

As provided by Article 38. a of the Regulations of Ljubljanska borza vrednostnih papirjev, d.d., (the Ljubljana Stock Exchange), the company Gorenje, d.d., Partizanska 12, SI-3503, Velenje, is publishing

## NON-AUDITED FINANCIAL STATEMENTS OF THE GORENJE, D.D., FOR THE YEAR 2007

in accordance with the  
International Financial Accounting Standards (IFRS)

### ACHIEVED BUSINESS OBJECTIVES

In the opinion of the Management Board of Gorenje, d.d., despite unfavourable economic conditions in the 2007 financial year the Gorenje, d.d., 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

in EUR million	2007	Plan 2007	2006	2007/Pl.2007	2007/2006
Revenue	831.3	842.3	731.8	98.7	113.6
Gross Operating Yield	847.7	852.8	742.0	99.4	114.2
EBITDA	53.7	58.6	50.1	91.6	107.2
Profit before tax (PBT)	15.3	19.3	13.5	79.3	113.4
Net Profit	13.2	15.4	12.1	85.7	109.1
Average Number of Employees	5,593	5,575	5,591	100.3	100.0

#### Revenue

The achieved growth of revenue is in comparison with the year 2006 exceeded by 13.6 % to EUR 831.3 million and, to a large extent, a result of more favourable pricing of products, goods and services sold, and a favourable geographic sales structure.

#### EBITDA

Earnings before interest, tax, and amortization are higher than in 2006 for 7.2 %. EBITDA growth was due to the increase of costs of raw materials slower than of the growth of business activities.

#### Profit before tax (PBT)

The increase in PBT by 13.4 % is connected with the slower dynamics of business activities in comparison with the raw material costs growth by 0.5-percentage points.

#### Net profit

In spite of the increase in income tax actually charged in comparison with the previous year, net profit for the accounting period exceeded by 9.1 %.

In accordance with Corporation Act about the usage of the net profit, the Management Board earmark EUR 1,321 thousand net profit 2007 for the formation of the statutory reserves and EUR 5,946 thousand for the formation of other reserves from profit. **Distributable net profit** amounted to EUR 15,559 thousand. Net profit allocations are of course subject to the approval of the Supervisory Board in the course of approving the Annual Report of the Company.

## **BUSINESS** ENVIRONMENT

In accordance with achieved results will Gorenje, d.d., finish the business year 2007 with good results. The major planned targets will be reached and by the revenue and by the profit before tax also two-digit growth in comparison with the year 2006.

**The Household appliances division** was in the year 2007 under strong pressure by **the high price level of commodities and raw materials**, which are above second half 2006 price level. Direct negative impact of higher prices amounted to more than EUR 10 million, and that means that the profitability of the Gorenje Group could be much better, if the prices staid on the year 2006 level and above the planed objectives.

In the majority, for sales of household appliances important European markets, the **moderate growth of sales** was recorded. **The strongest growth in sales was recorded by the refrigerator and freezer program and by the cooking appliances**, while the sales of washing machines and dryers dropped. In spite of the growth, **supply, due to the overcapacity and entering of the new – price aggressive competitors, surpassed the demand** of household appliances. The result of this was a **price pressure**. Additional price pressures were followed by the **concentration of the major retailers with the global brands**, which are present on the different markets.

The implementation of the **European directive on the recycling of electronic and electrical waste (WEEE)** has on some markets additional increased the producers costs, due to the obligation for the recycling and removal of old household appliances.

In such a circumstances **some of the European manufacturers from the industry, already making losses**. Gorenje Group has the major part of the negative impact within the household appliances division neutralized by:

- **Larger extent of business activities**, which is very important, due to the relatively large part of the fixed costs, what is characteristic of the white goods industry,
- **Development and introduction of the new products**, followed by improved sales structure and by increased stake of the appliances with higher margins,
- Continued **optimisation of the supply chain** and seeking alternative and/or new sources of global supply in Far East and in the countries of Eastern Europe and South Eastern Europe,
- **Development of all for home business activities** - complementary, supplementary and heating program (opening of the new production capacity for heating program in Stara Pazova, Serbia).

Partly we managed to neutralize the negative pressure also by the **increase of prices**. By such activities, due to the supply surplus in most of the markets, the selective accession to price increase is need it.

**Management of the inventory level, trade receivables and trade payables**, was also our focus. In the mid-year we started with the project of cutting down the current assets within the whole Group. Our attention was very much dedicated to the **control of the general business costs**.

## OWNERSHIP STRUCTURE AS AT 31 DECEMBER 2007

Number of shares held by ten major Shareholders increased in one year by 19%. The number of shares held by ten major Shareholders increased from 6,725,855 (31 Dec. 2006) to 8,008,356 shares or by 1,282,501 shares.

