

2017 Q2

**Unaudited
Consolidated
Financial Statements**

January-June 2017

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

Management Board of Gorenje, d.d., Velenje
Velenje, August 2017

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PERFORMANCE HIGHLIGHTS OF THE GORENJE GROUP

CORE FINANCIAL INDICATORS FOR Q2 2017

- **The Group continues with successful operations also in the second quarter of 2017.**
- **EUR 318.2m of revenue** was generated, which is 7.6% more than in the second quarter of 2016.
- Revenue generated by the **Domestic Appliances** activity was recorded at **EUR 260.9m** (3.1% more than in the same period in 2016).
- **EBITDA amounted to EUR 20.0m** and shows a comparable increase of 2.1% over the balance in Q2 2016. The aforesaid takes into account that allowances for receivables were up to 1 January 2017 recorded among finance expenses or income, which impacted the amount of EBITDA and EBIT. The impact of allowances for receivables on the EBITDA and EBIT amounted to EUR 2.2m in the second quarter of 2016.
- **EBIT amounted to EUR 6.7m**, which is 13.6 percent less than the comparable EBIT achieved in Q2 2016. The decline of the comparable EBIT is attributable to higher amortisation and depreciation expense relating to capitalising costs of developing new products, and to higher amortisation and depreciation expense arising on the accelerated investment cycle in the previous period.
- **The Group generated a profit of EUR 2.3m** - EUR 0.8m or 56.3% more than in the previous year's same period.
- **Operations in the second quarter of 2017 were marked by successful operations of the Domestic Appliances activity:**
 - achieved **favourable sales structure of brands**; enhancing the sale of **Gorenje and Asko brand**,
 - achieved **favourable sales structure of large domestic appliances**; enhancing the sales of **premium appliances (10.6 percent** growth in revenue from sales), of **innovative appliances (11.0 percent** growth in revenue from sales), of **dishwashers (20.8 percent** growth in revenue from sales), of **cooking appliances (0.6 percent** growth in revenue from sales), and **freezers and refrigerators (3.6 percent** growth in revenue from sales).
 - **high growth in sales of small domestic appliances (20.3 percent** growth in revenue in sales),
 - achieved **favourable geographical sales structure**; enhancing the sales on markets **outside of Europe, Benelux, and Eastern Europe**,
 - **well-managed costs of material and raw materials and logistics, although the trends in costs of material deteriorated due to market-related fluctuations in the second quarter if compared to the first quarter of 2017.**
- Successful operations were recorded by the Other Business activity, which achieved a 33.7 percent growth in revenue, primarily in the field of **ecology, coal, medical equipment, heating line and catering**.
- The disclosed negative result from financing activities at EUR 4.2m shows an improvement of EUR 2.7m if compared to the same period in 2016. The result from financing activities was impacted by **interest expenses, which declined by 18.1%** over the same period last year. The reclassification of allowances for receivables from the financial to the operating part of the income statement also significantly impacted the relevant result.

CORE FINANCIAL INDICATORS FOR H1 2017

- We have generated **EUR 623.9m of revenue**, which is 7.3% more than in the first half-year of 2016.
- Revenue generated represent 47.4% of the planned annual revenue; the first half-year's normal dynamics (45% in the entire year) is exceeded due to the high balance of revenue generated by the Other Business activity, while revenue recorded by the Domestic Appliances activity equal the normal annual dynamics (45% in the entire year).
- Revenue achieved by the **Domestic Appliances activity amounted to EUR 508.2m** (3.1% more than in the last year's same period), which accounts for 45.0% of the annual plan and is in line with the normal annual dynamics.
- **EBITDA amounted to EUR 40.6m** and shows a comparable improvement of 12.1% over the first half-year of 2016. **The comparable EBITDA (taking into account the reclassifying of allowances for receivables from finance income/expenses) for the first half-year of 2016 is recorded at EUR 36.2m.** We have achieved 41.8% of the planned annual EBITDA in the first six months of the year.
- **EBIT was EUR 14.6m, showing a 14.5 percent growth** over the comparable EBIT for the first six months of 2016. In the first half-year of 2017, we have recorded 36.7% of the planned EBIT for 2017. The EBIT in the first half-year of 2017 declined by EUR 4.0m over the comparable period in 2016 as a result of reclassifying allowances for receivables into the operating part of the income statement, and by EUR 2.5m due to higher amortisation and depreciation expense.
- In the first half-year of 2017, **EUR 15.5m was invested in development** showing a **2.5 percent share in Group's revenue** and equals the result of last year's same period. **Investments in the marketing amounted to EUR 13.1m** or a **2.1 percent share among revenue** generated by the Group (indicating an increase of 0.1 p.p. relative to the H1 2016).
- The recorded negative result from financing activities at EUR 7.7m indicates an **improvement of EUR 4.3m** over the last year's same period. This result is attributable to **interest expenses, which declined by EUR 16.3%** relative to the same period in 2016. In the first half-year of 2017, we recorded **exchange differences in the amount of EUR 0.04m** on the Group level, which is EUR 1.3m less than in the same period in 2016. The transfer of allowances for receivables to operating income and expenses had the key impact on the positive development.
- The **Group generated a profit of EUR 4.4m** or 111.8% more than in the same period in 2016.
- At the 7.3 percent growth in revenue, the net financial debt in the amount of **EUR 413.1m** shows an increase of 0.4% over the 30 June 2016 balance. If compared to H1 2016, we have kept the rate between the net financial debt and EBITDA on the same level.

Unaudited Consolidated Financial Statements
January-June 2017

EURm	Q2 2016	Q2 2017	Index	H1 2016	H1 2017	Index	Plan 2017	H1 2017/ Plan 2017
Revenue	295.8	318.2	107.6	581.3	623.9	107.3	1.315.3	47.4
Gross profit	308.9	333.5	107.9	611.6	659.7	107.9	1.330.4	49.6
Value added	80.2	81.7	101.8	155.3	161.5	104.0	336.4	48.0
VA margin (%)	26.0%	24.5%	/	25.4%	24.5%	/	25.3%	/
Comparable value added*	78.0	81.7	104.7	151.3	161.5	106.8	336.4	48.0
EBITDA	21.7	20.0	91.8	40.2	40.6	100.9	97.1	41.8
EBITDA margin (%)	7.0%	6.0%	/	6.6%	6.2%	/	7.3%	/
Comparable EBITDA*	19.6	20.0	102.1	36.2	40.6	112.1	97.1	41.8
EBIT	9.9	6.7	67.3	16.7	14.6	87.1	39.7	36.7
EBIT margin (%)	3.2%	2.0%	/	2.7%	2.2%	/	3.0%	/
Comparable EBIT*	7.8	6.7	86.4	12.7	14.6	114.5	39.7	36.7
Profit before tax	3.0	2.3	77.4	4.6	6.6	142.1	19.5	33.9
Profit for the period	1.5	2.3	156.3	2.1	4.4	211.8	13.1	33.9
ROS (%)	0.5%	0.7%	/	0.3%	0.7%	/	1.0%	/
Net financial debt ¹	411.4	413.1	100.4	411.4	413.1	100.4	336.3	122.3
Net financial debt/EBITDA	4.7	4.7	/	4.7	4.7	/	3.5	/

*The comparable value added, EBITDA and EBIT are for 2016 adjusted by the amount of allowances for receivables, which was in the previous year recorded among finance income and costs, while it is this year disclosed among other operating income and expenses.

OUTLOOK FOR THE REST OF 2017 AND KEY RISKS AND MEASURES

Key challenges for the second half-year of 2017:

- ensuring the planned sales volume, in particular on the very competitive Western European markets,
- ensuring cost efficiency, mostly due to growing costs of key raw materials and components, as well as pressures on labour costs in Slovenia, Serbia and the Czech Republic, and
- improving the efficiency of managing the working capital, primarily inventories in order to ensure proper deleveraging by the end of the fiscal year.

Numerous measures for limiting the stated negative factors shall be implemented also in the second half-year in order to achieve the Group's planned business results for 2017 with regard to all key aspects:

- implementing Group's key strategic policies, which signify sales growth of premium appliances and brands, sales growth beyond the European markets,

¹ Financial liabilities – cash and cash equivalents

- sales growth of small domestic appliances and policies oriented towards design, innovation and digital solutions for meeting end-users' requirements;
- we are focused on fulfilling all planned categories, with the emphasis on profitability's growth;
 - measures for improving the working capital and ensuring Group's further deleveraging;
 - managing inventories based on projects and activities that focus on managing the supply chain, complexity and proper production co-ordination;
 - managing liabilities: accelerating activities for financing the supply chain;
 - managing receivables: adequate managing the credit lines and the non-recourse factoring;
 - investments: a cycle of major investments shall be completed in 2017; the levels of CAPEX (investments in fixed assets) and amortisation or depreciation will be adjusted;
 - further digital transformation activities in accordance with the adopted Group's digital business strategy;
 - focusing on the Domestic Appliances activity as the Group's core activity by reviewing the option of disposing of Other Business and assets;
 - further orientation towards insuring cost and production efficiency of our processes and activities;
 - in addition, we shall provide for the profitable growth of the company, the growth of market shares, and for improving the price positioning of its brands.

CHANGING THE GROUP'S ORGANISATIONAL STRUCTURE

- By the year-end of 2015, the Group compiled a new Strategic Plan for the 2016-2020 period as a result of responding to changes in the environment and within the Group. Regardless of the successful first year of the new Strategic Plan, we have decided to accelerate the Strategy's implementation by introducing a new organisational structure that provides organisation by business segments and replaces the organisation by business functions. Further, it promotes greater entrepreneurship in business operations and is founded on the operator's clear responsibility for achieving the goals set.
- Under the new segmentation, the Group is organised into two business segments and the segment of supporting activities, which is additionally divided into organisational segments. The **Domestic Appliances activity represents the Group's core activity**, which is due to its scope and the share within the Group divided into eight organisational segments so that two key performance aspects are reflected: **product** (5 programmes) and **brand** (3 organisational brand segments: Gorenje, Asko in Atag). The Group's **Other Business** activity comprises the heating system programmes and the kitchen and bathroom furniture (which was previously included in the Core activity Home in line with the Group's previous organisational structure), as well as ceramics, ecology, trade and industrial services, which were already in previous periods classified among Non-core activities. The segment of **Supporting function** includes the organisational segments for all functions that support the Group as a whole.
- The implemented reorganisation changed also the competence areas of Management Board members, namely:
 - **Franjo Bobinac:** President of the Management Board, in charge of the business segment of large and small domestic appliances, and of the corporate supporting functions, corporate marketing, HR and general services and common development
 - **Peter Kukovica:** Member of the Management Board, jointly in charge of the business segment of large and small domestic appliances, and of the operational supporting functions

- **Žiga Debeljak:** Member of the Management Board, in charge of corporate finance, digital business operations, IT and organisational support, and of business segment ecology, trade and industrial services
 - **Branko Apat:** Member of the Management Board, in charge of the business segment of the heating systems, bathrooms and kitchens, and of corporate purchase
 - **Drago Bahun:** Member of the Management Board, workers director, jointly in charge of HR and general services
-
- Within the process of changing the Group's organisational structure, we have also renewed the manner of intra-company sales of products with the purpose to improve market orientation, ensure a unified sales policy in the Group, a more efficient management of Group's brands and cash flows, and ensure cost optimisation. The sale of most of products manufactured by other production companies is conducted since 1 June 2017 through the parent company Gorenje, d.d., which results in a larger volume of business operations and thus the related costs on the side of the parent company, while a direct impact (without previously stated optimisations) on the Group is neutral.
 - Information and data in the report hereof are prepared in accordance with the Group's renewed organisational structure and discuss the Domestic Appliances activity as well as Other Business and are reasonably adapted also to the comparable reporting period.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The Management Board is responsible for the preparation of the half-yearly report of Gorenje, d.d., and the Gorenje Group, as well as the financial statements, in a manner providing the public with a true and fair presentation of the financial position and the results of operations of Gorenje, d.d., and its subsidiaries in the first half-year of 2017.

The Management Board confirms that the financial statements of Gorenje, d.d., and the Gorenje Group have been prepared **in conformity with applicable accounting policies, that the accounting estimates have been prepared under the principles of prudence and due diligence, and that the financial statements of the Company and the Group give a true and fair view of their financial position and the results of their operations in the first half-year of 2017.**

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

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

The president and members of the Management Board of Gorenje, d.d., are **familiar with the contents of integral parts of the half-yearly report of Gorenje, d.d., and the Gorenje Group for 2017, and thus also with the entire half-yearly report. We agree with the report hereof, and confirm this with our signatures.**

Management Board members

Franco Bobinac, President of the Management Board



Peter Kukovica, Member of the Management Board



Žiga Debeljak, Member of the Management Board



Branko Apat, Member of the Management Board



Drago Bahun, Member of the Management Board



MANAGEMENT REPORT

OPERATING PERFORMANCE OF THE GORENJE GROUP

EURm	Q2 2016	Q2 2017	Index	H1 2016	H1 2017	Index
Revenue	295.8	318.2	107.6	581.3	623.9	107.3
Gross profit	308.9	333.5	107.9	611.6	659.7	107.9
Costs of goods, material, services and other operating expenses	-228.7	-251.8	110.1	-456.3	-498.2	109.2
= Value added	80.2	81.7	101.8	155.3	161.5	104.0
VA margin (%)	26.0%	24.5%	/	25.4%	24.5%	/
Comparable value added	78.0	81.7	104.7	151.3	161.5	106.8
EBIT	9.9	6.7	67.3	16.7	14.6	87.1
EBIT margin (%)	3.2%	2.0%	/	2.7%	2.2%	/
Comparable EBIT	7.8	6.7	86.4	12.7	14.6	114.5
Profit for the period	1.5	2.3	156.3	2.1	4.4	211.8
ROS (%)	0.5%	0.7%	/	0.3%	0.7%	/

The Group generated EUR 623.9m of **revenue**, indicating an increase of 7.3% over the H1 2016 balance. The Domestic Appliances activity achieved a 3.1 percent growth in revenue.

