

Summary
Non-audited Half-Yearly Report
of Gorenje, d.d., and the Gorenje Group
for the Period January – June 2006



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General

The **Summary of the non-audited non-consolidated half-yearly report of Gorenje, d.d., and non-audited consolidated half-yearly report of the Gorenje Group for the period January – June 2006** is published by corporation Gorenje, d.d., Partizanska 12, Si-3503 Velenje, Slovenia, as provided by Article 35 of the Regulations of the Ljubljana Stock Exchange (Ljubljanska borza vrednostnih papirjev, d.d.), and the Securities Market Act. Major changes of data provided in the stock exchange listing prospectus are duly and regularly published in the Delo newspaper, on the Ljubljana Stock Exchange electronic information system SEOnet, and on the company website at www.gorenje.com.

The Non-audited Half-Yearly Report of Gorenje, d.d., and the Gorenje Group for 2006 was discussed and adopted by the company Supervisory Board at its 2nd Meeting on 27 July 2006.

The complete Half-Yearly Report can be viewed at the company headquarters at Partizanska 12, Si-3503 Velenje, Slovenia; as of 27 July 2006, it has also been available on the Ljubljana Stock Exchange electronic information system.

Consolidated Financial Statements

The financial statements have been prepared in accordance with the provisions of the Corporations Act and the International Financial Reporting Standards.

The changes in the structure of the Gorenje Group in the period 1 January – 30 June 2006 were as follows:

- The beginning of 2006 saw the completion of the liquidation process of Mora Slovakia s r.o., Slovakia.
- Gorenje Beteiligungs GmbH, Vienna, established a subsidiary company Gorenje Gulf FZE, United Arab Emirates, on 4 March 2006.
- At the end of 2005, Istrabenz-Gorenje, d.o.o. established a proprietary limited company Istrabenz-Gorenje, d.o.o., Zagreb, Croatia.
- Gorenje Tiki, d.o.o. founded a proprietary limited company Gorenje Tiki, d.o.o., Belgrade, Serbia at the end of 2005.
- On 21 February 2006, Gorenje France, S.A.S., founded a subsidiary company Gorenje Espana, S.L., Barcelona.
- On 11 May 2006 the agreement on the amalgamation of Gorenje Indop, d.o.o. into Gorenje, d.d., was signed with 31 December 2005 being set as the date of amalgamation for financial reporting purposes. Pursuant to Article 581, paragraph two, Item 7 of the Corporations Act, from that date onwards the activities of the company being amalgamated (Gorenje Indop, d.o.o.) are considered as having been undertaken on behalf of the amalgamating company (Gorenje, d.d.).

The consolidated financial statements of the Gorenje Group include the parent company Gorenje, d.d., and the following subsidiaries:

Companies operating in Slovenia: Gorenje I.P.C. d.o.o., Velenje; Biterm d.o.o., Bistrica ob Sotli; Gorenje Notranja oprema d.o.o., Velenje; Gorenje Orodjarna d.o.o., Velenje; Gorenje Tiki d.o.o., Ljubljana; Gorenje GTI d.o.o., Velenje; Gorenje Gostinstvo d.o.o., Velenje; LINEA d.o.o., Velenje; Energygor d.o.o., Velenje; Opte Ptuj d.o.o., Ptuj; Kemis d.o.o., Radomlje; ZEOS d.o.o., Ljubljana; Istrabenz-Gorenje d.o.o., Ljubljana; IG Prodaja d.o.o., Nova Gorica.

Companies operating outside Slovenia: Gorenje Beteiligungs GmbH, Austria; Gorenje Austria Handels GmbH, Austria; Gorenje Vertriebs GmbH, Germany; Gorenje Körting Italia S.r.l., Italy; Gorenje France S.A.S., France; Gorenje BELUX S.a.r.l., Belgium; Gorenje UK Ltd., UK; Gorenje Skandinavien A/S, Denmark; Gorenje AB, Sweden; Gorenje spol. s r.o., Czech Republic; Gorenje real spol. s r.o., Czech Republic; Gorenje Slovakia s r.o., Republic of Slovakia; Gorenje Budapest Kft., Hungary; Gorenje Polska Sp. z o.o., Poland; Gorenje Bulgaria EOOD, Bulgaria; Gorenje Zagreb

d.o.o., Croatia; Gorenje Skopje d.o.o., Macedonia; Gorenje Commerce d.o.o., Bosnia and Herzegovina; Gorenje d.o.o., Serbia; Gorenje Podgorica d.o.o., Montenegro; Gorenje OY, Finland; Gorenje AS, Norway; OÜ Gorenje, Estonia; SIA Gorenje, Latvia; Gorenje Romania S.R.L., Romania; Gorenje aparati za domačinstvo d.o.o., Serbia; Mora Moravia s.r.o, Czech Republic; Gorenje Küchen GmbH, Austria; Gorenje - kuchyne spol. s r.o., Czech Republic; Gorenje Imobilia, d.o.o., Serbia; Gorenje Adria Nekretnine d.o.o., Croatia; Kemis d.o.o., Croatia; Kemis BiH d.o.o., Bosnia and Herzegovina; Kemis d.o.o., Serbia; Nacionalni brendovi d.o.o., Serbia; Gorenje Gulf FZE, United Arab Emirates; Istrabenz-Gorenje d.o.o., Croatia; Gorenje Espana S.L., Spain; Gorenje Tiki, d.o.o., Serbia.