Shareholder / number of shares	31 December 2007	%
KAPITALSKA DRUŽBA, D.D.	3,534,615	25.1933%
GORENJE, D.D. – Own Shares	1,183,342	8.4344%
KD GALILEO	756,239	5.3902%
RAIFFEISEN ZENTRALBANK OESTERREICH AG	641,207	4.5703%
INGOR, D.O.O., & CO. K.D.	433,800	3.0919%
DELNIŠKI VZAJEMNI SKLAD TRIGLAV STEBER I	361,001	2.5731%
KD RASTKO	359,793	2.5645%
KD ID, DELNIŠKA ID, D.D.	310,858	2.2157%
PROBANKA D.D.	254,688	1.8153%
KRONA SENIOR, DELNIŠKA ID, D.D.	172,813	1.2317%
MAJOR SHAREHOLDERS – TOTAL:	8,008,356	57.0802%
OTHER SHAREHOLDERS:	6,021,644	42.9198%
TOTAL:	14,030,000	100%

### 15% CAPITAL INCREASE OF THE ISSUER GORENJE, D.D.

At the 10<sup>th</sup> Annual General Meeting (AGM) of Gorenje, d.d., held on 12 December 2006, the Management Board received the authority and power, subject to approval by the Supervisory Board, to increase the company's share capital by a maximum of 15 percent of the registered share capital as at the date of the resolution or by a maximum of SIT 1,830,000,000.00 (approved capital) by issuing up to 1,830,000 ordinary transferable registered shares with no par value, for investment in money.

On 9 November 2007 has Gorenje, d.d., based on the finished procedure of subscribed and paid new shares of Gorenje, d.d., received the resolution of the court register, Celje, No. Srg 2007/02253, dated on 7 November 2007. This resolution is relating to the registration of share capital changes from EUR 50,909,697.88 to EUR 58,546,152.56, No. of shares from 12,200,000 to 14,030,000 and changes of statute, related to above quoted changes.

### OWN SHARES OF THE ISSUER

The number of Own Shares was on 31 December 2007 unchanged, namely 1,183,342 or 8.4344 % of the Company equity.

### BOOK VALUE OF SHARES AND EARNINGS PER SHARE

Strong 59% growth of the GRVG uniform price ... Gorenje shares (GRVG) traded at the uniform price of EUR 42.42 on 31 December 2007, which is **72.4 %** above their **book value (EUR 24.60)**. The book value of a share is calculated as the ratio between the total company equity at 31 December 2007, and the number of shares issued minus the number of own shares (11,169,158) as 31 December 2007.

**Net profit per share**, calculated as the ratio between the net profit made in the accounting period and the number of shares issued minus the average number of own shares (12,846,658), amounted to **EUR 1.03** in 2007.

## SUPERVISORY BOARD OF THE ISSUER

Number of shares held by the members of Supervisory Board increased, due to their active part in the 15% capital increase.

	31 December	
Supervisory Board	14,146	0.1009%
Mr. Ivan Atelšek	9,497	0.0677%
Mr. Peter Kobal	1,355	0.0097%
Mr. Drago Krenker	920	0.0066%
Mr. Krešimir Martinjak	115	0.0007%
Mr. Jurij Slemenik	1,738	0.0124%
Mr. Jože Zagožen	466	0.0033%
Mr. Gregor Sluga	55	0.0004%

The number and percentage of shares owned by members of the Supervisory Board remained unchanged from 31 December 2007 to the date of this publication.

## MANAGEMENT BOARD OF THE ISSUER

Number of shares held by the members of Management Board increased, due to their active part in the 15% capital increase.

	31 December	
Management Board	13,230	0.0943%
Mr. Franc Bobinac	2,096	0.0149%
Mr. Drago Bahun	9,032	0.0644%
Mr. Franc Košec	1,380	0.0098%
Mrs. Mirjana Dimc Perko	96	0.0007%
Mr. Branko Apat	626	0.0045%

The Supervisory Board has accepted the proposal of the President of the Gorenje, d.d., Management Board Mr. Franjo Bobinac, about the enlargement of the Management Board with two new members. For the member of the Management Board, responsible for the sales and marketing, was appointed Mr. Uroš Marolt and for the member of the Management Board, responsible for the complementary programs, purchasing and logistics Mr. Branko Apat. New Board members' will begin their mandate on September 17<sup>th</sup> 2007.