The generated **value added in the amount of EUR 161.5m** was improved as a result of:

- **higher sales by the Domestic Appliances,**
- favourable **geographical sales structure** of the Domestic Appliances activity; the largest sales growth was recorded on the markets **outside Europe (29.1 percent growth), in Western Europe on the markets of Benelux (2.7 percent growth), and on the markets of Eastern Europe (4.9 percent growth), where higher contribution margins are achieved,**
- favourable **sales structure of brands**, where we have increased primarily the sale of following brands: **Asko (14.4 percent growth) and the Atag, Pelgrim and Etna brands (2.7 percent growth; highest growth among the Atag premium brand); a growth of 1.6% was also recorded by the sale of Gorenje brand,**
- favourable **product sales structure**; enhancing the sales of **premium appliances (11.1 percent growth in revenue), of innovative appliances (11.0 percent growth in revenue), of dishwashers (20.7 percent growth in revenue); of cooking appliances (0.4 percent growth in revenue), of small domestic appliances (27.8 percent growth in revenue);** the stated product groups of appliances are significant from the viewpoint of achieved contribution margins,
- **successful curbing of input prices of material and raw materials, as well as logistics and**
- **higher revenue** generated by the Other Business activity i.e. **ecology, sale of coal, catering, heating line and medical equipment.**

Foreign currency fluctuations significantly affected revenue mostly in Eastern Europe. Without considering other categories (i.e. exchange rate hedging, adjusting prices to markets, product structures, etc.), the impact of foreign currency fluctuations on the growth in revenue of the Domestic Appliances activity on key markets was as follows:

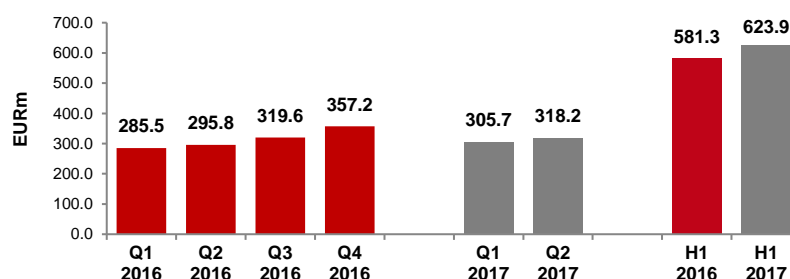
Foreign currency fluctuations and impact on organic growth of revenue generated by the Domestic Appliances activity

Domestic Appliances						
EURm	Actual revenue H1 2016	Actual revenue H1 2017	Actual revenue in H1 2017 valued at the exchange rate of H1 2016	Impact of currencies on revenue	Growth (%)	Growth under constant rates (%)
West	222.8	213.0	213.3	-0.3	-4.4%	-4.2%
East	220.9	231.6	222.6	+9.0	+4.9%	+0.8%
Other	49.2	63.6	62.1	+1.4	+29.1%	+26.2%
TOTAL	492.9	508.2	498.0	+10.2	+3.1%	+1.0%

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

SALES

Revenue of the Gorenje Group



In H1 2017, the **Group generated growth in revenue** relative to the first half-year of 2016. Higher sales volume was achieved in the geographical segment of Other countries and Eastern Europe. Less revenue was generated on the markets of Western Europe within the Domestic Appliances activity, which is in line with the planned price repositioning on individual markets of the Western Europe.

Unaudited Consolidated Financial Statements
January-June 2017

Revenue by geographical segment

EURm	Q2 2016	%	Q2 2017	%	Change (%)	H1 2016	%	H1 2017	%	Change (%)
Western Europe	113.4	38.3	109.9	34.5	-3.1	232.9	40.1	224.0	35.9	-3.8
Eastern Europe	155.1	52.5	175.1	55.1	+12.9	299.0	51.4	336.3	53.9	+12.5
Other	27.3	9.2	33.2	10.4	+21.5	49.4	8.5	63.6	10.2	+28.8
Total Group	295.8	100.0	318.2	100.0	+7.6	581.3	100.0	623.9	100.0	+7.3
Western Europe	108.5	42.9	104.0	39.9	-4.1	222.8	45.2	213.0	41.9	-4.4
Eastern Europe	117.3	46.4	123.7	47.4	+5.4	220.9	44.8	231.6	45.6	+4.9
Other	27.2	10.7	33.2	12.7	+22.1	49.2	10.0	63.6	12.5	+29.1
Total Domestic Appliances	253.0	100.0	260.9	100.0	+3.1	492.9	100.0	508.2	100.0	+3.1

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

DEVELOPMENT AND NEW PRODUCTS

- Pursuant to the strategic goal, **3.0% of revenue generated by the Domestic Appliances activity and 2.5% of Group's revenue was invested in the development of products.**
- Key innovations that were launched in the first half-year of 2017:
 - the new modular platform of built-in cooler-freezer appliances for the brands Gorenje and Pelgrim,
 - new modular platform for individual cookers (50, 60 and 70 cm width) of the Gorenje brand, which are manufactured in CA sites in Velenje (Slovenia) and in Marianske udoli (Czech Republic),
 - the new Gorenje Retro Special Edition refrigerator in partnership with VW,
 - the new appliances design line for the Gorenje Ora lto 2 kitchen.

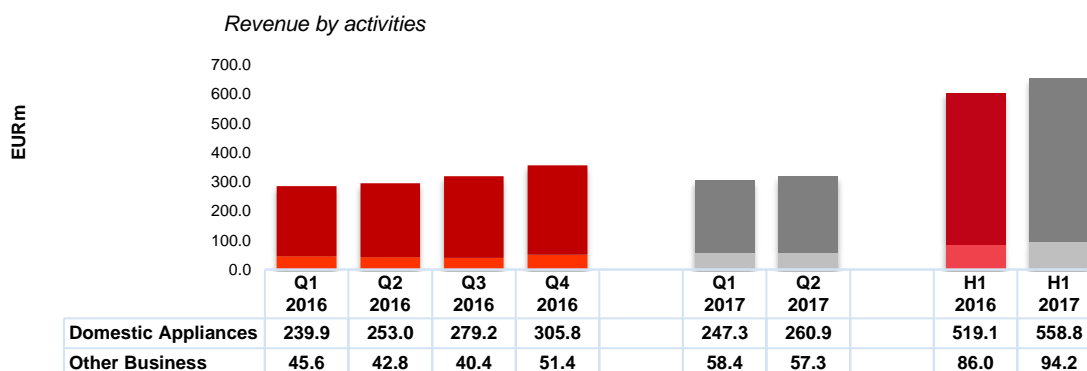
MARKETS OF THE DOMESTIC APPLIANCES ACTIVITY

- In view of sales generated in the first six months of 2016, the Domestic Appliances activity achieved a **3.1 percent sales growth.**
- Based on higher sales **outside Europe, the Group is reducing dependency from European markets and thereby improving the sales structure** (increasing the share of premium appliances and premium brands). As for the markets outside Europe, we have achieved **significant growth in North America, Australia, Near and Far East, Caucasus and Asia. Markets outside Europe account for a 12.5 percent share** (2.5 p.p. more than in the same period in 2016) in the revenue structure of the Domestic Appliances activity.
- Growth in revenue was recorded on individual markets of **Eastern Europe i.e. Slovakia, Hungary, Poland, Croatia, Bulgaria, and the Czech Republic,**
- Important growth was recorded also on markets of **Ukraine (64.1 percent growth)**. The level of revenue generated in Russia increased by 5.1% over the first six months in 2016.
- As for **Western Europe**, sales growth was recorded on the **markets of Benelux, mostly in the Netherlands,** based on sales of the **Atag premium**

brand. Higher sales were recorded also in **Austria**. **Less revenue** was generated on markets of **Germany and Great Britain**, which is in line with the planned price repositioning on these markets. We have for this purpose cancelled certain promotions (certain low-price appliances) in the first half-year of 2017, where no acceptable margins are generated.

- Higher revenue from sales of **Asko brand appliances increases the overall sales of the premium segment**. **Sales of Asko brand appliances** accounted within the revenue structure of the Domestic Appliances activity a **12.0 percent share (+1.2 p.p. over the H1 2016 balance)**. Higher sales of the Asko brand products were achieved on the markets of Scandinavia, America, Australia, Russia, and Asia.
- The sales of **small domestic appliances** achieved a **27.8 percent growth in revenue**. The sale of small domestic appliances accounted within the revenue structure of the Domestic Appliances activity a **3.8 percent share (+0.7 p.p. over the same period in 2016)**. Growth was recorded on markets of **Poland, Hungary, Slovenia, Croatia, Romania and Bosnia and Herzegovina**. A very high growth in sales of small domestic appliances was achieved on the markets of **Russia and Ukraine**.
- **We have increased the sales of innovative² appliances**, whose share within the structure of revenue generated through the sales of large household appliance by the Domestic Appliances activity grew to **21.6% (+2.1 p.p.)**. Growth was also recorded by the sale of **premium³ appliances**, whose share within the structure of revenue generated through the sales of large household appliance by the Domestic Appliances activity increased to **29.2% (+2.1 p.p.)**.

SALES BY GORENJE GROUP'S ACTIVITIES



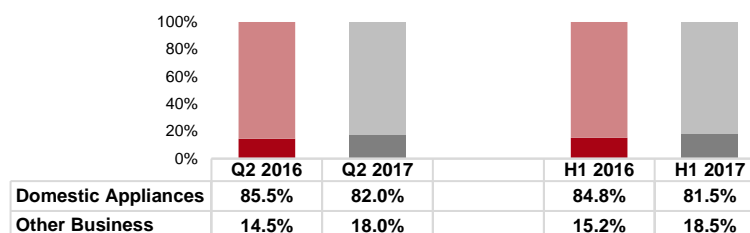
EUR 508.2m of revenue was generated in the first half-year of 2017 by the **Domestic Appliances activity**, which indicates a 3.1 percent growth over the H1 2016 balance.

EUR 115.7m of revenue was generated by the **Other Business activity**, which is 30.9% more than in the previous year's same period. Increase in revenue is attributable to the domains of ecology, catering, medical equipment, heating line and sale of coal.

² Innovative appliances: appliances within individual group of products with the so-called »innovative functionalities« are more energy efficient (efficient storage, lower energy and water consumption).

³ Premium appliances: Atag and Asko brands, appliances from the Gorenje design lines (Gorenje Simplicity, Gorenje Ora-Ito, Gorenje Pininfarina, Gorenje Classico, Gorenje One, Gorenje Karim Rashid, Gorenje Color edition, Gorenje +, Gorenje Retro, and Gorenje by Starck).

Structure of Group's revenue by activity



The achieved **revenue structure by activity** indicates that the Domestic Appliances activity generated 81.5% of Group's total revenue (-3.3 p.p.). The change in the share is the result of an above-average growth in revenue generated by the Other Business activity.

PROFITABILITY OF THE GORENJE GROUP

Movement of Group's profitability at the EBIT level

EURm	Development
EBIT January-June 2016	16.7
Transfer of allowances for receivables to operating expenses	-4.0
Comparable EBIT January-June 2016	12.7
Change in value added	10.3
Change in employee benefits expense	-5.9
Change in amortisation and depreciation expense	-2.5
EBIT January-June 2017	14.6

Earnings before interest and taxes (EBIT): we achieved an EBIT of EUR 14.6m. With respect to the same period last year, the comparable EBIT was higher by EUR 1.9m or 14.5%. The respective increase is primarily attributable to the higher value added (higher sales volume, favourable geographical sales structure, favourable sales structure of brands and product groups, higher sales recorded by the Other Business activity, higher costs of services due to increased business operations), higher amortisation and depreciation expense due to the dynamics of capitalising development costs and the accelerated investment cycle in previous years, and higher employee benefits expense, which is outlined in detail in the next section. The key impact on the comparable EBIT was also caused by transferring the allowances for receivables among operating expenses, which was already clarified.

COST MANAGEMENT

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

we have **adjusted the costs of material and raw materials** with respect to the **volume of sales** and production. The latter is attributable also to activities related to **optimising the supply chain**. However, the favourable trends on

purchase markets in the first quarter started to highly deteriorate in the second quarter, which had a negative impact on the economics of operations.

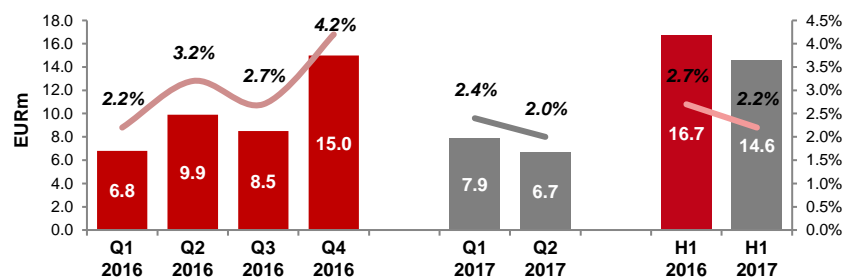
Relative to the same period in 2016, the costs of services increased by 11.9% or EUR 11.5m. Upon the divestment of the companies Publicus and Ekogor in 2016, the costs of services recorded by the Other Business activity grew by EUR 6.8m. The aforesaid increase is attributable also to the high growth of business activities, mostly in the segments of ecology and catering, and to the implementation of projects relating to the segments of medicine, ecology and municipal projects; concurrently, the performance of these projects resulted also in higher revenue arising from these segments.

Within the Domestic Appliances activity, costs of services increased by EUR 7.0m, whereof EUR 1.6m refers to the unification of accounting disclosure: the recording of quality-related costs, referring to the warranty repairs, where the stated costs were in previous years by certain subsidiaries recorded partly among costs of material and partly among employee benefits expense. Higher production activities within the Domestic Appliances activity are also accompanied by higher costs of maintenance, of temporary leased workers through agencies and other costs linked to the growth of volume of business activities. Costs of services include also costs of the logistics services, which slightly declined regardless the higher sale of appliances, and costs of marketing services that are purposely increased in order to ensure Group's long-term ability to compete.

Employee benefits expense increased by 5.1% or EUR 5.9m. In addition to the planned promotions and the increase of the lowest wages and salaries pursuant to the adopted wage system that applies since 1 June 2017, the growth of employee benefits expense is also attributable to the higher average number of employees due to larger volume of production and orders in the first half-year, mostly at production facilities in Velenje and Valjevo.

