

26 October 2006

**Gorenje performed well and on target in the first nine months of 2006. High sales volume, innovative products and cost control as the key to success. Extremely tough conditions in supply and sales markets.**

The Supervisory Board of Gorenje d.d. today at its 4th Meeting discussed and adopted the non-audited financial report of Gorenje d.d. and the Gorenje Group for the first nine months of 2006. In the opinion of the Supervisory Board the company performed well and on target.

#### Results:

##### **Gorenje Group:**

**Net revenue from sales** in the amount of **SIT 184,713.2 million** is **4.2 % (SIT 7,472.4 million) higher** than in the same period last year, reaching **75.7 %** of the plan for 2006. Using **comparable data**, net revenue from sales is **higher by SIT 13,680.2 million**, which is **equivalent to 8.0 %**. Net revenue from sales in the first nine months 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 13,792.4 million or 5.1 % more than in the same period in 2005 and represents 67.2 % of the 2006 annual plan.

**Profit before tax**, amounted to SIT 3,665.9 million, or 1.1 % more than in the same period in 2005 and represents 59.9 % of the 2006 annual plan.

**Consolidated net profit** in the amount of SIT 3,092.3 million exceeds the figure reported in the same period in 2005 by 1.5 %, reaching 58.3 % of the plan for the current year. The net profit also includes the net profit share of minority shareholders amounting to SIT 29.5 million.

**Earnings per share** were SIT 367.3, which is 5.5 % more than in the same period last year, reaching 77.4 % of the plan for 2006.

##### **Parent Company Gorenje d.d.:**

**Net revenue from sales** in the amount of **SIT 120,874.4 million** is **10.3 % (SIT 11,335.4 million) higher** than in the same period last year, reaching 71.7 % 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..

**Operating profit before depreciation/amortisation** (calculated as operating profit increased by depreciation/amortisation costs) amounts to SIT 7,976.5 million, which is 6.6 % more than in the same period in 2005 and represents 63.9 % of the annual plan.

**Profit before tax**, amounted to SIT 1,244.2 million, or 35.9 % more than in the same period in 2005 and represents 41.7 % of the 2006 annual plan.

**Net profit** for the period amounts to SIT 1,011.0 million, which is 7.8 % more than in the same period last year, and 41.2 % of the planned annual net profit.

**A high level of business activity, innovative products and cost control were the key drivers of successful performance in the mature industry.**

The non-audited financial report for the period January – September 2006 discussed by the Supervisory Board of Gorenje d.d. today indicates that the Gorenje Group performed well in the first three quarters of 2006. In the tough business environment characterised by sky-high commodity prices the Gorenje Group is boldly achieving the set targets, improving on the performance in the same period in 2005 in all key categories.

In the mature household appliances industry where supply exceeds demand Gorenje's strategy in the pursuit of market shares was based primarily on the sophisticated design and innovation of Gorenje products. Nevertheless, even continuous development and state-of-the-art improvements in terms of engineering, technology and functional design in this oversupplied industry are not enough. Gorenje has also been maintaining its competitiveness by improving productivity and efficiency, and by a steep growth of value added, while ambitious goals are being accomplished by high volumes of business activity, supply chain optimisation, rationalisation of business processes and cost control at all levels of operation.

The company's strategic plan until 2010 provides for Gorenje's production capacities in Slovenia to remain at the present level with growth to be generated abroad. The first step towards the internationalisation of the production of household appliances was the takeover of Czech manufacturer of cooking appliances Mora Moravia at the end of 2004. This was followed by a new refrigerators and freezers plant in Valjevo, Serbia, which was officially opened on 16 October 2006. The total investment is valued at EUR 20 million. The first chest freezer left the factory, which employs 330 people, on 15 September. According to forecasts, production will reach 50,000 units this year and 400,000 next year. The plant will manufacture appliances for all Gorenje brands and markets worldwide. Establishing production abroad enables the company to acquire the status of a local manufacturer as part of the long-term strategy of creating conditions for high market shares. At the same time offshore manufacturing, which is set to reach 25 percent of Gorenje's total production volume in 2007, enables the optimisation of tax- and customs duties and lower labour costs, and facilitates the growth of supply from these countries. In Velenje, however, the focus will be on the products and services, which require advanced skills and generate higher value added.

In the first nine months of the financial year Gorenje was busy consolidating its presence mainly in Eastern Europe. In Gorenje's traditional markets the highest growth of sales volumes was recorded in the Czech Republic, Slovakia and in Ukraine, Russia and Bulgaria. In the UK the company successfully introduced own brand and increased sales by 40 percent. In Germany the sales under Gorenje brand names grew by 25 %; similar figures were also posted in France. The company is looking for new markets in the Near- and Far East, assisted by the representative offices in the United Arab Emirates and in China. In the overall sales structure household appliances continue to dominate with 84 %; however, high growth has been noted in the programs of heating appliances and entertainment electronics, and in the Power Generation and Ecology division.

The Management Board of Gorenje is determined that despite unfavourable economic conditions the company should continue to consolidate its presence and market shares, and achieve the ambitious objectives in 2006. By the end of the year Gorenje will have manufactured approximately 3.7 million household appliances, thereby exceeding production plans as well as sales forecasts. This, however, will necessitate a continued focus on finding quick and effective solutions aimed at winning new orders, launching new products and containment of receivables and inventories. The factors set to have a significant impact on short-term business operation include the implementation of the directive on the recycling of electric and electronic waste, and the introduction of the euro; the company has been making extensive preparations for both these events for quite some time. 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 where we can draw on Gorenje's wealth of experience, know-how, technology and production capacities.

The public announcement will be also available on the company's website at [www.gorenje.com](http://www.gorenje.com).

Gorenje, d.d., Management Board