Gorenje, d.d., also has the following representative offices abroad, which are instrumental in doing business in certain foreign markets: Moscow, Russia; Krasnojarsk, Russia; Kiev, Ukraine; Athens, Greece; Barcelona, Spain; Shanghai, China; Belgrade, Serbia; Priština, Serbia.

Business Climate in the Period January – June 2006

According to analysts, it is unlikely that we will see a significant improvement in business conditions in 2006. Commodity prices remain the biggest uncertainty, in particular the prices of sheet metal and other metals, plastics, and components made of these materials.

The other major factor affecting business performance in 2006 is the **implementation of the directive on the recycling of electronic and electrical waste (WEEE)**, which entered into force in Slovenia in August 2005. The Directive has introduced mandatory product recycling for the manufacturers of electronic and electrical equipment, thereby significantly increasing their costs of operation. Due to the ambiguities in the national legislations of the countries of Gorenje's operation regarding the date of its actual introduction and the manner of its implementation, the impacts of the Directive cannot be estimated with any degree of certainty.

In order to ensure **efficient and effective economy of operation** in 2006, the following measures will need to be implemented:

- Achieving **quality sales growth and profitability** while ensuring a balanced utilization of all production capacities and maximising our profit margin;
- Continued **development of new products and services**, which will increase our market competitiveness, enable high-end product placement and higher value added, and consequently lead to improved company performance in the future, while simultaneously seeking engineering-technological solutions to lower the costs of production and distribution of existing products;
- Continued **optimisation of the supply chain** and seeking alternative and/or new sources of supply so as to ensure price competitiveness of our products;
- Continued and accelerated **cost optimisation** across the board;
- Ensuring **manufacturing productivity and efficiency of operation in manufacturing** by (as far as possible) even utilization of production capacities throughout the year with a view of maximising production economy and cost efficiency.
- Continued **internationalisation of production capacities** (implementation of the Valjevo project – manufacture of refrigeration-freezer appliances; continued preparations for the Russia project – manufacture of washing machines and dryers) in order to realise the benefits available to local manufacturers, enable the optimisation of tax- and customs duties, lower the cost of labour and facilitate the growth of supply from these regions;
- Comprehensive **rationalisation of the organisation of logistics, sales and after-sales services** of the Gorenje Group, and improving the efficiency of support systems in all their aspects;
- **Selective implementation of new investment projects** and ensuring that they stay within the planned volume; priority will be given to investments in new products and markets;
- Improving the **management of current assets**, in particular of receivables and inventories, since current assets have a considerable effect on the level of debt and consequently the cost of financing of the Gorenje Group;

- Ensuring **effective management of all types of risk**, which the company is exposed to due to the highly changeable business environment in which we operate, with the focus on credit (payment) risks, in particular in more uncertain markets and those characterised by lower liquidity.

Risk Management

- The exposure of the Gorenje Group to **business risks** was much the same as in the previous periods. Purchasing risks remain the key business risk factor next to the implementation of the directive on the recycling of electronic and electrical waste (WEEE Directive), which entered into force in August 2005.
- In the period January – June 2006, our particular focus was on **financial risks**. Credit (payment) risks remain the key financial risks factor, especially in the countries of SE Europe and outside the European Union.
- With a view of achieving the planned level of economic performance of investment projects (Valjevo, Split etc.), our attention was also focused on the monitoring and control of the costs involved in those projects.

The safeguards and hedging mechanisms being implemented by the Group in the accounting period under consideration were consistent with the Group's risk management policies, which had not undergone any significant change in comparison with the preceding year.

Applied Accounting Principles and Important Notes to Financial Statements

- The non-audited consolidated financial statements of the Gorenje Group for the period January – June 2006 have been prepared in accordance with the provisions of the Corporations Act and the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB), and the interpretations of the International Financial Reports Interpretation Committee (IFRIC) as adopted by the European Union. In order to ensure complete transparency and comparability of data, the reporting of the effects of the implemented risk management measures has been adjusted to match the financial statements for the same period of the previous year. Consequently, as provided by the IFRS, the effects of the implemented risk management measures have been shown in the Income Statement financial revenues/expenses.
- The non-audited financial statements of Gorenje d.d. for the period January – June 2006 have been prepared in accordance with the provisions of the Corporations Act and the International Financial Reporting Standards (IFRS). The transition to IFRS was approved by the General Meeting of Gorenje d.d. at its 9th Meeting held on 29 June 2006. For comparison purposes, all equivalent financial statements of Gorenje d.d. for the period January – June 2005 and as at 30 June 2005 and 31 December 2005 have been prepared in accordance with the provisions of the Corporations Act and the IFRS.
- Also included in the non-audited financial statements of Gorenje, d.d., for the period January – June 2006 are the operations of its subsidiary Gorenje Indop, d.o.o., in line with the provisions of the Agreement on Gorenje Indop, d.o.o. being amalgamated into Gorenje, d.d., whereby 31 December 2005 was set as the date of amalgamation for financial reporting purposes. Pursuant to Article 581, paragraph two, Item 7 of the Corporations Act, from that date onwards the activities of the company being amalgamated (Gorenje Indop, d.o.o.) are considered as having been undertaken on behalf of the amalgamating company (Gorenje, d.d.). The data, however, are not entirely comparable, since the provided financial statements for the previous period and the plan for 2006 do not include the financial details for the amalgamated subsidiary Gorenje Indop, d.o.o..

