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NON-AUDITED FINANCIAL STATEMENTS OF THE GORENJE, D.D., FOR THE YEAR 2008

in accordance with the
International Financial Accounting Standards (IFRS)

ACHIEVED BUSINESS OBJECTIVES

Summary of Business Performance in Figures

in EUR million	2008	Plan 2008	2007	2008/PI.2008	2008/2007
Revenue	764.1	868.6	831.3	88.0	92.0
Gross Operating Yield	777.3	878.7	847.7	88.5	91.7
EBITDA	49.7	59.0	54.3	84.3	91.6
EBIT	14.1	22.4	20.3	63.0	69.6
Profit before tax (PBT)	11.9	16.6	15.3	71.7	77.8
Net Profit	12.0	14.6	13.2	82.2	90.9
Average Number of Employees	5,421	5,480	5,593	99.0	97.0

Revenue

The decreased volume of business activities is a result of non-reached November and December sales of household appliances in the year 2008.

EBIT and EBITDA

Are lower in the comparison with the year 2007 due to the weaker business activities volume and sales structure, what had the impact on the worsening of the business performance.

Profit before tax (PBT)

Is in the nominal number lower than of the 2007, but due to the favourable net financial result in relative, in relation to the revenue, is more close to the year 2007.

Net profit

Is in spite of above described reasons and lower income tax actually charged on the level of PBT and due to these preserve the relation, described already for the PBT.

In accordance with Corporation Act about the usage of the net profit, the Management Board earmark EUR 122 thousand net profit for the year 2008 for the formation of the own shares, EUR 1,186 thousand for the formation of the statutory reserves and EUR 5,337 thousand for the formation of other reserves from the profit. **Non-audited distributable net profit** for the year 2008 amounted to EUR 35,063 thousand. The final proposal of the 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 THE YEAR 2008

The business environment in the year 2008 was in the circumstances of **global financial crisis**, which has particularly **in the second half of the last quarter 2008 significantly influenced the cut out of the orders**, very **aggravating**. Specially the cut out or reduction of the major number of orders in November and in December regards to the planned volume has caused, that the estimation of the net profit was changing till the year end, and because of these **the net profit for the year 2008 deviates from the planned goals**.

BUSINESS CLIMATE IN THE LAST QUARTER OF 2008

The nine months results of the listed peer companies, have already shown the signs of worsening of the business performance, while **Gorenje Group has concluded the performance for the first three quarters of 2008 successful and in the line with the planed goals**.

The fact is that the **Home appliances division** was already affected by the recession in the third quarter, namely in some **Western European markets** (Spain, Denmark, Norway, Finland, France), but we were able to compensate these effects on the Eastern European markets. **In the last weeks of the year 2008 has been the circumstances of the crisis and of the recession fully transferred** also in some, for Gorenje very important, **East European markets** (Ukraine, Croatia, partly Russia, Czech Republic).

Additional has the crisis caused the **cancellations of consumer financing from the financial institutions side**. These was also the cause of **limitation of financing of the major retailer partners of Gorenje** in the markets of the Eastern Europe, and they consecutive started with the optimizing of the working capital, what has been reflected by the **orders called offs**. In the solving of these situation **the governments in several countries** are involved, but with not a great success in view of **huge liquidity shortage** on the market.

Beside the worsening of the **liquidity** by the several economic entities are the effects of the financial crisis reflecting on the oscillations of the exchange rates by some East European currencies (Serbian Dinar, Croatian Kuna, Czech Koruna, Polish Zloty, Hungarian Forint), and these had an extra impact on the business performance.

Due to the **production over capacities** in the white goods industry and due to the **entering of the new – price aggressive competitors** is the Home appliances division under much more stronger **pressure of further price decreasing**. **The prices of raw materials** are still very unknown, but we were able to dam them in the first nine months 2008 (strategic and term purchase of raw materials). **The trends on the commodity markets** and the outlooks for the year 2009 are pointing out **the price decrease of the raw materials**, that will in some extent **neutralize the difficulties** from previous stated factors.

The effects of the global financial crisis also reflected on the worsening of the business conditions in the **Home interior and Ecology, Energy and Services division**. On the business area of the **ecology the orders for the disposal of the steel waste from the steel plant, ironworks and smelting-plant almost stopped**. In the same way also the steel prices on the metal exchange changed very much, and these was also additional impact on the worsening of the estimated results till the end of the year 2008.

The negative impacts of the last quarter 2008 are deepening into the first quarter of the year 2009 and they are also showing the same trend for the rest of the year.

