Managing Our risks

gorenje group annual report 2014

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2014 in review and outlook

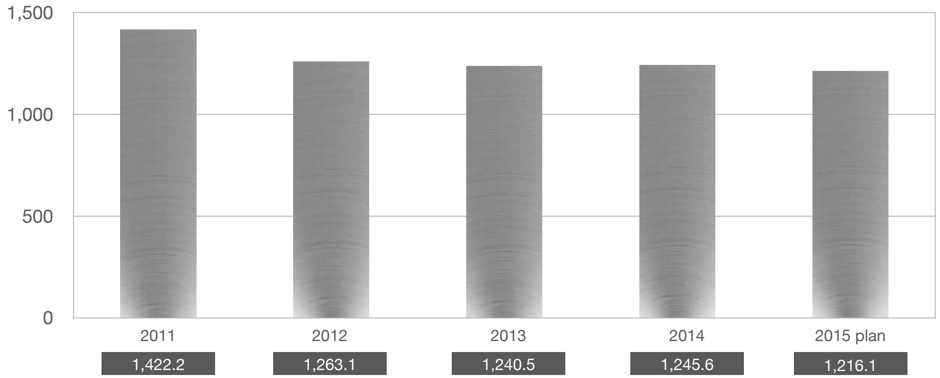
Rising up to Our challenges

INTRODUCTION

2014 PERFORMANCE HIGHLIGHTS

REVENUE GROWTH +0.4%

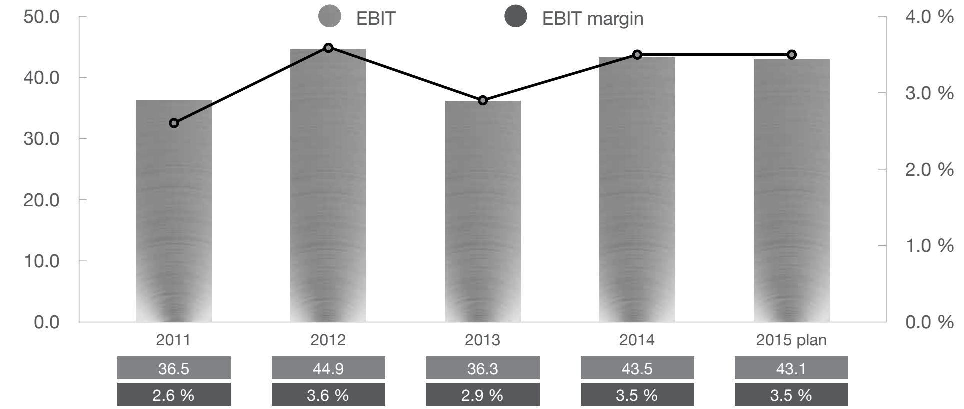
Group revenue (in EUR million)



The Group increased its revenue over the 2013 figure by higher core activity revenue in Germany, Austria, Czech Republic, Slovakia, Hungary, Slovenia, Bosnia and Herzegovina, Romania, Bulgaria, markets of the Caucasus region, Australia, North America, and Russia. Moreover, sales of upmarket appliances rose by 2 percentage points. Thus, premium appliances accounted for 16.4% of total major appliance sales. Performance of our portfolio companies also contributed to the revenue growth.

EBIT GROWTH +19.8%

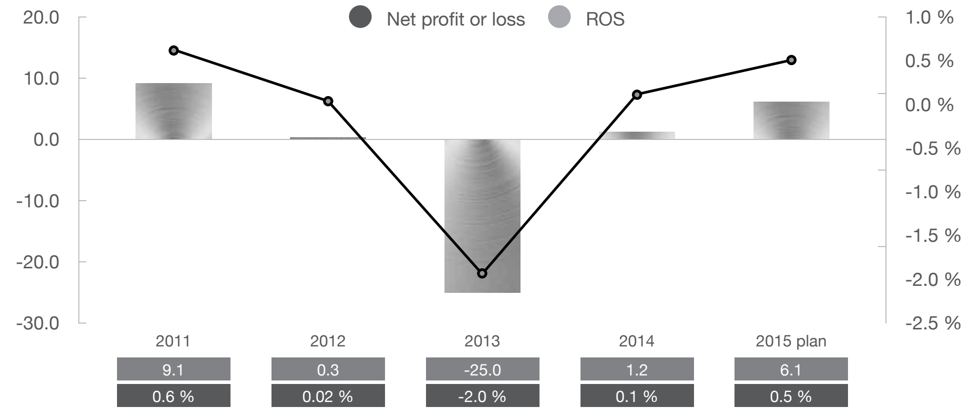
EBIT (in EUR million) and EBIT margin



Improvement in EBIT by 19.8% relative to 2013 is a result of improved sales structure by products and regions, restructuring of manufacturing operations and sales network that resulted especially in lower labour costs, lower costs of services, and sound management of raw and processed material prices.

IMPROVEMENT IN TERMS OF NET PROFIT

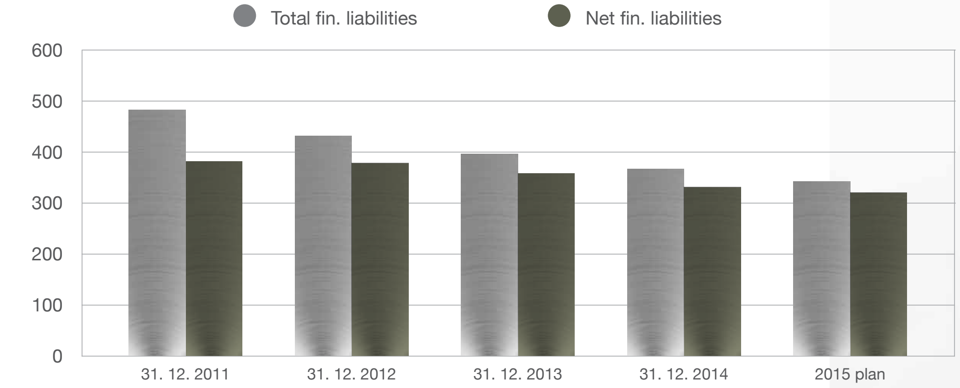
Net profit or loss (in EUR million) and ROS



Despite the dramatic aggravation of conditions in Russia and Ukraine, both of which are important markets for us in terms of sales volume and return on sales, we improved our net result and wrapped up the year 2014 with a net profit of EUR 1.2 million.

DECREASE OF NET DEBT BY EUR 27.1 MILLION

Total and net financial liabilities (in EUR million)



	31. 12. 2011	31. 12. 2012	31. 12. 2013	31. 12. 2014	2015 plan
Total fin. liabilities	484.1	432.7	397.4	367.6	342.9
Net fin. liabilities	382.5	379.2	358.8	331.8	321.2

With improved cash flow from operating activities, lower investment, third capital increase, and lower working capital, we cut our net debt to EUR 331.8 million. As the EBITDA improved by 10.6% to EUR 86.5 million, the net debt to EBITDA ratio was cut to 3.8, a low of several years. This year, we are looking to bring the indicator down to 3.5.

REVENUE GROWTH OF 10.7% IN MARKETS BEYOND EUROPE

Our revenue in markets beyond Europe amounted to EUR 109,0 million in 2014. The strong, nearly 11-percent growth is a result from higher sales in the markets of North America, Australia, and the Far East.

MORE INVESTMENT INTO NEW PRODUCT DEVELOPMENT

Our investment into new appliance development was increased by 0.4 percentage point to 2.9% of total core activity revenue. New launches included the new generation of ovens, cooking hobs, and other cooking appliances under our main brand Gorenje, under the global premium brand Asko, and under the local premium brand Atag. New generation cooking appliances remain the key new products that consolidate our market position.

CALENDAR FOR THE YEAR 2014

JANUARY

Symbolical launch of dishwasher production in Velenje

The symbolical launch of the five-station sheet metal processing conveyor line marked the successful completion of the transfer of dishwasher production from Sweden to Velenje and the completion of the project of strategic relocation of manufacturing operations that took place in 2012 and 2013. Dishwashers have been produced in Velenje since September 2013.

FEBRUARY

Distribution partnership with the American manufacturer Sub-Zero Group Inc.

We signed a long-term distribution agreement with the leading US premium home appliance manufacturer Sub-Zero Group Inc., for our premium brand Asko. Thus, Sub-Zero Group Inc. has been the exclusive distributor of Asko washing machines, dryers and dishwashers in North America since April 1, 2014. The partnership is a part of our strategic activities aimed at boosting the Group's presence beyond Europe and promoting the sales of our upmarket products.

Design awards

The exceptional quality of design of our appliances was again recognized at the international Red Dot design contest. The forty-member expert jury was impressed twice: by the design of the built-in oven with interactive colour touch screen of the Gorenje brand, and the design of the built-in oven of the Asko ProSeries™ line of kitchen appliances. In 2015, we received as many as 8 Red Dot awards for our appliances.

Issue of commercial paper

On March 25, we successfully issued 9-month commercial paper with a total face value of EUR 35 million and an interest rate of 4 percent.

APRIL

Asko Pro Series™ Asko premièred

Our new line of kitchen appliances Asko Pro Series™ was unveiled at the Milan Design Week. The line expands our offer under the Asko brand which has thus far enjoyed a reputation of a wet appliance specialist.

MAY

Gorenje among the most trusted brands in Slovenia

Gorenje was again voted the most trusted home appliance brand in Slovenia. Such was the decision of the Reader's Digest magazine. Gorenje brand received this flattering title again in 2015, for the ninth consecutive year.

JUNE

Plus X Award for the 11th year in a row

We received the Plus X Award for the eleventh year in a row. The expert jury, consisting of representatives from 25 different industries, was impressed by the latest combined steam oven of the Gorenje+ line. This appliance won the award in the categories of quality, design, user-friendliness, and functionality.

JULY

Completion of the third capital increase

We carried out the last of the three capital increases approved by the shareholders at the Assembly in 2013. A debt-to-equity swap agreement for 1,005,020 newly issued shares was signed with the International Finance Corporation (the IFC). Before that, Gorenjska banka also converted its receivables into 1,315,166 Gorenje shares which it subsequently sold.

Cooking appliance plant celebrates 50 years

On July 3, 1964, Gorenje held a festive opening ceremony for the cooking appliance factory in Velenje. Production of cookers had started in 1958, but they were initially manufactured in the village of Gorenje, and – after 1960 – in leased facilities in Velenje. To date, over 30 million cooking appliances have been made in Velenje.

Asko awards in Australia and France

Asko D5894 washing machine ranked second in the »What to Buy?« section of the most recent test by Australian independent consumer advocacy group Choice. The brand also won the French innovation award for the Asko IQcook cooking hob.

AUGUST

Gorenje the best choice from ethical standpoint

Gorenje brand is the winner of three recommendations for the so-called »best choice« as presented by the Ethical Consumer magazine, in the categories of dishwashers, fridge freezers, microwave ovens, and washing machines.

SEPTEMBER

Back at the IFA tradeshow

During our appearance at the world's leading consumer electronics and home appliance tradeshow IFA in Berlin, which celebrated 90 years, we unveiled the latest generation of built-in cooking appliances of the Gorenje brand. We also exhibited our new line of kitchen appliances Pro Series™ Asko and other new launches.

Gold for innovative refrigerators

We won the gold award presented by the Slovenian Chamber of Commerce and Industry for the new generation of free standing fridge freezers.

European Works Council

We are the first international corporation headquartered in Slovenia to have a European Works Council. It consists of 17 employees from our major subsidiaries in Slovenia and other EU member states (Germany, Austria, Czech Republic, the Netherlands, Denmark, Sweden, and Croatia), and one employee from Serbia. The founding session of Gorenje's European Works Council took place on September 25, 2014, in Velenje.

OCTOBER

First issue of bonds

We issued 5-year bonds in the total nominal amount of EUR 73 million. This was out first issue of bonds since our transformation into a public limited (joint stock) company.

NOVEMBER

The best financial report

Our financial report for the 2013 fiscal year is the best in Slovenia. Such was the decision by the expert jury of the Finance daily paper, evaluating the annual reports by Slovenian companies. We also received the award in the 2013 contest.

Energy Saving Award in Hungary

Washing machines W8824I and W7543L, fridge freezer RK-6193KX, and vacuum cleaner VCK1622AP-ECO won the »E.On Energy Saving Award 2014« at the contest held in Hungary by the energy company E.ON. Thus, they were recognized as appliances that, owing to low power consumption, bring savings to their users.

DECEMBER

Award for innovation in sustainable development

In Britain, the RK6193 fridge freezer won the Designer Kitchen & Bathroom Award for innovation in sustainable development.

REPORT BY THE PRESIDENT AND CEO

Dear shareholders,

Gorenje Group considerably improved the profitability of its operations and strengthened its financial structure in 2014. Economic and political conditions in the world were highly unstable, with the Russian-Ukrainian crisis and major currency fluctuations being of particular relevance for our operations. As with many major companies this had an impact.

Gorenje Group entered the year 2014 ready and in good form, after completing extensive strategic relocations of manufacturing operations in the previous two years. Cooking appliance production was moved from Finland to the Czech Republic; production of Asko washing machines, dryers, and dishwashers was transferred from Sweden to Slovenia; and most of cold appliance production was shifted from Slovenia to Serbia. Thus, the number of manufacturing sites was reduced from five to three, which allowed optimizing the labour and other costs in the current strategic locations. The effects of manufacturing operations restructuring were a key element of our results in 2014.

Simultaneously with the relocations of manufacturing operations, we also partly restructured our sales network. This involved merging the sales organizations in the Czech Republic and Slovakia, and adjusting the operations to new business models in markets like the USA and France. With restructuring, operating costs were optimized in this field as well.

In 2014, Gorenje Group notably reduced its debt and strengthened its equity. Deleveraging thus de-risking was particularly substantial in the last quarter of the year when we also saw record-breaking positive free cash flow. Moreover, lower debt is also a result of sound working capital management, divestment of non-operating assets, and capital increases.

Based on these achievements and forecasts of growth of demand for home appliances in our key markets, we were planning even higher growth for 2014 and a stronger turnaround in terms of profitability. However, the events in some markets took a different turn than expected and forecasted by relevant institutions at the start of last year.

Especially the sudden and dramatic turmoil in Ukraine and Russia prevented us from fully attaining our goals. Our home appliances and brands are well-known in both markets and for a number of years, we had seen excellent results contributing notably to Gorenje Group's growth and profitability.

In the first months of last year, the conditions in Ukraine worsened as war broke out in the eastern part of the country, which in turn more than halved the demand for home appliances. In the second half of the year, the Russian economy started to slow down, and we witnessed the most dramatic depreciation of the rouble in recent years. In the course of 2014, the rouble dropped 37% relative to the euro. Depreciation was the strongest in the last quarter of the year when sales are typically the strongest and which is very important in terms of our profitability.

Gorenje Group promptly responded to the changes and risks resulting from the developments in these two markets by adopting the measures that at least partly alleviated the negative effects of hostile business environment in Russia and Ukraine.

By boosting our sales in other markets, especially beyond Europe, where we have been working over the last few years, improving our product structure with new product development, optimization of costs, and restructuring our manufacturing operations as described above, we succeeded in notably improving the 2014 results relative to the year before. This is an important achievement of the entire managerial team and all Gorenje employees, as well as members of the Supervisory Board and all of its committees, whose clear and critical views were very helpful in our quest to attain the specified targets.

EBIT was improved by nearly 20% to EUR 43.5 million; profit before taxes amounted to EUR 4.9 million; and net profit reached EUR 1.2 million. We shaved nearly EUR 30 million off of our debt and brought the net debt to EBITDA ratio down to 3.8.

One highlight of our financing activities was the highly successful issue of 5-year bonds in the amount of EUR 73 million. This was our first issue of bonds since Gorenje had become a public limited company, and the demand for them exceeded our expectations. Maturity profile of our debt was improved considerably in 2014; our long-term liabilities accounted for nearly three quarters of overall debt at the end of the year.

We are pleased to see our revenue from home appliance sales in 2014 increase in many European markets, as well as in markets beyond Europe where our revenue rose by 10.7% relative to 2013. Revenue from non-European markets thus account for over 10% of our total core activity revenue, which is consistent with one of our major strategic goals.

It is also very important that we sold more premium appliances and our upmarket appliances of the Atag and Asko brand than in 2013. Revenue from these appliances was increased by 2 percentage points to 16.4% of total Gorenje Group major appliance sales.

Our focus on brand management is showing early results. The increase of premium appliance sales remains a key strategic goal for us in 2015. The increase of the share of this price segment in our sales structure will also be based on the new generation of ovens and other built-in cooking appliances developed for several brands and unveiled already in last year. Moreover, Asko brand, defined as our global premium brand, will also play an important part in this respect. Further development of the brand has been supported with a new organizational structure and experienced international experts have been added to the team.

Especially due to the uncertain situation in Eastern Europe, the year 2015 remains very challenging and unpredictable. For the first time after a decade of continuous growth, we are not planning growth in Russia. Due to the economic slowdown and lower consumer confidence in this market, we also developed different versions of our business plan. According to the realistic scenario, we are planning somewhat lower revenue at the Group level. However, we will do our best to continue to improve our performance indicators. We are looking to attain this, as described above, by increase in premium appliance sales and sales beyond Europe, especially in the Middle and Far East, Australia, and the USA. In these two markets, our market position is strong especially with the Asko brand. In Australia, we are introducing the Gorenje brand as well. We also continue our inventory and complexity management activities, and we are looking to cut all types of costs, including material, logistics and other services, and labour costs.

Cooperation with our strategic partner Panasonic will also have a positive effect on our operating volume. We have completed the joint development of a new generation of washing machines, and their production has been launched this year. This is the third product category produced for Panasonic. The project was all the more important as we were tasked with managing the development activities.

Major projects of this year involve in particular the improvement of business process efficiency, supported by a reputable international consultancy, and introduction of lean manufacturing.

Dear shareholders,

Gorenje Group is not merely Slovenia's largest manufacturing company and one of the top two exporters in the country. In recent years, it has strongly developed the international aspect of its identity. We have internationalized our manufacturing, increased the number of our markets, carried out three acquisitions within the industry, expanded the offer of our brands, and welcomed international investors into our ownership structure. All this, paired with continuous investment into development of new products that stand out with innovative solutions and superior design has allowed us to grow and to stand side-by-side with the top players in the industry. Conditions in global markets remain challenging and highly unpredictable in 2015, especially in the first half of the year. With the broad team of colleagues and all Gorenje Group employees, and with further development of corporate governance at all levels of our international corporation, we shall continue to gear all our activities and efforts towards the provision of permanent and sustainable competitive edge of Gorenje Group in order to generate maximum value of our shareholders, customers, employees, and other Gorenje Group stakeholders.

We remain confident in the future of the company.

Franjo Bobinac
President and CEO

SUPERVISORY BOARD REPORT ON THE AUDIT OF THE 2014 ANNUAL REPORT

Dear shareholders,

The war in Ukraine and strong rouble depreciation relative to the euro had a profound impact on the region in last year, and thereby also affected the Gorenje Group operations and performance. Gorenje Group wrapped up the first three quarters with the net profit still at EUR 4 million; by the end of the year, the figure was down to EUR 1.2 million. Historically, last quarter performance improved the overall profit for the year, in addition to the third quarter. Last year, however, last quarter results were negative due to the dramatic depreciation of the Russian currency. On the other hand, the Group improved its operations notably in last year. Despite the dramatic aggravation of conditions in Ukraine and Russia, the Group ended the year 2014 with a positive result that is a considerable improvement over 2013. Revenue was up by 0.4% to EUR 1.24 billion, and EBIT was increased by 19.8% to EUR 43.5 million. The Group also deleveraged by EUR 27.1 million to cut its net debt and improve its financial stability. Investment into development was beefed up by 0.4 percentage points to 2.9% of core activity revenue, and new products were launched, including the latest ovens and other cooking appliances that boost the Group's reputation and market positioning. The Supervisory Board supports the Management Board in the measures geared towards further improvement of competitiveness and focusing on Gorenje Group's core activity, which we expect to result in improved profitability in the future.

SUPERVISING THE MANAGEMENT OF COMPANY AFFAIRS AND MANAGEMENT BOARD REPORTS TO THE SUPERVISORY BOARD

In 2014, the Supervisory Board supervised the operations of the company Gorenje, d.d., and the Gorenje Group within the powers and authorizations specified by the relevant legislation, company Articles of Association, Supervisory Board resolutions, and Code of Conduct, as well as performed other tasks.

Since the approval of the 2013 Annual Report, the Supervisory Board has held eleven sessions, of which seven were regular sessions and four were correspondence meetings.

Up to and including July 19, 2014, the Supervisory Board consisted of the following members: chairman Uroš Slavinec, deputy chairwoman Maja Makovec Brenčič, Marcel van Assen, Bachtiar Djalil, Keith Miles, and Bernard Pasquier as shareholder representatives, and deputy chairman Krešimir Martinjak, Peter Kobal, Drago Krenker, and Jurij Slemenik as employee representatives. As of July 20, 2014, the Supervisory Board consists of: Marko Voljč, chairman; Uroš Slavinec, deputy chairman; Bernard Pasquier, deputy chairman; Bachtiar Djalil, Corinna Graf, Keith Charles Miles, Toshibumi Tanimoto (shareholder representatives); and Krešimir Martinjak, deputy chairman, Peter Kobal, Drago Krenker, and Jurij Slemenik (employee representatives).

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

The new Supervisory Board has continued the practice of keeping up to date with major business events, benchmark studies comparing the Group to its competition, sales conditions in the markets, changes in the prices of raw and processed materials, and risk management. The Management Board informed the Supervisory Board about its activities on a monthly basis, either in the form of a report on Management Board meetings or in a letter by the President and CEO, describing to the Supervisory Board the current events in major areas of business. In my view, communication between the Supervisory Board and the Management Board is suitable. The Management Board has provided information in a timely fashion and we have always received replies to our questions, which allowed the Supervisory Board to fully perform its function consistently with the relevant legislation and best practices.

On July 20, the Supervisory Board started its new term of office in a slightly different and extended line-up. At our first session held in August, we appointed the Supervisory Board chairman and deputy chairmen, as well as the Supervisory Board committees and their respective chairpeople. Thus, we took very little time before fully committing to our duties entrusted to us by the shareholders. At the first session, we started the induction process for new Supervisory Board members and reviewed the key documents and processes at the company. In the future, we will carry on this process to learn about the company from even more aspects.

We received regular reports on performance and company activities

Based on Management Board proposal and Shareholders Assembly resolution we approved the increase of share capital by just under EUR 10 million by debt-to-equity swap that involved Gorenje's creditor banks. This allowed immediate decrease of the Group's debt by the above amount.

The Management Board presented in detail the entire process of investment approval at the Group. In our view, the procedure is appropriate and transparent. Monitoring returns on the projects carried out is of particular importance in this respect as it allows the company to clearly see whether and to what extent the business plan, of which the investment plan is a part, is being implemented and accomplished and whether the assumptions upon the approval of the business plan were realistic. Such practice is surely suitable and it allows the responsible persons at the Group to improve further business plans.

It is a fact that the future is always difficult to predict and therefore, it is important for the companies to be prepared to manage respective risks as well as possible. We were presented the Gorenje Group risk management model and we found it appropriate. We also believe a major step ahead has been done in this respect in the last year. Risks are being monitored in a systematic manner and in all fields. Moreover, the risk management team was strengthened, which we also welcomed.

We approved the rules on the membership of Management Board members and other Gorenje Group executives, directors, or senior officials in supervisory bodies beyond the Group. We certainly find it appropriate for Gorenje Group's broad management to be focused on their work at Gorenje as much as possible. Challenges abound at all times. The company is operating in a highly competitive environment and saturated industry, in nearly every global market. Therefore, it is essential that all employees are fully devoted to their work at the Group.

The Supervisory Board was also presented the Management Board policy on the Group's portfolio investments. The Supervisory Board agrees with the Management Board's view of this segment, subject to the caveat that is of utmost importance for the company to be focused as closely as possible on its core activity, i.e. home appliances production. A good business opportunity can certainly arise outside the company's core activity and pursuit of such opportunities should not be excluded from the Group's activities; however, such pursuits should in no way stand in the way of the company's core activity.

Strategic partnership with the Panasonic Corporation is surely of immense importance for the future of the Group. We have been regularly informed about the progress of cooperation which probably has not reached the desired level yet. The Supervisory Board is fully aware that it is essential to consolidate the cooperation gradually, as well as of the stringent legislation preventing any restriction of competition.

As we reviewed the results, we were pleased to see the improvement in working capital management and reduction of operations complexity. Progress has been noted, although we are aware we still have a long way to go to be on a par with the best in the industry. We were somewhat less pleased about the sales growth in new markets. The Management Board has to make efforts for faster penetration and growth in new markets. This will be the easiest way to offset the loss of revenue in Russia and Ukraine and potentially on other traditional markets.

Early in the year, the Supervisory Board adopted the 2015 Annual Plan which involves slightly lower sales than in the year before, due to uncertain future in Russia and Ukraine. On the other hand, profitability is planned to improve on account of better structure of sales in terms of products and geographical segments, adjustment of pricing policy, and improved cost efficiency. Moreover, we are planning further deleveraging and to maintain a stable maturity profile of our financial liabilities.

We regularly monitored the implementation and fulfilment of the resolutions adopted at our sessions, and we found that the Management Board observed and implemented them successfully. As the new Supervisory Board commenced its term in July last year, self-evaluation procedures have not yet been carried out; this will be done in the next period.

Gorenje Group must improve its competitiveness

The Supervisory Board was informed in detail about the project to optimize the business processes at the Gorenje Group and it fully supports it. The process is managed and steered by the company Management Board, with consulting service provided by the globally renowned Boston Consulting Group. Benchmark with competitors and the best players in respective fields was of particular interest. There is certainly a lot of untapped potential for improvement of performance and processes at the Gorenje Group. Individual projects are already in place at the company, the results of which will be palpable to some extent in this year, and especially in the years ahead. This includes the entire procedure of new product development, more accurate sales planning, optimization of logistics routes and sales network, and other business process optimization, which is a part of the most recent project.

Supervisory Board committees contribute notably to the efficiency of the Supervisory Board's work

Supervisory Board hereby commends the Supervisory Board committees for their work. There are many issues that are being addressed by the committees and we can see that their continuous and diligent work has contributed to improvement of Group operations. The Supervisory Board is regularly presented the reports reviewed by respective committees. The committees are meticulous in their work and they are examining their respective fields in an in-depth manner and with a high standard of expertise. We are again proud to find that no circumstances are present with regard to any of the Supervisory Board members or committee, which would lead to a conflict of interest or dependence, and that the composition of the Supervisory Board is appropriate.

The Audit Committee, consisting of chairman Bachtiar Djalil, Keith Miles, Drago Krenker, and Aleksander Igličar, acted pursuant to the powers granted to it by the relevant legislation. The Audit Committee reviewed the compliance with the principle of prudence and consistency of reporting in quarterly reports, and resolved most ambiguities in these reports by raising relevant questions before they were discussed at a Supervisory Board session.

Since the approval of the most recent Annual Report, the Audit Committee has held six sessions. In addition to reviewing the periodic or interim reports, the Committee regularly reviewed the compliance with the covenants laid down in the loan agreements signed with respective banks, periodic reports on the work of the Internal Audit, and other financial and accounting issues related to the Group's operations. It was constantly monitoring the risk management process as well. It also reviewed the implementation of the auditors' recommendations provided in the Management Letter, and received a presentation of Gorenje Group's policy on currency and loan management. Pursuant to the Code of Conduct, the Audit Committee is – in addition to the Management Board secretary – the body that may be addressed by every employee if she or he has reasonable doubts about the compliance of operations with the legislation and ethical standards. In 2014, the Audit Committee discussed several cases in this respect. The Supervisory Board believes such method of identifying any non-compliance is suitable. The Audit Committee is a body inseparable from the Supervisory Board. Constant care for improvement of performance and detailed analyses of reports received by the Audit Committee and the Supervisory Board are of great assistance in the Supervisory Board's work.

Benchmark Committee consists of chairman Keith Miles, Corinna Graf, Bernard Pasquier, Toshibumi Tanimoto, Peter Kobal, and Maja Makovec Brenčič as an independent member. In recent period, the Benchmark Committee has expanded the fields that they monitor and held seven sessions. In addition to regular monitoring of events and developments in the markets, efforts to reduce complexity, improvement of operational excellence, faster launch of new appliances, and entering new markets, which was the scope of work of the previous Benchmark Committee, the new Committee also requires regular financial benchmarks and comparative information on cost cutting, IT, logistics, efficiency of production etc. As a result, the Supervisory Board is more easily presented the benchmarks in a number of fields, and it makes it easier to identify the strengths and opportunities of the Group for closing the gap to the biggest and best players in the industry.

Corporate Governance Committee did not hold any sessions last year. The Committee played its key role in 2011 when it selected the Roland Berger consulting company to work with Gorenje Group on the required changes to its organization. In the period ahead, the Committee will hold sessions in case of any major changes in corporate governance, either within the parent company or the entire Group.

Human Resource and Remuneration Committee, consisting of chairman Bernard Pasquier, Keith Miles, Uroš Slavinec, Marko Voljč, Drago Krenker, and Jurij Slemenik held one session in the last year, to evaluate the work of the Management Board in the year 2014 and to propose to the Supervisory Board the payment of rewards to the Management Board for the fiscal year 2014, consistently with the adopted Management Board Performance Criteria.

The Supervisory Board **Nomination Committee** is currently not active as the current Supervisory Board members commenced their terms of office on July 20, 2014. Last year, the Committee consisting of chairman Bernard Pasquier, Uroš Slavinec, Tadeja Čelar, Hiroyuki Furumura, Eric Stupp, and Mitja Svoljšak nominated, evaluated, and interviewed the Supervisory Board candidates. At the end of the process, the Committee proposed to the Supervisory Board the list of candidates for Supervisory Board members, and the Supervisory Board approved the proposal and proposed the candidates for appointment to the Shareholders Assembly.

ANNUAL REPORT REVIEW AND APPROVAL

On April 16, 2015, the company Management Board presented to the Supervisory Board for adoption the audited Annual Report of Gorenje, d.d., and the Gorenje Group, for the year 2014. The Supervisory Board reviewed and discussed the Annual Report at the meeting held on April 22, 2015.

The Annual Report of the company Gorenje, d.d., and the Gorenje Group for the year 2014 was audited by the auditing company Deloitte Revizija, d.o.o. The audit was also conducted at all subsidiaries of the Gorenje Group. On April 13, 2015, the auditing company issued an unqualified opinion on the Annual Report of Gorenje, d.d., and the consolidated Annual Report of the Gorenje Group for 2014.

Pursuant to the sound practice to date, the Audit Committee examined with due diligence before the Supervisory Board session the 2014 Annual Report, complete with Audit Report and Management Letter, to propose amendments and put forth their positions and opinions, which were observed.

Had it not been for the crisis in Ukraine and the dramatic depreciation of the Russian rouble relative to the euro, Gorenje Group's annual plan would have been met. The Management Board adopted in due time the measures to alleviate the unexpected impact occurring in particular in the last quarter of last year. In light of this, the Supervisory Board finds the Group performance successful, especially considering the very harsh conditions at the end of last year. The Group again managed to deleverage significantly. Moreover, the manufacturing operations relocations completed in recent years also contributed to the Group's results. Recently, the focus has been on cutting the inventories and complexity, and the results of these efforts are already visible as well. In addition, maturity profile of Gorenje Group's debt has been improved notably, too. Next year, Gorenje has to be more profitable. It should be noted, however, that it is impossible to predict the end of crisis in the countries of the former Soviet Union and any crises elsewhere..

The Supervisory Board's Human Resource and Remuneration Committee reviewed in detail the goals laid down by the Management Board and compared them against the adopted criteria for determining the variable reward to the Management Board members. The Human Resource and Remuneration Committee proposed to the Supervisory Board to approve the payment of a bonus in the amount of three and a half salaries to Management Board members for their performance in 2014; the Supervisory Board approved the proposal.

The Supervisory Board confirmed that the 2014 Annual Report prepared by the Management Board and audited by a certified auditor was compiled in a clear and intelligible manner and in compliance with the provisions of the Companies Act and effective International Accounting Standards. The Supervisory Board reviewed and confirmed the Auditor's Report to which no objections were made. Therefore, the Board finds that the Annual Report presents a true and fair account of the property, liabilities, financial position, and income, as well as a fair account of the development of operations and the business position of the parent company and the Gorenje Group.

Based on these findings the Supervisory Board approved at the session held on April 22, 2015 the Annual Report for the company Gorenje, d.d., and the consolidated Gorenje Group Annual Report for the fiscal year 2014, as presented by the Management Board.

DETERMINATION OF DISTRIBUTABLE PROFIT

In the determining the distributable profit for the year 2014, the Management Board and Supervisory Board observed the effective provisions of the Companies Act and Gorenje's Articles of Association.

Net profit of the company Gorenje, d.d., for 2014 amounts to EUR 6,333,707.34, and distributable profit amounts to EUR 4,219,490.55. The proposal on the allocation of distributable profit for the year 2014 will be announced in the convocation of the Shareholders Assembly where the decision on this proposal will be made.

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

Velenje, April 22, 2015

Marko Voljč
Supervisory Board Chairman

DEVELOPMENT OF KEY SEGMENTS

SALES BY REGION

GENERAL INDUSTRY OVERVIEW BY REGIONS

WESTERN EUROPE, SCANDINAVIA, AND BENELUX

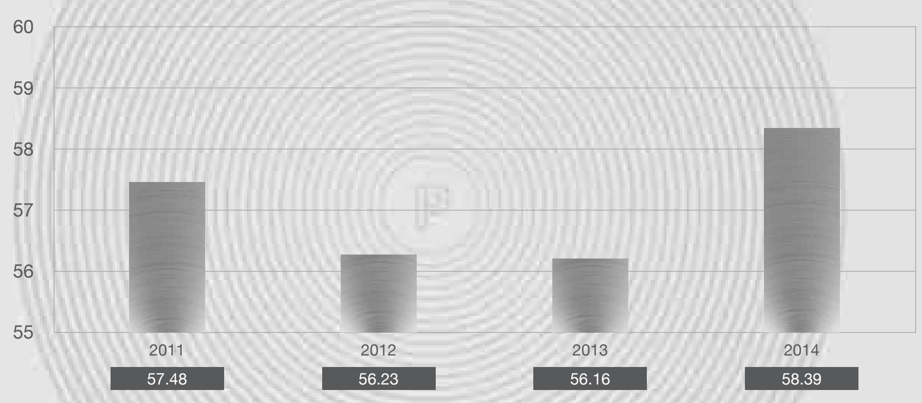
Characteristic features of region include presence of many home appliance brands, excess manufacturing capacity, and strong pressure on downstream pricing. Highly energy-efficient and user-friendly appliances with quality design are in highest demand by the users. In 2014, home appliance sales were up by 4% relative to the year before. Growth of sales volume was the highest in Portugal, Italy, Greece, and Spain, which had all seen drops in white goods demand in the years before. Home appliance demand was slightly higher in Germany as well, where sales have been increasing for a few years in a row. White goods sales in Scandinavia were on a par with the 2013 figures.

Following is the information for Western Europe, Scandinavia, and Benelux combined*.

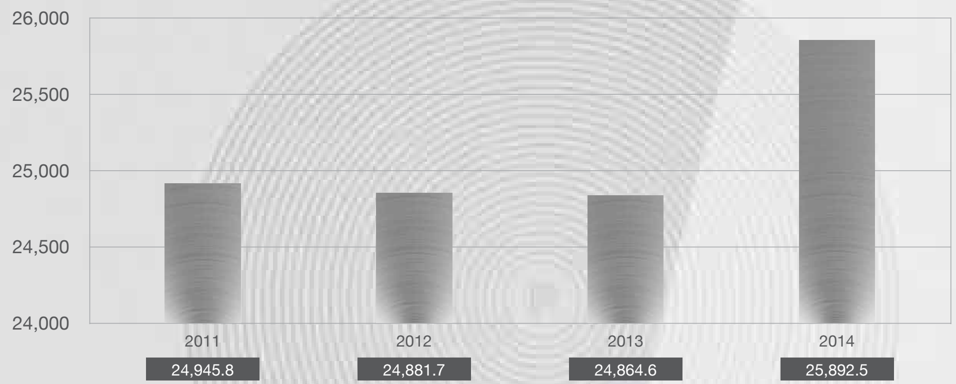
Basic characteristics of the region

Population	356 million
Average number of persons per household	2.3
Share of urban population	78%
GDP growth in 2014 (estimate)	1.2%

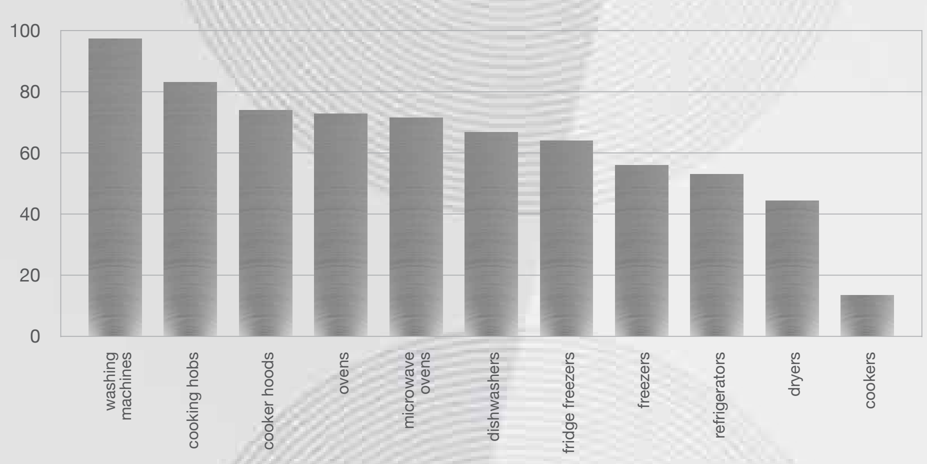
Number of major home appliances sold in the region (in millions)



Value of major home appliances sold in the region (in EUR million)



Major appliance market penetration in Germany in 2014 (in %)



EASTERN EUROPE AND COMMONWEALTH OF INDEPENDENT STATES

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

In Eastern Europe, the major appliance market has grown in 2014 by 7% by volume. The growth was mostly fuelled by the exceptional sales increase in Romania, Slovakia, Hungary, and the Baltic countries. Poland saw positive growth as well. The only two markets with a slight drop in sales by volume in 2014 were Slovenia and Serbia.

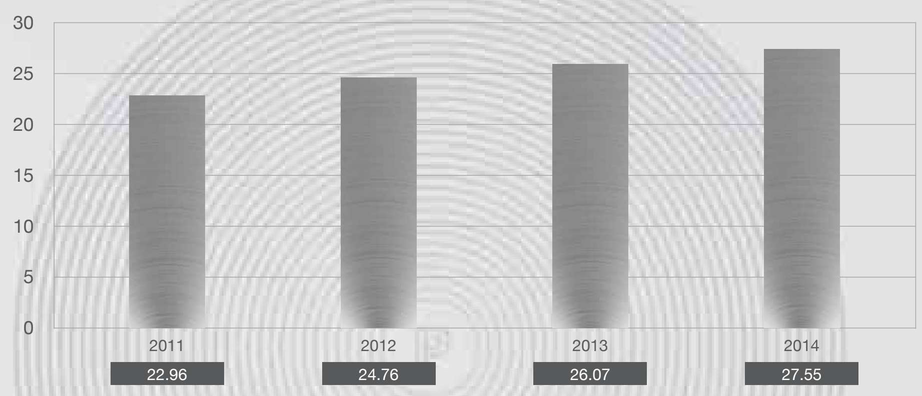
Major appliance sales volume in the Commonwealth of Independent States rose by 5% in 2014, mostly due to the increase in Russia, especially in December when consumption rose by over 50%, spurred by the rapid depreciation of the rouble as the consumers sought ways to protect their income from the failing currency. Other markets of the Commonwealth of Independent States saw considerable decreases, with Ukraine seeing the biggest drop. In 2015, the market is expected to shrink by 20-percent, including in our key markets of Russia and Ukraine.

Following are the highlights for the Eastern Europe and Commonwealth of Independent States combined*.

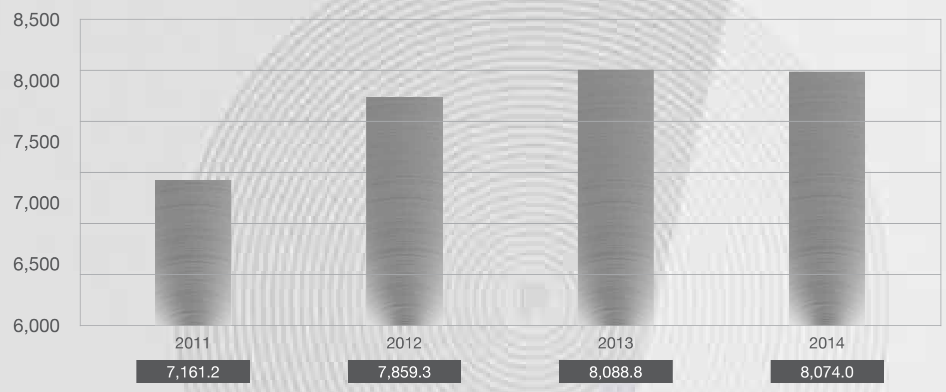
Basic characteristics of the region

Population	391 million
Average number of persons per household	2.9
Share of urban population	63%
GDP growth in 2014 (estimate)	1.2%

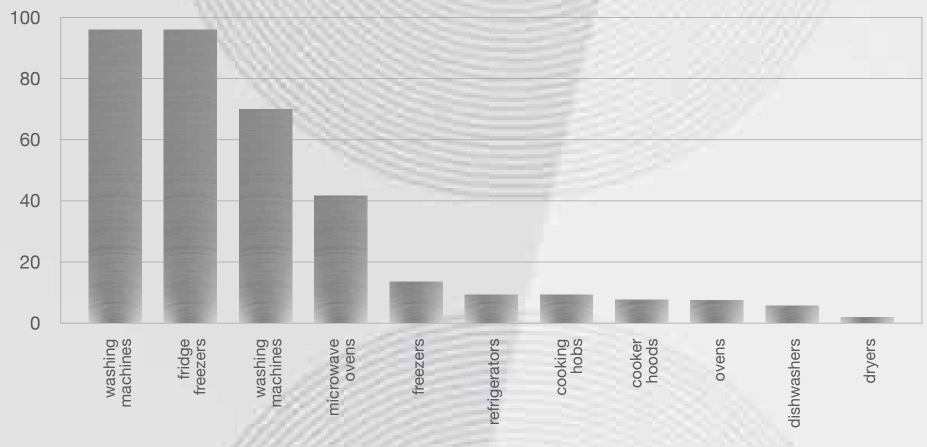
Number of major home appliances sold in the region (in millions)



Value of major home appliances sold in the region (in EUR million)



Major appliance market penetration in Russia in 2014 (in %)



OVERSEAS COUNTRIES

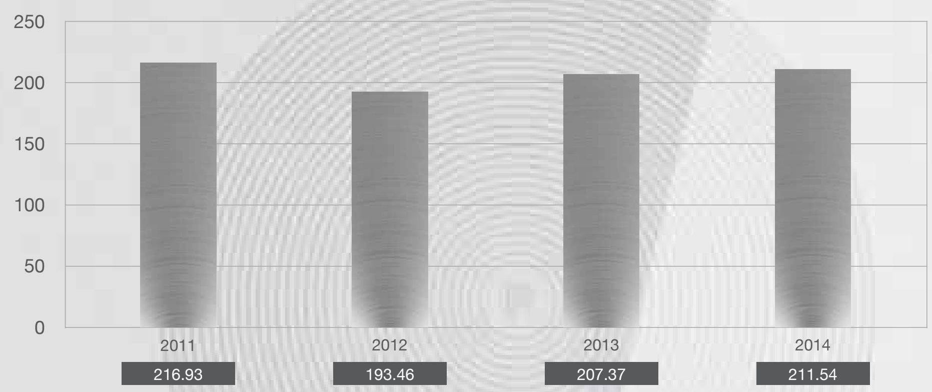
This is an extensive and diverse region consisting of highly developed economies like Australia, underdeveloped countries, and developing countries and emerging markets (like China) characterized by a rapid pace of urbanization. Just like the regions and segments differ, so do the trends in home appliance demand. In 2104, home appliance sales volume in Eastern and Southeastern Asia increased, especially on account of its largest markets. In China, major appliance sales volume was up 2% relative to 2013 while in India, sales by volume rose by as much as 12%. The trend in Australia was negative in 2014 and the number of major appliances sold decreased by 6%. Drop of demand for home appliances was also seen in South America, especially due to the largest markets of Brazil and Argentina. In Africa, sales were up in the Northwestern part, while e.g. Egypt and Republic of South Africa saw a negative trend.

*Basic characteristics of the region**

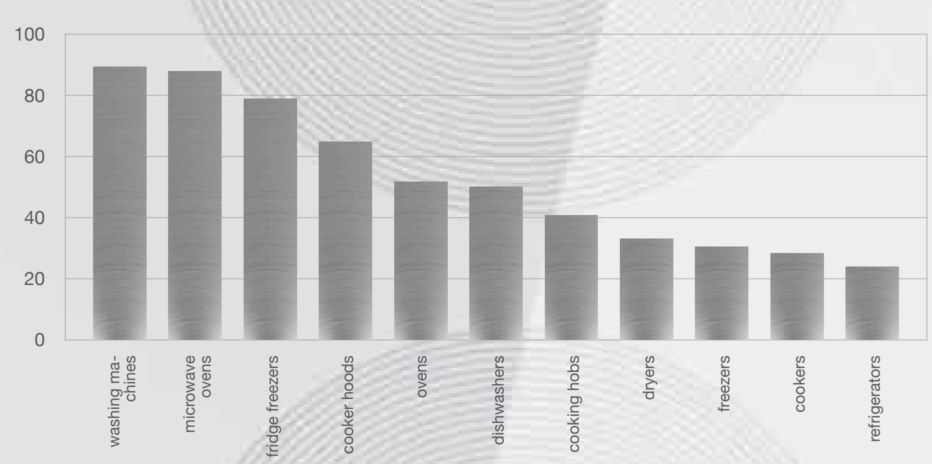
Population	3,307 million
Average number of persons per household	3.5
Share of urban population	52%
GDP growth in 2014 (estimate)	3.8%

*Data source: Gfk and Gorenje Group company estimates

*Number of major home appliances sold in the region (in millions)**



*Major appliance market penetration in Australia in 2014 (in %)**



REVIEW OF GROUP PERFORMANCE AND OPERATIONS BY REGIONS

Operations in 2014 were negatively affected by the Ukrainian political turmoil and the aggravation of economic conditions in Russia. However, 2014 was also the year when our revenue outside Europe rose by 10.7% relative to the year before; when our sales also rose in many European markets (including Russia); when we launched new products that consolidate our market position; and when we signed a distribution agreement for the Asko brand in the USA. Following is a summary of the core activity operations and performance by regions as specified internally by Gorenje.

WESTERN EUROPE AND SCANDINAVIA

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

Operations and performance in 2014

In 2014, we saw improvement in the basic economic indicators for the Western European markets, leading to stronger demand for home appliances. However, increasingly stringent competition in the industry and in retail resulted in further drops of average downstream prices.

As in previous years, we continued to note an increase in online home appliance sales which now account for one fifth of total technical consumer goods spending in Europe. We further explored this channel and provided promotion of our innovative and designer appliance lines in all product categories. As we expect further growth in the online sales channel, we adjusted our sales and marketing strategies to allow research of this dynamic channel and boosting of our market position in this segment. Sales within construction projects and at kitchen studios still account for only a small part of our overall sales structure; however, these two channels remain in the centre of our attention in terms of development of our further business activities. Thus, we considerably upgraded the line-up of our Gorenje+ brand offered in kitchen studios. New products were added in the categories of built-in ovens, cooking hobs, and cooker hoods, thus taking even better care of our customers in this growing segment.

Supported by all this, we further expanded our operations and increased our market shares in the traditionally key markets of Western Europe, i.e. in Germany, Austria, and Denmark. In Germany, Europe's largest white goods market (over 15 million major appliances are sold each year in this country), our market share in terms of volume rose to 4.2%; in Austria it now amounts to 5.2%; and in Denmark it is at 7.2%. Our position in other markets was still affected by the optimization process involving our sales structure, brands, and sales channels. Our sales and brand management activities at the Benelux countries were coordinated and optimized. In Scandinavian countries, we are pursuing our business restructuring path which involves re-focusing our sales activities to our global brands Asko and Gorenje.

Plans for 2015

Expert forecasts for 2015 anticipate further growth of demand in Western Europe, with Germany, an important market for us, remaining among the leading markets by sales volume. As European households are already highly equipped with home appliances, replacement purchases are the most robust source of demand in the market. Along with energy savings, this continues to drive most purchase decisions of the consumers.

In order to improve the efficiency of our sales teams and make their work easier, we will gradually start to implement at our sales companies the advanced »Salesforce CRM« customer relationship management system in 2015. It use is expected to relieve the information retrieval process, activity planning, and other administrative work in sales by 30%. The system has already been implemented at our sales company in Germany.

BENELUX

The region consists of Belgium, the Netherlands, and Luxembourg. This description pertains to sales under local brands Atag, Pelgrim, and Etna.

Operations and performance in 2014

In 2014, growth of the Dutch and Belgian economy was limited. Although consumer confidence and willingness to spend improved in the Netherlands, indexes were still below zero while in Belgium they continued to drop.

Lower economic growth, constantly decreasing prices of our competitors' products, and ever stronger online sales resulted in a huge pricing pressure on our regional brands (Atag, Pelgrim, and Etna). Both in the Netherlands and in Belgium, business in the kitchen retail channel which represents an important part of our activity was difficult. Nevertheless, we succeeded in maintaining our position.

The new line of Pelgrim built-in ovens, added to our offer in 2014, was well-received in the market. A new line of premium built-in ovens, called Magna, will be introduced under the Atag brand in late April 2015. Laundry care appliances are picking up pace, as are the added service concepts offered in 2014.

In the electronic retail channel, our sales increased relative to the year before despite the aggressive competition. In this channel as well, excellence of our operating processes, such as reliable and rapid product delivery and efficient after-sales services, is also of key importance. In the construction project channel, stagnation in new property development led to poorer results than in 2013, which was an exceptionally good year, after 2011. In general, customers within property development projects are becoming more demanding regarding supply and after-sales services.

Plans for 2015

Considering the positive changes in the construction industry, we expect our position in 2015 to improve. Taking into account the changes in the consumer journey, we are adapting our marketing efforts to build our brands with top-class digital presence.

EASTERN EUROPE

The Eastern European region extends from Poland to the Mediterranean to include Poland, Czech Republic, Slovakia, Hungary, Slovenia, Croatia, Serbia, Bosnia and Herzegovina, Montenegro, Macedonia, Kosovo, Albania, Bulgaria, and Romania. These countries vary considerably in terms of the level of economic development. On the one hand, there are highly developed economies strongly integrated into international trade (Czech Republic, Slovakia, Poland, Hungary, Slovenia); on the other hand, there are countries with feeble economies (Albania, Montenegro, Macedonia). In addition to economic development, the countries differ considerably in terms of general population's purchasing power as well.

Operations and performance in 2014

The home appliance sales trend was positive as volumes rose in virtually all countries of the region relative to the year before. However, along with the increase in demand, the downward pressure on prices mounted as well. Particular countries are highly challenging regarding pricing aggressiveness. This applies especially to Poland which is Europe's second biggest home appliance manufacturer as most major players in the industry built or acquired home appliance factories in this country. On the other hand, pricing is also highly aggressive in the Balkans region.

In 2014, our sales in the region increased in terms of both volume and value, compared to 2013. We also attained a higher profit margin and regained our market shares where we had lost them the year before. In some countries, our sales network was reorganized (Croatia, Slovenia, Serbia, Poland) to cut operating costs. We also launched the restructuring of logistics processes. The restructuring process is not complete yet and it is carried on in 2015.

Our position in the region differs from country to country. Our market share exceeds 30 percent in some countries despite the strong competition (Slovenia, Serbia, Croatia, Bosnia and Herzegovina); there are a few countries where our market shares are between 10 and 20 percent (Czech Republic, Hungary, Slovakia, Macedonia); and there are some where our market shares are below 10 %. The latter are the countries where we see our growth potential in the years ahead.

We market our main Gorenje brand in all countries of the region. A uniform product range was specified for this region in order to cut complexity on the one hand while increasing the range of appliances available in each country on the other. In the markets of Czech Republic, Slovakia, and Hungary, we also market the Mora brand, which is considered a domestic brand in the former two. The appliances offered under this brand afford reasonable strong sales and high market shares. In Croatia and Slovenia, we also offer appliances of the entry-level brand Körting, in addition to the Gorenje brand.

Plans for 2015

Early in the year, we launched a new generation of built-in cooking appliances (ovens, hobs, hoods) which are expected to improve our sales and profit margins. We are also carrying on the processes of reorganization by which we are adjusting the operating costs and improving our services for our customers. Relying on marketing support, we are planning to boost our sales in Poland which we see as a promising market on account of its sheer size, although it is, as noted, also a highly challenging market with formidable domestic competition. Our Czech sales team has started to use the advanced customer relationship management system called »Salesforce CRM« which is improving the efficiency of our sales teams.

COMMONWEALTH OF INDEPENDENT STATES (CIS)

The region of Commonwealth of Independent States (CIS) includes the following countries: Russia, Belarus, Ukraine, Moldavia, Kazakhstan, Kyrgyzstan, and the countries of the Caucasus region (Armenia, Georgia, Azerbaijan, Tajikistan, Turkmenistan, and Uzbekistan). Characteristic challenges of the region include political instability, currency fluctuations, import customs duties and other charges, requirement for special appliance certificates, and particularly strong competition as some major Western players manufacture their products locally in this region.

Operations and performance in 2014

Performance in this region was strongly challenged by some external circumstances in 2014. Early in the year, political turmoil in Ukraine aggravated to the point of war in the eastern part of the country. This also affected home appliance demand. While the GDP dropped by about 7.5 percent, the major appliance market plummeted in value terms by nearly 25%. Many of our business customers went bankrupt, or supply to the areas of crisis was cut. Pressure on reduction of prices mounted and we also faced currency risks and risks of default. Our revenue in Ukraine in 2014 was 50% below the 2013 figure. In Ukrainian market, our presence includes the Gorenje brand, and, to a lesser extent, the Asko brand. We are present in all sales channels (retail, wholesale, kitchen studios, and online sales). Our Kiev representative office also manages sales activities in Moldavia.

Russia is one of our most important markets both in terms of volume and profitability of sales. In this country, we mostly market the Gorenje and Mora brands, while a smaller share of revenue is generated with the brands Asko and Körting. Sales involve all channels: retail stores, wholesalers, kitchen studios and specialists, and online stores which already account for 22% of total major appliance sales. Last year, 9% of our major appliances were sold online.

In 2014, we faced currency risks throughout the year, which presented an additional challenge for us, compared to some of our competitors who manufacture their products locally. The rouble depreciated by 37% relative to the euro in 2014, with the largest drop taking place in the last quarter of the year, when sales typically peak. The climax of rouble depreciation occurred in December, spurring the population into a spending frenzy in which Gorenje was among the most sough-after brands among white goods products. Despite the rouble depreciation and aggravation of macroeconomic conditions, we succeeded in increasing our revenue in 2014 relative to 2013; however, the revenue was considerably lower than planned.

Currency depreciation was also a problem in Kazakhstan where the local currency tenge depreciated by 30% early in the year and sales value in euro terms dropped by 9.1%. Competition, especially from China and South Korea, introduced additional pressure on prices. As a result, our revenue in this market was lower in 2014 than it was in 2013. The brands marketed in this country include Gorenje and Mora. In 2014, we expanded our cooperation with business customers, especially retail stores, and we also won a new wholesale partner who now manages the supply of our appliances to kitchen studios. Our Kazakhstan office also manages our operations in Kyrgyzstan.

In the Caucasus region, our 2014 revenue was higher than in the year before despite the depreciation of local currencies ranging from 9 to 23 percent. Tajikistan was the only country where our revenue dropped, especially because the purchasing power in this market depends on influx of money from economic emigrants working in Russia.

Gorenje brand is positioned in the mid or upper-mid price segment in all markets of this region. In 2014, we successfully launched new IonGeneration cold appliances with a height of 200 and 185 cm; in the third quarter, we started to launch the new generation of built-in cooking appliances in Russia and Ukraine (in other countries, new ovens, hobs, and hoods will be introduced in 2015), in addition to Classico and Simplicity microwave ovens, and new dishwashers. In Russia, we offered our customers a new line of built-in cooking appliances and cold appliances of the Asko brand.

Plans for 2015

In 2015, we expect a strong decline in home appliance sales in the region. After a decade of continuous revenue growth, we are expecting our revenue in Russia to drop this year. We are focusing on the improvement of our market position, which we are looking to accomplish with new appliances that are being launched or that are scheduled for launch by the end of the year. New generation cooking appliances play a particularly important part in this respect. We are also revising the offer of fridge freezers and washing machines, and we will also add some niche products (Classico refrigerator and built-in microwave ovens).

OVERSEAS COUNTRIES

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

Operations and performance in 2014

Compared to 2013, revenue in non-European markets rose by 10.7% in 2014.

USA are one of our most important markets in the region, in which we have been present for a number of years with the Asko brand, under which we offer dishwashers, dryers, and washing machines to American customers. In April last year, distribution of these appliances was taken over for us by the manufacturer of premium refrigerators and ovens SubZero Group Inc., which allowed us to enter a much broader distribution network than before. By assigning the distribution of appliances to the SubZero Group Inc., our operations in the USA was rationalized to the level that supports our new business model. In the USA, the white goods market expanded by 2.2% in 2014 relative to the year before. The Group also generated more revenue.

In boosting our revenue beyond Europe, we are also counting on Australia where, like in the USA, we had only marketed Asko washing machines, dryers, and dishwashers. In 2014, our offer was expanded with Asko cooking and cooling appliances. Preparations are under way to beef up our presence in Australia with the Gorenje brand. In Australia, our revenue in 2014 was higher than in 2013.

We also saw our revenue grow in the Middle East and North Africa, despite the highly unstable business environment. We specified our key markets (Saudi Arabia, United Arab Emirates, Iran, Iraq, and Egypt) and we worked with our business partners in charge of our distribution in these markets to revise our sales strategy to pave the way for further growth in these markets. Our sales company in Dubai, in charge of sales in the Middle East and North Africa, started to build its own infrastructure to support our sales plans.