Parent Company Gorenje, d.d.

Net revenue from sales in the amount of **SIT 78,482.2 million** is **10.2 % (SIT 7,249.8 million) higher** than in the same period last year, reaching 46.6 % of the plan for 2006. 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.. Using **comparable data**, net revenue from sales is **higher by SIT 6,298.9 million**, which is **equivalent to 8.8 %**.

Operating profit before depreciation/amortisation - EBITDA (calculated as operating profit increased by depreciation/amortisation costs) amounts to SIT 5,531.4 million, 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 33.8 % of the planned net profit for 2006. Included in the net profit is also the profit of the amalgamated subsidiary Gorenje Indop, d.o.o. in the amount of SIT 15.0 million.

Gorenje Group

Net revenue from sales in the amount of **SIT 114,491.0 million** is **0.2 % (SIT 228.0 million) higher** than in the same period last year, reaching 46.9 % of the plan for 2006. Net revenue from sales in the first half of 2006 is not entirely comparable to the figure reported for the same period in the preceding year due to the divestment of the Hyundai companies in July 2005. Using **comparable data**, net revenue from sales is higher by **SIT 6,435.8 million**, which is **equivalent to 6.0 %**.

Operating profit before depreciation/amortisation - EBITDA, which is a rough estimate of earnings from operating activities, amounts to SIT 8,433.9 million, which is 1.7 % more than in the same period in 2005 and represents 41.1 % of the annual plan for 2006.

Consolidated net profit exceeds the figure reported in the same period in 2005 by 2.5 %, reaching 28.4 % of the plan for 2006. The net profit also includes the net profit share of minority shareholders amounting to SIT 6.4 million.

Major Events After the Balance Sheet Date

The following major events took place after the balance sheet date of 30 June 2006:

- On 1 July 2006, an agreement was signed for the entire ownership share (100 %) in Gorenje AD d.o.o., Valjevo, to be transferred from Gorenje d.d. to Gorenje Beteiligungs GmbH.
- Amalgamation of Istrabenz-Gorenje d.o.o. and IG Prodaja d.o.o. is proposed to take place at the end of July 2006.
- With the agreement signed on 18 July 2006, Gorenje, d.d., purchased a 49.95 percent share in Istrabenz Energetski sistemi, d.o.o.. This has made it an equal partner with holding company Istrabenz, d.d., which has retained an equal 49.95 percent share in the company. The two giants have undertaken to join forces in the development of projects in the energy sector and investment in power generation resources in the target energy markets in Slovenia and abroad.
- On 7 July 2006, in accordance with Article 4.4. of the Agreement on establishing a put and call option, signed on 21 June 2004 by the Slovenian Indemnity Fund (Slovenska odškodninska družba, d.d.) and Gorenje, d.d., the Slovenian Indemnity Fund notified Gorenje, d.d. that it would exercise its sales option for the sale of 233,075 Gorenje, d.d.

Ownership and Share Data

Parent Company Gorenje d.d.	Joint-stock company since 1997, following ownership restructuring
Share Capital:	SIT 12,200,000,000
Number of Ordinary Shares:	12,200,000 shares
Own Shares:	950,267 shares
Stock Exchange Listing:	GRGV (listed on the Prime Quotation of the Ljubljana Stock Exchange since 3 October 2005)
Nominal Share Value:	SIT 1,000
Issued Shares:	Are of the same class and entitle their holders to proportional management i.e. one vote per share.

There are no provisions in the Articles of Incorporation of Gorenje, d.d., that would invalidate the proportionality of rights arising from share ownership, such as the rights of minority shareholders or restrictions of voting rights. In the first half of 2006 the company was involved in no activities that would result in changes to share capital, changes to nominal share value or changes of rights arising from share ownership, and it also did not issue any new shares. Gorenje d.d. has adopted no decisions on approved capital and no decisions on a conditional increase of capital.

In June 2006 the **ordinary shares of Gorenje** were on the fourth place on the Ljubljana Stock Exchange in terms of trading volume, reaching 4.7 % of the trading volume of prime quotation shares.

Compared to the end of 2005, the share of legal entities **in the ownership structure** grew from 36.2 % to 37.7 %, while the share of government owned legal entities decreased from 29.9 % to 28.0 %; likewise, the share held by individuals decreased as well, from 28.0 % to 26.5 %. Also on the rise is the share of foreign investors, up to 4.7 % at the end of June 2006. The number of shareholders fell from 18,075 as at 31 December 2005 to 17,267 as at 30 June 2006, which is equivalent to 4.5 %.

The **balance of own shares held** as at 30 June 2006 was 950,267 or 7.8 % (717,192 shares i.e. 5.9 % as at 31 December 2005). In accordance with the Agreement on establishing a put and call option, signed on 21 June 2004 by the Slovenian Indemnity Fund (Slovenska odškodninska družba d.d.) and Gorenje, d.d., on 5 January 2006 the Slovenian Indemnity Fund notified Gorenje, d.d., of its intent to exercise its sales option for the sale of 233,075 Gorenje, d.d., shares (1.9105 % of the company capital) at the price of SIT 6,321.84 per share. On 3 February 2006 Gorenje, d.d., repurchased 950.267 of own shares on the agreed terms, thereby increasing its share in total capital stock to 7.7891 percent.

