

Non-audited Consolidated Financial Statements of the Gorenje Group for the year 2006
 in accordance with the
International Financial Accounting Standards (IFRS)

Published by corporation Gorenje, d.d., Partizanska 12, SI-3503, Velenje, as provided by Article 38. a of the Regulations of Ljubljanska borza vrednostnih papirjev, d.d., (the Ljubljana Stock Exchange), and the Securities Market Act.

Achieved Business Objectives

In the opinion of the Management Board of Gorenje, d.d., despite unfavourable economic conditions in the 2006 financial year the Group continued to grow and prosper, and significantly exceeded the planned volume of business operations and achieved the planned objectives as regards business performance as well as its asset- and financial targets.

Summary of Business Performance in Figures

Million SIT	2006	Plan 2006	2005	2006/ Plan 2006	2006/2005
Revenue	266,248.5	243,971.2	243,152.4	109.1	109.5
Gross Operating Yield	271,770.1	247,931.0	249,081.5	109.6	109.1
EBITDA	19,268.0	20,533.1	18,152.2	93.8	106.1
Profit before tax (PBT)	6,672.4	6,119.4	5,707.1	109.0	116.9
Net Profit	5,347.9	5,299.7	5,120.7	100.9	104.4
Average Number of Employees	10,556	10,568	10,492	99.9	100.6

Revenue

In 2006, the Gorenje Group achieved a significant growth in business operations with revenue exceeding EUR 1.1 billion, which is 9.5 % more than in 2005 and 9.1 % above plan.

Revenue in 2006 is not fully comparable with revenue achieved in 2005, due to the divestment of both Hyundai companies in July 2005. With the comparable data's revenue increased by 12.4 %.

EBITDA

Earnings before interest, tax and amortization are higher than in 2005 by 6.1 % despite higher costs of raw materials, mainly on account of keeping other expenditure low and higher revenues than originally anticipated.

Profit before tax

Profit before tax has in 2006 reached the growth, which was twice higher than the growth of business activities. The growth in the financial part even strengthened, and reached 16.9 %.

Net Profit

On account of a high tax rate on profit the net profit reached growth of 4.4 %, this is lower than of PBT growth.

Business Environment

There was no 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 was 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 were implemented:

- **Quality sales growth and profitability** while ensuring a balanced utilization of all production capacities and maximising our profit margin;
- **Development of new products and services**, which increased 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;
- **Optimisation of the supply chain** and alternative and/or new sources of supply so as to ensure price competitiveness of our products;
- **Cost optimisation**;
- **Manufacturing productivity and efficiency of operation in manufacturing** by even utilization of production capacities throughout the year with a view of maximising production economy and cost efficiency.
- **Internationalisation of production capacities** (opening of the Valjevo plant – manufacture of refrigeration-freezer appliances) 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;
- **Rationalisation of the organisation of logistics, sales and after-sales services** of the Group, and improving the efficiency of support systems in all their aspects;
- **Selective implementation of new investment projects** and ensuring that they staid within the planned volume; priority was given to investments in new products and markets;
- **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 Group;
- **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.