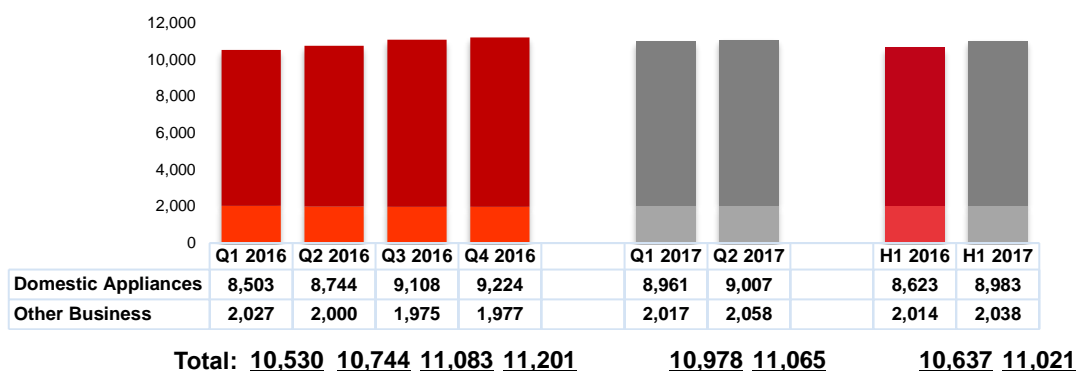
Growth in employee benefits expense lags behind the growth in revenue, which increased by 7.3% and also behind the growth of comparable value added, which lies at 4.0%.

EBIT and EBIT margin



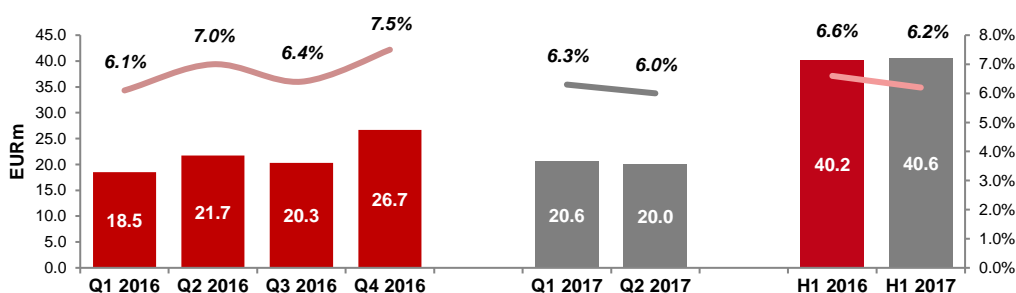
The Gorenje Group's average number of employees was 11,021 or an average of 384 more than in the first half-year of 2016. The average number of staff in the production of the Domestic Appliances activity grew by 303 (relating mostly to the production facilities in Velenje and Valjevo due to higher volume of production activities), whereby in trade companies of the Domestic Appliances activity the number of employees increased by 59 as a result of the changed business model applied by retail studios in Eastern Europe (employing workers that were previously employed via employment agencies). The average number of employees in Other Business activity increased by 24. The aforesaid increase refers mostly to the catering domain (expanding the activity). The reduction of staff relates primarily to the ecology domain due to the sale of two companies in 2016.

Average number of employees by activity



The Group recorded **earnings before interest, taxes, depreciation and amortisation (EBITDA)** in the amount of EUR 40.6m, which is EUR 4.4m or 12.1% more than the comparable EBITDA for the first six months of 2016. The graph below illustrates the development of EBITDA that is not adjusted by the changed treatment of allowances for receivables.

EBITDA and EBITDA margin



The Group's negative result from financing activities at EUR 7.7m is by EUR 4.3m more favourable than in the previous year's same period. The result from financing activities was impacted by **interest expenses, which declined by 16.3%** over the H1 2016 balance. As already said, the positive effect is also attributable to reclassifying the allowances for receivables among operating income and expenses. Exchange differences had a neutral effect on Group's operations in the first half-year of 2017 (a positive net effect of EUR 1.4m in the first six months of 2016).

Income tax expense, disclosed at EUR 2.2m and lower by EUR 0.3m in comparison to the same period in 2016, includes current and deferred income tax.

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

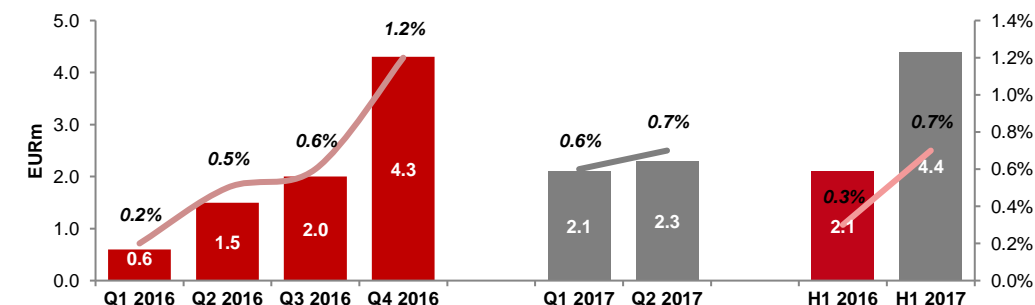
The fire in the company Kemis, d.o.o.

- In the industrial premises of the Gorenje affiliated company Kemis, d.o.o., which is also location for storage of hazardous waste, fire spread on 15 May 2017. The waste which is stored at the location and intended for further processing is categorized as hazardous waste, mainly fuels, waste oil, solvents and medicinal products. The fire has destroyed part of the business premises and the warehouse for storage of low hazardous solid and liquid waste. The warehouse was built in 2009 in compliance with requirements defined in most strict standards related to management of hazardous wastes. The company has all the required permits for operation.
- A project group was appointed with the purpose to coordinate all necessary activities that relate to business operations, environmental activities and communication. Members of the project group will also assess the risks and suggest appropriate measures if necessary.
- The cause of fire is yet to be determined during the investigation, while current results of diverse inspections and analyses indicate that there has been no significant effect on the environment.
- Based on all available information, the fire did not materially impact the Group's economics in the first half-year and we estimate that there will be no material impact on the overall 2017, mostly due to the fact that a minor company of the Group was involved (revenue amounted in 2016 to EUR 9m, EBITDA was EUR 1.3m and profit for the period amounted to EUR 0.6m) with a proper insurance coverage. In compliance with the good practice and the established insurance standards, insurance coverage for the company Kemis, d. o. o. is agreed within the framework of international insurance programmes, in addition to the industrial standstill, liability and ecological responsibility that cover the well-founded and reasonable claims by third parties, which are insured within the insurance programme.
- We shall adopt a decision in the second half-year about future strategic and business policies of the company Kemis, d.o.o. upon examining all the factors relating to this event.

OPERATING RESULT OF THE REPORTING PERIOD

Gorenje Group's **operating profit for the period** amounted to EUR 4.4m.

Operating profit for the period and ROS



OPERATING PERFORMANCE BY ACTIVITY

Comments on the operating performance in terms of activity are provided within the section operating performance of the Gorenje Group and include the Domestic Appliances activity as well as the Other Business activity.

DOMESTIC APPLIANCES

EURm	Q2 2016	Q2 2017	Index	H1 2016	H1 2017	Index
Revenue	253.0	260.9	103.1	492.9	508.2	103.1
Gross profit	265.4	273.7	103.1	520.4	540.5	103.9
Costs of goods, material, services and other operating expenses	-200.3	-207.6	103.7	-395.4	-409.9	103.7
=Value added	65.1	66.1	101.5	125.0	130.6	104.5
<i>VA margin (%)</i>	24.5%	24.1%	/	24.0%	24.2%	/
Comparable value added	62.9	66.1	105.0	120.9	130.6	108.0
EBIT	8.5	5.8	68.3	13.8	12.1	87.6
<i>EBIT margin (%)</i>	3.2%	2.1%	/	2.7%	2.2%	/
Comparable EBIT	6.4	5.8	91.6	9.8	12.1	123.5

OTHER BUSINESS

EURm	Q2 2016	Q2 2017	Index	H1 2016	H1 2017	Index
Revenue	42.8	57.3	133.7	88.4	115.7	130.9
Gross profit	43.5	59.8	137.2	91.2	119.2	130.7
Costs of goods, material, services and other operating expenses	-28.4	-44.2	155.4	-60.9	-88.3	145.1
=Value added	15.1	15.6	103.1	30.3	30.9	101.9
Comparable value added	15.1	15.6	103.3	30.4	30.9	101.9
<i>VA margin (%)</i>	34.8%	26.2%	/	33.3%	25.9%	/
EBIT	1.4	0.9	61.4	2.9	2.5	84.6
<i>EBIT margin (%)</i>	3.3%	1.5%	/	3.2%	2.0%	/
Comparable EBIT	1.4	0.9	62.6	2.9	2.5	83.9

FINANCIAL OPERATIONS OF THE GORENJE GROUP

GROUP'S FINANCIAL PERFORMANCE

The core goal of the Group's financial function is reducing the relative borrowing rate and ensuring short-term and long-term stability with minimum possible costs and risks. Relative to the previous year's same period, the net financial liabilities/EBITDA ratio remained in the first half-year of 2017 on the same level i.e. 4.7, interest expenses were reduced by 16.3% or EUR 1.3m and the maturity structure of financial liabilities was improved by 1.0 p.p. to 66.0% of non-current sources.

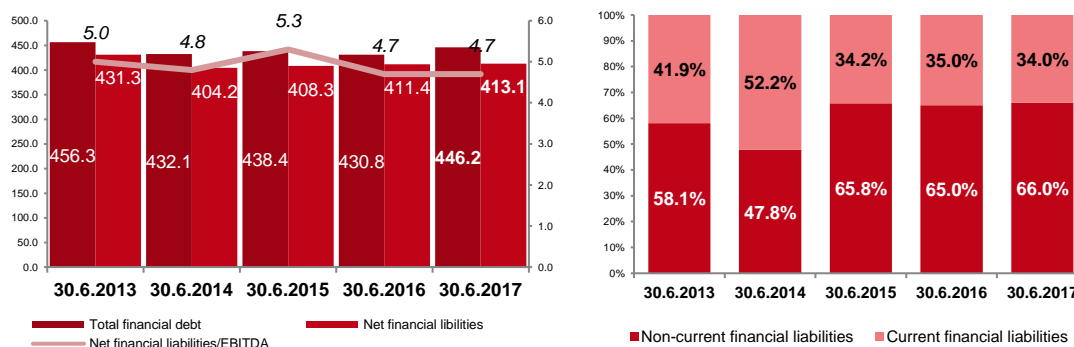
Repayment of current due liabilities is ensured based on the generated free cash flow from operating and investing activities conducted by the Domestic Appliances and Other Business activities, as well as based on the timely provision of substitute financing. The Group thereby endeavours for constant optimisation of the net working capital. The Group observes the policy of replacing currently due long-term financial sources by raising new long-term financial sources and spreading to bank and non-bank sources, whereby we focus on maintaining the quality of the maturity structure. In addition, we are constantly renewing current loans or increasing them for the purpose of the liquidity reserve.

EUR 40.1m of currently due long-term financial liabilities were repaid in the first half-year of 2017. As of 11 May 2017, the parent company Gorenje, d. d. issued bonds (with a 5-year maturity and one-off repayment of the principal amount) in the total par value of EUR 19.5mio EUR, bearing interest at 2.45% p.a. and one-time maturity in May 2022.

Together with existing bank and other partners, the Group is engaged in activities to further servicing currently maturing financial liabilities, as well as optimising the costs of financing, maintaining the maturity structure of sources of financing, and balancing the amount of the liquidity reserve and unifying financial covenants.

By actively managing the financial debt, we ensured in the first half-year and partly up to the end of July 2017 the necessary refinancing for the entire fiscal year 2017 and in this process ensured also the adjustment of the financial covenants with the bank, with which we agreed specific financial covenants also in connection with the dividend payout to company's shareholders. The level of the financial covenant (net financial liabilities/EBITDA), which limits the dividend payout was adjusted from the twice to 4-times generated EBITDA. Thus, from the viewpoint of limiting the dividend payout, merely a borrowing of one financial partner remains in the outstanding amount of EUR 41.3m; the latter is subject to the limitation where the financial covenant's rate of net financial liabilities/EBITDA exceeds more than 3.5. The Group plans to negotiate with the financial partner on changing the financial covenant to a standard level.

Movement of total and net financial liabilities in the 2013-2017 period (EURm), movement of the net financial liabilities/EBITDA ratio, and movements of the maturity structure of financial liabilities



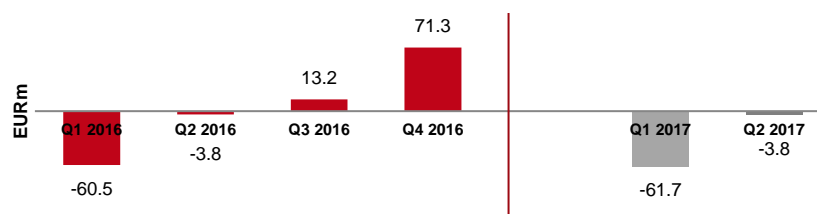
As at 30 June 2017, **total financial liabilities** amounted to EUR 446.2m, showing an increase of EUR 15.4m relative to the same period in 2016. Movement of financial liabilities is in accord with the interim seasonal dynamics, where most of Group's negative cash flows from operating and investing activities is generated in the first half-year of a fiscal year. As for the **maturity structure of financial liabilities**, 66.0% refer to non-current sources, whereby the remaining stake represents current sources. The maturity structure thus improved by 1.0 p.p. if compared to the same period last year.

As at 30 June 2017, **net financial liabilities** (measured as the difference between total financial liabilities and cash and cash equivalents) amounted to EUR 413.1m and indicate an increase of 0.4% over the same period in 2016.

As at 30 June 2017, the Group disclosed a liquidity reserve in the amount of EUR 92.0m 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.

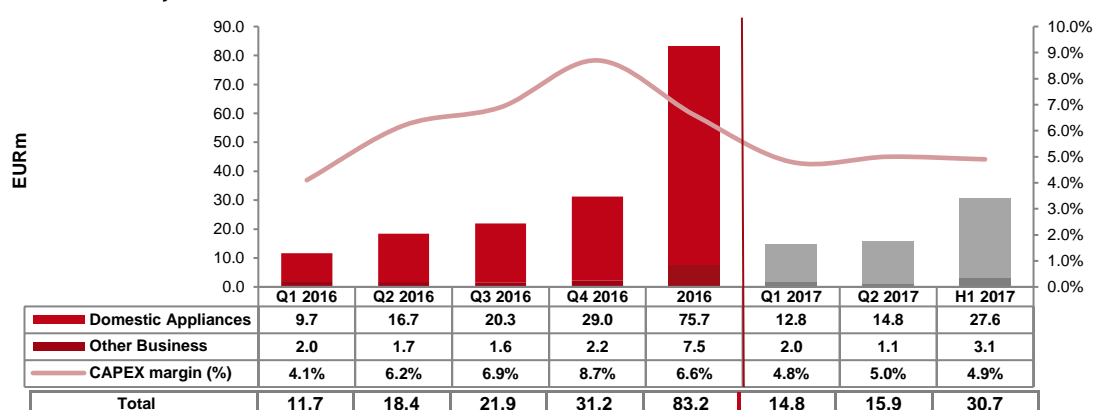
In the first half-year of 2017, the Group recorded EUR 65.5m of negative cash flow from operating and investing activities, which is on the level of the previous year's equal period (worsened by EUR 1.2m). The result reflects the consistent dynamics during the year, as the Group most of its negative cash flows from operating and investing activities always incurs in the first half-year, while most of the positive cash flow in the last quarter.