In the Far East, our activities are focused on sales in the sector of contractual supplies and construction projects where we have the status of a European premium home appliance provider. Our key markets in this region are Hong Kong, Singapore, China, and Taiwan. We also operate our own sales company in Shanghai. In 2014, our revenue rose relative to the year before. However, the biggest challenge for us in the near future is the slowdown in property development. In China, we signed a contract with a new distributor who will be able to support our plans for the future.

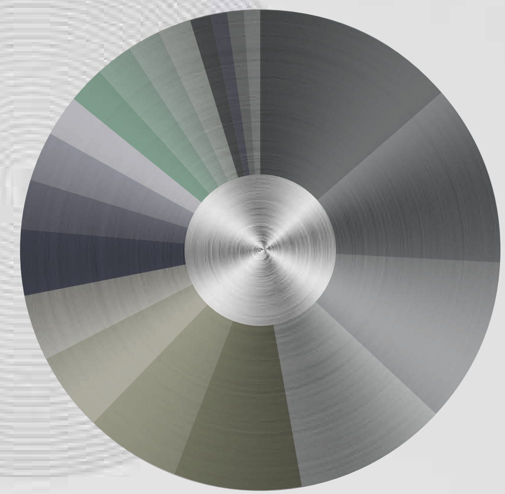
In South America, we operate a representative office in Brazil. Due to the arduous import and certification procedures, we entered the Brazilian market with the strategy of focusing exclusively on the premium segment. This is a market where we have only been present for a short period of time and where our revenue is rather low.

Plans for 2015

Consistently with our strategic goals, we are looking to boost our sales in these markets. In 2015, we are planning a 2.2-percent growth of our revenue relative to 2014, counting on particular on the Middle and Far East, and Australia.

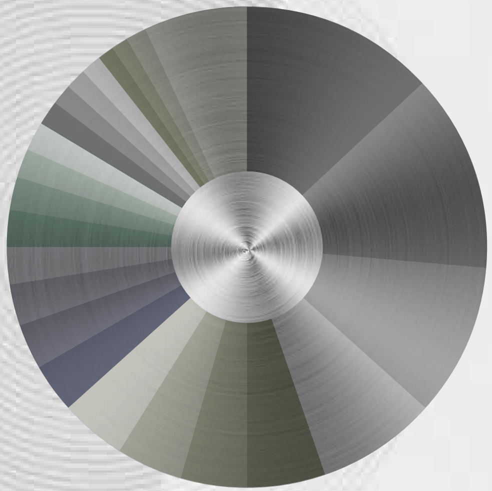
Sales by value under own brands by countries in 2013

Russia	13.8%
Germany	12.1%
Scandinavia	11.1%
the Netherlands	10.4%
Serbia	6.3%
Ukraine	5.5%
Croatia	4.4%
Czech Republic	4.3%
Slovenia	3.4%
Australia	3.4%
USA	2.6%
Poland	2.6%
Austria	2.5%
Bosnia and Herzegovina	2.3%
Belgium	2.1%
Hungary	1.4%
Romania	1.2%
Great Britain	1.1%
Slovakia	0.9%
Other countries	8.5%



Sales by value under own brands by countries in 2014

Russia	13.3%
Germany	13.2%
the Netherlands	10.3%
Serbia	8.2%
Slovenia	5.2%
Czech Republic	4.5%
Croatia	4.4%
Denmark	4.3%
Australia	3.5%
USA	3.0%
Ukraine	2.7%
Bosnia and Herzegovina	2.6%
Austria	2.5%
Poland	2.1%
Belgium	2.0%
Hungary	1.9%
Finland	1.6%
Norway	1.5%
Romania	1.4%
Slovakia	1.3%
Sweden	1.2%
Bulgaria	1.2%
Great Britain	1.2%
Other countries	6.9%



BRAND DEVELOPMENT

In recent years, we have expanded our portfolio of own brands, which allows us to address the customers of varying demands and desires, in a number of markets. We are building our global presence with the Gorenje and Asko brands, while also developing our local brands, such as Atag, Pelgrim, Mora, Etna, Upo, and Körting. Majority of our revenue is generated with the Gorenje brand which accounted for 70% of our total major appliance sales in 2014. This is followed by Atag with 8 percent share and Asko with 4 percent of the total major appliance sales.

In the last period, the sales under our own brands were increased. In 2004, the Group's in-house brands accounted for 72% of total revenue; today, this share is at 95%.

GORENJE

Gorenje is our main brand present in the vast majority of the countries of our operations. It also includes our designer lines upon which we are building our distinction and competitive edge relative to the competition. It is also the only brand that includes the entire range of home products, including major and small domestic appliances, HVAC equipment, and kitchen furniture. The markets with the highest revenue under this brand in 2014 were Russia, Germany, and Serbia; our revenue generated with Gorenje brand appliances also rose in the markets beyond Europe.

The central new launch of the last year was the new generation of built-in cooking appliances unveiled at the world's largest consumer electronics and home appliance tradeshow IFA in Berlin. Our offer of appliances was expanded with an updated range of free standing cookers, free-standing refrigerators with a height of 200 cm, and a brand new generation of refrigerators and freezers with a height of 185 cm in all energy efficiency classes. In the segment of washing machines and dryers, we continued to market the dryer with a heat pump which ranks in the A+++ energy class, and new highly energy-efficient washing machines with an inverter motor in the A+++ energy class. Moreover, we entirely revised the offer of the Gorenje+ line which is marketed especially in the kitchen studio channel. The line was extended with new innovative built-in ovens, compact cooking appliances, cooking hobs, and cooker hoods. Pursuant to the requirements of the European directive on power consumption, we revised our offer of vacuum cleaners. In addition, we also revised our range of HVAC equipment. This included launching a new generation of Aerogor Compact air-water heat pumps, new generation of inverter heat pumps Aerogor Eco Inverter, new generation of air conditioners, tankless gas water heater, and a medium-capacity domestic hot water heat pump.

In 2015, our offer under this brand is further expanded with new home appliances resulting from in-house development. This involves new fridge freezers of the IonGeneration, while the key new launch in 2015 is the new generation of built-in ovens, cooking hobs, and cooker hoods, as noted above. Last but not least, a revised Gorenje brand image will be introduced in all markets under the slogan Life Simplified.

ASKO

Asko brand ranks in the premium segment. It generates the most revenue in Australia, USA, and Scandinavia. Asko had previously been reputed in particular as a dishwasher, washing machine, and dryer specialist; in 2014, we expanded the range offered under this brand with ProSeries™ kitchen appliances that were premièred at the Tortona Design Week in Milan, and showcased at the international consumer electronics and home appliance tradeshow IFA in Berlin. Response by our business partners was good, and the expert jury of the international Red Dot design contest awarded the design of the oven from this line. Furthermore, we took a major step forward in expanding the presence of our Asko brand in the USA by signing the American premium refrigerator and cooking appliances manufacturer SubZero Group Inc. as our distributor for the Asko dishwashers, washing machines, and dryers.

We entered the year 2015 with an entirely revised organization and a beefed up international team in charge of further development of the brand. We continue to introduce the Pro Series™ appliances, and our offer will be further extended with a new line of designer kitchen appliances. We are also launching a new generation of dishwashers which still represent the largest share in Asko brand sales. The most Asko dishwashers are sold in the key markets for this brand, i.e. Australia, USA, and Scandinavia.

ATAG

Atag is a premium brand of built-in kitchen appliances marketed in the Benelux countries. Appliances under the Atag brand are mostly available in kitchen studios and the brand is reputed as a specialist for high-quality gas hobs. In the period ahead, we are looking to build our reputation and stress our competencies in other product categories as well.

In 2014, we launched under this brand a new line of designer kitchen appliances called Magna which won the Red Dot award in 2015, as well as a new line of gas hobs Matrix and a new induction hob with expandable induction zones. We also improved our offer of refrigerators, dishwashers, and cooker hoods in high energy-efficiency classes. Recognition of Atag as a kitchen appliance specialist was supported by a new multimedia marketing campaign.

In 2015, the key new launch under the Atag brand will be the new line of Matrix ovens which is to increase our market shares in this very important product segment.

PELGRIM

Pelgrim brand has been an important player in the offer of kitchen appliances in the Dutch market for over a decade. The brand includes an entire range of kitchen appliances in the mid price segment, and the appliances stand out in terms of simplicity of use.

In 2014, we reached a new milestone in this brand's development as we increased its market shares in the electro retail stores and kitchen studios by introducing a new line of ovens. Revised gas hob with a burner in the A+ energy class was very well received by the customers.

MORA

Key markets for the Mora brand are the Czech Republic and Slovakia, where it is considered a local brand. The brand is also marketed in Russia and Hungary. In 2014, we expanded our offer with small domestic appliances.

We also conducted a brand reputation survey in 2014, which showed that the brand is powerful and recognized as a traditional brand trusted by the consumers. In order to bring it closer to the target group and to win new customers, we have developed a revised brand identity which is to be introduced, along with the revised visual identity, in 2015. To this end, we also beefed up our market communication activities.

ETNA

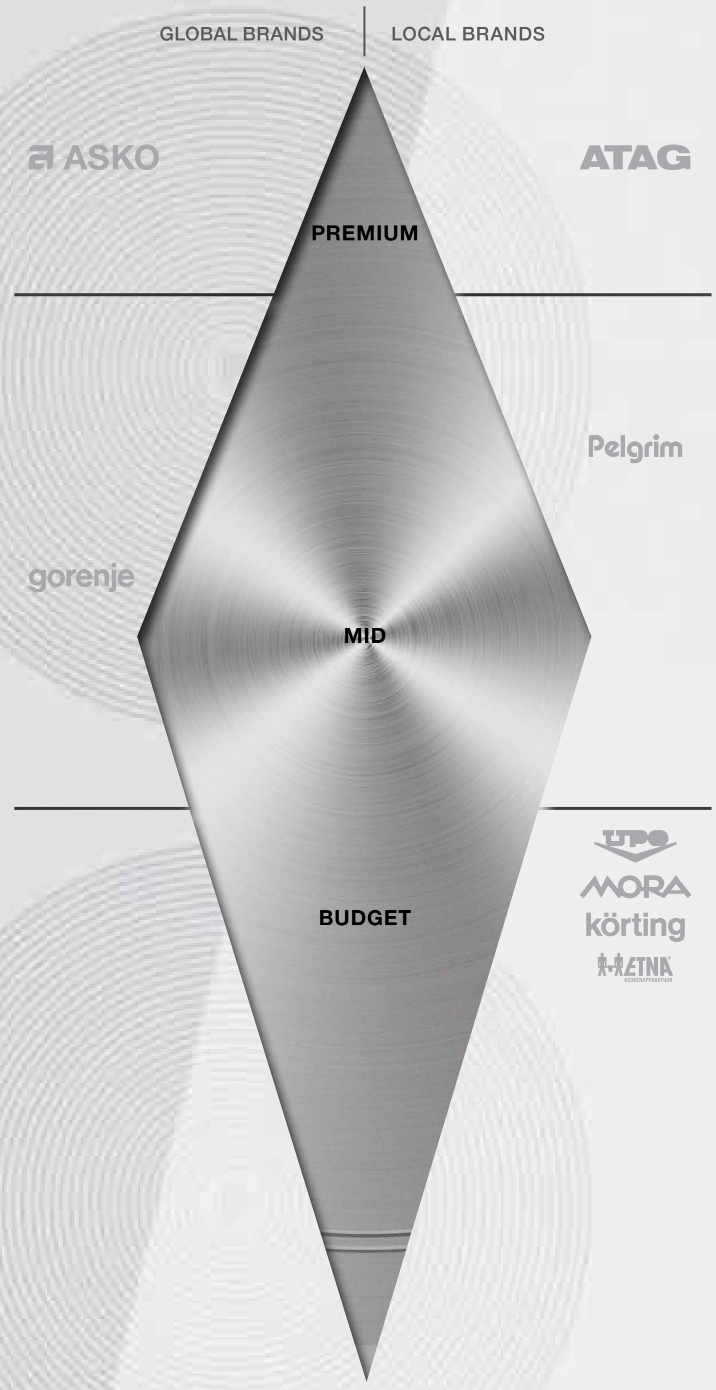
The Etna brand is the leading entry-level home appliance brand marketed in electro retail and DIY stores. The brand's market share in terms of volume in the segment of built-in and free standing cooking appliances is on the rise, and we are consolidating its position in the sales channels of kitchen studios and property development projects. In 2014, the brand's offer was extended with new gas hobs and combined microwave ovens. We also specified more precisely the brand's pricing position, defining it as the first-choice budget brand in the Netherlands.

UPO

Upo is a traditional Finnish brand with a strong recognition rate. Customers in Finland perceive it as a reliable brand offering a good price-to-quality ratio. In 2014, its offer was extended with new models of refrigerators and freezers, washing machines, and built-in ovens, and we updated the brand's visual identity. In 2015, we continue to add new products in order to make use of the brand's power in the local market and to retain our market shares. Our marketing activities will be aimed at convincing the end buyers to purchase Upo appliances for their technical features rather than for their price.

KÖRTING

Our budget brand Körting is marketed in Greece, Slovenia, Croatia, and Russia. In 2014, we maintained the product structure and no major changes in the range of products are planned. The share of sales under this brand in our total revenue from own major appliance brands has decreased slightly; this share was offset by sales under other brands, ranked in higher price segments.



PRODUCT DEVELOPMENT AND DESIGN

As stated in our vision, we are looking to become the best design-driven home appliance innovator in the world. Therefore, we devote particular attention to new product development and design. This is also reflected in increasing R&D investment. In 2014, it accounted for 2.9% of core activity revenue, or 0.4 percentage point more than in 2013. In 2014, we are planning to further increase the investments into new product development. Innovation is also among the fundamental values encouraged among our employees.

Development of different product categories is the task of our teams at development competence centres in Slovenia, the Netherlands, and Sweden, while a group of designers working at our in-house design studio located in Slovenia and boasting over five decades of industrial design tradition and know-how is in charge of the design. Occasionally, we also work with third-party designers, especially with globally renowned designer stars.

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

- development of technological innovation that brings added value to the users and simplifies their lives;
- energy efficiency which requires permanent care, both because of consumer expectations and because of regulations in this field; this is a key area that we will continue to focus on in the future;
- new materials that will improve the functionality of the products while reducing the burden to the environment;
- platform-oriented thinking and a quest for solutions that allow better management of complexity;
- carefully thought-out and advanced design that receives our full attention and commitment already in the early stages of development. Superior design is a key element upon which we build our distinction and competitive edge in a highly saturated industry.

Activities in 2014

In the segment of fridge freezers, we were focused on the second stage of the project of developing a new platform of free standing fridge freezers with a width of 60 centimetres. We have developed free standing refrigerators and freezers with a height of 185 and combined fridge freezers with a height of 200 cm. These appliances stand out with innovative solutions for maintaining the quality of the food stored, and high energy efficiency.

An important part of our development activities also included the development of a new platform of premium built-in ovens. Two built-in heights (45 and 60 cm), three levels of control interfaces, and steam, microwave, and convection technology for food processing are the key features of the new ovens first launched in 2014.

The key project in the dishwasher segment was to develop entirely new modular dishwasher platforms; appliances based on them will be launched in 2015.

Moreover, we worked with our strategic partner Panasonic to develop a new generation of washing machines, the manufacture of which started in 2015. They stand out with innovative laundry care technology and a large capacity, as well as high energy efficiency.

In the segment of heating systems development, we revised the entire range of our water heaters.

We also carried on with our activities to develop connectible appliances; these activities are continued in this year.

PRODUCTION

Following the completion of the strategic manufacturing operations relocations from Sweden to Slovenia, from Finland to the Czech Republic, and from Slovenia to Serbia, which were highly challenging for our employees from a number of departments and taxing on the production processes, 2014 was a year of consolidation of our manufacturing plants.

We were primarily focused on the improvement of operational excellence in a number of fields, ranging from timeliness and reliability of supply, reduction of inventories, improvement of productivity and other indicators, to occupational health and safety and cost efficiency. We carried on the implementation of the lean manufacturing principles at all plants. These principles are aimed at cutting short the days in inventory and the average inventory levels, and improving the usage of machinery and organization of manufacturing facilities. Moreover, we carried out continuous improvement workshops based on the renowned Kaizen method. We worked with our strategic partner, the Panasonic Corporation, to exchange the best practices. Organizational changes were implemented at the Velenje plant, including the transfer of operational maintenance and quality control to production programs in order to highlight the responsibility of respective production programs.

Structure of production by plants in 2014

PURCHASING

In 2014, particular attention in raw and processed material sourcing was paid to the improvements in the segment of strategic supply, risk management to hedge from raw material price volatility, optimization of inventory and material, and, as a result, to improvement of cost efficiency of purchasing. These activities are carried on in 2015

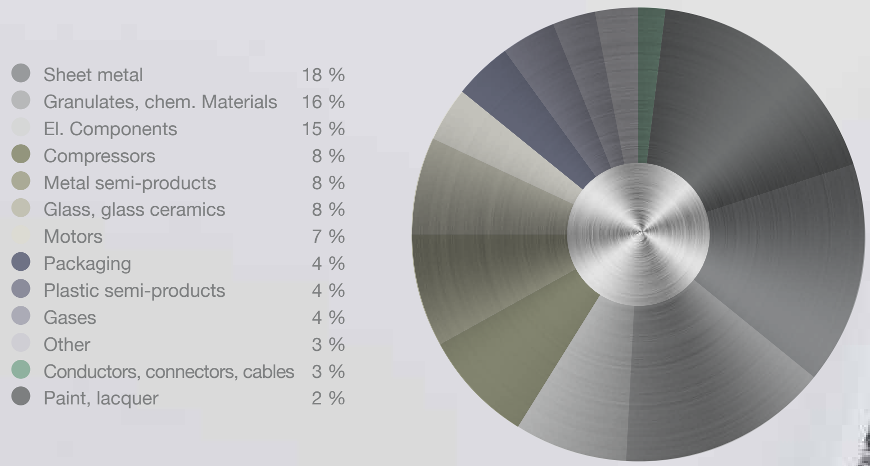
We continued to development our network of stable and competitive suppliers that meet our criteria regarding quality, capacity to follow and support our development projects, flexibility, and costs. The number of suppliers was cut by 7% to reduce the complexity in this area; at the same time, our cost efficiency was improved. Lower number of suppliers is consistent with our goal laid down and this activity is carried on in 2015.

Risk management regarding volatile raw material prices also has an important role in purchasing cost management. As the political and macroeconomic uncertainty is rising in several parts of the world, volatility of markets and raw material prices is increasing as well. We hedge the risk of changes in prices by monitoring a number of factors affecting the changes in raw material prices (macroeconomic indicators, key market factors, technical analysis, currency fluctuations, and other events). Identification and evaluation of exposure to particular raw material prices, which is a part development of the purchasing plan the portfolio of suppliers, also plays an important part in our risk hedging policy. Based on prompt identification of changes in the highly dynamic commodity markets, we are striving to make the right decisions at the right time, in order to prevent or alleviate the risks of unfavourable price changes. We have developed the necessary tools and methods for protecting against such risks.

- In case of base metals, we use futures to hedge the risk of price fluctuations. This allows us to fix the prices through our suppliers according to the listings on the LME futures exchange, while the agreements are based on immediate translation of the LME listings to euros, which also hedges the currency risk.
- Risk of changes in steel sheet metal prices is hedged with price index model agreements that include the clauses for adapting to the market conditions and clauses restricting the price escalation.
- In the market for plastics, there are no available tools for long-term hedging as prices are defined on a monthly basis due to numerous unpredictable factors in the petrochemicals supply chain. Therefore, we are looking to obtain offers with competitive terms by including a larger share of suppliers and by calls for bids.

In 2014, we witnessed further decrease in raw material prices. Oil price dropped by 30% relative to the year before; steel sheet metal price was down by 4.7%, and plastics prices dropped by 1 to 5%. This was mostly a result of the geopolitical conditions (Iraq, Ukraine etc.), slowdown in the economic growth in China and the recovery of the global economy, deflationary pressures in the euro zone (measures by the European Central Bank), excessive withdrawal of US stimulus policies (response by the Federal Reserve Board to the latest economic indicators), more flexible economic policy in Japan, excess manufacturing capacity, and lower demand for raw materials. Negative trend in raw and processed material prices had a favourable impact on our raw and processed material costs. Moreover, our costs in this respect were cut by sound management of our supply chain, all of which led to the attainment of our goals. Our cost efficiency was also improved by cutting the days in inventory for raw and processed material inventories by 6 days.

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



SUPPLY CHAIN MANAGEMENT AND COMPLEXITY

Within our supply chain, we are looking to provide the best for our customers by optimal engagement of our fixed and current assets and cost optimization. Our supply chain is coordinated by careful planning of all processes and activities affecting the supply of our products to the end users (supplier management, optimum planning and execution of production processes, optimization of inbound, internal, and outbound logistics costs, inventory management, providing after-sales services for our customers, and optimization of the IT system and distribution channels).

In order to improve the performance of our supply chain, we introduced in 2014 the monitoring of indicators on customer relationships, fixed and current asset management, and management of processes and costs in the entire Group.

Inventory management

Our asset management in 2014 was focused in particular on working capital management, especially inventories with regard to which we controlled the inventories of finished products and materials. We also carefully monitored the slow moving appliance inventories and reacted if the inventory was slower than planned. Thus, the inventories at the end of the year were close to the planned levels. In 2015, we will develop a strategy for better inventory management during seasonal and other peaks for particular product categories, as well as seek to improve the sales forecasting system and cut short the lead time from order to product delivery.

Complexity management

Particular care was devoted to the management of product, process, and organizational complexity; special tools were developed to this end. Regarding product complexity, we specified our internal criteria for improve component complexity management, for cutting the number of finished product codes/IDs for products under our in-house brands marketed in Europe, and for cutting the number of product types. With respect to the latter two areas, our goals for 2014 were attained as component complexity was slashed by 17% and good 8% was shaved off of the number of finished product IDs under our own brands. Reduction in the number of finished product IDs and appliance types will also be aided by modular approach to introduction of new appliance platforms or new generations of appliances in the production process.

Notable results were also seen regarding the decrease in the number of IDs required to attain a 1-percent market share. From 2012 to the end of 2014, the number of IDs required to attain this share was cut by 11%.

Process and organizational complexity is reduced by standardization of business processes, organizational structures, and IT systems. By mid-2015, we shall establish a comprehensive system of business process implementation which will involve specifying the process architecture, assigning process owners, and establishing a systematic approach to change management. The key part of business process management is amendment and synchronization of all process indicators (key performance indicators) toward support for attainment of our strategic goals. Simultaneously with execution of these activities, we also carry on our standardization processes which will result in greater standardization and unification of business models.

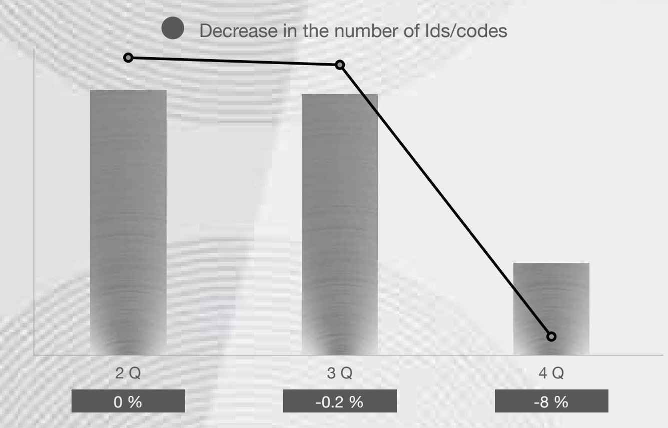
Improved cost efficiency

Regarding cost efficiency, we have defined the process of cost planning and monitoring, the process of coordinating the activities for cost optimization, and developed a program of preventive measures for the attainment of long-term cost efficiency.

Monitoring the attainment of strategic goals

Balanced Scorecard system is in place for consistent monitoring of the attainment of our annual goals as per the strategic plan, and of our response to the changes in the environment and the needs of our customers.

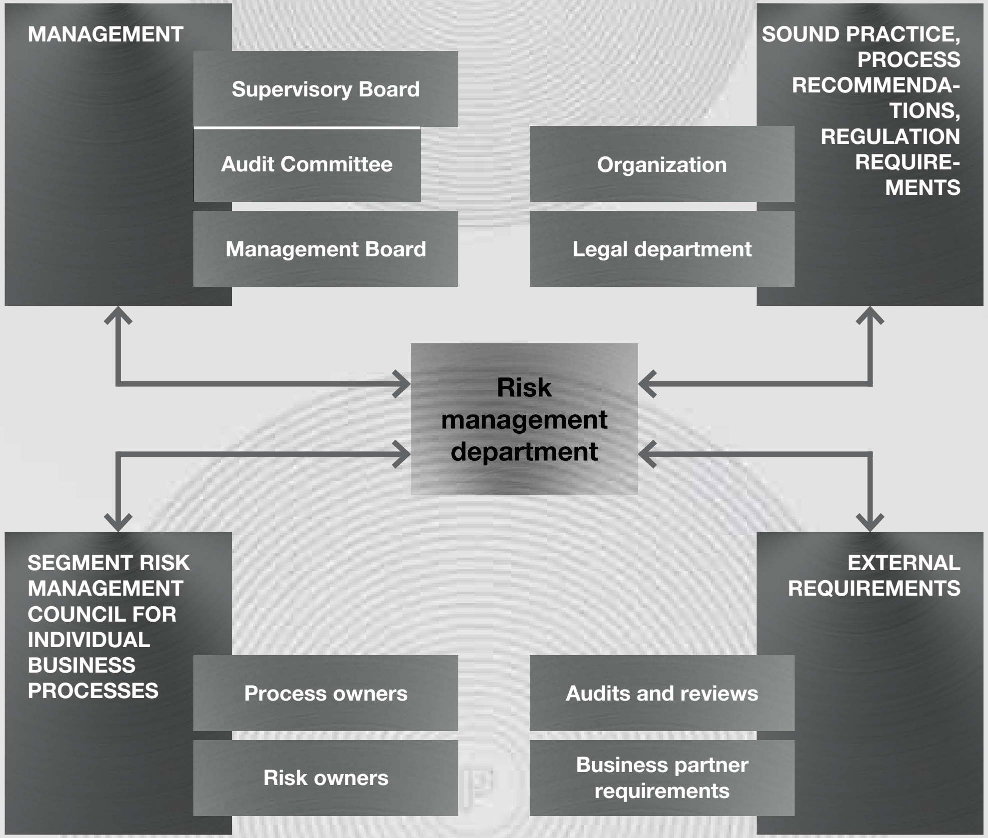
*Number of finished product IDs/codes**



*Systematic optimization of the number of finished product IDs/codes started in the second quarter of 2014.

RISK MANAGEMENT

At Gorenje Group, we continuously examine and develop opportunities for long-term stability of our operations, long-term growth, and creation of value for the Group's stakeholders. In doing so, we are aware that in conducting our business activities, we are exposed to numerous risks, and that maximization of business results and opportunities requires assuming some of these risks. Taking risks is a constituent part of the decision-making process and entrepreneurship. Appropriately structured risk management process allows us to identify, measure and adopt the business decisions and the risks related to them in a controlled and balanced manner.



BUSINESS RISK MANAGEMENT

A process of continuous risk monitoring is in place for the purposes of planning and especially attainment of our business goals. This process is focused on the risks that have a direct and/or indirect impact on the Group's operations. The identified risks are classified based on the effect of their occurrence on the completion of business activities, and the probability of such occurrence. In addition to identifying, measuring, and monitoring of risks, the risk management system put into place also defines the controls and risk management measures. The risk management process is established at all levels of business management and decision-making.

Risk management is an important building block of corporate governance and management. In 2014, we founded the Risk Management Department that prepared a revised model for identification, analysis and evaluation of risks. The model was approved by the Management Board, and its contents were reviewed and approved by the departments in charge of respective business processes. A revised risk management process has already been established at the parent company level. In 2015, we are planning to expand and implement the process throughout the entire Group. This will allow a uniform approach to risk management at the Group level.

The revised process of integrated risk management system pursues the following goals:

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

EVENTS WITH THE HIGHEST RELEVANCE TO RISK MANAGEMENT IN 2014

External events

External events that had the strongest effect on our operations in 2014 certainly include political turmoil in Russia and Ukraine; both are very important markets for us. Political and macroeconomic instability in these two markets have had a notable effect on both our business activities there and on the operations and performance of the Group as a whole. Instability in the market was reflected in lower sales due to a drop in the purchasing power of the population and lower profitability in these markets, which was – in addition to the lower purchasing power – a result of more stringent and concentrated competition, depreciation and high volatility of the local currencies relative to the euro, and a shift of demand to lower price segments.

In Ukraine, our revenue was nearly fifty percent lower than in 2013 (EUR –26.9 million). Our sales volume and revenue in Russia rose relative to the year before; however, the extreme rouble depreciation resulted in actual revenue falling short of the expectations.

We succeeded in alleviating the negative effects in these two markets to a substantial degree with the following measures:

- ur business model and operating costs were adjusted to lower demand;
- our downstream (sales) prices were adjusted to the volatility of the local currencies as much as possible;
- particular attention was paid to credit risk – in Ukraine alone, our credit exposure in 2014 was reduced by nearly EUR 10 million;
- we insured most of our Russian cash flows with forward exchange contracts;
- we offered new products in the markets and improved the choice of products to adapt to the consumers and their changed behaviour.

These measures restricted the occurrence of negative risk events. Despite the extraordinary volatility in these two markets, we succeeded in maintaining operating profitability and market position, and in stabilizing our operations. Thus, we have built a solid foundation for the time when the circumstances normalize.

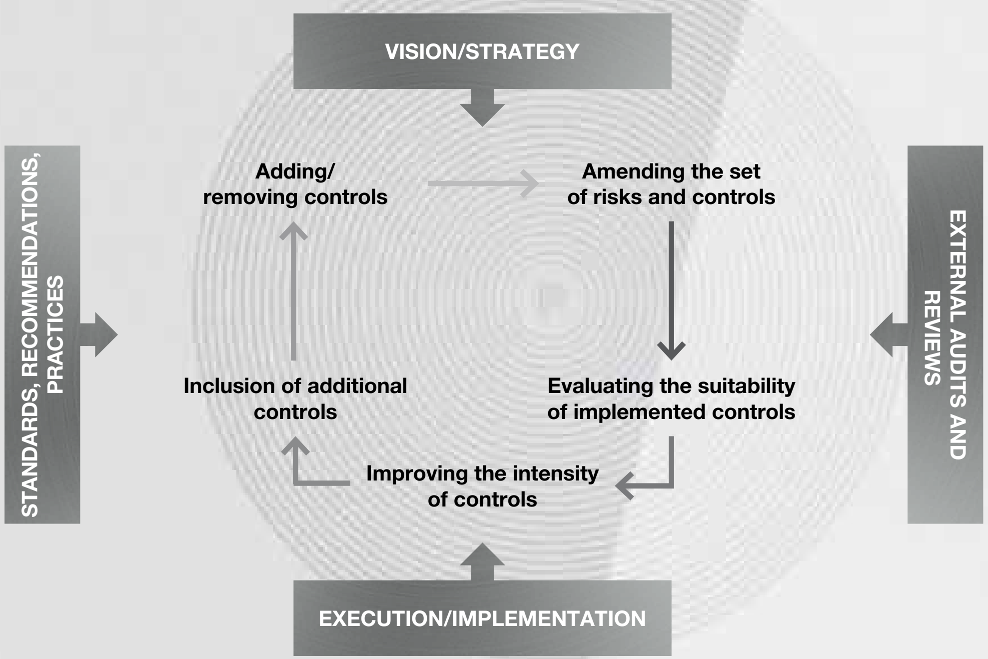
Internal events

Internal events with the greatest effect on the risk management process in 2014 certainly involve establishment of a department that included revising the risk management model, presenting the model and providing training and education at the level of all business processes at the company. Training and education were followed by revision of the risk catalogue/register with segmental process risks.

BUSINESS RISK MANAGEMENT MODEL

The implemented model is based on internationally recognized segmental practices and standards using as guidelines the ISO31000, Guide73, and COSO risk management models.

The model is based on determining the risk level as a product of the estimated probability of a scenario and the effect of the occurrence of such scenario on the Group's performance. In determining the probability, the method is based on event history or frequency of occurrence. In determining the magnitude of the effect, we consider the financial impact, possible consequences for employee health or the investment, probability of interruption of business processes or operation in general, effects for the Group's reputation, or consequences regarding the attainment of the Group's goals. Both the effect and the probability of occurrence are estimated on a five-level scale. Clearly specified classification levels of the effect and probability based on their intensity ensures the risk assessment is based on well-grounded objective analysis rather than subjective opinion.



Responsibilities and activities in the risk management process

A number of functions at the Group level actively take part in specifying and adjusting the risk management process. Thus, we are making sure the risk management process is in tune with the business requirements of our business processes and with the context of the Gorenje Group. The risk management process is conducted from the business process activities towards the management (bottom-up approach). Here, risk and business process owners are actively involved and put in charge of continuous progress of the process of identifying, evaluating, and managing the risks. The role of the risk management development is to develop the model and the methodology, and to link and coordinate all activities, including training, education, and reporting. At the same time, the company management, by adopting strategic and business decisions, provides to the risk management department and the persons in charge of respective processes the guidelines for evaluating the strategic risks and grounds for identification of new risk related to the changes in the context of the organization (top-down approach).

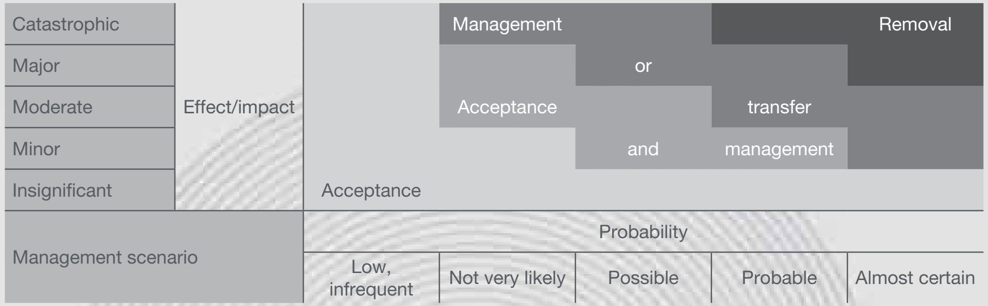
With risk evaluation, control monitoring, and implementation of risk management measures, the risk management model forms the process of continues improvement in risk management.

In this way, the risk management model follows the decisions or changes in the context of the organization (changes in vision or strategy, the Group's business model) and the model is being continuously improved by monitoring of operations (external audits and reviews), monitoring of the performance of controls and measures (execution/implementation), and by staying up to date with the standards, recommendations, and sound practice. The model is designed to include continuous audit of both the set of risks and the set of controls and measures.

Risk catalogue

All risks are recorded and evaluated in the risk register/catalogue. In the catalogue, the risks are classified into several categories: financial risks, operational risks, and reputation and goodwill risks. All risk categories are additionally broken down into risks of external and internal origin.

Based on the risk evaluation, the risk catalogue also includes the risk management scenario.



RISKS RELATED TO THE ENVIRONMENT AND THE INDUSTRY IN WHICH THE GROUP IS ACTIVE

Some of the identified risks are directly related to the environment or the industry in which we are active. Our results depend to a considerable extent on the macroeconomic situation in respective key markets in which we conduct our activities. Our performance is especially affected by factors like the GDP in individual markets and fluctuations thereof, inflation rate, exchange rates, interest rates, transport costs, fuel prices, unemployment rate, changes in purchasing power of consumers, and the fiscal and monetary policy in the countries where we are active. Unfavourable changes of the general macroeconomic situation in the EU or globally can result in a drop of demand for our products and services, which in turn can cause a decrease in our revenue and have a negative impact on our financial position. Moreover, instability or disturbances in financial markets, which may in particular stem from the macroeconomic environment, can restrict access to external sources of financing. Such restrictions of access to external financing or increase of the costs thereof may affect our ability to efficiently carry out our investment projects and strategies. Macroeconomic situation can also increase the risk of insolvency of our customers, which may lead to problems in collection of receivables or debt, and loss of key customers. Such unfavourable circumstances may have a material adverse effect on our operations, financial statements, financial position, and our development potential.

The largest cost component is the cost of raw and processed materials, which is exposed to volatility of commodity prices in commodity and non-commodity markets. Raw material price volatility is further aggravated by the fluctuations in the exchange rate of US dollar relative to the Group's functional currency (the euro). In order to alleviate the risk of changes in raw material prices we employ relevant risk mitigation instruments, especially long-term contractual relationships with our key suppliers, and, to a lesser extent, futures contracts. Monitoring the trends in raw material prices and expectations in supply chains, and a wide supplier chain are the key controls employed to mitigate the risks in this field to acceptable levels.

FINANCIAL RISKS

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

CURRENCY RISKS

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

In these currencies, the Group balance sheet reports an excess of assets over liabilities, which is treated as a long currency position. Key accounting categories constituting a currency position include trade receivables (from end users) and trade payables (to suppliers).

The exception is the US dollar for which we have an excess of liabilities over assets as the purchases from the dollar markets exceed our sales in this currency. To a lesser extent, the exposure of financial position is related to our debt in local currencies.

In 2014, the Group adopted the Currency Risk Management Policy which, inter alia, specifies the following:

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

In addition to natural currency risk hedging with internal techniques that involve adjusting the purchasing and sales in respective currencies, taking out loans in the currencies with asset exposure, and other internal mechanisms, we also actively hedge our currency risks. Thus, we regularly and continuously, on a 12-month basis, take out acceptable currency hedging instruments .The level of such hedging normally includes 60 to 80 percent of the planned cash flow. Hedging with short-term forward exchange contracts is based on planned cash flows in each currency. Required level of hedging was defined based on the ratio between the effect of each currency on the Group performance (operations volume) and probability of a change in the exchange rate (currency volatility).

Currency risk management is centralized. A currency risk management council was also appointed. The parent company is signing currency risk hedging instruments both on its behalf and on behalf of other Group companies, transferring them contractually to the companies locally exposed to such risk. To a limited extend, the subsidiaries sign instruments in local markets as well, while the parent company provides support and credit limits with acceptable hedging partners. By employing the centralized approach to currency risk management we can come closer to optimum effects of currency risk hedging.

CREDIT RISKS

Our operations extend over a number of geographical regions and as a result, the Group has many customers from around the globe. While they are mostly legal persons, our customers also include natural persons in the retail segment. As a general rule, we only work with customers with suitable credit rating which we regularly monitor. In addition, we have defined clear rules regarding credit limit approval for each customer. To this end, we adopted the revised receivables management policy which defines the receivables management processes, responsible persons, and acceptable credit risk management or insurance instruments. This policy, adopted at the Group level, also provides a mandatory framework for the receivables management rules and policies adopted and integrated into their processes by our subsidiaries. Simultaneously, we are implementing at all companies in the business segment Home the credit risk management information module, in order to automate the process of monitoring and collection of receivables and credit limits, which in turn will lead to a lower share of overdue or delinquent receivables, and to gradual increase of the share of insured receivables.

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

All customers whose receivables exceed EUR 5,000 are included in the credit rating control process that also includes insuring the receivables with acceptable insurance instruments. Consistently with the receivables management policy, the following acceptable insurance instruments have been defined:

- receivables insurance by credit insurance companies;
- receivables insurance with bank guarantees and letters of credit;
- factoring without recourse;
- exceptionally, subject to special approval, pledge or mortgage of the 1st order.

At the end of 2014, 61.6% of total Group trade receivables were insured with acceptable insurance instruments, which is 5.6 percentage points better than at the end of the preceding period. The share of insured receivables in the business segment Home is 64.7%, or 5.9 percentage points more than at the end of 2013. Most trade receivables are insured by SID - Prva kreditna zavarovalnica. A part of the receivables is also insured by credit insurance companies in respective local markets, and by other acceptable insurance instruments. It should be added that no insurance is required from a minor share of customers, confirmed in a special procedure, due to their excellent credit rating which we are regularly monitoring. In case of some trade receivables with no insurance, we have offsetting transactions, i.e. our customers are also our suppliers. Moreover, there are many small customers who are highly dispersed, leaving the credit risk regarding each individual customer very low.

We are carefully monitoring the credit risk in other business segments as well. Short-term surplus of funds and cash in commercial bank accounts is allocated in compliance with our corporate policies that also include the methodology of determining acceptable financial partners or parties. These policies also specify the methodology of determining the acceptable financial partners in signing derivative financial instruments.

LIQUIDITY RISKS

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

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

We have implemented a uniform and centralized approach to banking partners both in Slovenia and abroad, through which the parent company manages optimum debt of the entire Group, taking into account the aspects of extent, costs, maturity, and currency balance.

In order to diversify the financing sources, we successfully issued in 2014 for the second time short-term commercial paper in total nominal amount of EUR 35,000 thousand. Short-term issues of commercial paper, which we continue to employ in 2015 (the third issue of short-term commercial paper was offered in February 2015 in the nominal amount of EUR 27,000 thousand), are intended for balancing the seasonal dynamics of cash flow from operating and investing activities. These cash flows are, as a general rule, negative in the first half of the year, followed by gradual improvement throughout the rest of the calendar year. Short-term cash flow disbalance is additionally managed by taking out short-term revolving loans and credit limits on current accounts with commercial banks in Slovenia and abroad. At the end of the year, the liquidity reserve, consisting of unused approved credit lines, available cash and cash equivalents in accounts, and fixed-term deposits with commercial banks amounted to EUR 109,349 thousand. Liquidity reserve is intended for short-term cash flow management and it considerably mitigates the Group's short-term liquidity risk.

The Group has in place a long-term plan for servicing its financial liabilities which is regularly updated. In 2014, we extensively restructured the maturity profile of our debt. This included replacing all borrowings gradually maturing in 2014 with long-term financing sources. This process included the following:

- improving the maturity profile of our financial liabilities by 23.5 percentage points – at the end of 2014, long-term financial liabilities accounted for as much as 73.5% of total financial liabilities;
- issuing 5-year amortizing bond (note) GV01 in the total nominal amount of EUR 73,000 thousand, thus diversifying the financing sources in the long-term part of our debt as well. In addition to short-term commercial paper, the issue of long-term bond provides extra assurance that other investors, besides the banks, have confidence in the Group;
- carrying out the third round of parent company capital increase from authorized capital pursuant to the Shareholders Assembly resolution dating from 2013. Consistently with the Shareholders Assembly decision, the capital increase amount was EUR 10,000 thousand, and it was carried out by means of a debt-to-equity swap;
- reducing the Group's total financial liabilities by EUR 29,807 thousand;
- notably decreasing the amount of required financing for the year 2015.

INTEREST RATE RISKS

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

The interest structure of financial assets and liabilities is not balanced as the Group has considerably more financial liabilities than interest-earning financial assets. In 2014, we considerably increased the amount of our financial liabilities with a fixed variable rate, which is largely the result of the issue of the GV01 bond (note) with a fixed nominal rate of 3.85% in 2014. The proceeds from the issue of the bond replaced the financial liabilities with a variable interest rate. The share of non-derivative financial liabilities with a fixed interest rate rose by 20 percentage points and amounted to 28% of total financial liabilities as at December 31, 2014. After 2014, the share of liabilities with a fixed interest rate was further increased.

As at December 31, 2014, we also held interest rate swaps in the amount of EUR 28,300 thousand. Both currency and interest rate derivatives are only signed with acceptable partners. We therefore find the risk of failure on the part of our contractual partners to fulfil their contractual obligations minimal.

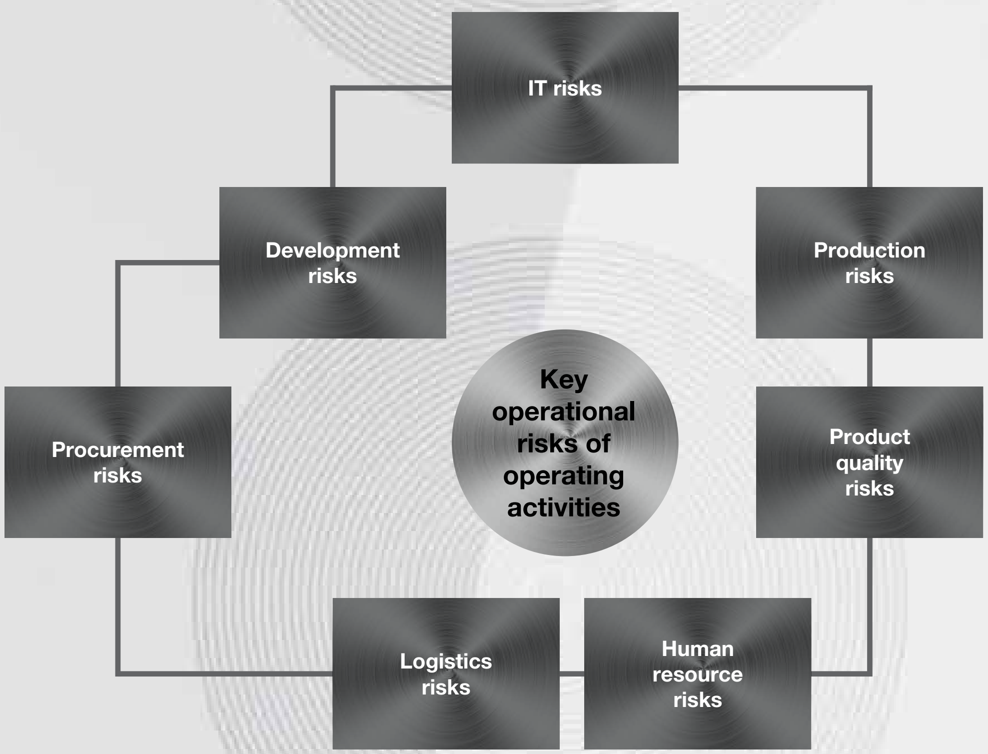
In 2014, variable interest rates were mostly on a downward trend. Therefore, we did not sign new derivative financial instruments intended for hedging the risk of an increase in the variable interest rate. The share of financial liabilities for which fixed interest rates were agreed or hedging instruments were signed was 35% at the end of 2014. Despite the fact that we did not take out interest rate risk hedging instruments in 2014, we are regularly and continuously monitoring the financial markets in order to allow timely measures in case of macroeconomic changes.

OPERATIONAL RISKS

Operational risks include the following: operational risks of operating activities, legislative and regulatory risks, and risks of interruptions or failures in operating activities. Operational risks, for which we find the probability of occurrence of risk events very low, while their effect on the operation of business processes is found to be the highest possible, are further addressed in the uninterrupted operation plan.

OPERATIONAL RISKS OF OPERATING ACTIVITIES

Operational risks of operating activities pertain to the operation of the basic processes and to the sources required for uninterrupted operation of business processes.



Procurement risks

In addition to the risks related to upstream prices which are affected especially by external factors, Group operations are also significantly affected by suitable supply chain organization. Raw materials, components, and merchandise are sourced from a large number of external suppliers. As a result, we are exposed to the risk that the suppliers fail to deliver the orders within agreed deadlines or in the agreed amount or that the quality of the delivery is inadequate. Although the Group is pursuing the rule of two or more alternative suppliers, this rule is not entirely complied with in a certain segment, especially where more pre-development cooperation between the Group and the selected supplier is required. The risk of uninterrupted operation is managed or mitigated by constant implementation of acceptable suppliers and by provision of adequate level of safety inventory. A supplier evaluation model is in place, which evaluates the suppliers based on a number of aspects and criteria.

Supply chain management, and reliability of sales and production planning have an important effect on our operations. Poorly managed process can result in higher procurement costs, sub-optimal amount of inventory in the supply chain, and in problems for other business processes.

Changing macroeconomic circumstances affect our suppliers as well. Although no materially relevant effects were seen last year due to aggravation of financial stability of our suppliers, we continue to regularly monitor the operations and performance of our key suppliers.

IT risks

Risks associated with the operation of the IT system stem especially from the risks of IT infrastructure operation, support at the service level, and development at the level of IT systems.

IT risks are managed by providing IT infrastructure that is set up in a high availability operating mode. In addition to the primary location, the IT system also includes a secondary remote computer centre location. As a result of the IT system architecture and maintenance contracts with third-party service providers, the expected infrastructure operation failures are within the required availability parameters as set by the business requirements and processes.

In order to provide the support function in IT system operation for the entire Group, the 24/7 regime support department was finally set up in 2014, assuring response and support for service operation for Group companies located in different time zones as well.

The biggest risks to cost-efficiency and comprehensiveness of the IT system are related to the non-homogeneity of IT systems within the Group, and the non-homogeneity of the very business processes. Projects involving integration of subsidiaries into a uniform IT system reduce the risks of non-homogeneity of IT systems as they reduce the IT system complexity while increasing the cost efficiency and usage of the infrastructure. Project to standardize or make uniform the business processes or certain segments of business process execution will be carried out in 2015 and beyond in order to provide simpler and more transparent operation. Until business information systems are made uniform or standardized, or until their ultimate set is defined, there is a risk pertaining to operation of the system or to provision of comprehensiveness of information during transfers between different IT systems.

Production risks

The Group's production processes depend on certain critical machinery, equipment, and other resources. Although the Group's production processes and assets are generally modern and well maintained, there can be no full assurance that there will not be failures or breakdowns in machinery and equipment used in the production process. Any failure or breakdown of such equipment, which would result in partial or full interruption of the production process or a decrease of the Group's production capacity could have a significant negative impact on operations, operating results, financial position, and development prospects.

Production risks are a very important group of risks. The Group operates three major production locations where majority of the products we market are produced.

Risks of uninterrupted production are most frequently related to adequate availability of required resources. Risks addressed within the production processes are divided into availability of human resources, risks related to materials and supply, risks related to technological equipment and risks related to work process methods.

On the one hand, risks related to human resource availability are related to the fluctuations in the required or planned production volume; on the other hand, they may be a result of force majeure (natural disaster, broken traffic connections etc.). Such risks are resolved on the go by adjusting the working capacity and internal reallocation of human resources between production programs located at the same manufacturing site.

Risks related to provision of materials and supply may result from inadequate material supply (deficient quality) or untimely supply. In optimizing the production processes, we set up a system of minimum inventories. As a result, material may not be available in due time due to situations affecting our suppliers' production capacities or situations related to material logistics. These risks are managed with an orderly process of procurement and logistics, which include systems of alternative suppliers and deliveries.

Risks related to technological equipment are a category of production risks pertaining directly to the production process. These risks involve risks of machinery breakdowns, which are mitigated by systems of regular preventive maintenance; risks related to energy supply failures (gas and electricity), which are managed within our contractual relations with suppliers; and risks related to the compliance of our technical equipment with the relevant technical and legislative standards, which are managed by regular compliance checks (internal and external inspections and audits).

Since the Group is paying particular attention to product quality, product quality monitoring is involved in all production stages of the final product. Required quality levels are attained with tried and tested work procedures that are regularly monitored, reviewed and revised as necessary. Only products of high quality will allow us to keep our users and convince new ones. In addition to monitoring the quality of our products, production process quality indicators also include cost efficiency of the process, and provision of safe, worker-friendly workplace.

Product quality risks

Quality standards and regulations apply to the appliances we produce. Although we are continuously improving our production practices and although we employ appropriate product testing protocols, the possibility of faults or operation failures of our products cannot be entirely eliminated. The Group has set up a model of systematic monitoring of the costs of inadequate product quality and the levels and causes of product failures, in order to perceive the risks related to product quality and to be able to act accordingly to eliminate the problems in a timely manner within all processes. The risks are mitigated with appropriate development and quality assurance systems as a part of the production, sales, and after-sales processes. A quality management system according to the requirements of SIST EN ISO 9001/2000 has been implemented, as well as a system of accredited methods pursuant to ISO 17025, and the Six Sigma system. The use IT tools allows us to cut the time required to identify any extensive failures and thus to limit the costs that would be incurred in case of an epidemic defect. At the same time, we are constantly expanding the set of tests in the purchasing, development, and production process.

In addition to the internal product risk mitigation measures, we have also obtained insurance coverage from an international insurance company, which also includes coverage for manufacturer's liability for damage resulting from any faults or operation failures, in the amount which we deem sufficient to provide adequate coverage for any loss events. Nevertheless, we cannot guarantee that the insurance coverage will be sufficient for all and any loss events.

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

Development risks

Key development risks are risks related to compliance and risks related to the new product development process. With regard to compliance we observe the technical standards of the industry, which our end products have to comply with, and the relevant legislation and restrictions regarding intellectual rights and patents. We devote a lot of attention to provision of compliance of our end products with safety standards as this assures safe use of appliances for our customers. Failure in terms of any aspect of compliance may have a major impact on our operations and performance, and on the reputation of the Group and its brands.

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

In order to obtain an independent opinion regarding the quality and usefulness of the final product, user tests conducted by consumer organizations are included in the testing stage. Such tests are planned in the annual development plans and they involve relevant sets of products.

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

The most critical risk observed in the development process, present regardless of the introduced internal controls, is the risk of an inappropriate or unsuccessful product concept. The Group has no guarantee that the product we develop will find commercial success or that the consumers will recognize the useful value of the product features we develop. This risk is all the more important when developing new product categories or platforms. These risks are managed over the entire development cycle – from continuous monitoring of consumer behaviour, needs, and trends, to market analyses and monitoring of technological trends in the industry.

Human resource risks

Group performance and competitiveness depend on our ability to keep, motivate, and attract new qualified and experienced employees for all business processes in operations, administration, and management. Performance and success of long-term and short-term business strategy relies on adequately trained employees. In 2014, we launched the succession planning project which is to assure uninterrupted operations despite any losses of key personnel. Moreover, particular attention is paid to employee training and education at all levels and in all professions and fields of expertise within the Group. In addition, our recruitment efforts also include providing scholarships to talented students.

Availability and flexibility of adequately trained employees is the key to correct and timely execution and implementation of strategic, development, and other projects conducted at the Group in addition to regular business activities.

Logistics risks

Logistics risks are related to the changes in the costs of transport services and provision of efficient logistics support to the Group's sales and sourcing process. With regard to sea transport, supply and demand are the most important factors affecting the prices. The market for sea transport services has stabilized after last year's price hike. However, major fluctuations of prices in the future are still possible. In case of road transport, oil prices are the key factor, in addition to recent increases in road tolls in Europe. Also contributing to the instability of the market and higher risks is the lack of trucks in the market, which is characteristic of the entire European area. We are mitigating the logistics risks by managing the logistics processes and by employing a wider base of logistics service providers. In 2013, we completed our manufacturing operations relocation project, which has also resulted in changes to logistics routes and at least temporarily increases the risks related to logistics processes.

Operational risks can appear at the operational level of logistics processes. These are managed as risks of system failures in systems that allow operation of logistics centres, and risks of business-logistics partners managing the logistics transfers between our logistics centres or to our business partners' warehouses. Operation of local customs authorities also has a notable effect on our logistics activities. Logistics risks of business logistics partners are managed by maintaining a range of alternative options – in terms of partners and in terms of alternative logistics routes or means of transport. Risks of major transport damage are adequately insured and business relations with our partners are based on long-term cooperation, which means that lost, stolen or destroyed cargo can be replaced with the next shipment.

LEGISLATIVE AND REGULATORY RISKS

Legislative and regulatory risks include risks related to any breaches of the relevant local legislation, regulations, or operating standards. Legislative and regulatory risks may affect the Group's ability to successfully conduct business activities. To this end, we have established many controls and processes: environmental management, occupational health and safety management, human resource management, and legal consultation provided by our in-house legal department and third-party legal consultants in respective markets where keeping an in-house legal office would not be reasonable.

Due to our sales model which involves marketing our products in over 90 countries, including some in which our market shares are relatively high, we are exposed to the risk of compliance with the competition law. We have been observing closer control by the national competition protection offices. Any unwanted final result of such control could have a material effect on our operations and performance. Therefore, the Group has adopted a policy and operating instructions for conduct in compliance with the provisions of the competition law, which pertain to the entire Group.

Our business activities and operations, including manufacturing processes and end products, affect our environment. All our facilities hold the necessary environmental permits, depending on the type and scale of their operations, pollution and/or other environmental considerations. We perform all periodic environmental, health, and safety measurements, including monitoring of effluence, air emissions and noise levels, checking of waste production and hazardous substance storage, as well as legal regulation of working conditions etc. In addition, lowering of environmental, health and safety risks is a component of the Group's environmental, health and safety risk management systems, which are in compliance with the ISO 14001 standard, the European regulation EMAS, as well as the OHSAS 18001 standard.

Our operations are fully compliant with the currently effective environmental, health and safety laws and regulations (including fire safety). However, in the years ahead we should expect a continued move towards more stringent environmental requirements, as determined by local and/or international regulations that we shall have to comply with. In the period ahead, this can result in higher operating costs or require capital expenditure, while any failure to comply with the effective legislation could have a notable effect on the company's reputation and goodwill.

We operate subsidiaries or representative offices in over 30 countries. In other markets, our products are marketed by designated local distributors. Some of these countries are new business environments to us. With the expansion of our business activities to markets with which we are less familiar, we are increasingly exposed to the risk of changes in local legislation and regulations, as well as to political risks.

Due to centralization of the IT system and relocation of parts of infrastructure of our subsidiaries to the Velenje site (relocation of manufacturing operations from Sweden), we launched in 2014 the project of internal audit for all legislative commitments regarding the operation of Gorenje's IT system, which have to be complied with by the parent company and all subsidiaries. Provision of IT system compliance with the relevant legislation includes regular monitoring of IT system contents that is protected by law.

Information protection risks pertain to risks of maintaining confidentiality, availability, and comprehensiveness or completeness of information. As a recommendation for information security, the Group employs the ISO 27001 standard as a reference. In 2014, we amended the plan for uninterrupted operation, and extended and adopted the umbrella information security policy. For 2015, we are planning to develop the security policies for particular segments of information security management system.

Tax risks are related to correct interpretation of the tax legislation and the related correct and timely accounting and payment of charges; to potential changes in the tax legislation; implementation of tax legislation in day-to-day business processes; provision of relevant documentation etc. The fundamental measure for management of tax risks is consistent compliance with the provisions of the tax legislation. This measure is being implemented by monitoring the tax legislation and legal practice related to taxation; establishing adequate internal control mechanisms; regular cooperation between distinct departments and companies; cooperation in all stages of business activities; development of relevant documentation to support the adopted solutions etc. Reorganization of sales between the Group companies (inter-company operations) has increased the complexity of risk management with regard to value-added tax. This is managed by increased standardization of tax treatment of our transactions. In transactions with our subsidiaries, risks are managed by implementing a coordinated transfer pricing policy and development of relevant documentation.