The **listed price of Gorenje d.d. shares** was SIT 5,421.45 on 31.12.2005 and 5,400.19 on 30 June 2006. In the accounting period under consideration the listed price of GRVG shares fell by 0.4 %; in the same period the SBI index rose by 10.0 %.

Earnings per share in the accounting period, calculated as the ratio between the net profit (annual level) and the number of shares outstanding at the end of the period (minus the number of repurchased own shares), amounted to **SIT 147.4**.

The **book value per share** calculated as the ratio between the book value of ordinary shares (less reserves for own shares) and the number of shares issued minus the number of own shares (11,249,733) was **SIT 4,318.7** as at 30 June 2006.

The **market-to-book ratio** was **1.25** (1.01 as at 31 December 2005).

Dividend

In 2005 the company paid its shareholders a gross dividend of SIT 100 per share; in 2006 the company will pay its shareholders a gross dividend of SIT 100 per share.

Ownership structure as at 30 June 2006 was as follows:

Shareholder (company name and head office)	Number of Shares	Ownership Share (%)
Kapitalska družba, d.d., Dunajska cesta 119, Si-1000 Ljubljana	2,840,504	23.3
Gorenje d.d. Partizanska 12, Si-3503 Velenje – own shares	950,267	7.8
KD Galileo, Mutual Fund, Celovška 206, Si-1000 Ljubljana	485,133	4.0
Slovenska odškodninska družba, d.d., Mala ulica 5, Si-1000 Ljubljana	469,127	3.8
Delniški vzajemni sklad Triglav steber 1, Slovenska c. 54, Si-1000 Ljubljana	415,816	3.4
KD Rastko, Mutual Share Fund, Celovška 206, Si-1000 Ljubljana	360,447	3.0
Maksima, Delniška ID, d.d., Čopova ulica 3, Si-1000 Ljubljana	355,163	2.9
Krona Senior ID d.d., Štefanova 13 A, Si-1000 Ljubljana	227,669	1.9
Zlata moneta II d.d., Svetozarevska ulica 12, Si-2000 Maribor	217,130	1.8
Probanka d.d., Svetozarevska ulica 12, Si-2000 Maribor	209,494	1.7
Other shareholders	5,669,250	46.4
TOTAL	12,200,000	100.0

The balance of shares held by the **Supervisory Board** of Gorenje d.d. as at 30 June 2006 was as follows:

Shareholder	Number of Shares	Ownership Share (%)
Mr. Ivan Atelšek	8,258	0.0677
Mr. Peter Kobal	1,178	0.0097
Mr. Drago Krenker	1,998	0.0164
Mr. Krešimir Martinjak	100	0.0008
Mr. Jurij Slemenik	1,511	0.0124
Mr. Jože Zagožen	405	0.0033
Mr. Bogdan Pušnik	1,250	0.0102
TOTAL	14,700	0.1205

On 5 May 2006 a member of the Supervisory Board, Mr. Drago Krenker, sold 100 Gorenje, d.d., shares (GRVG shares) in a single transaction on the Ljubljana Stock Exchange for a total of SIT 563,499. After the sale, the remaining total number of shares held by Mr. Drago Krenker is 1,998, which is equivalent to 0.0164 % of total capital stock.

On 29 June 2006 the General Meeting of Gorenje, d.d., elected the following candidates as the members of the Supervisory Board acting on behalf of the shareholders, for the period of four years: **Mr. Peter Ješovnik, Mr. Milan Podpečan, Mr. Andrej Presečnik, Mr. Gregor Sluga, Mr. Jože Zagožen**. The newly elected members of the Supervisory Board took office on 18 July 2006.

In line with the provisions of the Employee Council Rules of Procedure, at the meeting of the Gorenje, d.d. Employee Council held on 26 May 2006 five employee representatives were elected onto the Gorenje, d.d., Supervisory Board for the period of four years. Of this, the General Meeting was duly notified. The newly elected employee representatives are **Mr. Peter Kobal, Mr. Krešimir Martinjak, Mr. Jurij Slemenik, Mr. Drago Krenker** and **Mr. Ivan Atelšek**, who took office on 18 July 2006.

The balance of shares held by the **Management Board** of Gorenje, d.d., as at 30 June 2006 was as follows:

Shareholder	Number of Shares	Ownership Share (%)
Mr. Franjo Bobinac	1,822	0.0149
Mr. Drago Bahun	7,932	0.0650
Mr. Franc Košec	1,200	0.0098
Mrs. Mirjana Dimc Perko	83	0.0007
TOTAL	11,037	0.0904

**Non-audited non-consolidated half-yearly Financial Statements of Gorenje, d.d.,
for the Year 2006**

Non-audited Balance Sheet of Gorenje, d.d.