Cash flows from operating and investing activities



Investments amounted in the first half-year of 2017 to EUR 30.7m and remained on the same level of the comparable period in 2016. Total investments in property, plant and equipment amounted to EUR 20.1m, whereof the largest share of EUR 16.8m was earmarked for technological equipment, mostly relating to the development of new products. The largest share of investments in the amount of EUR 27.6m was recorded within the Domestic Appliances activity. As for the structure of total investments, EUR 10.4m relates to non-material investments, where most of them (EUR 8.4m) were earmarked for the development of new products (capitalised costs for development). Investments made within the Other Business activity amounted in H1 2017 to EUR 3.1m, whereof mostly refers to ecology (EUR 1.7m).

Investments by activities



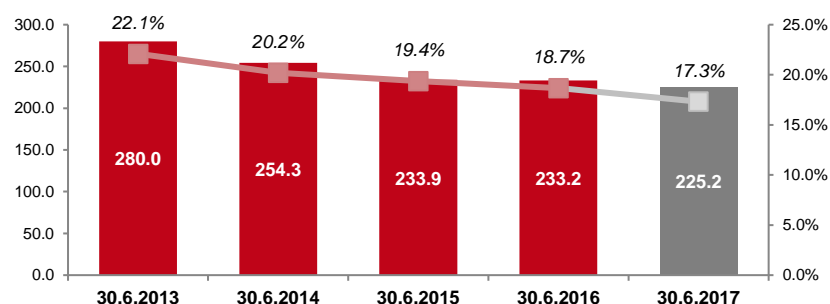
WORKING CAPITAL

As at 30 June 2017, Group's investments in the net working capital⁴ amounted to EUR 225.2m and, compared to 31 December 2016 balance (used as the basis for calculating the development of cash flows from operating and investing activities for 2017) show an increase of EUR 80.3m. With respect to the same period in 2016, they declined however by EUR 8.0m. The share of net working capital within revenue decreased relative to the 30 June 2016 balance by 1.4 percentage points and achieved 17.3%.

Investments in net working capital

EURm	30 Jun 2013	30 Jun 2014	30 Jun 2015	30 Jun 2016	31 Dec 2016	30 Jun 2017	Difference 30 Jun 2017 / 30 Jun 2016
+ Inventories	267.5	256.0	248.8	245.7	225.9	264.4	18.7
+ Trade receivables	228.2	229.1	203.9	192.8	165.8	208.4	15.6
+ Other current assets	58.1	45.6	45.7	55.7	58.8	51.2	-4.5
- Trade payables	-183.3	-189.7	-177.6	-171.2	-223.7	-193.1	-21.9
- Other current liabilities	-90.5	-86.7	-86.9	-89.8	-81.9	-105.7	-15.9
= Net working capital	280.0	254.3	233.9	233.2	144.9	225.2	-8.0

Movement of net working capital in the 2013-2017 period (EURm) and its share in the net revenue for the past 12 months (in %)



As at 30 June 2017, **inventories** amounted to EUR 264.4m and show an increase over the 31 December 2016 balance by EUR 38.5m. With respect to the same period last year, inventories grew by EUR 18.7m, which is mostly attributable to higher volume of activities. Inventory turnover amounted to 69 days, which is 1 day shorter if compared to the same period in 2016.

As at 30 June 2017, **trade receivables** were recorded at EUR 208.4m and show an increase over the 31 December 2016 balance (as the basis for calculating the cash flow movement for 2017) by EUR 42.6m. With respect to same period in 2016, trade receivables increased by EUR 15.6m due to higher value of revenue (7.3%) relative to the same period last year. The average turnover of receivables was 55 days or 2 days shorter from the average turnover of receivables in the same period last year.

Trade payables amounted to EUR 193.1m as at 30 June 2017 and indicate a decline of EUR 30.6m over the 31 December 2016 balance. If compared to the same period in 2016, trade payables increased by EUR 21.9m. Turnover of liabilities was 68 days or 2 days less than in the same period in 2016.

Other current liabilities amounted as at 30 June 2017 to EUR 105.7m and increased over the 31 December 2016 balance by EUR 23.8m. With respect to

⁴ Net working capital = inventories + trade receivables + other current assets – trade payables – other current liabilities

the same period in 2016, they indicate an increase of EUR 15.9m. The respective growth is the result of higher calculated operating expenses of business operations during the year if compared to previous periods.

Risk management

The Group pays special attention to managing **financial risks**, in particular an efficient **credit risk** management. They are balanced through regular control of required and approved credit limits approved by credit insurance companies, the appropriate collection of receivables, and regular communication with credit insurance companies and business partners. The share of receivables, insured with qualitative insurance instruments, is growing in the past years and by the end of the first half-year of 2017 accounted for 70.6% or nearly 4.8 p.p. more than at the end of 2016. The Group has also launched the system of permanent recourse-free factoring, which is carried out when costs of such activities do not exceed the Group's average costs of financing or when these activities are used to reduce credit and currency risks. The balance of bad debts is reviewed and analysed on an on-going basis, and proper measures are implemented (e.g. collection, collection of insurances, adjustment of supplies to the approved credit limits and credit ratings of customers). We have a strict set of rules about credit risk management, including the defined acceptable instruments of insurance, levels of acceptable exposure to individual customers and markets. The rules of credit risk management are upgraded in a manner to ensure the highest possible stability of Group's business operations.

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

In the first half-year of 2017, the Group recorded a net result in exchange differences in the amount of EUR 0.0m, which is by EUR 1.3m worse than in the same period last year.

Financing of Group's current operations and their investment activities is subject to **interest rate risk** as most of borrowings raised bear the Euribor variable interest rate, in lesser extent also other local variable reference interest rates. At the end of the first half-year of 2017, 38.5% of financial liabilities were subject to the contractually agreed fixed interest rate and 61.6% of financial liabilities to the contractually agreed variable interest rate. The latter is treated as interest rate risk. With the purpose to hedge against interest rate risk, the Group applies derivatives by means of which it ensures long-term stability of the reference interest rate. When deciding on hedging, the Group takes into account the forecasts for interest rate fluctuations and the efficiency of the hedging instruments. Upon the end of the first half-year of 2017, 36.4% of Group's financial liabilities were hedged with instruments, hence the total share of financial liabilities with a fixed interest rate accounted for 74.9% of Group's total financial liabilities.

We are managing the **risk of short-term liquidity** by means of approved revolving credit lines per Group companies, approved bank account overdrafts, and bank balances. As at the end of 30 June 2017, the undrawn part of current and non-current credit lines amounted to EUR 58.9m and bank balances to an additional EUR 33.1m. Special attention is drawn to the centralised balancing and controlling of Group's cash flows so that it is at any moment capable to settle all its due liabilities.

OPERATING PERFORMANCE OF GORENJE, D.D.

Operating performance of Gorenje, d. d.

EURm	Q2 2016	Q2 2017	Index	H1 2016	H1 2017	Index
Revenue	165.1	181.4	109.9	336.0	364.1	108.4
Gross profit	169.2	185.5	109.6	341.8	374.8	109.7
Costs of goods, material, services and other operating expenses	-135.4	-151.6	112.0	-273.6	-302.5	110.5
= Value added / VA	33.8	33.9	100.4	68.2	72.3	106.1
VA margin (%)	20.0%	18.3%	/	19.9%	19.3%	/
Comparable value added	33.8	33.9	100.4	68.0	72.3	106.4
EBITDA	9.3	7.9	84.7	19.4	20.5	105.7
EBITDA margin (%)	5.5%	4.2%	/	5.7%	5.5%	/
Comparable EBITDA	9.3	7.9	84.7	19.2	20.5	106.6
EBIT	3.2	0.7	24.5	7.3	6.6	90.7
EBIT margin (%)	1.9%	0.4%	/	2.1%	1.8%	/
Comparable EBIT	3.2	0.7	24.5	7.1	6.6	92.8
Profit or loss before tax	0.0	-0.6	/	1.6	3.1	197.3
Profit or loss for the period	-0.4	-0.6	155.9	0.9	2.5	280.0
ROS (%)	-0.3%	-0.4%	/	0.3%	0.7%	/

Revenue generated by the parent company amounted to EUR 364.1m in the first half-year of 2017 and reflect an increase over the H1 2016 balance by EUR 28.1m or 8.4%.

Revenue generated through the Domestic Appliances activity within the parent company amounted to EUR 338.0m reflecting an increase of 7.0% over the H1 2016 balance, which is primarily the result of higher volume of intra-company sale of appliances within the Group due to its renewed intra-company sales model in line with the amended organisational structure of the Gorenje Group. In addition, the sale of in-house manufactured products grew by 4.6% over the same period in 2016, as well as the sale of products of the Atag brand and the supplementary programme.

Revenue generated through sales beyond the Domestic Appliances activity was recorded at EUR 26.1m and increased by 29.5% if compared to the previous year's same period, which is mostly the result of higher revenue from the sale of coal.

With respect to the H1 2016 balance, the value added increased by EUR 4.1m or 6.1% primarily as a result of:

- higher sales of in-house manufactured appliances (dishwashers and cookers),
- higher sales of small domestic appliances,
- higher sales of premium brand domestic appliances and premium appliances, and
- effective management of the input prices for material and raw materials.

Costs of services increased by EUR 2.6m or 7.2% relative to the same period last year, which is in line with the trend in revenue growth. The biggest increase was recorded with by costs for transportation services (+11.4%) as a result of the Group's renewed intra-company sales model; accordingly, the major part of Group's intra-company sales is since 1 June 2017 conducted via the parent company Gorenje, d. d., which thereby assumes most of the Group's logistics costs.

Employee benefits expense increased in the first half-year of 2017 by 6.3% relative to the last year's same period, mainly as a result of more employees in

the first six months of 2017 (in average 6.4% more employees than in the first half-year of 2016), which is in line with the higher volume of production (7.0% higher production volume over the last year's same period).

With respect to the first six months of 2016, amortisation and depreciation expense increased in the first half-year of 2017 by 14.8%, primarily due to activated production lines and tools in individual programmes (mainly ovens and dishwashers), and due to higher amortisation of intangible assets earmarked for the development of new advanced products (built-in ovens, new generation of washing machines, new dishwashers).

The result from financing activities improved over the H1 2016 balance by EUR 2.2m, which is primarily attributable to the dividend-related income, lower finance costs arising from borrowings, and lower costs arising from exchange differences.

The EBIT for the January-June 2017 period worsened relative to the last year's same period and is primarily the result of higher amortisation of additionally activated intangible assets in connection with capitalising the development, and the depreciation of other assets within the accelerated investment cycle. The balance of other costs and expenses is in accordance with the dynamics of business operations. Other operating expenses were impacted by allowances for receivables in the amount of EUR 1.0m.

As at 30 June 2017, trade receivables were recorded at EUR 180.3m and show an increase of EUR 29.4m in comparison to H1 2016. The average turnover of receivables was 76 days, which is 6 days shorter than the average turnover of receivables in the same period in 2016. Most of the trade receivables refer to related entities (68.8%).

Inventories amounted to EUR 101.0m and with respect to 30 June 2016 show an increase of EUR 9.0m. Inventory turnover amounted to 48 days, which is 1 day shorter than in the same period in 2016.

Trade payables amounted as at 30 June 2017 to EUR 154.8m and show an increase over the same period in 2016 by EUR 31.3m. The average turnover of payables was 85 days, which is 1 day shorter relative to the same period in 2016.

As at 30 June 2017, total financial liabilities amounted to EUR 486.9m, showing an increase of EUR 45.2m in comparison to H1 2016 and reflecting the ever growing centralisation of Group's financial debt management through the parent company. As for the maturity structure of financial liabilities, 56.1% refer to non-current sources whereby the remaining stake represents current sources. Compared to the same period in 2016, the maturity structure worsened by 3.5 p.p., which is attributable to higher short-term portion of long-term borrowings over previous periods and the fact that the current liquidity among Group companies is balanced by the parent company.

As at 30 June 2017, net financial liabilities (measured as the difference between total financial liabilities and cash and cash equivalents) amounted to EUR 475.4m and indicate an increase of EUR 35.9m over the H1 2016 balance.

EUR 84.7m of negative cash flows from operating and investing activities were incurred in the first half-year of 2017, which is worse by EUR 35.1m over the same period last year. The negative cash flow corresponds to the interim dynamics since the cash flow is always negative in the first half-year in view of its seasonal component and the result of the changed Group's intra-company sales, where products of manufacturing companies are almost entirely sold through the parent company to the sales-related and third companies.

Investments amounted to EUR 20.7m in the first half-year of 2017. Overall investments in property, plant and equipment amounted to EUR 11.9m, the largest portion thereof in the amount of EUR 10.9m refers to investments in technological equipment, mostly for developing new products. As for the total investments structure, EUR 8.8m refers to non-material investments which comprise capitalised costs of developing new products.

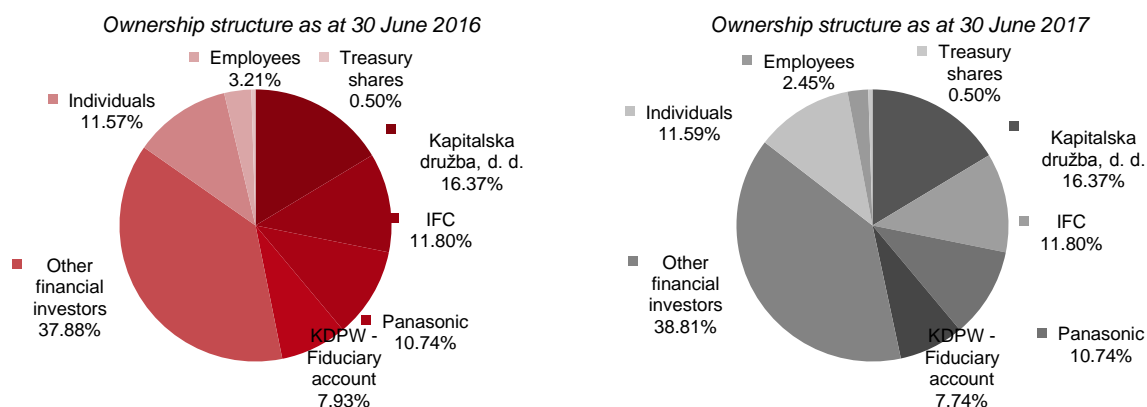
OWNERSHIP STRUCTURE AND THE GRVG SHARE

OWNERSHIP STRUCTURE

As at **30 June 2017**, 12,689 shareholders were entered in the share register, indicating that the number of shareholders declined by 5.4% over the year-end balance of 2016 (13,415).

