

SUMMARY

FINANCIAL REPORT

For the Period
January – September 2004

In accordance with the International Financial Reporting Standards - IFRS

Gorenje Group

Velenje, Slovenia, November 2004

A. BUSINESS REPORT

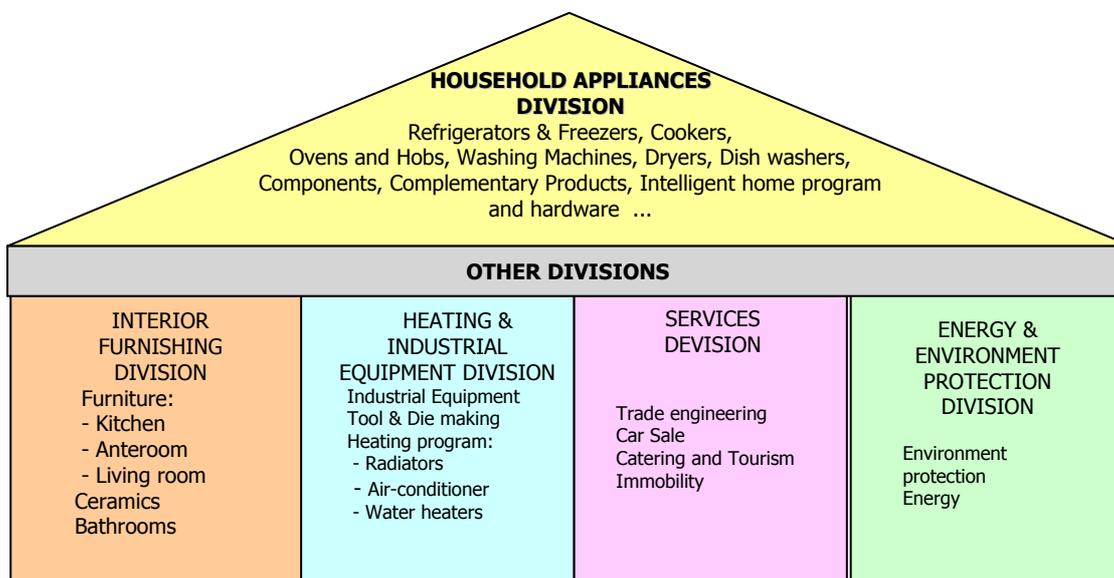
1. Basic information on Parent Company Gorenje, d.d., and on Gorenje Group

Full name:	Gorenje, gospodinjski aparati, d.d. as parent Company
Court register entry date:	31 December 1997
Abbreviated name:	Gorenje, d.d.
Registered office:	Velenje, Partizanska 12, Slovenia
Affairs of business:	Manufacture, sale, maintenance and repair of electric and non-electric domestic appliances and powered thermal appliances: <ul style="list-style-type: none">○ refrigerators, freezers and cooling equipment,○ washing and drying machines,○ electric, gas cookers and ovens
Code of business:	29.710 Manufacture of electric domestic appliances
VAT number:	72615320
Corporate registry number:	5163676
Issued capital:	SIT 12,200,000,000
Shares:	12,200,000 ordinary registered shares with the nominal value of SIT 1,000 per share; Gorenje, d.d. stock is listed on the official market of the Ljubljana Stock Exchange under the trading code GRVG.

Group Organisational Structure

Companies in Gorenje Group are organised in five Divisions:

- **Household Appliances Division**, which comprises companies manufacturing and selling household appliances.
- **Interior Furnishings Division**, which comprises companies manufacturing and selling kitchen and bathroom furniture, bathroom equipment and ceramic tiles,
- **Heating and Industrial Equipment Division**, which comprises companies manufacturing and selling water heaters, tools and industrial equipment,
- **Services Division**, which comprises companies operating in trading, engineering, agency services, hotel and restaurant business, tourism and real estate business affairs, and
- **Energy and Environment Protection Division**, which comprises companies operating in treatment of special waste, collection and processing of silt and making and selling bricks, ceiling girders and partitions.