	<i>Exchange Rate: 1EUR =</i>	<i>239.57 SIT</i>	<i>239.63 SIT</i>	<i>239.63 SIT</i>		<i>239.58 SIT</i>	
	in SIT m	30 June 2005	30 June 2006 company Indop excluded	30 June 2006	06/ June 05	31 December 2005	06/ Dec 05
	ASSETS	136,142.7	142,738.3	143,322.5	105.3%	136,185.9	105.3%
A.	Non-current assets	72,330.3	75,612.9	76,034.6	105.1%	74,233.3	102.4%
I.	Intangible assets	3,002.9	3,363.5	3,414.6	113.7%	3,990.0	85.6%
II.	Property, plant and equipment	47,136.2	46,636.1	47,094.2	99.9%	47,865.8	98.3%
III.	Investment property	372.8	190.9	190.9	51.2%	190.9	100.0%
IV.	Non-current investments	21,345.4	23,862.6	23,775.1	111.4%	20,691.0	114.9%
V.	Trade and other receivables	343.0	116.1	116.1	33.8%	215.4	53.9%
VI.	Deferred tax assets	130.0	1,443.7	1,443.7	/	1,280.2	112.8%
B.	Current assets	63,812.4	67,125.4	67,287.9	105.4%	61,952.6	108.6%
I.	Inventories	18,173.4	18,809.3	19,067.9	104.9%	17,877.0	106.7%
II.	Trade and other receivables	40,235.0	44,002.6	44,537.4	110.7%	39,389.6	113.1%
III.	Current investments	4,196.7	2,533.7	1,899.9	45.3%	4,385.0	43.3%
IV.	Deferred costs (expenses) and accrued revenue	1,177.0	1,769.0	1,771.6	150.5%	290.9	609.0%
V.	Cash and cash equivalents	30.3	10.8	11.1	36.6%	10.1	110.0%
	EQUITY AND LIABILITIES	136,142.7	142,738.3	143,322.5	105.3%	136,185.9	105.3%
A.	Equity	53,093.8	48,569.0	48,584.0	91.5%	50,444.6	96.3%
I.	Share capital	12,200.0	12,200.0	12,200.0	100.0%	12,200.0	100.0%
II.	Capital reserves	18,832.6	18,832.6	18,832.6	100.0%	18,832.6	100.0%
III.	Legal and statutory reserves	4,509.1	8,968.5	8,968.5	198.9%	7,494.9	119.7%
IV.	Retained earnings	19,082.0	13,156.0	13,171.0	69.0%	15,035.9	87.6%
V.	Capital revaluation and translation adjustment	652.2	541.3	541.3	83.0%	536.9	100.8%
VI.	Own shares	-2,182.1	-5,129.4	-5,129.4	235.1%	-3,655.7	140.3%
B.	Non-current liabilities	29,850.9	34,653.3	34,719.4	116.3%	29,417.3	118.0%
I.	Provisions	4,371.4	6,601.2	6,609.6	151.2%	6,483.9	102.0%
II.	Financial liabilities	25,381.7	28,052.1	28,109.8	110.7%	22,933.4	122.6%
III.	Deferred tax liabilities	97.8	0.0	0.0	/	0.0	/
C.	Current liabilities	53,198.0	59,516.0	60,019.1	112.8%	56,324.0	106.6%
I.	Financial liabilities	19,791.1	25,195.2	25,248.1	127.6%	13,380.1	188.7%
II.	Trade and other payables	31,036.1	31,732.0	32,037.2	103.2%	41,428.0	77.3%
III.	Accrued costs (expenses) and deferred revenue	2,370.8	2,588.8	2,733.8	115.3%	1,515.9	180.3%

Non-audited Income statement of Gorenje, d.d.

	Average Exchange Rate: 1 EUR =	239.69 SIT	239.56 SIT	239.59 SIT	239.59 SIT		
	in SIT m	Jan-Jun 2005	Plan 2006	Jan-Jun 2006 Indop excluded	Jan-Jun 2006	06/PI06	06/ 05
1.	Net revenues from sales	71,232.5	168,485.8	77,531.4	78,482.3	46.6%	110.2%
2.	Changes in inventories	2,409.4	150.0	1,278.1	1,294.8	863.2%	53.7%
3.	Other operating incomes	764.7	1,268.9	623.8	616.0	48.5%	81.0%
4.	Gross operating yield	74,406.6	169,904.7	79,433.3	80,393.1	47.3%	108.1%
5.	Raw material and consumables used	-57,533.8	-131,496.7	-61,883.9	-62,422.5	47.5%	108.5%
6.	Staff costs	-10,891.7	-24,700.5	-11,616.8	-11,954.0	48.4%	109.8%
7.	Depreciation and amortisation expense	-4,110.7	-8,320.4	-4,057.5	-4,109.6	49.4%	100.0%
8.	Impairment loss	-294.2	-610.0	-232.6	-232.6	38.1%	79.1%
9.	Other operating expenses	-220.5	-612.5	-247.1	-252.6	41.2%	114.6%
10.	Operating profit	1,355.7	4,164.6	1,395.4	1,421.8	34.1%	104.9%
11.	Financial income	1,355.3	1,130.8	987.7	978.0	86.5%	72.2%
12.	Financial expenses	-1,824.5	-2,313.0	-1,489.3	-1,491.0	64.5%	81.7%
13.	Net finance cost	-469.2	-1,182.2	-501.6	-513.0	43.4%	109.3%
14.	Profit before tax	886.5	2,982.4	893.8	908.8	30.5%	102.5%
15.	Income tax expense	-160.0	-527.0	-80.0	-80.0	15.2%	50.0%
16.	Profit for the period	726.5	2,455.4	813.8	828.8	33.8%	114.1%

Non-audited Cash flow statement of Gorenje, d.d.

