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NON-AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GORENJE GROUP FOR THE YEAR 2008

in accordance with the

International Financial Accounting Standards (IFRS)

ACHIEVED BUSINESS OBJECTIVES

In the opinion of the Management Board of Gorenje, d.d., despite very difficult economic conditions, especially in the last quarter, which was historically one of the hardest, the Group continued to increase revenue and EBITDA. The smaller growth of the volume of business operations and the smaller production utilization caused lower profit as from the year before, as regards the level of performance as level of the net profit.

Summary of Business Performance in Figures

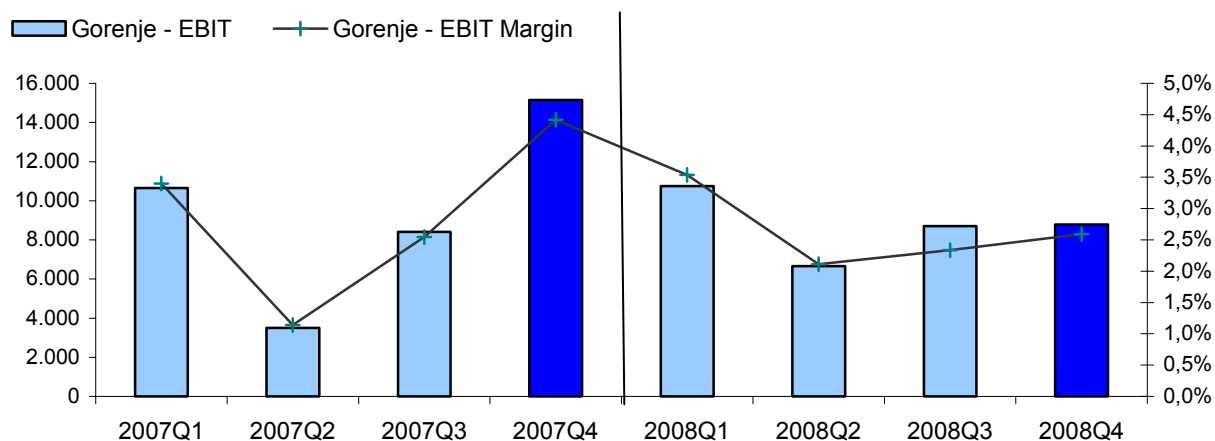
in EUR million	2008	Plan 2008	2007	2008/ Plan 2008	2008/2007
Revenue	1,330.8	1,300.4	1,293.4	102.3	102.9
Gross Operating Yield	1,367.5	1,319.4	1,324.0	103.6	103.3
EBITDA	94.0	100.7	92.9	93.3	101.2
EBIT	36.9	45.2	39.6	81.6	93.2
Profit before tax (PBT)	15.5	31.5	29.4	49.2	52.7
Net Profit	10.2	26.5	23.7	38.5	43.0
Average Number of Employees	11,410	11,522	11,456	99.0	99.6

Consolidated Revenue

In 2008, the Gorenje Group achieved, in spite of very difficult business conditions, a growth in business operations, which was contributed also by in June acquired company Atag (volume of sales has since the month of acquisition amounted to EUR 72.7 million). The increase of the revenue was also achieved by the growth of the operations of the ecology, energy and services division, while the business operations of home appliances and home interior division were below the comparable level. The main reason is in the impact of the financial crises and the recession on the sales volume in the last quarter 2008.

EBIT and EBITDA

Earnings before interest, tax and amortization increased by 1.2% compared to 2007, which benefits from the slower increase of the costs of goods, materials and services that revenues, as a result of sales assortments, new lower-priced sources of components supply and commodities hedge. The stronger negative impact has the labour costs (regards to the labour legislation) and the amortization. The very positive impact on the EBIT of the Gorenje Group had the acquired company.



Profit before tax (PBT)

reached 52.7% of the 2007. Due to the negative impact of net financial revenue/expense increase, the PBT was not in line with the EBITDA growth. To the higher negative net financial revenue/expense contributed the weakening of the financial investments in accordance to the IFRS, increased interest outcomes, due to the growth of the reference interest rates during the first 10 months of the year and the higher level of debt. Due to the devaluation of the EE currencies compared to the euro, was the net financial result affected also by the exchange rate differences from the receivables and debt translation.

Net profit

On account of faster growth of tax rate on profit, the net profit reached decrease of 57%, compared to the year 2007.