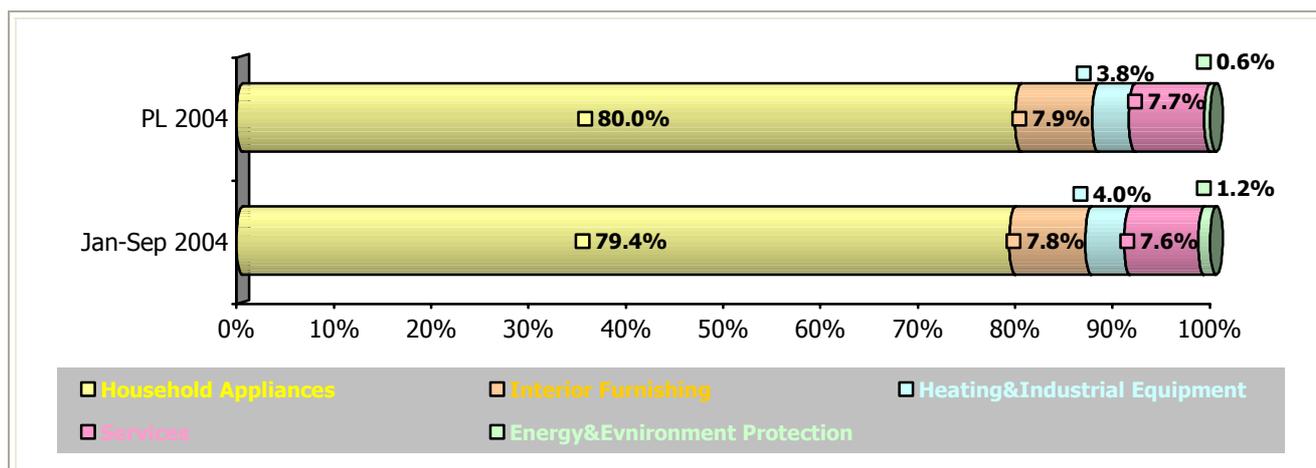


2. Sales

In the period January-September 2004, consolidated net revenues from sales amounted to SIT 154,376.9 million, indicating an increase of SIT 13,225.3 m or 9.4% over Jan-Sep 2003 and 77% of 2004 plan.

The Household Appliances Division realised SIT 122,516.9 m of consolidated net revenues from sales, representing 79.4% in the total planned level.

Other divisions realised 20.6% of total consolidated net revenues from sales, of which Interior Furnishing Division 7.8%, Services Division 7.6%, Heating and Industrial Equipment 4.0% and Energy and Environmental Protection Division 1.2%.



3. Investments

Gorenje Group Invested SIT 10,451.1 m in purchase of tangible and intangible fixed assets. Major portion amounting to SIT 7,523.3 m was invested by the parent company Gorenje, d.d.

In SIT m	Jan-Sep 2004
Land	187.7
Buildings	1,693.8
Technical equipment	6,774.3
Other equipment	1,165.2
Other intangible investments	630.1
Total	10,451.1

4. Employees

At the end of September 2004 the number of employees was 9,545, which was 118 employees more (1.3%), than at the year end 2003. The average number of employees for the period was 9,468 and in the same period 2003 9,033 or 4.8% y/y growth.

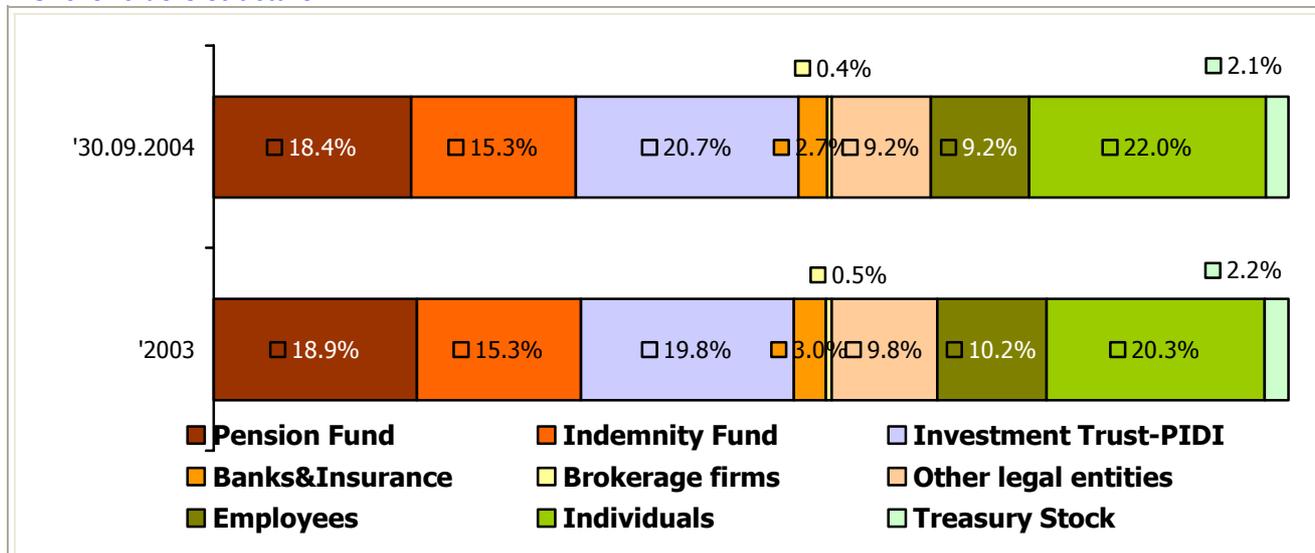
5. Shareholder Structure and Share Price