Non-audited Consolidated Balance Sheet of the Gorenje Group

	In SIT '000	31 December 2006	31 December 2005
	ASSETS	216,780,853	195,509,870
A.	Non-current assets	98,005,832	91,298,871
I.	Intangible assets	5,919,187	5,617,772
II.	Property, plant and equipment (PPE)	84,058,242	78,838,655
III.	Investment property	235,695	212,836
IV.	Other investments	4,128,833	4,811,676
V.	Investments in associated companies	1,504,909	0
VI.	Deferred tax assets	2,158,966	1,817,932
B.	Current assets	118,775,021	104,210,999
I.	Non-current assets for sales	101,361	0
II.	Inventories	46,179,157	40,747,501
III.	Other investments	5,181,199	5,471,072
IV.	Trade receivables	58,200,316	50,901,640
V.	Other assets	6,945,179	4,541,994
VI.	Cash and cash equivalents	2,167,809	2,548,792
	EQUITY AND LIABILITIES	216,780,853	195,509,870
A.	Total equity	60,972,279	58,720,204
I.	Shares	12,200,000	12,200,000
II.	Share premium	23,113,258	23,113,258
III.	Legal and statutory reserves	10,475,414	7,494,904
IV.	Retained earnings	16,206,540	14,954,104
V.	Own shares	-6,636,248	-3,655,738
VI.	Fair value and translation reserve	5,553,551	4,412,317
A1.	Equity attributable to equity holders of the Company	60,912,515	58,518,845
A2.	Minority interest	59,764	201,359
B.	Non-current liabilities	47,987,310	42,843,223
I.	Provisions	11,612,940	11,946,351
II.	Deferred government grant	1,893,450	1,789,926
III.	Deferred tax liabilities	592,159	243,948
IV.	Loans and borrowings	33,818,473	28,809,677
V.	Trade liabilities	70,288	53,321
C.	Current liabilities	107,821,264	93,946,443
I.	Short-term borrowings	41,592,277	33,405,532
II.	Trade liabilities	54,524,364	47,052,076
III.	Other current liabilities	11,704,623	13,488,835

Non-audited Consolidated Profit and Loss Statement of the Gorenje Group

	In SIT '000	2006	2005
1.	Revenue	266,248,456	243,152,426
2.	Changes in inventories	1,477,850	1,929,476
3.	Other operating income	4,043,767	3,999,555
4.	Gross operating yield	271,770,073	249,081,457
5.	Cost of goods, materials and services	-204,072,167	-184,158,970
6.	Personnel expenses	-44,580,100	-43,375,610
7.	Depreciation and amortization expense	-11,881,718	-11,692,539
8.	Other operating expenses	-3,849,797	-3,394,642
9.	Operating profit	7,386,291	6,459,696
10.	Financial revenues from associated companies stakes	157,801	0
11.	Financial income	4,599,092	4,071,056
12.	Financial expenses	-5,470,745	-4,823,683
13.	Profit before tax	6,672,439	5,707,069
14.	Income tax expense	-1,324,525	-586,391
15.	Net profit for the year	5,347,914	5,120,678
16.	Minority interest	-10,005	13,676
17.	Equity holders of the Company	5,357,919	5,107,002
18.	Basic/diluted earnings per share (in SIT)	478.69	445.94

Non-audited Consolidated Cash Flow Statement of the Gorenje Group

	in SIT '000	2006	2005
A.	CASH FLOWS FROM OPERATING ACTIVITIES		
	Net profit for the year	5,347,914	5,120,678
	Adjustments for:		
	Depreciation of PPE	10,953,442	10,830,979
	Depreciation of intangible assets	928,276	861,560
	Foreign currency translation loss	1,659,483	1,449,583
	Investments income	-4,599,092	-4,071,056
	Financial expenses	3,811,262	3,374,100
	Impairment investment into associated companies	-157,801	
	Revenues from sales of PPE	-548,962	-768,428
	Income tax expense	1,324,525	586,391
	Operating profit before changes in net working capital and provisions	18,719,047	17,383,807
	Increase in trade and other receivables	-6,405,416	-6,345,015
	Increase in inventories	-5,497,363	-4,095,705
	Decrease in provisions	-268,410	0
	Increase in provisions	0	1,068,725
	Increase in trade and other payables	2,804,334	5,921,943
	Cash generated from the operations	-9,366,855	-3,450,052
	Interest paid	-3,986,522	-3,898,567
	Income taxes paid	-1,174,525	-547,621
	Profit from liquidation of subsidiary	298,172	0
	Net cash from operating activities	4,489,317	9,487,567
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
	Proceeds from sales of plant and equipment	2,690,001	1,328,820
	Interest received	4,369,206	3,867,503
	Dividends received	340,502	146,662
	Disposal of subsidiary, net of cash disposed of	160,000	1,890,524
	Acquisition of subsidiary, net of cash acquired	-1,424,000	-2,476,654
	Acquisition of property, plant and equipment	-18,056,615	-11,628,299
	Other investments	1,547,859	365,108
	Acquisition of intangible fixed assets	-884,459	-1,648,968
	Net cash from investing activities	-11,257,506	-8,155,304
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
	Repurchase of own shares	-2,980,510	-2,985,835
	Borrowings	10,475,450	3,370,737
	Dividends paid	-1,124,973	-1,171,588
	Net cash from financing activities	6,369,967	-786,686
	Net increase in cash and cash equivalents	-398,222	545,577
	Cash and cash equivalents at 1 January	2,566,031	2,003,215
	Cash and cash equivalents at 31 December	2,167,809	2,548,792