MARKET RISKS

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

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

We are facing powerful competition in all markets of our operations. In the last year, we have observed increased ownership concentration of our competitors, which has increased their competitive ability in the markets and boosted their negotiating power relative to the customers. Some of our competitors have more recognizable brands, broader consumer bases, and ampler financial and other sources they can use to improve their recognition in the markets, for marketing activities, and for launches of new and more competitive products in the markets. The risks related to competitors' activities aimed at increasing their market shares directly affect our operations and performance. In order to remain competitive and to maintain our market shares, we may have to increase our marketing expenses, boost marketing activities, or even adjust the pricing of our products. Although we believe we are currently competitive in the market, we cannot make any assurance that we will remain equally competitive in the future and that we will be able to maintain or even increase our market shares with the current scope of sales activities.

Our products and services are marketed in over 90 markets. However, concentration of sales, especially in European markets that have not seen any improvement or growth in the macroeconomic environment, is high. Therefore, we have adopted a strategic goal to increase our sales in the markets beyond Europe, i.e. markets with higher growth of demand for home appliances. Gradual growth of our sales in these markets, which we have attained in 2014 as well, mitigates our dependence on the highly competitive European environment.

REPUTATION AND GOODWILL RISKS

Our competitiveness and performance also depends on our recognition and reputation, which pertains to our brands and to compliance at all levels of our operations. Decrease in the value of our own brands resulting from product recall, customer complaints, negative publicity, court proceedings, or other factors may have a negative impact on our performance. Moreover, reputation and goodwill risks are affected by most of the risks referred to in this chapter.

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

RISK MANAGEMENT GOALS IN 2015

We have specified a range of activities geared towards the attainment of the following goals pertaining to the improvement of our risk management process:

- completion of the project of determining legislative compliance and IT system operation;
- review and, if necessary, amendment of the risk catalogue (register);
- expansion of the risk management process to all Group subsidiaries (process revision);
- amendment of the uninterrupted operations process for all identified risks with regard to which a catastrophic effect was evaluated along with the probability status of low/infrequent.

Management Board

PETER KUKOVICA
Member

BRANKO APAT
Member

FRANJO BOBINAC
President and CEO

MARKO MRZEL
Member

PETER GROZNIK
Member

DRAGO BAHUN
Member

CORPORATE GOVERNANCE STATEMENT

MANAGEMENT BOARD

The current Management Board commenced its term of office on July 19, 2013. On April 28, 2014, the President and CEO Franjo Bobinac, and Management Board members Branko Apat, Peter Groznik, Marko Mrzel, and Drago Bahun, were joined by a new Management Board member Peter Kukovica.

MANAGEMENT BOARD

Franjo Bobinac, President and CEO

Franjo Bobinac graduated in international economic relations at the Faculty of Economics, University of Ljubljana, in 1982. He completed his MBA studies at the École Supérieure de Commerce in Paris in 1997. He has international experience in various business fields, and he possesses in-depth theoretical and practical knowledge.

He started his career with a three-year stint at Emo Celje. In 1986, he joined Gorenje Commerce as assistant director of exports. In 1990, he was appointed director of exports at Gorenje Gospodinjski aparati (»Gorenje Home Appliances«); a year later, he took over as head of marketing. From 1993 to 1998 he was the managing director at Gorenje's sales subsidiary in Paris. After Gorenje's transformation into a public limited company in 1997, he became a member of the temporary Management Board; in 1998, he was appointed Management Board member in charge of sales and marketing. In 2003, he was started his first term as the President and CEO. On July 19, 2013, he commenced his third term as Gorenje President and CEO.

He is a member of the General Assembly of CECED (European Committee of Domestic Equipment Manufacturers); board member at the Slovenian Chamber of Commerce and Industry; Supervisory Board member at the IEDC Bled School of Management; member of the Governing Boards of the University of Ljubljana; member of the Board of Governors at the Research Institute Jožef Štefan; member of the Advisory Board at the Faculty of Economics, University of Ljubljana; and President of the Handball Association of Slovenia. He is also vice president of the Managers' Association of Slovenia, and he previously served a five-year term as the president of this Association. He is a Management Board member of the Summit of 100 business leaders of Southeastern Europe.

He occasionally lectures at the IEDC – Bled School of Management and at the Faculty of Economics of the University of Ljubljana. He is a visiting professor at the International Postgraduate School of the Jožef Štefan Institute.

He was awarded the decoration of Knight of the National Order of Merit of the Republic of France; he received the award of the Slovenian Chamber of Commerce and Industry for exceptional economic achievements in 2007; and the Janez Vajkard Valvasor medal for businessmen, presented by the Jožef Štefan International Postgraduate School.

- He holds 4,096 Gorenje shares.

Branko Apat, Chief Operations Officer / Management Board member in charge of major appliance operations and heating equipment operations and sales

Branko Apat graduated at the Faculty of Economics in Maribor in 1984, majoring in international trade. In 1988 he completed his specialist studies at the Cleveland State University, Ohio, USA.

At Gorenje, he started out as a sales manager for products sourced from outside Gorenje's parent company. His next assignment was the head of exports to Middle East. In 1988, he became assistant director of exports for products other than white goods; moreover, he was in charge of marketing Gorenje products in South America. In 1990 he was appointed purchasing director; three years later, he was the marketing director. From 1999 until the end of 2009, he was managing director of Gorenje Tiki, a water heater manufacturing company. In 2003, he took over as executive director the coordination of Gorenje Group companies dealing with heating equipment, toolmaking, and machine building; as of 2006, he was also in charge of the complementary program.

In 2007 he was first appointed to the company Management Board in charge of complementary programmes, purchasing and logistics. As a Management Board member, his responsibilities as of 2009 included the entire Home Appliance Division, including sales. On January 1, 2012 he was appointed Management Board member in charge of major appliance operations and heating systems operations and sales. He continues to hold this position in the 2013–2018 Management Board term of office.

- He holds 626 Gorenje shares.

Peter Groznik, PhD, Chief Finance Officer / Management Board member in charge of finance and economics

After graduating in economics at the Faculty of Economics in Ljubljana in 1996, he further pursued his academic career with a master's degree in the same discipline. He completed his master's studies at the Kelley School of Business, Indiana University, USA, and received his PhD in finance in 2003.

After completing his PhD, he launched his professional career as a consultant on financial regulation for the company Mobitel, followed by employment at various companies of KD skladi, where he was in charge of fund management from 2005 to 2009. In March 2009, he was appointed CEO of KD skladi, a position he held until September 2010.

Since 1996, he has been a lecturer for several courses at the Faculty of Economics in Ljubljana. He was also a lecturer and visiting professor at the Kelley School of Business and the International Graduate Business School in Zagreb.

He is a Supervisory Board member at Pivovarna Laško and NLB. He is the founder of the investment consultancy firm NorthGrant Consulting and a partner in the personal finance company BTP Indegra. His cooperation with Gorenje dates back to September 2011 when he was hired as an independent consultant for financial issues. He was first appointed Management Board on April 19, 2012.

Since 2005, he has held several positions in expert and strategic bodies of the Government of the Republic of Slovenia, including that of Chairman of the Strategic Council of Economic Development from 2007 to 2009.

He was also a Management Board at Pivovarna Union.

He has received several academic awards; he has taken part in many seminars and conferences at home and abroad; and he has published several articles in Slovenian and international expert journals.

- He holds 7,140 Gorenje shares.

Marko Mrzel, Chief Sales and Marketing Officer / Management Board member in charge of sales and marketing

Marko Mrzel graduated in 1995 at the Technical Faculty of the University of Maribor, majoring in automation. He followed up his university studies with the MBA postgraduate program in Radovljica under the auspices of the Faculty of Economics in Ljubljana, and obtained his Master's degree in economics in 1999.

He started out his professional career at the Velenje Coal Mine, and then continued in the finance department of the Era trade company where he was soon promoted to head of wholesale. In 2001, he was hired by the Gorenje Group as head of complementary program at the parent company. Two years later he was assigned managing director of Gorenje's sales subsidiary in Belgrade.

He was first appointed Management Board member in March 2011 when he took over the position of CFO, i.e. Management Board member in charge of finance. On January 1, 2012, he was assigned to the position of CSMO, i.e. Management Board member in charge of Sales and Marketing. He continues to be in charge of this field in the Management Board's 2013–2018 term of office.

- He holds 450 Gorenje shares.

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

After graduating at the Faculty of Mechanical Engineering, University of Ljubljana, in 1989, he followed up his studies with a post-graduate program at the Faculty of Economics in Ljubljana where he first earned title of management specialist, followed by the title Master of Business Policy and Organization. In 1998, he was awarded the PhD title in business administration and organization at the same school.

Throughout his business career, he performed a number of functions. After completing his undergraduate studies, he was a system analyst at Iskra Zorin/Mike software, d.o.o. Then, he was the director of a sector at Nissan Adria, and assistant director at Suzuki, Wolf, and partners. From 2001 to 2007, he was the assistant general manager in charge of strategic development and marketing at ACH. He then further pursued his career as deputy director at AMZS, d.d. In 2012, he was appointed president of Iskra Sistemi, after working as Management Board member, and later President and CEO, at Iskra MIS, d.d., from 2009 to 2012.

From 2003 to 2008, he was a lecturer at the Faculty of Economics in Ljubljana, and the head lecturer for the course Commercial operations and Introduction to Marketing II.

From mid-June 2013 until the start of his term of office in the Gorenje Management Board on April 28, 2014, he was the advisor to the President and CEO. His field of work included development of solutions for improvement in complexity and supply chain management, improvement of cost efficiency, and monitoring of accomplishment of strategic projects and goals.

He is the Supervisory Board Chairman at Nova KBM and a member of the Strategic Council for Internationalization at the Slovenian Chamber of Commerce and Industry.

He has also worked as the Supervisory Board member of Vzajemna (health insurance company), deputy Supervisory Board chairman at Pošta Slovenije (Slovenian postal service), Supervisory Board chairman at AMZS, d.d., president of the Slovenian Athletics Association, and president of the Sports Foundatio

- He does not own any Gorenje shares.

Drago Bahun, Management Board member – labour director

Drago Bahun completed his studies of sociology (majoring in human resources) at the Faculty of Sociology, Political Sciences, and Journalism of the University in Ljubljana in 1979. This was followed by postgraduate studies of human resource management at the same school.

He started his career at the Mining and Energy Engineering State Combine in Velenje in 1979, where he headed the department of business system organisation until the end 1984. He has been employed at Gorenje since 1985 when he was hired as deputy chairman of the management committee of the composite organisation for the field of socio-economic relations. From 1987 to 1990 he was a Management Board member of Gorenje Gospodinjski aparati in charge of human resources; from 1990 to 1997, he was the director of human resources and general affairs.

After the company was restructured to a public limited company in 1997, he became a member of the temporary Management Board. In 1998, he was appointed Management Board member in charge of human resource management, and labour director. From 2003 to the end of 2011 he was the Management Board member in charge of human resources and organisation, and the labour director. Since January 1, 2012, he has been the Management Board – labour director. He continues to hold this position in the 2013–2018 Management Board term of office.

He has been active in various institutions and professional organisations (Slovenian Chamber of Commerce and Industry, Ministry of Labour, Employers' Association). He is a Supervisory Board member at the Credy bank, deputy chairman of the executive committee of the Skiing Association of Slovenia, and President of the organizational committee of the Planica ski jumping event.

- He holds 9,082 Gorenje shares.

STATEMENT OF MANAGEMENT RESPONSIBILITY

The Management Board is responsible for the development and compilation of the Annual Report of Gorenje, d.d., and the Gorenje Group, as well as the financial statements, in a manner that provides to the interested public a true and accurate account of the financial position and performance of the company and its subsidiaries in 2014.

The Management Board hereby confirms that the financial statements of Gorenje, d.d., and the Gorenje Group have been prepared pursuant to the relevant accounting policies; that the accounting estimates have been developed according to the principles of prudence and diligence of a good manager; and that the financial statements of the Company and the Group give a true and fair account of their financial position and performance in 2014.

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

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

The President and CEO, and Management Board members are familiar with the contents of integral parts of the Annual Report of Gorenje, d.d., and the Gorenje Group for 2014, and thus also with their entire Annual Report. We approve the report and confirm such approval with our respective signatures.

Franc Bobinac, President and CEO

Peter Groznik, Management Board member

Marko Mrzel, Management Board member

Branko Apat, Management Board member

Peter Kukovica, Management Board member

Drago Bahun, Management Board member

SUPERVISORY BOARD

The Supervisory Board started a new four-year term on July 20, 2014. At their session held on August 20, 2014, the Supervisory Board appointed the chairman and deputy chairmen of the Supervisory Board, as well as chairpeople and members of the Supervisory Board committees.

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

In addition to receiving regular reports on performance and operations and confirming the annual plan, the Supervisory Board continuously encouraged the Management Board to divest as soon as possible the companies of the portfolio investments segment and to focus on its core activity. Moreover, the Supervisory Board was presented in detail the planning and monitoring of investments at the Gorenje Group. The Supervisory Board also confirmed the Rules on membership of Gorenje, d.d., Management Board members, directors, and other officials in supervisory bodies beyond the Gorenje Group.

The Supervisory Board aims at constantly improving the corporate governance and welcomes the implementation of the Code of Conduct that was adopted at the end of 2011 and amended on April 24, 2014. This document is an important step in the improvement of the transparency of operations and governance. It allows every employee who has any doubts as to the compliance of operations with legislation of ethical standards to address either directly the Audit Committee or the secretary to the Management Board.

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

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

SUPERVISORY BOARD MEMBERS

At the 21st session, the Shareholders Assembly approved the increase of the number of Supervisory Board members representing capital from six to seven, thus increasing the total number of Supervisory Board members to eleven. Moreover, it appointed the capital representatives for the term from July 20, 2014, to July 20, 2018.

Following are the Supervisory Board members representing the interests of capital:

- Marko Voljč, chairman,
- Bernard C. Pasquier, deputy chairman,
- Uroš Slavinec, deputy chairman,
- Bachtiar Djalil, member,
- Keith Miles, FCA, member,
- Toshibumi Tanimoto, member,
- Corinna Claudia Graf, member.

The interests of the employees in the Supervisory Board are represented by the following members who were appointed for their four-year terms of office starting on July 20, 2014, by the Works Council:

- Krešimir Martinjak, deputy chairman,
- Peter Kobal, member,
- Drago Krenker, member,
- Jurij Slemenik, member.

Marko Voljč, Supervisory Board chairman

Marko Voljč graduated in economics at the Faculty of Economics in Ljubljana, and earned his Master of Science degree at the Faculty of Economics at the University of Belgrade.

He was an analyst/senior analyst at the National Bank of Slovenia from 1973 to 1976, and Head of the analytical department at the National Bank of Slovenia from 1976 to 1979. From 1979 to August 1992, he was employed at the World Bank in Washington, D.C. Having completed the advanced professionals' educational program by the International Monetary Fund in1978, he joined the World Bank's Young Professional Program in Washington in 1979. He was involved in the World Bank's industrial and financial projects in Latin America (1980-85), and served as a senior economist in the Bank's Industrial Strategy & Policy Division (1986). In 1987, he became the World Bank's first head of its Mexico City Resident Mission where he served until 1990 when he was promoted to the post of Country Programs Central America and Panama Division, a position he held until August 1992. From September 1992 to January 2004, he was the President and Chief Executive Officer at Nova Ljubljanska Banka (NLB), Slovenia. From February 2004 to April 2006, he was the General Manager at the Central Europe Directorate at KBC Bank and Insurance Holding Company N.V. (now KBC Group N.V.), Belgium. From May 2006 to April 2010, he was the CEO at K&H

Bank, Hungary; from May 2010 to December 2012, he was the CEO for Central and Eastern Europe and Russia at KBC Group. From January 1, 2013, to April 30, 2014, he was the CCO – Corporate Change & Support Officer – at KBC Group. From May 1, 2014, until December 31, 2014, he was the advisor to the Management Board of this company; until the end of 2014, he was also a member at several Supervisory Boards of KBC Group subsidiaries and boards of banks and insurance companies in the Central and Southeastern Europe.

During his business career, Marko Voljč has acquired a comprehensive knowledge and practical experience in Slovenian, Central and Eastern European as well international finance and banking. He has written a number of articles and papers concerning financial and industrial issues, about export development and promotion, on restructuring and privatization of public enterprises, as well as about restructuring, turn-around management and privatization of banks in Central and Eastern European transition and post-transition economies. Since 1996, Marko Voljč has served as the Honorary Consul of Mexico to Slovenia. In 1998 he became the Slovenian member of the Trilateral Commission. From September 2000 to September 2003, he was a board member at the Institute of International Finance in Washington, D.C. Between April 2001 and January 2004, he held the position of the President of the Managers' Association of Slovenia. In his capacity as Director General Central Europe for KBC Group he sat on Supervisory boards of KBC's banking subsidiaries in Poland, Hungary, and Czech Republic. He was also the Chairman of the Supervisory board of Gorenje, d.d., until July 2006.

- He does not hold any Gorenje shares.
- He is a member of the Corporate Governance Committee and the Human Resource and Remuneration Committee.

Bernard C. Pasquier, deputy Supervisory Board chairman

Bernard C. Pasquier has worked as a consultant since 2008. His portfolio of assignments includes advising the parliament of the Principality of Monaco on economic and financial issues, and the World Bank in connection with various projects linked to private sector development. He also represents the International Finance Corporation (IFC) in the Board of Directors of Banco Davivienda, Colombia, and Sogebank, Haiti. In February 2013 he was elected Member of the National Council of the Principality of Monaco. He is also Secretary General of the Monaco Méditerranée Foundation, Secretary General of the Club of Monaco, and Secretary General of l'Association des Monégasques de l'Etranger.

Bernard C. Pasquier obtained a university degree in business administration, majoring in finance and investment analysis at the École Supérieure de Commerce et d'Administration des Entreprises de Montpellier (France) in 1976. He received a Master's degree in public administration, majoring in business and economic development, from the John F. Kennedy School of Government, Harvard University (USA) in 1984.

From 2004 to 2007, he was the secretary general at the Compagnie Monégasque de Banque in Monaco. Before that, he was the director of the Latin America and Caribbean Isles Department at IFC in Washington from 2001 to 2004. He also held many other positions at IFC in the period from 1984 to 2001: Investment Officer via the Young Professional Programme (1984-1985), Principal Economist and Country Officer for the Africa region (1985 to 1990), Manager of the Africa Department (1990 to 1995), Senior Advisor in the Office of the President of the World Bank (1998 to 2001), and Director of the South Asia Department (2001 to 2004). He was a founder and Managing Director of the Dream Food International Company in San Francisco from 1980 to 1983, an Investment Analyst at the Chase Manhattan Bank in Rio de Janeiro from 1977 to 1980, and an Economic Consultant at the Finance Ministry in Rio de Janeiro in 1976 and 1977. In the period from 1998 to 2004 he was a member of the Management Board of SMBP, a private bank based in Monaco, whose shareholders were the banks Dexia and La Caixa de Barcelona.

He served as a Supervisory Board member at Gorenje, d.d., in the 2010–2014 term.

- He does not hold any Gorenje shares.
- He is the chairman of the Corporate Governance Committee, chairman of the Human Resource and Remuneration Committee, and a member of the Benchmark Committee.

Uroš Slavinec, deputy Supervisory Board chairman

He was the President and CEO of the company Helios Domžale, d.d., from June 1, 1990, to April 30, 2014 when he retired. He holds a BA degree in economics. He worked at Helios from the very beginning of his professional career. From 1975 to 1986, he held various top management positions, such as the head of planning and analyses department, management council member, and management council president. From 1986 to 1990 he was member of the Executive Council of the Assembly of the Republic of Slovenia for Industry and Civil Engineering.

He was also a member of the Assembly of the Slovenian Chamber of Commerce and Industry. In 1997, he received the Slovenian Chamber of Commerce and Industry Award for outstanding business achievements and in 2006, he was named Manager of the Year.

In the Gorenje, d.d., Supervisory Board 2010–2014 term he held the position of a Supervisory Board chairman.

- He does not hold any Gorenje shares.
- He is a member of the Human Resource and Remuneration Committee.

Bachtiar Djalil, Supervisory Board member

Bachtiar Djalil is the president of the management board at Kapitalska družba, d.d. After completing his undergraduate studies at the Faculty of Law in Ljubljana (1998), he continued his academic pursuits with the postgraduate program on European law at the University of Groningen, the Netherlands, where he was awarded the title Master of Laws in European Law.

His firs employment was at NLB in 1999, working in capital investment management. After completing his Master's studies, he was hired by the Competition Protection Office (CPO) of the Republic of Slovenia where he was also a CPO representative in the European Commission's Merger Task Force. In July 2002, he returned to Nova Ljubljanska banka where he worked in the Capital Investment Management and Supervision Sector. He participated in the founding of the company NLB Skladi, d.o.o.; in January 2004, he was appointed head of legal affairs office at this company. From July 2007 to his employment at the Kapitalska družba, he was a Management Board member at NLB Skladi, d.o.o.

Previously, he was also a supervisory board member at Modra zavarovalnica (an insurance company), member of the executive board with the Fund and Asset Management Association – Commercial Association (Združenje družb za upravljanje investicijskih skladov – GIZ), and a council member with the National University Library. He also took part in development of legislation on mergers and acquisitions and competition protection, and he was a member of parliamentary group task forces in charge of changes to asset management of the Republic of Slovenia, and bank restructuring. For a number of years, he has contributed to expert teams of the Fund and Asset Management Association in development of regulations on investment funds and asset management companies, taxation, and prevention of money laundering.

He is a supervisory board member at Loterija Slovenije, d.d., and a member of the arbitration tribunal with the Fund and Asset Management Association – Commercial Association (Združenje družb za upravljanje investicijskih skladov – GIZ).

He was first appointed Gorenje, d.d., Supervisory Board member on July 5, 2013.

- He does not hold any Gorenje shares.
- He is the Audit Committee Chairman.

Keith Miles, FCA, Supervisory Board member

Keith Charles Miles is a Fellow of the Institute of Chartered Accountants in England and Wales. He is in retirement. He holds Slovenian and British citizenship. He gained his working experience in various companies and enterprises, primarily in the areas of accounting, treasury, finance, and retail.

He worked for G. H. Fletcher & Co (Chartered Accountants), City of London from 1958 to 1970, latterly as a partner, in the Group Accounting Division of the P & O Group (transport activities) from 1970 to 1972, as an Assistant Company Secretary (group accounts) in the Grindlays Bank Group (banking) from 1972 to mid-1973, as Director of the Datnow Group (investments and retail) from mid-1973 to mid-1983, as Director of Finance and Administration at the Greater London Enterprise Board (investments/local administration) from mid-1983 to mid-1985, as Director of Finance and Administration at the Cable Authority (regulatory body) from mid-1985 to 1988, as Director of Finance and Administration at the Institute of Economic Affairs (academic institution) from 1988 to mid-1990, and as Company Secretary and Director of Finance of the Etam Group at ETAM PLC (a retail company) from mid-1990 to October 1998. He was also a non-executive director of a number of companies in England.

From July 2012 to September 2014, he was a Supervisory Board member at NKBM. He is a trustee of the British-Slovene Society and gives lectures on the topics of retail, finance, economics and business, and contributes articles to various Slovenian newspapers.

He served as a Supervisory Board member at Gorenje, d.d., in the 2010–2014 term.

- He does not hold any Gorenje shares.
- He is the chairman of the Benchmark Committee and a member of the Human Resource and Remuneration Committee.

Toshibumi Tanimoto, Supervisory Board member

Toshibumi Tanimoto has been retired since September 2012. He spent his entire career at the Panasonic Corporation, previously Matsushita, a company also manufacturing home appliances. Through his career, he has amassed vast experience in the home appliance industry, especially sales and marketing in the European market. He graduated in 1975 business administration, majoring in international trade, at the Doshisha University, Kyoto, Japan.

From December 2009 to October 2012, he was the director of Marketing Management Development Training Center, Human Resources Development Company, at Panasonic Corporation, Japan. From January 1, 2004 to December 2009, he was the managing director at Panasonic Eastern Europe Handelsgesellschaft m.b.H. in Austria. From April 2002 to the end of 2003, he was the managing director at Panasonic Communication & Systems Europe, Panasonic Marketing Europe GmbH in Germany, a company dealing with sales and marketing of office automation equipment and AV systems for the European market. From April 1, 2002 to April 2002, he worked as managing director at Panasonic Polska Spolka Z.O.O., Poland. From November 1997 to April 2000, he was the managing director at Panasonic Hungary Ltd. in Hungary. From April 1994 to November 1997, he was a manager at the Planning Department, Corporate Management Division for Europe and Africa in Japan. From April 1988 to April 1994, he was the managing director at Panasonic Ireland Ltd. in Ireland. From 1985 to April 1988, he was a coordinator at the Africa Sales Department, Corporate Management Division for Europe and Africa, in Japan. From October 1980 to 1985, he was the chief representative at the Panasonic Nairobi Liaison Office in Kenya, responsible for marketing in the East African market. He started his career in 1975 when he joined the company Matsushita Electric Industrial Co. Ltd. in Japan to work in the sales and marketing department for European and African market.

- He does not own any Gorenje shares.
- He is a member of the Benchmark Committee.

Corinna Claudia Graf, Supervisory Board member

Corinna Claudia Graf has been a board member at Universal Consulting, S.L., Mallorca, Spain, a consulting firm focused on the service industry, since May 2012. She was a board member at the Spanish company Punta Portals, S.A., Mallorca, Spain, from November 2011 to November 2012; since November 2012, she has been the Chief Executive Officer of this company. The company is active in the service industry, operating a marina. Mrs Graf's responsibilities at this company involve negotiations with local and central government regarding administrative concession, operation of the marina, sale, purchase, and lease of moorings, premises, investment decisions etc., and responsibility for the marina's subsidiary Servirest S.A.U. (a restaurant chain with 5 outlets on the island of Mallorca). She has been a board member at the company Dextra Investments Ltd, Zug, Switzerland, since July 2009. This is a holding company with investments in different business activities and ventures. Since January 2012, she has also been a board member at Rano AG, Appenzell, Switzerland, a holding company with investments in different business activities and ventures.

She graduated in business administration at FHS, Hochschule für Wirschaft, Technik und Soziale Arbeit, St. Gallen, Switzerland.

From October 2005 to October 2012, she was the Vice President, Board Member, and Director for Corporate Strategy at the company Teka Industrial, S.A., Santander, Spain. The company is active in the home appliance industry. Her responsibilities included planning the Group's overall expansion strategy outside the Iberian Peninsula, developing the corporate business plan and industrial activities, investment decisions, establishment of transfer pricing policies, company purchasing processes (due diligence analysis, negotiations etc.), setting up of factories from green field, tutoring of small factories in expansion processes, supervision of all factories and implementation of internal international standards, negotiations with key suppliers, customers and competitors. From September 2001 to September 2002 she was the assistant director of small and medium enterprises at the company Secuoya Capital Privado, Banco Santander, S.A., Madrid, Spain, where her responsibilities involved identifying possible company purchases/takeover targets, company comparisons, company valuations, monitoring of existing participations etc. From January to August 2001, she was employed at the accounting department of the company Casa Buades, S.A., Mallorca, Spain.

- She does not hold any Gorenje shares.
- She is a member of the Benchmark Committee.

Krešimir Martinjak, deputy chairman of the Supervisory Board

He holds a university degree in law, and he is employed in Gorenje since 1986. He performed various tasks in the areas of labour, obligation and status or corporate law at the Legal Department of the Company for sixteen years. From 2002 to 2008, he was the chairman of the SKEI trade union of Gorenje, after which he returned to work at Gorenje's legal affairs office.

He was first elected to the Gorenje, d.d., Supervisory Board in 2002.

- He holds 115 Gorenje shares.
- He is a member of the Corporate Governance Committee.

Peter Kobal, Supervisory Board member

He holds the position of assistant director of maintenance at Gorenje. He has been employed at Gorenje since 1971, and has held various maintenance positions, from maintenance technician to assistant director. By vocation, he is an electrical engineering technician. He is successful both in his profession and in the area of worker participation in management.

In 1997 he was first elected chairman of the Gorenje Works Council, and he has held the position ever since, currently serving his fourth term. He was appointed member of the Supervisor Board of Gorenje for the first time in 1998.

- He holds 1,355 Gorenje shares.
- He is a member of the Corporate Governance Committee and the Benchmark Committee.

Drago Krenker, Supervisory Board member

He is the deputy director at Gorenje's cold and dishwashing appliance program. By vocation, he is a sales manager.

He began his career in the field of electronics in 1974. He worked for 14 years at the company Procesna Oprema within the Gorenje system, and two years at Iskra Delta, working primarily with medical electronic equipment. In 1989 he was hired at the refrigerator-freezer program where he worked as plant manager, production planning manager, production manager, and head of the general affairs department.

He is presently serving his fourth term in the Works Council, having served one term as its deputy chairman. He is the chairman of the Occupational Health and Safety Committee, currently in his second consecutive term. He was first elected Gorenje Supervisory Board member in 1998.

- He does not hold any Gorenje shares.
- He is a member of the Audit Committee and the Human Resource and Remuneration Committee.

Jurij Slemenik, Member of the Supervisory Board

A mechanical engineering technician by profession, he is currently head of production at the washing machine and dryer program. He has worked for Gorenje since 1978, holding various jobs at the washing machine and dryer program.

He has been a member of the Employee Council since 2002, when he was first elected to the Gorenje Supervisory Board.

- He holds 2,038 Gorenje shares.
- He is a Member of the Supervisory Board Remuneration Committee.

SUPERVISORY BOARD COMMITTEES

Audit Committee

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

Benchmark Committee

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

The basic task of the Benchmark Committee is to identify the companies to which Gorenje Group will be compared, or against which it will be benchmarked. The Committee deals primarily with methodological issues and specifying the basic benchmarking criteria. When the selection is complete and methods and indicators are specified, the timeline of company activities will be defined to improve the strategic plan. The Committee works closely with the representatives of company management: President and CEO Franjo Bobinac, Management Board members Peter Kukovica and Marko Mrzel, executive director of brand management Aleksander Uranc, and executive regional director Klemen Prešeren.

Corporate Governance Committee

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

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

Human Resource/Remuneration Committee

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

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

MANAGEMENT BOARD AND SUPERVISORY BOARD COMPENSATION AND REWARDS

President and CEO, and Management Board members signed new employment contracts for the term of office from July 19, 2013, to July 19, 2018. Their reward consists of a fixed and a variable part. The fixed part of their net salary is approximately 10% higher than the net salary they had been receiving from July 2008 on.

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

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

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

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

The Company has not adopted a stock option remuneration plan.

For their work, the Supervisory board members are entitled to regular monthly payments, session attendance fees, training and the reimbursement of expenses for meeting attendance. These expenses are funded from the company's current operations. Payments to the Supervisory Board members are presented in the Financial Report in the section Notes – Transactions with Related Parties.

TRANSACTIONS WITH GORENJE SHARES CONDUCTED BY MANAGEMENT BOARD AND SUPERVISORY BOARD MEMBERS

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

As at December 31, 2014, Supervisory Board members held a total of 3,508 Gorenje, d.d., shares. Compared to the situation as at December 31, 2013, the number of shares did not change.

Total number of shares held by the Management Board members increased in 2014 relative to the year 2013, to a total of 21,394 as Management Board member Peter Groznik acquired on March 17, 2014, during an open trading window, 2,500 Gorenje, d.d., shares.

Gorenje share transactions by Management and Supervisory Board Members

	Ownership		Net acquisition	
	2013	2014	2013	2014
Supervisory Board total	**3,508**	**3,508**	**300**	**-**
Marko Voljč[1]	-	-	-	-
Uroš Slavinec[1,2]	-	-	-	-
Bernard C. Pasquier[1,2]	-	-	-	-
Corinna Claudia Graf[1]	-	-	-	-
Keith C. Miles[1,2]	-	-	-	-
Toshibumi Tanimoto[1]	-	-	-	-
Bachtiar Djalil [1,2]	-	-	-	-
Krešimir Martinjak[1,2]	115	115	-	-
Drago Krenker[1,2]	-	-	-	-
Jurij Slemenik[1,2]	2,038	2,038	300	-
Peter Kobal[1,2]	1,355	1,355	-	-
Maja Makovec Brenčič[2]	-	-	-	-
Marcel van Assen[2]	-	-	-	-

	Ownership		Net acquisition	
	2013	2014	2013	2014
Management Board total	**18,894**	**21,394**	**7,140**	**2,500**
Franjo Bobinac	4,096	4,096	2,000	-
Drago Bahun	9,082	9,082	50	-
Peter Groznik	4,640	7,140	4,640	2,500
Marko Mrzel	450	450	450	-
Branko Apat	626	626	-	-
Peter Kukovica	-	-	-	-

1 Supervisory Board in the term from July 20, 2014, to July 20, 2018
2 Supervisory Board in the term from July 19, 2010, to July 19, 2014

AUDIT

External audit

The financial statements of the parent company and most subsidiaries for the 2014 fiscal year were audited by the auditing company Deloitte Revizija, d.o.o., which was appointed as the company auditor at the Gorenje Shareholders Assembly held on July 4, 2014.

Third-parry (external) auditors report their findings to the Management Board, Supervisory Board, and the Audit Committee of the Supervisory Board. The transactions of the parent company and the Gorenje Group with the company Deloitte Revizija, d.o.o., and the transactions of the Group companies with individual audit companies are presented in the Notes to the Financial Statements.

Internal audit

In 2014, we carried on our activities to improve the quality of internal auditing at the Group. In doing so, we worked with the Supervisory Board Audit Committee, independent auditor, risk management department, corporate security department, and other supervisory bodies or functions at the Group. Pursuant to the Internal Auditing Standard 1110, organizational independence of the internal audit department is periodically reviewed and confirmed.

The quality of internal audit is evaluated by implementing the quality improvement and strategic goal attainment program as defined in the department's strategy. Higher quality was attained with a greater share of consulting or advisory reports and higher rate of use of auditing tools. Working with the IT department, a tool was established that allows continuous auditing.

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

Internal audits in 2014 were conducted as scheduled. Added value of internal audit was created through consulting and recommendations provided in the audit reports.

In order to increase the value added, we are developing in 2015 the basis for provision of comprehensiveness of all systems at the Group, and, as a part of these efforts, appropriate establishment and operation of an internal control system, which will allow comprehensive auditing. We also continue with our activities in consulting and continuous auditing, and monitoring of key controls. In addition to the auditing tools, we will start to use in 2015 the department activity management program, which will automate the numerous auxiliary activities of the department, and, as a result, allow us to devote more time to auditing.

STATEMENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The contents of the statement pertain to the period from the adoption of the previous Statement on the compliance with the Corporate Governance Code, i.e. from April 24, 2014, to April 22, 2015, when its contents were jointly drawn up and adopted by the Gorenje, d.d., Management Board and Supervisory Board.

Chapter: Company Management Framework

Recommendation 1:

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

Chapter: Relations with shareholders

Recommendation 5.8:

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

Chapter: Supervisory Board

Recommendation 8.4:

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

Recommendation 9:

The Supervisory Board assesses its work and the work of its committees as a whole; in addition, it assesses the work of individual members. Since the current Supervisory Board started its term of office on July 20, 2014, the Supervisory Board did not conduct self-assessment for the period from July 20, 2014, to the date of 2014 Annual Report approval. The Supervisory Board and its committees are generally in full attendance in their meetings; all members regularly participate in discussions and their responsibility, enthusiasm, and professional and other experience contribute to the quality of their work. Thus, the Supervisory Board finds that individual evaluation is not necessary.

Recommendation 13 (13.1–13.6):

The issue of founding Supervisory Board committees is regulated in the Supervisory Board Rules of Procedure as adopted by the Supervisory Board at the session on November 23, 2010. The Supervisory Board has an Audit Committee, a Corporate Governance Committee, a Benchmark Committee, and a Remuneration Committee. The Supervisory Board members assumed their terms of office on July 20, 2014, for a period of four years, and the term of the previous Nomination Committee expired on July 19, 2014; a new Nomination Committee has not yet been appointed by the Supervisory Board.

Chapter: Management Board:

Recommendation 16.3:

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

CORPORATE GOVERNANCE RULES FOR COMPANIES LISTED ON THE WARSAW STOCK EXCHANGE

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

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

The contents of the statement pertain to the period from the adoption of the previous Statement on the compliance with the Best Practices for WSE Listed Companies, i.e. from April 24, 2014, to April 22, 2015, when its contents were jointly drawn up and adopted by the Gorenje, d.d., Management Board and Supervisory Board.

- Recommendation 5: in part which refers to the Company adopting rules defining the remuneration policy for the Supervisory Board members:
- The Company has not adopted rules for defining the remuneration of the members of the Supervisory Board. According to the Articles of Association and the Shareholders Assembly Rules or Procedure, the Shareholders Assembly shall be entitled to set forth the remuneration of the members of the Supervisory Board upon their sole discretion. The Management Board does not have any influence on the decisions of the Shareholders Assembly regarding the remuneration of the Supervisory Board members.

- Recommendation 9: in part which refers to the Company ensuring that there is a balanced proportion of women and men holding managerial and supervisory positions.
- The Company has not adopted any document that would formally ensure a balanced proportion of men and women in the Management Board and Supervisory Board. The Management Board consists of six members, all of whom are men. In the eleven-member Supervisory Board, Corinna Claudia Graf is the only female. The Management Board does not have any influence on the decisions on the bodies of the company adopting the decision on the composition of the Management Board and the Supervisory Board.
- Best practice II.1, item 9a) stating that a public company should publish, on its website, a recording of the Shareholders Assembly in audio or video format.
- Record of the Shareholders Assembly is available in writing and it is published on the Company website in accordance with the requirements of the Slovenian Companies Act. Neither of the above mentioned acts nor the Corporate Governance Code (the LJSE Code) or the Rules of Procedure of the Shareholders Assembly require the Company to record the Shareholders Meeting in any other form than in writing; therefore, the company does not publish such recordings in audio and/or video format.
- Best practice IV.1: allowing the presence of the members of the press (media representatives) at Shareholders Assemblies.
- According to the Shareholders Assembly Rules of Procedure, only shareholders (and their representatives or proxies) and members of the Management Board and Supervisory Board may be present at the Shareholders Assemblies. This is due to the fact that during the Shareholders Assembly sessions, discussions on matters that are classified as company's business or professional secret may take place, which the company is not willing to share with the general public.
- Best practice IV. 7 regarding the conditional dividend payment does not apply to the company due to the fact that under the Slovenian Companies Act, the Shareholders Assembly may not vote on or adopt decisions on conditional dividend payment.
- Best practice IV. 8 regarding the minimum possible nominal value of the shares following the share split does not apply to the company due to the fact that company shares are no par value shares.

SHAREHOLDERS ASSEMBLY

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

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

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

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

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

New Supervisory Board with an expanded membership approved at the Shareholders Assembly in 2014

At the 21st Shareholders Assembly held on July 4, 2014, the shareholders approved the proposal by the Management Board and Supervisory Board to increase the number of Supervisory Board members representing capital from six to seven and thereby to increase the total number of Supervisory Board members from ten to eleven. In the last four years, the company has become even more international in its operations. Moreover, new international investors entered the ownership structure, increasing its share capital by good 57%. Supervisory Board members representing capital in the new term are Corinna Claudia Graf, Toshibumi Tanimoto, and Marko Voljč as newly appointed members, and Bachtiar Djalil, Keith Charles Miles, Bernard Pasquier, and Uroš Slavinec who were reappointed as Supervisory Board members after they had served as Supervisory Board members in its preceding term from 2010 to 2014.

The shareholders were also informed about the four employee representatives in the Supervisory Board, previously elected by the Works Council. Peter Kobal, Jurij Slemenik, Drago Krenker, and Krešimir Martinjak had already been Supervisory Board members in the preceding term from 2010 to 2014.

In addition to Gorenje Group performance in 2013, the President and CEO Franjo Bobinac also presented to the shareholders the 2014 business plan and the results of the first quarter of 2014. The shareholders then granted discharge to the company Management Board and Supervisory Board for the 2013 fiscal year. Furthermore, they supported the proposal that the distributable profit in the amount of EUR 1.36 million remain unallocated and that no dividend be paid out as the company's result for the 2013 fiscal year was a loss.

Deloitte Revizija, d.o.o., was confirmed by the shareholders as the company auditor for 2014.

No challenging action was announced at the Assembly.

The next Shareholders Assembly will be held on July 3, 2015.

CREATING VALUE FOR THE SHAREHOLDERS

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

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

Public announcements are sent to international press agencies, the media, investors, and analysts via electronic mail distribution system which currently includes 185 international and 125 domestic recipients. Investors and other representatives of the financial community may subscribe to our electronic news feed (e-news)

We also take part in investor meetings that we find the most important for us. In 2014, we held meetings in Ljubljana, Maribor, Zagreb, Stegersbach, Romanian resort of Mamaia, Vienna, and several times in Warsaw. We addressed nearly 200 institutional investors at eight conferences. Before the third capital increase, we held the so-called pre-transaction road show that involved 30 meetings in Maribor, Ljubljana, Zagreb, Warsaw, and Vienna.

Especially after the announcement of our quarterly results, we held 10 conference calls. Upon the announcement of our semi-annual results, we also held a webcast to present our performance. We continued our silent period policy, which means that no meetings with members of the press, investors, or pundits, are organized and no information is disclosed that could hint at our results in the period of fifteen days prior to public announcement of quarterly reports.

We are available by e-mail and telephone for any questions of investors, analysts, and other members of the financial community. All questions are accepted by Mrs Bojana Rojc who is responsible for investor relations. Her contact information can be found on the corporate website at www.gorenjegroup.com.

Third capital increase completed in 2014

Pursuant to the resolution adopted at the 20th Shareholders Assembly on August 23, 2013, on the issue of up to 2,320,186 new ordinary freely transferable registered no par value shares in exchange for in-kind contributions, we successfully completed by the end of July 2014 the third capital increase. Only financial institutions who were our creditors as at the day of the 20th Shareholders Assembly were entitled to take part in this offering. International Finance Corporation subscribed and paid up 1,005,020 new shares, and Gorenjska banka subscribed and paid up 1,315,166 shares. The new shares were issued at the same price as the shares in the first two capital increases that took place in 2013, i.e. at EUR 4.31 per share. After acquiring the shares, Gorenjska banka offered them to third-party investors.

After the third capital increase, the share capital of Gorenje, d.d., was increased entirely from authorized capital to amount to a total of EUR 101,922,103.97. It is divided into 24,424,613 ordinary freely transferable registered shares.

GORENJE SHARE IN 2014

Gorenje share at the Ljubljana and Warsaw Stock Exchange

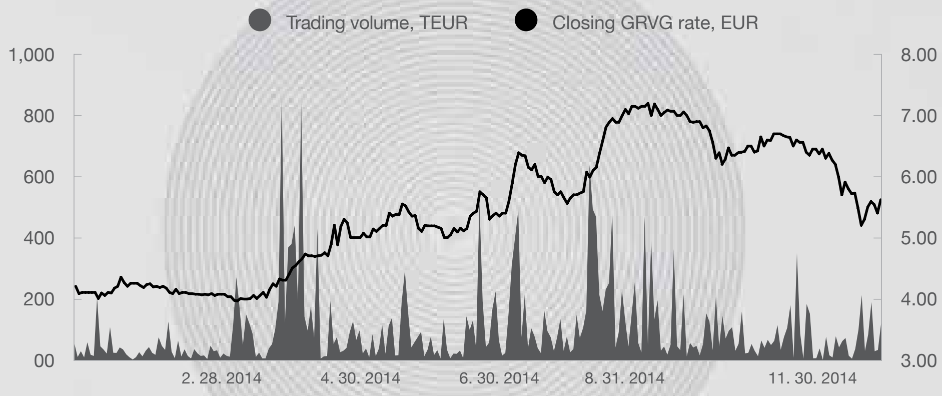
The year 2014 was another year of growth for the Ljubljana Stock Exchange[1]. The SBI TOP index, which also includes the Gorenje share, wrapped up the year with a positive result, and the increase of share prices and capital increases have also increased the market capitalization. It should especially be noted that the total stock market trading volume increased by 75.2% relative to 2013. Eight new bonds were newly listed on the stock exchange in 2014, with a total face value of EUR 3,671.8 million. Moreover, 6 capital increases were carried out for a total of EUR 214.5 million, along with 5 issues of commercial paper with a total value of EUR 190 million.

The closing price per Gorenje share at the Ljubljana Stock Exchange as the exchange of its primary listing (code GRVG) on the last trading day in December 2014 was EUR 5.62, which is 33.8% more than as at the last trading day in 2013 (EUR 4.20); the SBI TOP listing index rose by 19.6% in the same period. The closing rate at the Warsaw Stock Exchange (code GRV) rose by 42.5% relative to the end of 2013 when the share was only listed, from PLN 16.71 (EUR 4.31) to PLN 23.82 (EUR 5.58).

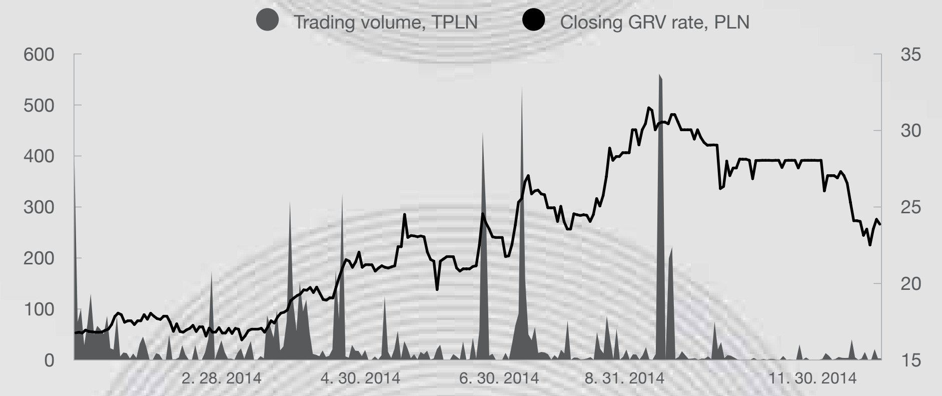
Total trading volume with Gorenje shares at the Ljubljana and Warsaw Stock Exchange combined was 5,039,393 shares. Average daily trading volume was 18,691 shares per day at the Ljubljana Stock Exchange, and 1,560 shares per day at the Warsaw Stock Exchange.

1 Source: Ljubljana Stock Exchange,

GRVG price per share and daily trading volume at the Ljubljana Stock Exchange in 2014



GRV price per share and daily trading volume at the Warsaw Stock Exchange in 2014



EARNINGS PER SHARE

Basic and diluted earnings per share calculated as the ratio between profit or loss of the parent company and the average number of shares outstanding minus the average number of treasury shares held by the company (22,949,860 shares) amounted to EUR 0.04 (EUR -1.51 for 2013).

Share book value

Book value of Gorenje share as at December 31, 2014 amounted to EUR 15.65 (EUR 17.32 as at December 31, 2013). It is calculated as the ratio between book value of the Group's ordinary share capital and the number of shares issued minus the number of treasury shares as at the last day of the year (24,303,302 shares).

The ratio between market and book value per Gorenje share amounts to 0.36 (0.24 as at December 31, 2013).

DIVIDEND POLICY

In the period 2014–2018, the dividend policy of the Gorenje Group and its parent company Gorenje, d.d., remains the same as before the strategic plan update. The goal is to allocate up to one third of Gorenje Group's profit for dividend each year. Due to the economic crisis which has had a strong impact on our operations and performance since the last quarter of 2008, no dividend was paid out for the years 2008, 2009, 2010, 2012, and 2013. In 2011, dividend amounted to EUR 0.15 gross per share.

OWNERSHIP STRUCTURE

As at December 31, 2014, there were 17,000 shareholders entered in the share register, which is 2.5 percent less than at the end of 2013 (17,438).

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

Treasury shares

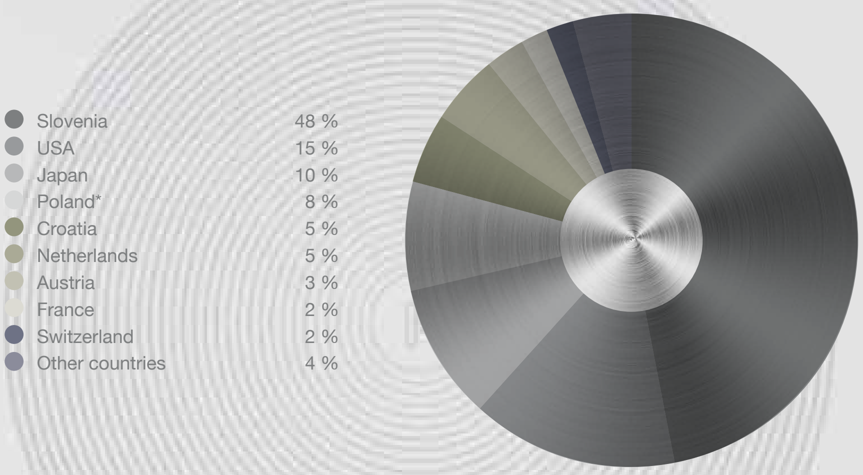
The number of treasury shares relative to the last day of 2013 remained the same at 121,311 shares, which represented 0.4967 percent of total share capital as at December 31, 2014.

Ten largest Gorenje shareholders

Ten largest shareholders	Number of shares (31/12/2013)	Share in %	Number of shares (31/12/2014)	Share in %
KAPITALSKA DRUŽBA, D.D.	3,998,653	18.09%	3,998,653	16.37%
KDPW – FIDUCIARY ACCOUNT[2]	2,446,603	11.07%	1,965,628	8.05%
PANASONIC CORPORATION	2,320,186	10.50%	2,320,186	9.50%
IFC	1,876,876	8.49%	2,881,896	11.80%
NFD 1, mešani fleksibilni podsklad – Jug / Alpen.SI, mešani fleksibilni podsklad	1,125,802	5.09%	1,179,102	4.83%
HOME PRODUCTS EUROPE B.V.	1,070,000	4.84%	1,070,000	4.38%
ZAGREBAČKA BANKA, D.D. - FIDUCIARY ACCOUNT	/	/	456,399	1.87%
BNP PARIBAS SECURITIES SERVICES S.C.A. -	/	/	464,732	1.90%
INGOR, d.o.o., & co. k.d.	794,473	3.59%	/	/
CONSEQ INVEST PUBLIC LIMITED COMPANY	464,732	2.10%	/	/
EECF AG	411,727	1.86%	411,727	1.69%
RAIFFEISEN BANK AUSTRIA D.D. - FIDUCIARY ACCOUNT	325,260	1.47%	395,944	1.62%
Total major shareholders	**14,834,312**	**67.11%**	**15,144,267**	**62.00%**
Other shareholders	7,270,115	32.89%	9,280,346	38.00%
Total	**22,104,427**	**100%**	**24,424,613**	**100%**

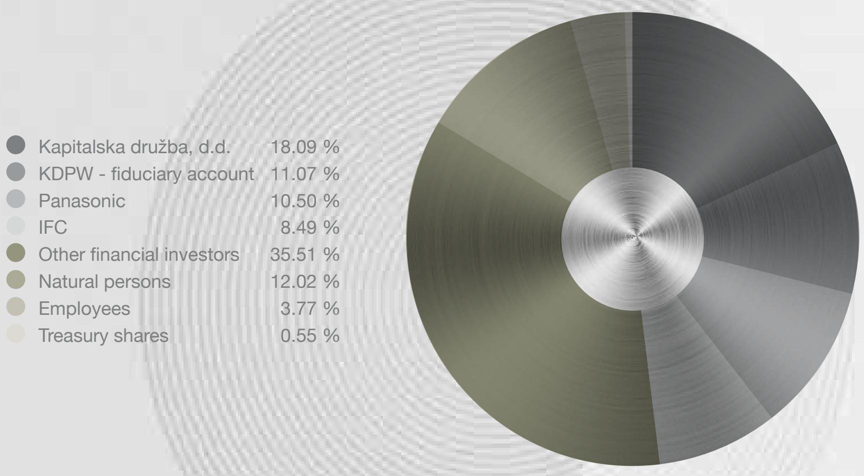
[2]The KDPW fiduciary account includes shares that were subscribed and paid up in Poland in the second equity offering.

Shareholder composition as at December 31, 2014, by countries

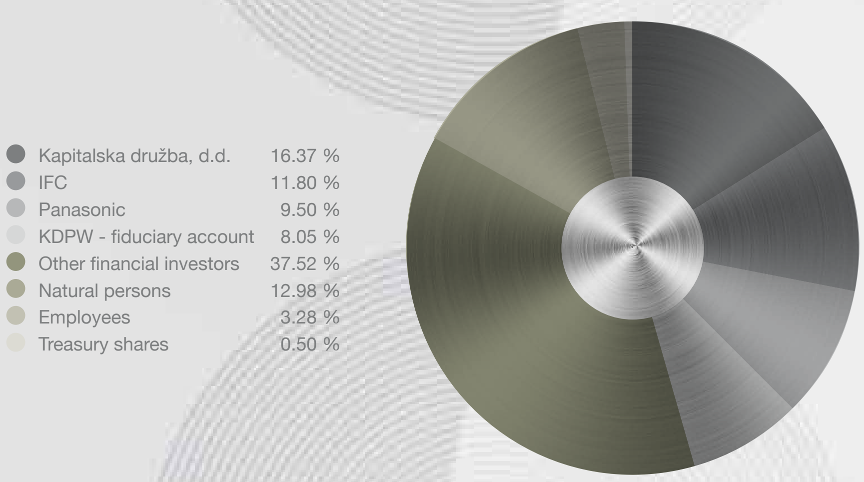


*Shares paid up in the capital increase (equity offering) in Poland in 2013.

Ownership structure as at December 31, 2013



Ownership structure as at December 31, 2014



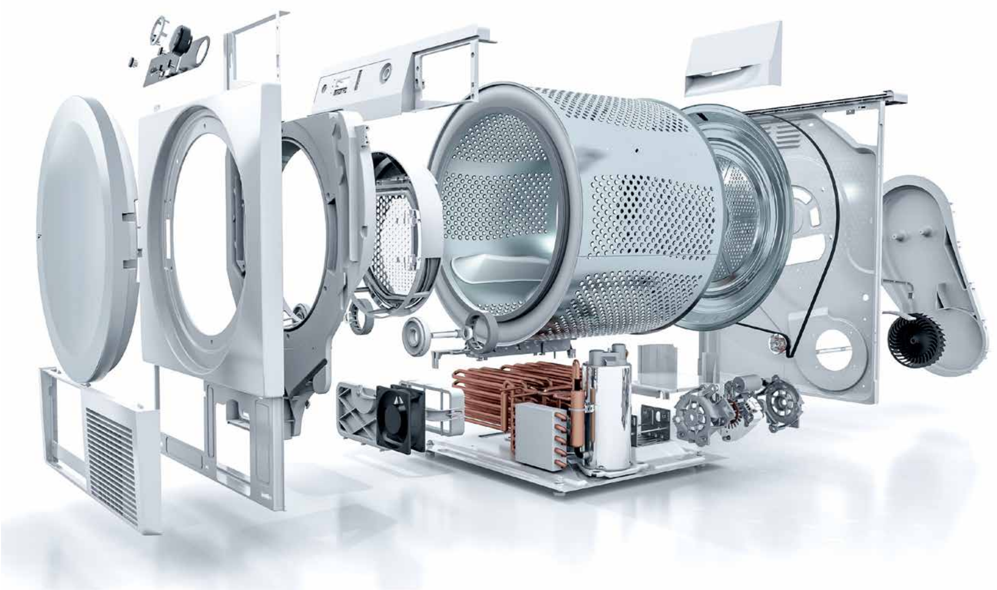
SUSTAINABLE DEVELOPMENT

RESPONSIBILITY TOWARDS THE EMPLOYEES

Number of Employees

In 2014, we continued to optimize the number of our employees. We had an average of 10,468 employees, which is 171 less than in 2013. The number of employees was lower especially on account of lower number of employees at the Swedish company Asko Appliances AB from which we transferred a part of our manufacturing operations to Slovenia, keeping in Sweden only a smaller team of employees in charge of dishwasher development, sales, and marketing. In addition, lower number of employees is partly a result of a decrease in the number of employees at the parent company. After restructuring of our sales network in the years 2013 and 2014, we decreased the number of employees at some of our sales companies (in Turkey, France, Slovakia, Czech Republic, Scandinavia, and USA).

In the business segment Portfolio Investments, the number of employees rose due to the expansion of ecology and toolmaking activities to Serbia.



Number of employees by segments and countries on the last day of the year, and average number of employees

	Dec 31, 2013		Dec 31, 2014	
	Number	Share	Number	Share
Gorenje Group	**10,388**	**100.0%**	**10,242**	**100.0%**
Home	9,032	86.9%	8,815	86.1%
Portfolio investments	1,356	13.1%	1,427	13.9%
Employees in Slovenia	**6,279**	**60.4%**	**6,244**	**61.0%**
Employees abroad	**4,109**	**39.6%**	**3,998**	**39.0%**
By countries				
Slovenia	6,279	60.4%	6,244	61.0%
Serbia	2,006	19.3%	1,952	19.1%
Czech Republic	694	6.7%	668	6.5%
Sweden	74	0.7%	65	0.6%
the Netherlands	371	3.6%	376	3.7%
Croatia	159	1.5%	142	1.4%
Russia	116	1.1%	112	1.1%
Other countries (28 countries)	689	6.6%	683	6.7%
EU countries	7,972	76.7%	7,871	76.9%
Former Yugoslav countries	2,298	22.1%	2,232	21.8%
Average number of employees	**10,639**		**10,468**	

Hiring

In 2014, we continued our policy of selective hiring, scholarships, and part-time studies. This way, we provide highly competent employees for jobs in in new product development, implementation of new advanced technologies, sales, and other areas. By providing scholarships for talented students, we maintain a constant influx of employees especially with technical skills and knowledge, which have been in short supply in recent years. In the last year, we have noticed a larger number of candidates with technical background seeking employment, especially due to the problems or even termination of a large number of enterprises as a result of the crisis. Considering our planned expansion of development competence centres, this is the type of candidates that we currently need. Indeed, our development team has been beefed up considerably in the last two years. Depending on the needs of our operations, we were also hiring in other fields in 2014, primarily sourcing the candidates from within the Group. Most of the requirements for new hirings resulted from departures of other employees, while a part can also be ascribed to increased workload in some areas.