Information regarding issued shares and capital... Gorenje, d.d. became a joint-stock company in 1997 after successful conclusion of ownership transformation process. The Company share

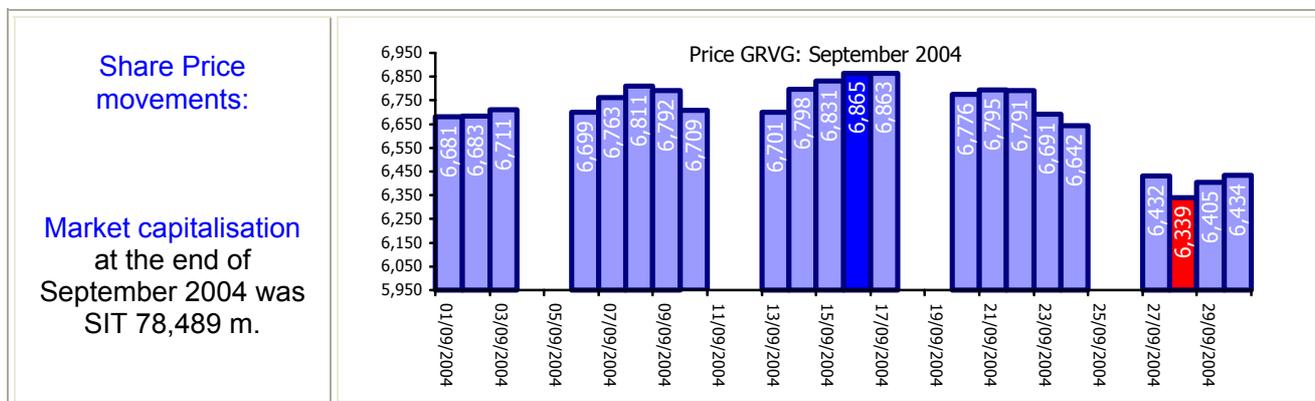
capital, with nominal value of SIT 12,200,000,000, is divided into 12,200,000 ordinary registered shares with trading code GRVG and nominal value of SIT 1,000 per share.

At the End of September 2004 the [number of shareholders](#) of Gorenje, d.d., was **19,275**, which was an increase of 1,542 or 8.7% compared with the figure on 31 December 2003 (17,733).

[Shareholders structure:](#)



As at 31 December 2003 Gorenje, d.d., held 264.540, [treasury stock](#) and on 30 September 2004 251,042 or 2.1%. [Foreign investors](#) participation increased from 1.64% (199,505 shares) at the end of December 2003 to 1.64% (199,648 shares), of which foreign legal entities held 170,021 shares or 1.39% (168,982 Dec. 1.39%) and foreign individuals 29,627 or 0.24%.



6. Business Outlook for the Year 2004

Third quarter of the current year had been distinguished by similar trends and circumstances, already present in the first half of the year 2004 on all key markets of the Group:

- European markets are still distinguished by low level of economic activities, low consumer confidence and reduced international competitiveness resulting from weak dollar compared to euro. All these elements have been reducing demand for permanent goods, including household appliances and other home products, at the same time raising competition edge and price burden on European market.
- Entry of Slovenia into the European Union has reduced competitive edge of our products on certain markets of SE Europe due to the increase in customs duties on

household appliances and other products as a result of cancellation of free trade agreements.