in SIT m	Jan – June 2005	Jan – June 2006
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	726.5	828.8
Adjustments for:		
Depreciation of property, plant and equipment	3,705.8	3,788.0
Amortisation of intangible assets	404.9	321.5
Foreign exchange loss	622.9	546.2
Investment income	-506.1	-978.0
Interest expense	721.3	944.8
Revenue from sale of property, plant and equipment	-369.0	-3.7
Tax expense	160.0	80.0
Operating profit before changes in net operating current assets and provisions	5,466.3	5,527.6
Increase in trade and other receivables	-6,642.4	-6,692.8
Increase in inventories	-2,767.8	-1,190.9
Decrease in trade and other payables	-3,266.6	-8,047.1
Cash generated from operations	-12,676.8	-15,930.8
Interest paid	-679.5	-703.0
Income taxes paid		-395.4
Net cash from operating activities	-7,890.0	-11,501.6
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	296.2	5.0
Interest received	27.0	189.2
Acquisition of subsidiary net of cash acquired	-2,996.2	-2,075.7
Other investments	-2,124.4	-599.0
Purchase of intangible assets	-276.2	-367.6
Net cash used in investing activities	-5,073.6	-2,848.1
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Repurchase of own shares	-1,512.2	-1,473.7
Proceeds from long-term borrowings	14,496.5	17,044.4
Taken into account dividends		-1,220.0
Net cash used in financing activities	12,984.3	14,350.7
D. CASH AND CASH EQUIVALENTS AT END OF PERIOD	30.3	11.0
Net increase in cash and cash equivalents	20.7	1.0
Cash and cash equivalents at beginning of period	9.6	10.0

Non-audited Statement of changes in equity of Gorenje, d.d.

in SIT m	Share capital	Capital reserves	Legal and statutory reserves	Retained earnings	Own shares	Capital revaluation adjustments	Total
Opening balance at 1 January 2006	12,200.0	18,832.6	7,494.8	15,035.9	-3,655.7	537.00	50,444.6
Net profit for the period				828.8			828.8
Capital revaluation and translation adjustments taken to equity						4.3	4.3
Formation of provisions for own shares			1,473.7	-1,473.7			0
Increase in own shares					-1,473.7		-1,473.7
Calculation of dividends				-1,220.0			-1,220.0
Closing balance at 30 June 2006	12,200.0	18,832.6	8,968.5	13,171.0	-5,129.4	541.3	48,584.0

in SIT m	Share capital	Capital reserves	Legal and statutory reserves	Retained earnings	Own shares	Capital revaluation adjustments	Total
Opening balance at 1 January 2005	12,200.0	18,832.6	4,509.1	18,355.5	-669.9	309.1	53,536.4
Net profit for the period				726.5			726.5
Capital revaluation and translation adjustments taken to equity						530.6	530.6
Increase in own shares					-1,512.2		-1,512.2
Decreasing amount of capital revaluation adjustments						-187.5	-187.5
Closing balance at 30 June 2005	12,200.0	18,832.6	4,509.1	19,082.0	-2,182.1	652.2	53,093.8

Non-audited consolidated half-yearly Financial Statements of Gorenje Group, for the Year 2006

Non-audited consolidated Balance sheet of Gorenje Group

	in SIT m	30 June 2005	30 June 2006	06/Jun 05	31 Dec 2005	06/ Dec 05
	ASSETS	196,766.7	204,571.7	104.0%	195,509.9	104.6%
A.	Non-current assets	87,674.3	92,094.4	105.0%	91,298.9	100.9%
I.	Intangible assets	4,023.0	5,380.3	133.7%	5,617.8	95.8%
II.	Property, plant and equipment	78,927.0	78,525.5	99.5%	78,838.7	99.6%
III.	Investment property	394.7	225.8	57.2%	212.8	106.1%
IV.	Non-current investments	3,751.1	5,864.0	156.3%	3,956.8	148.2%
V.	Trade and other receivables	509.2	154.2	30.3%	854.9	18.0%
VI.	Deferred tax assets	69.3	1,944.6	/	1,817.9	107.0%
B.	Current assets	109,092.4	112,477.3	103.1%	104,211.0	107.9%
I.	Inventories	45,533.3	45,884.3	100.8%	40,486.7	113.3%
II.	Trade and other receivables	55,381.2	58,443.0	105.5%	55,056.0	106.2%
III.	Current investments	3,912.4	3,508.9	89.7%	5,471.1	64.1%
IV.	Deferred costs (expenses) and accrued revenue	1,956.2	2,266.8	115.9%	648.4	349.6%
V.	Cash and cash equivalents	2,309.3	2,374.3	102.8%	2,548.8	93.2%
	EQUITY AND LIABILITIES	196,766.7	204,571.7	104.0%	195,509.9	104.6%
A.	Equity and minority interest	61,089.1	57,625.9	94.3%	58,720.2	98.1%
I.	Share capital	12,200.0	12,200.0	100.0%	12,200.0	100.0%
II.	Capital reserves	23,113.3	23,113.3	100.0%	23,113.3	100.0%
III.	Legal and statutory reserves	4,509.1	7,494.8	166.2%	4,509.1	166.2%
IV.	Retained earnings	19,211.9	15,230.7	79.3%	17,939.9	84.9%
V.	Own shares	-2,182.1	-5,129.3	235.1%	-3,655.7	140.3%
VI.	Capital revaluation and translation adjustment	4,040.3	4,470.2	110.6%	4,412.3	101.3%
VII.	Minority interest	196.6	246.2	125.2%	201.3	122.3%
B.	Non-current liabilities	44,116.7	47,175.9	106.9%	42,843.2	110.1%
I.	Provisions	7,787.9	12,161.2	156.2%	11,946.4	101.8%
II.	Provisions formed from ceded assets	1,774.4	1,828.1	103.0%	1,789.9	102.1%
III.	Deferred tax liabilities	289.2	182.7	63.2%	243.9	74.9%
IV.	Financial liabilities	34,259.1	32,940.2	96.2%	28,809.7	114.3%
V.	Non-current collaterals	6.1	63.7	/	53.3	119.5%
C.	Current liabilities	91,560.9	99,769.9	109.0%	93,946.5	106.2%
I.	Financial liabilities	41,481.1	48,743.8	117.5%	33,405.5	145.9%
II.	Trade and other payables	43,824.5	44,406.5	101.3%	56,297.6	78.9%
III.	Accrued costs (expenses) and deferred revenue	6,255.3	6,619.6	105.8%	4,243.4	156.0%