Parent company employees can create their vocational profile on the internal Gorenje Portal to present their skills, knowledge, and professional ambition. Thus, we have access to up-to-date human resource information that allows us to search more efficiently for the most suitable candidates for a particular job or position, while the employees also have better odds of landing a job or position that they find interesting.

New employees in more demanding positions, who lack experience, are included in the so-called induction programs to make sure they obtain, under expert leadership of their mentors, all information they need in order to fit into the new working environment as soon as possible.

Employee monitoring and leadership

Analyzing employee competences, evaluating goal accomplishment, setting new goals, and continuous monitoring and support by the leader in the pursuit of the activities laid down for each employee are the cornerstones of the performance management process at the Gorenje Group. Accordingly, we extended and upgraded in 2013 the contents of the annual interviews and launched leader training for conducting the annual interviews. We carried out 16 workshops and organized for over 280 leaders at companies in Slovenia and over 60 leaders from manufacturing companies in Serbia one-day training for conducting the annual interviews. We presented the process of assuring work performance and annual interviews as a key tool in the process. At the training, the leaders devoted the majority of their time to breakdown and setting of measurable or quantifiable goals. Some wanted to take part in the training for coaching skills to support efficient management of annual interviews with their co-workers. We provided comprehensive support to efficient execution of the process by preparing the forms, instructions, and questionnaires.

In 2014, more than 7,000, out of the total of 10,500 employees, held their annual interviews with their leader. Thus, we consolidated the importance of the annual interview as an important leadership tool. The annual interview is the basis for performance evaluation or appraisal, goal setting, development planning, training, and career path of our employees. Through the annual interview, we communicated the strategic goals to each individual and specified the behaviours stemming from our values and which are of relevance for the attainment of our goals.

We have developed and introduced a fundamental competence model that involves behaviour we are looking to encourage from all employees and which lead to better corporate performance. We are looking to promote cooperation and constructive communication, creative problem-solving, quality and responsible attitude to work, and efficient organization and execution of the goals and tasks specified. We have also developed a competence model for the leaders, which includes descriptions of conduct that promotes and consolidates Gorenje Group values and the work of the leaders in a way that leads to goal-orientation, care for development of co-workers, careful planning and decision-making, development of business relations, and cooperation.

Response to the revised annual interview process was good. Employees recognized the annual interviews as opportunities for an open and straightforward conversation about their past performance and for setting clear guidelines for their work in the future.

In addition to the annual interviews, also reviewed in 2014 in systematically prepared interviews with top management and in human resource councils all key employees, their performance and development potential, and assigned potential successors and examined their career paths. The purpose of such planned review of key employees is to specify the most suitable career path based on relevant information about the candidate at hand and strategic needs of the Group, and to define together with the candidate his or her development activities.

Education and training

We allow different forms of training and education for our employees. The employees are encouraged to acquire and transfer knowledge within the company, to develop skills and competencies, and to acquire experience in order to be able to adapt more quickly to the changes. In 2014, more than 270,000 hours were devoted to employee training and education, while in 2013, this figure was around 200,000. Thus, the average training and education hours per employee increased from 18.6 in 2013 to 24.15 in 2014.

GORENJE CORPORATE UNIVERSITY

Gorenje Corporate University is a new way of acquiring and pooling knowledge, connecting different business cultures, and consolidating the common corporate identity. It is intended to advance intellectual capital, productivity, competitiveness, and business excellence of the Group and it is a key generator of employee development.

The Corporate University consists of training programs at three levels. Gorenje Executive Business Academy is intended for the Group's top management; talented and key employees are included in the Gorenje Academy of Management which has a tradition dating back 25 years; in 2013, the first generation graduated from the new training program called Gorenje International Business Academy, intended for employees at associated companies and subsidiaries both abroad and in Slovenia and focused on international business. All three programs involve cooperation with lecturers and international experts on particular business fields, with the business school IEDC Bled, and with the Faculty of Economics in Ljubljana.

In 2014, we carried out the 25th Gorenje Academy of Management Twenty-five participants of the program from companies in Slovenia and manufacturing companies in Serbia acquired new skills and knowledge in five modules focusing on business planning, finance, accounting and controlling, sales and marketing, human resource management, business processes and project management. They were also presented the Group's strategic policies and they development their skills of entrepreneurship, management by objectives, business negotiations, and coaching. Program participants then developed business plans to be presented at the final event in 2015.

In 2014, the Gorenje International Business Academy program was completed by the first generation of 19 participants who presented to the top management some current business cases and practical examples of consulting and search for solutions for boosting the performance of individuals, teams, and companies. In 2015, we shall launch the training of the second generation of this program.

As a part of the corporate university, we organized a lecture by an internationally renowned expert on collaborative innovation, Charles Snow, for the top management and key experts.

In 2015, we shall launch a new training program called Gorenje Create Academy, intended for the employees in the process of new product development (marketing, sales, purchasing, R&D, manufacturing, design, quality management, product management, brand management), to allow them to acquire the latest skills and knowledge in business modelling, new product development, marketing, project management etc. The Academy will include 25 participants. The training program will be provided by the University of Ljubljana, as well as two reputable international universities: Chalmers University of Technology, Sweden, and Delft University of Technology, the Netherlands.

EXPERT AND PROFESSIONAL TRAINING

As much as 81% of total hours devoted to training and education are allocated to expert training.

In order to improve the flexibility of production and its processes and speed up the implementation of the lean manufacturing system to all our plants, we carried out in 2014 at all manufacturing companies the so-called School of Lean Manufacturing and various other training sessions on lean manufacturing.

We also revised the program of the expatriate academy. The program includes knowledge, experience, and skills in the fields of development, technology, production and organization, quality assurance, logistics, marketing and sales, finance, controlling, IT, environment protection, property security, and strategic policies in resource management. The second academy will take place in 2015 when the contents of the School of Successful Leadership for master assemblers are upgraded and its advanced program is carried out in Velenje and Valjevo.

We carried out teamwork skill training, efficient time management training, and stress management training for leadership groups in respective business fields. Some leaders also acquired financial skills in internally organized training on this subject. Employees from the field of human resources presented to the leaders the respective areas of human resource management policy.

During the year, we also held language courses, IT and computer science courses, courses on quality assurance for products, processes, and services, communication training, efficiency training etc. We carried on the online training and education which has been in place for 8 years. The number of participants on the e-training web portal is increasing as contents are available to all users of the Gorenje IT system. Since the number of users from our international operations is increasing, contents is also created in English and Serbian.

Encouraging innovation

For a number of years, we have been encouraging innovation among our employees with the system of »Sparks« (»Iskrice«), the purpose of which is to collect, review, and reward innovative useful suggestions provided by employees regarding our products, work processes, and work conditions. The system is well-established and it draws many employees in Slovenia and at manufacturing companies abroad. In 2014, our employees submitted more than 6,000 proposals recognized as »sparks«.

In 2014, we also carried out our internal campaign »I Stand behind our Values« by which we were looking to encourage reflection on the Group's corporate values, focusing especially on the two core values of responsibility and innovation.

Social dialogue

Social dialogue is a continuous process of cooperation, agreements for changes, and establishment of trust between the trade union, the employees, and the employer. Major steps have been taken in the past in the field of social dialogue; in 2013, the negotiations were intensified and in 2014 they were carried on. The social dialogue team holds regular meetings to exchange and compare positions and opinions, arguments, and expectations of both sides – the employer's and that of the employees.

Moreover, the employees are informed via a number of internal media vehicles (newsletters in several languages, multilingual internal Gorenje Portal) and Works Council sessions about the events in the Group. Several times a year, we also hold regular employee conventions to present to our employees the key information about our operations and performance.

Average age

We are facing an increase in the average age of our employees with rose by 8 months at the Group level relative to 2013, reaching just over 42 years at the end of 2014. In the last year, average age also increased relative to the year before because there was little hiring of new younger employees, and the number of younger employees at the manufacturing company in Valjevo was decreased; moreover, there were few retirements of our older employees. At manufacturing companies, especially in Velenje and Šoštanj, higher average age is problematic with regard to physically more demanding work which leads to higher health-related absenteeism and higher number of employees with the status of a person with disability. These are also two factors that negatively affect the organization of the manufacturing process and productivity. A number of health promotion activities are designed to encourage every individual to care for her or his physical and mental health. These activities are presented in the section on occupational health and safety.

Care for occupational health and safety

We mitigate the risks in workplaces by introducing new safety concepts. Our activities are geared towards prevention and encouraging a healthy lifestyle of our employees. We have improved the working environment in production with ergonomic workplace design. The Group provides regular theoretical and practical training that reduces the possibility of injury among the employees and improves workplace awareness, periodical and preventive medical examinations, working equipment checks and tests, and measurements of microclimate working conditions and any harmful effects in the workplace. We also regularly conduct training for preventive measures in fire safety, fire extinguishing, rescue, and evacuation.

Most companies in the Group have obtained the OHSAS 18001 certificate for occupational health and safety system. We have adopted the Rules of Procedure for Environment Management and Occupational Health and Safety which is binding for all employees. The duties and responsibilities of responsible persons and employees in occupational safety and health are laid down in the Rules and Regulations on Obligations and Responsibilities for Provision of Safe and Healthy Work.

Regular check-ups of workplaces, control of use of the mandatory personal protective equipment, and danger notifications in the workplace also play an important role in prevention of work accidents. Most work accidents and incidents are still related to cuts and piercing wounds to the hands caused by sheet metal. Therefore, we seek to implement better and safer personal protective equipment pursuant to the relevant standards and legislation. Also contributing to better workplace safety and improvement of working conditions are the employees as their practical proposals put forward within the »Iskrice« (»Sparks«) system often pertain to this field.

In 2014, we succeeded in reducing notably the number of workplace accidents from 125 in 2013 to 89 in 2014. Moreover, the frequency of incidents or accidents relative to the number of hours of work also decreased with one occurring every 16,200 working hours, compared to one incident or accident per 10,852 working hours in 2010. There were no major accidents in 2014 as the ones that did occur mostly involved cuts and contusions.

Caring for safe and healthy work, we carried on in 2014 our project Health(y) for Success, which was aimed at raising the awareness about the importance of a healthy lifestyle, using a number of activities (we issued a motivational brochure with useful instructions for the employees, held health promotion lectures and workshops and lectures on work-related stress management etc.).

We declared 2015 a year of occupational safety and health. We are conducting a number of activities to boost the awareness of the importance of a healthy working environment and care for health which is the greatest human value. We also adopted clear goals that we are looking to attain with our activities.

Goals of the project Year of Occupational Safety and Health:

- decrease the number of accidents and dangerous incidents;
- cut costs of health-related absenteeism;
- improve organization of work and safety of working environment;
- improve awareness of our own responsibility for safe and healthy work among the employees; and
- promote a healthy lifestyle and spread the knowledge on safe and healthy work.

Organized exercise is also very important for employee awareness about a healthy lifestyle. Our in-house sports society has a tradition of many years. It organizes a variety of sports activities for the employees and their family members.

RESPONSIBILITY TO NATURAL ENVIRONMENT

Pursuit of the environment protection policy has resulted in a decrease of our effects on the environment and in a certified environmental management system pursuant to the ISO 14001 standard in all locations where home appliances are manufactured. Manufacturing plants in Slovenia are included in the EMAS system which represents an even higher level of corporate responsibility to the environment. In 2014, we completed the activities for implementation of the EMAS system at our manufacturing plant in Valjevo, Serbia.

RESPONSIBLE RESOURCE MANAGEMENT IN PRODUCTION

Pursuant to our environment protection policy, long-term and annual goals are specified for each manufacturing plant, which mostly pertain to reduction of waste generation, and consumption of water and energy. Our companies have all required environmental permits. They are regularly controlled by the national inspectorates and their operations are compliant with the environmental legislation.

Water consumption is being reduced by implementation of technological lines and water-saving rinsing, keeping water consumption records, systematic water consumption monitoring within the 20 keys system, and employee training and awareness promotion. Water consumption is monitored with counters located at the entry to the company and at particular manufacturing lines.

Following is the information on water consumption, calculated per product unit in each manufacturing plants; these, however, may differ from each other due to different technological procedures.

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Water consumption m³/unit	0.20	0.18	0.112	0.117	0.11	0.11	0.10	0.085	0.079	0.084

Water consumption at Gorenje, d.o.o.,Valjevo, Serbia

	2010	2011	2012	2013	2014
Water consumption m³/unit	0.038	0.037	0.036	0.046	0.035

Water consumption at Mora Moravia, Czech Republic

	2009	2010	2011	2012	2013	2014
Water consumption m³/unit	0.247	0.255	0.194	0.107	0.103	0.085

Electricity consumption at Gorenje, d.d., Velenje, Slovenia

	2011	2010	2012	2013	2014
Power consumption kWh/unit	25.25	24.98	24.03	23.09	23.09

Electricity consumption at Gorenje Valjevo, Serbia

	2011	2012	2013	2014
Power consumption kWh/unit	16.90	15.92	23.04	21.00

Electricity consumption at Mora Moravia, Czech Republic

	2011	2012	2013	2014
Power consumption kWh/unit	12.3	11.91	11.33	11.00

HOME APPLIANCE DEVELOPMENT

A key trend in the home appliance industry, which also steers our development activities, is efficient use of power. In terms of the share of appliances in the top energy efficiency classes, we are ahead of the market as 25% of all our major home appliances sold in Europe already boast the A+++ rating, while the average share for the industry is at 14%. In some categories, our advantage relative to the industry average is even higher. Thus, washing machines in the A+++ energy class account for 63% of our European sales (compared to 33% for the industry), and dryers in the A++ account for 31% of our total sales (22% for the industry).

RESPONSIBILITY TO USERS OF OUR PRODUCTS

ASSURING THE QUALITY OF OUR PRODUCTS

Quality and reliability of our appliances are based on a well though-out system that starts years before the product is actually offered at the stores. Development of new technologies, materials, and technical solutions is a lengthy process involving our engineers and a number of specialists in the industry from around the globe, contributing their most recent achievements for the components of our products. Concept, construction, and exhaustive testing lead to products made in tried and tested assembly processes. Quality is assured with standard control procedures that are constantly reviewed and audited by independent institutions from our target countries. A wide range of certificates awarded by national certification bodies from many countries around the world gives our appliances internationally approved technical and product credibility.

AFTER-SALES SERVICES

After-sales services are an important element of the purchase decision. Therefore, we do our best to make them as efficient as possible. In 2014, we continued to optimize our spare part supply chain. We also revised the GSD application for technical support to service partners, to make its use easier and more efficient. In our international service network, especially in Southeastern Europe, we elevated the level of our after-sales services. We introduced additional methods for improvement of our services and for work with our service partners.

RESPONSIBILITY TO THE LOCAL AND BROADER ENVIRONMENT

We have supported various institutions in the local environment for a number of years. We are a co-founder of the Velenje Gallery, which is the first example of a private-public partnership in culture in Slovenia, and one of the most important cultural institutions in the Savinjsko-Šaleška Valley. We are also the proud sponsor of the Gorenje Velenje team handball club and the Slovenian Nordic Skiing national team. We also support the Gorenje mixed choir whose members include our employees, and the Gorenje retiree society whose activities spread the Gorenje culture and tradition in the local environment. In 2014, we donated a large number of home appliances and after-sales services with a total value of over EUR 250,000 to the flood victims in Croatia, Serbia, Bosnia and Herzegovina, and Slovenia.

0.2

Business report

Managing our Operations

Performance analysis

BUSINESS PERFORMANCE

Summary

Performance analysis includes information for the Gorenje Group and the company Gorenje, d.d.; the comments, however, pertain mostly to the performance of the Group.

- Group revenue amounted to EUR 1,245.6 million, which is 0.4% more than in 2013. It rose relative to the year before in both Home and Portfolio Investments segment.
- Revenue in the core segment Home amounted to EUR 1,065.9 million, which is 0.1 percent more than in 2013. Adjusting for the effect of the changes in exchange rates, organic growth in the Home segment would have amounted to 3.8%.
- EBITDA reached EUR 86.5 million, which is an improvement of 10.6% over the year 2013. EBITDA margin was improved by 0.6 percentage point to 6.9%.
- EBIT stands at EUR 43.5 million, which is 19.8 percent more than in 2013. EBIT margin was improved as well; at 3.5%, it was 0.6 percentage point higher than in 2013.
- Profit for the period stands at EUR 1.2 million, which is an improvement of EUR 26.2 million over the year 2013 (when a loss of EUR 25.0 million was reported).
- Total financial liabilities as at the end of 2014 amounted to EUR 367.6 million, which is EUR 29.8 million less than as at the end of 2013. Net financial liabilities amounted to EUR 331.8 million, which is EUR 27.1 million less than as at the end of 2013.
- The Group's financial stability was improved considerably as a result of higher EBITDA and lower net financial liabilities. Net financial liabilities to EBITDA ratio as at the end of 2014 was at 3.8, or 0.8 less than in 2013.

Gorenje Group performance

EUR million	2011	2012	2013	2014	Index	2015 plan
Revenue	1,422.2	1,263.1	1,240.5	1,245.6	100.4	1,216.1
EBITDA	86.7	90.6	78.2	86.5	110.6	92.9
EBITDA margin (%)	*6.1%*	*7.2%*	*6.3%*	*6.9%*	/	*7.6%*
EBIT	36.5	44.9	36.3	43.5	119.8	43.1
EBIT margin (%)	*2.6%*	*3.6%*	*2.9%*	*3.5%*	/	*3.5%*
Profit or loss for the period	9.1	0.3	-25.0	1.2	/	6.1
ROS (%)	*0.6%*	*0.02%*	*-2.0%*	*0.1%*	/	*0.5%*
Net financial debt	382.5	379.2	358.8	331.8	92.5	321.2
Net financial debt / EBITDA	4.4	4.2	4.6	3.8	/	3.5

Our **sales revenue** in 2014 amounted to EUR 1,245.6 million, which is 0.4% more than in 2013.

Revenue growth was the highest in the business segment Portfolio Investments (+2.4%). Revenue in the core segment Home rose by 0.1 percent despite the negative effect of rouble depreciation on sales (especially in the last quarter of 2014) and turmoil in Ukraine. Adjusting for the effect of the changes in exchange rates, organic growth in the Home segment would have amounted to 3.8%.

Currency fluctuation had a notable impact on sales, especially in the markets of Eastern Europe and beyond Europe. Other categories aside (currency hedging, adjustment of prices in the markets, product structure etc.), the changes in exchange rates[1] had the following effect on the Group's organic revenue growth in our key markets:

HOME / EUR million	Currency effect on revenue	Actual revenue 2014	Actual 2014 revenue at 2013 exchange rates	Actual revenue 2013	Actual growth (%)	Organic growth (%)
West	-1.0	449.6	450.5	459.9	-2.3	-2.0
East	-36.1	507.3	543.4	506.7	+0.1	+7.2
Rest of world	-2.5	109.0	111.5	98.5	+10.7	+13.2
TOTAL	**-39.6**	**1,065.9**	**1,105.4**	**1,065.1**	**+0.1**	**+3.8**

In the Home segment, sales increased in the markets of Germany, Austria, Czech Republic, Slovakia, Hungary, Slovenia, Bosnia and Herzegovina, Romania, Bulgaria, Caucasus, Australia, and North America. Despite the hostile macroeconomic conditions, revenue was higher than in the year before in Russia as well.

Revenue was lower than in 2013 in the markets of Ukraine, Scandinavia, Greece, Belgium, France, and Kazakhstan. Lower sales in Ukraine are a result of the political turmoil in the country. Nevertheless, we largely succeeded in retaining our market position in this country and to slash our operating costs and trade receivables, thus laying down solid foundations for the time when the market starts to recover.

Concentration in distribution and the consequent competitive pressure in the markets of Denmark and Sweden resulted in a loss of 0.9 percent of our market share[2]. Operating costs were adjusted to the lower sales. However, we succeeded in reversing the sales trends in these markets to growth in the second half of the year with the measures we had introduced.

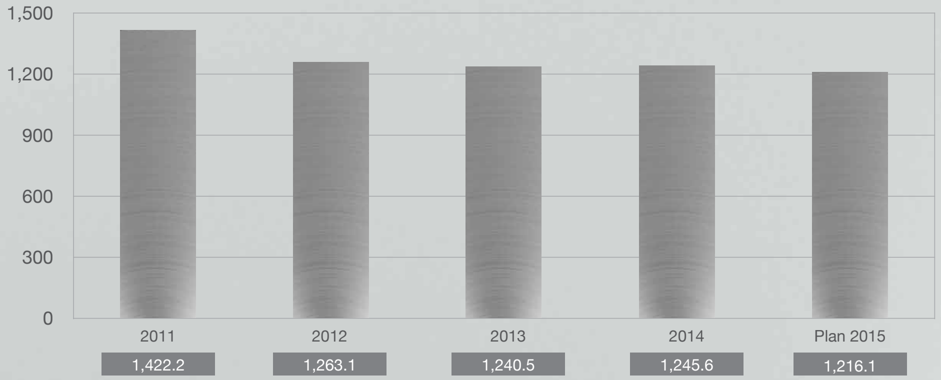
Aggravated macroeconomic conditions in Russia (particularly in the last quarter of 2014 when rouble depreciated dramatically) had a notable impact on our sales activities in this market. In December of 2014, our sales prices were further adjusted to the rouble exchange rate. Despite the price hike, both our sales in terms of volume and revenue measured in local currency rose. Our euro-denominated revenue grew as well, but at a considerably

[1]The effect of change in exchange rates on organic sales growth is determined by calculating the value of actual revenue in local currency in 2014, translated into EUR based on average exchange rates for particular currencies effective in 2013. Revenue in EUR calculated in this way is then compared to the actual revenue in EUR in the period at hand.
[2] Source: CECED (European Committee of Homeestic Equipment Manufacturers) 1–12/14

lower rate than planned. We attained the annual growth rate by expanding our offer (sale in all product categories). We also adopted a number of measures to adjust the sales organization costs. Most rouble cash flows were hedged with forward contracts.

In markets beyond Europe, our sales rose by 10.7 percent. The highest growth of sales was seen in the markets of North America, Australia (sale under our own premium brand Asko) and the Far East.

Gorenje Group revenue (in EUR million)



Revenue by geographical segments

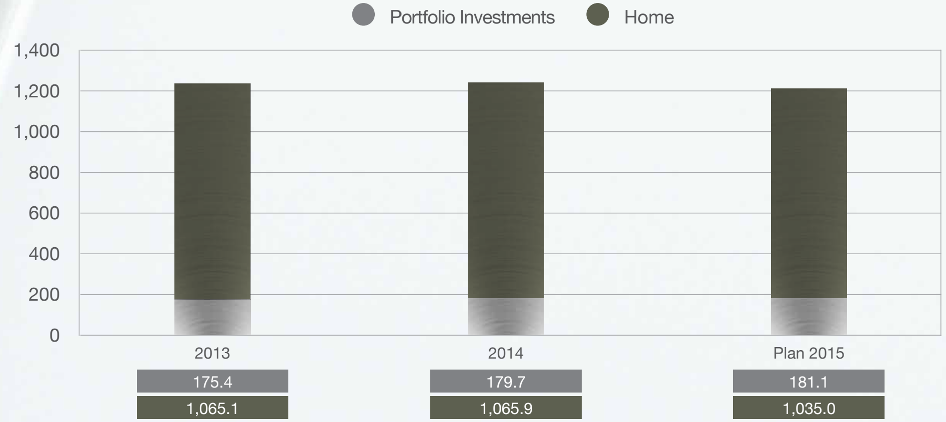
EUR million	2013	%	2014	%	Change (%)
Western Europe	465.9	37.6	459.1	36.9	-1.5
Eastern Europe	676.1	54.5	677.5	54.4	+0.2
Eastern Europe without Ukraine and Russia	491.3	39.6	515.2	41.4	+4.9
Rest of world	98.5	7.9	109.0	8.7	+10.7
Group Total	**1,240.5**	**100.0**	**1,245.6**	**100.0**	**+0.4**
Western Europe	459.9	43.2	449.6	42.2	-2.3
Eastern Europe	506.7	47.6	507.3	47.6	+0.1
Eastern Europe without Ukraine and Russia	321.9	30.2	345.0	32.4	+7.2
Rest of world	98.5	9.2	109.0	10.2	+10.7
Home total	**1,065.1**	**100.0**	**1,065.9**	**100.0**	**+0.1**

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

Taking a closer look at the **sales structure by geographical segments,** we find the following:

- In Western Europe, sales in terms of value dropped by 2.3% relative to 2013. Revenue was lower in Scandinavia, France, Belgium, Great Britain, and Greece; higher revenue was generated in Germany and Austria.
- In Eastern Europe, revenue in euro terms was on a par with the 2013 figure. Adjusting for the effect of currency fluctuation, organic revenue growth amounted to 7.2 percent. Sales were higher in the markets of the Czech Republic, Slovakia, Hungary, Bosnia and Herzegovina, Romania, Bulgaria, and Russia; and they were lower in Ukraine, Macedonia, and Poland. Higher growth in other Eastern European markets compensated for the loss of sales in Ukraine.
- Beyond Europe, our revenue was a notable 10.7 percent higher than in 2013. Adjusting for the effect of currency fluctuation, organic revenue growth amounted to nearly 13.2 percent. Higher sales were generated in North America, Australia where we saw growth of major appliance sales under our own brand, as well as the markets of the Far East.

Revenue by business segments (in EUR million)



Revenue in the **business segment Home** in 2014 amounted to EUR 1,065.9 million, which is 0.1 percent more than in 2013.

Revenue in the **business segment Portfolio Investments** amounted to EUR 179.7 million, which is 2.4%, or EUR 4.3 million more than in 2013. Higher revenue in this segment resulted from higher sales of medical equipment and metallurgy products. Higher sales were also seen in machine building, toolmaking, and ecology.

Observing the **composition of revenue by business segments**, we not that 85.6% of total Group revenue was generated in the segment Home (0.3 percentage point less than in 2013; the change results from higher revenue growth in the Portfolio Investment segment).

Group revenue by business segments (in %)

The following table breaks down the change in Group profitability at the EBIT level:

EUR million	Development
EBIT 2013	**36.3**
Contribution margin at the level of costs of goods and material	-0.9
Costs of services	11.1
Labour costs / Employee benefit expenses	10.3
Depreciation and amortization expense	-1.1
Other operating expenses	0.8
Other operating income	-13.0
EBIT 2014	**43.5**

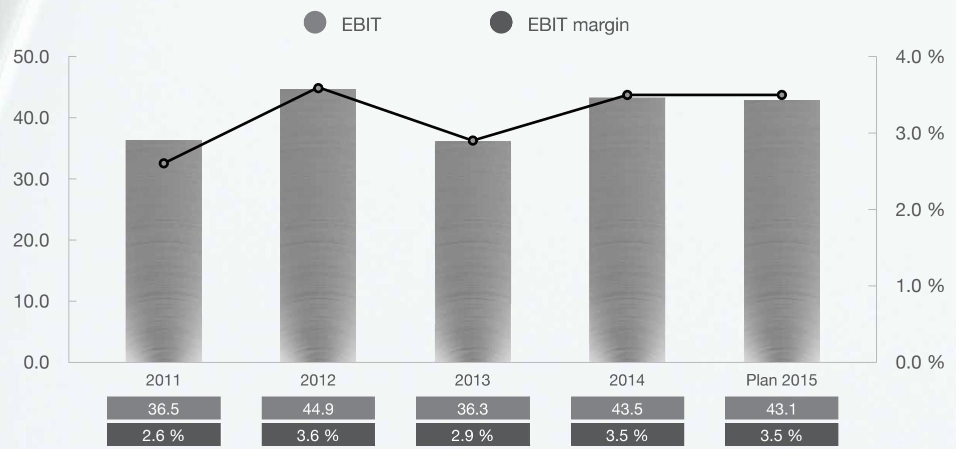
Operating profit (EBIT): our EBIT was positive at EUR 43.5 million. Relative to 2013, EBIT was higher by EUR 7.2 million, or 19.8%. The improvement in EBIT results from the following:

- successful management of upstream (procurement) prices of raw and processed materials;
- successful management of energy costs (also as a result of relocations of manufacturing operations);
- lower cost of services (cost of services was EUR 11.1 million lower than in the equivalent period of the year before); and
- lower labour costs. Labour costs were EUR 10.3 million lower than in the equivalent period of the year before.

Development of the contribution margin at the level of costs of goods and material was negatively affected by the changes in business environment in Russia and Ukraine, currency fluctuations, and downward pressure on our downstream prices. These effects were alleviated by selective price hikes and improvement of sales structure of our appliances and regional sales structure. Sales structure was improved by increasing the sales of premium appliances[3] which reached a 16.4-percent share in total major appliance sales in terms of volume, which is 2.0 percentage points more than in 2013. Regional sales structure was improved by higher sales beyond Europe where our sales mostly involve upmarket and premium appliances. We also increased the sales of small domestic appliances which yield higher contribution margins (revenue from small domestic appliances account for nearly 4 percent of Home segment sales, which is 0.2 percentage point more than in 2013).

Other operating income in last year was lower due to lower gains from divestment of non-operating assets (real property), received subsidies, received indemnities for the fire at the company Gorenje Surovina in 2013, and lower revenue from value adjustment of investment property.

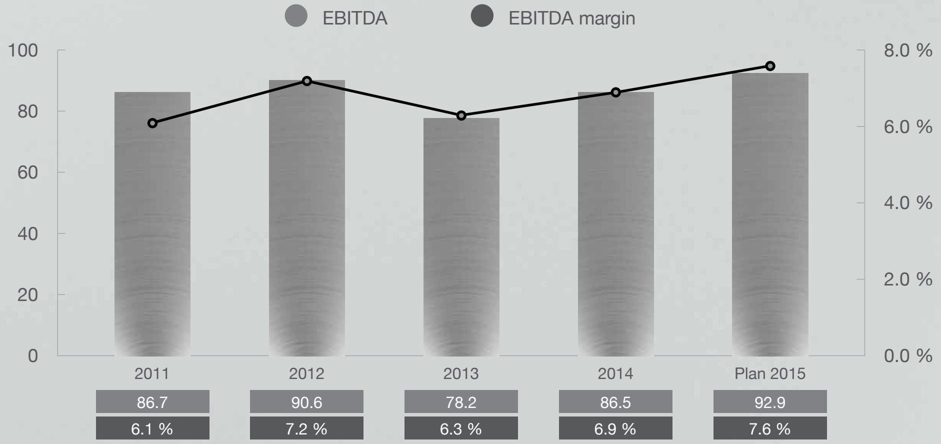
EBIT and EBIT margin (in EUR million)



Our **EBITDA** in 2014 amounted to EUR 86.5 million which is EUR 8.3 million or 10.6% more than in 2013.

[3]Premium appliances: appliances of the brands Atag, Asko, and Gorenje's designer lines (Gorenje Simplicity, Gorenje Ora-Ïto, Gorenje Pininfarina, Gorenje Classico, Gorenje One, Gorenje Karim Rashid, Gorenje Color Edition, Gorenje+, Gorenje Retro).

EBITDA and EBITDA margin (in EUR million)

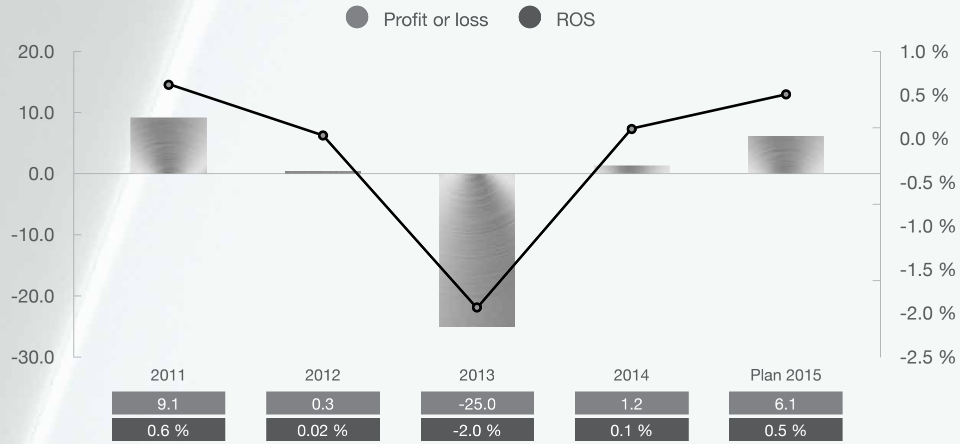


In 2014, our **result from financing operations** was negative at EUR -38.7 million. The result from financing operations is EUR 15.7 million better than in 2013. The improvement of our result from financing operations is a result of lower investment write-off than in 2013.

Corporate income tax, reported in the amount of EUR 2.6 million, includes the levied corporate income tax and the deferred tax assets. Levied corporate income tax is the tax payable on the taxable income for the fiscal year by respective Group companies. Deferred tax is recognized with respect to temporary differences between the carrying value of assets and liabilities for financial reporting purposes and the amounts recognized for taxation purposes. The amounts of temporary differences, which are the predominant determinants of the deferred tax, pertain to tax relief for investment and research and development, and tax to losses from previous years, of which most were reported by the parent company.

Gorenje Group **profit for the perio**d amounted to EUR 1.2 million. Thus, our profitability was improved by EUR 26.2 million. In 2014, Group profit was negative only in the last quarter when net result was EUR -2.8 million. Net loss in the last quarter was a result of aggravation of general and macroeconomic conditions in Russia and Ukraine.

Profit or loss for the year (in EUR million) and ROS



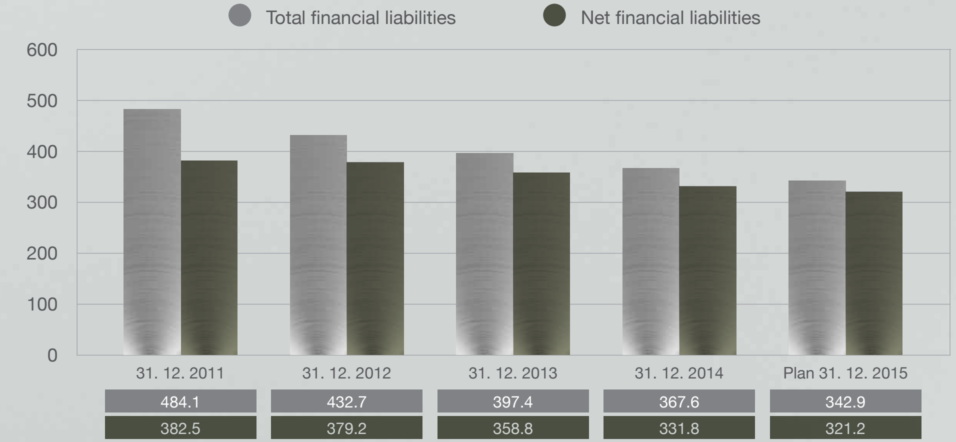
FINANCIAL PERFORMANCE

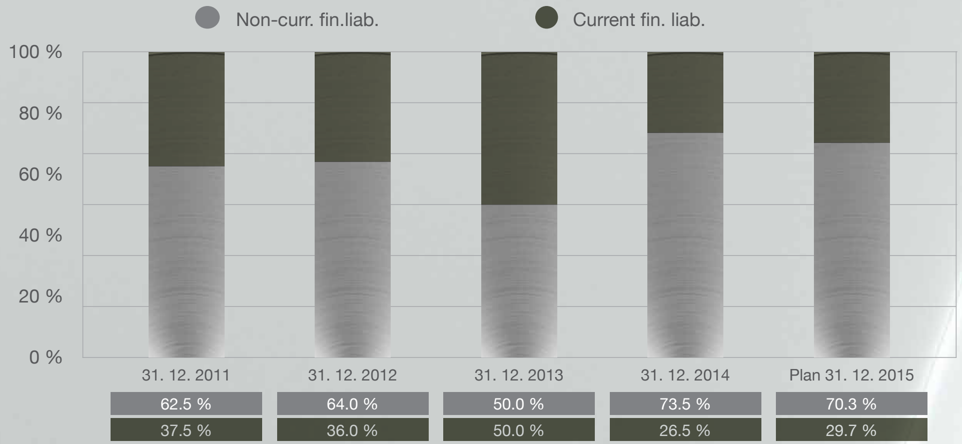
The fundamental goal of the financing policy, conducted at the Group level by the central finance function, is to provide adequate liquidity at the lowest possible cost (i.e. lowest possible finance expenses), in order to be able to settle the liabilities across the Group, as they are due for payment.

The basic source of liquidity is the sales operations in the business segments Home and Portfolio Investments, and the resulting free cash flow. In this respect, optimization of net working capital is particularly important. Additional sources include proceeds from divestment and new long-term sources of financing obtained to refinance the maturing existing long-term borrowings, and continuous renewal of short-term borrowings, revolving credit facilities, and credit limits on current accounts. Pursuant to the 2014 financial plan, particular attention was paid to refinancing of the maturing current portions of long-term financial liabilities and to renewal of short-term credit facilities. Thus, our long-term borrowings are regularly repaid and partly refinanced, while short-term borrowings are regularly renewed.

In 2014, we repaid a total of EUR 150.3 million of current portions of long-term borrowings. In early October, we issued 5-year bonds in the total nominal amount of EUR 73 million. Due to high investor interest, the volume of the issue exceeded the initially planned amount. The funds thus raised were allocated for further improvement of the maturity profile of our debt and for diversification of our financing sources that were previously restricted almost exclusively to banking sources. Activities and operations in 2014 led to considerable lower needs for replacement borrowing for the financial liabilities maturing in 2015 and for the maintenance of the stable maturity profile.

Total and net financial liabilities in the years 2011–2014, in EUR million [4], and changes in the maturity profile of financial liabilities





As at December 31, 2014, **total financial liabilities** amounted to EUR 367.6 million, which is EUR 29.8 million less than as the end of 2013. Changes in financial liabilities are consistent with the annual seasonal dynamics as the Group generates most of its positive cash flow from operating and investing activities in the last quarter of each fiscal year. The dynamics in this regard were more favourable in the last quarter of 2014 than in the equivalent period of the year before.

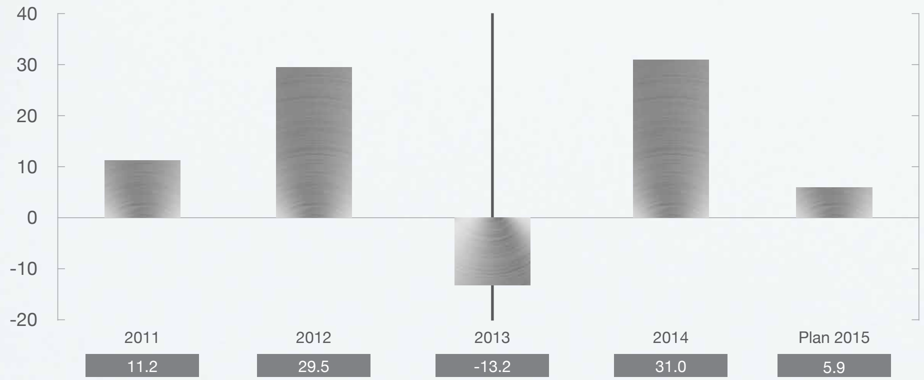
[4]Accounting aspect

In the **maturity profile of our financial liabilities**, long-term financing sources account for 73.5%; the rest are short-term sources. Relative to December 31, 2014, the maturity profile was improved by 23.5 percentage points as a part of our short-term borrowings were replaced with long-term debt.

Net financial liabilities (measured as the difference between total financial liabilities, and cash and cash equivalents) at the end of 2014 amounted to EUR 331.8 million, which was EUR 27.1 lower than at the end of 2013. As at December 31, 2014, the Group's liquidity reserve amounted to EUR 109.5 million and it included approved yet unused short-term credit facilities and cash in bank accounts, which can also be used to bridge any payments of the maturing liabilities. We are working with the existing and some new banking partners to repay or refinance our maturing liabilities and, and to optimize our finance expenses, further improve our maturity profile, and regulate the amount of our liquidity reserve. These activities have already provided a considerable share of funding for servicing our currently maturing portions of long-term debt for the entire year 2015, and for current cash flow requirements.

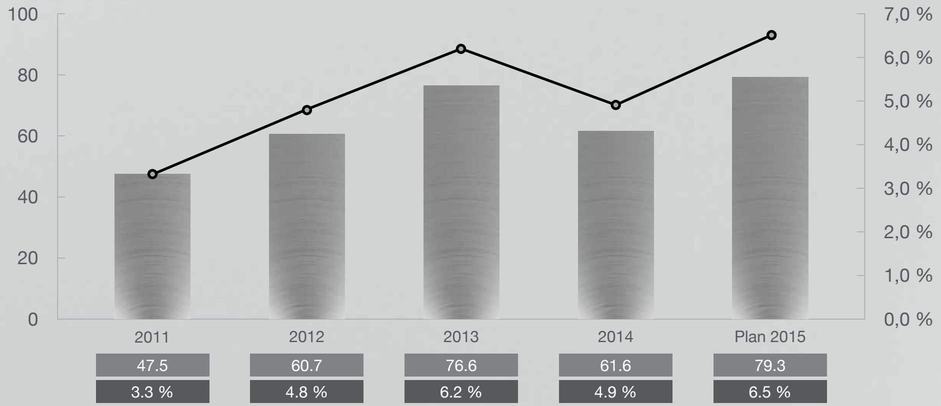
Cash flows: in the 2014 fiscal year, our free cash flow from operating and investing activities was positive at EUR 29.4 million, which is EUR 42.7 million more than in 2013. This is mostly a result of the improvement in net profit for the year, and further optimization of net current assets.

Cash flow from operating and investing activities (in EUR million)



Investment in 2014 amounted to EUR 61.6 million, which is EUR 15 million less than in 2013. The largest share of investment was made in the core segment Home where investment totalled at EUR 24.8 million. Approximately EUR 15 million was allocated for new product development (new generation washing machines, completion of the new generation of built-in ovens, revision of the 600-mm free-standing cookers, and facelift to the existing generation of dishwashers). The next major investment area was technological equipment (replacement of equipment, automation, investment maintenance). A good share of investment (around EUR 3 million) was intended for support to sales activities (opening of new retail units, exhibition areas etc.). Investments in the business segment Portfolio Investments in 2014 amounted to EUR 7.8 million, most of which was allocated to the fields of ecology, toolmaking, and ceramic tile production (the company Gorenje Keramika is completing the project of revision of the tile formats, while other Portfolio Investments companies have launched their sales promotion projects).

Investment by business segments (in EUR million)



In 2014, proceeds from **divestments** amounted to EUR 8.5 million, which is EUR 10.4 million less than in 2013.

As at December 31, 2014, the **Group's investments into net working capital** stood at EUR 177.5 million. Relative to the end of 2013, investment into net working capital was lower by EUR 31.1 million. The amount of net working capital investment was partly affected by the change in other current liabilities and assets. The narrowly defined net current assets (inventory, trade receivables, and trade payables) decreased by EUR 30.2 million relative to the equivalent period of the preceding year.

Trade receivables as at the end of 2014 were at EUR 180.4 million. Relative to 2013, the figure was lower by EUR 25.2 million. Average days sales outstanding were at 56, which is 6 days less than the average days sales outstanding in 2013. Decrease in receivables is a reflection of normal annual dynamics, as well as sound management of credit risk.

Investment at the end of 2014 amounted to EUR 219.4 million. Compared to 2013, it is lower by EUR 16.4 million. Days in inventory were cut from 70 to 66 days. Several efficient inventory management projects took place in 2014 to decrease the inventory required for our sales activities in the long run. In this respect, particular attention was paid to the optimization and decrease of:

- slow inventories of finished products and merchandise (these inventories were cut by 25% relative to the end of 2013);
- inventories of discontinued IDs at warehouses of manufacturing and trade companies of the Home segment;
- complexity of the number of codes/IDs of finished products and merchandise.

We were also successful in cutting the inventories of raw and processed materials. In this regard, particular attention is paid to cutting the slow inventories of raw and processed materials, and semi-products, and to reduction of complexity.

Trade payables at the end of 2014 amounted to EUR 202.5 million, which was EUR 11.3 million less than at the end of 2013. The figure is consistent with the normal annual dynamics.

BUSINESS PLAN FOR THE YEAR 2015

The business environment remains challenging for home appliance industry in 2015, with Russia being the prime source of uncertainty in this respect. Therefore, we have developed several scenarios for our business plan.

In Russia, we are expecting a decrease in revenue this year, for the first time after a decade of growth. The effect of this market is the predominant reason for planning total revenue that is 2.4 percent lower than the Group revenue in 2014. We have introduced a variety of measures to minimize the effects of harsher macroeconomic conditions expected especially in the first half of the year. Pricing policy is being adjusted, costs of raw and processed material, services, logistics, and labour are being optimized, and product assortment is being expanded with a new generation of built-in cooking appliances which carry most of Gorenje's recognition and distinctiveness also in Russia. As in 2014, we have hedged most of our 2015 rouble cash flow.

This year, we are planning further improvement in the structure of sales, both regionally and in terms of products. Sales in markets beyond Europe is planned to increase by 2.2% relative to 2014, fuelled especially by sales in the Middle and Far East and in Australia. We are also planning an increase in sales of premium and upmarket appliances from 16.4% in 2014 to 17.2% of total sales by volume in 2015.

Moreover, we continue to improve our financial position in this year. We are looking to cut our net debt by further EUR 10.6 million. This will be attained by better management of working capital and complexity of finished products and merchandise. Moreover, proceeds from divestment of non-operating assets will also be used for deleveraging. With the EBITDA planned at EUR 92.9 million, the net financial debt to EBITDA ratio will decrease to 3.5 in 2015.

Key Gorenje Group performance targets for 2015 according to the realistic scenario:

- revenue of EUR 1,216.1 million
- EBITDA at EUR 92.9 million
- EBIT at EUR 43.1 million
- net profit at EUR 6.1 million
- net financial debt to EBITDA ratio at 3.5

MAJOR EVENTS FOLLOWING THE BALANCE SHEET DATA

- On February 20, Gorenje, d.d., issued 10-month commercial paper bearing an interest rate of 2.20% p.a., with the total value of EUR 27 million, or 35% more than initially planned. Sizeable interest in commercial paper is proof of investor confidence in the Gorenje Group. With the last year's issue of 5-year bonds and issue of 10-month commercial paper, combined, we raised EUR 100 million in capital markets in no more than four months. Thus, over a quarter of our financing is sourced through capital markets, which has resulted in better stability and financing terms. Commercial paper will also be offered in the second subscription round from March 2, 2015, to December 1, 2015, up to a final total issue amount of EUR 30 million nominally.
- We have started negotiations with the Polish company Elemental Holding SA on the divestment of the majority shareholding in our subsidiary Gorenje Surovina, d.o.o. Negotiations also involve some other subsidiaries of Gorenje Surovina. The purpose of the negotiations is to specify the scope, value, and terms of sale. Management Boards of Gorenje, d.d., and Elemental Holding SA expect to complete the negotiations by the end of the second quarter of 2015. Elemental Holding SA is a leading Polish company active in the fields of scrap metal collection and recycling. Through its subsidiaries in Poland, Slovakia, Lithuania and Turkey it is a key player in non-ferrous metals, electronic scrap and catalytic converters. It is listed on Warsaw Stock Exchange and has current market capitalisation of over 150 million euro.
- There were no other major events after the reporting date for the statement of financial position, i.e. December 31, 2014.

0.3
Accounting report

Staying on top of our business environment

Table of contents of Notes to the Consolidated Financial Statements of the Gorenje Group

ACCOUNTING REPORT OF THE GORENJE GROUP

CONSOLIDATED FINANCIAL STATEMENTS OF THE GORENJE GROUP

Consolidated Income Statement of the Gorenje Group

EURk		Note	2013	2014
Revenue	ON THE NOTE	**12**	**1,240,482**	**1,245,553**
Change in inventories			-26,122	-12,042
Other operating income	ON THE NOTE	13	34,517	21,468
Gross profit			**1,248,877**	**1,254,979**
Cost of goods, materials and services	ON THE NOTE	14	-910,516	-919,501
Employee benefits expense	ON THE NOTE	15	-237,914	-227,586
Amortisation and depreciation expense	ON THE NOTE	16	-41,875	-42,989
Other operating expenses	ON THE NOTE	17	-22,242	-21,396
Operating profit			**36,330**	**43,507**
Finance income	ON THE NOTE	18	7,547	8,668
Finance expenses	ON THE NOTE	18	-61,929	-47,381
Net finance expenses	ON THE NOTE	**18**	**-54,382**	**-38,713**
Share in profits or losses of associates			-592	65
Profit or loss before tax			**-18,644**	**4,859**
Income tax expense	ON THE NOTE	19	4,219	-2,624
Profit or loss without discontinued operation			**-14,425**	**2,235**
Loss of discontinued operation	ON THE NOTE	**10**	**-10,574**	**-996**
Profit or loss for the period			**-24,999**	**1,239**
Attributable to non-controlling interests			**225**	**220**
Attributable to equity holders of the parent			**-25,224**	**1,019**
Basic or diluted earnings per share without discontinued operation (in EUR)			-0.88	0.09
Basic or diluted earnings per share (in EUR)	ON THE NOTE	33	-1.51	0.04

Consolidated Statement of Other Comprehensive Income of the Gorenje Group

EURk	Note	2013	2014
Profit or loss for the period		**-24,999**	**1,239**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss		**-1,262**	**0**
Change in fair value of land	ON THE NOTE 21	-1,262	0
Items that may be reclassified subsequently to profit or loss		**-9,003**	**-11,260**
Net change in fair value of available-for-sale financial assets		-153	-41
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge		-72	-145
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge, reclassified to profit or loss	ON THE NOTE 18	2,465	2,472
Net change in fair value arising on exchange differences from investments in subsidiaries, reclassified to profit or loss		-711	0
Income tax on other comprehensive income	ON THE NOTE 26	-236	-381
Translation reserve		-10,296	-13,165
Other comprehensive income for the period		**-10,265**	**-11,260**
Total comprehensive income for the period		**-35,264**	**-10,021**
Attributable to equity holders of the parent		-35,489	-10,241
Attributable to non-controlling interests		225	220

Consolidated Balance Sheet of the Gorenje Group

EURk	Note	2013	2014
ASSETS		**1,148,065**	**1,102,398**
Non-current assets		**593,890**	**593,281**
Intangible assets	ON THE NOTE 20	167,882	181,597
Property, plant and equipment	ON THE NOTE 21	356,552	355,962
Investment property	ON THE NOTE 22	28,129	18,931
Non-current investments	ON THE NOTE 23	5,527	4,145
Investments in associates	ON THE NOTE 24	711	1,122
Non-current trade receivables	ON THE NOTE 25	10,559	6,801
Deferred tax assets	ON THE NOTE 26	24,530	24,723
Current assets		**554,175**	**509,117**
Non-current assets held for sale		1,655	1,648
Inventories	ON THE NOTE 27	235,767	219,389
Current investments	ON THE NOTE 28	17,202	20,461
Trade receivables	ON THE NOTE 29	205,581	180,380
Other current assets	ON THE NOTE 30	45,859	43,216
Income tax receivable		2,756	3,034
Cash and cash equivalents	ON THE NOTE 31	38,589	35,843
Assets included in disposal groups	ON THE NOTE 10	6,766	5,146
EQUITY AND LIABILITIES		**1,148,065**	**1,102,398**
Equity	ON THE NOTE **32**	**380,670**	**380,267**
Share capital		92,240	101,922
Share premium		175,568	175,698
Revenue reserves		95,818	99,301
Treasury shares		-3,170	-3,170
Profit or loss for the period		-26,711	-2,464
Profit or loss from previous years		39,540	12,829
Translation reserve		-4,435	-17,600
Fair value reserve		9,007	10,912

EURk	Note	2013	2014
Equity of holders of the parent		**377,857**	**377,428**
Equity of non-controlling interests		**2,813**	**2,839**
Non-current liabilities		**278,973**	**347,693**
Provisions	ON THE NOTE 34	66,671	63,453
Deferred income	ON THE NOTE 35	5,081	5,270
Non-current operating liabilities	ON THE NOTE 36	5,773	5,912
Deferred tax liabilities	ON THE NOTE 26	2,694	2,988
Non-current financial liabilities	ON THE NOTE 37	198,754	270,070
Current liabilities		**488,422**	**374,438**
Current financial liabilities	ON THE NOTE 38	198,659	97,536
Trade payables	ON THE NOTE 39	213,820	202,473
Other current liabilities	ON THE NOTE 40	71,001	70,627
Deferred tax liabilities		1,243	1,689
Liabilities included in disposal groups	ON THE NOTE 10	3,699	2,113

Consolidated Statement of Cash Flows of the Gorenje Group

EURk	Note	2013	2014
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit or loss for the period		**-24,998**	**1,239**
Adjustments for:			
-depreciation of property, plant and equipment	ON THE NOTE 21, 10	35,436	35,950
-amortisation of intangible assets	ON THE NOTE 20, 10	6,705	7,069
-investment income	ON THE NOTE 18, 10	-7,571	-8,750
-finance expenses	ON THE NOTE 18, 10	68,832	47,422
-gain on sale of property, plant and equipment	ON THE NOTE 13, 10	-4,859	-288
-gain on sale of investment property	ON THE NOTE 13, 10	-51	-83
-revaluation operating income	ON THE NOTE 13, 10	-6,851	0
-income tax expense	ON THE NOTE 19, 10	-4,219	2,624
Operating profit before changes in net operating current assets and provisions		**62,424**	**85,183**
Change in trade and other receivables		5,620	20,196
Change in inventories		12,642	16,552
Change in provisions		3,786	-4,452
Change in trade and other payables		-8,716	-19,483
Cash generated from operations		**13,332**	**12,813**
Interest paid		-21,574	-21,526
Income tax paid		-3,437	-4,048
Net cash from operating activities		**50,745**	**72,422**
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		14,482	5,477
Proceeds from sale of investment property		9,250	3,274
Interest received		2,547	1,793
Dividends received		-495	120
Disposal of subsidiary		0	10
Acquisition of property, plant and equipment		-60,928	-40,371
Acquisition of investment property		-7,304	-9

EURk	Note	2013	2014
Other investments		-432	-3,258
Acquisition of intangible assets		-15,678	-21,264
Net cash used in investing activities		**-58,558**	**-54,228**
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Capital increase		25,855	9,812
Interest-bearing borrowings		90,954	168,496
Repayment of borrowings		-124,084	-272,940
Bonds issued		0	73,000
Net cash used in financing activities		**-7,275**	**-21,632**
Net change in cash and cash equivalents		-15,088	-3,438
Cash and cash equivalents at beginning of period		54,588	39,500
Cash and cash equivalents at end of period		39,500	36,062

Consolidated Statement of Changes in Equity of the Gorenje Group

			Revenue reserves					Retained earnings						
EURk	**Share capital**	**Share premium**	**Legal reserves**	**Statutory reserves**	**Treasury share reserve**	**Other revenue reserves**	**Treasury shares**	**Profit or loss from previous periods**	**Profit or loss for the period**	**Translation reserve**	**Fair value reserve**	**Equity holders of the parent**	**Non-controlling interests**	**Total**
Opening balance at 1 Jan 2013	**66,378**	**175,575**	**12,896**	**6,653**	**3,170**	**71,612**	**-3,170**	**25,395**	**14,145**	**5,861**	**8,976**	**387,491**	**2,352**	**389,843**
Total comprehensive income for the period														
Profit for the period									-25,224			-25,224	225	-24,999
Total other comprehensive income										-10,296	31	-10,265		-10,265
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-25,224**	**-10,296**	**31**	**-35,489**	**225**	**-35,264**
Transactions with owners (when acting as owners) recognised directly in equity														
Contributions by owners and distribution to owners														
Capital increase	25,862	849										26,711		26,711
Costs of capital increase		-856										-856		-856
Transfer of previous period's profit to retained earnings								14,145	-14,145			0		0
Transfer of part of profit for 2013 to other reserves						1,217			-1,217			0		0
Creation of statutory reserves				270					-270			0		0
Total contributions by owners and distributions to owners	**25,862**	**-7**	**0**	**270**	**0**	**1,217**	**0**	**14,145**	**-15,632**	**0**	**0**	**25,855**	**0**	**25,855**
Change in equity interests in subsidiaries that do not result in a loss of control														
Change in equity interests												0	236	236
Total changes in equity interests in subsidiaries	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**236**	**236**
Total transactions with owners	**25,862**	**-7**	**0**	**270**	**0**	**1,217**	**0**	**14,145**	**-15,632**	**0**	**0**	**25,855**	**236**	**26,091**
Closing balance at 31 Dec 2013	**92,240**	**175,568**	**12,896**	**6,923**	**3,170**	**72,829**	**-3,170**	**39,540**	**-26,711**	**-4,435**	**9,007**	**377,857**	**2,813**	**380,670**

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 2014	**92,240**	**175,568**	**12,896**	**6,923**	**3,170**	**72,829**	**-3,170**	**39,540**	**-26,711**	**-4,435**	**9,007**	**377,857**	**2,813**	**380,670**
Total comprehensive income for the period														
Profit for the period									1,019			1,019	220	1,239
Total other comprehensive income	0	0	0	0	0	0	0	0	0	-13,165	1,905	-11,260	0	-11,260
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1,019**	**-13,165**	**1,905**	**-10,241**	**220**	**-10,021**
Transactions with owners (when acting as owners) recognised directly in equity														
Contributions by owners and distribution to owners														
Capital increase	9,682	318										10,000		10,000
Costs of capital increase		-188										-188		-188
Transfer of previous period's profit to retained earnings								-26,711	26,711					
Transfer of part of profit for 2014 to other reserves						2,850			-2,850					
Creation of statutory reserves				633					-633					
Total contributions by owners and distributions to owners	**9,682**	**130**	**0**	**633**	**0**	**2,850**	**0**	**-26,711**	**23,228**	**0**	**0**	**9,812**	**0**	**9,812**
Change in equity interests in subsidiaries that do not result in a loss of control														
Change in equity interests													-194	-194
Total changes in equity interests in subsidiaries	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-194**	**-194**
Total transactions with owners	**9,682**	**130**	**0**	**633**	**0**	**2,850**	**0**	**-26,711**	**23,228**	**0**	**0**	**9,812**	**-194**	**9,618**
Closing balance at 31 Dec 2014	**101,922**	**175,698**	**12,896**	**7,556**	**3,170**	**75,679**	**-3,170**	**12,829**	**-2,464**	**-17,600**	**10,912**	**377,428**	**2,839**	**380,267**

Notes to the Consolidated Financial Statements

1. Reporting entity

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

The consolidated financial statements of Gorenje, d.d. at and for the year ended 31 December 2014 comprise the controlling company and its subsidiaries (together referred to as the “Group”), the Group’s interests in jointly controlled entities and the Group’s interests in associates. The Group is primarily engaged in the production and sale of household appliances.