- Premature entry of Slovenia into the ERM II system and fixed EUR/SIT exchange rate, in addition to the still relatively high domestic inflation rate in 2004, has created additional cost strains for Gorenje, especially in costs of material and services.
- The beginning of 2004 saw the escalation of union demands for salary increases, notwithstanding the still valid social agreement. Negotiated arrangement with the unions will result in labour cost increase above planned level, estimated to exceed SIT 300 million on annual level.
- The paramount problem of the year 2004 has been the extreme price pressure on supply of strategic raw materials, especially the steel plate, other steel products, non-iron metals, and in the last quarter also petrochemical products. These price increases, which for numerous raw materials and consumables arrived at all-time record levels, are mostly the consequence of crude oil price balloon, exceptional economic growth of China, and revival of USA economy.

Similar to the semi-annual forecast, it is still anticipated that aggregate negative impact of all price increases for strategic raw materials and consumables, above all steel plate and petrochemicals would not exceed SIT 1.3 billion in the second half of the year, which in addition to the unplanned increase of labour costs represents SIT 1.6 billion of unplanned drawback.

The above negative impact of adversary economic elements will have to be neutralized as much as possible during the year by:

- optimization and search for cheaper alternative supply sources;
- selective price increase of household appliances and enhancement of their sales structure; and
- rationalization of expenses in all segments of operations.

In the last quarter of the year the Management Board will continue to carry out all business operations which will contribute to the final achievement of forecast business objectives for the year 2004.

B. FINANCIAL REPORT

1. Accounting Policies

The accompanying consolidated financial statements have been prepared in accordance with IFRS promulgated by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB ("IFRIC").

The Group keeps accounting records and prepares its statutory financial statements in compliance with the Slovenian Accounting Standards (SAS), which were predominantly harmonized with International Financial Reporting Standards in 2002. The accompanying financial statements have been prepared on the basis of accounting records kept by the parent company and the subsidiaries in compliance with the local standards, and the relevant adjustments required to give a true and fair view of the financial position of the Group and the results of its operation in compliance with International Financial Reporting Standards. The accounting records provide, accurately enough, all data required for adjustments and disclosures in the financial statements prepared under International Financial Reporting Standards.

2. Group Structure

In accordance with International Financial Reporting Standards, the non-audited consolidated financial statements of the Gorenje Group include the financial statements of the parent company Gorenje, d.d. and the financial statements of subsidiaries operating in Slovenia and abroad:

Subsidiaries operating in Slovenia: Gorenje Orodjarna, d.o.o.; Gorenje Indop, d.o.o.; Gorenje IPC, d.o.o.; Gorenje GTI, d.o.o.; Gorenje Gostinstvo, d.o.o.; LINEA, d.o.o.; Gorenje Notranja oprema, d.d. in Energygor, d.o.o., vse s sedežem v Velenju, ter Gorenje Tiki, d.o.o., Ljubljana; Biterm, d.o.o., Bistrica ob Sotli; Gorenje Glin, d.o.o., Nazarje; Opte Ptuj, d.o.o., Ptuj, Kemis, d.o.o., Radomlje andlstrabenz – Gorenje, d.o.o., Ljubljana;

Subsidiaries operating abroad: Gorenje Beteiligungs GmbH, Austria; Gorenje Austria Handels GmbH, Austria; Gorenje Vertriebs GmbH, Germany; Gorenje Körting Italia S.r.l., Italy; Gorenje France S.A., France; Gorenje BELUX S.a.r.l., Belgium; Gorenje UK Ltd., Great Britain; Gorenje Skandinavien A/S, Denmark; Gorenje Sverige AB, Sweden; Gorenje Pacific Pty.Limited, Australia; Gorenje USA Inc., USA; Gorenje spol s r.o., Czech Republic; Gorenje Kuchyne spol s r.o., Czech Republic; Gorenje Slovakia spol s r.o., Slovakia; Gorenje Budapest Kft., Hungary; Gorenje Polska Sp.zo.o., Poland; Gorenje Bulgaria EOOD, Bulgaria; Gorenje Zagreb, d.o.o., Croatia; Gorenje Skopje, d.o.o., Macedonia; Hyundai auto Zagreb, d.o.o., Croatia; Gorenje Commerce, d.o.o., Bosnia and Herzegovina; Gorenje, d.o.o., Serbia and Montenegro; Gorenje Real spol. s r.o., Czech Republic; Gorenje Real Kft., Hungary; Gorenje Podgorica, d.o.o., Serbia and Montenegro; Gorenje Küchen GmbH, Austria; Gorenje OY, Finland; Hyundai auto, d.o.o., Serbia and Montenegro; Gorenje Kuhinje, d.o.o., Bosnia and Herzegovina; Gorenje Romania S.R.L., Romania; Kemis, d.o.o., Croatia; Kemis BiH, d.o.o., Bosnia and Herzegovina; Gorenje AS, Norway; Gorenje aparati za domačinstvo, d.o.o., Serbia and Montenegro;