OWNERSHIP STRUCTURE AS AT 31 DECEMBER 2008

Number of shares held by ten major Shareholders increased in one year by 2%. The number of shares held by ten major Shareholders increased from 8,008,356 to 8,117,020 shares or by 168,664 shares.

Shareholder / number of shares	31 December 2008	%
KAPITALSKA DRUŽBA, D.D.	3,534,615	25.1933%
HOME PRODUCTS EUROPE B.V.	1,070,000	7.6265%
INGOR, d.o.o., & co. k.d.	782,056	5.5742%
KD GALILEO, MUTUAL FUND	564,984	4.0270%
RAIFFEISEN ZENTRALBANK OESTERREICH AG	523,199	3.7291%
PROBANKA d.d.	412,276	2.9385%
EECF AG	406,727	2.8990%
KD ID, delniška ID, d.d.	333,957	2.3803%
DELNIŠKI VZAJEMNI SKLAD TRIGLAV STEBER I	316,613	2.2567%
KD RASTKO, DELNIŠKI VZAJEMNI SKLAD	232,593	1.6578%
MAJOR SHAREHOLDERS – TOTAL:	8,177,020	58.2824%
OTHER SHAREHOLDERS:	5,852,980	41.7176%
TOTAL:	14,030,000	100%

OWN SHARES OF THE ISSUER

The number of Own Shares was on 31 December 2008 121,311 own shares or 0.8647% of the Company equity.

BOOK VALUE OF SHARES AND EARNINGS PER SHARE

For the uniform price of the shares in the year 2008 very strong drop of the market prices was notified. Gorenje shares (GRVG) traded at the uniform price of EUR 10.51 on 31 December 2008, and is in comparison to the 2007 (EUR 42.42) lower by 75%, what is by **53.2%** below their **book value at 31 December 2008 EUR 22.47**. The book value of a share is calculated as the ratio between the total company equity at 31 December 2008, and the number of shares issued minus the number of own shares (13,908,689) as 31 December 2008.

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 (13,469,497), amounted to **EUR 0.89** in 2008.

SUPERVISORY BOARD OF THE ISSUER

Number of shares held by the members of Supervisory Board is unchanged:

	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	0.0008%
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 2008 to the date of this publication.

MANAGEMENT BOARD OF THE ISSUER

Number of shares held by the members of Supervisory Board is unchanged:

	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 Management Board appointed the five years term of office on 18 July 2008, except of Mr. Philip Alexander Sluiter, who was appointed on 26 August 2008. The Management Board was in the period since 18 July 2008 active, as follows: Mr. Franjo Bobinac, Mr. Franc Košec and Mr. Drago Bahun, who started the previous term of office on 18 July 2003, Mrs. Mirjana Dimc Perko, who started the term of office on 1 January 2006, and Mr. Uroš Marolt and Mr. Branko Apat, who started the term of office on 17 September 2007.

The number and percentage of shares owned by members of the Supervisory Board remained unchanged from 31 December 2008 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 2008	31 December 2007
	ASSETS	873,840	676,985
A.	Non-current assets	493,464	340,858
I.	Intangible assets	17,440	18,243
II.	Property, plant and equipment (PPE)	195,692	189,392
III.	Investment property	4,462	2,698
IV.	Investments into subsidiaries	258,830	113,862
V.	Investments into associated companies	7	0
VI.	Other investments	11,762	12,207
VII.	Deferred tax assets	5,271	4,456
B.	Current assets	380,376	336,127
I.	Inventories	105,948	93,869
II.	Other investments	82,494	28,123
III.	Trade receivables	172,327	200,671
IV.	Other current assets	18,808	13,433
V.	Income tax receivables	725	0
VI.	Cash and cash equivalents	74	31
	EQUITY AND LIABILITIES	873,840	676,985
A.	Total equity	312,566	274,785
I.	Shares	58,546	58,546
II.	Share premium	140,624	125,851
III.	Legal and statutory reserves	21,697	45,034
IV.	Retained earnings	94,059	64,660
V.	Own shares	-3,170	-27,693
VI.	Fair value reserve	810	8,387
B.	Non-current liabilities	221,990	138,724
I.	Provisions	24,187	26,212
II.	Deferred tax liabilities	2,087	1,886
III.	Loans and borrowings	195,716	110,626
C.	Current liabilities	339,284	263,476
I.	Short-term borrowings	162,727	63,831
II.	Trade liabilities	160,691	177,265
III.	Other liabilities	15,866	22,117
IV.	Income tax liabilities	0	263