Non-audited consolidated Income statement of Gorenje Group

	in SIT m	Jan-June 2005	Plan 2006	Jan-June 2006	06/PI06	2006/ 05
	Comparable Net revenues from sales	108,055.2	243,971.2	114,491.0	46.9%	106.0%
1.	Net revenues form sales	114,263.0	243,971.2	114,491.0	46.9%	100.2%
2.	Changes in inventories	6,593.1	1,647.9	6,045.2	366.8%	91.7%
3.	Other operating incomes	1,314.9	2,311.9	1,219.2	52.7%	92.7%
4.	Gross operating yield	122,171.0	247,931.0	121,755.4	49.1%	99.7%
5.	Raw material and consumables used	-91,541.8	-179,246.8	-90,399.6	50.4%	98.8%
6.	Staff costs	-20,617.3	-44,732.6	-21,637.5	48.4%	104.9%
7.	Depreciation and amortisation expense	-5,852.2	-12,174.0	-5,863.8	48.2%	100.2%
8.	Impairment loss	-830.2	-1,050.7	-409.1	38.9%	49.3%
9.	Other operating expenses	-887.4	-2,367.8	-875.3	37.0%	98.6%
10.	Operating profit	2,442.1	8,359.1	2,570.1	30.7%	105.2%
11.	Financial income	2,304.5	1,908.0	1,688.6	88.5%	73.3%
12.	Financial expenses	-2,856.1	-4,147.7	-2,515.8	60.7%	88.1%
13.	Net finance cost	-551.6	-2,239.7	-827.2	36.9%	150.0%
14.	Profit before tax	1,890.5	6,119.4	1,742.9	28.5%	92.2%
15.	Income tax expense/benefit	-423.7	-819.7	-240.0	29.3%	56.6%
16.	Profit for the period	1,466.8	5,299.7	1,502.9	28.4%	102.5%
17.	Minority interest	8.8	29.0	6.4	22.1%	72.7%
18.	Equity holders of the parent	1,458.0	5,270.7	1,496.5	28.4%	102.6%
19.	Earnings per share (in SIT)	250.4	474.4	266.3	56.1%	106.3%

Non-audited consolidated Cash flow statement of Gorenje Group

in SIT m	Jan – June 2005	Jan – June 2006
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	1,466.8	1,502.9
Adjustments for:		
Depreciation of property, plant and equipment	5,316.5	5,399.9
Amortisation of intangible assets	535.7	463.9
Foreign exchange loss	718.1	828.1
Investment income	-2,304.5	-1,688.6
Interest expense	2,137.9	1,687.7
Revenue from sale of property, plant and equipment	-118.7	-67.8
Tax expense	423.7	240.0
Operating profit before changes in net operating current assets and provisions	8,175.5	8,366.1
Increase in trade and other receivables	-6,385.5	-4,431.4
Increase in inventories	-6,207.4	-5,397.6
Decrease in trade and other payables		
Decrease in provisions		
Increase in provisions	260.1	253.0
Decrease in other operating liabilities	-5,689.9	-9,565.7
Cash generated from operations	-18,022.7	-19,141.7
Interest paid	-2,265.5	-2,123.7
Income taxes paid	-547.6	-590.0
Net cash from operating activities	-12,660.3	-13,489.3
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	118.7	88.1
Interest received	2,195.8	1,104.5
Dividends received	27.2	47.6
Purchase of property, plant and equipment	-3,990.9	-4,318.7
Other investments	1,217.4	42.0
Purchase of intangible assets	-329.9	-423.9
Net cash used in investing activities	-761.7	-3,460.4
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Repurchase of own shares	-1,512.2	-1,473.6
Proceeds from long-term borrowings	15,017.4	19,468.8
Calculation of dividends		-1,220.0
Net cash used in financing activities	13,505.2	16,775.2
D. CASH AND CASH EQUIVALENTS AT END OF PERIOD	2,309.3	2,374.3
Net increase in cash and cash equivalents	83.2	-174.5
Cash and cash equivalents at beginning of period	2,226.1	2,548.8