Non-audited Consolidated Statement of Changes in Equity of the Gorenje Group

in SIT '000	Share capital	Share premium	Legal, statutory and other reserves	Retained Earnings	Own shares	Translation Reserve	Fair value reserve	Total	Minority interest	Total equity
Balance at 1 January 2006	12,200,000	23,113,258	7,494,904	14,954,104	-3,655,738	3,875,344	536,973	58,518,845	201,359	58,720,204
Net profit for the year				5,357,919				5,357,919	-10,005	5,347,914
Foreign currency translation						243,130		243,130		243,130
Change in fair value of investments AFS							1,152,619	1,152,619		1,152,619
Liabilities for deferred tax							-254,515	-254,515		-254,515
Formation reserves for own shares			2,980,510	-2,980,510				0		0
Dividend payout				-1,124,973				-1,124,973		-1,124,973
Increase of own shares					-2,980,510			-2,980,510		-2,980,510
Decrease in minority interest								0	-131,590	-131,590
Balance at 31 December 2006	12,200,000	23,113,258	10,475,414	16,206,540	-6,636,248	4,118,474	1,435,077	60,912,515	59,764	60,972,279

in SIT '000	Share capital	Share premium	Legal, statutory and other reserves	Retained Earnings	Own shares	Translation Reserves	Fair value reserves	Total	Minority interest	Total equity
Balance at 1 January 2005	12,200,000	23,113,258	4,509,069	17,753,876	-669,903	3,467,502	309,179	60,682,981	191,070	60,874,051
Net profit for the year				5,107,002				5,107,002	13,676	5,120,678
Foreign currency translation						407,842		407,842		407,842
Change in fair value of investments AFS							227,794	227,794		227,794
Formation provisions for termination pays and deferred tax assets				-3,749,351				-3,749,351		-3,749,351
Formation reserves for own shares			2,985,835	-2,985,835				0		0
Dividend payout				-1,171,588				-1,171,588		-1,171,588
Increase of own shares					-2,985,835			-2,985,835		-2,985,835
Decrease in minority interest									-3,387	-3,387
Balance at 31 December 2005	12,200,000	23,113,258	7,494,904	14,954,104	-3,655,738	3,875,344	536,973	58,518,845	201,359	58,720,204

Important Notes to the Statements

Principles Applied in the Preparation of Financial Statements

The non-audited consolidated financial statements of the Gorenje Group for 2006 have been prepared in accordance with the International Financial Accounting Standards as published by the International Accounting Standards Board (IASB), and the interpretations of the International Financial Reports Interpretation Committee (IFRIC). The Gorenje Group's financial statements have been prepared in line with the international financial accounting standards since 1999, hence for 2006 the continuation of their application has been preserved in all vital respects.