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

	in EUR thousand	2008	2007
1.	Revenue	764,106	831,273
2.	Changes in inventories	2,043	4,988
3.	Other operating income	11,196	11,470
4.	Gross operating yield	777,345	847,731
5.	Cost of goods, materials and services	-613,986	-681,699
6.	Personnel expenses	-110,305	-107,623
7.	Depreciation and amortization expense	-35,605	-33,991
8.	Other operating expenses	-3,355	-4,154
9.	Operating profit	14,094	20,264
10.	Financial income	20,868	11,225
11.	Financial expenses	-23,078	-16,150
12.	Net financial expenses	-2,210	-4,925
13.	Profit before tax	11,884	15,339
14.	Income tax expense	88	-2,127
15.	Net profit for the year	11,972	13,212

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

	in EUR thousand	2008	2007
A.	CASH FLOWS FROM OPERATING ACTIVITIES		
	Net profit	11,972	13,212
	Adjustments for:		
	Depreciation of PPE	31,773	31,083
	Depreciation of intangible assets	3,832	2,908
	Investments income	-20,868	-11,225
	Financial expenses	23,078	16,150
	Revenues from sales of PPE	-601	-1,199
	Outcome tax expense	-88	2,127
	Operating profit before changes in net working capital and provisions	49,098	53,056
	Increase in trade and other receivables	21,428	-5,798
	Increase in inventories	-12,079	-5,448
	Decrease in provisions	-2,025	-449
	Decrease in trade and other liabilities	-22,885	-6,215
	Cash generated from the operations	-15,561	-17,910
	Interest paid	-17,279	-13,256
	Income taxes paid	-1,540	-1,346
	Income from compensations	2,198	0
	Net cash from operating activities	16,916	20,544
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
	Proceeds from sales of plant and equipment	1,946	4,316
	Interest received	1,524	3,809
	Dividends received	7,443	2,673
	Disposal of subsidiary, net of cash disposed of	0	2,032
	Acquisition of subsidiary, net of cash acquired	-107,483	-18,890
	Acquisition of property, plant and equipment	-33,196	-32,089
	Other investments	-52,521	-16,186
	Acquisition of intangible assets	-3,035	-3,852
	Net cash from investing activities	-185,322	-58,187
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
	Capital increase	0	54,900
	Repurchase of own shares and stakes	-112	0
	Borrowings	174,471	-13,018
	Dividends and remunerations paid	-5,910	-4,736
	Net cash from financing activities	168,449	37,146
	Net increase in cash and cash equivalents	43	-497
	Cash and cash equivalents at 1 January	31	528
	Cash and cash equivalents at 31 December	74	31

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
Balance at 1 January 2008	58,546	125,851	45,034	64,660	-27,693	8,387	274,785
Reserve for fair value of investments AFS						-6,171	-6,171
Reserve for fair value of land						7,454	7,454
Reserve for fair value of protecting cash flow						-8,660	-8,660
Liabilities for deferred tax						-200	-200
Total revenue and expenses direct in equity						-7,577	-7,577
Net profit for the year				11,972			11,972
Total revenue and expenses				11,972		-7,577	4,395
Formation of own shares reserves			112	-112	-112		-112
Formation of statutory reserves			1,186	-1,186			0
Dividend payout				-5,781			-5,781
Payout of remunerations to the Supervisory Board, in accordance to the AGM resolution				-129			-129
Disposal of own shares		14,773			24,635		39,408
Reserves of own shares loosening			-24,635	24,635			0
Balance at 31 December 2008	58,546	140,624	21,697	94,059	-3,170	810	312,566

in EUR thousand	Share Capital	Share Premium	Legal and statutory reserves	Retained Earnings	Own shares	Fair value reserve	Total
Balance at 1 January 2007	50,910	78,587	43,713	57,724	-27,693	5,989	209,230
Reserve for fair value of investments AFS						3,889	3,889
Reserve for fair value of protecting cash flow						-667	-667
Liabilities for deferred tax				-219		-824	-1,043
Total revenue and expenses direct in equity				-219		2,398	2,179
Net profit for the year				13,212			13,212
Total revenue and expenses				12,993		2,398	15,391
Capital increase	7,636	47,264					54,900
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
Balance at 31 December 2007	58,546	125,851	45,034	64,660	-27,693	8,387	274,785

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 2008 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.

MAJOR EVENTS FOLLOWING THE BALANCE SHEET DATE

There were no major events following the Balance Sheet date 31 December 2008.

Gorenje, d.d.
The Management Board

For any further information's, please contact:

Gorenje, d.d.
Investor Relations
Mrs. Bojana Rojc, IRO
Partizanska 12
SI-3503 Velenje, Slovenia
Telephone: +386 3 899 1345
Facsimile: +386 3 899 2527