Gorenje's ten major shareholders and owners

Ten major shareholders	No. of shares (30 Jun 2017)	Share (in %)
KAPITALSKA DRUŽBA, D.D.	3,998,653	16.37%
INTERNATIONAL FINANCE CORPORATION	2,881,896	11.80%
PANASONIC CORPORATION	2,623,664	10.74%
KDPW – FIDUCIARY ACCOUNT	1,889,632	7.74%
HOME PRODUCTS EUROPE B.V.	1,221,231	5.00%
RAIFFEISEN BANK AUSTRIA D.D. – FIDUCIARY ACCOUNT	1,125,573	4.61%
BNP PARIBAS SECURITIES SERVICES S.C.A.	900,000	3.68%
ZAGREBAČKA BANKA D.D. – FIDUCIARY ACCOUNT	896,064	3.67%
AUERBACH GRAYSON & COMPANY LLC	647,165	2.65%
Alpen.SI, mixed flexible sub-fund	588,587	2.41%
Total major shareholders	16,772,465	68.67%
Treasury shares	121,311	0.50%
Other shareholders	7,530,837	30.83%
Total	24,424,613	100%



The number of own shares or treasury shares equals the 2016 year-end balance i.e. at 121,311 treasury shares, which accounts for 0.4967% of total share capital.

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

Supervisory Board	30 Jun 2016		30 Jun 2017	
Total:	3,508	0.0144%	3,570	0.0147%
Peter Kobal	1,355	0.0055%	1,355	0.0055%
Krešimir Martinjak	115	0.0005%	115	0.0005%
Jurij Slemenik	2,038	0.0083%	2,038	0.0083%
Miha Košak⁵			62	0.0003%

⁵ Since 8 July 2016, Miha Košak acts as Supervisory Board member. The shares he owns were obtained prior to taking over the function as Supervisory Board member.

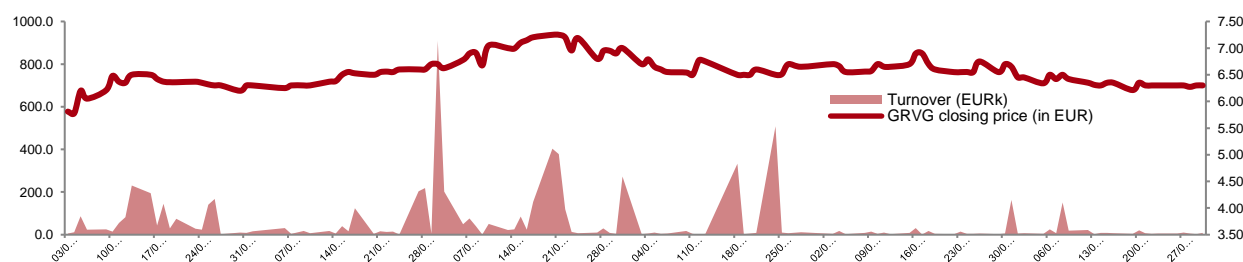
Management Board	30 Jun 2016		30 Jun 2017	
Total:	20,944	0.08575%	22,848	0.0936%
Franc Bobinac	4,096	0.0168%	4,096	0.0168%
Branko Apat	626	0.0026%	626	0.0026%
Drago Bahun	9,082	0.0372%	9,082	0.0372%
Žiga Debeljak⁶			9,044	0.0370%
Peter Groznik⁷	7,140	0.0292%		

The number of the company's shares held by Supervisory Board members has changed in the period from 30 June 2017 to the date of this public announcement. During the Shareholders' Meeting of Gorenje, d. d., which was held on 14 July 2017, Karel Kardov was appointed as Supervisory Board member and owns 33,566 GRVG shares. The number of company's shares owned by Management Board members has not changed in the period from 30 June 2017 to the date of this public announcement.

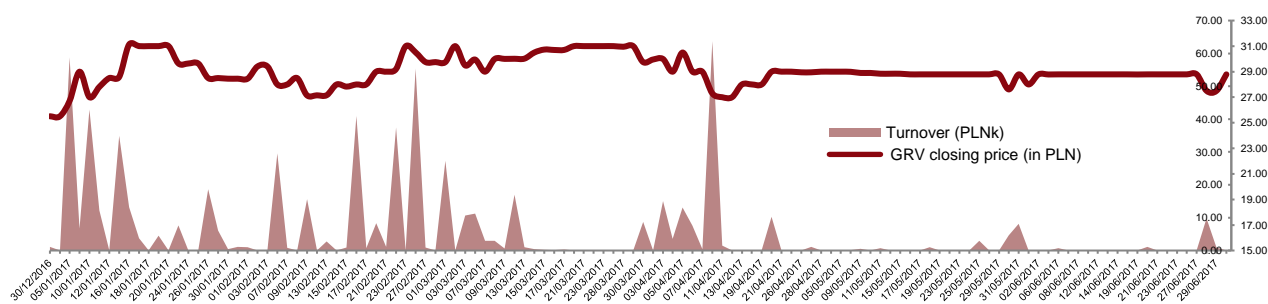
GRVG SHARE IN THE FIRST HALF-YEAR OF 2017

The closing price of the share at the Ljubljana Stock Exchange as the prime market (GRVG) amounted to EUR 6.30 on the last trading day in June 2017 and shows an increase of 5.1% over the last trading day in 2016 (EUR 6.00). The SBITOP prime market index increased in the same period by 11.0%. The total turnover of shares at the Ljubljana and Warsaw Stock Exchange amounted to 1,016,718 shares, whereby the average daily turnover at the Ljubljana Stock Exchange amounted to 8,216 shares and at the Warsaw Stock Exchange to 190 shares per day. The closing price of the share at the Warsaw Stock Exchange increased by 12.9% (from PLN 25.51 or EUR 6.01 to PLN 28.79 or EUR 6.79) over the year-end balance of 2016.

Movement of the GRVG share and daily turnover on the Ljubljana Stock Exchange in the period January-June 2017



Movement of the GRV share and daily turnover on the Warsaw Stock Exchange in the period January-June 2017



⁶ Since 1 May 2017, Žiga Debeljak acts as Management Board member in charge of corporate finance, digital business operations, IT and organisational support, and of business segment ecology, trade and industrial services. The shares he owns were obtained prior to taking over the function as Management Board member.

⁷ Since 28 February 2017, Peter Groznik no longer acts as Management Board member for corporate finance and the business segment of ecology, trade and industrial services.

Basic and diluted earnings per share are calculated as the ratio between the profit or loss of the parent company's owners and the average number of shares issued, less the average balance of treasury shares (24,303,302 shares), amounts to EUR 0.43 (2016: EUR 0.33).

The book value of the GRVG share as at 30 June 2017 amounted to EUR 15.66 (EUR 15.40 as at 31 December 2016). It is calculated as the ratio between the book value of capital of Gorenje, d. d., and the number of issued shares, exclusive of the number of treasury shares as at 30 June 2017 (24,303,302 shares).

The ratio between the market value and the book value of the GRVG share is recorded at 0.40 (0.29 as at 31 December 2016).

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The 24th Shareholders' Meeting of Gorenje, d. d. was held on 14 July, gathering representatives of 77.10% of equity having the right to vote. Franjo Bobinac, President of the Management Board, presented to Gorenje's shareholders the business operations of the Group in 2016 and this year's half-yearly results. The shareholders gave the Management Board and the Supervisory Board a discharge for 2016. Dividends will be this year paid out at EUR 0.10 gross per share. The Shareholders' Meeting appointed Karl Kardov as member to the Supervisory Board. In the spirit of transparency and sound corporate management, the Supervisory Board acquainted the Shareholders' Meeting that it unanimously agreed on 13 July 2017 to offer Franjo Bobinac, the current President of the Management Board, a new term of office and called upon him to submit his decision within 15 days upon the relevant offer. The Supervisory Board assesses that this function's stability is currently in the interest of the company and its shareholders.

With regard to the offer extended to Franjo Bobinac for a new term of office as President and CEO, of which the Supervisory Board informed the Shareholders Assembly on July 14, 2017, Supervisory Board chairman Marko Voljč received on July 26 Franjo Bobinac's consent to appointment, and Mr Voljč informed the Supervisory Board members of the receipt of Mr Bobinac's consent. Therefore, Franjo Bobinac is appointed Gorenje, d.d., President and CEO for the term of office from July 20, 2018 to July 20, 2023.

No other significant events occurred after the date of compiling the balance sheet as of 30 June 2017.

SIGNIFICANT BUSINESS EVENTS IN 2017

JANUARY

Admission of commercial paper GRV05 issued by Gorenje, d.d., to trading on the regulated market

As of 31 January 2017, Gorenje, d.d. successfully completed the offering of commercial paper. The commercial paper with the identification code GRV05 has a 1.30% interest rate. The total par value of the issue amounts to EUR 40.0m. The purpose of the commercial paper issue is to diversify the short-term financing sources, financing of operations with a pronounced seasonal dynamic, and optimisation of financing costs.

FEBRUARY

Gorenje once again the best foreign brand produced in Serbia



For the twelfth year in a row, the Serbian Chamber of Commerce, and the Ministry of Commerce, Tourism, and Telecommunication, selected in the campaign titled "The Best from Serbia" the best brands and companies as rated based on their financial and market achievements. Gorenje was once again found the best foreign brand made in Serbia. The sign "The Best from Serbia" is a symbol of quality and trust from both the customers and business partners. "For Gorenje, this proves that the customers have recognized the innovation, modern technology, quality, and reliability of our appliances, as well as the comprehensive service that we provide through our after-sales services, and by which we have been building their trust for many years," stresses Gorenje Belgrade managing director Stanka Pejanović.

Gorenje a proud sponsor of the Slovenian Nordic Ski Team for 25 years



This year, Gorenje celebrates a quarter century of partnership with the Slovenian Nordic Ski Teams – ski jumpers, cross-country skiers, and the Nordic combined team. Years of general sponsorship have turned into an inspiring and honest friendship as today's sports champions grew up at their clubs with Gorenje by their side through all their ups and downs. With consistent support through all the years, we made it possible for Slovenian ski jumping and cross-country skiing to be at the very top in the world today. To commemorate 25 years of our cooperation with the Nordic Ski Team, Gorenje is preparing a travelling exhibition and many promotional activities. Moreover, we will again invite the buyers of our products to the grand finale of the ski jumping season

in Planica.

MARCH

Gorenje donates a cooking hob adapted for blind and partially sighted persons

Gorenje Group's donation will allow students of the Iris Centre for Education, Rehabilitation, Inclusion and Counselling for the Blind and Partially Sighted to safely cook, which is an important step on their path to living an independent life. The cooking hob of our premium Atag brand, fitted with specially adapted silicone coating that allows safe use for the blind and visually impaired, is the first of its kind in Slovenia. Humanitarian efforts are an integral part of Gorenje Group's corporate social responsibility, and we are looking to assist those in need both in Slovenia and in other countries of our presence by donating appliances and funds, and by taking part in humanitarian projects.



ASKO holds a glamorous Pro Home Laundry launch in Stockholm

Gorenje Group's premium brand ASKO, a Scandinavian specialist in high quality kitchen and laundry appliances, announced the launch of its new laundry products, ASKO Pro Home Laundry.

Creating the new Pro Home Laundry series ASKO applied the user-centred design development process, translating and implementing it into the user interface of the new laundry products. By using key insights obtained from hours of consumer interviews and observational studies, the ASKO Pro Home Laundry range of washing machines and tumble dryers therefore deliver both: premium design and functionality. ASKO washers compared to competitors' have unique features – Steel Seal and the Quattro Construction, with addition of a premium look and feel as ASKO uses steel where competitors use plastic.



APRIL

Gorenje Group wins another 4 Red dot awards for superior design



reddot design award

In the competition of over 5500 entries from all over the world, four of our products under the brands Gorenje and ASKO received this year's Red dot design awards. The expert committee recognized the outstanding design of the Gorenje multifunctional ovens and new generation of gas hobs while also awarding two Red dot Best of the Best awards for ground breaking design to the ASKO washers and dryers. This marks the 18th

consecutive year for Gorenje Group to be awarded with the Red Dot - the internationally sought-after seal of quality.



Gorenje Orodjarna wins the golden award at the International Industry Fair

It has become a tradition for Gorenje Orodjarna to participate in the International Industry Fair in Celje. This year they presented an extremely complex and advanced tool for the fabrication of car components and received the highest, golden award from the expert committee.

Rog opens a showroom in the BTC City shopping centre in Ljubljana

Exactly five months after the presentation and the beginning of the sales of the legendary Pony bikes, Rog opened a special showroom in Hall A of the BTC City shopping centre in Ljubljana, where visitors will be able to view, test and buy bikes, also the unique limited edition ones, and other products from the Rog product range. Opening of the Rog showroom represents the beginning of sales of Pony bikes, the modern and attractive bikes with even more refined ergonomics and top quality materials. There are as many as 28 versions available, including bikes with a fixed gear ratio and bikes with three or five gears and many different colour combinations.



Franjo Bobinac the new Slovenian representative at the Trilateral Commission

The Trilateral Commission is a global union of economists, politicians and academics with the purpose of encouraging good relations and strengthening cooperation between different spheres of the society. At the end of this March, Franjo Bobinac, the President of the Management Board of Gorenje, was named as the representative of Slovenia at the Trilateral Commission. He was named at the Commission's invitation. Before Bobinac, this honourable position belonged to

Marko Voljč, long-time President of NLB and member of the Management Board of KBC Bank.