2. Basis of preparation

(a) Statement of compliance

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

The Management Board approved the financial statements on 3 March 2015.

(b) Basis of measurement

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

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

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

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

- Note 19 and 26 – deferred taxes;
- Note 21 and 22 and accounting policies 3(d) and 3(f) – valuation of property, plant and equipment and investment property;
- Note 34 and accounting policy 3(l) (iv) - measurement of liabilities for retirement benefits and jubilee premiums;
- Note 34 and accounting policy 3(l) (iii) – provisions for onerous contracts;
- Note 34 and accounting policy 3(l) (i) – provisions for warranties;
- Note 42 and accounting policy 3 (i) (i) – valuation of investments;
- Note 20 and accounting policy 3 (e) (i) – goodwill;
- Accounting policy 3(i) (i) - impairment of financial assets, including receivables.

(e) Changes in accounting policies

The Group has not changed its accounting policies in 2014, except where necessary due to the amendments to IFRSs.

3. Significant accounting policies

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

(a) Basis for consolidation

(i) Business combinations

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

The Group measures goodwill at the acquisition date as:

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

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

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

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

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

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

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

(ii) Acquisition of non-controlling interests

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

(iii) Subsidiaries

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

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

(iv) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Remeasurment of the residual amount to fair value has an impact on the income statement. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Investments in associates and joint ventures (equity-accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Investments in associates and jointly controlled entities are accounted for using the equity method and are recognised initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group companies at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in the income statement, except for differences arising on the retranslation of:

- available-for-sale equity investments,
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective, or
- qualifying cash flow hedges to the extent that the hedge is effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to euro at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to euro at average exchange rates applicable at the date of translation.

Foreign currency differences arising from translation are recognised directly in other comprehensive income. From the date of transfer to IFRSs, these differences are recognised in translation reserve in equity. When a foreign operation is disposed of (partly or wholly), the relevant amount in the translation reserve related to that foreign operation is reclassified to profit or loss.

(c) Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans, receivables, and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial assets of the Group comprise: liabilities and receivables, available-for-sale financial assets, and cash and cash equivalents.

Liabilities and receivables

Liabilities and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, liabilities and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and an investment (deposit) with maturity (of three months or less). Bank overdrafts that are repayable on demand form an integral part of the current financial liabilities.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Subsequent to initial recognition they are measured at fair value plus any directly attributable transaction costs.

Change in fair value (see note 3(i)(i)) and foreign currency differences on available-for-sale debt instruments (see note 3(b)(i)), are recognised in other comprehensive income and presented in the fair value reserve in equity. When an available-for-sale financial asset is derecognised or permanently impaired, the gain or loss accumulated in equity is reclassified to profit or loss. Available-for-sale financial assets comprise equity securities and debt securities.

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

(iii) Share capital

Ordinary shares

Ordinary shares are a constituent part of share capital. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Repurchase of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in equity as a deduction item and simultaneously treasury share reserve is formed. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

Dividends are recognised as a liability in the period in which a resolution on dividend payment is adopted by the Shareholders' Meeting.

(iv) Derivative financial instruments, including hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80 – 125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

When the hedged item is a non-financial asset, the amount accumulated in equity is included in the carrying amount of the asset when the asset is recognised. In other cases the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified in profit or loss.

Other derivative financial instruments

When a non-trading derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in profit or loss.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property (excluding land), plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Computer software purchased, which significantly contribute to the functionality of assets are to be capitalised as part of this equipment.

Borrowing costs directly attributable to the construction or production of a qualifying item of property, plant and equipment were capitalised subject to the following conditions: if the value of qualifying asset in total sales exceeded 5%, and if the duration of construction exceeded 6 months.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Fair value model or revaluation model is applied to land. The effect of revaluation is recorded in other comprehensive income. Impairment of land previously increased in value results in a decrease in revaluation surplus in other comprehensive income; otherwise, it is recognised in the income statement.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognised net within other income/other expenses in profit or loss.

(ii) Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on remeasurement of fair value is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the fair value reserve in equity.

(iii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. All other costs, such as day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iv) Depreciation

Depreciation is recognised on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative years are as follows:

buildings	20 - 50 years
plant and equipment	5 - 20 years
computer equipment	2 - 5 years
transportation vehicles (assets)	3 - 20 years
office equipment	3 - 10 years
tools	3 - 10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate.

(e) Intangible assets

(i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see Note 3(a)(i).

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour, other costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Other intangible assets

Intangible assets with infinite useful lives (trademarks) are tested once a year whether the need for impairment has occurred. Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

(iv) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(v) Amortisation

Amortisation is recognised on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative years are as follows:

capitalised development costs	5 - 10 years
long-term property rights	5 - 10 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(f) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at fair value (see note 4(iii)) with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(g) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the Group's balance sheet.

(h) Inventories

Inventories measured at the lower of historical cost and net realisable value. The cost of inventories is based on the weighted average price method and includes expenditure incurred in acquiring the inventories, dependent costs and other costs incurred in bringing them to their existing location and condition.

Inventories of products and work in progress are valued at production costs (in broader sense), which in addition to direct costs of material, labour, services, depreciation and part of production costs, include also costs of production overheads, acquisition costs, costs of maintenance and quality assurance overheads, and total costs of research and development.

Inventories of work in progress and products are not revalued due to value increase. Their write-off is mandatory if the carrying amount exceeds their market value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Decline in value of inventories of work in progress and products due to write-off, is credited against change in inventories.

(i) Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on term that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant prolonged decline in its fair value below its cost is objective evidence of impairment.

Financial assets measured at amortised cost

The Group considers evidence of impairment for financial assets measured at amortised cost (loans and receivables and held-to-maturity investment securities) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired asset continues to be recognised. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

In line with the Accounting Manual, the Group considers evidence of impairment for receivables based on the observance of criteria pertaining to the maturity and collateralisation of receivables. Thereafter, it is corrected by an individual estimate.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity, to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in impairment provisions attributable to application of the effective interest method are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite-lived intangible assets are tested annually for impairment prior to preparing the financial statements. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Non-current assets held for sale or distribution

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale or distribution. Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains and losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Once classified as held for sale or distribution, intangible assets and property, plant and equipment are not amortised or depreciated and any equity-accounted investees is no longer equity accounted.

(k) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance expenses.

(i) Warranties for products and services

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(ii) Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating expense is not provided for.

(iii) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

(iv) Provisions for retirement benefits and jubilee premiums

In accordance with the statutory requirements, the collective agreement, and the internal regulations, the Group is liable to pay jubilee premiums and retirement benefits to its employees. For these obligations, provisions are created.

Provisions are created by discounting, at the reporting date, the estimated future payments of retirement benefits and jubilee premiums. The obligation is calculated separately for each employee by estimating the costs of retirement benefits and the costs of all expected jubilee premiums until retirement. The balance of provisions is verified every three years on the basis of the calculation prepared by a certified appraiser.

As from 1 January 2013, actuarial gains and losses arising on provisions for retirement benefits and jubilee premiums are recognised in other comprehensive income in compliance with the amended IAS 19. Company's accounting policy was changed as required under the stated amendments to IAS 19. Management assesses that the relevant change has no significant impact on the company's financial statements for the current and previous period, hence no retrospective restatement is required.

(v) Site restoration

In accordance with the Group's published environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land, and the related expense, is recognised when the land is contaminated.

(m) Revenue

(i) Revenue from the sale of products, goods and materials

Revenue from the sale of products, goods and materials in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement. For sales of goods, usually transfer occurs when the goods are received at the customer's warehouse; however, for some international shipments transfer occurs upon loading the goods onto the relevant carrier at the port. Generally for such products the customer has no right of return.

(ii) Revenue from services rendered

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(iii) Commission

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group.

(iv) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as other income.

(n) Government grants

Government grants are recognised initially as deferred income when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant and are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

(o) Finance income and finance expenses

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets, fair value gains on financial assets at fair value through profit or loss, exchange gains, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the shareholder's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

Finance expenses comprise interest expense on borrowings (a portion of borrowing costs may be capitalised within property, plant and equipment), foreign exchange losses, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in the income statement using the effective interest method, except for borrowing costs related to qualifying assets which are recognised as part of the cost of such assets.

Foreign currency gains and losses are reported on a net basis as either finance income or finance expenses.

(p) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(r) Basic earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares, which is equivalent to diluted earnings per share data, as the Group has not issued any preference shares or convertible bonds. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

(s) Comparative information

Comparative information has been harmonised with the presentation of information in the current year. Where required, adjustment of comparative information has been carried out in order to comply with the presentation of information in the current year.

(t) Assets held for sale or held for distribution, and discontinued operations

(i) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held-for-sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

(u) Segment reporting

Segment results that are reported to the Group's executive officer include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Group's headquarters), head office expenses, and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

(v) Standards and interpretations applicable in the current period

Following standards, amendments to existing standards and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the EU apply:

- IFRS 10 'Consolidated Financial Statements' adopted by the EU as at 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 11 'Joint Arrangements' adopted by the EU as at 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 12 'Disclosure of Interests in Other Entities' adopted by the EU as at 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IAS 27 (amended in 2011) 'Separate Financial Statements' adopted by the EU as at 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IAS 28 (amended in 011) 'Investments in Associates and Joint Ventures' adopted by the EU as at 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements' and IFRS 12 'Disclosure of Interests in Other Entities' - Transition Guidance, adopted by the EU as at 4 April 2013 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 12 'Disclosure of Interests in Other Entities' and IAS 27 (amended in 2011) 'Separate Financial Statements' - Investment Entities, adopted by the EU as at 20 November 2013 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 32 'Financial Instruments: Presentation' – Offsetting Financial Assets and Financial Liabilities, adopted by the EU as at 13 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 36 'Impairment of Assets' Recoverable Amount Disclosures for Non-Financial Assets, adopted by the EU as at 19 December 2013 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 39 'Financial Instruments: Recognition and Measurement' – Novation of Derivatives and Continuation of Hedge Accounting, adopted by the EU as at 19 December 2013 (effective for annual periods beginning on or after 1 January 2014).

Adoption of the relevant amendments to the existing standards did not result in any change of the Company's accounting policies.

(z) New standards and interpretations not yet adopted

The following new standards and interpretations are not yet effective for the annual period ended 31 December 2014 and have not been applied in preparing the financial statements hereunder:

- A collection of amendments to various IFRSs 'Annual Improvements to IFRSs 2010-2012 Cycle' (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38), in response to eliminate inconsistency and provide clarification of wording in IFRSs, which were adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),
- A collection of amendments to various IFRSs 'Annual Improvements to IFRSs 2011-2013 Cycle' (IFRS 1, IFRS 3, IFRS 13 and IAS 40), in response to eliminate inconsistency and provide clarification of wording in IFRSs, which were adopted by the EU on 18 December 2014 (effective for annual periods beginning on or after 1 January 2015),
- Amendments to IAS 19 'Employee Benefits' - Defined Benefit Plans: Employee Contributions, which were adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),
- IFRIC 21 'Levies', which was adopted by the EU on 13 June 1014 (effective for annual periods beginning on or after 17 June 2014).

Standards and interpretations issued by the IASB but not yet adopted by the EU

At present the IFRSs, as adopted by the EU, do not significantly differ from regulations adopted by IASB, except for following standards, amendments to existing standards and interpretations, which as of the date of approval of financial statements were not yet effective in EU:

- IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 1 January 2018),
- IFRS 14 'Regulatory Deferral Accounts' (effective for annual periods beginning on or after 1 January 2016),
- IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 1 January 2017),
- Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after 1 January 2016),

- Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 12 ' Disclosure of Interests in Other Entities ' and IAS 28 'Investments in Associates and Joint Ventures' – Investment Entities: consolidation exceptions (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IFRS 11 'Joint Arrangements' – Accounting for acquisitions of interests in joint operations (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 1 'Presentation of Financial Statements' – Disclosure initiative (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets' – Clarification of acceptable methods of depreciation and amortisation (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 16 'Property, Plant and Equipment' and IAS 41 'Agriculture' - Agriculture: Bearer Plants (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 27 'Separate Financial Statements' – Equity method at separate financial statements (effective for annual periods beginning on or after 1 January 2016),
- A collection of amendments to various IFRSs 'Annual Improvements to IFRSs 2012-2014 Cycle' (IFRS 5, IFRS 7, IFRS 19 and MRS 34), in response to eliminate inconsistency and provide clarification of wording in IFRSs (effective for annual periods beginning on or after 1 January 2016).

The Group does not expect the new standards, amendments to existing standards and interpretations to have a material impact on the financial statements during the early application.

In addition, hedge accounting in connection with financial assets and liabilities that was not adopted by the EU yet, remains non-regulated.

The Group assesses that hedge accounting in connection with financial assets and liabilities pursuant to provisions of IAS 39: »Financial Instruments: Recognition and Measurement« would not significantly impact the Group's consolidated financial statements if applied as at the balance sheet date.

4. Determination of fair value

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

A revaluation of land is based on the independent valuer's report by applying the comparable sales method and is carried out every five years. The Group examines, on an annual basis, if revaluation of land is required.

(ii) Intangible assets

The fair value of patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the patent or trademark being owned.

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(iii) Investment property

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio every five years, whereas in the interim period the need for revaluation is being assessed. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

In the absence of current prices in an active market, the valuations are prepared by considering the estimated rental value of the property. A market yield is applied to the estimated rental value to arrive at the gross property valuation. When actual rents differ materially from the estimated rental value, adjustments are made to reflect actual rents.

Valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the Group and the lessee, and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time.

(iv) Investments in debt and equity securities

The fair value of equity and debt securities is determined by reference to their quoted closing bid price at the reporting date, or if unquoted, determined using a valuation technique. Valuation techniques employed include market multiples and discounted cash flow analysis using expected future cash flows and a market-related discount rate.

(v) Trade and other receivables

The fair value of non-current trade and other receivables is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Trade and other receivables are not discounted due to short-term maturity. However, impairment to fair value is considered.

(vi) Forward exchange contracts and interest rate swaps

The fair value of forward exchange contracts is based on their quoted price, if available. If a quoted price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a credit-adjusted risk-free interest rate (based on government bonds).

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group and counterparty when appropriate.

(vii) Other non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

5. Capital management

The fundamental purpose of Gorenje Group's capital management is to maintain capital adequacy. Within the framework of capital management, following objectives are, in addition to capital adequacy, followed: long-term liquidity, high financial stability, and achievement of the highest possible value for Gorenje's stakeholders.

The strategic policy of reducing financial debt was pursued in 2014 as well. The net financial debt/equity ratio was improved by means of successful performance and a sound management of working capital. The Gorenje Group improved also the return on equity ratio calculated as the profit for the period attributable to parent company's owners and the average value of equity attributable to parent company's owners.

Capital adequacy, long-term liquidity, and sound financial stability was enhanced through the successfully completed share capital increase in the Gorenje Group in the total amount of EUR 36,711,446.74, whereof by EUR 10,000,000 in 2014 and by EUR 26,711,444.81 in 2013.

EURk	Note	2013	2014
Non-current financial liabilities	37	198,754	270,070
Current financial liabilities	38	198,659	97,536
Total financial liabilities		397,413	367,606
Total equity	32	380,670	380,267
Debt / equity		**1.04**	**0.97**
Cash and cash equivalents	31	38,589	35,843
Total net financial liabilities		358,824	331,763
Net debt / equity		**0.94**	**0.87**
Operating profit or loss		-24,999	1,239
Return on equity - ROE (%)		**-6.5 %**	**0.3 %**

6. Segment reporting

Business segments

The Group consists in 2014 of two key business segments i.e. Home and Portfolio Investments, which includes in 2012 also the separately disclosed business segment Ecology in compliance with the updated Strategic Plan for the period until 2018. The new classification of business segments, which was adopted upon the updated strategic plan (Home and Portfolio Investments) reflects strategic decisions pursuant to which Gorenje shall in future focus more on the core business activity.

(i) Business Segment Home

Business Segment Home: the manufacture and sale of household appliances of own manufacture, the sale of household appliances of other producers (supplementary programme), the sale of products from the complementary programme outside of the three main programmes of large household appliances, the manufacture and sale of heating appliances of own manufacture, the manufacture of mechanical components, the manufacture and sale of sanitary fixtures and ceramic tiles, and the sale of kitchen and bathroom furniture.

(ii) Business Segment Portfolio Investments

Business Segment Portfolio Investments: the overall waste management, tool manufacture, trade, engineering, representation, catering and tourism.

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

The Group comprises the following main geographical segments:

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

Eastern Europe: Ukraine, Russia, Macedonia, Croatia, Serbia, Montenegro, Albania, Bosnia and Herzegovina, Belarus, Kosovo, Moldova, Latvia, Lithuania, Estonia, Slovenia, Czech Republic, Hungary, Poland, Bulgaria, Romania, Slovakia.

Other: other countries.

7. Statement of cash flows

The statement of cash flows has been compiled under the indirect method on the basis of the items in the balance sheet at 31 December 2014, the balance sheet at 31 December 2013, the income statement for the year ended 31 December 2014, and the additional information required for the adjustment of inflows and outflows. The statement of cash flows is inclusive of discontinued and continued operations.

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8. Composition of Gorenje Group

Pursuant to International Financial Reporting Standards (IFRSs) as adopted by EU, the consolidated financial statements of the Gorenje Group comprise the financial statements of the parent company Gorenje, d.d. and the financial statements of 79 subsidiaries:

Companies operating in Slovenia	Equity interest (%)	Business segment
1. Gorenje I.P.C., d.o.o., Velenje	100.00	BSH
2. Gorenje GTI, d.o.o., Velenje	100.00	BSPI
3. Gorenje Gostinstvo, d.o.o., Velenje	100.00	BSPI
4. Energygor, d.o.o., Velenje	100.00	BSPI
5. Kemis, d.o.o., Vrhnika	100.00	BSPI
6. Gorenje Orodjarna, d.o.o., Velenje	100.00	BSPI
7. ZEOS, d.o.o., Ljubljana	51.00	BSPI
8. Gorenje Surovina, d.o.o., Maribor	100.00	BSPI
9. Indop, d.o.o., Šoštanj	100.00	BSPI
10. ERICo, d.o.o., Velenje	51.00	BSPI
11. Gorenje design studio, d.o.o., Velenje	52.00	BSH
12. PUBLICUS, d.o.o., Ljubljana	51.00	BSPI
13. EKOGOR, d.o.o., Jesenice	51.00	BSPI
14. Gorenje GAIO, d.o.o, Šoštanj	100.00	BSPI
15. Gorenje GSI, d.o.o., Ljubljana	100.00	BSH
16. Gorenje Keramika, d.o.o., Velenje	100.00	BSPI
17. Gorenje Surovina Fotoreciklaža, d.o.o., Maribor	51.00	BSPI
18. Gorenje Studio, d.o.o., Ljubljana	100.00	BSH

Companies operating abroad	Equity interest (%)	Business segment
1. Gorenje Beteiligungs GmbH, Austria	100.00	BSH
2. Gorenje Austria Handels GmbH, Austria	100.00	BSH
3. Gorenje Vertriebs GmbH, Germany	100.00	BSH
4. Gorenje Körting Italia S.r.l., Italy	100.00	BSH
5. Gorenje France S.A.S., France	100.00	BSH
6. Gorenje Belux S.a.r.l., Belgium	100.00	BSH
7. Gorenje Espana, S.L., Spain	100.00	BSH
8. Gorenje UK Ltd., Great Britain	100.00	BSH
9. Gorenje Group Nordic A/S, Denmark	100.00	BSH
10. Gorenje AB, Sweden	100.00	BSH
11. Gorenje OY, Finland	100.00	BSH
12. Gorenje AS, Norway	100.00	BSH
13. Gorenje spol. s r.o., Czech Republic	100.00	BSH
14. Gorenje real spol. s r.o., Czech Republic	100.00	BSH
15. Gorenje Slovakia s.r.o., Slovakia	100.00	BSH
16. Gorenje Magyarország Kft., Hungary	100.00	BSH
17. Gorenje Polska Sp. z o.o., Poland	100.00	BSH
18. Gorenje Bulgaria EOOD, Bulgaria	100.00	BSH
19. Gorenje Zagreb, d.o.o., Croatia	100.00	BSH
20. Gorenje Skopje, d.o.o., Macedonia	100.00	BSH
21. Gorenje Commerce, d.o.o., Bosnia and Herzegovina	100.00	BSH
22. Gorenje, d.o.o., Serbia	100.00	BSH
23. Gorenje Podgorica , d.o.o., Montenegro	99.975	BSH
24. Gorenje Romania S.r.l., Romania	100.00	BSH
25. Gorenje aparati za Homeaćinstvo, d.o.o., Serbia	100.00	BSH
26. Mora Moravia s r.o., Czech Republic	100.00	BSH
27. Gorenje - kuchyně spol. s r.o., Czech Republic	100.00	BSH
28. KEMIS-Termoclean, d.o.o., Croatia	100.00	BSPI
29. Kemis - BH, d.o.o., Bosnia and Herzegovina	100.00	BSPI
30. Gorenje Studio, d.o.o., Serbia	100.00	BSH
31. Gorenje Gulf FZE, United Arab Emirates	100.00	BSH
32. Gorenje Tiki, d.o.o., Serbia	100.00	BSH
33. Gorenje Istanbul Ltd., Turkey	100.00	BSH
34. Gorenje TOV, Ukraine	100.00	BSH
35. ST Bana Nekretnine, d.o.o., Serbia	100.00	BSPI
36. Kemis Valjevo, d.o.o, Serbia	100.00	BSPI
37. Kemis – SRS, d.o.o., Bosnia and Herzegovina	100.00	BSPI
38. ATAG Nederland BV, the Netherlands	100.00	BSH
39. ATAG België NV, Belgium	100.00	BSH
40. Intell Properties BV, the Netherlands	100.00	BSH
41. Gorenje Nederland BV, the Netherlands	100.00	BSH
42. Gorenje Kazakhstan, TOO, Kazakhstan	100.00	BSH
43. »Euro Lumi & Surovina« SH.P.K., Kosovo	51.00	BSPI
44. OOO Gorenje BT, Russia	100.00	BSH
45. Gorenje GTI, d.o.o., Beograd, Serbia	100.00	BSPI

Companies operating abroad	Equity interest (%)	Business segment
46. Asko Appliances AB, Sweden	100.00	BSH
47. Gorenje North America,Inc., USA	100.00	BSH
48. Asko Appliances Pty, Australia	100.00	BSH
49. Asko Appliances OOO, Russia	100.00	BSH
50. »Gorenje Albania« SHPK, Albania	100.00	BSH
51. Gorenje Home d.o.o., Zaječar, Serbia	100.00	BSH
52. ORSES d.o.o., Beograd, Serbia	100.00	BSPI
53. Gorenje Ekologija, d.o.o., Stara Pazova, Serbia	100.00	BSPI
54. Gorenje Corporate GmbH, Austria	100.00	BSH
55. Cleaning System S, d.o.o., Serbia	100.00	BSPI
56. ZEOS eko-sistem d.o.o., Bosnia and Herzegovina	49.45	BSPI
57. Gorenje Solarna energija Solago, d.o.o., Valjevo, Serbia	100.00	BSPI
58. Gorenje Sola - Home, d.o.o., Valjevo, Serbia	100.00	BSPI
59. Gorenje do Brasil Ltda., Brasil	100.00	BSH
60. Gorenje Asia Ltd., China	100.00	BSH
61. Gorenje MDM, d.o.o., Kragujevac, Serbia	100.00	BSPI

BSH – Business Segment Home
BSPI – Business Segment Portfolio Investments

Associates:

- Gorenje Projekt, d.o.o., Velenje
- GGE družba za izvajanje energetskih storitev, d.o.o. (GGE d.o.o.), Ljubljana
- RCE - Razvojni center energija d.o.o. (RCE d.o.o.), Velenje
- Econo Projektiranje d.o.o., Ljubljana
- ENVITECH D.O.O., Belgrade, Serbia
- Gorenje Electronics Trading LLC, Dubai, United Arab Emirates
- Gorenje Projekt, d.o.o., Belgrade, Serbia
- Tosidos, d.o.o., Ljubljana

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

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

9. Non-controlling equity interests

Non-controlling interests as at 31 December 2014:

	2013		2014	
EURk	Non-controlling interest	Share in profit or loss	Non-controlling interest	Share in profit or loss
Gorenje Podgorica, d.o.o., Montenegro	1	0	1	0
ZEOS, d.o.o., Ljubljana	462	67	546	80
Gorenje Surovina, d.o.o., Maribor	4	0	0	0
»Euro Lumi & Surovina« SH.P.K., Kosovo	278	-55	242	-36
ERICo, d.o.o., Velenje	652	9	677	25
Gorenje kuhinje, d.o.o., Ukraine	-49	-12	0	0
PUBLICUS, d.o.o., Ljubljana	797	232	904	185
Gorenje design studio, d.o.o., Velenje	151	-3	152	1
EKOGOR, d.o.o., Jesenice	34	0	67	1
Kemis, d.o.o., Vrhnika	1	0	0	0
KEMIS-Termoclean, d.o.o., Croatia	0	0	0	0
Kemis-BH, d.o.o., Bosnia and Herzegovina	0	0	0	0
Kemis-SRS, d.o.o., Bosnia and Herzegovina	0	0	0	0
Kemis Valjevo, d.o.o., Serbia	0	0	0	0
Gorenje Ekologija, d.o.o., Serbia	0	0	0	0
Cleaning System S, d.o.o., Serbia	284	5	0	0
ZEOS eko-sistem, d.o.o., Bosnia and Herzegovina	218	6	244	12
Gorenje Surovina Fotoreciklaža, d.o.o., Maribor	-20	-24	6	-48
Total	**2,813**	**225**	**2,839**	**220**

The transfer of ownership between companies of the Gorenje Group had no impact on the consolidated financial statements as the intra-group transactions were eliminated in the consolidation process.

10. Discontinued operations

Gorenje is in the process of discontinuing/disposing/restructuring its activitiesin business segment Home, which has had a negative impact on the Group's profitability and the cash flow in the past. Accordingly, Gorenje d.d. sold Gorenje Kuhinje, d.o.o., and Gorenje Notranja oprema d.o.o. to the investment firm CoBe Capital in late February 2013. For the purpose of managing the distribution subsidiary Gorenje France S.A.S., the parent company concluded a business agreement with the company Targos S.A.S. The latter company has also the optional right to purchase the 100% equity interest in Gorenje France S.A.S. provided that certain conditions and terms are met. Targos S.A.S. can exercise the purchasing right in May 2015, whereby the contractually agreed-upon transaction price equals the book value of the company's equity interest as at 31 December 2014 within a certain value interval. The economic parameters of the transaction comply with the company's appraised value. The classification of activities among discontinued operations is stipulated and defined by IFRS 5. Comparability of information was maintained by reclassifying the effects of the operation of companies, which are classified as discontinued operations within the Consolidated Income Statement for the period January – December 2014 and 2013, to a separate item i.e. Profit or loss from discontinued operation. In addition, assets and liabilities of companies classified as discontinued operations were reclassified among assets/liabilities held for sale in the Group's Consolidated Balance Sheet as at 31 December 2013 and 31 December 2014.

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

Income statement – discontinued operations

EURk	2013	2014
Revenue	**11,449**	**8,164**
Change in inventories	337	0
Other operating income	1,449	226
Gross profit	**13,235**	**8,390**
Cost of goods, materials and services	-12,348	-8,185
Employee benefits expense	-3,914	-893
Amortisation and depreciation expense	-266	-30
Other operating expenses	-993	-254
Operating loss	**-4,286**	**-972**
Finance income	24	17
Finance expenses	-6,312	-41
Net finance expenses	**-6,288**	**-24**
Loss before tax	-10,574	-996
Income tax expenses	0	0
Loss for the period	**-10,574**	**-996**

Balance sheet – discontinued operations

EURk	2013	2014
Assets included in disposal groups	**6,766**	**5,146**
Intangible assets	8	3
Property, plant and equipment	112	127
Investment property	0	0
Non-current investments	962	980
Deferred tax assets	0	0
Non-current trade receivables	38	187
Inventories	584	410
Current investments	20	20
Trade receivables	3,062	2,209
Other current assets	1,069	991
Cash and cash equivalents	911	219
Liabilities included in disposal groups	**3,699**	**2,113**
Provisions	947	672
Non-current operating liabilities	25	25
Deferred tax liabilities	0	0
Non-current financial liabilities	0	0
Current financial liabilities	0	0
Trade payables	168	142
Other current liabilities	2,559	1,274

Cash Flows of discontinued operation

EURk	2013	2014
Net cash flow from operating activities	-2,286	-749
Net cash used in investing activities	2,412	-66
Net cash used in financing activities	-4	0
Net cash flows of discontinued operation	**122**	**-815**

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11. Associates

Group's share in profits or losses of associates amounted to EUR 65k in 2014 (2013: EUR -592k).

Assets, liabilities, revenue and expenses of associates in 2013 are outlined below (overview of equity interests and shares is provided in Note 24):

Company / EURk	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenue	Expenses	Income tax expense	Profit or loss for the period
Econo Projektiranje, d.o.o., Ljubljana	83	850	22	457	1,205	-922	0	283
GGE, d.o.o., Ljubljana	2,703	1,624	1,321	2,287	3,700	-3,584	0	116
RCE, d.o.o., Velenje	5,361	2,476	14,631	8,403	2,247	-5,824	0	-3,577
ENVITECH D.O.O., Belgrade	7	63	0	68	11	-67	0	-56
Gorenje Projekt, d.o.o., Velenje	116	9,218	72	8,318	14,075	-13,727	-62	286
Gorenje Projekt d.o.o., Belgrade	31	3	0	1	2	-19	0	-17
Gorenje Electronics Trading LLC, Dubai	58	11	0	0	121	-50	0	71

Assets, liabilities, revenue and expenses of associates in 2014 are outlined below:

Company / EURk	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenue	Expenses	Income tax expense	Profit or loss for the period
Econo Projektiranje, d.o.o., Ljubljana	75	618	9	498	922	-916	-1	5
GGE, d.o.o., Ljubljana	2,560	1,722	1,332	1,985	5,109	-4,859	0	250
RCE, d.o.o., Velenje	5,601	2,223	13	10,601	2,668	-4,856	0	-2,188
ENVITECH D.O.O., Belgrade	3	77	0	77	33	-32	0	1
Gorenje Projekt, d.o.o., Velenje	656	7,674	29	7,363	26,081	-26,075	0	6
Gorenje Projekt d.o.o., Belgrade	23	9	0	1	19	-19	0	0
Gorenje Electronics Trading LLC, Dubai	32	35	206	23	41	-143	0	-102
Tosidos, d.o.o., Ljubljana	197	3,374	59	3,298	9,439	-9,308	-24	107

Note 12 – Revenue EUR 1,245,553k

EURk	2013	2014
Revenue from the sale of products and goods	1,182,286	1,187,037
Revenue from the sale of services	58,196	58,516
Total	**1,240,482**	**1,245,553**

Note 13 – Other operating income EUR 21,468k

EURk	2013	2014
Income from subsidies, donations and compensations	4,597	1,948
Rental income	1,851	1,660
Income from use and reversal of provisions	4,153	3,073
Income from use of deferred income relating to government grants	3,625	3,774
Gain on disposal of property, plant and equipment	3,878	691
Gain on disposal of investment property	51	83
Income from revaluation of investment property	6,851	0
Other operating income	9,511	10,239
Total	**34,517**	**21,468**

Income arising from subsidies declined by EUR 2,649k if compared to 2013, which is largely attributable to higher subsidies received last year in connection with additional jobs created in Serbia.

Major part of income from use of deferred income relating to government grants in the amount of EUR 3,774k refers to Gorenje IPC, d.o.o., a company employing disabled persons, in which government grants were used in line with the Vocational Rehabilitation and Employment of Disabled Persons Act.

Other operating income includes primarily income from compensation for damages (EUR 2,730k), income arising from the implementation of the Directive on Waste Electrical and Electronic Equipment (EUR 453k), income from write-off of debts (EUR 65k), and other operating income (EUR 6,991k).

Rental income

EURk	2013	2014
Rental income – up to 1 year	1,008	476
Total	**1,008**	**476**

Note 14 – Cost of goods, materials and services EUR 919,501k

EURk	2013	2014
Cost of goods sold	215,851	222,329
Cost of materials	477,833	491,440
Cost of services	216,832	205,732
Total	**910,516**	**919,501**

Cost of services includes cost of provisions for warranties in the amount of EUR 29,315k (2013: EUR 30,528k) and cost of rentals in the amount of EUR 20,591k (2013: EUR 21,165k).

Note 15 – Employee benefits expense EUR 227,586k

EURk	2013	2014
Wages and salaries	179,696	164,561
Social security costs	35,070	37,497
Other employee benefits expense	23,148	25,528
Total	**237,914**	**227,586**

The item of other employee benefits expense includes cost of provisions formed for retirement benefits and jubilee premiums in the amount of EUR 716k (2013: EUR 1,133k).

Part of employee benefits expense (EUR 4,028k) was used to create provisions from government grants in Gorenje I.P.C., d.o.o., which has the status of a company employing disabled persons.

Other employee benefits expense includes mainly annual leave bonuses, meal allowances, commuting allowances, retirement benefits and jubilee premiums in compliance with the national labour legislation and the companies' internal regulations.

	As at 31 Dec		Average	
Number of employees by business segment	**2013**	**2014**	**2013**	**2014**
Business Segment Home	9,032	8,815	9,296	9,041
Business Segment Portfolio Investments	1,356	1,427	1,343	1,427
Total	**10,388**	**10,242**	**10,639**	**10,468**

Note 16 – Amortisation and depreciation expense EUR 42,989k

EURk	2013	2014
Amortisation expense of intangible assets	6,678	7,064
Depreciation expense of property, plant and equipment	35,197	35,925
Total	**41,875**	**42,989**

Note 17 – Other operating expenses EUR 21,396k

EURk	2013	2014
Write-off of inventories to net realisable value	2,174	2,809
Disposal and impairment of assets	1,788	838
Other taxes and charges	3,454	3,283
Other operating expenses	14,826	14,466
Total	**22,242**	**21,396**

The item of other taxes and charges comprises charges for the use of building plot, water charge, environmental taxes, membership fees in mandatory associations, and other mandatory taxes and charges.

Other expenses include mostly expenditure relating to environmental protection, whereof a large part under the Directive on Waste Electrical and Electronic Equipment (EUR 8,641k) and compensation in damages (EUR 1,231k).

Note 18 – Net finance expenses EUR 38,713k

Finance income EUR 8,668k

EURk	2013	2014
Dividend income from available-for-sale investments	97	54
Interest income	2,326	1,793
Change in fair value of interest rate swaps	0	4,025
Income from net exchange differences	0	0
Income from forward exchange contracts	0	388
Other finance income	5,124	2,408
Total	**7,547**	**8,668**

Finance expenses EUR 47,381k

EURk	2013	2014
Interest expenses	19,931	19,550
Expenses on interest rate swaps	2,465	1,902
Change in fair value of interest rate swaps	0	570
Expenses on net exchange differences	9,384	5,544
Expenses on forward exchange contracts	26	250
Change in fair value of forward exchange contracts	209	190
Impairment loss on available-for-sale investments	10,675	96
Impairment loss on trade receivables	9,482	5,126
Impairment loss on non-current and other receivables	3,442	4,233
Impairment loss on loans	2,705	762
Impairment loss on investments in associates	0	600
Other finance expenses	3,610	8,558
Total	**61,929**	**47,381**

Fair value of trade receivables, investments and loans given is secured through the impairment of receivables, investments and loans given in the amount of EUR 10,817k (2013: EUR 15,629k). With respect to contractual provisions, the impairment of loans given refers to the company Arosa Mobilia, d.o.o. and the loan to RCE – Razvojni center energija, d.o.o.

A significant portion of other finance expenses includes primarily derecognised accrued income in connection with damages not yet invoiced (EUR 2.2m) and provisions formed for the expected collection of the bank guarantee (EUR 1.1m).

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Finance income and expenses recognised directly in other comprehensive income (net)

EURk	2013	2014
Net change in effective portion of gains and losses on hedging instruments in a cash flow hedge	-489	-533
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge, reclassified to profit or loss	2,465	2,472
Net change in fair value of available-for-sale financial assets	-109	-34
Net change in fair value of available-for-sale financial assets, reclassified to profit or loss	0	0
Net change in exchange differences of subsidiaries, reclassified to profit or loss	-711	0
Finance expenses recognised in other comprehensive income	**1,156**	**1,905**
Finance expenses recognised in other comprehensive income attributable to equity holders of the parent	**1,156**	**1,905**
Finance expenses recognised in other comprehensive income attributable to non-controlling interests	**0**	**0**

Note 19 – Income tax expenses EUR 2,624k

The disclosure of income tax expense encompasses current tax liabilities, deferred tax assets, and deferred tax liabilities.

EURk	2013	2014
Current tax expense	3,581	4,216
Deferred tax expense	-7,800	-1,592
Total	**-4,219**	**2,624**

In 2014, the Group has not formed any deferred tax assets in the amount of EUR 5,883k (EUR 5,155k) referring to unused tax incentives for research and development, and tax losses.

Effective income tax rates:

EURk		2013		2014
Profit or loss before tax		**-18,644**		**4,859**
Income tax using the Homeestic tax rate	17.0 %	-3,169	17.0 %	826
Effect of tax rates in foreign jurisdictions	3.8 %	-713	-10.2 %	-494
Non-deductible expenses	6.6 %	-1,229	29.1 %	1,416
Tax exempt income	0.9 %	-170	-0.5 %	-23
Tax reliefs	4.8 %	-904	-61.2 %	-2,972
Tax losses of the current year for which deferred tax assets are not recognised	-14.1 %	2,632	91.4 %	4,439
Other differences	3.6 %	-666	-11.7 %	-568
Income tax expense	**22.6 %**	**-4,219**	**54.0 %**	**2,624**

Following deferred tax amounts were recognised in other comprehensive income:

	2013		
EURk	Pre-tax amount	Tax	After-tax amount
Change in fair value of available-for-sale financial assets	-153	44	-109
Change in fair value of available-for-sale financial assets, reclassified to profit or loss	0	0	0
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge	-72	-417	-489
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge, reclassified to profit or loss	2,465	0	2,465
Net change in exchange differences of subsidiaries, reclassified to profit or loss	-711	0	-711
Change in fair value of land	-1,262	137	-1,125
Foreign currency translation differences for foreign operations	-10,296	0	-10,296
Other comprehensive income	**-10,029**	**-236**	**-10,265**

EURk	2014 Pre-tax amount	2014 Tax	2014 After-tax amount
Change in fair value of available-for-sale financial assets	-41	7	-34
Change in fair value of available-for-sale financial assets, reclassified to profit or loss	0	0	0
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge	-145	-388	-533
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge, reclassified to profit or loss	2,472	0	2,472
Change in fair value of land	0	0	0
Foreign currency translation differences for foreign operations	-13,165	0	-13,165
Other comprehensive income	**-10,879**	**-381**	**-11,260**

Note 20 – Intangible assets EUR 181,597k

EURk	2013	2014
Development costs	13,718	26,924
Industrial property rights	13,526	12,293
Trademark	61,964	61,964
Goodwill	68,653	68,653
Intangible assets under construction	10,021	11,763
Total	**167,882**	**181,597**

The item of intangible assets includes mostly trademarks (Atag, Etna and Pelgrim), goodwill, deferred development costs, and computer software.

Goodwill in the amount of EUR 62,130k and fair value of trademarks Atag, Etna and Pelgrim in the amount of EUR 61,964k were established in 2008 at the acquisition of the company ATAG Europe BV. In addition, goodwill was established in 2008 in the amount of EUR 1,617k at the acquisition of the majority interest in PUBLICUS, d.o.o. Goodwill in the amount of EUR 2,030k was established in 2007 at the acquisition of the majority interest in Gorenje Surovina, d.o.o. Goodwill in the amount of EUR 2,875k was established in 2005 at the acquisition of Mora Moravia, s r. o. in the Czech Republic and Gorenje Studio, d.o.o. in Serbia.

Impairment testing of goodwill and trademark

Impairment testing of goodwill and trademarks Atag, Etna and Pelgrim arising from the acquisition of ATAG Europe BV was carried out. The calculations are based on cash flow projections for the ATAG Group, which have been prepared on the basis of the adopted business plan for 2015 and the strategic business plan for the period 2016-2019. The main underlying assumptions used to calculate the value in use are: the revenue growth rate of 3.0% (2013: 3.5%) and the discount rate of 8.70% (2013: 11.27%).
The recoverable value of the cash-generating unit exceeds its carrying amount, including that of goodwill and trademarks Atag, Etna and Pelgrim. Hence, there was no need for impairment to be carried out.

Impairment testing of goodwill arising on the acquisition of PUBLICUS, d.o.o. was carried out. The calculations are based on cash flow projections for PUBLICUS, d.o.o., which have been compiled on the basis of the adopted business plan for 2015 and the strategic business plan for the period 2016-2019. The main underlying assumptions used to calculate the value in use are: the revenue growth rate of 2.0% (2013: 1.0%) and the discount rate of 7.79% (2013: 8.6%).
According to findings made, the recoverable value of the cash-generating unit exceeds its carrying amount, including that of goodwill. Consequently, no need for impairment of goodwill exists.

Impairment testing of goodwill arising from the acquisition of Mora Moravia, s r.o. was carried out. The calculations are based on cash flow projections for Mora Moravia, s r.o., which have been prepared on the basis of the adopted business plan for 2015 and the strategic business plan for the period 2016-2019. The main underlying assumptions used to calculate the value in use are: the revenue growth rate of 2.0% (2013: 2.0%) and the discount rate of 6.80% (2013: 8.21%).
The recoverable value of the cash-generating unit exceeds its carrying amount, including that of goodwill. No need for impairment accordingly exists.

Impairment testing of goodwill arising from the acquisition of Gorenje Studio, d.o.o. was carried out. The calculations are based on cash flow projections for Gorenje Studio, d.o.o. that have been compiled on the basis of the adopted business plan for 2015 and the strategic business plan for the period 2016-2019. The main underlying assumptions used to calculate the value in use are: the revenue growth rate of 2.0% (2013: 2.5%) and the discount rate of 11.53% (2013: 14.69%).
The recoverable value of the cash-generating unit was determined to be higher than its carrying amount, including that of goodwill. Therefore there was no need for impairment of goodwill.

Impairment testing of goodwill arising from the acquisition of Gorenje Surovina, d.o.o. was carried out. The calculations are based on the cash flow projections for Gorenje Surovina, d.o.o., which have been prepared on the basis of the adopted business plan for 2015 and the strategic business plan for the period 2016-2019. The main underlying assumptions used to calculate the value in use are: the revenue growth rate of 3.0% (2013: 3.0%) and the discount rate of 8.6% (2013: 8.6%).
The recoverable value of the cash-generating unit was determined to be higher than its carrying amount, including that of goodwill. Therefore there was no need for impairment of goodwill.

Increase in intangible assets largely refers to the development of new products (new generation of washing machines, completion of the new generation of built-in ovens, the upgrade of the 600 mm cookers, and the upgrade of existing generation of dishwashers).

Movements in intangible assets in 2013

EURk	Devel-opment costs	Industrial property rights	Trade-mark	Good-will	Intangible assets under constr-uction	Total
Cost at 1 Jan 2013	**33,664**	**34,825**	**61,964**	**68,653**	**1,178**	**200,284**
Acquisition	1,925	323			13,430	15,678
Disposals, write-offs	-382	-1,235				-1,617
Other transfers	4,419	276			-4,586	109
Exchange differences	-126	-784			-1	-911
Cost at 31 Dec 2013	**39,500**	**33,405**	**61,964**	**68,653**	**10,021**	**213,543**
Accumulated amortisation at 1 Jan 2013	**23,096**	**17,581**	**0**	**0**	**0**	**40,677**
Disposals, write-offs	-382	-621				-1,003
Amortisation	3,766	2,912				6,678
Other transfers	-552	480				-72
Exchange differences	-146	-473				-619
Accumulated amortisation at 31 Dec 2013	**25,782**	**19,879**	**0**	**0**	**0**	**45,661**
Carrying amount at 1 Jan 2013	**10,568**	**17,244**	**61,964**	**68,653**	**1,178**	**159,607**
Carrying amount at 31 Dec 2013	**13,718**	**13,526**	**61,964**	**68,653**	**10,021**	**167,882**

Movements in intangible assets in 2014

EURk	Devel-opment costs	Industrial property rights	Trade-mark	Good-will	Intangible assets under constr-uction	Total
Cost at 1 Jan 2014	**39,500**	**33,405**	**61,964**	**68,653**	**10,021**	**213,543**
Acquisition	2,631	1,368			17,265	21,264
Disposals, write-offs	-8,074	-8,302				-16,376
Sale of companies		-160				-160
Other transfers	15,031	564			-15,490	105
Exchange differences	-135	-407			-33	-575
Cost at 31 Dec 2014	**48,953**	**26,468**	**61,964**	**68,653**	**11,763**	**217,801**
Accumulated amortisation at 1 Jan 2014	**25,782**	**19,879**				**45,661**
Disposals, write-offs	-8,076	-8,277				-16,353
Amortisation	4,351	2,713				7,064
Other transfers		71				71
Exchange differences	-28	-211				-239
Accumulated amortisation at 31 Dec 2014	**22,029**	**14,175**				**36,204**
Carrying amount at 1 Jan 2014	**13,718**	**13,526**	**61,964**	**68,653**	**10,021**	**167,882**
Carrying amount at 31 Dec 2014	**26,924**	**12,293**	**61,964**	**68,653**	**11,763**	**181,597**

Note 21 – Property, plant and equipment (PPE) EUR 355,962k

EURk	2013	2014
Land	40,607	41,797
Buildings	152,372	146,894
Production and other equipment	149,706	141,873
Property, plant and equipment under construction	13,867	25,398
Total	**356,552**	**355,962**

Movements in property, plant and equipment in 2013

EURk	Land	Buildings	Production and other equipment	PPE under construction	Total
Cost at 1 Jan 2013	**40,879**	**290,402**	**524,798**	**37,326**	**893,405**
Acquisition	846	1,689	7,577	50,816	**60,928**
Merger of companies	242	328			**570**
Disposals, write-offs	-1,128	-15,244	-20,797	-177	**-37,346**
Transfer to investment property	-85	-641			**-726**
Other transfers	51	22,217	877	-73,889	**-50,744**
Exchange differences	-198	-3,487	-6,601	-209	**-10,495**
Cost at 31 Dec 2013	**40,607**	**295,264**	**505,854**	**13,867**	**855,592**
Accumulated depreciation at 1 Jan 2013	**0**	**145,777**	**406,457**	**0**	**552,234**
Disposals, write-offs		-9,148	-18,861		**-28,009**
Depreciation		7,717	27,480		**35,197**
Transfer to investment property		-143			**-143**
Other transfers		-13	-54,223		**-54,236**
Exchange differences		-1,298	-4,705		**-6,003**
Accumulated depreciation at 31 Dec 2013	**0**	**142,892**	**356,148**	**0**	**499,040**
Carrying amount at 1 Jan 2013	**40,879**	**144,625**	**118,341**	**37,326**	**341,171**
Carrying amount at 31 Dec 2013	**40,607**	**152,372**	**149,706**	**13,867**	**356,552**

Movements in property, plant and equipment in 2014

EURk	Land	Buildings	Production and other equipment	PPE under construction	Total
Cost at 1 Jan 2014	**40,607**	**295,264**	**505,854**	**13,867**	**855,592**
Acquisition	665	2,017	6,264	31,425	**40,371**
Disposals, write-offs	-13	-15,006	-42,856	-75	**-57,950**
Disposal of companies	-52		-139		**-191**
Transfer from investment property	930	4,867			**5,797**
Other transfers	-3	2,626	9,850	-19,714	**-7,241**
Exchange differences	-337	-3,733	-3,478	-105	**-7,653**
Cost at 31 Dec 2014	**41,797**	**286,035**	**475,495**	**25,398**	**828,725**
Accumulated depreciation at 1 Jan 2014	**0**	**142,892**	**356,148**	**0**	**499,040**
Disposals, write-offs		-10,262	-42,188		**-52,450**
Depreciation		7,409	28,516		**35,925**
Disposal of companies			-56		**-56**
Transfer from investment property		-1			**-1**
Other transfers		-85	-6,931		**-7,016**
Exchange differences		-812	-1,867		**-2,679**
Accumulated depreciation at 31 Dec 2014	**0**	**139,141**	**333,622**	**0**	**472,763**
Carrying amount at 1 Jan 2014	**40,607**	**152,372**	**149,706**	**13,867**	**356,552**
Carrying amount at 31 Dec 2014	**41,797**	**146,894**	**141,873**	**25,398**	**355,962**

Most of investments in the amount of EUR 32,668k were carried out within the central Business Segment Home, where a significant portion thereof was invested into technological equipment (e.g. replacing the equipment, increasing the automation, investment maintenance). Part of investments were made as to support sales activities (e.g. opening of new retail stores, exhibition premises, and similar). Investments recorded in 2014 by the segment Portfolio Investments amounted to EUR 7,703k and to a large extent refer to ecology, tool manufacturing and the production of ceramic tiles (Gorenje Keramika, d.o.o. is in the process of completing a major project of renewing the format of tiles, whereby other companies under this business segment started with projects aimed at increasing the sales volume).

Disposal of property, plant and equipment relates to the sale of non-operating assets.

Group's land was appraised at the end of 2013 by an independent certified appraiser of real property. Assessments carried out have indicated that terms and conditions for another appraisal have not been met. If land was disclosed at cost, the book value of land would amount to EUR 31,794k.

As at 31 December 2014, no financial liabilities were secured by mortgage on real property.

No borrowing costs were attributed to the items of property, plant and equipment in 2014.

Transfers include transfers from investment property to property, transfers from property, plant and equipment to intangible assets, and transfers between individual items.

Note 22 – Investment property EUR 18,931k

EURk	2013	2014
Land and buildings	28,129	18,931
Total	**28,129**	**18,931**

The item of investment property includes land and buildings acquired for resale or increase in investments. Investment property is measured by using the fair value model. Group's investment property was appraised by an independent certified appraiser at the end of 2013. Assessments carried out have indicated that terms and conditions for another appraisal have not been met.

Rental income generated on investment property is recognised in the income statement for 2014 and amounted to EUR 106k. Expenses generated on investment property amounted to EUR 494k in 2014.

Movements in investment property

EURk	2013	2014
Opening balance at 1 January	**23,276**	**28,129**
Increase	7,304	9
Revaluation	6,851	0
Decrease	-9,885	-3,409
Transfer from PPE	583	0
Transfer to PPE	0	-5,798
Closing balance at 31 December	**28,129**	**18,931**

Note 23 – Non-current investments EUR 4,145k

EURk	2013	2014
Loans (1 to 5 years)	4,622	3,208
Deposits	23	17
Other investments	882	920
Total	**5,527**	**4,145**

Movements in loans

EURk	2013	2014
Opening balance at 1 January	**6,354**	**4,622**
Exchange differences	0	-1
Increase	0	0
Decrease	-15	-12
Discontinued operations	0	0
Transfer to current investments	-1,717	-1,401
Closing balance at 31 December	**4,622**	**3,208**

The item of loans includes loans extended by the parent company and its subsidiaries to non-Group companies. The interest rate, which depends on the currency in which the loan is denominated, ranged from 3.682 percent to 4.0 percent.

Note 24 – Investments in associates EUR 1,122k

EURk	Equity interest	2013	2014
Gorenje Projekt, d.o.o., Velenje	50.00 %	474	513
GGE, d.o.o., Ljubljana	33.33 %	205	288
RCE, d.o.o., Velenje	24.00 %	-134	0
Econo Projektiranje, d.o.o., Ljubljana	26.00 %	111	113
Gorenje Electronics Trading LLC, Dubai	49.00 %	39	191
ENVITECH D.O.O., Belgrade	26.00 %	16	17
Total		**711**	**1,122**

Note 25 – Non-current trade receivables EUR 6,801k

Major portion of non-current trade receivables in the amount of EUR 4,084k comprises rescheduled trade receivables in Gorenje Zagreb, d.o.o.

Note 26 – Deferred tax assets and liabilities

Deferred taxes are calculated based on temporary differences by using the liability method and the tax rate, applicable in the country in which the respective Group company is Homeiciled.

	Tax assets		Tax liabilities		Tax assets – tax liabilities	
EURk	2013	2014	2013	2014	2013	2014
PPE	-243	-227	4,397	3,596	-4,640	-3,823
Investments	1,428	1,462	40	21	1,388	1,441
Receivables	1,130	1,165	24	37	1,106	1,128
Inventories	51	49	-46	-32	97	81
Liabilities from litigations	0	1	0	0	0	1
Provisions in line with local standards and tax laws	927	341	28	85	899	256
Provisions for retirement benefits and jubilee premiums	2,275	2,002	0	0	2,275	2,002
Provisions for warranties	1,814	1,999	-81	-57	1,895	2,056
Unused tax losses	11,062	12,146	-59	-59	11,121	12,205
Unused tax incentives	7,229	7,553	71	197	7,158	7,356
Cash flow hedge - interest rate swaps	479	92	0	156	479	-64
Changes within Group	0	0	-58	904	58	-904
Total	**26,152**	**26,583**	**4,316**	**4,848**	**21,836**	**21,735**

	Tax assets – tax liabilities		Through profit or loss		Through other comprehensive income	
EURk	2013	2014	2013	2014	2013	2014
PPE	-4,640	-3,823	303	-17	137	0
Investments	1,388	1,441	-495	36	45	7
Receivables	1,106	1,128	86	-87	0	0
Inventories	97	81	-9	-14	0	0
Liabilities from litigations	0	1	0	2	0	0
Provisions in line with local standards and tax laws	899	256	589	1,388	0	0
Provisions for retirement benefits and jubilee premiums	2,275	2,002	18	-43	0	0
Provisions for warranties	1,895	2,056	83	108	0	0
Unused tax losses	11,121	12,205	2,784	-421	0	0
Unused tax incentives	7,158	7,356	4,441	-332	0	0
Cash flow hedge - interest rate swaps	479	-64	0	0	-418	-388
Changes within Group	58	-904	0	972	0	0
Total	**21,836**	**21,735**	**7,800**	**1,592**	**-236**	**-381**

Group companies recognised deferred tax assets and deferred tax liabilities in 2014.

Note 27 – Inventories EUR 219,389k

	2013			2014		
EURk	Home	Portfolio Invest-ments	Total	Home	Portfolio Invest-ments	Total
Materials	62,821	2,295	65,116	58,565	3,320	61,885
Work in progress	8,881	3,287	12,168	9,128	2,876	12,004
Products	112,403	420	112,823	99,657	1,458	101,115
Merchandise	31,004	10,306	41,310	28,436	13,444	41,880
Advances	4,174	176	4,350	2,419	86	2,505
Total	**219,283**	**16,484**	**235,767**	**198,205**	**21,184**	**219,389**

Allowances for inventories and inventory write-offs amounted to EUR 2,809k in 2014 (2013: EUR 2,174k). Allowances for inventories and write-offs of inventories to net realisable value were recorded under other operating expenses.

Advances refer to inventories of raw materials, materials and merchandise.

The carrying amount of inventories of products, where production costs were adjusted to net realisable value, amounted to EUR 5,277k.

Note 28 – Current investments EUR 20,461k

EURk	2013	2014
Available-for-sale investments	3,986	3,626
Short-term deposits	1,506	1,547
Loans	9,854	10,021
Transfer from non-current loans	1,717	1,401
Interest receivables	139	166
Other current receivables from financing activities	0	3,700
Total	**17,202**	**20,461**

Loans include cash surplus deposited in short-term time deposits with banks and entities. The interest rate for bank deposits and loans ranges from 1.428 percent to 13.0 percent.

The Group concluded forward exchange contracts for 2015 in order to hedge against exchange rate fluctuations. Fair value of forward exchange contracts is recognised directly in the income statement. In 2014, the Group recorded settlements arising on derivatives used as hedging instruments in the amount of EUR 138k and in the same amount increased its finance expenses. In addition, finance income increased by EUR 4,025k and finance expenses by EUR 190k as a result of Group's adjustment of forward exchange contracts to fair value.

Movements in available-for-sale shares and interests

EURk	2013	2014
Opening balance at 1 January	**15,065**	**3,986**
Exchange differences	-19	-7
Increase	180	158
Decrease	-718	-374
Change in fair value	-10,522	-137
Discontinued operation	0	0
Closing balance at 31 December	**3,986**	**3,626**

The change in fair value amounting to EUR 137k (2013: EUR 10,522k) is disclosed among finance expenses in the amount of EUR 96k, whereas EUR 41k is recorded among decreasing the fair value reserve for available-for-sale financial assets.

Note 29 – Trade receivables EUR 180,380k

In 2014, write-offs and impairment of trade receivables amounted to EUR 5,126k (2013: EUR 9,482k).

Allowances for receivables amounted to EUR 27,326k (2013: EUR 25,078k) as at the balance sheet date. Movement in allowances for trade receivables is discussed in Note 42 (Financial risks and financial instruments).

Group's trade receivables are adequately and well insured in the amount of EUR 111,176k.

Note 30 – Other current assets EUR 43,216k

EURk	2013	2014
Other current receivables	33,359	32,031
Short-term advances and collaterals given	2,889	1,250
Short-term deferred costs	7,791	6,464
Other current assets	1,820	3,471
Total	**45,859**	**43,216**

Other current receivables comprise a significant part of the Group's input VAT receivable, which by the end of 2014 amounted to EUR 12,132k (2013: EUR 13,844k).

Large part of other current assets includes accrued receivables, whereas short-term deferred costs include costs of services billed but not yet rendered.

Note 31 – Cash and cash equivalents EUR 35,843k

EURk	2013	2014
Cash in hand	1,766	812
Bank balances and cash held in other financial institutions	36,823	35,031
Total	**38,589**	**35,843**

Note 32 – Equity EUR 380,267k

As at 31 December 2014, the share capital of Gorenje, d.d. amounted to EUR 101,922,103.97 (31 December 2013: EUR 92,240,139.36) and was divided into 24,424,613 ordinary, freely transferable, registered, no par value shares. In 2014, a share capital increase was carried out by means of a debt-to-equity conversion agreement signed with Gorenjska banka d.d., Kranj in the amount of EUR 5,668,365.46 and with the International Finance Corporation from USA in the amount of EUR 4,331,636.20. The total converted equity amounted to EUR 10,000,001.66, whereof EUR 9,681,964.61 was used for the share capital increase and the residual amount of EUR 318,037.05 for the share premium.