The Supervisory Board has accepted the proposal, that the present Management Board, together with the two new members will managing the company Gorenje, d.d., also in a term of 2008 till 2013. The Supervisory Board has in accordance with the Paragraph 1, Article 268, ZGD-1, appointed the Management for the term from 18 July 2008 till 18 July 2013, as follows: Mr. Franjo Bobinac, President; Mrs. Mirjana Dimc Perko, Member of the Management Board, responsible for the economics and finance; Mr. Franc Košec, Member of the Management Board, responsible for

the development and quality; Mr. Uroš Marolt, Member of the Management Board, responsible for sales and marketing; Mr. Branko Apat, Member of the Management Board, responsible for complementary programs, purchase and logistics and Mr. Drago Bahun, Member of the Management Board, responsible for organization and human resources.

The number and percentage of shares owned by members of the Management Board remained unchanged from 31 December 2007 to the date of this publication.

**FINANCIAL STATEMENTS** IN ACCORDANCE WITH THE IFRS

NON-AUDITED BALANCE SHEET OF GORENJE, D.D.

	in EUR thousand	31 December 2007	31 December 2006
	<b>ASSETS</b>	<b>675,303</b>	<b>629,431</b>
<b>A.</b>	<b>Non-current assets</b>	<b>340,858</b>	<b>318,710</b>
I.	Intangible assets	18,243	17,350
II.	Property, plant and equipment (PPE)	189,392	193,910
III.	Investment property	2,698	614
IV.	Investments into subsidiaries	113,862	89,679
V.	Investments into associated companies	0	5,621
VI.	Other investments	12,207	6,274
VII.	Deferred tax assets	4,456	5,262
<b>B.</b>	<b>Current assets</b>	<b>334,445</b>	<b>310,721</b>
I.	Non-current assets for sales	0	93
II.	Inventories	93,869	88,328
III.	Other investments	26,150	13,981
IV.	Trade receivables	200,671	194,420
V.	Other current assets	13,724	13,205
VI.	Income tax receivables	0	166
VII.	Cash and cash equivalents	31	528
	<b>EQUITY AND LIABILITIES</b>	<b>675,303</b>	<b>629,431</b>
<b>A.</b>	<b>Total equity</b>	<b>274,785</b>	<b>209,230</b>
I.	Shares	58,546	50,910
II.	Share premium	125,851	78,587
III.	Legal and statutory reserves	45,034	43,713
IV.	Retained earnings	64,660	57,724
V.	Fair value reserve	8,387	5,989
VI.	Own shares	-27,693	-27,693
<b>B.</b>	<b>Non-current liabilities</b>	<b>138,724</b>	<b>138,040</b>
I.	Provisions	26,212	26,661
II.	Deferred tax liabilities	1,886	1,062
III.	Loans and borrowings	110,626	110,317
<b>C.</b>	<b>Current liabilities</b>	<b>261,794</b>	<b>282,161</b>
I.	Short-term borrowings	62,149	75,478
II.	Trade liabilities	177,265	190,882
III.	Other liabilities	22,117	15,801
IV.	Income tax liabilities	263	0

NON-AUDITED PROFIT AND LOSS STATEMENT OF GORENJE, D.D.

	in EUR thousand	2007	2006
1.	<b>Revenue</b>	<b>831,273</b>	<b>731,761</b>
2.	Changes in inventories	4,988	2,846
3.	Other operating income	11,470	7,420
4.	<b>Gross operating yield</b>	<b>847,731</b>	<b>742,027</b>
5.	Cost of goods, materials and services	-681,699	-583,608
6.	Personnel expenses	-107,623	-104,095
7.	Depreciation and amortization expense	-33,991	-33,768
8.	Other operating expenses	-4,685	-4,250
9.	<b>Operating profit</b>	<b>19,733</b>	<b>16,306</b>
10.	Financial income	13,321	9,716
11.	Financial expenses	-17,715	-12,483
12.	Net financial expenses	-4,394	-2,767
13.	<b>Profit before tax</b>	<b>15,339</b>	<b>13,539</b>
14.	Income tax expense	-2,127	-1,426
15.	<b>Net profit for the year</b>	<b>13,212</b>	<b>12,113</b>

NON-AUDITED CASH FLOW STATEMENT OF GORENJE, D.D.