The reached net profit is also lower by EUR 7.6 million from the estimated one at the beginning of the November last year, published together with the plan 2009. Important part of the difference is a result of the impact of the global financial and economy crises in the last two months of the year 2008, which in some subsidiaries, active in the area of Western and Southern Eastern Europe, caused weaker performance (net effect amounted to EUR 3.4 million). On the lower level of the Group business performance has an important impact also the increased net financial result of the last quarter, due to the weakening of the financial investments, negative exchange rate differences, and with these worsening the net profit by the net effect of EUR 4.2 million.

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.

FINANCIAL STATEMENTS IN ACCORDANCE WITH THE IFRS

NON-AUDITED CONSOLIDATED BALANCE SHEET OF THE GORENJE GROUP

	in EUR thousand	31 December 2008	31 December 2007
	ASSETS	1,263,098	1,001,396
A.	Non-current assets	614,540	448,694
I.	Intangible assets	162,986	25,094
II.	Property, plant and equipment (PPE)	414,369	384,791
III.	Investment property	7,239	10,174
IV.	Other investments	19,669	19,217
V.	Investments in associated companies	0	12
VI.	Deferred tax assets	10,277	9,406
B.	Current assets	648,558	552,702
I.	Non-current assets for sales	955	1,062
II.	Inventories	253,004	217,471
III.	Other investments	57,522	27,057
IV.	Trade receivables	265,817	258,535
V.	Other assets	43,866	28,565
VI.	Income tax receivables	3,279	2,328
VII.	Cash and cash equivalents	24,115	17,684
	EQUITY AND LIABILITIES	1,263,098	1,001,396
A.	Total equity	396,088	350,985
I.	Shares	58,546	58,546
II.	Share premium	158,487	143,714
III.	Legal and statutory reserves	21,697	45,034
IV.	Retained earnings	110,324	84,025
V.	Own shares	-3,170	-27,693
VI.	Fair value reserve	20,039	14,541
VII.	Translation reserve	16,922	21,960
A1.	Equity attributable to equity holders of the Company	382,845	340,127
A2.	Minority interest	13,243	10,858
B.	Non-current liabilities	294,893	208,683
I.	Provisions	55,366	51,653
II.	Deferred government grant	8,936	8,717
III.	Deferred tax liabilities	6,472	3,211
IV.	Loans and borrowings	224,119	145,102
C.	Current liabilities	572,117	441,728
I.	Short-term borrowings	263,676	168,021
II.	Trade liabilities	227,460	220,261
III.	Other current liabilities	79,164	51,546
IV.	Income tax liabilities	1,817	1,900

NON-AUDITED CONSOLIDATED PROFIT AND LOSS STATEMENT OF THE GORENJE GROUP

	in EUR thousand	2008	2007
1.	Revenue	1,330,753	1,293,438
2.	Changes in inventories	10,362	5,170
3.	Other operating income	26,341	25,365
4.	Gross operating yield	1,367,456	1,323,973
5.	Cost of goods, materials and services	-1,027,908	-1,004,764
6.	Personnel expenses	-226,487	-208,553
7.	Depreciation and amortization expense	-57,121	-53,211
8.	Other operating expenses	-19,047	-17,799
9.	Operating profit	36,893	39,646
10.	Financial revenues from associated companies stakes	0	8
11.	Financial income	15,497	18,058
12.	Financial expenses	-36,917	-28,312
13.	Net financial expenses	-21,420	-10,254
14.	Profit before tax	15,473	29,400
15.	Income tax expense	-5,292	-5,736
16.	Net profit for the year	10,181	23,664
17.	Minority interest	1,309	992
18.	Equity holders of the Company	8,872	22,672
19.	Basic/diluted earnings per share (in EUR)	0.66	2.03