3. Non-Audited Consolidated Financial Statements According to IFRS

Non-Audited Consolidated Income Statement of Gorenje Group According to IFRS

	in SIT m	Jan - Sep 2004	%
1.	Net sales revenue	154,376.9	100.0%
2	Changes in inventories of finished goods and work in progress	6,507.6	4.2%
3	Other operating income	2,091.3	1.4%
4.	Raw material and consumables used	-120,523.7	-78.1%
5	Staff costs	-28,748.8	-18.6%
6.	Depreciation and amortisation expense	-7,317.4	-4.7%
7.	Other operating expenses	-1,508.6	-1.0%
8.	Operating profit	4,877.3	3.2%
9.	Net finance cost	-890.5	-0.6%
10.	Profit before tax	3,986.8	2.6%
11.	Income tax expense	-190.6	-0.1%
12.	Profit after tax	3,796.2	2.5%
13.	Minority interest	39.9	0.0%
14.	Net profit for the period	3,756.3	2.4%

Non-Audited Consolidated Balance sheet of Gorenje Group According to IFRS

	in SIT m	30.9.2004	%
	ASSETS	176,302.1	100.0%
	Property, plant and equipment	75,592.3	42.9%
	Intangible long-term assets	2,441.4	1.4%
	Non-current investments	4,651.1	2.6%
	Non-current receivables	653.7	0.4%
	Deferred tax	50.5	0.0%
A.	Non-current assets	83,389.0	47.3%
	Inventories	37,266.4	21.1%
	Trade and other receivables and assets	50,603.4	28.7%
	Current investments	2,410.0	1.4%
	Cash and cash equivalents	2,633.3	1.5%
B.	Current assets	92,913.1	52.7%
	EQUITY AND LIABILITIES	176,302.1	100.0%
	Issued capital	12,200.0	6.9%
	Reserves	29,446.8	16.7%
	Revaluations and translation adjustments	7,735.0	4.4%
	Retained earnings	10,390.5	5.9%
	Own shares	-669.1	-0.4%
A.	Capital	59,103.2	33.5%
B.	Minority interest	217.9	0.1%
	Provisions	8,253.9	4.7%
	Deferred tax	490.0	0.3%
	Interest bearing borrowings	27,044.6	15.3%
	Other non-current liabilities	6.1	0.0%
C.	Non-current liabilities	35,794.6	20.3%
	Trade liabilities	36,905.6	20.9%
	Short-term borrowings	34,071.3	19.3%
	Other non-current liabilities	4,989.6	2.8%
	Accrued cost and deferred revenue	5,219.9	3.0%
D.	Current liabilities	81,186.4	46.0%