Group's reserves consist of share premium, revenue reserves, treasury share reserve and translation reserve.

Capital surplus (share premium) in the amount of EUR 175,698k (2013: EUR 175,568k) includes paid-in capital in excess of par value of shares in the amount of EUR 64,474k (2013: EUR 64,344k), surplus in excess of book value of disposed own shares (treasury shares) in the amount of EUR 15,313k (2013: EUR 15,313k), and general equity revaluation adjustment in the amount of EUR 78,048k (2013: EUR 78,048k), and other effects of transition to IFRSs. Capital surplus relating to excess of par value of shares grew by EUR 318k over the 2013 balance due to the relevant capital increase, and declined by EUR 188k due to the costs of capital increase.

Revenue reserves recorded as at the balance sheet date in the amount of EUR 99,301k (31 December 2013: EUR 95,818k) consist of legal reserves, statutory reserves, treasury share reserve and other revenue reserves.

As at 31 December 2014, Group's legal reserves amounted to EUR 12,896k (31 December 2013: EUR 12,896k). In accordance with provisions of the Companies Act, share premium (capital surplus) and legal reserves can in their excess amount, be used for share capital increase, for coverage of loss for the period and retained loss if revenue reserves are not simultaneously used for dividend payout.

In compliance with the parent company's Articles of Association, statutory reserves were created in the amount of EUR 633k i.e. 10% of net profit, and as at the balance sheet date amounted to EUR 7,556k (2013: EUR 6,923k). Statutory reserves can according to parent company's Articles of Association be used for a share capital increase; for coverage of loss for the period and retained loss should no other sources be available; for share withdrawal in case of a compulsory transfer of shares, and for share withdrawal by parent company' acquisition; for share withdrawal under the simplified procedure of share capital decrease; for creation of treasury shares if no other sources are available, and for balancing the dividend policy.

Treasury shares (own shares) in the amount of EUR 3,170k (31 December 2013: EUR 3,170k) are disclosed as a deductible item of equity and at cost.

As at 31 December 2014, Group's other revenue reserves amounted to EUR 75,679k (31 December 2013: EUR 72,829k) and were created on the basis of resolutions on the allocation of profit for the period adopted by the Management Board and the Supervisory Board of the parent company, and resolutions of the General Meeting of Shareholders on the allocation of the accumulated profit. Pursuant to the resolution of the parent company's Management Board and provisions of the Companies Act, part of the net profit for the period was reallocated in the amount of EUR 2,850k to other revenue reserves. Other revenue reserves can be used for any purpose whatsoever, except for the legally defined formation of the treasury share reserve.

Retained earnings in the amount of EUR 10,365 k (31 December 2013: EUR 12,829k) comprise retained earnings or losses from previous periods and the profit for 2014, which remained upon the allocation of net profit for the period for statutory reserves in the amount of EUR 633k and for other reserves EUR 2,850k.

Translation reserve declined by EUR 13,165k over the 2013 balance and amounted as at 31 December 2014 to EUR -17,600k. The decrease is attributable to exchange differences that arise on the restatement of subsidiaries' assets and liabilities from national currencies to the Group's reporting currency. Given the last quarter's complex macroeconomic situation in Russia, which has affected business operations and the future settlement of the subsidiary's liabilities in that country, the Group's management has assessed that a portion of receivables due from Gorenje TB shall not be settled. Accordingly, part of these receivables in the amount of EUR 11,837,162k was in compliance with IAS 21 classified as part of the investment in subsidiary. Exchange differences arising on the portion of receivables outstanding on a long-term basis are disclosed directly in other comprehensive income in the amount of EUR 5,019,387k as required within the meaning of the above-mentioned standard.

Fair value reserve amounting to EUR 10,912k as at 31 December 2014 (31 December 2013: EUR 9,007k) includes a surplus from revaluation of land which is valued using the revaluation model, a change in fair value of available-for-sale investments, and a change in value of the cash flow hedge.

Changes in fair value reserve are shown in the table below:

EURk	Fair value reserve for land	Fair value reserve for available-for-sale financial assets	Fair value reserve for derivatives	Total
Balance at 1 January 2013	**9,642**	**3,879**	**-4,545**	**8,976**
Revaluation of land				0
Transfer of land				0
Change in fair value of cash flow hedge			-67	-67
Change in fair value of cash flow hedge, reclassified to profit or loss			2,465	2,465
Change in fair value of available-for-sale financial assets		-153	-5	-158
Disposal of available-for-sale financial assets				0
Impairment of available-for-sale financial assets				0
Change in exchange differences from subsidiaries		-711		-711
Disposal of subsidiary	-1,262			-1,262
Acquisition of non-controlling interest				0
Deferred taxes	137	44	-417	-236
Balance at 31 December 2013	**8,517**	**3,059**	**-2,569**	**9,007**

EURk	Fair value reserve for land	Fair value reserve for available-for-sale financial assets	Fair value reserve for derivatives	Total
Balance at 1 January 2014	**8,517**	**3,059**	**-2,569**	**9,007**
Revaluation of land				0
Transfer of land				0
Change in fair value of cash flow hedge			-145	-145
Change in fair value of cash flow hedge, reclassified to profit or loss			2,472	2,472
Change in fair value of available-for-sale financial assets		-41		-41
Disposal of available-for-sale financial assets				0
Impairment of available-for-sale financial assets				0
Disposal of subsidiary				0
Acquisition of non-controlling interest				0
Deferred taxes		7	-388	-381
Balance at 31 December 2014	**8,517**	**3,025**	**-630**	**10,912**

Note 33 – Earnings per share

In 2014, earnings per share were recorded at EUR 0.04 (2013: EUR -1.51). No preference shares have been issued, hence basic and diluted earnings per share are equal.

Earnings per share were computer on the basis of following data on the Group's profit for the period and the weighted average number of ordinary shares in the period:

2013	EURk
Loss for the period	-25,224
Weighted average number of ordinary shares	16,688,725
Basic / Diluted earnings per share (in EUR)	-1,51

2014	EURk
Profit for the period	1,019
Weighted average number of ordinary shares	22,949,860
Basic / Diluted earnings per share (in EUR)	0.04

All shares issued are of the same class and give their owner the right to participate in managing the company. Each share gives one vote and a right to dividend.

No dividends were paid out to shareholders in 2014.

Note 34 – Provisions

EUR 63,453k

EURk	2013	2014
Provisions for warranties	41,127	38,360
Provisions for retirement benefits and jubilee premiums	18,714	18,226
Other provisions	6,830	6,867
Total	**66,671**	**63,453**

Provisions for warranties were created on the basis of estimated costs of warranties calculated by taking into account the past known data on the quality level of products and the costs of repairs under warranties.

The Group did not carry out actuarial calculations in 2014. Provisions for retirement benefits and jubilee premiums were created based on the actuarial calculation of estimated future payments of retirement benefits and jubilee premiums that was made as at 31 December 2012. The actuarial calculation took into account following assumptions:

- a discount rate of 4.60% in December 2012 representing the 10-year corporate high-yield bonds from an euro area issuer;
- last applicable amount of retirement benefits and jubilee premiums as defined in the internal acts of individual companies or in the national regulations;
- an employee turnover depending in particular on the employee's age;
- a mortality rate stated in the latest available mortality tables of the local population;
- an increase in wages and salaries due to adjustment for inflation and career promotion.

Company's management assesses that assumptions applied have not changed materially.

Other provisions comprise mostly provisions for costs in connection with the Directive on Waste Electrical and Electronic Equipment recorded by ZEOS, d.o.o., and funds reserved for possible encashment of the bank guarantee at Gorenje, d.d.

Movements in provisions in 2013

EURk	Balance at 1 Jan 2013	Use	Exchange differences	Reversal	Creation	Transfers	Balance at 31 Dec 2013
Provisions for warranties	38,645	-25,012	-470	-3,577	30,528	1,013	41,127
Provisions for retirement benefits and jubilee premiums	21,749	-3,561	-243	-292	1,338	-277	18,714
Other provisions	4,626	-931	-9	-273	2,819	598	6,830
Total	**65,020**	**-29,504**	**-722**	**-4,142**	**34,685**	**1,334**	**66,671**

Movements in provisions in 2014

EURk	Balance at 1 Jan 2014	Use	Exchange differ-ences	Reversal	Creation	Transfers	Balance at 31 Dec 2014
Provisions for warranties	41,127	-29,009	-750	-2,323	29,315	0	38,360
Provisions for retirement benefits and jubilee premiums	18,714	-1,209	-7	-17	716	29	18,226
Other provisions	6,830	-1,588	-49	-707	2,381	0	6,867
Total	**66,671**	**-31,806**	**-806**	**-3,047**	**32,412**	**29**	**63,453**

Note 35 – Deferred income EUR 5,270k

EURk	Balance at 1 Jan 2013	Deprecia-tion	Exchange differences	Creation	Balance 31 Dec 2013
Deferred income - government grants	3,145	-3,625	-15	5,576	5,081
Total	**3,145**	**-3,625**	**-15**	**5,576**	**5,081**

EURk	Balance at 1 Jan 2014	Deprecia-tion	Use	Exchange differences	Creation	Balance 31 Dec 2014
Deferred income - government grants	5,081	-3,773	-4	-217	4,183	5,270
Total	**5,081**	**-3,773**	**-4**	**-217**	**4,183**	**5,270**

Note 36 – Non-current trade payables EUR 5,912k

Non-current trade payables in the amount of EUR 5,733k largely refer to the long-term maintenance contract concluded in connection with costs of repairs and product swap in the company ATAG Nederland BV.

Note 37 – Non-current financial liabilities EUR 270,070k

EURk	2013	2014
Borrowings from banks	281,738	248,280
Transfer to current borrowings from banks	-124,396	-50,140
Borrowings from third parties	62,853	22,736
Transfer to current borrowings from third parties	-22,368	-9,544
Liabilities from bonds issued	0	72,643
Transfer to current liabilities from bonds issued	0	-14,600
Other financial liabilities	927	695
Total	**198,754**	**270,070**

Non-current financial liabilities are denominated in EUR and recorded at amortised cost i.e. restated under the effective interest method and inclusive of costs of granting the borrowing.

As of 10 October 2014, Gorenje, d.d., issued bonds in the total amount of EUR 73m bearing a fixed interest rate of 3.85% and recording maturity on 10 October 2019.

Maturity of borrowings and liabilities from bonds issued	EURk
Maturity from 1 to 2 years	73,778
Maturity from 2 to 4 years	118,181
Maturity from 4 to 6 years	63,167
Maturity from 6 to - years	14,249
Total	**269,375**

Interest-bearing borrowings and bonds issued

Currency	Value in EURk	Interest rate from	Interest rate to
EUR	268,939	1.08 %	12.25 %
RSD	343	4.95 %	4.95 %
CHF	93	12.5 %	12.5 %
Total	**269,375**		

The effective interest rate does not deviate essentially from the contractual interest rate.

Collateralisation	EURk
Bills	67,569
Financial covenants	200,034
Guarantees	34,035

Guarantees refer to guarantees or sureties issued by Gorenje, d.d., Gorenje Nederland BV and Gorenje Surovina, d.o.o., to commercial banks to secure liabilities of Group companies.

Note 38 – Current financial liabilities EUR 97,536k

EURk	2013	2014
Borrowings from banks	44,686	17,399
Transfer from non-current financial liabilities to banks	124,396	50,140
Borrowings from third parties	2,865	2,014
Transfer from non-current financial liabilities to third parties	22,368	9,544
Interest payable	1,133	2,473
Liabilities from bonds issued	0	14,600
Dividends payable	84	59
Derivatives	3,112	1,307
Other financial liabilities	15	0
Total	**198,659**	**97,536**

Current borrowings from banks and liabilities from bonds issued			Interest rate	
Currency	**Value in currency (in 000)**	**Value in EURk**	**from**	**to**
EUR	77,458	77,458	1.81 %	6.67 %
RSD	510,399	4,206	4.95 %	12.00 %
PLN	1,734	406	3.49 %	3.49 %
CZK	1,593	57	1.56 %	1.56 %
CHF	9	7	12.5 %	12.5 %
GBP	4	5	3.5 %	3.5 %
Total		**82,139**		

Current borrowings from others			Interest rate	
Currency	**Value in currency (in 000)**	**Value in EURk**	**from**	**to**
EUR	11,558	11,558	1.08 %	4.17 %
Total		**11,558**		

The effective interest rate does not significantly deviate from the contractual interest rate.

Collateralisation	EURk
Bills	24,950
Financial covenants	53,091
Guarantees	34,796

Collateralisation of non-current and current financial liabilities

None of the Group's current or non-current financial liabilities is collateralised by mortgage or any other type of collateral. A significant portion of Group companies' borrowings is collateralised by bills and the Pari-Passu and Negative Pledge clauses in compliance with individual contracts. Non-current borrowings, in particular, are frequently supported by financial covenants as defined in individual loan contracts.

The item of guarantees refers to guarantees or collaterals issued to banks by Gorenje, d.d., Gorenje Beteiligungs GmbH, Gorenje Nederland B.V. and Gorenje Surovina, d.o.o. in connection with liabilities of individual Group companies.

Certain loan contracts concluded between individual Group companies and bank partners, mostly in case of non-current borrowings, include financial covenants that are in the vast majority checked and verified once a year on the basis of audited consolidated financial statements for individual fiscal year. Other, minor part of relevant contracts are reviewed on a three-month basis.

Given the anticipated breach of some financial covenants for the fiscal year 2014, the Group companies applied already before the year-end to its bank partners for waiver of financial covenants requiring consolidated financial statements for 2014. Waivers were approved by all bank partners for all credit lines and guarantee transactions, which are secured by financial covenants, that were breached. The waiver of financial covenants applies to the fiscal year 2014.

Note 39 – Trade payables EUR 202,473k

As at 31 December 2014, the total trade payables recorded by the Group in the amount of EUR 202,473k do not include any payables to the members of the Management Board and Supervisory Board and the internal owners.

Note 40 – Other current liabilities EUR 70,627k

EURk	2013	2014
Payables to employees	14,043	13,529
Payables to state	12,898	14,702
Accrued costs and expenses	32,908	32,972
Other current liabilities	11,152	9,424
Total	**71,001**	**70,627**

Payables to employees and contributions and taxes payable to state institutions apply to wages and salaries for December paid in January 2015.

Accrued costs and expenses were created for accrued costs of discounts, accrued interest expense, and other accrued costs of services.

Note 41 – Contingent liabilities

The Group's contingent liabilities from guarantees and collaterals given to financial institutions and companies outside Gorenje Group amounted to EUR 45,657k as at the 31 December 2014.

In conformity with the ordinary business practice, the ATAG company is not liable to publish its annual results of operation in the country, where its corporate seat is, if the shareholder, in a special statement, assumes liability to pay any outstanding obligations of the Company. The respective statement shall remain in effect until rescinded by the shareholder.

Note 42 – Financial risks and financial instruments

Gorenje Group is exposed to numerous financial risks, in particular to credit risk, liquidity risk, currency risk, interest rate risk and other risks arising on changed market conditions.

With respect to financial risk management, several new internal policies and rules were adopted and the existing ones modified in order to achieve a more efficient and centralised financial risk management. The objectives of the financial risk management are:

- to achieve stability of operations and to reduce exposure to individual risks to an acceptable level,
- to increase the value of the Group,
- to improve the credit rating of the Group,
- to reduce net finance expenses of the Group, and
- to minimise the impacts of the implemented critical risks.

The exposure to each individual type of financial risk and the effective hedge measures are judged and applied respectively on the basis of their effects on Group's cash flows and net finance expenses. The risk management principles and methodologies applied are in detail outlined in the annual report's business report under 'Risk management'. Essential financial risks that are regularly assessed and the adequacy of implemented measures tested are clarified in detail below.

Credit risk

The carrying amount of financial assets represents the maximum credit risk exposure. The maximum credit risk exposure at the reporting date:

EURk	2013	2014
Available-for-sale financial assets	3,986	3,626
Loans	16,193	14,630
Trade and other receivables	243,649	217,132
Deposits	1,529	1,564
Other financial receivables	1,021	4,786
Cash and cash equivalents	38,589	35,843
Total	**304,967**	**277,581**

Trade receivables form the Group's most significant portion of credit risks or risk of default by the counterparty. As at the year-end of 2014, trade receivables amounted to EUR 180,380k and indicate a decline over 2013 by EUR 25,201k. The decrease in trade receivables is mostly the result of a more active receivables management, which includes an intensified collection and precise rules for defining credit limits for each individual customer.

The maximum credit risk exposure of trade receivables at the reporting date by geographic region:

EURk	2013	2014
Western Europe	51,460	40,355
Eastern Europe	141,252	126,152
Other countries	12,869	13,873
Total	**205,581**	**180,380**

The maximum credit risk exposure of trade receivables at the reporting date by type of customer:

EURk	2013	2014
Wholesale customers	163,846	147,220
Retail customers	30,829	26,817
Other customers	10,906	6,343
Total	**205,581**	**180,380**

In the wake of geographic diversity, a large number of Group's customers are primarily legal entities from worldwide, and to lesser extent, in the retail segment, also individuals. In general, business is carried out solely with buyers that boast of a proper credit rating, which is monitored on a regular basis, whereas we have also defined clear rules on approving overdrafts for individual customer. For this purpose, a renewed Accounts Receivable Management Policy was adopted which defines the relevant management processes, persons in charge, and instruments allowed for hedging against credit risks. The respective policy was adopted on the Gorenje Group level and provides a compulsory framework for rules and policies on accounts receivable management that were adopted and integrated by subsidiaries. Concurrently, all Group companies in the business segment Home are in the process of introducing an information module for credit risk management with the aim to automate the process of monitoring and collecting receivables and credit limits that ultimately results in a lower share of past due receivables and thereby in a gradually higher share of insured receivables.

Maturity of trade receivables as at the balance sheet date:

	Gross value	Allowance	Gross value	Allowance
EURk	**2013**	**2013**	**2014**	**2014**
Not past due	159,918		143,126	
Past due 1 to 5o days	33,526		21,363	
Past due 51 to 100 days	5,464		3,879	
Past due 101 to 180 days	2,903		3,534	
Past due 181 to 270 days	4,110		4,911	
Past due 271 to 360 days	1,126		4,037	
Past due 361 to 720 days	4,144		4,314	
Past due 721 to 1081 days	4,114		3,755	
Past due over 1081 days	15,354		18,787	
Allowances for receivables		25,078		27,326
Total	**230,659**	**25,078**	**207,706**	**27,326**

Movements in allowances for trade receivables

EURk	2013	2014
Opening balance at 1 January	**24,682**	**25,078**
Exchange differences	-786	-264
Impairment loss	9,482	5,126
Decrease in allowances	-3,938	-869
Final write-off of receivables	-4,362	-1,745
Closing balance at 31 December	**25,078**	**27,326**

Group's partners are impacted by the ever-changing macroeconomic environment that can also result in a swift turn-around of the credit rating and liquidity of the individual Group's business partner. Regardless of implementing the receivables management process within the Group, default on the side of customers or even their inability to settle their payments exists. With respect to the Group's dispersed sales model that is not subject to high concentration of receivables per individual customer or customers related through mutual ownership, we assess that the Group's exposure to credit risk is moderate. None of the customer or customers related through mutual ownership exceed 10% or more in the Group's total sales generated, whereby also the exposure to an individual customer or groups of customers does not exceed 10% of Group's receivables.

Customers whose balance of receivables exceeds EUR 5,000 are included into the credit control process, which covers also collateralization of receivables with acceptable hedging instruments. Following hedging instruments are considered as acceptable according to the accounts receivable management policy:

- collateralisation through credit insurance companies,
- collateralization of receivables through bank guarantees and letters of credit,
- sale of receivables without recourse, and
- in exceptional circumstances and upon receiving special approval, also pledges or first class mortgages.

By the end of 2014, Group's total trade receivables secured with acceptable hedging instruments accounted for 61.6%, which indicates an improvement of 5.6 p.p. The share of secured receivables on the business segment Home is recorded at 64.7%, which is 5.9 p.p. more than in 2013. Most of receivables are secured by the SID - Prva kreditna zavarovalnica d.d., a smaller part with credit insurance companies on individual local markets, and other acceptable hedging instruments. It should be noted that a minor portion of customers, approved under a special procedure, is unsecured as these customers have an excellent credit rating that is monitored on an ongoing basis. We apply counter-trade (primarily servicers) with most of the unsecured receivables, whereby there are also numerous smaller customers that are dispersed and therefore the credit risk with an individual customer is low.

The Group carefully monitors the credit risk also in other business segments. Current surplus of assets and balances on bank accounts are placed in compliance with corporate policies, which includes the methodology for selecting acceptable counterparties on the financial area. These policies determine also the methodology for selecting acceptable clients when entering into derivative financial instruments.

As a result of the launched receivables management procedures, the credit risk is assessed as moderate. The highest risk exposure arises in connection with the value of trade receivables and other receivables.

Liquidity risk

Liquidity risk includes risks denoting the lack of available funds and consequently risk that the Group will fail to meet commitments in stipulated period of time.

Liquidity depends on effective cash management and investment dynamics. Liquidity risk is actively monitored within the Group by means of a centralised balancing of assets' liquidity (primarily receivables and inventories), of liabilities and cash flows from operating and investment activities. Cash management is centralised and supported by a software solution for planning and daily monitoring of cash flows on the Group level. Considerable attention is accorded to the compilation of the cash flow plan and its monitoring. A successful liquidity planning is also provided through an optimum management of possible current surpluses or deficits in available assets.

The Group applies a uniform and centralised approach to bank partners in Slovenia and abroad, and on its basis provides for the optimum indebtedness of the entire Group not only in view of scope, costs and maturity, but also in the light of the Group's currency balance.

In order to disperse the sources of financing, Gorenje already for the second time successfully issued commercial papers in 2014 in the total par value of EUR 35,000k. Short-term issues of commercial papers that will continue also in 2015 (the third issue of short-term commercial papers in the par value of EUR 27,000k was conducted in February 2015), are earmarked for balancing the seasonal dynamics of cash flows from operating and investing activities, which as a rule is negative in the first half-year but gradually improves by the end of the calendar year. The short-term imbalance of cash flows is additionally balanced by revolving loans and overdrafts on bank accounts in Slovenia and abroad. The liquidity reserve that consists of unused but approved credit lines, bank balances and deposits with banks, amounted to EUR 109,349k as at the year-end of 2014. The liquidity reserves is earmarked for short-term balancing of cash flows and significantly reduces the Group's exposure to liquidity risk.

A large-scale debt restructuring programme was carried out in 2014 by means of which the borrowings, which gradually matured in 2014, were replaced by non-current sources. We have within this process:

- improved the maturity structure of financial liabilities by 23.5 p.p. – Group's non-current financial liabilities accounted for a 73.5% share within total financial liabilities by the end of 2014;
- issued a 5-year corporate note GV01 bond in the total par value of EUR 73,000k and thereby dispersed sources of financing also on the debt's non-current segment; in addition to current bills, the issue of non-current bonds provides an additional guarantee that banks, as well as other investors, have confidence in the Group;
- carried out the third stage of the parent company's share capital increase under authorised capital and in accordance with the resolution adopted by the Shareholders' Meeting in 2013. The capital increase was in form of a debt-to-equity conversion carried out in conformity with the resolution of the Shareholders' Meeting in the amount of EUR 10,000k;
- reduced the Group's total financial debt by EUR 29,807k; and
- essentially lowered the scope of required refinancing in 2015.

The Group has a long-term servicing plan for financial liabilities that is being regularly updated.

Group's financial liabilities by maturity is compiled based on contractual cash flows:

31 December 2013

EURk	Carrying amount	Contractual cash flows	1 year or less	1 – 2 years	2 – 5 years	More than 5 years
Non-derivative financial liabilities						
Bank borrowings	326,424	348,935	178,849	43,356	116,071	10,659
Borrowings from others	65,718	70,761	27,675	19,361	22,170	1,556
Other financial liabilities	2,159	2,296	1,448	317	240	290
Trade and other payables	257,686	257,686	257,686			
Total	**651,987**	**679,678**	**465,658**	**63,034**	**138,481**	**12,505**
Derivative financial liabilities						
Interest rate swaps	-2,820	-3,310	-2,108	-925	-277	
Forward exchange contracts used for hedging	-292	-292	-292			
Outflow	-292	-292	-292			
Inflow						
Other forward exchange contracts used for hedging						
Outflow						
Inflow						
Total	**-3,112**	**-3,602**	**-2,400**	**-925**	**-277**	

31 December 2014

EURk	Carrying amount	Contractual cash flows	1 year or less	1 – 2 years	2 – 5 years	More than 5 years
Non-derivative financial liabilities						
Bank borrowings	265,679	298,477	78,038	61,032	131,707	27,702
Borrowings from others	24,750	26,142	12,153	7,562	5,139	1,287
Payables from bonds issued	72,643	80,026	17,129	16,567	46,329	
Other financial liabilities	3,227	3,227	3,227			
Trade and other payables	246,040	246,040	246,040			
Total	**612,339**	**653,912**	**356,587**	**85,161**	**183,175**	**28,989**
Derivative financial liabilities						
Interest rate swaps	-1,110	-1,109	-853	-256		
Forward exchange contracts used for hedging	3,503	3,503	3,503			
Outflow	-197	-197	-197			
Inflow	3,700	3,700	3,700			
Other forward exchange contracts used for hedging						
Outflow						
Inflow						
Total	**2,393**	**2,394**	**2,650**	**-256**		

Contractual cash flows arising on Group's outstanding financial liabilities, which fall due in one year or less, amounted as at the year-end of 2014 to EUR 356,587k and indicate a decline of EUR 109,071k over the equivalent ones as at the end of 2013. Most of the relevant decline in contractual cash flows is attributable to a more favourable maturity structure of financial liabilities as a result of the financial debt restructuring process in 2014.

Group's liquidity risk is assessed as moderate in view of measures implemented within restructuring the debt maturity structure, the centralised planning of short-term and long-term cash flows, and access to a wide range of financial and bank partners.

Currency risk

With regard to diversification of its international business operations, the Gorenje Group is strongly exposed to currency risk, which is the risk that the economic benefits of the Group may be decreased due to changes in foreign exchange rates against its functional currency (EUR). The largest currency risk arises from Gorenje's business operations in markets of Russia, Serbia, Australia, Great Britain, the Czech Republic, Poland, Hungary, Croatia, Ukraine and all US dollar markets.

Group's balance sheet discloses a surplus of assets over liabilities in the stated currencies, which is treated as a long-term currency position. Receivables due from end buyers and payables to suppliers are key accounting categories that form the currency position. The US dollar, where a surplus of liabilities over assets is recorded, is an exception since the volume of purchase that bound by US dollar markets exceeds our sales volume in this currency. The exposure of the financial position is in a lesser degree also the result of borrowing in local currencies.

31 December 2013

EURk	EUR	HRK	DKK	PLN	RSD	CZK	Other currencies
Trade receivables	110,976	13,752	3,722	6,350	15,784	7,812	47,185
Financial liabilities	-380,953	-138		-1,671	-599	-8,681	-100
Trade payables	-174,986	-1,851	-909	-1,431	-7,905	-4,023	-22,715
Financial position exposure	**-444,963**	**11,763**	**2,813**	**3,248**	**7,280**	**-4,892**	**24,370**

31 December 2014

EURk	EUR	RUB	USD	HRK	RSD	CZK	Other currencies
Trade receivables	91,504	20,016	4,144	13,140	16,408	7,551	27,617
Financial liabilities	-357,954				-4,550	-57	-511
Trade payables	-168,607	-484	-13,098	-1,392	-10,296	-3,527	-5,069
Financial position exposure	**-435,057**	**19,532**	**-8,954**	**11,748**	**1,562**	**3,967**	**22,037**

*EUR is the Group’s functional currency and as such not subject to currency risk

Significant exchange rates applied during the year comprise:

	Average rate		Reporting date spot rate	
	2013	2014	2013	2014
HRK	7.579	7.635	7.627	7.658
CZK	25.987	27.536	27.427	27.735
DKK	7.458	7.455	7.459	7.445
RSD	112.944	116.863	114.140	120.600
PLN	4.197	4.184	4.154	4.273
RUB	42.390	51.011	45.325	72.337
USD	1.328	1.329	1.379	1.214

In 2014, the Group adopted the Currency Risk Management Policy, which among others defines:

- the methodology for measuring currency risk exposure,
- competencies and responsibilities within currency risk management,
- manners and required scope of hedging against currency risk,
- instruments acceptable for hedging against currency risk,
- acceptable partners for implementing currency-risk hedges,
- the method of measuring the effectiveness of currency risk management.

The Group is engaged in active hedging against currency risks, whereby also natural balancing of currency risks is carried out by means of internal techniques that include customising the purchase/sale segment in individual currency, and the foreign currency borrowing, where assets and other internal mechanisms are exposed. Hedges against currency fluctuations are entered into on a regular and continuous 12-month basis by applying acceptable hedging instruments, whereby the hedge level is set between 60% and 80% of planned cash flows. The planned cash flows in individual currency are used as the basis for hedging with short-term forward exchange contracts. The required level of hedge is determined on the basis of the ratio between the individual currency's impact on Group's performance (volume of business operations) and the probability of currency fluctuation (currency volatility).

Currency risk management is carried out on a centralised basis and a committee for managing currency risks was appointed as well. The parent company enters into hedging instruments on its own behalf and on behalf of other Group companies, and transfers these instruments on a contract basis to companies that are locally exposed to such risk. Subsidiaries also enter into hedging instruments on local markets but in limited scope, whereby the parent company provides adequate support and credit limits with acceptable partners. The centralised approach to credit risk management has shown more optimum hedging results.

Sensitivity analysis

A 5-percent increase (decrease) in the euro's value against the above stated currencies as at 31 December would have resulted in an increase (decrease) in profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates remain unchanged. The analysis for 2014 has been performed on the same basis as for 2013.

	EURk
31 December 2013	Profit or loss for the period
HRK	-588
DKK	-141
PLN	-162
RSD	-364
CZK	245
Other currencies	-1,218

	EURk
31 December 2014	Profit or loss for the period
RUB	-977
USD	448
HRK	-587
RSD	-78
CZK	-198
Other currencies	-1,102

A 5-percent decrease in the euro's value against the above stated currencies as at 31 December would have had equal yet opposite effect, provided that all other variables remain unchanged.

In compliance of the policy adopted against currency risks, 57% of planned cash flows was hedged in 2014.

Regardless of hedging measures implemented, the exposure to currency risks is assessed as high in the light of essential currency fluctuations on the world markets.

Interest rate risk

Financing of Group's current operations and their investment activities is subject to interest rate risk as most of borrowings raised bear the Euribor variable interest rate, in lesser extent also other local variable reference interest rates. Thus, exposure to interest rate risk represents primarily the unfavourable movement (increase) of the Euribor variable interest rate that applies to Group's financial liabilities. Major portion of financial liabilities are subject to a variable interest rate that is bound by the 3-month or 6-month Euribor.

Group's exposure to interest rate risk:

EURk	2013	2014
Fixed-rate financial instruments		
Financial assets	7,688	7,587
Financial liabilities	31,183	101,706
Variable-rate financial instruments		
Financial assets	9,464	8,000
Financial liabilities	360,959	261,366

Table is exclusive of non-interest bearing financial assets and non-interest bearing financial liabilities.

Interest structure of financial assets and financial liabilities is not adjusted as the Group records considerably more received financial liabilities than interest-bearing assets. The volume of financial liabilities bearing a fixed interest rate has significantly increased in 2014, which is mostly the result of the corporate note GV01 bond issued in 2014 that bears a fixed interest rate of 3.85%. By issuing the bonds, the financial liabilities were replaced with interest rate swaps. The portion of outstanding financial liabilities bearing a fixed interest rate increased by 20 p.p. and as at 31 December 2014 accounted for 28% among total interest-bearing financial liabilities. The previously mentioned share bearing a fixed interest rate additionally increased after the end of 2014.

As at 31 December 2014, the Group recorded also interest rate swaps in the amount of EUR 28,300k. As for interest rate swaps, the Group enters into derivatives in the same manner as in the case of currency financial derivatives i.e. with acceptable partners only. We therefore asses that the risk of default on the side of the contracting party is minimal. The purpose of hedging by means of entering into embedded derivatives, is fixing of the interest rate that results in a stable cash flow. While entering into interest rate swaps, the Group observes the requirement that characteristics of relevant swaps equal (i.e. maturity, amount, type of interest rate and its alignment) a borrowing that is hedged by the interest rate swap. Consequently, the valuation of a hedging instrument defined as successful hedge, is recognised directly in equity.

A portion of borrowings, which were defined as hedged items subject to interest rate swaps, was early repaid in 2014. A direct link between the hedged item and the hedging instrument no longer exists in the part of these repaid borrowings, therefore the valuation of this part of instruments is recognised directly in Group's profit or loss. The valuation effect of these instruments was negative and recorded at EUR 570k. The final maturity of interest rate swaps, where unbundling between the instrument and the hedged item occurred, was in 2016.

Cash flow sensitivity analysis for variable interest rate instruments

A change in the interest rate by 50 basis points (bp) at the reporting date would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign exchange rates remain unchanged. The analysis for 2014 has been performed on the same basis as for 2013.

	Profit or loss for the period		Other comprehensive income	
EURk	Increase by 50 bp	Decrease by 50 bp	Increase by 50 bp	Decrease by 50 bp
31 December 2013				
Variable rate instruments	-2,964	2,964		
Interest rate swap contract	557	-557	376	-376
Cash flow variability (net)	**-2,407**	**2,407**	**376**	**-376**
31 December 2014				
Variable rate instruments	-1,266	1,266		
Interest rate swap contract	450	-450	89	-89
Cash flow variability (net)	**-816**	**816**	**89**	**-89**

Variable interest rates recorded in 2014 primarily a downward trend, hence no derivatives earmarked as hedging against the increase of the variable interest rate risk were entered into. The share of interest-bearing financial liabilities that are subject to a fixed interest rate or hedged by instruments against rising interest rates risk, accounted for 35% as at the end of 2014. Although no hedging instruments were entered into against rising interest risk rates, the Group monitors financial markets on an ongoing basis to promptly respond to changes on macroeconomic markets.

Group's exposure to interest rate risk is assessed as moderate.

Note 43 – Fair value

The fair values and book values of assets and liabilities

	Book value	Fair value	Book value	Fair value
EURk	2013	2013	2014	2014
Available-for-sale investments	3,986	3,986	3,626	3,626
Non-current loans and deposits	4,645	4,645	3,225	3,225
Non-current trade receivables	10,559	10,559	6,801	6,801
Current loans and deposits	13,216	13,216	12,969	12,969
Derivatives	-3,112	-3,112	2,393	2,393
Trade receivables	205,581	205,581	180,380	180,380
Other current assets	38,068	38,068	36,752	36,752
Cash and cash equivalents	38,589	38,589	35,843	35,843
Non-current financial liabilities	-198,654	-198,654	-203,672	-203,672
Non-current financial liabilities (fixed interest rate)	-100	-15	-66,398	-55,298
Non-current operating liabilities	-5,773	-5,773	-5,912	-5,912
Current financial liabilities	-195,532	-195,532	-96,229	-96,229
Trade payables	-213,820	-213,820	-202,473	-202,473
Other payables	-38,093	-38,093	-37,655	-37,655
Total	**-340,440**	**-340,355**	**-330,350**	**-319,250**

The estimated fair value of current assets and liabilities equals nearly their book value. The fair value of non-current financial liabilities was calculated on the basis of market interest rates and is classified under Level 2 within the fair value hierarchy.

Fair value scale

The table shows method of valuing assets and liabilities recorded at fair value:

Level 1: stock price (unadjusted) in the active market of identical assets and liabilities;

Level 2: data differing from stock price data (these are included in Level 1) monitored with the intention of direct or indirect valuation of assets and liabilities;

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

Financial year 2013

EURk	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	782	91	3,113	3,986
Derivatives – assets	-	-	-	-
Derivatives – liabilities	-	-3,112	-	-3,112
Land and investment properties	-	-	68,736	68,736

Financial year 2014

EURk	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	675	88	2,863	3,626
Derivatives – assets	-	3,700	-	3,700
Derivatives – liabilities	-	-1,307	-	-1,307
Land and investment properties	-	-	60,728	60,728

Land was valued on the basis of comparable sales with adjustments made in view of time and location of the sale, the size of the property and other physical and functional characteristics. Fair value of investment property was assessed by applying the direct capitalisation method. Land and investment properties were appraised by an independent certified appraiser of real property at the end of 2013.

Forward exchange contracts

The total fair value of forward exchange contracts amounted to EUR 3,503k as at 31 December 2014 and was recorded under other financial receivables and other financial liabilities.

Interest rate swaps

As at 31 December 2014, the total fair value of interest rate swaps amounted to EUR -1,110k and was recorded under other financial liabilities.

Interest rate swap hedges, which relate to hedged balance sheet items, are disclosed within equity under the fair value reserve.

Note 44 – Commitments relating to investments

Contractually agreed investments in intangible assets and property, plant and equipment not yet recognised in the Group's financial statements at the reporting date amounted to EUR 8,380k (2013: EUR 9,765k).

Note 45 – Related party transactions

The transactions with related parties were conducted by the Group companies on the basis of sale/purchase contracts. The prices used in these related party transactions were the market prices of products and services.

Information on earnings

In **2013**, the Gorenje Group companies paid to the groups of persons stated below the following gross personal earnings:

EURk	Management Boards of Group companies	Supervisory Board	Employees under individual employment agreements
Salaries	6,212		7,740
Benefits and other earnings	1,300	160	529
Total	**7,512**	**160**	**8,269**

No non-current and current loans were granted by the Group companies to the Management Board and Supervisory Board members and internal owners.

In **2014**, the Gorenje Group companies paid to the groups of persons stated below the following gross personal earnings:

EURk	Management Boards of Group companies	Supervisory Board	Employees under individual employment agreements
Salaries	7,061		9,107
Benefits and other earnings	1,338	210	538
Total	**8,399**	**210**	**9,645**

Gorenje Group companies recorded following transactions with associates:

	Value of transaction		Balance	
EURk	2013	2014	2013	2014
Revenue	1,096	506	824	367
Expenses	995	693	312	616

Note 46 – Events after the balance sheet date

- As of 20 February 2015, Gorenje, d.d., issued 10-month commercial papers in the total par value of EUR 27m bearing an interest rate of 2.20% p.a., which is 35% more than initially planned. Sizeable interest in third issue of commercial papers is proof of investor confidence in the Gorenje Group.
- With the last year's issue of 5-year bonds and the issue of 10-month commercial papers, Gorenje has raised EUR 100m in capital markets in no more than four months. At present, over a quarter of Gorenje's financing is sourced through capital markets, which ensures an appropriate stability and thereby competitiveness within providing sources of finance.
- Gorenje, d.d., started negotiations with the Polish company Elemental Holding SA on the possible sale of the controlling interest in the subsidiary Gorenje Surovina, d.o.o. The relevant talks refer also to certain subsidiaries of Gorenje Surovina and aim to define the scope, value and terms of sale. Managements of Gorenje, d.d., and Elemental Holding SA expect to concluded these negotiations by the end of Q2 2015.

No other significant events occurred upon compiling the balance sheet as of 31 December 2014.

Note 47 – Transactions with the audit company

In 2014, the contractual value of auditing the financial statements of Gorenje Group companies and the consolidated financial statements of the Gorenje Group amounted to EUR 707k (2013: EUR 791k). The auditors of all Gorenje Group companies did not render any other significant services for Gorenje Group companies.

Note 48 – Business segments

	Home		Portfolio Investments		Group	
EURk	2013	2014	2013	2014	2013	2014
Revenue from sale to third parties	1,065,076	1,065,866	175,406	179,687	1,240,482	1,245,553
Inter-segment sale	4,768	6,201	13,293	11,342	18,061	17,543
Interest income	2,104	1,628	222	165	2,326	1,793
Interest expenses	-19,585	-19,050	-346	-500	-19,931	-19,550
Amortisation and depreciation expense	-36,455	-37,847	-5,420	-5,142	-41,875	-42,989
Operating profit or loss before tax	-25,951	-9	7,307	4,868	-18,644	4,859
Income tax expense	4,856	-2,076	-637	-548	4,219	-2,624
Profit or loss without discontinued operation	-21,095	-2,085	6,670	4,320	-14,425	2,235
Profit or loss of discontinued operation	-10,574	-996	0	0	-10,574	-996
Profit or loss for the period	-31,669	-3,081	6,670	4,320	-24,999	1,239
Total assets	1,034,015	991,668	114,050	110,730	1,148,065	1,102,398
Total liabilities	718,386	669,453	49,009	52,678	767,395	722,131
Investments	68,471	53,885	8,135	7,759	76,606	61,644
Impairment of financial assets	-12,398	-1,458	-982	0	-13,380	-1,458
Impairment of property, plant and equipment	-764	-306	-934	-138	-1,698	-444

Note 49 – Geographical segments

	Western Europe		Eastern Europe		Other		Group	
EURk	2013	2014	2013	2014	2013	2014	2013	2014
Revenue from sale to third parties	465,841	459,074	676,137	677,451	98,504	109,028	1,240,482	1,245,553
Total assets	358,695	337,648	672,139	604,326	117,231	160,424	1,148,065	1,102,398
Investments	11,287	11,967	55,584	36,186	9,735	13,491	76,606	61,644

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INDEPENDENT AUDITOR'S REPORT
to the owners of GORENJE, d.d.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the company GORENJE, d.d. and its subsidiaries (» the Group«), which comprise the statement of financial position as at December 31, 2014, and the income statement, statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by EU and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects the financial position of the GORENJE Group as at December 31, 2014, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements:

The management is also responsible for the preparation of the business report in accordance with the requirements of the Companies Act (ZGD-1). Our responsibility is to provide an assessment of whether the business report is consistent with the audited financial statements. Our procedures have been conducted in accordance with the International Standard on Auditing 720 and are limited solely to assessing of whether the business report is consistent with the audited financial statements. In our opinion, the business report is consistent with the audited financial statements.

DELOITTE REVIZIJA d.o.o.

Tina Kolenc Praznik
Certified Auditor

Deloitte.
DELOITTE REVIZIJA D.O.O.
Ljubljana, Slovenija 3

Yuri Sidorovich
President of the Board

For signature please refer to the original Slovenian version.

Ljubljana, 13 April 2015

TRANSLATION ONLY – SLOVENIAN ORIGINAL PREVAILS

Appendix 1: Information on the Gorenje Group companies

Company	Share capital (EURk)	Number of employees
Gorenje, d.d., Slovenia	101,922	4,081
Gorenje I.P.C., d.o.o., Slovenia	93	811
Gorenje GTI, d.o.o., Slovenia	3,769	42
Gorenje Gostinstvo, d.o.o., Slovenia	3,790	164
Energygor, d.o.o., Slovenia	9	0
Kemis, d.o.o., Slovenia	2,650	37
Gorenje Orodjarna, d.o.o., Slovenia	927	219
Indop, d.o.o., Slovenia	1,000	17
ZEOS, d.o.o., Slovenia	477	5
Gorenje Surovina, d.o.o., Slovenia	9,402	330
ERICo, d.o.o., Slovenia	278	50
Gorenje design studio, d.o.o., Slovenia	500	23
PUBLICUS, d.o.o., Slovenia	897	102
EKOGOR, d.o.o., Slovenia	200	0
Gorenje GAIO, d.o.o., Slovenia	1,800	85
Gorenje GSI, d.o.o., Slovenia	4,657	114
Gorenje Keramika, d.o.o., Slovenia	3,069	111
Gorenje Surovina Fotoreciklaža, d.o.o., Slovenia	160	1
Gorenje Studio, d.o.o., Slovenia	8	52
Gorenje Beteiligungs GmbH, Austria	26,600	6
Gorenje Austria Handels GmbH, Austria	3,275	51
Gorenje Vertriebs GmbH, Germany	5,700	69
Gorenje Körting Italia S.r.l., Italy	90	6
Gorenje France S.A.S., France	100	14
Gorenje Belux S.a.r.l., Belgium	237	1
Gorenje UK Ltd., Great Britain	385	17
Gorenje Group Nordic A/S, Denmark	269	57
Gorenje AB, Sweden	213	4

Company	Share capital (EURk)	Number of employees
Gorenje spol. S r.o., Czech Republic	4,423	44
Gorenje real spol. S r.o., Czech Republic	9,375	18
Gorenje Slovakia s.r.o., Slovakia	1,892	12
Gorenje Magyarország Kft., Hungary	2,266	16
Gorenje Polska Sp. Z o.o., Poland	8,132	37
Gorenje Bulgaria EOOD, Bulgaria	3,175	20
Gorenje Zagreb, d.o.o., Croatia	19,211	81
Gorenje Skopje, d.o.o., Macedonia	248	20
Gorenje Commerce, d.o.o., Bosnia and Herzegovina	1	79
Gorenje, d.o.o., Serbia	3,205	57
Gorenje Studio, d.o.o., Serbia	837	0
Gorenje Podgorica, d.o.o., Montenegro	2,800	15
Gorenje OY, Finland	115	9
Gorenje AS, Norway	243	5
Gorenje Romania S.r.l., Romania	365	10
Gorenje aparati za Homeaćinstvo, d.o.o., Serbia	25,289	1,203
Mora Moravia s r.o., Czech Republic	9,869	604
Gorenje – kuchyně spol. S r.o., Czech Republic	1,514	2
ST Bana Nekretnine, d.o.o., Serbia	1,976	0
KEMIS – Termoclean, d.o.o., Croatia	807	61
Kemis – BH, d.o.o., Bosnia and Herzegovina	210	11
Gorenje Gulf FZE, United Arab Emirates	218	12
Gorenje Espana S.L., Spain	3	0
Gorenje Tiki, d.o.o., Serbia	17,978	414
Gorenje Istanbul Ltd., Turkey	6,670	0
Gorenje TOV, Ukraine	148	17
Kemis – SRS, d.o.o., Bosnia and Herzegovina	72	3
ATAG Nederland BV, the Netherlands	16	375
ATAG België NV, Belgium	248	51

Company	Share capital (EURk)	Number of employees
Intell Properties BV, the Netherlands	45	0
Gorenje Nederland BV, the Netherlands	20,796	1
Gorenje Kazakhstan, TOO, Kazakhstan	1,042	10
OOO Gorenje BT, Russia	12,425	98
»Euro Lumi & Surovina« SH.P.K., Kosovo	431	6
Kemis Valjevo, d.o.o., Serbia	1,160	45
Gorenje GTI, d.o.o., Beograd, Serbia	1	20
Asko Appliances AB, Sweden	11,711	61
Gorenje North America, Inc., USA	1	6
Asko Appliances Pty, Australia	6,744	76
Asko Appliances OOO, Russia	301	14
»Gorenje Albania« SHPK, Albania	1	6
Gorenje Home d.o.o. Zaječar, Serbia	2,691	120
Gorenje Ekologija, d.o.o., Stara Pazova, Serbia	1,245	0
ORSES d.o.o., Beograd, Serbia	468	1
Gorenje Corporate GmbH, Austria	35	0
ZEOS eko-sistem d.o.o., Bosnia and Herzegovina	420	4
Cleaning System S, d.o.o., Serbia	875	14
Gorenje Solarna energija Solago, d.o.o., Valjevo, Serbia	0	0
Gorenje Sola-Home, d.o.o., Valjevo, Serbia	0	0
Gorenje Asia Ltd., China	215	31
Gorenje do Brasil Ltda., Brasil	190	6
Gorenje MDM, d.o.o. Kragujevac, Serbia	1,034	78

Appendix 2: Managing Directors

In 2014, the Group companies were managed by following managing directors:

Company	Managing Director
Gorenje, d.d., Slovenia	Franc Bobinac, President of the Manag. Board; Marko Mrzel, Member of the Manag. Board; Peter Kukovica, Member of Manag. Board (since 28 April 2014); Branko Apat, Member of the Manag. Board; Peter Groznik, Member of the Manag. Board; Drago Bahun, Member of the Manag. Board
Gorenje, I.P.C., d.o.o., Slovenia	Mirko Rožanc
Gorenje GTI, d.o.o., Slovenia	Cita Špital-Meh
Gorenje Gostinstvo, d.o.o., Slovenia	Stanko Brunšek
Energygor, d.o.o., Slovenia	Marijan Penšek
Kemis, d.o.o., Slovenia	Emil Nanut
Gorenje Orodjarna, d.o.o., Slovenia	dr. Blaž Nardin
Indop, d.o.o., Slovenia	Matej Sevčnikar
ZEOS, d.o.o., Slovenia	Emil Šehič
Gorenje Surovina, d.o.o., Slovenia	Jure Fišer
ERICo, d.o.o., Slovenia	Marko Mavec
Gorenje design studio, d.o.o., Slovenia	Jasna Petan
PUBLICUS, d.o.o., Slovenia	Slavko Hrženjak
EKOGOR d.o.o., Slovenia	Dušan Marc (until 13 November 2014); Ivan Hrženjak (since 14 November 2014)
Gorenje GAIO, d.o.o., Slovenia	Andrej Koželj
Gorenje GSI, d.o.o., Slovenia	Robert Polšak (until 18 May 2014); Miro Košutnik (since 19 May 2014)
Gorenje Keramika, d.o.o., Slovenia	Boris Laubič
Gorenje Surovina Fotoreciklaža d.o.o., Slovenia	Pötke Thorsten Ralf (until 7 May 2014); Jure Fišer (since 8 May 2014)
Gorenje Studio, d.o.o., Slovenia	Marina Borkovič
Gorenje Beteiligungs GmbH, Austria	Žiga Debeljak, Marko Šefer (until 31 March 2014); Tomaž Kuntarič (since 1 April 2014)
Gorenje Austria Handels GmbH, Austria	Sandra Lubej
Gorenje Vertriebs GmbH, Germany	Thomas Wittling
Gorenje Körting Italia S.r.l., Italy	Matjaž Geratič
Gorenje France S.A.S., France	Renaud de Barry

Company	Managing Director
Gorenje Belux S.a.r.l., Belgium	Andre Genevrois (until 9 February 2014); Darko Janjič (since 10 February 2014)
Gorenje UK Ltd., Great Britain	Jernej Hren
Gorenje Group Nordic A/S, Denmark	Jan Štern
Gorenje AB, Sweden	Jan Štern
Gorenje spol. s r.o., Czech Republic	Suad Hadžić; Stanko Romih (since 19 June 2014)
Gorenje real spol. s r.o., Czech Republic	Suad Hadžić; Stanko Romih (Since 19 June 2014)
Gorenje Slovakia s.r.o., Slovakia	Dragutin Špiranec (until 8 June 2014); Stanko Romih (since 9 June 2014)
Gorenje Magyarország Kft., Hungary	Norbert Fülle
Gorenje Polska Sp. z o.o., Poland	Franc Rogan (until 6 January 2014); Simon Kumer (since 7 January 2014)
Gorenje Bulgaria EOOD, Bulgaria	Bojan Bratkovič
Gorenje Zagreb, d.o.o., Croatia	Robert Polšak
Gorenje Skopje, d.o.o., Macedonia	Nenad Jovanović
Gorenje Commerce, d.o.o., Bosnia and Herzegovina	Uroš Marolt
Gorenje, d.o.o., Serbia	Goran Lukić (until 31 October 2014; Stanka Pejanović (since 1 November 2014)
Gorenje Studio, d.o.o., Serbia	Alenka Mrzel
Gorenje Podgorica, d.o.o., Montenegro	Darko Vukčević
Gorenje OY, Finland	Jan Štern
Gorenje AS, Norway	Jan Štern
Gorenje Romania S.r.l., Romania	Damir Dražetić
Gorenje aparati za Homeaćinstvo, d.o.o., Serbia	Mirko Meža
Mora Moravia s r.o., Czech Republic	Vitezslav Ružička; Matija Zupanc
Gorenje – kuchyně spol. s r.o., Czech Republic	Viktor Faktor
ST Bana Nekretnine, d.o.o., Serbia	Štefan Kuhar
KEMIS – Termoclean, d.o.o., Croatia	Zoran Matić
Kemis – BH, d.o.o., Bosnia and Herzegovina	Maid Hadžimujić
Gorenje Gulf FZE, United Arab Emirates	Nermin Salman (until 31 December 2014); Branko Podpečan (since 1 January 2015)
Gorenje Espana, S.L., Spain	Jernej Hren
Gorenje Tiki, d.o.o., Serbia	Branko Apat
Gorenje Istanbul Ltd., Turkey	Nermin Salman (until 4 February 2014); Nedim Hadžibegić (since 5 February 2014)
Gorenje TOV, Ukraine	Gregor Gržina

Company	Managing Director
Kemis – SRS, d.o.o., Bosnia and Herzegovina	Slobodan Sjenčić
ATAG Nederland BV, the Netherlands	Atag Europe BV (until 25 June 2014); Robert Meenink and Darko Janjič (from 26 June 2014 to 30 September 2014); Jeoren van Benthen (from 1 October 2014 to 31 January 2015); Robert Kapteijn (since 1 February 2015)
ATAG België NV, Belgium	Marc Jozef Wynant
Intell Properties BV, the Netherlands	ATAG Europe BV (until 25 June 2014); Darko Janjič (since 26 June 2014)
Gorenje Nederland BV, the Netherlands	Žiga Debeljak; Darko Janjič
Gorenje Kazakhstan, TOO, Kazakhstan	Bratislav Krunić
OOO Gorenje BT, Russia	Marko Špan
»Euro Lumi & Surovina« SH.P.K., Kosovo	Amir Pira
Kemis Valjevo d.o.o., Serbia	Zoran Milovanović
Gorenje GTI d.o.o., Beograd, Serbia	Miloš Leković
Asko Appliances AB, Sweden	Jonas Lidberg
Gorenje North America, Inc, USA	Marko Šefer
Asko Appliances Pty, Australia	Črt Prašnikar
Asko Appliances OOO, Russia	Dime Rangelov
»Gorenje Albania« SHPK, Albania	Gregor Verbič
Gorenje Home d.o.o., Zaječar, Serbia	Vlado Krebs
ORSES d.o.o., Beograd, Serbia	Mirko Meža
Gorenje Ekologija d.o.o., Stara Pazova, Serbia	Tadej Krošlin (until 31 January 2015); Zoran Milovanović (since 1 February 2015)
Gorenje Corporate GmbH, Austria	Žiga Debeljak
Cleaning System S, d.o.o., Serbia	Zoran Milovanović; Mikica Vasić (until 8 September 2014)
ZEOS eko-sistem d.o.o., Bosnia and Herzegovina	Emil Šehić
Gorenje Asia Ltd., China	Urška Kupec (until 31 December 2014); Kristian Hansen (since 1 January 2015)
Gorenje do Brasil Ltda., Brasil	Tatjana Močenik
Gorenje Solarna energija Solago, d.o.o., Valjevo, Serbia	Mirko Meža
Gorenje Sola Home, d.o.o., Valjevo, Serbia	Mirko Meža
Gorenje MDM, d.o.o., Kragujevac, Serbia	Marko Klinc

Appendix 3: Foreign exchange rates

			2013		2014	
	Currency	Unit	Closing exchange rate (in EUR)	Average exchange rate (in EUR)	Closing exchange rate (in EUR)	Average exchange rate (in EUR)
Australia	AUD	1	1.542	1.377	1.483	1.472
Czech Republic	CZK	1	27.427	25.987	27.735	27.536
Denmark	DKK	1	7.459	7.458	7.445	7.455
Great Britain	GBP	1	0.834	0.849	0.779	0.806
Croatia	HRK	1	7.627	7.579	7.658	7.635
Hungary	HUF	1	297.040	296.941	315.540	308.707
Norway	NOK	1	8.363	7.805	9.042	8.355
Poland	PLN	1	4.154	4.197	4.273	4.184
Sweden	SEK	1	8.859	8.650	9.393	9.097
USA	USD	1	1.379	1.328	1.214	1.329
Turkey	TRY	1	2.961	2.533	2.832	2.907
Bosnia and Herzegovina	BAM	1	1.956	1.956	1.956	1.956
Bulgaria	BGN	1	1.956	1.956	1.956	1.956
Macedonia	MKD	1	61.936	61.932	61.695	61.553
Switzerland	CHF	1	1.228	1.232	1.202	1.215
Romania	RON	1	4.471	4.419	4.483	4.444
Serbia	RSD	1	114.140	112.944	120.600	116.863
Ukraine	UAH	1	11.202	10.808	18.736	15.513
Japan	JPY	1	144.720	130.157	145.230	140.226
United Arab Emirates	AED	1	4.999	4.873	4.585	4.907
Kazakhstan	KZT	1	210.000	201.943	226.650	237.619
Russia	RUB	1	45.325	42.390	72.337	51.011
Albania	ALL	1	140.700	140.331	140.220	139.876
Brasil	BRL	1	3.258	2.956	3.221	3.123
China	CNY	1	8.349	8.297	7.536	8.188
New Zealand	NZD	1	1.676	1.624	1.553	1.600

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ACCOUNTING REPORT OF GORENJE, D.D.

FINANCIAL STATEMENTS OF GORENJE, D.D.

Income Statement of Gorenje, d.d.

EURk		Note	2013	2014
Revenue	ON THE NOTE	8	**664,644**	**687,210**
Change in inventories			-7,296	-95
Other operating income	ON THE NOTE	9	17,219	10,252
Gross profit			**674,567**	**697,367**
Cost of goods, materials and services	ON THE NOTE	10	-542,718	-555,271
Employee benefits expense	ON THE NOTE	11	-92,675	-96,898
Amortisation and depreciation expense	ON THE NOTE	12	-18,335	-21,618
Other operating expenses	ON THE NOTE	13	-5,793	-5,631
Operating profit			**15,046**	**17,949**
Finance income	ON THE NOTE	14	18,290	16,578
Finance expenses	ON THE NOTE	14	-38,657	-28,585
Net finance expenses	ON THE NOTE	**14**	**-20,367**	**-12,007**
Profit or loss before tax			-5,321	5,942
Income tax expense	ON THE NOTE	15	8,026	392
Profit for the period			**2,705**	**6,334**
Basic and diluted earnings per share (in EUR)	ON THE NOTE	28	0.16	0.28

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

EURk	Note	2013	2014
Profit for the period		**2,705**	**6,334**
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		**1,330**	**1,857**
Net change in fair value of available-for-sale financial assets	ON THE NOTE 24, 28	-1	-41
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge	ON THE NOTE 28	-5	-192
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge, reclassified to profit or loss	ON THE NOTE 14	2,466	2,472
Net change in fair value arising on exchange differences from investments in subsidiaries, reclassified to profit or loss	ON THE NOTE 14, 28	-713	0
Income tax on other comprehensive income	ON THE NOTE 22	-417	-382
Other comprehensive income for the period		**1,330**	**1,857**
Total comprehensive income for the period		**4,035**	**8,191**

Balance Sheet of Gorenje, d.d.