NON-AUDITED CONSOLIDATED CASH FLOW STATEMENT OF THE GORENJE GROUP

	in EUR thousand	2008	2007
A.	CASH FLOWS FROM OPERATING ACTIVITIES		
	Net profit for the year	10,181	23,664
	Adjustments for:		
	Depreciation of PPE	51,900	49,788
	Depreciation of intangible assets	5,221	3,423
	Loss due to the weakening	0	711
	Investments income	-15,497	-18,058
	Financial expenses	36,917	24,899
	Impairment investment into associated companies	0	-8
	Revenues from sales of PPE	-1,811	-1,983
	Outcome tax expense	5,292	5,736
	Operating profit before changes in net working capital and provisions	92,203	88,172
	Change in trade and other receivables	-24,298	-14,847
	Change in inventories	-35,533	-24,769
	Change in provisions	3,932	4,009
	change in trade and other liabilities	37,995	-3,421
	Cash generated from the operations	-17,904	-39,028
	Interest paid	-32,487	-19,534
	Income taxes paid	-5,292	-5,338
	Income from compensations	3,200	1,850
	Net cash from operating activities	39,720	26,122
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
	Proceeds from sales of plant and equipment	2,398	4,502
	Proceeds from sales of investments	4,536	0
	Interest received	9,578	4,095
	Dividends received	1,048	1,701
	Disposal of subsidiary, net of cash disposed of	0	4,288
	Acquisition of subsidiary, net of cash acquired	-95,264	-6,109
	Acquisition of property, plant and equipment	-71,385	-69,428
	Other investments	-37,076	1,222
	Acquisition of intangible fixed assets	-5,369	-4,678
	Net cash from investing activities	-191,534	-64,407
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
	Capital increase	0	54,900
	Repurchase of own shares and stakes	-112	0
	Borrowings	164,267	-3,241
	Dividends and remunerations paid	-5,910	-4,736
	Net cash from financing activities	158,245	46,923
	Net increase in cash and cash equivalents	6,431	8,638
	Cash and cash equivalents at 1 January	17,684	9,046
	Cash and cash equivalents at 31 December	24,115	17,684

NON-AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE GORENJE GROUP

in EUR thousand	Share capital	Share premium	Legal and statutory reserves	Retained Earnings	Own shares	Translation Reserve	Fair value reserve	Total	Minority interest	Total equity
Balance at 1 January 2008	58,546	143,714	45,034	84,025	-27,693	14,541	21,960	340,127	10,858	350,985
Reserve for fair value of investments AFS							-6,171	-6,171		-6,171
Reserve for fair value of property							10,221	10,221		10,221
Reserve for fair value of protecting cash flow							-8,660	-8,660		-8,660
Translation reserve						5,498		5,498		5,498
Liabilities for deferred tax							-428	-428		-428
Total revenue and expenses direct in equity						5,498	-5,038	460		460
Net profit for the year				8,872				8,872	1,309	10,181
Total revenue and expenses				8,872		5,498	-5,038	9,332	1,309	10,641
Formation of own shares reserves			112	-112	-112			-112		-112
Formation of statutory reserves			1,186	-1,186				0		0
Dividend payout				-5,781				-5,781		-5,781
Payout of remunerations to the Supervisory Board, in accordance to the AGM resolution				-129				-129		-129
Disposal of own shares		14,773			24,635			39,408		39,408
Reserves of own shares loosening			-24,635	24,635				0		0
Increase in minority interest								0	1,076	1,076
Balance at 31 December 2008	58,546	158,487	21,697	110,324	-3,170	20,039	16,922	382,845	13,243	396,088

in EUR thousand	Share capital	Share premium	Legal and statutory reserves	Retained Earnings	Own shares	Translation Reserve	Fair value reserve	Total	Minority interest	Total equity
Balance at 1 January 2007	50,910	96,450	43,713	67,629	-27,693	15,556	7,619	254,184	249	254,433
Reserve for fair value of investments AFS							3,222	3,222		3,222
Reserve for fair value of land							10,797	10,797		10,797
Reserve for fair value of protecting cash flow										
Fair value reserve						-1,015		-1,015		-1,015
Liabilities for deferred tax				-219			322	103		103
Total revenue and expenses direct in equity				-219		-1,015	14,341	13,107		13,107
Net profit for the year				22,672				22,672	992	23,664
Total revenue and expenses				22,453		-1,015	14,341	35,779	992	36,771
Capital increase	7,636	47,264						54,900		54,900
Formation of statutory reserves			1,321	-1,321				0		0
Dividend payout				-4,627				-4,627		-4,627
Payout of remunerations to the Supervisory Board, in accordance to the AGM resolution				-109				-109		-109
Increase in minority interest								0	9,617	9,617
Balance at 31 December 2007	58,546	143,714	45,034	84,025	-27,693	14,541	21,960	340,127	10,858	350,985

IMPORTANT NOTES TO THE STATEMENTS

PRINCIPLES APPLIED IN THE PREPARATION OF FINANCIAL STATEMENTS

The non-audited consolidated financial statements of the Gorenje Group 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.