Gorenje Group Structure

The changes in the structure of the Gorenje Group in 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.).
- 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. Gorenje thereby effectively acquired a 49.95 percent share in the following subsidiaries of Istrabenz Gorenje energetski sistemi, d.o.o.: Istrabenz – Gorenje, d.o.o., Ljubljana; Istrabenz – Gorenje, d.o.o., Zagreb; Austrian Power Vertriebs GmbH; Biotoplota, d.o.o.; Intrade energija, d.o.o.; and Vitales, d.o.o., a joint venture company of Gorenje, d.d. and Istrabenz, d.d. The company Istrabenz Gorenje energetski sistemi, d.o.o. has on 6 October 2006 sold 50 % stake of the company GEN-I, d.o.o. to GEN energija, d.o.o.
- At the end of May Gorenje, d.d., carried out additional capitalisation of Gorenje Tiki, d.o.o.. This brought up the ownership share of Gorenje, d.d., in Gorenje Tiki, d.o.o. to 99.982 %.
- On 30 September 2006 Gorenje Beteiligungs GmbH, Vienna, carried out additional capitalisation of Mora Moravia s.r.o., Czech Republic, which gave it a 32.5 % share in the company.
- On 16 October 2006 was official opening of the new refrigerators and freezers plant in Valjevo, Serbia.
- On 30 November 2007 the liquidation process of the company Biterm, d.o.o., was completed.
- On 10 October 2007, Gorenje Beteiligungs GmbH, Vienna, founded a subsidiary company Gorenje Istanbul Ltd., Turkey.

In addition to the ***mother company*** – Gorenje, d.d., the ***Consolidated Financial Statements*** of the Gorenje Group for 2006 ***also include*** the following ***subsidiary companies***:

Companies, operating in Slovenia		Ownership share, %	Division
1.	Gorenje IPC, d.o.o., Velenje	100.00	HA
2.	Gorenje Tiki d.o.o., Ljubljana	99.982	HA
3.	Gorenje GTI, d.o.o., Velenje	100.00	TS
4.	Gorenje Notranja oprema, d.o.o., Velenje	99.60	HI
5.	Gorenje Gostinstvo, d.o.o., Velenje	100.00	TS
6.	LINEA, d.o.o., Velenje	100.00	TS
7.	Energygor, d.o.o., Velenje	100.00	TS
8.	Opte Ptuj, d.o.o., Ptuj	100.00	TS
9.	Kemis, d.o.o., Radomlje	100.00	TS
10.	Gorenje Orodjarna, d.o.o., Velenje	100.00	TS
11.	ZEOS, d.o.o.	51.00	TS
12.	Istrabenz Gorenje energetski sistemi, d.o.o., Nova Gorica	49.95	TS
13.	GEN-I, d.o.o., Krško	24.98	TS
14.	BIOTOPLOTA, d.o.o., Nova Gorica	49.95	TS

Companies, operating outside Slovenia		Ownership share, %	Division
15.	Gorenje Beteiligungsgesellschaft m.b.H., Austria	100.00	HA
16.	Gorenje Austria Handelsgesellschaft m.b.H., Austria	100.00	HA
17.	Gorenje Vertriebsgesellschaft m.b.H., Germany	100.00	HA
18.	Gorenje Körting Italia S.r.l., Italy	100.00	HA
19.	Gorenje France S.A.S., France	100.00	HA
20.	Gorenje BELUX S.a.r.l., Belgium	100.00	HA
21.	Gorenje UK Ltd., Great Britain	100.00	HA
22.	Gorenje Skandinavien A/S, Denmark	100.00	HA
23.	Gorenje AB, Sweden	100.00	HA
24.	Gorenje spol. s r.o., Czech Republic	100.00	HA
25.	Gorenje real spol. s r.o., Czech Republic	100.00	HA
26.	Gorenje Slovakia s r.o., Slovak Republic	100.00	HA
27.	Gorenje Budapest Kft., Hungary	100.00	HA
28.	Gorenje Polska Sp. z o.o., Poland	100.00	HA
29.	Gorenje Bulgaria EOOD, Bulgaria	100.00	HA
30.	Gorenje Zagreb, d.o.o., Croatia	100.00	HA
31.	Gorenje Skopje, d.o.o., Macedonia	100.00	HA
32.	Gorenje Commerce, d.o.o., Bosnia and Herzegovina	100.00	HA
33.	Gorenje, d.o.o., Serbia	100.00	HA
34.	Gorenje Podgorica, d.o.o., Montenegro	99.972	HA
35.	Gorenje OY, Finland	100.00	HA
36.	Gorenje AS, Norway	100.00	HA
37.	OÜ Gorenje, Estonia	100.00	HA
38.	SIA Gorenje, Latvia	100.00	HA
39.	Gorenje Romania S.R.L., Romania	100.00	HA
40.	Gorenje aparati za domačinstvo, d.o.o., Serbia	100.00	HA
41.	Mora Moravia a.s., Czech Republic	100.00	HA
42.	Gorenje Küchen GmbH, Austria	99.60	HI
43.	Gorenje kuchyne spol. s r.o., Czech Republic	99.60	HI
44.	Gorenje Imobilia, d.o.o., Serbia	100.00	TS
45.	Gorenje Adrija nekretnine, d.o.o., Croatia	100.00	TS
46.	Kemis, d.o.o., Croatia	100.00	TS
47.	Kemis BiH, d.o.o., Bosnia and Herzegovina	100.00	TS

