

Business Performance in the First Half of the 2006 Financial Year

The Supervisory Board of Gorenje d.d. today at its 2nd Meeting discussed and adopted the Non-audited Half-Yearly Report of Gorenje d.d. and the Gorenje Group. In the opinion of the Supervisory Board the business performance was good, in particular in the light of the market conditions. The Supervisory Board was also informed of the current issues and development challenges, and expressed its support of the Management Board in its efforts aimed at the company's future growth.

Gorenje Group

Net revenue from sales in the amount of **SIT 114.5 billion** is **0.2 % (SIT 228.0 million) higher** than in the same period last year, reaching 47 % of the plan for 2006. Using **comparable data**, net revenue from sales is **higher by SIT 6,435.8 million**, which is **equivalent to 6 %**. Net revenue from sales in the first half of 2006 is not entirely comparable with the figure reported for the same period in the preceding year due to the divestment of the Hyundai companies in July 2005.

Operating profit before depreciation/amortisation, which is a rough estimate of earnings from operating activities, amounts to SIT 8.4 billion or 2 % more than in the same period in 2005 and represents 41 % of the 2006 annual plan.

Consolidated net profit in the amount of SIT 1.5 billion exceeds the figure reported in the same period in 2005 by 2.5 %, reaching 28.4 % of the plan for the current year. The net profit also includes the net profit share of minority shareholders amounting to SIT 6.4 million.

Earnings per share were SIT 266.3, which is 6.3 % more than in the same period last year, reaching 56.1 % of the plan for 2006.

Parent Company Gorenje d.d.

Net revenue from sales in the amount of **SIT 78.5 billion** is **10.2 % (SIT 7,249.8 million) higher** than in the same period last year, reaching 47 % of the plan for 2006. Using **comparable data**, net revenue from sales is higher by **SIT 6,298.9 million**, which is **equivalent to 8.8 %**. Net revenue from sales is not entirely comparable to the same period in the previous year and the annual plan due to the amalgamation of the subsidiary company Gorenje Indop d.o.o..

Operating profit before depreciation/amortisation (calculated as operating profit increased by depreciation/amortisation costs) amounts to SIT 5.5 billion, which is 1.2 % more than in the same period in 2005 and represents 44.3 % of the annual plan.

Net profit for the period amounts to SIT 828.8 million, which is 14.1 % more than in the same period last year, and 34 % of the planned annual net profit. Included in the net profit is also the profit of the amalgamated subsidiary Gorenje Indop d.o.o. in the amount of SIT 15 million.

For Gorenje, 2006 is another tough prospect in what has been a series of increasingly challenging years. Most markets in which the company operates are still in recession and the competition from the East is getting tougher. However, our main source of concern are the prices of raw materials, in particular sheet metal. Nevertheless, Gorenje's performance in the first half of 2006 was good; negative impacts of the economic climate on business operation were largely neutralised by a high turnover, the development and launching of new products, optimisation of the supply chain, rationalisation of business processes and cost containment at all levels of company operation.

According to analysts, the demanding market conditions are set to continue if not worsen in the second half of the year. Commodity prices are expected to rise even further and there is another major factor affecting business performance in 2006: the implementation of the directive on the recycling of electronic and electrical waste. Consequently, Gorenje's focus will remain on finding quick and effective solutions aimed at winning new orders, launching new products and containment of receivables and inventories.

Due to continuous introduction of new technologies and modernisation of work processes, Gorenje is faced with the problem of structural HR redundancies, which is being addressed by ongoing training and education, professional development, re-skilling and reassigning of employees. In 2006 we have undertaken job restructuring with a view of improving cost efficiency and productivity. In the process, some employees will be reassigned while certain jobs will be eliminated.

The current trend in the household appliances industry has been for manufacturers to move production to low labour cost countries, while so far Gorenje has remained competitive by improving productivity and by the steep growth of value added. The takeover of the Czech company Mora Moravia last year, which has already produced numerous synergies, has validated Gorenje's decision to take part of production outside Slovenia. We are just about to complete the construction of a new plant for the manufacture of refrigerators and freezers in Valjevo, Serbia. In Velenje, however, we will focus on the products and services, which require advanced skills and generate higher value added. By the end of 2006 we will also decide on other production locations, in particular for the manufacture of washing machines and dryers, which will enable us to realize the benefits available to local manufacturers, optimise tax- and customs duties, lower the cost of labour and facilitate the growth of supply volumes from these regions.

The tasks ahead include the consolidation of the ownership structure, decisions on strategic partnerships i.e. takeovers of smaller manufacturers, and the diversification of business into the sectors in which we can draw on Gorenje's wealth of experience, know-how, technology and production capacities.

The Management Board of Gorenje is determined that by implementing the measures outlined above the company should continue to grow and prosper, and despite unfavourable economic conditions achieve its ambitious objectives in 2006.

The complete Half-Yearly Report and the Summary can be viewed at the company headquarters of Gorenje d.d., Partizanska 12, Si-3503 Velenje.

The public announcement will be also available on the www.gorenje.com web-site.

Gorenje, d.d., Management Board