GORENJE GROUP STRUCTURE

The changes in the structure of the Gorenje Group in 2008 were 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.
- The company Istrabenz Gorenje, d.o.o., has on 31 March 2008 established the company Vitales Nova Gorica, d.o.o., with the core business trading with the biomass.
- On 22 April 2008 the agreement of the acquisition of the stake of the company Avtomatizacija, d.o.o., was signed. After the entering into the court register, the company changed the name into Istrabenz Gorenje Avtomatizacija, d.o.o., where the 100 % owner is the company Istrabenz Gorenje, d.o.o.
- On 25 April 2008, Gorenje, d.d., based on the contract acquired 26% stake of the company ECONO Projektiranje, d.o.o., from the company ERICo, d.o.o.
- On 2 May 2008 the company Gorenje, d.d., sold 100% stake in the company Gorenje Adria Nekretnine, d.o.o., to the company GORES, d.o.o.
- In accordance with the Shares Sale-Purchase Agreement, regarding the acquisition of a 100 percent ownership stake in the company ATAG Europe B.V, the Netherlands, which was concluded on 10 June 2008 with the company Home Products Europe B.V., has the company Gorenje, d.d., on 26 June 2008 paid the part of the purchase price by own shares. The company Gorenje, d.d., has in accordance with the stated agreement and in accordance with the resolution of the General Shareholder Meeting on 4 July 2005, in favour of the company Home Products Europe B.V., disposed 1,070,000 own shares with the trading code of stock exchange listing GRVG, at the price of EUR 36.83 per share, which represents 6-months average of the uniform price of the Gorenje, d.d., shares on the Ljubljana Stock Exchange, or 7.6265 % of all voting rights in the company Gorenje, d.d. Consolidation in the Gorenje Group from 1st of July 2008 onwards.
- Gorenje Notranja oprema has with the acquisition of the equity stake in the company Radolad from Kiev, Ukraine, and later on by the contract based agreement of the capital increase of this company, gained 70% ownership stake in the company, which was renamed into Gorenje kuhinje (Kitchen) Kiev, Ukraine.

- The company Istrabenz Gorenje, d.o.o. has based on the payment in cash into the company ING Projekt, d.o.o., and after the entering into the court register, in Ljubljana, No.Srg 2008/24505 on the 3 July 2008, acquired 50% stake in the company. With these the company changed the name into ISTRABENZ GORENJE PROJEKT, svetovanje, projektiranje, inženiring, d.o.o.
- On 22 July 2008 the procedure of registration of the company Gorenje Kazakhstan TOO, was finished. The company is in 100% ownership of the company Gorenje Beteiligungsgesellschaft mbH.
- In accordance with the supervisory committee resolution on 16 July 2008, has the group Istrabenz Gorenje been enlarged by the company BPC, d.o.o.
- Based on the contract of sales of the business stake in the company GORES, d.o.o., which was signed on 22 August 2008, has Gorenje, d.d. sold 100% stake in the company. With these the company GORES, d.o.o. is not longer part of the Gorenje Group, and also not in the company Gorenje Imobilia d.o.o. and in the company Gorenje Adria Nekretnine.
- On 10 November 2008 the company Vitales Čakovec d.o.o., was established, and the 100% owner is Istrabenz Gorenje, d.o.o.
- On 10 November 2008 the company »Euro Lumi & Surovina« SH.P.K, Kosovo, was established and the owner 51% owner is Surovina, d.d., with the main business of waste recycling.
- On 17 November 2008 the company Vitales Energie Biomasse Italia S.R.L., Italy, was established, and the 51% owner is Istrabenz Gorenje.
- On 24 November 2008 was the company RVT, d.o.o., merged to the company Surovina, d.d.

In the consolidation 2008, the following companies were included, additional to the main company Gorenje, d.d.:

Companies, operating in Slovenia		Ownership share, %	Division
1.	Gorenje I.P.C., 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	EES
4.	Gorenje Notranja oprema, d.o.o., Velenje	99.89	HI
5.	Gorenje Gostinstvo, d.o.o., Velenje	100.00	EES
6.	LINEA SP, d.o.o., Velenje	100.00	EES
7.	Energygor, d.o.o., Velenje	100.00	EES
8.	Kemis d.o.o., Radomlje	100.00	EES
9.	Gorenje Orodjarna, d.o.o., Velenje	100.00	EES
10.	ZEOS, d.o.o., Ljubljana	51.00	EES
11.	Istrabenz Gorenje, d.o.o., Nova Gorica	49.344	EES
12.	GEN-I, d.o.o., Krško	24.67	EES
13.	Istrabenz investicijski inženiring, d.o.o., Nova Gorica	49.344	EES
14.	Surovina, d.d., Maribor	51.00	EES
15.	INDOP, d.o.o., Šoštanj	100.00	HA
16.	ERICO, d.o.o., Velenje	51.00	EES
17.	Istrabenz Gorenje inženiring, d.o.o., Ljubljana	49.344	EES
18.	GORENJE PROJEKT, d.o.o., Ljubljana	100.00	EES
19.	GORENJE DESIGN STUDIO, d.o.o., Velenje	52.00	HA
20.	Vitales Nova Gorica, d.o.o., Nova Gorica	49.344	EES
21.	PUBLICUS, d.o.o., Ljubljana	51.00	EES
22.	Istrabenz Gorenje avtomatizacija procesov, d.o.o., Kisovec	49.344	EES
23.	Istrabenz Gorenje Projekt, d.o.o., Trbovlje	24.67	EES

24.	BPC, d.o.o., Solkan	49.344	EES
Companies, operating outside Slovenia		Ownership share, %	Division
25.	Gorenje Beteiligungsgesellschaft m.b.H., Austria	100.00	HA
26.	Gorenje Austria Handelsgesellschaft m.b.H., Austria	100.00	HA
27.	Gorenje Vertriebsgesellschaft m.b.H., Germany	100.00	HA
28.	Gorenje Körting Italia S.r.l., Italy	100.00	HA
29.	Gorenje France S.A.S., France	100.00	HA
30.	Gorenje BELUX S.a.r.l., Belgium	100.00	HA
31.	Gorenje Espana, S.L., Spain	100.00	HA
32.	Gorenje UK Ltd., Great Britain	100.00	HA
33.	Gorenje Skandinavien A/S, Denmark	100.00	HA
34.	Gorenje AB, Sweden	100.00	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 spol. s r.o., Czech Republic	100.00	HA
40.	Gorenje real spol. s r.o., Czech Republic	100.00	HA
41.	Gorenje Slovakia s. r.o., Slovak Republic	100.00	HA
42.	Gorenje Budapest Kft., Hungary	100.00	HA
43.	Gorenje Polska Sp. z o.o., Poland	100.00	HA
44.	Gorenje Bulgaria EOOD, Bulgaria	100.00	HA
45.	Gorenje Zagreb, d.o.o., Croatia	100.00	HA
46.	Gorenje Skopje, d.o.o., Macedonia	100.00	HA
47.	Gorenje Commerce, d.o.o., Bosnia and Herzegovina	100.00	HA
48.	Gorenje, d.o.o., Serbia	100.00	HA
49.	Gorenje Podgorica, d.o.o., Montenegro	99.972	HA
50.	Gorenje Romania S.R.L., Romania	100.00	HA
51.	Gorenje aparati za domačinstvo, d.o.o., Serbia	100.00	HA
52.	Mora Moravia s r.o., Czech Republic	100.00	HA
53.	Gorenje - kuchyne spol. s r.o., Czech Republic	99.60	HI
54.	Kemis-Termoclean, d.o.o., Croatia	100.00	EES
55.	Kemis BiH, d.o.o., Bosnia and Herzegovina	100.00	EES
56.	Gorenje Invest, d.o.o., Serbia	100.00	HA
57.	Gorenje Gulf FZE, United Arab Emirates	100.00	HA
58.	Gorenje Tiki, d.o.o., Serbia	99.982	HA
59.	GEN-I, d.o.o., Croatia	24.67	EES
60.	Intrade energija, d.o.o., Bosnia and Herzegovina	25.17	EES
61.	Vitales, d.o.o., Nova Bila, Bosnia and Herzegovina	49.344	EES
62.	Gorenje Istanbul Ltd., Turkey	100.00	HA
63.	Sirovina, a.d., Serbia	51.00	EES
64.	Gorenje T.O.V, Ukraine	100.00	HA
65.	Vitales, d.o.o., Bihać, Bosnia and Herzegovina	24.67	EES
66.	GEN-I, d.o.o, Serbia	24.67	EES
67.	Vitales, d.o.o., Sokolac, Bosnia and Herzegovina	24.67	EES
68.	ST Bana Nekretnine, d.o.o., Serbia	100.00	EES