48.	Kemis Valjevo, d.o.o., Serbia	100.00	TS
49.	Gorenje Invest, d.o.o., Serbia	100.00	HA
50.	Gorenje Gulf FZE, United Arab Emirates	100.00	TS
51.	Gorenje Espana, S.L., Spain	100.00	HA
52.	Gorenje Tiki, d.o.o., Serbia	99.982	HA
53.	Istrabenz-Gorenje, d.o.o., Croatia	24.98	TS
54.	Austrian Power Vertriebs, GmbH, Austria	49.95	TS
55.	Intrade energija, d.o.o., Bosnia and Herzegovina	25.48	TS
56.	Vitales, d.o.o., Bosnia and Herzegovina	49.95	TS
57.	Gorenje Istanbul Ltd., Turkey	100.00	TS

Division HA – Household Appliances Division.

Division HI – Home Interior Division.

Division TS – Trade and Services Division.

Gorenje, d.d. also has the following **representative offices** abroad, which are instrumental in doing business in certain foreign markets:

Representative offices abroad

1.	Moscow, Russia
2.	Krasnojarsk, Russia
3.	Kiev, Ukraine
4.	Athens, Greece
5.	Shanghai, China
6.	Priština, Kosovo, Serbia

Major Events Following the Balance Sheet Date

Major events following the Balance Sheet date 31 December 2006 will be as follows:

- The transfer of business activities (cooling and heating program) from the company Gorenje GTI, d.o.o., to the company Gorenje Tiki, d.o.o., on 1 January 2007 was realized.
- Pursuant to the resolutions adopted by the General Meeting on 12 December 2006, the decision of the Celje district court of 22 December 2006 on the registration of amendments in the court register in relation to business activity, powers conferred on the Management Board to increase the (approved) share capital, and the company Statute, entered into force on 16 January 2007.
- As provided by Rule No. KD 1820 of 25 January 2007, KDD Ljubljana, the central securities clearing corporation amended on 26 January 2007 the nominal value of the Gorenje, d.d., GRVG shares in the central register of securities to read, "1 no par value share", with no actual replacement of shares being made.
- On 31 January 2007, Gorenje, d.d., purchased from Probanka, d.d., a 23.4 % share in the company Surovina, d.d., Maribor, that effectively translates into 51 % of all shares in Surovina, d.d.
- On 31 January 2007, the Gorenje company Kemis, d.o.o., Zagreb, Croatia, signed the purchase agreement of 100% share in Termoclean, d.o.o., Zagreb, Croatia.
- On 8 January 2007 the representative office of Gorenje, d.d., in Kazakhstan was established.

Gorenje, d.d., Management Board

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