MAY

Gorenje Group a part of the prominent European TCG Retail Summit

As a leading European home appliance manufacturer, Gorenje Group took part in this year's European Technical Consumer Goods Summit, an international forum that brings together the world's key dealers and manufacturers of domestic appliances, consumer electronics, and telecommunication and IT equipment. *»Participation at the European Technical Consumer Goods Summit is a unique opportunity for establishing contacts and consolidating our cooperation with major distributors and retailers of electric appliances in the world. For us as a manufacturer it is of utmost importance to keep track of, understand, and be able to predict the trends and the general directions of development for the distribution channels in which we sell most of our products, and to be able to respond to the changes in a timely and effective manner. At the same time, we are presenting the Gorenje Group and, by taking part in the most important forum of technical consumer goods dealers, strengthening the reputation of our brands and the entire corporation,«* emphasised **Franjo Bobinac**, Gorenje's CEO.

The fire in the company Kemis, d.o.o.

Information on the fire in the company Kemis, d. o. o. is outlined in the business report hereof, on page 16.

Second issue of GV02 bonds

On 11 May 2017, Gorenje, d.d., Velenje issued 5-year corporate notes with a fixed interest rate of 2.45% p.a. and total nominal value of EUR 19.5 million. The notes were issued in dematerialized form by registration to the note holders' accounts with the KDD (Central Securities Clearing Corporation d.d., Ljubljana), in compliance with the KDD rules. In the first offering, the notes were subscribed and paid up by 63 investors.

Gorenje wins Top Serbian Brands award

Gorenje brand received the Top Serbian Brands 2016 award in Serbia, and with that the title of the most popular electronics brand among Serbian users in 2016.



Gorenje Group wins the Innovator of the Year Award at the Sarajevo Business Forum



At this year's Sarajevo Business Forum (SBF), Gorenje Group won the Sarajevo Business Bridge Innovator of the Year Award. This award is given to individuals or businesses that have shown a significant degree of innovation and/or creative thinking, operating within the SEE Region. The innovation can be seen through the development of new

methodologies, approaches, products or services which have met the needs of end-users.

Gorenje Group earned the award as one of the leading European home appliance manufacturers, following its vision of becoming the most design-driven innovator in home appliance design in the world. The award was presented to the

managing director of Gorenje Commerce Robert Polšak at a festive ceremony held as a part of the SBF.

Microsoft HoloLens at Gorenje: how we keep the future of design within our (virtual) reach

On 16 May 2017, Mr. Mario Vogl and a team of experts for new digital services presented at the NT conference in Portorož, organised by Microsoft, the Gorenje Group's digital strategy and the use of the HoloLens technology in a more advanced and efficient product development. In cooperation with Microsoft, Gorenje set up a virtual refrigerator in front of a live audience in the hall and showed the changing of form, the working of individual functions and the wizard for food storage in connection with support services and data bases. Gorenje Group is the first Slovenian company that demonstrated the use of the HoloLens technology in practice.



JUNE

Gorenje becomes one of the biggest partners of European handball



Gorenje, one of the leading European home appliance manufacturers is becoming part of a new sports story. By signing a three season contract for VELUX EHF Champions League and a deal for two consecutive Men's EHF EURO tournaments we are becoming one of the biggest partners of European handball. Sports sponsorships certainly boost recognition of Gorenje brand in the international market and to date

they rested on two pillars: the sponsorship of the Slovenian Nordic ski team and of handball – the sponsorship of the Gorenje Velenje Handball Club, and of the Slovenian Handball Federation. By sponsoring handball at the European level we are strengthening growth of our global brand recognition and thus support the implementation of Gorenje Group strategy of global growth.

“Wrong parking” wins Gorenje a DiggIt award

At the sixth DiggIt, Slovenian digital communications conference, Gorenje won the golden award for the project “Gorenje Retro Special Edition: Wrong parking”. The annual conference brings together is the meeting point for the latest knowledge of the fast-moving digital world and awards best practices. Inspired by the famous van from the 50's, the Gorenje Retro Special Edition fridge, officially licensed by Volkswagen, recently caused quite some excitement among the consumers. Its online promotional video, "Gorenje Retro Special Edition: Wrong parking", prepared in cooperation with the advertising agency AV studio impressed this year's jury, which awarded it with the Gold Award in the category Home products.

The aim of the competition is to reward original digital solutions, which take advantage of the digital world in innovative and creative ways.



Environmental research company ERICo to become part of the Eurofins Group

Eurofins Scientific, the global leader in environment testing, has signed an agreement with the shareholders of ERICo (Environmental Research & Industrial Co-operation), to acquire this leading independent laboratory for environment testing services in Slovenia.

This expected acquisition therefore represents a solid entry platform for Eurofins, and for ERICo an opportunity for further stable development and gaining of valuable expertise as a part of a leading global corporation in the field of environment, food and pharmaceuticals testing.

JULY

Corporate University of Gorenje - founded to promote innovation

Corporate University is an umbrella term for a number of training and education programs intended for development of key employees. It is an important tool for the pursuit of the company's strategic goals. It involves acquiring and pooling knowledge, transferring best practices, developing a culture of innovation, connecting different business cultures, and consolidating corporate values. These efforts are also supported by cooperation with educational institutions.

»A learning organizational culture is becoming the most important asset a company can build to steer the employees and propel corporate growth," emphasised **Irena Vodopivec**, director of the Corporate University of Gorenje that was **recognized by the European Commission as an example of good practice promoting corporate growth and development**, as a part of the Commission's UBC (University-Business Cooperation in Europe).



ACCOUNTING REPORT

Reporting entity

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

Consolidated financial statements of Gorenje, d.d., for the period January-June that ended 30 June 2017 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 domestic appliances.

Basis of preparation

(a) Statement of compliance

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

The Management Board of Gorenje, d.d., confirmed these interim financial statements on 20 July 2017.

(b) Use of estimates and judgements

In the course of drawing up these interim financial statements, the company management made judgements, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, 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 2016.

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 2016.

Since 1 January 2017, the Gorenje Group discloses income and expenses from allowances for receivables among operating income and expenses. They were previously or by up to 2016 recorded among finance income and costs.

Changes in the Composition of the Gorenje Group

Changes that occurred in the composition of the Gorenje Group up to and including 30 June 2017 were as follows:

- as at 1 January 2017, the company Gorenje Studio, d.o.o., Ljubljana, was merged with the company Gorenje GSI, d.o.o., Ljubljana.
- as at 1 January 2017, the company Gorenje Studio, d.o.o., Serbia, was merged with the company Gorenje, d.o.o., Serbia.
- as at 21 April 2017, the company Gorenje Surovina RECE, ravnanje z odpadki, proizvodnja, posredovanje, trgovina in druge storitve d.o.o., was established; the company Gorenje Surovina, d.o.o., Maribor is its sole owner (100%).
- as at 25 April 2017, the company Gorenje, d.d., Velenje purchased the equity interest of Avtotehna in the company ZEOS, d.o.o., Ljubljana. Accordingly, Gorenje d.d., Velenje owns a 55.98% interest of the company ZEOS, d.o.o., Ljubljana.

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

Companies operating in Slovenia		Equity interest in %	Business activity
1.	Gorenje I.P.C., d. o. o., Velenje	100.00	DA
2.	Gorenje GTI, d. o. o., Velenje	100.00	OB
3.	Gorenje Gostinstvo, d. o. o., Velenje	100.00	OB
4.	Energygor, d. o. o., Velenje	100.00	OB
5.	Kemis, d. o. o., Vrhnika	100.00	OB
6.	Gorenje Orodjarna, d. o. o., Velenje	100.00	OB
7.	ZEOS, d. o. o., Ljubljana	55.98	OB
8.	Gorenje Surovina, d. o. o., Maribor	100.00	OB
9.	Indop, d. o. o., Šoštanj	100.00	OB
10.	ERICo, d. o. o., Velenje	51.00	OB
11.	Gorenje GAIO, d. o. o., Šoštanj	100.00	OB
12.	Gorenje GSI, d. o. o., Ljubljana	100.00	DA
13.	Gorenje Keramika, d. o. o., Velenje	100.00	OB
14.	Gorenje EKOINVEST, d. o. o., Velenje	100.00	OB
15.	Gorenje HS, d. o. o., Velenje	65.00	OB
16.	Gorenje Surovina RECE, d. o. o., Maribor	100.00	OB

Foreign operations		Equity interest in %	Business activity
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 Körting Italia S.r.l., Italy	100.00	DA
5.	Gorenje France S.A.S., France	100.00	DA
6.	Gorenje Espana, S.L., Spain	100.00	DA
7.	Gorenje UK Ltd., Great Britain	100.00	DA
8.	Gorenje Group Nordic A/S, Denmark	100.00	DA

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9.	Gorenje spol. s r.o., Czech Republic	100.00	DA
10.	Gorenje real spol. s r.o., Czech Republic	100.00	DA
11.	Gorenje Slovakia s.r.o., Slovakia	100.00	DA
12.	Gorenje Magyarország Kft., Hungary	100.00	DA
13.	Gorenje Polska Sp. z o.o., Poland	100.00	DA
14.	Gorenje Bulgaria EOOD, Bulgaria	100.00	DA
15.	Gorenje Zagreb, d.o.o., Croatia	100.00	DA
16.	Gorenje Skopje, d.o.o., Macedonia	100.00	DA
17.	Gorenje Commerce, d.o.o., Bosnia and Herzegovina	100.00	DA
18.	Gorenje, d.o.o., Serbia	100.00	DA
19.	Gorenje Podgorica, d.o.o., Montenegro	99.975	DA
20.	Gorenje Romania S.r.l., Romania	100.00	DA
21.	Gorenje aparati za domaćinstvo, d.o.o., Serbia	100.00	DA
22.	Mora Moravia s r.o., Czech Republic	100.00	DA
23.	Gorenje - kuchyně spol. s r.o., Czech Republic	100.00	DA
24.	KEMIS-Termoclean, d.o.o., Croatia	100.00	OB
25.	Kemis - BH, d.o.o., Bosnia and Herzegovina	100.00	OB
26.	Gorenje Gulf FZE, United Arab Emirates	100.00	DA
27.	Gorenje Tiki, d.o.o., Serbia	100.00	OB
28.	Gorenje Istanbul Ltd., Turkey	100.00	DA
29.	Gorenje TOV, Ukraine	100.00	DA
30.	ST Bana Nekretnine, d.o.o., Serbia	100.00	OB
31.	Kemis Valjevo, d.o.o, Serbia	100.00	OB
32.	ATAG Nederland BV, the Netherlands	100.00	DA
33.	ATAG België NV, Belgium	100.00	DA
34.	Intell Properties BV, the Netherlands	100.00	DA
35.	Gorenje Nederland BV, the Netherlands	100.00	DA
36.	Gorenje Kazakhstan, TOO, Kazakhstan	100.00	DA
37.	OOO Gorenje BT, Russia	100.00	DA
38.	Gorenje GTI, d.o.o., Beograd, Serbia	100.00	OB
39.	Asko Appliances AB, Sweden	100.00	DA
40.	Gorenje North America, Inc., USA	100.00	DA
41.	Asko Appliances Pty, Australia	100.00	DA
42.	Asko Appliances OOO, Russia	100.00	DA
43.	»Gorenje Albania« SHPK, Albania	100.00	DA
44.	Gorenje Home d.o.o., Zaječar, Serbia	100.00	DA
45.	Gorenje Ekologija, d.o.o., Stara Pazova, Serbia	100.00	OB
46.	Gorenje Corporate GmbH, Austria	100.00	DA
47.	Cleaning system S, d.o.o., Serbia	100.00	OB
48.	ZEOS eko-sistem d.o.o., Bosnia and Herzegovina	49.45	OB
49.	Gorenje do Brasil Ltda., Brasil	100.00	DA

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50.	Gorenje Asia Ltd., China	100.00	DA
51.	Gorenje MDM d.o.o. Kragujevac, Serbia	100.00	OB
52.	Gorenje Chile SpA, Chile	100.00	DA
53.	Gorenje AEC, LLC, Thailand	100.00	DA
54.	INDOP GORENJE GmbH, Germany	100.00	OB
55.	Novi Elind, d.o.o., Serbia	100.00	DA

DA – Domestic Appliances
OB – Other Business

Associates:

- Gorenje Projekt, d.o.o., Velenje
- GGE, d.o.o., Ljubljana
- Gorenje Projekt, d.o.o., Serbia
- EKON ELEKTRON, d.o.o., Macedonia
- K.Tivoli, d.o.o., Ljubljana
- GGE EOL, d.o.o., Ljubljana (inactive)
- GGE, d.o.o., Croatia
- GGE Montenegro, d.o.o., Montenegro
- GGE Bulgaria OOD, Bulgaria
- GGE Netherlands B.V., the Netherlands
- GOR Kolesa, d.o.o., Velenje
- GGE ESCO, d.o.o., Serbia
- Gorenje Projekt RU, d.o.o., Russia