	in EUR thousand	2007	2006
<b>A.</b>	<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
	Net profit	13,212	12,113
	Adjustments for:		
	Depreciation of PPE	31,083	31,392
	Depreciation of intangible assets	2,908	2,376
	Foreign currency translation loss	6,010	3,703
	Investments income	-13,321	-9,716
	Financial expenses	11,705	8,780
	Revenues from sales of PPE	-1,199	-2,017
	Outcome tax expense	2,127	1,426
	<b>Operating profit before changes in net working capital and provisions</b>	<b>52,525</b>	<b>48,057</b>
	Increase in trade and other receivables	-5,798	-42,945
	Increase in inventories	-5,448	-13,002
	Decrease in provisions	-449	-396
	Increase in trade and other liabilities	0	29,218
	Decrease in trade and other liabilities	-6,215	0
	<b>Cash generated from the operations</b>	<b>-17,910</b>	<b>-27,125</b>
	Interest paid	-12,725	-10,213
	Income taxes paid	-1,346	-3,162
	Profit from subsidiary liquidation	0	1,243
	<b>Net cash from operating activities</b>	<b>20,544</b>	<b>8,800</b>
<b>B.</b>	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
	Proceeds from sales of plant and equipment	4,316	4,822
	Interest received	3,809	3,762
	Dividends received	2,673	1,753
	Disposal of subsidiary, net of cash disposed of	2,032	0
	Acquisition of subsidiary, net of cash acquired	-18,890	-9,927
	Acquisition of property, plant and equipment	-32,089	-26,014
	Other investments	-16,186	3,893
	Acquisition of intangible assets	-3,852	-2,989
	<b>Net cash from investing activities</b>	<b>-58,187</b>	<b>-24,700</b>
<b>C.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
	Capital increase	54,900	0
	Repurchase of own shares	0	-12,437
	Borrowings	-13,018	33,517
	Dividends and remunerations paid	-4,736	-4,694
	<b>Net cash from financing activities</b>	<b>37,146</b>	<b>16,386</b>
	Net increase in cash and cash equivalents	-497	486
	Cash and cash equivalents at 1 January	528	42
	Cash and cash equivalents at 31 December	31	528



NON-AUDITED STATEMENT OF CHANGES IN EQUITY OF GORENJE, D.D.

in EUR thousand	Share Capital	Share Premium	Legal and statutory reserves	Retained Earnings	Own shares	Fair value reserve	Total
<b>Balance at 1 January 2007</b>	50,910	78,587	43,713	57,724	-27,693	5,989	209,230
Net profit for the year				13,212			13,212
Capital increase	7,636	47,264					54,900
Change in fair value of investments AFS						3,222	3,222
Liabilities for deferred tax				-219		-824	-1,043
Formation of statutory reserves			1,321	-1,321			0
Dividend payout				-4,628			-4,628
Payout of remunerations to the Supervisory Board, in accordance to the AGM resolution				-108			-108
<b>Balance at 31 December 2007</b>	<b>58,546</b>	<b>125,851</b>	<b>45,034</b>	<b>64,660</b>	<b>-27,693</b>	<b>8,387</b>	<b>274,785</b>

in EUR thousand	Share Capital	Share Premium	Legal and statutory reserves	Retained Earnings	Own shares	Fair value reserve	Total
<b>Balance at 1 January 2006</b>	50,910	78,587	31,276	62,742	-15,256	2,243	210,502
Net profit for the year				12,113			12,113
Change in fair value of investments AFS						4,808	4,808
Liabilities for deferred tax						-1,062	-1,062
Formation reserves for own shares			12,437	-12,437			0
Dividend payout				-4,694			-4,694
Increase of own shares					-12,437		-12,437
<b>Balance at 31 December 2006</b>	<b>50,910</b>	<b>78,587</b>	<b>43,713</b>	<b>57,724</b>	<b>-27,693</b>	<b>5,989</b>	<b>209,230</b>

## IMPORTANT NOTES TO THE STATEMENTS

### PRINCIPLES APPLIED IN THE PREPARATION OF FINANCIAL STATEMENTS

The non-audited financial statements of the company Gorenje, d.d., for the year 2007 have been prepared in accordance with the provisions of the Corporations Act and the International Financial Reporting Standards (IFRS). For comparison purposes, all equivalent financial statements of Gorenje, d.d., for the period January – December 2006 and as at 31 December 2006 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., are the operations of its subsidiary Gorenje Indop, d.o.o.

Comparable data's for the year 2006 were recalculated from SIT to EUR, in accordance with instruction of the Slovenian Institute of Auditing – the official exchange rate Bank of Slovenia at the end of the comparable period (SIT 239.64).

### MAJOR EVENTS FOLLOWING THE BALANCE SHEET DATE

Major events following the Balance Sheet date 31 December 2007 will be as follows:

- On 15 January 2008, Gorenje, d.d., and Publicus, d.o.o., signed a letter of intent on the acquisition of a 51-percent share of the company Publicus.
- Slovenian companies Gorenje, Trimo, Riko and Pristop established on 5 February 2008 at the Founding General Assembly a new company, Gorenje design studio, d. o. o. Gorenje will hold in the new company 52-percent ownership share, the other partners 16- percent each.
- Company Gorenje, d.d., established on 16 January 2008 the company GORES, d.o.o., for the management of the real estate.
- On 16 January 2008 the company GORENJE PROJEKT, inženiring, d.o.o., was established, which 100 % owner is the company Gorenje, d.d.

Gorenje, d.d.  
The Management Board

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