Non-Audited Consolidated Cash flow Statement of Gorenje Group According to IFRS

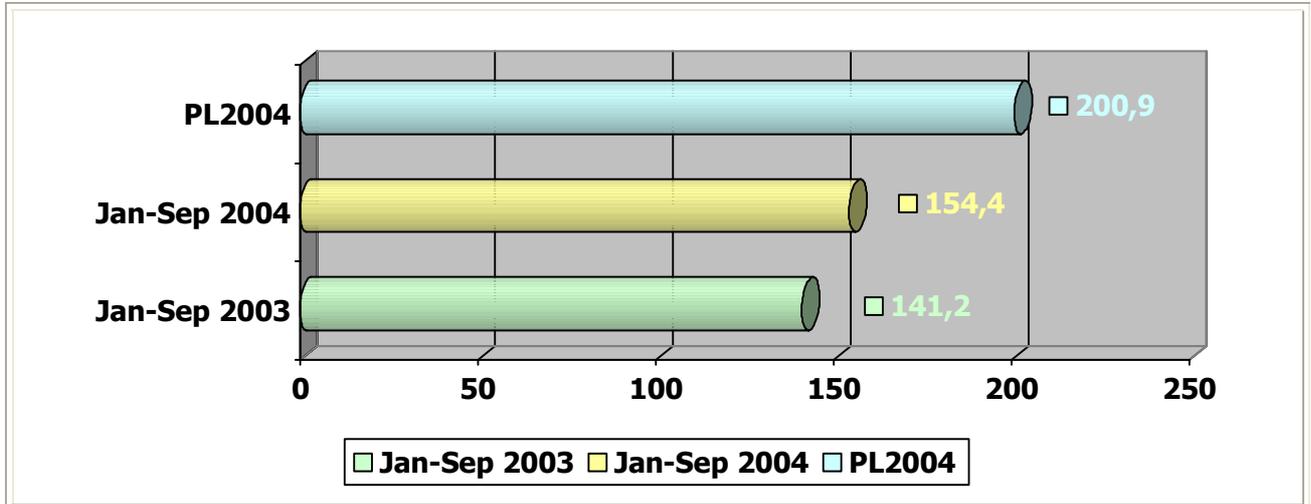
	In SIT m	Jan- Sep 2004
A.	CASH FLOWS FROM OPERATING ACTIVITIES	
	Profit before taxation	3,986.8
	Adjustments for:	
	Depreciation and amortisation	7,317.4
	Change in the equity	85.6
	Deferred revenues and accrued costs	3,302.8
	Interest and foreign exchange expense net	890.5
	Change in provisions	385.9
	Increase in deferred taxes	-88.3
	Operating profit before change in net operating current assets	15,880.7
	Increase in receivables	-6,156.8
	Increase in inventories	-7,922.0
	Increase in operating liabilities	-3,180.9
	Cash generated from operating activities	-17,259.7
	Interest paid and foreign exchange losses	-890.6
	Income taxes paid	-190.6
	Net cash used in operating activities	-2,460.2
B.	CASH FLOWS FROM INVESTING ACTIVITIES	
	Increase in short-term and long-term financial investments	-495.1
	Purchase of property, plant, equipment and intangible assets	-9,604.0
	Net cash used in investing activities	-10,099.1
C.	CASH FLOWS FROM FINANCING ACTIVITIES	
	Proceeds from non-current borrowings	8,125.0
	Proceeds from current borrowings	5,865.4
	Dividend payout	-1,194.9
	Purchase in the minority interest	-304.6
	Net cash from financing activities	12,490.9
D.	BALANCE OF CASH AT END OF PERIOD	
	Increase/decrease in cash and cash equivalents	-68.4
	Cash and cash equivalents at 1.1.	2,701.7
	Cash and cash equivalents at 30.9.	2,633.3

Non-Audited Consolidated Statement of changes in Equity of Gorenje Group According to IFRS

in SIT m	Issued Capital	Reserves from surplus	Net profit or loss from previous periods	Net profit or loss for the period	Own Shares	Equity revaluation and translation adjustments	Minority Interest	Capital and Minority interests
Balance at 1 Jan 2004	12,200.0	29,439.3	5,588.7	2,200.3	-707.2	8,088.0	482.7	57,291.8
Net profit or loss for the period				3,756.3			39.9	3,796.2
Revaluation and translation adjustments						-413.2		-413.2
Gains of sale of own shares		45.5						45.5
Extraordinary revenue			40.1					40.1
Reversal of reserves of own shares		-38.1			38.1			0.0
Revaluation of investments						180.0		180.0
Fair value hedging						-119.8		-119.8
Transfer of net profit or loss for the Year 2003			2,200.3	-2,200.3				0.0
Dividend and bonus payout			-1,194.9					-1,194.9
Decrease in minority interest							-304.6	-304.6
Balance at 30 September 2004	12,200.0	29,446.7	6,634.2	3,756.3	-669.1	7,735.0	218.0	59,321.1

4. Comments to the Financial Statements

In the period January to September 2004 **Net revenues from sales** amounted to SIT 154,376.9 million, indicating an increase of SIT 13,225.3 million or 9.4% over the sales from the same period in 2003 and 77 % of 2004 plan.



Net profit for the January to September 2004 of SIT 3,756.3 million reached 70% of the projected figure for 2004. Net profit for the period also included the minority interest in the amount of SIT 39.9 million.

Balance sheet total amounted to SIT 176,302.1 million as at 30 September 2004, indicating an increase of 10.4% over the year end 2003 (SIT 159,758.1 m).

Gorenje, d.d.,
The Management Board