Non-audited consolidated Statement of changes in equity of Gorenje Group

in SIT m	Share capital	Capital reserves	Legal and statutory reserves	Retained earnings	Own shares	Capital translation adjustment	Minority interest	Total
Opening balance at 1 January 2006	12,200.0	23,113.3	7,494.8	14,954.2	-3,655.7	4,412.3	201.3	58,720.2
Net profit for the period				1,496.5			6.4	1,502.9
Capital revaluation and translation adjustments taken to equity						57.9		57.9
Increase in own shares					-1,473.6			-1,473.6
Calculation of dividends				-1,220.0				-1,220.0
Increase in minority interest							38.5	38.5
Closing balance at 30 June 2006	12,200.0	23,113.3	7,494.8	15,230.7	-5,129.3	4,470.2	246.2	57,625.9

in SIT m	Share capital	Capital reserves	Legal and statutory reserves	Retained earnings	Own shares	Capital translation adjustment	Minority interest	Total
Opening balance at 1 January 2005	12,200.0	23,113.3	4,509.1	17,753.9	-669.9	3,776.7	191.0	60,874.1
Net profit or loss for the period				1,458.0			8.8	1,466.8
Purchase and revaluation of own shares					-1,512.2	530.6		-981.6
Capital revaluation and translation adjustments taken to equity						-267.0		-267.0
Decrease in minority interest							-3.2	-3.2
Closing balance at 30 June 2005	12,200.0	23,113.3	4,509.1	19,211.9	-2,182.1	4,040.3	196.6	61,089.1

Financial highlights and achievements of Gorenje Group

Jan – June 2005	Plan 2006	Jan – June 2006	Plan 2006 track	1 st H to 1 st H
Comparable consolidated net revenues from sales (in SIT m)¹				
108,055	243,971	114,491	46.9%	106.0%
Consolidated net revenues form sales (in SIT m)				
114,263	243,971	114,491	46.9%	100.2%
EBITDA (in SIT m)				
8,294	20,533	8,434	41.1%	101.7%
EBIT (in SIT m)				
2,442	8,359	2,570	30.7%	105.2%
Net profit (in SIT m)				
1,467	5,300	1,503	28.4%	102.5%
Value Added(in SIT m)				
29,791	67,182	30,537	45.5%	102.5%
Number of employees at the end of the period				
10,336	10,406	10,307	99.0%	99.7%
Average number of employees				
10,545	10,568	10,341	97.9%	98.1%
Gross operating yield per employee (in TSIT)				
11,586	23,461	11,774	50.2%	101.6%
Value Added per employee (in TSIT)				
2,825	6,357	2,953	46.5%	104.5%
EBITDA Margin (as % of gross operating yield)				
6.8%	8.3%	6.9%	/	/
Net ROE				
4.9%	8.5%	5.2%	/	/
Assets (in SIT m)				
196,767	195,040	204,572	104.9%	104.0%
Investments in fixed assets (in SIT m)				
4,321	16,225	4,743	29.2%	109.8%
Capital (in SIT m)				
61,089	63,112	57,626	91.3%	94.3%
Capital / Assets				
31.1%	32.4%	28.1%	/	/
Long-term provisions (in SIT m)				
9,562	10,155	13,989	137.8%	146.3%
Financial liabilities (in SIT m)				
75,740	70,900	81,684	115.2%	107.8%

¹ From the consolidated net revenues from sales for the year 2005, the revenues of SIT 6,207.8 m were eliminated due to the disposal of both Hyundai companies in July 2005.

Financial highlights and achievements of Gorenje, d.d.

Jan – June 2005	Plan 2006	Jan – June 2006	Plan 2006 track	1 st H to 1 st H
Comparable net revenues from sales (in SIT m) ²				
71,233	163,846	78,482	47.9 %	110.2 %
Net revenues form sales (in SIT m)				
71,233	168,486	78,482	46.6 %	110.2 %
EBITDA (in SIT m)				
5,466	12,485	5,531	44.3 %	101.2 %
EBIT (in SIT m)				
1,356	4,165	1,422	34.1 %	104.9 %
Net profit (in SIT m)				
727	2,455	829	33.8 %	114.1 %
Value Added(in SIT m)				
16,652	37,930	17,718	46.7 %	106.4 %
Number of employees at the end of the period				
5,403	5,393	5,639	104.6 %	104.4 %
Average number of employees				
5,653	5,467	5,620	102.8 %	99.4 %
Gross operating yield per employee (in TSIT)				
13,162	31,078	14,305	46.0 %	108.7 %
Value Added per employee (in TSIT)				
2,995	6,938	3,140	45.3 %	104.8 %
EBITDA Margin (as % of gross operating yield)				
7.3 %	7.3 %	6.9 %	/	/
Net ROE				
2.8 %	4.1 %	3.7 %	/	/
Assets (in SIT m)				
136,143	155,323	143,323	92.3 %	105.3 %
Investments in fixed assets (in SIT m)				
3,290	6,610	2,443	37.0 %	74.3%
Capital (in SIT m)				
53,094	68,409	48,584	71.0 %	91.5 %
Capital / Assets				
39.0 %	44.0 %	33.9 %	/	/
Long-term provisions (in SIT m)				
4,372	3,558	6,610	185.8 %	151.2 %
Financial liabilities (in SIT m)				
45,173	43,455	53,358	122.8 %	118.1 %

² Comparability was achieved with the elimination of the business activities of the company Gorenje GTI from the annual plan 2006.