EURk	Note	2013	2014
ASSETS		**885,588**	**910,137**
Non-current assets		**472,935**	**487,383**
Intangible assets	ON THE NOTE 16	21,651	33,247
Property, plant and equipment	ON THE NOTE 17	170,668	180,660
Investment property	ON THE NOTE 18	25,361	16,729
Investments in subsidiaries	ON THE NOTE 19	236,245	238,363
Investments in associates	ON THE NOTE 20	976	341
Other non-current investments	ON THE NOTE 21	690	689
Deferred tax assets	ON THE NOTE 22	17,344	17,354
Current assets		**412,653**	**422,754**
Inventories	ON THE NOTE 23	95,811	96,138
Current investments	ON THE NOTE 24	90,626	137,280
Trade receivables	ON THE NOTE 25	195,935	167,714
Other current assets	ON THE NOTE 26	15,377	11,368
Cash and cash equivalents	ON THE NOTE 27	14,904	10,254
EQUITY AND LIABILITIES		**885,588**	**910,137**
Equity	ON THE NOTE 28	**347,907**	**365,910**
Share capital		92,240	101,922
Share premium		157,705	157,835
Revenue reserves		95,818	99,301
Treasury shares		-3,170	-3,170
Retained earnings		1,369	4,220
Fair value reserve		3,945	5,802
Non-current liabilities		**193,601**	**256,032**
Provisions	ON THE NOTE 30	23,185	21,929
Non-current financial liabilities	ON THE NOTE 31	170,416	234,103
Current liabilities		**344,080**	**288,195**
Current financial liabilities	ON THE NOTE 32	157,461	113,990
Trade payables	ON THE NOTE 33	169,476	154,786
Other current liabilities	ON THE NOTE 34	17,143	19,419

Statement of Cash Flows of Gorenje, d.d.

EURk	Note	2013	2014
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		**2,705**	**6,334**
Adjustments for:			
- depreciation of property, plant and equipment	ON THE NOTE 12,17	15,411	18,446
- amortisation of intangible assets	ON THE NOTE 12,16	2,924	3,172
- investment income	ON THE NOTE 14	-18,290	-16,578
- finance expenses	ON THE NOTE 14	38,657	28,585
- gain on sale of property, plant and equipment		-506	-36
- gain on sale of investment property		0	-83
- revaluation operating income		-2,416	0
- income tax expense	ON THE NOTE 15	-8,026	-392
Operating profit before changes in net operating current assets and provisions		**30,459**	**39,448**
Change in trade and other receivables		-2,273	25,219
Change in inventories	ON THE NOTE 23	-11,594	-327
Change in provisions	ON THE NOTE 30	1,553	-2,404
Change in trade and other payables		12,467	-16,471
Cash generated from operations		**153**	**6,017**
Interest paid		-17,656	-17,054
Net cash from operating activities		**12,956**	**28,411**
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		7,418	7,391
Proceeds from sale of investment property		453	3,274
Interest received		6,034	6,731
Dividends received		9,837	5,349
Disposal of subsidiary		0	266
Acquisition of subsidiary		-6,600	-4,506
Acquisition of property, plant and equipment		-40,731	-23,385
Acquisition of investment property		-7,304	-9

EURk	Note	2013	2014
Loans		-79,950	-120,923
Repayment of loans		83,959	76,202
Other investments		-143	-111
Acquisition of intangible assets		-10,903	-14,767
Net cash used in investing activities		**-37,930**	**-64,488**
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Capital increase		25,856	9,812
Interest-bearing borrowings		117,336	213,962
Repayment of borrowings		-122,286	-265,347
Bonds issued		0	73,000
Net cash used in financing activities		**20,906**	**31,427**
Net change in cash and cash equivalents		-4,068	-4,650
Cash and cash equivalents at beginning of period		18,972	14,904
Cash and cash equivalents at end of period		14,904	10,254

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

			Revenure reserves					Retained earnings			
EURk	Share capital	Share premium	Legal reserves	Statutory reserves	Treasury share reserve	Other revenue reserves	Treasury shares	Profit or loss from previous periods	Profit or loss for the period	Fair value reserve	Total
Opening balance at 1 Jan 2013	**66,378**	**157,712**	**12,896**	**6,653**	**3,170**	**71,612**	**-3,170**	**151**	**0**	**2,615**	**318,017**
Total comprehensive income for the period											
Profit for the period									2,705		2,705
Total other comprehensive income										1,330	1,330
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**2,705**	**1,330**	**4,035**
Transactions with owners (when acting as owners) recognised directly in equity											0
Contributions by owners and distributions to owners											0
Capital increase	25,862	849									26,711
Costs of capital increase		-856									-856
Creation of statutory reserves				270					-270		0
Transfer of part of profit for 2013 to other reserves						1,217			-1,217		0
Total contributions by owners and distributions to owners	**25,862**	**-7**	**0**	**270**	**0**	**1,217**	**0**	**0**	**-1,487**	**0**	**25,855**
Total transactions with owners	**25,862**	**-7**	**0**	**270**	**0**	**1,217**	**0**	**0**	**-1,487**	**0**	**25,855**
Closing balance at 31 Dec 2013	**92,240**	**157,705**	**12,896**	**6,923**	**3,170**	**72,829**	**-3,170**	**151**	**1,218**	**3,945**	**347,907**

			Revenue reserves					Retained earnings			
EURk	**Share capital**	**Share premium**	**Legal reserves**	**Statutory reserves**	**Treasury share reserve**	**Other revenue reserves**	**Treasury shares**	**Profit or loss from previous periods**	**Profit or loss for the period**	**Fair value reserve**	**Total**
Opening balance at 1 Jan 2014	**92,240**	**157,705**	**12,896**	**6,923**	**3,170**	**72,829**	**-3,170**	**151**	**1,218**	**3,945**	**347,907**
Total comprehensive income for the period											
Profit for the period									6,334		6,334
Total other comprehensive income										1,857	1,857
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**6,334**	**1,857**	**8,191**
Transactions with owners (when acting as owners) recognised directly in equity											0
Contributions by owners and distributions to owners											0
Capital increase	9,682	318									10,000
Costs of capital increase		-188									-188
Creation of statutory reserves				633					-633		0
Transfer of profit or loss from previous period to retained earnings or losses								1,218	-1,218		0
Transfer of part of profit for 2014 to other reserves						2,850			-2,850		0
Total contributions by owners and distributions to owners	**9,682**	**130**	**0**	**633**	**0**	**2,850**	**0**	**1,218**	**-4,701**	**0**	**9,812**
Total transactions with owners	**9,682**	**130**	**0**	**633**	**0**	**2,850**	**0**	**1,218**	**-4,701**	**0**	**9,812**
Closing balance at 31 Dec 2014	**101,922**	**157,835**	**12,896**	**7,556**	**3,170**	**75,679**	**-3,170**	**1,369**	**2,851**	**5,802**	**365,910**

Notes to the Financial Statements

1. Reporting entity

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

The financial statements of the Company have been prepared as at and for the year ended 31 December 2014. The Company is primarily involved in the production and sale of household appliances.

2. Basis of preparation

a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted in the European Union and with the provisions of the Companies act. The financial statements were approved by the Management Board on 3 March 2015.

b) Basis of measurement

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

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

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

c) Functional and presentation currency

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

d) Use of estimates and judgements

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

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

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

- Note 15 and 22 – deferred taxes:
- Notes 17 and 18 and accounting policies 3(e) and 3(g) – valuation of property, plant and equipment and investment property:
- Note 19 and 20 and accounting policies 3(c) and 3(d) – acquisition and disposal of companies;
- Note 30 and the accounting policy (m)(ii) - measurement of liabilities for retirement benefits and jubilee premiums;
- Note 30 – provisions for onerous contracts 3(m) (v);
- Note 30 and the accounting policy 3(m)(i) - provisions for warranties;
- Note 24 - valuation of investments;
- Accounting policy 3(j)(i) - impairment of financial assets, including receivables.

e) Change in accounting policies

The Company has not changed its accounting policies, except where required by the amended IFRSs.

3. Significant accounting policies

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

a) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to EUR (the functional currency of the Company) at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain and loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to EUR at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated to the functional currency using the exchange rate at the date of transaction.

Foreign currency differences arising on retranslation are recognised in the profit or loss, except for differences arising on the retranslation of:

- available-for-sale equity instruments;
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent that the hedge is effective.

b) Financial instruments

(i) Non-derivative financial assets

The Company initially recognises loans, receivables, and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount is presented in the balance sheet when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company classifies non-derivative financial instruments into the following categories: liabilities and receivables, available-for-sale financial assets, cash and cash equivalents.

Liabilities and receivables

Liabilities and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, liabilities and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and an investment (deposit) with maturity (of three months or less). Bank overdrafts that are repayable on demand form an integral part of the Company's current financial liabilities.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Subsequent to initial recognition, they are measured at fair value plus any directly attributable transaction costs.

Fair value changes (see note 3(j)(i)) and foreign currency differences on available-for-sale equity instruments (see note 3(a)) are recognised in other comprehensive income and disclosed in equity or fair value reserves. When available-for-sale financial assets are derecognised or permanently impaired , the gain or loss accumulated in equity is reclassified to profit or loss. Available-for-sale financial assets comprise equity securities and debt securities.

(ii) Non-derivative financial liabilities

The Company initially recognises debt securities issued and subordinated liabilities on the date of their accrual. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans, bank overdrafts, and trade and other payables.

(iii) Share capital

Ordinary shares

Ordinary shares are equity constituent part of share capital. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Repurchase of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and disclosed in equity as a deductible item; in addition treasury share reserve is created. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

Dividends are recognised as a liability in the period in which a resolution on dividend payment is adopted by the General Meeting of Shareholders.

(iv) Derivative financial instruments, including hedge accounting

The Company holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

On initial designation of the derivative as the hedging instrument, the Company formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at the inception of the hedging relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedge

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

When the hedged item is a non-financial asset, the amount accumulated in equity is included in the carrying amount of the asset when the asset is recognised. In other cases, the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognised immediately in profit or loss.

Other derivative financial instruments

When a non-trading derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in profit or loss.

c) Subsidiaries

Investments in subsidiaries are valued at cost. Incremental costs directly attributable to the acquisition of a subsidiary are recognised as an increase in the cost of equity investment. Share of profit is recognized as income when a resolution on payment is adopted by the General Meeting of Shareholders.

d) Associates

Investments in associates are valued at cost. Incremental costs directly attributable to the acquisition of an associate company are recognised as an increase in the cost of equity investment.

e) Property, plant and equipment

(i) Recognition and measurement

Items of property (excluding land), plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowings costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying item of property, plant and equipment were capitalised subject to the following conditions: if the value of individual asset under construction in total sales exceeded 5%, and if the duration of assets under construction exceeded six months.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Fair value model or revaluation model is applied to land. The effect of revaluation is recorded in other comprehensive income. Impairment of land previously increased in value results in a decrease in revaluation surplus in other comprehensive income; otherwise, it is recognised in the income statement.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognised net within other income/other expenses in profit or loss.

(ii) Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on remeasurement of fair value is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the fair value reserve in equity.

(iii) Subsequent expenditure

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and if its cost can be measured reliably. All others costs, such as day-to-day servicing of property, plant and equipment, are recognised in profit or loss as incurred.

(iv) Depreciation

Depreciation is recognised on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment; this method most accurately reflects the expected pattern of the use of the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

Items of property, plant and equipment are depreciated on the first day of the following month, when they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

Estimated useful lives for the current and comparative years are as follows:

buildings	20–50 years
plant and equipment	5–20 years
computer equipment	2–5 years
transportation means	5–20 years
office equipment	5–10 years
tools	5–10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate.

f) Intangible assets

(i) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour, other costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

(ii) Other intangible assets

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iv) Amortisation

Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

patents and trademarks	10 years
capitalised development costs	7 - 10 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

g) Investment property

Investment property is property held either to earn rental income or to increase the value of non-current investment or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is recognised at fair value with any change therein recognised in the income statement.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use, and capitalised borrowing costs.

Property rented to a subsidiary and associate with the conduct of the Company's business activities, is accounted for as an item of property, plant and equipment. Investment property also includes property, of which more than 50% of the available surface area is leased out.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting of depreciation.

h) Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the Company’s balance sheet.

i) Inventories

Inventories of merchandise and goods are measured at the lower of cost and net realisable value. The cost of inventories of materials and merchandise is based on the weighted average price method and includes expenditure incurred in acquiring the inventories, dependent costs and other costs incurred in bringing them to their existing location and condition.

Inventories of products and work in progress are valued at production costs (in broader sense), which in addition to direct costs of material, labour, services, depreciation and part of production costs, include also costs of production overheads, acquisition costs, costs of maintenance and quality assurance overheads, and total costs of research and development.

The standard price method is applied when disclosing inventories of products. Deviations from input (charged) and standard prices are established and accounted on a monthly basis.

Inventories of work in progress and products are not revalued due to value increase. Their write-off is mandatory if the carrying amount exceeds their market value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Decline in value of inventories of work in progress and products due to write-off is credited against change in inventories.

Write-off of obsolete inventories of products and semi-finished products in carried out in compliance with Group's policies.

j) Impairment of assets

(i) Non derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on term that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Company, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant prolonged decline in its fair value below its cost is objective evidence of impairment.

Financial assets measured at amortised cost

The Company considers evidence of impairment for financial assets measured at amortised cost (loans and receivables and held-to-maturity investment securities) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired asset continues to be recognised. When a subsequent event (e.g. repayment of debt by the debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

In line with the accounting policies, the Company considers evidence of impairment for receivables based on the observance of criteria pertaining to the maturity and collateralisation of receivables. Thereafter, it is corrected by an individual estimate.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity, to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in impairment provisions attributable to application of the effective interest method are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite-lived intangible assets that are not yet available for use are tested annually prior to the preparation of financial statements. An impairment loss is recognised if the carrying amount of a cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in the income statement. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

k) Non-current assets classified as held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Company's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property, which continue to be measured in accordance with the Company's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Once classified as held for sale, intangible assets and property, plant and equipment are not amortised or depreciated. In addition, equity accounting of equity-accounted investees ceases once classified as held for sale.

l) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

m) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance expenses.

(i) Warranties for products and services

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(ii) Provisions for retirement benefits and jubilee premiums

In accordance with the statutory requirements, the collective agreement and the internal regulations, the Company is liable to pay jubilee premiums and retirement benefits to its employees. For these obligations, long-term provisions are created.

Provisions are created by discounting, at the reporting date, the estimated future payments of retirement benefits and jubilee premiums. The obligation is calculated separately for each employee by estimating the costs of retirement benefits and the costs of all expected jubilee premiums until retirement. The balance of provisions is verified on a three-year basis based on a calculation that has been made by a certified actuary.

As from 1 January 2013, actuarial gains and losses arising on provisions for retirement benefits and jubilee premiums are recognised in other comprehensive income in compliance with the amended IAS 19. Company's accounting policy was changed as required under the stated amendments to IAS 19. Company's management assesses that the relevant change has no significant impact on the company's financial statements for the current and previous period, hence no retrospective restatement is required.

(iii) Restructuring

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating expense is not provided for.

(iv) Site restoration

In accordance with the Company's published environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land, and the related expense, is recognised when the land is contaminated.

(v) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

n) Revenue

(i) Revenue from sale of products, goods and materials

Revenue from the sale of products, goods and materials in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, resale rebates, and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement. For sales of goods, usually transfer occurs when the product is received at the customer's warehouse; however, for some international shipments transfer occurs upon loading the goods onto the relevant carrier at the port. Generally for such products the customer has no right of return.

(ii) Revenue from services rendered

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

When the services under a single arrangement are rendered in different reporting periods, the consideration is allocated on a relative fair value basis between the services.

(iii) Commission

When the Company acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Company.

(iv) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as other income.

o) Government grants

Government grants are recognised initially as deferred income when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant and are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Company for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

p) Finance income and finance expenses

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, gains on the remeasurement to fair value of any pre-existing interest in an acquiree, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the shareholder's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise borrowing costs (part of borrowing costs can be capitalised within property, plant and equipment), exchange losses, impairment losses on financial assets, and losses on hedging instruments that are recognised in income statement. Borrowing costs that are not directly attributable to the acquisition of a qualifying asset in construction or production are recognised in income statement using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance expenses.

r) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted.

Deferred tax (is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

s) Basic earnings per share

The Company presents basic earnings per share that equals the diluted earnings per share since the Company has not issued preference shares or floating-rate bonds. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

t) Comparable information

Comparative information has been harmonised with the presentation of information in the current year. Where required, adjustment of comparative information has been carried out in order to comply with the presentation of information in the current year.

u) New standards and interpretations applicable in the current period

Following standards, amendments to existing standards and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the EU apply:

- IFRS 10 'Consolidated Financial Statements' adopted by the EU as at 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 11 'Joint Arrangements' adopted by the EU as at 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 12 'Disclosure of Interests in Other Entities' adopted by the EU as at 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IAS 27 (amended in 2011) 'Separate Financial Statements' adopted by the EU as at 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IAS 28 (amended in 011) 'Investments in Associates and Joint Ventures' adopted by the EU as at 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements' and IFRS 12 'Disclosure of Interests in Other Entities' - Transition Guidance, adopted by the EU as at 4 April 2013 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 12 'Disclosure of Interests in Other Entities' and IAS 27 (amended in 2011) 'Separate Financial Statements' - Investment Entities, adopted by the EU as at 20 November 2013 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 32 'Financial Instruments: Presentation' – Offsetting Financial Assets and Financial Liabilities, adopted by the EU as at 13 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 36 'Impairment of Assets' Recoverable Amount Disclosures for Non-Financial Assets, adopted by the EU as at 19 December 2013 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 39 'Financial Instruments: Recognition and Measurement' – Novation of Derivatives and Continuation of Hedge Accounting, adopted by the EU as at 19 December 2013 (effective for annual periods beginning on or after 1 January 2014).

Adoption of the relevant amendments to the existing standards did not result in any change of the Company's accounting policies.

v) New standards and interpretations not yet adopted

The following new standards and interpretations are not yet effective for the annual period ended 31 December 2014 and have not been applied in preparing the financial statements hereunder:

- A collection of amendments to various IFRSs 'Annual Improvements to IFRSs 2010-2012 Cycle' (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38), in response to eliminate inconsistency and provide clarification of wording in IFRSs, which were adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),
- A collection of amendments to various IFRSs 'Annual Improvements to IFRSs 2011-2013 Cycle' (IFRS 1, IFRS 3, IFRS 13 and IAS 40), in response to eliminate inconsistency

and provide clarification of wording in IFRSs, which were adopted by the EU on 18 December 2014 (effective for annual periods beginning on or after 1 January 2015),

- Amendments to IAS 19 ‘Employee Benefits’ - Defined Benefit Plans: Employee Contributions, which were adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),
- IFRIC 21 ‘Levies’, which was adopted by the EU on 13 June 1014 (effective for annual periods beginning on or after 17 June 2014).

Standards and interpretations issued by the IASB but not yet adopted by the EU

At present the IFRSs, as adopted by the EU, do not significantly differ from regulations adopted by IASB, except for following standards, amendments to existing standards and interpretations, which as of the date of approval of financial statements were not yet effective in EU:

- IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 1 January 2018),
- IFRS 14 'Regulatory Deferral Accounts' (effective for annual periods beginning on or after 1 January 2016),
- IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 1 January 2017),
- Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 12 ' Disclosure of Interests in Other Entities ' and IAS 28 'Investments in Associates and Joint Ventures' – Investment Entities: consolidation exceptions (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IFRS 11 'Joint Arrangements' – Accounting for acquisitions of interests in joint operations (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 1 'Presentation of Financial Statements' – Disclosure initiative (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets' – Clarification of acceptable methods of depreciation and amortisation (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 16 'Property, Plant and Equipment' and IAS 41 'Agriculture' - Agriculture: Bearer Plants (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 27 'Separate Financial Statements' – Equity method at separate financial statements (effective for annual periods beginning on or after 1 January 2016),
- A collection of amendments to various IFRSs ‘Annual Improvements to IFRSs 2012-2014 Cycle' (IFRS 5, IFRS 7, IFRS 19 and MRS 34), in response to eliminate inconsistency and provide clarification of wording in IFRSs (effective for annual periods beginning on or after 1 January 2016).

The Company does not expect the new standards, amendments to existing standards and interpretations to have a material impact on the financial statements during the early application.

In addition, hedge accounting in connection with financial assets and liabilities that was not adopted by the EU yet, remains non-regulated.

The Company assesses that hedge accounting in connection with financial assets and liabilities pursuant to provisions of IAS 39: »Financial Instruments: Recognition and Measurement« would not significantly impact the Company's financial statements if applied as at the balance sheet date.

4. Determination of fair value

A number of the Company’s accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably. The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate. Depreciated replacement cost estimates reflect adjustments for physical deterioration as well as functional and economic obsolescence.

A revaluation of land is based on the independent valuer’s report and is carried out every five years. The Company examines, on an annual basis, if revaluation of land is required.

(ii) Intangible assets

The fair value of patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the patent or trademark being owned.

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(iii) Investment property

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Company’s investment property portfolio every five years. Assessments are carried out in the intermediate period to determine whether any revaluations are required to be made. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

In the absence of current prices in an active market, the valuations are prepared by considering the estimated rental value of the property. A market yield is applied to the estimated rental value to arrive at the gross property valuation. When actual rents differ materially from the estimated rental value, adjustments are made to reflect actual rents.

Valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the Company and the lessee, and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time.

(iv) Investments in debt and equity securities

The fair value of equity and debt securities is determined by reference to their quoted closing bid price at the reporting date, or if unquoted, determined using a valuation technique. Valuation techniques employed include market multiples and discounted cash flow analysis using expected future cash flows and a market-related discount rate. The fair value of held-to-maturity investments is determined for disclosure purposes only.

(v) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Trade and other receivables are not discounted due to short-term maturity. However, impairment to fair value is considered.

(vi) Forward exchange contracts and interest rate swaps

The fair value of forward exchange contracts is based on their quoted price, if available. If a quoted price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a credit-adjusted risk-free interest rate (based on government bonds).

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group and counterparty when appropriate.

(vii) Other non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

5. Capital management

Capital management is outlined within the Group's financial statements.

6. Segment reporting

The Company has no reportable segments. Segment information is presented in the consolidated financial statements of the Gorenje Group.

7. Statement of cash flows

The statement of cash flows has been compiled under the indirect method on the basis of items in the balance sheet at 31 December 2014, the balance sheet at 31 December 2013, the income statement for the year ended 31 December 2014, and additional information required for the adjustment of inflows and outflows.

Note 8 – Revenue EUR 687,210k

EURk	2013	2014
Revenue from the sale of products – Homeestic market	15,609	15,828
Revenue from the sale of products – foreign market	386,796	410,989
Revenue from the sale of merchandise – Homeestic market	43,258	39,419
Revenue from the sale of merchandise – foreign market	147,337	151,574
Revenue from the sale of services – Homeestic market	5,379	4,575
Revenue from the sale of services – foreign market	18,358	22,060
Revenue from the sale of materials and semi-finished products – Homeestic market	12,368	14,936
Revenue from the sale of materials and semi-finished products – foreign market	35,539	27,829
Total	**664,644**	**687,210**

Revenue from the sale to subsidiaries in the Gorenje Group is recorded at EUR 528,839k (2013: EUR 498,148k) indicating an increase of 6.2% over the 2013 balance.

Note 9 – Other operating income EUR 10,252k

EURk	2013	2014
Income from subsidies and donations	1,192	997
Income from license fees	3,902	4,403
Rental income	2,705	2,357
Income from compensation in damages	4,153	687
Income from reversal of long-term provisions	2,087	1,109
Gain on sale of property, plant and equipment	506	37
Gain on sale of investment property	0	83
Gain on revaluation of investment property and art works	2,416	0
Other operating income	258	579
Total	**17,219**	**10,252**

Other operating income disclosed at EUR 6,449k refers to subsidiaries (2013: EUR 6,628k). Income from license fees includes allowances charged under the use of the Gorenje trademark rights and fees for the use of software licences. Income from compensation in damages refers to charged damages under contractual relationships.

Rental income

EURk	2013	2014
Rentals - up to 1 year (Gorenje Group companies)	2,097	1,879
Rentals - up to 1 year (other companies)	608	478
Total	**2,705**	**2,357**

Rental income relates primarily to real property, which is partly used by the Company and in part leased out to subsidiaries.

Note 10 – Cost of goods, materials and services EUR 555,271k

EURk	2013	2014
Cost of goods sold	194,323	189,094
Cost of materials	269,665	290,609
Cost of services	78,730	75,568
Total	**542,718**	**555,271**

Cost of services that arises on transactions with subsidiaries in the Group are recorded at EUR 26,404k (2013: EUR 23,998k). Cost of services includes cost of provisions for warranties in the amount of EUR 7,512k (2013: EUR 11,268k).

Cost of services includes cost of rentals in the amount of EUR 3,256k (2013: EUR 3,100k).

The table below shows the minimum rental payments under operating lease (Company as lessee) as at the year-end of 2014.

EURk	2014
Up to 1 year	1,966
More than 1 and up to 5 years	1,798
More than 5 years	518
Total	**4,282**

Note 11 – Employee benefits expense EUR 96,898k

EURk	2013	2014
Wages and salaries	66,569	68,206
Social security costs	12,920	13,659
Provisions for retirement benefits and jubilee premiums	147	43
Other employee benefits expense	13,039	14,990
Total	**92,675**	**96,898**

The item of social security costs comprises costs of voluntary, additional, collective pension insurance in the amount of EUR 2,383k (2013: EUR 2,254k). In 2014, the average number of employees calculated based on working hours was 4,121.33 (2013: 4,169.26 employees).

Employee benefits expense increased by 4.6% compared to the previous year and is the result of adjusting the said expenses with the collective agreement and the employment legislation, and of removing the extraordinary measure that decreased wages of higher-paid employees and still applied in the first half-year of 2013.

Note 12 – Amortisation and depreciation expense EUR 21,618k

EURk	2013	2014
Amortisation expense of intangible assets	2,924	3,172
Depreciation expense of property, plant and equipment	15,411	18,446
Total	**18,335**	**21,618**

In respect to 2013, amortisation and depreciation expenses increased by 17.9% as a result of relocating the equipment for manufacturing dishwashers and dryers from Sweden, which was completed in the second half-year of 2013.

Note 13 – Other operating expenses EUR 5,631k

EURk	2013	2014
Write-off of plant and equipment	651	32
Write-down of inventories to net realisable value	1,526	2,002
Other taxes and charges	1,443	1,662
Environmental levies	742	734
Scholarships	210	298
Creation of provisions for litigations	839	200
Other expenses	382	703
Total	**5,793**	**5,631**

Other taxes and charges include charges for the use of the building plot, water charge, environmental taxes, and other mandatory taxes and charges. Other expenses primarily comprise compensations relating to operations.

Note 14 – Net finance expenses EUR 12,007k

Finance income EUR 16,578k

EURk	2013	2014
Dividend income and income from other profit shares	8,197	5,349
Interest income on transactions with Group companies	5,500	6,878
Interest income on transactions with other companies	628	479
Change in fair value of forward exchange contracts	0	2,096
Net exchange gains	0	1,258
Gain on disposal of available-for-sale financial assets	0	10
Other finance income	3,965	508
Total	**18,290**	**16,578**

Dividend income and income from other profit shares recorded at EUR 5,300k refer to dividends paid by subsidiaries.

Other finance income includes income from commissions on loan guarantees issued to subsidiaries and third parties, and from elimination of allowances for receivables from previous periods, which were paid or reversed.

Finance expenses EUR 28,585k

EURk	2013	2014
Interest expenses on transactions with Group companies	1,634	2,305
Interest expenses on transactions with other companies	13,237	14,135
Change in fair value of interest rate swaps	0	570
Expenses on interest rate swaps transactions	2,466	1,902
Change in fair value of forward exchange contracts	209	0
Expenses on forward exchange contracts	26	75
Expenses on net exchange differences	629	0
Impairment of investments in subsidiaries	2,800	2,132
Impairment of investments in associates	0	600
Impairment loss on available-for-sale financial assets	9,695	1
Impairment loss on trade receivables	669	327
Impairment loss on loans	5,934	762
Other finance expenses	1,358	5,776
Total	**38,657**	**28,585**

Impairment of investments in associates refers to companies Gorenje Keramika d.o.o. and Indop, d.o.o. The impairment of investments made in associates applies to the company RCE – Razvojni center energija, d.o.o.

The fair value of trade receivables and loans is ensured through the impairment of trade receivables and loans in the amount of EUR 1,089k (2013: EUR 6,603k). With respect to contractual provisions, the impairment of loans given refers to the company Arosa Mobilia, d.o.o. and the loan to RCE – Razvojni center energija, d.o.o.

Other finance expenses include primarily derecognised accrued income in connection with compensations not invoiced in the amount of EUR 2.2m, and provisions formed for the expected collection of the bank guarantee in the amount of EUR 1.1m.

Finance income and expenses recognised directly in other comprehensive income (net)

EURk	2013	2014
Net change in fair value of available-for-sale financial assets	-1	-35
Net change in fair value of available-for-sale financial assets, reclassified to profit or loss	0	0
Net change in effective portion of gains and losses on hedging instruments in a cash flow hedge	-422	-580
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge, reclassified to profit or loss	2,466	2,472
Net change in fair value of investments in subsidiaries, reclassified to profit or loss	-713	0
Finance income / expense recognised in other comprehensive income	**1,330**	**1,857**

Net effect from the statement of comprehensive income is shown in the above table; it does not, however, include a change in fair value of land.

Note 15 – Income tax expense EUR 392k

Income tax expense at EUR 392k represents the effect of the changed value of deferred tax assets, as the income tax calculation actually discloses a positive tax base in the amount of EUR 7.3m for which tax incentives are utilised. Changes in deferred tax are attributable primarily to unutilised investment-related tax incentives for 2014. The relocation of the washing machine and dishwasher production from Sweden to Slovenia is expected to result in positive effects also in future periods.

The Company has not formed any deferred tax assets in 2014 referring to tax incentives for research and development in the amount of EUR 2,165k (2013: EUR 1,907k) that are to be utilised by 2019.

EURk	2013	2014
Current tax expense	0	0
Deferred tax	8,026	392
Total	**8,026**	**392**

Effective income tax rates calculated based on the commercial balance sheet:

EURk	2013	2013	2014	2014
Profit or loss before tax		**-5,321**		**5,942**
Income tax using the Homeestic tax rate	17.00%	-905	17.00%	1,010
Non-deductible expenses	-4.03%	214	22.87%	1,359
Tax exempt income	53.14%	-2,828	-17.60%	-1,046
Unused tax losses and tax incentives relating to deferred tax	84.72%	-4,507	-28.87%	-1,715
Income tax expense	**150.83%**	**-8,026**	**-6.60%**	**-392**

The following deferred tax amounts were recognised in other comprehensive income:

	2013		
EURk	Pre-tax amount	Tax	After-tax amount
Change in fair value of available-for-sale financial assets	-1	0	-1
Change in fair value of available-for-sale financial assets, reclassified to profit or loss	0	0	0
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge	-5	-417	-422
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge, reclassified to profit or loss	2,466	0	2,466
Net change in fair value of investments in subsidiaries, reclassified to profit or loss	-713	0	-713
Total	**1,747**	**-417**	**1,330**

	2014		
EURk	Pre-tax amount	Tax	After-tax amount
Change in fair value of available-for-sale financial assets	-41	6	-35
Change in fair value of available-for-sale financial assets, reclassified to profit or loss	0	0	0
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge	-192	-388	-580
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge, reclassified to profit or loss	2,472	0	2,472
Net change in fair value of investments in subsidiaries, reclassified to profit or loss	0	0	0
Total	**2,239**	**-382**	**1,857**

Note 16 – Intangible assets (IA) EUR 33,247k

EURk	2013	2014
Development costs	7,908	18,627
Industrial property rights	4,319	3,891
Intangible assets under construction	9,424	10,729
Total	**21,651**	**33,247**

Movements in intangible assets in 2013

EURk	Development costs	Industrial property rights	Intangible assets under construction	Total
Cost at 1 Jan 2013	**21,097**	**14,584**	**928**	**36,609**
Acquisition			10,903	10,903
Disposal, write-down		-1,047		-1,047
Transfer	2,034	373	-2,407	0
Cost at 31 Dec 2013	**23,131**	**13,910**	**9,424**	**46,465**
Accumulated amortisation at 1 Jan 2013	**13,150**	**9,189**	**0**	**22,339**
Disposal, write-down		-449		-449
Amortisation	2,073	851		2,924
Accumulated amortisation at 31 Dec 2013	**15,223**	**9,591**	**0**	**24,814**
Carrying amount at 1 Jan 2013	**7,947**	**5,395**	**928**	**14,270**
Carrying amount at 31 Dec 2013	**7,908**	**4,319**	**9,424**	**21,651**

Movements in intangible assets in 2014

EURk	Development costs	Industrial property rights	Intangible assets under construction	Total
Cost at 1 Jan 2014	**23,131**	**13,910**	**9,424**	**46,465**
Acquisition			14,768	14,768
Disposal, write-down		-14		-14
Transfer	13,018	445	-13,463	0
Cost at 31 Dec 2014	**36,149**	**14,341**	**10,729**	**61,219**
Accumulated amortisation at 1 Jan 2014	**15,223**	**9,591**	**0**	**24,814**
Disposal, write-down		-14		-14
Amortisation	2,299	873		3,172
Accumulated amortisation at 31 Dec 2014	**17,522**	**10,450**	**0**	**27,972**
Carrying amount at 1 Jan 2014	**7,908**	**4,319**	**9,424**	**21,651**
Carrying amount at 31 Dec 2014	**18,627**	**3,891**	**10,729**	**33,247**

The relevant increase in development costs largely refers to new advanced products that are developed by competence centres of individual programmes (EUR 12,758k) and to the development of packaging (EUR 260k). Costs of services referring to development and recognised in the income statement amounted to EUR 2,616k. As for the item of industrial property rights, additions refer mostly to purchasing new and upgrading the existing licences (EUR 342k), and to the information system upgrade (EUR 103k).

The item of intangible assets under construction primarily refers to the development of new advanced products (new versions of the H-BIO oven and new dishwashers, washing machines and dryers) developed by competence centres in Velenje and in ASTKO Sweden (EUR 9,232k).

Note 17 – Property, plant and equipment (PPE) EUR 180,660k

EURk	2013	2014
Land	20,365	21,294
Buildings	51,746	54,068
Production and other equipment	90,792	90,035
Property, plant and equipment under construction	7,765	15,263
Total	**170,668**	**180,660**

Movements in property, plant and equipment in 2013

EURk	Land	Buildings	Production and other equipment	PPE under construc-tion	Total
Cost at 1 Jan 2013	**20,365**	**153,157**	**388,674**	**12,420**	**574,616**
Acquisition				40,732	40,732
Disposal, write-down		-36	-17,516		-17,552
Transfer		2,599	42,788	-45,387	0
Cost at 31 Dec 2013	**20,365**	**155,720**	**413,946**	**7,765**	**597,796**
Accumulated depreciation at 1 Jan 2013	**0**	**100,822**	**327,046**	**0**	**427,868**
Disposal, write-down		-9	-16,142		-16,151
Depreciation		3,161	12,250		15,411
Accumulated depreciation at 31 Dec 2013	**0**	**103,974**	**323,154**	**0**	**427,128**
Carrying amount at 1 Jan 2013	**20,365**	**52,335**	**61,628**	**12,420**	**146,748**
Carrying amount at 31 Dec 2013	**20,365**	**51,746**	**90,792**	**7,765**	**170,668**

Movements in property, plant and equipment in 2014

EURk	Land	Buildings	Production and other equipment	PPE under construc-tion	Total
Cost at 1 Jan 2014	**20,365**	**155,720**	**413,946**	**7,765**	**597,796**
Acquisition				28,820	28,820
Disposal, write-down		-2	-11,915		-11,917
Transfer from investment property	929	4,506		-5,435	0
Transfers		1,015	14,872	-15,887	0
Cost at 31 Dec 2014	**21,294**	**161,239**	**416,903**	**15,263**	**614,699**
Accumulated depreciation at 1 Jan 2014	**0**	**103,974**	**323,154**	**0**	**427,128**
Disposal, write-down		-1	-11,534		-11,535
Depreciation		3,198	15,248		18,446
Accumulated depreciation at 31 Dec 2014	**0**	**107,171**	**326,868**	**0**	**434,039**
Carrying amount at 1 Jan 2014	**20,365**	**51,746**	**90,792**	**7,765**	**170,668**
Carrying amount at 31 Dec 2014	**21,294**	**54,068**	**90,035**	**15,263**	**180,660**

Land EUR 21,294k

Land was appraised at the end of 2013 by an independent certified appraiser of real property. The valuation effect was recorded at EUR 1,623k. If land was disclosed at cost, the book value would amount to EUR 13,839k.

Increase is attributable to the transfer from investment properties, which were purchased from Gorenje Notranja oprema, d.o.o. (Velenje and Šoštanj) in 2013, whereas the Company started to use them for its own purpose in 2014.

Land is not pledged as collateral for outstanding loan liabilities.

Buildings EUR 54,068k

A growth in the value of buildings in the amount of EUR 5,521k is mostly the result of the transfer from investment properties, which were purchased from Gorenje Notranja oprema, d.o.o. (Velenje and Šoštanj) in 2013 and started to be used by the Company in the second half-year of 2014 (EUR 4,506k). The residual amount refers to the renovation of business premises and production facilities.

A decrease in value of land is the result of depreciation accounted. Buildings were appraised at the end of 2013 by an independent certified appraiser of real property. The valuation effect under the stated method amounted to EUR -1,230k.

Buildings are not pledged as collateral for outstanding loan liabilities.

Production and other equipment EUR 90,035k

The increase in value of equipment is attributable to capitalised technological equipment acquired and commissioned in 2014.

In 2014, investments in new equipment, reconstruction and upgrade of the production equipment were made in the amount of EUR 4,609k, and of the mechanical hardware in the amount of EUR 1,056k. Investments made in new tools and upgrades of the old tools amounted to EUR 8,191k, and in computer equipment to EUR 382k. Investments in modernising transport means were recorded at EUR 738k.

The decrease in value of equipment refers to sale of equipment, the disposal of obsolete equipment, and depreciation expense.

At the end of 2013, the appraisal of plant and equipment was carried out and no conditions leading to impairment were established.

Property, plant and equipment under construction EUR 15,263k

The item of property, plant and equipment under construction relates to the equipment that shall be activated in the first half-year of 2015 and includes certain development projects in progress, as well as tools. It refers largely to the equipment used in the Panasonic project of washing machines and dryers (EUR 8,521k). Expenses relating to investment property and comprising costs of repairs and maintenance were in 2014 recorded at EUR 377k. The item of expenses includes also costs referring to investment property purchased from Gorenje Notranja oprema, d.o.o. (Velenje and Šoštanj), which were transferred among property, plant and equipment as at the year-end of 2014.

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Note 18 – Investment property EUR 16,729k

EURk	2013	2014
Land and buildings	25,361	16,729
Total	**25,361**	**16,729**

Investment property includes land and buildings intended for resale or increase of investment property. In association with investment property, rental income in the amount of EUR 121k (2013: EUR 225k) was recognised in the income statement.

Movements in investment property

EURk	2013	2014
Balance at 1 January	**16,147**	**25,361**
Acquisition	7,303	9
Revaluation	2,364	0
Transfer to land and buildings	0	-5,435
Disposal	-453	-3,206
Balance at 31 December	**25,361**	**16,729**

Investment property is measured using the fair value model. Investment property was appraised by an independent certified appraiser at the end of 2013 and showed an increase in value in the amount of EUR 2,364k. Transfer to land and buildings includes investment properties that were purchased from Gorenje Notranja oprema, d.o.o. (Velenje and Šoštanj) in 2013 and started to be used by the Company in the second half-year of 2014. The decline is attributable to the sale of investment properties acquired in 2013 from Gorenje Notranja oprema, d.o.o. (Nazarje), and to the sale of apartments.

Note 19 – Investments in subsidiaries EUR 238,363k

EURk	Equity interest	Equity of company 2014	Profit or loss of company 2014	Investment at 31 Dec 2013	Investment at 31 Dec 2014
Gorenje I.P.C., d.o.o., Velenje	100.00%	6,310	408	377	377
Gorenje design studio, d.o.o., Velenje	52.00%	317	2	260	260
ERICo, d.o.o., Velenje	0.00%	1,381	50	256	0
ENERGYGOR, d.o.o.,Velenje	100.00%	182	5	58	58
Gorenje Keramika, d.o.o., Velenje	100.00%	1,556	-1,311	7,990	6,858
Gorenje GTI, d.o.o., Velenje	100.00%	5,502	99	3,934	3,934
Gorenje GSI, d.o.o., Ljubljana	100.00%	5,199	-130	4,861	4,861
Gorenje Gostinstvo, d.o.o., Velenje	100.00%	6,638	560	5,958	5,958
Gorenje Orodjarna, d.o.o., Velenje	100.00%	3,865	290	3,038	3,038
Indop, d.o.o., Šoštanj	100.00%	617	68	1,000	0
Gorenje GAIO, d.o.o., Šoštanj	100.00%	464	21	800	800
Gorenje Surovina, d.o.o., Maribor	85.80%	24,058	2,438	23,489	23,495
ZEOS, d.o.o., Ljubljana	51.00%	1,114	172	243	243
Gorenje Zagreb, d.o.o., Croatia	100.00%	6,697	-5,372	17,230	21,730
ST Bana Nekretnine, d.o.o., Serbia	1.61%	2,641	-145	50	50
Gorenje Tiki, d.o.o., Serbia	100.00%	26,332	2,815	23,306	23,306
Gorenje Home, d.o.o., Serbia	100.00%	5,971	1,142	3,001	3,001
Gorenje Skopje, d.o.o., Macedonia	100.00%	1,395	-41	538	538
Mora Moravia s r.o., Czech Republic	67.95%	19,425	3,791	8,750	8,750
Gorenje Nederland BV, the Netherlands	100.00%	132,036	140	131,106	131,106
Gorenje-kuchyně spol. S r.o., Czech Republic	100.00%	152	466	0	0
Total		**251,852**	**5,468**	**236,245**	**238,363**

Movement of investments in subsidiaries

EURk	2013	2014
Balance at 1 January	**232,447**	**236,245**
Increase	6,600	4,506
Decrease	-2	-256
Impairment	-2,800	-2,132
Balance at 31 December	**236,245**	**238,363**

Increase in investments in Gorenje Group's subsidiaries includes:

- share capital increase in Gorenje Zagreb, d.o.o. in the amount of EUR 4,500k,
- acquisition of equity interest in Gorenje Surovina, d.o.o. in the amount of EUR 6k.

The respective decline is attributable to the sale of the subsidiary ERICo, d.o.o., Velenje to the subsidiary Gorenje Surovina, d.o.o., Maribor.

Impairment applies to subsidiaries Gorenje Keramika, d.o.o. and Indop, d.o.o.

Note 20 – Investments in associates EUR 341k

EURk	Equity interest	Equity of company 2014	Profit or loss of company 2014	Investment at 31 Dec 2013	Investment at 31 Dec 2014
GGE, d.o.o., Ljubljana	33.33%	965	250	200	200
ECONO projektiranje, d.o.o., Ljubljana	0.00%	185	5	35	0
RCE, d.o.o., Velenje	24.00%	-2,790	-2,188	600	0
Gorenje Projekt, d.o.o., Velenje	50.00%	939	6	141	141
Total		**-701**	**-1,927**	**976**	**341**

Movement of investments in associates in 2014

EURk	Investments in associates
Balance at 1 January 2014	**976**
Increase	0
Decrease	-35
Impairment	-600
Balance at 31 December 2014	**341**

The decline in investments in associates resulted from the sale of the company ECONO projektiranje, d.o.o. to the subsidiary Gorenje Surovina, d.o.o., Maribor. Impairment refers to investments made in RCE - Razvojni center energija, d.o.o.

List of Group companies that are not directly owned by Gorenje, d.d. Group companies are owners up to a certain percentage as disclosed in the table below:

EURk	Equity interest	Equity of company 2014	Profit or loss of company 2014
KEMIS, d.o.o., Vrhnika	99.98%	6,731	741
PUBLICUS, d.o.o., Ljubljana	50.99%	1,684	377
EKOGOR, d.o.o., Jesenice	74.99%	138	3
Gorenje Beteiligungs GmbH, Austria	100.00%	42,994	139
Gorenje Austria Handels GmbH, Austria	100.00%	3,955	4
Gorenje Vertriebs GmbH, Germany	100.00%	8,553	13
Gorenje Körting Italia S.r.l., Italy	100.00%	168	-771
Gorenje France S.A.S., France	100.00%	-402	-996
Gorenje Belux S.a.r.l., Belgium	100.00%	-784	-804
Gorenje Espana S.L., Spain	100.00%	-182	-14
Gorenje UK Ltd., Great Britain	100.00%	-1,186	-1,215
Gorenje Group Nordic A/S, Denmark	100.00%	2,474	-2,832
Gorenje AB, Sweden	100.00%	245	9
Gorenje OY, Finland	100.00%	307	-41
Gorenje AS, Norway	100.00%	-112	-285
Gorenje spol. s r.o., Czech Republic	100.00%	7,392	370
Gorenje real spol. s r.o., Czech Republic	100.00%	9,437	-274
Gorenje Slovakia s.r.o., Slovakia	100.00%	2,197	87
Gorenje Magyarország Kft., Hungary	100.00%	771	-976
Gorenje Polska Sp. z o.o., Poland	100.00%	5,995	-649
Gorenje Bulgaria EOOD, Bulgaria	100.00%	3,996	65
Gorenje Commerce, d.o.o., Bosnia and Herzegovina	100.00%	3,715	614
Gorenje, d.o.o., Serbia	100.00%	8,103	-529
Gorenje Podgorica, d.o.o., Montenegro	99.97%	2,867	-147
Gorenje Romania S.r.l., Romania	100.00%	450	-219

EURk	Equity interest	Equity of company 2014	Profit or loss of company 2014
Gorenje aparati za Homeaćinstvo, d.o.o., Serbia	100.00%	39,433	868
Gorenje - kuchyně spol. S r.o., Czech Republic	100.00%	152	466
KEMIS-Termoclean, d.o.o., Croatia	99.98%	1,581	-684
Kemis - BH, d.o.o., Bosnia and Herzegovina	99.98%	505	34
Gorenje Studio, d.o.o., Serbia	100.00%	1,877	-393
Gorenje Gulf FZE, United Arab Emirates	100.00%	270	-312
Gorenje Istanbul Ltd., Turkey	100.00%	394	-344
Gorenje TOV, Ukraine	100.00%	-828	-1,126
Kemis Valjevo, d.o.o, Serbia	99.98%	1,428	48
Kemis – SRS, d.o.o., Bosnia and Herzegovina	99.98%	36	-89
ATAG Nederland BV, the Netherlands	100.00%	35,826	8,551
ATAG België NV, Belgium	100.00%	1,129	-75
Intell Properties BV, the Netherlands	100.00%	1,655	-32
Gorenje Kazakhstan, TOO, Kazakhstan	100.00%	708	1
»Euro Lumi & Surovina« SH.P.K., Kosovo	50.99%	493	-74
OOO Gorenje BT, Russia	100.00%	8,164	-6,125
Gorenje GTI, d.o.o., Serbia	100.00%	109	64
Asko Appliances AB, Sweden	100.00%	12,835	960
Gorenje North America, Inc., USA	100.00%	843	-77
Asko Appliances Pty, Australia	100.00%	5,823	46
Asko Appliances OOO, Russia	100.00%	-383	-801
»Gorenje Albania« SHPK, Albania	100.00%	132	47
ORSES d.o.o., Serbia	100.00%	488	6
Gorenje Corporate GmbH, Austria	100.00%	36	1
Cleaning System S, d.o.o., Serbia	75.99%	927	-75
Zeos eko-sistem d.o.o., Bosnia and Herzegovina	49.45%	483	50
Gorenje Studio d.o.o., Ljubljana	100.00%	-192	-198
Gorenje Asia Ltd., China	100.00%	527	321
Gorenje MDM, d.o.o., Serbia	100.00%	958	9
Gorenje Surovina Fotoreciklaža, d.o.o., Maribor	50.99%	13	-98
Gorenje do Brasil Ltda., Brasil	100.00%	-595	-515
Gorenje Solarna energija Solago, d.o.o., Serbia	100.00%	-39	-37
Gorenje Sola-Home, d.o.o., Serbia	100.00%	-26	-26
Gorenje Ekologija, d.o.o., Serbia	100.00%	1,247	0
Total		**225,515**	**-6,939**

Note 21 – Other non-current investments EUR 689k

Other non-current investments include non-current loans in the amount of EUR 17k (2013: EUR 19k) and other non-current investments in the amount of EUR 672k (2013: EUR 671k). The increase is attributable to the acquisition of the equity interest in the company VAN d.o.o., Velenje.

As for the structure of total non-current investments, the Company is not exposed to higher financial risks since most of these investments refer to subsidiaries.

Movements in other non-current investments

EURk	2013	2014
Opening balance at 1 January	**619**	**671**
Increase	52	1
Decrease	0	0
Closing balance at 31 December	**671**	**672**

Movements in loans

EURk	2013	2014
Opening balance at 1 January	**42**	**19**
Increase	0	0
Decrease	-23	-2
Reposting to current investments	0	0
Closing balance at 31 December	**19**	**17**

Loans by maturity

EURk	2013	2014
Maturity from 1 to 2 years	19	17
Maturity from 2 to 3 years	0	0
Maturity from 3 to 4 years	0	0
Maturity from 4 to 5 years	0	0
Maturity over 5 years	0	0
Total	**19**	**17**

No non-current loans were recorded as at the year-end of 2014, except housing loans under the Housing Act of 1991.

Breakdown of non-current loans to specific groups of persons

No non-current loans were granted to Management Board members, Supervisory Board members, and internal owners.

Note 22 – Deferred tax assets and liabilities

	Tax assets		Tax liabilities		Tax assets – Tax liabilities	
EURk	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**
PPE	36	52	1,268	1,268	-1,232	-1,216
Investments	1,406	1,406	20	14	1,386	1,392
Tax differences on taxed profit shares	0	0	0	0	0	0
Receivables	723	738	0	0	723	738
Provisions for retirement benefits and jubilee premiums	1,327	1,259	0	0	1,327	1,259
Provisions for warranties	938	893	0	0	938	893
Unused tax losses	7,480	7,480	0	0	7,480	7,480
Unused tax incentives	6,241	6,715	0	0	6,241	6,715
Cash flow hedge – interest rate swaps	481	93	0	0	481	93
Total	**18,632**	**18,636**	**1,288**	**1,282**	**17,344**	**17,354**

	Tax assets – Tax liabilities		Through profit or loss		Through other comprehensive income	
EURk	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**
PPE	-1,232	-1,216	-14	16	0	0
Investments	1,386	1,392	3	0	0	6
Tax differences on taxed profit shares	0	0	-265	0	0	0
Receivables	723	738	-109	15	0	0
Provisions for retirement benefits and jubilee premiums	1,327	1,259	-104	-68	0	0
Provisions for warranties	938	893	138	-45	0	0
Unused tax losses	7,480	7,480	3,868	0	0	0
Unused tax incentives	6,241	6,715	4,509	474	0	0
Cash flow hedge – interest rate swaps	481	93	0	0	-417	-388
Total	**17,344**	**17,354**	**8,026**	**392**	**-417**	**-382**

Note 23 – Inventories EUR 96,138k

EURk	2013	2014
Materials	43,917	43,058
Work in progress	7,044	6,954
Products	15,472	15,468
Merchandise	25,492	28,531
Advances	3,886	2,127
Total	**95,811**	**96,138**

Inventories increased by 0.34% over the previous year's balance primarily as a result of higher inventories of merchandise, which is attributable to the inclusion of goods in transit (coal) that are already owned by the Company in view of the parity (an advance payment of EUR 2,831k was received in 2013 for coal).

As at the balance sheet date, the Company records no inventories as pledge. The book value of inventories does not exceed their net realisable value. The book value of inventories of products, for which value adjustments were made from production cost to net realisable value, is recorded at EUR 3,049k (2013: EUR 1,591k).

In 2014, value adjustments of inventories amounted to EUR 1,918k (2013: EUR 1,701k) and resulted from write-off of obsolete inventories.

Note 24 – Current investments EUR 137,280k

EURk	2013	2014
Available-for-sale investments	2,758	2,847
Loans	87,395	131,357
Interest receivable	473	852
Derivatives	0	1,851
Other current investments	0	373
Total	**90,626**	**137,280**

Available-for-sale financial assets include shares and interests in banks worth EUR 60k (2013: EUR 102k) and in other companies entities worth EUR 2,787k (2013: EUR 2,656k).

The Company concluded forward exchange contracts for 2015 in order to hedge against exchange rate fluctuations. Fair value of forward exchange contracts is recognised directly in the income statement. In 2014, Gorenje, d.d. recorded settlements arising on derivatives used as hedging instruments in the amount of EUR -75k and in the same amount increased its finance expenses. In addition, finance expenses increased by EUR 2,096k as a result of Company's adjustment of forward exchange contracts to fair value.

Movements in available-for-sale shares and interests

EURk	2013	2014
Opening balance at 1 January	**12,310**	**2,758**
Increase	169	157
Decrease	-26	-26
Change in fair value	-9,695	-42
Closing balance at 31 December	**2,758**	**2,847**

The change in fair value amounting to EUR 42k (2013: EUR 9,695k) is disclosed among finance expenses in the amount of EUR 1k, whereas EUR 41k is recorded among decreasing the fair value reserve for available-for-sale financial assets.

Current loans

EURk	2013	2014
Current loans to Group companies	79,719	124,028
Current loans to other companies	7,676	7,329
Total	**87,395**	**131,357**

Current bank deposits with a maturity up to 30 days are recorded under cash and cash equivalents in the amount of EUR 89k (2013: EUR 604k).

The Company impaired the loans given to the company Arosa Mobilia, d.o.o. (EUR 447k) and to the company RCE - Razvojni center energija, d.o.o. (EUR 311k).

Current loans given to Group companies operating in Slovenia

Company / EURk	2013	2014
KEMIS, d.o.o., Vrhnika	1,070	445
Gorenje Surovina, d.o.o., Maribor	7,815	831
Gorenje Orodjarna, d.o.o., Velenje	2,406	2,988
Gorenje Keramika, d.o.o., Velenje	1,095	2,911
Gorenje GAIO, d.o.o., Šoštanj	0	1,140
Gorenje GTI, d.o.o., Velenje	3,696	1,057
Total	**16,082**	**9,372**

Current loans given to Group companies operating abroad

Company / EURk	2013	2014
KEMIS-Termoclean, d.o.o., Croatia	510	0
Gorenje Beteiligungs GmbH, Austria	20,811	38,722
Gorenje Nederland BV, the Netherlands	38,598	71,831
Gorenje Magyarország Kft., Hungary	2,376	877
Gorenje Polska Sp. Z o.o., Poland	137	1,500
Gorenje-kuchyně spol. S r.o., Czech Republic	1,205	1,726
Total	**63,637**	**114,656**

Short-term loans bear interest at a nominal interest rate ranging from 1.428% to 6.0%. In view of current loans, the Company is not exposed to higher financial risks as most of these loans were extended to its subsidiaries. The loan extended to Arosa Mobilia, d.o.o. is secured with a lien on property in the amount of EUR 2,343k.

Current loans to specific groups of persons

No current loans were granted to members of the Management Board, the Supervisory Board, and internal owners.

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Note 25 – Trade receivables EUR 167,714k

EURk	2013	2014
Trade receivables – Group companies	158,498	137,882
Trade receivables – other companies	37,437	29,832
Total	**195,935**	**167,714**

Collateralisation of receivables

The Company records trade receivables due from other companies, which are appropriately and well secured in the amount of EUR 17,568k (2013: EUR 22,223k).

