1,278	2,472
Indop, d. o. o., Slovenia	1,532	0
Kemis, d. o. o., Slovenia	0	2,390
Gorenje GAIO, d. o. o., Slovenia	1,878	1,810
Gorenje Keramika, d. o. o., Slovenia	4,706	4,798
GOR Kolesa, d. o. o., Slovenia	1,277	0
Gorenje Beteiligungs GmbH, Austria	41,740	2,054
ATAG Nederland BV, the Netherlands	5,000	0
Gorenje Nederland BV, the Netherlands	66,405	280
Gorenje-kuchyně spol. s.r.o., Czech Republic	1,780	1,780
Gorenje AEC, LLC, Thailand	245	245
<b>Total</b>	<b>125,841</b>	<b>15,829</b>

**Borrowings from Group companies**

EURk	Balance at	Balance at
	30 June 2018	30 June 2019
Energygor, d. o. o., Slovenia	76	121
ZEOS, d. o. o., Slovenia	4,240	5,497
Kemis, d. o. o., Slovenia	3,280	0
Gorenje Surovina, d. o. o., Slovenia	143	0
Gorenje I.P.C., d. o. o., Slovenia	4,872	6,108
Gorenje GTI, d. o. o., Slovenia	1,207	2,373
Gorenje Gostinstvo, d. o. o., Slovenia	2,809	4,256
Gorenje Orodjarna, d. o. o., Slovenia	565	0
Gorenje GSI, d. o. o., Slovenia	4,596	7,289
Gorenje EKOINVEST, d. o. o., Slovenia	3,130	3,514
Gorenje Vertriebs GmbH, Germany	9,000	9,000
Gorenje Austria Handels GmbH, Austria	2,000	2,000
Asko Appliances AB, Sweden	1,234	1,234
ATAG Nederland BV, the Netherlands	0	1,000
Gorenje France S.A.S., France	1,100	1,100
Gorenje Commerce, d. o. o., Bosnia and Herzegovina	800	2,600
OOO Gorenje BT, Russia	8,400	13,800
Gorenje Slovakia s.r.o., Slovakia	2,196	2,046
Gorenje spol. s.r.o., Czech Republic	5,000	3,800
Gorenje Magyarország Kft., Hungary	1,482	1,482
Gorenje North America, Inc., USA	965	0
<b>Total</b>	<b>57,095</b>	<b>67,220</b>

## 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 2018	Jan-Jun 2019
<b>INDICATORS OF PROFITABILITY</b>		
Net return on sales (ROS)	-0.62%	-3.64%
Return on assets (ROA)	-1.16%	-14.22%
Net return on equity (ROE)	-1.31%	-56.72%
<b>ASSET INDICATORS</b>		
Asset turnover ratio	0.81	0.82
Inventory turnover ratio	8.57	8.57
Current trade receivables turnover ratio	4.47	4.59
<b>INVESTMENT INDICATORS</b>		
Fixed assets (PPE) to total assets	0.27	0.24
Current assets to total assets	0.67	0.69
<b>INDICATORS OF FINANCIAL COMPOSITION</b>		
Long-term coverage of non-current assets	0.90	0.57
Equity to total liabilities	0.33	0.22
Long-term to total liabilities	0.60	0.40
Equity to fixed assets (carrying value)	1.28	0.95
Quick ratio (liquid assets to current liabilities)	0.10	0.04
(Liquid assets + current receivables) to current liabilities	0.58	0.38
Current ratio	0.83	0.51
Net financial liabilities to equity	1.18	2.25
<b>OPERATING PERFORMANCE INDICATORS</b>		
Operating income to operating expenses	0.99	0.95
Revenue per employee (EUR)	96,052	95,390
Value added per employee (EUR)	15,222	12,490

## **SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE**

As of 8 July 2019, the company Hisense Luxembourg Home Appliance Holding S.á r.l., as the sole shareholder of Gorenje, d. o. o., adopted the decision to appoint the audit company Mazars, družba za revizijo, d. o. o., Verovškova ulica 55A, 1000 Ljubljana, Slovenia to conduct the audit of the financial statements of Gorenje, d. o. o., and the consolidated financial statements of the Gorenje Group for the fiscal years 2019, 2020 and 2021.

No other significant events occurred after the date of compiling the balance sheet (30 June 2019).

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## INFORMATION ABOUT THE REPORT AND THE PUBLIC ANNOUNCEMENT

Pursuant to provisions of the Rules and Regulations of the Ljubljana Stock Exchange and the Market and Financial Instruments Act, the company Gorenje, d. o. o., Partizanska 12, SI-3320 Velenje, hereby announces the **unaudited non-consolidated financial statements of Gorenje, d. o. o., and the unaudited consolidated financial statements of the Gorenje Group for the period January–June 2019**. The financial statements are available for review at the headquarters of Gorenje, d. o. o., at Partizanska 12, SI-3320 Velenje, whereas announcements are available in the Ljubljana Stock Exchange electronic info system, the SEOnet ([www.ljse.si](http://www.ljse.si)), and the company's web site at [www.gorenjegroup.com](http://www.gorenjegroup.com), **on 26 July 2019**.

### **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. o. o., 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.*