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

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

Unaudited Condensed Consolidated Financial Statements of
the Gorenje Group

Condensed Consolidated Balance Sheet of the Gorenje Group

EURk	Balance at 30 Jun 2016	%	Balance at 31 Dec 2016	%	Balance at 30 Jun 2017	%
ASSETS	1,133,813	100.0%	1,131,829	100.0%	1,199,576	100.0%
Non-current assets	608,149	53.6%	637,181	56.3%	632,443	52.7%
Intangible assets	200,000	17.6%	208,872	18.4%	214,385	17.9%
Property, plant and equipment	357,306	31.5%	375,709	33.2%	374,511	31.2%
Investment property	14,814	1.3%	14,957	1.3%	10,112	0.8%
Non-current investments	6,675	0.6%	6,563	0.6%	3,373	0.3%
Investments in associates	2,438	0.2%	2,945	0.3%	2,671	0.2%
Non-current trade receivables	2,979	0.3%	2,481	0.2%	2,384	0.2%
Deferred tax assets	23,937	2.1%	25,654	2.3%	25,007	2.1%
Current assets	525,664	46.4%	494,648	43.7%	567,133	47.3%
Non-current assets held for sale	317	0.0%	314	0.0%	314	0.0%
Inventories	245,670	21.7%	225,954	20.0%	264,442	22.1%
Current investments	12,098	1.1%	8,821	0.8%	10,036	0.8%
Trade receivables	192,825	17.0%	165,786	14.6%	208,409	17.4%
Other current assets	55,367	4.9%	58,531	5.2%	50,860	4.2%
Cash and cash equivalents	19,387	1.7%	35,242	3.1%	33,072	2.8%
EQUITY AND LIABILITIES	1,133,813	100.0%	1,131,829	100.0%	1,199,576	100.0%
Equity	368,411	32.5%	374,238	33.1%	380,518	31.7%
Share capital	101,922	9.0%	101,922	9.0%	101,922	8.4%
Share premium	174,502	15.3%	174,502	15.4%	174,502	14.5%
Revenue reserves	99,301	8.8%	46,015	4.1%	46,015	3.8%
Treasury shares	-3,170	-0.3%	-3,170	-0.3%	-3,170	-0.3%
Retained earnings	3,874	0.3%	63,152	5.6%	67,428	5.6%
Translation reserve	-17,178	-1.5%	-17,071	-1.5%	-14,615	-1.2%
Fair value reserve	7,382	0.7%	6,724	0.6%	6,568	0.5%
Equity of holders of the parent	366,633	32.3%	372,074	32.9%	378,650	31.5%
Equity of non-controlling interests	1,778	0.2%	2,164	0.2%	1,868	0.2%
Non-current liabilities	353,473	31.2%	350,687	31.0%	368,514	30.7%
Provisions	61,281	5.4%	64,143	5.7%	62,419	5.2%
Deferred income	5,323	0.5%	5,037	0.4%	5,171	0.4%
Non-current operating liabilities	4,418	0.4%	3,672	0.3%	4,013	0.3%
Deferred tax liabilities	2,585	0.2%	2,219	0.2%	2,465	0.2%
Non-current financial liabilities	279,866	24.7%	275,616	24.4%	294,446	24.6%
Current liabilities	411,929	36.3%	406,904	35.9%	450,544	37.6%
Current financial liabilities	150,921	13.3%	101,226	8.9%	151,735	12.7%
Trade payables	171,172	15.1%	223,725	19.8%	193,080	16.1%
Other current liabilities	89,836	7.9%	81,953	7.2%	105,729	8.8%

Condensed Consolidated Income Statement of the Gorenje Group

EURk	Q2 2016	%	Q2 2017	%	Jan-Jun 2016	%	Jan-Jun 2017	%
Revenue	295,823	95.8%	318,202	95.4%	581,284	95.0%	623,875	94.6%
Change in inventories	9,704	3.1%	6,772	2.0%	20,511	3.4%	22,063	3.3%
Other operating income	3,398	1.1%	8,479	2.5%	9,763	1.6%	13,793	2.1%
Gross profit	308,925	100.0%	333,453	100.0%	611,558	100.0%	659,731	100.0%
Costs of goods, materials and services	-224,002	-72.5%	-243,361	-73.0%	-446,403	-73.0%	-484,118	-73.4%
Costs of goods sold	-56,026	-18.1%	-66,268	-19.9%	-121,579	-19.9%	-134,571	-20.4%
Costs of materials	-117,911	-38.2%	-122,464	-36.7%	-228,592	-37.4%	-241,824	-36.7%
Costs of services	-50,065	-16.2%	-54,629	-16.4%	-96,232	-15.7%	-107,723	-16.3%
Other operating expenses	-4,702	-1.5%	-8,413	-2.5%	-9,870	-1.6%	-14,066	-2.1%
Added value/AV	80,221	26.0%	81,679	24.5%	155,285	25.4%	161,547	24.5%
Employee benefits expense	-58,475	-18.9%	-61,723	-18.5%	-115,063	-18.8%	-120,966	-18.3%
EBITDA	21,746	7.0%	19,956	6.0%	40,222	6.6%	40,581	6.2%
Amortisation and depreciation expense	-11,785	-3.8%	-13,248	-4.0%	-23,495	-3.8%	-26,018	-3.9%
EBIT	9,961	3.2%	6,708	2.0%	16,727	2.7%	14,563	2.2%
Result of financing activities	-6,860	-2.2%	-4,203	-1.3%	-11,958	-2.0%	-7,684	-1.2%
Result of revaluations	71	0.0%	98	0.0%	1,351	0.2%	42	0.0%
Result of other financing movements	-6,931	-2.2%	-4,301	-1.3%	-13,309	-2.2%	-7,726	-1.2%
Share in profits/losses of associates	-87	0.0%	-173	-0.1%	-121	0.0%	-274	0.0%
Profit before tax	3,014	1.0%	2,332	0.7%	4,648	0.8%	6,605	1.0%
Income tax expense	-1,495	-0.5%	42	0.0%	-2,559	-0.4%	-2,180	-0.3%
Profit for the period	1,519	0.5%	2,374	0.7%	2,089	0.3%	4,425	0.7%
Attributable to non-controlling interests	66	0.0%	76	0.0%	158	0.0%	149	0.0%
Attributable to equity holders of the parent	1,453	0.5%	2,298	0.7%	1,931	0.3%	4,276	0.6%
Basic and diluted earnings per share (in EUR)	0.03		0.43		0.03		0.43	

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

EURk	Jan-Jun 2016	Jan-Jun 2017
Profit for the period	2,089	4,425
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss	0	0
Change in fair value of land		
Items that may be reclassified subsequently to profit or loss	-232	2,300
Net change in fair value of available-for-sale financial instruments	-20	5
Effective portion of changes in gains and losses from hedging instruments in cash flow hedges	-2,702	-496
Effective portion of changes in gains and losses from hedging instruments on cash flow hedges, reclassified to profit or loss	347	396
Income tax on other comprehensive income	272	-61
Translation reserve	1,871	2,456
Other comprehensive income for the period	-232	2,300
Total comprehensive income for the period	1,857	6,725
Attributable to equity holders of the parent	1,699	6,576
Attributable to non-controlling interests	158	149

Condensed Consolidated Statement of Cash Flows of the Gorenje Group

EURk	Jan-Jun 2016	Jan-Jun 2017
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit or loss for the period	2,089	4,425
Adjustments for:		
-Depreciation of property, plant and equipment	19,048	20,774
-Amortisation of intangible assets	4,447	5,244
-Investment income	-3,634	-2,527
-Finance expenses	15,713	10,485
-Gain on sale of property, plant and equipment	-71	-478
-Income tax expense	2,559	2,180
Cash flow from operating activities before changes in net operating current assets and provisions	40,151	40,103
Change in trade and other receivables	-35,061	-33,093
Change in inventories	-19,770	-38,488
Change in provisions	-857	-1,590
Change in trade and other payables	-30,402	-6,486
Cash generated from operations	-86,090	-79,657
Interest paid	-8,096	-6,884
Income tax paid	-1,987	-1,789
Net cash from operating activities	-56,022	-48,227
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	2,448	3,737
Interest received	313	334
Dividends received	-121	-216
Acquisition of property, plant and equipment	-19,681	-20,065
Acquisition of an associated company	-1,130	0
Other investments	397	1,954
Acquisition of intangible assets	-10,440	-10,649
Net cash used in investing activities	-28,214	-24,905
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings/Repayment of borrowings	72,013	70,962
Net cash used in financing activities	72,013	70,962
Net change in cash and cash equivalents	-12,223	-2,170
Cash and cash equivalents at beginning of period	31,610	35,242
Cash and cash equivalents at end of period	19,387	33,072

Condensed Consolidated Statement of Change in Equity of the Gorenje Group

EURK	Share capital	Share premium	Revenue reserves				Treasury shares	Retained earnings		Translation reserve	Fair value reserve	Equity holders of the parent	Non-controlling interests	Total
			Legal reserves	Statutory reserves	Treasury share reserve	Other revenue reserves		Profit or loss from previous periods	Profit or loss for the period					
Opening balance at 1 Jan 2016	101,922	174,502	12,896	7,556	3,170	75,679	-3,170	6,145	-4,202	-19,049	9,485	364,934	3,128	368,062
Total comprehensive income for the period														
Profit for the period									1,931			1,931	158	2,089
Total other comprehensive income										1,871	-2,103	-232	0	-232
Total comprehensive income for the period	0	0	0	0	0	0	0	0	1,931	1,871	-2,103	1,699	158	1,857
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								-4,202	4,202			0		0
Total contributions by owners and distributions to owners	0	0	0	0	0	0	0	-4,202	4,202	0	0	0	0	0
Change in equity interests in subsidiaries that do not result in a loss of control														
Change in equity interests												0	-1,508	-1,508
Total changes in equity interests in subsidiaries	0	0	0	0	0	0	0	0	0	0	0	0	-1,508	-1,508
Total transactions with owners	0	0	0	0	0	0	0	-4,202	4,202	0	0	0	-1,508	-1,508
Closing balance at 30 Jun 2016	101,922	174,502	12,896	7,556	3,170	75,679	-3,170	1,943	1,931	-17,178	7,382	366,633	1,778	368,411

Unaudited Consolidated Financial Statements
January-June 2017

EURK	Share capital	Share premium	Revenue reserves				Treasury shares	Retained earnings		Translation reserve	Fair value reserve	Equity holders of the parent	Non-controlling interests	Total
			Legal reserves	Statutory reserves	Treasury share reserve	Other revenue reserves		Profit or loss from previous periods	Profit or loss for the period					
Opening balance at 1 Jan 2017	101,922	174,502	12,896	7,919	3,170	22,030	-3,170	55,592	7,560	-17,071	6,724	372,074	2,164	374,238
Total comprehensive income for the period														
Profit for the period									4,276			4,276	149	4,425
Total other comprehensive income										2,456	-156	2,300		2,300
Total comprehensive income for the period	0	0	0	0	0	0	0	0	4,276	2,456	-156	6,576	149	6,725
Transactions with owners (when acting as owners) recognised directly in equity														
Contributions by owners and distribution to owners														
Transfer of profit or loss from previous period to retained earnings or losses								7,560	-7,560			0		0
Total contributions by owners and distributions to owners	0	0	0	0	0	0	0	7,560	-7,560	0	0	0	0	0
Change in equity interests in subsidiaries that do not result in a loss of control														
Change in equity interests												0	-445	-445
Total changes in equity interests in subsidiaries	0	0	0	0	0	0	0	0	0	0	0	0	-445	-445
Total transactions with owners	0	0	0	0	0	0	0	7,560	-7,560	0	0	0	-445	-445
Closing balance at 30 Jun 2017	101,922	174,502	12,896	7,919	3,170	22,030	-3,170	63,152	4,276	-14,615	6,568	378,650	1,868	380,518

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 2016	31 Dec 2016	30 Jun 2017	30 Jun 2017
Available-for-sale investments	2,247	2,247	2,206	2,206
Land and investment property	53,608	53,608	48,375	48,375
Non-current loans and deposits	2,403	2,403	2,398	2,398
Non-current trade receivables	2,481	2,481	2,384	2,384
Current loans and deposits	5,931	5,931	7,391	7,391
Derivatives	-2,509	-2,509	-1,182	-1,182
Trade receivables	165,786	165,786	208,409	208,409
Other current assets	47,333	47,333	38,531	38,531
Cash and cash equivalents	35,242	35,242	33,072	33,072
Non-current financial liabilities (variable interest rate)	-183,758	-183,758	-187,441	-187,441
Non-current financial liabilities (fixed interest rate)	-91,858	-81,917	-107,005	-99,227
Non-current operating liabilities	-3,672	-3,672	-4,013	-4,013
Current financial liabilities	-98,201	-98,201	-150,333	-150,333
Trade payables	-223,725	-223,725	-193,080	-193,080
Other current payables	-44,420	-44,420	-48,782	-48,782
Total	-333,112	-323,171	-349,070	-341,292

Fair value scale

31 December 2016

EURk	Level 1 ⁸	Level 2 ⁹	Level 3 ¹⁰	Total
Available-for-sale financial assets	510	79	1,658	2,247
Derivatives – assets	-	516	-	516
Derivatives – liabilities	-	-3,025	-	-3,025
Land and investment property	-	-	53,608	53,608

30 June 2017

EURk	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	507	82	1,617	2,206
Derivatives – assets	-	220	-	220
Derivatives – liabilities	-	-1,402	-	-1,402
Land and investment property	-	-	48,375	48,375

Related party transactions

EURk	Transaction value		Balance	
	Jan-Jun 2016	Jan-Jun 2017	30 Jun 2016	30 Jun 2017
Revenue				
Gorenje Group companies	129	268	539	524
Costs				
Gorenje Group companies	125	808	90	720

⁸ Level 1: stock price (unadjusted) on the active market of identical assets and liabilities,

⁹ 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,

¹⁰ Level 3: data on the value of assets and liabilities not based on the active market.

Business and Geographical Segments of the Gorenje Group

EURk	Domestic Appliances		Other Business		Group	
	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun
	2016	2017	2016	2017	2016	2017
Revenue from sales to third parties	492,853	508,160	88,430	115,715	581,283	623,875
Inter-business activities sale	4,202	4,644	18,664	12,073	22,866	16,717
Interest income	271	229	42	105	313	334
Interest expenses	-7,489	-6,337	-261	-151	-7,750	-6,488
Amortisation and depreciation expense	-19,067	-21,298	-4,428	-4,720	-23,495	-26,018
Operating profit or loss before tax	1,480	4,346	3,168	2,259	4,648	6,605
Income tax expense	-2,148	-1,765	-411	-415	-2,559	-2,180
Profit or loss for the period	-668	2,581	2,757	1,844	2,089	4,425
Total assets *	992,655	1,056,142	139,174	143,434	1,131,829	1,199,576
Total liabilities *	699,949	752,092	57,642	66,966	757,591	819,058

* Note: data used for 2016 were recorded as at 31 December 2016

EURk	Western Europe		Eastern Europe		Other		Group	
	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun
	2016	2017	2016	2017	2016	2017	2016	2017
Revenue from sales to third parties	232,946	224,023	298,965	336,284	49,372	63,568	581,283	623,875

Financial indicators

This report discloses financial statements prepared in accordance with International Financial Reporting Standards (IFRSs). In addition to these statements and notes, the report provides financial and other ratios as well as indicators that are earmarked for monitoring trends in the Gorenje Group's business operations. 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 2016	Jan-Jun 2017
INDICATORS OF PROFITABILITY		
Net return on sales (ROS)	0.4%	0.7%
Return on assets (ROA)	3.6%	3.3%
Net return on equity (ROE)	0.3%	2.9%
ASSET INDICATORS		
Asset turnover ratio	1.11	1.12
Inventory turnover ratio	5.21	5.26
Current trade receivables turnover ratio	6.64	6.69
INVESTMENT INDICATORS		
Fixed assets (PPE) to total assets	0.49	0.49
Current assets to total assets	0.54	0.53
INDICATORS OF FINANCIAL COMPOSITION		
Long-term coverage of non-current assets	1.19	1.18
Equity to total liabilities	0.32	0.32
Long-term to total liabilities	0.64	0.62
Equity to fixed assets (carrying value)	0.66	0.65
Quick ratio (liquid assets to current liabilities)	0.08	0.10
(Liquid assets + current receivables) to current liabilities	0.68	0.67
Current ratio	1.28	1.26
Net financial liabilities to equity	1.08	1.06
OPERATING PERFORMANCE INDICATORS		
Operating income to operating expenses	1.03	1.02
Revenue per employee (EUR)	54,647	56,608
Value added per employee (EUR)	14,599	14,658

Unaudited Condensed Financial Statements of Gorenje, d.d.
Condensed Balance Sheet of Gorenje, d.d.