Current trade receivables due from Group companies

EURk	2013	2014
Trade receivables due from customers in Slovenia	11,498	11,920
Trade receivables due from customers abroad	147,000	125,962
Total	**158,498**	**137,882**

Current trade receivables due from customers (Group companies) operating in Slovenia

Company / EURk	2013	2014
ENERGYGOR, d.o.o., Velenje	1	1
ZEOS, d.o.o., Ljubljana	9	10
PUBLICUS, d.o.o., Ljubljana	1	1
KEMIS, d.o.o., Vrhnika	8	2
Gorenje Surovina, d.o.o., Maribor	322	213
Gorenje I.P.C., d.o.o.,Velenje	1,534	1,454
Gorenje GTI, d.o.o., Velenje	30	515
Gorenje Gostinstvo, d.o.o., Velenje	66	57
Gorenje Orodjarna, d.o.o., Velenje	152	349
ERICo, d.o.o., Velenje	1	1
Gorenje design studio, d.o.o., Velenje	13	11
Indop, d.o.o., Šoštanj	107	83
Gorenje GAIO, d.o.o., Šoštanj	998	60
Gorenje GSI, d.o.o., Ljubljana	7,914	8,625
Gorenje Keramika, d.o.o., Velenje	27	32
Gorenje Studio, d.o.o., Ljubljana	315	505
EKOGOR d.o.o., Jesenice	0	1
Total	**11,498**	**11,920**

Current trade receivables due from customers (Group companies) operating abroad

Company / EURk	2013	2014
Gorenje Zagreb, d.o.o., Croatia	16,788	12,964
Gorenje, d.o.o., Serbia	6,683	7,159
Gorenje aparati za Homeaćinstvo, d.o.o., Serbia	27,656	18,490
Gorenje Tiki, d.o.o., Serbia	962	784
Gorenje Home, d.o.o., Serbia	7,515	5,932
Gorenje Commerce, d.o.o., Bosnia and Herzegovina	210	11
Gorenje Skopje, d.o.o., Macedonia	2,142	1,197
Gorenje Podgorica, d.o.o., Montenegro	4,044	2,327
Gorenje Vertriebs GmbH, Germany	10,340	9,931
Gorenje Austria Handels GmbH, Austria	1,859	-228
Gorenje Beteiligungs GmbH, Austria	4,836	3,097
Asko Appliances AB, Sweden	2,976	3,837
Asko Kodinkone, Finland	3	0
Gorenje Group Nordic A/S, Denmark	11,628	5,792
ATAG Nederland BV, the Netherlands	594	1,446
Gorenje Nederland BV, the Netherlands	68	7
Gorenje UK Ltd., Great Britain	4,312	3,459
Gorenje Belux S.a.r.l., Belgium	1,486	740
Gorenje France S.A.S., France	886	981
Gorenje Körting Italia S.r.l., Italy	4,522	3,895
Gorenje Espana S.L., Spain	-20	-20
OOO Gorenje BT, Russia	11,678	13,810
Gorenje TOV, Ukraine	6,101	1,526

Company / EURk	2013	2014
Gorenje Kazakhstan, TOO, Kazakhstan	42	32
Gorenje Slovakia s.r.o., Slovakia	-3	6
Gorenje spol. s r.o., Czech Republic	501	3,480
Gorenje - real spol s r.o., Czech Republic	95	86
Mora Moravia, s.r.o., Czech Republic	1,487	1,501
Gorenje Magyarország Kft., Hungary	1,669	3,462
Gorenje Polska Sp. z o.o., Poland	2,348	2,099
Gorenje Bulgaria EOOD, Bulgaria	53	-11
Gorenje Romania S.r.l., Romania	3,003	3,515
Gorenje Istanbul Ltd., Turkey	0	-8
»Gorenje Albania« SHPK, Albania	249	384
Gorenje Gulf FZE, United Arab Emirates	1,128	2,945
Gorenje North America, Inc., USA	3,214	1,322
Asko Appliances Pty, Australia	4,935	8,126
Gorenje do Brasil Ltda, Brasil	237	504
Asko Appliances OOO, Russia	740	1,046
Gorenje Solarna energija Solago, d.o.o., Serbia	165	168
Gorenje Sola-Home, d.o.o., Serbia	121	121
Gorenje MDM d.o.o., Serbia	11	2
Gorenje Studio, d.o.o., Serbia	0	1
Gorenje GTI, d.o.o., Serbia	0	1
Revaluation	-264	43
Total	**147,000**	**125,962**

Note 26 – Other current assets EUR 11,368k

EURk	2013	2014
Advance for services	352	339
Short-term deferred costs and expenses	1,974	1,880
Other current assets	13,051	9,149
Total	**15,377**	**11,368**

Advances for services mainly include collaterals received in the amount of EUR 221k (2013: EUR 227k).

The item of short-term deferred costs and expenses comprises deferred costs that refer to subsequent periods and indicate a decline by 4.8%.

Other current assets include to a large extent input VAT receivables in the Republic of Slovenia in the amount of EUR 6,298k (2013: EUR 7,592k), unpaid VAT receivables relating to foreign countries in the amount of EUR 378k (2013: EUR 508k), current receivables from tax deductions in the amount of EUR 337k (2013: EUR 495k), and receivables not yet charged in the amount of EUR 1,075k (2013: EUR 3,295k).

Note 27 – Cash and cash equivalents EUR 10,254k

EURk	2013	2014
Cash in hand and cash in transit	1,105	200
Bank balances and cash held in other financial institutions	13,799	10,054
Total	**14,904**	**10,254**

Bank balances also include deposits with maturity up to 30 days, which amounted to EUR 89k in 2014 (2013: EUR 604k).

Note 28 – Equity EUR 365,910k

As at 31 December 2014, the share capital of Gorenje, d.d. amounted to EUR 101,922,103.97 (31 December 2013: EUR 92,240,139.36) and was divided into 24,424,613 ordinary, freely transferable, registered, no par value shares. In 2014, a share capital increase was carried out by means of a debt-to-equity conversion agreement signed with Gorenjska banka d.d., Kranj in the amount of EUR 5,668,365.46 and with the International Finance Corporation from USA in the amount of EUR 4,331,636.20. The total converted equity amounted to EUR 10,000,001.66, whereof EUR 9,681,964.61 was used for the share capital increase and the residual amount of EUR 318,037.05 for the share premium.

Capital surplus (share premium) in the amount of EUR 157,835k (2013: EUR 157,705k) includes paid-in capital in excess of par value of shares in the amount of EUR 64,475k (2013: EUR 64,345k), surplus in excess of book value of disposed own shares (treasury shares) in the amount of EUR 15,313k (2013: EUR 15,313k), and general equity revaluation adjustment in the amount of EUR 78,047k (2013: EUR 78,047k) transferred upon the transition to IFRSs. Capital surplus relating to excess of par value of shares grew by EUR 318k over the 2013 balance due to the relevant capital increase, and declined by EUR 188k due to the costs of capital increase.

Revenue reserves recorded as at the balance sheet date in the amount of EUR 99,301k (31 December 2013: EUR 95,818k) consist of legal reserves, statutory reserves, treasury share reserve and other revenue reserves.

As at 31 December 2014, legal reserves amounted to EUR 12,896k (31 December 2013: EUR 12,896k). In accordance with provisions of the Companies Act, share premium (capital surplus) and legal reserves can in their excess amount, be used for share capital increase, for coverage of loss for the period and retained loss if revenue reserves are not simultaneously used for dividend payout.

In compliance with the Company's Articles of Association, statutory reserves were created in the amount of EUR 633k i.e. 10% of net profit, and as at the balance sheet date amounted to EUR 7,556k (31 December 2013: EUR 6,923k). Statutory reserves can according to Company's Articles of Association be used for a share capital increase; for coverage of loss for the period and retained loss should no other sources be available; for share withdrawal in case of a compulsory transfer of shares, and for share withdrawal by Company's acquisition; for share withdrawal under the simplified procedure of share capital decrease; for creation of treasury shares if no other sources are available, and for balancing the dividend policy.

The number of treasury shares (own shares) did not change in the reporting period. As at 31 December 2014, the Company recorded 121,311 treasury shares at a cost of EUR 3,170k.

As at 31 December 2014, Company's other revenue reserves amounted to EUR 75,679k (31 December 2013: EUR 72,829k) and were created on the basis of resolutions on the allocation of profit for the period adopted by the Management Board and the Supervisory Board and resolutions of the General Meeting of Shareholders on the allocation of the accumulated profit. Pursuant to the resolution of the Management Board and provisions of the Companies Act, the Company reallocated part of the net profit for the period in the amount of EUR 2,850k to other revenue reserves. Other revenue reserves can be used for any purpose whatsoever, except for the legally defined formation of the treasury share reserve.

Retained earnings in the amount of EUR 4,220k (31 December 2013: EUR 1,369k) comprise retained earnings or losses from previous periods (EUR 1,369k) and the profit for 2014 (EUR 2,851k), which remained upon the allocation of net profit for the period for statutory reserves in the amount of EUR 633k and for other reserves EUR 2,850k.

Fair value reserve amounting to EUR 5,802k as at 31 December 2014 (2013: EUR 3,945k) includes a surplus from revaluation of land which is valued using the revaluation model, a change in fair value of available-for-sale investments, and a change in value of the cash flow hedge.

Changes in fair value reserve are shown in the table below:

EURk	Fair value reserve for land	Fair value reserve for available-for-sale financial assets	Fair value reserve for derivatives	Fair value reserve for investments in subsidiaries	Total
Balance at 1 Jan 2013	**6,186**	**98**	**-4,382**	**713**	**2,615**
Revaluation of land	0	0	0	0	0
Disposal of land	0	0	0	0	0
Change in fair value of cash flow hedge	0	0	-5	0	-5
Change in fair value of cash flow hedge, reclassified to profit or loss	0	0	2,466	0	2,466
Change in fair value of available-for-sale financial assets	0	-1	0	0	-1
Disposal of available-for-sale financial assets	0	0	0	0	0
Impairment of available-for-sale financial assets	0	0	0	0	0
Subsidiary-related exchange differences	0	0	0	-713	-713
Deferred taxes	0	0	-417	0	-417
Balance at 31 Dec 2013	**6,186**	**97**	**-2,338**	**0**	**3,945**

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EURk	Fair value reserve for land	Fair value reserve for available-for-sale financial assets	Fair value reserve for derivatives	Fair value reserve for investments in subsidiaries	Total
Balance at 1 Jan 2014	**6,186**	**97**	**-2,338**	**0**	**3,945**
Revaluation of land	0	0	0	0	0
Disposal of land	0	0	0	0	0
Change in fair value of cash flow hedge	0	0	-192	0	-192
Change in fair value of cash flow hedge, reclassified to profit or loss	0	0	2,472	0	2,472
Change in fair value of available-for-sale financial assets	0	-41	0	0	-41
Disposal of available-for-sale financial assets	0	0	0	0	0
Impairment of available-for-sale financial assets	0	0	0	0	0
Subsidiary-related exchange differences	0	0	0	0	0
Deferred taxes	0	6	-388	0	-382
Balance at 31 Dec 2014	**6,186**	**62**	**-446**	**0**	**5,802**

Own shares (treasury shares)

Number of own shares	1 Jan 2014	Purchase	Sale	31 Dec 2014
Repurchased own shares	121,311	0	0	121,311

In 2014, earnings per share amounted to EUR 0.28 (2013: EUR 0.16).

To determine earnings per share, the following data on the profit or loss and the average number of shares was used:

	2013	2014
Profit for the period (EURk)	2,705	6,334
Weighted average number of ordinary shares	16,688,725	22,949,860
Earnings per share (in EUR)	**0.16**	**0.28**

No preference shares have been issued by Gorenje, d.d., hence basic and diluted earnings per share are equal.

In 2014, no dividends were paid out. The last dividends were paid out in 2012 in the amount of EUR 0.15 gross per share.

Note 29 - Accumulated profit and proposal for its appropriation in line with the Companies Act

Pursuant to the Companies Act and the Articles of Association of Gorenje, d.d., the Management Board decided that part of the profit for 2014 (EUR 6,333,707.34) is in the amount of EUR 633,370.73 allocated to statutory reserves and in the amount of EUR 2,850,168.31 to other revenue reserves. The Supervisory Board endorsed the decision.

	in EUR
Profit for the period	6,333,707.34
- formation of statutory reserves	-633,370.73
- formation of other revenue reserves pursuant to Management Board's resolution	-2,850,168.31
+ retained earnings	1,369,322.25
= accumulated profit as at 31 December 3014	4,219,490.55

The proposal on the allocation of distributable profit for the year 2014 will be announced in the convocation of the Shareholders Assembly where the decision on this proposal will be made.

Note 30 – Provisions EUR 21,929k

EURk	2013	2014
Provisions for warranties	11,035	10,504
Provisions for retirement benefits and jubilee premiums	10,235	9,814
Other provisions	1,915	1,611
Total	**23,185**	**21,929**

Movements in provisions in 2013

EURk	Balance at 1 Jan 2013	Use	Reversal	Creation	Balance at 31 Dec 2013
Provisions for warranties	9,408	-7,998	-1,643	11,268	11,035
Provisions for retirement benefits and jubilee premiums	10,772	-449	-235	147	10,235
Other provisions	1,452	-168	-208	839	1,915
Total	**21,632**	**-8,615**	**-2,086**	**12,254**	**23,185**

Movements in provisions in 2014

EURk	Balance at 1 Jan 2014	Use	Reversal	Creation	Balance at 31 Dec 2014
Provisions for warranties	11,035	-7,581	-462	7,512	10,504
Provisions for retirement benefits and jubilee premiums	10,235	-464	0	43	9,814
Other provisions	1,915	-1,005	-647	1,348	1,611
Total	**23,185**	**-9,050**	**-1,109**	**8,903**	**21,929**

Non-current provisions for warranties were created based on estimated costs of warranties calculated by considering the historical data on the quality level of products and the costs of repairs under warranties. The respective level of provisions for warranties was primarily influenced by the reversal of provisions for warranties from 2011 that are, in view of providing a two-year warranty for products, no longer required.

The Company conducted no actuarial calculation in 2014. Provisions for retirement benefits and jubilee premiums were formed and charged against the current profit or loss in the amount of EUR 43k (2013: EUR 147k); they relate to new permanent employments and were calculated on the basis of the actuarial calculation in 2012. The actuarial calculation from 2012 is founded on the 4.60% discount rate, which reflects the rate of return on 10-year entrepreneurial high-credit bonds in the euro zone in 2012. According to management's assessment, no significant changes to assumptions have occurred that would have a material impact on provisions disclosed.

Other provisions include provisions for claims filed with the court and provisions for collecting the bank guarantee, which is in the amount of EUR 1.1m disclosed among other finance expense.

Note 31 – Non-current financial liabilities EUR 234,103k

EURk	2013	2014
Non-current financial liabilities to banks	221,966	204,519
Short-term portion of non-current liabilities to banks	-82,808	-34,093
Adjustment of non-current financial liabilities to banks at amortised cost	-1,029	-1,410
Non-current financial liabilities from bonds issued	0	73,000
Short-term of non-current liabilities from bonds issued	0	-14,600
Adjustment of non-current financial liabilities from bonds issued at amortised cost	0	-357
Non-current financial liabilities to other companies	52,125	14,230
Short-term portion of non-current liabilities to other companies	-19,284	-6,829
Adjustment of non-current financial liabilities to other companies at amortised cost	-554	-398
Non-current finance lease	0	41
Total	**170,416**	**234,103**

Non-current financial liabilities are denominated in EUR and recorded at amortised cost i.e. restated under the effective interest method and inclusive of costs of granting the borrowing.

As of 10 October 2014, Gorenje, d.d. issued bonds in the total amount of EUR 73m bearing a fixed interest rate of 3.85% and recording maturity on 10 October 2019.

Non-current financial liabilities to other companies include liabilities from borrowings from International Finance Corporation (IFC).

Financial liabilities by maturity

EURk	2013	2014
Maturity from 1 to 2 years	43,412	58,902
Maturity from 2 to 3 years	82,314	57,875
Maturity from 3 to 4 years	25,276	45,484
Maturity from 4 to 5 years	9,572	47,563
Maturity over 5 years	9,842	24,279
Total	**170,416**	**234,103**

Collateralisation of financial liabilities

EURk	2013	2014
Bills	89,158	113,426
Pari-Passu Clause, Negative Pledge Clause	171,999	177,827
Financial covenants (ratios)	170,599	177,827
Guarantees	32,841	7,400

Interest-bearing borrowings

Currency	Value in currency (in 000)	Value in EURk	Interest rate	
			from	to
EUR	234,062	234,062	2.210%	12.250%

Note 32 – Current financial liabilities EUR 113,990k

EURk	2013	2014
Borrowings from banks	11,500	0
Borrowings from related companies	38,093	53,291
Borrowings from third parties	1,216	1,474
Interest payable	1,421	2,532
Dividends payable	59	58
Short-term portion of non-current liabilities to banks	82,808	34,093
Short-term portion of non-current liabilities from bonds issued	0	14,600
Short-term portion of non-current liabilities to other companies	19,284	6,829
Derivatives	3,065	1,110
Other current financial liabilities	15	3
Total	**157,461**	**113,990**

Embedded derivatives refer to liabilities under hedging against interest rate risk in the amount of EUR 1,110k (2013: EUR 3,065k).

In order to hedge cash flows against interest rate fluctuations, the Company concluded interest rate swap contracts that mature by 15 June 2016; each individual contract documents the relation between the derivative and the hedged category. Fair value of concluded interest rate swap contracts, which refers to cash flow hedging, is recognised directly in the fair value reserve of the derivative in the comprehensive income and amounts to EUR -540k. The fair value of interest rate swap contracts relating to early repayment of borrowing is recognised as a non-hedged item directly in the income statement and amounts to EUR -570k.

In 2014, the Company realised settlement amounts relating to derivatives of interest rate swaps in the amount of EUR -1,902k and by this amount reduced the profit but increased the fair value reserve of derivatives in equity. The hedging of fair value of interest rate swaps for the borrowing's early repayment in the amount of EUR -570k resulted in a higher fair value reserve of derivatives in equity and reduced the profit for the period. Further, the Company reduced the fair value reserve of derivatives in the comprehensive income by EUR 192k as a result of adjusting interest rate swaps to fair value, which applies to the cash flow hedge.

Borrowings received from Group companies operating in Slovenia

Company / EURk	2013	2014
Gorenje Gostinstvo, d.o.o., Velenje	2,615	2,868
Gorenje I.P.C., d.o.o., Velenje	5,160	6,795
Gorenje GAIO, d.o.o., Šoštanj	12	0
Gorenje GSI, d.o.o., Ljubljana	5,840	7,340
Gorenje design studio, d.o.o., Velenje	173	171
ENERGYGOR, d.o.o., Velenje	164	164
ERICo, d.o.o., Velenje	195	255
Indop, d.o.o., Šoštanj	584	227
ZEOS, d.o.o., Ljubljana	1,767	2,292
Gorenje Studio, d.o.o., Ljubljana	1,083	180
Total	**17,593**	**20,292**

Borrowings received from Group companies operating abroad

Company / EURk	2013	2014
ATAG Nederland BV, the Netherlands	17,400	21,745
Gorenje real spol. S r.o., Czech Republic	3,100	3,100
Asko Appliances AB, Sweden	0	7,375
Gorenje North America, Inc., USA	0	779
Total	**20,500**	**32,999**

Collateralisation of current financial liabilities

EURk	2013	2014
Bills	44,308	34,093
Pari-Passu Clause, Negative Pledge Clause	108,092	40,922
Financial covenants (ratios)	100,692	40,922
Guarantees	19,284	6,829

Interest-bearing borrowings

Currency	Value in currency (in 000)	Value in EURk	Interest rate	
			from	to
EUR	109,508	109,508	2.210%	4.805%
USD	946	779	4.080%	
Total		**110,287**		

Collateralisation of non-current and current financial liabilities

None of the Company's current or non-current financial liabilities is collateralised by mortgage or any other type of collateral. A significant portion of Company's borrowings is collateralised by bills and the Pari-Passu and Negative Pledge clauses in compliance with individual contracts. Non-current borrowings, in particular, are frequently supported by financial covenants as defined in individual loan contracts.

Guarantees refer to the collateral issued to the International Finance Corporation (IFC) by the company Gorenje Nederland B.V. in connection with liabilities of Gorenje, d. d.

Certain Company's loan contracts concluded with bank partners, mostly in case of non-current borrowings, include financial covenants that are in the vast majority checked and verified once a year on the basis of Gorenje Group's audited consolidated financial statements for individual fiscal year. Other, minor part of relevant contract are reviewed on a three-month basis.

Given the anticipated breach of some financial covenants for the fiscal year 2014, the Group companies applied already before the year-end to its bank partners for waiver of financial covenants requiring consolidated financial statements for 2014. Waivers were approved by all bank partners for all credit lines and guarantee transactions, which are secured by financial covenants, that were breached. The waiver of financial covenants applies to the fiscal year 2014.

Note 33 – Trade payables EUR 154,786k

EURk	2013	2014
Trade payables to suppliers in the Gorenje Group	34,725	23,972
Trade payables to other suppliers	134,751	130,814
Total	**169,476**	**154,786**

Trade payables to suppliers in the Gorenje Group

EURk	2013	2014
Trade payables to suppliers in Slovenia	6,560	5,761
Trade payables to suppliers abroad	28,165	18,211
Total	**34,725**	**23,972**

Trade payables to suppliers in the Gorenje Group – Slovenia

Company / EURk	2013	2014
Kemis, d.o.o., Vrhnika	32	21
Gorenje Surovina, d.o.o., Maribor	86	71
Gorenje I.P.C., d.o.o., Velenje	4,477	3,362
Gorenje GTI, d.o.o., Velenje	162	144
Gorenje Gostinstvo, d.o.o., Velenje	129	141
Gorenje Orodjarna, d.o.o., Velenje	916	1,142
ERICo, d.o.o., Velenje	14	8
Gorenje design studio, d.o.o., Velenje	184	207
Gorenje GAIO, d.o.o., Šoštanj	238	313
Gorenje GSI, d.o.o., Ljubljana	310	343
ZEOS, d.o.o., Ljubljana	1	0
Gorenje Keramika, d.o.o., Velenje	10	7
Gorenje Studio, d.o.o., Ljubljana	1	2
Total	**6,560**	**5,761**

Trade payables to suppliers in the Gorenje Group – foreign countries

Company / EURk	2013	2014
Gorenje Zagreb, d.o.o., Croatia	8	23
Gorenje, d.o.o., Serbia	162	322
Gorenje aparati za Homeaćinstvo, d.o.o., Serbia	12,064	5,637
Gorenje Tiki, d.o.o., Serbia	2,236	2,937
Gorenje Vertriebs GmbH, Germany	315	81
Gorenje Austria Handels GmbH, Austria	51	16
Gorenje Beteiligungs GmbH, Austria	250	250
Asko Appliances AB, Sweden	5,711	5,184
Gorenje Group Nordic A/S, Denmark	335	301
ATAG Nederland BV, the Netherlands	71	280
Gorenje Nederland BV, the Netherlands	64	33
Gorenje UK Ltd., Great Britain	27	113
Gorenje France S.A.S., France	2	2
Gorenje Körting Italia S.r.l., Italy	71	192
Gorenje Espana S.L., Spain	-20	-20
Gorenje Slovakia s.r.o., Slovakia	65	2
Gorenje spol. s r.o., Czech Republic	156	298
Mora Moravia s r.o., Czech Republic	5,977	1,636
Gorenje Magyarország Kft., Hungary	57	35
Gorenje Polska Sp. z o.o., Poland	0	60
Gorenje Romania S.r.l., Romania	46	5
Gorenje Gulf FZE, United Arab Emirates	147	16
Gorenje Istanbul Ltd., Turkey	17	37
Gorenje Commerce, d.o.o., Bosnia and Herzegovina	121	22
Gorenje Home, d.o.o., Serbia	171	393
Gorenje real spol .s.r.o., Czech Republic	2	2
Gorenje TOV, Ukraine	60	31
Gorenje Asia Ltd., China	0	160
Asko Appliances Pty., Australia	0	19
Gorenje North America, Inc., USA	0	124
OOO Gorenje BT, Russia	0	15
Gorenje Kazakhstan, TOO, Kazakhstan	0	4
Gorenje Podgorica, d.o.o., Montenegro	0	5
Gorenje Bulgaria EOOD, Bulgaria	0	1
Revaluation	-1	-5
Total	**28,165**	**18,211**

Trade payables to other suppliers

EURk	2013	2014
Trade payables to other suppliers in Slovenia	45,733	38,027
Trade payables to other suppliers abroad	89,018	92,787
Total	**134,751**	**130,814**

Note 34 – Other current liabilities EUR 19,419k

EURk	2013	2014
Payables to employees	7,056	7,083
Payables to state and other institutions	1,024	1,030
Payables for advances received	680	347
Other payables	1,653	1,912
Accrued costs and expenses	6,730	9,047
Total	**17,143**	**19,419**

As at 31 December, payables to employees include:

EURk	2013	2014
Wages and salaries, continued pay	3,797	3,781
Payroll contributions	1,372	1,381
Payroll taxes	765	783
Other work-related earnings	151	157
Deductions from wages and salaries	918	914
Other payables	53	67
Total	**7,056**	**7,083**

Accrued costs and expenses were created for accrued costs of services in the amount of EUR 3,508k (2013: EUR 1,855k), accrued interest expenses on borrowings taken in the amount of EUR 2,586k (2013: EUR 2,307k), accrued costs for employee benefits expense in the amount of EUR 1,061k (2013: EUR 985k), and accrued costs for work-related costs in the amount of EUR 1,892k (2013: EUR 1,452k).

Note 35 – Contingent liabilities

Contingent liabilities from loan guarantees given to financial institutions for financial burdens of its subsidiaries in the amount of EUR 89,186k (2013: EUR 123,833k) and its associates in the amount of EUR 3,619k (2013: EUR 5,305k), to third parties in the amount of EUR 10,675k (2013: EUR 9,571k), and to the subsidiary Gorenje Beteiligungs in the amount of EUR 5,999k (2013: EUR 7,363k) are recorded in a separate account. The guarantee to third parties in the amount of EUR 9,883k refers to the shipping transport of coal. In addition, contingent liabilities from performance bonds and payment guarantees in the amount of EUR 2,285k (2013: EUR 3,977k) are also recorded in a separate account.

In accordance with the ordinary business practice, the ATAG company is not liable to publish its annual results of operation in the country, where its corporate seat is, if the shareholder, in a special statement, assumes liability to pay any outstanding obligations of the company. The respective statement shall remain in effect until rescinded by the shareholder.

Note 36 – Financial risks and financial instruments

The Company is exposed to numerous financial risks, in particular to credit risk, liquidity risk, currency risk, interest rate risk and other risks arising on changed market conditions.

With respect to financial risk management, several new internal policies and rules were adopted and the exisitng ones modified in order to achieve a more efficient and centralised financial risk management. The Company pursues a centralised financial policy within the framework of corporate rules and conducts the financial risk management on the Company and Group level. The objectives of the financial risk management are:

- to achieve stability of operations and to reduce risk exposure to an acceptable level,
- to increase the value of Company and Group,
- to improve the credit rating of Company and Group,
- to reduce financial expenses of Company and Group, and
- to minimise the impacts of the implemented critical risks.

The exposure to each individual type of financial risk and the effective hedge measures are judged and applied respectively on the basis of their effects on Company's and Group's cash flows and net finance costs. The risk management principles and methodologies applied are in detail outlined in the annual report's business report under 'Risk management'. Essential financial risks that are regularly assessed and the adequacy of implemented measures tested are clarified in detail below.

Credit risk

The carrying amount of financial assets represents the maximum credit risk exposure. The maximum credit risk exposure at the reporting date:

EURk	2013	2014
Available-for-sale financial assets	2,758	2,847
Loans	87,414	131,374
Trade and other receivables	209,337	177,202
Cash and cash equivalents	14,904	10,254
Other receivables from financing activities	2,120	4,089
Total	**316,533**	**325,766**

Trade receivables form the Company's most significant portion of credit risks or risk of default by the counterparty. As at the year-end of 2014, trade receivables amounted to EUR 167,714k and indicate a decline over the year 2013 by EUR 28,221k. The decrease in trade receivables is mostly the result of a more active receivables management, which includes an intensified collection and precise rules for defining credit limits for individual customers.

The maximum credit risk exposure of trade receivables at the reporting date by geographic region:

EURk	2013	2014
Western Europe	52,551	38,316
Eastern Europe	122,362	104,684
Other countries	21,022	24,714
Total	**195,935**	**167,714**

The maximum credit risk exposure of trade receivables at the reporting date by type of customer:

EURk	2013	2014
Wholesale customers	195,500	167,312
Other customers	435	402
Total	**195,935**	**167,714**

The substantial part of revenue is generated on transactions with Group companies, hence most of trade receivables (82.2%) refers to subsidiaries. The default risk on the side of the counterparty under these receivables is thereby minimal. In view of third parties, the Company conducts business solely with buyers that boast of a proper credit rating, which is monitored on a regular basis; we have also defined clear rules on approving overdrafts for individual customers. For this purpose, the Company adopted a renewed Accounts

Receivable Management Policy that defines the relevant management processes, persons in charge, and instruments allowed for hedging against credit risks. The Accounts Receivable Management Policy is applied on the Company and Group level. The Company is also introducing an information module for credit risk management with the aim to automate the process of monitoring and collecting receivables and credit limits that ultimately results in a lower share of past due receivables and thereby in a gradually higher share of insured receivables.

Maturity of trade receivables as at the reporting date:

	Gross value	Allowance	Gross value	Allowance
EURk	**2013**	**2013**	**2014**	**2014**
Not past due	160,172	0	142,245	0
Past due 1 to 5o days	14,781	0	11,816	0
Past due 51 to 100 days	14,774	0	7,050	0
Past due 101 to 180 days	4,627	0	1,659	0
Past due 181 to 270 days	262	0	1,338	0
Past due 271 to 360 days	165	0	1,434	0
Past due 361 to 720 days	568	0	1,213	0
Past due 721 to 1080 days	1,420	0	552	0
Past due over 1081 days	6,874	0	8,171	0
Allowances for receivables	0	-7,708	0	-7,764
Total	**203,643**	**-7,708**	**175,478**	**-7,764**

Movements in allowances for trade receivables:

EURk	2013	2014
Balance at 1 January	**7,249**	**7,708**
Impairment loss	669	327
Payments	-123	-145
Write-off of receivables	-244	-78
Acceptance of allowance	1,126	0
Reversal of allowance	-969	-48
Balance at 31 December	**7,708**	**7,764**

Company's partners are impacted by the ever-changing macroeconomic environment that can also result in a swift turn-around of the credit rating and liquidity of the individual business partner. Regardless of implementing the receivables management process, default on the side of unrelated entities or even their inability to settle their payments exists. With respect to the Company's and Group's dispersed sales model that is not subject to high concentration of receivables per individual customer or customers related through mutual ownership, we assess that the exposure to credit risk is moderate. Customers whose balance of receivables exceeds EUR 5,000 are included into the credit control process, which covers also collateralization of receivables with acceptable hedging instruments. Following hedging instruments are considered as acceptable according to the accounts receivable management policy:

- collateralisation through credit insurance companies,
- collateralization of receivables through bank guarantees and letters of credit,
- sale of receivables without recourse, and
- in exceptional circumstances and upon receiving special approval, also pledges or first class mortgages.

By the end of 2014, Company's total receivables due from independent buyers and secured with acceptable hedging instruments accounted for 58.9%, which is comparable to the year-end balance in 2013. Receivables are secured by the SID - Prva kreditna zavarovalnica d.d., while a smaller part also with other acceptable hedging instruments. Part of Company's receivables is hedged naturally with counter-trade, thus the risk of default in this part is minimal and hedging with acceptable instruments unnecessary. Given the macroeconomic situation in Ukraine and the resultant decline or even terminated coverage by insurance companies, the respective trade receivables arising in this country are secured at a lower share. Receivables due from customers in Ukraine are subject to a very precise, daily monitoring, assisted also by our representative office there, and the volume of sales is thereupon adjusted. Trade receivables referring to Ukraine have significantly declined in 2014 (by 53.9%). We assess that no material risks arise in this relation.

In compliance with the financing policy, the Company primarily finances its subsidiaries. Loans recorded as at 31 December 2014 (EUR 131,357k) mostly includes loans extended to subsidiaries (EUR 124,028k) and as such do not cause essential risks. Loans given to entities outside the Group are in part secured with acceptable hedging instruments.

The Company carefully monitors the credit risk also in other business segments. Current surplus of assets and balances on bank accounts are placed in compliance with corporate policies, which includes the methodology for selecting acceptable counterparties on the financial area. These policies determine also the methodology for selecting acceptable clients when entering into derivative financial instruments.

As a result of the launched receivables management procedures, the credit risk is assessed as moderate. The highest risk exposure arises in connection with the value of trade receivables and other receivables.

Liquidity risk

Liquidity risk includes risks denoting the lack of available funds and consequently risk that the Company and Group will fail to meet commitments in stipulated period of time.

Liquidity depends on effective cash management and investment dynamics. Providing for Company’s and Group’s liquidity is inseparable due to the Group's sales model. Liquidity risk is actively monitored on the Company and Group level by means of a centralised balancing of assets' liquidity (primarily receivables and inventories), of liabilities and cash flows from operating and investment activities. The Company applies a centralised cash management, supported by a software solution for planning and daily monitoring of cash flows on the Group level. Considerable attention is accorded to the compilation of the cash flow plan and its monitoring. A successful liquidity planning is also provided through an optimum management of possible current surpluses or deficits in available assets.

The Company applies a uniform and centralised approach to bank partners in Slovenia and abroad, and on its basis provides for the optimum indebtedness of the entire Group not only in view of scope, costs and maturity, but also in the light of the Group's currency balance.

In order to disperse the sources of financing, Gorenje already for the second time successfully issued commercial papers in 2014 in the total par value of EUR 35,000k. The respective issues of commercial papers that will continue also in 2015 (the third issue of short-term commercial papers in the par value of EUR 27,000k was conducted in February 2015), are earmarked for balancing the seasonal dynamics of cash flows from operating and investing activities, which as a rule is negative in the first half-year but gradually improves by the end of the calendar year. The short-term imbalance of cash flows is additionally balanced by revolving loans and overdrafts on bank accounts in Slovenia and abroad. Company's liquidity reserve that consists of unused credit lines, bank balances and deposits with banks, amounted as at the year-end of 2014 to EUR 35,137k. The liquidity reserves is earmarked for short-term balancing of cash flows and significantly reduces the Company's exposure to liquidity risk.

The Company provides for debt financing and servicing the entire Gorenje Group. A large-scale debt restructuring programme was carried out in 2014 by means of which Company's and Group's borrowings, which gradually matured in 2014, were replaced by non-current sources. We have within this process:

- improved the maturity structure of Group's financial liabilities by 23.5 p.p. – Group's non-current financial liabilities accounted for a 73.5% share within total financial liabilities by the end of 2014. Company's maturity structure of financial liabilities was improved by 15.3 p.p. – Company's non-current financial liabilities accounted for 67.2% among total financial liabilities by the year-end of 2014;
- issued a 5-year GV01 bond in the total par value of EUR 73,000k and thereby dispersed sources of financing also on the debt's non-current segment; in addition to current bills, the issue of non-current bonds provides an additional guarantee that banks, as well as other investors, have confidence in Gorenje;
- carried out the third stage of the Company's share capital increase in accordance with the resolution adopted by the Shareholders' Meeting in 2013. The third round of capital increase was in form of a debt-to-equity conversion carried out in 2014 in the amount of EUR 10,000k;
- reduced the Group's total financial debt by EUR 29,807k, whereby Company's total financial debt increased by EUR 20,216k as a result of the centralised financing of the Group; and
- essentially lowered the scope of required refinancing in 2015.

The Company and the Group have a long-term servicing plan for financial liabilities that is being regularly updated.

Financial liabilities by maturity:

31 December 2013

EURk	Carrying amount	Contractual cash flows	1 year or less	1 – 2 years	2 – 5 years	More than 5 year
Non-derivative financial liabilities						
Bank borrowings	223,437	251,968	102,319	34,414	104,962	10,273
Borrowings from related entities and third parties	90,880	97,043	62,402	16,566	18,075	
Other financial liabilities	1,495	1,495	1,495			
Trade payables	169,476	169,476	169,476			
Other current liabilities	10,413	10,413	10,413			
Total	**504,701**	**530,395**	**346,105**	**50,980**	**123,037**	**10,273**
Derivative financial receivables and liabilities						
Interest rate swaps	-2,820	-3,310	-2,108	-925	-277	
Forward exchange contracts used for hedging	-245	-245	-245			
Outflow	-245	-245	-245			
Inflow						
Other forward exchange contracts used for hedging						
Outflow						
Inflow						
Total	**-3,065**	**-3,555**	**-2,353**	**-925**	**-277**	**0**

31 December 2014

EURk	Carrying amount	Contractual cash flows	1 year or less	1 – 2 years	2 – 5 years	More than 5 year
Non-derivative financial liabilities						
Bank borrowings	203,109	232,157	42,776	47,501	116,517	25,363
Liabilities from bonds issued	72,643	80,026	17,129	16,567	46,330	
Borrowings from related entities and third parties	68,598	71,935	64,277	5,127	2,531	
Other financial liabilities	2,634	2,634	2,634			
Trade payables	154,786	154,786	154,786			
Other current liabilities	10,372	10,372	10,372			
Total	**512,142**	**551,910**	**291,974**	**69,195**	**165,378**	**25,363**
Derivative financial receivables and liabilities						
Interest rate swaps	-1,110	-1,109	-853	-256		
Forward exchange contracts used for hedging	1,851	1,851	1,851			
Outflow						
Inflow	1,851	1,851	1,851			
Other forward exchange contracts						
Outflow						
Inflow						
Total	**741**	**742**	**998**	**-256**	**0**	**0**

Contractual cash flows arising on Company's outstanding financial liabilities, which fall due in one year or less, amounted as at the year-end of 2014 to EUR 291,974k and indicate a decline of EUR 54,131k over the 31 December 2013 balance. Most of the relevant decline in contractual cash flows is attributable to a more favourable maturity structure of financial liabilities as a result of the financial debt restructuring process in 2014.

Company's liquidity risk is assessed as moderate in view of measures implemented within restructuring the debt maturity structure, the centralised planning of current and non-current cash flows, and access to a wide range of financial and bank partners.

Currency risk

For reasons of the sales model applied within the Gorenje Group and under which the holding company transfers the currency risk to its subsidiaries, the Company is not directly exposed to currency risk, which is the risk that the economic benefits of an entity may be decreased due to changes in foreign exchange rates. In 2014, the currency risk accordingly originated mostly from the performance of business activities in the US dollar markets, whereas the exposure to other currencies is insignificant. When managing currency risk, particularly in the US dollar markets, greater attention was paid to natural hedging of currency risk and harmonisation of business operations to ensure long-term decline in currency fluctuation exposure by matching or netting sales and purchases.

Additional short-term hedging against EUR/USD currency fluctuations on the level of net exposure is carried out by forward exchange contracts and by raising of US dollar short-term borrowings.

Company's exposure to currency risk:

31 December 2013

EURk	EUR	HRK	DKK	PLN	USD	HUF	Other currencies
Trade receivables	184,071				7,546		4,318
Financial liabilities	-323.317						
Trade payables	-154,486	-8	-6	-270	-13,692	-3	-1,011
Financial position exposure	**-293.732**	**-8**	**-6**	**-270**	**-6,146**	**-3**	**3,307**

31 December 2014

EURk	EUR	HRK	DKK	PLN	USD	HUF	Other currencies
Trade receivables	162,983				4,787		-56
Financial liabilities	-343.571				-779		
Trade payables	-141,513	-24		-1	-12,545	-1	-702
Financial position exposure	**-322.101**	**-24**	**0**	**-1**	**-8,537**	**-1**	**-758**

Significant exchange rates applied during the year comprise:

	Average rate		Reporting date spot rate	
	2013	2014	2013	2014
HRK	7.5791	7.6346	7.6265	7.6580
DKK	7.4579	7.4549	7.4593	7.4453
PLN	4.1971	4.1845	4.1543	4.2732
USD	1.3282	1.3288	1.3791	1.2141
HUF	296.9400	308.7067	297.0400	315.5400

In 2014, the Currency Risk Management Policy was adopted on the Company and Group level, which among others defines:

- the methodology for measuring currency risk exposure,
- competencies and responsibilities within currency risk management,
- manners and required scope of hedging against currency risk,
- instruments acceptable for hedging against currency risk,
- acceptable partners for implementing currency-risk hedges,
- the method of measuring the effectiveness of currency risk management.

The Company is engaged in active hedging against currency risks, whereby also natural balancing of currency risks is carried out by means of internal techniques that include customising the purchase/sale segment in individual currency, and the foreign currency borrowing, where assets and other internal mechanisms are exposed. Hedges against currency fluctuations are entered into on a regular and continuous 12-month basis by applying acceptable hedging instruments, whereby the hedge level is set between 60% and 80% of planned cash flows. The planned cash flows in individual currency are used as the basis for hedging with short-term forward exchange contracts. The required level of hedge is determined on the basis of the ratio between the individual currency's impact on Group's performance (volume of business operations) and the probability of currency fluctuation (currency volatility).

Currency risk management is carried out on a centralised basis and a committee for managing currency risks was appointed as well. The Company enters into hedging instruments on its own behalf and on behalf of other Group companies, and transfers these instruments on a contract basis to companies that are locally exposed to such risk. Subsidiaries also enter into hedging instruments on local markets but in limited scope, whereby the parent company provides adequate support and credit lines with acceptable partners. The centralised approach to credit risk management has shown improved hedging results on the Group and the Company level.

Sensitivity analysis

A 5 percent increase (decrease) in the euro’s value against the above stated currencies as at 31 December would have resulted in an increase (decrease) in profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates remain unchanged. The analysis for 2014 has been performed on the same basis as for 2013.

31 December 2013

EURk	Profit or loss for the period
HRK	0
DKK	0
PLN	13
USD	-577
HUF	0
Other currencies	32

31 December 2014

EURk	Profit or loss for the period
HRK	0
DKK	0
PLN	1
USD	-625
HUF	1
Other currencies	38

A 5 percent decrease in the euro’s value against the above stated currencies as at 31 December would have had equal yet opposite effect, provided that all other variables remain unchanged.

Company's exposure to currency risk is assessed as low.

Interest rate risk

Financing of Company's and Group's current operations and their investment activities is subject to interest rate risk as most of borrowings raised bear the Euribor variable interest rate, in lesser extent also the reference interest rate. Thus, exposure to interest rate risk represents primarily the unfavourable movement (increase) of the Euribor interest rate that applies to Group's financial liabilities. Major portion of financial liabilities are subject to a variable interest rate that is bound by the 3-month or 6-month Euribor.

Company's exposure to interest rate risk:

EURk	2013	2014
Fixed-rate financial instruments		
Financial assets	8,177	131,357
Financial liabilities	-8,500	-135,327
Variable-rate financial instruments		
Financial assets	79,217	0
Financial liabilities	-314,817	-209,023
Derivative financial assets/liabilities	-3,065	741

Table is exclusive of non-interest bearing financial assets and non-interest bearing financial liabilities.

Interest structure of financial assets and financial liabilities is not adjusted as the Company records considerably more received financial liabilities than interest-bearing assets. The volume of financial liabilities bearing a fixed interest rate has significantly increased in 2014, which is mostly the result of the GV01 bond issued in 2014 that bears a fixed interest rate of 3.85%. By issuing the bonds, the Company replaced financial liabilities with interest rate swaps. As at the balance sheet, the portion of outstanding financial liabilities bearing a fixed interest rate accounted for 39.3% among total interest-bearing financial liabilities. The previously mentioned share bearing a fixed interest rate additionally increased as at the end of 2014.

Subsidiaries are being since 2014 extended loans with fixed interest rates that are, however, gradually adjusted with the average costs of Gorenje Group's financing.

As at 31 December 2014, the Company recorded also interest rate swaps in the amount of EUR 28,300k. As for interest rate swaps, the Company enters into derivatives in the same manner as in the case of currency financial derivatives i.e. with acceptable partners only. We therefore asses that the risk of default on the side of the contracting party is minimal. The purpose of hedging by means of entering into embedded derivatives, is fixing of the interest rate that results in a stable cash flow. While entering into interest rate swaps, the Company observes the requirement that characteristics of relevant swaps equal (i.e. maturity, amount, type of interest rate and its alignment) a borrowing that is hedged by the interest rate swap. Consequently, the valuation of a hedging instrument defined as successful hedge, is recognised directly in equity.

A portion of borrowings, which were defined as hedged items subject to interest rate swaps, was early repaid in 2014. A direct link between the hedged item and the hedging instrument no longer exists in the part of these repaid borrowings, therefore the valuation of this part of instruments is recognised directly in Company's profit or loss. The valuation effect of these instruments was negative and recorded at EUR 570k. The final maturity of interest rate swaps, where unbundling between the instrument and the hedged item occurred, was in 2016.

Cash flow sensitivity analysis for variable interest rate instruments

A change in the interest rate by 50 basis points (bp) at the reporting date would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign exchange rates remain unchanged.

The analysis for 2014 has been performed on the same basis as for 2013.

	Profit or loss for the period		Other comprehensive income	
EURk	Increase by 50 bp	Decrease by 50 bp	Increase by 50 bp	Decrease by 50 bp
31 December 2013				
Variable rate instruments	-2,222	2,222	0	0
Interest rate swap contracts	557	-557	376	-376
Cash flow variability (net)	**-1,665**	**1,665**	**376**	**-376**
31 December 2014				
Variable rate instruments	-1,054	1,054	0	0
Interest rate swap contracts	450	-450	89	-89
Cash flow variability (net)	**-604**	**604**	**89**	**-89**

Variable interest rates recorded in 2014 primarily a downward trend, hence no derivatives earmarked as hedging against the increase of the variable interest rate risk were entered into. The share of interest-bearing financial liabilities that are subject to a fixed interest rate or hedged by instruments against rising interest rates, accounted for 43.9% as at the end of 2014. Although no hedging instruments were entered into against rising interest rates, the Company monitors financial markets on an ongoing basis to promptly respond to macroeconomic changes.

Company's exposure to interest rate risk is assessed as moderate.

Note 37 – Fair value

The fair values and book values of financial assets and financial liabilities

	Book value	Fair value	Book value	Fair value
EURk	2013	2013	2014	2014
Available-for-sale investments	2,758	2,758	2,847	2,847
Non-current loans	19	19	17	17
Current loans	87,395	87,395	131,357	131,357
Derivatives	-3,065	-3,065	741	741
Trade receivables	195,935	195,935	167,714	167,714
Other current assets	13,402	13,402	9,488	9,488
Cash and cash equivalents	14,904	14,904	10,254	10,254
Non-current financial liabilities	-170,416	-170,416	-168,141	-168,141
Non-current financial liabilities (fixed interest rate)	0	0	-65,962	-54,478
Current financial liabilities	-154,396	-154,396	-112,880	-112,880
Trade payables	-169,476	-169,476	-154,786	-154,786
Other payables	-10,413	-10,413	-10,372	-10,372
Total	**-193,353**	**-193,353**	**-189,723**	**-178,239**

Available-for-sale investments are valued at fair value based on officially published prices on the active market in the amount of EUR 155k and assumptions about significant impact on the fair value that are inconsistent with observable current market transactions using the same instruments and investments, valued at cost and totalling to EUR 2,692k.

The estimated fair value of current assets and liabilities equals nearly their book value. The fair value of non-current financial liabilities was calculated on the basis of market interest rates and is classified under Level 2 within the fair value hierarchy.

Fair value scale

The table shows method of valuing financial assets recorded at fair value. The levels are as follows:

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

Level 2: data differing from stock price data (these are included in Level 1) monitored with the intention of direct or indirect valuation of assets and liabilities,

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

Financial year 2013

EURk	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	155	-	2,603	2,758
Derivatives – assets	-	-	-	-
Derivatives – liabilities	-	-3,065	-	-3,065
Land and investment property	-	-	45,727	45,727

Financial year 2014

EURk	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	155	-	2,692	2,847
Derivatives – assets	-	1.851	-	1.851
Derivatives – liabilities	-	-1.110	-	-1.110
Land and investment property	-	-	38,023	38,023

Land was valued based on comparable sales with adjustments made in view of time and location of the sale, the size of the property and other physical and functional characteristics. Fair value of investment property was assessed by applying the direct capitalisation method. Land and investment properties were appraised at the end of 2013 by an independent certified appraiser of real property.

Forward exchange contracts

The total fair value of forward exchange contracts amounted to EUR 1,851k as at 31 December 2014 (2013: EUR -245k) and was recorded under other current financial receivables.

Interest rate swaps

The total fair value of interest rate swaps as at 31 December 2014 amounted to EUR -1,110k (2013: EUR -2,820k) and is recorded under other current financial liabilities.

Interest rate swap hedges, which refer to hedged balance sheet items, are recorded under equity as the fair value reserve.

Note 38 – Commitments relating to investments

Contractually agreed investments in intangible assets and property, plant and equipment, which are not yet recognised in financial statements as at the balance sheet date amounted to EUR 6,825k (2013: EUR 3,742k). The largest portion worth EUR 3,250k refers to the DW 30 washing machine within the refrigerator-freezer and dishwasher programme, followed by investments made in the Panasonic washing machines and dryers project (GOPA) in the amount of EUR 1,607k.

Note 39 – Related party transactions

The transactions with related parties were conducted based on sale/purchase contracts. The prices used in these contracts were the market prices of products and services equivalent to those prevailing in the arm's length transactions. The transactions with related parties were disclosed under the respective balance sheet items.

Information on earnings

Following personal earnings were paid to the groups of persons stated below:

Gross earnings in 2013

EURk	Management Board	Supervisory Board	Employees under individual employment agreements
- salaries	1,090	0	4,990
- incentive bonuses	0	0	196
- benefits	90	0	246
- other income	89	0	90
- attendance fees	0	37	0
- function-related allowance	0	105	0
- refund of work-related expenses	0	18	0
Total	**1,269**	**160**	**5,522**

Net earnings in 2013

EURk	Management Board	Supervisory Board	Employees under individual employment agreements
- salaries	449	0	2,551
- incentive bonuses	0	0	89
- other income	70	0	52
- attendance fees	0	29	0
- function-related allowance	0	81	0
- refund of work-related expenses	0	14	0
Total	**519**	**124**	**2,692**

Gross earnings in 2014

EURk	Management Board	Supervisory Board	Employees under individual employment agreements
- salaries	1,224	0	5,800
- incentive bonuses	0	0	643
- benefits	98	3	284
- other income	307	0	61
- attendance fees	0	31	0
- function-related allowance	0	114	0
- refund of work-related expenses	0	62	0
Total	**1,629**	**210**	**6,788**

Other income paid out to Management Board members comprises the annual vacation bonus, year-end bonus, and the Supervisory Board membership allowance in the company Gorenje Beteiligungs. The latter contributions were in 2014 accounted in full, whereas in 2013 for the period of 4 months. The item of benefits refers to the use of the company car for private use and to insurance premiums.

Benefits paid to Supervisory Board members comprise payments under the liability insurance.

Net earnings in 2014

EURk	Management Board	Supervisory Board	Employees under individual employment agreements
- salaries	497	0	2,912
- incentive bonuses	0	0	285
- other income	243	0	39
- attendance fees	0	23	0
- function-related allowance	0	83	0
- refund of work-related expenses	0	53	0
Total	**740**	**159**	**3,236**

Pursuant to the Companies Act, total payments, reimbursements, and other benefits to the Management Board members, the Supervisory Board members, and the members of the audit committee are outlined below:

Management Board members

Gross earnings in 2013

EUR	Salaries	Incentive bonuses	Benefits	Other income	Total
Franc Bobinac	233,541	0	25,750	23,591	282,882
Marko Mrzel	177,705	0	14,645	21,315	213,665
Branko Apat	191,119	0	15,748	21,315	228,182
Peter Groznik	201,753	0	12,304	21,315	235,372
Uroš Marolt	95,741	0	8,865	410	105,016
Drago Bahun	189,886	0	12,388	830	203,104
Total	**1,089,745**	**0**	**89,700**	**88,776**	**1,268,221**

Net earnings in 2013

EUR	Salaries	Incentive bonuses	Other income	Total
Franc Bobinac	89,356	0	18,669	108,025
Marko Mrzel	79,692	0	16,869	96,561
Branko Apat	78,940	0	16,860	95,800
Peter Groznik	82,641	0	16,860	99,501
Uroš Marolt	40,111	0	235	40,346
Drago Bahun	77,967	0	470	78,437
Total	**448,707**	**0**	**69,963**	**518,670**

Gross earnings in 2014

EUR	Salaries	Incentive bonuses	Benefits	Other income	Total
Franc Bobinac	251,682	0	27,333	71,044	350,059
Marko Mrzel	191,501	0	21,332	64,053	276,886
Branko Apat	205,853	0	24,643	64,062	294,558
Peter Groznik	233,040	0	10,630	64,176	307,846
Peter Kukovica	137,594	0	394	42,484	180,472
Drago Bahun	204,563	0	13,455	1,589	219,607
Total	**1,224,233**	**0**	**97,787**	**307,408**	**1,629,428**

Net earnings in 2014

EUR	Salaries	Incentive bonuses	Other income	Total
Franc Bobinac	95,456	0	56,397	151,853
Marko Mrzel	80,982	0	50,840	131,822
Branko Apat	79,248	0	50,833	130,081
Peter Groznik	95,849	0	50,876	146,725
Peter Kukovica	62,791	0	33,725	96,516
Drago Bahun	83,033	0	795	83,828
Total	**497,359**	**0**	**243,466**	**740,825**

Members of the Supervisory Board and the Audit Committee

Gross earnings in 2013

EUR	Meeting attendance fees	Function-related allowance	Incentive bonuses	Refund of work-related expenses	Total
Uroš Slavinec	4,104	12,000	0	208	16,312
Maja Makovec Brenčič	3,936	10,800	0	896	15,632
Marcel Van Assen	2,928	9,600	0	7,271	19,799
Bachtiar Djalil	1,440	4,671	0	32	6,143
Keith Miles	4,416	10,200	0	8,418	23,034
Bernard C. Pasquier	4,272	10,200	0	848	15,320
Jure Slemenik	3,216	9,600	0	0	12,816
Drago Krenker	4,416	9,600	0	0	14,016
Krešimir Martinjak	3,456	10,800	0	0	14,256
Peter Kobal	4,032	9,600	0	0	13,632
Aleksander Igličar	960	7,680	0	485	9,125
Total	**37,176**	**104,751**	**0**	**18,158**	**160,085**

Net earnings in 2013

EUR	Meeting attendance fees	Function-related allowance	Incentive bonuses	Refund of work-related expenses	Total
Uroš Slavinec	3,181	9,300	0	160	12,641
Maja Makovec Brenčič	3,050	8,370	0	694	12,114
Marcel Van Assen	2,269	7,440	0	5,635	15,344
Bachtiar Djalil	1,116	3,620	0	25	4,761
Keith Miles	3,422	7,905	0	6,524	17,851
Bernard C. Pasquier	3,310	7,905	0	657	11,872
Jure Slemenik	2,492	7,440	0	0	9,932
Drago Krenker	3,422	7,440	0	0	10,862
Krešimir Martinjak	2,678	8,370	0	0	11,048
Peter Kobal	3,124	7,440	0	0	10,564
Aleksander Igličar	744	5,952	0	376	7,072
Total	**28,808**	**81,182**	**0**	**14,071**	**124,061**

Gross earnings in 2014

EUR	Meeting attendance fees	Function related allowance	Incentive bonuses	Refund of work-related expenses	Benefits	Total
Uroš Slavinec	3,084	11,400	0	344	330	15,158
Maja Makovec Brenčič	2,208	5,952	0	287	165	8,612
Marcel Van Assen	1,680	5,290	0	5,894	165	13,029
Bachtiar Djalil	3,418	9,800	0	226	330	13,774
Keith Miles	4,032	10,150	0	10,119	330	24,631
Bernard C. Pasquier	3,264	10,350	0	875	330	14,819
Corinna Claudia Graf	432	4,310	0	645	55	5,442
Toshibumi Tanimoto	864	4,310	0	42,539	55	47,768
Marko Voljč	600	5,110	0	147	55	5,912
Jure Slemenik	2,256	9,600	0	61	330	12,247
Drago Krenker	3,370	9,600	0	148	330	13,448
Krešimir Martinjak	2,448	10,700	0	61	330	13,539
Peter Kobal	2,784	9,600	0	61	330	12,775
Aleksander Igličar	922	7,680	0	363	0	8,965
Total	**31,362**	**113,852**	**0**	**61,770**	**3,135**	**210,119**

Net earnings in 2014

EUR	Meeting attendance fees	Function-related allowance	Incentive bonuses	Refund of work-related expenses	Total
Uroš Slavinec	2,243	8,291	0	249	10,783
Maja Makovec Brenčič	1,605	4,329	0	209	6,143
Marcel Van Assen	1,222	3,848	0	4,287	9,357
Bachtiar Djalil	2,485	7,128	0	164	9,777
Keith Miles	3,102	7,826	0	7,795	18,723
Bernard C. Pasquier	2,373	7,528	0	636	10,537
Corinna Claudia Graf	315	3,134	0	469	3,918
Toshibumi Tanimoto	629	3,134	0	30,938	34,701
Marko Voljč	437	3,716	0	107	4,260
Jure Slemenik	1,641	6,982	0	44	8,667
Drago Krenker	2,451	6,982	0	108	9,541
Krešimir Martinjak	1,781	7,782	0	44	9,607
Peter Kobal	2,025	6,982	0	44	9,051
Aleksander Igličar	671	5,585	0	264	6,520
Total	**22,980**	**83,247**	**0**	**45,358**	**151,585**

No non-current and current loans were extended to members of the Management Board, the Supervisory Board, and to internal owners.

Note 40 – Events after the balance sheet date

As of 20 February 2015, Gorenje, d.d., issued 10-month commercial papers in the total par value of EUR 27m bearing an interest rate of 2.20% p.a., which is 35% more than initially planned. Sizeable interest in third issue of commercial papers is proof of investor confidence in the Gorenje Group.

With the last year's issue of 5-year bonds and the issue of 10-month commercial papers, Gorenje has raised EUR 100m in capital markets in no more than four months. At present, over a quarter of Gorenje's financing is sourced through capital markets, which ensures an appropriate stability and thereby competitiveness within providing sources of finance.

Gorenje, d.d. started negotiations with the Polish company Elemental Holding SA on the possible sale of the controlling interest in the subsidiary Gorenje Surovina, d.o.o. The relevant talks refer also to certain subsidiaries of Gorenje Surovina and aim to define the scope, value and terms of sale. Managements of Gorenje, d.d. and Elemental Holding SA expect to concluded these negotiations by the end of Q2 2015.

No other significant events occurred upon compiling the balance sheet as of 31 December 2014.

Note 41 – Transactions with the audit company

Pursuant to Article 57 of the Companies Act, the audit of Gorenje, d.d. was conducted by the audit company Deloitte Slovenia and the independent auditor's report was issued on 13 April 2015. In 2014, the cost of the annual report’s audit was recorded at EUR 94k (2013: EUR 88k).

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INDEPENDENT AUDITOR'S REPORT
to the owners of GORENJE, d.d.

Report on the Financial Statements

We have audited the accompanying unconsolidated financial statements of the company GORENJE, d.d., which comprise the statement of financial position as at December 31, 2014, and the income statement, statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these unconsolidated financial statements in accordance with International Financial Reporting Standards as adopted by EU and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these unconsolidated financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the unconsolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the unconsolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the unconsolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the unconsolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the unconsolidated financial statements present fairly, in all material respects the financial position of GORENJE, d.d. as at December 31, 2014, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by EU.

Emphasis of Matter

The company GORENJE, d.d. is the controlling company in the GORENJE Group. The consolidated financial statements of the GORENJE Group, prepared in accordance with the International Financial Reporting Standards as adopted by the EU, are presented separately. We have audited the consolidated financial statements of the Group and issued an unqualified opinion on 13 April 2015.

Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements:

The management is also responsible for the preparation of the business report in accordance with the requirements of the Companies Act (ZGD-1). Our responsibility is to provide an assessment of whether the business report is consistent with the audited financial statements. Our procedures have been conducted in accordance with the International Standard on Auditing 720 and are limited solely to assessing of whether the business report is consistent with the audited financial statements. In our opinion, the business report is consistent with the audited financial statements.

DELOITTE REVIZIJA d.o.o.

Tina Kolenc Praznik
Certified Auditor

Deloitte.
DELOITTE REVIZIJA D.O.O.
Ljubljana, Slovenija 3

Yuri Sidorovich
President of the Board

For signature please refer to the original Slovenian version.

Ljubljana, 13 April 2015

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