69.	GEN-I, Kft., Hungary	24.67	EES
70.	Kemis, d.o.o., Valjevo, Serbia	100.00	EES
71.	Kemis – SRS, d.o.o., Bosnia and Herzegovina	100.00	EES
72.	ATAG Europe BV, Nederland	100.00	HA
73.	ATAG Nederland BV, Nederland	100.00	HA
74.	ATAG België, Belgium	100.00	HA
75.	ATAG Financiële Diensten B.V., Nederland	100.00	HA
76.	ATAG Financial Sevicees B.V., Nederland	100.00	HA
77.	Intell Properties B.V., Nederland	100.00	HA
78.	ATAG Special Product B.V., Nederland	100.00	HA
79.	Gorenje Kazakhstan, TOO, Kazakhstan	100.00	HA
80.	Gorenje kuhinje, d.o.o., Ukraine	70.00	HI
81.	Vitales Energie Biomasse S.R.L., Italy	25.17	EES
82.	Vitales Čakovec d.o.o., Croatia	49.344	EES
83.	»Euro Lumi & Surovina« SH.P.K., Kosovo	26.01	EES

Division HA – Home Appliances Division

Division HI – Home Interior Division

Division EES – Ecology, Energy and Services Division

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; Shanghai, China; Almaty, Kazakhstan.

MAJOR EVENTS FOLLOWING THE BALANCE SHEET DATE

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

GORENJE GROUP PLAN FOR THE YEAR 2009

PRESUMPTIONS BY THE PREPARATION OF THE BUSINESS PLAN

In such a turbulent business conditions, followed by the strong negative **last weeks of the year 2008**, and partly already **known orders for the first three months of the year 2008**, we prepared various scenarios for the Business Plan 2009. In the same time we prepared different **activities**, to enable us to be **enough flexible**, to adapt the volume, cost structure and cash flow in the case of material important **oscillations of orders**.

COSTS OF BUSINESS OPERATION

In order to succeed and to assured the normal result by the lower sales in times of difficult conditions in the financial markets, we will carrying out several activities and measures.

The activities are containing several textual parts and they are relating to the **Cost management of:**

- **raw materials, which will be able to reach only with the favourable term purchase of raw materials and also by the further and faster development of the supply sources from**

Asia, from the other dollar based supply markets and from the SE European countries; certain positive impact on cost structure will be also the decrease of raw material prices on the world's markets;

- **services**, referring to the activities linked to the management of:
 - **costs of logistics**, will be in the major parts dependent on oil prices in the market and from the new negotiations with the performers of these kind of services,
 - **costs of marketing**, which will be limited only on activities of direct foster of sales,
 - **all general costs**, linked to the performing of administration activities;
- **work** – by better organization of work we will be able to reach higher productivity and flexibility, which will enable us within the frame of social agreement better adaptation of the labour costs regarding to the level of orders.

The Home appliances division, in spite of high share of the costs of raw materials, which are entire variable costs and they are presenting in the cost structure over 60 %, has a **very high stake of fixed costs**. And that's why is successful **adaptation of costs to the range of production and sales, of key importance** to achieve the planned profitability of division.

FREE CASH FLOW

Within the Gorenje Group at the same time with the costs optimization is also running several **projects**, which will enable faster **introduction of changes, process optimization, decrease of the working capital and complexity**. Outcomes of projects will be reflected in the planned **decrease of the working capital (inventories, receivables)**, what will contribute to the improvement of the free cash flow at least at the level of the planned net profit **and consecutive to the decrease of the financial liabilities level** of the Gorenje Group.

Gorenje has in the past years invested into development much more bigger portion of the revenue as competitors have, and due to this sharpened liquidity is able to make stronger reduction of investment cycle. Also the **investment policy** will be in the year 2009 **extra selective** and focused **exclusively in to the development of the new products and sales activities or just to those investments which are for the further development of the company the most need it**. The **planned share of the investments as % of the revenue** is lower than 3 %.

THE POSSIBILITY OF THE BUSINESS PLAN REVISION AFTER THE FIRST QUARTER

The year 2009 will be in many aspects **the turning year**, also from the point of view of **the annual planning**. The business plan for the year 2009 already includes defined decrease of the business activities volume and the fulfilment of some of the previous stated measures and in the case of further deepen of crisis, additional measures will be need it for achievement of the planned objectives.

It is a big possibility, that we will, due to the deepening of crisis circumstances, already accepted business plan revised after the first quarter.

In spite of presented business circumstances, we by Gorenje are prepared to accept new challenges, which the year 2009 is bringing and we believe that we will successfully managed the negative impacts of the crisis.

Gorenje, d.d.
The Management Board

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