EURk	Balance at 30 Jun 2016	%	Balance at 31 Dec 2016	%	Balance at 30 Jun 2017	%
ASSETS	969,731	100.0%	987,867	100.0%	1,057,590	100.0%
Non-current assets	527,334	54.4%	596,127	60.3%	719,795	68.1%
Intangible assets	50,738	5.2%	59,396	6.0%	65,441	6.2%
Property, plant and equipment	194,506	20.1%	205,416	20.8%	205,852	19.5%
Investment property	12,985	1.3%	12,948	1.3%	8,676	0.8%
Investments in subsidiaries	248,453	25.6%	295,745	29.9%	295,786	28.0%
Investments in associates	1,639	0.2%	2,064	0.2%	2,064	0.2%
Other non-current investments	1,690	0.2%	2,029	0.2%	123,955	11.7%
Deferred tax assets	17,323	1.8%	18,529	1.9%	18,021	1.7%
Current assets	442,397	45.6%	391,740	39.7%	337,795	31.9%
Inventories	91,995	9.5%	88,564	9.0%	101,015	9.5%
Current investments	181,070	18.7%	144,432	14.6%	28,573	2.7%
Trade receivables	150,889	15.5%	130,860	13.3%	180,256	17.0%
Other current assets	16,188	1.7%	13,141	1.3%	16,464	1.6%
Cash and cash equivalents	2,255	0.2%	14,743	1.5%	11,487	1.1%
EQUITY AND LIABILITIES	969,731	100.0%	987,867	100.0%	1,057,590	100.0%
Equity	358,479	37.0%	361,554	36.6%	364,312	34.4%
Share capital	101,922	10.5%	101,922	10.3%	101,922	9.6%
Share premium	156,639	16.2%	156,639	15.9%	156,639	14.8%
Revenue reserves	99,301	10.2%	46,015	4.6%	46,015	4.4%
Treasury shares	-3,170	-0.3%	-3,170	-0.3%	-3,170	-0.3%
Retained earnings	892	0.1%	56,914	5.8%	59,412	5.6%
Fair value reserve	2,895	0.3%	3,234	0.3%	3,494	0.3%
Non-current liabilities	282,724	29.1%	276,592	28.0%	291,712	27.6%
Provisions	19,696	2.0%	20,940	2.1%	18,729	1.8%
Non-current financial liabilities	263,028	27.1%	255,652	25.9%	272,983	25.8%
Current liabilities	328,528	33.9%	349,721	35.4%	401,566	38.0%
Current financial liabilities	178,705	18.4%	151,489	15.3%	213,911	20.2%
Trade payables	123,526	12.8%	177,734	18.0%	154,822	14.7%
Other current liabilities	26,297	2.7%	20,498	2.1%	32,833	3.1%

Condensed Income Statement of Gorenje, d.d.

EURk	Q2	%	Q2	%	Jan-Jun	%	Jan-Jun	%
	2016		2017		2016		2017	
Revenue	165,088	97.5%	181,430	97.8%	336,022	98.3%	364,102	97.1%
Change in inventories of products and work in progress	2,163	1.3%	350	0.2%	1,705	0.5%	4,810	1.3%
Other operating income	1,961	1.2%	3,746	2.0%	4,061	1.2%	5,866	1.6%
Gross profit	169,212	100.0%	185,526	100.0%	341,788	100.0%	374,778	100.0%
Costs of goods, materials and services	-134,078	-79.2%	-149,591	-80.6%	-271,575	-79.4%	-298,718	-79.7%
Costs of goods sold	-48,479	-28.6%	-60,279	-32.5%	-102,864	-30.1%	-118,238	-31.6%
Costs of materials	-66,527	-39.3%	-68,934	-37.1%	-131,564	-38.5%	-140,675	-37.5%
Costs of services	-19,072	-11.3%	-20,378	-11.0%	-37,147	-10.8%	-39,805	-10.6%
Other operating expenses	-1,341	-0.8%	-2,005	-1.1%	-2,066	-0.6%	-3,749	-1.0%
Added value / AV	33,793	20.0%	33,930	18.3%	68,147	20.0%	72,311	19.3%
Employee benefits expense	-24,541	-14.5%	-26,094	-14.1%	-48,769	-14.3%	-51,828	-13.8%
EBITDA	9,252	5.5%	7,836	4.2%	19,378	5.7%	20,483	5.5%
Amortisation and depreciation expense	-6,058	-3.6%	-7,052	-3.8%	-12,057	-3.5%	-13,839	-3.7%
EBIT	3,194	1.9%	784	0.4%	7,321	2.2%	6,644	1.8%
Result of financing activities	-3,214	-2.0%	-1,345	-0.7%	-5,752	-1.7%	-3,548	-0.9%
Result of revaluations	51	0.0%	-369	-0.2%	60	0.0%	-318	-0.1%
Result of other financing movements	-3,265	-2.0%	-976	-0.5%	-5,812	-1.7%	-3,230	-0.8%
Profit or loss before tax	-20	-0.1%	-561	-0.3%	1,569	0.5%	3,096	0.9%
Income tax expense	-393	-0.2%	-83	0.0%	-677	-0.2%	-598	-0.2%
Profit or loss for the period	-413	-0.3%	-644	-0.3%	892	0.3%	2,498	0.7%
Basic and diluted earnings per share (in EUR)	-0.02		-0.03		0.04		0.10	

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

EURk	Jan-Jun	Jan-Jun
	2016	2017
Profit for the period	892	2,498
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss	0	0
Change in fair value of land	0	0
Items that may be reclassified subsequently to profit or loss	-1,327	260
Net change in fair value of available-for-sale financial instruments	-20	5
Effective portion of changes in gains and losses from hedging instruments in cash flow hedges	-1,926	-80
Effective portion of changes in gains and losses from hedging instruments on cash flow hedges, reclassified to profit or loss	347	396
Income tax on other comprehensive income	272	-61
Other comprehensive income for the period	-1,327	260
Total comprehensive income for the period	-435	2,758

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

EURk	Jan-Jun 2016	Jan-Jun 2017
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit or loss for the period	892	2,498
Adjustments for:		
-Depreciation of property, plant and equipment	9,945	11,065
-Amortisation of intangible assets	2,112	2,774
-Investment income	-4,016	-4,795
-Finance expenses	9,768	8,343
-Gain on sale of property, plant and equipment	-81	394
-Income tax expense	677	598
Cash flow from operating activities before changes in net operating current assets and provisions	19,297	20,877
Change in trade and other receivables	-10,203	-50,302
Change in inventories	-9	-12,451
Change in provisions	-1,722	-2,211
Change in trade and other payables	-35,863	-8,253
Cash generated from operations	-47,797	-73,217
Interest paid	-5,410	-6,050
Net cash from operating activities	-33,910	-58,390
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	948	456
Interest received	1,988	2,344
Dividends received	260	1,000
Acquisition of an associated company	-1,130	0
Acquisition of a subsidiary	-1,850	-40
Acquisition of property, plant and equipment	-10,937	-11,897
Other investments	3,459	-9,340
Acquisition of intangible assets	-8,398	-8,832
Net cash used in investing activities	-15,660	-26,309
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowing / Repayment of borrowings	44,226	81,443
Net cash used in financing activities	44,226	81,443
Net change in cash and cash equivalents	-5,344	-3,256
Cash and cash equivalents at beginning of period	7,599	14,743
Cash and cash equivalents at end of period	2,255	11,487

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

EURk	Share capital	Share premium	Revenue reserves				Treasury shares	Retained earnings		Fair value reserve	Total
			Legal reserves	Statutory reserves	Treasury share reserve	Other revenue reserves		Profit or loss from previous periods	Profit or loss for the period		
Opening balance at 1 Jan 2016	101,922	156,639	12,896	7,556	3,170	75,679	-3,170	0	0	4,222	358,914
Total comprehensive income for the period											
Profit for the period									892		892
Total other comprehensive income										-1,327	-1,327
Total comprehensive income for the period	0	0	0	0	0	0	0	0	892	-1,327	-435
Transactions with owners (when acting as owners) recognised directly in equity											0
Contributions by owners and distribution to owners											0
Total contributions by owners and distribution to owners	0	0	0	0	0	0	0	0	0	0	0
Total transactions with owners	0	0	0	0	0	0	0	0	0	0	0
Closing balance at 30 Jun 2016	101,922	156,639	12,896	7,556	3,170	75,679	-3,170	0	892	2,895	358,479

Unaudited Consolidated Financial Statements
January-June 2017

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

Profit from previous periods amounted to EUR 56,914k, whereof EUR 54,484k cannot be distributed to owners pursuant to provisions of the Companies Act. The Company is namely obliged to observe the Slovenian legislation and thus also Article 66 of the Companies Act, which defines the category of accumulated profit. Non-current deferred costs of development are in the accumulated profit for 2016 considered as a deductible item, which as at 31 December 2016 amounted to EUR 54,484k. Accordingly, the accumulated profit available for distribution amounted in 2016 to EUR 2,430k. As of 14 July 2017, the Shareholders' Meeting decided on its distribution with a dividend payout amounting to EUR 0.10 gross per share.

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

Fair values and book values of assets and liabilities

EURk	Book value	Fair value	Book value	Fair value
	31 Dec 2016	31 Dec 2016	30 Jun 2017	30 Jun 2017
Available-for-sale investments	1,617	1,617	1,632	1,632
Land and investment property	34,750	34,750	30,478	30,478
Non-current loans	1,357	1,357	123,283	123,283
Current loans	138,563	138,563	25,319	25,319
Derivatives	-1,853	-1,853	-1,198	-1,198
Trade receivables	130,860	130,860	180,256	180,256
Other current assets	10,726	10,726	10,679	10,679
Cash and cash equivalents	14,743	14,743	11,487	11,487
Non-current financial liabilities	-140,578	-140,578	-166,070	-166,070
Non-current financial liabilities (fixed interest rate)	-115,074	-81,849	-106,913	-99,149
Current financial liabilities	-148,399	-148,399	-212,478	-212,478
Trade payables	-177,734	-177,734	-154,822	-154,822
Other current liabilities	-13,142	-13,142	-14,563	-14,563
Total	-264,164	-230,939	-272,910	-265,146

Fair value scale

31 December 2016

EURk	Level 1 ¹¹	Level 2 ¹²	Level 3 ¹³	Total
Available-for-sale financial assets	132	-	1,485	1,617
Derivatives - assets	-	1,237	-	1,237
Derivatives - liabilities	-	-3,090	-	-3,090
Land and investment property	-	-	34,750	34,750

30 June 2017

EURk	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	138	-	1,494	1,632
Derivatives - assets	-	235	-	235
Derivatives - liabilities	-	-1,433	-	-1,433
Land and investment property	-	-	30,478	30,478

Related party transactions

EURk	Value of transaction		Balance	
	Jan-Jun 2016	Jan-Jun 2017	30 Jun 2016	30 Jun 2017
Revenue	235,706	249,118		
Trade receivables			106,687	124,082
Trade payables			25,748	42,016
Loans granted			169,954	142,349
Borrowings raised			63,423	79,236

¹¹ Level 1: stock price (unadjusted) on the active market of identical assets and liabilities.

¹² 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.

¹³ Level 3: data on the value of assets and liabilities not based on the active market.

Financial indicators

This report discloses financial statements prepared in accordance with International Financial Reporting Standards (IFRSs). In addition to these statements and notes, the report provides financial and other ratios as well as indicators that are earmarked for monitoring trends in the Gorenje Group's business operations. 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 2016	Jan-Jun 2017
INDICATORS OF PROFITABILITY		
Net return on sales (ROS)	0.27%	0.69%
Return on assets (ROA)	1.95%	0.81%
Net return on equity (ROE)	-0.19%	1.46%
ASSET INDICATORS		
Asset turnover ratio	0.73	0.73
Inventory turnover ratio	7.32	7.48
Current trade receivables turnover ratio	4.38	4.75
INVESTMENT INDICATORS		
Fixed assets (PPE) to total assets	0.27	0.26
Current assets to total assets	0.54	0.68
INDICATORS OF FINANCIAL COMPOSITION		
Long-term coverage of non-current assets	1.22	0.91
Equity to total liabilities	0.37	0.34
Long-term to total liabilities	0.66	0.62
Equity to fixed assets (carrying value)	1.39	1.30
Quick ratio (liquid assets to current liabilities)	0.56	0.10
(Liquid assets + current receivables) to current liabilities	1.07	0.59
Current ratio	1.35	0.84
Net financial liabilities to equity	0.72	1.23
OPERATING PERFORMANCE INDICATORS		
Operating income to operating expenses	1.02	1.02
Revenue per employee (EUR)	81,322	82,845
Value added per employee (EUR)	16,492	16,453

INFORMATION REGARDING THE REPORT AND ITS PUBLIC ANNOUNCEMENT

Pursuant to provisions of the Code of Warsaw Stock Exchange, Rules and Regulations of the Ljubljana Stock Exchange and the applicable legislation, the company Gorenje, d.d., Partizanska 12, SI-3320 Velenje, hereby announces the **unaudited non-consolidated financial statements of Gorenje, d.d., and unaudited consolidated financial statements of the Gorenje Group for the period January–June 2017**. The unaudited financial statements of Gorenje, d.d., and the Gorenje Group were presented to the Supervisory Board at its **36th regular session** held on **24 August 2017**. The financial statements are available for review at the headquarters of Gorenje, d.d., at Partizanska 12, SI-3320 Velenje, whereas announcements shall be available in the Ljubljana Stock Exchange electronic info system, the SEOnet (www.ljse.si), the Warsaw Stock Exchange via the ESPI system (www.gpw.pl), and the company's web site at www.gorenjegroup.com, on **25 August 2017**.

Forward-looking Statements

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